



# CardinalHealth

## Cardinal Health Annual Report 2022

Form 10-K (NYSE:CAH)

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

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

For the fiscal year ended June 30, 2022

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

*(State or other jurisdiction of  
incorporation or organization)*

7000 Cardinal Place, Dublin, Ohio

*(Address of principal executive offices)*

31-0958666

*(IRS Employer  
Identification No.)*

43017

*(Zip Code)*

(614) 757-5000

*(Registrant's telephone number, including area code)*

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

<i>Title of each class</i>	<i>Trading Symbol(s)</i>	<i>Name of each exchange on which registered</i>
Common shares (without par value)	CAH	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 on December 31, 2021, was the following: \$4,223,756,327.

The number of the registrant's common shares, without par value, outstanding as of July 31, 2022, was the following 272,512,364.

**Documents Incorporated by Reference:**

Portions of the registrant's Definitive Proxy Statement to be filed for its 2022 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 2022 Form 10-K

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# Introduction

## References to Cardinal Health and Fiscal Years

As used in this report, "we," "our," "us," "Cardinal Health" and similar pronouns refer to Cardinal Health, Inc. and its majority-owned and consolidated subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2023, 2022, 2021, 2020, 2019 and 2018 are to the fiscal years ended June 30, 2023, 2022, 2021, 2020, 2019 and 2018, respectively. Except as otherwise specified, information in this report is provided as of June 30, 2022.

## Non-GAAP Financial Measures

In this report, including in the "Fiscal 2022 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.

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

Our MD&A within this Form 10-K generally discusses fiscal 2022 and fiscal 2021 items and year-to-year comparisons between fiscal 2022 and fiscal 2021. Fiscal 2020 items and discussions of year-to-year comparisons between fiscal 2021 and fiscal 2020 that are not included in this Form 10-K can be found in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 (the "Fiscal 2021 Form 10-K").

## 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 and Risk Factors, 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](http://www.cardinalhealth.com)), under the "Investor Relations — Financial Reporting — SEC Filings" caption, as soon as reasonably practicable after we electronically file them with, or furnish them to, the SEC. The SEC also maintains a website ([www.sec.gov](http://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

## About Cardinal Health

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Cardinal Health, Inc., an Ohio corporation formed in 1979, is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physician offices and patients in the home. We provide pharmaceuticals and medical products 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

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

### Medical Segment

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Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

# Consolidated Results

## Fiscal 2022 Overview

### Revenue

Revenue for fiscal 2022 was \$181.4 billion, a 12 percent increase from the prior year, primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which largely consisted of branded pharmaceutical sales to existing and net new customers.

### GAAP and Non-GAAP Operating Earnings/(Loss)

(in millions)	2022	2021	Change
<b>GAAP operating earnings/(loss)</b>	\$ (596)	\$ 472	<b>N.M.</b>
Surgical gown recall costs/(income)	1	(28)	
State opioid assessment related to prior fiscal years	—	38	
Restructuring and employee severance	101	114	
Amortization and other acquisition-related costs	324	451	
Impairments and (gain)/loss on disposal of assets	2,050	79	
Litigation (recoveries)/charges, net	109	1,129	
<b>Non-GAAP operating earnings</b>	\$ 1,990	\$ 2,255	<b>(12) %</b>

The sum of the components and certain computations may reflect rounding adjustments.

We had a GAAP operating loss of \$596 million during fiscal 2022 due to \$2.1 billion pre-tax non-cash goodwill impairment charges related to the Medical segment. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and [Note 4](#) of the "Notes to Consolidated Financial Statements" for additional detail. During fiscal 2021, we recognized pre-tax charges of \$1.17 billion for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications. See further description of opioid lawsuits in the Significant Developments in Fiscal 2022 and Trends section in this MD&A and [Note 7](#) of the "Notes to Consolidated Financial Statements."

Non-GAAP operating earnings during fiscal 2022 decreased 12 percent primarily due to the decrease in Medical segment profit, largely resulting from net inflationary impacts (which primarily related to increased transportation and commodities costs, partially offset by certain price increases) and the adverse impact of global supply chain constraints.

### GAAP and Non-GAAP Diluted EPS

(\$ per share)	2022 <sup>(2)(3)</sup>	2021 <sup>(2)</sup>	Change
<b>GAAP diluted EPS <sup>(1)</sup></b>	\$ (3.35)	\$ 2.08	<b>N.M.</b>
Surgical gown recall costs/(income)	—	(0.07)	
State opioid assessment related to prior fiscal years	—	0.10	
Restructuring and employee severance	0.27	0.29	
Amortization and other acquisition-related costs	0.87	1.13	
Impairments and (gain)/loss on disposal of assets <sup>(4)</sup>	6.93	0.21	
Litigation (recoveries)/charges, net <sup>(5)</sup>	0.31	1.78	
Loss on early extinguishment of debt	0.03	0.04	
(Gain)/loss on sale of equity interest in naviHealth	—	0.01	
<b>Non-GAAP diluted EPS <sup>(1)</sup></b>	\$ 5.06	\$ 5.57	<b>(9) %</b>

The sum of the components and certain computations may reflect rounding adjustments.

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

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

(3) For fiscal 2022, GAAP diluted loss per share attributable to Cardinal Health, Inc. and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 279 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Fiscal 2022 non-GAAP diluted EPS is calculated using a weighted average of 280 million common shares, which includes potentially dilutive shares.

(4) Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$2.1 billion related to the Medical segment recorded during fiscal 2022. The net tax benefit related to these charges was \$150 million.

(5) Litigation (recoveries)/charges, net, includes a tax benefit recorded during fiscal 2021 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The total benefit from the net operating loss carryback was \$424 million; however, for purposes of Non-GAAP financial measures, we allocated \$389 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of \$35 million is included in non-GAAP measures.

During fiscal 2022, GAAP diluted EPS was adversely impacted by the goodwill impairment charges related to the Medical segment, which had a \$(6.94) per share after-tax impact. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A, and [Note 4](#) and [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional detail.

During fiscal 2021, GAAP diluted EPS was positively impacted by \$1.44 per share due to a tax benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss, as further described in [Note 8](#) of the "Notes to Consolidated Financial Statements." The charges we recognized in fiscal 2021 for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications had a \$(3.21) per share after-tax impact on GAAP diluted EPS.

During fiscal 2022, non-GAAP diluted EPS decreased 9 percent to \$5.06 due to factors impacting non-GAAP operating earnings, partially offset by a lower share count as a result of share repurchases.

## Cash and Equivalents

Our cash and equivalents balance was \$4.7 billion at June 30, 2022 compared to \$3.4 billion at June 30, 2021. The increase in cash during fiscal 2022 was due to net cash provided by operating activities of \$3.1 billion. Net cash provided by operating activities includes a refund of \$966 million for the tax benefit from the net operating loss carryback related to a self-insurance pre-tax loss, and reflects the impact of \$417 million of payments related to the settlement agreement (the "Settlement Agreement") to settle the vast majority of the opioid lawsuits filed by states and local governmental entities, payments under the separate New York, Ohio and Rhode Island settlements, as well as certain payments under the Cherokee Nation settlement. Fiscal 2022 operating cash flow was also impacted by favorable timing of net working capital.

We also received proceeds of \$923 million, net of cash transferred, from the divestiture of the Cordis business, and we deployed \$1.0 billion for share repurchases, \$885 million for debt repayments, \$559 million for dividends and \$387 million for capital expenditures.

## Significant Developments in Fiscal 2022 and Trends

### Opioid Lawsuits Developments

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#### National Settlement

Beginning in fiscal year 2017, state attorneys general, counties and municipalities began filing lawsuits related to the distribution of prescription opioid pain medications against pharmaceutical wholesalers, including us, and other participants in the pharmaceutical supply chain. By fiscal year 2022, Cardinal Health was a defendant in approximately 2,775 lawsuits brought by state attorneys general and counties, municipalities and other political subdivisions. In July 2021, we and two other national distributors (collectively, the "Distributors") announced a proposed settlement with a group of state attorneys general intended to resolve the vast majority of these lawsuits (the "National Settlement") as well as a proposed settlement agreement (the "Settlement Agreement") containing, among other things, a sign-on process to allow states and political subdivisions to participate in the National Settlement.

In February 2022, the Distributors announced that each company had determined that a sufficient number of states and political subdivisions had agreed to participate in the National Settlement to proceed to effectiveness of that settlement. The Settlement Agreement became effective on April 2, 2022.

Parties to the National Settlement include 46 out of 49 eligible states as well as the District of Columbia and all eligible territories. As of August 9, 2022, over 99 percent of eligible political subdivisions (as calculated by population under the Settlement Agreement) that had brought opioid-related suits against the companies have joined the settlement or otherwise had their claims addressed by state legislation.

The Settlement Agreement includes a cash component, pursuant to which we will pay up to approximately \$6.0 billion, the majority of which is expected to be paid over 18 years. The exact payment amount will depend on several factors, including the extent to which states take action to foreclose opioid lawsuits by political subdivisions (e.g., by passing laws barring or limiting opioid lawsuits by political subdivisions) and the extent to which additional political subdivisions in participating states file opioid lawsuits against us.

The Settlement Agreement also includes injunctive relief terms related to distributors' controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating controlled substances monitoring programs; (3) due diligence for new and existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will oversee compliance with these provisions for a period of five years. In addition, the Distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which the Distributors will fund for ten years.

During fiscal 2022, we made our first annual payment under the Settlement Agreement. Prior to the effective date of the Settlement Agreement, the Distributors had entered into separate settlement agreements with each of the states of Florida, New York, Ohio and Rhode Island. When the Settlement Agreement became effective, each of these states and their participating subdivisions became a part of the National Settlement; however, the New York, Ohio and Rhode Island agreements required us to make certain payments separately from those required by the Settlement Agreement. Accordingly, during fiscal 2022, we made payments under the separate New York, Ohio and Rhode Island settlements, as well as certain payments under the Cherokee Nation settlement. In total, we paid \$417 million in connection with these matters during fiscal 2022. We have \$6.36 billion accrued at June 30, 2022, of which \$532 million is included in other accrued liabilities, and the remainder is included in deferred income taxes and other liabilities in our consolidated balance sheets. In July 2022, we made our second annual payment of \$374 million under the Settlement Agreement.

#### Other Settlements

West Virginia subdivisions and Native American tribes are not a part of the National Settlement and we had separate negotiations with these groups. A bench trial before a federal judge in West Virginia in a case brought by Cabell County and City of Huntington against the Distributors concluded in July 2021. In July 2022, a judgment in favor of the Distributors was entered. In July 2022, the Distributors reached an agreement to settle the opioid-related claims of the majority of the remaining West Virginia subdivisions. Under this agreement, Cardinal Health agreed to pay eligible West Virginia subdivisions up to approximately \$124 million over an eleven-year period. This agreement is subject to certain contingencies related to subdivision participation. In September 2021, we announced that the Distributors had reached an agreement with the Cherokee Nation in connection with ongoing negotiations toward a broader agreement with Native American tribes. In January 2022, the Distributors executed a term sheet with the Native American tribes.

In May 2022, the Distributors reached an agreement with the Washington Attorney General, under which Cardinal Health will pay up to approximately \$160 million to the State of Washington and its participating political subdivisions to resolve opioid-related claims. This amount is consistent with the amount that would have been allocated to Washington under the Settlement Agreement plus certain attorneys' fees and costs. The terms of this agreement are consistent with the Settlement Agreement. This agreement is subject to certain contingencies, including the rate of subdivision participation.

In June 2022, the Distributors reached an agreement with the State of Oklahoma to resolve the opioid-related claims of the state and its political subdivisions. Under this agreement, Cardinal Health agreed to pay up to approximately \$95 million to the State and its participating

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subdivisions. This amount is consistent with the amount that would have been allocated to Oklahoma under the Settlement Agreement. The terms of this agreement are consistent with the terms of the Settlement Agreement. This agreement is subject to certain contingencies, including the rate of subdivision participation. If this agreement and the Washington agreement are finalized, Oklahoma and Washington would be subject to the Settlement Agreement and 48 of 49 eligible states would then be subject to the Settlement Agreement.

In addition to the lawsuits and claims brought by states and governmental entities, described above, we are involved in other opioid-related litigation and investigations, which are described further in [Note 7](#) of the "Notes to Consolidated Financial Statements."

Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.

## Inflationary Impacts and Global Supply Chain Constraints

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Medical segment profit was significantly negatively affected by inflationary impacts, primarily related to transportation (including ocean and domestic freight), commodities, labor, and global supply chain constraints in fiscal 2022.

We expect these inflationary impacts and global supply chain constraints to continue to adversely impact Medical segment profit in fiscal 2023 and beyond. In order to partially mitigate this impact, we have implemented initial phases of price increases and we intend to implement additional price increases. We are also evolving our commercial contracting processes to provide us with greater pricing flexibility and investing in additional supply chain capacity. These increased costs and global supply chain constraints are difficult to predict and may be greater than we expect or continue longer than our current expectations. In the event these costs decrease, the benefit to Medical segment profit will be delayed until the higher-cost inventory has moved through our supply chain. Our plans to increase prices and evolve our contracting strategies are subject to contingencies and uncertainties and it is possible that our results of operations will be adversely impacted to a greater extent than we currently anticipate.

To a lesser extent, inflationary impacts, primarily related to increased transportation and labor costs, also adversely impacted Pharmaceutical segment profit during fiscal 2022. We expect these inflationary costs to continue to adversely impact Pharmaceutical segment profit in fiscal 2023.

## PPE Demand and Pricing

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Personal protective equipment ("PPE") refers to protective clothing, medical and non-medical grade gloves, face shields, face masks and other equipment designed to protect the wearer from injury or the spread of infection or illness. Demand for PPE has fluctuated during fiscal 2022 and 2021, resulting in variability in sales volumes, inventory levels and costs to manufacture and source these products.

PPE adversely impacted Medical segment profit on a year-over-year basis during fiscal 2022 primarily due to declines in volume and the prior-year positive impact of the timing of PPE cost mitigation efforts (primarily pricing). The demand and pricing for PPE is subject to risks and uncertainties, which may impact Medical segment profit and consolidated operating earnings in fiscal 2023.

The year-over-year comparison was also impacted by an inventory reserve of \$197 million, primarily related to certain categories of gloves, which adversely impacted Medical segment profit in fiscal 2021. See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A for additional detail.

## Medical Goodwill

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Due to the adverse impact on our financial results from, the risks and uncertainties related to inflationary impacts, global supply chain constraints and PPE demand and pricing, and increases in the risk-free interest rate, we performed goodwill impairment testing for the Medical reporting unit within the Medical segment during fiscal 2022. This testing resulted in cumulative pre-tax charges of \$2.1 billion, which are included in impairments and (gain)/loss on disposal of assets in our consolidated statements of earnings/(loss). See "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and [Note 4](#) of the "Notes to Consolidated Financial Statements" for additional detail.

Adverse changes in key assumptions or a significant change in industry or economic trends during fiscal 2023 could result in additional goodwill impairment.

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## Pharmaceutical Segment Generics Program

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The performance of our Pharmaceutical segment generics program positively impacted the year-over-year comparison of Pharmaceutical segment profit in fiscal 2022, which includes improvement in volumes compared to the prior-year period. The Pharmaceutical segment generics program includes, among other things, the impact of generic pharmaceutical product launches, customer volumes, pricing changes and the Red Oak Sourcing, LLC venture ("Red Oak Sourcing") with CVS Health Corporation ("CVS Health"). The frequency, timing, magnitude and profit impact of generic pharmaceutical customer volumes, pricing changes, customer contract renewals, and branded and generic pharmaceutical manufacturer pricing changes all impact Pharmaceutical segment profit and are subject to risks and uncertainties. These risks and uncertainties may impact Pharmaceutical segment profit and consolidated operating earnings in fiscal 2023.

## Cordis Divestiture

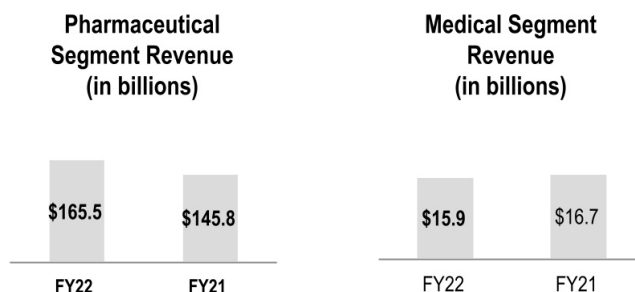
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In August 2021, we sold the Cordis business to Hellman & Friedman for proceeds of \$923 million, net of cash transferred, and we retained certain working capital accounts and certain liabilities. Cardinal Health will retain product liability associated with lawsuits and claims related to inferior vena cava ("IVC") filters in the U.S. and Canada, as well as authority for these matters discussed in [Note 7](#) of the "Notes to Consolidated Financial Statements." In connection with the closing, we entered into a Transition Services Agreement ("TSA") with the buyer to provide support functions for a period of up to twenty-four months following the sale. See [Note 2](#) of the "Notes to Consolidated Financial Statements" for additional information.

As anticipated, Medical segment revenue and Medical segment profit were adversely impacted by approximately \$700 million and \$70 million, respectively, in fiscal 2022 due to the divestiture of the Cordis business. The divestiture also resulted in a decrease in amortization of acquisition-related intangible assets during fiscal 2022. The divestiture of the Cordis business is subject to risks and uncertainties that may further adversely impact Medical segment profit. For example, the TSA period may be extended beyond our current expectations or could have unintended consequences, and the costs associated with the exit or disposal activities and stranded costs could be greater than anticipated.

## Results of Operations

### Revenue



(in millions)	Revenue		
	2022	2021	Change
Pharmaceutical	\$ 165,491	\$ 145,796	14 %
Medical	15,887	16,687	(5) %
Total segment revenue	181,378	162,483	12 %
Corporate	(14)	(16)	N.M.
<b>Total revenue</b>	<b>\$ 181,364</b>	<b>\$ 162,467</b>	<b>12 %</b>

### Fiscal 2022 Compared to Fiscal 2021

#### Pharmaceutical Segment

Fiscal 2022 Pharmaceutical segment revenue grew by \$19.6 billion primarily due to sales growth from pharmaceutical distribution and specialty pharmaceutical customers, which largely consisted of branded pharmaceutical sales to existing and net new customers.

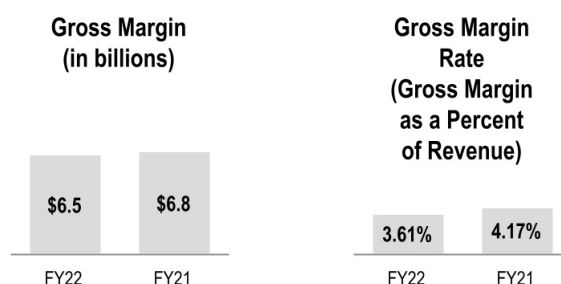
#### Medical Segment

Fiscal 2022 Medical segment revenue decreased by \$800 million, primarily due to the impact of the divestiture of the Cordis business. Medical segment revenue was also adversely impacted by lower volumes within products and distribution, which was partially offset by sales growth in at-Home Solutions.

### Cost of Products Sold

Cost of products sold for fiscal 2022 increased \$19.1 billion (12 percent) due to the factors affecting the changes in revenue and gross margin.

## Gross Margin



(in millions)	Consolidated Gross Margin		Change
	2022	2021	
Gross margin	\$ 6,545	\$ 6,778	(3) %

### Fiscal 2022 Compared to Fiscal 2021

Fiscal 2022 consolidated gross margin decreased primarily due to the divestiture of the Cordis business and increased costs in the Medical segment due to net inflationary impacts and the adverse impact of global supply chain constraints, partially offset by the performance of our Pharmaceutical segment generics program and an improvement in volumes, primarily in generic and branded pharmaceuticals, compared to the prior-year period. The year-over-year comparison was also favorably impacted by the prior-year inventory reserve recorded in the Medical segment to reduce the carrying value of certain PPE, primarily certain categories of gloves, to net realizable value.

Gross margin rate declined 56 basis points during fiscal 2022 mainly due to changes in overall product mix, primarily driven by increased pharmaceutical distribution branded sales, which have a dilutive impact on our overall gross margin rate. The performance of Medical segment products and distribution, which reflects the divestiture of the Cordis business and increased costs due to net inflationary impacts and the adverse impact of global supply chain constraints, also had an adverse impact on gross margin rate. The year-over-year comparison was favorably impacted by the prior-year inventory reserve recorded in the Medical segment to reduce the carrying value of certain PPE, primarily certain categories of gloves, to net realizable value.

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

(in millions)	SG&A Expenses		Change
	2022	2021	
SG&A expenses	\$ 4,557	\$ 4,533	1 %

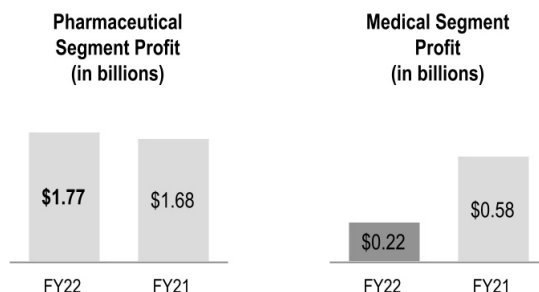
### Fiscal 2022 Compared to Fiscal 2021

SG&A expenses increased slightly during fiscal 2022 largely due to inflationary impacts, primarily related to increased transportation and labor costs, increased costs related to investments in information technology infrastructure and higher costs to support sales growth, primarily offset by the impact of the divestiture of the Cordis business.

The year-over-year comparison was also favorably impacted by the prior-year \$41 million accrual for our estimated portion of the assessment on prescription opioid medications that were sold or distributed in New York state in calendar year 2017 and 2018 which was recognized during fiscal 2021. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information on the New York Opioid Stewardship Act.

## Segment Profit

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



(in millions)	Segment Profit and Operating Earnings		
	2022	2021	Change
Pharmaceutical	\$ 1,770	\$ 1,684	5 %
Medical	216	577	(63) %
Total segment profit	1,986	2,261	(12) %
Corporate	(2,582)	(1,789)	N.M.
<b>Total consolidated operating earnings/(loss)</b>	<b>\$ (596)</b>	<b>\$ 472</b>	<b>N.M.</b>

### Fiscal 2022 Compared to Fiscal 2021

#### Pharmaceutical Segment Profit

Fiscal 2022 Pharmaceutical segment profit increased due to the performance of our generics program, partially offset by increased costs related to investments in information technology infrastructure and inflationary impacts, primarily related to increased transportation and labor costs. Pharmaceutical segment profit was also positively impacted by improvement in volumes, primarily in generic and branded pharmaceuticals, compared to the prior-year period.

Pharmaceutical segment profit includes opioid-related litigation defense and compliance costs, but does not include a one-time contingent attorneys' fee of \$18 million recorded in fiscal 2022, which related to the finalization of the Settlement Agreement. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation (recoveries)/charges, net in the consolidated statements of earnings/(loss).

Fiscal 2022 Pharmaceutical segment profit was positively impacted by a \$16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

#### Medical Segment Profit

Fiscal 2022 Medical segment profit decreased largely due to net inflationary impacts (which primarily related to increased transportation and commodities costs, partially offset by price increases), the adverse impact of global supply chain constraints and the divestiture of the Cordis business. The year-over-year comparison of Medical segment profit was also impacted favorably by the prior-year inventory reserve recorded to reduce the carrying value of certain PPE, primarily certain categories of gloves, to net realizable value, and unfavorably by the prior-year net positive impact of PPE sales.

#### Corporate

The changes in Corporate during fiscal 2022 are due to the factors discussed in the Other Components of Consolidated Operating Earnings/(Loss) section that follows.

## Other Components of Consolidated Operating Earnings/(Loss)

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

(in millions)	2022	2021
Restructuring and employee severance	\$ 101	\$ 114
Amortization and other acquisition-related costs	324	451
Impairments and (gain)/loss on disposal of assets, net	2,050	79
Litigation (recoveries)/charges, net	109	1,129

### Restructuring and Employee Severance

In fiscal 2022, restructuring costs were primarily related to the implementation of certain enterprise-wide cost-savings measures, which includes facility exit costs related to decreasing our overall office space, and the divestiture of the Cordis business.

### Amortization and Other Acquisition-Related Costs

Amortization of acquisition-related intangible assets was \$311 million and \$428 million for fiscal 2022 and 2021, respectively. The decrease in amortization of acquisition-related intangible assets was primarily due to the divestiture of the Cordis business.

### Impairments and (Gain)/Loss on Disposal of Assets, Net

During fiscal 2022, we recognized \$2.1 billion of pre-tax non-cash goodwill impairment charges related to our Medical segment, as discussed further in the "Critical Accounting Policies and Sensitive Accounting Estimates" section of this MD&A and [Note 4](#) of the "Notes to Consolidated Financial Statements."

During fiscal 2021, we recognized a \$60 million pre-tax write-down of the assets held for sale from the divestiture of the Cordis business.

### Litigation (Recoveries)/Charges, Net

During fiscal 2022 and 2021, we recognized estimated losses and legal defense costs associated with the IVC filter product liability claims of \$87 million and \$56 million, respectively. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.

During fiscal 2022, we incurred a one-time contingent attorneys' fee of \$18 million related to the finalization of the Settlement Agreement resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation (recoveries)/charges, net.

During fiscal 2022 and 2021, we recognized income of \$18 million and \$112 million, respectively, for recoveries in class action antitrust lawsuits in which we were a class member.

During fiscal 2021, we recognized pre-tax charges of \$1.17 billion associated with certain opioid matters. See Significant Developments in Fiscal 2022 and Trends section in this MD&A and [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.

During fiscal 2021, we recognized a \$13 million charge in connection with a civil investigation by the United States Attorney's Office for the District of Massachusetts related to discounts and rebates offered or provided to certain Specialty Solutions customers, as described further in [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.

## Other Components of Earnings/(Loss) Before Income Taxes

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

(in millions)	2022	2021	Change
Other (income)/expense, net	\$ 16	\$ (47)	N.M.
Interest expense, net	149	180	(17) %
Loss on early extinguishment of debt	10	14	N.M.
(Gain)/Loss on sale of equity interest in naviHealth	(2)	2	N.M.

### Other (Income)/Expense, Net

During fiscal 2022, other (income)/expense, net was unfavorable compared to the prior-year period primarily due to a decrease in the value of our deferred compensation plan investments, which offsets fluctuations included within SG&A expenses and is discussed further in [Note 9](#) of the "Notes to Consolidated Financial Statements." The year-over-year comparison was also adversely impacted from net losses on investments in non-marketable equity securities recognized during fiscal 2022 compared to net gains recognized in fiscal 2021.

**Interest Expense, Net**

Fiscal 2022 interest expense decreased from fiscal 2021 primarily due to less debt outstanding.

**Loss On Early Extinguishment of Debt**

During fiscal 2022 and 2021, we recognized losses of \$10 million and \$14 million, respectively, in connection with the redemption and early debt repurchases as described further in [Note 6](#) of the "Notes to Consolidated Financial Statements."

**Provision for Income Taxes**

Fluctuations in the effective tax rates are primarily due to the impact of the goodwill impairment charges recognized in the Medical segment in fiscal 2022, the opioid litigation accrual recognized in fiscal 2021, as well as the impact of the carryback claim filed in accordance with the CARES Act provision in fiscal year 2021.

A reconciliation of the provision based on the federal statutory income tax rate to our effective income tax rate from continuing operations is as follows (see [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional information):

	2022 <sup>(1)</sup>	2021 <sup>(1)</sup>
Provision at Federal statutory rate	21.0 %	21.0 %
State and local income taxes, net of federal benefit	2.2	3.2
Tax effect of foreign operations	3.5	0.7
Nondeductible/nontaxable items <sup>(2)</sup>	1.2	1.6
Impact of Divestitures	(4.9)	7.0
Withholding Taxes <sup>(2)</sup>	(1.1)	9.0
Change in Valuation Allowances	3.5	(1.4)
US Taxes on International Income <sup>(2)(3)</sup>	3.2	(6.7)
Impact of Resolutions with IRS and other related matters <sup>(2)</sup>	(0.6)	(13.6)
Opioid litigation	(0.5)	17.7
Goodwill Impairment	(49.5)	—
Loss Carryback Claims	—	(129.9)
Other <sup>(2)</sup>	0.8	1.7
<b>Effective income tax rate</b>	<b>(21.2)%</b>	<b>(89.7)%</b>

(1) The table represents the following: fiscal 2022 is pretax loss with tax expense and fiscal 2021 is pretax income with tax benefit.

(2) Certain prior year amounts have been reclassified to conform to current year presentation.

(3) Includes the tax impact of Global Intangible Low-Taxed Income ("GILTI") tax, the Foreign-Derived Intangible Income deduction and other foreign income that is taxable under the U.S. tax code.

**Fiscal 2022 Compared to Fiscal 2021**

During fiscal 2022 and 2021, the effective tax rate was (21.2) percent and (89.7) percent, respectively. Included in the effective tax rate for fiscal 2022 was \$150 million of benefit related to the impairment of goodwill within the Medical segment. Included in the effective tax rate for fiscal 2021 was a \$424 million benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss and net tax benefits related to the treatment of the tax impacts of the fiscal 2021 opioid litigation charges.

**Tax Effects of Goodwill Impairment Charge**

During fiscal 2022, we recognized year-to-date cumulative pre-tax charges of \$2.1 billion for goodwill impairment related to the Medical Unit. The net tax benefit related to these charges was \$150 million for fiscal 2022.

**Tax Effects of Self-Insurance Pre-tax Loss**

During fiscal 2021, our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and applied to adjust our taxable income for fiscal 2015, 2016, 2017, and 2018 as permitted under the CARES Act enacted by the United States Congress in March 2020.

Accordingly, our provision for income taxes during fiscal 2021 included a \$424 million benefit from the net operating loss carryback primarily to reflect the difference between the federal statutory income tax rate during the fiscal years from 2015 to 2018 (35 percent for fiscal 2015, 2016, and 2017 and 28 percent for fiscal 2018) and the current federal statutory income tax rate of 21 percent.

During fiscal 2022, we received a U.S. federal income tax refund of \$966 million in connection with this matter. We also increased our non-current deferred tax liability by approximately \$700 million during fiscal 2021 related to this matter.

**Tax Effect of Opioid Litigation Charges**

The net tax benefits associated with the opioid litigation charges were \$228 million for fiscal 2021. Our tax benefits are estimates, which reflect our current assessment of the estimated future deductibility of the amount that may be paid under the accrual taken in connection with the opioid litigation and are net of unrecognized tax benefits of \$219 million. The fiscal 2021 net tax benefit and unrecognized tax benefits were primarily due to our assessment of the specific terms of the Settlement Agreement. Our assumptions and estimates around this benefit and uncertain tax position require significant judgment and the actual amount of tax benefit may differ materially from these estimates.

**Ongoing Audits**

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year. Tax laws are complex and subject to varying interpretations. New challenges related to future audits may adversely affect our effective tax rate or tax payments.



## 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 and cash requirements; tax payments; current and projected debt service requirements, dividends and share repurchases; and known opioid litigation settlement payments. If we decide to engage in one or more acquisitions, depending on the size and timing of such transactions, we may need to access capital markets for additional financing.

### Cash and Equivalents

Our cash and equivalents balance was \$4.7 billion at June 30, 2022 compared to \$3.4 billion at June 30, 2021. Net cash provided by operating activities includes a refund of \$966 million for the tax benefit from the net operating loss carryback related to a self-insurance pre-tax loss, and reflects the impact of \$417 million of payments related to the settlement agreement (the "Settlement Agreement") to settle the vast majority of the opioid lawsuits filed by states and local governmental entities, payments under the separate New York, Ohio and Rhode Island settlements, as well as certain payments under the Cherokee Nation settlement. Fiscal 2022 operating cash flow was also impacted by favorable timing of net working capital and we expect some of this favorability to be offset in fiscal 2023. We also received proceeds of \$923 million, net of cash transferred, from the divestiture of the Cordis business. We deployed \$1.0 billion for share repurchases, \$885 million for debt repayments, \$559 million for dividends and \$387 million for capital expenditures. At June 30, 2022, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During fiscal 2021, our cash and equivalents increased due to \$2.4 billion of net cash provided by operating activities, offset by cash deployed of \$573 million for dividends, \$570 million for debt repayments, \$400 million for capital expenditures and \$200 million for share repurchases.

### 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, 2022 include a \$2.0 billion commercial paper program, backed by a \$2.0 billion revolving credit facility. We also have a \$1.0 billion committed receivables sales facility. At June 30, 2022, we had no amounts outstanding under our commercial paper program, revolving credit facility or our committed receivables sales facility. During fiscal 2022, under our commercial paper program and our committed receivables program, we had maximum combined total daily amounts outstanding of \$1.2 billion and an average combined daily amount outstanding of \$19 million.

In May 2022, we amended our receivables sales facility to temporarily increase the maximum permitted delinquency ratio.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more

than 3.75-to-1. As of June 30, 2022, we were in compliance with this financial covenant.

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

The cash and equivalents balance at June 30, 2022 included \$588 million of cash and equivalents held by subsidiaries outside of the United States.

In June 2022, we returned \$160 million of cash held by foreign subsidiaries to the U.S.

At June 30, 2022, foreign earnings of approximately \$833 million are considered indefinitely reinvested for working capital and other offshore investment needs. The computation of tax required if those earnings are repatriated is not practicable. For amounts not considered indefinitely reinvested, we have recorded an immaterial amount of income tax expense in our consolidated financial statements in fiscal 2022.

## Long-Term Obligations

At June 30, 2022, we had total long-term obligations, including the current portion and other short-term borrowings of \$5.3 billion.

During fiscal 2022, we redeemed all outstanding \$572 million principal amount of 2.616% Notes due 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with this redemption, we recorded a \$10 million loss on early extinguishment of debt. We also repaid the full principal of the \$282 million Floating Rate Notes due 2022 as they became due.

During fiscal 2021, we redeemed all outstanding 3.2% Notes due June 2022 for \$238 million and \$262 million aggregate principal amount of 2.616% Notes due June 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with these redemptions, we recorded a \$13 million loss on early extinguishment of debt. We also early repurchased \$40 million of the Floating Rate Notes due 2022 and \$2 million of the 2.616% Notes due 2022 with available cash. In connection with the early debt repurchases, we recorded a \$1 million loss on early extinguishment of debt.

## Capital Deployment

### Opioid Litigation Settlement Agreement

We had \$6.36 billion accrued at June 30, 2022 related to certain opioid litigation, as further described within the Significant Developments in Fiscal 2022 and Trends section in this MD&A and [Note 7](#) of the "Notes to Consolidated Financial Statements." We expect the majority of the payment amounts to be spread over 18 years. During fiscal 2022, we paid our first annual payment under the Settlement Agreement. We also made certain payments under the separate New York, Ohio and Rhode Island settlements, as well as certain payments under the Cherokee Nation Settlement. The effective date of the Settlement Agreement was April 2, 2022. In July 2022, we made our second annual payment of \$374 million under the Settlement Agreement. We expect to make subsequent annual payments under the Settlement Agreement every July for the term of the Settlement Agreement. The amounts of these future payments may differ from the payments that we have already made.

### Capital Expenditures

Capital expenditures during fiscal 2022 and 2021 were \$387 million and \$400 million, respectively.

We expect capital expenditures in fiscal 2023 to be around \$500 million and to be primarily related to manufacturing and distribution infrastructure projects.

The redemption and repurchases were paid for with available cash and other short-term borrowings.

### 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 10](#) 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.

### Dividends

During fiscal 2022, we paid quarterly dividends totaling \$1.96 per share, an increase of 1 percent from fiscal 2021.

On May 10, 2022, our Board of Directors approved a quarterly dividend of \$0.4957 per share, or \$1.98 per share on an annualized basis, which was paid on July 15, 2022 to shareholders of record on July 1, 2022.

On August 10, 2022, our Board of Directors approved a quarterly dividend of \$0.4957 per share, payable on October 15, 2022 to shareholders of record on October 3, 2022.

### Share Repurchases

During fiscal 2022 and 2021, we repurchased \$1.0 billion and \$200 million, respectively, of our common shares. We funded the repurchases with available cash. See [Note 11](#) of the "Notes to Consolidated Financial Statements" for additional information.

At June 30, 2021, we had \$743 million authorized for share repurchases remaining on a program that expired on December 31, 2021. On November 4, 2021, our Board of Directors approved a \$3.0 billion share repurchase program, which will expire on December 31, 2024. At June 30, 2022, we had \$2.7 billion remaining authorized for share repurchases under this program.

## Contractual Obligations and Cash Requirements

At June 30, 2022, our contractual obligations and future cash requirements, including estimated payments due by period, were as follows:

(in millions)	2023	2024 to 2025	2026 to 2027	There- after	Total
Long-term debt and short-term borrowings (1)	\$ 556	\$ 1,704	\$ 1,317	\$ 1,664	\$ 5,241
Interest on long-term debt	204	354	267	1,536	2,361
Finance lease obligations (2)	24	33	12	6	75
Operating lease obligations (3)	114	186	125	114	539
Purchase obligations and other payments (4)	791	415	182	190	1,578
Opioid litigation settlement agreements (5)	491	859	835	4,137	6,322
<b>Total contractual obligations and cash requirements (6)</b>	<b>\$ 2,180</b>	<b>\$ 3,551</b>	<b>\$ 2,738</b>	<b>\$ 7,647</b>	<b>\$ 16,116</b>

- (1) Represents maturities of our long-term debt obligations and other short-term borrowings excluding finance lease obligations described below. See [Note 6](#) of the "Notes to Consolidated Financial Statements" for further information.
- (2) Represents minimum finance lease obligations included within current portion of long-term obligations and other short-term borrowings and long-term obligations, less current portion in our consolidated balance sheets and further described in [Note 5](#) of the "Notes to Consolidated Financial Statements."
- (3) Represents minimum operating lease obligations included within other accrued liabilities and deferred income taxes and other liabilities in our consolidated balance sheets and further described in [Note 5](#) of the "Notes to Consolidated Financial Statements."
- (4) A purchase obligation is defined as an agreement to purchase goods or services that is legally enforceable and specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or

variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. In addition, contracts that can be unilaterally canceled with no termination fee or with proper notice are excluded from our total purchase obligations except for the amount of the termination fee or the minimum amount of goods that must be purchased during the requisite notice period. Purchase obligations and other payments also includes quarterly payments to CVS Health in connection with Red Oak Sourcing. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.

- (5) Represents future cash obligations under the Settlement Agreement, which became effective on April 2, 2022, as well as future cash obligations under the separate settlement agreements with the States of Oklahoma, Washington and West Virginia and the Cherokee Nation. We have \$6.36 billion accrued at June 30, 2022, of which \$532 million is included in other accrued liabilities, and the remainder is included in deferred income taxes and other liabilities in our consolidated balance sheets. Excluded from the table is \$41 million that remained in escrow at June 30, 2022, which is included in prepaid expenses and other assets in our consolidated balance sheets. The Settlement Agreement includes a cash component, pursuant to which we will pay up to approximately \$6.0 billion, the majority of which is expected to be paid over 18 years. The exact payment amount will depend on several factors, including the extent to which states take action to foreclose opioid lawsuits by political subdivisions (e.g., by passing laws barring or limiting opioid lawsuits by political subdivisions, the conditions of the state agreements being satisfied, and the extent to which additional political subdivisions in participating states continue to litigate against us. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information.
- (6) Long-term liabilities, such as unrecognized tax benefits, deferred taxes and other tax liabilities, have been excluded from the above table due to the inherent uncertainty of the underlying tax positions or because of the inability to reasonably estimate the timing of any cash outflows. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for further discussion of income taxes.

## 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, historical write-off trends, payment history, pricing discrepancies, industry trends, customer financial strength, customer credit ratings or bankruptcies. 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, 2022, would result in an increase or decrease in bad debt expense of \$11 million. We believe the reserve maintained and expenses recorded in fiscal 2022 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 our allowance for doubtful accounts over the past three fiscal years:

<i>(in millions, except percentages)</i>	2022	2021	2020
Allowance for doubtful accounts at beginning of period	\$ 243	\$ 207	\$ 194
Charged to costs and expenses	155	130	140
Reduction to allowance for customer deductions and write-offs	(125)	(94)	(127)
Allowance for doubtful accounts at end of period	\$ 273	\$ 243	\$ 207
Allowance as a percentage of customer receivables	2.6 %	2.7 %	2.5 %
Allowance as a percentage of revenue	0.15 %	0.15 %	0.14 %

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

### Inventories

#### LIFO Inventory

A portion of our inventories (52 percent and 50 percent at June 30, 2022 and 2021, 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/(loss) depends on pharmaceutical manufacturer price appreciation or deflation and our fiscal year-end inventory levels, which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end. Historically, prices for branded pharmaceuticals have generally tended to rise, resulting in an increase in cost of products sold, whereas prices for generic pharmaceuticals generally tend to decline, resulting in a decrease in cost of products sold. See [Note 1](#) of the "Notes to Consolidated Financial Statements" for further information on our policy for Inventories.

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

increase in future cost of products sold as our older inventory is held at a higher cost.

We believe that the average cost method of inventory valuation provides a reasonable approximation of the current cost of replacing inventory within these distribution facilities. As such, the LIFO reserve is the difference between (a) inventory at the lower of LIFO cost or market and (b) inventory at replacement cost determined using the average cost method of inventory valuation. At June 30, 2022 and 2021, respectively, inventories valued at LIFO cost were \$416 million and \$565 million higher than the average cost value. We do not record inventories in excess of replacement cost. As such, we did not write-up the value of our inventory from average cost to LIFO cost at June 30, 2022 or 2021.

#### FIFO Inventory

Our remaining inventory, including inventory in our Medical segment, that is not valued at the lower of LIFO cost or market is stated at the lower of cost, using the first-in, first-out ("FIFO") method, or net realizable value. We reserve for the lower of cost or net realizable value using the estimated selling prices and estimated sales demand in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Due to the unprecedented demand for certain PPE

as a result of the COVID-19 pandemic ("COVID-19") in fiscal 2021 and 2020, our Medical segment manufactured and sourced inventory at higher costs than in periods prior to COVID-19. As selling prices and customer demand decreased compared to the peak of COVID-19, we recorded a reserve of \$197 million in fiscal 2021, primarily related to certain categories of gloves, to reduce the carrying value of certain PPE to its net realizable value. The remaining reserve at June 30, 2022 was \$42 million, primarily due to sales of certain PPE during fiscal 2022. Our estimates for selling prices and demand are inherently uncertain and if our assumptions decline in the future, additional inventory reserves may be required.

#### **Excess and Obsolete Inventory**

We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were \$147 million and \$185 million at June 30, 2022 and 2021, respectively. If actual conditions are less favorable than our assumptions, additional inventory reserves may be required.

## **Goodwill and Other Indefinite-Lived Intangible Assets**

Purchased goodwill and intangible assets with indefinite lives are tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for the annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount. A reporting unit is defined as an operating segment or one level below an operating segment (also known as a component).

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

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists and, if necessary, the estimation of the fair value of the applicable reporting unit.

Our determination of estimated fair value of our reporting units is based on a combination of the income-based and market-based approaches (using discount rates ranging from 10 to 12 percent). We use discount rates that are commensurate with the risks and uncertainty inherent in the respective reporting units and in our

internally-developed forecasts. Under the market-based guideline public company method, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the market-based guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units.

Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including actual operating results. The use of alternate estimates and assumptions, changes in the industry or peer groups, or changes in weightings assigned to the discounted cash flow method, guideline public company method or guideline transaction method 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 operating cash flow, 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 2022, 2021 and 2020 and, with the exception of the Medical Unit in fiscal 2022, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value.

#### **Medical Unit Goodwill**

During fiscal 2022, the Medical Unit experienced adverse financial results related to inflationary impacts and the adverse impact of global supply chain constraints and lower volumes from PPE. Due to the risks and uncertainties related to these impacts and an increase in the risk-free interest rate used in the discount rate, we elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Medical Unit at June 30, 2022. This quantitative testing resulted in the carrying amount of the Medical Unit exceeding the fair value, resulting in a pre-tax impairment charge of \$303 million and cumulative pre-tax impairment charges of \$2.1 billion recognized during fiscal 2022, due to the impairment charges recognized during the third and second quarters of fiscal 2022 as described further below. This

impairment charge was driven by an increase in the discount rate primarily due to an increase in the risk-free interest rate. Our determination of the estimated fair value of the Medical Unit was based on a combination of the income-based approach and the market-based approach. For this testing performed at June 30, 2022, we used a discount rate of 10 percent and a terminal growth rate of 2 percent. Additionally, we assigned a weighting of 80 percent to the discounted cash flow method, 10 percent to the guideline public company method, and 10 percent to the guideline transaction method. The carrying value of the Medical Unit at June 30, 2022 after recognizing the impairment charges was \$7.0 billion, of which \$1.9 billion was goodwill. See [Note 4](#) of the "Notes to Consolidated Financial Statements" for further discussion.

During the third and second quarters of fiscal 2022, we performed interim goodwill impairment testing for the Medical Unit at March 31, 2022 and December 31, 2021, which resulted in pre-tax impairment charges of \$474 million and \$1.3 billion, respectively. Our determination of the estimated fair value of the Medical Unit was based on a combination of the income-based approach (using a terminal growth rate of 2 percent), and the market-based approach. For the income-based approach, we also used discount rates of 9.5 percent and 9 percent for the interim testing at March 31, 2022 and December 31, 2021, respectively. The increase in the discount rate was primarily due to an increase in the risk-free interest rate.

While we consider these assumptions to be reasonable and appropriate, they are complex and subjective, and additional adverse changes in one key assumption or a combination of key assumptions may significantly affect future estimates. These assumptions include, among other things, a failure to meet expected earnings or other financial plans, or unanticipated events and circumstances, such as changes in assumptions about the

## Loss Contingencies and Self-Insurance

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

### Loss Contingencies

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.

Examples of such contingencies include various lawsuits related to the distribution of prescription opioid pain medications and the IVC filter lawsuits.

In connection with the opioid litigation as described further in the Significant Developments in Fiscal 2022 and Trends section in this MD&A, we recorded pre-tax charges of \$1.17 billion during fiscal 2021. In February 2022, we and two other national distributors announced that each company had determined that a sufficient

duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impact, including price increases or surcharges; further disruptions in the supply chain; the impact of the Cordis divestiture; estimated demand and selling prices for PPE; an increase in the discount rate; a decrease in the terminal growth rate; increases in tax rates (including potential tax reform); or a significant change in industry or economic trends. Adverse changes in key assumptions may result in further decline in fair value below the carrying value in the future and therefore, an impairment of our Medical Unit goodwill in future periods, which could adversely affect our results of operations. For example, if we were to increase the discount rate by a hypothetical 0.5 percent or decrease the terminal growth rate by a hypothetical 1.75 percent, the fair value for the Medical Unit would have further decreased by approximately \$330 million.

The impairment test for indefinite-lived intangibles other than goodwill (primarily trademarks) involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

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

number of political subdivisions had agreed to participate in the previously disclosed Settlement Agreement to settle the vast majority of the opioid lawsuits filed by states and local governmental entities. This Settlement Agreement became effective on April 2, 2022.

We develop and periodically update reserve estimates for the IVC claims, including those received to date and expected to be received in the future and related costs. To project future IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, estimated severity by claim type, historical sales data, implant and injury to report lag patterns and estimated defense costs.

### Self-Insurance

We self-insure through a wholly-owned insurance subsidiary for employee healthcare, certain product liability matters, auto liability, property and workers' compensation and maintain insurance for losses exceeding certain limits.

Self-insurance accruals include an estimate for expected settlements on pending claims, defense costs, administrative fees,



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

## Provision for Income Taxes

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. Our income tax expense, deferred income tax assets and liabilities, and unrecognized tax benefits reflect management's assessment of estimated future taxes to be paid on items in the consolidated financial statements.

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

(in millions)	2022	2021
Total deferred income tax assets (1)	\$ 1,584	\$ 1,808
Valuation allowance for deferred income tax assets (2)	(468)	(515)
Net deferred income tax assets	1,116	1,293
Total deferred income tax liabilities	(3,110)	(3,225)
Net deferred income tax liability	\$ (1,994)	\$ (1,932)

- (1) Total deferred income tax assets included \$778 million and \$805 million of loss and tax credit carryforwards at June 30, 2022 and 2021, respectively.
- (2) The valuation allowance primarily relates to federal, state and international loss and credit carryforwards for which the ultimate realization of future benefits is uncertain.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly when it is more likely than not that at least a portion of the respective deferred tax assets will not be realized. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described previously. We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

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

The amount of loss may differ materially from these estimates. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for additional information regarding loss contingencies and product liability lawsuits.

We regularly review contingencies and self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

### Tax Effects of Goodwill Impairment Charges

During fiscal 2022, we recognized cumulative pre-tax charges of \$2.1 billion for goodwill impairments related to the Medical Unit. The net tax benefit related to these charges was \$150 million.

### Tax Effects of Self-Insurance Pre-tax Loss

During fiscal 2021, our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and applied to adjust our taxable income for fiscal 2015, 2016, 2017, and 2018 as permitted under the CARES Act enacted by the United States Congress in March 2020.

Accordingly, our provision for income taxes during fiscal 2021 included a \$424 million benefit from the net operating loss carryback primarily to reflect the difference between the federal statutory income tax rate during the fiscal years from 2015 to 2018 (35 percent for fiscal 2015, 2016, and 2017 and 28 percent for fiscal 2018) and the current federal statutory income tax rate of 21 percent.

We filed for a U.S. federal income tax refund of \$974 million as a result of the net operating loss carryback under the CARES Act. In April 2022, we received a payment for \$966 million, which was net of certain adjustments. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional detail. We also increased our non-current deferred tax liability by approximately \$700 million during fiscal 2021 related to this matter.

### Tax Effects of Opioid Litigation Charges

In connection with the \$1.17 billion pre-tax charges for the opioid litigation during fiscal year 2021, respectively we recorded a tax benefit of \$228 million. Our tax benefits are estimates, which reflect our current assessment of the estimated future deductibility of the amount that may be paid under the accrual taken in connection with the opioid litigation and are net of unrecognized tax benefits of \$219 million.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the U.S. Tax Cuts and Jobs Act ("Tax Act"); however, these estimates require significant judgment since the U.S. tax law

governing deductibility was changed by the Tax Act. Further, it is possible Congress or the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit may differ materially from these estimates.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year. Tax laws are complex and subject to varying interpretations. During fiscal 2021, we resolved all open issues with respect to the Company's activity within fiscal years 2008 through 2014 with the U.S. Internal Revenue Service ("IRS"). This resolution resulted in an adjustment to our provision for income taxes, including an impact to reserves for later years. New challenges related to future audits may adversely affect our effective tax rate or tax payments.

Our assumptions and estimates around uncertain tax positions require significant judgment; the actual amount of tax benefit related to uncertain tax positions may differ from these estimates. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional information regarding unrecognized tax benefits.

We believe that our estimates for the valuation allowances against deferred tax assets and unrecognized tax benefits are appropriate based on current facts and circumstances. The amount we ultimately pay when matters are resolved may differ from the amounts accrued. Changes in our current estimates due to unanticipated market conditions, tax law changes or other factors could have a material effect on our ability to utilize deferred tax assets. For a further discussion on Provision for Income Taxes, see [Note 8](#) of the "Notes to the Consolidated Financial Statements."

The calculation of our tax liabilities includes estimates for uncertainties in the application of broad and complex changes to the U.S. tax code as per the Tax Act as enacted by the United States government on December 22, 2017. We have made reasonable estimates and recorded amounts based on management judgment and our current understanding of the Tax Act which is subject to further interpretation by the IRS. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional information.



## Explanation and Reconciliation of Non-GAAP Financial Measures

This report, including the "Fiscal 2022 Overview" section within MD&A, contains financial measures that are not calculated in accordance with GAAP.

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

### Exclusions from Non-GAAP Financial Measures

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

- LIFO charges and credits are excluded because the factors that drive last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results. We did not recognize any LIFO charges or credits during the periods presented.
- Surgical gown recall costs or income includes inventory write-offs and certain remediation and supply disruption costs, net of related insurance recoveries, arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. Income from surgical gown recall costs represents insurance recoveries of these certain costs. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the period in which the expense is incurred. This portion is excluded from non-GAAP financial measures because it is retrospectively applied to sales in prior fiscal years and inclusion would obscure analysis of the current fiscal year results of our underlying, ongoing business. Additionally, while states' laws may require us to make payments on an ongoing basis, the portion of the assessment related to sales in prior periods are contemplated to be one-time, nonrecurring items. Income from state opioid assessments related to prior fiscal years represents reversals of accruals when the underlying assessments were invalidated by a Court or reimbursed by manufacturers.
- Restructuring and employee severance costs are excluded because they are not part of the ongoing operations of our underlying business.
- Amortization and other acquisition-related costs, which include transaction costs, integration costs, and changes in the fair value of contingent consideration obligations, are excluded because they are not part of the ongoing operations of our underlying business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results. Additionally, costs for amortization of acquisition-related intangible assets are non-cash amounts, which are variable in amount and frequency and are significantly impacted by the timing and size of acquisitions, so their exclusion facilitates comparison of historical, current and forecasted financial results. We also exclude other acquisition-related costs, which are directly related to an acquisition but do not meet the criteria to be recognized on the acquired entity's initial balance sheet as part of the purchase price allocation. These costs are also significantly impacted by the timing, complexity and size of acquisitions.

- Impairments and gain or loss on disposal of assets are excluded because they do not occur in or reflect the ordinary course of our ongoing business operations and are inherently unpredictable in timing and amount, and in the case of impairments, are non-cash amounts, so their exclusion facilitates comparison of historical, current and forecasted financial results.
- Litigation recoveries or charges, net are excluded because they often relate to events that may have occurred in prior or multiple periods, do not occur in or reflect the ordinary course of our business and are inherently unpredictable in timing and amount. During fiscal 2022, we incurred a one-time contingent attorneys' fee of \$18 million related to the finalization of the settlement agreement (the "Settlement Agreement") resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation recoveries or charges, net. Additionally, during fiscal 2022 our Pharmaceutical segment profit was positively impacted by a \$16 million judgment for lost profits. This judgment was the result of an ordinary course intellectual property rights claim and, therefore, is not adjusted in calculating the litigation recoveries or charges, net adjustment. During fiscal 2021, we incurred a tax benefit related to a carryback of a net operating loss. Some pre-tax amounts, which contributed to this loss, relate to litigation charges. As a result, we allocated substantially all of the tax benefit to litigation charges.
- Loss on early extinguishment of debt is excluded because it does not typically occur in the normal course of business and may obscure analysis of trends and financial performance. Additionally, the amount and frequency of this type of charge is not consistent and is significantly impacted by the timing and size of debt extinguishment transactions.
- (Gain)/Loss on sale of equity interest in naviHealth, was incurred in connection with the sale of our remaining equity interest in naviHealth in fiscal 2020. The equity interest was retained in connection with the initial sale of our majority interest in naviHealth during fiscal 2019. We exclude this significant gain because gains or losses on investments of this magnitude do not typically occur in the normal course of business and are similar in nature to a gain or loss from a divestiture of a majority interest, which we exclude from non-GAAP results. The gain on the initial sale of our majority interest in naviHealth in fiscal 2019 was also excluded from our non-GAAP measures.
- Transitional tax benefit, net related to the Tax Cuts and Jobs Act is excluded because it results from the one-time impact of a very significant change in the U.S. federal corporate tax rate and, due to the significant size of the benefit, obscures analysis of trends and financial performance. The transitional tax benefit includes the initial estimate and subsequent adjustments for the re-measurement of deferred tax assets and liabilities due to the reduction of the U.S. federal corporate income tax rate and the repatriation tax on undistributed foreign earnings.

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

## Definitions

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

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

**Non-GAAP earnings before income taxes:** earnings/(loss) before income taxes excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth.

**Non-GAAP net earnings attributable to Cardinal Health, Inc.:** net earnings/(loss) attributable to Cardinal Health, Inc. excluding (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net.

**Non-GAAP effective tax rate:** provision for/(benefit from) income taxes adjusted for (1) LIFO charges/(credits), (2) surgical gown recall costs/(income), (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, (7) litigation (recoveries)/charges, net, (8) loss on early extinguishment of debt and (9) (gain)/loss on sale of equity interest in naviHealth, each net of tax, and (10) transitional tax benefit, net divided by (earnings before income taxes adjusted for the first nine items).

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

## GAAP to Non-GAAP Reconciliations

(in millions, except per common share amounts)	Operating Earnings/(Loss)	Operating Earnings/(Loss) Growth Rate	Earnings/(Loss) Before Income Taxes	Provision for/(Benefit From) Income Taxes	Net Earnings/(Loss) <sup>1</sup>	Net Earnings/(Loss) <sup>1</sup> Growth Rate	Effective Tax Rate	Diluted EPS <sup>1,2</sup>	Diluted EPS <sup>1</sup> Growth Rate
<b>Fiscal Year 2022</b>									
<b>GAAP</b>	\$ (596)	N.M.	\$ (769)	\$ 163	\$ (933)	N.M.	(21.2) %	\$ (3.35)	N.M.
Surgical gown recall costs/(income)	1		1	—	1			—	
Restructuring and employee severance	101		101	26	75			0.27	
Amortization and other acquisition-related costs	324		324	84	240			0.87	
Impairments and (gain)/loss on disposal of assets <sup>3</sup>	2,050		2,050	107	1,943			6.93	
Litigation (recoveries)/charges, net <sup>4,5</sup>	109		109	21	88			0.31	
Loss on early extinguishment of debt	—		10	3	7			0.03	
Loss on sale of equity interest in naviHealth investment	—		(2)	—	(2)			—	
<b>Non-GAAP</b>	\$ 1,990	(12) %	\$ 1,824	\$ 404	\$ 1,419	(13) %	22.1 %	\$ 5.06	(9) %
<b>Fiscal Year 2021</b>									
<b>GAAP</b>	\$ 472	N.M.	\$ 323	\$ (289)	\$ 611	N.M.	(89.7) %	\$ 2.08	N.M.
Surgical gown recall costs/(income)	(28)		(28)	(7)	(21)			(0.07)	
State opioid assessment related to prior fiscal years	38		38	9	29			0.10	
Restructuring and employee severance	114		114	27	87			0.29	
Amortization and other acquisition-related costs	451		451	118	333			1.13	
Impairments and (gain)/loss on disposal of assets	79		79	15	64			0.21	
Litigation (recoveries)/charges, net <sup>6</sup>	1,129		1,129	606	523			1.78	
Loss on early extinguishment of debt	—		14	3	11			0.04	
Loss on sale of equity interest in naviHealth investment	—		2	1	1			0.01	
<b>Non-GAAP</b>	\$ 2,255	(5) %	\$ 2,122	\$ 483	\$ 1,637	2 %	22.8 %	\$ 5.57	2 %
<b>Fiscal Year 2020</b>									
<b>GAAP</b>	\$ (4,098)	N.M.	\$ (3,772)	\$ (79)	\$ (3,696)	N.M.	2.1 %	\$ (12.61)	N.M.
Surgical gown recall costs	85		85	22	63			0.22	
State opioid assessment related to prior fiscal years	3		3	1	2			0.01	
Restructuring and employee severance	122		122	29	93			0.31	
Amortization and other acquisition-related costs	524		524	130	394			1.34	
Impairments and (gain)/loss on disposal of assets	7		7	2	5			0.02	
Litigation (recoveries)/charges, net <sup>6</sup>	5,741		5,741	514	5,227			17.84	
Loss on early extinguishment of debt	—		16	4	12			0.04	
Gain on sale of equity interest in naviHealth investment	—		(579)	(86)	(493)			(1.68)	
Transitional tax benefit, net <sup>7</sup>	—		—	2	(2)			(0.01)	
<b>Non-GAAP</b>	\$ 2,384	1 %	\$ 2,147	\$ 539	\$ 1,605	1 %	25.1 %	\$ 5.45	3 %

<sup>1</sup> Attributable to Cardinal Health, Inc.

<sup>2</sup> For fiscal 2022 and 2020, GAAP diluted loss per share attributable to Cardinal Health, Inc. and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using weighted averages of 279 and 293 million common shares, respectively, which exclude potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Fiscal 2022 and 2020 non-GAAP diluted EPS are calculated using weighted averages of 280 and 295 million common shares, respectively, which included potentially dilutive shares.

<sup>3</sup> Impairments and (gain)/loss on disposals of assets, net includes pre-tax goodwill impairment charges of \$2.1 billion related to the Medical segment recorded during fiscal 2022. For fiscal 2022, the net tax benefit related to these charges is \$150 million and is included in the annual effective tax rate.

<sup>4</sup> Litigation (recoveries)/charges, net includes a one-time contingent attorneys' fee of \$18 million recorded during fiscal 2022 related to the finalization of the Settlement Agreement resulting in the settlement of the vast majority of opioid lawsuits filed by state and local governmental entities. Due to the unique nature and significance of the Settlement Agreement, and the one-time, contingent nature of the fee, this fee was included in litigation (recoveries)/charges, net.

<sup>5</sup> Litigation (recoveries)/charges, net for fiscal 2022 does not include a \$16 million judgement for lost profits related to an ordinary course intellectual property claim, which positively impacted Pharmaceutical segment profit.

- <sup>6</sup> Litigation (recoveries)/charges, net includes pre-tax charges of \$1.17 billion and \$5.63 billion recorded in fiscal 2021 and 2020, respectively, related to the opioid litigation. The net tax benefits associated with the opioid litigation charges were \$228 million and \$488 million for fiscal 2021 and 2020, respectively. Litigation (recoveries)/charges, net, includes a tax benefit recorded during fiscal 2021 related to a net operating loss carryback. Our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and adjusted our taxable income for fiscal 2015, 2016, 2017 and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The total benefit from the net operating loss carryback was \$424 million; however, for purposes of Non-GAAP financial measures, we allocated \$389 million of the benefit to litigation (recoveries)/charges, net, which is excluded from non-GAAP measures, based on the relative amount of the self-insurance pre-tax loss related to opioid litigation claims versus separate tax adjustments. The tax benefit allocated to the separate tax adjustments of \$35 million is included in non-GAAP measures.
- <sup>7</sup> Reflects the net transitional benefit from the remeasurement of our deferred tax assets and liabilities partially offset by the repatriation tax on cash and earnings of foreign subsidiaries. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for more information.

The sum of the components and certain computations may reflect rounding adjustments.  
We apply varying tax rates depending on the item's nature and tax jurisdiction where it is incurred.

## Quantitative and Qualitative Disclosures About Market Risk

We are exposed to cash flow and earnings fluctuations as a result of certain market risks. These market risks primarily relate to foreign exchange, interest rate, and commodity price-related changes. We maintain a hedging program to manage volatility related to some of these market exposures which employs operational, economic, and derivative financial instruments in order to mitigate risk. See [Note 1](#) and [Note 10](#) of the "Notes to Consolidated Financial Statements" for further discussion regarding our use of derivative instruments.

### Foreign Exchange Rate Sensitivity

By the nature of our global operations, we are exposed to cash flow and earnings fluctuations resulting from foreign exchange rate variation. These exposures are transactional and translational in nature. The following foreign currencies represent the principal drivers of our foreign exchange exposure: Canadian dollar, euro, Thai baht, Mexican peso, Chinese renminbi, Australian dollar, British pound, Japanese yen and Philippine peso.

We apply a Value-At-Risk ("VAR") methodology to our transactional and translational exposures. The VAR model is a risk estimation tool and is not intended to represent actual losses in fair value that could be incurred.

#### Transactional Exposure

Transactional exposure arises from the purchase and sale of goods and services in currencies other than our functional currency or the functional currency of our subsidiaries. At the end of each fiscal year, we perform sensitivity analyses on our

forecasted transactional exposure for the upcoming fiscal year. These analyses include the estimated impact of our hedging program, which is designed to mitigate transactional exposure. Applying a VAR methodology to our transactional exposure and including the impact of our hedging program, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be \$11 million, which is based on a one-year horizon and a 95 percent confidence level.

#### Translational Exposure

We have exposure related to the translation of financial statements of our foreign operations into U.S. dollars, our functional currency. Applying a VAR methodology to our translational exposure, the potential maximum loss in earnings for the upcoming fiscal year is estimated to be \$5 million, which is based on a one-year horizon and a 95 percent confidence level.

### 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, 2022, the potential increase or decrease in annual interest expense under this analysis as a result of this hypothetical change would be \$5 million.

We are also exposed to market risk from changes in interest rates related to our cash and cash equivalents, which includes marketable securities that are carried at fair value in the consolidated balance sheets. The fair value of our cash and cash equivalents is subject to change primarily as a result of changes in market interest rates and investment risk related to the issuers' credit worthiness. At June 30, 2022, a hypothetical increase or decrease of 50 basis points in interest rates would result in a hypothetical \$8 million change in the estimated fair value.

## Commodity Price Sensitivity

We are directly exposed to market price changes for certain commodities, including oil-based resins, nitrile, cotton, diesel fuel and latex. We typically purchase raw materials at either market prices or prices tied to a commodity index and some finished goods at prices based in part on a commodity price index. During fiscal 2022, the prices of certain commodities experienced significant fluctuation due to inflationary impacts and the adverse impact of global supply chain constraints.

As part of our risk management program, we perform sensitivity analysis on our forecasted direct commodity exposure for the upcoming fiscal year. Our forecasted direct commodity exposure at June 30, 2022 increased approximately \$51 million from June 30, 2021. At June 30, 2021, we had hedged a portion of these direct commodity exposures (see [Note 10](#) of the "Notes to Consolidated

Financial Statements" for further discussion). There were no outstanding commodity contracts in our hedging program at June 30, 2022.

Our forecasted direct commodity exposures for the upcoming fiscal year is \$500 million. 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 or otherwise offset, for the upcoming fiscal year is \$50 million at June 30, 2022. The hypothetical offsetting impact of hedges in both periods was minimal.

# Business

## General

Cardinal Health, Inc. is a global integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physician offices and patients in the home. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency.

## Pharmaceutical Segment

In the United States, our Pharmaceutical segment:

- through its Pharmaceutical Distribution division, distributes branded and generic pharmaceutical and over-the-counter healthcare and consumer products to retailers (including chain and independent drug stores and pharmacy departments of supermarkets and mass merchandisers), hospitals and other healthcare providers. This division:
  - maintains prime vendor relationships that streamline the purchasing process resulting in greater efficiency and lower costs for our retail, hospital and other healthcare provider customers;
  - provides services to pharmaceutical manufacturers, including distribution, inventory management, data reporting, new product launch support and chargeback administration;
  - through the Outcomes service offering, connects pharmacists, payers and pharmaceutical companies and delivers health solutions for personalized medication therapy management, digital patient engagement and telepharmacy;
- provides pharmacy management services to hospitals and operates a limited number of pharmacies, including in community health centers; and
- repackages generic pharmaceuticals and over-the-counter healthcare products;
- through its Specialty Solutions division, distributes specialty pharmaceutical products to hospitals and other healthcare providers and provides consulting, patient support and other services for specialty pharmaceutical products to pharmaceutical manufacturers and healthcare providers; and
- through its Nuclear and Precision Health Solutions division, operates nuclear pharmacies and manufacturing facilities, which manufacture, prepare and deliver radiopharmaceuticals for use in nuclear imaging and other procedures in hospitals and physician offices. This division also contract manufactures a radiopharmaceutical treatment (Xofigo) and holds the North American rights to manufacture and distribute Lymphoseek, a radiopharmaceutical diagnostic imaging agent.

See [Note 13](#) of the "Notes to Consolidated Financial Statements" for Pharmaceutical segment revenue, profit and assets for fiscal 2022, 2021 and 2020.

### Pharmaceutical Distribution

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

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

Margin from distribution services agreements with branded pharmaceutical manufacturers is derived from compensation we receive for providing a range of distribution and related services to manufacturers. Our compensation typically is a percentage of the wholesale acquisition cost that is set by manufacturers. In addition, under a limited number of agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers, also serves as part of our compensation.

### Sourcing Venture with CVS Health Corporation

Red Oak Sourcing, LLC ("Red Oak Sourcing"), a U.S.-based generic pharmaceutical sourcing venture with CVS Health negotiates generic pharmaceutical supply contracts on behalf of both companies. In August 2021, we amended our agreement with CVS Health to extend the term of Red Oak Sourcing through June 2029.

### Specialty Pharmaceutical Products and Services

We refer to products and services offered by our Specialty Solutions division as "specialty pharmaceutical products and services." The Specialty Solutions division distributes oncology, rheumatology, urology, nephrology and other pharmaceutical products ("specialty pharmaceutical products") and human-derived plasma products to hospitals, dialysis clinics, physician offices and other healthcare providers; provides consulting, patient support, logistics, group purchasing and other services to pharmaceutical manufacturers and healthcare providers primarily supporting the development, marketing and distribution of specialty pharmaceutical products; and provides specialty pharmacy services. Our use of the terminology "specialty pharmaceutical products and services" may not be comparable to the terminology used by other industry participants.



## Medical Segment

Our Medical segment manufactures and sources Cardinal Health branded general and specialty medical, surgical and laboratory products and devices. These products include exam and surgical gloves; needle, syringe and sharps disposal; compression; incontinence; nutritional delivery; wound care; single-use surgical drapes, gowns and apparel; fluid suction and collection systems; urology; operating room supply; and electrode product lines. Our Cardinal Health Brand products are sold directly or through third-party distributors in the United States, Canada, Europe, Asia and other markets. These products are generally higher-margin products.

The Medical segment also distributes a broad range of medical, surgical and laboratory products known as national brand products

and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada and this segment also assembles and sells sterile and non-sterile procedure kits.

Through Cardinal Health at-Home Solutions, this segment also distributes medical products to patients' homes in the United States.

The Medical segment, through its Wavemark division, also provides an automated technology platform for inventory management.

## Acquisitions and Divestitures

### Acquisitions

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

In July 2017, we acquired the Patient Care, Deep Vein Thrombosis, and Nutritional Insufficiency businesses (the "Patient Recovery Business") from Medtronic plc for \$6.1 billion in cash. We also completed several smaller acquisitions during the last five fiscal years.

Date	Company	Location	Lines of Business	Acquisition Price (in billions)
07/17	Patient Recovery Business of Medtronic, plc	Mansfield, MA	Patient Care, Deep Vein Thrombosis and Nutritional Insufficiency	\$6.1

### Divestitures

Over the past five fiscal years, we have also completed several divestitures.

On August 2, 2021, we completed the divestiture of the Cordis business to Hellman & Freidman ("H&F") for net proceeds of \$923 million in cash. We have retained certain working capital accounts and product liability for lawsuits related to IVC filters in the U.S. and Canada, as described in [Note 7](#) of the Notes to the Consolidated Financial Statements. We acquired the Cordis business from Johnson & Johnson for \$1.9 billion in October 2015. This divestiture also included Access Closure, Inc., a manufacturer and distributor of extravascular closure devices, that we acquired for approximately \$320 million in May 2014.

In August 2018, we completed the sale of our equity interest in naviHealth, Inc. to investor entities controlled by Clayton, Dubilier & Rice, LLC for proceeds of \$737 million (after adjusting for certain fees and expenses) and a noncontrolling equity interest in a partnership that owned naviHealth. In May 2020, we sold the remainder of our equity interest in naviHealth.

We had acquired our equity interest in naviHealth through a series of transactions beginning in fiscal 2016, when we acquired a majority equity interest.

In February 2018, we completed the sale of our pharmaceutical and medical products distribution business in China to Shanghai Pharmaceuticals Holding Co., Ltd. for proceeds of \$861 million (after adjusting for third party indebtedness and preliminary transaction adjustments).

## Customers

Our largest customers, CVS Health and OptumRx, accounted for 25 percent and 16 percent of our fiscal 2022 revenue, respectively. In the aggregate, our five largest customers, including CVS Health and OptumRx, accounted for 49 percent of our fiscal 2022 revenue.

In August 2021, we extended our pharmaceutical distribution agreements with CVS Health through June 2027.

## Suppliers

We rely on many different suppliers. Products obtained from our five largest suppliers accounted for an aggregate of 35 percent of our revenue during fiscal 2022, and our largest supplier's products accounted for approximately 9 percent of revenue.

## Competition

We operate in a highly competitive environment in the distribution of pharmaceuticals and consumer healthcare products. We also operate in a highly competitive environment in the manufacturing and distribution of medical devices and surgical products. We compete on many levels, including price, service offerings, support services, customer service, 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.

## Human Capital Management

### Employees

We, through our employees, improve the lives of people every day by solving complex healthcare problems. As of June 30, 2022, we had approximately 46,500 employees globally, approximately 16,300 of whom are based outside the United States. Approximately 98% of our workforce is full time employees. Approximately 28,700 of our employees worked in our distribution centers, manufacturing facilities and pharmacies, and 17,500 worked in other functions, including finance, information technology, human resources and sales.

Approximately 3,230 employees were primarily associated with the Cordis business and were transferred in the divestiture in August 2021. Most of these employees were based outside the United States.

Approximately 11% of our workforce is covered by collective bargaining agreements or similar representation. The majority of these employees are based outside the United States.

Additionally, we have engaged global professional services firms to perform certain business processes on our behalf, including within finance, information technology and human resources.

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 revenue are with Vizient, Inc. and Premier, Inc. Sales to members of these two GPOs, under numerous contracts across our businesses, collectively accounted for 19 percent of our revenue in fiscal 2022.

In addition, the Pharmaceutical segment has experienced competition from a number of organizations offering generic pharmaceuticals, including telemarketers. We also compete with manufacturers that distribute their products directly to customers.

In the Medical segment, we compete with many diversified healthcare companies and national medical product distributors, such as Medline Industries, Inc., Owens & Minor, Inc. and Becton, Dickinson and Company, as well as regional medical product distributors and companies that are focused on specific product categories. We also compete with companies that distribute medical products to patients' homes and third-party logistics companies.

### Board Oversight

Our Board of Directors assesses and monitors our corporate culture and how it enables our business strategies. To inform the Board about human capital and cultural health, we have developed and annually share with the Board a culture scorecard.

Additionally, the Human Resources and Compensation Committee of the Board of Directors (the "HRCC") is tasked with, among other things, overseeing and advising the Board about human capital management strategies and policies, including with respect to attracting, developing, retaining and motivating management and employees; workplace diversity, equity and inclusion initiatives and progress; employee relations; and workplace safety and culture. The HRCC is also responsible for overseeing the management succession process.

### Culture & Talent Focus

#### Culture

Cardinal Health's culture is rooted in our values and behaviors and aligned to the company's strategic framework. Providing a positive work environment supports our ability to attract, retain and develop

our employees and enables business performance. We reinforce, monitor and assess our culture through a variety of programs and processes which include performance management, talent/succession planning, as well as employee engagement surveys and other listening strategies.

#### **Talent Development and Learning**

Cardinal Health's talent development strategy is a segmented, multi-pronged approach to build capabilities, skills and competencies of leaders and employees throughout the enterprise ensuring employees capabilities connect to business needs and outcomes. This segmented approach includes broad based employee skill development and learning, manager development, differentiated diverse talent development and executive development.

We have been refining our recruiting, development, succession and retention practices to promote equitable access and opportunity by expanding differentiated development programs and creating new offerings to bring an equity lens to our development practices.

We have taken steps to increase available manufacturing and distribution talent for operational positions, including by decreasing the time needed to recruit and on-board new employees.

We monitor our turnover data on a monthly and 12-month basis and benchmark against Bureau of Labor and Statistics and competitor data. Although turnover levels vary by site and region, we primarily look at the connection between key operational metrics and employee turnover.

#### **Compensation and Benefits**

Our colleagues are essential to our success and we strive to offer comprehensive and competitive wages and benefits. The benefits we offer include annual bonuses and stock awards for eligible employees, 401(k) plans, health care and insurance benefits, paid time off, flexible work schedules, family leave, dependent care resources, employee assistance programs and many others.

During fiscal year 2022, we proactively invested in employee compensation to remain competitive in the labor market. These investments included increasing the U.S. minimum wage for hourly employees, broadly adjusting front-line wages in many locations and making targeted salary adjustments based on market dynamics.

#### **Employee Feedback**

Cardinal Health solicits feedback from employees through various mechanisms, including our biennial full employee engagement survey, which provides insight into the employee experience. The results of this survey are reviewed with the Board of Directors and at all levels throughout the organization.

#### **Diversity, Equity & Inclusion**

At Cardinal Health, we are focused on building a diverse workforce and an inclusive workplace that values the unique perspectives and contributions of all of our employees.

Our work is sponsored by our senior executives, led by our Diversity, Equity and Inclusion ("DE&I") team, including our Chief Diversity Officer and HR organization, with input from our DE&I Steering Council, African American and Black Racial Equity

Cabinet and our Employee Resource Groups ("ERGs"). All of our manager level and above employees are required to complete unconscious bias and racial equity training, which is included as a component of our annual incentive program.

Our DE&I Council is composed of senior leaders from across the organization and is charged with identifying and discussing barriers to DE&I, challenging the status quo and empowering change. Our African American and Black Racial Equity Cabinet is made up of senior leaders who provide guidance to our senior executives in addressing racism, social injustice and other matters.

Additionally, our seven ERGs include groups focused on various racial and ethnic groups, members of the LGBTQ community, employees with disabilities, veterans and women and are designed to promote a culture of diversity, equity and inclusion. They are designed to foster an inclusive and engaged workforce and develop future leaders.

We also monitor pay equity. We define pay equity as equal pay for people of all gender identities and ethnicities who are performing substantially similar work. We have a pay equity committee, which guides the ongoing analysis and benchmarking, in regular consultation with an independent third-party, to review and help inform our salary and compensation practices.

As of the end of fiscal year 2022, 36% of our Board of Directors were women and 18% were ethnically diverse. 38% of our executive team (made up of the CEO, his direct reports and business presidents) were women and 12% were ethnically diverse. Approximately 50% of our total employee population were women and 49% of U.S. based employees were ethnically diverse. We have established long-range aspirational representation goals for specific under-represented groups in our manager-and-above level employee population. Progress toward those goals is evaluated as part of both our annual and long-term incentive programs.

We also regularly assess our progress in our DE&I journey through a robust employee-listening strategy, which includes engagement surveys, focus groups and onboarding assessments.

#### **Employee Health & Safety**

The health, safety and security of our employees is a priority for us. We employ systems designed to continually monitor our facilities and work environment to promote employee safety and identify and prevent or mitigate any potential risks. This includes procedures and equipment for security. We routinely assess facilities to closely monitor adherence to established security and safety standards. Our employees receive specialized training related to their role, work setting, and equipment used in their work environment. As our processes evolve, we update relevant safety training modules, which may include new employee training programs.

For more information on our approach to human capital management, please refer to our annual Corporate Citizenship Report, which is available on our website.

## Intellectual Property

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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.

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## Regulatory Matters

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

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

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

### Distribution

State Boards of Pharmacy, FDA, DEA and various other state authorities regulate the marketing, purchase, storage and distribution of pharmaceutical and medical products under various federal and state statutes including the federal Prescription Drug Marketing Act of 1987, Drug Quality and Security Act of 2013 (the "DQSA"), and Controlled Substances Act (the "CSA"). The CSA governs the sale, packaging, storage and distribution of controlled substances. Wholesale distributors of controlled substances must hold valid DEA registrations and state-level licenses, meet various security and operating standards including effective anti-diversion programs, and comply with the CSA. They must also comply with state requirements relating to controlled substances that differ from state to state.

The Settlement Agreement, as described in the Significant Developments in Fiscal 2021 and Trends section in MD&A and [Note 7](#) of the Notes to Consolidated Financial Statements includes injunctive relief terms related to settling distributors' controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating our controlled substances monitoring program; (3) due diligence for new and existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will oversee compliance with these provisions for a period of five years. In addition, the settling distributors will engage a third-party

vendor to act as a clearinghouse for data aggregation and reporting and will fund the clearinghouse for ten years. See Note 7 of the "Notes to Consolidated Financial Statements" for more information about the Settlement Agreement and other opioid-related matters.

### Manufacturing, Sourcing and Marketing

We sell our manufactured products in the United States, Canada, Europe, Asia, Latin America and other markets. The FDA and other governmental agencies in the United States, as well as foreign governmental agencies, administer requirements that cover the design, testing, safety, effectiveness, manufacturing (including good manufacturing practices), quality systems, labeling, promotion and advertising (including restrictions on promoting or advertising a product other than for the product's cleared or approved uses), distribution, importation and post-market surveillance for most of our manufactured products. We are also subject to these requirements when we source certain Medical segment products from third-party manufacturers.

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 branded products are cleared through the 510(k) process and certain products must be approved through the PMA process.

In the EU, we are required to obtain CE Mark Certification in order to market medical devices. In 2017, EU regulatory bodies finalized a new Medical Device Regulation ("MDR") became effective in May 2021. Under the MDR, medical devices marketed in the EU require significant pre-market and post-market requirements.

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.

Any adverse regulatory action, depending on its magnitude, may limit our ability to effectively manufacture, source, market and sell our products, limit our ability to obtain future premarket approvals or result in a substantial modification to our business practices and operations. For additional information, please see our Risk Factor entitled *"Our business is subject to rigorous quality regulatory and licensing requirements."*

### Privacy and Data Protection

We are subject to various and evolving privacy laws and regulations in many jurisdictions. Because we collect, handle and maintain patient-identifiable health information, we are subject to laws that require specified privacy and security measures and that regulate the use and disclosure of such information, including 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 as well as state laws, in the United States.

We also collect, handle, and maintain other personal and financial information. Within the U.S., these activities are regulated by certain federal and state laws. California, Colorado, Utah and Virginia have recently enacted privacy laws that grant specified rights to consumers over the use of their personal information, including increased transparency. Other states are considering adopting similar or different comprehensive privacy laws and a comprehensive federal privacy bill has been proposed in the U.S. House of Representatives. Internationally, we are also subject to privacy and data protection laws that require significant compliance efforts, including the EU's General Data Protection Regulation (GDPR), Canada's Personal Information Protection and Electronic Documents Act, Japan's Act on the Protection of Personal Information, and China's Personal Information Protection Law, among many others.

### Nuclear Pharmacies and Related Businesses

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

### Product Tracing and Supply Chain Integrity

Title II of the DQSA, known as the Drug Supply Chain Security Act or "Track and Trace," establishes a phased-in national system for tracing pharmaceutical products through the pharmaceutical distribution supply chain to detect, prevent and rapidly respond to the introduction of drugs that may be counterfeit, diverted, stolen, adulterated, subject of a fraudulent transaction or otherwise unfit for distribution. 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. The MDR, described above, also introduces a new unique device identifier requirement.

### 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. For example, during fiscal year 2022, we agreed to pay approximately \$13 million to the Department of Justice and our Specialty Pharmaceutical Distribution business in our Specialty Solutions division entered into a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services in connection with an investigation into discounts and rebates offered or provided to certain Specialty Solutions customers. For more information on this matter, see [Note 7](#) to the Consolidated Financial Statements.

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

### **Environmental, Health and Safety Laws**

In the United States and other countries, we are subject to various federal, state and local environmental laws, including laws regulating the production or use of hazardous substances, as well as laws relating to safe working conditions and laboratory practices. Additionally, industry participants, including us, rely on ethylene oxide ("EtO") to sterilize certain medical products that we manufacture or distribute. Regulatory actions have been taken by certain environmental regulatory authorities to reduce EtO emissions during the sterilization and distribution process.

### **Antitrust Laws**

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

### **Laws Relating to Foreign Trade and Operations**

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

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

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## Other Information

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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 customer contracts require us to maintain sufficient inventory to meet emergency demands, but we do not believe those requirements materially affect inventory levels.

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

We offer market payment terms to our customers.



## Risk Factors

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

### Legal, Regulatory & Compliance Risks

**The public health crisis involving the abuse of prescription opioid pain medication and our efforts to resolve related claims could have additional or unexpected material negative effects on our business.**

Our Pharmaceutical segment distributes prescription opioid pain medications. The abuse of prescription opioid pain medication has become a public health crisis.

A significant number of states, counties, municipalities and other public plaintiffs, have filed lawsuits against pharmaceutical manufacturers, pharmaceutical wholesale distributors (including us), retail chains and others relating to the manufacturing, marketing or distribution of prescription opioid pain medications.

In April 2022, an agreement settling the vast majority of opioid-related lawsuits filed against us by state and local governmental entities (the "Settlement Agreement") became effective. The Settlement Agreement includes a cash component, pursuant to which we will pay up to approximately \$6.0 billion, the majority of which we expect to be paid over 18 years. The Settlement Agreement also includes injunctive relief terms relating to distributors' controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating controlled substances monitoring programs; (3) due diligence for new and existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will oversee compliance with these provisions for a period of five years. In addition, the distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which the distributors will fund for ten years. It is possible that the implementation and maintenance of the required changes to distributors' controlled substance anti-diversion programs may result in unforeseen costs or operational challenges which could have an adverse impact on our results of operations or performance.

In addition to the claims brought by states and other local governmental entities, we are also being sued by private plaintiffs, such as unions, other health and welfare funds, hospital systems, third party payors, other healthcare providers and individuals alleging personal injury for the same activities and could be named as a defendant in additional lawsuits.

We have received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil requests for information from other DOJ offices.

We believe that these investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures, and distribution of certain controlled substances.

We are involved in legal proceedings with insurers related to the availability of insurance coverage for some matters described above, but the defense and resolution of current and future lawsuits and investigations are subject to uncertainty and could have a material adverse effect on our results of operations, financial condition, cash flows, liquidity, or our ability to pay dividends or repurchase our shares, beyond the amounts accrued and beyond what we may be able to recover from our insurers. In addition, they could have adverse reputational or operational effects on our business.

Other legislative, regulatory or industry measures related to the public health crisis involving the abuse of prescription opioid pain medication and the distribution of these medications could affect our business in ways that we may not be able to predict. For example, several states have adopted or proposed taxes or other fees on the sale of opioids. These laws and proposals vary in the tax amounts imposed and the means of calculation. Liabilities for taxes or assessments under any such laws could have an adverse impact on our results of operations unless we are able to mitigate them through operational changes or commercial arrangements where permitted.

Ongoing unfavorable publicity regarding the abuse or misuse of prescription opioid pain medications and the role of wholesale distributors in the supply chain of such prescription medications, as well as the continued proliferation of the opioid lawsuits, investigations, regulations and legislative actions, and unfavorable publicity in relation to those lawsuits could continue to have a material adverse effect on our reputation or results of operations.

**Our business is subject to other rigorous quality, regulatory and licensing requirements.**

As described in greater detail in the "Business" section, products that we manufacture, source, distribute or market must comply with quality and regulatory requirements. Noncompliance or concerns over noncompliance, including noncompliance by third-party contract manufacturers, may result in suspension of our ability to distribute, import, manufacture or source products, as well as product bans, recalls, safety alerts 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 or other product, and such approvals or registrations might not be granted on a timely basis, if at all.

Also 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.

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

We are required to comply with laws relating to healthcare fraud and abuse. The requirements of these laws are complex and subject to varying interpretations. From time to time, regulatory authorities investigate our policies or practices, and may challenge them. We are periodically 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 or other remedial measures.

For example, the United States Attorney's Office for the District of Massachusetts and the Office of Inspector General of the Department of Health and Human Services conducted an investigation related to discounts and rebates offered or provided to certain Specialty Solutions customers as a result of qui tam actions. For more information on this investigation, see [Note 7](#) to the Consolidated Financial Statements. In connection with this investigation, in January 2022, our Specialty Pharmaceutical Distribution business in the Specialty Solutions division entered into a Corporate Integrity Agreement with the Office of Inspector General of the Department of Health and Human Services. It is possible that, as a result of the Corporate Integrity Agreement, we could incur greater costs or operational impacts than anticipated that may adversely impact our business.

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. In addition, some businesses 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.

Private challenges to government healthcare policy may also have a significant impact on our business. For example, the federal 340B drug pricing program requires pharmaceutical manufacturers to offer discounts on certain drugs purchased by covered entities, and some of our Pharmaceutical segment customers are covered entities or contract pharmacies for covered entities. Over a dozen pharmaceutical manufacturers have unilaterally restricted sales under the 340B drug pricing program to contract pharmacies. These practices are the subject of ongoing litigation; however, if manufacturers continue this practice and if courts uphold this practice, our customers may be adversely impacted, which could adversely impact our business.

Industry participants, including us, rely on ethylene oxide ("EtO") to sterilize certain medical products that we manufacture or distribute. Regulatory actions have been taken by certain environmental regulatory authorities to reduce EtO emissions during the sterilization and distribution process. If such measures become more widespread, we could experience increased costs to comply with reduced emissions standards and it is possible that we and other industry participants may be unable to effectively sterilize medical products, possibly resulting in industry-wide supply shortages or a reduction in surgical or medical procedures. Such increased costs or industry-wide reductions in surgical and medical procedures would have a negative impact on our Medical segment profit. Additionally, we have been named as a defendant in several lawsuits alleging personal injury as a result of EtO emissions. As a result of a notice of violation we received from an environmental regulator in Georgia, we are making specified changes to a replenishment center in that state. It is possible that these or future regulatory actions or lawsuits could adversely impact our ability to procure products to distribute, resulting in increased costs or industry supply disruptions.

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

Our global operations (including transition services in connection with divestitures) are subject to the U.S. Foreign Corrupt Practices Act ("FCPA"), 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, or are alleged to fail to comply, with any of these laws, we could be subject to investigations or suffer civil or criminal sanctions.

We are also subject to government import and export controls and regulations, including the requirement that we make a determination, based on the best information that we have available at the time, as to the country of origin of products that we

source or manufacture outside the United States. U.S. Customs and Border protection may challenge our determinations, which could result in products being detained, or the imposition of fines and penalties and may result in supply disruptions.

**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, proposals are made in the United States and other jurisdictions in which we operate that could adversely affect our tax positions, effective tax rate or tax payments. Specific initiatives that may impact us include possible increases in U.S. or foreign corporate income tax rates or other changes in tax law to raise revenue, the repeal of the LIFO (last-in, first-out) method of inventory accounting for income tax purposes, the establishment or increase in taxation at the U.S. state level on the basis of gross revenues, recommendations of the base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid.

Additionally, in connection with the accruals taken in connection with opioid-related lawsuits in fiscal years 2021 and 2020, we recorded net tax benefits of \$228 million and \$488 million, respectively, reflecting our current assessment of the estimated future deductibility of the amount that may be paid. We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the Tax Act; however, these estimates require significant judgment and it is possible that they could be subject to challenges by the IRS.

The U.S. tax law governing deductibility was changed by the Tax Act and the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits, or tax law could change again. The actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates. See [Note 7](#) of the "Notes to Consolidated Financial Statements" for more information regarding these matters.

In fiscal year 2021, our provision for income taxes reflects a \$424 million benefit from the tax benefits of a net operating loss carryback under the CARES Act. Also, as a result of this net operating loss carryback, we received a U.S. federal income tax refund of \$966 million. In connection with this net operating loss carryback, certain industry participants, including us, received a letter from the U.S. House of Representatives' Committee on Oversight and Reform questioning, among other things, our plans to take tax deductions for opioid-related losses, including our use of the net operating loss carryback provisions under the CARES Act and deductibility under the Tax Act. We responded to the letter. It is possible that the IRS could challenge our tax position with respect to this self-insurance loss. If these initiatives are successful, our effective tax rate could be adversely impacted.

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. Tax laws

are complex and subject to varying interpretations. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year. Proposed adjustments in ongoing audits may adversely affect our effective tax rate or tax payments.

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

Over a number of years, the U.S. healthcare industry has undergone significant changes designed to increase access to medical care, improve safety and patient outcomes, contain costs and increase efficiencies. These changes include 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 further reduction of 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 adversely affect us.

**Legal proceedings 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 other pharmaceutical products and the sourcing, marketing and manufacturing of medical products, we regularly become involved in disputes, litigation and regulatory matters. Litigation is inherently unpredictable and the unfavorable outcome of legal proceedings could adversely affect our results of operations or financial condition.

For example, we are subject to a number of lawsuits and investigations related to the national health crisis involving the abuse of opioid pain medication as described above in the Risk Factor titled "The public health crisis involving the abuse of prescription opioid pain medication and our efforts to resolve related claims could have additional or unexpected material negative effects on our business" and in [Note 7](#) to the "Notes to Consolidated Financial Statements."

Additionally, some of the products that we distribute or manufacture have been and may in the future be alleged to cause personal injury, subjecting us to product liability claims. For example, we are a defendant in product liability lawsuits that allege personal injuries associated with the use of Cordis OptEase and TrapEase IVC filter products and in lawsuits alleging impurities in the active pharmaceutical ingredients in certain pharmaceutical products. In addition, product liability insurance for these types of claims is becoming more limited and may not be available to us at

amounts that we historically have obtained or that we would like to obtain. It is possible that a settlement of or judgment for a product liability claim may not be covered by insurance or exceed available insurance recoveries. If this happens, and if any such settlement or judgment is in excess of any prior accruals, our results of operations and financial condition could be adversely affected.

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.

In connection with legal proceedings, we occasionally enter into settlement agreements or become subject to consent decrees containing ongoing financial or operational obligations, including the injunctive relief provisions of the National Settlement Agreement and the Corporate Integrity Agreement mentioned above. Failure to comply with obligations under these agreements or decrees could lead to monetary or other penalties.

## Business & Operational Risks

**Our business and operations depend on the proper functioning of information systems, business processes, critical facilities and distribution networks.**

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

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

Our business also depends on the proper functioning of our and our suppliers' business processes, 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 business processes, 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 (as they have been by the COVID-19 pandemic) or power outage, or due to cyber-security incidents, ransomware or other actions of third parties, including labor strikes or shortages, political unrest and terrorist attacks. Manufacturing disruptions also can occur due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product or component is manufactured at a single manufacturing facility with limited alternate facilities.

From time to time, our businesses perform business process improvements or infrastructure modernizations or use service

providers for key systems and processes, such as receiving and processing customer orders, customer service and accounts payable. For example, during fiscal 2022, our Pharmaceutical segment implemented a replacement of certain finance and operating information systems and we have also transitioned certain finance processes to a third-party service provider. If any of these initiatives or similar initiatives are not successfully or efficiently implemented or maintained, they could adversely affect our business and our internal control over financial reporting.

Our ability to compete effectively is increasingly dependent on access to and interpretation of data. Data quality impacts customer ordering, order fulfillment and higher order processing. If we fail to effectively implement and maintain data governance structures across our businesses or to effectively interpret and utilize such data, our operations could be impacted and we may be at a competitive disadvantage.

**Our business and results of operations could be adversely affected if we experience a material cyber-attack or other systems breach.**

Our business relies on the secure transmission, storage and hosting of patient-identifiable health information, financial information and other sensitive protected information relating to our customers, company, workforce and individuals with whom we and our customers conduct business. We have programs in place to detect, contain and respond to information security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, hardware, software or applications developed internally or procured from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security.

Unauthorized parties have gained access and will continue to attempt to gain access to our or a service provider's systems or facilities through fraud, trickery or other forms of deception. We have been the target of cyber attacks, including, in prior fiscal years, incidents where certain customer account information was accessed. Although we do not believe these incidents had a material impact on us, similar incidents or events in the future may negatively impact our business, reputation or financial results.

Any compromise of our or a service provider's information systems, including unauthorized access to or use or disclosure of sensitive information, could adversely impact our operations, results of operations or our ability to satisfy legal or regulatory requirements, including the EU general data protection regulation (GDPR) and those related to patient-identifiable health information and other sensitive personal and financial information as further described in the Risk Factor titled "Our business is subject to rigorous regulatory and licensing requirements," above.

In addition, insurance for losses arising from cyber-attacks or other breaches is becoming more costly and limited and may not be available to us at amounts that we historically have obtained or that we would like to obtain. It is possible that we could incur

losses that may not be covered by insurance or that would exceed available insurance recoveries. If this happens, our results of operations and financial condition could be adversely affected.

**Our goodwill may become further impaired, which could require us to record additional significant charges 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. As a result of adverse financial results in our Medical Unit resulting from inflationary impacts and global supply chain constraints, we performed interim goodwill impairment testing for the Medical Unit for the periods ended December 31, 2021 and March 31, 2022. As a result of both of these interim tests and the annual test conducted for the period ended June 30, 2022, we recorded an aggregate \$2.1 billion impairment to goodwill related to our Medical Unit in fiscal year 2022.

This testing involves estimates and significant judgments by management. We believe our assumptions and estimates are reasonable and appropriate; however additional adverse changes in key assumptions, including a failure to meet expected earnings or other financial plans, unanticipated events and circumstances such as changes in assumptions about the duration and magnitude of increased supply chain and commodities costs and our planned efforts to mitigate such impacts, further disruptions in the supply chain, the impact of the Cordis divestiture, estimated demand and selling prices for PPE, a further increase in the discount rate, a decrease in the terminal growth rate, increases in tax rates (including potential tax reform) or a significant change in industry or economic trends could affect the accuracy or validity of such estimates and may result in an additional goodwill impairment in our Medical Unit. It is also possible that we may record significant charges related to other reporting units. Any charge or charges could adversely affect our results of operations. See "Critical Accounting Policies and Sensitive Accounting Estimates" in MD&A above for more information regarding goodwill impairment testing.

**Our sales and credit concentration is significant.**

CVS Health and OptumRx are large customers that generate a significant amount of our revenue. CVS Health accounted for 25 percent of our fiscal 2022 revenue and 24 percent of our gross trade receivable balance at June 30, 2022 and OptumRx accounted for 16 percent of our fiscal 2022 revenue. If either of these customers terminates their agreements due to an alleged default by us, defaults in payment or significantly reduces their purchases from us, our results of operations and financial condition could be adversely affected.

**Our results of operations could be adversely impacted if we fail to manage and complete divestitures.**

We regularly evaluate our portfolio of businesses to determine whether an asset or business may no longer help us meet our objectives or whether there may be a more advantaged owner for that business. For example, we completed the divestiture of the Cordis business in fiscal 2022, and in the past few years, we have also divested our pharmaceutical and medical products distribution

business in China and our ownership interest in naviHealth, Inc. When we decide to sell assets or a business, we may encounter difficulty finding buyers or alternative exit strategies, which could delay the achievement of our strategic objectives. We could also incur higher costs or charges than planned or incur unexpected charges and could experience greater dis-synergies than expected, which could have a negative impact on our results of operations.

**Our ability to manage and complete acquisitions could impact our strategic objectives and financial condition.**

From time to time, we look to acquire other businesses that expand or complement our existing businesses. Completion of acquisitions and the integration of acquired businesses involve a number of risks, including the following: we may overpay for a business or fail to realize the synergies and other benefits we expect from the acquisition; our management's attention may be diverted to integration efforts; we may fail to retain key personnel of the acquired business; future developments may impair the value of our purchased goodwill or intangible assets; we may face difficulties or delays establishing, integrating or combining operations and systems, including manufacturing facilities; we may assume liabilities related to legal proceedings involving the acquired business; we may face challenges retaining the customers of the acquired business; or we may encounter unforeseen internal control, regulatory or compliance issues.

## Industry & Economic Risks

**We could continue to suffer the adverse effects of competitive pressures.**

As described in greater detail in the "Business" section, we operate in markets that are highly competitive and dynamic. In addition, competitive pressures in our pharmaceutical and medical segments may be increased by new business models, new entrants, new regulations, changes in consumer demand or general competitive dynamics. Our businesses face continued pricing pressure from these factors, which adversely affects our margins. If we are unable to offset margin reductions caused by these pricing pressures through steps such as sourcing or cost control measures, additional service offerings and sales of higher margin products, our results of operations could continue to be adversely affected.

**Our Pharmaceutical segment's profit margin could be adversely affected by changes in industry or market dynamics that we are not able to accurately predict.**

As has been the case for several years, the frequency, timing, magnitude and profit impact of generic pharmaceutical customer purchase volumes, pricing changes, customer contract renewals, generic pharmaceutical launches, and generic pharmaceutical manufacturer pricing changes remain uncertain as does their impact on Pharmaceutical segment profit and consolidated operating earnings. These factors have contributed to declines in some prior years and have more than offset the benefits from sourcing generic pharmaceuticals through our Red Oak Sourcing venture with CVS Health. If performance of our generic pharmaceutical program declines in future fiscal years and we are



unable to offset the decline, our Pharmaceutical segment profit and consolidated operating earnings will be adversely affected.

With respect to branded pharmaceutical products, compensation under our contractual arrangements with manufacturers for the purchase of branded pharmaceutical products is generally based on the wholesale acquisition cost set by the manufacturer. Sales prices of branded pharmaceutical products to our customers generally are a percentage discount from wholesale acquisition cost.

Also, almost all of our distribution services agreements with branded pharmaceutical manufacturers provide that we receive fees from the manufacturers to compensate us for services we provide them. However, under certain agreements, branded pharmaceutical price appreciation, which is determined by the manufacturers also serves as a part of our compensation. In recent years, manufacturers have increased prices less than in prior years. If manufacturers, in the aggregate, change their historical approach to setting and increasing wholesale acquisition cost, decide to reduce prices, not to increase prices or to implement only small increases and we are unable to negotiate alternative ways to be compensated by manufacturers or customers for the value of our services, our margins could be adversely affected.

**We depend on direct and indirect suppliers to make their products and raw materials available to us and are subject to fluctuations in costs, availability and regulatory risk associated with these products and raw materials.**

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. Beginning in the fourth quarter of fiscal year 2021, we have experienced higher supply chain costs, which had a negative impact on Medical segment profit in fiscal 2021 and 2022. Supply chain constraints have also had a negative impact on sales within our Medical segment. We expect these cost increases and supply chain constraints to continue to have a negative impact on segment profit, primarily in the Medical segment, in fiscal 2023.

We do not expect to offset the full impact of these cost increases in fiscal year 2023. We intend to offset some cost increases through cost reductions and through price increases or surcharges; however, due to competitive dynamics and contractual limitations, passing along cost increases is challenging. If we are not able to increase prices as planned, Medical segment profit could be negatively impacted to a greater extent than we currently anticipate.

We depend on others to manufacture some products that we market and distribute. Our operations are also dependent on various components, compounds, raw materials and energy supplied by others. We purchase many of these components, raw materials and energy, and source certain products from numerous suppliers in various countries. In some instances, for reasons of quality assurance, cost effectiveness, or availability, we procure

certain components and raw materials from a sole supplier. Our supplier relationships could be interrupted, become less favorable to us or be terminated and the supply of these components, compounds, raw materials or products could be interrupted or become insufficient.

These supply interruptions or other disruptions in manufacturing processes could be caused by events beyond our control, including natural disasters, supplier facility shutdowns, defective raw materials, the impact of epidemics or pandemics, such as COVID-19, and actions by U.S. or international governments, including import or export restrictions or tariffs. For example, the Uyghur Forced Labor Prevention Act, which went into effect in June 2022 prohibits the importation of any goods grown, produced, manufactured or mined in the Xinjiang Uyghur Autonomous Region of China unless importers can provide clear and convincing evidence that goods were not made using forced labor. If we determine that some of our imported source materials derive from this region, we could experience additional supply constraints and our performance could be negatively impacted.

In addition, due to the stringent regulatory requirements regarding the manufacture and sourcing of our products, we may not be able to quickly establish additional or replacement sources for certain components, materials or products. A sustained supply reduction or interruption, and an inability to develop alternative and additional sources for such supply, could result in lost sales, increased cost, damage to our reputation, and may have an adverse effect on our business.

**Employee attrition may have an adverse impact on our business, results of operations or internal controls.**

Our ability to attract, retain and develop qualified and experienced employees, including key executives and other talent, is critical for us to meet our business objectives. We compete with many other businesses to attract and retain employees. Competition among potential employers has resulted in increases in salaries and wages, benefits and other employee-related costs. It is possible that we could experience loss of key personnel for a variety of causes. If we do not adequately plan for succession of key roles or if we are not successful in attracting or retaining new talent, our performance or internal control over financial reporting could be adversely impacted.

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

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

**Changes or uncertainty in U.S. or international trade policies and exposure to economic, political and currency and other**

**risks could disrupt our global operations or negatively impact our financial results.**

We conduct our operations in various regions of the world outside of the United States, including Europe, Asia and Latin America. Global developments can affect our business in many ways. Our global operations are affected by local economic environments, including inflation, recession and competition. Additionally, divergent or unfamiliar regulatory systems and labor markets can increase the risks and burdens of operating in numerous countries.

Our foreign operations expose us to a number of risks related to trade protection laws, tariffs, excise or other border taxes on goods sourced from certain countries or on the importation or exportation of products or raw materials. Changes or uncertainty in U.S. or international trade policies or tariffs could impact our global operations, as well as our customers and suppliers. We may be required to spend more money to source certain products or materials that we need or to manufacture certain of our products. This could adversely impact our business and results of operations.

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.

Geopolitical dynamics caused by political, economic, social or other conditions in foreign countries and regions may continue to impact our business and results of operations. Both of our segments have experienced increased costs, including for fuel, and it is possible that we could experience supply disruptions or shortages if tariffs or other protective measures are enacted.

**COVID-19 Risks****We have been and expect to continue to be negatively affected by the ongoing COVID-19 pandemic.**

The COVID-19 pandemic has significantly impacted our businesses in a variety of ways beginning in fiscal year 2020, including volume declines in our Pharmaceutical segment and supply chain constraints and unusual PPE supply and demand dynamics in our Medical segment. While volumes within the Pharmaceutical segment have largely rebounded, our Medical segment continues to experience the effects of inflation, supply chain constraints and PPE dynamics, which, due to the passage of time, intervening events and other market dynamics, we now consider to be independent from COVID-19 for purposes of our assessment of our financial condition.

However, the COVID-19 pandemic is ongoing and we cannot estimate its continued length or severity or the related consequences on our business and operations, including whether and when normal economic and operating conditions will resume or the extent to which further disruption may impact our business, financial position, results of operations or cash flow. The COVID-19 pandemic has also heightened other risks, including risks associated with competitive pressures, supplier relationships,

international operations, regulatory and licensing, changes to the U.S. healthcare environment, cyber security, and access to capital markets.

## Properties

In the United States, at June 30, 2022, the Pharmaceutical segment operated one national logistics center; a number of primary pharmaceutical and specialty distribution facilities as well as nuclear pharmacy and radiopharmaceutical manufacturing facilities. The Medical segment operated medical-surgical distribution, assembly, manufacturing and other operating facilities in the United States.

At June 30, 2022, our Medical segment also operated manufacturing facilities in Canada, Costa Rica, the Dominican Republic, Germany, Ireland, Japan, Malaysia, Malta, Mexico and Thailand.

Our principal executive offices are headquartered in an owned building located at 7000 Cardinal Place in Dublin, Ohio.

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



## Legal Proceedings

In addition to the proceedings described below, the legal proceedings described in [Note 7](#) of the "Notes to Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

In June 2019, Melissa Cohen, a purported shareholder, filed an action on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances and approving certain payments of executive compensation. In December 2019 and January 2020, similar complaints were filed in the U.S. District Court for the Southern District of Ohio by purported shareholders, Stanley M. Malone and Michael Splaine, respectively. In January, 2020, the court consolidated the derivative cases under the caption *In re Cardinal Health, Inc. Derivative Litigation* and in March 2020, plaintiffs filed an amended complaint. The amended consolidated derivative complaint seeks, among other things, unspecified money damages against the defendants and an award of attorneys' fees. In February 2021, the court granted in part and denied in part defendants' motion to dismiss. The court dismissed the claim with respect to executive compensation but declined to dismiss the failure to monitor claim.

In December 2021, the parties reached an agreement in principle to settle this matter and in July 2022, the court granted preliminary approval of the settlement. Subject to final approval by the court, as part of this settlement, Cardinal's director and officer's liability insurance carriers, on behalf of the defendants, will pay Cardinal \$124 million, less any attorneys' fees and expenses awarded by the court to plaintiffs' counsel. This settlement does not include any admission of liability.

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

Our common shares are listed on the New York Stock Exchange under the symbol "CAH."

At July 31, 2022 there were approximately 6,857 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.

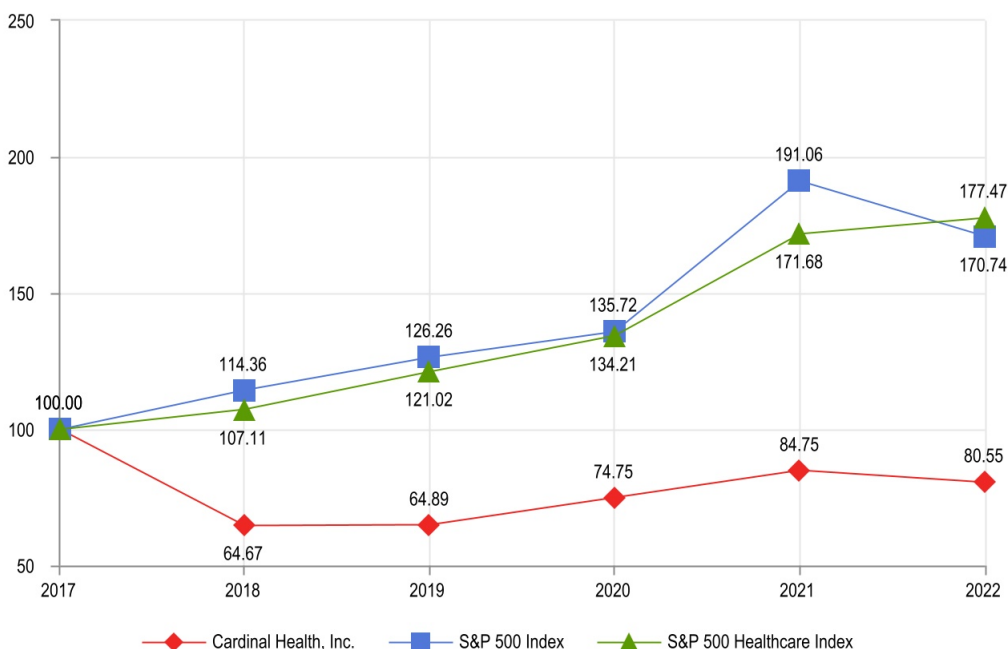
### Issuer Purchases of Equity Securities

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 (3) (in millions)
April 2022	608,582	\$ 65.80	607,823	\$ 2,743
May 2022	216	56.93	—	2,743
June 2022	253	52.93	—	2,743
<b>Total</b>	<b>609,051</b>	<b>\$ 65.79</b>	<b>607,823</b>	<b>\$ 2,743</b>

- (1) Reflects 759, 216 and 253 common shares purchased in April, May and June 2022, respectively, through a rabbi trust as investments of participants in our Deferred Compensation Plan.
- (2) On February 28, 2022, we entered into an accelerated share repurchase program ("ASR") to purchase common shares for an aggregate purchase price of \$200 million and received an initial delivery of 3.0 million common shares using a reference price of \$54.01. The program concluded on April 18, 2022 at a volume weighted average price per common share of \$56.02 resulting in a final delivery of 0.6 million common shares. See Note 10 of the "Notes to Consolidated Financial Statements" for additional information.
- (3) On November 7, 2018, our Board of Directors approved a \$1.0 billion share repurchase program that expired on December 31, 2021. On November 4, 2021, our Board of Directors approved a new \$3.0 billion share repurchase program, which will expire on December 31, 2024. As of June 30, 2022, we have \$2.7 billion authorized for share repurchases remaining 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 invested at the closing price on June 30, 2017, and is based on the market prices at the end of each fiscal year through and including June 30, 2022, 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					
	2017	2018	2019	2020	2021	2022
Cardinal Health, Inc.	\$ 100.00	\$ 64.67	\$ 64.89	\$ 74.75	\$ 84.75	\$ <b>80.55</b>
S&P 500 Index	100.00	114.36	126.26	135.72	191.06	<b>170.74</b>
S&P 500 Healthcare Index	100.00	107.11	121.02	134.21	171.68	<b>177.47</b>

## 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, 2022. Based on this evaluation, our principal executive officer and principal financial officer has concluded that our disclosure controls and procedures were effective as of June 30, 2022 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, 2022. 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, 2022.

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

### Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Pharmaceutical Segment Information Technology Initiative

During fiscal 2022, the Pharmaceutical segment implemented a replacement of certain finance and operating information systems. As a part of this project, we transitioned selected processes to new systems which affected our internal control over financial reporting during the fiscal year.

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

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

### Opinion on Internal Control over Financial Reporting

We have audited Cardinal Health, Inc. and subsidiaries' internal control over financial reporting as of June 30, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Cardinal Health, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of June 30, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of June 30, 2022 and 2021, the related consolidated statements of earnings/(loss), comprehensive income/(loss), shareholders' equity/(deficit) and cash flows for each of the three years in the period ended June 30, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) and our report dated August 11, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Grandview Heights, Ohio

August 11, 2022

# Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Cardinal Health, Inc.

## Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Cardinal Health, Inc. and subsidiaries (the Company) as of June 30, 2022 and 2021, the related consolidated statements of earnings/(loss), comprehensive income/(loss), shareholders' equity/(deficit) and cash flows for each of the three years in the period ended June 30, 2022, and the related notes and the financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of June 30, 2022, 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 11, 2022 expressed an unqualified opinion thereon.

## Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Medical Unit Goodwill**

*Description of the Matter* At June 30, 2022, goodwill related to the Company's Medical segment, including the Medical Unit was \$3.2 billion. As discussed in [Notes 1](#) and [4](#) to the consolidated financial statements, goodwill is tested for impairment at least annually at the reporting unit level, or when indicators of impairment exist. During fiscal 2022, the Company recognized goodwill impairment charges related to the Medical Unit of \$2.1 billion.

Auditing management's goodwill impairment test for the Medical Unit was challenging because there is significant judgement required in determining the fair value of the reporting unit. In particular, the fair value estimate was sensitive to significant judgmental assumptions including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company-specific risk premium, which are affected by expectations about future market or economic conditions.

*How Addressed Matter in Our Audit* We We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process. For example, we tested controls over management's review of significant judgmental assumptions, including the revenue growth rate, gross margin, distribution, selling, general and administrative expenses, and company-specific risk premium, among other assumptions.

To test the estimated fair value of the Company's Medical Unit, we performed audit procedures that included, among others, evaluating methodologies used, involving our valuation specialists in testing the significant assumptions described above and testing the underlying data used by the Company in its analysis for completeness and accuracy. We compared the significant assumptions used by management to current industry and economic trends, recent historical performance, changes to the reporting unit's business model, customer base or product mix and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting unit that would result from changes in the assumptions. We evaluated the incorporation of the applicable assumptions into the model and tested the model's computational accuracy. In addition, we inspected the Company's reconciliation of the fair value of all reporting units to the market capitalization of the Company and assessed the result. We have also assessed the adequacy of the Company's disclosures included in [Notes 1](#) and [4](#) in relation to this matter.

**Product Liability Lawsuits**

*Description of the Matter* As described in [Notes 1](#) and [7](#) to the consolidated financial statements, the Company is a defendant in various product liability claims in which individuals seek damages associated with the use of Cordis OptEase and TrapEase inferior vena cava (IVC) filter products. The Company accrues for losses and defense costs related to product liability at the time a loss is probable and the amount of loss can be reasonably estimated. The methodology used by the Company to project future Cordis IVC claim costs is based largely on recent experience, including claim filing rates, indemnity severity by claim type, sales data, implant and injury to report lag patterns, and defense costs. The Company periodically reviews such estimates and records adjustments for changes in reserves in the period in which the change in estimate occurs. At June 30, 2022, the Company's product liability reserve balance related to the Cordis IVC lawsuits totaled \$512 million, net of estimated insurance recoveries. The Company believes there is a range of estimated losses with respect to these matters. Because no amount within the range is a better estimate than any other amount within the range, the Company has accrued the minimum amount in the range. The Company estimates the high end of the range to be approximately \$1.05 billion net of estimated insurance recoveries.

Auditing management's accounting for and disclosure of loss contingencies related to the Cordis IVC product liability lawsuits was challenging due to the significant judgment required to develop the key assumptions utilized to calculate the estimated losses and the nature of information available given the early stages of these lawsuits and the limited claims and settlement history.

*How Addressed Matter in Our Audit* We We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over management's evaluation of the product liability litigation reserve. For example, we tested controls over management's review of the loss calculation used to estimate the product liability reserve amount and the significant assumptions as described above used within the loss calculation. We also tested management's controls over the completeness and accuracy of the data used in the loss calculation.

To test management's assessment of the probability of occurrence of a loss and whether the loss was reasonably estimable, we evaluated, for example, claims data of the Company, we evaluated the legal letters obtained from internal and external legal counsel, and we discussed the plaintiff's claims with internal and external legal counsel. Among other procedures we performed to test the measurement of the product liability litigation reserve, we evaluated the method of measuring the reserve for claims including analyses to determine the range of possible losses, tested the accuracy and completeness of the data, and evaluated new or contrary information affecting the estimate. In addition, we involved internal actuarial specialists to assist with our procedures related to the measurement of the product liability reserve. We have also assessed the adequacy of the Company's disclosures included in [Note 7](#) in relation to these matters.

**Uncertain Tax Positions**

*Description of the Matter* As described in [Note 8](#) to the consolidated financial statements, the Company's unrecognized tax benefits related to its uncertain tax positions were approximately \$943 million at June 30, 2022. Uncertain tax positions may arise as tax laws are subject to interpretation. The Company uses significant judgment in (1) determining if the tax position is more likely than not to be sustained upon examination, based on the technical merits of the position and (2) measuring the amount of tax benefit that qualifies for recognition.

Auditing management's estimate of the amount of tax benefit related to the Company's uncertain tax positions that qualified for recognition was challenging because management's estimate required significant judgment in evaluating the technical merits of the positions, including interpretations of applicable tax laws and regulations.

*How Addressed Matter in Our Audit* We We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's the process to assess the technical merits of its uncertain tax positions, including the Company's assessment as to whether a tax position is more likely than not to be sustained and management's process to measure the benefit of its tax positions.

We involved our international tax, transfer pricing, and national tax professionals in assessing the technical merits of certain of the Company's tax positions. Depending on the nature of the specific tax position and, where applicable, developments with the relevant tax authorities relating thereto, our procedures included obtaining and examining the Company's analysis. For example, we evaluated the underlying facts upon which the tax positions are based, and, where applicable, obtained the Company's correspondence with local tax authorities. We used our knowledge of international and local income tax laws, as well as historical settlement activity, where applicable, with local income tax authorities, to evaluate the Company's accounting for its uncertain tax positions. We evaluated developments in the applicable tax jurisdictions to assess potential effects on the Company's positions. We analyzed the Company's assumptions and data used to evaluate the appropriateness of the Company's measurement of tax benefits. We have also evaluated the Company's income tax disclosures in relation to these matters.

**Opioid Lawsuits**

*Description of the Matter* As discussed in [Note 7](#) to the consolidated financial statements, the Company is a defendant in numerous lawsuits brought by certain state governments, Native American tribes, and other political subdivisions related to opioid matters. The Company accrues for losses related to legal matters at the time a loss is probable and the amount of loss can be reasonably estimated. In February 2022, the Company determined that a sufficient number of political subdivisions had agreed to participate in the Settlement Agreement. The Settlement Agreement became effective on April 2, 2022. In addition, the Native American tribes and certain other subdivisions are not included within the Settlement Agreement and are negotiated separately. The Company has accrued \$6.36 billion pretax under the cash component of the Settlement Agreement and for negotiations with Native American tribes and other subdivisions as of June 30, 2022. The Company is unable to reasonably estimate the liability associated with other plaintiffs that are not subject to the Settlement Agreement or other ongoing negotiations. Additionally, management is unable to estimate the range of possible loss associated with these matters.

Auditing the Company's accounting for, and disclosure of, loss contingencies related to the opioid lawsuits was challenging due to the significant judgment required to evaluate management's assessment of the likelihood of a loss being incurred and management's determination of whether a reasonable estimate of the range of loss can be made.

*How Addressed Matter in Our Audit* We We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the identification and the evaluation of this legal contingency. For example, we tested controls over management's review of the assessment of the probability of occurrence of a loss and whether the loss was reasonably estimable and whether the assessment considered all relevant facts.

To test the Company's assessment of the probability of a loss and whether the loss was reasonably estimable, among other procedures, we read the Settlement Agreement, evaluated the legal letters obtained from internal and external legal counsel, met with internal counsel to discuss the status of the proceedings and negotiations of the Settlement Agreement and negotiations with other plaintiffs, and evaluated the reasonableness of management's assessment regarding whether an unfavorable outcome is reasonably possible or probable and reasonably estimable. We also assessed the adequacy and the sufficiency of the Company's disclosures included in [Note 7](#) in relation to these matters.

/s/ Ernst & Young LLP  
 We have served as the Company's auditor since 2002.  
 Grandview Heights, Ohio  
 August 11, 2022



## Financial Statements and Supplementary Data

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## Consolidated Statements of Earnings/(Loss)

(in millions, except per common share amounts)

	2022	2021	2020
Revenue	\$ 181,364	\$ 162,467	\$ 152,922
Cost of products sold	174,819	155,689	146,054
Gross margin	6,545	6,778	6,868
<b>Operating expenses:</b>			
Distribution, selling, general and administrative expenses	4,557	4,533	4,572
Restructuring and employee severance	101	114	122
Amortization and other acquisition-related costs	324	451	524
Impairments and (gain)/loss on disposal of assets, net	2,050	79	7
Litigation (recoveries)/charges, net	109	1,129	5,741
Operating earnings/(loss)	(596)	472	(4,098)
Other (income)/expense, net	16	(47)	(1)
Interest expense, net	149	180	238
Loss on early extinguishment of debt	10	14	16
(Gain)/Loss on sale of equity interest in naviHealth	(2)	2	(579)
Earnings/(loss) before income taxes	(769)	323	(3,772)
Provision for/(benefit from) income taxes	163	(289)	(79)
Net earnings/(loss)	(932)	612	(3,693)
Less: Net earnings attributable to noncontrolling interests	(1)	(1)	(3)
<b>Net earnings/(loss) attributable to Cardinal Health, Inc.</b>	<b>\$ (933)</b>	<b>\$ 611</b>	<b>\$ (3,696)</b>
<b>Earnings/(loss) per common share attributable to Cardinal Health, Inc.</b>			
Basic	\$ (3.35)	\$ 2.09	\$ (12.61)
Diluted	(3.35)	2.08	(12.61)
<b>Weighted-average number of common shares outstanding:</b>			
Basic	279	292	293
Diluted	279	294	293

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

## Consolidated Statements of Comprehensive Income/(Loss)

(in millions)	2022	2021	2020
Net earnings/(loss)	\$ (932)	\$ 612	\$ (3,693)
<b>Other comprehensive income/(loss):</b>			
Foreign currency translation adjustments and other	(56)	46	3
Net unrealized gain/(loss) on derivative instruments, net of tax	(24)	24	(28)
Total other comprehensive income/(loss), net of tax	(80)	70	(25)
Total comprehensive income/(loss)	(1,012)	682	(3,718)
Less: comprehensive income attributable to noncontrolling interests	(1)	(1)	(3)
<b>Total comprehensive income/(loss) attributable to Cardinal Health, Inc.</b>	<b>\$ (1,013)</b>	<b>\$ 681</b>	<b>\$ (3,721)</b>

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

## Consolidated Balance Sheets

(in millions)	June 30	
	2022	2021
<b>Assets</b>		
<b>Current assets:</b>		
Cash and equivalents	\$ 4,717	\$ 3,407
Trade receivables, net	10,561	9,103
Inventories, net	15,636	14,594
Prepaid expenses and other	2,021	2,843
Assets held for sale	—	1,101
<b>Total current assets</b>	<b>32,935</b>	<b>31,048</b>
Property and equipment, net	2,361	2,360
Goodwill and other intangibles, net	7,629	10,094
Other assets	953	951
<b>Total assets</b>	<b>\$ 43,878</b>	<b>\$ 44,453</b>
<b>Liabilities and Shareholders' Equity/(Deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 27,128	\$ 23,700
Current portion of long-term obligations and other short-term borrowings	580	871
Other accrued liabilities	2,842	2,957
Liabilities related to assets held for sale	—	96
<b>Total current liabilities</b>	<b>30,550</b>	<b>27,624</b>
Long-term obligations, less current portion	4,735	5,365
Deferred income taxes and other liabilities	9,299	9,670
<b>Shareholders' equity/(deficit):</b>		
Preferred shares, without par value:		
Authorized—500 thousand shares, Issued—none	—	—
Common shares, without par value:		
Authorized—755 million shares, Issued—327 million shares at June 30, 2022 and 2021	2,813	2,806
Retained earnings/(accumulated deficit)	(280)	1,205
Common shares in treasury, at cost: 54 million shares and 36 million shares at June 30, 2022 and 2021, respectively	(3,128)	(2,186)
Accumulated other comprehensive loss	(114)	(34)
<b>Total Cardinal Health, Inc. shareholders' equity/(deficit)</b>	<b>(709)</b>	<b>1,791</b>
Noncontrolling interests	3	3
<b>Total shareholders' equity/(deficit)</b>	<b>(706)</b>	<b>1,794</b>
<b>Total liabilities and shareholders' equity/(deficit)</b>	<b>\$ 43,878</b>	<b>\$ 44,453</b>

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

## Consolidated Statements of Shareholders' Equity/(Deficit)

(in millions)	Common Shares		Retained Earnings/(Accumulated Deficit)	Treasury Shares		Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity/(Deficit)
	Shares Issued	Amount		Shares	Amount			
Balance at June 30, 2019	327	\$ 2,763	\$ 5,434	(28)	\$ (1,790)	\$ (79)	\$ 2	\$ 6,330
Net earnings/(loss)			(3,696)				3	(3,693)
Other comprehensive loss, net of tax						(25)		(25)
Employee stock plans activity, net of shares withheld for employee taxes	—	26		—	74			100
Share repurchase program activity				(7)	(350)			(350)
Dividends declared			(570)					(570)
Other		—	2	—			(2)	—
Balance at June 30, 2020	327	2,789	1,170	(35)	(2,066)	(104)	3	1,792
Net earnings			611				1	612
Other comprehensive income, net of tax						70		70
Employee stock plans activity, net of shares withheld for employee taxes	—	17		3	80			97
Share repurchase program activity				(4)	(200)			(200)
Dividends declared			(576)					(576)
Other		—		—			(1)	(1)
<b>Balance at June 30, 2021</b>	<b>327</b>	<b>2,806</b>	<b>1,205</b>	<b>(36)</b>	<b>(2,186)</b>	<b>(34)</b>	<b>3</b>	<b>1,794</b>
Net earnings/(loss)			(933)				1	(932)
Other comprehensive loss, net of tax						(80)		(80)
Employee stock plans activity, net of shares withheld for employee taxes	—	7		2	58			65
Share repurchase program activity				(20)	(1,000)			(1,000)
Dividends declared			(552)					(552)
Other							(1)	(1)
<b>Balance at June 30, 2022</b>	<b>327</b>	<b>\$ 2,813</b>	<b>\$ (280)</b>	<b>(54)</b>	<b>\$ (3,128)</b>	<b>\$ (114)</b>	<b>\$ 3</b>	<b>\$ (706)</b>

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

## Consolidated Statements of Cash Flows

(in millions)	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net earnings/(loss)	\$ (932)	\$ 612	\$ (3,693)
Adjustments to reconcile net earnings/(loss) to net cash provided by operating activities:			
Depreciation and amortization	692	783	913
Impairments and loss on sale of other investments	24	—	—
(Gain)/Loss on sale of equity interest in naviHealth	(2)	2	(579)
Impairments and (gain)/loss on disposal of assets, net	2,050	79	7
Loss on early extinguishment of debt	10	14	16
Share-based compensation	81	89	90
Provision for/(benefit from) deferred income taxes	7	496	(961)
Provision for bad debts	68	65	106
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:			
(Increase)/decrease in trade receivables	(1,526)	(904)	82
Increase in inventories	(1,071)	(1,584)	(409)
Increase/(decrease) in accounts payable	3,428	2,325	(162)
Other accrued liabilities and operating items, net	293	452	6,550
Net cash provided by operating activities	3,122	2,429	1,960
<b>Cash flows from investing activities:</b>			
Proceeds from divestitures, net of cash sold	923	—	—
Acquisition of subsidiaries, net of cash acquired	(22)	(3)	—
Additions to property and equipment	(387)	(400)	(375)
Proceeds from disposal of property and equipment	31	—	2
Purchase of other investments	(78)	(22)	(20)
Proceeds from sale of investments	29	47	886
Proceeds from net investment hedge terminations	71	—	—
Net cash provided by/(used in) investing activities	567	(378)	493
<b>Cash flows from financing activities:</b>			
Net change in short-term borrowings	—	—	(2)
Proceeds from interest rate swap terminations	—	18	112
Reduction of long-term obligations	(885)	(570)	(1,399)
Net tax proceeds/(withholding) from share-based compensation	(19)	8	8
Dividends on common shares	(559)	(573)	(569)
Purchase of treasury shares	(1,000)	(200)	(350)
Net cash used in financing activities	(2,463)	(1,317)	(2,200)
Effect of exchange rates changes on cash and equivalents	(25)	11	(13)
Cash reclassified from/(to) assets held for sale	109	(109)	—
Net increase in cash and equivalents	1,310	636	240
Cash and equivalents at beginning of period	3,407	2,771	2,531
<b>Cash and equivalents at end of period</b>	<b>\$ 4,717</b>	<b>\$ 3,407</b>	<b>\$ 2,771</b>
<b>Supplemental Information:</b>			
Cash payments for interest	\$ 153	\$ 182	\$ 226
Net cash payments/(refunds) for income taxes	(766)	273	368

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

# Notes to Consolidated Financial Statements

## 1. Basis of Presentation and Summary of Significant Accounting Policies

Cardinal Health, Inc. is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide pharmaceuticals and medical products and cost-effective solutions that enhance supply chain efficiency. References to "we," "our," "us," 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 2022, 2021 and 2020 in these consolidated financial statements are to the fiscal years ended June 30, 2022, 2021 and 2020, 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. 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. Certain prior year amounts have been reclassified to conform to the current year presentation.

### 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 conformity with GAAP requires us to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates, judgments and assumptions are used in the accounting and disclosure related to, among other items, allowance for doubtful accounts, inventory valuation and reserves, goodwill and other intangible asset impairment, vendor reserves, loss contingencies (including product liability and self-insurance accruals), and income taxes. Actual amounts may 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 \$273 million and \$243 million at June 30, 2022 and 2021, 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, and consider historical experience, pricing discrepancies, the current economic environment, customer credit ratings or bankruptcies, and reasonable and supportable forecasts to develop our allowance for credit losses. We review these factors quarterly to determine if any adjustments are needed to the allowance. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

We provide financing to various customers. Such financing arrangements range from 1 year to 5 years at interest rates that are generally subject to fluctuation. Interest income on these arrangements is recognized as it is earned. The financings may be collateralized, guaranteed by third parties or unsecured. Finance notes, net and related accrued interest were \$63 million (current portion \$12 million) and \$63 million (current portion \$7 million) at June 30, 2022 and 2021, 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 \$8 million and \$12 million at June 30, 2022 and 2021, respectively. We estimate an allowance for these financing receivables based on historical collection rates and the creditworthiness of the customer. We write off any amounts deemed uncollectible against the established allowance for doubtful accounts.

### Concentrations of Credit Risk

We maintain cash depository accounts with major banks, and we invest in high quality, short-term liquid instruments, and in marketable securities. Our short-term liquid instruments mature within three months and we have not historically incurred any related losses.

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

### Major Customers

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

In August 2021, we extended our pharmaceutical distribution agreements with CVS Health through June 2027.

The following table summarizes historical percent of revenue and gross trade receivables from CVS Health and OptumRx:

	Percent of Revenue			Percent of Gross Trade Receivables at June 30	
	2022	2021	2020	2022	2021
CVS Health	25 %	26 %	26 %	24 %	24 %
OptumRx	16 %	15 %	14 %	4 %	3 %

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 19 percent, 19 percent and 21 percent of revenue for fiscal 2022, 2021 and 2020, 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 portion of our inventories (52 percent and 50 percent at June 30, 2022 and 2021, 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.

At June 30, 2022 and 2021, respectively, inventories valued at LIFO cost were \$416 million and \$565 million higher than the average cost value. We do not record inventories in excess of replacement cost. As such, we did not write-up the value of our inventory from average cost to LIFO cost at June 30, 2022 or 2021.

Our remaining inventory, including inventory in our Medical segment, that is not valued at the lower of LIFO cost or market is stated at the lower of cost, using the first-in, first-out method, or net realizable value. Net realizable value is defined as the estimated selling prices and estimated sales demand in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. Due to the unprecedented demand for certain personal protective equipment as a result of the COVID-19 pandemic ("COVID-19") in fiscal 2021 and 2020, our Medical segment manufactured and sourced inventory at higher costs than in periods prior to COVID-19. Personal protective equipment ("PPE") refers to protective clothing, medical and non-medical

grade gloves, face shields, face masks and other equipment designed to protect the wearer from injury or the spread of infection or illness. As selling prices and customer demand decreased compared to the peak of COVID-19, during fiscal 2021 we recorded a reserve of \$197 million, primarily related to certain categories of gloves, to reduce the carrying value of certain PPE to its net realizable value. The reserve balance was \$42 million at June 30, 2022.

We reserve for inventory obsolescence using estimates based on historical experience, historical and projected sales trends, specific categories of inventory, age and expiration dates of on-hand inventory and manufacturer return policies. Inventories presented in the consolidated balance sheets are net of reserves for excess and obsolete inventory which were \$147 million and \$185 million at June 30, 2022 and 2021, respectively.

### Cash Discounts

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

### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Property and equipment held for sale are recorded at the lower of cost less accumulated depreciation before the decision to dispose of the asset was made 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.

We capitalize project costs relating to computer software developed or obtained for internal use when the activities related to the project reach the application stage. Costs that are associated with the preliminary stage activities, training, maintenance, and all other post-implementation stage activities are expensed as they are incurred.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, including finance 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; capitalized software held for internal use—3 to 7 years; and furniture and fixtures—3 to 7 years. We recorded depreciation and amortization expense of \$412 million, \$377 million and \$405 million for fiscal 2022, 2021 and 2020, respectively.



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

(in millions)	2022	2021
Land, building and improvements	\$ 1,724	\$ 1,717
Machinery and equipment	2,114	2,018
Capitalized software held for internal use	1,562	1,075
Furniture and fixtures	125	136
Construction in progress	358	642
Total property and equipment, at cost	5,883	5,588
Accumulated depreciation and amortization	(3,522)	(3,228)
<b>Property and equipment, net</b>	<b>\$ 2,361</b>	<b>\$ 2,360</b>

Repairs and maintenance expenditures are expensed as incurred. Interest on long-term projects is capitalized using a rate that approximates the weighted-average interest rate on long-term obligations, which was 4 percent at June 30, 2022. The amount of capitalized interest was immaterial for all periods presented.

### Goodwill and Other Intangible Assets

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

Purchased goodwill is tested for impairment at least annually. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. We have elected to bypass the qualitative assessment for our annual goodwill impairment test in the current year. The quantitative goodwill impairment test involves a comparison of the estimated fair value of the reporting unit to the respective carrying amount.

Goodwill impairment testing involves judgment, including the identification of reporting units, qualitative evaluation of events and circumstances to determine if it is more likely than not that an impairment exists, and, if necessary, the estimation of the fair value of the applicable reporting unit.

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

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 10 to 12 percent. Under the market-based guideline public company method, we determine fair value by comparing our reporting units to similar businesses or guideline companies whose securities are actively traded in public markets. We also use the guideline transaction method to determine fair value based on pricing multiples derived from the sale of companies that are similar to our reporting units. To further confirm fair value, we compare the aggregate fair value of our reporting units to our total market capitalization. Estimating the fair value of reporting units requires the use of estimates and significant judgments that are based on a number of factors including forecasted operating results. The use of alternate estimates and assumptions or changes in the industry or peer groups could materially affect the determination of fair value for each reporting unit and potentially result in goodwill impairment.

We performed annual impairment testing in fiscal 2022, 2021 and 2020 and with the exception of our Medical Unit in fiscal 2022, concluded that there were no impairments of goodwill as the estimated fair value of each reporting unit exceeded its carrying value. As discussed further in [Note 4](#) of the "Notes to Consolidated Financial Statements," during fiscal 2022, we recognized goodwill impairment charges related to our Medical Unit of \$2.1 billion, respectively, which are included in impairments and (gain)/loss on disposal of assets in our consolidated statements of earnings. There were tax benefits related to these goodwill impairment charges. See [Note 8](#) of the "Notes to Consolidated Financial Statements" for additional information.

The impairment test for indefinite-lived intangibles other than goodwill involves first assessing qualitative factors to determine if it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount. If so, then a quantitative test is performed to compare the estimated fair value of the indefinite-lived intangible asset to the respective asset's carrying amount. Our qualitative evaluation requires the use of estimates and significant judgments and considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying amount.

Intangible assets with finite lives, primarily customer relationships; trademarks, trade names and patents; and developed technology, are amortized using a combination of straight-line and accelerated

methods based on the expected cash flows from the asset over their estimated useful lives. We review intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of the future forecasted undiscounted cash flows expected to be generated by the asset group. Actual results may differ materially from those used in our forecasts.

### Assets Held for Sale

We classify assets and liabilities (the "disposal group") as held for sale when management commits to a plan to sell the disposal group in its present condition and at a price that is reasonable in relation to its current fair value. We also consider whether an active program to locate a buyer has been initiated and if it is probable that the sale will occur within one year without significant changes to the plan to sell. Upon classification of the disposal group as held for sale, we test the assets for impairment and cease related depreciation and amortization.

On March 12, 2021, we signed a definitive agreement with Hellman & Friedman to sell the Cordis business. Upon signing the agreement, we met the criteria for the related assets and liabilities of the Cordis business to be classified as held for sale. In August 2021, we sold the Cordis business to Hellman & Friedman for proceeds of \$923 million net of cash transferred, and we retained certain working capital accounts and certain liabilities. See [Note 2](#) of the "Notes to Consolidated Financial Statements" for additional information. Cardinal Health retained product liability associated with lawsuits and claims related to inferior vena cava ("IVC") filters in the U.S. and Canada, as well as authority for these matters discussed in [Note 7](#) of the "Notes to Consolidated Financial Statements."

### Investments

Investments in non-marketable equity securities are accounted for under the fair value, equity or net asset value method of accounting and are included in other assets in the consolidated balance sheets. For equity securities without a readily determinable fair value, we use the fair value measurement alternative and measure the securities at cost less impairment, if any, including adjustments for observable price changes in orderly transactions for an identical or similar investment of the same issuer. For investments in which we can exercise significant influence but do not control, we use the equity method of accounting. Our share of the earnings and losses are recorded in other (income)/expense, net in the consolidated statements of earnings/(loss). We monitor our investments for impairment by considering factors such as the operating performance of the investment and current economic and market conditions.

### Leases

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

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

Our lease agreements contain lease components and non-lease components. For all asset classes, we have elected to account for both of these components as a single lease component. We also, from time to time, sublease portions of our real estate property, resulting in sublease income. Sublease income and the related assets and cash flows are not material to the consolidated financial statements at or for the fiscal years ended June 30, 2022, 2021 and 2020.

We also have elected to apply a practical expedient for short-term leases whereby we do not recognize a lease liability and right-of-use asset for leases with a term of less than 12 months. Short-term lease expense recognized in fiscal 2022, 2021, and 2020 was not material.

Our leases have remaining lease terms from less than 1 year up to approximately 20 years. Our lease terms may include options to extend or terminate the lease when it is reasonably certain and there is a significant economic incentive to exercise that option.

See [Note 5](#) of the "Notes to Consolidated Financial Statements" for additional information regarding leases.

### 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 update our reserve estimates to reflect actual historical experience. The ultimate outcome of certain claims may be different than our original estimate and may require an adjustment. Adjustments to vendor reserves are included in cost of products sold. In addition,

the reserve balance will fluctuate due to variations of outstanding claims from period-to-period, timing of settlements and specific vendor issues. Vendor reserves were \$105 million and \$77 million at June 30, 2022 and 2021 respectively, excluding third-party returns. See Third-Party Returns section within this Note for a description of third-party returns.

### **Distribution Services Agreement and Other Vendor Fees**

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

### **Loss Contingencies and Self-Insurance**

#### **Loss Contingencies**

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.

In connection with the opioid litigation as described further in the [Note 7](#), we recorded pre-tax charges of \$1.17 billion and \$5.63 billion during fiscal 2021 and 2020, respectively, which were retained at Corporate. In February 2022, we and two other national distributors announced that each company had determined that a sufficient number of political subdivisions had agreed to participate in the previously disclosed settlement agreement (the "Settlement Agreement") to settle the vast majority of the opioid lawsuits filed by states and local governmental entities. This Settlement Agreement became effective on April 2, 2022.

We develop and periodically update reserve estimates for the IVC claims, including those received to date and expected to be received in the future and related costs. To project future IVC claim costs, we use a methodology based largely on recent experience, including claim filing rates, estimated indemnity severity by claim type, historical sales data, implant and injury to report lag patterns and estimated defense costs.

The amount of ultimate loss may differ materially from these estimates. We recognize these estimated loss contingencies, income from favorable resolution of litigation and certain defense costs in litigation (recoveries)/charges in our consolidated statements of earnings/(loss). See [Note 7](#) for additional information regarding loss contingencies and product liability lawsuits.

#### **Self-Insurance**

We self-insure for employee healthcare, general liability, certain product liability matters, auto liability, property and workers' compensation. Self-insurance accruals include an estimate for expected settlements or pending claims, defense costs,

administrative fees, claim adjustment costs and an estimate for claims incurred but not reported.

Because these matters are inherently unpredictable and unfavorable developments or resolutions can occur, assessing contingencies and other liabilities is highly subjective and requires judgments about future events. We regularly review contingencies and our self-insurance accruals to determine whether our accruals and related disclosures are adequate. Any adjustments for changes in reserves are recorded in the period in which the change in estimate occurs.

### **Guarantees**

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

From time to time we enter into agreements that obligate us to make fixed payments upon the occurrence of certain events. Such obligations primarily relate to obligations arising under acquisition transactions, where we have agreed to make payments based upon the achievement of certain financial performance measures by the acquired business. Generally, the obligation is capped at an explicit amount. There were no material obligations at June 30, 2022.

### **Income Taxes**

We account for income taxes using the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates in the respective jurisdictions in which we operate. We assess the realizability of deferred tax assets on a quarterly basis and provide a valuation allowance for deferred tax assets when it is more likely than not that at least a portion of the deferred tax assets will not be realized. The realizability of deferred tax assets depends on our ability to generate sufficient taxable income within the carryback or carryforward periods provided for in the tax law for each applicable tax jurisdiction and also considers all available positive and negative evidence.

Deferred taxes for non-U.S. liabilities are not provided on the unremitted earnings of subsidiaries outside of the United States when it is expected that these earnings are indefinitely reinvested.

We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

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

See [Note 8](#) for additional information regarding income taxes.

### Other Accrued Liabilities

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

### Noncontrolling Interests

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

### Share-Based Compensation

Share-based compensation provided to employees is recognized in the consolidated statements of earnings/(loss) based on the grant date fair value of the awards. The fair value of restricted share units and performance share units is determined by the grant date market price of our common shares. The fair value of stock options is determined on the grant date using a lattice valuation model. The compensation expense associated with nonvested performance share units is dependent on our periodic assessment of the probability of the targets being achieved and our estimate, which may vary over time, of the number of shares that ultimately will be issued. The compensation expense recognized for share-based awards is net of estimated forfeitures and is recognized ratably over the service period of the awards. All income tax effects of share-based awards are recognized in the consolidated statements of earnings/(loss) as awards vest or are settled. We classify share-based compensation expense in distribution, selling, general and administrative ("SG&A") expenses to correspond with the same line item as the majority of the cash compensation paid to employees. If awards are modified in connection with a restructuring activity, the incremental share-based compensation expense is classified in restructuring and employee severance. See [Note 14](#) for additional information regarding share-based compensation.

### Dividends

We paid cash dividends per common share of \$ 1.96, \$1.94 and \$1.92 in fiscal 2022, 2021 and 2020, respectively.

### Revenue Recognition

We recognize revenue in an amount that reflects the consideration to which we expect to be entitled in exchange for the transfer of goods or services to customers.

Revenue in both segments is primarily related to the distribution of pharmaceutical and medical products, which include both manufactured and sourced products, and we recognize at a point in time when title transfers to customers and we have no further obligation to provide services related to such merchandise. Service revenues are recognized over the period that services are provided to the customer. Revenues derived from services are not material for either segment for all periods presented.

We are generally the principal in a transaction, therefore our revenue is primarily recorded on a gross basis. When we are a principal in a transaction, we have determined that we control the ability to direct the use of the product or service prior to transfer to a customer, are primarily responsible for fulfilling the promise to provide the product or service to our customer, have discretion in establishing prices, and ultimately control the transfer of the product or services provided to the customer.

### Sales Returns and Allowances

Revenue is recorded net of sales returns and allowances. Revenues are measured based on the amount of consideration that we expect to receive, reduced by estimates for return allowances, discounts, rebates and other variable consideration. Sales returns are recorded based on estimates using historical data. Our customer return policies generally require that the product be physically returned, subject to restocking fees. We only allow customers to return products for credit in a condition suitable to be added back to inventory and resold at full value ("merchantable product") or returned to vendors for credit. 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, 2022 and 2021, the accrual for estimated sales returns and allowances was \$617 million and \$689 million, respectively, which is reflected in trade receivables, net and inventories, net in the consolidated balance sheets. Sales returns and allowances were \$2.4 billion, \$2.6 billion and \$2.3 billion, for fiscal 2022, 2021 and 2020, respectively, and the net impact on net earnings/(loss) in the consolidated statements of earnings/(loss) was immaterial in fiscal 2022, 2021 and 2020.

### Third-Party Returns

We generally do not accept non-merchantable pharmaceutical product returns from our customers, so many of our customers return non-merchantable pharmaceutical products to the manufacturer through third parties. Since our customers generally do not have a direct relationship with manufacturers, our vendors pass the value of such returns to us (usually in the form of an accounts payable deduction). We, in turn, pass the value received 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/(loss) and include all delivery expenses as well as all costs to prepare the product for shipment to the end customer. Shipping and handling costs were \$748 million, \$634 million and \$620 million, for fiscal 2022, 2021 and 2020, respectively.

### Restructuring and Employee Severance

Restructuring activities are programs that are not part of the ongoing operations of our underlying business, such as divestitures, closing and consolidating facilities, changing the way we manufacture or distribute our products, moving manufacturing of a product to another location, changes in production or business process outsourcing or insourcing, employee severance (including rationalizing headcount or other significant changes in personnel) and realigning operations (including realignment of the management structure in response to changing market conditions). Also included within restructuring and employee severance are employee severance costs that are not incurred in connection with a restructuring activity. See [Note 3](#) for additional information regarding our restructuring activities.

### Amortization and Other Acquisition-Related Costs

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

### Translation of Foreign Currencies

Financial statements of our subsidiaries outside the United States are generally measured using the local currency as the functional currency. Adjustments to translate the assets and liabilities of these foreign subsidiaries into U.S. dollars are accumulated in shareholders' equity through accumulated and other comprehensive loss ("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, 2022 and 2021 are presented in [Note 11](#). Foreign currency transaction gains and losses for the period are included in the consolidated statements of earnings/(loss) in the respective financial statement line item.

### Interest Rate, Currency and Commodity Risk

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

For contracts that qualify for hedge accounting treatment, the hedge contracts must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedge effectiveness is assessed periodically. Any contract not designated as a hedge, or so designated but ineffective, is adjusted to fair value and recognized immediately in net earnings. If a fair value or cash flow hedge ceases to qualify for hedge accounting treatment, the contract continues to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value are recognized immediately in net earnings. If a forecasted transaction is probable not to occur, amounts previously deferred in AOCI are recognized immediately in net earnings. Interest payments received from the cross-currency swap are excluded from the net investment hedge effectiveness assessment and are recorded in interest expense, net in the consolidated statements of earnings/(loss).

See [Note 10](#) for additional information regarding our derivative instruments, including the accounting treatment for instruments designated as fair value, cash flow, net investment 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 9](#) for additional information regarding fair value measurements.



## Recently Adopted Financial Accounting Standards

There were no accounting standards adopted in fiscal 2022 that had a material impact on our consolidated financial statements.

## Recently Issued Financial Accounting Standards Not Yet Adopted

We assess the adoption impacts of recently issued accounting standards by the FASB on our consolidated financial statements as well as material updates to previous assessments, if any, from our fiscal 2021 Form 10-K. There were no accounting standards issued in fiscal 2022 that will have a material impact on our consolidated financial statements.

## 2. Divestitures and Acquisitions

### Divestitures

#### Cordis

In August 2021, we sold the Cordis business to Hellman & Friedman for proceeds of \$923 million, net of cash transferred, and we retained certain working capital accounts and certain liabilities. Cardinal Health retained product liability associated with lawsuits and claims related to IVC filters in the U.S. and Canada, as well as authority for these matters discussed in [Note 7](#). The Cordis business operated within our Medical segment.

During fiscal 2021, we met the criteria for the related assets and liabilities of the Cordis business to be classified as held for sale. We determined that the sale of the Cordis business did not meet the criteria to be classified as discontinued operations. In connection with the divestiture, we recognized a \$60 million pre-tax loss in impairments and (gain)/loss on disposal of assets in our consolidated statement of earnings/(loss) in fiscal 2021.

#### naviHealth

In August 2018, we sold our majority ownership interest in naviHealth, which operated within our Medical segment in exchange for cash proceeds of \$737 million (after adjusting for certain fees and expenses) and a noncontrolling equity interest in a partnership that owned naviHealth. We also had certain call rights to reacquire naviHealth.

In May 2020 we sold the remainder of our noncontrolling equity interest in a partnership that owned naviHealth. We recognized a pre-tax gain of \$579 million from this disposal in gain on sale of equity interest in naviHealth in our consolidated statements of earnings/(loss) during fiscal year 2020.

### Acquisitions

We did not complete any acquisitions during fiscal 2020. While we completed small acquisitions during fiscal 2022 and 2021, 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 \$22 million and \$3 million for fiscal 2022 and 2021, respectively.

## 3. Restructuring and Employee Severance

The following tables summarize restructuring and employee severance costs:

(in millions)	2022	2021	2020
Employee-related costs	\$ 35	\$ 53	\$ 66
Facility exit and other costs	66	61	56
<b>Total restructuring and employee severance</b>	<b>\$ 101</b>	<b>\$ 114</b>	<b>\$ 122</b>

Employee-related costs primarily consist of termination benefits provided to employees who have been involuntarily terminated, duplicate payroll costs and retention bonuses incurred during transition periods. Facility exit and other costs primarily consist of accelerated depreciation, lease costs associated with vacant facilities, professional, project management and other service fees to support divestitures, vendor transition fees, project consulting fees, and certain other divestiture-related costs.

In fiscal 2022 and 2021, restructuring costs were primarily related to the implementation of certain enterprise-wide cost-savings measures, which includes facility exit costs related to decreasing our overall office space, and the divestiture of the Cordis business. In fiscal 2020, restructuring costs were primarily related to the implementation of certain enterprise-wide cost-savings measures.

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, 2020	\$ 68	\$ 28	\$ 96
Additions	49	26	75
Payments and other adjustments	(64)	(28)	(92)
Balance at June 30, 2021	53	26	79
Additions	49	10	59
Payments and other adjustments	(46)	(26)	(72)
<b>Balance at June 30, 2022</b>	<b>\$ 56</b>	<b>\$ 10</b>	<b>\$ 66</b>

## 4. Goodwill and Other Intangible Assets

### Goodwill

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

(in millions)	Pharmaceutical (1)	Medical (2)	Total
Balance at June 30, 2020	\$ 2,657	\$ 5,700	\$ 8,357
Goodwill acquired, net of purchase price adjustments	2	—	2
Foreign currency translation adjustments and other	—	18	18
Cordis goodwill reclassified to assets held for sale	—	(388)	(388)
Balance at June 30, 2021	2,659	5,330	7,989
Goodwill acquired, net of purchase price adjustments	14	—	14
Foreign currency translation adjustments and other	—	(64)	(64)
Goodwill impairment	—	(2,084)	(2,084)
<b>Balance at June 30, 2022</b>	<b>\$ 2,673</b>	<b>\$ 3,182</b>	<b>\$ 5,855</b>

(1) At June 30, 2022 and 2021, the Pharmaceutical segment accumulated goodwill impairment loss was \$829 million.

(2) At June 30, 2022 and 2021, the Medical segment accumulated goodwill impairment loss was \$3.5 billion and \$1.4 billion, respectively.

During fiscal 2022, the Medical Unit experienced adverse financial results related to inflationary impacts and the adverse impact of global supply chain constraints and lower volumes from PPE. Due to the risks and uncertainties related to these impacts and an increase in the risk-free interest rate used in the discount rate, we elected to bypass the qualitative assessment and perform quantitative goodwill impairment testing for the Medical Unit at June 30, 2022. This quantitative testing resulted in the carrying amount of the Medical Unit exceeding the fair value, resulting in a pre-tax impairment charge of \$303 million and cumulative pre-tax impairment charges of \$2.1 billion recognized during fiscal 2022, due to the impairment charges recognized during the third and second quarters of fiscal 2022 as described further below. This impairment charge was driven by an increase in the discount rate primarily due to an increase in the risk-free interest rate. Our determination of the estimated fair value of the Medical Unit is based on a combination of the income-based approach and the market-based approach. For this testing performed at June 30, 2022, we used a discount rate of 10 percent and a terminal growth rate of 2 percent. The goodwill balance of the Medical Unit, after recognizing the impairment, was \$1.9 billion at June 30, 2022.

During the third and second quarters of fiscal 2022, we performed interim goodwill impairment testing for the Medical Unit at March 31, 2022 and December 31, 2021, which resulted in pre-tax impairment charges of \$1.3 billion and \$474 million, which were recognized during the second and third quarters of fiscal 2022, respectively, and are included in impairments and (gain)/loss on disposal of assets in our consolidated statements of earnings/(loss). Our determination of the estimated fair value of the Medical Unit is based on a combination of the income-based approach

(using a terminal growth rate of 2 percent), and the market-based approach. For the income-based approach, we also used discount rates of 9 percent and 9.5 percent for the interim testing during the second and third quarters of fiscal 2022, respectively. The increase in the discount rate was primarily due to an increase in the risk-free interest rate. Our fair value estimates utilize significant unobservable inputs and thus represent Level 3 fair value measurements.

In connection with the divestiture of the Cordis business, during fiscal 2021 we allocated and reclassified \$388 million of goodwill from the Medical Unit (within our Medical Segment) to the Cordis disposal group based on the estimated relative fair values of the business to be disposed of and the portion of the reporting unit that was retained.

### Other Intangible Assets

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

(in millions)	2022			
	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
<b>Indefinite-life intangibles:</b>				
Trademarks and patents	\$ 11	\$ —	\$ 11	N/A
Total indefinite-life intangibles	11	—	11	N/A
<b>Definite-life intangibles:</b>				
Customer relationships	3,272	2,165	1,107	10
Trademarks, trade names and patents	552	360	192	8
Developed technology and other	1,038	574	464	9
Total definite-life intangibles	4,862	3,099	1,763	9
<b>Total other intangible assets</b>	<b>\$ 4,873</b>	<b>\$ 3,099</b>	<b>\$ 1,774</b>	<b>N/A</b>

(in millions)	2021		
	Gross Intangible	Accumulated Amortization	Net Intangible
<b>Indefinite-life intangibles:</b>			
Trademarks and patents	\$ 12	\$ —	\$ 12
Total indefinite-life intangibles	12	—	12
<b>Definite-life intangibles:</b>			
Customer relationships	3,330	1,989	1,341
Trademarks, trade names and patents	551	328	223
Developed technology and other	1,035	506	529
Total definite-life intangibles	4,916	2,823	2,093
<b>Total other intangible assets</b>	<b>\$ 4,928</b>	<b>\$ 2,823</b>	<b>\$ 2,105</b>

Total amortization of intangible assets was \$ 311 million, \$428 million and \$512 million for fiscal 2022, 2021 and 2020, respectively. The estimated annual amortization for intangible assets for fiscal 2023 through 2027 is as follows: \$283 million, \$260 million, \$235 million, \$208 million and \$ 175 million.



## 5. Leases

The following table summarizes the components of lease cost:

(in millions)	2022	2021	2020
Operating lease cost	\$ 117	\$ 119	\$ 134
Finance lease cost	23	16	13
Variable lease cost	13	24	17
<b>Total lease cost</b>	<b>\$ 153</b>	<b>\$ 159</b>	<b>\$ 164</b>

Variable lease cost primarily includes payments for property taxes, maintenance and insurance.

The following table summarizes supplemental balance sheet and other information related to leases at June 30:

(in millions)	2022	2021
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 457	\$ 460
Current portion of operating lease liabilities	102	105
Long-term operating lease liabilities	388	374
Total operating lease liabilities	490	479
<b>Finance Leases</b>		
Finance lease right-of-use assets	68	63
Current portion of finance lease liabilities	23	19
Long-term finance lease liabilities	49	45
Total finance lease liabilities	\$ 72	\$ 64

### Weighted-average remaining lease term (years)

Operating leases	6.0 years	6.5 years
Finance leases	4.1 years	4.2 years

### Weighted-average discount rate

Operating leases	3.0 %	2.9 %
Finance leases	1.8 %	1.5 %

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

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

(in millions)	2022	2021	2020
Cash paid for lease liabilities:			
Operating cash flows paid for operating leases	\$ 123	\$ 115	\$ 125
Financing cash flows paid for finance leases	21	15	7
Non-cash right-of-use assets obtained in exchange for lease obligations:			
New operating leases	101	138	150
New finance leases	28	45	40
Amended lease standard adoption impact as of July 1, 2019 <sup>(1)</sup>	—	—	400

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

Future lease payments under non-cancellable leases as of June 30, 2022 were as follows:

(in millions)	Operating Leases	Finance Leases	Total
2023	\$ 114	\$ 24	\$ 138
2024	98	19	117
2025	88	14	102
2026	71	7	78
2027	54	5	59
Thereafter	114	6	120
<b>Total future lease payments</b>	<b>539</b>	<b>75</b>	<b>614</b>
Less: imputed interest	49	3	52
<b>Total lease liabilities</b>	<b>\$ 490</b>	<b>\$ 72</b>	<b>\$ 562</b>

## 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)	2022	2021
2.616% Notes due 2022	\$ —	\$ 572
Floating Rate Notes due 2022	—	281
3.2% Notes due 2023	556	564
3.079% Notes due 2024	779	794
3.5% Notes due 2024	407	410
3.75% Notes due 2025	518	524
3.41% Notes due 2027	1,193	1,216
4.6% Notes due 2043	321	341
4.5% Notes due 2044	342	342
4.9% Notes due 2045	441	441
4.368% Notes due 2047	560	560
7.0% Debentures due 2026	124	124
Other Obligations	74	67
Total	5,315	6,236
Less: current portion of long-term obligations and other short-term borrowings	580	871
<b>Long-term obligations, less current portion</b>	<b>\$ 4,735</b>	<b>\$ 5,365</b>

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

Maturities of existing long-term obligations and other short-term borrowings for fiscal 2023 through 2027 and thereafter are as follows: \$580 million, \$1.2 billion, \$532 million, \$131 million, \$1.2 billion and \$1.7 billion.

### Long-Term Debt

All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. The 7.0% Debentures represent unsecured obligations of Allegiance Corporation (a wholly-owned subsidiary), which Cardinal Health, Inc. has guaranteed. None of these obligations are subject to a sinking fund and the Allegiance obligations are not redeemable prior to maturity. Interest is paid pursuant to the terms of the obligations. These notes are effectively subordinated to the liabilities of our subsidiaries, including trade payables of \$27.1 billion and \$23.7 billion at June 30, 2022 and 2021, respectively.

During fiscal 2022, we redeemed all outstanding \$572 million principal amount of 2.616% Notes due 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with this redemption, we recorded a \$10 million loss on early extinguishment of debt. We also repaid the full principal of the \$282 million Floating Rate Notes due 2022 as they became due. The early redemption and repayment were funded with available cash.

During fiscal 2021, we redeemed all outstanding 3.2% Notes due June 2022 for \$238 million and \$262 million aggregate principal amount of 2.616% Notes due June 2022 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with these redemptions, we recorded a \$13 million loss on early extinguishment of debt. We also early repurchased \$40 million of the Floating Rate Notes due 2022 and \$2 million of the 2.616% Notes due 2022. In connection with the early debt repurchases, we recorded a \$1 million loss on early extinguishment of debt.

During fiscal 2020, we redeemed \$500 million aggregate principal amount of 4.625% Notes due December 2020 at a redemption price equal to 100% of the principal amount and accrued but unpaid interest, plus the make-whole premium applicable to the notes. In connection with the redemption, we recorded a \$7 million loss on early extinguishment of debt. We also early repurchased \$247 million of the 2.616% Notes due 2022, \$11 million of the 3.2% Notes due 2022, \$20 million of the Floating Rate Notes due 2022, \$104 million of the 3.41% Notes due 2027, \$6 million of the 4.6% Notes due 2043, \$5 million of the 4.9% Notes due 2045, and \$35 million of the 4.368% Notes due 2047. In connection with the early debt repurchases, we recognized a \$9 million loss on early extinguishment of debt. We also repaid the full principal of the \$450 million 2.4% Notes due 2019 as they became due.

The redemptions and repurchases were paid for with available cash and other short-term borrowings.

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 & Poor's Ratings Services, Moody's Investors Services and Fitch Ratings, any holder of the notes, excluding the debentures, can require with respect to the notes owned by such holder, or we can offer, to repurchase the notes at 101% of the principal amount plus accrued and unpaid interest.

### Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a \$2.0 billion commercial paper program backed by a \$2.0 billion revolving credit facility. We also have a \$1.0 billion committed receivables sales facility.

In September 2019, we renewed our committed receivables sales facility program through Cardinal Health Funding, LLC ("CHF") through September 30, 2022. CHF was organized for the sole purpose of buying receivables and selling undivided interests in those receivables to third-party purchasers. Although consolidated with Cardinal Health, Inc. in accordance with GAAP, CHF is a separate legal entity from Cardinal Health, Inc. and from our subsidiary that sells receivables to CHF. CHF is designed to be a special purpose, bankruptcy-remote entity whose assets are available solely to satisfy the claims of its creditors.

In May 2022, we amended our receivables sales facility to temporarily increase the maximum permitted delinquency ratio.

Our revolving credit and committed receivables sales facilities require us to maintain a consolidated net leverage ratio of no more

than 3.75-to-1. As of June 30, 2022, we were in compliance with this financial covenant.

At June 30, 2022 and 2021, we had no amounts outstanding under the revolving credit facility; however, availability was reduced by outstanding letters of credit of \$1 million at both June 30, 2022 and 2021.

During fiscal 2022, we had a daily maximum amount outstanding under our commercial paper and committed receivables programs of \$1.2 billion and an average daily amount outstanding of \$19 million.

We had no amounts outstanding as of June 30, 2022 under the committed receivables sales facility program; however, availability was reduced by outstanding standby letters of credit of \$31 million at both June 30, 2022 and 2021.

We had no amounts outstanding under the commercial paper program as of June 30, 2022 and 2021.

The \$74 million and \$67 million balance of other obligations at June 30, 2022 and 2021, respectively, consisted of finance leases and short-term borrowings.

## 7. Commitments, Contingent Liabilities and Litigation

### Commitments

#### 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 Health for an initial term of 10 years. Red Oak Sourcing negotiates generic pharmaceutical supply contracts on behalf of its participants. In August 2021, we amended our agreement to extend the term through June 2029. We are required to make quarterly payments to CVS Health for the term of the arrangement. These payments are included as purchase obligations and other payments in the Contractual Obligations and Cash Requirements section of MD&A.

### Contingencies

#### New York Opioid Stewardship Act

In April 2018, the State of New York passed a budget which included the Opioid Stewardship Act (the "OSA"). The OSA created an aggregate \$100 million annual assessment on all manufacturers and distributors licensed to sell or distribute opioids in New York. Under the OSA, each licensed manufacturer and distributor would be required to pay a portion of the assessment based on its share of the total morphine milligram equivalents sold or distributed in New York during the applicable calendar year, beginning in 2017.

The constitutionality of portions of the OSA has been challenged in court. In December 2018, the OSA was ruled unconstitutional by the U.S. District Court for the Southern District of New York. Subsequently, New York passed a new statute that modified the assessment going forward and limited the OSA to two years (2017 and 2018). The U.S. Court of Appeals for the Second Circuit reversed the district court's decision on procedural grounds.

We accrue contingencies if it is probable that a liability has been incurred and the amount can be estimated. Because of the Second Circuit ruling, we recorded an aggregate accrual of \$41 million for calendar years 2017 and 2018 during the fiscal year ended June 30, 2021 based on the probable estimated payment amount. In the second quarter of fiscal year 2022, we paid the State of New York approximately \$20 million, our portion of the assessment for calendar year 2017. As a result, as of June 30, 2022, we had an accrual of \$20 million, which reflects our best estimate of the portion of the assessment that we may owe for sales during calendar year 2018.

### Legal Proceedings

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

From time to time, we determine that products we source, manufacture or market do not meet our specifications, regulatory requirements, or published standards. When we or a regulatory agency identify a potential quality or regulatory issue, we investigate and take appropriate corrective action. Such actions have led to product recalls, costs to repair or replace affected

products, temporary interruptions in product sales, restrictions on importation, product liability claims and lawsuits and can lead to action by regulators. Even absent an identified regulatory or quality issue or product recall, we can become subject to product liability claims and lawsuits.

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

We have been 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.

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

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

We recognize estimated loss contingencies for certain litigation and regulatory matters and income from favorable resolution of litigation in litigation (recoveries)/charges in our consolidated statements of earnings/(loss); however, losses and recoveries of lost profits from disputes that occur in the ordinary course of business are included within segment profit. For example, in the second quarter of fiscal year 2022, our Pharmaceutical segment profit was positively impacted by a \$16 million judgment for lost profits related to an ordinary course intellectual property rights claim.

## Opioid Lawsuits and Investigations

### *States & Political Subdivisions*

#### National Settlement

Beginning in fiscal year 2017, state attorneys general, counties and municipalities began filing lawsuits related to the distribution of prescription opioid pain medications against pharmaceutical wholesalers, including us, and other participants in the pharmaceutical supply chain. These lawsuits sought equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as public nuisance, negligence and unjust enrichment as well as violations of controlled substance laws, the Racketeer Influenced and Corrupt Organizations Act and various other statutes. The lawsuits filed by states and political subdivisions were filed by counties, municipalities, cities and political subdivisions in various federal, state, and other courts. The vast majority of these lawsuits were filed in U.S. federal court and were transferred for consolidated pre-trial proceedings in a Multi-District Litigation proceeding in the U.S. District Court for the Northern District of Ohio (the "MDL").

By fiscal year 2022, Cardinal Health was a defendant in approximately 2,775 lawsuits brought by these plaintiffs. In July 2021, we and two other national distributors (collectively, the "Distributors") announced a proposed settlement with a group of state attorneys general intended to resolve the vast majority of these lawsuits (the "National Settlement") as well as a proposed settlement agreement (the "Settlement Agreement") containing, among other things, a sign-on process to allow states and political subdivisions to participate in the National Settlement.

In February 2022, the Distributors each determined that a sufficient number of states and political subdivisions had agreed to participate in the National Settlement to proceed with the Settlement Agreement. The Settlement Agreement became effective on April 2, 2022.

In addition to the Distributors, parties to the Settlement Agreement include 46 states, the District of Columbia and 5 U.S. territories. As of August 9, 2022, over 99 percent of political subdivisions (by population as calculated under the Settlement Agreement) that had brought opioid-related suits against us as calculated under the Settlement Agreement had chosen to join the Settlement Agreement or have had their claims addressed by state legislation.

Under this Settlement Agreement, we will pay up to approximately \$6.0 billion, the majority of which is expected to be paid over 18 years. The exact payment amount will depend on several factors, including the extent to which states take action to foreclose opioid lawsuits by political subdivisions (*e.g.*, by passing laws barring or limiting opioid lawsuits by political subdivisions), and the extent to which additional political subdivisions in participating states file additional opioid lawsuits against us.

The Settlement Agreement also includes injunctive relief terms related to distributors' controlled substance anti-diversion programs, including with respect to: (1) governance; (2) independence and training of the personnel operating controlled substances monitoring programs; (3) due diligence for new and

existing customers; (4) ordering limits for certain products; and (5) suspicious order monitoring. A monitor will oversee compliance with these provisions for a period of five years. In addition, the Distributors will engage a third-party vendor to act as a clearinghouse for data aggregation and reporting, which distributors will fund for ten years.

The participating states and the distributors are cooperating to obtain consent judgments embodying the terms of the Settlement Agreement in each participating state and the participating states and subdivisions are dismissing their lawsuits. As a result, as of August 9, 2022, approximately 2,300 lawsuits against us have been dismissed. We expect additional lawsuits to be dismissed over the coming months.

Prior to the effective date of the Settlement Agreement, Distributors had entered into separate settlement agreements with each of the states of Florida, New York, Ohio and Rhode Island. When the Settlement Agreement became effective, each of these states and their participating subdivisions became a part of the National Settlement; however, the New York, Ohio and Rhode Island agreements required us to make certain payments separately from those required by the Settlement Agreement.

During fiscal year ended June 30, 2022, we made our first annual payment under the Settlement Agreement. We also made certain payments under the separate New York, Ohio and Rhode Island settlements, as well as certain payments under the Cherokee Nation settlement. In total, during fiscal year ended June 30, 2022, we paid \$417 million in connection with these matters. In July 2022, we made our second annual payment of \$374 million under the Settlement Agreement.

#### Other Settlements

West Virginia subdivisions and Native American tribes were not a part of the National Settlement and we had separate negotiations with these groups. A bench trial before a federal judge in West Virginia in a case brought by Cabell County and City of Huntington against the Distributors concluded in July 2021. In July 2022, a judgment in favor of the Distributors was entered. In July 2022, the Distributors reached an agreement to settle the opioid-related claims of the majority of the remaining West Virginia subdivisions. Under this agreement, we have agreed to pay eligible West Virginia subdivisions up to approximately \$124 million over an eleven-year period. This agreement is subject to certain contingencies related to subdivision participation.

In June 2022, the Distributors reached an agreement with the State of Oklahoma to resolve the opioid-related claims of the state and its political subdivisions. Under this agreement, Cardinal Health agreed to pay approximately \$95 million to the State and its participating subdivisions. This amount is consistent with the amount that would have been allocated to Oklahoma under the Settlement Agreement. The terms of this agreement are consistent with the terms of the Settlement Agreement. This agreement is subject to certain contingencies, including the rate of subdivision participation.

In May 2022, the Distributors reached an agreement with the Washington Attorney General, under which Cardinal Health will pay up to approximately \$160 million to the State of Washington and its participating subdivisions to resolve opioid-related claims. This amount is consistent with the amount that would have been allocated to Washington under the Settlement Agreement plus certain attorneys' fees and costs. The terms of this agreement in principle are substantially consistent with the Settlement Agreement. This agreement is subject to certain contingencies, including the rate of subdivision participation. If this agreement and the Washington agreement are finalized, Oklahoma and Washington would become subject to the Settlement Agreement and 48 of 49 eligible states would then be subject to the Settlement Agreement.

In September 2021 we announced that the Distributors had reached an agreement with the Cherokee Nation in connection with ongoing negotiations toward a broader agreement with Native American tribes. In January 2022, the Distributors entered into a term sheet with the Native American tribes.

The Settlement Agreement and separate state settlements have not resolved all opioid lawsuits and claims brought by states and political subdivisions. As of August 9, 2022, we are still defendants in approximately 475 lawsuits brought by counties, municipalities and other political subdivisions; however, we expect this number to decline as additional cases are dismissed as a result of the Settlement Agreement.

In total, we have recorded total pre-tax charges of \$ 1.17 billion and \$5.63 billion in litigation charges/(recoveries), net in the years ended June 30, 2021 and 2020, respectively. In total, we have \$6.36 billion accrued at June 30, 2022, of which \$532 million is included in other accrued liabilities and the remainder is included in deferred income taxes and other liabilities in the consolidated balance sheets.

Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. We regularly review these opioid litigation matters to determine whether our accrual is adequate. The amount of ultimate loss may differ materially from this accrual, whether as a result of settlement discussions, a judicial decision or verdict or otherwise, but we are not able to estimate a range of reasonably possible additional losses for these matters. We continue to strongly dispute the allegations made in these lawsuits and none of these agreements is an admission of liability or wrongdoing.

#### *Department of Justice Investigations*

We have received federal grand jury subpoenas issued in connection with investigations being conducted by the U.S. Attorney's Office for the Eastern District of New York and the Fraud Section of the U.S. Department of Justice ("DOJ"). We have also received civil requests for information from other DOJ offices. We believe that these investigations concern operation of our anti-diversion program, our anti-diversion policies and procedures, and distribution of certain controlled substances. We are cooperating

with these investigations. We are unable to predict the outcome of any of these investigations.

#### *Private Plaintiffs*

The Settlement Agreement does not address claims by private parties, which includes unions and other health and welfare funds, hospital systems and other healthcare providers, businesses and individuals alleging personal injury. Private parties had brought approximately 440 lawsuits as of August 9, 2022. Of these, 151 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs.

A trial in a case involving 21 plaintiffs began in state court in Georgia in July 2022. A mistrial was declared shortly thereafter due to rising COVID-19 cases and a new trial date has not been set. We are vigorously defending ourselves in all of these matters; however, trials are inherently unpredictable and it is possible that an unfavorable outcome in these matters, individually or in the aggregate, could have a negative impact on our financial results.

#### *Insurance Litigation*

We are involved in ongoing legal proceedings with two insurers related to the availability of insurance coverage for the lawsuits described above. In October 2020, we filed a complaint for declaratory judgment against National Union Fire Insurance Company of Pittsburgh, PA ("National Union") seeking a declaration that National Union is obligated to reimburse us for defense costs incurred in connection with the lawsuits described above. In January, 2021, Swiss Re International SE commenced an arbitration in London seeking a determination that it does not have an obligation to reimburse us for defense and indemnity expenses incurred in connection with the lawsuits described above. We have not recorded a receivable for any recoveries related to these insurance litigation matters as of June 30, 2022.

#### **Cordis IVC Filter Matters**

##### *Product Liability Lawsuits*

As of August 9, 2022, we are named as a defendant in 470 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 5,967 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase IVC filter products. Another 18 lawsuits involving similar claims by approximately 20 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. In July 2021, we entered into an agreement to settle approximately 1,300 claims. We continue to vigorously defend ourselves in these lawsuits and are engaged in ongoing resolution discussions with plaintiffs.

At June 30, 2022, we had a total of \$ 512 million net of estimated insurance recoveries, accrued for losses and legal defense costs, related to the IVC filter lawsuits in the consolidated balance sheets. We believe there is a range of estimated losses with respect to these matters. Because no amount within the range is a better estimate than any other amount within the range, we have accrued the minimum amount in the range. We estimate the high end of the range to be approximately \$1.05 billion, net of estimated



insurance recoveries. The sale of the Cordis disposal group does not include product liability related to the IVC filters in the U.S. and Canada, which we retained.

#### *New Mexico Attorney General Action*

In August 2021, the Attorney General for the State of New Mexico filed an action against certain IVC filter manufacturers, including us, alleging claims under New Mexico's Unfair Practices Act, Medicaid Fraud Act and Fraud Against Taxpayers Act. The allegations made are similar to those made in the product liability lawsuits, described above. We intend to vigorously defend ourselves against these claims.

#### **Shareholder Securities Litigation**

In August 2019, the Louisiana Sheriffs' Pension & Relief Fund filed a purported class action complaint against Cardinal Health and certain current and former officers and employees in the United States District Court for the Southern District of Ohio purportedly on behalf of all purchasers of our common shares between March 2015 and May 2018. In June 2020, the court appointed 1199 SEIU Health Care Employees Pension Fund as lead plaintiff and a consolidated amended complaint was filed in September 2020. The amended complaint alleges that the defendants violated Sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 by making misrepresentations and omissions related to the acquisition integration of the Cordis business and inventory and supply chain problems within the Cordis business, and seeks to recover unspecified damages and equitable relief for the alleged misstatements and omissions. The complaint also alleges that one of the individual defendants violated Section 20A of the Exchange Act because he sold shares of Cardinal Health stock during the time period. In September 2021, the court denied our motion to dismiss. We are vigorously defending ourselves against these claims.

#### **Specialty Solutions DOJ Investigation**

In November 2018, the United States Attorney's Office for the District of Massachusetts (the "USAO") commenced an investigation of Cardinal Health regarding possible violations of the U.S. healthcare fraud and abuse laws. In January 2022, without admitting liability, we settled this matter with the DOJ for approximately \$13 million, which was recorded as expense within litigation charges/(recoveries) net in our consolidated statements of earnings/(loss) during the fiscal year ended June 30, 2021.

#### **Other Civil Litigation**

##### *Generic Pharmaceutical Pricing Antitrust Litigation*

In December 2019, pharmaceutical distributors including us were added as defendants in a civil class action lawsuit filed by indirect purchasers of generic drugs, such as hospitals and retail pharmacies. The indirect purchaser case is part of a multidistrict litigation consisting of multiple individual class action matters consolidated in the Eastern District of Pennsylvania. The indirect purchaser plaintiffs allege that pharmaceutical distributors encouraged manufacturers to increase prices, provided anti-competitive pricing information to manufacturers and improperly engaged in customer allocation. The court granted our motion to dismiss, and the indirect purchasers filed an amended complaint. We intend to vigorously defend ourselves.

##### *Active Pharmaceutical Ingredient Impurity Litigation*

Many participants in the pharmaceutical supply chain, including active pharmaceutical ingredient ("API") manufacturers, finished dose manufacturers, repackagers, distributors, and retailers have been named as defendants in lawsuits arising out of recalls of certain medications due to alleged impurities in the active pharmaceutical ingredients or finished product.

In February 2019, a Multidistrict Litigation was created in the U.S. District Court for the District of New Jersey (the "Sartan MDL") alleging API impurities in certain generic blood pressure medications. We have been named as a defendant in the Sartan MDL. We are vigorously defending ourselves in this matter.

#### **Antitrust Litigation Proceeds**

We received and recognized income resulting from settlements of lawsuits in which we were a class member or plaintiff of \$18 million, \$112 million and \$16 million during fiscal 2022, 2021, and 2020, respectively.

## **8. Income Taxes**

#### **Earnings/(Loss) before Income Taxes and Provision for/(Benefit From) Income Taxes**

The following table summarizes earnings/(loss) before income taxes:

<i>(in millions)</i>	<b>2022</b>	<b>2021</b>	<b>2020</b>
U.S. operations	\$ (1,000)	\$ (47)	\$ (4,056)
Non-U.S. operations	231	370	284
<b>Earnings/(loss) before income taxes</b>	<b>\$ (769)</b>	<b>\$ 323</b>	<b>\$ (3,772)</b>

The following table summarizes the components of provision for/(benefit from) income taxes:

(in millions)	2022	2021	2020
<b>Current:</b>			
Federal	\$ 34	\$ (989)	\$ 659
State and local	29	92	154
Non-U.S.	93	112	69
Total current	\$ 156	\$ (785)	\$ 882
<b>Deferred:</b>			
Federal	\$ 30	\$ 539	\$ (822)
State and local	(22)	(28)	(127)
Non-U.S.	(1)	(15)	(12)
Total deferred	\$ 7	\$ 496	\$ (961)
<b>Provision for/(benefit from) income taxes</b>	<b>\$ 163</b>	<b>\$ (289)</b>	<b>\$ (79)</b>

### Tax Effects of Goodwill Impairment Charges

During fiscal 2022, we recognized cumulative pre-tax charges of \$2.1 billion for goodwill impairments related to the Medical Unit. The net tax benefit related to these charges was \$150 million.

### Tax Effects of Self-Insurance Pre-Tax Loss

During fiscal 2021, our wholly-owned insurance subsidiary recorded a self-insurance pre-tax loss in its fiscal 2020 statutory financial statements primarily related to opioid litigation. This self-insurance pre-tax loss, which did not impact our pre-tax consolidated results, was deducted on our fiscal 2020 consolidated federal income tax return and contributed to a significant net operating loss for tax purposes. The net operating loss was carried back and applied to adjust our taxable income for fiscal 2015, 2016, 2017, and 2018 as permitted under the Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted by the United States Congress in March 2020.

Accordingly, our provision for income taxes during fiscal 2021 included a \$424 million benefit from the net operating loss carryback primarily to reflect the difference between the federal statutory income tax rate during the fiscal years from 2015 to 2018 (35 percent for fiscal 2015, 2016, and 2017 and 28 percent for fiscal 2018) and the current federal statutory income tax rate of 21 percent.

In fiscal 2021, we filed for a refund of \$ 974 million and in April 2022, we received a payment for \$966 million, which was net of certain adjustments. See Note 7 of the "Notes to Consolidated Financial Statements" for additional detail. We also increased our non-current deferred tax liability by approximately \$700 million during fiscal 2021 related to this matter.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of tax law; however, it is possible that the tax authorities could challenge these tax benefits. The actual amount of the tax benefit may differ materially from these estimates.

### Tax Effects of Opioid Litigation Charges

In connection with the \$ 1.17 billion and \$5.63 billion pre-tax charges for the opioid litigation recorded during fiscal 2021 and 2020, the net tax benefits were approximately \$228 million and \$488 million, respectively. Our tax benefits are estimates, which reflect our current assessment of the estimated future deductibility of the amount that may be paid under the accrual taken in connection with the opioid litigation and are net of unrecognized tax benefits of \$219 million and \$469 million, respectively.

We have made reasonable estimates and recorded amounts based on management's judgment and our current understanding of the U.S. Tax Cuts and Jobs Act ("Tax Act"); however, these estimates require significant judgment since the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible Congress or the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits. The actual amount of the tax benefit may differ materially from these estimates.

### Effective Tax Rate

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

	2022 <sup>(1)</sup>	2021 <sup>(1)</sup>	2020 <sup>(1)</sup>
Provision at Federal statutory rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	2.2	3.2	2.5
Tax effect of foreign operations	3.5	0.7	—
Nondeductible/nontaxable items <sup>(2)</sup>	1.2	1.6	0.2
Impact of Divestitures	(4.9)	7.0	—
Withholding Taxes <sup>(2)</sup>	(1.1)	9.0	(0.3)
Change in Valuation Allowances	3.5	(1.4)	1.5
US Taxes on International Income <sup>(2)(3)</sup>	3.2	(6.7)	0.2
Impact of Resolutions with IRS and other related matters <sup>(2)</sup>	(0.6)	(13.6)	(0.4)
Opioid litigation	(0.5)	17.7	(23.2)
Goodwill Impairment	(49.5)	—	—
Loss Carryback Claims	—	(129.9)	—
Other <sup>(2)</sup>	0.8	1.7	0.6
<b>Effective income tax rate</b>	<b>(21.2)%</b>	<b>(89.7)%</b>	<b>2.1 %</b>

(1) The table represents the following: fiscal 2022 is pretax loss with tax expense, fiscal 2021 is pretax income with tax benefit, and fiscal 2020 is pretax loss with tax benefit.

(2) Certain prior year amounts have been reclassified to conform to current year presentation.

(3) Includes the tax impact of Global Intangible Low-Taxed Income ("GILTI") tax, the Foreign-Derived Intangible Income deduction and other foreign income that is taxable under the U.S. tax code.

The income tax benefit rate was (21.2)% and (89.7)% in fiscal 2022 and fiscal 2021 compared to an income tax benefit rate of 2.1% in fiscal 2020. Fluctuations in the effective tax rates are primarily due to the impact of goodwill impairment in fiscal 2022, impact of opioid litigation in fiscal 2021 and 2020, as well as the



impact of the carryback claim filed in accordance with the CARES Act provision in fiscal year 2021.

Our effective tax rate has benefits from negotiated lower than statutory tax rates in select foreign jurisdictions which individually are not material to our effective tax rate but in aggregate have a favorable tax impact of approximately \$21 million during fiscal 2022.

As of June 30, 2022, foreign earnings of approximately \$ 833 million are considered indefinitely reinvested for working capital and other offshore investment needs. The computation of tax required if those earnings are repatriated is not practicable. For amounts not considered indefinitely reinvested, we have recorded an immaterial amount of income tax expense in our consolidated financial statements in fiscal 2022.

#### Deferred Income Taxes

Deferred income taxes arise from temporary differences between financial reporting and tax reporting bases of assets and liabilities and operating loss and tax credit carryforwards for tax purposes.

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

(in millions)	2022	2021
<b>Deferred income tax assets:</b>		
Receivable basis difference	\$ 41	\$ 40
Accrued liabilities	675	874
Share-based compensation	34	38
Loss and tax credit carryforwards	778	805
Deferred tax assets related to uncertain tax positions	33	35
Other	23	16
Total deferred income tax assets	1,584	1,808
Valuation allowance for deferred income tax assets	(468)	(515)
<b>Net deferred income tax assets</b>	<b>\$ 1,116</b>	<b>\$ 1,293</b>
<b>Deferred income tax liabilities:</b>		
Inventory basis differences	\$ (1,164)	\$ (1,119)
Property-related	(288)	(375)
Goodwill and other intangibles	(683)	(733)
Self-Insurance	(975)	(975)
Other	—	(23)
Total deferred income tax liabilities	\$ (3,110)	\$ (3,225)
<b>Net deferred income tax liability</b>	<b>\$ (1,994)</b>	<b>\$ (1,932)</b>

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

(in millions)	2022	2021
Noncurrent deferred income tax asset (1)	\$ 36	\$ 52
Noncurrent deferred income tax liability (2)	(2,030)	(1,981)
Noncurrent deferred income tax liability transferred to held for sale	—	(3)
<b>Net deferred income tax liability</b>	<b>\$ (1,994)</b>	<b>\$ (1,932)</b>

(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, 2022 we had gross federal, state and international loss and credit carryforwards of \$275 million, \$3.5 billion and \$2.2 billion, respectively, the tax effect of which is an aggregate deferred tax asset of \$778 million. Substantially all of these carryforwards are available for at least three years. Approximately \$449 million of the valuation allowance at June 30, 2022 applies to certain federal, state and international loss carryforwards that, in our opinion, are more likely than not to expire unutilized. However, to the extent that tax benefits related to these carryforwards are realized in the future, the reduction in the valuation allowance would reduce income tax expense.

#### Unrecognized Tax Benefits

We had \$943 million, \$932 million and \$998 million of unrecognized tax benefits at June 30, 2022, 2021 and 2020, respectively. The June 30, 2022, 2021 and 2020 balances include \$858 million, \$849 million and \$753 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)	2022	2021	2020
Balance at beginning of fiscal year	\$ 932	\$ 998	\$ 456
Additions for tax positions of the current year	7	121	500
Additions for tax positions of prior years	39	223	78
Reductions for tax positions of prior years	(19)	(138)	(27)
Settlements with tax authorities	(12)	(271)	(6)
Expiration of the statute of limitations	(4)	(1)	(3)
<b>Balance at end of fiscal year</b>	<b>\$ 943</b>	<b>\$ 932</b>	<b>\$ 998</b>

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is between zero and a net decrease of up to \$75 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, 2022, 2021 and 2020, we had \$48 million, \$49 million and \$146 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. As a result of our IRS audit settlements and carryback claim, an immaterial amount of interest was recorded in fiscal 2022 and 2021. During fiscal 2020, we recognized \$16 million of expense for interest and penalties in income tax expense, respectively.

#### Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state and local jurisdictions, and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2015 through the current fiscal year.

Expiring or unusable loss and credit carryforwards and the required valuation allowances are adjusted quarterly based on available information. This information may support either an increase or a decrease in the required valuation allowance. After applying the valuation allowances, we do not anticipate any limitations on our use of any of the other net deferred income tax assets described above. We operate in a complex multinational tax environment and are subject to tax treaty arrangements and transfer pricing guidelines for intercompany transactions that are subject to interpretation. Uncertainty in a tax position may arise as tax laws are subject to interpretation.

We are a party to a tax matters agreement with CareFusion Corporation ("CareFusion"), a subsidiary of Becton, Dickinson and Company. Under the tax matters agreement, CareFusion is obligated to indemnify us for certain tax exposures and transaction taxes prior to our fiscal 2010 spin-off of CareFusion. The indemnification receivable was \$75 million and \$72 million at June 30, 2022 and 2021, respectively, and is included in other assets in the consolidated balance sheets.

As a result of the acquisition of the Patient Recovery Business, Medtronic plc is obligated to indemnify us for certain tax exposures and transaction taxes related to periods prior to the acquisition under the purchase agreement. The indemnification receivable was \$1 million and \$12 million at June 30, 2022 and 2021, respectively, and is included in other assets in the consolidated balance sheets.

## 9. Fair Value Measurements

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

(in millions)	2022			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents	\$ 2,425	\$ —	\$ —	\$ 2,425
Other investments (1)	97	—	—	97
Forward contracts (2)	—	15	—	15

(in millions)	2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents	\$ 1,883	\$ —	\$ —	\$ 1,883
Other investments (1)	126	—	—	126
Forward contracts (2)	—	42	—	42

- (1) The other investments balance includes investments in mutual funds, which offset fluctuations in deferred compensation liabilities. These mutual funds invest in the equity securities of companies with both large and small market capitalization and high-quality fixed income debt securities. The fair value of these investments is determined using quoted market prices.
- (2) The fair value of interest rate swaps, foreign currency contracts, and net investment hedges is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in prepaid expenses and other, other assets, other accrued liabilities, and deferred income taxes and other liabilities within the consolidated balance sheets.

### Assets and (Liabilities) Measured on a Nonrecurring Basis

Assets and liabilities held for sale of \$1.1 billion and \$96 million, respectively, at June 30, 2021 were primarily related to the divestiture of the Cordis business. These estimated fair values utilized Level 3 unobservable inputs based on expected sales proceeds following a competitive bidding process. See [Note 2](#) for additional information regarding the divestiture of Cordis business.

## 10. Financial Instruments

We utilize derivative financial instruments to manage exposure to certain risks related to our ongoing operations. The primary risks managed through the use of derivative instruments include interest rate risk, currency exchange risk, and commodity price risk. We do not use derivative instruments for trading or speculative purposes. While the majority of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk but are not designated as hedging instruments. These derivative instruments are adjusted to 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 rated investment grade or better. We do not have significant exposure to any one counterparty and we believe the risk of loss is remote. Additionally, we do not require collateral under these agreements.

### Interest Rate Risk Management

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

interest rate swaps to further manage our exposure to interest rate variations related to our borrowings and to lower our overall borrowing costs.

### Currency Exchange Risk Management

We conduct business in several major international currencies and are subject to risks associated with changing foreign exchange rates. Our objective is to reduce 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)	2022	2021
<b>Assets:</b>		
Pay-floating interest rate swaps (1)	\$ —	\$ 1
Cross-currency swap (1)	25	6
Cross-currency swap (2)	29	34
Foreign currency contracts (2)	7	5
<b>Total assets</b>	<b>\$ 61</b>	<b>\$ 46</b>
<b>Liabilities:</b>		
Foreign currency contracts (3)	\$ 3	\$ 4
Pay-floating interest rate swaps (3)	43	—
<b>Total liabilities</b>	<b>\$ 46</b>	<b>\$ 4</b>

- (1) Included in other assets in the consolidated balance sheets.  
(2) Included in prepaid expenses and other in the consolidated balance sheets.  
(3) Included in other accrued liabilities in the consolidated balance sheets.

### Fair Value Hedges

We enter into pay-floating interest rate swaps to hedge the changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. These contracts are designated and qualify as fair value hedges. Accordingly, the gain or loss recorded on the pay-floating interest rate swaps is directly offset by the change in fair value of the underlying debt. Both the derivative instrument and the underlying debt are adjusted to market value at the end of each period with any resulting gain or loss recorded in interest expense, net in the consolidated statements of earnings/(loss). During fiscal 2022, 2021 and 2020 there was no gain or loss recorded to interest expense as changes in the market value of our

derivative instruments offset changes in the market value of the underlying debt.

During fiscal 2022, we entered into pay-floating interest rate swaps with total notional amounts of \$600 million. 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 2021, we unwound certain interest rate swap contracts with the notional amount of \$550 million. In connection with the unwind of these contracts, we received cash proceeds of \$18 million. The related gain will be recognized in interest expense, net in our consolidated statements of earnings/(loss) over the remaining term of the debt agreement, which matures in March 2023.

During fiscal 2021, we entered into a pay-floating interest rate swap with total notional amounts of \$200 million. This swap has been designated as fair value hedges of our fixed rate debt and is included in deferred income taxes and other liabilities in the consolidated balance sheets.

In May 2020, we unwound certain interest rate swap contracts. In connection with the unwind of these contracts, we received cash proceeds of \$112 million. The related gain will be recognized in interest expense, net in our consolidated statements of earnings/(loss) over the remaining term of the related debt agreements, which ranged from 48 months to 63 months at June 30, 2020.

In connection with the debt repayment as described in [Note 6](#), two pay-floating interest rate swaps with notional amounts of \$200 million matured in the second quarter of fiscal 2020.

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

(in millions)	2022	
	Notional Amount	Maturity Date
Pay-floating interest rate swaps	\$ 800	Jun 2027 - May 2029

(in millions)	2021	
	Notional Amount	Maturity Date
Pay-floating interest rate swaps	\$ 200	Mar 2028

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

(in millions)	2022	2021	2020
Pay-floating interest rate swaps (1)	\$ (44)	\$ (8)	\$ 106
Fixed-rate debt (1)	44	8	(106)

- (1) Included in interest expense, net in the consolidated statements of earnings/(loss).

### Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive loss and reclassified into

earnings in the same line item associated with the forecasted transaction and in the same period during which the hedged transaction affects earnings.

During fiscal 2020, we entered into forward interest rate swaps with a total notional amount of \$200 million to hedge probable, but not firmly committed, future transactions associated with our debt. During fiscal 2021, we terminated these swaps and reclassified an immaterial deferred gain from accumulated other comprehensive loss into interest expense, net in our consolidated statements of earnings/(loss) because the forecasted transactions were probable of not occurring.

All gains and losses currently included within accumulated other comprehensive loss associated with our cash flow hedges that are expected to be reclassified into net earnings within the next 12 months are immaterial.

We enter into foreign currency contracts to protect the value of anticipated foreign currency revenues and expenses. At June 30, 2022 and 2021, we held contracts to hedge probable, but not firmly committed, revenue and expenses. The principal currencies hedged are the Canadian dollar, Mexican peso, Euro, Chinese renminbi, Thai baht, Philippine peso, Japanese yen, Australian dollar and British pound.

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

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

(in millions)	2022	
	Notional Amount	Maturity Date
Foreign currency contracts	\$ 327	Jul 2022 - Jun 2023

(in millions)	2021	
	Notional Amount	Maturity Date
Foreign currency contracts	\$ 436	Jul 2021 - Jun 2022

The following table summarizes the pre-tax gain/(loss) included in OCI for derivative instruments designated as cash flow hedges:

(in millions)	2022	2021	2020
Forward interest rate swaps	\$ —	\$ 16	\$ (16)
Commodity contracts	—	1	1
Foreign currency contracts	3	5	(8)

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

(in millions)	2022	2021	2020
Foreign currency contracts (1)	\$ 5	\$ (12)	\$ 7
Foreign currency contracts (2)	1	(2)	1
Foreign currency contracts (3)	—	4	—
Forward interest rate swaps (4)	2	2	2
Commodity contracts (3)	—	6	(5)

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

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

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

(4) Included in interest expense, net in the consolidated statements of earnings/(loss).

### Net Investment Hedges

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

In March 2022, we entered into a ¥24 billion (\$200 million) cross-currency swap maturing in September 2025 and a ¥24 billion (\$200 million) cross-currency swap maturing in June 2027.

In March 2022, we terminated the ¥64 billion (\$600 million) cross-currency swap entered into in August 2019 and received a net settlement of \$71 million in cash recorded in proceeds from net investment hedge terminations in our consolidated statements of cash flows.

Cross-currency swaps designated as net investment hedges are marked-to-market using the current spot exchange rate as of the end of the period, with gains and losses included in the foreign currency translation component of accumulated other comprehensive loss until the sale or substantial liquidation of the underlying net investments. To the extent the cross-currency swaps designated as net investment hedges are not highly effective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

Pre-tax gain and loss from net investment hedges recorded in the foreign currency translation component of accumulated other comprehensive loss was a \$86 million gain and a \$7 million loss during fiscal 2022 and 2021, respectively. Gains recognized in interest expense, net in the consolidated statements of earnings/(loss) for the portion of the net investment hedges excluded from the assessment of hedge effectiveness were \$21 million and \$19 million during fiscal 2022 and 2021, respectively.

### Economic (Non-Designated) Hedges

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

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

(in millions)	2022	
	Notional Amount	Maturity Date
Foreign currency contracts	\$ 265	July 2022

(in millions)	2021	
	Notional Amount	Maturity Date
Foreign currency contracts	\$ 254	Jul 2021

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

(in millions)	2022	2021	2020
Foreign currency contracts (1)	\$ —	\$ (8)	\$ (11)

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

### Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, net, accounts payable, and other accrued liabilities at June 30, 2022 and 2021 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)	2022		2021	
Estimated fair value	\$	5,049	\$	6,751
Carrying amount		5,315		6,236

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)	2022		2021	
	Notional Amount	Fair Value Gain/(Loss)	Notional Amount	Fair Value Gain/(Loss)
Pay-floating interest rate swaps	\$ 800	\$ (43)	\$ 200	\$ 1
Foreign currency contracts	592	4	690	1
Cross-currency swap	633	54	833	40

## 11. Shareholders' Equity/(Deficit)

At June 30, 2022 and 2021, 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, 2022 and 2021.

We repurchased \$1.6 billion of our common shares, in the aggregate, through share repurchase programs during fiscal 2022, 2021 and 2020, as described below. We funded the repurchases with available cash and short-term borrowings. The common shares repurchased are held in treasury to be used for general corporate purposes.

During fiscal 2022, we repurchased 19.5 million common shares having an aggregate cost of \$1.0 billion. We repurchased 9.8 million, 6.1 million and 3.6 million common shares under multiple accelerated share repurchase ("ASR") programs with average paid per common share of \$51.10, \$49.39 and \$56.02, respectively. These repurchases began on August 18, 2021 and concluded on April 18, 2022.

During fiscal 2021, we repurchased 3.7 million common shares having an aggregate cost of \$200 million. The average price paid per common share was \$54.40. These repurchases were made under an ASR program, which began on February 9, 2021 and was completed on March 31, 2021.

During fiscal 2020, we repurchased 7.3 million common shares having an aggregate cost of \$350 million. The average price paid per common share was \$48.00. These repurchases were made under an ASR program, which began on August 20, 2019 and was completed on December 4, 2019.



## Accumulated Other Comprehensive Loss

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

(in millions)	Foreign Currency Translation Adjustments and Other	Unrealized Gain/(Loss) on Derivatives, net of tax	Accumulated Other Comprehensive Loss
Balance at June 30, 2020	\$ (92)	\$ (12)	\$ (104)
Other comprehensive income, before reclassifications	46	22	68
Amounts reclassified to earnings	—	2	2
Total other comprehensive income/(loss) attributable to Cardinal Health, Inc., net of tax expense of \$4 million	46	24	70
Balance at June 30, 2021	(46)	12	(34)
Other comprehensive loss, before reclassifications	(56)	(16)	(72)
Amounts reclassified to earnings	—	(8)	(8)
Total other comprehensive income/(loss) attributable to Cardinal Health, Inc., net of tax expense of \$24 million	(56)	(24)	(80)
<b>Balance at June 30, 2022</b>	<b>\$ (102)</b>	<b>\$ (12)</b>	<b>\$ (114)</b>

## 12. Earnings/(Loss) 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)	2022	2021	2020
Net earnings/(loss)	\$ (932)	\$ 612	\$ (3,693)
Net earnings attributable to noncontrolling interest	(1)	(1)	(3)
<b>Net earnings/(loss) attributable to Cardinal Health, Inc.</b>	<b>\$ (933)</b>	<b>\$ 611</b>	<b>\$ (3,696)</b>
Weighted-average common shares—basic	279	292	293
<b>Effect of dilutive securities:</b>			
Employee stock options, restricted share units, and performance share units	—	2	—
<b>Weighted-average common shares—diluted</b>	<b>279</b>	<b>294</b>	<b>293</b>
<b>Basic earnings/(loss) per common share attributable to Cardinal Health, Inc.:</b>	<b>\$ (3.35)</b>	<b>\$ 2.09</b>	<b>\$ (12.61)</b>
<b>Diluted earnings/(loss) per common share attributable to Cardinal Health, Inc.:</b>	<b>(3.35)</b>	<b>2.08</b>	<b>(12.61)</b>

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive for fiscal 2022, 2021 and 2020 were 5 million, 3 million and 6 million, respectively. During fiscal 2022 and 2020, there were 1 million and 2 million potentially dilutive employee stock options, restricted share units and performance share units, respectively, not included in the computation of diluted loss per common share attributable to Cardinal Health, Inc. because their effect would be anti-dilutive as a result of the net loss for the fiscal years.

## 13. Segment Information

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

### Revenue

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

Our Medical segment manufactures, sources and distributes Cardinal Health branded medical, surgical and laboratory products, which are sold in the United States, Canada, Europe, Asia and other markets. In addition to distributing Cardinal Health branded products, this segment also distributes a broad range of medical, surgical and laboratory products known as national brand products and provides supply chain services and solutions to hospitals, ambulatory surgery centers, clinical laboratories and other healthcare providers in the United States and Canada. This segment also distributes medical products to patients' homes in the United States through our Cardinal Health at-Home Solutions division.

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

(in millions)	2022	2021	2020
Pharmaceutical	\$ 165,491	\$ 145,796	\$ 137,495
Medical	15,887	16,687	15,444
Total segment revenue	181,378	162,483	152,939
Corporate (1)	(14)	(16)	(17)
<b>Total revenue</b>	<b>\$ 181,364</b>	<b>\$ 162,467</b>	<b>\$ 152,922</b>

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

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

(in millions)	2022	2021	2020
Pharmaceutical Distribution and Specialty Solutions (1) (2)	\$ 164,580	\$ 144,988	\$ 136,693
Nuclear and Precision Health Solutions	911	808	802
Pharmaceutical segment revenue	165,491	145,796	137,495
Medical distribution and products (3)	13,462	14,485	13,429
Cardinal Health at-Home Solutions	2,425	2,202	2,015
Medical segment revenue	15,887	16,687	15,444
Total segment revenue	181,378	162,483	152,939
Corporate (4)	(14)	(16)	(17)
<b>Total revenue</b>	<b>\$ 181,364</b>	<b>\$ 162,467</b>	<b>\$ 152,922</b>

- (1) Products and services offered by our Specialty Solutions division are referred to as "specialty pharmaceutical products and services".
- (2) Comprised of all Pharmaceutical segment businesses except for Nuclear and Precision Health Solutions division.
- (3) Comprised of all Medical segment businesses except for Cardinal Health at-Home Solutions division.
- (4) Corporate revenue consists of the elimination of inter-segment revenue and other revenue not allocated to the segments.

The following table presents revenue by geographic area:

(in millions)	2022	2021	2020
United States	\$ 176,855	\$ 157,756	\$ 148,707
International	4,523	4,727	4,232
Total segment revenue	181,378	162,483	152,939
Corporate (1)	(14)	(16)	(17)
<b>Total revenue</b>	<b>\$ 181,364</b>	<b>\$ 162,467</b>	<b>\$ 152,922</b>

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

### Segment Profit

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

We do not allocate the following items to our segments:

- last-in first-out, or ("LIFO"), inventory charges/(credits);
- surgical gown recall costs/(income); in connection with a voluntary recall for certain surgical gowns and a voluntary recall and field actions for surgical procedure packs containing affected gowns, we recognized a pre-tax charge of \$85 million during fiscal 2020;

- state opioid assessment related to prior fiscal years; in connection with the New York Opioid Stewardship Act as discussed further in [Note 7](#), we recognized a pre-tax charge of \$41 million during fiscal 2021;
- restructuring and employee severance;
- amortization and other acquisition-related costs;
- impairments and (gain)/loss on disposal of assets; in connection with goodwill impairment testing for the Medical Unit as discussed further in [Note 4](#), we recognized goodwill impairment charges of \$2.1 billion during fiscal 2022; in connection with the divestiture of the Cordis business, we recognized a \$60 million pre-tax write-down of the net assets held for sale during fiscal 2021;
- litigation (recoveries)/charges, net; in connection with the opioid litigation as discussed further in [Note 7](#), we recognized pre-tax charges of \$1.17 billion and \$5.63 billion during fiscal 2021 and 2020, respectively;
- other (income)/expense, net;
- interest expense, net;
- loss on early extinguishment of debt;
- (gain)/loss on sale of equity interest in naviHealth; in connection with the sale of our remaining equity interest in a partnership that owned naviHealth as discussed in [Note 2](#), we recognized a \$579 million pre-tax gain (\$493 million after tax) during fiscal 2020;
- provision for/(benefit from) income taxes

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was \$50 million, \$27 million and \$69 million for fiscal 2022, 2021 and 2020, respectively.

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

(in millions)	2022	2021	2020
Pharmaceutical	\$ 1,770	\$ 1,684	\$ 1,753
Medical	216	577	663
Total segment profit	1,986	2,261	2,416
Corporate	(2,582)	(1,789)	(6,514)
<b>Total operating earnings/(loss)</b>	<b>\$ (596)</b>	<b>\$ 472</b>	<b>\$ (4,098)</b>

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

(in millions)	2022	2021	2020
Pharmaceutical	\$ 193	\$ 151	\$ 135
Medical	216	226	243
Corporate	283	406	535
<b>Total depreciation and amortization</b>	<b>\$ 692</b>	<b>\$ 783</b>	<b>\$ 913</b>

(in millions)	2022	2021	2020
Pharmaceutical	\$ 79	\$ 55	\$ 47
Medical	140	97	86
Corporate	168	248	242
<b>Total additions to property and equipment</b>	<b>\$ 387</b>	<b>\$ 400</b>	<b>\$ 375</b>

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

(in millions)	2022	2021	2020
Pharmaceutical	\$ 26,409	\$ 23,624	\$ 22,398
Medical (1)	11,632	15,408	14,691
Corporate	5,837	5,421	3,677
<b>Total assets</b>	<b>\$ 43,878</b>	<b>\$ 44,453</b>	<b>\$ 40,766</b>

(1) Assets of \$1.1 billion classified as held for sale related to the Cordis divestiture were included within Medical at June 30, 2021.

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

(in millions)	2022	2021	2020
United States	\$ 1,976	\$ 1,958	\$ 1,880
International	385	402	486
<b>Property and equipment, net</b>	<b>\$ 2,361</b>	<b>\$ 2,360</b>	<b>\$ 2,366</b>

## 14. 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, 2022, 24 million shares remain available for future grants under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan ("2021 LTIP"). Under the 2021 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 10 million shares could be issued under awards other than stock options while 24 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. Until the end of fiscal 2018, stock options were granted to our officers and certain employees. There were no stock options granted to employees during fiscal 2022, 2021 or 2020.

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

(in millions)	2022	2021	2020
Restricted share unit expense	\$ 69	\$ 73	\$ 70
Performance share unit expense	12	16	17
Employee stock option expense	—	—	3
<b>Total share-based compensation expense</b>	<b>\$ 81</b>	<b>\$ 89</b>	<b>\$ 90</b>

The total tax benefit related to share-based compensation was \$12 million, \$12 million and \$16 million for fiscal 2022, 2021 and 2020, 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, 2020	3	\$ 45.92
Granted	2	53.76
Vested	(1)	49.37
Canceled and forfeited	(1)	48.74
Nonvested at June 30, 2021	3	49.05
Granted	2	51.83
Vested	(2)	49.60
Canceled and forfeited	—	50.58
<b>Nonvested at June 30, 2022</b>	<b>3</b>	<b>\$ 46.03</b>

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

(in millions)	2022	2021	2020
Total compensation cost, net of estimated forfeitures, related to nonvested restricted share and share unit awards not yet recognized, pre-tax	\$ 73	\$ 73	\$ 77
Weighted-average period in years over which restricted share and share unit cost is expected to be recognized (in years)	2	2	2
<b>Total fair value of shares vested during the year</b>	<b>\$ 74</b>	<b>\$ 70</b>	<b>\$ 57</b>

## Performance Share Units

Performance share units generally vest over a three-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 240 percent of the target award amount for fiscal 2020 and 2021 grants and zero to 234 percent for the fiscal 2022 grant. 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, 2020	1.3	\$ 54.24
Granted	0.4	55.45
Vested	(0.1)	42.72
Canceled and forfeited	(0.4)	53.71
Nonvested at June 30, 2021	1.2	54.89
Granted	0.4	51.91
Vested	(0.3)	52.36
Canceled and forfeited	(0.1)	52.66
<b>Nonvested at June 30, 2022</b>	<b>1.2</b>	<b>\$ 54.32</b>

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

(in millions)	2022	2021	2020
Total compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized, pre-tax	\$ 17	\$ 26	\$ 29
Weighted-average period over which performance share unit cost is expected to be recognized (in years)	2	2	2
Total fair value of shares vested during the year	\$ 14	\$ 1	\$ 5

### 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 discretionary contributions by us. The total expense for our employee retirement savings plans was \$60 million, \$55 million and \$66 million for fiscal 2022, 2021 and 2020, respectively.

**Cardinal Health, Inc. and Subsidiaries**  
**Schedule II - Valuation and Qualifying Accounts**

(in millions)	Balance at Beginning of Period	Charged to Costs and Expenses (1)	Charged to Other Accounts (2)	Deductions (3)	Balance at End of Period
<b>Fiscal 2022</b>					
Accounts receivable	\$ 243	\$ 154	\$ 1	\$ (125)	\$ 273
Finance notes receivable	12	1	—	(5)	8
Sales returns and allowances	689	2,359	—	(2,431)	617
	<b>\$ 944</b>	<b>\$ 2,514</b>	<b>\$ 1</b>	<b>\$ (2,561)</b>	<b>\$ 898</b>
<b>Fiscal 2021</b>					
Accounts receivable	\$ 207	\$ 129	\$ 1	\$ (94)	\$ 243
Finance notes receivable	27	5	—	(20)	12
Sales returns and allowances	495	2,568	—	(2,374)	689
	<b>\$ 729</b>	<b>\$ 2,702</b>	<b>\$ 1</b>	<b>\$ (2,488)</b>	<b>\$ 944</b>
<b>Fiscal 2020</b>					
Accounts receivable	\$ 194	\$ 139	\$ 1	\$ (127)	\$ 207
Finance notes receivable	14	15	—	(2)	27
Sales returns and allowances	479	2,253	—	(2,237)	495
	<b>\$ 687</b>	<b>\$ 2,407</b>	<b>\$ 1</b>	<b>\$ (2,366)</b>	<b>\$ 729</b>

(1) Fiscal 2022, 2021 and 2020 include \$87 million, \$70 million and \$49 million, respectively, for reserves related to service charges and customer pricing disputes, excluded from provision for bad debts on the consolidated statements of cash flows and classified as a reduction in revenue in the consolidated statements of earnings/(loss).

(2) Recoveries of amounts provided for or written off in prior years was \$1 million in each fiscal year 2022, 2021 and 2020.

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

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

## Directors, Executive Officers and Corporate Governance

### Information About Our Executive Officers

The following is a list of our executive officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael C. Kaufmann	59	Chief Executive Officer
Jason M. Hollar	49	Chief Financial Officer
Victor L. Crawford	61	Chief Executive Officer, Pharmaceutical segment
Stephen M. Mason	51	Chief Executive Officer, Medical segment
Michele A. M. Holcomb	54	Executive Vice President, Strategy and Corporate Development
Ola M. Snow	55	Chief Human Resources Officer
Jessica L. Mayer	53	Chief Legal and Compliance Officer
Brian S. Rice	59	Executive Vice President, Chief Information Officer and Customer Support Services

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

Mr. Kaufmann has served as Chief Executive Officer since January 2018. From November 2014 through December 2017, Mr. Kaufmann served as Chief Financial Officer. On August 11, 2022, we announced that Mr. Kaufmann will depart from the Company effective September 1, 2022.

Mr. Hollar has served as Chief Financial Officer since May 2020. Prior to that, Mr. Hollar served as the Executive Vice President and Chief Financial Officer of Tenneco Inc. ("Tenneco") from July 2018. From June 2017 to June 2018, Mr. Hollar was Senior Vice President Finance at Tenneco. Prior to that, Mr. Hollar served as Chief Financial Officer of Sears Holding Corporation ("Sears") from October 2016 to April 2017. Sears filed for Chapter 11 bankruptcy in October 2018. On August 11, 2022, we announced that our Board of Directors has elected Mr. Hollar as Chief Executive Officer, effective September 1, 2022.

Mr. Crawford has served as Chief Executive Officer, Pharmaceutical segment since November 2018. From September 2012 until November 2018, Mr. Crawford served as the Chief Operating Officer, Healthcare, Education, Business Dining for Aramark Corporation.

Mr. Mason has served as Chief Executive Officer, Medical segment since August 2019. From September 2016 through August 2019, he served as President of Cardinal Health at-Home Solutions within our Medical segment.

Ms. Holcomb has served as Executive Vice President, Strategy and Corporate Development since January 2017.

Ms. Snow has served as Chief Human Resources Officer since October 2018. From January 2016 through September 2018, Ms. Snow served as our Senior Vice President, Human Resources, Total Rewards, Talent Acquisition and Corporate Business Partner.

Ms. Mayer has served as Chief Legal and Compliance Officer since March 2019. Ms. Mayer served as Executive Vice President, Deputy General Counsel and Secretary from September 2017 through March 2019 and was Senior Vice President, Deputy General Counsel from December 2015 through September 2017.

Mr. Rice has served as Executive Vice President, Chief Information Officer and Customer Support Services since February 2019. From 2009 until the beginning of 2019, Mr. Rice served as Senior Vice President, Chief Information Officer & Global and Business Services for Kellogg Company. Mr. Rice has informed the Company of his intention to resign from his role at Cardinal Health effective August 26, 2022.

### Directors and Corporate Governance

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

Any waiver of the *Standards of Business Conduct* for directors or executive officers must be approved by the Risk Oversight 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 2022 Annual Meeting of Shareholders (our "2022 Proxy Statement") under the captions "Corporate Governance" and "Share Ownership Information."

The other information called for by Item 12 of Form 10-K is incorporated by reference to our 2022 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:

	<u>Page</u>
Consolidated Financial Statements and Schedule:	<u>55</u>
<a href="#">Reports of Independent Registered Public Accounting Firm</a> (PCAOB ID: 42)	<u>51</u>
<a href="#">Consolidated Statements of Earnings/(Loss) for the Fiscal Years Ended June 30, 2022, 2021 and 2020</a>	<u>56</u>
<a href="#">Consolidated Statements of Comprehensive Income/(Loss) for the Fiscal Years Ended June 30, 2022, 2021 and 2020</a>	<u>57</u>
<a href="#">Consolidated Balance Sheets at June 30, 2022 and 2021</a>	<u>58</u>
<a href="#">Consolidated Statements of Shareholders' Equity/(Deficit) for the Fiscal Years Ended June 30, 2022, 2021 and 2020</a>	<u>59</u>
<a href="#">Consolidated Statements of Cash Flows for the Fiscal Years Ended June 30, 2022, 2021 and 2020</a>	<u>60</u>
<a href="#">Notes to Consolidated Financial Statements</a>	<u>61</u>

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

	<u>Page</u>
<a href="#">Schedule II - Valuation and Qualifying Accounts</a>	<u>88</u>

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.

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2.1.1	<a href="#">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)</a>
2.1.2	<a href="#">Amendment No. 1, dated as of July 28, 2017, to Stock and Asset Purchase Agreement, dated April 18, 2017, between Cardinal Health, Inc. and Medtronic plc (incorporated by reference to Exhibit 2.2.2 to Cardinal Health's Annual Report on Form 10-K for the year ended June 30, 2017, File No. 1-11373)</a>
3.1	<a href="#">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)</a>
3.2	<a href="#">Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Quarterly Report on Form 10-Q filed on November 9, 2021, File No. 1-11373)</a>
4.1	<a href="#">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)</a>
4.2.1	<a href="#">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)</a>
4.2.2	<a href="#">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)</a>
4.2.3	<a href="#">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)</a>
4.2.4	<a href="#">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)</a>
4.2.5	<a href="#">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)</a>
4.2.6	<a href="#">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)</a>
4.2.7	<a href="#">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)</a>
4.2.8	<a href="#">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)</a>
4.2.11	<a href="#">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)</a>
4.2.12	<a href="#">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)</a>
4.2.13	<a href="#">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)</a>
4.2.14	<a href="#">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)</a>

- 4.2.15 [Form of 4.368% notes due 2047 \(incorporated by reference to Exhibit 4.6 to Cardinal Health's Current Report on Form 8-K filed on June 12, 2017, File No. 1-11373\)](#)
- 4.3 [Agreement to furnish to the Securities and Exchange Commission upon request a copy of instruments defining the rights of holders of certain long-term debt of Cardinal Health, Inc. and consolidated subsidiaries \(incorporated by reference to Exhibit 4.07 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2005, File No. 1-11373\)](#)
- 4.4 [Description of Securities \(incorporated by reference to Exhibit 4.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373\)](#)
- 10.1.1 [Cardinal Health, Inc. 2021 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)\\*](#)
- 10.1.2 [Form of Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)\\*](#)
- 10.1.3 [Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.3 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)\\*](#)
- 10.1.4 [Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.4 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)\\*](#)
- 10.1.5 [Form of Directors' Restricted Share Units Agreement under the Cardinal Health, Inc. 2021 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.5 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)](#)
- 10.1.6 [Cardinal Health, Inc. Management Incentive Plan \(incorporated by reference to Exhibit 10.6 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2021, File No. 1-11373\)\\*](#)
- 10.2.1 [Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373\)\\*](#)
- 10.2.2 [First Amendment to Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014\)\\*](#)
- 10.2.3 [Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K/A filed on November 4, 2011, File No. 1-11373\)\\*](#)
- 10.2.4 [Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, File No. 1-11373\)\\*](#)
- 10.2.5 [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 \(incorporated by reference to Exhibit 10.1.9 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2013, File No. 1-11373\)\\*](#)
- 10.3.1 [Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on November 7, 2016, File No. 1-11373\)\\*](#)
- 10.3.2 [First Amendment to Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373\)\\*](#)
- 10.3.3 [Second Amendment to the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, File No. 1-11373\)\\*](#)
- 10.3.4 [Form of Nonqualified Stock Option Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.3 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373\)\\*](#)
- 10.3.5 [Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373\)\\*](#)
- 10.3.6 [Form of Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, File No. 1-11373\)\\*](#)
- 10.3.7 [Form of Performance Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.5 to Cardinal Health's Annual Report on Form 10-K for the fiscal year end June 30, 2017, File No. 1-11373\)\\*](#)
- 10.3.8 [Form of Performance Share Units Agreement under the Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, File No. 1-11373\)](#)
- 10.3.9 [Form of Directors Restricted Share Units Agreement under the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2018, File No. 1-11373\)](#)
- 10.4.1 [Cardinal Health, Inc. 2005 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373\)\\*](#)
- 10.4.2 [First Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373\)\\*](#)
- 10.4.3 [Second Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373\)\\*](#)
- 10.4.4 [Third Amendment to Cardinal Health, Inc. 2005 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.2.4 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2014\)\\*](#)
- 10.4.5 [Form of Nonqualified Stock Option Agreement under the Cardinal Health, Inc. 2005 Long-Term Incentive Plan \(incorporated by reference to Exhibit 10.1.11 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373\)\\*](#)
- 10.5.1 [Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan \(incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007, File No. 1-11373\)\\*](#)
- 10.5.2 [First Amendment to Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan \(incorporated by reference to Exhibit 10.2.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, File No. 1-11373\)\\*](#)
- 10.5.3 [Second Amendment to the Cardinal Health, Inc. 2007 Nonemployee Directors Equity Incentive Plan \(incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the Quarter ended December 31, 2011, File No. 1-11373\)\\*](#)

- 10.6.1 [Cardinal Health Deferred Compensation Plan, Amended and Restated effective January 1, 2020 \(incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, File No. 1-11373\)\\*](#)
- 10.6.2 [First Amendment to the Cardinal Health Deferred Compensation Plan, as amended and restated on January 1, 2020 \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, File No. 1-11373\)\\*](#)
- 10.7.1 [Cardinal Health, Inc. Senior Executive Severance Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on September 26, 2018, File No. 1-11373\)](#)
- 10.7.2 [First Amendment to the Cardinal Health, Inc. Senior Executive Severance Plan \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2019, File No. 1-11373\)](#)
- 10.8 [Cardinal Health, Inc. Policy Regarding Shareholder Approval of Severance Agreements \(incorporated by reference to Exhibit 10.09 to Cardinal Health's Current Report on Form 8-K filed on August 7, 2006, File No. 1-11373\)\\*](#)
- 10.9.1 [Confidentiality and Business Protection Agreement, effective as of February 15, 2010, between Cardinal Health, Inc. and Michael C. Kaufmann \(incorporated by reference to Exhibit 10.15 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2010, File No. 1-11373\)\\*](#)
- 10.9.2 [Aircraft Time Sharing Agreement, effective as of February 8, 2018, by and between Cardinal Health, Inc. and Michael C. Kaufmann \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, File No. 1-11373\)](#)
- 10.9.3 [Aircraft Time Sharing Agreement, effective as of January 1, 2022, by and between Cardinal Health, Inc. and Michael C. Kaufmann \(incorporated by reference to Exhibit 10.7 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2021, File No. 1-11373\)\\*](#)
- 10.10.1 [Confidentiality and Business Protection Agreement, effective as of November 1, 2018, between Cardinal Health, Inc. and Victor L. Crawford \(incorporated by reference to Exhibit 10.13.1 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373\)\\*](#)
- 10.10.2 [Letter Agreement, dated October 30, 2018, between Cardinal Health, Inc. and Victor L. Crawford \(incorporated by reference to Exhibit 10.13.2 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, File No. 1-11373\)\\*](#)
- 10.10.3 [Letter Agreement, dated March 9, 2020, between Cardinal Health, Inc. and Jason Hollar \(incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on March 19, 2020, File No. 1-11373\)\\*](#)
- 10.10.4 [Confidentiality and Business Protection Agreement, effective as of April 27, 2020, between Cardinal Health, Inc. and Jason Hollar \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed on March 19, 2020, File No. 1-11373\)\\*](#)
- 10.11 [Form of Indemnification Agreement between Cardinal Health, Inc. and certain individual directors \(incorporated by reference to Exhibit 10.38 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2004, File No. 1-11373\)](#)
- 10.12.1 [Issuing and Paying Agency Agreement, dated August 9, 2006, between Cardinal Health, Inc. and The Bank of New York \(incorporated by reference to Exhibit 10.01 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373\)](#)
- 10.12.2 [First Amendment to Issuing and Paying Agency Agreement, dated February 28, 2007, between Cardinal Health, Inc. and The Bank of New York \(incorporated by reference to Exhibit 10.01 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373\)](#)
- 10.12.3 [Second Amendment to Issuing and Paying Agency Agreement, effective as of December 1, 2016, between Cardinal Health, Inc. and The Bank of New York \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373\)](#)
- 10.12.4 [Third Amendment to Issuing and Paying Agency Agreement, dated September 15, 2017, between Cardinal Health, Inc. and The Bank of New York \(incorporated by reference to Exhibit 10.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373\)](#)
- 10.12.5 [Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. \(incorporated by reference to Exhibit 10.02 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373\)](#)
- 10.12.6 [First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and J.P. Morgan Securities Inc. \(incorporated by reference to Exhibit 10.02 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373\)](#)
- 10.12.7 [Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and J.P. Morgan Securities LLC \(formerly known as J.P. Morgan Securities Inc.\) \(incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373\)](#)
- 10.12.8 [Commercial Paper Dealer Agreement between Cardinal Health, Inc. and J.P. Morgan Securities LLC, effective as of December 1, 2016 \(incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373\)](#)
- 10.12.9 [Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Banc of America Securities LLC \(incorporated by reference to Exhibit 10.03 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373\)](#)
- 10.12.10 [First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Banc of America Securities LLC \(incorporated by reference to Exhibit 10.03 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373\)](#)
- 10.12.11 [Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, f/k/a Banc of America Securities LLC \(incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373\)](#)
- 10.12.12 [Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, effective as of December 1, 2016 \(incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373\)](#)
- 10.12.13 [Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC \(incorporated by reference to Exhibit 10.04 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373\)](#)
- 10.12.14 [First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Wachovia Capital Markets, LLC \(incorporated by reference to Exhibit 10.04 to Cardinal Health's Current Report on Form 8-K filed on March 6, 2007, File No. 1-11373\)](#)
- 10.12.15 [Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Wells Fargo Securities, LLC, as successor in interest to Wachovia Capital Markets, LLC \(incorporated by reference to Exhibit 10.6 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2012, File No. 1-11373\)](#)
- 10.12.16 [Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Wells Fargo Securities, LLC, effective as of December 1, 2016 \(incorporated by reference to Exhibit 10.5 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended December 31, 2016, File No. 1-11373\)](#)
- 10.12.17 [Commercial Paper Dealer Agreement, dated August 9, 2006, between Cardinal Health, Inc. and Goldman, Sachs & Co. \(incorporated by reference to Exhibit 10.05 to Cardinal Health's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, File No. 1-11373\)](#)



10.12.18	<a href="#">First Amendment to Commercial Paper Dealer Agreement, dated February 28, 2007, between Cardinal Health, Inc. and Goldman, Sachs &amp; 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)</a>
10.12.19	<a href="#">Second Amendment to Commercial Paper Dealer Agreement, effective as of December 31, 2012, between Cardinal Health, Inc. and Goldman, Sachs &amp; 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)</a>
10.12.20	<a href="#">Commercial Paper Dealer Agreement between Cardinal Health, Inc. and Goldman Sachs &amp; 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)</a>
10.12.21	<a href="#">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)</a>
10.12.22	<a href="#">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)</a>
10.12.23	<a href="#">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)</a>
10.13	<a href="#">Second Amended and Restated Five-Year Credit Agreement, dated as of June 27, 2019, among JPMorgan Chase Bank, N.A. as Administrative Agent, Joint Lead Arranger and Joint Book Manager, Bank of America, N.A. as Syndication Agent, MUFG Bank, Ltd. as Syndication Agent, Joint Lead Arranger and Joint Book Manager, Barclays Bank PLC, Deutsche Bank AG New York Branch, Goldman Sachs Bank USA, HSBC Bank USA, N.A. and Wells Fargo Bank, N.A., as Documentation Agents, and BOFA Securities, Inc., as Joint Lead Arranger and Joint Book Manager (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on June 28, 2019, File No. 1-11373)</a>
10.14.1	<a href="#">Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013, among Cardinal Health Funding, LLC, as Seller, Griffin Capital, LLC, as Servicer, the Conduits party thereto, the Financial Institutions Party thereto, the Managing Agents party thereto, and LC Banks party thereto and the Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as the Agent (incorporated by reference to Exhibit 10.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, File No. 1-11373)</a>
10.14.2	<a href="#">First Amendment and Joinder, dated as of November 3, 2014, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014, File No. 1-11373)</a>
10.14.3	<a href="#">Second Amendment, dated as of November 14, 2016, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.4.3 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)</a>
10.14.4	<a href="#">Third Amendment, dated as of August 30, 2017, to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of November 1, 2013 (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on August 31, 2017, File No. 1-11373)</a>
10.14.5	<a href="#">Fourth Amendment and Joinder, dated September 30, 2019, to the Fourth Amended and Restated Receivables Purchase Agreement (incorporated by reference to Exhibit 10.1 to Cardinal Health's Current Report on Form 8-K filed on October 2, 2019, File No. 1-11373)</a>
10.14.6	<a href="#">Fifth Amendment, dated as of May 13, 2022, to the Fourth Amended and Restated Receivables Purchase Agreement</a>
10.15.1	<a href="#">Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016, executed by Cardinal Health, Inc. in favor of Cardinal Health Funding, LLC (incorporated by reference to Exhibit 10.5.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)</a>
10.15.2	<a href="#">Amendment No. 1 to Seventh Amended and Restated Performance Guaranty, dated as of November 14, 2016 (incorporated by reference to Exhibit 10.5.2 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, File No. 1-11373)</a>
10.15.3	<a href="#">Amendment No. 2 to Seventh Amended and Restated Performance Guaranty, dated as of November 6, 2018 (incorporated by reference to Exhibit 10.4 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018, File No. 1-11373)</a>
10.15.4	<a href="#">Amendment No. 3 to Seventh Amended and Restated Performance Guaranty (incorporated by reference to Exhibit 10.2 to Cardinal Health's Current Report on Form 8-K filed October 2, 2019, File No. 1-11373)</a>
10.16.1	<a href="#">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)</a>
10.16.2	<a href="#">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)</a>
21.1	<a href="#">List of Subsidiaries of Cardinal Health, Inc.</a>
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">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</a>
99.1	<a href="#">Statement Regarding Forward-Looking Information</a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101)

\* Management contract or compensatory plan or arrangement.

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(a)	The information called for by Item 11 of Form 10-K is incorporated by reference to our 2022 Proxy Statement under the captions "Corporate Governance" and "Executive Compensation."	
(b)	The information called for by Item 12 of Form 10-K is incorporated by reference to our 2022 Proxy Statement under the captions "Executive Compensation" and "Share Ownership Information."	
(c)	The information called for by Item 13 of Form 10-K is incorporated by reference to our 2022 Proxy Statement under the caption "Corporate Governance."	
(d)	The information called for by Item 14 of Form 10-K is incorporated by reference to our 2022 Proxy Statement under the caption "Audit Committee Matters."	

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 11, 2022.

Cardinal Health, Inc.

By: /s/ MICHAEL C. KAUFMANN

**Michael C. Kaufmann**  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed below by the following persons on behalf of the registrant and in the capacities indicated on August 11, 2022.

<u>Name</u>	<u>Title</u>
/s/ MICHAEL C. KAUFMANN <hr/> <b>Michael C. Kaufmann</b>	Chief Executive Officer and Director (principal executive officer)
/s/ JASON M. HOLLAR <hr/> <b>Jason M. Hollar</b>	Chief Financial Officer (principal financial officer)
/s/ PATRICIA M. ENGLISH <hr/> <b>Patricia M. English</b>	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ CARRIE S. COX <hr/> <b>Carrie S. Cox</b>	Director
/s/ BRUCE L. DOWNEY <hr/> <b>Bruce L. Downey</b>	Director
/s/ SHERI H. EDISON <hr/> <b>Sheri H. Edison</b>	Director
/s/ DAVID C. EVANS <hr/> <b>David C. Evans</b>	Director
/s/ PATRICIA A. HEMINGWAY HALL <hr/> <b>Patricia A. Hemingway Hall</b>	Director
/s/ AKHIL JOHRI <hr/> <b>Akhil Johri</b>	Director
/s/ GREGORY B. KENNY <hr/> <b>Gregory B. Kenny</b>	Director
/s/ NANCY KILLEFER <hr/> <b>Nancy Killefer</b>	Director
/s/ DEAN A. SCARBOROUGH <hr/> <b>Dean A. Scarborough</b>	Director
/s/ JOHN H. WEILAND <hr/> <b>John H. Weiland</b>	Director