UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2021

or

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

For the transition period from _____ to _____

Commission File Number: 1-11373

Cardinal Health, Inc.

(Exact name of registrant as specified in its charter)

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

(614) 757-5000

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of the registrant's common shares, without par value, outstanding as of April 30, 2021, was the following: 290,147,927.

Cardinal Health
Q3 Fiscal 2021 Form 10-Q

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About Cardinal Health

Cardinal Health, Inc. is an Ohio corporation formed in 1979 and is a globally integrated healthcare services and products company providing customized solutions for hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories and physician offices. We provide medical products and pharmaceuticals and cost-effective solutions that enhance supply chain efficiency. We connect patients, providers, payers, pharmacists and manufacturers for integrated care coordination and better patient management. We manage our business and report our financial results in two segments: Pharmaceutical and Medical. As used in this report, “we,” “our,” “us,” and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our fiscal year ends on June 30. References to fiscal 2021 and fiscal 2020 and to FY21 and FY20 are to the fiscal years ending or ended June 30, 2021 and June 30, 2020, respectively.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (this "Form 10-Q") (including information incorporated by reference) includes "forward-looking statements" addressing expectations, prospects, estimates and other matters that are dependent upon future events or developments. Many forward-looking statements appear in Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), but there are others in this Form 10-Q, which may be identified by words such as "expect," "anticipate," "intend," "plan," "believe," "will," "should," "could," "would," "project," "continue," "likely," and similar expressions, and include statements reflecting future results, trends or guidance, statements of outlook and expense accruals. These matters are subject to risks and uncertainties that could cause actual results to differ materially from those made, projected or implied. The most significant of these risks and uncertainties are described in this Form 10-Q, including Exhibit 99.1, and in "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (our “2020 Form 10-K”). Forward-looking statements in this Form 10-Q speak only as of the date of this document. Except to the extent required by applicable law, we undertake no obligation to update or revise any forward-looking statement.

Non-GAAP Financial Measures

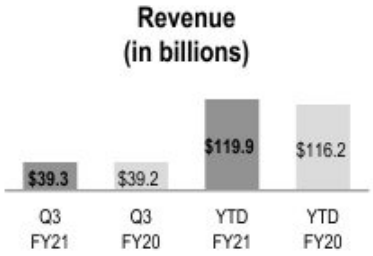
In the "Overview of Consolidated Results" section of MD&A, we use financial measures that are derived from our consolidated financial data but are not presented in our condensed consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These measures are considered "non-GAAP financial measures" under the United States Securities and Exchange Commission ("SEC") rules. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable GAAP financial measures are included in the “Explanation and Reconciliation of Non-GAAP Financial Measures” section following MD&A in this Form 10-Q.

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

The discussion and analysis presented below is concerned with material changes in financial condition and results of operations between the periods specified in our condensed consolidated balance sheets at March 31, 2021 and June 30, 2020, and in our condensed consolidated statements of earnings/(loss) for the three and nine months ended March 31, 2021 and 2020. All comparisons presented are with respect to the prior-year period, unless stated otherwise. This discussion and analysis should be read in conjunction with the MD&A included in our 2020 Form 10-K.

Overview of Consolidated Results

Revenue



During the three months ended March 31, 2021, revenue was flat at $39.3 billion. Sales growth from pharmaceutical distribution and specialty solutions customers during the three months ended March 31, 2021 approximated the prior-year temporary increase in March 2020 pharmaceutical sales related to accelerated purchasing by customers in connection with the beginning of the COVID-19 pandemic ("COVID-19"). During the nine months ended March 31, 2021, revenue increased 3 percent to $119.9 billion, primarily due to sales growth from pharmaceutical distribution and specialty solutions customers, partially offset due to volume declines related to the impact of COVID-19.

GAAP and Non-GAAP Operating Earnings/(Loss)

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
GAAP operating earnings/(loss)	**$ 473**	$ 562	**(16) %**	**$ 310**	$ (4,368)	**N.M**
Surgical gown recall costs	**(1)**	(1)		**(3)**	95	
State opioid assessment related to prior fiscal years	**(2)**	—		**39**	4	
Restructuring and employee severance	**24**	(6)		**81**	80	
Amortization and other acquisition-related costs	**111**	130		**345**	395	
Impairments and (gain)/loss on disposal of assets	**69**	(1)		**78**	7	
Litigation (recoveries)/charges, net	**15**	35		**1,085**	5,729	
Non-GAAP operating earnings	**$ 689**	$ 719	**(4) %**	**$ 1,935**	$ 1,942	**— %**

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

The decrease in GAAP operating earnings during the three months ended March 31, 2021 was primarily due to the write-down of the net assets held for sale from the planned divestiture of the Cordis business and restructuring and employee severance related to the implementation of certain enterprise-wide cost-saving measures. See further description of the planned divestiture of the Cordis business in the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 2 of the "Notes to Condensed Consolidated Financial Statements."

We had GAAP operating earnings of $310 million and a GAAP operating loss of $4.4 billion during the nine months ended March 31, 2021 and 2020, respectively, due to $1.02 billion and $5.63 billion of pre-tax charges, respectively, recognized for the estimated liability associated with lawsuits and claims brought against us by states and political subdivisions relating to the distribution of prescription opioid pain medications. See further description of opioid lawsuits in the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements."

Non-GAAP operating earnings during the three and nine months ended March 31, 2021 were adversely impacted due to volume declines in our generics program, primarily due to COVID-19, partially offset by higher contribution from branded pharmaceutical sales mix. Overall, COVID-19 has had a negative impact on consolidated non-GAAP operating earnings during these periods. During the nine months ended March 31, 2021, non-GAAP operating earnings were positively impacted by Medical segment cost-savings measures, including global manufacturing efficiencies.

GAAP and Non-GAAP Diluted EPS

($ per share)	Three Months Ended March 31, 2021 [2]	2020 [2]	Change	Nine Months Ended March 31, 2021 [2]	2020 [2] [3]	Change
GAAP diluted EPS [1]	**$ 0.40**	$ 1.19	**N.M**	**$ 1.68**	$ (14.84)	**N.M**
Surgical gown recall costs	**—**	—		**—**	0.24	
State opioid assessment related to prior fiscal years	**—**	—		**0.10**	0.01	
Restructuring and employee severance	**0.06**	(0.01)		**0.21**	0.21	
Amortization and other acquisition-related costs	**0.28**	0.34		**0.88**	1.01	
Impairments and (gain)/loss on disposal of assets	**0.25**	—		**0.22**	0.02	
Litigation (recoveries)/charges, net [4]	**0.54**	0.09		**1.70**	17.80	
Loss on early extinguishment of debt	**—**	0.01		**—**	0.02	
Transitional tax benefit, net	**—**	—		**—**	(0.04)	
Non-GAAP diluted EPS [1]	**$ 1.53**	$ 1.62	**(6) %**	**$ 4.79**	$ 4.41	**9 %**

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 "Explanation and Reconciliation of Non-GAAP Financial Measures."

(3) For the nine months ended March 31, 2020, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 293 million common shares, which excludes potentially dilutive securities from the denominator due to their anti-dilutive effects resulting from our GAAP net loss for the period. Year-to-date fiscal 2020 non-GAAP diluted EPS is calculated using a weighted average of 295 million common shares which includes potentially dilutive shares.

(4) Litigation (recoveries)/charges, net, includes a tax benefit recorded during the nine months ended March 31, 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 $419 million; however, for purposes of Non-GAAP financial measures, we allocated $385 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 $34 million is included in non-GAAP measures.

The charges we recognized in fiscal 2021 and 2020 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 $(2.85) and $(17.53) per share after-tax impact on GAAP diluted EPS for the nine months ended March 31, 2021 and 2020, respectively. In addition, GAAP diluted EPS for the three months ended March 31, 2021 was impacted by $(0.47) per share due to the tax effect of the litigation charge, which was recorded during the three months ended September 30, 2020. See the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

During the nine months ended March 31, 2021, GAAP and non-GAAP diluted EPS were positively impacted by $1.42 and $0.12 per share, respectively, due to a tax benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss, as further described in Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements."

Adverse tax matters that impacted GAAP and non-GAAP EPS for the three and nine months ended March 31, 2021 included an adjustment to our tax provision for the resolution of all open matters with the Internal Revenue Service ("IRS") for fiscal years 2008 to 2010 as well as certain transfer pricing matters for fiscal years 2011 to 2014, which also impacted reserves for later years. In addition, the tax provision was adversely impacted by withholding taxes for planned distributions from foreign subsidiaries.

During the three months ended March 31, 2021, GAAP diluted EPS decreased primarily due to the tax effect of the litigation charge and the adverse tax matters discussed above. GAAP diluted EPS was also adversely impacted by factors impacting GAAP operating earnings, including the write-down of the net assets held for sale from the planned divestiture of our Cordis business, which had a $(0.22) per share after-tax impact.

During the nine months ended March 31, 2021 and 2020, GAAP diluted EPS was primarily impacted by the litigation charges discussed above. During the nine months ended March 31, 2021, GAAP diluted EPS was positively impacted by the net operating loss carryback discussed above.

During the three months ended March 31, 2021, non-GAAP diluted EPS decreased 6 percent to $1.53 per share. This decrease was primarily due to the adverse tax matters discussed above and factors impacting non-GAAP operating earnings, partially offset by lower interest expense resulting from less debt outstanding.

During the nine months ended March 31, 2021, non-GAAP diluted EPS increased 9 percent to $4.79 per share. This increase was primarily due to lower interest expense resulting from less debt outstanding and a net tax benefit. This benefit was primarily due to changes in discrete tax items, including the net operating loss carryback discussed above, partially offset by the adverse tax matters discussed above.

Cash and Equivalents

Our cash and equivalents balance was $3.5 billion at March 31, 2021 compared to $2.8 billion at June 30, 2020. During the nine months ended March 31, 2021, net cash provided by operating activities was $1.8 billion and we deployed $432 million for cash dividends, $274 million for capital expenditures and $200 million for share repurchase.

Significant Developments in Fiscal 2021 and Trends

Cordis Divestiture

On March 12, 2021, we announced that we signed a definitive agreement to sell our Cordis business to Hellman & Friedman for proceeds of $927 million in cash, subject to customary purchase price adjustments, and we will retain certain working capital accounts and certain liabilities, including product liability for lawsuits related to inferior vena cava filters in the U.S. and Canada as described in Note 6 of the “Notes to Condensed Consolidated Financial Statements.” The proposed transaction is expected to close in the first quarter of fiscal 2022, subject to customary closing conditions and regulatory clearances. See Note 2 of the "Notes to Condensed Consolidated Financial Statements" for additional information. In connection with the sale, we expect to enter into a Transition Services Agreement ("TSA") with the buyer to provide certain support functions for a period of up to twenty-four months following the sale.

In connection with the definitive agreement, during the three and nine months ended March 31, 2021, we recognized a $58 million pre-tax write-down of the net assets held for sale in impairment and (gain)/loss on disposal of assets in the condensed consolidated statement of earnings/(loss). We recorded a net tax expense of $7 million associated with the impact of the write-down and the required tax adjustments triggered by held for sale accounting.

In connection with the planned divestiture, we expect to record costs associated with exit or disposal activities of up to $125 million in restructuring and employee severance in our consolidated statement of earnings/(loss), primarily during fiscal years 2021 and 2022. We expect these charges to consist of approximately $83 million of professional, project management and other service fees to support the planned divestiture; $19 million of employee-related costs; and additional expenses from facility exits and other restructuring activities.

We expect the planned divestiture of the Cordis business will decrease annual Medical segment revenue by approximately $800 million and adversely impact Medical segment profit on a run-rate basis. The planned divestiture of our Cordis business is subject to risks and uncertainties that may adversely impact Medical segment revenue and profit. For example, we may not be successful in completing the divestiture on a timely basis and the TSA period may get extended beyond our current expectations. It is also possible that the costs associated with the exit or disposal activities and stranded costs could be greater than anticipated.

Tax Effects of Self-Insurance Pre-Tax Loss

During the nine months ended March 31, 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 the nine months ended March 31, 2021 included a $419 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 have filed for a federal income tax refund of $974 million as a result of the net operating loss carryback under the CARES Act, which we expect to receive within 12 months, and accordingly have recorded a current asset on our condensed consolidated balance sheet at March 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the nine months ended March 31, 2021 related to this matter.

Opioid Lawsuits Development

As previously disclosed, in October 2019, we agreed in principle to a global settlement framework with a leadership group of state attorneys general that is designed to resolve all pending and future opioid lawsuits and claims by states and political subdivisions, but not private plaintiffs (the "Settlement Framework"). Definitive terms for a settlement continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied.

In connection with the opioid lawsuits and settlement negotiations, we recorded pre-tax charges of $1.02 billion and $5.63 billion during the nine months ended March 31, 2021 and 2020, respectively, in litigation (recoveries)/charges, net, in the condensed consolidated

statements of earnings/(loss). We accrue for contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Because loss contingencies are inherently unpredictable and unfavorable developments or resolutions can occur, the assessment is highly subjective and requires judgments about future events. 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 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

Tax Effect of Opioid Litigation Charges

The net tax benefits associated with the opioid litigation charges are $37 million and $488 million for fiscal 2021 and 2020, 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 $35 million and $468 million, respectively. Due to our assessment of non-deductibility for certain components considered in the fiscal 2021 and 2020 charges, the tax benefit for fiscal 2021 compared to fiscal 2020 resulted in a relatively lower tax benefit. Our assumptions and estimates around this benefit and uncertain tax position require significant judgment and the actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our provision for/(benefit from) income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

In conjunction with the initial opioid litigation accrual during the three months ended September 30, 2019, the tax effect of the charge was treated as a discrete item because it was considered unusual or infrequent. However, the tax effect of the charge during the nine months ended March 31, 2021 was included in our estimated annual effective tax rate because it was no longer considered unusual or infrequent. The inclusion of the relatively lower tax benefit of the current fiscal year charge in our estimated annual effective tax rate significantly increased the estimated annual effective tax rate for fiscal 2021. As such, the amount of tax expense increased by approximately $140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately $180 million during the nine months ended March 31, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. As stated above, the benefit as of the end of fiscal 2021 is expected to be $37 million. See Note 7 of the “Notes to Condensed Consolidated Financial Statements” for additional information.

COVID-19

The COVID-19 pandemic ("COVID-19") continues to affect the U.S. and global economies, and as previously disclosed in our Fiscal 2020 Form 10-K, the pandemic began to materially affect our businesses during the three months ended March 31, 2020. The length and severity of the pandemic and of the related economic impacts to our businesses and operations are uncertain, including its ongoing impacts to our businesses and results of operations.

In comparison to the prior year, COVID-19 has had a negative impact on our consolidated operating earnings in the three and nine months ended March 31, 2021; however, given the negative impact of COVID-19 on operating earnings at the end of fiscal 2020, it is uncertain whether the year-over-year impact on fiscal 2021 operating earnings will be positive or negative.

Pharmaceutical segment profit has been negatively impacted by COVID-19 largely due to volume declines in our generics program and Nuclear and Precision Health Solutions. While we expect that volumes within our generics program for the remainder of fiscal year 2021 will continue to be lower than levels prior to COVID-19, we currently believe that the impact of COVID-19 on Pharmaceutical segment profit will improve on a year-over-year basis for the remainder of fiscal year 2021. In addition, while the impact of COVID-19 was negative on Nuclear and Precision Health Solutions during the first six months of fiscal 2021, it improved during the three months ended March 31, 2021 and is expected to further improve during the remainder of fiscal 2021.

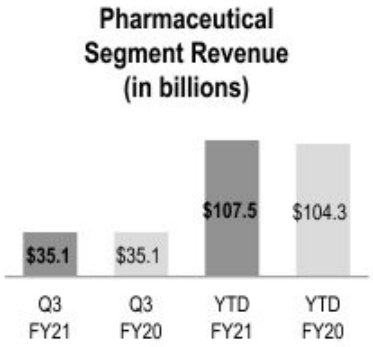
In the nine months ended March 31, 2021, COVID-19 benefited Medical segment profit due to higher volumes in our laboratory business, cost savings and a net positive contribution from personal protective equipment ("PPE") partially offset by the adverse effects of lower demand for surgical products resulting from reduced elective procedures. However, in the three months ended March 31, 2021, COVID-19 had a slight negative impact on the Medical segment due to the comparison to the modest positive impact of sales volume increases in the prior period. For fiscal year 2021, we expect COVID-19 to have a beneficial impact on the Medical segment compared to the prior year.

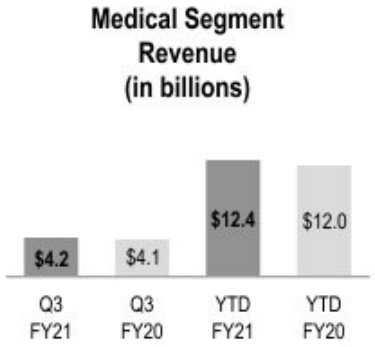
Since the three months ended March 31, 2020, our Medical segment has seen dramatically increased demand for certain PPE, such as masks, gowns and gloves. This increased demand has resulted in higher sales volume for certain products and increased costs to manufacture and source these products and higher inventory levels. As a result, we have sought out additional sources for these products. To mitigate the impact of these cost increases, we have raised our selling prices for the affected products. While we have been successful

in mitigating the impact of these increased costs to date, it is possible that demand or selling prices for these products may decline in the future, resulting in excess inventory or inventory cost above net realizable value, requiring inventory reserves that could adversely impact Medical segment profit.

Results of Operations

Revenue





	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
Pharmaceutical	**$ 35,104**	$ 35,112	**— %**	**$ 107,452**	$ 104,254	**3 %**
Medical	**4,174**	4,051	**3 %**	**12,441**	11,991	**4 %**
Total segment revenue	**39,278**	39,163	**— %**	**119,893**	116,245	**3 %**
Corporate	**(3)**	(6)	**N.M**	**(12)**	(12)	**N.M**
Total revenue	**$ 39,275**	$ 39,157	**— %**	**$ 119,881**	$ 116,233	**3 %**

Pharmaceutical Segment

During the three months ended March 31, 2021, revenue was flat at $35.1 billion. Sales growth from pharmaceutical distribution and specialty solutions customers in the three months ended March 31, 2021 approximated the prior-year temporary increase in March 2020 pharmaceutical sales related to accelerated purchasing by customers in connection with the outbreak in the United States of COVID-19. During the nine months ended March 31, 2021, revenue increased 3 percent to $107.5 billion, primarily due to sales growth from pharmaceutical distribution and specialty solutions customers, partially offset due to volume declines related to the impact of COVID-19, which increased revenue by $3.2 billion.

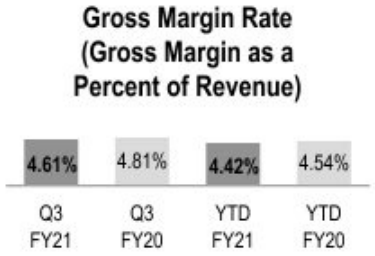
Medical Segment

Medical segment revenue increased during the three and nine months ended March 31, 2021 primarily within products and distribution, which increased revenue by $99 million and $322 million, respectively, due to a net benefit from COVID-19. The net benefit from COVID-19 is due to higher volumes in our laboratory business and the positive impact of personal protective equipment ("PPE"), partially offset by the adverse impact of lower demand for surgical products resulting from reduced elective procedures.

Cost of Products Sold

Cost of products sold for the three and nine months ended March 31, 2021 increased 1 percent to $37.5 billion and 3 percent to $114.6 billion, respectively, compared to the respective prior-year periods as a result of the factors affecting the changes in revenue and gross margin.

Gross Margin



	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2021	2020	Change	2021	2020	Change
Gross margin	$ 1,812	$ 1,885	(4) %	$ 5,303	$ 5,278	— %

Gross margins during the three and nine months ended March 31, 2021 were negatively impacted due to volume declines in our generics program, primarily due to COVID-19, partially offset by higher contribution from branded pharmaceutical sales mix.

Gross margin during the nine months ended March 31, 2021 increased due to beneficial comparison with the prior-year $55 million charge in connection with a voluntary recall for certain surgical gowns and a voluntary recall and field actions for surgical procedure packs containing affected gowns (together, the "Recalls").

Gross margin rate declined 20 basis points and 12 basis points during the three and nine months ended March 31, 2021, respectively, mainly due to changes in pharmaceutical distribution product and sales mix. While branded pharmaceutical sales contributed positively to gross margin dollars during the three and nine months ended March 31, 2021, they had a dilutive impact on our overall gross margin rate. Gross margin rate year-over-year comparison also benefited from the $55 million charge recognized during the nine months ended March 31, 2020 in connection with the Recalls.

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

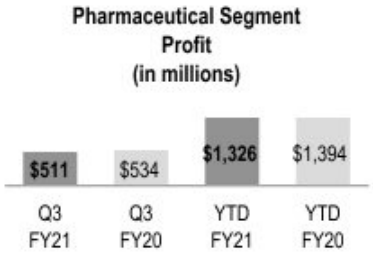
	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	2021	2020	Change	2021	2020	Change
SG&A expenses	$ 1,120	$ 1,165	(4) %	$ 3,404	$ 3,435	(1) %

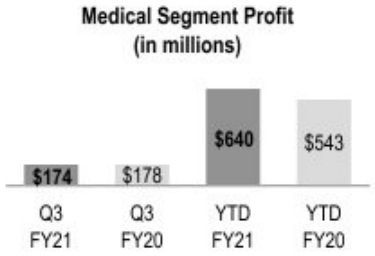
During the three months ended March 31, 2021, SG&A expenses decreased primarily due to the beneficial impact of enterprise-wide cost-savings measures.

During the nine months ended March 31, 2021, SG&A expenses decreased primarily due to the beneficial impact of enterprise-wide cost-savings measures. The year-over-year comparison was also favorably impacted by the $40 million charge in connection with the Recalls recognized during the nine months ended March 31, 2020. These factors were partially offset by the $41 million assessment on prescription opioid medications that were sold or distributed in New York state in calendar year 2017 and 2018 and fluctuations in deferred compensation liabilities. See Note 6 of the "Notes to Condensed 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 12 of the "Notes to Condensed Consolidated Financial Statements" for additional information on segment profit.





	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
Pharmaceutical	**$ 511**	$ 534	**(4) %**	**$ 1,326**	$ 1,394	**(5) %**
Medical	**174**	178	**(2) %**	**640**	543	**18 %**
Total segment profit	**685**	712	**(4) %**	**1,966**	1,937	**1 %**
Corporate	**(212)**	(150)	**N.M.**	**(1,656)**	(6,305)	**N.M**
Total consolidated operating earnings/(loss)	**$ 473**	$ 562	**(16) %**	**$ 310**	$ (4,368)	**N.M**

Pharmaceutical Segment Profit

During the three and nine months ended March 31, 2021, Pharmaceutical segment profit was adversely impacted due to volume declines in our generics program, primarily due to COVID-19, partially offset by higher contribution from branded pharmaceutical sales mix. In addition, during the nine months ended March 31, 2021, Pharmaceutical segment profit was adversely impacted due to volume declines in Nuclear and Precision Health Solutions.

Pharmaceutical segment financial results do not include the $1.02 billion and $5.63 billion charges associated with the opioid litigation during the nine months ended March 31, 2021 and 2020, respectively. See the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information. In addition, Pharmaceutical segment financial results do not include the $41 million assessment during the nine months ended March 31, 2021 on prescription opioid medications that were sold or distributed in New York state in calendar year 2017 and 2018. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information on the New York Opioid Stewardship Act.

Medical Segment Profit

Medical segment profit decreased during the three months ended March 31, 2021 due to the performance of products and distribution, offset by the beneficial impact of enterprise-wide cost-savings measures. COVID-19 had a slight negative impact on Medical segment profit due to the comparison to the modest positive impact of sales volume increases in the prior period.

Medical segment profit increased during nine months ended March 31, 2021 due to enterprise-wide cost-savings measures, including global manufacturing efficiencies, and COVID-19. The benefit from COVID-19 was a result of higher volumes in our laboratory business, cost savings, and a net positive contribution from PPE, partially offset by the adverse impact of lower demand for surgical products resulting from reduced elective procedures. The net positive impact of PPE included timing favorability related to our cost mitigation efforts.

Corporate

The changes in Corporate during the three and nine months ended March 31, 2021 were 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:

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in millions)	**2021**	2020	**2021**	2020
Restructuring and employee severance	**$ 24**	$ (6)	**$ 81**	$ 80
Amortization and other acquisition-related costs	**111**	130	**345**	395
Impairments and (gain)/loss on disposal of assets, net	**69**	(1)	**78**	7
Litigation (recoveries)/charges, net	**15**	35	**1,085**	5,729

Restructuring and Employee Severance
Restructuring and employee severance during both the three and nine months ended March 31, 2021 and 2020 was primarily related to the implementation of certain enterprise-wide cost-saving measures. The income during the three months ended March 31, 2020 was due to changes in estimates for severance previously accrued.

Amortization and Other Acquisition-Related Costs
Amortization of acquisition-related intangible assets was $109 million and $129 million for the three months ended March 31, 2021 and 2020, respectively, and $337 million and $385 million for the nine months ended March 31, 2021 and 2020, respectively.

Impairments and (Gain)/Loss on Disposal of Assets, Net
During the three and nine months ended March 31, 2021 we recognized a $58 million pre-tax write-down of the assets held for sale from the planned divestiture of our Cordis business. See the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 2 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

Litigation (Recoveries)/Charges, Net

During the nine months ended March 31, 2021 and 2020, we recognized pre-tax charges of $1.02 billion and $5.63 billion, respectively, associated with certain opioid matters. See the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

The costs we recognized in connection with the Cordis OptEase and TrapEase inferior vena cava ("IVC") filter product liability claims during the three months ended March 31, 2021 and 2020 were $12 million and $30 million, respectively, and $40 million and $92 million during the nine months ended March 31, 2021 and 2020, respectively. See Note 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

Earnings/(Loss) Before Income Taxes

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

	Three Months Ended March 31,			Nine Months Ended March 31,		
(in millions)	**2021**	2020	**Change**	**2021**	2020	**Change**
Other (income)/expense, net	**$ (12)**	$ 19	**N.M**	**$ (31)**	$ 21	**N.M**
Interest expense, net	**45**	60	**(25) %**	**136**	189	**(28) %**
Loss on early extinguishment of debt	**—**	5	**N.M**	**1**	9	**N.M**

Other (Income)/Expense, Net
During the three and nine months ended March 31, 2021, other (income)/expense, net was favorable compared to the prior-year period primarily due to an increase in the value of our deferred compensation plan investments, which offsets fluctuations included within SG&A expenses and discussed further in Note 8 of the "Notes to Condensed Consolidated Financial Statements," and gains on investments in non-marketable equity securities.

Interest Expense, Net
The decrease in interest expense during the three and nine months ended March 31, 2021 was primarily due to less debt outstanding and lower short-term interest rates.

Provision for/(Benefit from) Income Taxes

During the three months ended March 31, 2021 and 2020, the effective tax rate was 72.8 percent and 26.8 percent, respectively. The increase in the effective tax rate for the three months ended March 31, 2021 compared to the prior period was primarily due to the adverse tax impacts from the fiscal 2021 opioid litigation charge, as described below, adjustments to our provision for the resolution of all open matters with the Internal Revenue Service ("IRS") for fiscal years 2008 to 2010 as well as certain transfer pricing matters for fiscal years 2011 to 2014, which also impacted reserves for later years, and withholding taxes for planned distributions from foreign subsidiaries.

During the nine months ended March 31, 2021 and 2020, the effective tax rate was (143.3) percent and 5.2 percent, respectively. Included in the effective tax rate for the nine months ended March 31, 2021 was the $419 million benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss. Included in both the nine months ended March 31, 2021 and 2020 were net tax benefits related to the treatment of the tax impacts of the fiscal 2021 and 2020 opioid litigation charges.

Tax Effects of Self-Insurance Pre-tax Loss

During the nine months ended March 31, 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.

Our provision for income taxes during the nine months ended March 31, 2021 included a $419 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 have filed for a federal income tax refund of $974 million as a result of the net operating loss carryback under the CARES Act, which we expect to receive within 12 months, and accordingly have recorded a current asset on our condensed consolidated balance sheet at March 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the nine months ended March 31, 2021 related to this matter.

Tax Effect of Opioid Litigation Charges

In connection with the $1.02 billion and $5.63 billion pre-tax charges for the opioid litigation during the nine months ended March 31, 2021 and 2020, respectively, the net tax benefits are $37 million and $488 million for fiscal 2021 and 2020, 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 $35 million and $468 million, respectively. Due to our assessment of non-deductibility for certain components considered in the fiscal 2021 and 2020 charges, the tax benefit for fiscal 2021 compared to fiscal 2020 resulted in a relatively lower tax benefit. Our assumptions and estimates around this benefit and uncertain tax position require significant judgment and the actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our provision for/(benefit from) income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

In conjunction with the initial opioid litigation accrual during the three months ended September 30, 2019, the tax effect of the charge was treated as a discrete item because it was considered unusual or infrequent. However, the tax effect of the charge during the nine months ended March 31, 2021 was included in our estimated annual effective tax rate because it was no longer considered unusual or infrequent. The inclusion of the relatively lower tax benefit of the current fiscal year charge in our estimated annual effective tax rate significantly increased the estimated annual effective tax rate for fiscal 2021. As such, the amount of tax expense increased by approximately $140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately $180 million during the nine months ended March 31, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. As stated above, the benefit as of the end of fiscal 2021 is expected to be $37 million. See Note 7 of the "Notes to the Condensed Consolidated Financial Statements" for additional information.

Ongoing Audits

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. During the three and nine months ended March 31, 2021, the Company and the IRS resolved all open issues with respect to the Company's activity within fiscal years 2008 through 2010. During the three and nine months ended March 31, 2021, we resolved certain transfer pricing matters with the IRS for fiscal years 2011 to 2014; however, these periods remain open for audit.

Liquidity and Capital Resources

We currently believe that, based on available capital resources (cash on hand and committed credit facilities) and projected operating cash flow, we have adequate capital resources to fund working capital needs; currently anticipated capital expenditures; currently anticipated business growth and expansion; contractual obligations; tax payments; and current and projected debt service requirements, early extinguishment of debt, dividends and share repurchases as well as potential opioid litigation settlement payments associated with the Settlement Framework.

Cash and Equivalents

Our cash and equivalents balance was $3.5 billion at March 31, 2021 compared to $2.8 billion at June 30, 2020. At March 31, 2021, our cash and equivalents were held in cash depository accounts with major banks or invested in high quality, short-term liquid investments.

During the nine months ended March 31, 2021 cash from operating cash flow was $1.8 billion, with uses of $432 million paid in dividends, $274 million of capital expenditures and $200 million for share repurchases.

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

The cash and equivalents balance at March 31, 2021 includes $579 million of cash held by subsidiaries outside of the United States.

Other Financing Arrangements and Financial Instruments

Credit Facilities and Commercial Paper

In addition to cash and equivalents and operating cash flow, other sources of liquidity at March 31, 2021 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 March 31, 2021, we had no amounts outstanding under our commercial paper program, revolving credit facility, or our committed receivables sales facility.

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 beginning March 2021. As of March 31, 2021, we were in compliance with this financial covenant.

Long-Term Debt and Other Short-Term Borrowings

At March 31, 2021, we had total long-term obligations, including the current portion and other short-term borrowings, of $6.7 billion. During the nine months ended March 31, 2021, we 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.

Anticipated Capital Resources

Tax Effects of Self-Insurance Pre-tax Loss

In connection with a tax benefit from the net operating loss carryback primarily related to a self-insurance pre-tax loss as described further in Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 7 of the "Notes to Condensed Consolidated Financial Statements," we have filed for a refund of $974 million, which we expect to receive within 12 months. Accordingly, we have recorded a current asset for this amount on our condensed consolidated balance sheet at March 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the nine months ended March 31, 2021 related to this matter.

Cordis Divestiture

On March 12, 2021, we announced that we signed a definitive agreement to sell our Cordis business to Hellman & Friedman for proceeds of $927 million in cash, subject to customary purchase price adjustments, and we will retain certain working capital accounts and certain liabilities. The proposed transaction is expected to close in the first quarter of fiscal 2022, subject to customary closing conditions and regulatory clearances.

Capital Deployment

Opioid Settlement Framework

We had $6.59 billion accrued at March 31, 2021 related to certain opioid litigation, as further described within the Significant Developments in Fiscal 2021 and Trends section in this MD&A and Note 6 of the "Notes to Condensed Consolidated Financial Statements." Negotiations under the Settlement Framework continue. If a definitive agreement is reached, and subject to participation by states and political subdivisions, we expect the majority of payment amounts to be spread over 18 years. We cannot currently predict when those payments might begin, and it is possible that all or part may ultimately be made over a different time period, or not at all.

Capital Expenditures

Capital expenditures during the nine months ended March 31, 2021 and 2020 were $274 million and $239 million, respectively.

Dividends

On each of May 11, 2020, August 6, 2020, November 5, 2020 and February 5, 2021 our Board of Directors approved a quarterly dividend of $0.4859 per share, or $1.94 per share on an annualized basis, which were paid on July 15, 2020, October 15, 2020, January 15, 2021 and April 15, 2021 to shareholders of record on July 1, 2020, October 1, 2020, January 4, 2021 and April 1, 2021 respectively.

On May 5, 2021, our Board of Directors approved a quarterly dividend of $0.4908 per share, or $1.96 per share on an annualized basis, payable on July 15, 2021 to shareholders of record on July 1, 2021.

Share Repurchases

During the nine months ended March 31, 2021, we repurchased $200 million of our common shares under an accelerated share repurchase ("ASR") program. We funded the ASR program with available cash. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information. At March 31, 2021, we had $743 million authorized for share repurchases.

Other Items

The MD&A in our 2020 Form 10-K addresses our contractual obligations and off-balance sheet arrangements, as of and for the fiscal year ended June 30, 2020. There have been no subsequent material changes outside the ordinary course of business to those items.

Critical Accounting Policies and Sensitive Accounting Estimates

The discussion and analysis presented below is a supplemental disclosure to the critical accounting policies and sensitive accounting estimates specified in our consolidated balance sheet at June 30, 2020. This discussion and analysis should be read in conjunction with the Critical Accounting Policies and Sensitive Accounting Estimates included in our 2020 Form 10-K and our Forms 10-Q for the quarters ended September 30, 2020 and December 31, 2020.

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.

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 assess the assets for impairment and cease related depreciation and amortization.

On March 12, 2021, we signed a definitive agreement with Hellman & Friedman to sell our Cordis business for gross proceeds of $927 million in cash, subject to customary purchase price adjustments, and we will retain certain working capital accounts and certain liabilities, including product liability for lawsuits related to inferior vena cava filters in the U.S. and Canada as described in Note 6 of the "Notes to Condensed Consolidated Financial Statements." The transaction is expected to close in the first quarter of fiscal 2022, subject to customary closing conditions and regulatory clearances.

During the three months ended March 31, 2021, we met the criteria for the related assets and liabilities of the Cordis business to be classified as held for sale. In connection with the planned divestiture, we allocated $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 will be retained. We determined that the sale of the Cordis business does not meet the criteria to be classified as discontinued operations.

At March 31, 2021, the book value of the disposal group exceeded its fair value less costs to sell. Accordingly, we recognized a $58 million pre-tax write-down on the disposal group in impairments and (gain)/loss on disposal of assets in our condensed consolidated statement of earnings/(loss). This write-down includes a $2 million gain related to currency translation adjustments in accumulated other comprehensive income. We recorded a net tax expense of $7 million associated with the impact of the write-down and the required tax adjustments triggered by held for sale accounting.

The final measurement of the book value of the disposal group minus the fair value less costs to sell at closing may be impacted by a number of factors, including, but not limited to, the calculation of allocated goodwill, changes in foreign exchange rates, the final value of assets and liabilities of the disposal group transferred upon consummation of the transaction, and the evaluation of any income tax impacts. See Note 2 of the "Notes to Condensed Consolidated Financial Statements" for additional information regarding assets held for sale.

Goodwill

Purchased goodwill is tested for impairment annually or when indicators of impairment exist. Goodwill impairment testing involves a comparison of the estimated fair value of reporting units to the respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. Qualitative factors are first assessed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There is an option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. 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 qualitative evaluation considers the weight of evidence and significance of all identified events and circumstances and most relevant drivers of fair value, both positive and negative, in determining whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Medical Unit Goodwill

Due to the planned divestiture of our Cordis business, we allocated $388 million of goodwill from the Medical Unit 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 will be retained. During the three months ended March 31, 2021, we performed goodwill impairment testing for the portion of the Medical Unit that will be retained. The carrying value of the Medical Unit that will be retained at March 31, 2021 was $9.3 billion, of which $4.1 billion was goodwill. The fair value of the reporting unit was estimated to be approximately 5 percent in excess of its carrying value, using a combination of the income-based approach (using a discount rate of 8.5 percent and a terminal growth rate of 2.0 percent), and the market-based approach.

Adverse changes in key assumptions, including our current assumptions about the impact of the Cordis planned divestiture and the COVID-19 pandemic; an increase in the discount rate; a decrease in the terminal growth rate; or increases in tax rates, among other things, could result in a goodwill impairment for the Medical Unit that will be retained. For example, if we were to increase the discount rate by 0.5 percent, the carrying value would have exceeded the fair value for the Medical Unit that will be retained by approximately 1.0 percent at March 31, 2021. Additionally, the estimated tax rate used in goodwill impairment testing is a market-based assumption, which is impacted by the U.S. federal statutory tax rate. If the U.S. federal statutory tax rate were to increase to 28 percent and no other inputs were changed, the carrying value would have exceeded the fair value of the Medical Unit that will be retained at March 31, 2021.

Inventory

Inventories included in the consolidated balance sheets are net of reserves for lower of cost or net realizable value and excess and obsolete inventory which were $168 million and $155 million at March 31, 2021 and June 30, 2020, respectively.

A substantial portion of our inventories 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").

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. We reserve for the lower of cost or net realizable value using the estimated selling prices 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 COVID-19, our Medical segment continues to manufacture and source inventory at higher costs than in periods prior to COVID-19. Accordingly, we have raised our selling prices for these products. If demand or selling prices for these products declines in the future, resulting in excess inventory or inventory cost above net realizable value, additional inventory reserves may be required.

We reserve for inventory excess and 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. Within our Medical segment, we continue to procure greater quantities of PPE based upon customer demand. If actual conditions are less favorable than our assumptions, such as projected sales of PPE, additional inventory reserves may be required.

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.

In connection with the opioid litigation as described further in the Significant Developments in Fiscal 2021 and Trends section in this MD&A, we recorded pre-tax charges of $1.02 billion and $5.63 billion during the nine months ended March 31, 2021 and 2020, respectively. Definitive terms for a settlement pursuant to the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied. 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 6 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

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 resolution of 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 costs to resolve each claim based on specific information related to each claim, if available. Other exposure 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

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.

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 2011 through the current fiscal year. Tax laws are complex and subject to varying interpretations.

Tax Effects of Self-Insurance Pre-tax Loss

During the nine months ended March 31, 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 the nine months ended March 31, 2021 included a $419 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 have filed for a federal income tax refund of $974 million as a result of the net operating loss carryback under the CARES Act, which we expect to receive within 12 months, and accordingly have recorded a current asset on our condensed consolidated balance sheet at March 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the nine months ended March 31, 2021 related to this matter.

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

Tax Effects of Opioid Litigation Charges

In connection with the $1.02 billion and $5.63 billion pre-tax charges for the opioid litigation during the nine months ended March 31, 2021 and 2020, respectively, the net tax benefits are $37 million and $488 million for fiscal 2021 and 2020, 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 $35 million and $468 million, respectively. Due to our assessment of non-deductibility for certain components considered in the fiscal 2021 and 2020 charges, the tax benefit for fiscal 2021 compared to fiscal 2020 resulted in a relatively lower tax benefit. Our assumptions and estimates around this benefit and uncertain tax position require significant judgment and the actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our provision for/(benefit from) income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

In conjunction with the initial opioid litigation accrual during the nine months ended March 31, 2021, the tax effect of the charge was treated as a discrete item because it was considered unusual or infrequent. However, the tax effect of the charges during the three and nine months ended March 31, 2021 were included in our estimated annual effective tax rate because it was no longer considered unusual or infrequent. The inclusion of the relatively lower tax benefit of the current fiscal year charge in our estimated annual effective tax rate significantly increased the estimated annual effective tax rate for fiscal 2021. As such, the amount of tax expense increased by approximately $140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately $180 million during the nine months ended March 31, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. As stated above, the benefit as of the end of fiscal 2021 is expected to be $37 million. See Note 7 of the “Notes to the Condensed Consolidated Financial Statements” for additional information.

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 definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been

negotiated and the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits or that the tax law could change. The actual amount of the tax benefit related to uncertain tax positions may differ materially from these estimates. See Note 7 of the "Notes to the Condensed Consolidated Financial Statements" for additional information.

Explanation and Reconciliation of Non-GAAP Financial Measures

The "Overview of Consolidated Results" section within MD&A in this Form 10-Q contains financial measures that are not calculated in accordance with GAAP.

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

Exclusions from Non-GAAP Financial Measures

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

- LIFO charges and credits are excluded because the factors relating to last-in first-out ("LIFO") inventory charges or credits, such as pharmaceutical manufacturer price appreciation or deflation and year-end inventory levels (which can be meaningfully influenced by customer buying behavior immediately preceding our fiscal year-end), are largely out of our control and cannot be accurately predicted. The exclusion of LIFO charges and credits from non-GAAP metrics facilitates comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- Surgical gown recall costs includes inventory write-offs and certain remediation and supply disruption costs arising from the January 2020 recall of select Association for the Advancement of Medical Instrumentation ("AAMI") Level 3 surgical gowns and voluntary field actions (a recall of some packs and a corrective action allowing overlabeling of other packs) for Presource Procedure Packs containing affected gowns. We have excluded these costs from our non-GAAP metrics to allow investors to better understand the underlying operating results of the business and to facilitate comparison of our current financial results to our historical financial results and to our peer group companies' financial results.
- State opioid assessments related to prior fiscal years is the portion of state assessments for prescription opioid medications that were sold or distributed in periods prior to the 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, updates to prior estimates or reimbursement of assessments from 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 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 a portion 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.
- 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, (3) state opioid assessment related to prior fiscal years, (4) restructuring and employee severance, (5) amortization and other acquisition-related costs, (6) impairments and (gain)/loss on disposal of assets, and (7) litigation (recoveries)/charges, net.

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

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

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

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

GAAP to Non-GAAP Reconciliation

(in millions, except per common share amounts)	Operating Earnings/(Loss)	Operating Earnings Growth Rate	Earnings/(Loss) Before Income Taxes	Provision for/(Benefit from) Income Taxes	Net Earnings/(Loss)[1]	Net Earnings/(Loss)[1] Growth Rate	Diluted EPS[1,2]	Diluted EPS[1] Growth Rate
	Three Months Ended March 31, 2021							
GAAP	**$ 473**	**(16) %**	**$ 440**	**$ 320**	**$ 119**	**N.M.**	**$ 0.40**	**N.M.**
Surgical gown recall costs	(1)		(1)	—	(1)		—	
State opioid assessment related to prior fiscal years	(2)		(2)	(1)	(1)		—	
Restructuring and employee severance	24		24	6	18		0.06	
Amortization and other acquisition-related costs	111		111	28	83		0.28	
Impairments and (gain)/loss on disposal of assets, net	69		69	(4)	73		0.25	
Litigation (recoveries)/charges, net[3]	15		15	(144)	159		0.54	
Non-GAAP	**$ 689**	**(4) %**	**$ 657**	**$ 205**	**$ 451**	**(5) %**	**$ 1.53**	**(6) %**
	Three Months Ended March 31, 2020							
GAAP	$ 562	30 %	$ 478	$ 127	$ 350	18 %	$ 1.19	20 %
Surgical gown recall costs	(1)		(1)	—	(1)		—	
Restructuring and employee severance	(6)		(6)	(3)	(3)		(0.01)	
Amortization and other acquisition-related costs	130		130	31	99		0.34	
Impairments and (gain)/loss on disposal of assets, net	(1)		(1)	(1)	—		—	
Litigation (recoveries)/charges, net	35		35	8	27		0.09	
Loss on early extinguishment of debt	—		5	1	4		0.01	
Transitional tax benefit, net	—		—	1	(1)		—	
Non-GAAP	$ 719	8 %	$ 639	$ 164	$ 474	— %	$ 1.62	2 %
	Nine Months Ended March 31, 2021							
GAAP	**$ 310**	**N.M.**	**$ 204**	**$ (293)**	**$ 495**	**N.M.**	**$ 1.68**	**N.M.**
Surgical gown recall costs	(3)		(3)	(1)	(2)		—	
State opioid assessment related to prior fiscal years	39		39	9	30		0.10	
Restructuring and employee severance	81		81	20	61		0.21	
Amortization and other acquisition-related costs	345		345	86	259		0.88	
Impairments and (gain)/loss on disposal of assets, net	78		78	12	66		0.22	
Litigation (recoveries)/charges, net[3]	1,085		1,085	584	501		1.70	
Loss on early extinguishment of debt	—		1	—	1		—	
Non-GAAP	**$ 1,935**	**— %**	**$ 1,830**	**$ 417**	**$ 1,411**	**9 %**	**$ 4.79**	**9 %**
	Nine Months Ended March 31, 2020							
GAAP	$ (4,368)	N.M.	$ (4,587)	$ (237)	$ (4,352)	N.M.	$ (14.84)	N.M.
Surgical gown recall costs	95		95	25	70		0.24	
State opioid assessment related to prior fiscal years	4		4	1	3		0.01	
Restructuring and employee severance	80		80	18	62		0.21	
Amortization and other acquisition-related costs	395		395	98	297		1.01	
Impairments and (gain)/loss on disposal of assets, net	7		7	1	6		0.02	
Litigation (recoveries)/charges, net[3]	5,729		5,729	509	5,220		17.80	
Loss on early extinguishment of debt	—		9	2	7		0.02	
Transitional tax benefit, net	—		—	12	(12)		(0.04)	
Non-GAAP	$ 1,942	5 %	$ 1,732	$ 429	$ 1,300	4 %	$ 4.41	6 %

[1] Attributable to Cardinal Health, Inc.

[2] For the nine months ended March 31, 2020, GAAP diluted loss per share attributable to Cardinal Health, Inc. ("GAAP diluted EPS") and the EPS impact from the GAAP to non-GAAP per share reconciling items are calculated using a weighted average of 293 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. For the nine months ended March 31, 2020, non-GAAP diluted EPS is calculated using a weighted average of 295 million common shares, which includes potentially dilutive shares

[3] Litigation (recoveries)/charges, net includes pre-tax charges of $1.02 billion and $5.63 billion recorded in the first quarter of fiscal 2021 and 2020, respectively, related to the opioid litigation. For fiscal 2021, the amount of tax expense increased by approximately $140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately $180 million during the nine months ended March 31, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. The net tax benefits associated with the opioid litigation charges are $37 million and $488 million for fiscal 2021 and 2020, respectively.

Litigation(recoveries)/charges, net also includes a tax benefit recorded during the nine months ended March 31, 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 net benefit was $419 million; however, for purposes of reconciling Non-GAAP financial measures, we allocated $385 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 $34 million is included in non-GAAP measures.

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

There have been no material changes in the quantitative and qualitative market risk disclosures included in our 2020 Form 10-K since the end of fiscal 2020 through March 31, 2021.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We evaluated, with the participation of our principal executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of March 31, 2021. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of March 31, 2021, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Implementation of Business Improvement Initiatives

We have certain business improvement initiatives underway that we expect to affect internal control over financial reporting. As a part of an ongoing effort to optimize and simplify our operating model, we are in the process of transitioning portions of our finance operations to a global professional services firm. Additionally, the Pharmaceutical segment is in a multi-year project to implement a replacement of certain finance and operating information systems. If either of these initiatives are not effectively implemented, or fail to operate as intended, it could adversely affect our internal control over financial reporting.

Legal Proceedings

In addition to the proceeding described below, the legal proceedings described in Note 6 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Legal Proceedings" section by reference.

In June 2019, Melissa Cohen, a purported shareholder, filed an action on behalf of Cardinal Health, Inc. in the U.S. District Court for the Southern District of Ohio against certain current and former members of our Board of Directors alleging that the defendants breached their fiduciary duties by failing to effectively monitor Cardinal Health's distribution of controlled substances 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.

Risk Factors

You should carefully consider the information in this Form 10-Q, including the risk factor below, and the risk factors discussed in "Risk Factors" and other risks discussed in our 2020 Form 10-K and our filings with the SEC since June 30, 2020. These risks could materially and adversely affect our results of operations, financial condition, liquidity, and cash flows. Our business also could be affected by risks that we are not presently aware of or that we currently consider immaterial to our operations.

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 recently completed base erosion and profit shifting project undertaken by the Organization for Economic Cooperation and Development and the European Commission's investigation into illegal state aid.

Additionally, in connection with the $5.63 billion pre-tax charge for the opioid litigation taken in the fiscal year ended June 30, 2020, and the additional $1.02 billion pre-tax charge recorded in the nine months ended March 31, 2021, we recorded net tax benefits of $488 million and $37 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 since the definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated. 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 Condensed Consolidated Financial Statements" for more information regarding these matters.

In the nine months ended March 31, 2021, our provision for income taxes reflects a $419 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 have filed for a federal income tax refund of $974 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 have responded to the letter. Additionally, legislation has been proposed that would retroactively repeal the net operating loss carryback provision of the CARES Act.

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 2011 through the current fiscal year. Tax laws are complex and subject to varying interpretations. Tax authorities have challenged some of our tax positions for the periods from 2011 to 2014. During the three and nine months ended March 31, 2021, we have resolved all open matters with the IRS for fiscal years 2008 to 2010 as well as certain transfer pricing matters for fiscal years 2011 to 2014, which also impacted reserves for later years. This resolution has resulted in an adjustment to our provision for income taxes. New challenges related to future audits may adversely affect our effective tax rate or tax payments.

Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (2,3)	Approximate Dollar Value of Shares That May Yet be Purchased Under the Program (3) (in millions)
January 2021	246	$ 55.59	—	$ 943
February 2021	3,021,903	52.95	3,021,719	783
March 2021	654,899	61.10	654,681	743
Total	**3,677,048**	**$ 54.40**	**3,676,400**	**$ 743**

(1) Reflects common shares purchased through a rabbi trust as investments of participants in our Deferred Compensation Plan.

(2) In the third quarter of fiscal 2021, we purchased $200 million of our common shares under an accelerated share repurchase ("ASR") program, which began on February 9, 2021 and was completed on March 31, 2021. We repurchased 3.7 million shares under the ASR at an average price paid per share of $54.40. See Note 10 of the "Notes to Condensed Consolidated Financial Statements" for additional information.

(3) On November 7, 2018, our Board of Directors approved a $1.0 billion share repurchase program that expires on December 31, 2021 and as of March 31, 2021, we have $743 million authorized for share repurchases remaining under this program.

Condensed Consolidated Statements of Earnings/(Loss)

(Unaudited)

(in millions, except per common share amounts)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Revenue	**$ 39,275**	$ 39,157	**$ 119,881**	$ 116,233
Cost of products sold	**37,463**	37,272	**114,578**	110,955
Gross margin	**1,812**	1,885	**5,303**	5,278
Operating expenses:				
Distribution, selling, general and administrative expenses	**1,120**	1,165	**3,404**	3,435
Restructuring and employee severance	**24**	(6)	**81**	80
Amortization and other acquisition-related costs	**111**	130	**345**	395
Impairments and (gain)/loss on disposal of assets, net	**69**	(1)	**78**	7
Litigation (recoveries)/charges, net	**15**	35	**1,085**	5,729
Operating earnings/(loss)	**473**	562	**310**	(4,368)
Other (income)/expense, net	**(12)**	19	**(31)**	21
Interest expense, net	**45**	60	**136**	189
Loss on early extinguishment of debt	**—**	5	**1**	9
Earnings/(loss) before income taxes	**440**	478	**204**	(4,587)
Provision for/(benefit from) income taxes	**320**	127	**(293)**	(237)
Net earnings/(loss)	**120**	351	**497**	(4,350)
Less: Net earnings attributable to noncontrolling interests	**(1)**	(1)	**(2)**	(2)
Net earnings/(loss) attributable to Cardinal Health, Inc.	**$ 119**	$ 350	**$ 495**	$ (4,352)
Earnings/(loss) per common share attributable to Cardinal Health, Inc.:				
Basic	**$ 0.41**	$ 1.20	**$ 1.69**	$ (14.84)
Diluted	**0.40**	1.19	**1.68**	(14.84)
Weighted-average number of common shares outstanding:				
Basic	**292**	292	**293**	293
Diluted	**294**	294	**294**	293
Cash dividends declared per common share	**$ 0.4859**	$ 0.4811	**$ 1.4577**	$ 1.4433

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income/(Loss)

(Unaudited)

(in millions)	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021	2020	**2021**	2020
Net earnings/(loss)	**$ 120**	$ 351	**$ 497**	$ (4,350)
Other comprehensive income/(loss):				
Foreign currency translation adjustments and other	**9**	(17)	**42**	(35)
Net unrealized gain/(loss) on derivative instruments, net of tax	**(4)**	(21)	**14**	(27)
Total other comprehensive income/(loss), net of tax	**5**	(38)	**56**	(62)
Total comprehensive income/(loss)	**125**	313	**553**	(4,412)
Less: comprehensive income attributable to noncontrolling interests	**(1)**	(1)	**(2)**	(2)
Total comprehensive income/(loss) attributable to Cardinal Health, Inc.	**$ 124**	$ 312	**$ 551**	$ (4,414)

See notes to condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(in millions)	March 31, 2021 (Unaudited)	June 30, 2020
Assets		
Current assets:		
Cash and equivalents	**$ 3,499**	$ 2,771
Trade receivables, net	**8,727**	8,264
Inventories, net	**14,329**	13,198
Prepaid expenses and other	**2,715**	1,707
Assets held for sale	**1,092**	—
Total current assets	**30,362**	25,940
Property and equipment, net	**2,315**	2,366
Goodwill and other intangibles, net	**10,179**	11,275
Other assets	**1,018**	1,185
Total assets	**$ 43,874**	$ 40,766
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 22,641**	$ 21,374
Current portion of long-term obligations and other short-term borrowings	**16**	10
Other accrued liabilities	**2,573**	2,231
Liabilities related to assets held for sale	**93**	—
Total current liabilities	**25,323**	23,615
Long-term obligations, less current portion	**6,715**	6,765
Deferred income taxes and other liabilities	**10,042**	8,594
Shareholders' equity:		
Preferred shares, without par value:		
Authorized—500 thousand shares, Issued—none	**—**	—
Common shares, without par value:		
Authorized—755 million shares, Issued—**327 million** shares at **March 31, 2021** and June 30, 2020, respectively	**2,807**	2,789
Retained earnings	**1,233**	1,170
Common shares in treasury, at cost: **36 million** shares and 34 million shares at **March 31, 2021** and June 30, 2020, respectively	**(2,202)**	(2,066)
Accumulated other comprehensive loss	**(48)**	(104)
Total Cardinal Health, Inc. shareholders' equity	**1,790**	1,789
Noncontrolling interests	**4**	3
Total shareholders' equity	**1,794**	1,792
Total liabilities and shareholders' equity	**$ 43,874**	$ 40,766

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Shareholders' Equity

(Unaudited)

(in millions)	Common Shares Issued	Common Shares Amount	Retained Earnings	Treasury Shares	Treasury Shares Amount	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
				Three Months Ended March 31, 2021				
Balance at December 31, 2020	327	$ 2,778	$ 1,255	(33)	$ (2,009)	$ (53)	$ 4	**$ 1,975**
Net earnings			119				1	**120**
Other comprehensive income, net of tax						5		**5**
Employee stock plans activity, net of shares withheld for employee taxes	—	29		—	7			**36**
Share repurchase program activity		—		(4)	(200)			**(200)**
Dividends declared			(143)					**(143)**
Other			2	1			(1)	**1**
Balance at March 31, 2021	**327**	**$ 2,807**	**$ 1,233**	**(36)**	**$ (2,202)**	**$ (48)**	**$ 4**	**$ 1,794**
				Three Months Ended March 31, 2020				
Balance at December 31, 2019	327	$ 2,752	$ 449	(35)	$ (2,099)	$ (103)	$ 3	$ 1,002
Net earnings			350				1	351
Other comprehensive loss, net of tax						(38)		(38)
Employee stock plans activity, net of shares withheld for employee taxes	—	22		—	13			35
Dividends declared			(142)					(142)
Other			(1)				(1)	(2)
Balance at March 31, 2020	327	$ 2,774	$ 656	(35)	$ (2,086)	$ (141)	$ 3	$ 1,206
				Nine Months Ended March 31, 2021				
Balance at June 30, 2020	327	$ 2,789	$ 1,170	(35)	$ (2,066)	$ (104)	$ 3	**$ 1,792**
Net earnings			495				2	**497**
Other comprehensive income, net of tax						56		**56**
Employee stock plans activity, net of shares withheld for employee taxes	—	18		2	64			**82**
Share repurchase program activity		—		(4)	(200)			**(200)**
Dividends declared			(432)					**(432)**
Other				1			(1)	**(1)**
Balance at March 31, 2021	**327**	**$ 2,807**	**$ 1,233**	**(36)**	**$ (2,202)**	**$ (48)**	**$ 4**	**$ 1,794**
				Nine Months Ended March 31, 2020				
Balance at June 30, 2019	327	$ 2,763	$ 5,434	(28)	$ (1,790)	$ (79)	$ 2	$ 6,330
Net earnings/(loss)			(4,352)				2	(4,350)
Other comprehensive loss, net of tax						(62)		(62)
Employee stock plans activity, net of shares withheld for employee taxes	—	11		—	54			65
Share repurchase program activity		—		(7)	(350)			(350)
Dividends declared			(426)					(426)
Other			—				(1)	(1)
Balance at March 31, 2020	327	$ 2,774	$ 656	(35)	$ (2,086)	$ (141)	$ 3	$ 1,206

See notes to condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)	Nine Months Ended March 31, 2021	2020
Cash flows from operating activities:		
Net earnings/(loss)	**$ 497**	$ (4,350)
Adjustments to reconcile net earnings/(loss) to net cash provided by operating activities:		
Depreciation and amortization	**603**	688
Impairments and (gain)/loss on disposal of assets, net	**78**	7
Loss on early extinguishment of debt	**1**	9
Share-based compensation	**84**	68
Provision for bad debts	**49**	86
Change in operating assets and liabilities, net of effects from acquisitions and divestitures:		
Increase in trade receivables	**(511)**	(653)
Increase in inventories	**(1,323)**	(8)
Increase in accounts payable	**1,267**	448
Other accrued liabilities and operating items, net	**1,019**	5,425
Net cash provided by operating activities	**1,764**	1,720
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	**(3)**	—
Additions to property and equipment	**(274)**	(239)
Purchase of investments	**(18)**	(18)
Proceeds from investments	**5**	6
Proceeds from disposal of property and equipment	**—**	2
Net cash used in investing activities	**(290)**	(249)
Cash flows from financing activities:		
Net change in short-term borrowings	**—**	(2)
Proceeds from interest rate swap terminations	**18**	—
Reduction of long-term obligations	**(53)**	(888)
Net tax withholdings from share-based compensation	**(1)**	(4)
Dividends on common shares	**(432)**	(428)
Purchase of treasury shares	**(200)**	(350)
Net cash used in financing activities	**(668)**	(1,672)
Effect of exchange rates changes on cash and equivalents	**8**	(1)
Cash and equivalents reclassified to assets held for sale	**(86)**	—
Net increase/(decrease) in cash and equivalents	**728**	(202)
Cash and equivalents at beginning of period	**2,771**	2,531
Cash and equivalents at end of period	**$ 3,499**	$ 2,329

See notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements include the accounts of all majority-owned or controlled subsidiaries, and all significant intercompany transactions and amounts have been eliminated. 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.

References to "we," "our," and similar pronouns is in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 (this "Form 10-Q") refer to Cardinal Health, Inc. and its majority-owned or controlled subsidiaries unless the context requires otherwise.

Our fiscal year ends on June 30. References to fiscal 2021 and 2020 in these condensed consolidated financial statements are to the fiscal years ending or ended June 30, 2021 and June 30, 2020, respectively.

Our condensed consolidated financial statements have been prepared in accordance with the U.S. Securities and Exchange Commission ("SEC") instructions to Quarterly Reports on Form 10-Q and include the information and disclosures required by accounting principles generally accepted in the United States ("GAAP") for interim financial reporting. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts.

The COVID-19 pandemic ("COVID-19") continues to affect the U.S. and global economies, and as previously disclosed in our Fiscal 2020 Form 10-K, the pandemic began to materially affect our businesses during the three months ended March 31, 2020. The length and severity of the pandemic and of the related economic impacts to our businesses and operations are uncertain, including its ongoing impacts to our businesses and results of operations.

In our opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Except as disclosed elsewhere in this Form 10-Q, all such adjustments are of a normal and recurring nature. In addition, financial results presented for this fiscal 2021 interim period are not necessarily indicative of the results that may be expected for the full fiscal year ending June 30, 2021. These condensed consolidated financial statements are unaudited and, accordingly, should be read in conjunction with the audited consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the "2020 Form 10-K").

Recently Adopted Financial Accounting Standards

Financial Instruments - Credit Losses

In June 2016, the FASB issued amended accounting guidance that will require entities to measure credit losses on trade and other receivables, held-to-maturity debt securities, loans and other instruments using an "expected credit loss" model that considers historical experience, current conditions and reasonable supportable forecasts. This guidance also requires that credit losses on available-for-sale debt securities with unrealized losses be recognized as allowances rather than as deductions in the amortized cost of the securities. We consider historical experience, 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. This guidance was effective beginning the first quarter of fiscal 2021 and did not have a material impact on our condensed consolidated financial statements.

2. 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 assess the assets for impairment and cease related depreciation and amortization.

On March 12, 2021, we signed a definitive agreement with Hellman & Friedman to sell our Cordis business for gross proceeds of $927 million in cash, subject to customary purchase price adjustments, and we will retain certain working capital accounts and certain liabilities. The transaction is expected to close in the first quarter of fiscal 2022, subject to customary closing conditions and regulatory clearances. Cardinal Health will retain liability associated with lawsuits related to inferior vena cava ("IVC") filters in the U.S. and Canada, as well as authority for these matters discussed in Note 6.

During the three months ended March 31, 2021, we met the criteria for the related assets and liabilities of the Cordis business to be classified as held for sale. In connection with the planned divestiture, we allocated $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 will be retained. We determined that the sale of the Cordis business does not meet the criteria to be classified as discontinued operations.

At March 31, 2021, the book value of the disposal group exceeded its fair value less costs to sell. Accordingly, we recognized a $58

million pre-tax write-down on the disposal group in impairments and (gain)/loss on disposal of assets in our condensed consolidated statement of earnings/(loss). This write-down includes a $2 million gain related to currency translation adjustments in accumulated other comprehensive income. We recorded a net tax expense of $7 million associated with the impact of the write-down and the required tax adjustments triggered by held for sale accounting.

The following table presents information related to the assets and liabilities that were classified as held for sale at March 31, 2021 related to the Cordis planned divestiture in the condensed consolidated balance sheets:

(in millions)	March 31, 2021
Cash and equivalents	$ 86
Inventories, net	175
Property and equipment, net	88
Goodwill and other intangibles, net	779
Other assets	12
Write-down of assets held for sale	(58)
Total assets held for sale	**$ 1,082**
Other accrued liabilities	$ 59
Deferred income taxes and other liabilities	34
Total liabilities related to assets held for sale	**$ 93**

3. Restructuring and Employee Severance

The following table summarizes restructuring and employee severance:

	Three Months Ended March 31,	
(in millions)	2021	2020
Employee-related	$ 13	$ (15)
Facility exit and other	11	9
Total restructuring and employee severance	**$ 24**	$ (6)

	Nine Months Ended March 31,	
(in millions)	2021	2020
Employee-related	$ 45	$ 47
Facility exit and other	36	33
Total restructuring and employee severance	**$ 81**	$ 80

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 vendor transition fees, professional, project management and other service fees to support divestitures, accelerated depreciation, lease costs associated with vacant facilities, equipment relocation costs, project consulting fees, costs associated with restructuring our delivery of information technology infrastructure services and certain other divestiture-related costs.

Restructuring costs during both the three and nine months ended March 31, 2021 and 2020 were primarily related to the implementation of certain enterprise-wide cost-savings measures. The income during the three months ended March 31, 2020 was due to changes in estimates for severance previously accrued.

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	37	22	**59**
Payments and other adjustments	(49)	(25)	**(74)**
Balance at March 31, 2021	**$ 56**	**$ 25**	**$ 81**

4. Goodwill and Other Intangible Assets

Goodwill

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

(in millions)	Pharmaceutical	Medical	Total
Balance at June 30, 2020	$ 2,657	$ 5,700	**$ 8,357**
Goodwill acquired, net of purchase price adjustments	2	—	**2**
Foreign currency translation adjustments and other	—	15	**15**
Reclassified to assets held for sale	—	(388)	**(388)**
Balance at March 31, 2021	**$ 2,659**	**$ 5,327**	**$ 7,986**

In connection with the planned divestiture of our Cordis business, during the three months ended March 31, 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 will be retained, discussed further in Note 2.

Other Intangible Assets

The following tables summarize other intangible assets by class at:

	March 31, 2021			
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible	Weighted-Average Remaining Amortization Period (Years)
Indefinite-life intangibles:				
IPR&D, trademarks and other	**$ 12**	**$ —**	**$ 12**	**N/A**
Total indefinite-life intangibles	**12**	**—**	**12**	**N/A**
Definite-life intangibles:				
Customer relationships	**3,331**	**1,925**	**1,406**	**11**
Trademarks, trade names and patents	**551**	**319**	**232**	**9**
Developed technology and other	**1,031**	**488**	**543**	**10**
Total definite-life intangibles	**4,913**	**2,732**	**2,181**	**11**
Total other intangible assets	**$ 4,925**	**$ 2,732**	**$ 2,193**	**N/A**

	June 30, 2020		
(in millions)	Gross Intangible	Accumulated Amortization	Net Intangible
Indefinite-life intangibles:			
IPR&D, trademarks and other	$ 23	$ —	$ 23
Total indefinite-life intangibles	23	—	23
Definite-life intangibles:			
Customer relationships	3,554	1,828	1,726
Trademarks, trade names and patents	673	341	332
Developed technology and other	1,604	767	837
Total definite-life intangibles	5,831	2,936	2,895
Total other intangible assets	$ 5,854	$ 2,936	$ 2,918

Total amortization of intangible assets was $109 million and $129 million for the three months ended March 31, 2021 and 2020, respectively, and $337 million and $385 million for the nine months ended March 31, 2021 and 2020, respectively. Estimated annual amortization of intangible assets for the remainder of fiscal 2021 through 2025 is as follows: $91 million, $314 million, $287 million, $263 million and $238 million.

During the three months ended March 31, 2021, other intangible assets of $391 million was reclassified to assets held for sale in connection with the planned divestiture of our Cordis business, discussed further in Note 2.

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

Long-Term Debt and Other Short-Term Borrowings

At March 31, 2021 and June 30, 2020, we had total long-term obligations, including the current portion and other short-term borrowings, of $6.7 billion and $6.8 billion, respectively. All the notes represent unsecured obligations of Cardinal Health, Inc. and rank equally in right of payment with all of our existing and future unsecured and unsubordinated indebtedness. Interest is paid pursuant to the terms of the obligations. These obligations are effectively subordinated to the liabilities of our subsidiaries, including trade payables of $22.6 billion and $21.4 billion at March 31, 2021 and June 30, 2020, respectively.

During the nine months ended March 31, 2021, we early repurchased $40 million of the Floating Rate Notes due 2022 and $2 million of the 2.616% Notes due 2022. The repurchases were paid for with available cash. In connection with the early debt repurchases, we recorded a $1 million loss on early extinguishment of debt during the nine months ended March 31, 2021.

In November 2019, we repaid the full principal of the 2.4% Notes due 2019 at maturity for $450 million. During the nine months ended March 31, 2020, we 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. The repurchases were paid for with available cash and other short-term borrowings. In connection with the early debt repurchases, we recorded a $9 million loss on early extinguishment of debt during the nine months ended March 31, 2020.

Other Financing Arrangements

In addition to cash and equivalents and operating cash flow, other sources of liquidity include a $2.0 billion commercial paper program backed by a $2.0 billion revolving credit facility. We also have a $1.0 billion committed receivables sales facility. At March 31, 2021, we had no amounts outstanding under our commercial paper program, revolving credit facility, or our 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.

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 beginning March 2021. As of March 31, 2021, we were in compliance with this financial covenant.

6. Commitments, Contingent Liabilities and Litigation

Commitments

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

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

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. In February 2021, the Second Circuit stayed the effect of the ruling pending a petition to the U.S. Supreme Court to review the Second Circuit's opinion. If the U.S. Supreme Court declines to take the case, or if it ultimately upholds the Second Circuit's ruling, New York State would likely seek to collect amounts allegedly owed under the OSA.

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 year 2017 and 2018 in the nine months ended March 31, 2021 based on the estimated payment amount, which is our best estimate of the OSA payments probable at March 31, 2021.

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, 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 condensed consolidated statements of earnings/(loss).

Opioid Lawsuits and Investigations

Pharmaceutical wholesale distributors, including us, have been named as defendants in approximately 3,300 lawsuits relating to the distribution of prescription opioid pain medications. The lawsuits seek equitable relief and monetary damages based on a variety of legal theories including various common law claims, such as public nuisance, negligence and unjust enrichment as well as violations of controlled substance laws, the Racketeer Influenced and Corrupt Organizations Act and various other statutes. These lawsuits also name pharmaceutical manufacturers, retail pharmacy chains and other entities as defendants.

States & Political Subdivisions

Approximately 2,800 of these lawsuits have been filed by counties, municipalities, cities and political subdivisions in various federal, state, and other courts. The vast majority of these lawsuits were filed in U.S. federal court and have been transferred for consolidated pre-trial proceedings in a Multi-District Litigation proceeding in the U.S. District Court for the Northern District of Ohio (the “MDL”).

In addition, 25 state attorneys general have filed lawsuits against distributors, including us, in various state courts. We have also received requests, civil investigative demands, subpoenas or requests for information from additional state attorneys general offices and governmental authorities.

In October 2019, we agreed in principle to a global settlement framework with a leadership group of state attorneys general; the framework is designed to resolve pending and future opioid lawsuits and claims by states and political subdivisions, but not private plaintiffs (the "Settlement Framework"). This Settlement Framework is the basis for the continued negotiation of definitive terms and documentation.

As a result of these discussions, we have recorded total pre-tax charges of $1.02 billion and $5.63 billion in litigation charges/(recoveries), net in the nine months ended March 31, 2021 and 2020, respectively. In total, we have $6.59 billion accrued at March 31, 2021, included in deferred income taxes and other liabilities in the condensed consolidated balance sheets, which represents the cash component. We are unable to estimate the range of possible loss associated with these matters. Definitive terms for a settlement pursuant to the Settlement Framework continue to be negotiated, and there is no assurance that the necessary parties will agree to a definitive settlement agreement or that the contingencies to any agreement will be satisfied.

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 reaching an agreement in principle on a global settlement framework is not an admission of liability or wrongdoing.

Although COVID-19 continues to cause some uncertainty with respect to trial dates, trials are resuming in certain jurisdictions. A trial in West Virginia in the Cabell County and City of Huntington cases began on May 3, 2021. A liability-only trial in the cases brought by the New York Attorney General and Nassau and Suffolk Counties is currently scheduled for June 2021 and trials in the cases brought by the Ohio and Washington Attorneys General are scheduled to begin in September 2021.

Private Plaintiffs

The Settlement Framework 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. Private parties had brought approximately 430 lawsuits as of May 3, 2021. Of these, 127 are purported class actions. The causes of action asserted by these plaintiffs are similar to those asserted by public plaintiffs. A trial in one case is currently scheduled to begin in October 2021; however trial dates remain uncertain due in part to circumstances arising from the COVID-19 pandemic. We are vigorously defending ourselves in these matters.

Insurance Litigation

We are involved in 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 March 31, 2021.

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

Cordis Product Liability Lawsuits

As of May 3, 2021, we are named as a defendant in 396 product liability lawsuits coordinated in Alameda County Superior Court in California involving claims by approximately 5,046 plaintiffs that allege personal injuries associated with the use of Cordis OptEase and TrapEase inferior vena cava ("IVC") filter products. Another 31 lawsuits involving similar claims by approximately 36 plaintiffs are pending in other jurisdictions. These lawsuits seek a variety of remedies, including unspecified monetary damages. We continue to vigorously defend ourselves in these lawsuits and are engaged in resolution discussions with certain plaintiffs.

At March 31, 2021, we had a total of $514 million net of estimated insurance recoveries, accrued for losses and legal defense costs related to the Cordis IVC filter lawsuits which are presented on a gross basis in the condensed 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 $1.01 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 will retain.

SEC Investigation

In February 2021, we received a subpoena from the U.S. Securities and Exchange Commission requesting the production of documents from 2015 through 2019 relating to inventory in the Cordis business, analysis of goodwill of the Medical segment and other matters. We are cooperating with this inquiry and cannot predict its outcome or duration.

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 November 2020, we filed a motion to dismiss the amended complaint. We believe that the claims asserted in this complaint are without merit and intend to vigorously defend against them.

Specialty Solutions DOJ Investigation

In November 2018, the United States Attorney's Office for the District of Massachusetts (the "USAO") commenced an investigation pertaining to the U.S. federal healthcare fraud and abuse laws. These requests sought, among other things, documents and information relating to discounts and rebates offered or provided to certain Specialty Solutions customers. We are cooperating with these requests and are engaged in resolution discussions with the USAO. In connection with these discussions, we recorded $13 million of expense within litigation charges/(recoveries) on our condensed consolidated statement of operations during the three months ended March 31, 2021. We are not able to estimate a range of reasonably possible additional losses or other remedial measures for this matter.

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. We have filed a motion to dismiss the complaints and 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

In April 2021, we received cash proceeds resulting from settlements of lawsuits in which we were a class member of approximately $100 million, which will be recognized in litigation (recoveries)/charges, net, in the fourth quarter of fiscal year 2021.

7. Income Taxes

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

Tax Effects of Self-Insurance Pre-tax Loss

During the nine months ended March 31, 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 adjusted 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 the nine months ended March 31, 2021 included a $419 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 have filed for a federal income tax refund of $974 million as a result of the net operating loss carryback under the CARES Act, which we expect to receive within 12 months, and accordingly have recorded a current asset on our condensed consolidated balance sheet at March 31, 2021. We also increased our non-current deferred tax liability by approximately $700 million during the nine months ended March 31, 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 or that the tax law could change. The actual amount of the tax benefit may differ materially from these estimates.

Tax Effects of Opioid Litigation Charges

In connection with the $1.02 billion and $5.63 billion pre-tax charges for the opioid litigation, during the nine months ended March 31, 2021 and 2020, respectively, the net tax benefits are $37 million and $488 million for fiscal 2021 and 2020, 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 $35 million and $468 million, respectively. Due to our assessment of non-deductibility for certain components considered in the fiscal 2021 and 2020 charges, the tax benefit for fiscal 2021 compared to fiscal 2020 resulted in a relatively lower tax benefit. Our assumptions and estimates around this benefit and uncertain tax

position require significant judgment and the actual amount of tax benefit related to uncertain tax positions may differ materially from these estimates.

Unless an item is considered discrete because it is unusual or infrequent, the tax impact of the item is included in our estimated annual effective tax rate. When items are recognized through our estimated annual effective tax rate, we apply our estimated annual effective tax rate to the earnings/(loss) before income taxes for the year-to-date period to compute our provision for/(benefit from) income taxes for the current quarter and year-to-date period. The tax impacts of discrete items are recognized in their entirety in the period in which they occur.

In conjunction with the initial opioid litigation accrual during the nine months ended March 31, 2020, the tax effect of the charge was treated as a discrete item because it was considered unusual or infrequent. However, the tax effect of the charge during the three months ended September 30, 2020 was included in our estimated annual effective tax rate because it was no longer considered unusual or infrequent. The inclusion of the relatively lower tax benefit of the current fiscal year charge in our estimated annual effective tax rate significantly increased the estimated annual effective tax rate for fiscal 2021. As such, the amount of tax expense increased by approximately $140 million during the three months ended March 31, 2021 while the amount of tax benefit increased by approximately $180 million during the nine months ended March 31, 2021 compared to the tax impacts that would have been recognized without the opioid litigation charge. As stated above, the benefit as of the end of fiscal 2021 is expected to be $37 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 definitive settlement terms and documentation, including provisions related to deductibility, under the Settlement Framework have not been negotiated and the U.S. tax law governing deductibility was changed by the Tax Act. Further, it is possible that the tax authorities could challenge our interpretation of the Tax Act or the estimates and assumptions used to assess the future deductibility of these benefits or that the tax law could change. The actual amount of the tax benefit related to uncertain tax positions may differ materially from these estimates.

Effective Tax Rate

During the three months ended March 31, 2021 and 2020, the effective tax rate was 72.8 percent and 26.8 percent, respectively. The change in the effective tax rate compared to the prior period was primarily due to the adverse tax impacts of the opioid litigation accrual, the resolution of certain transfer pricing matters with the IRS and withholding taxes for planned distributions from foreign subsidiaries.

During the nine months ended March 31, 2021 and 2020, the effective tax rate was (143.3) percent and 5.2 percent, respectively. Included in the effective tax rate for the nine months ended March 31, 2021 was the $419 million benefit from a net operating loss carryback primarily related to a self-insurance pre-tax loss. Included in both the nine months ended March 31, 2021 and 2020 were net tax benefits related to the treatment of the tax impacts of opioid litigation charges.

Unrecognized Tax Benefits

At March 31, 2021 and June 30, 2020, we had $785 million and $998 million of unrecognized tax benefits, respectively. The March 31, 2021 and June 30, 2020 balances include $703 million and $753 million of unrecognized tax benefits, respectively, that if recognized, would have an impact on the effective tax rate.

At March 31, 2021 and June 30, 2020, we had $73 million and $146 million, respectively, accrued for the payment of interest and penalties related to unrecognized tax benefits, which we recognize in the provision for/(benefit from) income taxes in the condensed consolidated statements of earnings/(loss). These balances are gross amounts before any tax benefits and are included in deferred income taxes and other liabilities in the condensed consolidated balance sheets.

It is reasonably possible that there could be a change in the amount of unrecognized tax benefits within the next 12 months due to activities of the U.S. Internal Revenue Service ("IRS") or other taxing authorities, possible settlement of IRS and other audit issues, reassessment of existing unrecognized tax benefits or the expiration of statutes of limitations. We estimate that the range of the possible change in unrecognized tax benefits within the next 12 months is between zero and a net decrease of up to $90 million, exclusive of penalties and interest.

Other Tax Matters

We file income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and various foreign jurisdictions. With few exceptions, we are subject to audit by taxing authorities for fiscal years 2011 through the current fiscal year. Tax laws are complex and subject to varying interpretations.

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 $119 million and $176 million at March 31, 2021 and June 30, 2020, respectively, and is included in prepaid expenses and other assets and other assets in the condensed consolidated balance sheets. The indemnification receivable was reduced based on the ongoing negotiations with the IRS.

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 $19 million at both March 31, 2021 and June 30, 2020,

respectively, and is included in other assets in the condensed consolidated balance sheet.

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

8. Fair Value Measurements

Assets and (Liabilities) Measured on a Recurring Basis

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

	March 31, 2021			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	**$ 1,944**	**$ —**	**$ —**	**$ 1,944**
Other investments (1)	**118**	**—**	**—**	**118**
Forward contracts (2)	**—**	**41**	**—**	**41**

	June 30, 2020			
(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 721	$ —	$ —	$ 721
Other investments (1)	114	—	—	114
Forward contracts (2)	—	53	—	53

(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, commodity contracts, and net investment hedges is determined based on the present value of expected future cash flows considering the risks involved, including non-performance risk, and using discount rates appropriate for the respective maturities. Observable Level 2 inputs are used to determine the present value of expected future cash flows. The fair value of these derivative contracts, which are subject to master netting arrangements under certain circumstances, is presented on a gross basis in prepaid expenses and other, other assets, other accrued liabilities, and deferred income taxes and other liabilities within the condensed consolidated balance sheets.

Assets and (Liabilities) Measured on a Nonrecurring Basis

Assets and liabilities held for sale of $1.1 billion and $93 million, respectively, at March 31, 2021 are primarily related to the planned divestiture of our 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 assets and liabilities held for sale.

9. Financial Instruments

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

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 condensed consolidated statements of

earnings/(loss). For the three and nine months ended March 31, 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 the three and nine months ended March 31, 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 statements of earnings/(loss) over the remaining term of the debt agreement, which matures in March 2023.

During the three and nine months ended March 31, 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 condensed consolidated balance sheets.

In connection with the debt repayment as described in Note 5, two pay-floating interest rate swaps with notional amounts of $200 million matured in the second quarter of fiscal 2020.

Cash Flow Hedges

We enter into derivative instruments to hedge our exposure to changes in cash flows attributable to interest rate, foreign currency and commodity price fluctuations associated with certain forecasted transactions. These derivative instruments are designated and qualify as cash flow hedges. Accordingly, the gain or loss on the derivative instrument is reported as a component of 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 the nine months ended March 31, 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 the three and nine months ended March 31, 2021, we terminated these swaps and reclassified an immaterial deferred gain from accumulated other comprehensive loss into interest expense, net in our condensed consolidated statements of earnings/(loss) because the forecasted transactions were probable of not occurring. At March 31, 2021, we had no outstanding forward interest rate swaps designated as cash-flow hedges.

Pre-tax gain and loss recognized in other comprehensive loss was a $13 million gain and a $20 million loss during the three months ended March 31, 2021 and 2020, respectively, and a $20 million gain and a $20 million loss in the nine months ended March 31, 2021 and 2020, respectively. Gains and losses recognized in accumulated other comprehensive loss and reclassified into earnings were immaterial for the three and nine months ended March 31, 2021 and 2020. All gains and losses currently included within accumulated other comprehensive loss associated with our cash flow hedges to be reclassified into net earnings within the next 12 months are immaterial.

Net Investment Hedges

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

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

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 $49 million gain and a $18 million gain during the three months ended March 31, 2021 and 2020, respectively, and a $3 million loss and a $35 million gain during the nine months ended March 31, 2021 and 2020, respectively. Gains recognized in interest expense, net in the condensed consolidated statements of earnings/(loss) for the portion of the net investment hedges excluded from the assessment of hedge effectiveness were $5 million during the three months ended March 31, 2021 and 2020, and $14 million and $11 million during the nine months ended March 31, 2021 and 2020, 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. We recorded a $4 million loss and $7 million loss during the nine months ended March 31, 2021 and 2020, respectively. The principal currencies managed through foreign currency contracts are Chinese renminbi, Canadian dollar, European euro and Japanese yen.

Fair Value of Financial Instruments

The carrying amounts of cash and equivalents, trade receivables, accounts payable and other accrued liabilities at March 31, 2021 and June 30, 2020 approximate fair value due to their short-term maturities.

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

(in millions)	March 31, 2021	June 30, 2020
Estimated fair value	**$ 7,177**	$ 7,273
Carrying amount	**6,731**	6,775

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

10. Shareholders' Equity

During the three and nine months ended March 31, 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 accelerated share repurchase ("ASR") program, which began on February 9, 2021 and was completed on March 31, 2021.

During the nine months ended March 31, 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.

We funded the repurchases with available cash and short-term borrowings. The common shares repurchased are held in treasury to be used for general corporate purposes.

Accumulated Other Comprehensive Loss

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

(in millions)	Foreign Currency Translation Adjustments	Unrealized Gain/(Loss) on Derivatives, net of tax	Accumulated Other Comprehensive Loss
Balance at June 30, 2020	$ (92)	$ (12)	**$ (104)**
Other comprehensive income, before reclassifications	42	11	**53**
Amounts reclassified to earnings	—	3	**3**
Total other comprehensive income attributable to Cardinal Health, Inc. net of tax	42	14	**56**
Balance at March 31, 2021	**$ (50)**	**$ 2**	**$ (48)**

11. Earnings/(Loss) Per Share Attributable to Cardinal Health, Inc.

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

	Three Months Ended March 31,	
(in millions)	**2021**	2020
Weighted-average common shares–basic	**292**	292
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**2**	2
Weighted-average common shares–diluted	**294**	294

	Nine Months Ended March 31,	
(in millions)	**2021**	2020
Weighted-average common shares–basic	**293**	293
Effect of dilutive securities:		
Employee stock options, restricted share units and performance share units	**1**	—
Weighted-average common shares–diluted	**294**	293

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive were 3 million for the three months ended March 31, 2021 and 4 million for the nine months ended March 31, 2021.

The potentially dilutive employee stock options, restricted share units and performance share units that were anti-dilutive were 4 million for the three months ended March 31, 2020 and 7 million for the nine months ended March 31, 2020 (2 million of which were anti-dilutive as a result of the year-to-date net loss).

12. Segment Information

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

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

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

Revenue

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

	Three Months Ended March 31,	
(in millions)	**2021**	2020
Pharmaceutical Distribution and Specialty Solutions (1) (2)	**$ 34,903**	**$ 34,899**
Nuclear and Precision Health Solutions	**201**	**213**
Pharmaceutical segment revenue	**35,104**	**35,112**
Medical distribution and products (3)	**3,638**	**3,539**
Cardinal Health at-Home Solutions	**536**	**512**
Medical segment revenue	**4,174**	**4,051**
Total segment revenue	**39,278**	**39,163**
Corporate (4)	**(3)**	**(6)**
Total revenue	**$ 39,275**	**$ 39,157**

	Nine Months Ended March 31,	
(in millions)	**2021**	2020
Pharmaceutical Distribution and Specialty Solutions (1) (2)	**$ 106,859**	**$ 103,612**
Nuclear and Precision Health Solutions	**593**	**642**
Pharmaceutical segment revenue	**107,452**	**104,254**
Medical distribution and products (3)	**10,805**	**10,483**
Cardinal Health at-Home Solutions	**1,636**	**1,508**
Medical segment revenue	**12,441**	**11,991**
Total segment revenue	**119,893**	**116,245**
Corporate (4)	**(12)**	**(12)**
Total revenue	**$ 119,881**	**$ 116,233**

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

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

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

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

The following tables present revenue by geographic area:

	Three Months Ended March 31,	
(in millions)	**2021**	2020
United States	**$ 38,089**	**$ 38,073**
International	**1,189**	**1,090**
Total segment revenue	**39,278**	**39,163**
Corporate (1)	**(3)**	**(6)**
Total revenue	**$ 39,275**	**$ 39,157**

	Nine Months Ended March 31,	
(in millions)	**2021**	2020
United States	**$ 116,425**	**$ 113,053**
International	**3,468**	**3,192**
Total segment revenue	**119,893**	**116,245**
Corporate (1)	**(12)**	**(12)**
Total revenue	**$ 119,881**	**$ 116,233**

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

Segment Profit

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

We do not allocate the following items to our segments: last-in first-out, or ("LIFO"), inventory charges/(credits); surgical gown recall costs; restructuring and employee severance; amortization and other acquisition-related costs; impairments and (gain)/loss on disposal of assets; litigation (recoveries)/charges, net; state opioid assessment related to prior fiscal years; other (income)/expense, net; interest expense, net; loss on early extinguishment of debt; and provision for income taxes.

In addition, certain investment spending, certain portions of enterprise-wide incentive compensation and other spending are not allocated to the segments. Investment spending generally includes the first-year spend for certain projects that require incremental investments in the form of additional operating expenses. Because approval for these projects is dependent on executive management, we retain these expenses at Corporate. Investment spending within Corporate was $4 million and $17 million for the three months ended March 31, 2021 and 2020, and $15 million and $37 million for the nine months ended March 31, 2021 and 2020, respectively.

In connection with the planned divestiture of the Cordis business, we recognized a $58 million pre-tax write-down of the net assets held for sale during the three and nine months ended March 31, 2021, which was retained at Corporate.

In connection with the opioid litigation as discussed further in Note 6, we recognized pre-tax charges of $1.02 billion and $5.63 billion during the nine months ended March 31, 2021 and 2020, respectively, which were retained at Corporate.

In connection with the New York Opioid Stewardship Act as discussed further in Note 6, we recognized a pre-tax charge of $41 million during the nine months ended March 31, 2021, related to calendar year 2017 and 2018 assessments, which was retained at Corporate.

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 $95 million during the nine months ended March 31, 2020 which was retained at Corporate.

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

	Three Months Ended March 31,	
(in millions)	**2021**	2020
Pharmaceutical	**$ 511**	$ 534
Medical	**174**	178
Total segment profit	**685**	712
Corporate	**(212)**	(150)
Total operating earnings	**$ 473**	$ 562

	Nine Months Ended March 31,	
(in millions)	**2021**	2020
Pharmaceutical	**$ 1,326**	$ 1,394
Medical	**640**	543
Total segment profit	**1,966**	1,937
Corporate	**(1,656)**	(6,305)
Total operating earnings/(loss)	**$ 310**	$ (4,368)

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

(in millions)	**March 31, 2021**	June 30, 2020
Pharmaceutical	**$ 23,078**	$ 22,398
Medical (1)	**15,280**	14,691
Corporate	**5,516**	3,677
Total assets	**$ 43,874**	$ 40,766

(1) Assets of $1.1 billion classified as held for sale related to the Cordis planned divestiture were included within Medical at March 31, 2021.

13. Share-Based Compensation

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

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

	Three Months Ended March 31,	
(in millions)	**2021**	2020
Restricted share unit expense	**$ 20**	$ 20
Employee stock option expense	**—**	1
Performance share unit expense	**13**	6
Total share-based compensation	**$ 33**	$ 27

	Nine Months Ended March 31,	
(in millions)	**2021**	2020
Restricted share unit expense	**$ 56**	$ 53
Employee stock option expense	**—**	3
Performance share unit expense	**28**	12
Total share-based compensation	**$ 84**	$ 68

The total tax benefit related to share-based compensation was $5 million for both the three months ended March 31, 2021 and 2020, respectively, and $12 million for both the nine months ended March 31, 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	53.67
Vested	(1)	49.45
Canceled and forfeited	(1)	48.52
Nonvested at March 31, 2021	**3**	**$ 48.96**

At March 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested restricted share units not yet recognized was $90 million, which is expected to be recognized over a weighted-average period of two years.

Stock Options

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

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

(in millions, except per share amounts)	Stock Options	Weighted-Average Exercise Price per Common Share
Outstanding at June 30, 2020	5	$ 65.15
Granted	—	—
Exercised	(1)	40.94
Canceled and forfeited	—	—
Outstanding at March 31, 2021	**4**	**$ 67.60**
Exercisable at March 31, 2021	**4**	**$ 67.80**

At March 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested stock options not yet recognized was $0.2 million, which is expected to be recognized over a weighted-average period of two years.

The following tables provide additional detail related to stock options:

(in millions)	March 31, 2021	June 30, 2020
Aggregate intrinsic value of outstanding options at period end	**$ 17**	$ 12
Aggregate intrinsic value of exercisable options at period end	**17**	12

(in years)	March 31, 2021	June 30, 2020
Weighted-average remaining contractual life of outstanding options	**4**	5
Weighted-average remaining contractual life of exercisable options	**4**	5

Performance Share Units

Performance share units vest over a 3-year performance period based on achievement of specific performance goals. Based on the extent to which the targets are achieved, vested shares may range from zero to 240 percent of the target award amount. Performance share units accrue cash dividend equivalents that are payable upon vesting of the awards.

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

(in millions, except per share amounts)	Performance Share Units	Weighted-Average Grant Date Fair Value per Share
Nonvested at June 30, 2020	1.3	$ 54.24
Granted	0.4	55.45
Vested	—	—
Canceled and forfeited	(0.1)	52.54
Nonvested at March 31, 2021	**1.6**	**$ 60.32**

At March 31, 2021, the total pre-tax compensation cost, net of estimated forfeitures, related to nonvested performance share units not yet recognized was $41 million, which is expected to be recognized over a weighted-average period of two years if performance goals are achieved.

Exhibits

Exhibit Number	Exhibit Description
3.1	Amended and Restated Articles of Incorporation of Cardinal Health, Inc., as amended (incorporated by reference to Exhibit 3.1 to Cardinal Health's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, File No. 1-11373)
3.2	Cardinal Health, Inc. Restated Code of Regulations (incorporated by reference to Exhibit 3.2 to Cardinal Health's Current Report on Form 8-K filed on November 9, 2020, File No. 1-11373)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Statement Regarding Forward-Looking Information
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - formatted in Inline XBRL (included as Exhibit 101)

Cardinal Health Website

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

Form 10-Q Cross Reference Index

N/A Not applicable

Signatures

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

Cardinal Health, Inc.

Date: May 6, 2021

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann
Chief Executive Officer

/s/ JASON M. HOLLAR

Jason M. Hollar
Chief Financial Officer

Exhibit 31.1

I, Michael C. Kaufmann, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ MICHAEL C. KAUFMANN

Michael C. Kaufmann

Chief Executive Officer

Exhibit 31.2

I, Jason M. Hollar, certify that:

1. I have reviewed this Form 10-Q of Cardinal Health, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021

/s/ JASON M. HOLLAR

Jason M. Hollar

Chief Financial Officer

Exhibit 32.1

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

Michael C. Kaufmann, Chief Executive Officer of Cardinal Health, Inc. (the "Company") and Jason M. Hollar, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, that:

(1) the Periodic Report on Form 10-Q for the quarter ended March 31, 2021 containing the financial statements of the Company (the "Periodic Report"), which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: May 6, 2021

/s/ MICHAEL C. KAUFMANN
Michael C. Kaufmann
Chief Executive Officer

/s/ JASON M. HOLLAR
Jason M. Hollar
Chief Financial Officer

Statement Regarding Forward-Looking Information

As used in this exhibit, “we,” “our,” “us” and similar pronouns refer to Cardinal Health, Inc. and its subsidiaries, unless the context requires otherwise. Our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the fiscal year ended June 30, 2020 (the “2020 Form 10-K”), our quarterly reports on Form 10-Q, including this one, and our current reports on Form 8-K (along with any exhibits and amendments to such reports), as well as our news releases or any other written or oral statements made by or on behalf of us, including materials posted on our website, may include, directly or by incorporation by reference, forward-looking statements that reflect our current view (as of the date the forward-looking statement is first made) about future events, prospects, projections or financial performance. The matters discussed in these forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied in or by such statements. These risks and uncertainties include:

- risks arising from the COVID-19 pandemic, including the possibility that our manufacturing or distribution facilities will be required to cease operations, whether from government regulation in the United States or internationally, or from reduction in available workforce due to illness; the possibility that we could experience significant delays or disruptions in our supply of medical or pharmaceutical products resulting in an inability to fulfill customer demand, whether attributable to the use of the Defense Production Act or otherwise; the risk that we will not be able to offset significant cost increases for certain personal protective equipment (PPE) products or that and price increases for these products could result in lost sales or customer losses or disputes; the possibility that demand or selling prices for certain PPE products may decline in the future, resulting in excess inventory or inventory cost above net realizable value, requiring inventory reserves; the possibility that reduced demand for elective medical procedures may result in a sustained reduction in demand for our products; and the potential for us to receive negative publicity resulting from prolonged supply shortages or our participation in industry-wide collaboration to increase the supply of personal protective equipment in the United States;
- competitive pressures in the markets in which we operate, including pricing pressures;
- uncertainties relating to the pricing of generic pharmaceuticals;
- uncertainties relating to the timing, frequency and profitability of generic pharmaceutical launches or other components of our pharmaceutical generics program;
- our ability to maintain the benefits of our generic pharmaceutical sourcing venture with CVS Health Corporation;
- with respect to our distribution services agreements with branded pharmaceutical manufacturers, changes in the amount of service fees we receive or, in cases where part of our compensation under these agreements is based on branded pharmaceutical price appreciation, changes in the frequency or magnitude of such price appreciation;
- changes in manufacturer approaches to pricing branded pharmaceutical products and risks related to our compensation under contractual arrangements with manufacturers being set as a percentage of the wholesale acquisition cost of branded pharmaceuticals;
- changes in the timing or frequency of the introduction of branded pharmaceuticals;
- risks associated with the resolution and defense of the lawsuits and investigations in which we have been or will be named relating to the distribution of prescription opioid pain medication, including the risk that the outcome of these lawsuits and investigations could have a material adverse effect on our results of operations, financial condition, cash flows or liquidity;
- potential damage to our reputation, adverse operational impacts or other effects that may result from the national opioid epidemic, the allegations that have been made about our role in such epidemic and the ongoing unfavorable publicity surrounding the lawsuits and investigations against us;
- risks associated with the ongoing discussions regarding a potential global settlement of certain opioid lawsuits and investigations against us, including the risk that we could fail to reach a final settlement, that any final settlement reached could require us to pay more than we currently anticipate or could have a negative effect on our liquidity or ability to return money to shareholders and the risk that any injunctive or non-monetary remedies we may agree to could have unintended consequences;
- risks associated with the tax benefit from our self-insurance loss claims, including risks associated with the letter certain industry participants, including us, received 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 the net operating loss carryback provisions under the CARES Act and deductibility under the Tax Act; the possibility that we may receive additional negative or unfavorable publicity or that the IRS may not agree with our underlying assumptions and judgments;
- potential adverse impact to our financial results from enacted and proposed state taxes or other assessments on the sale or distribution of opioid medications;
- our high sales concentration with certain key customers, including CVS Health Corporation and OptumRx;
- costs or claims resulting from a quality issue related to the manufacture of some of our sterile surgical gowns, or other potential errors or defects in our manufacturing of medical devices or other products or in our compounding, repackaging, information systems or pharmacy management services that may injure persons or damage property or operations, including costs from recalls, remediation efforts, and related product liability claims and lawsuits, including class action lawsuits;
- actions of regulatory bodies and other governmental authorities, including the U.S. Drug Enforcement Administration, certain agencies within the U.S. Department of Health and Human Services (including the U.S. Food and Drug Administration, Centers for Medicare and

Medicaid Services, the Office of Inspector General and the Office for Civil Rights), the U.S. Nuclear Regulatory Commission, the U.S. Federal Trade Commission, the U.S. Customs and Border Protection, various state boards of pharmacy, state controlled substance authorities, state health departments, state insurance departments, state Medicaid departments or comparable regulatory bodies or governmental authorities or foreign equivalents that, in each case, could delay, limit or suspend product development, manufacturing, distribution, importation or sales or result in warning letters, recalls, seizures, injunctions or monetary sanctions;

- any compromise of our information systems or of those of a third-party service provider, including unauthorized access to or use or disclosure of company or customer information, disruption of access and ancillary risks associated with our ability to effectively manage any issues arising from any such compromise or disruption;
- uncertainties related to our Medical segment's Cardinal Health Brand products, including our ability to manage cost, infrastructure and to retain margin or improve its performance;
- risks associated with the realignment of our Medical segment's supply chain and other businesses, including our ability to achieve the expected benefits from such realignment;
- uncertainties with respect to our cost-savings initiatives or IT infrastructure activities, including the ability to achieve the expected benefits from such initiatives, the risk that we could incur unexpected charges, and the risk that we may fail to retain key personnel;
- difficulties or delays in the development, production, manufacturing, sourcing and marketing of new or existing products and services, including difficulties or delays associated with obtaining or maintaining requisite regulatory consents, whether our own or third parties', or approvals associated with those activities;
- manufacturing disruptions, whether due to regulatory action, production quality deviations, safety issues or raw material shortages or defects, or because a key product is manufactured at a single manufacturing facility with limited alternate facilities;
- risks arising from possible violations of healthcare fraud and abuse laws;
- risks arising from possible violations of the U.S. Foreign Corrupt Practices Act and other similar anti-corruption laws in other jurisdictions and U.S. and foreign export control, trade embargo and customs laws;
- risks arising from our collecting, handling and maintaining patient-identifiable health information and other sensitive personal and financial information, which are subject to federal, state and foreign laws that regulate the use and disclosure of such information;
- risks arising from certain of our businesses being Medicare-certified suppliers or participating in other federal and state healthcare programs, such as state Medicaid programs and the federal 340B drug pricing program, which businesses are subject to accreditation and quality standards and other rules and regulations, including applicable reporting, billing, payment and record-keeping requirements;
- risks arising from certain of our businesses manufacturing pharmaceutical and medical products or repackaging pharmaceuticals that are purchased or reimbursed through, or are otherwise governed by, federal or state healthcare programs, which businesses are subject to federal and state laws that establish eligibility for reimbursement by such programs and other applicable standards and regulations;
- changes in laws or changes in the interpretation or application of laws or regulations, as well as possible failures to comply with applicable laws or regulations, including as a result of possible misinterpretations or misapplications;
- material reductions in purchases, pricing changes, non-renewal, early termination, or delinquencies or defaults under contracts with key customers;
- unfavorable changes to the terms or with our ability to meet contractual obligations of key customer or supplier relationships, or changes in customer mix;
- risks arising from changes in U.S. or foreign tax laws and unfavorable challenges to our tax positions and payments to settle these challenges, which may adversely affect our effective tax rate or tax payments;
- uncertainties due to possible government healthcare reform, including proposals related to Medicare drug rebate arrangements, possible repeal or replacement of major parts of the Patient Protection and Affordable Care Act, proposals related to prescription drug pricing transparency and the possible adoption of Medicare-For-All;
- reductions or limitations on governmental funding at the state or federal level or efforts by healthcare insurance companies to limit payments for products and services;
- changes in manufacturers' pricing, selling, inventory, distribution or supply policies or practices;
- changes in legislation or regulations governing prescription drug pricing, healthcare services or mandated benefits;
- changes in hospital buying groups or hospital buying practices;
- changes in distribution or sourcing models for pharmaceutical and medical and surgical products, including an increase in direct and limited distribution;
- changes to the prescription drug reimbursement formula and related reporting requirements for generic pharmaceuticals under Medicaid;
- continuing consolidation in the healthcare industry, which could give the resulting enterprises greater bargaining power and may increase pressure on prices for our products and services or result in the loss of customers;

- disruption, damage or lack of access to, or failure of, our or our third-party service providers' information systems, our critical facilities, including our national logistics center, or our distribution networks;
- risks to our business and information and controls systems in the event that business process improvements, infrastructure modernizations or initiatives to use third-party service providers for key systems and processes are not effectively implemented;
- the results, costs, effects or timing of any commercial disputes, government contract compliance matters, patent infringement claims, *qui tam* actions, government investigations, shareholder lawsuits or other legal proceedings;
- possible losses relating to product liability lawsuits and claims regarding products for which we cannot obtain product liability insurance or for which such insurance may not be adequate to cover our losses, including the product liability lawsuits we are currently defending relating to alleged personal injuries associated with the use of Cordis inferior vena cava filter products;
- our ability to maintain adequate intellectual property protections;
- the costs, difficulties and uncertainties related to the integration of acquired businesses, including liabilities relating to the operations or activities of such businesses prior to their acquisition, and uncertainties relating to our ability to achieve the anticipated results from acquisitions;
- the ability to successfully complete the divestiture of the Cordis business on a timely basis, including receipt of required regulatory approvals and satisfaction of other conditions, the risk that the costs associated with exit or disposal activities could ultimately be greater than we currently expect or that we could incur greater stranded costs than expected, and the risk that the impairment of the transferred assets could ultimately be greater than we currently expect;
- our ability to manage and complete divestitures or other strategic business combination transactions, including our ability to find buyers or other strategic exit opportunities and risks associated with the possibility that we could experience greater dis-synergies than anticipated or otherwise fail to achieve our strategic objectives;
- increased costs for commodities and other materials used in the Medical segment manufacturing, including various components, compounds, raw materials or energy such as oil-based resins, pulp, cotton, latex and other commodities;
- shortages in commodities, components, compounds, raw materials or energy used by our businesses, including supply disruptions of radioisotopes;
- the loss of, or default by, one or more key suppliers for which alternative suppliers may not be readily available;
- bankruptcy, insolvency or other credit failure of a customer or supplier that owes us a substantial amount;
- risks associated with global operations, including the effect of local economic environments, inflation, recession, currency volatility and global competition, in addition to risks associated with compliance with U.S. and international laws relating to global operations;
- uncertainties with respect to U.S. or international trade policies, tariffs, excise or border taxes and their impact on our ability to source products or materials that we need to conduct our business;
- risks associated with our use of and reliance on the global capital and credit markets, including our ability to access credit and our cost of credit, which may adversely affect our ability to efficiently fund our operations or undertake certain expenditures;
- our ability to introduce and market new products and our ability to keep pace with advances in technology;
- significant charges to earnings if goodwill or intangible assets become impaired;
- uncertainties relating to general political, business, industry, regulatory and market conditions; and
- other factors described in the “Risk Factors” section of the 2020 Form 10-K.

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