Cardinal Health’s Annual Revenue Increases 10 Percent to $81 Billion, Operating Earnings Improve 8 Percent to Nearly $2 Billion

DUBLIN, Ohio, Aug. 3, 2006 — Cardinal Health, the leading provider of products and services supporting the health-care industry, today announced fourth-quarter and fiscal 2006 results, with full-year revenue rising 10 percent to $81 billion and operating earnings improving 8 percent to nearly $2 billion.

For the quarter ended June 30, revenue rose 12 percent to $21.7 billion from $19.3 billion in the prior-year period, while operating earnings declined 2 percent to $534 million from $546 million. Earnings from continuing operations increased 12 percent to $339 million from $303 million, and diluted earnings per share (EPS) from continuing operations increased 14 percent to $0.80 from $0.70 in the prior-year period. The favorable earnings comparisons were due in part to a higher tax rate in the prior-year period.

'Overall, the business performed as we expected during the quarter,' said R. Kerry Clark, president and chief executive officer of Cardinal Health. 'Revenue growth was led by Pharmaceutical Distribution, margins improved from the first half of the year, operational progress was made in Pharmaceutical Technologies and Services and we had another standout quarter in Clinical Technologies and Services. While our fourth-quarter results reflect the good work we have underway to become an integrated operating company, we’re not yet satisfied with our performance and we will continue to drive operational improvements and growth initiatives to further improve in fiscal 2007.'

Cardinal Health also announced that its board has authorized a $1.5 billion share repurchase program above the $500 million plan announced in July. The company plans to complete the combined $2 billion share repurchase during the next two years.

Q4 FY06 Earnings Summary

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<th>Q4 FY06</th>
<th>Q4 FY05</th>
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<tbody>
<tr>
<td></td>
<td>Operating Earnings ($MM)</td>
<td>Diluted EPS from Continuing Operations</td>
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<tr>
<td>GAAP Consolidated</td>
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<tr>
<td>Equity Compensation</td>
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Consolidated fourth-quarter and recent highlights include:

- Operating cash flow of more than $500 million. Cardinal Health continued to use its strong cash flow to repurchase shares and invest for the future. The company completed a $500 million share repurchase program announced in April, bringing the total value of shares bought during the year to $1.5 billion. In addition, $395 million has been spent to repurchase shares under the $500 million...
program announced in July.

- Organizational changes to align the manufacturing segments under the leadership of David L. Schlotterbeck, chief executive officer of Pharmaceutical & Medical Products. With these changes, the company’s operating segments are now organized as two major businesses: Supply Chain Services, a logistics and distribution business, and Pharmaceutical & Medical Products, a product development and manufacturing business. The new structure will better leverage the scale of Cardinal Health’s logistics and manufacturing operations and foster uniform approaches to operational excellence, lean manufacturing, research and development and sourcing.

- Announcing the sale of the company’s United Kingdom-based Intercare Pharmaceutical Distribution (IPD) unit to Alliance Unichem, as IPD was not a strategic fit with Cardinal Health’s other distribution or international businesses. The company also announced the sale of its Fort Worth, Texas pharmaceutical manufacturing site to Adams Respiratory Therapeutics, Inc.


Fiscal 2006 Results
Revenue for the full year climbed 10 percent to $81.4 billion from $74.3 billion and operating earnings improved 8 percent to $1.97 billion from $1.82 billion in the prior year. Earnings from continuing operations increased 12 percent to $1.2 billion from $1.1 billion, and diluted EPS from continuing operations increased 14 percent to $2.90 from $2.54 in the prior year. Operating margins improved in all segments from the first half of the fiscal year.

Operating cash flow for the year of $2.2 billion enabled Cardinal Health to repurchase shares totaling $1.5 billion, increase its quarterly dividend by 50 percent to $0.09 per share and invest for future growth opportunities.

FY06 Earnings Summary

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<tr>
<td></td>
<td>Operating Earnings ($MM)</td>
<td>Diluted EPS from Continuing Operations</td>
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<td>Equity Compensation</td>
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Fourth-Quarter Segment Results
In the fourth quarter, operating margins continued to improve sequentially in three of four business segments, with an expected decline in pharmaceutical distribution due to a seasonally strong third quarter. This seasonality continued to moderate from the prior year as the company realizes the financial impact of the transition to fee-for-service agreements with branded pharmaceutical companies.
Selling, general and administrative (SG&A) expenses increased 15 percent from the prior-year period, 7 percentage points of which related to the recognition of equity compensation as an expense during the fiscal year. Planned upfront investments in integration as part of the company’s One Cardinal Health program also contributed to SG&A growth during the quarter. The company expects a moderation of SG&A growth in fiscal 2007.

(See attached tables or the Investors page on www.cardinalhealth.com for additional financial information on segment results.)

**Pharmaceutical Distribution and Provider Services**

For the quarter, revenue for the Pharmaceutical Distribution and Provider Services segment grew 16 percent to $18.2 billion. Direct-store-door (DSD) sales grew 8 percent, primarily due to organic growth with existing customers. Bulk customer sales grew 28 percent from the prior-year period to $8.4 billion.

Operating earnings declined 11 percent from the prior-year period to $268 million. The earnings decline was primarily due to a Last In, First Out (LIFO) accounting credit of $32 million in the prior-year period compared to a LIFO credit of $6.5 million in the fourth quarter of this year. The segment also increased a reserve by $10 million related to excess inventory from a particular pharmaceutical manufacturer. In addition, operating margins were down versus the prior-year period due to less seasonality associated with Cardinal Health’s current fee-for-service business model, increased bulk customer sales and competitive pricing in the retail business. However, DSD sell margins were stable during the past three quarters.

Cardinal Health continued to differentiate its offerings for independent retail pharmacies during the quarter by introducing new front-end and back-end pharmacy services and continuing to integrate recent acquisitions of The F. Dohmen Co. and Parmed Pharmaceuticals, Inc.

For the full year, revenue grew 11 percent to $67.1 billion and operating earnings were even with the prior year at $1 billion.

**Medical Products and Services**

For the quarter, revenue for the Medical Products and Services segment was nearly $2.4 billion, down 6 percent from the fourth quarter of 2005, while operating earnings rose 7 percent to $170 million. The decline in revenue was due to a sales decline in Cardinal Health’s specialty pharmaceutical distribution (SPD) business and the previously announced divestiture of a substantial portion of that business.

Revenue in the core medical products and services business increased 5 percent during the quarter, with growth led by international sales and sales of infection-prevention and laboratory products. During the quarter, the company acquired Denver Biomedical, a developer and manufacturer of specialized medical products for chronic fluid management.

For the full year, revenue grew 2 percent to $10 billion and operating earnings increased 4 percent to $647 million. Operating-earnings growth was negatively affected by 1 percentage point during the year due to SPD.

**Pharmaceutical Technologies and Services**

For the quarter, revenue for the Pharmaceutical Technologies and Services segment increased 5 percent from the prior-year period to $747 million and operating earnings increased 28 percent to $96 million. The segment had its strongest quarter of the fiscal year, with sequential improvements of 23 percent in operating earnings and nearly 200 basis points in operating margins.

These results were driven by improved execution in sterile manufacturing through continued operational-
excellence initiatives and favorable pricing for services. The increase in segment earnings was also supported by double-digit earnings growth in oral technologies, packaging services and nuclear pharmacy services. Highlights of the quarter included strong demand for Cardinal Health’s proprietary Zydis® fast-dissolve dosage form, the award of a contract by Roche to manufacture and package Tamiflu®, the acquisition of PET radiopharmaceutical production facilities from Regional Nuclear Pharmaceuticals, Inc., and progress made toward commercial development at its North Raleigh, N.C. manufacturing site. Following the close of the quarter, the company also received a good-manufacturing-practices (GMP) certification from European regulators for its new Brussels sterile-manufacturing facility. The GMP certification allows Cardinal Health to begin a validation and approval process for commercial European products to be manufactured at the site.

For the full year, revenue increased 4 percent to $2.8 billion, while operating earnings declined 3 percent to $305 million.

Clinical Technologies and Services
For the quarter, Clinical Technologies and Services continued its fiscal 2006 growth trend with revenue increasing 9 percent from the prior-year period to $649 million, led by 15-percent growth in Alaris and Pyxis products. Sales outside the U.S. grew 18 percent, also led by strong increases for Alaris and Pyxis products. Operating earnings increased 47 percent from the prior-year period to $111 million. Revenue and earnings from clinical services and consulting also improved during the quarter.

Committed contracts were again strong and above internal goals for Alaris and Pyxis products, increasing the backlog to support future revenue and earnings. The Pyxis backlog ended the quarter at $296 million, more than $50 million ahead of the third quarter. Alaris’ integration with Cardinal Health finished the year ahead of schedule and is expected to reach the high end of its target of $80 million to $100 million of pretax earnings by the end of fiscal 2007.

For the full year, revenue increased 11 percent to $2.4 billion, while operating earnings rose 56 percent to $384 million.

Outlook
Cardinal Health reiterated the outlook it provided on June 12. For fiscal 2007, EPS is expected to be $3.50 to $3.70, excluding special items and impairment, non-recurring and other items. Beginning in fiscal 2007, the EPS outlook includes the impact of equity compensation. (See attached tables or www.cardinalhealth.com for a definition of EPS, excluding special items and impairment, non-recurring and other items and information regarding forward-looking non-GAAP financial measures.)

The company will report its 2007 results in five segments: Supply Chain Services – Pharmaceutical; Supply Chain Services – Medical; Medical Product Manufacturing; Pharmaceutical Technologies and Services; and Clinical Technologies and Services.

“Our five segments now clearly align with two major businesses: Supply Chain Services, which is focused on our foundational logistics and distribution capabilities, and Pharmaceutical & Medical Products, which is focused on our higher-margin, fast-growing manufacturing businesses that already account for one-third of our profit,” Clark said. “Both are organized based on their unique business profiles and are complementary to each other.

“Through 2007, we will focus on gaining scale and delivering superior customer service in Supply Chain Services. In Pharmaceutical & Medical Products, we will be investing in customer-driven innovation and operational excellence. Across both businesses, we will continue our journey to One Cardinal Health through the implementation of standard processes and shared services.”
Conference Call
Cardinal Health will host a conference call and webcast at 11 a.m. Eastern Daylight Time (EDT) to discuss its results. To access the call and corresponding slide presentation, go to the Investor page at www.cardinalhealth.com. The conference call may also be accessed by calling 706-634-5100, conference passcode 1658436. An audio replay will be available until 11 p.m. EDT on Aug 5 at 706-645-9291, passcode 1658436. A transcript and audio replay will also be available at www.cardinalhealth.com.

About Cardinal Health
Headquartered in Dublin, Ohio, Cardinal Health, Inc. (NYSE: CAH) is an $81 billion, global company serving the health-care industry with a broad portfolio of products and services. Through its diverse offerings, Cardinal Health delivers health-care solutions that help customers reduce their costs, improve safety and productivity, and deliver better care to patients. The company manufactures, packages and distributes pharmaceuticals and medical supplies, offers a range of clinical services and develops automation products that improve the management and delivery of supplies and medication for hospitals, physician offices and pharmacies. Ranked No. 19 on the Fortune 500, Cardinal Health employs more than 55,000 people on six continents. More information about the company may be found at www.cardinalhealth.com.

Except for historical information, all other information in this news release consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Cardinal Health's Form 10-K, Form 10-Q and Form 8-K reports (including all amendments to those reports) and exhibits to those reports, and include (but are not limited to) the following: competitive pressures; the loss of one or more key customer or supplier relationships or changes to the terms of those relationships; changes in the distribution patterns or reimbursement rates for health-care products and/or services; difficulties and uncertainties related to transitions in senior management and organizational changes; the results, consequences, effects or timing of any inquiry or investigation by or settlement discussions with any regulatory authority or any legal and administrative proceedings; the impact of previously announced restatements; difficulties in opening new facilities or fully utilizing existing capacity; the costs, difficulties and uncertainties related the integration of acquired businesses; with respect to future dividends, the decision by the board of directors to declare such dividends, which is expected to consider Cardinal Health’s surplus, earnings, cash flows, financial condition and prospects at the time any such action is considered; with respect to future share repurchases, the approval of the board of directors, which is expected to consider Cardinal Health’s then-current stock price, earnings, cash flows, financial condition and prospects as well as alternatives available to Cardinal Health at the time any such action is considered; and general economic and market conditions. Cardinal Health undertakes no obligation to update or revise any forward-looking statement.

http://cardinalhealth.mediaroom.com/newsreleasearchive?item=122454