CARDINAL HEALTH INC
Form 424B3
December 12, 2005
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Filed Pursuant to Rule 424(b)(3)

Registration Statement No. 333-101907

The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated December 12, 2005

Preliminary Prospectus Supplement

(To Prospectus dated December 24, 2002)

Cardinal Health, Inc.

$500,000,000

% Notes due 2017

Interest payable June 15 and December 15

Issue Price: %

The notes will mature on December , 2017. Interest will accrue from December , 2005. We may redeem the notes in whole or in part at any time at the redemption prices described on page S-13.

The notes will be unsecured obligations of Cardinal Health and will rank equally with our other unsecured senior indebtedness.

See Risk Factors beginning on page S-8 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public	**Underwriting Discount**	**Proceeds to Us Before Expenses**
Per note	%	%	%
Total	$	$	$

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect that delivery of the notes will be made to investors in book-entry form through The Depository Trust Company on or about December , 2005.

Joint Book-Running Managers

Barclays Capital **JPMorgan**

Co-Managers

Banc of America Securities LLC

Goldman, Sachs & Co.

Morgan Stanley

Lazard Capital Markets

NatCity Investments, Inc.

SunTrust Robinson Humphrey

UBS Investment Bank

The Williams Capital Group, L.P.

December , 2005

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PROSPECTUS SUPPLEMENT

PROSPECTUS

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the information incorporated by reference in these documents. We have not authorized anyone, and we have not authorized the underwriters to authorize anyone, to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell or a solicitation of an offer to buy these securities in any jurisdiction where the offer, sale or solicitation is not permitted. The information appearing or incorporated by reference in this prospectus supplement is accurate only as of the date of this prospectus supplement or the date of the document in which incorporated information appears. Our business, financial condition, results of operations and prospects may have changed since those dates.

If the information varies between this prospectus supplement and the accompanying prospectus, the information in this prospectus supplement supersedes the information in the accompanying prospectus.

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INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the PSLRA) provides a safe harbor for forward-looking statements (as defined in the PSLRA). This prospectus supplement, the accompanying prospectus, Cardinal Health s annual report on Form 10-K for the fiscal year ended June 30, 2005 (the 2005 Form 10-K), Cardinal Health s Annual Report to Shareholders, any Form 10-Q or any Form 8-K of Cardinal Health (along with any exhibits to such Forms as well as any amendments to such Forms), our press releases, or any other written or oral statements made by or on behalf of Cardinal Health, may include or incorporate by reference forward-looking statements which reflect Cardinal Health s current view (as of the date such forward-looking statement is first made) with respect to future events, prospects, projections or financial performance. These forward-looking statements are subject to certain risks and uncertainties and other factors that could cause actual results to differ materially from those made, implied or projected in or by such statements. These uncertainties and other factors include, but are not limited to:

- uncertainties relating to general economic, political, business, industry, regulatory and market conditions;
- the loss of one or more key customer or supplier relationships, such as pharmaceutical and medical/surgical manufacturers for which alternative supplies may not be available or easily replaceable, or unfavorable changes to the terms of those relationships, or changes in customer mix;
- changes in manufacturers pricing, selling, inventory, distribution or supply policies or practices, including policies concerning price inflation or deflation;
- uncertainties related to the re-negotiation of distribution service agreements entered into in connection with our Pharmaceutical Distribution business model transition with respect to how we are compensated for the logistical, capital and administrative services that we provide to branded pharmaceutical manufacturers;
- the Pharmaceutical Distribution business continued dependence upon pharmaceutical price inflation, which price inflation is often unpredictable, either as a component of compensation from a distribution service agreement or as the sole form of compensation from certain branded pharmaceutical manufacturers;
- changes in the distribution or outsourcing pattern for pharmaceutical and medical/surgical products and services, including an increase in direct distribution or a decrease in contract packaging by pharmaceutical manufacturers;
- the costs, difficulties, and uncertainties related to the integration of acquired businesses, including liabilities related to the operations or activities of such businesses prior to their acquisition;
- the costs, difficulties, and uncertainties related to the organizational changes that combine our distribution businesses into a single operating unit;
- changes to the presentation of financial results and position resulting from adoption of new accounting principles or upon the advice of our independent accountants or the staff of the Securities and Exchange Commission (SEC);
- weaknesses in internal controls and procedures;

difficulties and costs associated with enhancing our accounting systems and internal controls and complying with financial reporting requirements;

changes in government regulations or our failure to comply with those regulations or other applicable laws;

the results, effects or timing of any internal or external inquiry or investigation, including those by any regulatory authority and any related legal and administrative proceedings, which may include the

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institution of administrative, civil injunctive or criminal proceedings against us and/or our current or former employees, officers and/or directors, as well as the imposition of fines and penalties, suspensions or debarments from government contracting, and/or other remedies and sanctions;

the impact of previously announced restatements;

the costs and effects of commercial disputes, shareholder claims, derivative claims or other legal proceedings or investigations;

the costs, effects, timing or success of restructuring programs or plans, including facility rationalizations;

downgrades of our credit ratings, and the potential that such downgrades could negatively impact our access to capital or increase our cost of capital;

increased costs for the raw materials used by our manufacturing businesses or shortages in these raw materials, or increased fuel costs with respect to our distribution businesses;

the risks of counterfeit products in the supply chain;

the possible adverse effects on us of the importation of pharmaceuticals and/or other health care products;

injury to person or property resulting from our manufacturing, compounding, packaging, repackaging, drug delivery system development and manufacturing, information systems, or pharmacy management services;

competitive factors in our healthcare service businesses, including pricing pressures;

unforeseen changes in our existing agency and distribution arrangements;

the continued financial viability and success of our customers, suppliers and franchisees;

difficulties encountered by our competitors, whether or not we face the same or similar issues;

technological developments and products offered by competitors;

failure to retain or continue to attract senior management or key personnel;

uncertainties related to transitions in senior management positions;

with respect to future dividends, the decision by the board of directors to declare such dividends, which is expected to consider our surplus, earnings, cash flows, financial condition and prospects at the time any such action is considered;

with respect to future share repurchase programs, the approval of the board of directors, which is expected to consider our then-current stock price, earnings, cash flows, financial condition and prospects as well as alternatives available to us at the time any such action is considered;

risks associated with international operations, including fluctuations in currency exchange ratios;

costs associated with protecting our trade secrets and enforcing our patent, copyright and trademark rights, and successful challenges to the validity of our patents, copyrights or trademarks;

difficulties or delays in the development, production, manufacturing, and marketing of new products and services, including difficulties or delays associated with obtaining requisite regulatory consents or approvals associated with those activities or our failure to adequately comply with applicable regulations and quality practices or standards;

potential liabilities associated with warranties of our information systems, and the malfunction or failure of our information systems or those of third parties with whom we do business, such as malfunctions or failures associated with date-related issues, incompatible software, improper coding and disruption to internet-related operations;

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- strikes or other labor disruptions;
- labor, pension and employee benefit costs;
- changes in hospital buying groups or hospital buying practices; and
- other factors described in the section entitled Risk Factors in this prospectus supplement and our 2005 Form 10-K.

The words believe, expect, anticipate, project, and similar expressions generally identify forward-looking statements, which speak only as of date the statement was made. We undertake no obligation (nor do we intend) to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required under applicable law.

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SUMMARY

The following summary information is qualified by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in these documents. See Where You Can Find More Information and Incorporation of Certain Documents by Reference on page S-19 of this prospectus supplement.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement to we, us, our or the Company mean Cardinal Health, Inc. and its consolidated subsidiaries, and references to Cardinal Health refer to Cardinal Health, Inc., excluding its consolidated subsidiaries.

The Company

We are a leading provider of products and services supporting the health care industry and helping health care providers and manufacturers improve the efficiency and quality of health care. Through our diverse offering, we deliver integrated health-care solutions that help customers reduce their costs, improve efficiency and deliver better care to patients. We manufacture, package and distribute pharmaceuticals and medical supplies, offer a range of clinical services and develop automation products that improve the management and delivery of supplies and medication for hospitals, physician offices and pharmacies.

The mailing address of our executive offices is 7000 Cardinal Place, Dublin, Ohio 43017, and our telephone number is (614) 757-5000.

The foregoing information concerning us does not purport to be comprehensive. For additional information concerning our business and affairs, pending legal and regulatory proceedings and descriptions of certain laws and regulations to which we may be subject, please refer to Risk Factors in the prospectus supplement and the information in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

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The Offering

Issuer	Cardinal Health, Inc.
Notes offered	$500 million aggregate principal amount of % Notes due 2017.
Interest	% per year payable on June 15 and December 15, commencing June 15, 2006.
Maturity	December , 2017
Issue date	December , 2005
Issue price	%
Record dates	June 1 and December 1.
Ranking	The notes will be senior unsecured debt obligations of Cardinal Health. The notes will rank equally with all of our existing and future unsecured senior debt and senior to all of our existing and future subordinated debt. As of September 30, 2005, Cardinal Health had outstanding approximately $1,654.6 million of unsecured indebtedness and guarantees of subsidiary indebtedness for borrowed money with which the notes would rank equally. The notes will be effectively subordinated to the liabilities of Cardinal Health s subsidiaries, including trade payables. As of September 30, 2005, Cardinal Health s subsidiaries had approximately $619.7 million of indebtedness for borrowed money ($441.6 million of which is guaranteed by Cardinal Health), approximately $8.1 billion of trade payables, and $650.0 million of preferred debt securities issued by a special purpose accounts receivable and financing entity. The notes will also effectively rank behind any secured debt of Cardinal Health to the extent of the value of the assets securing such debt.
Optional redemption	We may redeem the notes prior to maturity, in whole or in part, at a redemption price equal to the greater of the principal amount of such notes and the make-whole price described under Description of the Notes in this prospectus supplement, plus, in each case, accrued and unpaid interest.
Form of notes	One or more global securities, held in the name of Cede & Co., the nominee of The Depository Trust Company.
Use of proceeds	We will use the proceeds of this offering for general corporate purposes. See Use of Proceeds.

Further issuances	We may create and issue further notes ranking equally and ratably in all respects with the notes offered by this prospectus supplement, so that such further notes will be consolidated and form a single series with the notes offered by this prospectus supplement and will have the same terms as to status, redemption or otherwise.

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Summary Financial Information

In the table below, we provide you with our summary financial information. The information is only a summary and should be read together with the financial information incorporated by reference into this document. See Where You Can Find More Information and Incorporation of Certain Documents by Reference on page S-19 of this prospectus supplement.

	For the Fiscal Year Ended June 30 [1],			For the Three Months Ended September 30 [1],	
	2005	**2004**	**2003** [2]	**2005**	**2004**
	(in millions, except per Common Share amounts)				
Earnings Data:					
Revenue	$ 74,891.8	$ 65,023.6	$ 56,704.5	$ 19,373.4	$ 17,792.3
Earnings from continuing operations before cumulative effect of change in accounting	$ 1,106.3	$ 1,529.0	$ 1,388.9	$ 234.6	$ 222.3
Loss from discontinued operations [3]	(55.6)	(16.0)	(13.8)	(6.3)	(9.0)
Cumulative effect of change in accounting [4]		(38.5)			
Net earnings	$ 1,050.7	$ 1,474.5	$ 1,375.1	$ 228.3	$ 213.3
Basic earnings per Common Share					
Continuing operations	$ 2.57	$ 3.52	$ 3.11	$ 0.55	$ 0.51
Discontinued operations [3]	(0.13)	(0.04)	(0.03)	(0.01)	(0.02)
Cumulative effect of change in accounting [4]		(0.09)			
Net basic earnings per Common Share	$ 2.44	$ 3.39	$ 3.08	$ 0.54	$ 0.49
Diluted earnings per Common Share					
Continuing operations	$ 2.54	$ 3.48	$ 3.06	$ 0.54	$ 0.51
Discontinued operations [3]	(0.13)	(0.04)	(0.03)	(0.01)	(0.02)
Cumulative effect of change in accounting [4]		(0.09)			
Net diluted earnings per Common Share	$ 2.41	$ 3.35	$ 3.03	$ 0.53	$ 0.49
Cash dividends declared per Common Share [5]	$ 0.15	$ 0.12	$ 0.11	$ 0.06	$ 0.03
Balance Sheet Data:					
Total assets	$ 22,059.2	$ 21,369.1	$ 18,465.1	$ 22,969.9	$ 22,269.1
Long-term obligations, less current portion and other short-term borrowings	$ 2,319.9	$ 2,834.7	$ 2,471.9	$ 2,204.0	$ 2,892.6
Shareholders equity	$ 8,593.0	$ 7,976.3	$ 7,674.5	$ 8,878.9	$ 8,219.0

(1) Amounts reflect business combinations and the impact of special items for all periods presented. See Note 4 of the Notes to Consolidated Financial Statements incorporated by reference from our current report on Form 8-K dated December 6, 2005 (the December 6, 2005 Form 8-K) for a further discussion of special items affecting fiscal 2005, 2004 and 2003. In addition, see Note 5 of the Notes to Consolidated Financial Statements incorporated by reference from our quarterly report on Form 10-Q for the three months ended September 30, 2005 for further discussion of special items affecting the three months ended September 30, 2005 and 2004.

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(2) Subsequent to the filing of our annual report on Form 10-K for the fiscal year ended June 30, 2004, as amended by our Form 10-K/A filed on November 8, 2005 (the 2004 Form 10-K), certain errors were identified related to the restatement adjustments previously recorded in the 2004 Form 10-K. The impact of these errors was immaterial for all periods presented. See Note 1 of the Notes to Consolidated Financial Statements in our December 6, 2005 Form 8-K incorporated herein by reference for additional information.

(3) During the three months ended September 30, 2005, we decided to discontinue our sterile pharmaceutical manufacturing business in Humacao, Puerto Rico, thereby meeting the criteria for classification of discontinued operations in accordance with Statement of Financial Accounting Standards No. 144 and Emerging Issues Task Force Issue No. 03-13. In addition on January 1, 2003, we acquired Syncor International Corporation. Prior to the acquisition, Syncor had announced the discontinuation of certain operations including the medical imaging business and certain overseas operations. We proceeded with the discontinuation of these operations and included additional international and non-core domestic businesses to the discontinued operations. We sold substantially all of the remaining discontinued operations prior to the end of the third quarter of fiscal 2005. See Note 22 of the Notes to Consolidated Financial Statements in our December 6, 2005 Form 8-K incorporated herein by reference for additional information.

(4) Effective at the beginning of fiscal 2004, we changed our method of recognizing cash discounts from recognizing cash discounts as a reduction of costs of products sold primarily upon payment of vendor invoices to recording cash discounts as a component of inventory cost and recognizing such discounts as a reduction of costs of products sold upon sale of inventory. See Note 16 of the Notes to Consolidated Financial Statements in our December 6, 2005 Form 8-K incorporated herein by reference for additional information.

(5) Cash dividends per Common Share exclude dividends paid by all entities with which subsidiaries of Cardinal Health have merged.

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RISK FACTORS

Investing in our notes involves various risks. You should carefully consider the risks and uncertainties described below and the other information in this prospectus supplement and in the documents incorporated by reference before deciding whether to purchase our notes.

The ongoing SEC investigation and U.S. Attorney inquiry could adversely affect the Company s business, financial condition or operating results. The Company is the subject of a formal SEC investigation and an inquiry by the U.S. Attorney for the Southern District of New York. In April 2004, the Company s Audit Committee commenced its own internal review, assisted by independent counsel. While the Company is continuing in its efforts to respond to these inquiries and provide all information required, the Company cannot predict the outcome of the SEC investigation or the U.S. Attorney inquiry. There can be no assurance that the scope of the SEC investigation or the U.S. Attorney inquiry will not expand or that other regulatory agencies will not become involved. The outcome of, and costs associated with, the SEC investigation and the U.S. Attorney inquiry could adversely affect the Company s business, financial condition or operating results, and the investigations could divert the efforts and attention of its management team from the Company s ordinary business operations. The outcome of the SEC investigation, the U.S. Attorney inquiry and any related legal and administrative proceedings could include the institution of administrative, civil injunctive or criminal proceedings involving the Company and/or current or former Company employees, officers and/or directors, as well as the imposition of fines and other penalties, remedies and sanctions. See our December 6, 2005 Form 8-K under Note 1 of Notes to Consolidated Financial Statements and our quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2005 under Note 7 of Notes to Consolidated Financial Statements for more information.

As we have previously disclosed, settlement discussions have commenced with the SEC regarding resolution of its investigation with respect to the Company. While these discussions are ongoing, there can be no assurance that the Company s efforts to resolve the investigation with respect to the Company will be successful, and the Company cannot predict the timing or outcome of these matters or the terms of any such resolution. As a result of the initiation of these discussions, the Company recorded a reserve of $25 million for its fiscal year ended June 30, 2005 in respect of the SEC investigation. Based on the current status of these discussions, the Company expects to record an additional reserve for the second quarter of fiscal 2006 in an amount that is not expected to be material. Unless and until the SEC investigation is resolved, there can be no assurance that the amount reserved by the Company for this investigation will be sufficient and that a larger amount will not be required. Therefore, this reserve will be reviewed on a quarterly basis and adjusted to the extent that the Company determines it is necessary.

The outcomes of lawsuits brought against the Company may adversely affect the Company s business, financial condition or operating results. The Company is subject to numerous lawsuits, including several class action lawsuits against the Company and certain of its former and present officers and directors. Any settlement of or judgment in one or more of these matters could adversely affect the Company s business, financial condition or operating results. There can be no assurance that all or any portion of the liability arising from these pending lawsuits will be covered by insurance policies that the Company currently maintains. See our 2005 Form 10-K under Item 3: Legal Proceedings and our quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2005, under Note 7 of Notes to Condensed Consolidated Financial Statements, for more information.

The Company s Pharmaceutical Distribution business is transitioning its business model, which subjects the Company to risks and uncertainties. The Company s Pharmaceutical Distribution business, which is the Company s largest business, is in a business model transition with respect to how it is compensated for the logistical, capital and administrative services it provides to branded pharmaceutical manufacturers. During fiscal 2005, the Company worked with individual branded pharmaceutical manufacturers to define fee-for-service terms that adequately compensate the Company based on the services being provided to such manufacturers.

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As part of the transition to fee-for-service terms, certain of the new distribution service agreements entered into with branded pharmaceutical manufacturers continue to have an inflation-based compensation component to them. Arrangements with certain other branded manufacturers still continue to be solely inflation-based. If branded pharmaceutical price inflation is lower than the Company has anticipated, its operating results could be adversely affected with respect to its current exposure to contingent fee-based compensation in its Pharmaceutical Distribution business. In addition, certain key distribution service agreements will be re-negotiated in the latter half of fiscal 2006 and into fiscal 2007 when their initial terms expire. If the terms of the re-negotiated agreements are unfavorable to the Company, it could adversely affect the Company s operating results. See our 2005 Form 10-K under Customers and Suppliers within Item 1: Business, for more information.

You should refer to the section under Risk Factors That May Affect Future Results in Part 1, Item 1 in our 2005 Form 10-K, incorporated by reference in this prospectus supplement for additional risk factors that may affect our business under the following headings:

Intense competition may erode the Company s profit margins.

Additional restatements may be required, the historical consolidated financial statements may change or require amendment or additional disciplinary actions may be required; the Audit Committee may identify new issues, or make additional findings if it receives additional information, which may have an impact on the Company s consolidated financial statements and the scope of the restatements described in our 2005 Form 10-K, our December 6, 2005 Form 8-K and our quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2005.

The Company s internal controls may not be sufficient to ensure timely and reliable financial information.

Changes in the United States health care environment may adversely affect the Company s business, financial condition or operating results.

The Company could be adversely affected by the loss of one or more significant customers or group of customers, or by a change in customer mix.

Difficulties, delays or increased costs in implementing the global restructuring program associated with the Company s One Cardinal Health initiative may adversely affect the anticipated benefit of the restructuring on the Company s business, financial condition and operating results.

Failure to comply with existing and future regulatory requirements may adversely affect the Company s business, financial condition or operating results.

The Company s operating results could be adversely affected by a delay in, or failure to receive, regulatory approval.

Circumstances associated with the Company s acquisition strategy and internal growth may adversely affect the Company s operating results.

Downgrades of the Company s credit ratings could adversely affect the Company.

The Company could be adversely affected if transitions in senior management are not successful.

Increased costs for raw materials or raw material shortages may adversely aff