

**MCKESSON**

*Empowering Healthcare*

**Goldman Sachs  
Healthcare Conference**

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# **John Hammergren**

**Chairman and  
Chief Executive Officer**

# Safe Harbor Clause

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**Some of the information in this presentation may constitute forward-looking statements that are subject to various uncertainties. These uncertainties could cause actual results to differ materially from those projected or implied. The risk factors associated with those uncertainties are described in the Company's reports and exhibits filed with the Securities and Exchange Commission.**

# McKesson's Comprehensive Offering of Products and Services

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### McKesson Pharmaceutical

- #1 in North America
- Large Rx repackaging
- Leading generics provider
- #1 in retail pharmacy automation
- Patient services and specialty distribution services for manufacturers
- #1 in medical management software and services for payors
- Disease management

### McKesson Medical-Surgical

- #1 in primary care and extended care
- Total supply solution in acute care
- Rapid growth in physician office pharmaceuticals and equipment

### McKesson Provider Technologies

- 63% of health systems
- 51% of hospitals with 200+ beds
- Comprehensive product and service offering
- More "Best in KLAS" products than any other vendor
- #1 in robotic hospital pharmacy dispensing
- #1 in bedside scanning

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# McKesson's Vision of Healthcare

## *Major Trends Driving Growth*

- **Demographics drive drug consumption**
  - McKesson handles 30% of nation's drug needs
- **Focus on technology to drive healthcare quality**
  - McKesson solutions deliver best practice information at point of care
- **Focus on patient safety**
  - McKesson solutions provide supply chain integrity and reduce medication errors – bar-code mandate for hospitals
- **Focus on managing chronic diseases**
  - Provide health management solutions across spectrum
- **Pressure to control healthcare costs**
  - Work with manufacturers, customers and payors to manage costs, improve quality, increase efficiency

# McKesson Strategy

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**Build strong, lasting, value-driven relationships  
with customers and suppliers**



- **Create long-term relationships based on custom solutions that deliver ROI and quality**
- **Sell McKesson's comprehensive solutions**
- **Innovate with offerings that address emerging healthcare challenges**

# McKesson Solutions Improve Quality and Reduce Cost

Pharmaceutical and medical-surgical distribution to all sites

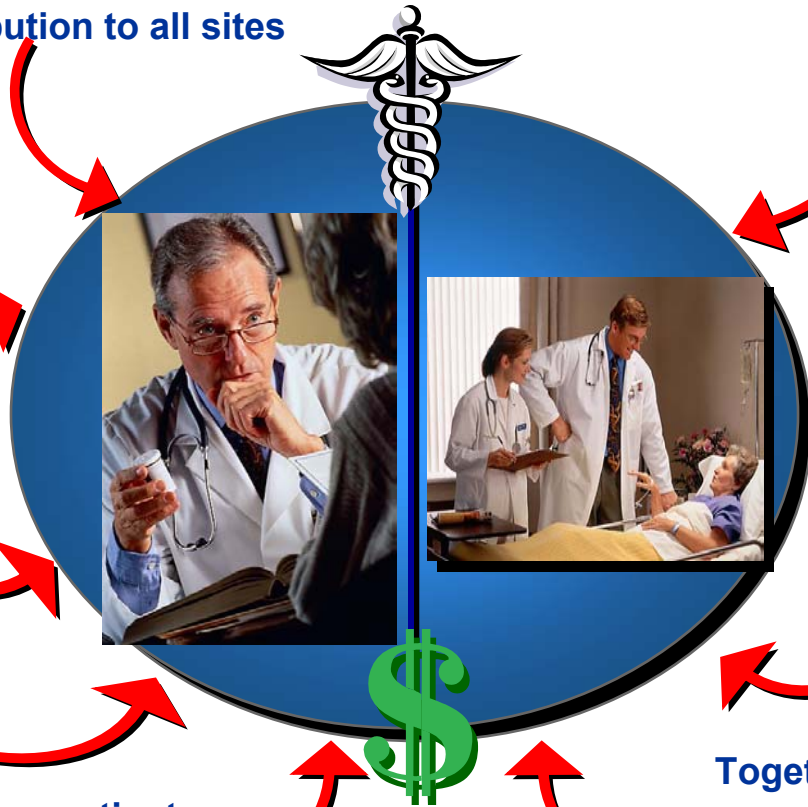
Clinical, financial and resource management systems for hospital and IDNs

Automation for retail and hospital pharmacies

Pharmaceutical repackaging

Pharmacy outsourcing

Solution for Medication Safety



Specialty pharmaceutical distribution

Services for payors, patients and manufacturers

Together Rx card & Rx Access card

**Opportunity to Create Unique Solutions**

# FY04 Financial Results

(\$ in millions, except EPS)

	4th Quarter			Full Year		
	FY03	FY04		FY03	FY04	
<b>Revenues</b>						
Pharmaceutical Solutions*	\$ 13,889	\$ 16,974	22%	\$ 53,238	\$ 65,621	23%
Medical-Surgical Solutions	683	644	-6%	2,744	2,707	-1%
Information Solutions	314	322	2%	1,139	1,178	3%
<b>Total</b>	<b>\$ 14,886</b>	<b>\$ 17,940</b>	<b>21%</b>	<b>\$ 57,121</b>	<b>\$ 69,506</b>	<b>22%</b>
<b>Operating Profit</b>						
Pharmaceutical Solutions	\$ 301	\$ 269	-11%	\$ 988	\$ 933	-6%
Medical-Surgical Solutions	17	26	54%	65	92	40%
Information Solutions	36	106	197%	95	190	102%
<b>Total</b>	<b>\$ 354</b>	<b>\$ 401</b>	<b>13%</b>	<b>\$ 1,148</b>	<b>\$ 1,215</b>	<b>6%</b>
<b>Operating Margin %</b>						
Pharmaceutical Solutions*	2.17%	1.58%	(59) bp	1.86%	1.42%	(44) bp
Medical-Surgical Solutions	2.47%	4.04%	157 bp	2.38%	3.38%	100 bp
Information Solutions	11.44%	33.13%	2169 bp	8.29%	16.16%	787 bp
<b>Net Income</b>	<b>\$ 179</b>	<b>\$ 214</b>	<b>20%</b>	<b>\$ 555</b>	<b>\$ 647</b>	<b>16%</b>
<b>Diluted EPS</b>	<b>\$ 0.61</b>	<b>\$ 0.73</b>	<b>20%</b>	<b>\$ 1.88</b>	<b>\$ 2.19</b>	<b>16%</b>

\* Includes Warehouse Sales

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# FY04 Financial Results - Recast

(\$ in millions, except EPS)

	4th Quarter			Full Year		
	FY03	FY04		FY03	FY04	
<b>Revenues</b>						
Pharmaceutical Solutions*	\$ 13,830	\$ 16,943	23%	\$ 53,059	\$ 65,493	23%
Medical-Surgical Solutions	708	670	-5%	2,843	2,811	-1%
Provider Technologies	348	327	-6%	1,219	1,202	-1%
<b>Total</b>	<b>\$ 14,886</b>	<b>\$ 17,940</b>	<b>21%</b>	<b>\$ 57,121</b>	<b>\$ 69,506</b>	<b>22%</b>
<b>Operating Profit</b>						
Pharmaceutical Solutions	\$ 292	\$ 288	-1%	\$ 967	\$ 980	1%
Medical-Surgical Solutions	20	29	45%	79	107	35%
Provider Technologies	42	84	100%	102	128	25%
<b>Total</b>	<b>\$ 354</b>	<b>\$ 401</b>	<b>13%</b>	<b>\$ 1,148</b>	<b>\$ 1,215</b>	<b>6%</b>
<b>Operating Margin %</b>						
Pharmaceutical Solutions*	2.11%	1.70%	(41) bp	1.82%	1.50%	(32) bp
Medical-Surgical Solutions	2.78%	4.39%	161 bp	2.79%	3.79%	100 bp
Provider Technologies	11.91%	25.63%	1372 bp	8.33%	10.66%	233 bp
<b>Net Income</b>	<b>\$ 179</b>	<b>\$ 214</b>	<b>20%</b>	<b>\$ 555</b>	<b>\$ 647</b>	<b>16%</b>
<b>Diluted EPS</b>	<b>\$ 0.61</b>	<b>\$ 0.73</b>	<b>20%</b>	<b>\$ 1.88</b>	<b>\$ 2.19</b>	<b>16%</b>

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# Fiscal 2004 Financial Highlights

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- Cash flow from operations of \$563 million
- Reduced DSI by three days
- Net debt to net capital ratio 13%
- ROCC 23.4%
- ROE 13.4%
- Share repurchases for year of \$157 million

# Pharmaceutical Solutions Summary

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- **Strong pharmaceutical distribution revenue growth in both U.S. and Canada**
- **Renewed agreements with 6 of 10-largest U.S. customers**
- **VA implementation proceeding very well**
- **Rx Savings Access card launch underway**

# **Progress with Manufacturer Economics**

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- **Proactive strategy based on value provided: Core Distribution Agreements or CDAs**
- **In addition to CDAs, offer value added services**
- **Segmented manufacturers into 4 tiers**
- **Letters sent to Tier 4 companies and generic manufacturers**
- **Excellent progress being made**

# Medical-Surgical Solutions Summary

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- **Operating plan continues to deliver results**
- **Strong growth in alternate sites**
- **Expanded pharmaceuticals/vaccine program drives 13% growth in physician offices**
- **Acquisition of Moore Medical April 1**

# Provider Technologies Summary

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- **Revenue growth modest – software revenues impacted by complex clinical installations and slower demand for non-clinical software**
- **Customer satisfaction and product innovation continue to increase**
- **Reorganization should enhance product integration and selling effectiveness under One McKesson strategy**

# Fiscal 2005: \$30 Million of Incremental Strategic Investments

- Core investments in R&D, PPE continue to grow
- Incremental investments in longer-term opportunities:
  - Rx Access CMS drug card for seniors
  - Payor business
  - ePrescribing
  - Closed Loop Supply Management
  - Patient Safety



**Options for future growth in addition to turnaround in core business**

# Fiscal 2005 Outlook and Long-term Goals

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- **FY05 expectation: \$2.20 to \$2.35 per share, first half down modestly, stronger growth in second half**
- **Grow revenues at or above 10% per year, achieve EPS growth in the mid-teens once the changes in business are completed**



**Create Value for Suppliers, Customers and Shareholders**

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