

MCKESSON

Empowering Healthcare

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John Hammergren

**Chairman and
Chief Executive Officer**

Safe Harbor Clause

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

Agenda For Today's Presentation

- **Market and Strategy Overview**

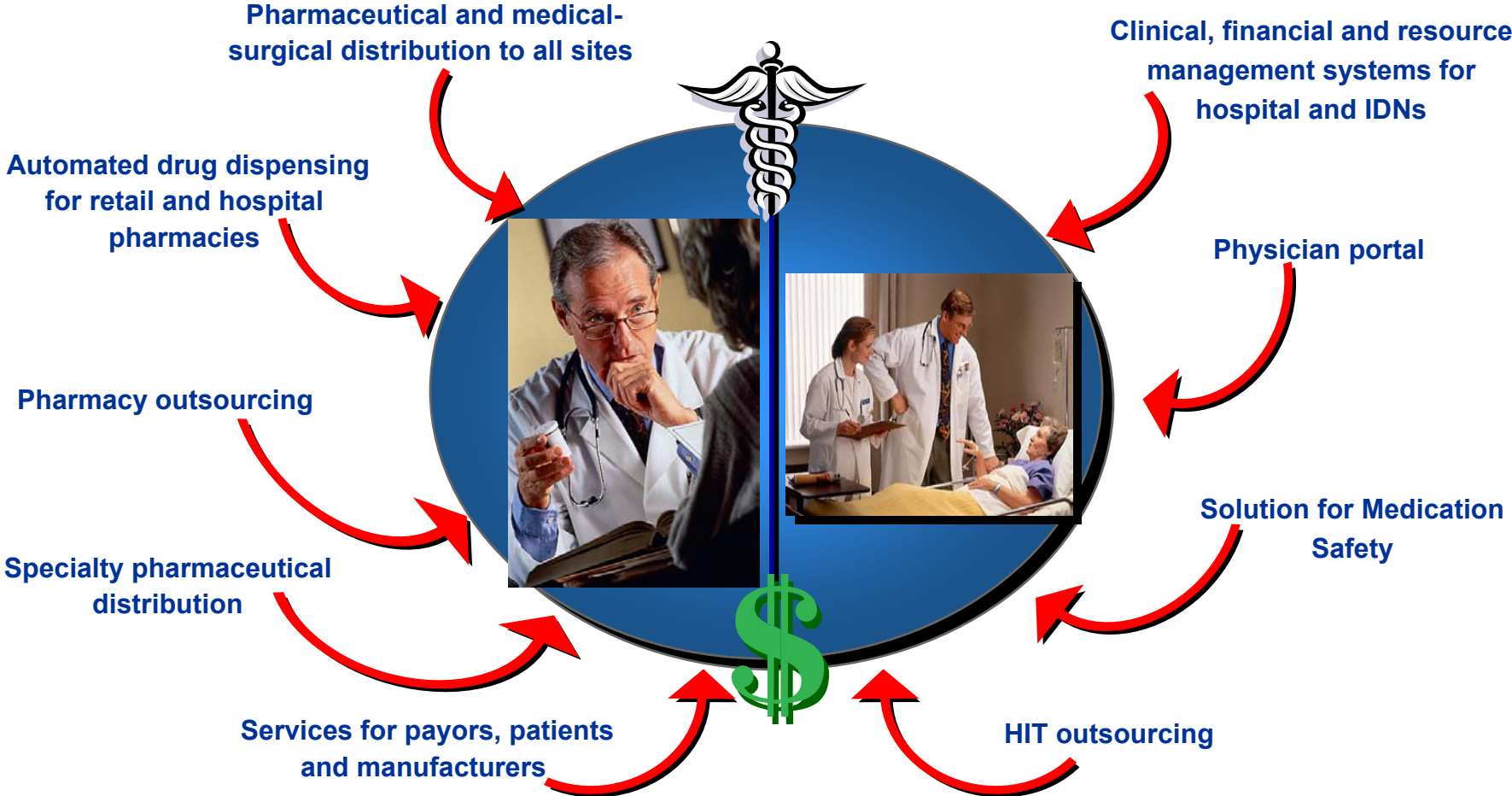
- **Business Unit Review**

- **Financial Summary**

Healthcare Market Drivers

- Aging population drives consumption of drugs, supplies
- Influx of new drugs drives specialty services
- Cost and consumer pressures drive need for quality and increase focus on generics
- Focus on quality drives adoption of new clinical software
- Clinician shortage drives automation, information technology and outsourcing
- Med error crisis drives automation/information solutions
- HIPAA drives systems standardization and connectivity

McKesson Solutions to Improve Quality and Reduce Cost



Unique Conversations with Customers At Higher Levels

McKesson Solutions Performance

- All 17 hospitals named to U.S. News & World Report “Honor Roll of Best Hospitals” are McKesson customers
- 73 of 100 hospitals on “Most Wired” list are McKesson Information Solutions customers

Culture and Values



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INTEGRITY

CUSTOMER-CENTERED

ACCOUNTABILITY

RESPECT

EXCELLENCE

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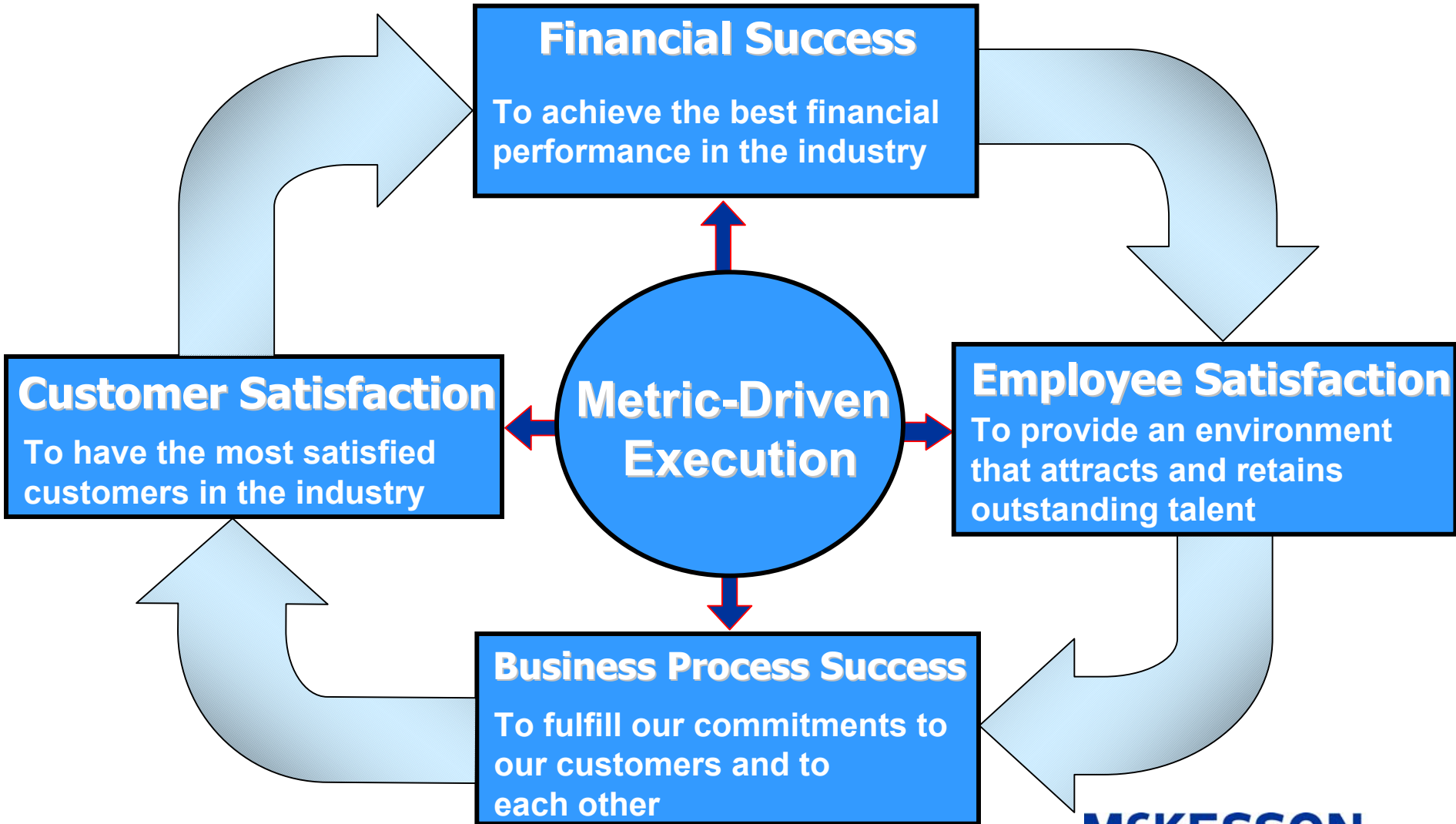
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Business Scorecard



McKesson Supply Businesses

McKesson Pharmaceutical

- Distribution
- Repackaging
- Informatics
- International

McKesson Automation

- Retail Pharmacy
- Hospital / Institutional

McKesson Health Solutions

- Medical Management Software and Services
- Specialty Pharmaceutical Services

McKesson Medication Management

- Pharmacy and Medication Management Services

McKesson Medical Surgical

- Primary Care
- Extended Care
- Acute Care

End-to-End Continuum of Services

Multiple Points of Leverage

Comprehensive North American Distribution

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Pharmaceutical Industry Drivers

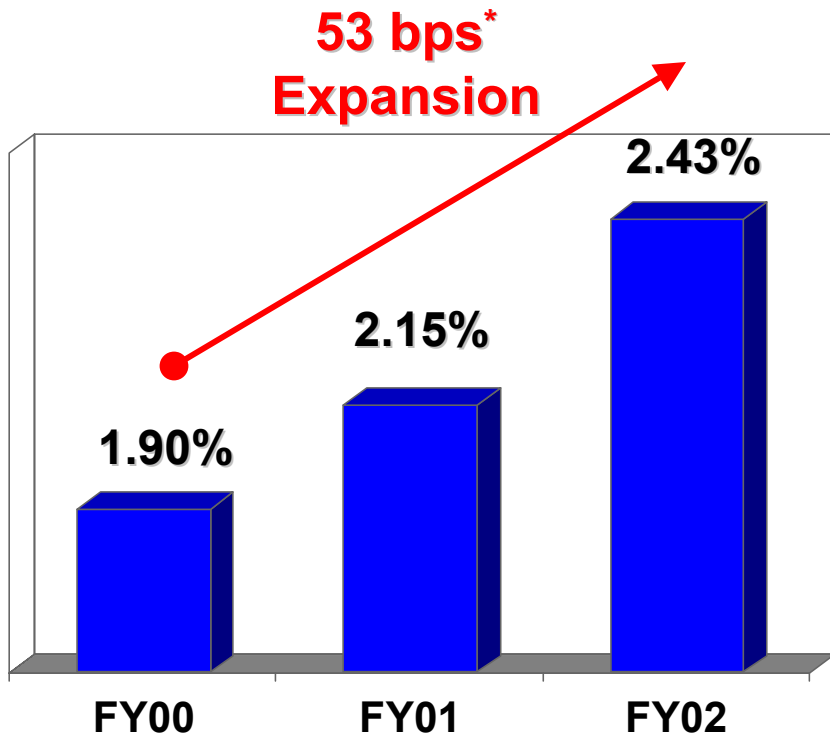
- Aging Population
- Increasing Pharmaceutical Utilization
- Generics Focus
- Expanding Drug Pipeline
- Strong Pricing Environment



Excellent External Fundamentals

Pharmaceutical Solutions Margin Momentum

Pharmaceutical Solutions Operating Margin



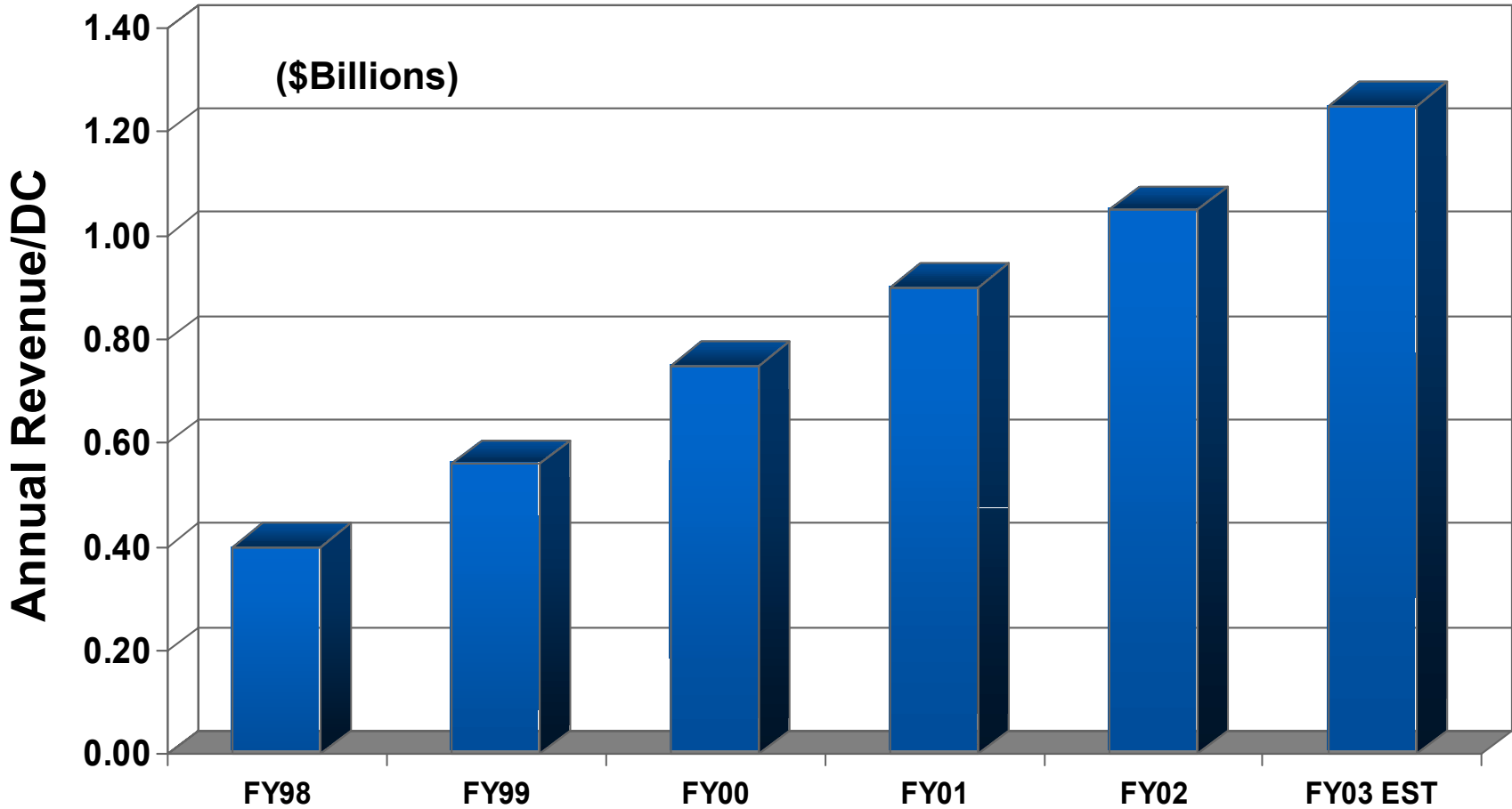
**+21 bp in Q1 FY03 =
8 Consecutive Quarters
of Operating Margin
Expansion**

**FY02 includes 3 bps from discontinuation of goodwill amortization*

Pharmaceutical Solutions Operating Margin Drivers FY01 and FY02

- **Product sourcing opportunities**
- **Improvements in back office processing**
- **Six Sigma process improvements**
- **Expansion of generics channel**
- **Operating expense leverage**
- **Margin expansion in Canada**

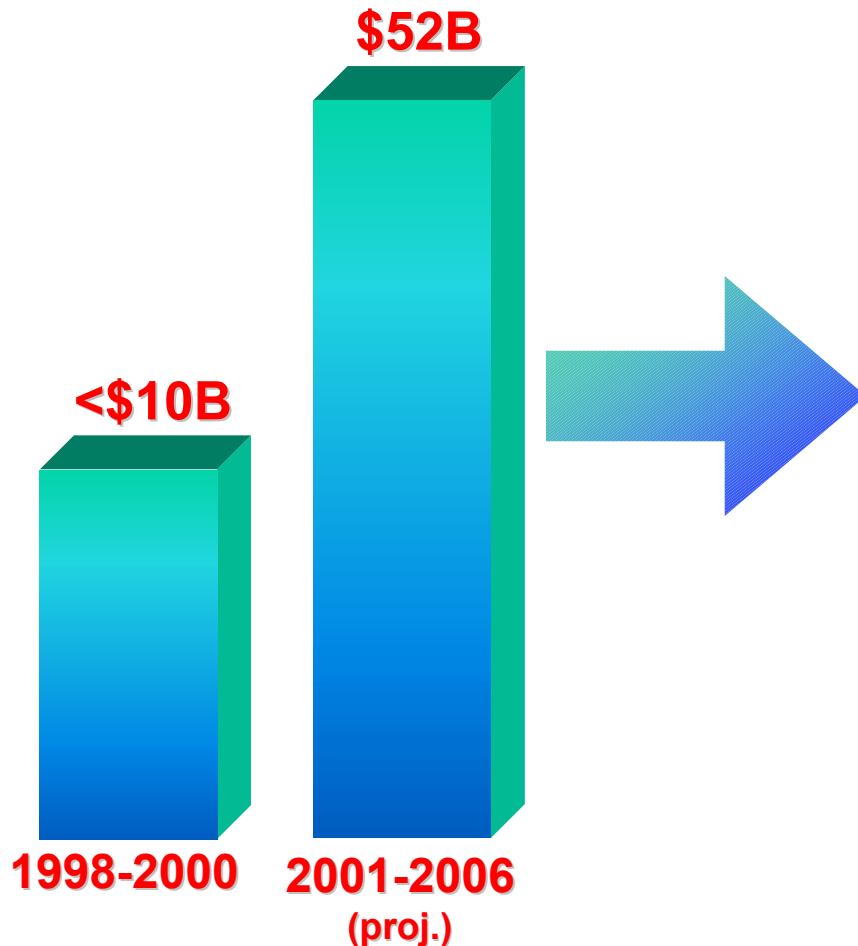
McKesson DC Productivity



Note: Excludes Alaska and Hawaii

Significant Generics Opportunity

Branded pharmaceuticals going
off patent



Should drive significant generic growth and margin expansion

- McKesson OneStop program
- 20,000 pharmacy outlets
- Generic Rx GP\$ and margin higher than that of branded Rx

Generics Gross Profit Drivers

- **Better sell margin**
- **Margin expansion through buying leverage**
- **“Formulary” fees**
- **Portfolio opportunities with manufacturers**
- **Free goods/credits**

Pharmaceutical Solutions: Expand Operating Margins in FY03

- Product Sourcing
- Six Sigma
- Expand Generics Sales
- Grow Packaging Capabilities and Penetration
- Automation Market Expansion and Cross Selling



Significant Momentum in FY03

McKesson Information Solutions

Financial Strength

- ◆ \$1 billion revenues
- ◆ 15% of revenue goes to R&D investment

Market Share

- ◆ 60% of health systems
- ◆ 82% of covered lives
- ◆ Largest / most profitable International HIT business

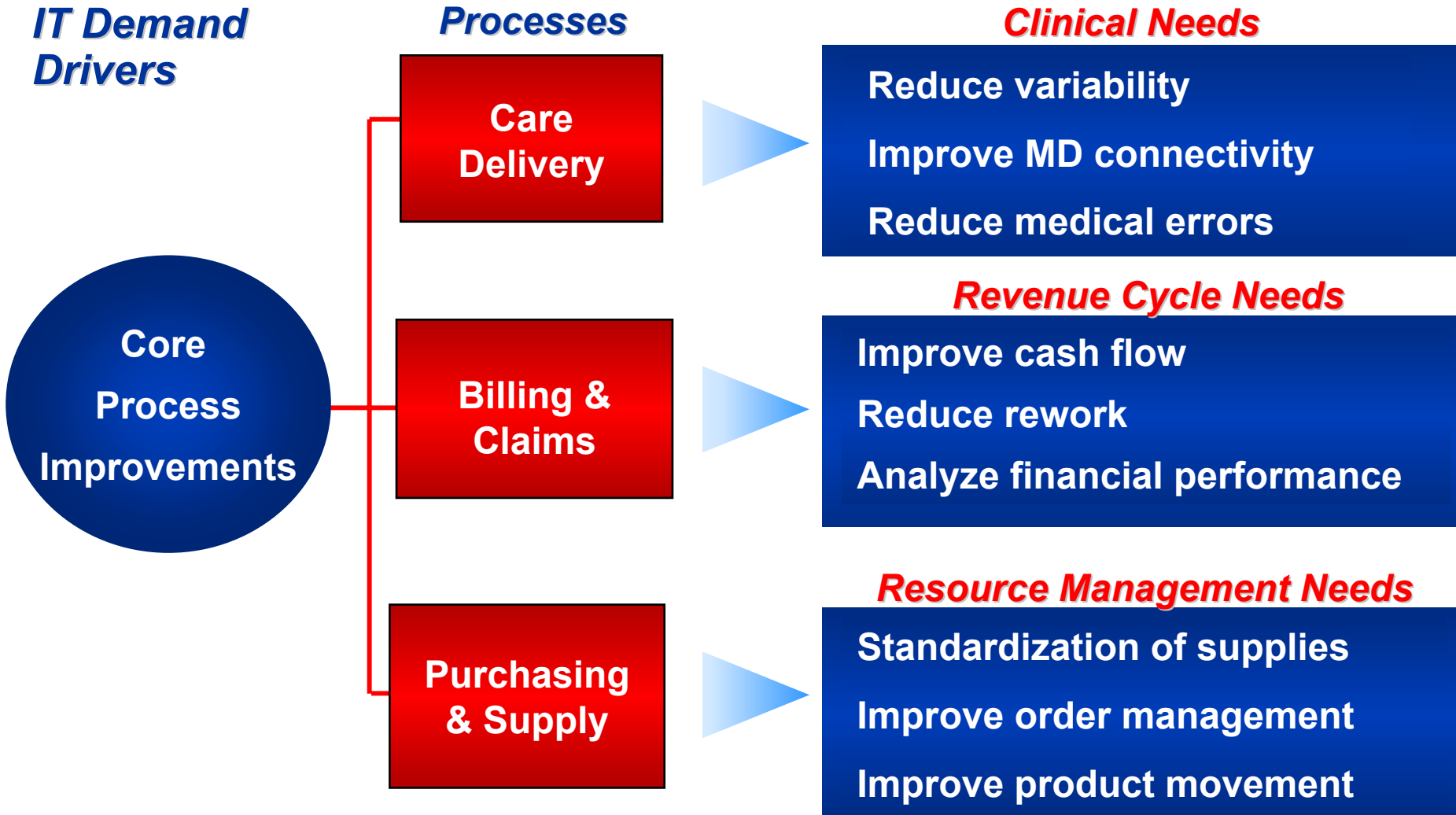
Solution Portfolio

- ◆ Most comprehensive
- ◆ Best-of-class
 - Software
 - PACS
 - Services
 - Outsourcing
 - Consulting
 - Content
 - Connectivity

Employee Expertise

- ◆ 6,300 employees
- ◆ 1,250 R&D
- ◆ 850 customer support
- ◆ 500 clinicians

Market Opportunity: IT Demand Drivers



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Information Solutions Outlook

- **Growing Demand for Clinical Products**
- **McKesson Positioned for Clinical Leadership**
- **Margin Expansion Strategies**
 - Improving revenue mix
 - Leveraging existing infrastructure

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McKesson FY03 Strategic Goals

Pharmaceutical Solutions

- Strong market position throughout North America
 - Drive automation and generics sales for margin expansion
-

Medical-Surgical Solutions

- Well positioned in growth segments
 - Focus on operational restructuring to drive quality and efficiency
-

Information Solutions

- Capitalize on largest footprint to drive clinical leadership
- Continued investment in new product development

Q1 FY03 Financial Highlights

(\$ in millions, except EPS)	<u>1st Quarter</u>		
	<u>FY03</u>	<u>FY02</u>	
Revenues	\$10,131	\$8,550	+18%
Operating Profit			
Pharmaceutical Solutions	\$ 225	\$ 171	+32%
Medical-Surgical Solutions	19	25	- 22%
Information Solutions	19	11	+75%
Net Income	\$ 125	\$ 90	+39%
Diluted Earnings per Share	\$ 0.42	\$ 0.31	+35%

Note: Before special items, not including sales to customers' warehouses

McKesson Financial Performance

Six Quarters of Earnings Momentum

	FY01*	FY02*				FY03*
	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Revenue Y-O-Y	17%	16%	19%	20%	16%	18%
Operating Profit Y-O-Y	33%	34%	38%	39%	42%	27%
EPS Y-O-Y	41%	41%	45%	58%	55%	35%

**All results exclude warehouse sales and special items and include impact of FAS 142 effective FY02*

Factors Driving Sustained Financial Performance

- Financial/Customer Momentum
- Positive External & Internal Fundamentals
- Execution-Oriented Strategy
- Strong Leadership Team



Value Creation for Customers and Shareholders

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