

MCKESSON

Empowering Healthcare

Bear Stearns 2003 Global Healthcare Conference

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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 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 Corporation Mission

To advance the health of the healthcare system by advancing the success of our partners



- **Improve productivity/reduce labor**
- **Lower administrative and supply costs**
- **Improve clinical outcomes**
- **Reduce errors and inappropriate care**

Comprehensive Array of Products, Technology and Services

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McKesson Pharmaceutical

- #1 in retail chains and independents
- Rapid growth in specialty distribution
- #1 in Canada
- Large Rx repackaging
- #1 hospital pharmacy outsourcing business
- Leading generics provider



McKesson Information Solutions

- 63% of health systems
- 51% of hospitals with 200+ beds
- Comprehensive product offering: clinical, revenue cycle and resource management
- Extensive service offering: consulting, technology and outsourcing



McKesson Automation

- #1 robotic hospital pharmacy dispensing
- #2 in new hospital unit-dose cabinets
- Leading bedside administration scanning
- #1 in retail pharmacy automation
- Med supply scanning and cabinets



McKesson Health Solutions

- #1 in medical management software and services for payors
- Disease management
- Patient relationship services for manufacturers
- #1 in hospital-based call center solutions



McKesson Medical-Surgical

- #1 in primary care and extended care
- Strongly positioned in acute care
- Rapidly growing eSupply component

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Broad Customer Base



Manufacturers

450+ Pharmaceutical
2,000+ Medical-Surgical



Providers

35,000+ Physician Practices
10,000+ Extended Care Facilities
3,100+ Hospitals
700+ Home Care Agencies



Consumers

32 Million+ Covered Lives



Retail Pharmacies

25,000+ Locations



Health Plans

600+ Payor Organizations

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Values and Operating Principles

Working Environment That is World-Class



Performance Management



Shared Principles



Talent Acquisition



**Management/
Leadership**

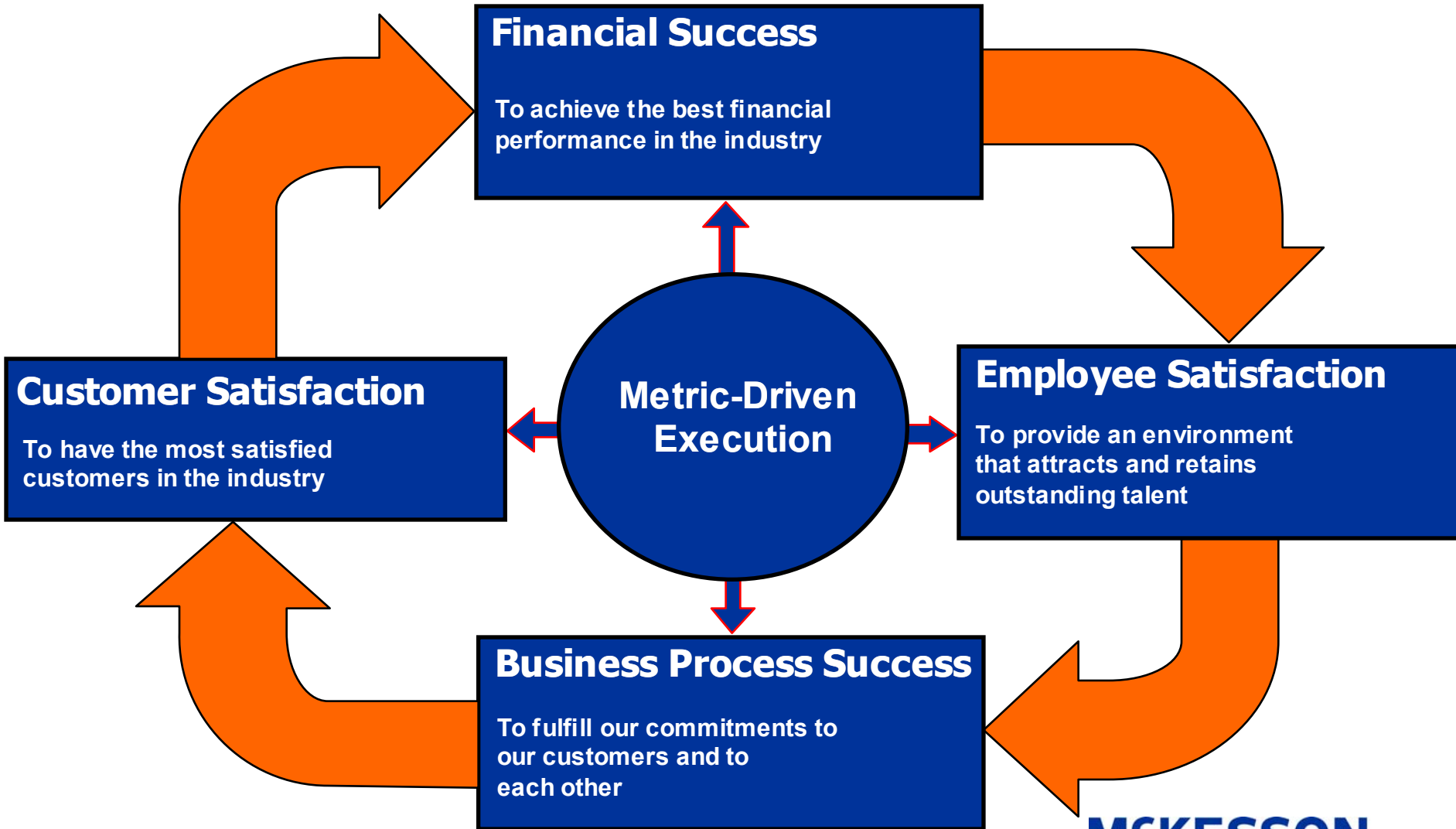


Training

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Business Metrics Drive Results



Solid Q1 FY2004 Results

(\$ in millions, except EPS)

First Quarter Ended June 30

	<u>FY04</u>	<u>FY03</u>	
Revenues	\$11,360	\$10,126	+12%
Net Income	\$156	\$117	+33%
Diluted Earnings per Share	\$0.53	\$0.39	+36%
Return on Committed Capital	24.8%	20.5%	+430bp
Operating Cash Flow	\$43	\$(198)	NM
Net Debt/Net Capital Ratio	14.7%	20.8%	

Note: Excluding sales to customers' warehouses

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Pharmaceutical Solutions Q1 Results

- U.S. revenues up 12%, warehouse sales up 48%
- All major agreements renewed plus new institutional business
- Canadian revenues up 27%
- Operating profit up 16%

Pharmaceutical Environment Remains Positive

- **Market growth recovering as impact of major generic conversions and other issues are anniversaried**
- **New bi-partisan bill increases visibility for Medicare drug benefit and creates other business opportunities**
- **Drug price increases continue but IMAs are increasing and product sourcing opportunities are normalizing**
- **Incentives for increased use of generics and continued conversions create additional profit opportunities**
- **Improving new drug pipeline, especially oncology**

Levers to Further Expand Operating Profit and Return on Capital

Inventory Profit

Branded product sourcing

- Price increases
- Manufacturer collaborative agreements (IMAs)

Generic product sourcing

- McKesson One Stop Program
- 20,000 total pharmacy outlets
- One Stop FY03 revenues +61%
- Generic Rx GP\$ and margin higher than that of branded Rx

Related products and services

- McKesson Canada
- Nadro
- Specialty Pharmaceuticals
- Automation
- Repackaging
- Disease Management
- Pharmacy Outsourcing
- Payor Services
- Zee Medical

Pharmaceutical Solutions

FY04 Goals

- Continue to leverage cost structure and reduce expense
- Continue to capitalize on generic opportunities
- Continue to execute Six Sigma process improvements
- Expand offering to small chains and independents
- Leverage hospital market position

Medical-Surgical Solutions Turnaround Underway

- **New leadership has stabilized the business**
- **DC network consolidation has been completed and ERP system implementation remains on schedule**
- **Fiscal 2003-04: begin to realize benefits of consolidation and ERP system, improve processes and increase McKesson brand sales**

Medical-Surgical Solutions Q1 Results

- Operating profit up 19%
- Execution of operating plan remains on schedule
- New and effective leadership gaining momentum

Medical-Surgical Solutions

FY04 Goals

- **Begin to realize benefits from DC network consolidation and ERP system implementation**
- **Introduce Six Sigma to improve processes**
- **Expand private label programs and sales**
- **Expand Closed Loop Supply strategy**

Information Solutions Q1 Results

- Revenues up 4%, software revenues up 9%
- Operating profit up 12%
- Strong demand for clinical solutions
- Slower demand for services and financial and administrative software

Information Solutions FY04 Goals

- Continue ramp-up of clinical software installations
- Continue to invest in new product innovations
- Continue to leverage McKesson position in hospital market
- Introduce Six Sigma to improve processes

One McKesson Strategy

- **Internal: Leverage company size and scope**
- **External: Leverage customer base**
 - Create long-term customer relationships based on ROI and quality improvements
 - Penetrate relationship by selling McKesson's comprehensive solutions
 - Innovate with new offerings that address emerging healthcare challenges faster than the competition

One 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

Physician portal

Pharmacy outsourcing

Solution for Medication Safety



Specialty pharmaceutical distribution

Together Rx card

Services for payors, patients and manufacturers

Unique Conversations with Customers At Higher Levels

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Closed-Loop Care



Resource Management



Connect the Physician



Revenue Cycle

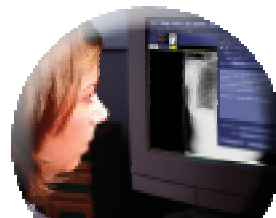
McKesson's In the Room



Improve Nursing Efficiency



Streamline Operations



Manage Diagnostic Examinations



Reduce Medication Errors

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Reduce Medication Errors

Closed-Loop Medication Management



PRESCRIBING

TRANSCRIBING

DISPENSING

ADMINISTERING

MONITORING



DISTRIBUTION

Solutions at Every Point of Care



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Manage Diagnostic Examinations

Closed-Loop Medical Image Management



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Improve Physician Care Anytime, Anywhere Access



Physician Portal - Microsoft Internet Explorer

Address: http://e2kportal/portal/index.jsp?pageID=pp_results&PID=19750&EID=A77860&XID=A0107100005

EDIT Results Viewer

Lab & Rad Show Selected Results

Show All Results Orders from 60 days back Refresh

<input checked="" type="checkbox"/>	RsltLvl	Collected	Ordered	Item (Order Number)	Dept Status	Priority
<input type="checkbox"/>						

Normal Capital Discharge Notes

Mississippi - The Children's Health Center
 701 Ave. 1001 River Street, 39201 MS
 Patient Name: Matthew Ryan Bell
 Address: 2414 Highland E and
 Patient ID: 01101402

Summary
 This is the first hospital admission for this 64-year-old Hispanic male. He came to the hospital complaining of decrease of breath, weakness, temperature greater than 102 degrees F for two days. He had productive sputum.

Upon examination, patient was awake and alert and found to have wheezes by auscultation in the right lower lobe of lung. Chest x-rays showed patchy infiltrate in left lower lobe of the lung. CBC markedly elevated elevated white count, normal hemoglobin and HCT. Sputum culture produced gram positive diplo streptococcus which was sensitive to ampicillin. Patient was initially started on IV antibiotics and intravenous fluids. 24 hours. Patient was discharged on day 5 with prescriptions for ampicillin 250 mg po q 6h.

Vitals
 Height 5'6"
 Weight 165 lb
 Blood pressure 120/82

Temperature Information
 Temperature monitor: Standard Unit
 Name of sensor: None in patient
 Group number: 01002

EDIT Patient Vitals Graph - Temperature

Temperature (02/03/2001 00:00 - 04/04/2001 16:04)

Date	Temperature
3/12/01	99.5
3/13/01	100.5
3/13/01	101.0
3/13/01	104.0
3/14/01	103.5
3/15/01	100.5
3/16/01	100.5
3/16/01	99.5
3/16/01	99.0

Local intranet 4:07 PM

Resource Management

Closed-Loop Supply Chain Management



**PRODUCT
SELECTION/
UTILIZATION**

**ORDER
MANAGEMENT**

LOGISTICS

**DECISION
SUPPORT**

PAYMENT



DISTRIBUTION



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McKesson Solutions Performance

- All 17 hospitals named to 2003 “Honor Roll of Best Hospitals” are McKesson customers¹
- 88 of 100 hospitals on “Most Wired” list are McKesson customers²
- 21 of 25 “Most Wireless” are McKesson customers²
- 22 of 25 “Most Improved” are McKesson customers²

Sources: 1 - US News & World Report,
2 – Hospitals and Health Networks

Goals for Delivering Sustained Financial Performance

- Industry-leading solutions and profit growth in Pharmaceutical Solutions
- Clinical leadership, continued new product innovation and profit growth in Information Solutions
- Improving profit in Medical-Surgical Solutions



Value Creation for Customers and Shareholders

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