

MCKESSON

Empowering Healthcare

B of A Securities 2003 Health Care Conference

March 25, 2003

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.

Largest Healthcare Services Company in North America -- 3 Segments

Pharmaceutical Solutions

- ◆ \$46 billion in revenues
- ◆ US and Canadian pharma distribution
- ◆ Market growth 11-14%
- ◆ Focus on operating efficiencies and margin expansion

Medical-Surgical Solutions

- ◆ \$2.7 billion in revenues
- ◆ Multi-site U.S. med-surg supply distribution
- ◆ Market growth 2-5%
- ◆ Focus on improving results

Information Solutions

- ◆ \$1 billion in revenues
- ◆ HIT software, services, outsourcing
- ◆ Market growth ~10%
- ◆ Focus on clinical implementations and new product penetration

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Favorable Market Factors Drive McKesson Growth

- Aging and more sophisticated population consumes more drugs and supplies, more knowledgably
- Consumer, employer and government focus on quality
- Costs and incentives drive increased use of generics
- Clinician shortage increases focus on productivity
- Near-term pipeline of drugs expanding once again





McKesson growth 3-4 times growth of general economy

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Strong Q3 & YTD Results -- GAAP

(all \$ in millions, except EPS)

	<u>3rd Quarter</u>			<u>Nine Months</u>		
	<u>FY03</u>	<u>FY02</u>		<u>FY03</u>	<u>FY02</u>	
Revenues						
Pharmaceutical Solutions	\$9,926	\$8,695	+14%	\$28,437	\$24,311	+17%
Medical-Surgical Solutions	\$ 693	\$ 684	+1%	\$ 2,060	\$ 2,044	+1%
Information Solutions	\$ 295	\$ 248	+19%	\$ 825	\$ 732	+13%
Operating Profit						
Pharmaceutical Solutions	\$ 241	\$ 200	+20%	\$ 687	\$ 551	+25%
Medical-Surgical Solutions	\$ 18	\$ 26	-32%	\$ 48	\$ 48	---
Information Solutions	\$ 15	\$ 15	---	\$ 59	\$ 19	+215%
Diluted Earnings per Share	\$ 0.46	\$ 0.37	+24%	\$ 1.27	\$ 1.00	+27%
Return on Committed Capital	22.3%	9.3%				
Net Debt/Net Capital Ratio	18.1%	19.1%				

Note: Excludes sales to customers' warehouses

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Pharmaceutical Solutions: Solid Growth and Expanding Margins

- Q3 U.S. pharmaceutical revenues up 14%, warehouse sales up 12%
- Generic sales slow market growth but drive margin expansion
- Q3 operating margin up 13 bp
- McKesson Canada revenues up 17%

Medical-Surgical Solutions Turnaround Underway

- New leadership has stabilized the business
- Near-term focus on completing DC network consolidation and ERP system implementation
- Longer term: realize benefits of consolidation and ERP system, improve processes and increase McKesson brand sales



**Gradual improvement expected
throughout FY04**

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Information Solutions Market Momentum Continues

- Q3 revenues up 19%, software up 63%
- Q3 operating profit up strongly before taking into account international reserve and positive adjustment to customer settlement reserve
- Horizon Expert Orders GA 12/9/02
 - 12 customers in implementation by fiscal year end

FY00 to FY03 Achievements

- **Highest revenue growth and largest operating profit margin expansion in industry for Pharmaceutical Solutions**
- **Major improvement in customer satisfaction and more new product introductions combined with solid operating margin expansion for Information Solutions**
- **Solid EPS growth despite erosion in Medical-Surgical Solutions operating profit**

Goals for Delivering Sustained Financial Performance

- Industry-leading solutions and margin expansion in Pharmaceutical Solutions
- Clinical leadership, continued new product innovation and margin expansion in Information Solutions
- Return to historical operating margins in Medical-Surgical Solutions



Value Creation for Customers and Shareholders

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