

MCKESSON

Empowering Healthcare

CSFB 2003 Global Healthcare Conference

November 12, 2003

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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
- 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 in 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
- Repositioning in acute care
- Rapidly growing eSupply component

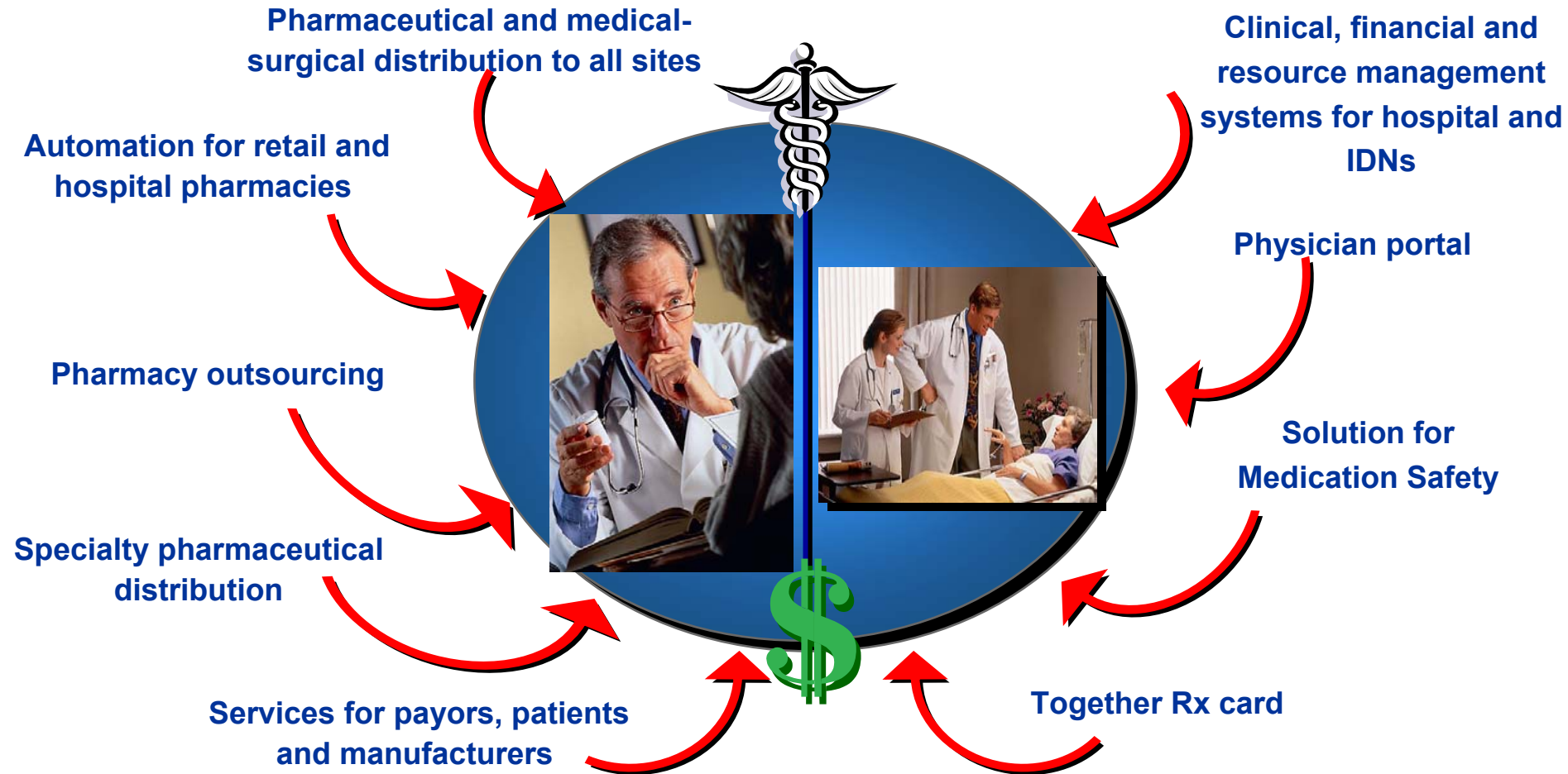
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One McKesson Strategy

- **Internal: Leverage company size and scope**
- **External: Leverage customer base**
 - **Create long-term customer relationships based on ROI and quality improvements**
 - **Sell McKesson's comprehensive solutions**
 - **Innovate with offerings that address emerging healthcare challenges**

One McKesson Solutions Improve Quality and Reduce Cost



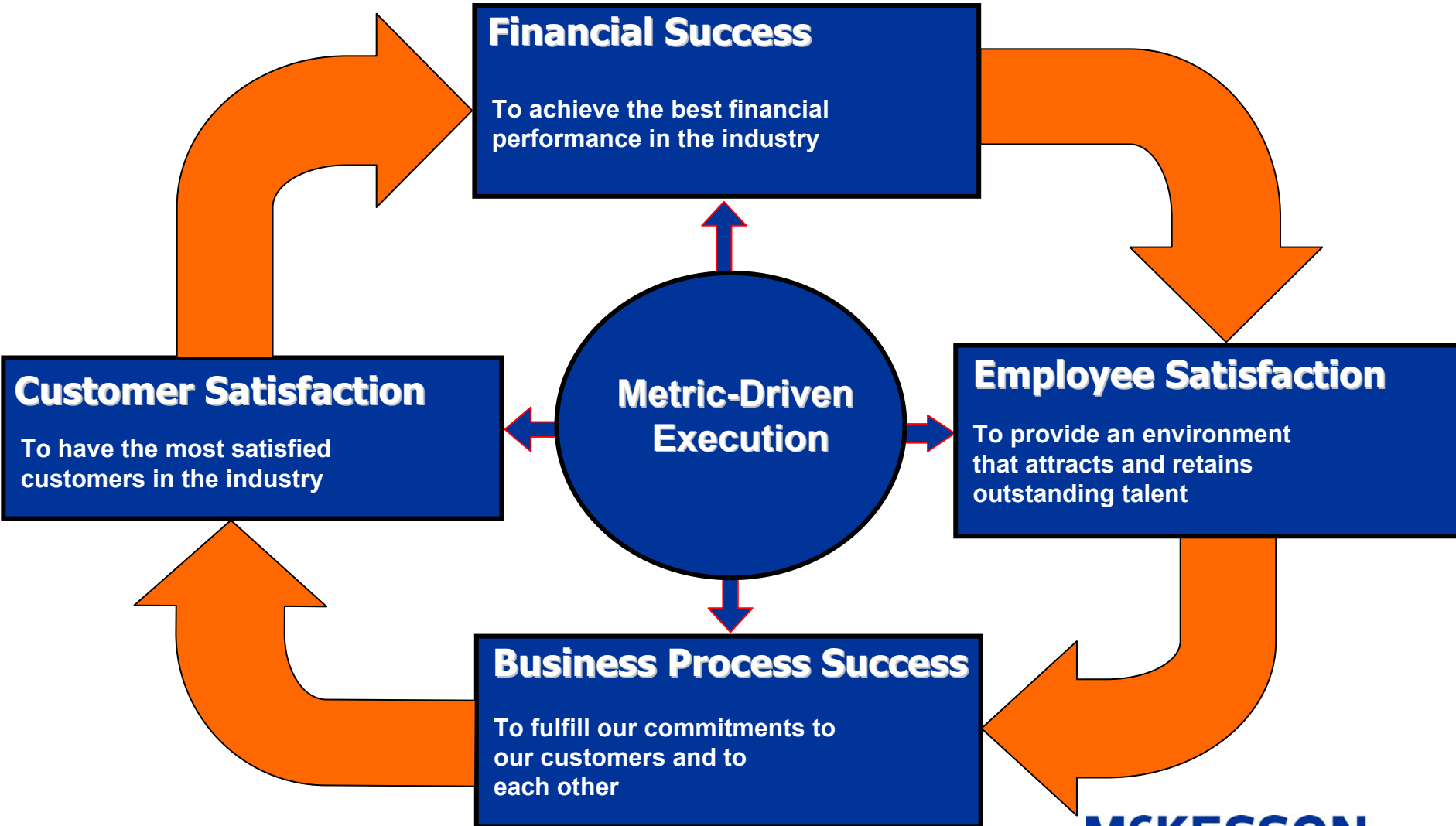
Unique Conversations with Customers At Higher Levels

McKesson Solutions Performance

- **Corporate Solutions: 382 agreements for total contract value of \$9.4 billion**
- **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

Business Metrics Drive Results



Solid Q2 & First Half FY04 Results

(\$ in millions, except EPS)

	<u>2nd Quarter</u>			<u>Six Months</u>		
	<u>FY04</u>	<u>FY03</u>		<u>FY04</u>	<u>FY03</u>	
Revenues	\$11,753	\$10,282	+14%	\$23,112	\$20,408	+13%
Pharmaceutical Solutions	\$10,766	\$ 9,322	+15%	\$21,176	\$18,511	+14%
Medical-Surgical Solutions	\$ 690	\$ 684	+1%	\$ 1,374	\$ 1,367	+1%
Information Solutions	\$ 297	\$ 276	+8%	\$ 562	\$ 530	+6%
Income	\$ 157	\$ 128	+22%	\$ 312	\$ 246	+27%
Diluted Earnings per Share	\$ 0.53	\$ 0.43	+23%	\$ 1.05	\$ 0.83	+27%
Return on Committed Capital	24.7%	21.9%	+280bp			
Net Debt/Net Capital Ratio	18.6%	24.3%	-570bp			

Note: Results from continuing operations, excluding sales to customers' warehouses

Pharmaceutical Solutions Q2 Results

- **U.S. revenues up 14%, warehouse sales up 48%**
- **Strong growth from independents and institutions plus new institutional business**
- **Canadian revenues up 31% ... 15% excluding currency**
- **Decline of 40 bp in operating margin reflects \$30 million bad debt provision in Q2 and fewer product sourcing opportunities**

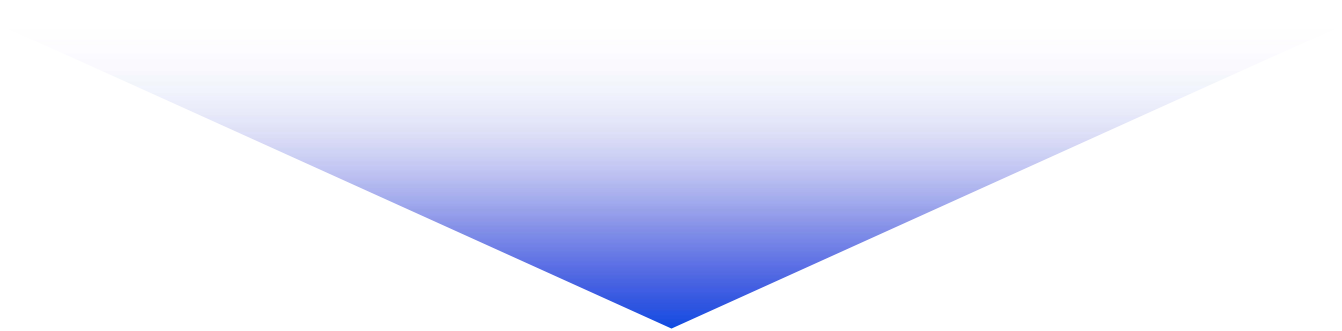
Note: Excluding sales to customers' warehouses

Pharmaceutical Demand Factors Remain Positive

- Aging population drives demand for drugs
- Market growth recovering
- Medicare bill increases visibility for drug benefit
- Generic usage continues to grow
- Improving pace of FDA approvals and new drug pipeline

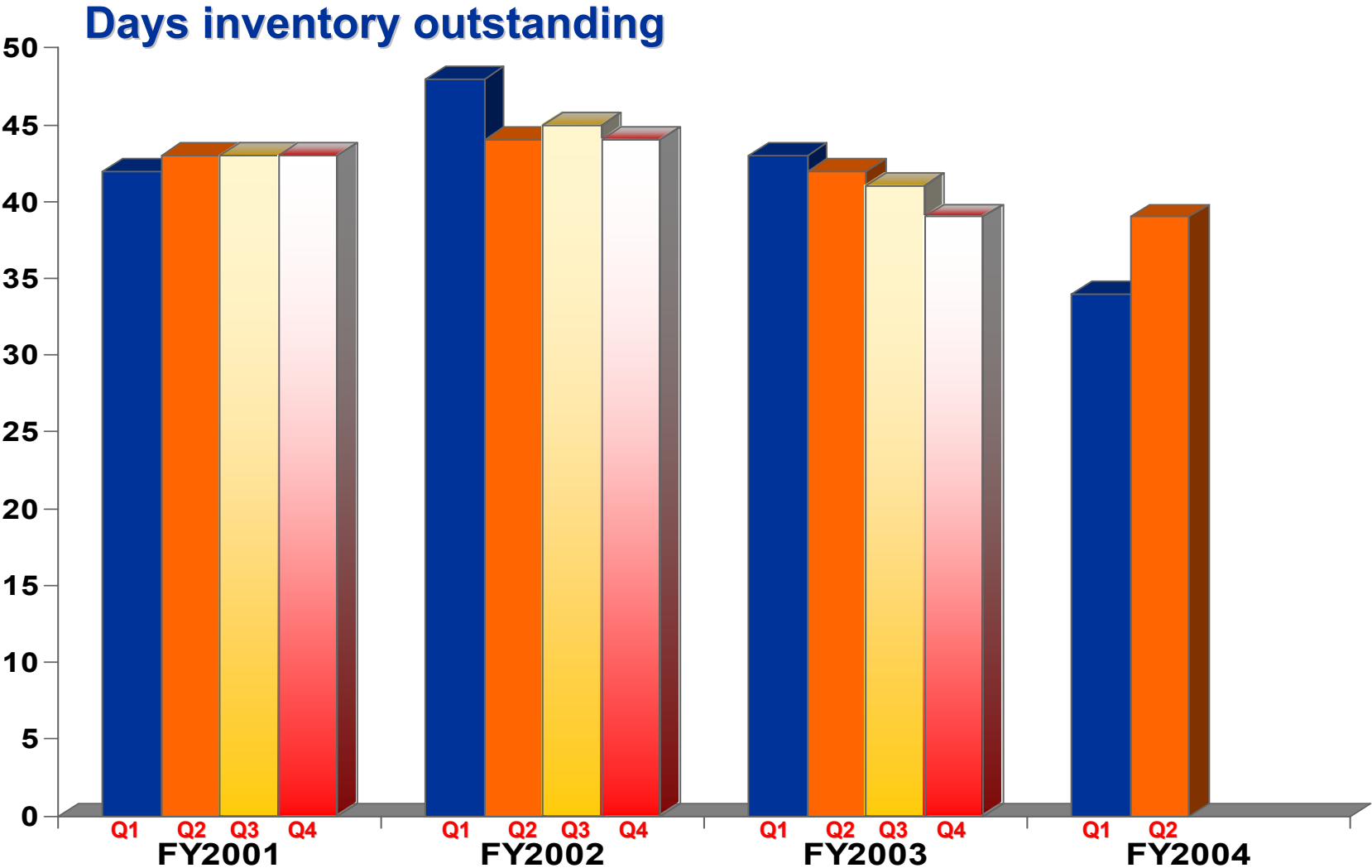
What's Changed?

- **Increased manufacturer visibility to supply channel**
- **Concern about counterfeit drugs**



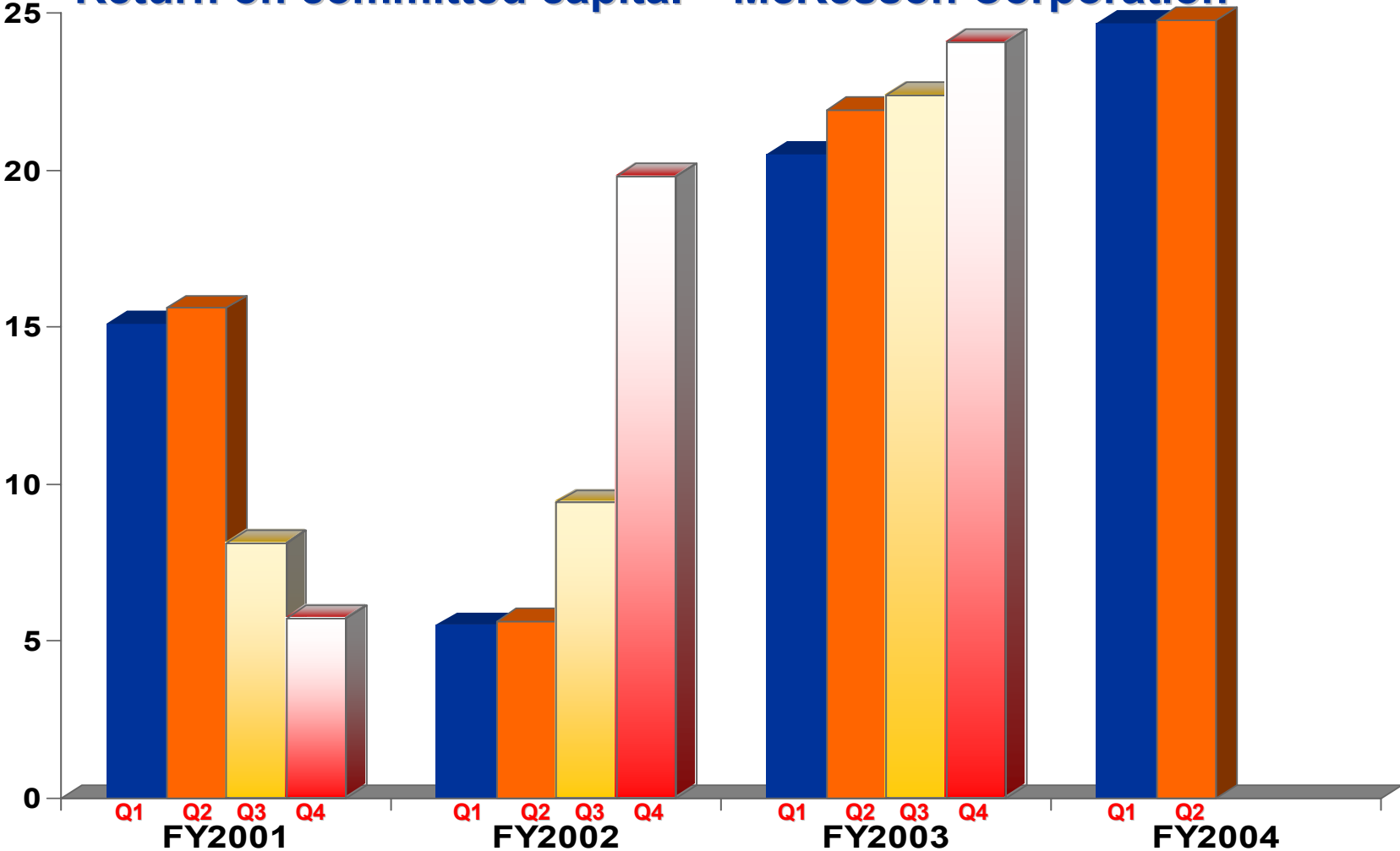
- **Focus on managing inventory across supply chain**
- **Focus on improving safety**

Improving Inventory Turns



ROCC Improvement

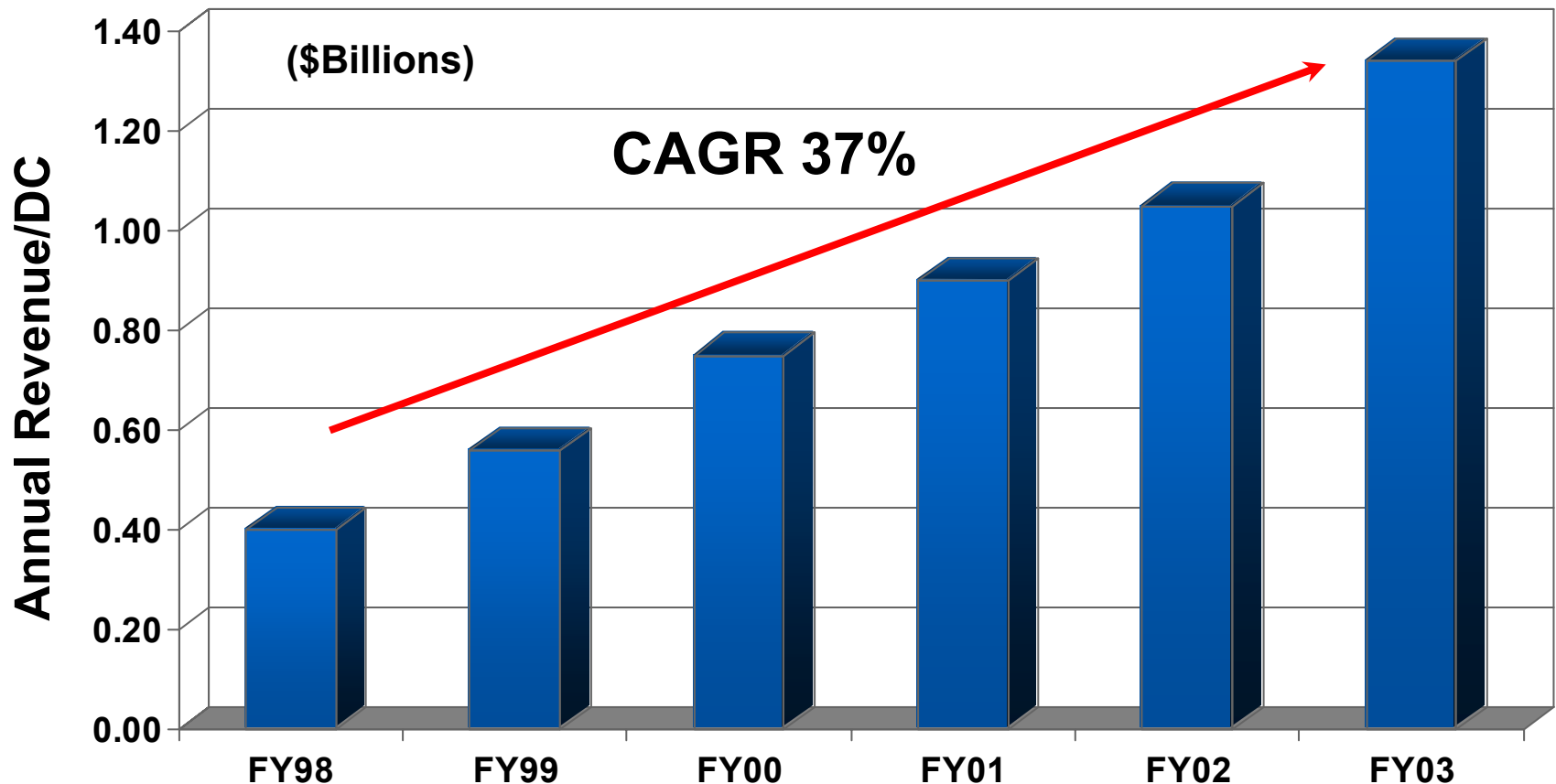
Return on committed capital – McKesson Corporation



Operating Strategies to Drive U.S. Pharmaceutical Efficiencies

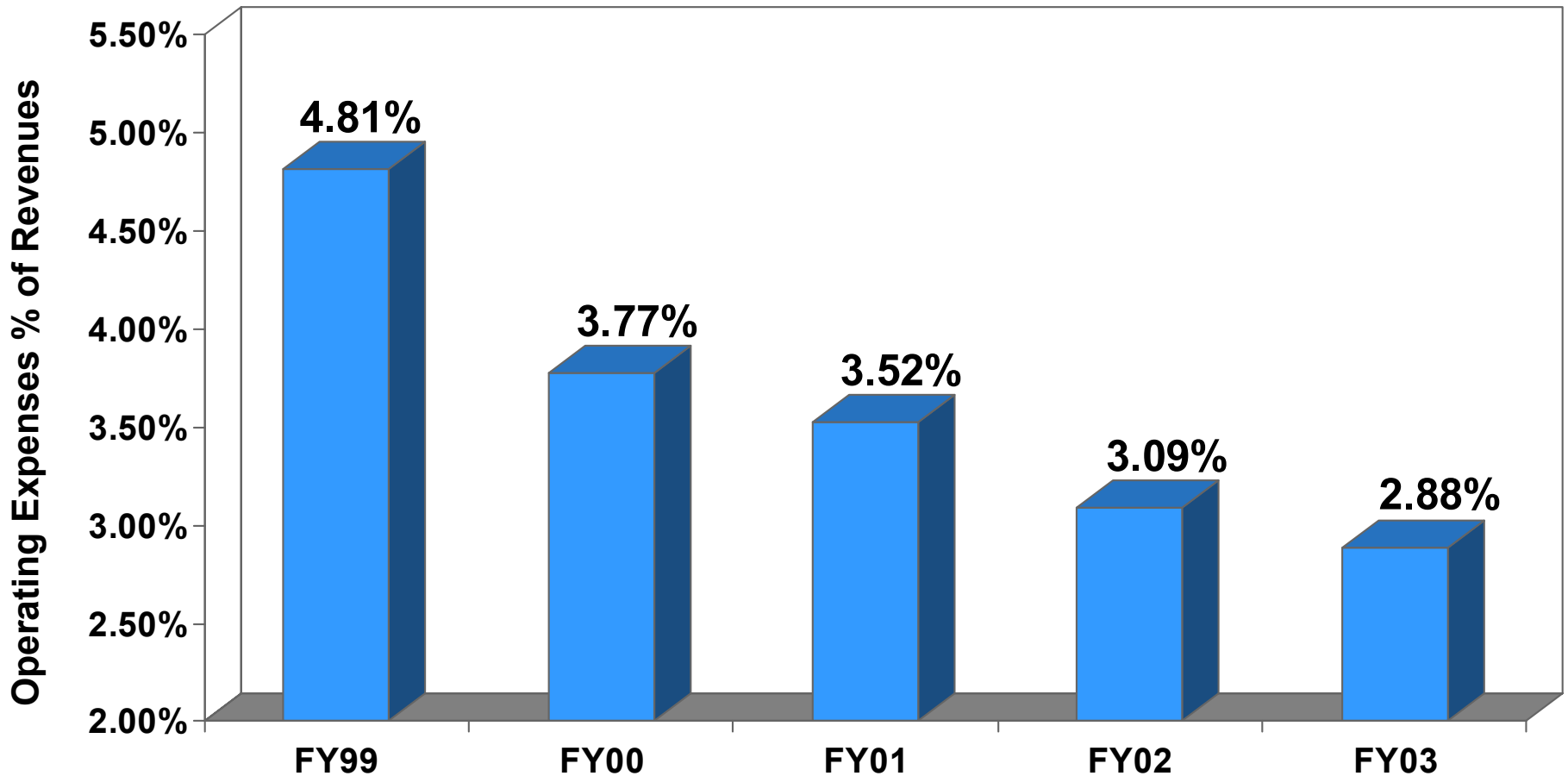
- **Comprehensive IT system to manage U.S. pharmaceutical business and reduce costs**
- **Streamline and automate U.S. pharmaceutical distribution center network**
 - **Opened 2 new high-capacity DCs**
 - **Closed 5 older DCs**
- **Continue to execute Six Sigma process improvements**

Distribution Center Productivity Increases Continue . . .



Note: Excludes Alaska and Hawaii and warehouse sales

... Providing Operating Leverage



Note: Excludes impact of warehouse sales

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One McKesson Strategy to Reduce Medication Errors



PRESCRIBING

TRANSCRIBING

DISPENSING

ADMINISTERING

MONITORING



DISTRIBUTION

Solutions at Every Point of Care



CONSULTING

McKESSON

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Pharmaceutical Solutions Summary

- **Strong growth expected in U.S. and Canada**
- **No product deal opportunities in Q3 and Q4**
- **Transition in customer pricing model to reflect changed environment**
- **October 1 change in Automation contracting**
- **\$30 million bad debt provision in Q2**

Medical-Surgical Solutions Q2 Results

- Operating profit up 70% with operating margin of 313 bp
- DC network consolidation has been completed and ERP system implementation is on schedule
- Losing HCA acute care medical-surgical business

Medical-Surgical Solutions Summary

- **Continue to realize benefits from DC network consolidation and new ERP system**
- **Scale back expenses and restructure in response to loss of HCA volume**
- **Focus on growth in alternate site business**
- **Develop Closed Loop Supply strategy**

Information Solutions Q2 Results

- Revenues up 8%, software revenues up 22%
- Operating profit up 71%
- Clinical software up 57%
- Implementation revenues up strongly with slower demand for other services
- \$20 million credit to reverse a portion of customer settlement reserves, \$10 million severance charge

Information Solutions Summary

- **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, reduce costs**

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



Drive One McKesson Strategy to Create Value for Customers and Shareholders

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