

# Lehman Brothers

## Annual Global Healthcare Conference

March 19, 2008



**Jeff Campbell**  
Executive Vice President and Chief Financial 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. Financial information is presented here in summary form. Full details are provided in the Company's most recent Annual Report on Form 10-K. All of this information is available at [www.mckesson.com](http://www.mckesson.com). The Company assumes no obligation to update or revise any such statements, whether as a result of new information or otherwise.

# McKesson Drives Sustained Value Creation

- Unique value proposition in growing healthcare services markets
- Strong and expanding global businesses:
  - Solid operating profit from distribution segment
  - Upside opportunities from higher growth, higher margin technology segment
- Track record of improving financial performance and balanced capital deployment
- Experienced and deep management team with strategic vision
- Commitment to shareholder-focused corporate governance practices



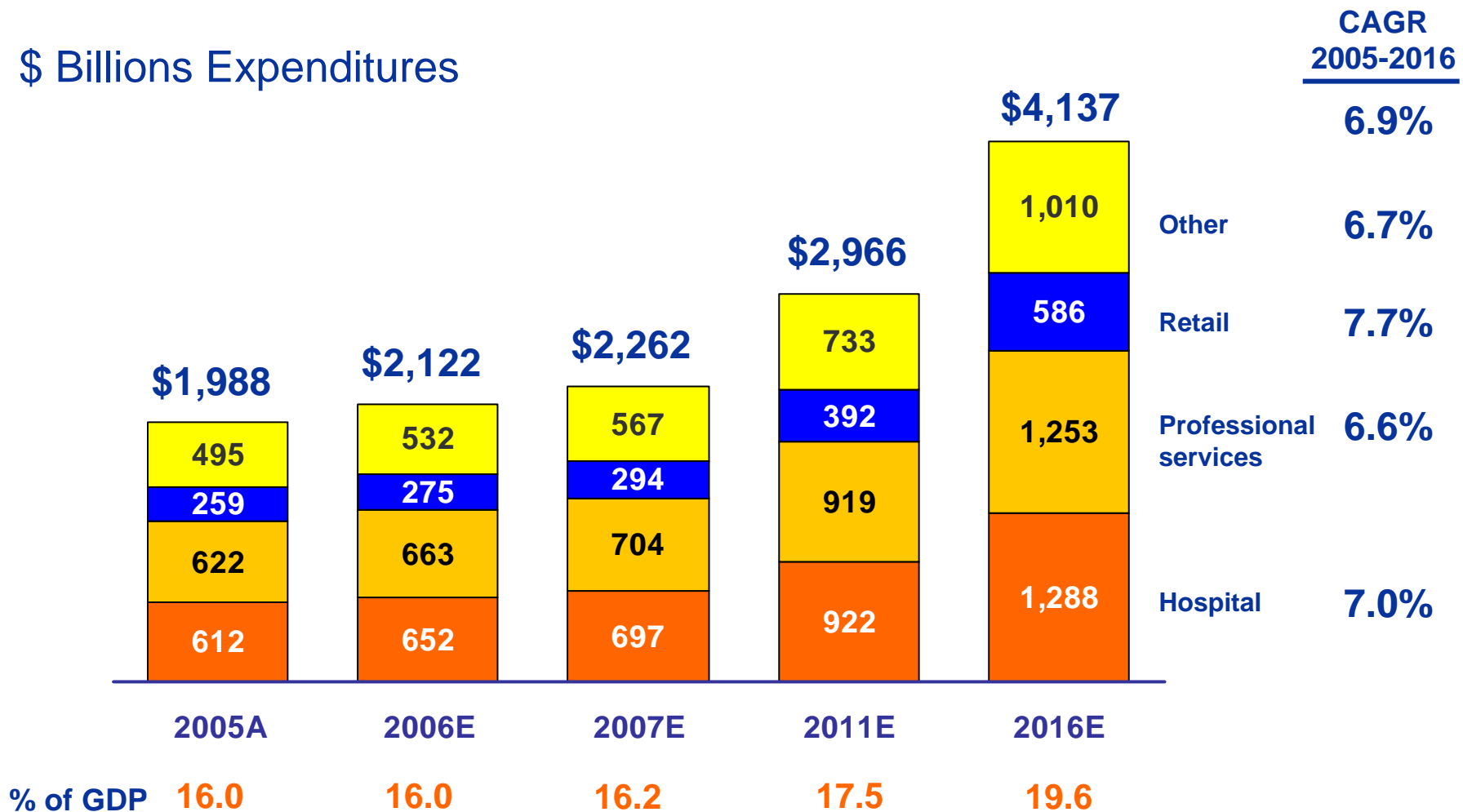
**Creating Value While Helping Transform Healthcare**





# ... And Stands to Benefit from a Growing U.S. Market

\$ Billions Expenditures



# McKesson is Positioned for Growth...

## McKesson Distribution Solutions

**#1 in pharmaceutical distribution in U.S., Canada, and Mexico**

**#1 generics distributor**

**Significant position in rapidly growing Specialty distribution & services market**

**1,800+ Health Mart retail pharmacy franchisees**

**Comprehensive retail information systems and automation offerings**

**#1 in medical-surgical distribution to primary and extended care**

## McKesson Technology Solutions

**50% of all U.S. Hospitals, 77% of those >200 beds**

**Leader in clinical, revenue cycle, and resource management solutions**

**Leading RelayHealth claims processing and connectivity business**

**#1 hospital automation**

**19 Products in KLAS Top 3\***

**Leading businesses in U.K., France**

**#1 in medical management software and services for Payors**

**#1 in disease management for Medicaid agencies**

# ...And to Help Transform Healthcare...

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- Ensuring the **safe and timely delivery** of vital medications and supplies using our distribution system, scale and supply chain excellence
  - **Improving health outcomes and patient safety** by developing processes and technologies to optimize care and reduce errors
  - Making healthcare more **convenient, personal and effective** for patients
  - Smoothing information and revenue flows by **streamlining interactions** between clinicians, payors and patients
  - Ensuring that **healthcare dollars are well spent**
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# ...By Meeting Our Customers' Needs with Linkages Across McKesson



# We Have Long-term Relationships with Global Healthcare Leaders...



Vanderbilt University Medical Center



# ... And are Recognized by Our Customers as a Leader



**Ranked #1** of Top 20 Drug Retailers/Wholesalers in May/June 2007 edition of *Private Label*



MTS has **more products in KLAS top 3** than any other company



“Overall Supplier of the Year”  
“Supplier of the Year for Pharmacy”



**Health Mart** Named “Pharmacy Chain of the Year” by *Drug Topics Magazine*



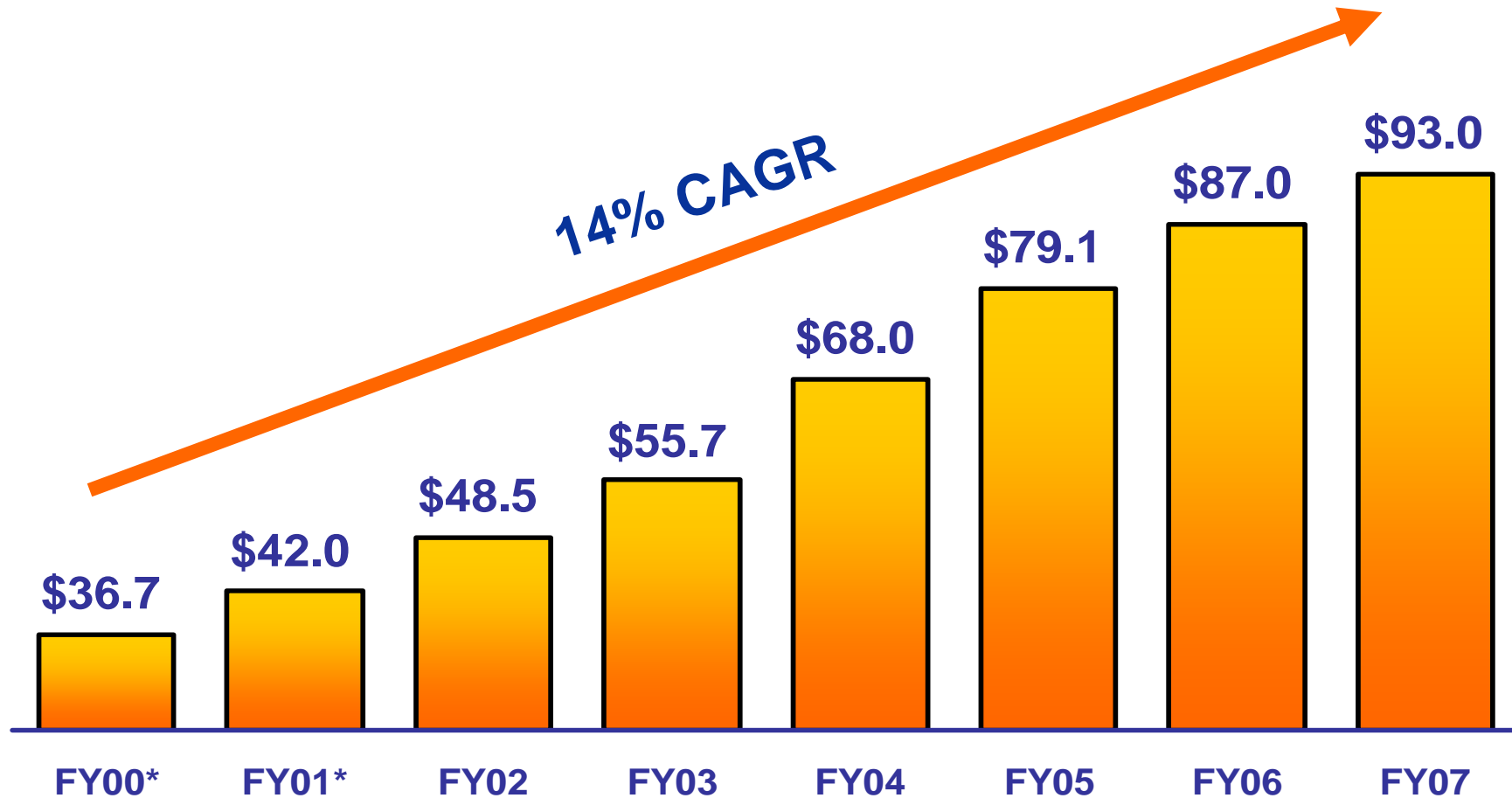
Wal-Mart “**Supplier of the Year**” for 2 of the last 4 years



Premier’s **# 1 Quality Wholesaler**

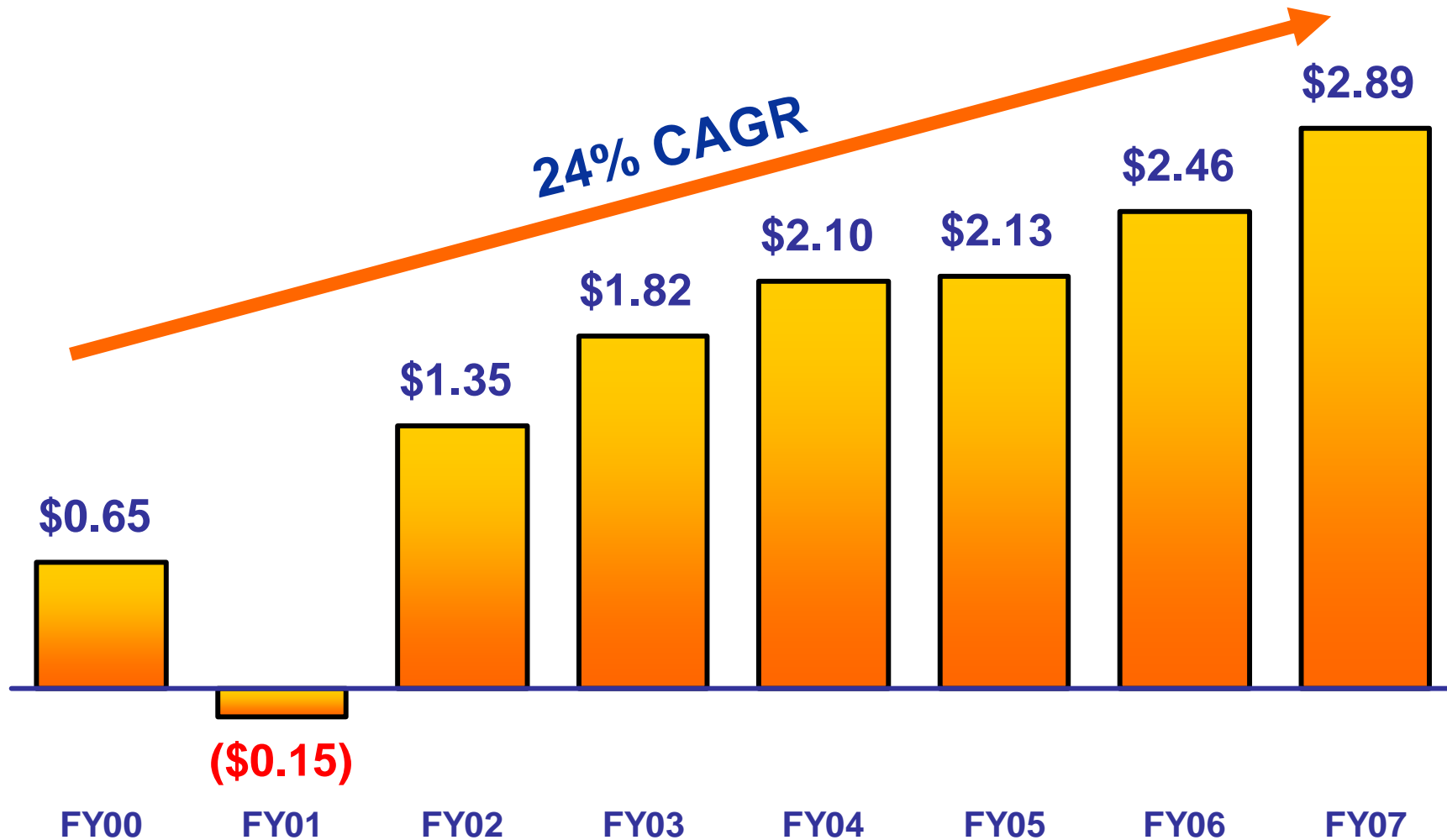
# McKesson has Delivered Strong Revenue Growth...

\$ Billions



\* Revenues for FY00 and FY01 not adjusted for discontinued operations occurring after FY05.

# ...Which we Have Leveraged into Higher EPS Growth (from continuing operations)\*



\* EPS from continuing operations, excluding securities litigation charges/(credits). EPS for FY00 and FY01 not adjusted for discontinued operations occurring after FY05.

# Fiscal Year 2008 – Three Quarters of Solid Performance Ended Dec. 31st

	<u>YTD FY08</u>	<u>YTD FY07</u>	<u>Chg</u>
Revenues	\$ 75,472	\$ 68,812	10%
Gross Profit	\$ 3,562	\$ 3,081	16%
Operating Income	\$ 997	\$ 896	11%
<b>Income*</b>	<b>\$ 681</b>	<b>\$ 624</b>	<b>9%</b>
<b>Diluted EPS*</b>	<b>\$ 2.27</b>	<b>\$ 2.05</b>	<b>11%</b>

\* Income and diluted EPS from Continuing Operations excluding the Securities Litigation credit

(\$ in Millions except EPS)

# Distribution Solutions – First Three Quarters of FY08 Ended Dec. 31st

	<u>YTD FY08</u>	<u>YTD FY07</u>	<u>Chg</u>
<b>Revenues</b>	<b>\$ 73,294</b>	<b>\$ 67,252</b>	<b>9%</b>
<b>Operating Profit</b>	<b>\$ 1,018</b>	<b>\$ 981</b>	<b>4%</b>
<b>Operating Margin</b>	<b>1.39%</b>	<b>1.46%</b>	<b>(7bp)</b>

**Long-Term Annual Operating Margin Target: 150 - 200 bp**

(\$ in Millions)

# Market-leading Momentum in Distribution Solutions

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- Long standing relationships with well diversified customer mix
  - Strong relationships with branded pharmaceutical manufacturers and increased visibility to compensation
  - Significant growth in generics franchise
  - Added focus on higher-margin products and services in pharmaceutical, specialty and medical surgical distribution
  - Six Sigma and information technology drive quality improvements and operating efficiency
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# Distribution Solutions has a Broad Value Proposition for all Customers

## Independent Pharmacy



- Distribution Excellence
- Health Mart Franchise
- OneStop Generics
- Managed Care / Contracting
- Automation
- Pharmacy Systems
- Sunmark Private Brand

## National Chain Pharmacy



- Distribution Excellence
- Re-Distribution Center
- Central Fill
- Generics
- Six Sigma
- Automation
- Consumer Analytics

## Mail Order



- Distribution Excellence
- Automation
- Generics
- Central Fill
- Pharmacy Systems

## Health Systems



- Distribution Excellence
- Patient Safety Solutions
- Clinical Consulting
- Clinical Outsourcing
- Pharmacy Systems
- Packaging
- Outpatient Pharmacy
- OneMcKesson
- 340B Solutions
- Generics

# ... And a Complete Solution for Independent Pharmacy



# Technology Solutions – First Three Quarters of FY08 Ended Dec. 31st

	<u>YTD FY08</u>	<u>YTD FY07</u>	<u>Chg</u>
<b>Revenues</b>	<b>\$ 2,178</b>	<b>\$ 1,560</b>	<b>40%</b>
<b>Operating Profit</b>	<b>\$ 215</b>	<b>\$ 151</b>	<b>42%</b>
<b>Operating Margin</b>	<b>9.87%</b>	<b>9.68%</b>	<b>19bp</b>

**Long-Term Annual Operating Margin Target: Low to Mid-Teens**

(\$ in Millions)

# World's Largest and Most Broadly Diversified Healthcare IT Company...

## Provider Technologies

- Health Systems
- Ambulatory
- Medical Imaging
- Automation

## Health Solutions (Payors)

- Claims Performance
- Medical Management
- Disease Management

## RelayHealth (Connectivity)

- Consumer
- Provider
- Pharmacy
- Financial

## International Operations Group

- Canada
- United Kingdom
- France/  
Netherlands
- Australia



# ...With Innovative Solutions and a Strategy That Spans Healthcare

**140,000+** users  
log on to the Physician Portal  
over **4.5 million** times per month

**2 million clinicians**  
rely on Horizon Clinicals  
every day

**4,000 Customers** of Medical  
Management Software - InterQual  
Payors and Hospitals

Bedside bar-code scanning  
**issues 700K “near misses”**  
every week

**60 million** medical imaging exams  
are processed annually in  
**1,000** customer facilities

The Million Dollar Club  
has recorded **\$1.3 billion**  
in revenue cycle improvements

**\$1 trillion in financial transactions**  
pass through RelayHealth  
clearinghouses each year

**325 million medications**  
dispensed by McKesson robots  
virtually error-free

# McKesson Technology Solutions – Product Quality Leadership

## 2007 Midyear Report – 9 Category Leaders

- Pathways Materials and Financials Management <sup>G</sup>
- Horizon Laboratory <sup>G</sup>
- Horizon Cardiology <sup>RD</sup>
- Pathways Compliance Advisor <sup>OG</sup>
- Paragon <sup>C</sup>
- Horizon Medical Imaging <sup>C</sup>
- Paragon Clinicals and Financials <sup>C</sup>
- Horizon Homecare <sup>SH</sup>
- Robot-RX<sup>OM</sup>



## 2007 Midyear Report – 19 Ranked in Top Three

- Horizon Expert Orders and Horizon Expert Documentation <sup>G</sup>
- Horizon Performance Manager <sup>G</sup>
- Anso One-Staff <sup>OG</sup>
- AcuDose-Rx <sup>OG</sup>
- EC2000 Claims Administrator <sup>OG</sup>
- Horizon Meds Manager <sup>G</sup>
- Physician Portal <sup>OG</sup>
- Horizon Passport <sup>OG</sup>
- Pathways Contract Management <sup>OG</sup>
- Horizon Practice Plus <sup>26-100 & 100+</sup>

Market Segment Abbreviations: G – General; C – Community; OG – Other General; SH – Specialty Hospice; RD – Reporting & Documentation; 26-100 – Number of Physicians; OM – Other Medical Equipment

Source: KLAS 2007 Mid-Year Top 20 Year Report; [www.healthcomputing.com](http://www.healthcomputing.com); © 2007 KLAS Enterprises, LLC. All rights reserved.

# McKesson is Driving the Evolution from a Fragmented Healthcare System...

...To a Seamlessly Connected One

**Patient**



**Hospital**

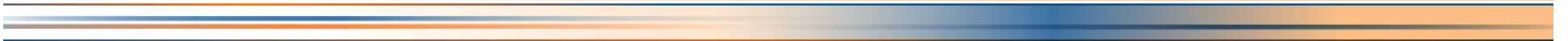
**Physician Office**

**Payor**

**Pharmacy**

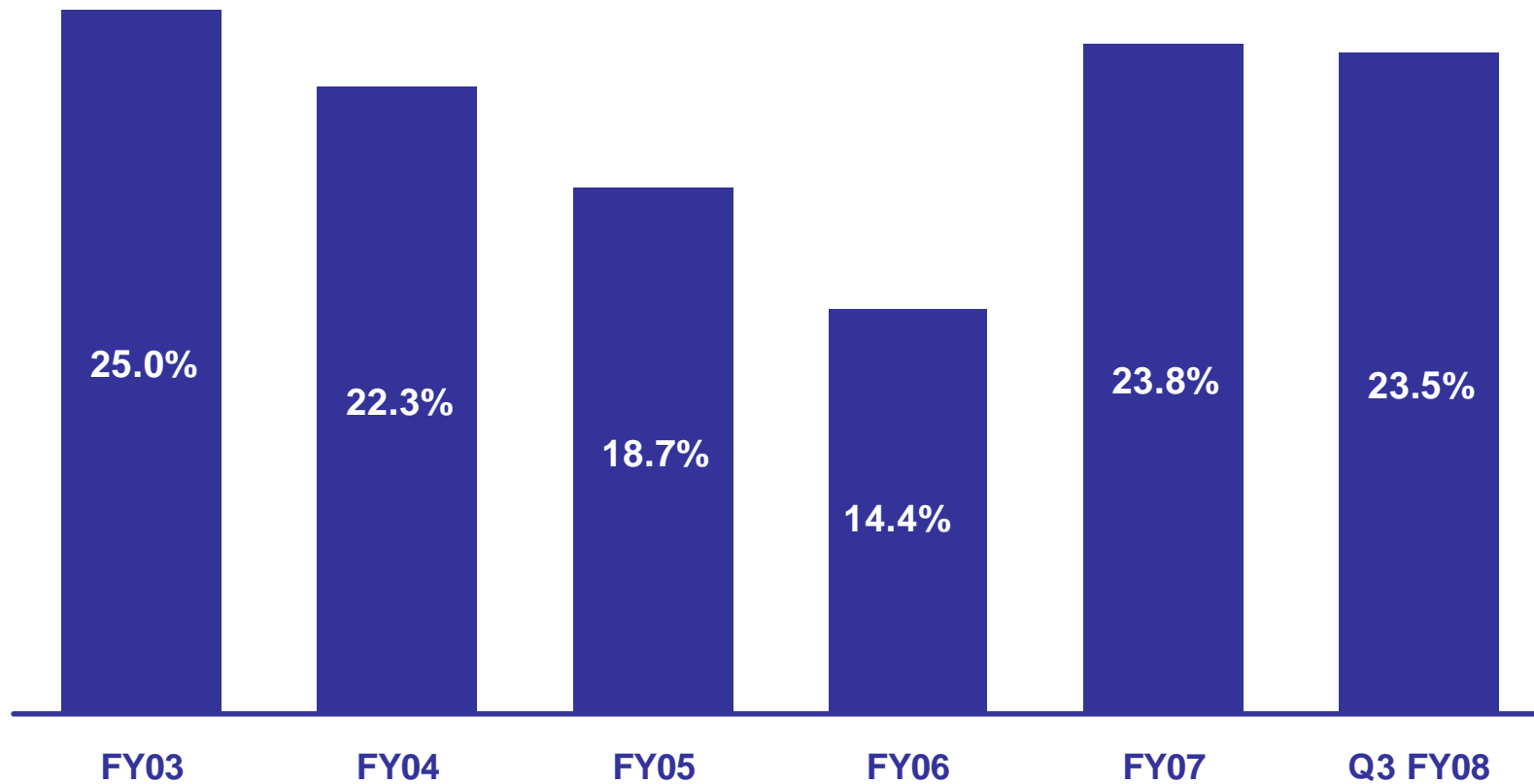
**Connectivity by RelayHealth**

# Strong Balance Sheet and Portfolio Approach to Capital Deployment

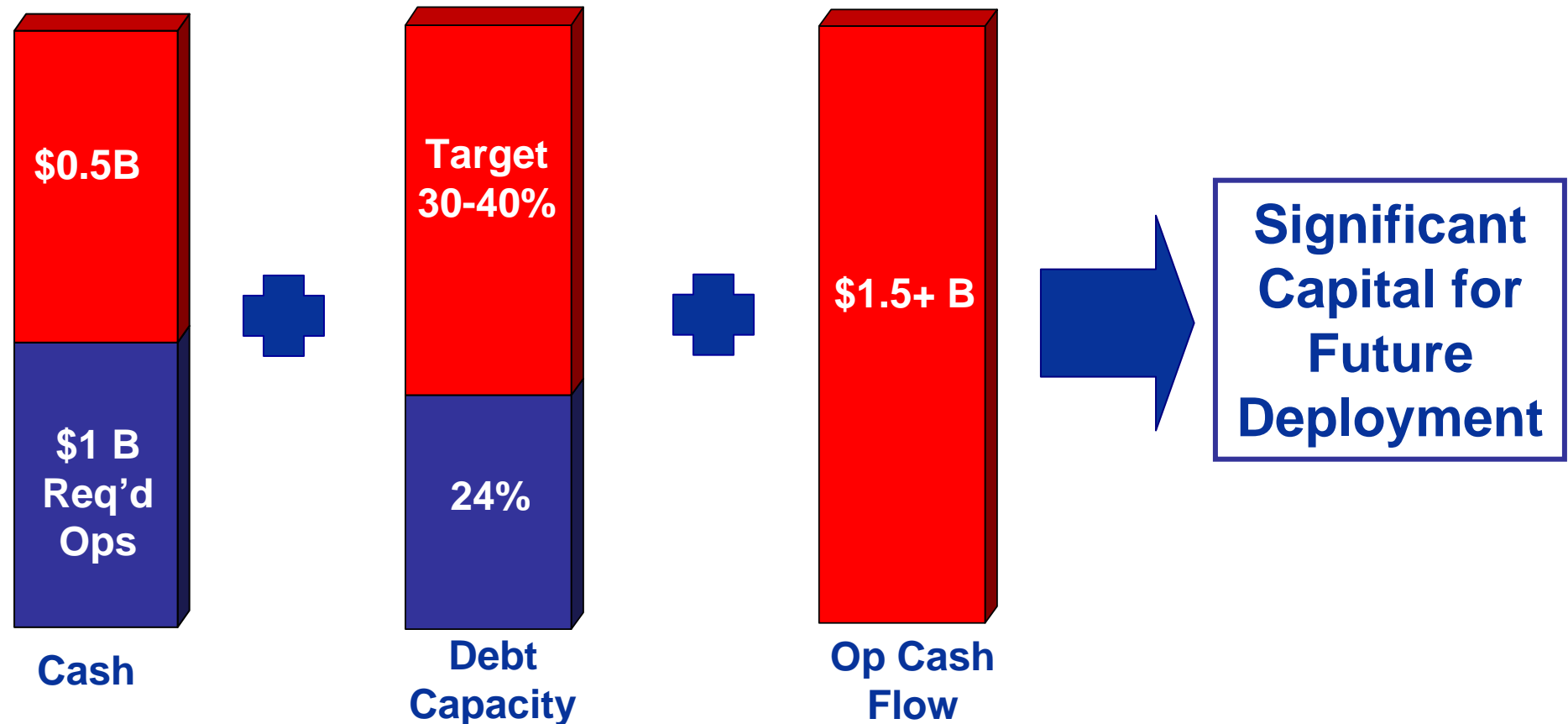


# Strong Balance Sheet ...

*Gross Debt-to-Capital Ratio*

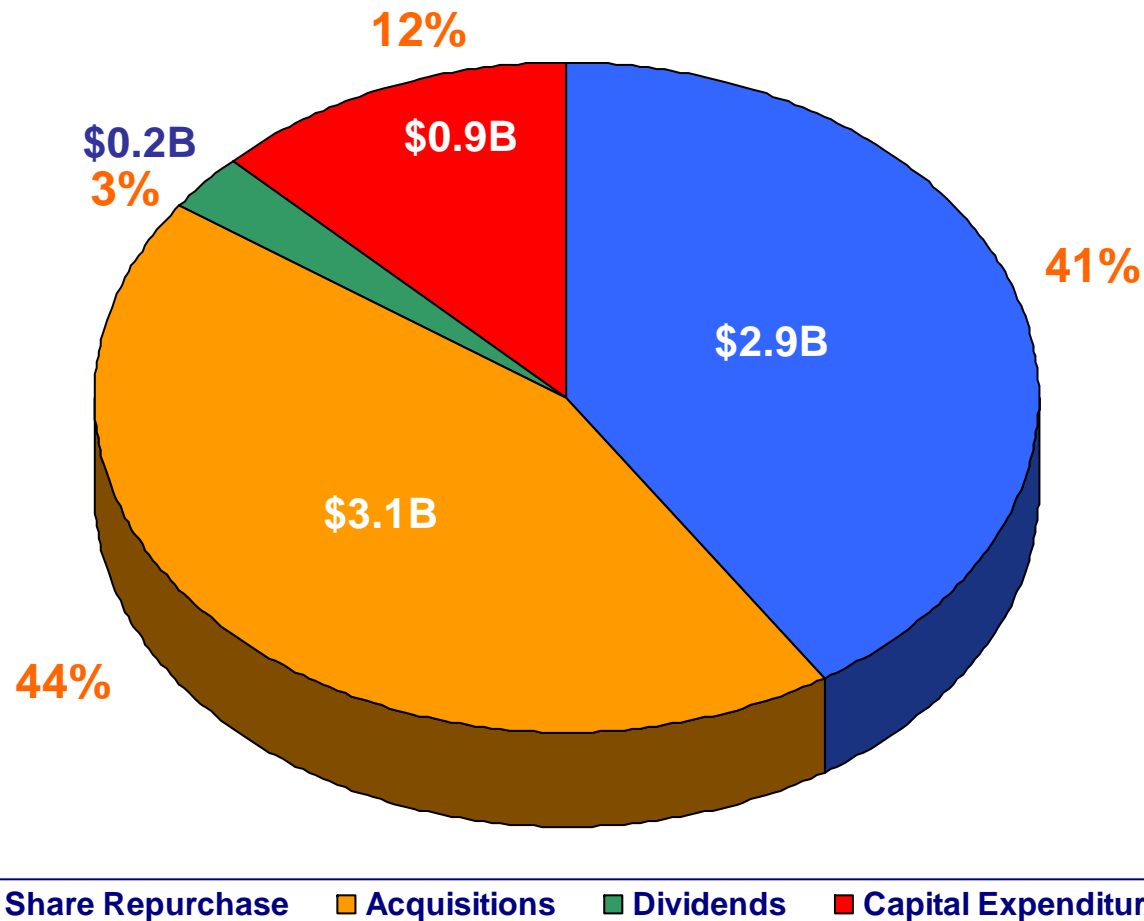


# ...With Significant Financial Flexibility to Create Further Value



# Our FY06 to Present Capital Deployment has been Balanced...

McKesson deployed over \$7 billion to create additional shareholder value



# ...As we Follow a Portfolio Approach to Capital Deployment...

- Acquisitions
  - Synergistic opportunities
  - Accretive/Value add in line with long term strategy
- Measured share repurchase over time
- Internal investment
- Dividend policy periodically reviewed



**Increased financial flexibility to continue to execute our strategy**



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# Diluted EPS Reconciliation

(\$ and shares in millions, except EPS)

	<u>YTD FY08</u>	<u>YTD FY07</u>
Income from continuing operations - as reported	\$ 684	\$ 711
Exclude:		
Securities Litigation credits, net	(5)	(6)
Income taxes on credits, net	2	2
Income tax reserve reversal		(83)
	<u>(3)</u>	<u>(87)</u>
Income from continuing operations excluding the Securities Litigation credit, net	<u>\$ 681</u>	<u>\$ 624</u>
Diluted earnings per common share from continuing operations, excluding the Securities Litigation credit, net	\$ 2.27	\$ 2.05
Shares on which diluted earnings per common share were based	300	305