

MCKESSON

Empowering Healthcare



**Robert W. Baird
Conference**

May 10, 2006

Jeff Campbell

Executive Vice President
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 10-Q report. All of this information is available at www.mckesson.com. The Company assumes no obligation to update or revise any such statements, whether as a result of new information or otherwise.

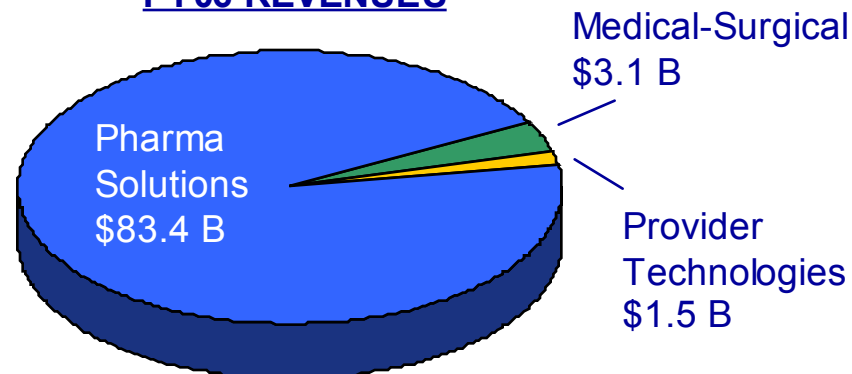


McKesson Overview

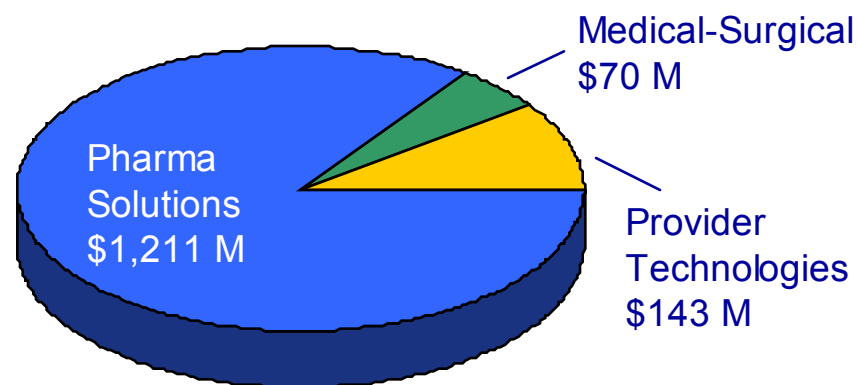
McKesson Facts

- \$88 billion in revenues in FY06
- FY06 EPS \$2.44 (excluding Securities Litigation charge and Discontinued Ops)
- Over 27,000 employees
- 304 million shares outstanding
- \$15 billion market cap
- Founded 1833, headquartered in San Francisco

FY06 REVENUES



FY06 OPERATING PROFIT



144% Return to Shareholders since April 1, 2000

Delivering Value from the Center of Healthcare



Pharmaceutical & medical-surgical distribution to all sites



Solutions for medication safety



Information solutions for hospitals, payors, home care, and physicians



Retail pharmacy automation



Inpatient automation



Specialty pharmaceuticals



Pharmacy outsourcing and consulting



Pharmaceutical repackaging



Disease management

Market Leading Positions in Healthcare Services

McKesson Pharmaceutical

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

Large Rx repackaging

Leading generics provider

**Specialty distribution &
patient services for
manufacturers**

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

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

McKesson Medical-Surgical

#1 in primary care

#1 in extended care

**Private label
product offerings**

**Rapid growth in
physician office
pharmaceuticals
and equipment**

McKesson Provider Technologies

63% of health systems

**51% of hospitals with
200+ beds**

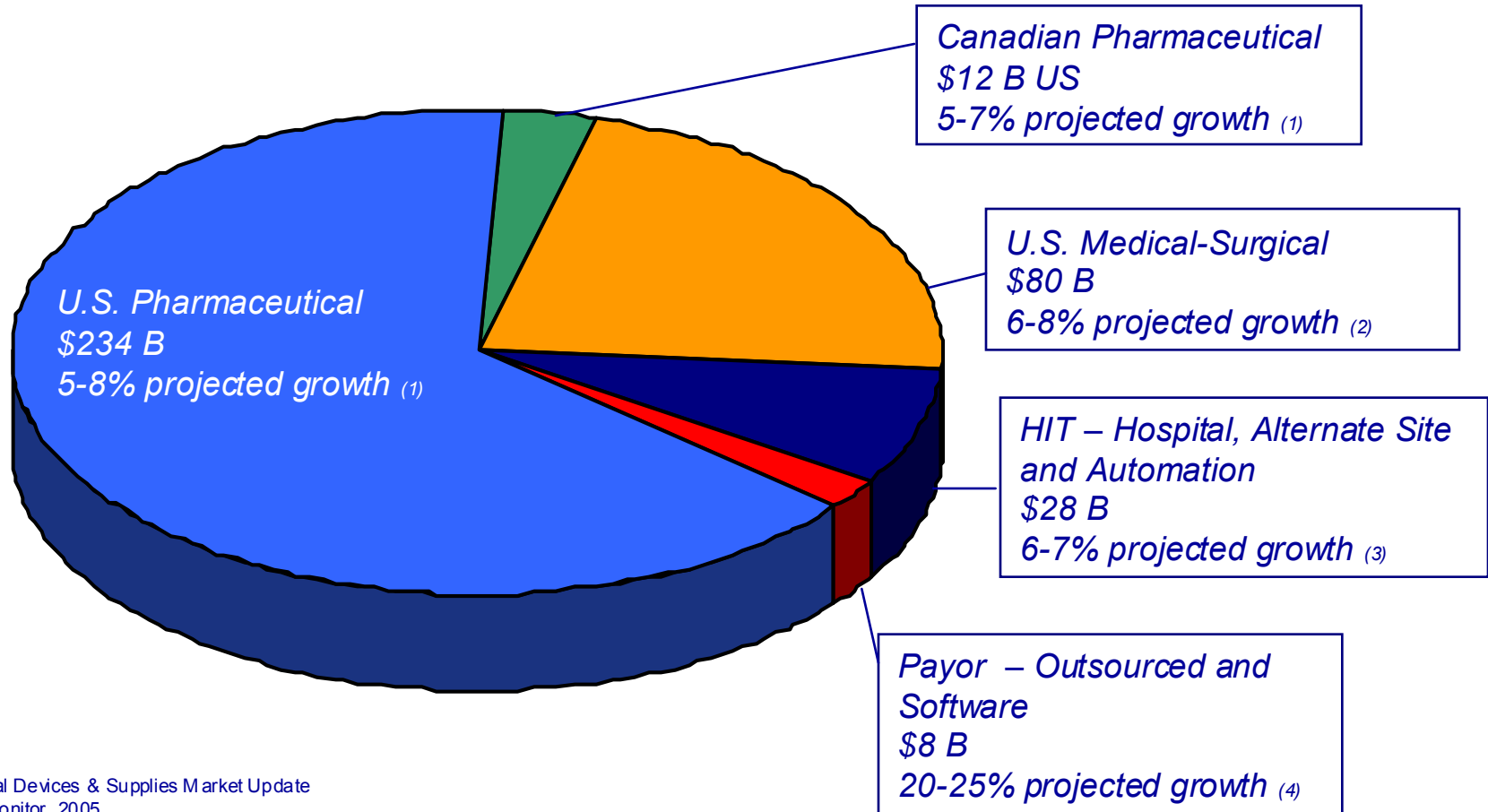
**Leader in clinical,
revenue cycle,
and resource
management solutions**

**More "Best in KLAS"
products than any
other vendor**

**#1 in robotic hospital
pharmacy dispensing**

#1 in bedside scanning

Leader in Growing Areas



- (1) IMS
- (2) Medical Devices & Supplies Market Update
- (3) Datamonitor, 2005
- (4) Includes medical management software/content, disease management, coding, compliance services

Well positioned in all growing healthcare areas

Long-term Relationships with Market Leaders



Vanderbilt University Medical Center



DUKE UNIVERSITY
MEDICAL CENTER



McKesson's Strategy

To bring together clinical knowledge, process expertise, technology, and the resources of a *Fortune 16* company to fundamentally change the cost and quality of healthcare.





Healthcare Trends

Healthcare Trends Drive McKesson Strategy and Growth

Demographics drive drug consumption

- McKesson handles over 30% of the nation's drug needs
- Increased involvement by consumers in their own healthcare

Technology improves healthcare quality

- McKesson solutions deliver best practice information at point of care
- Demand by payors and employers for improved outcomes

Focus on managing chronic diseases

- McKesson provides health management solutions across spectrum

Focus on patient safety

- McKesson solutions provide supply chain integrity and reduce medication errors – bar-code mandate for hospitals

Pressure to control healthcare costs

- McKesson delivers solutions to manage the complex handoffs in a fragmented industry

Medicare Modernization Act Provides Opportunities Across McKesson



Pharmaceutical Distribution

- Volume
- Generics
- Network administration



Health Solutions

- Disease management
- Medication management



Automation

- Volume
- Patient safety



Provider Technologies

- Electronic Prescribing
- Quality incentives for hospitals

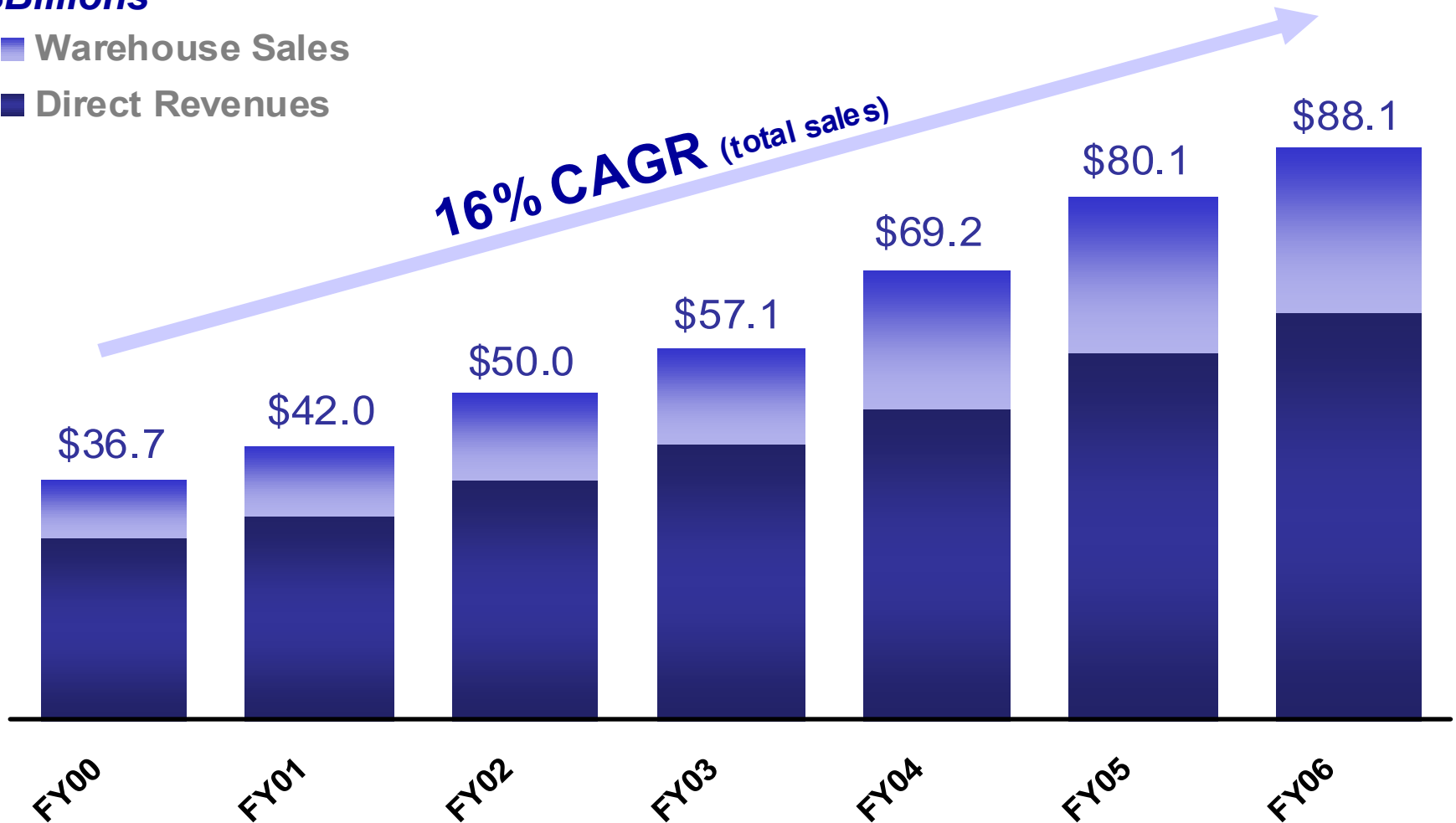


Financial Performance

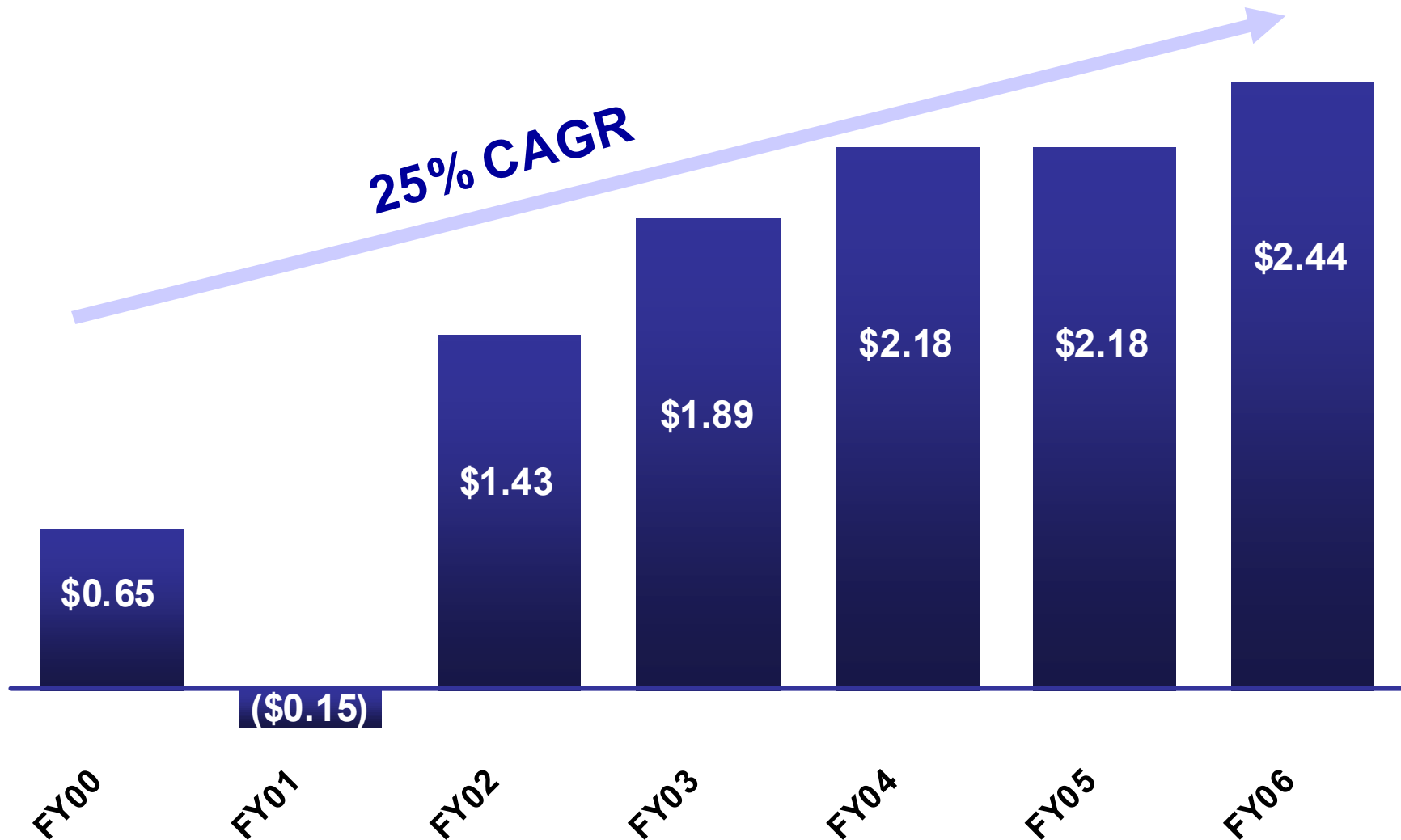
Six Years of Strong Growth

\$Billions

- Warehouse Sales
- Direct Revenues



Diluted EPS (continuing operations)*



Note: EPS from continuing operations, excluding securities litigation charges.

FY06 Consolidated Q4 and Full Year Financial Results

(\$ and shares in millions,
except EPS)

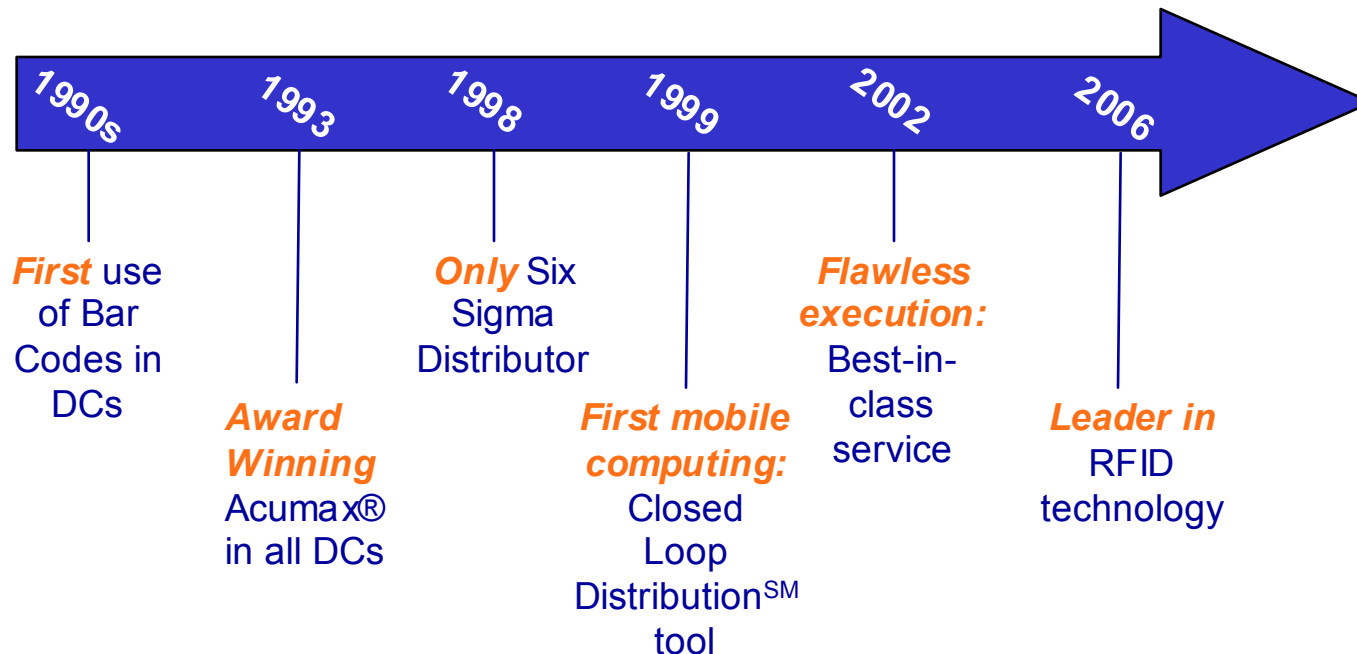
	Q4			Full Year		
	FY05	FY06		FY05	FY06	
Revenues	\$ 20,507	\$ 23,057	12%	\$ 80,120	\$ 88,050	10%
Net Income						
-- As reported	259	220	-15%	(157)	751	NM
-- Continuing ops, excluding Securities Litigation charge**	258	215	-17%	650	767	18%
Diluted EPS						
-- As reported	\$ 0.85	\$ 0.70	-18%	\$ (0.53)	\$ 2.38	NM
-- Continuing ops, excluding Securities Litigation charge**	\$ 0.85	\$ 0.68	-20%	\$ 2.18	\$ 2.44	12%

Pharmaceutical Solutions Financials

- Outstanding full year results in our Pharmaceutical Solutions segment

(\$ in millions)	Q4			Full Year		
	<u>FY05</u>	<u>FY06</u>	<i>Var.</i>	<u>FY05</u>	<u>FY 06</u>	<i>Var.</i>
<u>Revenues</u>						
Operating Revenue	\$13,511	\$15,192	12%	\$52,168	\$57,947	11%
Warehouse Sales	<u>5,891</u>	<u>6,662</u>	13%	<u>23,755</u>	<u>25,462</u>	7%
Total	<u>\$19,402</u>	<u>\$21,854</u>	13%	<u>\$75,923</u>	<u>\$83,409</u>	10%
Operating Profit	\$389	\$351	-10%	\$1,071	\$1,211	13%

McKesson U.S. Pharmaceutical Supply Chain Safety Leadership



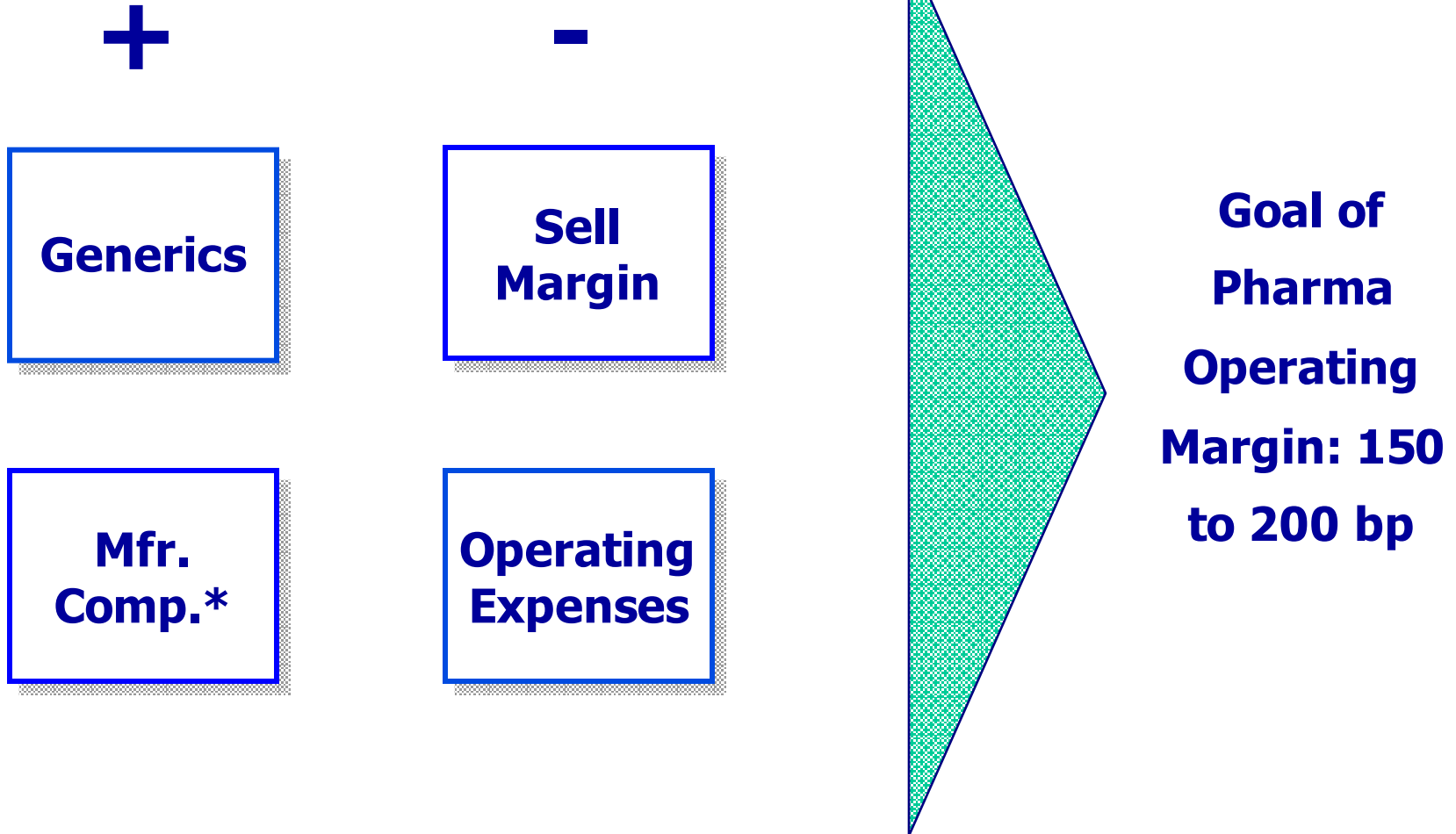
Benefits for Supply Chain:

- Product integrity
- Product visibility
- Availability
- Accuracy
- Verified pedigree
- Rapid delivery

McKesson Value-Added U.S. Pharmaceutical Distribution

- **Industry-leading service levels**
 - Next day deliveries with 99% fill rates
 - 99.74% invoice pricing integrity vs. 99.3% industry average
- **Aggregation of delivery**
 - RDC reduces shipping and delivery costs for 500+ manufacturers
- **Centralized ServiceFirst Call Center**
 - 7 million calls annually, #1 in industry by Purdue Benchmark Research
- **Investments in customer offering**
 - Automation for retail, hospital and mail order
 - Central Fill
 - Pharmacy information systems
- **Continuous process improvement**
 - Six Sigma since 1998 for McKesson and our customers

... With 4 Levers for Operating Margin Expansion ...

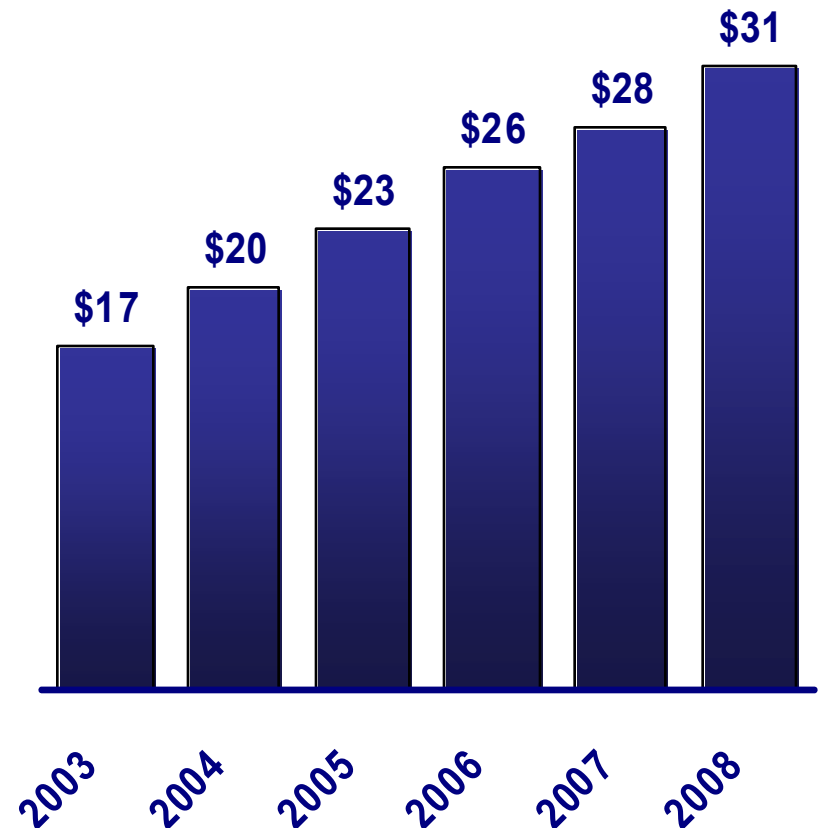
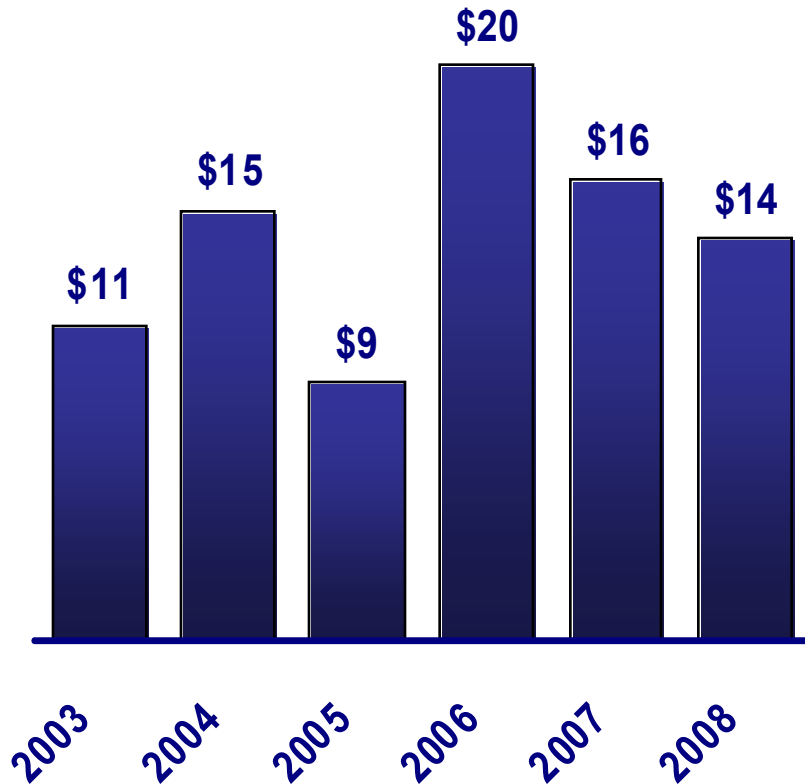


*Mfr. Comp. = 80% non-contingent (FFS)

Patent Expirations Driving Increased Generics Sales

Annual Patent Expirations
\$ Billions

Est. U.S. Generics Industry
\$ Billions



CAGR 2003-2008 : 12.8%; Merrill Lynch; IMS; McKesson analysis

Medical-Surgical Financials

- Clearly disappointing results driven by our acute care segment

(\$ in millions)	Q4			Full Year		
	<u>FY05</u>	<u>FY06</u>	<i>Var.</i>	<u>FY05</u>	<u>FY 06</u>	<i>Var.</i>
Revenues	\$738	\$772	5%	\$2,895	\$3,099	7%
Operating Profit	\$31	\$10	-68%	\$102	\$70	-31%

Provider Technologies Financials

- Excellent full year results in our Provider Technology Segment

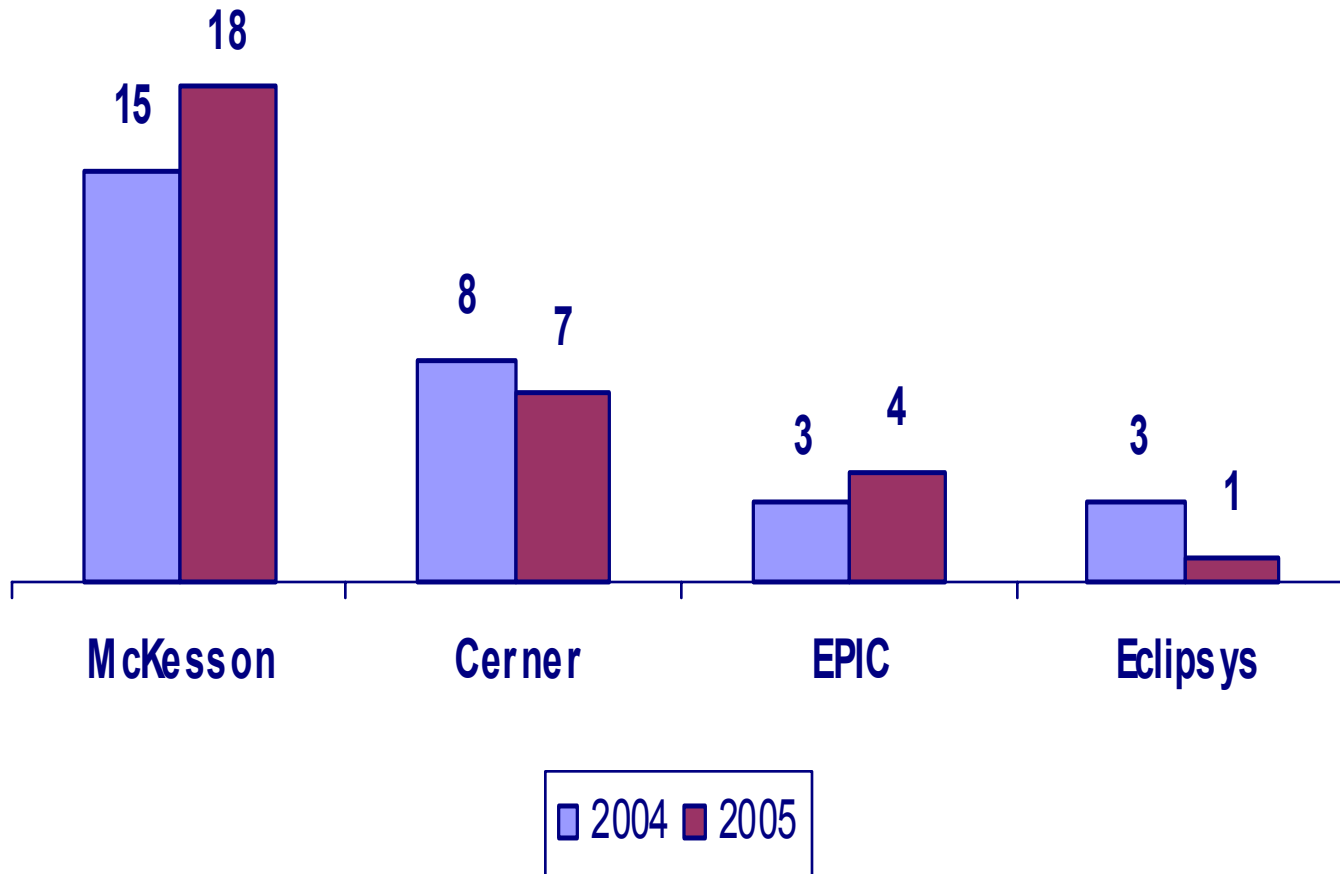
(\$ in millions)	Q4			Full Year		
	<u>FY05</u>	<u>FY06</u>	<i>Var.</i>	<u>FY05</u>	<u>FY 06</u>	<i>Var.</i>
Revenues	\$367	\$431	17%	\$1,302	\$1,542	18%
Operating Profit	\$46	\$48	4%	\$107	\$143	34%

MPT Market Positioning



Increasingly Strong Products Relative to Competitors

Products in Top 3 of KLAS Year End Rankings
Number



Strong, Flexible Balance Sheet

(\$ in millions)

March 31,

FY05

FY06

Cash and Cash Equivalents

\$ 1,800

\$ 2,142

Operating Cash Flow

\$ 1,538

\$ 2,744

Debt to Capital

18.7%

14.4%

Net Debt to Net Capital Employed

-12.6%

-24.2%

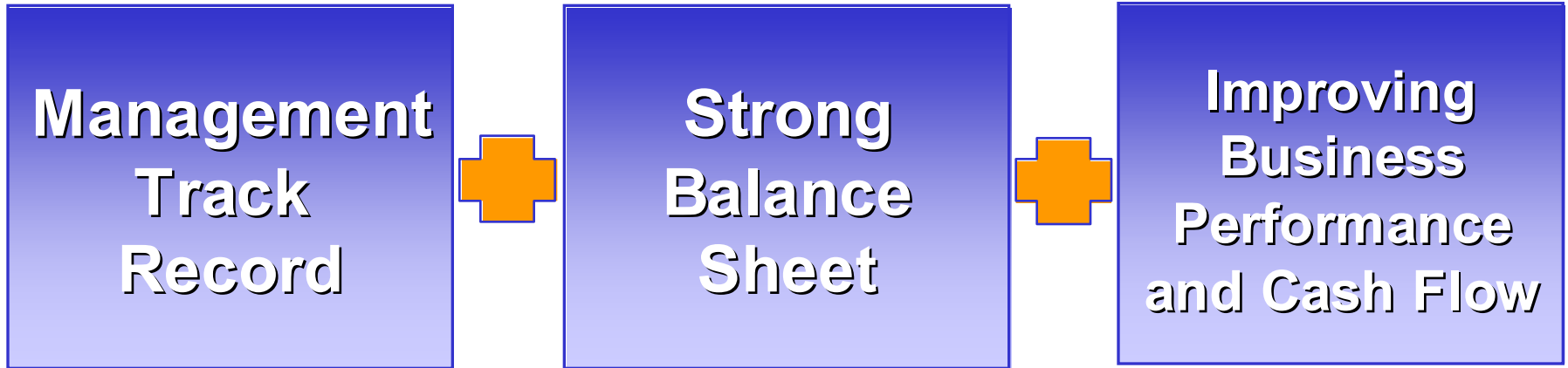
FY07 EPS Guidance

For the Fiscal Year ending March 31, 2007,
McKesson expects to earn between

\$2.55 and \$2.70

per fully diluted share

Financial Flexibility to Continue to Create Shareholder Value



**EARNINGS GROWTH AND STRATEGIC
OPTIONS TO CREATE ADDITIONAL VALUE**

What McKesson Represents

- Management with **strong track record** of financial performance
- **Core pharmaceutical business** positioned for growth
- Stable of **higher margin businesses** poised to take advantage of the evolution of healthcare
- **Strong cash flow and balance sheet**, providing flexibility to increase shareholder value
- Commitment to **financial transparency** and communication



**Create Value for Suppliers,
Customers and Shareholders**

MCKESSON

Empowering Healthcare



Diluted EPS Reconciliation

(\$ and shares in millions, except EPS)

	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
Net income (loss), continuing ops - as reported	<u>\$ 643</u>	<u>\$ (160)</u>	<u>\$ 737</u>
Exclude:			
Securities Litigation charges, net	-	1,200	45
Estimated income tax benefit	-	(390)	(15)
	<u>-</u>	<u>810</u>	<u>30</u>
Net income, continuing ops, excluding Securities Litigation charges	<u>\$ 643</u>	<u>\$ 650</u>	<u>\$ 767</u>
Diluted earnings per common share, continuing ops, excluding Securities Litigation charges ^{(1) (2)}	\$ 2.18	\$ 2.18	\$ 2.44
Shares on which diluted earnings per common share were based ⁽²⁾	299	301	316

(1) Certain computations may reflect rounding adjustments.

(2) For the years ended March 31, 2006, 2005 and 2004, interest expense, net of related income taxes, of \$1 million, \$6 million and \$6 million has been added to net income, excluding the Securities Litigation charges, for purposes of calculating diluted earnings per share. This calculation also includes the impact of dilutive securities (stock options, convertible junior subordinated debentures and restricted stock).

Diluted EPS Reconciliation

(\$ and shares in millions, except EPS)

	Q4		Full Year	
	FY05	FY06	FY05	FY06
Net income, (loss) continuing ops - as reported	\$ 258	\$ 220	\$ (160)	\$ 737
Exclude:				
Securities Litigation charges (credits), net	-	(8)	1,200	45
Estimated income tax benefit	-	3	(390)	(15)
	-	(5)	810	30
Net income, continuing ops, excluding Securities Litigation charges	\$ 258	\$ 215	\$ 650	\$ 767
Diluted earnings per common share, continuing ops, excluding Securities Litigation charges ^{(1) (2)}	\$ 0.85	\$ 0.68	\$ 2.18	\$ 2.44
Shares on which diluted earnings per common share were based ⁽²⁾	305	314	301	316

(1) Certain computations may reflect rounding adjustments.

(2) For the years ended March 31, 2006, 2005 and 2004, interest expense, net of related income taxes, of \$1 million, \$6 million and \$6 million has been added to net income, excluding the Securities Litigation charges, for purposes of calculating diluted earnings per share. This calculation also includes the impact of dilutive securities (stock options, convertible junior subordinated debentures and restricted stock).