

MCKESSON

Empowering Healthcare



**J.P. Morgan
Healthcare
Conference**

January 9, 2006

John Hammergren

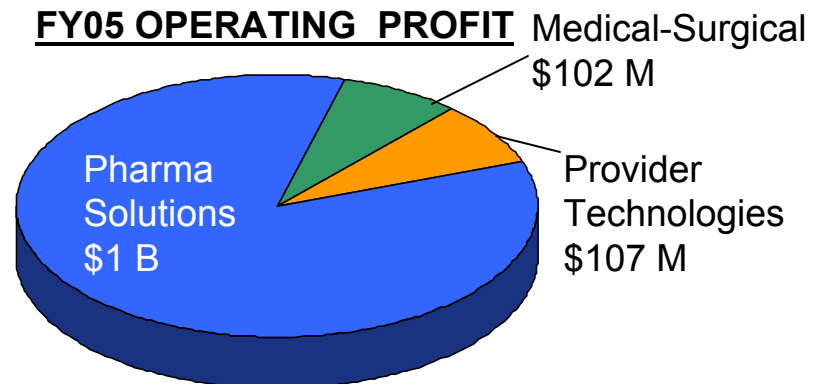
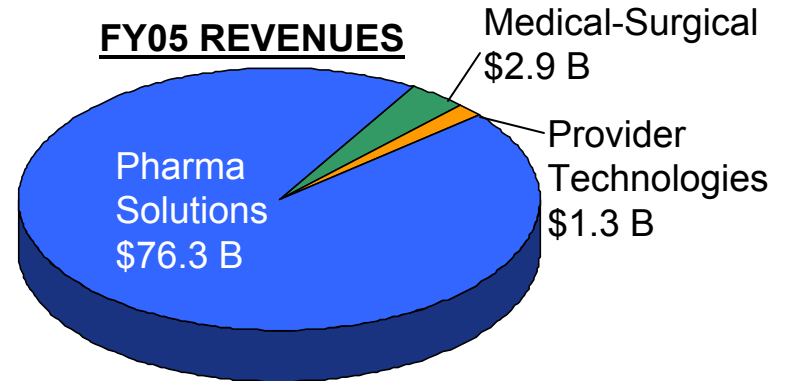
Chairman
and
Chief Executive Officer

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. 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 Facts

- \$80.5 billion in revenues in FY05
- FY05 EPS \$2.19 (excluding Securities Litigation charge**, loss of \$0.53, as reported)
- Over 25,000 employees
- 308 million shares outstanding*
- \$16.5 billion market cap
- Founded 1833, headquartered in San Francisco



120% Return to Shareholders since April 1, 2000

* As of quarter ended 9/30/05

**See Schedule 1 from 5/5/05 press release for reconciliation



Healthcare Trends

Trends in Healthcare Drive 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

Recent Government Promoting Healthcare IT

“...the fundamental question is, how do we encourage information technology in a field like health care that will save lives, make patients more involved in decision-making, and save money for the American people.”

**– President George W. Bush,
Discussing health care information technology benefit,
January 27, 2005**

“Grounding our health care in information technology can cut waste and redundancies that drive up costs, hamper efficiency and cause medical errors.”

**– Senate Majority Leader Bill Frist,
Joint press conference to announce the HIT & Quality Improvement Act,
June 16, 2005**

“This legislation marries technology and quality to create a seamless, efficient health care system for the 21st century. By creating national interoperability standards, we will give health care providers the confidence that an investment in health IT is an investment in the future.”

**– Senator Hillary Rodham Clinton,
Joint press conference to announce the HIT & Quality Improvement Act,
June 16, 2005**

Technology *Can* Make a Difference

Secure web-based access to patient information



- Provide physicians with information needed to make informed decisions
- Use connectivity available and in use in other industries

Electronic Prescribing

3 M preventable adverse drug events annually in physician office or outpatient setting



- Legible prescriptions
- Check drug interactions and allergies
- 80% of prescriptions on paper

Bar-code Technology

Medication packaged in unit doses with bar-codes – scanned at the bedside before administration



- Alerts signal wrong meds or doses
- Error reduction as high as 90%



McKesson Overview

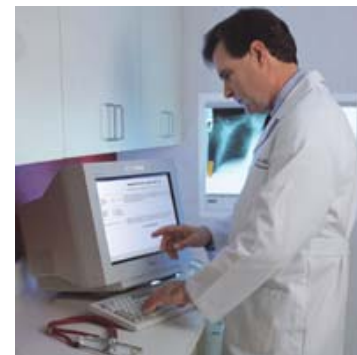
Delivering Value from the Center of Healthcare



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

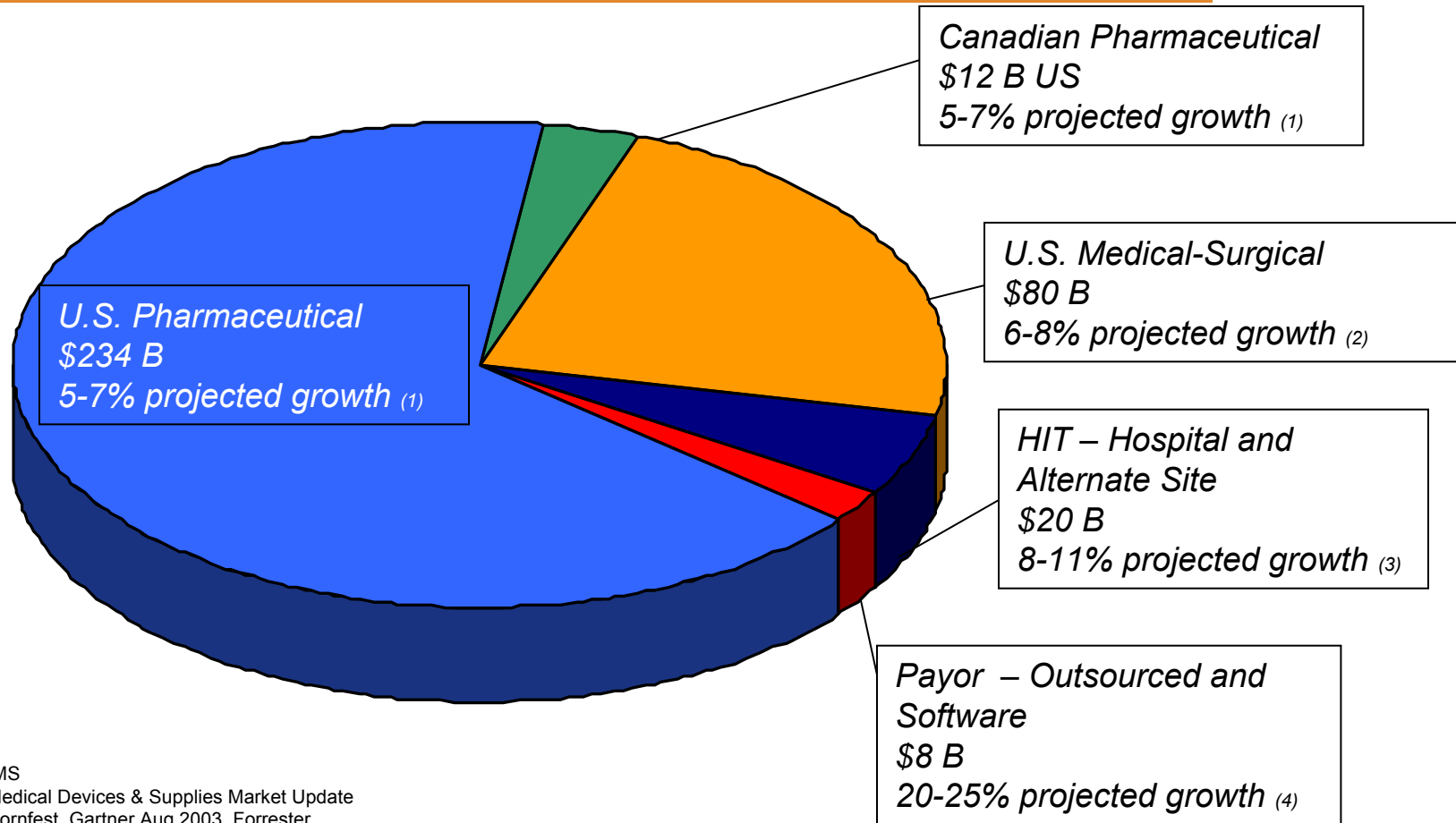


Pharmaceutical repackaging



Disease management

Leader in Growing Areas



- (1) IMS
- (2) Medical Devices & Supplies Market Update
- (3) Dornfest, Gartner Aug 2003, Forrester
- (4) Includes medical management software/content, disease management, coding, compliance services

Well positioned in all growing healthcare areas

McKesson's Strategy

To bring together clinical knowledge, process expertise, technology, and the resources of a *Fortune 15* company to fundamentally change the cost and quality of healthcare.



Market Leading Positions in Healthcare Services

McKesson Pharmaceutical

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

Large Rx repackaging

Leading generics provider

**#1 in retail pharmacy
automation**

**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

**Total supply
solution in acute
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**

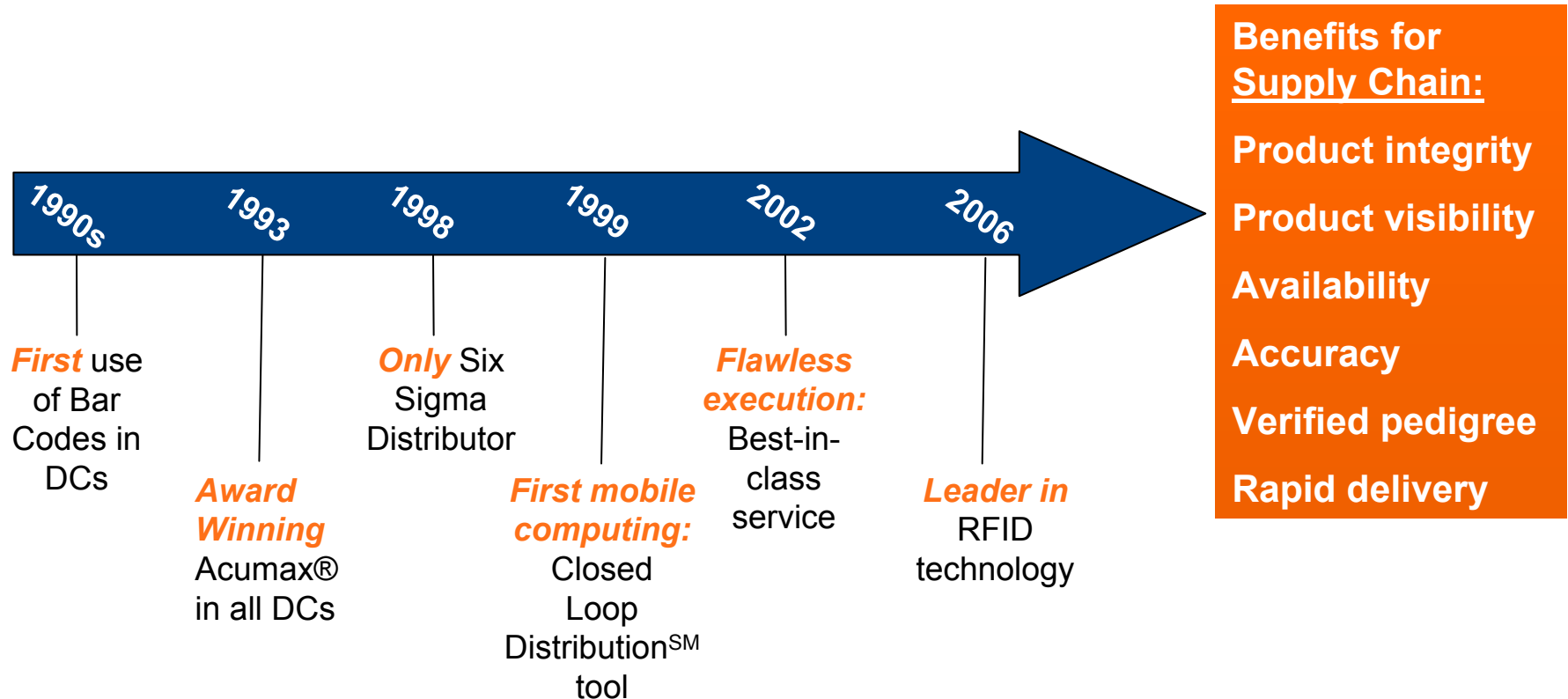
**Leader in clinical,
revenue cycle,
and resource
management solutions**

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

**#1 in robotic hospital
pharmacy dispensing**

#1 in bedside scanning

McKesson History of Pharmaceutical Supply Chain Safety Leadership



McKesson Distribution: More Value than Just Efficient Delivery

- **Industry-leading service levels**
 - Next day deliveries with 99% fill rates
 - 0.26% invoice pricing discrepancy vs. 0.7% 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
- **Broadest value-adding offering**
 - Automation for retail, hospital and mail order
 - Central Fill
 - Generics
- **Continuous improvement**
 - Six Sigma since 1998 for McKesson and our customers

Strong Momentum in Provider Technologies

Customer Satisfaction
Up 9%



Accountability
20 Products
Ranked in Top 3
Of 2005 KLAS Report *

* Top 20 Year-End Best In KLAS Awards

Employee Satisfaction
World Class



Revenues
Up 18%



Progress on Key Indicators

2.3 million
logins/month
Horizon^{WP} Physician
Portal

4 million clinical users,
22 million clinical
transactions weekly

48% growth
in Horizon Medical
Imaging exams

\$100 billion
annually in
claims processed

Leadership in Medication Management

Last Year

Today

36M scanned bedside meds annually

62M scanned bedside meds annually

290,000 weekly warnings

475,000 weekly warnings

30,000 errors prevented weekly

96,000 errors prevented weekly

Considered more often than any other vendor (KLAS)

85% increase in medication management sales

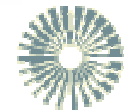
Long-term Relationships with Market Leaders



Vanderbilt University Medical Center



DUKE UNIVERSITY
MEDICAL CENTER



Omnicare





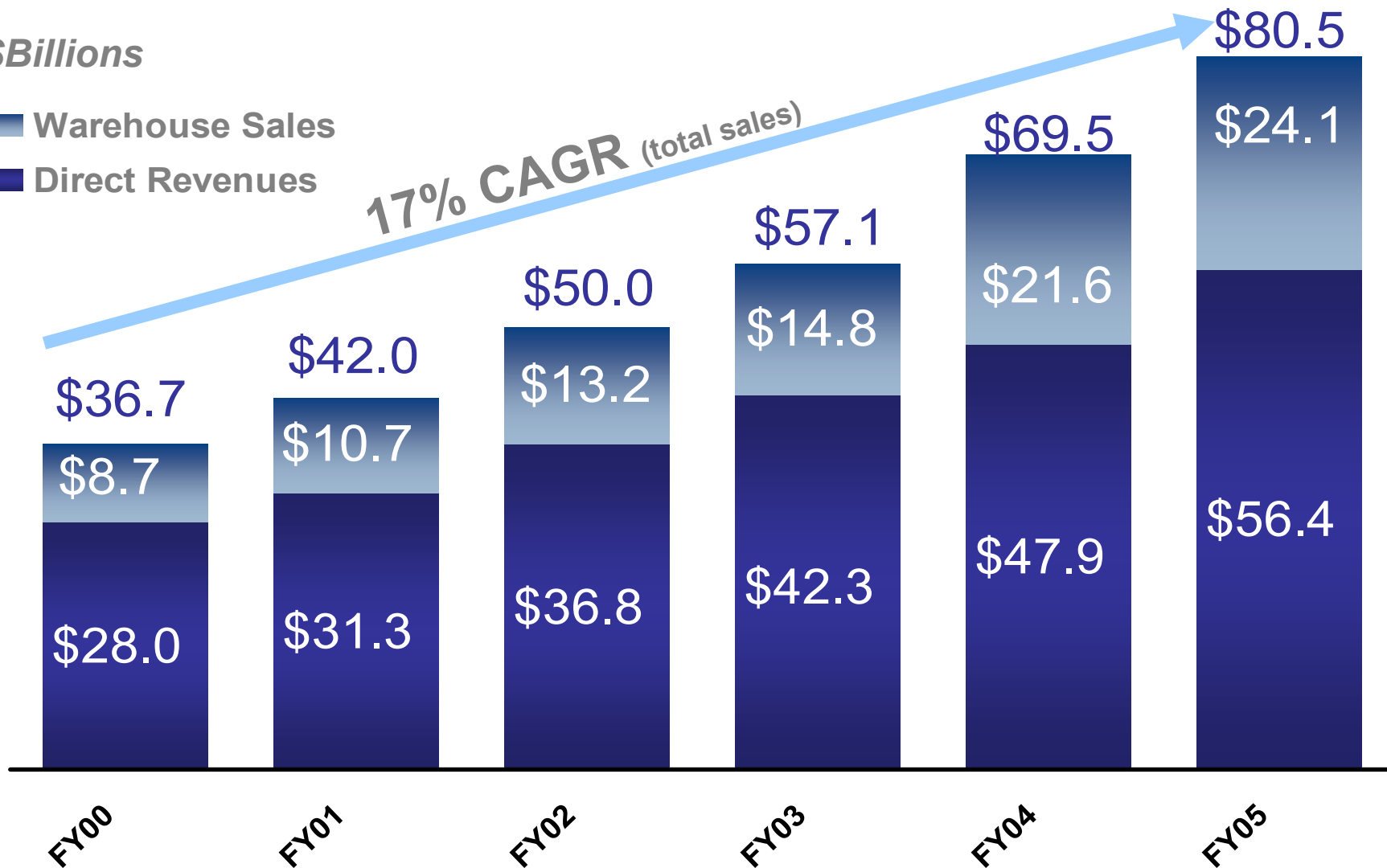
Financial Performance

Five Years of Strong Growth

\$Billions

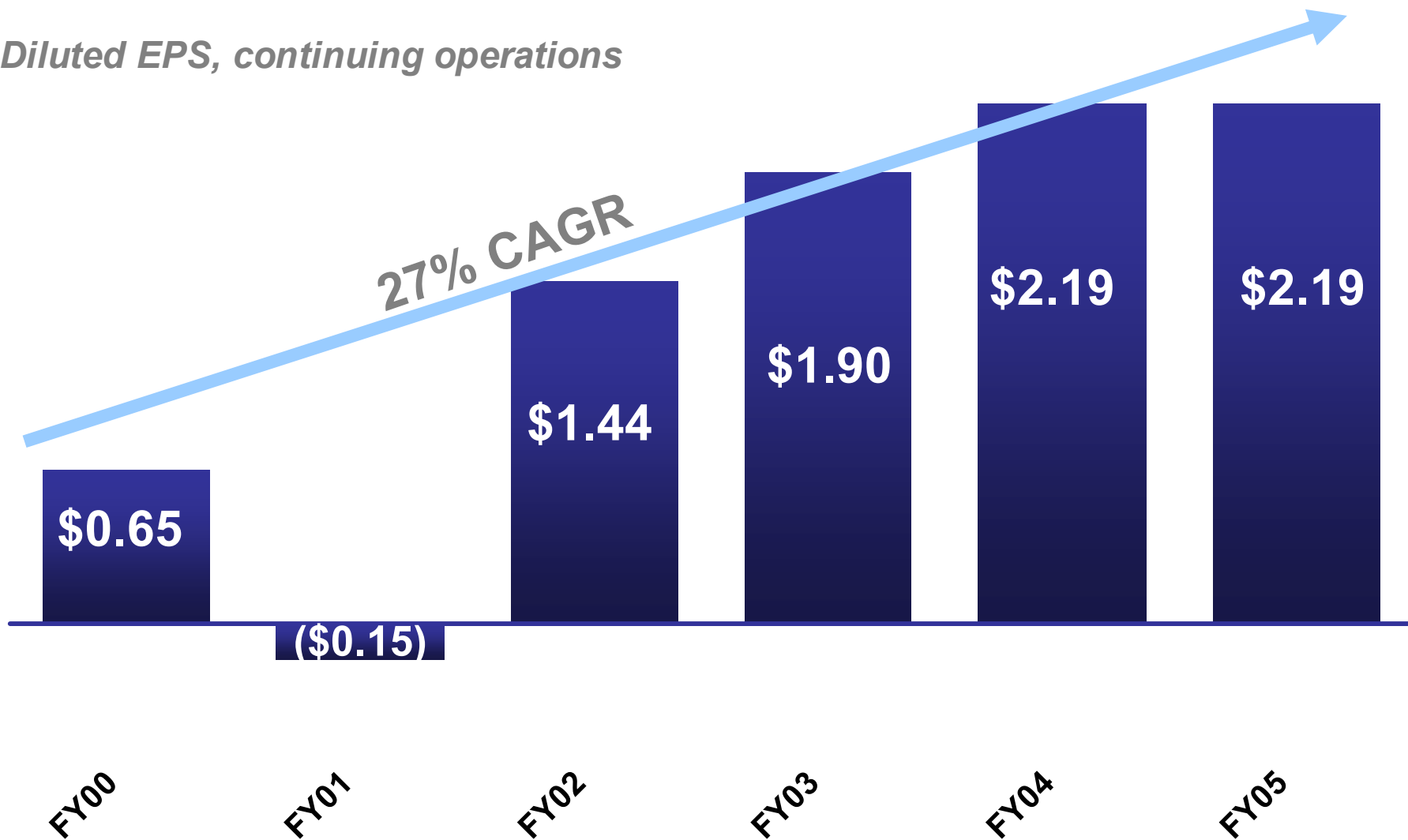
- Warehouse Sales
- Direct Revenues

17% CAGR (total sales)



EPS (continuing operations)

Diluted EPS, continuing operations



FY06 Consolidated Q2 Financial Results

(\$ and shares in millions,
except EPS)

	Q2			Six Months		
	FY05	FY06		FY05	FY06	
Revenues	\$ 19,922	\$ 21,605	8%	\$ 39,097	\$ 42,663	9%
Net Income						
-- As reported	86	167	94%	250	338	35%
-- Continuing ops, excluding Securities Litigation charge**	86	154	79%	249	359	44%
Diluted EPS						
-- As reported	\$ 0.29	\$ 0.53	83%	\$ 0.84	\$ 1.08	29%
-- Continuing ops, excluding Securities Litigation charge**	\$ 0.29	\$ 0.49	69%	\$ 0.84	\$ 1.14	36%

**See EPS Reconciliation slide at the end of this presentation for a complete reconciliation to reported results.

Strong, Flexible Balance Sheet

(\$ in millions)

	Six Months	
	FY05	FY06
Cash and Cash Equivalents	\$ 996	\$ 2,996
Operating Cash Flow	\$ 365	\$ 2,009
Gross Debt to Capital	20.9%	14.5%
Net Debt to Capital Employed	7.8%	-52.0%

Financial Flexibility to Create Shareholder Value

**Strong
Balance
Sheet**



**Resolution of
Shareholder
Litigation**



**Improving
Business
Performance
and Cash Flow**



STRATEGIC OPTIONS FOR CASH

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



EPS Reconciliation

(\$ and shares in millions, except EPS)

	Q2			Six Months		
	FY05	FY06		FY05	FY06	
Net income, continuing ops - as reported	\$ 86	\$ 154	79 %	\$ 249	\$ 324	30 %
Exclude:						
Securities Litigation charge	-	-	-	-	52	-
Estimated income tax benefit	-	-	-	-	(17)	-
	-	-	-	-	35	-
Net income, continuing ops, excluding Securities Litigation charge	\$ 86	\$ 154	79 %	\$ 249	\$ 359	44 %
Diluted earnings per common share, continuing ops, excluding Securities Litigation charge	\$ 0.29	\$ 0.49	69 %	\$ 0.84	\$ 1.14	36 %
Shares on which diluted earnings per common share were based	300	316	5 %	300	315	5 %

For the quarter ended September 30, 2004 and six months ended September 30, 2005 and 2004, interest expense, net of related income taxes, of \$1 million, \$1 million, and \$3 million has been added to net income for purposes of calculating diluted earnings per share. This adjustment reflects the impact of the Company's potentially dilutive obligations.

EPS Reconciliation

(\$ and shares in millions except EPS)

	Full-year		
	FY04	FY05	
Net income (loss)			
- as reported	\$ 647	\$ (157)	- %
Exclude:			
Securities Litigation charge	-	(1,200)	-
Estimated income tax benefit	-	390	-
	-	(810)	-
Net income, excluding			
Securities Litigation charge	\$ 647	\$ 653	1 %
Diluted earnings per common			
share, excluding Securities			
Litigation charge *	\$ 2.19	\$ 2.19	-
Shares on which diluted			
earnings per common			
share were based *	299	301	1 %

* For the years ended March 31, 2005 and 2004, interest expense, net of related income taxes, of \$6.2 million has been added to net income, excluding the Securities Litigation charge, 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).