McKESSON
Empowering Healthcare

Baird's 2009 Growth Stock Conference

May 13, 2009

Jeff Campbell
Executive Vice President and Chief Financial Officer

Safe Harbor Clause

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McKesson Drives Sustained Value Creation

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- Attractive markets
  - Demographics drive long-term demand
  - Public policy agenda supports greater access and improved efficiency
- Well-positioned businesses
  - Solid operating profit and cash flow strength from distribution segment
  - Diversified technology segment positioned for growth
- Steady track record of delivering results and a balanced approach to capital deployment
- Strong balance sheet and solid liquidity position
- Experienced and tenured management team

McKesson – Over **175 Years** Strengthening Healthcare

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1833 — Founded as drug importer and wholesaler

1850

mid-late 1800s — Established first U.S. national drug distribution system

1900

early 1900s — Became leading distributor of drugs in U.S.

1950

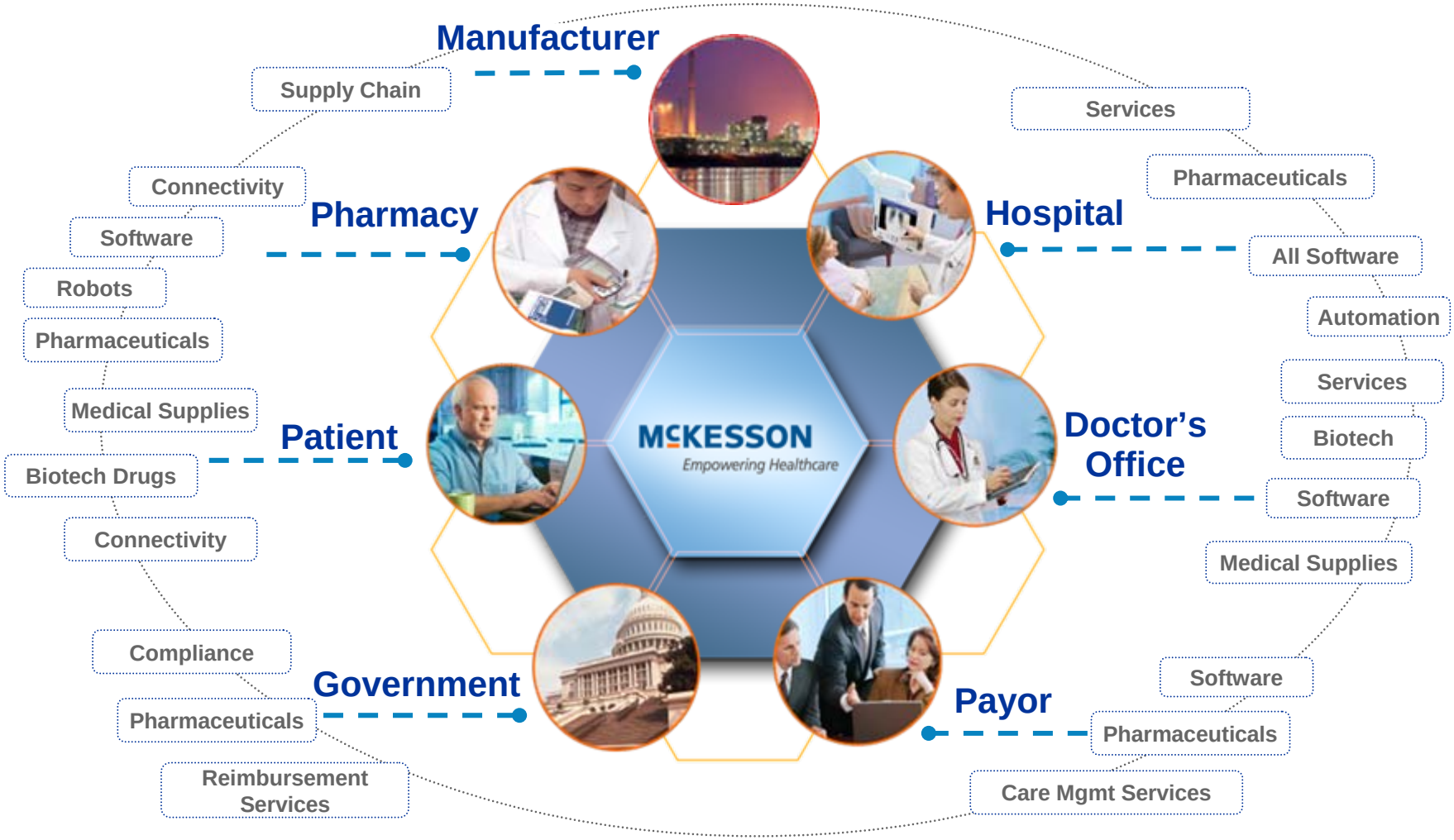
1999 — Merged with leading IT, supply and automation companies to become largest U.S. healthcare services company

2000

2009

Fortune 15 –
$107 billion
in revenues (FY09)

McKesson Sits at the Center of Healthcare…



…Helping Our Customers Improve the Quality and Efficiency of Care…

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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
- Improving information and revenue flows by **streamlining interactions** between clinicians, payors and patients
- Ensuring that **healthcare dollars are well spent**

…And Helping Shape the Public Policy Agenda

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- McKesson is uniquely positioned as an increasingly important resource to government officials
  - Greater opportunities to serve as a knowledgeable resource on cost, quality, and access
  - Business-based policy insights continuously tapped in Washington and across the states
  - Leadership roles in Healthcare Leadership Council, Healthcare Distribution Management Association (HDMA), HIMSS, eHealth Initiative (eHI)
- Healthcare is a leading agenda item
  - Government stimulus for HIT is a high profile item
  - But many other healthcare issues remain on the front burner

Shaping the Future of Healthcare

We Have Long-term Relationships with Global Healthcare Leaders…

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Vanderbilt University Medical Center

DUKE UNIVERSITY
MEDICAL CENTER

…And Are Recognized by Our Customers for our Outstanding Products and Services…

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

KLAS®
Accurate. Honest. Impartial.

MPT earned 7 Best in KLAS/Category Leader solutions*

CVS CAREMARK

"Overall Supplier of the Year"
"Supplier of the Year for Pharmacy"

DRUG TOPICS

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

WAL★MART

Multi-year winner of Wal-Mart's "Supplier of the Year"

PREMIER

Premier's #1 Quality Wholesaler

•Based on McKesson calculation for core clinical competitors in the software and medication distribution areas. Source *2008 Top 20 Best in KLAS Awards: Software & Professional Services and 2008 Top Best in KLAS Awards: Medical Equipment* www.KLASresearch.com; © 2008 KLAS Enterprises, LLC. All rights reserved.

…Giving Us Leadership Positions in Both Segments

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McKesson Distribution Solutions

- #1 in pharmaceutical distribution in U.S., Canada, and Mexico
- #1 generics distributor
- #2 in rapidly growing specialty distribution & services market
- 2,000+ Health Mart retail pharmacy franchisees
- Comprehensive retail information systems and automation offerings
- #1 in medical-surgical distribution to alternate care sites

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 with > $1 trillion in transactions annually
- #1 in ambulatory
- #1 in hospital automation
- 15 products in KLAS Top 3*
- #1 in medical management software and services for Payors
- #1 in disease management for Medicaid agencies

•Based on McKesson calculation. Source *2008 Top 20 Best in KLAS Awards: Software & Professional Services and 2008 Top Best in KLAS Awards: Medical Equipment* www.KLASresearch.com; © 2008 KLAS Enterprises, LLC. All rights reserved.

Solid Results in Fiscal Year 2009…

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($ in Millions except EPS)

	Year Ended March 31, 2009	Year Ended March 31, 2008	Chg
Revenues			
Distribution Solutions	$ 103,568	$ 98,719	5%
Technology Solutions	3,064	2,984	3%
	$ 106,632	$ 101,703	5%
Operating Profit*			
Distribution Solutions	$ 1,651	$ 1,483	11%
Technology Solutions	334	319	5%
	$ 1,985	$ 1,802	10%
Income*	$ 1,134	$ 986	15%
Diluted EPS*	$ 4.07	$ 3.31	23%

•Operating Profit, Income from Continuing Operations and Diluted EPS from Continuing Operations excluding the AWP litigation charge and the Securities Litigation credit

…Were Led by Our Distribution Segment…

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- Strong relationships with branded pharmaceutical manufacturers and increased visibility to compensation
- In addition to branded pharmaceuticals, focus on higher-margin products and services
  - Continued growth in proprietary generic programs
  - Expansion of private label sales at Medical-Surgical distribution
- Strong presence in faster growing specialty business
- Expanding footprint and broad value proposition in Canada
- Six Sigma and information technology drive quality improvements and operating efficiency

…and Diversified Profit Streams Mitigate Economic Impact for Our Technology Segment

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- Long-term view of fundamentals remains solid
  - Significant portion of revenues are stable or recurring
  - Highly-rated customer support and service, product innovation
  - Emerging opportunities in physician and consumer-directed healthcare
  - Growing payor software product offering
- Near-term environment has created some challenges
  - This has led to a slow-down in new sales of hospital solutions and physician office products

We Have a Track Record of Strong Revenue Growth…

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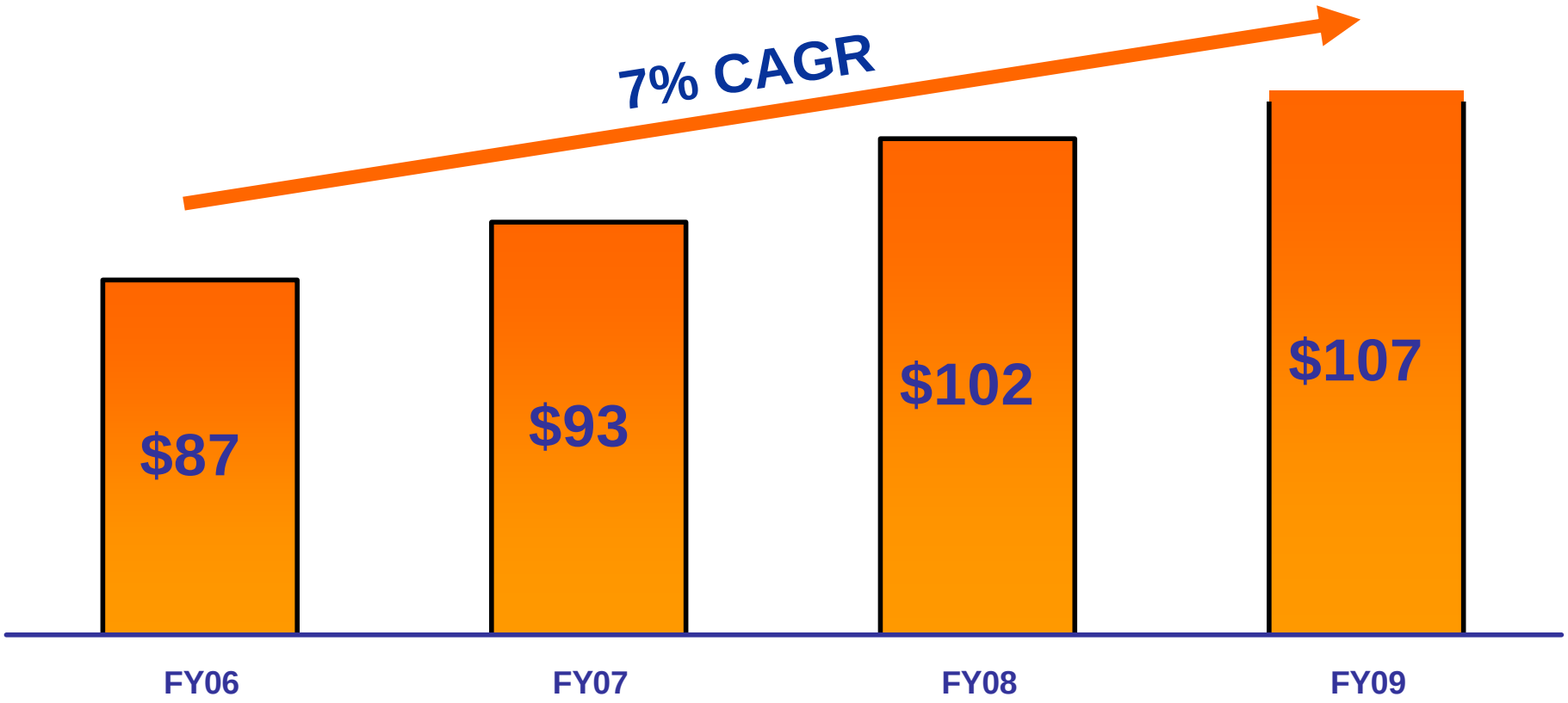
$ Billions



…That We Have Leveraged Into Higher EPS Growth (from continuing operations)*

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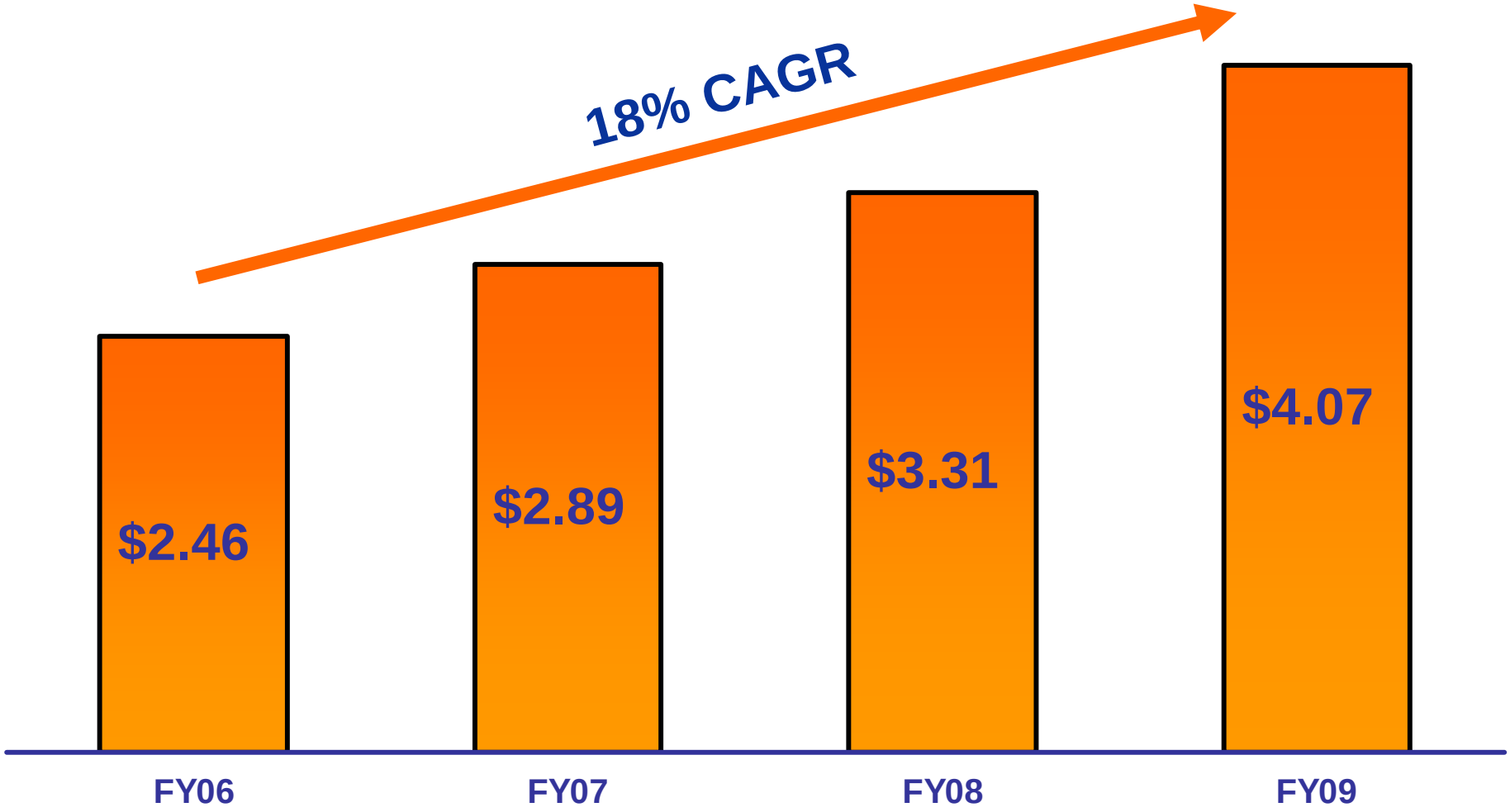

* Diluted EPS from continuing operations, excluding Litigation charges/(credits).

Portfolio Approach to Capital Deployment Allows Value Creation for Shareholders…

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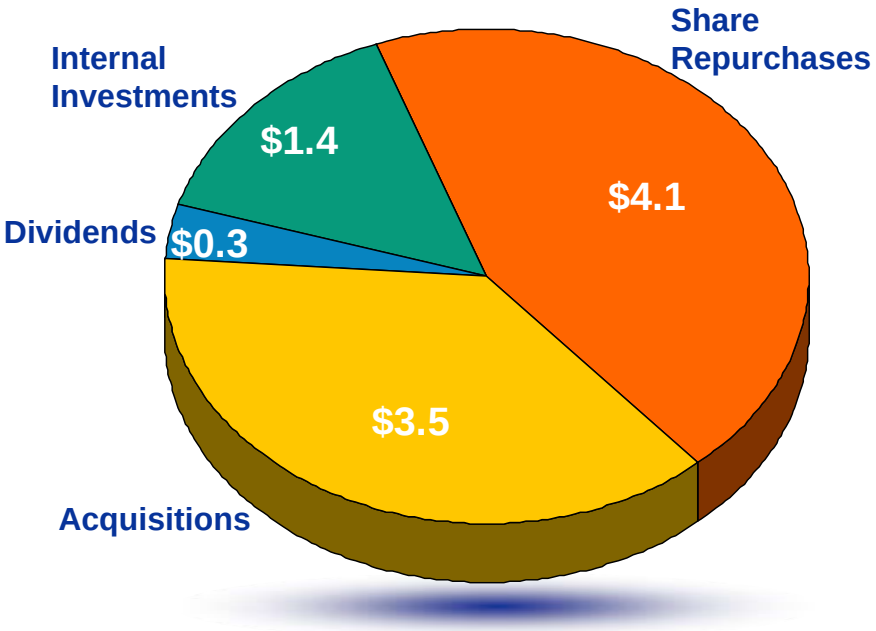
$9.3 Billion of Capital Deployed from FY06 – FY09



- Acquisitions
  - Synergistic opportunities
  - Accretive and value creating
- Measured share repurchase over time
- Internal investment
- Dividend policy periodically reviewed

Financial strength and flexibility to continue to execute our strategy

…While Maintaining a Strong Balance Sheet and Solid Liquidity Position

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- Conservative cash investment policy
- $2.3 billion in committed, short-term liquidity facilities led by large money-center banks
- No scheduled long-term debt repayment until February 2010
- Gross debt-to-capital ratio of 29% as of March 2009
  - Issued $700 million in debt in February

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Diluted EPS Reconciliation

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(In millions, except EPS)

	FY09	FY08	FY07	FY06*
Income from continuing operations - as reported	$ 823	$ 989	$ 968	$ 745
Exclude:				
Litigation charges (credits), net	493	(5)	(6)	45
Estimated income tax expense (benefit)	(182)	2	2	(15)
Income tax reserve reversal on Litigation charge	-	-	(83)	-
Litigation charges (credits), net of tax	311	(3)	(87)	30
Income from continuing operations excluding Litigation charges (credits), net	$ 1,134	$ 986	$ 881	$ 775
Diluted earnings per common share from continuing operations, excluding the Litigation charges (credits), net	$ 4.07	$ 3.31	$ 2.89	$ 2.46
Shares on which diluted earnings per common share were based	279	298	305	316

• For purposes of calculating diluted earnings per share, interest expense, net of related taxes, of $1 million, was added to net income, excluding the Securities Litigation charge for the year ended March 31, 2006. This adjustment reflects the impact of the Company's potentially dilutive obligations.

Operating Profit Reconciliation

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(In millions)

	FY09
Operating Profit	
Distribution Solutions - as reported	$ 1,158
Exclude AWP litigation charge	493
Distribution Solutions	1,651
Technology Solutions	334
Operating Profit	$ 1,985