



McKESON REPORTS FISCAL 2012 SECOND-QUARTER RESULTS

- *Revenues of \$30.2 billion for the second quarter, up 10%.*
- *Second-quarter GAAP earnings per diluted share of \$1.18.*
- *Second-quarter Adjusted Earnings per diluted share of \$1.63, up 48%.*
- *Fiscal 2012 Outlook: Adjusted Earnings of \$6.19 to \$6.39 per diluted share.*

SAN FRANCISCO, October 25, 2011 – McKesson Corporation (NYSE: MCK) today reported that revenues for the second quarter ended September 30, 2011 were up 10% to \$30.2 billion compared to \$27.5 billion a year ago. On the basis of U.S. generally accepted accounting principles (“GAAP”), second-quarter earnings per diluted share was \$1.18 compared to \$1.25 a year ago.

Second-quarter GAAP results included a pre-tax, non-cash charge of \$118 million (\$77 million after-tax or 31 cents per diluted share). McKesson has reached an agreement in the matter known as Douglas County to settle the public entity claims brought by a nationwide class of cities and counties relating to First DataBank’s published drug reimbursement benchmarks, commonly referred to as Average Wholesale Prices (“AWPs”), for \$82 million. The settlement agreement included an express denial of any liability on the part of the company. Based on a combination of the Douglas County settlement and progress made toward potentially resolving other public entity claims, the company increased its AWP reserve of \$324 million by \$118 million to bring the total reserve for AWP public entity claims to \$442 million. Last year’s second-quarter GAAP results also included a pre-tax AWP litigation charge of \$24 million (\$16 million after-tax or six cents per diluted share).

McKesson separately reports financial results on the basis of Adjusted Earnings in addition to GAAP. Adjusted Earnings is a non-GAAP financial measure defined as GAAP earnings from continuing operations, excluding acquisition-related expenses, amortization of acquisition-related intangible assets, and certain litigation reserve adjustments. A reconciliation of

McKesson's financial results determined in accordance with GAAP to Adjusted Earnings is provided in Schedules 2, 3 and 4 of the financial statement tables included with this release. Second-quarter Adjusted Earnings per diluted share was \$1.63 compared to \$1.10 a year ago.

For the first half of the fiscal year, McKesson generated cash from operations of \$1.4 billion and ended the quarter with cash and cash equivalents of \$3.9 billion. During the first half of the fiscal year, the company deployed \$191 million for acquisitions, repurchased \$650 million of common stock, and paid \$97 million in dividends.

"I am pleased with McKesson's second-quarter operating results, with strong execution from both Distribution Solutions and Technology Solutions driving earnings growth," said John H. Hammergren, chairman and chief executive officer. "Based on the momentum from our first-half results, we are raising our previous outlook for the fiscal year and now expect Adjusted Earnings between \$6.19 and \$6.39 per diluted share for the fiscal year ending March 31, 2012."

Distribution Solutions revenues were up 10% in the second quarter, driven mainly by strong growth in U.S. pharmaceutical direct distribution and services revenues, reflecting market growth and our mix of business, as well as the acquisition of US Oncology.

Canadian revenues, on a constant currency basis, were up 2% for the quarter due to market growth, partially offset by the impact of government imposed price reductions on generic drugs. Including a favorable currency impact of 6%, Canadian revenues increased 8% for the quarter. Medical-Surgical distribution revenues were up 13% for the quarter, mainly due to five additional days of sales in the quarter.

In the second quarter, Distribution Solutions gross profit improved due to the positive impact of the US Oncology acquisition.

Distribution Solutions GAAP operating profit was \$477 million for the quarter and the GAAP operating margin was 1.62%. Adjusted operating profit was \$635 million for the quarter and the adjusted operating margin was 2.16%.

In Technology Solutions, revenues were up 7% for the quarter. GAAP operating profit in the second quarter was \$108 million and the GAAP operating margin was 13.09%. Adjusted operating profit in the second quarter was \$126 million and the adjusted operating margin was 15.27%. Technology Solutions performance was aided by solid progress on achieving certain customer implementation milestones. In last year's second quarter, Technology Solutions results included a non-cash, pre-tax asset impairment charge of \$72 million.

Fiscal Year 2012 Outlook

McKesson expects Adjusted Earnings between \$6.19 and \$6.39 per diluted share for the fiscal year ending March 31, 2012, which excludes the following GAAP items:

- Amortization of acquisition-related intangible assets of approximately 46 cents per diluted share in Fiscal 2012.
- Acquisition-related expenses of approximately seven cents per diluted share in Fiscal 2012.
- Litigation reserve adjustments of 31 cents per diluted share.

Risk Factors

Except for historical information contained in this press release, matters discussed may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. These statements may be identified by their use of forward-looking terminology such as “believes”, “expects”, “anticipates”, “may”, “will”, “should”, “seeks”, “approximately”, “intends”, “plans”, “estimates” or the negative of these words or other comparable terminology. The discussion of financial trends, strategy, plans or intentions may also include forward-looking statements. It is not possible to predict or identify all such risks and uncertainties; however, the most significant of these risks and uncertainties are described in the company’s Form 10-K, Form 10-Q and Form 8-K reports filed with the Securities and Exchange Commission and include, but are not limited to: material adverse resolution of pending legal proceedings; changes in the U.S. healthcare industry and regulatory environment; changes in the Canadian healthcare industry and regulatory environment; competition; substantial defaults in payment or a material reduction in purchases by, or the loss of, a large customer or group purchasing organization; the loss of government contracts as a result of compliance or funding challenges; public health issues in the U.S. or abroad; implementation delay, malfunction or failure of internal information systems; the adequacy of insurance to cover property loss or liability claims; the company’s failure to attract and retain customers for its software products and solutions due to integration and implementation challenges, or due to an inability to keep pace with technological advances; the company’s proprietary products and services may not be adequately protected, and its products and solutions may be found to infringe on the rights of others; system errors or failure of our technology products and solutions to conform to specifications; disaster or other event causing interruption of customer access to data residing in our service centers; the delay or extension of our sales or implementation cycles for external software products; changes in circumstances that could impair our goodwill or intangible

assets; foreign currency fluctuations or disruptions to our foreign operations; new or revised tax legislation or challenges to our tax positions; the company's ability to successfully identify, consummate and integrate strategic acquisitions; general economic conditions, including changes in the financial markets that may affect the availability and cost of credit to the company, its customers or suppliers; and changes in accounting principles generally accepted in the United States of America. The reader should not place undue reliance on forward-looking statements, which speak only as of the date they are first made. Except to the extent required by law, the company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of unanticipated events.

The company has scheduled a conference call for 5 PM ET. The dial-in number for individuals wishing to participate on the call is 719-234-7317. Ana Schrank, vice president, Investor Relations, is the leader of the call, and the password to join the call is 'McKesson'. A replay of this conference call will be available for five calendar days. The dial-in number for individuals wishing to listen to the replay is 888-203-1112 and the passcode is 6764061. A webcast of the conference call will also be available live and archived on the company's Investor Relations website at www.mckesson.com/investors.

Shareholders are encouraged to review SEC filings and more information about McKesson, which are located on the company's website.

About McKesson

McKesson Corporation, currently ranked 15th on the FORTUNE 500, is a healthcare services and information technology company dedicated to making the business of healthcare run better. We partner with payers, hospitals, physician offices, pharmacies, pharmaceutical companies and others across the spectrum of care to build healthier organizations that deliver better care to patients in every setting. McKesson helps its customers improve their financial, operational, and clinical performance with solutions that include pharmaceutical and medical-surgical supply management, healthcare information technology, and business and clinical services. For more information, visit <http://www.mckesson.com>.

###

Contact:

Ana Schrank, 415-983-7153 (Investors and Financial Media)

Ana.Schrank@McKesson.com

Kris Fortner, 415-983-8352 (General and Business Media)

Kris.Fortner@McKesson.com

McKESSON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS- GAAP
(unaudited)
(in millions, except per share amounts)

| | Quarter Ended September 30, | | | Six Months Ended September 30, | | |
|--|-----------------------------|-----------|--------|--------------------------------|-----------|--------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Revenues | \$ 30,216 | \$ 27,534 | 10 % | \$ 60,196 | \$ 54,984 | 9 % |
| Cost of sales ⁽¹⁾ | 28,569 | 26,168 | 9 | 57,040 | 52,226 | 9 |
| Gross profit | 1,647 | 1,366 | 21 | 3,156 | 2,758 | 14 |
| Operating expenses | 1,051 | 925 | 14 | 2,088 | 1,843 | 13 |
| Litigation charges ⁽²⁾ | 118 | 24 | 392 | 118 | 24 | 392 |
| Total operating expenses | 1,169 | 949 | 23 | 2,206 | 1,867 | 18 |
| Operating income | 478 | 417 | 15 | 950 | 891 | 7 |
| Other income, net | 6 | 3 | 100 | 14 | 12 | 17 |
| Interest expense | (64) | (44) | 45 | (128) | (87) | 47 |
| Income from continuing operations before income taxes | 420 | 376 | 12 | 836 | 816 | 2 |
| Income tax expense | (124) | (121) | 2 | (254) | (263) | (3) |
| Income from continuing operations | 296 | 255 | 16 | 582 | 553 | 5 |
| Discontinued operation - gain on sale, net of tax ⁽³⁾ | - | 72 | - | - | 72 | - |
| Net income | \$ 296 | \$ 327 | (9) | \$ 582 | \$ 625 | (7) |
| Earnings per common share ⁽⁴⁾ | | | | | | |
| Diluted | | | | | | |
| Continuing operations | \$ 1.18 | \$ 0.97 | 22 % | \$ 2.31 | \$ 2.07 | 12 % |
| Discontinued operation - gain on sale | - | 0.28 | - | - | 0.27 | - |
| Total | \$ 1.18 | \$ 1.25 | (6) | \$ 2.31 | \$ 2.34 | (1) |
| Basic | | | | | | |
| Continuing operations | \$ 1.20 | \$ 0.99 | 21 % | \$ 2.35 | \$ 2.11 | 11 % |
| Discontinued operation - gain on sale | - | 0.28 | - | - | 0.28 | - |
| Total | \$ 1.20 | \$ 1.27 | (6) | \$ 2.35 | \$ 2.39 | (2) |
| Shares on which earnings per common share were based | | | | | | |
| Diluted | 250 | 262 | (5) % | 252 | 267 | (6) % |
| Basic | 246 | 258 | (5) | 247 | 262 | (6) |

⁽¹⁾ Cost of sales for fiscal year 2011 includes an asset impairment charge of \$72 million in our Technology Solutions segment for capitalized software held for sale and for the first six months of fiscal year 2011 includes a credit of \$51 million in our Distribution Solutions segment representing our share of a settlement of an antitrust class action lawsuit brought against a drug manufacturer.

⁽²⁾ Operating expenses includes charges for the Average Wholesale Price ("AWP") litigation.

⁽³⁾ In fiscal year 2011 we sold a Technology Solutions business for \$109 million of net sales proceeds. The after-tax gain on sale of \$72 million has been recorded as a discontinued operation. Financial operating results for this business were immaterial.

⁽⁴⁾ Certain computations may reflect rounding adjustments.

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED EARNINGS (NON-GAAP)
(unaudited)
(in millions, except per share amounts)

| | Quarter Ended September 30, 2011 | | | | | Change Vs. Prior Quarter | |
|--|----------------------------------|---|-------------------------------------|--------------------------------------|------------------------------------|-----------------------------|------------------------------------|
| | As Reported (GAAP) | Amortization of Acquisition- Related Intangibles | Acquisition- Related Expenses | Litigation Reserve Adjustments | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjusted Earnings (Non-GAAP) |
| Revenues | \$ 30,216 | \$ - | \$ - | \$ - | \$ 30,216 | 10 % | 10 % |
| Gross profit | \$ 1,647 | \$ 6 | \$ - | \$ - | \$ 1,653 | 21 | 21 |
| Operating expenses | (1,169) | 44 | 8 | 118 | (999) | 23 | 11 |
| Other income, net | 6 | - | - | - | 6 | 100 | 100 |
| Interest expense | (64) | - | - | - | (64) | 45 | 45 |
| Income from continuing operations before income taxes | 420 | 50 | 8 | 118 | 596 | 12 | 39 |
| Income tax expense | (124) | (20) | (3) | (41) | (188) | 2 | 34 |
| Income from continuing operations | \$ 296 | \$ 30 | \$ 5 | \$ 77 | \$ 408 | 16 | 42 |
| Diluted earnings per common share from continuing operations ⁽¹⁾ | \$ 1.18 | \$ 0.12 | \$ 0.02 | \$ 0.31 | \$ 1.63 | 22 % | 48 % |
| Diluted weighted average shares | 250 | 250 | 250 | 250 | 250 | (5) % | (5) % |

| | Quarter Ended September 30, 2010 | | | | |
|--|----------------------------------|---|-------------------------------------|--------------------------------------|------------------------------------|
| | As Reported (GAAP) | Amortization of Acquisition- Related Intangibles | Acquisition- Related Expenses | Litigation Reserve Adjustments | Adjusted Earnings (Non-GAAP) |
| Revenues | \$ 27,534 | \$ - | \$ - | \$ - | \$ 27,534 |
| Gross profit | \$ 1,366 | \$ 4 | \$ - | \$ - | \$ 1,370 |
| Operating expenses | (949) | 24 | - | 24 | (901) |
| Other income, net | 3 | - | - | - | 3 |
| Interest expense | (44) | - | - | - | (44) |
| Income from continuing operations before income taxes | 376 | 28 | - | 24 | 428 |
| Income tax expense | (121) | (11) | - | (8) | (140) |
| Income from continuing operations | \$ 255 | \$ 17 | \$ - | \$ 16 | \$ 288 |
| Diluted earnings per common share from continuing operations ⁽¹⁾ | \$ 0.97 | \$ 0.06 | \$ - | \$ 0.06 | \$ 1.10 |
| Diluted weighted average shares | 262 | 262 | 262 | 262 | 262 |

⁽¹⁾ Certain computations may reflect rounding adjustments.

Adjusted Earnings (Non-GAAP) Financial Information

Adjusted Earnings represents income from continuing operations, excluding the effects of the following items from the Company's GAAP financial results, including the related income tax effects:

Amortization of acquisition-related intangibles - Amortization expense of acquired intangible assets purchased in connection with acquisitions by the Company.

Acquisition-related expenses - Transaction and integration expenses that are directly related to acquisitions by the Company. Examples include transaction closing costs, professional service fees, restructuring or severance charges, retention payments, employee relocation expenses, facility or other exit-related expenses, recoveries of acquisition-related expenses or post-closing expenses, or bridge loan fees.

Litigation reserve adjustments - Adjustments to the Company's reserves for estimated probable losses for its Average Wholesale Price and Securities Litigation matters, as such terms were defined in the Company's Annual Reports on Form 10-K for the fiscal years ended March 31, 2011 and 2009, respectively.

Income taxes on Adjusted Earnings are calculated in accordance with Accounting Standards Codification 740, "Income Taxes," which is the same accounting principles used by the Company when presenting its GAAP financial results.

The Company believes the presentation of non-GAAP measures such as Adjusted Earnings provides useful supplemental information to investors with regard to its core operating performance, as well as assists with the comparison of its past financial performance to the Company's future financial results. Moreover, the Company believes that the presentation of Adjusted Earnings assists investors' ability to compare its financial results to those of other companies in the same industry. However, the Company's Adjusted Earnings measure may be defined and calculated differently by other companies in the same industry.

The Company internally uses non-GAAP financial measures such as Adjusted Earnings in connection with its own financial planning and reporting processes. Specifically, Adjusted Earnings serves as one of the measures management utilizes when allocating resources, deploying capital and assessing business performance and employee incentive compensation. Nonetheless, non-GAAP financial results and related measures disclosed by the Company should not be considered a substitute for, nor superior to, financial results and measures as determined or calculated in accordance with GAAP.

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED EARNINGS (NON-GAAP)
(unaudited)
(in millions, except per share amounts)

| | Six Months Ended September 30, 2011 | | | | | Change Vs. Prior Period | |
|--|-------------------------------------|---|-------------------------------------|--------------------------------------|------------------------------------|----------------------------|------------------------------------|
| | As Reported (GAAP) | Amortization of Acquisition- Related Intangibles | Acquisition- Related Expenses | Litigation Reserve Adjustments | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjusted Earnings (Non-GAAP) |
| Revenues | \$ 60,196 | \$ - | \$ - | \$ - | \$ 60,196 | 9 % | 9 % |
| Gross profit | \$ 3,156 | \$ 11 | \$ - | \$ - | \$ 3,167 | 14 | 14 |
| Operating expenses | (2,206) | 87 | 18 | 118 | (1,983) | 18 | 10 |
| Other income, net | 14 | - | - | - | 14 | 17 | 17 |
| Interest expense | (128) | - | - | - | (128) | 47 | 47 |
| Income from continuing operations before income taxes | 836 | 98 | 18 | 118 | 1,070 | 2 | 19 |
| Income tax expense | (254) | (38) | (6) | (41) | (339) | (3) | 16 |
| Income from continuing operations | \$ 582 | \$ 60 | \$ 12 | \$ 77 | \$ 731 | 5 | 21 |
| Diluted earnings per common share from continuing operations ⁽¹⁾ | \$ 2.31 | \$ 0.24 | \$ 0.04 | \$ 0.31 | \$ 2.90 | 12 % | 28 % |
| Diluted weighted average shares | 252 | 252 | 252 | 252 | 252 | (6) % | (6) % |

| | Six Months Ended September 30, 2010 | | | | |
|--|-------------------------------------|---|-------------------------------------|--------------------------------------|------------------------------------|
| | As Reported (GAAP) | Amortization of Acquisition- Related Intangibles | Acquisition- Related Expenses | Litigation Reserve Adjustments | Adjusted Earnings (Non-GAAP) |
| Revenues | \$ 54,984 | \$ - | \$ - | \$ - | \$ 54,984 |
| Gross profit | \$ 2,758 | \$ 8 | \$ - | \$ - | \$ 2,766 |
| Operating expenses | (1,867) | 48 | - | 24 | (1,795) |
| Other income, net | 12 | - | - | - | 12 |
| Interest expense | (87) | - | - | - | (87) |
| Income from continuing operations before income taxes | 816 | 56 | - | 24 | 896 |
| Income tax expense | (263) | (22) | - | (8) | (293) |
| Income from continuing operations | \$ 553 | \$ 34 | \$ - | \$ 16 | \$ 603 |
| Diluted earnings per common share from continuing operations ⁽¹⁾ | \$ 2.07 | \$ 0.13 | \$ - | \$ 0.06 | \$ 2.26 |
| Diluted weighted average shares | 267 | 267 | 267 | 267 | 267 |

⁽¹⁾ Certain computations may reflect rounding adjustments.

McKESSON CORPORATION
RECONCILIATION OF GAAP SEGMENT FINANCIAL RESULTS TO ADJUSTED EARNINGS (NON-GAAP)
(unaudited)
(in millions)

| | Quarter Ended September 30, 2011 | | | Quarter Ended September 30, 2010 | | | Change | |
|--|----------------------------------|---------|------------------------------|----------------------------------|---------|------------------------------|--------------------|------------------------------|
| | As Reported (GAAP) | Adjust. | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjust. | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjusted Earnings (Non-GAAP) |
| REVENUES | | | | | | | | |
| Distribution Solutions | | | | | | | | |
| Direct distribution & services | \$ 21,072 | \$ - | \$ 21,072 | \$ 18,984 | \$ - | \$ 18,984 | 11 % | 11 % |
| Sales to customers' warehouses | 4,909 | - | 4,909 | 4,659 | - | 4,659 | 5 | 5 |
| Total U.S. pharmaceutical distribution & services | 25,981 | - | 25,981 | 23,643 | - | 23,643 | 10 | 10 |
| Canada pharmaceutical distribution & services | 2,537 | - | 2,537 | 2,351 | - | 2,351 | 8 | 8 |
| Medical-Surgical distribution & services | 873 | - | 873 | 770 | - | 770 | 13 | 13 |
| Total Distribution Solutions | 29,391 | - | 29,391 | 26,764 | - | 26,764 | 10 | 10 |
| Technology Solutions | | | | | | | | |
| Services | 643 | - | 643 | 604 | - | 604 | 6 | 6 |
| Software & software systems | 153 | - | 153 | 138 | - | 138 | 11 | 11 |
| Hardware | 29 | - | 29 | 28 | - | 28 | 4 | 4 |
| Total Technology Solutions Revenues | 825 | - | 825 | 770 | - | 770 | 7 | 7 |
| | \$ 30,216 | \$ - | \$ 30,216 | \$ 27,534 | \$ - | \$ 27,534 | 10 | 10 |
| GROSS PROFIT | | | | | | | | |
| Distribution Solutions | \$ 1,258 | \$ 1 | \$ 1,259 | \$ 1,090 | \$ - | \$ 1,090 | 15 | 16 |
| Technology Solutions ⁽¹⁾ | 389 | 5 | 394 | 276 | 4 | 280 | 41 | 41 |
| Gross profit | \$ 1,647 | \$ 6 | \$ 1,653 | \$ 1,366 | \$ 4 | \$ 1,370 | 21 | 21 |
| OPERATING EXPENSES | | | | | | | | |
| Distribution Solutions | \$ (785) | \$ 157 | \$ (628) | \$ (598) | \$ 37 | \$ (561) | 31 | 12 |
| Technology Solutions | (281) | 13 | (268) | (263) | 11 | (252) | 7 | 6 |
| Corporate | (103) | - | (103) | (88) | - | (88) | 17 | 17 |
| Operating expenses | \$ (1,169) | \$ 170 | \$ (999) | \$ (949) | \$ 48 | \$ (901) | 23 | 11 |
| OTHER INCOME (EXPENSE), NET | | | | | | | | |
| Distribution Solutions | \$ 4 | \$ - | \$ 4 | \$ (1) | \$ - | \$ (1) | - | - |
| Technology Solutions | - | - | - | 1 | - | 1 | (100) | (100) |
| Corporate | 2 | - | 2 | 3 | - | 3 | (33) | (33) |
| Other income, net | \$ 6 | \$ - | \$ 6 | \$ 3 | \$ - | \$ 3 | 100 | 100 |
| OPERATING PROFIT | | | | | | | | |
| Distribution Solutions | \$ 477 | \$ 158 | \$ 635 | \$ 491 | \$ 37 | \$ 528 | (3) | 20 |
| Technology Solutions ⁽¹⁾ | 108 | 18 | 126 | 14 | 15 | 29 | 671 | 334 |
| Operating profit | 585 | 176 | 761 | 505 | 52 | 557 | 16 | 37 |
| Corporate | (101) | - | (101) | (85) | - | (85) | 19 | 19 |
| Income from continuing operations before interest expense and income taxes | \$ 484 | \$ 176 | \$ 660 | \$ 420 | \$ 52 | \$ 472 | 15 | 40 |
| STATISTICS | | | | | | | | |
| Operating profit as a % of revenues | | | | | | | | |
| Distribution Solutions | 1.62 % | | 2.16 % | 1.83 % | | 1.97 % | (21) bp | 19 bp |
| Technology Solutions ⁽¹⁾ | 13.09 | | 15.27 | 1.82 | | 3.77 | 1,127 | 1,150 |

⁽¹⁾ Results for fiscal year 2011 include a \$72 million asset impairment charge for capitalized software held for sale.

McKESSON CORPORATION
RECONCILIATION OF GAAP SEGMENT FINANCIAL RESULTS TO ADJUSTED EARNINGS (NON-GAAP)
(unaudited)
(in millions)

| | Six Months Ended September 30, 2011 | | | Six Months Ended September 30, 2010 | | | Change | |
|--|-------------------------------------|---------|------------------------------|-------------------------------------|---------|------------------------------|--------------------|------------------------------|
| | As Reported (GAAP) | Adjust. | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjust. | Adjusted Earnings (Non-GAAP) | As Reported (GAAP) | Adjusted Earnings (Non-GAAP) |
| REVENUES | | | | | | | | |
| Distribution Solutions | | | | | | | | |
| Direct distribution & services | \$ 41,899 | \$ - | \$ 41,899 | \$ 37,686 | \$ - | \$ 37,686 | 11 % | 11 % |
| Sales to customers' warehouses | 9,800 | - | 9,800 | 9,402 | - | 9,402 | 4 | 4 |
| Total U.S. pharmaceutical distribution & services | 51,699 | - | 51,699 | 47,088 | - | 47,088 | 10 | 10 |
| Canada pharmaceutical distribution & services | 5,266 | - | 5,266 | 4,911 | - | 4,911 | 7 | 7 |
| Medical-Surgical distribution & services | 1,604 | - | 1,604 | 1,456 | - | 1,456 | 10 | 10 |
| Total Distribution Solutions | 58,569 | - | 58,569 | 53,455 | - | 53,455 | 10 | 10 |
| Technology Solutions | | | | | | | | |
| Services | 1,273 | - | 1,273 | 1,199 | - | 1,199 | 6 | 6 |
| Software & software systems | 297 | - | 297 | 273 | - | 273 | 9 | 9 |
| Hardware | 57 | - | 57 | 57 | - | 57 | - | - |
| Total Technology Solutions Revenues | 1,627 | - | 1,627 | 1,529 | - | 1,529 | 6 | 6 |
| | \$ 60,196 | \$ - | \$ 60,196 | \$ 54,984 | \$ - | \$ 54,984 | 9 | 9 |
| GROSS PROFIT | | | | | | | | |
| Distribution Solutions ⁽¹⁾ | \$ 2,389 | \$ 1 | \$ 2,390 | \$ 2,157 | \$ - | \$ 2,157 | 11 | 11 |
| Technology Solutions ⁽²⁾ | 767 | 10 | 777 | 601 | 8 | 609 | 28 | 28 |
| Gross profit | \$ 3,156 | \$ 11 | \$ 3,167 | \$ 2,758 | \$ 8 | \$ 2,766 | 14 | 14 |
| OPERATING EXPENSES | | | | | | | | |
| Distribution Solutions | \$ (1,446) | \$ 196 | \$ (1,250) | \$ (1,166) | \$ 49 | \$ (1,117) | 24 | 12 |
| Technology Solutions | (560) | 27 | (533) | (525) | 23 | (502) | 7 | 6 |
| Corporate | (200) | - | (200) | (176) | - | (176) | 14 | 14 |
| Operating expenses | \$ (2,206) | \$ 223 | \$ (1,983) | \$ (1,867) | \$ 72 | \$ (1,795) | 18 | 10 |
| OTHER INCOME, NET | | | | | | | | |
| Distribution Solutions | \$ 9 | \$ - | \$ 9 | \$ 5 | \$ - | \$ 5 | 80 | 80 |
| Technology Solutions | 1 | - | 1 | 2 | - | 2 | (50) | (50) |
| Corporate | 4 | - | 4 | 5 | - | 5 | (20) | (20) |
| Other income, net | \$ 14 | \$ - | \$ 14 | \$ 12 | \$ - | \$ 12 | 17 | 17 |
| OPERATING PROFIT | | | | | | | | |
| Distribution Solutions ⁽¹⁾ | \$ 952 | \$ 197 | \$ 1,149 | \$ 996 | \$ 49 | \$ 1,045 | (4) | 10 |
| Technology Solutions ⁽²⁾ | 208 | 37 | 245 | 78 | 31 | 109 | 167 | 125 |
| Operating profit | 1,160 | 234 | 1,394 | 1,074 | 80 | 1,154 | 8 | 21 |
| Corporate | (196) | - | (196) | (171) | - | (171) | 15 | 15 |
| Income from continuing operations before interest expense and income taxes | \$ 964 | \$ 234 | \$ 1,198 | \$ 903 | \$ 80 | \$ 983 | 7 | 22 |
| STATISTICS | | | | | | | | |
| Operating profit as a % of revenues | | | | | | | | |
| Distribution Solutions | 1.63 % | | 1.96 % | 1.86 % | | 1.95 % | (23) bp | 1 bp |
| Technology Solutions ⁽¹⁾ | 12.78 | | 15.06 | 5.10 | | 7.13 | 768 | 793 |

⁽¹⁾ Results for the first six months of fiscal year 2011 includes a credit of \$51 million representing our share of a settlement of an antitrust class action lawsuit brought against a drug manufacturer.

⁽²⁾ Results for fiscal year 2011 include a \$72 million asset impairment charge for capitalized software held for sale.

McKESSON CORPORATION
RECONCILIATION OF GAAP SEGMENT FINANCIAL RESULTS TO ADJUSTED EARNINGS (NON-GAAP) - BY ADJUSTMENT TYPE
(unaudited)
(in millions)

| | Quarter Ended September 30, 2011 | | | | Quarter Ended September 30, 2010 | | | |
|---|----------------------------------|-------------------------|------------------------------------|-----------|----------------------------------|-------------------------|------------------------------------|-----------|
| | Distribution Solutions | Technology Solutions | Corporate & Interest Expense | Total | Distribution Solutions | Technology Solutions | Corporate & Interest Expense | Total |
| <u>As Reported (GAAP):</u> | | | | | | | | |
| Revenues | \$ 29,391 | \$ 825 | \$ - | \$ 30,216 | \$ 26,764 | \$ 770 | \$ - | \$ 27,534 |
| Gross profit | \$ 1,258 | \$ 389 | \$ - | \$ 1,647 | \$ 1,090 | \$ 276 | \$ - | \$ 1,366 |
| Operating expenses | (785) | (281) | (103) | (1,169) | (598) | (263) | (88) | (949) |
| Other income (expense), net | 4 | - | 2 | 6 | (1) | 1 | 3 | 3 |
| Income from continuing operations before interest expense and income taxes | 477 | 108 | (101) | 484 | 491 | 14 | (85) | 420 |
| Interest income (expense), net | 1 | 1 | (66) | (64) | - | - | (44) | (44) |
| Income from continuing operations before income taxes | \$ 478 | \$ 109 | \$ (167) | \$ 420 | \$ 491 | \$ 14 | \$ (129) | \$ 376 |
| <u>Pre-Tax Adjustments:</u> | | | | | | | | |
| Gross profit | \$ 1 | \$ 5 | \$ - | \$ 6 | \$ - | \$ 4 | \$ - | \$ 4 |
| Operating expenses | 31 | 13 | - | 44 | 13 | 11 | - | 24 |
| Amortization of acquisition- related intangibles | 32 | 18 | - | 50 | 13 | 15 | - | 28 |
| Operating expenses - Acquisition-related expenses | 8 | - | - | 8 | - | - | - | - |
| Operating expenses - Litigation reserve adjustments | 118 | - | - | 118 | 24 | - | - | 24 |
| Total pre-tax adjustments | \$ 158 | \$ 18 | \$ - | \$ 176 | \$ 37 | \$ 15 | \$ - | \$ 52 |
| <u>Adjusted Earnings (Non-GAAP):</u> | | | | | | | | |
| Revenues | \$ 29,391 | \$ 825 | \$ - | \$ 30,216 | \$ 26,764 | \$ 770 | \$ - | \$ 27,534 |
| Gross profit | \$ 1,259 | \$ 394 | \$ - | \$ 1,653 | \$ 1,090 | \$ 280 | \$ - | \$ 1,370 |
| Operating expenses | (628) | (268) | (103) | (999) | (561) | (252) | (88) | (901) |
| Other income (expense), net | 4 | - | 2 | 6 | (1) | 1 | 3 | 3 |
| Income from continuing operations before interest expense and income taxes | 635 | 126 | (101) | 660 | 528 | 29 | (85) | 472 |
| Interest income (expense), net | 1 | 1 | (66) | (64) | - | - | (44) | (44) |
| Income from continuing operations before income taxes | \$ 636 | \$ 127 | \$ (167) | \$ 596 | \$ 528 | \$ 29 | \$ (129) | \$ 428 |

McKESSON CORPORATION
RECONCILIATION OF GAAP SEGMENT FINANCIAL RESULTS TO ADJUSTED EARNINGS (NON-GAAP) - BY ADJUSTMENT TYPE
(unaudited)
(in millions)

| | Six Months Ended September 30, 2011 | | | | Six Months Ended September 30, 2010 | | | |
|---|-------------------------------------|-------------------------|------------------------------------|-----------|-------------------------------------|-------------------------|------------------------------------|-----------|
| | Distribution Solutions | Technology Solutions | Corporate & Interest Expense | Total | Distribution Solutions | Technology Solutions | Corporate & Interest Expense | Total |
| As Reported (GAAP): | | | | | | | | |
| Revenues | \$ 58,569 | \$ 1,627 | \$ - | \$ 60,196 | \$ 53,455 | \$ 1,529 | \$ - | \$ 54,984 |
| Gross profit | \$ 2,389 | \$ 767 | \$ - | \$ 3,156 | \$ 2,157 | \$ 601 | \$ - | \$ 2,758 |
| Operating expenses | (1,446) | (560) | (200) | (2,206) | (1,166) | (525) | (176) | (1,867) |
| Other income, net | 9 | 1 | 4 | 14 | 5 | 2 | 5 | 12 |
| Income from continuing operations before interest expense and income taxes | 952 | 208 | (196) | 964 | 996 | 78 | (171) | 903 |
| Interest expense | - | - | (128) | (128) | - | - | (87) | (87) |
| Income from continuing operations before income taxes | \$ 952 | \$ 208 | \$ (324) | \$ 836 | \$ 996 | \$ 78 | \$ (258) | \$ 816 |
| Pre-Tax Adjustments: | | | | | | | | |
| Gross profit | \$ 1 | \$ 10 | \$ - | \$ 11 | \$ - | \$ 8 | \$ - | \$ 8 |
| Operating expenses | 62 | 25 | - | 87 | 25 | 23 | - | 48 |
| Amortization of acquisition- related intangibles | 63 | 35 | - | 98 | 25 | 31 | - | 56 |
| Operating expenses - Acquisition-related expenses | 16 | 2 | - | 18 | - | - | - | - |
| Operating expenses - Litigation reserve adjustments | 118 | - | - | 118 | 24 | - | - | 24 |
| Total pre-tax adjustments | \$ 197 | \$ 37 | \$ - | \$ 234 | \$ 49 | \$ 31 | \$ - | \$ 80 |
| Adjusted Earnings (Non-GAAP): | | | | | | | | |
| Revenues | \$ 58,569 | \$ 1,627 | \$ - | \$ 60,196 | \$ 53,455 | \$ 1,529 | \$ - | \$ 54,984 |
| Gross profit | \$ 2,390 | \$ 777 | \$ - | \$ 3,167 | \$ 2,157 | \$ 609 | \$ - | \$ 2,766 |
| Operating expenses | (1,250) | (533) | (200) | (1,983) | (1,117) | (502) | (176) | (1,795) |
| Other income, net | 9 | 1 | 4 | 14 | 5 | 2 | 5 | 12 |
| Income from continuing operations before interest expense and income taxes | 1,149 | 245 | (196) | 1,198 | 1,045 | 109 | (171) | 983 |
| Interest expense | - | - | (128) | (128) | - | - | (87) | (87) |
| Income from continuing operations before income taxes | \$ 1,149 | \$ 245 | \$ (324) | \$ 1,070 | \$ 1,045 | \$ 109 | \$ (258) | \$ 896 |

McKESSON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(in millions)

| | September 30, 2011 | March 31, 2011 |
|---|-----------------------|-------------------|
| | <u>2011</u> | <u>2011</u> |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 3,943 | \$ 3,612 |
| Receivables, net | 9,525 | 9,187 |
| Inventories, net | 9,426 | 9,225 |
| Prepaid expenses and other | 368 | 333 |
| Total Current Assets | <u>23,262</u> | <u>22,357</u> |
| Property, Plant and Equipment, Net | 1,006 | 991 |
| Goodwill | 4,487 | 4,364 |
| Intangible Assets, Net | 1,383 | 1,456 |
| Other Assets | 1,769 | 1,718 |
| Total Assets | <u>\$ 31,907</u> | <u>\$ 30,886</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Drafts and accounts payable | \$ 14,895 | \$ 14,090 |
| Deferred revenue | 1,528 | 1,321 |
| Deferred tax liabilities | 1,028 | 1,037 |
| Current portion of long-term debt | 414 | 417 |
| Other accrued liabilities | 1,980 | 1,861 |
| Total Current Liabilities | <u>19,845</u> | <u>18,726</u> |
| Long-Term Debt | 3,578 | 3,587 |
| Other Noncurrent Liabilities | 1,368 | 1,353 |
| Stockholders' Equity | 7,116 | 7,220 |
| Total Liabilities and Stockholders' Equity | <u>\$ 31,907</u> | <u>\$ 30,886</u> |

McKESSON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in millions)

| | Six Months Ended September 30, | |
|--|--------------------------------|-----------------|
| | 2011 | 2010 |
| OPERATING ACTIVITIES | | |
| Net income | \$ 582 | \$ 625 |
| Discontinued operation – gain on sale, net of tax | - | (72) |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 271 | 238 |
| Asset impairment charge - capitalized software held for sale | - | 72 |
| Share-based compensation expense | 78 | 66 |
| Other non-cash items | 52 | 81 |
| Changes in operating assets and liabilities, net of business acquisition: | | |
| Receivables | (435) | (145) |
| Inventories | (269) | 662 |
| Drafts and accounts payable | 880 | (417) |
| Deferred revenue | 191 | (178) |
| Litigation charges | 118 | 24 |
| Deferred tax benefit on litigation charges | (41) | (8) |
| Other | (32) | (150) |
| Net cash provided by operating activities | <u>1,395</u> | <u>798</u> |
| INVESTING ACTIVITIES | | |
| Property acquisitions | (126) | (107) |
| Capitalized software expenditures | (101) | (75) |
| Acquisitions of businesses, less cash and cash equivalents acquired | (191) | (34) |
| Proceeds from sale of business | - | 109 |
| Other | 69 | 12 |
| Net cash used in investing activities | <u>(349)</u> | <u>(95)</u> |
| FINANCING ACTIVITIES | | |
| Repayments of debt | (17) | - |
| Common stock repurchases, including shares surrendered for tax withholding | (672) | (1,547) |
| Common stock Issuances | 82 | 194 |
| Dividends paid | (97) | (80) |
| Other | 19 | 57 |
| Net cash used in financing activities | <u>(685)</u> | <u>(1,376)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(30)</u> | <u>(8)</u> |
| Net increase (decrease) in cash and cash equivalents | 331 | (681) |
| Cash and cash equivalents at beginning of period | 3,612 | 3,731 |
| Cash and cash equivalents at end of period | <u>\$ 3,943</u> | <u>\$ 3,050</u> |