

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. Erin Lampert, 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 pass code is 3290743. 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 (2).

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 14th 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> (3).

Schedule 1

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

	Quarter Ended June 30,		<i>Change</i>
	2012	2011	
Revenues	\$ 30,798	\$ 29,980	3 %
Cost of sales	(29,198)	(28,471)	3
Gross profit	1,600	1,509	6
Operating expenses	(1,086)	(1,037)	5
Litigation charge (1)	(16)	-	-
Gain on business combination (2)	81	-	-
Total operating expenses	(1,021)	(1,037)	(2)
Operating income	579	472	23
Other income, net	8	8	-
Interest expense	(56)	(64)	(13)
Income before income taxes	531	416	28
Income tax expense	(151)	(130)	16
Net income	<u>\$ 380</u>	<u>\$ 286</u>	33
Earnings per common share (3)			
Diluted	<u>\$ 1.58</u>	<u>\$ 1.13</u>	40 %
Basic	<u>\$ 1.61</u>	<u>\$ 1.15</u>	40 %
Weighted average common shares			
Diluted	240	254	(6) %
Basic	236	249	(5)

(1) Operating expenses include a charge for the Average Wholesale Price ("AWP") litigation.

(2) For the first quarter of 2013, operating expenses include an \$81 million pre-tax (\$51 million after-tax) gain on business combination related to the acquisition of the remaining 50% ownership interest in our corporate headquarters building.

(3) 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 June 30, 2012					<i>Change Vs. Prior Quarter</i>	
	As Reported (GAAP)	Amortization of Acquisition- Related Intangibles	Acquisition Expenses and Related Adjustments	Litigation Reserve Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)
Revenues	\$ 30,798	\$ -	\$ -	\$ -	\$ 30,798	3 %	3 %
Gross profit	\$ 1,600	\$ 4	\$ -	\$ -	\$ 1,604	6	6
Operating expenses (1)	(1,021)	47	(79)	16	(1,037)	(2)	5
Other income, net	8	-	-	-	8	-	-
Interest expense	(56)	-	-	-	(56)	(13)	(13)
Income before income taxes	531	51	(79)	16	519	28	9
Income tax expense	(151)	(19)	29	(6)	(147)	16	(3)
Net Income	\$ 380	\$ 32	\$ (50)	\$ 10	\$ 372	33	15
Diluted earnings per common share (2)	\$ 1.58	\$ 0.13	\$ (0.20)	\$ 0.04	\$ 1.55	40 %	22 %
Diluted weighted average common shares	240	240	240	240	240	(6) %	(6) %

	Quarter Ended June 30, 2011				
	As Reported (GAAP)	Amortization of Acquisition- Related Intangibles	Acquisition Expenses and Related Adjustments	Litigation Reserve Adjustments	Adjusted Earnings (Non-GAAP)
Revenues	\$ 29,980	\$ -	\$ -	\$ -	\$ 29,980
Gross profit	\$ 1,509	\$ 5	\$ -	\$ -	\$ 1,514
Operating expenses	(1,037)	43	10	-	(984)
Other income, net	8	-	-	-	8
Interest expense	(64)	-	-	-	(64)
Income before income taxes	416	48	10	-	474
Income tax expense	(130)	(18)	(3)	-	(151)
Net Income	\$ 286	\$ 30	\$ 7	\$ -	\$ 323
Diluted earnings per common share (2)	\$ 1.13	\$ 0.12	\$ 0.02	\$ -	\$ 1.27
Diluted weighted average common shares	254	254	254	-	254

(1) For the first quarter of 2013, operating expenses, as reported under GAAP, include an \$81 million pre-tax gain on business combination related to the acquisition of the remaining 50% ownership interest in our corporate headquarters building.

(2) 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 expenses and related adjustments - 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, bridge loan fees, and gains or losses on business combinations.

Litigation reserve adjustments - Adjustments to the Company's reserves, including accrued interest, 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, 2012 and 2009.

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.

Schedule 3

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

	Quarter Ended June 30, 2012			Quarter Ended June 30, 2011			Change	
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)
REVENUES								
Distribution Solutions								
Direct distribution & services	\$ 21,301	\$ -	\$ 21,301	\$ 20,827	\$ -	\$ 20,827	2 %	2 %
Sales to customers' warehouses	5,347	-	5,347	4,891	-	4,891	9	9
Total U.S. pharmaceutical distribution & services	26,648	-	26,648	25,718	-	25,718	4	4
Canada pharmaceutical distribution & services	2,517	-	2,517	2,729	-	2,729	(8)	(8)
Medical-Surgical distribution & services	795	-	795	731	-	731	9	9
Total Distribution Solutions	29,960	-	29,960	29,178	-	29,178	3	3
Technology Solutions								
Services	666	-	666	630	-	630	6	6
Software & software systems	145	-	145	144	-	144	1	1
Hardware	27	-	27	28	-	28	(4)	(4)
Total Technology Solutions	838	-	838	802	-	802	4	4
Revenues	\$ 30,798	\$ -	\$ 30,798	\$ 29,980	\$ -	\$ 29,980	3	3
GROSS PROFIT								
Distribution Solutions	\$ 1,215	\$ 1	\$ 1,216	\$ 1,131	\$ -	\$ 1,131	7	8
Technology Solutions	385	3	388	378	5	383	2	1
Gross profit	\$ 1,600	\$ 4	\$ 1,604	\$ 1,509	\$ 5	\$ 1,514	6	6
OPERATING EXPENSES								
Distribution Solutions	\$ (719)	\$ 52	\$ (667)	\$ (661)	\$ 39	\$ (622)	9	7
Technology Solutions	(293)	13	(280)	(279)	14	(265)	5	6
Corporate (1)	(9)	(81)	(90)	(97)	-	(97)	(91)	(7)
Operating expenses	\$ (1,021)	\$ (16)	\$ (1,037)	\$ (1,037)	\$ 53	\$ (984)	(2)	5
OTHER INCOME, NET								
Distribution Solutions	\$ 4	\$ -	\$ 4	\$ 5	\$ -	\$ 5	(20)	(20)
Technology Solutions	1	-	1	1	-	1	-	-
Corporate	3	-	3	2	-	2	50	50
Other income, net	\$ 8	\$ -	\$ 8	\$ 8	\$ -	\$ 8	-	-

OPERATING PROFIT								
Distribution Solutions	\$ 500	\$ 53	\$ 553	\$ 475	\$ 39	\$ 514	5	8
Technology Solutions	93	16	109	100	19	119	(7)	(8)
Operating profit	593	69	662	575	58	633	3	5
Corporate	(6)	(81)	(87)	(95)	-	(95)	(94)	(8)
Income before interest expense and income taxes	\$ 587	\$ (12)	\$ 575	\$ 480	\$ 58	\$ 538	22	7

STATISTICS

Operating profit as a % of revenues

Distribution Solutions	1.67 %	1.85 %	1.63 %	1.76 %	4 bp	9 bp
Technology Solutions	11.10	13.01	12.47	14.84	(137)	(183)

(1) For the first quarter of 2013, operating expenses, as reported under GAAP, include an \$81 million pre-tax gain on business combination related to the acquisition of the remaining 50% ownership interest in our corporate headquarters building.

Schedule 4

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

	Quarter Ended June 30, 2012				Quarter Ended June 30, 2011			
	Distribution Solutions	Technology Solutions	Corporate & Interest Expense	Total	Distribution Solutions	Technology Solutions	Corporate & Interest Expense	Total
<u>As Reported (GAAP):</u>								
Revenues	\$ 29,960	\$ 838	\$ -	\$30,798	\$ 29,178	\$ 802	\$ -	\$29,980
Gross profit	\$ 1,215	\$ 385	\$ -	\$ 1,600	\$ 1,131	\$ 378	\$ -	\$ 1,509
Operating expenses (1)	(719)	(293)	(9)	(1,021)	(661)	(279)	(97)	(1,037)
Other income, net	4	1	3	8	5	1	2	8
Income before interest expense and income taxes	500	93	(6)	587	475	100	(95)	480
Interest expense	-	-	(56)	(56)	(1)	(1)	(62)	(64)
Income before income taxes	\$ 500	\$ 93	\$ (62)	\$ 531	\$ 474	\$ 99	\$ (157)	\$ 416
<u>Pre-Tax Adjustments:</u>								
Gross profit	\$ 1	\$ 3	\$ -	\$ 4	\$ -	\$ 5	\$ -	\$ 5
Operating expenses	35	12	-	47	31	12	-	43
Amortization of acquisition-related intangibles	36	15	-	51	31	17	-	48
Operating expenses - Acquisition expenses and related adjustments	1	1	(81)	(79)	8	2	-	10
Operating expenses - Litigation reserve adjustments	16	-	-	16	-	-	-	-
Total pre-tax adjustments	\$ 53	\$ 16	\$ (81)	\$ (12)	\$ 39	\$ 19	\$ -	\$ 58
<u>Adjusted Earnings (Non-GAAP):</u>								
Revenues	\$ 29,960	\$ 838	\$ -	\$30,798	\$ 29,178	\$ 802	\$ -	\$29,980
Gross profit	\$ 1,216	\$ 388	\$ -	\$ 1,604	\$ 1,131	\$ 383	\$ -	\$ 1,514
Operating expenses	(667)	(280)	(90)	(1,037)	(622)	(265)	(97)	(984)
Other income, net	4	1	3	8	5	1	2	8
Income before interest expense and income taxes	553	109	(87)	575	514	119	(95)	538

Interest expense	-	-	(56)	(56)	(1)	(1)	(62)	(64)
Income before income taxes	\$ 553	\$ 109	\$ (143)	\$ 519	\$ 513	\$ 118	\$ (157)	\$ 474

(1) For the first quarter of 2013, operating expenses include an \$81 million pre-tax gain on business combination related to the acquisition of the remaining 50% ownership interest in our corporate headquarters building.

Schedule 5

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

	June 30, 2012	March 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 2,013	\$ 3,149
Receivables, net	9,564	9,977
Inventories, net	10,059	10,073
Prepaid expenses and other	418	404
Total Current Assets	<u>22,054</u>	<u>23,603</u>
Property, Plant and Equipment, Net	1,221	1,043
Goodwill	5,025	5,032
Intangible Assets, Net	1,678	1,750
Other Assets	1,770	1,665
Total Assets	<u>\$ 31,748</u>	<u>\$ 33,093</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Drafts and accounts payable	\$15,151	\$ 16,114
Short-term borrowings	-	400
Deferred revenue	1,317	1,423
Deferred tax liabilities	1,534	1,092
Current portion of long-term debt	508	508
Other accrued liabilities	1,587	2,149
Total Current Liabilities	<u>20,097</u>	<u>21,686</u>
Long-Term Debt	3,072	3,072
Other Noncurrent Liabilities	1,376	1,504
Stockholders' Equity	7,203	6,831
Total Liabilities and Stockholders' Equity	<u>\$ 31,748</u>	<u>\$ 33,093</u>

Schedule 6

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

	Quarter Ended June 30,	
	2012	2011
OPERATING ACTIVITIES		
Net income	\$ 380	\$ 286
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Gain on business combination	(81)	-
Depreciation and amortization	140	135

Other deferred taxes	170	31
Share-based compensation expense	42	39
Other non-cash items	(6)	8
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	444	(195)
Inventories	(4)	(303)
Drafts and accounts payable	(936)	445
Deferred revenue	(102)	(50)
Taxes	(142)	43
Litigation settlement payments	(273)	(6)
Deferred tax benefit on litigation charges	100	2
Other	(284)	(109)
Net cash provided by (used in) operating activities	<u>(552)</u>	<u>326</u>
INVESTING ACTIVITIES		
Property acquisitions	(46)	(58)
Capitalized software expenditures	(38)	(51)
Acquisitions, less cash and cash equivalents acquired	(108)	(106)
Other	42	61
Net cash used in investing activities	<u>(150)</u>	<u>(154)</u>
FINANCING ACTIVITIES		
Repayments of short-term borrowings	(400)	-
Repayments of long-term debt	-	(16)
Common stock transactions:		
Issuances	43	51
Share repurchases, including shares surrendered for tax withholding	(53)	(672)
Dividends paid	(53)	(47)
Other	38	16
Net cash used in financing activities	<u>(425)</u>	<u>(668)</u>
Effect of exchange rate changes on cash and cash equivalents	(9)	-
Net decrease in cash and cash equivalents	<u>(1,136)</u>	<u>(496)</u>
Cash and cash equivalents at beginning of period	3,149	3,612
Cash and cash equivalents at end of period	<u>\$ 2,013</u>	<u>\$ 3,116</u>

Language:

English

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Ticker Slug:

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