McKesson Corporation
Fiscal 2018 Financial Performance
Fiscal 2019 Annual Outlook

Financial Results and Company Highlights

May 24, 2018

Forward-Looking Statements

Some of the information in this presentation is not historical in nature and may constitute forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may be identified by the 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. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied by such statements. Although it is not possible to predict or identify all such risks and uncertainties, they may include, but are not limited to, those described in the Company’s annual, quarterly and current reports (i.e., Form 10-K, Form 10-Q and Form 8-K) as filed or furnished with the Securities and Exchange Commission (SEC). You are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date such statements were first made. To the degree financial information is included in this presentation, it is in summary form only and must be considered in the context of the full details provided in the Company’s most recent annual, quarterly or current report as filed or furnished with the SEC. The Company’s SEC reports are available at www.mckesson.com under the “Investors” tab. 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.

GAAP / Non-GAAP Reconciliation

In an effort to provide additional and useful information regarding the Company’s financial results and other financial information as determined by generally accepted accounting principles (GAAP), certain materials in this presentation include non-GAAP information. The Company believes the presentation of non-GAAP measures provides useful supplemental information to investors with regard to its core operating performance as well as comparability of financial results period-over-period. A reconciliation of the non-GAAP information to GAAP, and other related information is available in the tables accompanying each period’s earnings press release, materials furnished to the SEC, and posted to www.mckesson.com under the “Investors” tab.

Opening Remarks

John Hammergren

Chairman and Chief Executive Officer

Highlights

Strong Finish to Fiscal 2018; Multi-Year Strategic Growth Initiative Launched

- Solid Fiscal 2018 performance with 5% revenue growth and Adjusted Earnings of $12.62 per diluted share
  - *Fourth quarter Adjusted Earnings of $3.49 per diluted share, driven by lower tax rate and strong operational performance*
- Full Year Fiscal 2018 Operating Cash Flow of $4.3 billion and Free Cash Flow of $3.8 billion
  - *Free cash flow driven by timing and working capital performance*
- Executed balanced capital allocation program, deploying $4.6 billion
  - *Executed 12 acquisitions totaling $2.9 billion and supported $0.6 billion in internal investments*
  - *Repurchased $1.7 billion of shares in Fiscal 2018, including $750 million in Q4, and raised the dividend 21% to $0.34*
- Launched multi-year strategic growth initiative
- Introduced updated segment reporting effective Fiscal 2019
- Fiscal 2019 Adjusted Earnings outlook of $13.00 – $13.80 per diluted share, representing low- to high-single digit growth year over year

Financial Overview

Britt Vitalone

Executive Vice President and Chief Financial Officer

Full Year Fiscal 2018

GAAP to Adjusted Earnings Per Diluted Share Reconciliation

GAAP Earnings Per Diluted Share	**$0.30**
Adjustments	
Amortization of acquisition-related intangibles	$2.60
Acquisition-related expenses and adjustments	$1.20
LIFO inventory related credits	($0.31)
Restructuring charges	$2.82
Other adjustments	$6.01
Adjusted Earnings Per Diluted Share	**$12.62**

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Q4 Fiscal 2018 Impairment Charges

- The company recognized non-cash after-tax goodwill and long-lived asset impairment charges of approximately $1.7 billion primarily related to McKesson's European and Canadian retail businesses.

- European charges driven by a weakening script growth outlook in the company's U.K. retail business and a more competitive environment in the company's French wholesale distribution business.

- Canadian charges driven by generics reimbursement reductions and minimum wage increases.
  - Represents a Fiscal 2019 estimated gross adjusted operating profit headwind of between $100 million and $120 million.

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Condensed Consolidated Statement of Earnings

Full Year Fiscal 2018

Adjusted Results* **($ in millions, except per share amounts)**	**Fiscal 2018**	**YoY Change**	**Constant Currency**	**YoY Change**
Revenues	$208,357	5%	$206,781	4%
Gross Profit	$11,098	-	$10,962	(2)%
Operating Expense	$(7,600)	5%	$(7,483)	3%
Income from Operations before Interest Expense and Taxes	$3,860	(3)%	$3,837	(4)%
Interest Expense	$(283)	(8)%		
Income Tax Expense	$(703)	(13)%		
Noncontrolling Interest	$(230)	177%		
Net Income Attributable to McKesson	$2,644	5%		
Earnings per Share (diluted)	$12.62	1%		
Diluted Shares (in millions)	209	6%		

*See Tables in the Appendix for GAAP to Non-GAAP reconciliations

Segment Results: Distribution Solutions

Full Year Fiscal 2018

Adjusted Results* ($ in millions)	**Fiscal 2018**	**YoY Change**	**Constant Currency**	**YoY Change**
North American Pharmaceutical Distribution & Services	$174,186	6%	$173,934	6%
International Pharmaceutical Distribution & Services	$27,320	10%	$25,996	5%
Medical-Surgical Distribution & Services	$6,611	6%	$6,611	6%
Total Revenues	$208,117	6%	$206,541	5%
Gross Profit	$10,977	13%	$10,841	12%
Operating Expenses	$(6,983)	16%	$(6,865)	14%
Other Income, net	$80	7%	$76	1%
Operating Profit	$4,074	8%	$4,052	7%
Operating Margin	1.96%	3bps	1.96%	3bps

*See Tables in the Appendix for GAAP to Non-GAAP reconciliations

Segment Results: Technology Solutions & Corporate

Full Year Fiscal 2018

Adjusted Results* ($ in millions)	Fiscal 2018	YoY Change	Constant Currency	YoY Change
Technology Solutions				
Revenues	$240	(91)%	$240	(91)%
Change Healthcare Equity	$272	-	$272	-
Operating Profit	$304	(49)%	$304	(49)%
Corporate				
Operating Loss	$(518)	36%	$(519)	36%

*See Tables in the Appendix for GAAP to Non-GAAP reconciliations

Cash

Cash Balance Walk

($ in millions)	
Balance at 3/31/17	**$2,783**
Net Working Capital	451
Other Operating Cash Flows	3,894
Cash From Operations	4,345
Capital Expenditures	(580)
Free Cash Flow	3,765
Acquisitions	(2,893)
Other Investing Cash Flows	1,951
Share Repurchases, Net	(1,709)
Net Long-Term Debt	(765)
Other Financing Cash Flows and FX	(460)
Net Decrease in Cash and Cash Equivalents	(111)
Balance at 3/31/18	**$2,672**

Cash Dynamics

- Working capital:
  - Days sales outstanding decreased 2 days from the prior year to 25 days
  - Days sales in inventory was flat at 30 days
  - Days payables outstanding decreased 1 day from the prior year to 60 days
- Acquisitions: closed several acquisitions, including CoverMyMeds and RxCrossroads
- Share repurchase program: increased share repurchase authorization to $5.1 billion
- Liability management: completed the refinancing of $1.1 billion in debt in February

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Items of Interest

- Share repurchase authorization increase of $4.0 billion; total authorization now $5.1 billion
- New segment reporting effective Fiscal 2019
  - U.S. Pharmaceutical and Specialty Solutions
  - European Pharmaceutical Solutions
  - Medical-Surgical Solutions
  - Other
- Multi-year strategic growth initiative

FY19 Outlook

On the following slides, McKesson presents an overview of its Fiscal 2019 Outlook assumptions. These assumptions consist of certain non-GAAP measures. As outlined in the company's May 24, 2018 press release, McKesson no longer provides forward-looking guidance on a GAAP basis as the company is unable to provide a quantitative reconciliation of this forward-looking non-GAAP measure to the most directly comparable forward-looking GAAP measure, without unreasonable effort, as items are inherently uncertain and depend on various factors, many of which are beyond the company's control.

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Fiscal 2019 Adjusted Earnings Outlook

	Fiscal 2019 Outlook	Fiscal 2018 Actual
Revenues	Up mid-single digit percent growth	$208.4 billion
Income from Continuing Operations before Interest Expense and Income Taxes	Down slightly to up mid-single digit percent growth	$3.9 billion
Earnings per Share	$13.00 to $13.80	$12.62
Free Cash Flow	~$3 billion	$3.8 billion

Fiscal 2019 Segment Adjusted Earnings Outlook

Year-over-Year Percent Growth

	Revenues	Operating Profit
U.S. Pharmaceutical and Specialty Solutions	Up low- to mid-single digit	Flat to down mid-single digit
European Pharmaceutical Solutions	Flat to up mid-single digit	Flat to up mid-single digit
Medical-Surgical Solutions	Up low-double digit	Up mid- to high-single digit
Other	Up low-single digit	Flat

Fiscal 2019 Adjusted Earnings Assumptions

($ and shares in millions)

	FY19 Outlook
Corporate Expenses	Down low-double digit percent growth year over year
Income From Equity Method Investment in Change Healthcare	Up low- to mid-single digit percent growth year over year
Interest Expense	Decline year over year
Effective Tax Rate	21% - 23%
Net Income Attributable to Noncontrolling Interest	Decline year over year
Diluted Weighted Average Shares Outstanding	Approximately 200
Property Acquisitions and Capitalized Software	$600 - $800
FX Impact	Net favorable impact of up to 10 cents per diluted share year over year

Appendix

GAAP to Non-GAAP Reconciliation

Q4 Fiscal 2018

Schedule 2A

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

	Quarter Ended March 31, 2018								Change Vs. Prior Quarter	
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Acquisition-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)
Gross profit	$ 3,075	$ -	$ 2	$ (94)	$ -	$ -	$ -	$ 2,983	10 %	1 %
Operating expenses [1] [2]	$ (4,019)	$ 134	$ 49	$ -	$ -	$ 387	$ 1,389	$ (2,060)	(308) %	7 %
Other income, net	$ 28	$ -	$ 1	$ -	$ -	$ -	$ (1)	$ 28	12 %	4 %
Income from equity method investment in Change Healthcare [3]	$ 23	$ 74	$ 48	$ -	$ -	$ -	$ (73)	$ 72	- %	- %
Loss on debt extinguishment [4]	$ (122)	$ -	$ -	$ -	$ -	$ -	$ 122	$ -	- %	- %
Income (Loss) from continuing operations before income taxes	$ (1,094)	$ 208	$ 100	$ (94)	$ -	$ 387	$ 1,437	$ 944	(123) %	(3) %
Income tax benefit (expense) [5]	$ 7	$ (64)	$ (34)	$ 33	$ -	$ (33)	$ (72)	$ (163)	(101) %	(22) %
Income (Loss) from continuing operations, net of tax, attributable to McKesson Corporation	$ (1,148)	$ 144	$ 66	$ (61)	$ -	$ 354	$ 1,365	$ 720	(132) %	(1) %
Diluted earnings (loss) per common share from continuing operations, net of tax, attributable to McKesson Corporation [6] [7]	$ (5.58)	$ 0.70	$ 0.31	$ (0.29)	$ -	$ 1.72	$ 6.60	$ 3.49 [8]	(133) %	2 %
Diluted weighted average common shares [7]	206	207	207	207	-	207	207	207	(4) %	(3) %

Note: Please see footnote information on the following slide.

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GAAP to Non-GAAP Reconciliation

Q4 Fiscal 2017

	Quarter Ended March 31, 2017							
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Acquisition-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)
Gross profit	$ 2,796	$ -	$ 10	$ 144	$ -	$ -	$ -	$ 2,950
Operating expenses [9]	$ 1,930	$ 112	$ (3,964)	$ -	$ -	$ 10	$ (15)	$ (1,927)
Other income, net	$ 25	$ -	$ 2	$ -	$ -	$ -	$ -	$ 27
Income from continuing operations before income taxes	$ 4,674	$ 112	$ (3,952)	$ 144	$ -	$ 10	$ (15)	$ 973
Income tax expense	$ (1,044)	$ (35)	$ 924	$ (56)	$ -	$ (3)	$ 6	$ (208)
Income from continuing operations, net of tax, attributable to McKesson Corporation	$ 3,595	$ 77	$ (3,028)	$ 88	$ -	$ 7	$ (9)	$ 730
Diluted earnings per common share from continuing operations, net of tax, attributable to McKesson Corporation [6]	$ 16.79	$ 0.37	$ (14.15)	$ 0.41	$ -	$ 0.03	$ (0.04)	$ 3.41
Diluted weighted average common shares	214	214	214	214	-	214	214	214

(1) 2018, as reported under GAAP, includes non-cash goodwill impairment charges (pre-tax and after-tax) of $933 million for our McKesson Europe reporting unit and $455 million for our Rexall Health reporting unit. The 2018 goodwill impairment charges are recorded within our Distribution Solutions segment.

(2) 2018, as reported under GAAP, includes a pre-tax asset impairment charge of $290 million ($286 million after-tax) and a pre-tax restructuring charge of $21 million ($22 million after-tax) primarily representing employee severance and lease exit costs. These charges are included within our Distribution Solutions segment.

(3) The amortization of equity investment intangibles and other acquired intangibles of $74 million is included in our proportionate share of the income (loss) from our equity method investment in Change Healthcare. 2018, as reported under GAAP, includes our proportionate share of benefits recognized by Change Healthcare related to the 2017 Tax Act of $76 million.

(4) 2018, as reported under GAAP, includes a pre-tax loss of $122 million ($78 million after-tax) on debt extinguishment related to our February 2018 tender offers to redeem a portion of our existing debt.

(5) 2018, as reported under GAAP, includes net discrete tax benefits of $54 million related to the 2017 Tax Act.

(6) Certain computations may reflect rounding adjustments. Any cross-footing differences in per share amounts is due to a difference in weighted average shares outstanding in calculating GAAP net loss and non-GAAP net income.

(7) 2018 fourth quarter diluted net loss per share as reported under GAAP, is calculated using a weighted average of 206 million common shares and excludes dilutive securities from the denominator due to their antidilutive effects. Potentially dilutive securities were excluded from the 2018 GAAP per share computations due to our reported net loss for the fourth quarter of 2018. Diluted net earnings per share (Non-GAAP), and GAAP to Non-GAAP per share reconciling items, are calculated using a weighted average of 207 million common shares and includes dilutive securities.

(8) Adjusted Earnings per share on a Constant Currency basis for the fourth quarter of 2018 was $3.45 per diluted share, which excludes the foreign currency exchange effect of $0.04 per diluted share.

(9) 2017, as reported under GAAP, includes a pre-tax gain of $3,947 million ($3,018 million after-tax), net, recognized from the Healthcare Technology Net Asset Exchange within our Technology Solutions segment.

GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2018

Schedule 2B

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

	Year Ended March 31, 2018								*Change Vs. Prior Period*	
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Acquisition-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)
Gross profit	$ 11,184	$ -	$ 14	$ (99)	$ -	$ (1)	$ -	$ 11,098	*(1) %*	*- %*
Operating expenses [1] [2] [3] [4]	$ (10,422)	$ 503	$ 68	$ -	$ -	$ 680	$ 1,571	$ (7,600)	*150 %*	*5 %*
Other income, net [5]	$ 130	$ 1	$ 2	$ -	$ -	$ -	$ (43)	$ 90	*44 %*	*(11) %*
Income (Loss) from equity method investment in Change Healthcare [6]	$ (248)	$ 288	$ 293	$ -	$ -	$ -	$ (61)	$ 272	*- %*	*- %*
Loss on debt extinguishment [7]	$ (122)	$ -	$ -	$ -	$ -	$ -	$ 122	$ -	*- %*	*- %*
Income from continuing operations before income taxes	$ 239	$ 792	$ 377	$ (99)	$ -	$ 679	$ 1,589	$ 3,577	*(97) %*	*(3) %*
Income tax benefit (expense) [8]	$ 53	$ (247)	$ (124)	$ 35	$ -	$ (89)	$ (331)	$ (703)	*(103) %*	*(13) %*
Income from continuing operations, net of tax, attributable to McKesson Corporation	$ 62	$ 545	$ 253	$ (64)	$ -	$ 590	$ 1,258	$ 2,644	*(99) %*	*(5) %*
Diluted earnings per common share from continuing operations, net of tax, attributable to McKesson Corporation [9]	$ 0.30	$ 2.60	$ 1.20	$ (0.31)	$ -	$ 2.82	$ 6.01	$ 12.62 [10]	*(99) %*	*1 %*
Diluted weighted average common shares	209	209	209	209	-	209	209	209	*(6) %*	*(6) %*

Note: Please see footnote information on the following slide.

GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2017

	Year Ended March 31, 2017							
	As Reported (GAAP)	Amortization of Acquisition-Related Intangibles	Acquisition-Related Expenses and Adjustments	LIFO Inventory-Related Adjustments	Gains from Antitrust Legal Settlements	Restructuring Charges, Net	Other Adjustments, Net	Adjusted Earnings (Non-GAAP)
Gross profit [11]	$ 11,271	$ 3	$ 11	$ (7)	$ (144)	$ (2)	$ -	$ 11,132
Operating expenses [12] [13]	$ (4,162)	$ 440	$ (3,807)	$ -	$ -	$ 26	$ 269	$ (7,234)
Other income, net	$ 90	$ 1	$ 10	$ -	$ -	$ -	$ -	$ 101
Income from continuing operations before income taxes	$ 6,891	$ 444	$ (3,786)	$ (7)	$ (144)	$ 24	$ 269	$ 3,691
Income tax expense	$ (1,614)	$ (135)	$ 887	$ 3	$ 56	$ (8)	$ -	$ (811)
Income from continuing operations, net of tax, attributable to McKesson Corporation	$ 5,194	$ 309	$ (2,899)	$ (4)	$ (88)	$ 16	$ 269	$ 2,797
Diluted earnings per common share from continuing operations, net of tax, attributable to McKesson Corporation [9]	$ 23.28	$ 1.39	$ (13.00)	$ (0.01)	$ (0.39)	$ 0.07	$ 1.20	$ 12.54
Diluted weighted average common shares	223	223	223	223	223	223	223	223

(1) 2018, as reported under GAAP, includes a pre-tax gain of $37 million ($22 million after-tax) recognized in the first quarter of 2018 related to the final net working capital settlement and other adjustments from the 2017 fourth quarter Healthcare Technology Net Asset Exchange within our Technology Solutions segment.

(2) 2018, as reported under GAAP, includes non-cash goodwill impairment charges (pre-tax and after-tax) of $1,283 million for our McKesson Europe reporting unit and $455 million for our Rexall Health reporting unit. The 2018 goodwill impairment charges are recorded within our Distribution Solutions segment.

(3) 2018, as reported under GAAP, includes non-cash pre-tax asset impairment charges of $479 million ($443 million after-tax) and a pre-tax restructuring charge of $74 million ($67 million after-tax) primarily representing employee severance and lease exit costs. These charges are included within our Distribution Solutions segment.

(4) 2018, as reported under GAAP, includes a pre-tax gain of $109 million ($30 million after-tax) recognized from the 2018 third quarter sale of our EIS business within our Technology Solutions segment.

(5) 2018, as reported under GAAP, includes a pre-tax gain of $43 million ($26 million after-tax) recognized from the 2018 second quarter sale of an equity method investment within our Distribution Solutions segment.

(6) The amortization of equity investment intangibles and other acquired intangibles of $288 million is included in our proportionate share of the income (loss) from our equity method investment in Change Healthcare. 2018, as reported under GAAP, includes our proportionate share of benefits recognized by Change Healthcare related to the 2017 Tax Act of $76 million.

(7) 2018, as reported under GAAP, includes a pre-tax loss of $122 million ($78 million after-tax) on debt extinguishment related to our February 2018 tender offers to redeem a portion of our existing debt.

(8) 2018, as reported under GAAP, includes net discrete tax benefits of $424 million related to the 2017 Tax Act.

(9) Certain computations may reflect rounding adjustments.

(10) Adjusted Earnings per share on a Constant Currency basis for 2018 was $12.56 per diluted share, which excludes the foreign currency exchange effect of $0.06 per diluted share.

(11) 2017, as reported under GAAP, includes $144 million of net cash proceeds primarily received in the first quarter of 2017 representing our share of antitrust legal settlements within our Distribution Solutions segment.

(12) 2017, as reported under GAAP, includes a non-cash pre-tax goodwill impairment charge of $290 million ($282 million after-tax) recognized in the second quarter of 2017 for our EIS reporting unit within our Technology Solutions segment.

(13) 2017, as reported under GAAP, includes a pre-tax gain of $3,947 million ($3,018 million after-tax), net, recognized from the 2017 fourth quarter Healthcare Technology Net Asset Exchange within our Technology Solutions segment.

GAAP to Non-GAAP Reconciliation

Q4 Fiscal 2018 and Q4 Fiscal 2017

Schedule 3A

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

	Quarter Ended March 31, 2018			Quarter Ended March 31, 2017			GAAP		Non-GAAP		*Change*			
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	Foreign Currency Effects	Constant Currency	Foreign Currency Effects	Constant Currency	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)	Constant Currency (GAAP)	Constant Currency (Non-GAAP)
REVENUES														
Distribution Solutions														
North America pharmaceutical distribution & services	$ 42,727	$ -	$ 42,727	$ 40,561	$ -	$ 40,561	$ (122)	$ 42,605	$ (122)	$ 42,605	*5* %	*5* %	*5* %	*5* %
International pharmaceutical distribution & services	7,176	-	7,176	6,053	-	6,053	(890)	6,286	(890)	6,286	*19*	*19*	*4*	*4*
Medical-Surgical distribution & services	1,725	-	1,725	1,587	-	1,587	-	1,725	-	1,725	*9*	*9*	*9*	*9*
Total Distribution Solutions	51,628	-	51,628	48,201	-	48,201	(1,012)	50,616	(1,012)	50,616	*7*	*7*	*5*	*5*
Technology Solutions - Products and Services	-	-	-	512	-	512	-	-	-	-	*(100)*	*(100)*	*(100)*	*(100)*
Revenues	$ 51,628	$ -	$ 51,628	$ 48,713	$ -	$ 48,713	$ (1,012)	$ 50,616	$ (1,012)	$ 50,616	*6* %	*6* %	*4* %	*4* %
GROSS PROFIT														
Distribution Solutions	$ 3,075	$ (92)	$ 2,983	$ 2,523	$ 155	$ 2,678	$ (97)	$ 2,978	$ (97)	$ 2,886	*22* %	*11* %	*18* %	*8* %
Technology Solutions	-	-	-	273	(1)	272	-	-	-	-	*(100)*	*(100)*	*(100)*	*(100)*
Gross profit	$ 3,075	$ (92)	$ 2,983	$ 2,796	$ 154	$ 2,950	$ (97)	$ 2,978	$ (97)	$ 2,886	*10* %	*1* %	*7* %	*(2)* %
OPERATING EXPENSES														
Distribution Solutions [(1) (2)]	$ (3,789)	$ 1,938	$ (1,851)	$ (1,775)	$ 141	$ (1,634)	$ 278	$ (3,511)	$ 90	$ (1,761)	*113* %	*13* %	*98* %	*8* %
Technology Solutions [(3)]	-	-	-	3,816	(3,991)	(175)	-	-	-	-	*(100)*	*(100)*	*(100)*	*(100)*
Corporate	(230)	21	(209)	(111)	(7)	(118)	(3)	(233)	(2)	(211)	*107*	*77*	*110*	*79*
Operating expenses	$ (4,019)	$ 1,959	$ (2,060)	$ 1,930	$ (3,857)	$ (1,927)	$ 275	$ (3,744)	$ 88	$ (1,972)	*(308)* %	*7* %	*(294)* %	*2* %

Note: Please see footnote information on the following slide.

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GAAP to Non-GAAP Reconciliation

Q4 Fiscal 2018 and Q4 Fiscal 2017 (continued)

	Quarter Ended March 31, 2018			Quarter Ended March 31, 2017			GAAP		Non-GAAP		Change			
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	Foreign Currency Effects	Constant Currency	Foreign Currency Effects	Constant Currency	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)	Constant Currency (GAAP)	Constant Currency (Non-GAAP)
OTHER INCOME, NET														
Distribution Solutions	$ 25	$ -	$ 25	$ 21	$ 2	$ 23	$ (3)	$ 22	$ (4)	$ 21	*19* %	*9* %	*5* %	*(9)* %
Technology Solutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	3	-	3	4	-	4	1	4	1	4	*(25)*	*(25)*	-	-
Other income, net	$ 28	$ -	$ 28	$ 25	$ 2	$ 27	$ (2)	$ 26	$ (3)	$ 25	*12* %	*4* %	*4* %	*(7)* %
INCOME FROM EQUITY METHOD INVESTMENT IN CHANGE HEALTHCARE - Technology Solutions	$ 23	$ 49	$ 72	$ -	$ -	$ -	$ -	$ 23	$ -	$ 72	- %	- %	- %	- %
OPERATING PROFIT (LOSS)														
Distribution Solutions [1] [2]	$ (689)	$ 1,846	$ 1,157	$ 769	$ 298	$ 1,067	$ 178	$ (511)	$ (11)	$ 1,146	*(190)* %	*8* %	*(166)* %	*7* %
Technology Solutions [3] [5]	23	49	72	4,089	(3,992)	97	-	23	-	72	*(99)*	*(26)*	*(99)*	*(26)*
Operating profit (loss)	(666)	1,895	1,229	4,858	(3,694)	1,164	178	(488)	(11)	1,218	*(114)*	*6*	*(110)*	*5*
Corporate	(227)	21	(206)	(107)	(7)	(114)	(2)	(229)	(1)	(207)	*112*	*81*	*114*	*82*
Income (Loss) from continuing operations before interest expense and income taxes	$ (893)	$ 1,916	$ 1,023	$ 4,751	$ (3,701)	$ 1,050	$ 176	$ (717)	$ (12)	$ 1,011	*(119)* %	*(3)* %	*(115)* %	*(4)* %
STATISTICS														
Operating profit (loss) as a % of revenues														
Distribution Solutions	(1.33) %		2.24 %	1.60 %		2.21 %		(1.01) %		2.26 %	*(293)* *bp*	*3* *bp*	*(261)* *bp*	*5* *bp*
Adjusted operating profit excluding noncontrolling interests as a % of revenues														
Distribution Solutions [4]			2.15 %			2.16 %				2.17 %		*(1)* *bp*		*1* *bp*

(1) 2018, as reported under GAAP, includes non-cash goodwill impairment charges (pre-tax and after-tax) of $933 million for our McKesson Europe reporting unit and $455 million for our Rexall Health reporting unit. The 2018 goodwill impairment charges are recorded within our Distribution Solutions segment.

(2) 2018, as reported under GAAP, includes a pre-tax asset impairment charge of $290 million ($286 million after-tax) and a pre-tax restructuring charge of $21 million ($22 million after-tax) primarily representing employee severance and lease exit costs. These charges are included within our Distribution Solutions segment.

(3) 2017, as reported under GAAP, includes a pre-tax gain of $3,947 million ($3,018 million after-tax), net, recognized from the Healthcare Technology Net Asset Exchange within our Technology Solutions segment.

(4) Our Distribution Solutions segment's noncontrolling interests primarily include the third-party equity interests related to ClarusONE Sourcing Services LLP and Vantage Oncology Holdings, LLC.

(5) Operating profit for our Technology Solutions segment for 2018 includes only our proportionate share of income (loss) from our equity method investment in Change Healthcare. 2017 operating profit for this segment also included the majority of our McKesson Technology Solutions businesses ("Core MTS Business"), which were contributed to the Change Healthcare joint venture in the fourth quarter of 2017, and the EIS business which was sold in the third quarter of 2018.

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GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2018 and Full Year Fiscal 2017

Schedule 3B

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

	Year Ended March 31, 2018			Year Ended March 31, 2017			GAAP		Non-GAAP		*Change*			
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	Foreign Currency Effects	Constant Currency	Foreign Currency Effects	Constant Currency	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)	Constant Currency (GAAP)	Constant Currency (Non-GAAP)
REVENUES														
Distribution Solutions														
North America pharmaceutical distribution & services	$ 174,186	$ -	$ 174,186	$ 164,832	$ -	$ 164,832	$ (252)	$ 173,934	$ (252)	$ 173,934	*6 %*	*6 %*	*6 %*	*6 %*
International pharmaceutical distribution & services	27,320	-	27,320	24,847	-	24,847	(1,324)	25,996	(1,324)	25,996	*10*	*10*	*5*	*5*
Medical-Surgical distribution & services	6,611	-	6,611	6,244	-	6,244	-	6,611	-	6,611	*6*	*6*	*6*	*6*
Total Distribution Solutions	208,117	-	208,117	195,923	-	195,923	(1,576)	206,541	(1,576)	206,541	*6*	*6*	*5*	*5*
Technology Solutions - Products and Services	240	-	240	2,610	-	2,610	-	240	-	240	*(91)*	*(91)*	*(91)*	*(91)*
Revenues	$ 208,357	$ -	$ 208,357	$ 198,533	$ -	$ 198,533	$ (1,576)	$ 206,781	$ (1,576)	$ 206,781	*5 %*	*5 %*	*4 %*	*4 %*
GROSS PROFIT														
Distribution Solutions [(1)]	$ 11,064	$ (87)	$ 10,977	$ 9,856	$ (140)	$ 9,716	$ (136)	$ 10,928	$ (136)	$ 10,841	*12 %*	*13 %*	*11 %*	*12 %*
Technology Solutions	120	1	121	1,415	1	1,416	-	120	-	121	*(92)*	*(91)*	*(92)*	*(91)*
Gross profit	$ 11,184	$ (86)	$ 11,098	$ 11,271	$ (139)	$ 11,132	$ (136)	$ 11,048	$ (136)	$ 10,962	*(1) %*	*- %*	*(2) %*	*(2) %*
OPERATING EXPENSES														
Distribution Solutions [(2) (3)]	$ (9,953)	$ 2,970	$ (6,983)	$ (6,559)	$ 554	$ (6,005)	$ 336	$ (9,617)	$ 118	$ (6,865)	*52 %*	*16 %*	*47 %*	*14 %*
Technology Solutions [(3) (4) (5)]	104	(194)	(90)	2,799	(3,622)	(823)	-	104	-	(90)	*(96)*	*(89)*	*(96)*	*(89)*
Corporate	(573)	46	(527)	(402)	(4)	(406)	(1)	(574)	(1)	(528)	*43*	*30*	*43*	*30*
Operating expenses	$ (10,422)	$ 2,822	$ (7,600)	$ (4,162)	$ (3,072)	$ (7,234)	$ 335	$ (10,087)	$ 117	$ (7,483)	*150 %*	*5 %*	*142 %*	*3 %*

Note: Please see footnote information on the following slide.

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GAAP to Non-GAAP Reconciliation

Full Year Fiscal 2018 and Full Year Fiscal 2017 (continued)

	Year Ended March 31, 2018			Year Ended March 31, 2017			GAAP		Non-GAAP		*Change*			
	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	As Reported (GAAP)	Adjustments	Adjusted Earnings (Non-GAAP)	Foreign Currency Effects	Constant Currency	Foreign Currency Effects	Constant Currency	As Reported (GAAP)	Adjusted Earnings (Non-GAAP)	Constant Currency (GAAP)	Constant Currency (Non-GAAP)
OTHER INCOME, NET														
Distribution Solutions [6]	$ 120	$ (40)	$ 80	$ 64	$ 11	$ 75	$ (3)	$ 117	$ (4)	$ 76	*88 %*	*7 %*	*83 %*	*1 %*
Technology Solutions	1	-	1	1	-	1	-	1	-	1	-	-	-	-
Corporate	9	-	9	25	-	25	-	9	-	9	*(64)*	*(64)*	*(64)*	*(64)*
Other income, net	$ 130	$ (40)	$ 90	$ 90	$ 11	$ 101	$ (3)	$ 127	$ (4)	$ 86	*44 %*	*(11) %*	*41 %*	*(15) %*
INCOME (LOSS) FROM EQUITY METHOD INVESTMENT IN CHANGE HEALTHCARE - Technology Solutions	$ (248)	$ 520	$ 272	$ -	$ -	$ -	$ -	$ (248)	$ -	$ 272	*- %*	*- %*	*- %*	*- %*
OPERATING PROFIT (LOSS)														
Distribution Solutions [1] [2] [3] [6]	$ 1,231	$ 2,843	$ 4,074	$ 3,361	$ 425	$ 3,786	$ 197	$ 1,428	$ (22)	$ 4,052	*(63) %*	*8 %*	*(58) %*	*7 %*
Technology Solutions [3] [4] [5] [8]	(23)	327	304	4,215	(3,621)	594	-	(23)	-	304	*(101)*	*(49)*	*(101)*	*(49)*
Operating profit	1,208	3,170	4,378	7,576	(3,196)	4,380	197	1,405	(22)	4,356	*(84)*	*-*	*(81)*	*(1)*
Corporate	(564)	46	(518)	(377)	(4)	(381)	(1)	(565)	(1)	(519)	*50*	*36*	*50*	*36*
Income from continuing operations before interest expense and income taxes	$ 644	$ 3,216	$ 3,860	$ 7,199	$ (3,200)	$ 3,999	$ 196	$ 840	$ (23)	$ 3,837	*(91) %*	*(3) %*	*(88) %*	*(4) %*
STATISTICS														
Operating profit as a % of revenues														
Distribution Solutions	0.59 %		1.96 %	1.72 %		1.93 %		0.69 %		1.96 %	*(113) bp*	*3 bp*	*(103) bp*	*3 bp*
Adjusted operating profit excluding noncontrolling interests as a % of revenues														
Distribution Solutions [7]			1.87 %			1.91 %				1.87 %		*(4) bp*		*(4) bp*

(1) 2017, as reported under GAAP, includes $144 million of net cash proceeds primarily received in the first quarter of 2017 representing our share of antitrust legal settlements within our Distribution Solutions segment.

(2) 2018, as reported under GAAP, includes non-cash pre-tax asset impairment charges of $479 million ($443 million after-tax) and a pre-tax restructuring charge of $74 million ($67 million after-tax) primarily representing employee severance and lease exit costs. These charges are included within our Distribution Solutions segment.

(3) 2018, as reported under GAAP, includes non-cash goodwill impairment charges (pre-tax and after-tax) of $1,283 million for our McKesson Europe reporting unit and $455 million for our Rexall Health reporting unit. The 2018 goodwill impairment charges are recorded within our Distribution Solutions segment. 2017, as reported under GAAP, includes the 2017 second quarter non-cash pre-tax goodwill impairment charge of $290 million ($282 million after-tax) for our EIS reporting unit within the Technology Solutions segment.

(4) 2018, as reported under GAAP, includes a pre-tax gain of $37 million ($22 million after-tax) recognized in the first quarter of 2018 related to the final net working capital settlement and other adjustments from the 2017 fourth quarter Healthcare Technology Net Asset Exchange within our Technology Solutions segment. 2017, as reported under GAAP, includes a pre-tax gain of $3,947 million ($3,018 million after-tax), net, recognized from the 2017 fourth quarter Healthcare Technology Net Asset Exchange within our Technology Solutions segment.

(5) 2018, as reported under GAAP, includes a pre-tax gain of $109 million ($30 million after-tax) recognized from the 2018 third quarter sale of our EIS reporting unit within the Technology Solutions segment.

(6) 2018, as reported under GAAP, includes a pre-tax gain of $43 million ($26 million after-tax) recognized from the 2018 second quarter sale of an equity method investment within our Distribution Solutions segment.

(7) Our Distribution Solutions segment's noncontrolling interests primarily include the third-party equity interests related to ClarusONE Sourcing Services LLP and Vantage Oncology Holdings, LLC.

(8) Operating profit for our Technology Solutions segment for 2018 includes only our EIS business, the gain on sale of our EIS business, as reported under GAAP, and our proportionate share of income (loss) from our equity method investment in Change Healthcare. 2017 operating profit for this segment also included the Core MTS Business, which was contributed to the Change Healthcare joint venture in the fourth quarter of 2017.

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Reconciliation of GAAP amounts to Free Cash Flow
($ in millions)

($M)	FY18	FY17	B/W
Major GAAP cash flow categories:			
Operating cash flow	$4,345	$4,744	($399)
Investing cash flow	($1,522)	($3,796)	$2,274
Financing cash flow	($3,084)	($2,069)	($1,015)
Free cash flow (non-GAAP measure):			
Operating cash flow	$4,345	$4,744	($399)
Property acquisitions and capitalized software	($580)	($562)	($18)
Free cash flow	$3,765	$4,182	($417)

Free cash flow is not defined under U.S. generally accepted accounting principles (GAAP). Therefore, it should not be considered a substitute for income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to similarly titled measures used by other companies. The company defines free cash flow as net cash provided by operating activities less property acquisitions and capitalized software. It should not be inferred that the entire free cash flow is available for discretionary expenditures. The Company believes free cash flow is meaningful to investors and the Company uses this measures as an indication of the strength of the Company and its ability to generate cash.

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