

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 1-13252

McKESSON

McKESSON CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

94-3207296
(I.R.S. Employer
Identification No.)

**6555 State Hwy 161,
Irving, TX 75039**
(Address of principal executive offices, including zip code)
(972) 446-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<i>(Title of each class)</i>	<i>(Trading Symbol)</i>	<i>(Name of each exchange on which registered)</i>
Common stock, \$0.01 par value	MCK	New York Stock Exchange
1.500% Notes due 2025	MCK25	New York Stock Exchange
1.625% Notes due 2026	MCK26	New York Stock Exchange
3.125% Notes due 2029	MCK29	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 143,730,455 shares of the issuer's common stock were outstanding as of July 29, 2022.

McKESSON CORPORATION

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McKESSON CORPORATION

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	2022	2021
Revenues	\$ 67,154	\$ 62,674
Cost of sales	(64,131)	(59,642)
Gross profit	3,023	3,032
Selling, distribution, general, and administrative expenses	(1,959)	(2,232)
Claims and litigation charges, net	(5)	(74)
Restructuring, impairment, and related charges, net	(23)	(158)
Total operating expenses	(1,987)	(2,464)
Operating income	1,036	568
Other income, net	15	43
Interest expense	(45)	(49)
Income from continuing operations before income taxes	1,006	562
Income tax expense	(199)	(26)
Income from continuing operations	807	536
Income (loss) from discontinued operations, net of tax	2	(3)
Net income	809	533
Net income attributable to noncontrolling interests	(41)	(47)
Net income attributable to McKesson Corporation	\$ 768	\$ 486
Earnings (loss) per common share attributable to McKesson Corporation		
Diluted		
Continuing operations	\$ 5.25	\$ 3.09
Discontinued operations	0.01	(0.02)
Total	\$ 5.26	\$ 3.07
Basic		
Continuing operations	\$ 5.31	\$ 3.13
Discontinued operations	0.01	(0.02)
Total	\$ 5.32	\$ 3.11
Weighted-average common shares outstanding		
Diluted	145.9	158.1
Basic	144.2	156.2

See Financial Notes

McKESSON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended June 30,	
	2022	2021
Net income	\$ 809	\$ 533
Other comprehensive income, net of tax		
Foreign currency translation adjustments	582	24
Unrealized gains on cash flow hedges	18	—
Changes in retirement-related benefit plans	36	2
Other comprehensive income, net of tax	636	26
Comprehensive income	1,445	559
Comprehensive income attributable to noncontrolling interests	(91)	(50)
Comprehensive income attributable to McKesson Corporation	\$ 1,354	\$ 509

See Financial Notes

McKESSON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)
(Unaudited)

	June 30, 2022	March 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,233	\$ 3,532
Receivables, net	19,900	18,583
Inventories, net	19,505	18,702
Assets held for sale	3,155	4,516
Prepaid expenses and other	590	898
Total current assets	45,383	46,231
Property, plant, and equipment, net	2,083	2,092
Operating lease right-of-use assets	1,598	1,548
Goodwill	9,368	9,451
Intangible assets, net	1,976	2,059
Other non-current assets	1,887	1,917
Total assets	<u>\$ 62,295</u>	<u>\$ 63,298</u>
LIABILITIES AND DEFICIT		
Current liabilities		
Drafts and accounts payable	\$ 39,708	\$ 38,086
Current portion of long-term debt	799	799
Current portion of operating lease liabilities	293	297
Liabilities held for sale	2,324	4,741
Other accrued liabilities	4,077	4,543
Total current liabilities	47,201	48,466
Long-term debt	4,976	5,080
Long-term deferred tax liabilities	1,541	1,418
Long-term operating lease liabilities	1,364	1,366
Long-term litigation liabilities	7,132	7,220
Other non-current liabilities	1,553	1,540
McKesson Corporation stockholders' deficit		
Preferred stock, \$0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 800 shares authorized and 277 and 275 shares issued at June 30, 2022 and March 31, 2022, respectively	3	2
Additional paid-in capital	7,350	7,275
Retained earnings	9,732	9,030
Accumulated other comprehensive loss	(948)	(1,534)
Treasury shares, at cost, 133 and 130 shares at June 30, 2022 and March 31, 2022, respectively	(18,141)	(17,045)
Total McKesson Corporation stockholders' deficit	(2,004)	(2,272)
Noncontrolling interests	532	480
Total deficit	(1,472)	(1,792)
Total liabilities and deficit	<u>\$ 62,295</u>	<u>\$ 63,298</u>

See Financial Notes

McKESSON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(In millions, except per share amounts)

(Unaudited)

Three Months Ended June 30, 2022									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury		Noncontrolling Interests	Total Deficit
	Shares	Amount				Common Shares	Amount		
Balance, March 31, 2022	275	\$ 2	\$ 7,275	\$ 9,030	\$ (1,534)	(130)	\$ (17,045)	\$ 480	\$ (1,792)
Issuance of shares under employee plans, net of forfeitures	2	1	91	—	—	—	(152)	—	(60)
Share-based compensation	—	—	40	—	—	—	—	—	40
Payments to noncontrolling interests	—	—	—	—	—	—	—	(36)	(36)
Other comprehensive income	—	—	—	—	586	—	—	50	636
Net income	—	—	—	768	—	—	—	41	809
Repurchase of common stock	—	—	(56)	—	—	(3)	(944)	—	(1,000)
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(2)	(2)
Cash dividends declared, \$0.47 per common share	—	—	—	(67)	—	—	—	—	(67)
Other	—	—	—	1	—	—	—	(1)	—
Balance, June 30, 2022	277	\$ 3	\$ 7,350	\$ 9,732	\$ (948)	(133)	\$ (18,141)	\$ 532	\$ (1,472)

Three Months Ended June 30, 2021									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury		Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount				Common Shares	Amount		
Balance, March 31, 2021	273	\$ 2	\$ 6,925	\$ 8,202	\$ (1,480)	(115)	\$ (13,670)	\$ 196	\$ 175
Issuance of shares under employee plans, net of forfeitures	1	—	71	—	—	—	(59)	—	12
Share-based compensation	—	—	33	—	—	—	—	—	33
Payments to noncontrolling interests	—	—	—	—	—	—	—	(39)	(39)
Other comprehensive income	—	—	—	—	23	—	—	—	23
Net income	—	—	—	486	—	—	—	39	525
Repurchase of common stock	—	—	(150)	—	—	(4)	(850)	—	(1,000)
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	—	—	178	—	(170)	—	—	—	8
Reclassification of McKesson Europe AG redeemable noncontrolling interests	—	—	—	—	—	—	—	287	287
Cash dividends declared, \$0.42 per common share	—	—	—	(65)	—	—	—	—	(65)
Other	—	—	—	(5)	—	—	—	1	(4)
Balance, June 30, 2021	274	\$ 2	\$ 7,057	\$ 8,618	\$ (1,627)	(119)	\$ (14,579)	\$ 484	\$ (45)

See Financial Notes

McKESON CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)
(Unaudited)

	Three Months Ended June 30,	
	2022	2021
OPERATING ACTIVITIES		
Net income	\$ 809	\$ 533
Adjustments to reconcile to net cash used in operating activities:		
Depreciation	61	80
Amortization	87	138
Long-lived asset impairment charges	—	104
Deferred taxes	109	36
Credits associated with last-in, first-out inventory method	(13)	(23)
Non-cash operating lease expense	63	90
Gain from sales of businesses and investments	(33)	—
European businesses held for sale	20	—
Other non-cash items	102	194
Changes in assets and liabilities, net of acquisitions:		
Receivables	(1,584)	(1,045)
Inventories	(955)	(901)
Drafts and accounts payable	1,006	(609)
Operating lease liabilities	(94)	(90)
Taxes	37	(54)
Litigation liabilities	(370)	74
Other	(186)	(149)
Net cash used in operating activities	(941)	(1,622)
INVESTING ACTIVITIES		
Payments for property, plant, and equipment	(71)	(93)
Capitalized software expenditures	(29)	(66)
Acquisitions, net of cash, cash equivalents, and restricted cash acquired	(1)	(1)
Proceeds from sales of businesses and investments, net	240	83
Other	(100)	(22)
Net cash provided by (used in) investing activities	39	(99)
FINANCING ACTIVITIES		
Repayments of long-term debt	(2)	(2)
Common stock transactions:		
Issuances	91	71
Share repurchases	(1,000)	(1,008)
Dividends paid	(71)	(69)
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	—	(1,031)
Other	(199)	(112)
Net cash used in financing activities	(1,181)	(2,151)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	18	11
Change in cash, cash equivalents, and restricted cash classified within Assets held for sale	470	—
Net decrease in cash, cash equivalents, and restricted cash	(1,595)	(3,861)
Cash, cash equivalents, and restricted cash at beginning of period	3,935	6,396
Cash, cash equivalents, and restricted cash at end of period	2,340	2,535
Less: Restricted cash at end of period included in Prepaid expenses and other	(107)	(112)
Cash and cash equivalents at end of period	\$ 2,233	\$ 2,423

See Financial Notes

McKESSON CORPORATION

FINANCIAL NOTES
(UNAUDITED)

1. Significant Accounting Policies

Nature of Operations: McKesson Corporation (“McKesson,” or the “Company,”) is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. McKesson partners with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable. The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions (“RxTS”), Medical-Surgical Solutions, and International. Refer to Financial Note 14, “Segments of Business,” for additional information.

Basis of Presentation: The condensed consolidated financial statements and accompanying notes are prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial reporting and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and therefore do not include all information and disclosures normally included in the annual consolidated financial statements.

The condensed consolidated financial statements of McKesson include the financial statements of all wholly-owned subsidiaries and majority-owned or controlled companies. For those consolidated subsidiaries where the Company’s ownership is less than 100%, the portion of the net income or loss allocable to the noncontrolling interests is reported as “Net income attributable to noncontrolling interests” in the Condensed Consolidated Statements of Operations. All significant intercompany balances and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

The Company considers itself to control an entity if it is the majority owner of or has voting control over such entity. The Company also assesses control through means other than voting rights and determines which business entity is the primary beneficiary of the variable interest entity (“VIE”). The Company consolidates VIEs when it is determined that it is the primary beneficiary of the VIE. Investments in business entities in which the Company does not have control but can exercise significant influence over operating and financial policies are accounted for using the equity method.

Fiscal Period: The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean the Company’s fiscal year.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these financial statements and income and expenses during the reporting period. Actual amounts could differ from those estimated amounts. The Company continues to evaluate the ongoing impacts, including the economic consequences, of the pandemic caused by the SARS-CoV-2 coronavirus (“COVID-19”), and therefore the Company’s accounting estimates and assumptions may change over time and may change materially in future periods. In the opinion of management, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the results of operations, financial position, and cash flows of McKesson for the interim periods presented.

The results of operations for the three months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the entire year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies, and financial notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2022, previously filed with the SEC on May 9, 2022 (“2022 Annual Report”).

Recently Adopted Accounting Pronouncements

There were no adopted accounting standards during the first quarter of fiscal 2023 that had a material impact to the Company’s results of operations, financial position, cash flows, or notes to the financial statements upon their adoption.

McKESSON CORPORATION
FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

Recently Issued Accounting Pronouncements Not Yet Adopted

In June 2022, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies the guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security and requires additional disclosure requirements. ASU 2022-03 is effective for the Company on a prospective basis for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of this guidance but does not expect it to have a material impact on its consolidated financial statements or related disclosures.

Subsequent Events

In July 2022, the Company exited one of its investments in equity securities for proceeds of \$179 million. The Company expects to recognize a gain within “Other income, net” in its Condensed Consolidated Statement of Operations for the second quarter of fiscal 2023 related to the disposition. The cost basis of the investment was \$38 million.

2. Held for Sale

In July 2021, the Company announced its intention to exit its businesses in Europe resulting in classification of certain assets and liabilities as held for sale. Assets and liabilities of \$3.2 billion and \$2.3 billion, respectively, at June 30, 2022, and \$4.5 billion and \$4.7 billion, respectively, at March 31, 2022, met the criteria for classification as held for sale, primarily consisting of disposal groups related to the Company’s European divestiture activities discussed below. The decrease in assets and liabilities held for sale during the first quarter of fiscal 2023 was primarily due to the divestiture of the Company’s U.K. disposal group in April 2022, as discussed in more detail below.

Assets and liabilities to be disposed of by sale (“disposal groups”) are classified as “held for sale” if their carrying amounts are principally expected to be recovered through a sale transaction rather than through continuing use. The classification occurs when the disposal group is available for immediate sale and the sale is probable. These criteria are generally met when an agreement to sell exists, or management has committed to a plan to sell the assets within one year. Disposal groups are measured at the lower of carrying amount or fair value less costs to sell, and long-lived assets included within the disposal group are not depreciated or amortized. The fair value of a disposal group, less any costs to sell, is assessed each reporting period it remains classified as held for sale and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale. The Company determined that the disposal groups classified as held for sale do not meet the criteria for classification as discontinued operations.

European Divestiture Activities

On July 5, 2021, the Company entered into an agreement to sell certain of its businesses in the European Union (“E.U.”) located in France, Italy, Ireland, Portugal, Belgium, and Slovenia, along with its German headquarters and wound-care business, part of a shared services center in Lithuania, and its ownership stake in a joint venture in the Netherlands (“E.U. disposal group”) to the PHOENIX Group for a purchase price of €1.2 billion (or, approximately \$1.3 billion) adjusted for certain items, including cash, net debt and working capital adjustments, and reduced by the value of the noncontrolling interest held by minority shareholders of McKesson Europe AG (“McKesson Europe”) at the transaction closing date. The transaction is anticipated to close within the second half of fiscal 2023, pursuant to the satisfaction of customary closing conditions, including receipt of regulatory approvals, as applicable. As of June 30, 2022 and March 31, 2022, the E.U. disposal group within the Company’s International segment, was classified as “Assets held for sale” and “Liabilities held for sale,” respectively, in the Condensed Consolidated Balance Sheet.

During the three months ended June 30, 2022, the Company recorded a gain of \$12 million to remeasure the E.U. disposal group to fair value less costs to sell. This amount was recorded within “Selling, distribution, general, and administrative expenses” in the Condensed Consolidated Statement of Operations. The Company’s measurement of the fair value of the E.U. disposal group was based on the total consideration expected to be received by the Company as outlined in the transaction agreement. Certain components of the total consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

McKESSON CORPORATION
FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

The total assets and liabilities of the E.U. disposal group that have met the classification of held for sale in the Company's Condensed Consolidated Balance Sheet are as follows:

<i>(In millions)</i>	June 30, 2022	March 31, 2022
Assets		
Current assets		
Receivables, net	\$ 1,277	\$ 1,322
Inventories, net	819	809
Prepaid expenses and other	92	72
Property, plant, and equipment, net	291	304
Operating lease right-of-use assets	217	224
Intangible assets, net	253	267
Other non-current assets	312	328
Remeasurement of assets of businesses held for sale to fair value less costs to sell ⁽¹⁾	(279)	(302)
Total assets held for sale	<u>\$ 2,982</u>	<u>\$ 3,024</u>
Liabilities		
Current liabilities		
Drafts and accounts payable	\$ 1,406	\$ 1,826
Current portion of long-term debt	4	4
Current portion of operating lease liabilities	30	33
Other accrued liabilities	403	473
Long-term debt	11	11
Long-term deferred tax liabilities	60	55
Long-term operating lease liabilities	168	180
Other non-current liabilities	122	138
Total liabilities held for sale	<u>\$ 2,204</u>	<u>\$ 2,720</u>

(1) Excludes charges in fiscal 2022 related to the impairment of individual assets, which are primarily comprised of a \$113 million impairment of internally developed software recorded directly against the gross value of the assets impacted.

On April 6, 2022, the Company completed the previously announced sale of its retail and distribution businesses in the United Kingdom ("U.K. disposal group") to Aurelius Elephant Limited for a purchase price of £110 million (or, approximately \$144 million), including certain adjustments. As part of the transaction, the Company divested net assets of \$615 million and released \$731 million of accumulated other comprehensive loss, within the International segment, and the buyer assumed and repaid a note payable to the Company of approximately \$118 million.

McKESSON CORPORATION
FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

Following the completion of the transaction on April 6, 2022, there were no assets or liabilities of the U.K. disposal group classified as held for sale in the Company's Condensed Consolidated Balance Sheet. The total assets and liabilities of the U.K. disposal group that met the classification of held for sale in the Company's Condensed Consolidated Balance Sheet at March 31, 2022 were as follows:

<i>(In millions)</i>	March 31, 2022
Assets	
Current assets	
Cash and cash equivalents	\$ 531
Receivables, net	931
Inventories, net	563
Prepaid expenses and other	50
Property, plant, and equipment, net	91
Operating lease right-of-use assets	270
Intangible assets, net	117
Other non-current assets	88
Remeasurement of assets of businesses held for sale to fair value less costs to sell	(1,159)
Total assets held for sale	<u>\$ 1,482</u>
Liabilities	
Current liabilities	
Drafts and accounts payable	\$ 1,593
Current portion of operating lease liabilities	50
Other accrued liabilities	59
Long-term deferred tax liabilities	16
Long-term operating lease liabilities	262
Other non-current liabilities	38
Total liabilities held for sale	<u>\$ 2,018</u>

3. Restructuring, Impairment, and Related Charges, Net

The Company recorded restructuring, impairment, and related charges, net of \$23 million and \$158 million for the three months ended June 30, 2022 and 2021, respectively. These charges were included in "Restructuring, impairment, and related charges, net" in the Condensed Consolidated Statements of Operations.

Restructuring Initiatives

During the first quarter of fiscal 2022, the Company approved an initiative to increase operational efficiencies and flexibility by transitioning to a partial remote work model for certain employees. This initiative primarily included the rationalization of the Company's office space in North America. Where the Company ceased using office space, it exited the portion of the facility no longer used. It also retained and repurposed certain other office locations. The Company recorded charges of \$95 million for the three months ended June 30, 2021 primarily related to lease right-of-use and other long-lived asset impairments, lease exit costs, and accelerated depreciation and amortization. This initiative was substantially complete in fiscal 2022 and remaining costs the Company expects to record under this initiative are not material.

McKESSON CORPORATION
FINANCIAL NOTES (CONTINUED)
(UNAUDITED)

Restructuring, impairment, and related charges, net, for the three months ended June 30, 2022 and 2021 consisted of the following:

	Three Months Ended June 30, 2022											
(In millions)	U.S. Pharmaceutical		Prescription Technology Solutions		Medical-Surgical Solutions		International	Corporate	Total			
Severance and employee-related costs, net	\$	3	\$	—	\$	—	\$	—	\$	2		
Exit and other-related costs ⁽¹⁾		1		2		1		2		15	21	
Asset impairments and accelerated depreciation		—		5		—		—		(5)	—	
Total	\$	4	\$	7	\$	1	\$	2	\$	9	\$	23

- (1) Exit and other-related costs primarily consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred.

	Three Months Ended June 30, 2021										
(In millions)	U.S. Pharmaceutical ⁽¹⁾		Prescription Technology Solutions ⁽¹⁾		Medical-Surgical Solutions ⁽¹⁾		International ⁽²⁾		Corporate ⁽¹⁾		Total
Severance and employee-related costs, net	\$	2	\$	—	\$	—	\$	12	\$	—	\$ 14
Exit and other-related costs ⁽³⁾		2		1		2		14		21	40
Asset impairments and accelerated depreciation		8		17		4		34		41	104
Total	\$	12	\$	18	\$	6	\$	60	\$	62	\$ 158

- (1) Includes costs related to the transition to a partial remote work model described above.
- (2) Includes costs related to the transition to a partial remote work model described above and U.K. operating model and cost optimization efforts, as well as costs for optimization programs in Canada.
- (3) Exit and other-related costs primarily consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred.

The following table summarizes the activity related to the liabilities associated with the Company's restructuring initiatives for the three months ended June 30, 2022:

<i>(In millions)</i>	U.S. Pharmaceutical	Prescription Technology Solutions	Medical- Surgical Solutions	International	Corporate	Total
Balance, March 31, 2022 ⁽¹⁾	\$ 11	\$ 3	\$ 1	\$ 56	\$ 59	\$ 130
Restructuring, impairment, and related charges, net	4	7	1	2	9	23
Non-cash charges	—	(5)	—	—	5	—
Cash payments	(2)	(2)	(1)	(2)	(15)	(22)
Other ⁽²⁾	(1)	—	—	(15)	1	(15)
Balance, June 30, 2022 ⁽³⁾	\$ 12	\$ 3	\$ 1	\$ 41	\$ 59	\$ 116

- (1) As of March 31, 2022, the total reserve balance was \$130 million, of which \$58 million was recorded in "Other accrued liabilities," \$36 million was recorded in "Liabilities held for sale," and \$36 million was recorded in "Other non-current liabilities" in the Condensed Consolidated Balance Sheet.
- (2) Other primarily includes cumulative translation adjustments and transfers to certain other liabilities.

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- (3) As of June 30, 2022, the total reserve balance was \$116 million, of which \$62 million was recorded in “Other accrued liabilities,” \$26 million was recorded in “Liabilities held for sale,” and \$28 million was recorded in “Other non-current liabilities” in the Condensed Consolidated Balance Sheet.

4. Income Taxes

During the three months ended June 30, 2022 and 2021, the Company recorded income tax expense of \$199 million and \$26 million, respectively. The Company’s reported income tax expense rate was 19.8% and 4.6% for the three months ended June 30, 2022 and 2021, respectively. Fluctuations in the Company’s reported income tax rates are primarily due to discrete benefits recognized in the quarter. During the three months ended June 30, 2022, the Company recognized a net discrete tax benefit of \$45 million primarily related to the tax impact of share-based compensation. During the three months ended June 30, 2021, the Company recognized a net discrete tax benefit of \$97 million primarily related to statute of limitation expirations in various taxing jurisdictions.

As of June 30, 2022, the Company had \$1.5 billion of unrecognized tax benefits, of which \$1.3 billion would reduce income tax expense and the effective tax rate if recognized. During the next twelve months, it is reasonably possible that our unrecognized tax benefits may decrease by as much as \$150 million to \$190 million due to settlements of tax examinations and statute of limitation expirations based on the information currently available. However, this may change as the Company continues to have ongoing discussions with various taxing authorities throughout the year or statute of limitations expire, and if the ultimate resolution of unrecognized tax benefits differs from this estimated range, the Company will record any additional income tax expense or benefit as necessary in the appropriate period. The unrecognized tax benefit may also increase or decrease due to future developments in opioid-related litigation and claims, as discussed in Financial Note 12, “Commitments and Contingent Liabilities.”

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. The Internal Revenue Service (“IRS”) is currently examining the Company’s U.S. corporation income tax returns for 2018 and 2019. The Company is generally subject to audit by taxing authorities in various U.S. states and in foreign jurisdictions for fiscal years 2014 through the current fiscal year.

5. Redeemable Noncontrolling Interests and Noncontrolling Interests

Redeemable Noncontrolling Interests

The Company’s previously recognized redeemable noncontrolling interests primarily related to its consolidated subsidiary, McKesson Europe. Under the December 2014 domination and profit and loss transfer agreement (the “Domination Agreement”), the noncontrolling shareholders of McKesson Europe are entitled to receive an annual recurring compensation amount of €0.83 per share. As a result, the Company recorded a total attribution of net income to the noncontrolling shareholders of McKesson Europe of \$8 million during the three months ended June 30, 2021. This amount was recorded in “Net income attributable to noncontrolling interests” in the Company’s Condensed Consolidated Statement of Operations and the corresponding liability balance was recorded in “Other accrued liabilities” in the Company’s Condensed Consolidated Balance Sheet.

Under the Domination Agreement, the noncontrolling shareholders of McKesson Europe had a right to put (“Put Right”) their noncontrolling shares at €22.99 per share, increased annually for interest in the amount of five percentage points above a base rate published by the German Bundesbank semi-annually, less any compensation amount or guaranteed dividend already paid by McKesson with respect to the relevant time period (“Put Amount”). During the three months ended June 30, 2021, the Company paid \$1.0 billion to purchase 34.5 million shares of McKesson Europe through exercises of the Put Right by the noncontrolling shareholders. This decreased the carrying value of the redeemable noncontrolling interests by \$983 million for the three months ended June 30, 2021, and the Company recorded the associated effect of the increase in the Company’s ownership interest of \$178 million as an increase to McKesson stockholders’ additional paid-in capital. The Put Right expired on June 15, 2021, at which point the remaining shares owned by the minority shareholders, with a carrying value of \$287 million, were transferred from “Redeemable noncontrolling interests” to “Noncontrolling interests” in the Condensed Consolidated Balance Sheet.

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Noncontrolling Interests

Noncontrolling interests represent third-party equity interests in the Company's consolidated entities primarily related to ClarusONE Sourcing Services LLP and Vantage Oncology Holdings, LLC. As discussed above, after June 15, 2021, noncontrolling interests also represent minority shareholder equity interests in McKesson Europe. The Company's noncontrolling interest in McKesson Europe will be included in the sale of the E.U. disposal group, as discussed in Financial Note 2, "Held for Sale." The Company allocated \$41 million and \$39 million of net income to noncontrolling interests during the three months ended June 30, 2022 and 2021, respectively, which was recorded in "Net income attributable to noncontrolling interests" in the Company's Condensed Consolidated Statements of Operations.

Changes in noncontrolling interests for the three months ended June 30, 2022 were as follows:

<i>(In millions)</i>	Noncontrolling Interests
Balance, March 31, 2022	\$ 480
Net income attributable to noncontrolling interests	41
Other comprehensive income	50
Reclassification of recurring compensation to other accrued liabilities	(2)
Payments to noncontrolling interests	(36)
Other	(1)
Balance, June 30, 2022	\$ 532

Changes in redeemable noncontrolling interests and noncontrolling interests for the three months ended June 30, 2021 were as follows:

<i>(In millions)</i>	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2021	\$ 196	\$ 1,271
Net income attributable to noncontrolling interests	39	8
Other comprehensive income	—	3
Reclassification of recurring compensation to other accrued liabilities	—	(8)
Payments to noncontrolling interests	(39)	—
Exercises of Put Right	—	(983)
Reclassification of McKesson Europe redeemable noncontrolling interests	287	(287)
Other	1	3
Balance, June 30, 2021	\$ 484	\$ 7

6. Earnings (Loss) Per Common Share

Basic earnings per common share are computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. The computation of diluted earnings per common share is similar to that of basic earnings per common share, except that the former reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based and other restricted stock units. Fewer than 1 million potentially dilutive securities for each of the three months ended June 30, 2022 and 2021, respectively, were excluded from the computation of diluted earnings per common share as they were anti-dilutive.

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The computations for basic and diluted earnings per common share are as follows:

<i>(In millions, except per share amounts)</i>	Three Months Ended June 30,	
	2022	2021
Income from continuing operations	\$ 807	\$ 536
Net income attributable to noncontrolling interests	(41)	(47)
Income from continuing operations attributable to McKesson Corporation	766	489
Income (loss) from discontinued operations, net of tax	2	(3)
Net income attributable to McKesson Corporation	<u>\$ 768</u>	<u>\$ 486</u>
Weighted-average common shares outstanding:		
Basic	144.2	156.2
Effect of dilutive securities:		
Stock options	0.3	0.1
Restricted stock units ⁽¹⁾	1.4	1.8
Diluted	<u>145.9</u>	<u>158.1</u>
Earnings (loss) per common share attributable to McKesson Corporation: ⁽²⁾		
Diluted		
Continuing operations	\$ 5.25	\$ 3.09
Discontinued operations	0.01	(0.02)
Total	<u>\$ 5.26</u>	<u>\$ 3.07</u>
Basic		
Continuing operations	\$ 5.31	\$ 3.13
Discontinued operations	0.01	(0.02)
Total	<u>\$ 5.32</u>	<u>\$ 3.11</u>

(1) Includes dilutive effect from restricted stock units and performance-based stock units.

(2) Certain computations may reflect rounding adjustments.

7. Goodwill and Intangible Assets, Net

The Company evaluates goodwill for impairment on an annual basis and at an interim date, if indicators of potential impairment exist. The Company voluntarily changed its annual goodwill impairment testing date from October 1st to April 1st to align with a change in timing of the Company's annual long-term planning process. Accordingly, management determined that the change in accounting principle is preferable under the circumstance. This change has been applied prospectively from April 1, 2022 as retrospective application is deemed impracticable due to the inability to objectively determine the assumptions and significant estimates used in earlier periods without the benefit of hindsight. This change was not material to the Company's consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge. The annual impairment testing performed as of April 1, 2022 did not indicate an impairment of goodwill.

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Changes in the carrying amount of goodwill were as follows:

<i>(In millions)</i>	U.S. Pharmaceutical	Prescription Technology Solutions	Medical- Surgical Solutions	International	Total
Balance, March 31, 2022	\$ 3,923	\$ 1,542	\$ 2,453	\$ 1,533	\$ 9,451
Foreign currency translation adjustments, net	(33)	—	—	(48)	(81)
Other adjustments	(3)	—	—	1	(2)
Balance, June 30, 2022	\$ 3,887	\$ 1,542	\$ 2,453	\$ 1,486	\$ 9,368

Information regarding intangible assets is as follows:

	June 30, 2022				March 31, 2022			
	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
(Dollars in millions)								
Customer relationships	12	\$ 2,747	\$ (1,695)	\$ 1,052	\$ 2,777	\$ (1,691)	\$ 1,086	
Service agreements	9	1,078	(584)	494	1,085	(573)	512	
Trademarks and trade names	11	802	(397)	405	819	(386)	433	
Technology	1	127	(118)	9	128	(116)	12	
Other	9	188	(172)	16	187	(171)	16	
Total		\$ 4,942	\$ (2,966)	\$ 1,976	\$ 4,996	\$ (2,937)	\$ 2,059	

Amortization expense of intangible assets was \$56 million and \$98 million during the three months ended June 30, 2022 and 2021, respectively. Estimated amortization expense of these assets is as follows: \$166 million, \$211 million, \$206 million, \$174 million, and \$168 million for the remainder of fiscal 2023 and each of the succeeding years through fiscal 2027, respectively, and \$1.1 billion thereafter. All intangible assets were subject to amortization as of June 30, 2022 and March 31, 2022. Amortization of intangible assets of the E.U. disposal group classified as held for sale ceased in the second quarter of fiscal 2022.

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8. Debt and Financing Activities

Long-term debt consisted of the following:

<i>(In millions)</i>	June 30, 2022	March 31, 2022
<u>U.S. Dollar notes</u> ^{(1) (2)}		
2.70% Notes due December 15, 2022	\$ 400	\$ 400
2.85% Notes due March 15, 2023	360	360
3.80% Notes due March 15, 2024	918	918
0.90% Notes due December 3, 2025	500	500
1.30% Notes due August 15, 2026	498	498
7.65% Debentures due March 1, 2027	150	150
3.95% Notes due February 16, 2028	343	343
4.75% Notes due May 30, 2029	196	196
6.00% Notes due March 1, 2041	217	217
4.88% Notes due March 15, 2044	255	255
<u>Foreign currency notes</u> ^{(1) (3)}		
1.50% Euro Notes due November 17, 2025	627	662
1.63% Euro Notes due October 30, 2026	524	554
3.13% Sterling Notes due February 17, 2029	548	582
Lease and other obligations	239	244
Total debt	5,775	5,879
Less: Current portion	799	799
Total long-term debt	\$ 4,976	\$ 5,080

(1) These notes are unsecured and unsubordinated obligations of the Company.

(2) Interest on these notes is payable semi-annually.

(3) Interest on these foreign currency notes is payable annually.

Long-Term Debt

The Company's long-term debt includes both U.S. dollar and foreign currency-denominated borrowings. Debt outstanding totaled \$5.8 billion and \$5.9 billion at June 30, 2022 and March 31, 2022, respectively, of which \$799 million, was included under the caption "Current portion of long-term debt" within the Company's Condensed Consolidated Balance Sheets at each of June 30, 2022 and March 31, 2022.

Revolving Credit Facilities

The Company has a Credit Agreement, dated as of September 25, 2019, as amended (the "2020 Credit Facility"), that provides a syndicated \$4.0 billion five-year senior unsecured credit facility with a \$3.6 billion aggregate sublimit of availability in Canadian dollars, British pound sterling, and Euro. Borrowings under the 2020 Credit Facility bear interest based upon the London Interbank Offered Rate ("LIBOR"), Canadian Dealer Offered Rate for credit extensions denominated in Canadian dollars, a prime rate, or alternative overnight rates as applicable, plus agreed margins. The 2020 Credit Facility matures in September 2024 and had no borrowings during the three months ended June 30, 2022 and 2021 and no amounts outstanding as of June 30, 2022 and March 31, 2022.

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The 2020 Credit Facility contains various customary investment grade covenants, including a financial covenant which obligates the Company to maintain a maximum Total Debt to Consolidated EBITDA ratio, as defined in the amended credit agreement. If the Company does not comply with these covenants, its ability to use the 2020 Credit Facility may be suspended and repayment of any outstanding balances under the 2020 Credit Facility may be required. At June 30, 2022, the Company was in compliance with all covenants.

The Company also maintains bilateral credit facilities primarily denominated in Euros with a committed amount of \$1 million and an uncommitted amount of \$105 million as of June 30, 2022. Borrowings and repayments were not material during the three months ended June 30, 2022 and 2021. Amounts outstanding under these credit lines were not material as of June 30, 2022 and March 31, 2022.

Commercial Paper

The Company maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company can issue up to \$4.0 billion in outstanding commercial paper notes. During the three months ended June 30, 2022 and 2021, there were no material borrowings under the program. At June 30, 2022 and March 31, 2022, there were no commercial paper notes outstanding.

9. Pension Benefits

The net periodic expense for defined benefit pension plans was not material for each of the three months ended June 30, 2022 and 2021. Cash contributions to these plans were \$3 million and \$14 million for the three months ended June 30, 2022 and 2021, respectively. The projected unit credit method is utilized in measuring net periodic pension expense over the employees' service life for the pension plans. Unrecognized actuarial losses exceeding 10% of the greater of the projected benefit obligation or the market value of assets are amortized on a straight-line basis over the average remaining future service periods and expected life expectancy.

As part of the European divestiture activities discussed in more detail in Financial Note 2, "Held for Sale," pension liabilities of \$79 million and \$85 million as of June 30, 2022 and March 31, 2022, respectively, were included under the caption "Liabilities held for sale," in the Condensed Consolidated Balance Sheets as part of the E.U. disposal group. During the first quarter of fiscal 2023, the Company derecognized pension assets of \$49 million and released \$30 million of accumulated other comprehensive loss related to the sale of its U.K. disposal group. The pension assets were included within "Assets held for sale" in the Condensed Consolidated Balance Sheet as of March 31, 2022.

10. Hedging Activities

In the normal course of business, the Company is exposed to interest rate and foreign currency exchange rate fluctuations. At times, the Company limits these risks through the use of derivatives as described below. In accordance with the Company's policy, derivatives are only used for hedging purposes. It does not use derivatives for trading or speculative purposes. The Company uses different counterparties for its derivative contracts to minimize the exposure to credit risk but does not anticipate non-performance by these parties.

Foreign Currency Exchange Risk

The Company conducts its business worldwide in U.S. dollars and the functional currencies of its foreign subsidiaries, including Euro, British pound sterling, and Canadian dollars. Changes in foreign currency exchange rates could have a material adverse impact on the Company's financial results that are reported in U.S. dollars. The Company is also exposed to foreign currency exchange rate risk related to its foreign subsidiaries, including intercompany loans denominated in non-functional currencies. The Company has certain foreign currency exchange rate risk programs that use foreign currency forward contracts and cross-currency swaps. These forward contracts and cross-currency swaps are generally used to offset the potential income statement effects from intercompany loans and other obligations denominated in non-functional currencies. These programs reduce but do not entirely eliminate foreign currency exchange rate risk. Subsequent to the completion of the U.K. divestiture in April 2022 as discussed in Financial Note 2, "Held for Sale," the Company's foreign currency exchange rate risk is limited to the Euro and Canadian dollar.

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Non-Derivative Instruments Designated as Hedges

At June 30, 2022 and March 31, 2022, the Company had €1.1 billion of Euro-denominated notes designated as non-derivative net investment hedges. These hedges are utilized to hedge portions of the Company's net investments in non-U.S. subsidiaries against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. For all notes that are designated as net investment hedges and meet effectiveness requirements, the changes in carrying value of the notes attributable to the change in spot rates are recorded as foreign currency translation adjustments in "Accumulated other comprehensive loss" in the Condensed Consolidated Statements of Stockholders' Equity (Deficit) where they offset foreign currency translation gains and losses recorded on the Company's net investments. To the extent foreign currency denominated notes designated as net investment hedges are ineffective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

In connection with the sale of the U.K. disposal group as discussed in more detail in Financial Note 2, "Held for Sale," the Company reclassified \$26 million of gains from accumulated other comprehensive loss and recorded in "Selling, distribution, general, and administrative expenses" in the Condensed Consolidated Statements of Operations. This amount related to the Company's £450 million British pound sterling-denominated notes, which were previously accounted for as net investment hedges until de-designated in fiscal 2020, and was included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities held for sale to fair value less costs to sell.

Foreign currency gains (losses) from non-derivative instruments included in other comprehensive income in the Condensed Consolidated Statements of Comprehensive Income were as follows:

<i>(In millions)</i>	Three Months Ended June 30,	
	2022	2021
Non-derivatives designated as net investment hedges: ⁽¹⁾		
Euro-denominated notes	\$ 64	\$ (22)

(1) There was no ineffectiveness in these hedges for the three months ended June 30, 2022 and 2021.

Derivative Instruments

At June 30, 2022 and March 31, 2022, the notional amounts of the Company's outstanding derivatives were as follows:

(In millions)	Currency	Maturity Date	June 30, 2022		March 31, 2022	
			Notional			
Derivatives designated as net investment hedges: ⁽¹⁾						
Cross-currency swaps ⁽²⁾	CAD	Nov-24	\$	500	\$	500
Derivatives designated as fair value hedges: ⁽¹⁾						
Cross-currency swaps ⁽³⁾	GBP	Feb-23	£	450	£	450
Floating interest rate swaps ⁽⁴⁾	USD	Aug-27	\$	180	\$	—
Derivatives designated as cash flow hedges: ⁽¹⁾						
Cross-currency swaps ⁽²⁾	CAD	Jul-22 to Jan-24	\$	1,678	\$	1,678
Fixed interest rate swaps ⁽⁵⁾	USD	Mar-23	\$	500	\$	500

(1) There was no ineffectiveness in these hedges for the three months ended June 30, 2022 and 2021.

(2) The Company agreed with third parties to exchange fixed interest payments in one currency for fixed interest payments in another currency at specified intervals and to exchange principal in one currency for principal in another currency, calculated by reference to agreed-upon notional amounts.

(3) The Company agreed with third parties to exchange fixed interest payments in British pound sterling for floating interest payments in U.S. dollars based on three-month LIBOR plus a spread.

(4) The Company entered into fixed-to-floating interest rate swaps to hedge the changes in fair value caused by fluctuations in the benchmark interest rates.

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- (5) The Company entered into agreements with financial institutions to lock into the fixed benchmark interest rates for future bond issuance.

Net Investment Hedges

The Company uses cross-currency swaps to hedge portions of the Company's net investments denominated in Canadian dollars against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. The changes in the fair value of these derivatives attributable to the changes in spot currency exchange rates and differences between spot and forward interest rates are recorded in accumulated other comprehensive loss and offset foreign currency translation gains and losses recorded on the Company's net investments denominated in Canadian dollars. To the extent cross-currency swaps designated as hedges are ineffective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

Fair Value Hedges

The Company uses cross-currency swaps to hedge the changes in the fair value of British pound sterling notes resulting from changes in benchmark interest rates and foreign exchange rates. The changes in the fair value of these derivatives and the offsetting changes in the fair value of the hedged notes are recorded in earnings. Gains from the changes in the Company's fair value hedges recorded in earnings were largely offset by the losses recorded in earnings on the hedged item.

During the first quarter of fiscal 2023, the Company entered into floating interest rate swaps to convert \$180 million of its fixed rate debt to floating interest rate in order to hedge the changes in fair value caused by fluctuations in the benchmark interest rate. The changes in the fair value of these derivatives are recorded in earnings.

Cash Flow Hedges

From time to time, the Company enters into cross-currency swaps to hedge intercompany loans denominated in non-functional currencies to reduce the income statement effects arising from fluctuations in foreign currency rates and also enters into forward contracts to hedge the variability future benchmark interest rates on planned bond issuances. The effective portion of changes in the fair value of these hedges is recorded in accumulated other comprehensive loss and reclassified into earnings in the same period in which the hedged transaction affects earnings. Changes in fair values representing hedge ineffectiveness are recognized in current earnings. Gains or losses reclassified from accumulated other comprehensive loss and recorded in "Selling, distribution, general, and administrative expenses" in the Condensed Consolidated Statements of Operations were not material for the three months ended June 30, 2022 and 2021.

Derivatives Not Designated as Hedges

Derivative instruments not designated as hedges are mark-to-market at the end of each accounting period with the change in fair value included in earnings. From time to time, the Company enters into forward contracts to hedge the Euro against cash flows denominated in British pound sterling and other European currencies. Changes in the fair values for contracts not designated as hedges are recorded directly into earnings in "Selling, distribution, general, and administrative expenses" in the Condensed Consolidated Statements of Operations. Changes in the fair values were not material for the three months ended June 30, 2022 and 2021. Gains or losses from these contracts are largely offset by changes in the value of the underlying intercompany obligations.

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Other Information on Derivative Instruments

Gains and (losses) of derivatives included in other comprehensive income (loss) in the Condensed Consolidated Statements of Comprehensive Income were as follows:

<i>(In millions)</i>	Three Months Ended June 30,	
	2022	2021
Derivatives designated as net investment hedges:		
Cross-currency swaps	\$ 12	\$ (5)
Derivatives designated as cash flow hedges:		
Cross-currency swaps	\$ (2)	\$ (2)
Fixed interest rate swaps	27	2

Information regarding the fair value of derivatives on a gross basis were as follows:

(In millions)	Balance Sheet Caption	June 30, 2022			March 31, 2022			
		Fair Value of Derivative		U.S. Dollar Notional	Fair Value of Derivative		U.S. Dollar Notional	
		Asset	Liability		Asset	Liability		
Derivatives designated for hedge accounting:								
Cross-currency swaps (current)	Prepaid expenses and other/Other accrued liabilities	\$ 4	\$ 30	\$ 1,537	\$ 30	\$ 39	\$ 1,537	
Cross-currency swaps (non-current)	Other non-current liabilities	—	15	679	—	36	679	
Fixed interest rate swaps (current)	Prepaid expenses and other	57	—	500	31	—	500	
Floating interest rate swaps (non-current)	Other non-current assets	2	—	180	—	—	—	
Total		\$ 63	\$ 45		\$ 61	\$ 75		

Refer to Financial Note 11, "Fair Value Measurements," for more information on these recurring fair value measurements.

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11. Fair Value Measurements

The Company measures certain assets and liabilities at fair value in accordance with Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - significant other observable market-based inputs.

Level 3 - significant unobservable inputs for which little or no market data exists and requires considerable assumptions that are significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Cash and cash equivalents at June 30, 2022 and March 31, 2022 included investments in money market funds of \$547 million and \$981 million, respectively, which are reported at fair value. The fair value of money market funds was determined using quoted prices for identical investments in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosure guidance. The carrying value of all other cash equivalents approximates their fair value due to their relatively short-term nature. Fair values for the Company’s marketable securities were not material at June 30, 2022 and March 31, 2022.

Fair values of the Company’s interest rate swaps, foreign currency forward contracts, and cross-currency swaps were determined using observable inputs from available market information, including quoted interest rates, foreign currency exchange rates, and other observable inputs from available market information. These inputs are considered Level 2 under the fair value measurements and disclosure guidance, and may not be representative of actual values that could have been realized or that will be realized in the future. Refer to Financial Note 10, “Hedging Activities,” for fair value and other information on the Company’s derivatives including interest rate swaps, forward foreign currency contracts, and cross-currency swaps.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company’s assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

At June 30, 2022 and March 31, 2022, the assets and liabilities associated with the disposal groups in Europe held for sale were measured at the lower of carrying value or fair value less costs to sell, as discussed in more detail in Financial Note 2, “Held for Sale.” At March 31, 2022, assets measured at fair value on a nonrecurring basis also included certain long-lived assets within the International segment related to the Company’s operations in Denmark and its retail pharmacy businesses in Canada.

There were no other material liabilities measured at fair value on a nonrecurring basis at June 30, 2022 and March 31, 2022.

Other Fair Value Disclosures

At June 30, 2022 and March 31, 2022, the carrying amounts of cash, certain cash equivalents, restricted cash, marketable securities, receivables, drafts and accounts payable, short-term borrowings, and other current liabilities approximated their estimated fair values because of the short maturity of these financial instruments.

The Company determines the fair value of commercial paper using quoted prices in active markets for identical instruments, which are considered Level 1 inputs under the fair value measurements and disclosure guidance.

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The Company's long-term debt is recorded at amortized cost. The carrying value and fair value of the Company's long-term debt was as follows:

<i>(In millions)</i>	June 30, 2022		March 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current maturities	\$ 5,775	\$ 5,674	\$ 5,879	\$ 5,999

The estimated fair value of the Company's long-term debt was determined using quoted market prices in a less active market and other observable inputs from available market information, which are considered to be Level 2 inputs, and may not be representative of actual values that could have been realized or that will be realized in the future.

Restricted Cash

Restricted cash, included within "Prepaid expenses and other" in the Company's Condensed Consolidated Balance Sheets primarily consists of \$100 million and \$395 million as of June 30, 2022 and March 31, 2022, respectively, held in escrow related to obligations under settlement agreements for opioid-related claims of governmental entities, as discussed in more detail in Financial Note 12, "Commitments and Contingent Liabilities."

Goodwill

Fair value assessments of the reporting unit and the reporting unit's net assets, which are performed for goodwill impairment tests, are considered a Level 3 measurement due to the significance of unobservable inputs developed using company-specific information. The Company considered a market approach as well as an income approach using a DCF model to determine the fair value of each reporting unit.

Long-lived Assets

The Company measures certain long-lived and intangible assets at fair value on a nonrecurring basis when events occur that indicate an asset group may not be recoverable. If the carrying amount of an asset group is not recoverable, an impairment charge is recorded to reduce the carrying amount by the excess over its fair value.

The Company utilizes multiple approaches including the DCF model and market approaches for estimating the fair value of intangible assets. The future cash flows used in the analysis are based on internal cash flow projections from its long-range plans and include significant assumptions by management. Accordingly, the fair value assessment of the long-lived assets is considered a Level 3 fair value measurement.

12. Commitments and Contingent Liabilities

In addition to commitments and obligations incurred in the ordinary course of business, the Company is subject to a variety of claims and legal proceedings, including claims from customers and vendors, pending and potential legal actions for damages, governmental investigations, and other matters. The Company and its affiliates are parties to the legal claims and proceedings described below and in [Financial Note 18 to the Company's 2022 Annual Report](#), which disclosure is incorporated in this footnote by this reference. The Company is vigorously defending itself against those claims and in those proceedings. Significant developments in those matters are described below. If the Company is unsuccessful in defending, or if it determines to settle, any of these matters, it may be required to pay substantial sums, be subject to injunction and/or be forced to change how it operates its business, which could have a material adverse impact on its financial position or results of operations.

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Unless otherwise stated, the Company is unable to reasonably estimate the loss or a range of possible loss for the matters described below. Often, the Company is unable to determine that a loss is probable, or to reasonably estimate the amount of loss or a range of loss, for a claim because of the limited information available and the potential effects of future events and decisions by third parties, such as courts and regulators, that will determine the ultimate resolution of the claim. Many of the matters described are at preliminary stages, raise novel theories of liability, or seek an indeterminate amount of damages. It is not uncommon for claims to remain unresolved over many years. The Company reviews loss contingencies at least quarterly to determine whether the likelihood of loss has changed and whether it can make a reasonable estimate of the loss or range of loss. When the Company determines that a loss from a claim is probable and reasonably estimable, it records a liability for an estimated amount. The Company also provides disclosure when it is reasonably possible that a loss may be incurred or when it is reasonably possible that the amount of a loss will exceed its recorded liability. Amounts included within “Claims and litigation charges, net” in the Condensed Consolidated Statements of Operations consist of estimated loss contingencies related to opioid-related litigation matters.

I. Litigation and Claims Involving Distribution of Controlled Substances

The Company and its affiliates have been sued as defendants in many cases asserting claims related to distribution of controlled substances. They have been named as defendants along with other pharmaceutical wholesale distributors, pharmaceutical manufacturers, and retail pharmacy chains. The plaintiffs in these actions have included state attorneys general, county and municipal governments, school districts, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals. These actions have been filed in state and federal courts throughout the U.S., and in Puerto Rico and Canada. They seek monetary damages and other forms of relief based on a variety of causes of action, including negligence, public nuisance, unjust enrichment, and civil conspiracy, as well as alleging violations of the Racketeer Influenced and Corrupt Organizations Act (“RICO”), state and federal controlled substances laws, and other statutes.

The Company and the two other national pharmaceutical distributors (collectively “Distributors”) settled with 46 of 49 eligible states and their participating subdivisions, as well as the District of Columbia and all eligible territories (collectively, “Settling Governmental Entities”) effective on April 2, 2022 (“Settlement”). If all conditions to the Settlement are satisfied, including the receipt of approval by relevant courts of consent decrees to dismiss the lawsuits, the Distributors would pay the Settling Governmental Entities up to approximately \$19.5 billion over 18 years, with up to approximately \$7.4 billion to be paid by the Company for its 38.1% portion. Under the Settlement, a minimum of 85% of the settlement payments must be used by state and local governmental entities to remediate the opioid epidemic. Most of the remaining percentage relates to plaintiffs’ attorneys’ fees and costs, and would be payable over a shorter time period. Under the Settlement, the Distributors will establish a clearinghouse to consolidate their controlled-substance distribution data, which will be available to the settling U.S. states to use as part of their anti-diversion efforts. The Distributors do not admit liability or wrongdoing and do not waive any defenses pursuant to the Settlement.

Three eligible states, Alabama, Washington, and Oklahoma did not join the Settlement, but they have all now reached agreements in principle with the Company. With respect to the claims of the Alabama attorney general, the Company has negotiated an agreement in principle under which the Company will pay \$141 million in ten equal annual installments and an additional approximately \$33 million in attorney fees and costs to resolve the opioid-related claims of the state of Alabama and its subdivisions. On May 3, 2022, the Distributors announced an agreement with the attorney general of Washington to settle the claims of the state of Washington and its subdivisions. Under that agreement, Washington and its subdivisions would be paid up to \$518 million over 18 years, of which the Company’s portion would be 38.1% (or approximately \$197 million), consistent with Washington’s allocation under the comprehensive framework, as well as certain additional attorneys’ fees and costs. On June 27, 2022, an agreement was announced between the Distributors and the attorney general of Oklahoma to settle claims of the state of Oklahoma and its subdivisions. Under that agreement, Oklahoma and its subdivisions would be paid up to \$250 million over 18 years, of which the Company’s portion would be 38.1%, consistent with Oklahoma’s allocation under the comprehensive framework, as well as certain additional attorneys’ fees and costs. The Company’s loss contingency accruals for these three states and their subdivisions reflect the amounts of these agreements in principle.

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The Company previously settled with the state of West Virginia, and West Virginia and its subdivisions were not eligible to participate in the comprehensive Settlement. Claims of various West Virginia subdivisions remain pending in both state and federal courts. Trial in the case of Cabell County and City of Huntington occurred in the U.S. District Court for the Southern District of West Virginia and concluded on July 28, 2021. On July 4, 2022, the court entered judgment in defendants' favor. On August 2, 2022, the plaintiffs filed an appeal. The claims of certain other West Virginia subdivisions are pending in the federal Multi-district Litigation and before the state Mass Litigation Panel. On September 30, 2021, the Mass Litigation Panel issued an order scheduling a liability-only trial on the public nuisance claims of certain political subdivisions against the Distributors for July 5, 2022. On July 5, 2022, the Mass Litigation Panel entered an order postponing the trial in light of an agreement in principle between a group of plaintiffs' attorneys representing the municipalities and the three companies. Under that agreement in principle, the three companies would pay \$400 million over approximately 11 years, with the Company responsible for 38.1% of the total amount (or approximately \$152 million). The agreement in principle is contingent on participation of certain litigating subdivisions in West Virginia, but does not include school districts or the claims of Cabell County and the City of Huntington. The Company's loss contingency accruals for the West Virginia subdivisions are reflected in the estimated liability for the opioid-related claims as of June 30, 2022.

With respect to the claims of Native American tribes, on September 28, 2021, the Company announced that the Distributors reached an agreement with the Cherokee Nation to pay approximately \$75 million over 6.5 years to resolve opioid-related claims, of which the Company's portion would be 38.1% (or, approximately \$29 million). The Company has also negotiated a broad resolution of opioid-related claims brought by Native American tribes. Under the proposed agreement, which has been endorsed by the leadership committee of counsel representing the tribes, the Distributors would pay the Native American tribes, other than the Cherokee Nation, approximately \$440 million over 6 years, of which the Company's portion would be 38.1% (or, approximately \$167 million). This broad resolution is contingent on the participation of a substantial majority of the Native American tribes that have brought opioid-related claims against the Distributors. Under these agreements, a minimum of 85% of the settlement payments must be used by the Native American tribes to remediate the opioid epidemic. The Company's loss-contingency accruals for the Native American tribes reflect these amounts and are reflected in the estimated liability for the opioid-related claims as of June 30, 2022.

Although the Settlement terminated the substantial majority of opioid-related suits by governmental entities pending against the Company, a small number of subdivisions in participating states have opted not to participate in the comprehensive settlement, and other suits brought by subdivisions in non-participating states remain pending. The Company continues to prepare for trial in these pending matters and believes that it has valid defenses to the claims pending against it, and it intends to vigorously defend against all such claims if acceptable settlement terms are not achieved. The Company's loss contingency accruals for these subdivisions are reflected in the estimated liability for the opioid-related claims consistent with what would be allocated under the framework of the settlement.

In the first quarter of fiscal 2023, the Company paid \$375 million, and in July 2022 paid an additional \$470 million, associated with the Settlement and separate settlement agreements of opioid-related claims of participating states, subdivisions, and Native American tribes.

The Company's estimated accrued liability for the opioid-related claims of governmental entities is as follows:

<i>(In millions)</i>	June 30, 2022	March 31, 2022
Current litigation liabilities ⁽¹⁾	\$ 759	\$ 1,046
Long-term litigation liabilities	7,132	7,220
Total litigation liabilities	\$ 7,891	\$ 8,266

(1) These amounts as of June 30, 2022 and March 31, 2022, recorded in "Other accrued liabilities" in the Condensed Consolidated Balance Sheets, are the amounts estimated to be paid within the next twelve months following each respective period end date.

Consistent with the terms of the Settlement and a separate agreement with the Alabama attorney general, the Company placed approximately \$395 million into escrow during the fiscal year ended March 31, 2022. During the period ended June 30, 2022, the Company released \$296 million from escrow consistent with the terms of the opioid settlement agreements. The remaining escrow amounts were presented as restricted cash within "Prepaid expenses and other" in our Condensed Consolidated Balance Sheet as of June 30, 2022. The Settlement created a binding obligation to release the funds from escrow upon entry of consent judgments and establishment of a settlement administrator.

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Although the vast majority of opioid claims have been brought by governmental entities in the U.S., the Company is also a defendant in cases brought in the U.S. by private plaintiffs, such as hospitals, health and welfare funds, third-party payors, and individuals, as well as four cases brought in Canada (three by governmental or tribal entities and one by an individual). These claims, and those of private entities generally, are not included in the Settlement or in the charges recorded by the Company, described above. The Company believes it has valid legal defenses in these matters and intends to mount a vigorous defense. One such case was brought by a group of individual plaintiffs in Glynn County, Georgia Superior Court. These plaintiffs seek to recover for damages allegedly arising from their family members' abuse of prescription opioids. *Poppell v. Cardinal Health, Inc. et al.*, CE19-00472. Although trial began in this case on July 18, 2022, the court declared a mistrial on July 22, 2022; no new trial date has been set. The Company has not concluded a loss is probable in any of these matters; nor is any possible loss or range of loss reasonably estimable.

Because of the many uncertainties associated with the remaining opioid-related litigation matters, the Company is not able to reasonably estimate the upper or lower ends of the range of ultimate possible loss for all opioid-related litigation matters. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on the Company's financial position, cash flows or liquidity, or results of operations.

II. Other Litigation and Claims

On May 17, 2013, the Company was served with a complaint filed in the United States District Court for the Northern District of California by True Health Chiropractic Inc., alleging that McKesson sent unsolicited marketing faxes in violation of the Telephone Consumer Protection Act of 1991 ("TCPA"), as amended by the Junk Fax Protection Act of 2005 or JFPA, *True Health Chiropractic Inc., et al. v. McKesson Corporation, et al.*, No. CV-13-02219 (HG). Plaintiffs seek statutory damages from \$500 to \$1,500 per violation plus injunctive relief. Plaintiffs alleged that defendants violated the TCPA by sending faxes that did not contain notices regarding how to opt out of receiving the faxes. On August 13, 2019, the court granted plaintiffs' renewed motion for class certification. After class notice and the opt-out period, 9,490 fax numbers remain in the class, representing 48,769 faxes received. On October 8, 2021, the court de-certified the class citing the plaintiffs lacked class-wide proof identifying the manner of receipt, thus leaving two named Plaintiffs remaining in the case. On April 27, 2022, the Court found that the named Plaintiffs had failed to meet their burden to show Defendants willfully or knowingly violated the TCPA and therefore were not entitled to treble damages. The Court found McKesson liable for statutory damages in the amount of \$6,500. The Company appealed the finding of liability and the plaintiffs cross-appealed the denial of class certification and the ruling denying treble damages.

On December 9, 2019, the United States District Court for the Eastern District of New York ordered the unsealing of a complaint filed by a relator, purportedly on behalf of the United States, 30 states, the District of Columbia, and two cities, against US Oncology, Inc. alleging that from 2001 through 2010 the Company repackaged and sold single-dose syringes of oncology medications in a manner that violated the federal False Claims Act and various state and local false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts, *United States ex rel. Omni Healthcare, Inc. v. US Oncology, Inc.*, 19-cv-05125. The United States and the named states declined to intervene in the case. On July 21, 2022, US Oncology, Inc.'s motion to dismiss was granted without prejudice. The related case against other Company defendants remains pending, *United States ex rel. Omni Healthcare Inc. v. McKesson Corporation, et al.*, 12-CV-06440 (NG).

On December 30, 2019, a group of independent pharmacies and a hospital filed a purported class action complaint alleging that the Company and other distributors violated the Sherman Act by colluding with manufacturers to restrain trade in the sale of generic drugs. *Reliable Pharmacy, et al. v. Actavis Holdco US, et al.*, No. 2:19-cv-6044; MDL No. 16-MD-2724. The complaint seeks relief including treble damages, disgorgement, attorney fees, and costs in unspecified amounts. On May 25, 2022, the district court granted distributor defendants' motion to dismiss the complaint, but granted the plaintiffs leave to amend the complaint. Plaintiffs filed an amended complaint on July 1, 2022.

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In July 2020, the Company was served with a first amended *qui tam* complaint filed in the United States District Court for the Southern District of New York by a relator on behalf of the U.S., 27 states and the District of Columbia against McKesson Corporation, McKesson Specialty Distribution LLC, and McKesson Specialty Care Distribution Corporation, alleging that defendants violated the Anti-Kickback Statute, federal False Claims Act, and various state false claims statutes by providing certain business analytical tools to oncology practice customers, *United States ex rel. Hart v. McKesson Corporation, et al.*, 15-cv-00903-RA. The U.S. and the named states have declined to intervene in the case. The complaint seeks relief including damages, treble damages, civil penalties, attorney fees, and costs of suit, all in unspecified amounts. On May 5, 2022, the district court granted the Company's motion to dismiss the complaint, but granted the plaintiff leave to amend the complaint. The relator filed the second amended complaint on June 7, 2022.

III. Government Subpoenas and Investigations

From time to time, the Company receives subpoenas or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Company and other members of the health care industry, as well as to settlements of claims against the Company. The Company responds to these requests in the ordinary course of business.

IV. State Opioid Statutes

Legislative, regulatory, or industry measures to address the misuse of prescription opioid medications could affect the Company's business in ways that it may not be able to predict. For example, in April 2018, the State of New York adopted the Opioid Stewardship Act (the "OSA") which required the creation of an aggregate \$100 million annual surcharge on all manufacturers and distributors licensed to sell or distribute opioids in New York. The initial surcharge payment would have been due on January 1, 2019 for opioids sold or distributed during calendar year 2017. On July 6, 2018, the Healthcare Distribution Alliance filed a lawsuit challenging the constitutionality of the law and seeking an injunction against its enforcement. On December 19, 2018, the U.S. District Court for the Southern District of New York found the law unconstitutional and issued an injunction preventing the State of New York from enforcing the law. The State appealed that decision. On September 14, 2020, a panel of the U.S. Court of Appeals for the Second Circuit reversed the district court's decision on procedural grounds. The Company has accrued a \$50 million pre-tax charge (\$37 million after-tax) as its estimated share of the OSA surcharge for calendar years 2017 and 2018. This OSA provision was recognized in "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations for the year ended March 31, 2021 and in "Other accrued liabilities" in the Consolidated Balance Sheet as of March 31, 2021. The State of New York adopted an excise tax on sales of opioids in the State, which became effective July 1, 2019. The law adopting the excise tax made clear that the OSA does not apply to sales or distributions occurring after December 31, 2018. The Healthcare Distribution Alliance filed a petition for panel rehearing, or, in the alternative, for rehearing en banc with the U.S. Court of Appeals for the Second Circuit; that petition was denied on December 18, 2020. On February 12, 2021, the Court of Appeals for the Second Circuit granted a motion by the Healthcare Distribution Alliance to stay its mandate pending the filing and disposition of a petition for writ of certiorari before the U.S. Supreme Court. That petition was denied on October 4, 2021. In December 2021, McKesson paid \$26 million for the assessment for calendar year 2017 while reserving all rights to challenge the constitutionality of the assessment. McKesson filed a new lawsuit challenging the constitutionality of the OSA on May 18, 2022.

13. Stockholders' Equity (Deficit)

Each share of the Company's outstanding common stock is permitted one vote on proposals presented to stockholders and is entitled to share equally in any dividends declared by the Company's Board of Directors (the "Board").

In July 2022, the quarterly dividend was raised from \$0.47 to \$0.54 per common share for dividends declared on or after such date by the Board. The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon the Company's future earnings, financial condition, capital requirements, and other factors.

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Share Repurchase Plans

Stock repurchases may be made from time-to-time in open market transactions, privately negotiated transactions, through accelerated share repurchase (“ASR”) programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company’s stock price, corporate and regulatory requirements, restrictions under the Company’s debt obligations, and other market and economic conditions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

In May 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company’s common stock. Pursuant to the ASR agreement, the Company paid \$1.0 billion to the financial institution and received an initial delivery of 2.6 million shares in May 2022. The transaction will be completed during the second quarter of fiscal 2023, at which point the Company expects to receive additional shares. The final number of shares repurchased and the average price per share paid will be determined based on the volume-weighted average price of the Company’s common stock during the term of the ASR program, less a pre-negotiated discount.

In February 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.5 billion of the Company’s common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of \$295.16. The Company received 4.8 million shares as the initial share settlement during the fourth quarter of fiscal 2022 and, in May 2022, the Company received an additional 0.3 million shares upon the completion of this ASR program.

In May 2021, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company’s common stock. The total number of shares repurchased under this ASR program was 5.2 million shares at an average price per share of \$193.22. The Company received 4.3 million shares as the initial share settlement during the first quarter of fiscal 2022 and, in August 2021, the Company received an additional 0.9 million shares upon the completion of this ASR program.

There were no other shares repurchased during the three months ended June 30, 2022 and 2021.

The total remaining authorization outstanding for repurchases of the Company’s common stock at June 30, 2022 was \$2.3 billion. In July 2022, the Board approved an increase of \$4.0 billion in the authorization for repurchase of McKesson’s common stock.

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(UNAUDITED)

Accumulated Other Comprehensive Loss

Information regarding changes in accumulated other comprehensive loss, including noncontrolling interests and redeemable noncontrolling interests, by components for the three months ended June 30, 2022 and 2021 are as follows:

	Foreign Currency Translation Adjustments		Unrealized Gains on Cash Flow Hedges, Net of Tax	Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax	Total Accumulated Other Comprehensive Loss
	Foreign Currency Translation Adjustments, Net of Tax ⁽¹⁾	Unrealized Gains on Net Investment Hedges, Net of Tax			
<i>(In millions)</i>					
Balance at March 31, 2022	\$ (1,504)	\$ 10	\$ 27	\$ (67)	\$ (1,534)
Other comprehensive income (loss) before reclassifications	(176)	45 ⁽²⁾	18	12	(101)
Amounts reclassified to earnings and other ⁽³⁾	730	(17)	—	24	737
Other comprehensive income	554	28	18	36	636
Less: amounts attributable to noncontrolling interests	47	—	—	3	50
Other comprehensive income attributable to McKesson	507	28	18	33	586
Balance at June 30, 2022	\$ (997)	\$ 38	\$ 45	\$ (34)	\$ (948)

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Europe and Canada into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the three months ended June 30, 2022 include gains of \$64 million related to net investment hedges from Euro-denominated notes and gains of \$12 million related to net investment hedges from cross-currency swaps. These amounts are net of income tax expense of \$31 million.
- (3) Primarily includes adjustments for amounts related to the sale of the U.K. disposal group, as discussed in more detail in Financial Note 2, "Held for Sale." These amounts were included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities held for sale to fair value less costs to sell recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations.

McKESSEON CORPORATION
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	Foreign Currency Translation Adjustments		Unrealized Gains on Cash Flow Hedges, Net of Tax	Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax	Total Accumulated Other Comprehensive Loss
	Foreign Currency Translation Adjustments, Net of Tax ⁽¹⁾	Unrealized Losses on Net Investment Hedges, Net of Tax			
<i>(In millions)</i>					
Balance at March 31, 2021	\$ (1,361)	\$ (36)	\$ 13	\$ (96)	\$ (1,480)
Other comprehensive income (loss) before reclassifications	34	(27) ⁽²⁾	—	5	12
Amounts reclassified to earnings and other	17	—	—	(3)	14
Other comprehensive income (loss)	51	(27)	—	2	26
Less: amounts attributable to noncontrolling and redeemable noncontrolling interests	9	(6)	—	—	3
Other comprehensive income (loss) attributable to McKesson	42	(21)	—	2	23
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	(158)	—	—	(12)	(170)
Balance at June 30, 2021	\$ (1,477)	\$ (57)	\$ 13	\$ (106)	\$ (1,627)

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Europe and Canada into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the three months ended June 30, 2021 include losses of \$22 million related to net investment hedges from Euro-denominated notes and losses of \$5 million related to net investment hedges from cross-currency swaps. These amounts are net of income tax benefit of \$6 million.

14. Segments of Business

The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, RxTS, Medical-Surgical Solutions, and International. The organizational structure also includes Corporate, which consists of income and expenses associated with administrative functions and projects, and the results of certain investments. The factors for determining the reportable segments include the manner in which management evaluates the performance of the Company combined with the nature of the individual business activities. The Company evaluates the performance of its operating segments on a number of measures, including revenues and operating profit (loss) before interest expense and income taxes. Assets by operating segment are not reviewed by management for the purpose of assessing performance or allocating resources.

The U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar, and over-the-counter pharmaceutical drugs and other healthcare-related products. This segment also provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate site) and provides consulting, outsourcing, technological, and other services.

The RxTS segment serves McKesson's biopharma and life sciences partners and patients to address medication challenges for patients throughout their journeys. RxTS works across healthcare to connect pharmacies, providers, payers, and biopharma companies to deliver innovative access and adherence solutions designed to benefit stakeholders and help people get the medicine they need to live healthier lives. RxTS also offers third-party logistics and wholesale distribution support across various therapeutic categories and temperature ranges to biopharma customers throughout the product lifecycle.

The Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. This segment offers more than 285,000 national brand medical-surgical products as well as McKesson's own line of high-quality products through a network of distribution centers within the U.S.

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The International segment includes the Company's operations in Europe and Canada, bringing together non-U.S.-based drug distribution services, specialty pharmacy, retail, and infusion care services. The Company's operations in Europe provide distribution and services to wholesale, institutional, and retail customers in 10 European countries where it owns, partners, or franchises with retail pharmacies and operates through two businesses: Pharmaceutical Distribution and Retail Pharmacy. The Company's Canada operations deliver vital medicines, supplies, and information technology solutions throughout Canada and includes Rexall Health retail pharmacies. In the second quarter of fiscal 2022, the Company entered into an agreement to sell the E.U. disposal group which is anticipated to close within the second half of fiscal 2023. International segment assets at June 30, 2022 were \$10.9 billion, a decrease during the first quarter of fiscal 2023 primarily due to the completed the sale of the U.K. disposal group. Refer to Financial Note 2, "Held for Sale," for more information.

Financial information relating to the Company's reportable operating segments and reconciliations to the condensed consolidated totals is as follows:

<i>(In millions)</i>	Three Months Ended June 30,	
	2022	2021
Segment revenues ⁽¹⁾		
U.S. Pharmaceutical	\$ 56,947	\$ 50,019
Prescription Technology Solutions	1,066	881
Medical-Surgical Solutions	2,592	2,528
International	6,549	9,246
Total revenues	<u>\$ 67,154</u>	<u>\$ 62,674</u>
Segment operating profit (loss) ⁽²⁾		
U.S. Pharmaceutical ⁽³⁾	\$ 696	\$ 682
Prescription Technology Solutions	144	104
Medical-Surgical Solutions ⁽⁴⁾	256	75
International ⁽⁵⁾	(6)	53
Subtotal	<u>1,090</u>	<u>914</u>
Corporate expenses, net ⁽⁶⁾	(39)	(303)
Interest expense	(45)	(49)
Income from continuing operations before income taxes	<u>\$ 1,006</u>	<u>\$ 562</u>

(1) Revenues from services on a disaggregated basis represent less than 1% of the U.S. Pharmaceutical segment's total revenues, less than 35% of the RxTS segment's total revenues, less than 1% of the Medical-Surgical Solutions segment's total revenues, and less than 8% of the International segment's total revenues. The International segment reflects foreign revenues. Revenues for the remaining three reportable segments are derived in the U.S.

(2) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income, net, for the Company's reportable segments.

(3) The Company's U.S. Pharmaceutical segment's operating profit for the three months ended June 30, 2022 and 2021 includes \$13 million and \$23 million, respectively, of credits related to the last-in, first-out ("LIFO") method of accounting for inventories.

(4) The Company's Medical-Surgical Solutions segment's operating profit for the three months ended June 30, 2021 includes \$164 million of inventory charges on certain personal protective equipment and other related products.

(5) The Company's International segment's operating loss for the three months ended June 30, 2022 includes charges of \$94 million to remeasure assets and liabilities of the E.U. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, "Held for Sale."

(6) Corporate expenses, net includes the following:

- gains of \$106 million for the three months ended June 30, 2022 primarily related to the effect of accumulated other comprehensive loss components from the E.U. disposal group, as discussed in more detail in Financial Note 2, "Held for Sale;"
- charges of \$5 million and \$74 million for the three months ended June 30, 2022 and 2021, respectively, related to the Company's estimated liability for opioid-related claims, as discussed in more detail in Financial Note 12, "Commitments and Contingent Liabilities;"

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- charges of \$19 million and \$35 million for the three months ended June 30, 2022 and 2021, respectively, of opioid-related costs, primarily litigation expenses; and
- restructuring charges of \$62 million for the three months ended June 30, 2021 primarily due to the transition to a partial remote work model for certain employees.

McKESSON CORPORATION
FINANCIAL REVIEW
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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

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GENERAL

Management’s discussion and analysis of financial condition and results of operations, referred to as the “Financial Review,” is intended to assist the reader in the understanding and assessment of significant changes and trends related to the results of operations and financial position of McKesson Corporation together with its subsidiaries (collectively, the “Company,” “McKesson,” “we,” “our,” or “us” and other similar pronouns). This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying financial notes in Item 1 of Part I of this Quarterly Report on Form 10-Q (“Quarterly Report”) and in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2022 previously filed with the Securities and Exchange Commission on May 9, 2022 (“2022 Annual Report”).

Our fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean our fiscal year.

Certain statements in this report constitute forward-looking statements. See “*Cautionary Notice About Forward-Looking Statements*” included in this Quarterly Report.

Overview of our Business:

We are a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

We report our results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions (“RxTS”), Medical-Surgical Solutions, and International. Our organizational structure also includes Corporate, which consists of income and expenses associated with administrative functions and projects, and the results of certain investments. The factors for determining the reportable segments include the manner in which management evaluates the performance of the Company combined with the nature of individual business activities. We evaluate the performance of our operating segments on a number of measures, including revenues and operating profit before interest expense and income taxes.

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

The following summarizes our four reportable segments. Refer to Financial Note 14, “Segments of Business,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information regarding our reportable segments.

- **U.S. Pharmaceutical** is a reportable segment that distributes branded, generic, specialty, biosimilar, and over-the-counter pharmaceutical drugs and other healthcare-related products. This segment also provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate site) and provides consulting, outsourcing, technological, and other services.
- **Prescription Technology Solutions** is a reportable segment that combines automation and our ability to navigate the healthcare ecosystem to connect pharmacies, providers, payers, and biopharma companies to address patients’ medication access, adherence, and affordability challenges to help people get the medicine they need to live healthier lives.
- **Medical-Surgical Solutions** is a reportable segment that provides medical-surgical supply distribution, logistics, and other services to healthcare providers in the United States (“U.S.”).
- **International** is a reportable segment that includes our operations in Europe and Canada, bringing together non-U.S.-based drug distribution services, specialty pharmacy, retail, and infusion care services. During fiscal 2022, we entered into agreements to sell certain of our businesses in the European Union (“E.U.”) and our retail and distribution businesses in the United Kingdom (“U.K.”), as well as completed the sale of our Austrian business. During the three months ended June 30, 2022, we completed the sale of our retail and distribution businesses in the U.K. These divestitures are further described in the “*European Divestiture Activities*” section below.

European Divestiture Activities

On July 5, 2021, we entered into an agreement to sell certain of our businesses in the E.U. located in France, Italy, Ireland, Portugal, Belgium, and Slovenia, along with our German headquarters and wound-care business, part of a shared services center in Lithuania, and our ownership stake in a joint venture in the Netherlands (“E.U. disposal group”) to the PHOENIX Group for a purchase price of €1.2 billion (or, approximately \$1.3 billion) adjusted for certain items, including cash, net debt and working capital adjustments, and reduced by the value of the noncontrolling interest held by minority shareholders of McKesson Europe AG (“McKesson Europe”) at the transaction closing date. We recorded a gain of \$12 million for the three months ended June 30, 2022 in total operating expenses to remeasure the E.U. disposal group to fair value less costs to sell, of which gains of \$106 million are included within Corporate expenses, net, partially offset by charges of \$94 million included within our International segment. The transaction is anticipated to close within the second half of fiscal 2023, pursuant to the satisfaction of customary closing conditions, including receipt of regulatory approvals.

On April 6, 2022, we completed the previously announced sale of our retail and distribution businesses in the U.K. (“U.K. disposal group”) to Aurelius Elephant Limited for a purchase price of £110 million (or, approximately \$144 million), including certain adjustments. As part of the transaction, we divested net assets of \$615 million and released \$731 million of accumulated other comprehensive loss.

As of June 30, 2022, we had \$3.2 billion of assets and \$2.3 billion of liabilities classified as “Assets held for sale” and “Liabilities held for sale,” respectively, in the Condensed Consolidated Balance Sheet primarily related to the pending sale of our E.U. disposal group described above. Refer to Financial Note 2, “Held for Sale,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information.

Executive Summary:

The following summary provides highlights and key factors that impacted our business, operating results, financial condition, and liquidity for the three months ended June 30, 2022.

- The pandemic disease caused by the SARS-CoV-2 coronavirus (“COVID-19”) impacted our results of operations for the three months ended June 30, 2022. For a more in-depth discussion of how COVID-19 impacted our business, operations, and outlook, refer to the COVID-19 section of “*Trends and Uncertainties*” included below;

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
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- For the three months ended June 30, 2022 compared to the prior year, revenues increased by 7%, gross profit was flat, total operating expenses decreased by 19%, and other income, net decreased by 65%. Refer to the “*Overview of Consolidated Results*” section below for an analysis of these changes;
- Diluted earnings per common share from continuing operations attributable to McKesson Corporation for the three months ended June 30, 2022 increased 70% to \$5.25, primarily driven by reduced corporate expenses, growth across our North American businesses, and a lower share count compared to the prior year due to the cumulative effect of share repurchases; and
- We returned \$1.1 billion of cash to shareholders during the three months ended June 30, 2022 through \$1.0 billion of common stock repurchases under an accelerated share repurchase (“ASR”) program entered into in May 2022 and \$71 million of dividend payments. In July 2022, our Board of Directors (the “Board”) approved an increase of \$4.0 billion in the authorization for repurchases of McKesson’s common stock and raised our quarterly dividend from \$0.47 to \$0.54 per common share.

Trends and Uncertainties:

The Impact of Inflationary and Global Events

Our business and results of operations, financial condition, and liquidity are impacted by broad economic conditions including inflation, increased competition for talent, and disruption of the supply chain, as well as by political or civil unrest or military action, including indirect results such as commodity price increases from the conflict between Russia and Ukraine (“Russo-Ukrainian War”). Cost inflation generally affects us by increasing transportation, operational, and other administrative costs associated with our business operations which we might not be able to fully pass along to our customers. Although it is difficult to predict the impact that these factors may have on our business in the future, they did not have a material effect on our results of operations, financial condition, or liquidity for the three months ended June 30, 2022.

COVID-19

COVID-19 has continued to evolve since it was declared a global pandemic by the World Health Organization on March 11, 2020. We continue to evaluate the nature and extent of the ongoing impacts of COVID-19 on our business, operations, and financial results. Refer to Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II of our 2022 Annual Report for additional disclosure of trends and uncertainties due to COVID-19. The disclosures below include significant updates that occurred during the first quarter of fiscal 2023 and the financial impacts compared to fiscal 2022.

Our Role in the Distribution of COVID-19 Vaccines and Ancillary Supply Kits

As a diversified healthcare services leader, we are well positioned to respond to the COVID-19 pandemic in the U.S., Canada, and Europe. We work closely with national and local governments, agencies, and industry partners to ensure that available supplies, including personal protective equipment (“PPE”), and medicine reach our customers and their patients.

In December 2020, we began distributing certain COVID-19 vaccines in support of the U.S. government through a contract with the Centers for Disease Control and Prevention (“CDC”). In July 2022, we renewed our relationship with the CDC, under which we serve as a centralized distributor of COVID-19 vaccines and ancillary supplies used to administer vaccines. The results of operations related to our vaccine distribution are reflected in our U.S. Pharmaceutical segment. We also extended our contract to manage the assembly, storage, and distribution of ancillary supply kits as directed by the Department of Health and Human Services (“HHS”), the results of which are reflected in our Medical-Surgical Solutions segment.

McKesson Canada and McKesson Europe support governments and public health entities through distributing COVID-19 vaccines and administering them in pharmacies as well as distributing COVID-19 tests and certain PPE.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
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Trends in our Business

We observed increases in prescription volumes within our U.S. Pharmaceutical segment and favorability in our primary care business within our Medical-Surgical Solutions segment during the three months ended June 30, 2022 compared to the same prior year period. The contributions from COVID-19 tests and our vaccine and related kitting distribution programs have decreased year over year primarily driven by lower demand.

Impacts to our Supply Chain

We continue to monitor and address the COVID-19 pandemic impacts on our supply chain. Although the availability of various products is dependent on our suppliers, their locations, and the extent to which they are impacted by the COVID-19 pandemic, we proactively work with manufacturers, industry partners, and government agencies to meet the needs of our customers. During the quarter, we had an increase in supply chain costs primarily related to transportation and labor; however, this did not materially impact our results of operations for the three months ended June 30, 2022. As potential shortages or disruptions of any products are identified, we address supply continuity which includes securing additional products when available, sourcing back-up products when needed, and following allocation procedures to maintain and protect supply as much as possible. We utilize business continuity action planning to maintain and protect operations across all locations and facilities.

Impact to our Results of Operations, Financial Condition, and Liquidity

For the three months ended June 30, 2022, COVID-19 tests and the kitting and distribution of ancillary supplies for COVID-19 vaccines in our Medical-Surgical Solutions segment contributed approximately \$201 million and \$49 million to segment revenues and segment operating profit, respectively. For the three months ended June 30, 2021, the contribution was approximately \$323 million to segment revenues and including total inventory charges that are further described below, reduced our segment operating profit by approximately \$90 million.

The distribution of COVID-19 vaccines in our U.S. Pharmaceutical segment decreased during the first quarter of fiscal 2023 when compared to the same prior year period. The contribution was less than 10% to segment operating profit for each of the three months ended June 30, 2022 and 2021. The financial impact from our COVID-19 response efforts in the International segment during the three months ended June 30, 2022 and 2021 was not material to our consolidated results, but favorably contributed to our segment operating results.

Additionally, we recorded inventory charges totaling \$164 million on certain PPE and other related products in our Medical-Surgical Solutions segment during the three months ended June 30, 2021. We have taken measures to mitigate risks for market price volatility and changes to anticipated customer demand that may require additional write-downs in future periods of other PPE and related product categories.

These COVID-19 related items had a net favorable impact on consolidated income from continuing operations before income taxes for the three months ended June 30, 2022 compared to the same prior year period, primarily due to prior year inventory charges on certain PPE and other related products as mentioned above.

During the three months ended June 30, 2022 and 2021, we maintained appropriate labor and overall vendor supply levels and experienced no material impacts to our liquidity or net working capital due to the COVID-19 pandemic.

Opioid-Related Litigation and Claims

We are a defendant in many legal proceedings asserting claims related to the distribution of controlled substances (opioids) in federal and state courts throughout the U.S., and in Puerto Rico and Canada. The plaintiffs in these actions have included state attorneys general, county and municipal governments, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals.

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

On February 25, 2022, the Company and two other United States pharmaceutical distribution companies (collectively, "Distributors") determined that there was sufficient State and subdivision participation to proceed with an agreement ("Settlement") to settle a substantial majority of opioids-related lawsuits filed against the Distributors by U.S. states, territories and local governmental entities. Under the Settlement, 46 of 49 eligible states and their participating subdivisions, as well as the District of Columbia and all eligible territories (collectively, "Settling Governmental Entities"), have agreed to join the Settlement. The Settlement became effective on April 2, 2022. If all conditions to the Settlement are satisfied, including the receipt of approval by relevant courts of consent decrees to dismiss the lawsuits, the Distributors would pay the Settling Governmental Entities up to approximately \$19.5 billion over 18 years, with up to approximately \$7.4 billion to be paid by the Company for its 38.1% portion. Under the Settlement, a minimum of 85% of the settlement payments must be used by state and local governmental entities to remediate the opioid epidemic. Most of the remaining percentage relates to plaintiffs' attorneys' fees and costs, and would be payable over a shorter time period. Under the Settlement, the Distributors will establish a clearinghouse to consolidate their controlled-substance distribution data, which will be available to the settling U.S. states to use as part of their anti-diversion efforts. The Settlement provides that the Distributors do not admit liability or wrongdoing and do not waive any defenses.

The Settlement only addresses the claims of attorneys general of U.S. states and territories and political subdivisions in participating states and territories. Governmental entities not participating in the Settlement may continue to pursue their claims. The states of Alabama, Oklahoma and Washington chose not to participate in the Settlement, but, since the announcement of the Settlement, we have reached separate agreements in principle with the attorneys general of these states to settle the claims of the states and their subdivisions. The Distributors previously settled with the Cherokee Nation and reached a separate agreement in principle to settle the claims of the remaining federally recognized Native American Tribes.

We recorded a charge of \$8.3 billion during the year ended March 31, 2022 related to our estimated liability to U.S. governmental entities, including those expected to participate in the Settlement, the states and subdivisions that were not expected to participate or were not eligible, and the Native American tribes. Our total estimated liability for opioid-related claims was \$7.9 billion as of June 30, 2022, of which \$759 million was included in "Other accrued liabilities" for the amount estimated to be paid within the next twelve months, and the remaining liability was included in "Long-term litigation liabilities" in our Condensed Consolidated Balance Sheet.

Although the vast majority of opioid claims have been brought by governmental entities in the U.S., the Company is also a defendant in cases brought in the U.S. by private plaintiffs, such as hospitals, health and welfare funds, third-party payors, and individuals, as well as four cases brought in Canada (three by governmental or tribal entities and one by an individual). These claims, and those of private individuals or entities generally, are not included in the Settlement or in the charges recorded by the Company, described above. The Company believes it has valid legal defenses in these matters and intends to mount a vigorous defense.

Because of the many uncertainties associated with ongoing opioid-related litigation matters, we are not able to reasonably estimate the upper or lower ends of the range of ultimate possible loss for all opioid-related litigation matters. In light of the uncertainty, the amount of any ultimate loss may differ materially from the amount accrued.

Notwithstanding the Settlement, we also continue to prepare for trial in pending matters. We believe that we have valid defenses to the claims pending against us and, absent an acceptable settlement, intend to vigorously defend against all such claims. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on our financial position, cash flows or liquidity, or results of operations. Refer to Financial Note 12, "Commitments and Contingent Liabilities," to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information.

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Risks and Forward-Looking Information

Recent events such as the COVID-19 pandemic, the Russo-Ukrainian War, and associated economic impacts have disrupted the global economy and exacerbated uncertainties inherent in estimates, judgments, and assumptions used in our forecasts. We have experienced and may experience difficulties in sourcing products and changes in costs and pricing due to the effects of these events on supply chains. Our participation in government-sponsored vaccination distribution and related ancillary supply kit programs with the CDC and HHS exposes us to various uncertainties, such as the scope and length of related agreements and the amount of COVID-19 vaccines and ancillary supply kits that we are contracted to distribute, which could materially impact our future financial performance. Additionally, we periodically review our intangible and other long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Key assumptions and estimates about future values in our impairment assessments can be affected by a variety of factors, including the impacts of socio-political events on industry and economic trends as well as on our business strategy and internal forecasts. Impairment charges have been recognized in prior periods due to the impact from the COVID-19 pandemic. Material changes to key assumptions and estimates could decrease the projected cash flows or increase the discount rates that could potentially result in future impairment charges. Refer to Item 1A - Risk Factors in Part I of our 2022 Annual Report for a discussion of risk factors that could cause our actual results to differ materially from our projections.

RESULTS OF OPERATIONS

Overview of Consolidated Results:

	Three Months Ended June 30,		Change
	2022	2021	
<i>(Dollars in millions, except per share data)</i>			
Revenues	\$ 67,154	\$ 62,674	7 %
Gross profit	3,023	3,032	-
<i>Gross profit margin</i>	<i>4.50 %</i>	<i>4.84 %</i>	<i>(34) bp</i>
Total operating expenses	\$ (1,987)	\$ (2,464)	(19) %
<i>Total operating expenses as a percentage of revenues</i>	<i>2.96 %</i>	<i>3.93 %</i>	<i>(97) bp</i>
Other income, net	\$ 15	\$ 43	(65) %
Interest expense	(45)	(49)	(8)
Income from continuing operations before income taxes	1,006	562	79
Income tax expense	(199)	(26)	665
Income from continuing operations	807	536	51
Income (loss) from discontinued operations, net of tax	2	(3)	167
Net income	809	533	52
Net income attributable to noncontrolling interests	(41)	(47)	(13)
Net income attributable to McKesson Corporation	<u>\$ 768</u>	<u>\$ 486</u>	58 %
Diluted earnings (loss) per common share attributable to McKesson Corporation			
Continuing operations	\$ 5.25	\$ 3.09	70 %
Discontinued operations	0.01	(0.02)	150
Total	<u>\$ 5.26</u>	<u>\$ 3.07</u>	71 %
Weighted-average diluted common shares outstanding	145.9	158.1	(8) %

All percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Revenues

Revenues increased for the three months ended June 30, 2022 compared to the same prior year period primarily due to market growth in our U.S. Pharmaceutical segment. This was partially offset by lower revenues in our International segment driven by the completed divestiture of our U.K. disposal group in April 2022 and unfavorable effects of foreign currency exchange fluctuations. Market growth includes growing drug utilization, price increases, and newly launched products, partially offset by price deflation associated with branded to generic drug conversion.

Gross Profit

Gross profit was flat for the three months ended June 30, 2022 compared to the same prior year period. Gross profit decreased in our International segment primarily driven by the completed divestiture of our U.K. disposal group in April 2022 and unfavorable effects of foreign currency exchange fluctuations. This was partially offset by an increase in gross profit in our Medical-Surgical Solutions segment due to prior year inventory charges on PPE and other related products as well as growth in our primary care business. Gross profit was also favorably impacted by growth of specialty pharmaceuticals in our U.S. Pharmaceutical segment as well as increased volume with new and existing customers in our RxTS segment.

Last-in, first-out (“LIFO”) inventory credits were \$13 million and \$23 million for the three months ended June 30, 2022 and 2021, respectively. LIFO credits were lower in the first quarter of fiscal 2023 compared to the same prior year period primarily due to higher expected brand inflation. Our U.S. Pharmaceutical business uses the LIFO method of accounting for the majority of its inventories, which results in cost of sales that more closely reflects replacement cost than under other accounting methods. The business’ practice is to pass on to customers published price changes from suppliers. Manufacturers generally provide us with price protection, which limits price related inventory losses. A LIFO expense is recognized when the net effect of price increases on pharmaceutical and non-pharmaceutical products held in inventory exceeds the impact of price declines, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines exceeds the impact of price increases on pharmaceutical and non-pharmaceutical products held in inventory. Our quarterly LIFO credit is based on our estimates of the annual LIFO credit which is impacted by expected changes in year-end inventory quantities, product mix, and manufacturer pricing practices, which may be influenced by market and other external factors. Changes to any of the above factors could have a material impact to our annual LIFO credit. The actual valuation of inventory under the LIFO method is calculated at the end of the fiscal year.

Total Operating Expenses

A summary of the components of our total operating expenses for the three months ended June 30, 2022 and 2021 is as follows:

- Selling, distribution, general, and administrative expenses (“SDG&A”): SDG&A consists of personnel costs, transportation costs, depreciation and amortization, lease costs, professional fee expenses, administrative expenses, remeasurement charges to the lower of carrying value or fair value less costs to sell, and other general charges.
- Claims and litigation charges, net: These charges include adjustments for estimated probable settlements related to our controlled substance monitoring and reporting, and opioid-related claims, as well as any applicable income items or credit adjustments due to subsequent changes in estimates. Legal fees to defend claims, which are expensed as incurred, are included within SDG&A.
- Restructuring, impairment, and related charges, net: Restructuring charges are incurred for programs in which we change our operations, the scope of a business undertaken by our business units, or the manner in which that business is conducted as well as long-lived asset impairments.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Change
	2022	2021	
Selling, distribution, general, and administrative expenses	\$ 1,959	\$ 2,232	(12) %
Claims and litigation charges, net	5	74	(93)
Restructuring, impairment, and related charges, net	23	158	(85)
Total operating expenses	\$ 1,987	\$ 2,464	(19) %
<i>Percent of revenues</i>	<i>2.96 %</i>	<i>3.93 %</i>	<i>(97) bp</i>

All percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

For the three months ended June 30, 2022, total operating expenses and total operating expenses as a percentage of revenues decreased compared to the same prior year period. Total operating expenses were impacted by the following significant items:

- SDG&A for the three months ended June 30, 2022 reflects lower operating expenses due to the completed divestiture of our U.K. disposal group in April 2022;
- Claims and litigation charges, net for the three months ended June 30, 2022 and 2021 includes charges of \$5 million and \$74 million, respectively, related to our estimated liability for opioid-related claims as previously discussed in the “*Trends and Uncertainties*” section;
- Restructuring, impairment, and related charges, net for the three months ended June 30, 2021 includes charges of \$158 million primarily related to our transition to a partial remote work model approved during the first quarter of fiscal 2022 and costs for optimization programs in Canada; and
- Total operating expenses were favorably impacted by foreign currency exchange fluctuations for the three months ended June 30, 2022.

Goodwill Impairment

We evaluate goodwill for impairment on an annual basis and at an interim date, if indicators of potential impairment exist. We voluntarily changed our annual goodwill impairment testing date from October 1st to April 1st to align with the change in timing of our annual long-term planning process. This change was not material to our consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge. Refer to Financial Note 7, “Goodwill and Intangible Assets, Net,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information.

The annual impairment testing performed in fiscal 2023 and fiscal 2022 did not indicate any impairment of goodwill and no goodwill impairment charges were recorded during the three months ended June 30, 2022 and 2021. However, other risks, expenses, and future developments, such as additional government actions, increased regulatory uncertainty, and material changes in key market assumptions limit our ability to estimate projected cash flows, which could adversely affect the fair value of various reporting units in future periods, including our McKesson Canada reporting unit within our International segment, where the risk of a material goodwill impairment is higher than other reporting units.

Restructuring Initiatives and Long-Lived Asset Impairments

During the first quarter of fiscal 2022, we approved an initiative to increase operational efficiencies and flexibility by transitioning to a partial remote work model for certain employees. This initiative primarily included the rationalization of our office space in North America. Where we ceased using office space, we exited the portion of the facility no longer used. We also retained and repurposed certain other office locations. We recorded charges of \$95 million for the three months ended June 30, 2021 primarily related to lease right-of-use and other long-lived asset impairments, lease exit costs, and accelerated depreciation and amortization. This initiative was substantially complete in fiscal 2022 and remaining costs we expect to record under this initiative are not material.

Refer to Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information on our restructuring initiatives.

McKESSEN CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Other Income, Net

Other income, net decreased for the three months ended June 30, 2022 compared to the same prior year period primarily due to unfavorability from our equity investments and lower net equity in earnings. This was partially offset by the payment from a tax receivable agreement related to our previous joint venture with Change Healthcare, Inc., which was split-off in March 2020.

In July 2022, we exited one of our investments in equity securities for proceeds of \$179 million. We expect to recognize a gain within “Other income, net” in our Condensed Consolidated Statement of Operations for the second quarter of fiscal 2023 related to the disposition. The cost basis of the investment was \$38 million.

Interest Expense

Interest expense decreased for the three months ended June 30, 2022 when compared to the same prior year period. Interest expense may fluctuate based on timing, amounts, and interest rates of term debt repaid and new term debt issued, as well as amounts incurred associated with financing fees.

Income Tax Expense

During the three months ended June 30, 2022 and 2021, we recorded an income tax expense of \$199 million and \$26 million, respectively. Our reported income tax rates were 19.8% and 4.6% for the three months ended June 30, 2022 and 2021, respectively. Fluctuations in our reported income tax rates are primarily due to discrete benefits recognized in the quarter. Refer to Financial Note 4, “Income Taxes,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the three months ended June 30, 2022 and 2021 primarily represents ClarusONE Sourcing Services LLP, Vantage Oncology Holdings, LLC, and the accrual of the annual recurring compensation amount of €0.83 per McKesson Europe share that McKesson is obligated to pay to the noncontrolling shareholders of McKesson Europe under the December 2014 domination and profit and loss transfer agreement (the “Domination Agreement”). Noncontrolling interests with redemption features, such as put rights, that are not solely within our control are considered redeemable noncontrolling interests. Refer to the “*Selected Measures of Liquidity and Capital Resources*” section of this Financial Review and Financial Note 5, “Redeemable Noncontrolling Interests and Noncontrolling Interests,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information on changes to our redeemable and noncontrolling interests that occurred during the first quarter of fiscal 2022.

Net Income Attributable to McKesson Corporation

Net income attributable to McKesson Corporation was \$768 million and \$486 million for the three months ended June 30, 2022 and 2021, respectively. Diluted earnings per common share attributable to McKesson Corporation was \$5.26 and \$3.07 for the three months ended June 30, 2022 and 2021, respectively.

Weighted-Average Diluted Common Shares Outstanding

Diluted earnings per common share was calculated based on a weighted-average number of shares outstanding of 145.9 million and 158.1 million for the three months ended June 30, 2022 and 2021, respectively. Weighted-average diluted shares outstanding for the three months ended June 30, 2022 decreased from the same prior year period primarily due to the cumulative effect of shares repurchases.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Overview of Segment Results:

Segment Revenues:

(Dollars in millions)	Three Months Ended June 30,		Change
	2022	2021	
Segment revenues			
U.S. Pharmaceutical	\$ 56,947	\$ 50,019	14 %
Prescription Technology Solutions	1,066	881	21
Medical-Surgical Solutions	2,592	2,528	3
International	6,549	9,246	(29)
Total revenues	\$ 67,154	\$ 62,674	7 %

U.S. Pharmaceutical

Three Months Ended June 30, 2022 vs. 2021

U.S. Pharmaceutical revenues for the three months ended June 30, 2022 increased \$6.9 billion or 14% compared to the same prior year period. Within the segment, sales to pharmacies and institutional healthcare providers increased \$6.6 billion and sales to specialty practices and other increased \$315 million compared to the same prior year period. Other includes the results for the distribution of COVID-19 vaccines. Overall, these increases were primarily due to market growth, including growth in specialty pharmaceuticals driven by higher volumes from retail national account customers, and branded pharmaceutical price increases, partially offset by branded to generic drug conversions.

Prescription Technology Solutions

Three Months Ended June 30, 2022 vs. 2021

RxTS revenues for the three months ended June 30, 2022 increased \$185 million or 21% compared to the same prior year period. This increase was due to increased volumes with new and existing customers primarily in our third-party logistics and wholesale distribution services as well as higher technology service revenues.

Medical-Surgical Solutions

Three Months Ended June 30, 2022 vs. 2021

Medical-Surgical Solutions revenues for the three months ended June 30, 2022 increased \$64 million or 3% compared to the same prior year period. Within the segment, sales to primary care and extended care customers increased \$87 million and \$10 million, respectively, partially offset by a \$33 million decline in sales primarily related to the results of the kitting and distribution of ancillary supply kits used to administer COVID-19 vaccines. The increase in our primary care business was driven by underlying revenue growth from physician office customers, partially offset by lower sales of COVID-19 tests.

International

Three Months Ended June 30, 2022 vs. 2021

International revenues for the three months ended June 30, 2022 decreased \$2.7 billion or 29% compared to the same prior year period. Within the segment, foreign currency exchange fluctuations were unfavorable by \$574 million and sales in Europe declined by \$2.3 billion, partially offset by increased sales in Canada of \$169 million compared to the same prior year period. Excluding the unfavorable effects of foreign currency exchange fluctuations, revenues for this segment decreased 23% largely due to the completed divestitures of our U.K. disposal group in April 2022 and Austrian business in January 2022.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Segment Operating Profit (Loss) and Corporate Expenses, Net:

(Dollars in millions)	Three Months Ended June 30,		Change
	2022	2021	
Segment operating profit (loss) ⁽¹⁾			
U.S. Pharmaceutical	\$ 696	\$ 682	2 %
Prescription Technology Solutions	144	104	38
Medical-Surgical Solutions ⁽²⁾	256	75	241
International ⁽³⁾	(6)	53	(111)
Subtotal	1,090	914	19
Corporate expenses, net ⁽⁴⁾	(39)	(303)	(87)
Interest expense	(45)	(49)	(8)
Income from continuing operations before income taxes	<u>\$ 1,006</u>	<u>\$ 562</u>	79 %
Segment operating profit (loss) margin			
U.S. Pharmaceutical	1.22 %	1.36 %	(14) bp
Prescription Technology Solutions	13.51	11.80	171
Medical-Surgical Solutions	9.88	2.97	691
International	(0.09)	0.57	(66)

All percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

- (1) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income, net, for our reportable segments.
- (2) Operating profit for our Medical-Surgical Solutions segment for the three months ended June 30, 2021 includes \$164 million of inventory charges on certain PPE and other related products.
- (3) Operating loss for our International segment for the three months ended June 30, 2022 includes charges of \$94 million to remeasure our E.U. disposal group to fair value less costs to sell.
- (4) Corporate expenses, net includes the following:
 - gains of \$106 million for the three months ended June 30, 2022 primarily related to the effect of accumulated other comprehensive loss components from our E.U. disposal group;
 - charges of \$5 million and \$74 million for the three months ended June 30, 2022 and 2021, respectively, related to our estimated liability for opioid-related claims;
 - charges of \$19 million and \$35 million for the three months ended June 30, 2022 and 2021, respectively, of opioid-related costs, primarily litigation expenses; and
 - restructuring charges of \$62 million for the three months ended June 30, 2021 primarily due to the transition to a partial remote work model for certain employees.

McKESON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

U.S. Pharmaceutical

Three Months Ended June 30, 2022 vs. 2021

Operating profit increased for this segment for the three months ended June 30, 2022 compared to the same prior year period primarily due to growth in specialty pharmaceuticals, partially offset by a decrease in the contribution from our COVID-19 vaccine distribution program.

Prescription Technology Solutions

Three Months Ended June 30, 2022 vs. 2021

Operating profit for this segment increased for the three months ended June 30, 2022 compared to the same prior year period primarily driven by increased volumes with new and existing customers due to growth in our access, affordability, and adherence solutions.

Medical-Surgical Solutions

Three Months Ended June 30, 2022 vs. 2021

Operating profit for this segment increased for the three months ended June 30, 2022 compared to the same prior year period primarily due to prior year inventory charges on certain PPE and other related products.

International

Three Months Ended June 30, 2022 vs. 2021

Operating loss for this segment for the three months ended June 30, 2022 compared to operating profit for the same prior year period was largely due to fair value remeasurement charges recorded during the first quarter of fiscal 2023 related to our E.U. disposal group, partially offset by the cessation of depreciation and amortization expenses from its assets classified as held for sale, as well as unfavorable impacts from the completed divestitures of our Austrian business and U.K. disposal group. These impacts were partially offset by lower restructuring expenses primarily due to optimization programs in Canada.

Corporate Expenses, Net

Three Months Ended June 30, 2022 vs. 2021

Corporate expenses, net decreased for the three months ended June 30, 2022 compared to the same prior year period primarily due to fair value remeasurement gains recognized during the first quarter of fiscal 2023 related to our E.U. disposal group, lower charges related to our estimated liability for opioid-related claims, and prior year restructuring charges for the transition to a partial remote work model for certain employees.

New Accounting Pronouncements

New accounting pronouncements that we have recently adopted as well as those that have been recently issued but not yet adopted by us are included in Financial Note 1, "Significant Accounting Policies," to the accompanying condensed consolidated financial statements included in this Quarterly Report.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

We expect our available cash generated from operations and our short-term investment portfolio, together with our existing sources of liquidity from our credit facilities and commercial paper program, will be sufficient to fund our short-term and long-term capital expenditures, working capital, and other cash requirements. We remain adequately capitalized with access to liquidity from our \$4.0 billion revolving credit facility. At June 30, 2022, we were in compliance with all debt covenants, and believe we have the ability to continue to meet our debt covenants in the future.

The following table summarizes the net change in cash, cash equivalents, and restricted cash for the periods shown:

<i>(Dollars in millions)</i>	Three Months Ended June 30,		Change
	2022	2021	
Net cash provided by (used in):			
Operating activities	\$ (941)	\$ (1,622)	\$ 681
Investing activities	39	(99)	138
Financing activities	(1,181)	(2,151)	970
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	18	11	7
Change in cash, cash equivalents, and restricted cash classified within Assets held for sale ⁽¹⁾	470	—	470
Net change in cash, cash equivalents, and restricted cash	\$ (1,595)	\$ (3,861)	\$ 2,266

(1) This change reflects a reversal of cash, cash equivalents, and restricted cash previously classified within assets held for sale at March 31, 2022 as part of the U.K. disposal group and is offset by cash outflows primarily related to the settlement of liabilities which is reflected in operating activities. Refer to Financial Note 2, “Held for Sale,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information.

Operating Activities

Operating activities used cash of \$941 million and \$1.6 billion during the three months ended June 30, 2022 and 2021, respectively. Cash flows from operations can be significantly impacted by factors such as the timing of receipts from customers, inventory receipts, and payments to vendors. Additionally, working capital is primarily a function of sales and purchase volumes, inventory requirements, and vendor payment terms.

Operating activities for the three months ended June 30, 2022 were affected by net income adjusted for non-cash items and changes in receivables, drafts and accounts payables, and inventories classified as held for sale. Refer to the “*Selected Measures of Liquidity and Capital Resources*” section below of this Financial Review and Financial Note 2, “Held for Sale,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information. Operating activities for the three months ended June 30, 2022 were affected by increases in receivables of \$1.6 billion, drafts and accounts payable of \$1.0 billion, and inventory of \$955 million, all primarily driven by higher revenues and timing. Our litigation liabilities also decreased by \$370 million primarily driven by payments made during the first quarter of fiscal 2023 associated with the Settlement and separate settlement agreements of opioid-related claims of participating states, subdivisions, and Native American tribes.

Operating activities for the three months ended June 30, 2021 were affected by increases in receivables of \$1.0 billion and inventory of \$901 million, both primarily due to timing and higher revenues. Other non-cash items for the three months ended June 30, 2021 includes non-cash inventory charges totaling \$164 million on certain PPE and other related products in our Medical-Surgical Solutions segment.

Investing Activities

Investing activities provided cash of \$39 million and used cash of \$99 million during the three months ended June 30, 2022 and 2021, respectively. Investing activities for the three months ended June 30, 2022 includes proceeds from sales of businesses and investments of \$240 million, primarily due to the completed divestiture of our U.K. disposal group in April 2022. Investing activities for the three months ended June 30, 2022 and 2021 includes \$100 million and \$159 million, respectively, in capital expenditures for property, plant, and equipment, and capitalized software.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Financing Activities

Financing activities used cash of \$1.2 billion and \$2.2 billion during the three months ended June 30, 2022 and 2021, respectively. Financing activities for each of the three months ended June 30, 2022 and 2021 includes \$1.0 billion of cash paid for share repurchases as well as \$71 million and \$69 million of cash paid for dividends, respectively. Financing activities for the three months ended June 30, 2021 includes a payment of \$1.0 billion to purchase shares of McKesson Europe through exercises of a put right option by noncontrolling shareholders. The put right option expired on June 15, 2021 as further described below. Cash used for other financing activities generally includes shares surrendered for tax withholding and payments to noncontrolling interests.

Share Repurchase Plans

The Board has authorized the repurchase of McKesson's common stock from time-to-time in open market transactions, privately negotiated transactions, through ASR programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company's stock price, corporate and regulatory requirements, restrictions under the Company's debt obligations, and other market and economic conditions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

In May 2022, we entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company's common stock. Pursuant to the ASR agreement, we paid \$1.0 billion to the financial institution and received an initial delivery of 2.6 million shares in May 2022. The transaction will be completed during the second quarter of fiscal 2023, at which point we expect to receive additional shares. The final number of shares repurchased and the average price per share paid will be determined based on the volume-weighted average price of the Company's common stock during the term of the ASR program, less a pre-negotiated discount.

In February 2022, we entered into an ASR program with a third-party financial institution to repurchase \$1.5 billion of the Company's common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of \$295.16. We received 4.8 million shares as the initial share settlement, and in May 2022, we received an additional 0.3 million shares upon the completion of this ASR program.

In May 2021, we entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company's common stock. The total number of shares repurchased under this ASR program was 5.2 million shares at an average price per share of \$193.22. We received 4.3 million shares as the initial share settlement, and in August 2021, we received an additional 0.9 million shares upon the completion of this ASR program.

There were no other shares repurchased during the three months ended June 30, 2022 and 2021.

The total remaining authorization outstanding for repurchases of the Company's common stock at June 30, 2022 was \$2.3 billion. In July 2022, the Board approved an increase of \$4.0 billion in the authorization for repurchase of McKesson's common stock.

McKESSON CORPORATION
FINANCIAL REVIEW (CONTINUED)
(UNAUDITED)

Selected Measures of Liquidity and Capital Resources

<i>(Dollars in millions)</i>	June 30, 2022	March 31, 2022
Cash, cash equivalents, and restricted cash	\$ 2,340	\$ 3,935
Working capital	(1,818)	(2,235)
Debt to capital ratio ⁽¹⁾	122.4 %	114.5 %

(1) This ratio describes the relationship and changes within our capital resources, and is computed as total debt divided by the sum of total debt and McKesson stockholders' equity (deficit), which excludes noncontrolling interests and accumulated other comprehensive loss.

Cash equivalents, which are readily convertible to known amounts of cash, are carried at fair value. Cash equivalents are primarily invested in AAA-rated U.S. government money market funds and overnight deposits with financial institutions. Deposits with financial institutions are primarily denominated in U.S. dollars and the functional currencies of our foreign subsidiaries, including Euro, British pound sterling, and Canadian dollars. We mitigate the risk of our short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Our cash and cash equivalents balance as of June 30, 2022 and March 31, 2022 included approximately \$821 million and \$1.5 billion of cash held by our subsidiaries outside of the U.S., respectively. Our primary intent is to utilize this cash for foreign operations for an indefinite period of time. Although the majority of cash held outside the U.S. is available for repatriation, doing so could subject us to foreign withholding taxes and state income taxes. Following enactment of the 2017 Tax Cuts and Jobs Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes.

Working capital primarily includes cash and cash equivalents, receivables, inventories, and net current assets or liabilities classified as held for sale, net of drafts and accounts payable, current portion of long-term debt, and other accrued liabilities. Our businesses require substantial investments in working capital that are susceptible to large variations during the year as a result of inventory purchase patterns and seasonal demands. Inventory purchase activity is a function of sales activity and other requirements.

Consolidated working capital improved at June 30, 2022 compared to March 31, 2022 primarily due to increases in receivables, net assets classified as held for sale related to our European divestiture activities, and inventory, partially offset by an increase in drafts and accounts payable and a decrease in cash and cash equivalents.

Our debt to capital ratio increased for the three months ended June 30, 2022 primarily due to share repurchases, partially offset by net income for the quarter.

In July 2022, we raised our quarterly dividend from \$0.47 to \$0.54 per common share for dividends declared on or after such date by the Board. We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon our future earnings, financial condition, capital requirements, and other factors.

Redeemable Noncontrolling Interests

Our previously recognized redeemable noncontrolling interests primarily related to our consolidated subsidiary, McKesson Europe. Under the Domination Agreement, the noncontrolling shareholders of McKesson Europe had a right to put ("Put Right") their shares at €22.99 per share, increased annually for interest in the amount of five percentage points above a base rate published semi-annually by the German Bundesbank, less any compensation amount or guaranteed dividend already paid by McKesson ("Put Amount"). During the three months ended June 30, 2021, we paid \$1.0 billion to purchase 34.5 million shares of McKesson Europe through exercises of the Put Right by the noncontrolling shareholders, which reduced the balance of our redeemable noncontrolling interests.

The Put Right expired on June 15, 2021, at which point the remaining shares owned by the minority shareholders, valued at \$287 million, were transferred from redeemable noncontrolling interests to noncontrolling interests and as a result, we no longer have redeemable noncontrolling interests presented in our condensed consolidated balance sheets at June 30, 2022 or March 31, 2022. Our noncontrolling interest in McKesson Europe will be included in the sale of our E.U. disposal group.

McKESSON CORPORATION
FINANCIAL REVIEW (CONCLUDED)
(UNAUDITED)

Additionally, we are obligated to pay an annual recurring compensation of €0.83 per McKesson Europe share (the “Compensation Amount”) to the noncontrolling shareholders of McKesson Europe under the Domination Agreement. The Compensation Amount is recognized ratably during the applicable annual period. The Domination Agreement does not expire, but it may be terminated at the end of any fiscal year by giving at least six months’ advance notice.

Refer to Financial Note 5, “Redeemable Noncontrolling Interests and Noncontrolling Interests,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for additional information on redeemable noncontrolling interests.

Credit Resources

We fund our working capital requirements primarily with cash and cash equivalents as well as short-term borrowings from our credit facilities and commercial paper issuances. Funds necessary for future debt maturities and our other cash requirements, including any future payments that may be made related to our total estimated litigation liability of \$7.9 billion as of June 30, 2022 payable under the Settlement terms for opioid-related claims, are expected to be met by existing cash balances, cash flow from operations, existing credit sources, and other capital market transactions. Long-term debt markets and commercial paper markets, our primary sources of capital after cash flow from operations, are open and accessible to us should we decide to access those markets. Detailed information regarding our debt and financing activities is included in Financial Note 8, “Debt and Financing Activities,” to the accompanying condensed consolidated financial statements included in this Quarterly Report.

We believe that our future operating cash flow, financial assets, and current access to capital and credit markets, including our existing credit facilities, will give us the ability to meet our financing needs for the foreseeable future. However, there can be no assurance that an increase in volatility or disruption in the global capital and credit markets will not impair our liquidity or increase our costs of borrowing.

CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I of this report, contains 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. Some of these statements can be identified by the use of terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “projects,” “plans,” “estimates,” or the negative of these words and other comparable terminology. The discussion of financial trends, strategy, plans, assumptions, or intentions may also include forward-looking statements. Readers should not place undue reliance on forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by law, we undertake no obligation to update or revise our forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they include, but are not limited to, factors described in the Risk Factors discussion in Item 1A of Part I of our most recently filed Annual Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We believe there has been no material change in our exposure to risks associated with fluctuations in interest and foreign currency exchange rates as disclosed in our 2022 Annual Report.

Item 4. Controls and Procedures.

Our Chief Executive Officer and our Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this quarterly report, and our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

There were no changes in our "internal control over financial reporting" (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 and 15d-15 that occurred during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

McKESSON CORPORATION**PART II—OTHER INFORMATION****Item 1. Legal Proceedings.**

The information set forth in Financial Note 12, “Commitments and Contingent Liabilities,” to the accompanying condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, and in Financial Note 18, “Commitments and Contingent Liabilities,” to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2022, is incorporated herein by reference. Disclosure of an environmental proceeding with a governmental agency generally is included only if we expect monetary sanctions in the proceeding to exceed \$1 million, unless otherwise material.

Item 1A. Risk Factors.

Other than factual updates discussed in this Quarterly Report on Form 10-Q, there have been no material changes for the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I, Item 1A, of our 2022 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Stock repurchases may be made from time-to-time in open market transactions, privately negotiated transactions, through accelerated share repurchase (“ASR”) programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company’s stock price, corporate and regulatory requirements, restrictions under the Company’s debt obligations, and other market and economic conditions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

In May 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company’s common stock. Pursuant to the ASR agreement, the Company paid \$1.0 billion to the financial institution and received an initial delivery of 2.6 million shares in May 2022. The transaction will be completed during the second quarter of fiscal 2023, at which point the Company expects to receive additional shares. The final number of shares repurchased and the average price per share paid will be determined based on the volume-weighted average price of the Company’s common stock during the term of the ASR program, less a pre-negotiated discount.

In February 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.5 billion of the Company’s common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of \$295.16. The Company received 4.8 million shares as the initial share settlement, and in May 2022, the Company received an additional 0.3 million shares upon the completion of this ASR program.

In May 2021, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion of the Company’s common stock. The total number of shares repurchased under this ASR program was 5.2 million shares at an average price per share of \$193.22. The Company received 4.3 million shares as the initial share settlement, and in August 2021, the Company received an additional 0.9 million shares upon the completion of this ASR program.

There were no other shares repurchased during the three months ended June 30, 2022 and 2021.

The total remaining authorization outstanding for repurchases of the Company’s common stock at June 30, 2022 was \$2.3 billion. In July 2022, the Board approved an increase of \$4.0 billion in the authorization for repurchase of McKesson’s common stock.

McKESSON CORPORATION

The following table provides information on the Company's share repurchases during the three months ended June 30, 2022:

	Share Repurchases ⁽¹⁾			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
<i>(In millions, except price per share)</i>				
April 1, 2022 – April 30, 2022	—	\$ —	—	\$ 3,278
May 1, 2022 – May 31, 2022 ⁽²⁾	2.9	323.42	2.9	2,278
June 1, 2022 – June 30, 2022	—	—	—	2,278
Total	2.9		2.9	

(1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.

(2) Includes shares received upon the completion of the February 2022 ASR program, and the initial delivery of shares under the May 2022 ASR program at a reference price of \$326.47, as discussed above. These amounts under the May 2022 ASR program are estimates and may differ from the total number of shares purchased and average price paid per share under the ASR program upon its final settlement in the second quarter of fiscal 2023.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibits identified in parentheses below are on file with the SEC and are incorporated by reference as exhibits hereto.

Exhibit Number	Description
10.1*	McKesson Corporation 2022 Stock Plan, effective July 22, 2022 (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-8 filed with the SEC on July 27, 2022).
10.2*†	Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2022 Stock Plan.
31.1†	Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†	Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32††	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the McKesson Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Stockholders' Equity (Deficit), (v) Condensed Consolidated Statements of Cash Flows, and (vi) related Financial Notes.
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

* Management contract or compensation plan or arrangement in which directors and/or executive officers are eligible to participate.

† Filed herewith.

†† Furnished herewith.

McKESSON CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McKESSON CORPORATION

Date: August 3, 2022

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

McKESSON CORPORATION

Date: August 3, 2022

/s/ Napoleon B. Rutledge Jr.

Napoleon B. Rutledge Jr.

Senior Vice President and Controller

OUTSIDE DIRECTOR
Div Equiv Cash

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
RESTRICTED STOCK UNITS GRANTED TO
OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. RESTRICTED STOCK UNITS

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into \$[] (with any fractional

Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into \$[] (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be credited on behalf of an Outside Director to a deferred cash account until such time as the underlying Shares are issued.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however, that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

III. MISCELLANEOUS

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. ***Data Privacy Information and Consent.***

(A) Data Collection and Usage. The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.

(B) Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

(C) International Data Transfers. The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the above purposes, the Outside Director understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of

refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.

(F) Data Subject Rights. The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

9. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. Successors. This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Outside Director" as used herein shall include the Outside Director's Beneficiary.

11. Delaware Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
RESTRICTED STOCK UNITS GRANTED TO
OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. RESTRICTED STOCK UNITS

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into \$[] (with any fractional

Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into \$[] (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award. The number of such additional Restricted Stock Units shall be calculated by dividing (a) the aggregate amount or value of the dividends paid with respect to that number of Shares equal to the number of Restricted Stock Units credited as of the record date for such dividend by (b) the Fair Market Value per Share on the payment date for such dividend.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award. Any fractional Shares resulting from the accumulation of dividend equivalents shall be paid in cash.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however,

that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

III. MISCELLANEOUS

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms

and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. ***Data Privacy Information and Consent.***

(A) Data Collection and Usage. The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.

(B) Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

(C) International Data Transfers. The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the

above purposes, the Outside Director understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.

(F) Data Subject Rights. The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

9. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. Successors. This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of

the Corporation. “Outside Director” as used herein shall include the Outside Director’s Beneficiary.

11. Delaware Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS
AND PERFORMANCE STOCK UNITS GRANTED TO EXECUTIVE OFFICERS
PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares

then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued

to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the

Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the

Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such

Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends

shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate

because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement.

Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting

forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are “Performance Awards” as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant’s country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), “whole calendar months” shall be calculated commencing on

the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as

practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when

enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as

applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award

Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different*

data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.

(F) Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation

and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. “Award Agreement” means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. “Cause” means termination of the Participant’s employment with the Corporation or an Affiliate upon the Participant’s negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer’s designee), is injurious to the Corporation, its employees, or its customers.

3. “Early Retirement” means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant’s age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term “service” shall include years and completed whole months of service.

4. “Family Member” means any person identified as an “immediate family” member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a “family member.”

5. “Good Reason” means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant’s functions, duties, or responsibilities, which change would cause the Participant’s position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control;

(B) Any significant reduction in the Participant’s aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control;

(D) The Corporation’s requiring the Participant to be based at any location which would increase the Participant’s regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant’s responsibilities; or

(E) Any change in the person to whom the Participant reports, as this relationship existed immediately prior to a Change in Control;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant’s notice to remedy the Good Reason condition; provided further that the Participant’s Separation from Service must occur

within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. “Expiration Date” means the date that an Option expires as set forth in the Option Grant Notice as the “Expiration Date.”
7. “Grant Date” means the date the Administrator grants the Award.
8. “Grant Notice” means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.
9. “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Corporation’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation’s long-term disability plan, a physical or mental condition that the administrator of the Corporation’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.
10. “Normal Retirement” means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, “service” shall mean completed whole years of service (12 consecutive months).
11. “Option Period” means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.
12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).
13. “Severance” means termination of employment with the Corporation or an affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

EMPLOYEES SUBJECT TO STOCK OWNERSHIP POLICY

McKESSON CORPORATION STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES SUBJECT TO STOCK OWNERSHIP POLICY PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares

then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued

to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the

Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the

Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such

Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends

shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate

because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting

forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are “Performance Awards” as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant’s country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), “whole calendar months” shall be calculated commencing on

the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as

practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when

enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as

applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award

Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different*

data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.

(F) Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation

and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. “Award Agreement” means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. “Cause” means termination of the Participant’s employment with the Corporation or an Affiliate upon the Participant’s negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer’s designee), is injurious to the Corporation, its employees, or its customers.

3. “Early Retirement” means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant’s age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term “service” shall include years and completed whole months of service.

4. “Family Member” means any person identified as an “immediate family” member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a “family member.”

5. “Good Reason” means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant’s functions, duties, or responsibilities, which change would cause the Participant’s position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation’s no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant’s functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant’s position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation’s business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant’s aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation’s requiring the Participant to be based at any location which would increase the Participant’s regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant’s responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. "Expiration Date" means the date that an Option expires as set forth in the Option Grant Notice as the "Expiration Date."
7. "Grant Date" means the date the Administrator grants the Award.
8. "Grant Notice" means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. "Long-Term Disability" means a physical or mental condition in respect of which the administrator of the Corporation's long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation's long-term disability plan, a physical or mental condition that the administrator of the Corporation's long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. "Normal Retirement" means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, "service" shall mean completed whole years of service (12 consecutive months).

11. "Option Period" means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. "Separation from Service" means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant's service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. "Severance" means termination of employment with the Corporation or an affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and

Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS
AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES
PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares

with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each

Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be

treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by

virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or;

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted

Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both

documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), "whole calendar months" shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had

continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit

Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a “short-term deferral” as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant’s brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation’s transfer agent recording the Participant’s unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant’s own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant’s employment, whether or not they are the Participant’s work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all

other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an “Exchange”), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more subsidiaries) (the “Surviving Company”) which are traded on an Exchange (a “Replacement Award”), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company’s stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation’s stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company’s stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation’s stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant’s involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares

assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then

current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be

deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of

service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.*

(D) ***Data Retention.*** *The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.*

(E) *Voluntariness and Consequences of Consent Denial or Withdrawal.* Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.

(F) *Data Subject Rights.* The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any

other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. “Family Member” means any person identified as an “immediate family” member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a “family member.”

5. “Good Reason” means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant’s functions, duties, or responsibilities, which change would cause the Participant’s position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation’s no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant’s functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant’s position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation’s business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant’s aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation’s requiring the Participant to be based at any location which would increase the Participant’s regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant’s responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant’s notice to remedy the Good Reason condition; provided further that the Participant’s Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. “Expiration Date” means the date that an Option expires as set forth in the Option Grant Notice as the “Expiration Date.”

7. “Grant Date” means the date the Administrator grants the Award.

8. “Grant Notice” means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Corporation’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation’s long-term disability plan, a physical or mental condition that the administrator of the Corporation’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. “Normal Retirement” means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, “service” shall mean completed whole years of service (12 consecutive months).

11. “Option Period” means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. “Severance” means termination of employment with the Corporation or an affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

**FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
RESTRICTED STOCK UNIT GRANT NOTICE**

Grantee Name:	
Number of RSUs Granted:	
Date of Grant:	

Vesting Schedule: 100% vested on grant date.

McKesson Corporation (the “Company”) is pleased to grant you restricted stock units (“RSUs”) under the Company’s 2022 Stock Plan, as may be amended from time to time (the “Plan”) to receive shares of common stock of the Company (“Shares”). This Grant Notice (“Notice”), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the “ST&Cs”), constitute your Restricted Stock Unit Agreement, which along with the Plan set forth the terms of your grant.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at *www.Netbenefits.com*.

By signing below, I acknowledge that:

1. I agree to receive copies of the stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at *www.mckesson.com*; and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company’s web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan and ST&Cs are incorporated by reference to this Notice; and
6. The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and the ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

By:

Brian S. Tyler Grantee Signature Date
Chief Executive Officer
McKesson Corporation

ATTACHMENTS:

- * 2022 Stock Plan
- * 2022 Stock Plan Prospectus for Non-Employee Directors
- * ST&Cs
- * Hedging and Pledging Policy
- * Appendix (Outside U.S. - country specific)

August 2022

**FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
RESTRICTED STOCK UNIT GRANT NOTICE**

Grantee Name:	
Number of RSUs Granted:	
Date of Grant:	
Vesting Schedule:	Please see Appendix

McKesson Corporation (the “Company”) is pleased to grant you restricted stock units (“RSUs”) under the Company’s 2022 Stock Plan (the “Plan”) which represent the contingent right to receive shares of common stock of the Company (“Shares”). This Grant Notice (“Notice”), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the “ST&Cs”), constitute your Restricted Stock Unit Agreement. Your Restricted Stock Unit Agreement and your RSUs are subject to the terms of the Plan, which incorporates by reference the Company’s Compensation Recoupment Policy (the “Recoupment Policy”) and the Company’s Stock Ownership Policy (the “Stock Ownership Policy”), as both are amended from time to time).

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at www.Netbenefits.com.

By signing below, I acknowledge that:

1. I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company’s website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at www.mckesson.com; and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company’s web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan (including the Recoupment Policy and Stock Ownership Policy) and ST&Cs are incorporated by reference to this Notice; and
6. The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Brian S. Tyler
Chief Executive Officer
McKesson Corporation

Grantee Signature Date

ATTACHMENTS:

- * 2022 Stock Plan
- * 2022 Stock Plan Prospectus
- * ST&Cs Applicable to _____
- * Compensation Recoupment Policy
- * Hedging and Pledging Policy (Section 16 only)
- * Stock Ownership Policy (EOT only)
- * Appendix (Outside U.S. – country-specific)

August 2022

**FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
PERFORMANCE STOCK UNIT GRANT NOTICE**

Grantee Name:	
Target PSUs Granted:	
Date of Grant:	
Performance Period:	FY 20__ - FY 20__

McKesson Corporation (the “Company”) is pleased to grant you target performance stock units (“PSUs”) under the Company’s 2022 Stock Plan (the “Plan”). This Grant Notice (“Notice”), together with the Statement of Terms and Conditions, as provided with this Notice (the “ST&Cs”), constitute your Performance Stock Unit Agreement. Your Performance Stock Unit Agreement and your PSUs are subject to the terms of the Plan, which incorporates by reference the Company’s Compensation Recoupment Policy (the “Recoupment Policy”), and the Company’s Stock Ownership Policy (the “Stock Ownership Policy”), as both are amended from time to time.

Your PSUs will be earned subject to the Company’s attainment of performance goals that have been pre-established by the Compensation and Talent Committee (the “Committee”) of the Company’s Board of Directors. You may receive 0% - 200% of the target number of PSUs set forth above. PSUs, if earned, will be paid in the form of shares of the Company’s Common Stock (“Shares”) that are not subject to any further vesting restrictions. The Committee has the sole discretion to determine the Company’s performance against the pre-established goals after completion of the performance period, and to authorize the grant of Shares.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF PSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at www.Netbenefits.com.

By signing below, I acknowledge that:

1. I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company’s website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at www.mckesson.com; and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company’s web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan (including the Recoupment Policy and Stock Ownership Policy) and ST&Cs are incorporated by reference to this Notice; and
6. I should consult with a tax advisor prior to accepting this grant of PSUs or taking any other action with respect to this grant of PSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of PSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Brian S. Tyler Grantee Signature Date
Chief Executive Officer
McKesson Corporation

Plan Documents and Related Policies

- * 2022 Stock Plan
- * 2022 Stock Plan Prospectus
- * ST&Cs Applicable to _____
- * Compensation Recoupment Policy
- * Hedging and Pledging Policy (Section 16 only)
- * Stock Ownership Policy (EOT only)
- * Appendix (Outside U.S. - country specific)

August 2022

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Brian S. Tyler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McKesson Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Brian S. Tyler

Brian S. Tyler

Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Britt J. Vitalone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McKesson Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2022

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of McKesson Corporation (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the dates indicated below, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian S. Tyler

Brian S. Tyler

Chief Executive Officer

August 3, 2022

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

August 3, 2022

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to McKesson Corporation and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.