

# McKESSON CORPORATION

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

	Years Ended March 31,		
	2015	2014	2013
Revenues	\$ 179,045	\$ 137,392	\$ 122,196
Cost of Sales	(167,634)	(129,040)	(115,315)
Gross Profit	11,411	8,352	6,881
Operating Expenses			
Selling, distribution and administrative expenses	(7,901)	(5,388)	(4,110)
Research and development	(392)	(457)	(433)
Claim and litigation charges	(150)	(68)	(72)
Gain on business combination	—	—	81
Total Operating Expenses	(8,443)	(5,913)	(4,534)
Operating Income	2,968	2,439	2,347
Other Income, Net	63	32	34
Impairment of an Equity Investment	—	—	(191)
Interest Expense	(374)	(300)	(240)
Income from Continuing Operations Before Income Taxes	2,657	2,171	1,950
Income Tax Expense	(815)	(757)	(587)
Income from Continuing Operations	1,842	1,414	1,363
Loss from Discontinued Operations, Net of Tax	(299)	(156)	(25)
Net Income	1,543	1,258	1,338
Net Loss (Income) Attributable to Noncontrolling Interests	(67)	5	—
Net Income Attributable to McKesson Corporation	\$ 1,476	\$ 1,263	\$ 1,338
Earnings (Loss) Per Common Share Attributable to McKesson Corporation			
Diluted			
Continuing operations	\$ 7.54	\$ 6.08	\$ 5.69
Discontinued operations	(1.27)	(0.67)	(0.10)
Total	\$ 6.27	\$ 5.41	\$ 5.59
Basic			
Continuing operations	\$ 7.66	\$ 6.19	\$ 5.81
Discontinued operations	(1.29)	(0.68)	(0.10)
Total	\$ 6.37	\$ 5.51	\$ 5.71
Weighted Average Common Shares			
Diluted	235	233	239
Basic	232	229	235

*See Financial Notes*

**McKESSON CORPORATION**

**CONSOLIDATED BALANCE SHEETS**

**(In millions, except per share amounts)**

	March 31,	
	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 5,341	\$ 4,193
Receivables, net	15,914	13,780
Inventories, net	14,296	12,986
Prepaid expenses and other	1,119	1,877
Total Current Assets	36,670	32,836
Property, Plant and Equipment, Net	2,045	2,196
Goodwill	9,817	9,927
Intangible Assets, Net	3,441	4,871
Other Assets	1,897	1,929
Total Assets	\$53,870	\$51,759
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Drafts and accounts payable	\$25,166	\$21,128
Short-term borrowings	135	248
Deferred revenue	1,078	1,236
Deferred tax liabilities	1,820	1,588
Current portion of long-term debt	1,529	1,417
Other accrued liabilities	3,769	3,998
Total Current Liabilities	33,497	29,615
Long-Term Debt	8,180	8,929
Other Noncurrent Liabilities	2,722	2,897
Other Commitments and Contingent Liabilities (Note 23)		
Redeemable Noncontrolling Interests	1,386	—
McKesson Corporation Stockholders' Equity		
Preferred stock, \$0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 800 shares authorized at March 31, 2015 and 2014, 384 and 381 shares issued at March 31, 2015 and 2014	4	4
Additional Paid-in Capital	6,968	6,552
Retained Earnings	12,705	11,453
Accumulated Other Comprehensive Loss	(1,713)	(3)
Other	(7)	23
Treasury Shares, at Cost, 152 and 150 at March 31, 2015 and 2014	(9,956)	(9,507)
Total McKesson Corporation Stockholders' Equity	8,001	8,522
Noncontrolling Interests	84	1,796
Total Equity	8,085	10,318
Total Liabilities, Redeemable Noncontrolling Interests and Equity	\$53,870	\$51,759

*See Financial Notes*

# McKESSON CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

	Years Ended March 31,		
	2015	2014	2013
<b>Operating Activities</b>			
Net income	\$ 1,543	\$ 1,258	\$ 1,338
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	306	185	143
Amortization	711	550	438
Deferred taxes	171	17	615
Share-based compensation expense	174	160	167
Gain on business combination	—	—	(81)
Impairment charges and impairment of equity investment	241	80	191
Charges associated with last-in-first-out inventory method	337	311	13
Other non-cash items	47	130	90
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(2,821)	(868)	318
Inventories	(2,144)	(1,182)	(60)
Drafts and accounts payable	4,718	2,412	(125)
Deferred revenue	(141)	(81)	(44)
Taxes	(222)	218	(98)
Claim and litigation charges	150	68	72
Litigation settlement payments	—	(105)	(483)
Other	42	(17)	(11)
Net cash provided by operating activities	3,112	3,136	2,483
<b>Investing Activities</b>			
Property acquisitions	(376)	(278)	(241)
Capitalized software expenditures	(169)	(141)	(159)
Acquisitions, net of cash and cash equivalents acquired	(170)	(4,634)	(1,873)
Proceeds from sale of businesses and equity investment	15	97	—
Other	23	(90)	64
Net cash used in investing activities	(677)	(5,046)	(2,209)
<b>Financing Activities</b>			
Proceeds from short-term borrowings	3,100	6,080	2,225
Repayments of short-term borrowings	(3,152)	(6,132)	(2,625)
Proceeds from issuances of long-term debt	3	4,124	1,798
Repayments of long-term debt	(353)	(348)	(1,143)
Common stock transactions:			
Issuances	152	177	166
Share repurchases, including shares surrendered for tax withholding	(450)	(130)	(1,214)
Dividends paid	(227)	(214)	(194)
Other	(41)	62	31
Net cash provided by (used in) financing activities	(968)	3,619	(956)
Effect of exchange rate changes on cash and cash equivalents	(319)	28	(11)
Net increase (decrease) in cash and cash equivalents	1,148	1,737	(693)
Cash and cash equivalents at beginning of year	4,193	2,456	3,149
Cash and cash equivalents at end of year	\$ 5,341	\$ 4,193	\$ 2,456
<b>Supplemental Cash Flow Information</b>			
Cash paid for:			
Interest	\$ 359	\$ 255	\$ 207
Income taxes, net of refunds	\$ 866	\$ 508	\$ 55
Non-cash item:			
Fair value of debt assumed on acquisitions	\$ —	\$ (2,312)	\$ (635)
Conversion of Celesio's convertible bonds to equity	\$ —	\$ 313	\$ —

*See Financial Notes*