McKESSON CORPORATION

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

Gross Profit 11,411 8,352 6,881 Operating Expenses 8 4,110 6,881 6,881 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, Net of Tax (299) (156) (25) Net Income 1,543 1,258 1,338 Earnings (Loss) Per C		Ye	ars Ended March	31,
Cost of Sales (167,634) (129,040) (115,1515) Gross Profit 11,411 8,352 6,881 Operating Expenses 300 (457) (433) Research and development (392) (457) (433) Claim and litigation charges (150) (68) (72) Gain on business combination — — 81 Total Operating Expenses (8,443) (5913) (4,534) Operating Income 2,968 2,439 2,347 Other Income, Net 63 32 34 Impairment of an Equity Investment — — (191) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 Income from Continuing Operations 1,842 1,414 1,63 Loss from Discontinued Operations, Net of Tax (299) (155) (25) Net Income 1,543 1,258 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Pe		2015	2014	2013
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) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 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 1,476 1,263	Revenues	\$ 179,045	\$ 137,392	\$ 122,196
Operating 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) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 Income from Continuing Operations Before Income Taxes (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 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 McK	Cost of Sales	(167,634)	(129,040)	(115,315)
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 Attributable to Noncontrolling Interests (67) 5 — Net Income Attributable to McKesson Corporation \$ 1,476 \$ 1	Gross Profit	11,411	8,352	6,881
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) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 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 \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation	Operating Expenses			
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) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 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 \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation \$ 7,54 \$ 6.08 \$ 5.69 Discontinued operations <td>Selling, distribution and administrative expenses</td> <td>(7,901)</td> <td>(5,388)</td> <td>(4,110)</td>	Selling, distribution and administrative expenses	(7,901)	(5,388)	(4,110)
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) Increst 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 \$ 7,54 \$ 6.08 \$ 5.69 Discontinued operations 7,54 \$ 6.08 \$ 5.69	Research and development	(392)	(457)	(433)
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 ————————————————————————————————————	Claim and litigation charges	(150)	(68)	(72)
Operating Income 2,968 2,439 2,347 Other Income, Net 63 32 34 Impairment of an Equity Investment — — — (191) Income from Continuing Operations Before Income Taxes 2,657 2,171 1,950 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 \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson (1,27) (0,67) (0,10) Total \$ 6,27 \$ 5,41 \$ 5,59 Basic Continuing operations \$ 7,54 \$ 6,08 \$ 5,69 Discontinued operations \$ 7,66 \$ 6,19 \$ 5,81	Gain on business combination			81
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 \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson (1,27) (0,67) (0,10) Total \$ 6,27 \$ 5,41 \$ 5,59 Basic Continuing operations \$ 7,66 \$ 6,19 \$ 5,81 Dis	Total Operating Expenses	(8,443)	(5,913)	(4,534)
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 \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson (1,27) (0,67) (0,10) Total \$ 6,27 \$ 5,41 \$ 5,59 Basic Continuing operations \$ 7,66 \$ 6,19 \$ 5,81 Discontinued operations \$ 7,66 \$ 6,19 \$ 5,81 <t< td=""><td>Operating Income</td><td>2,968</td><td>2,439</td><td>2,347</td></t<>	Operating Income	2,968	2,439	2,347
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 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476 1,476 1,263 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation 1,476	Other Income, Net	63	32	34
Income from Continuing Operations Before Income Taxes	Impairment of an Equity Investment	_	_	(191)
Income Tax Expense (815)	Interest Expense	(374)	(300)	(240)
Income from Continuing Operations	Income from Continuing Operations Before Income Taxes	2,657	2,171	1,950
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 Corporation \$ 6.08 \$ 5.69 Diluted \$ 6.27 \$ 5.41 \$ 5.59 Basic \$ 6.27 \$ 5.41 \$ 5.59 Basic \$ 7.66 \$ 6.19 \$ 5.81 Discontinued operations \$ 7.66 \$ 6.19 \$ 5.81 Discontinued operations \$ 6.37 \$ 5.51 \$ 5.71 Weighted Average Common Shares Diluted 235 233 239	Income Tax Expense	(815)	(757)	(587)
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 Corporation \$ 200	Income from Continuing Operations	1,842	1,414	1,363
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 235 233 239	Loss from Discontinued Operations, Net of Tax	(299)	(156)	(25)
Net Income Attributable to McKesson Corporation \$ 1,476 \$ 1,263 \$ 1,338 Earnings (Loss) Per Common Share Attributable to McKesson Corporation Corporation \$ 7.54 \$ 6.08 \$ 5.69 Diluted \$ 7.54 \$ 6.08 \$ 5.69 Discontinued operations \$ 6.27 \$ 5.41 \$ 5.59 Basic \$ 7.66 \$ 6.19 \$ 5.81 Discontinued operations \$ 7.66 \$ 6.19 \$ 5.81 Discontinued operations \$ 6.37 \$ 5.51 \$ 5.71 Weighted Average Common Shares 235 233 239	Net Income	1,543	1,258	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	Net Loss (Income) Attributable to Noncontrolling Interests	(67)	5	_
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	Net Income Attributable to McKesson Corporation	\$ 1,476	\$ 1,263	\$ 1,338
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	Earnings (Loss) Per Common Share Attributable to McKesson Corporation			
Discontinued operations (1.27) (0.67) (0.10) Total \$ 6.27 \$ 5.41 \$ 5.59 Basic Continuing operations Discontinued 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	Diluted			
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	Continuing operations	\$ 7.54	\$ 6.08	\$ 5.69
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 235 233 239	Discontinued operations	(1.27)	(0.67)	(0.10)
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 235 233 239	Total	\$ 6.27	\$ 5.41	\$ 5.59
Discontinued operations (1.29) (0.68) (0.10) Total \$ 6.37 \$ 5.51 \$ 5.71 Weighted Average Common Shares Diluted 235 233 239	Basic			
Total \$ 6.37 \$ 5.51 \$ 5.71 Weighted Average Common Shares Diluted 235 233 239	Continuing operations	\$ 7.66	\$ 6.19	\$ 5.81
Total \$ 6.37 \$ 5.51 \$ 5.71 Weighted Average Common Shares Diluted 235 233 239	Discontinued operations	(1.29)	(0.68)	(0.10)
Weighted Average Common Shares Diluted 235 233 239	Total		\$ 5.51	
Diluted 235 233 239	Weighted Average Common Shares			
		235	233	239

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED BALANCE SHEETS (In millions, except per share amounts)

	Marc	h 31,
	2015	2014
ASSETS		
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
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
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
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See Financial Notes

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

	Years	Ended Mar	ch 31,
	2015	2014	2013
Operating Activities			
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
Investing Activities			
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	(1,070)
Other	23	(90)	64
Net cash used in investing activities	(677)	(5,046)	(2,209)
Financing Activities			
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:	(333)	(340)	(1,143)
Issuances	152	177	166
Share repurchases, including shares surrendered for tax withholding	(450)	(130)	(1,214)
	(227)	(214)	(1,214)
Dividends paid 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
Supplemental Cash Flow Information			
Cash paid for:			
Interest	\$ 359	\$ 255	\$ 207
Income taxes, net of refunds	\$ 866	\$ 508	\$ 55
Non-cash item:	ψ 000	Ψ 500	ψ 33
Fair value of debt assumed on acquisitions	\$ —	\$(2,312)	\$ (635)
Conversion of Celesio's convertible bonds to equity	\$ — \$ —	\$ 313	\$ (033)
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See Financial Notes