

McKESSON CORPORATION

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

	Years Ended March 31,		
	2016	2015	2014
Revenues	\$ 190,884	\$ 179,045	\$ 137,392
Cost of Sales	(179,468)	(167,634)	(129,040)
Gross Profit	11,416	11,411	8,352
Operating Expenses			
Selling, distribution and administrative expenses	(7,276)	(7,901)	(5,388)
Research and development	(392)	(392)	(457)
Restructuring charges	(203)	—	—
Claim and litigation charges	—	(150)	(68)
Total Operating Expenses	(7,871)	(8,443)	(5,913)
Operating Income	3,545	2,968	2,439
Other Income, Net	58	63	32
Interest Expense	(353)	(374)	(300)
Income from Continuing Operations Before Income Taxes	3,250	2,657	2,171
Income Tax Expense	(908)	(815)	(757)
Income from Continuing Operations	2,342	1,842	1,414
Loss from Discontinued Operations, Net of Tax	(32)	(299)	(156)
Net Income	2,310	1,543	1,258
Net (Income) Loss Attributable to Noncontrolling Interests	(52)	(67)	5
Net Income Attributable to McKesson Corporation	\$ 2,258	\$ 1,476	\$ 1,263
Earnings (Loss) Per Common Share Attributable to McKesson Corporation			
Diluted			
Continuing operations	\$ 9.84	\$ 7.54	\$ 6.08
Discontinued operations	(0.14)	(1.27)	(0.67)
Total	\$ 9.70	\$ 6.27	\$ 5.41
Basic			
Continuing operations	\$ 9.96	\$ 7.66	\$ 6.19
Discontinued operations	(0.14)	(1.29)	(0.68)
Total	\$ 9.82	\$ 6.37	\$ 5.51
Weighted Average Common Shares			
Diluted	233	235	233
Basic	230	232	229

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

	March 31,	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,048	\$ 5,341
Receivables, net	17,980	15,914
Inventories, net	15,335	14,296
Prepaid expenses and other	1,074	1,119
Total Current Assets	38,437	36,670
Property, Plant and Equipment, Net	2,278	2,045
Goodwill	9,786	9,817
Intangible Assets, Net	3,021	3,441
Other Noncurrent Assets	3,041	1,897
Total Assets	\$56,563	\$53,870
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Drafts and accounts payable	\$28,585	\$25,166
Short-term borrowings	7	135
Deferred revenue	919	1,078
Deferred tax liabilities	—	1,820
Current portion of long-term debt	1,612	1,529
Other accrued liabilities	3,948	3,769
Total Current Liabilities	35,071	33,497
Long-Term Debt	6,535	8,180
Long-Term Deferred tax liabilities	2,734	859
Other Noncurrent Liabilities	1,809	1,863
Commitments and Contingent Liabilities (Note 24)	—	—
Redeemable Noncontrolling Interests	1,406	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, 2016 and 2015, 271 and 384 shares issued at March 31, 2016 and 2015	3	4
Additional Paid-in Capital	5,845	6,968
Retained Earnings	8,360	12,705
Accumulated Other Comprehensive Loss	(1,561)	(1,713)
Other	(2)	(7)
Treasury Shares, at Cost, 46 and 152 at March 31, 2016 and 2015	(3,721)	(9,956)
Total McKesson Corporation Stockholders' Equity	8,924	8,001
Noncontrolling Interests	84	84
Total Equity	9,008	8,085
Total Liabilities, Redeemable Noncontrolling Interests and Equity	\$56,563	\$53,870

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (In millions)

	Years Ended March 31,		
	2016	2015	2014
Operating Activities			
Net income	\$ 2,310	\$ 1,543	\$ 1,258
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	281	306	185
Amortization	604	711	550
Deferred taxes	64	171	17
Share-based compensation expense	123	174	160
Gain from sales of businesses	(103)	—	—
Impairment charges and impairment of equity investment	8	241	80
Charges associated with last-in-first-out inventory method	244	337	311
Other non-cash items	108	47	130
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(1,957)	(2,821)	(868)
Inventories	(1,251)	(2,144)	(1,182)
Drafts and accounts payable	3,302	4,718	2,412
Deferred revenue	(120)	(141)	(81)
Taxes	(78)	(222)	218
Claim and litigation charges	—	150	68
Litigation settlement payments	—	—	(105)
Other	137	42	(17)
Net cash provided by operating activities	3,672	3,112	3,136
Investing Activities			
Payments for property, plant and equipment	(488)	(376)	(278)
Capitalized software expenditures	(189)	(169)	(141)
Acquisitions, net of cash and cash equivalents acquired	(40)	(170)	(4,634)
Proceeds from sale of businesses and equity investment, net	210	15	97
Restricted cash for acquisitions	(939)	—	46
Other	(111)	23	(136)
Net cash used in investing activities	(1,557)	(677)	(5,046)
Financing Activities			
Proceeds from short-term borrowings	1,561	3,100	6,080
Repayments of short-term borrowings	(1,688)	(3,152)	(6,132)
Proceeds from issuances of long-term debt	—	3	4,124
Repayments of long-term debt	(1,598)	(353)	(348)
Common stock transactions:			
Issuances	123	152	177
Share repurchases, including shares surrendered for tax withholding	(1,612)	(450)	(130)
Dividends paid	(244)	(227)	(214)
Other	5	(41)	62
Net cash (used in) provided by financing activities	(3,453)	(968)	3,619
Effect of exchange rate changes on cash and cash equivalents	45	(319)	28
Net (decrease) increase in cash and cash equivalents	(1,293)	1,148	1,737
Cash and cash equivalents at beginning of year	5,341	4,193	2,456
Cash and cash equivalents at end of year	\$ 4,048	\$ 5,341	\$ 4,193
Supplemental Cash Flow Information			
Cash paid for:			
Interest	\$ 337	\$ 359	\$ 255
Income taxes, net of refunds	\$ 923	\$ 866	\$ 508
Non-cash item:			
Fair value of debt assumed on acquisitions	\$ —	\$ —	\$(2,312)
Conversion of Celesio's convertible bonds to equity	\$ —	\$ —	\$ 313

See Financial Notes