
McKesson Corporation

Q2 Fiscal 2022 Financial Results

November 1, 2021



Cautionary Statements

This presentation 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. Forward-looking statements may be identified by their use of terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “projects,” “plans,” “estimates” or the negative of these words or other comparable terminology. The discussion of financial outlook, trends, strategy, plans, assumptions, or intentions may also include forward-looking statements. Readers should not place undue reliance on forward-looking statements, such as financial performance forecasts, which speak only as of the date they are 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, we encourage investors to read the risk factors described in our most recent annual and periodic report filed with the Securities and Exchange Commission.

These risk factors include, but are not limited to: we experience costly and disruptive legal disputes and settlements, including regarding our role in distributing controlled substances such as opioids; we might experience losses not covered by insurance; we might be adversely impacted by changes in tax legislation or challenges to our tax positions; we from time to time record significant charges from impairment to goodwill, intangibles, inventory and other assets or investments; we experience cybersecurity incidents and might experience significant computer system compromises or data breaches; we might experience significant problems with information systems or networks; we may be unsuccessful in retail pharmacy profitability; we might be harmed by large customer purchase reductions, payment defaults or contract non-renewal; our contracts with government entities involve future funding and compliance risks; we might be harmed by changes in our relationships or contracts with suppliers; we might be adversely impacted by delays or other difficulties with divestitures; we might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models; we might be adversely impacted by changes or disruptions in product supply and we have experienced and may experience difficulties in sourcing products and changes in pricing due to the effects of the COVID-19 pandemic on supply chains; we might be adversely impacted as a result of our distribution of generic pharmaceuticals; we might be adversely impacted by an economic slowdown (including the effects we have experienced from the COVID-19 pandemic) or recession and by disruption in capital and credit markets that might impede our access to credit, increase our borrowing costs and impair the financial soundness of our customers and suppliers; we might be adversely impacted by fluctuations in foreign currency exchange rates; we might be adversely impacted by events outside of our control, such as widespread public health issues (including the effects we have experienced from the COVID-19 pandemic), natural disasters, political events and other catastrophic events; we may be adversely affected by global climate change or by legal, regulatory or market responses to such change; and we face uncertainties and risks related to COVID-19 vaccination mandates and to vaccination distribution and related ancillary supply kit programs.

GAAP / Non-GAAP Reconciliation

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

Accelerating our company priorities, delivering growth and long-term shareholder value

Our Vision:

To improve care in every setting –
one product, one partner, one patient at a time



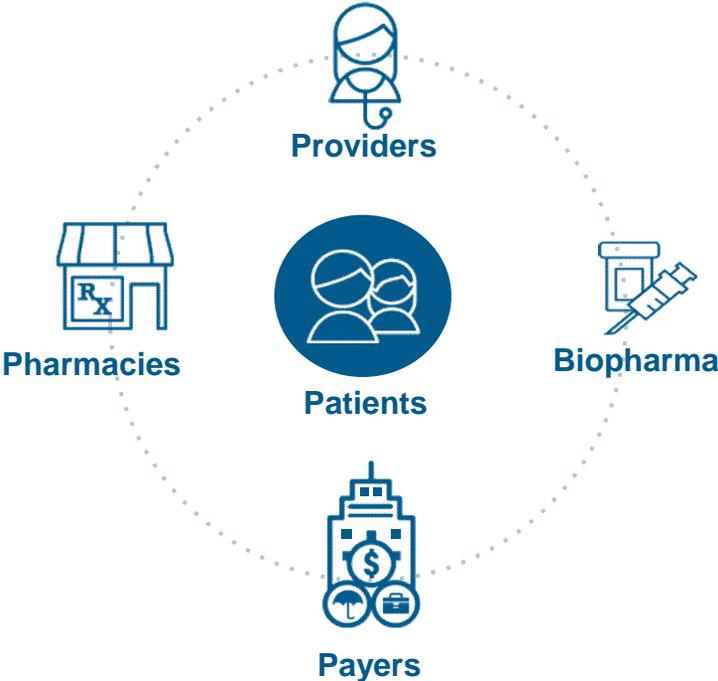
Our Priorities:

- 1 Focus on People and Culture**
- 2 Strengthen the Core**
- 3 Streamline the Business**
- 4 Invest in Oncology and Biopharma Services**

Advancing our scaled and connected ecosystems with Innovation and Execution

Oncology

- Distribution scale & execution
- GPO services
- Practice management
- Real-world insights
- Research & clinical trials
- Specialty pharmacy



Biopharma Services

- Patient access solutions
- Automated hub services
- Pharmacy claims switch
- Automated Co-pay programs
- Prior authorization solutions
- Patient assistance programs



Access for More Patients™



Investments in growth and innovation





Second Quarter Fiscal 2022 Results

Company Updates

Strong Second Quarter Results; Raised Full-Year Guidance

Company Updates

- On November 1, 2021, McKesson announced an agreement to sell its retail and distribution businesses in the U.K. to Aurelius.
- Dr. Richard H. Carmona, a former U.S. Surgeon General, joined McKesson's Board of Directors as a new independent director and member of the Board of Directors' Compensation and Compliance Committees effective September 6, 2021.
- On September 4, 2021, McKesson announced that under the previously proposed settlement agreement to resolve the opioid claims of state and local governmental entities, it was determined that enough states have signed on to proceed to the next phase.

Business Summary

- Q2 revenue of **\$66.6 billion**, an increase of 9% from a year ago
- Q2 Adjusted Earnings per Diluted Share of **\$6.15**, an increase of 28%
- Raised Fiscal 2022 Adjusted Earnings per Diluted Share outlook to **\$21.95 to \$22.55** from **\$19.80 to \$20.40**
- Fiscal 2022 Adjusted Earnings per Diluted Share guidance includes approximately **\$2.30 to \$3.05** of impacts attributable to the following:
 - **\$1.30 to \$1.80** related to the U.S. government's COVID-19 vaccine distribution, kitting, and storage programs
 - **\$0.50 to \$0.75** related to COVID-19 tests and impairments for personal protective equipment and related products
 - **\$0.49** related to year-to-date gains or losses associated with McKesson Ventures' equity investments
- Excluding the impacts of the above items from both fiscal 2022 guidance and fiscal 2021 results, indicates **20% to 29%** forecasted growth
- For the first six months of the fiscal year, returned **\$1.4 billion** of cash to shareholders

Consolidated Financial Information

Q2 and YTD Fiscal 2022 Results

| Results (\$ and shares in millions, except per share amounts) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|--|-------------|---------------|-----------------|---------------|
| Revenues | \$ 66,576 | 9 % | \$ 129,250 | 11 % |
| Adjusted Gross Profit | \$ 3,295 | 12 % | \$ 6,439 | 15 % |
| Adjusted Operating Expenses | \$ (2,156) | 4 % | \$ (4,250) | 5 % |
| Adjusted Operating Profit | \$ 1,278 | 34 % | \$ 2,372 | 43 % |
| Interest expense | \$ (45) | (10) % | \$ (94) | (15) % |
| Adjusted Income Tax Expense | \$ (232) | 257 % | \$ (350) | 67 % |
| Net income attributable to noncontrolling interests | \$ (43) | (14) % | \$ (90) | (10) % |
| Adjusted Earnings | \$ 958 | 22 % | \$ 1,838 | 49 % |
| Adjusted Earnings per Diluted Share | \$ 6.15 | 28 % | \$ 11.71 | 54 % |
| Diluted weighted average common shares | 155.8 | (5) % | 156.9 | (4) % |

U.S. Pharmaceutical

Q2 and YTD Fiscal 2022 Results

| Results (\$ in millions) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|--|-------------|---------------|-----------------|---------------|
| <u>U.S. Pharmaceutical</u> | | | | |
| Revenues | \$ 53,411 | 11 % | \$ 103,430 | 12 % |
| Adjusted Segment Operating Profit | \$ 735 | 12 % | \$ 1,417 | 14 % |
| Adjusted Segment Operating Profit Margin | 1.38 % | 1 bp | 1.37 % | 2 bp |

- Q2 revenue increase driven by higher specialty volumes and market growth, partially offset by branded to generic conversions
- Q2 Adjusted Segment Operating Profit increase driven by growth in distribution of specialty products to providers and health systems and the contribution from COVID-19 vaccine distribution

Prescription Technology Solutions

Q2 and YTD Fiscal 2022 Results

| Results (\$ in millions) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|---|-------------|---------------|-----------------|---------------|
| <u>Prescription Technology Solutions</u> | | | | |
| Revenues | \$ 932 | 40 % | \$ 1,813 | 37 % |
| Adjusted Segment Operating Profit | \$ 144 | 38 % | \$ 283 | 49 % |
| Adjusted Segment Operating Profit Margin | 15.45 % | (12) bp | 15.61 % | 126 bp |

- Q2 revenue growth driven by higher biopharma service offerings and increased technology and service revenue resulting from the growth of prescription volumes
- Q2 Adjusted Segment Operating Profit increased driven by core growth from access and adherence solutions

Medical-Surgical Solutions

Q2 and YTD Fiscal 2022 Results

| Results (\$ in millions) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|--|-------------|---------------|-----------------|---------------|
| <u>Medical-Surgical Solutions</u> | | | | |
| Revenues | \$ 3,124 | 23 % | \$ 5,652 | 30 % |
| Adjusted Segment Operating Profit | \$ 319 | 52 % | \$ 576 | 72 % |
| Adjusted Segment Operating Profit Margin | 10.21 % | 192 bp | 10.19 % | 248 bp |

- Q2 revenue growth primarily driven by increased sales of COVID-19 tests and growth in the primary care business
- Q2 Adjusted Segment Operating Profit growth was driven by increased sales of COVID-19 tests, increased primary care patient visits, and the contribution from kitting, storage, and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program

International

Q2 and YTD Fiscal 2022 Results

| Results (\$ in millions) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|--|-------------|---------------|-----------------|---------------|
| <u>International</u> | | | | |
| Revenues | \$ 9,109 | (5) % | \$ 18,355 | 1 % |
| Adjusted Segment Operating Profit | \$ 163 | 41 % | \$ 333 | 76 % |
| Adjusted Segment Operating Profit Margin | 1.79 % | 57 bp | 1.81 % | 77 bp |

- Q2 FX-Adjusted revenue of \$8.8 billion, down 8% year-over-year, primarily driven by contribution of McKesson's German wholesale business to a joint venture with Walgreens Boots Alliance which was completed during the third quarter of fiscal 2021, partially offset by volume recovery in the pharmaceutical distribution and retail businesses
- Q2 FX-Adjusted Segment Operating Profit of \$155 million, up 34% year-over-year, driven by the discontinuation recording of depreciation and amortization on certain European assets classified as held for sale beginning in the second quarter of fiscal 2022

Corporate

Q2 and YTD Fiscal 2022 Results

| Results (\$ in millions) | Q2 FY 22 | YoY Change | YTD Q2 FY 22 | YoY Change |
|-----------------------------|-------------|---------------|-----------------|---------------|
| <u>Corporate</u> | | | | |
| Adjusted Corporate Expenses | \$ (83) | (39)% | \$ (237) | (21)% |

- Q2 Adjusted Corporate Expenses decrease driven by net gains of approximately \$97 million associated with McKesson Ventures' equity investments, compared to \$49 million in the second quarter of fiscal 2021

Opioid-Related Costs

| Results (\$ in millions) | Q2 FY 22 | Q2 FY 21 | YTD Q2 FY 22 | YTD Q2 FY 21 |
|--|---------------|--------------|-----------------|-----------------|
| <u>Opioid-related costs</u> | | | | |
| Claims and litigation charges, net (GAAP-only) | \$ 112 | \$ — | \$ 186 | \$ (131) |
| Opioid Stewardship Assessment (GAAP-only) | \$ — | \$ 50 | \$ — | \$ 50 |
| Legal fees and other | \$ 36 | \$ 41 | \$ 71 | \$ 84 |
| Total expense | \$ 148 | \$ 91 | \$ 257 | \$ 3 |

Claims and Litigation Charges¹:

- Q2 opioid-related costs included a GAAP-only pre-tax charge of \$112 million related to our estimated liability for opioid-related claims of government entities, including Native American tribes

Legal Fees and Other:

- Opioid-related costs, primarily litigation expenses, included in Adjusted Operating Expenses and reflected in Corporate

¹³ ¹ McKesson's total estimated liability for opioid-related claims was \$8.2 billion as of September 30, 2021, which includes a current portion of \$1.1 billion

YTD Cash Balance Walk

| | | |
|--|----|--------------|
| Balance at March 31, 2021¹ | \$ | 6,396 |
| Operating cash flow | | 170 |
| Capital expenditures | | (279) |
| Free Cash Flow | | (109) |
| Acquisitions | | (4) |
| Other investing cash flows | | 126 |
| Share repurchases | | (1,272) |
| Exercise of put right | | (1,031) |
| Dividends paid | | (134) |
| Other financing cash flows and FX | | (1,439) |
| Net decrease in cash | | (3,863) |
| Balance at September 30, 2021¹ | \$ | 2,533 |
| Less: Restricted cash | | (382) |
| Cash and cash equivalents at September 30, 2021 | \$ | 2,151 |

Cash Dynamics

- Free Cash Flow of (\$109) million
- Returned \$1.4 billion of cash to shareholders year-to-date
 - Repurchased \$1.3 billion of shares
 - Paid \$134 million in dividends
- Remaining share repurchase authorization of \$1.5 billion as of September 30, 2021



Fiscal 2022 Outlook

On the following slides, McKesson presents an overview of its fiscal 2022 Outlook assumptions. These assumptions consist of certain non-GAAP measures. As outlined in the company's November 1, 2021 press release, McKesson does not provide forward-looking guidance on a GAAP basis as the company is unable to provide a quantitative reconciliation of this forward-looking non-GAAP measure to the most directly comparable forward-looking GAAP measure, without unreasonable effort, as items are inherently uncertain and depend on various factors, many of which are beyond the company's control.

Fiscal 2022 Outlook

Key Assumptions

- We expect a return to pre-COVID-19 levels of pharmaceutical prescription and patient engagement levels in the second half of fiscal 2022
- We expect pharmaceutical prescription volumes will continue to demonstrate steady improvement through the second half of our fiscal year
- We assume approximately \$0.10 to \$0.20 of Adjusted Earnings per Diluted Share impact as a result of labor investments in our U.S. distribution businesses in the second half of fiscal 2022
- We expect our role as the central distributor for the U.S. government to deliver Adjusted Earnings per Diluted Share in fiscal 2022 as follows:
 - Vaccine Distribution: \$0.50 to \$0.70
 - Kitting, Storage, and Distribution of Ancillary Supplies: \$0.80 to \$1.10
- We estimate taxes based on current tax laws in effect as of November 1, 2021

Fiscal 2022 Outlook

Consolidated Earnings



| | Fiscal 2022 Outlook | Fiscal 2021 Actual |
|--|---|--------------------|
| Revenues | 8% to 11% growth <i>Previously 4% to 7% growth</i> | 3% growth |
| Adjusted Operating Profit | 18% to 22% growth <i>Previously 7% to 10% growth</i> | 1% growth |
| Interest Expense | \$180 to \$200 million | \$217 million |
| Income Attributable to Non-Controlling Interests | \$175 to \$195 million | \$199 million |
| Adjusted Effective Tax Rate | 18% to 19% | 18.6% |
| Adjusted Earnings per Diluted Share | \$21.95 to \$22.55 <i>Previously \$19.80 to \$20.40</i> | \$17.21 |

Fiscal 2022 Outlook

Cash Generation and Deployment



| | Fiscal 2022 Outlook | Fiscal 2021 Actual |
|--|---------------------------|----------------------------|
| Free Cash Flow | \$3.5 to \$3.9 billion | \$3.9 billion |
| Property Acquisitions and Capitalized Software | \$540 to \$640 million | \$641 million |
| Share Repurchases | Approximately \$2 billion | \$770 million ¹ |
| Diluted weighted average common shares | 154 to 156 million | 162 million |

Fiscal 2022 Outlook

Operating Segments



| | U.S. Pharmaceutical | Prescription Technology Solutions | Medical-Surgical Solutions | International |
|---|--|---|--|---|
| FY22 Revenue | 8% to 11% growth <i>Previously 5% to 8% growth</i> | 31% to 37% growth <i>Previously 20% to 25% growth</i> | 8% to 14% growth <i>Previously 3% decline to 3% growth</i> | 1% decline to 4% growth |
| FY22 Adjusted Segment Operating Profit: | | | | |
| Reported | 4.5% to 7.5% growth | 23% to 29% growth <i>Previously 17% to 22% growth</i> | 35% to 45% growth <i>Previously 6% to 12% growth</i> | 39% to 43% growth <i>Previously 26% to 30% growth</i> |
| Excluding COVID-19 impacts in the U.S. ¹ | 3% to 6% growth | | 13% to 19% growth | |

¹Assumes \$0.50 to \$0.70 in U.S. Pharmaceutical related to the U.S. government's COVID-19 vaccine distribution and does not assume any contribution from COVID-19 vaccines designated for pediatric patients or booster shots. Assumes \$0.80 to \$1.10 in Medical-Surgical Solutions related to the kitting, storage, and distribution of ancillary supplies and \$0.50 to \$0.75 in Medical-Surgical Solutions related to COVID-19 tests and impairments for personal protective equipment and related products.



Appendix

GAAP to Non-GAAP Reconciliation

Q2 and YTD Fiscal 2022 and Fiscal 2021

Schedule 2

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

| | Three Months Ended September 30, | | | Six Months Ended September 30, | | |
|--|----------------------------------|----------------|--------------|--------------------------------|-----------------|--------------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Income from continuing operations (GAAP) | \$ 310 | \$ 627 | (51)% | \$ 846 | \$ 1,122 | (25)% |
| Net income attributable to noncontrolling interests (GAAP) | (43) | (50) | (14) | (90) | (100) | (10) |
| Income from continuing operations attributable to McKesson Corporation (GAAP) | 267 | 577 | (54) | 756 | 1,022 | (26) |
| Pre-tax adjustments: | | | | | | |
| Amortization of acquisition-related intangibles | 84 | 106 | (21) | 182 | 212 | (14) |
| Transaction-related expenses and adjustments ⁽¹⁾⁽²⁾ | 430 | 13 | — | 461 | 29 | — |
| LIFO inventory-related adjustments | (23) | (52) | (56) | (46) | (104) | (56) |
| Gains from antitrust legal settlements | (34) | — | — | (46) | — | — |
| Restructuring, impairment, and related charges, net ⁽³⁾ | 32 | 62 | (48) | 190 | 119 | 60 |
| Claims and litigation charges, net ⁽⁴⁾⁽⁵⁾⁽⁶⁾ | 112 | — | — | 186 | (131) | 242 |
| Other adjustments, net ⁽⁷⁾⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ | 190 | 119 | 60 | 347 | 125 | 178 |
| Income tax effect on pre-tax adjustments | (100) | (37) | 170 | (192) | (31) | 519 |
| Net income attributable to noncontrolling interests effect on other adjustments, net ⁽⁹⁾ | — | (4) | (100) | — | (4) | (100) |
| Adjusted Earnings (Non-GAAP) | \$ 958 | \$ 784 | 22 % | \$ 1,838 | \$ 1,237 | 49 % |
| Diluted weighted-average common shares outstanding | 155.8 | 163.2 | (5)% | 156.9 | 163.2 | (4)% |
| Earnings per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) ^(a) | \$ 1.71 | \$ 3.54 | (52)% | \$ 4.82 | \$ 6.26 | (23)% |
| After-tax adjustments: | | | | | | |
| Amortization of acquisition-related intangibles | 0.42 | 0.50 | (16) | 0.90 | 1.01 | (11) |
| Transaction-related expenses and adjustments | 2.64 | 0.07 | — | 2.81 | 0.15 | — |
| LIFO inventory-related adjustments | (0.11) | (0.23) | (52) | (0.22) | (0.47) | (53) |
| Gains from antitrust legal settlements | (0.16) | — | — | (0.22) | — | — |
| Restructuring, impairment, and related charges, net | 0.15 | 0.29 | (48) | 0.97 | 0.57 | 70 |
| Claims and litigation charges, net | 0.60 | — | — | 0.98 | (0.59) | 266 |
| Other adjustments, net | 0.90 | 0.63 | 43 | 1.67 | 0.65 | 157 |
| Adjusted Earnings per Diluted Share (Non-GAAP) ^(b) | \$ 6.15 | \$ 4.80 | 28 % | \$ 11.71 | \$ 7.58 | 54 % |

GAAP to Non-GAAP Reconciliation

Q2 and YTD Fiscal 2022 and Fiscal 2021

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions)

Schedule 2
(Continued)

| | Three Months Ended September 30, | | | Six Months Ended September 30, | | |
|--|----------------------------------|-------------------|--------|--------------------------------|-------------------|--------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Gross profit (GAAP) | \$ 3,352 | \$ 3,000 | 12 % | \$ 6,384 | \$ 5,700 | 12 % |
| Pre-tax adjustments: | | | | | | |
| LIFO inventory-related adjustments | (23) | (52) | (56) | (46) | (104) | (56) |
| Gains from antitrust legal settlements | (34) | — | — | (46) | — | — |
| Restructuring, impairment, and related charges, net | — | 2 | (100) | — | 3 | (100) |
| Other adjustments, net ⁽⁸⁾ | — | 1 | (100) | 147 | 1 | — |
| Adjusted Gross Profit (Non-GAAP) | <u>\$ 3,295</u> | <u>\$ 2,951</u> | 12 % | <u>\$ 6,439</u> | <u>\$ 5,600</u> | 15 % |
| Total operating expenses (GAAP) | \$ (2,813) | \$ (2,366) | 19 % | \$ (5,277) | \$ (4,388) | 20 % |
| Pre-tax adjustments: | | | | | | |
| Amortization of acquisition-related intangibles | 84 | 106 | (21) | 181 | 212 | (15) |
| Transaction-related expenses and adjustments ⁽¹⁾⁽²⁾ | 430 | 13 | — | 461 | 29 | — |
| Restructuring, impairment, and related charges, net ⁽³⁾ | 32 | 60 | (47) | 190 | 116 | 64 |
| Claims and litigation charges, net ⁽⁴⁾⁽⁵⁾⁽⁶⁾ | 112 | — | — | 186 | (131) | 242 |
| Other adjustments, net ⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ | (1) | 118 | (101) | 9 | 124 | (93) |
| Adjusted Operating Expenses (Non-GAAP) | <u>\$ (2,156)</u> | <u>\$ (2,069)</u> | 4 % | <u>\$ (4,250)</u> | <u>\$ (4,038)</u> | 5 % |
| Other income, net (GAAP) | \$ 139 | \$ 71 | 96 % | \$ 182 | \$ 98 | 86 % |
| Pre-tax adjustments: | | | | | | |
| Amortization of acquisition-related intangibles | — | — | — | 1 | — | — |
| Adjusted Other Income (Non-GAAP) | <u>\$ 139</u> | <u>\$ 71</u> | 96 % | <u>\$ 183</u> | <u>\$ 98</u> | 87 % |

Refer to Slide 23 of this presentation for all footnote references.

GAAP to Non-GAAP Reconciliation

Q2 and YTD Fiscal 2022 and Fiscal 2021

McKESSON CORPORATION
RECONCILIATION OF GAAP OPERATING RESULTS TO ADJUSTED RESULTS (NON-GAAP)
(unaudited)
(in millions)

Schedule 2
(Continued)

| | Three Months Ended September 30, | | | Six Months Ended September 30, | | |
|--|----------------------------------|----------------|--------------|--------------------------------|-----------------|-------------|
| | 2021 | 2020 | Change | 2021 | 2020 | Change |
| Loss on debt extinguishment (GAAP) | \$ (191) | \$ — | — % | \$ (191) | \$ — | — % |
| Pre-tax adjustments: | | | | | | |
| Other adjustments, net ⁽⁷⁾ | 191 | — | — | 191 | — | — |
| Adjusted Loss on Debt Extinguishment (Non-GAAP) | <u>\$ —</u> | <u>\$ —</u> | <u>— %</u> | <u>\$ —</u> | <u>\$ —</u> | <u>— %</u> |
| Income tax expense (GAAP) | \$ (132) | \$ (28) | 371 % | \$ (158) | \$ (178) | (11)% |
| Tax adjustments: | | | | | | |
| Amortization of acquisition-related intangibles | (18) | (25) | (28) | (40) | (48) | (17) |
| Transaction-related expenses and adjustments | (20) | (1) | — | (20) | (5) | 300 |
| LIFO inventory-related adjustments | 6 | 13 | (54) | 12 | 27 | (56) |
| Gains from antitrust legal settlements | 9 | — | — | 12 | — | — |
| Restructuring, impairment, and related charges, net | (8) | (15) | (47) | (37) | (27) | 37 |
| Claims and litigation charges, net | (19) | — | — | (32) | 34 | (194) |
| Other adjustments, net | (50) | (9) | 456 | (87) | (12) | 625 |
| Adjusted Income Tax Expense (Non-GAAP) | <u>\$ (232)</u> | <u>\$ (65)</u> | <u>257 %</u> | <u>\$ (350)</u> | <u>\$ (209)</u> | <u>67 %</u> |

(a) Certain computations may reflect rounding adjustments.

(b) Adjusted earnings per diluted share on an FX-adjusted basis for the three and six months ended September 30, 2021 was \$6.11 and \$11.61, which excludes the foreign currency exchange effect of \$0.04 and \$0.10, respectively.

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

Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Earnings (Non-GAAP), Adjusted Earnings per Diluted Share (Non-GAAP), Adjusted Gross Profit (Non-GAAP), Adjusted Operating Expenses (Non-GAAP), Adjusted Other Income (Non-GAAP), Adjusted Loss on Debt Extinguishment (Non-GAAP), and Adjusted Income Tax Expense (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

GAAP to Non-GAAP Reconciliation

Q2 Fiscal 2022 and Q2 Fiscal 2021

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

Schedule 3

| | Three Months Ended September 30, | | | | | | | | | | Change | | | |
|--|----------------------------------|---------------|---------------------------|-----------------------|---------------|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|-----------------------|---------------------------|--|--|
| | 2021 | | | 2020 | | | As reported | | As adjusted | | | | | |
| | As reported (GAAP) | Adjustments | As adjusted (Non-GAAP) | As reported (GAAP) | Adjustments | As adjusted (Non-GAAP) | Foreign currency effects | FX-Adjusted (Non-GAAP) | Foreign currency effects | FX-Adjusted (Non-GAAP) | As reported (GAAP) | As adjusted (Non-GAAP) | As reported FX-Adjusted (Non-GAAP) | As adjusted FX-Adjusted (Non-GAAP) |
| REVENUES | | | | | | | | | | | | | | |
| U.S. Pharmaceutical | \$ 53,411 | \$ — | \$ 53,411 | \$ 48,067 | \$ — | \$ 48,067 | \$ — | \$ 53,411 | \$ — | \$ 53,411 | 11 % | 11 % | 11 % | 11 % |
| Prescription Technology Solutions | 932 | — | 932 | 668 | — | 668 | — | 932 | — | 932 | 40 | 40 | 40 | 40 |
| Medical-Surgical Solutions | 3,124 | — | 3,124 | 2,533 | — | 2,533 | — | 3,124 | — | 3,124 | 23 | 23 | 23 | 23 |
| International | 9,109 | — | 9,109 | 9,540 | — | 9,540 | (337) | 8,772 | (337) | 8,772 | (5) | (5) | (8) | (8) |
| Revenues | <u>\$ 66,576</u> | <u>\$ —</u> | <u>\$ 66,576</u> | <u>\$ 60,808</u> | <u>\$ —</u> | <u>\$ 60,808</u> | <u>\$ (337)</u> | <u>\$ 66,239</u> | <u>\$ (337)</u> | <u>\$ 66,239</u> | 9 % | 9 % | 9 % | 9 % |
| OPERATING PROFIT (LOSS) ⁽³⁾ | | | | | | | | | | | | | | |
| U.S. Pharmaceutical ⁽¹⁰⁾ | \$ 760 | \$ (25) | \$ 735 | \$ 623 | \$ 35 | \$ 658 | \$ — | \$ 760 | \$ — | \$ 735 | 22 % | 12 % | 22 % | 12 % |
| Prescription Technology Solutions | 128 | 16 | 144 | 88 | 16 | 104 | — | 128 | — | 144 | 45 | 38 | 45 | 38 |
| Medical-Surgical Solutions | 296 | 23 | 319 | 187 | 23 | 210 | — | 296 | — | 319 | 58 | 52 | 58 | 52 |
| International ⁽¹⁾⁽²⁾⁽⁹⁾ | (146) | 309 | 163 | (45) | 161 | 116 | (4) | (150) | (8) | 155 | 224 | 41 | 233 | 34 |
| Subtotal | 1,038 | 323 | 1,361 | 853 | 235 | 1,088 | (4) | 1,034 | (8) | 1,353 | 22 | 25 | 21 | 24 |
| Corporate expenses, net ⁽²⁾⁽⁴⁾ | (360) | 277 | (83) | (148) | 13 | (135) | 1 | (359) | 1 | (82) | 143 | (39) | 143 | (39) |
| Income from continuing operations before interest expense and income taxes | <u>\$ 678</u> | <u>\$ 600</u> | <u>\$ 1,278</u> | <u>\$ 705</u> | <u>\$ 248</u> | <u>\$ 953</u> | <u>\$ (3)</u> | <u>\$ 675</u> | <u>\$ (7)</u> | <u>\$ 1,271</u> | (4) % | 34 % | (4) % | 33 % |
| OPERATING PROFIT (LOSS) AS A % OF REVENUES | | | | | | | | | | | | | | |
| U.S. Pharmaceutical | 1.42 % | | 1.38 % | 1.30 % | | 1.37 % | | 1.42 % | | 1.38 % | 12 bp | 1 bp | 12 bp | 1 bp |
| Prescription Technology Solutions | 13.73 | | 15.45 | 13.17 | | 15.57 | | 13.73 | | 15.45 | 56 | (12) | 56 | (12) |
| Medical-Surgical Solutions | 9.48 | | 10.21 | 7.38 | | 8.29 | | 9.48 | | 10.21 | 210 | 192 | 210 | 192 |
| International | (1.60) | | 1.79 | (0.47) | | 1.22 | | (1.71) | | 1.77 | (113) | 57 | (124) | 55 |

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

Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Segment Operating Profit (Non-GAAP), Adjusted Operating Profit (Non-GAAP), Adjusted Corporate Expenses (Non-GAAP), FX-Adjusted (Non-GAAP), and Adjusted Segment Operating Profit Margin (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

MCKESSON

GAAP to Non-GAAP Reconciliation

YTD Fiscal 2022 and YTD Fiscal 2021

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

Schedule 3
(Continued)

| | Six Months Ended September 30, | | | | | | | | | | Change | | | |
|--|--------------------------------|-----------------|---------------------------|-----------------------|---------------|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|-----------------------|---------------------------|--|--|
| | 2021 | | | 2020 | | | As reported | | As adjusted | | As reported | | As adjusted | |
| | As reported (GAAP) | Adjustments | As adjusted (Non-GAAP) | As reported (GAAP) | Adjustments | As adjusted (Non-GAAP) | Foreign currency effects | FX-Adjusted (Non-GAAP) | Foreign currency effects | FX-Adjusted (Non-GAAP) | As reported (GAAP) | As adjusted (Non-GAAP) | As reported FX-Adjusted (Non-GAAP) | As adjusted FX-Adjusted (Non-GAAP) |
| REVENUES | | | | | | | | | | | | | | |
| U.S. Pharmaceutical | \$ 103,430 | \$ — | \$ 103,430 | \$ 92,737 | \$ — | \$ 92,737 | \$ — | \$ 103,430 | \$ — | \$ 103,430 | 12 % | 12 % | 12 % | 12 % |
| Prescription Technology Solutions | 1,813 | — | 1,813 | 1,324 | — | 1,324 | — | 1,813 | — | 1,813 | 37 | 37 | 37 | 37 |
| Medical-Surgical Solutions | 5,652 | — | 5,652 | 4,334 | — | 4,334 | — | 5,652 | — | 5,652 | 30 | 30 | 30 | 30 |
| International | 18,355 | — | 18,355 | 18,092 | — | 18,092 | (1,299) | 17,056 | (1,299) | 17,056 | 1 | 1 | (6) | (6) |
| Revenues | <u>\$ 129,250</u> | <u>\$ —</u> | <u>\$ 129,250</u> | <u>\$ 116,487</u> | <u>\$ —</u> | <u>\$ 116,487</u> | <u>\$ (1,299)</u> | <u>\$ 127,951</u> | <u>\$ (1,299)</u> | <u>\$ 127,951</u> | 11 % | 11 % | 10 % | 10 % |
| OPERATING PROFIT (LOSS) ⁽³⁾ | | | | | | | | | | | | | | |
| U.S. Pharmaceutical ⁽¹⁰⁾ | \$ 1,442 | \$ (25) | \$ 1,417 | \$ 1,236 | \$ 12 | \$ 1,248 | \$ — | \$ 1,442 | \$ — | \$ 1,417 | 17 % | 14 % | 17 % | 14 % |
| Prescription Technology Solutions | 232 | 51 | 283 | 156 | 34 | 190 | — | 232 | — | 283 | 49 | 49 | 49 | 49 |
| Medical-Surgical Solutions ⁽⁸⁾ | 371 | 205 | 576 | 276 | 58 | 334 | — | 371 | — | 576 | 34 | 72 | 34 | 72 |
| International ⁽¹⁾⁽²⁾⁽⁹⁾ | (93) | 426 | 333 | (42) | 231 | 189 | (4) | (97) | (27) | 306 | 121 | 76 | 131 | 62 |
| Subtotal | 1,952 | 657 | 2,609 | 1,626 | 335 | 1,961 | (4) | 1,948 | (27) | 2,582 | 20 | 33 | 20 | 32 |
| Corporate expenses, net ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾ | (663) | 426 | (237) | (216) | (85) | (301) | 3 | (660) | 3 | (234) | 207 | (21) | 206 | (22) |
| Income from continuing operations before interest expense and income taxes | <u>\$ 1,289</u> | <u>\$ 1,083</u> | <u>\$ 2,372</u> | <u>\$ 1,410</u> | <u>\$ 250</u> | <u>\$ 1,660</u> | <u>\$ (1)</u> | <u>\$ 1,288</u> | <u>\$ (24)</u> | <u>\$ 2,348</u> | (9) % | 43 % | (9) % | 41 % |
| OPERATING PROFIT (LOSS) AS A % OF REVENUES | | | | | | | | | | | | | | |
| U.S. Pharmaceutical | 1.39 % | | 1.37 % | 1.33 % | | 1.35 % | | 1.39 % | | 1.37 % | 6 bp | 2 bp | 6 bp | 2 bp |
| Prescription Technology Solutions | 12.80 | | 15.61 | 11.78 | | 14.35 | | 12.80 | | 15.61 | 102 | 126 | 102 | 126 |
| Medical-Surgical Solutions | 6.56 | | 10.19 | 6.37 | | 7.71 | | 6.56 | | 10.19 | 19 | 248 | 19 | 248 |
| International | (0.51) | | 1.81 | (0.23) | | 1.04 | | (0.57) | | 1.79 | (28) | 77 | (34) | 75 |

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

Refer to the section entitled "Financial Statement Notes" of this presentation.

For more information relating to the Adjusted Segment Operating Profit (Non-GAAP), Adjusted Operating Profit (Non-GAAP), Adjusted Corporate Expenses (Non-GAAP), FX-Adjusted (Non-GAAP), and Adjusted Segment Operating Profit Margin (Non-GAAP) definitions, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

McKESSON

GAAP to Non-GAAP Reconciliation

YTD Fiscal 2022 and YTD Fiscal 2021

McKESSON CORPORATION
RECONCILIATION OF GAAP CASH FLOWS TO FREE CASH FLOW (NON-GAAP)
(unaudited)
(in millions)

Schedule 6

| | Six Months Ended September 30, | | Change |
|--|-----------------------------------|-----------------|--------|
| | 2021 | 2020 | |
| GAAP CASH FLOW CATEGORIES | | | |
| Net cash provided by (used in) operating activities | \$ 170 | \$ (41) | 515 % |
| Net cash used in investing activities | (157) | (278) | (44) |
| Net cash used in financing activities | (3,894) | (401) | 871 |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 18 | (63) | 129 |
| Net decrease in cash, cash equivalents, and restricted cash | <u>\$ (3,863)</u> | <u>\$ (783)</u> | 393 % |
| FREE CASH FLOW (NON-GAAP) | | | |
| Net cash provided by (used in) operating activities | \$ 170 | \$ (41) | 515 % |
| Payments for property, plant, and equipment | (186) | (174) | 7 |
| Capitalized software expenditures | (93) | (91) | 2 |
| Free Cash Flow (Non-GAAP) | <u>\$ (109)</u> | <u>\$ (306)</u> | (64)% |

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

For more information relating to the Free Cash Flow (Non-GAAP) definition, refer to the section entitled "Supplemental Non-GAAP Financial Information" of this presentation.

Financial Statement Notes

McKESSON CORPORATION
FINANCIAL STATEMENT NOTES

1 of 2

- (1) Transaction-related expenses and adjustments for the three and six months ended September 30, 2021 includes a gain of \$59 million (pre-tax and after-tax) related to the sale of our Canadian health benefit claims management and plan administrative services business within International. This gain is included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (2) Transaction-related expenses and adjustments for the three and six months ended September 30, 2021 includes pre-tax charges of \$491 million (\$472 million after-tax) to remeasure assets and liabilities held for sale to fair value less costs to sell related to an agreement to sell certain of our European businesses to the PHOENIX Group and to impair certain internal-use software that will not be utilized in the future. Pre-tax charges of \$149 million (\$134 million after-tax) primarily related to the effect of accumulated other comprehensive income balances associated with the disposal group are included within Corporate expenses, net, and pre-tax charges of \$342 million (\$338 million after-tax) primarily to remeasure assets and liabilities held for sale to fair value less costs to sell, to impair certain internal-use software that will not be utilized in the future, and the effect of accumulated other comprehensive income balances associated with the disposal group are included within our International segment. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (3) Restructuring, impairment, and related charges, net for the three months ended September 30, 2021 includes pre-tax charges of \$32 million (\$24 million after-tax) primarily for Corporate expenses, net as well as U.S. Pharmaceutical, and for the six months ended September 30, 2021 pre-tax charges of \$190 million (\$153 million after-tax), primarily for Corporate expenses, net as well as our Canada and Europe businesses. The three and six months ended September 30, 2020 includes charges of \$60 million (\$45 million after-tax) and \$116 million (\$90 million after-tax), respectively, primarily for our Europe business and Corporate expenses, net. Our Europe and Canada businesses are included within International. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables. Additionally, restructuring, impairment, and related charges, net for the three and six months ended September 30, 2020 includes immaterial amounts under "gross profit" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (4) Claims and litigation charges, net for the three and six months ended September 30, 2021 includes pre-tax charges of \$112 million (\$93 million after-tax) related to our estimated liability for opioid-related claims of government entities, including Native American tribes, within Corporate expenses, net. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (5) Claims and litigation charges, net for the six months ended September 30, 2021 includes a pre-tax charge of \$27 million (\$22 million after-tax) related to an agreement to settle opioid-related claims with the State of New York and its participating subdivisions, including Nassau and Suffolk Counties, and a pre-tax charge of \$47 million (\$39 million after-tax) related to our estimated liability for a comprehensive proposed agreement to settle opioid-related claims of participating states, their political subdivisions, and other government entities, within Corporate expenses, net. These charges are included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

Financial Statement Notes

FINANCIAL STATEMENT NOTES (continued)

2 of 2

- (6) Claims and litigation charges, net for the six months ended September 30, 2020 includes a pre-tax net gain of \$131 million (\$97 million after-tax) related to insurance proceeds received, net of attorneys' fees and expenses awarded to plaintiffs' counsel, in connection with the \$175 million settlement of the shareholder derivative action related to our controlled substances monitoring program within Corporate expenses, net. This gain is included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (7) Other adjustments, net for the three and six months ended September 30, 2021 includes a pre-tax loss of \$191 million (\$141 million after-tax) on debt extinguishment related to our July 2021 tender offer to redeem a portion of our existing debt. This charge is included under "loss on debt extinguishment" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (8) Other adjustments, net for the six months ended September 30, 2021 includes pre-tax charges of \$155 million (\$118 million after-tax) related to inventory write downs on certain excess personal protective equipment within Medical-Surgical Solutions. These charges are driven by the intent of management to not sell this excess inventory which required inventory write downs to zero net realizable value, and instead direct it to charitable organizations. A portion of this inventory was committed for donation during our first quarter of fiscal 2022. Due to the nature of this expected in-kind donation of inventory in a quantitatively significant amount, management believes this charge is not part of normal business operations and is therefore excluded from our determination of adjusted results. A pre-tax charge of \$147 million (\$112 million after-tax) is included under "gross profit" primarily related to the excess inventory, which we no longer plan to sell and instead plan to donate, and a pre-tax charge of \$8 million (\$6 million after-tax) is included under "total operating expenses" related to the already committed donation in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (9) Other adjustments, net for the three and six months ended September 30, 2020 includes a non-cash goodwill impairment charge of \$69 million (pre-tax and after-tax) within International related to our European retail business, partially offset by the related indirect effect of \$4 million benefit in net income attributable to noncontrolling interests. This impairment charge is included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.
- (10) Other adjustments, net for the three and six months ended September 30, 2020 include a pre-tax charge of \$50 million (\$37 million after-tax) related to our estimated liability under the New York ("NY") state Opioid Stewardship Act ("OSA") within U.S. Pharmaceutical for calendar years 2017 and 2018. In December 2018, a federal district court struck down the law as unconstitutional and NY replaced the OSA with an excise tax on opioid sales in the state of NY covering calendar year 2019 sales and beyond. In September 2020, an appellate court reversed on procedural grounds the district court's decision. An amendment to the Act made clear that the OSA applies only to NY opioid sales or distributions for calendar years 2017 and 2018. On October 4, 2021, the U.S. Supreme Court denied further review, and, as a result, we anticipate facing liability under the OSA for calendar years 2017 and 2018. We believe the estimated OSA liability is one-time in nature because the liability is retroactively imposed on sales or distributions in 2017 and 2018, and is not indicative of future results. Inclusion of this accrual in our adjusted results would distort current period performance. This charge is included under "total operating expenses" in the reconciliation of McKesson's GAAP operating results to adjusted results (Non-GAAP) provided in Schedule 2 of the accompanying financial statement tables.

Supplemental Non-GAAP Financial Information

McKESSON CORPORATION SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

1 of 3

In an effort to provide investors with additional information regarding the Company's financial results as determined by generally accepted accounting principles ("GAAP"), McKesson Corporation (the "Company" or "we") also presents the following Non-GAAP measures in this presentation.

- **Adjusted Gross Profit (Non-GAAP):** We define Adjusted Gross Profit as GAAP gross profit, excluding transaction-related expenses and adjustments, last-in, first-out ("LIFO") inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments.
- **Adjusted Operating Expenses (Non-GAAP):** We define Adjusted Operating Expenses as GAAP total operating expenses, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.
- **Adjusted Other Income (Non-GAAP):** We define Adjusted Other Income as GAAP other income (expense), net, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, and other adjustments.
- **Adjusted Loss on Debt Extinguishment (Non-GAAP):** We define Adjusted Loss on Debt Extinguishment as GAAP loss on debt extinguishment, excluding other adjustments.
- **Adjusted Income Tax Expense (Non-GAAP):** We define Adjusted Income Tax Expense as GAAP income tax benefit (expense), excluding the income tax effects of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments. Income tax effects are calculated in accordance with Accounting Standards Codification ("ASC") 740, "Income Taxes," which is the same accounting principle used by the Company when presenting its GAAP financial results.
- **Adjusted Earnings (Non-GAAP):** We define Adjusted Earnings as GAAP income (loss) from continuing operations attributable to McKesson, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments as well as the related income tax effects for each of these items, as applicable.
- **Adjusted Earnings per Diluted Share (Non-GAAP):** We define Adjusted Earnings per Diluted Share as GAAP earnings (loss) per diluted common share from continuing operations attributable to McKesson, excluding per share impacts of amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, other adjustments as well as the related income tax effects for each of these items, as applicable, divided by diluted weighted-average shares outstanding.
- **Adjusted Segment Operating Profit (Non-GAAP) and Adjusted Segment Operating Profit Margin (Non-GAAP):** We define Adjusted Segment Operating Profit as GAAP segment operating profit (loss), excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, and other adjustments. We define Adjusted Segment Operating Profit Margin as Adjusted Segment Operating Profit (Non-GAAP) divided by GAAP segment revenues.
- **Adjusted Corporate Expenses (Non-GAAP):** We define Adjusted Corporate Expenses as GAAP corporate expenses, net, excluding transaction-related expenses and adjustments, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

2 of 3

- **Adjusted Operating Profit (Non-GAAP):** We define Adjusted Operating Profit as GAAP income (loss) from continuing operations before interest expense and income taxes, excluding amortization of acquisition-related intangibles, transaction-related expenses and adjustments, LIFO inventory-related adjustments, gains from antitrust legal settlements, restructuring, impairment, and related charges, claims and litigation charges, and other adjustments.

The following provides further details regarding the adjustments made to our GAAP financial results to arrive at our Non-GAAP measures as defined above:

Amortization of acquisition-related intangibles - Amortization expenses of intangible assets directly related to business combinations and the formation of joint ventures.

Transaction-related expenses and adjustments - Transaction, integration, and other expenses that are directly related to business combinations, the formation of joint ventures, divestitures, and other transaction-related costs including initial public offering costs. Examples include transaction closing costs, professional service fees, legal fees, severance charges, retention payments and employee relocation expenses, facility or other exit-related expenses, certain fair value adjustments including deferred revenues, contingent consideration and inventory, recoveries of acquisition-related expenses or post-closing expenses, bridge loan fees and gains or losses on business combinations, and divestitures of businesses that do not qualify as discontinued operations.

LIFO inventory-related adjustments - LIFO inventory-related non-cash expense or credit adjustments.

Gains from antitrust legal settlements - Net cash proceeds representing the Company's share of antitrust lawsuit settlements.

Restructuring, impairment, and related charges - Restructuring charges that 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. Such charges may include employee severance, retention bonuses, facility closure or consolidation costs, lease or contract termination costs, asset impairments, accelerated depreciation and amortization, and other related expenses. The restructuring programs may be implemented due to the sale or discontinuation of a product line, reorganization or management structure changes, headcount rationalization, realignment of operations or products, integration of acquired businesses, and/or company-wide cost saving initiatives. The amount and/or frequency of these restructuring charges are not part of our underlying business, which include normal levels of reinvestment in the business. Any credit adjustments due to subsequent changes in estimates are also excluded from adjusted results.

Claims and litigation charges - Adjustments to certain of the Company's reserves, including those related to estimated probable settlements for its 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. This does not include our legal fees to defend claims, which are expensed as incurred.

Other adjustments - The Company evaluates the nature and significance of transactions qualitatively and quantitatively on an individual basis and may include them in the determination of our adjusted results from time to time. While not all-inclusive, other adjustments may include: other asset impairments; gains or losses from debt extinguishment; and other similar substantive and/or infrequent items as deemed appropriate.

The Company evaluates the aforementioned Non-GAAP measures on a periodic basis and updates the definitions from time to time. The evaluation considers both the quantitative and qualitative aspects of the Company's presentation of Non-GAAP adjusted results. A reconciliation of McKesson's GAAP financial results to Non-GAAP financial results is provided in Schedules 2 and 3 of the financial statement tables included with this presentation.

Supplemental Non-GAAP Financial Information

SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION (continued)

3 of 3

- **FX-Adjusted (Non-GAAP):** McKesson also presents its GAAP financial results and adjusted results (Non-GAAP) on an FX-Adjusted basis. To present our financial results on an FX-Adjusted basis, we convert current year period results of our operations in foreign countries, which are recorded in local currencies, into U.S. dollars by applying the average foreign currency exchange rates of the comparable prior year period. To present Adjusted Earnings per Diluted Share on an FX-Adjusted basis, we estimate the impact of foreign currency rate fluctuations on the Company's noncontrolling interests and adjusted income tax expense, which may vary from quarter to quarter. The supplemental FX-Adjusted information of the Company's GAAP financial results and adjusted results (Non-GAAP) is provided in Schedule 3 of the financial statement tables included with this presentation.
- **Free Cash Flow (Non-GAAP):** We define free cash flow as net cash provided by (used in) operating activities less payments for property, plant and equipment and capitalized software expenditures, as disclosed in our condensed consolidated statements of cash flows. A reconciliation of McKesson's GAAP financial results to Free Cash Flow (Non-GAAP) is provided in Schedule 6 of the financial statement tables included with this presentation.

The Company believes the presentation of Non-GAAP measures provides useful supplemental information to investors with regard to its operating performance, as well as assists with the comparison of its past financial performance to the Company's future financial results. Moreover, the Company believes that the presentation of Non-GAAP measures assists investors' ability to compare its financial results to those of other companies in the same industry. However, the Company's Non-GAAP measures used in the press tables may be defined and calculated differently by other companies in the same industry.

The Company internally uses both GAAP and Non-GAAP financial measures in connection with its own financial planning and reporting processes. Management utilizes Non-GAAP financial measures when allocating resources, deploying capital, as well as assessing business performance, and determining employee incentive compensation. The Company conducts its businesses internationally in local currencies, including Euro, British pound sterling, and Canadian dollars. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. We present FX-Adjusted information to provide a framework for assessing how our business performed excluding the estimated effect of foreign currency exchange rate fluctuations. We believe free cash flow is important to management and useful to investors as a supplemental measure as it indicates the cash flow available for working capital needs, re-investment opportunities, strategic acquisitions, dividend payments, or other strategic uses of cash. Nonetheless, Non-GAAP adjusted results and related Non-GAAP measures disclosed by the Company should not be considered a substitute for, nor superior to, financial results and measures as determined or calculated in accordance with GAAP.