McKesson Corporation
Q1 Fiscal 2022 Financial Results

August 4, 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 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 strategic 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**

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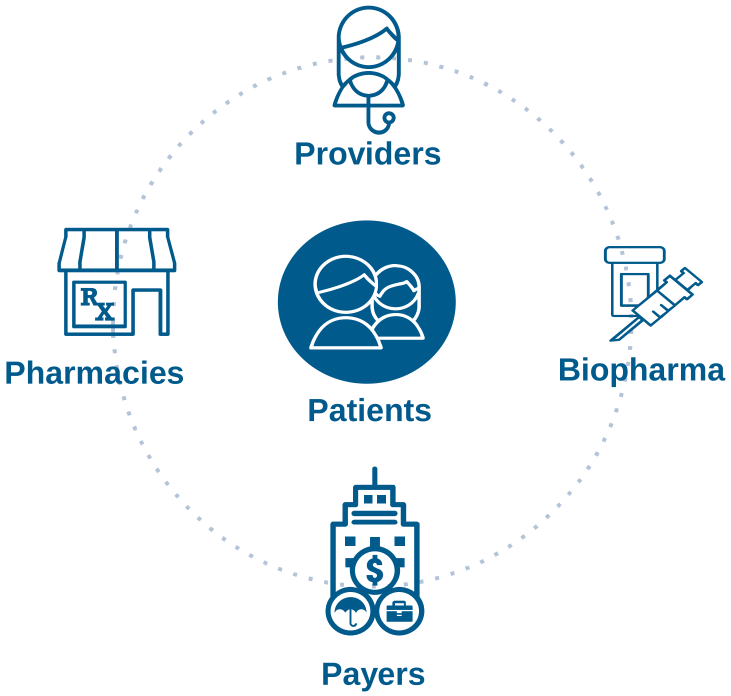
Advancing our scaled and connected ecosystems with Innovation and Execution

Oncology

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

The US Oncology Network
US Oncology Research
ontada
Biologics By McKesson



Biopharma Services

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

covermymeds®
Access for More Patients™
RelayHealth
RxCrossroads By McKesson

Investments in growth and innovation

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First Quarter Fiscal 2022 Results

Company Updates

Strong Start to Fiscal 2022; Raised Full-Year Guidance

Company Updates

- On July 21, 2021, McKesson announced that it negotiated a comprehensive proposed settlement agreement which, if all conditions are satisfied, would result in the settlement of a substantial majority of opioid lawsuits filed by state and local governmental entities.
- On July 7, 2021, McKesson announced that it has entered into an agreement to sell certain European businesses for approximately $1.5 billion, subject to certain adjustments under the agreement. The transaction is subject to customary closing conditions, including regulatory review, and is expected to close in fiscal 2023.
- McKesson's Board of Directors declared an increase in the regular quarterly dividend to $0.47 per share of common stock, demonstrating McKesson's commitment to returning cash to shareholders and confidence in its outlook.

Business Summary

- Q1 revenue of **$62.7 billion**, an increase of 13% year-over-year
- Adjusted Earnings per diluted share of **$5.56**, an increase of 101%
- Raised Fiscal 2022 Adjusted Earnings per diluted share outlook to **$19.80 to 20.40** from $18.85 to $19.45
  - Assumes approximately **$0.45 to $0.55** related to the U.S. government COVID-19 vaccine distribution
  - Assumes approximately **$0.35 to $0.45** related to the kitting and distribution of ancillary supplies for COVID-19 vaccines
- For the first three months of the fiscal year, McKesson returned **$1.1 billion** of cash to shareholders

Consolidated Financial Information

Q1 Fiscal 2022 Results

Results ($ and shares in millions, except per share amounts)		**Q1 FY 22**	**YoY Change**
Revenues	$	62,674	13 %
Adjusted Gross Profit	$	3,144	19 %
Adjusted Operating Expenses	$	(2,094)	6 %
Adjusted Operating Profit	$	1,094	55 %
Interest expense	$	(49)	(18) %
Adjusted Income Tax Expense	$	(118)	(18) %
Net income attributable to noncontrolling interests	$	(47)	(6) %
Adjusted Earnings	$	880	94 %
Adjusted Earnings per Diluted Share	$	5.56	101 %
Diluted weighted average common shares		158.1	(3) %

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U.S. Pharmaceutical
Q1 Fiscal 2022 Results

Results ($ in millions)	**Q1 FY 22**	**YoY Change**
U.S. Pharmaceutical		
Revenues	$ 50,019	12 %
Adjusted Segment Operating Profit	$ 682	16 %
Adjusted Segment Operating Profit Margin	1.36 %	4 bp

- Q1 revenue increased due to higher volumes from retail national account customers
- Q1 Adjusted Segment Operating Profit increased due to the contribution from COVID-19 vaccine distribution and growth in distribution of specialty products to providers and health systems

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Prescription Technology Solutions
Q1 Fiscal 2022 Results

Results ($ in millions)		Q1 FY 22	YoY Change
Prescription Technology Solutions			
Revenues	$	881	34 %
Adjusted Segment Operating Profit	$	139	62 %
Adjusted Segment Operating Profit Margin		15.78 %	267 bp

- Q1 revenue growth driven by higher volumes of technology and service offerings to support biopharma customers and the recovery of prescription volumes
- Q1 Adjusted Segment Operating Profit increased due to organic growth from access and adherence solutions and the recovery of prescription volumes

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Medical-Surgical Solutions
Q1 Fiscal 2022 Results

Results ($ in millions)	Q1 FY 22	YoY Change
Medical-Surgical Solutions		
Revenues	$ 2,528	40 %
Adjusted Segment Operating Profit	$ 257	107 %
Adjusted Segment Operating Profit Margin	10.17 %	328 bp

- Q1 revenue growth primarily driven by improvements in primary care patient visits and increased sales of COVID-19 tests
- Q1 Adjusted Segment Operating Profit growth driven by improvements in primary care patient visits and the contribution from kitting and distribution of ancillary supplies for the U.S. government's COVID-19 vaccine program

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International
Q1 Fiscal 2022 Results

Results ($ in millions)	Q1 FY 22	YoY Change
International		
Revenues	$ 9,246	8 %
Adjusted Segment Operating Profit	$ 170	133 %
Adjusted Segment Operating Profit Margin	1.84 %	99 bp

- Q1 FX-Adjusted revenue of $8.3 billion, down 3% year-over-year, primarily driven by the contribution of McKesson's German wholesale business to a joint venture with Walgreens Boots Alliance
- Q1 FX-Adjusted Segment Operating Profit of $151 million, up 107% year-over-year, driven by volume recovery in the pharmaceutical distribution and retail pharmacy businesses and distribution of COVID-19 tests and vaccines

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Corporate
Q1 Fiscal 2022 Results

Results ($ in millions)	Q1 FY 22	YoY Change
Corporate		
Adjusted Corporate Expenses	$ (154)	(7)%

- Q1 Adjusted Corporate Expenses year-over-year decline driven by decreased opioid litigation expenses

Opioid-Related Costs

Results ($ in millions)	**Q1 FY 22**	**Q1 FY 21**
Opioid-related costs		
Claims and litigation charges, net (GAAP-only)	$ 74	$ (131)
Legal fees and other	$ 35	$ 43
Total expense	**$ 109**	**$ (88)**

Claims and Litigation Charges[1]:

- Q1 opioid-related costs included a GAAP-only pre-tax charge of $27 million related to an agreement to resolve opioid-related claims with the State of New York and a charge of $47 million for McKesson's estimated liability for a comprehensive proposed agreement to settle opioid-related claims

Legal Fees and Other:

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

[1]McKesson's total estimated liability for opioid-related claims was $8.1 billion as of June 30, 2021, which includes a current portion of $545 million.

Cash
($ in millions)

YTD Cash Balance Walk

Balance at March 31, 2021[1]	**$**	**6,396**
Operating cash flow		(1,622)
Capital expenditures		(159)
Free Cash Flow		(1,781)
Acquisitions		(1)
Other investing cash flows		61
Share repurchases		(1,008)
Exercise of put right		(1,031)
Dividends paid		(69)
Other financing cash flows and FX		(32)
Net decrease in cash		(3,861)
Balance at June 30, 2021[1]	**$**	**2,535**
Less: Restricted cash		(112)
Cash and cash equivalents at June 30, 2021	**$**	**2,423**

Cash Dynamics

- Free Cash Flow of ($1.8) billion
- Used $1.0 billion of cash for payments related to the exercises of a put right option available to non-controlling shareholders of McKesson Europe
- Returned $1.1 billion of cash to shareholders year-to-date
  - Repurchased $1.0 billion of shares
  - Paid $69 million in dividends
- Remaining share repurchase authorization of $1.8 billion as of June 30, 2021

[1]Cash comprises cash, cash equivalents, and restricted cash

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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 August 4, 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 pharmaceutical prescription volumes will continue to demonstrate steady improvement through the first half of our fiscal year 2022
- 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 Adjusted Earnings per diluted share to be approximately evenly weighted across the first and 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: $0.45 to $0.55
  - Kitting distribution: $0.35 to $0.45
- We estimate taxes based on current tax laws in effect as of August 4, 2021

Fiscal 2022 Outlook
Consolidated Earnings

	Fiscal 2022 Outlook	Fiscal 2021 Actual
Revenues	**4% to 7% growth** *Previously 3% to 6% growth*	3% growth
Adjusted Operating Profit	**7% to 10% growth** *Previously 3% to 6% growth*	1% growth
Interest Expense	**$180 to $200 million** *Previously $190 to $210 million*	$217 million
Adjusted Effective Tax Rate	18% to 19%	18.6%
Adjusted Earnings per Diluted Share	**$19.80 to $20.40** *Previously $18.85 to $19.45*	$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** *Previously 153.5 to 155.5 million*	162 million

[1]Includes shares surrendered for tax withholding

Fiscal 2022 Outlook
Operating Segments

	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International
FY22 Revenue	**5% to 8% growth** *Previously 4% to 7% growth*	**20% to 25% growth** *Previously 12% to 17% growth*	**3% decline to 3% growth** *Previously 5% decline to 1% growth*	**1% decline to 4% growth** *Previously 2% decline to 3% growth*
FY22 Adjusted Segment Operating Profit:				
Reported	**4.5% to 7.5% growth** *Previously 4% to 7% growth*	**17% to 22% growth** *Previously 12% to 17% growth*	**6% to 12% growth** *Previously flat to 6% growth*	**26% to 30% growth** *Previously 4% to 8% growth*
Core[1]	5% to 8% growth		10% to 16% growth	

[1] Core excludes the following:
- U.S. Pharmaceutical excludes the contribution from COVID-19 vaccine distribution and continued growth investments
- Medical-Surgical Solutions excludes the contribution of our COVID-19 kitting and distribution program, contribution from COVID-19 tests kits, and impairments for PPE and related products

Appendix

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2022 and Q1 Fiscal 2021

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

Schedule 2

	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020		Change
Income from continuing operations (GAAP)	$	536	$	495	8 %
Net income attributable to noncontrolling interests (GAAP)		(47)		(50)	(6)
Income from continuing operations attributable to McKesson Corporation (GAAP)		489		445	10 %
Pre-tax adjustments:					
Amortization of acquisition-related intangibles		98		106	(8)
Transaction-related expenses and adjustments		31		16	94
LIFO inventory-related adjustments		(23)		(52)	(56)
Gains from antitrust legal settlements		(12)		—	—
Restructuring, impairment, and related charges, net [1]		158		57	177
Claims and litigation charges, net [2] [3]		74		(131)	156
Other adjustments, net [4]		157		6	—
Income tax effect on pre-tax adjustments		(92)		6	—
Adjusted Earnings (Non-GAAP)	$	880	$	453	94 %
Diluted weighted-average common shares outstanding		158.1		163.2	(3)%
Earnings per diluted common share from continuing operations attributable to McKesson Corporation (GAAP) [a]	$	3.09	$	2.72	14 %
After-tax adjustments:					
Amortization of acquisition-related intangibles		0.48		0.51	(6)
Transaction-related expenses and adjustments		0.19		0.08	138
LIFO inventory-related adjustments		(0.11)		(0.24)	(54)
Gains from antitrust legal settlements		(0.06)		—	—
Restructuring, impairment, and related charges, net		0.82		0.27	204
Claims and litigation charges, net		0.39		(0.59)	166
Other adjustments, net		0.76		0.02	—
Adjusted Earnings per Diluted Share (Non-GAAP) [b]	$	5.56	$	2.77	101 %

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

GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2022 and Q1 Fiscal 2021

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

Schedule 2
(Continued)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change
Gross profit (GAAP)	$ 3,032	$ 2,700	12 %
Pre-tax adjustments:			
LIFO inventory-related adjustments	(23)	(52)	(56)
Gains from antitrust legal settlements	(12)	—	—
Restructuring, impairment, and related charges, net	—	1	(100)
Other adjustments, net [4]	147	—	—
Adjusted Gross Profit (Non-GAAP)	$ 3,144	$ 2,649	19 %
Total operating expenses (GAAP)	$ (2,464)	$ (2,022)	22 %
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	97	106	(8)
Transaction-related expenses and adjustments	31	16	94
Restructuring, impairment, and related charges, net [1]	158	56	182
Claims and litigation charges, net [2] [3]	74	(131)	156
Other adjustments, net [4]	10	6	67
Adjusted Operating Expenses (Non-GAAP)	$ (2,094)	$ (1,969)	6 %
Other income, net (GAAP)	$ 43	$ 27	59 %
Pre-tax adjustments:			
Amortization of acquisition-related intangibles	1	—	—
Adjusted Other Income (Non-GAAP)	$ 44	$ 27	63 %

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

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GAAP to Non-GAAP Reconciliation

Q1 Fiscal 2022 and Q1 Fiscal 2021

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

Schedule 2
(Continued)

	Three Months Ended June 30,		
	2021	**2020**	**Change**
Income tax expense (GAAP)	$ (26)	$ (150)	(83)%
Tax adjustments:			
Amortization of acquisition-related intangibles	(22)	(23)	(4)
Transaction-related expenses and adjustments	—	(4)	(100)
LIFO inventory-related adjustments	6	14	(57)
Gains from antitrust legal settlements	3	—	—
Restructuring, impairment, and related charges, net	(29)	(12)	142
Claims and litigation charges, net	(13)	34	(138)
Other adjustments, net	(37)	(3)	—
Adjusted Income Tax Expense (Non-GAAP)	$ (118)	$ (144)	(18)%

(a) Certain computations may reflect rounding adjustments.

(b) Adjusted earnings per diluted share on an FX-adjusted basis for the three months ended June 30, 2021 was $5.50, which excludes the foreign currency exchange effect of $0.06.

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), 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

Q1 Fiscal 2022 and Q1 Fiscal 2021

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

Schedule 3

Three Months Ended June 30,

	2021			2020			As reported		As adjusted		Change			
	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	$ 50,019	$ —	$ 50,019	$ 44,670	$ —	$ 44,670	$ —	$ 50,019	$ —	$ 50,019	12 %	12 %	12 %	12 %
Prescription Technology Solutions	881	—	881	656	—	656	—	881	—	881	34	34	34	34
Medical-Surgical Solutions	2,528	—	2,528	1,801	—	1,801	—	2,528	—	2,528	40	40	40	40
International	9,246	—	9,246	8,552	—	8,552	(962)	8,284	(962)	8,284	8	8	(3)	(3)
Revenues	$ 62,674	$ —	$ 62,674	$ 55,679	$ —	$ 55,679	$ (962)	$ 61,712	$ (962)	$ 61,712	13 %	13 %	11 %	11 %
OPERATING PROFIT (1)														
U.S. Pharmaceutical	$ 682	$ —	$ 682	$ 613	$ (23)	$ 590	$ —	$ 682	$ —	$ 682	11 %	16 %	11 %	16 %
Prescription Technology Solutions	104	35	139	68	18	86	—	104	—	139	53	62	53	62
Medical-Surgical Solutions (4)	75	182	257	89	35	124	—	75	—	257	(16)	107	(16)	107
International	53	117	170	3	70	73	—	53	(19)	151	—	133	—	107
Subtotal	914	334	1,248	773	100	873	—	914	(19)	1,229	18	43	18	41
Corporate expenses, net (2) (3)	(303)	149	(154)	(68)	(98)	(166)	2	(301)	2	(152)	346	(7)	343	(8)
Income from continuing operations before interest expense and income taxes	$ 611	$ 483	$ 1,094	$ 705	$ 2	$ 707	$ 2	$ 613	$ (17)	$ 1,077	(13) %	55 %	(13) %	52 %
OPERATING PROFIT AS A % OF REVENUES														
U.S. Pharmaceutical	1.36 %		1.36 %	1.37 %		1.32 %		1.36 %		1.36 %	(1) bp	4 bp	(1) bp	4 bp
Prescription Technology Solutions	11.80		15.78	10.37		13.11		11.80		15.78	143	267	143	267
Medical-Surgical Solutions	2.97		10.17	4.94		6.89		2.97		10.17	(197)	328	(197)	328
International	0.57		1.84	0.04		0.85		0.64		1.82	53	99	60	97

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.

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GAAP to Non-GAAP Reconciliation

YTD Fiscal 2022 and YTD Fiscal 2021

Schedule 6

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change
GAAP CASH FLOW CATEGORIES			
Net cash used in operating activities	$ (1,622)	$ (1,062)	53 %
Net cash used in investing activities	(99)	(130)	(24)
Net cash provided by (used in) financing activities	(2,151)	61	—
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	11	(28)	139
Net decrease in cash, cash equivalents, and restricted cash	$ (3,861)	$ (1,159)	233 %
FREE CASH FLOW (NON-GAAP)			
Net cash used in operating activities	$ (1,622)	$ (1,062)	53 %
Payments for property, plant, and equipment	(93)	(72)	29
Capitalized software expenditures	(66)	(45)	47
Free Cash Flow (Non-GAAP)	$ (1,781)	$ (1,179)	51 %

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) Restructuring, impairment, and related charges, net for the three months ended June 30, 2021 includes pre-tax charges of $158 million ($129 million after-tax), primarily for Corporate expenses, net as well as our Canada and Europe businesses. The three months ended June 30, 2020 includes charges of $56 million ($44 million after-tax), primarily for Corporate expenses, net as well as our Europe and Canada businesses. 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 months ended June 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.

(2) Claims and litigation charges, net for the three months ended June 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.

(3) Claims and litigation charges, net for the three months ended June 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.

(4) Other adjustments, net for the three months ended June 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 has already been 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.

Supplemental Non-GAAP Financial Information

McKESSON CORPORATION
SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION

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 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

- **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)

- **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.