SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-10-24** | Period of Report: **1994-09-30**
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FILER

MCKESSON CORP /DE/

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended September 30, 1994

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ------------ to ----------

Commission file number 1-9626

McKESSON CORPORATION

(Exact name of Registrant as specified in its charter)

DELAWARE	94-3040479
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Post Street, San Francisco, California	94104
(Address of principal executive offices)	(Zip Code)

(415) 983-8300

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at September 30, 1994
Common stock, $2 par value	41,127,499 shares

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PART I. FINANCIAL INFORMATION

McKESSON CORPORATION and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 1994	March 31, 1994
	(in millions)	
ASSETS		
Current Assets		
Cash and short-term investments	$ 74.4	$ 89.0
Receivables	802.6	744.4
Inventories	1,069.3	993.5
Prepaid expenses	55.0	46.6
Total	2,001.3	1,873.5
Property, Plant and Equipment		
Land	42.7	43.4
Buildings, machinery and equipment	767.4	744.7

Total	810.1	788.1
Accumulated depreciation	(407.2)	(391.5)
Net	402.9	396.6
Goodwill and other intangibles	275.3	281.4
Other assets	322.5	283.5
Total	$3,002.0	$2,835.0

(Continued)

PART I. FINANCIAL INFORMATION

McKESSON CORPORATION and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 1994	March 31, 1994
	(in millions)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Drafts payable	$ 227.2	$ 205.1
Accounts payable - trade	1,055.1	925.4
Short-term borrowings	76.8	57.2

Current portion of long-term debt	21.0	18.5
Salaries and wages	31.4	38.4
Taxes	13.0	28.1
Interest and dividends	27.1	28.5
Other	105.6	127.0
Total	1,557.2	1,428.2
Postretirement Obligations and Other Noncurrent Liabilities	215.4	214.8
Long-Term Debt	462.2	462.3
Minority Interest in Subsidiary	54.4	51.1
Stockholders' Equity		
Preferred stocks	120.0	125.3
Common stock	89.2	89.2
Other capital	156.1	164.9
Retained earnings	634.4	610.3
Accumulated translation adjustment	(23.0)	(22.3)
ESOP notes and guarantee	(160.0)	(165.1)
Treasury shares, at cost	(103.9)	(123.7)
Net	712.8	678.6
Total	$3,002.0	$2,835.0

See Financial Notes.

(Concluded)

McKESSON CORPORATION and SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(unaudited)

	Quarter Ended September 30	Six Months Ended September 30

	1994	1993	1994	1993
	(in millions - except per share amounts)			
REVENUES	$3,255.8	$2,988.8	$6,491.0	$5,920.5
COSTS AND EXPENSES				
Cost of sales	2,986.0	2,733.0	5,946.7	5,398.0
Selling, distribution and administration	227.2	204.7	441.5	418.1
Interest	11.2	9.4	22.3	20.4
Total	3,224.4	2,947.1	6,410.5	5,836.5
SPECIAL ITEMS				
Gain on sale and donation of subsidiary stock	2.3	-	2.3	55.1
Donation to McKesson Foundation	(3.1)	-	(3.1)	(4.3)
Termination of swap arrangements	-	-	-	(13.4)
	(0.8)	-	(0.8)	37.4
INCOME BEFORE TAXES ON INCOME	30.6	41.7	79.7	121.4
TAXES ON INCOME	(11.6)	(17.4)	(31.5)	(47.0)
INCOME BEFORE MINORITY INTEREST	19.0	24.3	48.2	74.4
Minority interest in net income of subsidiary	(1.9)	(1.8)	(4.7)	(3.3)
INCOME (LOSS) AFTER TAXES				
Continuing operations	17.1	22.5	43.5	71.1
Discontinued operations	8.4	7.2	18.0	13.9
Extraordinary item	-	-	-	(4.2)
Cumulative effect of accounting change	-	-	-	(16.7)
NET INCOME	$ 25.5	$ 29.7	$ 61.5	$ 64.1

(Continued)

McKESSON CORPORATION and SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
(unaudited)

	Quarter Ended September 30		Six Months Ended September 30	
	1994	1993	1994	1993
	(in millions - except per share amounts)			
EARNINGS (LOSS) PER COMMON SHARE				
Fully diluted earnings				
Continuing operations	$ .36	$ .48	$ .93	$ 1.58
Discontinued operations	.18	.17	.40	.32
Extraordinary item	-	-	-	(.10)
Cumulative effect of accounting change	-	-	-	(.38)
Total	$ .54	$ .65	$ 1.33	$ 1.42
Primary earnings				
Continuing operations	$ .36	$ .51	$ .96	$ 1.67
Discontinued operations	.20	.18	.43	.34
Extraordinary item	-	-	-	(.10)
Cumulative effect of accounting change	-	-	-	(.41)
Total	$ .56	$ .69	$ 1.39	$ 1.50
Dividends	$ .42	$ .42	$ .84	$ .82
SHARES ON WHICH EARNINGS PER COMMON SHARE WERE BASED				
Fully diluted	45.0	43.9	45.0	43.9
Primary	42.0	40.5	41.7	40.5

See Financial Notes.

(Concluded)

McKESSON CORPORATION and SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(unaudited)

	Six Months Ended September 30	
	1994	1993
	(in millions)	
Operating Activities		
Income after taxes from continuing operations	$ 43.5	$ 71.1
Adjustments to reconcile to net cash provided by operating activities		
Depreciation	29.5	27.4
Amortization	5.8	5.9
Provision for bad debts	20.9	3.3
Deferred taxes on income	(1.1)	(2.7)
Gain on sale of subsidiary stock	-	(52.0)
Other	1.2	(1.3)
Total	99.8	51.7
Effects of changes in		
Receivables	(76.4)	(29.4)
Inventories	(72.0)	(149.2)
Accounts and drafts payable	147.5	164.8
Other	(51.1)	(52.6)
Total	(52.0)	(66.4)
Net cash provided (used) by continuing operations	47.8	(14.7)
Discontinued operations	(5.6)	17.2
Net cash provided by		

operating activities	42.2	2.5
Investing Activities		
Property acquisitions	(40.4)	(35.3)
Properties sold	5.0	4.6
Proceeds from sales of subsidiary stock	-	78.7
Acquisitions of businesses, less cash and short-term investments acquired	-	(50.6)
Investing activities - discontinued operations	(9.1)	(49.7)
Other	(1.5)	13.2
Net cash used by investing activities	(46.0)	(39.1)

(Continued)

McKESSON CORPORATION and SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
(unaudited)

	Six Months Ended September 30	
	1994	1993
	(in millions)	
Financing Activities		
Proceeds from issuance of debt	$ 48.0	$ 123.1
Repayment of debt	(27.9)	(74.5)
Capital stock transactions		
Treasury stock	-	(31.5)
Issuances	4.6	11.6
ESOP notes and guarantee	5.2	4.9
Dividends paid	(41.7)	(37.3)
Financing activities - discontinued operations	1.0	0.4
Net cash used by financing activities	(10.8)	(3.3)
Net Decrease in Cash and Short-Term Investments	(14.6)	(39.9)

Cash and Short-Term Investments at beginning of period	89.0	111.5
Cash and Short-Term Investments at end of period	$ 74.4	$ 71.6

See Financial Notes.

(Concluded)

McKESSON CORPORATION and SUBSIDIARIES
FINANCIAL NOTES

1. Proposed Sale of the PCS Business

On July 10, 1994, McKesson Corporation ("McKesson" or "the Company") entered into an Agreement and Plan of Merger providing for the acquisition by Eli Lilly and Company ("Eli Lilly") of McKesson's pharmaceutical benefits management business (the "PCS Business"), which is primarily operated by PCS Health Systems, Inc. and Clinical Pharmaceuticals, Inc., both of which are wholly-owned subsidiaries of McKesson, for approximately $4 billion.

As required by the Merger Agreement, on July 15, 1994 ECO Acquisition Corporation, a subsidiary of Eli Lilly (the "Purchaser"), commenced a cash tender offer to purchase from McKesson shareholders all outstanding shares of McKesson common stock (the "Shares") at a price of $76.00 net per Share (the

"Offer"). The Offer is conditioned upon, among other things, satisfaction of the condition that there be validly tendered and not withdrawn, prior to the expiration of the Offer, a number of Shares that represent at least a majority of the total voting power of McKesson. Following the purchase of Shares under the Offer and satisfaction of certain other conditions, McKesson and the Purchaser will merge (the "Merger") and each Share not purchased in the Offer (other than Shares held by Eli Lilly and certain other related entities) will be converted into the right to receive $76.00 in cash or such higher price per Share as may be offered pursuant to the Offer, without interest.

In addition, prior to the consummation of the Offer, McKesson and its subsidiaries will (i) transfer all of the assets and liabilities of McKesson other than those related to the PCS Business to SP Ventures, Inc., a newly-formed wholly-owned subsidiary of McKesson which currently has no assets or liabilities ("New McKesson") and (ii) declare a dividend (conditioned upon consummation of the Offer) of one share of common stock of New McKesson for each Share held of record as of such date (collectively, the "Spin-Off"). After giving effect to the Spin-Off and the consummation of the Offer, the current business of McKesson (other than its PCS Business) will be continued through New McKesson. The net result of the proposed transaction is that each existing McKesson shareholder will receive a cash payment of $76 per Share (representing the proceeds from the sale of the PCS Business) together with one common share of New McKesson for each share held as of the record date for the Spin-Off (representing their continuing interest in the retained businesses).

Approximately $600 million, subject to certain adjustments, of the $4 billion will be contributed by Eli Lilly to the capital of McKesson, which will transfer such amount to New McKesson to meet certain tax and transaction costs and for the general corporate purposes of New McKesson, including the funding of investments in new and current businesses. Management believes that consummation of the proposed transaction will result in an estimated gain on sale of the PCS Business of approximately $500 million, after taxes, transaction costs and other expenses.

For financial statement purposes, New McKesson will be the continuing entity and New McKesson will retain the name McKesson Corporation. The accompanying unaudited consolidated financial statements present the PCS Business as a discontinued operation.

2. Interim Financial Statements

In the opinion of the Company, these unaudited consolidated financial statements include all adjustments necessary to a fair presentation of its financial position as of September 30, 1994, and the results of its operations and its cash flows for the six months then ended. Such adjustments were of a normal recurring nature.

The results of operations for the six months ended September 30, 1994 and 1993 are not necessarily indicative of the results for the full years.

It is suggested that these interim financial statements be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto included in the Company's 1994 consolidated financial information which has previously been filed with the Commission in a Report on Form 8-K dated July 29, 1994.

3. Special Items

Special items in the prior year of $37.4 million ($24.5 million after-tax, $0.56 per fully diluted share) included a gain of $55.1 million from the sale of 5,175,000 shares and the donation of 250,000 shares of the Company's majority-owned Armor All Products Corporation subsidiary. The shares donated to the McKesson Foundation had a market value of $4.3 million. Also included in special items was a loss of $13.4 million resulting from the termination of interest rate swap arrangements. These interest rate swap arrangements had been designated, through March 31, 1993, as a hedge of the Company's short-term variable interest domestic borrowings. As a result of the Company's May 12, 1993 sale of Armor All shares and other factors, the interest rate swap arrangements were no longer considered effective as a hedge against the variable-rate borrowings as the Company, at that time, no longer expected to borrow domestically on a short-term basis in fiscal 1994. The current year special item represents an additional contribution of Armor All shares to the McKesson Foundation.

4. Extraordinary Loss

An extraordinary loss of $4.2 million was recognized in the prior year on the early retirement of $50 million of 8-5/8% debt.

5. Accounting Change

As of April 1, 1993, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits". The cumulative effect of adopting the new standard resulted in a charge to net income of $16.7 million, net of a $10.4 million tax benefit ($0.38 per fully diluted share).

McKESSON CORPORATION and SUBSIDIARIES
FINANCIAL REVIEW
(unaudited)

Operating Results

The operating results of the Company's continuing operations by business segment are as follows:

	Quarter Ended September 30			Six Months Ended September 30		
	1994	1993	% Chg.	1994	1993	% Chg.
			(in millions)			
REVENUES						
Health Care Services(1)	$3,143.9	$2,886.7	8.9	$6,259.5	$5,711.0	9.6
Water Products	69.4	64.8	7.1	130.6	123.5	5.7
Armor All	41.1	36.3	13.2	97.7	84.0	16.3
Corporate	1.4	1.0		3.2	2.0	
Total	$3,255.8	$2,988.8	8.9	$6,491.0	$5,920.5	9.6
OPERATING PROFIT						
Health Care Services	$ 33.0(2)	$ 42.2	(21.8)	$ 81.5(2)	$ 87.3	(6.6)
Water Products	10.9	11.6	(6.0)	18.9	19.1	(1.0)
Armor All	7.3	7.0	4.3	18.1	16.1	12.4
Total	51.2	60.8	(15.8)	118.5	122.5	(3.3)
Interest - net(3)	(10.5)	(9.2)		(20.8)	(19.7)	
Corporate and other	(10.1)(4)	(9.9)		(18.0)(4)	18.6(5)	
Income before taxes	$ 30.6	$ 41.7	(26.6)	$ 79.7	$ 121.4	(34.3)

(1) Health Care Services Revenues includes:

Sales to customers' warehouses	$712.9	$693.5	2.8	$1,440.5	$1,334.5	7.9
International revenues	343.0	317.4	8.1	677.7	653.7	3.7

(2) Includes $11.5 million charge in FY95 due to a credit loss arising from a problem receivable in the U.S. pharmaceutical and health care products

distribution business.

(3) Interest expense is shown net of corporate interest income.

(4) Includes special expense item of $0.8 million in FY95 resulting from a contribution of Armor All stock to the McKesson Foundation.

(5) Includes income from special items of $37.4 million in FY94 consisting of a gain on the sale and donation of Armor All stock of $55.1 million, partially offset by a contribution of Armor All stock to the McKesson Foundation of $4.3 million and a loss on the termination of interest rate swap arrangements of $13.4 million.

McKESSON CORPORATION AND SUBSIDIARIES
FINANCIAL REVIEW

Proposed Sale of the PCS Business

On July 10, 1994, McKesson Corporation ("McKesson" or "the Company") entered into an Agreement and Plan of Merger providing for the acquisition by Eli Lilly and Company ("Eli Lilly") of McKesson's pharmaceutical benefits management business (the "PCS Business"), which is primarily operated by PCS Health Systems, Inc. and Clinical Pharmaceuticals, Inc., both of which are wholly-owned subsidiaries of McKesson, for approximately $4 billion.

As required by the Merger Agreement, on July 15, 1994 ECO Acquisition Corporation, a subsidiary of Eli Lilly (the "Purchaser"), commenced a cash tender offer to purchase from McKesson shareholders all outstanding shares of McKesson common stock (the "Shares") at a price of $76.00 net per Share (the "Offer"). The Offer is conditioned upon, among other things, satisfaction of the condition that there be validly tendered and not withdrawn, prior to the expiration of the Offer, a number of Shares that represent at least a majority of the total voting power of McKesson. Following the purchase of Shares under the Offer and satisfaction of certain other conditions, McKesson and the Purchaser will merge (the "Merger") and each Share not purchased in the Offer (other than Shares held by Eli Lilly and certain other related entities) will be converted into the right to receive $76.00 in cash or such higher price per Share as may be offered pursuant to the Offer, without interest.

In addition, prior to the consummation of the Offer, McKesson and its subsidiaries will (i) transfer all of the assets and liabilities of McKesson other than those related to the PCS Business to SP Ventures, Inc., a newly-formed wholly-owned subsidiary of McKesson which currently has no assets or liabilities ("New McKesson") and (ii) declare a dividend (conditioned upon consummation of the Offer) of one share of common stock of New McKesson for each Share held of record as of such date (collectively, the "Spin-Off"). After giving effect to the Spin-Off and the consummation of the Offer, the current business of McKesson (other than its PCS Business) will be continued through New McKesson. The net result of the proposed transaction is that each existing McKesson shareholder will receive a cash payment of $76 per Share (representing the proceeds from the sale of the PCS Business) together with one common share of New McKesson for each share held as of the record date for the Spin-Off (representing their continuing interest in the retained businesses).

Approximately $600 million, subject to certain adjustments, of the $4 billion will be contributed by Eli Lilly to the capital of McKesson, which will transfer such amount to New McKesson to meet certain tax and transaction costs and for the general corporate purposes of New McKesson, including the funding of investments in new and current businesses. Management believes that consummation of the proposed transaction will result in an estimated gain on sale of the PCS Business of approximately $500 million, after taxes, transaction costs and other expenses.

For financial statement purposes, New McKesson will be the continuing entity and New McKesson will retain the name McKesson Corporation. The accompanying unaudited consolidated financial statements present the PCS Business as a discontinued operation.

McKESSON CORPORATION AND SUBSIDIARIES
FINANCIAL REVIEW

Overview of Results

Revenues in the second quarter increased 9% to $3.26 billion, net income declined 14% to $25.5 million and earnings per fully diluted share declined 17% to $0.54.

Second quarter net income included income from continuing operations of $17.1 million, net of an after-tax charge of $7 million ($0.16 per fully diluted share) due to a credit loss arising from a problem receivable in the Company's U.S. pharmaceutical distribution business, and $8.4 million in earnings from discontinued operations. Prior year results included $7.2 million of earnings from discontinued operations.

In the first half, revenues increased 10% to $6.49 billion, net income declined 4% to $61.5 million and earnings per fully diluted share declined 6% to $1.33. First half net income included income from continuing operations of $43.5 million, net of the $7 million after-tax charge for the credit loss, and $18.0 million in earnings from discontinued operations. Prior year results included an after-tax gain of $24.5 million for special items, $13.9 million in earnings from discontinued operations, an extraordinary loss of $4.2 million after-tax on the early retirement of $50 million of 8-5/8% debt and a $16.7 million after-tax charge for the cumulative effect of adopting SFAS No. 112 "Employers' Accounting for Postemployment Benefits."

The prior year's special items of $37.4 million ($24.5 million after-tax, $0.56 per fully diluted share) in continuing operations included a pre-tax gain of $55.1 million on the sale and donation of Armor All stock, partially offset by a contribution to the McKesson Foundation of $4.3 million and a loss on the termination of interest rate swap arrangements of $13.4 million. The current year special item represents an additional contribution of Armor All shares to the McKesson Foundation.

Segment Results
- ---------------

HEALTH CARE SERVICES

The Health Care Services segment includes the results of the Company's U.S. pharmaceutical and health care products distribution businesses and its international pharmaceutical operations (including Canada, Mexico, and Central America). The segment accounted for 97% of consolidated revenues and 64% of total operating profits in the quarter.

Sales of the U.S. distribution services businesses, excluding sales to customers' warehouses, increased 11% in the quarter and the half, reflecting real volume growth. The increase in volume was driven by increased sales to Valu-Rite pharmacies. The Valu-Rite program was expanded during fiscal year 1994 to provide more profit-improvement opportunities for customers including the establishment of a pharmacy provider network and the implementation of expanded generic drug and private label programs. The number of Valu-Rite pharmacies has increased to approximately 4,800, an increase of nearly 300 since the beginning of the fiscal year.

Operating profits for the U.S. businesses declined in the quarter and the half as a result of the $11.5 million credit loss which offset moderate improvement in the U.S. pharmaceutical distribution business and improved results in the Company's Millbrook Distribution unit, a distributor of health care products and general merchandise to supermarkets and mass merchandisers. Profitability in the U.S. pharmaceutical distribution business continues to be impacted by lower forward-buying profits resulting from a slowdown in drug price inflation and a highly competitive business environment. Previously disclosed measures to reduce operating expenses continue to yield results but the gains were not sufficient to offset the impact of the pressures on gross margins.

Revenues for the international pharmaceutical operations, principally Canada, were up 8% in the quarter and 4% in the half. Operating profits in the international pharmaceutical operations increased in the quarter and the half.

WATER PRODUCTS

Revenues in the Water Products segment were up 7% in the quarter and 6% in the half. Sales increased to residential and commercial customers. However, operating profits declined 6% in the quarter and 1% in the half due primarily to costs associated with the introduction of a new line of single-service packaged water products and one-time costs incurred in upgrading the company's water vending machines.

ARMOR ALL

Revenues from the Armor All segment increased 13% in the quarter and 16% in the half reflecting strong new product sales offset, in part, by lower protectant product sales. Operating profits grew at a slower rate than revenues, up 4% in the quarter and 12% in the half, primarily due to start-up costs and introductory promotional spending associated with sales of new products.

DISCONTINUED OPERATIONS

Earnings from discontinued operations were up 17% in the quarter to $8.4 million and 29% in the half to $18 million. The results of the PCS Business are included in discontinued operations. Sales of the PCS Business increased 31% to $51.7 million in the quarter and 34% to $103.7 million in the half. Operating profits in the second quarter of this year were affected by a highly competitive claims processing environment and start-up expenses associated with expansion of the PCS Businesses' managed care and managed infusion programs.

Discontinued operations also included earnings of $1.2 million in the quarter and $1.6 million in the half resulting from settlements recovered in insurance litigation related to environmental matters associated with the former operations of the Company's chemical businesses, which were divested in fiscal 1987.

Liquidity and Capital Resources
- --------------------------------

Cash and short-term investments decreased $15 million in the half compared to a $40 million decline in the prior year.

Net interest expense increased in the quarter and the half due to an increase in interest rates. The Company's debt-to-capital ratio was 44.0% at September 30, 1994 compared to 44.2% at March 31, 1994.

The effective tax rate, computed before the effect of special items, was 40.6% in the half, unchanged from the prior year.

Fully diluted shares increased to 45 million in the half from 43.9 million in the prior year reflecting the impact of employee stock options.

The Company is in the process of reevaluating its long-term business strategy as a result of the planned disposition of the PCS Business. A revision, if any, to that strategy could result in costs being recorded in future periods related to asset impairments, severance, relocation and other costs associated with a future restructuring. It is not anticipated that any such actions would have an adverse impact on the Company's liquidity.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K
- --

(a) Exhibits

(11) Computation of Earnings per Common Share

(27) Financial Data Schedule

(b) Reports on Form 8-K

There were no reports on Form 8-K filed during the quarter ended September 30, 1994 except for the following which were included in the report on Form 10-Q filed on August 12, 1994:

1. Form 8-K dated July 19, 1994

Item 5. Other Events
The Registrant announced it had entered into an Agreement and Plan of Merger dated as of July 10, 1994 by and among the Registrant, Eli Lilly and Company ("Parent") and ECO Acquisition Corporation, a wholly-owned subsidiary of Parent, as well as certain other agreements which provide for a corporate restructuring pursuant to which it will sell to Parent its pharmaceutical benefits management business, which is primarily operated by PCS Health Systems, Inc. and Clinical Pharmaceuticals, Inc., two subsidiaries of the Registrant for $4 billion in cash.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

2. Form 8-K dated July 29, 1994

Item 5. Other Events
Attached as exhibits to this current Report on Form 8-K were certain financial statements, schedules and other information of the Registrant which have been restated to reflect the pending transaction described in the Form 8-K Report filed by the Registrant on July 19, 1994.

Item 7. Financial Statements, Pro Forma Financial Information and

Exhibits.

S I G N A T U R E

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

McKESSON CORPORATION
(Registrant)

Dated: October 24, 1994

By /s/ Garret A. Scholz

Garret A. Scholz
Vice President Finance

By /s/ Richard H. Hawkins

Richard H. Hawkins
Vice President and Controller

INDEX TO EXHIBITS

Exhibit Number	
(11)	Computation of Earnings per Common Share
(27)	Financial Data Schedule

Exhibit (11)

McKESSON CORPORATION
COMPUTATION OF EARNINGS PER COMMON SHARE
(unaudited)
(in millions except per share amounts)

	Quarter Ended September 30		Six Months Ended September 30	
	1994	1993	1994	1993
FULLY DILUTED EARNINGS PER SHARE				
Income after taxes from continuing operations	$ 17.1	$ 22.5	$ 43.5	$ 71.1
Contribution adjustment - Series B ESOP convertible preferred stock(1)	(1.0)	(0.9)	(1.9)	(1.9)
	16.1	21.6	41.6	69.2
Discontinued operations	8.4	7.2	18.0	13.9
Extraordinary item	-	-	-	(4.2)
Cumulative effect of accounting change	-	-	-	(16.7)
Total	$ 24.5	$ 28.8	$ 59.6	$ 62.2
Fully diluted shares				
Common shares outstanding(2)	42.0	40.5	41.7	40.5
Convertible securities - dilutive	3.0	3.4	3.3	3.4
Total	45.0	43.9	45.0	43.9
Fully diluted earnings per share				
Continuing operations	$ .36	$ .48	$ .93	$ 1.58
Discontinued operations	.18	.17	.40	.32
Extraordinary item	-	-	-	(.10)
Cumulative effect of accounting change	-	-	-	(.38)
Total	$ .54	$ .65	$ 1.33	$ 1.42
PRIMARY EARNINGS PER SHARE				
Income after taxes from continuing operations	$ 17.1	$ 22.5	$ 43.5	$ 71.1
Dividend requirements - preferred stocks(1)	(1.7)	(1.8)	(3.5)	(3.6)
	15.4	20.7	40.0	67.5
Discontinued operations	8.4	7.2	18.0	13.9
Extraordinary item	-	-	-	(4.2)
Cumulative effect of accounting change	-	-	-	(16.7)

Total	$ 23.8	$ 27.9	$ 58.0	$ 60.5
Primary shares				
Common shares outstanding(2)	42.0	40.5	41.7	40.5
Primary earnings per share				
Continuing operations	$ .36	$ .51	$ .96	$ 1.67
Discontinued operations	.20	.18	.43	.34
Extraordinary item	-	-	-	(.10)
Cumulative effect of accounting change	-	-	-	(.41)
Total	$ .56	$ .69	$ 1.39	$ 1.50

1 Net of certain tax benefits.

2 Common shares outstanding have been computed by adding the monthly averages (beginning of the month plus end of the month divided by 2), dividing the aggregate by 3 or 6 as appropriate and adjusting this total for dilutive stock options using the treasury stock method based on the greater of the common share price at the end of the period or the average common share price during the period (fully diluted) and on the average common share price during the period (primary).

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

<TABLE> <S> <C>

Exhibit (27)

DATA STATED IN MILLION EXCEPT PER SHARE AMOUNTS

<CAPTION>

McKESSON CORPORATION
FINANCIAL DATA SCHEDULE
SEPTEMBER 30, 1994

This schedule contains summary financial information extracted from the McKesson Corporation Consolidated Financial Statements as of September 30, 1994 and March 31, 1994 and for the six months ended September 30, 1994 and 1993 and is qualified in its entirety by reference to such financial statements.

REGULATION NUMBER	STATEMENT CAPTION	FY95	FY94
<S>	<C>	<C>	<C>
5-02(1)	Cash and cash items	$ 74.4	$ 89.0
5-02(2)	Marketable securities	-	-
5-02(3)(a)(1)	Note and Accounts receivable - trade	849.1	775.2
5-02(4)	Allowance for doubtful accounts	(46.5)	30.8
5-02(6)	Inventory	1,069.3	993.5
5-02(9)	Total current assets	2,001.3	1,873.5
5-02(13)	Property, plant and equipment	810.1	788.1
5-02(14)	Accumulated depreciation	(407.2)	(391.5)
5-02(18)	Total assets	3,002.0	2,835.0
5-02(21)	Total current liabilities	1,557.2	1,428.2
5-02(22)	Bonds mortgages & similar debt	462.2	462.3
5-02(28)	Preferred stock - mandatory redemption	-	-
5-02(29)	Preferred stock - no mandatory redemption	120.0	125.3
5-02(30)	Common stock	89.2	89.2
5-02(31)	Other stockholders' equity	503.6	464.1
5-02(32)	Total liabilities and stockholders' equity	3,002.0	2,835.0
5-03(b)(1)(a)	Net sales of tangible products	6,491.0	5,920.5
5-03(b)(1)	Total revenues	6,491.0	5,920.5
5-03(b)(2)(a)	Cost of tangible goods sold	5,946.7	5,398.0
5-03(b)(2)	Total costs and exp. appl. to sales & revenues	5,946.7	5,398.0
5-03(b)(3)	Other costs and expenses	-	-
5-03(b)(5)	Provision for doubtful accounts and notes	20.9	3.3
5-03(b)(8)	Interest & amortization of debt discount	22.3	20.4
5-03(b)(10)	Income before taxes and other items	79.7	121.4
5-03(b)(11)	Income tax expense	31.5	47.0
5-03(b)(14)	Income/loss from continuing operations	43.5	71.1
5-03(b)(15)	Discontinued operations	18.0	13.9
5-03(b)(17)	Extraordinary items	-	(4.2)
5-03(b)(18)	Cumulative effect-chngs. in acctg. prin.	-	(16.7)
5-03(b)(19)	Net income or loss	61.5	64.1
5-03(b)(20)	Earnings per share - primary	1.39	1.50
5-03(b)(20)	Earnings per share - fully diluted	1.33	1.42

</TABLE>