KOBLIN ALAN H
Form 4
March 04, 2008

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
KOBLIN ALAN H

(Last) (First) (Middle)

C/O SILGAN PLASTICS CORPORATION, 14515 N OUTER FORTY STE 210

(Street)

CHESTERFIELD, MO 63017

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SILGAN HOLDINGS INC [SLGN]

3. Date of Earliest Transaction (Month/Day/Year)
03/01/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President - Silgan Plastics

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	03/01/2008		F		841	D	$ 47.17	10,380	D	
Common Stock	03/01/2008		A		10,000	A	(1)	20,380 (2)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
KOBLIN ALAN H C/O SILGAN PLASTICS CORPORATION 14515 N OUTER FORTY STE 210 CHESTERFIELD, MO 63017			President - Silgan Plastics	

Signatures

/s/ Frank W. Hogan, III, Attorney-in-fact for Alan H. Koblin	03/04/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These securities are restricted stock units that were granted on March 1, 2008 under the Silgan Holdings Inc. 2004 Stock Incentive Plan, as amended. These restricted stock units vest ratably over a 5-year period beginning March 1, 2009 and will be settled in shares of Common Stock on a 1-for-1 basis upon vesting.

(2) This amount includes 17,200 restricted stock units that have not yet vested that have been granted under the Silgan Holdings Inc. 2004 Stock Incentive Plan, as amended. Upon vesting, these restricted stock units will be settled in shares of Common Stock on a 1-for-1 basis.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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See Financial Notes

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CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended March 31, 2015	2014	2013
Operating Activities			
Net income	$1,543	$1,258	$1,338
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	306	185	143
Amortization	711	550	438
Deferred taxes	171	17	615
Share-based compensation expense	174	160	167
Gain on business combination	—	—	(81)
Impairment charges and impairment of equity investment	241	80	191
Charges associated with last-in-first-out inventory method	337	311	13
Other non-cash items	47	130	90
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(2,821)	(868)	318
Inventories	(2,144)	(1,182)	(60)
Drafts and accounts payable	4,718	2,412	(125)
Deferred revenue	(141)	(81)	(44)
Taxes	(222)	218	(98)
Claim and litigation charges	150	68	72
Litigation settlement payments	—	(105)	(483)
Other	42	(17)	(11)
Net cash provided by operating activities	3,112	3,136	2,483
Investing Activities			
Property acquisitions	(376)	(278)	(241)
Capitalized software expenditures	(169)	(141)	(159)
Acquisitions, net of cash and cash equivalents acquired	(170)	(4,634)	(1,873)
Proceeds from sale of businesses and equity investment	15	97	—
Other	23	(90)	64
Net cash used in investing activities	(677)	(5,046)	(2,209)
Financing Activities			
Proceeds from short-term borrowings	3,100	6,080	2,225
Repayments of short-term borrowings	(3,152)	(6,132)	(2,625)
Proceeds from issuances of long-term debt	3	4,124	1,798
Repayments of long-term debt	(353)	(348)	(1,143)
Common stock transactions:			
Issuances	152	177	166
Share repurchases, including shares surrendered for tax withholding	(450)	(130)	(1,214)
Dividends paid	(227)	(214)	(194)
Other	(41)	62	31
Net cash provided by (used in) financing activities	(968)	3,619	(956)
Effect of exchange rate changes on cash and cash equivalents	(319)	28	(11)
Net increase (decrease) in cash and cash equivalents	1,148	1,737	(693)

Cash and cash equivalents at beginning of year	4,193	2,456	3,149
Cash and cash equivalents at end of year	$5,341	$4,193	$2,456
Supplemental Cash Flow Information			
Cash paid for:			
Interest	$359	$255	$207
Income taxes, net of refunds	$866	$508	$55
Non-cash item:			
Fair value of debt assumed on acquisitions	$—	$(2,312)	$(635)
Conversion of Celesio's convertible bonds to equity	$—	$313	$—

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McKESSON CORPORATION
FINANCIAL NOTES

1. Significant Accounting Policies

Nature of Operations: McKesson Corporation (“McKesson,” the “Company,” the “Registrant” or “we” and other similar pronouns) delivers pharmaceuticals, medical supplies and healthcare information technology that make healthcare safer while reducing costs. We conduct our business through two operating segments, McKesson Distribution Solutions and McKesson Technology Solutions, as further described in Financial Note 26, “Segments of Business.”

Basis of Presentation: The consolidated financial statements and accompanying notes are prepared in accordance with U. S. generally accepted accounting principles (“GAAP”). The consolidated financial statements of McKesson include the financial statements of all wholly-owned subsidiaries and majority-owned or controlled companies. We also evaluate our ownership, contractual and other interests in entities to determine if they are variable interest entities (“VIEs”), if we have a variable interest in those entities and the nature and extent of those interests. Refer to Financial Note 16, “Variable Interest Entities” for more information on VIEs. Investments in business entities in which we do not have control, but have the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method and our proportionate share of income or loss is recorded in other income, net. Equity investments in non-publicly traded entities are primarily accounted for using the cost method. Intercompany transactions and balances have been eliminated.

Fiscal Period: The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean the Company’s fiscal year.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires that we make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimated amounts.

Cash and Cash Equivalents: All highly liquid debt instruments purchased with original maturity of three months or less at the date of acquisition are included in cash and cash equivalents.

Cash equivalents, which are available-for-sale, are carried at fair value. Cash equivalents are primarily invested in AAA rated prime and U.S. government money market funds denominated in U.S. dollars, AAA rated prime money market funds denominated in Euros, overnight repurchase agreements collateralized by U.S. government securities, Canadian government securities and/or securities that are guaranteed or sponsored by the U.S. government and an AAA rated prime money market fund denominated in British pound sterling.

The remaining cash and cash equivalents are deposited with several financial institutions. Deposits at U.S. banks exceed the amount insured by the Federal Deposit Insurance Corporation. We mitigate the risk of our short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Restricted Cash: Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash and is included within prepaid expenses and other for current balances and other assets for non-current balances in the consolidated balance sheets. At March 31, 2015 and 2014, restricted cash was not material.

Marketable Securities Available-for-Sale: We carry our marketable securities, which are available-for-sale, at fair value and they are included in prepaid expenses and other in the consolidated balance sheets. The unrealized gains and losses, net of the related tax effect, computed in marking these securities to market have been reported within stockholders’ equity. At March 31, 2015 and 2014, marketable securities were not material.

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McKESSON CORPORATION
FINANCIAL NOTES (Continued)

In determining whether an other-than-temporary decline in market value has occurred, we consider the duration that, and extent to which, the fair value of the investment is below its cost, the financial condition and future prospects of the issuer or underlying collateral of a security, and our intent and ability to retain the security in order to allow for an anticipated recovery in fair value. Other-than-temporary declines in fair value from amortized cost for available-for-sale equity securities that we intend to sell or would more likely than not be required to sell before the expected recovery of the amortized cost basis are charged to other income, net, in the period in which the loss occurs.
Concentrations of Credit Risk and Receivables: Our trade receivables are subject to a concentration of credit risk with customers primarily in our Distribution Solutions segment. During 2015, sales to our ten largest customers accounted for approximately 44% of our total consolidated revenues. Sales to our largest customer, CVS Caremark Corporation ("CVS"), accounted for approximately 15% of our total consolidated revenues. At March 31, 2015, trade accounts receivable from our ten largest customers were approximately 36% of total trade accounts receivable. Accounts receivable from CVS were approximately 14% of total trade accounts receivable. As a result, our sales and credit concentration is significant. We also have agreements with group purchasing organizations ("GPOs"), each of which functions as a purchasing agent on behalf of member hospitals, pharmacies and other healthcare providers. The accounts receivables balances are with individual members of the GPOs. A default in payment, a material reduction in purchases from these or any other large customers, or the loss of a large customer or customer groups could have a material adverse impact on our financial condition, results of operations and liquidity. In addition, trade receivables are subject to a concentration of credit risk with customers in the institutional, retail and healthcare provider sectors, which can be affected by a downturn in the economy and changes in reimbursement policies. This credit risk is mitigated by the size and diversity of the customer base as well as its geographic dispersion. We estimate the receivables for which we do not expect full collection based on historical collection rates and ongoing evaluations of the creditworthiness of our customers. An allowance is recorded in our consolidated financial statements for these amounts.
Financing Receivables: We assess and monitor credit risk associated with financing receivables, namely lease and notes receivables, through regular review of our collection experience in determining our allowance for loan losses. On an ongoing basis, we also evaluate credit quality of our financing receivables utilizing aging of receivables and write-offs, as well as considering existing economic conditions, to determine if an allowance is necessary. Financing receivables are derecognized if legal title to them has been transferred and all related risks and rewards incidental to ownership have passed to the buyer. As of March 31, 2015 and 2014, financing receivables and the related allowance were not material to our consolidated financial statements.
Inventories: We report inventories at the lower of cost or market ("LCM"). Inventories for our Distribution Solutions segment consist of merchandise held for resale. For our Distribution Solutions segment, the majority of the cost of domestic inventories is determined using the last-in, first-out ("LIFO") method. The majority of the cost of inventories held in foreign locations is based on weighted average purchase prices using the first-in, first-out method. Technology Solutions segment inventories consist of computer hardware with cost generally determined by the standard cost method, which approximates average cost. Rebates, cash discounts, and other incentives received from vendors are accounted for as a reduction in the cost of inventory and are recognized when the inventory is sold.
The LIFO method was used to value approximately 73% and 67% of our inventories at March 31, 2015 and 2014. If we had used the FIFO method of inventory valuation, which approximates current replacement costs, inventories would have been approximately $768 million and $431 million higher than the amounts reported at March 31, 2015 and 2014, respectively. These amounts are equivalent to our LIFO reserves. Our LIFO valuation amount includes both pharmaceutical and non-pharmaceutical products. In 2015, 2014 and 2013, we recognized LIFO related expenses of $337 million, $311 million and $13 million in cost of sales within our consolidated statements of operations. A LIFO expense is recognized when the net effect of price increases on branded pharmaceuticals and non-pharmaceutical products held in inventory exceeds the impact of price declines and shifts towards generic pharmaceuticals, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines and shifts towards generic pharmaceuticals exceeds the impact of price increases on

branded pharmaceuticals and non-pharmaceutical products held in inventory.

We believe that the average inventory costing method provides a reasonable estimation of the current cost of replacing inventory (i.e., “market”). As such, our LIFO inventory is valued at the lower of LIFO or market. Due to cumulative net price deflation from 2005 to 2013, we had a lower-of-cost or market (“LCM”) reserve of $60 million at March 31, 2013 which reduced pharmaceutical inventories at LIFO to market. During 2014, the LCM reserve of $60 million was released, resulting in an increase in gross profit. As of March 31, 2014 and 2015, inventories at LIFO did not exceed market.

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McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Shipping and Handling Costs: We include costs to warehouse, pick, pack and deliver inventory to our customers in selling, distribution and administrative expenses.
Property, Plant and Equipment: We state our property, plant and equipment at cost and depreciate them under the straight-line method at rates designed to distribute the cost of properties over estimated service lives ranging from one to thirty years.
Goodwill: Goodwill is tested for impairment on an annual basis in the fourth quarter or more frequently if indicators for potential impairment exist. Impairment testing is conducted at the reporting unit level, which is generally defined as a component — one level below our Distribution Solutions and Technology Solutions operating segments, for which discrete financial information is available and segment management regularly reviews the operating results of that unit.
The first step in goodwill testing requires us to compare the estimated fair value of a reporting unit to its carrying value. This step may be performed utilizing either a qualitative or quantitative assessment. If the carrying value of the reporting unit is lower than its estimated fair value, no further evaluation is necessary. If the carrying value of the reporting unit is higher than its estimated fair value, the second step must be performed to measure the amount of impairment loss. Under the second step, the implied fair value of goodwill is calculated in a hypothetical analysis by subtracting the fair value of all assets and liabilities of the reporting unit, including any unrecognized intangible assets, from the fair value of the reporting unit calculated in the first step of the impairment test. If the carrying value of goodwill for the reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for that excess.
To estimate the fair value of our reporting units, we use a combination of the market approach and the income approach. Under the market approach, we estimate fair value by comparing the business to similar businesses or guideline companies whose securities are actively traded in public markets. Under the income approach, we use a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate expected rate of return. The discount rate used for cash flows reflects capital market conditions and the specific risks associated with the business. In addition, we compare the aggregate of the reporting units' fair value to the Company's market capitalization as a further corroboration of the fair values. The testing requires a complex series of assumptions and judgment by management in projecting future operating results, selecting guideline companies for comparisons and assessing risks. The use of alternative assumptions and estimates could affect the fair values and change the impairment determinations.
Intangible Assets: Currently all of our intangible assets are subject to amortization and are amortized based on the pattern of their economic consumption or on a straight-line basis over their estimated useful lives, ranging from one to thirty-eight years. We review intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated future undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair market value.
Capitalized Software Held for Sale: Development costs for software held for sale, which primarily pertain to our Technology Solutions segment, are capitalized once a project has reached the point of technological feasibility. Completed projects are amortized after reaching the point of general availability using the straight-line method based on an estimated useful life of approximately three years. At each balance sheet date, or earlier if an indicator of an impairment exists, we evaluate the recoverability of unamortized capitalized software costs based on estimated future undiscounted revenues net of estimated related costs over the remaining amortization period.
Capitalized Software Held for Internal Use: We capitalize costs of software held for internal use during the application development stage of a project and amortize those costs over their estimated useful lives ranging from one to ten years. As of March 31, 2015 and 2014, capitalized software held for internal use was $435 million and $508 million, net of accumulated amortization of $1,112 million and $1,004 million, and was included in other assets in the consolidated balance sheets.

Insurance Programs: Under our insurance programs, we seek to obtain coverage for catastrophic exposures as well as those risks required to be insured by law or contract. It is our policy to retain a significant portion of certain losses primarily related to workers' compensation and comprehensive general, product and vehicle liability. Provisions for losses expected under these programs are recorded based upon our estimate of the aggregate liability for claims incurred as well as for claims incurred but not yet reported. Such estimates utilize certain actuarial assumptions followed in the insurance industry.

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Revenue Recognition:
Distribution Solutions
Revenues for our Distribution Solutions segment are recognized when product is delivered and title passes to the customer or when services have been rendered and there are no further obligations to the customer.
Revenues are recorded net of sales returns, allowances, rebates and other incentives. Our sales return policy generally allows customers to return products only if they can be resold for value or returned to suppliers for full credit. Sales returns are accrued based on estimates at the time of sale to the customer. Sales returns from customers were approximately $2.7 billion in 2015 and $1.9 billion in 2014 and 2013. Taxes collected from customers and remitted to governmental authorities are presented on a net basis; that is, they are excluded from revenues.
Revenues for our Distribution Solutions segment include large volume sales of pharmaceuticals primarily to a limited number of large customers who warehouse their own product. We order bulk product from the manufacturer, receive and process the product primarily through our central distribution facility and deliver the bulk product (generally in the same form as received from the manufacturer) directly to our customers' warehouses. We also record revenues for direct store deliveries from most of these same customers. Direct store deliveries are shipments from the manufacturer to our customers of a limited category of products that require special handling. We assume the primary liability to the manufacturer for these products.
Revenues are recorded gross when we are the primary party obligated in the transaction, take title to and possession of the inventory, are subject to inventory risk, have latitude in establishing prices, assume the risk of loss for collection from customers as well as delivery or return of the product, are responsible for fulfillment and other customer service requirements, or the transactions have several but not all of these indicators.
Our Distribution Solutions segment also engages in multiple-element arrangements, which may contain a combination of various products and services. Revenue from a multiple-element arrangement is allocated to the separate elements based on their relative selling price and recognized in accordance with the revenue recognition criteria applicable to each element. Relative selling price is determined based on vendor-specific objective evidence ("VSOE") of selling price, if available, third-party evidence ("TPE"), if VSOE of selling price is not available, or estimated selling price ("ESP"), if neither VSOE of selling price nor TPE is available.
Technology Solutions
Revenues for our Technology Solutions segment are generated primarily by licensing software and software systems (consisting of software, hardware and maintenance support), providing software as a service or SaaS-based solutions and providing claims processing, outsourcing and professional services. Revenue for this segment is recognized as follows:
Software systems are marketed under information systems agreements as well as service agreements. Perpetual software arrangements are recognized at the time of delivery or under the percentage-of-completion method if the arrangements require significant production, modification or customization of the software. Contracts accounted for under the percentage-of-completion method are generally measured based on the ratio of labor hours incurred to date to total estimated labor hours to be incurred. Changes in estimates to complete and revisions in overall profit estimates on these contracts are charged to earnings in the period in which they are determined. We accrue for contract losses if and when the current estimate of total contract costs exceeds total contract revenue.
Revenue from time-based software license agreements is recognized ratably over the term of the agreement. Software implementation fees are recognized as the work is performed or under the percentage-of-completion method.
Maintenance and support agreements are marketed under annual or multi-year agreements and are recognized ratably over the period covered by the agreements. Hardware revenues are generally recognized upon delivery.
SaaS-based subscription, content and transaction processing fees are generally marketed under annual and multi-year agreements and are recognized ratably over the contracted terms beginning on the service start date for fixed fee arrangements and recognized as transactions are performed beginning on the service start date for per-transaction fee arrangements. Remote processing service fees are recognized monthly as the service is performed. Outsourcing service revenues are recognized as the service is performed.

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We also offer certain products on an application service provider basis, making our software functionality available on a remote hosting basis from our data centers. The data centers provide system and administrative support, as well as hosting services. Revenue on products sold on an application service provider basis is recognized on a monthly basis over the term of the contract beginning on the service start date of products hosted.
This segment engages in multiple-element arrangements, which may contain any combination of software, hardware, implementation, SaaS-based offerings, consulting services or maintenance services. For multiple-element arrangements that do not include software, revenue is allocated to the separate elements based on their relative selling price and recognized in accordance with the revenue recognition criteria applicable to each element. Relative selling price is determined based on VSOE of selling price if available, TPE, if VSOE of selling price is not available, or ESP if neither VSOE of selling price nor TPE is available. For multiple-element arrangements accounted for in accordance with specific software accounting guidance when some elements are delivered prior to others in an arrangement and VSOE of fair value exists for the undelivered elements, revenue for the delivered elements is recognized upon delivery of such items. The segment establishes VSOE for hardware and implementation and consulting services based on the price charged when sold separately, and for maintenance services, based on renewal rates offered to customers. Revenue for the software element is recognized under the residual method only when fair value has been established for all of the undelivered elements in an arrangement. If fair value cannot be established for any undelivered element, all of the arrangement's revenue is deferred until the delivery of the last element or until the fair value of the undelivered element is determinable. For multiple-element arrangements with both software elements and nonsoftware elements, arrangement consideration is allocated between the software elements as a whole and nonsoftware elements. The segment then further allocates consideration to the individual elements within the software group, and revenue is recognized for all elements under the applicable accounting guidance and our policies described above.
Supplier Incentives: Fees for service and other incentives received from suppliers, relating to the purchase or distribution of inventory, are generally reported as a reduction to cost of goods sold. We consider these fees and other incentives to represent product discounts and as a result, the amounts are recorded as a reduction of product cost and are recognized through cost of goods sold upon the sale of the related inventory.
Supplier Reserves: We establish reserves against amounts due from suppliers relating to various price and rebate incentives, including deductions or billings taken against payments otherwise due to them. These reserve estimates are established based on judgment after considering the status of current outstanding claims, historical experience with the suppliers, the specific incentive programs and any other pertinent information available. We evaluate the amounts due from suppliers on a continual basis and adjust the reserve estimates when appropriate based on changes in factual circumstances. As of March 31, 2015 and 2014 supplier reserves were $167 million and $181 million. The ultimate outcome of any outstanding claims may be different than our estimate. All of the supplier reserves at March 31, 2015 and 2014 pertain to our Distribution Solutions segment.
Income Taxes: We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon effective settlements. Deferred taxes are not provided on undistributed earnings of our foreign operations that are considered to be permanently reinvested.
Foreign Currency Translation: Our international subsidiaries generally consider their local currency to be their functional currency. Assets and liabilities of these international subsidiaries are translated into U.S. dollars at year-end exchange rates and revenues and expenses are translated at average exchange rates during the year. Currency translation adjustments for the year are included in other comprehensive income or loss in the statements of

consolidated comprehensive income, and the cumulative effect is included in the stockholders' equity section of the consolidated balance sheets. When we sell all or substantially all of an international entity, the related share of the cumulative currency translation adjustment is removed from stockholders' equity and is included in the gain or loss on sale in the consolidated statements of operations. Realized gains and losses from currency exchange transactions are recorded in operating expenses in the consolidated statements of operations and were not material to our consolidated results of operations in 2015, 2014 or 2013.

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Derivative Financial Instruments: Derivative financial instruments are used principally in the management of foreign currency and interest rate exposures and are recorded on the consolidated balance sheets at fair value. If a derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized as a charge or credit to earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are included in other comprehensive income or loss in the statements of consolidated comprehensive income, and the cumulative effect is included in the stockholders' equity section of the consolidated balance sheets. The cumulative changes in fair value are reclassed to the consolidated statements of operations when the hedged item affects earnings. We periodically evaluate hedge effectiveness, and ineffective portions of changes in the fair value of cash flow hedges are recognized as a charge or credit to earnings. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change included in earnings.

Comprehensive Income: Comprehensive income consists of two components, net income and other comprehensive income. Other comprehensive income refers to revenue, expenses, and gains and losses that under GAAP are recorded as an element of shareholders' equity but are excluded from net income. Our other comprehensive income consists of foreign currency translation adjustments from those subsidiaries where the local currency is the functional currency, unrealized gains and losses on cash flow hedges, as well as unrealized gains and losses on retirement-related benefit plans.

Noncontrolling and Redeemable Noncontrolling Interests: Noncontrolling interests represent the portion of profit or loss, net assets and comprehensive income that is not allocable to McKesson Corporation. In 2015, net income attributable to noncontrolling interests primarily represents guaranteed dividends and recurring compensation that McKesson is obligated to pay to the noncontrolling shareholders of Celesio. Noncontrolling interests with redemption features, such as put rights, that are not solely within the Company's control are considered redeemable noncontrolling interests. Redeemable noncontrolling interests are presented outside of Stockholders' Equity on our consolidated balance sheet. Refer to Financial Note 3, "Noncontrolling Interests," for more information.

Share-Based Compensation: We account for all share-based compensation transactions using a fair-value based measurement method. The share-based compensation expense, for the portion of the awards that is ultimately expected to vest, is recognized on a straight-line basis over the requisite service period. The compensation expense recognized has been classified in the consolidated statements of operations or capitalized on the consolidated balance sheets in the same manner as cash compensation paid to our employees.

Loss Contingencies: We are subject to various claims, other pending and potential legal actions for damages, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of our business. When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure of the proceeding is provided. Disclosure also is provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of the loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimate.

Business Combinations: We account for acquired businesses using the acquisition method of accounting, which requires that once control is obtained of a business, 100% of the assets acquired and liabilities assumed, including amounts attributed to noncontrolling interests, be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred.

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Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the income method. This method starts with a forecast of all of the expected future net cash flows for each asset. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows and the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives.

Recently Adopted Accounting Pronouncements

Business Combinations: In November 2014, amended guidance related to pushdown accounting was issued and became effective immediately. This guidance provides an acquired entity with an option to use the acquirer's accounting and reporting basis in the preparation of its separate financial statements when an acquirer obtains control of the acquired entity. The option to apply pushdown accounting can be elected for each individual change-of-control event. The adoption of this amended guidance did not have a material effect on our consolidated financial statements.

Cumulative Translation Adjustment: In the first quarter of 2015, we adopted amended guidance for parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or group of assets within a foreign entity or of an investment in a foreign entity. The amended guidance requires the release of any cumulative translation adjustment into net income only upon complete or substantially complete liquidation of a controlling interest in a subsidiary or a group of assets within a foreign entity. Also, it requires the release of all or a pro rata portion of the cumulative translation adjustment to net income in the case of sale of an equity method investment that is a foreign entity. The adoption of this amended guidance did not have a material effect on our consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Fees Paid in a Cloud Computing Arrangement: In April 2015, amended guidance was issued for a customer's accounting for fees paid in a cloud computing arrangement. The amended guidance requires customers to determine whether or not an arrangement contains a software license element. If the arrangement contains a software element, the related fees paid should be accounted for as an acquisition of a software license. If the arrangement does not contain a software license, it is accounted for as a service contract. The amended guidance will become effective for us commencing in the first quarter of 2017. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our consolidated financial statements.

Debt Issuance Costs: In April 2015, amended guidance was issued for the balance sheet presentation of debt issuance costs and will become effective for us commencing in the first quarter of 2017. Early adoption is permitted. The amended guidance requires debt issuance costs related to a recognized debt liability be reported in the balance sheet as a direct deduction from the carrying amount of that debt liability. The recognition and measurement guidance for debt issuance costs are not affected by the amended guidance. We do not expect the adoption of this guidance to have a material effect on our consolidated financial statements.

Consolidation: In February 2015, amended guidance was issued for consolidating legal entities in which a reporting entity holds a variable interest. The amended guidance modifies the evaluation of whether limited partnerships and similar legal entities are VIEs and changes the consolidation analysis of reporting entities that are involved with VIEs that have fee arrangements and related party relationships. The amended guidance will become effective for us commencing in the first quarter of 2017. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our consolidated financial statements.

Discontinued Operations: In April 2014, amended guidance was issued for reporting of discontinued operations and disclosures of disposals of components. The amended guidance revises the criteria for disposals to qualify as discontinued operations and permits significant continuing involvement and continuing cash flows with the discontinued operation. In addition, the amended guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The amended guidance is effective for us prospectively commencing in the first quarter of 2016. Early adoption is permitted. We are currently evaluating the impact of this amended guidance on our consolidated financial statements.

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Revenue Recognition: In May 2014, amended guidance was issued for recognizing revenue from contracts with customers. The amended guidance eliminated industry specific guidance and applies to all companies. Revenues will be recognized when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled for that good or service. Revenue from a contract that contains multiple performance obligations is allocated to each performance obligation generally on a relative standalone selling price basis. The amended guidance also requires additional quantitative and qualitative disclosures. The amended guidance is effective for us commencing in the first quarter of 2018. The amended guidance allows for either full retrospective adoption or modified retrospective adoption. Early adoption is not permitted. We are currently evaluating the impact of this amended guidance on our consolidated financial statements.

2. Business Combinations

Fiscal 2014

On February 6, 2014, we completed the acquisition of 77.6% of the then outstanding common shares of Celesio AG ("Celesio") and certain convertible bonds of Celesio for cash consideration of $4.5 billion, net of cash acquired (the "Acquisition"). Upon the acquisition, our ownership of Celesio's fully diluted common shares was 75.6% and, as required, we consolidated Celesio's debt with a fair value of $2.3 billion as a liability on our consolidated balance sheet. The Acquisition was initially funded by utilizing a senior bridge loan, our existing accounts receivable sales facility and cash on hand. Celesio is an international wholesale and retail company and a provider of logistics and services to the pharmaceutical and healthcare sectors. Celesio's headquarters is in Stuttgart, Germany and it operates in 14 countries around the world. The acquisition of Celesio expanded our global geographic area. Financial results for Celesio are included within our International pharmaceutical distribution and services business, which is part of our Distribution Solutions segment, since the date of Acquisition.

From February 7, 2014 through March 31, 2014, substantially all of the convertible bonds issued by Celesio (held by both third parties and us) were converted into an additional 20.9 million common shares of Celesio and approximately $30 million in cash. At March 31, 2014, we owned approximately 75.4% of Celesio's outstanding and fully diluted common shares.

The fair value measurements of the assets acquired and liabilities assumed of Celesio as of the acquisition date were finalized upon completion of the measurement period. The following table summarizes the final amounts of the fair value recognized for the assets acquired and liabilities assumed as of the acquisition date as well as adjustments made during the measurement period. Among the adjustments recorded, the fair value of the acquired intangible assets decreased by $709 million. The fair value was primarily determined by applying the income approach using unobservable inputs for projected cash flows, which were refined during the measurement period and are considered Level 3 inputs under the fair value measurements and disclosure guidance. These refinements did not have a significant impact on our consolidated statements of operations, balance sheets or cash flows in any period and, therefore, we have not retrospectively adjusted our financial statements.

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FINANCIAL NOTES (Continued)

(In millions)	Amounts Previously Recognized as of Acquisition Date (Provisional)	Measurement Period Adjustments	Amounts Recognized as of Acquisition Date (Final as Adjusted)
Receivables	$3,425	$(49)	$3,376
Other current assets, net of cash and cash equivalents acquired	2,413	17	2,430
Goodwill	3,570	655	4,225
Intangible assets	3,018	(709)	2,309
Other long-term assets	1,272	(39)	1,233
Current liabilities	(4,096)	(28)	(4,124)
Short-term borrowings and current portion of long-term debt	(1,990)	—	(1,990)
Long-term debt	(322)	—	(322)
Other long-term liabilities	(1,293)	158	(1,135)
Fair value of net assets, less cash and cash equivalents	5,997	5	6,002
Less: Noncontrolling Interests	(1,500)	(5)	(1,505)
Net assets acquired, net of cash and cash equivalents	$4,497	$—	$4,497

The excess of the purchase price and the noncontrolling interests over the fair value of the acquired net assets has been allocated to goodwill, which primarily reflects the expected future benefits to be realized upon integrating the business. Most of the goodwill is not expected to be deductible for tax purposes.

Domination and Profit and Loss Transfer Agreement

On May 22, 2014, Celesio and McKesson, through its wholly-owned subsidiary, McKesson Deutschland GmbH & Co. KGaA (“McKesson Deutschland,” formerly known as Dragonfly GmbH & Co. KGaA), entered into the domination and profit and loss transfer agreement (the “Domination Agreement”) subject to Celesio shareholder approval and German registration requirements. Under the Domination Agreement, Celesio subordinates its management to McKesson and undertakes to transfer all of its annual profits to McKesson, and McKesson undertakes to compensate any annual losses incurred by Celesio and to grant, subject to a potential court review, the noncontrolling shareholders of Celesio (i) an annual recurring compensation of €0.83 per Celesio share (“Compensation Amount”), (ii) a one-time dividend for Celesio’s fiscal year ended December 31, 2014 of €0.83 per Celesio share reduced accordingly for any dividend paid by Celesio in relation to its fiscal year ended December 31, 2014 (“Guaranteed Dividend”) and (iii) a right to put (“Put Right”) their Celesio shares at €22.99 per share increased annually for interest in the amount of 5 percentage points above a base rate published by the German Bundesbank semiannually, less any Compensation Amount or Guaranteed Dividend already paid in respect of the relevant time period (“Put Amount”). The Domination Agreement does not have an expiration date and can be terminated by McKesson without cause in writing no earlier than March 31, 2020. The Domination Agreement was approved at the general shareholders’ meeting of Celesio on July 15, 2014, approved by the Stuttgart Higher Regional Court for registration on December 2, 2014, and was registered in the commercial register of Celesio at the local court of Stuttgart on December 2, 2014. As a result, McKesson obtained the ability to pursue integration of the two companies on December 2, 2014.

Under the Domination Agreement, the noncontrolling shareholders of Celesio no longer participate in their percentage ownership of Celesio’s profits and losses, but instead have the right to receive the one-time Guaranteed Dividend and prospectively the Compensation Amount.

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Subsequent to the Domination Agreement's registration, certain noncontrolling shareholders of Celesio initiated appraisal proceedings ("Appraisal Proceedings") with the Stuttgart Higher Regional Court to challenge the Compensation Amount, Guaranteed Dividend and/or Put Amount. As long as any Appraisal Proceedings are pending, the Compensation Amount, Guaranteed Dividend and/or Put Amount will be paid as specified currently in the Domination Agreement. If any such Appraisal Proceedings result in an adjustment to the Compensation Amount, Guaranteed Dividend and/or Put Amount, McKesson Deutschland would be required to make certain additional payments for any shortfall to all Celesio noncontrolling shareholders who previously received the Guaranteed Dividend, Compensation Amount and/or Put Amount. The Put Right specified in the Domination Agreement may be exercised until two months after the announcement regarding the end of the Appraisal Proceedings. In addition, if the Domination Agreement is terminated, the Put Right may be exercised for a two-month period after the date of termination.

On August 14, 2014, Magnetar Capital filed a lawsuit against Celesio with the Stuttgart Regional Court claiming that the shareholders' approval of the Domination Agreement was void under the German Stock Corporation Act ("Main Proceedings"). As the Domination Agreement was registered in the commercial register of Celesio at the local court of Stuttgart, Germany on December 2, 2014 following the approval for registration by the Stuttgart Higher Regional Court, the outcome of the Main Proceedings will not impact the effectiveness of the Domination Agreement and thus will not impact McKesson's ability to direct the activities of Celesio. The court is scheduled to issue a decision on the Main Proceedings on June 16, 2015.

Fiscal 2013

On February 22, 2013, we acquired all of the outstanding shares of PSS World Medical, Inc. ("PSSI") of Jacksonville, Florida for $29.00 per share plus the assumption of PSSI's debt, or approximately $1.9 billion in aggregate, consisting of cash consideration of $1.3 billion, net of cash acquired, and the assumption of long-term debt with a fair value of $0.6 billion. The cash paid at acquisition was funded from cash on hand and the issuance of long-term debt. PSSI markets and distributes medical products and services throughout the United States. The acquisition of PSSI expanded our existing Medical-Surgical business.

Included in the purchase price allocation are acquired identifiable intangibles of $568 million, the fair value of which was primarily determined by applying the income approach, using several significant unobservable inputs for projected cash flows and a discount rate. These inputs are considered Level 3 inputs under the fair value measurements and disclosure guidance. The excess of the purchase price over the net tangible and intangible assets of approximately $1,149 million was recorded as goodwill, which primarily reflects the expected future benefits to be realized upon integrating the business. Most of the goodwill is not expected to be deductible for tax purposes. Financial results for PSSI since the acquisition date are included in the results of operations within our Medical Surgical distributions and services business, which is part of our Distribution Solutions segment beginning in the fourth quarter of 2013.

On April 6, 2012, we purchased the remaining 50% ownership interest in our corporate headquarters building located in San Francisco, California, for $90 million, which was funded from cash on hand. We previously held a 50% ownership interest and were the primary tenant in this building. This transaction was accounted for as a step acquisition, which required that we re measure our previously held 50% ownership interest to fair value and record the difference between the fair value and carrying value as a gain in the consolidated statements of operations. The re-measurement to fair value resulted in a non-cash pre-tax gain of $81 million ($51 million after-tax), which was recorded as a gain on business combination within Corporate in the consolidated statements of operations during the first quarter of 2013. The total fair value of the net assets acquired was $180 million, which was allocated as follows: building and improvements of $113 million and land of $58 million with the remainder allocated for settlement of our pre-existing lease and lease intangible assets.

Other Acquisitions

During the last three years, we also completed a number of other smaller acquisitions within both of our operating segments. Financial results for our business acquisitions have been included in our consolidated financial statements

since their respective acquisition dates. Purchase prices for our business acquisitions have been allocated based on estimated fair values at the date of acquisition.
Goodwill recognized for our business acquisitions is generally not expected to be deductible for tax purposes. However, if we acquire the assets of a company, the goodwill may be deductible for tax purposes.

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3. Noncontrolling Interests

At March 31, 2014, we owned approximately 75.4% of Celesio's outstanding and fully diluted common shares and the noncontrolling interests in Celesio were presented within the permanent equity section of our consolidated balance sheet. In April 2014, we completed a tender offer and paid $32 million in cash to acquire approximately 1 million additional common shares of Celesio at €23.50 per share, which increased our ownership share by 0.5% and decreased noncontrolling interests by $35 million.

On December 2, 2014, the Domination Agreement between Celesio and McKesson, through its wholly-owned subsidiary, McKesson Deutschland, became effective as previously discussed in Financial Note 2, "Business Combinations". Prior to the effectiveness of the Domination Agreement, the net income or loss from Celesio was attributed to the noncontrolling shareholders of Celesio based on their proportionate ownership interest in Celesio. Upon the effectiveness of the Domination Agreement, McKesson became obligated to pay the $50 million Guaranteed Dividend to the noncontrolling shareholders of Celesio in relation to Celesio's fiscal year ended December 31, 2014. Under the Domination Agreement, McKesson also became obligated to pay the annual recurring Compensation Amount of €0.83 per Celesio share effective January 1, 2015. The Compensation Amount is recognized ratably during the applicable annual period. As a result, during 2015, we recorded a total attribution of net income to the noncontrolling shareholders of Celesio of $62 million. All amounts were recorded in our consolidated statement of operations within the caption, "Net Income Attributable to Noncontrolling Interests," and the corresponding liability balance was recorded within other accrued liabilities on our consolidated balance sheet.

In addition, upon effectiveness of the Domination Agreement, the noncontrolling interests in Celesio became redeemable as a result of a put right. Accordingly, the carrying value of noncontrolling interests related to Celesio of $1.5 billion was reclassified from "Total Equity" to "Redeemable Noncontrolling Interests" on our consolidated balance sheet. During the fourth quarter of 2015, we paid $8 million to purchase 0.3 million shares of Celesio through the exercise of the put right by the noncontrolling shareholders, which decreased the carrying value of redeemable noncontrolling interests by $9 million. The balance of redeemable noncontrolling interests is reported at the greater of its carrying value or its maximum redemption value at each reporting date. The redemption value is the Put Amount adjusted for exchange rate fluctuations each period. At March 31, 2015, the carrying value of redeemable noncontrolling interests of $1.4 billion exceeded the maximum redemption value of $1.2 billion. At March 31, 2015, we owned approximately 76.0% of Celesio's outstanding common shares.

Changes in noncontrolling interests and redeemable noncontrolling interests were as follows:

(In millions)	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2014	$1,796	$—
Net income attributable to noncontrolling interests (1)	5	62
Other comprehensive loss	(174)	(105)
Purchase of noncontrolling interests	(60)	(9)
Reclassification from Total Equity to Redeemable Noncontrolling Interests (2)	(1,500)	1,500
Reclassification of guaranteed dividends and recurring compensation to other accrued liabilities	—	(62)
Other	17	—
Balance, March 31, 2015	$84	$1,386

(1) Includes the Guaranteed Dividend of $50 million for Celesio's fiscal year ended December 31, 2014 and the Compensation Amount of $12 million for the fourth quarter of 2015

(2) Includes net foreign currency losses of $138 million attributable to noncontrolling interests

The effect of changes in our ownership interests with noncontrolling interests on our equity of $2 million was recorded as a net decrease to McKesson's stockholders' paid-in capital during 2015. Net income attributable to McKesson and transfers from noncontrolling interests amounted to $1,474 million during 2015.

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4. Discontinued Operations

During the fourth quarter of 2015, we committed to a plan to sell our Brazilian pharmaceutical distribution business and a small business from our Distribution Solutions segment, as well as a small business from our Technology Solutions segment. We acquired the Brazilian distribution business through our February 2014 acquisition of Celesio. In 2014, we committed to a plan to sell our International Technology and our Hospital Automation businesses from our Technology Solutions segment and certain businesses from our Distribution Solutions segment. During the first quarter of 2015, we decided to retain the workforce business within our International Technology business. This business consists of workforce management solutions for the National Health Service in the United Kingdom, which we will transition to another service provider during the first quarter of 2016. As a result, the workforce business, which had been designated as a discontinued operation since the first quarter of 2014, was reclassified to continuing operations in the first quarter of 2015. During the first quarter of 2015, we also recorded a non-cash pre-tax charge of $34 million ($27 million after-tax) primarily relating to depreciation and amortization expense for the period in 2014 while the business was classified as held for sale. The non-cash charge was recorded in our consolidated statement of operations primarily in cost of sales.

As required, we classified the results of operations and cash flows of these businesses as discontinued operations for all applicable periods presented in our consolidated financial statements. Depreciation and amortization expense is not recognized from the date the businesses are classified as held for sale.

A summary of results of discontinued operations is as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Revenues	$2,196	$637	$259
Loss from discontinued operations	$(321)	$(177)	$(32)
Loss on sale	(6)	(5)	—
Loss from discontinued operations before income tax	(327)	(182)	(32)
Income tax benefit	28	26	7
Loss from discontinued operations, net of tax	$(299)	$(156)	$(25)

Fiscal 2015

During the second quarter of 2015, we completed the sale of a software business within our International Technology business and recorded a pre-tax and after-tax loss of $6 million.

During the fourth quarter of 2015, we recorded $241 million pre-tax ($235 million after-tax) non-cash impairment charges to reduce the carrying value of our Brazilian distribution business to its estimated fair value, less cost to sell. The impairment charge reduced the carrying value of property, plant and equipment, other long-lived assets and goodwill by $31 million. The remaining difference between the business’ fair value and carrying value of $210 million was recorded as a liability and was included in other accrued liabilities in our consolidated balance sheet. Cumulative foreign currency translation losses of $17 million were included in the assessment of this business’ carrying value for purposes of calculating the impairment charge. Cumulative foreign currency translation losses (net of tax) are included in Accumulated Other Comprehensive Income on our consolidated balance sheet at March 31, 2015. The ultimate loss from the sale may be higher or lower than our current assessment of the business’ fair value.

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Fiscal 2014
During the third quarter of 2014, we sold our Hospital Automation business for net cash proceeds of $55 million and recorded a pre-tax and after-tax loss of $5 million and $7 million.
During the third quarter of 2014, we recorded an $80 million non-cash pre-tax and after-tax impairment charge to reduce the carrying value of our International Technology business to its estimated fair value less costs to sell. The impairment charge was primarily attributed to goodwill and other long-lived assets and as a result, there was no tax benefit associated with this charge.
The assets and liabilities of our discontinued operations were classified as held-for-sale effective in 2014. All applicable assets of the businesses to be sold are included under the caption "Prepaid expenses and other" and all applicable liabilities under the caption "Other accrued liabilities" within our consolidated balance sheet at March 31, 2015 and 2014. The carrying values of the assets and liabilities classified as held-for-sale were $660 million and $663 million at March 31, 2015.

5. Asset Impairments and Product Alignment Charges

In 2014 and 2013, we recorded asset impairments and product alignment charges of $57 million and $46 million in our Technology Solutions segment.
Fiscal 2014
During the third quarter of 2014, our Technology Solutions segment recorded pre-tax charges totaling $57 million. These charges primarily consist of $35 million of product alignment charges, $15 million of integration-related expenses and $7 million of reduction-in-workforce severance charges. Included in the total charge was $35 million for severance for employees primarily in our research and development, customer services and sales functions, and $15 million for asset impairments which primarily represents the write-off of deferred costs related to a product that will no longer be developed. Charges were recorded in our consolidated statement of operations as follows: $34 million in cost of sales and $23 million in operating expenses.
Fiscal 2013
During the fourth quarter of 2013, we recorded $46 million of non-cash pre-tax impairment charges. These charges were the result of a significant decrease in estimated revenues for a software product. The charge included a $36 million goodwill impairment to reduce the carrying value of goodwill within the applicable reporting unit to its implied fair value. In addition, the goodwill had a nominal tax basis. This impairment charge was recorded in operating expenses within our consolidated statement of operations. Refer to Financial Note 20, "Fair Value Measurements," for more information on this nonrecurring fair value measurement. The balance of the charge also represents a $10 million impairment to reduce the carrying value of the unamortized capitalized software held for sale costs for this product to its net realizable value. We concluded that the estimated future undiscounted revenues, net of estimated related costs, were insufficient to recover its carrying value. This impairment charge was recorded in cost of sales within our consolidated statement of operations.

6. Equity Investments

We own a 45% interest in Brocacef Holding N.V. ("Brocacef"), which provides, through its subsidiaries, wholesale distribution services and supplies pharmaceutical and other healthcare products to pharmacies, retailers and hospitals in the Netherlands. During the third quarter of 2015, we announced that Brocacef intends to purchase Mediq Apotheken Beheer B.V., which owns and operates pharmacies in the Netherlands. This acquisition is subject to customary closing conditions including regulatory clearances and approval of the relevant competition authorities but is expected to close during the first half of 2016.
During 2013, we committed to a plan to sell our 49% equity interest in Nadro, S.A. de C.V. ("Nadro") and in the fourth quarter of 2013 we recorded a pre-tax impairment charge of $191 million reducing the investment's carrying value to its estimated fair value. Cumulative foreign currency translation losses of $69 million were included in the assessment of the investment's carrying value for purposes of calculating the impairment charge. The impairment charge was recorded in impairment of an equity investment in the consolidated statements of operations within our Distribution

Solutions segment.

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In September 2013, we completed the sale of our 49% equity interest in Nadro. Under the terms of the agreement, we received $41 million in total cash consideration. There was no material gain or loss on the disposition based on the adjusted fair value of the investment at the time of the sale. Prior to the sale, our investment in Nadro was accounted for under the equity method of accounting within our Distribution Solutions segment.

7. Share-Based Compensation

We provide share-based compensation to our employees, officers and non-employee directors, including stock options, an employee stock purchase plan, restricted stock units (“RSUs”), performance-based restricted stock units (“PeRSUs”) and total shareholder return units (“TSRUs”) (collectively, “share-based awards”). Most of our share-based awards are granted in the first quarter of each fiscal year.

Compensation expense for the share-based awards is recognized for the portion of awards ultimately expected to vest. We estimate the number of share-based awards that will ultimately vest primarily based on historical experience. The estimated forfeiture rate established upon grant is re-assessed throughout the requisite service period and is adjusted when actual forfeitures occur. The actual forfeitures in future reporting periods could be higher or lower than current estimates.

The compensation expense recognized has been classified in the consolidated statements of operations or capitalized in the consolidated balance sheets in the same manner as cash compensation paid to our employees. There was no material share-based compensation expense capitalized as part of the cost of an asset in 2015, 2014 and 2013.

Impact on Net Income

The components of share-based compensation expense and related tax benefits are as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Restricted stock unit awards [(1)]	$137	$126	$132
Stock options	24	22	24
Employee stock purchase plan	13	12	11
Share-based compensation expense	174	160	167
Tax benefit for share-based compensation expense [(2)]	(61)	(55)	(59)
Share-based compensation expense, net of tax	$113	$105	$108

(1) Includes compensation expense recognized for RSUs, PeRSUs and TSRUs. Our TSRUs were awarded beginning in 2015.

(2) Income tax benefit is computed using the tax rates of applicable tax jurisdictions. Additionally, a portion of pre-tax compensation expense is not tax-deductible.

Stock Plans

In July 2013, our stockholders approved the 2013 Stock Plan to replace the 2005 Stock Plan. These stock plans provide our employees, officers and non-employee directors the opportunity to receive equity-based, long-term incentives in the form of stock options, restricted stock, RSUs, PeRSUs, TSRUs and other share-based awards. The 2013 Stock Plan reserves 30 million shares plus the remaining number of shares reserved but unused under the 2005 Stock Plan. As of March 31, 2015, 30 million shares remain available for future grant under the 2013 Stock Plan.

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Stock Options
Stock options are granted with an exercise price at no less than the fair market value and those options granted under the stock plans generally have a contractual term of seven years and follow a four-year vesting schedule. Compensation expense for stock options is recognized on a straight-line basis over the requisite service period and is based on the grant-date fair value for the portion of the awards that is ultimately expected to vest. We use the Black-Scholes options-pricing model to estimate the fair value of our stock options. Once the fair value of an employee stock option is determined, current accounting practices do not permit it to be changed, even if the estimates used are different from actual. The options-pricing model requires the use of various estimates and assumptions as follows:

- Expected stock price volatility is based on a combination of historical volatility of our common stock and implied market volatility. We believe that this market-based input provides a reasonable estimate of our future stock price movements and is consistent with employee stock option valuation considerations.
- Expected dividend yield is based on historical experience and investors' current expectations.
- The risk-free interest rate for periods within the expected life of the option is based on the constant maturity U.S. Treasury rate in effect at the time of grant.
- Expected life of the options is based primarily on historical employee stock option exercises and other behavior data and reflects the impact of changes in contractual life of current option grants compared to our historical grants.

Weighted-average assumptions used to estimate the fair value of employee stock options were as follows:

	Years Ended March 31,		
	2015	2014	2013
Expected stock price volatility	22%	22%	27%
Expected dividend yield	0.6%	0.7%	0.9%
Risk-free interest rate	1.3%	0.7%	0.8%
Expected life (in years)	4	4	5

The following is a summary of stock options outstanding at March 31, 2015:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding at Year End (In millions)	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable at Year End (In millions)	Weighted-Average Exercise Price
$40.46 – $133.27	4	3	$79.38	2	$68.80
133.28 – 226.05	1	6	182.38	—	155.87
	5			2	

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The following table summarizes stock option activity during 2015:

(In millions, except per share data)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value [(2)]
Outstanding, March 31, 2014	6	$78.07	4	$473
Granted	1	184.84		
Exercised	(2)	67.64		
Outstanding, March 31, 2015	5	$95.01	4	$539
Vested and expected to vest [(1)]	5	$95.01	4	$538
Vested and exercisable, March 31, 2015	2	69.27	3	363

(1) The number of options expected to vest takes into account an estimate of expected forfeitures.
(2) The intrinsic value is calculated as the difference between the period-end market price of the Company's common stock and the exercise price of "in-the-money" options.

The following table provides data related to stock option activity:

	Years Ended March 31,		
(In millions, except per share data)	2015	2014	2013
Weighted-average grant date fair value per stock option	$35.49	$21.45	$19.63
Aggregate intrinsic value on exercise	$153	$144	$107
Cash received upon exercise	$76	$111	$106
Tax benefits realized related to exercise	$60	$55	$41
Total fair value of stock options vested	$20	$24	$24
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	$22	$29	$37
Weighted-average period in years over which stock option compensation cost is expected to be recognized	2	1	1

Restricted Stock Unit Awards

RSUs, which entitle the holder to receive at the end of a vesting term a specified number of shares of the Company's common stock, are accounted for at fair value at the date of grant. Total compensation expense for RSUs under our stock plans is determined by the product of the number of shares that are expected to vest and the grant date market price of the Company's common stock. The Compensation Committee determines the vesting terms at the time of grant. These awards generally vest in three to four years. We recognize expense for RSUs on a straight-line basis over the requisite service period.

Non-employee directors receive an annual grant of RSUs, which vest immediately and are expensed upon grant. The director may elect to receive the underlying shares immediately or defer receipt of the shares if they meet director stock ownership guidelines. The shares will be automatically deferred for those directors who do not meet the director stock ownership guidelines. At March 31, 2015, approximately 158,000 RSUs for our directors are vested.

PeRSUs are RSUs for which the number of RSUs awarded is conditional upon the attainment of one or more performance objectives over a specified period. Each year, the Compensation Committee approves the target number of PeRSUs representing the base number of awards that could be granted if performance goals are attained. PeRSUs are accounted for as variable awards until the performance goals are reached at which time the grant date is established. Total compensation expense for PeRSUs is determined by the product of the number of shares eligible to be awarded and expected to vest, and the market price of the Company’s common stock, commencing at the inception of the requisite service period. During the performance period, the compensation expense for PeRSUs is re-computed using the market price and the performance modifier at the end of a reporting period. At the end of the performance period, if the goals are attained, the awards are granted and classified as RSUs and accounted for on that basis. We recognize compensation expense for these awards on a straight-line basis over the requisite aggregate service period of generally four years.

TSRUs replace PeRSUs for our executive officers beginning in 2015. The number of vested TSRUs is assessed at the end of a three-year performance period and is conditioned upon attainment of a total shareholder return metric relative to a peer group of companies. We use the Monte Carlo simulation model to measure the fair value of TSRUs. TSRUs have a requisite service period of approximately 3 years. For TSRUs that are designated as equity awards, the fair value is measured at the grant date and expense is attributed to the requisite service period on a straight-line basis. For TSRUs that are eligible for cash settlement and designated as liability awards, we measure the fair value at the end of each reporting period and expense is recognized for services rendered based on the adjusted fair value of the awards. The weighted-average assumptions used to estimate the fair value of TSRUs included expected dividend yield of 0.5%, risk-free interest rate of 0.7%, expected stock volatility of 21.3% and contractual term of 3 years.

The following table summarizes restricted stock unit award activity during 2015:

(In millions, except per share data)	Shares	Weighted-Average Grant Date Fair Value Per Share
Nonvested, March 31, 2014	4	$93.25
Granted	1	187.03
Vested	(1)	84.28
Nonvested, March 31, 2015	4	$129.57

The following table provides data related to restricted stock unit award activity:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Total fair value of shares vested	$126	$184	$66
Total compensation cost, net of estimated forfeitures, related to nonvested restricted stock unit awards not yet recognized, pre-tax	$206	$236	$210
Weighted-average period in years over which restricted stock unit award cost is expected to be recognized	2	2	2

Employee Stock Purchase Plan (“ESPP”)

The Company has an ESPP under which 21 million shares have been authorized for issuance. The ESPP allows eligible employees to purchase shares of our common stock through payroll deductions. The deductions occur over three-month purchase periods and the shares are then purchased at 85% of the market price at the end of each purchase period. Employees are allowed to terminate their participation in the ESPP at any time during the purchase period prior to the purchase of the shares. The 15% discount provided to employees on these shares is included in compensation expense. The shares related to funds outstanding at the end of a quarter are included in the calculation of diluted weighted average shares outstanding. These amounts have not been significant. Shares issued under the ESPP were not material in 2015 and 2014 and 1 million in 2013. At March 31, 2015, 5 million shares remain available for issuance.

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8. Other Income, Net

	Years Ended March 31,		
(In millions)	2015	2014	2013
Interest income	$20	$16	$22
Equity in earnings (loss), net (1)	12	—	3
Other, net (1)	31	16	9
Total	$63	$32	$34

(1) Primarily recorded within our Distribution Solutions segment.

9. Income Taxes

	Years Ended March 31,		
(In millions)	2015	2014	2013
Income from continuing operations before income taxes			
U.S.	$1,893	$1,554	$1,562
Foreign	764	617	388
Total income from continuing operations before income taxes	$2,657	$2,171	$1,950

Income tax expense related to continuing operations consists of the following:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Current			
Federal	$453	$484	$(84)
State	90	64	14
Foreign	101	193	46
Total current	644	741	(24)
Deferred			
Federal	195	24	538
State	53	10	80
Foreign	(77)	(18)	(7)
Total deferred	171	16	611
Income tax expense	$815	$757	$587

During 2015, 2014 and 2013, income tax expense related to continuing operations was $815 million, $757 million and $587 million and included net discrete tax benefit of $33 million, net discrete tax expense of $94 million and net discrete tax benefit of $29 million. Our discrete tax expense for 2014 is primarily related to a $122 million charge regarding an unfavorable decision from the Tax Court of Canada with respect to transfer pricing issues. The 2013 federal and state current income tax expense reflects the utilization of alternative minimum tax credit carryforwards.

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We have received reassessments from the Canada Revenue Agency (“CRA”) related to a transfer pricing matter impacting years 2003 through 2010, and have filed Notices of Appeal to the Tax Court of Canada for all of these years. On December 13, 2013, the Tax Court of Canada dismissed our appeal of the 2003 reassessment and we have filed a Notice of Appeal to the Federal Court of Appeal regarding this tax year. After the close of 2015, we reached an agreement in principle with the CRA to settle the transfer pricing matter for years 2003 through 2010. Since the agreement in principle did not occur within 2015, we have not reflected this potential settlement in our 2015 financial statements. We will record the final settlement amount in a subsequent quarter and do not expect it to have a material impact to income tax expense.

During 2015, we reached an agreement with the Internal Revenue Service (“IRS”) to settle all outstanding issues relating to years 2003 through 2006 and recognized discrete tax benefits of $55 million to record previously unrecognized tax benefits and related interest.

The IRS has been examining our U.S. corporation income tax returns for 2007 through 2009. We anticipate that they will issue a Revenue Agent Report in 2016 to disclose the results of their audit and any proposed assessments. The CRA is currently examining our Canadian income tax returns for years 2011 through 2013. In nearly all jurisdictions, the tax years prior to 2003 are no longer subject to examination.

Significant judgments and estimates are required in determining the consolidated income tax provision and evaluating income tax uncertainties. Although our major taxing jurisdictions are the U.S. and Canada, we are subject to income taxes in numerous foreign jurisdictions. Our income tax expense, deferred tax assets and liabilities and uncertain tax liabilities reflect management’s best assessment of estimated current and future taxes to be paid. We believe that we have made adequate provision for all income tax uncertainties.

The reconciliation between our effective tax rate on income from continuing operations and statutory tax rate is as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Income tax expense at federal statutory rate	$930	$760	$683
State income taxes net of federal tax benefit	81	57	58
Foreign income taxed at various rates	(247)	(177)	(143)
Canadian litigation	—	122	—
Controlled substance distribution reserve	58	—	—
Unrecognized tax benefits and settlements	10	(6)	1
Tax credits	(10)	(6)	(13)
Other, net	(7)	7	1
Income tax expense	$815	$757	$587

At March 31, 2015, undistributed earnings of our foreign operations totaling $4,916 million were considered to be permanently reinvested. No deferred tax liability has been recognized on the basis difference created by such earnings since it is our intention to utilize those earnings in the foreign operations as well as to fund certain research and development activities for an indefinite period of time. The determination of the amount of deferred taxes on these earnings is not practicable because the computation would depend on a number of factors that cannot be known until a decision to repatriate the earnings is made.

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Deferred tax balances consisted of the following:

(In millions)	March 31, 2015	2014
Assets		
Receivable allowances	$83	$94
Deferred revenue	72	136
Compensation and benefit related accruals	681	632
Net operating loss and credit carryforwards	316	337
Other	266	287
Subtotal	1,418	1,486
Less: valuation allowance	(229)	(200)
Total assets	1,189	1,286
Liabilities		
Inventory valuation and other assets	(2,333)	(2,161)
Fixed assets and systems development costs	(324)	(320)
Intangibles	(1,073)	(1,477)
Other	(61)	(117)
Total liabilities	(3,791)	(4,075)
Net deferred tax liability	$(2,602)	$(2,789)
Current net deferred tax asset	$26	$42
Current net deferred tax liability	(1,819)	(1,588)
Long-term deferred tax asset	50	19
Long-term deferred tax liability	(859)	(1,262)
Net deferred tax liability	$(2,602)	$(2,789)

We assess the available positive and negative evidence to determine whether deferred tax assets are more likely than not to be realized. As a result of this assessment, valuation allowances have been recorded on certain deferred tax assets in various tax jurisdictions. The increase in valuation allowances in the current year relate primarily to net operating losses incurred in certain tax jurisdictions for which no tax benefit was recognized.

We have federal, state and foreign net operating loss carryforwards of $44 million, $1,930 million and $711 million. The federal and state net operating losses will expire at various dates from 2016 through 2035. Substantially all of our foreign net operating losses have indefinite lives.

The following table summarizes the activity related to our gross unrecognized tax benefits for the last three years:

(In millions)	Years Ended March 31, 2015	2014	2013
Unrecognized tax benefits at beginning of period	$647	$560	$595
Additions based on tax positions related to prior years	62	106	46
Reductions based on tax positions related to prior years	(18)	(23)	(106)
Additions based on tax positions related to current year	27	23	31
Reductions based on settlements	(65)	(4)	(2)
Reductions based on the lapse of the applicable statutes of limitations	(12)	(7)	(2)
Exchange rate fluctuations	(25)	(8)	(2)
Unrecognized tax benefits at end of period	$616	$647	$560

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Of the total $616 million in unrecognized tax benefits at March 31, 2015, $457 million would reduce income tax expense and the effective tax rate if recognized. During the next twelve months, it is reasonably possible that audit resolutions and the expiration of statutes of limitations could potentially reduce our unrecognized tax benefits by up to $137 million. However, this amount may change because we continue to have ongoing negotiations with various taxing authorities throughout the year.

We report interest and penalties on unrecognized tax benefits as income tax expense. In 2015 and 2014, we recognized an income tax benefit of $24 million and income tax expense of $48 million related to interest and penalties in our consolidated statements of operations. The income tax benefit for interest and penalties recognized in 2015 was primarily due to the lapses of statutes of limitations. The income tax expense for interest and penalties recognized in 2014 was primarily due to the additional interest resulting from the increase of our Canadian gross unrecognized tax benefits. At March 31, 2015 and 2014, we had $122 million and $179 million accrued for the payment of interest and penalties on unrecognized tax benefits.

10. Earnings Per Common Share

Basic earnings per common share attributable to McKesson are computed by dividing net income attributable to McKesson by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per common share are computed similar to basic earnings per common share except that it reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock.

The computations for basic and diluted earnings per common share are as follows:

	Years Ended March 31,		
(In millions, except per share amounts)	2015	2014	2013
Income from continuing operations	$1,842	$1,414	$1,363
Net loss (income) attributable to noncontrolling interests	(67)	5	—
Income from continuing operations attributable to McKesson	1,775	1,419	1,363
Loss from discontinued operations, net of tax	(299)	(156)	(25)
Net income attributable to McKesson	$1,476	$1,263	$1,338
Weighted average common shares outstanding:			
Basic	232	229	235
Effect of dilutive securities:			
Options to purchase common stock	1	1	1
Restricted stock units	2	3	3
Diluted	235	233	239
Earnings (loss) per common share attributable to McKesson: (1)			
Diluted			
Continuing operations	$7.54	$6.08	$5.69
Discontinued operations	(1.27)	(0.67)	(0.10)
Total	$6.27	$5.41	$5.59
Basic			
Continuing operations	$7.66	$6.19	$5.81
Discontinued operations	(1.29)	(0.68)	(0.10)
Total	$6.37	$5.51	$5.71

(1) Certain computations may reflect rounding adjustments.

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Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based and other restricted stock units. Approximately 1 million, 2 million and 2 million of potentially dilutive securities were excluded from the computations of diluted net earnings per common share in 2015, 2014 and 2013, as they were anti-dilutive.

11. Receivables, Net

(In millions)	March 31, 2015	2014
Customer accounts	$13,117	$12,169
Other	2,965	1,740
Total	16,082	13,909
Allowances	(168)	(129)
Net	$15,914	$13,780

Other receivables primarily include amounts due from suppliers and customer unbilled receivables. The allowances are primarily for estimated uncollectible accounts.

12. Property, Plant and Equipment, Net

(In millions)	March 31, 2015	2014
Land	$207	$221
Building, machinery, equipment and other	3,237	3,155
Total property, plant and equipment	3,444	3,376
Accumulated depreciation	(1,399)	(1,180)
Property, plant and equipment, net	$2,045	$2,196

13. Goodwill and Intangible Assets, Net

Changes in the carrying amount of goodwill were as follows:

(In millions)	Distribution Solutions	Technology Solutions	Total
Balance, March 31, 2013	$4,413	$1,992	$6,405
Goodwill acquired	3,649	—	3,649
Amount reclassified to assets held-for-sale	(1)	(127)	(128)
Acquisition accounting, transfers and other adjustments	13	(12)	1
Foreign currency translation adjustments, net	4	(4)	—
Balance, March 31, 2014	$8,078	$1,849	$9,927
Goodwill acquired	93	—	93
Amount reclassified to assets held-for-sale	(14)	(1)	(15)
Acquisition accounting, transfers and other adjustments	625	—	625
Foreign currency translation adjustments, net	(788)	(25)	(813)
Balance, March 31, 2015	$7,994	$1,823	$9,817

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As of March 31, 2015 and 2014, the accumulated goodwill impairment losses were $36 million in our Technology Solutions segment.

Information regarding intangible assets is as follows:

	March 31, 2015				March 31, 2014		
(Dollars in millions)	Weighted Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer lists	8	$2,683	$ (1,116)	$1,567	$3,235	$ (863)	$2,372
Service agreements	15	957	(215)	742	995	(173)	822
Pharmacy licenses	26	874	(65)	809	1,219	(11)	1,208
Trademarks and trade names	15	315	(82)	233	367	(59)	308
Technology	3	213	(184)	29	219	(173)	46
Other	4	162	(101)	61	166	(51)	115
Total		$5,204	$ (1,763)	$3,441	$6,201	$ (1,330)	$4,871

Amortization expense of intangible assets was $494 million, $319 million and $215 million for 2015, 2014 and 2013. Estimated annual amortization expense of intangible assets is as follows: $419 million, $389 million, $360 million, $332 million and $303 million for 2016 through 2020, and $1,638 million thereafter. All intangible assets were subject to amortization as of March 31, 2015 and 2014.

14. Capitalized Software Held for Sale, Net

Changes in the carrying amount of capitalized software held for sale, net, which is included in other assets in the consolidated balance sheets, were as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Balance, at beginning of period	$103	$126	$144
Amounts capitalized	34	40	49
Amortization expense	(40)	(50)	(56)
Impairment charges	—	(12)	(10)
Foreign currency translations adjustments, net	(6)	(1)	(1)
Balance, at end of period	$91	$103	$126

Additionally, third party royalty fees paid were $91 million, $91 million and $88 million during 2015, 2014 and 2013.

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15. Debt and Financing Activities

Information regarding long-term debt is as follows:

	March 31,	
(In millions)	2015	2014
Denominated in U.S. Dollars		
Floating Rate Notes due September 10, 2015	$400	$400
0.95% Notes due December 4, 2015	500	499
3.25% Notes due March 1, 2016	600	599
5.70% Notes due March 1, 2017	500	500
1.29% Notes due March 10, 2017	700	700
1.40% Notes due March 15, 2018	499	499
7.50% Notes due February 15, 2019	349	349
2.28% Notes due March 15, 2019	1,100	1,100
4.75% Notes due March 1, 2021	599	598
2.70% Notes due December 15, 2022	400	400
2.85% Notes due March 15, 2023	400	400
3.80% Notes due March 15, 2024	1,100	1,100
7.65% Debentures due March 1, 2027	175	175
6.00% Notes due March 1, 2041	493	493
4.88% Notes due March 15, 2044	800	800
Other	26	27
Denominated in Euro and other foreign currencies		
4.00% Bonds due October 18, 2016	388	507
4.50% Bonds due April 26, 2017	563	737
Promissory Notes	—	297
Bank liabilities and other	117	166
Total debt	9,709	10,346
Less current portion	(1,529)	(1,417)
Total long-term debt	$8,180	$8,929

Long-Term Debt

On March 5, 2014, we issued floating rate notes due September 10, 2015 in an aggregate principal amount of $400 million (“Floating Rate Notes”), 1.29% notes due March 10, 2017 in an aggregate principal amount of $700 million (“2017 Notes”), 2.28% notes due March 15, 2019 in an aggregate principal amount of $1,100 million (“2019 Notes”), 3.80% notes due March 15, 2024 in an aggregate principal amount of $1,100 million (“2024 Notes”) and 4.88% notes due March 15, 2044 in an aggregate principal amount of $800 million (“2044 Notes”). The Floating Rate Notes bear interest at a floating rate equal to the three-month London Interbank Offered Rate plus 0.40% (0.66% at March 31, 2015) with interest payable quarterly on March 10, June 10, September 10 and December 10 of each year. Interest on the 2017 Notes is payable on March 10 and September 10 of each year. Interest on the 2019 Notes, the 2024 Notes and the 2044 Notes is payable on March 15 and September 15 of each year. We utilized the net proceeds from the issuance of these notes (each note constitutes a “Series”) of $4,068 million, net of discounts and offering expenses, to repay the borrowings under our 2014 Bridge Loan, as further described below.

On March 8, 2013, we issued 1.40% notes due March 15, 2018 in an aggregate principal amount of $500 million and 2.85% notes due March 15, 2023 in an aggregate principal amount of $400 million. Interest on these notes is payable on March 15 and September 15 of each year. We utilized the net proceeds from the issuance of these notes (each note constitutes a “Series”) of $891 million, net of discounts and offering expenses, to repay the borrowings under our 2013 Bridge Loan, as further described below.

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On December 4, 2012, we issued 0.95% notes due December 4, 2015 in an aggregate principal amount of $500 million (“2015 Notes”) and 2.70% notes due December 15, 2022 in an aggregate principal amount of $400 million (“2022 Notes”). Interest on the 2015 Notes is payable on June 4 and December 4 of each year and interest on the 2022 Notes is payable on June 15 and December 15 of each year. We utilized the net proceeds from the issuance of these notes (each note constitutes a “Series”) of $892 million, net of discounts and offering expenses, for general corporate purposes and replenishing working capital that was used to repay long-term debt that matured.

Each Series constitutes an unsecured and unsubordinated obligation of the Company and ranks equally with all of the Company’s existing and, from time-to-time, future unsecured and unsubordinated indebtedness outstanding. Each Series is governed by materially similar indentures and officers’ certificate specifying certain terms of each Series. With the exception of the Floating Rate Notes, upon 30 days notice to holders of a Series, we may redeem that Series at any time prior to maturity, in whole or in part, for cash at redemption prices that include accrued and unpaid interest and a make-whole premium, as specified in the indenture and officers’ certificate relating to that Series. In the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of a Series below an investment grade rating by each of Fitch Ratings, Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services within a specified period, an offer must be made to purchase that Series from the holders at a price in cash equal to 101% of the then outstanding principal amount of that Series, plus accrued and unpaid interest to, but not including, the date of repurchase. The indenture and the related officers’ certificate for each Series, subject to the exceptions and in compliance with the conditions as applicable, specify that we may not incur liens, enter into sale and leaseback transactions or consolidate, merge or sell all or substantially all of our assets. The indentures also contain customary events of default provisions.

We also have Euro-denominated corporate bonds consisting of 4.00% bonds due October 18, 2016 and 4.50% bonds due April 26, 2017. Interest on these bonds is due annually each year. At March 31, 2015 and 2014, $388 million and $507 million of the 4.00% bonds and $563 million and $737 million of the 4.50% bonds, for a total of $951 million and $1,244 million, were outstanding. At March 31, 2014, these bonds were classified within current liabilities as bondholders had the option to redeem the bonds at par value plus accrued interest. This redemption option expired during the first quarter of 2015 and the remaining bonds outstanding will mature according to their respective maturity dates. Accordingly, these bonds were reclassified as long-term debt effective in the first quarter of 2015.

We also have a Euro-denominated term loan due December 15, 2019 with a current variable interest rate of 1.93%. At March 31, 2015 and 2014, the outstanding balance of the term loan was $89 million and $100 million. At March 31, 2014, we also had $297 million in Euro-denominated promissory notes outstanding which were all repaid during 2015.

In 2014, we repaid our $350 million 6.50% Notes due February 15, 2014 and in 2013, we repaid our $500 million 5.25% Notes due March 1, 2013. In 2013, we also repaid the debt we assumed in connection with our acquisition of PSSI comprised of 6.375% Senior Notes due 2022 and 3.125% Senior Convertible Notes due 2014 for $643 million including accrued interest using cash on hand and borrowings under our 2013 Bridge Loan, as further described below.

Scheduled future payments of long-term debt are $1,529 million in 2016, $1,619 million in 2017, $1,086 million in 2018, $1,474 million in 2019, $19 million in 2020 and $3,982 million thereafter.

Senior Bridge Term Loan Facilities

In connection with our acquisition of Celesio, in January 2014, we entered into a $5.5 billion 364 day unsecured Senior Bridge Term Loan Agreement (the “2014 Bridge Loan”) under terms substantially similar to those in our existing revolving credit facility. On February 4, 2014, we borrowed $4,957 million under this facility with such proceeds and cash on hand used to fund the acquisition of Celesio. On March 10, 2014, we repaid $4,076 million of the 2014 Bridge Loan borrowings with funds obtained from the issuance of long-term debt. On March 11, 2014, we repaid the remaining balance of the 2014 Bridge Loan borrowings using funds drawn on our Accounts Receivable Sales Facility and cash on hand. On April 30, 2014, the commitments under the 2014 Bridge Loan automatically terminated upon the settlement of the tender offers for the remaining common shares of Celesio. During the time it was outstanding, the 2014 Bridge Loan borrowings bore interest at 1.39% per annum, based on the London Interbank Offered Rate plus a margin based on the Company's credit rating. Interest expense for 2014 included a total of $46 million of fees related to the 2014 Bridge Loan and a bridge loan agreement entered into during the third quarter of 2014 in anticipation of an earlier acquisition of Celesio.

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In connection with our acquisition of PSSI, in December 2012, we entered into a $2.1 billion unsecured Senior Bridge Term Loan Agreement (“2013 Bridge Loan”). In February 2013, we reduced the 2013 Bridge Loan commitment to $900 million. On February 22, 2013, we borrowed $900 million under the 2013 Bridge Loan with such proceeds and cash on hand used to redeem the assumed debt from PSSI and pay the equity shareholders of PSSI. On March 8, 2013, we repaid the 2013 Bridge Loan borrowings with funds obtained from the issuance of long-term debt and the bridge loan agreement was subsequently terminated. During the time it was outstanding, the 2013 Bridge Loan borrowings bore interest at 1.20% per annum, based on the London Interbank Offered Rate plus a margin based on the Company’s credit rating. Interest expense for 2013 included $11 million of fees related to the 2013 Bridge Loan.

Accounts Receivable Facilities

In November 2014, we extended our existing Accounts Receivable Sales Facility (the “Facility”) for a two-year period under terms substantially similar to those previously in place. The committed balance of the Facility is $1.35 billion, although from time-to-time, the available amount of the Facility may be less than $1.35 billion based on accounts receivable concentration limits and other eligibility requirements. The Facility will expire in November 2016.

In 2015, 2014 and 2013, we borrowed nil, $550 million and $1,325 million under the Facility and we repaid nil, $550 million and $1,725 million. At March 31, 2015 and 2014, there were no secured borrowings and related securitized accounts receivable outstanding under the Facility.

The Facility contains requirements relating to the performance of the accounts receivable and covenants relating to the Company. If we do not comply with these covenants, our ability to use the Facility may be suspended and repayment of any outstanding balances under the Facility may be required. At March 31, 2015 and 2014, we were in compliance with all financial covenants.

We also have Accounts Receivable Factoring Facilities (the “Factoring Facilities”) denominated in foreign currencies with a total committed balance of $169 million. Transactions under these facilities are accounted for as secured borrowings and have interest rates ranging from 0.85% to 1.26%. These facilities will expire through January 2016 and we may renew certain facilities before their expiration. During the 2015 and 2014, we borrowed $2,875 million and $570 million and repaid $2,908 million and $575 million in short-term borrowings under these facilities. At March 31, 2015 and 2014, there were $135 million and $246 million in secured borrowings and related accounts receivable outstanding under these facilities, which are included in short-term borrowings and receivables in our consolidated balance sheet.

Revolving Credit Facilities and Lines of Credit

We have a syndicated $1.3 billion five-year senior unsecured revolving credit facility, which expires in September 2016. Borrowings under this credit facility bear interest based upon either the London Interbank Offered Rate or a prime rate. There were no borrowings under this credit facility during 2015, 2014 and 2013. As of March 31, 2015 and 2014, there were no borrowings outstanding under this credit facility.

We also have a syndicated €500 million five-year senior unsecured revolving credit facility, which expires in February 2018. Borrowings under this facility bear interest based upon the Euro Interbank Offered Rate plus an agreed margin. During 2015 and 2014, there were no borrowings under this facility and no amounts outstanding as of March 31, 2015 and 2014.

We also maintain bilateral credit lines primarily denominated in Euros with a total committed and uncommitted balance of $1.4 billion. These credit lines have interest rates ranging from 0.20% to 6.00% with interest payable monthly. During 2015, we borrowed $225 million and repaid $267 million under these credit lines primarily related to short term borrowings. Borrowings and repayments during 2014 were not material. As of March 31, 2015 and 2014, there were $29 million and $65 million outstanding under these credit lines.

Commercial Paper: There were no commercial paper issuances during 2015, 2014 and 2013 and no amounts outstanding at March 31, 2015 and 2014.

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Debt Covenants: Our various borrowing facilities and long-term debt are subject to certain covenants. Our principal debt covenant is our debt to capital ratio under our $1.3 billion unsecured revolving credit facility, which cannot exceed 65%. For the purpose of calculating this ratio, borrowings under the $1.35 billion Accounts Receivable Sales Facility are excluded. If we exceed this ratio, repayment of debt outstanding under the revolving credit facility could be accelerated. As of March 31, 2015, we were in compliance with our financial covenants.

16. Variable Interest Entities

We evaluate our ownership, contractual and other interests in entities to determine if they are variable interest entities (“VIEs”), if we have a variable interest in those entities and the nature and extent of those interests. These evaluations are highly complex and involve judgment and the use of estimates and assumptions based on available historical information and management’s judgment, among other factors. Based on our evaluations, if we determine we are the primary beneficiary of such VIEs, we consolidate such entities into our financial statements.

Consolidated Variable Interest Entities

We consolidate VIEs when we have the power to direct the activities that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits of the VIE and, as a result, are considered the primary beneficiary of the VIE. We consolidate certain single-lessee leasing entities where we, as the lessee, have the majority risk of the leased assets due to our minimum lease payment obligations to these leasing entities. As a result of absorbing this risk, the leases provide us with the power to direct the operations of the leased properties and the obligation to absorb losses or the right to receive benefits of the entity. Consolidated VIEs have an immaterial impact on our consolidated statements of operations and cash flows. Total assets and liabilities included in our consolidated balance sheet for these VIEs were $144 million and $51 million at March 31, 2015 and $160 million and $75 million at March 31, 2014.

Investments in Unconsolidated Variable Interest Entities

We are involved with VIEs which we do not consolidate because we do not have the power to direct the activities that most significantly impact their economic performance and thus are not considered the primary beneficiary of the entities. Our relationships include equity investments and lending, leasing, contractual or other relationships with the VIEs. Our most significant relationships are with oncology and other specialty practices. Under these practice arrangements, we generally own or lease all of the real estate and equipment used by the affiliated practices and manage the practices’ administrative functions. We also have relationships with certain pharmacies in Europe with whom we may provide financing, have equity ownership and/or a supply agreement whereby we supply the vast majority of the pharmacies’ purchases. Our maximum exposure to loss (regardless of probability) as a result of all unconsolidated VIEs was $1.2 billion at March 31, 2015 and 2014, which primarily represents the value of intangible assets related to service agreements and lease and loan receivables. These amounts exclude the customer loan guarantees discussed in Financial Note 22, “Financial Guarantees and Warranties.” We believe that there is no material loss exposure on these assets or from these relationships.

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17. Pension Benefits

We maintain a number of qualified and nonqualified defined benefit pension plans and defined contribution plans for eligible employees.

Defined Benefit Pension Plans

Eligible U.S. employees who were employed by the Company as of December 31, 1995 are covered under the Company-sponsored defined benefit retirement plan. In 1997, the plan was amended to freeze all plan benefits as of December 31, 1996. Benefits for the defined benefit retirement plan are based primarily on age of employees at date of retirement, years of creditable service and the average of the highest 60 months of pay during the 15 years prior to the plan freeze date. We also have defined benefit pension plans for eligible employees outside of the U.S., as well as an unfunded nonqualified supplemental defined benefit plan for certain U.S. executives.

Our non-U.S. defined benefit pension plans cover eligible employees located predominantly in Norway, United Kingdom and Germany. Benefits for these plans are based primarily on each employee’s final salary, with annual adjustments for inflation. The obligations in Norway are largely related to the state-regulated pension plan which is managed by the Norwegian Public Service Pension Fund (“SPK”). According to the terms of the SPK, the plan assets of state regulated plans in Norway must correspond very closely to the pension obligation calculated using the principles codified in Norwegian law. The shortfall may not exceed 1% of the obligation. If the shortfall exceeds this threshold, it must be remedied within two years. In the United Kingdom, we have subsidiaries that participate in a joint pension plan. This plan is largely funded by contractual trust arrangements that hold Company assets that may only be used to pay pension obligations. The Trustee Board decides on the minimum contribution to the plan in association with selected employees of the entity. A valuation is performed at regular intervals in order to determine the amount of the contribution and to ensure that the minimum contribution is made. The pension obligation in Germany is unfunded with the exception of the contractual trust arrangement used to fund pensions of Celesio’s Management Board.

Defined benefit plan assets and obligations are measured as of the Company’s fiscal year-end.

The net periodic expense for our pension plans, which includes net pension expense of Celesio beginning February 2014, is as follows:

	U.S. Plans			Non-U.S. Plans		
	Years Ended March 31,			Years Ended March 31,		
(In millions)	2015	2014	2013	2015	2014	2013
Service cost - benefits earned during the year	$1	$4	$4	$16	$6	$3
Interest cost on projected benefit obligation	19	19	21	34	11	7
Expected return on assets	(21)	(20)	(20)	(30)	(12)	(8)
Amortization of unrecognized actuarial loss, prior service costs and net transitional obligation	19	32	28	3	4	4
Curtailment/settlement loss (gain)	—	—	—	6	(1)	—
Net periodic pension expense	$18	$35	$33	$29	$8	$6

The projected unit credit method is utilized in measuring net periodic pension expense over the employees’ service life for the pension plans. Unrecognized actuarial losses exceeding 10% of the greater of the projected benefit obligation or the market value of assets are amortized straight-line over the average remaining future service periods.

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Information regarding the changes in benefit obligations and plan assets for our pension plans is as follows:

	U.S. Plans Years Ended March 31,		Non-U.S. Plans Years Ended March 31,	
(In millions)	2015	2014	2015	2014
Change in benefit obligations				
Benefit obligation at beginning of period (1)	$540	$580	$934	$156
Service cost	1	4	16	6
Interest cost	19	19	34	11
Actuarial loss (gain)	53	(24)	194	15
Benefit payments	(30)	(30)	(49)	(12)
Amendments	—	(9)	(6)	—
Acquisitions	—	—	—	740
Foreign exchange impact and other	—	—	(160)	18
Benefit obligation at end of period (1)	$583	$540	$963	$934
Change in plan assets				
Fair value of plan assets at beginning of period	$300	$290	$590	$135
Actual return on plan assets	16	28	88	11
Employer and participant contributions	12	12	73	12
Benefits paid	(30)	(30)	(49)	(10)
Acquisitions	—	—	—	426
Foreign exchange impact and other	—	—	(90)	16
Fair value of plan assets at end of period	$298	$300	$612	$590
Funded status at end of period	$(285)	$(240)	$(351)	$(344)
Amounts recognized on the balance sheet				
Current liabilities	$(17)	$(13)	$(6)	$(9)
Long-term liabilities	(268)	(227)	(345)	(335)
Total	$(285)	$(240)	$(351)	$(344)

(1) The benefit obligation is the projected benefit obligation.

The following table provides the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for all our pension plans with an accumulated benefit obligation in excess of plan assets.

	U.S. Plans March 31,		Non-U.S. Plans March 31,	
(In millions)	2015	2014	2015	2014
Projected benefit obligation	$583	$540	$963	$934
Accumulated benefit obligation	583	540	897	894
Fair value of plan assets	298	300	612	590

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Amounts recognized in accumulated other comprehensive income (pre-tax) consist of:

	U.S. Plans		Non-U.S. Plans	
	March 31,		March 31,	
(In millions)	2015	2014	2015	2014
Net actuarial loss	$220	$188	$175	$71
Prior service credit	—	(7)	(6)	—
Total	$220	$181	$169	$71

Other changes in accumulated other comprehensive income (pre-tax) were as follows:

	U.S. Plans			Non-U.S. Plans		
	Years Ended March 31,			Years Ended March 31,		
(In millions)	2015	2014	2013	2015	2014	2013
Net actuarial loss (gain)	$58	$(31)	$59	$117	$12	$11
Prior service credit	—	(8)	—	(8)	—	—
Amortization of:						
Net actuarial loss	(27)	(32)	(27)	(5)	(4)	(4)
Prior service credit (cost)	8	—	(1)	2	2	—
Foreign exchange impact and other	—	(1)	—	(8)	4	(4)
Total recognized in other comprehensive loss (income)	$39	$(72)	$31	$98	$14	$3

We expect to amortize $1 million of prior service credit and $47 million of actuarial loss for the pension plans from stockholders' equity to pension expense in 2016. Comparable 2015 amounts were $7 million of prior service credit and $31 million of actuarial loss.

Projected benefit obligations related to our unfunded U.S. plans were $189 million and $188 million at March 31, 2015 and 2014. Pension obligations for our unfunded plans are based on the recommendations of independent actuaries. Projected benefit obligations relating to our unfunded non-U.S. plans were $222 million and $260 million at March 31, 2015 and 2014. Funding obligations for our non-U.S. plans vary based on the laws of each non-U.S. jurisdiction.

Expected benefit payments, including assumed executive lump sum payments, for our pension plans are as follows: $74 million, $172 million, $75 million, $94 million and $66 million for 2016 to 2020 and $333 million for 2021 through 2025. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. Expected contributions to be made for our pension plans are $54 million for 2016.

Weighted-average assumptions used to estimate the net periodic pension expense and the actuarial present value of benefit obligations were as follows:

	U.S. Plans			Non-U.S. Plans		
	Years Ended March 31,			Years Ended March 31,		
	2015	2014	2013	2015	2014	2013
Net periodic pension expense						
Discount rates	3.74 %	3.39 %	4.11 %	3.85 %	3.95 %	4.50 %
Rate of increase in compensation	4.00	4.00	4.00	3.11	2.66	3.10
Expected long-term rate of return on plan assets	7.25	7.25	7.25	5.39	5.71	6.13
Benefit obligation						
Discount rates	3.18 %	3.58 %	3.40 %	2.50 %	3.92 %	4.10 %
Rate of increase in compensation	4.00	4.00	4.00	3.24	3.27	3.05

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Our defined benefit pension plan liabilities are valued using a discount rate based on a yield curve developed from a portfolio of high quality corporate bonds rated AA or better whose maturities are aligned with the expected benefit payments of our plans. For March 31, 2015, our U.S. defined benefit liabilities are valued using a weighted average discount rate of 3.18%, which represents a decrease of 40 basis points from our 2014 weighted-average discount rate of 3.58%. Our non-U.S defined benefit pension plan liabilities are valued using a weighted-average discount rate of 2.50%, which represents a decrease of 142 basis points from our 2014 weighted-average discount rate of 3.92%.
Sensitivity to changes in the weighted-average discount rate for our pension plans is as follows:

(In millions)	U.S. Plans One Percentage Point Increase	U.S. Plans One Percentage Point Decrease	Non-U.S. Plans One Percentage Point Increase	Non-U.S. Plans One Percentage Point Decrease
Increase (decrease) on projected benefit obligation	$ (41)	$ 48	$ (149)	$ 180
Increase (decrease) on net periodic pension cost	(3)	4	(2)	5

Plan Assets
Investment Strategy: The overall objective for U. S. pension plan assets is to generate long-term investment returns consistent with capital preservation and prudent investment practices, with a diversification of asset types and investment strategies. Periodic adjustments are made to provide liquidity for benefit payments and to rebalance plan assets to their target allocations.
The target allocations for U.S. plan assets at March 31, 2015 and 2014 are 50% equity investments, 45% fixed income investments including cash and cash equivalents and 5% real estate. Equity investments include common stock, preferred stock, and equity commingled funds. Fixed income investments include corporate bonds, government securities, mortgage-backed securities, asset-backed securities, other directly held fixed income investments, and fixed income commingled funds. The real estate investment is in a commingled real estate fund.
For both U.S. and non-U.S. plan assets, the investment strategies are subject to local regulations and the asset/liability profiles of the plans in each individual country. Plan assets of the non-U.S. plans are broadly invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the plans. Plan assets are primarily invested in high-quality corporate and government bond funds and equity securities. Assets are properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.
We develop the expected long-term rate of return assumption based on the projected performance of the asset classes in which plan assets are invested. The target asset allocation was determined based on the liability and risk tolerance characteristics of the plans and at times may be adjusted to achieve overall investment objectives.
Fair Value Measurements: The following tables represent our pension plan assets as of March 31, 2015 and 2014, using the fair value hierarchy by asset class. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on unadjusted quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs.

	U.S. Plans March 31, 2015				Non-U.S. Plans March 31, 2015			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$55	$1	$—	$56	$8	$—	$—	$8
Equity securities:								
Common and preferred stock	18	—	—	18	—	—	—	—
Equity commingled funds	—	138	—	138	7	149	—	156
Fixed income securities:								
Government securities	—	14	—	14	26	53	—	79
Corporate bonds	—	14	—	14	—	13	—	13
Mortgage-backed securities	—	14	—	14	—	—	—	—
Asset-backed securities and other	—	26	—	26	—	—	—	—
Fixed income commingled funds	—	—	—	—	64	127	—	191
Other:								
Real estate funds	—	—	18	18	—	—	26	26
Other commingled funds	—	—	—	—	—	13	—	13
Other	—	—	—	—	7	115	4	126
Total	$73	$207	$18	$298	$112	$470	$30	$612

	U.S. Plans March 31, 2014				Non-U.S. Plans March 31, 2014			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$8	$—	$—	$8	$7	$—	$—	$7
Equity securities:								
Common and preferred stock	19	—	—	19	—	—	—	—
Equity commingled funds	—	132	—	132	6	157	—	163
Fixed income securities:								
Government securities	—	7	—	7	4	—	—	4
Corporate bonds	—	22	—	22	6	236	—	242
Mortgage-backed securities	—	10	—	10	—	—	—	—
Asset-backed securities and other	—	22	—	22	—	—	—	—
Fixed income commingled funds	—	63	—	63	—	45	—	45
Other:								
Real estate funds	—	—	16	16	—	19	7	26
Other commingled funds	—	—	—	—	3	49	—	52
Other	—	—	—	—	—	46	5	51

Total	$27	$256	$16	299	$26	$552	$12	590
Receivables [(1)]				1				—
Total				$300				$590

(1) Represents pending trades at March 31, 2014.

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Cash and cash equivalents - Cash and cash equivalents include short-term investment funds that maintain daily liquidity and aim to have constant unit values of $1.00. The funds invest in short-term fixed income securities and other securities with debt-like characteristics emphasizing short-term maturities and high credit quality. Directly held cash and cash equivalents are classified as Level 1 investments. Cash and cash equivalents include money market funds and other commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1 investments.
Common and preferred stock - This investment class consists of common and preferred shares issued by U.S. and non-U.S. corporations. Common shares are traded actively on exchanges and price quotes are readily available. Preferred shares may not be actively traded. Holdings of common shares are generally classified as Level 1 investments. Preferred shares are classified as Level 2 investments.
Equity commingled funds - Some equity investments are held in commingled funds, which have daily net asset values derived from quoted prices for the underlying securities in active markets; these are classified as Level 1 or Level 2 investments.
Fixed income securities - Government securities consist of bonds and debentures issued by central governments or federal agencies; corporate bonds consist of bonds and debentures issued by corporations; mortgage-backed securities consist of debt obligations secured by a mortgage or pool of mortgages; and asset-backed securities primarily consist of debt obligations secured by an asset or pool of assets other than mortgages. Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Multiple prices and price types are obtained from pricing vendors whenever possible, enabling cross-provider price validations. Fixed income securities are generally classified as Level 1 or Level 2 investments.
Fixed income commingled funds - Some fixed income investments are held in exchange traded or commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1 or 2 investments.
Real estate funds - The value of the real estate funds is reported by the fund manager and is based on a valuation of the underlying properties. Inputs used in the valuation include items such as cost, discounted future cash flows, independent appraisals and market based comparable data. The real estate funds are classified as Level 3 investments.
Other commingled funds - The other commingled funds are invested in equities, bonds, commodities, other alternative investments and cash and cash equivalents. These funds are valued based on the weekly net asset values derived from the quoted prices for the underlying securities in active markets and, for alternative investments, based on other valuation techniques. Other commingled funds are classified as Level 1 or Level 2 investments.
Other - At March 31, 2015, this includes $39 million of plan asset value relating to the SPK. In principle, the SPK is organized as a pay-as-you-go system guaranteed by the Norwegian government as it holds no Company-owned assets to back the pension liabilities. The Company pays a pension premium used to fund the plan, which is paid directly to the Norwegian government who establishes an account for each participating employer to keep track of the financial status of the plan, including managing the contributions and the payments. Further, the investment return credited to this account is determined annually by the SPK based on the performance of long-term government bonds.

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The following table represents a reconciliation of Level 3 plan assets held during the years ended March 31, 2015 and 2014:

(In millions)	U.S. Plans Real Estate Funds	Other	Total	Non-U.S. Plans Real Estate Funds	Other	Total
Balance at March 31, 2013	$14	$—	$14	$5	$—	$5
Acquisitions	—	—	—	1	5	6
Unrealized gain on plan assets still held	2	—	2	1	—	1
Purchases, sales and settlements	—	—	—	—	—	—
Balance at March 31, 2014	$16	$—	$16	$7	$5	$12
Acquisitions	—	—	—	—	—	—
Unrealized gain on plan assets still held	2	—	2	1	—	1
Purchases, sales and settlements	—	—	—	18	(1)	17
Balance at March 31, 2015	$18	$—	$18	$26	$4	$30

Multiemployer Plans

The Company contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover union-represented employees in the U.S. In 2015, we also contributed to the Pensjonsordningen for Apoteketaten (“POA”), a mandatory multiemployer pension scheme for our pharmacy employees in Norway, managed by the association of Norwegian Pharmacies.

The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Actions taken by other participating employers may lead to adverse changes in the financial condition of a multiemployer benefit plan and our withdrawal liability and contributions may increase.

Contributions and amounts accrued for U.S. Plans were not material for the years ended March 31, 2015, 2014, and 2013. Contributions to the POA for non-U.S. Plans exceeding 5% of total plan contributions were $24 million and $5 million in 2015 and 2014. Based on actuarial calculations, we estimate the funded status for our non-U.S. Plans to be approximately 65% as of March 31, 2015. No amounts were accrued for liability associated with the POA as we have no intention to withdraw from the plan.

Defined Contribution Plans

We have a contributory profit sharing investment plan (“PSIP”) for U.S. eligible employees. Eligible employees may contribute to the PSIP up to 75% of their eligible compensation on a pre-tax or post-tax basis not to exceed IRS limits. The Company makes matching contributions in an amount equal to 100% of the employee’s first 3% of pay contributed and 50% for the next 2% of pay contributed. The Company also may make an additional annual matching contribution for each plan year to enable participants to receive a full match based on their annual contribution. The Company also contributed to non-U.S. plans that are available in certain countries. Contribution expenses for the PSIP and non-U.S. plans were $103 million, $83 million and $65 million for the years ended March 31, 2015, 2014, and 2013.

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18. Postretirement Benefits

We maintain a number of postretirement benefits, primarily consisting of healthcare and life insurance (“welfare”) benefits, for certain eligible U.S. employees. Eligible employees consist of those who retired before March 31, 1999 and those who retired after March 31, 1999, but were an active employee as of that date, after meeting other age-related criteria. We also provide postretirement benefits for certain U.S. executives. Defined benefit plan obligations are measured as of the Company’s fiscal year-end.

The net periodic expense for our postretirement welfare benefits is as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Service cost - benefits earned during the year	$1	$2	$2
Interest cost on accumulated benefit obligation	5	5	6
Amortization of unrecognized actuarial gain and prior service credit	(4)	(1)	(2)
Curtailment gain	—	(2)	—
Net periodic postretirement expense	$2	$4	$6

Information regarding the changes in benefit obligations for our postretirement welfare plans is as follows:

	Years Ended March 31,	
(In millions)	2015	2014
Benefit obligation at beginning of period	$119	$131
Service cost	1	2
Interest cost	5	5
Actuarial loss (gain)	5	(2)
Benefit payments	(12)	(15)
Curtailment gain	—	(2)
Benefit obligation at end of period	$118	$119

The components of the amount recognized in accumulated other comprehensive income for the Company’s other postretirement benefits at March 31, 2015 and 2014 were net actuarial losses of $1 million and gains of $8 million and net prior service credits of $1 million and $1 million. Other changes in benefit obligations recognized in other comprehensive income were net actuarial losses of $9 million in 2015 and gains of $2 million and $7 million in 2014 and 2013.

We estimate that the amortization of the actuarial gain from stockholders’ equity to other postretirement expense in 2016 will be $1 million. Comparable 2015 amount was $4 million.

Other postretirement benefits are funded as claims are paid. Expected benefit payments for our postretirement welfare benefit plans are as follows: $10 million annually for 2016 to 2020 and $44 million cumulatively for 2021 through 2025. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. Expected contributions to be made for our postretirement welfare benefit plans are $10 million for 2016.

Weighted-average discount rates used to estimate postretirement welfare benefit expenses were 4.07%, 3.84% and 4.44% for 2015, 2014 and 2013. Weighted-average discount rates for the actuarial present value of benefit obligations were 3.61%, 4.08% and 3.84% for 2015, 2014 and 2013.

Actuarial gain or loss for the postretirement welfare benefit plan is amortized to income or expense over a three-year period. The assumed healthcare cost trends used in measuring the accumulated postretirement benefit obligation were 6.75% and 7.00% for prescription drugs, 7.25/6.75% and 7.50/7.00% for ages pre-65/post-65 medical and 5.00% for dental in 2015 and 2014. For 2015, 2014 and 2013, a one-percentage-point increase or decrease in the assumed healthcare cost trend rate would not have a material impact on the postretirement benefit obligations.

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Pursuant to various collective bargaining agreements, we contribute to multiemployer health and welfare plans that cover union-represented employees. Our liability is limited to the contractual dollar obligations set forth by the collective bargaining agreements. Contributions to the plans and amounts accrued were not material for the years ended March 31, 2015, 2014, and 2013.

19. Hedging Activities

In the normal course of business, we are exposed to interest rate changes and foreign currency fluctuations. At times, we limit these risks through the use of derivatives such as interest rate swaps and forward foreign exchange contracts. In accordance with our policy, derivatives are only used for hedging purposes. We do not use derivatives for trading or speculative purposes.

Foreign currency rate risk

The majority of our operations are conducted in U.S. dollars; however, certain assets and liabilities, revenues and expense and purchasing activities are incurred in and exposed to other currencies. We have certain foreign currency rate risk programs that manage the impact of foreign currency fluctuation. These programs are utilized on a transactional basis when we consider there to be a risk in fair value or volatility in cash flows. These programs reduce but do not entirely eliminate foreign currency rate risk.

At March 31, 2015 and 2014, forward contracts to hedge the U.S. dollar against cash flows denominated in Canadian dollars with total notional values of $399 million and $463 million were designated for hedge accounting. These contracts will mature between March 2016 and March 2020. Changes in the fair values for contracts designated for hedge accounting are recorded to accumulated other comprehensive income and reclassified into earnings in the same period in which the hedged transaction affects earnings; losses reclassified into earnings for contracts designated for hedge accounting were not material in 2015, 2014 and 2013.

We also have a number of forward contracts to primarily hedge the Euro against cash flows denominated in British pounds and other European currencies. At March 31, 2015 and 2014, the total notional value of these contracts was $1,755 million and $1,091 million. These contracts will mature from April 2015 to February 2016 and none of these contracts were designated for hedge accounting. Changes in the fair values for contracts not designated for hedge accounting are recorded directly to earnings and accordingly, net losses from the changes in the fair value of these contracts of $189 million were recorded within operating expenses in 2015 and were not material in 2014. However, the losses from these contracts are largely offset by changes in the value of the underlying intercompany foreign currency loans.

Interest rate risk

From time to time, we have entered into interest rate swaps to hedge the interest rate risk associated with variable rate debt. Interest rate swaps are used to modify the market risk exposures in connection with the variable rate debt to achieve primarily fixed rate interest expense. The interest rate swap transactions generally involve the exchange of floating or fixed interest payments. Our interest rate swaps that were outstanding at March 31, 2014 all matured during the first half of 2015. These contracts were not designated for hedge accounting and, accordingly, changes in the fair value of these swaps were recorded directly in earnings. At March 31, 2014, the total gross notional value of these contracts was $96 million. Amounts recorded to earnings were not material for 2015 and 2014.

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Information regarding the fair value of derivatives on a gross basis is as follows:

		March 31, 2015			March 31, 2014		
	Balance Sheet Caption	Fair Value of Derivative		U.S. Dollar Notional	Fair Value of Derivative		U.S Dollar Notional
(In millions)		Asset	Liability		Asset	Liability	
Derivatives designated for hedge accounting							
Foreign exchange contracts (current)	Prepaid expenses and other	$14	$—	$76	$4	$—	$64
Foreign exchange contracts (non-current)	Other assets	53	—	323	27	—	399
Total		$67	$—		$31	$—	
Derivatives not designated for hedge accounting							
Foreign exchange contracts (current)	Prepaid expenses and other	$7	$—	$493	$2	$—	$255
Foreign exchange contracts (current)	Other accrued liabilities	—	79	1,262	—	13	836
Interest rate swap contracts (current)	Other accrued liabilities	—	—	—	—	1	96
Total		$7	$79		$2	$14	

Refer to Financial Note 20, “Fair Value Measurements,” for more information on these recurring fair value measurements.

20. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The analysis of fair value is conducted by our accounting and finance personnel who organizationally report to the Chief Financial Officer. There is a three-level hierarchy that prioritizes the inputs used in determining fair value by their reliability and preferred use, as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuations based on quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on inputs that are both significant to the fair value measurement and unobservable.

At March 31, 2015 and 2014, the carrying amounts of cash, certain cash equivalents, restricted cash, receivables, drafts and accounts payable, short-term borrowings and other current liabilities approximated their estimated fair values because of the short maturity of these financial instruments.

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Our long-term debt and other financing arrangements are carried at amortized cost. The carrying amounts and estimated fair values of these liabilities were $9.7 billion and $10.4 billion at March 31, 2015 and $10.3 billion and $10.7 billion at March 31, 2014. The estimated fair values of our long-term debt and other financing were determined using quoted market prices in a less active market and other observable inputs from available market information, which are considered to be Level 2 inputs, and may not be representative of actual values that could have been realized or that will be realized in the future.

Assets Measured at Fair Value on a Recurring Basis

Our financial assets measured at fair value on a recurring basis consist of the following:

	March 31, 2015				March 31, 2014			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash Equivalents								
Money market funds [1]	$2,880	$—	$—	$2,880	$2,284	$—	$—	$2,284
Time deposits [2]	—	94	—	94	—	12	—	12
Repurchase agreements [2]	1,243	—	—	1,243	569	—	—	569
Total cash equivalents	$4,123	$94	$—	$4,217	$2,853	$12	$—	$2,865

(1) Gross unrealized gain and losses were not material for the years ended March 31, 2015 and 2014 based on quoted prices of identical investments.

(2) The carrying amounts of these cash equivalents approximated their estimated fair values because of their short maturities.

Fair values of our marketable securities were determined using quoted prices in active markets for identical assets, which are considered Level 1 inputs under the fair value measurements and disclosure guidance. Fair values for our marketable securities were not material at March 31, 2015 and 2014.

Fair values of our forward foreign currency derivatives were determined using quoted market prices of similar instruments in an active market and other observable inputs from available market information. These inputs are considered Level 2 under the fair value measurements and disclosure guidance, and may not be representative of actual values that could have been realized or that will be realized in the future. Refer to Financial Note 19, "Hedging Activities," for more information on our forward foreign currency derivatives.

There were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy during the years ended March 31, 2015 and 2014.

Assets Measured at Fair Value on a Nonrecurring Basis

We measure certain long-lived assets at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. If the cost of an investment exceeds its fair value, we evaluate, among other factors, our intent to hold the investment, general market conditions, the duration and extent to which the fair value is less than cost and the financial outlook for the industry and location. An impairment charge is recorded when the cost of the asset exceeds its fair value and this condition is determined to be other-than-temporary.

Fiscal 2015

As discussed in Financial Note 4, "Discontinued Operations," during the fourth quarter of 2015, we recorded a $241 million pre-tax ($235 million after-tax) non-cash impairment charge to reduce the carrying value of our Brazilian distribution business to its estimated fair value, less cost to sell. The fair value of this business was determined using income and market valuation approaches. Under the income approach, we used a discounted cash flow ("DCF") analysis based on the estimated future results. This valuation approach is considered a Level 3 fair value measurement due to the use of significant unobservable inputs related to the timing and amount of future cash flows based on projections of revenues and operating costs and discounting those cash flows to their present value. The key inputs and assumptions of the DCF method are the projected cash flows, the terminal value of the business and the discount rate. Under the market approach, we apply valuation multiples of reasonably similar publicly traded companies to the operating data of the subject business to derive the estimated fair value. This valuation approach is also considered a Level 3 fair value measurement. The key inputs for the market valuation approach were revenues and a selection of market multiples. The ultimate loss from the sale of the business may be higher or lower than our current assessment of the business' fair value.

Fiscal 2014

As discussed in Financial Note 4, "Discontinued Operations," during 2014, we recorded an $80 million non-cash pre-tax and after-tax impairment charge to reduce the carrying value of our International Technology business to its estimated fair value, less costs to sell. The impairment charge was primarily the result of the terms of the preliminary purchase offers received for this business during 2014. Accordingly, the fair value measurement is classified as Level 3 in the fair value hierarchy.

Fiscal 2013

As discussed in Financial Note 6, "Equity Investments," during 2013, we committed to a plan to sell our investment in Nadro and, in the fourth quarter of 2013, recorded an impairment charge of $191 million to reduce the carrying value to fair value. The fair value of our investment in Nadro was determined using income and market valuation approaches. Under the income approach, we used a discounted cash flow ("DCF") analysis based on estimated future results. This valuation approach is considered a Level 3 fair value measurement. The key inputs for the market valuation approach were Nadro's fiscal 2012 unaudited earnings before interest, depreciation and amortization ("EBITDA") and an EBITDA multiple based on similar guideline U.S. pharmaceutical companies whose securities are actively traded in public markets. This valuation approach is considered a Level 3 fair value measurement. Finally, we evaluated the fair values under both valuation methods and concluded on an average of the two methods. In September 2013, we completed the sale of our 49% interest in Nadro which resulted in no material gain or loss.

As discussed in Financial Note 5, "Asset Impairments and Product Alignment Charges," in 2013, we recorded a goodwill impairment charge of $36 million in one of Technology Solutions segment's reporting units. The impairment charge was primarily the result of a significant decrease in estimated revenues for a software product. As required under step two of goodwill impairment testing, we determined the fair value of the reporting unit and the fair value of the reporting units' net assets, excluding goodwill but including any unrecognized intangible assets. The implied fair value of goodwill was then calculated on a residual basis – that is, by subtracting the sum of the fair value of the net assets from the fair value of the reporting unit. The impairment was equal to the carrying amount of goodwill.

Fair value assessment of the reporting unit as well as the reporting unit's net assets are considered a Level 3 measurement due to the significance of unobservable inputs developed using company specific information. We used the market approach and income approach (DCF model) to determine the fair value of the reporting unit and a DCF model to determine the fair value of the reporting unit's most significant assets – intangibles.

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21. Lease Obligations

We lease facilities and equipment almost solely under operating leases. At March 31, 2015, future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year for years ending March 31 are:

(In millions)	Noncancelable Operating Leases
2016	$316
2017	271
2018	219
2019	170
2020	140
Thereafter	650
Total minimum lease payments (1)	$1,766

(1) Minimum lease payments have not been reduced by minimum sublease rentals of $46 million due under future noncancelable subleases.

Rental expense under operating leases was $440 million, $298 million and $232 million in 2015, 2014 and 2013. We recognize rent expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease. Deferred rent is recognized for the difference between the rent expense recognized on a straight-line basis and the payments made per the terms of the lease. Remaining terms for facilities leases generally range from one to twelve years, while remaining terms for equipment leases range from one to five years. Most real property leases contain renewal options (generally for five-year increments) and provisions requiring us to pay property taxes and operating expenses in excess of base period amounts. Sublease rental income was not material for 2015, 2014 and 2013.

22. Financial Guarantees and Warranties

Financial Guarantees

We have agreements with certain of our customers' financial institutions, mainly in Canada and Europe, under which we have guaranteed the repurchase of our customers' inventory or our customers' debt in the event these customers are unable to meet their obligations to those financial institutions. For our inventory repurchase agreements, among other requirements, inventories must be in resalable condition and any repurchase would be at a discount. The inventory repurchase agreements mostly relate to certain Canadian customers and generally range from one to two years. Customers' debt guarantees range from one to fifteen years and are primarily provided to facilitate financing for certain customers. The majority of our customers' debt guarantees are secured by certain assets of the customer. At March 31, 2015, the maximum amounts of inventory repurchase guarantees and customers' debt guarantees were $185 million and $183 million, of which $1 million had been accrued. The expirations of these financial guarantees are as follows: $137 million, $42 million, $16 million, $21 million and $25 million from 2016 through 2020 and $127 million thereafter.

At March 31, 2015, our banks and insurance companies have issued $142 million of standby letters of credit and surety bonds, which were issued on our behalf mostly related to our customer contracts and in order to meet the security requirements for statutory licenses and permits, court and fiduciary obligations and our workers' compensation and automotive liability programs. Additionally, at March 31, 2015, we have a commitment to contribute up to $16 million to a non-consolidated investment for building and equipment construction.

Our software license agreements generally include certain provisions for indemnifying customers against liabilities if our software products infringe a third party's intellectual property rights. To date, we have not incurred any material costs as a result of such indemnification agreements and have not accrued any liabilities related to such obligations.

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In conjunction with certain transactions, primarily divestitures, we may provide routine indemnification agreements (such as retention of previously existing environmental, tax and employee liabilities) whose terms vary in duration and often are not explicitly defined. Where appropriate, obligations for such indemnifications are recorded as liabilities. Because the amounts of these indemnification obligations often are not explicitly stated, the overall maximum amount of these commitments cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, we have historically not made material payments as a result of these indemnification provisions.

Warranties

In the normal course of business, we provide certain warranties and indemnification protection for our products and services. For example, we provide warranties that the pharmaceutical and medical-surgical products we distribute are in compliance with the U.S. Food, Drug and Cosmetic Act and other applicable laws and regulations. We have received the same warranties from our suppliers, which customarily are the manufacturers of the products. In addition, we have indemnity obligations to our customers for these products, which have also been provided to us from our suppliers, either through express agreement or by operation of law.

We also provide warranties regarding the performance of software and products we sell. Our liability under these warranties is to bring the product into compliance with previously agreed upon specifications. For software products, this may result in additional project costs, which are reflected in our estimates used for the percentage-of-completion method of accounting for software installation services within these contracts. In addition, most of our customers who purchase our software and automation products also purchase annual maintenance agreements. Revenues from these maintenance agreements are recognized on a straight-line basis over the contract period and the cost of servicing product warranties is charged to expense when claims become estimable. Accrued warranty costs were not material to the consolidated balance sheets.

23. Other Commitments and Contingent Liabilities

In addition to commitments and obligations in the ordinary course of business, we are subject to various claims, other pending and potential legal actions for damages, investigations relating to governmental laws and regulations and other matters arising out of the normal conduct of our business. As described below, many of these proceedings are at preliminary stages and many seek an indeterminate amount of damages.

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a loss is probable but a reasonable estimate cannot be made, disclosure of the proceeding is provided. Disclosure also is provided when it is reasonably possible that a loss will be incurred or when it is reasonably possible that the amount of a loss will exceed the recorded provision. We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or range of loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system and other interested parties. Such factors bear directly on whether it is possible to reasonably estimate a range of potential loss and boundaries of high and low estimates.

We are party to the legal proceedings described below. Unless otherwise stated, we are currently unable to estimate a range of reasonably possible losses for the unresolved proceedings described below. Should any one or a combination of more than one of these proceedings be successful, or should we determine to settle any or a combination of these matters, we may be required to pay substantial sums, become subject to the entry of an injunction or be forced to change the manner in which we operate our business, which could have a material adverse impact on our financial position or results of operations.

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I. Litigation and Claims
On August 29, 2007, PSKW, LLC filed a lawsuit against McKesson Specialty Arizona Inc. in the New York Supreme Court, New York County, alleging that McKesson Specialty Arizona misappropriated trade secrets and confidential information in launching its LoyaltyScript® program, PSKW, LLC V. McKesson Specialty Arizona Inc., Index No. 602921/07. Plaintiff later amended its complaint twice to add additional, but related claims. On August 31, 2011, McKesson Specialty Arizona moved for summary judgment on all claims. On December 23, 2013, the court dismissed PSKW's cause of action for misappropriation of ideas. PSKW appealed this decision and on October 21, 2014, the Appellate Division reversed. On January 30, 2015, the trial court granted McKesson Specialty Arizona's motion to strike the jury and later set trial for June 15, 2015.
On April 16, 2013, the Company's wholly-owned subsidiary, U.S. Oncology, Inc. ("USON"), was served with a third amended qui tam complaint filed in the United States District Court for the Eastern District of New York by two relators, purportedly on behalf of the United States, twenty-one states and the District of Columbia, against USON and five other defendants, alleging that USON solicited and received illegal "kickbacks" from Amgen in violation of the Anti-Kickback Statute, the False Claims Act, and various state false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts, United States ex rel. Piacentile v. Amgen Inc., et al., CV 04-3983 (SJ). Previously, the United States declined to intervene in the case as to all allegations and defendants except for Amgen. On February 5, 2013, the United States filed a motion to dismiss the claims pled against Amgen. On September 30, 2013, the court granted the United States' motion to dismiss. On April 4, 2014, USON filed a motion to dismiss the claims pled against it. The court has not yet ruled on USON's motion.
On June 17, 2014, U.S. Oncology Specialty, LP ("USOS") was served with a fifth amended qui tam complaint filed in July 2008 in the United States District Court for the Eastern District of New York by a relator against USOS, among others, alleging that USOS solicited and received illegal "kickbacks" from Amgen in violation of the Anti-Kickbacks Statute, the False Claims Act, and various state false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts, United States ex rel. Hanks v. Amgen, Inc., et al., CV-08-03096 (SJ). Previously, the United States declined to intervene in the case as to all allegations and defendants except for Amgen. On August 1, 2014, USOS filed a motion to dismiss the claims pled against it and the hearing occurred on October 7, 2014. The court has not yet ruled on USOS's motion.
On May 21, 2014, four hedge funds managed by Magnetar Capital filed a complaint against McKesson Deutschland GmbH & Co. KGaA (formerly known as "Dragonfly GmbH & Co. KGaA") ("Dragonfly"), a wholly owned subsidiary of the Company, in a German court in Frankfurt, Germany, alleging that Dragonfly violated German takeover law in connection with the Company's acquisition of Celesio by paying more to some holders of Celesio's convertible bonds than it paid to the shareholders of Celesio's stock, Magnetar Capital Master Fund Ltd. et al. v. Dragonfly GmbH & Co KGaA, No. 3-05 O 44/14. On December 5, 2014, the court fully dismissed Magnetar's lawsuit in Dragonfly's favor and ruled that the plaintiffs must bear the court costs and Dragonfly's taxable lawyers' fees. Magnetar filed a notice of appeal on January 5, 2015.
II. Government Subpoenas and Investigations
From time-to-time, the Company receives subpoenas or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests also can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Company and other members of the health care industry, as well as to settlements. An example is the subpoena from the office of the Attorney General of West Virginia in the fourth quarter of 2015 seeking information about the Company's distribution of controlled substances in West Virginia. The Company has provided the requested documents.

In addition, in the fourth quarter of 2015, the Company reached an agreement in principle with the Drug Enforcement Administration ("DEA"), Department of Justice ("DOJ") and various U.S. Attorney's offices to settle all potential administrative and civil claims relating to investigations about the Company's suspicious order reporting practices for controlled substances. The global settlement with the DEA and DOJ is subject to the execution of final settlement agreements. Under the terms of the agreement in principle, the Company has agreed to pay the sum of $150 million, implement certain remedial measures and have the following distribution centers' DEA registrations suspended for the specified products and time periods: Aurora, Colorado: all controlled substances for three years; Livonia, Michigan: all controlled substances for two years; Washington Courthouse, Ohio: all controlled substances for the two-year period following completion of the Livonia suspension; and Lakeland, Florida: hydromorphone products for one year. Throughout the terms of these suspensions, the Company will be permitted to continue to ship controlled substances from its Livonia, Washington Courthouse and Lakeland distribution centers to customers that purchase products under its pharmaceutical prime vendor contract with the Department of Veterans Affairs. The Company expects that the suspensions will not result in a supply disruption to any customer. Customers located in the distribution center service areas described above will receive controlled substances from a different distribution center during the applicable suspension periods. As a result of our agreement in principle, during the fourth quarter of 2015, we recorded a $150 million pre-tax and after-tax charge relating to these claims.

III. Environmental Matters

Primarily as a result of the operation of the Company's former chemical businesses, which were fully divested by 1987, the Company is involved in various matters pursuant to environmental laws and regulations. The Company has received claims and demands from governmental agencies relating to investigative and remedial actions purportedly required to address environmental conditions alleged to exist at six sites where it, or entities acquired by it, formerly conducted operations and the Company, by administrative order or otherwise, has agreed to take certain actions at those sites, including soil and groundwater remediation. In addition, the Company is one of multiple recipients of a New Jersey Department of Environmental Protection Agency directive and a separate United States Environmental Protection Agency directive relating to potential natural resources damages ("NRD") associated with one of these six sites. Although the Company's potential allocation under either directive cannot be determined at this time, it has agreed to participate with a potentially responsible party ("PRP") group in the funding of certain tasks to support an NRD assessment, the costs of which are reflected in the aggregate estimates set forth below.

Based on a determination by the Company's environmental staff, in consultation with outside environmental specialists and counsel, the current estimate of the Company's probable loss associated with the remediation costs for these six sites is $7 million, net of amounts anticipated from third parties. The $7 million is expected to be paid out between April 2015 and March 2035. The Company's estimated probable loss for these environmental matters has been entirely accrued for in the accompanying consolidated balance sheets.

In addition, the Company has been designated as a PRP under the Superfund law for environmental assessment and cleanup costs as the result of its alleged disposal of hazardous substances at 14 sites. With respect to these sites, numerous other PRPs have similarly been designated and while the current state of the law potentially imposes joint and several liability upon PRPs, as a practical matter, costs of these sites are typically shared with other PRPs. At one of these sites, the United States Environmental Protection Agency has selected a preferred remedy with an estimated cost of approximately $70 million. It is not certain at this point in time what proportion of this estimated liability will be borne by the Company or by the other PRPs. Accordingly, the Company's estimated probable loss at those 14 sites is approximately $22 million, which has been entirely accrued for in the accompanying consolidated balance sheets. However, it is possible that the ultimate costs of these matters may exceed or be less than the reserves.

IV. Value Added Tax Assessments

We operate in various countries outside the United States which collect value added taxes ("VAT"). The determination of the manner in which a VAT applies to our foreign operations is subject to varying interpretations arising from the complex nature of the tax laws. We have received assessments for VAT which are in various stages of appeal. We disagree with these assessments and believe that we have strong legal arguments to defend our tax positions.

Certain VAT assessments relate to years covered by an indemnification agreement. Due to the complex nature of the tax laws, it is not possible to estimate the outcome of these matters. However, based on the currently available information, we believe the ultimate outcome of these matters will not have a material adverse effect on our financial position, cash flows or results of operations.

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V. Average Wholesale Price ("AWP") Litigation
The Company has a reserve relating to AWP public entity claims, which is reviewed at least quarterly and whenever events or circumstances indicate changes. We recorded nil, $68 million and $72 million of pre-tax charges relating to changes in the Company's AWP litigation reserve, including accrued interest, in 2015, 2014 and 2013. All charges were recorded in operating expenses within our Distribution Solutions segment. Cash payments of nil, $105 million and $483 million were made in 2015, 2014 and 2013. At March 31, 2015, the reserve for this matter was not material; at March 31, 2014, the reserve was $42 million.
VI. Other Matters
The Company is involved in various other litigation and governmental proceedings, not described above, that arise in the normal course of business. While it is not possible to determine the ultimate outcome or the duration of any such litigation or governmental proceedings, the Company believes, based on current knowledge and the advice of counsel, that such litigation and proceedings will not have a material impact on the Company's financial position or results of operations.
24. Stockholders' Equity
Each share of the Company's outstanding common stock is permitted one vote on proposals presented to stockholders and is entitled to share equally in any dividends declared by the Company's Board of Directors (the "Board").
In July 2013, the quarterly dividend was raised from $0.20 to $0.24 per common share for dividends declared after such date, until further action by the Board. Dividends were $0.96 per share in 2015, $0.92 per share in 2014 and $0.80 per share in 2013. The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon the Company's future earnings, financial condition, capital requirements and other factors.
Share Repurchase Plans
Stock repurchases may be made from time-to-time in open market transactions, privately negotiated transactions, through accelerated share repurchase ("ASR") programs, or by any combination of such methods. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, restrictions under our debt obligations and other market and economic conditions.

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Information regarding the share repurchase activity over the last three years is as follows:

Share Repurchases (1)

(In millions, except price per share data)	Total Number of Shares Purchased (2) (3)	Average Price Paid Per Share	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs
Balance, March 31, 2012			$299
Share repurchase plans approved:			
April 2012			700
January 2013			500
Shares repurchased	13	$100.82	(1,159)
Balance, March 31, 2013			$340
Shares repurchased	—	$—	—
Balance, March 31, 2014			$340
Shares repurchased	1.5	$226.55	(340)
Balance, March 31, 2015			$—

(1) This table does not include shares tendered to satisfy the exercise price in connection with cashless exercises of employee stock options or shares tendered to satisfy tax withholding obligations in connection with employee equity awards.

(2) All of the shares purchased were part of the publicly announced programs.

(3) The number of shares purchased reflects rounding adjustments.

In May 2015, the Board authorized the repurchase of up to $500 million of the Company’s common stock.

During the fourth quarter of 2013, we retired approximately 2 million shares that were repurchased for $217 million by the Company. The retired shares constitute authorized but unissued shares. We elected to allocate any excess of share repurchase price over par value between additional paid-in capital and retained earnings. As such, $195 million was recorded as a decrease to retained earnings.

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Other Comprehensive Income (Loss)
Information regarding other comprehensive income (loss) including noncontrolling and redeemable noncontrolling interests, net of tax, by component is as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Foreign currency translation adjustments			
Foreign currency translation adjustments arising during period, net of income tax expense (benefit) of nil, nil and ($2) [1]	$(1,845)	$9	$(52)
Reclassified to income statement, net of income tax expense of nil, $24 and nil [2]	(10)	44	—
	(1,855)	53	(52)
Unrealized losses on cash flow hedges			
Unrealized losses on cash flow hedges arising during period, net of income tax benefit of nil, nil and nil	(13)	(6)	—
Reclassified to income statement, net of income tax expense of nil, nil and nil	3	—	—
	(10)	(6)	—
Changes in retirement-related benefit plans			
Net actuarial gain (loss) and prior service credit (cost) arising during period, net of income tax (benefit) of ($66), $16 and ($22)	(140)	17	(40)
Amortization of actuarial loss, prior service cost and transition obligation, net of income tax expense of $6, $12 and $12 [3]	11	22	18
Foreign currency translation adjustments and other, net of income tax expense of nil, nil and nil	4	(4)	4
Reclassified to income statement, net of income tax expense of nil, $1 and nil	1	1	—
	(124)	36	(18)
Other Comprehensive Income (Loss), net of tax	$(1,989)	$83	$(70)

(1) 2015 includes net foreign currency translation losses of $267 million and 2014 includes net foreign currency translations gains of $21 million attributable to noncontrolling and redeemable noncontrolling interests.

(2) 2014 includes net foreign currency translation losses of $44 million reclassified from accumulated other comprehensive income to other income (loss), net, within our consolidated statement of operations due to the sale of our 49% equity interest in Nadro. Such losses were previously considered in our impairment evaluation of the investment when we committed to a plan to sell the investment during the fourth quarter of 2013 and, accordingly, did not impact earnings in 2014.

(3) Pre-tax amount was reclassified into cost of sales and operating expenses in the consolidated statements of operations. The related tax expense was reclassified into income tax expense in the consolidated statements of operations.

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Accumulated Other Comprehensive Income (Loss)
Information regarding changes in our accumulated other comprehensive income (loss) by component are as follows:

(In millions)	Foreign Currency Translation Adjustments, Net of Tax	Unrealized Losses on Cash Flow Hedges, Net of Tax	Unrealized Net Gains (Losses) and Other Components of Benefit Plans, Net of Tax	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2013	$136	$(5)	$(196)	$(65)
Other comprehensive income (loss) before reclassifications	9	(6)	35	38
Amounts reclassified to earnings	44	—	1	45
Other comprehensive income (loss)	$53	$(6)	$36	$83
Less: other comprehensive income attributable to noncontrolling interests	21	—	—	21
Other comprehensive income (loss) attributable to McKesson	$32	$(6)	$36	$62
Balance at March 31, 2014	$168	$(11)	$(160)	$(3)
Other comprehensive income (loss) before reclassifications	(1,845)	(13)	(136)	(1,994)
Amounts reclassified to earnings	(10)	3	12	5
Other comprehensive income (loss)	$(1,855)	$(10)	$(124)	$(1,989)
Less: other comprehensive loss attributable to noncontrolling interests	(267)	—	(12)	(279)
Other comprehensive income (loss) attributable to McKesson	$(1,588)	$(10)	$(112)	$(1,710)
Balance at March 31, 2015	$(1,420)	$(21)	$(272)	$(1,713)

25. Related Party Balances and Transactions

Celesio has investments in pharmacies located across Europe that are accounted for under the equity-method. Celesio maintains distribution arrangements with these pharmacies for the sale of related goods and services under which revenues of $114 million are included in our consolidated statement of operations in 2015 and receivables of $9 million are included in our consolidated balance sheet for the year ended March 31, 2015.

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26. Segments of Business

We report our operations in two operating segments: McKesson Distribution Solutions and McKesson Technology Solutions. The factors for determining the reportable segments included the manner in which management evaluates the performance of the Company combined with the nature of the individual business activities. We evaluate the performance of our operating segments on a number of measures, including operating profit before interest expense, income taxes and results from discontinued operations.

The McKesson Distribution Solutions segment distributes ethical and proprietary drugs and equipment and health and beauty care products throughout North America and internationally. This segment includes our International pharmaceutical distribution and services business which reflects the results of operations of Celesio, which we acquired in February 2014. This segment also provides specialty pharmaceutical solutions for biotech and pharmaceutical manufacturers, and practice management, technology, clinical support and business solutions to oncology and other specialty practices operating in the community setting. This segment also provides medical-surgical supply distribution, equipment, logistics and other services to healthcare providers through a network of distribution centers within the U.S. In addition, this segment sells financial, operational and clinical solutions for pharmacies (retail, hospital, alternate site) and provides consulting, outsourcing and other services. In September 2013, we sold our 49% interest in Nadro, S.A. de C.V. (“Nadro”), a pharmaceutical distributor in Mexico. Prior to the sale, financial results for Nadro were included in this segment.

The McKesson Technology Solutions segment delivers enterprise-wide clinical, patient care, financial, supply chain, strategic management software solutions, as well as connectivity, outsourcing and other services, including remote hosting and managed services, to healthcare organizations. This segment’s customers include hospitals, physicians, homecare providers, retail pharmacies and payers primarily from North America.

Corporate includes expenses associated with Corporate functions and projects and the results of certain equity investments. Corporate expenses are allocated to the operating segments to the extent that these items can be directly attributable to the segment.

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McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Financial information relating to our reportable operating segments and reconciliations to the consolidated totals is as follows:

	Years Ended March 31,		
(In millions)	2015	2014	2013
Revenues			
Distribution Solutions [1]			
North America pharmaceutical distribution and services	$143,711	$123,929	$115,443
International pharmaceutical distribution and services	26,358	4,485	—
Medical-Surgical distribution & services	5,907	5,648	3,603
Total Distribution Solutions	175,976	134,062	119,046
Technology Solutions - products and services	3,069	3,330	3,150
Total Revenues	$179,045	$137,392	$122,196
Operating profit			
Distribution Solutions	$3,047	$2,472	$2,195
Technology Solutions	438	448	330
Total	3,485	2,920	2,525
Corporate Expenses, Net	(454)	(449)	(335)
Interest Expense	(374)	(300)	(240)
Income From Continuing Operations Before Income Taxes	$2,657	$2,171	$1,950
Depreciation and amortization [2]			
Distribution Solutions	$750	$446	$267
Technology Solutions	156	169	194
Corporate	111	120	120
Total	$1,017	$735	$581
Expenditures for long-lived assets [3]			
Distribution Solutions	$301	$179	$163
Technology Solutions	27	47	37
Corporate	48	52	41
Total	$376	$278	$241
Revenues, net by geographic area [4]			
United States	$142,810	$122,426	$112,102
Foreign	36,235	14,966	10,094
Total	$179,045	$137,392	$122,196

(1) Revenues derived from services represent less than 2% of this segment's total revenues.
(2) Amounts primarily include amortization of acquired intangible assets purchased in connection with acquisitions, capitalized software held for sale and capitalized software for internal use.
(3) Long-lived assets consist of property, plant and equipment.
(4) Net revenues were attributed to geographic areas based on the customers' shipment locations.

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McKESSON CORPORATION
FINANCIAL NOTES (Continued)

Segment assets and property, plant and equipment, net by geographic areas were as follows:

	March 31,	
(In millions)	2015	2014
Segment assets		
Distribution Solutions	$43,982	$42,496
Technology Solutions	3,281	3,573
Total	47,263	46,069
Corporate		
Cash and cash equivalents	5,341	4,193
Other	1,266	1,497
Total	$53,870	$51,759
Property, plant and equipment, net		
United States	$1,273	$1,246
Foreign	772	950
Total	$2,045	$2,196

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McKESSON CORPORATION
FINANCIAL NOTES (Continued)

27. Quarterly Financial Information (Unaudited)

The quarterly results of operations are not necessarily indicative of the results that may be expected for the entire year. Selected quarterly financial information for the last two years is as follows:

(In millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2015				
Revenues	$43,476	$44,160	$46,484	$44,925
Gross profit [1]	2,732	2,864	2,898	2,917
Income after income taxes				
Continuing operations [1] [2]	$419	$491	$521	$411
Discontinued operations [3]	(8)	(14)	(10)	(267)
Net income	411	477	511	144
Net income attributable to noncontrolling interests [4]	(8)	(8)	(39)	(12)
Net income attributable to McKesson	$403	$469	$472	$132
Earnings (loss) per common share attributable to McKesson [5]				
Diluted				
Continuing operations	$1.76	$2.05	$2.04	$1.69
Discontinued operations	(0.04)	(0.06)	(0.04)	(1.13)
Total	$1.72	$1.99	$2.00	$0.56
Basic				
Continuing operations	$1.79	$2.08	$2.07	$1.72
Discontinued operations	(0.04)	(0.06)	(0.04)	(1.15)
Total	$1.75	$2.02	$2.03	$0.57

(1) Financial results for the first, second, third and fourth quarters of 2015 include pre-tax charges in our Distribution Solutions segment related to our last-in-first-out (“LIFO”) method of accounting for inventories of $98 million, $94 million, $95 million and $50 million, which were recorded in cost of sales.

(2) Fourth quarter of 2015 includes a non-cash after-tax charge of $150 million related to the settlement of controlled substance distribution claims.

(3) Fourth quarter of 2015 includes $235 million non-cash after-tax impairment charges related to our Brazilian pharmaceutical distribution business.

(4) Primarily reflects the guaranteed dividends of $50 million for the first nine months of 2015 and the recurring compensation of $12 million for the fourth quarter of 2015. McKesson is obligated to pay these amounts to the noncontrolling shareholders of Celesio under the Domination Agreement which became effective in December 2014.

(5) Certain computations may reflect rounding adjustments.

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McKESSON CORPORATION
FINANCIAL NOTES (Concluded)

(In millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2014				
Revenues	$32,239	$32,985	$34,336	$37,832
Gross profit (1)	1,930	2,021	1,850	2,551
Income after income taxes				
Continuing operations (1) (2)	$428	$423	$164	$399
Discontinued operations (3)	(4)	(19)	(99)	(34)
Net income	424	404	65	365
Net loss attributable to noncontrolling interests (4)	—	—	—	5
Net income attributable to McKesson	$424	$404	$65	$370
Earnings per common share attributable to McKesson (5)				
Diluted				
Continued operations	$1.84	$1.82	$0.70	$1.72
Discontinued operations	(0.01)	(0.08)	(0.42)	(0.14)
Total	$1.83	$1.74	$0.28	$1.58
Basic				
Continuing operations	$1.88	$1.85	$0.71	1.76
Discontinued operations	(0.02)	(0.09)	(0.43)	(0.15)
Total	$1.86	$1.76	$0.28	$1.61

(1) Financial results for the second, third and fourth quarters of 2014 include pre-tax charges in our Distribution Solutions segment related to our LIFO method of accounting for inventories of $44 million, $142 million and $125 million, which were recorded in cost of sales. The fourth quarter of 2014 also includes a $40 million pre-tax charge to cost of sales within our Distribution Solutions segment representing the reversal of a step-up to fair value of Celesio's inventory at the date of acquisition. Our after-tax portion of this charge from continuing operations (after allocation to noncontrolling interests) was $21 million.

(2) Financial results for the third quarter of 2014 include an income tax charge of $122 million relating to our litigation with the Canadian Revenue Agency.

(3) Financial results for the third quarter of 2014 include an $80 million after-tax impairment charge related to our International Technology Business, which was sold in part during the second quarter of 2015.

(4) Primarily represents the noncontrolling shareholders' portion of net loss from Celesio.

(5) Certain computations may reflect rounding adjustments.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report and have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and the related report of our independent registered public accounting firm are included in this Annual Report on Form 10-K, under the headings, "Management's Annual Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" and are incorporated herein by reference.

Changes in Internal Controls

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our fourth quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

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McKESSON CORPORATION

PART III
Item 10. Directors, Executive Officers and Corporate Governance.
Information about our Directors is incorporated by reference from the discussion under Item 1 of our Proxy Statement for the 2015 Annual Meeting of Stockholders (the “Proxy Statement”) under the heading “Election of Directors.”
Information about compliance with Section 16(a) of the Exchange Act is incorporated by reference from the discussion under the heading “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement.
Information about our Audit Committee, including the members of the committee and our Audit Committee Financial Expert, is incorporated by reference from the discussion under the headings “Audit Committee,” “Audit Committee Report” and “Audit Committee Financial Expert” in our Proxy Statement.
Information about the Code of Conduct applicable to all employees, officers and directors can be found on our website, www.mckesson.com, under the caption “Investors - Corporate Governance.” The Company’s Corporate Governance Guidelines and Charters for the Audit, Compensation and Governance Committees can also be found on our website under the same caption.
The Company intends to post on its website required information regarding any amendment to, or waiver from, the Code of Conduct that applies to our Chief Executive Officer, Chief Financial Officer, Controller and persons performing similar functions within four business days after any such amendment or waiver.
Item 11. Executive Compensation.
Information with respect to this item is incorporated by reference from the discussion under the heading “Executive Compensation” in our Proxy Statement.
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
Information about security ownership of certain beneficial owners and management is incorporated by reference from the discussion under the heading “Principal Shareholders” in our Proxy Statement.
The following table sets forth information as of March 31, 2015 with respect to the plans under which the Company’s common stock is authorized for issuance:

Plan Category (In millions, except per share amounts)	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	7.6 (2)	$95.01	34.9 (3)
Equity compensation plans not approved by security holders	–—	$—	—

(1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit (“RSU”) awards, since recipients are not required to pay an exercise price to receive the shares subject to these awards.
(2) Represents option and RSU awards outstanding under the following plans: (i) 1997 Non-Employee Directors’ Equity Compensation and Deferral Plan; (ii) the 2005 Stock Plan; and (iii) the 2013 Stock Plan.
(3) Represents 4,829,508 shares available for purchase under the 2000 Employee Stock Purchase Plan and 30,105,875 shares available for grant under the 2013 Stock Plan.

The following are descriptions of equity plans that have been approved by the Company’s stockholders. The plans are administered by the Compensation Committee of the Board of Directors, except for the portion of the 2013 Stock Plan and 2005 Stock Plan related to non-employee directors, which is administered by the Board of Directors or its Governance Committee.

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2013 Stock Plan: The 2013 Stock Plan was adopted by the Board of Directors on May 22, 2013 and approved by the Company's stockholders on July 31, 2013. The 2013 Stock Plan permits the grant of awards in the form of stock options, stock appreciation rights, restricted stock ("RS"), restricted stock units ("RSUs"), performance-based restricted stock units ("PeRSUs"), performance shares and other share-based awards. The number of shares reserved for issuance under the 2013 Stock Plan equals the sum of (i) 30,000,000 shares, (ii) the number of shares reserved but unissued under the 2005 Stock Plan as of the effective date of the 2013 Stock Plan, and (iii) the number of shares that become available for reuse under the 2005 Stock Plan following the effective date of the 2013 Stock Plan. For any one share of common stock issued in connection with an RS, RSU, performance share or other full share award, three and one-half shares shall be deducted from the shares available for future grants. Shares of common stock not issued or delivered as a result of the net exercise of a stock option, including in respect of the payment of applicable taxes, or shares repurchased on the open market with proceeds from the exercise of options shall not be returned to the reserve of shares available for issuance under the 2013 Stock Plan. Shares withheld to satisfy tax obligations relating to the vesting of a full-share award shall be returned to the reserve of shares available for issuance under the 2013 Stock Plan.

Stock options are granted at no less than fair market value and those options granted under the 2013 Stock Plan generally have a contractual term of seven years. Options generally become exercisable in four equal annual installments beginning one year after the grant date. The vesting of RS or RSUs is determined by the Compensation Committee at the time of grant. RS and RSUs generally vest over four years. PeRSUs vest three years following the end of the performance period. Beginning in May 2014, the Company's executive officers are annually granted performance awards called Total Shareholder Return Units ("TSRUs"), which have a three-year performance period and are payable in shares without an additional vesting period.

Non-employee directors may be granted an award on the date of each annual meeting of the stockholders for up to 5,000 RSUs, as determined by the Board. Such non-employee director award is fully vested on the date of the grant.

2005 Stock Plan: The 2005 Stock Plan was adopted by the Board of Directors on May 25, 2005 and approved by the Company's stockholders on July 27, 2005. The 2005 Stock Plan permits the granting of up to 42.5 million shares in the form of stock options, RS, RSUs, PeRSUs, performance shares and other share-based awards. For any one share of common stock issued in connection with an RS, RSU, performance share or other full-share award, two shares shall be deducted from the shares available for future grants. Shares of common stock not issued or delivered as a result of the net exercise of a stock option, shares withheld to satisfy tax obligations relating to the vesting of a full-share award or shares repurchased on the open market with proceeds from the exercise of options shall not be returned to the reserve of shares available for issuance under the 2005 Stock Plan.

Following the effectiveness of the 2013 Stock Plan, no further shares were made subject to award under the 2005 Stock Plan. Shares reserved but unissued under the 2005 Stock Plan as of the effective date of the 2013 Stock Plan, and shares that become available for reuse under the 2005 Stock Plan following the effectiveness of the 2013 Stock Plan, will be available for awards under the 2013 Stock Plan.

Stock options are granted at no less than fair market value and those options granted under the 2005 Stock Plan generally have a contractual term of seven years. Options generally become exercisable in four equal annual installments beginning one year after the grant date. The vesting of RS or RSUs is determined by the Compensation Committee at the time of grant. RS and RSUs generally vest over four years. PeRSUs vest three years following the end of the performance period.

Non-employee directors may be granted an award on the date of each annual meeting of the stockholders for up to 5,000 RSUs, as determined by the Board. Such non-employee director award is fully vested on the date of the grant.

1997 Non-Employee Directors' Equity Compensation and Deferral Plan: The 1997 Non-Employee Directors' Equity Compensation and Deferral Plan was approved by the Company's stockholders on July 30, 1997; however, stockholder approval of the 2005 Stock Plan on July 27, 2005 had the effect of terminating the 1997 Non-Employee Directors' Equity Compensation and Deferral Plan such that no new awards would be granted under the 1997 Non-Employee Directors' Equity Compensation and Deferral Plan.

2000 Employee Stock Purchase Plan (the "ESPP"): The ESPP is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code. In March 2002, the Board amended the ESPP to allow for participation in the plan by employees of certain of the Company's international and other subsidiaries. As to those employees, the ESPP does not qualify under Section 423 of the Internal Revenue Code. Currently, 21.1 million shares have been approved by stockholders for issuance under the ESPP.

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The ESPP is implemented through a continuous series of three-month purchase periods (“Purchase Periods”) during which contributions can be made toward the purchase of common stock under the plan.

Each eligible employee may elect to authorize regular payroll deductions during the next succeeding Purchase Period, the amount of which may not exceed 15% of a participant’s compensation. At the end of each Purchase Period, the funds withheld by each participant will be used to purchase shares of the Company’s common stock. The purchase price of each share of the Company’s common stock is 85% of the fair market value of each share on the last day of the applicable Purchase Period. In general, the maximum number of shares of common stock that may be purchased by a participant for each calendar year is determined by dividing $25,000 by the fair market value of one share of common stock on the offering date.

There currently are no equity awards outstanding that were granted under equity plans that were not submitted for approval by the Company’s stockholders.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to certain transactions with management is incorporated by reference from the Proxy Statement under the heading “Certain Relationships and Related Transactions.” Additional information regarding certain related party balances and transactions is included in the Financial Review section of this Annual Report on Form 10-K and Financial Note 25, “Related Party Balances and Transactions,” to the consolidated financial statements appearing in this Annual Report on Form 10 K.

Item 14. Principal Accounting Fees and Services.

Information regarding principal accounting fees and services is set forth under the heading “Ratification of Appointment of Deloitte & Touche LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal 2016” in our Proxy Statement and all such information is incorporated herein by reference.

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PART IV
Item 15. Exhibits and Financial Statement Schedule.

All other schedules not included have been omitted because of the absence of conditions under which they are required or because the required information, where material, is shown in the financial statements, financial notes or supplementary financial information.

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SIGNATURES
Pursuant to the requirements of Section 13 or 15(d) 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
Date: May 12, 2015	/s/ James A. Beer James A. Beer Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

* John H. Hammergren Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	* M. Christine Jacobs, Director
* James A. Beer Executive Vice President and Chief Financial Officer (Principal Financial Officer)	* Donald R. Knauss, Director
* Nigel A. Rees Senior Vice President and Controller (Principal Accounting Officer)	* Marie L. Knowles, Director
* Andy D. Bryant, Director	* David M. Lawrence, M.D., Director
* Wayne A. Budd, Director	* Edward A. Mueller, Director
* N. Anthony Coles, M.D., Director	* Susan R. Salka, Director
* Alton F. Irby III, Director	/s/ Lori A. Schechter Lori A. Schechter *Attorney-in-Fact

Date: May 12, 2015

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SCHEDULE II
SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended March 31, 2015, 2014 and 2013
(In millions)

Description	Balance at Beginning of Year	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts (3)	Deductions From Allowance Accounts (1)	Balance at End of Year (2)
Year Ended March 31, 2015					
Allowances for doubtful accounts	$112	$67	$—	$(38)	$141
Other allowances	22	8	—	3	33
	$134	$75	$—	$(35)	$174
Year Ended March 31, 2014					
Allowances for doubtful accounts	$121	$36	$(11)	$(34)	$112
Other allowances	15	—	10	(3)	22
	$136	$36	$(1)	$(37)	$134
Year Ended March 31, 2013					
Allowances for doubtful accounts	$111	$28	$16	$(34)	$121
Other allowances	14	4	1	(4)	15
	$125	$32	$17	$(38)	$136

	2015	2014	2013
(1) Deductions:			
Written off	$(34)	$(39)	$(38)
Credited to other accounts	(1)	2	—
Total	$(35)	$(37)	$(38)
(2) Amounts shown as deductions from current and non-current receivables	$174	$134	$136

(3) Primarily represents reclassifications from other balance sheet accounts.

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EXHIBIT INDEX

The agreements included as exhibits to this report are included to provide information regarding their terms and not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the applicable agreement, and;

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibits identified under "Incorporated by Reference" in the table below are on file with the Commission and are incorporated by reference as exhibits hereto.

		Incorporated by Reference			
Exhibit Number	Description	Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on July 27, 2011.	8-K	1-13252	3.1	August 2, 2011
3.2	Amended and Restated By-Laws of the Company, as amended July 31, 2013.	8-K	1-13252	3.1	August 2, 2013
4.1	Indenture, dated as of March 11, 1997, by and between the Company, as issuer, and The First National Bank of Chicago, as trustee.	10-K	1-13252	4.4	June 19, 1997
4.2	Officers' Certificate, dated as of March 11, 1997, and related Form of 2027 Note.	S-4	333-30899	4.2	July 8, 1997
4.3	Indenture, dated as of March 5, 2007, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as trustee.	8-K	1-13252	4.1	March 5, 2007
4.4	Officers' Certificate, dated as of March 5, 2007, and related Form of 2017 Note.	8-K	1-13252	4.2	March 5, 2007
4.5	Officers' Certificate, dated as of February 12, 2009, and related Form of 2014 Note and Form of 2019 Note.	8-K	1-13252	4.2	February 12, 2009
4.6	First Supplemental Indenture, dated as of February 28, 2011, to the Indenture, dated as of March 5, 2007, among the Company, as issuer, the Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), and Wells Fargo Bank, National Association, as trustee, and related Form of 2016 Note, Form of 2021 Note and Form of 2041 Note.	8-K	1-13252	4.2	February 28, 2011
4.7	Indenture, dated as of December 4, 2012, by and between the Company, as issuer, and Wells Fargo Bank, National Association, as trustee.	8-K	1-13252	4.1	December 4, 2012
4.8	Officers' Certificate, dated as of December 4, 2012, and related Form of 2015 Note and Form of 2022 Note.	8-K	1-13252	4.2	December 4, 2012
4.9		8-K	1-13252	4.2	March 8, 2013

	Officers' Certificate, dated as of March 8, 2013, and related Form of 2018 Note and Form of 2023 Note.				
4.10	Officers' Certificate, dated as of March 10, 2014, and related Form of Floating Rate Note, Form of 2017 Note, Form of 2019 Note, Form of 2024 Note, and Form of 2044 Note.	8-K	1-13252	4.2	March 10, 2014

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Exhibit Number	Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date
10.1*	McKesson Corporation 1997 Non-Employee Directors' Equity Compensation and Deferral Plan, as amended through January 29, 2003.	10-K	1-13252	10.4	June 10, 2004
10.2*	McKesson Corporation Supplemental Profit Sharing Investment Plan, as amended and restated on January 29, 2003.	10-K	1-13252	10.6	June 6, 2003
10.3*	McKesson Corporation Supplemental Profit Sharing Investment Plan II, as amended and restated on July 29, 2014.	10-Q	1-13252	10.1	October 28, 2014
10.4*	McKesson Corporation Deferred Compensation Administration Plan, as amended and restated as of October 28, 2004.	10-K	1-13252	10.6	May 13, 2005
10.5*	McKesson Corporation Deferred Compensation Administration Plan II, as amended and restated as of October 28, 2004, and Amendment No. 1 thereto effective July 25, 2007.	10-K	1-13252	10.7	May 7, 2008
10.6*	McKesson Corporation Deferred Compensation Administration Plan III, as amended and restated July 29, 2014.	10-Q	1-13252	10.2	October 28, 2014
10.7*	McKesson Corporation Executive Benefit Retirement Plan, as amended and restated on October 24, 2008.	10-Q	1-13252	10.3	October 29, 2008
10.8*	McKesson Corporation Executive Survivor Benefits Plan, as amended and restated as of January 20, 2010.	8-K	1-13252	10.1	January 25, 2010
10.9*	McKesson Corporation Severance Policy for Executive Employees, as amended and restated as of April 23, 2013.	10-K	1-13252	10.11	May 7, 2013
10.10*	McKesson Corporation Change in Control Policy for Selected Executive Employees, as amended and restated on October 26, 2010.	10-Q	1-13252	10.2	February 1, 2011
10.11*	McKesson Corporation 2005 Management Incentive Plan, as amended and restated on April 29, 2014.	10-K	1-13252	10.12	May 14, 2014
10.12*	Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation 2005 Management Incentive Plan, effective October 21, 2014.	10-Q	1-13252	10.2	February 5, 2015
10.13*	McKesson Corporation Long-Term Incentive Plan, as amended and restated effective May 26, 2010.	10-Q	1-13252	10.1	July 30, 2010
10.14*	Forms of Statement and Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Long-Term Incentive Plan, effective October 21, 2014.	10-Q	1-13252	10.1	February 5, 2015
10.15*	McKesson Corporation 2005 Stock Plan, as amended and restated on July 28, 2010.	10-Q	1-13252	10.4	July 30, 2010
10.16*	Forms of (i) Statement of Terms and Conditions, (ii) Stock Option Grant Notice and (iii), Restricted Stock Unit Agreement, each as applicable to Awards under the McKesson Corporation 2005 Stock Plan.	10-Q	1-13252	10.2	July 26, 2012
10.17*		8-K	1-13252	10.1	August 2, 2013

	McKesson Corporation 2013 Stock Plan, as adopted on May 22, 2013.				
10.18*	Forms of Statement and Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation 2013 Stock Plan.	10-Q	1-13252	10.3	February 5, 2015

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		Incorporated by Reference			
Exhibit Number	Description	Form	File Number	Exhibit	Filing Date
10.19	Amendment No. 5, dated as of November 14, 2014, Amendment No. 4, dated as of January 30, 2014, Amendment No. 3, dated as of November 15, 2013, Amendment No. 2, dated as of May 15, 2013, and Amendment No.1, dated as of May 16, 2012, to the Fourth Amended and Restated Receivables Purchase Agreement and Fourth Amended and Restated Receivables Purchase Agreement, dated as of May 18, 2011, among the Company, as servicer, CGSF Funding Corporation, as seller, the several conduit purchasers from time to time party to the Agreement, the several committed purchasers from time to time party to the Agreement, the several managing agents from time to time party to the Agreement, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (as successor to JPMorgan Chase Bank, N.A.), as collateral agent.	10-Q	1-13252	10.4	February 5, 2015
10.20	Amendment No. 2, dated January 30, 2014, and Amendment No. 1, dated November 15, 2013, to the Credit Agreement and the Credit Agreement dated as of September 23, 2011, among the Company and McKesson Canada Corporation, collectively, the Borrowers, Bank of America, N.A. as Administrative Agent, Bank of America, N.A. (acting through its Canada branch), as Canadian Administrative Agent, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, National Association, as Co-Syndication Agents, Wells Fargo Bank, National Association as L/C Issuer, The Bank of Tokyo-Mitsubishi UFJ, LTD., The Bank of Nova Scotia and U.S. Bank National Association as Co-Documentation Agents, and The Other Lenders Party Thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Sole Lead Arranger and Sole Book Manager.	8-K	1-3252	10.1	February 5, 2014
10.21	Share Purchase Agreement, dated October 24, 2013, by and among Franz Haniel & Cie. GmbH, Dragonfly GmbH & Co KGaA and McKesson Corporation.	8-K	1-13252	10.1	October 25, 2013
10.22	First Amendment of the Share Purchase Agreement, dated December 19, 2013, by and among Franz Haniel & Cie. GmbH, Dragonfly GmbH & Co. GKaA and McKesson Corporation.	8-K	1-13252	10.1	January 15, 2014
10.23	Second Amendment of the Share Purchase Agreement, dated January 9, 2014, by and among Franz Haniel & Cie. GmbH, Dragonfly GmbH & Co. GKaA and McKesson Corporation.	8-K	1-13252	10.2	January 15, 2014
10.24	Amended and Restated Share Purchase Agreement, dated January 23, 2014, by and among Franz Haniel & Cie.	8-K	1-13252	10.1	January 29, 2014

	GmbH, Dragonfly GmbH & Co KGaA and McKesson Corporation.				
10.25	Business Combination Agreement, dated October 24, 2013, by and between Dragonfly GmbH & Co. KGaA, McKesson Corporation and Celesio AG.	8-K	1-13252	10.2	October 25, 2013
10.26	Amendment to the Business Combination Agreement, dated January 23, 2014, by and between Celesio AG, Dragonfly GmbH & Co. KGaA, McKesson Corporation and Celesio AG.	8-K	1-13252	10.3	January 29, 2014
10.27	Bond Purchase Agreement, dated January 23, 2014, by and among Elliott International, L.P., The Liverpool Limited Partnership, Elliott Capitol Advisors, L.P., Dragonfly GmbH & Co. KGaA and McKesson Corporation.	8-K	1-13252	10.2	January 29, 2014
10.28*	Amended and Restated Employment Agreement, effective as of November 1, 2008, by and between the Company and its Chairman, President and Chief Executive Officer.	10-Q	1-13252	10.10	October 29, 2008
10.29*	Letter dated March 27, 2012 relinquishing certain rights provided in the Amended and Restated Employment Agreement by and between the Company and its Chairman, President and Chief Executive Officer.	8-K	1-13252	10.1	April 2, 2012

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McKESSON CORPORATION

Exhibit Number	Description	Incorporated by Reference Form	File Number	Exhibit	Filing Date
10.30*	Letter dated February 27, 2014 relinquishing certain rights provided in the McKesson Corporation Executive Benefit Retirement Plan by and between the Company and its Chairman, President and Chief Executive Officer.	8-K	1-13252	10.1	February 28, 2014
10.31*	Amended and Restated Employment Agreement, effective as of November 1, 2008, by and between the Company and its Executive Vice President and Group President.	10-Q	1-13252	10.12	October 29, 2008
10.32*	Form of Director and Officer Indemnification Agreement.	10-K	1-13252	10.27	May 4, 2010
12†	Computation of Ratio of Earnings to Fixed Charges.	—	—	—	—
21†	List of Subsidiaries of the Registrant.	—	—	—	—
23†	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.	—	—	—	—
24†	Power of Attorney.	—	—	—	—
31.1†	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, and adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
31.2†	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 as amended, and adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32††	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
101†	The following materials from the McKesson Corporation Annual Report on Form 10-K for the fiscal year ended March 31, 2014, formatted in Extensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Stockholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Financial Notes.	—	—	—	—

* Management contract or compensation plan or arrangement in which directors and/or executive officers are eligible to participate.
† Filed herewith.
†† Furnished herewith.

Registrant agrees to furnish to the Commission upon request a copy of each instrument defining the rights of security holders with respect to issues of long-term debt of the registrant, the authorized principal amount of which does not exceed 10% of the total assets of the registrant.

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McKESSON CORPORATION

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

John H. Hammergren
Chairman of the Board,
President and Chief Executive Officer,
McKesson Corporation

Andy D. Bryant
Chairman of the Board,
Intel Corporation

Wayne A. Budd
Senior Counsel,
Goodwin Procter LLP

N. Anthony Coles, M. D.
Chairman and Chief Executive Officer,
Yumanity Therapeutics, LLC;
Formerly Chairman and Chief Executive Officer
Onyx Pharmaceuticals, Inc.

Alton F. Irby III
Chairman and Founding Partner,
London Bay Capital

M. Christine Jacobs
Chairman of the Board, President and
Chief Executive Officer, Retired,
Theragenics Corporation

Donald R. Knauss
Executive Chairman of the Board,
The Clorox Company

Marie L. Knowles
Executive Vice President and
Chief Financial Officer, Retired,
Atlantic Richfield Company

David M. Lawrence, M.D.
Chairman of the Board and
Chief Executive Officer, Retired,
Kaiser Foundation Health Plan, Inc. and
Kaiser Foundation Hospitals

Edward A. Mueller

CORPORATE OFFICERS

John H. Hammergren
Chairman of the Board,
President and Chief Executive Officer,
McKesson Corporation

James A. Beer
Executive Vice President and Chief Financial Officer

Patrick J. Blake
Executive Vice President and Group President

Jorge L. Figueredo
Executive Vice President, Human Resources

Paul C, Julian
Executive Vice President and Group President

Bansi Nagji
Executive Vice President,
Corporate Strategy and Business Development

Lori A. Schechter
Executive Vice President, General Counsel and
Chief Compliance Officer

Brian P. Moore
Senior Vice President and Treasurer

Nigel A. Rees
Senior Vice President and Controller

Willie C. Bogan
Secretary

Chairman of the Board and
Chief Executive Officer, Retired,
Qwest Communications International Inc.

Susan R. Salka
Chief Executive Officer and President,
AMN Healthcare Services, Inc.

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McKESSON CORPORATION

CORPORATE INFORMATION

Common Stock

McKesson Corporation common stock is listed on the New York Stock Exchange (ticker symbol MCK) and is quoted in the daily stock tables carried by most newspapers.

Stockholder Information

Wells Fargo Shareowner Services, 1110 Centre Pointe Curve, Suite 101, Mendota Heights, MN 55120-4100 acts as transfer agent, registrar, dividend-paying agent and dividend reinvestment plan agent for McKesson Corporation stock and maintains all registered stockholder records for the Company. For information about McKesson Corporation stock or to request replacement of lost dividend checks, stock certificates or 1099-DIVs, or to have your dividend check deposited directly into your checking or savings account, stockholders may call Wells Fargo Shareowner Services' telephone response center at (866) 614-9635. For the hearing impaired call (651) 450-4144. Wells Fargo Shareowner Services also has a website—www.wellsfargo.com/shareownerservices—that stockholders may use 24 hours a day to request account information.

Dividends and Dividend Reinvestment Plan

Dividends are generally paid on the first business day of January, April, July and October. McKesson Corporation's Dividend Reinvestment Plan offers stockholders the opportunity to reinvest dividends in common stock and to purchase additional shares of common stock. Stock in an individual's Dividend Reinvestment Plan is held in book entry at the Company's transfer agent, Wells Fargo Shareowner Services. For more information, or to request an enrollment form, call Wells Fargo Shareowner Services' telephone response center at (866) 614-9635. From outside the United States, call +1-651-450-4064.

Annual Meeting

McKesson Corporation's Annual Meeting of Stockholders will be held at 8:30 a.m. PDT, on July 29, 2015 at the Sofitel San Francisco Bay, 223 Twin Dolphin Drive, Redwood City, CA 94065.