McKesson Europe AG

Annual Report
2021

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McKesson Europe AG
Financial 2021

McKesson Europe

McKesson Europe AG, 78% owned by McKesson Corporation, and its subsidiaries are a leading business in the healthcare sector, with strong brands across 13 European countries. McKesson Corporation, originally founded in 1833, is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information solutions. McKesson partners with life sciences companies, manufacturers, providers, pharmacies, governments, and other healthcare organizations to help provide the right medicines, medical products, and healthcare services to the right patients at the right time, safely, and cost-effectively.

United by our ICARE (Integrity, Customer First, Accountability, Respect and Excellence) shared principles, our employees work every day to innovate and deliver opportunities to improve patient care in every setting – one product, one partner, one patient at a time. For more information visit www.mckesson.eu.

McKesson Europe has operations in 10 countries and manages wholesale and pharmacy operations wholly owned by McKesson Corporation in Norway, Sweden and Ireland.

The Pharmaceutical Distribution business delivers pharmaceutical and other healthcare-related products to pharmacies across Europe. This business functions as a vital link connecting manufacturers to retail pharmacies by supplying medicines and other products sold in pharmacies. Pharmaceutical and other healthcare-related products are stored at regional wholesale branches using technology-enabled management systems. Our business leverages its scale and provides innovative and effective medical care services to create enhanced customer value.

Retail Pharmacy serves patients and consumers in European countries directly through our own pharmacies and franchise pharmacies. In addition, in the United Kingdom, this business includes outpatient dispensing, eCommerce and homecare arrangements by providing traditional prescription pharmaceuticals, non-prescription products and medical services. The Lloyds Pharmacy brand operates in Belgium, Ireland, Italy, and the UK. In addition, we partner with independent pharmacies under our franchise program.

The fiscal year at a glance (01/04/2020 – 31/03/2021)

KEY FIGURES OF MCKESSON EUROPE		Fiscal 2020	Fiscal 2021	Change on EUR basis %
Continuing operations				
Revenue	EUR m	17,117.6	16,748.1	–2.2
Gross profit	EUR m	1,877.6	1,815.0	–3.3
adjusted 1)	EUR m	1,875.4	1,822.5	–2.8
EBIT	EUR m	–8.6	24.2	/
adjusted 1)	EUR m	96.4	151.9	57.6
Profit before taxes	EUR m	–29.5	27.8	/
adjusted 1)	EUR m	75.5	155.5	>100
Net profit/loss	EUR m	–66.1	0.9	/
adjusted 1)	EUR m	38.9	112.7	>100
Earnings per share (basic)	€	–0.35	–0.01	96.6
Earnings per share (basic), adjusted [1)]	€	0.17	0.54	>100
Cash inflow from operating activities	EUR m	302.6	419.5	38.7
Net cash flow from investing activities	EUR m	–189.1	179.8	-
Free cash flow	EUR m	75.7	573.1	>100
Employees (full-time equivalent) [2)]		22,850	21,192	/
Retail pharmacies [2)]		1,860	1,749	/
Wholesale branches [2)]		97	90	/
Discontinued operations				
Net profit/loss	EUR m	–177.2	–8.2	95.4
Earnings per share (basic)	€	–0.87	–0.04	95.4
Employees (full-time equivalent) [2)]		1,479	0	/
Continuing and discontinued operations				
Total assets	EUR m	7,919.6 [2]	7,047.3 [2]	–11.0
Equity	EUR m	1,748.7 [2]	1,900.7 [2]	8.7
Equity ratio	%	22.1 [2]	27.0 [2]	/
Net financial debt (Financial liabilities net cash)	EUR m	566.0 [2]	28.2 [2]	–95.0
Net Financial Debt/EBITDA adj. [1) 3)]		1.96 [2]	0.1 [2]	–95.3
Employees (full-time equivalent) [2)]		24,329	21,192	/
Employees [2)]		31,912	27,618	/
Net profit/loss for the period	EUR m	–243.3	–7.3	97.0
Earnings per share (basic)	€	–1.22	–0.05	95.7

[1)] Adjusted for special effects from defined non-recurring expenses and income (including tax effect), incl. goodwill impairments.
[2)] Closing figures at the end of the reporting period
[3)] Based on EBITDA of the last twelve months ending on the respective reporting date

To our shareholders

McKesson Europe AG
Financial Year 2021

The Supervisory Board

Members of the Supervisory Board of McKesson Europe AG as of 31 March 2021

Brian S. Tyler [2) 3) 4)]	(Chairman)
Ihno Goldenstein [1) 2) 3)] until 31 October 2020	(Deputy Chairman until 31 October 2020)
Ralf Kuhlen [1) 3)] since 1 November 2020	(Deputy Chairman since 3 November 2020)
W.M. Henning Rehder [2)]	(Deputy Chairman)
Marc Bauer [1)] until 31 October 2020	
Detlef Bernhardt [1)] until 31 October 2020	
Dennis Both [1)] until 31 October 2020	
Leonie Dengler [1)] since 1 November 2020	
Jörg Lauenroth-Mago [1) 2)]	
Pauline Lindwall	
Stanton McComb since 21 April 2020	
Susan Naumann [1) 3)]	
Heike Nowak [1)] since 1 November 2020	
Fabian Sattler [1)] since 1 November 2020	
Lori A. Schechter [3)]	
Jack Stephens	

[1)] Employee representative
[2)] General Committee
[3)] Mediation Committee
[4)] Chairman of the respective committee

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

In the 2021 financial year (1 April 2020 to 31 March 2021), we, as the Supervisory Board of McKesson Europe AG, regularly advised the Management Board in its management of McKesson Europe and continuously monitored its management team. We performed the duties required of us by law, our articles of association and our rules of procedure with great diligence. As a supervisory body, we dealt in detail with the commercial and financial development of McKesson Europe as well as its strategic alignment. We were involved in all decisions of fundamental importance to McKesson Europe at an early stage.

Changes in the Supervisory Board

Subsequent to the transfer of GEHE Pharma Handel GmbH into the joint venture with Walgreens Boots Alliance, the mandates of Ihno Goldenstein, Detlef Bernhardt, Dennis Both and Marc Bauer as employee representatives on the Supervisory Board ended on 31 October 2020. Leonie Dengler, Ralf Kuhlen, Heike Nowak and Fabian Sattler were appointed by the court as their successors effective as of 1 November 2020.

In its meeting on 3 November 2020, the Supervisory Board appointed Ralf Kuhlen first Deputy Chairman, and Jörg Lauenroth-Mago member of the General Committee.

The Supervisory Board would like to thank the departing members of the Supervisory Board for their – in part – very long period of service, committed contribution and support, and for their consistently constructive and trusting cooperation.

Cooperation with the Management Board and monitoring

In the past business year, the cooperation between the Management Board and the Supervisory Board was again characterized by an intensive and open dialogue based on trust. The Management Board regularly and comprehensively informed the Supervisory Board and its Chairman in written and oral form aboutall relevant matters concerning McKesson Europe. The main focus of our joint work and monitoringwas onthe financial position of McKesson Europe AG and its subsidiaries and the results of its operations and cash flows, the course of business in the business divisions, the development of the market environment, strategy and planning of McKesson Europe as well as portfolio considerations. The Management Board was present at and involved in all three meetings and five resolutions of the Supervisory Board. In this context, the Supervisory Board dealt withvarious significant developments, including the challenging overall situation due to the pandemic and the stillintense competitive environment in France and Germany, the government measures and the Brexit scenario in the UK, as well as productivity and growth initiatives in many countries. In addition, the Supervisory Board was involved in all significant investments and M&A projects, including the transfer of GEHE Pharma Handel GmbH into the joint venture with Walgreens Boots Alliance.

Annual and consolidated financial statements as well as management report

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements of McKesson Europe AG and the consolidated financial statements as well as the joint management report as of 31 March 2021 and issued an unqualified auditor's report in each case. The Supervisory Board had awarded the audit engagement in accordance with the resolution of the Annual General Meeting of 18 December 2020.

The necessary documents and the auditor's reports were available to all members of the Supervisory Board and were discussed in detail also with the auditor in the Supervisory Board meeting on 29 July 2021. After the final result of its detailed examination and consultation, the Supervisory Board had no objections to raise. It agreed with the results of the audit and approved the annual financial statements of McKesson Europe AG prepared by the Management Board as well as the consolidated financial statements.

Credits

The Supervisory Board thanks the Management Board, the management teams of the subsidiaries and all employees in Germany and abroad for their great personal commitment, dedication, performance and loyalty in a 2021 financial year still characterized by the pandemic. We are convinced that we are on the right track and will continue to overcome all challenges and seize the opportunities presented to us in the 2022 financial year.

STUTTGART, JULY 2021

ON BEHALF OF THE SUPERVISORY BOARD

BRIAN S. TYLER

CHAIRMAN

Combined Management Report

McKesson Europe AG
Fiscal 2021 from 1 April 2020 to
31 March 2021

Background of McKesson Europe/ Business activity and organisation

This combined Management Report is based on the fiscal 2021 (01/04/2020 – 31/03/2021) of McKesson Europe that consists of McKesson Europe AG and its subsidiaries (hereafter referred to as “McKesson Europe”).

McKesson Europe AG is the management holding company of McKesson Europe and provides its subsidiaries and managed entities central financial and liquidity management as well as services on the basis of service agreements.

As the nature of business, the economic position and the opportunities and risks associated with the future development of McKesson Europe AG do not differ from those of McKesson Europe, the management report of McKesson Europe has been combined with that of McKesson Europe AG in accordance with section 315(5) HGB (German Commercial Code) in connection with section 298 (2) HGB.

Our business model

We manage strong brands in pharmaceutical and healthcare markets across Europe, making McKesson Europe one of the leading international trading companies and service providers in the pharmaceutical market in Europe. We have operations in 10 countries and manage wholesale and pharmacy operations wholly-owned by McKesson Corporation in Norway, Sweden and Ireland, therefore not part of the IFRS consolidated financial statements. Our core business consists of pharmaceutical wholesale and pharmacies – we operate our own retail pharmacies and maintain partnership schemes with independent, owner-run pharmacies.

Nearly 28,000 employees cover the supply chain from the pharmaceutical manufacturers through to the patient, offering supply chain services for pharmaceutical and biotechnology manufacturers and selling medicines, healthcare products and special services for customers via our pharmaceutical wholesale business and retail pharmacies. Additionally, about 3,500 employees are working in our managed operations in Norway, Sweden and Ireland.

Our own and managed wholesale network delivers to approximately 48,000 pharmacies every day in eleven European countries.

We operate approximately 1,750 pharmacies and manage more than 300 pharmacies in six European countries. With a focus on professional advice, we support patients and consumers by supplying medicines and numerous pharmaceutical services for health and well-being.

Our aim is to actively help people through effective, efficient and innovative healthcare services. We are developing our core business through new concepts and innovative approaches as part of our strategy.

Optimising key areas of business activities together with McKesson

As of 31 March 2021, McKesson Corporation ("McKesson"), Irving, USA, is the majority shareholder in McKesson Europe, with more than 78% of McKesson Europe shares. The existence of a domination and profit and loss transfer agreement between McKesson Europe Holdings GmbH & Co. KGaA (a wholly-owned indirect subsidiary of McKesson) and McKesson Europe AG empowers both companies to work together as an integrated global company and create more stakeholder value.

McKesson Europe structure and management

The organisation and reporting structure of McKesson Europe is divided into two divisions which are aligned to the needs and demands of the respective customer groups.

The Pharmaceutical Distribution division serves pharmacies and is primarily concerned with wholesale distribution activities. The Retail Pharmacy division is aimed at patients and consumers and is mainly comprised of the retail pharmacy business.

The organisational structure of McKesson Europe is arranged functionally. The businesses in the countries are supported by corporate functions.

Management and control

The Management Board of McKesson Europe AG manages McKesson Europe based on legal requirements and the rules of procedure laid down by the Supervisory Board. The Management Board is supported by a leadership team, but the Management Board ultimately leads McKesson Europe.

The Management Board of McKesson Europe AG is advised and controlled in its management function by the Supervisory Board. The Supervisory Board as of 31 March 2021 is made up of an equal number of shareholder and employee representatives and is responsible for appointing members of the Management Board; any major transactions by the Management Board must be approved by the Supervisory Board.

An essential element of the domination agreement is granting the parent company the authority to issue instructions. McKesson Europe Holdings GmbH & Co. KGaA is authorised to issue instructions to McKesson Europe AG with regard to the management of McKesson Europe AG. McKesson Europe AG nevertheless remains legally independent with its own executive bodies, as described above. It also continues to be the responsibility of the McKesson Europe AG Management Board to run and represent McKesson Europe. If no instructions are issued, the McKesson Europe AG Management Board can and must run McKesson Europe AG on its own authority.

Key performance indicator

Revenue, EBIT (earnings before interest and taxes) and adjusted EBIT are key performance indicators for the performance measurement of our business. A detailed description of special effects leading to the adjustments on EBIT is provided on page 17. EBIT allows us to measure the operating business success including amortisation and depreciation and to compare ourselves with other international companies. The number of employees is the most significant non-financial performance indicator.

Additionally, we budget and measure a number of financial and non-financial key performance indicators on a monthly basis, such as net working capital, net debt, free-cash flow and full-time equivalents (FTE).

Market and strategy

Demographic change is one of the main drivers of growth in the global pharmaceutical markets

Growth of the global pharmaceutical and healthcare markets will continue to be driven primarily by global demographic trends in the coming years.

Overall worldwide pharmaceutical and healthcare markets will grow by an average of 4.5% per year until 2024. Through strong population growth, rising affluence, higher life expectations and increased quality of and access to healthcare, the developing and emerging economies will contribute to global growth with high single digit growth rates. Industrialised nations on the other hand will mostly only generate growth rates in the lower single digits (source: IQVIA Inc., Q3 2020, Danbury, USA, hereafter “IQVIA”).

Cost pressure on healthcare systems as a driver of competition and development in Europe

In the advanced and highly regulated markets of Europe, moderate growth of approximately 3.9% per year is expected through 2024, according to IQVIA. Furthermore price pressure in European pharmaceutical and healthcare markets is expected to remain, primarily as a result of structural reforms in those countries in Europe that are economically weaker.

It is likely that government cost reduction programs will adversely impact pharmaceutical distribution. In the medium term, this pressure could lead to further consolidation in the pharmaceutical business in order to realise economies of scale and purchasing advantages. In addition, traditional pharmaceutical distribution models are increasingly adding services for manufacturers and pharmacies with corresponding new compensation models. The pharmaceutical wholesale business is thus positioning itself as a full service provider between manufacturers and pharmacies. In the pharmacy sector, higher reimbursement pressure is causing a concentration of pharmacies into cooperation concepts and – in less regulated markets – to pharmacy networks.

In many European countries, the pharmacy is shifting to a model of providing medical care. This relates to both patient support for chronic illnesses (e.g. advice or therapy compliance) and the rendering of medical services such as performing vaccinations. This will increase the quality of healthcare and reduce healthcare costs. Additionally, in some markets, as authorities try to control rising hospital and healthcare costs, the home is becoming a preferred healthcare setting for patients. This increases the need for business models that support in-home healthcare services as well as eCommerce.

COVID-19

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported in Wuhan, China. The World Health Organization declared COVID-19 a “Public Health Emergency of International Concern” on 30 January 2020 and a global pandemic on 11 March 2020.

We continue to evaluate the nature and extent of the impacts COVID-19 has on our business and operations. The pandemic developed rapidly during our fourth quarter of 2020 and continued to evolve throughout 2021. A significant number of new COVID-19 cases continue to be reported. These also include cases from new and emerging COVID-19 variants, which could have the potential to be more severe, spread more easily, require different treatments, or change the effectiveness of current vaccines.

During this unprecedented time, we are committed in continuing to supply our customers and protect the safety of our employees. The various responses we put in place to mitigate the impact of COVID-19 on our business operations, including telecommuting and work from home policies, restricted travel, employee support programs, and enhanced safety measures, are intended to limit employee exposure to COVID-19. For employees whose roles require presence at our facilities, we enhanced safety by promoting the practice of social distancing, providing personal protective equipment and establishing hygiene and disinfection measures. For employees whose roles do not require presence at our facilities, we added technology resources to support their working remotely. And for our retail staff and customers in pharmacies we applied changes to physical facilities, such as adding plexiglas panels to counters, adapted customer flows and provided personal protective equipment. These responses were started to be put in place in our fourth quarter of 2020. These steps to protect employee safety have resulted in limited disruption from COVID-19 to our normal business operations, productivity trends, and have not materially impacted our operating expenses or operating margins, as those negative impacts were largely offset by government support.

Our consolidated balance sheets and ability to maintain financial liquidity remains strong. We have experienced no adverse impacts to our liquidity, but we have experienced additional stock from emergency or safety stock due to the COVID-19 pandemic impacting our net working capital. We are monitoring our customers closely for changes to their timing of payments or ability to pay amounts owed to us as a result of COVID-19 pandemic impacts to their businesses.

We also continue to monitor the COVID-19 pandemic impacts on our supply chain. Although the availability of various products is dependent on our suppliers, their locations, and the extent to which they are impacted by the COVID-19 pandemic, we are proactively working with manufacturers, industry partners, and government agencies to meet the needs of our customers during the pandemic. We have engaged with industry partners and government agencies to gain visibility into supply and demand. The situation remains fluid and we are taking a proactive approach to protect inventory during this crisis and ensure our provider partners have needed supplies and medications to help prevent the spread of the disease and treat those that are ill. COVID-19 has put an unprecedented strain on the supply of high-demand personal protective equipment (PPE) and ancillary supplies, including masks, gloves, as well as disinfecting sprays and wipes. The supply chain has improved over the initial impact of pandemic-related demand, and we continue to closely monitor demand by customer type.

During the fourth quarter of 2020, we experienced a temporary increase in demand for pharmaceuticals due to stockpiling by pharmacy customers and advanced purchases by patients and consumers driven by the COVID-19 pandemic outbreak. Subsequently, we had lower pharmaceutical volumes, specialty drug volumes, and patient care visits that negatively impacted our consolidated revenues and income from continuing operations in fiscal 2021. Offsetting these negative impacts, government assistance including tax relief and furloughs was received. Operating expenses also decreased, largely due to savings from restricted travel and decreased meetings. The demand for COVID-19 tests, the year over year impact from PPE, as well as the distribution of COVID-19 vaccines and ancillary supplies also positively impacted revenues and EBIT.

Overall, these COVID-19 related items had a net unfavorable impact on consolidated income from continuing operations for the year ended 31 March 2021. Impacts to future periods due to COVID-19 may differ based on future developments, which is described in our outlook.

Primary objective: people's health

Now more so than ever before, patients and consumers are determining the success of the pharmaceutical and healthcare markets.

McKesson Europe aims to improve care in every setting one product, one partner, one patient at a time. Our strategy is based on this ultimate goal. We continuously strive to improve the quality of services for patients and consumers as well as the efficiency of the supply chain through a strategy of innovation. Our corporate mission serves as a framework and directional aid for McKesson Europe’s strategy and structure.

The way we do business

To achieve our goals, we follow our McKesson Europe playbook which has three dimensions: foundational, transformational and aspirational. The foundational dimension is about strengthening our core business, winning as one, inclusive team with an enterprise-first mindset. We strive to operate with excellence, efficiency and effectiveness, spending smarter and leveraging our scale for superior customer value. In the transformational dimension we focus on working smarter and growing smarter, e.g. expand our role in COVID-19 vaccine distribution and digitalize customer interfaces to improve experience. We focus on the potential to deliver healthcare through digital and physical channels. In the aspirational dimension, our goal is to be preferred partner in patient care and also to be the best place to work in healthcare. We strive to ensure our business is sustainable and take coordinated action across McKesson on climate issues. McKesson Europe is committed to drastically reduce its CO2 emissions and be carbon neutral until 2030.

Fundamental for McKesson Europe's success is strong collaboration between and amongst countries and corporate functions. As countries differ greatly in terms of regulations and health care systems, in general, decisions should be made as close to the customers as possible, i.e., by the local management. In areas like procurement, European Pharmacy Network (EPN) or IT, it is important that we are acting as a coordinated entity. Last, but not least, developing our employees is an overarching task and management priority, which is key to our success.

McKesson Europe strategy is to focus on European core markets that offer the right mix of economic growth potential, competitive landscape and customer type, coupled with an ability to scale and leverage our operations to generate maximum efficiencies.

Following this strategy, on 1 November 2020, McKesson completed its previously announced transaction with Walgreens Boots Alliance (WBA) whereby the German Pharmaceutical Distribution businesses of both groups were contributed to a newly formed joint venture in which McKesson Europe has a 30% ownership interest.

McKesson Europe has implemented several restructuring programs to enhance the profitability and strengthen its business. These programs include reorganization and consolidation of our business operations and related headcount reductions as well as closures of retail pharmacies.

Economy

Dependency on economic environment

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly dependent on economic stability. The pharmaceutical retail business is slightly dependent on the overall economy, typically for non-prescription products sold. However, we have not assessed any direct dependency on the overall economic environment in the past.

We are influenced by government actions from the UK Department of Health. However, in the past year we did not experience significant changes as we are operating in similar terms as in the previous year.

Besides the development in the UK, the basic parameters of the economic environment - with the exception of the effects of the COVID-19 pandemic - in our European markets remained generally stable in fiscal 2021.

Revenue and earnings development

McKESSON EUROPE REVENUE AND OPERATING RESULTS	Fiscal 2020		Fiscal 2021	
	EUR m	of revenue %	EUR m	of revenue %
Revenue	17,117.6	100.0	16,748.1	100.0
Gross profit	1,877.6	11.0	1,815.0	10.8
adjusted 1)	1,875.4	11.0	1,822.5	10.9
EBIT	– 8.6	– 0.1	24.2	0.1
adjusted 1)	96.4	0.6	151.9	0.9
Profit before taxes	– 29.5	– 0.2	27.8	0.2
adjusted 1)	75.5	0.4	155.5	0.9
Net profit from continuing operations	– 66.1	– 0.4	0.9	0.0
adjusted 1)	38.9	0.2	112.7	0.7
Net profit from discontinued operations	– 177.2	– 1.0	– 8.2	0.0
Net profit/loss from continuing and discontinued operations	**– 243.3**	**– 1.4**	**– 7.3**	**0.0**

1) Adjusted for special effects from defined non-recurring expenses and income (including tax effect), incl. goodwill impairments.

Revenue

McKesson Europe’s revenue was EUR 16,748.1m in fiscal 2021, down – 2.2% from the fiscal 2020 amount of EUR 17,117.6m. Revenue in fiscal 2021 was negatively impacted by exchange rate effects of EUR – 132.7m. On a constant currency basis our revenue decreased by – 1.4% in fiscal 2021. The negative development was primarily caused by lower volumes driven by the COVID-19 pandemic.

As in the past fiscal year, the UK made the largest contribution to revenue (38.2%; fiscal 2020: 38.2%) followed by France (34.5%; fiscal 2020: 34.3%:), and Austria (7.9%; fiscal 2020: 7.9%).

Gross profit

In fiscal 2021 gross profit decreased by EUR – 62.6m to EUR 1,815.0m. This development is primarily driven by the above-mentioned revenue decrease, partly offset by a newly regulated wholesale margin in France. At 10.8%, the gross profit margin in the reporting period was slightly below the prior year level of 11.0%. The decline in gross margin, is mainly driven by an unfavourable sales mix in Retail Pharmacies UK and general decrease in OTC sales due to a less severe cough, cold and flu season impact and lockdown measures imposed by national and local governments that reduced footfall in our pharmacies.

EBIT

EBIT saw an increase from EUR – 8.6m in fiscal 2020 to EUR 24.2m in fiscal 2021. This increase is primarily driven by the sale of the European Pharmacy Network (EPN) intellectual property (IP) for EUR 54.0m to McKesson Strategic Services Ltd. EPN is an innovative multi-jurisdictional initiative designed to optimize McKesson’s pharmacies across Europe, resulting in improved profits for McKesson and outcomes for patients, pharmacists and manufacturers.

This increase is also amplified by non-recurring expenses, which differed significantly between the two fiscal years. In fiscal 2020 the non-recurring expenses amounted to EUR 104.9m. The most significant non-recurring items were goodwill impairments of EUR 97.4m mainly in Pharmaceutical Distribution France and long-lived asset impairments of EUR 13.3m, mainly in Ireland. Additionally, integration activities in various countries created non-recurring expenses of EUR 8.8m. These were partly offset by profits from disposal amounting to EUR 11.8m, mainly relating to the sale of pharmacies in Retail Pharmacy UK.

In fiscal 2021 non-recurring expenses increased by EUR 22.8m to EUR 127.6m. The most significant non-recurring items were the goodwill impairments of EUR 54.6m in Retail Pharmacy UK and Retail Pharmacy Ireland as well as long-lived asset impairments of EUR 40.8m, mainly in the UK. Additionally, restructuring programs primarily in France, UK and Germany created non-recurring expenses of EUR 47.4m. Integration activities in various countries resulted in non-recurring expenses of EUR 6.0m. These non-recurring expenses were partly offset by profits of pharmacy disposals of EUR 19.7m, mainly in the UK.

Adjusted EBIT excludes effects that are non-recurring, these effects are derived from:

- impairment losses/ reversals recorded on non-current assets and revaluations pursuant to accounting for assets held for sale and discontinued operations regarding the expected amount of net sale proceeds,
- deconsolidation,
- impairment losses/ reversals recognised on intangible or tangible assets,
- restructuring charges from changes in strategy, of ordinary business, including changes to management
- integration activity of newly acquired entities as well as the integration into McKesson Corporation.

Adjusted EBIT increased by 57.6% to EUR 151.9m in fiscal 2021 compared to EUR 96.4m in fiscal year 2020. This development was mainly driven by the above mentioned sale of the European Pharmacy Network (EPN) intellectual property (IP). Additionally, significant cost efficiencies overcompensated together with government support (e.g. furlough, tax reliefs) the above-mentioned volume shortfall driven by the COVID-19 pandemic. Positive exchange rate effects amounted to EUR 1.6m, mainly related to the British pound.

Investment result

At EUR 30.2m the investment result was above the previous year of EUR 23.1m. This was primarily attributable to the prior year impairment of the minority investment in mymHealth Limited.

Financial result

The financial result, the balance of the items interest expense, interest income and other financial result, declined to EUR -26.6m in fiscal 2021, compared to EUR -44.0m in fiscal 2020. This decline is mainly driven by a repayment of a loan to a McKesson Corporation subsidiary and a corresponding reduction in interest expenses.

Income taxes

Income taxes decreased by EUR 9.7m, resulting in a tax expense of EUR 26.9m in this fiscal (fiscal 2020: EUR 36.6m tax expense). This results in an effective tax rate of 96.6% for the reporting period (fiscal 2020: >100%). The fiscal 2021 tax rate is mainly driven by non-deductible goodwill impairments and the impact of differing national tax rates.

Adjusted for the special effects mentioned above, the adjusted tax rate is 27.6% in fiscal 2021 compared to 48.5% in fiscal 2020. The movement in the adjusted tax rate is mainly due to a change in the earnings mix from the different countries in which McKesson Europe operates.

Net profit/loss from continuing operations

The net profit from continuing operations at McKesson Europe was EUR 0.9m compared to EUR –66.1m in fiscal 2020. After adjustments for non-recurring items, net profit from continuing operations was EUR 112.7m compared to EUR 38.9m in fiscal 2020. This increase results mainly from the previously described increase in adjusted EBIT and improvements in the investment and financial result. The basic and diluted earnings per share of McKesson Europe increased from EUR 0.17 in fiscal 2020 to EUR 0.54 in fiscal 2021.

Net profit/loss from discontinued operations

In fiscal 2020, due to the agreement with WBA to contribute our German wholesale business to a newly formed joint venture in which McKesson Europe has a 30% ownership interest, the Pharmaceutical Distribution Germany entities were classified as discontinued operations. Discontinued operations generated revenue of EUR 2,909.8m in fiscal 2021 compared to EUR 5,074.6m in fiscal 2020. EBIT amounted to EUR 14.3m in fiscal 2021 compared to EUR 21.1m in fiscal 2020.

The contribution of the German pharmaceutical wholesale business into a joint venture with WBA resulted in a loss of EUR 15.1m in the reporting period. Net profit amounted to EUR – 8.2m in fiscal 2021 compared to EUR – 177.2m in fiscal 2020.

Subsequent to the sale of the Brazil operations in fiscal 2016, EUR 6.1m were recorded as an expense through profit and loss in fiscal 2021 compared to EUR 2.5m in fiscal 2020.

Net profit/loss

Net profit from continuing and discontinued operations was EUR – 7.3m in fiscal 2021 compared to a net loss of EUR – 243.3m in fiscal 2020. Accordingly, basic and diluted earnings per share were EUR – 0.05 compared to EUR – 1.22 in fiscal 2020.

Investments and capital expenditures

Investments and capital expenditures recognized in the statement of financial position were EUR 174.4m in fiscal 2021 (fiscal 2020: EUR 307.9m).

McKesson Europe differentiates between investments in acquisitions and new pharmacies and capital expenditures of the existing business.

Balance sheet additions from acquisitions and new pharmacies were EUR 7.1m in fiscal 2021 compared to EUR 112.1m in 2020. The fiscal 2020 amount includes the acquisition of the majority stake of Metabolic Healthcare Holdings Ltd. in the UK and a pharmacy chain in Italy. In fiscal 2021 the majority of acquisitions were in Retail Pharmacies Italy.

In fiscal 2021, capital expenditure for existing operating business totalled EUR 167.3m compared to EUR 195.7m in fiscal 2020. Similar to last year, investments in our IT infrastructure create a large part of this investment. Furthermore, we finalized our network optimizations in Denmark and Austria as well as further optimization in Belgium. In Retail Pharmacies UK, significant investments were made in Strategic Dispensing project which offers our business customers individual patient pill assembly.

Retail Pharmacy

Market environment and business development

The Retail Pharmacy division serves patients and consumers. It includes the entire logistics chain from purchasing merchandise to handing it over to the end customers. In particular, the division includes activities relating to retail, ecommerce as well as homecare.

McKesson Europe is one of the largest pharmacy operators in Europe. As of the end of fiscal 2021 McKesson Europe owned approximately 1,750 retail pharmacies in four countries.

Due to the ongoing optimisation of the European pharmacy portfolio, there was an overall net decrease of 111 pharmacies in fiscal 2021. More specifically, we sold and closed several pharmacies in the UK as a result of a strategic review and restructuring of the pharmacy portfolio in the UK.

Revenue and earnings development

RETAIL PHARMACY REVENUE AND OPERATING RESULTS	Fiscal 2020		Fiscal 2021	
	EUR m	of revenue %	EUR m	of revenue %
Revenue	3,926.8	100.0	3,998.9	100.0
Gross profit	951.4	24.2	917.2	22.9
adjusted 1)	949.5	24.2	922.8	23.1
EBIT	–17.4	–0.4	–63.2	–1.6
adjusted 1)	–24.0	–0.6	20.0	0.5

[1] Adjusted for special effects from defined non-recurring expenses and income.

Revenue

Revenue in the Retail Pharmacy division increased by 1.8% in fiscal 2021 from EUR 3,926.8m in fiscal 2020 to EUR 3,998.9m. Negative exchange rate effects amounted to EUR 72.8m related to the British Pound. On a constant currency basis Retail Pharmacy increased by 3.7% compared to prior year. UK, being the largest Retail Pharmacy country in terms of revenue, contributed to its growth with an increase of 2.4%. This improvement was mainly driven by increases in the homecare business. Irelands revenue also showed a slight increase.

Gross profit

In fiscal 2021, the division's gross profit decreased by 3.6% to EUR 917.2m, from EUR 951.4m in the comparison period. The main reason for this decline was an unfavorable sales mix in the UK. The exchange rate effects amounted to EUR –14.2m. The gross profit margin decreased from 24.2% in fiscal 2020 to 22.9% in fiscal 2021.

EBIT

EBIT amounted to EUR –63.2m in fiscal 2021 compared to EUR –17.4m in fiscal 2020. EBIT adjusted for non-recurring items changed from EUR –24.0m in fiscal 2020 to EUR 20.0m in fiscal 2021. This increase was mainly driven by significant cost efficiencies as well as government support (e.g. furlough, tax reliefs) for the COVID-19 pandemic in the UK.

In fiscal 2021 non-recurring expenses amounted to EUR 83.2m. The most significant non-recurring item in were the goodwill impairments of EUR 54.6m in Retail Pharmacy UK and Retail Pharmacy Ireland as well as long-lived asset impairments of EUR 27.7m, mainly in the UK. Additionally, restructuring programs primarily in the UK created non-recurring expenses of EUR 16.2m. These non-recurring expenses were partly offset by pharmacy disposals of EUR 15.7m, mainly in the UK.

In fiscal 2020 non-recurring income amounted to EUR 6.6m. Mainly driven by disposal income EUR 11.8m in the UK as well as the release of provisions for restructuring programs of EUR 12.7m mainly in the UK, partly offset by a long-lived asset impairment of EUR 10.7m, mainly in Ireland. Additionally, integration activities led to non-recurring expenses of EUR 4.0m.

Pharmaceutical Distribution

Market environment and business development

McKesson Europe bundles its wholesale activities with pharmaceutical products in its Pharmaceutical Distribution division.

McKesson Europe subsidiaries are active in nine European countries. McKesson Europe is one of the major players in all countries with the exception of Italy, where we only operate regionally.

McKesson Europe offers supplementary services for pharmacists such as the organisation and management of pharmacy cooperation programs in UK, France, Portugal and Belgium. Within the framework of these cooperation programs, we also support our business partners with offers and campaigns and provide platforms to facilitate the exchange of information. McKesson Europe offers a suite of services to suppliers, manufactures and other third parties in the pharmaceutical and healthcare sector.

The pharmaceutical wholesale business operates in a relatively stable market environment that is not directly dependent on economic stability.

Revenue and earnings development

PHARMACEUTICAL DISTRIBUTION REVENUE AND OPERATING RESULTS	Fiscal 2020		Fiscal 2021	
	EUR m	of revenue %	EUR m	of revenue %
Revenue	13,201.9	100.0	12,750.9	100.0
Gross profit	926.2	7.0	897.8	7.0
adjusted 1)	925.9	7.0	899.6	7.1
EBIT	22.9	0.2	65.8	0.5
adjusted 1)	128.1	1.0	103.6	0.8

[1)] Adjusted for special effects from defined non-recurring expenses and income.

Revenue

In fiscal 2021 the Pharmaceutical Distribution division generated revenue of EUR 12,750.9m compared to EUR 13,201.9m in fiscal 2020, a decrease of -3.4%. The exchange rate effect of EUR -59.9m was slightly negative. The revenue decline was mainly driven by lower volumes caused by the COVID-19 pandemic.

Gross profit

In fiscal 2021, the division's gross profit decreased by 3.1% from EUR 926.2m in fiscal 2020 to EUR 897.8m. Overall negative currency exchange rate effects amounted to EUR -4.0m mainly related to the British pound. The gross profit margin in fiscal 2021 of 7.0% is in line with the prior year margin of 7.0%.

EBIT

The division's EBIT increased significantly from EUR 22.9m in fiscal 2020 to EUR 65.8m in fiscal 2021. Adjusted EBIT decreased by -19.1% from EUR 128.1m in fiscal 2020 to EUR 103.6m in fiscal 2021.

In fiscal 2021 the non-recurring expenses amounted to EUR 37.8m, mainly driven by restructuring expenses of EUR 24.0m, primarily in France. Additionally, long-lived asset impairments of EUR 11.6m as well as integration activities in various countries created non-recurring expenses.

In fiscal 2020 non-recurring expenses amounted to EUR 105.1m, mainly due to a goodwill impairment in France of EUR 94.2m. Furthermore, integration activities in various countries of EUR 5.1m as well as restructuring expenses of EUR 3.7m created non-recurring expenses.

The decrease in adjusted EBIT was mainly driven by lower volumes across all countries due to the COVID-19 pandemic, partly offset by a significant increase in France resulting from the newly regulated wholesale margin.

Discontinued Operations

Discontinued operations generated revenue of EUR 2,909.8m in fiscal 2021 compared to EUR 5,074.6m in fiscal 2020. EBIT amounted to EUR 14.3m in fiscal 2021 compared to EUR 21.1m in fiscal 2020. The German pharmaceutical wholesale business was presented as discontinued operations for seven months in fiscal 2021 prior to disposal.

Financial position

Statement of cash flows

EUR m	Fiscal year 2020	Fiscal year 2021	Dev.
Cashflow statement - continued operations			
Cash inflow from operating activities - continuing activities	302.6	419.5	116.9
Cash outflow from investing activities - continued operations	–189.1	179.8	368.9
Interest paid and received	–37.8	–26.2	11.6
Free cash flow	**75.7**	**573.1**	**497.4**
Payments from shareholders	155.0	114.7	–40.2
Payments made to shareholders (including non-controlling interests)	–3.2	–3.8	–0.6
Cash Flows Financial Liabilities	–84.3	–409.4	–325.2
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	–0.5	–0.8	–0.3
Net change in cash and cash equivalents - discontinued operations	**1.8**	**–60.9**	**–62.7**
Payments for hedging activities	0.0	0.0	0.0
Net change in cash and cash equivalents	**144.5**	**212.9**	**68.4**
Exchange rate changes in funds	5.8	2.2	–3.6
Change in cash and cash equivalents	**150.3**	**215.1**	**64.8**

The cash inflow from operating activities came to EUR 419.5m for continuing operations in fiscal 2021, compared to a cash inflow of EUR 302.6m generated in the previous fiscal 2020. Cash inflow from operating activities came to EUR –57.0m for discontinued operations, compared to EUR 10.0m in fiscal 2020.

The cash inflow from investing activities for continuing operations amounted to EUR 179.8m. Main effects in fiscal 2021 were the cash outflows for investments of EUR -100.3m, offset by the cash inflows of EUR 235.0m related to the conclusion of the Pharmaceutical Distribution joint venture in Germany, proceeds from the disposal of non-current assets EUR 24.4m as well as proceeds from disposals of stores in UK of EUR 15.5m.

Free cash flow, the balance of net cash inflow from operating activities, net cash outflow from investing activities, interest paid and received amounted to EUR 573.1m for continuing operations in fiscal 2021 compared to EUR 75.7m in fiscal 2020.

Cash and cash equivalents came to EUR 1,192.1m as of 31 March 2021, an increase of EUR 215.1m compared to the end of the fiscal 2020.

EUR m	03/31/2020	03/31/2021	Change in statement of financial position	Net change in cash and cash equivalents continuing operations*
Change in net working capital				
Inventories	1,327.1	1,249.4	–77.7	97.9
Trade receivables	2,069.6	1,888.9	–180.7	238.8
Trade payables	–3,319.1	–3,067.9	251.2	–276.6
Other net operating assets	–52.8	–46.2	6.6	–10.1
Net operating assets	**24.8**	**24.2**	**–0.6**	**50.0**
Other assets and liabilities	**–260.0**	**–299.1**	**–39.0**	**60.6**
Cash inflow from change in net working capital				**110.6**

* Change in the statement of financial position adjusted for currency effects, changes in the consolidated group, assets and liabilities held for sale and impairment of operating assets

Net debt (financial liabilities net of cash) decreased from EUR 566.0 m as of 31 March 2020 to EUR 28.2m as of 31 March 2021. The key performance indicator net debt/ adjusted EBITDA amounts to 0.09 as of 31 March 2021 compared to 1.96 as of 31 March 2020, mainly due to the repayment of a loan of a McKesson subsidiary.

Cash outflow from financing activities for continued operations amounted to EUR –325.5m in the reporting period compared to a cash inflow of EUR 29.2m in the previous fiscal 2020. The cash inflow from financial liabilities decreased by EUR 13.9m to EUR 0.0m. The cash outflow for the settlement of financial liabilities increased by EUR –311.3m to EUR –409.4m. This change is mainly due to the repayment of a loan of a McKesson Corporation subsidiary of EUR 284,4m.

As of 31 March 2021, net working capital amounted to EUR 24.2m (31 March 2020: EUR 24.8m).

Financing strategy and financial management

Our financing strategy is founded on the following principles:

1. Safeguarding liquidity
2. Ensuring entrepreneurial flexibility
3. Minimising financing costs

McKesson Europe consistently pursues a conservative financing strategy that is aligned to our long-term needs. Our financing agreements do not contain any financial covenants.

Financial liabilities	03/31/2020	03/31/2021
EUR m		
Liabilities to banks	0.3	0.3
Lease liabilities	587.0	543.1
Liabilities to McKesson entities	943.3	669.0
Other financial liabilities	12.4	7.9
Total	**1,543.0**	**1,220.3**

McKesson Europe is driving efforts to limit bank financing and to make use of internal funding sources. Local lines of credit are only used where it is not possible or not practical to draw on central intercompany sources.

Net debt (financial liabilities net of cash) is composed as follows:

Net Debt	03/31/2020	03/31/2021
EUR m		
Cash and cash equivalents	977.0	1,192.1
Financial liabilities	1,543.0	1,220.3
Total	**566.0**	**28.2**

Financial instruments

Credit lines and intercompany long term loans

In April 2017 McKesson Europe entered into a long-term loan in the amount of EUR 522.0m with McKesson UK Finance II Limited with a six year term.

McKesson Europe is part of the international cross currency cashpool of the McKesson group through which it receives funding of working capital need. The committed credit facility granted by McKesson Europe Holdings GmbH & Co. KGaA in the amount of EUR 250.0m matured in December 2020.

Until its maturity, McKesson Europe had no drawdown under this committed credit facility. The terms and conditions of the facility were at arm’s length.

In addition, our British entities are directly funded in British pounds by a subsidiary of McKesson Corporation since the second half of fiscal 2016 and by our cross currency cashpool held at Bank Mendes Gans B.V., a subsidiary of ING Bank, Amsterdam.

Financing costs

We optimise financing costs and our counterparty risk by funding the McKesson Europe working capital, which fluctuates daily, primarily at consolidated level.

In the current fiscal and on 31 March 2021, McKesson Europe AG and its subsidiaries had met all loan obligations from financing agreements.

Assets position

As of 31 March 2021, McKesson Europe had total assets of EUR 7,047.3m, a decrease of EUR 872.3m compared to 31 March 2020.

The financial leverage ratio, which expresses the ratio of net debt to equity, decreased as of 31 March 2021 to 0.01 compared to 0.32 as of 31 March 2020. This development was mainly driven by a decrease of EUR 537.8m in net financial debt compared to the equity development. Net financial debt decreased mainly due to the repayment of a loan of a McKesson subsidiary.

ASSETS	**03/31/2020**	**03/31/2021**
EUR m		
Non-current assets	**2,216.1**	**2,144.7**
Current assets	**5,703.5**	**4,902.6**
Total assets	**7,919.6**	**7,047.3**

Non-current assets decreased by a total of EUR 71.4m to EUR 2,144.7m compared to 31 March 2020.

Intangible assets decreased by EUR 19.9m to EUR 888.9m, mainly driven by amortization as well as impairments with respect to restructuring programs. The decrease was partly offset by additions on internally developed projects (mainly ERP system SAP S/4 HANA) and additions to pharmacy licenses resulting from a pharmacy acquisition in Italy.

Property, plant and equipment (without right-of-use assets) decreased by EUR 40.7m to EUR 363.7m. This was mainly driven by depreciation as well as impairments with respect to EU restructuring programs. Right of Use Assets were EUR 463.4m, a decrease of EUR 51.8m compared to 31 March 2020. The change was mainly caused by normal depreciation as well as impairments related to EU restructuring programs, partly offset by additions of new Right of Use Assets. Investments in associates increased by EUR 15.5m to EUR 304.4m, mainly due to the current year performance of our equity method investment in Brocacef. Other financial assets decreased by EUR 3.7m to EUR 60.8m, mainly driven by a change in the long-term portion of trade receivables and in loans to new pharmacy owners which were offset by a settlement of a deferred purchase price adjustment between our Irish entities and Uniphar Plc for the disposal of the investment in Cahill May Roberts limited. Other non-current assets came to EUR 29.9m compared to EUR 8.0m as of 31 March 2020 due to first time recognition of pension plan assets in UK. Deferred tax assets increased by EUR 7.3m to EUR 33.6m.

As of 31 March 2021, current assets were EUR 4,902.6m, a decrease of EUR 800.9m compared to 31 March 2020.

Inventories decreased by EUR 77.7m to 1,249.4m, mainly resulting from operational measures taken to improve net working capital, partly offset higher stock level from emergency or safety stock due to the COVID-19 pandemic impacting our net working capital. Trade receivables decreased by EUR 180.7m to EUR 1,888.9m. The change was mainly attributable to reduced revenues driven by impacts from the COVID-19 pandemic compared to the end of FY2020. As of 31 March 2021, cash and cash equivalents totaled EUR 1,192.1m compared to EUR 977.0m as of 31 March 2020. This increase of EUR 215.1m was mainly driven by the settlement of the short-term loan related to the transaction completion of the Pharmaceutical Distribution joint venture in Germany and by improvement in cash flow from operating activities.

As of 31 March 2021, McKesson Europe reported assets held for sale of EUR 10.0m. The decrease of EUR 809.8m compared to 31 March 2020 is caused by the conclusion of the Pharmaceutical Distribution joint venture in Germany.

EQUITY AND LIABILITIES	03/31/2020	03/31/2021
EUR m		
Equity	**1,748.7**	**1,900.5**
Liabilities	**6,170.9**	**5,146.8**
Non-current liabilities	**1,269.0**	**1,244.5**
Current liabilities	**4,901.9**	**3,902.3**
Total assets	**7,919.6**	**7,047.3**

As of 31 March 2021, we recorded an increase of EUR 151.8m in equity to EUR 1,900.5m compared to 31 March 2020. The IFRS capital reserve increased in particular due to the fulfilment of the comfort letter granted by McKesson Europe Holding GmbH & Co. KGaA in the amount of EUR 102.8m. Negative revenue reserves increased by EUR 38.2m to EUR – 55.0m. The increase was mainly driven by the profit and loss agreement with McKesson Europe Holdings GmbH & Co. KGaA of EUR 53.2m, partly offset by the actuarial losses from the revaluation reserves in the course of the deconsolidation of the German Pharmaceutical Distribution entities. The negative revaluation reserves decreased by EUR 75.7m to EUR – 400.1m as of 31 March 2021. Non-controlling interests increased by EUR 0.3m.

The equity ratio was 27.0% on 31 March 2021, an increase of 4.9 percentage points compared to 31 March 2020.

As of 31 March 2021 non-current liabilities were EUR 24.5m lower in comparison to 31 March 2020 and amount to EUR 1,244.5m. Non-current financial liabilities decreased by EUR 0.8m to EUR 529.6m. Non-current Lease Liabilities decreased to EUR 457.6m compared to EUR 499.3m as of 31 March 2020. The change of EUR 41.7m was mainly caused by normal payments, partially offset by new contracts as well as exchange rate effects. Pension provisions decreased by EUR 14.8m to EUR 134.8m mainly due to the first time recognition of pension plan assets in UK. Other non-current provisions increased by EUR 18.9 m to EUR 78.5m mainly due to additions in the restructuring provision in France.

Current liabilities were EUR 3,902.3m as of 31 March 2021, a decrease of EUR 999.6m compared to 31 March 2020. Current financial liabilities decreased by EUR 274.1m to EUR 147.6m mainly due to the repayment of a loan of a McKesson Corporation subsidiary of EUR 284,4m. Current Lease Liabilities came to EUR 85.6m compared to EUR 87.7m as of 31 March 2020. The decrease of EUR 2.1m was mainly caused by normal lease payments and exchange rate effects. Trade payables decreased by EUR 251.2 to EUR 3,067.9m due to net working capital optimization at year-end. Other current liabilities were EUR 368.8m as of 31 March 2021 compared to EUR 274.6m as of 31 March 2020. The change is mainly related to Trade and other payables impacted by cash optimization measures at year end.

As of 31 March 2021, McKesson Europe reported liabilities of discontinued operations of EUR 8.0m. The decrease of EUR 592.0m compared to 31 March 2020 was mainly caused by the completion of the transfer of the German Pharmaceutial Distribution business into the joint venture with WBA.

Net debt decreased from EUR 566.0m as of 31 March 2020 to EUR 28.2m as of 31 March 2021. The key performance indicator net financial debt/ adjusted EBITDA decreased from 1.96 as of 31 March 2020 to 0.09 as of 31 March 2021.

McKesson Europe AG financial statements (Holding)

The annual financial statements of McKesson Europe AG reflect the company's activity as a management holding company. McKesson Europe AG has shareholdings directly in the operating subsidiaries, or indirectly via national holding companies in the respective countries. Furthermore, the short-term working capital requirements of the operating companies are predominantly financed via McKesson Europe AG. The annual financial statements of McKesson Europe AG were compiled in euros (EUR) in accordance with Sections 242 et seqq. and Sections 264 et seqq. of the Handelsgesetzbuch (HGB, German Commercial Code) and the relevant regulations of the Aktiengesetz (AktG, German Stock Corporation Act).

In fiscal year 2020 the Management Board of McKesson Europe approved a transaction whereby its German pharmaceutical wholesale business, GEHE Pharma Handel GmbH ('GEHE'), would be contributed to a newly formed joint venture with Alliance Healthcare Germany in which McKesson Europe would have a 30% ownership interest. The transaction was completed on 1 November 2020.

Asset position

Total assets increased by EUR 38.2m to EUR 4,158.7m as of 31 March 2021. Fixed assets increased by EUR 580.1m to EUR 3,129.8m, and current assets decreased by EUR 532.3m to EUR 1,021.4m.

Intangible assets increased by EUR 23.9m to EUR 95.8m, primarily due to capitalized costs for internally generated intangible assets associated with the implementation of the new global ERP system SAP S/4 HANA.

The increase in fixed assets was mainly driven by financial assets. Financial assets increased by EUR 555.7m to EUR 3,027.1m. Additions to financial assets were the result of increases in the investments in Admenta UK PLC of EUR 1,405.7m related to a contribution of a loan receivable in the amount of EUR 700.5m against new shares and a capital contribution of EUR 705.2m.

In addition, the investment in McKesson France Holding SAS increased by EUR 433.0m, in the course of a contribution of a loan receivable against the subsidiary OCP S.A. of EUR 433.7m against new shares.

The loans to affiliates decreased accordingly resulting in a reclassification within the financial assets.

Despite improved long-term planning assumptions, an impairment of EUR 222.3m for the carrying amount of the shares of McKesson France Holding SAS which increased due to the contribution of the loan was recognized. In addition, a depreciation of EUR 0.8m for Admenta Denmark ApS was recognized.

Due to positive earnings expectations and planning assumptions, there was an offsetting impairment reversal associated with the investment in affiliates in Belgium of EUR 49.2m.

Current assets decreased primarily due to the contribution of GEHE in the joint venture with WBA and the associated reduction of receivables and other assets in the course of the repayment of the loan to the former subsidiary. With the contribution, shares in affiliated companies under current assets also decreased by EUR 104.7m.

Cash and cash equivalents decreased by EUR 275.3m. mainly due to the capital contribution payment to Admenta UK PLC. This effect was partly offset due to the increased cash pool positions of the group companies.

The equity of McKesson Europe AG, amounting to EUR 3,125.5m, has not changed year-on-year. Based on the domination and profit and loss transfer agreement of 22 May 2014, the annual deficit of EUR 53.2m (previous year annual deficit EUR 0.7m) will be transferred to McKesson Europe Holdings GmbH & Co. KGaA. The equity ratio dropped by 0.7 percentage points to 75.2% (previous year 75.9%) due to an increase in total assets.

Provisions mainly include pension obligations of EUR 36.6 m and other provisions of EUR 20.7 m. The decrease is mainly attributable to lower provisions for outstanding invoices in the amount of EUR 6.6 m.

The liabilities of EUR 975.9m primarily include liabilities to affiliated companies in an amount of EUR 963.4m.

Financial position

Our financial strategy is based on the principles of safeguarding liquidity, guaranteeing entrepreneurial freedom, and minimising financing costs. This strategy is outlined in the policy on the financial strategy and financial management of McKesson Europe.

Of the liabilities amounting to EUR 975.9m, 98.7% are due to affiliated companies. The company records full coverage of interest-bearing liabilities (net gearing).

The gearing ratio is -22.3% (previous year -31.0%). McKesson Europe AG is financed through a subsidiary of the McKesson Corporation by means of a loan amounting to EUR 522.2m (due 24 April 2023).

Based on the above explanations, the financial position can be considered as good.

Financial performance

Net profit for the 2021 fiscal year was EUR 0.0m (previous year: EUR 0.0m). Based on the domination and profit and loss transfer agreement of 22 May 2014, the net loss of EUR 53.2m (previous year: EUR 0.7m) will be transferred in full to McKesson Europe Holdings GmbH & Co. KGaA.

Revenue consists exclusively of services provided to subsidiaries and McKesson Corporation. The earnings before income tax are primarily related to the investment result, interest result and other income.

The investment result is composed of domestic subsidiary profit transfers and foreign subsidiary profit distributions as well as changes in the value of financial assets. It decreased by EUR 226.1m year-on-year to EUR – 242.5m, mainly because of an increase in write-down of investment by EUR 212.0m to EUR 322.0m. In addition, there was an offsetting effect from the reversal of impairment losses on financial assets amounting to EUR 49.1m (previous year: EUR 60.3m).

Other income increased by EUR 188.4m to EUR 242.5m. Other income mainly consists of the loss compensation due to the disposal of GEHE Pharma Handel GmbH based on the comfort letter provided by McKesson Europe GmbH & Co. KGaA of EUR 102.8m. Furthermore, a gain on the sale of a trademark right in the amount of EUR 54.0m and currency effects due to the conversion of the loan to Admenta UK PLC of EUR 27.6m drove the increase in other income. In addition, this position includes recharges to subsidiaries.

Net expenses for the management holding company are primarily composed of personnel expenses of EUR 43.6m (previous year: EUR 47.6m), amortisation of non-current intangible assets and depreciation of property, plant and equipment of EUR 10.5m (previous year: EUR 10.1m), and other expenses of EUR 79.0m (previous year: EUR 74.1m). Other expenses comprise costs of IT services, legal costs, consultancy, travel expenses, personnel services of subsidiary companies and rent and service charges.

A domination and profit and loss transfer agreement (DPLTA) has been in place since 22 May 2014 between the company and its majority shareholder, McKesson Europe Holdings GmbH & Co. KGaA, a wholly-owned indirect subsidiary of the McKesson Corporation, which has its head office in Irving, Texas, USA. In accordance with Section 4 Paragraphs 2 and 3 of the DPLTA, McKesson Europe Holdings GmbH & Co. KGaA guarantees that it will pay the external shareholders a dividend of EUR 0.83 per no-par value share for the duration of the contract and therefore also for the 2021 fiscal year.

Forecast

The business and earnings development of McKesson Europe AG as a management holding company is closely connected to that of its subsidiary companies. The earnings of McKesson Europe AG for the 2022 fiscal year will therefore also depend primarily on the profit distributions from foreign subsidiaries, profits transferred from investments in Germany and the results from the financing activities. We expect the result to break even, before the effects of the valuation of investments and before transferring profits or offsetting losses (excluding divestment effects) for McKesson Europe AG, compared to the loss incurred in the 2021 financial year which included net effects from the valuation of investments of EUR -168.1 m.

The investment result is expected to be similar to that of the fiscal year 2021 after adjusting for the effects of the write-down of subsidiaries. Thus, we expect a result at a similar level to the fiscal year 2021. Based on the comfort letter from McKesson Corporation, we do not expect any effects from the impairment test of the UK subsidiaries. For all other subsidiaries, the investment carrying value is fully supported by their respective equity values. Consequently, we do not expect any future impairment based on our current estimation of future cash flows. Due to the existing domination and profit and loss transfer agreement, we expect that equity will remain unchanged in future fiscal years.

Employees

McKesson Europe Employees	Full-time equivalents annual average 31/03/2020	31/03/2021	Full-time equivalents reporting date 31/03/2020	31/03/2021	Employees reporting date 31/03/2020	31/03/2021
Retail Pharmacy	14,320	13,786	14,181	12,966	19,675	18,182
Pharmaceutical Distribution	8,329	8,061	8,289	7,926	9,609	9,079
Holding	383	350	380	300	395	357
McKesson Europe	**23,032**	**22,197**	**22,850**	**21,192**	**29,679**	**27,618**
Discontinued operations	1,484	1,484	1,479	0	2,233	0
McKesson Europe total	**24,516**	**23,681**	**24,329**	**21,192**	**31,912**	**27,618**

Employee figures

As of 31 March 2021, 21,192 full-time equivalents (FTEs) worked for McKesson Europe. The decrease of 12.9% against 31 March 2020 results mainly from the closure or sale of pharmacies in UK and the disposal of the German pharmaceutical wholesale business.

A total of 12,966 FTEs were employed in the Retail Pharmacy division at the end of fiscal 2021, a decrease of 8.6% compared to 31 March 2020. This development is mainly caused by the closure or sale of pharmacies in UK. At 61.2% this division accounted again for the largest share of FTEs in McKesson Europe.

The Pharmaceutical Distribution division had 7,926 FTEs as of the end of fiscal 2021, a decrease of 4.4%. The decrease compared to 31 March 2020 is mainly caused by the infrastructure optimization in UK and France.

There were 300 FTEs working in the Holding as of 31 March 2021 (31 March 2020: 380 FTEs).

As of 31 March 2021, 97.9% (31 March 2020: 97.7%) of our FTEs working outside of Germany, we are one of the most international German groups.

Due to creation of the joint venture combining the pharmaceutical wholesale businesses in Germany of WBA and McKesson, employee figures for the former Pharmaceutical Distribution wholesale business Germany are disclosed in the table above in discontinued operations in fiscal 2020.

Declaration in accordance with Sec. 289f, para. 4 of the Handelsgesetzbuch (HGB, German Commercial Code)

The Supervisory Board of McKesson Europe AG has determined a target range for the proportion of women in the management board and the supervisory board of between 0% and 30%, to be achieved by 30 June 2022. The proportion of women in the Supervisory Board was 25% and the proportion of women in the Management Board is unchanged (at 0%).

The Management Board of McKesson Europe AG has set the target figure for the proportion of women in the first management level below the management board to 27-30%, and has set a target of 0-40% for the next lower level to be achieved by 30 June 2022. The proportion of women in the first management level below the management board was 31% and for the next lower level 30%.

Research and development

As a healthcare trading company and service provider, we have no need to pursue research and development activities in the course of our business. Of course, we still develop our range of services and our IT infrastructure on a rolling basis. More information on this can be found in sections concerning the development of each division.

Overall picture of the economic situation

The pharmaceutical and healthcare markets in which we operate as a leading service provider are characterised by good long-term prospects for development. In contrast, government intervention in pricing and margin-setting is associated with negative effects for McKesson Europe in many of the European markets.

In fiscal 2021 revenue came to EUR 16,748.1m, which is a decrease of EUR –369.5m. This decrease was mainly caused by lower volumes driven by the COVID-19 pandemic.

In fiscal 2021, gross profit came to EUR 1,815.0m, which is a decrease of EUR –62.6m. This development is primarily driven by the revenue decrease above.

Non-recurring expenses came to EUR –127.6m in fiscal 2021. They mainly result from goodwill impairments in UK and Ireland, long-lived asset impairments, restructuring programmes as well as integration activities in various countries. These non-recurring expenses were partly offset by profits from pharmacy disposals in the UK. A detailed description of these non-recurring expenses is provided on page 17.

Adjusted EBIT of the Retail Pharmacies division in fiscal 2021 amounted to EUR 20.0m, which is a major increase of EUR 44.0m due to significant cost efficiencies in the UK. This increase is higher than originally foreseen.

Adjusted EBIT in the Pharmaceutical Distribution division recorded a considerable decrease of EUR –24.5m in fiscal 2021, which was lower than expected. This decrease is primarily due to lower volumes driven by the COVID-19 pandemic.

The adjusted tax rate decreased, higher than expected, mainly due to a change in the earnings mix from the different countries in which McKesson Europe operates.

In line with our expectations, the investment level decreased in fiscal 2021. Currently we focus on important investment in the ERP software, pharmacy network, dispensing systems and our infrastructure.

The decline in FTEs from 24,329 in fiscal 2020 to 21,192 in fiscal 2021 was in line with our expectations. This decline is primarily caused by closure or sale of pharmacies in UK and the contribution of the German pharmaceutical wholesale business into a joint venture with WBA.

The cash flow from operating activities increased, primarily due to net working capital improvements. The increase in free cash flow is mainly driven by the cash inflow related to the conclusion of the German Pharmaceutical Distribution business into a joint venture with WBA as well as proceeds from disposals of stores in UK.

In fiscal 2021, revenue came to EUR 16,748.1m resulting in a decrease of –2.2% (fiscal 2020: EUR 17,117.6m). This revenue decrease is in line with our expectations. Adjusted EBIT amounted EUR 151.9m, which resulted to be higher than our expected outlook. This increase mainly resulted from the EPN IP sale as well as cost efficiencies.

Risk and opportunities report

As McKesson Europe, is operating internationally, we encounter various risks and opportunities in the course of our varied business operations. We have set up a comprehensive opportunity and risk management system, which allows us to identify and analyse risks efficiently and to take suitable countermeasures if necessary. The objective of McKesson Europe's risk management system is to identify risks at an early stage in order to be able to react in a timely way to changes in the business environment and contain the negative influences on McKesson Europe.

Risk management

McKesson Europe has a well-established risk management system across the entities of McKesson Europe. Its risk management system is one component of the overall risk governance framework. This includes the management control and oversight of functional departments, risk control oversight functions established by management and the McKesson Europe-wide risk reporting. Internal Audit, as an independent assurance function, represents another key component to it. In combination, these components embody the organization wide governance framework.

Opportunity management

Alongside risk management, opportunity management is an important component of our planning and management systems throughout McKesson Europe. However, there is no separate opportunity reporting. This is rather a component of the annual planning process. For us, opportunities are internal and external factors and events with the potential to exert a positive influence on our operations. The healthcare market is a dynamic market, offering a wide range of opportunities. In order for our opportunity management to be successful, we observe the business climate very closely. This also involves us consulting market research findings and participating in active dialogue with various market participants. From this, we can derive market opportunities that the management board coordinates with operational management in the planning process. Opportunities particularly arise from being part of the global McKesson Corporation. This has created some excellent opportunities and considerable long-term growth potential for McKesson Europe.

Significant specific risks and opportunities

Unless stated otherwise, the following risks relate to both the retail and wholesale business.

Environment/market risks and opportunities

Regulatory risks and opportunities

The pharmaceutical and healthcare markets are subject to various regulatory interventions. Growing demand for healthcare services – driven by demographic change – often collides with the interests of squeezed healthcare systems whose financial difficulties have been further heightened by the weak economic development in Europe. Continuously, national governments respond accordingly through intervention by adjusting remuneration structures to cut spending in various countries in Europe, mainly in the UK. As experienced in previous years, these measures have a direct impact on the performance of our business and on our income. As the potential loss and likelihood of occurrence is deemed to be high, these represent significant risk for McKesson Europe. Besides lean cost management, we rely on a range of strategic projects and the optimisation of the entire value-added chain to compensate for this risk (read more about our strategy → page 13).

Moreover, McKesson Europe is party to contracts with public institutions such as national health services and subject to regulation and regulatory decisions and changes to existing regulation. Failure to comply with any such contract terms or regulation could lead to litigation, fines, sanctions, increased cost of compliance (in order, amongst other things, to change operation practices) as well as reputational damage.

Specific market risks and opportunities

Overall, the healthcare sector with its constantly shifting parameters is a dynamic market and can be associated with a number of risks:

- **Tougher competition**
  The pharmaceutical wholesale business is a competitive industry. Besides attempts from traditional logistics firms to encroach on the pharmaceutical distribution business, our competitors' activities result in a pressure on our margin and may have a negative effect on our earnings. We aim to reduce and offset potential effects through cost reduction and efficiency optimisation programmes. Further countermeasures include fostering customer loyalty by improving and expanding our services and customer loyalty programmes.

- **Innovative wholesale distribution models**
  In certain countries and for particular product categories, manufacturers are increasingly keen to reduce the role of the wholesaler and are turning instead to models such as direct-to-pharmacy (DTP) supply by the manufacturer or the so called reduced-wholesale model where the manufacturer maintains exclusive agreements with just a few wholesalers. The latter can be seen as a risk as well as an opportunity because McKesson Europe is represented in countries with a strong market position in wholesale in these exclusive distribution models. McKesson Europe is sharpening its focus on communication with manufacturers to position itself as an attractive business partner with new offerings for manufacturers. The extension of our logistics competence to the entire supply chain and the seamless integration of all logistics steps offer us the opportunity to leverage synergy effects and provide a basis for future growth potential.

- **Cooperation between the EU and the United Kingdom**
  The final trading landscape following Brexit is still emerging and the related risk has declined compared to prior years. The EU and UK are likely to continue protracted discussions for some time and we are keeping this dynamic situation under regular review.

Corporate strategy risks and opportunities

The optimisation of the portfolio through acquisitions or disposal of entities is associated with both opportunities and risks. Acquisition and investment plans are therefore verified as part of a due diligence process and analysed with regards to return and risk factors by the department M&A and Corporate Development and other relevant departments or subsidiaries. We may further be exposed to risks due to changes in the market environment during integration of acquired operations as well as whilst holding investments in companies in which our responsibility for the company is shared or limited. On the other hand, the strategic decision for a disposal of a business unit could pose additional risks, mainly in the legal area. Further, exchange rate fluctuations may influence such transaction financially, which in turn may have an impact on the sales price to be redeemed for the business unit to be sold.

Operating business risks

There are a number of special risks relating to the safety and the consistently high quality of pharmaceuticals supply in all countries where operations are taking place:

- **Pandemic crisis development**
  Uncertainty about the future development of the pandemic is likely to have an impact on the global economy and financial markets, which might only potentially rebound to pre COVID-19 levels. Key impacts for a company such as McKesson could be supply chain disruptions, unavailability of staff, the closure of facilities and stores, changes in purchasing patterns, travel restrictions, further lockdowns, among others. As described below, measures to ensure that our service level continues, are in place. Due to the nature of our business, a pandemic could also in part be considered as opportunity. The increased demand of pharmaceutical (and non-pharmaceutical) products and services could lead to increased revenue.

- **Interruption of operating business**
  Our operating processes, especially transport, storage and dispensing, demand a mature infrastructure and are also highly dependent on IT and hence exposed to cyber-attacks. As even short-term outages at peak times can have a negative effect on operations, the interruption of operating business poses a risk of a high level of loss, but with a low likelihood of occurrence. Measures to safeguard operating business include division business continuity plans, which ensure that services can be provided to clients in the event of unforeseeable events. Insurance policies are also in place that will help in the event of business interruptions.

- **Compliance with pharmaceutical regulations**
  Medicines need to be handled with particular care. EU guidelines, such as the Falsified Medicines Directive (2011/62/EU), or the guideline on Good Distribution Practice of medicinal products for human use (2013/C 343/01) further increased requirements.
  The Good Distribution Practice guideline focuses on the maintenance of the quality and the integrity of medicinal products throughout the entire supply chain. The guideline refers to products such as many types of vaccines, which require strict maintenance of a cold chain. If the cold chain is interrupted during storage or transport, such products have to be destroyed. We minimise this risk with a comprehensive quality management system and by applying a range of preventive measures such as round-the-clock temperature monitoring at warehouses and insulated transport containers.

- **Dispensing errors**
  Dispensing the wrong medicines is an inherent risk at pharmacies. This risk is characterised by a low likelihood of occurrence due to the detailed process definitions for our pharmacists and pharmaceutical technicians and to the regular training they receive. On the other hand, if this risk does materialise, there can be a high level of potential loss, including reputational harm.

Financial risks

Currency risks

McKesson Europe is active in a number of different currencies, which can create foreign exchange risks. Internal guidelines ensure that these risks are systematically identified and reduced. In this regard we distinguish between transaction risks and translation risks:

Transaction risks

McKesson Europe is exposed to foreign exchange rate fluctuations impacting the value of assets or liabilities to be settled in a foreign currency. We minimise these transaction risks through the use of hedges, which we execute with banks.

Translation risks

McKesson Europe faces changes in the values of items in the balance sheet and in the income statement if these items are not originally reported in Euros. As in previous years, this represents a significant foreign exchange risk especially in British pound given the importance of British activities for McKesson Europe. McKesson Europe minimizes these translation risks through the financing of assets in the same currency.

Risk of default on receivables

McKesson Europe's business activities primarily comprise the supply of goods and rendering of services on the basis of invoices. Until these invoices are settled, McKesson Europe is faced with a risk of bad debt. The risk of significant payment defaults is lowered due to our diversified customer portfolio. We secure our receivables by having a proactive receivables management system in place which comprises continuous checks of our customers' payment behaviour, regular testing of credit standing as well as changes in payment terms and conditions and the selected use of credit insurances.

Liquidity and financing risks

McKesson Europe's financing portfolio, provided by a large degree by McKesson Corporation and its subsidiaries, ensures that it is in a position to meet its obligations at any time.

In our day-to-day operations, liquidity risks are reduced by making use of cash pools as well as by a constant monitoring of our net working capital.

Interest rate risks

McKesson Europe is exposed to changes of the price payable for floating-rate assets and liabilities. A high share of fixed rate financial liabilities significantly reduces the risk from changes in interest rates.

Counterparty risks from derivatives

McKesson Europe reduces the counterparty risk from derivatives entered into with banks by strict regulations regarding the quality requirements of our trading partners.

Measurement risks

McKesson Europe faces fluctuations of securities prices, including pension obligations.

Money laundering risk

McKesson Europe maintains guidelines and procedures to mitigate the risk of money laundering in accordance with the EU directive on the prevention of money laundering and terrorism financing.

Information technology risks

McKesson business and its daily operations relies on the effective and secure handling, storage and transmission of information, including sensitive, personal, financial, health and regulated data relating to our customers, suppliers, company and workforce. Further on, with the fast digitalization of every aspect of the daily life and business we expect a stronger correlation between McKesson and information technology in the near future.

With such correlation come risks, our and our customers' information systems could be subject to cyberattacks and unauthorized access, such as physical and electronic break-ins or unauthorized tampering. A failure or compromise of our or our customers' information systems may jeopardize the confidentiality, integrity and availability of the data processed, stored, and transmitted through such systems. Such an event may result in significant damage to our reputation, financial losses, litigation, increased costs, regulatory penalties, customer attrition, brand impairment, or other business harm. These risks may increase in the future as we continue to expand our internet and mobile strategies and to build an integrated digital enterprise. These risks have been identified and are being addressed through different projects and programmes.

Additionally, the changes in the information technology's operational, security and technical standards, as well as the different international laws and regulations our company is subject to, require that our information systems are up to date, flexible, and capable of implementing the controls and requirements needed to ensure business continuity and compliance.

We have carefully implemented measures related to the requirements on the EU General Data Protection Regulation (GDPR) across McKesson Europe and further strengthened it during the last year. Nevertheless, any loss of personal data or any other potential infringement of the GDPR may lead to damage claims or administrative fines.

Since data is one of the most important assets of businesses today, McKesson has established a global capability to secure its information and protect it from evolving cyber threats by adjusting security mechanisms, policies and security controls across McKesson's global distribution and retail operations as needed. Threat detection and response to cybersecurity events are supported by security operations and a global community has been established to help each employee developing their security awareness and protect McKesson's information.

As a key component of our efforts to digitalize and secure our services, we continue with our IT infrastructure renewal with major projects such as the ERP-system landscape harmonization across the business units, potential delays in further implementation of these efforts could have an impact on the estimated project costs as well as the realisation of the expected benefits.

Personnel risks

The COVID-19 pandemic required tremendous flexibility and dedication on behalf of our employees across all lines of business. The physical and mental well-being of our employees has been paramount during the pandemic and will continue to require McKesson Europe's support in the future. Many of our businesses operate in tight labour markets so McKesson Europe is continuing to implement more contemporary programs, processes and HR systems to enhance the employee experience.

Legal risks and tax risks

In principle, legal and tax risks are inherent to all operations, and McKesson Europe is no exception. At present, McKesson Europe is involved in legal proceedings and disputes that could have a significant impact on our results of operations, financial position and assets position.

The Brazilian operations were divested on 31 May 2016. Based on the agreed closing account mechanism, the buyer has put forward a claim for an adjustment of the purchase price in the amount of BRL 225.0m (EUR 34.0m) and has initiated arbitration proceedings in order to pursue its claim. Furthermore, the buyer has included warranty claims in a total amount of BRL 148m (EUR 22.4m) in the arbitration proceedings. The arbitration proceedings were concluded in the fiscal year 2021 with a preliminary ruling in favour of McKesson Europe. The preliminary ruling does not stipulate a purchase price adjustment and only minor warranty obligations against the buyer. Furthermore, McKesson Europe was awarded a partial reimbursement of legal and court costs.

Generally, McKesson Europe bears a risk as a result of contractual indemnification obligation towards the buyer. These are partially secured by bank guarantees. The obligation to indemnify the buyer is, subject to certain exceptions, capped at an inflation-adjusted amount of BRL 118.3m (EUR 17.5m) as of 31 March 2021. The claims that have been put forward by the buyers to date exceed the cap. They have largely been contested, but an unfavourable outcome in respect of individual claims cannot be ruled out. The liability cap does not, among other things, apply to risks attributable to the time prior to the majority participation of McKesson Europe for which McKesson Europe has contractual counterclaims against some of the former shareholders. For all of the above, appropriate provisions have been made following the principles of commercial prudence and caution. McKesson Europe will continue to defend itself vigorously against unjustified claims.

On November 21, 2016, the Belgian anti-trust authority carried out an on-site investigation of certain Belgian wholesalers, including Belmedis. On May 2, 2017, Belmedis was acquired by McKesson Belgium Holdings. Pharma Belgium NV is also part of the investigation. On April 23, 2021, McKesson received correspondence from the Belgian Competition Authority seeking civil penalties. The evaluation of contingent liabilities can change due to new information such that it may become necessary to recognize additional provisions or adjust or reverse an existing provision in accordance with IAS 37. Upon utilisation, expenses may arise for McKesson Europe which exceed the provision amount.

McKesson Europe assesses its legal as well as tax risks at regular intervals, consulting external lawyers and other external advisors where necessary.

Compliance risks

In general, it is inherent to companies of the size of McKesson Europe that operate in a highly regulated environment to face certain compliance risks. McKesson Europe assesses and evaluates existing and potential Compliance risks at regular intervals, consulting external lawyers and other external advisors where necessary. Antitrust and corruption are set priority risks to be addressed alongside all other compliance risks by the compliance organization in all countries.

In order to address and mitigate the identified compliance risks adequately throughout the organization, McKesson Europe continues to move forward with constantly improving its Compliance Management System and implementing and integrating it in newly acquired businesses. The compliance organization also develops and grows organically with the business.

In fiscal 2021, there were no compliance cases with material impact on McKesson Europe.

Overall assessment of risks and opportunities by management

In general, based on the outcome of our risk assessment and management processes, we are not aware of any single risks or risks in combination with others, which would present a significant danger to the continued existence of McKesson Europe.

Compared to last year, the level of the specific risks identified has remained relatively stable, as our key risks relate to state healthcare systems, financial and operational risks, and IT. In addition, we seek to take advantage of current opportunities to explore new ways of doing business and to support international efforts to fight the COVID-19 pandemic.

In addition to the risk categories we describe above, we acknowledge that there remains the possibility that unforeseeable events could have a negative impact on the business. All in all, we continue to believe that the overall level of risk to our operating activities has slightly increased due to the uncertainty of impacts arising out of the pandemic crisis.

Outlook

The following statements on future business development and assumptions as to how the market and industry will evolve are estimates that the Management Board considers realistic based on the information currently available. However, the future development of our divisions depends on various factors beyond McKesson Europe's sphere of influence and such statements can only be made with a limited degree of accuracy. Examples of factors beyond our control are the future economic and regulatory environment, the conduct of competitors and other market participants as well as government intervention in healthcare and social systems. The following statements by the Management Board of McKesson Europe AG are based on the assumptions of a stable development of exchange and interest rates, when compared to fiscal 2021.

COVID-19

COVID-19 continues to have an impact on our European business. During this challenging period, the support of governments across Europe has allowed McKesson Europe to continue to invest in its people and services. We have therefore been able to continue to serve our communities and ensure the safe supply of medicines, pharmaceutical products, and healthcare services when and where people need them.

Some impacts of COVID-19 are expected to reduce and we expect trading to return to a level similar to prior the COVID-19 pandemic. As society returns to this 'new normal' we must expect government support to be phased out.

On a positive note, Full-Service Distributors like McKesson are now playing an increasing role across Europe providing new services out of the pandemic such as inventory management solutions and the distribution of the COVID-19 vaccines and tests, as well as PPE.

Overall economic prospects

The global economy continued to recover in the winter 2020/2021, despite the number of new COVID-19 infections increasing and containment measures tighter again in many countries. Industrial production and world trade have already caught up with their pre-pandemic levels and appear to be little affected by the recent COVID-19 impacts. On a purchase power parity basis, the IfW ["Institut für Weltwirtschaft der Universität Kiel": Kiel Institute for the World Economy] expects the global output to increase by 6.7 percent in 2021 and by 4.7 percent in 2022, thus progressively returning to the pre-pandemic level.

In its March 2021 forecast, the IfW expects the following for the next years:

One year after the start of the global pandemic, all signs point to a normalization of economic activity in the coming months. The GDP in the euro zone is expected to increase by 4.8% in the year 2021 and grow again by 4.3% in the year 2022. Inflation is likely to amount 1.7% due to economic and energy price factors in 2021. In 2022, price level is expected to increase again by 1.5%.

For France the IfW expects a growth rate in GDP of 6.4% in 2021 and 3.8% in 2022. GDP prognosis for the United Kingdom is expected at a rate of 5.6% in 2021 and 4.7% in 2022 as compared to overall Europe where the growth is expected to be around 1.7%.

Our industry: Growth of the pharmaceutical markets, consolidation and internationalisation

Based on a market prognosis as of Q3 2020 by IQVIA, a compounded annual growth rate (CAGR) of 4.5% is expected for the global pharmaceutical markets through 2024.

While the pandemic has been extremely disruptive, it is clear that other aspects of healthcare have continued and the immediate shocks in early 2020 have given way to patterns of adaptation and adjustment around the world. The success of countries around the world in implementing a global vaccination program unprecedented in speed or scope will be key to the outlook for all medicine use. The key elements of the outlook are therefore the handling of the pandemic as well as how that will affect non-COVID healthcare and use of medicines.

The pre-pandemic drivers of medicine use and spending remain a significant driver of the outlook and have been only modestly impacted by the effects of COVID-19. In developed countries, the adoption of new treatments, offset by patent lifecycles and competition from generics and biosimilars are expected to continue as the main factors influencing medicine spending and growth.

Demographic change continues to be a significant factor in the development of the global pharmaceutical and healthcare markets. The over-65 age group accounts for 9.3% of the global population at present. However, this is expected to rise continuously in the coming years to approximately 10.4% in 2025 and 15.8% in 2050. In the EU this level has already been reached today, in 2020, 20.8% of the population were 65 years old or older and in 2050 this figure will rise to 30.7%. We will also see a significant increase in the percentage of over 80s in the population in the world as well as the EU. The global percentage will increase from 1.9% today to 4.4% in 2050. In the EU this increase will be even more significant. It is expected that the percentage will increase from currently 6.0% to 11.9% in 2050. This development is causing a rise in the demand for the treatment of chronic and age-related diseases which require long-term medical treatment. This will cause costs to rise considerably as the amount spent on the elderly is far higher than the average per capita expenditure.

With ageing populations and the rising cost of new innovative medicines, healthcare systems across the EU are under increasing strain. Governments will continue to seek ways to reduce overall spending on pharmaceuticals and, as a result, companies may face pressure on costs and funding policies. The key challenge for the pharmaceutical and healthcare markets and especially for the pharmaceutical distribution markets continues to be government regulation along the entire pharmaceutical supply chain. The persistently difficult market environment in our industry is resulting in further consolidation primarily in established markets. Global purchasing cooperatives are also forming as a way of realising economies of scale and purchasing advantages, especially for generics pharmaceuticals.

Outlook McKesson Europe

Retail Pharmacy

In fiscal 2022 we expect considerable revenue growth in the Retail Pharmacy division compared to fiscal 2021, mainly due to growth in online business and the homecare business in the UK and an overall increase in the other retail business units. Adjusted EBIT is expected to be significantly higher than the prior year, mainly driven by increased revenue, continued cost containment efforts and reorganization and consolidation of our business operations.

Pharmaceutical Distribution

In fiscal 2022 we expect a significant revenue increase in the Pharmaceutical Distribution division, mainly driven by a reversal of the negative COVID-19 impacts from fiscal 2021. We expect adjusted EBIT to significantly increase due to the above-mentioned revenue increase, positive impacts from the COVID-19 vaccine distribution as well as continued cost containment efforts.

Investments and capital expenditures

The level of investment will be at a lower level in fiscal 2022 compared to fiscal 2021. The investments include the continuing optimization of our ERP software, pharmacy network, dispensing systems and our infrastructure. We will continue to drive an efficient distribution network, which includes modernisation of distribution centers and enhancing the security of our supply chain.

Depreciation, amortisation and impairment

We expect overall depreciation, amortisation and impairment to significantly decrease in fiscal 2022 due to the non-recurring impairment charges recorded in the previous fiscals.

Financial result

We expect interest expense in fiscal 2022 to be stable due to existing long-term financing agreements with the McKesson Corporation.

Tax rate

The adjusted tax rate is not expected to significantly change in future periods compared to fiscal 2021. The adjusted tax rate may be influenced by a change in the earnings mix from the different countries in which McKesson Europe operates or a change in the specific effective tax rates in each country.

Employees

Overall FTEs are expected to slightly decline in fiscal 2022.

Other non-financial items

In fiscal 2022, we expect a slight decline in the number of warehouses operated. We expect that the number of pharmacies will decline slightly throughout the next fiscal.

McKesson Europe - Revenue and (adjusted) EBIT

In fiscal 2022, we expect a significant revenue increase compared to fiscal 2021. This increase is mainly driven by the reversal of the current year revenue reduction caused by impacts from the COVID-19 pandemic, which are not expected in the next fiscal.

Adjusted EBIT is expected to significantly decrease in fiscal 2022, mainly driven by the non-recurrance of the one-off income from the EPN IP sale in fiscal 2021, which offset the significant adjusted EBIT increase in both segments driven by revenue increase and continued cost saving measures.

EBIT in fiscal 2022 is expected to significantly increase. This increase is mainly driven by the assumption that non-recurring expenses will be significantly below fiscal 2021, as we do not expect any impairments of goodwill and long-lived assets and restructuring expenses will be lower in fiscal 2022 compared to fiscal 2021.

Consolidated financial statements

McKesson Europe AG
Financial year 2021 from April 1, 2020 to March 31, 2021

Group income statement for the 2021 fiscal year from April 1, 2020 to March 31, 2021

EUR m	Notes No.	2020	2021
Revenue	**1**	**17,117.6**	**16,748.1**
Cost of sales		**– 15,240.0**	**– 14,933.1**
Gross profit		**1,877.6**	**1,815.0**
Net income from additions / reversals of impairment losses on receivables	**18**	**– 4.1**	**– 4.2**
Other operating income	**2**	**95.5**	**149.5**
Other operating expenses	**3**	**– 540.8**	**– 540.4**
Personnel expenses	**4**	**– 1,134.3**	**– 1,111.1**
EBITDA		**293.9**	**308.8**
Amortisation of intangible assets held as non-current assets and on property, plant and equipment, and right-of-use assets	**5**	**– 190.3**	**– 189.3**
Impairment losses recorded on intangible assets, property, plant and equipment and right-of-use assets	**5**	**– 112.2**	**– 95.3**
EBIT		**– 8.6**	**24.2**
Result from associates accounted for using the equity method	**6**	**29.4**	**30.2**
Result from other investments	**6**	**– 6.3**	**0.0**
Interest expense	**7**	**– 47.3**	**– 27.0**
Interest income	**7**	**3.1**	**0.8**
Other financial result	**7**	**0.2**	**– 0.4**
Profit before tax from continuing operations		**– 29.5**	**27.8**
Income taxes	**8**	**– 36.6**	**– 26.9**
Net loss from continuing operations		**– 66.1**	**0.9**
Result from discontinued operations	**18**	**– 177.2**	**– 8.2**
Profit / Loss		**– 243.3**	**– 7.3**
Thereof due to non-controlling interests		**5.3**	**3.4**
Thereof due to shareholders of McKesson Europe AG		**– 248.6**	**– 10.7**
Earnings per share – undiluted	**9**	**EUR**	**EUR**
Net loss from continuing operations		– 0.35	– 0.01
Result from discontinued operations		– 0.87	– 0.04
Profit / Loss		– 1.22	– 0.05

Group statement of comprehensive income for the fiscal year 2021

EUR m	2020	2021
Net profit/loss for the period	**–243.3**	**–7.3**
Items that will not be recycled through profit or loss	**–3.0**	**–1.1**
Revaluation of defined benefit pension plans	–3.0	–1.1
Items, that are recycled through profit or loss	**0.2**	**–4.2**
Foreign currency translation posted directly to other comprehensive income	0.2	–4.2
Exchange differences	0.2	–4.2
Other comprehensive income after tax	**–2.8**	**–5.3**
From continuing operations	–3.9	17.1
Thereof due to non-controlling interests	0.1	–0.4
Thereof due to shareholders of McKesson Europe AG	–4.0	17.5
From discontinued operations	1.1	–22.4
Comprehensive income	**–246.1**	**–12.6**
From continuing operations	–70.0	18.0
Thereof due to non-controlling interests	5.4	3.0
Thereof due to shareholders of McKesson Europe AG	–75.4	15.0
From discontinued operations	–176.1	–30.6

Further information on other comprehensive income is provided in section (10) Components of other comprehensive income.

Group balance sheet as of March 31, 2021

ASSETS	Notes No.	03/31/2020	03/31/2021
EUR m			
Non-current assets		**2,216.1**	**2,144.7**
Intangible assets	11	908.8	888.9
Property, plant and equipment without right-of-use assets	12	404.4	363.7
Right-of-use assets	13	515.2	463.4
At equity investments	14	288.9	304.4
Other financial assets	14	64.5	60.8
Other non-current assets	18	8.0	29.9
Deferred tax assets	15	26.3	33.6
Current assets		**5,703.5**	**4,902.6**
Inventories	16	1,327.1	1,249.4
Trade receivables	18	2,069.6	1,888.9
Income tax receivables		68.1	59.2
Other receivables and other assets	18	441.9	503.0
Cash and cash equivalents	19	977.0	1,192.1
Assets held for sale	17	819.8	10.0
Total assets		**7,919.6**	**7,047.3**

EQUITY AND LIABILITIES	Notes No.	03/31/2020	03/31/2021
EUR m			
Equity	**20**	**1,748.7**	**1,900.5**
Issued capital		260.1	260.1
Capital reserves		1,957.0	2,071.0
Revenue reserves		–16.8	–55.0
Revaluation reserves		–475.8	–400.1
Stake of the shareholders of McKesson Europe AG		**1,724.5**	**1,876.0**
Non-controlling interests	20	24.2	24.5
Liabilities		**6,170.9**	**5,146.8**
Non-current liabilities		**1,269.0**	**1,244.5**
Financial liabilities without leasing	23	530.4	529.6
Lease liabilities	23	499.3	457.6
Pension provisions	21	149.6	134.8
Other non-current provisions	22	59.6	78.5
Other liabilities	24	6.0	6.8
Deferred tax liabilities	15	24.1	37.2
Current liabilities		**4,901.9**	**3,902.3**
Financial liabilities without leasing	23	421.7	147.6
Lease liabilities	23	87.7	85.6
Trade payables	24	3,319.1	3,067.9
Other current provisions	22	102.5	137.9
Income tax liabilities		96.3	86.5
Other liabilities	24	274.6	368.8
Liabilities held for sale	17	600.0	8.0
Total assets		**7,919.6**	**7,047.3**

Group statement of cash flows for the fiscal year 2021

EUR m	2020	2021
Net income (previous year loss) from continuing operations	**–66.1**	**0.9**
Amortisation, depreciation and impairment of non-current intangible and property, plant and equipment	302.5	284.6
Result from associates accounted for using the equity method and other equity investments	–23.1	–30.2
Dividends received	15.9	14.8
Financial result	44.0	26.6
Net result from the disposal of non-current assets and subsidiaries	–16.1	–16.4
Impairment losses on items classified as operating assets	1.6	23.4
Deferred taxes and income tax	36.6	26.9
Income taxes paid	–48.1	–36.1
Other non-cash income and expenses	6.3	10.4
Change in net working capital	58.2	50,0
Change in inventories	*–129.9*	*97,9*
Change in trade receivables	*–294.0*	*238,8*
Change in trade payables	*474.1*	*– 276,6*
Change in other net operating assets	*8.0*	*– 10,1*
Change in other assets and liabilities	–9.1	60,6
Change in other assets	*65.1*	*– 42,4*
Change in other liabilities	*–74.2*	*103,0*
Cash inflow from operating activities - continuing activities	**302.6**	**419.5**
Net cash flow from operating activities - discontinued operations	**10.0**	**–57.0**
Cash inflow from operating activities - continuing and discontinued operations	**312.6**	**362.5**
Proceeds from the disposal of non-current assets	11.2	24.4
Capital expenditure on non-current assets	–128.3	–100.3
Proceeds from the disposal of subsidiaries	11.6	258.5
Cash paid for business combinations	–83.6	–2.8

EUR m	2020	2021
Net cash flow from investing activities - continuing operations	**–189.1**	**179.8**
Cash outflow from investing activities - discontinued operations	**–5.3**	**–1.4**
Net cash flow from investing activities - continuing and discontinued operations	**–194.4**	**178.4**
Payments from shareholders	155.0	114.7
Payments made to shareholders (including non-controlling interests)	–3.2	–3.8
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	–0.5	–0.8
Proceeds from financial liabilities	13.9	0.0
Repayment of financial liabilities	–98.1	–409.4
Interest paid	–39.6	–27.0
Interest received	1.7	0.8
Cash outflow (previous year inflow) from financing activities - continuing operations	**29.2**	**–325.5**
Cash outflow from financing activities - discontinued operations	**–2.9**	**–2.5**
Cash outflow (previous year inflow) from financing activities - continuing operations and discontinued operations	**26.3**	**–328.0**
Net change in cash and cash equivalents	**144.5**	**212.9**
Exchange rate changes in funds	5.8	2.2
Cash and cash equivalents at the beginning of the period	826.7	977.0
Cash and cash equivalents at the end of the period	**977.0**	**1,192.1**
Cash and cash equivalents of discontinued operations and disposal groups at the end of the period	0.0	0.0
Cash and cash equivalents at the end of the period (according to the group statement of financial position)	**977.0**	**1,192.1**

Please refer to page 125 of the Notes for an explanation of the consolidated cash flow statement.

Group statement of changes in equity for the fiscal year 2021

	Issued capital	Number of shares (in units)	Capital reserves	Revenue reserves	Revaluation reserves				Stake of the shareholders of McKesson Europe AG	Non-controlling interests	Equity
					Translation reserves	Revaluation of defined benefit plans	Debt and equity instruments at fair value through other comprehensive income	Other comprehensive income from associates accounted for using the equity method			
EUR m											
As of 04/01/2020	**260.1**	**203,220,932**	**1,957.0**	**–16.8**	**–306.5**	**–169.5**	**0.2**	**0.0**	**1,724.5**	**24.2**	**1,748.7**
Changes in equity	0.0		114.0	0.0	0.0	0.0	0.0	0.0	114.0	0.0	114.0
Dividends	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	–3.9	–3.9
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0		0.0	–0.1	0.0	0.0	0.0	0.0	–0.1	0.0	–0.1
Changes to the consolidated group	0.0		0.0	–80.6	0.0	80.6	0.0	0.0	0.0	1.2	1.2
Other comprehensive income	0.0		0.0	0.0	–3.8	–1.1	0.0	0.0	–4.9	–0.4	–5.3
Net profit/loss for the period	0.0		0.0	–10.7	0.0	0.0	0.0	0.0	–10.7	3.4	–7.3
Total comprehensive income / expenses	0.0		0.0	–10.7	–3.8	–1.1	0.0	0.0	–15.6	3.0	–12.6
Profit & loss transfer agreement with McKesson Europe Holdings GmbH & Co. KGaA	0.0		0.0	53.2	0.0	0.0	0.0	0.0	53.2	0.0	53.2
As of 03/31/2021	**260.1**	**203,220,932**	**2,071.0**	**–55.0**	**–310.3**	**–90.0**	**0.2**	**0.0**	**1,876.0**	**24.5**	**1,900.5**
As of 04/01/2019	**260.1**	**203,220,932**	**1,945.5**	**246.9**	**–306.6**	**–166.5**	**0.2**	**0.0**	**1,979.7**	**4.0**	**1,983.6**
Effect from retrospective change of accounting policies	0.0		0.0	–15.2	0.0	0.0	0.0	0.0	–15.2	0.0	–15.2
As of 04/01/2019	**260.1**		**1,945.5**	**231.7**	**–306.6**	**–166.5**	**0.2**	**0.0**	**1,964.4**	**4.0**	**1,968.4**
Changes in equity	0.0		11.4	0.0	0.0	0.0	0.0	0.0	11.5	0.0	11.5
Dividends	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	–3.2	–3.2
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0		0.0	–0.6	0.0	0.0	0.0	0.0	–0.6	0.0	–0.6
Changes to the consolidated group	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.0	18.0
Other comprehensive income	0.0		0.0	0.0	0.1	–3.0	0.0	0.0	–2.9	0.1	–2.8
Net profit/loss for the period	0.0		0.0	–248.6	0.0	0.0	0.0	0.0	–248.6	5.3	–243.3
Total comprehensive income / expenses	0.0		0.0	–248.6	0.1	–3.0	0.0	0.0	–251.5	5.4	–246.1
Profit & loss transfer agreement with McKesson Europe Holdings GmbH & Co. KGaA	0.0		0.0	0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.7
As of 03/31/2020	**260.1**	**203,220,932**	**1,957.0**	**–16.8**	**–306.5**	**–169.5**	**0.2**	**0.0**	**1,724.5**	**24.2**	**1,748.7**

Notes to the consolidated financial statements

McKesson Europe AG

2021

Group segment reporting by business area for the fiscal year 2021

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Fiscal year 2021	Retail Pharmacies	Pharmaceutical Distribution	Others	Consoli-dation	Group (continuing operations)	Discontinued operations
EUR m						
Income statement						
Revenue	**3,998.9**	**12,750.9**	**0.0**	**–1.7**	**16,748.1**	**2,909.8**
External revenue	**3,998.9**	**12,749.2**	**0.0**	**0.0**	**16,748.1**	**2,909.8**
Trade sales	**2,175.5**	**12,687.7**	**0.0**	**0.0**	**14,863.2**	**–2,790.9**
Income from services	**1,823.4**	**61.5**	**0.0**	**0.0**	**1,884.9**	**0.0**
Inter-segment revenue	**0.0**	**1.7**	**0.0**	**–1.7**	**0.0**	**0.0**
Gross profit	**917.2**	**897.8**	**0.0**	**0.0**	**1,815.0**	**118.9**
EBITDA	**111.0**	**162.7**	**35.0**	**0.0**	**308.8**	**9.9**
Other significant non-cash income	**26.5**	**14.8**	**0.0**	**0.0**	**41.3**	**0.0**
Other significant non-cash expenses	**–18.4**	**–31.0**	**0.0**	**0.0**	**–49.4**	**0.0**
Amortisation of intangible assets held as non-current assets on property, plant and equipment	**–90.7**	**–85.3**	**–13.3**	**0.0**	**–189.3**	**0.0**
Impairment losses recorded on intangible assets, property, plant and equipment and right-of-use assets	**–83.7**	**–11.6**	**0.0**	**0.0**	**–95.3**	**0.0**
EBIT	**–63.2**	**65.8**	**21.6**	**0.0**	**24.2**	**9.9**
Result from associates accounted for using the equity method	**23.4**	**6.8**	**0.0**	**0.0**	**30.2**	**0.0**
Income taxes	**–1.7**	**–25.0**	**–0.2**	**0.0**	**–26.9**	**0.0**
Segment assets	**648.2**	**1,125.4**	**578.2**	**0.0**	**2,351.8**	**0.0**
Of which non-current assets and disposal groups held for sale	**–8.0**	**0.0**	**0.0**	**0.0**	**–8.0**	**0.0**
Of which goodwill	**104.9**	**507.4**	**0.0**	**0.0**	**612.3**	**0.0**
Of which associates accounted for using the equity method	**228.0**	**76.4**	**0.0**	**0.0**	**507.4**	**0.0**
Capital expenditures	**65.5**	**74.9**	**34.0**	**0.0**	**174.4**	**0.0**
Employees						
Headcount annual average	**19,240**	**9,258**	**373**	**0.0**	**28,872**	**2,230,6**
Headcount as of 03/31	**18,182**	**9,079**	**357**	**0.0**	**27,618**	**0**
Full-time equivalents annual average	**13,786**	**8,061**	**350**	**0.0**	**22,197**	**1,484**
Full-time equivalents as of 03/31	**12,966**	**7,926**	**300**	**0.0**	**21,192**	**0**

For detailed specifications and explanations of the discontinued operations, please refer to section (17) of the Notes.

Group segment reporting by business area for the fiscal year 2020

Fiscal year 2020	Retail Pharmacies	Pharmaceutical Distribution	Others	Consoli- dation	Group (continuing operations)	Discontinued operations
EUR m						
Income statement						
Revenue	**3,926.8**	**13,201.9**	**0.0**	**–11.1**	**17,117.6**	**5,074.6**
External revenue	**3,926.8**	**13,190.8**	**0.0**	**0.0**	**17,117.6**	**5,074.6**
Trade sales	**2,320.9**	**13,136.0**	**0.0**	**0.0**	**15,456.9**	**–4,864.5**
Income from services	**1,605.9**	**54.8**	**0.0**	**0.0**	**1,660.7**	**0.0**
Inter-segment revenue	**0.0**	**11.1**	**0.0**	**–11.1**	**0.0**	**0.0**
Gross profit	**951.4**	**926.2**	**0.0**	**0.0**	**1,877.6**	**210.1**
EBITDA	**96.1**	**199.0**	**–9.9**	**8.7**	**293.9**	**27.3**
Other significant non-cash income	**27.4**	**14.1**	**0.0**	**0.0**	**41.5**	**0.0**
Other significant non-cash expenses	**–11.3**	**–26.9**	**0.0**	**0.0**	**–38.2**	**0.0**
Amortisation of intangible assets held as non-current assets on property, plant and equipment	**–97.9**	**–79.5**	**–12.9**	**0.0**	**–190.3**	**–6.1**
Impairment losses recorded on intangible assets, property, plant and equipment and right-of-use assets	**–15.7**	**–96.5**	**0.0**	**0.0**	**–112.2**	**0.0**
EBIT	**–17.4**	**22.9**	**–22.8**	**8.7**	**–8.6**	**-21.1**
Result from associates accounted for using the equity method	**22.6**	**6.8**	**0.0**	**0.0**	**29.4**	**0.0**
Income taxes	**9.3**	**–45.8**	**–0.1**	**0.0**	**–36.6**	**0.0**
Segment assets	**563.4**	**1,240.6**	**–26.9**	**0.0**	**1,777.1**	**577.4**
Of which non-current assets and disposal groups held for sale	–6.4	0.0	0.0	0.0	–6.4	0.0
Of which goodwill	158.3	576.5	–81.2	0.0	653.6	0.0
Of which associates accounted for using the equity method	212.8	76.1	0.0	0.0	288.9	0.3
Capital expenditures	**285.3**	**166.3**	**35.6**	**–178.9**	**308.3**	**0.0**
Employees						
Headcount annual average	19,979	9,550	401	0.0	29,931	2,248
Headcount as of 31/03	19,675	9,609	395	0.0	29,679	2,233
Full-time equivalents annual average	14,320	8,329	383	0.0	23,032	1,484
Full-time equivalents as of 31/03	14,181	8,289	380	0.0	22,850	1,479

For detailed specifications and explanations of the discontinued operations, please refer to section (17) of the Notes.

Group segment reporting by country for the fiscal year 2021

	Germany		France		United Kingdom		Other countries		Group (continuing operations)		Discontinued operations	
EUR m	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
External revenue	15.7	14.9	5,864.3	5,774.5	6,524.6	6,402.8	4,713.0	4,555.9	17,117.6	16,748.1	5,074.6	2,909.8
Segment assets	– 114.2	384.3	361.8	329.2	393.5	467.4	1,136.0	1,170.9	1,777.1	2,351.8	577.4	0.0
Of which non-current assets [1)]	116.4	135.3	206.3	191.9	802.3	709.5	703.4	679.3	1,828.4	1,716.0	0.0	0.0

[1)] Non-current assets according to IAS 8.33.

Please refer to page 127 of the Notes for further explanations and comments on segment reporting.

RECONCILIATION OF SEGMENT REVENUE	2020	2021
EUR m		
Revenue of the reportable segments	**17,128.7**	**16,749.8**
Consolidation	−11.1	−1.7
Group revenue	**17,117.6**	**16,748.1**

RECONCILIATION OF SEGMENT EARNINGS	2020	2021
EUR m		
EBIT	**−8.5**	**24.2**
Result from associates accounted for using the equity method	29.4	30.2
Result from other investments	−6.3	0.0
Interest expense	−47.3	−27.0
Interest income	3.1	0.8
Other financial result	0.2	−0.4
Profit before tax from continuing operations	**−29.4**	**27.8**

RECONCILIATION OF SEGMENT ASSETS	03/31/2020	03/31/2021
EUR m		
Segment assets of the reportable segments	**1,777.1**	**2,351.8**
Consolidation	0.0	0.0
Segment assets of the group	**1,777.1**	**2,351.8**
+ Interest-bearing other financial assets	61.2	57.3
+ Non-current and current income tax receivables	68.1	59.2
+ Deferred tax assets	26.3	33.6
+ Other assets	28.8	−396.7
+ Cash and cash equivalents	977.0	1,192.1
+ Assets of discontinued operations	819.8	10.0
- Other non-current provisions	59.6	78.5
- Other current provisions	102.5	137.9
- Trade liabilities	3,315.6	3,067.9
- Other liabilities	683.6	455.7
Total net assets	**7,919.6**	**7,047.3**

General Disclosures

Accounting policies

McKesson Europe AG is an international service provider in the pharmaceutical and healthcare markets. The consolidated financial statements of McKesson Europe AG and its subsidiaries (hereinafter McKesson Europe) have been prepared for the fiscal year 2021 from April 1, 2020, until March 31, 2021, comprising of group income statement, group statement of comprehensive income, group statement of financial position, group statement of cash flows, group statement of changes in equity as well as the notes to the financial statements - in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, Great Britain, approved for the application in the European Union for the reporting date, including the IFRICs issued by the IFRS Interpretation Committee, supplemented by the applicable supplementary provisions of the German Commercial Code according to § 315e paragraph 3 in conjunction with paragraph 1 German Commercial Code (HGB). The comparative period includes the fiscal year 2020 from April 1, 2019, until March 31, 2020.

The consolidated financial statements have been prepared in Euro (EUR) with all figures are generally presented in million Euro (EUR m or EUR million). Differences may arise from the use of amounts and percentages rounded to the nearest whole number.

The group income statement has been prepared using the nature of expense method. The group statement of financial position has been structured in accordance with IAS 1 in non-current and current positions. A number of items have been combined, both in the group statement of financial position and in the group income statement. These are presented in detail in the notes to the consolidated financial statements.

The headquarters of this public company is located in Stuttgart, Germany. The address is McKesson Europe AG, Stockholmer Platz 1, 70173 Stuttgart, Local Court of Stuttgart, HRB9517.

The consolidated financial statements have been authorized for issue by the Management Board on May 31, 2021. These consolidated financial statements are submitted to the Supervisory Board which has the responsibility to review the statements and to decide on their approval.

Basis of consolidation

The consolidated financial statements have been prepared from the separate financial statements of the consolidated group entities as of March 31, 2021. These have been prepared in compliance with the group's uniform accounting policies, based on IFRS. An interim financial statement is prepared for any subsidiaries or associates included in the consolidated financial statement, where the individual statement reference date does not coincide with the consolidated financial statement.

Subsidiaries over which McKesson Europe AG has either direct or indirect control as defined in IFRS 10 "Consolidated Financial Statements" have been fully consolidated in the consolidated financial statements. Subsidiaries are fully included in the consolidated financial statements from the date on which the control is transferred to the group. They are deconsolidated from the date on which the control lost from the group.

Control over a holding exists when the investor is exposed, or possesses rights, to variable return flows from its investment in the holding and/or possesses rights to such return flows and has the ability to influence such returns through its power of disposal over the holding.

As a rule, owning the majority of the voting rights at a holding usually forms the basis for a controlling interest. If the investor does not own the majority of the voting rights, it must consider all the relevant matters and circumstances in determining whether a controlling interest exists.

Potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether an entity is controlled or not. In the context of business combinations, put and call options and combinations of such options have been entered into for the existing non-controlling interests. If the risks and opportunities inherent in the put option have already transferred to McKesson Europe AG, the entities acquired in the business combination are fully consolidated, taking into account the existing shares and options. The shares attributable to the options are not treated as non-controlling interests but are recognised as a financial liability in accordance with IAS 32.23.

If the risks and opportunities inherent in the options remain with the former owner, the acquired companies are consolidated taking into account non-controlling interests. For existing put options of the former owner, a purchase price liability is recognised against retained earnings.

The consolidation of investments is performed in accordance with the acquisition method pursuant to IFRS 3. This entails revaluing assets, liabilities and contingent liabilities that meet the recognition criteria of IFRS 3 at fair value on the date on which control passes to the group. Non-controlling interests are also recognized at fair value (“Full-Goodwill-Method”). If the sum of the consideration transferred and the amount of the non-controlling interests exceeds the net asset of the acquired company, the difference is recognised as goodwill. The cost of a business combination is measured at the fair value of the assets issued to make the combination less the liabilities entered or assumed on the date of acquisition. The acquisition-related costs of a business combination are expensed as incurred and recognized under other operating expenses since January 1, 2010. Contingent consideration is measured at fair value as part of the initial consolidation of company acquisitions. Subsequent adjustments to the fair value of contingent consideration that constitute an asset, or a liability are treated in accordance with IFRS 9. For debt instruments, these differences are recognised through profit or loss; for equity instruments, no adjustment is made. For business combinations achieved in stages, the shares held at the time of the transfer of control are revalued at fair value through profit or loss.

Goodwill is presented in non-current assets and subjected to an impairment test at least once a year in accordance with IFRS 3 in conjunction with IAS 36. Any remaining negative goodwill is recognised in the income statement at the time of initial consolidation.

Transactions between owners, i.e., increases or decreases in shares that do not lead to a loss of control, are recorded as equity transactions in the statement of other comprehensive income. However, if transactions lead to a loss of control, the resulting gain or loss is recognised in the income statement. The income statement also includes effects resulting from a revaluation of any remaining investment shares at fair value.

Pursuant to IAS 28, associates are included in the consolidated financial statements using the equity method at the time significant influence is obtained. Entities in which McKesson Europe exercises common control together with other parties (joint ventures) are consolidated using the equity method in accordance with IFRS 11 in conjunction with IAS 28. Other investments are accounted for in accordance with IFRS 9 at fair value or, if not present, using appropriate valuation methods. These valuation methods may include using recent comparable market transactions between knowledgeable, willing and independent parties, referring to the current fair value of another instrument that is substantially the same or to discounted cash flow methods.

The effects of intercompany transactions are eliminated. Intercompany profits and losses, revenue, income and expenses as well as all receivables and liabilities between consolidated companies are offset against each other. Intercompany profits and losses originating from intercompany deliveries of non-current and current assets are eliminated. Pursuant to IAS 12, deferred taxes are recognised on any differences arising from consolidation.

Currency translation

The annual financial statements of consolidated companies which have been prepared in foreign currency are translated into Euro using the functional currency method. As the companies of McKesson Europe are operating their businesses independently, the respective national currency is the functional currency of these companies. Assets and liabilities are translated with the closing exchange rate at the balance sheet date pursuant to IAS 21. Income statement items are translated using monthly average rates. Differences arising from currency translation are recorded in other comprehensive income. Goodwill arising from business combinations is recorded in the currency of the acquiree and translated using the exchange rate at the end of the reporting period. In the event that group companies are deconsolidated, any exchange differences carried in equity are released to the income statement. The table below shows the year-on-year development in exchange rates relevant for the McKesson Europe Group:

Country	Currency	Current exchange rate		Average exchange rate	
		03/31/2020	03/31/2021	2020	2021
United Kingdom	GBP	0.8882	0.8511	0.8952	0.8585
Denmark	DKK	7.4655	7.4377	7.4703	7.4365
Switzerland	CHF	1.0602	1.1068	1.0598	1.1063
Czech Republic	CZK	27.3586	26.1247	26.5866	26.1766
Brazil [1]	BRL	5.7420	6.6092	5.4033	6.7136

[1] The Brazilian operations were divested on 31 May 2016.

Monetary positions denominated in a foreign currency in the individual statements of financial position of the consolidated companies are translated using the closing rate pursuant to IAS 21. Resulting unrealized gains and losses from these positions are offset in the income statements against gains or losses resulting from the market evaluation of derivatives used to hedge currency exposures. Translation differences arising from net investments in a foreign business operation (IAS 21.15) are recognised in other comprehensive income. Non-monetary positions denominated in a foreign currency are recognised at their historical rates in the individual financial statements.

New International Financial Reporting Standards

Already applicable accounting principles

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards, amendments to existing standards and interpretations that are mandatory to be applied by McKesson Europe from April 1, 2020 onwards. These are related to IFRS 9, IAS 39 and IFRS 7 in regard to the impacts of the IBOR reform ('Interest Rate Benchmark Reform'), IFRS 16 ('Practical relief for COVID-19 related rent concessions'), IFRS 3 ('Definition of a business'), IAS 1 and IAS 8 (‘Definition of material’), as well as amendments to references to the Conceptual Framework in IFRS standards. The implementation of the above-mentioned amendments and practical relief had no significant impacts on the consolidated financial statements in fiscal year 2021.

Accounting principles to be applied in future periods

The IASB and the IFRIC have issued standards and interpretations and amendments to existing standards and interpretations that are not yet mandatory for the reporting period. The adoption of these standards is contingent upon their endorsement by the European Union which may still be outstanding at the time of the preparation of the financial statement. In particular, these are the following standards and interpretations:

IFRS Standard/ Interpretation		Published by the IASB	Mandatory for fiscal years starting on or after:	EU endorse-ment
IFRS 17	Insurance contracts (issued on 18.05.2017) including Amendments to IFRS 17	06/25/2020	01/01/2023	No
Amendment	Classification of Liabilities as Current or Non-Current	01/23/2020	01/01/2023	No
Amendment	Insurance Contracts (IFRS 4) on extension of the temporary exemption from applying IFRS 9	06/25/2020	01/01/2021	Yes
Amendment	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	08/27/2020	01/01/2021	Yes
Amendment	Amendments to IAS 1 on Disclosure of Accounting policies	02/12/2021	01/01/2023	No
Amendment	Amendments to IAS 8 on Definition of Accounting Estimates	02/12/2021	01/01/2023	No
Amendment	References in IFRS 3 to the Conceptual Framework (IFRS 3)	05/14/2020	01/01/2022	No
Amendment	Property, plant and equipment - Proceeds before intended use (IAS 16)	05/14/2020	01/01/2022	No
Amendment	Definition of costs of fulfilling a Contract (IAS 37)	05/14/2020	01/01/2022	No
Amendment	Annual Improvements to the IFRS - Cycle 2018 - 2020	05/14/2020	01/01/2022	No
Amendment	Covid– 19-Related Rent Concessions beyond 30 June 2021 (IFRS 16)	03/31/2021	04/01/2021	No
Amendment	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (IAS 12)	05/07/2021	01/01/2023	No

We do not expect any significant effects on the statement of financial position and income statement from the future application of the above-mentioned amendments and standards.

Accounting and measurement policies

The consolidated financial statements have been prepared in accordance with the historical cost convention (by which items are measured at historical cost or amortised cost), with the primary exception of derivative financial instruments classified as “financial assets at fair value through profit or loss” or as “financial liabilities at fair value through profit or loss” as well as financial assets classified as “equity instruments measured at fair value through other comprehensive income and debt instruments measured at fair value through other comprehensive income”, which are recognised at fair value.

Pursuant to IAS 38, **intangible assets** acquired separately, not as part of a business combination, are recognised at historical cost plus any incidental costs of acquisition and less any trade discounts or rebates. If the asset has a limited useful life, it is amortised using the straight-line method.

Internally generated intangible assets from which future benefits are likely to flow to the group and whose cost can be reliably measured are recognised at the cost of production. The cost of production includes all costs directly attributable to development including an appropriate portion of allocable production-related overheads. The item "Advance payments" includes capitalised expenses for software under development, including own work capitalised.

Concessions, industrial rights, licenses, patents and software have useful lives ranging between 2 and 20 years. Intangible assets that are amortised on a scheduled basis are subject to an impairment test if there are any material indications or changes in the underlying assumptions which suggest that the carrying value of the asset is no longer recoverable. Impairment losses are recorded in accordance with IAS 36 where necessary. These are reversed as soon as the reasons for the impairment no longer exist.

The **goodwill** resulting from a business combination is recognized at acquisition costs minus any necessary impairment losses. For purposes of impairment testing, goodwill is allocated to those cash-generating units (or groups thereof) of the Group that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated is evaluated for impairment at least annually. If there are indications of impairment of a unit, it is necessary to carry out an impairment test.

Principally the cash-generating units in the Pharmaceutical Distribution and Retail Pharmacy business segments correspond to the business segments per country. In the previous year, two cash-generating units - Metabolic Healthcare Holdings Ltd. (United Kingdom) and an Italian pharmacy chain consisting of legal entities Pharmacoop S.p.A., Pharmacoop Lombardia S.r.L., Pharmacoop Adriatica S.p.A. and Finube S.p.A. - were added representing separate cash-generating units for a period of 12 months after the acquisition date until full integration had been achieved. In the current fiscal year, Metabolic Healthcare Holdings Ltd. has been integrated in the cash-generating unit Retail Pharmacy UK and the Italian pharmacy chain into the cash-generating unit Retail Pharmacy Italy. This year's transactions represent a re-allocation of the goodwill within the Group.

An impairment loss on goodwill is accounted for in the amount, at which the carrying amount exceeds the so-called recoverable amount. The recoverable amount is the higher of value in use and fair value less costs of disposal.

The value in use corresponds to the present value of the future cash flows attributable to the unit under consideration, determined using the discounted cash flow method. This is based on the respective current planning authorized by management over a period of five years (detail planning period). For the following years, the planned values are extrapolated with constant growth rates. The growth rates after the detail planning period are based on historical growth rates, external studies for future medium-term market development under consideration of the development of McKesson Europe compared to the market growth as well as expectation for long-term growth in the healthcare market in light of demographic and other developments.

Fair value less costs of disposal is the amount obtainable from the hypothetical sale of a cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The modeling is based on discounted future cash flows from the perspective of a hypothetical acquirer. Procurement synergies from the merger with McKesson as well as income and expenses from internal cost allocations are not taken into account. On the other hand, possible results from potential restructuring measures are considered, if applicable.

Fair values and purchase price indicators are determined based on observable comparable market transactions, if applicable. The costs of disposal correspond to the best possible estimate, also based on past experience.

Planning is generally carried out at the level of the individual cash-generating units and is based on past developments and expectations regarding future market developments. Essential planning assumptions relate to the revenue growth, the discount interest rate, as well as the growth rates after the detail planning period that may be allocated to the individual cash-generating units. Furthermore, costs and services related to the internally developed ERP software are generally taken into account in the long-term planning. In the Pharmaceutical Distribution and Retail Pharmacy business segments, the expected effects of government measures in the health care sector are also taken into account when they are decided or foreseeable.

Cash flows are discounted using a weighted average cost of capital (before tax), which is determined individually for each cash-generating unit on the basis of the identified peer group. The capital costs comprise the cost of debt, which is based on capital market interest rates, and the cost of equity, which is calculated from a risk-free base rate, a surcharge for industry risk and a country-specific risk premium. As the business divisions Pharmaceutical Distribution and Retail Pharmacy are exposed to different operational risks, an individual peer group is used for each business division to derive capital market-oriented data.

Property, plant and equipment are recognised at amortised cost including all incidental costs of acquisition and less any trade discounts or rebates in accordance with IAS 16. The production costs of internally generated property, plant and equipment include all costs which can be directly allocated to the production process as well as an appropriate portion of production-related overheads including depreciation.

Any government grants or subsidies received for the acquisition or production of an asset (investment grants) are recorded as deferred income. As in the previous year, the amount of the grants was of minor significance.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives; an indefinite useful life is assumed for land. The useful lives of the assets are as follows:

	years
Buildings	10 – 50
Plant and machinery	3 – 15
Property, plant and equipment	3 – 10

For each closing, the book values of the tangible assets are reviewed to determine, if there are any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. If the recoverable amount cannot be estimated for the individual asset, the recoverable amount of the cash-generating unit to which the asset is allocated is estimated. For the business division Retail Pharmacy, the cash-generating units generally correspond to the individual pharmacies. Where necessary, an impairment loss on the lower recoverable amount according to IAS 36 is carried out, which will be reversed if the reasons for the impairment no longer exist.

Borrowing costs are capitalized if they are directly attributed to the acquisition or construction of a qualifying asset that necessarily takes a substantial period of time to prepare for its intended use or sale. All other borrowing costs are recognized as expense in the period. McKesson Europe capitalised borrowing costs of EUR 1.2m (previous year EUR 0.5m). The interest rate of 2.3% (previous year 2.3%) was used to determine the amount of capitalization.

For **leasing arrangements**, where McKesson Europe is the lessee, a lease liability and a corresponding right-of-use asset are recorded at the lease commencement date. Short-term agreements with a term of up to twelve months for which there is no purchase option and leases for low value assets are not recognized in the statement of financial position but instead included under other operating expenses in the income statement on a straight-line basis over the lease term.

Right of use assets are carried at acquisition cost minus accumulated amortisation and impairment. The acquisition costs of rights of use assets are determined by the present value of all future lease payments plus lease payments made at or before lease commencement, the estimated costs of removal and restoration of the leased assets and initial direct costs. All lease incentives received from the lessor are recorded as a reduction in the right of use assets. Payments for non-lease components are included in the lease payments. For contracts that contain lease components and additional non-lease components, the separation between non-lease components and lease components is waived and McKesson Europe accounts for them in a simplified manner in accordance with IFRS 16.

Depreciation of right of use assets is carried out over the shorter of either the economic useful life or the lease term. The depreciation starts on the commencement date. Rights of use assets are subject to the provisions in IAS 36 for impairment.

Leasing liabilities are initially recorded at the present value of future lease payments and subsequently measured by taking into account lease payments already made and applying the effective interest rate method. When assessing lease liabilities, fixed lease payments, variable lease payments depending on an index or (interest) rate and expected payments from residual value guarantees are taken into account. The exercise price for purchase options and penalties for early termination of leases are only included if it is reasonably certain that the options will be exercised.

The discounting is generally carried out using the interest rate in the lease. Where this rate cannot be determined, the group uses its incremental borrowing rate. Incremental borrowing rates are calculated regularly by taking into account the specific characteristics of leases contractually agreed in different currencies.

A revaluation of the lease liabilities and rights of use takes place if significant events lead to changes of the leasing payments (possibly due to index or rate changes) or contractual terms. These can result both from new contractual arrangements and from reassessments of the probabilities of residual value guarantees and the exercise of all contractual options.

The lease liabilities and the right- of- use assets are presented in the group statement of financial position as separate line items.

Both the payments for the redemption portion and the interest payments are reported in the cash flow from financing activities. Payments for low-value leases and short-term leases as well as variable payments that are not linked to an index continue to be reported in cash flow from operating activities.

Subleases are reviewed for their classification in relation to the right of use of the head lease. If a lease is classified as a finance lease, the rights of use from the main lease are derecognised and a receivable is recognised instead.

Investments (equity instruments) and securities (debt instruments) within the McKesson Europe Group are assigned to the category “equity instruments measured at fair value through other comprehensive income” or “debt instruments measured at fair value through other comprehensive income” and are measured at fair value in accordance with IFRS 9. The market values result from the official quotations on the securities markets or, in the case of non-listed investments, from the application of suitable valuation methods. These valuation methods may include using recent comparable market transactions between knowledgeable, willing and independent parties, referring to the current fair value of another instrument that is substantially the same or to discounted cash flow methods.

In accordance with IFRS 9, the classification of financial assets at initial recognition depends on the contractual cash flows of the financial asset and the underlying business model for its management.

As equity instruments do not represent exclusively interest and principal on the outstanding nominal amount in terms of their cashflow characteristics, they are generally recognised in the income statement. Excluded in this in-stance are equity instruments not held for trading but rather for strategic purposes, for which the option for the sub-sequent measurement at fair value through other comprehensive income is irrevocably exercised upon initial recognition. The resulting unrealized gains and losses are recognised in other comprehensive income, taking deferred taxes into account. In the event of a future sale of these financial assets, the changes in fair value recognised directly in equity are not reclassified to the income statement. For McKesson Europe's other investments, this option is exercised individually for each financial instrument, so that subsequent measurement is either through profit or loss or at fair value through equity. Dividend payments are recognised in the income statement. Financial assets in this measurement category are not subject to the impairment requirements of IFRS 9, when the option is exercised.

For debt instruments that have cash flow characteristics that exclusively represent interest and principal on the outstanding nominal amount, either a subsequent measurement at amortised cost (business model “hold-to-collect”) or at fair value (business model “hold-to-collect and for sale”) is carried out based on the underlying business model. In the McKesson Europe Group, securities classified as "hold-to-collect and for sale" are classified as debt instruments measured at fair value through other comprehensive income.

Purchases and sales of financial assets and securities of all categories are accounted for on the settlement date.

Loans to investments and other loans are recognized as receivables from the company at amortised cost and classified to the category financial assets measured at amortised costs in accordance with IFRS 9. This categorization results from the fact that these are debt instruments, which have cash flow characteristics that represent exclusively interest and principal on the outstanding nominal amount and are based on the business model 'hold to collect'.

Investments in associates are accounted for using the equity method in accordance with IAS 28. Associates are entities over which McKesson Europe AG can exercise significant influence, but over which McKesson Europe AG does not have control. Based on the acquisition costs at the time of the acquisition of the shares, the respective shareholding book value is increased or decreased by any changes in the equity of the investment, regardless of their impact on profit or loss, that are attributable to McKesson Europe AG’s interest in the associate. If the share of McKesson Europe AG at the losses of an associated company is equal or exceeds the value of its share in equity, McKesson Europe AG does not recognize any further shares of losses. After the share of McKesson Europe AG is reduced to zero, additional losses are only considered to this amount and as recognized as liability to the extent that McKesson Europe AG has entered legal or factual obligations or made payments for the associated company. The goodwill included in the carrying amounts of the investments, determined in accordance with the policies applying to fully consolidated subsidiaries, is not subject to amortisation. An impairment test is carried out for the investment (including goodwill) if there are indications that the shares in associated companies are impaired. There is no listed market price for any of the investments accounted for using the equity method.

Raw materials, consumables and supplies, finished goods and **merchandise** are recognised at acquisition costs that are determined based on weighted average prices and the 'first-in-first-out' method. The retail method is also applied in the Retail Pharmacy business area. Pursuant to IAS 2, the positions are measured at the lower of cost or net realisable value (selling price less costs of completion and the estimated costs necessary to make the sale). This involves accounting for risks associated with holding and selling inventories by recognising valuation allowances.

Discontinued operations are a component of the Group's business whose operations and cash flows can be clearly separated from the rest of the Group and that are

- representing a separate, major line of business or geographical area
- part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations or
- a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon at disposal or as soon as the operation meets the criteria to be classified as held for sale, if earlier.

If a business unit is categorized as discontinued operations, the previous year's figures in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and the relevant sections in the notes to the consolidated financial statements are adjusted accordingly to present the discontinued operations separately from the continuing operations.

Intercompany transactions are eliminated in full from the consolidated financial results. The amounts reported for discontinued operations only include costs that are clearly identifiable as costs of the discontinued operation being disposed of and which will not continue to be recognised by the Group after disposal.

In fiscal 2020 the Board of McKesson Europe approved a transaction to contribute its German pharmaceutical wholesale business, GEHE Pharma Handel GmbH ('GEHE') into a newly formed joint venture established together with Alliance Healthcare Germany. McKesson Europe has a 30% share in the joint venture and the contribution of GEHE Pharma Handel GmbH was completed on November 1, 2020.

For further explanations please refer to the notes to the consolidated financial statements at (17).

Non-current assets held for sale and assets and liabilities of disposal groups and discontinued operations classified as held for sale are measured at the lower value of their carrying amount or fair value less costs to sell and are no longer depreciated or amortised if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This is assumed in particular when the sales are considered highly probable, and the responsible management level has decided on a plan for the sale. This usually requires approval from the Management Board and if certain thresholds are reached, also from the Supervisory Board. Further requirements are that the asset is available for immediate sale in its present condition, there must be an intention to sell the asset and a sale is expected within twelve months.

Receivables and **other assets**, with the exception of financial derivatives, are carried at amortised cost including transaction costs and, in accordance with IFRS 9, are classified as financial assets measured at amortised cost. A valuation allowance for expected credit losses must be immediately formed upon initial recognition and even before the actual occurrence of a loss event. The impairment test is divided into three levels, which differ in terms of the period under review, the risk allowance and the recognition of interest. The extent of the required impairment depends on the credit quality of the financial instrument. With regard to trade receivables, the simplified approach according to IFRS 9 is applied, in which the value adjustment is determined on the basis of the total maturity expected credit losses (‘ECL’). In the McKesson Europe Group, an impairment matrix is used, which is primarily based on the observed historical default rates and, if possible, adjusted by future-related estimates. Accordingly, all objectively identifiable risks are considered through appropriate value reductions. At each reporting date, the observed historical default rates are updated and changes in the forward-looking estimates are analysed. The trade receivables and other receivables are only allocated to level 3 (credit impaired) if they show a significant increase in default risk and an objective indication of impairment on the reporting date. The valuation allowances are recorded in a separate allowance account. Receivables are written off as soon as a receivable is defaulted on. Corresponding reinstatements are posted through profit or loss. Carrying amounts generally correspond with fair value. Receivables denominated in foreign currency are translated using the exchange rate prevailing at the end of the reporting period. Changes in value due to exchange rate fluctuations are recognized in the income statement.

Financial assets are derecognised if legal title to them has been transferred and all related risks and rewards of ownership have passed to the buyer. If all the risks and rewards incidental to ownership in the financial assets of the McKesson Europe Group are neither transferred nor retained, an assessment has to be made as to whether the group still has the power of disposal over the asset or not. If the McKesson Europe Group no longer holds the power of disposal over the financial asset, it is derecognised. If the McKesson Europe Group has retained the power of disposal over the financial asset, the asset is recognized at the amount at which a sustained engagement is retained in the asset.

Income tax receivables and **income tax liabilities** are measured at the amount expected to be received from or paid to the tax authorities.

Cash and **cash equivalents** contain liquid funds such as cash on hand, cheques and bank balances with a term to maturity of less than three months. They are recognised at nominal value. Foreign cash reserves have been valued using the rate at the end of the reporting period.

All **derivative financial instruments** (forward transactions) entered into within the McKesson Europe Group such as forward exchange contracts are used solely to hedge foreign currency exposures, interest exposures and the risks of price fluctuations inherent in our operating business and to reduce the related financing requirements. According to IFRS 9 these items are initially recognised at fair value in the statement of financial position and subsequently measured at their fair value at the end of the reporting period. Depending on the market value on the balance sheet date, derivative financial instruments are reported under receivables and other assets or under other liabilities.

Hedges are used to secure both the fair value of items in the statement of financial position and future cash flows. This also includes exchange rate hedges for planned purchases of merchandise within a twelve-month period.

Currency derivatives used as hedges of existing items in the statement of financial position are currently not subject to formal hedge accounting. Changes in the market value of these derivatives, which from an economic point of view represent effective hedges within the framework of the Group strategy, are recognised in profit or loss. These are offset by the changes in market value from the hedged underlying transactions.

Derivative financial instruments that are not included in an effective hedge within the meaning of IFRS 9 are recognised at fair value through profit or loss and classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss.

The market values of derivatives are determined on the basis of capital market data on the balance sheet date and suitable valuation methods such as the discounted cash flow method and recognised option pricing models. The calculation uses the market interest rates applicable for the respective remaining term of the derivatives.

Deferred tax assets and **liabilities** are deferred in accordance with IAS 12 using the balance sheet liability method. This involves recognising deferred taxes for all temporary differences between the carrying amounts recognised in the consolidated financial statements and the tax base of assets and liabilities as well as any deferred taxes arising from consolidation. Deferred tax liabilities are only not recorded for the retained earnings of domestic and foreign subsidiaries if they are expected to remain within the company in the long term. Deferred tax assets are recognised on unused tax losses at the amount at which the associated tax benefits are likely to be realised through future taxable profit and these can be reliably measured. The amount is based on tax planning taking into account the future tax strategy and any limitations on carrying forward tax losses. The calculation of deferred taxes is based on the tax rates valid in the countries concerned at the time they were recognized, or which had been enacted for future periods. A uniform tax rate of 31.02% is as in the previous year applied by the German companies; this is also used as the group tax rate. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Provisions for pensions and similar obligations are determined using the actuarial projected unit credit method in accordance with IAS 19. This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases. The net interest contained in the pension expense is reported under net interest income/loss.

Actuarial gains and losses (revaluations) are recognised directly in other comprehensive income when they arise. The revaluations recognised in other comprehensive income are part of retained earnings and are no longer recognised in the income statement.

The interest on defined benefit plans that are fully or partly funded by plan assets is calculated on the basis of the net assets or net liabilities of the plan. The same interest rate is used to calculate net interest result. If the benefit claims are covered by plan assets, a net amount is recognised from the fair value of the plan assets and the defined benefit obligations - adjusted for any effects of the asset ceiling.

Past service cost arises if an adjustment is made to the plan that has an impact on the benefit obligation arising from past service. Past service cost is recognised in the periods in which the adjustment is made to the plan. Consequently, there is no need to allocate past service cost to future periods.

When setting the discount rate, management refers to the interest rates of corporate bonds with top ratings in the country in question.

Pursuant to IAS 37, **other provisions** should be recorded if there is a constructive or legal obligation to a third party based on a past business transaction or event. The flow of economic benefits required to settle the obligation must be probable and reliably measurable. Provisions are measured at the amount needed to settle the obligation taking account of all discernible risks. The most likely amount is taken. Any reimbursement claims are not offset against provisions. If it is not possible to recognise a provision because one of the above criteria is not met, the obligation is disclosed under contingent liabilities. Provisions for onerous contracts are recognised if the contractual obligation are higher than the expected economic benefits. Provisions with a term of more than twelve months are discounted.

Restructuring provisions are only recognised when the company has issued a detailed formal plan for the restructuring and has raised a valid expectation in the employees affected that it will carry out the restructuring.

Share-based compensation programs are accounted for in accordance with IFRS 2. McKesson Europe applies equity-settled share-based payment transactions, where the intragroup transaction is linked to a repayment agreement. The costs resulting from the programs for the settlement of the benefits are accounted for across the expected vesting period. The expenses incurred are recognised as personnel expense. Beginning in fiscal 2021, new shares will no longer be issued. All Shares already issued, are continued until the end of the respective term.

Liabilities, except for derivative financial instruments, are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

The fair values of financial liabilities were determined using interest rates valid for the corresponding maturities and repayment schedules at the end of the reporting period.

All foreign currency liabilities including hedged positions are translated using the closing rate at the end of the reporting period. Any resulting changes in value are recognized in the income statement.

Current portions of originally non-current assets and liabilities with a remaining maturity of less than one year are generally reported under current items in the statement of financial position.

Financial guarantees issued by the Group are contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due under the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Contingent liabilities are current obligations resulting from past events, where an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be reliably estimated. Contingent liabilities are recognized at their fair value if they are acquired in a business combination and meet the recognition criteria of IFRS 3. Subsequent measurement is based on the obligation initially recognised. If the obligation has been extinguished – statute-barred, for example – the contingent liability is released. Contingent liabilities not assumed in the course of a business combination are not recognised but are disclosed. Contingent assets are not recognised.

Revenue in the Retail Pharmacy and Pharmaceutical Distribution business units mainly originates from the sale of merchandise and, to a lesser extent, from the provision of services and receipt of royalties. The contract with the customer generally relates to a confirmed purchase order, which is to be completed under the agreed terms or the general terms and conditions of the company. In the retail business, the contract is usually closed at the point of sale.

Revenue is recognised when control of the goods is transferred to the customer, provided that the amount of revenue can be reliably measured and it is likely that economic benefits will flow to the group. Service revenues are recognized when services are provided to the customer. For long-term service contracts, revenue is recognised on a straight-line basis over the term of the contract. Any deductions from sales such as returned goods, rebates, discounts allowed, and bonuses are deducted from gross revenue. The variable consideration is estimated at the most probable amount.

For the sale of goods, the customer obtains control at the point in time at which the goods are delivered. The transfer of control is not tied to the transfer of legal ownership. Deliveries of goods for which a return is expected on the basis of past experience are not recognised as revenue until the expiry of the return period, but as a refund liability together with an asset for the right to recover the goods.

If one party to the contract has fulfilled its performance obligation but the other has not, the contract is recognised in the statement of financial position as either a contract liability or a contract asset, whereby an unconditional right to payment is recognised separately as a trade receivable. As we usually fulfill our obligation to deliver goods or provide services first, which results in an unconditional right to receive payment, our contract balances are typically not material.

If McKesson Europe collects amounts as intermediary on behalf of third parties, these do not represent revenue, as they represent no inflow in economic value for the company. The proceeds from such business transactions are not accounted for as revenue only the remuneration the arranging the transaction is considered as revenue. McKesson Europe is considered to be the principal, if the company has the ability to direct the use of the goods or services prior to transfer to a customer, is responsible for fulfilling the promise to the customer, and also bears the significant opportunities and risks associated with the sale of goods or the provision of services. Only in those cases is revenue recorded gross.

Based on a practical expedient, the costs to obtain a contract are immediately recognized as expenses, because these would otherwise have to be depreciated over a period of less than a year and are not material. In addition, the transaction price is not adjusted for a significant financing component if the period between the provisions of the service and the payment by the customer does not exceed one year. Furthermore, the value of the unfulfilled performance obligations is not disclosed for contracts with an original expected term of up to one year and for contracts where revenue is recognised at the amount that may be contractually invoiced for services provided.

Income from sale-lease-back transactions, pursuant to the provisions of IFRS 16, is recognised provided that the transfer of the leased asset meets the generally accepted criteria of IFRS 15 to be accounted for as a sale. Income from the sale is recognized at the amount that relates to the rights transferred to the lessor. If the transaction is carried out under nonmarket conditions, adjustments are made. The remaining unrealisable profit is recorded as a reduction in the initial valuation of the right of use and depreciated through profit or loss over the term of the lease.

Operating expenses are recognised in profit or loss when a service is used or when the costs are incurred.

Interest is recognised as an expense or income in the period in which it arises, using the effective interest method, unless it is to be capitalised in accordance with IAS 23.

Dividends are generally recognised when the legal claim for payment arises.

Management estimates and judgements

The preparation of consolidated financial statements in accordance with IFRS requires that assumptions, judgements and estimates are made which have an effect on the carrying amount of assets and liabilities as well as on expenses and income.

Management's judgements

Judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies particularly relate to the following issues:

Allocation of Goodwill to Cash Generating Units

Principally the cash-generating units in the Pharmaceutical Distribution and Retail Pharmacy businesses are set according to the business sectors per country. In the previous year, two cash-generating units Metabolic Healthcare Holdings Ltd. (Great Britain) and an Italian pharmacy chain consisting of the legal units Pharmacoop S.p.A., Pharmacoop Lombardia S.r.L., Pharmacoop Adriatica S.p.A. and Finube S.p.A. (Italy) were added representing separate cash-generating units for a period of 12 months after the acquisition date until their complete integration. In the current fiscal year, Metabolic Healthcare Holdings Ltd. was integrated in the cash-generating unit Retail Pharmacy UK and the Italian pharmacy chain into the cash-generating unit Retail Pharmacy Italy. This year's transactions represent a re-allocation of the goodwill within the group.

Leasing

The term of a lease agreement is determined at the lease commencement date. Contractually agreed renewal and termination options are taken into account in the determination. Extension and termination options determine the lease term if the exercise is reasonably certain. The future exercise of a renewal or termination option is considered reasonably certain only if a decision to exercise it has already been made.

Management’s estimates

The key assumptions concerning the future and other key sources of uncertainty in estimates concern the following matters in particular, whereby the actual development may deviate from the assumptions in spite of diligent estimates.

Accounting for business combinations

Goodwill is recognised in the statement of financial position in the course of business combinations. Upon initial consolidation, all identifiable assets, liabilities and contingent liabilities are recognized at fair value. The fair values recognised represent a significant estimate. If intangible assets are identified, the fair value of the intangible asset is determined based on the nature of the asset using appropriate valuation methods. These measurements are closely associated with assumptions of management about the future development of the value of the asset and the discount rates used.

Please refer to the disclosures on business combinations starting on page➞ page 74.

Valuation of financial assets held for sale

The units classified as discontinued operations and disposal groups are measured at fair value less costs to sell. The fair value is determined on the basis of purchase agreements or preliminary purchase offers as well as common business valuation models (discounted cash flow method).

In fiscal 2020, the Management Board of McKesson Europe approved a transaction whereby its German pharmaceutical wholesale business, GEHE Pharma Handel GmbH, would be contributed to a new joint venture established together with Alliance Healthcare Germany in which McKesson Europe would have a 30% ownership interest. The contribution was completed with effect from 1 November 2020. The following material subsidiaries of McKesson Europe were contributed to the newly founded joint venture: ABG Apotheken-Beratungsgesellschaft mbH, GEHE Pharma Handel GmbH, GEHE Immobilien GmbH & Co. KG, GEHE Immobilien Verwaltungs-GmbH, Matis Immobilien OHG and Ancavion GmbH.

The 30 % interest in the joint venture, Alliance Healthcare Deutschland GmbH, is accounted for using the equity method and was recognised at fair value at closing of the transaction. The fair value as of 1 November 2020 was determined on the basis of updated planning data at the time the transaction was concluded.

The information regarding the transaction and deconsolidation of GEHE Pharma Handel GmbH, classified as discontinued operations during the reporting period, can be found in the section 'Disposal groups and discontinued operations'.

Impairment of goodwill

Goodwill amounts to EUR 612.3m as of March 31, 2021 (previous year EUR 653.6m). The annual impairment test is based to a large extent on future-related assumptions. Based on past development and expectations regarding future market development, management's plans for a period of five years are taken as a basis for the impairment test; restructuring measures to which the Group has not yet committed, and capital expenditure that will increase the profitability of the cash-generating unit tested are not included in the value in use. Significant planning assumptions relate to revenue growth, discount rate, as well as growth rates after the detail planning period that can be allocated to the individual cash-generating units.

Furthermore, the expected impact of government measures in the health care sector are particularly relevant. The assessment of the cash flows from new business activities, on which the recoverable amount is based, is particularly reliant on management estimates of the future development of these market segments. In these cases, historical information is available to a limited extent only. Moreover, unforeseen government measures could have a negative impact on future revenue and cash flows of Pharmaceutical Distribution and Retail Pharmacy. If demand for these products and services does not develop as expected, or if unexpected government measures are introduced, this could reduce income and cash flows and possibly lead to recognition of an impairment loss. These premises as well as the underlying calculation model can have considerable impact on the respective values and thus on the amount of a possible goodwill impairment.

As the Pharmaceutical Distribution and Retail Pharmacy business segments are exposed to different operating risks, an individual peer group (previous year: a uniform peer group) was used to derive the total capital costs for each of the two business segments in the 2021 financial year. This is a change in the estimates of management, which must be done prospectively and does not lead to any retrospective adjustment of the comparative period. A retrospective adjustment would also not have had any significant impact on the results of the impairment test carried out in the 2020 financial year.

Trade receivables and other receivables

The allowance for bad debts totaling EUR 48.6m (previous year EUR 47.9m) is based to a large extent on estimates and judgements. An impairment test is carried out on each reporting date to measure the expected credit losses. In addition to historical information in the form of overdue maturity analyses and resulting default rates, current and, if possible, suitable and reliable forward-looking information and estimates are also taken into account. If payment patterns and overdue structures as well as corresponding assessments and estimates change, this will affect the amount of the value allowances to be made and affect the consolidated net income. For further information, see the notes to the consolidated financial statements under (18).

In the 2021 financial year - as in the previous year -it was necessary to assess trade receivables with regard to a possible significant increase in credit default risk given the COVID-19 pandemic environment. In line with the provisions of IFRS 9, both the assessment of a significant increase and the calculation of expected credit losses should be based on reasonable and reliable information, which is available to the company without undue cost or effort and has a material impact on the impairment loss.

As of the reporting date, McKesson Europe had no reasonable and reliable indication to state with sufficient certainty that the COVID-19 pandemic led to a significantly increased probability of credit losses from trade receivables. The assessment considered both the impact of the pandemic and any government support measures. For this reason, no adjustment of historical default rates as a result of the impact of the COVID-19 pandemic was made when determining expected credit losses. Where necessary, such forecasts were considered on a country-specific basis and as a subsequent adjustment to the values determined by the expected loss calculation.

Pension benefits

The cost of defined benefit post-employment plans and the fair value of the defined benefit obligation of EUR 519.7m (previous year EUR 483.3m) are determined using actuarial calculations. Actuarial calculations involve making assumptions about discount rates, future wage and salary increases, the mortality rate and future pension increases. All assumptions are reviewed at each reporting date. When determining the appropriate discount rate, management uses the interest rates of first-class corporate bonds in each country. Moreover, McKesson Europe conducts sensitivity analyses for the corresponding parameters and their impact on the present benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary and pension increases are based on expected future inflation rates for the respective country. For further explanations please refer to note (21).

Provisions

When measuring provisions, particularly those relating to property, litigation and tax risks, potential losses and restructuring measures, assumptions and estimates play an important role in assessing the probability of utilisation, the obligation amount and the interest rates used for non-current provisions. The measurement is made on the basis of past experience and future price increases. McKesson Europe recognises provisions for current litigation if it is more likely than not that an obligation will arise that will lead to an outflow of resources embodying economic benefits and these can be reliably measured. McKesson Europe assesses the status of current litigation at regular intervals, also with the involvement of external lawyers. The assessment may change as new information becomes available, making it necessary to adjust the provision for litigation to reflect new developments. Upon conclusion of the litigation, expenses may arise for McKesson Europe AG which exceed the amount provided for. For further explanations please refer to note (22).

Contingent Liabilities

Contingent liabilities can arise among other reasons from legal and tax law risks. McKesson Europe assesses these risks regularly and performs the estimation required for accounting judgements, with the involvement of external lawyers. These assessments may change as a result of new information, so that it may be necessary to form or adjust a provision in accordance with IAS 37 or to disclose contingent liabilities that do not have to be recognised as liabilities in the notes. In the case of changes in estimates or claims for such risks, McKesson Europe may incur expenses that exceed the previously recognised provision.

For further information please refer to note (26).

Deferred taxes

The measurement of deferred tax assets and liabilities requires management to make certain assumptions and estimates. In addition to the interpretation of the tax legislation applicable to the respective taxpayer, the calculation of deferred tax assets on temporary differences and unused tax losses involves assessing the extent to which future taxable income will become available and how tax strategies will be implemented to exploit loss carryforwards. For more information, please refer to note (15).

Contingent considerations from business combination

The measurement of contingent consideration from business combinations requires management to make assumptions and estimates. Measurement is based on management planning, if available. Disclosure of the possible range of contingent consideration usually assumes a hypothetical increase or decrease in the relevant underlying earnings or other performance indicators. Please refer to the disclosures on business combinations starting on page 74.

All assumptions and estimates are based on circumstances prevailing at the end of the reporting period. Future events and changes in conditions may cause the actual amounts to differ from the estimated values. In such cases, the assumptions and, if necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly. At the time of preparing the consolidated financial statements, no significant changes in the underlying assumptions and estimates are expected. Based on the information available today, no significant adjustment to the carrying amounts of the assets and liabilities disclosed in the consolidated financial statements is expected.

Effects of the COVID-19 pandemic on the consolidated financial statements

The COVID-19 pandemic did not lead to material uncertainties for McKesson Europe and had limited impact on the financial result. Due to the COVID-19 pandemic McKesson Europe was not granted extensive rent concessions, therefore the IFRS 16 practical expedient had no material impact.

In 2021 the Group received in different countries governmental grants for mitigation of the financial impacts of the COVID-19 pandemic. Those are described in the respective chapters.

Consolidated Group

The consolidated group comprises 222 (previous year 258) fully consolidated domestic and foreign companies. This includes one (previous year three) special purpose entity that is included due to the regulation in the 'IFRS 10 - Consolidated Financial Statements', although a majority of the voting rights is not held. The purpose of these companies is generally to lease properties. As of 31 March 2021, there were no entities consolidated on the basis of potential voting rights (previous year none) over shares not held by McKesson Europe, although there is no actual voting majority, as in the previous year.

Compared to the previous year, the consolidated group developed as follows:

	Number
As of 04/01/2020	**258**
Acquisition of shares	3
Formations/First Consolidation	0
Mergers with other group entities	–6
Disposals	–13
Liquidation	–16
Others	–5
As of 03/31/2021	**222**
Of which domestic entities	*8*
Of which foreign entities	*213*

In 2021, in connection with the establishment of a new joint venture between Walgreens Boots Alliance and McKesson, ten units and thus the entire German pharmaceutical wholesale business, GEHE Pharma Handel GmbH and subsidiaries were contributed for a 30% interest in the joint venture. The contribution includes the following material units of McKesson Europe: ABG Apotheken-Beratungsgesellschaft mbH, GEHE Pharma Handel GmbH, GEHE Immobilien GmbH & Co. KG, GEHE Immobilien Verwaltungs-GmbH, Matis Immobilien OHG, as well as Ancavion GmbH. Further information can be found in note (17) "Disposal groups and discontinued operations".

Furthermore, in fiscal 2021, sixteen (previous year one) group entities were liquidated. In the consolidated financial statements 61 (previous year 63) associates are accounted for using the equity method.

Two companies (previous year one) are jointly managed with other partners.

Some entities have a reporting date that differs from that of McKesson Europe AG. This is shown in the list of shareholdings (page 135) in the footnotes.

The following table shows the ten material subsidiaries that are directly or indirectly controlled by McKesson Europe AG:

Name	Domicile
OCP Répartition S.A.	Saint Ouen, France
AAH PHARMACEUTICALS LIMITED	Coventry, United Kingdom
Lloyds Pharmacy Limited	Coventry, United Kingdom
Lloyds Pharmacy Clinical Homecare Limited	Coventry, United Kingdom
Herba Chemosan Apotheker-AG	Vienna, Austria
Pharma Belgium S.A.	Brussels, Belgium
OCP Portugal, Produtos Farmaceuticos, S.A.	Maia, Portugal
Tjellesen Max Jenne A / S	Rodovre, Denmark
Kemofarmacija d.d.	Ljubljana, Slovenia
FARMALVARION S.R.L. SOCIO UNICO.	Bentivoglio, Italy

Business Combinations and disposals in 2021

Business Combinations

McKesson acquired the following shares within the Retail Pharmacy business unit in the fiscal year 2021 in Italy and Belgium:

- 100% of the Farmacia Ponte della Ranocchia S.r.L. with headquarters in Rome, Italy
- 30% of the already 70% held Farmacia Garbatella I S.r.L., with headquarters in Rome, Italy
- 49% of the already 51% held Alphar Gilly DL SA, a holding company of Dix BullesPharma SPRL, with headquarters in Belgium.

All of these pharmacy acquisitions are fully consolidated and McKesson Europe holds 100% of the voting shares. The Farmacia Garbatella I S.r.L. had already been consolidated in fiscal 2020. Alphar Gilly DL SA was previously accounted for using the equity method.

The recognized amounts for the identifiable assets and liabilities acquired in fiscal 2021 are reported in the following table:

EUR m	Total
Fair value of assets and liabilities acquired	
Total assets	**3.9**
Intangible assets	2.0
Property, plant and equipment	0.2
Right-of-use assets	0.8
Deferred tax assets	0.2
Inventories	0.2
Cash and cash equivalents	0.1
Other assets	0.4
Total liabilities	**–2.4**
Financial liabilities	–1.1
Deferred tax liabilities	–0.8
Trade payables	–0.3
Other liabilities	–0.2
Goodwill	**1.4**
Non-controlling interests	**0.0**
Consideration transferred	**2.9**
Purchase price payment	2.8
Purchase price liability	0.0
Contingent consideration	–0.1
Shares previously recognised using the equity method	0.0
Revaluation of shares previously recognised using the equity method	0.0
Cash and cash equivalents acquired	0.1
Cash purchase price	**2.7**

At the time of the completion of these consolidated financial statement the required market valuation and other calculations for the accounting of business combinations in fiscal 2021 had been substantially completed. The included values are nevertheless based on provisional calculations, which may be finally adjusted in the course of the measurement period of a maximum of one year. No shares had been issued for the settlement of purchase price liabilities.

Acquisition costs amounted to EUR 0.1m. For all transactions, the fair value of the acquired receivables amounts to EUR 0.4m in total. This includes trade receivables of EUR 0.0m. The gross value of the acquired receivables corresponds to the fair value of the acquired receivables. None of the gross receivables acquired are expected to be uncollectible.

The resulting goodwill of EUR 1.4m mainly represents the synergy effects expected with the respective acquisitions as well as the value of the experience of the employees taken over, which is expected to be achieved by bringing the operating businesses into the McKesson Europe Group. The goodwill is not tax deductible. The application of the optional so-called "concentration test" was waived in the preparation of this annual report.

Revenue and net profit were attributable to the entities acquired in the 2021 fiscal year in the following amounts:

EUR m	Total
Profit after taxes from acquisition date to end of reporting period	0.1
Revenue from acquisition date to end of reporting period	1.3
Profit after taxes in the reporting period	0.2
Revenue in the reporting period	1.8

The following table shows the final amounts of identifiable assets and liabilities acquired within the acquisition of the Farmacia Garbatella with headquarters in Rome, Garbatella:

EUR m	Total
Fair value of assets and liabilities acquired	
Total assets	**5.0**
Intangible assets	3.3
Right-of-use assets	1.0
Deferred tax assets	0.3
Inventories	0.3
Trade receivables	0.1
Total liabilities	**–5.0**
Financial liabilities	–1.0
Deferred tax liabilities	–1.2
Trade payables	–0.7
Other liabilities	–2.1
Goodwill	**1.9**
Equity	**–1.9**

The following table shows the adjustments made in fiscal 2021 to the identifiable assets and liabilities acquired for the acquisition of Farmacia Garbatella, which was fully consolidated for the first time in fiscal 2020, in accordance with IFRS 3 during the one-year measurement period:

EUR m	Total
Fair value of assets and liabilities acquired	
Total assets	**1,9**
Intangible assets	0,7
Property, plant and equipment	-0,1
Right-of-use assets	1,0
Deferred tax assets	0,3
Inventories	0,3
Trade receivables	0,1
Zahlungsmittel und -äquivalente	-0,3
Übrige Aktiva	-0,1
Total liabilities	**-1,5**
Financial liabilities	-1,0
Deferred tax liabilities	-0,5
Trade payables	-0,6
Other liabilities	0,6
Goodwill	**0,4**
Equity	**-0,8**

Changes in contingent consideration

Contingent considerations remained constant due to offsetting changes in fiscal 2021.

A repayment of contingent contributions for acquisitions in Austria (Menges Medizintechnik) and Belgium (Zoerle Pharma NV) in an amount of EUR 0.5m was made.

Within the agreement on the contingent contribution of the PHR group, the corporation is obligated to pay EUR 0.5m within fiscal 2022 due to the achievement of defined performance objectives in fiscal 2021.

Disposals

On December 11, 2019, Walgreens Boots Alliance and McKesson agreed to establish a joint venture whereby both entities would contribute their German pharmaceutical wholesale businesses, Alliance Healthcare Deutschland GmbH and GEHE Pharma Handel GmbH. The transaction was completed on 1 November 2020 with WBA holding a 70% controlling share of the joint venture and McKesson holding a 30% ownership share. McKesson Europe accounts for its 30% share in the Alliance Healthcare Deutschland GmbH joint venture using the equity method.

Information on the GEHE Pharma Handel GmbH contribution into the joint venture and resulting deconsolidation requiring classification as discontinued operations can be found in the section 'Disposal groups and discontinued operations'.

In fiscal year 2021, 59 retail pharmacies in the United Kingdom were sold as part of a portfolio streamlining. These sales were in form of asset deals. Proceeds amounted to EUR 17.0m and transaction costs of EUR 1.5m were incurred. The gain on disposal amounted to EUR 15.5m.

Notes to the group income statement

Non-recurring expenses in the consolidated income statement

In fiscal year 2021, non-recurring effects amounting to EUR 127.6m were included in earnings. This included an impairment of long-term assets of EUR 40.8m, mainly in the United Kingdom and primarily driven by restructuring measures and exit activities. Other one-time expenses in the amount of EUR 47.4 m were related to restructuring measures, mainly for severance payments in France and the United Kingdom. In addition, there were goodwill impairments of EUR 54.6m in United Kingdom and Ireland. Furthermore, EUR 6.0m non-recurring expenses relate to the termination of existing operational relationships with companies that have been disposed within this fiscal year as well as the integration of newly acquired companies, which mainly relate to business acquisitions from previous years. These expenses are offset by EUR 19.7m gains, primarily from the sale of pharmacies in the United Kingdom.

In fiscal year 2020, non-recurring effects amounting to EUR 104.9m were included in earnings. These were due to EUR 13.3m of unscheduled write-downs mainly on assets in Belgium and Ireland as well as EUR 97.4m of write-downs on goodwill, mainly in France. In addition, EUR 8.8m related to the integration of new companies. In contrast, EUR 11.8m was generated, mainly from the sale of pharmacies in the United Kingdom. Furthermore, additional income in the amount of EUR 2.7m was generated from the release of restructuring measures, primarily in the United Kingdom.

(1) Revenue

The breakdown of revenue by business unit and country is part of segment reporting. The revenue generated by the group consists of EUR 14,863.2m (previous year EUR 15,456.9m) through sales of commercial goods and EUR 1,884.9m (previous year EUR 1,660.7m) regarding services rendered.

In the revenues included are EUR 10.1m from government grants due to the COVID-19 pandemic.

(2) Other income

EUR m	2020	2021
Net gain on the disposal of non-current non-financial assets	17.7	17.2
Income from bad debts collected	1.9	1.2
Income from rent and lease agreements	7.8	8.3
Sundry income	68.1	122.8
Total	**95.5**	**149.5**

Sundry income includes income from transactions that are not part of the core business of McKesson Europe Group. As in the previous fiscal year, this included net gains on the disposal of non-current, non-financial assets, which in this fiscal year mainly resulted from the sale of pharmacies in the United Kingdom and the sale of a warehouse in Italy. On May 15, 2020, McKesson Europe AG sold to McKesson Strategic Services Limited London, United Kingdom intellectual property rights and related intangible assets associated with the European Pharmacy Network. The sales price in the amount of EUR 54m is reflected in sundry income, this one time effect results in a significant increase in sundry income compared to previous year. In the previous year, these gains primarily resulted from the sales of pharmacies in the United Kingdom and the sales of warehouses in Belgium and Denmark.

Income from derecognized receivables includes income from cash-in for receivables which were written down in previous periods.

In addition, earnings from the rental of buildings are included in other income, thereof EUR 7.5m (previous year EUR 7.0m) result from subleases.

Sundry income includes income from internal cost allocations to related companies in the amount of EUR 14.5m (previous year EUR 16.1m). This includes EUR 6.8m (previous year EUR 10.1m). The nature of this income varied in different countries - for example, in Denmark a fixed amount was given to wholesalers for keeping safety stock.

Capitalized assets are included in other income from IT projects in the amount of EUR 5.7m (previous year EUR 6.1m). Income from financial services was generated in the amount of EUR 1.8m (previous year EUR 3.1m). Other income also includes EUR 2.2m (previous year EUR 2.8m) from personnel services for McKesson.

(3) Other expenses

EUR m	2020	2021
Building expenses	–94.7	–69.6
Transportation costs	–145.9	–137.9
IT and communication expenses	–122.5	–131.7
Promotion and advertising expenses	–42.6	–46.3
Legal-, consulting and audit expenses	–34.1	–30.8
Travel expenses	–12.0	–3.4
Third-party personnel services	–11.8	–8.5
Office Supplies	–11.2	–11.2
Repair and Maintenance	–10.4	–10.8
Sundry expenses	–55.5	–90.2
Total	**–540.8**	**–540.4**

Building expenses, transportation costs and sundry expenses include short-term lease expenses of EUR 3.0m (previous year EUR 0.9m), low value asset leases of EUR 0.7m (previous year EUR 0.1m) and expenses from variable leasing payments that are not considered in the assessment of the lease liability in the amount of EUR 11.0m (previous year EUR 19.6m). The variable leasing payments were reduced in the fiscal year 2021 by rent concessions in the amount of EUR 1.5m. The rent concessions are derived from short-term discounts on leasing relationships caused by the COVID-19 pandemic.

In this fiscal year, the travel expenses are EUR 3.4m (previous year EUR 12.0m) and have decreased compared to the previous year by EUR 8.6m. This is the result of the travel restrictions by the COVID-19 pandemic.

The third-party personnel services include essentially expenses for recruiting as well as staff training.

The sundry expenses are essentially general costs for administration and sales, for example expenses for other taxes and fees. The other expenses include costs for membership fees in the amount of EUR 5.4m (previous year EUR 6.1m) and expenses for the security of land and buildings in the amount of EUR 6.2m (previous year EUR 6.5m). In the past reporting year, costs for development of software in the amount of EUR 4.6m (previous year EUR 4.2m) were recognized in the other operating expenses, because the activation requirements according to IAS 38 had not been met. Also, in the other expenses included are expenses for conferences, seminars and meetings in the amount of EUR 0.7m (previous year EUR 4.3m). An essential amount of the reduction of expenses for conferences, seminars and meetings is owed to the consequences of the COVID-19 pandemic. Further, insurance costs in the amount of EUR 6.8m (previous year EUR 5.2m) are included in other expenses. In addition, the other expenses include bank fees in the amount of EUR 4.1m (previous year EUR 3.8m). Net worth tax in the amount of EUR 2.8m (previous year EUR 2.6m) and taxes not related to income in the amount of EUR 3.9m (previous year EUR 4.2m) are recognized in sundry expenses.

(4) Personnel expenses

EUR m	2020	2021
Wages and salaries	–863.0	–857.7
Social security	–139.9	–138.5
Personnel services	–107.0	–87.0
Post-employment expenses	–17.1	–21.6
Other personnel expenses	–7.3	–6.3
Total	**–1,134.3**	**–1,111.1**

Wages and salaries in the fiscal year include non-recurring effects in connection with the implementation of measures to improve efficiency and restructuring amounting to EUR 30.3m (previous year EUR 12.8m). The effects described were offset, among other things, by the fact that the number of employees on March 31, 2021 was 27,618, which is a decrease of 2,061 compared to March 31, 2020 (29,679). Additionally, the wages and salaries include one-time payments received from the public sector, triggered by the COVID-19 pandemic. These reduce the expenses shown by approx. EUR 7.3m. Essentially, payments were made in France and the United Kingdom. In this case, it was possible that, if McKesson Europe continued to make payments, part of the personnel expenses incurred could be reimbursed by the public sector.

Personnel services primarily consist of expenses for freelance locum pharmacists used to fill in for absent employees at McKesson Europe pharmacies, and for external field-service employees in the business division Pharmaceutical Distribution.

The income from the release of provisions for obligation towards personnel in the amount of EUR 4.7m (previous year EUR 5.0m) was offset against personnel expenses.

The share-based compensation programs applied in the McKesson Europe Group are set-up by McKesson Corporation and intended for respectively determined classes of beneficiaries with McKesson Europe. Depending on the design, different vesting periods apply. Shares of McKesson Corporation are granted within the following programs:

The Performance Restricted Stock Unit (PeRSU) program is a share-based compensation plan for a selected group of beneficiaries of McKesson Europe top management. After a one-year performance period, the respective PeRSU target values are adjusted based on the financial and personal target achievements and specified as Restricted Stock Units (RSU). Participants will have access to the shares after a subsequent vesting period of 3 years.

Since the fiscal year 2020, the so-called Performance Stock Units (PSU) are issued. These are vested after a three-year Performance Period based on the financial target achievement.

Next to this, there are 2021 Incentive Plan RSUs within McKesson. The term is 3 years in total and the participants can access the shares to a third respectively after one year. All RSUs are vested by May 31, 2021.

Furthermore, since fiscal year 2020 RSUs are issued within another program, which also have a term of three years and the participants can access the shares after one year to a third. The first two-thirds of the RSUs are vested by end of May 2021.

From the fiscal year 2021, no new shares are issued. All share-based compensation plans issued are continued as usual until the end of the respective term.

The expenses for equity-settled share-based compensations for the fiscal year 2021 amount to EUR 2.9m (previous year EUR 3.3m). Personnel costs are calculated as product of the number of shares pending for allocation and expectedly exercisable and the market price of the shares of the McKesson Corporation from the start of the required service period. The representation in equity is carried out reduced by the payment in the same amount, that is made by McKesson Europe to McKesson Corporation after invoicing. The expenses resulting from the programs or rather debts for the payment of these services are accounted for over the expected vesting period of 3 or 4 years.

(5) Depreciation, amortisation and impairment

EUR m	2020	2021
Depreciation on property, plant and equipment	–61.0	–60.0
Depreciation on right of use assets	–88.4	–88.5
Amortisation of intangible assets	–40.8	–40.7
Impairment losses recorded on property, plant and equipment, and right-of-use assets	–12.9	–34.8
Impairment losses recorded on intangible assets	–99.4	–60.6
Total	**–302.5**	**–284.6**

In the fiscal year 2021, unscheduled impairment losses were recorded on property, plant and equipment and rights of use in the amount of EUR 34.8m (previous year EUR 12.9m). Of such losses, EUR 9.5m are operating and business equipment in the United Kingdom and Ireland, EUR 9.5m are rights of use in the United Kingdom, Belgium, and Ireland, EUR 6.7m are technical plants and machinery in the United Kingdom and Belgium, EUR 6.3m buildings and properties in the United Kingdom and Ireland, as well as EUR 2.8m IT equipment. Other information can be found in the sections (12) and (13).

Furthermore, unscheduled impairment on intangible assets were recognised in the amount of EUR 60.6m in 2021 (previous year EUR 99,4m). These essentially consist of impairment losses on goodwill in Ireland and the United Kingdom in the amount of EUR 54.6m, as well as of impairment of other intangible assets (customer base) in the United Kingdom in the amount of EUR 3.7m, as well as IT software in the United Kingdom in the amount of EUR 2.3m.

The unscheduled impairment losses on the goodwill can be summarized as follows.

	Impairment	Impairment
EUR m	**2020**	**2021**
Retail Pharmacy Ireland	2.5	21.3
Pharmaceutical Distribution UK	0.7	33.3
Pharmaceutical Distribution France	94.2	0.0
Total	**97.4**	**54.6**

More information on impairment of intangible assets can be found in section (11).

(6) Investment result

EUR m	2020	2021	Dev.	Dev. %
Result from associates accounted for using the equity method	29.4	30.2	0.8	2.7
Result from other investments	–6.3	0.0	6.3	–100.0
Total	**23.1**	**30.2**	**7.1**	**30.7**

The increase in the result from investments accounted for using the at equity method are driven from an increase in profits of the Dutch investment in Brocacef Holding N.V. and other pharmacy investments in Europe.

(7) Financial result

EUR m	2020	2021
Interest and similar expenses	−47.3	−27.0
Of which received from affiliates	−25.6	−15.7
Of which lease liabilities	−9.0	−7.8
Of which for pensions	−2.2	−1.9
Interest and similar income	3.1	0.8
Of which received from affiliates	2.0	0.3
Other financial result	0.2	−0.4
Total	**−44.0**	**−26.6**

Interest and similar expenses include EUR 25.8m (previous year EUR 42.0m) of total interest expense, for financial liabilities which are not measured at fair value through profit and loss. The reduction of interest expenses results mainly from the repayment of a loan that was issued by a McKesson US Group company that is not consolidated within McKesson Europe.

The interest portion of lease agreements is included in interest and similar expenses.

The net interest portion contained in the additions to pension provisions is recognized under interest expenses.

The interest and similar income item contains total interest income of EUR 0.8m (previous year EUR 3.1m) for financial assets not measured at fair value through profit or loss.

The item other financial result includes changes in the fair value of derivatives used to hedge financial liabilities. Changes in the market value of derivative currency hedging contracts gave rise to expenses of EUR 0.4m (previous year EUR 1.0m). Furthermore, exchange rate gains in the amount of EUR 4.2m (previous year EUR 3.9m) and exchange rate losses in the amount of EUR 4.2m (previous year EUR 2.9m) are included.

(8) Income taxes

EUR m	2020	2021
Current taxes	40.5	30.7
Deferred tax	−3.9	-3.8
Income taxes	**36.6**	**26.9**

Tax expenses comprise income tax at foreign and German entities as well as deferred taxes. Other taxes (property tax, vehicle tax and VAT) are included in other expenses.

The deferred tax income of EUR -3.8m (previous year credit of EUR -3.9m) resulted mainly from the movement in temporary differences relating to provisions and IFRS 16 leases. No deferred tax liabilities are recorded for the retained earnings of domestic and foreign subsidiaries if the profits are expected to remain within the company in the long term.

At the end of the reporting period, there were unused tax losses of EUR 542.7m (previous year EUR 535.0m), which from a current perspective are unlikely to be utilised. Of this amount, EUR 215.0m is attributable to corporate taxes and EUR 178.1m to business taxes on losses carried forward in Germany, which results from the period before the founding of the tax unit on January 1, 2015. It has not been possible to utilise those losses carried forward since the tax unit came into existence. Consequently, no deferred taxes have been recognised.

Of the total tax losses carried forward an amount of EUR 542.7m can be carried forward indefinitely.

Deferred taxes of EUR 2.5m (previous year EUR 0.9m) on unused tax losses of EUR 10.0m (previous year EUR 3.7m) were capitalised.

In the reporting period, EUR 0.0m (previous year EUR 9.1m) in deferred tax assets on unused loss carryforwards were written down.

Income taxes include tax income from other periods of EUR 1.9m (previous year EUR 5.1m tax income)..

The table below shows a reconciliation of the differences between the income taxes reported in the income statement and the theoretical tax expenses arising from applying the tax rate of McKesson Europe to the Group's profit before tax.

	2020		2021	
	EUR m	**%**	**EUR m**	**%**
Profit before taxes	–29.5	100.0	27.8	100.0
Expected income tax expense	**–9.0**	**30.7**	**8.6**	**31.0**
Effect of differing national tax rates	–1.6	5.3	7.3	26.5
Tax from previous periods	–1.9	6.5	– 2.0	– 7.2
Tax effect of non-deductible expenses and tax-exempt income	7.5	–25.5	7.2	25.8
Impact of changes to tax rates on deferred taxes	0.0	0.3	– 0.4	– 1.6
Non-recognition, adjustment or utilisation of tax losses	11.8	–39.8	1.8	6.4
Impact of amortisation of goodwill	32.4	–110.2	6.5	23.4
Deferred taxes on distributable earnings	0.3	–1.0	0.0	0.0
Other tax effects (i.e. tax unit)	–2.9	9.2	– 2.1	– 7.7
Income tax expense	**36.6**	**–124.5**	**26.9**	**96.6**

The effective tax rate is 96.6% for the reporting period compared to more than -100% in the 2020 fiscal year. The fiscal year 2021 tax rate is mainly driven by non-deductible goodwill impairments and the impact of differing national tax rates. Adjusted for the special effects mentioned above, the adjusted tax rate is 27.6% in fiscal year 2021 compared to 48.5% in fiscal year 2020. The movement in the adjusted tax rate is mainly due to the one-off effects mentioned above.

(9) Earnings per share from continuing operations

Earnings per share from continuing operations

	2020	2021
Profit/loss attributable to shareholders of McKesson Europe AG (EUR m)	–71.4	–2.5
Weighted number of no-par shares outstanding	203,220,932	203,220,932
Earnings per share – undiluted (EUR)	**–0.35**	**–0.01**

Earnings per share from discontinued operations

	2020	2021
Profit/loss attributable to shareholders of McKesson Europe AG (EUR m)	–177.2	–8.2
Weighted number of no-par shares outstanding	203,220,932	203,220,932
Earnings per share – undiluted (EUR)	**–0.87**	**–0.04**

The basic earnings per share from continuing operations is calculated by dividing the net profit from continuing operations attributable to shareholders of McKesson Europe AG by the weighted average number of shares outstanding during the fiscal year.

Diluted earnings per share equal undiluted earnings per share, as there are neither option rights from convertible bonds nor other options that could dilute earnings.

(10) Components of other comprehensive income

The line items of other comprehensive income after tax – including non-controlling interests – developed as follows:

	2020			2021		
	Before taxes	**Taxes**	**After taxes**	**before taxes**	**Taxes**	**After taxes**
EUR m						
Items that will not be recycled through profit or loss						
Revaluation of defined benefit pension plans	–3.2	0.2	–3.0	7.6	–8.7	–1.1
Items that may be subsequently recycled through profit or loss						
Foreign currency translation posted directly to other comprehensive income	**0.2**	**0.0**	**0.2**	**–4.2**	**0.0**	**–4.2**
Exchange differences	0.2	0.0	0.2	–4.2	0.0	–4.2
Other comprehensive income	**–3.0**	**0.2**	**–2.8**	**3.4**	**–8.7**	**–5.3**

Notes to the group statement of financial position

(11) Intangible assets

	2020					2021				
	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account and development costs[1]	Total	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account and development costs[2]	Total
EUR m										
Accumulated historical costs at the beginning of the fiscal year	**339.8**	**2,408.8**	**150.1**	**43.0**	**2,941.7**	**332.4**	**2,406.6**	**198.5**	**85.0**	**3,022.5**
Foreign currency translation differences	−2.6	−47.0	−1.4	−0.7	−51.7	3.9	63.5	2.4	2.2	72.0
Additions to the consolidated group	0.0	51.8	50.2	0.0	102.0	0.0	1.8	2.7	0.0	4.5
Additions	7.4	0.0	1.0	50.2	58.6	7.5	0.0	0.6	54.3	62.4
Reclassifications	5.4	0.0	−0.1	−5.3	0.0	18.6	0.0	−0.1	−14.7	3.8
Disposals	−3.0	0.0	−1.1	−0.3	−4.4	−11.7	0.0	0.0	0.0	−11.7
Disposals from the consolidated group	0.0	0.0	−0.2	0.0	−0.2	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	−14.6	−7.0	0.0	−1.9	−23.5	−3.5	0.0	−0.1	0.1	−3.5
Status at the end of the fiscal year	**332.4**	**2,406.6**	**198.5**	**85.0**	**3,022.5**	**347.2**	**2,471.9**	**204.0**	**126.9**	**3,150.0**
Accumulated amortisation and impairment at the beginning of the fiscal year	**260.6**	**1,700.7**	**55.1**	**23.6**	**2,040.0**	**266.7**	**1,753.0**	**71.5**	**22.5**	**2,113.7**
Foreign currency translation differences	−1.9	−38.1	−0.8	0.0	−40.8	1.0	52.0	2.1	0.7	55.8
Additions	24.4	97.4	18.4	0.0	140.2	22.0	0.0	18.7	0.0	40.7
Impariment losses[3]	0.0	0.0	0.0	0.0	0.0	2.4	54.6	3.6	0.0	60.6
Reclassifications	−0.1	0.0	0.1	0.0	0.0	3.7	0.0	0.0	0.0	3.7
Disposals	−2.7	0.0	−1.1	0.0	−3.8	−10.4	0.0	0.0	0.0	−10.4
Disposals from the consolidated group	0.0	0.0	−0.2	0.0	−0.2	−1.4	0.0	0.0	0.0	−1.4
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	−13.6	−7.0	0.0	−1.1	−21.7	−1.6	0.0	0.0	0.0	−1.6
Status at the end of the fiscal year	**266.7**	**1,753.0**	**71.5**	**22.5**	**2,113.7**	**282.4**	**1,859.6**	**95.9**	**23.2**	**2,261.1**
Carrying amount at the end of the fiscal year	**65.7**	**653.6**	**127.1**	**62.5**	**908.8**	**64.8**	**612.3**	**108.1**	**103.7**	**888.9**

[1] This position contains solely payments on account of EUR 8.2m and capitalized development costs of EUR 54.3m. In fiscal 2020, no impairments of internally generated assets were recorded.

[2] This position contains solely payments on account of EUR 4.3m and capitalized development costs of EUR 99.4m. In fiscal 2021, no impairments of internally generated assets were recorded.

[3] The separation between additions and impairments is included for the first time in the current financial year. In the previous year, additions and impairments were combined under additions.

Intangible assets impairments of EUR 60.6m (previous year 99,4m) have been recorded in fiscal year 2021. EUR 54.6m of this balance relates to goodwill, EUR 5.0m relates to customer lists and software which have been abandoned prior to the end of their useful lives in the context of restructuring measures, and EUR 1.0m relates to impairments recognized on underperforming retail pharmacies. For further details on the impairment testing approach, please refer to the section Accounting and Measurement Policies on Fixed Assets.Goodwill was assigned to the following cash generating units for the purpose of impairment testing. The following overview summarises the parameters of the annual impairment test for each cash generating unit that was used for the determination of the value in use and fair value less costs of disposal.

	Goodwill		WACC 1)		Growth rate after the detailed planning period 1)	
	31/03/2020 EUR m	**31/03/2021 EUR m**	**2020 %**	**2021 %**	**2020 %**	**2021 %**
Retail Pharmacy	**158.2**	**104.9**	**6.3-31.6**	**5.6-7.8**	**0.5**	**0.5**
Thereof Retail Pharmacy Belgium	51.4	51.7	7.9	5.9	0.5	0.5
Thereof Retail Pharmacy Ireland	21.3	0.0	7.2	5.6	0.5	0.5
Thereof Retail Pharmacy UK	33.9	0.0	6.3-31.6	6.3	0.5	0.5
Thereof Retail Pharmacy Italy	51.6	53.2	10.0	7.8	0.5	0.5
Pharmaceutical Distribution	**495.4**	**507.4**	**7.1-10.1**	**7.5-8.9**	**0.5**	**0.5**
Thereof Pharmaceutical Distribution UK	275.0	287.0	7.9	7.5	0.5	0.5
Thereof Pharmaceutical Distribution France	60.8	60.8	8.0	8.0	0.5	0.5
Thereof Pharmaceutical Distribution Austria	122.9	122.9	7.8	8.0	0.5	0.5
Thereof Other	36.7	36.7	7.1-10.1	8.0-8.9	0.5	0.5

1) Assumptions as of September 30, 2020.

McKesson Europe performed its annual impairment testing on the cash generating units to which goodwill has been assigned, as of October 1 of the current fiscal year. Additional testing for impairment was not necessary as of March 31, 2021 as there were no additional indications or evidence that goodwill may be impaired as of the reporting date. Until and including fiscal year 2020 the annual impairment test was performed in the fourth quarter of the fiscal year. The change in timing in fiscal year 2021 was made voluntarily to better align with the long-term planning cycle.

Generally, the recoverable amounts are determined by the value in use. For the cash generating units Retail Pharmacy Ireland und Retail Pharmacy UK the recoverable amounts were determined by the fair value less costs of disposal using fair value Level 3 inputs.

As a result of the annual impairment test, in fiscal year 2021 goodwill impairment losses of EUR 54.6m for the cash generating units Retails Pharmacy Ireland and Retail Pharmacy UK were recorded in the income statement, leading to the full write-down of the goodwill carrying values for both units. Further information on goodwill impairments in the comparative period is included in section (5) Depreciation, amortisation and impairment.

In the previous year, the United Kingdom cash generating unit Metabolic Healthcare Holdings Ltd. was tested for impairment separately from Retail Pharmacy UK, with a weighted average cost of capital (WACC) discount rate of 31.6%. In the current fiscal year, this entity was integrated into the cash generating unit Retail Pharmacy UK and tested for impairment on that level. As a result, it was subject to discounting with the corresponding WACC. Due to the generally lower profitability of this unit, including significant decreases in pharmacy compensation based on decisions of the UK government, the impairment test resulted in an immediate full goodwill impairment.

The goodwill impairment of the cash generating unit Retail Pharmacy Ireland resulted from a decrease in long-term profitability expectations. Goodwill had already been impaired in past reporting periods due to decreased profitability expectations in Ireland.

Further scenarios for the parameters used for impairment testing were analysed to verify the recoverable amount. Management considers the following scenarios to be possible:

- an increase in WACC by 1.0 percentage point
- a decrease of the growth rate after the detailed planning period of 5 years by 0.5 percentage points and
- a one-year delay of the planned revenue growth in the detailed planning period due to prevailing market uncertainties.

For all cash generating units changes in the parameters according to the above-mentioned scenarios do not lead to any changes in the previously determined need for impairment.

(12) Property, plant and equipment without right-of-use assets

	2020					2021				
	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures	Payments on account and assets under construction	Total
EUR m										
Accumulated historical costs at the beginning of the fiscal year	**672.8**	**375.5**	**470.6**	**20.0**	**1,538.9**	**516.7**	**319.0**	**403.3**	**28.8**	**1,267.8**
Foreign currency translation differences	–3.1	–3.0	–8.4	0.0	–14.5	5.2	4.7	11.4	0.0	21.3
Additions to the consolidated group	1.7	0.6	1.1	0.0	3.3	0.2	0.0	–0.1	0.0	0.1
Additions	24.3	24.5	15.1	20.8	84.7	16.5	10.7	8.2	7.2	42.6
Reclassifications	2.3	7.3	1.3	–11.0	0.0	11.0	20.5	2.8	–31.3	3.0
Disposals	–18.7	–14.6	–14.3	0.0	–47.6	–7.7	–4.1	–6.3	–0.4	–18.5
Disposals from the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	–162.6	–71.3	–62.1	–1.0	–297.0	–0.6	0.0	–4.3	0.5	–4.4
Status at the end of the fiscal year	**516.7**	**319.0**	**403.3**	**28.8**	**1,267.8**	**541.3**	**350.8**	**415.0**	**4.8**	**1,311.9**
Accumulated amortisation and impairment at the beginning of the fiscal year	**416.6**	**275.0**	**373.1**	**0.0**	**1,064.8**	**315.8**	**223.4**	**324.2**	**0.0**	**863.4**
Foreign currency translation differences	–1.6	–2.3	–6.5	0.0	–10.5	3.2	3.9	9.8	0.0	16.9
Additions	25.0	21.4	25.7	0.0	72.1	19.7	20.6	19.7	0.0	60.0
Impairment losses[1)]	0.0	0.0	0.0	0.0	0.0	6.3	6.7	12.3	0.0	25.3
Reclassifications	0.0	0.0	0.0	0.0	0.0	1.0	–0.2	0.0	0.0	0.8
Disposals	–7.0	–13.9	–14.0	0.0	–34.9	–7.4	–3.9	–5.5	0.0	–16.8
Disposals from the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	–117.2	–56.8	–54.1	0.0	–228.1	1.8	0.0	–3.2	0.0	–1.4
Status at the end of the fiscal year	**315.8**	**223.4**	**324.2**	**0.0**	**863.4**	**340.4**	**250.5**	**357.3**	**0.0**	**948.2**
Carrying amount at the end of the fiscal year	**200.9**	**95.6**	**79.1**	**28.8**	**404.4**	**200.9**	**100.3**	**57.7**	**4.8**	**363.7**

[1)] In the current fiscal year, a separation between Additions and Impairments was made for the first time. In the prior year, Additions and Impairments were summarised under the line item Additions.

Property, plant and equipment of EUR 12.4m which were pledged as collateral in fiscal year 2020 no longer exist in the current fiscal year due to the contribution of the subsidiary GEHE Pharma Handel GmbH into the Joint Venture Alliance Healthcare GmbH.

For property, plant and equipment impairments of EUR 25.3m have been recorded in fiscal year 2021. Thereof EUR 18.0m relate to land and buildings, plant and machinery, other equipment and furniture and fixtures, which have been abandoned prior to the end of their useful lives in the context of restructuring measures, and EUR 7.3m relate to impairments recognized on underperforming retail pharmacies. For further details on the impairment testing approach, please refer to the section Accounting and Measurement Policies on Fixed Assets.

(13) Right-of-use assets

	2020				2021			
	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total	Land, land rights and buildings	Plant and machinery	Other equipment, furniture and fixtures	Total
EUR m								
Accumulated historical costs at the beginning of the fiscal year	**603.8**	**3.0**	**79.3**	**686.1**	**632.2**	**3.1**	**84.4**	**719.7**
Foreign currency translation differences	3.2	0.0	–0.4	2.8	16.2	0.0	2.7	18.9
Additions to the consolidated group	6.8	0.0	0.0	6.8	2.5	0.0	0.0	2.5
Additions	43.0	0.1	9.3	52.4	51.1	0.0	11.2	62.3
Reclassifications	0.0	0.0	0.0	0.0	–2.9	0.0	0.0	–2.9
Disposals	–4.4	0.0	–1.2	–5.6	–30.8	0.0	–10.7	–41.5
Disposals from the consolidated group	0.0	0.0	0.0	0.0	–14.0	0.0	–2.8	–16.8
Reclassification to or from assets held for sale	–20.2	0.0	–2.6	–22.8	9.1	0.0	2.6	11.7
Status at the end of the fiscal year	**632.2**	**3.1**	**84.4**	**719.7**	**663.4**	**3.1**	**87.4**	**753.9**
Accumulated amortisation and impairment at the beginning of the fiscal year	**96.0**	**2.6**	**25.5**	**124.1**	**157.4**	**2.7**	**44.4**	**204.5**
Foreign currency translation differences	0.9	0.0	–0.6	0.3	6.8	0.0	2.1	8.9
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Additions	68.1	0.1	21.3	89.5	67.3	0.1	21.1	88.5
Impairment losses[1)]	6.1	0.0	0.0	6.1	9.5	0.0	0.0	9.5
Reclassifications	0.0	0.0	0.0	0.0	–0.9	0.0	0.0	–0.9
Disposals	–3.2	0.0	–1.2	–4.4	–11.4	0.0	–9.2	–20.6
Disposals from the consolidated group	0.0	0.0	0.0	0.0	–10.5	0.0	0.0	–10.5
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	–10.5	0.0	–0.6	–11.1	10.5	0.0	0.6	11.1
Status at the end of the fiscal year	**157.4**	**2.7**	**44.4**	**204.5**	**228.7**	**2.8**	**59.0**	**290.5**
Carrying amount at the end of the fiscal year	**474.8**	**0.4**	**40.0**	**515.2**	**434.7**	**0.3**	**28.4**	**463.4**

[1)] In the current fiscal year, the split between additions and impairment losses was included for the first time. In the prior year, additions and impairment losses were shown in total as additions.

As a lessee, McKesson Europe rents various assets. These include primarily buildings and vehicles, but also IT hardware and other equipment. The rental contracts have been negotiated over varying lease durations and can include extension or termination options. The weighted average remaining lease term is 11,4 years.

For right-of-use assets, impairments of EUR 9.5m were recorded in fiscal 2021. These were primarily related to right-of-use assets on buildings, which were abandoned prior to the end of their useful lives in the context of restructuring measures.

(14) Other financial assets and shareholdings accounted for under the equity method

Other financial assets mainly contain investments in entities that are not listed on a stock market and over which the group has neither control nor the ability to exercise significant influence.

These are classified to the category “equity instruments measured at fair value through other comprehensive income” and are measured at fair value in accordance with IFRS 9. The market values result from the official quotations on the securities markets or, in the case of non-listed investments, from the application of suitable valuation methods. Such techniques may include using recent comparable market transactions between knowledgeable, willing and independent parties, referring to the current fair value of another instrument that is substantially the same or to discounted cash flow methods.

As these investments are not held for trading but rather for strategic purposes, the option for the subsequent measurement at fair value through other comprehensive income has been irrevocably exercised upon initial recognition. The resulting unrealised gains and losses are recognised in other comprehensive income, taking deferred taxes into consideration. In the event of a future sale of these financial assets, the fair value changes recognised in other comprehensive income will not be recycled through profit or loss.

Similar to prior years, the position other financial assets of EUR 60.8m (previous year EUR 64.5m) includes primarily loans to investments and other loans.

As of March 31, 2021 the carrying value of the predominantly unlisted investments amounts to EUR 0.1m (previous year EUR 0.1m).

Investments accounted for using the equity method consist primarily of the holding in Brocacef Holding N.V., Maarssen, Netherlands. The investment in Brocacef is accounted for as an associate. McKesson Europe AG has held a 45% share in the Dutch subsidiary of PHOENIX Pharmahandel GmbH & Co. KG, Mannheim, Germany, since the contribution of its Dutch retail pharmacies in 2010. Brocacef Holding N.V. has a January 31 year end but the investment’s results are considered in this March 31 report on a pro-rata basis using an interim financial statement. The following table shows the key financial information of Brocacef Groep N.V.:

EUR m	2020	2021
Received (dividend) payments from Brocacef	9.1	8.1
Revenue	2,270.7	2,334.5
Net loss from continuing operations	54.6	51.2
Total profit / loss after taxes from discontinued operations	0.0	0.0
Other comprehensive income / expenses	0.0	0.0
Total comprehensive income / expenses	54.6	51.2
Current assets	385.0	367.8
Non-current assets	839.3	823.1
Current liabilities	348.8	331.2
Non-current liabilities	342.9	293.7
Equity	532.6	566.0
Equity net of goodwill	−86.2	−51.3
Proportion of McKesson Europe ownership (45.0 %)	−38.8	−23.1
Carrying amount of intangible assets and goodwill identified during the purchase price allocation	251.5	251.1
Book value as of 31/03	**212.7**	**228.0**

The share of the net profit attributable to McKesson Europe of all other investments accounted for using the equity method, including amortisation of intangible assets identified during the purchase price allocation, amounted to EUR6.8m (previous year EUR 6.8m). No amount was recognised in other comprehensive income either in this fiscal year or in the previous year. The carrying amount of investments accounted for using the equity method totalled EUR 76.4m (previous year EUR 76.2m). The carrying value includes the investment in Alliance Healthcare Deutschland GmbH, which is accounted for as an associate company, to which McKesson Europe AG holds a 30% share after it contributed GEHE Pharma Handel GmbH into the joint venture on November 1, 2020.

(15) Deferred taxes

The deferred tax assets and liabilities can be assigned to the following (balance sheet) categories:

	03/31/2020		03/31/2021	
	assets	**liabilities**	**assets**	**liabilities**
EUR m				
Intangible assets	0.1	48.7	1.0	50.6
Property, plant and equipment	23,6	2,5	17.1	6.3
Right of use asset*	0.0	91,6	0.0	80.8
Other non-current assets	1.5	6.7	1.3	7.3
Current assets	3.1	1.3	1.9	1.2
Financial liabilities	1.1	0.0	0.7	0.0
Lease Liabilities*	101,4	0.0	94.8	0.0
Provisions	29.1	2.6	31.2	4.7
Other liabilities	0.5	5.7	3.5	6.9
Sum of deferred taxes on temporary differences	**160,4**	**159,1**	**151.7**	**157.8**
Deferred taxes on unused tax losses	0.9	0.0	2.5	0.0
./. Less offsetting	–135,0	-135,0	–120.6	–120.6
Total	**26.3**	**24.1**	**33.6**	**37.2**

* The prior year comparatives have been updated to disclose deferred tax in respect of right of use assets and lease liabilities on a separate line. These amounts were previously reported within property, plant and equipment line.

The translation reserves recognized in other comprehensive income include deferred tax assets of EUR 13.3m (previous year EUR 20.9m). These assets resulted from the revaluation of defined benefit pension plans. More information on deferred taxes can be found in note (8) Income taxes.

(16) Inventories

EUR m	2020	2021
Raw materials, consumables and supplies	0.6	1.0
Finished goods and merchandise	1,326.3	1,248.3
Payments on account	0.2	0.1
Total	**1,327.1**	**1,249.4**

In fiscal 2021, the effects of the COVID-19 pandemic impacted the realizable value of inventory. Inventory write-downs of EUR 24.6m (previous year EUR 4.9m) were required due to trapped inventory in stores closed in connection with restructuring, expired travel and flu vaccines, as well as downward price adjustments on OTC drugs and goods for the treatment or defense of COVID-19, such as respiratory masks. This was offset by write-ups of inventories in the amount of EUR 4.0m (previous year EUR 4.2m), that were sold after having been previously written down. The carrying amount of inventories impaired and stated at the net realizable value at March 31, 2021, was EUR 18.0m (previous year EUR 23.8m).

(17) Disposal groups and discontinued operations

The contributed German pharmaceutical wholesale business, GEHE Pharma Handel GmbH including its subsidiaries

General

In fiscal 2020, McKesson Europe entered into an agreement with Walgreens Boots Alliance whereby the German pharmaceutical wholesale business of each respective company would be contributed into a new joint venture, in which McKesson Europe would have a 30% ownership interest. According to the agreement the following significant subsidiaries of McKesson Europe were contributed to the joint venture: ABG Apotheken-Beratungsgesellschaft mbH, GEHE Pharma Handel GmbH, GEHE Immobilien GmbH & Co. KG, GEHE Immobilien Verwaltungs-GmbH, Matis Immobilien OHG, and Ancavion GmbH.

The contribution of GEHE Pharma Handel GmbH and its subsidiaries was completed on November 1, 2020.

Intercompany transactions have been eliminated from the consolidated financial statements. Amounts from discontinued operations include only costs that are clearly identifiable as costs of the component that was disposed of and that will not be recognised on an ongoing basis by the entity.

Valuation effects and disposals

The key financial information related to the deconsolidation of the entity GEHE Pharma Handel GmbH which is classified as a discontinued operation is as follows:

EUR m	GEHE Pharma Handel GmbH
Consideration received	**34.6**
Thereof cash	*35.2*
Thereof non cash	*–0.6*
Costs relating to the contribution	8.8
Overall result including the value adjustment in the previous year	–207.2
Total assets	**962.9**
Intangible assets	2.0
Property, plant and equipment	72.2
At equity investments	0.8
Inventories	400.5
Trade receivables	444.8
Cash and cash equivalents	6.5
Other receivables and other assets	36.1
Total liabilities	**729.8**
Financial liabilities	14.8
Pension provisions	163.6
Other provisions	6.1
Income tax liabilities	0.0
Trade payables	284.0
Other liabilities	261.3

The receipt of the final sales price, which was agreed with Walgreens Boots Alliance in April 2021, occurred in May 2021.

Total profit / loss from discontinued operations

The net profit / loss from the business activity of GEHE Pharma Handel GmbH is presented as follows:

	Total	
EUR m	**2020**	**2021**
Revenue	5,074.6	2,909.8
Cost of sales	–4,864.5	–2,790.9
Gross income	210.1	118.9
EBITDA	27.2	14.3
EBIT	21.1	14.3
Profit before tax from discontinued operations	19.3	13.0
Income taxes	0.0	0.0
Profit after tax from discontinued operations	19.3	13.0
Profit after tax from valuation and disposal of discontinued operations	–194.0	–15.1
Result from discontinued operations	**–174.7**	**–2.1**
Thereof due to noncontrolling shares	2.3	–0.7
Thereof due to shareholders of McKesson Europe AG	–177.0	–1.4

The net result from discontinued operations of GEHE Pharma Handel GmbH covers a period of seven months until October 31, 2020.

In the reporting period, the loss on disposal of GEHE Pharma Handel GmbH amounted to EUR –15.1m. In the previous year, adjustments to the value of GEHE pursuant to IFRS 5 were recorded in the amount of EUR –194.0m.

The loss from discontinued operations of EUR –2.1m (previous year EUR –174.7m) is attributable to the shareholders of the parent company in the amount of EUR –1.4m.

The wholesale activities sold in Brazil

The discontinued operations result was also impacted by adjustments to provisions for expected incremental risks associated with the divested wholesale activity in Brazil in the amount of EUR -6.1m (previous year EUR -2.5m). For further details please refer to notes (26).

Other held for sale assets and liabilities

Assets and liabilities of EUR 2.0m were classified as held for sale in the business units Retail Pharmacy Italy (EUR 1.4m), Pharmaceutical Distribution Portugal (EUR 0.5m), and Retail Pharmacy UK (EUR 0.1m). In the previous year, assets and liabilities amounting to EUR 2.8m were classified as held for sale in the business units Pharmaceutical Distribution Italy (EUR 2.7m) and Retail Pharmacy UK (EUR 0.1m).

(18) Receivables and other assets

At the end of the reporting period, current receivables and other assets were as follows:

EUR m	31/03/2020	31/03/2021
Trade receivables	**2,069.6**	**1,888.9**
Income tax receivables	**68.1**	**59.2**
Receivables from associates and other investments	3.1	2.7
Derivative financial instruments	0.8	0.0
VAT and other tax receivables	81.1	86.4
Other assets	356.9	413.9
Other receivables and other assets	**441.9**	**503.0**
Total	**2,579.6**	**2,451.1**

Other assets mainly include supplier bonuses, creditors with debit balances, receivables from employees and other short-term receivables.

In both the current and prior year, derivative financial instruments were used to hedge foreign exchange rates. Derivative financial instruments are discussed in more detail in note (25).

Receivables from related parties, which are due from the McKesson Group, and receivables from associates and other investments were neither impaired nor past due at the end of the reporting period.

The allowances on trade receivables developed as follows during the reporting period.

EUR m	2020	2021
As of 01/04	**91.2**	**43.2**
Additions	15.3	16.2
Utilisations	−26.0	−3.9
Reversals	−8.1	−12.5
Currency, consolidated group and other changes	−29.2	−0.1
As of 31/03	**43.2**	**42.9**

The addition in the allowance on trade receivables results from an increase in the receivables balance or an increase in the default risk for individual customers.

The gross carrying amounts of trade receivables developed as follows during the reporting period:

EUR m	2020	2021
As of 01/04	**2,382.0**	**2,112.8**
Net additions and collections	277.9	−248.1
Utilisation of impairment reserves	−26.0	−3.9
Currency, consolidated group and other changes	−521.1	71.0
As of 31/03	**2,112.8**	**1,931.8**

The maturity structure of trade receivables and the allowances as of March 31, 2021 in accordance with IFRS 9 are presented in the following table. For trade receivables McKesson Europe applies the simplified approach of IFRS 9 for determining allowances on the basis of lifetime expected credit losses. The expected credit losses are determined using a provision matrix based on observed historical default rates and, where possible, adjusted for forward-looking estimates. The average default rates have been determined by each individual business unit in the group. A classification as credit impaired receivables is done only when, as of the reporting date, the assets exhibit a significant increase in credit risk and objective evidence exists that they may be credit-impaired.

EUR m	Trade receivables EUR m	31/03/2021 Average default rates (%)	Impairments EUR m
Current trade receivables	**1,818.8**	**0.1**	**2.6**
Overdue trade receivables	**113.0**		**40.3**
of which <1 month	40.1	2.2	0.9
of which <2 months	14.2	6.3	0.9
of which <3 months	5.2	17.3	0.9
of which <4 months	3.5	11.4	0.4
of which <5 months	4.4	29.5	1.3
of which >5 months	45.6	78.7	35.9
Carrying amounts as of 31/03	**1,931.8**		**42.9**

The allowances on other receivables reported under other assets developed as follows during the reporting period:

EUR m	2020	2021
As of 01/04	**4.3**	**4.7**
Additions	0.4	1.3
Utilisations	−0.4	−0.2
Reversals	−0.4	−0.4
Currency, consolidated group and other changes	0.8	0.3
As of 31/03	**4.7**	**5.7**

The gross carrying amounts of other receivables presented in other assets developed as follows during the fiscal year:

EUR m	2020	2021
As of 01/04	**227.8**	**275.6**
Net additions and collections	63.4	35.8
Utilisation of impairment reserves	−0.4	−0.2
Currency, consolidated group and other changes	−15.2	−11.0
As of 31/03	**275.6**	**300.2**

The table below shows the aging structure of receivables presented in other assets as of the reporting date.

EUR m	31/03/2021 Receivables reported under other assets EUR m	Average default rates (%)	Impairments EUR m
Not overdue receivables	**272.9**	**1.3**	**3.5**
Overdue receivables	**27.3**		**2.2**
of which <1 month	8.6	0.0	0.0
of which <2 months	10.1	0.0	0.0
of which <3 months	5.6	25.0	1.4
of which <4 months	0.2	50.0	0.1
of which <5 months	1.0	50.0	0.5
of which >5 months	1.8	11.1	0.2
Carrying amounts as of 31/03	**300.2**		**5.7**

Direct write-downs of EUR 0.4m (previous year EUR 0.8m) were recorded in addition to the allowances on trade receivables and on receivables reported under other assets presented above. The total amount of write-downs on trade and other receivables was EUR 17.9m (previous year EUR 16.5m).

Other non-current assets

Other non-current assets came to EUR 29.9m compared to EUR 8.0m as of March 31, 2020 due to first time recognition of pension plan assets in United Kingdom.

(19) Cash and cash equivalents

EUR m	31/03/2020	31/03/2021
Cash on hand	9.1	7.6
Cash equivalents	166.4	182.2
Cash at banks	801.5	1,002.3
Total	**977.0**	**1,192.1**

Movements in cash and cash equivalents as defined by IAS 7 are presented in the accompanying statement of cash flows.

Cash deposits are only maintained at selected banks. No bank deposits have been assigned as collateral, either for existing loans or approved lines of credit.

Cash at banks includes an amount of EUR 6.3m which is subject to restriction on withdrawal.

(20) Equity

The subscribed capital of McKesson Europe AG is divided in 203,220,932 (previous year 203,220,932) no-par-value registered ordinary shares, which are fully paid.

Authorised capital of EUR 130.1m has been approved until August 1, 2024 (authorised capital 2019).

Reserves

In addition to the reserves carried by McKesson Europe AG, the reserves also contain the retained profits generated by subsidiaries since their first-time consolidation and the effects of consolidation entries. Non-controlling interests are measured on the net assets of the subsidiaries concerned after being adjusted to the accounting policies of the McKesson Europe Group.

As part of the introduction of a standardised software solution to harmonise the ERP landscape in the Group across all Group units, McKesson Europe passed on significant project costs of EUR 11.2m (previous year EUR 11.4m) to McKesson Corporation. McKesson Corporation reimbursed these costs based on an external analysis. McKesson Europe AG recognized the amounts received from McKesson Corporation as a contribution to the capital reserves in equity. The settlement of a comfort letter by McKesson Europe GmbH & Co. KGaA in the amount of EUR 102.8m resulted in additional paid-in capital.

Other reserves recorded under other comprehensive income mainly consist of the effects of foreign currency translation and the revaluation of defined benefit plans.

The foreign currency translation reserve amounts to EUR -310.3m (previous year EUR -306.5m). The revaluation of defined benefit pension plans amounted to EUR -90.0m as of March 31, 2021 and EUR -169.5m as of March 31, 2020. In the fiscal year, there was no derecognition from reserves (previous year EUR 0.0m), taking deferred taxes into account in the result from discontinued operations. Due to the transfer of GEHE Pharma Handel GmbH and its subsidiaries into the joint venture, the effects from the revaluation of defined benefit plans were reclassified into retained earnings from other reserves and did not affect net income (EUR 80.6m). The loss compensation of McKesson Europe AG is recognized directly in retained earnings.

Non-controlling interests

Non-controlling interests amounted to EUR 24.5m (previous year EUR 24.2m).

Capital management

The primary objective of McKesson Europe Group's capital management is to ensure that it maintains the company's financial flexibility to allow for investments that will appreciate in value while simultaneously ensuring healthy financial ratios.

The group monitors its capital structure based on the equity ratio, gearing and the interest coverage ratio. The loan agreements do not contain any covenants.

EUR m	03/31/2020	03/31/2021
Equity	1,748.7	1,900.5
/ Total assets	7,919.6	7,047.3
Equity ratio (%)	**22.1**	**27.0**
Net financial debt (Financial liabilities net cash)	566.0	85.6
/ Equity capital	1,748.7	1,900.5
Gearing	**0.32**	**0.05**
EBIT	–8.6	24.2
/ Financial result	44.0	26.6
Interest coverage ratio	**–0.2**	**0.9**
Adjusted interest cover ratio	**4.6**	**–26.9**

(21) Pension provisions

Depending on the economic, legal and tax environment of the respective country, the employees of the McKesson Europe Group are entitled to join various pension schemes. These include both defined benefit schemes and defined contribution schemes.

The obligations arising from the defined benefit schemes are covered by external pension funds and appropriate provisions and are determined using the actuarial projected unit credit method in accordance with IAS 19 (revised 2011). To avoid a concentration of risks, plan assets are invested in a range of different investment categories. The investment strategy also takes into account the aging structure of assets and harmonises this with the expected date on which pensions will be paid out.

The majority of the obligations relate to companies in the United Kingdom and Germany. These are essentially pension plans measured based on salaries. Pension payments to beneficiaries are usually adjusted for inflation annually.

In the United Kingdom, there is a pension plan for the employees of the business divisions Retail Pharmacy and Pharmaceutical Distribution, which is largely funded through external pension funds. The Trustee Board decides in coordination with elected employees of the company on the minimum funding of the obligation. A valuation is carried out in regular intervals to determine the amount of the contributions to ensure the agreed minimum funding.

The pension obligation in Germany is financed via provisions with the exception of the contractual trust arrangement entered in 2011 for some of the pension obligations for the Management Board.

The actuarial calculations for determining the defined benefit obligations were based on the following country-specific parameters:

%	2020 UK	2020 EU	2021 UK	2021 EU
Interest rate	2.3	1.5	2.0	1.1
Future salary increases	3.1	3.0	3.6	3.0
Future pension increases	2.7	1.8	3.1	1.8

In the domestic plans, the 2018 G mortality tables issued by Prof. Klaus Heubeck are used for life expectancy. Comparable valuation principles are used for foreign pension plans. Pension expense recognised in the income statement in the reporting period can be broken down as follows:

EUR m	2020	2021
Service cost	9.0	5.5
Past service cost	–6.7	–1.6
Net interest expense	4.3	1.8
Total	**6.6**	**5.7**

The net interest expense included in the pension expense is presented within the interest result.

The table below shows a reconciliation of the funding status of defined benefit plans to the amounts recognised in the group statement of financial position:

EUR m	03/31/2020	03/31/2021
DBO, funded	366.4	398.7
Fair value of plan assets	–333.8	–407.6
Funded status	**32.6**	**–8.9**
DBO, unfunded	117.0	121.0
Defined benefit obligation as of 03/31	149.6	112.1

The value of the pension obligations as of March 31, 2021, in the amount of EUR 112.1m represents a net amount after offsetting a net asset value of EUR 22.7m. As of March 31, 2021, there is a net asset value in UK of EUR 22.7m, which arises because the plan assets exceed the pension obligation. The net asset value is shown in assets under the balance sheet item “Other non-current assets”.

The present value of the defined benefit obligation and the fair value of the plan assets have developed as follows in the reporting period:

EUR m	2020	2021
Defined benefit obligation at the beginning of the fiscal year	**676.8**	**483.3**
Service cost	9.0	5.5
Interest expense	12.2	9.3
Contributions by plan participants	0.1	0.1
Transfers	1.5	0.0
Benefits paid	–24.7	–22.4
Payments for settlements	–5.7	0.0
Actuarial gains/losses from changes in financial assumptions	–27.2	50.6
Actuarial gains/losses from changes in demographic assumptions	–9.0	3.5
Experience-based adjustments	–2.8	–8.6
Past service cost	–6.7	–1.6
Currency changes	–0.5	0.0
Capitalized changes	–139.7	0.0
Defined benefit obligation at the end of the fiscal year	**483.3**	**519.7**

Changes in the consolidated group in the amount of EUR -139.7m is attributable to discontinued operations and disposal groups.

EUR 335.7m (previous year EUR 304.3m) of the defined benefit obligation is attributable to the United Kingdom and EUR 77.0m to Germany (previous year EUR 71.0m).

EUR m	2020	2021
Fair value of plan assets at the beginning of the fiscal year	**376.2**	**333.8**
Interest income from plan assets	7.9	7.4
Contributions by employer	13.3	7.1
Contributions by plan participants	0.1	0.1
Benefits paid from plan assets	–15.8	–16.0
Difference between interest income recognised through profit and loss and actual return on plan assets	–42.2	75.2
Payments for settlements (plan assets)	–5.7	0.0
Fair value of plan assets at the end of the fiscal year	**333.8**	**407.6**
of which based on an active market		
Cash and cash equivalents	11.1	3.7
Equity instruments	86.4	115.6
Notes and loans	208.4	253.3
Real estate	1.8	1.9
Mutual funds	17.5	24.2
of which without an active market		
Cash and cash equivalents	0.1	0.0
Equity instruments	0.6	0.6
Notes and loans	0.7	0.7
Real estate	0.0	0.1
Insurance policies	7.2	7.4
Others	0.0	0.1

358.4m (previous year EUR 291.3m) of the fair value of the plan assets is attributed to the United Kingdom.

Plan assets do not include any financial instruments or assets used by the McKesson Europe Group.

Employer contributions to plan assets are expected to amount to EUR 1.3m in the next 12 months. In May 2021, a payment of EUR 4.8m was made into the contractual trust agreement of McKesson Europe AG.

The following table illustrates the impact of an isolated 0.5% change in the interest rate:

EUR m	2020	2021
0.5% increase		
Impact on defined benefit obligation	–30.3	–32.4
0.5% decrease		
Impact on defined benefit obligation	39.4	31.9

The following table illustrates the impact of an isolated 0.5 % change in the trend for pension increases:

EUR m	2020	2021
0.5% increase		
Impact on defined benefit obligation	15.9	10.9
0.5% decrease		
Impact on defined benefit obligation	–14.3	–14.8

The following table illustrates the impact of an isolated 0.5 % change in the salary trend:

EUR m	2020	2021
0.5% increase		
Impact on defined benefit obligation	3.5	1.1
0.5% decrease		
Impact on defined benefit obligation	–5.3	–5.8

The following table illustrates the impact of a 10 % change in the life expectancy of the beneficiaries:

EUR m	2020	2021
10% increase		
Impact on defined benefit obligation	16.4	12.0
10% decrease		
Impact on defined benefit obligation	–14.5	–15.5

The following table contains the expected pension payments for retirement benefits in the following reporting periods:

EUR m	2022	2023-2026	2027-2031
Expected payments	48.0	107.6	131.0

The average duration of defined benefit plans was 16.5 years (previous year 17.5) in the reporting year.

For the defined contribution pension plans, there were no further obligations for McKesson Europe Group companies at the end of the reporting period other than the payment of the defined contribution to external funds. The expenses from contributions amounted to EUR 17.8m in the reporting period (previous year EUR 17.9m)). Furthermore, employer contributions were made to the state pension funds. The employer’s direct contribution amounted to EUR 29.9m (previous year EUR 33.6m).

(22) Other Provisions

Non-current and current provisions developed in the reporting year as follows:

	2020		2021							
	Carrying amount as of 03/31	Of which due within 1 year	Changes in currency and the consolidated group	Additions	Utilisation	Reversals	Unwinding	Reclassification	Carrying amount as of 03/31/2021	Of which due within 1 year
EUR m										
Provisions for obligations to personnel	69.9	47.6	2.5	62.0	–49.9	–4.7	0.2	0.2	80.2	57.8
Provisions for litigation and other legal risks	9.2	4.1	–0.6	0.4	–0.4	–0.1	0.0	0.0	8.5	4.0
Provisions for restructuring measures	14.8	13.0	0.6	41.4	–16.8	–8.9	0.0	0.5	31.6	12.6
Other provisions	68.2	37.8	1.5	36.8	–8.6	–0.4	–1.0	–0.4	96.1	63.5
Total	**162.1**	**102.5**	**4.0**	**140.6**	**–75.7**	**–14.1**	**–0.8**	**0.3**	**216.4**	**137.9**

Provisions with a term of more than twelve months are discounted. This involves applying risk-free interest rates ranging from 0.0 to 1.5% (previous year 0.0 to 2.7%) depending on the term and currency zone.

Provisions with an expected term to maturity of more than five years amount to EUR 33.0m (previous year EUR 31.7m).

Provisions for obligations to personnel relate primarily to short-term bonuses and severance payments, as well as long-term claims arising from the German phased retirement scheme (Altersteilzeit) and long-service bonuses.

The provisions for litigation and other legal risks relate to legal expenses for court costs, ongoing litigation and contingent liabilities for pending litigation. They do not include obligations to personnel and income tax liabilities.

Restructuring provisions in the reporting period mainly relate to claims in connection with termination benefits related to the implementation of the measures to improve efficiency and to restructure, and the reorganization of management structures in our entities.

Other provisions contain obligations from real estate such as the obligation to restore rented buildings and rooms.

(23) Financial liabilities

a) Liabilities to banks

On March 31, 2021, the McKesson Group had liabilities to banks amounting to EUR 0.3m (previous year EUR 0.3m). These consisted primarily of temporary negative balances on current accounts as of the reporting date. The presentation of bank liabilities in the statement of financial position is according to the term of the financing commitment.

b) Lease liabilities

Pursuant to IFRS 16, liabilities from lease agreements are recognised at the present value of future minimum lease payments. The liabilities relate primarily to the UK (EUR 315.2m; previous year EUR 361.4m), Ireland (EUR 57.2m; previous year EUR 55.4m) and Italy (EUR 53.9m; previous year EUR 58.5m). Real estate leasing agreements represent the majority of the lease liabilities.

Rental agreements have been negotiated for varying lease durations and can include options to extend or to terminate the lease.

Some property leases contain extension options that can be exercised before the uncancellable lease term expires. An assessment is made on the available for use date as to whether the extension option is reasonably certain to be exercised. If a significant event or a significant change in circumstances occurs, which lies within the lessee’s control, then these extension options are re-evaluated.

Lease liabilities are presented on a separate line in the group statement of financial position.

The following table shows the ageing structure of future contractual lease payments:

EUR m	**03/31/2020**	**03/31/2021**
Minimum lease payments	641.6	592.0
Due within 1 year	*97.4*	*88.5*
Due within 2 to 5 years	*275.5*	*263.2*
Due in more than 5 years	*268.7*	*240.3*
Interest portion	–54.6	–48.9
Net present value	**587.0**	**543.1**

As of the reporting date, incoming payments of EUR 3.2m (previous year EUR 2.7m) are expected to result from leasing activities as lessor on non-cancellable operating leases. Of this amount, EUR 0.8m (previous year EUR 0.8m) is due within one year. A further EUR 2.1m (previous year EUR 1.7m) is due between 2 and 5 years and EUR 0.3m (previous year EUR 0.2m) is due after 5 years. In addition, future income of EUR 15.6m (previous year EUR 18.0m) is expected to be received from sublease arrangements.

c) Other financial liabilities

As of March 31, 2021, other financial liabilities of EUR 676.9m (previous year EUR 955.7m) have been recorded. This position includes long-term and short-term loan liabilities to subsidiaries of McKesson Corporation, Irving, USA, in the amount of EUR 669.0m (previous year EUR 943.3m). The decrease in fiscal year 2021 primarily resulted from the repayment of a loan that was issued by a company of the McKesson US Group that is not consolidated within McKesson Europe.

(24) Trade payables and other liabilities

Trade payables as of the reporting date amount to EUR 3,067.9m (previous year EUR 3,319.1m). This position includes received prepayments on orders of EUR 151.9m (previous year EUR 156.4m).

Other liabilities are comprised as follows:

EUR m	2020	2021
Personnel liabilities	85.0	84.3
Other tax liabilities	27.9	25.1
Derivative financial instruments	0.2	0.7
Interest liabilities	16.6	11.7
Other liabilities	150.9	253.8
Total	**280.6**	**375.6**

Derivative financial instruments are used to hedge exchange rate risks. Derivative financial instruments are discussed in more detail in note (25). Other liabilities primarily include short-term liabilities to McKesson Corporation, Irving, USA in the amount of EUR 4.1m (previous year EUR 3.1m) and subsidiaries of McKesson Corporation, Irving, USA in the amount of EUR 11.5m (previous year EUR 16.1m). In addition, payables for discounts and bonuses as well as a significant increase in accrued expenses are included in other liabilities.

(25) Financial risk management and derivative financial instruments

a) Principles of risk management

McKesson Europe is exposed to risks resulting from changes in exchange rates and interest rates with respect to assets, liabilities and forward transactions. Based on a risk appraisal, selected hedging instruments are used to limit these risks.

The use of derivative financial instruments is subject to uniform group guidelines set by the Management Board, compliance with which is continually monitored. These include the functional segregation of trading, execution and posting, and the authorisation of just a very limited number of qualified employees to enter into derivative financial instruments. We only enter into derivatives for hedging purposes and only with banks with good credit ratings. Other disclosures on risk concentrations and diversification of risks can be found in the risk and opportunities report of the Management report.

b) Interest rate risks

Interest rate risks are understood as the risk of negative impact of volatile interest rates on the net profit of the group. Fixed-interest and variable-interest financial instruments are assessed differently. For fixed-interest financial instruments, a fixed market interest rate is agreed for the full term of the instrument. The risk relates to the possibility that the market value of the financial instrument may change as interest rates fluctuate (interest-related fair value risk). The market value is based on the future cash flow payments (interest and repayment amount), discounted by the market interest rate prevailing at the end of the reporting period for the residual term of the respective payment. The fair value risk due to changes in interest rates will therefore lead to a gain or loss if the fixed-interest financial instrument is sold before maturity.

For variable-interest financial instruments, the interest rate is adjusted in line with the prevailing market interest rates. However, there is a risk that short-term fluctuation in interest rates may lead to changes in the future interest payments (interest-related cash flow risk).

An interest swap involves swapping the fixed or variable interest rate of the underlying transaction for a variable or fixed interest rate respectively for the entire term of the underlying instrument. The decision whether to use derivative financial instruments is based on projected interest rate risks and debt. The interest hedging strategy is reviewed in monthly intervals and new targets are set. This involves securing interest rate risks for at least 50% of the projected debt levels.

At present there are no interest swaps because McKesson Europe is primarily funded through fixed interest-bearing financial instruments.

The interest sensitivity analysis presented below shows the hypothetical impacts on earning before tax and on equity which would have resulted from a change in the market interest rates at the end of the reporting period. It is assumed that the exposure as of the reporting date is representative for the year and that the assumed change in the market interest rate as of the reporting date would have been possible:

- A hypothetical increase of the EUR market interest rate as of March 31, 2021 by one percentage point would have resulted in a pre-tax profit that was EUR 0.0m lower (previous year EUR 0.1m lower). A hypothetical decrease of the EUR market interest rate by one percentage point would have resulted in a pre-tax profit that was EUR 0.0m higher (previous year EUR 0.1m higher). An increase or a decrease of the EUR market interest rate by one percentage point as of March 31, 2021 or March 31, 2020 would have had no impact on equity.

- A hypothetical increase of the GBP market interest rate as of March 31, 2021 by one percentage point would have resulted in a pre-tax profit that was EUR 1.4m lower (previous year EUR 4.0m lower). A hypothetical decrease of the GBP market interest rate by one percentage point would have resulted in a pre-tax profit that was EUR 1.4m higher (previous year EUR 4.0m higher). An increase or a decrease of the GBP market interest rate by one percentage point as of March 31, 2021 or March 31, 2020 would have had no impact on equity.

c) Exchange rate risks

Exchange rate risks relate to possible write-downs of items in the statement of financial position and any forward transactions due to fluctuations in exchange rates. The foreign exchange risks of McKesson Europe are derived mainly from the company's operating activities. The majority of the foreign exchange risks result from the development of the Euro against the British Pound and against the US Dollar. As the group companies conduct their operating business mainly in their respective functional currencies, the corresponding transaction risks from foreign currencies are considered to be low.

Currency forwards were used in fiscal year 2021 to hedge transaction risks from foreign currencies. This involves a direct hedging of an underlying transaction by means of a foreign exchange derivative or forward transactions in foreign currencies. This involves selecting the currency derivative (or a combination of several derivatives) which best reflects the likelihood of occurrence and timing of the forward transaction. Basis for the exchange rate sensitivity analysis are the derivative financial instruments existing at the balance sheet date. McKesson Europe has concentrated most of its medium and long-term borrowings from European subsidiaries of the McKesson Corporation. The borrowings are made in the respective functional currency.

An appreciation or depreciation of the British pound against the Euro by 10% would have increased or decreased the earnings before taxes by EUR 1.6m (previous year increased or decreased by EUR 1.7m).

An appreciation or depreciation of the British pound against the Euro by 10% as of March 31, 2021, or March 31, 2020 would have had no effect on the translation reserves recognized in equity.

An appreciation or depreciation of the US Dollar against the Euro by 10% would have increased or decreased the earnings before taxes by EUR 1.3m (previous year EUR 0.1m decreased or increased).

An appreciation or depreciation of the US Dollar against the Euro by 10% as of March 31, 2021 or March 31, 2020 would have had no effect on the translation reserves recognized in equity.

The indirect impact of exchange rate fluctuations on the operating business activities is not considered in the sensitivity analysis.

This analysis assumes that the exchange rates at the balance sheet date will change by the stated percentages. Movements over time as well as the changes in other market parameters observed in reality are not considered in this analysis.

d) Credit risk

Credit risk is the risk that a business partner will not meet their obligations under a financial instrument or a customer contract, leading to a financial loss. Due to the existing customer structure, the receivables bad debt risk is considered to be relatively low for the McKesson Europe Group, as the largest customers are public health authorities who have had high solvency in the past. Furthermore, due to the high number of business relationships, there is no significant risk concentration. The theoretical maximum credit risk corresponds to the carrying amounts of receivables and financial assets presented in note (18) as well as in the table allocating financial assets to the respective IFRS 9 categories on page 111. In addition, individually significant receivables are occasionally secured with certified land charges or similar instruments. As of March 31, 2021 the secured receivables amounted to EUR 34.0m (previous year EUR 24.4m). In addition to the carrying values of financial assets presented in the balance sheet - including derivative financial instruments with positive market value - the maximum credit risk of the McKesson Europe Group also includes the nominal amounts of issued financial guarantees. As of the balance sheet date, financial guarantees with a nominal amount of total EUR 138.4m (previous year EUR 129.6m) were issued. McKesson Europe mitigates the counterparty risks of cash and cash equivalents held at banks by selecting banks with a defined minimum rating. To minimise the risk of default from derivative financial instruments, McKesson Europe only enters into derivative contracts with selected contractual partners. The maximum theoretical risk of default on current derivative financial instruments amounts to the positive fair values of these instruments. As of the balance sheet date these amounted to EUR 0.0m (previous year EUR 0.8m).

e) Liquidity risks

Liquidity risk is understood as the risk of the McKesson Europe Group not being in the position to meet its ongoing payment obligations. The liquidity risk is managed by means of centralised financial planning which provides the required finance for operations and capital expenditures. Liquidity management takes the form of rolling liquidity planning taking existing lines of credit into account. The McKesson Europe Group has unused lines of credit and bank guarantees and can make use of these at any time. The McKesson Europe Group maintains a suitable level of free credit lines in reserve commensurate with the group’s indebtedness.

The table presented on page 109 shows the contractually agreed undiscounted interest payments and repayments of financial liabilities and derivative financial assets and liabilities over time, and therefore their impact on the liquidity of the group.

f) Other price risks

The McKesson Europe Group was not exposed to any material risks from other price fluctuations as of the reporting date.

g) Hedging transactions

The McKesson Europe Group uses hedges to secure future cash flows. These include exchange rate hedges for planned purchases of merchandise as well as capital expenditures and disposals.

Cash flow hedges

- The McKesson Europe Group obtains its financing primarily from fixed interest financial instruments. No interest-related cash flow risk exists. It is therefore not necessary to employ any cash flow hedges.

Summary of derivative financial instruments

Derivative financial instruments are as follows:

	03/31/2020			03/31/2021		
		Market value			Market value	
EUR m	Nominal volume	Total	of which cash flow hedges	Nominal volume	Total	of which cash flow hedges
Currency instruments	16.6	0.8	0.0	8.4	0.0	0.0
Receivables from derivative financial assets	**16.6**	**0.8**	**0.0**	**8.4**	**0.0**	**0.0**
Currency instruments	4.2	0.2	0.0	25.0	0.7	0.0
Liabilities from derivative financial instruments	**4.2**	**0.2**	**0.0**	**25.0**	**0.7**	**0.0**

The following table presents the contractually agreed undiscounted interest payments and repayments of financial liabilities and derivative financial assets and liabilities over time. As of March 31, 2021 the values were as follows:

EUR m	Cash flows 2022	Cash flows 2023	Cash flows 2024-2026	Cash flows 2027-2031	Cash flows 2032 ff.	Total cash flows	Carrying amounts
Non-derivative financial liabilities and financial guarantees							
Liabilities to banks	−0.3	0.0	0.0	0.0	0.0	−0.3	0.3
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables (excluding payments received on account of orders)	−3,067.9	0.0	0.0	0.0	0.0	−3,067.9	3,067.9
Liabilities to associates and other investments	−7.7	0.0	0.0	0.0	0.0	−7.7	7.7
Lease liabilities	−88.6	−79.7	−183.5	−174.0	−66.2	−592.0	543.1
Other financial liabilities	−231.4	−12.6	−535.6	−2.2	−3.9	−785.7	740.7
Liabilities from business combinations	−0.1	−1.2	0.0	0.0	0.0	−1.3	1.3
Financial guarantees	−126.7	−0.7	−0.3	0.0	0.0	−127.7	1.6
	−3,522.7	**−94.2**	**−719.4**	**−176.2**	**−70.1**	**−4,582.6**	**4,362.6**
Derivative financial liabilities							
Derivatives without hedge accounting	−0.7	0.0	0.0	0.0	0.0	−0.7	0.7
	−0.7	**0.0**	**0.0**	**0.0**	**0.0**	**−0.7**	**0.7**

Cash flows denominated in foreign currency are translated with the spot rate on the balance sheet date. Variable interest cash flows are translated based on the rate most recently fixed. Liabilities repayable on demand are allocated to the earliest possible period in the table. Consequently, credit lines are represented in the earliest period in which the repayment can be requested by the creditor.

For derivatives which are agreed to be settled on a gross basis, the cash flows are presented gross. From an economic perspective, however, the derivatives will be settled net.

As of March 31, 2020 the values were as follows:

EUR m	Cash flows 2021	Cash flows 2022	Cash flows 2023-2025	Cash flows 2026-2030	Cash flows 2031 ff.	Total cash flows	Carrying amounts
Non-derivative financial liabilities and financial guarantees							
Liabilities to banks	−0.3	0.0	0.0	0.0	0.0	−0.3	0.3
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade payables (excluding payments received on account of orders)	−3,161.1	0.0	0.0	0.0	0.0	−3,161.1	3,161.1
Liabilities to associates and other investments	−7.1	0.0	0.0	0.0	0.0	−7.1	7.1
Lease liabilities	−97.4	−84.2	−191.2	−188.2	−80.8	−641.8	587.0
Other financial liabilities	−482.3	−12.9	−547.8	−2.3	−3.9	−1,049.2	984.0
Liabilities from business combinations	−1.5	0.0	−0.7	0.0	0.0	−2.2	1.3
Financial guarantees	−116.4	−0.6	−1.3	0.0	0.0	−118.3	1.4
	−3,866.1	**−97.7**	**−741.0**	**−190.5**	**−84.7**	**−4,980.0**	**4,742.2**
Derivative financial assets							
Derivatives without hedge accounting	1.5	0.0	0.0	0.0	0.0	1.5	0.8
	1.5	**0.0**	**0.0**	**0.0**	**0.0**	**1.5**	**0.8**
Derivative financial liabilities							
Derivatives without hedge accounting	−0.2	0.0	0.0	0.0	0.0	−0.2	0.2
	−0.2	**0.0**	**0.0**	**0.0**	**0.0**	**−0.2**	**0.2**

Financial instruments of the IFRS 9 categories as of March 31, 2021

EUR m	Financial assets measured at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Equity instruments at fair value through profit and loss	Financial assets at amortised cost	No IFRS 9-Category	Outside the scope of IFRS 7	Carrying amount	Fair value
	2021								
Assets									
Debt securities	0.0	3.4	0.0	0.0	0.0	0.0	0.0	3.4	3.4
Other investments	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Loans to investments	0.0	0.0	0.0	0.0	36.8	0.0	0.0	36.8	37.0
Other loans	0.0	0.0	0.0	0.0	20.5	0.0	0.0	20.5	20.5
Other financial assets	**0.0**	**3.4**	**0.1**	**0.0**	**57.3**	**0.0**	**0.0**	**60.8**	**61.0**
Other non-current assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**7.2**	**22.7**	**29.9**	**29.9**
Trade receivables	**0.0**	**0.0**	**0.0**	**0.0**	**1,888.9**	**0.0**	**0.0**	**1,888.9**	**1,888.9**
Receivables from associates and other investments	0.0	0.0	0.0	0.0	2.7	0.0	0.0	2.7	2.7
Derivative financial instruments - designated as hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments - not designated as hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	382.2	10.0	108.1	500.3	500.3
Other receivables and other assets	**0.0**	**0.0**	**0.0**	**0.0**	**384.9**	**10.0**	**108.1**	**503.0**	**503.0**
Cash and cash equivalents	**0.0**	**0.0**	**0.0**	**0.0**	**1,192.1**	**0.0**	**0.0**	**1,192.1**	**1,192.1**

Trade receivables, receivables from joint ventures, associates and other investments, as well as other assets and cash and cash equivalents generally all have short maturities. For this reason in particular, their carrying amounts approximate their fair values on the closing date.

The development of bad debt reserves attributable to financial assets measured at amortised cost is presented in note (18). For financial assets measured at fair value through profit or loss no write-downs were recorded, as in the previous year.

Financial instruments of the IFRS 9 categories as of March 31, 2020

EUR m	Financial assets measured at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Equity instruments at fair value through other comprehensive income	Equity instruments at fair value through profit and loss	Financial assets at amortised cost	No IFRS 9-Category	Outside the scope of IFRS 7	Carrying amount	Fair value
					2020				
Assets									
Debt securities	0.0	3.1	0.0	0.0	0.0	0.0	0.0	3.1	3.1
Other investments	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Loans to investments	0.0	0.0	0.0	0.0	33.8	0.0	0.0	33.8	33.8
Other loans	0.0	0.0	0.0	0.0	27.5	0.0	0.0	27.5	27.5
Other financial assets	**0.0**	**3.1**	**0.1**	**0.0**	**61.3**	**0.0**	**0.0**	**64.5**	**64.5**
Other non-current assets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**8.0**	**0.0**	**8.0**	**8.0**
Trade receivables	**0.0**	**0.0**	**0.0**	**0.0**	**2,069.6**	**0.0**	**0.0**	**2,069.6**	**2,069.6**
Receivables from associates and other investments	0.0	0.0	0.0	0.0	3.1	0.0	0.0	3.1	3.1
Derivative financial instruments - designated as hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments - not designated as hedging instruments	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.8
Other assets	0.0	0.0	0.0	0.0	322.5	0.0	115.5	438.0	438.0
Other receivables and other assets	**0.8**	**0.0**	**0.0**	**0.0**	**325.6**	**0.0**	**115.5**	**441.9**	**441.9**
Cash and cash equivalents	**0.0**	**0.0**	**0.0**	**0.0**	**977.0**	**0.0**	**0.0**	**977.0**	**977.0**

Financial instruments of the IFRS 9 categories as of March 31, 2021

EUR m	Financial liabilities at far value through profit and loss	Financial liabilities at amortised cost	No IFRS 9-Category	Outside the scope of IFRS 7	Carrying amount	Fair value
	2021					
Equity and liabilities						
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	457.6	0.0	457.6	499.1
Other financial liabilities	0.0	529.6	0.0	0.0	529.6	569.6
Non-current liabilities	**0.0**	**529.6**	**457.6**	**0.0**	**987.2**	**1,068.7**
Other non-current liabilities	**5.6**	**0.0**	**1.2**	**0.0**	**6.8**	**6.8**
Liabilities to banks	0.0	0.3	0.0	0.0	0.3	0.3
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	85.5	0.0	85.5	85.5
Other financial liabilities	0.0	147.3	0.0	0.0	147.3	147.3
Current liabilities	**0.0**	**147.6**	**85.5**	**0.0**	**233.1**	**233.1**
Trade payables	**0.0**	**2,915.9**	**0.0**	**151.9**	**3,067.9**	**3,067.9**
Liabilities to affiliated companies	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to associates and other investments	0.0	7.7	0.0	0.0	7.7	7.7
Personnel liabilities	0.0	0.0	0.0	84.3	84.3	84.3
Other tax liabilities	0.0	0.0	0.0	25.1	25.1	25.1
Derivative financial instruments - designated as hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments - not designated as hedging instruments	0.7	0.0	0.0	0.0	0.7	0.7
Interest liabilities	0.0	11.7	0.0	0.0	11.7	11.7
Other liabilities	0.0	109.3	0.1	129.9	239.3	239.3
Other non-current financial liabilities	**0.7**	**128.7**	**0.1**	**239.3**	**368.8**	**368.8**

The fair values of the non-current financial liabilities are determined by discounting future contractually agreed cash flows at the current market interest rate.

The fair values of the current financial liabilities, trade payables and other current liabilities with the exception of guaranteed liabilities correspond to their carrying amounts, due to their short-term maturities.

Financial instruments of the IFRS 9 categories as of March 31, 2020

EUR m	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	No IFRS 9-Category	Outside the scope of IFRS 7	Carrying amount	Fair value
	2020					
Equity and liabilities						
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	499.3	0.0	499.3	492.8
Other financial liabilities	0.0	530.4	0.0	0.0	530.4	578.9
Non-current liabilities	**0.0**	**530.4**	**499.3**	**0.0**	**1,029.7**	**1,071.7**
Other non-current liabilities	**5.4**	**0.0**	**0.6**	**0.0**	**6.0**	**6.0**
Liabilities to banks	0.0	0.3	0.0	0.0	0.3	0.3
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	87.7	0.0	87.7	87.7
Other financial liabilities	0.0	421.5	0.0	0.0	421.5	421.5
Current liabilities	**0.0**	**421.8**	**87.7**	**0.0**	**509.5**	**509.5**
Trade payables	**0.0**	**3,162.7**	**0.0**	**156.4**	**3,319.1**	**3,319.1**
Liabilities to affiliated companies	0.0	3.8	0.0	0.0	3.8	3.8
Liabilities to associates and other investments	0.0	7.1	0.0	0.0	7.1	7.1
Personnel liabilities	0.0	0.0	0.0	85.0	85.0	85.0
Derivative financial instruments - designated as hedging instruments	0.0	0.0	0.0	0.0	0.0	0.0
Derivative financial instruments - not designated as hedging instruments	0.2	0.0	0.0	0.0	0.2	0.2
Interest liabilities	0.0	16.6	0.0	0.0	16.6	16.6
Other liabilities	0.0	64.2	1.5	68.3	134.0	134.0
Other non-current financial liabilities	**0.2**	**91.7**	**1.5**	**181.2**	**274.6**	**274.6**

As of March 31, 2021 the net result of the IFRS 9 categories is comprised as follows:

EUR m	2021
Financial assets measured at fair value through profit and loss	–0.4
Debt instruments at fair value through other comprehensive income	0.0
Equity instruments through other comprehensive income	0.3
Equity instruments through profit and loss	0.0
Financial assets measured at amortised cost	–19.0
Financial liabilities measured at amortised cost	–3.7
Financial liabilities measured at fair value through other comprehensive income	0.0
Total	**–22.8**

The values of the previous year can be found in the following table:

EUR m	2020
Financial assets measured at fair value through profit and loss	–0.8
Debt instruments at fair value through other comprehensive income	0.0
Equity instruments through other comprehensive income	0.4
Equity instruments through profit and loss	–6.7
Financial assets measured at amortised cost	–27.4
Financial liabilities measured at amortised cost	–7.3
Financial liabilities measured at fair value through other comprehensive income	–0.2
Total	**–42.0**

The net gains or losses from financial assets valued at fair value through profit and loss include exclusively results from changes in fair values.

The net gains or losses from equity instruments measured at fair value through other comprehensive income include income realized from investments.

The net gains or losses from financial assets measured at amortised costs mainly include impairment losses, write-ups and interest income.

The gains or losses from financial liabilities that are not measured at fair value through profit and loss mainly include interest expenses as well as exchange rate gains and losses from the measuring loans denominated in foreign currency.

In the current fiscal year, no effects from the measurement of financial assets were recorded in equity (previous year no effects).

Fair value hierarchy of financial instruments

McKesson Europe uses the following hierarchy to determine and recognise assets and liabilities measured at fair value:

Level 1: Quoted prices on an active market for identical assets and liabilities

Level 2: Quoted prices in active markets for similar assets and liabilities or other valuation techniques, the inputs of which are based on observable market data

Level 3: Valuation techniques in which all the relevant inputs are not based on observable market data

As of March 31, 2021 the following assets and liabilities were measured at fair value, broken down into the fair value hierarchy as shown:

Assets measured at fair value

	03/31/2021			
EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value measurement on a recurring basis				
Equity instruments measured at fair value through other comprehensive income	0.1	0.0	0.0	0.1
Debt instruments measured at fair value through other comprehensive income	3.4	0.0	0.0	3.4
Derivative financial instruments - not designated as hedging instruments	0.0	0.0	0.0	0.0
Fair value measurement on a non-recurring basis				
Assets held for sale	0.0	0.0	10.0	10.0

The following table shows the assets measured at fair value as of March 31, 2020 in the balance sheet:

EUR m	03/31/2020 Level 1	Level 2	Level 3	Total
Fairvalue measurement on a recurring basis				
Equity instruments measured at fair value through other comprehensive income	0.1	0.0	0.0	0.1
Debt instruments measured at fair value through other comprehensive income	3.1	0.0	0.0	3.1
Derivative financial instruments not designated as hedging instruments	0.0	0.8	0.0	0.8
Fair value measurement on a non-recurring basis				
Assets held for sale	0.0	0.0	819.8	819.8

The amount of the assets held for sale was mainly driven by the classification of GEHE Pharma Handel GmbH including its subsidiaries as held for sale.

Liabilities measured at fair value

EUR m	31/03/2020 Level 1	Level 2	Level 3	Total	31/03/2021 Level 1	Level 2	Level 3	Total
Fair value measurement on a recurring basis								
Other non-current liabilities	5.4	0.0	0.7	6.1	5.6	0.0	1.2	6.8
Derivative financial instruments - not designated as hedging instruments	0.0	0.2	0.0	0.2	0.0	0.7	0.0	0.7
Other liabilities	0.0	0.0	0.6	0.6	0.0	0.0	0.1	0.1
Fair value measurement on a non-recurring basis								
Liabilities held for sale	0.0	0.0	600.0	600.0	0.0	0.0	8.0	8.0

The amount of the liabilities held for sale in the prior year was mainly driven by the classification of GEHE Pharma Handel GmbH including its subsidiaries as held for sale.

The following table shows the fair value of assets and liabilities of the group that are not measured at fair value, broken down into the fair value hierarchy :

Assets not measured at fair value

EUR m	31/03/2020 Level 1	Level 2	Level 3	Total	31/03/2021 Level 1	Level 2	Level 3	Total
Loans to investments	0.0	33.8	0.0	33.8	0.0	37.0	0.0	37.0
Other loans	0.0	25.1	0.0	25.1	0.0	20.5	0.0	20.5

Liabilities not measured at fair value

	31/03/2020				31/03/2021			
EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Non-current liabilities								
Liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	578.9	0.0	578.9	0.0	569.6	0.0	569.6
Other non-current liabilities	0.0	6.1	0.0	6.1	0.0	0.0	0.0	0.0
Current liabilities								
Liabilities to banks	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3
Other financial liabilities	0.0	421.5	0.0	421.5	0.0	147.3	0.0	147.3

There were no reclassifications of assets and liabilities measured at fair value on a recurring basis between level 1 and level 2 in the reporting period and no reclassifications to or from level 3.

The fair value of financial instruments that are actively traded on an active market is determined by reference to listed bid prices at the end of the reporting period. In levels 2 and 3, assets and liabilities measured at fair value on a recurring basis are determined using the DCF method. This involves discounting the cash flows expected from the financial instruments using market interest rates for instruments of a similar term. McKesson Europe accounts for the credit rating of the respective debtor by means of credit value adjustments (CVA) or debt value adjustments (DVA) on the basis of a mark-up/markdown procedure. Where possible, the CVAs and DVAs are determined from observable prices for credit derivatives on the market.

Level 3 liabilities consist of liabilities from company mergers made after January 1, 2010 that were measured on the basis of earnings indicators, as well as the assumptions and estimates of management. Please refer to page 118 for a reconciliation of the opening and closing balances of liabilities measured at fair value in level 3 of the hierarchy.

The recurring fair value measurement of financial instruments in level 3 of the hierarchy held as of March 31, 2021 did not result in any aggregate gains and losses (previous year: none).

Financial assets and liabilities that are subject to offsetting arrangements

The following table provides a summary of the financial assets and financial liabilities that were offset in the statement of financial position. Moreover, it illustrates the extent to which offsetting arrangements are in place with contractual partners that did not lead to offsetting in the statement of financial position, because not all of the criteria of an offsetting arrangement pursuant to IAS 32 were met. The global netting arrangements affecting the McKesson Europe Group consist solely of derivative financial instruments in which master agreements have been entered into with banks to offset the current balance of receivables and liabilities in the event and at the time of default.

Financial assets subject to offsetting arrangements

03/31/2021	Gross amount of financial assets recognised in the statement of financial position	Gross amount of financial liabilities offset in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related financial liabilities that were not offset in the statement of financial position	Net amount
EUR m					
Trade receivables	1,888.9	0.0	1,888.9	/	1,888.9
Receivables reported under other assets	294.5	0.0	294.5	/	294.5
Cash and cash equivalents	1,192.1	0.0	1,192.1	/	1,192.1
Derivative financial instruments	0.0	0.0	0.0	/	0.0

03/31/2020	Gross amount of financial assets recognised in the statement of financial position	Gross amount of financial liabilities offset in the statement of financial position	Net amount of financial assets recognised in the statement of financial position	Related financial liabilities that were not offset in the statement of financial position	Net amount
EUR m					
Trade receivables	2,069.6	0.0	2,069.6	/	2,069.6
Receivables reported under other assets	269.7	0.0	269.7	/	269.7
Cash and cash equivalents	977.0	0.0	977.0	/	977.0
Derivative financial instruments	0.8	0.0	0.8	/	0.8

Financial liabilities subject to offsetting arrangements

03/31/2021	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets recognised in the statement of financial position	Net amount of financial liabilities offset in the statement of financial position	Related financial assets that were not recognised in the statement of financial position	Net amount
EUR m					
Trade payables	3,067.9	0.0	3,067.9	/	3,067.9
Liabilities to banks	0.3	0.0	0.3	/	0.3
Derivative financial instruments	0.7	0.0	0.7	/	0.7

03/31/2020	Gross amount of financial liabilities offset in the statement of financial position	Gross amount of financial assets recognised in the statement of financial position	Net amount of financial liabilities offset in the statement of financial position	Related financial assets that were not recognised in the statement of financial position	Net amount
EUR m					
Trade payables	2,928.1	0.0	2,928.1	/	2,928.1
Liabilities to banks	0.3	0.0	0.3	/	0.3
Derivative financial instruments	0.2	0.0	0.2	/	0.2

(26) Contingent liabilities and other financial obligations

At the balance sheet date, the group had issued guarantees and warranties in the amount of EUR 138.4m (previous year EUR 129.6m). The most significant guarantees and warranties are presented in the following table:

EUR m	03/31/2020	03/31/2021
Pharmaceutical Distribution Austria – Deficiency guarantees	68.9	63.6
McKesson Europe AG – Guarantees for the Brazilian business sold	28.6	25.6
Retail Pharmacy Great Britain – Guarantees in connection with Leasing	18.0	23.4
Pharmaceutical Distribution France - Deficiency guarantees	5.5	8.2
Others	8.6	17.6

Provisions of EUR 1.6m (previous year EUR 1.4m) have been recognised for some of the guarantees and warranties within the Pharmaceutical Distribution business. These are presented under other provisions.

The Brazilian business was sold on May 31, 2016. Based on the agreed Closing Account mechanism the buyer had requested a purchase price adjustment in the amount of BRL 225m (EUR 34m) and initiated arbitration proceedings to pursue their claim. Furthermore, the buyer had warranty claims in the amount of BRL 148m (EUR 22.4m) introduced into the proceedings. The arbitration proceedings were concluded in the fiscal year 2021 with a preliminary ruling in favour of McKesson Europe. The preliminary ruling does not stipulate a purchase price adjustment and only minor warranty obligations against the buyer. Furthermore, McKesson Europe was awarded a partial reimbursement of legal and court costs.

Furthermore, McKesson Europe bears the risk from contractual warranty obligations against the buyer. These are partially secured by bank guarantees. With certain exceptions, the warranty obligations against the buyer are limited, as of March 31, 2021, to the amount adjusted for inflation of BRL 121.7m (EUR 18.4m). The buyer has made claims that exceed this amount, which have largely been rejected by the court. A negative outcome in regard to single claims cannot be excluded, however. The liability cap does not, among other things, apply to risks attributable to the time prior to the majority participation of McKesson Europe for which McKesson Europe has contractual counterclaims against former shareholders. For all the above, appropriate provisions have been made following the principles of commercial prudence and caution. McKesson Europe will continue to defend itself vigorously against unjustified claims.

There is no limitation of liability among others regarding warranty obligations for tax risks that are related to the time before the acquisition of Panpharma in 2009. These had been provisioned at the time of acquisition in 2009 with an amount of EUR 113.9m and, amount to EUR 4.0m of March 31, 2021 (previous year EUR 4.6m). The decrease against the previous year is exclusively due to currency exchange rate effects.

In the event of the materialisation of such risks from the time before the takeover of the majority in 2009, there is a right of recourse against the former shareholders. After the acquisition of the outstanding shares in Panpharma in the second quarter of 2012, these reimbursement claims are accounted for as indemnification assets within current and non-current assets.

For these warranty obligations against the buyer of the Brazilian business, an appropriate provision is recognized in the total amount EUR 19.6m (previous year EUR 17.3m).

On November 21, 2016, the Belgian anti-trust authority carried out an on-site investigation of certain Belgian wholesalers, including Belmedis. On May 2, 2017, Belmedis was acquired by McKesson Belgium Holdings. Pharma Belgium NV is also part of the investigation. On April 23, 2021, McKesson received correspondence from the Belgian Competition Authority seeking civil penalties.

The evaluation of contingent liabilities can change due to new information such that it may become necessary to recognize additional provisions or adjust or reverse an existing provision in accordance with IAS 37. Upon utilisation, expenses may arise for McKesson Europe which exceed the provision amount.

The following table summarizes the other financial obligations of the McKesson Europe Group:

EUR m	03/31/2020	03/31/2021
Purchase commitments for capital expenditures	**8.7**	**10.9**
Property, plant and equipment	8.0	1.3
Intangible assets	0.7	1.0
Other assets	0.1	8.6
Business combinations	0.0	0.0

On March 31, 2021, a license agreement for the extension of the existing ORACLE licenses as well as support and maintenance for another three years with a total volume of EUR 76m was agreed between McKesson Europe AG and ORACLE Deutschland B.V. & Co. KG. From this amount EUR 41m was paid by McKesson Corporation.

As a result of the contract signed in December 2017 for the Group-wide outsourcing of the IT infrastructure with effect from May 1, 2018 (as a renewal of the contract from 2009), financial obligations for service fees were incurred as of March 31, 2021, in the amount of EUR 0.6m (previous year EUR 0.6m). By extending the contract for data and voice telecommunication services with effect from January 1, 2021, by another 4 years, the financial commitment from this contract increased to EUR 12.5m (previous year EUR 5.8m).

Notes to the group cash flow statement

According to IAS 7, the cash flow statement represents the change in McKesson Europe's cash position over the course of the reporting period due to inflows and outflows. The group's cash flow statement begins by deriving the cash flows from operating activities, followed by the change in cash and cash equivalents from investing activities and financing activities. The cash flows attributable to discontinued operating activities are presented as net figures within each of these three sections. GEHE Pharma Handel GmbH and its subsidiaries are reported as discontinued operations which are presented separately from the continuing operations.

Changes in cash flow from operating activities are calculated indirectly. This involves eliminating all non-cash income and expenses from the group's net profit after tax and considering the cash effects of changes in net working capital. The net operating assets comprise inventories, trade receivables as well as trade payables and certain other net operating assets and liabilities. Other assets and liabilities mainly include provisions and non-interest-bearing liabilities.

Cash flows from investing activities include receipts from the sale of non-current assets, payments for capital expenditures as well as cash effects of acquiring and disposing companies. This results in cash outflows from investments in long-term assets of EUR -100.3m (previous year: EUR -128.3m). A significant portion of the cash outflows is related to development activities for a global ERP software. The disposal of long-term assets resulted in a cash inflow of EUR 24.4m (previous year: EUR 11.2m).

Proceeds from the sale of subsidiaries – continuing and discontinued operations – amount to EUR 258.5m. The cash inflows from the sale of the company attributable to the contribution of GEHE Pharma Handel GmbH and its subsidiaries to the Alliance Healthcare Deutschland GmbH joint venture on November 1, 2020 amounted to EUR 235.0m. This corresponds to the inflow from the repayment of a loan in the amount of EUR 250m, the outflow from existing payment obligations towards GEHE of EUR 8.9m, less cash and cash equivalents sold of EUR 6.4m. For more detailed information please refer to section (17) Disposal groups and discontinued operations in the notes to the consolidated financial statements. In fiscal year 2021, 59 retail pharmacies in Great Britain were sold as part of a portfolio optimization with a disposal gain of EUR 15.5m. A further EUR 5.0m cash inflow relates to a purchase price adjustment received for the sale of the investment in Cahill May Roberts limited in the 2016. The sale of assets and liabilities previously classified as held for sale resulted in a cash inflow of EUR 3,0m.

Cash paid for business combinations - continuing operations – correspond to the purchase prices paid in the amount of EUR -2.8m (previous year EUR -83.6m) less the cash and cash equivalents acquired in the amount of EUR 0.1m (previous year EUR 11.9m). This also includes payments to settle contingent purchase price obligations of EUR 0.1m (previous year EUR 5.7m). The relevant information is included in the notes to the consolidated financial statements under Business combinations and disposals in 2021. The investments in non-current assets contain asset retirement obligations of EUR 2.6m which have been considered as non-cash (previous year EUR 8.9m). The cash outflow from investing activities - discontinued operations - amounted to EUR -1.4m in 2021 (previous year: EUR -5.3m).

Changes in cash from financing activities - continuing operations - includes dividend payments to shareholders of McKesson Europe and to minority shareholders, the proceeds from and repayment of financial liabilities, equity injections from shareholders as well as received and paid interests. The cash outflow from financing activities - continuing operations - amounted to EUR -325.5m in 2021 (previous year: cash inflow of EUR 29.2m). Proceeds from financial liabilities amount to EUR 0.0m compared to EUR 13.9m in 2020. These proceeds were offset by the repayment of financial liabilities in the amount of EUR -409.4m (previous year: EUR -98.1m), which is mainly related to lease liabilities EUR 116.5m and the repayment of a loan by a subsidiary of McKesson Corporation in the amount of EUR 284.4m. In addition, there was a cash inflow attributable to the offsetting of the commercial loss of McKesson Europe AG due to the contribution of GEHE Pharma Handel GmbH and its subsidiaries based on the comfort letter by McKesson Europe GmbH & Co. KGaA of EUR 102.8m. The cash outflow from financing activities - discontinued operations - amounted to EUR -2.5m in the current year (previous year: EUR -2.9m).

The table below shows changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
EUR m	**31/03/2020**	**Cash changes**	Acquisition of a subsidiary	Disposal of a subsidiary	Foreign exchange movement	New lease contracts	Other changes	**31/03/2021**
Bank Loans	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,3
Other financial liabilities	955,7	-292,9	0,0	0,0	14,2	0,0	0,0	676,9
Lease liabilities	586,9	-116,5	2,5	-5,0	12,3	61,7	1,1	543,1
Total	1.542,9	-409,4	2,5	-5,0	26,5	61,7	1,1	1.220,3

The presentation of the change in liabilities from financing activities has been adjusted compared to fiscal 2020. The following table shows changes in the group's liabilities arising from financing activities, including both cash and non-cash changes for fiscal 2020:

Change in Liabilities from financial activities	**2019 in EUR m**	**2020 in EUR m**
Change in cash flows from financial activities	–390.7	–84.3
Exchange rate changes	14.9	–20.3
Purchase	4.4	7.2
Other changes	0.0	0.0

**The lease liabilities are included in change in liabilities from financing activities.*

Notes to the group segment reporting

The segments are defined in accordance with McKesson Europe's internal reporting structure and are divided into the business divisions of Retail Pharmacy and Pharmaceutical Distribution. These business units form the basis for the internal controlling by the Management Board and thus correspond to the reportable segments.

The Management Board of McKesson Europe AG is the chief operating decision-maker referred to in IFRS 8.7. The business units of McKesson Europe AG can be described as follows:

- The Retail Pharmacy business unit is aimed at the needs of patients and consumers. This covers the entire logistical chain from the purchasing of goods through to selling to end consumers. In particular, the business unit includes activities relating to retail, e-commerce pharmacies and activities in branded partner shops as well as services in the field of medical care at home which is provided by the British company Lloyds Pharmacy Clinical Homecare Limited. As a provider of travel health consulting and vaccinations as well as wholesale supplier of travel vaccines, Masta Limited supplements the Retail Pharmacy segment in the United Kingdom. With MDD Pharma, McKesson Europe is also one of the leading suppliers for retirement and nursing homes in Belgium. McKesson Europe holds 68.4% of the voting shares in Metabolic Healthcare Holdings Ltd. (MHH) based in the United Kingdom. The company develops and operates an online platform which fulfils prescriptions and distributes them to the consumer via the postal service. Furthermore, the business unit includes activities in the operation of retail pharmacies in Italy and Ireland as well as the Brocacef Holding N.V reported as an associated company in the Netherlands.

- The Pharmaceutical Distribution business unit offers solutions for pharmacies where the focus is on the wholesale business with third party customers. In this business unit, operative segments are grouped together at country level. The Pharmaceutical Distribution business in Germany includes both the real estate manager for pharmacies “Inten” and the “Recucare” wound care company. With a large selection of professional pharmaceutical services, marketing, training concepts and attractive purchase conditions, the Holon Group in Portugal also belongs to the Pharmaceutical Distribution segment. In Belgium, McKesson Europe AG's position in the Pharmaceutical Distribution division was strengthened by Belmedis, expanding its logistics business. The company Menges Medizintechnik, based in Austria, Switzerland and the Czech Republic, is the exclusive supplier and service provider for medical devices and consumables in the fields of radiology, anaesthesia, urology, surgery, pulmonology and endoscopy. Groupe PHR, one of the largest pharmacy cooperations in France, strengthens McKesson Europe AG's market position in the cooperation business with Pharmactiv and Réseau Santé. Finally, the United Kingdom’s focus on the wholesale business with third-party customers as well as our participation in the Alliance Healthcare Deutschland GmbH joint venture, which is recorded as an associated company, rounds out our business activities in Pharmaceutical Distribution.

- The Others business unit includes the activities of the Group's parent company, McKesson Europe AG, and other companies that cannot be directly attributable to business operations. McKesson Europe AG holds investments in the major operating national companies and national holdings. The corporate functions of McKesson Europe AG such as accounting, controlling, treasury and IT are shared throughout the European operations.

Consolidation of intra-group activities are shown separately.

The Management Board measures the success of the segments using the EBIT determined in accordance with IFRS. This is defined as the result before investment income, interest and taxes. In addition, the information on sales, gross profit and EBITDA is disclosed voluntarily.

Segment assets to be reported in accordance with IFRS 8 correspond to the capital employed, which is calculated as the sum of the book value of all non-interest-bearing assets (except for income tax assets) less non-interest-bearing liabilities (except for income tax liabilities).

Capital expenditures include non-cash additions to non-current assets.

The same accounting standards for McKesson Europe Group reporting have been used in segment reporting. Intercompany transactions are measured at market prices.

There are no customers with a revenue share of more than 10%.

With regard to the information about countries, segment revenues are allocated to the country in which the revenue is generated. Segment assets are allocated to the country in which they are located.

Other Information

Related party transactions

The majority shareholder of McKesson Europe AG is the McKesson Corporation based in Irving, USA, which owns about 78% of the share capital. The McKesson Europe AG IFRS consolidated financial statements are incorporated into the financial statements of the McKesson Group. A domination and profit and loss transfer agreement exists between McKesson Europe Holdings GmbH & Co. KGaA and McKesson Europe AG.

Related parties as defined by IAS 24 (Related Party Disclosure) are legal entities and individuals which can exercise significant influence over McKesson Europe AG and its subsidiaries. The majority shareholder, McKesson Corporation, Irving, USA, and its subsidiaries, joint ventures, associated companies and executives are related parties of McKesson Europe AG.

In relation to financing transactions with the McKesson Corporation in the reporting period, please see the financial position report (page 24).

In principal, all transactions with related parties are carried out at arm's length. Furthermore, affiliated McKesson entities grant specific guarantees for the recoverability of individual loans and book values of investments in certain entities, i.e., company shares, in the range of hundreds of millions. In accordance with IFRS regulations these will be recognized within equity if and when they materialize.

There are ongoing business relationships with joint ventures and associates, in particular with suppliers of inventory.

The goods and services received from or supplied to related parties are as follows:

	McKesson Corporation, Irving, USA 31/03/2020	31/0:
EUR m		
Loans and receivables	1.4	
Liabilities	3.1	

	McKesson Corporation, Irving, USA 01/04/2019-31/03/2020	01/04/2020-31/0:
EUR m		
Income	30.5	
Expenses	26.0	

The disclosure of remuneration of key management personnel in accordance with IAS 24 requires the disclosure of the remuneration of the Management Board and Supervisory Board.

The active members of the Management Board and Supervisory Board received the following remuneration in the reporting period and in the comparative period:

EUR k	**2020**	**2021**
Short-term benefits	3,222	3,154
Service cost	306	293
Long-term benefits	342	409
Share-based compensation	179	217
Total	**4,049**	**4,073**

The total remuneration of the Management Board as per Sec. 314 (1) No. 6 a) Sentence 1 to 4 HGB amounted to EUR 2,953 thousand in 2021 (previous year EUR 3,126 thousand). Of this amount, EUR 1,444 thousand were attributable to fixed base salary plus ancillary benefits (previous year EUR 1,786 thousand), EUR 1,100 thousand on the immediately payable portion of the management bonus (one year variable compensation; previous year EUR 819 thousand) and EUR 409 thousand on long-term bonus payments (previous year EUR 342 thousand). The total remuneration of the members of the Management Board includes share-based payments of EUR 217 thousand pursuant to Section 285(9a) Sentence 4 (previous year EUR 179 thousand). No new subscription rights were granted in the fiscal year.

No advances, loans or similar benefits were granted to members of the Management Board or Supervisory Board in the reporting period or in the previous year.

Former members of the Management Board and their surviving dependants received remuneration in the reporting period of EUR 239 thousand (previous year EUR 231 thousand). For this group of individuals McKesson Europe AG has set aside pension provisions of EUR 24,902 thousand (previous year EUR 23,512 thousand). Remuneration for the activities of the members of the Supervisory Board of McKesson Europe AG, including attendance fees, in the past fiscal year amounted to EUR 610 thousand (previous year EUR 617 thousand) and exclusively comprises short term benefits. In addition, the McKesson Group employee representatives sitting on the Supervisory Board received the customary market salaries for their services.

No remuneration was paid to members of the Supervisory Board for services rendered individually, nor were transactions requiring disclosure conducted between members of the Supervisory Board or Management Board and other persons of the management, where such persons hold key positions. Likewise, no transactions were conducted between members of the Supervisory Board or Management Board and any other entities where such persons sit on the respective Management or Supervisory Boards. This also applies to close family members of these persons.

Audit fees

The annual financial statements of McKesson Europe AG, the German subsidiaries, and the consolidated financial statements have been audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft. In the past fiscal year, expenses totaling EUR 0.8m were incurred for services rendered by Deloitte GmbH for statutory audits (previous year EUR 0.5m).

Fees for other services provided by Deloitte GmbH did amount to EUR 0.05m.

Exemption pursuant to Sec. 264 (3) and Sec. 264b HGB

The following entities are exempted under Sec. 264 (3) HGB from the duty to publish their financial statements:

- Admenta Deutschland GmbH, Stuttgart
- WZ-WundZentren GmbH, Stuttgart
- Inten GmbH, Stuttgart
- recucare GmbH, Stuttgart
- recusana GmbH, Stuttgart

Following companies had been exempt from the obligation of an annual audit according to Sec. 264 (3) HGB:

- recucare GmbH, Stuttgart
- WZ-WundZentren GmbH, Stuttgart
- Inten GmbH, Stuttgart
- recusana GmbH, Stuttgart

The breakdown of share ownership is included in the notes as an appendix from page 135.

Proposal of the Management Board for the appropriation of profits

The net retained profit of McKesson Europe AG is EUR 0.0 (previous year EUR 0.0) and corresponds to the annual result due to profit distributions.

McKesson Europe Holdings GmbH & Co. KGaA guarantees and pays a compensation payment to the outside shareholders of McKesson Europe AG for the 2021 fiscal year of EUR 0.83 per no-par-value share based on the Control and Profit Transfer Agreement dated May 22, 2014.

The compensation payment of EUR 0.83 per no-par value share is due on the first banking day after the ordinary annual general meeting of McKesson Europe AG for the past financial year, but no later than eight months after the end of this financial year.

Subsequent events

In addition to the explanations provided in the annual report, the following explanations are provided as a supplement.

Appraisal proceedings on the domination and profit and loss transfer agreement

On March 30, 2021, the regional appeal court of Stuttgart decided on the appraisal proceedings of several minority shareholders regarding the determination of the appropriate compensation and the appropriate settlement pursuant to Sections 304, 305 of the German Stock Corporation Act (AktG). There are no financial consequences for McKesson Europe AG, as McKesson Europe Holdings GmbH & Co. KGaA was the defendant. So far, only a minor portion of the shares of the minority shareholders has been disposed, however, the future development in this matter remains to be seen.

Members of Management Board

Name	Occupation held and company	Disclosure of transactions with affiliated companies and people in the McKesson Europe Group
Kevin Kettler	Chairman of the Management Board of McKesson Europe AG Labour Relations Director	None
Tilo Köster	Management Board of McKesson Europe AG Legal and Compliance	None
Alain Vachon (until 31/12/2020)	Management Board of McKesson Europe AG Finance	None
Holger Landauer (since 01/01/2021)	Management Board of McKesson Europe AG Finance	None

Members of the Supervisory Board

Name	Occupation and company	Disclosure of transactions with affiliated companies and people in the McKesson Europe AG, Stuttgart as well as the McKesson Europe Group
Brian S. Tyler (Chairman)	Chief Executive Officer, McKesson Corporation, Irving (USA)	none
Ihno Goldenstein (Deputy Chairman) (until 31/10/2020)	Goods receiving staff, GEHE Pharma Handel GmbH, Delmenhorst branch Chairman of the General Works Council of GEHE Pharma Handel GmbH	none
Ralf Kuhlen (as of 01/11/2020) (Deputy Chairman as of 03/11/2020)	Director Internal Audit of McKesson Europe AG, Stuttgart	none
W.M. Henning Rehder (Deputy Chairman)	Former Member of the Management Board (CFO) of Siemens Enterprise Communications GmbH & Co. KG (SEN Group), Munich	none
Marc Bauer (until 31/10/2020)	Expert Cooperation & Digitalisation Region Stuttgart-Günzburg, GEHE Pharma Handel GmbH	none
Detlef Bernhardt (until 31/10/2020)	Employee Warehouse, Inventory / Documentation, GEHE Pharma Handel GmbH, Kassel branch	none
Dennis Both (until 31/10/2020)	Branch manager GEHE Pharma Handel GmbH, Delmenhorst branch	none
Leonie Dengler (as of 01/11/2020)	Demand Manager, Indirect Sourcing & Procurement Europe, McKesson Europe AG, Stuttgart	none
Jörg Lauenroth-Mago	Department Manager Trade, ver.di – Vereinte Dienstleistungsgewerkschaft State county Saxony, Saxony-Anhalt, Thuringia	none
Pauline Lindwall	Senior Advisor and Independent Board Director, Zurich (CH)	none
Stanton McComb (as of 21/04/2020)	President, McKesson Medical-Surgical Inc., Richmond (USA)	none
Susan Naumann	Trade union secretary, Management Team Legal and Consulting, ver.di – Vereinte Dienstleistungsgewerkschaft State county Hamburg	none
Heike Nowak (as of 01/11/2020)	IT Strategy Manager McKesson Technology, Stuttgart	none
Fabian Sattler (as of 11/01/2020)	Wound manager WZ-Wundzentren GmbH, Nuremberg branch	none

Lori A. Schechter	Executive Vice President, Chief Legal Officer & General Counsel McKesson Corporation, Irving TX (USA)	none
Jack Stephens	President, McKesson Global Procurement & Sourcing, London (UK)	none

List of shareholdings of the McKesson Europe Group, Stuttgart as of 31 March 2021 pursuant to Section 313 (2) HGB

I. Parent Company

Current No.	Name of the company	Domicile, Country
1	McKesson Europe AG	Stuttgart, DE

II. Subsidiaries (fully consolidated companies)

Current No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
2	"Aewige" ärztliche Wirtschaftsgesellschaft m.b.H.	Wien, AT	1.391,4	121,2	100,00	6)
3	2012 DREAM LIMITED	Coventry, GB	8,6	128,6	100,00	
4	28CVR LIMITED	Coventry, GB	275,0	5.487,3	100,00	
5	30MC LIMITED	Coventry, GB	-795,7	0,0	100,00	
6	A. SUTHRELL (HAULAGE) LIMITED	Coventry, GB	10,1	0,0	100,00	
7	A.F.M. Bergamo S.pder.A.	Bergamo, IT	3.167,5	-2.229,2	80,00	
8	AAH BUILDERS SUPPLIES LIMITED	Coventry, GB	9.685,0	0,0	100,00	
9	AAH Ireland	Dublin, IE	32.068,8	-9.739,6	100,00	6)
10	AAH LIMITED	Coventry, GB	2.029.586,2	0,0	100,00	
11	AAH Lloyds Insurance (IoM) Limited	Douglas, GB	6.170,9	211,6	100,00	
12	AAH ONE LIMITED	Glasgow, GB	0,0	0,0	100,00	
13	AAH PHARMACEUTICALS LIMITED	Coventry, GB	283.092,4	15.699,2	100,00	
14	AAH TWENTY FOUR LIMITED	Glasgow, GB	1.258,6	0,0	100,00	
15	AAH TWENTY LIMITED	Coventry, GB	440,9	0,0	100,00	
16	AAH TWENTY SIX LIMITED	Coventry, GB	236,1	0,0	100,00	
17	ACME DRUG CO. LIMITED	Glasgow, GB	703,2	0,0	100,00	
18	ADDED MARKETING LIMITED	Coventry, GB	50,0	0,0	100,00	
19	Admenta Beteiligungs GmbH	Wien, AT	303.418,8	25,5	100,00	
20	Admenta Denmark ApS	Rodovre, DK	320.165,6	-13.176,4	100,00	
21	Admenta Deutschland GmbH	Stuttgart, DE	287.798,4	-221,3	100,00	
22	ADMENTA HOLDINGS LIMITED	Coventry, GB	2.200.464,5	2.677,5	100,00	
23	ADMENTA ITALIA S.P.A.	Bentivoglio, IT	235.446,7	7.594,9	100,00	
24	ADMENTA PENSION TRUSTEES LIMITED	Coventry, GB	0,1	0,0	100,00	
25	ADMENTA UK LIMITED	Coventry, GB	2.677.645,1	-20.173,2	100,00	
26	Admenta Verwaltungs GmbH	Wien, AT	11.545,1	796,0	100,00	
27	AFM S.p.A.	Bentivoglio, IT	86.828,3	595,3	79,97	
28	ALCHEM (SOUTHERN) LIMITED	Coventry, GB	91,7	0,0	100,00	
29	Algorithmic Health Ireland Ltd	Dublin, IE	0,0	0,0	100,00	
30	Alphar Gilly DL	Charleroi, BE	113,5	15,8	100,00	6)
31	Alphar Partners SA	Seneffe, BE	2.218,4	-44,0	100,00	
32	AYRSHIRE PHARMACEUTICALS LIMITED	Glasgow, GB	506,5	0,0	100,00	
33	AZIENDA FARMACEUTICA MUNICIPALE di Cremona S.p.A.	Cremona, IT	3.352,2	1.214,3	78,00	

Current No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
34	Azienda Farmacie Milanesi S.p.A.	Mailand, IT	5.843,7	9.388,2	80,00	
35	Babbingore Limited	Dublin, IE	33.012,1	-2.462,8	100,00	6)
36	BAILLIESTON HEALTH CENTRE PHARMACY LIMITED	Bailieston, GB	6,4	-283,7	100,00	
37	BANNISTER & THATCHER LIMITED	Coventry, GB	1.996,2	0,0	100,00	
38	BARCLAY PHARMACEUTICALS (ATHERSTONE) LIMITED	Coventry, GB	5.072,4	0,0	100,00	
39	BARCLAY PHARMACEUTICALS LIMITED	Coventry, GB	96.147,0	0,0	100,00	
40	BARLEY CHEMISTS HOLDINGS LIMITED	Coventry, GB	401,1	0,0	100,00	
41	BARRY SHOOTER (ROMFORD) LIMITED	Coventry, GB	757,1	0,0	100,00	
42	BEAUTY CARE DRUGSTORES LIMITED	Coventry, GB	-64,4	0,0	100,00	
43	BERKSHIRE MEDICAL SUPPLIES LIMITED	Coventry, GB	1.646,4	0,0	100,00	
44	BETTERLIFEHEALTHCARE LIMITED	Coventry, GB	1.511,5	-345,9	100,00	
45	BIG PHARMA LIMITED	Glasgow, GB	-982,7	0,0	100,00	
46	Breamor Pharmacy Limited	Dublin, IE	0,4	0,0	100,00	6)
47	BRIDPORT MEDICAL CENTRE SERVICES LIMITED	Coventry, GB	-633,6	0,0	100,00	
48	CAHILL MAY ROBERTS GROUP LIMITED	Dublin, IE	73.605,0	0,0	100,00	
49	Camic Pharmacies Limited	Dublin, IE	845,1	0,0	100,00	
50	Celesio Business Services Ltd.	Dublin, IE	0,0	0,0	100,00	
51	CENTRALE D`ADMINISTRATION DE BIENS IMMOBILIERS	Saint Quen, FR	61.479,8	11.568,1	100,00	
52	Chem Labs Limited	Dublin, IE	0,0	0,0	100,00	6)
53	Civiche Farmacie Desio S.p.A.	Desio, IT	2.130,5	-696,7	80,00	
54	CLARK CARE GROUP LIMITED	Coventry, GB	1.379,7	0,0	100,00	
55	CLARK MUNRO LIMITED	Glasgow, GB	40,0	0,0	100,00	
56	CMR Holdings Ltd	Dublin, IE	0,0	0,0	100,00	6)
57	Coleham	Dublin, IE	4.777,9	0,4	100,00	6)
58	COMPTOIR MONEGASQUE DE BIOCHIMIE	Monaco	12.910,7	334,2	100,00	
59	COMPTOIR PHARMACEUTIQUE MEDITERRANEEN	Monaco	9.334,5	-1.989,0	99,40	
60	Cophana SA	La Louvière, BE	655,1	-1.522,4	100,00	
61	CROSS AND HERBERT (DEVON) LIMITED	Coventry, GB	2.005,3	0,0	100,00	
62	CROSS AND HERBERT (HOLDINGS) LIMITED	Coventry, GB	1.001,4	0,0	100,00	
63	CROSS AND HERBERT LIMITED	Coventry, GB	8.732,7	0,0	100,00	
64	Crowley`s Blackrock Limited	Dublin, IE	382,8	0,0	100,00	6)
65	D.F. O'Neill (Chemists) Ltd	Dublin, IE	0,0	0,0	100,00	6)
66	Dargle Pharmacies Holdings Limited	Dublin, IE	680,0	0,0	100,00	6)
67	DEPOTRADE	Saint Quen, FR	2.082,7	-2.131,9	100,00	
68	Dix Bulles Pharma	Charleroi, BE	0,2	0,1	100,00	6)
69	DOL Pharmacy Limited	Dublin, IE	0,4	0,0	100,00	6)
70	Donnybrook Pharmacy Limited	Dublin, IE	7.735,3	0,0	100,00	6)
71	ECLIPSE HEALTHCARE LIMITED	Coventry, GB	0,0	0,0	100,00	
72	ESCON (ST NEOTS) LIMITED	Coventry, GB	34,1	0,0	100,00	
73	EUROSANTE (Société en liquidation)	Luxembourg, LU	345,2	0,0	100,00	

Cur rent No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
74	Evesland Limited	Dublin, IE	516,1	0,0	100,00	6)
75	EVOLUTION HOMECARE SERVICES LIMITED	Coventry, GB	21.029,4	3,7	100,00	
76	EXPERT HEALTH LIMITED	Coventry, GB	6.227,0	0,0	100,00	
77	FAR.CO.SAN S.p.A.	San Giovanni Valdarno, IT	2.149,3	209,6	80,00	
78	FARILLON LIMITED	Coventry, GB	2.001,0	0,0	100,00	
79	Farmacie Comunali di Modena S.p.A.	Modena, IT	27.900,8	-14.531,0	63,60	
80	Farmacie Comunali di Padova S.p.A.	Padova, IT	10.180,2	-3.567,8	75,00	
81	Farmacie di Sassuolo S.p.A.	Sassuolo, IT	1.446,2	-138,6	80,00	
82	Farmacie Pratesi Pratofarma S.p.A.	Prato, IT	5.774,8	479,5	80,00	
83	FARMALVARION S.R.L. SOCIO UNICO	Bentivoglio, IT	7.335,6	5.139,3	100,00	
84	Felview Limited	Dublin, IE	12,7	0,0	100,00	6)
85	FIRTH & PILLING LIMITED	Coventry, GB	482,4	0,0	100,00	
86	FOSTER & PLUMPTON GROUP LIMITED	Coventry, GB	-34,0	0,0	100,00	
87	FOSTER & PLUMPTON LIMITED	Coventry, GB	6,0	0,0	100,00	
88	G J MALEY LIMITED, Douglas	Doulgas, GB	4.053,1	-120,6	100,00	
89	G K CHEMISTS (GLOS) LIMITED	Coventry, GB	40,1	0,0	100,00	
90	G K CHEMISTS LIMITED	Coventry, GB	920,2	0,0	100,00	
91	GEORGE STAPLES (STOKE) LIMITED	Coventry, GB	2.313,8	0,0	100,00	
92	Gerard Ryan Pharmacy (Clonmel) Limited	Dublin, IE	251,1	0,0	100,00	6)
93	Gorrys Pharmacy Limited	Dublin, IE	1.820,5	0,0	100,00	6)
94	Goviltown Limited	Dublin, IE	46.018,4	0,0	100,00	6)
95	GPL 2007 LIMITED	Coventry, GB	2,0	0,0	100,00	
96	GRAEME PHARMACY (STIRLING) LIMITED	Glasgow, GB	1.277,8	0,0	100,00	
97	GREENS PHARMACEUTICAL (HOLDINGS) LIMITED	Coventry, GB	492,1	0,0	100,00	
98	Greystones Pharmacy Limited	Dublin, IE	1.268,0	0,0	100,00	6)
99	GROUPE PHR	Boulogne-Bilancourt, FR	8.286,2	-675,0	100,00	
100	H H THATCHER LIMITED	Coventry, GB	19,3	0,0	100,00	
101	Haleston Enterprises Limited	Dublin, IE	1.997,9	0,0	100,00	6)
102	HC Beteiligungsgesellschaft mbH	Wien, AT	16.172,0	2.231,3	100,00	
103	HEALTH NEEDS LIMITED	Coventry, GB	141,7	0,0	100,00	
104	HEALTHCLASS LIMITED	Coventry, GB	641,0	0,0	100,00	
105	Helmard Holdings Limited	Dublin, IE	1.517,8	0,0	100,00	6)
106	Herba Chemosan Apotheker-AG	Wien, AT	179.007,6	14.545,9	99,06	
107	HERBERT FERRYMAN LIMITED	Coventry, GB	645,0	0,0	100,00	
108	HIGGINS & SON (CHEMISTS) LIMITED	Coventry, GB	26,0	0,0	100,00	
109	HILL-SMITH (WARRINGTON) LIMITED	Coventry, GB	5,0	0,0	100,00	
110	HOLLYFAR - Marcas e Comunicação	Maia, PT	176,4	52,6	100,00	
111	HOLON, S.A.	Maia, PT	2.871,6	-2.301,1	100,00	
112	HYWEL DAVIES (CAERPHILLY) LIMITED	Coventry, GB	1,1	0,0	100,00	
113	INDEPENDENT PHARMACY CARE CENTRES (2008) LIMITED	Coventry, GB	7,5	0,0	100,00	6)
114	INSPIRON DISTRIBUTION LIMITED	Coventry, GB	20,0	0,0	100,00	

Current No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
115	Inten GmbH	Stuttgart, DE	1.434,2	-415,4	100,00	
116	IPCC LIMITED	Coventry, GB	0,0	0,0	100,00	
117	J S DENT LIMITED	Coventry, GB	314,0	0,0	100,00	
118	J. Bradbury (Surgical) Limited	Belfast, GB	0,0	0,0	100,00	
119	J.G. Crowley Pharmacy Limited	Dublin, IE	951,4	0,0	100,00	6)
120	JOHN BELL & CROYDEN LIMITED	Coventry, GB	5.400,9	28,8	100,00	
121	JOHN HAMILTON (PHARMACEUTICALS) LIMITED	Glasgow, GB	-322,0	0,0	100,00	
122	Kairnbury	Dublin, IE	1.232,6	0,0	100,00	6)
123	Kemofarmacija, veletrgovina za oskrbo zdravstva, d.d.	Ljubljana, SI	30.112,2	4.637,1	97,92	
124	Kilshallow Limited	Dublin, IE	981,9	0,0	100,00	
125	KINGSWOOD CHEMISTS LIMITED	Coventry, GB	1,0	0,0	100,00	
126	KINGSWOOD GK LIMITED	Coventry, GB	12.923,5	0,0	100,00	
127	KYLE & CARRICK HOLDINGS LIMITED	Glasgow, GB	2.272,9	0,0	100,00	
128	LEVELCROWN LIMITED	Coventry, GB	1.627,0	0,0	100,00	
129	LINFORD PHARMACIES LIMITED	Coventry, GB	981,8	0,0	100,00	
130	Lissone Farmacie S.p.A.	Lissone, IT	173,0	284,5	80,00	
131	LIVINGSTON HEALTH CENTRE (P.D) CO. LIMITED	Glasgow, GB	281,3	0,0	100,00	
132	LLOYDS CHEMISTS LIMITED	Coventry, GB	167.007,2	0,0	100,00	
133	LLOYDS CHEMISTS RETAIL (NORTHERN) LIMITED	Coventry, GB	5.522,2	0,0	100,00	
134	LLOYDS CHEMISTS RETAIL LIMITED	Coventry, GB	907,0	0,0	100,00	
135	LLOYDS GROUP PROPERTIES LIMITED	Coventry, GB	500,0	-544,0	100,00	4)
136	Lloyds Pharmacy Clinical Homecare Limited	Coventry, GB	0,0	7.166,8	100,00	
137	LLOYDS PHARMACY LIMITED	Coventry, GB	226.842,0	-78.503,3	100,00	
138	LLOYDS PROPERTIES LIMITED	Coventry, GB	3.477,0	-43,6	100,00	
139	LLOYDS Property Management Company Belgium S.A.	Wavre, BE	1.986,0	24,9	100,00	
140	LLOYDS RETAIL CHEMISTS LIMITED	Coventry, GB	5.000,0	0,0	100,00	
141	Lloyds Retail S.r.l.	Bologna, IT	1.362,3	-3.768,7	100,00	
142	LLOYDSFARMACIA ROMA 4 S.R.L.	Bologna, IT	1.440,7	-1.307,4	100,00	
143	Lloydspharma Group S.A.	Wavre, BE	21.114,7	2.452,5	100,00	
144	Lloydspharma S.A.	Wavre, BE	48.904,3	-317,0	100,00	
145	Lloydspharmacy Ireland Limited	Dublin, IE	48.319,2	-6.193,1	100,00	
146	LPL ONE LIMITED	Coventry, GB	10.717,3	0,0	100,00	
147	M PAYNE & CO LIMITED	Coventry, GB	67,8	0,0	100,00	
148	MASTA Limited	Coventry, GB	2.790,6	-3.615,0	100,00	
149	Maurice F. Dougan Limited	Dublin, IE	0,0	0,0	100,00	6)
150	May Roberts Ltd	Dublin, IE	342,8	0,0	100,00	6)
151	McKesson Belgium Holdings SPRL	Brüssel, BE	84.068,6	4.816,3	100,00	
152	McKESSON FRANCE HOLDINGS	Saint Ouen, FR	1.453.664,0	9.429,1	100,00	
153	McKesson France Retail, Saint Ouen *	Saint Ouen, FR	-667,1	61,3	100,00	
154	McSweeney Dispensers 10 Limited	Dublin, IE	1.080,0	0,0	100,00	6)
155	McSweeney Dispensers 23 Limited	Dublin, IE	0,4	0,0	100,00	6)

Current No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
156	MDD pharma N.V.	Kortrijk, BE	4.776,3	1.413,9	100,00	
157	Median Healthcare Services Unlimited Company	Dublin, IE	757,1	-837,4	100,00	
158	Medical Advisory Services for Travellers Abroad Limited	Coventry, GB	2.900,0	0,0	100,00	
159	MEDIMART LIMITED	Coventry, GB	-11.246,0	0,0	100,00	6)
160	MeMed CZ s.r.o.	Chomutov, CZ	5.622,7	1.494,2	100,00	
161	Menges Medizintechnik Schweiz AG	Rüthi, AT	1.404,1	481,4	100,00	
162	Metabolic Healthcare Holdings Limited	Coventry, GB	36.875,1	-2.796,8	73,95	
163	Metabolic Healthcare Limited	Coventry, GB	-24.212,7	-47.281,3	100,00	
164	MUNRO PHARMACY LIMITED	Glasgow, GB	584,8	0,0	100,00	
165	Natureline	Dublin, IE	-386,1	0,0	100,00	6)
166	NEW KIRK PHARMACY LIMITED	Glasgow, GB	1.482,2	0,0	100,00	
167	O`Leary Pharmacy (Lucan) Limited, Dublin	Dublin, IE	0,0	0,0	100,00	6)
168	OCP	Saint Ouen, FR	354.541,6	-27.438,6	99,85	
169	OCP FORMATION	Saint Ouen, FR	339,1	-13,3	100,00	
170	OCP PORTUGAL, PRODUTOS FARMACÊUTICOS, S.A.	Maia, PT	95.438,2	8.491,5	100,00	
171	OCP REPARTITION	Saint Ouen, FR	88.367,8	-19.923,4	100,00	
172	Optimed Health Limited	Shipley, GB	0,0	12,6	100,00	
173	P C Cahill & Company Limited	Dublin, IE	63.499,0	0,0	100,00	6)
174	PALEMODA LIMITED	Coventry, GB	25,0	0,0	100,00	
175	PEEL STREET PHARMACY LIMITED	Coventry, GB	-7.899,0	0,0	100,00	
176	PERILLA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG, Grünwald **	Stuttgart, DE	30,3	0,0	95,00	3)
177	Pharma Belgium Belmedis SA, Woluwe-Saint-Lambert	Woluwe-Saint-Lambert, BE	42.097,3	-2.604,5	100,00	
178	Pharmacie Ananga-Talom	Charleroi, BE	181,5	3,8	100,00	6)
179	Pharmacie de la Bascule	Molenbeek-Saint-Jean, BE	129,9	4,9	100,00	6)
180	PHARMACTIV DISTRIBUTION	Saint Quen, FR	12.721,4	2.657,8	97,55	
181	Pharmacy O`Riada Holdings Limited	Dublin, IE	0,0	0,0	100,00	6)
182	PHARMAGEN LIMITED	Coventry, GB	848,5	0,0	100,00	
183	PHILIP GOODMAN LIMITED	Coventry, GB	269,0	0,0	100,00	
184	PHR ANTILLES	Le Lamentin, Martinique	1.648,0	144,1	89,82	3
185	Prescribing Support Services Limited	Shipley, GB	1,9	-2.323,3	100,00	
186	Prima Brands Limited	Belfast, GB	1.235,4	96,1	100,00	
187	PRIMELIGHT LIMITED	Coventry, GB	400,0	0,0	100,00	
188	PRODILAB	Roma, IT	398,5	188,1	100,00	
189	R F FOSKETT & SON LIMITED	Coventry, GB	1.320,3	0,0	100,00	
190	recucare GmbH	Stuttgart, DE	2.835,8	-578,0	100,00	
191	recusana GmbH	Stuttgart, DE	-25,9	6.788,2	100,00	
192	RESEAU SANTE	Brest, FR	3.511,6	553,9	100,00	
193	Ryle and De Lacy Pharmacies Limited	Dublin, IE	1.161,8	0,0	100,00	6)
194	Sangers (Northern Ireland) Limited	Belfast, GB	6.986,1	1.902,7	100,00	
195	SANOVA Pharma GesmbH	Wien, AT	7.527,3	4.857,3	100,00	

Current No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percentage (in %)[2]	Foot note
196	SAVORY & MOORE (JERSEY) LIMITED	St. Helier, GB	2.187,0	0,0	90,00	
197	SAVORY & MOORE LIMITED	Glasgow, GB	10.486,1	-10,5	100,00	
198	SCHOLES (CHEMISTS) LIMITED	Coventry, GB	23.083,0	0,0	100,00	
199	SOCIETE D`ETUDES ET DE REALISATIONS INFORMATIQUES	Monaco	623,5	447,4	100,00	
200	Sofarmex BVBA	BE	605,6	2.241,5	99,73	
201	Sofiadis SCRL	Brüssel, BE	2.871,3	237,1	99,85	3
202	SOPI The Lough Limited	Dublin, IE	1.463,1	0,0	100,00	6)
203	SOPI Youghal Limited	Dublin, IE	33,2	0,0	100,00	6)
204	STATIM FINANCE LIMITED	Coventry, GB	1.000,0	0,0	100,00	
205	STEPHEN SMITH LIMITED	St. Peter Port, GB	1.856,0	-77,8	100,00	
206	SUPERFIELD LIMITED	Coventry, GB	184,6	0,0	100,00	
207	T AND I WHITE LIMITED	Coventry, GB	7,5	0,0	100,00	
208	T. Sheridan Sales & Marketing	Dublin, IE	361,4	0,0	100,00	6)
209	Tjellesen Max Jenne A/S	Rodovre, DK	726.113,2	21.798,8	100,00	
210	Todin A/S	Rodovre, DK	56.574,4	121,6	100,00	
211	Unicare Dispensers 16 Limited	Dublin, IE	0,0	0,0	100,00	6)
212	Unicare Dispensers 27 Limited	Dublin, IE	0,0	0,0	100,00	6)
213	Unicare Dispensers 5 Limited	Dublin, IE	0,0	0,0	100,00	6)
214	Unicare Pharmacy Group Limited	Dublin, IE	0,0	0,0	100,00	6)
215	USCITA LIMITED	Coventry, GB	0,1	0,0	100,00	
216	Vitapharm	Murska sobota, SI	85,8	70,6	100,00	
217	W H CHANTER LIMITED	Coventry, GB	55,8	0,0	100,00	
218	W H GREEN (CHEMISTS) LIMITED	Coventry, GB	457,2	0,0	100,00	
219	W JAMIESON (CHEMISTS) LIMITED	Coventry, GB	8,0	0,0	100,00	
220	WESTCLOSE LIMITED	Coventry, GB	147,2	0,0	100,00	
221	WOODSIDE PHARMACY (GLASGOW) LIMITED	Glasgow, GB	84,1	-257,8	100,00	
222	WZ-WundZentren GmbH	Stuttgart, DE	2.877,8	-10.279,0	100,00	

III. Associated companies (companies measured at equity)

Cur rent No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percent-age (in %)[2]	Foot note
223	Alliance Healthcare Deutschland GmbH	Frankfurt am Main, DE			30,00	8)
224	Alphar Ayeneux	Soumange, BE	0,1	0,0	51,61	6)9)
225	Alphar Monceau sur Sambre, Monceau-sur-Sambre	Charleroi, BE	94,8	3,8	51,61	6)9)
226	Brocacef Groep N.V.	Maarssen, NL	219.963,2	23.528,7	45,00	
227	Pharma Services (NI) Limited, Belfast	Belfast, GB	60,9	0,0	50,00	

IV. Other shares with a voting share of at least 5%

Cur rent No.	Name of the company	Domicile, Country	Equity (in thousands of national currency)[1]	Annual result (in thousands of National currency)[1]	Percent-age (in %)[2]	Foot note
228	COMPANY CHEMISTS ASSOCIATION LIMITED	Milton Keynes, GB	-11,6	-8,2	27,09	6)
229	DATACARE Datenpflege des Pharmagroßhandels Ges.m.b.H.	Wien, AT	167,6	50,8	36,67	
230	DATAPHARM	Paris, FR	155,8	115,5	37,67	5)
231	My MHealth Limited	Trinity, GB	1.569,2	-709,0	7,95	5)
232	Nensi d.o.o.	Ljubljana, SI	7,9	1,0	35,00	7)
233	SERVICE DE LA REPARTITION PHARMACEUTIQUE	Paris, FR	140,5	72,6	38,40	5)
234	SRA SAS	Nantes, FR	191,4	-0,7	30,87	
235	W.H.C.P. (DUNDEE) LIMITED	Dundee, GB	-59,1	0	13,70	

1) Information in IFRS, alternatively US GAAP
2) This calculation fully considers shares held by dependent entities, even if the share of such an entity is less than 100%.
3) Special purpose entity
4) Financial statement 30/09/2019
5) Financial statement 31/12/2019
6) Financial statement 30/03/2020
7) Financial statement 31/12/2020
8) No financial statement available yet.
9) Not fully consolidated due to minor importance.

In addition, there are also 59 further European pharmacy holdings.

McKesson Europe AG

Stuttgart, 31 May 2021

KEVIN KETTLER
Chairman of the Management Board

HOLGER LANDAUER
Member of the Management Board
Finance

TILO KÖSTER
Member of the Management Board
Legal and Compliance

Independent auditor’s report

To McKesson Europe AG, Stuttgart/Germany

Audit Opinions

We have audited the consolidated financial statements of McKesson Europe AG, Stuttgart/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 March 2021, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year from 1 April 2020 to 31 March 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of McKesson Europe AG, Stuttgart/Germany, combined with the management report of the parent company for the financial year from 1 April 2020 to 31 March 2021. In accordance with the German legal requirements, we have not audited the content of the corporate governance statement pursuant to Sec. 289f (4) German Commercial Code (HGB) (disclosures concerning the quota for women).

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) and (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 March 2021 and of its financial performance for the financial year from 1 April 2020 to 31 March 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the corporate governance statement referred to above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Other Information

The executive directors and the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board
- the corporate governance statement pursuant to Sec. 289f (4) HGB (disclosures concerning the quota for women) included in the combined management report
- all other parts of the published annual report
- but not the consolidated financial statements, not the audited content of the combined management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. Apart from that the executive directors are responsible for the other information.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our group audit, our responsibility is to read with the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (3) and (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that as a whole provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional scepticism throughout the audit.
We also

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (3) and (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stuttgart/Germany, May 31, 2021

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Signed: (Dr. Claus Buhleier)	Signed: (Wilhelm Röscheisen)
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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The German version of the annual report is legally binding.