McKesson Europe AG

Annual Report 2018

Annual Report

McKesson Europe AG

2018

McKesson Europe

McKesson Europe is a leading international wholesale and retail provider of logistics and services to the pharmaceutical and healthcare sectors. McKesson Europe ensures that patients receive the medicine, support and supplies that they require for optimum care.

McKesson Europe provides distribution and services to wholesale, institutional and retail customers in 13 European countries and delivers pharmaceutical and other healthcare-related products to owned, franchise-like and independent pharmacies across Europe, serving more than 2.1 million customers every day.

During the Annual General Meeting on 10 August 2017, the shareholders approved the renaming of the company from Celesio AG to McKesson Europe AG. The new name McKesson Europe AG reflects its shared identity with McKesson Corporation, both internally and externally.

McKesson Corporation ("McKesson"), San Francisco, USA, is the majority shareholder in McKesson Europe AG. McKesson is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care, and healthcare information technology.

The fiscal year at a glance (01/04/2017 – 31/03/2018)

KEY FIGURES OF THE MCKESSON EUROPE		Fiscal 2017	Fiscal 2018	Change on EUR basis %
Continuing operations				
Revenue	EUR m	20,643.7	21,090.0	2.2
Gross profit	EUR m	2,125.7	2,126.0	0.0
adjusted [1)]	EUR m	2,125.7	2,126.0	0.0
EBIT	EUR m	–699.4	–284.6	59.3
adjusted [1)]	EUR m	302.6	126.6	–58.2
Profit before taxes	EUR m	–748.9	–304.1	59.4
adjusted [1)]	EUR m	253.1	107.1	–57.7
Net profit/loss	EUR m	–804.5	–299.2	62.8
adjusted [1)]	EUR m	191.3	92.5	–51.7
Earnings per share (basic)	EUR	–3.97	–1.49	62.5
Earnings per share (basic), adjusted [1)]	EUR	0.93	0.44	–52.8
Cash inflow/outflow from operating activities	EUR m	441.1	264.8	–40.0
Net cash flow from investing activities	EUR m	–25.0	116.5	/
Free cash flow	EUR m	350.4	340.3	-2.9
Employees (full-time equivalent) [2)]		26,329	25,732	/
Retail pharmacies [2)]		2,140	1,969	/
Wholesale branches [2)]		110	118	/
Discontinued operations				
Net profit/loss	EUR m	–159.4	3.9	/
Earnings per share (basic)	EUR	–0.79	0.02	/
Employees (full-time equivalent) [2)]		0	0	/
Continuing and discontinued operations				
Total assets	EUR m	6,857.7 [5]	6,898.9 [2]	0.6
Equity	EUR m	1,892.5 [5]	1,917.9 [2]	1.3
Equity ratio	%	27.6 [5]	27.8 [2]	/
Net financial debt	EUR m	838.3 [5]	569.9 [2]	–32.0
Net Financial Debt/EBITDA adj. [1) 3) 4)]		1.30 [5]	2.58 [2]	/
Employees (full-time equivalent) [2)]		26,329	25,732	/
Employees [2)]		35,716	34,338	/
Net profit/loss for the period	EUR m	–963.9	–295.3	69.4
Earnings per share (basic)	EUR	–4.76	–1.47	69.1

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.
4) Previous year figures as reported.
5) Closing figures as at 31 March 2017.

To our shareholders

McKesson Europe AG
2018

The Supervisory Board

Members of the Supervisory Board of McKesson Europe AG
as at 31 March 2018

John H. Hammergren [2) 3) 4)]	(Chairman)
Ihno Goldenstein [1) 2) 3)]	(Deputy Chairman)
W.M. Henning Rehder [2)]	(Deputy Chairman)
James A. Beer until 26/01/2018	
Detlef Bernhardt [1)] since 10/08/2017	
Dennis Both [1)] since 11/02/2018	
Klaus Borowicz [1)] until 10/02/2018	
Paul C. Julian [3)] until 31/12/2017	
Jörg Lauenroth-Mago [1)]	
Pauline Lindwall	
Kathy McElligott since 31/12/2017	
Susan Naumann [1) 3)]	
Ulrich Neumeister [1)]	
Lori A. Schechter [3)]	
Gabriele Katharina Stall [1)] until 10/08/2017	
Britt Vitalone since 27/01/2018	

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

Report of the Supervisory Board

Dear shareholders,
Ladies and gentlemen,

Throughout the 2018 fiscal year (01/04/2017 to 31/03/2018), we the Supervisory Board of McKesson Europe AG regularly advised the Management Board in its management of McKesson Europe and continuously supervised its management team. We performed the tasks required of us by law, our articles of association and our rules of procedure with great diligence. As the Supervisory Board, we dealt in detail with the commercial and financial development of McKesson Europe and its strategic alignment. Furthermore, we became involved in all decisions of fundamental importance to McKesson Europe at an early stage.

Changes to the Supervisory Board

Ms Gabriele Stall's mandate expired at the end of the most recent Annual General Meeting, with Mr Detlef Bernhardt being elected to replace her as employee representative on the Supervisory Board. After Mr Paul C. Julian and Mr James A. Beer stepped down, Ms Kathy McElligott and Mr Britt Vitalone were appointed to the Supervisory Board by court order until the end of the next Annual General Meeting. The passing of Mr Klaus Borowicz resulted in Mr Dennis Both, who had been elected reserve member, being elevated to the Supervisory Board as a full member. The Supervisory Board would like to thank all the departing members for their commitment and expert contribution. It is with great sadness over Mr Borowicz's sudden death that the Board remembers his many years of service and his work as one of its members.

Cooperation with the Management Board and monitoring

The cooperation between the Management Board and ourselves over the past fiscal year was marked by intensive and frank dialogue that was based upon trust. The Management Board regularly and comprehensively informed the Board and the Chairman of the Supervisory Board, both verbally and in writing, of the situation of McKesson Europe. The main focus of our collaboration and monitoring included the results of operations, financial position and net assets of McKesson Europe, the course of business in the divisions, the development of the market, McKesson Europe's strategy and planning, and the portfolio considerations. The Management Board was present at all eight meetings and resolutions of the Supervisory Board. In this context, the Supervisory Board dealt with various material developments including UK government actions, a more competitive environment in France, and operational and growth initiatives in Germany, furthermore with all relevant investments and acquisitions, e.g. in Italy, France and Austria.

Annual financial and consolidated financial statements and the management report

Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements of McKesson Europe AG and the consolidated financial statements and the joint management report as at 31 March 2018 and issued an unqualified audit opinion. The audit was commissioned by the Supervisory Board in accordance with the resolution of the Annual General Meeting on 10 August 2017.

The required documentation and the auditor's reports were provided to each member of the Supervisory Board and discussed extensively with the auditor in the balance sheet meeting of the Supervisory Board on 26 June 2018. Following the final outcome of its extensive review and discussion, the Supervisory Board had no objections to raise. It approved the outcome of the audit of the financial statements, the annual financial statements prepared by the Management Board of McKesson Europe AG and the consolidated financial statements.

Thanks

The Supervisory Board thanks the Management Board, the management teams of the subsidiaries and all employees for their immense personal commitment, continuous dedication, exceptional performance and strong sense of loyalty during the 2018 fiscal year. We are confident that, now as McKesson Europe, we remain on a solid path to success and will once again seize the opportunities and overcome the challenges that the 2019 fiscal year will bring.

STUTTGART, JUNE 2018

ON BEHALF OF THE SUPERVISORY BOARD

JOHN H. HAMMERGREN

CHAIRMAN

Combined Management Report

McKesson Europe
2018
(01/04/2017 – 31/03/2018)

Background of McKesson Europe/ Business activity and organisation

This combined Management Report is based on the fiscal year 2018 (01/04/2017 – 31/03/2018) 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 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.

Since the course 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(3) HGB (German Commercial Code).

During the course of fiscal year 2018 the delisting of McKesson Europe AG shares from non-officially regulated markets (“Freiverkehr”) has been completed. The remaining listing at the stock exchange Hamburg/Hannover was not initiated by McKesson Europe AG.

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. We have own operations in 10 countries and manage wholesale and pharmacy operations wholly owned by McKesson Corporation in two Scandinavian countries and Ireland. Our core business consists of pharmaceutical wholesale and pharmacies – we operate our own retail pharmacies and maintain partnership schemes with independent, owner-run pharmacies.

More than 34,000 employees cover the supply chain from the pharmaceutical industry right 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, nearly 4,000 employees are working in our managed operations in Scandinavia and Ireland.

Our wholesale network delivers to some 58,000 pharmacies every day in eleven European countries.

We operate approximately 2,000 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

McKesson Corporation ("McKesson"), San Francisco, USA, is the majority shareholder in McKesson Europe, with more than 77% of McKesson Europe shares. The existence of a domination and profit and loss transfer agreement between McKesson Europe Holdings GmbH & Co. KGaA (formerly named Celesio Holdings Deutschland 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 even more value for their stakeholders.

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. Pharmacy Solutions serves pharmacies and is primarily concerned with wholesale distribution activities. Consumer Solutions is aimed at patients and consumers and mainly is 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 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 is advised and controlled in its management function by the supervisory board. The supervisory board 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, which is registered in the Commercial Register and effective since 2 December 2014, 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.

Internal performance measurement system

EBIT (earnings before interest and taxes) and adjusted EBIT are two of the main key performance indicators for our performance measurement of our business. A detailed description of special effects leading to the adjustments on EBIT is provided on page 19. EBIT allows us to measure the operating business success including amortisation and depreciation and to compare ourselves with other international companies.

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, headcount 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 4.6% per year until 2021. Through strong population growth, rising affluence, higher quality of life expectations and increased quality and access of healthcare, the developing and emerging economies will contribute to global growth with high single growth rates. Industrialised nations on the other hand will mostly only generate growth in the lower single digits (source: IQVIA Inc., 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 around 2.7% per year is expected through 2021, according to IQVIA. Furthermore price pressure in European pharmaceutical and healthcare markets will remain high, primarily as a result of structural reforms in those countries in Europe that are economically weaker.

It is likely that government cost reduction programmes 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, too, 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 adherence) and the rendering of simple medical services such as measuring blood pressure. This will increase the quality of healthcare and reduce healthcare costs. Additionally, in some markets, as authorities try to control rising hospital and care costs, the home is becoming a preferred healthcare setting for patients. This increases the need for business models that support in-home healthcare services.

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 contribute to healthier, more positive lives by providing innovative and effective healthcare services.

Our entire 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 reach our ambitious goals, we focus on our five priorities, which are:

- Enhance customer value
- Encourage a growth mindset
- Strengthen leadership
- Improve collaboration, and
- Develop our talent pool.

We will enhance customer value through operational excellence, value-added services and broader partnerships. We will leverage the great growth opportunities we see over the years through core growth, consolidation, channel expansion and innovation. In order to achieve growth and emphasise customer value across the board, we need the right people and the right organisation.

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 process.

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, we closed further acquisitions in fiscal year 2018 to extend our European footprint within countries in which we already operate.

On 2 May 2017, McKesson Europe acquired Belmedis, the Belgian distribution business of the France-based cooperative Welcoop to strengthen the market position of McKesson Europe in Belgium.

On 30 June 2017, we closed the transaction to purchase Menges Medizintechnik in Austria, a leading distributor of products for radiology and for the operating theater. With this acquisition, McKesson Europe expands its hospital market position and enables customers to benefit from greater flexibility and more services.

On 14 June 2017, McKesson Europe closed the transaction to acquire Réseau Santé in France. The acquisition of the leading regional buying group enhances the service portfolio for the existing customer base.

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 seen any direct dependency on the overall economic environment in the past.

In addition to the funding structure announcement in fiscal year 2017, the UK Department of Health issued further changes to their funding schemes throughout the current fiscal year which impacted our results. In parallel we have experienced slower growth of prescription volumes flowing through our pharmacies primarily due to NHS designating some prescription drugs as over-the-counter (OTC), thereby reducing fee income at our Lloyds pharmacies. Against this background, we recorded further goodwill impairments in our Consumer Solutions UK operations. Furthermore, a more competitive environment led to higher pressure on market prices and customer discounts in our wholesale business in France, in fiscal year 2018.

Revenue and earnings development

MC KESSON EUROPE REVENUE AND OPERATING RESULTS	Fiscal 2017		Fiscal 2018		Change on EUR basis
	EUR m	of revenue %	EUR m	of revenue %	%
Revenue	20,643.7	100.0	21,090.0	100.0	2.2
Gross profit	2,125.7	10.3	2,126.0	10.1	0.0
adjusted [1]	2,125.7	10.3	2,126.0	10.1	0.0
EBIT	–699.4	–3.4	–284.6	–1.3	59.3
adjusted [1]	302.6	1.5	126.6	0.6	–58.2
Profit before taxes	–748.9	–3.6	–304.1	–1.4	59.4
adjusted [1]	253.1	1.2	107.1	0.5	–57.7
Net profit from continuing operations	–804.5	–3.9	–299.2	–1.4	62.8
adjusted [1]	191.3	0.9	92.5	0.4	–51.7
Net profit from discontinued operations	–159.4	–0.8	3.9	0.0	/
Net profit/loss from continuing and discontinued operations	**–963.9**	**–4.7**	**–295.3**	**–1.4**	**69.4**

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

Revenue

McKesson Europe’s revenue came to EUR 21,090.0m in fiscal year 2018, up 2.2% on the fiscal year 2017 figure of EUR 20,643.7m. The positive development was driven primarily by acquisitions. Revenue in fiscal year 2018 was adversely impacted by exchange rate effects of EUR 317.8m that primarily related to the British pound. On a constant currency basis our revenue grew considerably by 3.7% in fiscal year 2018.

As in the past fiscal year, UK made the largest contribution to revenue (30.1%; fiscal year 2017: 30.5%) followed by France (27.3%; fiscal year 2017: 28.5%), and Germany (22.1%; fiscal year 2017: 22.9%).

Gross profit

In fiscal year 2018 gross profit remained on last year’s level at EUR 2,126.0m. The gross profit growth, driven primarily by acquisitions, was partly offset by government actions in our Consumer Solutions UK operations and a more competitive environment in our Pharmacy Solutions business in France. At 10.1%, the gross profit margin in the reporting period was slightly below the level in fiscal year 2017 of 10.3%.

EBIT

EBIT (earnings before interest and taxes) for continuing operations saw a significant improvement from EUR –699.4m in fiscal year 2017 to EUR –284.6m in fiscal year 2018.

Most of the change in the EBIT can be explained by non-recurring expenses, which differed significantly between the two fiscal years. In fiscal year 2017 non-recurring expenses amounted to EUR 1,002.0m, thereof EUR 990.9m resulted from goodwill impairment for the cash generation units Consumer Solutions UK and Ireland.

In fiscal year 2018 the non-recurring expenses amounted to EUR 411.2m. The most significant non-recurring item was the goodwill impairment in Consumer Solutions UK of EUR 259.1m, mainly driven by new government actions in fiscal year 2018. Additionally, EUR 78.2m impairment of software and other asset impairments, mainly in Consumer Solutions UK, were recorded. Furthermore, provisions of EUR 65.4m were created for restructuring programmes mainly in UK, Germany and Ireland. Integration activities created non-recurring expenses of EUR 18.1m in various countries. At the same time, profits from disposal amounting to EUR 9.6m were recorded, mainly referring to the sale of pharmacies in UK.

In the income statement, we show the non-recurring expenses and income described above as non-recurring effects in EBIT.

McKesson Europe defines an effect as non-recurring, once this effect is derived from

- impairment losses/ reversals recorded on non-current assets and revaluations pursuant to IFRS 5 regarding the expected amount of net sales proceeds,
- deconsolidation,
- impairment losses/ reversals recognised on intangible or tangible assets,
- restructuring charges from changes in strategy, of ordinary business, including changes to the management
- integration activity of newly acquired entities as well as the integration into McKesson Corporation.

Adjusted EBIT fell by 58.2% to EUR 126.6m in fiscal year 2018 compared to EUR 302.6m in fiscal year 2017. Adjusted EBIT in the reporting period was adversely impacted by UK government actions, including reimbursement cuts and a more competitive environment in our wholesale business in France. Furthermore, Consumer Solutions UK recorded a significant provision for contractual onerous lease obligations that drove down fiscal year 2018 performance. The overall negative exchange rate effects amounted to EUR 4.0m, mainly related to the British pound.

Investment result

At EUR 25.3m the investment result was above the previous year level of EUR 16.6m. This was primarily attributable to the positive development of the Dutch at equity investment in Brocacef Holding N.V. and other European pharmacy investments in fiscal year 2018.

Financial result

The financial result, the balance of the items interest expense, interest income and other financial result, improved to EUR –44.8m in fiscal year 2018, compared to EUR –66.0m in fiscal year 2017. The improvement mainly results from the repayment of the corporate bond maturing on 18 October 2016, as well as the bond maturing on 26 April 2017, which was refinanced with a long-term loan provided by a subsidiary of McKesson Corporation. The adjusted interest coverage ratio (defined as adjusted EBIT divided by financial result) was 2.8 (fiscal year 2017: 4.6). The unadjusted interest coverage ratio came to –6.4 (fiscal year 2017: –10.6).

Income taxes

Income taxes decreased by 60.5m, resulting in a tax credit of EUR 4.9m in fiscal year (previous year: EUR 55.6m tax expense). This results in an effective tax rate of 1.6% for the reporting period (fiscal year 2017: –7.4%). The fiscal year 2018 tax rate is mainly driven by the non-tax deductible goodwill impairment in the UK. Adjusted for the special effects mentioned above, the adjusted tax rate is 13.7% in fiscal year 2018 compared to 24.4% in fiscal year 2017. The movement in the adjusted tax rate is mainly due to the mix of different tax rates and the earnings mix of the different countries in which McKesson Europe operates.

Net profit/loss from continuing operations

The net profit from continuing operations at McKesson Europe came to EUR –299.2m compared to EUR –804.5m in fiscal year 2017. After adjustments for special effects net profit from continuing operations is at EUR 92.5m, down 51.7% on the fiscal year 2017 figure of EUR 191.3m, which results mainly from the previously described decrease in adjusted EBIT, partially compensated by the positive development of the investment and financial result. The basic and diluted earnings per share of McKesson Europe improved from EUR –3.97 in fiscal year 2017 to EUR –1.49.

Net profit/loss from discontinued operations

The sale of our Brazilian activities closed on 31 May 2016. Subsequent to the sale, EUR 3.9m were recorded as an income through profit and loss in fiscal year 2018 compared to EUR –159.4m in fiscal year 2017. The amount of EUR 3.9m relates to adjustments of the provision that was recognized upon the disposal of our Brazilian wholesale operations, referring to the expected occurrence of additional risks, including currency effects.

Net profit/loss

Net profit and loss from continuing and discontinued operations came to EUR –295.3m in fiscal year 2018 compared to a net profit and loss of EUR –963.9m in fiscal year 2017. Accordingly, basic and diluted earnings per share came to EUR –1.47 compared to EUR –4.76 in fiscal year 2017.

Investments and capital expenditures

Investments and capital expenditures of continuing operations recognised in the statement of financial position came to EUR 182.8m in fiscal year 2018 (fiscal year 2017: EUR 494.1m). In line with its internal reporting guidelines, McKesson Europe differentiates between investments in acquisitions and new pharmacies on the one hand and capital expenditures of the operating business on the other hand.

Balance sheet additions to property, plant and equipment and intangible assets from acquisitions and new pharmacies came to EUR 56.0m in fiscal year 2018 compared to EUR 340.3m in 2017. Fiscal year 2018 includes the acquisitions of Belmedis, Menges Medizintechnik as well as Réseau Santé. Prior year´s figure included major acquisitions in UD Sangers and the Sainsbury´s pharmacy business. This explains the main drop in total capital expenditures. In fiscal year 2018, the capital expenditure of McKesson Europe for its operating business totalled EUR 126.8m compared to EUR 153.8m in fiscal year 2017. Similar to the prior year, our two main investment projects in fiscal year 2018 included the improvement of our IT infrastructure and the continued investment into our new distribution centre in France, that was opened in February 2018.

Consumer Solutions

Market environment and business development

The Consumer Solutions division services 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 and mail-order pharmacies, homecare as well as brand partner shops.

McKesson Europe is one of the largest pharmacy operators in Europe. As of the end of fiscal year 2018 McKesson Europe operated 1,969 retail pharmacies in four countries.

Due to the ongoing optimisation of our portfolio we had a net decrease of 171 pharmacies in fiscal year 2018. We sold and closed pharmacies as a result of a strategic review and restructuring of our pharmacy portfolio in the UK driven by government actions negatively impacting our UK pharmacy profitability.

Revenue and earnings development

CONSUMER SOLUTIONS REVENUE AND OPERATING RESULTS	**Fiscal 2017**		**Fiscal 2018**		**Change on EUR basis %**
	EUR m	**of revenue %**	**EUR m**	**of revenue %**	**%**
Revenue	3,836.5	100.0	3,906.0	100.0	1.8
Gross profit	1,059.2	27.6	1,023.9	26.2	−3.3
adjusted [1)]	1,059.2	27.6	1,023.9	26.2	−3.3
EBIT	−888.7	−23.2	−364.8	−9.3	59.0
adjusted [1)]	108.6	2.8	−29.3	−0.7	/

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

Revenue

Revenue in the Consumer Solutions division increased by 1.8% in fiscal year 2018 from EUR 3,836.5m in fiscal year 2017 to EUR 3,906.0m, despite negative exchange rate effects related to the British pound amounting to EUR 170.7m. On a constant currency basis Consumer Solutions grew by 6.3% compared to prior year driven primarily by acquisitions. This increase was partly offset by negative impacts from the governmental cuts on prescription products in UK.

Gross profit

In fiscal year 2018, the division's gross profit decreased by 3.3% to EUR 1,023.9m, from EUR 1,059.2m in the comparison period. The decrease is due to the overall negative exchange rate effects which amounted to EUR 41.6m related to the British pound. Adjusting for this impact, gross profit increased slightly year-on-year, as acquisitions offset the unfavourable impact of reimbursement cuts in the UK. The gross profit margin decreased from 27.6% in fiscal year 2017 to 26.2% in fiscal year 2018.

EBIT

EBIT amounted to EUR –364.8m in fiscal year 2018 compared to EUR –888.7m in fiscal year 2017. EBIT adjusted for the special effects mentioned above decreased from EUR 108.6m in fiscal year 2017 to EUR –29.3m in fiscal year 2018. The primary drivers of the decrease in adjusted EBIT were government reimbursement cuts and a provision for contractual pharmacy onerous lease obligations in the UK. Negative exchange rate effects, related to the British pound, of EUR 0.1m only slightly impacted adjusted EBIT.

Pharmacy Solutions

Market environment and business development

McKesson Europe bundles its wholesale activities with pharmaceutical products in its Pharmacy Solutions division.

McKesson Europe subsidiaries are active in nine European countries. McKesson Europe is one of the top 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 programmes in UK, Germany, France, Portugal and Belgium. Within the framework of these cooperation programmes, 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

PHARMACY SOLUTIONS REVENUE AND OPERATING RESULTS	Fiscal 2017		Fiscal 2018		Change on EUR basis %
	EUR m	of revenue %	EUR m	of revenue %	%
Revenue	16,813.2	100.0	17,188.0	100.0	2.2
Gross profit	1,066.5	6.3	1,102.1	6.4	3.3
adjusted [1)]	1,066.5	6.3	1,102.1	6.4	3.3
EBIT	229.6	1.4	160.9	0.9	−29.9
adjusted [1)]	230.2	1.4	194.4	1.1	−15.5

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

Revenue

In fiscal year 2018 the Pharmacy Solutions division generated revenue of EUR 17,188.0m compared to EUR 16,813.2m in fiscal year 2017, an increase of 2.2%. This increase was mainly driven by acquisitions and was partly offset by the overall negative exchange rate effect of EUR 147.3m, mainly derived from the British pound. In addition, a more competitive environment in France adversely impacted revenue in fiscal year 2018.

Gross profit

In fiscal year 2018, the division's gross profit increased by 3.3% from EUR 1,066.5m in fiscal year 2017 to EUR 1,102.1m. This increase is mainly driven by acquisitions. Overall negative currency exchange rate effects amounted to EUR 12.3m mainly caused by the British pound. Gross profit in fiscal year 2018 was adversely affected by indirect effects of the governmental cuts in the UK, exchange rate effects on the sourcing cost of non-British pound denominated products and a more competitive environment in France. The gross profit margin in fiscal year 2018 of 6.4% was slightly above the level of fiscal year 2017 of 6.3%.

EBIT

The division's EBIT decreased by 29.9% from EUR 229.6 m in fiscal year 2017 to EUR 160.9m in fiscal year 2018. Adjusted EBIT decreased by 15.5% from EUR 230.2m in fiscal year 2017 to EUR 194.4m in fiscal year 2018. This decrease was mainly driven by the indirect effects of government cuts in the UK and a more competitive environment in France. In addition, negative currency effects, mainly caused by the British pound, of EUR 3.9m weighed on adjusted EBIT.

Financial position

Statement of cash flows

EUR m	Fiscal 2017	Fiscal 2018	Dev.
Cashflow statement			
Net cash flow from operating activities - continuing operations	441.1	264.8	–176.3
Net cash flow from investing activities - continuing operations	**–25.0**	**116.5**	**141.5**
Interest paid and received	–65.7	–41.0	24.7
Free cash flow	**350.4**	**340.3**	**–10.1**
Payments from/ made to shareholders (including non-controlling interests)	–130.2	60.6	190.8
Cash Flows Financial Liabilities	–22.4	–76.9	–54.5
Net change in cash and cash equivalents - discontinued operations	**–144.7**	**1.1**	**145.8**
Payments for hedging activities	24.1	0.1	–24.0
Net change in cash and cash equivalents	**77.2**	**325.2**	**248.0**
Net foreign exchange rate difference	–24.4	–5.1	19.3
Change in cash and cash equivalents	**52.8**	**320.1**	**267.3**

The cash flow from operating activities came to EUR 264.8m for continuing operations in fiscal year 2018, compared to a cash flow of EUR 441.1m generated in the previous fiscal year 2017. This development was primarily the result of the lower EBIT adjusted.

Cash flow from operating activities came to EUR 1.1m for discontinued operations, compared to EUR -18.8m in fiscal year 2017.

The cash flow from investing activities for continuing operations amounted to EUR 116.5m. Main effects in fiscal year 2018 were the cash inflow from a loan that was paid out last year of EUR 275.0m and cash outflows for investments of EUR -127.9m and for business acquisitions of EUR -66.6m.

Acquisitions in fiscal year 2018 included Belmedis in Belgium, Menges Medizintechnik in Austria and Réseau Santé in France. For discontinued operations, cash flow from investing activities came to EUR 0.0m, compared to EUR –94.7m in the previous year.

Cash and cash equivalents came to EUR 796.4m as of 31 March 2018, an increase of EUR 320.1m compared to the end of the fiscal year 2017.

Free cash flow, the balance of net cash flow from operating activities, net cash flow from investing activities, interest paid and received amounted to EUR 340.3m for continuing operations in fiscal year 2018 compared to EUR 350.4m in fiscal year 2017.

EUR m	31/03/2017	31/03/2018	Change in statement of financial position	Net change in cash and cash equivalents continuing operations*
Change in net operating assets				
Inventories	1,483.5	1,464.6	–18.9	34.9
Trade receivables	2,290.2	2,308.1	17.9	14.8
Trade payables	–2,594.8	–2,748.9	–154.1	–1.9
Other net operating assets	–86.4	–141.6	–55.2	–8.6
Net operating assets	**1,092.5**	**882.6**	**–210.3**	**39.2**
Other assets and liabilities	**–327.0**	**–468.7**	**–141.7**	**84.0**
Net cash flow from change in net working capital				**123.2**

* 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 838.3m as of 31 March 2017 to EUR 569.9m as of 31 March 2018. The key performance indicator net debt/ adjusted EBITDA amounts to 2.58 as of 31 March 2018 compared to 1.30 as of 31 March 2017.

Cash outflow from financing activities for continued operations amounted to EUR –57.2m in the reporting period compared to a cash outflow of EUR –194.2m in the previous fiscal year 2017. The cash inflow from borrowing increased by EUR 323.7m to EUR 662.5m. The cash outflow for the settlement of financial liabilities increased as well by EUR –378.2m to EUR –739.4m. Main effect was the bond repayment of EUR 499.7m.

As of 31 March 2018, net working capital amounted to EUR 882.2m (31 March 2017: EUR 1,092.5m).

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	31/03/2017	31/03/2018
EUR m		
Liabilities to banks	22.2	19.9
Promissory notes and bonds	499.6	0.0
Lease liabilities	3.3	4.2
Liabilities to McKesson entities	784.2	1,338.6
Other financial liabilities	5.2	3.3
Total	**1,314.5**	**1,366.0**

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 sources.

Financial instruments

Credit lines and intercompany long term loans

In April 2017 a new long-term loan in the amount of EUR 522m has been agreed with McKesson UK Finance II Limited, refinancing the bond maturity of EUR 500m plus interest with a six year tenor.

Following such refinancing, McKesson Europe reduced the existing committed credit facility with McKesson Europe Holdings Deutschland GmbH & Co. KGaA to a three-year EUR 250m committed credit facility (previously EUR 1,000m).

As of 31 March 2018 McKesson Europe had no drawdown under the committed credit facility with McKesson Europe Holdings. The terms and conditions of the facility are at arm’s length and mainly replace short-term working capital drawings under uncommitted bilateral credit lines from banks.

In addition, our English entities are mostly directly funded in British pounds by a subsidiary of McKesson Corporation since the second half of fiscal year 2016.

Bonds

At the beginning of fiscal year 2018 McKesson Europe had one bond outstanding:

outstanding nominal volume	**31/03/2017**	**31/03/2018**	**Coupon**	**Maturity**
EUR m			%	
Corporate bond 2017	499.7	0.0	4.50	26/04/2017
Total EUR	**499.7**	**0.0**		

The bond 2017 matured on 26 April 2017 and has been refinanced by McKesson Finance II Limited.

Financing costs

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

On 31 March 2018, McKesson Europe AG and its subsidiaries had met all loan obligations from financing agreements.

Assets position

As of 31 March 2018, McKesson Europe had total assets of EUR 6,898.9m, an increase of EUR 41.2m compared to 31 March 2017.

The gearing, which expresses the ratio of net debt to equity, improved as of 31 March 2018 to 0.30 compared to 0.44 as of 31 March 2017. This development was mainly driven by a decrease of EUR 268.4m in net financial debt and was partially offset by a increase in equity of EUR 25.4m.

ASSETS	31/03/2017	31/03/2018
EUR m		
Non-current assets	**1,962.9**	**1,687.0**
Current assets	**4,894.8**	**5,211.9**
Total assets	**6,857.7**	**6,898.9**

Non-current assets decreased by a total of EUR 275.9m to EUR 1,687.0m compared to 31 March 2017. Intangible assets decreased by EUR 294.4m to EUR 833.0m, mainly driven by the goodwill impairment of EUR 259.1m in Consumer Solutions UK. The goodwill impairment in Consumer Solutions UK was mainly driven by new and unexpected government actions.

Property, plant and equipment decreased by EUR 7.1m to EUR 479.1m, the main drivers being the impairment of buildings and equipment in Consumer Solutions UK and Consumer Solutions Ireland and currency effects. The decrease was partially offset by the acquisitions in Belgium. Investments in associates increased by EUR 15.4m to EUR 247.6, mainly due to the current year result of our equity method investment in Brocacef. Other financial assets increased by EUR 8.0m to EUR 65.4m, mainly driven by the acquisitions in Belgium, tax assets in McKesson France and increase in long-term trade receivables in France and Austria.

As of 31 March 2018, current assets came to EUR 5,211.9m, an increase of EUR 317.1m compared to 31 March 2017. Inventories decreased by EUR 17.9m to EUR 1,465.6m, mainly due to lower stock-holding in Pharmacy Solutions UK. Inventories were additionally reduced by currency effects. Trade receivables increased by EUR 17.8m to EUR 2,308.1m, mainly as a result of business acquisitions. The increase was partly offset by currency effects. As of 31 March 2018, cash and cash equivalents totalled EUR 796.4m compared to EUR 476.3m as of 31 March 2017. This increase of EUR 320.1m was mainly due to a cash in from a reduction in other receivables and other assets of EUR 4.2m.

As of 31 March 2018, McKesson Europe reported assets held for sale of EUR 2.4m. The decrease of EUR 2.4m compared to 31 March 2017 is caused by the sale of pharmacies in the UK, which were classified as held for sale in the prior fiscal year.

EQUITY AND LIABILITIES	31/03/2017	31/03/2018
EUR m		
Equity	**1,892.5**	**1,917.9**
Liabilities	**4,965.2**	**4,981.0**
Non-current liabilities	**1,168.5**	**1,368.4**
Current liabilities	**3,796.7**	**3,612.6**
Total assets	**6,857.7**	**6,898.9**

As of 31 March 2018, we recorded an increase of EUR 25.4m in equity to EUR 1,917.9m compared to 31 March 2017. This increase is mainly driven by the loss transfer from McKesson Europe AG to McKesson Europe Holdings GmbH & Co KGaA of EUR 291.9m and the McKesson contribution to capital reserves for the compensation of ERP project costs of EUR 63.3m. This was offset by the decrease in revenue reserves by EUR 6.5m to EUR 168.2m, which results from the net loss of the period. The revaluation reserves decreased by EUR 32.6m to EUR −458.3m as of 31 March 2018. This decrease is mostly resulting from currency translation effects and actuarial losses on pensions due to changes in the demographic assumptions. The equity ratio was 27.8% on 31 March 2018, a decline of 0.2 percentage points compared to 31 March 2017.

As of 31 March 2018 non-current liabilities are EUR 199.9m higher in comparison to 31 March 2017 and amount to EUR 1,368.4m. Non-current financial liabilities increased by EUR 160.6m to EUR 966.7m mainly as a result of the EUR 522.2m loan refinancing from McKesson to McKesson Europe AG and an addition of EUR 139.1m to another loan from McKesson Information Solutions Finance S.a.r.l. The increase was offset by a reduction of EUR 388.3m, which relates to the reclassification of a loan from long-term to short-term. In addition, in March 2018 McKesson Europe AG made an early repayment of a EUR 85.4m loan to McKesson Europe Holdings GmbH & Co. KGaA. Non-current provisions increased by EUR 49.0m to EUR 103.4m mainly due to an increase in provision for onerous contracts in Consumer Solutions UK.

Current liabilities came to EUR 3,612.6m as of 31 March 2018 after a decrease by EUR 184.1m compared to 31 March 2017. Current financial liabilities decreased by EUR 108.9m to EUR 399.5m as a result of the repayment of the outstanding corporate bond in April 2017 offset by a reclassification of a McKesson loan from long-term to short-term of EUR 388.3m. Trade payables increased by EUR 26.6 to EUR 2,748.9m due to a net working capital reclassification.

Net debt decreased from EUR 838.3m as of 31 March 2017 to EUR 569.9m as of 31 March 2018. The key performance indicator net financial debt/ adjusted EBITDA declined from 1.30 as of 31 March 2017 to 2.58 as of 31 March 2018.

McKesson Europe AG financial statements (Holding)

The annual financial statements of McKesson Europe AG reflect the company's activity as an executive management holding company. McKesson Europe AG has shareholdings directly in the national companies, which are primarily of an operational nature, or indirectly via national holding companies. Furthermore, the short-term resource 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).

Assets position

Total assets decreased by EUR 68.5m to EUR 4,062.6m as of 31 March 2018. Fixed assets decreased by EUR 187.2m to EUR 3,049.8m, while current assets increased by EUR 121.8m to EUR 1,009.8m.

Intangible assets decreased by EUR 17.5m to EUR 42.5m, primarily due to impairments of internally-developed assets as part of a software project. The reduction in fixed assets resulted primarily from amortizations in three subsidiaries. Therefore, financial assets were affected by impairments on Irish, UK and Danish shareholdings totaling EUR 309.6m as well as a write-up amounting to EUR 11.5m in a subsidiary in Belgium.

The increase in current assets was mainly driven by the higher cash position, compared to prior year.

The equity of McKesson Europe AG, amounting to EUR 3,125.5m, has not changed year-on-year. On the basis of the domination and profit and loss transfer agreement of 22 May 2014, the loss of EUR 291.9m will be reimbursed by McKesson Europe Holdings GmbH & Co. KGaA.

The equity ratio increased by 1.3 percentage points to 76.9% (previous year: 75.6%) due to the decline in total assets.

Financial position

The financing strategy is based on the principles of safeguarding liquidity, guaranteeing entrepreneurial freedom, and minimising financing costs. We also make reference to the statements on the financial strategy and financial management of McKesson Europe.

Of the liabilities amounting to EUR 865.6m, 1.0% is due to other business partners, and 99.0% is due to affiliates. The company shows extensive coverage for the interest-bearing liabilities and interest-bearing assets (net gearing).

The rise in cash and cash equivalents has pushed gearing down as low as -11.4% (previous year: -1.5%). On 26 April 2017, the outstanding bond of Celesio Finance B.V., Amsterdam, Netherlands, with a nominal value of EUR 499.7m, was repaid. This reduced McKesson Europe's liabilities. The refinancing was provided by a subsidiary of McKesson Corporation.

Financial performance

Net profit for the fiscal year 2018 is EUR 0.0m (previous year: EUR 0.0m). On the basis of the domination and profit and loss transfer agreement of 22 May 2014, the net loss of EUR 291.9m (EUR 23.6m in fiscal year 2017) will be reimbursed by McKesson Europe Holdings GmbH & Co. KGaA.

Sales mainly comprise the services provided to subsidiaries.

The profit before tax is primarily resulting from investment result, interest result, and income from cost allocations to subsidiaries.

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 deteriorated by EUR 302.4m year-on-year to EUR -308.6m, mainly as a result of impairments on investments. Other income increased by EUR 68.3m to EUR 127.2m compared to the previous year. Other income mainly results from charges passed to subsidiaries and exchange rate gains.

Net expense for the executive management holding company is composed primarily of personnel expenses of EUR 38.6m (previous year: EUR 35.6m), amortisation of intangible assets and depreciation of property, plant and equipment of EUR 47.5m (previous year: EUR 8.8 m), and other expenses of EUR 149.6m (previous year: EUR 144.3m). The increase in depreciation and amortisation was primarily driven by the impairment of software in the amount of EUR 37.8m.

The expenses essentially comprise exchange rate losses, costs of IT services, consultancy, and personnel services in subsidiaries. A domination and profit and loss transfer agreement (DPTA) has been in place since 22 May 2014 between the company and majority shareholder McKesson Europe Holdings GmbH & Co. KGaA, a wholly owned indirect subsidiary of the McKesson Corporation, which has its head office in San Francisco, California, USA. In accordance with Section 4 Paragraphs 2 and 3 of the DPTA, 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 fiscal year 2018.

Forecast

The business and earnings development of McKesson Europe AG as a management holding company is closely connected to that of McKesson Europe. The earnings of McKesson Europe AG for the fiscal year 2018 will therefore also depend primarily on the profit distributions from foreign subsidiaries, profits transferred from investments in Germany and the result of the financing function. We are expecting net earnings to break even in operating terms (excluding divestment effects) for McKesson Europe AG (before transferring profits or offsetting losses), as compared to a corresponding operating loss in the fiscal year 2018 of EUR -269.2m. The investment result will be similar to that of fiscal year 2018 after adjusting for the effects of the write down on subsidiaries. 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		Full-time equivalents reporting date		Employees reporting date	
	31/03/2017	31/03/2018	31/03/2017	31/03/2018	31/03/2017	31/03/2018
Consumer Solutions	15,460	16,024	16,335	15,340	23,662	21,960
Pharmacy Solutions	9,860	9,945	9,633	9,997	11,673	11,981
Holding	343	374	361	395	381	397
McKesson Europe	**25,663**	**26,343**	**26,329**	**25,732**	**35,716**	**34,338**

Employee figures

As of 31 March 2018, 25,732 full-time equivalents (FTEs) worked for McKesson Europe. The decrease of 2.3% against 31 March 2017 results mainly from the closure or sale of pharmacies in UK, partly offset by acquisitions.

A total of 15,340 FTEs were employed in the Consumer Solutions division at the end of fiscal year 2018, a decrease of 6.1% compared to 31 March 2017. This development is mainly caused by the closure or sale of pharmacies in UK. At 59.6% this division accounted again for the largest share of FTEs in McKesson Europe.

The Pharmacy Solutions division had 9,997 FTEs as of the end of fiscal year 2018, an increase of 3.8%. There were 395 FTEs working in the Holding as of 31 March 2018 (31 March 2017: 361 FTEs). With 92.3% (31 March 2017: 92.5%) of our FTEs working outside of Germany, we are one of the most international German groups.

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 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 level down to be achieved by 30 June 2022.

McKesson Europe AG informs on the achievement of the targets for the proportion of positions held by women for the previous period ending 30 June 2017: The proportion of women in the Supervisory Board has been 33% and reached the targeted range. The proportion of women in the Management Board is unchanged (at 0%). Marc Owen decided to retire, effective March 31 and Brian Tyler has been appointed as Chairman of the Management Board, effective April 1, 2017. Brian joined the Company already in April 2016 as president and COO and was best suited to take over the position as CEO. The proportion of women in the first management level below the management board has reached the targeted 27% and overachieved with 40% the target for the next level down.

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 year 2018, overall revenue was in line with our expectations. Negative currency exchange rate effects of EUR 317.8m, mostly related to the British pound, additional and higher than planned reimbursement cuts and lower prescription item volumes in our Consumer Solutions UK business and a more competitive environment in France weighed on revenues. These negative effects were largely offset by our acquisitions and strong performance in our homecare and wholesale business in UK.

In fiscal year 2018, gross profit largely followed revenue drivers: negative currency exchange rate effects of EUR 53.9m, worse than expected prescription item volumes and reimbursement cuts in our Consumer Solutions UK business as well as a more competitive environment in France competition partly offset by positive impacts from acquisitions.

Non-recurring expenses came to EUR 411.2m in fiscal year 2018. They mainly result from the goodwill impairment in the Consumer Solutions division for UK, costs for restructuring programmes, expenses in connection with the acquisition and integration of newly acquired entities as well as impairments of software and other assets.

Adjusted EBIT in fiscal year 2018 in the UK was burdened by government reimbursement cuts, which were higher than originally expected. For Italy adjusted EBIT exceeded our expectations. The Consumer Solutions division recorded a decrease in adjusted EBIT higher than originally foreseen due to the developments in the UK. Adjusted EBIT in the Pharmacy Solutions division also recorded a considerable decrease in fiscal year 2018 primarily due to challenging market in France.

As expected, the adjusted tax rate decreased due to the mix of different tax rates and the earnings contribution of the different countries.

In line with our expectations, the investment level increased due to the acquisitions completed in fiscal year 2018 as well as high IT investments. Currently we focus on important investment in the ERP platform. Also, the new European regulations, such as Falsified Medicine Directive (FMD) and General Data Protection Regulation (GDPR), require material investments.

The cash flow from operating activities decreased, primarily driven by lower EBIT, whereas free cash flow saw an increase due to lower cash outflows for business combinations and loan repayments.

We recorded adjusted EBIT lower than our original outlook, as pressure in the main markets such as UK and France could not be offset by strong performance across other geographies, including Italy and Austria. As a result of these pressures, we have engaged in restructuring programmes to enhance the cost basis and business growth.

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, react timely 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 belonging to a number of components of the overall risk governance framework. This includes the management control of the various functional departments. The various risk control oversight functions based on the Sarbanes-Oxley compliance framework established by management and the McKesson Europe-wide risk reporting. Internal Audit as independent assurance function represents another component. In combination, these components embody the organization's 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 the business combination with McKesson Corporation. This has created some excellent opportunities and considerable long-term growth potential for McKesson Europe, primarily relating to the pooling of purchasing activities and standardised IT systems.

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 the greatest risk for McKesson Europe. Besides lean cost management, we rely on a range of strategic projects, including our European Pharmacy Network, and the optimisation of the entire value-added chain to compensate for this risk (read more about our strategy ➞ page 11).

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. This is seen as an opportunity rather than a risk at present 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.

- **BREXIT**
  In 2016, UK voted to leave the European Union. Nine months after the referendum on 29 March 2017, the UK government officially requested to leave the EU.

  BREXIT may affect McKesson Europe in various aspects during the course of its business, especially with the UK entities. Hence, various uncertainties may affect McKesson Europe's business activities negatively, for instance, when it comes to the overall business environment, access to labour, the exchange rate and trading opportunities.

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:

- **Interruption of operating business**
  Our operating processes, especially transport, storage and dispensing, demand a mature infrastructure and are also highly dependent on IT. 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. The latest 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.

  We face the Falsified Medicines Directive with a comprehensive package of measures and ensure that all requirements of the Directive and its Delegated Regulations are implemented to reduce risks such as those associated with the trading of falsified medicines and its threat to public health and safety. Therefore, the risk is deemed to be low due to the large number of measures in place and to be implemented.

  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 vaccines, which require strict maintenance of a cold chain. If the cold chain is broken during storage or transport, such products have to be destroyed. We minimise this risk with a comprehensive quality management system and through 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 many currencies, which can create currency risks. Internal guidelines ensure that these risks are systematically identified and reduced. We distinguish in this regard between transaction risks and translation risks:

Transaction risks

McKesson Europe is exposed to exchange rate fluctuations impacting the value of assets to be bought or sold in a foreign currency. We minimise these fluctuation risks through the use of hedges, which we coordinate 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 currency risk especially in British pound given the importance of British activities for McKesson Europe.

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, which largely depends on the customer structure. The risk of significant payment defaults is lowered due to our diversified customer portfolio. We secure our receivables by having a lean and 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 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 a cash pool and by constantly monitoring net working capital.

Interest rate risks

McKesson Europe is exposed to changes of the price payable for floating-rate liabilities. The high share of fixed-interest 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 applying strict regulations regarding the quality requirements of our trading partners. This counterparty risk is low due to the narrowly defined guidelines.

Measurement risks

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

Information technology risks

Our business relies on the secure electronic transmission, storage, and hosting of sensitive information, including protected health information, financial information and other sensitive information relating to our customers, companies and workforce.

We routinely process, store and transmit large amounts of data in our operations, including sensitive personal information, protected health information, financial information, and confidential information relating to our business or third parties. Some of the data that we process, store and transmit may travel outside of Europe. Additionally, we outsource some important IT functions to external service providers.

Despite our implementation of a variety of security measures, our and our customers' computer 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' computer systems may jeopardize the confidential, proprietary, and sensitive information processed, stored, and transmitted through such computer 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.

Moreover, McKesson Europe started a programme to implement an ERP-solution in order to harmonize the ERP-system landscape across the business units. Potential delays in further implementation of the programme could have an impact on the estimated project costs as well as the realisation of the expected benefits.

We have carefully implemented the EU General Data Protection Regulation (GDPR) across McKesson Europe. Nevertheless, any loss of personal data or any other potential infringement of the GDPR may lead to damage claims or administrative fines.

Personnel risks

McKesson Europe's skilled and committed employees are a key factor for success. Attracting and retaining talent, we see therefore as success factor and is essential for the continued success of McKesson Europe. We realize this by offering comprehensive training and further education programmes, attractive development prospects and incentives.

Higher employee turnover is a particular risk during periods of restructuring and organisational changes, which can lead to a loss of expertise. Systematic succession planning is in place to minimise this risk.

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 purchase price in the amount of BRL 225m (EUR 55.2m) and has initiated arbitration proceedings in order to pursue its claim. McKesson Europe has rejected the claim as the formal requirements for such claim have not been met. Conclusion of the arbitration proceedings is not expected for fiscal year 2019. In addition, 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 80.2m (EUR 19.7m) as of March 2018. 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 counter-claims against 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.

In November 2016, the Belgian Competition Authorities carried out an on-site investigation at certain Belgian wholesalers, including Belmedis. On May 2, 2017, Belmedis was acquired by McKesson Belgium Holdings. In October 2017, the UK Competition Authorities conducted an on-site investigation at the headquarters of AAH Pharmaceuticals in the UK. Both cases remain pending, but neither the Belgian Competition Authorities nor the UK Competition Authorities have notified the companies of concrete objections (Statement of Objection). The on-site investigations and subsequent requests for information are preliminary steps in an investigation of restrictive practices and do not prejudge the outcome of the investigation itself.

In September 2016, the German Competition Authorities had carried out an on-site investigation at the headquarters of GEHE. On March 13, 2018, the German Competition Authorities terminated the proceedings against GEHE and other German wholesalers due to a lack of adequate grounds for suspicion.

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. Anti-trust and corruption are set priority risks to be addressed alongside all other compliance risks by the compliance organization in all countries. Data protection is also a priority risk and necessary safeguards are implemented throughout McKesson Europe to address it appropriately.

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 year 2018, there were no compliance cases with material impact on McKesson Europe.

Overall assessment of risks and opportunities by management

Based on the information collected in our risk management system, we are currently not aware of any risks that could jeopardise McKesson Europe’s ability to continue as a going concern.

As compared with the previous year, the likelihood of occurrence of certain specific risks has remained stable. These relate to regulatory risks in relation to state healthcare systems, financial and operational risks, including IT matters. On the other hand, opportunities have been created for the future through the integration into McKesson Corporation and the synergies achieved from joint purchasing activities. All in all, we believe that the overall level of risk for the operating activities remains unchanged.

Outlook

Overall economic prospects

The global economy grew 3.9% in 2017, the highest rate since 2011 and is expected to continue to grow at a high pace in 2018 and 2019 (4.0% and 3.8% respectively). The IfW ["Institut für Weltwirtschaft der Universität Kiel": Kiel Institute for the World Economy] expects the following for the next years:

Euro zone is expected to continue the expansion started since end of 2016, witnessing an increase of GDP of 2.4% in 2018 and 2.1% in 2019. The production is growing since five consecutive quarters at rates above 0.5%, overpassing the moderate growth seen since 2015. The economy expansion will drive an increasing inflation of 1.6% in 2019, coming closer to the goal set up by the European Central Bank.

The expansion rate in the biggest economies in Europe – France and Germany – has increased significantly during 2017. After past years when France economy growth was around 1%, 2017 has recorded a high growth of 2.5%. In only one year, the unemployment rate went down from 10% to 9%. The Labour Market Reform decided in autumn 2017 designed to increase labour market flexibility while guaranteeing workers some protection, will further enhance the decrease of unemployment rate. For Germany the IfW expects a growth rate in GDP of 2.5% in 2018 and 2.4% in 2019, slightly above the average rate for the Euro zone.

The agreement of the United Kingdom with the European Commission on 19 March 2018, that the rules of the European Union will apply until 2020, reduces the risk of an uncontrollable exit. This leads the IfW to increase its GDP prognosis for United Kingdom. However, it remains at a low rate of 1.4% in 2018 and 0.9% in 2019 as compared to overall Europe where the growth is expected to be higher than 2%.

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

Growth of the pharmaceutical markets slowed worldwide as a result of the global economic and financial crisis in 2008/09, which induced cost-cutting measures by governments. Moreover, patents of many blockbuster products have expired leading to price reductions. Based on the September 2017 Market prognosis report, IQVIA forecasts average annual growth of 4.3% in the global pharmaceutical markets through 2021. This development will mainly be driven by high growth rates in North America, South-East & East Asia and Europe (EU countries). For the markets within the European Union (EU) IQVIA forecasts an average annual growth of 2.8% until 2021. IQVIA expects that the contribution to growth from new innovative products and yet-to-launch products remains critical throughout the major developed pharmaceutical markets (Canada, France, Germany, Italy, Japan, Spain, UK and USA). Furthermore, strong sales growth from recently launched innovative drugs and the robust nature of the industry's late-stage pipeline will ensure an ongoing flow of new brand launches through 2021.

Demographic change continues to be a significant factor in the development of the global pharmaceutical and healthcare markets. The over-65s account for just 8.7% of the global population at present. However, this is expected to rise continuously in the coming years to around 9.3% in 2020 and 15.8% in 2050. In the EU this level is already reached today, in 2017 19.8% of the population were 65 years old or older and in 2050 this figure will rise to 29.7%. 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 1.8% today to 4.3% in 2050. In the EU this increase will be even more significant. It is expected that the figure will increase from currently 5.7% to 11.6% in 2050. This development is causing a rise in the demand for the treatment of chronic and age-related diseases which result in 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.

Additionally, changes in lifestyle and consumer behaviour in both developing and western industrialised nations and the inherent increase in so-called diseases of modern society are causing an increase in demand for healthcare services and medicine.

Growth is also being driven by medicines manufactured using biotechnology and medicines for treating complex, often chronic diseases such as cancer, HIV or multiple sclerosis. These specialty pharmaceuticals (“specialty”) are more expensive by comparison and are subject to particular storage and transportation requirements (short storage life, must be stored in a cold chain) which may generate additional value in the pharmaceutical supply chain. Finally, new and innovative products and yet-to-launch products will be one of the key drivers in the coming years, especially in North America and Europe.

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 the established markets. Global purchasing cooperatives are also forming as a way of realising economies of scale and purchasing advantages, especially for generics pharmaceuticals.

Outlook for divisions

Consumer Solutions

In fiscal year 2019, we expect revenue will be considerably higher than in fiscal year 2018 in the Consumer Solutions division driven by organic growth as well as growth in specialty in the UK, partially offset by the lost contribution from pharmacy stores divested in fiscal year 2018.

Adjusted earnings will be significantly above prior year, with organic growth and savings from efficiency programmes being offset by UK governmental cuts and lower prescription growth. Additionally, significant one-time lease obligation charges will not recur in fiscal year 2019.

Pharmacy Solutions

For fiscal year 2019 in the Pharmacy Solutions segment, we expect slight revenue and adjusted earnings growth, when compared to fiscal year 2018 primarily from organic growth and contributions from recently closed acquisitions.

Outlook for financial and non-financial figures

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 so forecasts 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 forecasts by the Management Board of McKesson Europe AG are based on the assumption of a stable development of exchange and interest rates, when compared to fiscal year 2018.

Investments and capital expenditures

The level of investment will increase in fiscal year 2019 compared to fiscal year 2018. Investments include the continuing optimisation of our European pharmacy network and our software infrastructure, as well as the work associated with the adoption of the General Data Protection Regulation. We will continue to drive an efficient distribution network, which includes enhancing the security of our supply chain alongside with the Falsified Medicine Directive.

Depreciation, amortisation and impairment

We expect depreciation to increase significantly in fiscal year 2019 due to increased capital expenditure. Amortisation and impairment will be significantly lower, given the non-recurring impairment charges recorded in fiscal year 2018.

Financial result

We expect interest expense in fiscal year 2019 to be lower than in fiscal year 2018, mainly due to the early repayment of a long-term loan provided by McKesson Europe Holdings GmbH & Co. KGaA.

Tax rate

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. The adjusted figure is expected to remain stable or slightly increase compared to fiscal year 2018 due to potential changes in the earnings mix.

Employees

The headcount is expected to slightly decrease in fiscal year 2019 driven by the restructuring activities initiated in fiscal year 2018.

Other non-financial items

In fiscal year 2019, we do not expect major changes in the number of warehouses operated. We expect that the number of pharmacies will slightly further decline throughout the next fiscal year, driven by the UK restructuring activities.

Revenue and earnings forecast

In fiscal year 2019, we expect slight revenue growth and significant earnings increase, as adverse one-time charges in fiscal year 2018 will not recur and effects such as cost containment or decreased consumption in the UK will be compensated by restructuring savings, acquisitions and initiatives to stabilise the core through innovative services in digital, speciality and supply chain areas.

Consolidated financial statements

McKesson Europe AG
2018

Group income statement for the 2018 fiscal year from 1 April 2017 to 31 March 2018

EUR m	Notes No.	2017	2018
Revenue	**1**	**20,643.7**	**21,090.0**
Cost of materials		–18,518.0	–18,964.0
Gross profit		**2,125.7**	**2,126.0**
Other operating income	2	98.4	88.9
Other operating expenses	3	–709.3	–843.9
Personnel expenses	4	–1,120.9	–1,223.5
EBITDA		**393.9**	**147.5**
Amortisation of intangible assets held as non-current assets and on property, plant and equipment	5	–97.7	–94.7
Impairment losses recorded on intangible assets and property, plant and equipment	5	–995.6	–337.4
EBIT		**–699.4**	**–284.6**
Result from associates accounted for using the equity method	6	16.0	22.5
Result from other investments	6	0.6	2.8
Interest expense	7	–73.0	–52.0
Interest income	7	8.6	4.8
Other financial result	7	–1.7	2.4
Profit before tax from continuing operations		**–748.9**	**–304.1**
Income taxes	8	–55.6	4.9
Net profit/loss from continuing operations		**–804.5**	**–299.2**
Net profit/loss from discontinued operations	**16**	**–159.4**	**3.9**
Profit / Loss		**–963.9**	**–295.3**
Of which attributable to non-controlling interests		3.0	3.7
Of which attributable to shareholders of McKesson Europe AG		**–966.9**	**–299.0**

Earnings per share – undiluted		**EUR**	**EUR**
Net profit/loss from continuing operations	9	–3.97	–1.49
Net profit/loss from discontinued operations		–0.79	0.02
Profit / Loss		–4.76	–1.47
Earnings per share – diluted		**EUR**	**EUR**
Net profit/loss from continuing operations	9	–3.97	–1.49
Net profit/loss from discontinued operations		–0.79	0.02
Profit / Loss		–4.76	–1.47

Group statement of comprehensive income for the 2018 fiscal year

EUR m	2017	2018
Net profit/loss for the period	**–963.9**	**–295.3**
Items that will not be recycled through profit or loss	**–13.3**	**–12.4**
Revaluation of defined benefit pension plans	–13.3	–12.4
Share in the revaluation of defined benefit pension plans attributable to associates accounted for using the equity method	0.0	0.0
Items, that are recycled through profit or loss	**15.3**	**–20.3**
Unrealised gains/losses from the current year	–0.2	–0.2
Gains/losses recycled through profit or loss	0.0	0.0
Unrealised gains/losses from the market valuation of financial assets available-for-sale	–0.2	–0.2
Foreign currency translation posted directly to other comprehensive income	–111.8	–20.1
Release to profit or loss due to loss of control	127.3	0.0
Exchange differences	15.5	–20.1
Other comprehensive income after tax	**2.0**	**–32.7**
From continuing operations	–130.0	–32.7
Of which attributable to non-controlling interests	0.0	0.0
Of which attributable to shareholders of McKesson Europe AG	–130.0	–32.7
From discontinued operations	132.0	0.0
Of which attributable to non-controlling interests	0.2	0.0
Comprehensive income	**–961.9**	**–328.0**
From continuing operations	–934.5	–331.9
Of which attributable to non-controlling interests	3.0	3.5
Of which attributable to shareholders of McKesson Europe AG	–937.5	–335.4
From discontinued operations	–27.4	3.9

Further information regarding other comprehensive income can be found in note (10) Components of other comprehensive income.

Group balance sheet as of 31 March 2018

ASSETS	Notes No.	31/03/2017	31/03/2018
EUR m			
Non-current assets		**1,962.9**	**1,687.0**
Intangible assets	11	1,127.4	833.0
Property, plant and equipment	12	486.2	479.1
At equity investments	13	232.2	247.6
Other financial assets	13	57.4	65.4
Other non-current assets		26.3	13.1
Income tax receivables		0.5	0.0
Deferred tax assets	14	32.9	48.8
Current assets		**4,894.8**	**5,211.9**
Inventories	15	1,483.5	1,465.6
Trade receivables	17	2,290.3	2,308.1
Income tax receivables		36.8	40.5
Other receivables and other assets	17	603.1	598.9
Cash and cash equivalents	18	476.3	796.4
Assets held for sale	16	4.8	2.4
Total assets		**6,857.7**	**6,898.9**

EQUITY AND LIABILITIES	Notes No.	31/03/2017	31/03/2018
EUR m			
Equity	**19**	**1,892.5**	**1,917.9**
Issued capital		260.1	260.1
Capital reserves		1,864.0	1,927.3
Revenue reserves		174.7	168.2
Revaluation reserves		−425.7	−458.3
Stake of the shareholders of McKesson Europe AG		**1,873.1**	**1,897.3**
Non-controlling interests		19.4	20.6
Liabilities		**4,965.2**	**4,981.0**
Non-current liabilities		**1,168.5**	**1,368.4**
Financial liabilities	23	806.1	966.7
Pension provisions	20	265.5	278.9
Other non-current provisions	21	54.4	103.4
Other liabilities	22	11.1	4.1
Deferred tax liabilities	14	31.4	15.3
Current liabilities		**3,796.7**	**3,612.6**
Financial liabilities	23	508.4	399.5
Trade payables [1)]	24	2,722.3	2,748.9
Other current provisions	21	102.4	144.2
Income tax liabilities		80.1	90.6
Other liabilities [1)]	24	383.5	229.4
Liabilities held for sale	16	0.0	0.0
Total assets		**6,857.7**	**6,898.9**

[1)] An explanation for the change in disclosure please refer to page 56.

Group statement of cash flows for the 2018 fiscal year

EUR m	2017	2018
Net profit/loss from continuing operations	**–804.5**	**–299.2**
Amortisation, depreciation and impairment of non-current intangible and property, plant and equipment	1,093.3	432.1
Result from associates accounted for using the equity method and other equity investments	–16.6	–25.2
Dividends received	10.3	10.1
Financial result	66.1	44.8
Net result from the disposal of non-current assets and subsidiaries	–23.2	–16.7
Impairment losses on items classified as operating assets	21.4	9.7
Deferred taxes and income tax	55.6	–4.9
Income taxes paid	–18.7	–24.1
Other non-cash income and expenses	42.9	15.0
Change in net operating assets	117.9	39.2
Change in inventories	–100.3	34.9
Change in trade receivables	8.0	14.8
Change in trade payables	234.0	–1.9
Change in other net operating assets	–23.8	–8.6
Change in other assets and liabilities	–103.4	84.0
Change in other assets	–46.3	8.5
Change in other liabilities	–57.1	75.5
Net cash flow from operating activities - continuing activities	**441.1**	**2664.8**
Net cash flow from operating activities - discontinued operations	**–18.8**	**1.1**
Net cash flow from operating activities - continuing and discontinued operations	**422.3**	**265.9**
Proceeds from the disposal of non-current assets	6.7	10.8
Proceeds from longterm loans	511.6	275.0
Repayment of long-term loans	–275.0	0.0
Capital expenditure on non-current assets	–155.7	–127.9
Proceeds from the disposal of subsidiaries	40.7	25.1
Cash paid for business combinations [1)]	–153.3	–66.5

[1)] Including capital increases at associates.

EUR m	2017	2018
Net cash flow from investing activities - continuing operations	**−25.0**	**116.5**
Net cash flow from investing activities - discontinued operations	**−94.7**	**0.0**
Net cash flow from investing activities - continuing and discontinued operations	**−119.7**	**116.5**
Payments from/ made to shareholders (including non-controlling interests)	−130.2	60.6
Payments made in connection with the change in ownership interests in subsidiaries that do not result in a loss of control	0.0	0.0
Proceeds from borrowings	338.8	662.5
Repayment of borrowings	−361.2	−739.4
Interest paid	−74.1	−45.8
Interest received	8.4	4.8
Payments for hedging activities	24.1	0.1
Net cash flow from financing activities - continuing operations	**−194.2**	**−57.2**
Net cash flow from financing activities - discontinued operations	**−31.2**	**0.0**
Net cash flow from financing activities - continuing and discontinued operations	**−225.4**	**−57.2**
Net change in cash and cash equivalents	**77.2**	**325.2**
Non-cash change in cash and equivalents	−24.4	−5.1
Cash and cash equivalents at the beginning of the period	423.5	476.3
Cash and cash equivalents at the end of the period	**476.3**	**796.4**
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)	**476.3**	**796.4**

Group statement of changes in equity for the 2018 fiscal year

	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	Asset revaluation reserves	financial assets held for sale	Other comprehensive income from associates accounted for using the equity method			
EUR m												
As of 01/04/2017	**260.1**	**203,220,932**	**1,864.0**	**174.7**	**−287.2**	**−138.9**	**0.0**	**0.4**	**0.0**	**1,873.1**	**19.4**	**1,892.5**
Changes in equity	0.0	0.0	63.3	0.0	0.0	0.0	0.0	0.0	0.0	63.3	0.3	63.6
Dividends	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	1.2
Other comprehensive income	0.0	0.0	0.0	0.6	−22.2	−10.2	0.0	−0.2	0.0	−32.0	0.0	−32.0
Net profit/loss for the period	0.0	0.0	0.0	−299.0	0.0	0.0	0.0	0.0	0.0	−299.0	2.9	−296.1
Total comprehensive income / expenses	0.0	0.0	0.0	−298.4	−22.2	−10.2	0.0	−0.2	0.0	−331.0	2.9	−328.1
Loss assumption	0.0	0.0	0.0	291.9	0.0	0.0	0.0	0.0	0.0	291.9	0.0	291.9
As of 31/03/2018	**260.1**	**203,220,932**	**1,927.3**	**168.2**	**−309.4**	**−149.1**	**0.0**	**0.2**	**0.0**	**1,897.3**	**20.6**	**1,917.9**
As of 01/04/2016	**260.1**	**203,220,932**	**1,783.2**	**1,117.9**	**−302.5**	**−125.6**	**0.0**	**0.6**	**0.0**	**2,733.7**	**18.8**	**2,752.5**
Changes in equity	0.0	0.0	80.8	0.0	0.0	0.0	0.0	0.0	0.0	80.8	0.0	80.8
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	−2.5	−2.5
Changes in the amount of the shareholding in subsidiaries involving no loss of control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other comprehensive income	0.0	0.0	0.0	0.0	15.3	−13.3	0.0	−0.2	0.0	1.8	0.2	2.0
Net profit/loss for the period	0.0	0.0	0.0	−966.9	0.0	0.0	0.0	0.0	0.0	−966.9	3.0	−963.9
Comprehensive income	0.0	0.0	0.0	−966.9	15.3	−13.3	0.0	−0.2	0.0	−965.1	3.2	−961.9
Profit transfer	0.0	0.0	0.0	23.7	0.0	0.0	0.0	0.0	0.0	23.7	0.0	23.7
As of 31/03/2017	**260.1**	**203,220,932**	**1,864.0**	**174.7**	**−287.2**	**−138.9**	**0.0**	**0.4**	**0.0**	**1,873.1**	**19.4**	**1,892.5**

Notes

McKesson Europe AG
2018

Group segment reporting by division for the 2018 fiscal year

Fiscal 2018	Consumer Solutions	Pharmacy Solutions	Others	Consoli-dation	Group (continuing operations)	Discontinued operations
EUR m						
Income statement						
Revenue	**3,906.0**	**17,188.0**	**0.0**	**−4.0**	**21,090.0**	**0.0**
External revenue	**3,906.0**	**17,182.1**	**0.0**	**0.0**	**21,088.1**	**0.0**
Trade sales	2,457.2	17,100.9	0.0	0.0	19,558.2	0.0
Income from services	1,448.8	81.1	0.0	0.0	1,529.9	0.0
Inter-segment revenue	0.0	5.9	0.0	−4.0	1.9	0.0
Gross profit	**1,023.9**	**1,102.1**	**0.0**	**0.0**	**2,126.0**	**0.0**
EBITDA	**−27.9**	**207.3**	**−31.5**	**−0.4**	**147.5**	**0.0**
Other significant non-cash income	20.4	19.4	0.1	0.0	39.9	0.0
Other significant non-cash expenses	−2.2	−43.5	0.0	0.0	−45.7	0.0
Amortisation of intangible assets held as non-current assets on property, plant and equipment	−41.0	−44.2	−9.4	0.0	−94.7	0.0
Impairment losses recorded on intangible assets and property, plant and equipment	−295.8	−2.2	−39.4	0.0	−337.4	0.0
EBIT	**−364.8**	**160.9**	**−80.3**	**−0.4**	**−284.6**	**0.0**
Result from associates accounted for using the equity method	14.9	7.5	0.0	0.0	22.4	0.0
Segment assets	**142.5**	**1,843.6**	**325.7**	**0.0**	**2,311.8**	**0.0**
Of which non-current assets and disposal groups held for sale	2.4	0.0	0.0	0.0	2.4	0.0
Of which goodwill	111.1	572.5	1.8	0.0	685.3	0.0
Of which associates accounted for using the equity method	178.4	69.2	0.0	0.0	247.6	0.0
Capital expenditures	**102.6**	**37.9**	**39.7**	**0.4**	**180.5**	**0.0**
Employees						
Headcount annual average	22,086	11,954	385	0.0	35,425	0
Headcount as of 31/03	21,960	11,981	397	0.0	34,338	0
Full-time equivalents annual average	16,024	9,945	374	0.0	26,343	0
Full-time equivalents as of 31/03	15,340	9,997	395	0.0	25,732	0

For detailed specifications and explanations of the discontinued operations, please refer to section (16) of the notes.

Group segment reporting by division for the 2017 fiscal year

Fiscal 2017	Consumer Solutions	Pharmacy Solutions	Others	Consoli-dation	Group (continuing operations)	Discontinued operations
EUR m						
Income statement						
Revenue	**3,836.5**	**16,813.2**	**0.0**	**–6.0**	**20,643.7**	**260.3**
External revenue	3,836.5	16,807.2	0.0	0.0	20,643.7	260.3
Trade sales	2,567.1	16,741.1	0.0	0.0	19,308.2	260.3
Income from services	1,269.4	66.1	0.0	0.0	1,335.5	0.0
Inter-segment revenue	0.0	6.0	0.0	–6.0	0.0	0.0
Gross profit	**1,059.2**	**1,066.5**	**0.0**	**0.0**	**2,125.7**	**25.5**
EBITDA	**154.3**	**271.2**	**–31.6**	**0.0**	**393.9**	**–129.4**
Other significant non-cash income	19.9	16.2	0.0	0.0	36.1	0.0
Other significant non-cash expenses	–2.7	–31.1	0.0	0.0	–33.8	0.0
Amortisation of intangible assets held as non-current assets on property, plant and equipment	–48.4	–40.7	–8.6	0.0	–97.7	0.0
Impairment losses recorded on intangible assets and property, plant and equipment	–994.5	–1.0	–0.1	0.0	–995.6	0.0
EBIT	**–888.7**	**229.6**	**–40.3**	**0.0**	**–699.4**	**–129.4**
Result from associates accounted for using the equity method	9.9	6.1	0.0	0.0	16.0	0.0
Segment assets	**808.0**	**1,844.7**	**26.8**	**–0.1**	**2,679.4**	**0.0**
Of which non-current assets and disposal groups held for sale	4.8	0.0	0.0	0.0	4.8	0.0
Of which goodwill	391.1	557.3	13.3	0.0	961.7	0.0
Of which associates accounted for using the equity method	166.1	66.1	0.0	0.0	232.2	0.0
Capital expenditures	**61.7**	**100.6**	**30.4**	**–0.1**	**192.6**	**0.0**
Employees						
Headcount annual average	22,488	11,899	373	0.0	34,761	0
Headcount as of 31/03	23,662	11,673	381	0.0	35,716	0
Full-time equivalents annual average	15,460	9,860	343	0.0	25,663	0
Full-time equivalents as of 31/03	16,335	9,633	361	0.0	26,329	0

For detailed specifications and explanations of the discontinued operations, please refer to section (16) of the notes.

Group segment reporting by country for the 2018 fiscal year

	Germany		France		United Kingdom		Other countries		Group (continuing operations)		Discontinued operations	
EUR m	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External revenue	4,727.3	4,653.1	5,879.0	5,753.9	6,294.7	6,339.5	3,742.7	4,343.5	20,643.7	21,090.0	260.3	0.0
Segment assets	608.6	628.0	222.7	492.2	992.8	291.8	855.3	899.8	2,679.4	2,311.8	0.0	0.0
Of which non-current assets [1]	145.1	126.6	225.9	253.2	825.4	484.5	417.3	447.8	1,613.6	1,312.1	0.0	0.0

[1] Non-current assets pursuant to IFRS 8.33b).

Please refer to ➞ page 114 of the notes for further explanations and comments on segment reporting.

RECONCILIATION OF SEGMENT REVENUE	2017	2018
EUR m		
Revenue of the reportable segments	**20,649.8**	**21,094.0**
Consolidation	−6.1	−4.0
Group revenue	**20,643.7**	**21,090.0**

RECONCILIATION OF SEGMENT EARNINGS	2017	2018
EUR m		
EBIT	**−699.4**	**−284.6**
Result from associates accounted for using the equity method	16.0	22.4
Result from other investments	0.6	2.8
Interest expense	−73.0	−52.0
Interest income	8.6	4.8
Other financial result	−1.7	2.5
Profit before tax from continuing operations	**−748.9**	**−304.1**

RECONCILIATION OF SEGMENT ASSETS	31/03/2017	31/03/2018
EUR m		
Segment assets of the reportable segments	**2,679.4**	**2,311.8**
Consolidation	0.0	0.0
Segment assets of the group	**2,679.4**	**2,311.8**
+ Interest-bearing other financial assets	53.4	61.4
+ Non-current and current income tax receivables	37.3	40.5
+ Deferred tax assets	32.9	48.8
+ Other assets	306.4	18.9
+ Cash and cash equivalents	476.3	796.4
+ Assets of discontinued operations	0.0	0.0
- Other non-current provisions	54.4	103.4
- Other current provisions	102.4	144.2
- Trade liabilities	2,594.8	2,748.9
- Other liabilities	520.4	624.5
Total net assets	**6,857.7**	**6,898.8**

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 for the fiscal year ending 31 March 2018, for the period from 1 April 2017 to 31 March 2018 – comprising the group income statement, the group statement of comprehensive income, the group statement of financial position, the group statement of cash flows, the group statement of changes in equity and the notes to the financial statements – have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, UK, as endorsed by the European Union and applicable at the end of the reporting period, including IFRICs issued the by IFRS Interpretation Committee, and supplemented by the provisions of Sec. 315e (1) Handelsgesetzbuch (HGB, German Commercial Code). The comparative period consists of the 2017 fiscal year from 1 April 2016 to 31 March 2017.

The consolidated financial statements have been prepared in euro (EUR) with all figures generally presented in million euros (EUR million, EURm). We would like to draw attention to the fact that differences may arise from 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 classified into current and non-current items in accordance with IAS 1. To aid clarity, 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 stock corporation is headquartered in Stuttgart, Germany. The address is McKesson Europe AG, Stockholmer Platz 1, D-70173 Stuttgart, local court of Stuttgart, HRB9517.

The consolidated financial statements were authorised for issue by the Management Board on 24 May 2018. These consolidated financial statements are provided to the Supervisory Board that has their review and approval.

Basis of consolidation

The consolidated financial statements have been prepared from the separate financial statements of the consolidated group entities as of 31 March 2018. These have been prepared in compliance with the group's uniform accounting policies, based on IFRSs. An interim financial statement is prepared for any subsidiaries incorporated into 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 on the date on which control is transferred to the group. They are deconsolidated on the date on which control passes from the group.

Control over a holding is deemed to exist when the investor is exposed 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 yields through its power of disposal over the holding.

As a rule, owning the majority of the voting rights at a holding forms the basis for a controlling interest. If the investor does not own the majority of the voting rights, it must take all the relevant matters and circumstances into account when assessing whether a controlling interest exists.

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

If the risks and opportunities inherent in the options remain with the former owner, the entities acquired in the business combination are consolidated taking account of any non-controlling interests. A purchase price liability was recognised through revenue reserves for put options of the former owner.

The consolidation of investments is performed in accordance with the acquisition method pursuant to IFRS 3. This entails revaluing assets, liabilities and contingencies that meet the recognition criteria of IFRS 3 at fair value on the date on which control passes to the group. Any difference remaining between the consideration paid and the interest in the net assets of the acquired company 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 into or assumed on the date of acquisition. The acquisition-related costs of a business combination are expensed at the time they are incurred and presented under other expenses. Since 1 January 2010, contingent consideration is measured at fair value in the course of purchase accounting. Later adjustments to the fair value of this contingent consideration that constitute an asset or a liability are treated in accordance with IAS 39. Differences in debt instruments are recognised through profit or loss, but no adjustment is made in the case of equity instruments. For business combinations prior to 1 January 2010, any purchase price payments that were contingent on future events were only considered in the purchase accounting if they were probable and could be reliably estimated. A change in a contingent liability is recognised by adjusting the purchase price liability and the historic acquisition cost of the business combination, which impacts on goodwill accordingly.

For business combinations achieved in stages, the shares held are revalued through profit or loss at their fair value on the date control passes to the purchaser.

Transactions between owners, i.e., increases or reductions 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 posted through profit or loss. The profit or loss also includes the effect of revaluing any remaining shares in the equity of the investment at fair value.

Any excess of the cost of the business combination over the group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill under non-current assets and subject to an impairment test at least once a year in accordance with IFRS 3 and IAS 36. Where any negative goodwill remains after renewed testing, it is posted through profit or loss on the date of purchase accounting.

Non-controlling interests represent the portion of profit or loss and net assets that is not allocable to McKesson Europe AG. Non-controlling interests are measured at their share in the fair value of the identifiable net assets. These are presented separately in the group income statement and the group statement of financial position. In the group statement of financial position, they are presented under equity, separately from the share of equity attributable to McKesson Europe AG.

Pursuant to IAS 28, associates are included in the consolidated financial statements using the equity method at the time significant influence is acquired. Entities over 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 recognised at fair value in accordance with IAS 39 or, if no fair value is available and fair value cannot be reliably determined, at acquisition cost.

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

All financial statements included in the consolidated financial statements that have been prepared in foreign currency are translated into euro using the functional currency concept. Since the companies of McKesson Europe operate their businesses independently, their functional currencies are the national currencies applicable in each case. Assets and liabilities are therefore translated at the rate at the end of the reporting period pursuant to IAS 21. Income statement items are translated using the monthly average exchange rates. Any differences arising from currency translation are posted to other comprehensive income. Goodwill arising from business combinations is recorded in the currency of the acquiree and thus 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 profit or loss. 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	
		31/03/2017	31/03/2018	2017	2018
United Kingdom	GBP	0.8488	0.8793	0.8656	0.8827
Denmark	DKK	7.4386	7.4542	7.4357	7.4492
Brazil [1]	BRL	3.3255	4.0747	3.3415	4.0450

1) The brazilian wholesale activities were sold as of 31/05/2016.

Foreign currency positions in the separate statements of financial position of the consolidated companies are measured at the closing rate pursuant to IAS 21. Any unrealised gains or losses from these positions are offset against any gains or losses from marking to market any derivatives used to hedge the foreign exchange exposures in the group statement of comprehensive income. Translation differences arising from net investments in a foreign business (IAS 21.15) are recognised in the other comprehensive income. Non-monetary items denominated in foreign currency are recognised at their historical rates in the separate financial statements.

Balance sheet adjustments

In order to enhance the comparability among other international companies as well as to further harmonise external and internal reporting and in exercising IFRS disclosure options, the disclosure of invoices not yet received was adjusted in the past fiscal year and the figures for previous year are adjusted accordingly. Other financial liabilities decreased by EUR 127.5 million, while trade payables increased by the same amount, respectively.

New international financial reporting standards

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have not passed new standards and interpretations which have been mandatory to apply since 1 April 2017.

Supplements to existing standards and interpretations which have been mandatory to apply since 1 April 2017 relate to IAS 7 (“Statements of cash flows”) and IAS 12 (“Income taxes”). In particular, the IASB published a disclosure initiative in January 2016 as an amendment to IAS 7, which requires the disclosure of certain changes in debt capital as a result of financing activities. In the same month, the IASB published the changes to IAS 12 with clarifications with respect to deferred-recognition tax assets for unrealised losses. The application of these two amendments had no impact on the consolidated financial statements.

The IASB and the IFRIC have issued standards and interpretations and corresponding amendments to existing standards and interpretations that are not yet mandatory for the reporting period. The adoption of these standards is contingent upon the European Union recognising those standards which it had not as yet recognised by the date on which the financial statements were compiled. Specifically, the standards and interpretations concerned are:

IFRS Standard/ Interpretation		Published by the IASB	Mandatory for fiscal years starting on or after:	EU endorsement
IFRS 9	Financial Instruments	24/07/2014	01/01/2018	Yes
IFRS 15	Revenue from Contracts with Customers	28/05/2014	01/01/2018	Yes
IFRS 16	Leases	13/01/2016	01/01/2019	Yes
IFRS 17	Insurance policies	00.01,1900	00.01,1900	No
IFRIC 22	Foreign Currency Transactions and Advance Consideration	08/12/2016	01/01/2018	Yes
IFRIC 23	Uncertainty over Income Tax Treatments	00.01,1900	01/01/2019	No
Amendment	Classification and Measurement of Share-based Payment Transactions (IFRS 2)	20/06/2016	01/01/2018	Yes
Amendment	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	12/09/2016	01/01/2018	Yes
Amendment	Annual Improvements to IFRS Standards 2014-2016 Cycle	08/12/2016	01/01/2017 / 01/01/2018	Yes
Amendment	Transfers of Investment Property (IAS 40)	08/12/2016	01/01/2018	Yes
Amendment	Prepayment Features with Negative Compensation (IFRS 9)	00.01,1900	01/01/2019	No
Amendment	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	00.01,1900	01/01/2019	No
Amendment	Annual improvements to IFRS - Cycle 2015 -2017	00.01,1900	01/01/2019	No
Amendment	Plan Amendment, Curtailment or Settlement (Amendment to IAS 19)	00.01,1900	01/01/2019	No
Clarification	Revenue from Contracts with Customers (IFRS 15)	12/04/2016	01/01/2018	Yes

We do not expect the future application of IFRS 9 and IFRS 15 to have any significant effects on the consolidated financial statements. However, we expect IFRS 16 in particular to have significant effects on the structure of the statement of financial position due to the first-time capitalisation of rights of use and the conforming recognition of the risk of lease liabilities in the high hundreds of millions range, which McKesson Europe – as the lessee in an operating lease relationship in accordance with IAS 17 – currently does not disclose in the statement of financial position (see also (26) “Other financial obligation - rental agreements and operating leases”). The change in accounting for leases is expected to improve the EBIT by a low double digit million euros amount. From a current perspective, we believe that the other standards, in particular IFRS 9 and IFRS 15, will not have any material impact on the assets position, financial position and earnings of the Group. However, some changes in the presentation in isolated cases and additional disclosures in the notes in general are expected. The group has not availed itself of the option to early adopt the standards and interpretations.

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 exception primarily of derivative financial instruments, available-for-sale financial assets and financial assets measured at fair value through profit or loss which are recognised at fair value.

Pursuant to IAS 38, acquired intangible assets 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. Payments on account include expenses recognised for software being developed including own work capitalised.

Concessions, industrial rights, licences, patents and software have useful lives ranging between 2 and 20 years. Intangible assets that are amortised 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. Where necessary, impairment losses are recorded in accordance with IAS 36. These are reversed as soon as the reasons for the impairment cease to exist.

It is assumed that goodwill has an indefinite useful life. According to IAS 38, intangible assets with an indefinite useful life are not amortised. Rather, they are reviewed at least once annually in accordance with IAS 36 and, if there is any indication of impairment, subjected to an impairment test. Impairment losses are determined by allocating goodwill at the level of the cash-generating units. The cash-generating units in the Wholesale and Pharmacy business areas correspond, as in the previous year, to the business area of the respective country.

Impairment losses are recognised at the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the two figures value in use and fair value, less costs of disposal. Value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit concerned and is determined using the discounted cash flow method. This relies on the latest business planning approved by management for the next five years (detailed planning period). The planning projections are rolled forward to the following years using a constant growth rate. The growth rates after the detailed planning period are based on historical growth rates, independent studies on medium-term market development – comparing the projected performance of McKesson Europe to that of the market – and the expectation for long-term growth in the healthcare market in light of demographic and other developments.

Fair values and purchase price indications are calculated, where appropriate, based on observable comparable market transactions. The costs to make the sale correspond to the best estimate made on past experience.

The planning is based on past developments and expectations of future market developments at the level of the cash-generating unit. Significant planning assumptions relate to revenue growth, the development of gross margins and operating margins, the discount rate and the growth rate in the period after the detailed planning period as well as expected direct synergies in procurement resulting from the business combination with the McKesson Corporation, which can be allocated to the individual cash-generating units. Additionally, costs and benefits relating to the internal developed ERP-software are considered in the long-range plan. The anticipated impact of definite or foreseeable government measures is also considered for pharmacies and the wholesale business.

Cash flows are discounted using the weighted average cost of capital (before tax) which is determined for each cash-generating unit. The cost of capital is composed of borrowing costs, which are based on the interest rates obtainable on the capital markets, and the costs of equity, which are calculated from a risk-free basic rate of return, a premium for the industry risk and a country-specific risk premium.

McKesson Europe conducts scheduled impairment tests on goodwill in March of each fiscal year at the latest. The following overview summarises the parameters used in the impairment test for each division to determine the value in use and the recorded fair values of the costs of sale.

	Goodwill		WACC [1]		Growth rate after the detailed planning period [1]	
	31/03/2017 EUR m	31/03/2018 EUR m	2017 %	2018 %	2017 %	2018 %
Consumer Solutions	391.1	111.1	8.2-10.4	8.7-11.9	1.0	1.0
Thereof Pharmacies UK	*284.4*	*0.1*	*8.8*	*10.2*	*1.0*	*1.0*
Of which Pharmacies Ireland	*29.3*	*29.3*	*8.2*	*8.8*	*1.0*	*1.0*
Of which other	*77.4*	*81.7*	*8.9-10.4*	*9.7-11.9*	*1.0*	*1.0*
Pharmacy Solutions	570.7	574.2	7.2-9.4	9.3-12.0	1.0	1.0
Of which Wholesale United Kingdom	*287.9*	*277.9*	*8.7*	*9.5*	*1.0*	*1.0*
Of which Wholesale France	*134.2*	*136.6*	*9.4*	*9.6*	*1.0*	*1.0*
Of which Wholesale Austria	*122.2*	*122.9*	*8.3*	*10.1*	*1.0*	*1.0*
Of which other	*26.4*	*36.8*	*8.8-11.8*	*9.3-12.0*	*1.0*	*1.0*

1) Assumptions as of 31/03/2018.

Please also refer to the notes under (5) for further explanations relating to the impairment tests.

Property, plant and equipment are carried at amortised cost including all incidental costs of acquisition and less any trade discounts or rebates in accordance with IAS 16. The manufacturing costs of internally constructed 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 are recorded as deferred income. As in the previous year, government grants were immaterial.

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

Where necessary, impairment losses are recorded on property, plant and equipment pursuant to IAS 36. These are reversed as soon as the reasons for impairment no longer exist.

If the economic ownership of a leased asset can be allocated to a group company (finance leases), the asset is capitalised at the inception of the lease at the present value of the lease payments plus any incidental costs borne by the lessee or at its fair value if lower pursuant to IAS 17.

Generally, the leases are for real estate. These leases have terms of up to five years and some contain purchase options. There are no significant finance leases in place that contain contingent lease instalments.

In addition to the finance leases, McKesson Europe entered into rental agreements under which the economic title to the assets remains with the lessor (operating leases). The lease payments are recorded through profit or loss on a straight-line basis over the term of the lease. Depending on the type of assets, the leases contain the customary rental conditions and right of first refusal. McKesson Europe reviews agreements that are not structured as leases from a legal perspective but which nevertheless grant a right to use an asset to determine whether they constitute a lease arrangement.

Borrowing costs are capitalised if they are directly related to the acquisition or construction of a qualifying asset that needs a substantial period of time to prepare it for its intended use or sale. All other borrowing costs are expensed in the period. In the 2018 fiscal year, McKesson Europe capitalised borrowing costs in the amount of EUR 1.5 million (previous year EUR 0.5 million). To determine this value an interest rate of 2.67 % was used.

Investments and securities classified as available-for-sale financial assets or financial assets measured at fair value through profit or loss are allocated to a category on the date they are acquired and measured at fair value in accordance with IAS 39. Acquisitions and sales are recognised on their settlement date. These assets are measured at fair value in following periods, if this can be reliably determined. Fair value is determined from the official listings issued by stock exchanges. No held-to-maturity financial investments were carried on the reporting date.

Financial instruments are allocated to the available-for-sale category if they are not loans or receivables and are not financial assets measured at fair value through profit or loss. They are initially recognised at fair value plus transaction costs. The unrealised gains and losses from their subsequent measurement are posted to the reserve for available-for-sale financial assets without affecting income until they are realised, taking account of any deferred taxes. If the fair value of an available-for-sale financial asset falls below its cost and there are objective indications that the asset is permanently impaired, an impairment loss is charged through profit or loss. The accumulated losses previously recorded under other comprehensive income are released to the income statement. Pursuant to IAS 39.59, the following criteria are considered to be objective indications of an impairment, particularly for debt instruments:

- Significant financial difficulty of the issuer or debtor
- A breach of contract, such as a default or delinquency in interest or principal payments
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for that financial asset because of financial difficulties
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets

According to IAS 39.61, there is objective evidence of an impairment in an investment in an equity instrument if the fair value of an available-for-sale equity instrument falls below its cost significantly or for a prolonged time. If the reasons for an impairment loss no longer apply, the assets are reinstated accordingly. Reversals of impairment losses recorded on equity instruments are posted to other comprehensive income whereas debt instruments, provided they meet the criteria of IAS 39, are written up through profit or loss. When financial assets are sold, any gains previously recorded in other comprehensive income are reclassified to profit or loss. If no active market exists for the assets and their fair value cannot be determined without incurring an unreasonable expense, these financial assets are reported at historical cost.

Any transaction costs incurred in the category financial assets measured at fair value through profit or loss are posted to profit or loss. When the assets are subsequently measured, any fluctuations in fair value are posted directly to profit or loss. The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to listed market bid prices at the close of business at the end of the reporting period. For financial instruments for which there is no active market, fair value is determined using generally accepted valuation techniques. 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.

The amortised cost of financial assets is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Loans to investments and other loans are receivables extended by the entity and are measured at amortised cost and allocated to the loans and receivables category in accordance with IAS 39.

Interests in associates are accounted for using the equity method pursuant to IAS 28. Associates are entities over which McKesson Europe AG exercises significant influence, but over which McKesson Europe AG does not have control. Generally, 20% to 50% of the voting rights in an associate are held. Beginning with the historical cost at the time of acquisition of the shares, the respective carrying amount of the investment 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. 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. The investment is tested for impairment if there is any indication that the total carrying amount of the investment is impaired. Listed market prices do not exist for any of the associates accounted for using the equity method.

Raw materials, consumables and supplies, finished goods and merchandise are recognised at cost based on weighted average purchase prices and the first-in-first-out method. In the Consumer Solutions division the retail method is also applied. 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. The company has not entered into any long-term construction contracts pursuant to IAS 11.

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 of their carrying amount or fair value less costs to sell and no longer subject to amortisation and depreciation if their carrying amount is likely to be principally realised from a sale and not from their continued use. This is assumed if the sale is deemed to be highly probable and the relevant management level has agreed a plan for 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 are measured at amortised cost, including transaction costs, with the exception of financial derivatives, and allocated to loans and receivables in accordance with IAS 39. All objectively discernible specific risks are therefore accounted for by appropriate valuation allowances. The criteria listed in IAS 39.59 and explained in the section on available-for-sale financial assets are considered as objective indications of an impairment. The valuation allowances are posted to a separate allowance account. Receivables are written off as soon as a receivable is actually defaulted on. Corresponding reinstatements are posted through profit or loss. Carrying amounts generally correspond with fair value. Receivables denominated in foreign currency were translated using the exchange rate prevailing at the end of the reporting period. Changes in value due to exchange rate fluctuations were posted to profit or loss.

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 recognised 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 entered into within the McKesson Europe Group such as forward exchange contracts, options or swaps 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 IAS 39 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 their fair value at the end of the reporting period, derivative financial instruments are reported under other financial assets or other financial liabilities respectively.

Hedges are used to secure both the net realisable value of items in the statement of financial position and future cash flows. This includes exchange rate hedges for intended purchases of merchandise within a twelve-month period, although no such cases were carried as of the reporting date.

Currency derivatives used as hedges for fair value risks are not formally subject to the rules on hedge accounting. The changes in the fair value of these derivatives which, from an economic point of view, are effective regarding the group's hedging strategy, are recognised in profit or loss. They are offset by the contrary movements in the fair value of the hedged items.

Derivative financial instruments that are not in an effective hedge as defined by IAS 39 are recognised at fair value and classified as a financial asset or financial liability held for trading.

The fair values of derivatives are determined by reference to capital market data at the end of the reporting period and by use of suitable valuation methods such as the discounted cash flow method and other generally accepted option pricing models. The calculation uses the market interest rates applicable for the 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 recognised or which had been enacted for future periods. A uniform tax rate of 30.7% is applied by the German companies; this is also used as the group tax rate.

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 posted directly to other comprehensive income when they arise. The revaluations recorded under other comprehensive income are not recycled through profit or loss in subsequent periods. Rather, they remain as components of other comprehensive income.

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 income/loss.

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 is 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.

With the exception of derivative financial instruments, liabilities are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

The corporate bond issued in 2010 has been measured at amortised cost as a liability, 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 liabilities denominated in foreign currency (including any hedged items) are translated using the closing rate at the end of the reporting period. Any resulting changes in value are posted to the income statement.

Current portions of originally non-current assets and liabilities whose residual terms are less than one year are reported on principle as current items in the statement of financial position.

Financial guarantees issued by the group are those 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 in accordance with 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 include present obligations that arise from past events where an outflow of resources embodying economic benefits is not probable or where the amount of the obligation cannot be estimated reliably. Contingent liabilities are recognised at their fair value if they were acquired in the course of a business combination and meet the criteria for recognition pursuant to 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 essentially explained in the notes. Contingent assets are not recognised.

Revenue in the Consumer Solutions and Pharmacy Solutions divisions mainly originates from the sale of merchandise and, to a lesser extent, from the provision of services and receipt of royalties. Revenue and other operating income are recognised when the goods or services are delivered provided that the amount can be reliably measured and it is likely that economic benefits will flow to the group. Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue.

Upon the sale of merchandise to customers, the date on which the goods are delivered is also the date on which economic title to the merchandise passes to the customer. In this case, the transfer of economic title is not attached to the transfer of legal title. Deliveries of merchandise where past experience shows that returns should be expected are not recognised in income until the deadline for the return has expired.

If McKesson Europe collects amounts in the interest of third parties, these do not represent revenue as they do not represent an inflow of economic benefits for the company. Only the remuneration for arranging the transaction and not the total proceeds are recognised as revenue of the entity. McKesson Europe is only regarded as the principal in such agency transactions if it bears the significant risks and rewards associated with the sale of the goods or the rendering of the services. In this case, all the cash received is recognised as revenue.

Revenue from the rendering of services is recognised using the percentage of completion method. The revenue from long-term service agreements is recognised on a straight-line basis over the term of the agreement or – if the services are not spread uniformly over this term – in accordance with the costs already incurred in relation to total costs measured on the basis of past experience.

Income from sale and lease-back transactions is recognised immediately in profit or loss providing the lease qualifies as an operating lease and the sales price corresponds to the fair value of the asset. When classifying a lease as a finance lease, the income is deferred and released through profit and loss over the term of the agreement.

Operating expenses are recognised in profit or loss when a service is used or when the costs are incurred. Expenses within the framework of rental agreements and leases that qualify as operating leases are recognised contemporaneously to the use of the rented or leased asset.

Interest is recorded as an expense or income respectively in the period in which it arises unless the criteria of IAS 23 are satisfied for capitalising it in the cost of an asset or liability.

Dividends are recognised when the legal right to receive the payment is established.

Management estimates and judgements

The preparation of the consolidated financial statements according to IFRSs requires that assumptions, judgements and estimates be made which have an effect on the carrying amount of assets and liabilities as well as expenses and income.

Accounting for business combinations

Goodwill is disclosed in the course of business combinations. Upon first-time consolidation, all the identifiable assets, liabilities and contingent liabilities are carried at fair value. The carrying amounts are subject to significant uncertainty. If intangible assets are identified, the fair value of the intangible asset is determined based on the nature of the asset using appropriate valuation techniques. 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 67.

Valuation of financial assets held for sale

The units classified as discontinued operations and disposal groups are measured at fair value less the costs of disposal. In this case, fair value is based on purchase agreements or preliminary offers of purchase and standard company valuation models (discounted cash-flow method).

Impairment of goodwill

The annual impairment test of goodwill with an indefinite useful life (31 March 2018: 685.3 EUR million; previous year EUR 961.8 million) is based to a large extent on assumptions pertaining to future assumptions. The management planning for the next five years is derived from past developments and the expectations with respect to future market developments, and in principle does not include any restructuring activities that the group is not yet committed to or any capital expenditure related to its ordinary business that will enhance the earnings of the cash-generating unit being tested (for the value in use model). Significant planning assumptions relate to revenue growth, the development of gross margins and operating margins, the discount rate and the growth rate in the period after the detailed planning period as well as direct synergies in procurement resulting from the business combination with the McKesson Corporation, which can be allocated to the individual cash-generating units. In addition, the expected impact of government measures in the health sector is of special significance. 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 Wholesale and Pharmacies. 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 a need to record an impairment loss. These premises and the underlying calculation model can have a material impact on the respective values and ultimately on the amount of a possible goodwill impairment. Please also refer to the notes on impairment testing for goodwill starting on → page 75.

Trade receivables and other assets

The allowance for bad debts totalling EUR 107.0 million (previous year EUR 105.7 million) is based to a large extent on estimates and judgements of individual receivables taking into account the creditworthiness of the respective customer, the current economic situation and the analysis of historical bad debts on a portfolio basis. To the extent that impairments are derived from historical bad debt rates on a portfolio basis, a drop in the total volume of receivables reduces such provisions and vice versa. For more information please refer to note (17).

Pension benefits

The cost of defined benefit post-employment plans and the fair value of the defined benefit obligation of EUR 655.8 million (previous year EUR 644.1 million) 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 bases its decision on the interest rates of corporate bonds with top ratings in the country in question. 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 more information please refer to note (20).

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 more information please refer to note (21).

Contingent liabilities

Contingent liabilities may arise due to legal and tax law risks, among other reasons. McKesson Europe assesses these risks at regular intervals and performs the estimations required for accounting judgements, including consulting with external lawyers. The assessment may change as new information becomes available, meaning that it may become necessary to recognise or adjust a provision pursuant to IAS 37, or to state in the notes any contingent liabilities for which risk does not need to be recognised. In the event of changes to the estimates or in the event of utilisation for risks of this type, McKesson Europe may incur expenses that exceed the previously formed provision.

For more information please refer to note (26). For detailed specifications and explanations of the divested units, please refer to section (16) of the notes.

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 carry forwards. For more information please refer to note (14).

Contingent consideration from business combinations

The measurement of contingent consideration from business combinations requires management to make certain assumptions and estimates. The measurement is based on management planning, if available. The 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 67.

All assumptions and estimates are based on circumstances prevailing at the end of the reporting period. Future events and changes in conditions can mean that the actual amounts differ materially from the estimated figures. 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, the underlying discretionary decisions and estimates were not expected to be subject to any major changes. Based on the information available today, no significant adjustment of the carrying amounts of the assets and liabilities disclosed in the consolidated financial statements is therefore expected in the 2018 fiscal year.

Consolidated group

The consolidated group comprises 273 (previous year 330) fully consolidated domestic and foreign companies. This includes five special purpose entities which are consolidated pursuant to “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 2018, keine entities were consolidated on the basis of potential voting rights (previous year: 0) relating to shares not held by McKesson Europe, although there is no longer any actual voting majority.

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

	Number
As of 01/04/2017	**330**
Acquisition of shares	28
Formations/First Consolidation	1
Mergers with other group entities	–7
Disposals	–2
Liquidation	–77
As of 31/03/2018	**273**
Of which domestic entities	*18*
Of which foreign entities	*255*

In the 2017 fiscal year, two Belgian entities were sold which had been acquired during the acquisition of Medibel. Moreover, 77 (previous year: 6) group entities were liquidated in the 2018 fiscal year. 54 (previous year: 55) associates were consolidated using the equity method in the consolidated financial statements.

There were no joint ventures (previous year: 0).

The breakdown of share ownership is included in the notes as from page 124.

The table below lists the most significant subsidiaries in which McKesson Europe AG holds a direct or indirect controlling interest.

Name	Domicile
OCP Répartition S.A.	Saint Ouen, France
GEHE Pharma Handel GmbH	Stuttgart, Germany
AAH Pharmaceuticals Limited	Coventry, UK
Lloyds Pharmacy Limited	Coventry, UK
Herba Chemosan Apotheker-AG	Vienna, Austria
Lloyds Pharmacy Clinical Homecare Limited	Coventry, UK
Belmedis N.V.	Brussels, Belgium
OCP Portugal, Produtos Farmaceuticos, S.A.	Maia, Portugal
Pharma Belgium S.A.	Brussels, Belgium
Tjellesen Max Jenne A / S	Rodovre, Denmark

Business combinations and disposals in the 2018 fiscal year

Business combinations

As at 2 May 2017, the Pharmacy Solutions division acquired 100% of Belmedis SA/NV domiciled in Brussels, Belgium, Cophana SA domiciled in Hoedeng-Goegnies, Belgium, and Espafarmed SLU domiciled in Barcelona, Spain, as well as the majority of shares in Sofiadis SCRL / CVBA domiciled in Brussels, Belgium. Furthermore, the operations of Sofarex NV, domiciled in Drongen, Belgium, were acquired by means of an assets deal. With these acquisitions, McKesson Europe is strengthening its position in the Belgian pharmaceutical wholesale sector and expanding its operations in the logistics sector.

As at 30 June 2017, the Pharmacy Solutions division acquired 100% of Menges Medizintechnik GmbH domiciled in Gallspach, Austria, MeMed Cz s.r.o. domiciled in Chomutov, Czech Republic, and Menges Medizintechnik Schweiz AG domiciled in Rüthi, Switzerland. Menges is an exclusive supplier and service provider for medical equipment consumable materials in the areas of radiology, anaesthesia, urology, surgery, pneumology, and endoscopy.

In the Consumer Solutions division, 100% of Alphar Partners SA domiciled in Seneffe, Belgium, was acquired as at 2 May 2017. This company is a holding company with majority ownings in several pharmacies.

100% of HOLDING RESEAU SANTE domiciled in Brest, France was acquired on 14 June 2017. This acquisition has enabled McKesson Europe to strengthen and expand its presence in France in the region of Brittany.

A pharmacy in Italy was acquired by the Consumer Solutions area in March of the fiscal year. The table below provides the significant details of the companies acquired in the 2018 fiscal year overall:

EUR m	Belmedis (Belgium)	Others	Total
Consideration transferred	**61.8**	**19.9**	**81.7**
Purchase price payment	61.8	17.0	78.8
Purchase price liability	0.0	1.1	1.1
Contingent consideration	0.0	1.8	1.8
Cash purchase price	**52.2**	**12.8**	**64.9**
Fair value of assets and liabilities assumed			
Total assets	**137.7**	**21.8**	**159.5**
Intangible assets	9.7	6.6	16.3
Property, plant and equipment	14.5	0.5	15.0
Deferred tax assets	0.0	0.0	0.0
Inventories	34.1	3.0	37.1
Trade receivables	63.1	5.7	68.8
Cash and cash equivalents	9.6	4.2	13.9
Other assets	6.6	1.8	8.4
Total liabilities	**87.3**	**8.0**	**95.3**
Financial liabilities	8.3	0.5	8.8
Deferred tax liabilities	3.7	1.9	5.6
Trade payables	65.5	2.6	68.2
Other liabilities	9.8	2.9	12.8
Goodwill	**11.8**	**6.0**	**17.8**
Non-controlling interests	**0.3**	**1.2**	**1.5**

At the time of writing these consolidated financial statements, the necessary market evaluations and other calculations for the accounting of the acquisitions in the 2018 fiscal year had mostly been completed. The incorporated values are based on provisional calculations which may be finally adjusted, if necessary, during the course of the measurement period of one year. No treasury shares were issued to settle purchase price liabilities.

For all transactions, the fair value of the acquired receivables amounts to EUR 73.0 million. This includes trade receivables of EUR 68.8 million.

The resulting goodwill in the amount of EUR 17.8 million essentially reflects the expected future cash flows that will be generated by the business combinations and the expertise of the employees. Tax deductibility is expected for a small amount of the goodwill resulting from these acquisitions. This refers to goodwill resulting from the acquisition of one pharmacy in Italy.

Revenue and net profit were attributable to the entities acquired in the 2018 fiscal year in the following amounts:

	Belmedis (Belgien)	Others	Total
Profit after taxes from acquisition date till end of reporting period	7.2	1.0	8.2
Revenue from acquisition date till end of reporting period	564.1	11.5	575.6
Profit after taxes in the reporting period	7.3	1.8	9.2
Revenue in the reporting period	615.4	13.5	628.8

Change in contingent consideration

Contingent considerations in the 2018 fiscal year increased by EUR 1.3 million due to the acquisition of Menges, and by EUR 0.5 million due to the acquisition from HOLDING RESEAU SANTE. In the context of the agreement concerning the contingent consideration with the sellers of Grupo Holon, the group is obliged to pay an amount of up to EUR 1.6 million per annum over a period of four years if the EBITDA of the fiscal years 2018 to 2020 reaches the agreed thresholds. Based on the long-term planning and management estimates concerning Grupo Holon, we assume that the upper limit will be achieved and that the contingent consideration therefore will amount to EUR 4.9 million.

Disposals

94 retail pharmacies in the UK were disposed of in the 2018 fiscal year in the course of streamlining the portfolio. These disposals were carried out in the form of asset deals. Additionally, two entities, which were acquired in the course of the Belmedis Acquisition, were disposed. These disposals took place as share deals.

The table below provides the significant details of the companies divested in the 2018 fiscal year overall:

EUR m	Total
Consideration received	**25.1**
Expenses related to sale	0.8
Gain/loss on disposal	10.5
Total assets	**–13.9**
Goodwill	**–11.5**
Other non-current assets	–0.6
Inventories	–1.6

The disclosures on the disposal and deconsolidation of the Pharmacy Solutions Brazil entity, which was classified as a discontinued operation, can be found in the section titled “Discontinued operations and disposal groups”.

Business combinations and disposals in the 2017 fiscal year

Business combinations

As at 1 April 2016, 100% of MDD Pharma N.V., domiciled in Kortrijk, Belgium, was acquired in the Customer Solutions division. This company offers the production and delivery of pharmaceuticals in patient-specific packaging for care institutions in Belgium. With this takeover, McKesson Europe is expanding its business activities into other B2B segments and has become one of the leading suppliers of retirement/care homes in Belgium.

Also in the Consumer Solutions division, the full acquisition of Masta Limited, based in Leeds in the United Kingdom, was concluded as at 1 June 2016. This company is a supplier of travel health consulting and vaccinations, as well as a wholesale supplier of travel vaccinations.

Bupa Home Healthcare Limited, domiciled in Harlow in the United Kingdom was 100 % acquired as at 1 July 2016, and is also reported under the Consumer Solutions division. The core business in this case is services in the field of domestic patient care; McKesson Europe intends to expand its strength in this particular area with this takeover. In addition, the pharmacy business of Sainsbury's Supermarkets Ltd. was also acquired as at 1 September 2016, and will add 281 pharmacies to the Consumer Solutions business LloydsPharmacy in the United Kingdom.

Sangers NI Limited, domiciled in Belfast in the United Kingdom, was 100 % acquired as at 1 June 2016 in the Pharmacy Solutions division. The acquisition of UD Sangers will expand the Pharmacy Solutions division in Northern Ireland, and particularly the wholesale business.

Moreover, all shares in Grupo Holon, domiciled in Amora, Portugal, were acquired as at 31 May 2016. This is a large network of independent pharmacies, offering the members a large selection of pharmaceutical services, marketing and advantageous purchasing terms. With this takeover, McKesson Europe intends to expand its expertise and strength in the pharmaceutical retail market.

Furthermore, one retail pharmacy each in the United Kingdom and Belgium were 100 % acquired and fully consolidated in the 2017 fiscal year as a result of measures to optimise the portfolio in the Consumer Solutions division.

In addition, McKesson Belgium Holdings SPRL and Sofarmex BVBA were 100 % acquired and fully consolidated in the Pharmacy Solutions division.

The table below provides the significant details of the companies acquired in the 2017 fiscal year overall:

EUR m	Sainsbury's	Bupa Home Healthcare	Sangers & Masta	Others	Total
Consideration transferred	**151.2**	**35.5**	**125.9**	**31.2**	**343.8**
Purchase price payment	151.2	35.5	125.9	24.7	337.3
Purchase price liability	0.0	0.0	0.0	0.0	0.0
Contingent consideration	0.0	0.0	0.0	6.5	6.5
Cash purchase price	**151.2**	**34.7**	**112.5**	**24.0**	**322.4**
Fair value of assets and liabilities assumed					
Total assets	**26.3**	**126.6**	**124.7**	**27.1**	**304.7**
Intangible assets	0.2	12.4	27.6	12.8	53.0
Property, plant and equipment	4.1	4.8	13.6	1.8	24.3
Deferred tax assets	0.0	1.0	2.0	0.3	3.3
Inventories	22.0	20.2	20.5	2.2	64.9
Trade receivables	0.0	77.1	46.4	5.5	129.0
Cash and cash equivalents	0.0	0.8	13.4	0.7	14.9
Other assets	0.0	10.3	1.2	3.8	15.3
Total liabilities	**6.4**	**104.2**	**52.5**	**16.3**	**179.4**
Financial liabilities	0.0	0.0	0.6	3.7	4.3
Deferred tax liabilities	0.0	2.6	6.6	3.7	12.9
Trade payables	0.0	84.1	34.3	7.6	126.0
Other liabilities	6.4	17.5	11.0	1.3	36.2
Goodwill	**131.3**	**13.1**	**53.7**	**20.4**	**218.5**
Non-controlling interests	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

At the time of writing the consolidated financial statements for fiscal year 2017, the necessary market evaluations and other calculations for the accounting of the pharmacy business of Sainsbury's Supermarkets Ltd. had not yet been completed. The incorporated values were based on provisional calculations which may have been adjusted as required during the course of the measurement period of one year. With regard to Masta Limited, Sangers NI Limited and Bupa Home Healthcare Limited, the market evaluations were completed to a large extent in the 2017 fiscal year.

Purchase-price payments for Sainsbury's in the converted amount of EUR 147.4 million and an initial tranche for Sangers NI Limited and Masta Limited in the amount of EUR 85.4 million had already been made in the previous year as advance payments. In addition, a purchase-price payment in the converted amount of EUR 3.8 million was made in the 2017 fiscal year for Sainsbury's, which settled the difference between the amount of the net working capital at the time of acquisition and the agreed value.

Incidental acquisition costs of EUR 5.6 million were recognised in other expenses.

No treasury shares were issued to settle purchase price liabilities.

For all transactions, the fair value of the acquired receivables amounted to EUR 144.3 million. This contains trade receivables of EUR 129.0 million.

The resulting goodwill in the amount of EUR 218.5 million essentially reflected the expected future cash flows that will be generated by the business combinations and the expertise of the employees. Part of the goodwill obtained through the acquisition of the pharmacy business of Sainsbury’s Supermarkets Ltd was attributable to synergies that were expected in wholesale in the UK, and has been accordingly allocated to this division. No tax deductibility was expected for any of the goodwill resulting from these acquisitions.

Revenue and net profit were attributable to the entities acquired in the 2017 fiscal year in the following amounts:

	Sainsbury's	Bupa Home Healthcare	Sangers & Masta	Others	Total
Profit after taxes from acquisition date till end of reporting period	–16.0	1.6	1.3	0.9	–12.2
Revenue from acquisition date till end of reporting period	126.8	460.6	161.6	21.2	770.2
Profit after taxes in the reporting period	–19.0	2.6	1.5	1.0	–13.9
Revenue in the reporting period	217.3	606.7	193.9	24.8	1,042.7

Change in contingent consideration

The contingent considerations increased by EUR 6.5 million in the 2017 fiscal year due to the acquisition of Grupo Holon. In the context of the agreement concerning the contingent consideration with the sellers of Grupo Holon, the group is obliged to pay an amount of up to EUR 1.6 million per annum over a period of four years if the EBITDA of the fiscal years 2017 to 2020 reaches the agreed thresholds. Based on the long-term planning and management estimates concerning Grupo Holon, we assume that the upper limit will be achieved and that the contingent consideration will amount to EUR 6.5 million.

Disposals

In the 2017 fiscal year, 43 retail pharmacies in the UK were disposed of in order to fulfil control requirements in the context of the acquisition of Sainsbury’s and in the course of streamlining the portfolio. All disposals were carried out in the form of asset deals.

The table below provides the significant details of the companies divested in the 2017 fiscal year overall:

EUR m	Total
Consideration received	**40.7**
Gain/loss on disposal	20.3
Total assets	**–20.4**
Goodwill	**–16.9**
Property, plant and equipment	–1.0
Inventories	–2.5

Notes to the group income statement

Non-recurring expenses in the consolidated income statement

In the fiscal year 2018, non-recurring effects that weighed on earnings were incurred in the amount of EUR 411.2 million overall. These effects were essentially attributable to depreciation of the goodwill of the Pharmacy cash-generating unit of United Kingdom pharmacies in the amount of EUR 259.1 million. Furthermore, EUR 65.4 million is attributable to measures for enhancing efficiency and restructuring, along with EUR 28.1 million attributable to unscheduled appreciation in the context of these measures. In addition, EUR 50.1 million is attributable to impairments, especially of IT software in Germany and the UK. As the commissioning of particular modules has not yet taken place in these countries and is no longer likely, the already capitalised costs were subject to impairment losses. Another software solution should be implemented in the affected countries instead. In addition, EUR 18.1 million is attributable to legal and advisory expenses in the context of acquisitions and the integration of new companies.

In the fiscal year 2017, non-recurring effects that weighed on earnings were incurred in the amount of EUR 1,002.0 million. These effects were essentially attributable to depreciation of the goodwill of the Pharmacy cash-generating units in the United Kingdom and pharmacies in Ireland in the total amount of EUR 990.9 million. Moreover, legal and other advisory expenses concerning the acquisition and integration of new entities were incurred in the amount of EUR 29.0 million, as well as measures to improve efficiency and to restructure in the amount of EUR 8.9 million. This was offset by income amounting to EUR 19.9 million due to pharmacy sales in the United Kingdom, and EUR 6.9 million due to the re-integration, after dispensing with the plan to sell, of a small sub-unit of the wholesale business in Germany, which was classified as a disposal group in the short fiscal year 2015.

(1) Revenue

A breakdown of revenue by division and country is part of segment reporting. The revenue generated by the group consists of EUR 19,560.1 million (previous year EUR 19,308.1 million) through sales of commercial goods and EUR 1,529.9 million (previous year EUR 1,335.5 million) through services rendered.

(2) Other income

EUR m	2017	2018
Net gain on the disposal of non-current non-financial assets	24.1	18.0
Income from receivables written down and bad debts collected	10.4	12.3
Income from rent and lease agreements	7.7	7.7
Sundry income	56.2	50.9
Total	**98.4**	**88.9**

Other income includes income from transactions that are not part of the core business of the McKesson Europe Group. In the past fiscal year, this included net gains on the disposal of non-current non-national assets which in this fiscal year mainly resulted from the sale of pharmacies in the UK and the sale of the main administrative building of GEHE Pharma Handel. In the previous year, these net gains primarily came from the sale of pharmacies in the UK.

In addition, the other income includes revenue from the rental of buildings.

Income from bad debts collected comprises income from the reversal of valuation allowances and collections of bad debts written off in previous reporting periods.

The other income includes income from internal cost allocations with related parties in the amount of EUR 17.1 million (previous year EUR 10.1 million). In addition, own work capitalised from IT projects of EUR 12.9 million (previous year EUR 5.7 million) are also included. Income from financial services in the amount of EUR 4.1 million (previous year

EUR 3.7 million) was also generated. The other income also includes EUR 0.8 million (previous year EUR 1.1 million) arising from personnel services for McKesson and EUR 0.0 million (previous year EUR 1.0 million) arising from appreciation on intangible assets and property, plant and equipment.

(3) Other expenses

EUR m	2017	2018
Building expenses	–173.8	–243.9
Transportation costs	–203.1	–201.8
IT and communication expenses	–117.2	–132.8
Promotion and advertising expenses	–41.7	–46.4
Legal-, consulting and audit expenses	–41.6	–41.2
Travel expenses	–13.5	–14.2
Valuation allowances for bad debts	–10.3	–20.3
Third-party personnel services	–13.6	–12.9
Office Supplies	–14.2	–13.2
Repair and Maintenance	–8.4	–9.7
Sundry expenses	–71.9	–107.5
Total	**–709.3**	**–843.9**

Building expenses including rent and lease expenses of EUR 161.9 million (previous year EUR 90.2 million) are also included. The increase in building expenses results mainly from the recognition of an onerous lease provision.

Expenses from valuation allowances for bad debts consist of the cost of recognising valuation allowances and expenses from writing off bad debts on which no previous allowances had been recognised.

The third-party personnel services mainly include expenses for recruiting as well as basic and advanced staff training.

Sundry expenses relate to the general costs of administration and sales, such as the costs of other taxes and fees. Other expenses include restructuring expenses in the amount of EUR 32.3 million (previous year EUR 3.0 million). In addition, other rental expenses in the amount of EUR 6.9 million (previous year EUR 6.0 million) are also included. In addition, the item contains expenses for membership contributions in the amount of EUR 6.2 million (previous year EUR 6.1 million). Sundry expenses also include expenses for the security of land and buildings in the amount of EUR 5.7 million (previous year EUR 5.3 million). In the reporting period, expenses for the development of software of EUR 4.6 million (previous year EUR 5.1 million) were recorded under other expenses because the criteria for recognising them as assets pursuant to IAS 38 were not satisfied. Sundry expenses also include expenses for conferences, seminars and meetings in the amount of EUR 4.1 million (previous year EUR 3.9 million) and insurance expenses of EUR 3.7 million (previous year EUR 4.3 million) are also included. The sundry expenses also include bank charges in the amount of EUR 4.0 million (previous year EUR 4.0 million). Net worth tax in the amount of EUR 2.6 million (previous year 2.5 million) and taxes that do not relate to income in the amount of EUR 1.9 million (previous year EUR –2.0 million) are recognised in the sundry expenses. Income from the reversal of provisions that are related to other expenses has been offset directly against sundry expenses.

(4) Personnel expenses/employees

EUR m	2017	2018
Wages and salaries	–888.2	–969.0
Social security	–139.8	–149.9
Personnel services	–62.5	–77.9
Post-employment expenses	–22.1	–21.0
Other personnel expenses	–8.4	–5.7
Total	**–1,121.0**	**–1,223.5**

Wages and salaries in the fiscal year include non-recurring effects in connection with the implementation of measures to improve efficiency and to restructure totalling EUR 27.6 million (previous year EUR 2.9 million).

Personnel services essentially 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 wholesale segment.

Income from the release of provisions for obligations towards personnel of EUR 3.3 million (previous year EUR 9.0 million) was offset against personnel expenses.

(5) Depreciation, amortisation and impairment

EUR m	2017	2018
Depreciation on property, plant and equipment	–70.5	–63.9
Amortisation of intangible assets	–27.2	–30.9
Impairment losses recorded on property, plant and equipment	–3.7	–21.1
Impairment losses recorded on intangible assets	–991.9	–316.2
Total	**–1,093.3**	**–432.1**

In the fiscal year, unscheduled impairment losses were recorded on property, plant and equipment in the amount of EUR 21.1 million (previous year EUR 3.7 million). There were also unscheduled impairment losses on intangible assets in the amount of EUR 316.2 million (previous year EUR 991.9 million). Of this, EUR 45.5 million relates to impairment loss on IT software in Germany and the UK.

As a result of the scheduled impairment test, impairment losses of EUR 259.1 million were applied to goodwill for the cash-generating unit of UK Pharmacies in the 2018 fiscal year.

The impairment loss recorded on goodwill for the cash-generating unit UK Pharmacies is summarized as follows:

	Impairment losses 2018 EUR m	WACC 2018 %	Growth rate after the detailed planning period 2018 %
Pharmacies UK	259.1	10.2	1.0

In the previous year, the depreciation of goodwill for the UK Pharmacies cash-generating unit was primarily based on a decline in state refunds (“governmental measures”), which have a significant influence on long-term planning for the pharmacies business in the UK. Already in October 2016, the British government passed a two-year financing package for pharmacies, which reduces funding for pharmacies by GBP 113 million each year from 2016/17. These measures related to the period from December 2016 to March 2017 in particular. An additional drop in funding of GBP 95 million is expected for the 2017/18 year. Furthermore, the British Department of Health reduced the reimbursement prices for category M generic products multiple times in 2016/17. Based on an initial analysis and assessment of the various state interventions on the profitability of Lloyds, these are expected to continue in the medium to long term. In addition, an increase in long-term inflation expectations resulted in higher weighted total costs of capital. Furthermore, long-term income planning is negatively influenced by the effects of Brexit on cross-border operations including in the sourcing sector, by delays to operative optimisation projects and countermeasures to state measures, and by a decline in directly allocated synergies in Purchasing.

In fiscal year 2018, the British government resolved further measures, which were not foreseeable in the previous year and therefore could not be anticipiated in the long-term planning expectations beforehand. Thus, an additional drop in funding of GBP 180 million was announced in July 2017, which affects the period from August 2017 to July 2018. Furthermore, the British Department of Health adjusted the directive with regard to prescriptions of numerous disease patterns, which led to a reduction of prescriptions. Following a thorough analysis and assessment of those measures on the profitability of the cash-generating unit UK Pharmacies, it is expected that those measures have a medium-to-long term impact. These measures led to an overall decrease in the long-term planning assumption for the UK pharmacy business.

The achievable amount of a cash-generating unit is the higher amount, of either the fair value less costs to sell or the value in use of the cash-generating unit. The “fair value less costs to sell” is the amount that could be achieved by a hypothetical sale of the respective cash-generating unit in a transaction at market rates between competent parties that are willing to enter into a contract, following deduction of the costs to sell. The “value in use” is the cash value of the future cash flow which can presumably be derived from an asset or a cash-generating unit.

The achievable amount of the United Kingdom cash-generating unit is represented by the fair value less costs to sell. Potential decreases in McKesson Europe’s internal cost allocations as well as of administrative costs in the UK, and the taking into account of restructuring processes that have not yet resulted in an obligation in accordance with IFRS, led to an increase in the fair value less costs to sell of this cash-generating unit. Additionally, net assets declined due to internal group activities. This was offset by costs and benefits relating to the internal developed ERP-software and the disregard of synergies in purchasing from the business combination with McKesson. These adjustments led to animpairment on the remaining goodwill in the amount of EUR 259.1 million.

The achievable mount of the cash-generationg unit France Wholesale is represented by the fair value less cost to sell. The recognition of restructuring processes that have not yet resulted in an obligation in accordance with IFRS yet, potential decreases in McKesson Europe’s internal cost allocations as well as of administrative costs in France led to an increase in the fair value less costs to sell of this cash-generating unit. This was offset by costs and benefits relating to the internal developed ERP-software and the disregard of synergies in purchasing from the merger with McKesson. Based on the assumptions above, the fair value less cost to sell exceeds the carrying value of the cash-generating unit by EUR 86.7 million.

The achievable mount of the cash-generationg unit Ireland Pharmacies is represented by the fair value less cost to sell. Potential decreases in McKesson Europe’s internal cost allocations as well as of administrative costs in France led to an increase in the fair value less costs to sell of this cash-generating unit. This was offset by the disregard of synergies in purchasing from the merger with McKesson.

Further scenarios were analysed for the critical calculation parameters to verify the values in use as of 31 March 2018. Management considers the following scenarios to be possible:

- An increase in the total cost of capital of 1.0 percentage point
- A decrease in the growth rate after the detailed planning period of 0.5 percentage points and
- A one-year delay in planned revenue, retaining the margins of the base scenario, on account of prevailing market uncertainty and the strategic projects currently being implemented.

With the exception of the UK Pharmacies and Ireland Pharmacies cash-generating units, none of these scenarios resulted in a need for devaluation. For the cash-generating units of UK and Ireland Pharmacies, the scenarios are as follows. The UK Pharmacies cash-generating unit had a total cost of capital of 10.2 % and its growth rate after the detailed planning period was 1.0%. All those scenarios result in no further impact, as the goodwill is completely impaired.

The cash-generating unit Ireland Pharmacies had a total cost of capital of 8.8 % and its growth rate after the detailed panning period was 1.0 %. An increase in the cost of capital by 1.0 %, results in an impairment increase of EUR 6.7 million. The other scenarios don't result in an increase of the goodwill impairment.

(6) Investment result

EUR m	2017	2018	Abw.	Abw. In %
Result from associates accounted for using the equity method	16.0	22.5	6.5	40.6
Result from other investments	0.6	2.8	2.2	366.7
Total	**16.6**	**25.3**	**8.7**	**52.4**

The result from other investments primarily comprises income from dividends from non-listed entities. The improvement in the result from holdings measured at equity in the reporting period was due to the positive performance of the Dutch holding, Brocacef Holding N.V., and of the other holdings in pharmacies in Europe.

(7) Financial result

EUR m	2017	2018
Interest and similar expenses	−73.0	−51.9
Of which received from affiliates	−7.0	−4.7
Of which for finance leases	−0.1	−0.2
Of which for pensions	−4.3	−4.5
Interest and similar income	8.6	4.8
Of which received from affiliates	3.0	1.0
Other financial result	−1.7	2.4
Total	**−66.1**	**−44.7**

The interest and similar expenses item contains total interest expenses of EUR 47.2 million (previous year EUR 68.2 million) for financial assets not measured at fair value through profit or loss.

The interest portion of lease agreements that qualify as finance leases under IAS 17 is included in interest and similar expenses.

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

The interest and similar income item contains total interest income of EUR 4.8 million (previous year EUR 8.6 million) for financial assets not measured at fair value through profit or loss.

Other financial income contains changes in the market value of derivatives used to hedge financial liabilities, which were recognised through profit or loss. Changes in the market value of derivative exchange rates gave rise to expenses of EUR 0.2 million (previous year expenses: EUR 19.5 million). The other financial result also includes exchange rate gains in the amount of EUR 6.7 million (previous year EUR 53.8 million) and exchange rate losses of EUR 5.0 million (previous year: EUR 36.0 million). In addition, the other financial result contains impairments on loan receivables in the amount of EUR 0.0 million (previous year EUR 0.1 million) and income from impaired loan receivables of EUR 0.6 million (previous year EUR 0.1 million).

(8) Income taxes

EUR m	2017	2018
Current taxes	50.1	29.0
Deferred tax	5.5	–33.9
Income taxes	**55.6**	**–4.9**

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 –33.9 million (previous year EUR 5.5 million of deferred tax expenses) resulted mainly from activities abroad, accounting for EUR –31.6 million (previous year EUR 5.4 million). In Germany, there was deferred tax income in the amount of EUR –2.3 million (previous year EUR 0.1 million). Current taxes in the amount of EUR 7.2 million (previous year EUR 2.2 million) were attributable to Germany and EUR 21.8 million (previous year 47.9 EUR million) to other countries.

Temporary differences of EUR 0.9 million (previous year EUR 0.0 million). Deferred tax liabilities of EUR –0.3 million (previous year EUR 0.0 million) were recognised on these differences. 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 in the amount of EUR 412.1 million (previous year 407.7 EUR million) and interest carried forward in the amount of EUR 0.0 million (previous year EUR 0.0 million), which from a current perspective are unlikely to be utilised.

Thereof EUR 215.0 million can be attributed to corporate taxes and EUR 178.1 million to business taxes on losses carried forward in Germany, which results from the period before the founding of the tax unit in January 1st 2015. Those losses carried forward were not utilizable since the existence of the tax unit.

Consequently, no deferred taxes have been recognised. Of the total tax losses carried forward an amount of EUR 412.1 million can be carried forward indefinitely. No unused tax losses (previous year EUR 407.7 million) will expire over the next 12 years.

Deferred taxes of EUR 27.5 million (previous year EUR 5.6 million) on unused tax losses of EUR 141.9 million (previous year EUR 21.0 million) were capitalised.

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

Current taxes include tax income from other periods of EUR 20.9 million (previous year EUR 5.9 million). Deferred taxes on temporary differences led to total expense of EUR –12.9 million (previous year EUR 4.9 million).

The table below shows a reconciliation of the differences between the current 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.

	2017 EUR m	2017 %	2018 EUR m	2018 %
Profit before taxes	–748.9	100.0	–304.1	100.0
Expected income tax expense	**–229.9**	**30.7**	**–93.3**	**30.7**
Effect of differing national tax rates	93.6	–12.5	37.0	–12.2
Tax from previous periods	–5.9	0.8	–21.1	6.9
Tax effect of non-deductible expenses and tax-exempt income	–2.4	0.3	6.2	–2.0
Impact of changes to tax rates on deferred taxes	1.6	–0.2	–1.2	0.4
Non-recognition, adjustment or utilisation of tax losses	0.1	0.0	6.1	–2.0
Impact of amortisation of goodwill	194.8	–26.0	49.1	–16.1
Deferred taxes on distributable earnings	0.0	0.0	0.0	0.0
Other tax effects	3.6	–0.5	12.3	–4.0
Income tax expense	**55.5**	**–7.4**	**–4.9**	**1.6**

The effective tax rate was 1.6% for the reporting period compared to –7.4% in fiscal year 2017. This is primarily due to the impairment loss on goodwill in the UK. Adjusted for non-recurring effects, the tax rate would have been 8.6% compared to 24.4% in 2017. The change in the adjusted tax rate was essentially caused by a change in the earnings contributions of individual national companies.

(9) Earnings per share from continuing operations

	2017	2018
Profit/loss attributable to shareholders of McKesson Europe AG (EUR m)	–807.5	–302.9
Weighted number of no-par shares outstanding	203,220,932	203,220,932
Earnings per share – undiluted (EUR)	**–3.97**	**–1.47**

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.

The diluted earnings per share from continuing operations is equal to the undiluted earnings per share because in the current fiscal year, no conversions were carried out (previous year: none) and there are no other options that could dilute the earnings.

(10) Components of other comprehensive income

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

	2017			2018		
	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	–15.2	2.0	–13.2	–16.1	3.7	–12.4
Items that may be subsequently recycled through profit or loss						
Unrealised gains/losses from the current year	–0.3	0.0	–0.3	–0.2	0.0	–0.2
Gains/losses recycled through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0
Unrealised gains from marking available-for-sale financial assets to market	–0.3	0.0	–0.3	–0.2	0.0	–0.2
Foreign currency translation posted directly to other comprehensive income	–111.9	0.0	–111.9	–20.1	0.0	–20.1
Release to profit or loss due to loss of control	127.3	0.0	127.3	0.0	0.0	0.0
Exchange differences	15.4	0.0	15.4	–20.1	0.0	–20.1
Other comprehensive income	**–0.1**	**2.0**	**1.9**	**–36.4**	**3.7**	**–32.7**

Notes to the group statement of financial position

(11) Intangible assets

	2017				2017	2018				
	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account	Total	Concessions, industrial rights and similar rights	Goodwill	Other intangible assets	Payments on account	Total
EUR m										
Accumulated historical costs at the beginning of the fiscal year	**260.0**	**2,291.3**	**36.9**	**45.8**	**2,634.0**	**267.6**	**2,390.5**	**83.9**	**85.1**	**2,827.1**
Foreign currency translation differences	−4.0	−98.6	−3.4	−1.1	−107.1	−2.2	−53.1	−1.8	−0.6	−57.7
Additions to the consolidated group	1.2	218.9	51.9	0.0	272.0	1.5	17.8	18.4	0.0	37.7
Additions	10.9	0.0	−1.1	43.7	53.5	13.4	0.0	1.2	39.3	53.9
Reclassifications	0.6	0.0	0.0	−0.6	0.0	43.8	0.0	0.1	−43.9	0.0
Disposals	−1.8	−0.1	−0.4	−2.7	−5.0	−15.2	−11.5	−4.4	0.0	−31.1
Disposals from the consolidated group	0.0	−1.5	0.0	0.0	−1.5	0.1	−3.1	0.0	0.0	−3.0
Reclassification to or from assets held for sale	0.7	−19.5	0.0	0.0	−18.8	0.0	0.0	0.0	0.0	0.0
Status at the end of the fiscal year	**267.6**	**2,390.5**	**83.9**	**85.1**	**2,827.1**	**309.0**	**2,340.6**	**97.4**	**79.9**	**2,826.9**
Accumulated amortisation and impairment at the beginning of the fiscal year	**215.4**	**419.2**	**22.5**	**12.3**	**669.4**	**232.4**	**1,428.8**	**29.1**	**9.5**	**1,699.8**
Foreign currency translation differences	−2.9	18.8	0.0	−0.5	15.4	−1.0	−32.6	0.2	−0.6	−34.0
Additions	21.3	990.9	6.9	0.0	1,019.1	20.3	259.1	16.0	51.7	347.1
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	−1.8	−0.1	0.0	−2.3	−4.2	−15.0	0.0	−4.1	0.0	−19.1
Disposals from the consolidated group	0.0	0.0	−0.3	0.0	−0.3	0.1	0.0	0.0	0.0	0.1
Write-ups	−0.3	0.0	0.0	0.0	−0.3	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	0.7	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0
Status at the end of the fiscal year	**232.4**	**1,428.8**	**29.1**	**9.5**	**1,699.8**	**236.8**	**1,655.3**	**41.2**	**60.6**	**1,993.9**
Carrying amount at the end of the fiscal year	**35.2**	**961.7**	**54.8**	**75.6**	**1,127.3**	**72.2**	**685.3**	**56.2**	**19.3**	**833.0**

Information on goodwill impairment can be found in note (5) Depreciation, amortisation and impairment.

(12) Sachanlagen

	2017			2017		2018				
	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	**660.8**	**305.8**	**600.6**	**8.2**	**1,575.4**	**670.4**	**327.2**	**585.6**	**46.7**	**1,629.9**
Foreign currency translation differences	−9.2	−5.9	−28.8	0.0	−43.9	−4.6	−3.2	−15.1	−0.1	−23.0
Additions to the consolidated group	11.4	6.3	6.3	0.3	24.3	4.7	9.7	1.0	0.0	15.4
Additions	11.0	19.2	26.9	45.1	102.2	18.5	20.7	22.1	12.7	74.0
Reclassifications	1.0	4.7	1.0	−6.7	0.0	27.4	16.5	4.3	−48.2	0.0
Disposals	−4.0	−2.9	−14.6	−0.2	−21.7	−54.9	−7.7	−129.7	−0.6	−192.9
Disposals from the consolidated group	−0.6	0.0	−5.4	0.0	−6.0	−13.2	0.0	0.2	0.0	−13.0
Reclassification to or from assets held for sale	0.0	0.0	−0.4	0.0	−0.4	−0.1	0.0	0.0	0.0	−0.1
Status at the end of the fiscal year	**670.4**	**327.2**	**585.6**	**46.7**	**1,629.9**	**648.2**	**363.2**	**468.4**	**10.5**	**1,490.3**
Accumulated amortisation and impairment at the beginning of the fiscal year	**419.8**	**240.5**	**463.8**	**0.3**	**1,124.4**	**432.5**	**250.6**	**460.2**	**0.3**	**1,143.6**
Foreign currency translation differences	−4.3	−4.2	−21.7	0.0	−30.2	−2.2	−2.2	−11.4	0.0	−15.8
Additions	20.3	17.0	36.9	0.0	74.2	25.2	17.9	41.9	0.0	85.0
Reclassifications	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	−2.8	−2.7	−13.7	0.0	−19.2	−52.5	−7.6	−128.6	0.0	−188.7
Disposals from the consolidated group	−0.5	0.0	−4.6	0.0	−5.1	−13.2	0.0	0.2	0.0	−13.0
Write-ups	0.0	0.0	−0.6	0.0	−0.6	0.0	0.0	0.0	0.0	0.0
Reclassification to or from assets held for sale	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Status at the end of the fiscal year	**432.5**	**250.6**	**460.2**	**0.3**	**1,143.6**	**389.8**	**258.7**	**362.3**	**0.3**	**1,011.1**
Carrying amount at the end of the fiscal year	**237.9**	**76.6**	**125.4**	**46.4**	**486.3**	**258.4**	**104.5**	**106.1**	**10.2**	**479.2**
Of which finance leases										
Carrying amoutn at the end of the fiscal year	*7.7*	*0.0*	*0.0*	*0.0*	*7.7*	*5.1*	*0.0*	*0.0*	*0.0*	*5.1*

Property, plant and equipment in the amount of EUR 29.8 million (previous year EUR 29.8 million) arising from continued operations were pledged as collateral.

(13) Other financial assets and associates accounted for using the equity method

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

If there are no active markets, these financial assets are shown at amortised cost. As of 31 March 2018, investments in entities not listed on a public exchange with a carrying amount of EUR 0.4 million (previous year EUR 0.3 million) were measured at amortised cost for this reason.

Associates accounted for using the equity method consist primarily of the investments in Brocacef Holding N.V., Netherlands. Brocacef is reported as an associate. Mckesson Europe AG holds 45.0 % in the Dutch subsidiary of PHOENIX Pharmahandel GmbH & Co. KG, Mannheim, Germany, since its contribution of its Dutch retail pharmacies in 2010. Brocacef Holding N.V. has a closing date of 31 January, but it is being incorporated as of 31 March on a pro-rata basis using an interim financial statement. The following table shows the essential financial information of the Brocacef Groep N.V.:

EUR m	2017	2018
Received (dividend) payments from Brocacef	3.6	2.6
Revenue	2,341.5	2,207.6
Net profit/loss from continuing operations	21.0	36.4
Total profit / loss after taxes from discontinued operations	0.0	0.0
Other comprehensive income / expenses	0.0	0.0
Total comprehensive income / expenses	21.0	36.4
Current assets	388.2	320.2
Non-current assets	677.0	680.2
Current liabilities	336.4	254.1
Non-current liabilities	300.2	293.7
Equity	436.4	457.8
Equity net of goodwill	−118.3	−116.7
Proportion of McKesson Europe ownership (45.0 %)	−53.3	−52.5
Carrying amount of intangible assets and goodwill identified		
during the purchase price allocation	219.2	230.7
Book value as of 31/03	**165.9**	**178.2**

The share of the net profit of all other associates accounted for using the equity method attributable to McKesson Europe, including amortisation of intangible assets identified during the purchase price allocation, amounted to EUR 7.5 million (previous year EUR 6.1 million). No amount was recognised in the other comprehensive income either in this fiscal year or the previous one. The carrying amount of holdings accounted for using the equity method came to a total of EUR 69.4 million (previous year EUR 66.3 million).

(14) Deferred taxes

Depending on their origin, deferred tax assets and liabilities can be allocated to the following items in the statement of financial position:

	31/03/2017		31/03/2018	
	assets	**liabilities**	**assets**	**liabilities**
EUR m				
Intangible assets	0.1	39.1	0.0	39.0
Property, plant and equipment	15.5	4.7	19.4	3.0
Other non-current assets	2.4	5.0	1.0	5.3
Current assets	2.8	0.5	2.6	0.6
Financial liabilities	2.2	0.0	1.7	0.0
Provisions	31.1	5.7	33.6	2.3
Other liabilities	2.2	5.5	1.1	3.6
Sum of deferred taxes on temporary differences	**56.3**	**60.5**	**59.4**	**53.8**
Deferred taxes on unused tax losses	5.6	0.0	27.8	0.0
./. Less offsetting	–29.0	–29.0	–38.4	–38.4
Total	**32.9**	**31.5**	**48.8**	**15.4**

The translation reserves recognised in other comprehensive income include deferred tax assets totalling EUR 13.4 million (previous year EUR 9.7 million). These assets resulted from the revaluation of defined benefit pension plans. More information on deferred taxes can be found in note (8) Income taxes.

(15) Inventories

EUR m	**2017**	**2018**
Raw materials, consumables and supplies	0.9	0.9
Finished goods and merchandise	1,482.6	1,464.7
Payments on account	0.0	0.0
Total	**1,483.5**	**1,465.6**

Inventories were written down by EUR 6.0 million in the reporting period (previous year EUR 4.9 million). This was offset by write-ups of inventories of EUR 5.2 million (previous year EUR 1.7 million) that were sold after having previously been written down. The carrying amount of inventories, measured at the lower of cost and net realisable value, came to EUR 19.9 million (previous year EUR 13.0 million).

(16) Discontinued operations and disposal groups

General

In the 2018 fiscal year, non-current assets were reported as held for sale in the Consumer Solutions division due to the planned disposal of pharmacies in the United Kingdom. The profit from discontinued operations, which is largely due to the adjustment of provisions for the expected occurrence of additional risks in relation to the divested wholesale operations in Brazil, amounted to EUR 3.9 million in the 2018 fiscal year (previous year EUR –159.4 million).

Following careful scrutiny and analysis of the strategic options, the Management Board of McKesson Europe AG passed a resolution at the end of March 2015 to initiate the sales process for the Panpharma and Oncoprod units. These were previously recorded in the Pharmacy Solutions division and no longer form part of the core business of McKesson Europe AG. With the sale of the Brazilian subsidiaries, McKesson Europe AG is setting its focus on European markets and customers.

The sale of the Brazilian entities was concluded as of 31 May 2016.

With effect from 8 August 2016, the small sub-unit of the wholesale business in Germany, which was classified as a disposal Group in the short fiscal year 2015, was re-integrated after the plan to sell was dispensed with. This re-integration did not have any material effects.

Assets and liabilities held for sale

The assets and liabilities held for sale at the end of the reporting period are summarised below:

	31/03/2017 Non-current assets held for sale	**31/03/2018 Non-current assets held for sale**
EUR m		
Intangible assets	4.1	2.2
Property, plant and equipment	0.7	0.2
Inventories	0.0	0.0
Trade receivables	0.0	0.0
Cash and cash equivalents	0.0	0.0
Other assets	0.0	0.0
Assets	**4.8**	**2.4**
Financial liabilities	0.0	0.0
Trade payables	0.0	0.0
Other liabilities	0.0	0.0
Equity and liabilities	**0.0**	**0.0**

In the year under review, non-current assets were reported as held for sale in the Consumer Solutions division due to the planned disposal of pharmacies in the United Kingdom.

Net profit/loss from discontinued operations

In the fiscal year, the follow-up effects – which arose due to the divestment of Brazilian wholesale from 2017 – from provisions for the expected occurrence of potential risks are recorded in the profit from discontinued operations.

The comparative period includes profit from the Brazilian wholesale operations, and the small sub-unit of the wholesale business in Germany.

The net profit/loss from discontinued operations breaks down as follows:

EUR m	Total 2017	2018
Revenue	260.3	0.0
Cost of materials	–234.8	0.0
Gross profit	25.5	0.0
EBITDA	3.9	0.0
EBIT	3.9	0.0
Profit/loss before tax from discontinued operations	–1.0	0.0
Income taxes	–0.3	0.0
Profit/loss after tax from discontinued operations	–1.3	0.0
Profit/loss after tax from the measurement and disposals of discontinued operations	–158.1	3.9
Net profit/loss from discontinued operations	**–159.4**	**3.9**

Revaluation differences and disposals

The key information on the deconsolidation in the previous year's period of the Brazilian wholesale unit, which was classified as a discontinued operation, can be summarised as follows:

EUR m	Pharmacy Solutions Brazil
Consideration received	**0.0**
Thereof non cash-effective	*0.0*
Currency reserve	*–127.2*
Gain/loss on disposal	–133.2
Total assets	**380.8**
Inventories	48.6
Trade receivables	225.2
Cash and cash equivalents	47.3
Other receivables and other assets	59.6
Total liabilities	**374.7**
Financial liabilities	113.5
Other provisions	38.2
Income tax liabilities	–0.3
Trade payables	194.6
Other liabilities	28.7

(17) Receivables and other assets

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

EUR m	31/03/2017	31/03/2018
Trade receivables	**2,290.3**	**2,308.1**
Income tax receivables	**36.8**	**40.5**
Receivables from associates and other investments	2.4	2.5
Derivative financial instruments	0.1	0.2
VAT and other tax receivables	49.2	54.6
Other assets	551.4	541.6
Other receivables and other assets	**603.1**	**598.9**
Total	**2,930.2**	**2,947.5**

The other assets essentially include supplier bonuses, creditors with debit balances, receivables from employees and other short-term receivables. There are no significant financial receivables against McKesson Europe Holdings GmbH & Co. KGaA (previous year EUR 275.0 million).

In both the reporting period and the previous 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.

Bad debt allowances developed as follows over the reporting period:

EUR m	2017	2018
As of 01/04	**100.3**	**100.1**
Additions	10.4	20.3
Utilisations	−6.5	−7.0
Reversals	−9.6	−10.4
Currency, consolidated group and other changes	5.6	−0.4
As of 31/03	**100.2**	**102.6**

Bad debt allowances developed as follows over the reporting period:

EUR m	31/03/2017	31/03/2018
Trade receivables that are neither impaired nor past due	1,984.2	2,063.2
Trade receivables that are not impaired but are past due	131.4	151.0
Of which < 3 month	100.6	119.6
Of which 3 - 6 month	18.6	17.2
Of which 6 - 12 month	2.3	6.0
Of which > 12 month	9.9	8.2
Impaired trade receivables	174.7	93.9
Trade receivables	**2,290.3**	**2,308.1**

In the case of the receivables that are neither impaired nor past due, there is no indication that the debtors will not be able to meet their payment obligations.

The development of allowances on other receivables reported under other assets is as follows:

EUR m	2017	2018
As of 01/04	**5.9**	**5.5**
Additions	1.2	0.2
Utilisations	−1.4	−0.7
Reversals	−0.1	−0.6
Currency, consolidated group and other changes	−0.1	0.0
As of 31/03	**5.5**	**4.4**

The table below shows the ageing structure of receivables recognised in other assets as of the reporting date:

EUR m	31/03/2017	31/03/2018
Receivables reported under other assets that are not impaired but are past due	117.9	100.6
Receivables reported under other assets that are not impaired but are past due	20.3	15.8
Of which < 3 month	19.7	14.9
Of which 3 - 6 month	0.1	0.3
Of which 6 - 12 month	0.0	0.1
Of which > 12 month	0.5	0.5
Impaired receivables reported under other assets	6.3	0.2
Impaired receivables reported under other assets	**144.5**	**116.6**

Impairments of EUR 0.3 million were recorded in addition to the allowances on trade receivables shown above and receivables reported under other assets (previous year EUR 0.6 million). The total amount of write-downs on trade receivables and receivables reported under other assets is therefore EUR 20.8 million (previous year EUR 12.2 million).

(18) Cash and cash equivalents

EUR m	31/03/2017	31/03/2018
Cash on hand	7.3	7.7
Cash at banks	469.0	788.7
Total	**476.3**	**796.4**

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

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

(19) Equity

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

Authorised capital of EUR 130.1 million has been approved until 10 August 2020 (authorised capital 2015).

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.

In course of the implementation of a standardized software solution to harmonize the ERP landscape, McKesson Europe charged the McKesson Corporation significant project costs in the amount of EUR 63.3 million. The McKesson Corporation did compensate these costs based on an external analysis and the amounts were directly recorded as contribution to capital reserves within equity.

In the UK, McKesson makes use of the option of transferring tax losses between different companies within the Group. In the framework of these activities, the McKesson Corporation irrevocably and without charge transferred tax losses to a British subsidiary in McKesson Europe AG in the 2017 fiscal year, as a result of which the latter was able to reduce its tax liabilities from the 2014-2016 fiscal years by a converted total of EUR 80.8 million. As the transfer took place without any financial consideration, McKesson Europe AG accordingly recorded the amount as a deposit in capital reserves.

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 –309.4 million (previous year EUR -287.2 million). The revaluation of defined benefit pension plans amounts to EUR –149.1 million as of 31 March 2018 and EUR – 138.9 million as of 31 March 2017. In the fiscal year, an amount of EUR 0.0 million (previous year EUR 127.3 million), after considering deferred taxes, was reclassified from reserves and allocated to the results from discontinued operations.

Capital management

The prime 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 based on the equity ratio, gearing and the interest coverage ratio. The loan agreements do not contain any covenants.

However, the bond agreements do contain a change of control clause which provides for premature termination by the bond creditors of all or some of the convertible bonds under certain circumstances.

EUR m	31/03/2017	31/03/2018
Equity	1,892.5	1,917.9
/ Total assets	6,857.7	6,898.9
Equity ratio (%)	**27.6**	**27.8**
Net financial debt	838.3	569.9
/ Equity capital	1,892.5	1,917.9
Gearing	**0.44**	**0.30**
EBIT	–699.4	–284.6
/ Financial result	66.0	44.7
Interest coverage ratio	**–10.6**	**–6.4**
Adjusted interest cover ratio	**4.6**	**4.6**

(20) 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). In order to avoid a concentration of risks, plan assets are invested in a range of different investment categories. The investment strategy also takes account of the age structure of the 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 UK and Germany. These consist primarily of pension plans measured on the final salary. The pension payments to the beneficiaries are generally adjusted for inflation annually.

In the UK there is a joint pension scheme in place for employees of Consumer Solutions and Pharmacy Solutions. This scheme is largely funded by external pension funds. The Trustee Board decides on the minimum contribution to the plan in association with selected employees of the entity. A valuation is performed at regular intervals in order to determine the amount of the contribution and ensure that the minimum contribution is made.

The pension obligation in Germany is financed via provisions with the exception of the contractual trust arrangement entered into 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:

	2017		2018	
%	**UK**	**EU**	**UK**	**EU**
Interest rate	2.5	1.8	2.7	1.8
Future salary increases	3.6	1.0-3.0	3.6	2.8
Future pension increases	3.1	1.5-2.0	3.1	1.8

In the domestic plans, the 2005 G mortality tables issued by Prof. Klaus Heubeck are used for the life expectancy. Comparable valuation principles are used for foreign pension plans. Net benefit expense recognised in the income statement in the reporting period can be broken down as follows:

EUR m	**2017**	**2018**
Service cost	8.9	8.7
Past service cost	0.0	–1.4
Net interest expense	4.4	4.5
Gain or loss from settlements and other plan amendments	0.0	0.0
Total	**13.4**	**11.8**

The net interest expense contained within pension expenses is reported under 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	31/03/2017	31/03/2018
DBO, funded	−407.2	−422.8
Fair value of plan assets	380.3	376.9
Funded status	**−26.8**	**−45.9**
DBO, unfunded	−235.0	−233.0
Defined benefit obligation as of 31/03	−261.8	−278.9

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

EUR m	2017	2018
Defined benefit obligation at the beginning of the fiscal year	**574.4**	**642.1**
Service cost	8.9	8.7
Interest expense	15.5	13.0
Contributions by plan participants	0.2	0.1
Benefits paid	−24.7	−26.8
Actuarial losses from changes in financial assumptions	50.9	4.3
Actuarial losses from changes in demographic assumptions	−1.5	16.2
Experience-based adjustments	−5.6	−0.3
Past service cost	0.0	−1.4
Currency changes	0.0	−0.1
changes in the consolidated group	23.9	0.0
Defined benefit obligation at the end of the fiscal year	**642.1**	**655.8**

357.9 EUR million (previous year EUR 331.8 million) of the defined benefit obligation is attributable to the UK, and EUR 188.9 million to Germany (previous year EUR 189.2 million).

EUR m	2017	2018
Fair value of plan assets at the beginning of the fiscal year	**335.0**	**380.3**
Interest income from plan assets	11.1	8.5
Contributions by employer	2.3	1.6
Contributions by plan participants	0.2	0.1
Benefits paid from plan assets	−16.9	−18.4
Difference between interest income recognised through profit and loss and actual return on plan assets	28.7	5.0
Currency changes	−1.0	−0.2
changes in the consolidated group	20.9	0.0
Fair value of plan assets at the end of the fiscal year	**380.3**	**376.9**
of which based on an active market		
Cash and cash equivalents	2.4	2.9
Equity instruments	99.8	86.7
Notes and loans	184.7	211.7
Real estate	14.7	1.8
Derivatives	19.5	0.0
Mutual funds	0.0	66.0
Others	52.9	0.0
of which without an active market		
Equity instruments	0.6	0.7
Notes and loans	0.9	0.8
Real estate	0.1	0.1
Insurance policies	4.6	6.1
Others	0.0	0.1

335.3 EUR million (previous year EUR 333.1 million) of the market value of the plan assets are attributable to the UK

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

Employer contributions to plan assets are expected to come to EUR 1.0 million in the next twelve months.

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

	2017	2018
0.5% increase		
Impact on defined benefit obligation	−51.5	−47.8
0.5% decrease		
Impact on defined benefit obligation	50.6	51.3

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

	2017	2018
0.5% increase		
Impact on defined benefit obligation	21.8	25.4
0.5% decrease		
Impact on defined benefit obligation	−22.1	−24.5

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

	2017	2018
0.5% increase		
Impact on defined benefit obligation	7.3	7.1
0.5% decrease		
Impact on defined benefit obligation	−7.8	−6.8

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

	2017	2018
10% increase		
Impact on defined benefit obligation	20.1	18.7
10% decrease		
Impact on defined benefit obligation	−23.9	−17.7

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

EUR m	2018	2019-2022	2023-2027
Expected payments	18.7	100.0	133.4

The average duration of defined benefit plans in the reporting year was 19.1 years (previous year 19.5).

For the defined contribution pension plan, 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 ongoing contributions amounted to EUR 13.7 million in the reporting period (previous year EUR 13.1 million). In addition, employer contributions were made to state pension funds. The employer’s direct contribution amounted to EUR 31.0 million (previous year EUR 30.3 million).

(21) Other provisions

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

	2017		2018							
	Carrying amount as of 31/03	Of which due within 1 year	Changes in currency and the consolidated group	Additions	Utilisation	Reversals	Unwinding	Reclassifications	Carrying amount as of 31/03/2018	Of which due within 1 year
EUR m										
Provisions for obligations to personnel	58.8	36.3	0.4	39.8	−35.5	−3.3	0.2	−0.5	59.9	37.6
Provisions for litigation and other legal risks	30.0	6.9	0.0	−10.6	−1.6	−1.3	0.0	0.0	16.5	5.7
Provisions for restructuring measures	8.4	8.4	0.2	68.1	−13.6	−17.5	0.0	0.5	46.1	46.2
Other provisions	59.7	50.8	−0.7	79.4	−12.0	−1.3	0.1	0.0	125.2	54.7
Total	**156.9**	**102.4**	**−0.1**	**176.7**	**−62.7**	**−23.4**	**0.3**	**0.0**	**247.7**	**144.2**

Provisions with a term of more than twelve months are discounted. This involves applying risk-free interest rates ranging from 0.0 bis 2.8% (previous year 0.0 bis 2.0%) depending on the term and currency zone.

Provisions with an expected term to maturity of more than five years amount to EUR 56.6 million (previous year EUR 19.4 million).

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 or pending losses from properties rented under non-cancellable rental agreements that are onerous or no longer needed.

(22) Liabilities

	31/03/2017				31/03/2018			
	< 1 year	**Due in 1 - 5 years**	**> 5 years**	**Carrying amount**	**< 1 year**	**Due in 1 - 5 years**	**> 5 years**	**Carrying amount**
EUR m								
Financial liabilities								
Liabilities to banks	2.4	11.4	8.4	22.2	6.6	9.0	4.3	19.9
Promissory notes and bonds	499.6	0.0	0.0	499.6	0.0	0.0	0.0	0.0
Lease liabilities	2.2	1.1	0.0	3.3	1.5	1.4	1.3	4.2
Other financial liabilities	4.2	784.1	1.1	789.4	391.4	426.5	524.2	1,341.9
	508.4	**796.6**	**9.5**	**1,314.5**	**399.5**	**436.9**	**529.8**	**1,366.0**
Trade payables and other liabilities								
Trade payables	2,722.3	0.0	0.0	2,722.3	2,748.9	0.0	0.0	2,748.9
Income tax liabilities	80.1	0.0	0.0	80.1	90.6	0.0	0.0	90.6
Liabilities to associates and other investments	4.7	0.0	0.0	4.7	5.5	0.0	0.0	5.5
Other liabilities	378.8	11.1	0.0	389.9	223.9	4.1	0.0	228.0
	3,185.9	**11.1**	**0.0**	**3,197.0**	**3,068.9**	**4.1**	**0.0**	**3,073.0**
Liabilities	**3,694.3**	**807.7**	**9.5**	**4,511.5**	**3,468.4**	**441.0**	**529.8**	**4,439.0**

[1)] For the explanation of the disclosure's adjustment please refer to page 56 of the notes.

(23) Financial liabilities

a) Liabilities to banks

Liabilities to banks consist primarily of long-term bilateral credit lines. Special purpose lease entities have arranged fixed-interest loans of EUR 19.8 million to finance real estate (previous year EUR 22.2 million). The market value of these fixed interest loans is EUR 28.5 million (previous year EUR 28.6 million). Liabilities to banks are broken down by the term of the financing.

b) Promissory notes and bonds.

In the course of diversifying and optimizing its financing structure, McKesson Europe took up promissory notes in previous years. In addition, McKesson Europe placed a corporate bond in 2010 and 2012. Both bonds have already been fully repaid.

The outstanding promissory notes were paid back prematurely in 2015.

As of the reference date of 31 March 2018, the bond displayed the following features:

EUR m	Corporate bonds 31/03/2017	31/03/2018
Nominal values	499.7	0.0
Of which at fixed interest	*499.7*	*0.0*
Of which at floating interest	*0.0*	*0.0*
Market values	501.1	0.0
Of which at fixed interest	*501.1*	*0.0*
Of which at floating interest	*0.0*	*0.0*
Carrying amount	499.6	0.0
Currencies	€	€
Original maturities	7 years	0 years
Effective interest rates	4.50%	0.00%

c) Lease liabilities

Pursuant to IAS 17, liabilities from finance leases are recognised at the present value of future minimum lease payments. Most of these relate to liabilities from leasing real estate in the McKesson Wholesale business area. Fair values generally correspond with their carrying amounts.

EUR m	31/03/2017	31/03/2018
Minimum lease payments	3.4	4.6
Due within 1 year	*2.3*	*1.6*
Due within 2 to 5 years	*1.1*	*1.7*
Due in more than 5 years	*0.0*	*1.3*
Interest portion	–0.1	–0.4
Net present value	**3.3**	**4.2**

d) Other financial liabilities

The other financial liabilities include long-term loan liabilities to subsidiaries of McKesson Corporation, San Francisco, USA in the amount of EUR 947.5 million (previous year EUR 784.2 million).

(24) Trade payables and other liabilities

Trade payables contain payments on account of orders of EUR 149.3 million (previous year EUR 146.9 million). For the explanation of the disclosure’s adjustment please refer to page 56 of the notes.

Other liabilities comprise:

EUR m	2017	2018
Personnel liabilities	82.0	82.8
Other tax liabilities	24.0	11.7
Derivative financial instruments	0.3	0.1
Interest liabilities	27.0	18.2
Other liabilities	256.6	115.2
Total	**389.9**	**228.0**

Derivative financial instruments are particularly used to hedge exchange rates. Derivative financial instruments are discussed in more detail in note (25). The other liabilities primarily contain short-term liabilities to McKesson Corporation, San Francisco, USA in the amount of EUR 2.7 million (previous year EUR 0.5 million) as well as subsidiaries of the McKesson Corporation, San Francisco, USA in the amount of EUR 24.6 million (previous year EUR 171.1 million). In addition, liabilities for other provisions as well as liabilities for discounts and bonuses are included in the other liabilities item. .

(25) Financial risk management and derivative financial instruments

a) Principles of risk management

As regards assets, liabilities and forecast transactions, McKesson Europe is exposed to risks resulting from changes in exchange rates and interest rates, among other things. Based on a risk appraisal, selected hedging instruments are used to limit these risks.

The use of derivatives is subject to uniform group guidelines set by the Management Board, compliance with which is continually monitored. These include the functional segregation of trading, handling and posting, and the authorisation of just a few qualified employees to enter into derivative financial instruments. We only enter into derivatives for hedging purposes and then 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 negative impact of fluctuating interest rates on the net profit of the group. A distinction must be made between fixed-interest and floating-rate financial instruments. For fixed-interest financial instruments, a fixed market interest rate is agreed on for the full term of the derivative. The risk is that when market interest rates fluctuate, the market price of the financial instrument will change (fair value risk due to changes in interest rates). The market price is based on the present value of future payments (interest payments plus repayment of principal) discounted using 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 instrument is sold before maturity.

For floating-rate financial instruments the interest rate is adjusted in line with respective market interest rates. However, there is a risk here that there may be a short-term fluctuation in interest rates leading to changes in the future interest payment (cash flow risk due to interest rates).

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

There are no interest swaps at present, because McKesson Europe essentially finances itself with fixed-interest financial instruments.

The interest sensitivity analysis presented below shows the hypothetical effects which a change in the market interest rate at the end of the reporting period would have had on the pre-tax profit and on equity. It is assumed here that the exposure at the end of the reporting period is representative of the year as a whole and that the assumed change in the market interest rate at the end of the reporting period was possible:

- A hypothetical increase of one percentage point in the EUR market interest rate as of 31 March 2018 would have resulted in a pre-tax profit that was EUR 0.1 million lower (previous year EUR 2.4 million). A hypothetical decrease of one percentage point in the EUR market interest rate would have resulted in a pre-tax profit that was EUR 0.1 million higher (previous year EUR 2.4 million). An increase or decrease of one percentage point in the EUR market interest rate as at 31 March 2018 or 31 March 2017 would not have influenced the equity.

- A hypothetical increase of one percentage point in the GBP market interest rate as of 31 March 2018 would have resulted in a pre-tax profit that was EUR 3.6 million lower (previous year EUR 0.2 million). A hypothetical decrease of one percentage point in the GBP market interest rate would have resulted in a pre-tax profit that was EUR 3.6 million higher (previous year EUR 0.2 million higher). An increase or decrease of one percentage point in the GBP market interest rate as at 31 March 2018 or 31 March 2017 would not have influenced the equity.

c) Currency risks

Currency risks refer to the possible write-down of items in the statement of financial position and any forward transactions due to fluctuations in exchange rates. The majority of the foreign exchange risks are a result of the development of the euro against pound sterling. The currency risks at McKesson Europe pertain essentially to operating activities. As the group companies largely settle their operating business in their respective functional currency, the foreign exchange exposure on transaction costs can be classified as low.

Forward exchange contracts and currency swaps were used in the 2018 fiscal year to hedge against foreign exchange exposures. This involves a direct hedge of the underlying transaction by means of a foreign exchange derivative. In addition, currency derivatives are used to hedge forecast transactions in foreign currency. This involves selecting the currency derivative (or a combination of several derivatives) which best reflects the likelihood of occurrence and the timing of the forecast transaction. McKesson Europe eliminates the economic currency risk associated with intercompany loans denominated in a different currency by means of currency swaps.

The basis for the sensitivity analysis of currency risks, apart from derivative financial instruments, includes the non-derivative financial instruments at the end of the reporting period which group entities hold in currencies other than the functional currency.

McKesson Europe has concentrated most of its mid-term and long-term borrowings at European subsidiaries of the McKesson Corporation. The loans are held in the functional currency in each case.

A 10% appreciation or depreciation of the pound sterling against the euro would have increased or decreased the pre-tax profit by EUR 2.1 million (previous year increased or decreased by EUR 2.5 million).

A 10% appreciation or depreciation of the pound sterling against the euro as at 31 March 2018 or 31 March 2017 would not have influenced the translation reserves recognised in other comprehensive income.

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

This analysis assumes that the exchange rates change by the percentage stated at the end of the reporting period. Movements over time and 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 counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Due to its current customer structure, the bad debt risk in the McKesson Europe Group can be classified as relatively low, as the largest customers are state-run healthcare systems and they therefore enjoyed a very high credit standing in the past. Due to the large number of business relationships there is no significant concentration of risk either. The theoretical maximum credit risk basically corresponds to the carrying amounts of the receivables and financial assets presented in note (17) and in the table allocating the assets to the IAS 39 categories starting on ➞ page 102. In addition, individual significant receivables are secured if needed by using certified land charges or similar instruments. As at 31/03/2018, the balance of hedged receivables stood at EUR 14.4 million (previous year EUR 14.4 million). The McKesson Europe Group's maximum credit risk is limited to the nominal amounts possible from financial guarantees as well as the fair values of financial assets – including derivative financial instruments with a positive fair value – disclosed in the statement of financial position. At the end of the reporting period, the group had issued guarantees with a total nominal amount of EUR 182.6 million (previous year EUR 188.9 million). McKesson Europe mitigates the counterparty risk of cash and cash equivalents held at banks by selecting banks with a defined minimum rating. It mitigates the default risk from derivative financial instruments by only entering into such contracts with selected partners. The maximum theoretical risk of default on current derivative financial instruments equals the positive fair values of the instruments. At the end of the reporting period, these amounted to EUR 0.2 million (previous year EUR 0.1 million).

e) Liquidity risk

Liquidity risk is understood as the risk of the McKesson Europe Group not being in the position to meet its ongoing payment obligations at any time. 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 long-term confirmed 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 100 presents the contractually agreed undiscounted debt service payments due on the 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) Hedges

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, although there were no cases requiring a hedge as of the reporting date.

Cash flow hedges

The McKesson Europe Group obtains its finance 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 break down as follows:

	31/03/2017			31/03/2018		
		Market value				
EUR m	**Nominal volume**	**Total**	**of which cash flow hedges**	**Nominal volume**	**Market value**	**of which cash flow hedges**
Interest instruments	0.0	0.0	0.0	0.0	0.0	0.0
Currency instruments	23.2	0.1	0.0	10.7	0.2	0.0
Receivables from derivative financial assets	**23.2**	**0.1**	**0.0**	**10.7**	**0.2**	**0.0**
Interest instruments	0.0	0.0	0.0	0.0	0.0	0.0
Currency instruments	34.7	–0.3	0.0	12.4	0.1	0.0
Liabilities from derivative financial instruments	**34.7**	**–0.3**	**0.0**	**12.4**	**0.1**	**0.0**

The tables below present the contractually agreed undiscounted debt service payments due on the non-derivative financial liabilities and derivative financial assets and liabilities over time. As of 31 March 2018 the values were as follows:

EUR m	Cash flows 2019	Cash flows 2020-2022	Cash flows 2023-2027	Cash flows 2028 ff	Cash flows 2029 ff.	Total cash flows	Total carrying amounts
Non-derivative financial liabilities and financial guarantees							
Liabilities to banks	−7.4	−3.1	−7.3	−4.5	0.0	−22.3	19.9
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)	−2,421.0	0.0	0.0	0.0	0.0	−2,421.0	2,421.0
Liabilities to associates and other investments	−5.5	0.0	0.0	0.0	0.0	−5.4	5.5
Lease liabilities	−1.7	−0.5	−1.1	−1.3	0.0	−4.6	4.2
Other financial liabilities	−442.9	−25.5	−470.7	−535.5	−1.0	−1,475.6	1,341.9
Liabilities from business combinations	−4.1	−1.6	−1.6	0.0	0.0	−7.3	6.6
Financial guarantees	−169.7	−1.5	−2.6	−2.0	0.0	−175.8	1.2
	−3,052.3	−32.2	−483.3	−543.3	−1.0	−4,112.0	3,800.3
Derivative financial assets							
Derivatives not designated for hedge accounting	0.1	0.0	0.0	0.0	0.0	0.1	0.1
	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Derivative financial liabilities							
Derivatives not designated for hedge accounting	−0.1	0.0	0.0	0.0	0.0	−0.1	0.1
	−0.1	**0.0**	**0.0**	**0.0**	**0.0**	**−0.1**	**0.1**

As of 31 March 2017 the values were as follows:

EUR m	Cash flows 2018	Cash flows 2019	Cash flows 2020-2022	Cash flows 2023-2027	Cash flows 2028 ff	Total cash flows	Total carrying amounts
Non-derivative financial liabilities and financial guarantees							
Liabilities to banks	−11.8	−6.8	−4.8	−6.0	0.0	−29.4	22.2
Promissory notes and bonds	−522.2	0.0	0.0	0.0	0.0	−522.2	499.6
Trade payables (excluding payments received on account of orders)	−2,447.9	0.0	0.0	0.0	0.0	−2,447.9	2,447.9
Liabilities to associates and other investments	−4.7	0.0	0.0	0.0	0.0	−4.7	4.7
Lease liabilities	−2.3	−0.6	−0.4	0.0	0.0	−3.3	3.3
Other financial liabilities	−187.6	−429.1	−323.0	−99.8	−1.0	−1,040.5	789.4
Liabilities from business combinations	−2.3	−7.6	−3.3	0.0	0.0	−13.2	13.2
Financial guarantees	−167.4	−2.2	−3.8	−3.0	0.0	−176.4	0.7
	−3,346.2	−446.3	−335.3	−108.8	−1.0	−4,237.6	3,781.0
Derivative financial assets							
Derivatives not designated for hedge accounting	0.1	0.0	0.0	0.0	0.0	0.1	0.1
	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Derivative financial liabilities							
Derivatives not designated for hedge accounting	−0.3	0.0	0.0	0.0	0.0	−0.3	0.3
	−0.3	**0.0**	**0.0**	**0.0**	**0.0**	**−0.3**	**0.3**

Cash flows denominated in foreign currency are translated using the spot rate at the end of the reporting period. Variable cash flows from interest are disclosed on the basis of the rate most recently fixed. On-call liabilities have been allocated to the earliest possible period in the table. Consequently, credit lines are presented in the earliest period in which repayment can be demanded by the creditor.

The gross cash flows have been presented for derivatives that are to be settled on a gross basis in cash. However, from an economic perspective, the derivatives will be settled on a net basis.

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2018

	2018							
EUR m	Financial assets measured at fair value through profit or loss	Financial assets held for trading	Loans and receivables	Available for sale financial assets	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets								
Available-for-sale financial assets - equity instruments	0.0	0.0	0.0	0.9	0.0	0.0	0.9	0.9
Available-for-sale financial assets - debt instruments	0.0	0.0	0.0	3.1	0.0	0.0	3.1	3.1
Financial assets measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to investments	0.0	0.0	24.9	0.0	0.0	0.0	24.9	24.5
Other loans	0.0	0.0	36.5	0.0	0.0	0.0	36.5	28.6
Other financial assets	**0.0**	**0.0**	**61.4**	**4.0**	**0.0**	**0.0**	**65.4**	**57.1**
Other non-current assets	**0.0**	**0.0**	**0.0**	**0.0**	**13.1**	**0.0**	**13.1**	**13.1**
Trade receivables	**0.0**	**0.0**	**2,308.1**	**0.0**	**0.0**	**0.0**	**2,308.1**	**2,308.1**
Receivables from associates and other investments	0.0	0.0	2.5	0.0	0.0	0.0	2.5	2.5
Derivative financial instruments - designated as hedging instruments	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	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Other assets	0.0	0.0	506.8	0.0	0.0	89.5	596.2	596.3
Other receivables and other assets	**0.0**	**0.1**	**509.3**	**0.0**	**0.0**	**89.5**	**598.9**	**598.9**
Cash and cash equivalents	**0.0**	**0.0**	**796.4**	**0.0**	**0.0**	**0.0**	**796.4**	**796.4**

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 closing date.

The development of impairments on loans and receivables is presented in note (17). As in the previous fiscal year, there are no impairment losses incurred on “available-for-sale financial assets” from data and voice communication service agreements.

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2017

	2017							
EUR m	Financial assets measured at fair value through profit or loss	Financial assets held for trading	Loans and receivables	Available for sale financial assets	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
Assets								
Available-for-sale financial assets - equity instruments	0.0	0.0	0.0	0.8	0.0	0.0	0.8	0.8
Available-for-sale financial assets - debt instruments	0.0	0.0	0.0	3.1	0.0	0.0	3.1	3.1
Financial assets measured at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to investments	0.0	0.0	22.7	0.0	0.0	0.0	22.7	22.5
Other loans	0.0	0.1	30.7	0.0	0.0	0.0	30.8	30.4
Other financial assets	**0.0**	**0.1**	**53.4**	**3.9**	**0.0**	**0.0**	**57.4**	**56.8**
Other non-current assets	**0.0**	**0.0**	**0.0**	**0.0**	**22.6**	**3.7**	**26.3**	**26.3**
Trade receivables	**0.0**	**0.0**	**2,290.3**	**0.0**	**0.0**	**0.0**	**2,290.3**	**2,290.3**
Receivables from associates and other investments	0.0	0.0	2.4	0.0	0.0	0.0	2.4	2.4
Derivative financial instruments - designated as hedging instruments	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	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Other assets	0.0	0.0	499.9	0.0	0.0	100.7	600.6	600.6
Other receivables and other assets	**0.0**	**0.1**	**502.3**	**0.0**	**0.0**	**100.7**	**603.1**	**603.1**
Cash and cash equivalents	**0.0**	**0.0**	**476.3**	**0.0**	**0.0**	**0.0**	**476.3**	**476.3**

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2018

EUR m	Financial liabilities held for trading	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
	2018					
Liabilities to banks	0.0	13.3	0.0	0.0	13.3	14.8
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	2.7	0.0	2.7	2.6
Other financial liabilities	0.0	950.8	0.0	0.0	950.7	1,007.1
Non-current liabilities	**0.0**	**964.1**	**2.7**	**0.0**	**966.7**	**1,024.5**
Other non-current liabilities	**0.0**	**0.0**	**3.8**	**0.2**	**4.1**	**4.0**
Liabilities to banks	0.0	6.6	0.0	0.0	6.6	6.6
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	1.5	0.0	1.5	1.5
Other financial liabilities	0.0	391.2	0.0	0.0	391.4	391.2
Current liabilities	**0.0**	**397.8**	**1.5**	**0.0**	**399.5**	**399.3**
Trade payables	**0.0**	**2,421.0**	**0.0**	**327.9**	**2,748.9**	**2,748.9**
Liabilities to associates and other investments	0.0	5.5	0.0	0.0	5.5	5.5
Personnel liabilities	0.0	0.0	0.0	82.9	82.8	82.9
Other tax liabilities	0.0	0.0	0.0	11.7	11.7	11.7
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	0.1	0.0	0.0	0.0	0.1	0.1
Interest liabilities	0.0	18.1	0.0	0.0	18.2	18.1
Other liabilities	0.0	44.2	4.0	62.9	111.1	111.1
Other non-current financial liabilities	**0.1**	**67.8**	**4.0**	**157.5**	**229.4**	**229.4**

Reconciliation of financial instruments to IAS 39 categories as of 31 March 2017

EUR m	2017					
	Financial liabilities held for trading	Other financial liabilities	No IAS 39 category	Outside the scope of IFRS 7	Carrying amount	Fair value
Equity and liabilities						
Liabilities to banks	0.0	19.8	0.0	0.0	19.8	22.6
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	1.1	0.0	1.1	1.1
Other financial liabilities	0.0	785.2	0.0	0.0	785.2	783.6
Non-current liabilities	**0.0**	**805.0**	**1.1**	**0.0**	**806.1**	**807.3**
Other non-current liabilities	**0.0**	**0.0**	**10.9**	**0.2**	**11.1**	**11.1**
Liabilities to banks	0.0	2.4	0.0	0.0	2.4	2.4
Promissory notes and bonds	0.0	499.6	0.0	0.0	499.6	501.1
Lease liabilities	0.0	0.0	2.2	0.0	2.2	2.2
Other financial liabilities	0.1	4.1	0.0	0.0	4.2	4.2
Current liabilities	**0.1**	**506.1**	**2.2**	**0.0**	**508.4**	**509.9**
Trade payables	**0.0**	**2,575.4**	**0.0**	**146.9**	**2,722.3**	**2,722.3**
Liabilities to associates and other investments	0.0	4.7	0.0	0.0	4.7	4.7
Personnel liabilities	0.0	0.0	0.0	82.0	82.0	82.0
Other tax liabilities	0.0	0.0	0.0	24.0	24.0	24.0
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	0.3	0.0	0.0	0.0	0.3	0.3
Interest liabilities	0.0	27.0	0.0	0.0	27.0	27.0
Other liabilities	0.0	178.7	1.6	65.2	245.5	245.7
Other non-current financial liabilities	**0.3**	**210.4**	**1.6**	**171.2**	**383.5**	**383.7**

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

Due to their short maturities the fair value of current financial liabilities, trade payables and other current liabilities corresponds to their carrying amounts with the exception of securitised debt instruments.

The net result of IAS 39 categories breaks down as follows:

EUR m	2017	2018
Financial assets held for trading	–19.5	0.2
Available for sale financial assets	0.6	2.8
Loans and receivables	–17.0	–40.1
Other financial liabilities	–26.9	–11.1
Total	**–62.8**	**–48.2**

The net gains or losses from financial assets held for trading include the net gains or losses from changes in fair value as well as interest income and expenses from these financial instruments.

Among other things, net gains and losses from available-for-sale financial assets contain the investment result and any gains on the sale of these shares.

The net gains or losses from loans and receivables chiefly include the net result of impairment losses and write-ups as well as interest income.

The net gains or losses on other financial liabilities that are not measured at fair value through profit or loss generally consist of interest expenses and exchange rate gains and losses from measuring loans denominated in foreign currency.

Measurement losses of EUR 0.2 million (previous year measurement loss of EUR 0.2 million) were recorded in other comprehensive income upon the sale of available-for-sale financial assets in the reporting period. This year, no losses (previous year EUR 0.0 million) were reclassified from other comprehensive income to the other investment result.

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 31 March 2018 the following assets and liabilities were measured at fair value, broken down into the fair value hierarchy as shown:

Assets accounted for at fair value

	31/03/2017				31/03/2018			
EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value measurement on a recurring basis								
Available-for-sale financial assets	3.6	0.0	0.0	3.6	3.6	0.0	0.0	3.6
Derivative financial instruments - not designated as hedging instruments	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1
Fair value measurement on a non-recurring basis								
Assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Available-for-sale financial assets for which there is no active market and whose fair value cannot be reliably determined are measured at cost. For this reason, these amounts are not included in the fair value hierarchy.

Liabilities measured at fair value

	31/03/2017				31/03/2018			
EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value measurement on a recurring basis								
Other non-current liabilities	0.0	0.0	4.9	4.9	0.0	0.0	3.8	3.8
Derivative financial instruments - not designated as hedging instruments	0.0	0.3	0.0	0.3	0.0	0.1	0.0	0.1
Other liabilities	0.0	0.0	1.6	1.6	0.0	0.0	2.9	2.9

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

	31/03/2017				31/03/2018			
EUR m	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans to investments	0.0	22.5	0.0	22.5	0.0	24.9	0.0	24.9
Other loans	0.0	30.4	0.0	30.4	0.0	36.5	0.0	36.5

Liabilities not measured at fair value

EUR m	31/03/2017 Level 1	Level 2	Level 3	Total	31/03/2018 Level 1	Level 2	Level 3	Total
Non-current liabilities								
Liabilities to banks	0.0	22.6	0.0	22.6	0.0	14.8	0.0	14.8
Promissory notes and bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	783.6	0.0	783.6	0.0	1,007.1	0.0	1,007.1
Other non-current liabilities	0.0	6.0	0.0	6.0	0.0	0.0	0.0	0.0
Current liabilities								
Liabilities to banks	0.0	2.4	0.0	2.4	0.0	6.6	0.0	6.6
Promissory notes and bonds	501.1	0.0	0.0	501.1	0.0	0.0	0.0	0.0
Other financial liabilities	0.0	4.1	0.0	4.1	0.0	0.2	0.0	0.2

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/mark-down 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 1 January 2010 that were measured on the basis of earnings indicators as well as the assumptions and estimates of management. Please see ➞ page 106 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 31 March 2018 did not result in any aggregate gains and losses (previous year: none).

Financial instruments subject to an offsetting arrangement

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 an offsetting arrangement

31/03/2018	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	2,321.6	13.5	2,308.1	/	2,308.1
Impaired receivables reported under other assets	104.3	0.0	104.3	/	104.3
Cash at banks	0.0	0.0	0.0	/	0.0
Cash and cash equivalents	796.4	0.0	796.4	/	796.4
Derivative financial instruments	0.1	0.0	0.2	/	0.1

31/03/2017	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	2,306.9	16.6	2,290.3	/	2,290.3
Impaired receivables reported under other assets	144.5	0.0	144.5	/	144.5
Cash at banks	10.5	0.0	10.5	/	10.5
Cash and cash equivalents	552.6	76.3	476.3	/	476.3
Derivative financial instruments	0.0	0.0	0.1	/	0.1

Financial liabilities subject to an offsetting arrangement

31/03/2018	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	2,434.5	13.5	2,421.0	/	2,421.0
Liabilities to banks	19.9	0.0	19.9	/	19.9
Derivative financial instruments	0.0	0.0	0.1	/	0.1

31/03/2017	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	2,464.5	16.6	2,447.9	/	2,447.9
Liabilities to banks	98.5	76.3	22.2	/	22.2
Derivative financial instruments	0.3	0.0	0.3	/	0.3

(26) Contingent liabilities and other financial obligations

At the end of the reporting period, the group had issued guarantees and warranties of EUR 182.6 million (previous year 188.9 million). The decrease of EUR 6.3 million is mainly due to the reduction in warranties in the sold Brazilian business.

The guarantees and warranties were mainly issued in the Wholesale business area, particularly in the UK where they amount to EUR 9.7 million (previous year EUR 14.3 million) and Austria where they amount to EUR 48.8 million (previous year EUR 42.7 million).

Provisions of EUR 1.2 million (previous year EUR 0.7 million) have been recognised for some of the warranties and guarantees in Wholesale. These have been included under other provisions.

As of 31 December 2018 McKesson Europe AG issued the following guarantees for the benefit of its Irish subsidiaries: »Pursuant to Article 357 (1) (b) of the Companies (Amendment) Act 1986 of the Republic of Ireland, McKesson Europe AG has irrevocably guaranteed the liabilities of its group companies, Lloydspharmacy Ireland Limited (including its subsidiaries) and P.C. Cahill and Company Limited (including its subsidiaries) originating in the fiscal year«. In the opinion of the Management Board of McKesson Europe AG it is unlikely that a substantial risk will result from this guarantee. Consequently, these subsidiaries were exempted from certain disclosure requirements.

In the context of the sale of the Brazilian units completed at the end of May 2016, a purchase price adjustment was agreed with the purchaser on the basis of the audited financial statements of Panpharma and Oncoprod at the time of the sale. On this basis, the purchaser is demanding a subsequent purchase price reduction of BRL 225 million (EUR 55.2 million). However, the underlying financial statements have not yet been audited. As a result, McKesson Europe has rejected the current demand as the formal requirements for a demand of this type have not yet been fulfilled.

Furthermore, there are guarantee obligations with respect to the purchaser in regard to the sale of the Brazil operation, which are limited to a maximum inflation adjusted amount of BRL 80 million (EUR 19.7 million) with the exception of certain matters. The purchaser has asserted claims whose total value exceeds this maximum amount. To an extremely large extent, these claims have been refuted. In the majority of the cases, it is deemed to be possible, but not particularly probable, that McKesson Europe will have to pay refunds.

Among other aspects, there is no limitation of liability with respect to the guarantee obligations for risks under tax law that relate to the period before the acquisition of Panpharma in 2009. The risks of this were recognised with an amount of EUR 113.9 million at the time of the acquisition in 2009, and as of 31 March 2018 are recorded at EUR 6.5 million (previous year EUR 22.6 million). This year-on-year reduction is attributable to the adjustment of certain procedures as well as exchange rate effects.

For the event of the occurrence of such risks from the period before the takeover of the majority in 2009, there are again reimbursement claims with respect to the former shareholders. Following the acquisition of the outstanding shares in Panpharma in the second quarter of 2012, these claims were presented under current and non-current assets respectively as a receivable from the former owners.

An appropriate reserve was formed in the total amount of EUR 25.9 million to cover these guarantee obligations to the purchaser of the Brazilian operation and any possible purchase price adjustment.

In the Slovenian privatisation proceedings, the second instance essentially confirmed the court judgement of the first instance in favour of Kemofarmacija, but remitted the remainder of the matter; the counterparty has lodged an appeal against this decision. Overall, we assess the risk as fairly low.

In November 2016, the Belgian Competition Authorities carried out an on-site investigation at certain Belgian wholesalers, including Belmedis. On May 2, 2017, Belmedis was acquired by McKesson Belgium Holdings. In October 2017, the UK Competition Authorities conducted an on-site investigation at the headquarters of AAH Pharmaceuticals in the UK. Both cases remain pending but neither the Belgian Competition Authorities nor the UK Competition Authorities have notified the companies of concrete objections (Statement of Objection). The on-site investigations and subsequent requests for information are preliminary steps in an investigation of restrictive practices and do not prejudge the outcome of the investigation itself.

In September 2016, the German Competition Authorities had carried out an on-site investigation at the headquarters of GEHE. On March 13, 2018, the German Competition Authorities terminated the proceedings against GEHE and other German wholesalers due to a lack of adequate grounds for suspicion.

McKesson Europe assesses these legal and tax risks at regular intervals, consulting external lawyers where necessary. The assessment may change as new information becomes available, making it necessary to recognise an additional provision pursuant to IAS 37, adjust the existing provision or release the contingent liability. 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	31/03/2017	31/03/2018
Rental agreements and operating leases	**761.2**	**819.2**
Due within 1 year	105.2	111.8
Due within 2 to 5 years	320.8	337.7
Due in more than 5 years	335.1	369.7
Purchase commitments for capital expenditures	**45.4**	**34.6**
Property, plant and equipment	4.5	5.6
Intangible assets	0.1	0.8
Other assets	40.8	28.2
Business combinations	0.1	0.0
Total	**806.6**	**853.8**

The rental and operational lease obligations mainly relate to the Wholesale business area and UK Pharmacies, in the amount of EUR 523.3 million (previous year EUR 460.5 million) and the Ireland retail pharmacies, where they amount to EUR 81.9 million (previous year EUR 89.4 million). As of the reporting date, the future minimum lease payments expected from uncancellable operating leases come to EUR 3.0 million (previous year EUR 3.1 million). Of this amount, EUR 0.8 million (previous year EUR 0.9 million) is due within one year. A further 2.0 million (previous year EUR 2.1 million) is due in between two and five years, and EUR 0.2 million (previous year EUR 0.1 million) is due in more than five years. In addition, future revenue from sub-leases is expected amounting to EUR 25.0 million (previous year EUR 29.3 million). In the 2018 fiscal year, an amount of EUR 0.0 million (previous year EUR 0.0 million) was received as income from contingent rent payments.

The agreement, concluded with effect from 1 April 2009, for the outsourcing of all the group's IT infrastructure was extended by two years. This gave rise to financial obligations to pay service fees and future lease instalments up to 31 March 2018, expected to amount to EUR 2.2 million (previous year EUR 25.0 million).

On 30 March 2016 GEHE Pharma Handel GmbH exercised the purchase option for property of OLOR Grundstücks-Verwaltungsgesellschaft mbH & Co. KG in the amount of EUR 4.4 million (purchase option in amount of EUR 9.5 million less tenant loan) with effect from 31 December 2018. On 20 September 2017 GEHE Pharma Handel GmbH exercised the purchase option for property of Perilla Grundstücks-Verwaltungsgesellschaft mbH & Co. KG in the amount of EUR 1.1 million with effect from 31 October 2019.

Notes to the group statement of cash flows

Pursuant to IAS 7, the group statement of cash flows presents the changes in the liquid funds of the McKesson Europe due to cash flows over the course of the reporting period. The group statement of cash flows 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 operations are presented as net figures within each of these three sections.

Changes in cash flows 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. 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 other non-interest bearing liabilities.

Cash flows from investing activities comprise receipts from the sale of non-current assets, payments for capital expenditures, and the cash effects of acquiring and disposing of companies. Proceeds from the sale of subsidiaries – continuing operations – of EUR 25.1 million (previous year EUR 40.7 million) correspond to the proceeds less the cash and cash equivalents transferred of EUR 0.0 million (previous year EUR 0.0 million).

The corresponding disclosures are contained in the notes on disposals of operations. Cash paid for business combinations – continuing operations – corresponds to the purchase prices paid of EUR – 66.6 million (previous year EUR -153.3 million) less the cash and cash equivalents acquired in the amount of EUR 13.9 million (previous year EUR 14.9 million). This includes payments to settle contingent purchase obligations for company mergers made in previous years. In total these payments came to EUR 1.6 million (previous year EUR 2.1 million). The corresponding disclosures are contained in the notes on company acquisitions. No non-cash investments in non-current assets were made in the reporting period or the previous year. The cash flow from investing activities – discontinued operations – amounted to EUR 0.0 million in the reporting year (previous year EUR –94.7 million). The cash flow from financing activities – continuing operations – comprises dividends paid to the owners of McKesson Europe and the non-controlling interests as well as cash flows associated with new financial liabilities and repayments of such liabilities plus any capital contributions from the owners and the interest received and paid. In the reporting period, income was generated from taking on financial liabilities in the amount of EUR 662.5 million (previous year EUR 338.8 million). This income was offset by payments for the repayment of financial liabilities in the amount of EUR 739.4 million (previous year EUR 361.2 million), which primarily resulted from the repayment of a bond in the amount of EUR 499.7 million. The cash flow from financing activities – discontinued operations – amounted to EUR 0.0 million (previous year EUR –31.2 million).

The following table provides a summary of the financial liabilities development broken down by cash and non-cash components to be disclosed prospectively from January 1, 2017.

Change in Liabilities from financial activities	**2018 in EUR m**
Change in cash flows from financial activities	–76.9
Exchange rate changes	–29.4
Purchase	8.5
Other changes	149.5

Notes to the group segment reporting

The segments are defined in line with the internal reporting structure of McKesson Europe and are divided into the Consumer Solutions and Pharmacy Solutions divisions. These divisions 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 divisions of McKesson Europe AG can be described as follows:

- The Consumer Solutions division is aimed at patients and consumers. This covers the entire logistics chain, from purchasing merchandise through to selling to end consumers. In particular, the division includes activities relating to retail and mail-order pharmacies and activities in brand partner shops, as well as services in the field of medical care at home provided by the British company, Bupa. As a supplier of travel health consulting and vaccinations, as well as a wholesale supplier of travel vaccinations, Masta Limited supplements the Consumer Solutions segment in the United Kingdom. Thanks to the acquisition of MDD Pharma, McKesson Europe has also become one of the leading suppliers for retirement and care homes in Belgium.
  In addition, the division contains our investment in Brocacef Holding N.V. in the Netherlands, which is reported as an associate.

- The Pharmacy Solutions division offers solutions for pharmacists; it concentrates on wholesale business with third party customers, which has been expanded through the acquisition of UD Sangers, particularly in Northern Ireland. The operating segments in this division have likewise been combined at country level. The Pharmacy Solutions division includes the property developer for pharmacies, “Inten”. With a large selection of pharmaceutical services, marketing, training concepts and advantageous purchasing terms, the Holon Group in Portugal also belongs to the Pharmacy Solutions segment. In addition, the acquisition of the Belgian units Belmedis, Espafarmed, Sofiadis and Sofarex strengthened the position of McKesson Europe AG in the Pharmacy Solutions division and expanded business operations in logistics in the 2018 fiscal year. Menges Medizintechnik, domiciled in Austria, Switzerland, and the Czech Republic, was also acquired in the 2018 fiscal year. The company is an exclusive supplier and service provider for medical equipment and consumable materials in the areas of radiology, anaesthesia, urology, surgery, pneumology, and endoscopy.
- The Others division is primarily used to report the activities of the group’s parent, McKesson Europe AG, and other companies not directly attributable to operating activities. McKesson Europe AG holds investments in the major operating national companies and national holdings. McKesson Europe AG bundles group functions including in the fields of accounting, controlling, treasury and IT.

Consolidation of intra-group activities is shown separately.

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

Segment assets pursuant to IFRS 8 correspond with the tied capital, which is calculated as the sum of the carrying amount 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 as for the McKesson Group reporting have been used in segment reporting. Intercompany transactions are measured at market prices.

There are no customers individually accounting for more than 10% of revenue.

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

Other notes

Transactions with related parties

The majority shareholder is the McKesson Corporation, San Francisco, which owns a holding of about 77% of the share capital of McKesson Europe AG. The McKesson Europe AG 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 (formerly Celesio Deutschland Holdings Gmbh & Co KGaA) and McKesson Europe AG.

Related parties as defined by IAS 24 (Related Party Disclosures) are legal entities and natural persons who can exercise significant influence over McKesson Europe AG and its subsidiaries, or control them, or alternatively, are subject to the control or significant influence of McKesson Europe AG or its subsidiaries. The majority shareholder, McKesson Corporation, San Francisco, USA, and its subsidiaries, joint ventures and associates is one of the related parties to McKesson Europe AG. In addition, related parties include the joint ventures, associates and members of the boards of McKesson Europe AG.

With regard to the financing transactions with the McKesson Corporation in the reporting period, please see the financial position report (p. 21)

All transactions with related parties have been conducted at arm’s length.

There are ongoing business relationships with joint ventures and associates, in particular with regard to supplies of merchandise.

The goods and services received from or supplied to related parties are summarised below:

	McKesson Corporation, San Francisco, USA		Subsidiaries of McKesson Corporation, San Francisco, USA		Joint ventures and associates of McKesson Europe AG	
	31/03/2017	**31/03/2018**	**31/03/2017**	**31/03/2018**	**31/03/2017**	**31/03/2018**
EUR m						
Loans and receivables	0.0	26.6	347.9	359.7	119.4	32.5
Liabilities	0.5	2.7	955.3	1,380.1	49.2	1.1

	McKesson Corporation, San Francisco, USA		Subsidiaries of McKesson Corporation, San Francisco, USA		Joint ventures and associates of McKesson Europe AG	
	01/04/2016-31/03/2017	**01/04/2017-31/03/2018**	**01/04/2016-31/03/2017**	**01/04/2017-31/03/2018**	**01/04/2016-31/03/2017**	**01/04/2017-31/03/2018**
EUR m						
Income	0.6	1.2	20.7	20.9	50.4	51.5
Expenses	5.7	10.1	45.2	57.6	0.1	0.0

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	**2017**	**2018**
Short-term benefits	3,207	2,485
Service cost	352	305
Long-term benefits	966	824
Share-based compensation	0	0
Total	**4,525**	**3,614**

The total remuneration of the Management Board in terms of Sec. 314 (1) No. 6 a) Sentence 1 to 4 HGB came to EUR 2,686 thousand in the 2018 fiscal year (previous year EUR 3,564 thousand). This breaks down into EUR 1,462 thousand for the basic component including additional benefits (previous year EUR 1,926 thousand), EUR 401 thousand for the portion of benefits payable immediately (single year variable component; previous year EUR 671 thousand) and EUR 824 thousand for long-term bonus payments (previous year EUR EUR 966 thousand).

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 241 thousand (previous year EUR 259 thousand). McKesson Europe AG has set aside pension provisions of EUR 20,531 thousand (previous year EUR 19,353 thousand). The composition of the Management Board for the past fiscal year remains unchanged compared to the previous year. Remuneration for serving on McKesson Europe AG’s Supervisory Board came to EUR 623 thousand (previous year EUR 609 thousand) in the past fiscal year, including attendance fees, 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 for services rendered by Deloitte GmbH totalled EUR 0.5 million (previous year EUR 0.5 million).

No fees were incurred for additional services by Deloitte GmbH.

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:

- ABG Apotheken-Beratungsgesellschaft mbH, Stuttgart
- Admenta Deutschland GmbH, Stuttgart
- Ancavion GmbH, Weiterstadt
- DocMorris Kooperationen GmbH, Stuttgart
- GEHE Pharma Handel GmbH, Stuttgart
- GEHE Immobilien Verwaltungs-GmbH, Stuttgart
- WZ-WundZentren GmbH, Stuttgart
- Inten GmbH, Stuttgart
- recucare GmbH, Stuttgart
- recusana GmbH, Stuttgart

GEHE Immobilien GmbH & Co. KG (Stuttgart) and MATIS Immobilien OHG, Stuttgart are exempted from the duty to publish their financial statements pursuant to Secs. 264b, 264a HGB.

The breakdown of share ownership is included in the notes as an appendix from page 124.

Proposal of the Management Board for the appropriation of profits

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

Due to the domination and profit and loss transfer agreement dated 22 May 2014, the annual deficit of EUR 291.921 thousand (previous year annual deficit of EUR 23,658 thousand) is taken over by McKesson Europe Holdings GmbH & Co. KGaA.

On the basis of the domination and profit and loss transfer agreement of 22 May 2014, McKesson Europe Holdings GmbH & Co. KGaA guarantees and pays external shareholders of McKesson Europe AG an equalisation payment for the 2018 fiscal year of EUR 0.83 per no-par value share. The equalisation payment is expected to be payable from 10 August 2018.

Subsequent events

On 6 April 2018 McKesson Europe completed the acquisition of a majority shareholding in Groupe PHR which is one of the largest pharmacy cooperations in France. The outstanding minority shares will be acquired in fiscal year 2019. Thanks to this acquisition McKesson Europe strengthened the position in cooperation business in Pharmactiv and Réseau Santé. Réseau Santé. The initial accounting for the business combination was incomplete at the time the financial statement were authorized for issue. The annual turnover of this acquired company amounts to approximately EUR 18.0 million. The purchase price for 74.5% of the shares before net debt and net current assets as well as contingent purchase price adjustments is in the lower double digit million range. Customer lists and goodwill will be recorded normally as intangible assets in comparable transactions. Further detailed information that would enable the evaluation of the financial effect of the business combination could not be generated in the short period of time.

On 9 April 2018 Mckesson Europe concluded a strategic partnership and asset purchase agreements with Ökopharm GmbH in Austria. As a result of this agreement, Ökopharm will continue to produce the products while McKesson Europe will take over the brand names and trademarks as well as formula for food supplements and whose strategic development. The purchase price has been agreed in the lower double digit million range. The competition authority approved the acquision on 9 May 2018.

Stuttgart, 25 May 2018

The Management Board

Company boards

Members of the Management Board

Name	Occupation and company	Disclosure of transactions with affiliated companies and people in the McKesson Europe Group
Brian S. Tyler	Chairman of the Management Board of McKesson Europe AG Human Resources Director	none
Tilo Köster	Member of the Management Board of McKesson Europe AG Legal Affairs and Compliance	none
Alain Vachon	Member of the 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 at McKesson Europe AG, Stuttgart as well as the McKesson Group
John H. Hammergren (Chairman)	Chairman of the Board, President and Chief Executive Officer, McKesson Corporation, San Francisco, U.S.A.	none
Ihno Goldenstein (Deputy Chairman)	Employee goods-in department, GEHE Pharma Handel GmbH Delmenhorst branch, Chairman of the European Works Council of McKesson Europe AG, Chairman of the General Works Council of GEHE Pharma Handel GmbH	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
James A. Beer (until 26.01.2018)	Chief Financial Officer, Atlassian, San Francisco, U.S.A.	none
Paul C. Julian	Executive Vice President and Group President, McKesson Corporation, San Francisco, U.S.A.	none
Detlef Bernhardt (as of 10.08.2017)	Employee warehousing and shipping, stock taking / documentation department, GEHE Pharma Handel GmbH, Kassel branch	none
Klaus Borowicz (died on 10.02.2018)	Head of Northern Region of GEHE Pharma Handel GmbH, Hamburg branch	No further information available
Dennis Both (as of 11.02.2018)	Branch manager, GEHE Pharma Handel GmbH, Delmenhorst branch	none
Paul C. Julian (until 31.12.2017)	Former Executive Vice President and Group President, McKesson Corporation, San Francisco, U.S.A.	none
Jörg Lauenroth-Mago	Trade Union Secretary responsible for the trade division in Saxony, Saxony-Anhalt and Thuringia, ver.di – Vereinte Dienstleistungsgewerkschaft	none
Pauline Lindwall	Senior Advisor and Independent Board Director, Zürich, CH	none
Kathy McElligott (as of 31.12.2017)	Executive Vice President, Chief Information Officer and Chief Technology Officer, McKesson Corporation, Scottsdale, U.S.A.	none
Susan Naumann	Head of the legal and accounting division in Hamburg, ver.di – Vereinte Dienstleistungsgewerkschaft	none

Ulrich Neumeister	Logistics employee, GEHE Pharma Handel GmbH, Stuttgart administration centre	none
Lori A. Schechter (as of 22/06/2016)	Executive Vice President, General Counsel and Chief Compliance Officer McKesson Corporation, San Francisco, U.S.A.	none
Gabriele Katharina Stall	Branch Management Assistant at GEHE Pharma Handel GmbH, Troisdorf branch	none
Britt Vitalone (as of 27.01.2018)	Executive Vice President, Chief Financial Officer, McKesson Corporation, San Francisco, U.S.A.	none

List of shareholdings of the McKesson Group, Stuttgart as at 31 March 2018 pursuant to Section 313 Paragraph 2 HGB

I. Parent company

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
1	McKesson Europe AG	Stuttgart, DE				

II. Subsidiaries (fully consolidated companies)

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
2	"Aewige" ärztliche Wirtschaftsgesellschaft m.b.H.	Wien, AT			100,00	
3	2012 DREAM LIMITED	Coventry, GB			100,00	
4	28CVR LIMITED	Coventry, GB			100,00	
5	2AMD	Edern, FR			33,60	
6	30MC LIMITED	Coventry, GB			100,00	
7	A C FERGUSON (CHEMIST) LIMITED	Coventry, GB			100,00	
8	A. SUTHRELL (HAULAGE) LIMITED	Coventry, GB			100,00	
9	AAH BUILDERS SUPPLIES LIMITED	Coventry, GB			100,00	
10	AAH FURB PENSION TRUSTEE LIMITED	Coventry, GB			100,00	
11	AAH Glass & Windows Limited	Coventry, GB			100,00	
12	AAH Ireland	Dublin, IE			100,00	
13	AAH LIMITED	Coventry, GB			100,00	
14	AAH Lloyds Insurance (IoM) Limited	Douglas, GB			100,00	
15	AAH LLOYDS PENSION TRUSTEES LIMITED	Coventry, GB			100,00	
16	AAH NOMINEES LIMITED	Coventry, GB			100,00	
17	AAH ONE LIMITED	Glasgow, GB			100,00	
18	AAH PHARMACEUTICALS LIMITED	Coventry, GB			100,00	
19	AAH TWENTY FOUR LIMITED	Glasgow, GB			100,00	
20	AAH TWENTY LIMITED	Coventry, GB			100,00	
21	AAH TWENTY SIX LIMITED	Coventry, GB			100,00	
22	ABG Apotheken-Beratungsgesellschaft mbH	Stuttgart, DE			100,00	
23	ACME DRUG CO. LIMITED	Glasgow, GB			100,00	
24	ADDED MARKETING LIMITED	Coventry, GB			100,00	
25	Admenta Beteiligungs GmbH	Wien, AT			100,00	
26	Admenta Denmark ApS	Rodovre, DK			100,00	
27	Admenta Deutschland GmbH	Stuttgart, DE			100,00	
28	ADMENTA HOLDINGS LIMITED	Coventry, GB			100,00	
29	ADMENTA ITALIA S.P.A.	Bentivoglio, IT			100,00	
30	ADMENTA PENSION TRUSTEES LIMITED	Coventry, GB			100,00	
31	ADMENTA UK LIMITED	Coventry, GB			100,00	
32	Admenta Verwaltungs GmbH	Wien, AT			100,00	
33	AFM - S.P.A.	Bentivoglio, IT			79,97	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
34	AHLP PHARMACY LIMITED	Coventry, GB			100,00	
35	ALCHEM (SOUTHERN) LIMITED	Coventry, GB			100,00	
36	ALPE-ADRIA PHARMA farmacevtsko podjetje d.o.o.	Ljubljana, SI			100,00	
37	Alphar Ayeneux	Soumange, BE			51,61	
38	Alphar Farciennes	Seneffe, BE			100,00	
39	Alphar Gilly DL	Charleroi, BE			51,22	
40	Alphar Monceau sur Sambre	Charleroi, BE			51,61	
41	Alphar Partners SA	Seneffe, BE			100,00	
42	Ancavion GmbH	Weiterstadt, DE			100,00	
43	Apo-Holding Gesellschaft m.b.H.	Wien, AT			66,67	
43	Apo-Holding Gesellschaft m.b.H.	Wien, AT			66,67	
44	ATLAS Travel Clinic Limited	Coventry, GB			100,00	
45	AYRSHIRE PHARMACEUTICALS LIMITED	Glasgow, GB			100,00	
46	AZIENDA FARMACEUTICA MUNICIPALE di Cremona S.p.A.	Cremona, IT			77,84	
47	Azienda Farmacie Milanesi - A.F.M. S.p.A.	Mailand, IT			80,00	
48	Babbingore Limited	Dublin, IE			100,00	
49	BAILLIESTON HEALTH CENTRE PHARMACY LIMITED	Bailieston, GB			64,00	
50	Ballycane Pharmacy Limited	Dublin, IE			50,00	
51	BANNISTER & THATCHER LIMITED	Coventry, GB			100,00	
52	BARCLAY PHARMACEUTICALS (ATHERSTONE) LIMITED	Coventry, GB			100,00	
53	BARCLAY PHARMACEUTICALS LIMITED	Coventry, GB			100,00	
54	BARLEY CHEMISTS HOLDINGS LIMITED	Coventry, GB			100,00	
55	BARRY SHOOTER (ROMFORD) LIMITED	Coventry, GB			100,00	
56	BEAUTY CARE DRUGSTORES LIMITED	Coventry, GB			100,00	
57	Belmedis	Brüssel, BE			100,00	
58	BERKSHIRE MEDICAL SUPPLIES LIMITED	Coventry, GB			100,00	
59	BETTERLIFEHEALTHCARE LIMITED	Coventry, GB			100,00	
60	BIG PHARMA LIMITED	Glasgow, GB			100,00	
61	Blackstaff Pharmaceuticals Limited	Coventry, GB			100,00	
62	Breamor Pharmacy Limited	Dublin, IE			100,00	
63	BRIDPORT MEDICAL CENTRE SERVICES LIMITED	Coventry, GB			100,00	
64	BRUGEFI INVEST S.A.S.	Saint Quen, FR			100,00	
65	CAHILL MAY ROBERTS GROUP LIMITED	Dublin, IE			100,00	
66	Camic Pharmacies Limited	Dublin, IE			100,00	
67	CARONET TRADING LIMITED	Coventry, GB			100,00	
68	Castletroy SCP	Dublin, IE			100,00	
69	Celesio Business Services Ltd.	Dublin, IE			100,00	
70	CENTRALE D`ADMINISTRATION DE BIENS IMMOBILIERS	Saint Quen, FR			100,00	
71	Chem Labs Limited	Dublin, IE			100,00	
72	CLARK CARE GROUP LIMITED	Coventry, GB			100,00	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
73	CLARK MUNRO LIMITED	Glasgow, GB			100,00	
74	CMN Healthcare Limited	Dublin, IE			100,00	
75	CMN Pharmacy Limited	Dublin, IE			100,00	
76	CMR Holdings Ltd	Dublin, IE			100,00	
77	Coleham	Dublin, IE			100,00	
78	COMPTOIR MONEGASQUE DE BIOCHIMIE	Monaco			100,00	
79	COMPTOIR PHARMACEUTIQUE MEDITERRANEEN	Monaco			99,40	
80	Cophana SA	La Louviere, BE			100,00	
81	CROSS AND HERBERT (DEVON) LIMITED	Coventry, GB			100,00	
82	CROSS AND HERBERT (HOLDINGS) LIMITED	Coventry, GB			100,00	
83	CROSS AND HERBERT LIMITED	Coventry, GB			100,00	
84	Crowley`s Blackrock Limited	Dublin, IE			100,00	
85	D.F. O'Neill (Chemists) Ltd	Dublin, IE			100,00	
86	Dargle Pharmacies Holdings Limited	Dublin, IE			100,00	
87	DEPOTRADE	Saint Quen, FR			100,00	
88	Dix Bulles Pharma	Charleroi, BE			100,00	
89	DocMorris Kooperationen GmbH	Stuttgart, DE			100,00	
90	DOL Pharmacy Limited	Dublin, IE			100,00	
91	Donnybrook Pharmacy Limited	Dublin, IE			100,00	
92	ECLIPSE HEALTHCARE LIMITED	Coventry, GB			100,00	
93	ESCON (ST NEOTS) LIMITED	Coventry, GB			100,00	
94	Espafarmed	Barcelona, ES			100,00	
95	Evesland Limited	Dublin, IE			100,00	
96	EVOLUTION HOMECARE SERVICES LIMITED	Coventry, GB			100,00	
97	EXPERT HEALTH LIMITED	Coventry, GB			100,00	
98	FAR.CO.SAN S.p.A.	San Giovanni Valdarno, IT			80,00	
99	FARILLON LIMITED	Coventry, GB			100,00	
100	Farmacia del Guarlone S.a.s. di Lloyds Retail s.r.l.	Bologna, IT			100,00	
101	Farmacie di Parma S.p.A.	Parma, IT			80,00	
102	Farmacie Pratesi Pratofarma S.p.A.	Prato, IT			80,00	
103	FARMALVARION S.R.L. SOCIO UNICO	Bentivoglio, IT			100,00	
104	Felview Limited	Dublin, IE			100,00	
105	FIRTH & PILLING LIMITED	Coventry, GB			100,00	
106	FOSTER & PLUMPTON GROUP LIMITED	Coventry, GB			100,00	
107	FOSTER & PLUMPTON LIMITED	Coventry, GB			100,00	
108	G J MALEY LIMITED	Doulgas, GB			100,00	
109	G K CHEMISTS (GLOS) LIMITED	Coventry, GB			100,00	
110	G K CHEMISTS LIMITED	Coventry, GB			100,00	
111	GEHE Immobilien GmbH & Co. KG	Stuttgart, DE			100,00	
112	GEHE Immobilien Verwaltungs-GmbH	Stuttgart, DE			100,00	
113	GEHE Pharma Handel GmbH	Stuttgart, DE			100,00	
114	GEORGE STAPLES (STOKE) LIMITED	Coventry, GB			100,00	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
115	Gerard Ryan Pharmacy (Clonmel) Limited	Dublin, IE			100,00	
116	Gerard Ryan Pharmacy (O`Connell Street) Limited	Dublin, IE			100,00	
117	Gerard Ryan Pharmacy (Patrick Street) Limited	Dublin, IE			100,00	
118	GOBAL Beteiligung GmbH & Co. Vermietungs KG	Stuttgart, DE			0,00	3
119	Gorrys Pharmacy Limited	Dublin, IE			100,00	
120	Gouldson Pharmacy	Dublin, IE			100,00	
121	Goviltown Limited	Dublin, IE			100,00	
122	GPL 2007 LIMITED	Coventry, GB			100,00	
123	GRAEME PHARMACY (STIRLING) LIMITED	Glasgow, GB			100,00	
124	GREENS PHARMACEUTICAL (HOLDINGS) LIMITED	Coventry, GB			100,00	
125	Greystones Pharmacy Limited	Dublin, IE			100,00	
126	H H THATCHER LIMITED	Coventry, GB			100,00	
127	Haleston Enterprises Limited	Dublin, IE			100,00	
128	HC Beteiligungsgesellschaft mbH	Wien, AT			100,00	
129	HEALTH NEEDS LIMITED	Coventry, GB			100,00	
130	HEALTHCLASS LIMITED	Coventry, GB			100,00	
131	Helmard Holdings Limited	Dublin, IE			100,00	
132	Herba Chemosan Apotheker-AG	Wien, AT			99,06	
133	HERBERT FERRYMAN LIMITED	Coventry, GB			100,00	
134	HIGGINS & SON (CHEMISTS) LIMITED	Coventry, GB			100,00	
135	HILL-SMITH (WARRINGTON) LIMITED	Coventry, GB			100,00	
136	Hittelford Limited	Dublin, IE			100,00	
137	HOLLYFAR - Marcas e Comunicação	Maia, PT			100,00	
138	HOLON	Maia, PT			100,00	
139	HOUGHTON & LAPPIN LIMITED	Coventry, GB			100,00	
140	HYWEL DAVIES (CAERPHILLY) LIMITED	Coventry, GB			100,00	
141	INDEPENDENT PHARMACY CARE CENTRES (2008) LIMITED	Coventry, GB			100,00	
142	INSPIRON DISTRIBUTION LIMITED	Coventry, GB			100,00	
143	Inten GmbH	Stuttgart, DE			100,00	
144	IPCC LIMITED	Coventry, GB			100,00	
145	J S DENT LIMITED	Coventry, GB			100,00	
146	J. Bradbury (Surgical) Limited	Belfast, GB			100,00	
147	J.G. Crowley Pharmacy Limited	Dublin, IE			100,00	
148	JOHN BELL & CROYDEN LIMITED	Coventry, GB			100,00	
149	JOHN HAMILTON (PHARMACEUTICALS) LIMITED	Glasgow, GB			100,00	
150	John Smith & Son Limited	Dublin, IE			100,00	
151	Kairnbury	Dublin, IE			100,00	
152	Kemofarmacija	Ljubljana, SI			98,04	
153	Kilshallow Limited	Dublin, IE			100,00	
154	KINGSWOOD CHEMISTS LIMITED	Coventry, GB			100,00	
155	KINGSWOOD GK LIMITED	Coventry, GB			100,00	
156	KYLE & CARRICK HOLDINGS LIMITED	Glasgow, GB			100,00	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
157	La Pharmacie du Moulin d'En Haut	Mons, BE			60,00	
158	Laboratoria Flandria NV	Brüssel, BE			100,00	
159	LEVELCROWN LIMITED	Coventry, GB			100,00	
160	LINFORD PHARMACIES LIMITED	Coventry, GB			100,00	
161	Lissone Farmacie S.p.A.	Lissone, IT			80,00	
162	LIVINGSTON HEALTH CENTRE (P.D) CO. LIMITED	Glasgow, GB			100,00	
163	LLOYDS CHEMISTS LIMITED	Coventry, GB			100,00	
164	LLOYDS CHEMISTS RETAIL (NORTHERN) LIMITED	Coventry, GB			100,00	
165	LLOYDS CHEMISTS RETAIL LIMITED	Coventry, GB			100,00	
166	LLOYDS GROUP PROPERTIES LIMITED	Coventry, GB			100,00	
167	Lloyds Pharmacy Clinical Homecare Limited	Coventry, GB			100,00	
168	LLOYDS PHARMACY LIMITED	Coventry, GB			100,00	
169	LLOYDS PROPERTIES LIMITED	Coventry, GB			100,00	
170	LLOYDS Property Management Company Belgium S.A.	Wavre, BE			99,99	
171	LLOYDS RETAIL CHEMISTS LIMITED	Coventry, GB			100,00	
172	Lloyds Retail S.r.l.	Bologna, IT			100,00	
173	Lloydspharma Group S.A.	Wavre, BE			100,00	
174	Lloydspharma S.A.	Wavre, BE			100,00	
175	Lloydspharmacy Ireland Limited	Dublin, IE			100,00	
176	LP Clinical Homecare Group Limited	Coventry, GB			100,00	
177	LPL ONE LIMITED	Coventry, GB			100,00	
178	M H GILL LIMITED	Coventry, GB			100,00	
179	M PAYNE & CO LIMITED	Coventry, GB			100,00	
180	MARYHILL DISPENSARY LIMITED	Glasgow, GB			50,00	
181	MASTA Limited	Coventry, GB			100,00	
182	MATIS Immobilien OHG	Stuttgart, DE			100,00	
183	Maurice F. Dougan Limited	Dublin, IE			100,00	
184	May Roberts Ltd	Dublin, IE			100,00	
185	McKesson Belgium Holdings SPRL	Brüssel, BE			100,00	
186	McKESSON FRANCE HOLDINGS	Saint Quen, FR			100,00	
187	McSweeney Dispensers 10 Limited	Dublin, IE			100,00	
188	McSweeney Dispensers 23 Limited	Dublin, IE			100,00	
189	MDD pharma N.V.	Kortrijk, BE			100,00	
190	Meade's Medical Hall Limited	Dublin, IE			100,00	
191	Medical Advisory Services for Travellers Abroad Limited	Coventry, GB			100,00	
192	MEDIMART LIMITED	Coventry, GB			100,00	
193	MeMed CZ s.r.o.	Chomutov, CZ			100,00	
194	Menges Medizintechnik Schweiz AG	Rüthi, AT			100,00	
195	Mesara Grundstücks-Verwaltungsgesellschaft mbH	Stuttgart, DE			0,00	3
196	MOUNT PHARMACY LIMITED	Coventry, GB			100,00	
197	MUNRO PHARMACY LIMITED	Glasgow, GB			100,00	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
198	Natureline	Dublin, IE			100,00	
199	NEW KIRK PHARMACY LIMITED	Glasgow, GB			100,00	
200	O`Leary Pharmacy (Lucan) Limited	Dublin, IE			100,00	
201	OCP	Saint Quen, FR			99,85	
202	OCP FORMATION	Saint Quen, FR			100,00	
203	OCP PORTUGAL	Maia, PT			100,00	
204	OCP REPARTITION	Saint Quen, FR			100,00	
205	OLOR Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Stuttgart, DE			0,00	3
206	Ophelia Pharma	Farciennes, BE			100,00	
207	P C Cahill & Company Limited	Dublin, IE			100,00	
208	PALEMODA LIMITED	Coventry, GB			100,00	
209	PAUL WHEELER LIMITED	Coventry, GB			100,00	
210	PCB SA	Brüssel, BE			96,00	
211	PEEL STREET PHARMACY LIMITED	Coventry, GB			100,00	
212	PERILLA Grundstücks-Verwaltungsgesellschaft mbH & Co. KG	Stuttgart, DE			95,00	
213	Pharma Belgium SA	Woluwe-Saint-Lambert, BE			100,00	
214	PHARMA PARTNERS	Ostende, BE			100,00	
215	Pharma Services (NI) Limited	Belfast, GB			50,00	
216	Pharmacie Ananga-Talom	Charleroi, BE			100,00	
217	Pharmacie de la Bascule	Molenbeek-Saint-Jean, BE			100,00	
218	Pharmacie Karreveld	Molenbeek-Saint-Jean, BE			51,00	
219	PHARMACTIV DISTRIBUTION	Saint Quen, FR			97,45	
220	Pharmacy O`Riada Holdings Limited	Dublin, IE			100,00	
221	PHARMAGEN LIMITED	Coventry, GB			100,00	
222	PHILIP GOODMAN LIMITED	Coventry, GB			100,00	
223	Prima Brands Limited	Belfast, GB			100,00	
224	PRIMELIGHT LIMITED	Coventry, GB			100,00	
225	R F FOSKETT & SON LIMITED	Coventry, GB			100,00	
226	R GORDON DRUMMOND LIMITED	Coventry, GB			100,00	
227	recucare GmbH	Stuttgart, DE			100,00	
228	recusana GmbH	Stuttgart, DE			100,00	
229	Reseau Santé	Brest, FR			100,00	
230	Ryle and De Lacy Pharmacies Limited	Dublin, IE			100,00	
231	Sangers (Northern Ireland) Limited	Belfast, GB			100,00	
232	SANOVA Pharma GesmbH	Wien, AT			100,00	
233	Sapphire Primary Care Developments	Dublin, IE			100,00	
234	SAVORY & MOORE (JERSEY) LIMITED	St. Helier, GB			90,00	
235	SAVORY & MOORE LIMITED	Glasgow, GB			100,00	
236	SCHOLES (CHEMISTS) LIMITED	Coventry, GB			100,00	
237	Sheridan Distribution Services Ltd	Antrim, IE			100,00	
238	SOCIETE D`ETUDES ET DE REALISATIONS INFORMATIQUES	Monaco			100,00	

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
239	Sofarmex BVBA	BE			100,00	
240	Sofiadis SCRL	Brüssel, BE			90,96	
241	SOLUSOFT	Saint Quen, FR			100,00	
242	SOPI Ballincollig Limited	Dublin, IE			100,00	
243	SOPI The Lough Limited	Dublin, IE			100,00	
244	SOPI Thurles Limited	Dublin, IE			100,00	
245	SOPI Youghal Limited	Dublin, IE			100,00	
246	STATIM FINANCE LIMITED	Coventry, GB			100,00	
247	STEPHEN SMITH LIMITED	St. Peter Port, GB			57,14	
248	SUPERFIELD LIMITED	Coventry, GB			100,00	
249	T AND I WHITE LIMITED	Coventry, GB			100,00	
250	T. Sheridan Sales & Marketing	Dublin, IE			100,00	
251	THURNBY ROSE LIMITED	Coventry, GB			100,00	
252	TIRES Beteiligungs GmbH & Co. KG	Stuttgart, DE			0,00	3
253	Tjellesen Max Jenne A/S	Rodovre, DK			100,00	
254	Todin A/S	Rodovre, DK			100,00	
255	Unicare Dispensers 11 Limited	Dublin, IE			100,00	
256	Unicare Dispensers 12 Limited	Dublin, IE			100,00	
257	Unicare Dispensers 13 Limited	Dublin, IE			100,00	
258	Unicare Dispensers 16 Limited	Dublin, IE			100,00	
259	Unicare Dispensers 20 Limited	Dublin, IE			100,00	
260	Unicare Dispensers 21 Limited	Dublin, IE			100,00	
261	Unicare Dispensers 27 Limited	Dublin, IE			100,00	
262	Unicare Dispensers 5 Limited	Dublin, IE			100,00	
263	Unicare Dispensers 6 Limited	Dublin, IE			100,00	
264	Unicare Dispensers 8 Limited	Dublin, IE			100,00	
265	Unicare Pharmacy Group Limited	Dublin, IE			100,00	
266	USCITA LIMITED	Coventry, GB			100,00	
267	Vitapharm	Murska sobota, SI			51,00	
268	W H CHANTER LIMITED	Coventry, GB			100,00	
269	W H GREEN (CHEMISTS) LIMITED	Coventry, GB			100,00	
270	W JAMIESON (CHEMISTS) LIMITED	Coventry, GB			100,00	
271	WESTCLOSE LIMITED	Coventry, GB			100,00	
272	WOODSIDE PHARMACY (GLASGOW) LIMITED	Glasgow, GB			75,00	
273	WZ-WundZentren GmbH ***	Stuttgart, DE			100,00	

III. Associates accounted for using the equity method

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
274	Brocacef Groep N.V.	Maarssen, NL			45	
275	HOLMSCROFT HC LIMITED	Greenock, GB			20,00	
276	SHC PHARMACY LIMITED	Edinburgh, GB			33,33	
277	SPRINGBURN DISPENSARY LIMITED	Glasgow, GB			25,00	
278	WROSE HEALTH CENTRE P.D. LIMITED	Keighley, GB			42,59	

IV. Other interests with at least 5 % of voting rights

Nr.	Name of Company	Registered office, Country	Equity (in K national currency)	Profit / Loss (in K national currency)	Interest (in %)[1]	Foot-note
279	ASHLEY HOUSE PLC	High Wycombe, GB	3.694	75	9,42	
280	Clofirini Consult	Lommel, BE	440	79	5,00	5
281	COMPANY CHEMISTS ASSOCIATION LIMITED	Milton Keynes, GB	(1)		27,09	
282	DATACARE Datenpflege des Pharmagroßhandels Ges.m.b.H.	Wien, AT	120	(6)	36,67	7
283	DATAPHARM	Paris, FR	39	58	38,89	4
284	GALEN PHARMACY LIMITED	South Shields, GB	32		18,00	
285	GOVANHILL PHARMACY LIMITED	Glasgow, GB	2		13,40	
286	KEIGHLEY HEALTH CENTRE LIMITED	Keighley, GB	146		16,67	
287	Nensi d.o.o.	Ljubljana, SI	17	1	35,00	4
288	SERVICE DE LA REPARTITION PHARMACEUTIQUE	Paris, FR	70	53	39,50	6
289	Swindon Health Centre (Pd) Limited	Swindon, GB	382		14,83	
290	TORRINGTON PARK HCC LIMITED	London, GB	146		4,00	
291	VICTORIA PHARMACY LIMITED	Hartlepool, GB	102		7,32	
292	W.H.C.P. (DUNDEE) LIMITED	Dundee, GB	259		13,70	

1) Amounts in US GAAP
2) This calculation fully takes into account shares held by dependent entities, even if the share of such an entity is less than 100 %.
3) Special purpose entity
4) Financial statement 31. December 2017
5) Financial statement 31. December 2016
6) Financial statement 31. December 2015
7) Financial statement 31. December 2014

In addition, there are also 53 further European pharmacy holdings.

McKesson Europe AG

Stuttgart, 25 May 2018

BRIAN TYLER
Chairman of the Management Board
Labour Relations

ALAIN VACHON
Member of the Management Board
Finance

TILO KÖSTER
Member of the Management Board
Legal and Compliance

Independent Auditors' Report

We have audited the consolidated financial statements prepared by McKesson Europe AG, Stuttgart/Germany - comprising the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, and the notes to the consolidated financial statements - and the group management report for the financial year from 1 April 2017 to 31 March 2018 combined with the management report. The preparation of the consolidated financial statements and the combined management report in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU, and German commercial law as complementarily applicable under Section 315e (1) German Commercial Code (HGB) is the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting requirements and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the consolidated group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of McKesson Europe AG, Stuttgart/Germany, comply with IFRS, as applicable in the EU, and German commercial law as complementarily applicable under Section 315e (1) German Commercial Code (HGB) and give a true and fair view of the net assets, financial position and results of operations of the consolidated group in accordance with these regulations. The combined management report is consistent with the consolidated financial statements, complies with the legal regulations and as a whole provides a suitable view of the consolidated group's position and suitably presents the opportunities and risks of future development.

Stuttgart/Germany, 30 May 2018

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

DR. CLAUS BUHLEIER	SVEN ILG
GERMAN PUBLIC AUDITOR	GERMAN PUBLIC AUDITOR

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Alternatively, a printed version can be ordered from the website.
The German version is legally binding.

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