Regarding agenda item 5: Report of the Management Board pursuant to section 71 para. 1 no. 8 sentence 5 in conjunction with section 186 para. 4 sentence 2 AktG

The unused authorization to acquire treasury shares pursuant to section 71 para. 1 no. 8 AktG, passed by the General Meeting of the Company on 10 August 2016, expired on 9 August 2021 and is no longer available. The authorization had not been used by the time the Annual General meeting was convened. In order to maintain the possibility for the Company to acquire and use treasury shares in the future, a new authorization to acquire and use treasury shares shall be resolved.

Acquisition of treasury shares

In addition to acquisition via the stock exchange, the new authorisation to be resolved upon is intended to grant the Company the option of acquiring treasury shares via a public purchase offer (tender process) or a public invitation to submit sale offers. This option will allow each shareholder of the Company wishing to sell to decide how many shares to sell and, in the case of a price range being determined, at what price these are to be offered. If the quantity offered at the determined price exceeds the number of shares requested by the Company, the sale offers are to be scaled down (pro rata acceptance). In this context, preferred acceptance of smaller offers or small parts of offers up to a maximum of 100 shares shall be possible. This option will help prevent fractional amounts when determining the quotas for acquisition, as well as small residual amounts, thus simplifying the technical settlement. This will also make it possible to avoid any actual disadvantage to minority shareholders. Apart from that, the scaling down will be carried out in proportion to shares tendered (tender ratios) rather than in proportion to shareholding quotas because this is the way the acquisition procedure can be settled technically in an economically reasonable manner. Finally, it shall be possible to provide for rounding according to the general rules of rounding to avoid arithmetical fractions of shares. In this respect, the acquisition ratio and the number of shares to be purchased from individual tendering shareholders can be rounded as necessary in order to make the acquisition of whole shares possible with respect to the technical settlement. The Management Board considers an exclusion of a more extensive shareholder right of tender on this basis to be objectively justified and appropriate with regard to the shareholders.

Use of treasury shares

By being able to resell treasury shares, these can be used to raise new equity. As options for resale, the authorisation provides for a sale via the stock exchange – which ensures equal treatment of shareholders even according to the statutory definition – or an offer to all shareholders.

In the event of a disposal of treasury shares by way of an offer directed at the shareholders, the Management Board shall be authorised to exclude shareholders' subscription rights for fractional amounts. This is necessary in order to be able to technically carry out the resale of treasury shares acquired, by way of an offer directed at the shareholders. The treasury shares that are excluded from the subscription right of the shareholders as free fractional shares will be liquidated either via their sale on the stock exchange or otherwise at the most favourable terms possible for the Company.

The final sale price for the treasury shares will be determined shortly prior to the disposal. If the authorisation is exercised, the Management Board will determine any discount from the relevant stock exchange price as low as possible in accordance with the market conditions prevailing at the time of the final determination of the issue price. This option of excluding subscription rights is limited to a maximum of ten per cent of the share capital existing at the time this authorisation takes effect or – if such value is lower – at the time this authorisation is exercised. As a whole, this ensures that the interests of the shareholders are reasonably protected, in line with the legal assessment as made in section 71 para. 1 no. 8 sentence 5 AktG in conjunction with section 186 para. 3 sentence 4 AktG, in the case of authorised capital being made use of with the shareholders' subscription rights being excluded while the Company is provided with additional room for manoeuvre in the interest of all shareholders. As the new shares will be placed close to the stock exchange price, each shareholder will be able to acquire shares at nearly identical terms in the market in order to maintain his shareholding quota. Insofar as, during the term of such authorisation until its being used, other authorisations are used which were granted for the issue or disposal of shares or the issue of rights under which the subscription of shares is possible or which make such subscription obligatory and, in the course thereof, the subscription right is excluded pursuant to section 186 para. 3 sentence 4 AktG, this will moreover be taken into account concerning the 10% threshold as referred to above. As a whole, this ensures that the interests of the shareholders are reasonably protected, in line with the legal assessment as made in section 186 para. 3 sentence 4 AktG, in the case of the authorisation being exercised with the shareholders' subscription rights being excluded while the Company is provided with additional room for manoeuvre in the interest of all shareholders. The placement of the new shares being made close to the stock exchange price, each shareholder may acquire shares at nearly identical terms in the market in order to maintain his shareholding quota.

Furthermore, the authorisation provides for the Company's treasury shares also being available for use as consideration in the context of mergers or to acquire entities, participations in entities or parts of entities as well as other assets under exclusion of the subscription right of the shareholders. This is to enable the Company to react swiftly, successfully and in a way that preserves liquidity to advantageous offers or other opportunities arising for mergers, to acquire entities, participations in entities, parts of entities or other assets on both national and international markets. Negotiations quite often result in the necessity to provide consideration in the form of shares rather than cash. The authorisation takes this into account. The Management Board will take into consideration the stock exchange price of the McKesson Europe AG share when determining the value ratio although no systematic connection is planned in order to ensure that any negotiation results that are in the Company's interest are not jeopardised by price fluctuations.

The Supervisory Board and the Management board also propose that the treasury shares acquired also be used to grant shares to employees and retired employees of the Company and its affiliates within the meaning of sections 15 et seqq. AktG at favourable conditions. The use of existing treasury shares instead of creating new shares by utilising authorised capital is usually less complex and also less expensive for the Company because, *inter alia*, the use of treasury shares does not have to be entered into the commercial register, as opposed to the utilisation of authorised capital. Using treasury shares also avoids the dilution effect that would otherwise occur. Issuing shares to the mentioned employees and retired employees promotes a practised sustainable share culture, supporting long-term loyalty to the Company and the identification of these groups of persons with the Company. In determining the purchase price to be paid, a customary and adequate discount based on the Company's success may be granted.

Furthermore, the acquired treasury shares are to be used for board members of affiliates, such as members of the management board or the board of directors of affiliates within the meaning of sections 15 et seqq. AktG. In this context, too, the use of treasury shares is usually less complex and less expensive than the issue of new shares, for example from authorised capital. In addition, the use of treasury shares also prevents the dilution effect that would otherwise occur.

It is possible that the Company will create programmes in the future under which it will be possible to grant shares as a component of compensation. The treasury shares acquired under the proposed authorisation could also be used for granting shares under such future programmes.

In particular, the use of treasury shares for the issue or offer to the aforementioned group of persons and the associated exclusion of the subscription right is limited to shares in the amount of 5% of the share capital in the interest of shareholders who are not entitled to subscription in this respect.

In addition, the Company shall be enabled to use the shares, under exclusion of the shareholders' subscription rights, also for the purpose of securing (e.g. by pledge, transfer of title as security) and fulfilling option rights as well as conversion rights and obligations of holders or creditors of bonds with warrants and/or convertible bonds issued by the Company or by subordinated group companies of the Company. It may be expedient to use treasury shares in whole or in part instead of new shares from a capital increase to secure and fulfil the option rights as well as the conversion rights and obligations. By transferring treasury shares instead of using the conditional capital, in particular a dilution effect that would otherwise occur can be counteracted. The exclusion of subscription rights thus also serves the interest of the existing shareholders.

The company shall also be able to retire treasury shares without an additional resolution of the General Meeting (section 71 para. 1 no. 8 sentence 6 AktG). The proposed authorisation provides that the Management Board may retire the shares without a capital reduction. This reduction of share capital may take place for any purpose permissible by law. The retirement without capital reduction increases the pro rata amount of the remaining no-par value shares in the share capital of the Company. The Management Board shall be authorised in this case to amend the Articles of Association with regard to the changing number of no-par value shares.

Finally, the Supervisory Board will be authorised to transfer the treasury shares acquired by the Company to members of the Company's Management Board in fulfilment of compensation agreements as amended from time to time. Treasury shares could thus be used to satisfy claims that may be granted to members of the Management Board in the future under Management Board compensation provisions. Currently, the compensation scheme for the Management Board does not contain any component providing for the granting of shares in the Company. However, the Supervisory Board shall be given the power to provide for such a compensation component in the future. In the event of a possible future granting of shares to members of the Management Board as part of the Management Board compensation, an exclusion of the shareholders' subscription rights is required. The details are determined by the employment agreements or compensation agreements that the Supervisory Board, on behalf of the Company, enters into with the individual members of the Management Board. In accordance with its statutory obligation under section 87 AktG, the Supervisory Board in particular ensures that the total compensation (including the components granted in shares) is in appropriate proportion to the duties and performance of the Management Board member and the situation of the Company and does not exceed the usual compensation without particular reasons.

The Management Board will in each case inform the subsequent General Meeting about the exercise of the authorisation. Currently, the Management Board does not have any plans to exercise the authorisation to acquire and use treasury shares.

The report of the Management Board is available for inspection on the internet on the Company's website at:

www.mckesson.eu/annual-general-meeting