

Annual Report 2002



100 years GEHE "Aktiengesellschaft"

GEHE AG ist Celesio AG

www.celesio.com

GEHE AG now renamed Celesio AG

GEHE AG est Celesio AG

GEHE AG è Celesio AG

celesio
the healthcare group

Key facts about GEHE

Tradition

Founder _____ Franz Ludwig Gehe
Founded _____ Dresden 1835
Core business _____ Pharmaceutical distribution
Headquarters _____ Stuttgart, since 1981

Key statistics for 2002

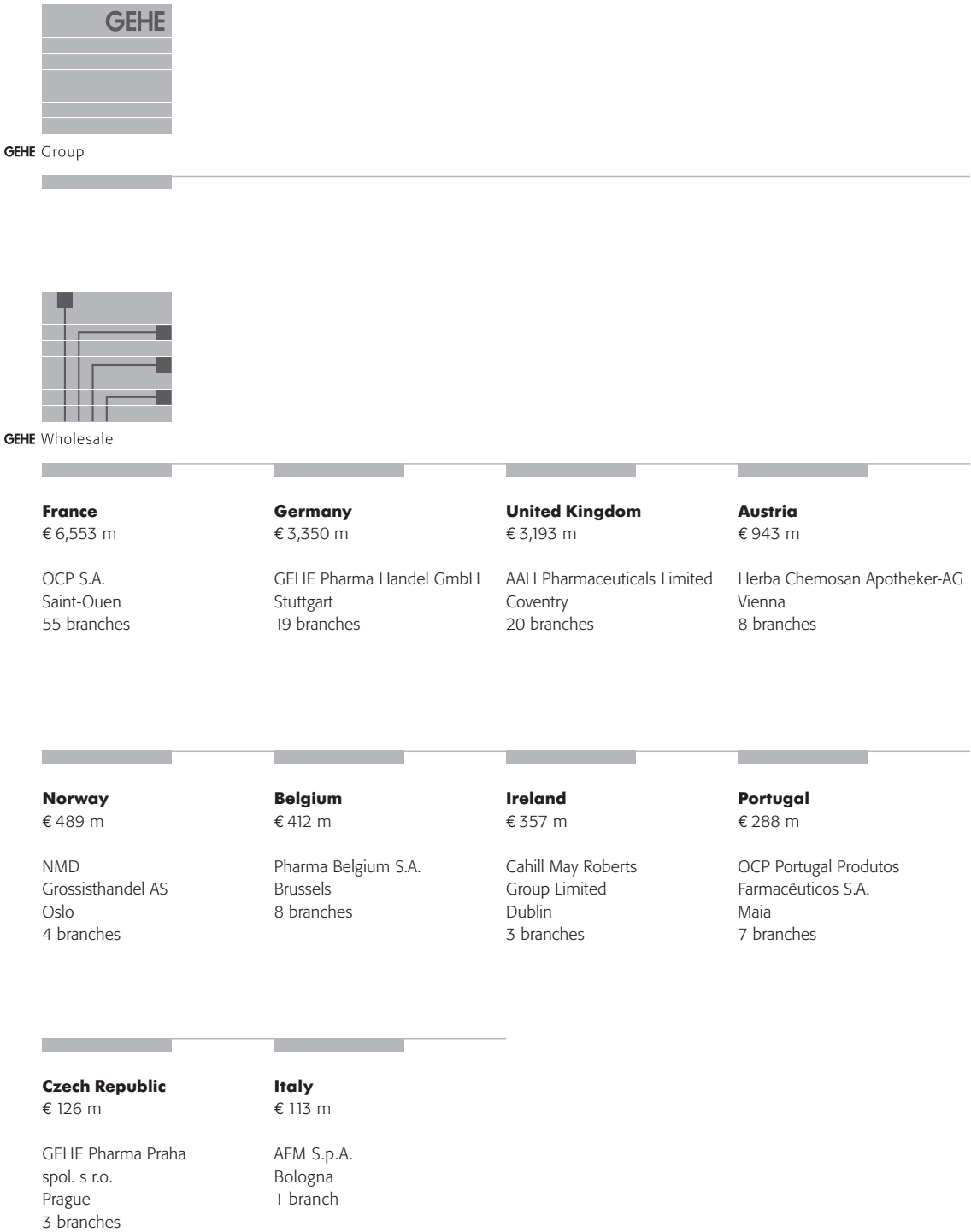
Wholesale branches _____ 128
Pharmacies _____ 1,847
Employees _____ 24,978
Turnover _____ € 18.4 bn
Turnover growth _____ 8.3 %
EBITDA _____ € 539.1 m
EBITDA growth _____ 11.2 %
Profit before tax _____ € 343.6 m
Profit growth _____ 17.6 %
Net profit* _____ € 239.6 m
Growth in net profit* _____ 19.0 %
Net profit per share** _____ € 2.95

* Profit from ordinary activities after taxes

** Profit from ordinary activities after taxes/weighted average
of number of shares

Group structure

Major operating companies and turnover in € m



Franz Ludwig Gehe
Company founder



GEHE Retail

United Kingdom
€ 1,837 m

Lloyds Pharmacy Limited
Coventry
1,357 pharmacies
(Lloydspharmacy)

Norway
€ 319 m

Vitusapotek AS
Oslo
100 pharmacies

Italy
€ 183 m

GEHE Italia S.p.A.
Bologna
162 pharmacies

Ireland
€ 70 m

GEHE IRELAND LIMITED
Dublin
52 pharmacies

Netherlands
€ 67 m

GEHE Nederland B.V.
Amsterdam
28 pharmacies

Czech Republic
€ 44 m

Lékárny Lloyds s.r.o.
Prague
100 pharmacies

Belgium
€ 40 m

Lloydspharmacy Belgium S.A.
Wavre
48 pharmacies

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100 years GEHE "Aktiengesellschaft"



Highlights 2002

First quarter

- Introduction of the new group structure.
- Decision to increase capital by issuing 12.15 m new shares at the subscription price of € 38 per share.

Second quarter

- Conclusion of the capital increase – gross proceeds of € 462 m.
- Opening of the new branch in Swansea, UK.
- Take-over of the largest Irish pharmacy chain (30 pharmacies) and a chain of 21 pharmacies in the Czech Republic.

Third quarter

- Reconstruction of the wholesale branch in Oslo, Norway.
- Reconstruction of the wholesale branch in Dublin, Ireland.

Letter to Shareholders

Dear Shareholder

Within this annual report we are pleased to supply you with comprehensive information and, hopefully, a clear view of the development of our business during 2002.

GEHE celebrates its centenary in 2003 as a public limited company. Our company was established in 1835 by Franz Ludwig Gehe, and opened to the capital market and converted into a public limited company on 1 January 1903. This makes GEHE one of the oldest companies in Germany quoted on the Stock Exchange. It is highly fitting in the centenary year of "GEHE Aktiengesellschaft" that we are able to present you in the annual report for the year 2002 with the best profit from ordinary activities before tax that GEHE Aktiengesellschaft has ever achieved. With € 343.6 m, we have attained not only the highest group profit from ordinary activities before tax ever in the history of the company, but with 17.6 percent, also the strongest rise since 1996. This is an especially remarkable result in the long successful history of GEHE, as it has been achieved through purely our pharmaceutical distribution business, after gradually spinning off all our other activities over recent years. We earned more than four fifths of these profits outside Germany.

The profits for 2002 were generated through our wholesale and retail business in the eleven European countries where we were already represented at the end of 2001. Norsk Medisinaldepot AS (NMD), the Norwegian market leader acquired at the end of 2001, was integrated within our group during 2002. Thanks not least to the unstinting support of the NMD management and all their staff, integration proceeded seamlessly and without interruption to the Norwegian business. With the aid of the entire NMD organisation we have been able during 2002 to largely reorganise the NMD headquarters and the branch in Oslo, by far the largest NMD branch.



Dr Fritz Oesterle
Chairman of the
Management Board

We have had a retail presence in Belgium, Ireland, the Netherlands and Norway since 2001, and have been able to extend our pharmacy presence in these countries during the business year 2002 through acquisitions and, especially in Norway, by opening new pharmacies. As it is GEHE practice only to pay commercially reasonable prices for acquisitions, we have not entirely achieved our targets for acquisitions with the 133 pharmacies acquired in 2002. This is unimportant since only quality at the right price pays off in the long term and not quantity at the wrong price. The profit from our retail business was clearly better than expected, and already three of our four new retail markets had made a positive contribution to group profits – after the costs of financing our acquisitions – at the end of the business year 2002.

The whole economic environment was markedly unfavourable during 2002. This applied by and large to all the countries where we are active. The general macro-economic environment has no direct influence on the demand for medicines – health, or ill-health, has no immediate correlation with the state of the economy. Sales of non-medicines has been impacted, but this comprises only an insignificant part of our total turnover. The business year 2002 has thus once again confirmed that the pharmaceutical market grows without any direct dependence on the general economic climate. The economic development is nevertheless not without influence on our business. A poor economic situation impacts on the incomes of cost bearers in most European national economies, and this independently of whether a State insurance system or the State itself bears the cost. Deficits on the income side lead regularly to State intervention on the expenditure

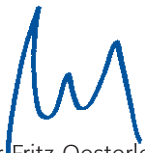
side. Such intervention impacts on all market participants and particularly frequently on the pharmaceuticals market. Interventionist cost-saving measures in the health market – missing the point from both a factual and a macro-economic standpoint – thus make a cyclically determined problem on the income side also an issue for us. There is nothing unusual about this, however, for our business or for the business of other service providers in the area of health. It is simply a fact we have had to deal with for many years. Unsatisfactory overall economic development involves a risk that the attempted State savings on the expenditure side of the respective health insurance systems become particularly unwise. An example was seen in late 2002 when our German wholesaler and all those involved in the German pharmaceutical market were faced with such savings measures in the form of the so-called Contribution Rate Security Law (Beitragssatzsicherungsgesetz). Just the discussion alone in the run-up to the enactment of this law led to a slow-down in market growth in Germany in the second half-year of 2002. The Contribution Rate Security Law will leave clear marks in our German business in the year 2003. Additionally, we have had to cope with in part massive State cost-saving measures not only in Germany but also in France, Italy and Norway. Because of these measures there was a slow-down in our turnover growth in the second half of 2002. We have nevertheless clearly achieved the improved forecast for 2002 as communicated at the end of the first half-year 2002. This was only possible due to our geographical diversity and the experience of our operating units in dealing with such measures. Our new group structure introduced at the start of 2002 also facilitated the tackling of these challenges.

In 2002 the German Corporate Governance Code was adopted after intense discussion. All companies listed on the Stock Exchange now have to take account of these regulations. Since an effective corporate governance was already established within our group in the run-up to the adoption of the Code, little remained to be done afterwards to guarantee that we would be fully compliant with the Code in the future. The few things that still needed to be done were implemented, or at least begun, during 2002, so that we will probably be conforming to all the stipulated recommendations of good corporate governance during 2003.

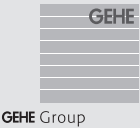
Because of our achievements in the 2002 business year we have set our sights high for 2003. To celebrate the centenary of GEHE's existence as a public limited company we would naturally like to exceed this level still further. Bearing in mind the completely unknown effects of the State cost-saving measures in Germany and the anticipated structural changes in the German market as well as the multitude of State cost-saving measures being discussed in other European markets, this will not be easy. But as one grows with the size of a task, we will also master the challenges of 2003 and continue with our growth strategy. With our highly motivated staff, our lean and efficient group organisation and the capital increase carried out in the

spring of 2002, which generated gross proceeds of € 462 m, we are well equipped to do so. Considering the difficult state of the capital markets our capital increase was even more of a success. This was only possible due to the great confidence of our shareholders in GEHE. We intend to do justice to this confidence in our centennial year of 2003 and create added value for our shareholders. To this end we will be expanding our retail business also in the year 2003 and, in addition, we will grow externally in other areas of pharmaceutical distribution whenever an attractive opportunity arises at the right price.

Stuttgart, February 2003
The Management Board



Dr. Fritz Oesterle
Chairman of the Management Board



Management Board

Growth market health





Dr Fritz Oesterle
Chairman of the
Management Board
and Personnel Relations Officer



Jacques Ambonville
Wholesale



Stefan Meister
Finance
and Controlling



Michael Ward
Retail





Supervisory Board

Günther Hülse

Duisburg
Chairman

Friedrich Taake

Porta Westfalica
Deputy Chairman

Prof Dr med**Julius Michael Curtius**

Weimar

Dr Hubertus Erlen

Berlin, appointed 27 March 2002

Ihno Goldenstein

Delmenhorst

Jörg Lauenroth-Mago

Magdeburg

Hans-Martin Poschmann

Berlin

Jürgen Puff

Stuttgart

Hans-Jürgen Sachse

Halle

Dr Ihno Schneevoigt

Munich

Prof Dr Theo Siegert

Duisburg

Prof Dr Erich Zahn

Stuttgart

Supervisory Board report

GEHE continued to expand its position throughout 2002 in European pharmaceutical wholesale and retail. We were able to extend our retail presence through the acquisition of pharmacies in Belgium, the UK, Ireland, Italy, the Netherlands, Norway and the Czech Republic. The reorganisation of the group, begun at the start of the year, has made good progress, and the capital increase has strengthened our equity.

The Management and Supervisory Boards worked closely together in 2002 following the principles of good corporate governance. The Supervisory Board discussed the strategic alignment of the group with the Management Board and was kept regularly, comprehensively and promptly informed about business development, planning, the risk situation and risk management. All important projects and their implementation were closely followed by the Supervisory Board. The Supervisory Board was able to fully comply with its supervisory and advisory responsibilities and take the necessary decisions.

The Chairman of the Supervisory Board maintained regular contact with the Management Board especially with its Chairman, and consulted with him about strategy, business development and risk management within GEHE Aktiengesellschaft and the group. He was informed at once about important events which were of essential importance for assessing the situation and development and also for the management of the group. When important matters became known to the Chairman outside Supervisory Board meetings the Board was comprehensively informed about these at the next meeting.

Four meetings were held during the business year 2002. At these meetings discussions took place and decisions were made concerning the reorganisation of the wholesale branches in the UK, Ireland, Germany and France, the acquisition and modernisation of pharmacies and also new pharmacies to be opened. Apart from the capital increase, further topics included State saving measures especially in Germany, France, the UK and Italy. In addition the Supervisory Board studied the provisions of the German Corporate Governance Code and took the necessary measures.



Günther Hülse
Chairman of the
Supervisory Board

With the exception of Dr Hubertus Erlen, who was appointed to the Supervisory Board in the course of the year, no Supervisory Board member attended fewer than half the meetings.

The Supervisory Board formed three committees. The Arbitration Committee, formed pursuant to § 27 Paragraph 3 of the Co-determination Law (Mitbestimmungsgesetz), and the Audit Committee, elected at the meeting held on 12 December 2002, did not meet during the period, while the Staff Committee held two meetings.

The financial statements for GEHE Aktiengesellschaft and the group as at 31 December 2002, together with the joint management report for GEHE Aktiengesellschaft and the group were examined by the auditors, PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, and given their certificate of approval with no reservations. These documents together with the auditors' reports were issued to all members of the Supervisory Board and comprehensively discussed at the balance sheet meeting of the Supervisory Board held after the auditors' report. The Supervisory Board accepted the results of the audit on the recommendation of the Audit Committee and approved the financial statements of GEHE Aktiengesellschaft and the group as compiled by the Management Board. The financial statements are thus confirmed. The Supervisory Board examined the proposal for the appropriation of balance sheet profit and agreed to the proposal.

With regard to the majority holding of Franz Haniel & Cie. GmbH, Duisburg, during the period, the Management Board laid the report before the Supervisory Board concerning the relationship to affiliated companies during the business year 2002 pursuant to § 312 of the Companies Act (Aktiengesetz) and the auditors' report on this point as produced by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Stuttgart, in their role as official auditors pursuant to § 313 of the Companies Act. Based on the audit, which was concluded without objection, the auditors' issued the following certificate:

"Having conducted a proper audit and appraisal, we hereby confirm that:

1. the factual content in the report is correct, and that
2. payments by the company in connection with the legal transactions referred to in the report were not unduly high."

The Supervisory Board examined and approved the report on relations with affiliated companies and the corresponding auditors' report. The Supervisory Board raised no objections to the final declaration of the Management Board contained therein.

Dr Hubertus Erlen was appointed by the District Court of Stuttgart to represent the shareholders on the Supervisory Board with effect from 27 March 2002.

The composition of the Management Board remains unchanged.

There were no conflicts of interest of members of the Supervisory or Management Boards.

Stuttgart, March 2003
On behalf of the Supervisory Board



Günther Hülse
Chairman of the Supervisory Board

Key financial figures: a 10-year overview

in € m	1993	1994	1995	1996	
Turnover	5,202.8	7,771.9	9,794.5	10,954.4	
% increase	87.2	49.4	26.0	11.8	
EBITDA	208.5	243.9	318.8	586.5	
EBITDA per share in €	3.57	4.18	4.37	8.05	
Profit before tax	94.1	120.0	171.5	433.2	
Net profit	47.7	71.9	108.1	225.0	
Dividend per individual share in €*	0.36	0.51	0.51	0.51 + 0.15	
Cash flow	122.0	163.8	213.7	328.4	
Fixed assets	947.1	968.1	1,360.1	1,011.2	
Shareholders' equity	642.6	696.9	1,060.9	1,100.1	
Long-term capital	942.3	1,130.2	1,631.4	1,242.4	
Total assets	2,332.0	2,455.2	3,170.2	2,914.1	
% of total assets					
Fixed assets	40.6	39.4	42.9	34.7	
Shareholders' equity	27.6	28.4	33.5	37.8	
Long-term capital	40.4	46.0	51.5	42.6	
Investments	356.4	164.1	486.9	143.7	
Number of employees (converted to full-time equivalents)	11,890	11,313	18,764	15,909	

* based on respective number of shares distributed

** adjusted for Mail Order Division and extraordinary result after taxes

*** adjusted for extraordinary result after taxes

	1997	1998	1999	**1999	2000	***2001	2002
	12,800.6	12,966.6	13,923.0	13,607.8	15,344.7	16,971.0	18,383.4
	16.9	1.3	7.4	10.9	10.2	10.6	8.3
	422.6	439.4	423.5	385.7	439.5	484.6	539.1
	5.80	6.03	5.81	5.29	6.03	6.65	6.34
	231.6	252.1	260.9	230.0	255.5	292.1	343.6
	145.8	155.8	183.8	146.1	171.5	201.3	239.6
	0.66	0.66	0.70 + 0.07	0.625 + 0.07	0.77	0.77 + 0.08	0.85
	233.6	248.7	249.0	226.2	255.0	291.6	350.2
	1,965.0	1,844.9	1,867.9	1,867.9	2,020.6	2,320.4	2,334.0
	1,204.1	1,155.3	1,185.1	1,185.1	1,153.2	1,220.6	1,639.7
	2,311.7	2,065.9	1,967.5	1,967.5	2,169.9	2,506.7	2,590.9
	4,212.8	4,114.6	4,352.5	4,352.5	4,506.4	5,241.8	5,509.6
	46.6	44.8	42.9	42.9	44.8	44.3	42.4
	28.6	28.1	27.2	27.2	25.6	23.3	29.8
	54.9	50.2	45.2	45.2	48.2	47.8	47.0
	890.7	207.5	271.2	269.6	334.5	548.4	392.6
	23,755	23,033	21,048	21,048	21,619	23,654	24,978



Then GEHE annual general meeting in Dresden

100 years GEHE "Aktiengesellschaft"



Today GEHE annual general meeting in Stuttgart



GEHE Share



Share

One hundred years GEHE "Aktiengesellschaft"

GEHE was converted into a public limited company on 15 December 1903 with effect from 1 January 1903. The then majority shareholder, Dr Walter Luboldt, a grand-nephew of the company founder Franz Ludwig Gehe, took this step in order to allow GEHE access to the capital market and thus the building up of a branch network in Germany.

In January 1904 GEHE shares were approved for trading on the Stock Exchange in Dresden.

Capital increases carried out in 1910 and 1912 laid the financial foundation for the country-wide sale of "drugs and paints, pharmaceutical and chemical products" in close proximity to customers.

Our capital increase in the business year 2002 has once again given GEHE Aktiengesellschaft the latitude, in this our centenary year and following years, to take advantage of every opportunity to expand in attractive markets.

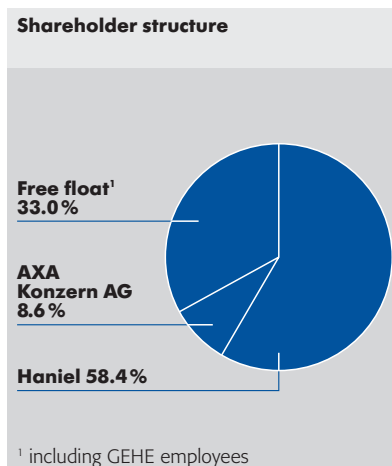
Germany's largest capital increase in 2002

On 22 March 2002 the Management Board resolved, with the approval of the Supervisory Board, to increase the share capital by € 31,104,000 with the issue of 12,150,000 new individual shares. These were offered to GEHE shareholders at a ratio of 6 : 1 for a subscription price of € 38 and giving an entitlement to a dividend from 1 January 2002. The first Stock Exchange listing of the new shares took place on 23 April 2002. They have been listed under the same securities number as the old shares since 10 May 2002. The proceeds of the issue, amounting to around € 462 m, have given GEHE substantial financial latitude for future acquisitions in the realm of pharmaceutical distribution.

This capital increase, which will allow us to share our commercial success with the shareholders on a broader basis, was very well received by the capital markets. Despite the clear increase in the number of shares, the price of GEHE shares after the end of the trading period for the subscription rights remained at the same level as at the commencement of the subscription period. This confirms the considerable confidence of investors in GEHE shares.

Shareholder structure almost unchanged

In 2002 the shareholder structure of GEHE changed only slightly. In the course of the capital increase the holding of the main shareholder, Franz Haniel & Cie. GmbH (Haniel), Duisburg, was reduced only slightly to around 58.4 %. Haniel issued a convertible bond for part of these shares in autumn 2001 amounting to around € 280 m. In the event of complete conversion at the end of the term of the bond in 2004, Haniel's holding in GEHE would be reduced by 6.5 %. The free-floating stock would increase to the same extent. When issuing the conversion bond, Haniel confirmed that its holding in GEHE was to be regarded as strategic and would be above 50 % in the long term. At the end of the business year 2002 8.6 % of the shares were held by companies belonging to AXA Konzern AG. The bulk of these shares had already been invested in a convertible bond in 1998. The term of this bond ends in November 2003. The free-floating stock may then increase by up to 8.6 %. The remaining 33 % of share capital is owned by institutional investors, GEHE employees and numerous private shareholders at home and abroad.





Share

GEHE shares in the MDAX and other important share indexes

GEHE is one of 100 largest German companies listed on the Stock Exchange and is quoted in the MDAX segment. On 23 September 2002 the weighting of the share indexes of Deutsche Börse AG was reorganised on the basis of the current free-floating shareholdings. With a Stock Exchange capitalisation of € 3.16 bn or € 1.04 bn as regards free-floating holdings on 30 December 2002, GEHE shares now have a weighting of 3.72 % according to the calculations of the MDAX Index. Following market capitalisation, GEHE is currently ranked fifth amongst MDAX companies, having achieved a share trading volume of around 22.6 m in the year 2002.

Since 1999 GEHE shares have also been included in the MSCI Germany Index (Morgan Stanley Capital International) with a weighting of 0.32 %, which serves investors world-wide as a guide when making investment decisions.

The increasing interest of investors in companies with a value-orientated, long-term company strategy is reflected in the increasing number of ethical indexes. Since 2001 GEHE shares have been in the ethical index FTSE4Good Europe, published by FTSE International Limited, a joint venture between the London Stock Exchange and the Financial Times. Since 2001 GEHE shares have also been listed in the international Dow Jones Sustainability World Index (DJSI-World). The DJSI-World encompasses more than 300 companies active world-wide, which in particular take account of sustainability. This includes long-term business strategy, leadership in innovation, strict implementation of the corporate governance rules and also takes into account the interests of shareholders and staff.

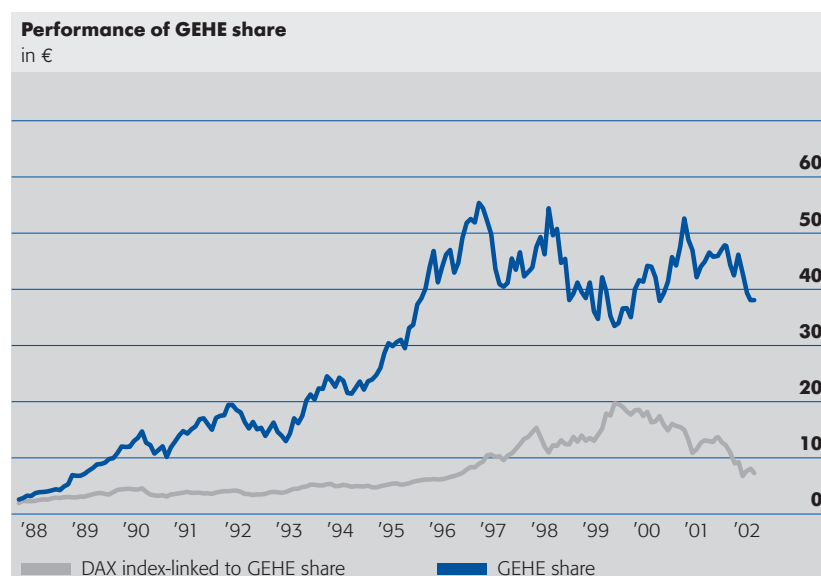
In 2002 GEHE was taken up in the Dow Jones STOXX Sustainability Index (DJSI-STOXX). This index, which represents around 180 European companies, reports on financial performance as regards the sustainability of the best Dow Jones STOXX 600 companies.

New segmentation of the share market

The Frankfurt Stock Exchange Council (Börsenrat) have decided on a new organisation to come into force on 1 January 2003. According to this there will in future be two segments for shares with varying transparency requirements: the Prime Standard and the General Standard. The new segmentation aims at greater integrity and attractiveness of the capital market for issuers and investors. GEHE welcomes the new segmentation and will in future be included in the Prime Standard of the MDAX.

Despite the difficult situation for the Stock Exchange in 2002, GEHE's share price performance clearly outperformed the DAX

Investors' hopes for a recovery of the share prices in 2002 were disappointed. In an overall difficult environment GEHE shares clearly outperformed the DAX (– 43.9 %) and the European DJ EuroSTOXX 50 (– 37.3 %). Investors still have a strong interest in solid companies producing continually rising profits and active in growth markets largely unaffected by the economic cycle.





Share



At the end of 2002 (last trading day, 30 December) GEHE shares registered a price of € 37.10 which is 14.7 % below last year's figure of € 43.50.

GEHE shares reached their highest position on 22 May 2002 with a price of € 49.49 and fluctuated during 2002 within a band ranging between € 36.59 and € 49.49.

The consistently high value of GEHE shares over the last ten years shows that they are an attractive long-term investment especially for risk-conscious investors. A shareholder who bought GEHE shares for € 10,000 ten years ago would have achieved an increased value of € 30,093 at the end of 2002. This corresponds to a shareholder value increase of € 20,093 (+ 11.65 % per year), if dividends and profits from subscription rights had been fully reinvested in GEHE shares. Therefore the value increase of GEHE shares was significantly higher than a corresponding investment in the DAX, which only achieved a value increase of 6.5 % per year in the same period.

Key financial figures for the GEHE share* in € per share	1998	1999	2000	2001	2002
Profit from ordinary activities after taxes before minority interests	2.13	2.25	2.33	2.76	2.95
Dividend	0.66	0.70+0.07	0.77	0.77+0.08	0.85
Dividend with tax credit (not rounded up)	0.94	1.10	1.10	**0.85	**0.85
EBITDA	6.03	5.81	6.03	6.65	6.63
Cash flow	3.41	3.42	3.50	4.00	4.31
Shareholders' equity	15.84	16.26	15.82	16.74	20.16
Share price (31.12.)	***50.35	38.50	40.75	43.50	37.10
Number of issued shares (31.12./in m)	72.9	72.9	72.9	72.9	85.1
Market capitalisation (31.12./in € m)	3,670.5	2,806.7	2,970.7	3,171.2	3,155.4

* weighted average of number of shares

** without tax credit due to change to the half-income system

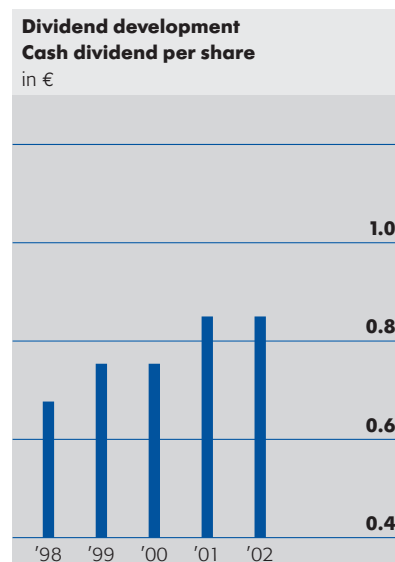
*** adjusted for TAKKT

Key figures per share still high

The key figures per share reflect the highly satisfactory business development of GEHE, which is based both on strong organic growth and on acquisitions that bring about added value. The number of shares was increased as a result of the capital increase in April 2002 to 85,050,000. Despite this the EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) per share of € 6.63 remained at the same level as in the previous year (2001: € 6.65). This is clear proof of GEHE's operational success.

Dividend following the record profits – 28.8 % dividend growth in five years

For the business year 2002, the Management and Supervisory Boards will propose to the annual general meeting to allow shareholders to benefit from the good development of the group by issuing a dividend of € 0.85 per share (2001: € 0.85; € 0.77 ordinary dividend + € 0.08 extraordinary dividend). Also the new shares issued in the course of the capital increase attract a full dividend entitlement. Based on this proposed dividend, € 72.3 m or around 30 % of the annual group net profit will be distributed. In comparison with the previous year the dividend sum will have risen by 16.7 % with GEHE's dividend policy thus continuing to apply. If the current dividend is compared with that of five years ago, the dividend increase amounts to 28.8 % per share.





Share

Comprehensive work on investor relations

In a difficult economic environment investors' need for information increases. Thus for us regular contact and open, active communication with shareholders, institutional investors and analysts is an important matter. Explanations on the capital increase, our extremely pleasing results, the continued development of GEHE and in particular on the pharmaceutical market in general and our markets were the main issues in our investor relations work in 2002. The keen interest in GEHE shares, as stable growth value, was made clear in the wish of numerous institutional investors in individual discussions and the increasing number of analytical studies carried out by reputable investment banks. GEHE is highly valued especially for its conservative and solid financing structure, its reliable communication and its consistent strategy.

In addition to numerous individual discussions and participation in investment conferences we laid on several road shows both at home and abroad. We met investors in Paris, London, Milan, Zürich, Helsinki, Stockholm, Edinburgh, Frankfurt and a variety of other cities in the United States and Canada.

Following the balance sheet press conference in March 2002, we organised a conference for analysts in Bologna with more than 20 representatives of leading investment banks. The event was strongly influenced by pharmacy retail and the vertical integration of pharmaceutical wholesale and retail. With the example of our pharmacy organisation in Italy, analysts were able to gain an impression of how we implement the expansion of our retail division in practical terms. Analysts proved to be particularly impressed by the flexibility with which we have adapted pharmacy concepts from the United Kingdom to the requirements of the Italian market.



After the publication of the quarterly figures we arranged regular telephone conferences for analysts and institutional investors in order to answer questions about profits and company development. The content of these conferences was then published on the internet on our website www.gehe.de. As a special service we combined our telephone conferences in 2002 with live internet presentations for the first time.

Improved website to give better shareholder information

Our website www.gehe.de has become an important tool in our daily communication work. In addition to a large amount of general information such as letters to shareholders, financial timetables and reports on telephone conferences, we offer our investors an e-mail service to reply to questions about GEHE, and a short-message service (SMS) about GEHE's share price. We refurbished our website www.gehe.de in the second quarter of 2002. Searching for and finding information has since been even easier.



Then GEHE headquarters in Dresden

100 years GEHE "Aktiengesellschaft"



Today GEHE headquarters in Stuttgart



GEHE Group



Dr Fritz Oesterle
Chairman of the
Management Board

**Management report
for the GEHE Group and
GEHE Aktiengesellschaft 2002**

Corporate strategy

GEHE once more achieved record results for the business year 2002. Turnover and profits for the year 2002 surpassed expectations despite the difficult market conditions pertaining to the second half-year 2002. This reaffirms the strategic orientation of the GEHE Group and strengthens our resolve to focus on our known success factors also in the future:

- **Concentration on pharmaceutical distribution**
- **Expansion**
- **Integration of acquired companies**
- **Adaptability**
- **Helping to shape the market framework**
- **Organisation, information and motivation**

Concentration on pharmaceutical distribution

Pharmaceuticals are goods of a particular nature and their distribution is not comparable to a simple forwarding service replaceable at any time. Due to our experience in the group we understand all facets of pharmaceutical distribution and we concentrate on what we know and what we're good at. Only in this way are we able to deliver synergies and scale economies within and between the individual business areas involved in pharmaceutical distribution. By concentrating on pharmaceutical distribution we also have the ability to react flexibly to changes in the supply of medicines, adapting business models where necessary.

Corporate strategy

Expansion

Continuous advances into new geographical markets and the expansion of our presence in existing markets are the logical consequences of our concentration on pharmaceutical distribution. Nevertheless we are dependent on attractive opportunities for acquisitions. In western Europe, the consolidation process within wholesaling is already far advanced whilst in some countries acquisitions have become difficult for reasons of cartel law. In eastern Europe it has not (yet) been possible to reconcile the partly exaggerated ideas on price held by possible sellers and our own expectations of return.

In 2002, as in the past, when examining possible acquisitions we have neither put ourselves under pressure nor allowed ourselves to be pressured by external expectations. Nor will we do so in the future. We want to create lasting value with our acquisitions and not acquire companies just for the sake of expansion. This strategy has given us a clear number 1 position in European pharmaceutical distribution. This position allows us to continue to selectively acquire quality rather than quantity. For this reason we will continue in the future only to expand in markets where we believe our strict criteria can be met: the economic and political conditions must be stable, the market position and the business environment of the target company must be right, our return expectations must be fulfilled and we have no wish for hostile take-overs, i.e. acquiring companies without an intact management. Whilst observing these criteria we will continue to grow externally in the future and remain the number 1 in Europe.

Integration of acquired companies

GEHE's ability to integrate has for years guaranteed that our acquisitions are successful. Acquired companies are integrated within the GEHE Group as routinely as possible. We refrain from doing anything that might disturb the relationship between the acquired company and its customers. It is very important that the culture, individuality and self-awareness of the acquired company are only disturbed where this is strictly necessary for objective reasons. This happens after awareness and acceptance of the necessity for change has been established. This form of integration is part of GEHE's culture, the press having dubbed us "Masters of Integration".

Adaptability

Pharmaceutical distribution is the optimal, customer-orientated supply of medicines which meets the demand. We orientate our role in the "supply of medicines" towards the legal requirements in force and towards customers' current needs. In all countries where we are active as fully stocked pharmaceutical wholesalers we ensure, together with the pharmacies, an optimal supply of medicines to the population. In some countries we do much more than just supplying pharmacies. We are active in a whole range of countries with a comprehensive logistics and marketing service for the pharmaceutical industry. In some countries we also supply hospitals and doctors as well as pharmacies. Where we run our own pharmacies we share full responsibility for supplying medicines to the population. Here our pharmacies act not just as pure depots for medicines but also as suppliers of comprehensive advice in matters to do with medicines and as a first port of call for the population in health matters. We naturally adapt our pharmacy business to the regionally different needs and expectations of patients and customers. The pharmacist and his professionalism as a health professional is always at the heart of our role as retailers.

Corporate strategy

Helping to shape the market framework

The only people entitled to regret undesirable structural developments in our markets are those who try to prevent such developments. We thus see it increasingly as one of our tasks, together with our associations and the market participants, but also acting alone, to actively help to shape the structural framework of our markets.

Faced with increasing spending on health, intensive discussions are in progress in several European countries concerning possible cost-savings. The resultant political discussion is however often conducted with a very blinkered view. This discussion is frequently concentrated on and restricted to the realm of medicines. With the focus on the expenditure on medicines, the relationship between the growth in the medicines bill and expenditure in other areas of health such as hospitals, doctors, rehabilitation measures, etc. tends to be overlooked. Increased costs for medicines should be assessed critically within the total picture, to see if the increased use of medicines does not lead to a corresponding relief in other areas of health spending. Innovative medicines frequently replace other, more expensive forms of treatment. Such a fact is either frequently overlooked in discussion on the cost of healthcare or else simply not taken seriously.

Another point not taken seriously is that the financial difficulties of cost bearers are largely a matter not just of expenditure but also of lack of income. There is often an unwillingness to see that healthcare systems are unavoidably destined to fail without any stimulus to individual saving.

The political discussion about the healthcare systems must take on a new, pragmatic content. Therefore we and our national companies have made renewed efforts in 2002. Pharmaceutical wholesale must thus not allow itself to be pressured into the role of an object for State saving measures, but must help to form its own environment. Our German wholesaler has therefore launched a broad-based campaign in the second half-year 2002 to promote more personal responsibility in the healthcare system. It is also part of active, creative participation in the formation of political demands and objectives for us to make our own contributions to State-sponsored test models. As one of the partners of the British National Health Service we are developing a pilot model for "electronic prescriptions". As part of active participation in the market place, we are striving, with other market participants, to see that the existing quality of the medicines supply is not jeopardised by poorly thought out State intervention. Our French wholesaler has worked very intensively on this in 2002 with its campaign "Because health will not wait".



Corporate strategy

Organisation, information and motivation

The external and internal information and motivation of our staff are crucial to the continuing success of GEHE.

We keep our shareholders, investors and analysts informed in exemplary fashion. Our external communication has proved over many years that it is absolutely reliable. Nor do we shrink from pointing out possible risks early on. The reliability of a company's information policy is of special significance in insecure times for the capital markets and creates lasting trust.

No less important is internal information for our staff. Uninformed staff are never motivated staff. Neither external nor internal challenges can be mastered with unmotivated staff. Only with an informed, motivated workforce can new ideas be successfully initiated and implemented.

Our new group structure was introduced in early 2002. With it we have completed the alignment of our structure to our strategic orientation in Europe. The trouble-free implementation of the new structure in 2002 was only possible because our staff knew the aim and purpose of the new organisation. We had created an awareness in previous years during the course of our project GEHE World 21 so that each operational unit in our group should and must perceive itself to be not a lone soldier but part of a large coherent whole. The group-wide exchange of information within and between our business areas is a component of our current group structure. Within this structure all decision-takers are informed early about new developments, strategic discussions and projects. In return we expect from them active participation and the assumption of responsibility, for nothing provides better motivation than the chance to actively participate.

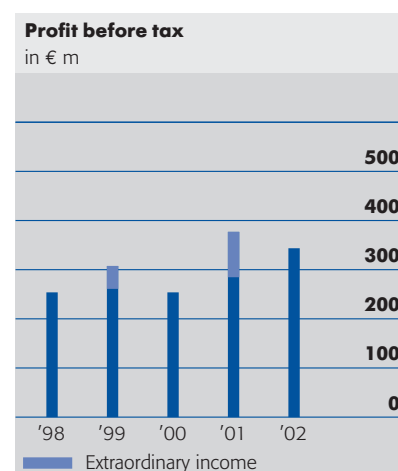
Business review

Strong growth in profits despite slowdown in market growth

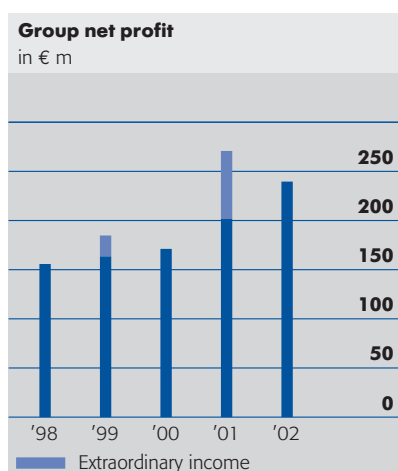
The second half-year 2002 was characterised by a slowdown in market growth in two of our important wholesale markets, France and Germany. Despite this we continued on our growth course for turnover and profits before tax. Group turnover rose by 8.3 % (8.2 % adjusted for exchange rate effects) to € 18.4 bn. Profit from ordinary activities before taxes grew by 17.6 % (18.4 % adjusted for exchange rate effects) to € 343.6 m. Measured by the profit before tax this corresponds to a clear improvement in the return on sales of 1.87 % (previous year 1.72 %).

Wholesale showed a very positive development despite the slight slowdown in some markets. We have clearly improved retail profit although growth was hampered due to the cost of building up central regional functions in the new markets (Belgium, Ireland, the Netherlands, Norway) and due to start up costs for the opening of new pharmacies. In the fourth quarter of 2002 we achieved a positive contribution to profits in all our new markets. The new pharmacies opened in Norway also had a positive effect on profits in the fourth quarter of 2002.

Turnover generated outside Germany amounted to 81.8 % of group turnover in 2002 (previous year 80.8 %). Of the profits from ordinary activities before tax we achieved 82.9 % outside Germany (previous year 81.8 %).



Business review



Profitability figures improved

The structure of our group profit and loss account in 2002 was characterised by the growing significance of retail for the GEHE Group. An increased proportion of turnover in the year came from our retail businesses. Due to the higher gross margin available within retail, together with the improved wholesale gross margin, as a result of a thorough revision of our customer portfolio, we were able to deliver an overall rise in gross margin for the group. The higher staffing expenses typical of retail businesses and the effects from the initial consolidation of acquisitions were essentially responsible for the overall increase in staffing costs and the other higher operating expenditure within the group.

The decline in investment income is a result of the sale of the remaining holdings in Jenapharm GmbH & Co. KG in December 2001, and therefore there is no longer the corresponding income from investments.

EBITDA, i.e. Earnings Before Interest, Tax, Depreciation and Amortisation rose in the group by 11.2 % (11.6 % adjusted for exchange rate effects) to € 539.1 m. This means that we increased our EBITDA-to-sales percentage to 2.93 % (previous year 2.86 %).

The refurbishment and modernisation programme in retail has resulted in higher depreciation of tangible assets. The acquisition of pharmacies, which we concluded in the form of acquiring individual assets and liabilities (asset deals), were responsible for increased amortisation of goodwill. Depreciation on tangible assets and amortisation on intangible assets increased over the previous year mainly because NMD, Norway was included in the group financial statements for a full year for the first time.

Net interest was positively affected by the capital increase, the flow of funds from the sale of the remaining holdings in Jenapharm GmbH & Co. KG and the general reduction in interest rates. Offsetting these effects were the financing costs for acquisitions made in 2002.

In comparison with the previous year the amount of tax due once again fell slightly. This is mainly as a result of the further rise in the foreign share of our business.

In the previous year the extraordinary result included the extraordinary income (less the related tax) from the sale of the remaining holdings in Jenapharm GmbH & Co. KG.

Net profit adjusted for the extraordinary result (profit from ordinary activities after taxes) rose year on year by 19.0 % (19.8 % adjusted for exchange rate effects) to € 239.6 m. Based on profit from ordinary activities after taxes this translates to a clearly improved return on sales for the year of 1.30 % (previous year 1.19 %). Despite the dilution effect from the capital increase, the profit from ordinary activities after taxes per share rose by 6.7 % (7.4 % adjusted for exchange rate effects) to € 2.95 compared with € 2.76 for the previous year.

Due to the increased profit from ordinary activities after taxes and higher depreciation we increased the cash flow disproportionately over the previous year by 20.1 % (20.7 % adjusted for exchange rate effects) to € 350.2 m.

Business review

Stable balance sheet structure as foundation for flexible growth – equity ratio of 29.8 %

In 2002 the group balance sheet was affected particularly by the capital increase, acquisitions and the lower exchange rate for the pound sterling. On 31 December 2002 GEHE presented a highly stable balance sheet structure.

With regards to the intangible assets, the acquisitions made during 2002 led to an increase in goodwill. The total increase was mitigated by the effect of lower exchange rate for sterling and goodwill being set off against equity. The remaining assets rose slightly because of investments in our existing wholesale and retail business.

Increases in stock and debtors as a consequence of turnover and acquisitions drove potentially higher levels of current assets. The impact was reduced by the beneficial movement in the exchange rate with pound sterling.

Structure of group balance sheet

in € m and %

Assets		Liabilities		
				5,000
44.3 %	42.4 %	23.3 %	29.8 %	Equity
	Fixed assets	24.5 %	17.2 %	Long-term liabilities
55.7 %	57.6 %		53.0 %	Short-term liabilities
	Current assets	52.2 %		
				0
2001	2002	2001	2002	

The capital increase in April 2002 and the net profits for the year had a positive effect on equity. This positive increase was diminished by the offset of goodwill, the payment of the 2001 dividends and the changes in the exchange rate for the British sterling. The equity ratio on 31 December 2002 was therefore 29.8 % (2001: 23.3 %) and provides us with a stable basis for further flexible growth from our own resources.

Provisions have slightly decreased as compared to last year. The slight rise in pension provisions is predominantly due to the first incorporation of newly acquired pharmacies.

The inflow of funds from the capital increase and from operating activities – reduced by the financing of acquisitions, other investments and dividend payments – led to a reduction in liabilities.

Business review

Investments

Of a total investment volume amounting to € 392.6 m, € 259.5 m related to investments in intangible assets, € 103.0 m in tangible assets and € 30.1 m in financial assets.

The bulk of the investment in intangible assets was spent on extending our existing retail business. Due to the acquisition of 133 pharmacies in Belgium, the UK, Ireland, Italy, the Netherlands, Norway and the Czech Republic goodwill rose by a total of € 244.3 m.

Investments in tangible assets related to a wide variety of individual projects. In wholesale we spent € 26.5 m on the building of new branches and the modernisation of branches in France, Germany, the UK, Ireland and Norway. In retail, investment in tangible assets amounted to € 49.6 m. The emphasis here was on refurbishment, modernisation and relocation of pharmacy sites. Especially in Norway and the Czech Republic € 4.1 m was invested in the opening of pharmacies in attractive locations.

In the area of information technology we invested € 22.7 m in 2002. In wholesale this was mainly spent on improving operational processes at our branches. In retail the introduction of the new "Merlin" EPoS system in the UK and the extension of general IT systems were at the forefront.

GEHE Aktiengesellschaft's equity reinforced by capital increase

The financial statements of GEHE Aktiengesellschaft reflect the company's activity as an executive holding company.

While the balance sheet total at € 2,177.9 m (previous year € 1,922.6 m) and the structure of assets remained almost unchanged compared to the previous year, the capital increase resulted in increased equity and correspondingly reduced liabilities.

The net profit for the year of the executive holding company is at € 187.1 m for 2002 (previous year € 57.2 m). The rise is essentially due to the distribution of dividends from domestic and foreign subsidiary companies in the year 2002 in order to improve the group financing structure. Of these net profits for the year € 21.2 m are to be transferred to retained earnings and € 72.3 m are to be distributed as a dividend.

Proposed total dividend rises by 16.7 %

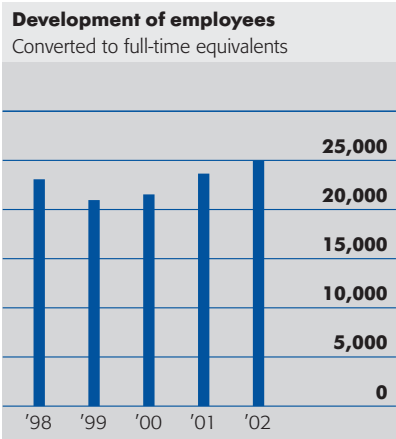
The Management and Supervisory Boards will present a proposal before this year's annual general meeting for an ordinary dividend of € 0.85 per share to be paid out on the 85.05 m shares which have a full entitlement to a dividend in 2002. The new shares issued in the course of the capital increase in April 2002 carry a full entitlement to a dividend for the business year 2002.

Due to the proposed conversion of the extraordinary dividend distributed last year for an amount of € 0.08 into an ordinary dividend, the ordinary dividend per share rose by 10.4 % to € 0.85 compared with € 0.77 in the previous year. The proposed total dividend sum of € 72.3 m represents a rise of 16.7 % over the previous year.

With this proposed dividend more than 30 % of ordinary group net profits for the year is once again to be distributed to our shareholders.



Employees



GEHE – an attractive employer in Europe

Good career opportunities in an international context, rewarding high performance and a comprehensive range of personal opportunities for progression and enhancing qualifications make GEHE an attractive employer for graduates, professionals and trainees.

Our active, innovative staff recruitment has brought us many good applicants in 2002.

Number of employees within the group

The number of staff working within the GEHE Group, converted to full-time equivalents, was 24,978 on 31 December 2002 as compared with 23,654 for the previous year.

In wholesale the number of employees fell by 0.6 %. This was attributable to the optimisation of processes in the United Kingdom.

In retail the number of staff increased by 13.2 % due mainly to our acquisitions in all our markets.

Staff development with an international orientation

The reorganisation of GEHE in 2002 into clearly structured, internationally orientated business areas has also presented new challenges in the area of staff development. Staff development systems and communication structures across national boundaries need to be developed Europe-wide in order to support the entrepreneurial targets of the group.

Therefore, consistent with international best-practice we exploit the available potential in the group. Our British retail business Lloydspharmacy received the renowned Investor In People award in April 2002 for its excellent achievements in the area of human resources. The British government presents this award to companies which fulfil a number of strictly monitored criteria as to staff development, and which set an example in their application.

A decisive factor for our commercial success is the successful appointment of management and other key positions with highly qualified staff, especially from within our business. Our future executives are drawn from all parts of the company and countries, and are actively developed via multi-stage training schemes in preparation for their future roles.

Within the group we promote the exchange of staff internationally. This philosophy proved of particular value during 2002, especially for the appointment of management positions during the course of the group-wide restructuring and centralisation of group-wide activities at our headquarters in Stuttgart.



Employees

Continuing strong demand for "staff shares"

In 2002 our staff in Germany have once again been pleased to take up our offer to acquire "staff shares" to build up their own capital. Altogether 2,237 staff bought 17,748 shares within the framework of permitted tax concessions.

By the end of 2002 6,253 employee shareholders, including former staff and pensioners, held around 1.1 % of the share capital of GEHE Aktiengesellschaft. Staff who have taken up every offer to acquire employee shares during the last 18 years own 727 GEHE shares with a total value of € 26,972 (price as at 30 December 2002). In addition they have received income from dividend payments and from the utilization of subscription rights amounting to € 11,690. GEHE has been supporting this form of capital formation by its employees since 1985 with total contributions of around € 7.9 m.

Thanks to our staff and the workers representatives committees

We would like to extend our sincere thanks to all our staff and to the European Staff Council and all Staff Councils within the GEHE Group for their good work and efforts made during the business year 2002.

Special thanks are due to all staff who supported our customers with every possible personal effort during the flood disasters in Germany, Austria and the Czech Republic, thus ensuring that the population was supplied with medicines.

We wish our new staff in the GEHE Group much success in their new areas of responsibility. We would also like to thank departing members of the group for the work they have carried out and wish them every success in their new environment.

Risk management

No imaginable entrepreneurial activity is without risk. It is part of our risk management to identify such risk, to assess it, master it and finally to avoid it. To this end we have many procedures and tools available which are continually developed and enhanced.

Tools for risk management

Risk management is an integral part of all GEHE's decision-making and business processes. The basis of all integration into operational procedures is, above all, the planning systems and the detail report systems within the different companies and at group level. These systems ensure that business procedures are performed according to common guidelines and that essential details are reported to the group Management Board or submitted for approval or a decision.

A further important component of GEHE's risk management is internal auditing, where an independent body carries out group-wide risk-orientated tests in all business areas. Here too a comprehensive report system guarantees that the Management Board is informed early about possible undesirable developments or risks. The second half-year of 2001 saw the start of the Self-Assessment Project. This allows the efficiency of the internal control system to be continually monitored and improved through a process of self-evaluation of its operational functions. The project was already implemented in 2002 in our German wholesale business.



Risk management

As part of our information and communication systems, all changes and developments in our markets, politics and society are monitored, reported, and analysed by management for associated risks.

A group-wide risk assessment was once again carried out at management level in 2002 to record, evaluate and document any risks, their possible effects, the likelihood of occurrence and to undertake measures to counter them.

Risk landscape

While monitoring our risk situation at the end of the business year 2002, no risks were observed which could hazard the existence of the company. In our estimation we can overcome any risks arising from our business activity.

State legislation

Attempts have been made for years to curb the increasing costs of the health service through changes in the law. This is a risk inherent in the tightly regulated pharmaceutical sector which we meet above all with our strategic orientation. Due to our geographical diversification of our business operation, we are also in the future in a position to overcome risks arising from legal changes in individual countries.

Acquisitions and investment

Notwithstanding their central importance for our external growth, acquisitions and investment decisions are subject to particular risks which are important to avoid. Full attention is paid to these risks through careful advance investigation, careful forecasting, comprehensive due diligence, feasibility studies and a multi-stage approval procedure.

Risk management

Risks associated with the financial market and exchange rates

While GEHE as a growth-orientated company is exposed to interest rate risks, currency risks have been greatly reduced following the introduction of the common European currency. The remaining exchange rate risks, due especially to our activities in the United Kingdom, are essentially limited to exchange rate fluctuations in the consolidation of business results compared to the previous year. We counter interest rate risks with the application of appropriate interest-based derivatives which, on the basis of guidelines valid group-wide, are applied by a restricted number of qualified staff. The hedging instruments are described in detail in the group annex.

IT-security

GEHE has introduced group-wide uniform security standards in order to avoid unauthorised access to data and IT-systems and also to prevent data loss as far as possible. Detailed emergency plans ensure that business can be maintained in the case of IT-system failure.

Business continuity

The flood disaster in Germany, Austria and the Czech Republic in 2002 has shown that our operational units can maintain business even under difficult conditions. We have used these events as a 'test-case' to confirm that comprehensive precautions have been made to maintain our business in exceptional situations.

Corporate governance

Corporate governance covers the entire system of a conscientious company management that focuses on continual value enhancement. Attention is being increasingly paid to our quality especially by international investors.

We have welcomed the fact that the German Corporate Governance Code was adopted in 2002 and that the requirements for a comprehensive corporate governance have been established as binding. In this way, confidence and trust in the management and monitoring of quoted German companies has been strengthened not only with national and international investors, but also with customers, staff and the general public. The Code summarizes essential legal provisions for company management and the monitoring of listed companies. It takes into account nationally and internationally recognised standards of behaviour in the form of recommendations, and provides a stimulus for individual companies to conform to a good, responsible corporate governance.

GEHE Aktiengesellschaft is not currently considering producing its own code. There is neither a sector nor a company-specific need for this.

The Management and Supervisory Boards expressed the following declaration of compliance on 12 December 2002 on the recommendations of the German Corporate Governance Code pursuant to § 161 of the Companies Act and have given shareholders access to this through its publication on our website www.gehe.de:

Corporate governance

"The recommendations of the Government Commission German Corporate Governance Code will be complied with during the business year 2003 with the following exceptions:

The chairmanship and membership of Supervisory Board committees have not hitherto been separately remunerated. The Management and Supervisory Boards will propose to the annual general meeting on 24 April 2003 to incorporate a ruling for the remuneration of the chairman and membership of Supervisory Board committees into the Articles of Association of GEHE Aktiengesellschaft.

GEHE will compile the group financial statements and interim reports observing in future the internationally recognised accounting principles (IAS). The conversion work has already started and will probably be completed during 2003."

Therefore GEHE complies with two exceptions with the recommendations of the German Corporate Governance Code.

Information on corporate governance at GEHE is also available on www.gehe.de.

Outlook

The European pharmaceutical market has grown by about 7 % over the last five years despite the economic downturn of the last two years. Factors were responsible which were largely independent of the general economic situation.

The proportion of older people in the total population continues to grow. This means an increase in the number of people who on average consume a larger amount of medicines. In addition to this demographically conditioned increase in demand, the medicines on offer are being steadily improved by the introduction of innovative highly effective products. The use of such medicines tends to reduce costs in the health service since often more expensive measures such as operations, longer hospital treatment or rehabilitation can be avoided. These factors – greater demand and innovative medicines – will also be growth drivers in the future.

Due to the affect of the general ageing of the population, total expenditure on health has risen disproportionately to gross domestic product in most European countries. Although expenditure on medicines constitutes a comparatively small part of total expenditure on health, State efforts to solve the structural financial problems of health services have consistently proved to have repercussions on the medicines market. Such State intervention can lead to fluctuations in the stable, positive growth rate of the pharmaceutical market.

With an uninterrupted growth in profits over sixteen years, we have proved that we can cope with such fluctuations. In addition, we have reduced the risk to our all-round success from individual State measures through our geographical diversification to eleven economically attractive and stable markets. We thus achieved a high growth rate in profit in 2002 despite a growth slowdown in two of our main markets.

Outlook

For 2003 we are expecting a below average market growth of around 5 %. Assuming a stable exchange rate for the British pound sterling as compared with 2002, we strive for the turnover performance – especially in retail, through acquisitions and organic growth – to be clearly better than the performance of the market.

The consequences of the Contribution Rate Security Law for our German wholesale business, which came into force in Germany on 1 January 2003, cannot yet be reliably predicted. Despite the possible resulting impact on the profits of our wholesale business in Germany, we will be striving for a growth in profits for the whole group also for the year 2003.

Dependence report

The majority shareholder of GEHE Aktiengesellschaft is Franz Haniel & Cie. GmbH, Duisburg. We have therefore drawn up the report on relations with affiliated companies as required under § 312 of the Companies Act (Aktiengesetz). This concludes with the following statement: "In conclusion we hereby declare that GEHE Aktiengesellschaft and its subsidiaries received appropriate payments for all legal transactions, under the circumstances known to us at the time the said legal transactions were effected."



Then Transporting medicines at the close of the 19th century

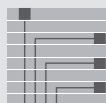
100 years GEHE "Aktiengesellschaft"



Today Transporting medicines in the 21st century



GEHE Wholesale



GEHE Wholesale



Jacques Ambonville
Wholesale

Country segmentation by turnover in € m	2001	2002	Change %	Change adjusted for exchange rate effects %
France	6,393	6,553	2.5	2.5
Germany	3,252	3,350	3.0	3.0
United Kingdom	3,123	3,193	2.2	3.3
Austria	791	943	19.2	19.2
Norway	139	489	251.9	228.3
Belgium	420	412	– 1.9	– 1.9
Ireland	355	357	0.8	0.8
Portugal	244	288	18.0	18.0
Czech Republic	96	126	30.5	17.9
Italy	106	113	7.2	7.2

**Supplying pharmacies
everywhere with everything
pharmacies need**

Overview wholesale

While growth in our important wholesale markets France and Germany was marked by a clear decline, we registered good growth rates in all the other countries, which were all in all on a par with the long-term average.

This trend influenced the development of our Europe-wide wholesale turnover, which achieved € 15,824.4 m with an increase of 6.1 % (6.0 % adjusted for exchange rate effects) as compared with the previous year. On a comparative basis, i.e. eliminating the effect of the acquisition of NMD and adjusted for exchange rate effects, turnover grew by 3.7 %.

In the business year 2002 profits before tax grew by 12.6 % (12.7 % adjusted for exchange rate effects) once again strongly disproportionately.

At the end of the business year 2002 GEHE was with altogether 128 branches active in ten countries (France, Germany, the UK, Austria, Belgium, Ireland, Portugal, Norway, Italy, the Czech Republic) and has strengthened its position as number one in European pharmaceutical wholesale.

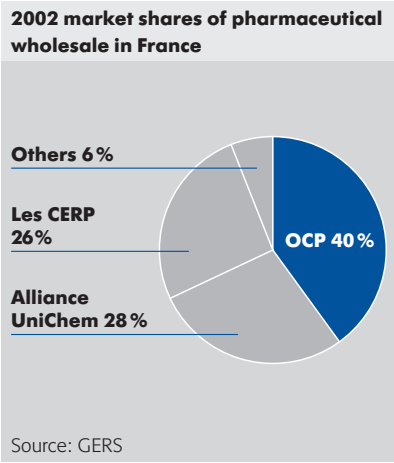
The integration of NMD was largely complete at the end of 2002 thanks to the outstanding co-operation of the Norwegian organisation.

13,052 staff were employed in pharmaceutical wholesale at the end of 2002.

Key figures wholesale		
in € m	2001	2002
Turnover	14,919	15,824
Profit before tax	240	270
EBITDA	349	373
Number of employees	13,129	13,052



France



Excellent profit development despite slowdown in market growth

OCP, our wholesaler in France, increased its turnover over the previous year by 2.5 % to € 6,553.0 m. Growth in turnover was thus within the range of comparable market growth.

Thanks to rigorous cost management, growth in profit before tax was disproportionately strong in comparison with growth in turnover.

At the end of 2002 OCP’s market share was 40 %.

Growth in the French pharmaceutical market was characterised by cost-saving measures to reduce the health service deficit. For example the list for medicines with a demonstrably limited effect was extended. As a consequence of the slowdown in market growth the so-called “contribution exceptionnelle” was reduced (a special variable tax on turnover relating to prescription medicines). The rate depends on market growth and has to be paid quarterly by the wholesaler.



OCP expands its generic range

During the business year 2002 further incentives were created for doctors to prescribe generics rather than proprietary brands. An agreement was reached by the government and doctors whereby the doctors' consultation fee increases from € 15 to € 20 per consultation and in return the doctors prescribe more generics. The market for generic prescription medicines thus grew especially fast and made up around 4 % of the total market at the end of the business year. OCP has been working intensively with leading manufacturers of generics since 1999 and is thus in a position to offer an extensive range of these medicines on especially attractive terms. This enabled OCP to expand its share of this growing market segment in 2002.

OCP – an attractive partner for purchasing groups

In France, pharmacies are increasingly banding together to form purchasing groups in order to negotiate directly their purchasing terms with, for example, generics manufacturers. OCP participates in this trend with the purchasing and sales association Pharmactiv founded for its pharmacy customers. For wholesale customers who are already organised into other purchasing groups, OCP has developed its virtual logistics platform Virtuouse. Pharmacies can order products via Virtuouse at the prices agreed with their own purchasing association, but also benefit at the same time from the all-round OCP logistics, which extend from the order taking to punctual delivery.



France

Efficient branch network guarantees supplies also in disaster scenarios

By means of the optimal networking of our branches, individual orders can be passed on without delay from one branch to another and processed efficiently. OCP developed an emergency plan ORSEC, which ensures that even in the event of total failure by one branch, all pharmacy customers can be supplied within half a day by bringing in surrounding OCP branches. After a successful pilot trial ORSEC will be introduced in the branches in 2003.

Communication as an important success factor in customer care

Physical proximity, medicine safety, punctual supplies and competent advice are the core services of local pharmacies. In the second quarter of 2002, to support communication of its pharmacy customers, OCP used its more than 1,000 delivery vans to display four pictures bearing the motto "Because health will not wait" (Parce que la santé n'attend pas).

The renowned management and communications journal L'Expression d'Entreprise made a "Top Com Corporate Business 2002" award in spring for exceptional communication services. OCP won the first prize in the Public Relations category for exemplary care in customer relations.

The business-to-business internet solution OCP-POINT has once again been improved and equipped with an ordering facility as an alternative to traditional long-distance data transmission. By the end of 2002 the number of the daily users increased to over 3,300.

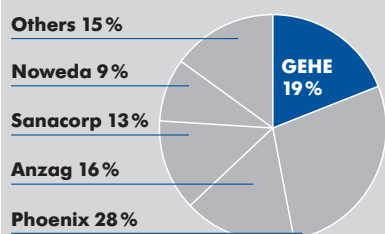
Staff

At the end of 2002 OCP had 4,651 staff.



Germany

2002 market shares of pharmaceutical wholesale in Germany



Source: PHAGRO/own estimate

Slowdown in market growth

GEHE Wholesale Germany increased its turnover in 2002 by 3.0 % to € 3,350.4 m.

Strict cost management, a higher degree of automation and revision of customer portfolios led to disproportionately strong growth in profits before tax.

At the end of 2002 GEHE Wholesale Germany's market share was 19 %.

Market growth curbed by discussion on the Contribution Rate Security Law

The political discussion on expense limitation within the health service and savings measures already introduced has curbed market growth in the field of wholesale.

The Contribution Rate Security Law came into force on 1 January 2003. This stipulates, amongst other things, that a discount of 3 % of the price on medicines, which are only available on prescription and are reimbursable, should be guaranteed to pharmacies from the wholesaler.

The extent of this compulsory discount exceeds the profitability of the entire wholesale sector in Germany many times over. In addition to legal steps taken against the unconstitutional introduction of the Contribution Rate Security Law, we will try to compensate for the effects of this compulsory discount through the current discounts we give to our pharmacy customers.



Unrestricted supply of medicines during the flood disaster

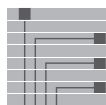
During the flood disaster in summer 2002 GEHE, under the most severe conditions, made an exemplary contribution to maintaining the supply of medicines in the crisis-torn regions of eastern Germany. Pharmacies and their staff affected by floods were helped by GEHE quickly and unbureaucratically with clearing the damage and the dealing of commercial bottle-necks.

On-going branch modernisation

The reorganisation and technical modernisation work at the branches in Berlin, Landshut und Kaiserslautern has been concluded. In spring 2002 the cornerstone was laid in Delmenhorst of a new, ultramodern wholesale branch to be opened in the second quarter of 2003.

Initiative – “more personal responsibility in the health service”

In summer 2002 GEHE Wholesale Germany started a country-wide campaign for “more personal responsibility in the health service”. This was to encourage the population and the politicians to think well about justice in the distribution of the resources of the statutory health insurance system. The campaign further made it clear that structures would have to be provided in connection with the impending health reform, which would strengthen the personal responsibility of patients and reinforce personal readiness to save. The campaign consisted of a series of advertisements in the top-circulation print media, background discussions with leading politicians and journalists, and also lectures.



GEHE Wholesale

Germany

GEHE supporting innovative pharmacies

GEHE Wholesale Germany is the co-founder of the new Federal Association for the Promotion of Innovative Owner-Operated Service Pharmacies Germany (ISA). The ISA Association is a platform for conscientious pharmacists to develop innovative concepts for pharmacies and to put them before a broad public.

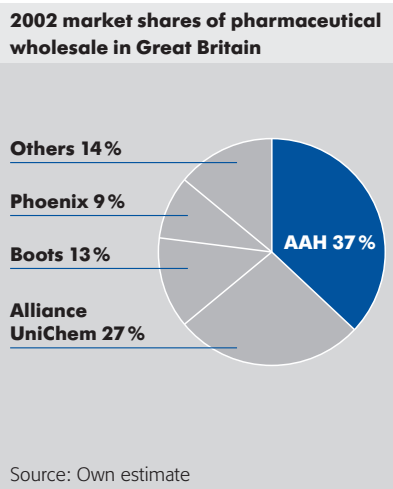
GEHE further training courses – successful for many years

Over the last ten years, around 2,100 prospective pharmacists have attended economics seminars organised by GEHE Wholesale Germany for pharmacy students (WIS). WIS is thus one of the most successful seminars for pharmacy students at German universities.

For 15 years the GEHE Academy has been offering pharmacy staff comprehensive further training courses to meet the challenges of everyday pharmacy life. With a total of almost 700 seminars and over 12,000 participants the GEHE Academy is one of the most successful further training schemes. The scheme has in the meantime also been supplemented by virtual seminars on the internet.



United Kingdom



Market growth hampered by technical effect

In comparison with the previous year, AAH, our UK wholesaler, increased its turnover by 2.2 % (3.3 % adjusted for exchange rate effects) to € 3,193.0 m and is thus growing in line with the wholesale market.

Market growth has been curbed by the technical effect of the Glaxo Agency Scheme, which was extended from the beginning of the year 2002 to cover all SmithKlineBeecham products. This scheme provides a form of distribution where the wholesalers do not themselves purchase the goods, but only distribute them on behalf of the manufacturers. Only a distribution fee is accounted as wholesale turnover for these products. Without taking account of this technical effect, the turnover of AAH increased by about 5 %.

The optimisation of net current assets and consistent cost management were able to more than compensate for the negative effect of intense competition, so that profit before tax showed a positive development.

At the end of 2002 the market share was 37 %.

Increase in capacity and productivity at branches

Alongside the opening of the new branch in Swansea, we have modernised the branches at Romford and Glasgow and have increased productivity at these two warehouses by 25 % and are now transacting around 60 % of orders there automatically. By creating additional capacity reserves of around 50 % these branches are extremely well equipped to cope with growth over the next few years.

Similar to France, business processes have been co-ordinated and networked within the branch network in such a way that orders from one branch can be passed on to another and processed there. This has clearly improved the service level of supplies for our customers.



AAH – preferred partner of big customers

The British pharmacy market is characterised by continuous consolidation and the expansion of pharmacy chains. Due to AAH's years of experience with its own retail business, AAH is the preferred wholesale partner of pharmacy chains. AAH does not restrict itself to the traditional services of a fully stocked wholesaler but offers an additional range of services, such as, support in purchasing and marketing, special offers for generic products and tailor-made IT-solutions.

Independent pharmacies benefit from the Vantage concept

Vantage has enjoyed unbroken popularity for more than 20 years. Vantage is a franchise-like concept for independent pharmacies where pharmacies benefit from the advantages of a pharmacy chain by means of a unitary market presence and unitary marketing. In this way Vantage pharmacies receive support in, for example, pharmacy and front of shop layout. They also have the possibility to take part in exclusively organised training courses.

AAH-POINT successful

At the end of 2002 over 3,900 pharmacies were using the business-to-business internet solution AAH-POINT. In addition to an on-line ordering service and information on invoices, our customers can receive information via AAH-POINT concerning ability to supply products seldom in demand and also interesting current information on health topics.

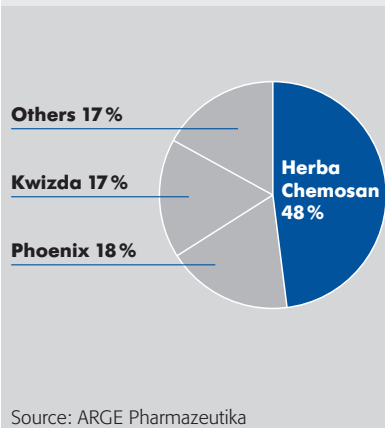
Staff

At the end of 2002 AAH had 3,820 staff.



Austria

2002 market shares of pharmaceutical wholesale in Austria



Two-digit increase in turnover

Herba Chemosan, our Austrian wholesaler, increased its turnover in 2002 by 19.2 % to € 943.0 m and has confirmed its leading position in the Austrian pharmaceutical market. The strong increase in turnover of the agency business of the Herba Chemosan subsidiary, Sanova, contributed to this outstanding development.

The greatly improved cost structure brought about by the new distribution centre at Wien-Simmering led to a clear disproportionate development in profit before tax.

At the end of 2002 Herba Chemosan's market share was 48 %.

Future-orientated marketing projects

At the end of May 2002 Herba Chemosan presented its customers with the results of the first phase of the interactive project apologic. By means of an apologic toolbox customers are able to analyse their market environment with great ease and examine their business strategy. Apologic was received enthusiastically by the customers and has further been supplemented with an internet platform.

During 2002 Herba Chemosan organised a competition with prizes to be awarded in the categories Architecture, Innovation and Good Presentation. The large number of entries and the many visitors at the prize-giving are proof of the strong interest in Herba's action.

Support for the victims of the flood disaster

Many pharmacies were affected in northern Austria by the flood disaster in the summer of 2002. As a leading pharmaceutical wholesaler, Herba Chemosan was able to guarantee the supply of medicines to the crisis-hit area at all times. In the clear-up work Herba Chemosan supported the pharmacies so that all affected pharmacies were able to resume operations within the shortest possible time.



Successful internet initiatives

The pharmacy internet portal for consumers www.pharmacy-point.at, has been operating since October 2001, and by late 2002 around 40 % of all Austrian pharmacies were represented in this health portal with their own web business card.

Herba-POINT, the business-to-business internet solution for pharmacies, was expanded with new functions. By the end of 2002 the number of the daily users increased to over 200.

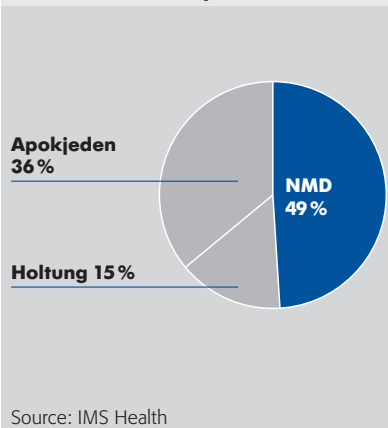
Staff

At the end of 2002 Herba Chemosan had 840 staff.



Norway

2002 market shares of pharmaceutical wholesale in Norway



Strong market growth continues

NMD, our Norwegian wholesaler, achieved a turnover of € 489.3 m in 2002. Although NMD was only consolidated in the fourth quarter of 2001 after acquisition, the company has now contributed to turnover for the whole business year 2002.

The positive development in profits before tax was essentially a result of the fast, trouble-free integration of NMD into the GEHE Group, a process which had been largely concluded by the end of the business year 2002.

Our market share declined compared with the previous year to 49 % because a pharmacy group supplied by NMD has been supplied by its own wholesaler since July 2002. The consolidation in the pharmacy market is continuing.

Reconstruction of the central warehouse in Oslo

Against a backdrop of the comprehensive reorganisation work at the central warehouse in Oslo, we particularly modernised the warehouse technology and logistics. The greatly improved cost structure increased productivity significantly and was already having a positive effect on profits in the fourth quarter 2002. Thanks to the careful planning and considerable efforts made by the staff involved, NMD's high supply quality could be maintained during the entire reorganisation phase.

NMD – sole supplier of hospitals

With its four distribution centres spread all over Norway, NMD guarantees a fast, comprehensive supply of medicines to pharmacies and hospitals. Many years of experience in supplying hospitals coupled with NMD's high service levels are the best prerequisites for the continuing successful co-operation. NMD is the sole supplier of hospitals in Norway.



Improved competitiveness of independent pharmacies

The Ditt Apotek concept in support of independent pharmacies has been a great success in 2002, and over half of Norway's independent pharmacies have been participating. Support in pharmacy and front of shop layout, purchasing advantages and also special training courses offered are increasing the competitiveness of a Ditt Apotek and enhancing customer loyalty to NMD. The joint campaigns developed and marketed in co-operation with our Norwegian retail business Vitusapotek have been particularly successful.

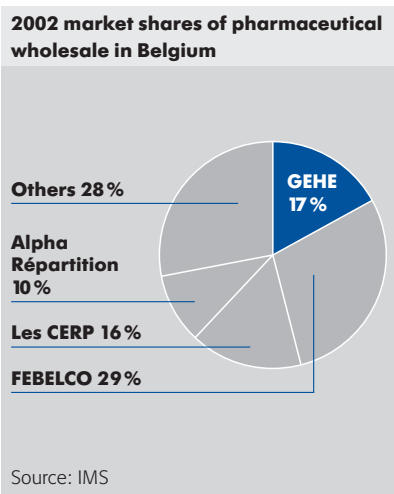
With its internet platform FarmaLink, NMD supports not only the Ditt Apotek group but also all pharmacies in daily customer contact. 99 % of all orders are placed via FarmaLink. Delivery or account status can be checked online by pharmacies at any time. In addition, pharmacy staff have access to extensive product databases or current news from the health service.

Staff

At the end of 2002 NMD had 403 staff.



Belgium



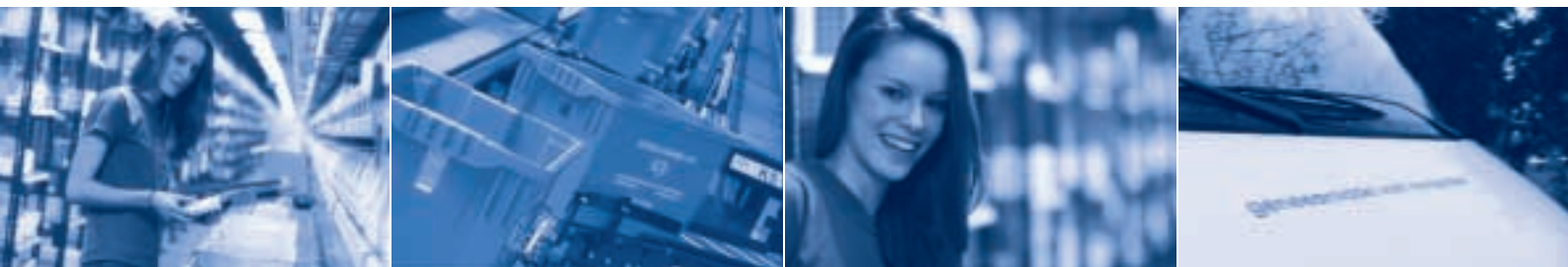
Business development effected by difficult environment

The turnover with third party customers of our Belgian wholesaler decreased slightly by 1.9 % as compared with the previous year and reached € 411.5 m. This is mainly due to the acquisitions of pharmacies by our Belgian retail business. Without taking account of this effect, turnover of our Belgian wholesaler increased by 2.2 %. The profit development is still unsatisfactory due to intensive competition.

In 2002 we carried out a thorough review of our customer portfolio and severed relations with some customers. Therefore we grew more slowly in Belgium than the market. Nevertheless we confirmed our market position as number two in Belgian pharmaceutical wholesale.

At the end of 2002 our market share was 17 %.

The trend towards high-price innovative medicines in 2002 continues unabated. Nevertheless the proportion of generic products has almost doubled due to the targeted measures of the government. However, it continues to be somewhat meagre with 2.2 % of the total market.

**Improved cost structure**

We are gradually improving the cost structure of our Belgian wholesaler with numerous organisational and logistical measures. We reorganised all working procedures at the Liège branch in 2002.

Thanks to new bilingual logistics software (French and Flemish), which has been used at all distribution centres since the end of 2001, we have considerably simplified operational processes at all branches. The resulting improved productivity led to cost savings and to a positive contribution to profits in 2002.

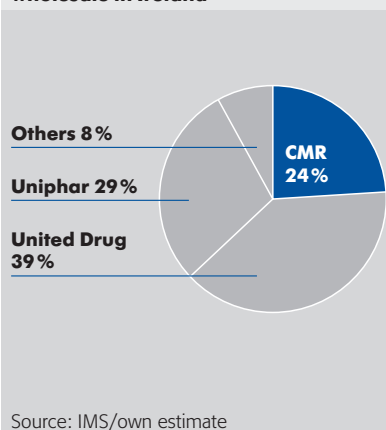
Staff

At the end of 2002 our wholesaler in Belgium had 365 staff.



Ireland

2002 market shares of pharmaceutical wholesale in Ireland



Market position stabilised

Our Irish wholesaler, Cahill May Roberts (CMR), achieved a turnover of € 357.4 m in 2002. The turnover growth of 0.8 % is below market level because CMR had to endure a negative initial reaction to our new retail presence in Ireland on the part of certain wholesale customers in the first quarter 2002. But in the second half-year 2002, our growth rates were back in line with those of the market.

Profit growth has slowed down at a high level due to strong competition.

At the end of 2002 our market share was 24 %.

Improved service level as a result of branch modernisation

Reorganisation work, begun in 2001 to modernise and expand the branches in Dublin and Cork, had been almost completed at the end of 2002. The Dublin branch has now achieved a level of automation of 45 % and will in future transact all evening orders for the entire Republic of Ireland.

The rationalisation effects and greater product availability have led to a clearly improved level of service for our customers. Productivity, which has increased, the improved cost structure and greater customer satisfaction will have a beneficial effect on our business development in the future.

**CMR celebrated its 100-year jubilee**

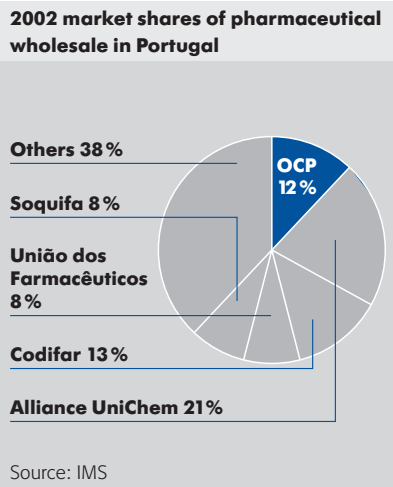
In May 2002 CMR celebrated its 100-year jubilee with an event attended by over 450 customers. To mark this occasion CMR published a chronicle documenting the development of CMR since its foundation.

Staff

At the end of 2002 CMR had 250 staff.



Portugal



Turnover growth above market level – strengthening of market position

Our Portuguese wholesaler, OCP Portugal, achieved a turnover of € 288.2 m in 2002. The turnover growth of 18.0 % as compared with last year, is clearly above market growth.

The strong disproportionate growth in profit before tax can be attributed to tight cost management and the new, efficient distribution centre in Oporto.

OCP Portugal’s market share at the end of the year 2002 was 12 %.

From the third quarter 2002, the market growth in Portugal has slowed down, but remained at a high level. This is due to the government’s cost saving measures as a result of which medicines’ manufacturers have switched to more cost-effective packages and doctors are increasingly prescribing generics instead of proprietary preparations.

During the meningitis vaccination campaign in the spring of 2002, OCP Portugal was one of the few wholesalers in Portugal able to supply the vaccine at all times.



Collaboration with a leading manufacturer of generics

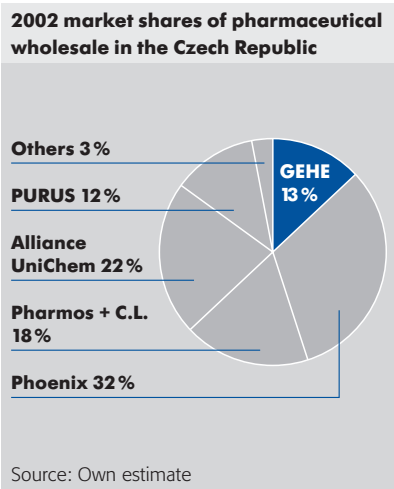
Although generics account for only 1.4 % of the total market, it is likely that their share will increase due to further State measures requiring the substitution of proprietary for the equivalent generic. In close collaboration with a leading manufacturer of generics, OCP Portugal has already prepared for this development and organised information events for pharmacists and published an attractive and informative generics catalogue.

Staff

At the end of the year 2002 OCP Portugal had 209 staff.



Czech Republic



Clear increase in market share

GEHE Wholesale Czech Republic increased its turnover in 2002 by 30.5 % (17.9 % adjusted for exchange rate effects) to € 125.5 m. Due to the consolidation process in the Czech wholesale market GEHE Wholesale Czech Republic was able to win the custom of several high turnover pharmacies.

Profit before tax has risen strongly thanks to the increased turnover and various operational measures.

GEHE Wholesale Czech Republic increased its market share in the year 2002 to 13 %.

Supplies maintained during flood disaster

During the flood disaster in Greater Prague, GEHE Wholesale Czech Republic was able to maintain supplies at all times and thus made an essential contribution to the supply of medicines for the affected population under these difficult conditions. Jointly with our suppliers, we set up an aid fund for pharmacy staff involved.

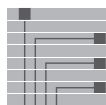


Reorganisation of the Prague branch

In the second half-year 2002 the Prague branch was modernised and equipped with new technology. Since works were completed at the end of 2002 we have increased capacity and improved the service levels for our customers.

Staff

At the end of 2002 GEHE Wholesale Czech Republic had 224 staff.



GEHE Wholesale

Italy

Pleasing turnover development in a difficult environment

In 2002 our Italian wholesaler AFM Bologna achieved a turnover of € 113.1 m. The Italian wholesale market was characterised by State cost saving measures in the health service during 2002. In addition to a general price reduction of 5 % for reimbursable medicines, further regional measures were also implemented. Under these circumstances we are highly satisfied with the achieved turnover growth of 7.2 %.

Despite the difficult market conditions and the strong competition, AFM Bologna has achieved an increase in profits before tax.



Rebuilding at the branch pays off

By the end of 2001 the rebuilding work and modernisation of the Bologna branch had been completed. Due to the greater level of automation, the time taken to process orders was significantly reduced and customer satisfaction improved due to a lower error rate.

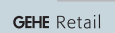
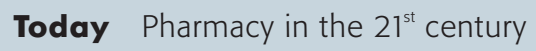
Staff

At the end of 2002 AFM Bologna had 100 staff.



Then Pharmacy at the close of the 19th century

100 years GEHE "Aktiengesellschaft"





Michael Ward
Retail

Country segmentation by turnover in € m	2001	2002	Change	Change adjusted for exchange rate effects
			%	%
United Kingdom	1,683	1,837	9.2	10.3
Norway	138	319	130.7	114.8
Italy	167	183	9.4	9.4
Ireland	11	70	550.8	550.8
Netherlands	19	67	251.0	251.0
Czech Republic	26	44	66.8	50.8
Belgium	8	40	392.5	392.5

Our pharmacies:
The best possible way to provide anything
and everything to do with health

Overview retail

Turnover for our retail division rose in 2002 by 24.7 % compared with the previous year (24.4 % adjusted for exchange rate effects) and amounted to € 2,559.0 m. On a comparable basis, i.e. after exclusion of acquisitions and disposals and adjusted for exchange rate effects, turnover grew by 9.7 %. Profit before tax increased disproportionately by 41.2 % (44.7 % adjusted for exchange rate effects) reaching € 78.5 m.

We were very pleased with the development of our smaller pharmacy chains in Ireland, the Netherlands and Belgium. In the second half-year 2002 we were already achieving a profit after cost of financing the acquisitions. We are progressing according to plan and are very well equipped to markedly increase our profit-earning capacity over the coming years.

In the United Kingdom, Italy and the Czech Republic we concentrated on the active reorganisation of our existing pharmacy portfolio and on further acquisitions. By refitting pharmacies in existing locations and conducting strategic relocations we were able to optimise both the accessibility and attractiveness of our pharmacies to our customers. These measures were reflected immediately and positively in the turnover and profit achieved by these pharmacies.

With the acquisition of 133 pharmacies, the opening of 16 pharmacies and the sale or closure of 23 pharmacies, GEHE was operating a total of 1,847 pharmacies at the end of 2002 in the United Kingdom, Norway, Italy, Ireland, the Netherlands, the Czech Republic and Belgium.

In the past year, 2002, our retail division had a total of 11,814 staff.

Key figures retail		
in € m	2001	2002
Turnover	2,052	2,559
Profit before tax	56	79
EBITDA	150	200
Number of employees	10,437	11,814



United Kingdom

Lloydspharmacy increases its market share

Our UK retailer, Lloydspharmacy, achieved a turnover in 2002 of € 1,837.0 m. This corresponds to a rise of 9.2 % (10.3 % adjusted for exchange rate effects) compared with the previous year. Lloydspharmacy has grown ahead of the market in prescription business.

Profit before tax was disproportionately high.

High turnover growth continues in prescription business

Turnover in prescription medicines developed particularly well with growth of 13.4 % (14.7 % adjusted for exchange rate effects). This is above the market growth of about 12 %. The favourable development of Lloydspharmacy is partly attributable to the rise in the average value of a prescription, but also as a consequence of the continually improving services offered by Lloydspharmacy.

In the OTC area, Lloydspharmacy maintained its share of the pharmacy market despite intense competition and general unfavourable conditions. At the start of 2002 the mild weather depressed sales of cough and cold remedies, then the poor weather in spring had a negative influence on sales of anti-allergy treatments and sun protection products.

The range of Lloydspharmacy own brand products was extended in 2002. The company now has attractive own label offers in all strong-selling, self-medication areas such as analgesics and cough and cold. At the end of the year 2002 our own brand products accounted for 11 % of turnover in OTC products sold in our shops.

Lloydspharmacy regularly organises country-wide, multimedia advertising campaigns for professional, innovative products and services in its stores focusing on the pharmacist, their skills and importance as a key member of community healthcare.

Upgrading our pharmacies

We have refitted 85 pharmacies in the course of our on-going modernisation programme in 2002. In addition we trialled consultation areas within a small number of Lloydspharmacy stores, and plan to roll out this concept across the majority of our estate during 2003. These allow customers to have one-to-one, confidential, healthcare advice and testing with our pharmacists.

In May 2002 Lloydspharmacy began introducing the new "Merlin" EPoS system in its stores. Merlin, a modern sales and stock management system comprising electronic tills, barcode scanners and communication network, supports all processes at the point of sale and provides essential visibility of stock across the estate. Merlin is especially useful in improving the marketing of OTC products. All information about sales and stock levels of OTC products in shops can be called up when needed by means of a direct link to the Lloydspharmacy head office in Coventry. This facilitates country-wide control of sales activities, e.g. the targeted placing of special offers and promotions. The introduction of Merlin will be complete in all shops in the second quarter of 2003.





United Kingdom

Recommendation by the Office of Fair Trading

The Office of Fair Trading in the UK made its recommendations known in January 2003. If these are adopted, the licensing of pharmacies in the UK will be considerably eased. The Department of Health will make a definite decision on implementing all or part of these recommendations by the end of April 2003, and if necessary place any legislation before Parliament. With the concentration on safe, attractive sites, such as near health centres, Lloydspharmacy is extremely well prepared for possible changes and will carefully consider any opportunities to open new pharmacies.

Choice of location as an important factor in success

Lloydspharmacy continued with a critical appraisal of its pharmacy portfolio in 2002. 22 pharmacies were relocated to improved locations and 16 pharmacies sold or closed. By acquiring 34 pharmacies in commercially attractive areas Lloydspharmacy was operating a total of 1,357 pharmacies at the end of 2002.

Staff

At the end of 2002 Lloydspharmacy had 8,502 staff.



Norway

Profit development still hindered by opening of new pharmacies

Vitusapotek, our retailer in Norway, achieved a turnover of € 318.9 m in 2002.

The opening of 25 new pharmacies since the second half-year 2001 and the increased amortisation of goodwill continued to burden profit at the end of the business year 2002. While the turnover development of the newly opened pharmacies is overall above expectations, we are still not satisfied with profit before tax for 2002. We have therefore closed six unprofitable pharmacies in 2002 and introduced extensive measures in the fourth quarter of 2002 to reduce costs in particular in the area of personnel.

In order to reduce costs in the health service, pharmacy margins were reduced in 2002 on a number of prescription medicines. The special tax on the total turnover of a pharmacy was increased with pharmacies in remote and rural areas being subsidised from the funds generated.

Vitusapotek – a brand arises

Following the acquisition of NMD in the first half of 2001 we merged our original Norwegian retail organisation with NMD's pharmacy business under the name Vitusapotek. Since 2002 we have had a highly qualified management team which has defined uniform standards relating to product range, image, equipment and services offered. The experience of Lloydspharmacy in the UK was very useful with respect to this. Supported by the UK experience we devised a highly attractive, customer-orientated range of offers for Vitusapotek pharmacies in a short space of time. This range includes health-care programmes such as giving up smoking and taking blood pressure, and is tailored to the specific needs of the Norwegian market and the expectations of the pharmacies' customers.

Tender awarded for university pharmacy

Vitusapotek won the tender to open a pharmacy on the Oslo University campus. This is an extremely attractive location from the strategic perspective. This pharmacy will make us the first point of contact for the academic staff and students of the pharmaceutical faculty. We are confident that we will be able to acquire several prospective pharmacists for our company before they conclude their studies. In view of the shortage of pharmacists in Norway this is especially important.

Pharmacy portfolio extended

With the acquisition of 11 pharmacies, the opening of five and the closure or sale of seven, Vitusapotek was operating a total of 100 pharmacies at the end of 2002.

Staff

At the end of 2002 Vitusapotek had 895 staff.





Italy

Growth in turnover well above weak market growth

GEHE's Italian retailer achieved a turnover of € 182.8 m at the end of the business year 2002. This corresponds to a rise of 9.4 % compared to the previous year. Faced with extensive State measures to limit expenditure on medicines, we are pleased with the development of turnover and profit before tax.

The organic growth in turnover of our pharmacies is well above the comparable market level. Our pharmacies in Emilia-Romagna, Lombardy and Tuscany have clearly strengthened their market positions.

The Italian government had already taken the first measures to reduce expenditure on medicines in the fourth quarter of 2001. In April 2002 the prices of all prescription medicines were subject to a general reduction of 5 %. In addition, further State cost saving measures were introduced in the course of 2002 at regional level. Also in Emilia-Romagna, Lombardy and Tuscany the health authorities deleted some of the strong-selling medicines from the so-called positive list with the result that these drugs no longer give an entitlement to reimbursement.

Successful integration and optimisation of site location for newly acquired pharmacies

After acquisition of the municipal pharmacies in Lissone, Milan, Parma, Prato and San Giovanni Valdarno in the second half-year of 2001 and in the first quarter of 2002, our focus was on the integration of these pharmacies during 2002. Particular attention was paid to improving and extending the range of products and services offered at the new pharmacies. In addition we have refitted pharmacies or moved them to new locations. The establishment of doctors' practices in the immediate proximity of our pharmacies made an essential contribution to our growth in turnover, which was clearly above market growth.

During the business year 2002 we acquired five pharmacies and now operate a total of 162 in northern Italy.

Staff

At the end of 2002 our Italian retail business had 695 staff.





Ireland

Strong growth in turnover

In the business year 2002 our pharmacies in Ireland achieved a turnover of € 69.5 m. We are very pleased with the development of profit before tax.

With an unchanged, high growth rate of 18 % for prescription medicines, Ireland has become one of the strongest growing pharmaceutical markets in Europe.

Integration of new pharmacies proceeding according to plan

The 30 Unicare pharmacies which we acquired in June 2002 and consolidated at the start of the third quarter 2002 made a definite contribution to our strong turnover growth. They have already made a positive contribution to profit before tax.

In the course of the on-going integration of the Unicare pharmacies, knowledge is being shared as to the range of products and services, choice of location and the efficient use of IT-systems. As a consequence potential synergies are being identified and used for the benefit of our whole Irish retail estate.

Category management system introduced

The introduction of concepts that have been tried and tested in other countries has helped to bring about successful integration. Our category management system, which has been successfully introduced in the United Kingdom and Italy, has been adapted to Irish needs and introduced in our Irish pharmacies.

During the business year 2002 we acquired 30 pharmacies in Ireland and were operating a total of 52 pharmacies at the end of 2002.

Staff

At the end of the business year 2002 our Irish retail business had 543 staff.





Netherlands

Development exceeds expectations

In the business year 2002 our Dutch retailer achieved a turnover of € 66.5 m. The profit development is overall above our expectations and is essentially the consequence of the high quality and professionalism shown by the acquired pharmacies.

Dutch pharmacy business is characterised by very close professional co-operation with local doctors. For this reason the major part of turnover traditionally is derived from prescription medicines.

Organisation streamlined

In January 2002 we reorganised our Dutch and Belgian retail businesses and placed them under common management. The resulting cost savings and synergies had a positive effect on profit development.

Development of health centres

In the Netherlands more and more health centres are being opened, combining doctors, pharmacies, physiotherapists etc. under one roof. In the United Kingdom our retailer Lloydspharmacy is leading the way in planning and building such centres. This pioneering knowledge is now being applied in the Netherlands, and the first health centre was already built in Leidschendam in 2002. Further projects, especially in greater Amsterdam, are in the pipeline.

With the acquisition of 18 pharmacies in 2002 we have purposefully extended our market presence and were operating 28 pharmacies at the end of 2002.

Staff

At the end of 2002 our retail business in the Netherlands had 287 staff.





Czech Republic

Extension of market position

Our Czech retailer, Lékárny Lloyds, achieved a turnover in 2002 of € 44.0 m. This corresponds to a growth of 66.8 % (50.8 % adjusted for exchange rate effects) compared to the same period last year. The locations acquired in the second quarter of 2002 were consolidated from the third quarter 2002.

The development of profit before tax is still strongly affected by the large number of new pharmacies opened and it is still not satisfactory.

In 2001 we doubled the number of pharmacies run by Lékárny Lloyds. In 2002 we also acquired or opened a large number of pharmacies principally in 'volume' locations such as large supermarkets, shopping centres or polyclinics. The integration of acquired pharmacies proceeded in parallel with this.

Lékárny Lloyds – consistent market presentation

Based on the successful pharmacy concept at our UK retailer, Lloyds-pharmacy, our pharmacies are being refitted and modernised. All our Czech pharmacies are now called Lékárny Lloyds and have the same presentation. Of special significance for our Czech retail business are Lékárny Lloyds own brand OTC products available at our pharmacies.

In the business year 2002 we acquired 23 pharmacies in the Czech Republic and opened 11. At the end of 2002 we were operating a total of 100 pharmacies.

Staff

At the end of 2002 Lékárny Lloyds had 697 staff.



Belgium

Business development exceeds expectations

Our Belgian retailer Lloydspharmacy Belgium achieved a turnover of € 40.3 m in 2002. Profit before tax exceeded our expectations.

Integration of new pharmacies proceeding according to plan

The fast, smooth integration of new pharmacies and the good collaboration of our retail organisations are the most important success factors of our pharmacy business. We have adapted our successful category management system in Belgium to the national and local situation and introduced it to our pharmacies.

We will continue to extend our market position in the future.

In the business year 2002 we acquired 12 pharmacies and operated a total of 48 pharmacies at the end of 2002.

Staff

At the end of 2002 Lloydspharmacy Belgium had 195 staff.



Group financial statements



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Balance sheet of the GEHE Group at 31 December 2002

	Notes	31.12.2001 € '000	31.12.2002 € '000
Assets			
Fixed assets			
Intangible assets	(1)	1,869,974	1,875,958
Tangible assets	(2)	385,021	397,865
Financial assets	(3)	65,356	60,175
	(4)	2,320,351	2,333,998
Current assets			
Stocks	(5)	1,258,391	1,380,422
Debtors and other assets	(6)	1,601,455	1,704,599
Bank and cash balances	(7)	7,689	19,723
		2,867,535	3,104,744
Prepaid expenses	(8)	53,908	70,814
		5,241,794	5,509,556
Equity and liabilities			
Equity	(9)		
Issued capital	(10)	186,624	217,728
Capital reserves	(11)	682,434	1,113,030
Revenue reserves	(11)	71,270	58,045
Consolidated retained earnings	(12)	267,941	236,027
Minority interests	(13)	12,302	14,864
		1,220,571	1,639,694
Provisions			
Provisions for pensions and similar obligations	(14)	79,763	85,064
Other provisions	(15)	355,152	327,726
		434,915	412,790
Liabilities	(16)		
Liabilities falling due after more than 5 years		1,181,748	850,301
between 1 and 5 years		108,145	49,267
within 1 year		2,291,356	2,554,130
		3,581,249	3,453,698
Deferred income		5,059	3,374
		5,241,794	5,509,556

Profit and loss account of the GEHE Group for the business year 2002

	Notes	2001 € '000	2002 € '000
Turnover	(17)	16,970,959	18,383,359
Own work capitalised		48	4
Gross performance		16,971,007	18,383,363
Cost of raw materials, consumables and supplies, and of purchased merchandise		(15,356,163)	(16,542,045)
Gross profit		1,614,844	1,841,318
Other income	(18)	146,912	151,118
Personnel expenses	(19)	(754,617)	(856,860)
Other operating expenses	(20)	(533,727)	(599,802)
Income from investments	(21)	11,234	3,370
EBITDA		484,646	539,144
Amortisation of intangible assets and depreciation of tangible assets	(22)	(85,134)	(103,557)
EBIT		399,512	435,587
Net interest	(23)	(107,404)	(91,958)
Profit from ordinary activities		292,108	343,629
Taxes on income and profit from ordinary activities	(24)	(90,762)	(104,068)
Profit from ordinary activities after taxes		201,346	239,561
Extraordinary income	(25)	93,203	0
Taxes on income and profit from extraordinary income	(25)	(23,533)	0
Net profit for the year		271,016	239,561
Minority interest in profits		(3,075)	(3,534)
Consolidated retained earnings		267,941	236,027

Development of GEHE Group fixed assets 2002

	Intangible assets € '000	Tangible assets € '000	Financial assets € '000	Total € '000
Cumulative cost at 01.01.2002	2,907,036	859,144	74,132	3,840,312
Translation adjustment	(108,394)	(18,357)	271	(126,480)
Additions	259,566	102,971	30,105	392,642
Changes to consolidation scope	2,845	23,976	0	26,821
Transfers	22,791	0	(22,791)	0
Disposals	(4,902)	(79,688)	(12,748)	(97,338)
Cumulative cost at 31.12.2002	3,078,942	888,046	68,969	4,035,957
Cumulative valuation adjustments at 01.01.2002	1,037,062	474,123	8,776	1,519,961
Translation adjustment	(41,194)	(11,670)	0	(52,864)
Additions	28,166	75,391	1,139	104,696
Changes to consolidation scope	2,845	12,374	0	15,219
Transfers	0	0	0	0
Goodwill set-off	180,166	0	0	180,166
Write back/write up	(465)	0	(1,113)	(1,578)
Disposals	(3,596)	(60,037)	(8)	(63,641)
Cumulative valuation adjustments at 31.12.2002	1,202,984	490,181	8,794	1,701,959
Net book value at 31.12.2002	1,875,958	397,865	60,175	2,333,998
Net book value at 31.12.2001	1,869,974	385,021	65,356	2,320,351

Group annex

General information

Accounting principles and valuation policies

The group financial statements of GEHE for the year ending 31.12.2002 have been prepared in Euro, in accordance with the German Commercial Code (Handelsgesetzbuch) and the Companies Act (Aktiengesetz).

For the sake of clarity certain amounts in the balance sheet and the profit and loss account have been presented in summary form. A detailed breakdown is included in the notes.

The profit and loss account has been drawn up according to the expenses by nature method but has been extended to show the gross profit separately.

In order to show the earnings before interest, taxes, depreciation and amortisation (EBITDA), the structure of the profit and loss account was adjusted accordingly. Consolidated retained earnings correspond to the group net profit for the year less profits due to minority interests.

Scope of consolidation

The group financial statements include all subsidiaries in which GEHE Aktiengesellschaft has a direct or indirect majority of the voting rights. 513 domestic and foreign companies are included in the consolidation (last year 522). 46 subsidiaries have been included in the group financial statements this year for the first time, and 55 companies were deleted from the scope of consolidation: 54 due to merger and one through disposal.

General information

One subsidiary was not included, since its shares were being retained at the end of 2002 exclusively for the purpose of disposal.

12 associated companies have been entered in the group financial statements according to the equity method.

Four companies acquired towards the end of the fourth quarter of 2002 have not yet been included in the group financial statements, since the information necessary for consolidation was not available. The non-inclusion of these companies has had no significant effect on the representation of the assets, financial situation and profits.

A complete list of the shareholdings held by GEHE Aktiengesellschaft has been filed in the Commercial Register of the District Court of Stuttgart.

Changes in the scope of consolidation had no significant effect on the comparability of the group financial statements at 31.12.2002 as compared with the previous year.

Consolidation policies

All the companies included in the group financial statements have the same balance sheet date.

The individual financial statements were first prepared in accordance with the relevant national accounting principles. Where these differed from the accounting principles set out in the German Commercial code (Handels-gesetzbuch) the necessary adjustments were made to the principles applied by GEHE. Any value adjustments required were offset against the equity of the companies concerned.

The assets, liabilities, prepaid expenses/income, as well as the income and expenditure of the companies included in the group financial statements were consolidated as follows:

For first-time consolidation, the book value of the parent company's investment is offset against the subsidiary's share capital and reserves at the time of first consolidation (the so-called book value method, in accordance with § 301 Paragraph 1 Clause 2 , Subclause 1 of the German Commercial Code).

Any balancing items arising from capital consolidation in foreign currency were translated using the mid-rate of exchange pertaining on the balance sheet date. The effect of this translation is shown in the column translation adjustment under development of fixed assets. The corresponding entry can be found on the liabilities side in the revenue reserves under shareholders' equity.

A similar procedure is used when accounting for associated companies on an equity basis.

During the period under review € 180,166,000 of the goodwill arising from consolidation of capital was offset against revenue reserves applying § 309 Paragraph 1, Clause 3 of the Commercial Code without affecting profits. As at 31.12.2002, out of total goodwill arising from consolidation of € 2,705,463,000, a total of € 1,051,073,000 was set off directly against revenue reserves. The remaining net amount of € 1,654,390,000 concerns 76 shareholdings. Goodwill is being amortised over a period of fifteen years. On subsequent consolidation, the group's share of the profits from subsidiaries accruing after the balance sheet date of the initial consolidation is included under revenue reserves.

General information

On deconsolidation (deletion of a subsidiary from the scope of consolidation), the goodwill – which was neutral as to profit and set off against reserves in previous years – is reversed.

Where the value has been permanently reduced, goodwill already offset is reversed and permanently written off, thus affecting profit. To determine the value of goodwill, the goodwill of the smallest identifiable profit unit is used. Amounts receivable and payable between group companies included in the group financial statements have been eliminated.

In the group profit and loss account, all intra-group sales and associated expenditure were offset against the expenditure incurred, and other earnings and expenditure between group companies were fully consolidated. Intra-group profit was eliminated whilst taking account of deferred tax pursuant to § 306 of the Commercial Code, thus affecting profit.

Third-party interest in shareholders' equity and results of group companies are shown under "Minority interests".

Special reserves of € 3,024,000 (previous year € 3,138,000), set up in the individual company's financial statements to comply with tax regulations, were not entered on the liabilities side by applying § 300 Paragraph 2 of the Commercial Code. The associated deferred tax amounts to € 1,210,000 (previous year € 1,255,000).

Foreign subsidiaries' financial statements were translated into Euro at the average exchange rate prevailing on the balance sheet date. Profit and loss accounts were translated at annual average rates. Currency differences due to translation were set off against revenue reserves without affecting profit. The methods used to value assets and liabilities are set out in the notes on the individual balance sheet items.

Sources and application of funds	2001 € '000	2002 € '000
Net profit for the year	271,016	239,561
Extraordinary income after taxes	(69,670)	0
Fixed asset depreciation	85,489	104,696
Profit on sale of tangible assets and changes in long-term provisions	4,725	5,931
Cash flow	291,560	350,188
Change in other provisions	26,700	(28,481)
Other income and expenses not involving the movement of funds	(6,255)	(7,706)
Profit on disposal of financial assets	(73)	(244)
Changes in stocks, debtors, other assets and prepayments	(254,263)	(257,985)
Changes in short-term liabilities and accruals	157,051	250,706
Net cash flow from operations	214,720	306,478
Proceeds of sale of fixed assets	165,812	49,371
Investment in fixed assets	(533,385)	(396,316)
Net cash flow from investment activities	(367,573)	(346,945)
Dividends paid	(56,133)	(63,116)
Capital increase	0	461,700
Movement in long-term liabilities	199,584	(345,345)
Net cash flow from financing activities	143,451	53,239
Change in funds due to payments	(9,402)	12,772
Change in funds due to exchange rates	(156)	(738)
Funds on 01.01.	17,247	7,689
Funds on 31.12.	7,689	19,723

The layout of the source and application of funds follows German Accounting Standard No. 2 (Deutsche Rechnungslegungsstandard Nr. 2) produced by the German Standardisation Board (Deutsche Standardisierungsrat).

Notes to the balance sheet

(1) Intangible assets

	Concessions, industrial and similar rights € '000	Goodwill € '000	Down- payments for fixed assets € '000	Goodwill from capital consolidation € '000	Total € '000
Cumulative cost at 01.01.2002	71,521	273,988	3,016	2,558,511	2,907,036
Translation adjustment	(1,588)	(2,666)	(190)	(103,950)	(108,394)
Additions	12,488	21,459	2,772	222,847	259,566
Changes to consolidation scope	143	2,702	0	0	2,845
Transfers	118	(5,264)	(118)	28,055	22,791
Disposals	(3,890)	(1,012)	0	0	(4,902)
Cumulative cost at 31.12.2002	78,792	289,207	5,480	2,705,463	3,078,942
Cumulative valuation adjustments at 01.01.2002	49,528	77,563	0	909,971	1,037,062
Translation adjustment	(1,169)	(1,312)	0	(38,713)	(41,194)
Additions	9,755	18,411	0	0	28,166
Changes to consolidation scope	143	2,702	0	0	2,845
Transfers	0	(114)	0	114	0
Goodwill set-off	0	0	0	180,166	180,166
Write back	0	0	0	(465)	(465)
Disposals	(3,343)	(253)	0	0	(3,596)
Cumulative valuation adjustments at 31.12.2002	54,914	96,997	0	1,051,073	1,202,984
Net book value at 31.12.2002	23,878	192,210	5,480	1,654,390	1,875,958
Net book value at 31.12.2001	21,993	196,425	3,016	1,648,540	1,869,974

Acquired goodwill and other intangible assets are valued at purchase cost less pro rata amortisation. Acquired goodwill is generally amortised over 15 years. The other intangible assets are mainly written off over a useful life of four to ten years on a straight-line basis.

Of the total additions of € 259,566,000, the sum of € 222,847,000 relates essentially to goodwill arising from consolidation of investments. These principally resulted from the acquisition of the Unicare Group, Dublin/Ireland and further pharmacies acquired in the Netherlands, the UK, Ireland, Italy, Norway, Belgium and the Czech Republic.

The additions to goodwill amounting to a total of € 21,459,000 are principally due to pharmacies acquired in Norway and the UK.

The transfers of goodwill relates to pharmacies acquired in the fourth quarter 2001 and entered under financial assets. The consolidation of these acquisitions took place for the first-time in 2002.

Included within intangible fixed assets at the end of 2002 was goodwill on consolidation of investments of € 1,654,390,000 relating to shareholdings acquired.

This amount is made up as follows:

	Gross € '000	Set-Off € '000	Net € '000
At 31.12.2001	2,558,511	909,971	1,648,540
Translation adjustment	(103,950)	(38,713)	(65,237)
Addition	222,847	0	222,847
Transfer	28,055	114	27,941
Disposal	0	0	0
Write back	0	(465)	465
Set-off against shareholders' equity	0	180,166	(180,166)
At 31.12.2002	2,705,463	1,051,073	1,654,390

Notes to the balance sheet

The remaining balance of € 1,654,390,000 will be offset against reserves as follows, subject to currency fluctuations:

Year	€ '000	€ '000
2003–2006	173,944 each year	= 695,776
2007		172,319
2008		157,351
2009		147,415
2010		147,329
2011		117,372
2012		58,263
2013		58,258
2014		46,036
2015		33,806
2016		14,878
2017		5,587
		1,654,390

(2) Tangible assets

Additions to tangible assets are valued at acquisition or production cost. Depreciation is calculated at the maximum rates allowed by the tax authorities, using only the straight-line method. The depreciation periods (in years) are as follows:

Buildings	25 – 50
Technical equipment and machinery	4 – 15
Other factory and office equipment	3 – 20

In accordance with the tax regulations, a full-year's depreciation is charged on additions during the first half-year, and a half-year's depreciation on additions during the second half-year.

Low-value assets are fully written off in the year of purchase and are also treated as disposals.

Additions in wholesale relate mainly to investments in the UK, France, Germany and Norway. In retail additions relate principally to investments in the UK, Italy and Norway.

	Land and buildings including buildings on third party land € '000	Technical equipment and machinery € '000	Other factory and office equipment € '000	Prepayments on account and assets under construction € '000	Total € '000
Cumulative cost at 01.01.2002	277,647	155,522	419,631	6,344	859,144
Translation adjustment	(2,912)	(3,654)	(12,007)	216	(18,357)
Additions	15,103	15,541	54,615	17,712	102,971
Changes to consolidation scope	168	7,560	16,248	0	23,976
Transfers	2,403	1,234	2,717	(6,354)	0
Disposals	(11,461)	(6,428)	(57,877)	(3,922)	(79,688)
Cumulative cost at 31.12.2002	280,948	169,775	423,327	13,996	888,046
Cumulative valuation adjustments at 01.01.2002	105,778	95,890	272,455	0	474,123
Translation adjustment	(1,638)	(2,418)	(7,614)	0	(11,670)
Additions	13,948	16,801	44,642	0	75,391
Changes to consolidation scope	73	5,258	7,043	0	12,374
Transfers	0	0	0	0	0
Disposals	(712)	(5,094)	(54,231)	0	(60,037)
Cumulative valuation adjustments at 31.12.2002	117,449	110,437	262,295	0	490,181
Net book value at 31.12.2002	163,499	59,338	161,032	13,996	397,865
Net book value at 31.12.2001	171,869	59,632	147,176	6,344	385,021

Notes to the balance sheet

(3) Financial assets

	Shares in affiliated companies € '000	Shares in associated companies € '000	Other share- holdings € '000	Long-term investments € '000	Loans to participations € '000	Other loans € '000	Total € '000
Cumulative cost at 01.01.2002	23,219	2,522	18,279	5,532	0	24,580	74,132
Translation adjustment	0	231	(54)	94	0	0	271
Additions	5,585	1,607	3,490	729	2,386	16,308	30,105
Changes to consolidation scope	0	0	0	0	0	0	0
Transfers	(22,791)	0	0	0	435	(435)	(22,791)
Disposals	(428)	(416)	(100)	(1,336)	(242)	(10,226)	(12,748)
Cumulative cost at 31.12.2002	5,585	3,944	21,615	5,019	2,579	30,227	68,969
Accumulated valuation adjustments on 01.01.2002	0	0	5,726	65	0	2,985	8,776
Translation adjustment	0	0	0	0	0	0	0
Additions	0	0	0	9	0	1,130	1,139
Changes to consolidation scope	0	0	0	0	134	(134)	0
Transfers	0	0	0	0	0	0	0
Write up	0	0	(1,113)	0	0	0	(1,113)
Disposals	0	0	0	(8)	0	0	(8)
Cumulative valuation adjustments at 31.12.2002	0	0	4,613	66	134	3,981	8,794
Net book value at 31.12.2002	5,585	3,944	17,002	4,953	2,445	26,246	60,175
Net book value at 31.12.2001	23,219	2,522	12,553	5,467	0	21,595	65,356

Financial assets are valued at acquisition cost, in the case of loans net of repayments, or at the lower applicable value. The additions to shares in affiliated companies relate to pharmacies acquired in the fourth quarter of 2002, to be consolidated in 2003. The transfers of shares in affiliated companies results from the first-time consolidation of pharmacies acquired in the fourth quarter of 2001. The acquisition costs for associated companies are calculated according to the equity method.

(4) Fixed assets

The analysis and development of fixed assets as summarised in the group balance sheet are set out in the overview on page 104. This constitutes an integral part of the notes to the accounts.

(5) Stock

Raw materials, consumables and supplies, and merchandise are entered at the lower of cost or net realisable value.

The increase in stock is mainly the result of the targeted build-up of wholesale stock in Germany and France.

As in previous years, adequate allowance has been made to cover inherent storage risks.

	31.12.2001 € '000	31.12.2002 € '000
Raw materials, consumables and supplies	2,501	3,243
Finished goods and merchandise	1,247,110	1,373,858
Payments on account	8,780	3,321
	1,258,391	1,380,422

Notes to the balance sheet

(6) Debtors and other assets

	31.12.2001 € '000	31.12.2002 € '000
Trade debtors	1,488,268	1,586,631
Amounts due from companies in which a participation is held	337	355
Other assets	112,850	117,613
	1,601,455	1,704,599

Debtors and other assets are valued on a prudent basis, taking into account their likely recovery. Provision has been made for identifiable, individual risks. Adequate provision has also been made to cover other general credit risks. The increase in debtors was mainly due to the rise in French wholesale and UK retail.

Trade debtors are sold under a non-recourse discounting agreement. OCP REPARTITION S.A.S, Saint-Ouen/France sold trade debtors of € 240.1 m under a non-recourse, discounting agreement on the 31.12.2002. The contract, which runs until August 2003, provides that trade debtors up to € 250 m can be sold under a non-recourse discounting agreement. A contract, valid until January 2004, covers trade debtors of GEHE Pharma Handel GmbH, Stuttgart/Germany up to € 153.4 m, and provides that settled debts are permanently replaced with the sale of new trade debtors. In this manner volume of around € 153.4 m exists throughout the period of operation.

PCB DIS S.A., Brussels/Belgium, had sold trade debtors of € 30 m at 31.12.2002 under a non-recourse discounting agreement. The volume of the contract, which runs until March 2003, is € 30 m.

Lloyds Pharmacy Limited, Coventry/UK and AAH Pharmaceuticals Limited, Coventry/UK had sold trade debtors of around GBP 98.4 m (€ 151.3 m) at 31.12.2002 under a non-recourse, discounting agreement. The contract, valid until August 2004, has a volume of GBP 100 m (€ 153.7 m).

Herba Chemosan Apotheker-AG, Vienna/Austria had sold € 14.6 m under a non-recourse, discounting agreement at 31.12.2002. The contract, valid until January 2003, provides for the sale of trade debtors under a non-recourse discounting agreement up to € 14.6 m.

The other assets comprise mainly tax refunds due, short-term loans to customers and company employees, and bonuses receivable from suppliers under annual purchase agreements.

Debtors and other assets falling due after more than one year are as follows:

	31.12.2001 € '000	31.12.2002 € '000
Trade debtors	16,113	11,655
Other assets	18,477	5,585
	34,590	17,240

(7) Bank and cash balances

	31.12.2001 € '000	31.12.2002 € '000
Cash in hand, Bundesbank accounts	1,515	1,242
Bank balances	6,174	18,481
	7,689	19,723

Notes to the balance sheet

(8) Prepaid expenses

	31.12.2001 € '000	31.12.2002 € '000
Deferred taxes	20,939	37,686
Other	32,969	33,128
	53,908	70,814

Prepaid expenses relate principally to advance rental payments of € 17,663,000, primarily in the UK, and insurance premiums already paid amounting to € 361,000.

Deferred tax balances are made up of deferred tax assets (€ 44,839,000) and liabilities (€ 7,153,000). Deferred taxes arise from individual financial statements, from adjustments of individual financial statements to the different accounting principles and valuation policies applied by GEHE and also from consolidation measures.

(9) Shareholders' equity

	Issued capital € '000	Capital reserves € '000	Revenue reserves € '000	Retained earnings € '000	Minority interests € '000	Equity € '000
At 01.01.2002	186,624	682,434	71,270	267,941	12,302	1,220,571
Dividends paid	0	0	0	(61,965)	0	(61,965)
Capital increase	31,104	430,596	0	0	0	461,700
Addition to reserves	0	0	205,976	(205,976)	0	0
Goodwill set-off	0	0	(141,102)	0	0	(141,102)
Translation adjustment	0	0	(78,099)	0	0	(78,099)
Annual net profit	0	0	0	236,027	3,534	239,561
Minority interests	0	0	0	0	(972)	(972)
At 31.12.2002	217,728	1,113,030	58,045	236,027	14,864	1,639,694

(10) Issued capital

The issued capital and capital reserves relate to GEHE Aktiengesellschaft. An increase in capital through a nominal issue of 12,150,000 new shares for a value of € 31,104,000 was agreed and executed in the first half-year 2002. The share capital is now € 217,728,000 in the form of 85,050,000 individual shares (shares with no par value), all issued in the name of the holder. Authorised capital of € 43,546,000 will be available until 7 May 2007.

(11) Reserves

Due to the capital increase which was carried out in the first half-year 2002, the capital reserves increased by € 430,596,000 to € 1,113,030,000.

The revenue reserves shown on the group balance sheet include reserves arising from currency translation of the assets and liabilities of foreign group companies (with no effect on results), and the equity share of the special items with an equity portion.

Goodwill has been offset against revenue reserves as follows:

	31.12.2001 € '000	31.12.2002 € '000
Revenue reserves (gross)	981,241	1,109,118
Goodwill set-off (accumulated)	(909,971)	(1,051,073)
	71,270	58,045

(12) Consolidated retained earnings

At € 267,941,000 the consolidated retained earnings of the previous year were reduced by € 61,965,000 due to GEHE Aktiengesellschaft's distribution of dividends for the business year 2001. The remaining consolidated retained earnings were transferred to revenue reserves.

Consolidated retained earnings at 31.12.2002 correspond to the net profit for the year less the proportion due to minority interests.

Notes to the balance sheet

(13) Minority interests

	31.12.2001 € '000	31.12.2002 € '000
Share of capital and reserves	9,227	11,330
Share of retained earnings	3,075	3,558
Share of loss	0	(24)
	12,302	14,864

The increase in minority interests relates mainly to profits due to minority interests and the inclusion of FAR.CO.SAN S.p.A., San Giovanni Valdarno/ Italy for the first time.

(14) Provisions for pensions and similar obligations

Pension provisions were calculated using the unit cost method at the interest rate in force in each country (usually 6 %) and the official mortality tables of the country concerned. In Germany pension provisions were calculated using the unit cost method pursuant to § 6 a of the Income Tax Law (Einkommensteuergesetz), an interest rate of 6 % and Dr. Heubeck's Mortality Tables, 1998, which correspond to the full unit cost.

The increase in reserves for pensions and similar obligations is principally due to increased entitlements in France, Germany and Italy.

(15) Other provisions

	31.12.2001 € '000	31.12.2002 € '000
Provisions for taxes	66,805	67,540
Other provisions	288,347	260,186
	355,152	327,726

As portrayed in the previous year, provisions for taxation do not include deferred taxes, since the balance from deferred tax assets and liabilities is shown under deferred tax assets (see note 8).

The other provisions mainly relate to expenditure in the area of personnel, rental commitments, restructuring, discounts and bonuses as well as bills still to be paid.

The decrease in other provisions is mainly due to provisions used by Wholesale and Retail companies in the UK and in Norway.

Notes to the balance sheet

(16) Liabilities, contingent liabilities, other financial commitments and derivative financial instruments

Liabilities	Total	falling due:			Total
	31.12.2001 € '000	within 1 year € '000	between 1 to 5 years € '000	after 5 years € '000	31.12.2002 € '000
Loans	3,813	0	0	0	0
Liabilities to banks	1,485,610	412,894	45,044	844,797	1,302,735
Payments received on account of orders	33,876	38,403	0	0	38,403
Trade creditors	1,615,389	1,520,051	0	0	1,520,051
Liabilities on bills accepted and drawn	180,476	239,701	0	0	239,701
Liabilities to affiliated companies	4,675	113	0	0	113
Liabilities to companies in which a participation is held	7,701	497	0	0	497
Other liabilities	249,709	342,471	4,223	5,504	352,198
thereof tax	[27,043]	[49,055]	[0]	[0]	[49,055]
thereof social security payments	[32,111]	[34,730]	[0]	[0]	[34,730]
	3,581,249	2,554,130	49,267	850,301	3,453,698

Liabilities in foreign currencies were translated at the rate prevailing on the date the liability was incurred or, if higher, at the rate prevailing on the balance sheet date.

Liabilities to affiliated companies relate to Haniel Finance B.V., Amsterdam/Netherlands and Haniel Finance Deutschland GmbH, Duisburg/Germany.

Contingent liabilities	31.12.2001 € '000	31.12.2002 € '000
Bills of exchange	7,975	12,174
Guarantees	474,069	251,501
Warranties	16,106	15,700
	498,150	279,375

Contingent liabilities relate mainly to guarantees given by UK and Austria Wholesale and GEHE Aktiengesellschaft.

Warranty commitments relate to the sale of companies in the pharmaceutical production division in the business year 1996.

Other financial commitments	31.12.2001 € '000	31.12.2002 € '000
Rent and lease contracts due:		
within 1 year	86,249	93,168
between 2 and 5 years	308,919	310,685
after 6 years	512,896	474,545
	908,064	878,398
Acquisitions of pharmacies	45,034	639
Commitments for capital expenditure	6,137	5,123
Other	552	13,020
	959,787	897,180

Rental and leasing commitments relate essentially to Wholesale and Retail in the UK (around € 517.5 m), Wholesale in Germany (around € 176.1 m), Wholesale in Austria (around € 21.0 m), and Wholesale in France (around € 53.5 m).

Notes to the balance sheet

Derivative financial instruments	Nominal volume		Market value	
	31.12.2001 € m	31.12.2002 € m	31.12.2001 € m	31.12.2002 € m
Interest-based derivatives	1,403	1,046	(47)	(84)
Currency-based derivatives	93	405	(3)	6
	1,496	1,451	(50)	(78)

In the course of operational business activity, GEHE is subject to risks deriving from exchange rate and interest rate changes. To reduce such risks GEHE uses derivative financial instruments as part of its interest and exchange rate management programmes. Without these instruments the company would be exposed to far higher risks from interest rate and exchange rate fluctuations.

Common instruments used for interest rate management include: interest swaps, forward rate agreements, swap options, caps and floors; and for currency management: forward contracts and options.

A range of control mechanisms in the GEHE Group accompanies the use of derivative financial instruments. These include the separation of trading, processing and accounting, restriction to a small number of reputable banks and the empowerment of only a small number of qualified members of staff to carry out these transactions.

Notes to segmental reporting

Segmentation by business activity	Wholesale		Retail		Other		Group	
	2001 € '000	2002 € '000	2001 € '000	2002 € '000	2001 € '000	2002 € '000	2001 € '000	2002 € '000
Profit and loss account								
Turnover	14,918,534	15,824,406	2,052,425	2,558,953	0	0	16,970,959	18,383,359
Gross profit	999,423	1,069,228	615,421	772,090	0	0	1,614,844	1,841,318
Results from associated companies	68	374	0	14	8,142	0	8,210	388
Results from other shareholdings	2,075	2,078	949	904	0	0	3,024	2,982
EBITDA	348,732	372,595	150,427	199,639	(14,513)	(33,090)	484,646	539,144
Depreciation and amortisation	(55,607)	(57,310)	(28,880)	(42,441)	(647)	(3,806)	(85,134)	(103,557)
Net interest	(53,359)	(45,400)	(65,922)	(78,682)	11,877	32,124	(107,404)	(91,958)
Profit from ordinary activities	239,766	269,885	55,625	78,516	(3,283)	(4,772)	292,108	343,629
Taxes on income and profit from ordinary activities	(81,916)	(87,580)	(17,542)	(24,993)	8,696	8,505	(90,762)	(104,068)
Profit from ordinary activities after taxes	157,850	182,305	38,083	53,523	5,413	3,733	201,346	239,561
Extraordinary income	0	0	0	0	93,203	0	93,203	0
Taxes on income and profit from extraordinary income	0	0	0	0	(23,533)	0	(23,533)	0
Net profit for the year	157,850	182,305	38,083	53,523	75,083	3,733	271,016	239,561
Assets, liabilities and investments								
Segment assets	3,365,554	3,390,135	1,823,917	2,089,809	52,323	29,612	5,241,794	5,509,556
Segment liabilities	2,344,094	2,251,194	1,189,406	1,185,343	47,749	17,161	3,581,249	3,453,698
Shareholdings in associated companies	2,522	3,943	0	0	0	0	2,522	3,943
Other shareholdings	11,915	16,124	574	878	64	0	12,553	17,002
Investments	80,226	72,069	409,677	319,138	58,496	1,435	548,399	392,642
Employees								
Employees (annual average)	12,938	13,101	9,500	11,486	79	97	22,517	24,684
Employees on 31.12.	13,129	13,052	10,437	11,814	88	112	23,654	24,978

The layout used for segmental reporting follows the design provided by the German Standardisation Board (DRS) (Deutscher Standardisierungsrat) entitled German Accounting Standard N° 3 (DRS3). Segmentation is based on GEHE's internal organisational and reporting structures.

For the business year 2002, the Other segment includes essentially the activities of the holding company, GEHE Aktiengesellschaft and non-operational companies. It also includes consolidation measures between the segments.

[illegible]

Notes to the profit and loss account

(17) Turnover

As part of segmental reporting, turnover is subdivided according to business divisions and regions.

(18) Other income

	2001 € '000	2002 € '000
Profit on disposal of fixed assets	8,566	3,904
Release of provisions	12,140	16,492
Rental and lease income	3,650	4,737
Other income	122,556	125,985
	146,912	151,118

Other income consists essentially of contributions to advertising expenses, income from seminars and conferences, marketing activities and data processing and IT services.

(19) Personnel expenses/staff

	2001 € '000	2002 € '000
Wages and salaries	623,297	708,854
Social insurance costs	112,273	127,840
Pension costs	19,047	20,166
	754,617	856,860

A split of staff numbers is shown within the segmental reporting.

Notes to the profit and loss account

(20) Other operating expenses

	2001 € '000	2002 € '000
Freight charges	71,774	80,403
Rent	86,043	96,197
Advertising costs	34,162	38,606
Depreciation and adjustments to current assets	15,430	21,819
Loss on disposal of fixed assets	3,582	2,126
Trade capital tax	4,092	3,512
Other taxes	20,902	21,556
Other	297,742	335,583
	533,727	599,802

Other expenses include mainly administrative, marketing, light and heat, and maintenance costs.

(21) Income from investments

	2001 € '000	2002 € '000
Income from associated companies	8,210	388
Income from investments	3,131	2,982
Write down of investments	(107)	0
	11,234	3,370

(22) Amortisation and depreciation

	2001 € '000	2002 € '000
Amortisation of intangible assets	21,536	28,166
Depreciation of tangible assets	63,598	75,391
	85,134	103,557

(23) Net interest

	2001 € '000	2002 € '000
Income from other securities and long-term financial investments	1,026	1,004
Other interest and similar income	13,596	14,344
thereof from affiliated companies	[1,003]	[880]
Interest and similar charges	(121,778)	(106,167)
thereof affiliated companies	[(4,555)]	[(1,263)]
Depreciation on financial assets	0	(9)
Depreciation on other long-term financial investments	(248)	(1,130)
	(107,404)	(91,958)

Notes to the profit and loss account

(24) Taxes on income and profit

This item incorporates German corporation tax, German trade tax, comparable foreign profit-related taxes and deferred taxes. The trade income tax charge of Franz Haniel & Cie GmbH included under this item last year is no longer included as a trade-tax affiliation to the company no longer exists. The group tax ratio, calculated on profit from ordinary activities is 30.3 % (previous year 31.1 %).

Tax expenditure on the extraordinary income was in the previous year shown separately in the profit and loss account.

Total tax expense	2001 € '000	2002 € '000
Taxes on income and profit from ordinary activities	90,762	104,068
thereof trade tax	[3,509]	[12,035]
Trade capital tax	4,092	3,512
Other taxes	20,902	21,556
	115,756	129,136
Taxes on income and profit from extraordinary results	23,533	0
	139,289	129,136

Other taxes include mainly property tax, motor vehicle tax and value added tax. Trade capital tax and other taxes are shown under "Other operating expenses", Note 20.

(25) Extraordinary income

The income and the tax expenditure included in the extraordinary result in the previous year results from the sale of shares in Jenapharm GmbH & Co. KG, Jena/Germany.

Other information

Announcement from shareholders

Under the announcement dated 2 April 2002 in accordance with § 41, paragraph 2, sentence 1 of the commercial law regarding securities (WpHG) a total of 60 % of the voting rights of our company belong to Franz Haniel & Cie. GmbH, Duisburg on 1 April 2002. Group financial statements will be drawn up by Franz Haniel & Cie. GmbH, in which GEHE Aktiengesellschaft and its subsidiary companies will also be included. These group financial statements will be published and filed in the commercial register at the Duisburg District Court under No. B 25.

On 2 April 2002, AXA, Paris/France, informed us that in accordance with § 41, paragraph 2, sentence 1 of the commercial law regarding securities, on 1 April 2002 they were entitled to a proportion of 10 % of the voting rights of our company via their parent company Pluto Gesellschaft für Beteiligungswerte AG & Co. KG, Cologne.

Other information

Total remuneration of Supervisory and Management Board members

The total remuneration of the Management Board members for the business year 2002 amounted to € 4,260,000. Of this € 1,340,000 was for fixed remuneration and € 2,920,000 as profit related bonuses. The basis for calculating profit-related bonuses is first and foremost the cash flow and economic value added (EVA). No share option scheme or similar incentive schemes based on securities exist at GEHE Aktiengesellschaft.

The remuneration of the Supervisory Board members is set out in the Articles of Association of GEHE Aktiengesellschaft. According to this, each member received € 51,000 in the business year 2002. The Chairman received double this sum and the Deputy Chairman one and a half time this sum. The total remuneration of the members of the Supervisory Board amounted to € 694,000. Professor Dr Erich Zahn received a total fee of € 12,000 for his consulting work (holding academic seminars for pharmacy students at German universities) for GEHE Pharma Handel GmbH.

Former members of the Management Board of GEHE Aktiengesellschaft and their surviving dependants received € 1,040,000. For them pension provisions of € 3,750,000 have been set up.

Profit appropriation as proposed by the Management Board

The Management Board proposes that the net retained earnings of € 93,527,457.31 is used as follows:

Payment of a dividend of € 0.85 per share on the 85,050,000 shares making up the share capital of € 217,728,000 entitled to dividends, amounting to a total of € 72,292,500, and transferring the remaining amount of € 21,234,957.31 to retained earnings.

Stuttgart, 12 February 2003

The Management Board

Members of the Management Board

Dr Fritz Oesterle

Stuttgart/Germany
Chairman

Membership of further Management Boards and comparable committees:
Executive Committee GIRP (Groupement International de la Répartition Pharmaceutique Européenne), Brussels/Belgium

Membership of Supervisory Boards and other control committees:
GEHE Pharma Handel GmbH, Stuttgart/Germany (Chairman)
Norsk Medisinaldepot AS, Oslo/Norway (until 31.12.2002)
Herba Chemosan Apotheker-AG, Vienna/Austria
OFFICE COMMERCIAL PHARMACEUTIQUE (O.C.P.) S.A., Saint-Ouen/France (until 20.06.2002)
Lloydspharmacy Belgium S.A., Wavre/Belgium (until 07.08.2002)
GEHE Property Management Company S.A., Wavre/Belgium (until 07.08.2002)
GEHE UK PLC, Coventry/United Kingdom (until 31.03.2002)
GEHE Invest PLC, Coventry/United Kingdom (until 31.03.2002)
Untertürkheimer Volksbank e.G., Stuttgart/Germany
Landesbeirat Baden-Württemberg Allianz Versicherungs-AG, Munich/Germany
Verwaltungsrat Christophsbad Göppingen Dr. Landerer Söhne GmbH, Göppingen/Germany (since 13.07.2002)

Jacques Ambonville

Saint-Ouen/France

Membership of Supervisory Boards and other control committees:
OFFICE COMMERCIAL PHARMACEUTIQUE (O.C.P.) S.A., Saint-Ouen/France (Chairman)
OCP Portugal Produtos Farmacêuticos S.A., Maia/Portugal
DEPOTS GENERAUX PHARMA S.A., Aulnay-sous-Bois/France
TREDIMED S.A., Saint-Ouen/France
OCP REPARTITION S.A.S., Saint-Ouen/France (until 29.05.2002)
OCP PARTICIPATIONS S.A., Saint-Ouen/France (until 21.06.2002)
SAMBRIA S.A., Charleroi/Belgium (until 31.07.2002)
GEHE Italia S.p.A., Bologna/Italy (until 19.12.2002)

Stefan Meister

Stuttgart/Germany

Membership of Supervisory Boards and other control committees:
Herba Chemosan Apotheker-AG, Vienna/Austria
GEHE Nederland B.V., Amsterdam/Netherlands
Lloydspharmacy Belgium S.A., Wavre/Belgium (until 06.08.2002)
GEHE Property Management Company S.A., Wavre/Belgium (until 06.08.2002)
GEHE UK PLC, Coventry/United Kingdom (until 31.03.2002)
GEHE Invest PLC, Coventry/United Kingdom (until 31.03.2002)
Börsenrat Baden-Württembergische Wertpapierbörse, Stuttgart/Germany

Michael A Ward

Coventry/United Kingdom

Membership of further Management Boards and comparable committees:
Lloyds Pharmacy Limited, Coventry/United Kingdom
Lloydspharmacy Belgium S.A., Wavre/Belgium
GEHE Italia S.p.A., Bologna/Italy
GEHE Nederland B.V., Amsterdam/Netherlands
GEHE IRELAND LIMITED, Dublin/Ireland

Membership of Supervisory Boards and other control committees:
Norsk Medisinaldepot AS, Oslo/Norway
Croda International PLC, Goole/United Kingdom

Members of the Supervisory Board

Günther Hülse Duisburg/Germany Chairman	Chairman of the Management Board Franz Haniel & Cie. GmbH	Membership of Supervisory Boards and other control committees: TAKKT AG, Stuttgart/Germany (Chairman) G. Konzmann GmbH & Co. KG, Leinfelden-Echterdingen/Germany Herba Chemosan Apotheker-AG, Vienna/Austria GEHE UK PLC, Coventry/United Kingdom (until 31.03.2002)
Friedrich Taake Porta Westfalica/Germany Deputy Chairman	Commercial employee GEHE Pharma Handel GmbH	
Prof Dr med Julius Michael Curtius Weimar/Germany	Cardiologist	
Dr Hubertus Erlen Berlin/Germany (since 27.03.2002)	Chairman of the Management Board Schering AG	Membership of Supervisory Boards and other control committees: B. Braun Melsungen AG, Melsungen/Germany Schering Berlin Inc., Montville/New Jersey, USA Partner für Berlin Gesellschaft für Hauptstadt-Marketing mbH, Berlin/Germany Kuratorium Bertelsmann Stiftung, Berlin/Germany Medrad Inc., Indianola/Pennsylvania, USA (until 04.10.2002)
Ihno Goldenstein Delmenhorst/Germany	Employee in Receiving Department GEHE Pharma Handel GmbH	
Jörg Lauenroth-Mago Magdeburg/Germany	Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.	Membership of Supervisory Boards and other control committees: GEHE Pharma Handel GmbH, Stuttgart/Germany Franz Haniel & Cie. GmbH, Duisburg/Germany
Hans-Martin Poschmann Berlin/Germany	Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.	Membership of Supervisory Boards and other control committees: GEHE Pharma Handel GmbH, Stuttgart/Germany Oviesse GmbH, Cologne/Germany (since 16.01.2002)
Jürgen Puff Stuttgart/Germany	Director of Organisation GEHE Pharma Handel GmbH	
Hans-Jürgen Sachse Halle/Germany	Manual worker GEHE Pharma Handel GmbH	
Dr Ihno Schneevoigt Munich/Germany	Member of the Management Board: Allianz Versicherungs-AG, Munich Allianz Lebensversicherungs-AG, Stuttgart	Membership of Supervisory Boards and other control committees: E.ON Academy GmbH, Düsseldorf/Germany (since 01.11.2002) Dr. Dr. Heissmann GmbH, Wiesbaden/Germany
Prof Dr Theo Siegart Duisburg/Germany	Member of the Management Board Franz Haniel & Cie. GmbH	Membership of Supervisory Boards and other control committees: OFFICE COMMERCIAL PHARMACEUTIQUE (O.C.P.) S.A., Saint-Ouen/France (until 20.06.2002)
Prof Dr Erich Zahn Stuttgart/Germany	Professor of Business Studies University of Stuttgart	Membership of Supervisory Boards and other control committees: IFB Dr. Braschel AG, Stuttgart/Germany (Chairman) Kuratorium Fraunhofer-Institut für Produktionstechnik und Automatisierung IPA, Stuttgart/Germany

Auditors' report

"We have carried out an audit of the group financial statements and of the group management report of GEHE Aktiengesellschaft which has been combined with the management report of GEHE Aktiengesellschaft for the business year ending on 31 December 2002. The drawing up of the group financial statements and of the management report, in accordance with German commercial regulations, is the responsibility of the company's Management Board. It is our task, based on the audit carried out by us, to assess the group financial statements and the combined management report.

We have carried out our audit of the group financial statements in accordance with § 317 of the German Commercial Code (HGB) in compliance with the guidelines laid down by the German Institute of Certified Public Accountants (IDW) for the proper auditing of financial statements. According to these guidelines, the audit must be planned and carried out so that errors and infringements having a significant effect on the representation of the assets, financial situation and profits presented in the group financial statements, taking into account the principles of proper book-keeping and the group management report, can be recognised with sufficient certainty. When determining the audit procedures, knowledge of the business activities and of the economic and legal background of the group, as well as expectations concerning possible errors are taken into account. During the audit, the effectiveness of the internal monitoring system and evidence for the details given in the accounts, the group financial statements and the management report are assessed largely on the basis of random samples. The audit includes assessment of the financial statements of those companies which are included in the group financial statements, the boundary of the scope of consolidation, the accounting and consolidation principles applied, a general opinion of the Management Board and an appraisal of the overall picture presented by the group financial statements and the combined management report. We are of the opinion that our audit provides a sufficiently safe basis for our assessment.

Our audit has not led to any objection.

We are convinced that the group financial statements comply with the principles of proper accounting and give a true and fair picture of the assets, the financial situation and profits of the group. The combined management report gives an accurate representation of the group's situation and the risks entailed in its future development."

Stuttgart, 12 February 2003

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Küpfer)
Auditor

(Wißfeld)
Auditor

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GEHE on the web

Current information about GEHE and the companies in the group can be found on GEHE's website:

www.gehe.de

For a daily update with information about pharmacies and health topics in Europe:

www.pharmacy-point.com

For information about our pharmaceutical wholesale companies and markets:

France	www.ocp.fr
Austria	www.herba-chemosan.at
Norway	www.nmd.no
Czech Republic	www.gehe.cz

For information about our pharmacies in Europe:

United Kingdom	
Lloyds Pharmacy	www.lloydspharmacy.com
John Bell & Croyden	www.johnbellcroyden.co.uk
Norway	www.vitus.no
Italy	www.geheitalia.it
Netherlands	www.gehe.nl
Czech Republic	www.lekarnylloyds.cz
Belgium	www.lloydspharmacy.be

We offer access-protected business-to-business e-commerce solutions for pharmacies:

France	www.point.ocp.fr
Germany	www.gehe-point.de
United Kingdom	www.aah-point.com
Austria	www.herba-point.at
Norway	FarmaLink (no public access)

General information

The annual report is available in German, English, French and Italian.
The German version shall be the legally binding version.

The financial statements and management report of GEHE Aktiengesellschaft for the business year 2002 will be published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Register of the Local Court of Stuttgart.

Investors' calendar 2003

Investors' Conference, New York, January 2003

Investors' Conferences, New York, February 2003

Balance Sheet Press Conference, Stuttgart, 12 March 2003

Analysts' Conference, Birmingham, 13 – 14 March 2003

Roadshow, Europe, March 2003

Annual General Meeting, Stuttgart, 24 April 2003

Dividend payment, 25 April 2003

Letter to Shareholders, 1st quarter report 2003, 21 May 2003

Letter to Shareholders, 1st half-year report 2003, 13 August 2003

Roadshow, Europe, September 2003

Roadshow, USA, September 2003

Letter to Shareholders, 3rd quarter report 2003, 11 November 2003

Roadshow, Europe, November 2003

Current information about the investors' calendar
can be found on www.gehe.de



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