

Annual Report 2001



Key facts about GEHE

Tradition

Founder _____ Franz Ludwig Gehe
Founded _____ 1835 in Dresden
Core business _____ pharmaceutical distribution:
wholesale and retail
Head Office _____ since 1981 Stuttgart

Key statistics for 2001

Wholesale branches _____ 125
Pharmacies _____ 1,721
Employees _____ 23,654
Turnover _____ € 17.0 bn
Turnover growth _____ 10.6 %
Group EBITDA _____ € 484.6 m
EBITDA growth _____ 10.3 %
Group profit before tax _____ € 292.1 m
Profit growth _____ 14.3 %
Net profit* _____ € 201.3 m
Growth in net profit* _____ 17.4 %
Net profit per share* _____ € 2.76

* profit from ordinary activities after taxes

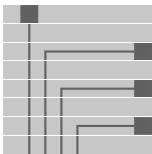
EBITDA in pharmaceutical distribution _____ € 499.1 m
EBITDA growth in pharmaceutical distribution _____ 10.8 %
Profit before tax in pharmaceutical distribution _____ € 295.4 m
Profit growth in pharmaceutical distribution _____ 15.4 %

Group overview

Major operating companies and turnover in € m



GEHE Group



GEHE Wholesale

France € 6,393 m OCP FRANCE REPARTITION S.A. Saint Ouen/Paris 55 branches	Germany € 3,252 m GEHE Pharma Handel GmbH Stuttgart 19 branches	Great Britain € 3,123 m AAH Pharmaceuticals Limited Coventry 19 branches	Austria € 791 m Herba Chemosan Apotheker-AG Vienna 7 branches
Belgium € 420 m PCB DIS S.A., Brussels 6 branches Ostend Pharma N.V., Ostend 1 branch SAMBRIA SC, Charleroi 1 branch	Ireland € 355 m Cahill May Roberts Group Limited (CMR) Dublin 3 branches	Portugal € 244 m OCP Portugal Produtos Farmaceuticos S.A. Maia 6 branches	Norway € 139 m NMD Grossist-Handel AS Oslo 4 branches
Italy € 106 m AFM S.p.A. Bologna 1 branch	The Czech Republic € 96 m GEHE Pharma Praha, spol. s r.o. Prague 3 branches		

Franz Ludwig Gehe
Company founder



GEHE Retail

Great Britain
€ 1,683 m

Lloyds Retail Chemists Limited
Coventry
1,339 pharmacies
(Lloydspharmacy)

Italy
€ 167 m

GEHE Italia S.p.A.
Bologna
157 pharmacies

Norway
€ 138 m

GEHE Norge AS
Oslo
50 pharmacies
NMD Apotekhandel AS
Oslo
41 pharmacies (Vitusapotek)

The Czech Republic
€ 26 m

Lékárny Lloyds s.r.o.
Prague
66 pharmacies

The Netherlands
€ 19 m

GEHE Nederland B.V.
Amsterdam
10 pharmacies

Ireland
€ 11 m

GEHE IRELAND LIMITED
Dublin
22 pharmacies

Belgium
€ 8 m

LLOYDSPHARMACY BELGIUM S.A.
Wavre
36 pharmacies

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GEHE Wholesale

Wholesale

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GEHE Retail

Retail

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Highlights 2001

1st quarter 2001

- Entry into the Norwegian retail business.
- Entry into the Dutch retail business.

2nd quarter 2001

- Success in the municipal privatisation proceedings in Milan and Prato, Italy (101 new pharmacies).
- Acquisition of NMD, Number 1 in pharmaceutical distribution in Norway.
- Entry into the Irish retail business.
- New wholesale branches opened in Porto, Portugal and in Porta Westfalica/Minden, Germany.
- Launch of the European internet healthcare platform www.pharmacy-point.com

3rd quarter 2001

- New pharmaceutical distribution centre in Vienna, Austria.
- Entry into the Belgian retail business.

4th quarter 2001

- Integration of NMD commenced following permission for acquisition of NMD by the Norwegian monopolies and mergers commission.
- Expansion of pharmacy presence in Europe by 118 pharmacies by the year's end (Total No. of pharmacies at 31.12.2001: 1,721).

Letter to Shareholders

Dear Shareholders

We are pleased to inform you in this report of an exceedingly successful 2001.

We spent the 2001 financial year expanding our leading position in European pharmaceuticals in both wholesale and retail. At the same time, in the fourth quarter of 2001 we sold our minority share in Jenapharm GmbH & Co. KG, the last of our activities which was neither within pharmaceutical wholesale nor pharmaceutical retail. By doing so, we completed our two-pillar strategy in 2001. By the end of the financial year GEHE had become a company concentrating solely on pharmaceutical distribution – in both the wholesale and retail market sectors. This makes GEHE one of the few companies worldwide to conduct wholesale and retail business under one roof and in the same market.

In 2001 we considerably strengthened both of the pillars on which GEHE's business is now based and will continue to be based in the future. The acquisition of Norsk Medisinaldepot (NMD), Norway's leading pharmaceutical wholesaler with a market share of over 50 %, ideally complemented our pharmaceutical wholesale business. The acquisition of NMD was a particularly important step for us as it is our first commitment to pharmaceutical wholesale in one of the Scandinavian countries. We also made considerable investments in the retail sector in the last financial year with the acquisition of a total of 318 pharmacies. In addition to enhancing our retail presence in Great Britain, Italy and the Czech Republic, the development of our retail business has been particularly marked in the last financial year by our expansion into four new markets (Belgium, Ireland, The Netherlands and Norway). At the end of 2001 we were represented in ten European countries in pharmaceutical wholesale and in seven European countries in retail.

In the 2001 financial year we achieved results which far exceeded our optimistic expectations in both wholesale and retail, not only in terms of group turnover but also for profit before tax and net profit (both before extraordinary results). As a result we are reporting record profits for the financial year 2001. We are particularly proud of this since the government-directed cost-saving measures, which were introduced in some of our principal markets in the second half of 2000, had a negative effect throughout 2001. In spite of this we achieved a group pre-tax profit on ordinary activities which was more than a 14 % improvement on 2000. There were several reasons for this success. One of the reasons is that the pharmaceutical market does not automatically follow the general economic cycle. Therefore, developments in the pharmaceutical market were affected by the governments' cost-saving measures but did not fall victim to the general downturn



Dr Fritz Oesterle
Chief Executive Officer

in the economy. Apart from the general trend in our markets, which was largely in line with our expectations for 2001, our excellent group results were particularly helped by the fact that our operating units, whose markets were affected by government measures, were able to react to these measures in a highly flexible and proactive manner. In this context we would like to offer particular thanks to our employees for enabling us to react so flexibly to the challenges presented by the governments. Without the support of our employees and their representatives on our committees it would not have been possible to absorb the government's cost-saving measures to the same extent. One other reason why we concluded 2001 with profits so far above those of the previous year is that, with a wholesale presence in ten European countries and a retail presence in seven European countries, our business as a whole is never 100 % subject to the cost-saving measures of any individual country. With a broad presence in attractive national wholesale and retail markets, we are relatively less vulnerable to government's cost-saving measures than our competitors operating in a single national market. The excellent results of the last financial year are therefore partly attributable to our geographical diversification.

Generally, the year 2001 was also characterised by overall disillusionment with the internet, particularly in the fields of healthcare and medicines. Many companies believed that by using business models which had been thought through to some extent, they could succeed in the healthcare and medicines market. Most of them had disappeared from the scene by the end of last year. This applies almost without exception to the end user and patient-oriented e-commerce models. The year 2001 confirmed us in our belief that no e-commerce model can replace the functions of pharmaceutical wholesaling or pharmacy stores. It has been established that e-commerce models developed in our market are either commercially unprofitable or associated with an unacceptable deterioration in the quality of the provision of medicines. For this reason, as long as a national government considers the proper provision of medicines to the population to be a service which is in the public interest, it must not assist any companies and industrialists who enter the market using business models which are only financially viable if a marked deterioration in the general provision of medicines is accepted.

We took an important step in the continued development of our group at the end of the 2001 financial year. As the logical consequence of now concentrating on the two strategic pillars, wholesale and retail, we centralised all our wholesale and retail activities throughout Europe on 1 January 2002. Mr Jacques Ambonville

now has overall responsibility for European pharmaceutical wholesale on the Management Board of GEHE Aktiengesellschaft. Mr Michael Ward is responsible on the Management Board for our entire European retail business. Mr Jürgen Ossenberg-Engels resigned from the Management Board of GEHE Aktiengesellschaft with effect from 31 December 2001. We are also demonstrating our strategic orientation in organisational terms with new, clearly defined responsibilities within the Management Board of GEHE Aktiengesellschaft. This creates the basic framework for an even stronger European orientation in the future for both the Wholesale and Retail Divisions, and above all for even better utilisation of synergistic opportunities both within and between these divisions. The clear allocation of responsibilities at Board level will, in future, also facilitate the organisational integration of new companies. The layout of this Annual Report is also in keeping with the clearly defined areas of responsibility of wholesale and retail. The practice hitherto of separating the OCP, GEHE Herba and AAH Group in the wholesale section of the Annual Report has been abandoned.

With the new organisational basis and the support of all our employees, we are now optimally equipped not only to meet the challenges of our national markets but also the challenges of a much more closely harmonised European pharmaceutical market.

Stuttgart, February 2002
The Management Board



Dr Fritz Oesterle
Chief Executive Officer



Management Board

Growth Market Healthcare





Dr Fritz Oesterle
Chief Executive Officer
and Labour Relations Director



Jacques Ambonville
Wholesale



Stefan Meister
Finance
and Controlling



Michael Ward
Retail

Jürgen Ossenberg-Engels
Member of the Management Board
until 31.12.2001



Supervisory Board

Günther Hülse

Duisburg-Ruhrort
Chairman

Friedrich Taake

Porta Westfalica/Minden
Deputy Chairman

Prof Dr med**Julius Michael Curtius**

Weimar

Ilhno Goldenstein

Delmenhorst

Jörg Lauenroth-Mago

Magdeburg

Hans-Martin Poschmann

Berlin

Jürgen Puff

Stuttgart

Hans-Jürgen Sachse

Halle

Dr Dieter Schadt

Duisburg-Ruhrort
(until 31.12.2001)

Dr Ilhno Schneevoigt

Munich

Prof Dr Theo Siegert

Duisburg-Ruhrort

Prof Dr Erich Zahn

Stuttgart

Supervisory Board Report

GEHE consistently pursued its expansion strategy in 2001. The group also improved its position in both wholesale and retail, in particular as the result of acquiring NMD and pharmacies in Belgium, Great Britain, Ireland, Italy, The Netherlands, Norway and The Czech Republic. At the same time, GEHE sold its minority share in Jenapharm GmbH & Co. KG. This step was a logical consequence of GEHE's strategy. Furthermore the wheels were put in motion for the reorganisation of the group. The Supervisory Board monitored the strategy closely, in addition to all the important projects and their implementation. They were kept fully and regularly informed about current business developments, as well as the situation of the company and the group. The Supervisory Board was thus in a position to fulfil its supervisory and advisory responsibilities to the full and take the necessary decisions.

In the 2001 financial year the Supervisory Board met four times. The Management Board also kept the Supervisory Board informed about important corporate transactions outside the meetings of the Supervisory Board. The Chairman of the Supervisory Board also held a number of separate discussions with the Management Board on matters of corporate policy as well as the position and development of the company. Important matters brought to the attention of the Chairman outside the meetings of the Supervisory Board were also passed on in detail to the full Board at the following meeting.

The Supervisory Board formed two committees. The Arbitration Committee set up in compliance with § 27 para. 3 of the Co-Determination Act did not meet, while the Personnel Committee met on two occasions.

The financial statements for GEHE Aktiengesellschaft and the group financial statements as at 31 December 2001 together with the joint Management Report for GEHE Aktiengesellschaft and the group were audited and certified by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich/Stuttgart. These documents and the auditors' report were submitted to all members of the Supervisory Board and extensively discussed at a meeting convened to discuss the accounts in the presence of the auditors. The Supervisory Board approved the results of the audit and the annual



Günther Hülse
Chairman of the
Supervisory Board

accounts drawn up by the Management Board of GEHE Aktiengesellschaft; and these are hereby confirmed. The Supervisory Board examined the proposed appropriation of the balance sheet profit. We concur with the proposal.

In view of the fact that Franz Haniel & Cie. GmbH, Duisburg-Ruhrort, retained a majority holding during the course of the year under review, the Management Board submitted to the Supervisory Board a report on relations with affiliated companies for the 2001 financial year in accordance with § 312 of the Companies Act (Aktiengesetz), together with the associated auditors' report drawn up by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich/Stuttgart, as auditors of the Annual Report in accordance with § 313 of the Companies Act (Aktiengesetz). The auditors raised no objections and therefore issued the following statement:

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

1. the facts set out in the report are correct;
2. payments by the company in connection with the legal transactions referred to in the report were not unduly high."

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

Dr Dieter Schadt, Chairman of the Management Board of Franz Haniel & Cie. GmbH until 31 May 2001, resigned his office as Chairman of the Supervisory Board with effect from 31 May 2001 and resigned from the Supervisory Board with effect from 31 December 2001. Mr Günther Hülse, Chairman of the Management Board of Franz Haniel & Cie. GmbH, has been appointed as his successor as Chairman of the Supervisory Board with effect from 1 June 2001. We offer Dr Schadt our thanks for his many years of successful commitment to the company.

On 1 January 2002 Mr Jacques Ambonville was given overall responsibility within the Board for European pharmaceutical wholesale. Mr Michael Ward has overall responsibility within the Board for GEHE's European pharmaceutical retail business. In connection with this, Mr Jürgen Ossenberg-Engels left the Board on 31 December 2001. We are indebted to Mr Ossenberg-Engels for his many years of successful service to the company.

Stuttgart, March 2002
For the Supervisory Board



Günther Hülse
Chairman of the Supervisory Board

Key financial figures – 10-year overview

in € m	1992	1993	1994	1995
Turnover	2,778.8	5,202.8	7,771.9	9,794.5
% increase	7.9	87.2	49.4	26.0
EBITDA	188.4	208.5	243.9	318.8
EBITDA per share €	3.88	3.57	4.18	4.37
Profit before tax	89.6	94.1	120.0	171.5
Net profit	46.3	47.7	71.9	108.1
Dividend €/individual share*	0.36	0.36	0.51	0.51
Cash-flow	113.8	122.0	163.8	213.7
Fixed assets	528.0	947.1	968.1	1,360.1
Shareholders' equity	459.9	642.6	696.9	1,060.9
Long-term capital	608.9	942.3	1,130.2	1,631.4
Total assets	1,093.3	2,332.0	2,455.2	3,170.2
% of total assets				
fixed assets	48.3	40.6	39.4	42.9
Shareholders' equity	42.1	27.6	28.4	33.5
Long-term capital	55.7	40.4	46.0	51.5
Investments	61.8	356.4	164.1	486.9
Number of employees (converted to full-time equivalents)	6,036	11,890	11,313	18,764

* based on respective number of shares distributed

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

*** adjusted for extraordinary result after taxes

	1996	1997	1998	1999	**1999	2000	***2001
	10,954.4	12,800.6	12,966.6	13,923.0	13,607.8	15,344.7	16,971.0
	11.8	16.9	1.3	7.4	10.9	10.2	10.6
	586.5	422.6	439.4	423.5	385.7	439.5	484.6
	8.05	5.80	6.03	5.81	5.29	6.03	6.65
	433.2	231.6	252.1	260.9	230.0	255.5	292.1
	225.0	145.8	155.8	183.8	146.1	171.5	201.3
	0.51+0.15	0.66	0.66	0.70+0.07	0.625+0.07	0.77	0.77+0.08
	328.4	233.6	248.7	249.0	226.2	255.0	291.6
	1,011.2	1,965.0	1,844.9	1,867.9	1,867.9	2,020.6	2,320.4
	1,100.1	1,204.1	1,155.3	1,185.1	1,185.1	1,153.2	1,220.6
	1,242.4	2,311.7	2,065.9	1,967.5	1,967.5	2,169.9	2,506.7
	2,914.1	4,212.8	4,114.6	4,352.5	4,352.5	4,506.4	5,241.8
	34.7	46.6	44.8	42.9	42.9	44.8	44.3
	37.8	28.6	28.1	27.2	27.2	25.6	23.3
	42.6	54.9	50.2	45.2	45.2	48.2	47.8
	143.7	890.7	207.5	271.2	269.6	334.5	548.4
	15,909	23,755	23,033	21,048	21,048	21,619	23,654





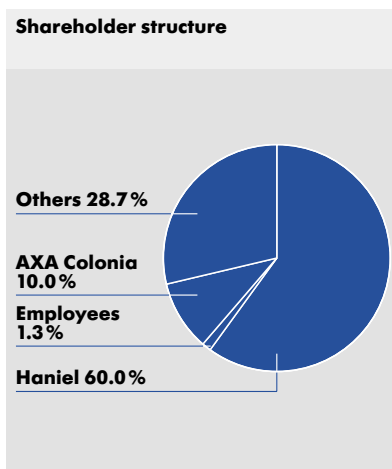
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Aktie



Shares



Shareholder structure

The majority shareholder of GEHE is Franz Haniel & Cie. GmbH (Haniel), Duisburg-Ruhrort, which holds approximately 60 % of the share capital. At the end of 2001 Haniel issued a convertible bond on GEHE shares for € 280 m. In the event of a full conversion of the bond, Haniel's holding will be reduced by 7.4 % in 2004. Despite this, evidence that Haniel considers GEHE a strategic investment and therefore intends to retain more than a 50 % holding was reaffirmed in the course of this issue. 10 % of the shares are held by companies in the AXA Colonia Group which had similarly been placed in a convertible bond in 1998. Following conversion in 2003, these shares will pass to the holders of the convertible bond. The remaining 30 % of the shares are held by institutional investors, and by numerous private investors at home and abroad. Of these, approximately 1.3 % of the share capital is held by GEHE employees.

Stock exchanges and liquidity

GEHE shares are officially quoted on the stock exchanges in Stuttgart, Berlin, Düsseldorf, Frankfurt and Munich. They are also traded over the counter in Hamburg, Bremen and Hanover and through the XETRA dealing system.

In order to avoid the price fluctuations brought about by short-term imbalances between supply and demand, GEHE has employed a market maker who guarantees the liquidity of the shares on the electronic XETRA dealing system. This means that our shareholders can be sure of trading in GEHE shares at any time at an appropriate market price.

GEHE shares and their position in significant stock market indices

GEHE is one of the 100 largest listed stock companies in Germany. Its shares are listed in the M-DAX segment. With a market capitalisation of € 3.17 bn and a share trading volume calculated according to the new method of Deutsche Börse AG of around 16.5 m individual shares in 2001, the share price is included in the calculations of the M-DAX index with a weighting of 2.89 %. This is clear evidence of the prominent position held by GEHE in this market segment.

Since 1999 GEHE shares have also been included in the Morgan Stanley World Germany Index (MSCI-Index), used by many investors as a benchmark, with a weighting of 0.37 %.

In 2001 GEHE shares were included in the "FTSE4Good Europe" "ethical" index published for the first time by the "FTSE" (a joint company of the London Stock Exchange and the Financial Times) of London. This index reflects the increasing interest of private and institutional investors in an investment which satisfies high social and environmental standards.

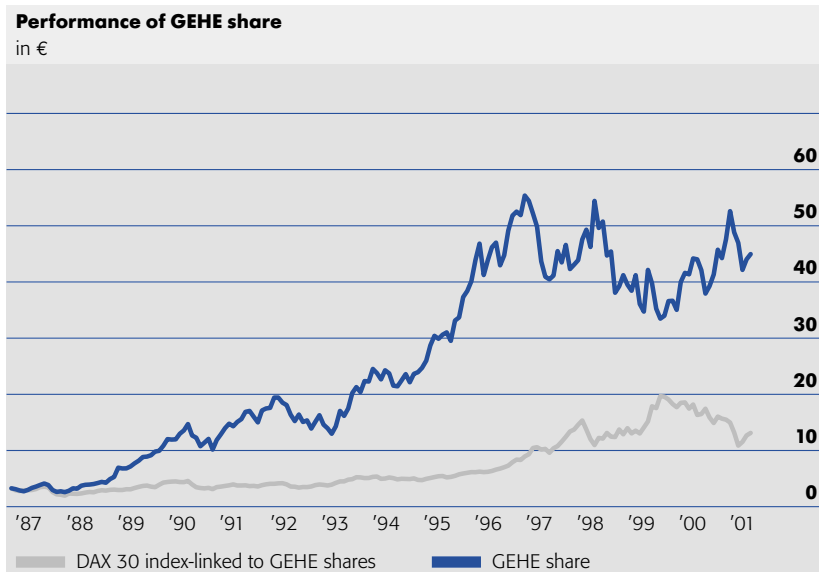
A further recognition of our value-oriented corporate strategy is the inclusion of GEHE shares in the international "Dow Jones Sustainability World Index" (DJSI World). The DJSI World comprises in excess of 200 companies in 33 countries and serves as a guideline for numerous financial institutions in their investment decisions. Sustainability is understood to signify a corporate approach which attaches particular value to long-term business strategy, innovation, corporate governance, the interests of shareholders and employee satisfaction.



Shares

Price performance of GEHE shares once again higher than the DAX in 2001

The demand for companies with sustained profit growth in solid growing markets led to an above-average increase in the value of GEHE shares. On the last day of trading of the year 2000 (29 December) GEHE shares closed at € 40.75. The share price rose almost continuously to its peak in July 2001 at € 52.05, closing on 28 December 2001 at € 43.50 despite the difficult market conditions. This corresponds to a price performance over the whole year of + 6.7 %. The DAX, by comparison, showed a – 19.8 % downward trend in an uncertain market environment. In the second half of 2001 in particular, share price development was characterised by the general weakness of the world economy and the tragic events in the USA, which adversely affected the stock markets. By contrast, the positive trend of GEHE shares is evidence of the market's confidence in the sustainability of our corporate development.



Over a ten-year period, an investment in GEHE shares has achieved a large increase in value. For a shareholder who bought GEHE shares worth € 10,000 ten years ago, his holding by the end of 2001 was worth € 33,786. This corresponds to a growth in shareholder value of € 23,786 (+ 12.95 % per year).

Key figures per share at a new high

The successful trading outcome for 2001 was also reflected in the best key figures in the history of the company. Particular attention should be given to EBITDA (Profit before Interest, Tax, Depreciation and Amortisation) as the indicator of the operational performance of a company. It rose to € 6.65 per share (2000: € 6.03) and as such is impressive evidence of GEHE's operational success.

Key financial figures for the GEHE share in € per share	1997	1998	1999	2000	2001
Profit from ordinary activities after taxes before minority interests	1.96	2.13	2.25	2.33	2.76
Dividend	0.66	0.66	0.70+0.07	0.77	0.77+0.08
Dividend with tax credit (not rounded up)	0.94	0.94	1.10	1.10	0.85*
EBITDA	5.80	6.03	5.81	6.03	6.65
Cash flow	3.21	3.41	3.42	3.50	4.00
Shareholders' equity	16.52	15.84	16.26	15.82	16.74
Share price (31.12./adjusted for TAKKT until 1998)	39.41	50.35	38.50	40.75	43.50
Number of issued shares in million (31.12.)	72.9	72.9	72.9	72.9	72.9
Market capitalisation (31.12./in € m)	2,872.9	3,670.5	2,806.7	2,970.7	3,171.2

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



Shares

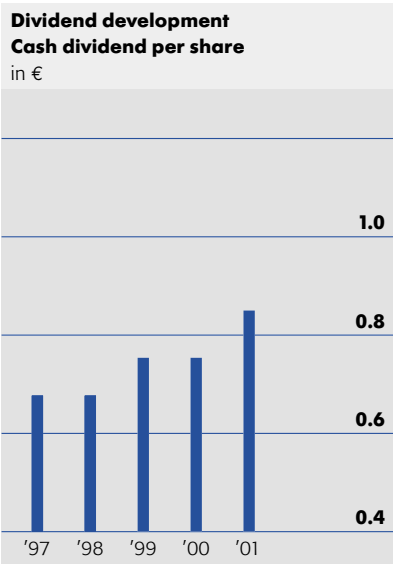
Expansion in retail given a unanimous welcome by analysts

The progressive growth in profits in the retail business serves as confirmation that our strategy of expansion in this field is justified. Our acquisitions in Italy, Great Britain and The Czech Republic, and entry into the Norwegian, Irish, Dutch and Belgian markets were received very positively by analysts and investors alike.

Dividends in line with record profit

The Management and Supervisory Boards will propose a total dividend of € 0.85 per share (previous year: € 0.77) to the 2001 Annual General Meeting, made up of an ordinary dividend of € 0.77 and an extraordinary dividend of € 0.08 per share. By raising the total dividend by more than 10% the shareholders should also benefit directly from the trading outcome and extraordinary profit in addition to the positive developments in the share price. This is wholly consistent with GEHE’s established dividend payout policy.

In Germany there was a changeover in the dividend taxation system to the half-income system. As a result of this change, a deductible corporation tax credit no longer applies to domestic shareholders.





**Award for our Investor
Relations team**

Investor Relations

Contact with our shareholders, institutional investors and analysts is of paramount importance to us. With active, reliable communication we can meet the increasing demands of the financial markets for information and make our strategy and figures even more understandable.

Following publication of each new set of quarterly figures, we set up telephone conferences to answer questions about the results and the company's development.

In April 2001, GEHE organised an analysts' conference in Vienna which was attended by more than 20 representatives from leading investment banks. In the course of this event the analysts also learnt of the successful integration of Herba Chemosan into the GEHE Group, using the pharmaceutical distribution centre in Vienna as an example.

Our Investor Relations work was rounded off by further company presentations in the course of investment conferences and numerous roadshows held in Europe, the USA and the United Arab Emirates.

Information for shareholders on the internet awarded numerous distinctions

The internet is increasingly gaining in importance as a means of communication. We make extensive use of this to report, quickly and in detail on current events, analysts' and press reports, and GEHE shares. We shall also be making increased use of e-mail to send our Letter to Shareholders and make it available on our homepage for interested investors to download. On our website www.gehe.de we also provide our investors with an e-mail service and a Short-Message-Service (SMS). With this range of services, the interested shareholder can obtain information on a daily basis about the current status of GEHE shares.



Shares

In November 2001 the business magazine "Wirtschaftswoche" carried out an appraisal of the best internet sites for investors. GEHE was awarded first place in the M-DAX companies category.

The successful work of our Investor Relations team was recognised in being awarded second place by "Capital" business magazine. The overall Investor Relations approach of the M-DAX companies was assessed using criteria such as speed, precision and reliability of communication, and the commitment and activity of management in matters of Investor Relations.



GEHE

Konzern



Dr Fritz Oesterle
Chief Executive Officer

**Management Report
for the GEHE Group and
GEHE Aktiengesellschaft 2001**

Corporate strategy

The fundamental GEHE-specific success factors and hence the fundamental strategic orientation of the GEHE Group remained the same in the 2001 financial year as in 1999 and 2000. This has again paid off and will encourage us to continue to concentrate on these success factors, i.e. our strengths as regards:

- concentration on wholesale and retail, our two commercial pillars;
- expansion in these areas of business;
- the integration of newly acquired companies;
- the definition of our role as a sales intermediary in accordance with the needs of our customers;
- appropriate forward-looking reactions to market developments;
- organisation, motivation and information, both internally and externally.

In the 2001 financial year these GEHE success factors also manifested themselves in individual strategic goals, in particular:

- entry into new, attractive wholesale and retail markets;
- the all-Europe focus of the GEHE Group
(the further development of our GEHE World 21 project);
- function-specific projects for the transfer of know-how.

Apart from the direct monetary goals in a given year, the implementation of such individual strategic goals is essential to GEHE's long-term success.

Corporate strategy

Entry into new, attractive markets

In the wholesale sector, entry into the Norwegian market was effected with the acquisition of NMD, Oslo. With a market share of over 50 %, NMD is the clear market leader in the Norwegian pharmaceutical market, which has been experiencing strong growth for many years.

Four new markets were accessed on the retail side. We acquired individual pharmacies in attractive locations in Norway after the legal conditions had been created as the result of an amendment to the law on 1 March 2001. In addition, we also obtained the NMD retail business as part of the NMD acquisition. These NMD pharmacies were combined with our own pharmacies to form an operational unit in the fourth quarter of 2001.

In The Netherlands, Ireland and Belgium, market entry was gained through the acquisition of individual pharmacies or small pharmacy chains. The existing organisations in these countries at the end of 2001 will form a solid base for the rapid development of an attractive market position.

Further development of GEHE's World 21 Initiative

The group-wide project "GEHE World 21", launched at the end of 1999, in which we are accelerating the integration of the companies owned by GEHE, also made good progress last year. The work of the "Communities", founded during 2000 and active throughout the group in all essential functions, and in which management and employees from all levels work together, was supported and intensified by a number of accompanying measures.

The process of intra-group integration through the work of the "Communities" can best be described by the term "transfer of knowledge" across all levels, between all companies, and transcending functional and national boundaries. Information on the work and concrete results of the "Communities" is provided in a Newsletter published and distributed regularly throughout the group.

We are also making more extensive use of electronic media to facilitate co-operation and the exchange of information between our companies and employees. We have been building up a GEHE Intranet since early 2001 as a knowledge platform.

With our project "Language Skills and Cultural Awareness" we are introducing those of our employees involved in transnational operations to the cultural differences between different countries. This has allowed us to achieve much better mutual understanding between our employees locally and throughout Europe.



GEHE World 21

Corporate strategy

Synergies via transfer of knowledge in wholesale

Factors for success in operations are the sustained optimisation and standardisation of logistic processes and the consistent use of state-of-the-art technologies. Experience in 125 wholesale branches in ten European countries is the basis for recognising opportunities early and developing suitable solutions. The intensive, open co-operation of all those responsible within the framework of our internal GEHE "benchmarking" and our internal GEHE "best practices" has considerably improved efficiency and the cost situation in all companies, and has been instrumental in reducing the time required to develop new solutions. Transnational training of employees is now a matter of course in this field.

Our benchmarking and the internal quest for best practice have in the past led, for example, to the introduction of automatic order-start and the automatic document insertion in our wholesale companies throughout the group. This technology was first used in the OCP branch in Argenteuil in 1997. When this technical alternative had been tried and tested and proved to be superior it was adopted both in other French branches and in our British and German wholesale branches. The new Herba Chemosan distribution centre in Vienna which went on stream in the 2001 financial year was also equipped with this technology. Experience with this technology has shown that the apparently contradictory aims of cost reduction and simultaneous improvement in service quality can be achieved with the intelligent use of organisational solutions. We can observe the same today with the introduction of call centre technology. This technology will replace ordertaking by telephone in the individual branches with a single call centre per region. The centralisation of ordertaking by telephone in a single location allows the focussed use of appropriate numbers of highly qualified customer service staff. The implications of this for the customer are even better consultation with simultaneous improved availability, which will be approximately 95 %, whilst providing considerable cost savings for us. This cost-efficient, customer-oriented technology was first introduced in the OCP-branch at Lyon in January 1999. The call centre in Warrington, Great Britain, was set up at the end of 2000 on the basis of the experience at OCP.

Automatic order-start, the automatic document insertion and call centre technology are just a few examples of how we are utilising synergistic opportunities through group-wide knowledge transfer and group-wide control of best practices. The knowledge available throughout the group and our experience throughout Europe have led to group-wide standards for a highly efficient warehouse layout. There is an art to only setting as a standard something which is not subject to any special national or regional commercial features, and also formulating and setting standards sufficiently flexibly that they take account of any special national or regional features, or so that they can be adapted to accommodate these features. We have largely adopted these standards in the new Vienna distribution centre of Herba Chemosan, although the planning for this was largely completed when we acquired Herba Chemosan.

It is not only in the field of operational procedures but also in the field of sales that solutions, which are at least in part standardised throughout the group, result in reduced costs with simultaneous improved service quality and thus in a higher level of customer satisfaction. This applies, for instance, to "Pharmacy-POINT", www.pharmacy-point.com, our response to the so-called "internet pharmacies", developed and introduced with our wholesale customers. One of the questions we encountered most frequently in 2001 was the significance of internet pharmacies for our business and our response to them. GEHE's position as regards internet pharmacies and the inextricably linked question of medicines by mail order is clear: The safest, most patient-friendly and therefore only proper way of selling medicines is the dispensing of medicines through the local pharmacy. The distribution of medicines by other organisations not only endangers the provision of medicines, but above all jeopardises the supply of a full range of medicines to the population over a wide area and patient access to professional consultation.

Starting from this clear position, we have been developing "Pharmacy-POINT" for our wholesale customers throughout Europe. This internet healthcare platform has been adapted, with the support of pharmacy representatives, to meet the market requirements and customer structures of the individual countries. The most important partners for "Pharmacy-POINT" are the pharmacies which we gained as local contact points within the framework of this concept.



Corporate strategy

"Pharmacy-POINT" was launched in Germany in May 2001 and has ever since been offering German consumers the opportunity to order all their medicines safely and conveniently from a pharmacy of their choice. The sale of the medicine ordered then takes place in the pharmacy. In addition to this ordering facility, "Pharmacy-POINT" offers the consumers comprehensive information covering the subjects of medicines, healthcare and pharmacy. The basic concept of "Pharmacy-POINT" was also introduced in Great Britain, France and Austria in the second half of 2001 and, as in Germany, has been continuously expanded. In view of the expense involved, we were only prepared to develop and introduce "Pharmacy-POINT" on condition that this concept could be used by our wholesale customers all over Europe. We would not have created "Pharmacy-POINT" for a national market alone.

There are now approximately 10,000 pharmacies involved in "Pharmacy-POINT" in Europe.

Synergies through the transfer of knowledge in retail

What is true of pharmaceutical wholesale is equally true of the retail business. In retail too, synergies can be achieved solely through the group-wide transfer of knowledge and experience.

Thus, the fact that we have been able to fall back on the considerable experience of Lloydspharmacy in Great Britain when acquiring existing pharmacies and opening new ones has already saved us a lot of money in the building up and expansion of our retail business in both existing and new retail markets. Lloydspharmacy has developed sophisticated and detailed valuation models for the acquisition of pharmacies, and also integration and expansion concepts for individual pharmacy locations. Our organisations in other European countries can refer to these when building up and expanding their retail presence, and can apply them whilst also taking local market features into account.

Similarly, strategies and concepts which Lloydspharmacy has developed, for instance, in the fields of recruitment, training and development, pharmacy layout, customer services and merchandising are also being adapted to local market requirements where necessary and then applied throughout the group in all countries where GEHE has a retail presence.

Corporate strategy

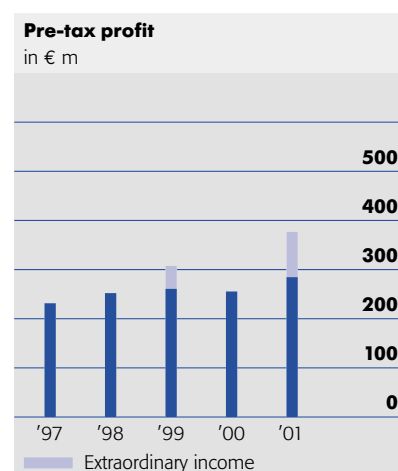
The transfer of experience and knowledge in the retail business clearly manifested itself in June 2001. With our "Advancing European Pharmacy" we organised and held the first European "Pharmacists' Forum" for pharmacists and journalists from seven European countries in Lausanne, Switzerland, in June 2001. Experience was exchanged in all aspects of pharmacy business as part of this forum – supported by lectures and topic-related discussion groups. Encouraged by the positive response to our Pharmacists' Forum, we organised another European "Pharmacists' Forum" in Stratford-upon-Avon, Great Britain, in October 2001. As a result of the great success of these events, we plan to organise this form of conference in coming years, both for our own pharmacies and their staff, and for independent pharmacists too.

We have made it our aim to accelerate the continuing integration of the companies owned by GEHE through the internal exchange of experience and knowledge, and hence the Europeanisation of the GEHE Group. A visible consequence of the increasing Europeanisation of our wholesale and retail business is the restructuring of our Management Board in early 2002.

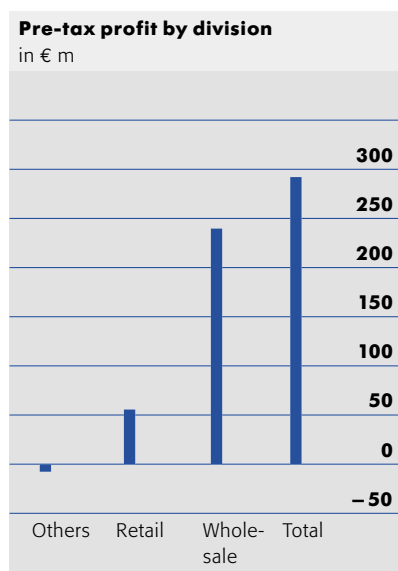
Business review

In 2001 turnover and pre-tax profits from ordinary activities again far exceeded the high levels of the previous year. Turnover rose by 10.6 % (11.2 % adjusted for exchange rate differences) to € 17.0 bn. Group pre-tax profit from ordinary activities showed a more than proportional rise of 14.3 % (15.2 % adjusted for exchange rate differences) to € 292.1 m. In pharmaceutical distribution, pre-tax profit from ordinary activities amounted to € 295.4 m. This corresponds to an increase of 15.4 % (16.3 % adjusted for exchange rate differences).

The share of turnover achieved outside Germany in 2001 amounted to 80.8 % of group turnover (previous year 80.1 %). 81.8 % of the profit from ordinary activities before tax (previous year 80.4 %) was achieved outside Germany.



Business review

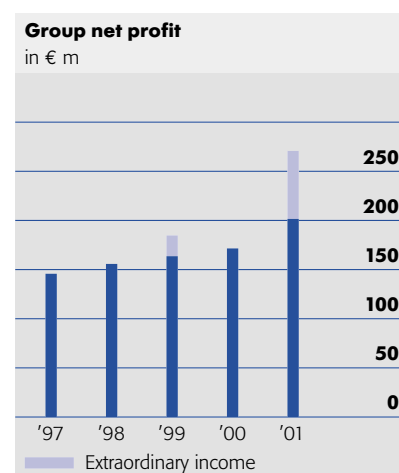


This development far exceeded our ambitious targets for 2001. In the Wholesale Division we achieved this positive development in our existing markets thanks to the sustained positive growth and the quality of our range of services. We succeeded in counteracting the government measures which came into effect in France at the end of 2000 by applying rapid, goal-oriented measures in both the organisational and sales areas. By contrast, our profits in Great Britain were negatively affected by the reduction in the price of generics introduced in the third quarter of 2000 and the abolition of income streams generated for a limited time period. We expect to be able to improve profits in Great Britain again during 2002 by introducing cost-saving measures.

The Retail Division increased its share significantly with an increase in profit from ordinary activities before tax of 49.7% (53.3% adjusted for exchange rate differences). This outstanding growth was essentially produced by our existing pharmacies. While the acquisitions in Italy in 2001 had a very positive effect on profits, growth in profits was hampered by the costs associated with developing retail organisations in new markets in 2001.

The rate of tax on earnings in the group, calculated on profit from ordinary activities, fell slightly to 31.1 % (32.9% for the previous year). Reduced tax on earnings was brought about due to the increase in the share of profit from abroad together with the reduction in the rate of corporation tax which came into force in Germany on 1 January 2001.

Profit on ordinary activities after taxation for the group rose by 17.4 % (18.4% adjusted for exchange rate differences) to € 201.3 m. In addition we achieved an extraordinary profit after tax of € 69.7 m as a result of the sale of the remaining Jenapharm shares.



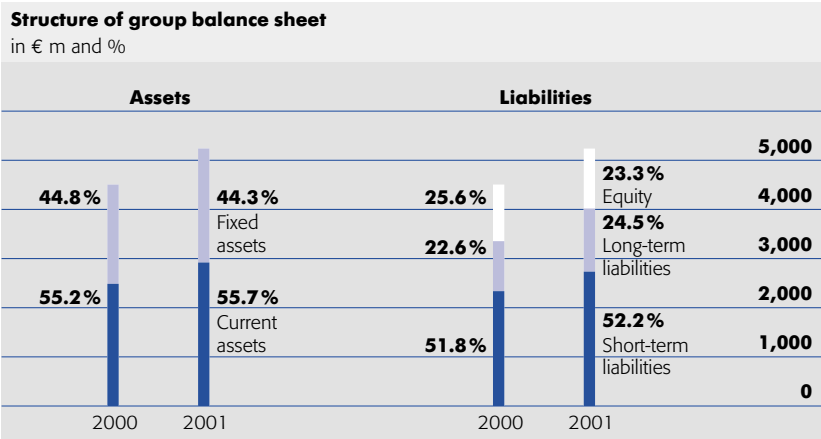


Business review

Impact of acquisitions on balance sheet structure

The implementation of our expansion strategy is reflected in the structure of our balance sheet. The balance sheet total rose to € 5.2 bn (previous year € 4.5 bn). The acquisitions contributed to the increase especially of the goodwill, current assets and current liabilities. In contrast to previous years, exchange rates had practically no effect on the balance sheet structure.

Both the capital ratio of 23.3 % and the financial structure are well within the desired limits.



EBITDA and cash flow rise significantly – overproportional growth in retail

EBITDA is the barometer for our operational performance, as this figure does not take into account interest rate growth, the tax situation or depreciation of fixed assets and goodwill. EBITDA for the group rose considerably by 10.3 % (11.3 % adjusted for exchange rate differences) to € 484.6 m. We increased EBITDA in pharmaceutical distribution to € 499.1 m, achieving growth of 10.8 % compared with the previous year (11.8 % adjusted for exchange rate differences). With a growth in EBITDA of 22.0 % (24.3 % adjusted for exchange rate differences) the EBITDA of the Retail Division grew much more strongly than that of the group.

Cash flow within the group rose by 14.4 % (15.3 % adjusted for exchange rate differences) to € 291.6 m. In pharmaceutical distribution, cash flow increased by 15.0 % (15.9 % adjusted for exchange rate differences) to € 285.2 m. This improvement is the result of the large increase in the annual net profit. When the extraordinary income from the sale of the remaining Jenapharm shares is taken into account, cash flow increased by 41.7 % to € 361.3 m.

Business review

Investment

In 2001 GEHE invested a total of € 548.4 m. Of this investment € 411.7 m went into intangible assets, € 89.5 m into tangible assets and € 47.2 m went towards financial assets.

The acquisition of NMD and the expansion of our retail activities in Italy with the acquisition of AZIENDA FARMACIE MILANESI – AFM S.p.A. and Farmacie Pratesi Pratoforma S.p.A. in addition to entry into the retail markets in Norway, Ireland, Belgium and the Netherlands accounted for the majority of the investments in intangible assets.

€ 89.5 m investment in tangible assets went into a large number of individual projects. In the Wholesale Division we invested € 9.5 m in the construction and fitting out of the new branches in Vienna/Austria and Porta Westfalica/Minden/Germany. A further € 16.7 m went into automation projects.

In the Retail Division, as in the previous year, the focus of our investments, at € 31.0 m, was on the harmonisation of our market image and the repositioning of individual pharmacies in more favourable locations. In Norway and the Czech Republic we invested € 50.7 m in the establishment of pharmacies in attractive locations.

€ 20.5 m of our investment went into information technology. Investments were concentrated on increasing the efficiency of the wholesale branches, the expansion of our IT systems in the Retail Division and the further development of our internet solutions for pharmacists.

Balance sheet total of GEHE Aktiengesellschaft increased

The balance sheet total of GEHE Aktiengesellschaft increased, mostly as a result of acquisitions, to € 1,922.6 m (previous year € 1,468.0 m). Furthermore, the balance sheet structure remained largely unchanged from the previous year. In other respects the accounts for GEHE Aktiengesellschaft reflect its activity as an executive holding company.

The annual net profit for GEHE Aktiengesellschaft in 2001 was € 57.2 m (previous year € 121.8 m). Together with profits of € 4.8 m brought forward from 2000, the retained earnings total € 62.0 m. These are to be fully distributed as a proposed dividend.

Shareholders to benefit from the extraordinary profit

The Management and Supervisory Boards will propose to this year's Annual General Meeting that an ordinary dividend per share of € 0.77 be paid out on the 72.9 million individual dividend-bearing shares held in 2001. In addition, a special dividend of € 0.08 per share will be paid out of the extraordinary profit.

The proposed total dividend of € 0.85 per share represents an increase of 10.4 % compared with the previous year's dividend of € 0.77. Pursuant to the amendment to the corporation tax law on 1 January 2001, from this year onwards corporation tax credit will no longer apply to our domestic shareholders.

The proposed dividend means that, yet again more than 30 % of the ordinary group net profit will have been distributed to the shareholders.

Employees

GEHE – an attractive employer in Europe

GEHE is not only an attractive employer from the point of view of its employees but also that of job applicants. The increasing number of speculative applications, is particular evidence of this. It is foremost our presence in Europe and the challenge of an international environment that makes GEHE attractive to many applicants.

Despite the cooling economic climate of 2001, there is still evidence of a trend which started last year whereby new, high-calibre recruits are very much in demand – in some cases more than ever. The reason for this is that in economically difficult times, only the best are good enough to tackle problems that might arise and to provide the right solutions.

In 2001 we intensified our efforts to recruit the best applicants. We strengthened our co-operation with universities and technical colleges in order to make early contact with future graduates. Participation in selected career days and "milk rounds" for graduates and students is a key component of our co-ordinated active personnel marketing policy throughout Europe.

There is a great demand for internships in the GEHE Group among students on courses with an international orientation. The same applies to our trainee programmes which offer options for working all over Europe.

In addition to the classic methods of recruitment, such as job advertisements in the press, GEHE makes selective and intensive use of electronic media to attract the attention of the best candidates. In Germany we advertise job vacancies on our website www.gehe.de. This allows not only rapid matching of applicant profiles to the requirements of the advertised post, but a potential candidate can also apply to us directly using our electronic questionnaire. In parallel with this, job vacancies are placed on the internet via external providers of electronic recruitment services in order to reach an even wider audience. The use of electronic media has brought very good

results: Vacancies have been filled more quickly than before, and the quality of responses to jobs advertised on the internet has been extremely high. Today, in many areas such as IT and marketing, internet employment exchanges are the forums which promise the most success.

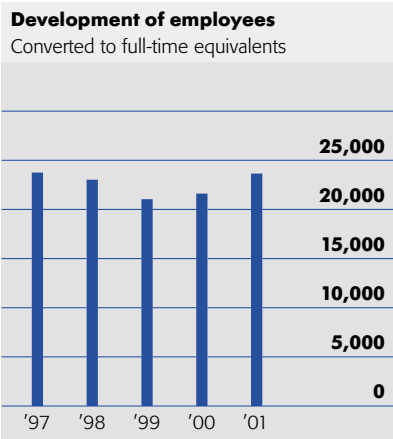
The staff shortage in our British retail business anticipated for 2001 as a result of the extension of training periods for pharmacists was averted due to a number of measures introduced, and we were able to reduce the fluctuation in pharmacist numbers to the lowest level in years. Our recruitment campaigns in South Africa were also successful, where we recruited over 150 pharmacists for our pharmacies in Great Britain.

In other European countries there is also evidence of an increasing shortage of qualified pharmacy staff.

After our most recent large acquisition, the focus for building the new relationship – as is our customary practice – was on direct, comprehensive information from management, Works Councils and employees about GEHE as an employer and future partner, and the principles of the GEHE Group's personnel and social policy.



Employees



Rise in group employees

The number of staff employed by GEHE as at 31 December 2001, calculated as the full-time equivalent total, was 23,654 compared with 21,619 in the previous year.

In the Wholesale Division, staffing levels rose by approximately 1.9 %. This was mainly due to the acquisition of NMD.

In the Retail Division employee numbers rose by about 20.4 % due particularly to the acquisitions in Belgium, Ireland, Italy, Norway and The Netherlands.

Personnel development on a European basis

GEHE’s personnel policy is based on the business aims and structures of the group. By using pan-European systems and principles of performance orientation, and through open, cross-border communication and fairness, our policy accommodates national and social variations.

One key to our business success is the optimised allocation of leadership positions. We favour qualified employees from within our own ranks for these posts. Within the context of special qualification programmes, we develop our most suitable young talent in order to prepare them for later occupation of specialist or leadership positions. We train our managers on technical or management-orientated courses.

The framework for cross-border staff exchanges within GEHE has proved to be effective. Significantly closer European co-operation, especially among managerial and management trainee staff, has led to employee transfers from group headquarters to subsidiary companies and vice versa becoming a matter of course.

European Works Council in Great Britain for the first time

In July 2001 the fifth annual meeting of GEHE's European Works Council took place near Coventry, Great Britain. As in previous years, the economic situation and the development of GEHE were the main focus of interest for council members.

The European Works Council and Management Board also worked together very constructively in 2001. The relationship of trust between employees' representatives and the management provided a solid basis for this.

Co-operation between the Works Council committees in the various countries also developed well in 2001. The early provision of information and extensive involvement in decision-making processes have been instrumental in jointly agreed solutions being found across the board.



Employees

Employee shares still very much in demand

In 2001 GEHE again supported wealth formation among the employees in Germany through the issue of employee shares. A total of 2,214 employees took advantage of the tax incentives and bought 19,722 shares.

6,141 employee shareholders, including former employees and pensioners, owned about 1.3 % of the share capital in GEHE Aktiengesellschaft at the end of 2001. Employees who have taken advantage of all offers to buy employee shares over the last 17 years currently own 727 with a value as at 31 December 2001 of € 31,625. They also earned a further € 10,304 from dividend payments and the proceeds of rights issues. GEHE has supported this form of employee wealth creation since 1985 with contributions totalling approximately € 7.49 m.

Thank you to all our employees

We wish to offer our sincere thanks to all our employees in all group companies, both at home and abroad, for their commitment and performance. Our thanks for their efforts also go out to employees who have left the GEHE Group, and we wish them every success in their new environment. At the same time, we are pleased to welcome the many new employees of the GEHE Group.

Risk management

Responsible management for GEHE has always meant making the most of opportunities, and in so doing identifying and minimising the associated risks. Risk management is therefore an integral part of all our decisions and business processes.

In 2001 GEHE extended the existing structures for efficient risk management in all divisions and adapted them to meet current requirements.

Our Corporate Internal Audit Department is directly responsible to the Management Board for co-ordinating at group level the documentation of risk management activities. They analyse existing structures within the risk management systems and promote, assist and monitor the ongoing responsible identification of risk.

Risk environment

In the period under review no risks were identified in our group-wide risk analysis which might have posed a threat to the survival of the group.

The following risk groups were identified in European pharmaceutical wholesale and retail:

Legal and legislative environment

Changes in the legal and legislative environment in the health system are difficult to predict and are therefore the principal risk as far as our business is concerned. This risk is typical of the industry and is as old as the dispensing of medicines. We continually observe and analyse this risk and take it into account in our business processes and strategies.

Risk management

Financial market and exchange rate risks

As a growth-oriented European company, GEHE is exposed to currency and interest rate risks. To minimise these, we use derivative financial tools which allow us to systematically manage individual risks. The use of derivatives is clearly regulated in guidelines and observance of these is monitored very closely at all times. Further details can be found in the group financial statements (p. 116).

The introduction of the euro

GEHE incorporated the common currency into its accounting system and internal communication system at an early stage. Preparations have been underway through an international and group-wide project since 1999 to ensure the problem-free implementation of the changeover to the euro. Thanks to this careful preparation, it was possible to carry out the changeover on 1 January 2002 in such a way that neither our wholesale nor retail customers were negatively affected by it in any way.

IT security

The ever shorter innovation cycles in IT, the legal requirements, and the growing international networking of infrastructures and IT systems make increasing demands on our IT security. A group-wide project group guarantees the continued development and implementation of adequate standards of security. In 2001 the central focus of these activities was the assimilation and transfer of all our security measures into a group-wide standardised guideline based on ISO standards. In addition, group-wide tests were carried out on the measures required in the event of a catastrophe in the IT field.

Investment

In addition to their central significance for strategic co-ordination, decisions concerning acquisitions and investments are associated with particular operational risks. A careful, multi-stage approval process, continuous monitoring of the budget and actual costing all help to identify, control and reduce these operational risks.

GEHE risk management tools

In order to systematically identify existing risks, risk management tools are applied centrally, at group level, and also locally, at national company level.

Our reporting system is naturally of paramount importance in monitoring and controlling operational risks. It ensures that management can identify significant risks at an early stage and take the appropriate steps.

The Internal Audit organisations, established both inside and outside Head Office, analyse and evaluate group-wide structures and processes on behalf of the Management Board, and are therefore a crucial element in our risk management.

A further element of risk management is the "Self-Assessment" project which was initiated in Germany. The purpose of this is the analysis, evaluation and improvement of control systems with the active involvement of operational functions.

The guidelines for risk management were expanded and updated in 2001. They are used for the precise documentation of our risk environment and allows rapid orientation of GEHE's risk management system.

Corporate Governance

"Corporate Governance", i.e. the question of the rights, roles and responsibilities of the controlling bodies of the company, employees and other interest groups, has increasingly been the theme in recent years. Efficient corporate governance is an important criterion for large institutional investors.

GEHE provides all interest groups with information concerning current business developments within the group and in the individual market segments by means of quarterly reports, annual reports and our homepage www.gehe.de. This ensures a high level of transparency and openness. Transparency is a fundamental requirement for efficient corporate governance.

The Management and Supervisory Boards have clearly defined their areas of authority and are in a state of continuous dialogue in order to facilitate making corporate decisions promptly and to discuss any special commercial developments in good time.

Performance-related compensation systems ensure that corporate goals are embodied in the management process.

On the basis of discussions on Corporate Governance which have taken place so far, we are certain to meet all demands imposed on public limited companies.

In July 2001 the government commission on "Corporate Governance" proposed a "Code of Best Practice" which is to be drawn up by February 2002 by the so-called "Codex Commission". We are following the work of the Codex Commission very closely so that any new requirements can be incorporated into our principles of Corporate Governance at the relevant time.

Outlook

Despite the differences in the organisation of Europe's health systems, they have been characterised for years by one and the same phenomenon: An increase in health costs which is disproportionate to the respective gross domestic product. This includes all the costs involved with hospitals, doctors, dental treatment and medicines. Health ministers are under pressure to make savings and therefore rely on highly effective medicines. Only the correct treatment with these medicines can reduce the number of costly stays in hospitals and medical consultations. By using the right medicines, savings are possible throughout the entire health system, and there is no alternative. For the pharmaceutical market this means continued growth through the introduction of new, innovative, highly effective medicines. Of course, state cost-cutting measures will crop up time and again in the future too, in some circumstances involving further regulations concerning the consumption of medicines. However, GEHE has already proved that it is able to deal with such measures. Furthermore, thanks to our geographical diversification, the risk of measures undertaken in individual countries affecting our overall success is limited.

The need for medicines will also increase over the coming years due to the drastic changes in the age structure of the population. The proportion of older people as a percentage of the total population has increased in recent years and is constantly rising. The famous "age pyramid" has been inverted and experts are now already speaking of an "age mushroom effect". However, older people become ill more frequently and for longer periods than young people. In German-speaking countries in 1999, for example, people over 50 years of age constituted around 30% of the total population, yet at more than 70%, their consumption of medicines was more than double that of the average patient. Added to this, people want to grow old today under optimum health conditions in order to be able to enjoy the autumn of their days. They are increasingly willing to spend money on medicines, regardless of whether their health insurance scheme will reimburse the costs. It is not surprising, therefore, that turnover for non-reimbursable, so-called "lifestyle products" is continually increasing.


Outlook

We assume, on the basis of the average growth rates of the past three years, that growth in the European pharmaceutical market will rise in 2002 by between 7% and 8%.

However, in future, GEHE will not only rely on the favourable growth factors of the pharmaceutical market. As the result of acquisitions, our own growth will be superior to that of the general market. We are therefore aiming at an annual average growth in turnover of 8 – 10% for GEHE in future. In 2002 we intend to achieve growth rates in EBITDA (our pure operating profit before interest, taxation, depreciation and amortisation) and profit on ordinary activities before taxation which are in line with the previous year's figures.

Dependence report

Franz Haniel & Cie. GmbH, Duisburg-Ruhrort has a majority shareholding in GEHE Aktiengesellschaft. 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 declaration: "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."



Großhandel





Jacques Ambonville
Wholesale

Segmentation by country		
Turnover in € m	2000	2001
France	5,931	6,393
Germany	3,052	3,252
Great Britain	2,865	3,123
Austria	738	791
Belgium	403	420
Ireland	320	355
Portugal	226	244
Norway	–	139
Italy	88	106
The Czech Republic	97	96

**Supplying pharmacies
everywhere with everything
pharmacies need**

Overview Wholesale

The 2001 financial year was characterised by continuous growth in all European countries. There was marked growth in the large markets of France, Germany and Great Britain. With the acquisition of NMD, the market leader in the Norwegian pharmaceutical market, we are active in a Scandinavian country for the first time.

Our total European wholesale business rose in the last financial year by 8.7 % compared with the previous year, achieving a turnover of € 14,918.6 m. On a comparable basis, i.e. after elimination of acquisitions and adjustment for exchange rate differences, turnover growth was 8.1 %. Profit before tax grew even more strongly by 9.5 % (10.0 % adjusted for exchange rates).

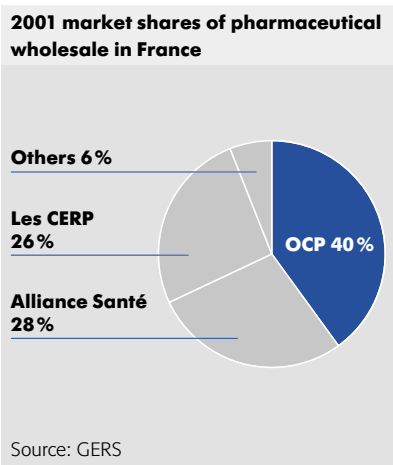
By the end of the 2001 financial year GEHE was represented by 125 branches in 10 countries (France, Germany, Great Britain, Austria, Belgium, Ireland, Portugal, Norway, Italy, The Czech Republic) and had consolidated its position as Europe's Number 1 pharmaceutical wholesaler.

At the end of 2001 we were employing a total of 13,129 people in pharmaceutical wholesale.

Key figures wholesale		
€ m	2000	2001
Turnover	13,720	14,919
Profit before tax	219	240
EBITDA	327	349
No. of employees	12,882	13,129



France



Excellent development in turnover and profit

OCP, our wholesaler in France, increased its turnover by 7.8 % over the previous year to € 6,392.7 m. Despite a rise in the special tax known as the "Contribution Exceptionnelle" the percentage increase in pre-tax profit was higher than that for turnover. This was only made possible by strict cost management and the flexible use of discounts.

The "Contribution Exceptionnelle", a special tax on turnover relating to prescription medicines, was introduced by the French government more than 10 years ago. It increases in line with market growth and is paid quarterly. With effect from the 1 October 2000 the tax was increased by 0.45 percentage points and remained at a maximum level of 2.17 % throughout 2001 due to the high market growth of 7.5 %.

In June 2001 the French government introduced a series of additional cost-saving measures in their health service which came into effect in the fourth quarter 2001. As part of these measures there was a reduction in price of between 8 % and 10 % for some older and less effective medicines.



Market position consolidated due to attractive range of generic products

Since 2000 the French government has introduced a range of measures to promote the sale of generic products rather than proprietary preparations. OCP was successful in offsetting the negative effects resulting from the increased use of cheaper generics, by working closely with leading generic manufacturers. As a result, OCP is in a position to offer its customers particularly attractive terms for an extensive range of generics. By this means OCP not only consolidated its leading market position in France but also increased its market share in the distribution of generics.

Optimisation of operational processes

OCP has significantly increased the level of automation in all operations. With the newly organised operational processes between the individual branches, orders can now be passed on and efficiently processed within the general branch network of a region at little additional expense.

Daily delivery to pharmacies and hospitals was examined for further potential cost-savings. This resulted in improved co-ordination of deliveries, so that OCP customers now have scheduled deliveries two to three times a day.



France

Customer orientation strengthens business development

OCP France has set up a forum for pharmacists, representatives of the pharmaceutical industry, trade unions, associations and the government with the "Club prospective pharmacie". With this discussion forum, OCP is promoting the exchange of knowledge between all market participants. The topics in 2001 ranged from the distribution of medicines by mail order to the statutory restrictions in the health service.

OCP also offers special conferences for pharmacists covering topics specific to the profession. These events met with an enthusiastic reception from pharmacists.

With "Pharmactiv" OCP created a purchasing and sales link for its pharmacy customers. In addition to the possibility of obtaining better sales conditions from industry, "Pharmactiv" offers its members training opportunities, a customer magazine and an information platform. In 2001 OCP increased the number of "Pharmactiv" members by more than 20 % to 681.

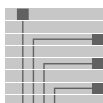
For the introduction of the euro, OCP supported its pharmacy customers with a comprehensive service package.

"OCP-POINT" with new functionalities

"OCP-POINT" has 3,200 users with 100,000 visitors per month on average. This demonstrates the attractiveness of "OCP-POINT", our French business-to-business internet solution for OCP customers in the field of e-commerce. To make "OCP-POINT" even more attractive to pharmacists the navigation was improved and complemented by means of comprehensive scientific product information, press releases and an online registration facility for seminars.

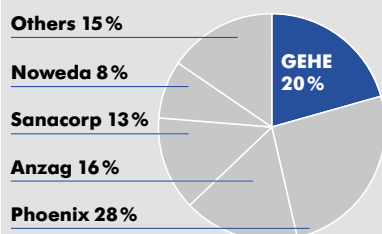
Staff numbers

In the course of 2001 staff levels increased by 2.5 % resulting in a total of 4,638 employees at the end of 2001.



Germany

2001 market shares of pharmaceutical wholesale in Germany



Source: PHAGRO/own estimate

Satisfactory growth in turnover and profit

In the 2001 financial year GEHE Wholesale Germany increased its turnover by 6.5 % to € 3,252.0 m and claimed its strong market position as the clear Number 2 in German pharmaceutical wholesale. The product range was expanded and market share was gained as a result, particularly in the field of parallel imports.

Attractive special offers for pharmacies as part of the 20th anniversary of "Guter Monat" (Good Month), our leading special offer service, brought about an additional boost to turnover.

Taking growth in turnover as a basis, GEHE Wholesale Germany was still able to achieve an excellent rate of growth in earnings despite stiff competition. Extensive organisational and marketing improvements in all our branches also contributed to this.

The high level of market growth of 7.8 % in Germany was essentially due to innovative products in the field of prescription medicines. Also the suspension of the medicine budget for doctors had a positive impact on market development. We do not anticipate any lasting effects from the retrenchment package for drugs planned by the German government in 2002.

Modern branches with improved logistics

The new building for the branch at Porta Westfalica/Minden which was started in July 2000 became operational on schedule at Easter 2001. This branch, the second largest in Germany in terms of turnover, was constructed using a building concept which was new to the GEHE Group. The sophisticated roof design uses hardly any pillars or supports, thus facilitating greater flexibility in the utilisation of the space in the building.

In order to increase the level of automation, we also improved the technical facilities in our branches in Hamburg, Nuremberg and Düsseldorf. We are currently engaged in investing in the reconstruction of our branches in Berlin and Landshut.



The indispensability of pharmaceutical wholesale is demonstrated, for example, by the extension of the Weiterstadt branch. 30,000 different low-demand products are stored centrally here for delivery overnight to pharmacies anywhere in the country, as required. This ensures that any patient requiring one of the less common preparations can obtain his medicine from his local pharmacy within a day.

Pharmacy-POINT – Leading pharmacy Portal for end-users

Under the European parent website www.pharmacy-point.com GEHE Wholesale Germany constructed Germany's leading pharmacy portal on the internet with www.apotheke.com, and today this is the largest internet community of German pharmacies. Over 8,500 pharmacies in Germany present themselves here with their individual web business card. The website www.apotheke.com is therefore the right address for health-oriented end-users and ensures speedy and reliable supplies of medicines to the pharmacist.

Forum Pharmazeutikum

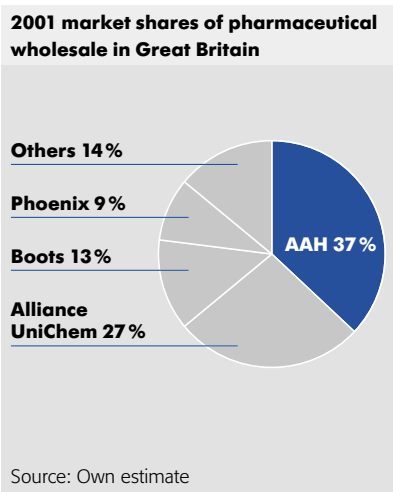
In 2001 GEHE Wholesale Germany held two professional conferences entitled "Forum Pharmazeutikum". They were organised in conjunction with the pharmaceutical industry and the leading technical journal "Pharmazeutische Zeitung" (PZ), and more than 600 enthusiastic pharmacists took part.

Staff numbers

The number of employees in Germany at the end of 2001 was 2,216.



Great Britain



Positive development in turnover

Compared with the previous year, AAH, our British pharmaceutical wholesaler, increased its turnover by 9.0 % (11.2 % adjusted for exchange rate effects) to € 3,123.4 m, thereby growing with the market. The market share is 37 %.

The reduction in reimbursed prices for generics introduced in the third quarter of 2000 by the British government had a lasting effect on the entire British healthcare market. These government measures were more than offset in 2001 by turnover, but despite rationalisation measures we have not yet had the same degree of success with pre-tax profit.

Greater supply capacity with improved cost structure

The Southampton and Swansea branches were moved to larger premises incorporating the latest technical advances.

We also introduced call centre technology in Warrington. This brought about rationalisation and at the same time improved service for our customers.

Attractive partner for large customers

The British pharmaceutical market is characterised by a move from independent pharmacies to pharmacy chains. Due to its intragroup retail business, AAH is the partner most favoured by pharmacy chains. The range of services includes tailor-made support in purchasing, development of customised IT solutions and the market launch of customer-specific own brands right through to putting together a range of special offers of generic products.

AAH is also an attractive partner for hospitals, as every hospital in Great Britain is within an hour's reach of the nearest AAH branch. AAH guarantees a 24-hour delivery service for all products and has now gained approximately 70 % of this market.



Attractive partner for independent pharmacies

The "Vantage" marketing concept introduced by AAH around 20 years ago supports pharmacists who wish to benefit from the advantages of a pharmacy chain with a uniform market image and professional public relations work, but who prefer to remain independent. 843 pharmacists were participating in the "Vantage" concept by the end 2001.

"AAH-POINT" is a successful customer relations instrument

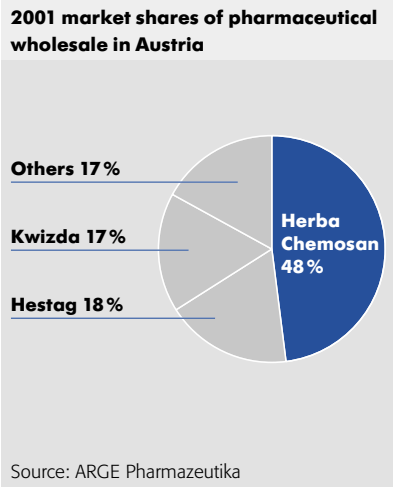
The number of users of the "AAH-POINT" business-to-business internet solution rose in the previous year by 429% to a total of 3,000. The user-friendly service, attractive offers and in-depth information provided by "AAH-POINT" make the day-to-day work of a pharmacist much easier.

Staff

As a result of organisational improvements, the number of employees at the end of 2001 was reduced by 0.2% to 3,924 despite increasing turnover.



Austria



Market position consolidated through high quality of service

Herba Chemosan, our Austrian pharmaceutical wholesaler, succeeded in increasing turnover in the year 2001 by 7.3 % to € 791.4 m, thus consolidating its leading position. Dispensing doctors' surgeries and hospitals were supplied in addition to public pharmacies. The Austrian market grew by 5 %.

Profit was adversely affected on the one hand by the full year effects of the cut in margins in mid-2000 and on the other by the transfer of three factories to the new pharmaceutical distribution centre in Vienna-Simmering. There is impressive evidence of the outstanding service quality of Herba Chemosan as they were once again presented with the "Customer Satisfaction Award" by EUCUSA (European Customer Satisfaction Association).

Better performance quality thanks to new distribution centre

In May 2001 Herba Chemosan commenced the amalgamation of its three Viennese branches into the new 18,000 square-metre pharmaceutical distribution centre in Vienna-Simmering. The relocation of Sanova, the Herba Chemosan subsidiary run by our Austrian commission agency for the pharmaceutical industry, took place in autumn 2001 as the final stage of the concentration of our activities in the Vienna-Simmering distribution centre. The new branch, where over 50 % of the overall turnover of Herba Chemosan will be handled, is distinguished by state-of-the-art technology for materials handling, automatic commissioning equipment and optimum utilisation of human resources. The resulting increase in productivity will have positive effects on the future profit developments of Herba Chemosan.



Pharmacy catalogue – A new medium

In spring 2001 Herba Chemosan introduced its recently developed pharmacy catalogue to the public for the first time. This catalogue is a new medium by which the Austrian pharmacies can be perfectly matched to the customer. In the pharmacies it is passed on to the customers directly and contains the typical healthcare categories, "get healthy", "stay healthy" and "look healthy". It raises consumer-awareness of the high-quality range of products offered by the pharmacy more effectively and thus acts as a stimulus to potential purchasers in specific target groups.

Leading the way with internet initiatives in Austria

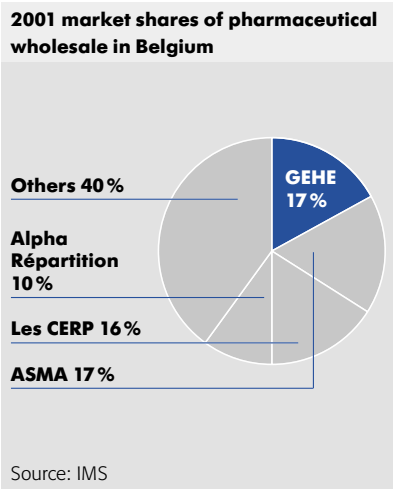
"Herba-POINT" – an online ordering and information service – is a business-to-business internet solution available only to pharmacies. In addition to specialist information and news on healthcare topics, it also offers facilities for rapidly sourcing foreign products, which is particularly beneficial in border regions. In excess of 15 % of all Austrian pharmacies already use "Herba-POINT" on a regular basis.

Staff

After reducing staff levels by more than 10% through the amalgamation of three locations in Vienna, the number of employees at the end of 2001 was 881.



Belgium



Positive turnover development

Our pharmaceutical wholesale business in Belgium, consisting of PCB, SAMBRIA and Ostend Pharma, increased turnover by 4.1 % to € 419.5 m compared with the previous year. Growth in the Belgian market in 2001 was 7.03 %.

With a market share of around 17 % we are in second place in Belgian pharmaceutical wholesale.

With effect from 1 June 2001 the Belgian government slightly raised the statutory wholesale margin for products with a price greater than € 41.32. This, coupled with our superior cost structure had a positive impact on the profit situation.

Optimisation of logistics processes

We introduced new standardised logistics software in all eight distribution centres. This software, which is also being used in Germany, France and The Czech Republic, was tailor-made to suit the particular Belgian requirements and facilitates use in two languages – Flemish and French. This new logistics software has resulted in improved quality of delivery and a streamlined cost structure.



Customer relations strengthened

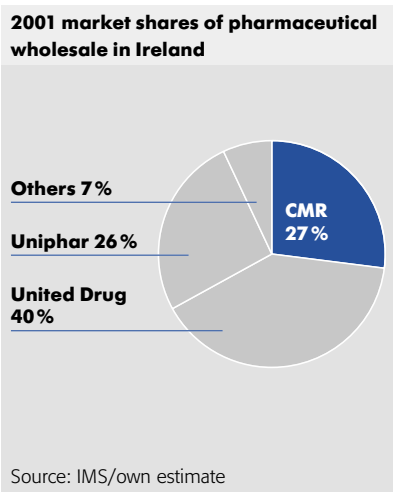
In addition to various customer relations measures, we intensified our activities within the field of direct business between the pharmaceutical industry and pharmacies. We took over delivery of these direct orders on the basis of so-called transfer orders. This saves the industry high distribution costs and generates additional turnover in pharmaceutical wholesale.

Staff

At the end of the year 2001 the number of employees in our Belgian wholesale business was virtually unchanged at 363.



Ireland



A flourishing market – Positive turnover and increase in profit

In a strong, growing market, the turnover of Cahill May Roberts (CMR) with pharmacies and hospitals increased particularly well in the financial year 2001. CMR increased its turnover by 10.8 % to € 354.7 m. In the same period market growth was 17 %.

Growth in profit from ordinary activities was greater than growth in turnover. This is attributed to the fact that the increase in costs was considerably lower than the growth in turnover. The effects of rationalisation also contributed to this very positive development.

Expansion of our branches

Our Cork and Dublin branches had to be expanded due to the high growth in turnover in the previous year. The reconstruction work, which started in 2001, will be completed in the third quarter of 2002. This increased capacity means that CMR will be able to continue its dynamic growth of the previous years in the future.



Category Management now also available for Irish CMR customers

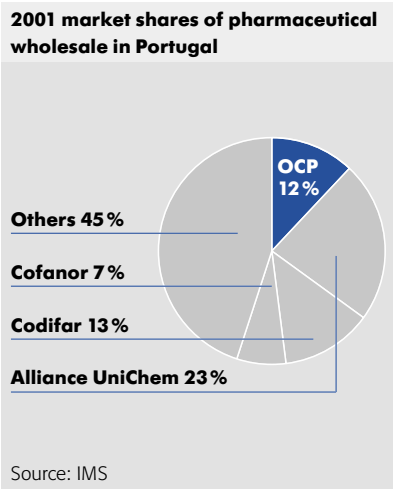
The category management concept established in Great Britain became available to our Irish pharmacy customers in 2001. By the end of the year 2001, 120 pharmacists had adopted this offer for a customised range and product placement.

Staff

Despite the positive growth in turnover, the number of staff at the end of the year 2001 decreased by 0.4% to 244.



Portugal



Growth in turnover considerably greater than market growth

OCP Portugal, our Portuguese wholesaler achieved a turnover of € 244.2 m in the year 2001, corresponding to growth of 8.2 % compared with the previous year.

The Portuguese market grew by around 8 % in the year 2001, this being largely attributable to the increase in the average price of prescription preparations and replacement of older medicines with new, more expensive ones.

Our market share in Portugal was approximately 12 % at the end of 2001, making OCP Portugal the clear number 3.

Portugal’s most up-to-date wholesale branch

In April 2001 we put Portugal’s most up-to-date branch into operation in Porto. The increased storage capacity in Porto represents a significant improvement in supply capacity and hence a considerable increase in the competitiveness of OCP Portugal.

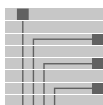


High standard of quality

The high standard of operational quality at OCP Portugal was confirmed by INFARMED, a government institute for the control of producers of medicines, wholesalers and pharmacies. OCP Portugal was one of the few companies to fulfil the stringent test criteria for operational procedures and safety measures.

Staff

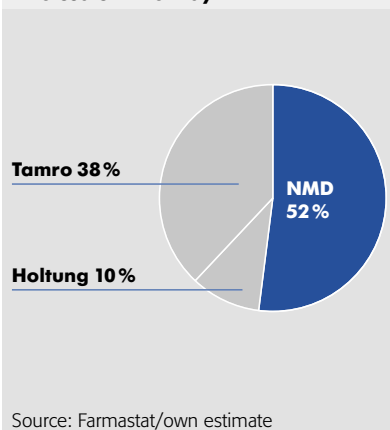
Staff levels at the end of the financial year 2001 decreased compared to the previous year from 230 to 214.



GEHE Wholesale

Norway

2001 market shares of pharmaceutical wholesale in Norway



Acquisition of NMD

In May 2001 GEHE acquired NMD from the Norwegian government as part of a privatisation process. The provision of medicines throughout Norway presents a challenge due to its geographical situation. NMD has overcome this with its extremely well located distribution centres (Oslo, Bergen, Trondheim, Harstad) and has a market share of over 50 %. The Norwegian market expanded by 10.7 % in the year 2001.

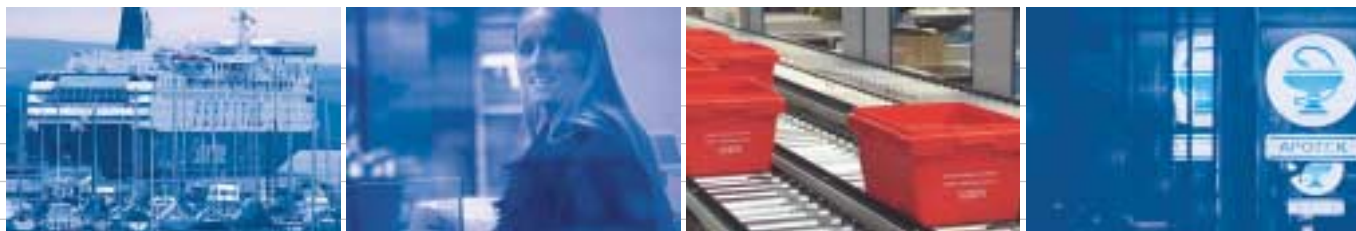
In 2001 total turnover (€ 139.1 m) and profit for NMD surpassed our expectations as at the point NMD was acquired. We have been consolidating the results of NMD since 1 October 2001.

NMD had started to build up its own chain of pharmacies on 1 March 2001 within the framework of liberalisation of the laws governing the pharmacy market in Norway. These retail activities were spun off and amalgamated with the existing GEHE retail organisation.

Support from our employees

NMD optimised its range of products during 2001 and reviewed the efficiency of the logistics in all its branches. A positive feature of this was that NMD Management had the full support of all the employees.

The Oslo branch is to undergo operational reorganisation in 2002 and GEHE's more cost-effective standards will be brought in. This plan was also discussed and agreed with the NMD staff and is supported by them and their representatives.



Business-to-business solution and sales concept for pharmacies

NMD supports pharmacies through its internet platform "FarmaLink". This gives Norwegian pharmacists the facility to order, to monitor orders and to call-up data online. "FarmaLink" is more than just an efficient operational aid. It is also possible to call up product information and current news on healthcare topics.

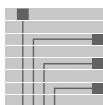
NMD developed a customer loyalty programme for pharmacies under the name "Ditt Apotek" with the aim of strengthening the competitiveness of pharmacies and increasing their commitment to NMD. Around 10 % of all pharmacies in Norway have already joined "Ditt Apotek" and are making use of the purchasing advantages. They are also offered special training opportunities and support in redesigning and refitting their pharmacies. The concept can, in part, be compared with the "Vantage" concept which has been working successfully in Great Britain for the last 20 years.

Also leading the field in business with large customers

NMD supplies all the Norwegian hospitals, and with its distribution network covering the whole of Norway, NMD is the preferred partner of pharmacy chains operating nation-wide.

Staff

At the end of 2001 the number of employees at NMD was 369.



Italy

Growth in turnover exceeds high level of market growth

In 2001 our Italian wholesaler, AFM Bologna, substantially increased its turnover with independent pharmacies, hospitals and nursing homes by 20.2 % to € 105.5 m. This was made possible by the increasing market penetration in the Emilia Romagna, Veneto and Tuscany regions, and the generally strong market growth in Italy (in excess of 10 %). There were also positive developments in the profit situation with the streamlining of our customer portfolio making a major contribution to this.

Expansion of product range

AFM Bologna improved its range of services with an expanded range of medicines, particularly as a result of the introduction of homeopathic medicines. As a result, our Italian customers no longer need to order their homeopathic remedies from a specialist supplier.



Extension of our warehouse in Bologna

The extension and restructuring of our warehouse in Bologna was completed in December 2000. In the course of 2001 we invested in the automated weight checking, securing and labelling of transport crates. The time taken to complete an order cycle – from the placement of an order to delivery to the customer – has been reduced by over 40% as a result.

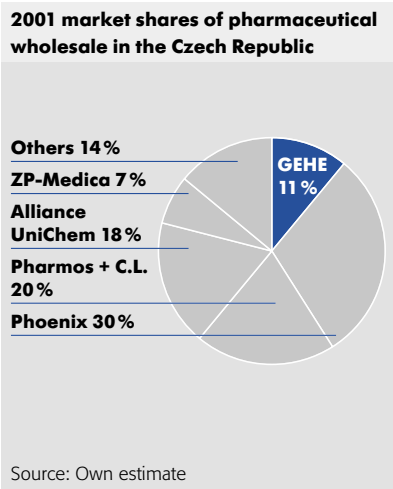
By increasing the capacity of our warehouse we are covering 85% of the total demand of the pharmacies managed by us in Italy. The requirements of the municipal pharmacies in Milan and Prato which were acquired in the second half of 2001 have been met almost totally by Bologna since September 2001.

Staff

The number of staff employed decreased by 16 to 87 at the end of 2001.



The Czech Republic



Success through tight cost management

Compared with the previous year the turnover of GEHE wholesale in the Czech Republic decreased in the year 2001 by 1.1 % (– 5.4 % adjusted for exchange rate effects) to € 96.1 m.

The Czech market was characterised by uneven growth and continued keen discount competition during the last financial year. Profit showed little improvement and is still unsatisfactory.



Co-operation between our wholesale and retail divisions intensified

In the course of 2001 we enhanced collaboration with our Czech retail business, "Lékárny Lloyds". The flow of work between these two divisions was better co-ordinated in a variety of areas, such as availability check, automatic account transfer, and order and delivery times.

Our sales department paid particular attention to our customer portfolio and was able to reduce our unpaid accounts through rigorous debt management.

Staff

The number of staff employed at the end of 2001 decreased by 9.4% to 193.





Einzelhandel



Michael Ward
Retail

Segmentation by country		
Turnover in € m	2000	2001
Great Britain	1,560	1,683
Italy	57	167
Norway	–	138
The Czech Republic	10	26
The Netherlands	–	19
Ireland	–	11
Belgium	–	8

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

Retail Overview

In the last financial year our retail business was characterised by our successful entry into four new European countries: Norway, Ireland, The Netherlands and Belgium.

Total turnover for our Retail Division in the year 2001 showed an increase over the previous year of 26.2 %, totalling € 2,052.4 m. On a comparable basis, i.e. after elimination of acquisitions and disposals and adjusted for exchange rate effects, the turnover growth was 10.2 %, considerably higher than the corresponding market growth. Profit before tax grew even more strongly by 49.7 % (53.3 % adjusted for exchange rate effects) and reached € 55.6 m for all existing pharmacies. Excluding acquisitions and disposals, growth in profit on a comparable basis was considerably higher at 64.2 %. The reason for this was the high level of start-up costs associated with building up a retail presence in new countries and the establishment of the necessary organisations in those countries.

With the acquisition of 318 pharmacies, GEHE was operating a total of 1,721 pharmacies in Great Britain, Italy, Norway, The Czech Republic, Ireland, The Netherlands and Belgium by the end of the 2001 financial year.

At the end of the year 2001 we employed 10,437 staff in retail.

Key figures retail		
€ m	2000	2001
Turnover	1,627	2,052
Profit before tax	37	56
EBITDA	123	150
No. of employees	8,672	10,437



Great Britain

Growth in turnover significantly higher than market growth – Strong growth in profit

Lloydspharmacy achieved a turnover of € 1,682.9 m in 2001, corresponding to a rise of 7.9 % (10.1 % adjusted for exchange rate effects) compared with the previous year. When comparing the key statistics with the previous year, it must be taken into account that the drugstore LLOYDS SUPERSAVE LTD, which was sold in 2000, contributed € 18.6 m to turnover in that year. After adjustment to take account of these effects, growth amounted to 9.1 % (11.5 % adjusted for exchange rate effects).

The full year effect of the reduction in prices reimbursed for generics, which was introduced in the third quarter of 2000, was counteracted by high growth in turnover and strict cost management, so that overall we achieved a stronger growth in profit than in turnover.

Lloydspharmacy ahead in all market segments

Lloydspharmacy increased turnover in prescription medicines by 11.3 % (13.6 % adjusted for exchange rate effects) to € 1,327.5 m.

In May 2001 price maintenance for certain OTC products was abolished with immediate effect. Lloydspharmacy had made timely preparations for this by building up own-brand products which were attractive and economical, and by introducing new and improved services. As a consequence Lloydspharmacy was able to increase turnover by 2.1 % (4.2 % adjusted for exchange rate effects) to € 355.3 m in an OTC market which was generally in decline.

Lloydspharmacy pharmacies – Attractive partners for doctors

In Great Britain health centres are increasingly being set up by both doctors' practices and pharmacies. These health centres can offer patients all health services under one roof. Lloydspharmacy is a leading force in the planning and implementation of these health centres. When selecting a location we naturally take the other customers of our British wholesaler into consideration. The planning of the health centre always involves close co-operation with the doctors, who benefit from the high level of technical expertise of the pharmacists at Lloydspharmacy.

Lloydspharmacy – A successful brand name

Over the last few years we have consistently been building up "Lloydspharmacy" as a brand name. This was achieved by giving our pharmacies a uniform market image, introducing compulsory quality standards, local and regional advertising and above all as the result of an attractive range of own-brand products. The building up of our brand name was facilitated by the now widespread presence of Lloydspharmacy and so, in 2001 the time had come to advertise Lloydspharmacy nation-wide. In the second half of 2001 we began a national television campaign which had started to reap rewards by the end of the year.

John Bell & Croyden – The special pharmacy

"John Bell & Croyden" in Wigmore Street, London's oldest, largest pharmacy, and with the royal family among its customers, probably the best respected, unveiled itself after a six-month reconstruction in a new pharmacy style which ideally balanced tradition with the demands of the modern pharmacy. In addition to the conventional pharmacy services, a wide selection of healthcare products, equipment for doctors' surgeries and hospitals, and nutritional supplements with professional advice are all offered under the same roof.

New acquisitions

In the course of the year Lloydspharmacy optimised its pharmacy portfolio. Taking acquisitions and disposals into account, the number of pharmacies increased from 1,320 to 1,339 by the end of 2001.

Staff

The number of staff rose by 0.7 %. At the end of 2001 Lloydspharmacy employed 8,267 staff.





Italy

104 new pharmacies lead to boom in turnover

In 2001, GEHE retail in Italy achieved a turnover of € 167.0 m, which corresponds to an increase of 193.2 % compared with the previous year. The strong growth in turnover was the result of a substantial extension of our pharmacy presence. The acquisition of AZIENDA FARMACIE MILANESI – AFM with 86 pharmacies was our largest in retail since the purchase of Lloydspharmacy in Great Britain. We now operate a total of 157 pharmacies in Northern Italy (Emilia Romagna, Lombardy, Tuscany) and thus are represented, with significant market shares, in economically attractive local markets. Growth in pre-tax profit was greater than growth in turnover.

In the last quarter of 2001 the government introduced measures to reduce costs associated with medicines. Amongst other initiatives, cheaper generic products are now being promoted. These measures have not yet had any noticeable effects on our business development.

Successful integration of new pharmacies

The large number of new pharmacies acquired presented a particular challenge for the integration of GEHE retail in Italy and the willingness of the staff in the new pharmacies to integrate. Marketing programmes, product line design, staff training and the scope of services offered by the new pharmacies had already been extensively introduced in our existing pharmacies in Bologna and Cremona. At the end of the financial year 2001 we had already re-branded 18 new pharmacies in line with our Italian pharmacy concept.

Our category management and the establishment of doctors in the immediate vicinity of our pharmacies contributed to a growth in turnover that significantly exceeded market growth. Synergistic effects in the fields of purchasing and logistics had equally positive effects on business development.

Further privatisation procedures possible

In 2001 GEHE retail in Italy participated in all municipal privatisation procedures. We intend to do this in the future in so far as the economic environment and conditions of tender set by the municipalities are attractive. The municipalities themselves consider the effects of the privatisation of their pharmacies on the quality of provision of medicines to be very positive.

Staff

At the end of the year 2001 the number of staff employed rose by 168.5 % to 665 due to expansion.





Norway

Vitusapotek – Norway's number 1 pharmacy

Since entering the market on 1 March 2001 GEHE pharmacies in Norway achieved a turnover of € 138.2 m. This means that, with a market share of about 25 %, we are already the number 1 pharmaceutical retailer in Norway. Our pharmacies are spread across the entire country, which, given the geographical situation of Norway, is hardly a matter of course, but is in line with our concept of responsibility for the provision of medicines in the country. On the basis of this strong position in the market, including in the larger centres of Oslo, Bergen and Trondheim, GEHE is in a good position for further growth.

Government measures in the financial year 2001 impacted on the development of the business. On the one hand the government reduced the margins by 0.75 percentage points for the gross yield on medicines on 1 January 2001. On the other hand, the price of 250 top-selling high-price medicines was lowered. Despite these government measures and the start-up costs involved in building up our retail organisation and opening new pharmacies, we exceeded our expectations in the year of market entry.

One name, one organisation: Vitusapotek

The rapid progression to the "number 1" position was made possible by the acquisition of the NMD retail business and the opening of pharmacies in new attractive locations. The amalgamation of the NMD retail organisation, Vitusapotek, with GEHE Norge AS which we established in 2000, presented a particular challenge. Following detailed market research, we decided to continue using the name "Vitusapotek" developed by NMD for our entire retail business in Norway in the future.

At the end of 2001 our retail business Vitusapotek was operating a total of 91 pharmacies.

Staff

Our retail business in Norway employed a total of 654 staff at the end of the 2001 financial year.



The Czech Republic

Market presence more than doubled

Our market presence more than doubled to 66 pharmacies at the end of 2001 as a result of opening two new pharmacies and purchasing 34 others. Turnover rose to € 26.4 m, this being 156.3 % more than the previous year (145.2 % adjusted for exchange rate effects). However, we are still in the process of developing the organisational structure of Lékárny Lloyds. This had a negative effect on the profit situation in the year 2001.

"Lékárny Lloyds" – A brand name is born

Our pharmacies originally trading under the name of "Inpharma " were renamed "Lékárny Lloyds" and the first pharmacies were redesigned based on the successful British Lloydspharmacy concept.

We anticipate rapid market penetration with the new name. Many of our pharmacies – particularly those newly launched – are situated in busy locations such as shopping centres, and this, alongside traditional methods, will contribute to establishing the brand name.

Staff

The number of staff at Lékárny Lloyds rose in line with expansion by 89.3 % to 390 at the end of 2001.



The Netherlands

The Netherlands – An attractive new market

In the first half of 2001 we started our retail business in The Netherlands and at the end of the 2001 financial year achieved turnover of € 19.0 m with ten pharmacies. Market growth in The Netherlands, of 11 %, is above the average for Europe. Profit, influenced by the development of our retail organisation, is in line with our expectations.

The Dutch pharmacy business is characterised by very close technical co-operation with local doctors. As a result, with € 18.0 m, by far the largest proportion of turnover was for prescription medicines. OTC products only accounted for € 1.0 m of total turnover.

Due to the high demands on quality, one of our new acquisitions is "Apotheek Jansen" in Hoogeveen, the Pharmacy of the Year in 1999. Our pharmacies will also benefit from the intended further liberalisation of the pharmaceutical market in The Netherlands, after having shown more growth in the year 2001 than the market as a whole.

Staff

At the end of the financial year 2001 GEHE Nederland B.V. employed 132 staff.



Ireland

Ireland – Another attractive new market

With the acquisition of nine pharmacies in Dublin in May 2001 we took the first step into the Irish pharmacy market. This was followed in September and October by the acquisition of a further 13 pharmacies. At the end of the financial year 2001 we were operating 22 pharmacies achieving an overall turnover of € 10.7 m. The profit contribution, which was particularly marked by the building up of our retail organisation, is in line with our expectations. The pharmaceutical market in Ireland, with its high growth rate of 17 %, was one of the most rapidly growing markets in Europe in the year 2001.

The redesigning and in some cases refurbishing of the pharmacies we acquired, in conjunction with consistent category management, i.e. product line design and optimum placement of goods to suit customers' needs, helped us create the right conditions for continued good growth in turnover.

We anticipate that by the end of the year 2002 we will have attained an attractive market position in all the important local markets in Ireland.

Staff

At the end of 2001 the number of staff was 224.



Belgium

Belgium – Also another attractive new market

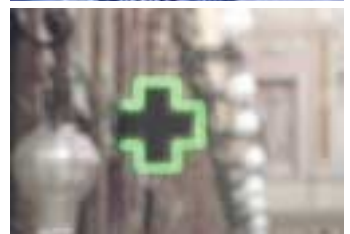
As part of implementing our strategy of maintaining a retail presence in every attractive market in Europe, we entered the Belgian market in May 2001.

Belgian market growth of about 5 % in 2001 and the existence of smaller pharmacy chains make the Belgian pharmaceutical market very attractive to us. The acquisition of small local chains has made it easier to establish a significant pharmacy presence. For this reason LLOYDSPHARMACY BELGIUM S.A., our retail organisation, was able to manage 36 pharmacies in its first year of activity, achieving a total turnover of € 8.2 m. Contribution to profit in the year 2001 was in line with our expectations.

The co-operation of LLOYDSPHARMACY BELGIUM with our Belgian wholesaler is already working extremely well and will in future be beneficial to both divisions.

Staff

At the end of 2001 LLOYDSPHARMACY BELGIUM employed 105 staff.



Consolidated Financial Statement

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Consolidated Balance Sheet of the GEHE Group at 31 December 2001

	Notes	31.12.2001 € '000	31.12.2000 € '000
Assets	Fixed assets		
	Intangible assets	(1) 1,869,974	1,616,253
	Tangible assets	(2) 385,021	330,154
	Financial assets	(3) 65,356	74,214
		(4) 2,320,351	2,020,621
	Current assets		
	Stocks	(5) 1,258,391	1,082,362
	Receivables and other assets	(6) 1,601,455	1,355,929
	Bank and cash balances	(7) 7,689	17,247
		2,867,535	2,455,538
	Prepaid expenses	(8) 53,908	30,269
		5,241,794	4,506,428
Equity and Liabilities	Equity	(9)	
	Issued capital	(10) 186,624	186,624
	Capital reserves		682,434
	Revenue reserves	(11) 71,270	104,441
	Consolidated retained earnings	(12) 267,941	169,594
	Minority interests	(13) 12,302	10,075
		1,220,571	1,153,168
	Provisions		
	Provisions for pensions and similar obligations	(14) 79,763	51,548
	Other provisions	(15) 355,152	300,211
		434,915	351,759
	Liabilities	(16)	
	Liabilities falling due after more than 5 years	1,181,748	943,230
	between 1 and 5 years	108,145	136,647
	within 1 year	2,291,356	1,917,977
		3,581,249	2,997,854
	Deferred income	5,059	3,647
		5,241,794	4,506,428

Consolidated Profit and Loss Account of the GEHE Group for the Financial Year 2001

	Notes	2001 € '000	2000 € '000
Turnover	(17)	16,970,959	15,344,679
Own work capitalised		48	0
Gross performance		16,971,007	15,344,679
Cost of raw materials, consumables and supplies, and of purchased merchandise		(15,356,163)	(13,886,489)
Gross profit		1,614,844	1,458,190
Other income	(18)	146,912	123,400
Personnel expenses	(19)	(754,617)	(671,117)
Other operating expenses	(20)	(533,727)	(481,797)
Income from investments	(21)	11,234	10,812
EBITDA		484,646	439,488
Amortisation of intangible assets and depreciation of tangible assets	(22)	(85,134)	(79,903)
EBIT		399,512	359,585
Interest result	(23)	(107,404)	(104,065)
Profit from ordinary activities		292,108	255,520
Taxes on income and profit from ordinary activities	(24)	(90,762)	(84,000)
Profit from ordinary activities after taxes		201,346	171,520
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	171,520
Minority interest in profits		(3,075)	(1,926)
Consolidated retained earnings		267,941	169,594

Development of Fixed Assets 2001

GEHE Group

	Intangible assets € '000	Tangible assets € '000	Financial assets € '000	Total € '000
Cumulative cost at 01.01.2001	2,444,836	754,690	83,444	3,282,970
Translation adjustment	43,756	8,126	21	51,903
Additions	411,708	89,488	47,203	548,399
Changes to consolidation scope	19,347	57,404	5,913	82,664
Transfers	0	0	0	0
Disposals	(12,611)	(50,564)	(62,449)	(125,624)
Cumulative cost at 31.12.2001	2,907,036	859,144	74,132	3,840,312
Cumulative valuation adjustments at 01.01.2001	828,583	424,536	9,230	1,262,349
Translation adjustment	13,434	4,660	0	18,094
Additions	21,536	63,598	355	85,489
Changes to consolidation scope	2,592	14,510	0	17,102
Transfers	0	0	0	0
Goodwill set-off	178,797	0	0	178,797
Write back	(7,189)	0	0	(7,189)
Disposals	(691)	(33,181)	(809)	(34,681)
Cumulative valuation adjustments at 31.12.2001	1,037,062	474,123	8,776	1,519,961
Net book value at 31.12.2001	1,869,974	385,021	65,356	2,320,351
Net book value at 31.12.2000	1,616,253	330,154	74,214	2,020,621

Group Annex

General Information

Accounting Principles and Valuation Policies

The consolidated financial statements of GEHE for the year ending 31.12.2001 have been prepared in euro, in accordance with the German Commercial Code (Handelsgesetzbuch) and the Companies Act (Aktien-gesetz).

For the sake of clarity certain amounts in the balance sheet and profit and loss account have been presented in summarised form. A detailed break-down 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. Profit from ordinary activities before interest, tax, depreciation and amortisation (EBITDA) is disclosed for the first time, and so the breakdown of the profit and loss account has been adapted accordingly. This re-structuring was carried out to increase the significance of the profit and loss account. In order to show the profit from ordinary activities in a suitable manner, the taxes on income and profit that relate to the extraordinary result are shown separately in the profit and loss account.

The consolidated retained earnings correspond to the group net profit for the year following deduction of the minority interest in profit.

Scope of Consolidation

The group accounts incorporate all subsidiaries in which GEHE directly or indirectly holds the majority of votes. 522 domestic and foreign companies are included in the consolidation (previous year 409).

115 subsidiaries were included in the group accounts for the first time in this financial year, two companies were deleted from the scope of consolidation, one through merger and one through disposal.

Two subsidiaries have not been included as their shares were retained at the end of 2001 exclusively for the purpose of sale.

General Information

Seven associated companies were consolidated using the equity method. 15 companies acquired towards the end of the fourth quarter of 2001 were not included in the group consolidated financial statements, as the information required for consolidation was not available yet. The non-inclusion of these companies had no effect on the representation of the assets, financial situation and profits.

A complete list of the shareholdings held by GEHE Aktiengesellschaft will be filed in the commercial register of the local court in Stuttgart.

The changes in the scope of consolidation contributed 2,8% to the growth in turnover. The changes in the scope of consolidation did not have any significant effect on the result of the ordinary business activity before tax.

Consolidation Policies

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

The individual financial statements were first prepared in accordance with the relevant national accounting policies. Where these differed from the accounting principles laid down in the German Commercial Code (Handelsgesetzbuch), adjustments were made to bring them into line with the principles applied by GEHE. Valuation adjustments, where necessary, were made against the equity of the companies concerned.

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

For a first-time consolidation, the book value of the parent company's investment is set off against the subsidiary's share capital and reserves at the time of the first consolidation (the so-called book value method, in accordance with § 301 para. 1 clause 2 No. 1 German Commercial Code/Handelsgesetzbuch).

Any "balancing items" arising from capital consolidation in foreign currency were translated using the mid-rate on the balance sheet date. The effect of this change is reflected in the column "Translation adjustment" in the Development of Fixed Assets schedule. The corresponding entry is to be found in revenue reserves under shareholders' equity.

When accounting for associated companies on an equity basis, a similar procedure is used.

During the financial year, € 178,797,000 of goodwill arising on consolidation was set off against revenue reserves in accordance with § 309 para. 1 clause 3 of the German Commercial Code (Handelsgesetzbuch) without affecting profits. As at 31.12.2001, out of total goodwill arising on consolidation of € 2,558,511,000, a total of € 909,971,000 was set off directly against revenue reserves. The remaining net amount of € 1,648,540,000 concerns 44 affiliates. The goodwill is being amortised over a useful life of 15 years. Negative goodwill of € 259,000 arising on initial consolidation was allocated to revenue reserves.

General Information

On subsequent consolidation, the group's share of the results of the subsidiaries accruing after the balance sheet date of the initial consolidation is included under revenue reserves.

On deconsolidation (deletion of a subsidiary from the scope of consolidation), the goodwill set-off against reserves in previous years is reversed. In case of a permanent diminution in value, goodwill already set off is reversed and written off, thus affecting profit. To determine the value of goodwill, the goodwill of the smallest identifiable profit unit is used.

Intra-group receivables and liabilities between companies included in the consolidated financial statements have been eliminated.

In the consolidated profit and loss account, all intra-group sales, costs of sales and other intra-group income and expenditure were eliminated. Unrealised profits were eliminated according to accounting for deferred taxes in compliance with § 306 German Commercial Code (Handelsgesetzblatt). This had an impact on profit.

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

Special reserves of € 3,138,000 (previous year: € 3,464,000) set up in the individual company financial statements to comply with tax regulations, were reallocated in the consolidated financial statements, taking advantage of § 300 para. 2 of the German Commercial Code (Handelsgesetzbuch). The deferred tax element is € 1,255,000 (previous year: € 1,732,000).

The foreign subsidiaries' financial statements were converted into euro at the average exchange rate prevailing on the balance sheet date. The profit and loss accounts were converted at annual average rates. Currency differences on conversion were set off against the 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	2000 € '000
Net profit for the year	271,016	171,520
Extraordinary income after taxes	(69,670)	0
Fixed asset depreciation	85,489	79,917
Profit on sale of tangible assets and changes in long-term provisions	4,725	3,540
Cash flow	291,560	254,977
Change in other provisions	26,700	(29,402)
Other income and expenses not involving the movement of funds	(6,255)	1,329
Profit on disposal of financial assets	(73)	(311)
Changes in stocks, receivables, other assets and prepayments	(254,263)	130,511
Changes in short-term liabilities and accruals	157,051	(256,800)
Net cash flow from operations	214,720	100,304
Proceeds of sale of fixed assets	165,812	29,058
Investment in fixed assets	(533,385)	(362,739)
Net cash flow from investment activities	(367,573)	(333,681)
Dividends paid	(56,133)	(56,133)
Movement in long-term liabilities	199,584	295,597
Net cash flow from financing activities	143,451	239,464
Change in funds due to payments	(9,402)	6,087
Change in funds due to exchange rates	(156)	(174)
Funds on 01.01.	17,247	11,334
Funds on 31.12.	7,689	17,247

The layout of the source and application of funds follows the design provided by the Deutscher Standardisierungsrat (German Standardisation Board, DRS) under the title of "German Accounting Standard No. 2".

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 01.01.2001	60,456	180,216	69	2,204,095	2,444,836
Translation adjustment	625	3,194	0	39,937	43,756
Additions	8,781	75,634	3,022	324,271	411,708
Changes to consolidation scope	4,309	15,038	0	0	19,347
Transfers	75	0	(75)	0	0
Disposals	(2,725)	(94)	0	(9,792)	(12,611)
Cumulative cost at 31.12.2001	71,521	273,988	3,016	2,558,511	2,907,036
Cumulative valuation adjustments at 01.01.2001	40,925	61,624	0	726,034	828,583
Translation adjustment	456	649	0	12,329	13,434
Additions	6,666	14,870	0	0	21,536
Changes to consolidation scope	2,172	420	0	0	2,592
Transfers	0	0	0	0	0
Goodwill set-off	0	0	0	178,797	178,797
Write back	0	0	0	(7,189)	(7,189)
Disposals	(691)	0	0	0	(691)
Cumulative valuation adjustments at 31.12.2001	49,528	77,563	0	909,971	1,037,062
Net book value at 31.12.2001	21,993	196,425	3,016	1,648,540	1,869,974
Net book value at 31.12.2000	19,531	118,592	69	1,478,061	1,616,253

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 predominantly written off over a useful life of 4 to 10 years on a straight-line basis.

Of the total additions of € 411,708,000, an amount of € 324,271,000 related to goodwill arising on consolidation. The main additions to goodwill arising on consolidation relate mainly to the acquisition of AZIENDA FARMACIE MILANESI – AFM S.p.A., Milan/Italy, Norsk Medisinaldepot ASA, Oslo/Norway, Farmacie Pratesi Pratoforma, Prato/Italy and other pharmacy acquisitions in Great Britain, the Czech Republic, Ireland, Italy, Belgium and the Netherlands. The acquired goodwill additions totalling € 75,634,000 relate mainly to the acquisitions of pharmacies in Norway and Great Britain. The reduction and write back of goodwill arising on consolidation is mainly attributable to the disposal of shares in Jenapharm GmbH & Co. KG, Jena. Included within intangible fixed assets at the end of 2001 was goodwill on consolidation of € 1,648,540,000 relating to shareholdings acquired. This is calculated as follows:

	Gross € '000	Set-Off € '000	Net € '000
At 31.12.2000	2,204,095	726,034	1,478,061
Translation adjustment	39,937	12,329	27,608
Addition	324,271	0	324,271
Transfer	0	0	0
Disposal	(9,792)	0	(9,792)
Write back	0	(7,189)	7,189
Set-off against shareholders' equity	0	178,797	(178,797)
At 31.12.2001	2,558,511	909,971	1,648,540

Notes to the Balance Sheet

The remaining balance of € 1,648,540,000 will be set off against reserves subject to currency fluctuations, as follows:

Year	€ '000	€ '000
2002–2006	166,981 each year	= 834,905
2007		164,828
2008		150,916
2009		140,452
2010		113,908
2011		105,034
2012		41,845
2013		41,582
2014		30,713
2015		19,777
2016		4,580
		1,648,540

(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 a disposal.

Additions in the Wholesale Division relate mainly to investments in Austria, Germany, France and Great Britain. In the Retail Division, additions relate mainly to investments in Great Britain and Italy.

	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 01.01.2001	218,270	134,961	370,818	30,641	754,690
Translation adjustment	1,813	1,402	4,910	1	8,126
Additions	19,091	11,214	54,257	4,926	89,488
Changes to consolidation scope	22,965	3,546	28,631	2,262	57,404
Transfers	25,268	5,208	1,006	(31,482)	0
Disposals	(9,760)	(809)	(39,991)	(4)	(50,564)
Cumulative cost at 31.12.2001	277,647	155,522	419,631	6,344	859,144
Cumulative valuation adjustments at 01.01.2001	96,201	80,994	247,341	0	424,536
Translation adjustment	693	867	3,100	0	4,660
Additions	9,435	14,197	39,966	0	63,598
Changes to consolidation scope	1,649	364	12,497	0	14,510
Transfers	(1)	206	(205)	0	0
Disposals	(2,199)	(738)	(30,244)	0	(33,181)
Cumulative valuation adjustments at 31.12.2001	105,778	95,890	272,455	0	474,123
Net book value at 31.12.2001	171,869	59,632	147,176	6,344	385,021
Net book value at 31.12.2000	122,069	53,967	123,477	30,641	330,154

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 01.01.2001	0	40,656	14,364	4,950	710	22,764	83,444
Translation adjustment	0	0	21	0	0	0	21
Additions	23,219	8,145	1,500	1,885	0	12,454	47,203
Changes to consolidation scope	0	2,479	2,420	1,014	0	0	5,913
Transfers	0	0	0	0	0	0	0
Disposals	0	(48,758)	(26)	(2,317)	(710)	(10,638)	(62,449)
Cumulative cost at 31.12.2001	23,219	2,522	18,279	5,532	0	24,580	74,132
Accumulated valuation adjustments on 01.01.2001	0	0	5,833	660	0	2,737	9,230
Translation adjustment	0	0	0	0	0	0	0
Additions	0	0	107	0	0	248	355
Changes to consolidation scope	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	(214)	(595)	0	0	(809)
Cumulative valuation adjustments at 31.12.2001	0	0	5,726	65	0	2,985	8,776
Net book value at 31.12.2001	23,219	2,522	12,553	5,467	0	21,595	65,356
Net book value at 31.12.2000	0	40,656	8,531	4,290	710	20,027	74,214

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 associated companies relates to pharmacies acquired in the fourth quarter 2001, to be consolidated in the year 2002. The disposal of shares in associated companies is the result of the sale of the shares in Jenapharm GmbH & Co. KG, Jena. The costs of acquisition for associated companies are calculated according to the equity method.

(4) Fixed Assets

The schedule on page 96 shows the analysis and development of fixed assets which are summarised in the consolidated balance sheet. This constitutes an integral part of the notes to the accounts.

(5) Stocks

Raw materials and merchandise are stated at the lower of cost or realisable value.

The increase in stocks is mainly the result of including Norsk Medisinaldepot ASA, Oslo/Norway for the first time and the building up of stocks in the Wholesale Division in France and Great Britain.

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

	31.12.2001 € '000	31.12.2000 € '000
Raw materials, consumables and supplies	2,501	2,325
Finished goods and merchandise	1,247,110	1,076,070
Payments on account	8,780	3,967
	1,258,391	1,082,362

Notes to the Balance Sheet

(6) Receivables and other Assets

	31.12.2001	31.12.2000
	€ '000	€ '000
Trade debtors	1,488,268	1,220,705
Receivables from companies in which a participation is held	337	303
Other assets	112,850	134,921
	1,601,455	1,355,929

Receivables and other assets are valued on a prudent basis, taking into account their recoverability. Provision has been made for identifiable individual risks. Adequate provision has also been made to cover other general credit risks.

The increase in receivables related to the Wholesale and Retail Divisions in Great Britain and inclusion of Norsk Medisinaldepot ASA, Oslo/Norway for the first time.

Receivables are sold under a non-recourse discounting agreement. OCP REPARTITION S.A.S., Saint-Ouen/France sold receivables of € 250.0 m under a non-recourse discounting agreement at 31.12.2001. The contract, which runs until August 2002, provides that trade debtors up to a limit of € 250.0 m can be sold under a non-recourse discounting agreement. An agreement which is valid until January 2004, covers trade debtors of GEHE Pharma Handel GmbH, Stuttgart, up to a limit of € 153.4 m, and provides that debts which are paid are replaced by new receivables. Thus, over the term of the agreement, a discounted value of € 153.4 m is maintained.

PCB DIS S.A., Brussels/Belgium had sold receivables of € 28.0 m under a non-recourse discounting agreement as at 31.12.2001. The volume of the contract, which runs until March 2002, amounts to € 28.0 m.

Lloyds Pharmacy Ltd, Coventry/Great Britain, and AAH Pharmaceuticals Ltd, Coventry/Great Britain, sold receivables of approximately £ 100 m (about € 164 m) under a non-recourse discounting agreement at 31.12.2001. The volume of the contract, which runs until December 2004, is £ 100 m (about € 164 m).

Herba Chemosan Apotheker-AG, Vienna/Austria had sold a volume of € 14.6 m under a non-recourse discounting agreement as at 31.12.2001. The contract, which runs until January 2003, provides for the sale of trade debtors under a non-recourse discounting agreement up to a limit of € 14.6 m.

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

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

	31.12.2001 € '000	31.12.2000 € '000
Trade debtors	16,113	22,333
Other assets	18,477	19,587
	34,590	41,920

(7) Bank and Cash Balances

	31.12.2001 € '000	31.12.2000 € '000
Cash in hand, Bundesbank accounts	1,515	1,084
Bank balances	6,174	16,163
	7,689	17,247

Notes to the Balance Sheet

(8) Prepaid Expenses

	31.12.2001 € '000	31.12.2000 € '000
Deferred taxes	20,939	0
Other	32,969	30,269
	53,908	30,269

Prepaid expenses relate mainly to insurance premiums already paid in the amount of € 2,168,000 as well as rent payments in advance of € 15,510,000. This is common practice in Great Britain.

Deferred tax balances are made up of deferred tax assets (€ 30,122,000) and liabilities (€ 9,183,000). In the previous year there was a debit balance, which was presented as a tax provision. Deferred taxes arise from individual financial statements, from adjustments of individual financial statements to the accounting principles and valuation policies applied by GEHE Aktiengesellschaft and from consolidation measures.

(9) Shareholders' Equity

	Issued capital € '000	Capital reserves € '000	Revenue reserves € '000	Retained earnings € '000	Minority interests € '000	Equity € '000
At 01.01.2001	186,624	682,434	104,441	169,594	10,075	1,153,168
Dividends paid	0	0	0	(56,133)	0	(56,133)
Addition to reserves	0	0	113,461	(113,461)	0	0
Goodwill set-off	0	0	(183,937)	0	0	(183,937)
Translation adjustment	0	0	37,305	0	0	37,305
Annual net profit	0	0	0	267,941	0	267,941
Minority interests	0	0	0	0	2,227	2,227
At 31.12.2001	186,624	682,434	71,270	267,941	12,302	1,220,571

(10) Issued Capital

The issued capital and capital reserves relate to GEHE Aktiengesellschaft. The share capital is subdivided into 72,900,000 individual shares (shares with no par value), each made out to the bearer. Authorised capital of € 37,325,000 is available until 3 June 2004.

(11) Revenue Reserves

The revenue reserves shown on the consolidated balance sheet include negative goodwill arising on initial consolidation, translation adjustments arising out of the currency conversion of assets and liabilities of foreign group companies, and the equity share of the special items with an equity portion.

Goodwill has been set off against the revenue reserves as follows:

	31.12.2001	31.12.2000
	€ '000	€ '000
Revenue reserves (gross)	981,241	830,475
Goodwill set-off (accumulated)	(909,971)	(726,034)
	71,270	104,441

(12) Consolidated Retained Earnings

€ 56,133,000 were paid out as dividends from the consolidated earnings of € 169,594,000 for the financial year 2000. The remaining consolidated retained earnings were transferred to revenue reserves.

The consolidated retained earnings on 31.12.2001 thus correspond to the net profit for the year excluding the minority interest in profit.

Notes to the Balance Sheet

(13) Minority Interests

	31.12.2001	31.12.2000
	€ '000	€ '000
Share of capital and reserves	9,227	8,149
Share of retained earnings	3,075	1,926
	12,302	10,075

The increase in minority interests relates mainly to the inclusion of AZIENDA FARMACIE MILANESI – AFM S.p.A., Milan/Italy for the first time.

(14) Provisions for Pensions and Similar Obligations

The pension provisions were calculated using the unit cost method, using the interest rate in force in each country (usually 6 %) and the official mortality tables of the respective countries. In Germany the pension provisions were calculated using the unit cost method in accordance with § 6a of the Income Tax Law (Einkommensteuergesetz), using an interest rate of 6 % and the 1998 mortality tables of Dr. Heubeck and correspond to the full unit cost.

The increase in reserves for pensions and similar obligations is mainly due to the inclusion for the first time of Norsk Medisinaldepot ASA, Oslo/Norway and AZIENDA FARMACIE MILANESI – AFM S.p.A., Milan/Italy.

(15) Other Provisions

	31.12.2001 € '000	31.12.2000 € '000
Provisions for taxes	66,805	43,749
Other provisions	288,347	256,462
	355,152	300,211

Provisions for taxation do not include any deferred taxes, since the balance from deferred tax assets and liabilities are shown under deferred tax assets (see Appendix (8)). In the previous year provisions for taxation included provisions for deferred taxes of € 1,327,000.

The increase in other provisions is due to the inclusion for the first time of Norsk Medisinaldepot ASA, Oslo/Norway and AZIENDA FARMACIE MILANESI – AFM S.p.A, Milan/Italy.

Notes to the Balance Sheet

(16) Liabilities, Contingent Liabilities, other Financial Commitments and Derivative Financial Instruments

Liabilities	Total	Falling due:			Total
	31.12.2001	within 1 year	between 1 to 5 years	after 5 years	31.12.2000
	€ '000	€ '000	€ '000	€ '000	€ '000
Loans	3,813	0	3,813	0	7,446
Liabilities to banks	1,485,610	205,557	100,966	1,179,087	1,226,122
Payments received on account of orders	33,876	33,876	0	0	28,120
Trade creditors	1,615,389	1,615,389	0	0	1,385,386
Liabilities on bills accepted and drawn	180,476	180,476	0	0	136,932
Liabilities to affiliated companies	4,675	4,675	0	0	2,869
Liabilities to companies in which a participation is held	7,701	7,701	0	0	6,955
Other liabilities	249,709	243,682	3,366	2,661	204,024
thereof tax	[27,043]	[27,043]	[0]	[0]	[39,306]
thereof social security payments	[32,111]	[32,111]	[0]	[0]	[27,204]
	3,581,249	2,291,356	108,145	1,181,748	2,997,854

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

Liabilities to affiliated companies relate to Haniel Finance B.V., Amsterdam/Netherlands.

Contingent Liabilities	31.12.2001 € '000	31.12.2000 € '000
Bills of exchange	7,975	8,291
Guarantees	474,069	368,930
Warranties	16,106	77,001
	498,150	454,222

The contingent liabilities due to guarantees relate mainly to guarantees given by the Wholesale Division in Great Britain and by GEHE Aktiengesellschaft.

Contingent liabilities under warranties relate mainly to the sale of the companies in the Pharmaceutical Production Division in 1996. The majority of these guarantee commitments ran out in the 2001 financial year.

Other Financial Commitments	31.12.2001 € '000	31.12.2000 € '000
Rent and lease contracts due:		
within 1 year	86,249	75,995
between 2 and 5 years	308,919	266,919
after 6 years	512,896	519,961
	908,064	862,875
Acquisitions of pharmacies	45,034	40,181
Commitments for capital expenditure	6,137	3,701
Other	552	2,120
	959,787	908,877

The commitments under rental and leasing contracts mainly concern wholesale and retail in Great Britain (about € 575 m) and wholesale in Austria (about € 55 m) and in France (about € 53 m).

The commitments arising from pharmacy acquisitions are based on preliminary agreements concerning the acquisition of pharmacies.

Notes to the Balance Sheet

Derivative Financial Instruments	Nominal volume		Market value	
	31.12.2001 € m	31.12.2000 € m	31.12.2001 € m	31.12.2000 € m
Interest-based derivatives	1,403.0	1,018.0	(46.9)	(38.5)
Currency-based derivatives	92.5	94.0	(3.0)	5.7
	1,495.5	1,112.0	(49.9)	(32.8)

In the course of its operations, GEHE is subject to risks arising out of exchange rate and interest rate changes. In order to minimise these risks, GEHE makes use of derivative financial instruments as part of its interest and exchange rate management programmes. Without the use of these instruments, GEHE would be exposed to significantly greater risks from interest rate and exchange rate fluctuations.

Common instruments used are: interest swaps, forward rate agreements, swap options, caps and floors for interest rate management, and forward contracts and options for exchange rate management.

The use of derivative financial instruments in the GEHE group is subject to a range of controls. These include the separation of the trading, processing and bookkeeping functions, restriction to a small number of reputable banks and the authorisation of only a small number of qualified staff to carry out these transactions.

Information on Segmental Reporting

Segmentation by Business Activity	Wholesale		Retail		Other		Group	
	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000
Profit and loss account								
Turnover	14,918,534	13,720,110	2,052,425	1,626,548	0	(1,979)	16,970,959	15,344,679
Gross profit	999,423	975,154	615,421	483,036	0	0	1,614,844	1,458,190
Results from associated companies	68	25	0	0	8,142	6,287	8,210	6,312
Results from other shareholdings	2,075	2,127	949	810	0	1,564	3,024	4,501
EBITDA	348,732	327,330	150,427	123,275	(14,513)	(11,117)	484,646	439,488
Depreciation and amortisation	(55,607)	(56,346)	(28,880)	(22,931)	(647)	(626)	(85,134)	(79,903)
Net interest result	(53,359)	(52,072)	(65,922)	(63,174)	11,877	11,181	(107,404)	(104,065)
Profit from ordinary activities	239,766	218,912	55,625	37,170	(3,283)	(562)	292,108	255,520
Taxes on income and profit from ordinary activities	(81,916)	(79,703)	(17,542)	(10,923)	8,696	6,626	(90,762)	(84,000)
Profit from ordinary activities after taxes	157,850	139,209	38,083	26,247	5,413	6,064	201,346	171,520
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	139,209	38,083	26,247	75,083	6,064	271,016	171,520
Assets, liabilities and investments								
Segment assets	3,365,554	3,182,102	1,823,917	1,226,586	52,323	97,740	5,241,794	4,506,428
Segment liabilities	2,344,094	2,180,259	1,189,406	755,753	47,749	61,842	3,581,249	2,997,854
Shareholdings in associated companies	2,522	133	0	0	0	40,523	2,522	40,656
Other shareholdings	11,915	7,881	574	560	64	90	12,553	8,531
Investments	80,226	208,889	409,677	119,152	58,496	6,442	548,399	334,483
Employees								
Employees (annual average)	12,938	13,167	9,500	8,641	79	54	22,517	21,862
Employees on 31.12.	13,129	12,882	10,437	8,672	88	65	23,654	21,619

The layout of the segmental reporting follows the design provided by the Deutscher Standardisierungs-rat (German Standardisation Board, DRS) under the title "German Accounting Standard No. 3 (DRS3)". The segmentation is based on the internal organisational and accounting structures of GEHE.

Segmentation by Business Activity

Information on Segmented Reporting

The internal organisational and accounting structure of GEHE is based on a subdivision of the business divisions into Wholesale, Retail and Other.

The Wholesale segment includes the wholesale activities of GEHE with third party customers, while the Retail segment groups together the retail activities in Great Britain, Italy, Norway, the Czech Republic, Ireland, Belgium and the Netherlands.

For 2001, the Other segment includes mainly the activities of the holding company, GEHE Aktiengesellschaft and non-operational companies. It also contains consolidation measures taking effect between the segments.

Turnover and profit from ordinary activities before interest for the GEHE-Herba Group, the OCP Group and the AAH-NMD-Group are shown in the following overview:

	Turnover		EBITDA		Profit from ordinary activities	
	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000
Wholesale	14,918,534	13,720,110	348,732	327,330	239,766	218,912
GEHE-Herba Group	4,139,518	3,887,126	106,032	96,341	61,192	55,631
OCP Group	7,161,865	6,647,541	132,095	118,923	117,954	99,370
AAH-NMD Group	3,617,151	3,185,443	110,605	112,066	60,620	63,911
Retail	2,052,425	1,626,548	150,427	123,275	55,625	37,170
Pharmaceutical distribution	16,970,959	15,346,658	499,159	450,605	295,391	256,082
Other	0	(1,979)	(14,513)	(11,117)	(3,283)	(562)
GEHE Group	16,970,959	15,344,679	484,646	439,488	292,108	255,520

The following table consists of regional data on turnover and investments:

Segmentation by Region	Germany		France		Great Britain		Other countries		Total	
	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000	2001 € '000	2000 € '000
External sales by customer location	3,252,056	3,052,188	6,392,640	5,931,173	4,806,312	4,424,585	2,519,951	1,936,733	16,970,959	15,344,679
Investments in long-term assets	19,122	15,136	11,680	9,286	72,438	108,929	445,159	201,132	548,399	334,483

Notes to the Profit and Loss Account

(17) Turnover

As part of the segmental reporting information, turnover is subdivided according to business segments and regions.

(18) Other Income

	2001 € '000	2000 € '000
Profit on disposal of fixed assets	8,566	6,673
Release of provisions	12,140	16,544
Rental and lease income	3,650	3,832
Other income	122,556	96,351
	146,912	123,400

Other income mainly comprises contributions to advertising expenses, income from seminars and conferences, from marketing activities and from data processing and information technology services.

(19) Personnel Expenses/Staff

	2001 € '000	2000 € '000
Wages and salaries	623,297	553,796
Social insurance costs	112,273	103,344
Pension costs	19,047	13,977
	754,617	671,117

A split of the staff numbers has been carried out in the segmental reporting information.

Notes to the Profit and Loss Account

(20) Other Operating Expenses

	2001	2000
	€ '000	€ '000
Freight charges	71,774	67,467
Rent	86,043	74,899
Advertising costs	34,162	28,925
Depreciation and adjustments to current assets	15,430	13,021
Loss on disposal of fixed assets	3,582	2,114
Trade capital tax	4,092	4,718
Other taxes	20,902	20,102
Other	297,742	270,551
	533,727	481,797

The other expenses include mainly administration, sales and distribution, energy and maintenance costs.

(21) Income from Investments

	2001	2000
	€ '000	€ '000
Income from associated companies	8,210	6,312
Income from investments	3,131	4,501
Write down of investments	(107)	(1)
	11,234	10,812

(22) Amortisation and Depreciation

	2001	2000
	€ '000	€ '000
Amortisation of intangible assets	21,536	17,199
Depreciation of tangible assets	63,598	62,704
	85,134	79,903

(23) Net Interest Result

	2001 € '000	2000 € '000
Income from other securities and long-term financial investments	1,026	1,867
Other interest and similar income	13,596	10,794
thereof from affiliated companies	[1,003]	[942]
Interest and similar charges	(121,778)	(116,713)
thereof affiliated companies	[(4,555)]	[(51)]
Depreciation on financial assets	0	(13)
Depreciation on other long-term financial investments	(248)	0
	(107,404)	(104,065)

(24) Taxes on Income and Profit

German corporation tax, comparable profit-dependent taxes, deferred taxes and the trade income tax charge from Franz Haniel & Cie. GmbH are shown under this item.

The consolidated tax ratio, calculated on the profit from ordinary activities, is 31.1 % (previous year: 32.9 %).

The tax expenditure due to the extraordinary result is shown separately in the profit and loss account.

Notes to the Profit and Loss Account

Total Tax Expense	2001	2000
	€ '000	€ '000
Taxes on income and profit from ordinary activities	90,762	84,000
thereof trade income tax charge from Franz Haniel & Cie. GmbH	[3,509]	[5,031]
Trade capital tax	4,092	4,718
Other taxes	20,902	20,102
	115,756	108,820
Taxes on income and profit from extraordinary results	23,533	0
	139,289	108,820

The major components of other taxes are real estate tax, vehicle tax and value added tax.

Trade capital tax and other taxes are shown under "Other Operating Expenses", Note (20).

(25) Extraordinary Income

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

Other Information

Remuneration of Members of the Supervisory and Management Boards

The total remuneration of the members of the Supervisory Board of GEHE Aktiengesellschaft amounted to € 693,900, while for the members of the Management Board of GEHE Aktiengesellschaft (group) the remuneration amounted to € 4,558,418.

Former members of the Management Board of GEHE Aktiengesellschaft and their surviving dependants received € 1,364,525. The provision for pension liabilities for former members of the Management Board and their surviving dependants amounted to € 2,924,278.

Profit Appropriation as Proposed by the Management Board

GEHE has consolidated net profit of € 271,016,000 for the year.

The Management Board proposes that € 61,965,000 be distributed as dividends for the 2001 financial year.

On the basis of this proposal, an ordinary dividend of € 0.77 and a special dividend of € 0.08 would be paid on each individual share. Following the change in the Corporation Tax Law, from this year onwards, our German shareholders will no longer be eligible for corporation tax credit.

Stuttgart, 12 February 2002

The Management Board

Management Board

Dr Fritz Oesterle
Stuttgart/Germany
Chief Executive Officer

Member of the Management Board of
GEHE Norge AS, Oslo/Norway
Norsk Medisinaldepot ASA, Oslo/Norway
(since 01.10.2001)

Member of the Board of Directors of
IFPW (International Federation
of Pharmaceutical Wholesalers, Inc.),
Fairfax/Virginia, USA

Membership of Supervisory Boards and other control committees:
GEHE Pharma Handel GmbH, Stuttgart/Germany (Chairman)
OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) S.A.,
Saint Ouen/France
Herba Chemosan Apotheker-AG, Vienna/Austria
GEHE Nederland B.V., Amsterdam/Netherlands
LLOYDSPHARMACY BELGIUM S.A., Wavre/Belgium (since 23.02.2001)
GEHE Property Management Company, Brussels/Belgium
(since 21.02.2001)
Untertürkheimer Volksbank e.G., Stuttgart/Germany
GEHE UK PLC, Coventry/Great Britain
GEHE Invest PLC, Coventry/Great Britain

Jacques Ambonville
Saint Ouen/France

Chief Executive Officer of
OFFICE COMMERCIAL
PHARMACEUTIQUE (OCP) S.A.,
Saint Ouen/France
OCP REPARTITION S.A.S.,
Saint Ouen/France

Member of the Management Board of
GEHE Italia S.p.A. Bologna/Italy

Membership of Supervisory Boards and other control committees:
Herba Chemosan Apotheker-AG, Vienna/Austria
OCP FRANCE REPARTITION S.A., Saint Ouen/France (Chairman)
OCP PORTUGAL S.A., Porto/Portugal (Chairman)
DEPOTS GENERAUX PHARMA S.A., Aulnay-sous-Bois/France
SAMBRIA S.C., Charleroi/Belgium
TREDIMED S.A., Saint Ouen/France
CENTRALE D'ADMINISTRATION DE BIENS
IMMOBILIERS CABI S.A., Saint Ouen/France (until 02.05.2001)
OCP PARTICIPATIONS S.A., Saint Ouen/France (until 08.06.2001)
PHARMATEL S.A., Marseille/France (until 13.03.2001)
PHARMA PARTNERS BVBA, Ostende/Belgium (until 22.08.2001)

Stefan Meister
Stuttgart/Germany

Chief Executive Officer of
GEHE Italia S.p.A., Bologna/Italy

Member of the Management Board of
GEHE Norge AS, Oslo/Norway
AFM S.p.A., Bologna/Italy
A.F.M. di Cremona S.p.A., Cremona/Italy
AZIENDA FARMACIE MILANESI –
AFM S.p.A., Milan/Italy (since 04.07.2001)
Farmacie Pratesi Pratoforma S.p.A.,
Prato/Italy (since 02.10.2001)
Lissone Farmacie S.p.A.,
Lissone/Italy (since 17.09.2001)

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 (since 23.02.2001)
GEHE Property Management Company Belgium S.A., Brussels/Belgium
(since 21.02.2001)
GEHE UK PLC, Coventry/Great Britain
GEHE Invest PLC, Coventry/Great Britain
Member of the Börsenrat Baden-Württembergische Wertpapierbörse,
Stuttgart/Germany

Jürgen Ossenberg-Engels
Stuttgart/Germany
(until 31.12.2001)

Chairman of the Board of Directors of
GEHE Pharma Handel GmbH,
Stuttgart/Germany (until 31.12.2001)

Membership of Supervisory Boards and other control committees:
DATEG Datenfernübertragungsgeräte Gesellschaft mit beschränkter
Haftung, Frankfurt(Main)/Germany (until 31.12.2001)

Michael A Ward
Coventry/Great Britain

Chief Executive Officer of
GEHE UK PLC, Coventry/Great Britain
GEHE Norge AS, Oslo/Norway

Member of the Management Board of
LLOYDSPHARMACY BELGIUM S.A.,
Wavre/Belgium (since 23.02.2001)
Norsk Medisinaldepot ASA, Oslo/Norway
(since 01.10.2001)
GEHE Italia S.p.A. Bologna/Italy

Member of the Board of Directors of
Lloyds Pharmacy Limited, Coventry/Great Britain
GEHE Nederland B.V., Amsterdam/Netherlands

Membership of Supervisory Boards and other control committees:
Croda International PLC, Goole, Great Britain (since 24.04.2001)

Supervisory Board

Günther Hülse

Duisburg-Ruhrort/Germany
(Chairman since 01.06.2001)

Chief Executive Officer of
Franz Haniel & Cie. GmbH

Membership of Supervisory Boards and other control committees:

TAKKT AG, Stuttgart/Germany
(Member since 16.05.2001, Chairman since 21.09.2001)
Dr. Rentschler Geschäftsführungsgesellschaft mbH, Laupheim/Germany
(Chairman), until 31.07.2001
G. Konzmann GmbH & Co. KG, Leinfelden-Echterdingen/Germany
Herba Chemosan Apotheker-AG, Vienna/Austria
GEHE UK PLC, Coventry/Great Britain

Dr Dieter Schadt

Duisburg-Ruhrort/Germany
(Chairman until 31.05.2001,
member until 31.12.2001)

Chief Executive Officer of
Franz Haniel & Cie. GmbH
until 31.05.2001

Membership of Supervisory Boards and other control committees:

TAKKT AG, Stuttgart/Germany
(Chairman until 21.09.2001, deputy Chairman since 12.12.2001)
Bankgesellschaft Berlin AG, Berlin/Germany
ESSO Deutschland GmbH, Hamburg/Germany
OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) S.A.,
Saint Ouen/France (until 31.12.2001)
Herba Chemosan Apotheker-AG, Vienna/Austria (until 31.12.2001)
Delton AG, Bad Homburg/Germany
RWE Umwelt Aktiengesellschaft, Essen/Germany
Gebr. Röchling KG, Mannheim/Germany
Röchling Industrie Verwaltung GmbH, Mannheim/Germany

Friedrich Taake

Porta Westfalica/
Minden/Germany
Deputy Chairman

Commercial employee at
GEHE Pharma Handel GmbH

Prof Dr med

Julius Michael Curtius
Weimar/Germany

Chief Medical Officer

Ihno Goldenstein

Delmenhorst/Germany

Employee in Receiving Department at
GEHE Pharma Handel GmbH

Jörg Lauenroth-Mago

Magdeburg/Germany

Trade Union Secretary

Member of Supervisory Board:

GEHE Pharma Handel GmbH, Stuttgart/Germany
Franz Haniel & Cie. GmbH, Duisburg-Ruhrort/Germany

Hans-Martin Poschmann

Berlin/Germany

Trade Union Secretary

Member of Supervisory Board:

GEHE Pharma Handel GmbH, Stuttgart/Germany

Jürgen Puff

Stuttgart/Germany

Director of Organisation at
GEHE Pharma Handel GmbH

Hans-Jürgen Sachse

Halle/Germany

Manual worker at
GEHE Pharma Handel GmbH

Dr Ihno Schneevoigt

Munich/Germany

Member of Management Board of
Allianz Versicherungs AG, Munich
Allianz Lebensversicherungs AG,
Stuttgart

Membership of Supervisory Boards and other control committees:

Allianz Gesellschaft für Informatik Service mbH, Munich/Germany
(until 02.04.2001)
Dr. Dr. Heissmann GmbH, Wiesbaden/Germany

Prof Dr Theo Siegart

Duisburg-Ruhrort/Germany

Member of Management Board of
Franz Haniel & Cie. GmbH

Membership of Supervisory Boards and other control committees:

OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) S.A.,
Saint Ouen/France

Prof Dr Erich Zahn

Stuttgart/Germany

Professor of Business Studies at the
University of Stuttgart

Member of Supervisory Board:

IFB Dr. Braschel AG, Stuttgart/Germany (Chairman)

Audit Opinion

"We have carried out an audit of the consolidated financial statements and of the Group Management Report for GEHE Aktiengesellschaft, which is combined with the Management Report for GEHE Aktiengesellschaft for the business year from 1 January to 31 December 2001. The drawing up of the consolidated financial statements and of the Management Report, in accordance with the German commercial regulations, is the responsibility of the company's Management Board. It is our task, based upon the audit carried out by us, to assess the consolidated financial statements and the combined Management Report.

We have carried out our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (Handelsgesetzbuch) in compliance with the guidelines laid down by the German Institute of Certified Public Accountants (IDW) for 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 consolidated financial statements, taking into account the principles of proper book-keeping, 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 consolidated 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 consolidated 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 consolidated 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 objections.

We are convinced that the consolidated financial statements which comply with the principles of proper accounting, give a true and fair view 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."

Munich/Stuttgart, 12 February 2002

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Eisold)
Auditor

(Wißfeld)
Auditor

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GEHE on the Web

**Up-to-date information on GEHE and companies in the
GEHE Group can be found on the GEHE website:**

www.gehe.de

**Latest information on pharmacies
and healthcare topics in Europe:**

www.pharmacy-point.com

Information on our wholesale companies and markets:

France:	www.ocp.fr
Austria:	www.herba-chemosan.at
Norway:	www.nmd.no

Information on our pharmacies:

Great Britain:	
Lloyds Pharmacy	www.lloydspharmacy.co.uk
John Bell & Croyden, London	www.johnbellcroyden.co.uk
Norway:	www.vitusapotek.no
The Czech Republic:	www.lloydspharmacy.cz
Belgium:	www.hedephar.be

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

France:	www.point.ocp.fr
Germany:	www.gehe-point.de
Austria:	www.herba-point.at
Great Britain:	AAH-POINT (no public access)
Norway:	FarmaLink (no public access)

General Information

This annual report is available in German, English, French, Italian and Norwegian. The German version is the authoritative version.

The accounts and the Management Report of GEHE Aktiengesellschaft for the business year 2001 will be published in the Bundesanzeiger and filed in the commercial register at the Stuttgart District Court.

Investor's calendar 2002

Investment Conference, Dresdner Bank, New York,
16 January 2002

Roadshow, USA, January 2002

UBS Warburg Healthcare Conference, New York,
4 February 2002

Merrill Lynch Pharmaceutical Conference, New York,
7 February 2002

Letter to Shareholders, Fourth Quarterly Report 2001,
22 March 2002

Balance Sheet Press Conference, Stuttgart, 22 March 2002

Analysts' Conference, Bologna, 25-26 March 2002

Annual General Meeting, Stuttgart, 8 May 2002

Letter to Shareholders, First Quarterly Report 2002,
8 May 2002

Dividend payment, 10 May 2002

Letter to Shareholders, First Half-yearly Report 2002, CW 32

Letter to Shareholders, Third Quarterly Report 2002, CW 46



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