

# Annual Report 2000



## Key facts about GEHE

Founded \_\_\_\_\_ 1835 in Dresden  
Founder \_\_\_\_\_ businessman Franz Ludwig Gehe  
Core business \_\_\_\_\_ pharmaceutical distribution:  
wholesale and retail  
Head office \_\_\_\_\_ Stuttgart

### Key statistics for 2000

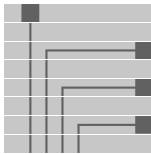
Wholesale branches \_\_\_\_\_ 126  
Pharmacies \_\_\_\_\_ 1,403  
Employees \_\_\_\_\_ 21,619  
Turnover \_\_\_\_\_ € 15.3 bn  
Turnover growth in pharmaceutical distribution \_\_\_\_\_ 12.8 %  
Group EBITDA \_\_\_\_\_ € 439.5 m  
EBITDA growth in pharmaceutical distribution \_\_\_\_\_ 14.8 %  
Group profit \_\_\_\_\_ € 255.5 m  
Profit growth in pharmaceutical distribution \_\_\_\_\_ 11.3 %  
Net profit per share \_\_\_\_\_ € 2.35

## Group overview

Major operating companies



GEHE Group



GEHE Wholesale

### GEHE-Herba Group

GEHE Pharma Handel GmbH  
Stuttgart  
19 branches in Germany

Herba Chemosan Apotheker-AG  
Vienna  
9 branches in Austria

GEHE Pharma Praha, spol. s r.o.  
Prague  
3 branches in the Czech Republic

### OCP Group

OCP FRANCE REPARTITION S.A.  
Saint Ouen/Paris  
55 branches in France

PHARMA PARTNERS BVBA  
Ostend  
8 branches in Belgium

OCP PORTUGAL  
PRODUTOS FARMACEUTICOS, S.A.  
Porto  
6 branches in Portugal

AFM S.p.A.  
Bologna  
1 branch in Italy

### AAH Group

AAH Pharmaceuticals Ltd  
Coventry  
19 branches in Great Britain

Cahill May Roberts Group Ltd  
Dublin  
3 branches in Ireland

Franz Ludwig Gehe  
Businessman  
Founder of GEHE



GEHE Retail

#### Great Britain

Lloyds Retail Chemists Ltd  
Coventry  
1,320 pharmacies  
(Lloydspharmacy)

#### Italy

AFM S.p.A.  
Bologna  
38 pharmacies

A.F.M. di Cremona S.p.A.  
Cremona  
15 pharmacies

#### Czech Republic

Inpharma s.r.o.  
Prague  
30 pharmacies

#### Norway

GEHE Norge AS  
Oslo

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## Highlights 2000

### 1<sup>st</sup> quarter 2000

- Acquisition of a majority shareholding in Herba Chemosan, No. 1 in pharmaceutical distribution in Austria.
- New branch in Setubal, south of Lisbon.
- Acquisition of a further chain of pharmacies in Great Britain with 17 pharmacies in the Bristol area.

### 2<sup>nd</sup> quarter 2000

- Completion of the integration of Herba Chemosan into the GEHE group.
- Market launch of the Internet business-to-business platform AAH POINT in Great Britain.
- Completion of the sale of the British drugstore chain Supersave.

### 3<sup>rd</sup> quarter 2000

- Establishment and acquisition of 10 additional pharmacies in the Czech Republic.
- Take-over of 15 municipal pharmacies in Cremona.
- Start of construction of a new branch in Minden.

### 4<sup>th</sup> quarter 2000

- New retail organisation GEHE Norge secures 27 pharmacy locations in Norway.
- Market launch of the Internet platform Herba POINT in Austria.
- Acquisition of a chain of six pharmacies in the Czech Republic.

## Letter to Shareholders



**Dr Fritz Oesterle**  
Chief Executive Officer  
of the Management Board

Dear Shareholders

This annual report has been drawn up to provide you with information concerning our first financial year in the new millennium.

Immediately after the new millennium, we won the race for Herba Chemosan, the leading Austrian pharmaceutical wholesaler. Once the largest shareholder of Herba Chemosan had sold its package of shares to us, it took only a few days to acquire more than half of the equity capital of Herba Chemosan. At the end of the 2000 financial year we held more than 90% of Herba Chemosan.

The acquisition of Herba Chemosan did of course impact on the tasks which we had to perform in the year 2000. We consolidated Herba Chemosan, formerly a semi-co-operative wholesaler owned by pharmacists, into the GEHE group. This was a resounding success, which was partly due to our work in the run-up to the acquisition. But it was also, and above all, thanks to the Management of Herba Chemosan and their old and new Supervisory Board, especially its pharmacist representatives. By the end of the financial year Herba Chemosan was an integral part of GEHE. The best evidence of the successful integration of Herba Chemosan is that in its first year as part of GEHE, even after taking into account the financing costs, it made a considerable positive contribution to our group earnings. With the incorporation of Herba Chemosan, despite economic conditions being more difficult in the second half of 2000, we closed with double-digit growth in turnover and profit. Our turnover exceeded the DM 30 bn mark for the first time.

Our positive turnover- and profit growth in the 2000 financial year was not only due to the general market growth and the acquisition of Herba Chemosan. The dynamism of our retail pharmacy business also made a crucial contribution. We increased our retail turnover – leaving out the



newly-acquired pharmacies – by a proportion greater than that attributable to market growth alone. In addition to this, growth in our retail turnover naturally also resulted from our newly-acquired and established pharmacies in Great Britain, Italy and the Czech Republic. This growth in turnover and profit has vindicated our retail strategy. We will therefore be continuing the vigorous expansion of our Retail Division wherever this is legally permissible and economically productive. In the second half of 2000, however, we were somewhat more cautious as to the expansion of our retail business in Great Britain. This was because we were not prepared to buy pharmacies regardless of price. Also in Great Britain, we keep strictly to the motto "class not mass", and in the case of less attractive locations we deliberately refrain from bidding. In anticipation of the option becoming available in Norway from 1 March 2001, to form chains of pharmacies, during the 2000 financial year, we established a retail organisation in Norway and concluded provisional agreements for the acquisition of more than 20 attractive pharmacies. Since the change in the legal position in Norway, these pharmacies have been owned and managed by us. In addition, during 2000, we were also granted seven licences from the Norwegian government to open new pharmacies.

In the second half of 2000 we were faced in a few of our markets with new state interventions in the health market, the objective of which was to save on the costs of the state health systems. Since the fourth quarter these have led to a somewhat reduced growth dynamic for 2000. The outcome of this is that the very positive effects resulting from the general market growth, from our expansion and our productivity, which has risen in the last financial year, are not fully reflected in our profits. The state interventions during 2000 will also have repercussions on the current 2001 financial year. However, such restrictions on room to manoeuvre have always formed part of the rules of the game in our market, which has been growing steadily and inexorably for decades and will continue to grow in future.



New market opportunities are being opened to us and to our wholesale customers by, inter alia, e-commerce. During the year 2000, we have been working intensively together with pharmacists on e-commerce solutions. We did this without allowing ourselves to be influenced by the widespread, uncritical Internet euphoria. As in the past, we only went to the market with the e-commerce solutions developed for and with our customers when we were sure that these would be accepted.

In addition to this, our basic requirement for any e-commerce solution is that it is backed by a business model which meets business management requirements and thus is profit-oriented. We hold fast to this principle. This is the only way we can ensure that GEHE remains a value-oriented company.

Stuttgart, March 2001  
The Management Board



Dr Fritz Oesterle  
Chief Executive Officer



**GEHE**  
AKTIENGESELLSCHAFT

GEHE

## Management Board



**Dr Fritz Oesterle**  
Chief Executive Officer  
and Labour Relations  
Director



**Jacques Ambonville**  
Responsibility  
OCP Group in the  
Wholesale Division



**Stefan Meister**  
Responsibility  
Finance and Controlling



**Jürgen Ossenberg-Engels**  
Responsibility  
Wholesale Division  
in Germany and  
the Czech Republic



**Michael Ward**  
Responsibility  
AAH Group in the  
Wholesale Division and  
the Retail Division

Andreas Zimmer  
Member of the Management Board  
until 22.05.2000



## Supervisory Board

**Dr Dieter Schadt**

Duisburg-Ruhrort  
Chairman

**Friedrich Taake**

Minden  
Deputy Chairman

**Prof Dr med**

**Julius Michael Curtius**  
Weimar

**Ihno Goldenstein**

Delmenhorst

**Günther Hülse**

Duisburg-Ruhrort

**Jörg Lauenroth-Mago**

Magdeburg

**Hans-Martin Poschmann**

Düsseldorf

**Jürgen Puff**

Stuttgart

**Hans-Jürgen Sachse**

Halle

**Dr Ihno Schnevoigt**

Munich

**Prof Dr Theo Siegert**

Duisburg-Ruhrort

**Prof Dr Erich Zahn**

Stuttgart

## Supervisory Board Report

After 1999, when we focused on pharmaceutical distribution, the year 2000 was especially marked for GEHE by the expansion of the Retail Division and the integration of Herba Chemosan. The Supervisory Board paid considerable attention to this matter.

During the 2000 financial year, four meetings of the Supervisory Board took place. All important projects were discussed with the Management Board and the Supervisory Board was kept fully and regularly informed about current business developments, as well as the situation of the company and of the group. The Supervisory Board was thus in a position to fulfil its supervisory and advisory responsibilities to the fullest extent and take the necessary decisions. Also outside the meetings of the Supervisory Board, the Management Board kept the Supervisory Board informed about important corporate transactions. The Chairman of the Supervisory Board also held a number of separate discussions with the Management Board on important 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 whole 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 took decisions by telephone on two occasions.

The financial statements for GEHE AG and the group financial statements at 31 December 2000, together with the joint annual report for GEHE AG and the group have been 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 were extensively covered in a



**Dr Dieter Schadt**  
Chairman of the  
Supervisory Board



meeting convened to discuss the accounts in the presence of the auditors. The Supervisory Board approved the results of the audit and the annual accounts drawn up by the Management Board of GEHE AG; this is 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 the report on relations with affiliated companies for the 2000 financial year in accordance with § 312 of the Companies Act (Aktiengesetz), together with the associated auditors' report drawn up by PwC Deutsche Revision Aktiengesellschaft, 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 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 audit report. The Supervisory Board has not raised any objections to the final declaration by the Management Board contained therein.

The members of the Supervisory Board were elected at the Annual General Meeting in June 1998 for a term of five years. Roland Jodin, the elected employees' representative on the Supervisory Board, left the Board with effect from 31 December 1999. Hans-Jürgen Sachse, employee of GEHE Pharma Handel GmbH, Halle, has been appointed by the Administrative Court as his successor.

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On 22 May 2000, Andreas Zimmer resigned from the Management Board to pursue personal business interests. We offer our thanks to Mr Zimmer for his many years of work and the success achieved during his time with the GEHE group.

Stuttgart, March 2001  
For the Supervisory Board



Dr Dieter Schadt  
Chairman



## Key Financial Figures 10 year overview

in € m	1991	1992	1993	1994
Turnover	2,575.2	2,778.8	5,202.8	7,771.9
% increase	33.0	7.9	87.2	49.4
EBITDA	186.8	188.4	208.5	243.9
EBITDA per share €	3.84	3.88	3.57	4.18
Profit before tax	89.4	89.6	94.1	120.0
Net profit	39.1	46.3	47.7	71.9
Dividend €/individual share*	0.61	0.72	0.36	0.36
Cash-flow	103.2	113.8	122.0	163.8
Fixed assets	547.4	528.0	947.1	968.1
Shareholders' equity	443.4	459.9	642.6	696.9
Long-term capital	667.8	608.9	942.3	1,130.2
Total assets	1,108.8	1,093.3	2,332.0	2,455.2
% of total assets				
Fixed assets	49.4	48.3	40.6	39.4
Shareholders' equity	40.0	42.1	27.6	28.4
Long-term capital	60.2	55.7	40.4	46.0
Investments	106.9	61.8	356.4	164.1
Number of employees (converted to full-time equivalents)	6,455	6,036	11,890	11,313

\* based on respective number of shares distributed

\*\* adjusted for Mail Order Division and extraordinary result



	1995	1996	1997	1998	1999	1999**	<b>2000</b>
	9,794.5	10,954.4	12,800.6	12,966.6	13,923.0	13,607.8	<b>15,344.7</b>
	26.0	11.8	16.9	1.3	7.4	10.9	<b>10.2</b>
	318.8	586.5	422.6	439.4	423.5	385.7	<b>439.5</b>
	4.37	8.05	5.80	6.03	5.81	5.29	<b>6.03</b>
	171.5	433.2	231.6	252.1	260.9	230.0	<b>255.5</b>
	108.1	225.0	145.8	155.8	183.8	146.1	<b>171.5</b>
	0.51	0.51	0.51+0.15	0.66	0.70+0.07	0.625+0.07	<b>0.77</b>
	213.7	328.4	233.6	248.7	249.0	226.2	<b>255.0</b>
	1,360.1	1,011.2	1,965.0	1,844.9	1,867.9	1,867.9	<b>2,020.6</b>
	1,060.9	1,100.1	1,204.1	1,155.3	1,185.1	1,185.1	<b>1,153.2</b>
	1,631.4	1,242.4	2,311.7	2,065.9	1,967.5	1,967.5	<b>2,169.9</b>
	3,170.2	2,914.1	4,212.8	4,114.6	4,352.5	4,352.5	<b>4,506.4</b>
	42.9	34.7	46.6	44.8	42.9	42.9	<b>44.8</b>
	33.5	37.8	28.6	28.1	27.2	27.2	<b>25.6</b>
	51.5	42.6	54.9	50.2	45.2	45.2	<b>48.2</b>
	486.9	143.7	890.7	207.5	271.2	269.6	<b>334.5</b>
	18,764	15,909	23,755	23,033	21,048	21,048	<b>21,619</b>





**GEHE** Share



## Shares

### 2000 – Improvement in key figures per share

The marked improvement in the key figures per share in the 2000 financial year reflected the positive development of the GEHE group.

EBITDA (Profit Before Interest, Tax, Depreciation and Amortisation) per share in pharmaceutical distribution has risen continuously over the past few years and reached a new peak in 2000 with a rise of 14.8 % to € 6.18 (€ 6.03 GEHE group) per share.

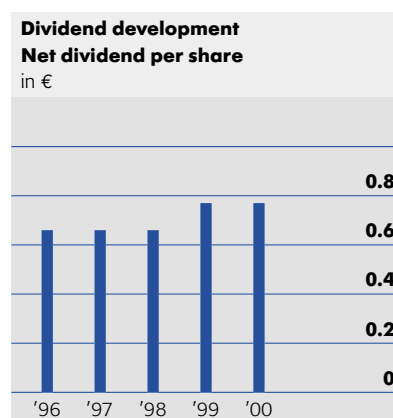
<b>Key financial figures for the GEHE share</b> in € per share	1996	1997	1998	1999	<b>2000</b>
Net profit for the year after minority interests	3.05	1.96	2.13	2.50	<b>2.33</b>
Dividend	0.51 + 0.15	0.66	0.66	0.70 + 0.07	<b>0.77</b>
Dividend with tax credit (not rounded up)	0.94	0.94	0.94	1.10	<b>1.10</b>
EBITDA	8.05	5.80	6.03	5.81	<b>6.03</b>
Cash flow	4.50	3.21	3.41	3.42	<b>3.50</b>
Shareholders' equity	15.08	16.52	15.84	16.26	<b>15.82</b>
Share price (31.12./adjusted for TAKKT until 1998)	43.28	39.41	50.35	38.50	<b>40.75</b>
Number of issued shares in million (31.12.)	72.9	72.9	72.9	72.9	<b>72.9</b>
Market capitalisation (31.12./in € m)	3,155.1	2,872.9	3,670.5	2,806.7	<b>2,970.7</b>

### Dividends remain at a high level

For the 2000 financial year the Management Board and the Supervisory Board propose to the Annual General Meeting to allow shareholders to participate in the good development of the group with a dividend of € 0.77 (1999: € 0.70 + € 0.07 extraordinary dividend). Taking into account the corporation tax credit, this represents a gross dividend of € 1.10 per share for our German shareholders. On the basis of this dividend proposal, € 56,133,000, or around 33 % of the group net profit will be paid out.

### Successful acquisitions welcomed by analysts and investors

Our most important acquisitions in the year 2000, Herba Chemosan, a chain of pharmacies in Italy (Cremona), the expansion of our chain of pharmacies in Great Britain and the Czech Republic, together with our retail commitment in Norway were welcomed by analysts and investors as strategically correct and seen as evidence of the acquisitive strength of GEHE.



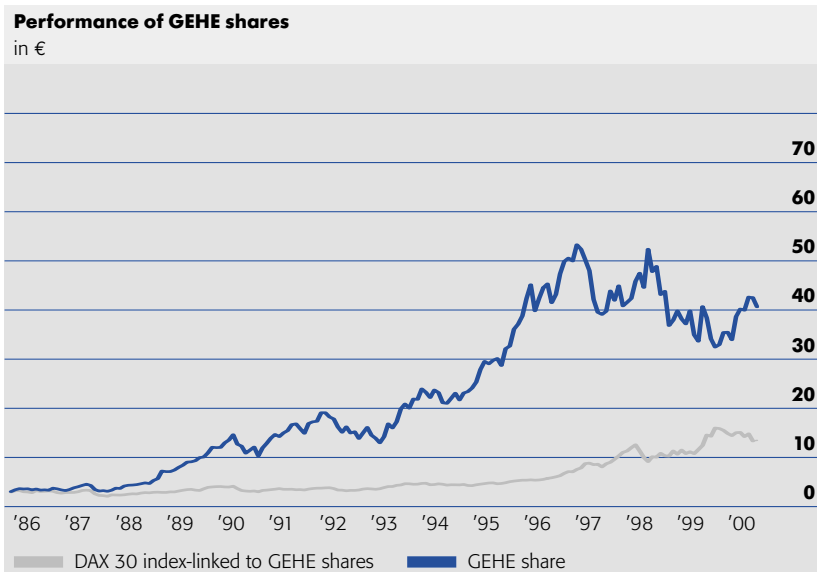


## Shares

### Price performance of GEHE shares above DAX

The price performance of GEHE shares was hesitant in the first half of 2000. It was only in the second half of 2000 that companies, which are solid, active in growing markets and profitable, were rediscovered. The price of GEHE shares profited from this disproportionately and rose, in comparison with the lowest price of the share, by over 36 % by the end of 2000.

GEHE's shares were quoted on the last trading day (30 December) of the year 1999 at € 38.50 and on 29 December, the last trading day of the year 2000, at € 40.75. This corresponds to a full year price performance of +5.84 %. The DAX, in the same period displayed weaker growth, falling by 7.54%. In the course of the year 2000, the maximum price of GEHE shares was € 46.15 on 19 October 2000, the lowest price was € 29.95 on 25 February 2000.



### Considerable increase in the value of GEHE shares over 10 years

The most important criterion for assessing the success of a business is the development of its shareholders' investment in the long term (shareholder value). To determine the growth in value of a share investment, price changes, net dividends and the value of subscription rights must be taken into account. Calculation of the overall return on an investment in shares is based on reinvestment of the dividends and the value of subscription rights in the shares. So the development of shares in GEHE takes into account the effects of the spin-off on 1 July 1999 of the Mail Order Division for office, warehouse and business equipment to TAKKT AG.

Drawing a comparison over a ten-year period, an investment in GEHE shares achieved a large increase in value. For a shareholder who bought GEHE shares worth € 5,113 (DM 10,000) ten years ago, the shareholder value by the end of 2000 was € 21,464. This corresponds to a growth in shareholder value of € 16,351 (+ 15.4 % per year).

### The Stock Exchange has once again appreciated the attractiveness of a solid, forward-looking company with sustained profitability

In the second half of the year 2000, the stock market preferred solid, profitable companies with healthy growth and realisable future prospects such as GEHE over technology and Internet shares. GEHE shares are not speculative investments, but their value is based on sustained positive growth with good earnings prospects and projected average growth of the EBITDA and profit before tax over the next five years of over 10 % per year.





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## Shares

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### **Stock exchanges and liquidity**

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

The market makers employed by GEHE on the electronic XETRA dealing system, Dresdner Bank and Goldman & Sachs, helped during 2000 to maintain constant liquidity on the stock exchange. This means that our shareholders can be sure of trading in GEHE shares at any time at an appropriate market price.

### **GEHE on M-DAX**

GEHE shares form part of the M-DAX, the stock market segment where the strongest 70 German stock companies after the 30 DAX companies are quoted. With a weighting of 2.24 %, a market capitalisation of € 2.97 bn and a share trading volume calculated according to the new method of calculation of Deutsche Börse AG of around 14.3 m individual shares in 2000, GEHE shares have a prominent position on the M-DAX. Since 1999, GEHE shares have also been included in the Morgan Stanley World Germany Index (MSCI-Index) with a weighting of 0.26 %, which many investors take as a benchmark.



### Shareholder structure

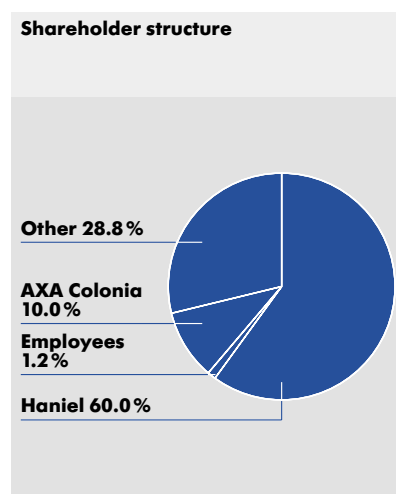
The majority shareholder of GEHE is Franz Haniel & Cie. GmbH, Duisburg-Ruhrort, which holds approximately 60% of the share capital. 10% of the shares are directly held by companies in the AXA Colonia Konzern AG group of Cologne. In 1998, AXA Colonia placed a convertible bond, which enables AXA Colonia to continue to benefit from the upward trend of GEHE shares. Following the possible conversion of the bond into shares not later than 2003, the shareholder structure of GEHE will be extended by the private and institutional investors in the convertible bond as the AXA Colonia holding is reduced. Approximately 30% of the shares are held by institutional investors at home and abroad, and by numerous private investors. Of these, approximately 1.2% of the share capital is held by employee shareholders.

### Investor Relations

In the year 2000 our main focus was on the maintenance and expansion of contacts with our shareholders and analysts.

Following the annual balance sheet press conference in April 2000, we organised a two-day conference with more than 20 analysts from all the leading investment banks.

After the publication of each set of quarterly figures, we set up a telephone conference for analysts and institutional investors, up to 70 of whom took part in each of these telephone conferences, and which were coupled with a live presentation on the Internet.





## Shares

In addition, in the year 2000 we held two Roadshows in each of Frankfurt, London, Edinburgh and Paris. We also expanded our shareholder base in the USA, Canada and Asia through Roadshows and a number of international conferences.

For the year 2001, there are plans for at least two Roadshows in each of Europe, North America and Asia, an analysts' conference and numerous telephone and video conferences.

Contact with our shareholders has also increased. We offer rapid and authoritative responses to their questions about shares, price developments or current figures.

Utilisation of the Internet as a communications platform – in parallel with telephone conferences – will be further developed. Our Investor Relations website at [www.gehe.de](http://www.gehe.de) provides rapid up-to-date information on the latest analysts' and press reports, details of the investor's calendar and the most recent share price movements. Alongside this we have set up a special e-mail service and a Short-Message-Service (SMS), to provide our interested shareholders with the latest news about GEHE.

Our Investor Relations website at [www.gehe.de](http://www.gehe.de) was awarded the distinction of being the best investor relations website on the M-DAX ("Wirtschaftswoche", 9 November 2000, No. 46). Of a total of 258 websites of stock market-quoted companies, GEHE was in third place after the DAX companies DaimlerChrysler AG and Bayerische Hypotheken- und Vereinsbank AG. The depth of information and the wide range of the service provision for GEHE shareholders were especially well received.



**GEHE** Group

**GEHE – Europe's No. 1 in pharmaceutical distribution**



**Dr Fritz Oesterle**  
Chief Executive Officer  
of the Management Board



## Management Report for the GEHE Group and for GEHE Aktiengesellschaft 2000

### Overview

### Corporate Strategy

In the 2000 financial year, we have consistently remained loyal to the GEHE-specific success factors. This has paid off. Despite the fact that market conditions became more difficult, especially in the second half of 2000, turnover and profit for the year 2000 exceeded our expectations. We are extremely satisfied with these figures and this will encourage us to continue to concentrate on GEHE's success factors:

- **Business focus**
- **Expansion**
- **Integration**
- **Definition** of our role as sales intermediary in accordance with the needs of our customers
- Our **reaction** to emerging market developments
- **Organisation, motivation and information**

#### **Business focus**

The core activities of GEHE encompass the entire spectrum of pharmaceutical distribution insofar as such activities do not entail pure freight forwarding. With our core competencies we ensure that our pharmacies and their customers are optimally supplied with medicines, in the required quantities and whenever these are needed, through our Wholesale and Retail Divisions.

The move towards concentration on our core activities was largely completed during the 1999 financial year, with the spin-off of the Mail Order Division, the sale of the Healthcare Services Division and the sale of the British drugstore chain Supersave. The last drugstore was handed over to its purchaser in July 2000.



## Corporate Strategy

### Expansion

By concentrating on pharmaceutical distribution we are devoting ourselves entirely to the medicines and healthcare market. In Europe, this market is determined by two factors: In the first place, it is a market which is largely unaffected by the general swings in economic activity and which grows inexorably. On the other hand, it is subject in all European countries to the respective state regulations and therefore subject to country-specific fluctuations.

Our targeted geographical diversification takes account of the differing growth rates and state regulations in the various countries. This continuing thrust into new geographical wholesale and retail markets gives GEHE the opportunity to exploit new areas. To do so is the logical consequence of our concentration on pharmaceutical distribution.

We also furthered our expansion strategy in the last financial year with the acquisition of Herba Chemosan. Herba Chemosan was in many respects a dream candidate in the pharmaceutical wholesale field: In Austria, it has a market share of around 50%. Austrian pharmaceutical wholesale is largely consolidated, displays structures similar to those of German pharmaceutical wholesale and is integrated in a stable economic environment. Also, due to its semi-co-operative origins, Herba Chemosan has long-standing and very trusting relationships with its wholesale customers within the Austrian pharmacist community. For this reason, we did everything possible to convince the shareholders of Herba Chemosan to accept the GEHE take-over offer. With the support of the Management and Supervisory Boards and the employees of Herba Chemosan, we acquired a majority holding in the Austrian market leader.

Alongside this, during the 2000 financial year we also examined a number of other possible acquisitions in pharmaceutical wholesale both within and outside Europe. We have either not yet conclusively checked these possibilities or have not taken them any further for practical reasons. When it comes to our expansion in pharmaceutical wholesale, our policy is that, no matter how important continued expansion may be, we will only commit ourselves where we believe that market position, strategic positioning, and also the economic circumstances and price are correct.

Our second pillar in pharmaceutical distribution is the Retail Division, which means the pharmacy business. However, expansion in the Retail Division follows different acquisition laws in comparison to expansion in the Wholesale Division. The pharmacies business is a local business. Apart from Great Britain, wherever non-pharmacist ownership and multiple ownership of pharmacies are permitted, there are not yet any large pharmacy chains of truly national importance. The establishment of a pharmacy presence is therefore a pioneering task and characterised by the acquisition of individual pharmacies and/or smaller chains of pharmacies, where in our experience the acquisition of the first 20 to 30 pharmacies in a country is the most difficult part of the exercise of establishing our presence. The task of market entry is one which we perform in the belief that the whole is ultimately worth a great deal more than the sum of its parts. Because of the local nature of the pharmacy business, we concentrate first on building up an appreciable market position in locally defined markets. The establishment of a pharmacy presence in a country requires an experienced and powerful national retail organisation. In the past financial year we have established such an organisation in various European countries as, for example, in Norway.

With our acquisitions in the Retail Division, too, the quality rather than the quantity of pharmacies is the key. So for example in the Czech Republic we adjusted our strategy for the establishment of a pharmacy



## Corporate Strategy

presence, after discovering that there were considerably fewer opportunities for good quality acquisitions than had first been assumed. Alongside the acquisition of selected pharmacies in the Czech Republic, we therefore concentrated more on opening new pharmacies at attractive locations.

During the 2000 financial year we won the contract in Italy for all pharmacies where it was possible to acquire a majority within the framework of privatisation procedures. By the end of the last financial year we had a total of 53 pharmacies under our control. Our Italian pharmacies each have a significant position in their own local markets. We did not participate in the privatisation procedure with respect to the pharmacies of Grosseto as only a minority interest was offered for tender.

Anticipating permission to form pharmacy chains in Norway from 1 March 2001, we have already, in the last financial year, concluded provisional agreements with more than 20 Norwegian pharmacies, with the stipulation that when the new law came into force these would belong to GEHE. In addition to this, we also applied for licences for new pharmacy locations in Norway in the 2000 financial year. Out of the 30 licences issued by the Norwegian government, we were granted seven – around 25%. With these it will become the case that we not only acquire existing pharmacies in Norway, but also open new ones.

### **Integration of acquired businesses**

Any expansion through acquisition or through the establishment of a new business is only as good as the integration which follows. The true art of any acquisition is to make integration as smooth as possible both for customers and employees.

The value of any company we acquire lies primarily in its customer relations. This applies not only to pharmaceutical wholesalers, but also to



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retail pharmacies. As a rule, the customers of a pharmacist are mainly regular customers. Lack or even loss of employee motivation at the acquired company or failure to take account of the individual local and national characteristics of the customer expectations which have grown up over the years can therefore be punished, not only in pharmaceutical wholesale, but also in pharmacy retail, by the loss of customers and consequently, loss in turnover.

After the successful acquisition of a company we therefore take every precaution and keep a strict sense of balance with respect to the integration of the acquired company, its employees and its customers into GEHE.

In the 2000 financial year, our capacity to integrate acquired companies was the key to ensuring that Herba Chemosan maintained its leading market position.

When acquiring existing pharmacies, we are also guided by this same principle of careful integration.

### **Definition of our task as a "middleman" in the medicines and healthcare market**

As a pharmaceutical wholesaler, we act as a middleman between industry and pharmacy. As a retail pharmacy business, we act as middleman between patient or end-user on the one hand and wholesale or industry on the other. We tailor this task as "middleman" towards the respective requirements of our customers. This means that our function as "middleman" is subject to constant change.

Even though the core task is still the optimised supply of our wholesale and retail customers with medicines, we have to constantly update our knowledge of customer requirements and redefine our task as



## Corporate Strategy

necessary. In order to improve on past performance, in the last financial year, we arranged further forums to give our customers the opportunity to formulate their expectations of us. This opportunity met with widespread approval.

Because of this close contact with our customers, we know very precisely what new, additional services they expect from us. As a result in the last financial year we did not restrict ourselves, in terms of e-commerce, to expanding our business-to-business solutions, some of which have existed for years, but we began to develop a business-to-consumer solution for pharmacies. Our aim is to combine the opportunities of e-commerce with the special characteristics of the medicines market and the existing distribution structures, which means dispensing medicines through a local pharmacy and not by mail order. This e-commerce solution will be introduced as soon as we are convinced that it will meet with acceptance from our wholesale customers and end-users.

As for our own pharmacy business, we regard the Internet as an additional option for contacting and informing patients and end-users. Accordingly our British pharmacy chain, Lloydspharmacy, is accessible to its customers at [www.lloydspharmacy.co.uk](http://www.lloydspharmacy.co.uk) with its own Internet site and a wide range of information, to make it easier for end-users to deal with the British health system.

### **Reacting to new market developments**

The matter of the definition and role of Internet pharmacies is followed with great public interest. The Internet pharmacies which have already been set up on the net are, in our view, not founded on any solid business model. However, the existence of Internet pharmacies has revived the debate as to whether and to what extent it is permissible to send medicines to end-users via mail order. GEHE has a clear position

on sending mail order medicines to end-users: The posting and thereby the dispensing of medicines by organisations other than pharmacies, such as by the postman or the forwarder, is not an appropriate form of distribution of medicines, since this bypasses the safety precautions for medicines and limits access to advice.

Allowing medicines to be sold by mail order would also jeopardise the provision of all medicines at any time and over a wide area in many European countries, since only mail order of expensive and thus high-margin medicines is profitable and a mail order business thus becomes a matter of "cherry picking". If pharmacies in these countries were to lose the segment of high-margin medicines to "cherry picking", they would then be left only with medicines with a lower margin and in many cases this would take away their profit base. It is only the relatively low number of high-priced medicines which currently allows these pharmacies to distribute the large number of medicines with margins too low to support a pharmacy. If governments were to permit the mail order of medicines and thereby wreck the previous, desirable cross-subsidisation of medicines with insufficient pharmacy margins by higher-priced medicines, this would also jeopardise the provision of all medicines at any time and over a wide area.

We do not expect governments to take this highly risky route from the points of view of safety and supply and allow mail order of medicines. But even if the health policy in one country or another did permit mail order selling, we would have an appropriate response to this, together with our wholesale customers.



## Corporate Strategy

### **Organisation, motivation, information**

With the group-wide project launched at the end of 1999, "GEHE World 21", we have made it our aim to accelerate the continuing integration of the companies owned by GEHE. We will do this by making even more effective use of existing synergy opportunities taking account of national and local characteristics of our markets and our individual national companies.

At the start of the 2000 financial year we introduced "GEHE World 21" to our top managers. This initiative met with a positive response, not only from our management but also from all the employees involved. During the 2000 financial year in the course of the total "GEHE World 21" project the areas were first identified in which we could attain synergies most quickly. So-called "Communities", whose members are drawn from all group companies and from various levels of management, began to develop concrete proposals as to what scale effects and synergy opportunities can be realised, in what way and over what time scale. All those involved are kept continually informed about the project and its progress. The recommendations of the individual "Communities" were presented at the second group conference "GEHE World 21" at the beginning of February this year and their application was commenced.

The findings so far and the reactions of our employees have encouraged us to pursue "GEHE World 21" with vigour, so as ultimately to be able to act and respond in a uniform manner throughout Europe in all areas where it makes good business sense to do so.



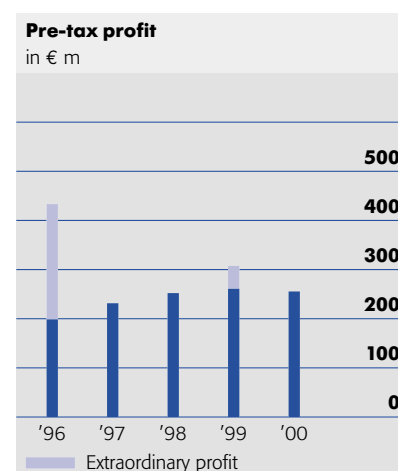
## Business Review

### Turnover and profit well in excess of expectations

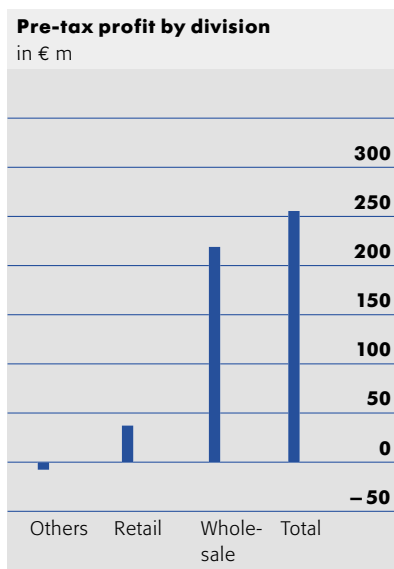
Group turnover rose in comparison with the previous year's high level by 10.2 % (7.9 % after adjustment for exchange rate effects) to € 15.3 bn. In pharmaceutical distribution alone (Wholesale and Retail Divisions) we have more than made up for the contribution made by the Mail Order Division, included in the previous year for six months and which was spun off to TAKKT AG, with turnover growth of 12.8 %. The profit from ordinary activities before taxes for the group fell slightly by 2.1 % to € 255.5 m as the result of the spin-off of the Mail Order Division. On a comparable basis, i.e. without the contribution from the Mail Order Division which was spun off in 1999, we increased the profit from ordinary activities before taxes for the group by 11.1 % (8.0 % after adjustment for exchange rate effects) from € 230.0 m to € 255.5 m.

The share of turnover achieved outside Germany rose to 80 % (previous year 78 %). 80 % of the profit from ordinary activities before taxes (previous year 78 %) was achieved outside Germany.

In pharmaceutical distribution turnover was € 15.3 bn and the pre-tax profit was € 256.1 m. This corresponds to turnover growth of 12.8 % (10.5 % after adjustment for exchange rate effects). The pre-tax profit increased by 11.3 % (8.3 % after adjustment for exchange rate effects).



## Business Review

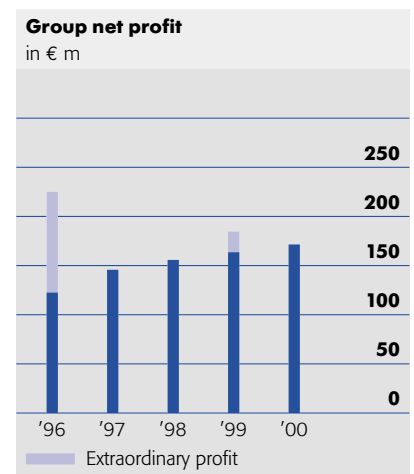


This development exceeded our expectations. The rise in the average market price of the pound sterling against the Euro contributed to the increase in turnover. In the Wholesale Division, the GEHE-Herba Group (Germany, Austria and the Czech Republic) naturally benefited from its new member, Herba Chemosan, which made a positive profit contribution in its very first year as a member of the GEHE group. While the OCP Group (France, Portugal, Belgium, Italy) was more than able to compensate for the state measures which came into effect in France from the end of 1999, mainly through cost savings, the profits of the AAH Group (Great Britain, Ireland) were affected by the price reduction for reimbursable medicines which occurred at the end of 1999 together with the reduction in the price of generics which was introduced in the third quarter of the year 2000.

We achieved a positive development in the Retail Division in our existing pharmacies as a result of the strong growth in turnover as well as by improvements in Purchasing and Logistics. Profit growth in Great Britain in the Retail Division was also affected by the price reduction mentioned above for reimbursable medicines and also by the imposition of a reduction in the price of generics. On the other hand the acquisition or establishment of additional pharmacies in Great Britain, the Czech Republic and Italy made a positive contribution to profits in 2000.

The effective tax rate in the group, calculated on profit from ordinary activities, fell considerably to 32.9% from 37.3% for the previous year. The increase in the share of profit from abroad made a key contribution to this together with reduced taxation rates abroad, especially in France.

The group annual net profit is € 171.5 m. Because of the loss of the contribution from the Mail Order Division which was spun off to TAKKT AG and the loss of the previous years extraordinary earnings, the annual net profit is lower than that of the previous year. After adjustment for the contribution of the Mail Order Division and the extraordinary profit in the previous year, ordinary net earnings (annual net profit excluding extraordinary earnings) exceeded the previous year's figures by € 25.4 m (17.4%).

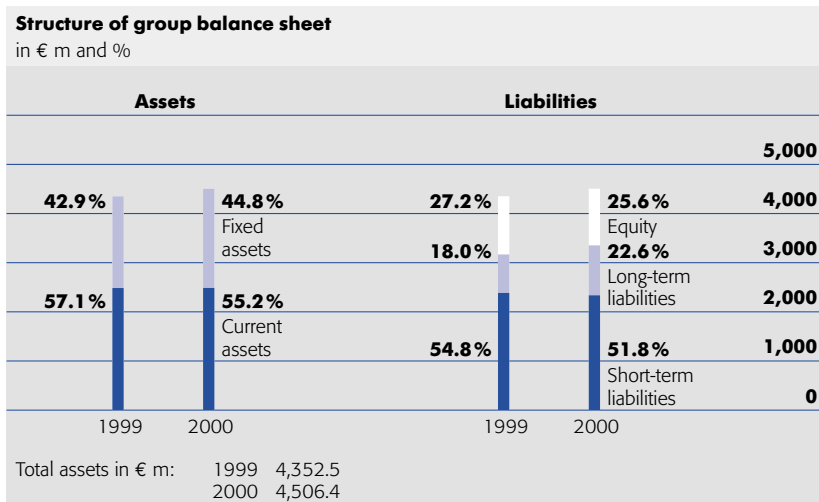


## Business Review

### Structure of balance sheet remains sound

As at 31 December 2000 the balance sheet structure of the GEHE group provided a robust foundation for further growth. The balance sheet total rose to € 4.5 bn (previous year € 4.4 bn). Significant contributions to this were made by our successful acquisitions. This was offset by the planned reduction in the extra stocks from the end of 1999 because of the "Year 2000" and the short-term liabilities connected with this.

Both the capital ratio of 25.6% and the financial structure are well within the desired limits.





### **EBITDA grows more strongly than pre-tax earnings**

EBITDA is the barometer for our operational performance since this figure does not take into account interest rate growth and goodwill depreciation. The group EBITDA, at € 439.5 m, is considerably higher than the previous year's figure (€ 423.5 m) even though in 2000 the Mail Order Division, which was spun off in 1999, no longer made a contribution. The EBITDA in pharmaceutical distribution rose to € 450.6 m representing growth of 14.8% over the previous year (10.6% after adjustment for exchange rate effects). The general rise in interest rates and the increased burden of goodwill depreciation from some of the pharmacy acquisitions (so-called "Asset Deals") meant that the EBITDA in pharmaceutical distribution grew more strongly than the profit before tax on earnings.

Cash flow in pharmaceutical distribution at € 248.0 m exceeded the previous year's figure (€ 215.8 m) by 14.9%. Group cash flow was € 255.0 m (previous year € 249.0 m).



## Business Review

### Investments

In 2000 GEHE invested a total of € 334.5 m. At € 234.9 m a considerable proportion of our investment went into intangible assets, € 83.5 m went into tangible assets and € 16.1 m towards financial assets.

The acquisition of Herba Chemosan and the expansion of our retail activities in Italy with the acquisition of A.F.M. di Cremona together with the acquisition of additional pharmacies in Great Britain and the Czech Republic accounted for the majority of the investments in intangible assets.

At € 83.5 m investment in tangible assets went almost exclusively into pharmaceutical distribution for a large number of projects. In the Wholesale Division, the focus was on automation projects, at €10.6 m. We invested a further € 18.4 m to fit out the new branches currently under construction in Minden, Oporto and Vienna.

In the Retail Division, the standardisation of the market launch of our pharmacies in Great Britain and the repositioning of individual pharmacies in more favourable locations led to an investment of € 23.0 m. In Italy and the Czech Republic about € 0.8 m was invested in the modernisation or establishment of pharmacies.

We have invested € 11.4 m in our information technology. As in the previous year, investment was concentrated on increasing the efficiency of the wholesale branches and on further development of our Internet solutions for pharmacists.

**Total assets for GEHE AG rise**

Total assets for GEHE AG rose, especially as a result of the acquisition of Herba Chemosan, to € 1,468.0 m (previous year € 1,448 m). Liquid assets, which in the previous year accrued from the investments of group companies, were used during the year to finance acquisitions. Furthermore, the balance sheet structure remained largely unchanged from the previous year. In other respects the accounts for GEHE AG reflect its activity as a managing holding company.

The profit from ordinary activities for GEHE AG of € 194.2 m (previous year € 79.9 m) includes investment income from affiliated companies, accruing mainly from the dividend distribution for tax purposes of revenue reserves from German subsidiary companies. This investment income has been partly allocated to the revenue reserves of GEHE AG.

The annual net profit for GEHE AG in 2000 is € 121.8 m (previous year € 56.1 m). After allocating € 60.9 m to other revenue reserves this leaves retained earnings of € 60.9 m. Of this sum, € 56.1 m will be distributed with the proposed dividend and € 4.8 m carried forward to the new account.



## Business Review

### Ordinary dividend increased

The Management and Supervisory Boards will propose to this year's Annual General Meeting that an ordinary dividend of € 0.77 per share (previous year € 0.70) be paid out on the 72.9 m individual dividend-bearing shares held in 2000.

In the previous year, the accounting contribution to the ordinary dividend from the spun-off Mail Order Division was € 0.075 per share. Adjusted for this contribution of the Mail Order Division, the proposed dividend represents an increase of 23.3 % over the adjusted previous year's ordinary dividend of € 0.625 per share. Taking into account the 3/7 corporation tax credit, this represents a gross dividend of € 1.10 per share for our German shareholders.

With the proposed total dividend, more than 30 % of the group net profit is to be distributed to the shareholders.

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## Employees

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"I like working for GEHE!" is the best compliment we could ever receive, and really does prove to us that GEHE is an attractive employer.

National employment markets are marked by very different figures. But one development stands out clearly everywhere : In Europe there is a shortage of qualified high potential employees – even in areas of relatively high general unemployment.

For this reason, renewed efforts are now necessary if it is wished to recruit the best applicants. We have intensified our co-operation with universities and technical colleges, so as to contact future graduates and diploma-holders in their middle semesters. Another key component of our active personnel marketing policy is participation in careers days and fairs for graduates and students from technical colleges. There is a great demand among students on courses with an international orientation for internships in the GEHE group. Our trainee programmes with options for working all over Europe are also popular and in great demand.

The classic methods of personnel recruitment such as job advertisements in the print media are no longer adequate, in these days of new and faster media, to keep in front in the race for the best applicants.

In Germany, therefore, we regularly advertise job vacancies on our website [www.gehe.de](http://www.gehe.de). Online advertising allows rapid matching of the profile of the applicant with the requirements of the advertised post. In parallel with this, job vacancies are placed via external providers of electronic recruitment services on the Internet. Again, the use of electronic media pays off here: It has frequently been possible to fill job vacancies more quickly than before and the qualitative response to jobs advertised on the Internet has been extremely positive. For many divi-



## Employees

sions such as IT or Marketing and also, increasingly, for the sales force in GEHE Wholesale Germany, Internet employment exchanges have become an indispensable medium – in fact approximately 75 % of new appointments originate from job applications via the Internet.

GEHE Wholesale Germany has introduced an innovation in advanced training with the first Internet-based sales force training course. The experience gained from this should also help in future when it comes to conducting seminars in this way for the staff of our pharmacy customers.

Lloydspharmacy, with its website [www.lloydspharmacy.co.uk](http://www.lloydspharmacy.co.uk), has also had some very positive results. The number of enquiries for job vacancies offered on the Internet for pharmacists is rising constantly. The good reputation of pharmacist training at Lloydspharmacy has also contributed to this, and in the past five years it has had the highest quota of graduates in Great Britain. Its training programmes for pharmacy students are therefore greatly in demand.

With the extension of the training period for pharmacists, however, a staff bottleneck will occur at Lloydspharmacy during 2001, because this means that an entire graduate year will be lost. In order to promptly fill the jobs which become vacant as a result of normal personnel fluctuations, recruitment campaigns have been started outside of Great Britain to bring in foreign pharmacists for Lloydspharmacy. We have been especially successful in South Africa, where over 50 pharmacists have been recruited for our pharmacies in Great Britain.

In France, too, we have taken advantage of the Internet employment exchange to recruit new employees. In addition to this, the intranet enables employees of OCP to find out internally, quickly and in depth, about job vacancies. This promotes the filling of vacant posts from within our own ranks.

The integration of Herba Chemosan into GEHE's personnel policy has been a great success. Apart from the transfer of knowledge in staff development, the participation of management staff for the first time in our advanced training programmes was an important step towards intensive co-operation.

### **Group staff numbers are up**

The number of staff employed by GEHE at 31 December 2000, calculated as the full-time equivalent total, was 21,619 compared with 21,048 in the previous year.

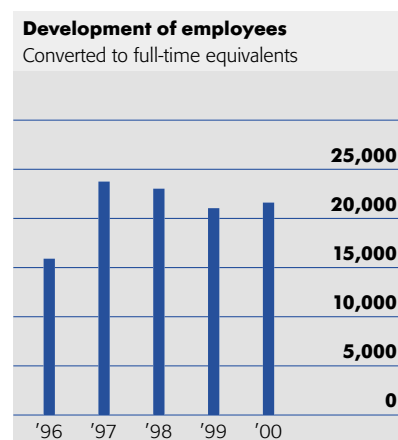
In the Wholesale Division, staffing levels rose by approximately 7%. This was mainly due to the acquisition of Herba Chemosan.

In the Retail Division employee numbers rose by about 4%, due particularly to the acquisitions in Great Britain and Italy.

### **Personnel training on a European basis**

GEHE's personnel policy is based upon the business aims and structures of the group. By being oriented towards pan-European systems and the principles of performance-focus, open communication and fairness, our policy leaves room for national and social variations.

One key to our business success is optimised allocation of leadership positions. We favour qualified staff from within our own ranks for these posts. Within the context of special qualification programmes, we develop our best young talent, in order to prepare them for later occupation of leadership positions.





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## Employees

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The framework for cross-border exchanges of employees within the GEHE group has proved to be effective. Closer European co-operation, in particular, has led – especially among managerial and management trainee employees – to employee transfers to subsidiary companies and from subsidiaries to the group headquarters. This means the transfer of knowledge within the group works extremely well and promotes career development among employees.

### **New members of the European Works Council**

In March 2000 the fourth annual meeting of the GEHE's European Works Council took place in Strasbourg – and thus for the first time outside Germany. As in previous years, the economic situation and the development of GEHE were the main focus of interest of the council members.

Since Great Britain, by signing the Social Charter of the European Union, has established the necessary legal requirements, it was now possible to fully integrate staff representatives from Great Britain into the committee, which currently has 15 members. Two representatives of the employees of Herba Chemosan were granted guest status until seats can be reallocated during 2001.

The relationship of trust between employees' representatives and the management provided for constructive dialogue on all matters of interest to the staff.



### **Great popularity of employee shares**

Once more in 2000, GEHE supported employee wealth formation among the staff in Germany through the issue of employee shares. A total of 2,220 employees took advantage of the tax incentives and bought 19,821 shares.

At the end of 2000, 6,036 shareholding employees, including former employees and pensioners, owned about 1.2 % of the share capital in GEHE AG. Employees who have taken advantage of all offers to buy employee shares over the last 16 years currently own 719 GEHE shares with a value at 29 December 2000 of € 29,191. They also earned a further € 9,414 from dividend payments and the proceeds of rights issues.

GEHE has supported this form of employee wealth formation since 1985 with contributions totalling approximately € 7.14 m.

### **Thank you to all our staff**

We wish to offer our sincere thanks to all our employees in all the group companies, both at home and abroad, for their commitment and performance. Our thanks for their efforts go to the staff who have left the GEHE group, especially in Great Britain, and we wish them every success in their new circumstances. We would also like to express our thanks to the members of the Workers' Councils in our subsidiary companies and their branch operations, and the European Works Council for their constructive and valuable contribution.



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## Risk Management

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### **Risk management system**

Forward-looking and effective risk management is not aimed solely at the avoidance of risks, but also at making the most of opportunities and is therefore one of the most important tasks of a responsible management. In co-ordination with our auditors, we have extended, developed and documented our existing risk management system throughout the whole group.

The Internal Audit Department is an important part of our risk management system, which analyses and evaluates group-wide structures and processes on behalf of the Management Board, thus making a valuable contribution to the identification and monitoring of business risks.

Our comprehensive planning and reporting systems ensure that all relevant decision-makers are informed of any undesirable developments at an early stage, in order to allow appropriate steps to be taken immediately.

### **Risk environment**

In 2000, no risks were detected by our risk management system which might pose a threat to the survival of the group.

In the framework of an overview of the GEHE-specific risk environment, we see the following individual risks:

#### **Regulatory environment**

The principal risk in our markets is the ever-changing legal and legislative situation. This risk is as old as the dispensing of medicines and is constantly observed, analysed and taken into account in our business processes and strategies.

### **Financial market and exchange rate risks**

The use of derivatives, which are used exclusively to cover currency and interest-rate risks, is clearly regulated in guidelines and is monitored very closely at all times. There is a detailed report on the type and scope of these financial instruments in the group financial statements.

### **Euro project**

In 1999 we started preparation work for the conversion of all business processes to the Euro Community currency and set up a group-wide project organisation. Project teams were formed in every country to work according to a standard project plan on the analysis, revision and adaptation of all "Euro-relevant" business processes.

The progress of the project is discussed at regular intervals in national steering committees, tested in detail by the Internal Audit Department and reported on to the Management Board.

In common with the rest of our sector, we will convert to the Euro on 1 January 2002.

### **IT-security**

Because of the increasingly international networking of our IT-infrastructure and also the expansion of our Internet activities, we have altered our standards of security in order to maintain our ability to offer secure business transactions in the future.



## Risk Management

### **Risk management tools**

#### **Top-down workshops**

In 1999, workshops were held, with the participation of external specialists, to systematically identify strategic and operational risks and to create a risk portfolio. The group-wide application of the findings resulting from these workshops became part of the project "GEHE World 21", which has been considerably intensified in the past year.

#### **Bottom-up workshops**

During 2001 we will again be using workshops to have our business processes analysed by our employees ("bottom-up") and apply the findings made there throughout the group.

#### **Documentation**

In the course of 2000 we have comprehensively documented our entire risk management system in a manual. This manual is used to guide our employees in their day-to-day handling of business risks.

For secure handling of the multiple risks arising from contracts, we have started a project in the past year, in the framework of which all existing contracts throughout the group will be classified and recorded in a computerised databank. This allows us to monitor contracts according to their commercial relevance.

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## Corporate Governance

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The German Association of Financial Analysts and Investment Consultants (DVFA) defines corporate governance as a range of principles "which serve the realisation of a responsible management and control of companies and groups of companies oriented towards value creation". To us, these principles primarily mean extending our existing relationship of trust with our present and future shareholders, lenders, employees, business partners and the general public at national and international level.

We have long taken account of these principles of corporate governance, which are supported by the Law on Monitoring and Transparency in Businesses (KonTraG).

GEHE guarantees all interest groups the greatest possible transparency in its business development as a whole as well as in the individual segments, by means of well-founded and comprehensive reporting in quarterly and annual reports. Key elements of our business development and important corporate decisions are discussed by the Management Board with the Supervisory Board promptly and constructively, sometimes in meetings additional to the regular sessions. The performance-based compensation system which has existed at GEHE for many years supports the identification of employees with corporate objectives. For employees with access to relevant insider information, there is obviously a corresponding system of insider regulation. When realising our corporate objectives, we also take account of the suggestions made by the independent auditors in the Management Letter produced in the course of the annual report audit.

In the future, too, we shall continue to implement the relevant findings from the corporate governance discussion at all times.



## **E-commerce Innovative solutions for pharmacies**

GEHE is developing Internet-based solutions concerning e-commerce to support business processes with our wholesale customers, the strengthening of their advisory skills being at the forefront. We also support them in their effective positioning on the Internet with respect to end-users. There are now more than 11,000 pharmacies throughout Europe benefiting from our e-commerce offers, which means the number of users has risen by 160 % in comparison with the previous year.

The business-to-business Internet site GEHE POINT, first introduced in Germany in 1997, offers pharmacies the latest information and direct access to the entire GEHE range of services. Our customers have access to online ordering, availability checks, advisory support and also comprehensive product databases and market information via the Internet. We have now further developed this range of services in line with local market needs and introduced it successfully in France (OCP POINT), England (AAH POINT) and Austria (Herba POINT).

With our business-to-consumer Internet site [www.apotheke.com](http://www.apotheke.com) we offer our wholesale customers in Germany the option of creating their own professional home page and at the same time of making use of our comprehensive editing system for end-user information. Alongside this, [www.apotheke.com](http://www.apotheke.com) offers an online directory of pharmacies which is accessible by the public. Under the name "Pharmacy POINT" we will construct a healthcare portal especially tailored to the pharmacy distribution channel and make it available to pharmacies all over Europe. This portal will provide users with information about health, allow access to pharmacy services and make obtaining medicines and redeeming prescriptions in the local pharmacy even more user-friendly. Pharmacy POINT will be adapted to the market needs and customer structures of the individual countries.

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The possibilities of the Internet are being used in the Retail Division, too. In July 2000 we introduced the health information website [www.lloydspharmacy.com](http://www.lloydspharmacy.com). Lloydspharmacy also uses this information website to support marketing measures in their own pharmacies and to reinforce their brand name among consumers.



## Outlook

Viewed on a long term basis, the European pharmaceutical market grows on average by approximately 6% per year. This growth is driven by both the increasing requirement for medicines and by the introduction of new, innovative medicines.

The increased requirement for medicines is attributable to the constantly-rising number of older people. Studies by the OECD show that per capita spending by the over-60s is almost three times as high as the comparable per capita spending of the under-60s. Alongside this, the desire for physical well-being makes people more willing to spend money on medicines, regardless of whether their health insurance scheme will reimburse the costs or not. This is shown by the high sales of non-reimbursable so-called "lifestyle products". Innovative medicines, including those to counteract formerly untreatable illnesses, will provide for additional growth.

Alongside the growth factors affecting the entire market, GEHE will also grow through acquisitions. These include new acquisitions in both the Wholesale and the Retail Divisions. We have set ourselves some ambitious goals for the coming years, especially when it comes to expanding our pharmacy presence.



Taking into account our acquisitions, we want to increase our turnover in the next five years by an average of 8 – 10 %. We want to increase EBITDA, pre-tax profit and net annual profit by on average over 10 % per year. We will be paying special attention to EBITDA, i.e. to the purely operational profit before interest, tax, amortisation and depreciation. In particular, it neutralises goodwill depreciation which is rising sharply as a result of the rapid expansion of the pharmacy business. The development of the above key financial figures, in a market which also has to cope with state measures to control the costs of the health service, will not be linear, but will be subject to fluctuations.

The geographical diversification of GEHE makes it possible to compensate for such fluctuations in individual countries in the group as a whole. Special challenges will be posed by state regulations during 2001 in France and in Great Britain, which we will overcome by means of the appropriate measures.

In 2001 we are expecting an increase in pre-tax profit for the whole group in line with the growth rates of previous years after adjustment for exchange rate effects. We expect EBITDA to rise more strongly than pre-tax profit.



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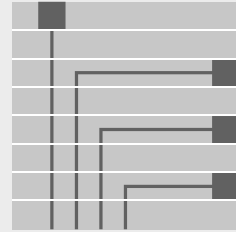
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## Dependence Report

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Franz Haniel & Cie. GmbH, Duisburg-Ruhrort has a majority shareholding in GEHE AG. We have therefore drawn up the necessary report on relations with affiliated companies in accordance with § 312 Companies Act (Aktiengesetz). This concludes as follows: "In conclusion, we hereby declare that GEHE AG 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."



**GEHE** Wholesale

**Supplying pharmacies everywhere  
with everything pharmacies need**



management APOCERESULT

<b>WIRTSCHAFTSBEREICH</b> Produktion der Waren entsprechend der Kundenanforderung	<b>BEZUGSBEREICH</b> Ermittlung der besten Anforderung in Bezug auf Kosten	<b>BEREICH</b> Optimierung der Kosten aufgrund der Kundenanforderung
<b>WIRTSCHAFTSBEREICH</b> Produktion der Waren entsprechend der Kundenanforderung	<b>WIRTSCHAFTSBEREICH</b> Produktion der Waren entsprechend der Kundenanforderung	
<b>WIRTSCHAFTSBEREICH</b> Produktion der Waren entsprechend der Kundenanforderung		





## GEHE-Herba Group

### Overview

The GEHE-Herba Group covers activities in Germany, Austria and the Czech Republic and achieved a turnover of € 3,887 m in 2000, corresponding to a growth rate of 28.4%. Profit before earnings tax was € 55.6 m and thus rose by 19.3% compared with the previous year.

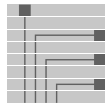
#### Key figures GEHE-Herba Group

€ m	1999	2000
Turnover	3,027	<b>3,887</b>
Profit before tax	47	<b>56</b>
EBITDA	72	<b>96</b>
No. of employees	2,482	<b>3,481</b>

#### E-commerce

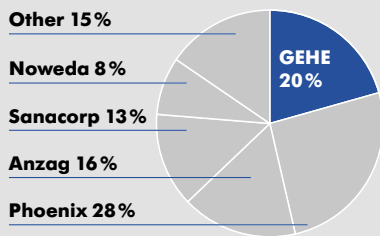
New ways of trading. Europe-wide, over 11,000 pharmacists, use our wide-ranging e-commerce service.





## Germany

### 2000 market shares of pharmaceutical wholesale in Germany



Source: PHAGRO/own estimate

### GEHE Wholesale Germany continues its success

GEHE Wholesale Germany increased its turnover in 2000 by 3.7 % to € 3,052 m (1999: € 2,943 m) and thus consolidated its market position.

A key contribution to this was the fact that GEHE Wholesale Germany was able to provide an uninterrupted supply of medicines during the pan-European wave of influenza at the start of the year 2000. Through close co-ordination with its European sister companies GEHE Wholesale Germany was at times the only German wholesaler able to supply pharmacies with flu vaccines. Market growth in the first quarter, which was affected by the wave of influenza, weakened during the course of the year. This was due to the reluctance of doctors to prescribe, as a reaction to the budget policy of the health insurance funds, which were threatening to claim back budget overspending from 1999.

Despite the establishment of new branches by a few of our competitors, the continuing difficult conditions in terms of health policies and a stiff competition over discounts which became even tougher in some regions, GEHE Wholesale Germany was still able to increase its high level of earnings.

### Investments to secure standards of quality and supply

With targeted investment, the efficiency of GEHE's branches – measured in terms of productivity and supply quality achieved – was further improved. As a result of increased computerisation of the Düsseldorf and Nuremberg branches, working processes were optimised. This improved supply quality and alongside this, competitiveness.

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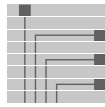
In July 2000 we began construction of our second largest German branch – by turnover – in Minden. This new branch is planned to open in the second quarter of 2001.

#### **Customer orientation along new lines**

One strength of GEHE Wholesale Germany is that the whole organisation is continually oriented towards the customers' individual, constantly-changing requirements. Especially in a market with comparable basic services, the personal customer relationships play a leading role. It must have a systematic and integrated basis in all areas of the organisation, if it is to make an appreciable difference to the customer. With the introduction of the corresponding Customer Relationship Management (CRM) software GEHE Wholesale Germany has laid the innovative foundation stone for a completely new orientation which links the divisions of Operations, Sales and Marketing. Under the name "WIN!" the new software enables more effective handling of customer enquiries even in the first stage, together with a more efficient control of distribution processes. For its exemplary integration, both in terms of content and technically, WIN! has been awarded the distinction of being nominated by the magazine "Computerwoche" as one of the six best applications under the heading of "User of the Year 2000" out of more than 150 participants.

#### **Market leadership in pharmacy marketing significantly extended**

During 2000 GEHE Wholesale Germany significantly extended its lead in pharmacy marketing.



## Germany

Through effective expansion and networking of existing programmes GEHE Wholesale Germany is constantly optimising its marketing services. For example, the implementation of a category-management approach specifically relating to pharmacies makes it easier for pharmacists to present products consistent with customer needs, increases the degree of effectiveness of the range of goods for the industry and offers the end-user a range of products specific to the relevant target groups.

The new Galleria-XXL Programme was especially successful during 2000 with over 1,500 pharmacies taking part. "Advice as a trademark" is the central approach of this comprehensive all-year-round programme, which positions the individual pharmacy as an all-round advisory service brand in the field of healthcare.

In the Internet field the business-to-business site GEHE POINT, thanks to its new offers and its completely revised design, has almost doubled its number of users to 4,400 in comparison with 1999. GEHE POINT finished among the "Best Ten" in the Internet Prize from CeBIT 2000 – a stimulus to further dynamic development.

GEHE's own German business-to-consumer solution, [www.apotheke.com](http://www.apotheke.com) was given a new boost after the introduction of a new technical site and after a large-scale national campaign in November 2000.

### Staff

The number of employees at year-end 2000 was 2,285 and was thus almost unchanged from the previous year (2,269). There are also an additional 157 young people in training.



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## Austria

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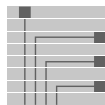
### **Herba Chemosan consolidates its market position**

Herba Chemosan supplies public pharmacies, in-house pharmacies (doctors) and hospitals in Austria. With market growth of 6.3 % Herba Chemosan achieved a turnover of € 738 m in the financial year just ended and was thus up by 4.9 % compared with the non-consolidated previous year.

Despite difficult trading conditions – state economy measures, a cut in the wholesale margin and tougher competition for market shares – Herba Chemosan, with a market share of just under 50 %, consolidated its leading position in the supply of public pharmacies.

### **New construction in Vienna-Simmering**

Herba Chemosan is currently constructing one of the biggest pharmaceutical distribution centres in Europe, in Vienna-Simmering. Since the plans date back to 1997 and the foundation stone had been laid in 1999, Herba Chemosan came to GEHE at the start of the year 2000 with a half-finished building. This meant that one of the top-priority tasks in connection with the integration of Herba Chemosan was the harmonisation of "Vienna-Simmering" with GEHE standards, insofar as this was technically feasible. In addition to this, Herba Chemosan was also able to realise cost advantages for "Vienna-Simmering" as the result of its affiliation with GEHE. In November 2000 the internal works were started according to plan and completion is expected by autumn 2001. After that, the three present Viennese branches – including the head office – will move to Vienna-Simmering. This new building not only gives Herba Chemosan room for expansion and the requisite conditions for appropriate and high-quality distribution of medicines and healthcare products, but also and especially, the requisite conditions for optimal distribution in terms of cost for the whole of Eastern Austria.



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## Austria

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### **Herba Chemosan – A customer-oriented company**

The demands and expectations of consumers have risen, and are continuing to rise – and with them the wide product range in the health-care market. With the expansion of services, Herba Chemosan is following the wishes of its customers to strengthen pharmacies as “quasi-healthcare providers”. Through, for example, Apoconsult organisation and marketing advice, the Galleria goods presentation concept, the Herba Chemosan Academy and the Internet site Herba POINT, Austrian pharmaceutical wholesale provides a unique and comprehensive range of services to pharmacies. Tried and tested GEHE service provisions have helped to bring some of these individual ranges of services to fruition. These provisions are rounded off by PR and advertising initiatives for pharmacies. The wide acceptance of these provisions among Austrian pharmacists is proof of the successful integration of Herba Chemosan.

The Internet is increasing in importance in Austria. With the introduction of Herba POINT in December 2000, Herba Chemosan – together with the pharmacists – has taken an important step towards e-commerce. With the Internet as information and communication medium, it is possible to obtain and respond to information more quickly – for the benefit of pharmacists and their customers.

Information on Herba Chemosan can be found at:  
[www.herba-chemosan.at](http://www.herba-chemosan.at)

### **Staff**

Despite the increase in turnover and a wider range of services for pharmacies, the number of employees had fallen by 16 to 983 employees by the end of 2000 as compared with the previous year.

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## The Czech Republic

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### **Increased market share**

The increased turnover of the pharmaceutical wholesale in the Czech Republic is highly satisfactory with a growth of 16.5 % (12.4 % in local currency) to € 97.2 m compared with the previous year. In the Czech market, which is growing unevenly, GEHE Wholesale Czech Republic was thus able to expand and consolidate its position. Market share in the Czech Republic increased to 10.5 % (1999: 9.2 %).

Numerous operational improvements to transaction processes, which led to greater productivity, made a major contribution to this development. Improved control of distribution and what were, to the Czech market, innovative marketing offers, were additional pillars of this development. Nevertheless GEHE Wholesale Czech Republic, as a result of a significant rise in the discount level, was unable to achieve the same pre-tax profit as that of the previous year.

### **Staff**

The number of employees remained unchanged by year end 2000 at 213.



FATIGUE  
PASSAGERE

RGEZ VOS  
ERIG

TIERS PAI  
TOUTES MUT

Supradynic

## OCP Group

### Overview

With its activities in France, Belgium, Portugal and Italy, the OCP Group achieved a turnover of € 6,648 m in 2000, corresponding to a growth rate of 6.1 %. The pre-tax profit rose even more strongly, increasing by 13.7 % to € 99.4 m.

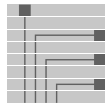
#### Key figures OCP Group

€ m	1999	<b>2000</b>
Turnover	6,265	<b>6,648</b>
Profit before tax	87	<b>99</b>
EBITDA	111	<b>119</b>
No. of employees	5,186	<b>5,221</b>

#### Animation Pharmacie

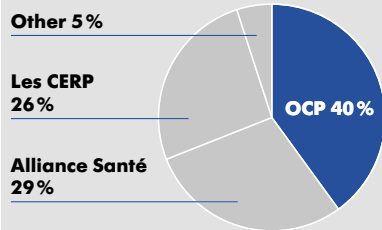
The shop window as the visiting card for pharmacies. Informative window-dressing with seasonal and country-specific themes.





## France

2000 market shares of pharmaceutical wholesale in France



Source: GERS

### New statutory regulations bring consequences for prescribing policy, market growth and profit margin

OCP France increased its turnover significantly in comparison with the previous year by 5.5% to € 5,931 m. Despite a cut in the statutory wholesale margin and a rise in the special tax known as the "Contribution Exceptionnelle" on 1 October 2000, the pre-tax profit increased considerably more than expected, thanks to cost-reducing measures.

Since 1 September 1999 the statutory wholesale margin has been split into two price levels. Accordingly, the margin for the element of the product price that lies under FFr 150 remains unchanged at 9.7%, while a margin of 5.66% is now applied to the element of the price lying above FFr 150.

The "Contribution Exceptionnelle" was introduced about 10 years ago by the French government and is a special tax on pharmaceutical wholesalers levied on turnover from prescription medicines. It increases in line with market growth in any quarter and is payable quarterly.

In the first three quarters of the year 2000 the "Contribution Exceptionnelle" was 1.72% of turnover from prescription medicines and thus corresponded to the maximum applicable rate at 30 September 2000. With effect from 1 October 2000 the rates for the "Contribution Exceptionnelle" were raised by 0.45 percentage points. Because of the high rate of market growth, this rate also came into force in the fourth quarter of 2000.

### **Couverture Maladie Universelle – Reason for the surge in growth**

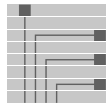
During 2000, the French healthcare market experienced highly satisfactory growth. The reason for this was the introduction of new medicines and new, more patient-friendly, regulations. One such new regulation was "Couverture Maladie Universelle", which resulted in an increase in visits to doctors and pharmacies.

In this strongly-growing market OCP France was able, despite lively competition, to maintain its market share at 40 %.

### **OCP France – Leading supplier of generics**

OCP France has successfully laid claim to be the market leader in generics distribution. On the basis of its outstanding ranges of generics supplied to pharmacies, the market share of OCP France in terms of these products increased more than expected.

In 1999, a whole range of new statutory regulations came into force for generics and original products, which made their full effect felt during 2000. Since 1 July 1999, pharmacies in France have had the right of substitution. This means that the pharmacist can substitute proprietary preparations with generics, provided that this has not been ruled out by the doctor. The pharmacists' associations have made contractual undertakings with the French government to give their support to this substitution principle, in order to increase sales of cheaper generics. The average statutory wholesale margin for generics is 13.3 %, which corresponds in value to the statutory wholesale margin for proprietary preparations. Against this background, OCP France forged ahead at an early stage in establishing partnerships with leading manufacturers of generics. This allows OCP France to offer pharmacies especially attractive conditions for a comprehensive range of generics.



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## France

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A survey conducted by the supervisory authority, the ODP, among pharmacies in May 2000 showed that 50 % of pharmacists find the range offered by OCP France better than the range from any other pharmaceutical wholesaler.

### **OCP France – An innovative partner for manufacturers**

OCP France has also been continuing to extend its role as a service partner for the pharmaceutical industry. In co-operation with leading pharmaceutical manufacturers in France, the operational processes were analysed, in order to improve the supply of medicines by the manufacturer. The immediate result of this co-operation was that the supply capability for preparations from these manufacturers was increased considerably, by up to as much as 50% for some product lines.



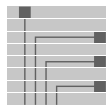
### **Prizes for successful call centre concept**

A significant improvement in customer satisfaction has been achieved by OCP France with a new call centre technology. Seven out of eight regional branches have now been equipped with this technology.

In order to meet the expectations of pharmacy customers in ever better ways, the call centre technology is continually being refined and equipped with new functionalities. Special software has also been developed within the framework of the call centre concept, which passes on enquiries and problems from OCP customers directly to the sales staff, thereby enabling a rapid and individual response to customers' needs. The evaluation of incoming customer enquiries is also used to improve the quality of performance by operational measures. The so-called "web call technology" also allows customers of OCP to communicate on-line with their OCP branch.

OCP received an award for its call centre concept during the European Call Centre Fair in Paris in March 2000.

At Pharmagora, a specialist pharmaceutical trade fair, OCP France has been awarded the "Caducée d'or de la Communication" for the third time in succession for best performance in the field of customer communication.



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## France

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### **OCP POINT – Most popular business-to-business site for pharmacists**

Our French Internet service, OCP POINT, is growing very positively. The number of users has more than doubled in comparison with the previous year, to 2,500. According to a survey by the independent service company "Imago", the business-to-business site OCP POINT is the specialist website visited most often by pharmacists among the 23 websites studied. OCP France has begun a comprehensive information campaign, in order to further increase the popularity of OCP POINT among pharmacies and to further strengthen the image of the modern pharmacist.

Information about OCP France can be found at: [www.ocp.fr](http://www.ocp.fr)

### **Staff**

Mainly as the result of the statutory reduction in working hours in France to an average of 35 hours a week, the number of employees of OCP France rose at the start of 2000. In the course of the year 2000 the number of employees was reduced by rationalisation measures to 4,524 by year end and is thus at the 1999 level (4,523).

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## Belgium

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### **Turnover growth over 5 %**

With a market share of about 17 %, OCP Belgium is the market leader in the Belgian pharmaceutical wholesale market. OCP Belgium, which has eight distribution centres, supplies all the pharmacies in Belgium.

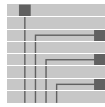
OCP Belgium achieved a turnover of € 403 m which is 5.1 % more than in the previous year. The pre-tax profit is slightly lower than last year's level.

### **Massive investments in information technology**

Structural improvements continued to great effect during the year 2000, with the main focus being on improving the IT systems. The accounting system has been centralised. The introduction of a new, uniform software for logistics and operations is planned for 2001, which will allow operational processes to be co-ordinated optimally with each other.

### **Staff**

The number of employees of OCP Belgium at the end of the year 2000 was 365 and has thus remained unaltered.



## Portugal

### **OCP Portugal grows more strongly than the market**

The Portuguese market is one of the most dynamic markets in Europe and grew by around 12 % during the year 2000.

OCP Portugal achieved a turnover of € 226 m during 2000. This represents an increase in turnover compared with the previous year of 21.7 % and is significantly greater than market growth. This means that OCP Portugal has increased its market share to 11.4 %. As a result of the high growth in turnover and tight cost management, OCP Portugal increased its pre-tax profit by more than expected.

### **Improved operational processes**

The new, modern branch in Setubal, south of Lisbon, eased the pressure on the existing branch in Lisbon, which had reached its capacity limit.

With the opening of the new branch in Oporto at the start of 2001 we will considerably improve our supply capability. The head office will also be moving into the new branch in Oporto.

### **Staff**

Because of the expansion of business the number of employees of OCP Portugal increased by year end 2000 to 230 (previous year 214).

## Italy

### **Dynamic market**

The Italian pharmaceutical market continued to grow dynamically with growth of 6.8%. AFM, our pharmaceutical wholesaler which is part of the OCP Group, also profited from this. Despite the strong competition in the Bologna region, AFM increased its turnover with independent pharmacies, hospitals and old people's homes in comparison with the previous year by 17.2% to € 88 m.

The AFM warehouse in Bologna was no longer able to meet the demands of the increased volume of business in its existing structure and therefore had to be completely reorganised. This reorganisation was implemented in a few months with no effect on supply capability. It has allowed – with simultaneously improved quality of supply – a considerable increase in productivity. Following the burden on profit before tax in 2000 caused by one-off costs incurred on this project, there will be positive effects on the cost structures in the current financial year.

### **Staff**

In accordance with the higher volume of business the number of employees at AFM rose by the end of the year 2000 to 103.



VANTAGE

Andrews & Heartburn

Mild Indigestion

Mild Indigestion

Rennie

eflatine

Settle's  
Wind-ozo

## AAH Group

### Overview

In 2000, the AAH Group achieved a turnover of € 3,185 m, with its activities in Great Britain (AAH) and Ireland (CMR). This corresponds to a growth of 11.7 % (4.5 % after adjustment for exchange rate effects) compared with the previous year. The profit before tax, at € 63.9 m was 1.5 % (8.3 % after adjustment for exchange rate effects) lower than the profit for the 1999 financial year.

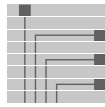
#### Key figures AAH Group

€ m	1999	<b>2000</b>
Turnover	2,852	<b>3,185</b>
Profit before tax	65	<b>64</b>
EBITDA	102	<b>112</b>
No. of employees	4,365	<b>4,180</b>

#### Category Management

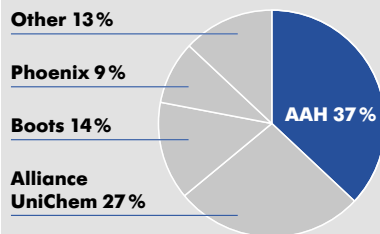
The right article in the right place. Using innovative sales concepts, we help pharmacists to display product lines and arrange articles in line with customer needs.





## Great Britain

**2000 market shares of pharmaceutical wholesale in Great Britain**



Source: IMS data/own estimate

### Higher growth than market as a whole

Turnover in Great Britain rose in 2000 to € 2,865 m. This corresponds to a growth of 11.1 % (3.2 % after adjustment for exchange rate effects) compared with the previous year. The profit before tax is slightly below that for the 1999 financial year.

As expected, the measures implemented by the British government had a significant effect on market growth in pharmaceutical wholesale in 2000. Firstly, there were the repercussions from the 4.5% price reduction which came into force on 1 October 1999 for reimbursable medicines as the result of the price agreement between the Department of Health and the pharmaceutical industry (PPRS). Secondly, the Department of Health began, in the third quarter of 2000, to reduce the reimbursed price for generics. Nevertheless, AAH managed to grow more rapidly than the market with a slight increase in its market share.

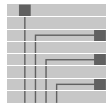


### **Customer orientation as success factor**

In the course of the year 2000, AAH considerably expanded its business with large customers, i.e. customers who run chains of pharmacies. A decisive factor in this was, among other things, the development of specific service provisions for this group of customers, e.g. for pharmacies in supermarket chains. This includes the harmonisation of special offers in the pharmacies of Lloydspharmacy and of AAH wholesale customers. This harmonisation allows AAH to purchase at even better prices and to distribute even more efficiently. The advantages in terms of margin and costs thus achieved benefit the large customers of AAH. Alongside this, AAH offers its large customers services to improve their management of pharmacies. This includes training staff from pharmacies and offering a replacement service for pharmacists.

### **Increase in the number of Vantage pharmacies**

AAH offers independent pharmacies, which wish to profit from membership of a group of pharmacies, a franchise-type concept under the name of "Vantage" (uniform market launch, uniform marketing). The Vantage services include an attractive pharmacy design and effective product range selection and price-setting. The use of the Vantage concept increases attractiveness to customers, at the same time making these pharmacies competitive and establishing a close partnership with AAH. During 2000 AAH increased the number of Vantage pharmacies by 32 % to 970 pharmacies.



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## Great Britain

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### **E-business-tools well received**

Since the introduction of AAH POINT in June 2000, there are now more than 700 pharmacies in Great Britain benefiting from this new business-to-business platform. AAH POINT offers all British pharmacies an Internet solution which supports transactions electronically between pharmacist and wholesaler. Thus AAH provides pharmacies with an online order service, account enquiries, information about the availability of products for which there is little demand and information to strengthen their advisory skills.

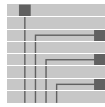
AAH POINT can also be adapted to the specific requirements e.g. of large customers and thus becomes an interactive communications and information medium tailored for individual customers.

### **Branch structure tightened up and businesses optimised**

Once the new, ultra-modern branch "Nexus Point" opened for business in the Midlands at the end of 1999, the branches in Kingswinford and Atherstone were closed in the course of the first half of 2000. At present 8,300 orders are being handled daily in "Nexus Point", with an automation level of 73%. The full effect of this improvement in efficiency, however, will not become apparent until 2001, since in 2000 there were the one-off costs of commissioning and the closure of branches. Alongside this project, operational processes were also optimised in other branches. New call centre technology was introduced in seven branches, allowing incoming calls from customers to be passed on to a branch where a customer adviser is immediately available. This cuts down on response times for pharmacy customers as well as spreading the load for customer advisers in the connected branches. The system is to be introduced into the remaining branches in 2001.

### **Staff numbers**

The number of employees fell by 196 to 3,935 by the end of the year 2000, in comparison with the previous year.



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## Ireland

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### **Strong market growth**

In 2000, CMR achieved a turnover of € 320 m and thus exceeded the previous year's turnover by 17.1 %. The market as a whole grew in 2000 by 18 %. The operating profit increased more than expected because of improved productivity.

During the 2000 financial year CMR extended its range of services and the OTC product range. The experience gained by AAH in Great Britain was put to good use in the design of the marketing programmes.

### **Staff numbers**

Because of the rise in the volume of business, the number of employees also rose by year-end 2000 to 245 (1999: 234).



**GEHE** Retail

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



## Retail

### Overview

At the end of the year 2000, GEHE was represented in Great Britain, Italy and the Czech Republic by a total of 1,403 pharmacies. In Norway we set up a retail organisation, GEHE Norge AS, in anticipation of the change in the law which came into effect on 1 March 2001.

The turnover of the Retail Division was € 1,627 m in 2000, which represents an increase over the previous year of 11.6%. On a comparable basis, i.e. after elimination of acquisitions or disposals and adjusted for exchange rate effects, the turnover growth was 4.9%. The profit before tax grew even more strongly by 19.6% (11.2% adjusted for exchange rates) and reached € 37.2 m. On a comparable basis, the profit growth was 10.6%. The EBITDA of the Retail Division rose in comparison with the previous year by 14.9% to € 123.3 m (+7.0% adjusted for exchange rate effects).

#### Key figures retail

€ m	1999	2000
Turnover	1,458	<b>1,627</b>
Profit before tax	31	<b>37</b>
EBITDA	107	<b>123</b>
No. of employees	8,951	<b>8,672</b>

#### "Punto Salute"

means comprehensive information on health matters and a scheduling service for visits to doctors and clinics in our Italian pharmacies.

#### "Pronto Salute"

is a free delivery service by our Italian pharmacies, 24 hours a day, 365 days a year.

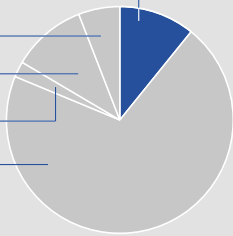




## Great Britain

### Pharmacies in Great Britain 2000

**Lloydspharmacy 1,320**  
**Moss/Alliance UniChem 720**  
**Boots 1,298**  
**Phoenix 273**  
**Other 8,611**



Source: Verdict data/own estimate

### Dynamic turnover growth with prescription medicines

Lloydspharmacy achieved turnover of € 1,541 m, corresponding to a rise of 14.5 % (6.3 % adjusted for exchange rate effects). On a comparable basis, i.e. after adjustment for exchange rate effects and acquisitions and disposals, turnover grew by 4.8 %.

Despite the price reduction introduced on 1 October 1999 for prescription medicines (new PPRS Agreement) and the reimbursement price for generics which was cut by the Department of Health in the third quarter of 2000, Lloydspharmacy was able to increase turnover for prescription medicines by 15.7 % (7.4 % adjusted for exchange rate effects) to € 1,193 m.

The OTC turnover, in a declining market, was also able to increase by 10.4 % (2.5 % adjusted for exchange rate effects) to € 348 m. The share of total turnover earned from prescription medicines thus increased slightly from 76.6 % to 77.4 %.

Lloydspharmacy also optimised its portfolio of pharmacies in 2000. 56 attractive pharmacies were acquired, while 25 sites were closed or sold off their pharmacy licences. 31 pharmacies were moved to better locations. By the end of the year the total number of our pharmacies thus increased to 1,320.



### **Uniform market image and product range design as success factors**

In the course of the year 2000 an additional 186 pharmacies were adapted to the uniform image of Lloydspharmacy and equipped with the customer-friendly advice and free-choice concept. This means that since the introduction of the innovative Lloydspharmacy aimed at the field of "Healthcare", 605 pharmacies have been completely redesigned.

This concentration on the field of "Healthcare" has also been effectively realised in the design of the range of products. So as to optimise the product range, the geo-demographic features of all pharmacy locations were collected and recorded in a special database. Evaluation of this data enables Lloydspharmacy to meet local requirements in the OTC field even better, and to increase turnover in the free-choice field via corresponding product range design. The expansion of Lloydspharmacy's own-brand range plays an especially important role in this. By the end of the year 2000 Lloydspharmacy was offering some 350 items under its own brand name, which achieved a turnover share of 10.8 % in the free-choice domain.

### **Staff**

The number of employees of Lloydspharmacy increased by the end of the year 2000 because of the increase in the number of pharmacies by 177 to 8,213.



## Italy

### **Turnover growth markedly higher than market growth**

In 2000, GEHE retail Italy achieved a turnover of € 57 m, which corresponds to an increase of 46.2 % compared with the previous year. Prescription medicine turnover rose by 56.3 %, and OTC turnover by 29.5 %. The pre-tax profit considerably exceeded expectations. The pharmacies of AFM Bologna with growth ahead of the market and the acquisition of A.F.M. di Cremona contributed to this course of business.

### **Success in bidding procedure in Cremona**

The experience we gained in the first round of privatisation with our pharmacies in Bologna in 1999 helped us to win the tender competition in the first round of privatisation for the year 2000 for 15 pharmacies in Cremona. A court case against this privatisation procedure was won, on appeal, by the City of Cremona at the end of July 2000. This meant that we were able to conclude our contract with the City of Cremona in 2000 and take over the management of the pharmacies. Alongside this, contracts were concluded with one other municipality for the management of a total of two pharmacies. The integration of the new pharmacies into our Italian retail organisation went according to plan. In Italy, we are now running a total of 53 pharmacies.





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## The Czech Republic

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### **Number of pharmacies almost doubled**

In 2000, Inpharma almost doubled its presence by the end of the year with the opening of four pharmacies, the purchase of eight individual pharmacies and the acquisition of a small chain of pharmacies. One pharmacy was closed in the course of 2000. In total, we now have 30 pharmacies in the Czech Republic. Turnover rose to € 10 m and is 43.3 % (38.3 % adjusted for exchange rate effects) higher than in the previous year. Prescription medicine turnover accounted for around € 5.1 m and OTC products for € 4.9 m.

Comprehensive structural and organisational changes prepared the path for a modern and professional launch of the Inpharma pharmacies on the market and have laid the foundations for a strong market position.

### **Staff numbers**

The number of employees rose to 206 by the end of 2000.



## GEHE Group Consolidated Financial Statements

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## Consolidated Balance Sheet of the GEHE Group at 31 December 2000

	Notes	31.12.2000 € '000	31.12.1999 € '000
<b>Assets</b>			
<b>Fixed assets</b>			
Intangible assets	(1)	1,616,253	1,549,946
Tangible assets	(2)	330,154	277,609
Financial assets	(3)	74,214	40,426
	(4)	<b>2,020,621</b>	<b>1,867,981</b>
<b>Current assets</b>			
Stocks	(5)	1,082,362	1,215,278
Receivables and other assets	(6)	1,355,929	1,222,316
Bank and cash balances	(7)	17,247	11,334
		<b>2,455,538</b>	<b>2,448,928</b>
<b>Prepaid expenses</b>	(8)	<b>30,269</b>	<b>35,640</b>
		<b>4,506,428</b>	<b>4,352,549</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital	(9)	186,624	186,624
Capital reserves		682,434	682,434
Revenue reserves	(10)	104,441	128,686
Consolidated retained earnings	(11)	169,594	182,440
Minority interests	(12)	10,075	4,962
		<b>1,153,168</b>	<b>1,185,146</b>
<b>Provisions</b>			
Provisions for pensions and similar obligations	(13)	51,548	41,022
Other provisions	(14)	300,211	281,369
		<b>351,759</b>	<b>322,391</b>
<b>Liabilities</b>	(15)		
Liabilities falling due after more than 5 years		943,230	733,396
between 1 and 5 years		136,647	38,190
within 1 year		1,917,977	2,064,799
		<b>2,997,854</b>	<b>2,836,385</b>
<b>Deferred income</b>		<b>3,647</b>	<b>8,627</b>
		<b>4,506,428</b>	<b>4,352,549</b>

## Consolidated Profit and Loss Account of the GEHE Group for the Financial Year 2000

	Notes	2000 € '000	1999 € '000
<b>Turnover</b>	(16)	<b>15,344,679</b>	<b>13,923,050</b>
Changes in stocks of finished goods and work-in-progress		0	(39)
Own work capitalised		0	28
<b>Gross performance</b>		<b>15,344,679</b>	<b>13,923,039</b>
Cost of raw materials, consumables and supplies, and of purchased merchandise		(13,886,489)	(12,509,716)
<b>Gross profit</b>		<b>1,458,190</b>	<b>1,413,323</b>
Other income	(17)	123,400	101,162
Personnel expenses	(18)	(671,117)	(624,768)
Amortisation of intangible assets and depreciation of tangible assets	(19)	(79,903)	(79,515)
Other operating expenses	(20)	(481,797)	(473,132)
Net financial result	(21)	(93,253)	(76,131)
<b>Profit from ordinary activities</b>		<b>255,520</b>	<b>260,939</b>
Taxes on income and profit from ordinary activities	(22)	(84,000)	(97,234)
<b>Profit from ordinary activities after taxes</b>		<b>171,520</b>	<b>163,705</b>
Extraordinary result	(23)	0	383,072
Taxes on income and profit from extraordinary result	(23)	(0)	(81,816)
Spin-off of Mail Order Division	(24)	(0)	(281,211)
<b>Net Profit for the year</b>		<b>171,520</b>	<b>183,750</b>
Minority interest in profits		(1,926)	(1,310)
<b>Consolidated retained earnings</b>		<b>169,594</b>	<b>182,440</b>

## Development of Fixed Assets 2000 GEHE Group

	Intangible assets € '000	Tangible assets € '000	Financial assets € '000	<b>Total</b> <b>€ '000</b>
<b>Cumulative cost at 01.01.2000</b>	<b>2,208,866</b>	<b>639,309</b>	<b>42,666</b>	<b>2,890,841</b>
Translation adjustment	(6,326)	(987)	(2)	(7,315)
Additions	234,857	83,475	16,151	334,483
Changes to consolidation scope	11,072	73,729	38,120	122,921
Transfers	0	0	0	0
Disposals	(3,633)	(40,836)	(13,491)	(57,960)
<b>Cumulative cost at 31.12.2000</b>	<b>2,444,836</b>	<b>754,690</b>	<b>83,444</b>	<b>3,282,970</b>
<b>Cumulative valuation adjustments at 01.01.2000</b>	<b>658,920</b>	<b>361,700</b>	<b>2,240</b>	<b>1,022,860</b>
Translation adjustment	(1,763)	(1,218)	0	(2,981)
Additions	17,199	62,704	14	79,917
Changes to consolidation scope	5,762	32,774	7,974	46,510
Transfers	0	0	0	0
Goodwill set-off	151,885	0	0	151,885
Write back	(2,380)	0	0	(2,380)
Disposals	(1,040)	(31,424)	(998)	(33,462)
<b>Cumulative valuation adjustments at 31.12.2000</b>	<b>828,583</b>	<b>424,536</b>	<b>9,230</b>	<b>1,262,349</b>
<b>Net book value at 31.12.2000</b>	<b>1,616,253</b>	<b>330,154</b>	<b>74,214</b>	<b>2,020,621</b>
Net book value at 31.12.1999	1,549,946	277,609	40,426	1,867,981



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## Group Annex

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### General Information

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#### **Accounting Principles and Valuation Policies**

The consolidated financial statements of GEHE for the year ended 31.12.2000 have been prepared, in Euros, 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 the profit and loss account have been presented in summarised form. A breakdown of the individual amounts is included in the notes.

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

In order to show the 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 profits.

#### **Scope of Consolidation**

The group accounts incorporate all subsidiaries in which GEHE AG directly or indirectly holds the majority of votes. 409 domestic and foreign companies are included in the consolidation (previous year 389).

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

Four subsidiaries have not been included as their shares were retained at the end of 2000 exclusively for the purpose of sale.

## General Information

Four associated companies were consolidated using the equity method. A further 24 associated companies were not consolidated due to lack of a major influence on their financial and business policy making. A complete list of the shareholdings held by GEHE AG will be filed in the commercial register of the local court in Stuttgart.

In the previous year the Mail Order Division was spun off with effect from 01.07.1999. For this reason, the profit and loss account for the financial year 2000 is comparable only to a limited extent with that of the previous year.

The following table shows the effect of these activities on the profit and loss account:

<b>Profit and Loss account</b>	<b>2000</b>	1999	<b>1999</b>
	<b>€ m</b>	€ m	<b>adjusted</b>
			<b>€ m</b>
Turnover	<b>15,344.7</b>	13,923.1	<b>13,607.8</b>
EBITDA	<b>439.5</b>	423.5	<b>385.7</b>
Depreciation	<b>(79.9)</b>	(79.5)	<b>(74.6)</b>
Net interest income	<b>(104.1)</b>	(83.1)	<b>(81.1)</b>
Profit from ordinary activities before taxes	<b>255.5</b>	260.9	<b>230.0</b>
Taxes on income and profit	<b>(84.0)</b>	(97.2)	<b>(83.9)</b>
Profit from ordinary activities after taxes	<b>171.5</b>	163.7	<b>146.1</b>

The Mail Order Division was no longer consolidated in the balance sheet at 31.12.1999.

The inclusion of Herba Chemosan, together with other acquisitions, for the first time in this financial year has no substantial effect on the comparability of the consolidated financial statements at 31.12.2000 with the previous year.

### **Consolidation Policies**

All the companies included in the group accounts have the same balance sheet date. An interim statement was produced at 31.12.2000 for one company included in the group accounts with a different balance sheet date for its individual financial statements.

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 and provisions, 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 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 fixed asset 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, € 151,885,000 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 profit. As at 31.12.2000, out of total goodwill arising on consolidation of € 2,204,095,000, a total of € 726,034,000 was set off

## General Information

directly against revenue reserves. The remaining net amount of € 1,478,061,000 concerns 18 affiliates. The goodwill is being amortised over a useful life of 15 years.

Negative goodwill arising on initial consolidation of € 259,000, was allocated to revenue reserves.

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.

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 and costs of sales, as well as other intra-group income and expenditure have also been eliminated. The remaining income and costs were fully consolidated. Unrealised profits were eliminated according to accounting for deferred taxes in compliance with § 306 German Commercial Code (Handelsgesetzbuch). 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 € 3,464,000 (previous year: € 3,918,000) 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 German Commercial Code (Handelsgesetzbuch).

The deferred tax element is € 1,732,000 (previous year: € 1,959,000).

The foreign subsidiaries' financial statements were converted into Euros 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.

<b>Source and Application of Funds</b>	<b>2000</b>	1999
	<b>€ '000</b>	€ '000
<b>Net profit for the year</b>	<b>171,520</b>	<b>183,750</b>
Extraordinary result	0	(20,045)
Fixed asset depreciation	79,917	79,530
Profit on sale of tangible assets and changes in long-term provisions	3,540	5,801
<b>Cash flow</b>	<b>254,977</b>	<b>249,036</b>
Change in other provisions	(29,402)	(21,549)
Other income and expenses not involving the movement of funds	1,329	(380)
Profit on disposal of financial assets	(311)	(2,154)
Changes in stocks, receivables, other assets and prepayments	130,511	(74,357)
Changes in short-term liabilities and accruals	(256,800)	306,802
Proceeds of extraordinary income	0	20,045
<b>Net cash flow from operations</b>	<b>100,304</b>	<b>477,443</b>
Proceeds of sale of fixed assets	29,058	33,034
Investment in fixed assets	(362,739)	(170,451)
<b>Net cash flow from investment activities</b>	<b>(333,681)</b>	<b>(137,417)</b>
Dividends paid	(56,133)	(48,455)
Movement in long-term liabilities	295,597	(286,332)
<b>Net cash flow from financing activities</b>	<b>239,464</b>	<b>(334,787)</b>
<b>Change in funds due to payments</b>	<b>6,087</b>	<b>5,239</b>
Change in funds due to exchange rates	(174)	782
Funds on 01.01.	11,334	5,313
<b>Funds on 31.12.</b>	<b>17,247</b>	<b>11,334</b>

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	<b>Total</b> <b>€ '000</b>
<b>Cumulative cost at 01.01.2000</b>	<b>39,826</b>	<b>141,746</b>	<b>768</b>	<b>2,026,526</b>	<b>2,208,866</b>
Translation adjustment	(60)	(335)	0	(5,931)	(6,326)
Additions	10,033	34,382	82	190,360	234,857
Changes to consolidation scope	11,066	0	6	0	11,072
Transfers	784	4,423	(784)	(4,423)	0
Disposals	(1,193)	(0)	(3)	(2,437)	(3,633)
<b>Cumulative cost at 31.12.2000</b>	<b>60,456</b>	<b>180,216</b>	<b>69</b>	<b>2,204,095</b>	<b>2,444,836</b>
<b>Cumulative valuation adjustments at 01.01.2000</b>	<b>30,214</b>	<b>50,726</b>	<b>0</b>	<b>577,980</b>	<b>658,920</b>
Translation adjustment	(102)	(210)	0	(1,451)	(1,763)
Additions	6,091	11,108	0	0	17,199
Changes to consolidation scope	5,762	0	0	0	5,762
Transfers	0	0	0	0	0
Goodwill set-off	0	0	0	151,885	151,885
Write back	(0)	(0)	(0)	(2,380)	(2,380)
Disposals	(1,040)	(0)	(0)	(0)	(1,040)
<b>Cumulative valuation adjustments at 31.12.2000</b>	<b>40,925</b>	<b>61,624</b>	<b>0</b>	<b>726,034</b>	<b>828,583</b>
<b>Net book value at 31.12.2000</b>	<b>19,531</b>	<b>118,592</b>	<b>69</b>	<b>1,478,061</b>	<b>1,616,253</b>
Net book value at 31.12.1999	9,612	91,020	768	1,448,546	1,549,946

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 € 234,857,000, an amount of € 190,360,000 related to goodwill arising on consolidation. The main additions to goodwill arising on consolidation relate mainly to the purchase of Herba Chemosan Apotheker-AG, Vienna/Austria, and A.F.M. di Cremona S.p.A., Cremona/Italy, and other pharmacy acquisitions in Great Britain. The acquired goodwill additions totalling € 34,382,000 relate mainly to the acquisitions of pharmacies in Great Britain and in the Czech Republic. Book transfers of goodwill arising on consolidation were the result of mergers in the Wholesale Division.

The reduction and write back of goodwill arising on consolidation is mainly attributable to the disposal of pharmacies in Great Britain.

Included within intangible fixed assets at 31.12.2000 was goodwill on consolidation of € 1,478,061,000 relating to shareholdings acquired during the year. This is calculated as follows:

	Gross € '000	Set-Off € '000	Net book value € '000
<b>At 31.12.1999</b>	<b>2,026,526</b>	<b>577,980</b>	<b>1,448,546</b>
Translation adjustment	(5,931)	(1,451)	(4,480)
Addition	190,360	0	190,360
Transfer	(4,423)	0	(4,423)
Disposal	(2,437)	(0)	(2,437)
Write back	0	(2,380)	2,380
Set-off against shareholders' equity	0	151,885	(151,885)
<b>At 31.12.2000</b>	<b>2,204,095</b>	<b>726,034</b>	<b>1,478,061</b>

## Notes to the Balance Sheet

The remaining balance of goodwill arising on consolidation of € 1,478,061,000 will be set off against reserves subject to currency fluctuations, as follows:

Year	€ '000		€ '000
2001 – 2005	150,408 each year	=	752,040
2006			149,820
2007			141,812
2008			121,415
2009			110,949
2010			85,066
2011			76,414
2012 – 2013	14,805 each year	=	29,610
2014			10,935
			<b>1,478.061</b>

### (2) Tangible assets

Additions 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 totalling € 83,475,000 relate mainly to assets purchased by the GEHE-Herba Group (€ 24,904,000), the AAH Group (€ 17,164,000), the OCP Group (€ 11,471,000) as well as investments in the Retail Division (€ 29,917,000).

	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	<b>Total</b>  <b>€ '000</b>
<b>Cumulative cost at 01.01.2000</b>	<b>188,367</b>	<b>128,784</b>	<b>320,455</b>	<b>1,703</b>	<b>639,309</b>
Translation adjustment	(220)	(199)	(568)	0	(987)
Additions	7,766	8,520	45,540	21,649	83,475
Changes to consolidation scope	31,885	0	33,024	8,820	73,729
Transfers	546	410	575	(1,531)	0
Disposals	(10,074)	(2,554)	(28,208)	(0)	(40,836)
<b>Cumulative cost at 31.12.2000</b>	<b>218,270</b>	<b>134,961</b>	<b>370,818</b>	<b>30,641</b>	<b>754,690</b>
<b>Cumulative valuation adjustments at 01.01.2000</b>	<b>84,614</b>	<b>69,725</b>	<b>207,361</b>	<b>0</b>	<b>361,700</b>
Translation adjustment	(163)	(227)	(828)	0	(1,218)
Additions	9,176	13,740	39,788	0	62,704
Changes to consolidation scope	6,323	0	26,451	0	32,774
Transfers	0	0	0	0	0
Disposals	(3,749)	(2,244)	(25,431)	(0)	(31,424)
<b>Cumulative valuation adjustments at 31.12.2000</b>	<b>96,201</b>	<b>80,994</b>	<b>247,341</b>	<b>0</b>	<b>424,536</b>
<b>Net book value at 31.12.2000</b>	<b>122,069</b>	<b>53,967</b>	<b>123,477</b>	<b>30,641</b>	<b>330,154</b>
Net book value at 31.12.1999	103,753	59,059	113,094	1,703	277,609

## Notes to the Balance Sheet

### (3) Financial Assets

	Shares in associated companies € '000	Other shareholdings € '000	Long-term investments € '000	Loans to participations € '000	Other loans € '000	<b>Total</b> € '000
<b>Cumulative cost at 01.01.2000</b>	<b>34,237</b>	<b>3,173</b>	<b>424</b>	<b>0</b>	<b>4,832</b>	<b>42,666</b>
Translation adjustment	0	(2)	0	0	0	(2)
Additions	6,287	767	940	88	8,069	16,151
Changes to consolidation scope	136	10,865	4,631	1,460	21,028	38,120
Transfers	0	0	0	0	0	0
Disposals	(4)	(439)	(1,045)	(838)	(11,165)	(13,491)
<b>Cumulative cost at 31.12.2000</b>	<b>40,656</b>	<b>14,364</b>	<b>4,950</b>	<b>710</b>	<b>22,764</b>	<b>83,444</b>
<b>Accumulated valuation adjustments on 01.01.2000</b>	<b>0</b>	<b>1,628</b>	<b>389</b>	<b>0</b>	<b>223</b>	<b>2,240</b>
Translation adjustment	0	0	0	0	0	0
Additions	0	1	13	0	0	14
Changes to consolidation scope	0	4,289	296	0	3,389	7,974
Transfers	0	0	0	0	0	0
Disposals	(0)	(85)	(38)	(0)	(875)	(998)
<b>Cumulative valuation adjustments at 31.12.2000</b>	<b>0</b>	<b>5,833</b>	<b>660</b>	<b>0</b>	<b>2,737</b>	<b>9,230</b>
<b>Net book value at 31.12.2000</b>	<b>40,656</b>	<b>8,531</b>	<b>4,290</b>	<b>710</b>	<b>20,027</b>	<b>74,214</b>
Net book value at 31.12.1999	34,237	1,545	35	0	4,609	40,426

Financial assets are valued at acquisition cost, in the case of loans net of repayments, or at the lower applicable value.

The costs of acquisition for associated companies are calculated according to the equity method.

#### (4) Fixed Assets

The schedule on page 92 shows the analysis and development of fixed assets which are summarised in the consolidated balance sheet. It 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.

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

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Raw materials, consumables and supplies	2,325	1,400
Merchandise	1,076,070	1,208,048
Payments on account	3,967	5,830
	<b>1,082,362</b>	<b>1,215,278</b>

## Notes to the Balance Sheet

### (6) Receivables and other Assets

	<b>31.12.2000</b>	31.12.1999
	<b>€ '000</b>	€ '000
Trade debtors	1,220,705	1,063,623
Receivables from Franz Haniel & Cie. GmbH	0	8,996
Receivables from companies in which a participation is held	303	0
Other assets	134,921	149,697
	<b>1,355,929</b>	<b>1,222,316</b>

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.

Receivables were sold under a non-recourse discounting agreement. An agreement, which is valid until January 2004, covers trade debtors of GEHE Pharma Handel GmbH, Stuttgart/Germany, up to a limit of DM 300 m (about € 153 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 m is maintained.

OCP REPARTITION S.A.S, Saint Ouen/France, also sold receivables of approximately FFr 1,095 m (about € 167 m) under a non-recourse discounting agreement at 31.12.2000. The contract, which runs until September 2001, covers trade debtors up to a limit of FFr 1,100 m (about € 168 m).

PCB dis S.A., Brussels/Belgium, sold receivables of approximately BFr 1,100 m (about € 27 m) under a non-recourse discounting agreement at 31.12.2000. The volume of the contract, which runs until June 2001, amounts to BFr 1,100 m (about € 27 m).

Lloyds Pharmacy Ltd, Coventry/Great Britain, and AAH Pharmaceuticals Ltd, Coventry/Great Britain, sold receivables of approximately £ 100 m (about € 160 m) under a non-recourse discounting agreement at 31.12.2000. The volume of the contract, which runs until December 2004, is £ 100 m (about € 160 m).

The other assets comprise mainly tax refunds receivable, short-term loans to customers and 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:

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Trade debtors	22,333	18,568
Other assets	19,587	25,890
	<b>41,920</b>	<b>44,458</b>

## **(7) Bank and Cash Balances**

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Cash in hand, Bundesbank accounts	1,084	1,253
Bank balances	16,163	10,081
	<b>17,247</b>	<b>11,334</b>

## Notes to the Balance Sheet

### (8) Prepaid Expenses

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Deferred taxes	0	4,123
Other	30,269	31,517
	<b>30,269</b>	<b>35,640</b>

Prepaid expenses relate mainly to insurance premiums already paid in the amount of € 2,999,000 as well as rent payments in advance of € 10,738,000. This is common practice in Great Britain.

Prepaid expenses do not include any deferred taxes, since the group financial statements at 31.12.2000 show the balance from deferred tax assets and liabilities under provisions for taxation, see Note (14).

In the previous year the prepaid expenses included deferred taxes of € 4,123,000.

### (9) Issued Capital

The issued capital and capital reserves relate to GEHE AG.

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 03.06.2004.

### (10) 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:

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Revenue reserves (gross)	830,475	706,666
Goodwill set-off (accumulated)	(726,034)	(577,980)
	<b>104,441</b>	<b>128,686</b>

### (11) Consolidated Retained Earnings

€ 56,133,000 was paid out as dividends from the previous year's consolidated retained earnings of € 182,440,000 for the financial year 1999. The remaining consolidated retained earnings were transferred to revenue reserves.

The consolidated retained earnings on 31.12.2000 thus correspond to the net profit for the year excluding the minority interest in profit.

## Notes to the Balance Sheet

### (12) Minority Interests

	<b>31.12.2000</b>	31.12.1999
	<b>€ '000</b>	€ '000
Share of capital and reserves	8,149	3,652
Share of retained earnings	1,926	1,310
	<b>10,075</b>	<b>4,962</b>

The increase in minority interests relates mainly to the acquisition of Herba Chemosan Apotheker-AG, Vienna/Austria, and of A.F.M. di Cremona S.p.A., Cremona/Italy.

### (13) 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.



**(14) Other Provisions**

	<b>31.12.2000</b> € '000	31.12.1999 € '000
Provision for taxes	43,749	45,072
Other provisions	256,462	236,297
	<b>300,211</b>	<b>281,369</b>

The tax provisions include deferred taxes of € 1,327,000. These comprise deferred tax assets (€ 20,292,000) and liabilities (€ 21,619,000). The deferred tax liabilities result from consolidation measures and from adjustments to individual financial statements in accordance with the accounting principles and valuation policies applied by GEHE AG.

They arise mainly in the financial statements of GEHE AG and of GEHE Pharma Handel GmbH as well as at GEHE UK.

The increase in other provisions is due to the inclusion for the first time of Herba Chemosan and also to the rise in other provisions by the OCP Group. This is offset by the use of provisions for restructuring and rental commitments in Great Britain.

## Notes to the Balance Sheet

### (15) Liabilities, Contingent Liabilities, other Financial Commitments and Derivative Financial Instruments

Liabilities	Total	falling due			Total
	31.12.2000	within 1 year € '000	between 1 to 5 years € '000	after 5 years € '000	31.12.1999 € '000
Loans	7,446	0	7,446	0	0
Liabilities to banks	1,226,122	171,813	112,341	941,968	971,984
Payments received on account of orders	28,120	28,120	0	0	26,423
Trade creditors	1,385,386	1,385,386	0	0	1,518,772
Liabilities on bills accepted and drawn	136,932	136,932	0	0	168,162
Liabilities to affiliated companies	2,869	2,869	0	0	0
Liabilities to companies in which a participation is held	6,955	6,955	0	0	5,973
Other liabilities	204,024	185,902	16,860	1,262	145,071
thereof tax	[39,306]	[39,306]	[0]	[0]	[4,825]
thereof social security payments	[27,204]	[27,204]	[0]	[0]	[27,169]
	<b>2,997,854</b>	<b>1,917,977</b>	<b>136,647</b>	<b>943,230</b>	<b>2,836,385</b>

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.

Bonds were issued in previous years by Herba Chemosan Apotheker-AG, Vienna/Austria, and become due in 2002 or 2003. Interest rate and currency swaps were entered into for potential interest rate and currency risks.

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

<b>Contingent Liabilities</b>	<b>31.12.2000</b> <b>€ '000</b>	31.12.1999 € '000
Bills of exchange	8,291	4,666
Guarantees	368,930	190,486
Warranties	77,001	124,500
	<b>454,222</b>	<b>319,652</b>

The contingent liabilities due to guarantees relate mainly to guarantees given by AAH Pharmaceuticals Ltd, Coventry/Great Britain, and Statim Finance Ltd, Coventry/Great Britain, which belong to the AAH Group, and by GEHE AG.

Contingent liabilities under warranties relate mainly to the sale of the companies in the Pharmaceutical Production Division in 1996.

<b>Other Financial Commitments</b>	<b>31.12.2000</b> <b>€ '000</b>	31.12.1999 € '000
Rent and lease contracts due within 1 year	75,995	26,654
between 2 and 5 years	266,919	157,790
after 6 years	519,961	752,691
	<b>862,875</b>	<b>937,135</b>
Acquisition of Herba Chemosan Apotheker-AG	0	128,970
Acquisitions of pharmacies	40,181	0
Commitments for capital expenditure	3,701	3,075
Other	2,120	0
	<b>908,877</b>	<b>1,069,180</b>

The commitments under rental and leasing contracts mainly concern the Wholesale Division – the GEHE-Herba Group (about € 212 m), the AAH Group (about € 208 m) and the OCP Group (about € 54 m) as well as the Retail Division (about € 388 m).

## Notes to the Balance Sheet

The commitments arising from pharmacy acquisitions are based on preliminary agreements concerning the acquisition of pharmacies. In the previous year the other financial commitments included the purchase commitments resulting from the take-over offer made by GEHE to the independent shareholders of Herba Chemosan Apotheker-AG, Vienna/Austria.

Derivative Financial Instruments	Nominal volume		Market value	
	31.12.2000 € m	31.12.1999 € m	31.12.2000 € m	31.12.1999 € m
Interest-based derivatives	<b>1,018.0</b>	763.0	<b>(38.5)</b>	(7.8)
Currency-based derivatives	<b>94.0</b>	25.3	<b>5.7</b>	(0.4)
	<b>1,112.0</b>	788.3	<b>(32.8)</b>	(8.2)

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 book-keeping 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	
	2000 € '000	1999 € '000	2000 € '000	1999 € '000	2000 € '000	1999 € '000	2000 € '000	1999 € '000
<b>Profit and loss account</b>								
<b>Turnover</b>	<b>13,720,110</b>	<b>12,143,604</b>	<b>1,626,548</b>	<b>1,458,037</b>	<b>(1,979)</b>	<b>321,409</b>	<b>15,344,679</b>	<b>13,923,050</b>
<b>Gross profit</b>	<b>975,154</b>	<b>850,383</b>	<b>483,036</b>	<b>440,367</b>	<b>0</b>	<b>122,573</b>	<b>1,458,190</b>	<b>1,413,323</b>
Results from associated companies	25	3	0	0	6,287	6,122	6,312	6,125
Results from other shareholdings	2,127	284	810	536	1,564	5	4,501	825
<b>EBITDA</b>	<b>327,330</b>	<b>285,199</b>	<b>123,275</b>	<b>107,314</b>	<b>(11,117)</b>	<b>31,021</b>	<b>439,488</b>	<b>423,534</b>
Depreciation and amortisation	56,346	53,478	22,931	20,090	626	5,947	79,903	79,515
Net interest income	(52,072)	(32,794)	(63,174)	(56,148)	11,181	5,862	(104,065)	(83,080)
<b>Profit from ordinary activities</b>	<b>218,912</b>	<b>198,927</b>	<b>37,170</b>	<b>31,076</b>	<b>(562)</b>	<b>30,936</b>	<b>255,520</b>	<b>260,939</b>
Taxes on income and profit from ordinary activities	79,703	82,821	10,923	8,944	(6,626)	5,469	84,000	97,234
<b>Profit from ordinary activities after taxes</b>	<b>139,209</b>	<b>116,106</b>	<b>26,247</b>	<b>22,132</b>	<b>6,064</b>	<b>25,467</b>	<b>171,520</b>	<b>163,705</b>
Extraordinary result	0	0	0	0	0	383,072	0	383,072
Taxes on income and profit from extraordinary result	0	0	0	0	0	81,816	0	81,816
Spin-off of Mail Order Division	0	0	0	0	0	(281,211)	0	(281,211)
<b>Net profit for the year</b>	<b>139,209</b>	<b>116,106</b>	<b>26,247</b>	<b>22,132</b>	<b>6,064</b>	<b>45,512</b>	<b>171,520</b>	<b>183,750</b>
<b>Assets, liabilities and investments</b>								
Segment assets	3,182,102	3,078,609	1,226,586	1,113,461	97,740	160,479	4,506,428	4,352,549
Segment liabilities	2,180,259	2,131,494	755,753	648,283	61,842	56,608	2,997,854	2,836,385
Shareholdings in associated companies	133	0	0	0	40,523	34,237	40,656	34,237
Other shareholdings	7,881	1,008	560	447	90	90	8,531	1,545
Investments	208,889	76,505	119,152	186,815	6,442	7,846	334,483	271,166
<b>Employees</b>								
Employees annual average	13,167	11,752	8,641	8,844	54	926	21,862	21,522
Employees on 31.12.	12,882	12,033	8,672	8,951	65	64	21,619	21,048

## Information on Segmental Reporting

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

### 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 activities of the GEHE-Herba Group, the AAH Group and the OCP Group, while the Retail segment groups together the retail activities in Great Britain, the Czech Republic and Italy. GEHE's core business of pharmaceutical distribution consists of these two segments.

For 2000, the Other segment includes mainly the activities of the holding company GEHE AG and non-operational companies. It also contains consolidation measures taking effect between the segments.

In the previous year the Other segment included the activities for the first half of 1999 of the Mail Order Division, which was spun off with effect from 01.07.1999.

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

Segmentation by Region	Germany		France		Great Britain		Other countries		Total	
	2000 € '000	1999 € '000	2000 € '000	1999 € '000	2000 € '000	1999 € '000	2000 € '000	1999 € '000	2000 € '000	1999 € '000
External sales by customer location	3,052,188	3,041,926	5,931,173	5,634,099	4,424,585	4,011,935	1,936,733	1,235,090	15,344,679	13,923,050
Investments in long-term assets	15,136	24,440	9,286	13,768	108,929	158,003	201,132	74,955	334,483	271,166

## Notes to the Profit and Loss Account

### (16) Turnover

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

### (17) Other Income

	<b>2000</b> € '000	1999 € '000
Profit on disposal of fixed assets	6,673	3,807
Release of provisions	16,544	15,185
Rental and lease income	3,832	3,843
Other income	96,351	78,327
	<b>123,400</b>	<b>101,162</b>

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

### (18) Personnel Expenses/Staff

	<b>2000</b> € '000	1999 € '000
Wages and salaries	553,796	514,376
Social insurance costs	103,344	97,373
Pension costs	13,977	13,019
	<b>671,117</b>	<b>624,768</b>

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

## Notes to the Profit and Loss Account

### (19) Amortisation and Depreciation

	<b>2000</b> € '000	1999 € '000
Amortisation of intangible assets	17,199	16,064
Depreciation of tangible assets	62,704	63,451
	<b>79,903</b>	<b>79,515</b>

### (20) Other Operating Expenses

	<b>2000</b> € '000	1999 € '000
Freight charges	67,467	60,019
Rent	74,899	71,873
Advertising costs	28,925	53,048
Depreciation and adjustments to current assets	13,021	9,799
Loss on disposal of fixed assets	2,114	1,935
Trade capital tax	4,718	4,572
Other taxes	20,102	21,023
Other	270,551	250,863
	<b>481,797</b>	<b>473,132</b>

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



**(21) Net Financial Result**

	<b>2000</b> € '000	1999 € '000
Income from other securities and long-term financial investments	1,867	157
Other interest and similar income	10,794	15,848
thereof from affiliated companies	[942]	[2,156]
Income from associated companies	6,312	6,125
Income from shareholdings	4,501	825
Depreciation on financial assets	(13)	(15)
Write down of shareholdings	(1)	0
Interest and similar charges	(116,713)	(99,071)
thereof affiliated companies	[(51)]	[(234)]
	<b>(93,253)</b>	<b>(76,131)</b>

**(22) Taxes on Income and Profit**

German corporation tax, comparable foreign 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 32.9% (previous year: 37.3%).

In the previous year the tax expenditure due to the extraordinary result was shown separately in the profit and loss account.

## Notes to the Profit and Loss Account

<b>Total Tax Expense</b>	<b>2000</b>	1999
	<b>€ '000</b>	€ '000
<b>Taxes on income and profit from ordinary activities</b>	<b>84,000</b>	<b>97,234</b>
thereof trade income tax charge from Franz Haniel & Cie. GmbH	[5,031]	[30,720]
Trade capital tax	4,718	4,572
Other taxes	20,102	21,023
	<b>108,820</b>	<b>122,829</b>
<b>Taxes on income and profit from extraordinary results</b>	<b>0</b>	<b>81,816</b>
	<b>108,820</b>	<b>204,645</b>

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).

### (23) Extraordinary Results

The extraordinary results shown in the previous year resulted from the hidden reserves disclosed in the course of the spin-off of the Mail Order Division, from the sale of the Healthcare Services Division and from the reimbursement of trade taxes. In the previous year the extraordinary results were subject to taxes on income and profit amounting to € 81,816,000.

### (24) Spin-Off of Mail Order Division

In the previous year this included the after-tax proceeds of € 281,211,000 arising from the disclosure of the hidden reserves in the Mail Order Division which was spun off with effect from 01.07.1999 to TAKKT AG, Stuttgart/Germany.

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## Other Information

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### **Remuneration of Members of the Supervisory and Management Boards**

The total remuneration of the members of the Supervisory Board of GEHE AG amounted to € 629,100, while for the members of the Management Board of GEHE AG (group) the remuneration amounted to € 4,808,772.

Former members of the Management Board of GEHE AG and their surviving dependants received € 391,183. The provision for pension liabilities for former members of the Management Board and their surviving dependants amounted to € 2,928,174.

### **Profit Appropriation as Proposed by the Management Board**

GEHE has consolidated net profit of € 171,520,000 for the year.

The Management Board proposes that € 56,133,000 be distributed as dividends for the 2000 financial year.

On the basis of this proposal a dividend of € 0.77 would be paid on each individual share. The distribution will be made out of taxed domestic income and therefore attracts a tax credit of 3/7 of the dividend, which shareholders who are fully subject to German tax may set against their income tax or corporation tax liabilities. Including the tax credit, the dividend amounts to € 1.10 per individual share.

Stuttgart, 22 February 2001

The Management Board

# Members of the Management and Supervisory Boards

## Management Board

**Dr Fritz Oesterle**  
Stuttgart/Germany  
Chief Executive Officer

Member of the Board of Directors of IFPW (International Federation of Pharmaceutical Wholesalers, Inc.), Fairfax/Virginia, USA  
Member of the Board of Directors of GEHE Norge AS, Oslo/Norway

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  
Lloyds Pharmacy Nederland B.V., Amsterdam/Netherlands  
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  
Chief Executive Officer of 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)  
CENTRALE D'ADMINISTRATION DE BIENS IMMOBILIERS CABI S.A., Saint Ouen/France  
DEPOTS GENERAUX PHARMA S.A., Aulnay-sous-Bois/France  
OCP PARTICIPATIONS S.A., Saint Ouen/France  
PHARMA PARTNERS BVBA, Ostende/Belgium  
PHARMATEL S.A., Marseille/France  
SAMBRIA S.C., Charleroi/Belgium  
TREDIMED S.A., Saint Ouen/France  
COMPTOIR PHARMACEUTIQUE MEDITERRANEEN (CPM) S.A., Monaco

**Stefan Meister**  
Stuttgart/Germany

Chief Executive Officer of GEHE Italia S.p.A., Bologna/Italy  
Member of Management Board:  
GEHE Norge AS, Oslo/Norway  
AFM S.p.A. Bologna/Italy  
A.F.M. di Cremona S.p.A., Cremona/Italy

Membership of Supervisory Boards and other control committees:  
Herba Chemosan Apotheker-AG, Vienna/Austria  
Lloyds Pharmacy Nederland B.V., Amsterdam/Netherlands  
GEHE UK PLC, Coventry/Great Britain  
GEHE Invest PLC, Coventry/Great Britain  
Member of the Börsenrates Baden-Württembergische Wertpapierbörse, Stuttgart/Germany

**Jürgen Ossenberg-Engels**  
Stuttgart/Germany

Managing Director of GEHE Pharma Handel GmbH, Stuttgart/Germany  
Member of the Management Board of Bundesverbandes des pharmazeutischen Großhandels – PHAGRO – e.V., Frankfurt(Main)/Germany

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

**Michael A Ward**  
Coventry/Great Britain

Chief Executive Officer of GEHE UK PLC, Coventry/Great Britain  
Chief Executive Officer:  
GEHE Norge AS, Oslo/Norway  
AFM S.p.A. Bologna/Italy  
Member of the Management Board:  
GEHE Invest PLC, Coventry/Great Britain  
A.F.M. di Cremona S.p.A. Cremona/Italy  
GEHE Italia S.p.A. Bologna/Italy

Member of the Management Board:  
Lloyds Pharmacy Nederland B.V., Amsterdam/Netherlands  
Cahill May Roberts Group Limited, Dublin/Ireland

**Andreas Zimmer**  
Stuttgart/Germany  
(until 22.05.2000)

## Supervisory Board

<p><b>Dr Dieter Schadt</b> Duisburg-Ruhrort/Germany Chairman</p>	<p>Chief Executive Officer of Management Board of Franz Haniel &amp; Cie. GmbH</p>	<p>Membership of Supervisory Boards and other control committees: TAKKT AG, Stuttgart/Germany (Chairman) Bankgesellschaft Berlin AG, Berlin/Germany ESSO Deutschland GmbH, Hamburg/Germany OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) S.A., Saint Ouen/Frankreich Herba Chemosan Apotheker-AG, Vienna/Austria Delton AG, Bad Homburg/Germany RWE Umwelt Aktiengesellschaft, Essen/Germany</p>
<p><b>Friedrich Taake</b> Minden/Germany Deputy Chairman</p>	<p>Commercial employee at GEHE Pharma Handel GmbH</p>	
<p><b>Prof Dr med Julius Michael Curtius</b> Weimar/Germany</p>	<p>Chief Medical Officer</p>	
<p><b>Ihno Goldenstein</b> Delmenhorst/Germany</p>	<p>Employee in Receiving Department at GEHE Pharma Handel GmbH</p>	
<p><b>Günther Hülse</b> Duisburg-Ruhrort/Germany</p>	<p>Member of Management Board of Franz Haniel &amp; Cie. GmbH</p>	<p>Membership of Supervisory Boards and other control committees: Dr. Rentschler Geschäftsführungsgesellschaft mbH, Laupheim/Germany G. Konzmann GmbH &amp; Co., Leinfelden-Echterdingen/Germany Herba Chemosan Apotheker-AG, Wien/Austria GEHE UK PLC, Coventry/Great Britain</p>
<p><b>Jörg Lauenroth-Mago</b> Magdeburg/Germany</p>	<p>Trade Union Secretary</p>	<p>Member of Supervisory Board: GEHE Pharma Handel GmbH, Stuttgart/Germany Franz Haniel &amp; Cie. GmbH, Duisburg-Ruhrort/Germany</p>
<p><b>Hans-Martin Poschmann</b> Düsseldorf/Germany</p>	<p>Trade Union Secretary</p>	<p>Member of Supervisory Board: GEHE Pharma Handel GmbH, Stuttgart/Germany</p>
<p><b>Jürgen Puff</b> Stuttgart/Germany</p>	<p>Director of Organisation at GEHE Pharma Handel GmbH</p>	
<p><b>Hans-Jürgen Sachse</b> Halle/Germany</p>	<p>Manual worker at GEHE Pharma Handel GmbH</p>	
<p><b>Dr Ihno Schneevoigt</b> Munich/Germany</p>	<p>Member of Management Board of Allianz Versicherungs AG, Munich/Germany Member of Management Board of Allianz Lebensversicherungs AG, Stuttgart/Germany</p>	<p>Membership of Supervisory Boards and other control committees: Allianz Gesellschaft für Informatik Service mbH, Munich/Germany Dr. Dr. Heissmann GmbH, Wiesbaden/Germany</p>
<p><b>Prof Dr Theo Siegert</b> Duisburg-Ruhrort/Germany</p>	<p>Member of Management Board of Franz Haniel &amp; Cie. GmbH</p>	<p>Membership of Supervisory Boards and other control committees: OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) S.A., Saint Ouen/France</p>
<p><b>Prof Dr Erich Zahn</b> Stuttgart/Germany</p>	<p>Professor of Business Studies at the University of Stuttgart</p>	<p>Member of Supervisory Board: IFB Dr. Braschel AG, Stuttgart/Germany (Chairman)</p>

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## Audit Opinion

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"We have carried out an audit of the consolidated financial statements and of the Group Management Report for GEHE AG which is combined with the Management Report for GEHE AG for the business year from 1 January to 31 December 2000. 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.

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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, 22 February 2001

PwC Deutsche Revision  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

(Eisold)  
Auditor

(Küpfer)  
Auditor

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## Addresses and Contacts for GEHE AG

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You can also find the latest information on GEHE and on  
companies in the GEHE group at the GEHE website: [www.gehe.de](http://www.gehe.de)



### **General Information**

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

The accounts of GEHE and the Management Report for 2000 will be published in the "Bundesanzeiger" and filed in the commercial register at the Stuttgart District Court.



## Investor's Calendar 2001

Investment Conference, Dresdner Bank, New York,  
23 January 2001

UBS Warburg Healthcare Conference, New York,  
7 February 2001

Merrill Lynch Healthcare Conference, New York, 8 February 2001

Lehman Brothers Healthcare Conference, Orlando,  
1 March 2001

Schroder Salomon Smith Barney Conference,  
London, 26 March 2001

Letter to Shareholders, 4<sup>th</sup> quarterly report 2000, 24 April 2001

Balance Sheet Press Conference for the 2000 financial year,  
Stuttgart, 24 April 2001

Analysts' Conference, Vienna, 26–27 April 2001

Annual General Meeting, Stuttgart, 3 May 2001

Dividend payment, 4 May 2001

Roadshow, Europe, May 2001

Roadshow, USA, May 2001

Roadshow, Asia, May 2001

Letter to Shareholders, 1<sup>st</sup> quarterly report 2001, CW 19/20

Goldman Sachs Global Healthcare Conference, Los Angeles,  
12 June 2001

Healthcare Conference, Deutsche Bank, London, 28 June 2001

Letter to Shareholders, 1<sup>st</sup> half-yearly report 2001, CW 32/33

Letter to Shareholders, 3<sup>rd</sup> quarterly report 2001, CW 45/46

Roadshow, Europe, November 2001

Roadshow, USA, November 2001

Roadshow, Asia, November 2001

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**GEHE**  
AKTIENGESELLSCHAFT