



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 1999

Branches in Europe 116

Employees throughout Europe 21,048

Turnover € 13.9 billion

Turnover growth in core business 11.2%

Group profit € 260.9 million

Growth in group profit in core business 15.4%

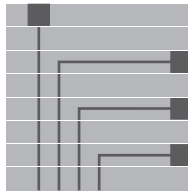
Net profit per share 2.52 €

GEHE's Structure

Operational Companies



GEHE



GEHE Wholesale

GEHE Group

GEHE Pharma Handel GmbH
Stuttgart
19 branches in Germany

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

OCP Group

OCP FRANCE REPARTITION SA
Saint-Ouen/Paris
55 branches in France

DEPOTS GENERAUX PHARMA SA
Aulnay-sous-Bois
1 distribution centre in France

PHARMA PARTNERS BVBA SPRL
Ostende
8 branches in Belgium

OCP PORTUGAL,
PRODUTOS FARMACEUTICOS SA
Porto
6 branches in Portugal

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

AAH Group

AAH Pharmaceuticals Ltd
Coventry
20 branches in Great Britain

Farillon Ltd
Romford
1 branch in Great Britain

Cahill May Roberts Group Ltd
Dublin
3 branches in Ireland



GEHE Retail

Lloyds Pharmacy

Lloyds Retail Chemists Ltd
Coventry
1,289 pharmacies in Great Britain

AFM

AFM S.p.A.
Bologna
36 pharmacies in Italy

INPHARMA

INPHARMA s.r.o.
Prague
15 pharmacies in the Czech Republic


Supersave

Lloyds Supersave Ltd
Coventry
129 drugstores in Great Britain



Franz Ludwig Gehe
businessman
founder of GEHE

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Supervisory Board

Dr Dieter Schadt

Duisburg-Ruhrort
Chairman

**Prof Dr med
Julius Michael Curtius**

Weimar

Ihno Goldenstein

Delmenhorst

Günter Hülse

Duisburg-Ruhrort

Roland Jodin

Lindlar
(until 31 December 1999)

Jörg Lauenroth-Mago

Magdeburg

Friedrich Taake

Minden
Deputy Chairman

Hans-Martin Poschmann

Düsseldorf

Jürgen Puff

Stuttgart

Dr Ihno Schneevoigt

München

Prof Dr Theo Siegert

Duisburg-Ruhrort

Prof Dr Erich Zahn

Stuttgart

Supervisory Board Report

Following the sale in 1999 of all the companies in the Healthcare Services Division and the spin-off of the Mail Order Division to TAKKT, GEHE has concentrated solely on its core activities in the field of pharmaceutical distribution. The Supervisory Board has closely followed these developments and has given its support to the Management Board in their implementation.

Concentration on the Core Business

In a move unique in Germany, GEHE's business-to-business mail order operation for office, warehouse and business equipment was spun-off to TAKKT, whose shares have been quoted on the stock exchange since September 1999. The divestment of the Healthcare Services Division took place in two stages. Initially, the French operations were sold and then, at the end of the year, the German part was disposed of in a management buy-out.



Dr Dieter Schadt

Chairman
of the Supervisory Board

Development of the Core Business

In the Wholesale Division, the main concerns of the Supervisory Board – apart from the political changes in healthcare provision in Germany, France and Great Britain and their effects on the various businesses in those countries – have been the acquisition of the Austrian Herba Chemosan company and other investments in the German branch structure.

In several meetings, the Supervisory Board considered projects in the Retail Division. Particularly noteworthy among these were the acquisition of the British pharmacy chain Peel Street, the successful public bidding process for an 80% share in AFM with a regional chain of 36 cooperative pharmacies, a regional pharmaceutical wholesale operation in the area of Bologna, Italy, and the acquisition of a small pharmacy chain with 14 pharmacies near Prague, Czech Republic, as well as the further development of the British pharmacy chain.

Meetings of the Supervisory Board and of the Committees

During the 1999 financial year, four regular meetings and one extraordinary meeting of the Supervisory Board took place. All important projects were discussed with the Management Board, and in addition to the above-mentioned meetings, the Supervisory Board was kept fully and regularly informed concerning current developments in the company and the situation of the company and the group. The Supervisory Board was thus in a position to fulfil its supervisory and advisory responsibilities to the fullest extent and to

take the necessary decisions. Important matters brought to the attention of the Chairman outside the Supervisory Board meetings were also passed on in detail to the whole Board at the next 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. The Personnel Committee held two meetings.

Financial Statements

The financial statements for GEHE AG and the group financial statements at 31 December 1999, together with the 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 auditor's report were submitted to all members of the Supervisory Board and were extensively covered in a meeting convened to discuss the accounts in the presence of the auditors. The Supervisory Board approved the results of the audit and the annual accounts. 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 1999 financial year in accordance with § 312 of the Companies Act (Aktiengesetz), together with the associated auditor's report drawn up by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich/Stuttgart, as auditors of the annual report in accordance with § 313 of the Companies Act (Aktiengesetz). The auditors raised no objections and therefore issued the following statement:

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

1. the facts set out in the report are correct,
2. payments by the company in connection with 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.

Composition of the Supervisory and Management Boards

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, since the German operations of the Healthcare Services Division to which he belongs, are no longer a part of GEHE from this date. Mr Jodin's successor will be appointed by the court. We offer Mr Jodin our thanks for his valuable contribution.

Three new members joined the Management Board on 1 January 1999. Dr Fritz Oesterle, the new Chief Executive Officer, Stefan Meister and Georg Gayer took up their posts on that date. With the spin-off of the Mail Order Division, the Management Board member responsible for that division, Georg Gayer, left the Board on 30 June 1999. We offer our thanks to Mr Gayer for his outstanding work and his success achieved during his time with GEHE.

Stuttgart, April 2000
For the Supervisory Board



Dr Dieter Schadt
Chairman

Important Events

January 1999

In Portugal GEHE buys the pharmaceutical wholesaler DIPROFAR of Torres Novas.

February 1999

Lloyds Pharmacy takes over Peel Street, a pharmacy chain in north-west England with 43 pharmacies and a turnover of about € 55.8 million.

April 1999

The Examining Committee for the city of Bologna/Italy recommends a majority holding by GEHE of 80% in AFM. AFM consists of 36 pharmacies and a pharmaceutical wholesaler.

May 1999

Purchase of INPHARMA with 14 pharmacies in the Czech Republic.

June 1999

The Clermont-Ferrand branches of DROGUERIE MEDICINALE MARTIN and OCP are amalgamated into a newly built branch in Clermont-Ferrand.

August 1999

An extensive refurbishment and restructuring plan for Pro Reha, the German section of the Healthcare Services Division is agreed and put into action.

September 1999

With the stock market flotation of TAKKT on 15 September 1999, the spin-off of the Mail Order Division is completed.

ORKYN', the French part of the Healthcare Services Division is sold to AIR LIQUIDE of France.

October 1999

In Portugal a further pharmaceutical wholesale company, CFR, Santarém, is purchased.

The new "Nexus Point" branch at Birmingham, Great Britain begins operating. About 70% of the line items handled there are processed automatically.

The German branch in Bonn moves into its new building. With optimised processes, a higher level of productivity is achieved and better quality of supply assured.

December 1999

GEHE sells Pro Reha, in a management buy-out.

January 2000

GEHE acquires a majority shareholding in Herba Chemosan, the Austrian market leader in pharmaceutical wholesale and becomes the No. 1 in pharmaceutical distribution in Austria, with about 50% of the market.

Letter to the Shareholders

Dear Shareholders

This annual report has been drawn up to provide you with information concerning the 1999 financial year. This last year of the old millennium has earned a special place in the GEHE success story.

At the beginning of 1999, all the signs were that the healthcare sector in our largest markets of Germany, Great Britain and France was set for a stormy time politically. On that basis, we started the year with some cautious forecasts. The predictions for our core business have been far exceeded, with turnover growth in double figures and profit up by more than 15%. Two factors have been of decisive importance for this unusually good business development. On the one hand, a few of the storm clouds looming in the form of government intervention have been dispersed or have reached our markets after a delay. On the other hand, we have treated the threat to our growth posed by government measures as a challenge both to prove GEHE's capability, and to turn the state intervention to our competitive advantage.

1999 was marked from the outset by our intention to complete the concentration process. It was our declared aim to start the new millennium with GEHE geared towards pharmaceutical distribution as its core competency, without any embellishments. And we have achieved that aim. On 30 June 1999, we spun-off the Mail Order Division as a new, independent company to TAKKT AG, which has been listed on the stock market since 15 September 1999. With this spin-off of the Mail Order Division, the GEHE Management Board was also slimmed down. Georg Gayer, who was responsible for the Mail Order Division, left the Management Board on 30 June 1999 to take over chairmanship of the Board of TAKKT. We announced at the 1999 Annual General Meeting that we would divest ourselves from the Healthcare Services Division. With this division, too, we had been active in a market other than pharmaceutical distribution. That pledge was made reality during the second half of 1999, when we sold the French and German parts of the Healthcare Services Division. Then, at the end of the year, the Supersave drugstore business in Great Britain, which we had acquired as part of our purchase of Lloyds Chemists plc in 1997, was sold.

We have not, however, solely concentrated in 1999 on divesting ourselves of peripheral businesses and conducting our core business successfully. On the contrary, since the beginning of last year we have been making it very



Dr Fritz Oesterle

Chief Executive Officer

clear that GEHE would strengthen its pharmacy business everywhere throughout Europe where it is permitted to do so. And we have followed up this declared intent with action. We have significantly increased our retail presence in Great Britain with the purchase of 108 pharmacies. Important above all is the fact that, with the acquisition of 36 pharmacies in Italy and 14 pharmacies in the Czech Republic, we have also begun to build up a presence in the pharmacy markets in continental Europe, where permitted. In the acquisition of the 36 pharmacies in Italy, we have asserted ourselves against our co-bidding European competitors, and we are thus the only pharmaceutical wholesaler to have a significant pharmacy presence in Italy. At the same time, throughout Europe, our bigger European competitors are also trying to build up pharmacy businesses of their own, whether directly or indirectly.

Since the end of last year, GEHE is now a business emphatically geared towards the whole spectrum in the distribution of pharmaceuticals and healthcare products. With that, the condition has been created where those elements that belong together are now able to grow together throughout Europe. One of the main tasks we now face is the creation of a homogeneous, robust European unit. With that we have taken the first steps into the new millennium along the path of our project "GEHE World 21".

During the last year, we have often been asked where we see expansion possibilities in the pharmaceutical wholesale field. Our answer has always been clear: we must develop our presence in Europe. And we have come nearer to fulfilling this goal; with the 36 pharmacies in Italy, we have acquired a very attractive – and, most importantly, expandable – regional wholesale base. The purchase of the Austrian Herba Chemosan Apotheker-AG just after the New Year was a further important step along the way to a pan-European presence. With a market share of about 50%, Herba Chemosan is the undisputed market leader in Austria. We had been striving towards a majority holding in the company since August 1999. It is of particular importance to us that, in Herba Chemosan, GEHE has succeeded, for the first time, in buying a business owned by pharmacists. We shall now demonstrate to the Austrian pharmacists who have sold their shares in Herba Chemosan to us that their decision was the right one. Our acquisition of Herba Chemosan is proof that we have not given up on any national market in Europe in which we still have no presence, and neither shall we in future.

We have come through the turn of the century with outstanding results, having achieved a concentration on our core activities, and without suffering any of the "Millennium Bug" problems so feared throughout the world. That is a good start and an excellent basis for the further development of GEHE. The fact that GEHE finds itself in a long-term growth market, coupled with our



GEHE World 21

innovative power and our ability to react flexibly to market developments gives us reason to set out into the new millennium in optimistic mood. That state of affairs is not at all altered by the fact that some dark clouds brought about by government intervention will shed rain during the current year. Nor is it altered by the competition in the e-commerce sector, which is rushing or intends to rush into the healthcare products industry with visionary business plans. As experts in the market, we shall meet this challenge with the right e-commerce response at the right time. And the right response can only be one that also observes and protects the interest of our wholesale customers – that is, the interests of European pharmacists. We are working on that.

Stuttgart, April 2000
The Management Board



Dr Fritz Oesterle, Chief Executive Officer

Management Board



Dr Fritz Oesterle

Born 1952
Chief Executive Officer
since 1999
Labour – Relations Director
Responsibility
Corporate Development
Human Resources
Communications
Legal
Internal Auditing



Jacques Ambonville

Born 1949
Member of the Management
Board
since 1995
Responsibility
OCP Group in the Wholesale
Division



Stefan Meister

Born 1965
Member of the Management
Board
since 1999
Responsibility
Finance and Controlling
Mergers & Acquisitions
General Administration



Jürgen Ossenberg-Engels

Born 1948
Member of the Management Board
since 1986
Responsibility
GEHE Group in the Wholesale Division



Michael Ward

Born 1956
Member of the Management Board
since 1998
Responsibility
AAH Group in the Wholesale Division and Retail Division



Andreas Zimmer

Born 1962
Member of the Management Board
since 1994
Responsibility
Information Technology

Georg Gayer

Born 1946
Member of the Management Board from
01.01.1999 – 30.06.1999
Responsibility
Mail Order Division

Key Financial Figures – 10 Year Overview

in € m

	1990	1991	1992	
Turnover	1,935.8	2,575.2	2,778.8	.....
% increase	+ 15.1	+ 33.0	+ 7.9	.....
EBITDA	83.5	186.8	188.4	.....
EBITDA per share €	2.06	3.84	3.88	.....
Profit before tax	55.5	89.4	89.6	.....
Net profit	30.0	39.1	46.3	.....
Dividend €/individual share*	0.61	0.61	0.72	.....
Cash flow	48.1	103.2	113.8	.....
Fixed assets	209.8	547.4	528.0	.....
Shareholders' equity	273.1	443.4	459.9	.....
Long-term capital	348.8	667.8	608.9	.....
Balance sheet total	662.5	1,108.8	1,093.3	.....
% of balance sheet total				
Fixed assets	31.7	49.4	48.3	.....
Shareholders' equity	41.2	40.0	42.1	.....
Long-term capital	52.6	60.2	55.7	.....
Capital expenditure	59.5	106.9	61.8	.....
Number of employees	5,032	6,455	6,036	.....
(converted to full-time equivalents)				

* based on respective number of shares distributed



GEHE

	1993	1994	1995	1996	1997	1998	1999
.....	5,202.8	7,771.9	9,794.5	10,954.4	12,800.6	12,966.6	13,923.0
.....	+ 87.2	+ 49.4	+ 26.0	+ 11.8	+ 16.9	+ 1.3	+ 7.4
.....	208.5	243.9	318.8	586.5	422.6	439.4	423.5
.....	3.57	4.18	4.37	8.05	5.80	6.03	5.81
.....	94.1	120.0	171.5	433.2	231.6	252.1	260.9
.....	47.7	71.9	108.1	225.0	145.8	155.8	183.8
.....	0.36	0.36	0.51	0.51	0.51 + 0.15	0.66	0.70 + 0.07
.....	122.0	163.8	213.7	328.4	233.6	248.7	249.0
.....	947.1	968.1	1,360.1	1,011.2	1,965.0	1,844.9	1,867.9
.....	642.6	696.9	1,060.9	1,100.1	1,204.1	1,155.3	1,185.1
.....	942.3	1,130.2	1,631.4	1,242.4	2,311.7	2,065.9	1,967.5
.....	2,332.0	2,455.2	3,170.2	2,914.1	4,212.8	4,114.6	4,352.5
.....	40.6	39.4	42.9	34.7	46.6	44.8	42.9
.....	27.6	28.4	33.5	37.8	28.6	28.1	27.2
.....	40.4	46.0	51.5	42.6	54.9	50.2	45.2
.....	356.4	164.1	486.9	143.7	890.7	207.5	271.2
.....	11,890	11,313	18,764	15,909	23,755	23,033	21,048

Company regulations of Gehe & Co. in Dresden, 1877

The Box, 1999

"We transport anything that fits into the box, and we do it quickly, promptly and reliably. The box is part of our standardised pan-European multi-way system. We use it to deliver orders to pharmacies, configured to match volume and storage requirements and subject to weighing to within 15 grams to check for consignment completeness."

Martin Seifert, Managing Director
of GEHE Pharma Handel GmbH, 1999

Chapter 21, special rules concerning packaging and delivery.
§ 68

"The packing of outgoing selected goods, following checking for quality and weight, shall be carried out to the highest standards of precision and cleanliness. The packets must be provided on their inner closures with self-adhesive printed labels, which are kept in stock, with, as well as the name of the article, the gross weight, tare and net weight – to be filled in fully for more valuable articles – and with the address written on the outer wrapping. Bottles and other vessels shall be identified with printed labels and, where appropriate, sealed with tin capsules, otherwise with leather, bladder or parchment. The packing straw used must always be fresh and clean. Small, relatively inconspicuous objects should be attached to larger ones to prevent their becoming lost in the straw; this shall be expressly noted on the invoices.

Poisonous or strongly odorous items shall be kept separate and delivered, prepared for the special transport intended for the purpose, to the main distribution station."

Franz Ludwig Gehe, businessman
founder of GEHE, 1877





GEHE

Management Report for GEHE and for GEHE AG 1999

Overview

Corporate Strategy

Continuing our Success

In 1999, GEHE not only sustained the growth in turnover and profit which has been continuing since the mid-1980s, but – on a comparable basis – it significantly accelerated them. Both turnover and profit exceeded expectations for 1999.

Aside from the absence, or delayed implementation, of government intervention, GEHE's success in the 1999 financial year rests – as its success also will in future – upon a complex of GEHE-specific success factors.

The decisive factors for the course of business in 1999 and for GEHE's future development are:

- **Concentration** of business activity on the core business of pharmaceutical distribution
- **Expansion** of the core business into new markets
- **Integration** of acquired businesses
- **Definition** of our role as sales intermediary in accordance with the needs of our customers
- Our **reaction** to emerging market developments
- **Organisation** at group level and in the individual corporate divisions
- **Motivation** and **information** of our staff

Concentration on Core Activities

The core activities of GEHE encompass the entire spectrum of pharmaceutical distribution insofar as such activities do not entail pure freight forwarding.

In order to concentrate on our core competencies, we have spun-off our Mail Order Division for office and warehouse equipment. With effect from 30 June 1999, this division became a new independent company: TAKKT AG, which has been stock market quoted since 15 September 1999. The spin-off proceeded without difficulty and without any impairment of business operations. Due to the spin-off of the Mail Order Division, this division is only consolidated in the group for the first half of 1999.

In the course of the move towards concentration on our core activities, we divested ourselves in the second half of 1999 of the Healthcare Services Division, which we have no longer consolidated for the business year 1999. In the process, the French part of the division, PHARMA DOM SA (ORKYN) was sold to AIR LIQUIDE Santé INTERNATIONAL. In August 1999, an extensive reconstruction and restructuring plan for the German part of the Healthcare Services Division, Pro Reha Handelsgesellschaft für Krankenpflegeartikel und Rehabilitationshilfen mbH & Co. KG was agreed and set in motion. What has already been achieved with this plan in the 1999 financial year, made it possible to sell Pro Reha at the end of the year in a management buy-out. In that way, we were also able to ensure, for the sake of Pro Reha's employees, that the restructuring plan will continue to be implemented.

Since the spin-off of the Mail Order and Healthcare Services Divisions could be fully implemented during 1999, we have dispensed with separate reporting of these divisions, which no longer belong to GEHE, in the 1999 annual report.



Corporate Strategy

In the course of the Lloyds acquisition, we also purchased the Supersave drugstore chain in Great Britain. Drugstores do not belong to our core business; nevertheless, it has been possible over the last few years to run Supersave at ever improving results. Therefore, at the end of 1999, we were able to sell 114 Supersave drugstores to Savers Health & Beauty Plc. The hand-over of the individual shops to the purchaser will take place in stages, and the terms of the purchase agreement will probably be finally fulfilled in the first half of 2000. The remaining drugstores will be amalgamated with the pharmacies of the Lloyds Pharmacy chain, closed or sold off individually.

Expansion through Extension of our Core Activities

With our core activities in pharmaceutical distribution we intend to establish a presence everywhere in Europe in the medium term. This also applies in principle to the Retail Division, insofar as this is possible for us to achieve – that is, wherever non-pharmacist ownership and multiple ownership of pharmacies is permitted in Europe. In those countries where non-pharmacist and multiple ownership of pharmacies – i.e. pharmacy chains – are allowed, GEHE's commitment in pharmacy retailing is not only in the business interests of GEHE, but is also in the interests of the independent pharmacists, and therefore in the interests of our wholesale customers. It is, after all, no more in the interests of the independent pharmacists than that of GEHE that the opportunity to set up a retail presence should be claimed by retail organisations alien to the pharmaceuticals sector, such as food or drugstore discounters.

While we have significantly improved our pharmacy presence in Great Britain with the purchase of 108 pharmacies, the acquisition of 36 formerly communal pharmacies in Italy and of INPHARMA in the Czech Republic with its 14 pharmacies, has given us a foothold in pharmacy retailing in continental Europe.

These acquisitions have created the best possible conditions for expansion of GEHE's presence in the Italian and Czech pharmacy retailing market, provided that further privatisations of communal pharmacies come about in Italy. There are about 1,600 communal pharmacies in Italy. At present, a whole series of privatisations is being prepared.

Apart from the 36 pharmacies, AFM also owns a wholesale business which supplies independent pharmacies. Aside from the regional significance of AFM's wholesale operation, this opens up the possibility of a continual expansion of our wholesale activities in Italy.

As part of our strategy of building up a pan-European presence for GEHE in the pharmaceutical wholesale sector, we have been working to acquire a majority holding in Herba Chemosan since August 1999. Herba Chemosan is the market leader in Austria with a market share of around 50%; it also previously held majority interests in pharmacies. We saw an opportunity to become majority shareholders once it became known that the largest single shareholder in Herba Chemosan, a company belonging to German Cooperative Wholesalers was attempting to gain a majority holding in Herba Chemosan not previously agreed with Herba Chemosan's Management and Supervisory Boards. Following a neck-and-neck race with our competitor lasting several months, we were able to announce immediately after the start of the new year that we had bought the minority interest owned by our competitor and so had acquired a majority in Herba Chemosan. Our wish to enter a new market by gaining control of a leading business, if possible, was therefore realised in the best conceivable way. On the basis of the historic links between Austria and Herba Chemosan to neighbouring European markets, we are working on the basis that the purchase of Herba Chemosan will benefit us in our expansion into eastern Europe.

During 1999 we have been able to intensify the cooperation, begun in 1998, with the cooperative wholesaler Cofares, the market leader in Spanish pharmaceutical wholesale, with the aim of developing our joint service range. We shall work towards extending this cooperation in the near future.

Alongside the acquisitions we carried out in 1999, we have examined many other acquisition possibilities mainly in Europe. These possibilities either failed to meet our yield requirements, offered an insufficiently stable economic and political environment, or they offered us the opportunity only for financial involvement instead of full business engagement. In all these cases, we declined to make a take-over offer.



Corporate Strategy

Integration of Acquired Businesses

Of vital importance to the success of GEHE's expansion to date has been our capability to integrate newly acquired businesses into GEHE without having to dispense with mature structures and without impairing well-developed customer relationships. Since, in wholesaling at least, a business's most significant asset is its customer relations, we avoid anything in the course of an integration that would damage these.

Whenever in the past, following the take-over of a business, we have had to accept shrinkage effects not of our making, but because our competitors believed they had to exploit the take-over situation with propaganda and heavy discount offers, we have regularly been able to compensate rapidly for the resulting losses.

Within the framework of our continental European expansion in the pharmacy retail sector, we are benefiting on a large scale from our many years of pharmacy experience in England. And we are achieving this without the individual pharmacist's customer having to do without the things he is used to, and in particular the individuality of his pharmacy.

Definition of our Task as a “Middleman”

Alongside the building up of a pan-European presence, another factor of central strategic importance is the definition of our task as a middleman. This is true both for our function as a distribution business placed between industry and the pharmacies, and for our role as a pharmacy business geared towards end-users. The company's activities for the pharmaceutical industry distinguish it from pure transport businesses. Unlike forwarding agents, we act not only as logistics providers, but also as marketing partners. The role that we assume with respect to our pharmacies as a pharmaceutical wholesaler providing a full product range also requires extension. As a service provider, we must offer our pharmacy customers more than just a reliable delivery service to pharmacies. This “more” of services is geared towards everything that a pharmacist does and needs to ask in order to conduct his pharmacy profitably in spite of state intervention.

We stand at the very beginning of redefining our service range for our business partners – industry and the pharmacists. We took steps in this direction during 1999 with, for example, our closer cooperation with generic pharmaceuticals manufacturers in France and Germany. We provide additional services for our pharmacy customers, such as a further development of “GEHE Point”, an internet-supported solution for nurturing our trading relationships with pharmacies, an internet editorial system for pharmacies “apotheker.com”, an assistance database, a programme for professional product range design in the pharmacy, and central purchasing of economical energy supplies for our customers.

We have also redefined the role of the pharmacy in the case of our own pharmacies. We see its role as being not only a dispensing outlet for pharmaceutical products. Rather, we intend it to take on the role of a service provider which, thanks to its staff qualified in the field of pharmaceuticals, is the first port of call for all enquiries arising in connection with medicines, health, sickness prevention and health problems.



Corporate Strategy

Reacting to Market Developments

One of GEHE's strengths will in future continue to be its capacity for recognising market developments at an early stage and reacting to them both appropriately and in good time. The art in this is not the early recognition in itself, but reacting in the right way at the right time.

By its early recognition of developments in information technology, GEHE reacted to the internet as a medium at a time when few people spoke of e-commerce or the internet and no one was talking about internet-pharmacies. With GEHE, OCP and AAH Point, we have been offering our pharmacy customers an internet-supported business-to-business solution since its first introduction in Germany in 1997. It is now used by some 3,800 pharmacists throughout Europe. Under the internet address "www.apotheke.com", at the beginning of 1999 we installed a pharmacy search engine where all the pharmacies in Germany can be found. We have equipped "apotheke.com" with a clever editing system which offers each of our German customers the possibility of designing their own home page. Visitors to the "apotheke.com" web site are then redirected to the individual pharmacy home pages.

However, a GEHE-owned e-commerce business without involvement of the pharmacies is not being considered. Unlike music, for instance, pharmaceuticals cannot be downloaded and charged to the customer's account. They must be physically handed over to the end-user. And it is with good reason that, unlike books, cars, etc., the dispensing of medicines in Europe is restricted to pharmacists. Were it not for this legal framework, we – like every other pharmaceutical wholesaler – would enter into competition with our wholesale competitors in Europe with a (business-to-consumer) e-commerce operation owned by GEHE and geared towards end-users. Pharmacies, as our wholesale customers, would have little sympathy for that move.

All of this and the fact that in five to ten years only a very small proportion of current pharmacy sales will be accounted for by e-commerce does not imply that we see no strategic goals to be striven for in the internet and e-commerce field. We shall react to this challenge correctly and in good time – that is, in a way that serves both our interests and those of our wholesale customers and the independent pharmacies.



Organisation, Motivation, Information

The individual companies within GEHE have a particularly efficient organisation and highly motivated staff. It is to these factors that GEHE owes its success to date.

An important task for GEHE's future business strategy and development is creating a suitably efficient organisation extending beyond the limits of the individual national companies, and so developing a homogeneous, strong, effective European entity. If we are to achieve this, improving information exchange between our individual companies is just as important as encouraging the mobility of our employees beyond national boundaries and the readiness of our staff to become involved in group projects and assignments.

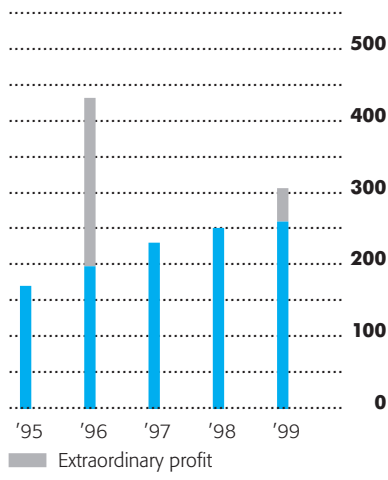
GEHE World 21

Towards the end of 1999, we launched a group-wide project entitled "GEHE World 21", taking as its starting point the outcome from the 1999 working groups formed to consider topics under the heading "Opportunities and Risks". The subject matter and goal of this project, following successful completion of our concentration on core competencies, was to accelerate further internal consolidation in all divisions where this will lead to the realisation of additional scale effects and development of further synergy potential. Development of the "GEHE World 21" project and implementation of its results will be a continuous process, extending over the next few years. The end-result of this process will be a GEHE that can act and respond in a uniform manner throughout Europe in all areas where it makes good business sense to do so.



Course of Business

Pre-Tax Profit
in € m



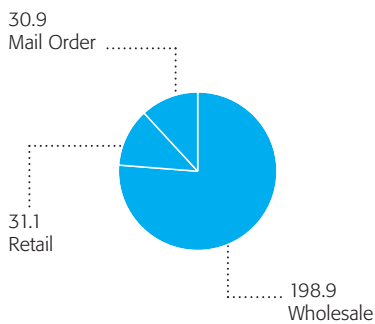
Concentration on the Core Business Has Led to Record Turnover and Profit

GEHE's concentration on core competencies has led to a new record level of turnover of € 13.9 billion and a profit from ordinary activities before taxes of € 260.9 million. Turnover rose over the previous year's level by 7.4%, and the profit before earnings tax by 3.5%. Therefore, despite the spin-off of the Mail Order Division on 30 June 1999 and the sale of the Healthcare Services Division, both the group's turnover and profit before earnings tax were increased. The effects produced by the spin-off, in particular, were more than compensated for by strong growth in the core business. The share of turnover earned outside Germany was 78% (previous year's level 77%). 78% of the profit before earnings tax was earned abroad (previous year 74%).

In the core business of pharmaceutical distribution, a turnover of € 13.6 billion and a profit before earnings tax of € 230.0 million was achieved. Turnover growth was 11.2% (9.2% after adjustment for exchange rate effects), while the profit before earnings tax increased even more strongly at 15.4% (12.7% adjusted for exchange rate effects).

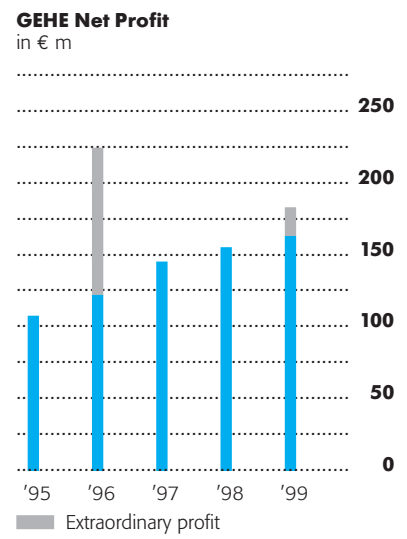
This pleasing development was achieved by both the Wholesale and Retail Divisions. Whereas in the Wholesale Division, the GEHE Group experienced a slight decrease in profit, due to intense competitive pressure, all the other business divisions enjoyed some – and in certain instances, substantial – increase in their profits. In the Retail Division, the increased turnover and lower interest charge in Great Britain, together with the first consolidation of the pharmacies of AFM, led to a marked increase in profit before earnings tax. The tax on earnings quota in the group, calculated on profit from ordinary activities, fell to 37.3% for 1999, from 38.2% for the previous year. Contributory factors were the increase in the share of profit from abroad and the spin-off of the Mail Order Division.

Pre-Tax Profit by Division
in € m



For 1999, GEHE achieved an extraordinary result after earnings tax of € 301 million. The extraordinary result is composed of disclosed hidden reserves of € 281 million from the Mail Order Division, with which TAKKT was endowed as equity capital during the spin-off, the proceeds of € 3 million from the sale of the Healthcare Services Division, and refund of trade tax contributions of € 17 million. GEHE is linked into the fiscal unit of Haniel for trade tax purposes, and benefits from tax advantages within the Haniel Group. In accordance with a judgement by the Federal Supreme Court (Bundesgerichtshof), the single-entity tax contribution agreement was adjusted, following which GEHE received a refund of trade tax contributions for the years prior to 1996. This amount is shown in the extraordinary profit for GEHE AG and the group. After the spin-off of the Mail Order Division, GEHE was left with an amount of € 20 million from extraordinary income.

The further increased profit before earnings tax and the lower tax rate have contributed, together with the extraordinary result, to a net profit of € 183.8 million. Despite the spin-off of the Mail Order Division to TAKKT, this figure is 18% above the net profit for the previous year (€ 155.8 million).



Course of Business

Key Financial Figures Leave Room for Growth

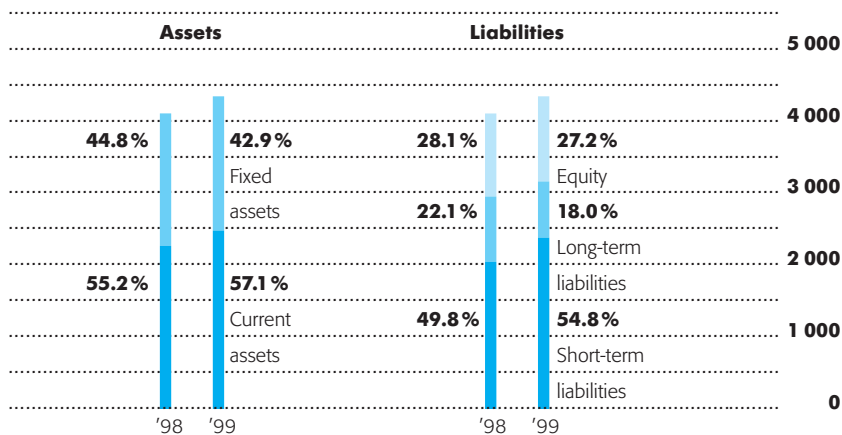
Once again, GEHE showed a sound balance sheet structure at 31 December 1999. The total assets had increased, due particularly to the higher value of the Pound Sterling and acquisitions, to € 4.4 billion (previous year € 4.1 billion).

Both the equity ratio of 27.2 % and the financing structure leave sufficient room for internal and external growth.

The group EBITDA (Earnings Before Interest, Earnings Tax, Depreciation and Amortisation) of € 423.5 million, did not quite reach the previous year's level of € 439.4 million. The reason for this was the spin-off of the Mail Order Division on 30 June 1999. The EBITDA for the core business rose by 9.5 % (5.4 % adjusted for exchange rate effects) to € 392.5 million, which corresponds to € 5.38 per share. Cash flow in the group as a whole was at the previous year's level of € 249.0 million, and significantly contributed to financing GEHE's growth. In the financial summaries for the individual divisions, the key indicator of EBITDA is shown for the first time and takes the place of the key figure "Cash flow".

Structure of GEHE Balance Sheet

in € m and %



Balance sheet total (€ m): 1998 = 4,114.6

1999 = 4,352.5

Investments

In 1999, the total volume of investments by GEHE amounted to € 271.2 million. The majority of this, € 180.8 million, was accounted for by intangible assets, while some € 84.2 million went towards tangible assets and € 6.2 million towards financial assets.

The intangible assets included the acquisition of two regional wholesale operations in Portugal, but mainly comprised the consistent development of retail activities: expansion of the pharmacy chain in Great Britain, acquisition of AFM in Italy and of INPHARMA in the Czech Republic.

€ 84.2 million of investment in tangible assets affects a large number of projects in the core business.

In the Wholesale Division, in order to improve supply quality and further increase productivity, roughly € 13.4 million was invested in automation projects and projects aimed at optimising procedures in a number of branches. A further € 9.3 million was invested in equipping the new branches at Bonn, Birmingham and Lisbon.

In the Retail Division, further changes to provide a unified market presence in Great Britain and the relocation of individual pharmacies to better sites accounted for some € 16.2 million.

Investments in IT totalled about € 20.4 million. At the forefront in this area were projects to ensure Year-2000 compliance and investment in projects to increase productivity in branches and in customer-oriented internet applications.

GEHE AG Influenced by Spin-Off of Mail Order Division

The individual company accounts for GEHE AG and especially the financial statement at 31 December 1999 are marked by the spin-off of the Mail Order Division and the acquisitions in Italy and the Czech Republic. The total assets of the GEHE AG fell to € 1,448 million (previous year: € 1,639 million). Otherwise, the accounts for GEHE AG reflect its activity as a managing holding company.

The profit amount carried forward of € 281 million, arising from disclosure of the hidden reserves of the Mail Order Division, was set off against the departing assets of the Mail Order Division. The net profit for 1999 amounts to € 56.1 million.

Course of Business

Dividends Increased by Almost 30 %

The Management and Supervisory Boards will propose to this year's Annual General Meeting that an ordinary dividend of € 0.70 per share should be paid out on the 72.9 million individual shares held in 1999. The proportion of the dividend calculated to have been lost during the second half year from Mail Order is € 0.069. Adjusted for this contribution of the Mail Order Division, the proposed dividend represents an increase of 17.4% over the adjusted previous year's dividend of € 0.596. Taking into account the 3/7 corporation tax credit, this represents a gross dividend of € 1.00 per share for our German shareholders.

The Management and Supervisory Boards will also propose an extraordinary dividend of € 0.07 per share. This enables our shareholders not only to benefit from the additional TAKKT shares which they received in September 1999 with no additional capital outlay, but also from the extraordinary result for 1999.

Overall, therefore, a total dividend of € 0.77 per share results (€ 1.10 including the tax credit), representing an increase of 29.2% on a comparable basis over the adjusted previous year's dividend. With the proposed total dividend, approximately 30% of the group net profit, or the total net profit of GEHE AG, will be distributed among the shareholders.

Employees

Group Staff Numbers Falling

The number of employees within GEHE at 31 December 1999, calculated as the full-time equivalent total, was 21,048 compared with 23,033 in the previous year. The decrease in staff numbers is due mainly to the sale of the Healthcare Services Division and the spin-off of the Mail Order Division.

In the Wholesale Division, staffing levels rose by about 5% overall. The major cause of this change in the GEHE Group was the purchase of Dr. Krey & Vigener GmbH & Co. KG, and in the OCP Group, working hours reductions in France and the acquisitions in Portugal.

In the Retail Division, employee numbers rose by about 7%, due particularly to the acquisitions in Great Britain, Italy and the Czech Republic.

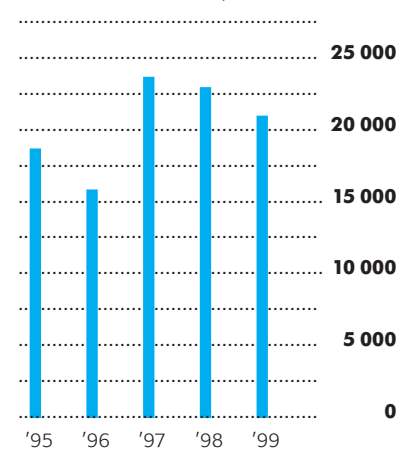
Further Intensification of Personnel Training on a European Basis

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

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

The framework for cross-border exchanges of personnel within GEHE has proven to be effective. Closer European cooperation, in particular, has led – especially among managerial and management trainee personnel – to employee transfers to subsidiary companies and from subsidiaries to the group headquarters. The result of this ensures knowledge transfer within the group and promotes career development among the employees.

Development of Employees
Converted to full-time equivalents



Employees

New Members Sent to the European Works Council

In February 1999, the third annual meeting of GEHE's European Works Council was held in Dresden. The council members were particularly interested in the economic situation and the development of GEHE. The existing relationship of trust between employees' representatives and the management provided for constructive dialogue regarding international matters. Following reallocation of seats in the Works Council, five seats are now occupied by our staff representatives from Great Britain and Ireland.

We would like to offer our thanks to the departing members of the European Works Council, Detlef Bleich and Antonio Principato, for their work on the council. We wish their successors Herbert Narr and Jacques Techer every success with the tasks that lie before them.

Growing Popularity of Employee Shares

Once more in 1999, GEHE supported employee capital formation among the staff in Germany through the issue of employee shares. A total of 3,107 employees took advantage of the tax incentives and bought 21,487 shares at a price of about € 187 (DM 365) for seven shares.

At the end of 1999, 5,917 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 15 years currently own 710 GEHE shares with a value at 31 December 1999 of € 27,335. They also earned a further € 8,584 from dividend payments and the value of rights issues.

GEHE has supported this form of employee capital formation since 1985 with contributions totalling approximately € 6.7 million.

Thanks to 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, which have made the success of our group possible. Our thanks go to the staff who have left through company sales and spin-offs, 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 branch operations and subsidiary companies, the General Workers' Council and its committees and the European Works Council for their constructive and valuable contribution.



Opportunities and Risks

Components of the Risk Management System and its Further Development

The advent of new statutory regulations, most especially the Law on Monitoring and Transparency in Businesses (KonTraG), and the future growth of GEHE have led us both to expand and to further develop the existing risk management system.

Alongside existing comprehensive planning and monitoring systems, our business processes have also been equipped with versatile mechanisms to avert risks in both commodity and monetary transactions. Additionally, the Internal Audit Department, which at group level reports to the Chief Executive Officer of the Management Board and, at divisional level, to the director of each division, contributes to the early identification and monitoring of business risks.

For the first time in 1999, we formed working groups to consider topics under the heading of "Opportunities and Risks". This took place both at group level and at the level of the subsidiary companies. The results from these working groups will be implemented throughout the group in the form of targeted measures. This group application is part of the project "GEHE World 21".

An example of GEHE's risk management system in operation is the successful handling of the "Millennium Bug" problem.



GEHE World 21

Prospects

The future of GEHE lies in pharmaceutical distribution, towards which the core divisions of Wholesale and Retail are geared. Thus GEHE operates only in the extremely attractive pharmaceuticals market, which offers lasting growth potential brought about by two major factors. On the one hand, the rising average age of the population is contributing to a greater demand for health-care. On the other hand, research is constantly providing new, mostly expensive, products, which gradually replace older and cheaper products. Influenced by these factors, our core markets have grown by an average of 6% over each of the last five years. The development of so-called "lifestyle products", for which demand is steadily increasing with the spread of a general culture of health-consciousness, will give an additional boost to growth in the pharmaceuticals market. Well-known examples are Viagra and Xenical. Against this background, we estimate that average annual market growth over the next five years will be about 5%.

Natural market growth is a factor from which GEHE will benefit due to its position as a market leader. Strengthening the business basis with targeted acquisitions has always been one of the most important factors for GEHE's business success. Major acquisitions such as OCP (1993) or AAH (1995) and Lloyds (1997) have made GEHE the European market leader. It can be expected that the next few years will see further development of our market position in Europe. Acquisitions in the area of wholesale and pharmacy will be pursued equally. GEHE was already able to extend its leading position in the pharmacy sector in 1999, and we have set ourselves ambitious targets for growth in this area, wherever legally permissible.

In the Wholesale Division, GEHE has taken a further important step in geographical expansion with the purchase of Herba Chemosan Apotheker-AG at the beginning of 2000. Herba Chemosan will be consolidated from 1 January 2000.



Prospects

Taking new acquisitions into account, we intend to increase turnover over the next five years by an average of 8 – 10% per year, and improve pre-tax profit and the net profit by an average of over 10% per year. For the year 2000, despite government intervention in France and Great Britain, we expect to see profit growth, adjusted for exchange rates, of over 5%.

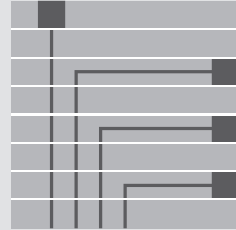
In the medium term, the lasting and very strong profit growth will be contributed to by the measures designed to exploit economies of scale and synergy effects introduced within GEHE under the umbrella of "GEHE World 21".

Dependence Report

Franz Haniel & Cie. GmbH of Duisburg-Ruhrort is the majority shareholder in GEHE AG. We have therefore drawn up a 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 at which the said legal transactions were affected."



GEHE World 21



GEHE Wholesale



/ Stuttgart / 6.17 am /

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GEHE
Leihbehälter

GEHE Group

Overview

The GEHE Group covers activities in Germany and the Czech Republic and achieved a turnover of € 3,027 million, corresponding to a growth rate of 8.2%. Profit before earnings tax had fallen slightly due to intense competitive pressure in Germany and reached about € 46.7 million.

Key Figures GEHE Group

€ m	1999	1998
Turnover	3,027	2,798
Profit before tax	47	51
EBITDA	72	79
No. of employees	2,482	2,361

Germany

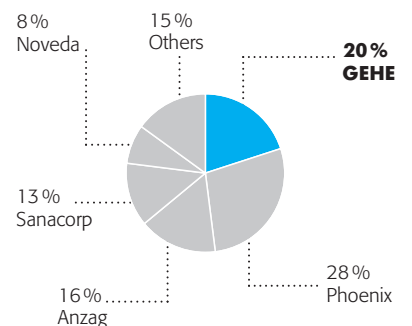
GEHE Exceeds Expectations

Growth in the German pharmaceutical wholesale market, which reached an annual average of about 5.0%, started strongly at the beginning of the year, due to a European influenza outbreak, after which it eased somewhat during the rest of 1999. Despite further intensified discounting competition, GEHE was able to consolidate its market position as No. 2 in Germany, thanks to the acquisition on 31 December 1998 of the pharmaceutical wholesale business Dr. Krey & Vigener, and had a market share at the end of 1999 of about 20%.

GEHE increased its turnover in Germany during 1999 by 8.0% to € 2,943 million. On a comparable basis, i.e. excluding the acquisition of Dr. Krey & Vigener, turnover growth was 4.4%.

Despite markedly increased discount levels due to the intensified competitive situation in Germany, GEHE has almost been able to maintain its high earnings level. This has been possible, above all, because of determined cost management and because GEHE did not participate in every price battle instigated by its competitors.

1999 Market Shares of Pharmaceutical Wholesale in Germany



Source: PHAGRO; own estimation

Germany

Investment to Secure Standards of Quality and Supply

With targeted investment, the efficiency – measured in terms of productivity and supply quality achieved – of GEHE's branches was further improved. On 1 November 1999, the newly built branch in Bonn was opened. It is now possible to offer the customer a higher quality of supply with significantly reduced costs. Thanks to its proximity to the motorway network, GEHE expects a distinct improvement in competitiveness in the region.

Targeted deployment of personnel and spending on suitable fixed assets in the field of IT ensure Year-2000 compliance has paid off. The preventive measures taken in close consultation with all our business partners facilitated a smooth start to the first year of operations in the new millennium.

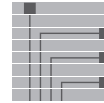
Dr. Krey & Vigener Successfully Integrated

The pharmaceutical wholesale business Dr. Krey & Vigener taken over on 31 December 1998 has been successfully integrated into the GEHE Group. In the process, value was placed both on maintaining the outward individuality of the company and sustaining successful management and integrating it into the GEHE structures. Operation of the company was switched over to GEHE systems, so that Dr. Krey & Vigener now functions fully as a GEHE branch and therefore benefits from the technical advantages of the GEHE Group. Following the take-over, the customers of Dr. Krey & Vigener now also have direct access to all the marketing services of GEHE.

GEHE Provides a New Impetus in the Market

GEHE's capability of employing its potential to the advantage of its customers and to ensure the future of pharmacies is the best way for it to ensure its own future. For this reason, GEHE has given targeted support to pharmaceutical organisations and institutions in the past year.

These included the Pharmacy Museum reopened in October 1999 in the Ott-Heinrich Building of the Heidelberg fortress, the renovation of which GEHE has supported financially, and the Baden-Württemberg Pharmacy Development Agency, founded in Stuttgart by GEHE and other businesses and organisations.



Range of Services Further Developed

In order to make the best possible use of all the market opportunities and resources, the cooperation between wholesaler and retailer, industry and point-of-sale must constantly be reviewed and updated. Category management is a key concept in this regard.

Implementation of this initiative within GEHE in relation specifically to pharmacies is based on the tried and tested "Galleria" programme from which round about 2,200 pharmacies have benefited in 1999. Consistently applied to the needs of the end-user, seasonal topics and concerns specific to particular target groups, such as colds, vitamins and minerals, oral and dental health, allergies, children's health or sport, are considered in close cooperation with industry and the participating pharmacies. Within this framework, GEHE coordinates products, knowledge and communication in the context of customer-oriented sales promotions tailored to the pharmacy. The goal of this year-round "Galleria" programme is to position the individual pharmacy and its advisory competency as a brand in the field of health care.

GEHE has further developed rapidly growing special fields such as travel health advice ("TravelMed") or the appliances market ("HomeCare") during 1999. While there are 1,600 pharmacies offering services to end-users under the "TravelMed" brand, GEHE, with its "HomeCare" programme "Help and Care", has opened up a unique access route to an attractive target group market. The group has developed a new appliances database named "HILDA". This interactive consultancy instrument unique on the market provides extensive support to pharmacies in appliance management. In 1999 "HILDA" was introduced to more than 1,200 pharmacists at information events throughout Germany and was enthusiastically received.



Germany

The implementation of all category management activities is carried out through successive mutually compatible modules with "GEHE Academy" (over 12,000 training participants), the successful internet communications instrument "GEHE Point" (over 2,500 participants) and "apotheker.com" (over 600 participants). These modules are continually developing ever more strongly into interfaces between wholesaler, industry and pharmacy or end-customer.

In the rapidly growing generics market, GEHE carried out a "Generics Offensive" in the autumn of 1999. During this limited-period special offer campaign, attractive discounts were offered on the products by the four participating manufacturers. This new form of cooperation was very successful and pointed the way for future projects with industry.

Staff Numbers Increasing

The number of full-time equivalent employees rose, due particularly to the acquisition of Dr. Krey & Vigener, by 85 to 2,269. In addition, there were 157 young people undergoing training.

An important step in the sphere of further training was the introduction of an extensive personnel development programme.

In consultation with employees' representatives, the number of working hours in the East German branches is being adjusted to match western levels from the year 2000.

Czech Republic

Successful Further Development of GEHE in Czech Republic

In 1999 GEHE achieved a turnover growth in the Czech Republic of 16.0% (22.8% adjusted for exchange rate effects) and so significantly exceeded the market growth of 7.5%. Profit before earnings tax was at the previous year's level. GEHE therefore remains the most economically successful pharmaceutical wholesaler in the Czech Republic.

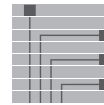
In November 1999, a new merchandise information system developed in a cooperative venture with GEHE Deutschland was successfully introduced. This system forms the framework for achieving the high turnover growth aimed at for the next few years.

With a strengthened new management, GEHE is equipped successfully to meet all the challenges and goals facing it and to further consolidate its position in the Czech market.





/ Paris / 12.36 pm /



GEHE Wholesale

OCP Group

Overview

With its activities in France, Belgium, Portugal and Italy, the OCP Group achieved a turnover in 1999 of € 6,265 million, corresponding to a growth rate of 7.6%. The profit before earnings tax grew even stronger, increasing by 11.1 % to € 87.4 million.

Key Figures OCP Group

€ m	1999	1998
Turnover	6,265	5,820
Profit before tax	87	79
EBITDA	111	106
No. of employees	5,186	4,853

Characterised by Strong Growth

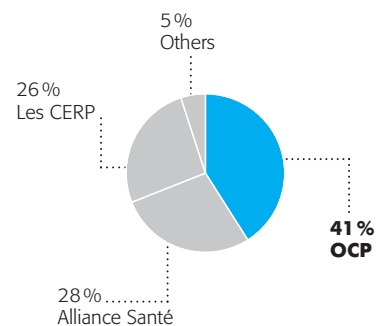
Growth in the French pharmaceutical wholesale market reached 6.6%. Despite intense competition in the wholesale sector, OCP's market share is almost unchanged compared with the previous year of 40.6% and bears witness to the success of the OCP range of services.

Overall in the wholesale sector, OCP achieved a turnover of € 5,621 million (+ 6.8% over previous year). Profit before earnings tax growth exceeded this rate.

Direct sales by the pharmaceutical industry to pharmacies declined from 10.7% at the end of 1998 to 10.2% at the end of 1999. This had a positive effect on the turnover generated by the wholesale sector.

France

1999 Market Shares of Pharmaceutical Wholesale in France



Source: GERS

France

New Statutory Regulations Bring Consequences for Profit Margin and Prescribing Policy

During the second half of 1999, a whole raft of new statutory regulations came into force concerning generics and proprietary products.

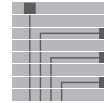
Since 1 July 1999, pharmacies have had the right of substitution. This means that the pharmacist can substitute proprietary preparations with generics, provided that this has not been ruled out by the doctor. The pharmacists' associations have made contractual undertakings with the French government to give their support for 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.

On 1 September 1999, the statutory wholesale margin was split into two price levels. Accordingly, the margin for the proportion 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 proportion of the price lying above FFr 150. This change in the margin will lead, over the course of a whole year, to an overall reduction in OCP's wholesale margin of about 0.30%. Nevertheless, OCP is proceeding on the basis that it can maintain its former turnover margin.

Contribution Exceptionnelle Remaining at a High Level

The "Contribution Exceptionnelle" is a special tax which was introduced several years ago by the French government as a levy on turnover from prescription drugs. It increases in line with market growth and is payable by pharmaceutical wholesalers.

As in the previous year, the Contribution Exceptionnelle remained at a high level in 1999. In the first quarter, it was about 1.72% of turnover from prescription drugs; in the second quarter it fell to 1.42%; then in the last two quarters it returned to the year's starting rate of 1.72%. Converting for the overall turnover in France, this means a fall of 0.08% in the percentage levy burden for 1999, although, because of the increased turnover compared with the previous year, the total burden remained unchanged at about € 76 million.



New Branch in Clermont-Ferrand Goes into Operation

In the interests of improving productivity, the branches of DROGUERIE MEDICINALE MARTIN (DMM) and OCP, both in Clermont-Ferrand were amalgamated in June 1999 in a newly built branch also in Clermont-Ferrand. With the completion of this new regional branch, the distribution network of OCP France now consists of eight regional branches and 47 associated distribution centres.

Further Optimisation of Operational Processes and Increasing Customer Satisfaction from the Call Centre Concept

The operational processes in the branches at Le Plessis Robinson, Paris, Dijon and Grenoble have been markedly improved by increasing the level of automation and with reorganised throughflow procedures for merchandise and documents. All documents, such as order processing lists, customer invoices and address labels for the delivery containers are automatically included with the delivery boxes. The result is that wrongly allocated documents or erroneous delivery are almost completely precluded.

Following the successful introduction of a regional call centre in the Lyon regional branch, the regional branches at Lille, Bordeaux and Clermont-Ferrand have now also been equipped with call centres. The call centre concept enables immediate answering of more than 97% of incoming customer calls. The success of this concept manifests itself in significantly improved customer satisfaction, better work allocation and higher productivity.



France

New Special Catalogue in Great Demand and Already Used by 9,000 Customers

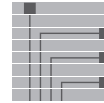
The special catalogue "Offre Générique OCP" was released in 1999 in order to provide pharmacists with a complete index of generic products available on the market, and thereby to simplify substitution. Following a three-month introductory period, 9,000 of the 15,000 pharmacy customers are already ordering from OCP using this catalogue.

OCP Point Finds Wide Acceptance

OCP's internet service – "OCP Point" – makes it possible for pharmacists to obtain online information on their business link with OCP directly, using the communications network. This service was introduced in 1998 and has been increasingly in demand in 1999, and today 1,100 French customers make use of this service, based on the GEHE Point system developed in Germany.

Staff Numbers Increasing

The new law on working hours in France obliges employers to reduce the average working week from its current level of 39 hours to 35 hours from 1 January 2000. At OCP in France, this has led to an increase in staff numbers by about 5.7% to 4,523 at the end of 1999.



GEHE Wholesale

Belgium

OCP Profit Increased Sharply

With a market share of about 18%, OCP is the market leader in the Belgian pharmaceutical wholesale market and is the only pharmaceutical wholesaler, with three companies, PCB SA, SAMBRIA SC and Ostend Pharma NV. It supplies the whole country from eight distribution centres.

Turnover has risen by 7.0% to € 383 million. This corresponds to the average market growth in Belgium. The profit before earnings tax has more than doubled.

During 1999, management pushed ahead with the amalgamation of the previously independently operating companies. Whereas the strengths of the three companies in their customer relationships are maintained, their processes have been systematically harmonised both at the operational and administrative levels, and matched to the high GEHE standard.

Staff Numbers Unchanged

Staff numbers at OCP Belgium remain almost unchanged at 365.



Portugal

OCP Grows More Strongly than the Market

Market growth in Portugal was 13.0% during 1999, its highest level for 5 years.

OCP's turnover increased during 1999 by 37.7% to € 185 million. Adjusted for the acquisition of Distribuidora Productos Farmacêuticos SA (DIPROFAR) on 1 January 1999 and FRANCISCO PEREIRA VIEGAS & FILHOS, LDA (CFR) on 1 October 1999, a growth in turnover of 20.0% was achieved. Overall, OCP increased its market share for the year from 8.5% to 11.3%. Profit before earnings tax also grew strongly.

Improved Customer Service with Extended Opening Hours and a New Branch

Since 1999, the OCP branches in Lisbon and Porto have been operating with longer opening hours. They now operate from Monday to Friday until 10 pm and on Saturday afternoons.

In January 2000, the newly built branch at Setubal, south of Lisbon went into operation, easing the pressure on the Lisbon branch, which had reached its capacity limit.

New Government Programme Directed towards Health Issues

The Portuguese government has declared health legislation to be a major concern during the new parliamentary session. A law has been passed by the new parliament providing for the opening of 341 new pharmacies within three years. OCP does not expect this measure to have a significant influence on market growth.

Staff Numbers Grow Strongly

With the acquisition of DIPROFAR in January 1999, and of CFR in October 1999, employee numbers in OCP grew by about 54% to 214.

Italy

Results Exceed Expectations

In June 1999 GEHE purchased 80% of the shares in AFM. This means that GEHE now has a presence in Europe's third largest pharmaceuticals market, which showed a growth in 1999 of 7.7%. AFM consists of 36 communally-owned pharmacies and a pharmaceutical wholesaler, which is shown in the accounts as a part of the OCP Group with respect to its business with third party customers.

The wholesale business of AFM supplies about 500 pharmacies, private hospitals and nursing homes with pharmaceutical products, non-prescription medications and other products for primary prevention and personal hygiene. In addition, the AFM wholesale business provides logistics services for public-sector hospitals.

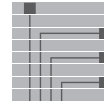
Following take-over by GEHE, the company's customer base was not only maintained, but expanded. Up to the end of 1999, customer numbers and turnover increased monthly, resulting in an annual turnover of € 75 million. Profit before earnings tax also exceeded expectations for the year.

In the fourth quarter of 1999, an investment programme was initiated, enabling the expansion of the wholesale site. This will lead to an improvement in supply quality by the end of the first half of 2000 and will further increase AFM's efficiency.





/ London / 2.15 pm /



GEHE Wholesale

AAH Group

Overview

AAH Group achieved a turnover, with its activities in Great Britain and Ireland, of € 2,852 million and a growth rate of 17.1 % (10.7% adjusted for exchange rate effects). Profit before earnings tax rose at the even higher rate of 39.2 % (31.8% adjusted for exchange rate effects) to reach € 64.9 million.

Key Figures AAH Group

€ m	1999	1998
Turnover	2,852	2,435
Profit before tax	65	47
EBITDA	102	86
No. of employees	4,365	4,231

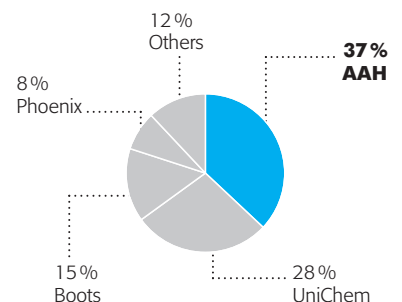
Great Britain

1999 – Another Record Year

The British pharmaceutical wholesale market enjoyed a growth of 9.6% in 1999. AAH was able to improve its market position with a number of service programmes, such as "Vantage", "AAH Point" and the generics programme "Trident". This was possible although the competitive situation in Great Britain was changed during 1999 by the market entry of Phoenix, a German pharmaceutical wholesale business. Through its acquisition of three regional wholesalers, Phoenix achieved a market share in 1999 of about 8%.

The turnover of AAH grew in 1999 by 17.7% (10.6% in local currency) to € 2,579 million. This pleasing development also manifested itself in the profit before earnings tax. This growth in turnover and profit was due particularly to attractive OTC and generics offers.

1999 Market Shares of Pharmaceutical Wholesale in Great Britain



Source: IMS data/Own estimate

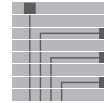
Great Britain

Vantage Well Received

The "Vantage" franchise model, which in 1998 changed its content and was made more attractive, proved a great success during 1999, and in October the goal of 700 member pharmacies was reached. The aim during 2000 is to introduce a "virtual pharmacy chain" of 1,300 independent pharmacies in a "Vantage association". Vantage pharmacies benefit from many new offers geared towards increasing the attractiveness of the pharmacy to customers, particularly through improved services, better pharmacy design and effective product range selection. Alongside these factors, the role of the Vantage pharmacist in the context of community health care is emphasised.

Trial of AAH Point Successful

A further example of AAH's activities in its role as a leading provider of services related to logistics was the trial in 1999 of "AAH Point", an interactive information and communications system for pharmacies, based on a system already successfully introduced in Germany and France. AAH Point provides the pharmacist with an e-mail facility, an ordering system and stock and account enquiries online. A further advantage is direct access to articles in the leading British pharmacists' publication "Chemist & Druggist" even before its publication. The trial with 100 customers met with an exceptionally positive response, so that AAH Point will be offered to all the company's customers during 2000.



“LINKScripts 2” Improves the Electronic Ordering System for AAH Customers

The software presently used to carry out the ordering procedure with AAH is “LINK”. As part of the continuous technology improvement, a new Windows-based version was developed during 1999. “LINKScripts 2” was introduced at the national pharmaceutical trade fair in London and was enthusiastically received by AAH customers.

Improvements in Logistics

During 1999, AAH also consistently improved its efficiency and productivity. At the heart of these activities was the opening of the new branch “Nexus Point” in Birmingham during the fourth quarter of 1999. Once the target level of efficiency for 2000 is reached, the branch will be handling 2,500 transport boxes per hour (16,000 per day) with an automation level of 70%. That will make Nexus Point the most highly automated branch in Great Britain.

In addition, AAH has reorganised two of its larger branches at Warrington and Ruislip. Ruislip has been given a new automated handling line, increasing not only its capacity, but also its order processing quality. In 1991 Warrington became the first AAH branch to be automated. The reorganisation in the last year has therefore concentrated on optimising operational processes.



Great Britain

New Price Agreement Between Health Ministry and Pharmaceutical Industry (PPRS)

On 1 October 1999, a price reduction of 4.5% on average for reimbursable pharmaceutical products was made on the basis of a new PPRS agreement. This has not yet made itself felt in the profit for 1999. For 2000, AAH is working on the basis that the negative effect on margins of the price reduction can be compensated for by advances in the areas of purchasing and logistics.

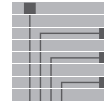
Changes in British Health System

On 1 April 1999, the British Health system was changed with the introduction of Primary Care Groups (PCGs). PCGs are headed by General Practitioners, local nurses and representatives of the health insurance system. They have the task of ensuring provision of healthcare at a local level, and from a single source. PCGs also influence the determination and execution of health policy measures and have been given the goal of improving public access to health services.

In the creation of PCGs, AAH sees a good opportunity for improving its cooperation with other service providers in the healthcare system.

Staff Numbers Increasing

The number of staff increased in comparison to last year by 102 to 4,131.



Ireland

Tightening up the Branch Structure Bears Fruit

The Irish pharmaceutical wholesale market underwent strong growth again in 1999 of 15.0%. Following the tightening up and modernisation of the branch structure of Cahill May Roberts Ltd (CMR) in 1998, the significantly improved quality of supply achieved brought turnover growth of 11.8% in 1999 to € 273 million, and the pre-tax profit level was markedly increased.

In the Logistics and Marketing departments, management was strengthened in order to ensure that high quality services will continue to be available to pharmacists in future. Alongside the Christmas and OTC catalogues for pharmacies that were distributed for the first time in 1999, the project entitled "Product Range Design for Pharmacy Customers" based on the "Galleria" system, successfully implemented in Great Britain and Germany, was launched. "Galleria" is to be offered to Irish pharmacies during the course of 2000.





GEHE
Let's get things done

Herba
Osmosan



Acquisition 2000

Austria

A New Milestone in GEHE's European Growth Strategy – the Acquisition of Herba Chemosan Apotheker-AG

In the first few days of 2000, GEHE was able to announce its purchase of a majority holding in Herba Chemosan which, with a turnover of some € 700 million and a 50% market share, is the pharmaceutical wholesale market leader in Austria. It employs about 1,050 people.

With nine wholesale branches and one depot, Herba Chemosan, is the only pharmaceutical wholesaler in Austria with a distribution network covering the entire country. Even after its acquisition, the company will maintain its individuality and power of self-determination with respect to its customers. The Supervisory Board of Herba Chemosan will continue to include an important representation by Austrian pharmacists. In this way, we shall maintain the tradition of Herba Chemosan as a business owned by pharmacists and thus we will be able to cultivate its established customer base.

A Bridge To Eastern Europe

Austria has a tradition of good relations with the countries of eastern Europe and Herba Chemosan has long experience of the eastern European markets. It will therefore be able to bring to GEHE valuable knowledge of the markets and the competition in this region.

A Pan-European Dimension in GEHE's Acquisitions

The acquisition of Herba Chemosan brings with it a pan-European dimension in that, for the first time, GEHE has succeeded in gaining a large-scale partner company from among the pharmacy-owned wholesalers. We shall now demonstrate that we are the right partner even for cooperative wholesalers.



GEHE Retail



Lloydspharmacy
Paracetamol
Capsule 500mg



For relief of mild to moderate pain
UK registered

9919

Retail

Overview

GEHE owns pharmacies in Great Britain, Italy and the Czech Republic. The turnover of the Retail Division including the Supersave drugstore chain was € 1,458 million in 1999, which represents an increase over the previous year of 23.4% (16.2% after adjustment for the effects of exchange rates). On a comparable basis – i.e. after elimination of acquisitions or disposals – and adjusted for exchange rate effects, the turnover growth rate was 7.9%. The profit before earnings tax grew even stronger, at a rate of 37.5% (29.3% adjusted for exchange rates) and reached € 31.1 million. On a comparable basis, the profit growth was 10.3%. The Retail Division markedly increased its importance within GEHE in 1999. Its share of total turnover for core business now amounts to 10.7% (previous year 9.7%), while the profit before earnings tax reached 13.5% (previous year 11.3%) of the overall profit in the core business area. The turnover from the Supersave drugstore chain, which was sold at the end of the year, amounted in 1999 to € 66 million.

Key Figures Retail

€ m	1999	1998
Turnover	1,458	1,181
Profit before tax	31	23
EBITDA	107	88
No. of employees	8,951	8,381



Great Britain

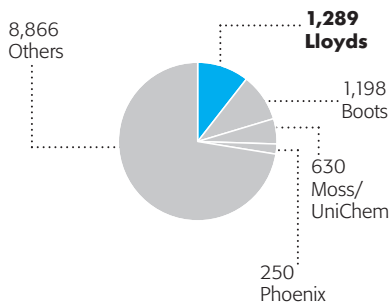
Lloyds Pharmacy-Business Proceeding Well

The pharmacy retail trade in Great Britain is characterised by intense competition and ever increasing market consolidation, the latter being reflected in the constant growth of pharmacy chains. Lloyds Pharmacy took account of this development with continued acquisition activities and its newly uniform market presence under the banner of "Lloydspharmacy". Lloyds Pharmacy achieved a turnover of € 1,346 million, representing an increase of 19.9% (12.6% adjusted for exchange rate effects). On a comparable basis – i.e. adjusting to allow for acquisitions and disposals in 1999, Lloyds Pharmacy's turnover growth was 15.0% (8.0% adjusted for exchange rate effects).

The turnover from prescription medicines was € 1,031 million, and achieved a growth rate of 21.8% (14.4% adjusted for exchange rate effects). The OTC turnover was € 315 million. This represents a growth rate of 14.1% (7.1% adjusted for exchange rate effects). The share of total turnover that was earned from prescription medicines increased to 76.6% compared with 74.9% for the previous year.

In 1999, Lloyds Pharmacy purchased a total of 108 new pharmacies. The largest single acquisition was Peel Street Pharmacy Ltd in February, with 43 pharmacies. With this purchase, Lloyds Pharmacy strengthened its position as the market leader in Northwest England and underscored the company's will to undergo further external growth. In parallel with the acquisition of new pharmacies, the network's efficiency was further enhanced with the sale of 34 pharmacies and the closure of another 10. Overall, the total number of pharmacies increased to 1,289 at the end of 1999.

Pharmacies in Great Britain 1999



Source: Own estimate

New Name – New Image – New Outfit

In 1998, the first pharmacies were renamed "Lloydspharmacy"; the process was completed during 1999, and now all our pharmacies have the same uniform image and form the largest pharmacy chain in Great Britain, with nearly 1,300 pharmacies. In addition to the renaming, during 1999, more than 100 pharmacies were completely redesigned.

There are plans to carry out redesigns on a further 250 shops during the year 2000. In addition, Lloyds Pharmacy intends to set up a chain of concept pharmacies, in which trials with new layout concepts and designs will be conducted, in order to improve the attractiveness and acceptability of the pharmacy as a healthcare service provider.

Own Brands Grow in Importance

The brand identity will be supported by the introduction of "Lloyds-pharmacy" as the company's own brand. At the end of 1999, Lloyds Pharmacy was offering some 400 items under its own brand name in the product range. In addition to these, other own brands are also sold, such as, for example, "Solero" sun screen products. The introduction of further own brands is being carried out taking account of local consumer habits.

Increased Staffing Levels

The number of staff employed by Lloyds Pharmacy has risen by about 3.1 %, through the acquisition of new pharmacies, to 8,642.



Italy

Results Exceed Expectations

With 36 pharmacies, AFM achieved an annual turnover in 1999 of round about € 39 million, which represents a turnover growth rate of about 12% compared with the previous year and is significantly above the market growth rate of 7.7%. Prescription medicine turnover rose by 12.2% and reached a 66.6% share of the total pharmacy turnover for AFM. The OTC turnover rose by 11.0%. The profit before earnings tax was higher than expected.

The AFM pharmacies are regarded today not only as competent vendors of pharmaceutical products, but also as attractive service businesses. In 1999 five AFM pharmacies were redesigned, and the reservation service "CUP" (Centro Unificato di Prenotazione = Central Appointments Service) was installed in all the shops. "CUP" offers the patient the possibility of making appointments in a time-saving way, either for services such as blood tests and X-ray examinations in hospital, or to see a doctor or dentist. In AFM pharmacies, customers can call up information regarding health issues over the internet under a service named "Punto Salute" ("Health Point").

In Italy, some 1,600 of the total of 16,000 pharmacies are owned by local communities. Some communities signalled their interest in privatisation during the second half of 1999. This may well open up new opportunities for GEHE to extend its pharmacy presence in Italy during 2000.

Czech Republic

INPHARMA as The Starting Point

INPHARMA achieved a turnover in 1999 of about € 7 million. Of this, about € 5 million was due to prescription medicines and about € 2 million to OTC products.

INPHARMA is the second largest pharmacy chain in the Czech Republic. Czech law regarding pharmacies allows multiple ownership and ownership by corporate bodies. There is also no limit on the opening of new pharmacies, provided that certain material conditions are fulfilled. On that basis, INPHARMA is a good foundation for the formation of a nationwide chain of pharmacies in the Czech Republic. Since its acquisition by GEHE, INPHARMA has opened two new pharmacies and closed one business by the end of 1999.



16 26923
GEHE
Leihbehälter

GEHE AKTIENGESELLSCHAFT
STUTTGART

Aktie
EHEB

FÜNF DEUTSCHE MARK

GEHE AKTIENGESELLSCHAFT
DER AUFSICHRAT

Sol. der
Vorstand

Klaus

5 DM

Der Inhaber dieser Aktie ist bei der GEHE Aktiengesellschaft, Stuttgart, nach Maßgabe ihrer Satzung als Aktionär beteiligt.
1994, bis Oktober 1996





GEHE Share

Share

1999 – an Important Year for GEHE's Shares

1999 was an important year for GEHE's shares. For the first time in Germany, a complete division of a joint stock company was spun-off with subsequent stock market flotation of the division which was spun-off. Under the name of TAKKT AG, we floated the Mail Order Division which operates a business-to-business supply service for office, warehouse and business equipment.

On flotation of TAKKT on 15 September 1999, all GEHE shareholders received a new TAKKT share in addition to each GEHE shareheld at no cost.

Key Financial Figures for the GEHE Share

in € per share	1995	1996	1997	1998	1999
Net profit for the year after minority interests.	1.54	3.05	1.96	2.13	2.52
Dividend	0.51	0.51 + 0.15	0.66	0.66	0.70 + 0.07
Dividend with tax credit (not rounded up)	0.73	0.94	0.94	0.94	1.10
EBITDA	4.37	8.05	5.80	6.03	5.81
Cash flow	3.17	4.50	3.21	3.41	3.42
Shareholders' equity	14.55	15.08	16.52	15.84	16.26
Share price (31.12./adjusted for TAKKT) ...	32.18	43.28	39.41	50.35	38.50
Number of issued shares in million (31.12.)	72.9	72.9	72.9	72.9	72.9
Market capitalisation (31.12./in € m)	2,345.9	3,155.1	2,872.9	3,670.5	2,806.7

Total Dividend Up Almost 30%

The Management Board and Supervisory Board propose that for the 1999 financial year, the shareholders should receive an increased dividend of € 0.70 (€ 0.66 in 1998) and that they should benefit from the positive development of the group with an additional extraordinary dividend of € 0.07 (€ 0.00 in 1998). This means that, in addition to their TAKKT shares, our shareholders benefit from the extraordinary result for 1999. Disregarding the calculated TAKKT contribution for the 1998 financial year, the GEHE dividend has risen in 1999 by 29.2% (including the extraordinary dividend). By taking into account the corporation tax credit, our inland shareholders receive a gross dividend per share of € 1.10 per share. Overall, on the basis of this proposed dividend, € 56.1 million, or about 30% of the group net profit, will be paid out.

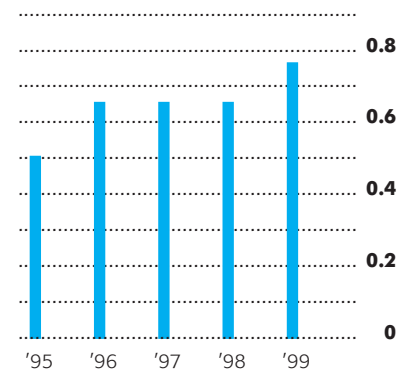
Furthermore, the shareholders' equity will be boosted by addition of the undistributed portion of the net profit of € 126.3 million (€ 106.4 million in 1998).

Performance Indicators Continuously Rising

The positive development in the 1999 financial year is reflected in a marked rise in the performance indicators per share. In the core business area of pharmaceutical distribution, excellent key figure values have been achieved and the effect of the spin-off has been more than compensated for.

The EBITDA per share in the core business area has risen continuously over the last 5 years, and has reached another new high with an increase of 9.5% to € 5.38 per share for 1999.

Dividend Development
Net Dividend per Share
in €



Share

Conversion of GEHE Share to Euros and Price Adjustment Following Spin-Off

Like all shares dealt on German stock exchanges, GEHE shares were dealt and listed in Euros for the first time on 4 January 1999, so that the closing price on 30 December 1998 of DM 115 (€ 58.80) was converted on 4 January 1999 to a price of € 58.50. As a result of the spin-off of the Mail Order Division to TAKKT, the quoted price for GEHE was converted on 13 September to Ex-TAKKT. All the GEHE shareholders received additional shares in TAKKT and dealing continued in GEHE shares without TAKKT. The historical prices for GEHE shares were also adjusted, making a price comparison possible.

The formula for adjusting the historical GEHE price is as follows:

$$\frac{\text{GEHE closing price on registration date 10.09.1999 (€ 45.25)} - \text{Opening price for TAKKT on first quotation date 13.09.1999 (€ 6.50)}}{\text{GEHE closing price on registration date 10.09.1999 (€ 45.25)}}$$

This gives an adjustment factor of 0.856354, with which all the historical GEHE prices must be multiplied in order to make a comparison with the current GEHE price.

Conversion from DM 5 Shares to Individual Shares

On 2 June 1999, the Annual General Meeting of GEHE AG passed a resolution that the nominal stock should be converted from nominal value shares (DM 5) to individual shares (non-par shares). The conversion to individual shares took effect on 6 September 1999.

Economic Logic of the Spin-Off Not Yet Reflected on the Stock Exchange

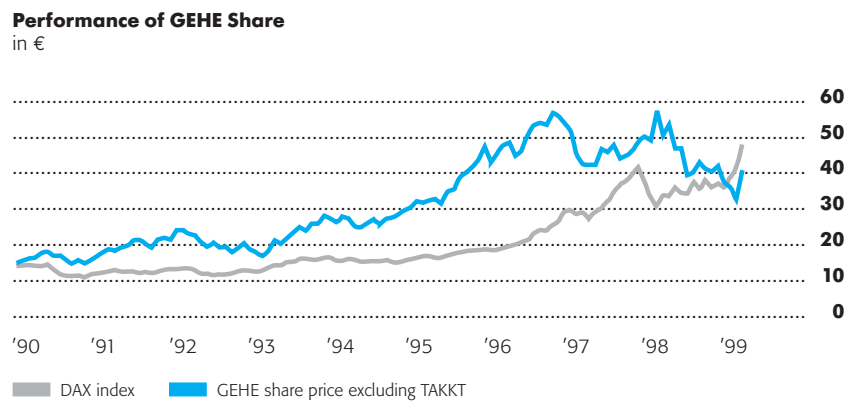
GEHE's development during 1999 shows that the economic logic of the spin-off – namely concentration on core competencies – was and is correct.

However, this has not yet been reflected on the stock market through the share price. The total of the prices for GEHE and TAKKT had still not produced an increase in value for the shareholder at the end of 1999. A contributing factor has certainly been portfolio restructuring by institutional investors, although this should have been completed by now.



GEHE Share Price Change in 1999 below the DAX

During 1999, the GEHE share price fluctuated greatly. The year's high was on 7 January, when the price stood at € 52.4 (adjusted for the TAKKT spin-off), while the low point was reached on 11 November, when the price fell to € 30.0 (following the TAKKT spin-off). On the first day of dealing, 4 January 1999, the share price stood at € 49.67 (adjusted for the TAKKT spin-off), while on the last trading day, 30 December 1999, it was € 38.50 (following the TAKKT spin-off). This represents a price change of -22.4%. The DAX performed far better in 1999 with a +39.5% increase.



Share

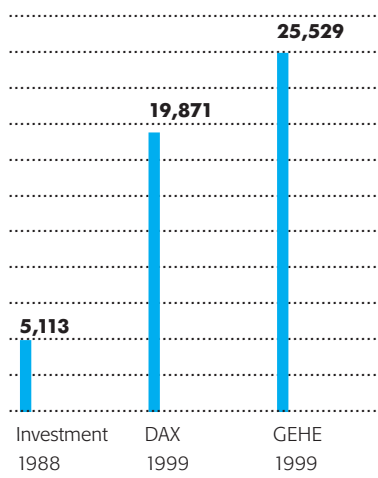
Better 10-Year Return on GEHE Shares than on the DAX

The most important criterion for assessing the success of a business is the development of its shareholders' investment in the long term. 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. The overall return on an investment in shares is calculated on the basis of reinvestment of the dividends and the value of subscription rights in the shares.

Drawing a comparison over a ten-year period, an investment in GEHE shares – despite the disappointing price development in 1999 – still achieved a greater value increase than a comparable investment in the DAX. For a shareholder who bought GEHE shares worth DM 10,000 (€ 5,112.92) ten years ago, the value of the holding at the end of 1999 would have been € 25,529.04 (+ 17.4% – adjusted for share price and dividends of TAKKT). The growth in shareholder value achieved over this period was therefore € 20,416.12. The growth in shareholder value of a DAX investment of the same amount over the same period would have been only € 14,758,06 (+ 14.5%) at the end of 1999. When making this comparison, it should be remembered that the upward movement of the DAX during 1999 has been due mainly to a few technology and telecommunications shares.

Increase in Shareholder Value of GEHE Share

10-year comparison with DAX index in €





Share Price Does not Reflect Business Success

Despite the highly satisfactory business developments and healthy profit in 1999, the price of GEHE shares could not be separated from industry trends on the stock market. A great many pharmaceutical shares – among those from American companies – suffered price downturns during 1999. Compared with those from its main European and American competitors, GEHE shares held up well in a difficult market.

At the start of the year, investors' reticence was caused by concerns about political intervention, such as the healthcare reforms in Germany. In the second half year, GEHE's share price was burdened by discussions concerning the company's prospects for growth by acquisition. All these fears were entirely unfounded, as the results for the year show, with impressive turnover and profit growth, as well as a major acquisition in Austria.

The Attractiveness of a Solid, Healthily Growing and Profitable Company

Technology and internet stocks were preferred by investors in 1999 to steadily growing and profitable companies like GEHE with their excellent prospects. GEHE shares are not speculative investments, but their value is based on a sustained positive growth trend with good earnings prospects and projected growth of profit before earnings tax over the next five years of over 10% per year.



Share

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 at the Hamburg stock exchange and through the XETRA dealing system.

The managers contracted by GEHE on the electronic XETRA dealing helped maintain constant liquidity on the stock exchange during 1999, in that temporary imbalances between supply and demand were bridged. 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, Inclusion in the Indices

GEHE shares form part of the M-DAX, the stock market segment where the next 70 strongest German stock companies after the DAX companies are quoted. With a weighting of 2.48%, a market capitalisation of € 2.8 billion and a turnover of 26 million individual shares in 1999, GEHE shares have a prominent position on the M-DAX. In November 1999, GEHE shares were included with a weighting of 0.26% in the Morgan Stanley World Germany Index, which many investors take as a benchmark.

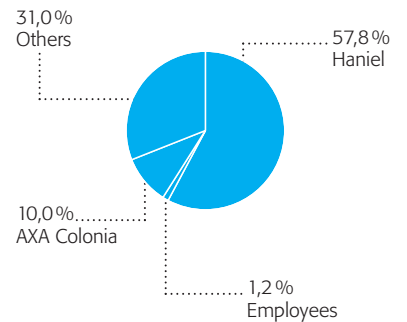


Shareholder Structure

The majority shareholder of GEHE is Franz Haniel & Cie. GmbH, Duisburg-Ruhrort, which holds approximately 57.8% of the share capital. 10% of the shares are directly held by companies in AXA Colonia Konzern AG. 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 32% of the shares are held by institutional investors at home and abroad, and by numerous private investors, including 1.2% by employee shareholders.

Shareholder Structure



Share

Investor Relations Developed Further

During the course of 1999, we intensified our contacts with shareholders, potential shareholders, institutional investors and analysts. The attention of the capital markets was drawn, in particular, by the spin-off of the former Mail Order Division to TAKKT, and by the concentration on the core business of pharmaceutical distribution with the sale of the Healthcare Services Division.

In preparation for the spin-off of the Mail Order Division to TAKKT AG and at other times during the course of the year, we held world-wide information events (individual conversations, presentations, telephone conferences). Through these roadshows and discussions we were able to reach 150 institutional investors and analysts directly.

For the first time in 1999, we published quarterly results. This investor-friendly service, designed to increase the transparency of GEHE's business development, was positively received. Another first, on publication of each quarter's results, was the holding of telephone conferences coupled with live internet presentations.

In the context of our investor relations activities, we hold membership of the Deutscher Investor Relations Kreis (D.I.R.K.), providing a constant means of measuring ourselves against developments in the capital market and setting standards.

Contact with our shareholders, who approach us for information regarding shares, price developments or current figures, has increased in 1999. And we shall continue to be available to shareholders, offering rapid and professional responses to their queries.

Utilisation of the internet as a communications platform – in parallel with telephone conferences – will be further developed. Our web site on the internet (at www.gehe.de) provides rapid and up-to-date information on the latest analysts' reports, details of the investor calendar and the most recent GEHE share price movements. In addition to this, we have set up a special e-mail service for our investors, to provide them with rapid, current information.

It is also planned to put on at least two roadshows in Europe as well as in North America, an analysts' conference and numerous telephone and video conferences in 2000.

GEHE Consolidated Financial Statements



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Consolidated Balance Sheet of GEHE at 31 December 1999

	Notes	31.12.1999 € '000	31.12.1998 € '000
Assets			
Fixed assets			
Intangible assets	(1)	1,549,946	1,494,966
Tangible assets	(2)	277,609	307,025
Financial assets	(3)	40,426	42,922
	(4)	1,867,981	1,844,913
Current assets			
Stocks	(5)	1,215,278	995,089
Receivables and other assets	(6)	1,222,316	1,238,360
Bank and cash balances	(7)	11,334	5,313
		2,448,928	2,238,762
Prepaid expenses	(8)	35,640	30,897
		4,352,549	4,114,572
Equity and Liabilities			
Equity			
Issued capital	(9)	186,624	186,366
Capital reserves		682,434	682,434
Revenue reserves	(10)	128,686	122,674
Consolidated retained earnings	(11)	182,440	154,905
Minority interests	(12)	4,962	8,875
		1,185,146	1,155,254
Provisions			
Provisions for pensions and similar obligations	(13)	41,022	34,861
Other provisions	(14)	281,369	308,863
		322,391	343,724
Liabilities	(15)		
Liabilities falling due			
after more than 5 years		733,396	871,812
between 1 and 5 years		38,190	43,571
within 1 year		2,064,799	1,689,833
		2,836,385	2,605,216
Deferred income		8,627	10,378
		4,352,549	4,114,572

Consolidated Profit and Loss Account of GEHE for the Financial Year 1999

	Notes No.	1999 € '000	1998 € '000
Turnover	(16)	13,923,050	12,966,586
Changes in stocks of finished goods and work-in-progress		(39)	233
Own work capitalised		28	30
Gross performance		13,923,039	12,966,849
Cost of raw materials, consumables and supplies and of purchased merchandise ...		(12,509,716)	(11,504,925)
Gross profit		1,413,323	1,461,924
Other income	(17)	101,162	109,558
Personnel expenses	(18)	(624,768)	(637,839)
Amortisation of intangible assets and depreciation of tangible assets	(19)	(79,515)	(98,005)
Other operating expenses	(20)	(473,132)	(497,722)
Net financial result	(21)	(76,131)	(85,800)
Profit from ordinary activities		260,939	252,116
Taxes on income and profit from ordinary activities	(22)	(97,234)	(96,352)
Profit from ordinary activities after taxes		163,705	155,764
Extraordinary result	(23)	383,072	0
Taxes on income and profit from extraordinary result	(23)	(81,816)	0
Spin-off of Mail Order Division	(24)	(281,211)	0
Net Profit for the year		183,750	155,764
Minority interest in profits		(1,310)	(859)
Consolidated retained earnings		182,440	154,905

Development of Fixed Assets 1999 GEHE

	Intangible assets € '000	Tangible assets € '000	Financial assets € '000	Total € '000
Cumulative acquisition value				
at 01.01.1999	2,063,221	709,681	45,626	2,818,528
Translation adjustment	182,220	31,968	51	214,239
Additions	180,785	84,209	6,172	271,166
Changes to consolidation scope	(201,812)	(113,679)	(72)	(315,563)
Transfers	(1,188)	1,188	0	0
Disposals	14,360	74,058	9,111	97,529
Cumulative acquisition value				
at 31.12.1999	2,208,866	639,309	42,666	2,890,841
Cumulative valuation adjustments				
at 01.01.1999	568,255	402,656	2,704	973,615
Translation adjustment	35,492	16,639	0	52,131
Additions	16,064	63,451	15	79,530
Changes to consolidation scope	(47,043)	(69,637)	0	(116,680)
Transfers	(830)	830	0	0
Goodwill set-off	145,655	0	0	145,655
Write back	(54,596)	0	0	(54,596)
Disposals	4,077	52,239	479	56,795
Cumulative valuation adjustments				
at 31.12.1999	658,920	361,700	2,240	1,022,860
Net book value				
at 31.12.1999	1,549,946	277,609	40,426	1,867,981
Net book value at 31.12.1998	1,494,966	307,025	42,922	1,844,913

Notes to the Consolidated Financial Statements

General Information

Accounting Principles and Valuation Policies

The consolidated financial statements of GEHE for the year ended 31.12.1999 have been prepared – in Euros for the first time this year – in accordance with the German Commercial Code (Handelsgesetzbuch) and the Companies Act (Aktiengesetz).

For the sake of clarity, certain amounts in the balance sheet and the profit and loss account have been presented in 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.

In order to make the financial statements more informative, the profit and loss account has been converted using average rates for the first time. In comparison with the previously used conversion method, the use of average rates has led to a decrease in turnover of € 240,403,000 and to a decrease in profit from ordinary activities before taxes of € 7,978,000.

The consolidated retained earnings correspond to the group net profit for the year following deductions of the minority interest in profits. The previous year's figure has been adjusted accordingly.

Scope of Consolidation

The group accounts incorporate all subsidiaries in which GEHE AG directly or indirectly holds the majority of votes. 389 domestic and foreign companies are included in the consolidation (previous year 411).

23 subsidiaries were included in the group accounts for the first time in the financial year and 45 companies were deleted from the scope of the consolidation, four through merger and 41 through disposal.

Three subsidiaries have not been included as their shares were retained at the end of 1999 exclusively for the purpose of sale.

Three associated companies were consolidated using the equity method. A further 18 associated companies were not consolidated due to a lack of major influence on their financial and business policy making.

A complete list of the shareholdings held by GEHE AG is filed in the commercial register of the local court in Stuttgart.

General Information

The changes in the scope of consolidation resulting from the spin-off of the Mail Order Division and the disposal of the Healthcare Services Division, means that the consolidated financial statements for 31.12.1999 are comparable only to a limited extent with those of the previous year.

The results of the Mail Order Division were consolidated until 30 June 1999 for the financial year 1999. The results of the Healthcare Services Division were not included.

In order to facilitate comparisons, the following balance sheet and the profit and loss account do not include contributions from the Mail Order Division and the Healthcare Services Division.

Balance Sheet	1999	1998	1998
	€ m	€ m	adjusted € m
Fixed assets	1,868.0	1,844.9	1,689.8
Current assets	2,484.5	2,269.7	2,132.8
Balance sheet total	4,352.5	4,114.6	3,822.6
Shareholders' equity	1,185.1	1,155.3	1,148.7
Provisions	322.4	343.7	313.5
Liabilities	2,845.0	2,615.6	2,360.4
Balance sheet total.....	4,352.5	4,114.6	3,822.6

Profit and Loss Account	1999	1999	1998	1998
	€ m	adjusted € m	€ m	adjusted € m
Turnover	13,923.1	13,607.8	12,966.6	12,273.4
EBITDA	423.5	385.7	439.4	359.8
Depreciation	(79.5)	(74.6)	(98.0)	(75.3)
Net interest income	(83.1)	(81.1)	(89.3)	(87.3)
Profit from ordinary activities before taxes	260.9	230.0	252.1	197.2
Taxes on income and profit ...	(97.2)	(83.9)	(96.3)	(68.2)
Profit from ordinary activities after taxes	163.7	146.1	155.8	129.0

Consolidation Policies

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

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

The assets, liabilities, prepaid expenses 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, € 145,655,000 of goodwill arising on consolidation was set off against revenue reserves in accordance with § 309 para. 1 clause 3 Handelsgesetzbuch without affecting profit. At 31.12.1999, from total goodwill total arising on consolidation of € 2,026,526,000, altogether € 577,980,000 was set off directly against revenue reserves. The remaining net amount of € 1,448,546,000 concerns 16 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 consolidations, the group's share of the results of the subsidiaries is included under revenue reserves.

General Information

On deconsolidation (deletion of a subsidiary from the scope of consolidation), the goodwill set-off against reserves undertaken 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 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 € 3,918,000 (previous year: € 6,010,000) 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 € 1,959,000 (previous year: € 2,111,000).

The foreign subsidiaries' financial statements were converted into Euros at the average exchange rate prevailing on the balance sheet date. For the first time, 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.

Source and Application of Funds	1999	1998
	€ '000	€ '000
Net profit for the year	183,750	155,764
Extraordinary result	(20,045)	0
Fixed asset depreciation	79,530	98,310
Profit on sale of tangible assets and changes in long-term provisions	5,801	(5,317)
Cash flow	249,036	248,757
Change in provisions	(21,549)	(39,967)
Other income and expenses not involving the movement of funds	(380)	1,953
Profit on disposal of financial assets	(2,154)	(910)
Changes in stocks, receivables, other assets and prepayments	(74,357)	(50,485)
Changes in short-term liabilities and accruals	306,802	161,594
Proceeds of extraordinary income	20,045	0
Net cash flow from operations	477,443	320,942
Proceeds of sale of fixed assets	33,034	31,544
Investment in fixed assets	(170,451)	(237,663)
Net cash flow from investment activities	(137,417)	(206,119)
Dividends paid	(48,455)	(48,455)
Movement in long-term liabilities	(286,332)	(72,376)
Net cash flow from financing activities	(334,787)	(120,831)
Change in funds due to payments	5,239	(6,008)
Change in funds due to exchange rates	782	(464)
Funds on 01.01.	5,313	11,785
Funds on 31.12.	11,334	5,313

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

Notes to the Balance Sheet

(1) Intangible Assets

	Concessions, industrial and similar rights € '000	Goodwill € '000	Down- payments for fixed assets € '000	Good- will from capital con- solidation € '000	Total € '000
Cumulative acquisition value					
at 01.01.1999	63,735	155,846	735	1,842,905	2,063,221
Translation adjustment	4,240	12,523	0	165,457	182,220
Additions	5,337	45,499	924	129,025	180,785
Changes to consolidation scope	(28,431)	(72,049)	(115)	(101,217)	(201,812)
Transfers	(473)	0	(715)	0	(1,188)
Disposals	4,582	73	61	9,644	14,360
Cumulative acquisition value					
at 31.12.1999	39,826	141,746	768	2,026,526	2,208,866
Cumulative valuation adjustments					
at 01.01.1999	46,408	53,642	0	468,205	568,255
Translation adjustment	3,013	1,740	0	30,739	35,492
Additions	5,768	10,296	0	0	16,064
Changes to consolidation scope	(20,068)	(14,952)	0	(12,023)	(47,043)
Transfers	(830)	0	0	0	(830)
Goodwill set-off	0	0	0	145,655	145,655
Write back	0	0	0	(54,596)	(54,596)
Disposals	4,077	0	0	0	4,077
Cumulative valuation adjustments					
at 31.12.1999	30,214	50,726	0	577,980	658,920
Net book value					
at 31.12.1999	9,612	91,020	768	1,448,546	1,549,946
Net book value at 31.12.1998	17,327	102,204	735	1,374,700	1,494,966

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.

Of the total additions of € 180,785,000, additions of € 129,025,000 concerned goodwill arising on consolidation. The main additions of goodwill arising on consolidation related to the purchase of AFM S.p.A., Bologna/Italy, and Peel Street Pharmacy Ltd, Coventry/Great Britain. The additions also include goodwill from acquisition of pharmacies in Great Britain of € 45,499,000. The disposals mainly concern the deconsolidation of the former divisions Mail Order and Healthcare Services.

Included within the intangible fixed assets at the end of 1999 was goodwill on consolidation of € 1,448,546,000 relating to shareholdings acquired during the year. This is calculated as follows:

	Gross € '000	Set-Off € '000	Net book value € '000
At 31.12.1998	1,842,905	(468,205)	1,374,700
Translation adjustment	165,457	(30,739)	134,718
Additions 1999.....	129,025	0	129,025
Disposals 1999	(110,861)	12,023	(98,838)
Write back 1999	0	54,596	54,596
Set-off against shareholders' equity	0	(145,655)	(145,655)
At 31.12.1999	2,026,526	(577,980)	1,448,546

Notes to the Balance Sheet

The remaining balance of goodwill on consolidation of € 1,448,546,000 will be set off against reserves subject to currency fluctuations, as follows:

Year	€ '000		€ '000
2000–2005	133,168 each year	=	799,008
2006–2007	132,581 both years	=	265,162
2008		=	122,116
2009		=	106,913
2010		=	80,930
2011		=	66,037
2012		=	4,190
2013		=	4,190
			1,448,546

(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	3–10

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 also treated as a disposal.

Additions totalling € 84,209,000 concern mainly assets purchased in the AAH Group (€ 30,639,000), the OCP Group (€ 14,268,000), the GEHE Group (€ 10,971,000), as well as investments in the Retail Division (€ 27,021,000).

	Land, land rights and buildings, including buildings on third party land	Technical equipment and machinery	Other factory and office equipment	Prepayments on account and assets under construction	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
Cumulative acquisition value					
at 01.01.1999	209,508	109,949	386,003	4,221	709,681
Translation adjustment	9,624	5,095	17,249	0	31,968
Additions	7,973	21,333	52,543	2,360	84,209
Changes to consolidation scope	(17,911)	(1,770)	(92,606)	(1,392)	(113,679)
Transfers	549	1,440	2,685	(3,486)	1,188
Disposals	21,376	7,263	45,419	0	74,058
Cumulative acquisition value					
at 31.12.1999	188,367	128,784	320,455	1,703	639,309
Cumulative valuation adjustments					
at 01.01.1999	89,198	61,138	252,320	0	402,656
Translation adjustment	2,843	2,997	10,799	0	16,639
Additions	8,913	14,416	40,122	0	63,451
Changes to consolidation scope	(7,270)	(2,197)	(60,170)	0	(69,637)
Transfers	(28)	(604)	1,462	0	830
Disposals	9,042	6,025	37,172	0	52,239
Cumulative valuation adjustments					
at 31.12.1999	84,614	69,725	207,361	0	361,700
Net book value					
at 31.12.1999	103,753	59,059	113,094	1,703	277,609
Net book value at 31.12.1998	120,310	48,811	133,683	4,221	307,025

Notes to the Balance Sheet

(3) Financial Assets

	Shares in affiliated companies € '000	Shares in associated companies € '000	Other share- holdings € '000	Long-term investments € '000	Other loans € '000	Total € '000
Cumulative acquisition value						
at 01.01.1999	8,692	28,115	3,136	803	4,880	45,626
Translation adjustment	0	0	51	0	0	51
Additions	50	6,122	0	0	0	6,172
Changes to consolidation scope	0	0	0	(72)	0	(72)
Transfers	0	0	0	0	0	0
Disposals	8,742	0	14	307	48	9,111
Cumulative acquisition value						
at 31.12.1999	0	34,237	3,173	424	4,832	42,666
Accumulated valuation						
adjustments on 01.01.1999	0	0	1,770	681	253	2,704
Translation adjustment	0	0	0	0	0	0
Additions	0	0	0	15	0	15
Changes to consolidation scope	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	142	307	30	479
Cumulative valuation adjustments						
at 31.12.1999	0	0	1,628	389	223	2,240
Net book value						
at 31.12.1999	0	34,237	1,545	35	4,609	40,426
Net book value						
at 31.12.1998	8,692	28,115	1,366	122	4,627	42,922

Financial assets are valued at cost of acquisition 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 80 shows the structure 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 purchased goods are valued at the lower of cost or market value.

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

	31.12.1999	31.12.1998
	€ '000	€ '000
Raw materials, consumables and supplies	1,400	9,582
Work-in-progress	0	522
Finished goods	1,208,048	977,506
Payments on account	5,830	7,479
	1,215,278	995,089

Notes to the Balance Sheet

(6) Receivables and Other Assets

	31.12.1999	31.12.1998
	€ '000	€ '000
Trade debtors	1,063,623	1,132,007
Receivables from Franz Haniel & Cie. GmbH	8,996	0
Receivables from affiliated companies	0	2
Receivables from companies in which a participation is held	0	14
Other assets	149,697	106,337
	1,222,316	1,238,360

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 are 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 million (about € 153 million) and provides that debts which are paid are replaced by new receivables. Thus over the term of the agreement, a discounted value of € 153 million is maintained.

OCP REPARTITION SAS, Saint-Ouen/France, sold receivables of approximately FFr 1,100 million (about € 168 million) under a non-recourse discounting agreement at 31.12.1999. The contract, which runs until November 2001 covers trade debtors up to a limit of FFr 1,100 million (about € 168 million).

PCB dis SA, Brussels/Belgium, sold receivables of approximately BFr 836 million (about € 21 million) under a non-recourse discounting agreement at 31.12.1999. The volume of the contract, which runs until June 2001 amounts to BFr 1,100 million (about € 27 million).

Lloyds Pharmacy Ltd, Coventry/Great Britain, and AAH Pharmaceuticals Ltd, Coventry/Great Britain, sold receivables of approximately £100 million under a non-recourse discounting agreement. The volume of the contract, which runs until December 2004 is £100 million (about € 161 million).

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

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

	31.12.1999	31.12.1998
	€ '000	€ '000
Trade debtors	18,568	21,082
Other assets	<u>25,890</u>	<u>21,125</u>
	44,458	42,207

(7) Bank and Cash Balances

	31.12.1999	31.12.1998
	€ '000	€ '000
Cash in hand, Bundesbank accounts	1,253	1,077
Bank balances	<u>10,081</u>	<u>4,236</u>
	11,334	5,313

Notes to the Balance Sheet

(8) Prepaid Expenses

	31.12.1999	31.12.1998
	€ '000	€ '000
Deferred taxes	4,123	3,637
Other	31,517	27,260
	35,640	30,897

Prepaid expenses include deferred taxes of € 4,123,000. This is made up of deferred tax assets (€ 26,335,000) and deferred tax liabilities (€ 22,212,000).

The deferred tax assets arise due to consolidation adjustments and to adjustments made to the financial statements of subsidiaries in order to conform with the accounting policies applied by GEHE AG.

The deferred tax liabilities relate to the financial statements of GEHE AG and GEHE Pharma Handel GmbH. They arise out of the utilisation of tax losses of three unincorporated group entities for special depreciation of business premises in the new Federal Länder and at GEHE UK.

Other prepaid expenses also include rent payments in advance of € 11,986,000. This is common practice in the United Kingdom.

(9) Issued Capital

The issued capital and capital reserves relate to GEHE AG.

In compliance with the resolution passed at the Annual General Meeting on 2 June 1999, the share capital was converted to Euros and to individual shares, and increased from company funds in accordance with §§ 207 ff. Companies Act (Aktiengesetz) by € 258,000 to € 186,624,000. The share capital is subdivided into 72,900,000 individual shares (shares with no par value), each made out to the bearer.

Authorised capital of € 37,325,000 is available until 3 June 2004.

(10) Revenue Reserves

The revenue reserves shown on the consolidated balance sheet include the 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 (reserves set up in the individual company financial statements to comply with tax regulations but reallocated on consolidation).

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

	31.12.1999	31.12.1998
	€ '000	€ '000
Revenue reserves (gross)	706,666	578,856
Goodwill set-off (accumulated)	<u>(577,980)</u>	<u>(456,182)</u>
	128,686	122,674

(11) Consolidated Retained Earnings

€ 48,455,000 was paid out as dividends from previous year's consolidated retained earnings of € 154,905,000 for the financial year 1998. The remaining consolidated retained earnings were transferred to the revenue reserves. The consolidated earnings on 31.12.1999 correspond to the net profit for the year excluding minority interest in profit.

(12) Minority Interests

	31.12.1999	31.12.1998
	€ '000	€ '000
Share of capital and reserves	3,652	8,017
Share of retained earnings	<u>1,310</u>	<u>858</u>
	4,962	8,875

The decrease in minority interests relates mainly to the spin-off of the Mail Order Division and the purchase of further shares by GEHE AG in OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) SA, Saint-Ouen/France.

Notes to the Balance Sheet

(13) Provisions for Pensions and Similar Obligations

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 current mortality tables of Dr Heubeck. The calculations are made at the full value for taxation purposes.

(14) Other Provisions

	31.12.1999	31.12.1998
	€ '000	€ '000
Provision for taxes	45,072	35,282
Other provisions	236,297	273,581
	281,369	308,863

The increase in provisions for taxes is due to the spin-off of the Mail Order Division and the disposal of the Healthcare Services Division.

The tax provisions do not include deferred taxes, as the consolidated total of deferred tax assets and liabilities has been included under prepaid expenses (see note 8).

As in the previous year, the decrease in other provisions is primarily due to the use of restructuring provisions in Great Britain. The spin-off of the Mail Order Division and the disposal of the Healthcare Services Division have also contributed to the reduction.

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

Liabilities	Total	falling due			Total
	31.12.1999	within 1 year	between 1 to 5 years	after 5 years	31.12.1998
	€ '000	€ '000	€ '000	€ '000	€ '000
Liabilities to banks	971,984	231,817	6,771	733,396	1,083,982
Payments received on account of orders	26,423	26,423	0	0	26,495
Trade creditors	1,518,772	1,518,772	0	0	1,116,999
Liabilities on bills accepted and drawn	168,162	168,162	0	0	249,046
Liabilities to affiliated companies	0	0	0	0	7,583
Liabilities to associated companies	5,973	5,973	0	0	5,407
Other liabilities	145,071	113,652	31,419	0	115,704
thereof tax	[4,825]	[4,825]	[0]	[0]	[11,130]
thereof social security payments	[27,169]	[27,169]	[0]	[0]	[25,922]
	2,836,385	2,064,799	38,190	733,396	2,605,216

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

Liabilities to affiliated companies relate to the majority shareholder and to its subsidiaries which do not fall within the consolidation scope of GEHE.

Notes to the Balance Sheet

Contingent Liabilities	31.12.1999	31.12.1998
	€ '000	€ '000
Bills of exchange	4,666	4,140
Guarantees	190,486	157,643
Warranties	124,500	129,278
	319,652	291,061

The contingent liabilities due to guarantees relate mainly to guarantees given by Statim Finance Ltd of Coventry/Great Britain which belongs to the AAH Group.

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

Other Financial Commitments	31.12.1999	31.12.1998
	€ '000	€ '000
Rent and lease contracts due		
within 1 year	26,654	81,060
between 2 and 5 years	157,790	288,255
after 6 years	752,691	536,500
	937,135	905,815
Acquisition of Herba Chemosan Apotheker-AG	128,970	0
Commitments for capital expenditure	3,075	2,893
	1,069,180	908,708

The commitments under rental and leasing contracts mainly concern the Wholesale Division – the GEHE Group (about € 187 million), the AAH Group (about € 221 million) and the OCP Group (about € 59 million), as well as the Retail Division (about € 449 million).

The commitment from the acquisition of Herba Chemosan Apotheker-AG arises from 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	
	31.12.1999 €m	31.12.1998 € m	31.12.1999 € m	31.12.1998 € m
Interest-based derivatives	763,0	1,280,8	(7,8)	(24,4)
Currency-based derivatives	25,3	84,7	(0,4)	(0,3)
	788,3	1,365,5	(8,2)	(24,7)

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 swap, 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 at GEHE is subject to a range of controls. These include the separation of the trading, processing and bookkeeping functions, restriction to a small number of reputable banks and the authorisation of only a small number of qualified staff to carry out these transactions.

Information on Segmental Reporting

For the first time, the GEHE consolidated financial statements at 31 December 1999 include segmental reporting. The layout of the segmental reporting follows that of the design provided by the Deutscher Standardisierungsrat (German Standardisation Board, DRS) under the title of "German Accounting Standard No. 3 (E-DRS 3)".

The segmentation is based on the internal organisational and accounting structures of GEHE.

Segmentation by Business Activity	Wholesale		Retail		Other		Group	
	1999	1998	1999	1998	1999	1998	1999	1998
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Profit and Loss Account								
Turnover	12,143,604	11,052,597	1,458,037	1,181,084	321,409	732,905	13,923,050	12,966,586
Results from associated companies	3	158	0	0	6,122	3,041	6,125	3,199
EBITDA	285,199	270,403	107,314	87,919	31,021	81,070	423,534	439,392
Depreciation and amortisation	53,478	53,626	20,090	9,151	5,947	35,228	79,515	98,005
Net interest income	(32,794)	(40,076)	(56,148)	(56,164)	5,862	6,969	(83,080)	(89,271)
Profit from ordinary activities	198,927	176,701	31,076	22,604	30,936	52,811	260,939	252,116
Taxes on income and profit from ordinary activities	82,821	75,345	8,944	7,122	5,469	13,885	97,234	96,352
Profit from ordinary activities after taxes	116,106	101,356	22,132	15,482	25,467	38,926	163,705	155,764
Extraordinary result	0	0	0	0	383,072	0	383,072	0
Taxes on income and profit from extraordinary result	0	0	0	0	81,816	0	81,816	0
Spin-off of Mail Order Division	0	0	0	0	(281,211)	0	(281,211)	0
Net profit for the year	116,106	101,356	22,132	15,482	45,512	38,926	183,750	155,764
Assets, liabilities and investments								
Segment assets	3,078,609	2,917,835	1,113,461	923,104	160,479	273,633	4,352,549	4,114,572
Segment liabilities	2,131,494	1,863,574	648,283	622,961	56,608	118,681	2,836,385	2,605,216
Shareholdings in associated companies	0	0	0	0	34,237	28,115	34,237	28,115
Investments	76,505	79,115	186,815	36,108	7,846	92,295	271,166	207,518
Employees								
Employees (annual average)	11,752	11,520	8,844	8,394	926	3,144	21,522	23,058
Employees on 31.12.1999	12,033	11,445	8,951	8,381	64	3,207	21,048	23,033

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 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 1999, the Other segment includes mainly the activities of the holding company GEHE AG and non-operational companies, as well as the activities during the first half of 1999 of the Mail Order Division, which was spun-off with effect from 1 July 1999. It also contains consolidation measures taking effect between the segments.

The Other segment for the financial year 1998 also includes the results of the Healthcare Services Division and of the Mail Order Division for the whole financial year.

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

Segmentation by Region	Germany		France		Great Britain		Other countries		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
External sales by customer location	3,041,926	3,007,514	5,634,099	5,357,272	4,011,935	3,682,825	1,235,090	918,975	13,923,050	12,966,586
Investment in long-term assets	24,440	29,945	13,768	43,228	158,003	62,489	74,955	71,856	271,166	207,518

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

	1999	1998
	€ '000	€ '000
Profit on disposal of fixed assets	3,807	10,791
Release of provisions	15,185	18,995
Adjustment of general bad debt reserve	0	148
Other	82,170	79,624
	101,162	109,558

The other income mainly comprises contributions to advertising expenses, income from seminars and congresses and from lettings and services in the field of data processing and information technology.

(18) Personnel Expenses

	1999	1998
	€ '000	€ '000
Wages and salaries	514,376	520,714
Social insurance costs	97,373	104,731
Pension costs	13,019	12,394
	624,768	637,839

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

(19) Amortisation und Depreciation

	1999	1998
	€ '000	€ '000
Amortisation of intangible assets	16,064	29,041
Depreciation of tangible assets	63,451	68,964
	79,515	98,005

Notes to the Profit and Loss Account

(20) Other Operating Expenses

	1999	1998
	€ '000	€ '000
Freight charges	60,019	58,707
Rent	71,873	77,723
Advertising costs	53,048	72,886
Depreciation and adjustments on current assets	9,799	12,367
Loss on disposal of fixed assets	1,935	1,174
Trade capital tax	4,572	5,328
Other taxes	21,023	18,090
Other	250,863	251,447
	473,132	497,722

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

(21) Net Financial Result

	1999	1998
	€ '000	€ '000
Income from long-term loans	157	197
Other interest and similar income	15,848	11,741
thereof from affiliated companies	[2,156]	[31]
Results of associated companies	6,125	3,199
Income from other shareholdings	825	271
Depreciation on financial assets	(15)	(305)
Interest and similar charges	(99,071)	(100,903)
thereof affiliated companies	[(234)]	[(1,083)]
	(76,131)	(85,800)

(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 corporation tax rate, calculated on the profit from ordinary activities is 37.3 % (previous year: 38.2 %).

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

Total Tax Expense	1999	1998
	€ '000	€ '000
Taxes on income and profit		
from ordinary activities	97,234	96,352
thereof trade income tax charge		
from Franz Haniel & Cie, GmbH	[30,720]	[12,749]
Trade capital tax	4,572	5,328
Other taxes	21,023	18,090
	122,829	119,770
Taxes on income and profit		
from extraordinary results	81,816	0
	204,645	119,770

The major components of the other taxes are real estate tax, vehicle tax and tax on turnover.

Trade capital tax and the other taxes are shown under "Other Operating Expenses" (see note 20).

Notes to the Profit and Loss Account

(23) Extraordinary Result

The extraordinary result arises from the hidden reserves disclosed on the spin-off the Mail Order Division, from the sale of the Healthcare Services Division and the reimbursement of tax levied on trade.

During the preparations for its spin-off, the Mail Order Division was reorganised. In the process, hidden reserves of € 336,503,000 were disclosed. The tax burden on this amounted to € 55,292,000.

The sale of the Healthcare Services Division produced an extraordinary result of € 16,914,000 and a tax burden of € 13,620,000.

GEHE is linked into the fiscal unit of Franz Haniel & Cie. GmbH, Duisburg, for trade tax purposes, and benefits from tax advantages within the Haniel Group. In accordance with a judgement by the Federal Supreme Court (Bundesgerichtshof), the single-entity tax contribution agreement was examined and adjusted, following which GEHE received a trade tax refund of € 29,655,000 for the years prior to 1996 from Franz Haniel & Cie. GmbH. A tax cost of € 12,904,000 resulted from this refund.

(24) Spin-Off of Mail Order Division

The earnings after tax resulting from the disclosure of hidden reserves of € 281,211,000 from the Mail Order Division, were spun-off on 1 July 1999 to TAKKT AG, Stuttgart/Germany.

Other Information

Remuneration of Members of the Supervisory and Management Boards

The total remuneration of the members of the Supervisory Board amounted to € 527,653, while for the members of the Management Board the remuneration amounted to € 4,642,872.

Former members of the Management Board and their surviving dependants received € 218,130. The provision for pension liabilities to former members of the Management Board and their surviving dependants amounted to €2,427,994.

Profit Appropriation as Proposed by the Management Board

GEHE has consolidated net profit of € 183,750,000 for the year.

The Management Board proposes that the entire GEHE AG net profit of € 56,133,000 be distributed as dividends for the 1999 financial year.

On the basis of this proposal, a dividend of € 0.70 plus a special dividend of € 0.07 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 special dividend and the tax credit, the dividend amounts to €1.10 per individual share.

Stuttgart, 3 March 2000

The Management Board

Members of the Supervisory Board and the Management Board

Supervisory Board

Dr Dieter Schadt Duisburg-Ruhrort/Germany Chairman	Chief Executive Officer of the Management Board of Franz Haniel & Cie. GmbH	Member of the Supervisory Board or other comparable control committee of TAKKT AG, Stuttgart/Germany (Chairman) Bankgesellschaft Berlin AG, Berlin/Germany ESSO Deutschland GmbH, Hamburg/Germany OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) SA, Saint-Ouen/France
Friedrich Taake Minden/Germany Deputy Chairman	Commercial employee of GEHE Pharma Handel GmbH	
Prof Dr med Julius Michael Curtius Weimar/Germany	Chief Medical Officer	
Ilno Goldenstein Delmenhorst/Germany	Employee in Receiving Department of GEHE Pharma Handel GmbH	
Günther Hülse Duisburg-Ruhrort/Germany	Member of Management Board of Franz Haniel & Cie. GmbH	Member of Supervisory Board or other comparable control committee of Dr. Rentschler Geschäftsführungsgesellschaft mbH, Laupheim/Germany G. Konzmann GmbH & Co., Leinfelden-Echterdingen/ Germany
Roland Jodin Lindlar/Germany (until 31 December 1999)	Employee in Human Resources Department at Pro Reha Handelsgesellschaft für Kranken- pflegeartikel und Rehabilitations- hilfen mbH & Co. KG	
Jörg Lauenroth-Mago Magdeburg/Germany	Trade Union Secretary	Member of Supervisory Board of GEHE Pharma Handel GmbH, Stuttgart/Germany Franz Haniel & Cie. GmbH, Duisburg-Ruhrort/Germany
Hans-Martin Poschmann Düsseldorf/Germany	Trade Union Secretary	Member of Supervisory Board of GEHE Pharma Handel GmbH, Stuttgart/Germany
Jürgen Puff Stuttgart/Germany	Organisations Director at GEHE Pharma Handel GmbH	
Dr Ilno Schneevoigt Munich/Germany	Member of Management Board of Allianz Versicherungs AG, Munich/ Germany Member of Management Board of Allianz Lebensversicherungs AG, Stuttgart/Germany	Member of Supervisory Board or other comparable control committee of Allianz Gesellschaft für Informatik Service mbH, Munich/Germany Dr. Dr. Heissmann GmbH, Wiesbaden/Germany
Prof Dr Theo Siegert Duisburg-Ruhrort/Germany	Member of Management Board of Franz Haniel & Cie. GmbH	Member of Supervisory Board or other comparable control committee of OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) SA, Saint-Ouen/France
Prof Dr Erich Zahn Stuttgart/Germany	Professor of Business Studies at the University of Stuttgart	Member of Supervisory Board or other comparable control committee of Karl Otto Braun KG, Wolfstein/Germany

Management Board

Dr Fritz Oesterle,
Stuttgart/Germany
Chief Executive Officer

Member of Management Board of GEHE UK PLC, Coventry/ Great Britain
Member of the Board of Directors of IFPW (International Federation of Pharmaceutical Wholesalers, Inc.), Fairfax, Virginia/USA

Member of Supervisory Board or other comparable control committee of
GEHE Pharma Handel GmbH, Stuttgart/Germany (Chairman)
OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) SA, Saint-Ouen/France
Untertürkheimer Volksbank e.G., Stuttgart/Germany
Dino entertainment AG, Stuttgart/Germany (Chairman)
GEHE Italia S.R.L., Bologna/Italy

Jacques Ambonville
Saint-Ouen/France

Chief Executive Officer of Management Board of OFFICE COMMERCIAL PHARMACEUTIQUE (OCP) SA, Saint-Ouen/France
Chief Executive Officer of Management Board of OCP REPARTITION SAS, Saint-Ouen/France

Member of Supervisory Board or other comparable control committee of
OCP FRANCE REPARTITION SA, Saint-Ouen/France (Chairman)
OCP PORTUGAL SA, Porto/Portugal (Chairman)
PHARMA DOM SA, Paris/France – until 13 September 1999 (Chairman)
CENTRALE D'ADMINISTRATION DE BIENS IMMOBILIERS CABI SA, Saint-Ouen/France
DEPOTS GENERAUX SA, Aulnay-sous-Bois/France
OCP PARTICIPATIONS SA, Saint-Ouen/France
PHARMA PARTNERS BVBA SPRL, Ostende/Belgium
PHARMATEL SA, Marseilles/France
TREDIMED SA, Saint-Ouen/France
COMPTOIR PHARMACEUTIQUE MEDITERRANEEN (CPM) SA, Monaco

Stefan Meister
Stuttgart/Germany

Member of Management Board of GEHE Pharma Handel GmbH, Stuttgart/Germany
Member of Management Board of GEHE UK PLC, Coventry/ Great Britain

Supervisory Board or other comparable control committee of AFM S.p.A., Bologna/Italy
GEHE Italia S.R.L., Bologna/Italy
Member of the Börsenrat Baden-Württembergische Wertpapierbörse, Stuttgart/Germany

Jürgen Ossenberg-Engels
Stuttgart/Germany

Managing Director of GEHE Pharma Handel GmbH, Stuttgart/Germany
Member of Management Board of GEHE UK PLC, Coventry/ Great Britain

Michael Ward
Coventry/Great Britain

Chief Executive Officer of GEHE UK PLC, Coventry/Great Britain

Member of Supervisory Board or other comparable control committee of
AFM S.p.A., Bologna/Italy
GEHE Italia S.R.L., Bologna/Italy

Andreas Zimmer
Stuttgart/Germany

Audit Opinion

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 the GEHE AG for the business year from 1 January 1999 until 31 December 1999. The drawing up of the consolidated financial statements and of the Management Report for the GEHE Group 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 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). 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 bookkeeping, and in the Management Report for the GEHE Group, 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 company, 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 for the GEHE Group 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 for the GEHE Group. We are of the opinion that our audit provides a sufficiently safe basis for our assessment.

Our audit has not led to any objections.

We are convinced that the consolidated financial statements which comply to the principles of proper accounting give a true and fair view of the assets, the financial situation and profits of the company. The combined Management Report presents an accurate representation of the company's situation and the risks entailed in its future development.

Munich/Stuttgart, 3 March 2000
PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Eisold)
Auditor

(Küpfer)
Auditor



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Current information on GEHE and companies in the GEHE Group can be found on the GEHE web site www.gehe.de under "Your contact point with us".

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General Information

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

The accounts of GEHE AG and the Management Report for 1999 will be published in the
"Bundesanzeiger" and filed in the commercial register at the Stuttgart District Court.

Investors' Calendar 2000

Press conference, 12 April 2000

Letter to shareholders, 4th quarterly report 1999, CW15

Analysts' conference, 13/14 April 2000

Roadshow, April/May 2000

Annual General Meeting, 31 May 2000

Dividend payment, 2 June 2000

Roadshow: September/October 2000

Letter to shareholders, 1st quarterly report 2000, CW19/20

Letter to shareholders, 2nd quarterly report 2000, CW32/33

Letter to shareholders, 3rd quarterly report 2000, CW45/46

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