Value through Innovation

Annual Report 2003

Boehringer Ingelheim

Financial Highlights

Boehringer Ingelheim Corporation

Amounts in millions of EUR, unless otherwise indicated	2003	2002	Change
Net sales	**7,382**	**7,580**	**–3 %**
by region			
Europe	33 %	30 %	
Americas	46 %	48 %	
Asia, Australasia, Africa	21 %	22 %	
by business area			
Human Pharmaceuticals	96 %	96 %	
Animal Health	4 %	4 %	
Research and development	**1,176**	**1,304**	**–10 %**
Personnel costs	2,252	2,175	4 %
Average number of employees*	34,221	31,843	7 %
Net income	529	537	–1 %
Return on sales	7.2 %	7.1 %	
Equity	3,846	3,533	9 %
Return on equity	15.0 %	16.0 %	
Cash flow	1,059	1,049	1 %
Investments in tangible assets	516	634	–19 %
Depreciation of tangible assets	354	340	4 %

*including the total number of employees
in joint ventures included in the consolidation

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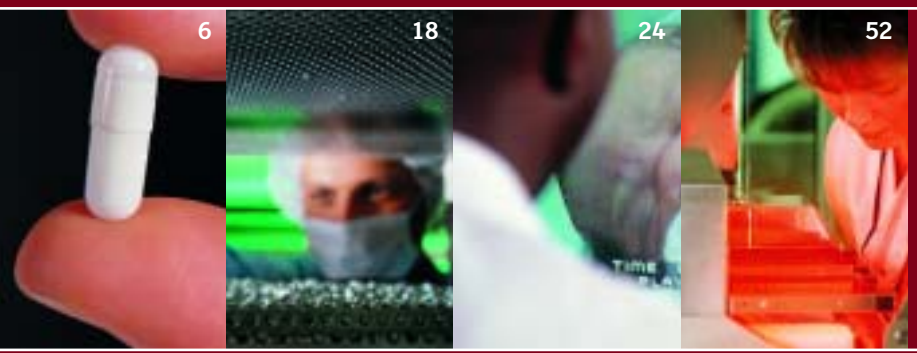


Our Corporation

Boehringer Ingelheim is a research-driven corporation dedicated to researching, developing, manufacturing and marketing pharmaceuticals that improve health and quality of life.

Our business consists of Prescription Medicines, Consumer Health Care and Animal Health. We focus on the production of innovative drugs and treatments that represent major therapeutic advances.

Excellence in innovation and technology guides our actions in all areas. Our products have long been highly successful in the treatment of respiratory, cardiovascular, central nervous system, urological and virological disorders. In addition to offering valuable treatments for cancer and AIDS, we have intensified our research into the immune system, viral disease and cancer.

Our Corporation, which currently has more than 34,000 employees, has 152 affiliated companies spread around the globe. We have research facilities in nine countries and production plants in more than 20. Our pharmaceuticals research and development spending corresponds to about a fifth of net sales in Prescription Medicines.

Our headquarters is at Ingelheim, the German town where the company was founded in 1885.

Value through Innovation

Our vision drives us forward. It helps us to foster value creation through innovation throughout our company and to look to the future with constantly renewed commitment and ambition.

Foreword

Boehringer Ingelheim has over the past decade succeeded as an independent company in attaining a place among the top 20 groups in our industry. We have achieved above-market growth for a number of years. And in the last business year, 2003, we maintained our position well in a difficult business environment, although we were not able to fulfil all our plans. The strength of the euro above all, alongside cost containment measures in many countries, left their mark on our results. The results were also burdened by a number of expenditures that we quite deliberately undertook to extend our competitive edge. This applies particularly to our major products, such as SPIRIVA® and MICARDIS®, but also concerns market preparations for new product launches which we wish to make in 2004 and 2005.

Equally our distinct corporate culture contributed to an altogether thoroughly satisfactory business year. As an independent, family-owned company we can plan long-term and are not exposed to dictates from outside the company, especially the capital markets. Boehringer Ingelheim has nevertheless adopted the rules that apply to large, listed companies. This does not only concern accounting practices, but our efforts to ensure openness and transparency too. We are convinced that the only companies that will enjoy long-term success are those which engage in dialogue with their customers, the public and their employees. Transparency and responsible behaviour are prerequisites for securing confidence in a company and its products. This is especially the case with respect to companies in the pharmaceutical industry whose products affect people's greatest possession, their health. Openness and good judgement have been, and remain, constants in the success of our company. We will continue to build on this in the future too.

We are assuming that our business situation will only change very little in 2004. Anticipated improvement in economic growth in major countries will only have a modest impact on our industry due to what we regard as increasing distortions in the social welfare systems in these countries and associated intervention in price formation and competition. In many countries mandatory price reductions imposed by the state and the promotion of parallel imports by law, create difficulties for innovative companies like Boehringer Ingelheim which spend heavily on research and development in order to achieve progress in medicines. All this intervention is not only an obstacle to improved treatments for patients. It is also having an increasingly detrimental effect on the necessary substance of an innovative industry.

A focus of our investment has in the past years been Europe. In the last five years, more than EUR 1 billion was invested in Germany alone. One of the highlights in 2003 was the inauguration of our new biopharmaceutical production plant in Biberach. With this event, representing

the largest single investment in the company's history, exceeding EUR 255 million, we further extended our international lead in biopharmaceutical development and manufacture of medicines. Related to this investment, and growth in our businesses, the number of employees rose markedly from 26,500 in 1999 to more than 34,000 in 2003. In the past business year alone, some 2,500 new jobs were added. For the future, we expect our investment activities to put greater emphasis on America.

We attach strong preference to Boehringer Ingelheim achieving an increasing share of turnover with patent-protected products. Our product pipeline and promising cooperations, for example, with Pfizer for our major pulmonary product SPIRIVA®, or with Eli Lilly for joint commercialization of the substance duloxetine for treating depression and stress urinary incontinence, contribute to company growth that is both well planned and dynamic. On the other hand, expenditure that we have to incur in conjunction with launches of new products will have a short-term impact on our results. Nevertheless, we expect that, as in 2003, we will again succeed in further increasing the value of the company. Boehringer Ingelheim is well-equipped and possesses sustainable potential that allows us, as an independent and successful company to perform well in a market experiencing ongoing consolidation.

Boehringer Ingelheim's Shareholders actively followed the company's development in 2003. The Shareholders' Committee and Board of Managing Directors, jointly with the Advisory Board, have in close coordination discussed and reached important decisions for the Corporation. This primarily addressed the strategic direction of the company and key decisions concerning cooperations and investments. Once again last year, the Advisory Board monitored the development of the company and made important recommendations and suggestions.

The Shareholders of Boehringer Ingelheim thank all employees, the Board of Managing Directors and the Advisory Board for their successful work in the last business year. To these thanks we add the hope that the company's growth path will again in 2004 continue within the framework expected. The course for a successful future has been set.

Dr Heribert Johann
Chairman of the Shareholders' Committee

Corporate Bodies

Shareholders' Committee

Dr Heribert Johann
Chairman
of the Shareholders' Committee

Albert Boehringer

Christian Boehringer

Christoph Boehringer

Ferdinand von Baumbach

Hubertus von Baumbach

Dr Mathias Boehringer

Advisory Board

Prof. Michael Hoffmann-Becking
Attorney at Law, Düsseldorf
Chairman of the Advisory Board

Dr Rolf-E. Breuer
Chairman of the Supervisory Board
Deutsche Bank AG,
Frankfurt (Main)

Prof. Harald Goebell
Emeritus Director
of the Dept. of Gastroenterology
of the Med. and Outpatients' Centre
of the Teaching Hospital, Essen
(until 31. 12. 2003)

Prof. Fredmund Malik
Chairman of the Board
Managementzentrum
St. Gallen Holding AG

Prof. Axel Ullrich
Director of the Max Planck Institute
for Biochemistry, Martinsried
(from 1. 1. 2004)

Dr Heinrich Weiss
Chairman of the Board
SMS AG, Düsseldorf

Prof. Marbod Muff | Dr Andreas Barner | Dr Alessandro Banchi | Dr Hans-Jürgen Leuchs

Board of Managing Directors

Prof. Rolf Krebs
Corporate Board Division
Chairman of the Board
(until 31.12.2003)

Dr Alessandro Banchi
Corporate Board Division
Chairman of the Board
(from 1.1.2004)
Corporate Board Division
Pharma Marketing
and Sales

Dr Andreas Barner
Vice-Chairman of the Board
(from 1.1.2004)
Corporate Board Division
Pharma Research,
Development and Medicine

Dr Hans-Jürgen Leuchs
Corporate Board Division
Operations
Corporate Board Division
Animal Health

Prof. Marbod Muff
Corporate Board Division
Finance
Corporate Board Division
Human Resources

Value through Innovation

Innovation has been a key driver of our business since the company was founded in 1885. A decade ago we formalized Value through Innovation as the overriding aim of the Boehringer Ingelheim corporate vision which helped propel our continuous success as one of the globally operating pharmaceutical companies. And it is the adoption of Value through Innovation by all our primary stakeholders which has created the virtuous circle that has powered our achievements so far and will ensure our continued success.

Harmony a prerequisite

In our fiercely competitive industry, harmony between the ambitions of the patients who benefit from our innovative products, our employees and our shareholders is a prerequisite for achieving the sustained financial performance that allows us to maintain our chosen focus on innovative drugs and treatments representing major therapeutic advances. And the combined efforts of these stakeholder groups constantly reinforce our original drive to innovate.

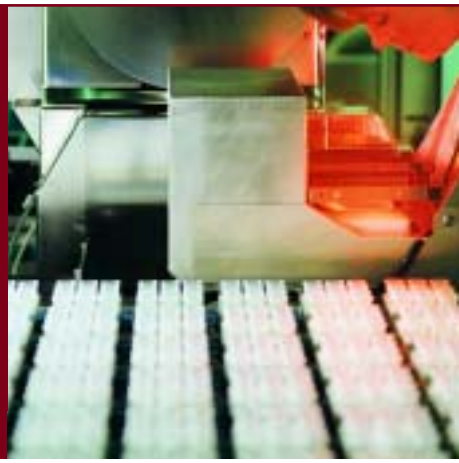
An important advantage we enjoy in our pursuit of enduring innovation is our ownership structure that frees our Corporation from the short-term pressure of the stock market and enables us to give priority to the long-term perspective of our performance.

Our innovative capability decisive

Our innovative capability is decisive to ensuring financial success that allows us to continue to research and develop new medicines, which deliver value to mankind and society, to meet the expectations of our large workforce spread around the globe, to safeguard our facilities, to protect the environment, foster social and economic well-being in the communities in which we operate, and to provide our shareholders with a proper return on their capital.

The merits of our virtuous circle are evident. We have potential blockbusters in our product portfolio that confirm our innovative strengths, such as SPIRIVA®, discovered and developed in our own laboratories for the treatment of chronic obstructive pulmonary disease (COPD). MICARDIS®, the hypertension treatment that we developed, is now undergoing the largest-ever clinical trial, the ONTARGET™ Trial Programme, for cardiovascular event prevention. PRoFESS®, the largest-ever secondary stroke prevention trial, will include a total of 15,500 patients in more than 20 countries and aims to show the potential of AGGRENOX® and MICARDIS®. Tipranavir, an HIV treatment we are developing, targets drug-resistant strains of the virus, which is now the most critical point in chronic treatment.

The exponentially increasing amount of data generated by different R&D disciplines has required a paradigm shift from pure data collection to data integration, analysis and interpretation. In our constant search for compounds of therapeutic potential, high throughput screening and related technologies play a decisive role. These allow our researchers to rapidly narrow down hundreds of thousands of data points generated by an ultra-high throughput screening campaign to a few thousand interesting compounds.



Innovation is our challenge and we seek to create Value through Innovation throughout our company. This is achieved by stimulating our employees' and managers' creativity, capability, commitment and willingness to learn and change. Expanding and developing the knowledge pool of our workforce, our greatest asset, continues relentlessly.

Patient needs changing constantly

To provide outstanding new treatments for patients requires us to be innovative in everything we do, challenge accepted wisdoms and constantly strive to find new ways of delivering greater value to all our customers. Medical advances and patient needs are changing constantly, making innovation in pharmaceuticals essential.

All our employees are therefore encouraged to address their tasks innovatively and to seek to deliver innovation. We do not only want quantum leaps, but also foster a mindset that produces constant improvement and sustained innovation. We motivate our employees by being a good employer, as testified by numerous independent surveys. We strive to create a working environment where our employees can feel free to express themselves, to contribute to the development of the Corporation and to take ownership of the strategy and the business processes. We try hard to enhance their competence, self-confidence, flexibility and mobility, and reward them consistently, adding value to their professional lives.

Our motivated and empowered employees are thus enabled to produce the Value through Innovation for our shareholders, who have for well over a century invested and reinvested in the company. To maintain their long-term commitment for a second century, the value of our Corporation must naturally grow and prosper. A solid financial performance of the Corporation, based on a track record as innovators, completes indeed our virtuous circle and permits our enterprise to continue to pursue its fundamental objective of improving health and the quality of life, adding value for mankind and society.

Group Management Report 2003

The year 2003 was a successful and challenge-filled year for Boehringer Ingelheim. Despite the unfavourable macroeconomic environment and the increasingly difficult health policy setting, we maintained our position well. With a growth rate of some 3.5 percentage points above market growth, we further extended our position on the international pharmaceuticals market. All in all, we look back with satisfaction at our performance and results in 2003.

Overview

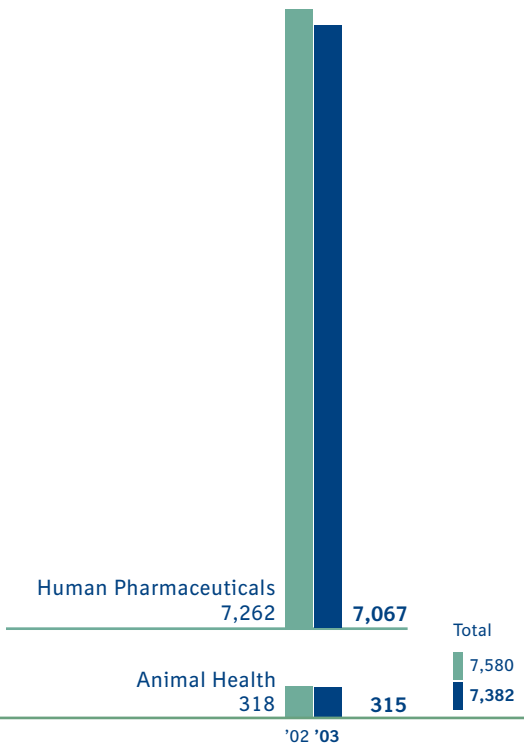
In 2003, Boehringer Ingelheim generated net sales of EUR 7.4 billion. The slight decrease compared to the previous year (2002: EUR 7.6 billion) is attributable to exchange rate movements. In the markets we continued the growth path we have been following so far. Altogether, we have performed well above average and increased our market share.

In order to be able to successfully maintain our growth path in the future, considerable efforts in the areas of Research, Development, Medicine and Marketing were again undertaken in 2003. At the same time, investments in fixed assets amounted to EUR 516 million.

At EUR 901 million, the operating profit met our expectations for 2003, but saw a decrease compared to the previous year (2002: EUR 1,082 million). The net profit of EUR 537 million generated in the financial year 2003 is at the level of the previous year (2002: EUR 551 million).

The outstanding performance of our currently most important, newly launched product, SPIRIVA®, indicates that we will also be able to improve our competitive position in the future.

Sales by businesses 2003
in millions of EUR



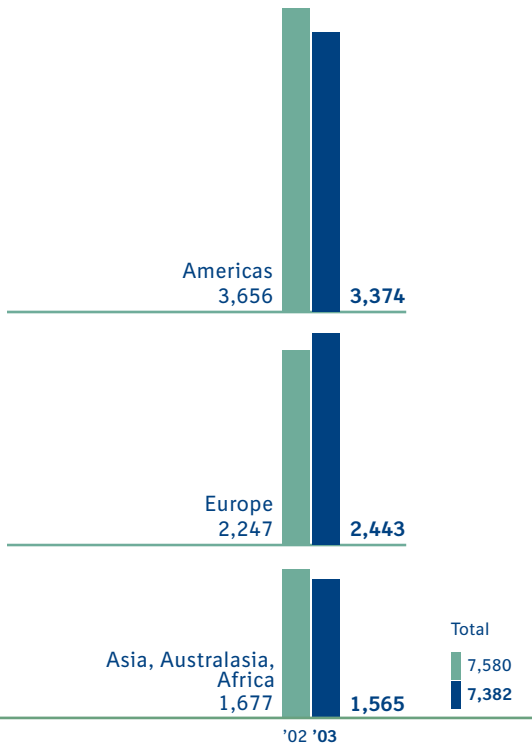
Further factors contributing to our sustained growth path are the cooperation with Eli Lilly regarding the marketing of its active substance duloxetine and our current product portfolio, with a whole range of new medicines. In addition, considerable progress with our most important substances under development, such as in AIDS research, as well as the altogether pleasing progress of our clinical trials, give us reason to be optimistic about the future.

Results from operations

In the financial year 2003, the Boehringer Ingelheim group of companies achieved net sales of EUR 7,382 million. Compared to the previous financial year, net sales declined by EUR 198 million (-2.6 %).

The increasing strength of the euro, particularly against the US dollar and the Japanese yen, resulted in a conversion-related drop in net sales in the order of EUR 800 million. The effects arising from the streamlining of our product range were of secondary importance for sales development.

Sales by region 2003
in millions of EUR



Discounting the currency effect, net sales showed an increase of 8 %. This above-average growth results from the sustained development of our existing product range and the success of our newly launched products. Market analyses by independent observers confirm that, as in previous years, we again achieved our goal – to grow faster than the world pharmaceuticals market.

Boehringer Ingelheim's activities are focused on two businesses, Human Pharmaceuticals and Animal Health. Net sales in Human Pharmaceuticals, with its segments Prescription Medicines, Consumer Health Care and the activities grouped under Industrial Customer Business, amounted to a total of EUR 7,067 million in the financial year 2003. Consequently, net sales decreased by EUR 195 million, or 2.7 %, compared to the previous year.

With a 96 % share in net sales, our Human Pharmaceuticals business remains of great importance to the Corporation. At EUR 315 million, net sales in our Animal Health business achieved the previous year's level (2002: EUR 318 million). The 1 % decrease in net sales compared to 2002 is primarily attributable to the strength of the euro. Discounting the currency effect, net sales by our Animal Health business were 8 % higher, a marked increase compared to the previous year. This above-average development is all the more pleasing, given that the overall market for Animal Health products is only growing very modestly.

Within the Human Pharmaceuticals business, the segment Prescription Medicines achieved net sales of EUR 5,533 million, which corresponds to a decline of EUR 137 million, or 2 %. The impact of foreign exchange rates – in this segment we show a conversion–related drop of 11 % in net sales – thereby masks our substantial successes in local markets. With net sales growth of 9 % our

Components of growth in net sales (in %)	2003	2002	2001	2000	1999
Price/quantity/new introductions	7.8	10.1	8.9	10.6	10.4
Acquisition and sale of businesses	–0.2	7.1	–0.7	0.0	–0.7
Currency effect	–10.2	–4.0	0.0	11.1	4.0

range of prescribed medicines sustained the successful growth path of the last few years. Our medications FLOMAX®, MOBIC® and MICARDIS®, which each showed growth rates well into double digits, made a particular contribution to our overall success in regional markets. The development of SPIRIVA®, our newly launched product for the treatment of chronic obstructive pulmonary disease (COPD), was especially pleasing, given net sales of almost EUR 240 million which exceeded our high expectations.

In our Consumer Health Care (CHC) segment we achieved net sales of EUR 964 million. This corresponds to a 8 % decrease in turnover compared to the previous year, which is also due to the foreign exchange markets. Discounting the foreign exchange effect shows that our CHC segment achieved 1 % growth in net sales in the market and, overall, maintained its position in a difficult environment.

In the North and South American markets net sales corresponded to previous year's level. The decline in the USA was almost offset by increased net sales, mainly in Brazil, Argentina and Venezuela. This altogether favourable development in South America is all the more remarkable, given the generally difficult economic situation in individual countries.

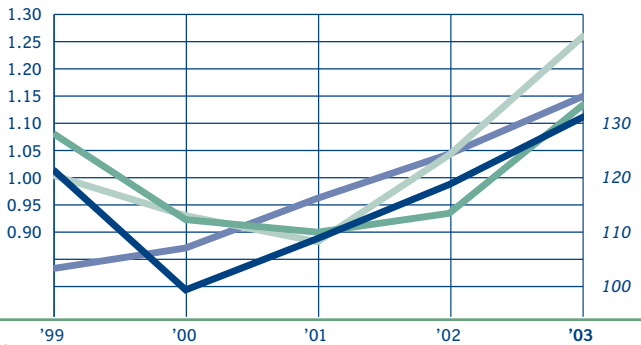
Despite cyclical caution among purchasers, we succeeded in expanding net sales in Europe. Our major European country markets – Germany, Italy and Spain – together achieved growth of 7 %. Against the background of a difficult European market for CHC products, this was an especially pleasing achievement.
Particularly noteworthy is the development of our CHC brands in Germany, our largest market, in which, with growth of 4 %, we succeeded in increasing our market share despite an overall recessive market.

In the Asia, Australasia, Africa (AAA) region, the Japan-focused CHC business showed an overall decline in net sales in the order of 7 %. This fall was mainly caused by the persistent weakness of the Japanese yen against the euro. Discounting the exchange rate effect, our losses on the Japanese market were to a large extent offset by gains in the other AAA countries. On balance, our exchange rate adjusted net sales were 1 % below the previous year.

With a 14 % share of our Human Pharmaceuticals turnover, the significance of the CHC business for Boehringer Ingelheim remained almost unchanged compared to the previous year.

Foreign exchange development

EUR 1 in USD (average exchange rates) at year-end
EUR 1 in YEN (average exchange rates) at year-end



Net sales in the Industrial Customer segment, comprising our remaining third party business, at EUR 519 million, saw an increase of 5 % compared to the previous year. While our turnover from chemical and pharmaceutical manufacturing – in particular on a conversion-related basis – declined, turnover in our sub-segment Biopharmaceuticals rose. Both our biopharmaceutical manufacture and biotechnological development contracts contributed to the 26 % increase in net sales.
The regional distribution of our net sales was also impacted by foreign exchange developments in the past financial year. In the Americas region we suffered the most significant decline in our turnover, which dropped 8 %, due to the fact that local growth of 8 % was not enough to compensate for the conversion-related drop in net sales. Overall, Boehringer Ingelheim in the Americas was EUR 282 million down on the previous year's turnover. With a 46 % share of our worldwide net sales (2002: 48 %) the Americas remains our biggest region by turnover.

In Europe turnover rose by 9 % to EUR 2,443 million (2002: EUR 2,247 million). This pleasing rise is borne in particular by Spain and Italy as well as by our business in Germany. With a turnover of EUR 643 million, Germany, is still our largest market in turnover terms in Europe, although growth rates in Germany have remained below those in the other European countries due to increasing state intervention. Our European net sales' share of worldwide turnover rose to 33 % in 2003 (2002: 30 %).

The AAA region, comprising the markets of Asia, Australasia and Africa, contributed a total of EUR 1,565 million to group net sales. Its share of the Corporation's worldwide net sales fell to 21 % (2002: 22 %).

In the AAA region Boehringer Ingelheim achieved more than 70 % of its net sales on the Japanese market. Besides the persistent weakness of the yen, regulatory intervention in the country's pharmaceuticals market led to 12 % lower net sales. In the other countries in this region the development was, however, pleasing, with a 10 % increase in net sales in euro terms. Overall, the AAA region saw a 7 % decrease in net sales.

Earnings position
In 2003, the Corporation achieved total revenues amounting to EUR 7.8 billion (2002: 7.9 billion). Total operating costs, at EUR 6.9 billion, corresponded to previous year's level. At an unchanged level of depreciations, material costs, especially on a conversion-related basis, decreased by 8 %.
Stated personnel costs rose by 4 %, mainly because of the higher number of employees. Growth in other operating costs (+4 %) is primarily attributable to our once again reinforced efforts in the area of Marketing and Sales. Due to higher overall advanced expenditure, our operating profit declined to EUR 901 million, as expected.

Gross financial income amounted to EUR 85 million (2002: EUR 62 million), representing an improvement compared to the previous year. The greatest contribution to the improvement in financial income was the development of earnings from securities and loans from financial assets. The interest component of EUR 115 million from increased pension provisions burdening financial income stands 6 % above the figure for the previous year. Overall, financial income is negative at EUR -30 million (2002: EUR -46 million).

Income before taxes reached EUR 873 million, thereby showing a decline of EUR 164 million against the previous year (-15,8 %). Tax charges

Statement of value added in millions of EUR	2003	2002
Development		
Net sales	7,382	7,580
Other revenues	460	370
Corporate performance	**7,842**	**7,950**
Material costs	–1,234	–1,345
Depreciation	–436	–437
External services	–3,047	–2,956
Value added	**3,125**	**3,212**
Distribution		
Personnel costs	2,252	2,175
Tax expenditures	336	486
Net income	537	551
Thereof *Third-party share*	*8*	*14*
Value added	**3,125**	**3,212**

amounted to EUR 336 million, representing a tax ratio of 38 % (2002: 47 %). The lower tax ratio is affected by lower dividend distributions subject to withholding taxes and a structural change in income allocation between group companies.
In accordance with current accounting standards, limited partnerships (Personengesellschaften) included in the consolidated accounts only have their corporation tax taken into account in the group's tax charges.

All in all, this resulted in income after taxes of EUR 537 million in 2003 (2002: EUR 551 million). Of this EUR 8 million relate to minority interests in affiliated companies.

Financial position
As can be seen in the consolidated cash flow statement, a cash flow of EUR 1,059 million was generated in 2003 (2002: EUR 1,049 million) which clearly exceeded the amount required to finance our total investment activities. Financial activities yielded an outflow of EUR 118 million from changes in and repayments of liabilities with the financial institutions.
Overall, financial assets increased by EUR 871 million to EUR 3,516 million in 2003.
Cash flow generated by the Corporation clearly exceeds the investment volume of EUR 516 million. Among investment projects in the reporting year, the completion of the new building for producing biopharmaceutical active substances in Biberach, Germany, was of particular importance. With a total investment volume of more than EUR 255 million, this project represents the single largest investment in the Corporation's history. Completion of the innovative production complex created around 400 new jobs. This project doubled manufacturing capacity for biopharmaceutical medicines.

During the reporting year, the further expansion of our site at Roxane, Columbus, Ohio, was continued. Further manufacturing capacity for SPIRIVA® will be built up there to ensure supply to selected European countries and the US market. At the research site Biberach, the construction of a new center for human pharmacology for conducting phase I clinical trials marked the beginning of an important investment project. Furthermore, the construction of a new galenic building was approved. The goal of this project is to modernize pharmaceutical research and development and bring it together under one roof.

The Corporation's total assets rose to EUR 10,142 million in 2003, an increase of 10 % compared to the previous year. The rise is mainly due to the increased financial assets and the first gross statement of deferred taxes in accordance with GAS 10.

Research and development	2003	2002	2001	2000	1999
Expenditure in millions of EUR	1,176	1,304	1,019	968	826
- as % of net sales	15.9	17.2	15.2	15.6	16.3
Human Pharma. expend. in millions of EUR	1,140	1,264	984	938	799
- as % of net sales of HP	16.1	17.4	15.4	15.9	16.5
Average number of employees	5,362	5,205	4,828	4,610	4,507
Investments in tangible assets in millions of EUR	93	97	99	78	54

Compared to the previous year, group equity rose by EUR 298 million, although the included minority interests held by other shareholders fell. As a result of the increased balance sheet total, the equity ratio was reduced to 37.9 %, from 38.3 % the previous year. Long-term disposable capital, comprising equity and long-term provisions and liabilities, accounted for 59 % of the balance sheet total at the end of 2003. It thereby covered all intangible and tangible assets, as well as inventories, receivables and part of the liquid assets.

The Corporation's liquidity, its given financial structure and available funding potential have established the preconditions for successfully tracking our strategic goals.

Value added

In the reporting year, the Corporation achieved a corporate performance of EUR 7,842 million. The slight decline (-1 %) is attributable to our conversion-related lower net sales, which were partially offset by other earnings.
After the deduction of purchased materials, depreciations and other third party services, the value added stood at EUR 3,125 million.
The distribution structure shows that the greatest share, i. e. 72 %, of the value added, went to remuneration, social costs and pension contributions for employees.
Net income represented 17 % of value added, thereby remaining at the previous year's level.

Research and Development

In line with our corporate vision "Value through Innovation", our goal is to research and develop new drugs that represent distinct therapeutic progress, thereby providing benefit to people and medicine. The measure of our success is the extent to which our efforts are recognized in the market.
In the reporting year, Boehringer Ingelheim's expenditure on research and development (R&D) totalled 1.2 billion. Half of this 10 % decline is attributable to currency conversion-related differences for our R&D expenditure in the USA and Japan. Furthermore, large payments made in connection with duloxetine must also be taken into account when comparing with the previous year.
R&D expenditure as a share of the Corporation's net sales was 16 % in 2003 (2002: 17 %). The focus of our R&D activities is our Prescription Medicines business. In this segment the R&D share of sales is 21 % (2002: 22 %).

Our high level of R&D expenditure reflects on the one hand our efforts in in-licensing and the increased number of cooperations. On the other hand, it is testimony to the intensity of our efforts in the search for innovative active substances and their subsequent development into marketable medicines.

As a result of our efforts we again made marked progress in registering new products during the reporting year.
An important success is the approval of BERODUAL® RESPIMAT® in Germany. The innovative inhaler device, RESPIMAT® Soft Mist™ Inhaler developed by Boehringer Ingelheim, can thereby be made available to patients for the first time. Because of its outstanding therapeutic characteristics, we will combine the RESPIMAT® Soft Mist™ Inhaler with additional active ingredients. The successful approval of BERODUAL® RESPIMAT® thus forms a foundation for future registrations, for example, of SPIRIVA® RESPIMAT®.

In 2003, further approvals were given for SPIRIVA® which is now available in more than 70 countries. Approval for SPIRIVA® in the USA – our most important market – was granted in January 2004.

Risk management

A precondition for fulfilling entrepreneurial responsibility is the ability to handle arising opportunities and the associated risks in full awareness. Within the scope of our business activities we want to recognize risks early, evaluate their impact, and implement appropriate measures.

The system built up by Boehringer Ingelheim for early recognition and monitoring of business risks has again proved effective during the reporting year. In addition to continuous and corporation-wide uniform risk management, numerous complementary systems undertake early identification of risks which are an integral part of all business and decision-making processes.

Here the established reporting system for monitoring and controlling economic risk in current business is of central importance. Data and key figure matrices determined according to internationally recognized standards provide the necessary depth of information that allows each relevant tier of management to be informed early and extensively about possible risks. These steering and control instruments are continuously updated and, in the event of changing fundamentals, immediately adapted.

In the reporting year, no risks were identified which posed a threat to the future of the company. Nor have any events taken place since the end of the financial year 2003 that are of material significance to the Corporation and could lead to a reappraisal of its net asset, financial position and results from operations.

In the reporting year, internal auditing has, within the framework of the audit plan approved by the Board of Directors, conducted both routine and extraordinary audits worldwide. The focus was on the efficiency of the structures and procedures, asset security, compliance with legal and internal corporate standards and guidelines, the proper functioning of systems, and the effectiveness of the internal control system. Centrally controlled currency and interest rate management at Boehringer Ingelheim ensures that foreign exchange and interest rate risks arising from the Corporation's highly international structure are constantly monitored and hedged against using financial derivatives (for details see Notes to the Consolidated Financial Statements).

Environmental protection, health and safety are of central importance in all our activities. By prophylactic maintenance, systematic plant monitoring and constant site inspections, supported by the appropriate reporting systems, we seek to identify significant risks at an early stage and correspondingly minimize them. For cases of damage or loss, emergency plans have been developed which are regularly reviewed and practiced. In addition, there is appropriate insurance cover for potential damage claims.

Outlook 2004

The Corporation's priorities remain unchanged. In the current year, we will continue to consistently pursue the strategy we have adopted in order to realize our ambitious growth and profitability targets.

Our common efforts focus on successful development in the markets of our most important drugs, including SPIRIVA®, MICARDIS®, VIRAMUNE® and SIFROL® as well as on new medicines containing the active substances duloxetine and tipranavir.

In our product range SPIRIVA® is of special importance. Following market approval in our single largest market, the USA, in January 2004, launch is set for the current year. We expect SPIRIVA® turnover to double in 2004. Our product portfolio with a whole range of new medicines will secure our competitive position in the future as well. This assessment is supported by the further improved potential of a number of our important substances in development and the essentially very pleasing progress of clinical trials. We see the Corporation as well equipped to realize our strategic goals in the markets and we are confident that above-average growth will be attained in the years ahead.

We assume that the fixed asset investment will again reach the high level of 2003. The focus of our investment activities in 2004 will be projects for the expansion and modernization of our pharmaceutical production, building additional capacity in biopharmaceuticals and technology-driven measures in the area of research and development.

We are aware that the conditions in the market and the overall business environment will become more difficult. We envisage that the most significant entrepreneurial challenges for Boehringer Ingelheim will lay in the future macroeconomic environment, in part healthcare policy-driven intervention in specific markets and increasing competitive pressure in the industry.
We take up these challenges and firmly adhere to our strategic goal of distinctly increasing profitability in the medium term.
The increased profitability we strive for and the associated increase in the value of Boehringer Ingelheim as a company provide the necessary conditions for ensuring the independence of the Corporation and securing the continued existence of Boehringer Ingelheim as a family-owned enterprise.

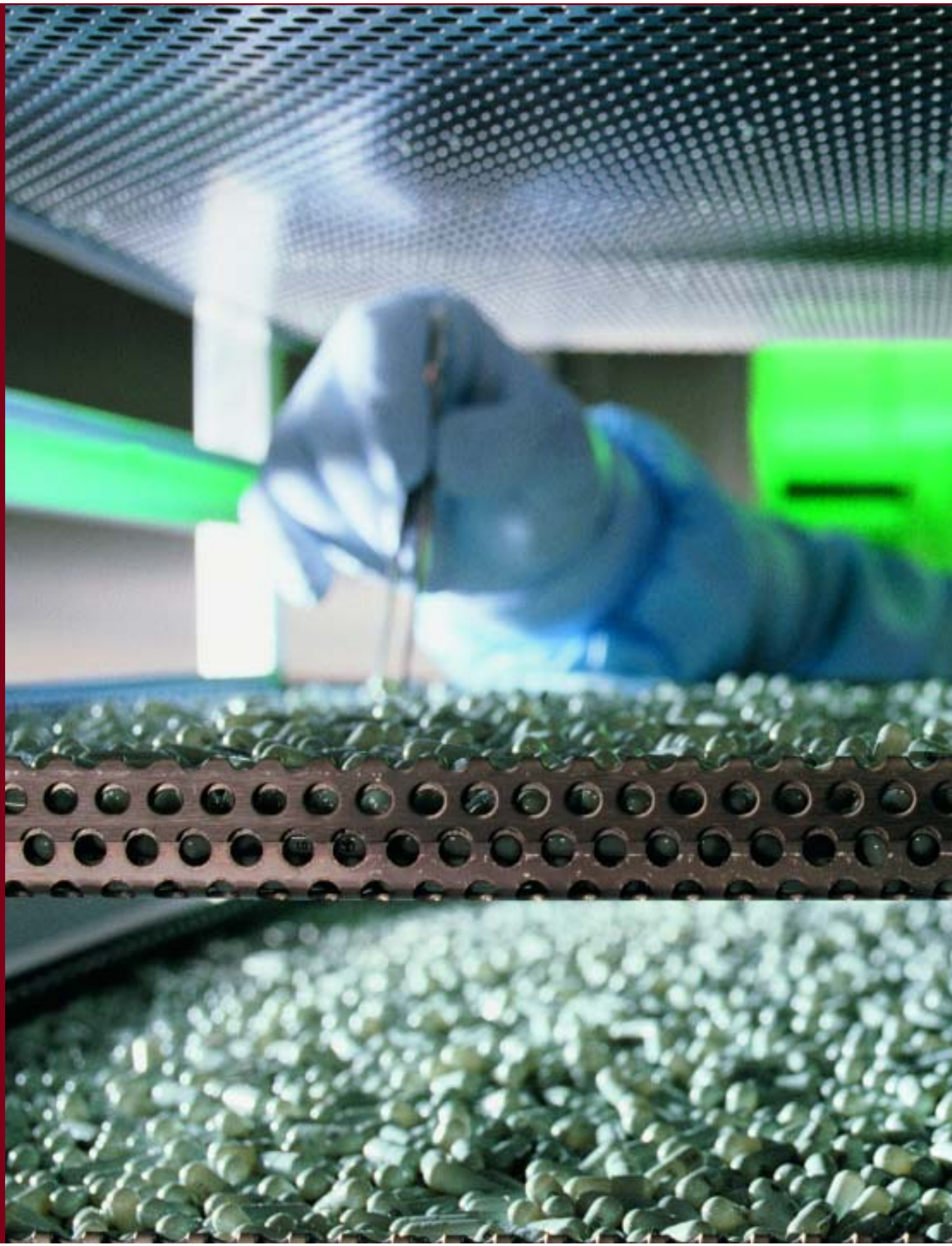
For the financial year 2004, we are targeting net sales in the order of EUR 8 billion. We expect continued successful development of our products in local markets, at the same time assuming that the foreign currencies of importance to Boehringer Ingelheim will be able to maintain their 2003 value against the euro.

Dr Alessandro Banchi

Dr Andreas Barner

Dr Hans-Jürgen Leuchs

Prof. Marbod Muff



Our blockbusters

For almost 40 years, we have been a world leader in the research, development and manufacture of pharmaceuticals for the management of respiratory diseases. And with our potential blockbusters, SPIRIVA® and MICARDIS® and the highly promising duloxetine, we are optimistic about the future across our chosen indication areas.

Giving patients back their breath

Discovered and developed by our company, SPIRIVA® is a novel, once-daily inhaled M3-antagonist for the maintenance treatment of chronic obstructive pulmonary disease (COPD). It provides superior symptom relief and persistent long-term improvement by providing prolonged cholinergic M3 receptor blockade that enables patients to regain and sustain a better quality of life.

Co-promoted worldwide with the American company Pfizer, SPIRIVA® has performed exceptionally well since its initial launch in 2002, far exceeding our ambitious expectations and securing a strong position in its market segment. We have secured market approval in the USA and Japan, the world's two largest pharmaceuticals markets, and plan to launch SPIRIVA® in both countries in 2004.

Blood pressure protection round the clock

Developed by Boehringer Ingelheim, MICARDIS® (telmisartan) is an orally active and selective receptor blocker for the treatment of essential hypertension. This drug effectively reduces both systolic and diastolic blood pressure and has a unique profile among angiotensin receptor blockers (ARB) which ensures blood pressure lowering in the early hours, when patients face greater cardiovascular risk. Recruitment for the ONTARGET™ Trial Programme, one of the largest ARB cardiovascular prevention trials to date, was completed in 2003 seven months ahead of schedule. ONTARGET™ and the parallel TRANSCEND trial make up one of the largest, most ambitious clinical study programmes to investigate the role of the angiotensin II receptor blocker MICARDIS® in the prevention of stroke, myocardial infarction and cardiovascular death compared with ramipril and with the combination of ramipril and telmisartan. The ONTARGET™ Trial Programme includes over 31,000 patients and has met with extremely strong interest from scientists, physicians and patients.

Supply of SPIRIVA®, *our novel treatment for chronic obstructive pulmonary disease (COPD), to some 40 countries was ensured by the production facility at Ingelheim, Germany, for the initial launch and subsequent roll-out phase. The picture shows discharge of bulk 5.5 milligram capsules, each containing 18 micrograms of the highly potent active ingredient tiotropium in a blend with lactose. Each machine can produce up to 80,000 capsules an hour round the clock.*

Announced in mid-February 2003, PRoFESS®, the world's largest-ever study in second stroke prevention aims to demonstrate that AGGRENOX®/ASASANTIN® RETARD (dipyridamole extended release + ASA) is superior than the combination of clopidogrel + ASA. MICARDIS® is also evaluated for effects on stroke risk reduction in hypertensive patients. This trial will include 15,500 patients in over 20 countries.

One drug, two diseases

Duloxetine is currently being developed for the treatment of stress urinary incontinence (SUI) and major depressive disorders (MDD), recently categorized by the World Health Organization as one of the most disabling diseases, affecting nearly 340 million people worldwide.

In November 2002, Eli Lilly and Boehringer Ingelheim signed an agreement to jointly develop and commercialize duloxetine hydrochloride. Duloxetine is a potent dual-reuptake inhibitor of both the neurotransmitters serotonin and noradrenaline. The partnership covers most countries worldwide with few exceptions, such as Japan. In the USA, the collaboration focuses on SUI only. The US Food and Drug Administration has issued an approvable letter for duloxetine for SUI. The European Union review of duloxetine for SUI and MDD are progressing as planned. Approvals for duloxetine for SUI in both the USA and EU are anticipated for 2004. Duloxetine for SUI will be the first globally available oral pharmaceutical treatment indicated to reduce the frequency of SUI episodes. This chronic condition, which affects millions of people, is currently highly under-diagnosed and under-treated.

Careers

Creating "Value through Innovation" is the crucial mindset and overriding commitment we expect and receive from our people. Their creativity, expertise and dedication to excellence ensures our ability to turn our innovative potential into successful products and remain at the cutting edge of sustainable business development. Even in times of radical and challenging external change, the invaluable contributions from over 34,000 employees worldwide have enabled us to grow and generate new jobs around the globe.

World-class recognition

We take pride in our people and they take pride in our enterprise. Guided by our Vision and Leadership principles, we have established a working environment which is perceived as stimulating, engaging, diverse and caring. Our employees have manifested their appreciation of this accomplishment in numerous opinion surveys conducted by independent pollsters.

A considerable number of our operating units were again given top-ranking recognition in prestigious surveys, such as "100 Best Companies to Work for in 2003", "Employer of Choice 2003", Germany's Best Employer 2003 in the chemical-pharmaceutical industry, the French Autonomous Work Trophy and other significant awards.

The European Forum, a valuable body for fostering dialogue between employee representatives and management, continues to develop, contributing to foster information about strategically important themes and decisions.

We strive to retain and foster our distinctive working culture in which transparency, open communication, teamwork and mutual respect are the foundations for together achieving recognized world-class performance.

Major growth and expansion

The considerable expansion of our workforce, primarily in marketing and sales as well as biopharmaceutical production, has been a true challenge for the organizations involved. Most growth has occurred in the USA and Germany.

Our largest single investment to date, the biopharmaceuticals plant at Biberach, Germany, is set to create more than 400 new jobs by the end of 2004. Outstanding teamwork between our specialist units in Biopharmaceuticals, Human Resources and the Works Council in recruitment, training, qualification and on-site integration was a key factor in enabling success.

Fostering our global network

With operations in more than 40 countries, a strong global network of knowledge and learning is essential to ensure leverage on innovation, options, synergies and sustainable business success across our organizations.

Cross-border contacts, international projects, extended business travel, short-term foreign

	2003	2002	2001	2000	1999
Personnel costs in millions of EUR	2,252	2,175	1,916	1,749	1,527
Personnel costs as % of net sales	30.5	28.7	28.6	28.3	30.0
Number of employees	34,221	31,843	27,980	27,325	26,448

assignments and expatriations have rapidly increased and contributed to the seamless transfer of knowledge and expertise.

The large number of expatriates and people on short-term foreign assignments are one clear indicator of the international nature of our business environment.

Linking communication technologies has become instrumental in enhancing the exchange of information and efficiency in the network. And working across cultures and continents creates a rich source for personal and organizational learning.

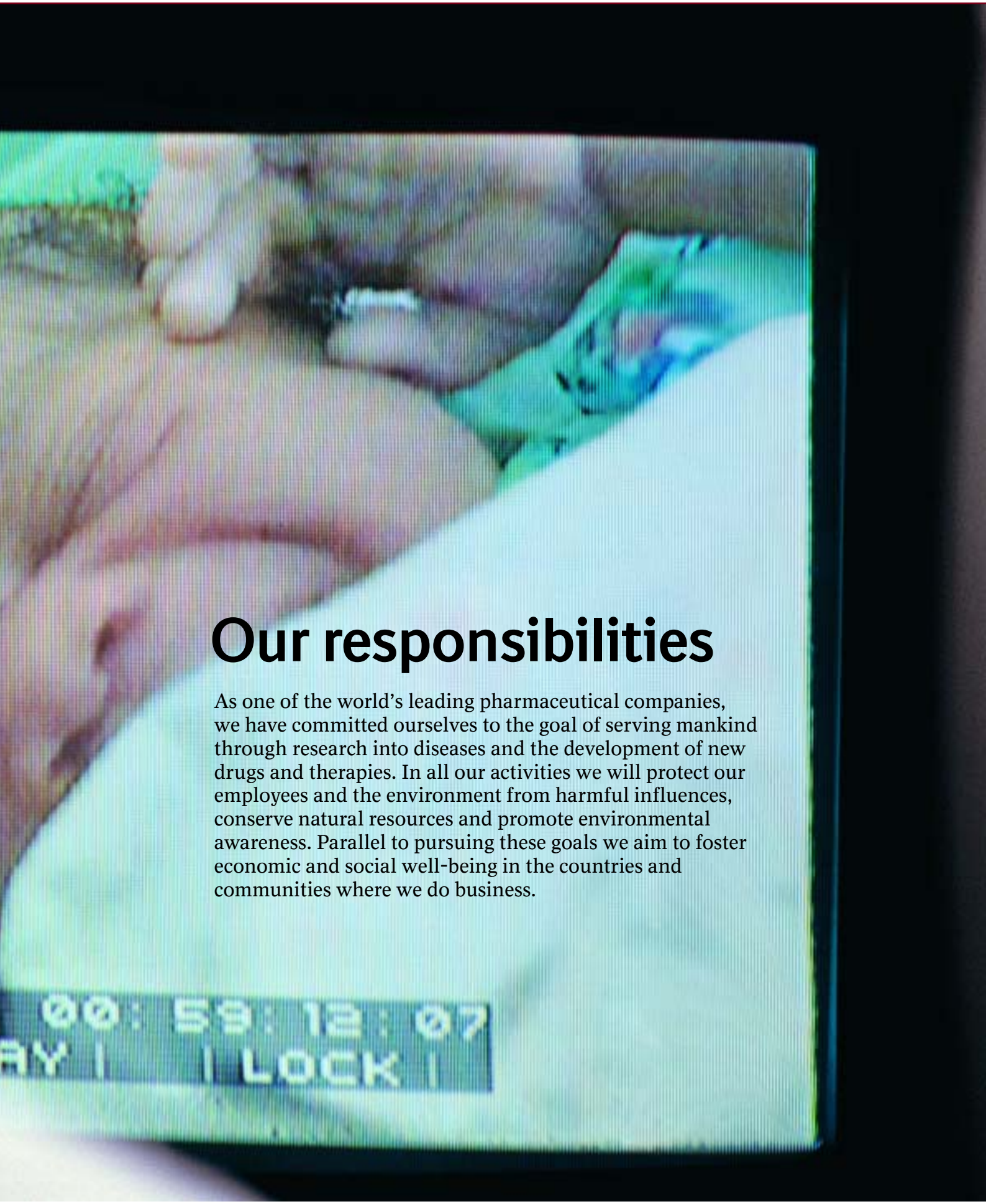
Talent mindset – People development
As an organization committed to permanent learning, we systematically support our employees in achieving their performance and career objectives. Our regular employee-supervisor consultations, development discussions, comprehensive functional talent reviews and Human Resources planning processes are central to career support.
The Boehringer Ingelheim Academy, our global and local virtual campus, with its various contents and forms of learning, continues its strong growth, providing targeted professional and managerial training as part of our performance development approach. As an extensive global development approach, another 14-month International Management Development Programme (IMDP 2003/2004) was launched and is well underway with 120 participants exposed to a unique international, interdisciplinary and intercultural learning experience while focusing on 15 topics of strategic relevance to the organization.

An unconventional learning approach with an indisputably strong impact is our Boehringer Ingelheim Academy Fireside Meeting concept. Each member of the Board of Managing Directors hosts a 1.5 day gathering with 14 international middle management and specialist representatives. The objective is to exchange views and gain further insight about our culture, values, visions, strategies, new ideas and trends in an informal environment which encourages open dialogue. Winning ideas can be generated while simultaneously strengthening our leadership culture.
And experiences from the five gatherings in 2003 were most rewarding for all parties involved.

Globally interlinked Human Resources planning
All of our companies participate actively in our integrated global Human Resources planning process. This is designed to address short and long-term organizational needs and offer our employees career development opportunities locally and internationally. Our current process, and the underlying IT system, has enabled a high degree of quality and transparency and as such become a benchmark for other global enterprises seeking practical worldwide procedures.
To remain at a leading edge, further reinforcement and development of this process is conducted continuously in cooperation with our operating units.

Careers website
At a time of expansion and mounting recognition of our reputation as a highly attractive employer, readily accessible online information about careers along with our human resources practices has become essential. Hence, our Corporate Careers pages (www.boehringer-ingelheim.com/careers) on the internet have been entirely revitalized. Persuasive content and appearance provide quick and focused access to a series of areas relevant for today's users – our potential employees.


TIME



Our responsibilities

As one of the world's leading pharmaceutical companies, we have committed ourselves to the goal of serving mankind through research into diseases and the development of new drugs and therapies. In all our activities we will protect our employees and the environment from harmful influences, conserve natural resources and promote environmental awareness. Parallel to pursuing these goals we aim to foster economic and social well-being in the countries and communities where we do business.

Our resolve

Our international and local initiatives confirm our resolve to act as a responsible company towards our employees as well as towards our social and natural environment. We contribute financially to communities, charitable organizations, research, science, education, healthcare, environmental protection and cultural projects. At any one time, a broad range of different Boehringer Ingelheim sponsorship or donation activities can be counted, conducted around the globe. In addition to this corporate engagement, there is a wide variety of activities undertaken by our employees in numerous countries which focus on social or environmental projects.

Fighting AIDS

Prominent among our initiatives is the Boehringer Ingelheim VIRAMUNE® Donation Programme, in which our anti-viral HIV/AIDS treatment is supplied free primarily to developing countries to prevent mother-to-child transmission at birth as a contribution to the war on the deadly pandemic. By December 2003, 100 programmes in 48 countries had been approved to participate in the scheme. A further 24 programmes in 18 countries are currently under review. Given the widening wealth gap between rich and poor nations, we feel obliged to find ways of supporting low-income countries which cannot afford life-saving medicines. We are also a member of the US-based Partnership for Quality Medical Donations (PQMD), an alliance of humanitarian agencies and drug firms that in 1999 became the first donations community signatory to the WHO Guidelines on Drug Donations. It is dedicated to raising standards of medical donations to meet the needs of underserved populations and disaster victims around the world.

Our commitment to third world health issues was summed up by Dr Alessandro Banchi, Chairman of the Board of Managing Directors: "Something has been achieved, but there is still a long way to go in the developing countries. We need faster establishment of health infrastructure, such as laboratories, trained health personnel, pharmacies and hospitals. We need more research in order to develop better drugs. And we need a consensus in all countries severely hit by AIDS that education in how to prevent new infections, a change in attitude towards those who are already infected and access to treatment must be priority No. 1. The pharmaceutical industry, governments, non-governmental organizations and healthcare bodies need to work even closer together to fight the AIDS pandemic".

The Deputy Director of the Beijing Civil Administration Bureau (left) taking receipt of a donation by Boehringer Ingelheim China during the SARS outbreak in 2003. It was handed over by the company's North Sales Manager in China. Responding to the SARS crisis, Boehringer Ingelheim demonstrated its concern and care for a key customer group, the doctors, by rapidly putting together a designated team to donate PHARMATON® KIDDI, *our multi-vitamin syrup, to children treated by doctors in Beijing.*

Caring employer

Social responsibility for Boehringer Ingelheim is about caring, about building and strengthening a culture of positive engagement within our organization and towards the communities around us. We care about our work and its outcomes, our employees, our stakeholders, our business partners, our families, our society and the generations to come. Our engagement focuses on meaningful short and long-term activities. In pursuit of world-class performance, we strive to maintain a sound balance between enhancing our caring activities and strengthening our competitive edge.

Ethical employer

A cornerstone of how we work together in pursuing our business objectives is the Boehringer Ingelheim Corporate Code of Conduct. It incorporates the highest standards of responsible commitment and provides day-to-day ethical guidance and a point of validation for everyone within our organization. The genuine commitment and involvement of our employees towards community projects has always been of the utmost importance. And we continue to encourage people to remain aware of local concerns and actively contribute to solutions in community projects. Benefits flow both ways. Working for the needs of a wider community enhances a deeper sense of meaningful contribution and teamwork within our own organization. This is a valuable investment in our future and that of many generations to come.

Protecting people and the environment

In our 2001 report "Our planet – our responsibility" we highlighted our environmental protection, health and safety (EHS) policies, procedures and objectives. As EHS has evolved into a fundamental and integral element of our business, it follows that the reporting of EHS aspects fits naturally within the framework of the annual report, as it presents a comprehensive picture of our company. You will find more detailed, current information on our internet homepage (www.boehringer-ingelheim.com/ehs).

Our triple bottom line

In the wake of the breakthrough Rio summit in 1992, it became common to speak about a triple bottom line of corporate responsibility, referring to the dimensions social, economic and environmental. At Boehringer Ingelheim, responsibility, conceived in such a way, is part of our daily business.

We comply with the intention and basic principles of corporate governance and corporate social responsibility as proposed by international organizations such as the United Nations (UN), the World Health Organization (WHO), the Organization for Economic Co-operation and Development (OECD) or the European Union (EU).

We regard ourselves as a good corporate citizen in all countries in which we operate, or where our products are available, and fully comply with the principles set out in the Global Compact launched in 1999 under a United Nations initiative. Such principles are already wholly integrated into our business activities around the world and guide our strategy, corporate culture and day-to-day operations. Our aim is to provide full transparency concerning our business and corporate conduct within the framework of our annual report and other publications.

Our commitment to those in need

The company welcomed the outcome of the WTO Doha Round on TRIPS (Trade Related Aspects of Intellectual Property Rights), which we considered to be in line with our policy that for some years has sought to meet the specific needs of individual developing countries concerning access to nevirapine (marketed as VIRAMUNE®), our HIV treatment, in the fight against AIDS.

In many countries, however, improving access to treatment remains seriously limited by local problems in healthcare, mainly resulting from general poverty, the lack of education and insufficient infrastructure.

Before the Doha agreement, we granted a voluntary licence for the manufacture and sale of generic nevirapine to the South Africa-based company Aspen. This licence enables the company to provide VIRAMUNE® to South Africa and 13 other countries in the Southern African Development Community (SADC). Additional voluntary licences have been offered to support access to nevirapine.

And our VIRAMUNE® Donation Programme, started in 2000, continues to make progress in the battle against AIDS. We donate the highly effective nevirapine to HIV-infected mothers during labour and to the newborn in order to prevent the transmission of AIDS from the mother to the child.

Our winning culture

Our culture is propelled by our Shareholders' Leitbild (guiding principles) and our vision of Value through Innovation in everything we do. Guided by our vision, values and principles we strive to create a stimulating working environment to attract and retain talent, to ensure just compensation, to provide challenging perspectives and to systematically offer everyone fair, equal opportunities to grow and develop with the company.

The following are some of the approaches, processes and services we have in place to realize our social responsibility towards our own organization. They apply to most of our operating units and are designed to nurture our diversity and people potential with respect and integrity. They have also undoubtedly contributed to the numerous human resources-related awards we have taken pride in receiving as an organization.

In people development, we conduct our MAG (Mitarbeitergespräch) – an annual employee-supervisor consultation in which measurable performance objectives are mutually agreed. This also addresses cooperational aspects, annual training requirements and potential future career perspectives.

Our professional development counselling concerns performance and career enhancement as well as changing organizational and business requirements.

Our on-the-job, off-the-job training and blended learning options for everyone ensure continuous personal, professional and organizational learning.

We also offer part-time MBAs, leadership development and general management courses. In Germany alone 607 apprentices, or 7.6 % of our active workforce in the country, were in 2003 participating in a professional qualification programme. After successful completion of their programme, most are integrated into our workforce on a temporary or lasting basis.

To improve work-life balance we provide flexible working times and working models with distance-working options. We also offer day care centers, family services, including support in finding appropriate child, spouse and elderly care assistance, and accompanying activities for employees' children during school holidays. Personal fitness programmes with on-site and off-site facilities, ongoing courses on healthy exercise, nutrition, individual relaxation and stress management are available, as too are on-site canteens with a wide selection of balanced meals and special diets.

Our medical support encompasses on-site and off-site medical check-ups, tumor screenings, on-site large-scale preventive health awareness and work ergonomics campaigns. We also offer a variety of medical insurance, dental insurance or coverage of dental expenses.

Inaugurated in November 2003, the new crèche in Ingelheim, the Corporation's home town, is a cooperation project with the local community. The daylight-flooded building with its warm colours and natural timber offers an exemplary environment for providing all-day care for children in their early years. Twenty places in this facility are reserved for our employees' offspring, 20 others for children from the surrounding community.

Personal assistance includes on-site social counselling, with employee assistance programmes from external institutes that offer confidential counselling when personal challenges compromise an individual's private life or work performance. These include family problems; sudden loss, psychological issues, alcohol and drug-abuse, financial and legal problems and major catastrophes. Emergency support funds can be accessed with limited or no pay-back in specific critical cases, as too can loans with fair interest rates.

For getting together, the Corporation organizes integration and orientation programmes for new employees and leaders, annual Value through Innovation (VTI) days, end of the year gatherings, open days for the community and family, International Club events and groups for employees and family members. Our idea management is an approach to encourage the bringing of intra and inter-organizational continuous improvement potential. Our employee surveys capture the "voice of our greatest asset".

All of our operating units around the world have continued communicating and rooting the ethical standards of our Code of Conduct in our business environment, ensuring adherence and making them a fundamental basis for our activities directed towards our employees, customers, competitors and others. In a few of our companies independent Ethical Committees have been established to verify the organization's alignment with these ethical codes.

In many of our operating units, promoting equal opportunities systematically is an integrated part of our human resources practice. This is done in recognition that diversity nurtures healthy business development and that a winning culture is about creating and sustaining competitive value through innovation.

Good corporate citizenship

Boehringer Ingelheim stands for a long tradition in supporting the surrounding communities. Besides donation programmes and funding, a number of scholarships are awarded to our employees' children, students at surrounding schools and selected local universities.

Awards are allocated on the basis of a number of predetermined criteria encompassing performance, diversity and fairness. Employees' children also have access to an internal student exchange programme.

Our organization also sponsors research programmes in Germany for young generation scholars – Jugend Forscht – to prompt interest and enthusiasm towards the world of natural sciences. A number of local universities receive funding, the company provides specialist speakers in various fields and offers national and international internship opportunities for students.

An example of a local internship programme is the Boehringer Ingelheim Brazil's "Geração (Family) BI", a two-year programme developed to prepare students being employed by our organization on graduating. As an integrated part of the programme, students engage in concrete social projects by working parallel inside philanthropic institutions. This approach encourages students to foster social activities, spread concepts of good citizenship and responsible care within our company and transfer our fundamental Vision and Leadership principles into tangible outcomes for the community.

Our operating units also offer a number of external open and free-of-charge seminars to the communities and various professional groups to create awareness of preventive measures, early detection and dealing with acute or emerging health care challenges. Topics range from child nutrition, quality of life for mature women, children under stress, overall stress management to living with COPD, living with high blood pressure, living with AIDS and caring about myself and others. These are but some of the many topics we cover which are of direct relevance to the people within the surrounding communities.

An example of our actively promoting fairness and equal opportunity is our employment assistance programme in the slums of São Paulo. Our Human Resources professionals, voluntarily and in co-operation with their counterparts in other companies and institutes, provide youngsters with poor prospects direct hands-on training and support in employment counselling, identifying appropriate steps and ensuring professional and emotional back-up.

We seek to maintain and develop our existing programmes in various parts of the world and introduce further programmes that have real impact in close conjunction with local healthcare professionals, community representatives and other relevant stakeholders.

At times of catastrophe or natural disaster, our people have also rapidly and voluntarily pooled their resources to provide financial and physical help. In response to the Prestige oil catastrophe that devastated the northern Spanish coast in the winter 2002–2003, 30 of our employees from our Spanish sites Malgrat and Cugat travelled to the Galician coast. They took immediate action to help combat the massive pollution (see page 34). Our organization provided special equipment for this difficult task and covered travel costs.

Protecting employees and the environment
Parallel to its responsibilities to its employees and the wider community, the Corporation contributes to protecting the environment. One of our guiding principles states: "In all our activities we will protect our employees, facilities and the environment from harmful influences, conserve natural resources and promote environmental awareness".

Many of our donation and access programmes for VIRAMUNE®, our HIV drug, are managed close to the sites by Boehringer Ingelheim France. The subsidiary is responsible for 23 French-speaking countries, mainly in Africa, where France preserves strong links with local political, medical and humanitarian networks. The AIDS pandemic continues to spread rapidly. Of 42 million people infected worldwide, over 30 million are in Africa.

The management system

Our "Principles for Safety, Quality and Environmental Protection" become reality through close cooperation between corporate headquarters and our operating units (OPUs) in the development of strategies and implementation tools, by clear objectives and regular audits. Our sites must develop their internal EHS management systems in line with international standards and are at liberty to decide locally on the need for external certification. Last year, our Colombian site had its environmental management system certified in accordance with ISO 14001. The trend is clearly in favour of taking advantage of optimizing synergies, in particular with quality assurance: integrated management systems should lead on to business process excellence.

Pharmaceuticals in the environment

Environmental risk assessment (ERA) is a highly topical issue in connection with product stewardship: the media constantly raise concerns that almost non-degradable pharmaceutical substances, having entered the surface water in patients' excretions, can lead to long-term problems for aquatic life or even human health, when taken up again in drinking water. The European regulatory authorities are demanding an extensive ERA for all new substances coming on the market and there are signs to suggest that similar requirements will follow in other parts of the world. In the context of responsible care we have already voluntarily examined the ecological effects of old substances which are still abundant on the market. This revealed that, as far as we can tell today, our products are not expected to have adverse effects. Nevertheless, we aim to minimize the amounts of our products released into the environment in effluent discharges from our facilities and we encourage our patients to return surplus pharmaceuticals to their pharmacists to ensure correct disposal.

Handling highly potent compounds

In the development of new drug substances the trend is moving increasingly towards more potent substances that exhibit a pharmacological effect at very low doses. Adequately protecting staff who handle the substance during development and production presents a challenge. As we assign priority to protecting the health of our employees, we have set exposure limits for our substances in order to guarantee a high level of protection to our whole workforce worldwide. Every site evaluates its risks and takes appropriate protective measures on the basis of that assessment. Measures may include significant investments in technologies, and such investments will position us for further growth in the field of highly potent drugs.

Work accidents

For the last five years our global accident frequency rate has remained nearly at the same level of about four accidents per million hours worked, well below the European chemical industry average of about ten accidents per million hours worked. But we must not become complacent. Our target is continuous improvement toward "zero accidents". Several sites promote programmes, for example on behavioural-based safety or on near miss evaluation, in order to continuously reduce accidents.

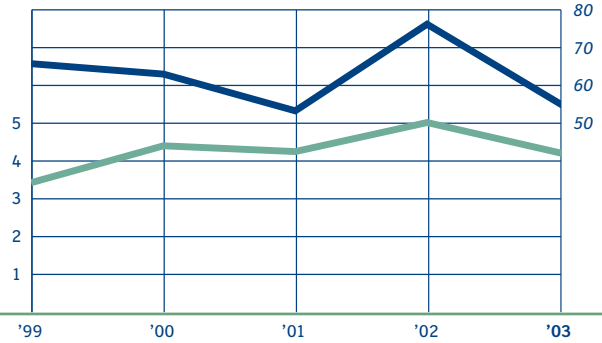
Our site in Ingelheim, Germany, has begun a major campaign, "Getting There Safely", which gives every employee the opportunity to report safety and environmental issues. A key aspect of the programme is its simplicity, which facilitates usage, thereby increasing safety awareness and ultimately fostering our safety culture.

Regarding accident prevention, we do not solely focus on our people in plants: we find an accident frequency rate among our sales forces comparable to that in production plants, but the severity of these accidents is disproportionately higher. Moreover, we had two fatal traffic accidents per year in both 2002 and 2003. In view of these regrettable facts, and the increasing number of new field staff, we are taking an even closer look at this subject. All OPUs have been explicitly required to develop an appropriate policy and programme addressing field force safety, covering elements such as awareness building, driver training, safety standards, and targets. Of course, many actions have already been taken, but we believe our plans to strengthen this area of safety, such as accident investigation to identify potential for improvement, information exchange on best practice, and programme auditing, will result in a safer workplace even when the workplace is in the field.

Work accidents

Frequency rate = accidents x 1 million hours / tot. labour hours

Severity rate = lost labour days x 1 million hours / tot. labour hours



The accident frequency rate includes all work accidents involving more than one lost working day. Road accidents are not included.

At times of manmade or natural disaster, our employees voluntarily pool their resources to provide help. In response to the oil catastrophe in winter 2002-2003 on Spain's north-western coast, caused by sinking of the tanker ship Prestige, 30 of our Spanish employees travelled to Galicia and devoted part of their holidays to cleaning the beaches. Boehringer Ingelheim Spain provided equipment and covered travel costs.

Responsible care

As a global corporation, we believe in the principles and underlying ideas of responsible care. We consider that each site is the best judge of where its greatest potential for improvements lies and how its resources can be used most effectively. Each OPU therefore drafts its own programme to improve safety, health and environmental protection in line with responsible care principles. The quality and the results of the programmes are examined regularly by headquarters. Though we have made large investments in environmental protection, responsible care is, in our view, not merely a question of spending money. It is more often also a question of maintaining a high technical level, constantly refreshing employees' awareness, and aiming to bring about improvements in supposedly minor areas. Our approach is to exchange best practice examples and suggestions from our sites, thus continuously raising the level of performance.

Our performance

EHS audits in recent years have shown that we are at a good and constantly improving level. Two sites won prizes last year for excellent performance in environmental protection: at the end of 2003 the site in Bogotá, Colombia, received its fourth consecutive prize awarded by the local authorities for its excellent contribution to sustainable development. Boehringer Ingelheim Mexico was awarded the Mexican government's "Clean Industry Certificate" in 2003 for its environment-friendly operations after a remarkable result in a comprehensive audit.

The following paragraphs show our performance in recent years. More detailed information can be found on our internet site. Our environmental impacts are shown both as absolute values and relative to production – represented in our Production Index. The index represents our overall production in all business areas including Human Pharmaceuticals, Chemicals, Biopharmaceuticals and Animal Health, and is weighted to compensate for differences in environmental impact. Our baseline year is 1995.

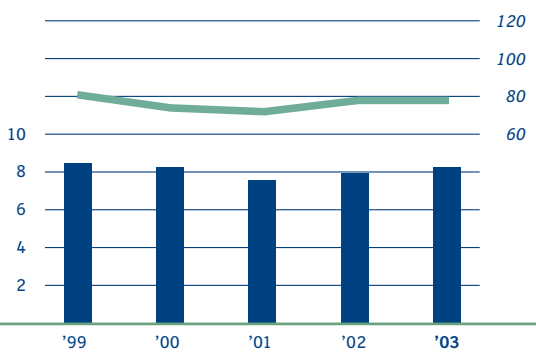
Between 1999 and 2003, our packaging site in Hino, Japan, was closed and its activities were transferred to our Yamagata site. New sites in Shanghai, China, and Bogor, Indonesia, went on-line in 2002. The data from these sites are included.

Despite our considerable efforts, some indicators remain at the same level, or even show slight increases over the last five years. There are several explanations for this. In some areas, previous technical or organizational improvements, such as closed cooling systems or waste minimization programmes, resulted in an already high performance standard which is hardly to be improved. Increasingly demanding requirements for air conditioning of pharmaceutical production facilities led to rising energy figures. New R&D facilities going on stream as well as the start-up of the new biopharmaceutical production plant have a significant influence on energy and water consumption as well as on CO_2 emissions but are not considered in the production index, with the effect that our performance figures appear to worsen disproportionally. Indeed, we observe a great deal of substantial improvements but their impact is often more than offset by the above mentioned aspects.

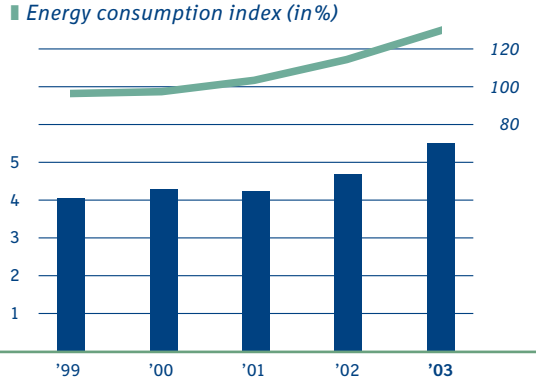
Water consumption
The level of our water consumption index has remained unchanged since 1997. Fluctuations of +/- 5–10 % in consumption are normal and depend mainly on variations in energy consumption and weather conditions. There was a remarkable increase in consumption at our Biberach site due to the start-up of several new R&D facilities. On the other hand, there are efforts to decrease consumption, for instance, by improving the cooling water circuits at our Chemical site in Fornovo, Italy. We also achieved water consumption reductions in warmer regions by using rain or cooling water for watering purposes.

Energy consumption
Our energy consumption increased slightly over the last few years. Increasingly demanding requirements for air conditioning of pharmaceutical production facilities led to rising energy figures. The extremely hot summer in Europe in 2003 resulted in a significant rise in energy needs for cooling purposes. Especially in the last two years, new plants and buildings at major sites came on stream. To minimize the arising increase in consumption, measures to optimize energy efficiency such as heat recovery in air conditioning systems have been installed. We are going to examine energy efficiency even more intensively when making new investments.

Water
Water consumption (in millions of m^3)
Water consumption index (in %)



Energy
Energy consumption (in millions of gigajoules)
Energy consumption index (in %)



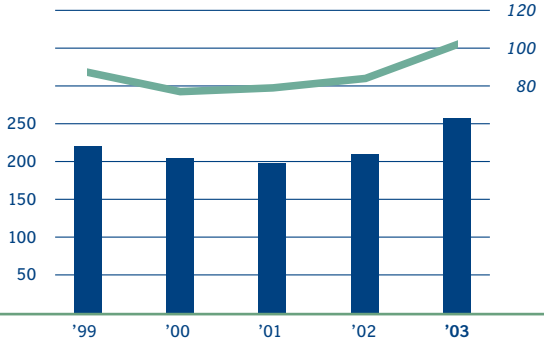
In addition, many responsible care programmes at our sites describe individual measures to save energy like, for example, time-controlled ventilation and lighting systems.

Carbon dioxide emissions
Our figures for carbon dioxide represent emissions generated by the combustion of fossil fuels on site to produce energy in the form of steam and, at the German sites, electricity. At many sites – recently in Austria and Mexico (Guadalajara) – the switch from oil to gas heating brought about a reduction not only in the CO_2 emissions, but also in SO_2 and NO_x emissions. By installing combined power-heat-cooling generation in 2003, the Biberach site has markedly improved energy efficiency. However, our charts show a rise in CO_2 emissions due to the increased internal energy production, since we do not show CO_2 generated during the production of the purchased electricity. We plan that future reports will include a CO_2 balance including indirect emissions from the generation of external energy to demonstrate the effects of our activities on a global basis.

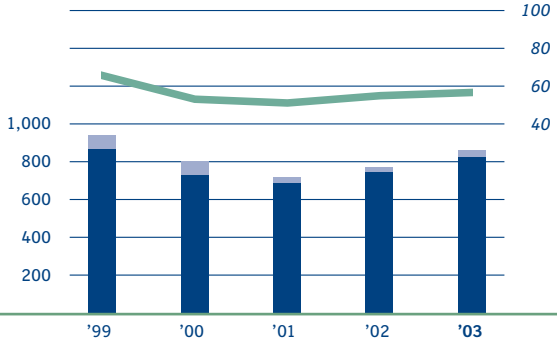
The completion in 2004 of the conversion of the Ingelheim power station from fossil fuels to waste wood will not reduce emissions, but will improve the atmospheric CO_2 balance comprising emissions from a regenerative source.
In 2003 we calculated CO_2 emissions of 84,000 tonnes attributable to our company car fleet. These emissions are not included in the charts.

Volatile organic carbon (VOC)
Solvents are used routinely in pharmaceutical and chemical manufacturing processes. When emitted into a plant's exhaust air, they contribute to the formation of ground level ozone, also known as smog. Since 2002, the commissioning of the waste gas purification plant at Ingelheim has reduced VOC emissions. At the chemical site in Malgrat, Spain, VOC emissions were lowered by investment in additional air pollution control systems. The slight overall increase in the last years results from new processes and changed product portfolios at our chemical production plants.

Carbon dioxide
▮ CO_2 emissions (in 1,000 tonnes)
▮ *CO_2 emissions index (in %)*



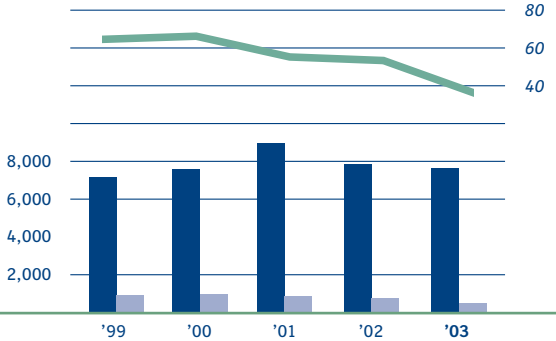
Volatile organic carbon (VOC)
▮ VOC emissions, non-halogenated (in tonnes)
▮ VOC emissions, halogenated (in tonnes)
▮ *VOC emissions index (in %)*



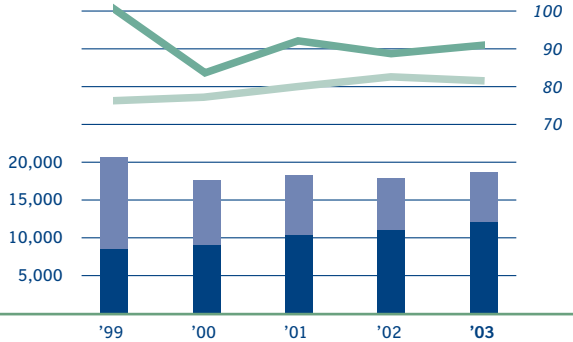
Wastewater – chemical oxygen demand (COD)
The COD value is a water pollution indicator and describes the amount of oxygen required to oxidize organic and inorganic material in water. In order to improve the COD elimination rate, various sites invested in new wastewater treatment technologies. The chemical production site in Petersburg, Virginia, USA, was awarded a respectable second prize for its highly innovative wastewater treatment plant. The pharmaceutical site in Reggello, Italy, has installed a modern ultra-filtration bioreactor to improve performance. From 1999 to 2003 we enhanced the efficiency of our wastewater treatment plants from 87 % removal to 93 % overall COD removal.

Waste
In the last five years, the figures for waste disposal remained essentially unchanged. The amount of hazardous waste has increased, mainly due to stricter classifications, but at the same time domestic waste has decreased and our recycling rate has stabilized on a very high level of about 80 %. A good example: in 2003, the outstanding efforts of Roxane Laboratories, USA, received a prestigious award from the country's waste authorities for their outstanding efforts in minimizing and reducing waste sent to landfill.
If recycling of hazardous waste is not possible, it is preferably incinerated. Our internal definition of hazardous/special waste includes wastes that are not regulated in many countries and would otherwise be considered non-hazardous. Our figures for hazardous/special waste therefore also include, for example, pharmaceutical waste, which is not classified as hazardous waste according to national regulations in several countries, such as the USA.

Wastewater – chemical oxygen demand (COD)
COD load before treatment (in tonnes)
COD load after treatment (in tonnes)
COD load (after treatment) index (in %)



Disposed waste
Domestic waste (in tonnes)
Hazardous waste (in tonnes)
Disposed waste index (in %)
Recycling rate (in %)



Development by Business Area

Our performance in 2003 was wholly satisfactory in local currency terms. Our Human Pharmaceuticals business increased net sales by 8 % in local currency terms, but showed a small decline after consolidation due to unfavourable currency movements. Our Animal Health business grew net sales in local currency terms, while posting a slight decrease in the consolidated figures. The strength of the euro and governmental intervention, mostly associated with cost-cutting measures, impacted negatively on our business.

Boehringer Ingelheim has two businesses, Human Pharmaceuticals and Animal Health. The former is made up of the business segments Prescription Medicines, the largest segment by far, Consumer Health Care and activities grouped under Industrial Customer, which includes Chemicals and Biopharmaceuticals.

Our Human Pharmaceuticals Business

Human Pharmaceuticals, by far the largest business, maintained its position well in 2003, despite difficult market conditions, growing faster than the market average in pharmaceuticals.

As we generate an increasing proportion of our revenues in the USA and Japan (52 %), the strength of the euro against the US dollar and the Japanese yen depressed our sales curve in 2003.

Prescription Medicines

In 2003, Prescription Medicines (PM) generated 76 % of our total turnover in Human Pharmaceuticals. PM posted sales of EUR 5,533 million, 2.5 % below 2002.

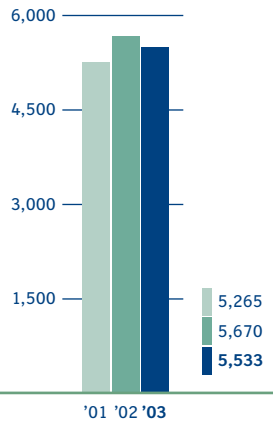
At constant exchange rates, however, sales increased by 8.7 %, again outgrowing the market average. Once again, newly launched products accounted for the strongest growth, while many established products continued to perform well.

Indications

Respiratory

Our main indication area in PM is respiratory products. These account for 30 % of PM sales. According to a recent survey at the Annual Congress of the European Respiratory Society, the world's biggest lung disease congress in 2003, Boehringer Ingelheim is an internationally

Sales Prescription Medicines
in millions of EUR



The top 10 products Human Pharmaceuticals

in millions of EUR	2003	2002
1. FLOMAX®	880	756
2. COMBIVENT®	606	650
3. MOBIC®	568	513
4. MICARDIS®	474	348
5. ATROVENT®	434	509
6. VIRAMUNE®	310	336
7. MUCOSOLVAN®	302	317
8. SPIRIVA®	239	39
9. SIFROL®	232	236
10. CATAPRESAN®	227	260

For information about indications, see our Glossary on pages 74–75.

recognized company with an excellent reputation that offers innovative products. It is furthermore perceived by physicians as the undisputed leader in chronic obstructive pulmonary disease (COPD), well ahead of the competition.
This status is clearly based on the reputation that our anticholinergics enjoy as the cornerstone of COPD treatment.
In line with increasing research, many guidelines make specific references to the favourable profile of our COPD treatment SPIRIVA® (tiotropium). They confirm that long-acting bronchodilators, such as tiotropium, are more effective than short-acting bronchodilators, and should be considered as first line maintenance treatment options. SPIRIVA® is recognized as a major advance in maintenance therapy, offering superior symptom relief and sustained long-term improvement with once daily dosage.
(see "Our blockbusters", pages 18–21).

ATROVENT® (ipratropium bromide), once the main component of our anticholinergic franchise, and until the year 2000 our best-selling product, now ranks fifth and has in the meantime been overtaken by COMBIVENT® (ipratropium/salbutamol) which is the second strongest of our PM products. Growth of COMBIVENT® is strongly influenced by the US market, where this combination product is the No. 1 prescribed brand for chronic obstructive bronchitis.

Cardiology
Our cardiology business has three main pillars: MICARDIS® (telmisartan), CATAPRESAN®, and MEXITIL®. They rank at No. 4, No. 10 and No. 19 respectively among our best-selling products and together contribute 74 % of our business in this indication.

Despite fierce competitive pressure in this market segment, MICARDIS® (see "Our blockbusters", pages 18–21) reached sales of EUR 474 million in 2003. This represents an increase of more than 36 % compared to 2002. It is expected that this fast-growing angiotensin II receptor antagonist for essential hypertension treatment will soon secure a leading position among our PM products. Only SPIRIVA®, our new M3 receptor blocker for the maintenance treatment of COPD, is presently reporting a faster uptake than MICARDIS®.

Urology
The continuing, satisfactory development of tamsulosin, marketed as ALNA®, JOSIR®, PRADIF® and UROLOSIN® in Europe and as FLOMAX® in the USA and Canada is our best-selling product and has made urology our third leading indication. In 2003, sales of tamsulosin showed an increase of 16 % over 2002.

Developed for the treatment of symptomatic benign prostatic hyperplasia (BPH), tamsulosin is marketed in alliance with Yamanouchi. In the USA it is co-promoted with Abbott Laboratories. Symptomatic BPH is a common disease in middle-aged and elderly men. It can cause bothersome lower urinary tract symptoms related to obstruction of the urethra and gradual loss of bladder function. These symptoms disrupt the activity and sleep patterns of sufferers, drastically affecting their quality of life.

Human Pharmaceuticals

in millions of EUR	2003	2002	2001	2000	1999
Sales	7,067	7,262	6,378	5,888	4,836
R&D expenditure	1,140	1,264	984	938	799

Rheumatology

MOBIC® (meloxicam), for the symptomatic treatment of painful osteoarthritis, rheumatoid arthritis and ankylosing spondylitis (indications can vary from country to country) produced strong sales growth in 2003, making it No. 3 among our best-selling products.
Global sales of MOBIC®, with a double-digit growth rate, totalled EUR 568 million in 2003.

MOBIC® was, however, badly impacted by currency effects, as the USA, Canada, and Japan represent around 60 % of the worldwide market for non-steroid anti-inflammatory drugs.

HIV/AIDS

With more than 30 million people living with HIV/AIDS, Africa remains the continent most affected by the human immunodeficiency virus (HIV) pandemic. Asia also faces a major HIV/AIDS explosion and has already reported almost nine million cases. Eastern Europe and Central Asia are today's fastest-growing HIV/AIDS regions in the world.
In Russia, more than 1,000 babies were born HIV positive in the first six months of 2002. This prompted the Russian Ministry of Health, together with the Federal HIV Center, to apply for Boehringer Ingelheim's VIRAMUNE® Donation Programme (VDP) as part of a national pilot project.
Before implementing the VDP for the whole of Russia, which comprises 98 regions, the programme was started in May 2003 in the Moscow region. The programme has also been successful in the Ukraine.

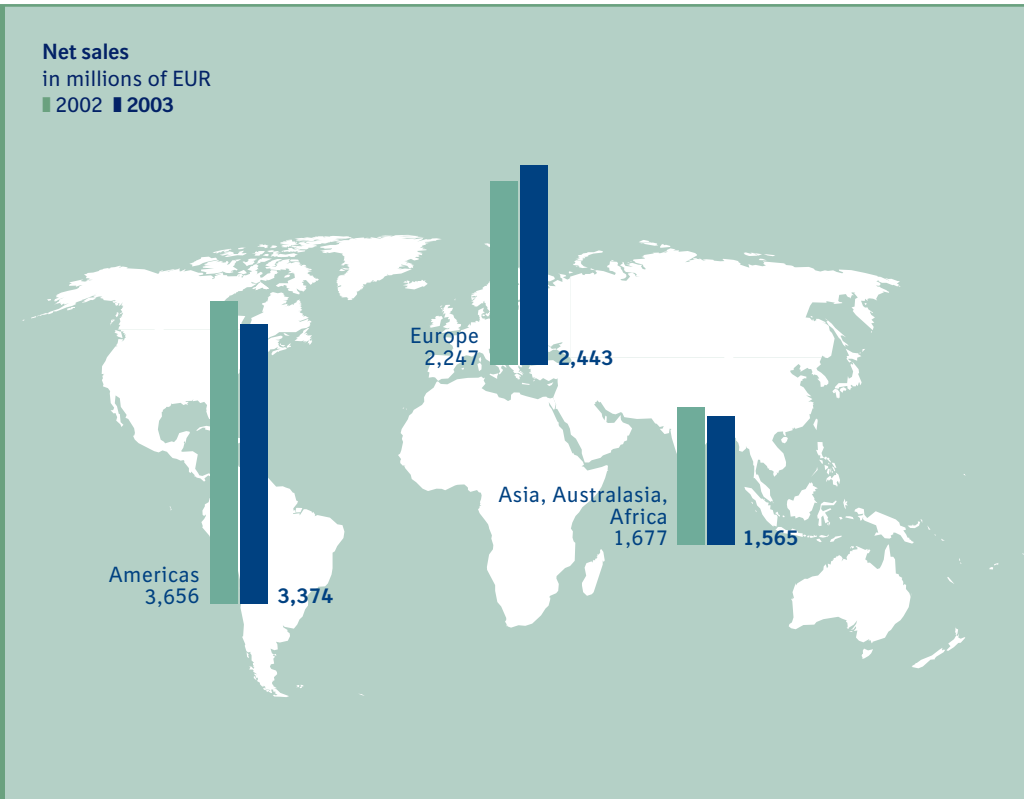
In Asia, Vietnam was the first country to join the programme, with the first drug deliveries in 2002. In China, where VIRAMUNE® is not currently on sale, we approached the government in June 2002. It took the Ministry of Health five months to apply for VDP, as the involvement of many institutions increased the bureaucratic necessities. Boehringer Ingelheim has established a mother-to-child transmission (MTCT) team which is dedicated to continuously supporting the government, facilitating interactions and communicating actively about the MTCT programme and VIRAMUNE®. AIDS care centers are being set up at existing obstetric clinics and healthcare hospitals for women.

VIRAMUNE® currently holds position No. 6 among our best-selling products. Its overall contribution to PM sales amounts to 5.6 %.

Central Nervous System

Pramipexole's strong growth continued in 2003 in euro terms, even though the USA, with its weakened dollar, accounted for 65 % of sales of the product. Pramipexole showed high growth rates in each of its country markets without exception, but suffered from currency effects. It nevertheless ranked No. 9 among our best-selling products.

Pramipexole, a compound from our own research, was jointly developed by Boehringer Ingelheim and Pharmacia Corporation (now part of Pfizer). Internationally it is marketed by Boehringer Ingelheim and Pfizer as MIRAPEX®, MIRAPEXIN® or SIFROL®. In the USA, pramipexole is co-promoted by Boehringer Ingelheim Pharmaceuticals Inc. and Pfizer as MIRAPEX®.



Pramipexole is for the treatment of early Parkinson's disease which affects approximately 1% of people over 60. The disease causes tremor, muscle rigidity, slowed motion, shuffling gait and a loss of facial expression. Some 15 % of patients develop Parkinson's disease before the age of 50. All of these effects worsen over time. Parkinson's disease is the second most prevalent chronic neurological disorder in older adults after Alzheimer's. Pramipexole is currently under clinical development for another frequent indication, restless legs syndrome (RLS).

An agreement with Eli Lilly on duloxetine gives our central nervous system franchise additional strength (see "Our blockbusters" pages 18–21).

The regions

Europe

All European countries except Poland showed positive sales development in 2003. And in all countries, apart from France, where SPIRIVA® had not yet been launched, sales outgrew the market, raising our market share. Our overall European performance was all the more impressive as it was delivered against a background of a changing and negatively impacting healthcare environment which was the most challenging task for this region in 2003.

The year 2003 was a very successful one for our PM segment in Europe, with overall net sales growing by 8.6 % to reach EUR 1,649 million. Our market share increased from 1.7 % to 1.8 %. Growth was driven by our international core products SPIRIVA®, MICARDIS®, FLOMAX®, SIFROL® and METALYSE® plus efficiency increases.

Sales of SPIRIVA® have had the most significant impact on our performance in Europe. The overall growth picture has been somewhat distorted by parallel trade, which had a negative impact in particular on the SPIRIVA® growth rate in the United Kingdom and the Netherlands as well as on our MICARDIS® growth rate in Germany.

Only 18 months after its initial launch, SPIRIVA® ranked No. 2 in our portfolio in Europe with sales of EUR 200 million. By the end of 2003, SPIRIVA® was launched in most European countries. This was the fastest launch sequence in Europe we have ever had. In 2004, we expect to launch SPIRIVA® in Italy too so that only France will not have launched. Good acceptance by physicians and patients in treating the debilitating symptoms of COPD has been reflected in strong sales right from the first day of launch. It has also been encouraging that reimbursement authorities have acknowledged the value of SPIRIVA® and given access to the many European patients suffering from COPD. The early success of SPIRIVA® has been marked by the excellent co-promotion with Pfizer and sales for 2003 indicate this novel drug is on track towards realizing its blockbuster potential.

MICARDIS® ranked No. 1 in our European portfolio, with 31 % growth and sales of EUR 203 million. This growth was especially supported by the launch of MICARDIS® PLUS, a combination of telmisartan and hydrochlorothiazide. Our medical reputation was significantly improved by the fastest ever recruiting for the large scale antihypertensive trial ONTARGET™, as well as by the PROTECTION programme (research to show telmisartan end-organ protection potential). Special emphasis was put on a core project, the European Field Force Initiative (EFFI). This includes elements such as improved customer targeting, customer value management, optimizing structures and architecture, all aimed at improving efficiency. A new customer relationship management (CRM) system was also introduced in most European countries.

A major alliance between Boehringer Ingelheim and Eli Lilly was started in 2003 to jointly launch duloxetine. Duloxetine will be marketed in Europe from 2004 in two indications: major depressive disorder (MDD) and stress urinary incontinence (SUI).

The Americas

The overall economic conditions in the Americas region showed signs of improvement in 2003 aided by growth in the USA and Canada and stabilization of conditions in several Latin American countries. However, a marked shift in the exchange rate between the US dollar and the euro masked the contribution of the region to the Corporation's overall performance.

In line with the overall economic conditions, the ethical pharmaceutical market continued to be generally favourable, particularly in North America, when currency effects are taken into consideration. While our overall PM business segment in the region achieved net sales 8 %

An air rescue helicopter landing spectacularly in front of corporate headquarters in Ingelheim to mark the first regional stroke symposium for rescue service assistants, organized by Boehringer Ingelheim. The well-attended event underlined the urgency with which the rescue services must respond in stroke cases.

lower in euro terms than in 2002, performance in local reporting currency was quite positive, resulting in improved market share in our largest countries. Sales growth in the region was driven primarily by our core products FLOMAX®, MICARDIS® and MOBIC®.

Significant activities for the region included the launch of SPIRIVA® along with our co-promotion partner Pfizer in Canada, Mexico, Brazil and most other countries in the region. In addition, the submission of our application data to the Food and Drug Administration (FDA) resulted in approval for SPIRIVA® in January 2004. Launch in the USA, our largest market, is planned during 2004.
Within the Americas, significant progress was made in implementing new business processes and support tools for our sales force to improve customer relationship management. We also began to introduce a new field force organizational concept to better realize business potential at the customer level across our product portfolio.

Asia, Australasia, Africa
Solid progress was achieved with our PM business in 2003 in local currency terms, but in the largest market in the region, Japan, the results barely achieved those of the previous year. Growth stemmed mainly from our new product portfolio, especially MICARDIS®, SPIRIVA® and MOBIC®. The future picture for MOBIC®, however, is clouded by generics. We are already facing strong generic competition, especially in South Africa, Indonesia, Vietnam and Taiwan.

As in the other regions, a main driver for current and future growth is the optimization of all customer contacts.

Growth in AAA could have been better had not SARS in early spring hit some Asian countries very hard, particularly mainland China, Hong Kong and Taiwan, but also Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In some of these countries we halted our selling activities to hospitals and clinics from mid-March until the end of April.

AAA's development in euro terms, however, showed a negative trend in 2003, for, as in the previous year, many of the currencies in the region were weaker against the euro.

In Japan, as in many other markets, recent cost containment measures have been harsh. In 2003, the pharmaceutical market only grew by about 4 % and the prognosis for 2004 is, especially due to foreseen governmental price cuts, an increase of less than 1 %. As a result, Japan's share of the world pharmaceutical market is slowly diminishing.

Against this background, our sales of PM products in 2003 decreased. The main positive contribution came from MICARDIS®, which managed by the end of the year to capture a market share of 3 %. Our major product remained, however, ALESION®, an anti-allergic agent, co-marketed with Sankyo.
To improve the quality of life for Parkinson's sufferers, pramipexole, our efficacious and well-tolerated drug for treating Parkinson's disease was approved in Japan in October.

In China, business developed rapidly, with local sales increasing by 24 % in 2003. In the 13 largest cities we have already captured a market share of almost 1 %. Our Chinese organization now consists of about 560 employees, the majority of whom are in the marketing and sales department.

During the second half of 2003, we registered locally our wholly-owned subsidiary Boehringer Ingelheim India Private Ltd. in Mumbai. This platform can be used in future not only to develop our own pharmaceutical business, but also to take advantage of the potential local synergies for our corporation in purchasing, clinical trials and clinical trial data processing.

Consumer Health Care
Sales of our Consumer Health Care (CHC) segment reached EUR 964 million in 2003, thus undershooting the previous year's result of EUR 1.05 billion by 8.2 %.

The main factor behind this development was the negative exchange rate movement against the euro of the US dollar, the yen and local currencies in Latin America. Adjusted for currency movements this business segment grew by 1.3 % against 2002. In terms of global competition, our CHC business maintained its 8th position among the world's leading over-the-counter (OTC) manufacturers.

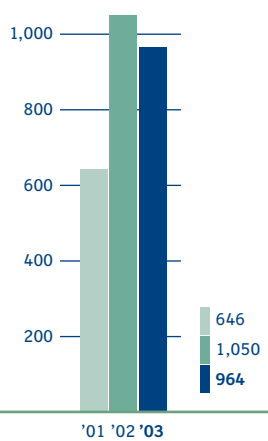
Our business with SSP Co. Ltd. (SSP) in Japan amounted to 38 % of our total CHC business. Compared to the previous year, SSP's CHC sales show a decrease of 13 % in euro terms, primarily caused by the yen exchange rate against the euro. However, in a difficult, slightly declining Japanese OTC market, we were close in local currency terms to achieving the level of the previous year (-1 %).

Our net sales in CHC business outside Japan amounted to EUR 603 million in 2003, a decrease of 6 % against the previous year. However, adjusted for currency movements, growth of 4 % was achieved compared to 2002.

Of our three major economic regions, Europe showed the best growth against 2002, with roughly 5 % higher net sales. This was based on good growth in Spain, Germany, Italy and the United Kingdom, and on excellent development in a number of smaller countries. In the region Americas, however, net sales were almost 23 % lower, primarily due to currency effects, but also reflecting the divestment of our Quest business in Canada at the beginning of 2002. Excluding these components, the sales results of 2002 were achieved.

In AAA our development was dominated by Japan. Excluding Japan, the region grew by 9 % against the previous year, in particular reflecting good performance in Indonesia and South Africa. The Japanese OTC market continued to experience a severe recession, however, medium to long-term prospects are positive, enhanced by cost containment measures and regulatory changes in favour of OTC. SSP maintained and strengthened its strong No. 3 position in Japan, assisted by the successful launch of new products. Preparations for prescription medicine-to-OTC switches of selected Boehringer Ingelheim substances are ongoing.

Sales Consumer Health Care
in millions of EUR



It is important to note that we again achieved our goal of increasing the market shares of our international core brands, strengthening once more their leading positions through launches of line extensions too. In addition, further prescription medicine-to-OTC transfers were successfully continued.

Development by indication

Cough & Cold

Once again, sales in this category, where we traditionally hold a strong position, showed healthy growth in euro terms (+ 5 %) over the previous year, in spite of very negative currency effects.

BISOLVON®, the leading cough brand in many markets, especially in Latin America, held its strong position in major AAA markets as well. With MUCOSOLVAN®, the world's leading expectorants brand, prescription medicine-to-OTC roll-outs in more countries, such as Poland, were continued, supporting growth well into double digits. In Germany, in particular, our forceful consumer communication activities and successful line extensions lifted us to rank No. 1 in chemical-synthetical cough remedies.

In 2001, a new indication was achieved through a European Union mutual recognition procedure (MRP) approval for our substance ambroxol. The sore throat indication is a major OTC innovation. Under our worldwide trademark MUCOANGIN®, we continued its worldwide roll-out, launching in Mexico. Results are very encouraging.

SILOMAT®, our cough calmer brand, reinforced its No. 1 position in Germany with the introduction of SILOMAT® Lozenges.

ANTISTAX® – our highly successful leg vein brand – is based on a special optimized red vine leaf extract (AS 195®). The patent protected AS 195® extract is gained from selected vine-leaf varieties which are processed under controlled conditions. ANTISTAX® is strongly supported by state-of-the-art pre-clinical and clinical findings on efficacy and safety.

The importance of our Cough & Cold category will be further strengthened in the future through the transfer of our MUCOSOLVAN® brand to our CHC activities in more countries. Significant line extensions are also planned.

Gastrointestinal

This category consists of our laxative brands DULCOLAX®, LAXOBERAL®/GUTTALAX® and BUSCOPAN®, our anti-spasmodic brand. In this category too, we again achieved satisfying growth after adjustment for currency effects. Our top laxative brand DULCOLAX® – worldwide No. 1 in the stimulants market segment – further extended its lead position again. Our expansion programme for DULCOLAX® in the US market with effective consumer communication and further introduction of line extensions continued to be highly successful. Since taking over local sales at the beginning of 2002, our sales in the USA have nearly doubled. In Germany too we maintained our solid No. 1 ranking and DULCOLAX® developed quite successfully, particularly in the UK and Italy.

Sales of LAXOBERAL®, our second laxative brand, were satisfactory.

Including an important line extension, BUSCOPAN® showed satisfying development in the self-medication segment. The international potential of BUSCOPAN® is still to be fully exploited. BUSCOPAN® is concentrated mainly in the prescription medicines market, but it is our long-term target to develop it internationally into a leading OTC brand.

Natural Health

Due to PHARMATON® CAPSULES leading position in the Latin American countries, this category was impacted worst by the currency devaluations against the euro. However, adjusted for currency movements, our flagship brand PHARMATON® developed satisfactorily and maintained its position as No. 2 in the worldwide multivitamin market segment.

With the launch of effervescents and caplets, a programme of line extensions has started and will contribute to further improve our position in key markets. In the UK, with a switch towards general sales list (GSL) status, the PHARMATON® brand made special progress. Our multivitamin brand for small children – PHARMATON® KIDDI – showed good growth, especially on its main market, Mexico. Important line extensions for KIDDI® are imminent.

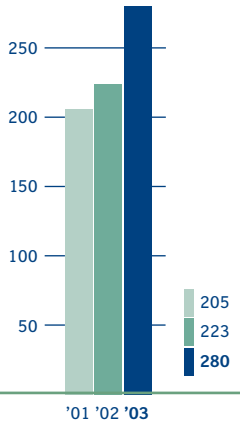
ANTISTAX®, our brand against leg vein disorders, again expanded with double-digit growth. Together with VENASTAT®, our brand in Latin America, and further line extensions, our goal is to become the leading OTC supplier for leg vein disorder products. Our continuous research and development activities in this field are a prerequisite for success.

Our activities in the US dietary supplement market segment were again badly affected by an extremely negative market environment.

Analgesics

THOMAPYRIN®, the second largest analgesic brand in Germany, strengthened its position in a highly competitive market.

Biopharmaceuticals
Third-party net sales
in millions of EUR



Biopharmaceuticals – sustained strong growth

The inauguration in September 2003 of our new EUR 255 million biopharmaceutical production plant at Biberach, Germany, represented our Corporation's largest single investment to date (see pages 68–69) and highlighted this important and fast-growing market segment.

With a 15 % annual growth rate, biopharmaceuticals are outgrowing the world market in pharmaceuticals. This is mainly driven by the access to new therapeutically relevant targets. The availability of technologies for the rapid creation of human monoclonal antibodies, which are directed at these targets, and genetically engineered human proteins with improved therapeutic features, are a factor behind this high growth rate.

Our Industrial Customer Business showed a growth rate of 26 % in 2003, achieving sales of EUR 280 million. The Corporation currently manufactures five of the most internationally successful biopharmaceutical products.

Sales of products from our captive use business – ACTILYSE®, METALYSE®, IMUKIN® and BEROMUN® – reached EUR 164 million in 2003. In addition to the key products ENBREL®, SYNAGIS®, BETAFERON® and ACTIMMUNE®, we in 2003 extended our business based on our mammalian cell culture technology platform and expertise for the development and manufacturing of monoclonal antibodies for E. Merck KGaA, Darmstadt, Germany.

Our biopharmaceutical technologies encompass microbial fermentation of E.coli, Saccharomyces cerevisiae, Pichia pastoris and Hansenula polymorph for non-glycosylated therapeutic proteins, antibody fragments, gene therapeutics and mammalian cell culture technology with high expression systems in Chinese hamster ovary cells for complex and highly glycosylated therapeutic proteins and monoclonal antibodies.

At the operating terminal in the fermentation section of our new biopharmaceuticals plant at Biberach, Germany, inaugurated in 2003. The production fermenters are where our biopharmaceutical products are cultured. The operative shown is steering and documenting the fermentation process in fermenters which have a volume of 15,000 litres each. There are six such fermenter tanks in the new building and a further six at the Biberach site.

Additional contracts with leading pharmaceutical companies for manufacturing non-glycosylated therapeutic proteins also reflected our competence in gene therapeutics and their galenic formulation.

In March 2003, the Board of Managing Directors approved the extension of the biopharmaceutical facilities in Vienna, Austria, with an investment of EUR 60 million. This will double the site's production capacity for microbial fermentation and is planned to be operational in mid-2005.

Boehringer Ingelheim is one of the few corporations worldwide that can provide the entire biopharmaceutical process chain in early development and large-scale commercial manufacturing from genetic engineering, fermentation, downstream processing to fill & finish in state-of-the-art application systems, including inhalation of therapeutic proteins as well as worldwide registration and marketing of biopharmaceuticals, for both itself and third parties.

Fine Chemicals

During the past few years, the worldwide fine chemicals business in synthetically produced small molecules, especially the segment custom synthesis/manufacturing, has been characterized by both a highly competitive market environment and restrained demand from the pharmaceutical industry.

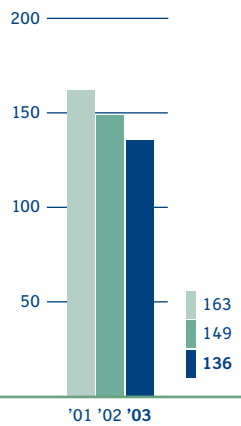
The development of the US dollar/euro exchange rate presents an added challenge to European fine chemicals producers.

In spite of these difficult market circumstances, Fine Chemicals' turnover targets were met, with sales of organic synthesis products from the USA in particular well above plan.
Especially successful were controlled substances, with which the market share in attention deficit hyperactivity disorder (ADHD) was increased, as well as the custom manufacturing of a muscle relaxation agent. New business grew from highly potent and controlled drug substances for clinical supply and from preparation of the product launch for a US customer.

In the phytochemicals product group, a long-running contract with an Asian business partner was signed which will bring considerable additional revenues and capacity utilization.

Significant progress was achieved with a custom synthesis project for a leading global pharmaceutical company.

Sales Chemicals
in millions of EUR



Our Animal Health Business
Our business area Animal Health looks back on a successful year in 2003. We achieved net sales in euros slightly below last year, but our business grew more than 8 % in local currencies.
Europe was again a high-performing region for us, but our North American business also showed a strong recovery. In terms of business segments, both our swine and companion animal segments achieved significant market share gains.

Swine segment
The strong focus of our business on the swine market with preventive products was rewarded in 2003. Two products, ENTERISOL® Ileitis and INGELVAC® M. Hyo were the shining stars in our portfolio.

ENTERISOL® Ileitis, a novel, patent-protected vaccine to prevent Lawsonia intracellularis that results in less usage of antibiotics on those farms vaccinating, won many new customers in 2003. Behind the success of this vaccine is not only the economic benefit for the farmers using this product, but also consumers' desire for safer, healthier food. Boehringer Ingelheim is proud to be at the forefront of this trend. This vaccine is only registered in the USA and Canada so far and is awaiting European approval.

INGELVAC® M. Hyo was similarly successful in Europe. Through its innovative slow release formulation this vaccine makes it possible to protect pigs with one treatment only. This increases animal welfare and saves the farmer expensive extra labour.

The year 2003 was also marked by regional expansion. We entered the Chinese market, the world's biggest swine market. Given the growth potential in this region, we intend to make our entire swine portfolio available as quickly as possible.

Pet segment
With our two key brands METACAM® (NSAID) and VETMEDIN® (inodilator) we enhanced our position in the global pet market during 2003.

METACAM® improved mainly through regional extensions into the markets of the USA and Japan as well as through extension to cats as an additional target species.

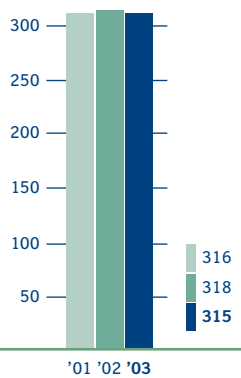
VETMEDIN®, as a first line reference treatment for canine congestive heart failure, exceeded our expectations in European countries with extraordinarily positive results.

Both products are dedicated to chronic diseases that cause suffering and earlier death for affected animals. It is our desire to find new cures for such diseases so that pets can live longer and healthier lives.

Cattle segment
The continuously growing use of METACAM® in Europe shows that farmers are increasingly caring about the health and well-being of their cattle. Together with our classic products, which all still show increasing sales, our cattle specialities were in 2003 a solid pillar for our business.
In the NAFTA region, our focus in cattle is traditionally on the vaccine segment to which we added a novel vaccine against the bovine viral diarrhoea (BVD) virus.

Equine segment
During 2003, we successfully maintained our strong position in the equine market. In the USA we relaunched our innovative killed virus vaccine preventing rhinopneumonitis (EHV) and equine influenza (EIV). This CALVENZA® influenza vaccine is the only one approved in the USA and Canada that contains both North American and Eurasian strains of influenza virus and is recommended by the world's authorities on equine influenza vaccines. Veterinary surgeons and horse owners in the USA accepted these vaccines with overwhelming enthusiasm.

Sales
Animal Health
in millions of EUR



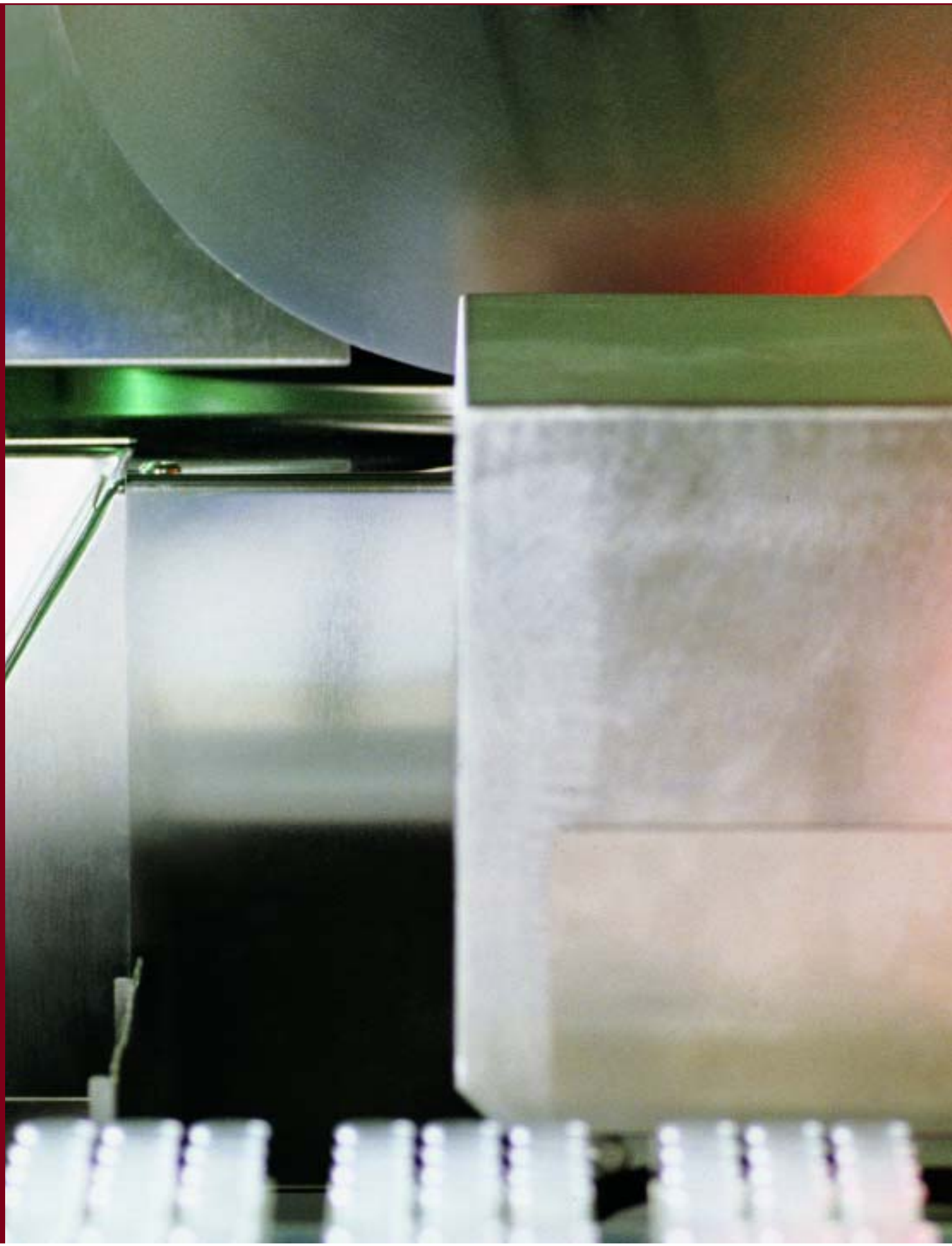
ENTERISOL® Ileitis, our pioneering vaccine against swine ileitis (inflammation of the ileum), which in 2003 set sales records month after month in the USA, is on its way to becoming the gold standard of ileitis prevention. The first and only vaccine to prevent ileitis, that also leads the way in reducing reliance on antibiotics in swine production, it has enabled many pork producers to significantly reduce, and often stop, using feed medication in the growth-finish stages, thereby boosting economic performance.

Execution of focused strategy

We have continued to focus our efforts on those segments where we are already, or want to become, a leading company that contributes with innovation and professional knowledge to resolving animal health challenges.

This is especially true for our Research and Development Department which succeeded in a combined transatlantic cooperation in filing a number of new registrations.

Being smaller in overall sales does not mean you cannot have a leadership position in targeted segments. Boehringer Ingelheim has made good progress in demonstrating this and successfully riding the storm in the turbulent animal health environment.



Our drive for therapeutic progress

Productivity in research and development means the ability to ensure regular product supply and high-speed, high-quality development to bring competitive products to the market. R&D productivity has become the focus of the pharmaceutical industry with special emphasis on the research phase delivering compounds which define the expectations and limits of future product claims.

A steady flow

To achieve a steady flow of innovative new products benefiting patients, physicians and health care providers, our strategy focuses on effective drug discovery, world-class development capabilities and strengthening early in-licensing (see "Our cooperations", pages 66–67). Addressing this situation, our R&D processes are continuously scrutinized, which has resulted in fundamental changes in the discovery, pre-clinical and clinical development of new and innovative drugs.

Automation, parallel and high-throughput technologies now dominate processes in drug discovery. Increasingly important are predictions and simulations, such as software tools predicting physicochemical properties and the behaviour of compounds in toxicology and pharmacokinetics. Progress has also been made in drug delivery techniques. In clinical research, the ability to perform large-scale clinical trials is crucial.

Recent fundamental shifts have included the application of genomics, proteomics and bioinformatics for identifying new targets, high content screening, high-throughput crystallography, combinatorial chemistry and parallel synthesis, and virtual screening.

An essential constituent in early drug discovery

Proteomics, the systematic and comprehensive study of the complete protein complement of the genome, provides valuable novel tools to identify and validate new targets for pharmaceutical intervention and has now become an essential constituent in early drug discovery. Bioinformatics allows the use of information stored in vast databases to accomplish simultaneous, large-scale analysis of the genome and proteome.

Screening in pharmaceutical drug discovery is no longer limited to physically available compounds but includes virtual screening, or theoretical elucidation of new chemical structures by comparing knowledge about the biological space represented by the target proteins (e.g. enzymes, receptors or ion channels) with knowledge about the respective chemical space, thus allowing *in silico* identification of lead structures.

Novel small molecules

An important part of the biological space of targets is represented by the 3D structures of the ligand binding sites of target proteins, provided by X-ray crystallography and nuclear magnetic resonance (NMR). The application of high-throughput crystallography (HTX) enables identification, chemical design and optimization of novel small molecules using the structural information derived from targets co-crystallized with a variety of low affinity ligands. Starting with drug-like fragments it is possible to build new small molecule lead structures which may support an early decision on whether a potential target will allow further lead structure optimization.

Proteomics, an emerging field in the analysis of biological systems, comprises the large-scale study of the complete protein complement of the genome, the proteome. At Boehringer Ingelheim we are carrying out proteomics work across all our therapeutic areas. Proteomics technologies are not yet as mature as those used in genomics, particularly regarding high throughput screening applications. So we are exploring technological advances and expertise both internally and externally.

High content screening (HCS), combining cellular histochemistry, fluorescence measurement, automation and new developments in autonomous, algorithm-driven image analysis, allows quantitative analysis of a wide range of intracellular processes. HCS, with no boundaries as to target type or therapeutic area, represents a paradigm shift in measuring intracellular signalling.

Step changes

Step changes have recently also occurred in analytics, toxicology and pharmacokinetics, specifically regarding novel prediction tools. *In silico* ADME (absorption distribution metabolism & elimination) utilizes molecular properties of compounds to predict their pharmacokinetics. Toxicogenomics uses the established correlation between the disregulation of gene expression profiles and typical adverse events in toxicological experiments. Databases allow access to gene expression data of reference compounds at pharmacological and toxicological dosage levels. Comparing data from investigational compounds enables predictions of the toxicological risks of new compounds in early drug discovery phases. Genomic data improves our understanding of the toxicity mechanism. "Bridging" genomic biomarkers will link laboratory studies to human outcomes and may elucidate drug effects and side effects at an earlier time point in development than before.

Novel concepts for clinical studies

Additionally to the introduction of new technologies in drug discovery, we are also applying novel concepts to the design and performance of clinical studies.

With today's need to show long-term clinical outcome benefit rather than pharmacodynamic effects, clinical trials have become bigger. The ability to set up and perform truly large-scale clinical programmes has become a prerequisite for evolving into a global player, not only in drug development but also in clinical product support. So, after focusing previously on territories of known expertise, we switched to the goal of performing excellent clinical research anywhere. In strong partnership with renowned academic centers of excellence, we have in the last few years successfully performed a number of large multinational trials. We have three ongoing mega-trials: UPLIFT, PROFESS® and ONTARGET™/ TRANSCEND with 6,000, 16,000 and 31,000 patients respectively.

Research and Development

Insight into patho-physiological processes on a molecular level is still the pre-requisite for identifying promising targets for pharmacological intervention. In this context, the integration of new state-of-the-art technologies to transform the research and development value chain is today's challenge in pharmaceutical R&D. Most importantly, medical needs are great and increasing due to changes in the environment and the aging population.

Recognizing these unique opportunities and challenges, Boehringer Ingelheim is committed to its goal of discovering, developing and profiling new products which represent high therapeutic value for the patient, the physician and the healthcare system.

Our organization

We carry out drug discovery in seven major therapeutic areas that are allocated to five R&D sites with full responsibility and accountability. In Biberach, Germany, our largest R&D center, we have concentrated on diseases of the central nervous system, metabolic and respiratory diseases. Our medicinal chemistry activities in Biberach are supported by our chemistry laboratories in Milan, Italy. The therapeutic areas in Biberach get further support from Boehringer Ingelheim's R&D center in Japan using its molecular biology know-how to generate a variety of tools for assay development and high throughput drug screening.

Drug discovery in immunology and inflammation, and since 2003 in cardiovascular diseases, is carried out in Ridgefield, Connecticut, USA. Drug discovery in virology is undertaken in Laval, Canada, while drug discovery in oncology is located in Vienna, Austria.

Non-clinical drug development activities are concentrated at two sites, one in Biberach and the other in Ridgefield.
Additional support for defined work packages with regard to pharmaceutical formulations and clinical trial supplies manufacturing is provided by the sites in Kawanishi, Japan, and Buenos Aires, Argentina.

Cooperations with biotech and academic groups are a key to Boehringer Ingelheim's efforts in finding and developing innovative medicines. Boehringer Ingelheim and Sagres Discovery have for instance started a research collaboration to identify novel oncology drug targets using Sagres' proprietary genomics and bioinformatics technologies.

The bridge between industry and academia is strengthened by the strong link between drug discovery teams at Boehringer Ingelheim and our renowned Research Institute for Molecular Pathology (IMP), located in Vienna. IMP scientists are at the forefront of discovery defining fundamental processes of cell division and differentiation in healthy and diseased states. As a further academic link, a collaboration between the IMP and the Institute of Molecular Biotechnology Austria (IMBA) was started in 2001 (see page 64).

In our R&D+M organization we employ some 3,000 scientists, technicians and support personnel. This number is complemented by about 1,900 clinical monitors, statisticians and data managers working in clinical development.

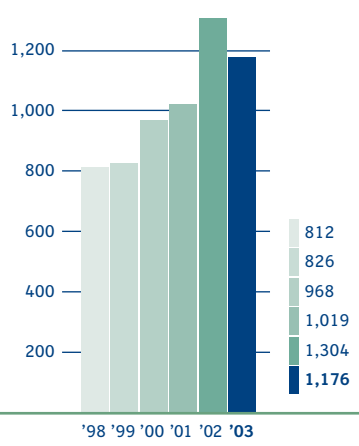
Autoimmune/inflammatory diseases

The major goal of drug discovery in immunology, located in Ridgefield, is to develop novel treatment modalities for rheumatoid arthritis, multiple sclerosis, psoriasis, and Crohn's disease. These diseases are characterized by a large unmet medical need for more efficacious drugs with an acceptable safety profile.

Ridgefield's drug discovery in immunology is founded on significant scientific advances in cell biology and signal transduction which have accelerated our understanding of the immune system. Key drug discovery programmes include cell trafficking and adhesion, and antigen presentation as well as intracellular signalling processes contributing to inflammation.
In addition to autoimmune and inflammatory diseases, the immunology programmes at our US R&D center also provide potentially new avenues for therapeutics in respiratory diseases, oncology, cardiovascular and metabolic disorders. US scientists cooperate closely with colleagues at other Boehringer Ingelheim R&D centers.

The US R&D center has discovered novel small molecules in recent years. Recent discoveries include a novel class of molecules that specifically disrupt the protein-protein interaction of the cell adhesion molecules LFA-1 with ICAM-1 and thereby suppress inflammatory responses in humans. In addition, Ridgefield scientists have discovered promising new therapeutic agents that inhibit the synthesis of pro-inflammatory cytokines which play a key role in amplifying autoimmune and inflammatory diseases. One class of such agents, p38 inhibitors, is now being studied in patients with rheumatoid arthritis, psoriasis and inflammatory bowel disease.

Research and development expenditure
in millions of EUR



In collaboration with colleagues in Germany, our Ridgefield scientists have identified novel ligands of the glucocorticoid receptor, which are capable of modifying some of the negative side effects of steroids. In pre-clinical animal models, these compounds display potent anti-inflammatory activities. Finally, Ridgefield scientists have pursued novel approaches to inhibit the activation and effector functions of T lymphocytes.

Cardiovascular diseases

Our cardiovascular diseases programme was recently transferred from Biberach to Ridgefield. To address the unmet medical need of coronary heart diseases, heart failure, and hypertension, Ridgefield scientists are already focusing on creative approaches to identify novel and effective therapeutics beyond current treatment regimes. Research into thrombo-embolic diseases continues to be pursued in Biberach with compounds interfering with different pathways of the coagulation cascade being already in more advanced stages of development or late stage of discovery and aiming primarily at the treatment of atrial fibrillation, deep venous thrombosis and sepsis.

Central nervous system diseases

The drug discovery unit dealing with central nervous systems diseases is one of three therapeutic areas located in Biberach. Boehringer Ingelheim's research activities in this field focus on the discovery of novel therapies for chronic pain and migraine, as well as disease-modifying treatment concepts for neurodegenerative disorders. Currently, only limited therapeutic opportunities are available for patients suffering from these diseases.

New molecular targets such as ion channels and G-protein coupled receptors, which are involved in pain transduction pathways and have been validated in models of neuropathic and nociceptive pain, form the basis for our drug discovery efforts in the pain indications.

Our drug discovery activities in the indication migraine address a new mechanism of action to interfere with cerebral vasodilation. A novel molecule for oral migraine treatment entered development in 2003.

In our research to intervene with the processes that drive disease progression in chronic neurodegenerative disorders, we focus on pathways established by pathology and genetics. In Alzheimer's disease, for example, our efforts aim at the reduction of the amyloid-beta peptide, which constitutes the major culprit of this fatal disorder.

In addition, treatment opportunities for psychiatric diseases are being evaluated in suitable models.

Metabolic diseases

New epidemiological data permit the assumption that metabolic diseases to which adipositas, diabetes mellitus type 2 and dyslipidemia belong, will grow worldwide by a much greater extent than hitherto expected.

We therefore ascribe major importance to the indication area metabolic diseases and have further increased our research capacities in Biberach throughout 2003.

Now, for the first time in the therapy of diabetes type 2, a growing opportunity has emerged to apply new therapeutic approaches to delay or even inhibit the progression of the disease and, in a further step, allow the blocking of the manifestation of the illness. Our focus in investigating therapeutics for the treatment of adipositas is directed on one hand to the regulation of

The new pharmacology building at our German R&D campus in Biberach won a prestigious award in 2003 from the Royal Institute of British Architects. The judges found the multi-coloured glass façade architecturally inventive and visually arresting and identified the building's main features as its clear, logical organization, its flexibility in the use of space and its innovative external façade. The EUR 17.25 million facility contains laboratories, offices and meeting rooms for pharmaceutical research.

food intake and appetite and on the other hand to increased metabolism of energy carriers. Great progress was achieved in this field by demonstrating for the first time in several animal species the relevance of a specific signal transmission pathway for the regulation of appetite. In this indication, we see a very substantial need to develop new drugs, which firstly are more efficacious than the existing therapeutics and secondly guarantee a high safety standard. Understanding the regulation of the metabolism of high density lipoprotein (HDL) cholesterol and of the reverse cholesterol transport is essential for the development of medications which will influence the independent risk factor low HDL. Our new research results in this field give rise to the hope that new compounds may be developed which offer new opportunities for the treatment of dyslipidemias.

Oncology

Due to the extraordinarily high level of medical need in cancer treatment, Boehringer Ingelheim established cancer drug discovery programmes in 1994. These activities are now concentrated at an integrated oncology drug discovery center in Vienna, featuring the necessary expertise in cancer biology and pharmacology, key enabling technologies, such as bioinformatics, genomics, proteomics and high-throughput robotics. With the successful inauguration of new, custom-built medicinal chemistry laboratories in early 2002, it also has chemical research capabilities from classical synthesis to computational and structural chemistry and parallel synthesis.

Oncology drug discovery at Boehringer Ingelheim had a strong initial focus on new biologic agents, ranging from vaccines to monoclonal antibodies and gene therapy. While this remains an area of active interest in the antibody field, providing synergies with the Corporation's proven leadership in biopharmaceutics, major new programmes aimed at small-molecule drugs are in progress.

In a protein crystallography and structure research laboratory, an X-ray generator and detector system is used to measure data on protein crystals. This enables us to determine three-dimensional structures of drug-target complexes and support the design of novel and improved compounds in our search for products of real therapeutic value. A Boehringer Ingelheim researcher mounts a crystal on a diffractometer using a cryotong.

In particular, compounds capable of inhibiting tumor cell proliferation through blockade of cell division kinases and proteases, drugs that counter extrinsic growth signals and drugs that will starve tumor lesions through inhibition of new blood vessel formation, the so-called tumor angiogenesis inhibitors, have been identified and are undergoing clinical development.

Respiratory diseases

The main objectives of our pulmonary research are improved treatments for chronic obstructive pulmonary disease (COPD) and asthma and the defence of our leading position in the broncho-dilator field.

A recent study has shown that COPD kills more people than lung cancer and causes more deaths than cardiovascular diseases. Yet up to three quarters of COPD patients in Europe are un-diagnosed.

Our successful launch of tiotropium (SPIRIVA®) in 2002 in several countries in Europe and outside Europe, with the extent of prescription by physicians and patient use well developed, gives reason to hope that after its launch in the USA, planned for 2004, use of the drug will also grow rapidly among North American COPD sufferers. We received approval for the USA in January 2004.

An additional goal of our research activities in COPD is to extend our product portfolio to other therapeutic approaches, specifically the treatment of the underlying inflammation, which is characterized by an infiltration of the lungs by macrophages and neutrophils and is only poorly controlled by current anti-inflammatory drugs, including corticosteroids.

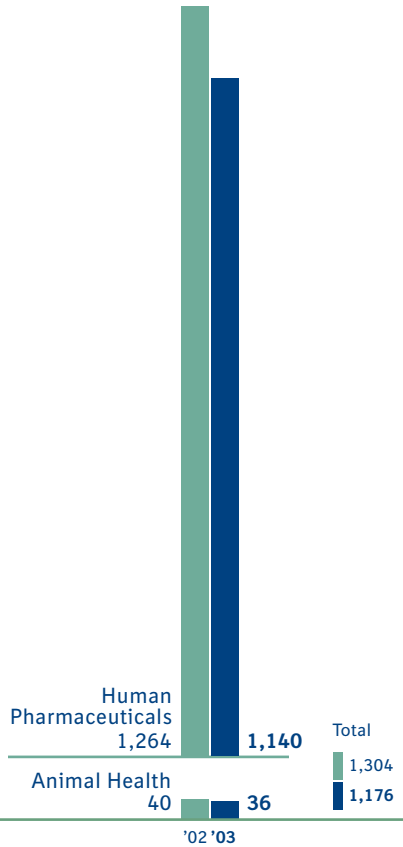
Our main goal in research in asthma is to identify a new major mechanism or immunological paradigms which would allow us to replace or reduce the doses of inhaled steroids by providing better tolerated anti-inflammatory therapy. Another goal is to provide a new treatment for specific aspects with unmet medical need, such as severe steroid-resistant asthma.

In 2003, our respiratory disease pipeline was extended with the entry of two novel drug candidates into development.

Virology

The development of effective treatments for chronic and acute viral diseases for which no vaccine exists and current therapy is either lacking or is unsatisfactory, remains a major challenge for the management of infectious diseases today. In 2003, antiviral research in Laval, Quebec, Canada, was redefined and focused on diseases caused by hepatitis C virus (HCV) and human immunodeficiency virus type 1 (HIV-1).

Research and development spending
Human Pharmaceuticals, Animal Health
in millions of EUR



HCV research has resulted in an orally active inhibitor of the HCV serine protease, an essential viral enzyme. In a proof of concept trial in HCV infected patients, the compound has shown a marked reduction of the hepatitis C virus plasma levels. However, routine chronic safety testing of high, supra-therapeutic doses in animals did show relevant side effects. These findings need further analysis before a decision on future clinical trials can be made.

HIV research has identified promising non-nucleoside reverse transcriptase inhibitors as follow-ups to VIRAMUNE®. These will add to the armamentarium of drugs available to infected individuals, particularly those who have failed prior therapy due to the development of drug resistance.

Most notable is the completion of process- and pediatric-formulation development for tipranavir, an HIV protease inhibitor for AIDS including experienced drug-resistant patients.

Clinical development and registration

Several registrations strengthened our product portfolio in 2003. SIFROL®, the leading dopamine agonist for the treatment of Parkinson's disease was registered in Japan and in Mexico. Approval was granted in Germany for BERODUAL® formulated in our RESPIMAT®, a propellant-free fine mist inhaler. This gave the innovative device its first market entry in early 2004. The environmentally friendly hydrofluoroalcane (HFA) formulations of ATROVENT® and BERODUAL® received approval in more than 20 countries. MICARDIS® PLUS extended its global roll-out with 20 additional approvals.

SPIRIVA®, our new long-acting anticholinergic COPD product, continued to receive approvals and was registered in almost 70 countries by the end of 2003. In the USA market approval was secured in January 2004.

A comprehensive clinical trial programme included more than 10,000 patients in controlled clinical trials worldwide.
UPLIFT, the long-term outcome study for SPIRIVA®, has been started very successfully and recruitment of 6,000 patients was completed ahead of schedule by the end of 2003. In addition, excellent clinical results were obtained from several other large COPD trials, demonstrating SPIRIVA®'s favourable profile compared to a long-acting β-agonist, and its ability to significantly reduce the occurrence of exacerbations and to improve endurance and exercise performance. Importantly, even when SPIRIVA® was added to a rehabilitation programme it provided significant additional benefit over rehab alone.
SPIRIVA® in the RESPIMAT® device is in phase III, and now a potential successor antimuscarinic drug with modified substance characteristics has already entered clinical development.
The landmark ONTARGET™ Trial Programme investigates our long acting angiotensin receptor blocker MICARDIS® for cardiovascular outcome in comparison to the ACE inhibitor ramipril.

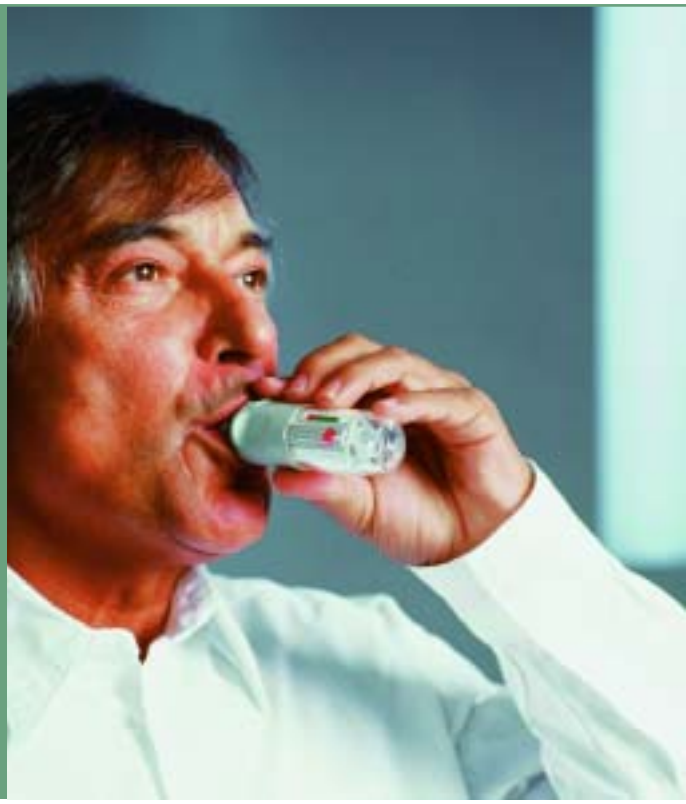
In June, we completed recruitment of 31,000 patients in record time and seven months ahead of plan. A large programme of nine studies on protection from cardiovascular end-organ damage in special patient groups has been initiated and is recruiting several thousand patients. First studies are completed and results will be available in early 2004.

The PRoFESS® study, another mega-trial, was initiated in 2003 and compares AGGRENOX® indicated for the prevention of secondary ischemic stroke to clopidigrel plus ASS. In a factorial design, MICARDIS® is co-administered to evaluate the potential benefit of additional angiotensin blockade. We expect to recruit more than 16,000 patients in two years.

Following the successful conclusion of the ASSENT-III and ASSENT-III-plus trials, we have included the first patients in ASSENT-4-PCI. In this 4,000-patient study, our thrombolytic agent METALYSE® is used in combination with primary percutaneous intervention to optimize clinical outcome after a myocardial infarct.

The non-peptidic protease inhibitor tipranavir and the non-nucleoside reverse transcriptase inhibitor BILR-355 will complement our HIV drug franchise. As planned, the tipranavir pivotal phase III studies RESIST I and RESIST II have fully recruited and are ongoing. New drug application (NDA) submission is expected at the end of 2004. BILR-355 has completed first clinical phase I studies and will enter proof of concept studies in patients in early 2004. In addition, MIV-310, a nucleoside reverse transcriptase inhibitor in-licensed from Medivir, will enter phase II to confirm its tolerability and improved resistance profile.

Boehringer Ingelheim is set to revolutionize inhaler therapy with RESPIMAT® Soft Mist™ Inhaler, a unique new generation inhaler. A first product using the device, BERODUAL® RESPIMAT® was launched in early 2004 in Germany. More products are in advanced development. RESPIMAT® is easy to use and releases a slow-moving, long-lasting soft mist with superior cloud properties resulting in improved lung deposition. RESPIMAT® delivers the medication in a liquid without propellants.



Duloxetine from Eli Lilly will be jointly commercialized by Boehringer Ingelheim. The submission process for stress urinary incontinence and major depressive disorder progressed well in 2003. In both indications we will share in development and marketing costs.

For KUC 7483, in-licensed from Kissei Pharma and under development by Boehringer Ingelheim for urinary urge incontinence, we have established a safe dose range.

While phase II proof of concept studies for our bioamine uptake inhibitor in Parkinson's disease and Alzheimer's disease are still ongoing, we established clinical proof of efficacy for our oral thrombin inhibitor. In the BISTRO II study, good tolerability and effective prevention of deep vein thrombosis after hip and knee surgery was shown. PETRO I, a proof of concept study for the prevention of stroke in patients with atrial fibrillation, was initiated.

From our new entry into oncology research we have advanced two compounds to clinical phase I: an immunotoxine and a growth factor receptor inhibitor. Both are in range-finding studies in cancer patients and we expect first results in late 2004.

SIFROL®, our dopamine agonist for Parkinson's disease, has shown empirical effectiveness in treating restless legs syndrome (RLS). We have therefore implemented a full clinical development programme and pivotal studies for global registration are well under way.

IMP – The Research Institute for Molecular Pathology

The IMP is Boehringer Ingelheim's basic biomedical research institute in Vienna, Austria. Its scientists – close to 190 people work in the laboratories – are dedicated to elucidating fundamental processes of life at the molecular level. They investigate questions such as how cells divide and differentiate, how complex organisms develop from a single cell, or how tumors grow and spread.

Finding out how the healthy organism works is essential for understanding the mechanisms of disease. Research on single cell and multi-cell organisms at the IMP results in the description of disease models, which in turn may provide the basis for Boehringer Ingelheim to develop innovative drugs for the future.

Surrounded by highly motivated colleagues and supported by an excellent service staff, the IMP's scientists have persistently maintained a strong record of high quality publications. More than 90 IMP papers appeared in 2003, bringing the total to about 960 since the founding of the institute in 1985. The number of patent applications has grown to 84, all of which are at the disposal of Boehringer Ingelheim.

The year 2003 saw a considerable expansion of IMP activities in several ways. In June, construction started on IMBA, the Institute of Molecular Biotechnology of the Austrian Academy of Sciences. This research institute is linked to the IMP, not only physically – as a neighbour – but also through a collaboration contract. It will draw on the IMP's expertise and mirror its structure and philosophy.

Within the IMP, two new research areas, immunology and protein crystallography, were established and are now running smoothly.
At a national level, the ambitious IMP project "Epigenetic Plasticity of the Mammalian Genome" was chosen as one of the four large research projects sponsored under the Austrian Genome Research Programme GEN-AU. In this network, five research groups from three different institutions have come together to create an epigenetic map of the mouse genome. The goal is to find an index that orders the genetic information in such a way as to make normal development possible. Discovery of this "epigenetic index" promises new starting points for the diagnosis and treatment of abnormal development (cancer), a better understanding of the nature of stem cells, and new insights into the secrets of old age.
On an international scale, two IMP proposals were selected for funding under the 6th Framework Programme of the European Commission: the Integrated Project "Mitocheck", involving 11 institutions in five countries; and a Network of Excellence focusing on the "Epigenetic Plasticity of the Genome" involving 19 institutions from the EU and Switzerland.

The Boehringer Ingelheim Fonds (B.I.F.), a foundation for the promotion of basic research in biomedicine, celebrated its 20th birthday in 2003. Based at the Schlossmühle near Ingelheim, Germany, B.I.F. supports, in particular, young, up-and-coming scientists and networking for its fellows is an important part of its programme. B.I.F. scholarship holders regularly receive prestigious awards.

Boehringer Ingelheim Fonds – the first 20 years

Gaining trust and partners in academic research has been the prime success of the Boehringer Ingelheim Fonds (B.I.F.), an internationally operating foundation which in 2003 completed two decades of promoting basic research in biomedicine.

For 20 years, the Germany-based Foundation has awarded long-term scholarships to Ph.D. students and has funded and organized the International Titisee Conferences. In a third programme, B.I.F. has granted travel allowances to Ph.D. students and post-doctoral scientists.
The Foundation supports people, not projects. It has always made a point of providing more than just the monthly cheque, supporting its scholarship holders in word and deed whenever needed. This concept together with B.I.F.'s long-term commitment has borne ample fruit. Over 90 % of the some 760 fellows maintain contact with the Foundation and a world-encompassing network built on trust and excellence has been developed.

The stringent and transparent selection process for the applicants in combination with the Foundation's rapid, non-bureaucratic and friendly manner has gained respect and trust among scientists in academia and beyond.
The selection process itself has also proved a success: over 20 % of the Foundation's fellows who work in academia now hold professorships or comparable posts. Scholarship holders regularly receive prestigious awards and their results are published in scientific journals of world renown. Numerous honours received by B.I.F.'s fellows also include the Gottfried Wilhelm Leibniz Prize, Germany's most highly esteemed prize for scientific achievement.
There is no dearth of outstanding young scientists at the B.I.F. On the contrary, the number of very good applicants is on the increase. They are enticed by the financial independence, the reputation of the scholarship and the enriching contact with other scientists. Twenty years on, being a B.I.F. fellow is as attractive as ever.

Our cooperations

For several years, the number of new chemical and biological entities submitted by the pharmaceutical industry for registration and subsequently launched has declined significantly, whereas research and development investment by the pharmaceutical industry has reached an all-time high.

To fill the gaps that opened up in the product pipeline, and to fulfil growth expectations, the pharmaceutical industry is increasingly engaging in many and varied forms of alliances. Such alliances range from single-product licences, with or without involvement of the licensor, in many cases biotech companies, to alliances involving entire therapy areas as well as global joint commercialization agreements.

Indeed, none of the leading pharmaceutical companies appears to be able to build its future growth based solely on its own in-house R&D pipeline. Consequently, the number of deals struck in 2001 between the biotech enterprises and the pharmaceutical industry, and those where both parties were biotech companies, exceeded 1,100. Moreover, it is expected that the top 10 pharmaceutical companies will on average generate more than half of their sales from products derived from another organization's R&D efforts.

In pursuit of value

So far, we have successfully driven our growth with our own research complemented with relatively limited in-licensing. But it is expected that this picture will change in the future. Our collaboration with the US company Genentech in the 1980s for recombinant tissue plasminogen activator was our first step, which laid the foundation of our biopharmaceuticals activities. We continued with the in-licensing of benign prostatic hyperplasia treatment tamsulosin from the Japanese company Yamanouchi which has delivered impressive growth to become our current bestseller with EUR 880 million sales in 2003, demonstrating our ability to market licensed products successfully.

Success breeds success

Based on our outstanding performance and expertise with tamsulosin in the urology field, the US company Eli Lilly selected us as their partner for jointly commercializing duloxetine, a treatment for both stress urinary incontinence and depression. For the first time, Boehringer Ingelheim was selected by a larger company as its partner for a product of high strategic importance. Before signing the deal with Lilly, we had gained experience in a similar kind of deal with our own potential blockbuster, the chronic obstructive pulmonary disease treatment SPIRIVA®, through an arrangement with the world's largest pharmaceutical group Pfizer Inc. for worldwide co-promotion. Such co-promotion arrangements are gaining importance across the industry to maximize return by building the required share of voice in the world market place.

In addition to worldwide arrangements, we also successfully exploit products regionally, such as with Abbott for FLOMAX®, MICARDIS® and MOBIC® in the USA, MICARDIS® with GSK and Bayer in Europe and other countries, and with Yamanouchi in Japan. Furthermore, in Japan we collaborate with Sankyo for ALESION® and Daiichi for MOBIC®.

We have recognized that the implementation and management of an alliance is an extremely important factor for determining success. With the alliance management structure we have established, we are well equipped to translate effectively contractual arrangements into daily reality.

Overall, Boehringer Ingelheim is in the process of change from having an in-house focus to becoming an externally orientated global player with a strong in-house base. It is supported by an important number of in-licensing arrangements, such as those with the Danish company NeuroSearch for a drug for Alzheimer's and Parkinson's disease, with the Swedish Medivir for an HIV drug and with Kissei of Japan for a product to treat urinary incontinence. A further focus area in collaborations is biopharmaceuticals.

Our unique structure as a privately held company enables us to take a long-term view of our partnerships. Moreover, free of pressure from stock market analysts, we can be highly flexible in our approach to products from external sources.

Our biggest investment in biotech

Our new biopharmaceutical production plant at our site in Biberach, Germany, was inaugurated on 17 September 2003. This state-of-the-art production facility for manufacturing innovative biopharmaceuticals also represents one of the largest investments in Europe's biotech industry. The project creates more than 400 new jobs in Germany.

Our new plant doubles capacity for the production of biopharmaceuticals at the high-tech site. It is of strategic importance for Boehringer Ingelheim's worldwide bio-business. With almost 2,000 employees in development and manufacturing of biopharmaceuticals, such as therapeutic proteins, monoclonal antibodies, single chain antibodies and gene therapeutics, of which more than 10 are approved for worldwide marketing, Boehringer Ingelheim ranks among the world's leading biotech corporations. Five of the most internationally successful biopharmaceutical products are currently manufactured by Boehringer Ingelheim.

In addition, projects from our R&D centres of competence, as well as from key clients, are being developed and scaled-up in Biberach. The ambitious, comprehensive investment project was completed in an impressively short period of less than 36 months from the initial groundbreaking to start-up. More than 200 companies worked on the 32-meter high building (see picture page 69). A total usable space of 11,000 square meters is available on six upper floors and two basements. Some 70 kilometres of pipes, 18,000 cubic metres of concrete, 2,700 tonnes of steel, and about 800 kilometers of cable were used in the construction.

Strengthens our leading position

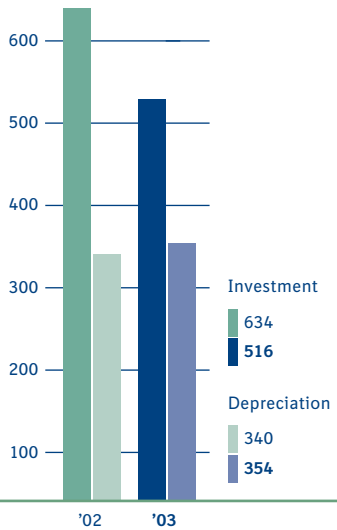
Doubling our capacity in Biberach, where our German R&D center of competence is also located, now enables the Corporation to use twelve 15,000-litre fermenters for biopharmaceutical production. This expansion greatly strengthens our leading position in this field.

We are the only corporation in the world that can provide the entire biotechnical process chain in early development and large-scale commercial manufacturing from genetic engineering, fermentation, downstream processing to fill & finish in state-of-the-art application systems. This also includes inhalation of therapeutic proteins as well as worldwide registration and marketing of biopharmaceuticals, for our requirements and those of third parties.

Reliability as a partner

Our commitment to investing in these technologies also shows our reliability as a partner for long-term commercial development and manufacturing. Our biopharmaceuticals technology platform provides the entire process chain in developing and manufacturing of therapeutic proteins, immunotoxin-conjugated monoclonal antibodies, single chain antibodies, and gene therapeutics. It is widely recognized as an asset for the early launch of new biological entities (NBE). The same accounts for our manufacturing capacity for our strategic partners, where Boehringer Ingelheim takes over the investment risk, as well as the hiring and training of skilled employees. This is of great value in our partnerships.

The Corporation's total investments in and depreciation of tangible assets
in millions of EUR



Operations

The pharmaceutical industry is facing rapidly intensifying competition. Operations continues to be prepared for even faster and more fundamental change. We leverage our position by constantly reducing complexity to focus more on key activities now and in the future. High-level flexibility in our efforts to meet market and pipeline requirements is complemented by optimum allocation of resources. Initiatives in business process excellence and our belief in an uncompromising performance culture are the basis upon which we build our success.

Our activities comprise three value chains: Pharmaceutical Manufacture guaranteeing drug product supply; Chemicals and Biopharmaceuticals with the focus on active ingredient production.

In 2003, we set a new compliance track record: we successfully passed some 70 audits around the globe. In addition, we increased our customer satisfaction, reflected in the number of customer complaints. The rate of complaints was reduced by more than 25 %. Critical complaints were reduced by more than 80 %. Our challenge is not only to capture customized regulatory compliance requirements at the point of sale. New regulatory initiatives, such as the "the risk-based approach" of the US Food and Drug Administration (FDA), raise our aspirations.

It is essential that we contribute actively to global harmonization initiatives at the International Harmonization Conference (IHC) and the European Federation of Pharmaceutical Industries Associations (EFPIA), where regulators and industrial associations set out the new harmonized rules. In order to improve upon our already successful performance we will have to streamline our existing product portfolio even further while reducing the number of stock keeping units and pharmaceutical formulations, thus eliminating unrewarded complexity and the risk of not being in compliance.

Pharmaceutical Manufacture

Our new and technically extremely demanding respiratory medication, SPIRIVA®, is testimony to our supply precision. We have continuously achieved a 100 % service level for all market supplies since it was launched in the first country. Another breakthrough technology, our novel soft mist inhaler RESPIMAT®, was launched in Germany. Further launches of the RESPIMAT® product family are being prepared. These achievements prove that our dedicated launch sites Ingelheim and Columbus, Ohio, USA, are fully operational.

In our efforts to continue improving our supply chains, we made substantial progress with our local pull concept and successfully launched BIX@, our IT tool used to route worldwide market demand to our global production network and to supervise product shipments. On various occasions, even our competitors attested that

our supply chain management reflected best practice attributes. Our tailor-made process efficiency programme JUMP meanwhile covers all core sites and delivered in 2003 alone more than 46,000 man hours savings in operating time and around EUR 6 million savings through yield improvements. In order to remain focused and closely aligned with business requirements and economic constraints, we have to be systematic about following up any opportunities for consolidation in the production network. We are committed to maintaining our strong position.

Chemicals

Guaranteeing the supply of active pharmaceutical ingredients and timely availability of new chemical entities is the main objective of our chemicals business. Intensive and successful process development enabled tipranavir, an inlicensed anti-HIV drug, to continue its development path to meet the urgent medical needs of our patients.

Our dedicated launch site in Ingelheim started production of active pharmaceutical ingredients in its new multi-product synthesis plant. Petersburg, Virginia, USA, our site for future capacity expansion, broke ground on the new bay 33. Our stepwise expansion is closely linked to volume scenarios of development candidates and to the progress in process optimization which in 2003 accounted for roughly 8 % of capacity freed up. With this approach we managed to postpone major capital investment projects and financial commitments in the range of EUR 250 million.

For another year running, our third-party business in selling pharmaceutical active substances and intermediates successfully complemented our own supplies. We virtually maintained our position in a highly competitive market for fine chemicals.

Biopharmaceuticals

Our biopharmaceuticals division provides the entire process chain in the development and manufacture of therapeutic proteins, monoclonal antibodies, antibody fragments and gene therapeutics. Biopharmaceuticals continue to play an increasingly important role in combating new diseases. Once again, with 15 % market growth, they outpaced small molecular pharmaceuticals. Our two FDA approved sites in Biberach and Vienna demonstrate our leading position in the world market of biopharmaceutical active ingredients and finished products. Our major capacity expansion in Biberach now doubles cell culture capacity. This more than EUR 255 million investment set a benchmark in the industry: It took us only three years from groundbreaking to operation and we have already successfully passed the first regulatory approvals. We continued our success story in Vienna, Austria, when we broke ground for expansion in the order of approximately EUR 60 million. Besides our investments, significant process improvements enable us to free up capacity for new growth opportunities. Despite the major constraints in capacity we boosted sales in our Biopharmaceuticals business by 26 % to EUR 280 million.

We were awarded a contract by E. Merck KGaA, Darmstadt, Germany, to develop and manufacture ERBITUX®, a monoclonal antibody.

Our face on the web

The ever-growing importance of online communications in the modern world is reflected in our constantly enhanced, expanded and updated presence on the internet. Online communications at Boehringer Ingelheim has internal and external dimensions. On these pages, introduced this year for the first time in our annual report, we focus on the external dimension and the role of the internet in conveying our latest news, financial results, key messages and recruitment opportunities to both carefully targeted groups and global audiences via the worldwide web.

On the internet there is no looking back. Since Boehringer Ingelheim made its internet debut in the mid-1990s with the corporate website, use of this today vital communication channel has spread to our corporate divisions, country organizations and diversified in innovative ways as further audiences have been targeted with a product, indication or healthcare focus.

By the end of 2003, our face on the web had six main components: our Corporate website, our country websites, product and topic websites, healthcare and careers portal websites. Furthermore, through our cooperations with other major pharmaceutical companies, we now participate jointly on important sites dealing with our strategic indication areas.

www.boehringer-ingelheim.com
International Corporate website

www.boehringer-ingelheim.co.jp
Japanese country website

Our global disease awareness activities, with their internet presence, have also made us an important force in the battle against major diseases, such as HIV/AIDS or chronic obstructive pulmonary disease (COPD).

Our internet presence at all levels provides extensive public access to information about Boehringer Ingelheim and its products. Visitors to our website provide us with valuable information that allows us to statistically analyze how well we are reaching our target audiences.

Online questionnaires also allow us to find out interactively more about the needs of our customers.

Our increased use of the internet at corporate and country level to attract and inform potential employees has been particularly rewarding, with our designated Careers sites triggering interest of unforeseen proportions, confirming the central role of the internet in job-seeking today.
The websites shown on here are only a sample of our online offering. The corporate website www.boehringer-ingelheim.com provides access to the Boehringer Ingelheim world on the web.

www.boehringer-ingelheim.com/careers
Corporate website – careers

www.micardis.com
Global MICARDIS® product website

Glossary

Product	Active ingredient	Indication
ACTILYSE®	alteplase	Fibrinolytic treatment of acute myocardial infarction, acute massive pulmonary embolism and ischaemic stroke
AGGRENOX® ASASANTIN® PERSANTIN®	ASA/ dipyridamole extended release	Prevention of stroke following a first stroke or for transient ischaemic attacks As above and adjunct to coumarin anticoagulants in the prevention of postoperative thromboembolic complications of cardiac valve replacement
ALESION® FLURINOL® TALERC®	epinastine	Antiallergic agent
ATROVENT®	ipratropium bromide	Prevention and treatment of breathlessness associated with chronic obstructive airways diseases
BEROTEC® DOSBEROTEC®	fenoterol	Symptomatic treatment of allergic and non-allergic bronchial asthma and/or other diseases associated with reversible obstruction of the airways
BISOLVON®	bromhexine	Mucolytic for the treatment of acute and chronic bronchopulmonary diseases associated with impaired formation and transport of mucus
BUSCOPAN®	butylscopolamine	Treatment of gastro-intestinal tract spasm
CATAPRESAN® CATAPRES® ATENSINA® CATAPRESSAN®	clonidine	All forms of high blood pressure unless caused by phaeochromocytoma
COMBIVENT®	ipratropium bromide/ salbutamol	Treatment of bronchospasms associated with reversible obstructive airways diseases
DULCOLAX®	bisacodyl	Effective and gentle laxative in case of constipation
DUOVENT® BRONCHODUAL® BERODUAL®	fenoterol/ ipratropium bromide	Prevention and treatment of breathlessness associated with reversible obstructive airways diseases
FLOMAX® ALNA® JOSIR® PRADIF® SECOTEX® UROLOSIN®	tamsulosin	Treatment of functional symptoms of benign prostatic hyperplasia

Product	Active ingredient	Indication
INFLAMMIDE®	budesonide	Bronchial asthma
LENDORMIN® LENDORM® LINDORMIN® SINTONAL®	brotizolam	Short-term treatment of disorders of initiating and maintaining sleep
METALYSE®	tenecteplase	Fibrinolytic treatment of acute myocardial infarction
MEXITIL® MEXITILEN®	mexiletine	Serious symptomatic ventricular tachycardic heart rhythm disturbances
MICARDIS® MICARDIS® PLUS MICARDIS® HCT CO-MICARDIS®	telmisartan telmisartan/hydro-chlorothiazide	Treatment of essential hypertension
MOBIC® MOBEC® MOBICOX® MOVALIS® MOVATEC®	meloxicam	Symptomatic treatment of rheumatic diseases
MOTENS® CALDINE® MIDOTENS® TENS®	lacidipine	Treatment of essential hypertension
MUCOSOLVAN® MOTOSOL® MUCOSAN® SURBRONC®	ambroxol	Mucolytic treatment of acute and chronic bronchopulmonary diseases associated with impaired formation and transport of mucus
PHARMATON® PHARMATON® CAPSULES GERIAVIT PHARMATON® PHARMATON® CAPLETS	ginseng extract G115®, vitamins, minerals, trace elements	To improve physical and mental performance and well-being
SIFROL®	pramipexole	Symptomatic treatment of idiopathic Parkinson's disease
SPIRIVA®	tiotropium bromide	Maintenance treatment of chronic obstructive pulmonary disease (COPD)
VIRAMUNE®	nevirapine	Available as tablets for adults and suspension for children – used as part of combination therapy in the treatment of AIDS and for the prevention of mother-to-child transmission of HIV

Consolidated Financial Statements 2003

Overview of the major consolidated companies

C.H. Boehringer Sohn

Boehringer Ingelheim GmbH

Germany

Boehringer Ingelheim Pharma GmbH & Co. KG, *Ingelheim*

Boehringer Ingelheim Vetmedica GmbH, *Ingelheim*

Boehringer Ingelheim Deutschland GmbH

Belgium

Boehringer Ingelheim Coordination Centre S.C.S., *Brussels*

Finland

Boehringer Ingelheim Finland Ky, *Espoo*

Norway

Boehringer Ingelheim Norway KS, *Asker*

Boehringer Ingelheim International GmbH

Austria

Forschungsinstitut für Molekulare Pathologie Gesellschaft mbH, *Vienna*

China

Boehringer Ingelheim International Trading (Shanghai) Co. Ltd., *Shanghai*

Boehringer Ingelheim Shanghai Pharmaceuticals Co. Ltd., *Shanghai*

Philippines

Boehringer Ingelheim (Phil.) Inc., *Manila*

South Korea

Boehringer Ingelheim Korea Ltd., *Seoul (50 %)*

Boehringer Ingelheim Vetmedica Korea Ltd., *Seoul*

C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG

Boehringer Ingelheim Auslandsbeteiligung GmbH

Pharma Investment Ltd., Burlington, Canada

Argentina

Boehringer Ingelheim S.A., *Buenos Aires*

Australia

Boehringer Ingelheim Pty. Ltd., *North Ryde*

Austria

Boehringer Ingelheim Austria GmbH, *Vienna*

Boehringer Ingelheim Pharma Ges.m.b.H., *Vienna*

Belgium

N.V. Boehringer Ingelheim S.A., *Brussels*

Brazil

Boehringer Ingelheim do Brasil Quimica e Farmaceutica Ltda., *São Paulo*

Solana Agro Pecuaria Ltda., *Arapongas*

Chile

Boehringer Ingelheim Ltda., *Santiago de Chile*

Colombia

Boehringer Ingelheim S.A., *Bogotá*

Czech Republic

Boehringer Ingelheim s.r.o., *Prague*

Denmark

Boehringer Ingelheim Danmark A/S, *Copenhagen*

Ecuador

Boehringer Ingelheim del Ecuador Cia. Ltda., *Quito*

France

Boehringer Ingelheim France S.A.S., *Paris*

Labso Chimie Fine S.A.R.L., *Blanquefort*

Great Britain

Boehringer Ingelheim Ltd., *Bracknell*

Greece

Boehringer Ingelheim Ellas AE, *Athens*

Indonesia

PT Boehringer Ingelheim Indonesia, *Jakarta*

Italy

Boehringer Ingelheim Italia S.p.A., *Reggello*

Bidachem S.p.A., *Fornovo S. Giovanni*

Japan

Nippon Boehringer Ingelheim Co. Ltd., *Kawanishi*

Boehringer Ingelheim Shionogi Vetmedica Co. Ltd., *Kawanishi*

Boehringer Ingelheim Seiyaku Co., Ltd., *Yamagata*

SSP Co. Ltd., *Tokyo (57 %)*

Netherlands

Boehringer Ingelheim B.V., *Alkmaar*

Poland

Boehringer Ingelheim Sp.zo.o., *Warsaw*

Portugal

Boehringer Ingelheim Lda., *Lisbon*

Unilfarma Lda., *Lisbon*

South Africa

Boehringer Ingelheim (Pty.) Ltd., *Randburg*

Ingelheim Pharmaceuticals (Pty.) Ltd., *Randburg*

Spain

Boehringer Ingelheim España S.A., *Barcelona*

Boehringer Ingelheim S.A., *Barcelona*

Laboratorios Fher S.A., *Barcelona*

Europharma S.A., *Barcelona*

Sweden

Boehringer Ingelheim AB, *Stockholm*

Switzerland

Boehringer Ingelheim (Schweiz) GmbH, *Basle*

Pharmaton S.A., *Lugano*

Taiwan

Boehringer Ingelheim Taiwan Ltd., *Taipei*

Thailand

Boehringer Ingelheim (Thai) Ltd., *Bangkok*

Turkey

Boehringer Ingelheim Ilac Ticaret A.S., *Istanbul*

Venezuela

Boehringer Ingelheim C.A., *Caracas*

Canada

Boehringer Ingelheim (Canada) Ltd., *Burlington*

Mexico

Boehringer Ingelheim Promeco S.A. de C.V., *Mexico City*

Boehringer Ingelheim Vetmedica S.A. de C.V., *Guadalajara*

USA

Boehringer Ingelheim Corp., *Ridgefield, Connecticut*

Boehringer Ingelheim Pharmaceuticals Inc., *Ridgefield, Connecticut*

Roxane Laboratories Inc., *Columbus, Ohio*

Ben Venue Laboratories Inc., *Bedford, Ohio*

Boehringer Ingelheim Vetmedica Inc., *St. Joseph, Missouri*

Boehringer Ingelheim Chemicals Inc., *Petersburg, Virginia*

Distribution
Production
Research

C.H. Boehringer Sohn, Ingelheim
Consolidated balance sheet as of 31.12.03

Assets (in millions of EUR)	Appendix*	2003	2002
Intangible assets		242	302
Tangible assets		2,767	2,840
Financial assets		2,462	1,689
Fixed assets	(3.1)	**5,471**	**4,831**
Inventories		1,000	971
Accounts receivable		1,780	1,831
Securities		1	1
Cash and cash equivalents		1,133	1,054
Current assets	(3.2)	**3,914**	**3,857**
Deferred taxes	(3.3)	717	489
Deferred charges		40	40
Total assets		**10,142**	**9,217**

Liabilities and equity (in millions of EUR)	Appendix*	2003	2002
Shareholders' capital		178	178
Reserves		3,223	2,745
Balance sheet currency conversion difference		–84	73
Net income		529	537
Equity		**3,846**	**3,533**
Minority interests		188	203
Group equity		**4,034**	**3,736**
Provisions	(3.4)	3,764	3,568
Accounts payable	(3.5)	2,118	1,882
Liabilities		**5,882**	**5,450**
Deferred taxes	(3.3)	199	0
Deferred charges		27	31
Total liabilities and equity		**10,142**	**9,217**

* For explanation, see relevant section in the Notes to the Consolidated Financial Statements.

C.H. Boehringer Sohn, Ingelheim
Consolidated profit and loss statement from 1.1. to 31.12.03

(in millions of EUR)	Appendix*	2003	2002
Net sales	(4.1)	7,382	7,580
Changes in inventories		26	–2
Other internal work performed and capitalized		3	3
Other operating income		428	367
Total revenues		**7,839**	**7,948**
Material costs	(4.2)	–1,234	–1,345
Personnel costs	(4.3)	–2,252	–2,175
Amortization of intangible and depreciation of tangible assets	(4.4)	–436	–437
Other operating expenses	(4.5)	–3,016	–2,909
Operating income		**901**	**1,082**
Financial income	(4.6)	–30	–46
Holding income	(4.7)	2	1
Income before taxes		**873**	**1,037**
Taxes	(4.8)	–336	–486
Income after taxes		**537**	**551**
Third-party share		–8	–14
Net income	(4.9)	**529**	**537**

* For explanation, see relevant section in the Notes to the Consolidated Financial Statements.

Cash flow statement 1. 1. – 31. 12. 2003

(in millions of EUR)	2003
Income after taxes	537
Write-downs/write-ups on fixed assets	435
Change in provisions for pensions	87
Cash flow	**1,059**
Change in other provisions	320
Other non-cash income and expenses	–5
Loss on disposals of fixed assets	12
Increase of inventories	–95
Increase of accounts receivable and other assets not related to investing or financing activities	–353
Increase of trade accounts payable and other liabilities not related to investing or financing activities	607
Cash flow from operating activities	**1,545**
Investments in intangible assets	–25
Investments in property, plant and equipment	–516
Investments in non-current financial assets *	–14
Proceeds from disposals of intangible assets	0
Proceeds from disposals of property, plant and equipment	19
Proceeds from disposals of non-current financial assets *	30
Cash flow from investing activities	**–506**
Cash payments to owners and minority shareholders	–65
Cash repayments of loans	–53
Cash flow from financing activities	**–118**
Change in liquid funds from cash relevant transactions	**921**
Changes in liquid funds due to changes in scope of consolidation	0
Changes in liquid funds due to exchange rate movements	–50
Securities and liquid funds as of 1.1.	**2,645**
Securities and liquid funds as of 31.12.	**3,516**

* excl. fixed-asset securities
(+) = source of funds, (–) = use of funds

Development of Group Equity

	Shareholders capital*	Accrued group capital	*thereof currency effects*	**Equity**	Minority interests	*thereof currency effects*	**Group Equity**
Balance on 31.12.2001	**178**	**3,176**	***305***	**3,354**	**1**	***0***	**3,355**
Contributions	0	3	*0*	**3**	0	*0*	**3**
Withdrawals	0	−133	*0*	**−133**	0	*0*	**−133**
Net income	0	537	*0*	**537**	14	*0*	**551**
Change of scope of consolidation	0	0	*0*	**0**	198	*0*	**198**
Other changes	0	−228	*−232*	**−228**	−10	*−5*	**−238**
Balance on 31.12.2002	**178**	**3,355**	***73***	**3,533**	**203**	***−5***	**3,736**
Contributions	0	0	*0*	**0**	0	*0*	**0**
Withdrawals	0	−49	*0*	**−49**	0	*0*	**−49**
First application of GAS 10**	0	−8	*0*	**−8**	−1	*0*	**−9**
Net income	0	529	*0*	**529**	8	*0*	**537**
Other changes	0	−159	*−157*	**−159**	−22	*−17*	**−181**
Balance on 31.12.2003	**178**	**3,668**	***−84***	**3,846**	**188**	***−22***	**4,034**

*The shareholders' capital consists of the equity of C. H. Boehringer Sohn and C. H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG. The shareholders' personal taxes arising from consolidated business activities are shown as withdrawals from the shareholders' capital.

**German Accounting Standard 10: "Deferred taxes in consolidated financial statements"

C.H. Boehringer Sohn, Ingelheim
Fixed-asset movement schedule of the Corporation in 2003

Consolidated financial statements 2003 (in millions of EUR)

	Procurement/Manufacturing costs					
	Balance as of 01.01.03	Currency conversion difference	Additions	Disposals	Reclassi-fications	Balance as of 31.12.03
Concessions/similar rights	430	−17	23	7	3	432
Goodwill	809	−2	0	0	0	807
Downpayments	1	0	2	0	0	3
Total intangible assets	**1,240**	**−19**	**25**	**7**	**3**	**1,242**
Property and plants	2,168	−165	54	77	75	2,055
Techn. facilities and machines	1,716	−112	138	37	195	1,900
Other facilities/ operating equipment	1,225	−79	145	87	−91	1,113
Downpayments/ construction in progress	413	−24	179	3	−182	383
Total tangible assets	**5,522**	**−380**	**516**	**204**	**−3**	**5,451**
Investments in affiliated companies	22	−1	0	0	0	21
Loans to affiliated companies	5	−1	2	0	0	6
Investments in related companies	24	−1	0	13	0	10
Loans to related companies	4	−1	3	0	0	6
Investment securities	1,600	−7	987	189	0	2,391
Other loans	70	0	9	30	0	49
Total financial assets	**1,725**	**−11**	**1,001**	**232**	**0**	**2,483**
Total fixed assets	**8,487**	**−410**	**1,542**	**443**	**0**	**9,176**

Depreciations 2003							Book values	
Balance as of 01.01.03	Currency conversion difference	Depreciations 2003	Value adjustments 2003	Cumulated depreciation of disposals	Reclassifications	Balance as of 31.12.03	Balance as of 31.12.03	Balance as of 31.12.02
319	–11	34	0	6	0	336	96	111
619	–3	48	0	0	0	664	143	190
0	0	0	0	0	0	0	3	1
938	**–14**	**82**	**0**	**6**	**0**	**1,000**	**242**	**302**
923	–64	77	1	55	10	890	1,165	1,245
921	–61	131	0	39	–10	942	958	795
838	–52	146	1	79	0	852	261	387
0	0	0	0	0	0	0	383	413
2,682	**–177**	**354**	**2**	**173**	**0**	**2,684**	**2,767**	**2,840**
3	0	0	0	0	0	3	18	19
0	0	0	0	0	0	0	6	5
16	0	0	0	13	0	3	7	8
4	–1	0	0	0	0	3	3	0
10	0	5	4	2	0	9	2,382	1,590
3	–1	1	0	0	0	3	46	67
36	**–2**	**6**	**4**	**15**	**0**	**21**	**2,462**	**1,689**
3,656	**–193**	**442**	**6**	**194**	**0**	**3,705**	**5,471**	**4,831**

Notes to the Consolidated Financial Statements 2003

The consolidated financial statements of Boehringer Ingelheim for the fiscal year 2003 have been prepared pursuant to section 13 of the German disclosure rules (PublG) in conjunction with sections 294 to 314 of the German Commercial Code (HGB) in accordance with the mandatory accounting regulations for corporations of HGB.

Through a subsidiary company Boehringer Ingelheim takes advantage of a regulated market as defined by section 2, paragraph 5, of the German Securities Law (Wertpapierhandelsgesetz). In accordance with section 297, paragraph 1 HGB, the consolidated financial statements in this case shall be composed of the consolidated balance sheet, the consolidated profit and loss statement, notes to the consolidated financial statements, the consolidated cash flow statement, reporting on business segments as well as the table of the development of Group Equity.

1. General

Companies included in the Consolidation

The ultimate parent company of BOEHRINGER INGELHEIM is C.H. BOEHRINGER SOHN.
In addition, there is C.H. BOEHRINGER SOHN GRUNDSTÜCKSVERWALTUNG GMBH & CO. KG, whose unlimited partner is under the unified management of C.H. BOEHRINGER SOHN.

BOEHRINGER INGELHEIM consists of a total of 152 affiliated companies in and outside Germany. In addition to C.H. BOEHRINGER SOHN and C.H. BOEHRINGER SOHN GRUNDSTÜCKS-VERWALTUNG GMBH & CO. KG, a further 116 companies in which C.H. BOEHRINGER SOHN holds the majority of voting shares, directly or indirectly, are included in the consolidated financial statements. One company in which Boehringer Ingelheim holds a 50 % interest, and which is operated jointly with a third party, was consolidated in a prorated manner in accordance with section 310, HGB.

32 companies were not consolidated in the reporting year as they were of no significance to the net assets, financial position and results of operations of the Corporation. Combined they represent less than 1 % of the Corporation's turnover, equity, and net profit. Two further companies are subject to bylaws containing enduring restrictions.
Compared to the previous year, the total number of affiliated companies was reduced by four; one company was established, four subsidiaries were liquidated and one was dissolved due to a merger.
A separate statement of interests held by the Corporation has been filed with the Register of Companies of the district court in Bingen.

The following subsidiaries were exempted from the reporting and disclosure obligations in accordance with section 264, paragraph 4, HGB in conjunction with section 264, paragraph 3, HGB:

- Boehringer Ingelheim Deutschland GmbH, Ingelheim
- Boehringer Ingelheim Vetmedica GmbH, Ingelheim
- Boehringer Ingelheim Secura Versicherungsvermittlungs GmbH, Ingelheim
- Boehringer Ingelheim Grundstücks-GmbH, Ingelheim.

C.H. Boehringer Sohn Grundstücksverwaltung GmbH & Co. KG and Boehringer Ingelheim Pharma GmbH & Co. KG are exempted from reporting and disclosure obligations in accordance with section 264b, HGB.

Consolidation methods

For inventories, accounts receivable, liabilities, and the income and expense items, business transactions between the companies included in the consolidation were eliminated as part of the debt consolidation according to section 303, HGB. The elimination of intercompany profits was carried out according to section 304, HGB and the income and expense consolidation according to section 305, HGB.

The purchase method of accounting was used for the capital consolidation of those subsidiaries that were included for the first time in the consolidated financial statements. First-time consolidation generally takes place at the beginning of the financial year of the acquisition.

The goodwill of two major companies acquired in 1997 is amortized according to plan over ten years. Goodwill from first-time consolidation of minor subsidiaries is fully depreciated in the year of acquisition. The goodwill arising from the acquisition of a group of Japanese companies has been fully written off in the year of acquisition according to section 312, paragraph 2, clause 3, HGB and section 309, paragraph 1, clause 1, HGB. Goodwill from the acquisition of further shares will be written off in the year of acquisition.

Credit balances primarily represent retained earnings during group membership; they therefore have the characteristics of equity and are included in group reserves. Negative goodwill arising from the first-time consolidation of a subsidiary was further amortized in accordance with section 309, paragraph 2, clause 1, HGB to the amount of the share of the losses (EUR 2.2 million).

Currency conversions

The financial statements prepared in foreign currencies were translated into the reporting currency, the euro, according to the year-end rate method. All assets and liabilities were converted at the year-end rate. The sole exception was changes in fixed assets in the fixed-asset movement schedule (additions, disposals, depreciations). These were converted at the average annual rate of the reporting year. Items of the profit and loss statement and, consequently, net income were converted at the average annual rate for the reporting year. Translation differences due to the conversion of foreign currencies are shown in the reserves and have no impact on income.

The currencies of greatest importance to the Corporation have undergone the following changes in the reporting year (base EUR 1):

	year-end rate		average annual rate	
	2003	2002	2003	2002
US dollar	1.26	1.04	1.13	0.94
Japanese yen	134.85	124.19	130.97	118.07
Pound sterling	0.71	0.65	0.69	0.63
Canadian dollar	1.63	1.64	1.59	1.48

Cash flow statement

The cash flow statement shows how the total of securities and liquid funds (liquid assets and securities in fixed and current assets) of the Boehringer Ingelheim Corporation have changed during the reporting year through inflow and outflow of cash and cash equivalents. In accordance with German Accounting Standard No. 2 (GAS 2), Cash Flow Statements, cash flows are classified by operating, investing or financing activities. Changes reported by consolidated companies are converted at the average annual rate. As in the balance sheet, securities and liquid funds are converted according to the year-end rate method. The influence of exchange rate changes on securities and liquid assets is provided separately.

Segment reporting

A presentation of reporting by segments in accordance with GAS 3, Segment Reporting, is omitted because the internal reporting at Boehringer Ingelheim does not divide up or sort assets and liabilities by segment, as required under GAS 3. Furthermore, management cannot identify with the allocation by segment based on opportunities and risks, as required alternatively by GAS 3.

2. Accounting and Evaluation Methods

Fixed assets

Intangible assets and tangible assets are given at purchase or manufacturing cost, net of regular straight-line or declining method depreciation, according to the technical and economic situation. Anticipated long-term losses in value were taken into account by unscheduled write-downs. Appropriate portions of material and production overheads were taken into consideration for the determination of manufacturing costs. Fully amortized goodwill that is more than five years old, or is materially insignificant, is shown under disposals.

The financial assets were valued at the lower of either purchase cost or fair market value.

Current assets

Inventories were valued at purchase or manufacturing cost. Appropriate portions of material and production overheads were taken into consideration for the determination of the manufacturing costs. Necessary reductions were made for inventory risks.

Accounts receivable were stated at their nominal value net of any individual valuation allowances required. The general credit risk was covered by a general valuation allowance for bad debt.

Other assets were stated at the lower of purchase cost or fair market value.

Foreign currency items were respectively recorded at the rate of exchange on the date of the transaction or year-end, and, if hedged, at the hedging rate.

Group reserves

Group reserves include the retained earnings of previous years of Boehringer Ingelheim subsidiaries, consolidation entries that affect earnings, where they relate to previous years, credit balances arising from capital consolidation and balance sheet currency conversion adjustments with no impact on the earnings.

Provisions

The provisions include amounts required to cover any contingent liabilities, including provisions for contingent losses from pending contracts. The valuation is made at the amount which is necessary on the basis of reasonable commercial judgement. Only personnel reserves were shown on a discounted basis.

Liabilities

Liabilities are shown in the balance sheet at the repayable amount. Liabilities in foreign currencies were respectively recorded at the rate of exchange on the date of the transaction or year-end, and, if hedged, at the hedging rate.

3. Notes to the Consolidated Balance Sheet

3.1 Fixed assets

The breakdown of the combined fixed assets in the balance sheet and their development in 2003 are shown in the fixed asset movement schedule. The item 'other loans' contains loans to the shareholders amounting to EUR 10 million (2002: EUR 8 million).

3.2 Current assets

Inventories (in millions of EUR)	2003	2002
Raw materials and supplies	218	206
Unfinished products	371	345
Finished products and goods for resale	403	413
Advance payments to suppliers	8	7
	1,000	**971**

Accounts receivable (in millions of EUR)	2003	2002
Trade accounts receivable	1,436	1,296
Receivables from affiliated companies	13	33
Receivables from associated companies	18	16
Other assets	313	486
– of which, with residual term of more than 1 year	(12)	(62)
	1,780	**1,831**

The amount of trade accounts receivable contains 'disposed' receivables in Japan (EUR 171 million) based on an asset backed securities (ABS) agreement. In the previous year, the transfer of the economic property of the 'disposed' receivables was attributed to the ABS partner. The change in the reporting year takes a more detailed opinion from the German Institute of Public Accountants (Institut der Wirtschaftsprüfer in Deutschland) with regard to the manner ABS-transactions into account.

The item 'other assets' contains receivables from the shareholders amounting to EUR 4 million (2002: EUR 86 million).

Cash and cash equivalents
This item contains bank balances, cheques, cash and term deposits.

3.3 Deferred taxes

The deferred tax assets and liabilities represent the tax deferral in accordance with section 274 and 306, HGB. They were offset in accordance with GAS 10.

In the individual balance sheets the consolidated companies made use of their option to capitalize assets in the amount of probable tax savings in the following years in accordance with section 274, paragraph 2, HGB.

The calculation of deferred taxes is based on the tax rates that are expected to apply at the time of their realisation.

As a result of the first-time use of GAS 10, the equity in the opening balance was reduced by EUR 9 million (of which EUR 1 million is the share of other shareholders). The amount is apportioned as follows:

(in millions of EUR)	2003
Deferred tax assets on tax loss carryforwards	11
Treatment of quasi-permanent differences as temporary differences	–4
Other effects of first-time application of liability method	–16
	–9

The capitalization of deferred tax assets on tax loss carryforwards was carried out if it was sufficiently probable that the tax benefits from the tax loss carryforwards can be recovered.

Quasi-permanent differences between the consolidated balance sheet and the tax balance sheet are treated as temporary differences in accordance with GAS 10.

3.4 Provisions

(in millions of EUR)	2003	2002
Pension provisions	1,946	1,901
Tax provisions	308	325
Other provisions	1,510	1,342
	3,764	**3,568**

Pension provisions

The Corporation's pension schemes are based on various defined contribution plans as well as defined benefit plans. Pension obligations arising from direct or indirect *benefit plans* are determined on the basis of the projected unit credit method, taking future salary and pension increases into consideration. The actuarial calculation of the pension obligation from defined benefit plans is based on country-specific biometric data (in Germany and Austria the tables issued in 1998 by Prof. Klaus Heubeck were used) as well as the following assumptions:

Parameter	Europe		USA		Japan	
	2003	2002	2003	2002	2003	2002
Discount rate (in %)	5.0–5.5	5.5	6.0	6.75	1.3	2.8
Expected return on assets (in %)	6.0	6.0	9.0	9.0	3.0	3.0
Salary increase (in %)	4.0	4.0	5.5	5.5	3.8	3.8
Pension increase (in %)	0.8–2.0	1.7	3.0	3.0	0.0	0.0

At the balance sheet date, the present value of the expected pension obligation was netted with the fair value of the respective pension plan assets (funding status). Based on this, pension provisions are determined by deducting unrealized transition amounts as well as unrealized actuarial gains and losses from the funding status. Based on the 'corridor approach', unrealized gains and losses are amortized over the expected average service periods of the respective active employees. At balance sheet date, indirect pension commitments (including total unrealized transition amounts and actuarial gains and losses) of EUR 370 million (2002: EUR 250 million) were not recognized as part of pension provisions. In conjunction with *defined contribution plans*, group companies paid contributions to state or private insurers on the basis of legal or contractual regulations. On payment of the contributions the companies no longer have any performance obligations. Contributions are recognized as personnel costs upon payment.

3.5 Accounts payable

(in millions of EUR)	Residual term less than 1 year	Residual term 1–5 years	Residual term over 5 years	2003	2002
Bank loans	216	264	31	511	587
Other accounts payable	1,459	31	117	1,607	1,295
of which:					
- Trade accounts payable	516	0	0	516	522
- Prepayment	55	0	0	55	51
- Notes payable	24	0	0	24	67
- Accounts payable to affiliated companies	5	0	0	5	3
- Accounts payable to related companies	5	0	0	5	7
- Other liabilities (*)	854	31	117	1,002	645
	1,675	**295**	**148**	**2,118**	**1,882**
(*) of which:					
- for taxes				14	97
- for social security contributions				12	15

There were no liabilities secured by mortgages or similar rights on the balance sheet date consistent with the previous year.

Total liabilities with a residual term of less than one year amounted to EUR 1,517 million as per 31 December of the previous year.

Liabilities due to shareholders amounted to EUR 214 million at year-end (2002: EUR 10 million). These were disclosed under ‘other liabilities’, EUR 204 million thereof result from a short-term investment in liquid funds.

The increase in other liabilities is furthermore affected by the introduction of the gross statement of the ABS transaction. Payments received from the ABS partners in conjunction with the ABS transaction have to be shown as short-term loans until the underlying accounts receivable are paid off.

3.6 Contingent liabilities to the benefit of third parties

(in millions of EUR)	2003	2002
Liabilities from guarantees, guarantees for bills and cheques, warranties and provisions of collateral for third-party liabilities	158	188

3.7 Other financial obligations

(in millions of EUR)	2003	2002
To third parties	762	802

At year-end, other financial obligations included capital investments of EUR 614 million (2002: EUR 649 million). Other financial commitments included EUR 130 million (2002: EUR 135 million) from renting and leasing contracts, of which EUR 69 million covered the rent on the administration building belonging to a subsidiary not included in the consolidation, the lease on which expires on 31 December 2019.

3.8 Derivative financial instruments

Boehringer Ingelheim is, due to its extensive international structure, highly dependent on and influenced by fluctuations in exchange and interest rates of the main global currencies. In order to hedge against the risks, particularly those inherent in supplies and services and financial funding, use is generally made of foreign exchange forward contracts in the case of currency risks. Regarding interest rate risks it is made use of interest rate swaps and interest rate options. The risk positions are recorded, analyzed and assessed regularly in a special consolidated financial report.

The use of derivative financial instruments and the organizational procedure are laid down in internal guidelines. Trade, processing, documentation and control are kept strictly separate. The items are periodically re-evaluated and monitored. Derivative financial instruments are only agreed on with banks of sound financial standing. As of 31 December 2003, the nominal value of all foreign currency and interest rate hedging transactions amounted to EUR 1,573 million (2002: EUR 1,857 million). The corresponding market values amounted to EUR 29 million (2002: EUR 127 million).

Derivative financial instruments at year-end were as follows:

	Nominal value		Market value	
(in millions of EUR)	2003	2002	2003	2002
Foreign exchange forward contracts	1,266	1,505	29	129
Interest options	307	352	0	–2

The nominal value is the sum of all purchases and sales. The market value is calculated on the basis of quoted prices or derived values for derivative financial instruments.

4. Notes on the Consolidated Profit and Loss Statement

For structuring the consolidated profit and loss statement the total cost method was used.

4.1 Net sales

– by business and business segment (in millions of EUR)	2003	2002
Human Pharmaceuticals	7,067	7,262
of which: *Prescription Medicines*	*5,533*	*5,670*
Consumer Health Care	*964*	*1,050*
Industrial Customer	*519*	*493*
Other sales	*51*	*49*
Animal Health	315	318
	7,382	**7,580**

–by geographic region (in millions of EUR)	2003	2002
Europe	2,443	2,247
of which: *Germany*	*643*	*612*
Americas	3,374	3,656
of which: *USA/Canada/Mexico*	*3,120*	*3,377*
Asia/Australasia/Africa	1,565	1,677
of which: *Japan*	*1,134*	*1,288*
	7,382	**7,580**

4.2 Material costs

(in millions of EUR)	2003	2002
Costs of raw material, supplies and goods for resale	1,086	1,194
Expenditure on services	148	151
	1,234	**1,345**

4.3 Personnel costs

(in millions of EUR)	2003	2002
Salaries and wages	1,745	1,689
Social benefits and retirement benefits	507	486
of these *retirement benefits*	*153*	*146*
	2,252	**2,175**

The interest component on the increase in pensions and similar obligations is contained in financial income rather than in personnel costs and is therefore not included in the operating result of the company.

4.4 Depreciations

The amortization of intangible assets and depreciation of tangible assets includes unscheduled write-downs of EUR 6 million (2002: EUR 8 million).

4.5 Other operating expenses

Other operating expenses include third-party services in research, development, medicine and marketing, in addition to administration costs, fees, contributions, commissions, rents, freight costs and expenses for third-party repairs as well as expenses incurred by restructuring measures.

4.6 Financial income

(in millions of EUR)	2003	2002
Proceeds from other investment securities and from long-term loans	96	49
Other interest income and similar proceeds	45	87
Amortization of other financial assets and short-term investments	–10	–10
Interest expense and similar expenditure	–46	–64
Interest on increases in provisions for pensions and similar obligations	–115	–108
	–30	**–46**

4.7 Holding income

(in millions of EUR)	2003	2002
Gains from the sale of investments	2	2
Amortization of financial assets	0	–1
	2	**1**

4.8 Taxes

(in millions of EUR)	2003	2002
Income taxes	388	548
Deferred taxes	–71	–86
Other taxes	19	24
	336	**486**

In the tax-rate reconciliation an expected tax expense for Boehringer Ingelheim is calculated on a tax-rate for corporations (corporate and trade tax). Due to the fact that some of the consolidated companies are partnerships, the income tax rate for partnerships (only trade tax) has to be applied to their related income. The resulting adjustment is shown as 'Fictive Corporation' in the tax-rate reconciliation.

The tax expense derived by using a fictive tax rate of 38.9 % (average tax rate for a German corporation) can be related to the actual tax expense as follows:

	2003	
	(in millions of EUR)	(in %)
Income before taxes minus other taxes	**854**	
Expected tax expense (current and deferred)	**332**	**38.9**
Decrease/increase in expected tax by		
Fictive Corporation	-36	-4.2
Foreign tax rate differentials	-20	-2.3
Non-taxable income	-6	-0.7
Non-tax-deductible expense	32	3.7
Taxes related to prior periods	17	2.0
Amortization of goodwill	20	2.3
Changes in applicable tax rates	-8	-1.0
Withholding taxes not subject to tax credits	23	2.7
Tax credits for research activities	-36	-4.2
Other effects	-1	-0.1
Actual tax expense (current and deferred)	**317**	**37.1**

The deferred taxes can be attributed to the following balance sheet items:

(in millions of EUR)	2003 assets	2003 liabilities
Intangible assets	7	1
Tangible assets	19	126
Financial assets	33	25
Inventories	156	25
Receivables	24	6
Provisions	448	9
Liabilities	15	7
Tax loss carryforwards	15	0
	717	**199**

Other mandatory disclosures according to GAS 10.39:

(in millions of EUR)	2003
Deferred tax expense from changes in law	8
Deferred tax expense due to the write-off of deferred tax assets in the financial year	5
Deferred tax income relating to changes in accounting policies	4

The total amount of valuation allowances to deferred tax assets is EUR 23 million. Potential corporate tax reductions in accordance with section 37 paragraph 2 KStG (corporation tax law) amount to EUR 22 million at year-end.

Unused tax loss carryforwards, which are not recognized in the balance sheet, amount to EUR 63 million at year-end; EUR 42 million thereof are usable without time limits, the others expire after five years.

4.9 Net income

Net income for the year 2003 benefited from income unrelated to the accounting period in the amount of EUR 64 million (2002: EUR 58 million). Expenditure unrelated to the accounting period amounted to EUR 24 million (2002: EUR 16 million).

5. Other information

5.1 Average headcount

	2003	2002
Production	10,388	10,259
Administration	5,634	4,986
Marketing and Sales	12,251	10,870
Research and Development	5,362	5,205
Apprentices	586	523
	34,221	**31,843**
This includes:		
Average total number of employees in joint ventures, proportionately consolidated	240	234

Regarding the headcount figures for 2003, it has to be taken into account that the department Environmental Protection, Safety and Infrastructure (470 employees) at Boehringer Ingelheim Pharma GmbH & Co. KG, Germany, is from the reporting year onwards no longer included in Production, but allocated to Administration.

5.2 Remuneration and other payments to members of the Board of Managing Directors

(in thousands of EUR)	2003	2002
Total remuneration	8,633	7,091
Total loans	30	39
Average term agreed	15 years	15 years
Average interest rate	5.5 %	5.5 %
Repayment	9	8

5.3 Remuneration/pensions paid to former members of the Board of Managing Directors

(in thousands of EUR)	2003	2002
Total remuneration	4,291	1,557
Provisions for pensions	14,929	17,147

Auditor's Report

We have audited the consolidated financial statements (consisting of the consolidated balance sheet, the consolidated income statement, the notes to the consolidated financial statements and the statements of cash flows and changes in equity) and the group management report of C. H. Boehringer Sohn, Ingelheim, for the business year from 1 January to 31 December 2003. The preparation of the consolidated financial statements and the group management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB and the generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

With the following exception, our audit has not led to any reservations: Segment reporting information as required according to § 297, paragraph 1, sentence 2, HGB has not been prepared.

With this exception, in our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole the group management report provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Frankfurt am Main, 16 February 2004

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Comparison of Balance Sheets/ Financial Data 1994–2003 (in millions of EUR)

Assets	1994*	1995	1996	1997	1998	1999**	2000	2001	2002	2003
Intangible assets	36	77	89	508	452	400	344	322	302	242
Tangible assets	1,149	1,183	1,342	1,612	1,739	1,992	2,217	2,467	2,840	2,767
Financial assets	714	739	1,007	757	731	849	1,135	1,008	1,689	2,462
Fixed assets	**1,899**	**1,999**	**2,438**	**2,877**	**2,922**	**3,241**	**3,696**	**3,797**	**4,831**	**5,471**
Inventories	484	540	627	794	806	944	1,021	1,014	971	1,000
Accounts receivable (incl. deferred charges)	1,002	965	1,057	1,211	1,255	1,880	1,939	2,403	2,360	2,537
Cash and cash equivalents	399	455	156	134	299	449	476	913	1,055	1,134
Current assets	**1,885**	**1,960**	**1,840**	**2,139**	**2,360**	**3,273**	**3,436**	**4,330**	**4,386**	**4,671**
Total assets	**3,784**	**3,959**	**4,278**	**5,016**	**5,282**	**6,514**	**7,132**	**8,127**	**9,217**	**10,142**

Liabilities and equity	1994*	1995	1996	1997	1998	1999**	2000	2001	2002	2003
Shareholders' capital	302	372	383	399	441	332	211	200	178	178
Reserves	1,086	1,199	1,307	1,461	1,651	1,982	2,362	2,753	2,818	3,139
Net income	127	140	167	212	229	320	379	401	537	529
Equity	**1,515**	**1,711**	**1,857**	**2,072**	**2,321**	**2,634**	**2,952**	**3,354**	**3,533**	**3,846**
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**203**	**188**
Group equity	**1,515**	**1,711**	**1,857**	**2,072**	**2,321**	**2,634**	**2,952**	**3,355**	**3,736**	**4,034**
Provisions (incl. deferred taxes)	1,686	1,778	1,841	1,982	2,012	2,631	2,932	3,150	3,568	3,963
Liabilities (incl. deferred charges)	583	470	580	962	949	1,249	1,248	1,622	1,913	2,145
Total liabilities	**2,269**	**2,248**	**2,421**	**2,944**	**2,961**	**3,880**	**4,180**	**4,772**	**5,481**	**6,108**
Total liabilities and equity	**3,784**	**3,959**	**4,278**	**5,016**	**5,282**	**6,514**	**7,132**	**8,127**	**9,217**	**10,142**

Summary of selected financial data	1994*	1995	1996	1997	1998	1999**	2000	2001	2002	2003
Sales	3,191	3,287	3,623	4,201	4,474	5,086	6,188	6,694	7,580	7,382
Return on sales (in %)	4.0	4.2	4.6	5.0	5.1	6.3	6.1	6.0	7.1	7.2
Return on equity (in %)	8.9	9.2	9.8	11.4	11.0	13.8	14.4	13.6	16.0	15.0
Own capital resources (in %)	40.0	43.2	43.4	41.3	43.9	40.4	41.4	41.3	38.3	37.9
Cash flow	394	390	426	561	595	737	791	1,117	1,049	1,059
Financial funds	946	1,065	966	722	858	1,055	1,094	1,645	2,645	3,516
Personnel expenditure***	1,047	1,035	1,153	1,270	1,409	1,527	1,749	1,916	2,175	2,252
Personnel expenditure as % of net sales	32.8	31.5	31.8	30.2	31.5	30.0	28.3	28.6	28.7	30.5
Average numbers of employees	23,640	23,277	24,074	24,860	25,927	26,448	27,325	27,980	31,843	34,221
Research and development costs	481	546	626	771	812	826	968	1,019	1,304	1,176
R&D as % of sales	15.1	16.6	17.3	18.4	18.1	16.2	15.6	15.2	17.2	15.9
Investments in tangible assets	198	202	346	455	421	377	497	548	634	516
Depreciation of tangible assets	155	167	169	189	211	256	288	305	340	354

* As of the comparative consolidated financial statement 1994, no further use is made of the accounting option in accordance with section 308, paragraph 3, clause 1, HGB

** As of the comparative financial statement 1999, accounting and evaluation methods were brought closer into line with International Accounting Standards (IAS), in particularly with regard to deferred taxes and provisions for pensions.

*** From 1994 on, the interests element in the increase in provisions for pension payments and similar obligations is no longer shown under personnel costs, but under financial income.