



Balance sheet at 31 December 2003

Celesio AG

	Notes	31.12.2002 € '000	31.12.2003 € '000
Assets			
Fixed assets			
Intangible assets	(1)	1,419	4,101
Tangible assets	(2)	204	1,795
Financial assets	(3)	1,429,003	1,583,209
	(4)	1,430,626	1,589,105
Current assets			
Debtors and other assets	(5)	747,257	414,085
Bank and cash balances	(6)	43	32
		747,300	414,117
Prepaid expenses		0	2,046
		2,177,926	2,005,268
Equity and liabilities			
Shareholders' equity			
Issued capital	(7)	217,728	217,728
Capital reserves		1,113,030	1,113,030
Revenue reserves		225,612	284,480
Net retained earnings	(8)	93,528	80,103
		1,649,898	1,695,341
Provisions			
Provisions for pensions and similar obligations	(9)	8,208	8,552
Other provisions	(10)	17,442	16,295
		25,650	24,847
Liabilities			
Liabilities falling due			
after more than 5 years		175,751	28,168
between 1 and 5 years		0	1,162
within 1 year		326,627	254,115
	(11)	502,378	283,445
Deferred income		0	1,635
		2,177,926	2,005,268

Profit and loss account for Celesio AG for the 2003 financial year

	Notes	2002 € '000	2003 € '000
Income from investments	(12)	212,695	138,790
Net interest	(13)	(2,700)	701
Other operating income	(14)	28,940	25,275
Personnel expenses	(15)	(13,346)	(14,504)
Amortisation of intangible assets and depreciation of tangible assets		(95)	(611)
Other operating expenses	(16)	(26,004)	(26,180)
Profit before tax		199,490	123,471
Taxes on income and profit	(17)	(12,435)	(5,735)
Net profit		187,055	117,736
Transfer to revenue reserves		(93,527)	(58,868)
Profit carried forward		0	21,235
Net retained earnings		93,528	80,103

Development of fixed assets 2003 Celesio AG

	Intangible assets € '000	Tangible assets € '000	Financial assets € '000	Total € '000
Cumulative cost at 01.01.2003	1,538	434	1,429,003	1,430,975
Additions	2,672	1,457	161,165	165,294
Additions from affiliated companies	1,022	844	0	1,866
Disposals	0	0	(6,959)	(6,959)
Cumulative cost at 31.12.2003	5,232	2,735	1,583,209	1,591,176
Cumulative valuation adjustment at 01.01.2003	119	230	0	349
Additions	447	164	0	611
Additions from affiliated companies	565	546	0	1,111
Cumulative valuation adjustment at 31.12.2003	1,131	940	0	2,071
Net book value at 31.12.2003	4,101	1,795	1,583,209	1,589,105
Net book value at 31.12.2002	1,419	204	1,429,003	1,430,626

Intangible assets refer exclusively to software and deposits paid in respect of software. Factory and office equipment and other fixed assets are included in tangible assets. The development of financial assets is shown under (3) financial assets.

Celesio AG annex

General information

The 2003 financial statements of Celesio AG reflect the activities of an executive holding company.

The balance sheet and profit and loss account for the 2003 financial year reflect changes to holdings in affiliated companies and changes to debtors and liabilities in respect of affiliates, together with the payment of dividends and distribution of profits by subsidiary companies.

Accounting principles

The financial statements of Celesio AG for the year ending 31.12.2003 have been drawn up in Euro in accordance with the German Commercial Code [Handelsgesetzbuch] and the Companies Act [Aktiengesetz]. The profit and loss account was drawn up using the total cost method.

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

Valuation policies

The methods used to value assets and liabilities are set out in the notes for the individual balance sheet entries.

Notes on the balance sheet

(1) Intangible assets

Intangible assets were valued at the cost of acquisition. Depreciation was calculated at 25 % to 33 % using the straight-line method. Additions related to software and deposits made for software.

(2) Tangible assets

Additions to tangible assets were valued at the cost of acquisition. Depreciation on office equipment was calculated at 5 % to 20 % using the straight-line method. A half-year's depreciation was charged on additions in the second half year. Additions related to replacement of office equipment and deposits for office equipment.

(3) Financial assets

	Shares in affiliated companies € '000	Loans to affiliated companies € '000	Total € '000
Cumulative cost at 01.01.2003	1,424,347	4,656	1,429,003
Additions	161,165	0	161,165
Disposals	(6,959)	0	(6,959)
Cumulative cost at 31.12.2003	1,578,553	4,656	1,583,209
Cumulative valuation adjustment at 01.01.2003	0	0	0
Additions	0	0	0
Disposals	0	0	0
Cumulative valuation adjustment at 31.12.2003	0	0	0
Net book value at 31.12.2003	1,578,553	4,656	1,583,209
Net book value at 31.12.2002	1,424,347	4,656	1,429,003

Financial assets were valued at the cost of acquisition or at the lower unit cost value. Additions of € 161,165,000 related essentially to the capital increases at UNICARE PHARMACY LIMITED, Dublin/Ireland and at GEHE Gesundheitsdienste GmbH, Stuttgart/Germany and to the foundation of Celesio Finance B.V., Weesp/Netherlands. Disposals related to the transfer of shares in Lékárny Lloyds s.r.o., Prague/Czech Republic, and Lloyds Holding CZ s.r.o., Prague/Czech Republic.

A complete list of the shareholdings of Celesio AG will be entered in the commercial register of the local court in Stuttgart.

(4) Fixed assets

The schedule on page 4 shows the analysis and development of fixed assets as summarised in the balance sheet of Celesio AG. This constitutes an integral part of the annex.

(5) Debtors and other assets

	31.12.2002 € '000	31.12.2003 € '000
Amounts due from affiliated companies	730,660	398,500
Other assets	16,597	15,585
	747,257	414,085

Amounts due from affiliated companies and other assets were valued taking into account the likelihood of recovery. Short-term amounts due from affiliated companies were due from 17 companies belonging to the group. The reduction in amounts due from affiliated companies was primarily the result of the establishment of Celesio Finance B.V., Weesp/Netherlands, which has taken over the responsibility for group financing.

Amounts due in foreign currencies were translated at the rate of exchange prevailing on the date the debt was incurred.

The other assets essentially refer to claims for tax refunds, taxes paid in advance and other sums due, and have a remaining term of less than a year.

Notes on the balance sheet

(6) Bank and cash balances

	31.12.2002 € '000	31.12.2003 € '000
Cash	14	12
Bank balances	29	20
	43	32

(7) Issued capital

Share capital is now € 217,728,000 and is composed of 85,050,000 individual shares (shares with no par value), all issued in the name of the holder. Authorised capital of € 43,546,000 will be available until 7 May 2007.

(8) Net retained earnings

From last year's net retained earnings of € 93,528,000, the sum of € 72,293,000 was distributed as dividends for the 2002 financial year and € 21,235,000 transferred to retained earnings. Of the 2003 net profit of € 117,736,000, the sum of € 58,868,000 was transferred to revenue reserves. Together with the amount of € 21,235,000 transferred to retained earnings, this results in net retained earnings of € 80,103,000.

In accordance with the proposed distribution of profit, € 76,545,000 are to be paid as dividends for the 2003 financial year and the remaining amount of € 3,558,000 transferred to retained earnings.

(9) Provisions for pensions and similar obligations

Pension provisions were calculated at an interest rate of 6 % using the unit-cost method in accordance with § 6a Income Tax Law [Einkommensteuergesetz] and Dr Heubeck's mortality tables, 1998. The provision for pensions corresponds to the full unit cost.

(10) Other provisions

	31.12.2002 € '000	31.12.2003 € '000
Provisions for taxes	11,712	10,455
Other provisions	5,730	5,840
	17,442	16,295

Provisions have been estimated on the basis of reasonable business judgments.

Tax provisions included provisions for deferred taxes of € 4,824,000.

The other provisions relate mostly to expenditure on human resources, remuneration for supervisory board members and costs involved with the annual report and financial statements.

(11) Liabilities, contingent liabilities and derivative financial instruments

Liabilities	Total	with a remaining term of			Total € '000
	31.12.2002 € '000	up to one year € '000	1 – 5 years € '000	more than 5 years € '000	
Liabilities to banks	177,689	0	0	28,168	28,168
Trade creditors	1,195	1,508	0	0	1,508
Liabilities to affiliated companies	321,867	252,259	0	0	252,259
Other liabilities	1,627	348	1,162	0	1,510
of which taxes	[157]	[146]	[0]	[0]	[146]
of which social security payments	[132]	[167]	[0]	[0]	[167]
	502,378	254,115	1,162	28,168	283,445

Liabilities have been estimated taking the value of repayments into account.

The reduction in liabilities to banks and liabilities to affiliated companies is essentially due to the foundation of Celesio Finance B.V., Weesp/Netherlands, which has taken over a part of the group financing function.

Notes on the balance sheet

Contingent liabilities	31.12.2002 € '000	31.12.2003 € '000
Guarantees	1,538,555	1,631,334
of which affiliated companies	[1,516,795]	[1,616,130]
Other financial liabilities	216	161
	1,538,771	1,631,495

Contingent liabilities due to guarantees relate mainly to banks granting credit (of which € 991,559,000 for Celesio Finance B.V., Weesp/Netherlands).

Other financial liabilities related to future expenditure incurred for motor vehicles leased to the company.

Derivative financial instruments	Nominal volumes		Market value	
	31.12.2002 € m	31.12.2003 € m	31.12.2002 € m	31.12.2003 € m
Interest-rate tools	159	451	(3)	(2)
Currency-based derivatives	407	359	6	1
	566	810	3	(1)

In the course of operations risks arise from exchange rate and interest rate changes. To limit these risks from its operations, Celesio AG makes use of derivative financial instruments as part of its interest rate and exchange rate management programmes. Without the use of these derivative instruments, the Celesio Group would be exposed to significantly greater risks associated with interest rate and exchange rate fluctuations. Common instruments used include, for interest rate management: interest swaps, forward rate agreements, swap options, caps and floors; and for currency management: forward contracts and options.

The use of derivative financial instruments at Celesio AG is subject to a range of controls. These include the separation of trading, processing and accounting functions, restriction to a small specified number of reputable banks, and the authorisation of a small number of qualified staff to carry out these transactions.

Notes on the profit and loss account

(12) Income from investments

	2002 € '000	2003 € '000
Income from profit transfer agreements	39,050	25,950
Income from shareholdings	175,561	112,842
Expenses from taking over losses from affiliated companies	(1,916)	(2)
	212,695	138,790

Income from investments includes essentially distributions from subsidiaries and income from profit transfer agreements. The reduction is primarily due to the one-off distribution of dividends from domestic and foreign subsidiaries, which was carried out to improve the financing structure of the group in 2002.

(13) Net interest

	2002 € '000	2003 € '000
Other interest and similar income	22,122	19,010
of which affiliated companies	[21,630]	[17,369]
Interest and similar charges	(24,822)	(18,309)
of which affiliated companies	[(14,731)]	[(7,050)]
	(2,700)	701

Notes on the profit and loss account

(14) Other operating income

	2002 € '000	2003 € '000
Intercompany tax charges	26,416	16,349
of which corporation tax	[14,875]	[9,456]
of which trade tax	[11,541]	[6,893]
Other income	2,524	8,926
	28,940	25,275

Other income comprises mainly income from contributions to administrative expenses by affiliated companies and from the write back of provisions.

(15) Personnel expenses/staff

	2002 € '000	2003 € '000
Wages and salaries	11,053	12,192
Social insurance costs	924	1,370
Pension costs	1,369	942
	13,346	14,504

The average number of employees in 2003 was 130.

(16) Other operating expenses

	2002 € '000	2003 € '000
Other taxes	29	23
Other expenses	25,975	26,157
	26,004	26,180

Other expenses include legal and consulting expenses, contributions to affiliated companies, administrative costs, AGM expenses, expenditure incurred for "staff" shares, remuneration for the supervisory board and also travel and advertising costs.

(17) Taxes on income and profit

Total tax expense	2002 € '000	2003 € '000
Taxes on income and profit		
Corporation tax	6,939	2,822
Trade income tax	6,098	2,120
Deferred taxes	(602)	793
	12,435	5,735
Other taxes	29	23
	12,464	5,758

Tax expenses include current taxes on income and profit and also deferred tax expenses from additions to provisions for deferred taxes.

Other taxes are shown under Other operating income (14) and Other operating expenses (16).

Other information

Declarations by shareholders

According to the declaration dated 02.04.2002 in accordance with § 41, paragraph 2, sentence 1 of the Securities Trade Act [Wertpapierhandelsgesetz], Franz Haniel & Cie. GmbH, Duisburg, held in total 60 % of the voting rights of our company on 01.04.2002. Group financial statements will be produced by Franz Haniel & Cie. GmbH which will also include Celesio AG and its subsidiary companies. These group financial statements will be published and entered in the commercial register at the Duisburg District Court/Germany under No. B 25.

To the knowledge of Celesio AG, Franz Haniel & Cie. GmbH, Duisburg, had a 58.4 % holding at the end of the reporting year.

AXA, Paris/France informed the company on 13.11.2003 as well as in a supplementary notice on 03.12.2003 in accordance with §§ 21, paragraph 1, 22 paragraph 1 No. 1, 24 of the Securities Trade Act, that on 07.11.2003 the voting rights in Celesio AG to which it is entitled through its holding company Pluto Gesellschaft für Beteiligungswerte mbH had dropped below the threshold of 5% and that it was entitled to a proportion of 0.22 % of the share voting rights in Celesio AG through Pluto Gesellschaft für Beteiligungswerte mbH.

Corporate governance

The management and supervisory boards last issued the Declaration of Compliance on 16 December 2003, regarding the recommendations of the German Corporate Governance Code pursuant to § 161 of the Companies Act, making it available on their Website www.celesio.com.

Total remuneration and remuneration structure for members of the management board

The total remuneration paid to members of the management board in the 2003 financial year amounted to € 2,353,000 m. This sum comprised € 653,000 in respect of fixed remuneration, € 1,300,000 in respect of profit-related bonuses, and € 400,000 in the form of a long-term strategy bonus. No share option schemes are in existence for Celesio AG.

Responsibility for determining the remuneration of the management board rests with the staff committee. This committee is made up of the chairman of the supervisory board, Günther Hülse, and of the two supervisory board members Hans-Martin Poschmann and Prof Theo Siegert.

The total remuneration of the management board is appropriate in relation to the tasks and services performed by its members and in keeping with the economic situation of Celesio AG. The total remuneration of the management board members consists of a fixed, monthly salary and of a variable, performance-related element. This variable element consists of a profit-related bonus and a strategy bonus.

Total remuneration and remuneration structure for members of the supervisory board

Remuneration for members of the supervisory board is set out in § 5 of the articles of association of Celesio AG. According to this, each member receives a fixed annual salary of € 5,000 and is reimbursed for expenses incurred. Furthermore, the members are paid € 800 for each half percentage point by which the dividend paid to shareholders for the last financial year exceeds 4 % of the share capital eligible for dividends. The chairman receives twice the remuneration of the other members, and the deputy chairman one and a half times this amount. Each member of a committee – with the exception of the committee formed pursuant to § 27 paragraph 3 of the Co-Determination Act – receives € 2,000 for each membership and the chairman of a committee € 4,000.

The total remuneration of the supervisory board in the 2003 financial year amounted to € 742,000. Each member received € 55,000. The chairman of the supervisory board received twice this sum and the deputy chairman one and a half times this sum. In addition, members of committees received in 2003 pro rata € 2,250 and chairmen of committees € 3,000.

Professor Erich Zahn received fees of € 8,000 for his consulting work for GEHE Pharma Handel GmbH.

Other information

Share ownership and disclosure of security transactions

During the year under review the cumulative share ownership (including options and similar) of members of the management and supervisory boards of Celesio AG was consistently less than 1 % of the company's issued shares.

The members of the management and supervisory board of a listed German company and its parent company, together with their spouses or registered partners, parents and children, are required under § 15a WpHG, to make a declaration to both the company and to the Federal Institute for the Supervision of Financial Services [Bundesanstalt für Finanzdienstleistungsaufsicht], if they acquire or dispose of shares in the company or of rights associated with these shares. Celesio AG has received the following declarations in relation to the 2003 financial year: the purchase of 1,000 no-par Celesio shares (WKN 585 800, ISIN: DE0005858005) at € 35,00 per share on 21 February 2003 and also of 883 shares at € 36 each on 6 February 2003, by Waltraud Wätjen, Gielde/Germany.

Members of the management board

Dr Fritz Oesterle
Stuttgart/Germany
Chairman and
chief executive officer

Membership of further management boards
and comparable committees:
Executive Committee GIRP (Groupement
International de la Répartition Pharmaceu-
tique Européenne), Brussels/Belgium

Membership of supervisory boards and other control committees:
GEHE Pharma Handel GmbH, Stuttgart/Germany, Chairman
(until 22.09.2003)
Norsk Medisinaldepot AS, Oslo/Norway (since 23.12.2003)
Herba Chemosan Apotheker-AG, Vienna/Austria
GEHE Nederland B.V., Weesp/Netherlands
Untertürkheimer Volksbank e.G., Stuttgart/Germany
Landesbeirat Baden-Württemberg Allianz Versicherungs-AG,
Munich/Germany
Verwaltungsrat Christophsbad Göppingen Dr. Landerer Söhne GmbH,
Göppingen/Germany

Jacques Ambonville
Saint-Ouen/France

Membership of supervisory boards and other control committees:
OCP S.A., Saint-Ouen/France, Chairman
GEHE Pharma Handel GmbH, Stuttgart/Germany, Chairman
(since 23.09.2003)
NMD Grossisthandel AS, Oslo/Norway (since 03.03.2003)
OCP PORTUGAL, PRODUTOS FARMACÊUTICOS, S.A., Maia/Portugal
DEPOTS GENERAUX PHARMA S.A., Aulnay-sous-Bois/France
(until 09.04.2003)
TREDIMED S.A., Saint-Ouen/France

Stefan Meister
Stuttgart/Germany

Membership of supervisory boards and other control committees:
Herba Chemosan Apotheker-AG, Vienna/Austria
GEHE Nederland B.V., Weesp/Netherlands
Börsenrat Baden-Württembergische Wertpapierbörse,
Stuttgart/Germany (until 20.06.2003)

Michael A Ward
Coventry/United Kingdom

Membership of supervisory boards and other control committees:
Norsk Medisinaldepot AS, Oslo/Norway (until 02.03.2003)
Vitusapotek AS, Oslo/Norway (from 03.03. until 31.12.2003)
Croda International PLC, Goole/United Kingdom

Members of the supervisory board

<p>Günther Hülse Duisburg/Germany Chairman</p>	<p>Chairman of the management board Franz Haniel & Cie. GmbH</p>	<p>Membership of supervisory boards and other control committees: METRO AG, Düsseldorf/Germany, Chairman (since 22.05.2003) TAKKT AG, Stuttgart/Germany, Chairman Allianz Lebensversicherungs-AG, Stuttgart/Germany (since 11.04.2003)</p>
<p>Ihno Goldenstein Delmenhorst/Germany Since 24.04.2003 Deputy chairman</p>	<p>Employee in Receiving Department GEHE Pharma Handel GmbH Chairman of the central company council</p>	
<p>Friedrich Taake Porta Westfalica/Germany Deputy chairman (until 24.04.2003)</p>	<p>Commercial employee GEHE Pharma Handel GmbH</p>	
<p>Klaus Borowicz Delmenhorst/Germany (since 24.04.2003)</p>	<p>Head of branch GEHE Pharma Handel GmbH</p>	
<p>Prof med Julius Michael Curtius Weimar/Germany</p>	<p>Cardiologist</p>	
<p>Dr Hubertus Erlen Berlin/Germany</p>	<p>Chairman of the management board Schering AG</p>	<p>Membership of supervisory boards and other control committees: B. Braun Melsungen AG, Melsungen/Germany Schering Berlin Inc., Montville/New Jersey, USA Partner für Berlin Gesellschaft für Hauptstadt-Marketing mbH, Berlin/Germany Kuratorium Bertelsmann Stiftung, Gütersloh/Germany</p>
<p>Dirk-Uwe Kerrmann Weiterstadt/Germany (since 24.04.2003)</p>	<p>Commercial employee GEHE Pharma Handel GmbH</p>	
<p>Jörg Lauenroth-Mago Magdeburg/Germany</p>	<p>Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.</p>	<p>Membership of supervisory boards and other control committees: GEHE Pharma Handel GmbH, Stuttgart/Germany Franz Haniel & Cie. GmbH, Duisburg/Germany (until 10.05.2003)</p>
<p>Ulrich Neumeister Stuttgart/Germany (since 24.04.2003)</p>	<p>Logistics employee GEHE Pharma Handel GmbH</p>	
<p>Hans-Martin Poschmann Berlin/Germany</p>	<p>Trade Union Secretary ver.di – Vereinte Dienstleistungsgewerkschaft e.V.</p>	<p>Membership of supervisory boards and other control committees: GEHE Pharma Handel GmbH, Stuttgart/Germany Oviesse GmbH, Cologne/Germany</p>
<p>Jürgen Puff Stuttgart/Germany (until 24.04.2003)</p>	<p>Director of Organisation GEHE Pharma Handel GmbH</p>	
<p>Hans-Jürgen Sachse Halle/Germany (until 24.04.2003)</p>	<p>Manual worker GEHE Pharma Handel GmbH</p>	
<p>Dr Ihno Schneevogt Munich/Germany</p>	<p>Member of the management board Ret.: Allianz Versicherungs-AG Allianz Lebensversicherungs-AG</p>	<p>Membership of supervisory boards and other control committees: E.ON Academy GmbH, Düsseldorf/Germany Dr. Dr. Heissmann GmbH, Wiesbaden/Germany (until 31.12.2003)</p>
<p>Prof Theo Siegert Duisburg/Germany</p>	<p>Member of the management board Franz Haniel & Cie. GmbH</p>	<p>Membership of supervisory boards and other control committees: ERGO Versicherungsgruppe AG, Düsseldorf/Germany (since 05.06.2003)</p>
<p>Prof Erich Zahn Stuttgart/Germany</p>	<p>Professor of Business Studies University of Stuttgart</p>	<p>Membership of supervisory boards and other control committees: IFB Dr. Braschel AG, Stuttgart/Germany, Chairman Kuratorium Fraunhofer-Institut für Produktionstechnik und Automatisierung IPA, Stuttgart/Germany</p>

Auditors' report

"We have carried out an audit on the financial statements, including the accounts and the management report for Celesio AG, which is combined with the management report for the group for the financial year from 1 January to 31 December 2003. The book-keeping and drawing up of the financial statements and of the management report, in accordance with German commercial regulations, is the responsibility of the company's management board. It is our task, based on the audit carried out by us, to assess the financial statements including the accounts and the combined management report.

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

Our audit has not led to any objection.

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

Stuttgart, 17 February 2004

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Schwarzhof)
Auditor

(Wißfeld)
Auditor

The financial statements and the management report for Celesio AG for the 2003 financial year will be published in the Federal Gazette [Bundesanzeiger] and entered in the commercial register at the Stuttgart District Court. The management report for Celesio AG is combined with the group management report; it is incorporated in the Celesio 2003 annual report.



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