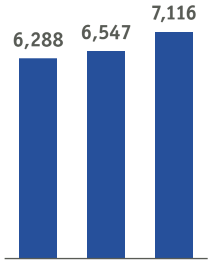
BDF ●●●●
Beiersdorf

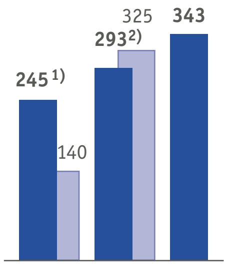
Annual Report 1999

Beiersdorf at a Glance

Group sales
(in million DEM)



Group profit for the year
(in million DEM)



1) Disregarding the extra-ordinary restructuring costs for tesa

2) Disregarding release of tesa provisions and sale of operations

3) Figures from 1998 onwards in accordance with IAS

	(unless otherwise stated)	1998* in DEM	1999 in DEM	1999 in €
Sales	**mill.**	**6,547**	**7,116**	**3,638**
Change from previous year	%	4.1	8.7	8.7
of which:				
cosmed	mill.	3,873	4,384	2,242
medical	mill.	1,438	1,503	768
tesa	mill.	1,236	1,229	628
Operating result (EBIT)	**mill.**	**570**	**663**	**339**
Profit after tax	**mill.**	**325**	**343**	**175**
Return on sales	%	5.0	4.8	4.8
Earnings per share		3.87	4.09	2.09
Total dividend	**mill.**	**101**	**118**	**60**
Dividend per share		1.20	1.41	0.72
Gross cash flow	**mill.**	**624**	**702**	**359**
Capital investment	**mill.**	**271**	**253**	**129**
Research and Development expenses	**mill.**	**144**	**155**	**79**
	% of sales	2.2	2.2	2.2
Employees (average for the year)	**number**	**16,933**	**15,852**	**15,852**

* Figures from accounts in accordance with International Accounting Standards (IAS)

Beiersdorf Group
Report on the Financial Year 1999

This Annual Report is printed on chlorine-free bleached paper. It is also available in German. The annual accounts of Beiersdorf AG are available on request from: Beiersdorf Corporate Communication, Unnastrasse 48, 20245 Hamburg, Germany.

Cover picture: Beiersdorf over the years.

W0/1771/2GB

Boards of Beiersdorf AG

Honorary Chairman
Georg W. Claussen

Supervisory Board
Dr. Hans Meinhardt, Wiesbaden
Chairman

Chairman of Supervisory Board,
Linde AG

Chairman of Supervisory Board:
Karstadt AG*
VARTA AG
* since 14.10.99 Karstadt Quelle AG

Deputy Chairman of Supervisory Board:
Allianz Lebensversicherungs-AG (until 12/99)
nv W.A. Hoek's Machine- en
Zuurstoffabriek, Schiedam NL

Member of Supervisory Board:
Karstadt Warenhaus AG
MAN AG

Günther Käding, Hamburg
(until 22.06.99)
Deputy Chairman

Building Services, Beiersdorf AG

Jürgen Krause, Hamburg
(since 22.06.99)
Deputy Chairman

Full-time works councillor,
Beiersdorf AG

Günter Herz, Hamburg
Deputy Chairman

Chairman of Executive Board,
TCHIBO Holding AG

Chairman of Supervisory Board:
Reemtsma Cigarettenfabriken GmbH
H.F. & Ph.F. Reemtsma GmbH
TCHIBO Frisch-Röst-Kaffee GmbH

Wilfried Boysen, Hamburg
Member of Executive Board,
TCHIBO Holding AG

Member of Supervisory Board:
Reemtsma Cigarettenfabriken GmbH
H. F. & Ph.F. Reemtsma GmbH
TCHIBO Frisch-Röst-Kaffee GmbH

Dr. Diethart Breipohl, Icking
Member of Executive Board,
Allianz AG

Member of Supervisory Board:
Continental AG
Karstadt AG*
Metallgesellschaft AG
KM Europa Metal AG (since 07/99)
RWE AG
* since 14.10.99 Karstadt Quelle AG

Member of Conseil d'Administration:
Crédit Lyonnais (since 10/99)
Les Assurances Générales de France

Margret Buhse, Hamburg
Head of Corporate Communication,
Beiersdorf AG

Member of Supervisory Board:
MDR-Werbung GmbH

Dr. Carl Albrecht Claussen, Berlin
(since 22.06.99)
General Manager,
UFA Entertainment GmbH

Dr. Walter Diembeck, Hamburg
(since 22.06.99)
Head of Biocompatibility, Research &
Development cosmed, Beiersdorf AG

Detlef Fahlbusch, Düsseldorf
(until 22.06.99)
Lawyer, IG Bergbau, Chemie, Energie
(Mining, Chemicals, Energy Trade Union)

Member of Supervisory Board:
Bayer AG (since 04/99)
Metallgesellschaft AG
RAG EBV AG
Rheinbraun AG

Rainer Holland, Hamburg
(since 22.06.99)
Machine Fitter, Beiersdorf AG

Norbert Ranft, Bochum
(since 22.06.99)
Executive Committee Secretary,
IG Bergbau, Chemie, Energie

Deputy Chairman of Supervisory Board:
DBE (Deutsche Gesellschaft zum Bau und Betrieb von Endlagern für Abfallstoffe mbH)
RAG EBV AG
Wintershall AG

Manuela Rousseau, Halstenbek
(since 22.06.99)
Head of PR Programmes, Beiersdorf AG

Dr. Hans Stracke, Hamburg
(until 22.06.99)
Lawyer

Chairman of Supervisory Board:
ESCADA AG (until 05/99)

Kurt Ungerath, Hamburg
(until 22.06.99)
Printing industry consultant

Dr. Detlef Wiswe, Hamburg
(until 22.06.99)
Chairman of Works Council,
Beiersdorf AG

Hans-Otto Wöbcke, Hamburg
Former Chairman of Executive Board,
Beiersdorf AG

Member of Supervisory Board:
Philips GmbH
Fielmann AG
AON Jauch & Hübener GmbH

Chairman of Administrative Board:
Stulz Holding GmbH

Deputy Chairman of Advisory Board:
AON Jauch & Hübener Holding GmbH

Executive Board

Dr. Rolf Kunisch
Chairman

Deputy Chairman of Supervisory Board:
Hermes Kreditversicherungs-AG

Member of Supervisory Board:
Hamburg-Mannheimer Sachversicherungs-AG

Hans H. Meyer-Burgdorf
(until 31.12.99)
medical division

Dr. Werner Opgenoorth
Human Resources/Administration/
Environmental Protection

Thomas-Bernd Quaas
(since 01.10.99)
medical division

Dr. Peter Schäfer
Finance/Controlling

Dieter W. Steinmeyer
tesa division

Uwe Wölfer
cosmed division

Report by the Supervisory Board

Dr. Hans Meinhardt,
Chairman of the Supervisory Board

During the financial year under review we continuously supervised and advised the management of the company. We kept ourselves constantly and thoroughly informed about all major business matters within the group. This was done primarily by means of the four regular meetings of the Supervisory Board and on the basis of the regular written reports by the Executive Board. Moreover, the Chairman of the Supervisory Board maintained close contact with the Chairman of the Executive Board and was constantly informed of all major business transactions and decisions.

At the Supervisory Board meetings we discussed in detail, on the basis of papers and supplementary verbal reports provided by the Executive Board, the development of the business of the Beiersdorf Group and the three divisions, and also the business forecast for the current year. We were provided with timely written information about any Executive Board measures requiring our consent. At our meetings we examined the individual requests and gave the necessary consent. In April and November, for example, we approved two major technology investment projects of importance for the further development of tesa division.
In November we undertook a close scrutiny of the group's detailed medium-term planning and of the Executive Board's view of the future strategic development of the group.

In addition to the committee pursuant to Section 27 para. 3 of the German Codetermination Act, the Supervisory Board also has an "Executive Board Committee" for dealing with personnel matters relating to Executive Board members and representing the company vis-à-vis Executive Board members. Two meetings of the Executive Board Committee were held.

Following the Annual General Meeting on 22 June 1999 at which BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft were chosen as the company's auditors for the financial year 1999, we engaged them to audit the financial statements of Beiersdorf AG and the Beiersdorf Group for the financial year 1999. It was decided that with effect from the beginning of the financial year 1999 the group's accounts would be prepared on the basis of the International Accounting Standards (IAS).

The annual financial statements of Beiersdorf AG, the consolidated financial statements and the management report were audited by the company's auditors and given their unqualified certificate. In compliance with the provisions of the Business Control and Transparency Act, the risk management system of Beiersdorf AG was also included in the audit.

Immediately upon completion, the financial statements and the auditors' report were submitted to all members of the Supervisory Board in good time. At our meeting on 23 March 2000 these were discussed in detail and subjected to a final scrutiny. This meeting was also attended by the auditor, who reported on the salient findings of the audit and answered questions.

Report by the Supervisory Board

We concur with the auditors' findings, have no criticisms to make and endorse the financial statements of the Beiersdorf AG prepared by the Executive Board for the year ending 31 December 1999, which are thus adopted. We also endorse the Executive Board's recommendation on the appropriation of profit.

The regular elections for the shareholder representatives on the Supervisory Board were held at the Annual General Meeting on 22 June 1999. Dr. Hans Stracke did not stand for re-election. In addition to re-electing the existing shareholder representatives, the Annual General Meeting elected Dr. Carl Albrecht Claussen as a new member of the Supervisory Board.

In the preceding elections for the employee representatives on the Supervisory Board in addition to the re-elected members, Dr. Walter Diembeck, Rainer Holland, Norbert Ranft and Manuela Rousseau were elected to replace the departing members Detlef Fahlbusch, Günther Käding, Kurt Ungerath and Dr. Detlef Wiswe.

Our thanks go to the departing members of the Supervisory Board for their work in this body.

At its constitutive meeting immediately following the Annual General Meeting, the Supervisory Board again elected Dr. Hans Meinhardt as Chairman and Jürgen Krause and Günter Herz as Deputy Chairmen. This meeting also elected the members of the committee pursuant to Section 27 para. 3 of the German Codetermination Act and the members of the Supervisory Board's Executive Board Committee.

At our meeting on 8 September 1999 we consented to the request by Mr. Hans H. Meyer-Burgdorf that his appointment as a full member of the Executive Board of the Beiersdorf AG be terminated with effect from the end of 1999. We wish to express our thanks to him for his successful work. At the same meeting we appointed Mr. Thomas-Bernd Quaas a full member of the Executive Board of Beiersdorf AG with effect from 1 October 1999.

We wish to thank the Executive Board and all the group's employees for their great dedication and successful work during the financial year 1999.

Hamburg, 23 March 2000

for the Supervisory Board
Dr. Hans Meinhardt
Chairman

Foreword by the Executive Board

Ladies and Gentlemen,

1999 was a very successful year for the Beiersdorf Group. Sales totalled DEM 7.1 billion, and the group's profit after tax increased to DEM 343 million. Both are record figures, resulting in a gratifying 4.8 % return on sales.

We will recommend this year's Annual General Meeting to approve a dividend of € 0.72 per share. Including the full corporation tax credit of € 0.31 this results in a gross dividend of € 1.03 per share, which is also a record.

Beiersdorf has thus completed a successful decade and a successful century. From small beginnings in the 19th century there emerged a worldwide group that has built up a branded products business of global importance with its brands tesa, Hansaplast and NIVEA. At the end of the 20th century NIVEA, with sales of over DEM 3.5 billion, is the main pillar of the group and one of the world's biggest brands.

At the same time the group has succeeded in achieving good results in all divisions in recent years. The changeover to the International Accounting Standards (IAS) also makes for greater transparency.
In the coming year it will be our task to ensure further improvements in the group's sales and earnings.

To this end we will continue to execute our successful strategy of brand development. We will also actively pursue organisational improvements that will reduce even further the time needed to get our innovations to the world's markets. Innovations and the speed of their implemention will continue to be the hallmark of successful businesses in the new millennium.

The technology base in our three divisions has been developed over the last century. We have a manageable number of global brands, and we concentrate on managing and developing them. This puts us in a position to act fast and grow fast in almost all the world's markets. We will also take advantage of opportunities for strategic acquisitions.

In order to increase the value of our business, we will systematically pursue our successful strategy. Just as we have done in recent years: with a long-term perspective.

The Executive Board wishes to thank all employees around the world and their representative bodies for their constructive and creative co-operation. We are grateful to our customers for their trust and to our business partners for their support, and to our shareholders we are grateful for their loyalty.

Dr. Rolf Kunisch
Chairman of the Executive Board

Dr. Rolf Kunisch,
Chairman of the Executive Board

We focus on what we can do best

as we have for over 100 years.

We have been in existence since 1882. As long ago as 1901 we brought out Leukoplast, the first non-allergenic plaster. NIVEA was created in 1911 as the world's first stable skin care emulsion. Hansaplast came onto the market in 1922, and tesa was launched in 1936.

We have been cultivating these brands for more than half a century. Many have global status. We manage them with motivation and enthusiasm.

And we have always concentrated on our core competence areas.
For over 100 years these have been:

wound care,
skin care and
adhesive tape technology.

In these fields we have more experience than many of our competitors. That is why we are successful. On a global scale.

Active substance plasters

1882

Guttapercha Plaster Gauze

1928

ABC Plaster

1931

Hansaplast Silver Plaster

1998

Hansaplast Disinfectant Plaster

1999

Hansaplast Fever Plaster

Advertising from 1938, 1953 and 1935

Facing page:
TV commercial 1999 – Hansaplast Fever Plaster.
Hansaplast combines the core competence areas wound care, skin care and adhesives technology.

We concentrate on a few strong brands

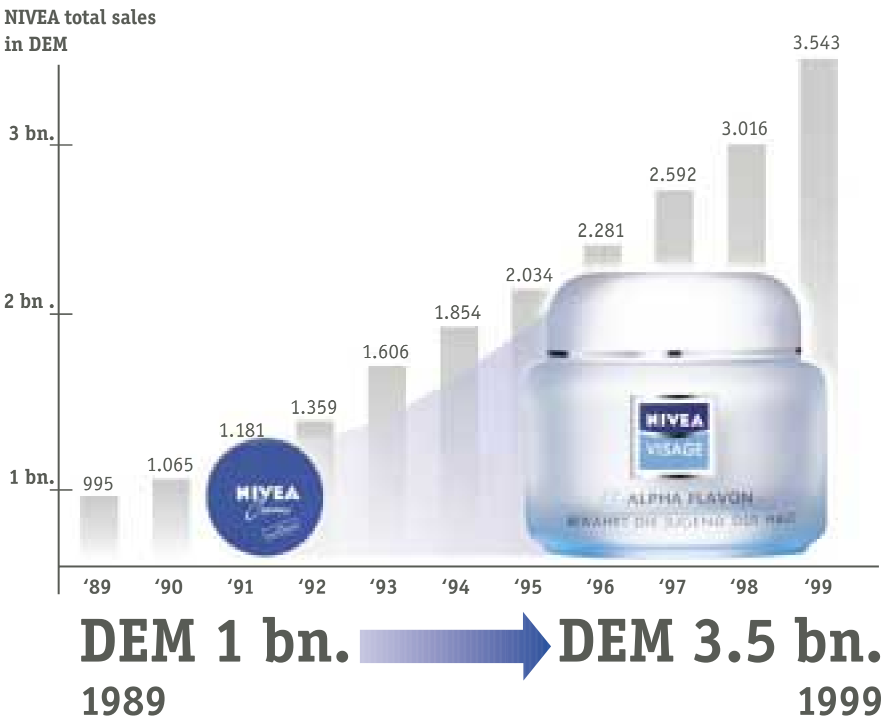
as we have for 10 years.

Since 1990 we have been focusing our energy even more on a few strong brands.

tesa, Hansaplast, 8x4 and Eucerin have become global brands. And our acquisitions JOBST, FUTURO and la prairie are new global brands. It is only in the last 10 years that they have joined the Beiersdorf family and developed global importance.

With these brands we have made targeted entries into new markets and new countries. And we have steadily improved our market shares.

The most striking example is, of course, NIVEA. In 1989 the brand had world sales of DEM 1 billion. Today it exceeds sales of DEM 3.5 billion. We know the strategy of growing from within.



Advertising motif 2000 – tesa Power-Strips

Pharmacy display 1999 – FUTURO Bandages

Advertising motif 1999 – la prairie

Facing page:
TV commercial 1999 –
NIVEA Beauté Time Balance Q 10

We break records

in 1999.

1999 was a good year for Beiersdorf:

Sales by the Beiersdorf Group reached
over DEM 7.1 billion.

Profit after tax increased to DEM 343 million.

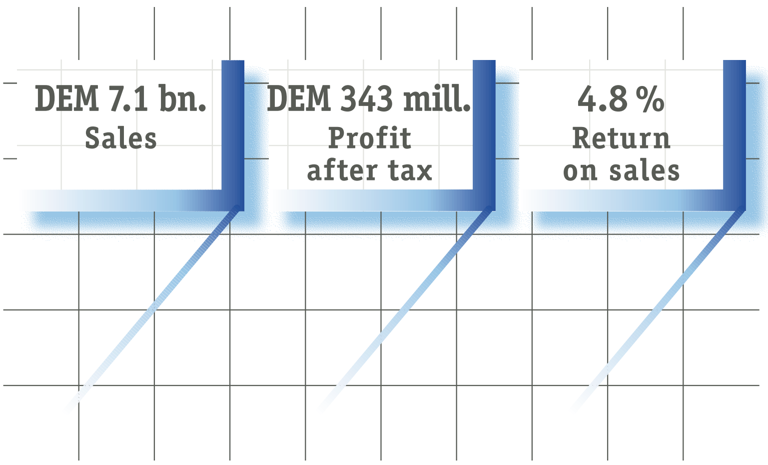
Our 4.8 % return on sales is good on a German comparison.

We achieved these results largely from our own resources. Our brand management strategy is right.

At the end of a record year and at the end of a century we are focusing our energy on the future. We are aware of the challenges, and we are well equipped to meet them.

Giant hoarding poster
Paris Marathon 2000 –
Sponsoring Hansaplast

DLRG/NIVEA
Baltic Sea Beach Party 1999



Start of tesa Power-Strips
sales promotion tour 2000

Facing page:
TV commercial 1999 –
NIVEA FOR MEN After Shave Balsam


We transfer success

into the year 2000.

The year 2000 brings new challenges:

Competition is becoming increasingly global. Learning quickly and transferring successes are our strengths.

Strong brands are the driving force behind growth. We have known this for a long time, and we act accordingly.

We will review our structures in an effort to be even more successful.

We grow from our own resources and take an active approach to potential acquisitions.

In the year 2000 we therefore expect to see marked improvements in sales and operating result. We are also working on new organisational structures that will make us even faster and more successful in global competition. And we have the resources to respond rapidly to suitable opportunities for acquisition.

Transferring the Eucerin advertising from Germany to Spain 2000

Transferring the Q 10 technology to products of the brands Eucerin, JUVENA and NIVEA

Facing page:
TV commercial 1999 –
NIVEA VISAGE Cleansing Wipes

You can rely on our brands now and

in the next 10 years.

The new decade is beginning with change at an ever-increasing pace. Forecasts are difficult, but possible. We see the following trends:

Brands will become even more important – as an anchor for trust.
The trade will grow more demanding and more diversified.
The price-performance ratio must be right.
Experience in worldwide marketing will be crucial.

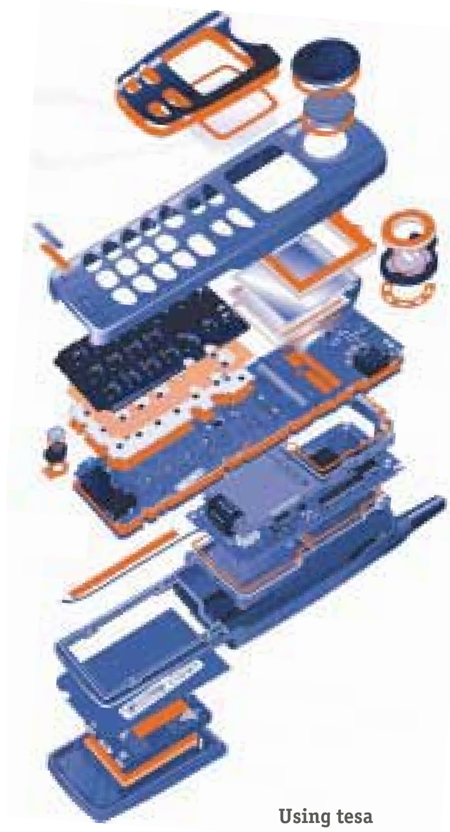
We are well prepared for these trends. Our big brands enjoy trust the world over. With Hansaplast, la prairie, FUTURO, tesa, Labello, Eucerin, 8x4 and NIVEA we have a manageable number of successful global brands. Trust is based on reliability. Our brands are reliable and always will be.

We respect the trade's function and achievements and ensure it can operate profitably. We supply a steady stream of innovations, focus on attractive product ranges, and keep them simple and manageable.

We know top quality at an appropriate price is the only thing that counts. We deliver top quality, and we are always superior value. NIVEA is synonymous with value for money.

We are familiar with the world's markets. We know the similarities and understand the differences. We love the similarities. We respect the differences. Beiersdorfers around the world are working to achieve this balance.

Quality control in France – NIVEA Beauté



Using tesa die-cuts in markets of the future (e.g. mobile phones)

Facing page:
TV commercial 2000 –
NIVEA VISAGE α-ALPHA FLAVON

Our employees and our brands are our future

in the new century.

The new century: What does it hold in store?

We promise that we will do our best. We trust that skin care will always be needed.

We also believe that adhesive tapes will always be important.

And we know that wound care will change, but will always have an important role to play.

Our core competence areas are right. They are our future.

We must continue to develop our capabilities. We know a lot – and we want to learn. Our success will depend on our knowledge, our learning and our motivation. And on the dedication of our employees.

Our brands and our employees are our future.

"Youth Researches" competition at Beiersdorf 1999

tesa Laser Label quality testing: tesa pilot plant

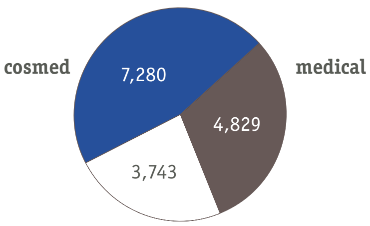
Digitising TV commercials for Beiersdorf's Intranet

Beiersdorf key brands today and tomorrow

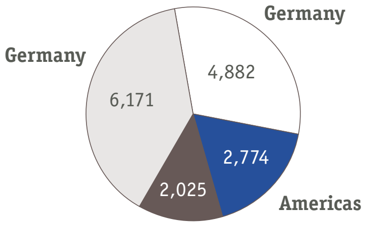
Facing page:
TV commercial 1999 –
NIVEA Sun-Spray

Human Resources

Group personnel
by division 1999



Group personnel
by region 1999



Total number of employees: 15,852

Personnel information event 2000 – Hansaplast Fever Plaster

Our employees can be proud of the success of our business in 1999. We have also made good progress with the key issues of communication, management leadership and personnel development dialogue. We have intensified our dialogue with the management. Within group discussion we have achieved more openness for questions and answers. In the monthly discussion group “Directors on Location“, for example, mixed groups of employees meet members of the Executive Board for a free and frank exchange of ideas.

In 1999 we also introduced a new kind of employee dialogue. Both employees and superiors were prepared at information meetings and special training sessions. The focus of these dialogues is on cooperation, how the employee experiences management behaviour, and on personal development of the individual employee. The aim of such meetings is to achieve a better understanding of the present situation and a more open-minded attitude to future developments.

One aspect that is deliberately practised here is dealing with critical and controversial issues. We want to seize opportunities for learning from each other quickly. This calls for openness. The international element in all organisations within the group both demands and stimulates such openness. Developing “internationality” therefore remains a key area of our work.

In 1999 we were once again able to fill the majority of our management vacancies with internal candidates. We also stepped up the number of “internationals” among our management staff. This will help us developing our business successfully on an international scale.

In 1999 our training measures once again provided preparation for the future. As in previous years, acquiring competence for future tasks was most important. This was joined by upgrading opportunities that address the problem of systematically getting to grips with a variety of as yet uncertain scenarios for the future. This is a task that is growing increasingly important for our top executives in particular.

We need to achieve a climate in which change is seen not as a threat to the present, but as an opportunity for the future. Future success must be the goal of all employees. For this reason not only individual achievement, but also joint success in the future must be an incentive that leads to rewards. In 1999 we geared all our pay systems to this goal.

Employees at the entrance to Beiersdorf's Hamburg head office in 1999

Beiersdorf Share / Investor Relations

Number of shares: 84 million	
Prices 1999: based on XETRA Price 1998: based on Frankfurt floor trading	
End of 1998	€ 58.80
End of 1999	€ 66.66
High 1999	€ 74.00
Low 1999	€ 57.50
Recommended dividend 1999	€ 0.72
incl. corporation tax credit	€ 1.03
Total dividend	€ 60.5 mill.

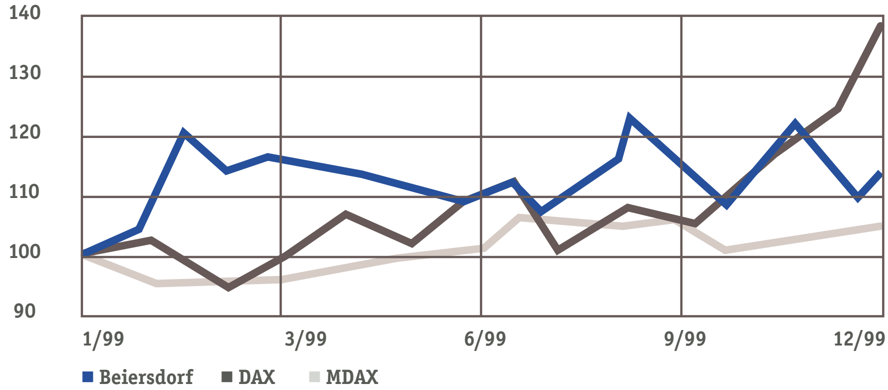
Beiersdorf Share

The generally very positive trend in the DAX share index with a rise of +39.1 % in 1999 was to a much greater extent than the year before due to extreme rises in share prices in the telecommunications, technology and banking sectors.

The Beiersdorf share showed a rise of +13.4 % in 1999. This was a good performance. The Beiersdorf share developed better than the MDAX (+4.6 %) and better than the shares of our main competitors.

On a ten-year comparison the price of the Beiersdorf share, with a gain of +327 %, has increased faster than the DAX with its +289 %. Furthermore the total dividend, including the present recommended dividend, rose by a total of 207 % during this period. Every year the dividend was paid with the full corporation tax credit. This will be the case for the financial year 1999 as well. The market capitalisation of Beiersdorf AG at the end of the year came to € 5.6 billion (DEM 11.0 billion).

Development of Beiersdorf share in relation to DAX and MDAX 1999



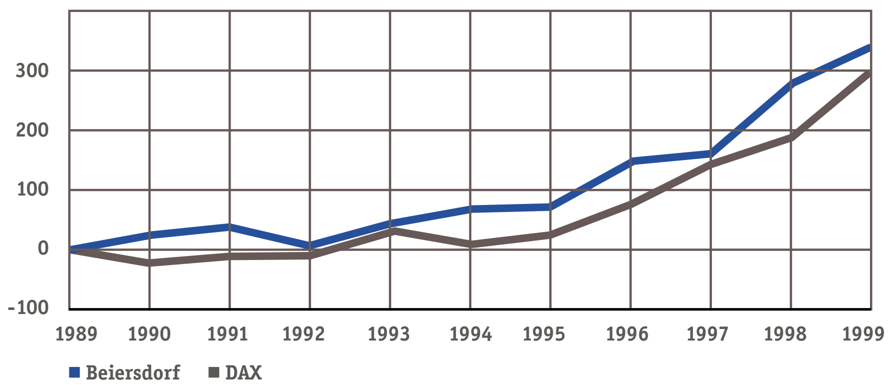
Investor Relations

With our Investor Relations activities we aim to keep our present and future shareholders informed about Beiersdorf, its earning power, its strategies and the resulting growth and profit opportunities. In the year under review we therefore undertook a systematic expansion of our activities in this sector.

Following the Financial Analysts Conference in November 1999, the content of which was much extended compared with previous years, we organised for the first time an International Conference Call which gave analysts an additional opportunity for a direct exchange of information and ideas with Beiersdorf.

As a further basis for our steadily expanding financial communication, the Internet offers direct and up-to-the-minute access to all relevant information on and publications by our company.

Development of Beiersdorf share in relation to DAX 1989–1999



International Accounting

Beiersdorf Group Restatement of Profit for the year 1998	
Profit for the year 1998 under German Commercial Code	DEM 320 mill.
Pension provisions (Beiersdorf AG)	DEM + 9 mill.
Other provisions	DEM −13 mill.
Depreciation/ Other restatement items	DEM + 9 mill.
Profit after tax 1998 as per IAS	DEM 325 mill.

The changeover to preparing Beiersdorf's consolidated financial statements for the financial year 1999 in accordance with the International Accounting Standards (IAS) brings a considerable improvement in the transparency and international comparability of our accounts. Both valuation and structure conform to internationally accepted criteria.

The financial statement is now prepared by the cost-of-sales method and given a more streamlined presentation. In the interests of clarity the balance sheet has also been kept simple. Detailed information is provided in the Notes.

The segment reporting introduced last year has now been considerably expanded. It shows the group's key management information for the individual divisions and regions. The cash flow statement shows the impacts of operating activities, investment and financial activities on the group's liquidity situation.

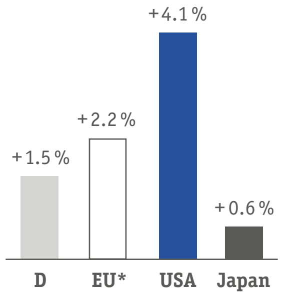
In the balance sheet the differences arising from the change to IAS valuation standards have been set off against shareholders' equity. The figures from the Income Statement for the financial year 1998 have been restated to permit comparisons with that year.

Profit for the year 1998 included amounts from the sale of operations, primarily the remaining interest in Beiersdorf-Lilly GmbH, and from the release of provisions no longer required for the tesa restructuring project. Without this non-operating income the profit after taxes for 1998 in accordance with IAS came to DEM 293 million (DEM 275 million in accordance with the German Commercial Code).

Business Context

In 1999 the favourable economic trend in most regions had a positive impact on the development of Beiersdorf's international business. Whereas consumer demand in Germany showed only a slight rise – largely as a result of high unemployment – the situation in many other parts of Europe was considerably better. The American economy again displayed substantial growth, which was primarily due to domestic consumer demand. The East Asian countries succeeded in overcoming the repercussions of the financial crisis. Only in Japan was the progress of the economic recovery hesitant.

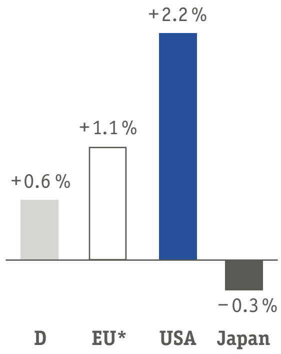
Growth in gross domestic product 1999 compared with 1998



* EU 11 "Euroland"

Our expectations regarding the development of the world economy in the next few years are basically optimistic. In Germany and the rest of Europe we expect the consumer market that is so important for sales of our products to be influenced favourably by a decline in unemployment and increases in real pay. We also expect to see good economic growth in the East European countries, where Beiersdorf aims to achieve particularly rapid growth in the next few years. In Latin America we also expect a favourable trend, now that the currency crises in a number of countries in this region have been overcome. In North America we expect the economic situation to remain generally stable. And in the Asian countries we believe that the economic recovery will be maintained.

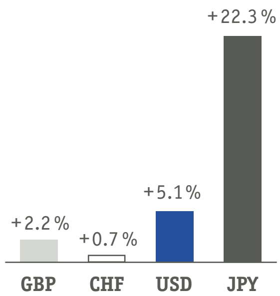
Inflation rate 1999 compared with 1998



* EU 11 "Euroland"

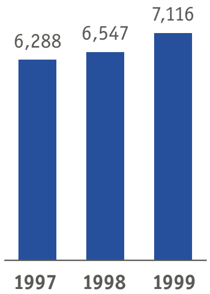
The situation in our procurement markets during the year under review did not develop as favourably as expected. The reason for this was the strength of the US dollar, which resulted in substantial price rises on the raw materials markets, especially in the second half of the year. Another factor was the ongoing process of concentration on the supply side, which restricted the supply spectrum still further. However, by rigorously implementing our procurement market strategy we nevertheless achieved a slight overall reduction in sourcing costs in the year under review. In the year 2000 we expect to see a moderate increase in prices on our procurement markets.

Exchange rate movements against DEM (annual average 1999 compared with 1998)

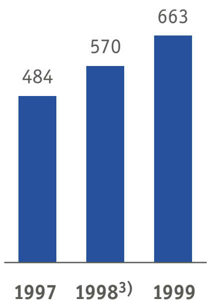


Development of the Business

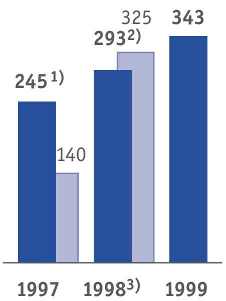
Group sales
in million DEM



Group operating result
(EBIT)
in million DEM



Group profit for the year
in million DEM



[1] Disregarding the extra-ordinary restructuring costs for tesa

[2] Disregarding release of tesa provisions and sale of operations

[3] Figures from 1998 onwards in accordance with IAS

Group

In the generally good business context, group sales rose by 8.7 % to the record level of DEM 7,116 million in the year under review. At constant exchange rates the growth figure would have been 7.8 %. The first-time consolidation of several smaller participating interests had no appreciable impact on this growth (+0.9 %). No significant acquisitions were made. The group continued to grow from its own resources in 1999.

Despite a disproportionately large increase in marketing expenses, operating result (EBIT) in all divisions grew faster than sales, with an increase of +16.3 % to DEM 663 million. The positive earnings trend of past years was thus maintained. At 9.3 %, the EBIT return on sales grew closer to our target of 10.0 %.

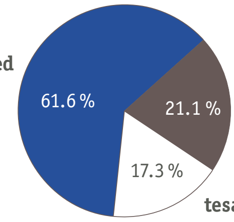
Profit after tax rose from DEM 325 million to DEM 343 million. After deduction of the effects of the sale of operations and the release of provisions no longer nee-ded for the tesa restructuring project, the previous year's profit works out at DEM 293 million. On this comparable basis the net return on sales increased from 4.5 % to 4.8 % in the year under review.

Development of business by divisions:

cosmed

cosmed division develops and markets cosmetic products for the care of healthy skin. With its strong brands NIVEA, 8x4, atrix, Labello, JUVENA and la prairie, cosmed further improved its leading market position in the field of cosmetics and personal care. NIVEA is the world's biggest personal care brand and one of the biggest global brands.

Divisional shares of group sales 1999



In 1999 cosmed maintained its double-digit growth with an increase of 13.2 % to reach sales of DEM 4,384 million. Exchange rate movements had little impact on this growth (+0.3 %). Sales of the brand NIVEA were up by 17.5 % to DEM 3,543 million. The international brands JUVENA, la prairie and 8x4 also developed well. With new product launches and the development of new regional markets, the positive business trend will continue in 2000.

The NIVEA VISAGE Anti-Wrinkle Q 10 line was launched with outstanding success in North and South America. Additions were made to the Clear-up Strip programme and, also under the NIVEA VISAGE kao bioré label, innovative cooling pads for caring for the sensitive zone around the eyes were launched. With these activities NIVEA VISAGE took the lead in the worldwide mass distribution of the facial care market.

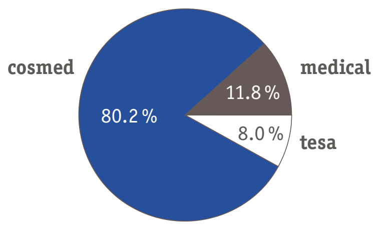
New up-to-the-minute colour themes, the new Luminature lipstick and Mascara Waterproof Make-up further improved the position of NIVEA Beauté. The international roll-out of NIVEA Beauté to new markets was continued. Launches in more countries are also planned for 2000.

The firming lotion under the NIVEA body label was launched with great success in the USA. For the Asian market special “whitening” personal care products were developed and put on the market.

With innovative sun protection products in spray form with protection factors of up to SPF 15, NIVEA Sun sounded a new note and achieved worldwide market share gains.

Development of the Business

Divisional shares of group operating profit (EBIT) 1999



The successful NIVEA FOR MEN range has been restructured. New launches in this range in the United Kingdom and Mexico achieved substantial market shares. Following a successful market test in South Korea these products will be launched in other Asian markets in the year 2000.

The new and especially mild NIVEA Deo Roll-On and trend fragrances in the 8x4 range strengthened the deodorant business in Europe in particular. Innovations such as 8x4 Deo Essence and 8x4 deodorant tissues brought a marked improvement in the division's leading position in Japan.

The JUVENA and la prairie brands also contributed to cosmed division's positive sales trend with good growth in the facial care market.

The EBIT figure for cosmed division, despite a rise in marketing expenses, increased from DEM 413 million to DEM 532 million. cosmed thus achieved an EBIT return on sales of 12.1 % (previous year: 10.7 %).

medical

medical division develops, manufactures and markets products in the fields of Dermatology (medicinal skin care), Personal Health Care (consumer products for wound care and physical complaints), Professional Wound Care and Orthopaedics/Phlebology (management of varicose veins). The division is increasingly concentrating on retail consumer business in branded products. The focus of activities here is on further development of the international brands Hansaplast, Eucerin, FUTURO and JOBST.

Following a decline in sales the year before, medical division grew by 4.5 % to DEM 1,503 million in the year under review. At constant exchange rates the growth figure worked out at 2.5 %. The sales increase is primarily due to the positive development of the business fields Dermatology with its Eucerin label and Personal Health Care with the brands Hansaplast and CURAD, both of which achieved double-digit international growth. Future growth is to be assured by transferring successfully launched product ideas to other countries and regions and by introducing new innovative products.

The highly successful relaunch of Eucerin Dry Skin in the USA and the international launch of Eucerin Q 10 products improved the standing of the Eucerin brand in the field of Medicinal Face Care. This position will be strengthened even further in the year 2000 by the launch of special products for impure skin.

The launching of new Hansaplast products such as Fever Plaster, Disinfectant Plasters and Fingerstrips, combined with improved distribution and increased sales promotion measures, formed the basis for the good sales trend in Europe. In the USA the CURAD brand achieved a significant increase in sales and a clear consolidation of its position in the market. In Argentina the brand Curitas was acquired and successfully developed, thereby expanding the division's market position in South America.

In the field of Professional Wound Care there was no relaxation of the worldwide trend to cost reductions in the health sector. In view of this, and in order to substantially strengthen our international competitive position, the new product Cutinova Alginate was launched and significant improvements were made in the handling and performance of the products in the entire Cutinova range.

Development of the Business

In the second year after its launch, the FUTURO bandage programme is now an established presence in many European countries. As a result the FUTURO brand has in important markets become the market leader for ready-to-wear bandages in the pharmacy sales channel. Thanks to distinct competitive advantages with regard to transparency, durability and use, the innovative compression stocking JOBST UltraSheer gained market shares in the USA and Europe. Elvarex – the made-to-measure stocking by JOBST – was launched in the USA, thereby giving a boost to the market importance of this product line.

At DEM 78 million, the EBIT result was lower than the previous year's figure (DEM 100 million), which had been favourably influenced by proceeds from the sale of operations. The EBIT return on sales for the year under review came to 5.2 % (previous year: 7.0 %).

tesa

Innovative problem-solving ideas for industrial applications and retail consumers are developed, manufactured and marketed under the tesa label. tesa division, as one of the leading suppliers of self-adhesive products, concentrates on three areas of application: fixing and joining systems using double-sided adhesive tape (Fastening), protection and covering systems (Masking) and systems for internal and external packaging (Packaging).

Sales by tesa division, at DEM 1,229 million, were marginally below the previous year's figure (–0.5 %). At constant exchange rates the drop in sales worked out at 1.8 %. The effects of the range streamlining in the financial year 1998 were still having a noticeable impact in the first half of 1999. About the middle of the year, however, a reversal of the trend started. The division's growth in the last six months (+7.4 %) was supported by the good trend of business in the industrial sector in particular.

In the field of fastening systems, the very good performance of our innovative Power-Strips/Poster-Strips range underlined the great consumer acceptance of our products. On the industrial front double-sided adhesive tapes achieved good growth in the building and furniture industries, the printing industry and the fast-growing telecommunications sector. Product innovations such as Easy Splice for the printing industry and an increased focus on new and rapidly growing industrial segments in the field of telecommunications and smart card manufacture will safeguard the division’s future growth.

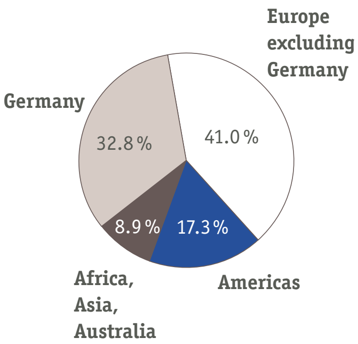
Product innovations brought further expansion of tesa’s leading position on the masking systems market in Europe. Easy Cover Auto, launched at the end of 1999, is an innovative system solution for car paint shops that considerably simplifies job preparation and execution. This product very quickly achieved a high degree of customer acceptance. Together with the new product “tesa Glass Guard” and other innovations it forms the basis for a positive sales trend in 2000.

In the field of packaging systems a drop in sales was halted by the introduction of a new range of high-quality printable and low noise carton sealing tapes on the basis of water-soluble acrylic adhesive compounds. The positive sales trend of these new products is reinforced by specialities, e.g. in the field of tamper evidence systems. An additional boost to sales in this focus area is expected from the new dispenser systems with new functionality and new design.

At DEM 53 million, tesa division’s EBIT figure almost reached the previous year’s level. High marketing expenses in the consumer sector made a significant contribution to the development of future business. In the year under review, tesa’s EBIT return on sales came to 4.3 % (previous year: 4.6 %).

Development of the Business

Regional shares of group sales 1999



Development of business by regions*:

Sales in **Germany**, at DEM 2,336 million, only reached the previous year's level (+0.2 %). As a result, Germany's share of group sales fell to 32.8 % compared with 35.6 % the year before.

Sales by cosmed division were up by 2.9 % to DEM 1,407 million. medical division recorded a slight drop in sales in Germany (–0.7 %) to DEM 509 million. Sales by tesa division, at DEM 420 million, were down by 7.0 %. This development was due largely to the range streamlining under the restructuring programme.

The EBIT operating result for Germany rose by 5.0 % to DEM 298 million. With a 45.0 % share of the group's EBIT figure, Germany remained the most profitable region. The EBIT return on sales worked out at 12.8 % (previous year: 12.2 %).

The trend of business in Germany was largely determined by the development of Beiersdorf AG's business.

Sales in **Europe excluding Germany** increased by 9.9 % to DEM 2,920 million. At constant exchange rates the growth figure would have been 10.4 %. The region's share of group sales showed a slight increase from 40.6 % to 41.0 %.

In Europe too, cosmed division was the mainstay of the group's growth. Sales here were up 14.5 % to DEM 2,026 million. medical division, with growth of 3.6 %, made sales of DEM 407 million. Owing to the impact of the range streamlining measures, tesa division fell slightly short of its previous year's figure to return sales of DEM 487 million (–1.4 %). With its new companies in Poland, Russia and Southeastern Europe, Beiersdorf will continue to develop the potential of the expanding markets of Eastern Europe.

*Regional sales by origin

In the year under review the EBIT operating result for Europe increased by 11.5 % to DEM 265 million. The EBIT return on sales was 9.1 % (previous year: 8.9 %).

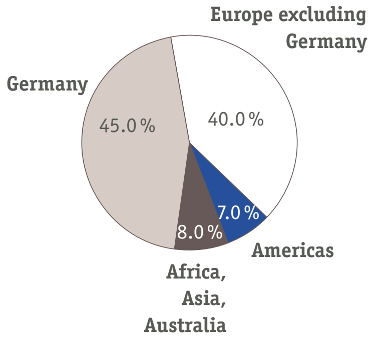
In the **Americas** sales displayed very dynamic growth with a rise of +15.8 % to DEM 1,232 million. At constant exchange rates the growth would have been 17.2 %. The effects of the strong US dollar were more than cancelled out by the fall in the value of the Brazilian Real. The region accounted for 17.3 % of group sales (previous year: 16.2 %). As in the other regions, cosmed achieved the strongest growth, expanding by 27.7 % to DEM 544 million. medical stepped up its sales by 9.4 % to reach DEM 482 million. tesa succeeded in increasing its sales by 4.5 % to DEM 206 million.

The EBIT operating result in the Americas was up 7.5 % to DEM 47 million. The EBIT return on sales came to 3.8 % (previous year: 4.1 %).

With a sales increase of 27.0 %, **Africa/Asia/Australia** displayed the strongest growth and achieved sales of DEM 628 million. The firmer exchange rates had a considerable impact on this figure. At constant rates the growth would have been 9.8 %. The region's share of group sales amounted to 8.9 % (previous year: 7.6 %). All three divisions contributed to the region's expansion with double-digit growth figures. In absolute terms, the biggest contribution was made by cosmed division with sales growth of DEM 97 million, largely in Japan.

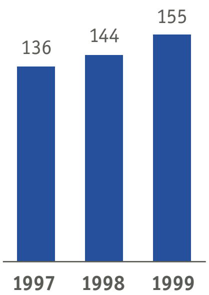
Although the good EBIT trend of plus DEM 48 million to DEM 53 million also includes special effects due to the release of provisions no longer needed for tesa division, it nevertheless reflects the group's good progress in Asia in particular. The EBIT return on sales was 8.5% (previous year: 1.0 %).

Regional shares of operating result (EBIT) 1999



Research and Development

Research and development expenses (in million DEM)



Beiersdorf's success is based on intensive research and development work. Activities in 1999 again focused on the core competences: skin care, wound care and adhesive tapes. The innovation rate, in other words: the share of sales due to products launched in the last five years, was over 30 %.
Group expenses on research and development increased faster than sales with a rise of 10.5 % to DEM 155 million (previous year: DEM 144 million) and thus stood at 2.2 % of sales. For the first time, these expenses were calculated in accordance with the rules of IAS 9 (Research and Development Costs).

In the field of skin research by cosmed division, the principal focus was on the introduction of new screening methods for investigating active substances and end products designed to prevent ultraviolet light damage and premature skin ageing. Among the many new products developed in 1999, special mention must be made of the series of new NIVEA Sun Sprays with sun protection factors (SPF) 5, 10 and 15. The use of a new phase inversion technology made it possible for the first time to achieve an SPF of 15 in a spray. In the year 2000 this protection factor has been increased still further. With the launch of Time Balance Q 10 Foundation the Q 10 technology was successfully transferred to the decorative care range. Q 10 is an endogenous coenzyme. It increases the functional capacity of the body's cells and helps to stop them ageing. Its application to other segments of the product range will ensure further innovations in the years to come.

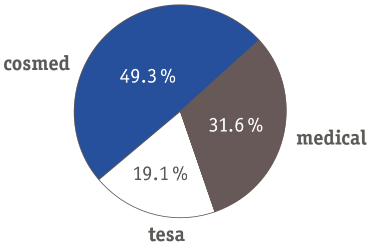
France 2000 – development of NIVEA Beauté Time Balance Q 10 Foundation

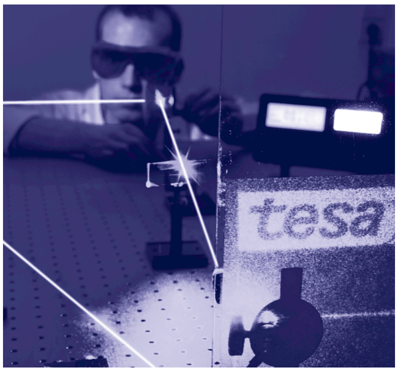
Research by medical division centred round wound care. A new generation of chronic wound dressings that remove undesirable factors from the wound during the healing process is currently in the test phase. As a basis for future innovative consumer products with and without active substances, major further developments in polyurethane technology were made during the year under review.

Basic research in the field of textile technology was also stepped up. In the compression therapy sector this resulted in the successful launch of new products such as JOBST UltraSheer in the year under review.

In tesa division the research and development sector concentrated on developing and implementing new solvent-free production methods for high-performance adhesive tapes on the basis of new hotmelt technologies.
1999 saw the installation pilot plants and successful market tests of the first products. Capital expenditure totalling more than DEM 65 million was approved during the year under review for the installation of the relevant production lines.
Another trend-setting project is data storage on polymer films. Known for short as "tesa-ROM", it has met with a great response. Laser beams are used to write data onto classic tesa Multifilm with an extremely high storage density. This opens up opportunities for developing entirely new compact storage media.
The basic research work undertaken in the newly established laser laboratory has already resulted in a number of patent applications.

Divisional shares of research and development expenditure 1999



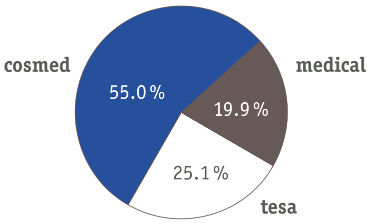


tesa Film as data storage medium – tesa laser laboratory 2000

Development technology: tesa hotmelt

Capital Investment

Divisional shares of group investment 1999



In the year under review DEM 243 million was invested in tangible and intangible assets. This expenditure was made at the existing locations and was essentially concerned with the installation of new machinery to improve productivity, the expansion and maintenance of technological leadership, and logistics projects. As in previous years, capital expenditure was geared to the existing strategies of the divisions and of the group as a whole. This spending was made in order to strengthen innovative capacity and technological leadership in the individual core competence areas. Further investments were made to support geographical expansion and optimise business processes.

The divisional figures for investment in tangible and intangible assets in the year under review were DEM 132 million by cosmed, DEM 50 million by medical and DEM 61 million by tesa.

Capital expenditure in Germany totalled DEM 104 million. Once again, the greater part of this sum was due to capital expenditure by Beiersdorf AG. Investment in Europe excluding Germany amounted to DEM 81 million, and spending in the Americas came to DEM 38 million. The figure of DEM 20 million for Africa/Asia/Australia was largely due to capital expenditure on logistics by medical and tesa divisions in Australia.

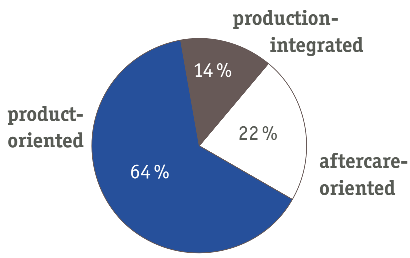
Financial investment totalled DEM 10 million. This related to increases of share capital for smaller Beiersdorf companies not included in the consolidated group.

In addition to capital expenditure by tesa division on solvent-free production processes, plans for the years to come include the establishment and expansion of production locations in the expanding regions of South America (Brazil) and Eastern Europe (Poland).

Environmental Protection and Safety

We demand the highest standards when it comes to the safety and environmental soundness of our products. With our proven three-stage Beiersdorf environmental protection concept we are achieving continuous improvements in the product, production and aftercare fields. In this we follow the principles of "responsible care" and "sustainable development" laid down by the German Chemical Industry Association. All our measures are supported by ongoing reporting, which also improves our internal and external communication. For ten years now we have been documenting our organisation in the "Green and Red Books" and reporting on our progress in the "Annual Report on Environmental Protection/Safety".

Group expenditure on environmental protection 1999



In 1999 nearly 100 environmental protection projects were integrated in existing workflows. The focus here was on environmentally sound product development. In the year under review we also continued developing our "Internal Environmental Protection and Safety Audit". Special attention here was devoted to our affiliates around the world, where we are increasingly demanding the highest standards, including those required in other countries. Increased use of hotmelt technology, for example, will enable us in future to reduce our input of organic solvents and cut our energy consumption.

Our fifth place in the environmental protection and safety rankings for the world's fifty leading chemicals companies confirms that we are working on the right lines.

Our employees' safety at work is a matter of great importance to us. Last year saw a further reduction in the accident rate in Beiersdorf AG and many affiliates. Our activities in the years ahead will continue to be guided by our vision of a "zero accident" scenario.

Risk Management

Risk management is an integral part of the management of our company. Our risk management system is steadily being improved, and it will be adapted to take account of constantly changing demands in the future as well. Our monitoring system includes internal auditing, targeted controlling with detailed planning and controlling processes, and regular strategy reviews. The efficiency and reliability of the system is examined by our external auditors.

Our activities in connection with the "Y2K issue", which were mentioned here last year, were successful. No appreciable problems were experienced within the group at the turn of the year.

Thanks to the harmonisation of our internal and external accounting systems and the introduction of integrated unified reporting on the basis of the International Accounting Standards, there has been a considerable improvement in the transparency of internal reporting.

As an internationally operating group, Beiersdorf is exposed to special financial risks. These arise from exchange rate movements and from changes in interest rates and interest structures. Measures to minimise the related risks also form part of our risk management activities.

In response to the introduction of the Euro and the changes in the technical and regulatory context, and particularly in view of the requirements of the "Business Control and Transparency Act" (KonTraG), we initiated measures in the year under review to ensure even greater centralisation of financial risk management within the Beiersdorf Group. Our aim is to apply a high standard of professionalism to the ongoing task of minimising our risks and improving the accuracy of our planning. The project will be completed during the current year.

Further Prospects / Forecast

In the financial year 2000 we expect a worldwide continuation of the generally good economic situation in our markets. Our sales markets in Germany and Europe, however, will only grow slowly. In these regions which are so important to us we are preparing for increased international competition and the associated risks.

In addition to overall economic trends and the resulting risks, the development of our customer structure in the trade is becoming increasingly important for us. It means opportunities and risks at the same time. The diminishing numbers of our trade customers may lead to greater dependence on individual customers. On the other hand, internationally operating trade enterprises prefer suppliers with major international brands. We are sure that with our global brands, first and foremost NIVEA, we meet the trade's requirements with regard to profitability, international character, and attractive lean product ranges.

We will continue to make further improvements to the organisational structures in our group during the year 2000. Especially for tesa division and the professional business of medical division we are working on organisational structures that cater for the special requirements of these sectors.

We plan to raise sales by about 6 % to DEM 7,600 million in the year 2000, from our own resources and without major acquisitions. cosmed plans to increase its sales by 7 to 8 %, while medical and tesa each aim to grow by about 4 to 5 %. We expect the group's EBIT operating result to rise to more than DEM 700 million. The largest contribution to EBIT growth will again come from the regions Germany and Europe. As a result of this favourable development of our operating business, we expect the comparable profit after taxes to increase to over DEM 360 million.

Income Statement Beiersdorf Group

(in million DEM)	Notes	1998	1999
Sales	(1)	**6,547**	**7,116**
Cost of goods sold	(2)	−2,650	−2,763
Gross profit		**3,897**	**4,353**
Selling expenses	(3)	−2,749	−3,084
Research and development expenses	(4)	−141	−155
General administration expenses	(5)	−297	−326
Other operating income	(6)	130	119
Other operating expenses	(7)	−270	−244
Operating result (EBIT)		**570**	**663**
Income from investments in affiliated companies (net)	(8)	−41	1
Interest expense (net)	(9)	−37	−12
Other financial income/expense	(10)	27	−20
Financial result		**−51**	**−31**
Profit before tax		**519**	**632**
Taxes on income	(11)	−194	−289
Profit after tax		**325**	**343**
Minority interests	(12)	−4	−8
Changes in retained earnings		−220	−217
Net profit (Dividend of Beiersdorf AG)		**101**	**118**
Earnings per share (in DEM)	(13)	**3.87**	**4.09**

Balance Sheet Beiersdorf Group

ASSETS (in million DEM)	Notes	**31.12.1998**	**31.12.1999**
Intangible assets	(15)	154	110
Property, plant and equipment	(16)	1,469	1,529
Financial assets	(17)	60	51
Fixed assets		**1,683**	**1,690**
Inventories	(18)	946	1,008
Trade accounts receivable	(19)	908	1,064
Other receivables and other assets	(19)	241	229
Liquid assets	(20)	867	1,216
Current assets		**2,962**	**3,517**
Deferred taxes	(11, 21)	**25**	**41**
Prepaid expenses	(22)	**34**	**38**
		4,704	**5,286**

SHAREHOLDERS' EQUITY AND LIABILITIES (in million DEM)			
Capital stock	(24)	420	421
Capital reserves	(25)	92	92
Retained earnings	(26)	1,547	1,763
Net profit		101	118
Translation differences		0	83
Minority interest	(27)	34	45
Shareholders' equity	(23)	**2,194**	**2,522**
Provisions for pensions and other post-employment benefits	(28)	769	800
Other provisions	(29)	584	710
Provisions		**1,353**	**1,510**
Financial liabilities	(30)	126	116
Trade accounts payable	(30)	532	629
Other liabilities	(30)	315	324
Liabilities		**973**	**1,069**
Deferred taxes	(11, 21)	**165**	**172**
Deferred income	(22)	**19**	**13**
		4,704	**5,286**

Cash Flow Statement Beiersdorf Group

(in million DEM)	Notes	1998	1999
Cash and cash equivalents at beginning of the year	(20)	**683**	**867**
Operating result (EBIT)		**570**	**663**
Income taxes paid		−208	−227
Depreciation on property, plant and equipment		262	252
Change in long-term provisions (without interest)		0	1
Profit/loss on disposal of property, plant and equipment		0	13
Gross cash flow		**624**	**702**
Change in inventories	(18)	−31	−54
Change in trade accounts receivable and other assets		−178	−194
Change in liabilities and short-term provisions		76	212
Net cash from operating activities		**491**	**666**
Cash outflows for additions to fixed assets		−271	−253
Cash inflows from sales of fixed assets		79	17
Interest, dividends and other financial income received		60	72
Net cash from investing activities		**−132**	**−164**
Free cash flow		**359**	**502**
Amortisation of financial debts	(30)	−36	−13
Interest and other financial expense paid		−46	−73
Cash dividends paid (Beiersdorf AG)	(23)	−84	−101
Net cash from financial activities		**−166**	**−187**
Change in cash and cash equivalents due to exchange rate movements		−4	27
Change in cash and cash equivalents due to changes in companies consolidated		−5	7
Change in cash and cash equivalents		**184**	**349**
Cash and cash equivalents at end of the year	(20)	**867**	**1,216**

Segment Reporting Beiersdorf Group

Divisions (in million DEM)	**cosmed**	**medical**	**tesa**	**Group**
Net sales	**4,384**	**1,503**	**1,229**	**7,116**
Change on previous year	+13.2 %	+4.5 %	−0.5 %	+8.7 %
Share of group sales	61.6 %	21.1 %	17.3 %	100.0 %
Operating result (EBIT)	**532**	**78**	**53**	**663**
in % of sales	12.1 %	5.2 %	4.3 %	9.3 %
Capital employed	**1,155**	**611**	**641**	**2,407**
Return on capital employed	**46.1 %**	**12.8 %**	**8.3 %**	**27.5 %**
Gross cash flow	**473**	**133**	**96**	**702**
Capital expenditure (excl. financial assets)	**132**	**50**	**61**	**243**
Depreciation and amortisation	**115**	**81**	**56**	**252**
Research and development expenses	**76**	**49**	**30**	**155**
Number of employees (average for the year)	**7,280**	**4,829**	**3,743**	**15,852**

Regions (in million DEM)	**Germany**	**Europe excl. Germany**	**Americas**	**Africa, Asia, Australia**	**Group**
Net sales*	**2,336**	**2,920**	**1,232**	**628**	**7,116**
Change on previous year	+0.2 %	+9.9 %	+15.8 %	+27.0 %	+8.7 %
Share of group sales	32.8 %	41.0 %	17.3 %	8.9 %	100.0 %
Operating result (EBIT)	**298**	**265**	**47**	**53**	**663**
in % of sales	12.8 %	9.1 %	3.8 %	8.5 %	9.3 %
Capital employed	**774**	**954**	**516**	**163**	**2,407**
Return on capital employed	**38.5 %**	**27.8 %**	**9.1 %**	**32.4 %**	**27.5 %**
Gross cash flow	**345**	**224**	**76**	**57**	**702**
Capital expenditure (excl. financial assets)	**104**	**81**	**38**	**20**	**243**
Depreciation and amortisation	**145**	**61**	**31**	**15**	**252**
Research and development expenses	**126**	**9**	**13**	**7**	**155**
Number of employees (average for the year)	**6,171**	**4,882**	**2,774**	**2,025**	**15,852**

* By origin

Principles and Methods

General principles

The group financial statements of Beiersdorf AG are, pursuant to Section 292 a of the German Commercial Code, prepared for the first time in accordance with the provisions of the rules of the International Accounting Standards Committee (IASC), London, in force on the balance sheet date. They conform to the European Union rules for consolidated accounts (Directive 83/349/EEC). The income statement has been changed from the cost of production method to the cost of sales method. The previous year's figures for comparison have been determined and adjusted in accordance with the same principles.

In the interests of clearer presentation in the income statement and the balance sheet, individual items have been aggregated. These items are shown separately and will be explained in the Notes.

Impacts of the change to the International Accounting Standards (IAS)

The adjustments resulting from the change to the International Accounting Standards are included directly in the retained earnings as at 01.01.1999:

(in million DEM)	
Shareholders' equity excluding minority interest at 31.12.1998/01.01.1999	1,943
Valuation adjustment, fixed assets	231
Valuation adjustment, stocks	141
Valuation adjustment, pension obligations	–94
Other adjustments	34
Deferred taxes for above adjustment and for valuation differences between commercial and fiscal balance sheets	–92
Minority interest	–3
Shareholders' equity excluding minority interest at 01.01.1999 after adjustment	**2,160**

The individual changes are due primarily to the following factors:

– Goodwill from consolidation is capitalised according to IAS 22 (Business Combinations) and amortised over the useful life. The capitalisation requirement applies to all goodwill, created from the financial year 1995 onwards.

– Machinery and equipment, which was previously subject to accelerated depreciation, is now normally depreciated on a straight-line basis.

– Inventories, which were previously valued on the basis of partial costs, are now normally assessed at manufacturing cost, which in addition to individual costs includes apportioned material costs and production overheads and depreciation arising from manufacturing.

– Deferred taxes on the assets side are based on capitalised corporation tax reduction claims arising from temporary differences. The temporary differences also include tax advantages occurring through netting losses brought forward against the future profits to be expected (if it is sufficiently likely that they will be realised).

– Deferred taxes on the liabilities side are due to temporary differences.

– The pension provisions previously disclosed according to Section 6a of the Income Tax Act have been calculated according to the standard international projected unit credit method.

In connection with the first-time application of IAS 12 (Income Taxes), deferred taxes of DEM 25 million on the assets side and DEM 117 million on the liabilities side are netted with shareholders’ equity with a neutral impact on profit.

Principles and Methods

Consolidated group

In addition to Beiersdorf AG, the group financial statements include 10 German and 64 international companies in which Beiersdorf AG directly or indirectly holds a majority of the voting rights and which are under its unified management. 3 companies in which Beiersdorf has a share of 50 % and which are run jointly with the other shareholders are consolidated pro rata in accordance with IAS 31 (Financial Reporting of Interests in Joint Ventures). These account for DEM 114 million of the income and DEM 98 million of the expenses shown in the income statement, and hence DEM 16 million of the result. The companies consolidated pro rata account for DEM 10 million of the fixed assets and DEM 49 million of current assets. These companies are responsible for DEM 29 million of the liabilities and provisions.

9 German and 29 international companies which individually and in overall terms are of only minor importance for presenting a true and fair view of the group's assets, liabilities, financial position and profit are not included.

In the year under review Beiersdorf Holding Austria (Austria), Beiersdorf d.o.o. (Slovenia), Beiersdorf 000 (Russia), Beiersdorf S.A. (Paraguay), Beiersdorf S.A. (Peru), Beiersdorf (Shanghai) Trading Co. Ltd. (People's Republic of China), and Terumo Beiersdorf K.K. (Japan/50 %) were consolidated for the first time.

The changes in the consolidated group in 1999 do not give rise to any significant impacts on the items in the group balance sheet. The group's profit for the year is up by DEM 6 million as a result.

Consolidation principles

The financial statements of the companies consolidated in the group accounts are all prepared as at the same closing date of 31 December and in accordance with the accounting and valuation principles for the Beiersdorf Group. The accounts included have all been audited by independent auditors.

In accordance with IAS 22 (Business Combinations), capital consolidation is by the acquisition method. In this the acquisition costs of the interests acquired are set off against the share of shareholders' equity due to the parent company at the time of acquisition. Debit differences arising from this offsetting are wholly or partially allocated to the assets of the subsidiary companies and written down over the useful life of the assets. Any remaining debit differences are capitalised as goodwill and written down over the probable useful life. Negative goodwill is netted against retained earnings or allocated to other provisions.

Where individual company accounts contain provisions for intragroup receivables or write-downs on shares of consolidated companies, these are reversed.

Intermediate results, income and expenditure and accounts receivable and payable arising between the consolidated companies are eliminated. Tax accruals and deferrals are made where necessary in respect of consolidation transactions affecting the income statement.

The same consolidation principles apply to joint ventures consolidated pro rata. Any necessary consolidation measures arising from relations with companies consolidated pro rata are made in proportion to the shares held in them.

Principles and Methods

Currency translation

Translation of the accounts of foreign subsidiaries is undertaken in accordance with IAS 21 (The Effects of Changes in Foreign Exchange Rates) based on the functional currency concept. Balance sheets are translated at the mean rate for the balance sheet date, and income statements at the average rate for the year, as these companies run their business independently from a financial, economic and organisational point of view. Differences arising from currency translation with regard to assets and liabilities items compared with the previous year's translation, and differences in translation between balance sheet and income statement are treated as not affecting the result.

In the interest of better elimination of inflation effects, the accounts of major subsidiaries in high-inflation countries are prepared in DEM.

In the financial statements of the individual companies, accounts payable and receivable in foreign currency are shown at the translation rate for the day they arose. However, if translation of the foreign currency items at the rate for the balance sheet date results in a lower figure in the case of receivables or a higher figure in the case of accounts payable, the foreign currency items are valued at the rate for the balance sheet date unless they are rate-hedged.

The exchange rates for the currencies of relevance to the group financial statements showed the following changes:

		ISO Code	Average rates		Reporting date rates	
(in DEM)			1998	1999	1998	1999
100	Swiss Francs	CHF	121.28	122.16	122.20	121.87
1	Pound Sterling	GBP	2.92	2.99	2.80	3.15
100	Japanese Yen	JPY	1.35	1.65	1.45	1.91
100	Mexican Pesos	MXN	19.22	19.37	16.95	20.52
1	US Dollar	USD	1.76	1.85	1.67	1.95

Notes on the Income Statement

(1) Sales

A breakdown of sales and their development by divisions and regions is given in the segment report on page 47.

(2) Cost of goods sold

This item comprises the cost of internally produced goods sold and the cost price of merchandise sold. In accordance with IAS 2 (Inventories), the cost of internally produced goods includes not only directly allocatable costs such as the costs of materials, personnel and energy, but also production-related overheads including depreciation on production plant.

(3) Selling expenses

Selling expenses includes the cost of marketing, sales organisation and distribution logistics. In 1999 the marketing expenses on advertising, trade marketing and similar items came to DEM 1,871 million (previous year: DEM 1,622 million).

(4) Research and development expenses

Research and development expenses have been redefined in accordance with IAS 9 (Research and Development Costs). These costs include the cost of research and of product and process development including expenses on third-party services. Developments are reported entirely on an accrual basis, because the criteria for capitalisation are not satisfied in view of the individual risks that exist until the time of market launch.

(5) General administration expenses

This item shows the personal and impersonal costs of administration and the cost of external services, except in cases of internal charging to other functional areas.

Notes on the Income Statement

(6) Other operating income

(in million DEM)	1998	1999
Gains from disposal of fixed assets	7	6
Exchange gains	13	18
Income from release of provisions	17	27
Other income	93	68
	130	**119**

Other income consists largely of income from licence agreements, income not identified with any specific period, and income from the release of provisions for doubtful debts.

(7) Other operating expenses

(in million DEM)	1998	1999
Expenses on restructuring measures	61	18
Losses on disposals of fixed assets	7	19
Exchange losses	28	21
Other expenses	174	186
	270	**244**

Other expenses include write-downs on goodwill and trademarks acquired, provisions for miscellaneous risks and other operating expenses.

(8) Income from investments in affiliated companies (net)

(in million DEM)	1998	1999
Income from investments in affiliated companies	2	1
Write-ups and write-downs on financial investments	−43	0
	−41	**1**

(9) Interest expense (net)

(in million DEM)	1998	1999
Interest income	34	34
(of which: from affiliated companies)	(1)	(1)
Interest expenses	–71	–46
(of which: to affiliated companies)	(-)	(-)
	–37	**–12**

Interest income includes income from the special-fund units to the value of DEM 14 million held by Beiersdorf AG. Interest expenses include expenses of DEM 30 million on addition of interest to pension benefit entitlements acquired in previous years.

(10) Other financial income/expense

(in million DEM)	1998	1999
Other financial income	70	36
Other financial expense	–43	–56
	27	**–20**

Other financial income essentially consists of exchange gains on financial items in foreign currency. Other financial expense includes exchange losses on financial items and write-downs on current asset securities.

(11) Taxes on income

Taxes on income comprise the taxes on income and profit paid or owed in the individual countries, and deferred taxes. The breakdown of expenditure on income taxes including deferred taxes is as follows:

(in million DEM)	1998	1999
Taxes on income		
Germany	89	154
International	119	140
	208	294
Deferred taxes	–14	–5
	194	**289**

Notes on the Income Statement

Taxes on income include tax refunds of DEM 4 million (previous year: tax expense of DEM 13 million) attributable to previous periods.

Deferred taxes result from differences in the timing of valuations between the fiscal accounts of the individual companies and the commercial-law valuations in the group accounts. They are determined by applying the tax rates expected in the individual countries at the time of realisation. These are essentially based on the legal arrangements in force on the balance sheet date. As a result of tax rate changes in individual countries, total expense on deferred taxes has been reduced by DEM 10 million.

Actual tax expense is DEM 23 million higher than the calculated tax expense that would result from applying a weighted average tax rate. This tax rate is calculated from the tax rates for the individual group companies, and stood at 42.0 percent in 1999. The following table shows the transition from calculated to actual tax expense:

(in million DEM)	**1999**
Theoretical tax expense: 42.0 %	266
Tax reductions due to tax-free income	−2
Tax increases as a result of non-deductible expenses	9
Other tax effects	16
Actual tax expense	**289**

Other taxes are included in the costs of the functional areas.

(12) Minority interests

Profits total DEM 9 million (previous year: DEM 6 million), losses DEM 1 million (previous year: DEM 2 million).

(13) Earnings per share

Earnings per share are determined in accordance with IAS 33 (Earnings per Share). In 1999 the figure was DEM 4.09 (previous year: DEM 3.87). The number of shares (84 million individual shares) did not change in the year under review. Since there are no outstanding financial instruments that can be exchanged for shares, there is no need to determine diluted earnings per share.

(14) Miscellaneous information

Material expenses

Expenses on raw materials, supplies, merchandise and external services came to DEM 1,946 million (previous year: DEM 1,918 million).

Personnel expenses

(in million DEM)	**1998**	**1999**
Wages and salaries	1,096	1,113
Social security contributions and assistance costs	223	223
Pension costs	52	58
	1,371	**1,394**

Employees

The following average numbers of employees work in the business sectors shown:

Functional sectors (annual average)	**1998**	**1999**
Production	6,939	5,923
Sales and Marketing	4,733	4,667
Other functions	5,261	5,262
	16,933	**15,852**
(of which: in companies consolidated pro rata)	(852)	(161)

Notes on the Income Statement

The breakdown of employees among the segments of the Beiersdorf group can be seen from the following overview:

Divisions (annual average)	**1998**	**1999**
cosmed	7,813	7,280
medical	4,758	4,829
tesa	4,362	3,743
	16,933	**15,852**

Regions (annual average)	**1998**	**1999**
Germany	6,382	6,171
Europe excluding Germany	5,485	4,882
Americas	2,751	2,774
Africa/Asia/Australia	2,315	2,025
	16,933	**15,852**

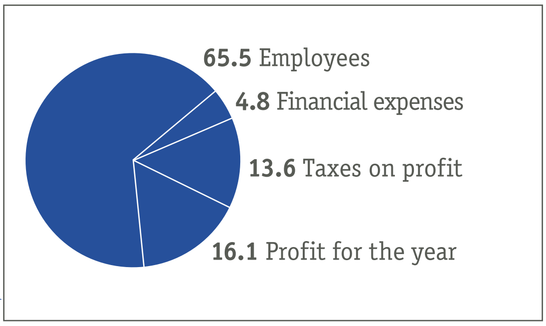
As a result of the restructuring measures in tesa division and the personnel cuts at Beiersdorf-Lechia S.A. in Poland, the number of employees fell by 1,081 (−6.4 %) to 15,852. The decrease in employee numbers in the companies consolidated pro rata is due to the reorganisation of tesa division's Asian business.

Value added

Output method (in million DEM)

Sales revenue	7,116
Cost of material	1,946
Depreciation	252
Other expenses	2,862
Financial earnings	72
Company earnings	2,128

Incomes received method (in %)



Notes on the Balance Sheet

(15) Intangible assets (in million DEM)	Proprietary rights and similar rights and assets	Goodwill	Payments on account	Total
Cost of acquisition				
Opening balance 01.01.1999	379	13	10	402
Changes due to exchange rate movements	1	1	1	3
Changes in consolidated group	0	3	0	3
Additions	10	0	2	12
Disposals	0	0	−1	−1
Transfers	6	0	−6	0
Closing balance 31.12.1999	**396**	**17**	**6**	**419**
Depreciation				
Opening balance 01.01.1999	240	7	1	248
Changes due to exchange rate movements	0	1	1	2
Changes in consolidated group	0	0	0	0
Depreciation 1999	55	5	0	60
Disposals/ Transfers	1	0	−2	−1
Closing balance 31.12.1999	**296**	**13**	**0**	**309**
Book value 31.12.1999	**100**	**4**	**6**	**110**
Book value 31.12.1998	139	6	9	154

Intangible assets acquired against payment are valued at acquisition cost and written down on a scheduled linear basis over their useful lives. Special depreciation is taken in cases where there is a probability of a permanent reduction in value. If the reasons for special depreciation cease to apply, appropriate write-ups are made.

The intangible assets include the trademarks NIVEA, FUTURO and CURAD acquired in previous years.

Notes on the Balance Sheet

The usual depreciation period for intangible assets is 5 years. As an exception to this rule, the NIVEA trademarks are written down over a period of 10 years. Goodwill arising from capital consolidation and derived goodwill arising from the individual company accounts is, in accordance with IAS 22 (Business Combinations), capitalised and written down on a linear basis over a period of between 5 and 20 years depending on useful life. The value of goodwill is reviewed at regular intervals. Where necessary, appropriate adjustments are made.

Goodwill arising from capital consolidation that took place before 01.01.1995 is not capitalised, but is set off against shareholders' equity without affecting the result.

(16) Property, plant and equipment (in million DEM)	Land and buildings	Machinery and technical installations	Factory and office equipment	Assets under construction and payments on account	Total
Cost of acquisition/ manufacture					
Opening balance 01.01.1999	1,242	1,318	740	76	3,376
Changes due to exchange rate movements	26	59	20	5	110
Changes in consolidated group	2	3	1	0	6
Additions	22	67	77	65	231
Disposals	−31	−57	−48	−6	−142
Transfers	37	40	4	−81	0
Closing balance 31.12.1999	**1,298**	**1,430**	**794**	**59**	**3,581**
Depreciation					
Opening balance 01.01.1999	549	827	527	4	1,907
Changes due to exchange rate movements	9	40	13	0	62
Changes in consolidated group	1	2	0	0	3
Depreciation 1999	34	84	74	0	192
Disposals/ Transfers	−20	−44	−44	−4	−112
Closing balance 31.12.1999	**573**	**909**	**570**	**0**	**2,052**
Book value 31.12.1999	**725**	**521**	**224**	**59**	**1,529**
Book value 31.12.1998	693	491	213	72	1,469

Property, plant and equipment are capitalised at the cost of acquisition or manufacture and depreciated on a scheduled basis in line with the probable economic life of the asset. The cost of manufacture of company-produced tangible assets is determined on the basis of directly allocatable individual costs and appropriate overheads. Repair and maintenance costs for property, plant and equipment are entered as current expense. Such items are capitalised in exceptional cases where the measure results in an extension or substantial enhancement of the asset.

Property, plant and equipment are depreciated on a linear basis. Special depreciation is taken in cases where there is a probability of a permanent reduction in value. If the reasons for special depreciation cease to apply, appropriate write-ups are made. Minor assets are depreciated in full in the year of acquisition.

Scheduled depreciation on property, plant and equipment is essentially based on the following economic life figures:

Residential and production buildings	25 to 33 years
Other buildings	10 to 25 years
Machinery and technical equipment	5 to 15 years
Vehicles	4 years
Factory and office equipment	3 to 15 years

Notes on the Balance Sheet

(17) Financial assets (in million DEM)	Shares in affiliated companies	Participations	Investment securities	Other loans	Total
Cost of acquisition					
Opening balance 01.01.1999	99	6	7	2	114
Changes due to exchange rate movements	1	0	1	0	2
Changes in consolidated group	−9	−1	0	0	−10
Additions	10	0	0	0	10
Disposals	−48	0	0	0	−48
Transfers	0	0	0	0	0
Closing balance 31.12.1999	**53**	**5**	**8**	**2**	**68**
Depreciation					
Opening balance 01.01.1999	50	4	0	0	54
Changes due to exchange rate movements	0	0	0	0	0
Changes in consolidated group	0	0	0	0	0
Depreciation 1999	0	0	0	0	0
Disposals/ Transfers	−37	0	0	0	−37
Closing balance 31.12.1999	**13**	**4**	**0**	**0**	**17**
Book value 31.12.1999	**40**	**1**	**8**	**2**	**51**
Book value 31.12.1998	49	2	7	2	60

Interests in non-consolidated affiliated companies and other participating interests, and also investment securities, are valued at acquisition cost on the principle of individual valuation. Special depreciation is taken in cases where there is a probability of a permanent reduction in value. If the reasons for special depreciation cease to apply, appropriate write-ups are made. Interest-free or low-interest loans are assessed at their cash value, other loans at nominal value.

(18) Inventories

(in million DEM)	1998	1999
Raw materials and supplies	214	240
Work in progress	76	70
Finished products, goods	650	689
Payments on account	6	9
	946	**1,008**

Inventories are assessed at acquisition or manufacturing cost, or at a lower market value or lower attributable value. Inventories are valued using the fifo or average method. Manufacturing cost includes not only individual costs but also apportioned material costs and production overheads and production-related depreciation. It also includes the relevant share of the cost of company pension arrangements and of voluntary fringe benefits provided by the company, and also production-related administration expenses.

(19) Receivables and other assets

(in million DEM)	1998	1999
Trade accounts receivable	908	1,064
(of which: residual term more than 1 year)	(1)	(6)
Accounts receivable from affiliated companies	31	39
(of which: residual term more than 1 year)	(-)	(1)
Accounts receivable from companies in which a participating interest is held	11	1
(of which: residual term more than 1 year)	(-)	(-)
Other assets	199	189
(of which: residual term more than 1 year)	(5)	(4)
	1,149	**1,293**

Receivables and other assets are entered at their nominal value, bills receivable and interest-free or low-interest loans at their cash value. Appropriate adjustments have been made for identifiable risks, and the overall credit risk has been catered for by a lump-sum valuation adjustment. Other assets include short-term loans (DEM 94 million), tax refund entitlements (DEM 56 million) and other accounts receivable.

Notes on the Balance Sheet

(20) Liquid assets

(in million DEM)	1998	1999
Securities	541	623
Liquid funds	326	593
	867	**1,216**

In accordance with IAS 25 (Accounting for Investments), marketable securities are shown at acquisition cost or at lower stock exchange prices or redemption values at the balance sheet date. The option of assessing such securities at fair value has not been exercised. In 1999 special-fund units held by Beiersdorf AG to the value of DEM 500 million (previous year: DEM 400 million) are shown under securities. The market values of these funds as of December 31, 1999 amount to DEM 519 million (previous year: DEM 429 million).

Liquid funds comprise credit balances at banks, cash balances and cheques.

(21) Deferred taxes

Deferred taxes result mainly from differences in the timing of valuations between the commercial accounts in accordance with IAS and the fiscal accounts of the individual companies, and also from consolidation processes. See also Note (11) “Taxes on income”.

(22) Prepaid expenses

The greater part of the total prepaid expenses will probably be utilised in the year 2000.

(23) Development of shareholders' equity

(in million DEM)	Subscribed capital	Capital reserve	Retained earnings	Group profit	Minority interests	Currency translation differences	Total
01.01.1999	**420**	**92**	**1,547**	**101**	**34**	**0**	**2,194**
Capital increase from company resources	1	0	−1	0	0	0	0
Dividend of Beiersdorf AG for previous year	0	0	0	−101	0	0	−101
Transfer to retained earnings	0	0	217	0	8	0	225
Group profit	0	0	0	118	0	0	118
Currency changes	0	0	0	0	3	83	86
31.12.1999	**421**	**92**	**1,763**	**118**	**45**	**83**	**2,522**

(24) Capital stock

The share capital of Beiersdorf AG is € 215,040,000.–. Under a resolution passed by the Annual General Meeting on 22 June 1999, the share capital of DEM 420,000,000.– was converted to Euro. After rounding to the nearest whole Cent it amounted to € 214,742,590.10. This share capital was increased by € 297,409.90 to € 215,040,000.– from company resources without issuing new shares. For this purpose the corresponding amount from retained earnings was converted into share capital.

The share capital is divided into 84 million individual bearer shares each representing an equal share of the company's capital stock. The company is entitled to issue global certificates for multiple shares.

A resolution passed at the Annual General Meeting on 22 June 1999 approved conversion of not only the share capital, but also the authorised capital to Euro. Section 5 para. 2 sentence 1 of the Articles was revised as follows: "The Executive Board is empowered during the period ending 31 May 2001 to raise the share capital by up to € 42,948,518.02 with the consent of the Supervisory Board by making one or more issues of new shares against cash contributions subject to partial exclusion of the shareholders' statutory subscription rights in respect of residual amounts on the basis of the respective subscription ratios."

Notes on the Balance Sheet

(25) Capital reserves

The capital reserves include the paid-in surplus from the issuance of shares by Beiersdorf AG.

(26) Retained earnings

Retained earnings contain prior years' undistributed profits of companies included in the consolidation, and the changes in the consolidation items.

(27) Minority interest

Minority interest comprises third parties' shares in the equity of consolidated affiliates, and are held principally in Bode Chemie GmbH & Co., Hamburg, Nivea-Kao Co. Ltd., Japan, Beiersdorf (Thailand) Co., PT. Beiersdorf Indonesia and Beiersdorf India Limited.

(28) Provisions for pensions and other post-employment benefits

Group companies provide retirement benefits for most of their employees, either directly or by contributing to independently administered funds (in case of Beiersdorf AG in the form of the foundation "TROMA Alters- und Hinterbliebenenstiftung", Hamburg). The way these benefits are provided varies according to the legal, economic and fiscal conditions of each country, the benefits generally being based on the employees' remuneration and years of service. The direct and indirect obligations relate both to existing retirees' pensions and to pension entitlements of future retirees.

The pension obligations covered by the foundation “TROMA Alters- und Hinterbliebenenstiftung”, Hamburg, take into account the assets of this foundation, which include real property and shares of the Beiersdorf AG.

Group companies provide retirement benefits under defined contribution and for defined benefit plans. The resulting expenses – except the interest portion of the provisions and the return on plan assets – are included in the costs of the functional areas.

The increase in pension provisions resulting from first-time application of the International Accounting Standards and the definition of new actuarial parameters (1998 tables by K. Heubeck) was set off against shareholders’ equity without affecting profit.

In accordance with IAS 19 (Employee Benefits), pension provisions for defined benefit plans are calculated by the projected unit credit method. Benefits expected to be payable after retirement are spread over each employee’s entire period of employment. In the year under review no exceptional income or expense arose from plan terminations, curtailments or settlements.

The calculation of pension provisions takes account of market interest rates and trends in wages/salaries and pensions. The following assumptions were made when assessing the figures for the German companies:

	31.12.98	**31.12.99**
Discount rate	5.75 %	5.75 %
Projected salary increases	3.00 %	3.00 %
Projected pension increases	2.00 %	2.00 %
Projected employee turnover	2.00 %	2.00 %
Projected return on plan assets	5.75 %	5.75 %

In the case of the international companies, these parameters vary according to the economic conditions of the country in which the retirement plans are situated.

Notes on the Balance Sheet

Total expenditure on performance oriented pension commitments breaks down as follows:

(in million DEM)	1998	1999
Expenses for pension entitlements earned in the reporting year	38	39
Interest cost for pension entitlements earned in prior years	60	63
Return on plan assets	−22	−30
Amortisation of actuarial gains/losses	0	−3
Pension expenses	**76**	**69**

The pension provision is arrived at as follows:

(in million DEM)	1998	1999
Present value of pension obligations not financed by funds	752	803
Present value of pension obligations financed by funds	378	383
Present value of pension obligations	1,130	1,186
Fair value of fund assets	−506	−536
Present value of pension obligations after deducting fair value of fund assets	624	650
Restatement amount due to non-recognised actuarial gains/losses	145	150
Provision for pensions in accordance with IAS 19	**769**	**800**

Actuarial gains and losses are not recognised in the financial statement, except where they exceed 10 % of the present value of the obligations (after deduction of fair value of fund assets). Where they exceed 10 %, they will be recognised over the expected remaining working lives of the employees concerned.

Funds and pension obligations are valued on a regular basis at least every 3 years. For all major funds the actuarial valuations are performed annually.

Provisions are also set up under this item for the obligations of certain group companies, especially in the United States, to provide health care and certain other benefits to their retirees, since these obligations are similar in character to pension obligations.

Similar obligations also include obligations in respect of compensation payable on withdrawal. These are calculated in accordance with actuarial rules on the basis of the usual local interest rates.

(29) Other provisions

(in million DEM)	1998	1999
Tax provisions	102	161
Provisions for personnel expenses	138	174
Miscellaneous provisions	344	375
	584	**710**

Other provisions cover all identifiable future payment obligations, risks and uncertain obligations of the group. They are assessed at the probable amount and mostly have a residual term of up to one year.

Provisions for personnel expenses consist primarily of annual supplementary payments, holiday payments, expense on part-time schemes for employees approaching retirement and severance payments, and also jubilee obligations.

Miscellaneous provisions relate largely to advertising costs, year-end bonuses, restructuring measures, environmental protection measures and other risks.

Notes on the Balance Sheet

(30) Liabilities

(in million DEM)	1998	1999	Residual term up to 1 year	Residual term 1 to 5 years
Financial liabilities	**126**	**116**	98	18
Trade accounts payable	**532**	**629**	626	3
Accounts payable to affiliated companies	7	32	32	-
Accounts payable to companies in which a participating interest is held	4	-	-	-
Tax liabilities	59	68	62	6
Social security liabilities	30	33	33	-
Miscellaneous liabilities	215	191	190	1
Other liabilities	**315**	**324**	317	7
	973	**1,069**	1,041	28

Liabilities are shown at their nominal value or the higher amount repayable. There were no liabilities with a residual term in excess of 5 years.

Financial liabilities include all interest-bearing liabilities of the Beiersdorf Group. They consist largely of liabilities to banks. No bonds were issued.

Trade accounts payable include liabilities in the amount of DEM 14 million (previous year: DEM 12 million) arising from bills accepted and drawn.

Secured liabilities to banks total DEM 4 million (previous year: DEM 3 million). The security provided largely takes the form of encumbrances on real property.

(31) Contingent liabilities and other financial obligations

(in million DEM)	1998	1999
Contingent liabilities		
Bills	-	-
Liabilities under guarantees	4	2
Other financial obligations		
Obligations under rental and leasing agreements for the next three years	26	31

Beiersdorf has potential obligations arising from a legal action and claims brought against the company. Estimates of possible future expenses are subject to numerous uncertainties. Beiersdorf does not expect this to result in any significant negative impacts on the group's business or financial situation.

(32) Derivative financial instruments

In the Beiersdorf Group, derivative financial instruments are used to manage existing and future exchange rate and interest rate risks. These instruments serve to safeguard the basic operating business and the company's essential financial transactions. The companies do not incur any additional financial risks as a result. The transactions are conducted entirely in usual market instruments (futures, currency options, swaps, interest options).

Currency rate hedging relates largely to intra-group deliveries and loans, while interest rate hedging relates to long-term financing.

The nominal volume is the sum of all purchase and sale amounts under derivative financial transactions. In the nominal volume shown, amounts have only been netted out if the contracts are opposite in terms of nature, maturity and size.

The market values shown are calculated by assessing the outstanding items at market rates on the balance sheet date without taking account of any contrary value trends resulting from the basic transactions. The market value indicates how the result would have been affected by closing out the derivative contracts at the balance sheet date.

Notes on the Balance Sheet

(in Mio. DEM)	Market value 1998	Market value 1999	Nominal value 1998	Nominal value 1999	Residual term 1999 up to 1 year	Residual term 1999 over 1 year
Forward exchange deals	4	−6	460	353	353	0
Currency options	2	2	73	56	56	0
Interest rate swaps	−9	−6	138	144	46	98
Interest rate options	0	0	20	5	5	0
	−3	**−10**	**691**	**558**	**460**	**98**

The sum of the positive market values of derivatives represents the risk of loss arising from non-fulfilment of contract obligations by the counterparties. The contracting parties are banks of first-class credit standing. The risk of loss is therefore judged to be very low.

(33) Notes on Cash Flow Statement

The cash flow statement shows the changes that have taken place in the Beiersdorf Group's cash and cash equivalents during the year under review as a result of the inflow and outflow of funds. The effects of changes in the consolidated group have been eliminated. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between payment flows from operating, investment and financing activities. The cash and cash equivalents shown in the cash flow statement comprises cash balances, cheques and credit balances at banks, and also current asset securities.

(34) Notes on Segment Report

The definition of segments in the Beiersdorf Group is based on the products manufactured and sold by the segments of the business. The breakdown into the divisions cosmed, medical and tesa is based on internal reporting and reflects the internal organisation structure.

The divisions and the development of the business in the divisions and regions are shown in the management report on pages 30–37.

The sales in the regions show the development of sales by origin.

Capital employed is the result of gross operating capital less operating liabilities.

The return on capital employed is shown by the ratio of operating result (EBIT) to capital employed.

Gross cash flow shows the surplus of operating income over operating expenses before any further appropriation of funds.

Miscellaneous Information

(35) Total remuneration of Supervisory Board and the Executive Board, loans granted

The remuneration of the members of the Supervisory Board for 1999 amounted to DEM 1,607 thousand (previous year: DEM 1,428 thousand). Total remuneration of the members of the Executive Board for the financial year 1999 came to DEM 7,254 thousand (previous year: DEM 6,300 thousand), while payments to former members of the Executive Board and their dependants came to DEM 2,134 thousand (previous year: DEM 2,159 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants stand at DEM 22,263 thousand (previous year: DEM 19,460 thousand).

No loans were made to members of the Supervisory Board or the Executive Board.

(36) Significant figures for Beiersdorf AG (pursuant to the provisions of the German Commercial Code)

(in million DEM)	31.12.98	31.12.99
Sales	2,781	2,845
Operating result	231	222
Profit after tax	119	128
Shareholders’ equity	1,498	1,525
Balance sheet total	2,714	2,824

Miscellaneous Information

(37) Interests held by Beiersdorf AG and the Beiersdorf Group

The principal affiliated companies are listed on page 77 of this Annual Report. A full list is filed with the Commercial Register of the Hamburg District Court.

(38) Ownership of share capital of Beiersdorf AG

AZ-BEI Beteiligungsgesellschaft mbH & Co. KG (a 100 % subsidiary of Allianz AG), Munich, and Tchibo Beteiligungs-verwaltung GmbH & Co. KG, Hamburg, each hold more than 25 % of the share capital of Beiersdorf AG.

(39) Recommended use of unappropriated profit of Beiersdorf AG

(in DEM)	**1999**
Beiersdorf AG profit after tax	128,000,000.00
Transfer to retained earnings	9,711,401.60
Unappropriated profit of Beiersdorf AG	**118,288,598.40**

The Executive Board recommends to the Annual General Meeting that the unappropriated profit of Beiersdorf AG in the amount of DEM 118,288,598.40 (€ 60,480,000.–) be used to pay a dividend of € 0.72 per share for the 84 million individual shares.

Hamburg, February 2000

The Executive Board

Auditors' Certificate

"We have audited the consolidated financial statements prepared by Beiersdorf Aktiengesellschaft, consisting of balance sheet, income statement, equity change statement, cash flow statement and notes, for the financial year ending 31 December 1999. The preparation and content of the consolidated financial statements are the responsibility of the company's legal representatives. Our task is to make, on the basis of the audit we have conducted, a judgement as to whether the consolidated financial statements comply with the International Accounting Standards (IAS).

We have made our audit of the consolidated financial accounts in accordance with the German audit regulations and having regard to the German principles of proper auditing drawn up by the "Institut der Wirtschaftsprüfer" (IDW), and further taking account of the International Standards on Auditing (ISA). These state that the audit is to be planned and conducted in such a way that is possible to judge with sufficient certainty whether the consolidated financial statements are free from significant incorrect information. During the audit, evidence of the valuations and information in the consolidated financial statements is verified on the basis of random samples. The scope of the audit includes an assessment of the accounting principles applied and important judgements by the company's legal representatives, and an appraisal of the overall presentation of the consolidated financial statements. In our opinion, our audit provides a sufficiently reliable basis for our audit conclusions.

We are satisfied that the consolidated financial statements present a true and fair picture of the group's assets, liabilities, financial position, earnings situation and payment flows for the financial year in accordance with IAS. Our audit, which also included the group management report prepared by the Executive Board for the financial year from 1 January 1999 to 31 December 1999, did not give rise to any objections. We are satisfied that the group management report gives an accurate overall picture of the group's situation and a correct description of the risks associated with its future development.

Miscellaneous Information

We also confirm that, having regard to our foregoing statement, the consolidated financial statements and the group management report for the financial year from 1 January 1999 to 31 December 1999 satisfy the requirements for the company's exemption from preparing a consolidated financial statement and group management report in accordance with German law. On the basis of the interpretation of the 7th EC Directive by the European Commission Contact Committee on Accounting Directives we have verified the compliance of the group accounts with the said Directive which is a precondition for exemption from the preparation of consolidated accounts under German commercial law."

Hamburg, 29 February 2000

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dyckerhoff	sgd. Dannenbaum
Auditor	Auditor

Principal Group Companies

	Location	Share of capital (%)	Sales[1] 1999 (mill. DEM)	Result[2] (mill. DEM)	Employees (1999)
Germany					
Beiersdorf AG	DE, Hamburg		2,632	144	4,496
Bode Chemie GmbH & Co.	DE, Hamburg	75	108	12	232
Cosmed-Produktions GmbH	DE, Berlin	100	79	8	122
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100	125	3	417
tesa-Werke Offenburg GmbH	DE, Offenburg	100	84	8	537
Europe excluding Germany					
Beiersdorf Gesellschaft m.b.H.	AT, Vienna	100	216	14	239
SA Beiersdorf NV	BE, Brussels	100	157	12	133
Bandfix AG	CH, Bergdietikon	100	58	4	130
Beiersdorf AG[3]	CH, Münchenstein	50	144	24	119
Juvena (International) AG	CH, Volketswil/Zürich	100	82	2	116
BDF Nivea SA	ES, Tres Cantos/Madrid	100	212	7	290
Beiersdorf, S.A.	ES, Argentona/Barcelona	100	131	5	346
Beiersdorf s.a.	FR, Savigny-le-Temple	99.8	660	25	667
Beiersdorf UK Ltd.	GB, Milton Keynes	100	170	0	106
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100	90	3	238
Beiersdorf SpA	IT, Milan	100	565	21	623
Beiersdorf N.V.	NL, Almere	100	258	25	295
Beiersdorf-Lechia S.A.	PL, Poznan	99.9	139	3	498
Beiersdorf Portuguesa, Lda.	PT, Queluz de Baixo	100	105	7	112
Beiersdorf AB	SE, Kungsbacka	100	155	8	240
Americas					
BDF Nivea Ltda.	BR, São Paulo	100	93	−6	87
Beiersdorf SA	CL, Santiago de Chile	100	52	0	152
Beiersdorf S.A.	CO, Cali	100	35	1	195
BDF México, S.A. de C.V.	MX, Mexico City	100	129	−1	368
Beiersdorf, Inc.	US, Wilton, CT	100	489	16	594
Beiersdorf-Jobst Inc.	US, Charlotte, NC	100	148	−3	687
La Prairie, Inc.	US, New York	100	65	3	69
tesa tape inc.	US, Charlotte, NC	100	188	9	338
Africa/Asia/Australia					
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100	97	1	172
Nivea-Kao Co., Ltd.	JP, Tokyo	60	282	9	61
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100	35	1	201
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	90	57	5	174

[1] The figures are taken from the financial statements prepared in accordance with local regulations and do not show the companies' contributions to the group financial statement

[2] Profit after tax in accordance with the group accounting and valuation rules (commercial balance sheet II) before consolidation

[3] Joint venture, consolidated pro rata

Ten-Year Overview Beiersdorf Group

(Figures in million DEM, unless otherwise stated)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1998[1]	1999
Sales	**3,953**	**4,488**	**4,552**	**4,763**	**5,153**	**5,345**	**5,778**	**6,288**	**6,547**	**6,547**	**7,116**
Change from previous year in %	4.2	13.6	1.4	4.6	8.2	3.7	8.1	8.8	4.1	4.1	8.7
cosmed	1,752	2,091	2,238	2,503	2,787	2,909	3,076	3,425	3,873	3,873	4,384
medical	953	1,098	1,088	1,091	1,138	1,159	1,390	1,474	1,438	1,438	1,503
tesa	1,248	1,299	1,226	1,170	1,228	1,276	1,312	1,390	1,236	1,236	1,229
Germany	1,591	1,763	1,757	1,780	1,867	2,014	2,053	2,076	2,160	2,332	2,336
Europe excluding Germany	1,569	1,732	1,792	1,837	1,954	2,053	2,243	2,478	2,743	2,656	2,920
Americas	516	648	661	724	753	679	890	1,088	1,091	1,064	1,232
Africa/Asia/Australia	277	345	342	422	579	599	592	646	553	495	628
Material expenses	**1,354**	**1,531**	**1,413**	**1,446**	**1,566**	**1,652**	**1,763**	**1,886**	**1,918**	**1,918**	**1,946**
Personnel expenses	**1,111**	**1,247**	**1,267**	**1,248**	**1,294**	**1,267**	**1,317**	**1,401**	**1,432**	**1,371**	**1,394**
Depreciation	**179**	**214**	**200**	**199**	**203**	**229**	**260**	**261**	**306**	**301**	**252**
Operating result (EBIT)[2]	**287**	**355**	**367**	**403**	**415**	**470**	**460**	**484**	**586**	**570**	**663**
Profit before tax	**255**	**316**	**338**	**364**	**405**	**460**	**441**	**257**	**543**	**518**	**632**
Profit after tax	**118**	**147**	**159**	**179**	**208**	**227**	**234**	**140**	**320**	**325**	**343**
Return on sales (after tax) in %	3.0	3.3	3.5	3.8	4.0	4.2	4.0	2.2	4.9	5.0	4.8
Earnings per share[3] in DEM	1.42	1.79	1.85	2.11	2.40	2.54	2.63	2.56	3.43	3.87	4.09
Total dividend	50	54	54	61	67	71	84	84	101	101	118
Dividend per share in DEM	0.60	0.65	0.65	0.73	0.80	0.85	1.00	1.00	1.20	1.20	1.41
Fixed assets	**1,213**	**1,236**	**1,357**	**1,381**	**1,452**	**1,526**	**1,479**	**1,468**	**1,452**	**1,683**	**1,690**
Intangible assets	9	13	103	99	98	232	206	178	143	154	110
Property, plant, equipment	1,193	1,207	1,233	1,252	1,256	1,239	1,228	1,206	1,248	1,469	1,529
Financial assets	11	16	21	30	98	55	44	84	61	60	50
Current assets[4]	**1,626**	**1,728**	**1,618**	**1,716**	**1,833**	**2,000**	**2,166**	**2,451**	**2,831**	**3,021**	**3,596**
Inventories	637	714	667	679	687	758	783	771	805	946	1,008
Other receivables and other assets[4]	754	806	816	849	814	892	973	997	1,158	1,208	1,372
Liquid assets	235	209	135	188	333	351	410	683	867	867	1,216

(Figures in million DEM, unless otherwise stated)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1998[1]	1999
Shareholders' equity	**1,053**	**1,077**	**1,168**	**1,305**	**1,439**	**1,513**	**1,667**	**1,715**	**1,974**	**2,204**	**2,522**
Subscribed capital	210	210	210	210	210	210	420	420	420	420	421
Reserves	789	806	895	996	1,116	1,184	1,132	1,182	1,422	1,649	1,938
Group profit	50	55	55	71	83	88	84	84	101	101	118
Minority interests	4	6	8	28	29	32	31	29	31	34	45
External capital	**1,786**	**1,887**	**1,807**	**1,792**	**1,846**	**2,013**	**1,978**	**2,204**	**2,309**	**2,325**	**2,764**
Provisions	804	842	847	917	960	1,081	1,131	1,302	1,336	1,352	1,509
Financial liabilities	506	526	459	335	270	255	179	157	121	129	119
Other liabilities	476	519	501	540	616	677	668	745	852	844	1,136
Balance sheet total	**2,839**	**2,964**	**2,975**	**3,097**	**3,285**	**3,526**	**3,645**	**3,919**	**4,283**	**4,704**	**5,286**
Equity ratio in %	37.1	36.3	39.3	42.1	43.8	42.9	45.7	43.8	46.1	46.8	47.7
Return on equity (after taxes) in %	11.7	13.8	14.1	14.5	15.1	15.4	14.7	8.3	17.3	14.7	14.5
Capital investment	**483**	**344**	**343**	**257**	**307**	**398**	**240**	**281**	**271**	**271**	**253**
Research and development expenses[5]	**125**	**138**	**130**	**146**	**162**	**175**	**185**	**189**	**203**	**144**	**155**
in % of sales	3.2	3.1	2.9	3.1	3.1	3.3	3.2	3.0	3.1	2.2	2.2
Employees Number (average for the year)	**17,842**	**18,521**	**17,599**	**16,880**	**16,886**	**17,040**	**17,385**	**16,447**	**16,933**	**16,933**	**15,852**
Beiersdorf share Year-end price[6] in DEM/€	37.45	39.35	33.00	42.50	50.75	50.25	76.10	78.00	115.00	115.00	66.66
Market capitalisation at 31.12.[6]	3,146	3,305	2,772	3,570	4,263	4,221	6,392	6,552	9,660	9,660	5,599

[1] Figures from accounts in accordance with International Accounting Standards; sales changed from "based on customer's domicile" to "based on company domicile"
[2] Operating result as from 1998 (adjusted) in accordance with new definition
[3] As from 1998 (adjusted) based on result under International Accounting Standards
[4] Including deferred taxes and prepaid expenses on the active side
[5] As from 1998 (adjusted) research and development expenses in accordance with International Accounting Standards
[6] Until 1998 based on Frankfurt floor trading, from 1999 based on XETRA trading; figures recalculated in terms of number of shares in 1999; figures as from 1999 in €

Important dates

Annual Accounts Press Conference Financial Analyst Meeting Interim Report January to March 2000	May 15, 2000
Annual General Meeting	June 20, 2000
Dividend Payment	June 21, 2000
Interim Report January to June 2000	Early August 2000
Financial Analyst Meeting Interim Report January to September 2000	Early November 2000
Company Key Data for the Business Year 2000	Mid March 2001
Annual Accounts Press Conference Financial Analyst Meeting Interim Report January to March 2001	Early May 2001
Annual General Meeting	June 12, 2001

Imprint

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