BDF
Beiersdorf

Annual Report 2003

Successful Brands. Successful Future.

Our Brands –
Successful Worldwide

The Year in Review

January – March

NIVEA: first place in "Trusted Brands 2003"
No other German brand in Europe inspires as much trust as NIVEA according to the Trusted Brands 2003 study by the publisher and direct marketing company Reader's Digest. NIVEA topped the brand hit list in the skin care product category in 16 countries, coming in first for the third successive year in Germany.

The Netherlands: Beiersdorf products win prestigious prizes
The ASTIR Awards were presented in Amsterdam on February 20, 2003. These prizes for innovative cosmetics are presented annually by the Dutch association of cosmetics journalists. Beiersdorf products received awards in three categories: Eucerin Face Care won the face care, NIVEA FOR MEN the mens' toiletries, and NIVEA body Silky Shimmer Lotion the body care category.

April – June

Brazil: new production facility opened
On April 8, 2003, our Brazilian affiliate officially opened a new production facility in Itatiba. The ceremony was attended by employees and local representatives. The factory was built to meet the demand for NIVEA products in Brazil. NIVEA now occupies leading positions in most market segments in the country.

France: Innovation Award 2003 for the Hansaplast Spray Plaster
On June 12, 2003, the Hansaplast Spray Plaster received the French Innovation Award 2003 for technological achievement in the "Concept" category. The prize was awarded by LSA, the leading French retail trade magazine.

July – September

Eucerin: new international markets
Establishing a presence on new international markets is an important part of Beiersdorf's successful growth model. In line with this strategy, the medical skin care brand Eucerin was launched in Brazil in April, in South Africa in July, and in France in September. Now even more consumers worldwide have the chance to experience the compelling high quality of Eucerin products, thus continuing the brand's strong growth of the last few years.

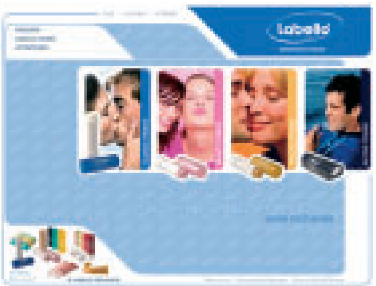
Germany: Beiersdorf increases number of apprentices
In 2003, Beiersdorf increased the number of new apprentices in Germany to 92 (previous year: 63). This corresponds to an increase by 46 %. The move emphasizes the Company's commitment to helping young people enter the workforce. Beiersdorf is currently training a total of around 200 apprentices in twelve professions.

October – December

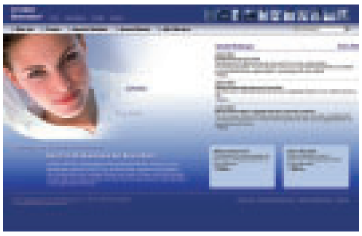
January – March 2004

Allianz sells Beiersdorf shares
On October 23, 2003, Allianz concluded an agreement on the sale of a large part of its stake in Beiersdorf with Tchibo Holding AG, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, and the TROMA Alters- und Hinterbliebenenstiftung, which became effective on December 22, 2003. This ensures Beiersdorf's independence and allows the Company to continue its successful growth model.

Labello goes online with a new website
Labello has been synonymous with reliable protection and healthy lip care for almost 100 years. The new website, www.labello.com, presents the lip care brand in a modern design and provides comprehensive content produced especially with consumers in mind. In addition to useful information, the website offers entertaining tips and tricks, which makes choosing the right lip care child's play.



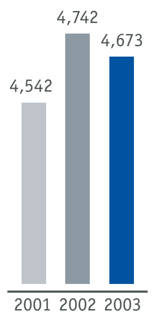
Beiersdorf AG concludes share buyback program
On January 23, 2004, Beiersdorf AG concluded a public offer to buy back up to 10% of the Company's share capital. The offer was addressed to all shareholders and offered them a purchase price of €113.76 per share. With the settlement of the share buyback program on February 3, 2004, Beiersdorf AG acquired own shares totaling 9.99% of the share capital.



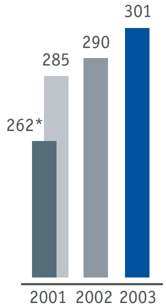
Beiersdorf website relaunched
The Beiersdorf website (www.Beiersdorf.com) has a new "virtual design" with a more empathetic, modern touch. The structure, graphics, and content of the Group's platform have been revised. The website offers a comprehensive overview of the Company and its ten brand families. The information is divided into the following sections: "About Us," "Press", "Investor Relations", "Our Brands", and "Jobs and Career".

Beiersdorf at a Glance

Group sales
(in € million)



Group profit after tax
(in € million)



* Excluding non-recurring income of €38 million (€23 million after taxes) from the sale of the advanced wound care business

in € million (unless otherwise stated)	2002	2003
Sales	**4,742**	**4,673**
Change in % (nominal)	4.4	-1.5
Change in % (adjusted for currency translation effects)	7.3	4.0
cosmed	3,167	3,136
medical	882	841
tesa	693	696
EBITDA	**633**	**648**
Operating result (EBIT)	**472**	**484**
Profit after tax	**290**	**301**
Return on sales (after taxes) in %	6.1	6.4
Earnings per share in €	3.37	3.50
Total dividend	**118**	**121**
Dividend per share in €	1.40	1.60
Gross cash flow	**441**	**401**
Capital expenditure (incl. financial assets)	**242**	**169**
Research and development expenses	**93**	**100**
Employees (as of Dec. 31)	**18,183**	**18,249**

Our Future is Full of Opportunities

At the end of October 2003, the basis for a new Beiersdorf shareholder structure was established. This will allow us to continue our business independently, further improve our successful growth model, and achieve a long-term increase in enterprise value.

We also started to adjust the Company's organizational structure to reflect our strategy of focusing our business on branded consumer goods. We have established new structures for our professional business: the now legally independent tesa business will continue to be consolidated at 100 % in the Group Financial Statements and the joint venture BSN medical GmbH & Co. KG will be included as a financial investment at equity beginning January 2004. This means that we can now utilize a wide range of synergies, such as in marketing and sales, to better develop and leverage the potential of our brands.

As a leading international manufacturer of branded consumer products, we are now focusing even more intensively on the development and care of our strong brands.

This Annual Report aims to demonstrate the energy with which we are tackling our new challenges, and how, with our successful brands and the systematic implementation of our strategy, we have laid the foundation for a dynamic future.

Beiersdorf Group
Annual Report 2003

Foreword by the Executive Board

Ladies and Gentlemen,

Dr. Rolf Kunisch

Beiersdorf will shape its future from a position of strength. Despite the difficult economic situation in 2003, we succeeded in generating both record profits for the year and a record net return on sales.

In line with these strong results, the Executive Board and Supervisory Board will be proposing a dividend of €121 million or €1.60 per share for fiscal year 2003 (previous year: €118 million or €1.40 per share) to the Annual General Meeting in June 2004. This proposal reflects the fact that shares held by Beiersdorf are not entitled to dividends.

Adjusted for currency translation effects, sales increased by 4 %. At current exchange rates, however, they were slightly below prior year.

Weaker sales in Germany, Japan, Brazil, and Russia were offset by growth in key European countries and in the Africa/Asia/Australia region, which reached double digits in several cases. This shows that Beiersdorf's successful business model offers further global potential and can be successfully transferred from country to country. This is where our future potential lies.

We are confident about our prospects for 2004, and expect to see stronger growth for the following reasons:

1. We will be able to focus all our efforts on our retail consumer business with our strong global brands.

2. The stable shareholder structure will facilitate quick decisions.

3. The share buyback at the start of 2004 will allow us to use our shares as an acquisition currency.

4. tesa AG and BSN medical GmbH & Co. KG will continue to successfully develop their professional business in their own organizational structures.

In 2004 we will focus upon our organic sales growth and will intensively examine potential acquisitions.

The Executive Board wishes to extend its thanks to all employees and their representatives around the world for their constructive cooperation. We thank our customers and our shareholders for their loyalty, and our business partners for their support.

Dr. Rolf Kunisch
Chairman of the Executive Board

The Executive Board of Beiersdorf AG

Effective July 1, 2003, Beiersdorf redefined the responsibilities of the Executive Board in line with its corporate strategy, which focuses on branded consumer products. The Chairman of the Executive Board is Dr. Rolf Kunisch. Executive Board member Uwe Wölfer is now responsible for Brands, including global marketing, research and development, and sales. Thomas-Bernd Quaas is responsible for the new Supply Chain Management function, which covers global procurement, production, and logistics.

DR. ROLF KUNISCH

> born in 1941 in Arolsen
> member of the Executive Board since 1991

> Chairman of the Executive Board since 1994 (Corporate Development/ Corporate Communication)

PETER KLEINSCHMIDT

> born in 1950 in Rostock
> member of the Executive Board since 2003

> responsible for Human Resources (HR/Administration/Environmental Protection)

ROLF-DIETER SCHWALB

> born in 1952 in Giessen
> member of the Executive Board since 2000

> responsible for Finance (Finance/Controlling/IT)

Rolf-Dieter Schwalb retains responsibility for Finance while Peter Kleinschmidt is now the head of Human Resources. He succeeds Dr. Werner Opgenoorth, who retired from the Company at his own request effective June 30, 2003. tesa AG's CEO, Dieter Steinmeyer, resigned from the Executive Board of Beiersdorf AG as of December 31, 2003. He was reappointed CEO of tesa AG for an additional five years beginning January 1, 2004. The Executive Board of Beiersdorf AG has consisted of five members since January 1, 2004.

UWE WÖLFER

> born in 1943 in Berlin
> member of the Executive Board since 1994

> responsible for the cosmed division until June 30, 2003
> responsible for Brands since July 1, 2003 (Marketing/Research & Development/Sales)

THOMAS-BERND QUAAS

> born in 1952 in Glauchau
> member of the Executive Board since 1999

> responsible for the medical division until June 30, 2003
> responsible for Supply Chain Management since July 1, 2003 (Procurement/Production/Logistics)

DIETER W. STEINMEYER

> born in 1948 in Bad Homburg
> member of the Executive Board since 1990

> member of the Executive Board responsible for the tesa division until December 31, 2003
> CEO of tesa AG since April 1, 2001

Always Close to the Consumer

We are successful because we give consumers what they want.

Our aim is clear: we want to make our consumers' lives as pleasant as possible. With brands that meet their needs. With products that offer high quality at a reasonable price. With new ideas that are, quite simply, compelling. We are now focusing even more strongly on our ten globally successful brands enabling us to give consumers what they want. This is the motivation behind what we do.

Eucerin – one of the leading global brands for medical skin care

We are successful because we give consumers what they want.

Our successful business model, which we are developing systematically, is a key reason for our success:

> **Research and development as the basis for innovation:** Innovation is our growth driver. Our strong R&D investments allow us to shape markets and win consumers with a constant stream of new product ideas. Our success shows that we're right: we generate over 40 % of our sales with products that were launched within the past five years. One current example of this is creatine, the natural energy store found in cells, which was harnessed for use in skin care by our researchers. This highly efficient substance has been available on the market since January 2004 in NIVEA VISAGE NATURAL BOOSTER skin care cream.

A Beiersdorf innovation: NIVEA VISAGE NATURAL BOOSTER with creatine

> **Consistent brand growth in three dimensions:** We are systematically increasing our market share (for example: NIVEA Sun extended its market leadership in Italy), establishing new market segments (NIVEA VISAGE YOUNG was introduced in 2003, for example), and opening up new markets (among other things, Eucerin was launched in France in 2003).

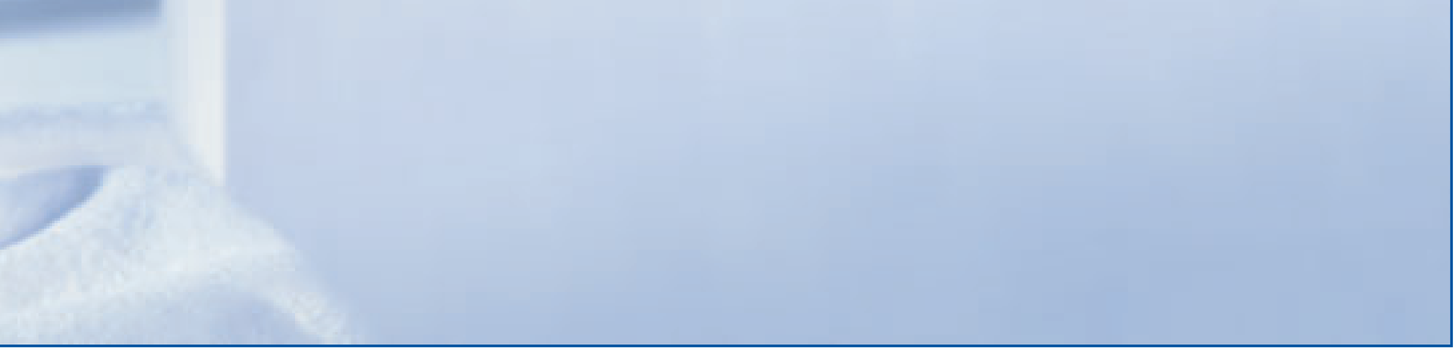
> **Leveraging synergies through brand families:** Grouping a number of products under one umbrella brand allows us to leverage potential synergies – via NIVEA's uniform brand communication, for example – and to transfer the strength of the umbrella brand to the individual products.

A single global marketing strategy – NIVEA VISAGE advertisements that have been adapted for regional markets

Denmark

Philippines

Brazil

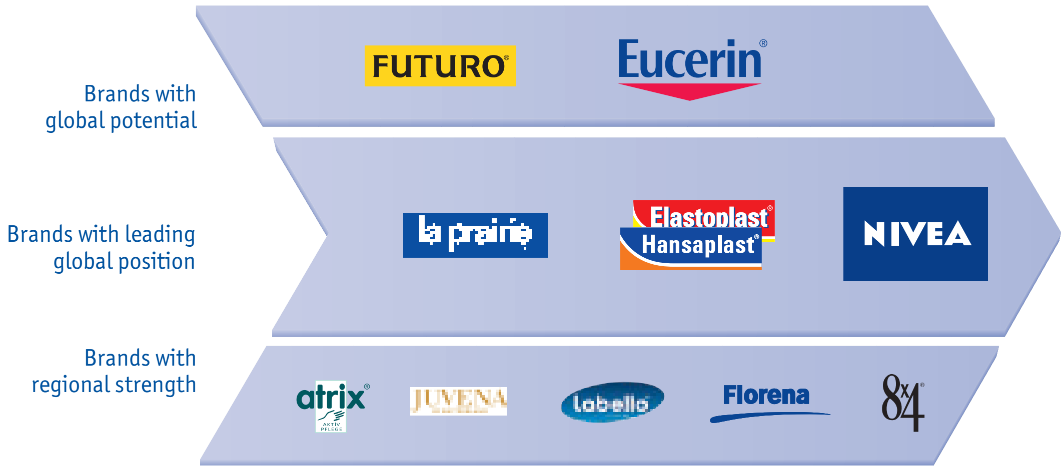


> **Global strategies, perfect local execution:** Beiersdorf is at home all over the world. We develop strategies at a global level which are implemented regionally and, if necessary, adapted locally. This means that our brands are seen as local brands. This builds trust.

The ability to meet consumers' needs with our products is our most important asset. We achieve this by continually maintaining and developing our brands, which are seen as reliable and trustworthy partners.

Our policy of innovation also helps distinguish us from private label brands. Our key competitive advantage is our 120 years of expertise in research and development. We build upon this unique experience every day to satisfy our consumers by consistently introducing new product ideas.

Focus on international consumer brands




NIVEA

Ready for New Challenges

We are successful because our employees are flexible.

It is thanks to our employees that we are consistently able to respond to new challenges and changes. Their identification with the Company, openness to new ideas, and willingness to learn are Beiersdorf's strengths.

We work together successfully all around the world to drive forward our Company's development with our knowledge, commitment, and flexibility. In 2003, Beiersdorf's ongoing internationalization was a key focus of our human resources activities.

Our corporate culture is something special that we work hard to promote. The cross-border exchange of knowledge, which we organize systematically through international expert teams, job rotation, and our intranet, is the key to our Company's current and future success.

Launched in 1911, NIVEA is now a major brand family, and the largest skin and personal care brand in the world

We are successful because our employees are flexible.

In 2003, we were able to prove our flexibility and our ability to respond to new challenges: We systematically started adjusting our organizational structure to reflect our strategy. The aim is to further strengthen our Company and our brands in the global marketplace. This is why we established the new Brands function, which bundles the global management of all our brands. The new Supply Chain Management function covers global activities in the areas of procurement, production, and logistics. This new structure, which replaces the previous divisional structure consisting of the cosmed, medical, and tesa divisions, is rounded off by the Finance and Human Resources functions.

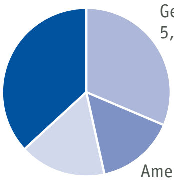
The advantages of the revised structure are clear to see:

- even stronger focus on the development and care of our brands.
- clearly defined functional areas of responsibility, allowing short, quick decision-making channels.
- faster implementation of future-oriented investments in brands, production sites, and employees.
- market-oriented bundling and allocation of our resources.

Our employees: flexible and committed

Our employees engage in product development all over the world

Employees by division
as of Dec. 31, 2003
total: 18,249



The expansion of our total remuneration approach is a key component of employee motivation. We use this approach in an increasing number of countries to improve employee efficiency. Under the total remuneration system, employee pay consists of a number of different components: a monthly fixed salary plus an additional variable component, potential short- and long-term bonuses for exceptional performance, and additional offerings such as retirement benefits.

Another key aspect of our human resources activities within the Company is health promotion, an issue which is becoming increasingly important all around the world. The physical and mental well-being of our employees is a key factor in achieving our corporate objectives. This is why we see the promotion of health as a management task: it is important that managers at all levels set an example.

Our employees' expertise guarantees
the quality of Beiersdorf's products

Full Steam Ahead

We are successful because we go our own way.

Our new organizational structure has laid the foundation that will allow us to systematically continue on our own way. We will drive forward and further expand our extremely successful growth model at a global level by focusing on a small number of brands:

> We will continually increase the market share of our brands and products, and aim to become the market leader in the markets in which we are represented.

> We will create and successfully occupy new market segments. The expansion of our brand families allows us to make the most of synergies.

> We will establish our brands and products in countries and segments in which we are not yet represented. The Americas and Asia offer the greatest development potential.

Hansaplast and Elastoplast – our two main plaster brands – have made us the brand leaders in a large number of countries

We are successful because we go our own way.

Our new organizational structure allows us to react even more flexibly and decisively to the challenges of the global marketplace. Our brand potential is by no means exhausted. The strength of these brands, together with the right balance between continuity and innovation, will allow us to succeed in highly competitive markets.

More than ever before, it is vital to convince and inspire consumers. This is what we do – by listening to them, identifying their wishes, and translating these into high-quality products which we launch on the market at reasonable prices. Winning new consumers, ensuring their loyalty, and retaining them for the long term is a critical success factor of our Company. One that we are devoting every effort to.

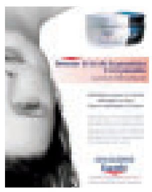
Our growth model

Increase in market share

e.g. NIVEA Sun in Italy
Expansion of market leadership in 2003

New market segments

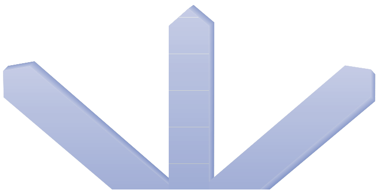
e.g. NIVEA VISAGE YOUNG
Expansion of the VISAGE product category to include the new YOUNG market segment in 2003



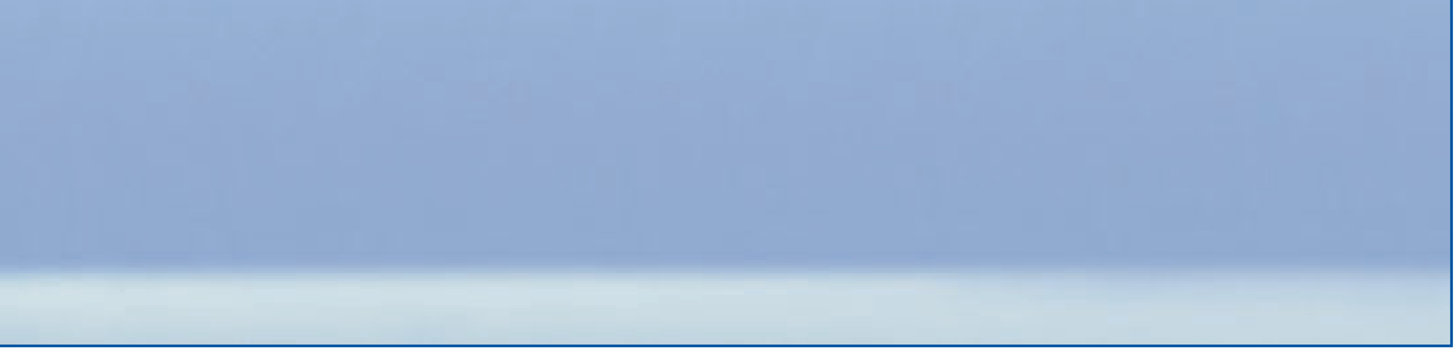
New countries

e.g. Ukraine
Establishment of new affiliate in 2003

e.g. Eucerin in France
Launch of medicinal skin care brand in France in 2003



Three-dimensional growth

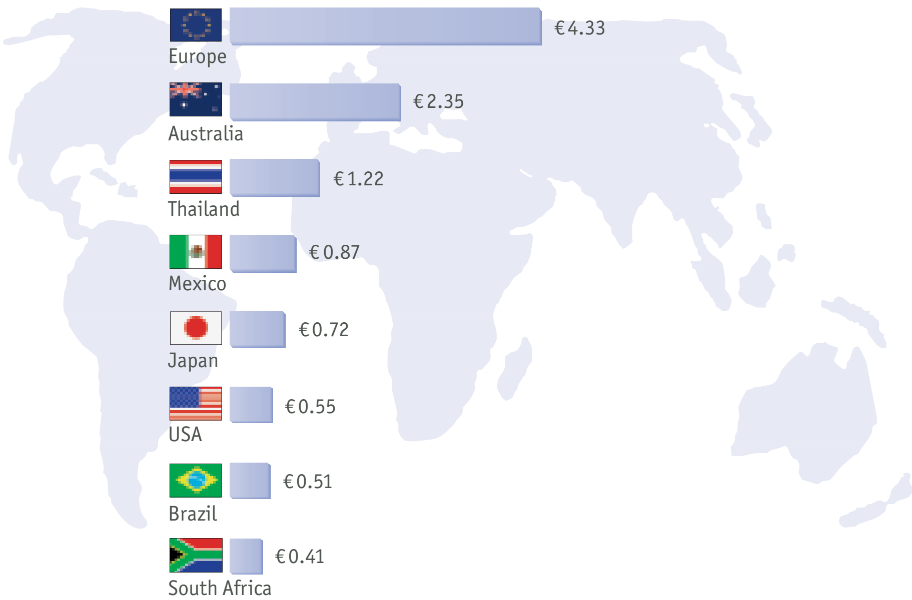


We are setting the right priorities. We know exactly what we have to do, and when. Our independent, successful strategy means that we will continue to grow dynamically – to the benefit of our Company, our shareholders and our employees.

We are part of our consumers' lives. Today. Tomorrow. And all around the world.

NIVEA: Per capita sales in 2003

NIVEA's per capita sales (at retail prices) show that the world's largest skin and personal care brand still has substantial growth potential.



The Beiersdorf Share

		2002	2003
Number of shares: 84 million			
Market capitalization on Dec. 31	**€ million**	**8,912**	8,081
Share price on Dec. 31		**€ 106.10**	96.20
(Relative index 2002 = 100)		(100)	(91)
High		**€142.30**	117.65
Low		**€ 82.25**	92.51
Earnings per share		**€ 3.37**	3.50
(Relative index 2002 = 100)		(100)	(104)
Dividend per share		**€ 1.40**	1.60
(Relative index 2002 = 100)		(100)	(114)
DAX		**2,893**	3,965
(Relative index 2002 = 100)		(100)	(137)
MDAX		**3,025**	4,469
(Relative index 2002 = 100)		(100)	(148)

Share Buyback Program Information

Offer volume:
A total of up to 8,400,000 shares or 10 % of the share capital

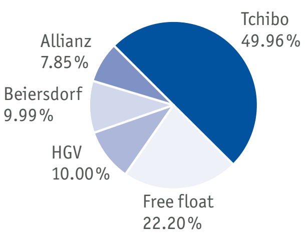
Offer period:
Dec. 23, 2003 – Jan. 23, 2004

Offer price:
€113.76 per share

Allocation ratio:
10.41 %

Repurchased:
8,393,672 shares

Shareholder structure
on Feb. 3, 2004
(rounded to two decimal places)



After a further decline in the stock markets in the first two months of 2003, prices picked up across the board beginning in March, due to the start of the economic recovery.

Beiersdorf's share price performance last year was fuelled to a large extent by repeated takeover rumors. Following the agreement on October 23, 2003 on the sale of a large proportion of the Beiersdorf shares previously held by Allianz to Tchibo Holding AG, HGV Hamburger Grundstücks- und Vermögensverwaltungsgesellschaft mbH, and TROMA Alters- und Hinterbliebenenstiftung, these issues stopped influencing the Company's share price. At the end of 2003 the Beiersdorf share price was about four and a half times the price at the end of 1993, clearly outperforming both the DAX and MDAX.

However, the short-term volatility of Beiersdorf's share price in 2003 should not detract from the record highs that were achieved again this year. For example, earnings per share rose by 3.7 % to €3.50. The proposed dividend amount – in other words the proportion of profit after tax earmarked for distribution – even increased to a new high of €121 million.

The number of shares entitled to a dividend declined as a result of Beiersdorf AG's share buyback program, which is described in more detail below, since shares held by the Company itself do not carry dividend rights. This represents an additional direct increase in value for individual shareholders, and results in a new record dividend per share of €1.60 (+14.3 %) overall.

On December 23, 2003, a share buyback program for a total of up to 10 % of Beiersdorf AG's share capital was launched on the basis of the Annual General Meeting's resolution of June 11, 2003 and the approval obtained from the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Financial Supervisory Authority). Beiersdorf had been examining the idea of a share buyback program in detail for some time already. The aim of the program was to ensure the continuation of Beiersdorf's successful growth model by contributing to the stabilization of the shareholder structure and to obtain an additional acquisition currency through own shares.

The offer period for the share buyback program ended on January 23, 2004. Following this, Beiersdorf AG reacquired a total of 9.99 % of the share capital. The diagram on the left shows the Beiersdorf shareholder structure after the share buyback program was concluded. Given this structure and the expressed intentions of various shareholders, we expect a more balanced distribution between free-float and non-free-float for the medium-term.

Beiersdorf Investor Relations

The Investor Relations section of Beiersdorf's new Internet presence provides comprehensive information

The announcements of October 23, 2003 relating to the sale of a large portion of the shares held by Allianz marked the end of a phase lasting more than two years during which takeover rumors overshadowed the Company's real news. From that point on, the focus of the financial community shifted again to a discussion of Beiersdorf's business results and business future.

To support this process and also intensify contacts with international investors, Beiersdorf held its first international roadshow following its financial analyst meeting in November. The discussions held by the CEO and CFO with a large number of institutional investors in London, Frankfurt, Paris, New York, and Boston mainly focused on our brand development plans and concrete measures for the further successful implementation of the Company's strategy.

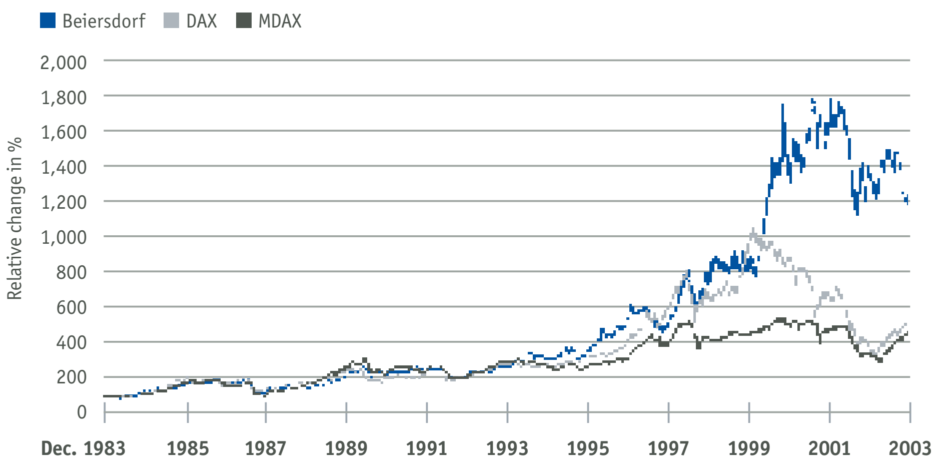
The presentation given at this roadshow has been included in the Investor Relations section of Beiersdorf's new website. It is available online along with all other key IR publications from recent years, plus facts and figures on the Beiersdorf share.

During the financial analyst meeting in autumn 2003 we provided information about a key change in our Group reporting structure: due to the introduction of a function-based organizational structure for the Company, the former divisional structure no longer applies to periods after January 1, 2004. This also solves the difficulties involved in interpreting the former medical division because of its mixture of consumer and professional business. The new reporting structure will reflect the Company's strategy and its focus on branded consumer goods even more clearly in future.

At Dec. 31		1983	1993	2003
Share price*	in €	8.05	21.73	96.20
Share price trend	in %	100	270	1,195
Trend DAX	in %	100	293	512
Trend MDAX	in %	100	299	460

* Based on Frankfurt floor trading until 1998 and on the XETRA trading system from 1999 onwards; share prices converted to euros and adjusted based on the current number of shares

Trends: the Beiersdorf share, the DAX, and the MDAX (since Dec. 31, 1983)



Report by the Supervisory Board

Dr. Hans Meinhardt
Chairman of the Supervisory Board

In fiscal year 2003, we addressed in detail the Company's situation in a difficult economic environment.

We advised the Executive Board and supervised the management of the Company in accordance with the duties assigned to us by law, the Articles of Association, and the bylaws. The Executive Board informed us in a timely and comprehensive manner in our meetings and via written reports. The Chairman of the Supervisory Board was kept informed about all important matters. He also held regular discussions with the Chairman of the Executive Board regarding the Group’s strategy and risk management.

Four regular and two extraordinary Supervisory Board meetings were held in the year under review. At these meetings, we discussed current business developments, important business transactions, and Executive Board measures requiring Supervisory Board approval. In particular, we approved a new schedule of responsibilities for the Executive Board. We also focused in detail on the share buyback program that began on December 23, 2003. In November, we held in-depth discussions of the Company’s medium-term planning, including its financial, investment, and human resources planning.

We addressed the implementation of the German Corporate Governance Code in several meetings. We amended our first declaration of compliance, issued in December 2002, on June 30, 2003. We issued the declaration of compliance for fiscal year 2003 in December 2003 and made it accessible to the shareholders on the Company’s website. Additional information on corporate governance at Beiersdorf can be found in the joint report by the Executive and Supervisory Boards on the following pages.

The Executive Committee of the Supervisory Board met three times, as well as passing a resolution in writing. Among other things, the Executive Committee addressed the issues of succession planning for the Executive Board and the latter’s compensation, which consists of a fixed and a variable component. The Committee also authorized the share buyback program. It was not necessary for the Mediation Committee, set up in accordance with § 27 (3) *Mitbestimmungsgesetz* (German Co-Determination Act), to meet. The Audit Committee that was formed in November 2002 met twice, in March and in September 2003.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on June 11, 2003 and engaged by the Supervisory Board, audited the annual financial statements of Beiersdorf AG and the Group financial statements as of December 31, 2003, as well as the joint management report for Beiersdorf AG and the Group, and issued an unqualified audit opinion on them. In addition, they audited the report by Beiersdorf AG regarding dealings among Group companies according to § 312 *Aktiengesetz* (German Stock Corporation Act), which states that there are no reportable dealings at this time, and issued the following unqualified audit opinion: "As a result of our audit, we confirm the correctness of the information contained in this report." The annual financial statements, the joint management report, the report on dealings among Group companies, and the auditors' report were distributed to all members of the Supervisory Board immediately after their preparation. The Audit Committee of the Supervisory Board performed a preliminary review of the financial statements, the reports, and the proposal on the utilization of the net retained profits.

In the meeting convened to adopt the annual financial statements on March 10, 2004, all documentation relating to the above-mentioned financial statements and reports were discussed at length in the presence of the auditors, who reported on the key results of their audit. Our review of the financial statements, the joint management report, the report on dealings among Group companies including the statement made by the Executive Board that there were no reportable dealings, and the auditors' report did not raise any objections. Therefore, we concur with the auditors' findings and approve the annual financial statements of Beiersdorf AG and the Group as prepared by the Executive Board for the year ending December 31, 2003; the annual financial statements of Beiersdorf AG are thus adopted. We endorse the Executive Board's proposal on the utilization of the net retained profits.

Mr. Norbert Ranft, a member of the Supervisory Board since 1999, died on March 29, 2003. During his four years on the Supervisory Board, Mr. Ranft exhibited both dedication and expertise in his work for the Company. We will keep him in our remembrance. Mr. Detlef Stutter, the replacement member elected in accordance with § 11 (4) of the Articles of Association and § 17 of the *Mitbestimmungsgesetz* (German Co-Determination Act) succeeded Mr. Ranft on the Supervisory Board. Mr. Stutter resigned from his Supervisory Board position on May 15, 2003. Mr. Tomas Nieber, Trade Union Secretary of IG Bergbau, Chemie, Energie was appointed to the Supervisory Board of Beiersdorf AG following a ruling by the Hamburg Local Court on May 23, 2003.

Mr. Günter Herz, a member of the Supervisory Board since 1974, resigned from his position effective September 22, 2003. We thank Mr. Herz for his many years of service in this capacity. Mr. Dieter Ammer, Chairman of the Executive Board of Tchibo Holding AG, was appointed to the Supervisory Board of Beiersdorf AG effective September 23, 2003 following a ruling of the Hamburg Local Court on August 29, 2003.

Report by the Supervisory Board

On June 30, 2003, Dr. Werner Opgenoorth retired from the Executive Board at his own request after 12 years' service as the Executive Board member of Beiersdorf AG responsible for Human Resources. We would like to express our sincere thanks for his extremely successful work. Mr. Peter Kleinschmidt was appointed as a full member of the Executive Board responsible for Human Resources effective May 1, 2003.

At the end of fiscal year 2003, Dieter Steinmeyer resigned from the Executive Board of Beiersdorf AG to concentrate on his position as CEO of tesa AG. Mr. Steinmeyer has been a member of the Executive Board of Beiersdorf AG since 1990. We would like to thank him for his extremely successful work.

We would like to thank the Executive Board and all employees for their hard work and achievements over the past fiscal year in what was a particularly difficult environment for Beiersdorf.

Hamburg, March 10, 2004

On behalf of the Supervisory Board

Dr. Hans Meinhardt
Chairman

With strong brands:
on the road to success

Corporate Governance at Beiersdorf

Good management has a name: Corporate Governance

Beiersdorf AG welcomes the German Corporate Governance Code presented by the Government Commission and last updated in May 2003. The Code not only creates transparency for domestic and foreign investors as regards the framework for corporate management and supervision in Germany, but also establishes generally accepted standards for good and responsible company management.

Good corporate governance has been a high priority at Beiersdorf even before the publication of the Code. Close, efficient cooperation between the Executive and Supervisory Boards, a focus on shareholder interests, open corporate communication, proper accounting and auditing, and responsible risk management have always been the basis of the Company's success. As a result, compliance with the Code and its amendments did not necessitate any fundamental changes at Beiersdorf. We consider corporate governance to be an ongoing process and will continue to track future developments carefully.

Declaration of Compliance

The Executive and Supervisory Boards of the Company submitted their first declaration of compliance with the Code in the version dated November 7, 2002 on December 10, 2002 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) and § 15 *Einführungsgesetz zum Aktiengesetz* (Introductory Act to the German Stock Corporation Act). According to this declaration, Beiersdorf complied with the recommendations of the Code with one exception. The deviation with respect to § 5.4.5 (1) sentence 3 of the Code disclosed in this declaration – which relates to separate compensation for the chairs and members of the Supervisory Board committees – no longer applies following the resolution of the Annual General Meeting on June 11, 2003 to amend the Company's Articles of Association, and the entry of this amendment in the commercial register on June 30, 2003. Beiersdorf therefore complied with all recommendations of the "German Corporate Governance Code" in the version dated November 7, 2002.

At the end of December 2003, the Executive Board and Supervisory Board of the Company issued the declaration of compliance with the recommendations of the Code for fiscal year 2003 in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act). This declaration of compliance also covers the updates to the Code resolved by the Commission on May 21, 2003. The following declaration was made permanently accessible to the shareholders on the Company's website at www.Beiersdorf.com:

Corporate Governance at Beiersdorf

Extensive information on corporate governance at Beiersdorf is available at Beiersdorf.com in the section "About us"

"In fiscal year 2003, Beiersdorf Aktiengesellschaft complied with, and continues to comply with, the recommendations of the 'Government Commission on the German Corporate Governance Code' in the versions dated November 7, 2002 and May 21, 2003 respectively, with the following exceptions:

An individualized breakdown of the compensation paid to our Executive and Supervisory Boards is not provided (§§ 4.2.4 sentence 2 and 5.4.5 (3) sentence 1 of the Code). In fiscal year 2003, one member of our Supervisory Board reached the age limit in force for Supervisory Board members (§ 5.4.1 sentence 2 of the Code)."

Remuneration of the Executive and Supervisory Boards

The remuneration of individual Executive Board members consists of a fixed and a variable, dividend-based component. Further details on the remuneration of the Executive Board for fiscal year 2003 can be found on pages 78 and 79 of the Group notes. In addition to this remuneration, all Executive Board members have been granted pension commitments. Each Executive Board member is also provided with a company car. The Company does not have a stock option program. The remuneration system for the Executive Board is regularly discussed and examined by the Executive Committee; at the proposal of the Executive Committee the Supervisory Board also discusses and reviews its structure. Remuneration mainly depends on the respective Executive Board member's tasks, his or her personal performance, and the entire Executive Board's performance, as well as the economic situation and the Company's success and future prospects, including in comparison with its peer group.

The remuneration paid to individual Supervisory Board members consists, in accordance with the Articles of Association, of a fixed and a variable, dividend-based component. In addition, Supervisory Board members are reimbursed for cash expenses. The Chairman of the Supervisory Board receives double the amount, while his two Deputies each receive one-and-a-half times this amount. Members of the Executive and Audit Committees also receive additional compensation for their work in these committees. If a member of the Supervisory Board simultaneously holds several positions for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying position. More information on the remuneration of our Supervisory Board members can be found on page 78 of the Group notes as well as on our website, www.Beiersdorf.com.

The update to the German Corporate Governance Code resolved by the Government Commission on May 21, 2003 changed the previous suggestion that individualized breakdowns of Executive Board and Supervisory Board remuneration be provided into a recommendation. To protect our Executive and Supervisory Board members' rights of privacy, we have decided – along with other major listed corporations – to report the Executive and Supervisory Boards' remuneration as a total amount, in accordance with the statutory provisions.

Further information on Corporate Governance at Beiersdorf

More detailed information on the duties of the Supervisory Board and its committees, as well as on the cooperation between the Executive Board and Supervisory Board, can also be found in the Report by the Supervisory Board on the previous pages. As disclosed in our declaration of compliance, one member of our Supervisory Board, Mr. Hans-Otto Wöbcke, reached the age limit for Supervisory Board members in fiscal year 2003. Mr. Wöbcke's exceptional wealth of experience as a former Chairman of the Company's Executive Board is extremely valuable to the Supervisory Board's work.

Transparency and our goal of informing our shareholders and the public quickly, comprehensively, and simultaneously are top priorities for our corporate communication. That is why current developments and key company information are announced on our website (www.Beiersdorf.com) as soon as possible. In addition, detailed information and updates on corporate governance at Beiersdorf, the Company's reports (annual and interim reports), as well as a financial calendar with all key events and publications, ad hoc disclosures, and directors' dealings are published there. Information on the directors' dealings notified to the Company in 2003 in accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act) is disclosed in the Group notes on page 79.

Hamburg, March 10, 2004

Beiersdorf Aktiengesellschaft

The Supervisory Board | The Executive Board

Auditors' Report

We have audited the consolidated financial statements of Beiersdorf Aktiengesellschaft, comprising the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement, and notes to the financial statements, for the fiscal year from January 1, 2003 to December 31, 2003. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management. Our task is to express an opinion, based on our audit, on whether the consolidated financial statements comply with International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with German auditing regulations and the German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW, German Institute of Auditors), as well as in accordance with the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations, and cash flows of the Group for the fiscal year in accordance with IFRS.

State-of-the-art facilities
ensure efficient production

Our audit, which also extends to the management report on the Group and the Company prepared by the management for the fiscal year from January 1, 2003 to December 31, 2003, did not give rise to any objections. In our opinion, on the whole the combined Group management report/management report of Beiersdorf Aktiengesellschaft provides a suitable understanding of the position of the Group and the Company, and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1, 2003 to December 31, 2003 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Hamburg, February 24, 2004

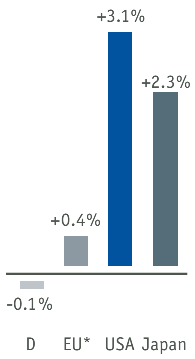
BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dyckerhoff
Wirtschaftsprüfer

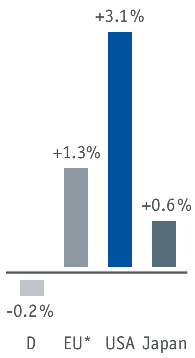
sgd. zu Inn- u. Knyphausen
Wirtschaftsprüfer

Economic Environment 2003

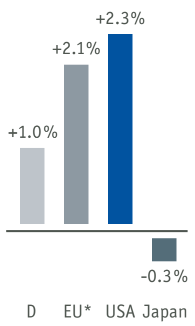
Growth in real gross domestic product in 2003



Growth in private consumer spending in 2003



Inflation in 2003



* EU 12 "Euroland"

General economic situation

The first months of 2003 were dominated by a highly uncertain global political situation. The war in Iraq unsettled companies and consumers alike, thus putting a substantial strain on the global economy. In addition, the appearance of the SARS virus impacted economic developments in Asia for several months. After the end of the war in Iraq, sentiment indicators recovered rapidly, especially in the USA. The US economy in particular picked up significantly in the first half of the year, buoyed by defense spending. The Japanese economy also showed signs of recovery, led by the export sector. Economic growth in these key markets was, however, primarily based on production increases in the manufacturing sector and the capital goods industry. Consumer demand, especially in the cosmetics sector – a key market for Beiersdorf – remained weak. General economic development in the euro zone stagnated, with Germany, Italy, and the Netherlands dipping slightly into recession.

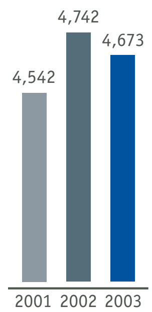
In the second half of the year, optimism with respect to a global economic upturn increased. In the USA in particular, economic growth continued to accelerate. The euro zone economy also picked up again slightly on the back of foreign demand, despite the appreciation of the euro. Consumer spending offered little in the way of stimulus.

These macroeconomic trends also impacted the cosmetics market. Developments in this growth market, which is relatively robust in principle, varied extremely in the different market segments and countries for the second successive year. While some European countries and Asia continued to develop well, the markets in Germany and in the USA contracted in a number of segments.

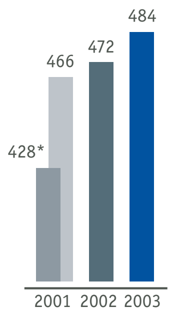
Demand on the procurement market dropped noticeably, leading to underutilization of capacity at some of our global suppliers and hence to a general reduction in prices. The rise in the euro against the US dollar also had a positive effect on the cost of imported materials, particularly at our production facilities in the euro zone. Beiersdorf improved its position on the procurement market by systematically standardizing the raw materials and packaging used. All in all, this led to average material price reductions of 2 – 3 % within the Group.

Business Developments

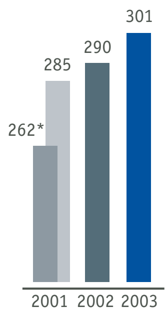
Group sales
(in € million)



Group operating result (EBIT)
(in € million)



Group profit after tax
(in € million)



* Excluding non-recurring income of €38 million (€23 million after taxes) from the sale of the advanced wound care business

Group

Despite the continuing difficult economic environment, Group sales rose by 4.0 % after adjustment for currency translation effects. This was solely the result of organic growth: changes in consolidation had no impact on the growth rate. The sharp fall of the US dollar (-17 %) and of other key currencies for Beiersdorf against the euro led to negative currency translation effects. Sales at current exchange rates totaled €4,673 million, down 1.5 % year-on-year.

The operating result (EBIT) was clearly up year-on-year at €484 million. As a result, the operating return on sales rose to 10.4 % (previous year: 9.9 %). Despite this difficult market environment, we increased both marketing and research and development expenses. We were able to offset this by reducing product costs and administrative expenses, and through lower other operating expenses.

Higher interest income and lower foreign exchange losses had a positive effect on the financial result. Group profit after tax rose to €301 million, generating a return on sales (after taxes) of 6.4 % (previous year: 6.1 %).

The profit after tax of Beiersdorf AG as calculated under the regulations of the *Handelsgesetzbuch* (German Commercial Code) increased to €332 million (previous year: €156 million). The significant increase is mainly due to intra-Group restructuring measures, which resulted in additional income for Beiersdorf AG totaling €339 million. This was partially offset by provisions in connection with the share buyback program totaling €147 million.

Business development by division

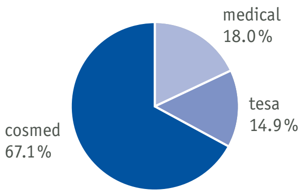
cosmed The cosmed division develops, produces, and markets worldwide cosmetic body care and skin care products. In 2003, we continued our successful long-term strategy of focusing on our compact international brand portfolio with brands like NIVEA, Labello, la prairie, JUVENA, atrix, 8x4, and Florena.

The cosmed division was able to increase sales, adjusted for currency translation effects, by 4.1 %, despite the difficult market environment. At current exchange rates, sales fell by 1.0 % to €3,136 million. EBIT for the cosmed division totaled €404 million (previous year: €411 million), bringing the EBIT margin to 12.9 % (previous year: 13.0 %).

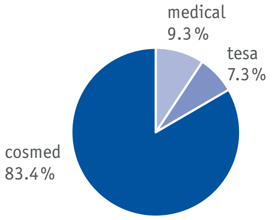
In many countries, the competitive situation was characterized by declining cosmetics markets, subdued consumer spending, and increasing pressure from a growing number of private label brands and product imitations.

Business Developments

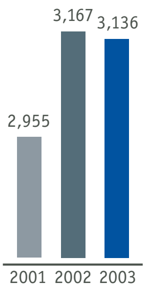
Breakdown of Group sales by division



Breakdown of operating result (EBIT) by division



cosmed sales (in € million)



Our global brand NIVEA achieved above-average growth of 5.3 %, adjusted for currency translation effects. The NIVEA subbrands NIVEA Hand, NIVEA Lip Care, NIVEA FOR MEN, NIVEA Vital, NIVEA Deo, the shower gel business, and NIVEA VISAGE performed particularly well. NIVEA sales rose in all regions, with developments in Asia and Western Europe being very positive.

Business development in Germany was especially difficult, especially during the first half of the year. Apart from generally weak consumer spending, business was hit by the launch of a large number of imitation products with a similar look to NIVEA. Despite this, NIVEA again managed to increase its overall market share slightly and to extend its lead over its closest competitors.

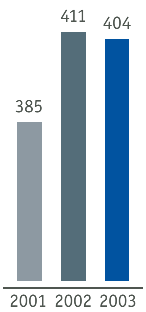
Sales are not the only way to measure a brand's success. Particularly in the case of temporary market contractions and severe currency fluctuations, success depends on the number of markets in which a brand is the market leader. During 2003 NIVEA was able to increase the number of its leading positions. For example, NIVEA FOR MEN became the leader in the after shave/face care market in Poland and – only two years after it was launched – in the USA. In Bulgaria, Romania, Ireland, and Guatemala, NIVEA VISAGE became the strongest brand on the face care market. Another outstanding achievement was that NIVEA Lip Care took the market lead in the UK.

In the area of exclusive authorized dealer cosmetics, our successful global brand la prairie continued its positive performance of recent years with sales growth of 9.9 % (adjusted for currency translation effects). This was despite the difficult market conditions during the first half of the year, when travel fell as a result of SARS and the fear of war, impacting sales of la prairie products at authorized dealers in airports.

Our Marlies Möller hair care business, which we acquired in 2001, also exceeded expectations, with sales climbing 24.0 %. The acquisition of this brand was our first step towards entering the prestige hair care market.

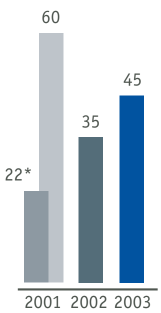
medical The medical division focuses on consumer business with branded goods in the fields of dermatology (medical skin care) and personal health care (consumer products for wound care and physical complaints). Our activities concentrate on developing Eucerin, our medical skin care brand, our international plaster brands (Hansaplast, Elastoplast, CURAD, CURITAS), and FUTURO, our consumer brand for support bandages. BSN medical, our joint venture, is responsible for our global business in the fields of professional wound care and orthopedic/phlebology products.

Operating result (EBIT) cosmed (in € million)



medical sales (in € million)

Operating result (EBIT) medical (in € million)



* Excluding non-recurring income of €38 million (€23 million after taxes) from the sale of the advanced wound care business

Sales by the medical division grew after adjustment for currency translation effects by 2.0 %, with the consumer business climbing by 2.7 %. At €841 million, sales at current exchange rates were down 4.6 % year-on-year.

At €45 million, EBIT for the medical division was substantially higher than the previous year (€35 million). The EBIT margin rose to 5.4 % (previous year: 3.9 %).

Our Eucerin brand achieved strong growth again, increasing sales by 9.1 % (adjusted for currency translation effects) worldwide. This growth is due to extremely strong consumer acceptance. For example, Eucerin Face Care is the fastest-growing brand sold at pharmacies on the European face care market. The expansion of our product range also contributed to positive business developments, with innovative products for lip care, hand care, and foot care. At +9.6 %, sales in Germany in particular confirmed the brand's recipe for success, despite the difficult economic conditions. As part of its regional expansion and ongoing internationalization, Eucerin was launched in France, Brazil, and South Africa.

In our plasters business, the Active Gel Strip (a plaster for moist wound healing), and the spray plaster launched in both France and the USA, both generated encouraging sales. Our blister plaster generated the highest growth rates in this segment. Continued refinement enabled the plasters to meet users' needs more effectively.

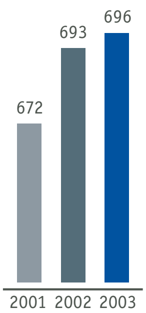
Our FUTURO brand successfully launched a new support bandage range made from innovative Polartec material in Europe, following its considerable success in the USA. The launch strengthens FUTURO's market position in Europe and thus creates the basis for further continuous growth.

Sales by our joint venture BSN medical (50 %) in the field of professional wound care remained flat year-on-year after adjustment for currency translation effects. At current exchange rates, the €238 million generated was down on last year's sales figures (€249 million). However, we were able to increase the operating result (EBIT) substantially to €29 million (previous year: €27 million) by leveraging additional synergies from the merger between the businesses owned by Beiersdorf AG and Smith & Nephew plc.

tesa tesa develops, produces, and markets adhesive applications for industrial customers and consumers. The focus is on ideas that provide solutions in three areas: fixing and joining systems using double-sided adhesive tape (Fastening), protection and covering systems (Masking), and internal and external packaging systems (Packaging).

Business Developments

tesa sales
(in € million)



Sales rose by 5.7 %, adjusted for currency translation effects. At current exchange rates, sales increased by 0.4 % to €696 million (previous year: €693 million). Despite a difficult market environment, tesa increased its EBIT to €35 million (previous year: €26 million), while the EBIT margin rose to 5.0 %. This increase is the result of tesa's strategic repositioning.

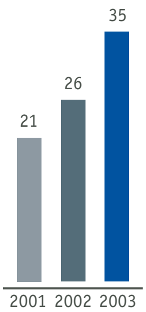
In the area of fixing and fastening technology (Fastening), double-sided adhesive tapes for die-cuts recorded a significant increase in sales. They are used to attach electronic components in digital cameras, mobile phones, and PDAs. Sales of high-performance adhesive tapes for the paper and printing industry also increased. The main focus continues to be on tesa's Easy Splice product range as well as on the soft print products used in flexographic printing.

Fun animal designs: the new tesa Powerstrip Hooks for kids

The tesa protection and covering systems (Masking) increased their market share, especially with products for the automotive industry, such as tesa Bodyguard (transport and assembly protection for car bodies) and the tesa laser label marking systems (safety labels used to apply vehicle data). Special cable harnessing products again generated double-digit sales growth in the automotive supply industry. This unit, which was hit particularly hard by the weak economy, managed to keep sales stable and increase earnings.

In the tesa internal and external packaging systems business (Packaging), a new marketing concept for strapping tape for bundling and palleting goods lifted sales. These products are increasingly used in industry to optimize production processes. Successful Tamper Evident security packaging tape was supplemented with a safety label. This makes manipulation of packaging throughout the supply chain almost impossible.

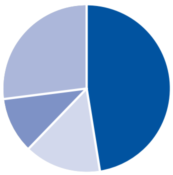
Operating result (EBIT)
tesa (in € million)



tesa consumer business grew despite continued sluggish consumer spending. Business in Southwest and Eastern Europe was particularly positive. The launch of an innovative Pollen Protect Screen for allergic patients was extraordinarily successful in various regions. The introduction of an inexpensive standard fly screen also met with an extremely positive response. The sales volume in this segment more than doubled. "Hand tearable" versions of our classic tesafilm and tesapack products were launched on the market in spring. The successful Powerstrips Hook range was extended to include new children's hooks with animal designs. A new brand image, reinforced by a TV advertisement with the slogan "tesa. No half measures" further boosted brand development.

Business developments by region

Breakdown of Group sales by region



Germany Sales in Germany were dominated by the very weak consumer climate. Nevertheless, we managed to maintain domestic sales at almost the same level as last year despite these economic problems. A drop in exports by our German companies to the Middle East and Eastern Europe impacted sales. Total sales in the region amounted to €1,268 million, down 1.4 % year-on-year (previous year: €1,286 million). This represents 27.1 % of Group sales.

The cosmed division's sales in Germany fell by 4.0 % to €813 million (previous year: €847 million). Excluding lower exports, the development was -2.8 %. Despite this negative sales trend, the NIVEA brand improved its position on the market overall and gained market share. The medical division's sales in Germany increased to €233 million (previous year: €223 million), with the medical consumer business recording nice positive growth of 5.2 %. The tesa division's sales rose by 2.7 % to €222 million (previous year: €216 million).

EBIT in Germany increased by €23 million from €141 million to €164 million, despite the difficult sales situation. The EBIT margin rose to 13.0 % (previous year: 11.0 %).

NIVEA FOR MEN OIL CONTROL: the new skin care range for young men

Europe excluding Germany Sales in Europe excluding Germany climbed by 6.8 % after adjustment for currency translation effects. At current exchange rates, they increased by 3.9 % to €2,207 million (previous year: €2,124 million). The share of Group sales rose further to reach 47.3 %.

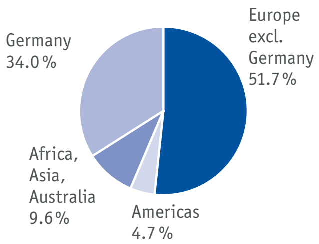
Our companies in Southeast Europe and in many key markets such as the UK, France, Belgium, the Netherlands, Spain, and Italy were the main sales growth drivers in Europe, recording good and in some cases even double-digit, growth rates. However, business was difficult in Russia.

The cosmed division achieved sales growth of 7.7 % (excluding currency translation effects), primarily through successful product launches. At current exchange rates, sales amounted to €1,635 million (previous year: €1,565 million). The medical division's sales rose by 2.3 % (excluding currency translation effects). At current exchange rates, sales amounted to €269 million (previous year: €268 million). tesa generated extremely encouraging sales growth of 6.3 % (adjusted for currency translation effects). tesa sales at current exchange rates totaled €303 million (previous year: €291 million).

Innovation in skin research: NIVEA VISAGE AGE REVERSAL

Business Developments

Breakdown of operating result (EBIT) by region



EBIT in Europe excluding Germany rose by 3.0 % to reach €250 million. The EBIT margin totaled 11.3 % (previous year: 11.4 %).

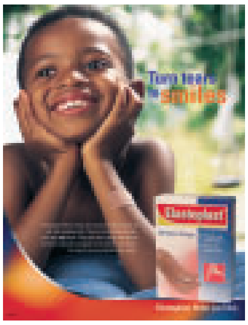
Americas In the Americas region, sales increased by 2.0 % after adjustment for currency translation effects. The sharp fall of the US dollar and other currencies in this region led to a drop in Group sales at current exchange rates of 15.6 % to €692 million (previous year: €819 million). The share of Group sales declined to 14.8 %.

While sales in some Latin American countries improved, business in Brazil was extremely difficult.

The cosmed division increased sales in this region by 4.2 %, after adjustment for currency translation effects. At current exchange rates, sales amounted to €354 million (previous year: €412 million). The medical division's sales declined by 0.7% (adjusted for currency translation effects). At current exchange rates, the medical division generated sales of €248 million (previous year: €300 million). tesa's sales, adjusted for currency translation effects, climbed by 1.3 %. At current exchange rates, sales amounted to €90 million (previous year: €107 million).

EBIT in the Americas totaled €23 million (previous year: €39 million). The drop in earnings in this region is mainly due to business developments in Brazil. In addition, currency translation effects had a negative impact on EBIT. The EBIT margin totaled 3.3 % (previous year: 4.8 %).

Beiersdorf's brands have substantial growth potential



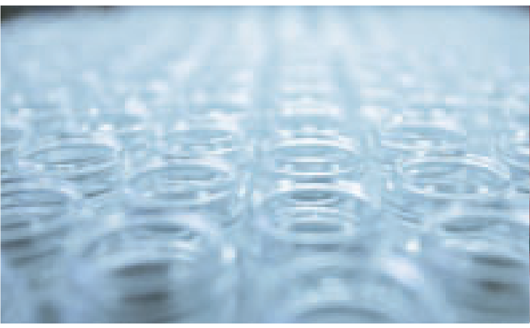
An Elastoplast advertisement from South Africa

Africa/Asia/Australia The Africa/Asia/Australia region generated an increase in sales, adjusted for currency translation effects, of 8.5%. At current exchange rates, sales in this region amounted to €506 million, down 1.3 % year-on-year (previous year: €513 million).

Good – often double-digit – sales growth by most of the companies in this region more than offset the decline in sales in Japan and South Korea.

The cosmed division increased sales by 7.6 % (adjusted for currency translation effects). At current exchange rates, it generated sales of €334 million (previous year: €343 million). Sales in the medical division rose by 3.9 % (adjusted for currency translation effects). At current exchange rates, sales amounted to €91 million (previous year: €91 million). tesa achieved clear double-digit growth in this region of 17.5 % (adjusted for currency translation effects). At current exchange rates, tesa's sales amounted to €81 million (previous year: €79 million).

EBIT in this region was €47 million (previous year: €49 million). The EBIT margin amounted to 9.2 % (previous year: 9.4 %).



Research and Development

Research and development expenses (in € million)

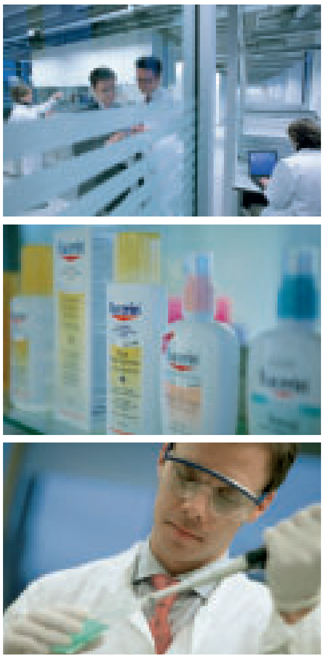
The success of Beiersdorf's research and development work is due to its focus on three areas of expertise:

- Personal care/cosmetics
- Wound care/health
- Adhesive and security technology

These three areas of expertise serve as the basis for the ongoing development of our products.

In 2003 spending on research and development amounted to €100 million (previous year: €93 million), or 2.1 % of sales (previous year: 2.0 %). To safeguard the future of Beiersdorf's core business, an additional research center was built in Hamburg, which is scheduled to be completed at the start of 2004.

Personal care/cosmetics



Successful innovation depends on intensive research and development

The Beiersdorf skin research team is constantly working to find solutions to meet the consumer's needs for products that effectively combat aging while at the same time are gentle and nonirritating.

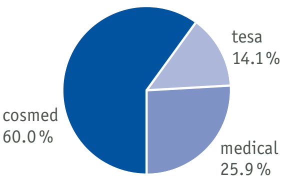
This is how Beiersdorf Research discovered creatine, the natural energy store found in cells, for use in skin care. This highly efficient substance, which has been avaible since January 2004, in NIVEA VISAGE NATURAL BOOSTER skin care cream, has a remarkable effect on skin metabolism. Creatine not only strengthens the skin's own defense and repair functions, it also counteracts the decrease in metabolic activity that accompanies skin aging. The result is skin that is visibly smoother, more supple, and firmer.

Beiersdorf launched another innovation on the market in the form of NIVEA VISAGE AGE REVERSAL. This face cream has a proven deep-down effect: after as little as four weeks, the papilla structure inside the skin has regenerated by up to ten years. Long-term use of the cream leads to a visible improvement of the skin and reduces signs of aging such as dryness, fine lines, and wrinkles.

The combination of highly-effective alphaglucosylrutin, a substance exclusive to Beiersdorf, and pure vitamin E used in Eucerin Hydro Protect Matt SPF 15 reinforces skin protection from both the outside and the inside. The light, oil-free formula with sun protection factor 15 protects against UVA rays and hence prevents premature aging.

Wound care/health

Research and development expenses by division



In the field of wound care, a number of completely new products were developed. These offer consumers the greatest possible protection against wound infections by constantly releasing miniscule but highly effective amounts of silver ions from the wound pad. The interaction between the silver ions and the bacteria leads directly to the latter's death, thus supporting the body's infection defense mechanisms. This means that, for the first time, the plaster brands Hansaplast med silver, Elastoplast SILVER HEALING, and CURAD SILVER offer a full range of antimicrobial plasters for the consumer market.

Until now, the adhesive properties of new plasters were measured by testing their adhesive strength on a steel plate. This gives only an inadequate indication of a plaster's reaction to skin. That is why we developed a standardized procedure for testing plasters on the underarms and backs of test persons. This enables Beiersdorf to better test and adjust different adhesive properties.


One of Beiersdorf's core areas of expertise: wound care/health

Adhesive and security technology

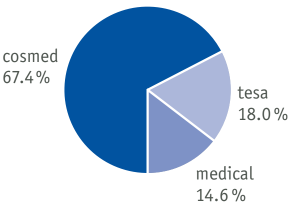
In 2003, tesa's research and development team continued to focus on developing solvent-free adhesive systems. After the successful launch of the solvent-free latex system in 2002, the focus is now on implementing solvent-free acrylate systems.

A series of innovations were developed for the automotive industry. A new generation of cable wrapping tape was developed to market readiness, as were products designed to fix flat cables for the automotive electronics market. These products are used to optimize the production process in the automotive industry. Another innovation is a new type of laser transfer procedure which enables permanent marking of auto glass. This makes theft and counterfeiting significantly more difficult.

tesa scribos developed its Holospot technology to market introduction. An extensive system for forgery protection and product tracing was presented to the public. Holospot technology will substantially expand tesa's expertise in the fast-growing market for product security and identification solutions.

Capital Expenditure

Group investments
in property, plant, and equipment,
and intangible assets
by division



In 2003, €167 million was invested in intangible assets and property, plant, and equipment. The cosmed division invested €113 million, the medical division €24 million, and tesa €30 million.

The construction of the research center in Hamburg, which began in 2002 at a total cost of €38 million (€15 million of which was in 2003) was almost completed. The center will officially open in spring 2004, and will further strengthen the excellent position of Beiersdorf's research and development activities.

tesa continued the process of optimizing its logistics structures in Europe, which it began in 2002. These modern structures will enable tesa to supply its customers even more quickly and timely in 2004, and hence better meet their increased requirements. At the same time, they will enable a reduction in inventories. The Group's other major investments related to the expansion of our Florena production facilities in Waldheim (Germany), the construction of an administrative building at Beiersdorf-Lechia S.A. in Poznan (Poland), as well as a logistics investment at Beiersdorf GmbH in Vienna (Austria).

Group financial investments amounted to €2 million in the year under review.

Beiersdorf is planning a similar level of capital expenditure for fiscal year 2004. A large number of investments will be made to rationalize and expand production and logistics, particularly in Europe. The largest single project is the redesign of logistics operations in France, for which capital expenditure is estimated to total €17 million in 2004.

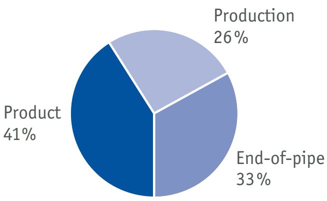
tesa is planning to set up a plant in the Shanghai area to be closer to customers in the rapidly expanding Chinese market. The initial phase of the new plant will feature two coating facilities and will manufacture special products for the fast-growing Chinese electronics and automotive industry. The total project is valued at almost €20 million and the facility is due to start production in 2006. At the same time, extensive modernization measures will be implemented to expand tesa's production capacity in Hamburg.

In the medium term, capital expenditure for property, plant, and equipment will remain at the current level. Financial investments and investments in trademarks will be undertaken whenever opportunities arise that fit in with Beiersdorf's strategy.

Our new research center
develops tomorrow's products

Environmental Protection and Occupational Safety

Group environmental protection expenditure



Expenditure on environmental protection and occupational safety in 2003 amounted to €46 million (previous year: €42 million). The focus of our work continues to be on cutting resource consumption, reducing work-related accidents, and facilitating the exchange of experiences. To maintain our high standards, we base our work on our proven three-tier environmental protection and occupational safety concept, which is integrated in all business processes from product development through production to environmentally friendly waste management. This concept enables us to put the principles of responsible care into practice while helping to turn our vision of "zero accidents at work" into reality.

Beiersdorf has been publishing reports on environmental protection and occupational safety since 1989. In 2003 the first Beiersdorf Sustainability Report was published, which reported on the Company's social commitment as well as on key aspects of environmental protection and occupational safety, complete with concrete examples. The report strengthens the communication with employees, customers, suppliers, public authorities, and other interested parties and demonstrates that Beiersdorf is fundamentally committed to taking responsibility at an economic, ecological, and social level.

Beiersdorf's first Sustainability Report was published in 2003

In 2003, we also intensified the exchange of experiences between our global affiliates worldwide. We started developing uniform, Group-wide standards to minimize the risk of explosions based on globally recognized environmental protection and occupational safety regulations. These standards are put into practice by international teams at the Beiersdorf Group's locations. The implementation of additional standards will follow, representing a forward-looking component of our environmental protection and occupational safety management system.

Risk Management

Beiersdorf is exposed to a wide variety of risks that are inextricably linked with its entrepreneurial activities as part of its global business. Our risk policy therefore aims to maximize existing opportunities and to incur risks only if they offer the prospect of a corresponding increase in value. Part of our fundamental risk policy is that we only take risks that can be managed using established methods and measures within our organization.

Risk management is thus an integral part of company management and business process design at Beiersdorf. The management of operating risks is largely decentralized. Cross-functional international risks associated with brand management, production and safety standards, financing, and value development within the Group are monitored centrally. Integrated controlling and regular strategy reviews ensure that opportunities and risks are well balanced when entrepreneurial decisions are made, and that they are identified in good time. Our internal audit department monitors compliance with the internal control system and ensures the integrity of our business processes. The risk management system is examined as part of our annual financial statement audit.

Maintaining and increasing the value of our major consumer brands – especially NIVEA – is of central importance for Beiersdorf's business development and continued existence. We have therefore geared our risk management system towards protecting the value and broad level of acceptability of our brands and utilizing the associated opportunities.

Our customers' continued trust in our brands depends on our compliance with high standards of product quality and safety. We therefore perform in-depth safety assessments when developing new products. Our products are subject to stringent quality controls throughout the entire procurement, production, and distribution process. In 2003, we further improved our organization in selected areas in order to integrate the requirements arising from growing international statutory regulations even more effectively into our systems.

We counter procurement risks relating to raw materials, merchandise, and services by continuously monitoring the relevant markets, ensuring careful supplier selection, and concluding long-term master agreements. Occupational safety, environmental, and business interruption risks in our production and logistics activities are minimized by process control checks. We also transfer selected risks to insurance companies, when appropriate.

Continuous innovation and prudent brand management assist the positioning and permanent acceptance of our products on the market. The opening of our new research center at the beginning of 2004 will strengthen our central innovation expertise which is vital to us. In the area of brand management, detailed competition and market analyses provide early indication of trends and changes in the business environment, and permit an efficient, forward-looking market approach. Strong brands based on innovation and expertise are our response to the intensive global competition in terms of price, quality, and innovation. They also counteract the risks arising from growing retail concentration and from the regional emergence of private label products.

Protecting and safeguarding the legal rights associated with our brands is becoming increasingly important in light of the growing number of imitation products.

The reorganization of responsibilities within the Executive Board will allow us to focus our business processes even more strongly on the needs of the consumer business. We counter potential risks associated with the reorganization process via professional project management.

We minimize risks relating to the availability, reliability, and efficiency of our IT systems through our continuous improvement process. Foreign exchange, interest rate, and liquidity risks are subject to active treasury management based on global guidelines, and are predominately hedged centrally. The use of derivative financial instruments serves solely to hedge operational activities and financial transactions essential to the business. It does not expose the group to any additional risks.

We maintain close contacts with universities and offer attractive compensation systems and training programs to recruit and retain qualified specialists and management personnel.

At present, the probability of any risks occurring that could endanger Beiersdorf's continued existence is negligible.

Report by the Executive Board regarding dealings among Group companies

In accordance with § 312 *Aktiengesetz* (German Stock Corporation Act), the Executive Board has issued a report covering dealings among Group companies which contains the following conclusion: "There are no reportable dealings".

Outlook

Strategic objectives

Our focus is on the continuous development of Beiersdorf's core business through the cultivation of our major consumer brands. We attach considerable importance to organic growth by increasing market share, introducing new product categories, and developing markets in new countries. In addition, we will make acquisitions where these meet our established criteria: suitable acquisition targets must be a strategic fit for our core business, demonstrate high sales quality, offer the potential for expanding market share, and meet our sales and earnings targets. Compatibility with our corporate culture is equally important.

Change in reporting structure

In 2003, we began to adapt our organizational structure to our strategy of focusing our business on branded consumer goods. In 2004, we will therefore be changing our reporting structures as well. We will be setting up a new Consumer business sector, to include the cosmed division and the medical division's retail consumer business. This will enable transparent presentation of developments in our core business. A second business sector will be established to report on the tesa business. In the future, BSN medical will be recognized as a financial investment using the equity method.

Sales and earnings figures according to the new structure are as follows:

	Consumer	tesa	Group new structure	BSN medical	Group old structure
Sales 2003 in € million	3,739	696	4,435	238	4,673
Change in % (nominal)	-1.6%	+0.4%	-1.3%	-4.5%	-1.5%
Change in % (adjusted for currency translation effects)	+3.9%	+5.7%	+4.2%	+0.3%	+4.0%
Sales in 2002 in € million	3,800	693	4,493	249	4,742
EBITDA 2003 in € million	552	62	614	34	648
EBITDA in % of sales	14.8%	8.9%	13.8%	14.4%	13.8%
EBITDA 2002 in € million	547	53	600	33	633
EBITDA in % of sales	14.4%	7.7%	13.3%	13.3%	13.3%
EBIT 2003 in € million	420	35	455	29	484
EBIT in % of sales	11.2%	5.0%	10.3%	12.1%	10.4%
EBIT 2002 in € million	419	26	445	27	472
EBIT in % of sales	11.0%	3.8%	9.9%	10.8%	9.9%

Within this new structure, we are aiming for average annual sales growth over the next few years (excluding material acquisitions) of between 8 and 10%. We plan to increase the EBIT margin to 12 %.

Share buyback

Beiersdorf AG started a share buyback to acquire up to 10% of its share capital on December 23, 2003. The offer ended on January 23, 2004. Beiersdorf AG subsequently acquired 9.99 % of its share capital. The offer price was €113.76 per share.

€565 million of the total purchase price of €955 million was financed internally, €250 million with cash of Beiersdorf AG and €315 million through loans from other Group companies. The remaining portion was financed externally.

Economic environment

We expect the overall economic environment to remain difficult in 2004. Our planning assumes a slight improvement in the economy as a whole as compared with 2003. We expect these trends to have a positive effect on growth rates in Beiersdorf's key consumer markets.

Expected business developments in 2004

The Consumer business sector is planning clearly higher sales growth (adjusted for currency translation effects) in 2004 than in 2003. Germany is expected to generate positive sales growth again, supplemented by strong growth in the other European markets and a double-digit growth rate in the Africa/Asia/Australia region. The EBIT margin is expected to once again reach prior year's level.

Assuming comparable structures, tesa is aiming to continue the sales growth of the previous year. The EBIT margin will continue to improve.

For the Group in total, we are forecasting sales growth (adjusted for currency translation effects) clearly in excess of that in 2003. The Group's EBIT margin and return on sales (after taxes) are expected to reach prior year's level.

Income Statement – Beiersdorf Group

(in € million)	Notes	2002	2003
Sales	(1)	**4,742**	**4,673**
Cost of goods sold	(2)	-1,756	-1,698
Gross profit		**2,986**	**2,975**
Marketing and selling expenses	(3)	-2,098	-2,093
Research and development expenses	(4)	-93	-100
General and administrative expenses	(5)	-260	-251
Other operating income	(6)	96	98
Other operating expenses	(7)	-159	-145
Operating result (EBIT)		**472**	**484**
Interest income (net)	(8)	17	18
Other financial income/expense (net)	(9)	-11	-3
Financial result		**6**	**15**
Profit before tax		**478**	**499**
Taxes on income	(10)	-188	-198
Profit after tax		**290**	**301**
Minority interests	(11)	-7	-7
Net profit		**283**	**294**
Earnings per share (in €)	(12)	**3.37**	**3.50**
Diluted earnings per share (in €)	(12)	**3.37**	**3.50**

Balance Sheet – Beiersdorf Group

ASSETS (in € million)	Notes	Dec. 31, 2002	Dec. 31, 2003
Intangible assets	(14)	128	97
Property, plant, and equipment	(15)	917	912
Financial assets	(16)	22	22
Fixed assets		**1,067**	**1,031**
Inventories	(17)	677	672
Trade receivables	(18)	675	688
Other receivables and other assets	(18)	110	94
Cash and cash equivalents	(19)	722	842
Current assets		**2,184**	**2,296**
Deferred tax assets	(10, 20)	**22**	**28**
Prepaid expenses	(21)	**25**	**23**
		3,298	**3,378**

SHAREHOLDERS' EQUITY AND LIABILITIES (in € million)	Notes	Dec. 31, 2002	Dec. 31, 2003
Share capital	(22)	215	215
Additional paid-in capital	(25)	47	47
Retained earnings	(26)	1,209	1,374
Net profit		283	294
Translation differences		-53	-108
Other changes recognized in equity		6	-3
Shareholders' equity (Beiersdorf AG) excl. minority interests		**1,707**	**1,819**
Minority interests	(27)	20	12
Shareholders' equity		**1,727**	**1,831**
Provisions for pensions and other post-employment benefits	(28)	397	380
Other provisions	(29)	511	479
Provisions		**908**	**859**
Financial liabilities	(30)	96	96
Trade payables	(30)	293	303
Other liabilities	(30)	148	156
Liabilities		**537**	**555**
Deferred tax liabilities	(10, 20)	**119**	**124**
Deferred income		**7**	**9**
		3,298	**3,378**

Cash Flow Statement – Beiersdorf Group

(in € million)	2002	2003
Cash and cash equivalents at beginning of year	**714**	**722**
Operating result (EBIT)	**472**	**484**
Income taxes paid	-189	-237
Depreciation and amortization	161	164
Change in long-term provisions (excluding interest)	-4	-11
Gain/loss on disposal of property, plant, and equipment and intangible assets	1	1
Gross cash flow	**441**	**401**
Change in inventories	27	5
Change in trade receivables and other assets	-46	-9
Change in liabilities and short-term provisions	-30	19
Net cash flow from operating activities	**392**	**416**
Investment in fixed assets	-242	-169
Proceeds from the sale of fixed assets	15	11
Proceeds from interest, dividends, and other financing activities	40	50
Net cash flow from investing activities	**-187**	**-108**
Free cash flow	**205**	**308**
Change in financial liabilities	-33	-
Interest and other financing expenses paid	-42	-47
Cash dividends paid (Beiersdorf AG)	-109	-118
Net cash flow from financing activities	**-184**	**-165**
Effect of exchange rate fluctuations on cash held	-14	-23
Effect of changes in Group structure and other changes on cash held	1	-
Net change in cash and cash equivalents	**8**	**120**
Cash and cash equivalents on Dec. 31	**722**	**842**

Statement of Changes in Shareholders' Equity – Beiersdorf Group

(in € million)	Share capital	Additional paid-in capital	Retained earnings	Net profit	Currency translation adjustment	Other changes recognized in equity	Minority interests	**Total**
Jan. 1, 2002	**215**	**47**	**1,039**	**279**	**40**	**-5**	**21**	**1,636**
Transfer to retained earnings	–	–	170	-170	–	–	–	–
Dividend of Beiersdorf AG for previous year	–	–	–	-109	–	–	–	-109
Profit after tax	–	–	–	283	–	–	7	290
Remeasurement of derivates directly in equity	–	–	–	–	–	15	–	15
Remeasurement of securities directly in equity	–	–	–	–	–	-4	–	-4
Currency translation adjustment	–	–	–	–	-93	–	-2	-95
Other changes	–	–	–	–	–	–	-6	-6
Dec. 31, 2002	**215**	**47**	**1,209**	**283**	**-53**	**6**	**20**	**1,727**
Transfer to retained earnings	–	–	165	-165	–	–	–	–
Dividend of Beiersdorf AG for previous year	–	–	–	-118	–	–	–	-118
Profit after tax	–	–	–	294	–	–	7	301
Remeasurement of derivatives directly in equity	–	–	–	–	–	-4	–	-4
Currency translation adjustment	–	–	–	–	-55	–	-2	-57
Other changes	–	–	–	–	–	-5	-13	-18
Dec. 31, 2003	**215**	**47**	**1,374**	**294**	**-108**	**-3**	**12**	**1,831**

Segment Reporting – Beiersdorf Group

Divisions 2003 (in € million)	cosmed	medical	tesa	Group
Net sales	**3,136**	**841**	**696**	**4,673**
Change in % (nominal)	-1.0 %	-4.6 %	+0.4 %	-1.5 %
Change in % (adjusted for currency translation effects)	+4.1 %	+2.0 %	+5.7 %	+4.0 %
Share of Group sales	**67.1 %**	**18.0 %**	**14.9 %**	**100.0 %**
EBITDA	**490**	**96**	**62**	**648**
Operating result (EBIT)	**404**	**45**	**35**	**484**
(as % of sales)	12.9 %	5.4 %	5.0 %	10.4 %
Gross operating capital	**1,505**	**464**	**467**	**2,436**
Operating liabilities	**593**	**138**	**111**	**842**
EBIT return on capital employed	**44.3 %**	**13.9 %**	**9.8 %**	**30.4 %**
Gross cash flow	**285**	**71**	**45**	**401**
Capital expenditure (excl. financial assets)	**113**	**24**	**30**	**167**
Depreciation (excl. financial assets)	**86**	**51**	**27**	**164**
Research and development expenses	**60**	**26**	**14**	**100**
Employees (as of Dec. 31, 2003)	**9,625**	**5,033**	**3,591**	**18,249**

Divisions 2002 (in € million)	cosmed	medical	tesa	Group
Net sales	**3,167**	**882**	**693**	**4,742**
Change in % (nominal)	+7.2 %	-3.6 %	+3.0 %	+4.4 %
Change in % (adjusted for currency translation effects)	+10.3 %	-0.8 %	+4.9 %	+7.3 %
Share of Group sales	**66.8 %**	**18.6 %**	**14.6 %**	**100.0 %**
EBITDA	**493**	**87**	**53**	**633**
Operating result (EBIT)	**411**	**35**	**26**	**472**
(as % of sales)	13.0 %	3.9 %	3.8 %	9.9 %
Gross operating capital	**1,456**	**535**	**486**	**2,477**
Operating liabilities	**558**	**139**	**117**	**814**
EBIT return on capital employed	**45.8 %**	**8.7 %**	**7.2 %**	**28.4 %**
Gross cash flow	**323**	**71**	**47**	**441**
Capital expenditure (excl. financial assets)	**157**	**41**	**29**	**227**
Depreciation (excl. financial assets)	**82**	**52**	**27**	**161**
Research and development expenses	**55**	**24**	**14**	**93**
Employees (as of Dec. 31, 2002)	**9,380**	**5,133**	**3,670**	**18,183**

Segment Reporting – Beiersdorf Group

Regions 2003 (in € million)	Germany	Europe excl. Germany	Americas	Africa/ Asia/ Australia	**Group**
Net sales*	**1,268**	**2,207**	**692**	**506**	**4,673**
Change in % (nominal)	-1.4 %	+3.9 %	-15.6 %	-1.3 %	-1.5 %
Change in % (adjusted for currency translation effects)	-1.4 %	+6.8 %	+2.0 %	+8.5 %	+4.0 %
Share of Group sales	**27.1 %**	**47.3 %**	**14.8 %**	**10.8 %**	**100.0 %**
EBITDA	**258**	**298**	**37**	**55**	**648**
Operating result (EBIT)	**164**	**250**	**23**	**47**	**484**
(as % of sales)	13.0 %	11.3 %	3.3 %	9.2 %	10.4 %
Gross operating capital	**858**	**1,055**	**327**	**196**	**2,436**
Operating liabilities	**355**	**343**	**71**	**73**	**842**
EBIT return on capital employed	**32.7 %**	**35.1 %**	**8.8 %**	**38.0 %**	**30.4 %**
Gross cash flow	**121**	**216**	**26**	**38**	**401**
Capital expenditure (excl. financial assets)	**85**	**55**	**17**	**10**	**167**
Depreciation (excl. financial assets)	**93**	**48**	**14**	**9**	**164**
Employees (as of Dec. 31, 2003)	**6,724**	**5,728**	**2,765**	**3,032**	**18,249**

Regions 2002 (in € million)	Germany	Europe excl. Germany	Americas	Africa/ Asia/ Australia	**Group**
Net sales*	**1,286**	**2,124**	**819**	**513**	**4,742**
Change in % (nominal)	+2.4 %	+10.3 %	-9.3 %	+12.3 %	+4.4 %
Change in % (adjusted for currency translation effects)	+2.4 %	+11.0 %	+0.3 %	+18.8 %	+7.3 %
Share of Group sales	**27.1 %**	**44.8 %**	**17.3 %**	**10.8 %**	**100.0 %**
EBITDA	**230**	**290**	**55**	**58**	**633**
Operating result (EBIT)	**141**	**243**	**39**	**49**	**472**
(as % of sales)	11.0 %	11.4 %	4.8 %	9.4 %	9.9 %
Gross operating capital	**888**	**1,025**	**368**	**196**	**2,477**
Operating liabilities	**340**	**316**	**78**	**80**	**814**
EBIT return on capital employed	**25.8 %**	**34.2 %**	**13.6 %**	**41.8 %**	**28.4 %**
Gross cash flow	**142**	**208**	**48**	**43**	**441**
Capital expenditure (excl. financial assets)	**124**	**65**	**28**	**10**	**227**
Depreciation (excl. financial assets)	**89**	**47**	**16**	**9**	**161**
Employees (as of Dec. 31, 2002)	**6,708**	**5,662**	**2,852**	**2,961**	**18,183**

* based on companies' domicile

Significant Accounting Policies

General principles

The Group financial statements of Beiersdorf AG have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), London, effective at the balance sheet date, and reflect the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). They comply with the European Union Group Accounts Directive (Directive 83/349/EEC) as interpreted by the *Deutscher Standardisierungsrat* (German Accounting Standards Board – GASB). The criteria set out in § 292a of the *Handelsgesetzbuch* (HGB – German Commercial Code) for the Company's exemption from the requirement to prepare consolidated financial statements in accordance with German law have been satisfied.

The Group financial statements contain the following departures from the accounting policies and valuation methods as applicable under German law:

- Pension provisions are measured using the projected unit credit method reflecting future compensation trends in accordance with IAS 19 (Employee Benefits)
- Deferred tax assets and liabilities are accounted for and measured using the balance sheet liability method as defined by IAS 12 (Income Taxes), and deferred taxes are capitalized where loss carryforwards are considered to be realizable
- Securities and financial instruments are accounted for and measured at fair value in accordance with IAS 39 (Financial Instruments: Recognition and Measurement)
- Provisions in connection with the acquisition of own shares by Beiersdorf AG were not included in the Group financial statements under IFRS

New standards issued by the IASB are applied from their effective date. Their application and any changes in accounting policies are detailed in the notes to the financial statements under the respective item.

Individual line items have been summarized in the income statement and the balance sheet to aid clarity of presentation. These items are disclosed and explained separately in the notes.

Preparation of the consolidated financial statements requires management to make estimates and assumptions to a limited extent that affect the amount and presentation of recognized assets and liabilities, income and expenses, and contingent liabilities. Actual amounts may differ from those estimates.

Consolidated Group

In addition to Beiersdorf AG, the Group financial statements include 16 German and 117 foreign companies in which Beiersdorf AG holds a majority of the voting rights, either directly or indirectly, and which fall under Beiersdorf AG's uniform management. The number of companies consolidated increased by 26 year-on-year. 18 of these companies were formed in the course of transforming the tesa division into a separate *Aktiengesellschaft* (German stock corporation), and do not represent an economic change in the consolidated group. The remaining eight companies relate to the first-time consolidation of newly formed or existing Beiersdorf companies. Three companies in which Beiersdorf holds an interest of 50 % and which it manages as joint ventures together with the other venturers are proportionately consolidated in accordance with IAS 31 (Financial Reporting of Interests in Joint Ventures).

The three joint ventures account for €315 million of the income and €287 million of the expenses reported in the income statement, and thus €28 million of the operating result. €48 million of fixed assets and €129 million of current assets are attributable to the proportionately consolidated companies, as well as €88 million of liabilities and provisions.

10 German and 15 foreign companies are not included in consolidation as, both individually and taken together, they are not material for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group.

Consolidation principles

The financial statements of the companies included in the Group financial statements are prepared uniformly as of the reporting date of December 31, in accordance with the accounting policies applied by the Beiersdorf Group. The financial statements included in consolidation are audited by independent auditors.

Capital consolidation uses the purchase method of accounting. The cost of acquisition of the purchased interests is eliminated against the proportionate equity attributable to the parent company at the date of acquisition. Any excess is partly or wholly allocated to the assets of the affiliate and amortized over the useful life of the respective assets. The remaining excess of cost of acquisition over net assets acquired is recognized as goodwill and amortized over its useful life. Amortization of goodwill is reported under other operating expenses.

Any write-downs of intragroup receivables and of interests in consolidated companies in the individual single-entity financial statements are reversed.

Intercompany profits and losses, income and expenses, as well as receivables and liabilities, are eliminated. Deferred taxes on consolidation adjustments are recognized as necessary.

The same consolidation principles apply to proportionately consolidated joint ventures. Any necessary consolidation adjustments arising from relations with proportionately consolidated companies are recognized in proportion to the interests held.

Currency translation

The financial statements of foreign affiliates are translated using the functional currency method. As these companies operate as financially, economically and organizationally independent entities, their assets and liabilities are translated at the middle rates prevailing at the balance sheet date, while income and expenses are translated at average rates for the year. Exchange differences from the translation of asset and liability items compared with currency translation in the previous year and exchange differences between the balance sheet and the income statement are taken directly to equity.

In the single-entity financial statements of these foreign companies, receivables and liabilities in foreign currencies that are not hedged are measured at the rate prevailing at the balance sheet date. The following tables show the development of the exchange rates of the major currencies used in the Group financial statements:

ISO Code		Average rates	
€1 =		**2002**	**2003**
Swiss franc	CHF	1.4660	1.5230
Pound sterling	GBP	0.6295	0.6932
Japanese yen	JPY	118.0980	131.7390
Mexican peso	MXN	9.2708	12.3600
US dollar	USD	0.9506	1.1419

ISO Code		Closing rates	
€1 =		**2002**	**2003**
Swiss franc	CHF	1.4525	1.5590
Pound sterling	GBP	0.6502	0.7070
Japanese yen	JPY	124.1900	134.8500
Mexican peso	MXN	10.7400	14.1500
US dollar	USD	1.0415	1.2610

Notes to the Income Statement

1 | Sales

Sales are recognized when goods are delivered or services performed, and the risk incident to the goods or services is transferred. Discounts, customer bonuses and rebates are deducted from sales. A further breakdown of sales and their development by division and region can be found in the segment reporting on pages 54 and 55.

2 | Cost of goods sold

This item comprises the cost of internally produced goods and the purchase price of merchandise sold. The cost of internally manufactured goods includes directly attributable costs such as the cost of direct materials, direct labor, and energy costs, as well as production overheads, including depreciation of production facilities. In accordance with IAS 2 (Inventories), adequate write-downs on inventories were made.

3 | Marketing and selling expenses

Marketing and selling expenses comprise the cost of marketing, the sales organization and distribution logistics. This item also includes write-downs of trade receivables. Marketing expenses for advertising, trade marketing, and similar items amounted to €1,307 million (previous year: €1,301 million).

4 | Research and development expenses

In accordance with IAS 38 (Intangible Assets), research and development expenses comprise the cost of research and of product and process development, including expenses for third-party services. Development expenditures are expensed fully in the period in which they occur, as the risks up through market launch mean that the criteria for capitalization are not fulfilled.

5 | General and administrative expenses

This item comprises the personnel expenses and other costs of administration, as well as the cost of external services that are not allocated internally to other functions.

Notes to the Income Statement

6 | Other operating income

(in € million)	2002	2003
Gains on the disposal of fixed assets	3	3
Exchange gains	13	15
Income from the release of provisions	29	24
Miscellaneous other income	51	56
	96	**98**

Miscellaneous other income includes income from license agreements, prior-period income, income from the reversal of valuation allowances on receivables and other miscellaneous income.

7 | Other operating expenses

(in € million)	2002	2003
Restructuring costs	15	14
Losses on the disposal of fixed assets	4	4
Exchange losses	20	19
Amortization of goodwill and trademarks acquired	37	32
Miscellaneous other expenses	83	76
	159	**145**

Miscellaneous other expenses include provisions for risks and other miscellaneous expenses.

8 | Interest income (net)

(in € million)	2002	2003
Interest income (thereof from affiliated companies)	26 (-)	22 (-)
Interest expense (thereof to affiliated companies)	-9 (-)	-4 (-)
	17	**18**

The interest expense on pension and other entitlements acquired in previous years is netted against any return on plan assets and the amortization of unrecognized actuarial gains and losses. This results in net interest income in the amount of €4 million (previous year: €4 million).

9 | Other financial income/expense (net)

(in € million)	2002	2003
Other financial income	13	30
Other financial expense	-24	-33
	-11	**-3**

Other financial income primarily comprises exchange gains on financial items denominated in foreign currencies. Other financial expense consists of exchange losses on such financial items.

10 | Taxes on income

Taxes on income comprise the taxes paid or owed on income in the individual countries, as well as deferred taxes. Income tax expense including deferred taxes can be broken down as follows:

(in € million)	2002	2003
Taxes on income		
Germany	71	81
International	116	116
	187	**197**
Deferred taxes	1	1
	188	**198**

Taxes on income include tax refunds attributable to prior periods in the amount of €1 million (previous year: tax payments of €3 million).

Deferred taxes result from temporary differences between the carrying amounts in the tax accounts of the Group companies and the carrying amounts in the Group balance sheet. Deferred taxes are measured using the balance sheet liability method on the basis of the tax rates expected to be enacted in the individual countries when the temporary differences reverse. These rates are based on the legislation in force at the balance sheet date.

With an effective tax rate of 39.7 %, the actual tax expense is €16 million above the expected tax expense. The expected tax rate is calculated as the weighted average of the tax rates of the individual Group companies, and amounts to 36.5 % (previous year: 35.2 %).

The change in this tax rate is due largely to the higher profit before tax generated in Germany, where higher tax rates increase the weighted average. The following table shows the reconciliation from expected to actual tax expense:

(in € million)	2002	2003
Expected tax expense at a tax rate of 36.5 % (previous year: 35.2 %)	168	182
Tax increases due to non-deductible expenses	18	21
Other tax effects	2	-5
Actual tax expense	**188**	**198**

11 | Minority interests

€7 million of profit after tax is attributable to minority interests (previous year: €7 million). These minority interests relate to shareholdings in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, Beiersdorf India Limited, and Bode Chemie GmbH & Co., Hamburg.

12 | Earnings per share

Earnings per share for 2003 amounted to €3.50 (previous year: €3.37). The number of shares remained unchanged in the year under review (84 million shares). As there are no outstanding financial instruments that can be exchanged for shares, there is no dilution.

13 | Other disclosures

Cost of materials

The cost of raw materials and supplies, and of purchased goods and services, amounted to €1,192 million (previous year: €1,205 million).

Personnel expenses

(in € million)	2002	2003
Wages and salaries	695	701
Social security contributions and other benefits	136	138
Pension expenses	32	33
	863	**872**

Employees

The breakdown of employees by function is as follows:

Function (as of Dec. 31)	2002	2003
Production	7,237	7,090
Sales and Marketing	6,634	6,751
Other functions	4,312	4,408
	18,183	**18,249**

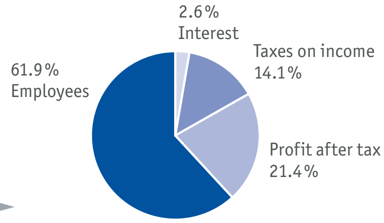
Employees at joint ventures are included in the total number of employees in proportion to the interest held. A total of 3,348 people are employed by these companies (previous year: 3,487).

A breakdown of employees by Beiersdorf Group segment can be found in the segment reporting on pages 54 and 55.

Value-added calculation

Output method (in € million)	
Sales	4,673
Cost of materials	1,192
Depreciation	164
Other expenses	1,962
Financial income	53
Enterprise income	**1,408**

Income received method (in %)



Notes to the Balance Sheet

14 | Intangible assets

(in € million)	Patents, licenses, trademarks, and similar rights and assets	Goodwill	Advance payments	**Total**
Cost of acquisition				
Opening balance Jan. 1, 2003	**357**	**50**	**-**	**407**
Currency translation adjustment	-2	-1	-	-3
Changes in consolidated Group	-	-	-	-
Additions	12	2	-	14
Disposals	-2	-	-	-2
Transfers	5	-	-	5
Closing balance Dec. 31, 2003	**370**	**51**	**-**	**421**
Amortization				
Opening balance Jan. 1, 2003	**256**	**23**	**-**	**279**
Currency translation adjustment	-1	-1	-	-2
Changes in consolidated Group	-	-	-	-
Amortization 2003	39	9	-	48
Disposals/transfers	-1	-	-	-1
Closing balance Dec. 31, 2003	**293**	**31**	**-**	**324**
Carrying amount Dec. 31, 2003	**77**	**20**	**-**	**97**
Carrying amount Dec. 31, 2002	101	27	-	128

Purchased intangible assets such as patents, trademarks and software are measured at cost and amortized on a straight-line basis over their useful lives. Intangible assets are generally amortized over a period of five years. Additional write-downs are made for permanent impairment. If the reasons for impairment no longer apply, write-downs are reversed accordingly.

In accordance with IAS 22 (Business Combinations), goodwill arising upon consolidation and acquired goodwill reported in the single-entity financial statements of Group companies are capitalized and amortized on a straight-line basis over a useful life of 5 to a maximum of 20 years. Goodwill is regularly tested for impairment and is written down as required.

Goodwill from capital consolidation arising prior to January 1, 1995 is not capitalized, but instead is charged directly to equity.

15 | Property, plant, and equipment

(in € million)	Land, land rights, and buildings	Technical equipment and machinery	Office and other equipment	Advance payments and assets under construction	Total
Cost of acquisition/manufacture					
Opening balance at Jan. 1, 2003	**713**	**847**	**478**	**79**	**2,117**
Currency translation adjustment	-19	-27	-14	-2	-62
Changes in consolidated Group	3	–	–	1	4
Additions	13	34	42	64	153
Disposals	-3	-18	-32	-6	-59
Transfers	9	32	9	-55	-5
Closing balance at Dec. 31, 2003	**716**	**868**	**483**	**81**	**2,148**
Depreciation					
Opening balance Jan. 1, 2003	**335**	**526**	**338**	**1**	**1,200**
Currency translation adjustment	-7	-18	-9	–	-34
Changes in consolidated Group	2	–	–	–	2
Additions	21	50	45	–	116
Disposals/transfers	-3	-18	-27	–	-48
Closing balance Dec. 31, 2003	**348**	**540**	**347**	**1**	**1,236**
Carrying amount Dec. 31, 2003	**368**	**328**	**136**	**80**	**912**
Carrying amount Dec. 31, 2002	378	321	140	78	917

Property, plant, and equipment is carried at cost and reduced by straight-line depreciation over the assets' useful lives. Production costs of internally manufactured items of property, plant, and equipment are calculated as the direct costs plus an appropriate share of attributable overheads. Interest on borrowings is recognized as current expense in accordance with IAS 23 (Borrowing Costs). Repair and maintenance costs for property, plant, and equipment are expensed as incurred. They are capitalized in exceptional cases where the measures result in the extension of, or a significant improvement to, the asset concerned. Third-party grants and subsidies reduce the historical cost.

Property, plant, and equipment is depreciated on a straight-line basis. The following useful lives are generally applied:

Residential and production buildings	25 to 33 years
Other buildings	10 to 25 years
Technical equipment and machinery	5 to 15 years
Vehicles	4 years
Office and other equipment	3 to 15 years

16 | Financial assets

(in € million)	Investments in affiliated companies	Other investments	Investment securities	Other loans	**Total**
Cost of acquisition					
Opening balance Jan. 1, 2003	**9**	**1**	**16**	**1**	**27**
Currency translation adjustment	-	-	-	-	-
Changes in consolidated Group	-1	-	-	-	-1
Additions	1	-	1	-	2
Disposals	-	-	-1	-	-1
Transfers	-	-	-	-	-
Closing balance Dec. 31, 2003	**9**	**1**	**16**	**1**	**27**
Impairment write-downs					
Opening balance Jan. 1, 2003	**4**	**-**	**1**	**-**	**5**
Currency translation adjustment	-	-	-	-	-
Changes in consolidated Group	-	-	-	-	-
Impairment write-downs 2003	-	-	-	-	-
Disposals/transfers	-	-	-	-	-
Closing balance Dec. 31, 2003	**4**	**-**	**1**	**-**	**5**
Carrying amount Dec. 31, 2003	**5**	**1**	**15**	**1**	**22**
Carrying amount at Dec. 31, 2002	5	1	15	1	22

Investments in unconsolidated affiliated companies and other investments are carried at cost in line with the principle of individual valuation. Write-downs are charged where there is evidence of permanent impairment. If the reasons for impairment no longer apply, write-downs are reversed accordingly. Interest-free or low-interest loans are carried at their present value; other securities and loans are carried at their fair value. Changes in fair value are recognized directly in a separate component of equity after deduction of deferred taxes.

17 | Inventories

(in € million)	2002	2003
Raw materials, consumables, and supplies	139	130
Work in progress	42	40
Finished goods and merchandise	492	500
Advance payments	4	2
	677	**672**

Inventories are carried at the lower of cost or net realizable value in accordance with IAS 2 (Inventories). They are measured using the first-in, first-out (FIFO) or weighted average cost methods. The cost of inventories is calculated as the direct costs plus an appropriate allocation of materials and production overheads, including production-related depreciation of assets. They also include the proportionate costs of company pension arrangements and voluntary social benefits, as well as production-related administrative expenses.

18 | Receivables and other assets

(in € million)	2002	2003
Trade receivables	675	688
Receivables from affiliated companies	4	5
Receivables from associated companies	4	3
Tax receivables	15	15
Other assets	87	71
	785	**782**

Receivables and other assets are carried at their nominal value. Bills receivable and interest-free or low-interest loans are carried at their present value. Appropriate allowances have been made for identifiable individual risks, and the overall risk is provided for by an allowance for doubtful accounts. Other assets include the positive fair value of derivatives (€9 million), short-term loans (€1 million), and other receivables.

Notes to the Balance Sheet

19 | Cash and cash equivalents

(in € million)	2002	2003
Marketable securities	50	49
Cash	672	793
	722	**842**

Marketable securities largely comprise short-term investments.

Cash balances comprise bank balances, cash-on-hand and checks. A lien of €550 million has been granted on the cash balances as collateral for financing the share buyback program.

20 | Deferred taxes

Deferred taxes result primarily from temporary differences between the carrying amounts in the IFRS financial accounts and in the tax accounts of the individual Group companies, and from consolidation adjustments. Further information can be found under note 10, Taxes on income.

21 | Prepaid expenses

A large portion of the prepaid expenses is expected to be utilized in 2004.

22 | Share capital

The share capital amounts to €215,040,000.
84 million no-par value bearer shares had been issued at the balance sheet date.

23 | Authorized capital

The Annual General Meeting on June 20, 2000 authorized the Executive Board, with the approval of the Supervisory Board, to increase the share capital in the period until June 19, 2005 by up to a total of €87 million (Authorized Capital I: €45 million; Authorized Capital II: €21 million; Authorized Capital III: €21 million) by issuing new bearer shares on one or several occasions. For this purpose, the dividend rights for new shares may be determined differently to the provisions of § 60 (2) *Aktiengesetz* (German Stock Corporation Act).

Shareholders shall be granted preemptive rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the preemptive rights in the following cases:

1. to eliminate fractions created as a result of capital increases against cash contributions (Authorized Capital I, II, III);

2. to the extent necessary to grant the holders/creditors of convertible bonds or bonds with warrants issued by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, preemptive rights to new shares in the amount to which they would be entitled after exercising their conversion rights or options, or after fulfilling their conversion obligation (Authorized Capital I, II, III);

3. to issue new shares at an issue price that is not materially lower than the quoted market price of existing listed shares at the time when the issue price is finalized, which should be as near as possible to the time the shares are placed (Authorized Capital II);

4. in the case of capital increases against non-cash contributions, for the purpose of acquiring enterprises or equity interests in businesses (Authorized Capital III).

The Executive Board was also authorized, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

24 | Contingent capital

The Annual General Meeting on June 20, 2000 also resolved to contingently increase the share capital by up to a total of €40 million. In accordance with the resolution by the Annual General Meeting, the contingent capital increase will be implemented only if:

1. the holders or creditors of conversion rights and/or options attached to convertible bonds and/or bonds with warrants issued in the period until June 19, 2005 by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, choose to exercise their conversion or option rights, or

2. the holders or creditors of convertible bonds giving rise to a conversion obligation issued in the period until June 19, 2005 by Beiersdorf AG, or companies in which it holds a direct or indirect majority interest, comply with such obligation.

The new shares carry dividend rights from the beginning of the fiscal year in which they are created via the exercise of conversion rights or options, or as a result of compliance with conversion obligations.

Notes to the Balance Sheet

25 | Additional paid-in capital

Additional paid-in capital comprises the premium arising from the issue of shares by Beiersdorf AG.

26 | Retained earnings

Retained earnings contain the undistributed profits generated in prior periods by companies included in the Group financial statements, changes in consolidation adjustments, and other changes recognized directly in equity.

Changes in the value of financial derivatives totaling €-4 million were recorded directly in equity.

27 | Minority interests

Minority interests include adjustments for the interests of non-Group shareholders in the equity of fully-consolidated affiliates. This primarily relates to Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, Beiersdorf India Limited, and Bode Chemie GmbH & Co., Hamburg.

28 | Provisions for pensions and other post-employment benefits

The Group provides for post-employment benefits for entitled employees either directly or through legally independent pension and welfare funds (at Beiersdorf AG, this refers to TROMA Alters- und Hinterbliebenenstiftung, Hamburg). The benefits vary depending on the legal, economic, and tax situation in the country in question, and are generally based on length of service, salary, and the position held within the Company. The direct and indirect obligations comprise obligations arising from existing pensions, as well as future pension and retirement obligations.

The pension obligations covered by the legally independent foundation TROMA Alters- und Hinterbliebenenstiftung, Hamburg, include the assets of this foundation. These assets include 3% of the shares of Beiersdorf AG. Group companies provide retirement benefits under defined contribution and defined benefit plans. The related expenses are included in the costs of the respective functions. Interest expense on obligations acquired in previous years, the return on plan assets, and the amortization of unrealized actuarial gains and losses are reported in the income statement under interest income.

In accordance with IAS 19 (Employee Benefits), pension obligations under defined benefit plans are calculated using the projected unit credit method. The expected benefits are spread over the entire length of service of the employees. There was no extraordinary income or expense from the termination of pension plans or the curtailment and transfer of pension benefits in the year under review.

Pension obligations are calculated on the basis of market rates of interest and projected wage/salary and pension growth. The following assumptions were applied in measuring pension obligations for the German Group companies:

	Dec. 31, 2002	Dec. 31, 2003
Discount rate	5.75 %	5.75 %
Projected wage/salary growth	3.00 %	3.00 %
Projected pension growth	2.00 %	2.00 %
Fluctuation	2.00 %	2.50 %
Projected return on plan assets	5.75 %	5.75 %

For foreign Group companies, these rates vary depending on specific local conditions.

The total expense for commitments under defined benefit plans can be broken down as follows:

(in € million)	2002	2003
Cost of obligations acquired in the year under review	19	22
Interest cost on present value of pension obligations*	34	37
Expected return on plan assets*	-25	-29
Amortization of unrecognized actuarial gains*	-13	-12
Total expense for commitments under defined benefit plans	**15**	**18**

*The sum of these amounts is reported in the income statement under interest income

The pension provision is calculated as follows:

(in € million)	2002	2003
Present value of unfunded obligations	528	551
Present value of funded obligations	107	159
Present value of pension obligations	635	710
Fair value of plan assets	-484	-519
Present value of pension obligations less plan assets	151	191
Unrecognized actuarial gains	246	189
Provision in accordance with IAS 19	**397**	**380**

Actuarial gains and losses are recognized only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets. Where this is the case, the excess amount is amortized over the average remaining working lives of the employees beginning the following year.

Pension plan assets and obligations are measured at regular intervals, at least every three years. Actuarial valuations are performed annually for all major pension plans.

Obligations of individual Group companies, particularly in the USA, to provide post-employment medical benefits for employees are also disclosed in provisions for pensions, as they are similar in character to pension obligations.

Similar obligations also include obligations for severance pay and early retirement benefits. These are calculated in accordance with actuarial principles on the basis of the standard local rates of interest.

29 | Other provisions

(in € million)	Taxes	Personnel expenses	Marketing and selling expenses	Restructuring measures	Miscellaneous	**Total**
Opening balance Jan. 1, 2003	**100**	**133**	**116**	**10**	**152**	**511**
Currency translation adjustment	-3	-	-4	-	-5	-12
Changes in consolidated Group	-	-	-	-	-	-
Additions	46	74	116	2	97	335
Usage	-91	-61	-102	-2	-75	-331
Release	-	-7	-3	-1	-13	-24
Closing balance Dec. 31, 2003	**52**	**139**	**123**	**9**	**156**	**479**

Other provisions include all identifiable future payment obligations, risks and uncertain obligations of the Group. They are carried at the likely amount of the liability incurred, and mostly have a residual maturity of less than one year.

Provisions for personnel expenses relate primarily to expenses for part-time schemes for employees approaching retirement, annual bonuses, vacation pay, severance agreements and anniversary payments.

Miscellaneous provisions relate largely to litigation risks and other risks.

30 | Liabilities

(in € million)	2002	Residual maturity up to 1 year	Residual maturity between 1–5 years	2003	Residual maturity up to 1 year	Residual maturity between 1–5 years
Financial liabilities	**96**	**93**	**-**	**96**	**61**	**25**
Trade payables	**293**	**293**	**-**	**303**	**303**	**-**
Liabilities to affiliated companies	2	2	-	6	6	-
Liabilities to associated companies	-	-	-	1	1	-
Tax liabilities	32	32	-	40	40	-
Social security liabilities	19	19	-	20	20	-
Miscellaneous liabilities	95	94	1	89	89	-
Other liabilities	**148**	**147**	**1**	**156**	**156**	**-**
	537	**533**	**1**	**555**	**520**	**25**

Liabilities are carried at the higher of their nominal value or redemption amount. Financial liabilities in the amount of €10 million (previous year: €3 million) are due after more than five years.

Financial liabilities include all of the Beiersdorf Group's interest-bearing liabilities. These relate primarily to liabilities to banks. There are no securitized liabilities to banks. No bonds were issued.

Trade payables include liabilities on bills accepted and drawn in the amount of €1 million (previous year: €4 million).

31 | Contingent liabilities and other financial obligations

(in € million)	2002	2003
Contingent liabilities		
Liabilities under bills	1	1
Liabilities under guarantees	2	2
Other financial obligations		
Obligations under rental and lease agreements:		
due within the next year	18	20
due between 2 - 5 years	33	33
due after 5 years	3	10
Obligations under purchase commitments	32	50
Obligations under share buyback program	-	955

Beiersdorf has potential obligations arising from a legal action and from claims brought against the Company. Estimates of possible future expenses are subject to a large number of uncertainties. Beiersdorf does not expect any such expenses to have a material adverse effect on the Beiersdorf Group's economic and financial situation. An obligation in connection with the buyback of 8,393,672 Beiersdorf shares at a price per share of €113.76, totaling €955 million, also existed at the balance sheet date.

32 | Derivative financial instruments

Derivative financial instruments are employed in the Beiersdorf Group to help manage current and future currency and interest rate risks. The instruments are used to hedge the Group's underlying operating business and essential financial transactions. The Group is not exposed to any additional risks as a result. The transactions are performed exclusively using standard market instruments (e.g. forward transactions, swaps, options).

Currency hedges relate primarily to intragroup deliveries and loans, while interest rate hedges relate primarily to long-term financing.

The nominal values represent the total of all purchase and selling amounts for derivatives. The nominal values shown are not offset.

The fair values shown are calculated by valuing the outstanding items at market rates at the balance sheet date, ignoring any offsetting change in the fair value of the hedged items. Changes in fair value are recognized in the balance sheet under other receivables and other assets, or in other provisions. In the case of cash flow hedges, any gains and losses are deferred directly in equity after deduction of deferred taxes.

(in € million)	Fair value 2002	Fair value 2003	Nominal value 2002	Nominal value 2003	Residual maturity up to 1 year	Residual maturity over 1 year
Currency forwards	16	7	353	378	368	10
Currency options	-	-	-	-	-	-
Interest rate swaps	-2	1	22	13	13	-
Interest rate options	-	-	-	-	-	-
	14	**8**	**375**	**391**	**381**	**10**

The positive fair values of derivatives include the default risk relating to the nonfulfillment of contractual obligations by counterparties. Beiersdorf's counterparties are prime-rated banks; the default risk is therefore considered to be extremely low.

Cash flow disclosures

The cash flow statement presents the changes in the Beiersdorf Group's cash and cash equivalents in the course of the year under review caused by the inflow and outflow of funds. It distinguishes between cash flows from operating, investing, and financing activities.

The cash and cash equivalents shown in the cash flow statement are composed of cash-on-hand, checks, and bank balances, as well as marketable securities.

Notes to the Balance Sheet

The gross cash flow totaled €401 million in the year under review. Although EBIT increased by €12 million, higher income tax payments for prior years and a decrease in long-term provisions resulted in a gross cash flow which was €40 million below that of the previous year.

At €416 million, Beiersdorf's net cash from operating activities was up €24 million on the previous year due to a reduction in inventories, a slight increase in trade receivables and other assets, and a clear increase in liabilities and short-term provisions. Net cash used in investing activities (€108 million) dropped below that of the previous year mainly as a result of lower investments in property, plant, and equipment and intangible assets. Overall, Beiersdorf generated a free cash flow of €308 million, €103 million above the previous year; this was primarily used to pay financing costs and a higher dividend of €118 million.

Cash and cash equivalents increased by a total of €120 million, to reach €842 million.

Segment reporting

Segment reporting in the Beiersdorf Group is based primarily on the products manufactured and sold by the divisions. The breakdown of the Group into the cosmed, medical, and tesa divisions reflects the internal organizational structure during the year under review. The classification by region shows the global breakdown of business activities in the Beiersdorf Group.

The divisions, as well as business developments in the divisions and the regions, are presented in the management report, on pages 35 – 41.

The net sales shown for the regions are based on the domiciles of the respective companies.

EBITDA represents the operating result (EBIT) before depreciation and amortization.

Capital employed consists of gross operating capital less operating liabilities. The following tables show the reconciliation of capital employed to the balance sheet items:

Assets (in € million)	2002	2003
Intangible assets	128	97
Property, plant, and equipment	917	912
Inventories	677	672
Trade receivables	675	688
Other receivables and other assets (operating portion)[1]	80	67
Gross operating capital	**2,477**	**2,436**
Non-operating assets	821	942
Total balance sheet assets	**3,298**	**3,378**

Shareholders' equity and liabilities (in € million)	2002	2003
Other provisions (operating portion)[2]	406	426
Trade payables	293	303
Other liabilities (operating portion)[2]	115	113
Operating liabilities	**814**	**842**
Shareholders' equity	1,727	1,831
Non-operating liabilities	757	705
Total balance sheet shareholders' equity and liabilities	**3,298**	**3,378**

[1] Not including tax receivables or the positive fair values of derivatives, among other things

[2] Not including tax provisions and liabilities or the negative fair values of derivatives, among other things

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

Gross cash flow is the excess of operating income over operating expenses before any further appropriation of funds.

Other Disclosures

Related party information in accordance with IAS 24

Beiersdorf maintained relations with companies belonging to the Allianz Group as part of its risk management activities in the year under review. Insurance providers are selected and insurance transactions handled by an independent insurance broker. In addition, goods and services are traded on a small scale between the Beiersdorf Group and non-consolidated Beiersdorf companies in the course of normal business.

Business transactions with related parties are conducted on an arm's length basis.

Declaration of Compliance with the German Corporate Governance Code:

The Executive Board and Supervisory Board of Beiersdorf AG submitted their declaration of compliance with the recommendations of the Government Commission on the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) at the end of December 2003, and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com. The declaration of compliance is also reproduced in the Corporate Governance section on pages 29 and 30.

Disclosures relating to the Executive Board and Supervisory Board

Total compensation

Total compensation for members of the Supervisory Board for 2003 amounted to €1,624 thousand (previous year: €1,393 thousand). In accordance with the Articles of Association, this consists of a fixed component of €328 thousand (previous year: €259 thousand) and variable, dividend-based compensation of €1,296 thousand (previous year: €1,134 thousand). The members of the Supervisory Board did not receive any compensation or benefits for services provided individually, such as advisory or agency services.

Total compensation for members of the Executive Board for 2003 totaled €5,844 thousand (previous year: €5,313 thousand). This amount consists of a fixed component of €1,823 thousand (previous year: €1,813 thousand) and a variable, dividend-based component of €4,021 thousand (previous year: €3,500 thousand).

Payments to former members of the Executive Board and their dependants amounted to €1,407 thousand (previous year: €1,317 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to €13,615 thousand (previous year: €12,905 thousand).

Loans

No loans have been granted to members of the Executive Board and Supervisory Board.

Shareholdings

The members of the Supervisory Board and Executive Board of Beiersdorf AG hold a combined total of less than 1 % of the shares issued by the Company.

Directors' Dealings

The following disclosures in accordance with § 15a *Wertpapierhandelsgesetz* (German Securities Trading Act) regarding the acquisition or disposal of shares in the Company were received by the Company from members of the Supervisory Board and Executive Board in 2003: The wife of Executive Board member Dieter W. Steinmeyer informed the Company that she had sold 1,500 shares in the Company on June 4, 2003 at a price of €115 per share. Supervisory Board member Dr. Carl Albrecht Claussen informed the Company that he had sold 150,000 shares on December 11, 2003 at a price of €135.41 per share.

Events after the balance sheet date

On December 23, 2003, Beiersdorf AG published a public offer to buy back a total of up to 8,400,000 Beiersdorf shares. This offer was addressed to all shareholders and ended on January 23, 2004. The purchase price offered by Beiersdorf was €113.76 per share. This represented a premium of 20 % to the average XETRA closing price for Beiersdorf's shares during the last ten days before publication of the acquisition offer. More information on the share buyback program and its outcome can be found in the Investor Relations section on page 24.

No other significant events occurred after the balance sheet date.

Other Disclosures

Information on the Annual Financial Statements of Beiersdorf AG*

Balance sheet of Beiersdorf AG

Assets (in € million)	Dec. 31, 2002	Dec. 31, 2003
Fixed assets	**914**	**1,285**
Inventories	92	104
Trade receivables	89	85
Other receivables and other assets	279	210
Cash and cash equivalents	209	583
Current assets	**669**	**982**
	1,583	**2,267**

Equity and liabilities (in € million)	Dec. 31, 2002	Dec. 31, 2003
Equity	**937**	**1,151**
Special tax allowable reserves	**3**	**2**
Provisions for pensions and similar obligations	331	341
Other provisions	244	357
Provisions	**575**	**698**
Trade payables	37	35
Other liabilities	31	381
Liabilities	**68**	**416**
	1,583	**2,267**

* In accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code)

The signifant change in several balance sheet positions from prior year are mainly the result of the share buyback program explained on page 24 of this report.

Intra-Group restucturing measures resulted in increases to both the value of investments in affiliates and equity. Furthermore in anticipation of financing needs, loans were taken from other Group companies.

More detailed information can be found in the Annual Financial Statements of Beiersdorf AG which are published separately.

Income statement of Beiersdorf AG

(in € million)	2002	2003
Sales	**1,249**	**1,249**
Operating income	122	101
Cost of materials	-401	-414
Personnel expenses	-246	-237
Depreciation and amortization on property, plant, and equipment and intangible assets	-55	-47
Other operating expenses	-539	-514
Operating result	**130**	**138**
Financial result *	87	267
Result from ordinary activities	**217**	**405**
Taxes	-61	-73
Profit after tax	**156**	**332**

* The figure for 2003 includes special effects from intra-Group restructuring measures and the share buyback program

Shareholdings of Beiersdorf AG

A list of Beiersdorf AG's shareholdings is filed with the commercial register of Hamburg Local Court (HRB 1787). The significant Group companies are listed on pages 86 and 87 of this Annual Report.

Shareholdings in Beiersdorf AG

As of the balance sheet date the following disclosures in accordance with *Wertpapierhandelsgesetz* (German Securities Trading Act, "WpHG") had been received by the Company:

Allianz AG, Munich, informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company fell below the threshold of 25 % on December 22, 2003 and amounted to 11.07 % as from this date. These voting rights are fully attributable to Allianz AG in accordance with § 22 (1) sentence 1 no. 1 *WpHG*. In accordance with §§ 21 (1) and 24 *WpHG*, Allianz AG informed us on behalf of AZ-BDF Vermögensverwaltungsgesellschaft mbH, Munich, that the latter's share of voting rights in our Company fell below the threshold of 25 % on December 22, 2003 and amounted to 11.07 % as from this date.

In accordance with §§ 21 (1) and 24 *WpHG*, Allianz AG also informed us that the share of voting rights held by AZ-BDF Vermögensverwaltungsgesellschaft mbH in our Company fell below the thresholds of 10 % and 5 % due to an intra-Group share transfer on December 29, 2003, and that it now amounts to 4.66 %. Allianz AG's share of voting rights did not change in a manner requiring disclosure as a result.

Other Disclosures

Tchibo Holding AG, Hamburg, voluntarily informed us in accordance with § 21 (1) *WpHG* that it held 49.96% of voting rights in our Company since December 22, 2003. 30.358% of these voting rights are attributable to Tchibo Holding AG in accordance with § 22 (1) sentence 1 no. 1 *WpHG*. The share of voting rights held directly by Tchibo Holding AG exceeded the threshold of 5% on December 22, 2003 and is now 19.6%. The proportion of voting rights in our Company held by Tchibo Beteiligungsgesellschaft mbH, Hamburg, and Vanguard Grundbesitz GmbH, Hamburg, remained unchanged. In this respect, Tchibo Holding AG has informed us on behalf of Vanguard Grundbesitz GmbH in accordance with § 21 (1) *WpHG* that the latter's share of voting rights in our Company exceeded the threshold of 5% on September 30, 2002 and has amounted to 29.99% as from that date. Tchibo Holding AG has also informed us on behalf of Tchibo Beteiligungsgesellschaft mbH in accordance with § 21 (1) *WpHG* that the latter's share of voting rights in our Company amounted to 30.358% on September 30, 2002, and that these shares are attributable to Tchibo Beteiligungsgesellschaft mbH in accordance with § 22 (1) sentence 1 no. 1 *WpHG*.

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsverwaltung mbH, Hamburg, has informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company had exceeded the threshold of 5% on December 22, 2003 and had reached the threshold of 10%, and that the exact amount of its share of voting rights was now 10.0%.

The Free Hanseatic City of Hamburg has informed us in accordance with § 21 (1) *WpHG* that its share of voting rights in our Company exceeded the threshold of 5% on December 22, 2003 and is now 10.0%. These voting rights are fully attributable to the Free Hanseatic City of Hamburg in accordance with § 22 (1) sentence 1 no. 1 *WpHG*. The Free Hanseatic City of Hamburg does not have any other direct interest in our Company.

Teamwork is a key foundation
for success

The acceptance period for the share buyback program of Beiersdorf AG ended after the balance sheet date on January 23, 2004. As part of this share buyback program Allianz AG sold Beiersdorf shares to the Company. More information on the shareholder structure after the settlement of the share buyback program can be found in the Investor Relations section on page 24.

Proposal on the utilization of Beiersdorf AG's net retained profits

(in € million)	2003
Profit after tax of Beiersdorf AG	332
Transfer to retained earnings	166
Net retained profits of Beiersdorf AG	**166**

The Executive Board and Supervisory Board will propose to the Annual General Meeting that the net retained profits from fiscal year 2003 of €166 million be utilized as follows:

(in € million)	2003
Distribution of a dividend of €1.60 for each share entitled to a dividend (75,606,328 shares)	121
Transfer to retained earnings	45
Net retained profits of Beiersdorf AG	**166**

The shares carrying dividend rights at the time of the Executive Board's proposal on the utilization of the net retained profits have been reflected in the amounts specified for the total dividend and for the transfer to retained earnings. The own shares held by the Company do not carry dividend rights in accordance with § 71b *Aktiengesetz* (German Stock Corporation Act).

If the number of own shares held by the Company at the time of the resolution by the Annual General Meeting on the utilization of the net retained profits is higher or lower than at the time of the Executive Board's proposal on the utilization of the profits, the total amount to be distributed to the shareholders shall be reduced or increased by the portion of the dividend attributable to the difference in the number of shares. The amount to be appropriated to the other retained earnings shall be adjusted inversely by the same amount. In contrast, the dividend to be distributed per no-par value bearer share carrying dividend rights shall remain unchanged. If necessary, an appropriately modified draft resolution will be presented to the Annual General Meeting.

Hamburg, February 23, 2004

The Executive Board

Boards of Beiersdorf AG

Honorary Chairman of the Company

Georg W. Claussen

Supervisory Board

Dr. Hans Meinhardt, Wiesbaden
Chairman

Former Chairman of the Executive Board of Linde AG

Chairman of the Supervisory Board
- Karstadt Quelle AG
- Karstadt Warenhaus AG (until June 30, 2003)

Jürgen Krause, Hamburg
Deputy Chairman

Chairman of the Works Council of Beiersdorf AG

Günter Herz, Hamburg
(until September 22, 2003)
Deputy Chairman

Merchant

Dieter Ammer, Bremen
(since September 23, 2003)
Deputy Chairman

Chairman of the Executive Board of Tchibo Holding AG

Chairman of the Supervisory Board
- Conergy AG
- Interbrew Deutschland Holding GmbH

Member of the Supervisory Board
- mg technologies ag

Deputy Chairman of the Board of Directors
- Sparkasse Bremen

Dr. Diethart Breipohl, Icking
Former member of the Executive Board of Allianz AG

Chairman of the Supervisory Board
- KM Europa Metal AG

Member of the Supervisory Board
- Allianz AG
- Continental AG
- Karstadt Quelle AG
- mg technologies ag (until June 3, 2003)

Member of the Conseil d'Administration
- Crédit Lyonnais, Paris
- EULER & Hermes, Paris
- Les Assurances Générales de France (AGF), Paris

Member of the Consejo de Administración
- Banco Popular Español, Madrid

Member of the Board of Directors
- BPI Banco Portugues de Investimento, Porto

Margret Buhse, Hamburg
Head of Group Communications of Beiersdorf AG

Dr. Carl Albrecht Claussen, Berlin
Lawyer
Taylor Wessing, Lawyers

Dr. Walter Diembeck, Hamburg
Head of Biocompatibility, Research & Development, Beiersdorf AG

Rainer Holland, Hardebek
Engineer of tesa Werk Hamburg GmbH

Tomas Nieber, Bad Münder
(since May 23, 2003)
Trade Union Secretary, IG Bergbau, Chemie, Energie

Member of the Supervisory Board
- Wolff Walsrode AG

Member of the Advisory Board
- Qualifizierungsförderwerk Chemie GmbH

Reinhard Pöllath, Munich
Lawyer
Pöllath + Partner

Chairman of the Supervisory Board
- Deutsche Woolworth GmbH & Co. OHG
- Tchibo Holding AG

Deputy Chairman of the Supervisory Board
- SinnerSchrader AG

Member of the Supervisory Board
- TA Triumph-Adler AG
- Tchibo Frisch-Röst-Kaffee GmbH & Co. KG
- Verwaltungsgesellschaft Otto Versand mbH (until April 30, 2003)

Norbert Ranft, Bochum
(until March 29, 2003)
Executive Secretary IG Bergbau, Chemie, Energie

Deputy Chairman of the Supervisory Board
(until March 29, 2003)
- BDE (Deutsche Gesellschaft zum Bau und Betrieb von Endlagern für Abfallstoffe mbH)
- RAG Umwelt GmbH
- Wintershall AG

Manuela Rousseau, Halstenbek
Head of PR Programs, Beiersdorf AG

Professor at the Academy of Music and Theater, Hamburg

Detlef Stutter, Hünstetten
(from March 29, 2003 until May 15, 2003)
District Leader IG Bergbau, Chemie, Energie

Member of the Supervisory Board
- Roche Diagnostics GmbH (since March 14, 2003)
- SCA Hygiene Paper AG (since June 26, 2003)

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

Member of the Supervisory Board
- AON Jauch & Hübener GmbH
- Fielmann AG
- Philips GmbH (until June 30, 2003)

Deputy Chairman of the Advisory Board
- AON Jauch & Hübener Holding GmbH

Supervisory Board Committees

Members of the Mediation Committee

Dr. Hans Meinhardt (Chairman)
Dieter Ammer
Margret Buhse
Jürgen Krause

Members of the Executive Committee

Dr. Hans Meinhardt (Chairman)
Dieter Ammer
Jürgen Krause
Hans-Otto Wöbcke

Members of the Audit Committee

Dr. Hans Meinhardt (Chairman)
Dr. Diethart Breipohl
Dr. Walter Diembeck
Reinhard Pöllath

Executive Board

Dr. Rolf Kunisch
Chairman

Member of the Supervisory Board
- Hamburg-Mannheimer Sachversicherungs-AG
- Hamburg-Mannheimer Versicherungs-AG
- Hermes Kreditversicherungs-AG
- Lufthansa Technik AG

Peter Kleinschmidt
(since May 1, 2003)
Human Resources/Administration/ Environmental Protection

Dr. Werner Opgenoorth
(until June 30, 2003)
Human Resources/Administration/ Environmental Protection

Thomas-Bernd Quaas
Procurement/Production/Logistics

Rolf-Dieter Schwalb
Finance/Controlling/IT

Dieter W. Steinmeyer
(until December 31, 2003)
tesa

Uwe Wölfer
Marketing/Research & Development/Sales

Significant Group Companies

	Location	Share of capital (%)	Sales[1] 2003 (in € million)	Result[2] 2003 (in € million)	Employees as of Dec. 31, 2003
Germany					
Beiersdorf AG	DE, Hamburg		1,104	196[4]	3,023
Bode Chemie GmbH & Co.	DE, Hamburg	75.0	69	5	289
Cosmed-Produktions GmbH	DE, Berlin	100.0	50	3	145
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100.0	93	5	459
Florena Cosmetic GmbH	DE, Waldheim	100.0	59	2	311
tesa AG	DE, Hamburg	100.0	384	5	710
tesa-Werke Offenburg GmbH	DE, Offenburg	100.0	110	1	480
tesa Werk Hamburg	DE, Hamburg	100.0	83	2	460
Europe, excluding Germany					
Beiersdorf Gesellschaft m.b.H.	AT, Vienna	100.0	145	12	227
SA Beiersdorf NV	BE, Brussels	100.0	90	8[4]	118
Bandfix AG	CH, Bergdietikon	100.0	37	2	160
Beiersdorf AG[3]	CH, Münchenstein	50.0	49	8	66
Juvena (International) AG	CH, Volketswil/Zurich	100.0	55	2	116
Beiersdorf spol. s.r.o.	CZ, Prague	100.0	37	3	85
BDF Nivea S.A.	ES, Tres Cantos (Madrid)	100.0	150	10	269
Beiersdorf, S.A.	ES, Argentona (Barcelona)	100.0	71	5	293
Beiersdorf s.a.	FR, Savigny-le-Temple	99.9	359	20	703
Beiersdorf UK Ltd.	GB, Birmingham	100.0	163	7	210
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100.0	58	4	162
Beiersdorf Vegyészeti Termelö és Forgalmazó KFT	HU, Budapest	100.0	33	3	74
Beiersdorf SpA	IT, Milan	100.0	317	13	394
Comet SpA	IT, Solibate-Concagno	100.0	71	1	200
Beiersdorf N.V.	NL, Almere	100.0	144	11	266
Beiersdorf-Lechia S.A.	PL, Poznan	99.9	104	8	393
Beiersdorf Portuguesa, Lda.	PT, Queluz de Baixo	100.0	68	6	105
Beiersdorf ooo	RU, Moscow	100.0	87	6	93
Beiersdorf AB	SE, Kungsbacka	100.0	92	5	302

	Location	Share of capital (%)	Sales[1] 2003 (€ million)	Result[2] 2003 (€ million)	Employees as of Dec. 31, 2003
Americas					
BDF Nivea Ltda.	BR, São Paulo	100.0	56	-4	138
BDF México, S.A. de C.V.	MX, Mexico City	100.0	77	3	335
Beiersdorf, Inc.	US, Wilton, CT	100.0	275	5	643
La Prairie, Inc.	US, New York, NY	100.0	43	2	70
tesa tape, inc.	US, Charlotte, NC	100.0	78	-1	268
Africa/Asia/Australia					
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.0	53	1	174
Nivea-Kao Co., Ltd.	JP, Tokyo	60.0	137	10	64
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	100.0	75	6	313
(Subgroup) BSN medical GmbH & Co. KG[3]	DE, Hamburg	50.0	245	18	1,585

[1] These figures also include intragroup sales and do not reflect the contribution to the consolidated financial statements

[2] Profit after tax in accordance with the Group's accounting policies before consolidation

[3] Joint ventures, consolidated pro rata

[4] Excluding the effects of intra-Group restructuring measures, which have no impact on Group result

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Ten-year Overview

(in € million unless otherwise stated)		1994	1995	1996	1997	1998[1]	1999	2000	2001	2002	2003
Sales[2]		**2,634**	**2,733**	**2,954**	**3,215**	**3,347**	**3,638**	**4,116**	**4,542**	**4,742**	**4,673**
Change from prior year	in %	8.2	3.7	8.1	8.8	4.1	8.7	13.1	10.3	4.4	-1.5
cosmed		1,424	1,488	1,573	1,751	1,980	2,242	2,590	2,955	3,167	3,136
medical		582	593	711	753	735	768	858	915	882	841
tesa		628	652	670	711	632	628	668	672	693	696
Germany		954	1,030	1,050	1,062	1,192	1,194	1,217	1,256	1,286	1,268
Europe excluding Germany		999	1,050	1,146	1,267	1,358	1,493	1,638	1,927	2,124	2,207
Americas		385	347	455	556	544	630	832	903	819	692
Africa/Asia/Australia		296	306	303	330	253	321	429	456	513	506
EBITDA		**315**	**357**	**364**	**377**	**424**	**468**	**538**	**620**	**633**	**648**
Operating result (EBIT)		**212**	**240**	**235**	**248**	**291**	**339**	**389**	**466**	**472**	**484**
Profit before tax		207	235	226	132	265	323	382	468	478	499
Profit after tax		**106**	**116**	**120**	**72**	**166**	**175**	**226**	**285**	**290**	**301**
Return on sales (after taxes)	in %	4.0	4.2	4.0	2.2	5.0	4.8	5.5	6.3	6.1	6.4
Earnings per share	in €	1.23	1.30	1.34	1.31	1.93	2.04	2.61	3.32	3.37	3.50
Total dividend		34	37	43	43	52	60	84	109	118	121
Dividend per share	in €	0.41	0.43	0.51	0.51	0.61	0.72	1.00	1.30	1.40	1.60
Cost of materials		**801**	**845**	**901**	**964**	**981**	**995**	**1,112**	**1,196**	**1,205**	**1,192**
Personnel expenses		**662**	**648**	**673**	**716**	**701**	**713**	**786**	**817**	**863**	**872**
Capital expenditure (incl. financial assets)		**157**	**204**	**123**	**144**	**138**	**129**	**249**	**241**	**242**	**169**
Depreciation (incl. financial assets)		**104**	**117**	**133**	**133**	**154**	**129**	**149**	**154**	**162**	**164**
Research and development expenses		**83**	**90**	**94**	**97**	**74**	**79**	**88**	**92**	**93**	**100**
as % of sales		3.1	3.3	3.2	3.0	2.2	2.2	2.1	2.0	2.0	2.1
Employees (as of Dec. 31)		**17,357**	**17,975**	**17,881**	**16,777**	**16,417**	**16,065**	**16,590**	**17,749**	**18,183**	**18,249**

(in € million unless otherwise stated)		1994	1995	1996	1997	1998[1]	1999	2000	2001	2002	2003
Fixed assets		**743**	**780**	**756**	**751**	**861**	**864**	**950**	**1,027**	**1,067**	**1,031**
Intangible assets		50	118	105	91	79	56	118	138	128	97
Property, plant, and equipment		643	634	628	617	751	782	808	871	917	912
Financial assets		50	28	23	43	31	26	24	18	22	22
Current assets		**937**	**1,023**	**1,108**	**1,253**	**1,545**	**1,838**	**2,031**	**2,220**	**2,231**	**2,347**
Inventories		351	388	401	394	484	515	595	695	677	672
Receivables and other assets		416	456	497	510	618	701	804	811	832	833
Cash and cash equivalents		**170**	**179**	**210**	**349**	**443**	**622**	**632**	**714**	**722**	**842**
Shareholders' equity		**736**	**774**	**853**	**877**	**1,122**	**1,289**	**1,458**	**1,636**	**1,727**	**1,831**
Share capital		107	107	215	215	215	215	215	215	215	215
Reserves		614	650	622	647	890	1,051	1,219	1,400	1,492	1,604
Minority interests		15	17	16	15	17	23	24	21	20	12
Liabilities		**944**	**1,029**	**1,011**	**1,127**	**1,284**	**1,413**	**1,523**	**1,611**	**1,571**	**1,547**
Provisions		491	553	578	666	691	772	828	863	908	859
Financial liabilities		138	130	91	80	66	61	83	129	96	96
Other liabilities		315	346	342	381	527	580	612	619	567	592
Total equity and liabilities		**1,680**	**1,803**	**1,864**	**2,004**	**2,406**	**2,702**	**2,981**	**3,247**	**3,298**	**3,378**
Equity ratio	in %	43.8	42.9	45.7	43.8	46.8	47.7	48.9	50.4	52.4	54.2
Return on equity (after taxes)	in %	15.1	15.4	14.7	8.3	14.7	14.5	16.4	18.5	17.3	16.9
Return on capital employed (before taxes)	in %	13.5	14.5	12.8	7.3	13.1	13.7	14.2	15.5	14.9	15.1
Beiersdorf share Year-end closing price[3]	in €	**25.95**	**25.69**	**38.91**	**39.88**	**58.80**	**66.66**	**111.50**	**127.50**	**106.10**	**96.20**
Market capitalization as of Dec. 31[3]		2,180	2,158	3,268	3,350	4,939	5,599	9,366	10,710	8,912	8,081

[1] Figures up to and including 1997 prepared in accordance with German law (*Handelsgesetzbuch* – German Commercial Code); figures from 1998 onwards prepared in accordance with the International Financial Reporting Standards (IFRS)

[2] Sales changed from "based on customers' domicile" to "based on companies' domicile"

[3] Based on Frankfurt floor trading until 1998 and on the XETRA trading system from 1999 onwards; figures converted to the number of shares in 2003

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Financial Calendar

Annual Accounts Press Conference Financial Analyst Meeting	March 30, 2004
Interim Report January to March 2004	May 13, 2004
Annual General Meeting	June 3, 2004
Dividend Payment	June 4, 2004
Interim Report January to June 2004	August 11, 2004
Interim Report January to September 2004 Financial Analyst Meeting	November 10, 2004
Publication of Preliminary Group Results	January 2005
Key Company Data for Fiscal Year 2004	End of February 2005
Annual Accounts Press Conference Financial Analyst Meeting	End of March 2005
Interim Report January to March 2005	Mid-May 2005
Annual General Meeting	May 18, 2005
Interim Report January to June 2005	Mid-August 2005
Interim Report January to September 2005 Financial Analyst Meeting	Mid-November 2005

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