BDF ●●●●
Beiersdorf

Annual Report 2002

AT HOME ALL OVER THE WORLD

Brands and People

2002

OUR OBJECTIVES

- to continuously expand our leading international position
- to strive for sales quality through market leadership
- to make targeted acquisitions in the context of our corporate strategy
- to be a reliable growth stock for investors

BEYOND BORDERS: SUCCESS KNOWS NO LIMITS

Beiersdorf is at home all over the world – with strong international brands that enjoy consumer trust transcending all boundaries.

Being international is an important key to Beiersdorf's success. It means we lose no time in transferring successes in individual countries to other regions. It opens up opportunities and offsets risks.

We wish to take the opportunity afforded by this Annual Report to tell you more about Beiersdorf's international orientation.


Elastoplast
Active Gel Strip
Hansaplast
Universal
Florena
Creme
SKIN CAVIAR
LUXE CREAM
la prairie
SWITZERLAND
8x4
FRESH
PRO ACTIVE 24h
UNITY
NIVEA
Creme
Eucerin
EMPFINDLICHE HAUT
pH5
LOTION F
JUVENA
JUVENANCE
MOISTURE RELEASE
labello
CLASSIC
tesa
atrix
AKTIV PFLEGE
INTENSIVE
SCHUTZCREME
Parfümfrei
FUTURO

OUR SUCCESS PROFILE

Beiersdorf is a leading international branded goods company with brands that focus on consumer wishes and demands. We concentrate all our efforts on the development and care of our strong international brands NIVEA, 8x4, atrix, Eucerin, Labello, la prairie, JUVENA, FUTURO, Florena, tesa, Hansaplast and Elastoplast. This allows us to grow continuously in strategically selected markets.

We have been successful for more than 120 years because we are constantly coming up with new innovations. We never grow tired of engaging in research, developing new products, improving our product range. Which is why we keep convincing consumers with brands that are good value for money.

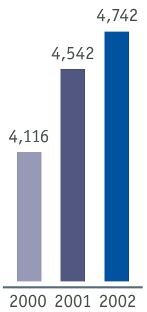
Beiersdorf is at home all over the world. We draw our international strength from local strength. Our key to success: a single international marketing strategy that our affiliates implement perfectly in local responsibility.

Beiersdorf – that means more than 18,000 employees worldwide. It is their dedication and their know-how that ensure Beiersdorf will continue utilizing its growth potential to the fullest.

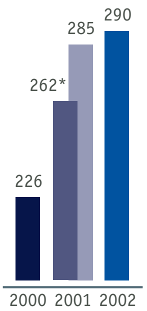
Beyond borders: The new international NIVEA Creme campaign has been running since August 2002

BEIERSDORF AT A GLANCE

Group sales
(in million €)



Group profit after tax
(in million €)



All figures in million € (unless otherwise stated)	2001		2002
Sales	**4,542**		**4,742**
Change from prior year in %	10.3		4.4
cosmed	2,955		3,167
medical	915		882
tesa	672		693
EBITDA	**620**	***582****	**633**
Operating result (EBIT)	**466**	***428****	**472**
Profit after tax	**285**	***262****	**290**
Return on sales (after tax) in %	6.3	*5.8**	6.1
Earnings per share in €	3.32	*3.05**	3.37
Total dividend	**109**		**118**
Dividend per share in €	1.30		1.40
Gross cash flow	**456**	***433****	**441**
Capital expenditure (including financial assets)	**241**		**242**
Research and Development expenses	**92**		**93**
Employees (number at Dec. 31)	**17,749**		**18,183**

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

BEIERSDORF GROUP ANNUAL REPORT ON THE FINANCIAL YEAR 2002



Corporate Governance

Management Report

Group Financial Statements

Group Notes

Additional Information

THE YEAR IN REVIEW

JANUARY – MARCH

JUVENA
OF SWITZERLAND

"Marlies Möller" hair care brand goes to JUVENA/la prairie
Effective January 1, 2002 the Beiersdorf affiliate JUVENA/la prairie, Zurich, acquired the hair care range of Marlies Möller, Hamburg, which will continue under the well-known brand name.

NIVEA sponsors beach volleyball
Beiersdorf and its NIVEA brand have been active in the beach volleyball sector since 1999. And that includes Germany's top-ranking beach volleyball series: the Beach Volleyball Masters, held again in 2002.

APRIL – JUNE

Florena

Florena – now a 100 % Beiersdorf affiliate
On April 1, 2002 Beiersdorf AG increased its interest in Florena Cosmetic GmbH, Waldheim/Saxony from 24.9 % to 100 %, thereby cementing the long-standing connection between the two companies.

New research center
On May 8, 2002 the foundation stone was laid for the new research and laboratory building at Beiersdorf AG in Hamburg. By the end of 2003 its total floor area of 8,800 m^2 will house high-tech laboratories, a test center for voluntary test subjects and a 500-seat lecture theater as a training and communication center.

0 2

JULY – SEPTEMBER

Eucerin market launch in Romania
The Romanian affiliate successfully launched the Eucerin products for sensitive and for dry skin on the Romanian market.

Beiersdorf Singapore Private Limited established
The new Beiersdorf affiliate Beiersdorf Singapore Private Limited opened its doors in August. It has taken over the marketing, material management and sales activities in both Singapore and Malaysia.

NIVEA international
New NIVEA brand segments were launched in various countries. NIVEA VISAGE is now available in Korea, NIVEA FOR MEN in Japan, NIVEA Baby in Hungary and NIVEA Hand in Spain and Germany.

OCTOBER – DECEMBER

80 years of Hansaplast
Some 15.5 billion meters of the world's first wound dressing have been produced since the launch of Hansaplast plasters in 1922. Thanks to its consistent high quality and continuous innovations, Hansaplast currently leads the market in 21 countries (like Elastoplast and CURITAS in many others).

New affiliate: Beiersdorf Ukraine
On October 1, 2002 the former Ukrainian representative office became the affiliate Beiersdorf Ukraine LLC. It is currently the youngest member of the Beiersdorf family.

JANUARY – MARCH 2003

Product of the Year.
On February 6, 2003 NIVEA Shower Oil was awarded the title "Product of the Year 2002" in France. For the past sixteen years the independent jury of "Management Europe Meeting" has awarded this prize for outstanding product innovations.

Innovative Wound Healing
Following its successful introduction in nine countries, the Hansaplast Active Gel Strip was also launched in Germany in March 2003. The plaster supports moist wound healing, relieves pain and avoids scab formation. Under moist conditions wounds can heal up to 50 % faster.

Dr. Rolf Kunisch
Chairman of the Executive Board

FOREWORD BY THE EXECUTIVE BOARD

Ladies and Gentlemen,

The year 2002 was the best in our 120-year history. This is true for both sales which rose by 4.4 % (7.3 % at constant exchange rates) to € 4,742 million and after-tax profit which on a comparable basis rose by 10.7 % to € 290 million.

This positive development is based first and foremost on Beiersdorf's international orientation and the systematic implementation of our strategy of entering new market segments and new countries. Step by step, we have been able to build our growth and our success in the world's markets. In the "Strategy" section of this Annual Report we want to inform you about the positive prospects for our Company.

Both our employees' dedication to achievement and the strength of our brands represent the key success factors of the Beiersdorf Group. They made 2002 a record year in a difficult economic environment. And they guarantee our future.

Unfortunately, the Beiersdorf share did not entirely escape the trend of the stock exchanges during the past year. But as before, our share performed distinctly better than the DAX or MDAX. The long-term development of the Beiersdorf share price is extremely positive.

The Beiersdorf Group is focused entirely on the sales and profit growth of its ten strong brand families. Their sales in 2002 grew by almost 10 % at constant exchange rates, in line with our long-term strategy. This is considerably better than the organic growth of many of our competitors.

Our young affiliates, tesa AG and BSN medical GmbH & Co. KG, developed very well in 2002. In their own new structures within the Group they are well prepared for a dynamic future.

In 2002 Germany was characterized by an increasing consumer reluctance to spend. This affected our business, too. Our sales in Germany nevertheless grew thanks to the acquisition of Florena Cosmetic GmbH, Waldheim. We would like to also take this opportunity to welcome our new affiliate in the Beiersdorf family.

We are certain that – despite many challenges – 2003 will be another successful year. The Executive Board wants 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 trust and our business partners for their support.

Dr. Rolf Kunisch
Chairman of the Executive Board

THE EXECUTIVE BOARD OF BEIERSDORF AG

DR. ROLF KUNISCH
born 1941 in Arolsen
Executive Board member since 1991
Executive Board Chairman since 1994

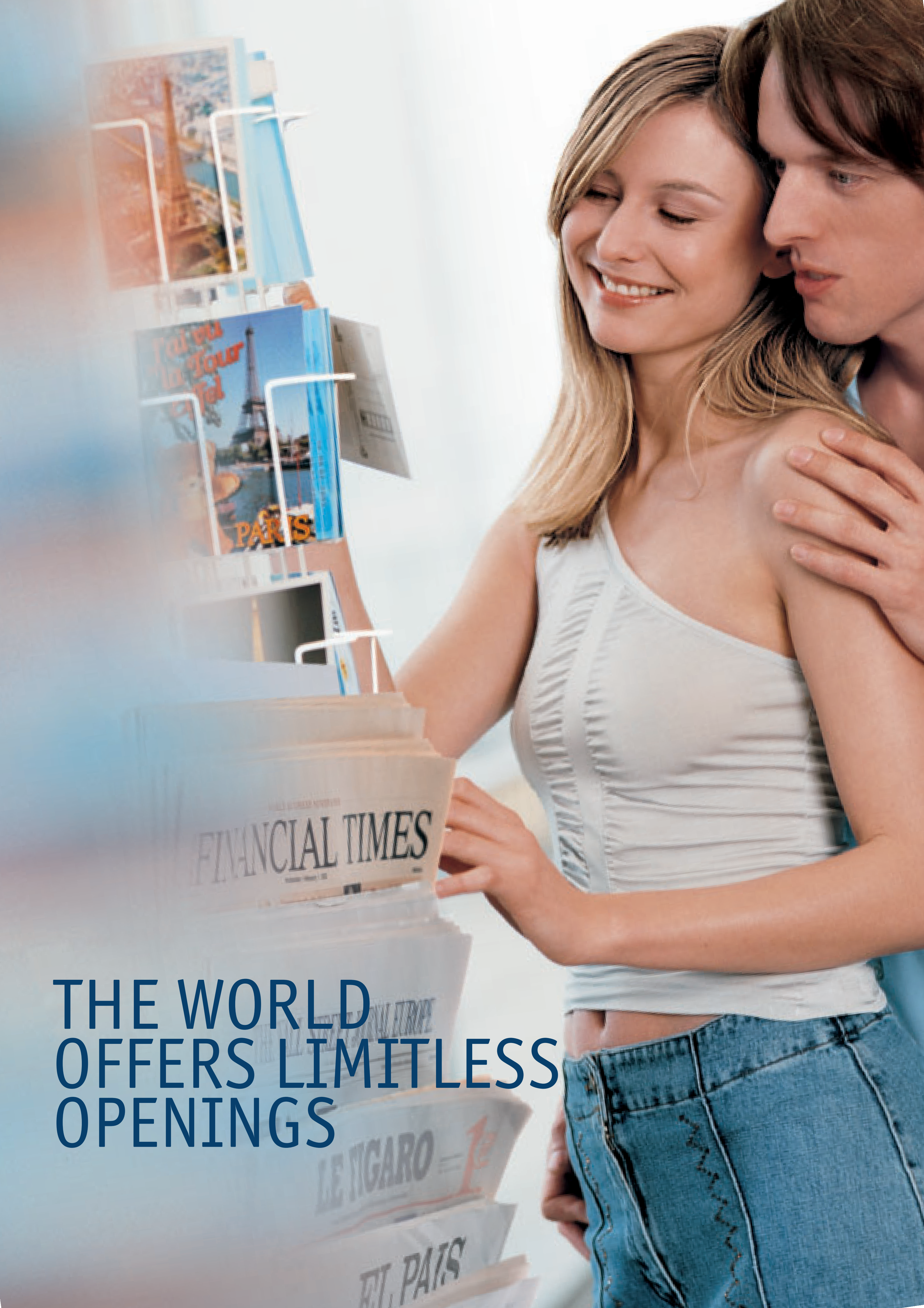
DR. WERNER OPGENOORTH
born 1943 in Kleve
Executive Board member since 1991
Human Resources/Administration/
Environmental Protection

ROLF-DIETER SCHWALB
born 1952 in Giessen
Executive Board member
since 2000
Finance/Controlling/IT

UWE WÖLFER
born 1943 in Berlin
Executive Board member since 1994
cosmed division

THOMAS-BERND QUAAS
born 1952 in Glauchau
Executive Board member since 1999
medical division

DIETER W. STEINMEYER
born 1948 in Bad Homburg
Executive Board member since 1990
tesa division



THE WORLD OFFERS LIMITLESS OPENINGS

THE WORLD IS FULL OF OPPORTUNITIES

Beiersdorf got an early start in internationalizing its business. Today, acting internationally is an important element for our success – and ensures long-term growth of sales and profits.

Beiersdorf was established in 1882. Only ten years later the young company signed a cooperation agreement with an American trading company – getting its transnational activities off to an early start.



Beiersdorf has steadily taken advantage of its strength to open up new markets and new countries step by step. At the beginning of the twentieth century, we were already achieving more than 40 % of our sales through our representatives abroad. Today approximately three quarters of our sales are made outside Germany.

Beiersdorf now has more than 100 affiliates worldwide – and a concentrated portfolio of strong brands that make life a little more enjoyable for consumers all over the world.

The internationalization of our business is constantly giving us new perspectives and opportunities: from offsetting risks in individual countries and currencies to identifying the next trends. A company that is close to consumers everywhere can implement the latest developments and never fail to surprise people with innovations and new ideas.

Our international activities ensure long-term sales and profit growth. This makes Beiersdorf a company that shareholders, consumers, employees and business partners can always rely on.



International Beiersdorf advertisements in 2002

CONCENTRATION ON INTERNATIONAL CONSUMER BRANDS

BRANDS WITH
GLOBAL POTENTIAL

BRANDS WITH
LEADING GLOBAL POSITION

BRANDS WITH
REGIONAL STRENGTH

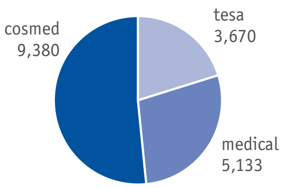
BEYOND BORDERS – TAKING TEAMWORK TO THE LIMITS

MORE THAN 18,000 EMPLOYEES AROUND THE WORLD

All over the world, our employees work with great dedication for Beiersdorf. Their commitment and identification with the Company are decisive factors for our strength and our success.

Beiersdorf is at home all over the world. To a large extent this is due to our employees. Their dedication and enthusiasm are decisive factors ensuring the progress of the Company's international development – especially in markets that Beiersdorf is entering for the first time. For example in Eastern Europe we have successfully launched many of our brands, above all thanks to the hard work of highly motivated employees.

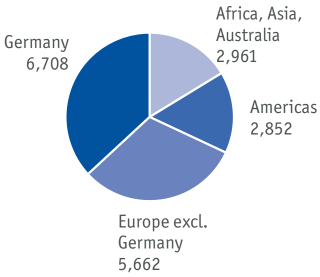
Employees by division
at Dec. 31, 2002
Total: 18,183



Our international Group unites many cultures under a single roof. This diversity is our advantage. We use it by cultivating a lively dialog and close cooperation between employees from various cultures. One example is our head office in Hamburg: here the number of employees from different countries increased even further in 2002.

With the aid of modern transfer guidelines, international brand expert teams and marketing training, we bring together employees from a variety of countries. They learn from each other and develop measures that they can exploit in their home markets. 2003 will see the start of a new program designed to give an additional boost to this process of internationalization.

Employees by region
at Dec. 31, 2002
Total: 18,183



Exchanging ideas and knowledge:
one of Beiersdorf's strengths

Motivated and competent:
employees at Beiersdorf

Sharing knowledge is one of Beiersdorf's strengths. Examples like the successive launches of the bandage brand FUTURO in various countries show that it is possible to use experience gained in one country for a successful entry into the market in another region. We call this "best practice" – and its success proves us right.

Our employees' motivation is also encouraged by another Beiersdorf-specific feature: our affiliates run their local business successfully in their own responsibility. This reinforces their identification with the Company and means that our employees all over the world devote all their efforts to the care and development of our brands.

Innovative and committed:
Beiersdorf's Research & Development

Identification with the company:
one of Beiersdorf's success factors

BEING WHERE YOU ARE NEEDED

CONVINCING CONSUMERS THROUGH CLOSENESS

Our brands focus on the consumers' wishes. Our products offer reliable quality at reasonable prices. That's how we build trust.

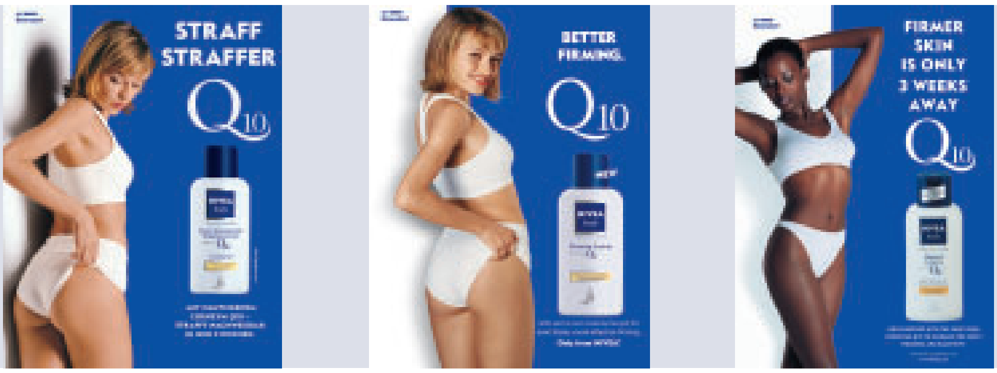
Caring for yourself, doing your body good – this is a need well developed in everyone all over the world. This fundamental desire enables us, for example in our Research and Development, to exploit synergies within our product portfolio. Our aim is to ensure that consumers feel good whenever they use our products and, above all, that they get superior quality at a fair price. And because they do, many people give us their trust.

Advertisement from Thailand for NIVEA Whitening care products

Some consumer needs are the same everywhere, but there are differences too – from region to region, from country to country. In Asia, for example, there is a trend toward "whitening": many people want their skin to be as light as possible. For this reason they are increasingly choosing personal care lines that make for paler skin pigments, specifically NIVEA products, of course.

In everything we do, we always listen to the wishes of local consumers. "Think globally, act locally" is no empty phrase for Beiersdorf, but an important key to success. We respect and understand the cultures we live in. We take the consumer seriously.

To do so, we have to be close to the consumer – and we mean that literally! In 2002, for example, we established new affiliates in the Ukraine and Singapore.



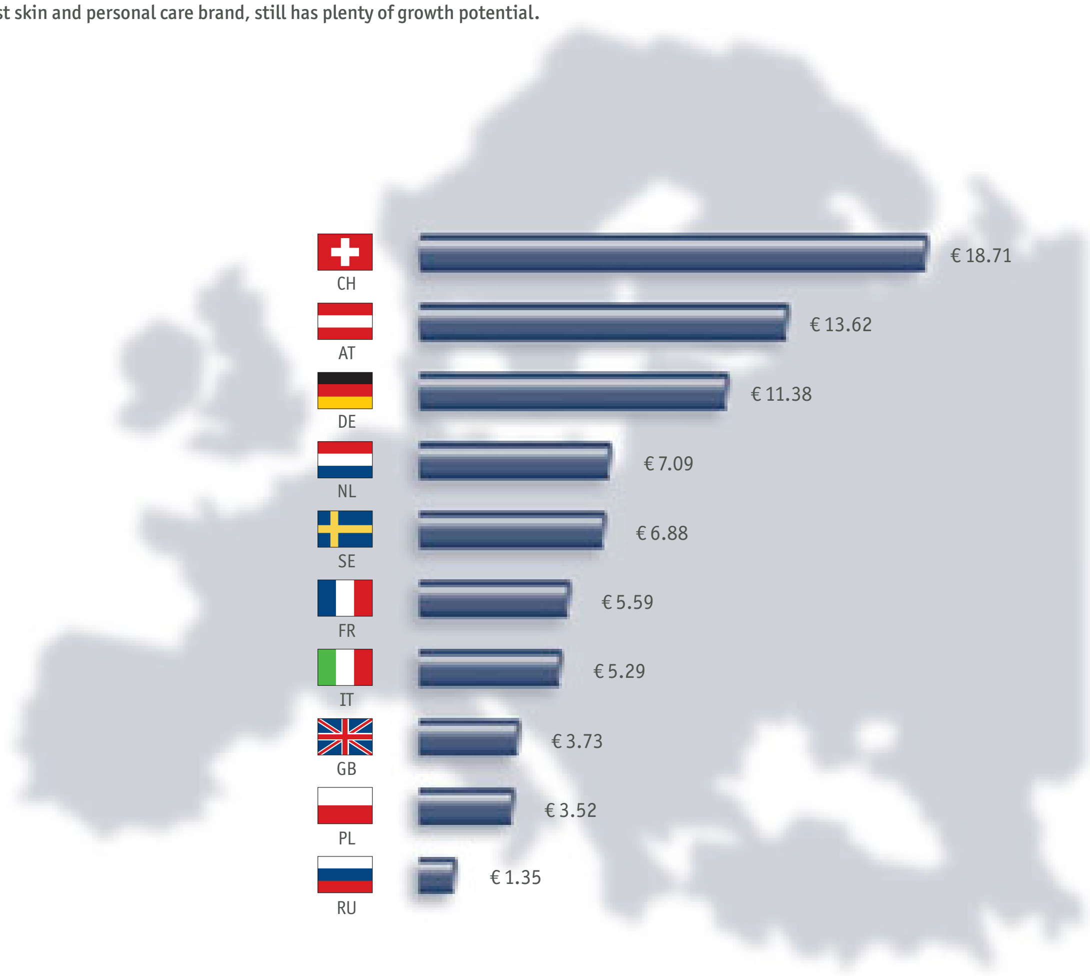
International marketing strategy exemplified by NIVEA body, with regional adaptations

We draw our global strength from local strength. This is evidenced by the fact that in many countries, for example in France, Poland, Spain or Mexico, people think of our brands as local brands. The basis for this is an international marketing strategy which the individual affiliates adapt to regional situations, for example by changing the models or the language.

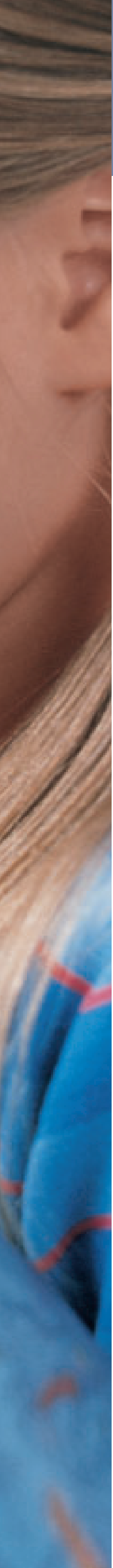
We will continue our desire to be close to the consumer. Our brands and products rely on the consumer feeling good with them. All our efforts are devoted to achieving this goal.

NIVEA: PER CAPITA SALES IN EUROPE

The 2002 per capita sales figures for selected countries in Europe show that NIVEA, the world's biggest skin and personal care brand, still has plenty of growth potential.



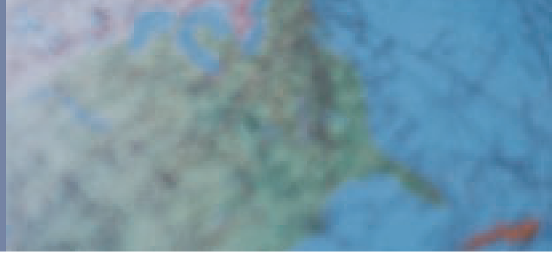
GLOBAL THINKING – THE WAY TO SUCCESS



BEIERSDORF'S FUTURE IS UNLIMITED

Our growth potential is immense. Through the identification of opportunities, setting of priorities and perfect execution we will exploit our potential and maintain dynamic growth for the benefit of our shareholders, customers, employees and business partners.

Beiersdorf's past and its present have been – and also still are – international. Its future will be international, too. We will systematically pursue our growth model and build upon the international development of our brands – by successfully investing in new markets and countries.



Elastoplast advertisement from South Africa

We believe in growing from within. Where it makes sense, we undertake strategic acquisitions. For example, buying Elastoplast enabled us to gain a foothold in Canada, South Africa and New Zealand and thereby pave the way for launching other Beiersdorf products.

Beiersdorf's potential is far from being exhausted: we are not yet represented in all countries and segments with our brands and products. Apart from Asia, which is the largest source of long-term expansion with growth rates of over 10 %, the highly competitive US and Canadian markets provide a particular challenge. Following our reacquisition of the NIVEA brand rights in the USA in 1977, our brands now occupy an increasingly strong position. South America will also be an important source of growth in the future, despite all its present economic difficulties.

We will address the challenges of the future with our proven successful growth model:

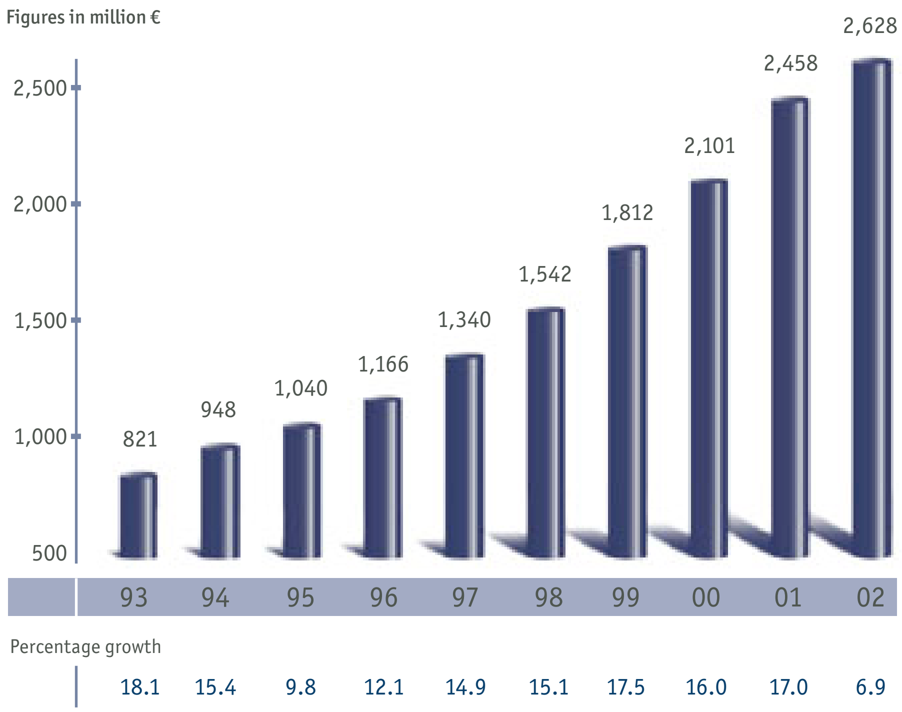
- Concentration on a small number of international brands
- Research and development as a basis for innovation
- Brand growth in three dimensions: market share growth, entering new product categories and opening up new countries
- Use of synergies created by brand families
- Lean organization with clear sales and profit responsibility
- Global strategies and perfect local execution

Thanks to our strategy, our know-how and our commitment, Beiersdorf will remain a reliable growth stock in the future. Our brands have ideal qualifications for ongoing international growth. And we intend to make full use of these qualifications.

OUR GROWTH MODEL

NIVEA SALES DEVELOPMENT

The NIVEA sales development proves that the Beiersdorf growth model is successful.



BEIERSDORF SHARE

Ten-year comparison		1992	2002
Market capitalization on Dec. 31	**million €**	**1,417**	**8,912**
Share price on Dec. 31	**€**	**16.87[1]**	**106.10**
(Relative index 1992=100)		(100)	(629)
Earnings per share	**€**	**0.95[1]**	**3.37[2]**
(Relative index 1992=100)		(100)	(356)
Dividend per share	**€**	**0.33[1]**	**1.40**
(Relative index 1992=100)		(100)	(421)
DAX		**1,545**	**2,893**
(Relative index 1992=100)		(100)	(187)
MDAX		**1,712**	**3,025**
(Relative index 1992=100)		(100)	(177)

[1] Translated from DM to € and a different nominal value

[2] Based on International Financial Reporting Standards (IFRS)

As in prior year, the Beiersdorf share performed considerably better than the DAX and MDAX. Despite good sales and profit figures in 2002 and continuing positive prospects, the Beiersdorf share was unable to fully escape the negative stock market trend. Compared with the end of 2001, the share price declined by 17 % to € 106.10. At December 31, 2002, the Company's market capitalization amounted to € 8.9 billion.

All in all, 2002 was a very difficult year for the international stock markets. Price recovery trends in the wake of September 11, 2001 came to a halt in March. After that, spectacular accounting scandals, discouraging economic and profit outlooks and growing political tensions led to increasing uncertainty in the capital markets and a general reluctance to buy stock. Despite a slight recovery towards the end of the year, the major international stock markets, as in 2000 and 2001, closed the year well below the year-end prices of the prior year.

DAX and MDAX, after riding high in spring, lost ground continuously to reach lows of 2,598 and 2,736 respectively on October 9. Despite the slight recovery towards the end of the year, the losses of the two indices as compared with prior year levels totaled 44 % and 30 % respectively.

A major factor contributing to the volatility of the Beiersdorf share were the rumors during the year about changes in our shareholder structure. However, according to analysts the positive price trend towards the end of the year was largely due to a renewed awareness of the fundamental strengths and positive future expectations of our Company.

Earnings per share rose to a record € 3.37. This represents an increase of 10.6 % as compared to the adjusted earnings per share of the prior year.

The proposed dividend of € 1.40 per share for 2002 also represents a marked increase as compared to prior year. The increase exceeds not only the sales and profit growth; but the absolute amount is also a record high. The relation of the proposed dividend to earnings per share increased to 41.5 % from 39.1 % in 2001. We are thus in line with our long-term plans to steadily increase the payout ratio.

Number of shares: 84 million

Prices: based on XETRA

End of 2001	€	127.50
End of 2002	€	106.10
High 2002	€	142.30
Low 2002	€	82.25
Proposed dividend per share 2002	€	1.40
Total dividend	€ 117.6 million	

BEIERSDORF INVESTOR RELATIONS

The Company's websites Beiersdorf.de and Beiersdorf.com provide a central information source of all important topics relating to the Company

The year 2002 confronted our Investor Relations team with special challenges. In a nervous market environment, a wide variety of takeover rumors at times obscured the objective information and judgement on the business performance and relative market position of our Company. It was not until the end of the year that these figures once again became the main focus of the varied discussions with international analysts and investors.

Interest in our Financial Analyst Meetings (April and November) continued to grow in 2002. At these meetings we explained the Company's overall strategy and provided precise figures on present and expected future business developments. In an additional presentation we informed the participants of the November meeting about the competitive strength and the growth and earnings prospects of the medical division's consumer-oriented activities.

For all such events the information was simultaneously made available to all interested parties via the internet. Our target is to continuously improve our corporate internet presence in 2003 as it is an increasingly important instrument for corporate reporting.

Beiersdorf was well prepared for the reorganization of the German stock exchange indices at the beginning of 2003, as we already met all requirements for the new Prime Standard Segment. According to the rankings published by Deutsche Börse AG early February 2003, we satisfied the criteria of market capitalization and daily stock exchange turnover that are important for inclusion in the DAX. Thus we comply with not only the formal, but also the quantitative requirements for consideration in this index.

For the future we are still seeking inclusion in the DAX.

Trends: Beiersdorf share, DAX and MDAX since January 1, 2002

Dr. Hans Meinhardt
Chairman of the Supervisory Board

REPORT BY THE SUPERVISORY BOARD

The global economic situation did not improve in 2002. In fact, consumer confidence in Germany worsened considerably. As members of the Supervisory Board, we held extensive discussions regarding the effects of the difficult economic environment on the Company.

We advised and supervised the Executive Board in the management of the Company in accordance with the duties assigned to us by law, the Articles of Association and the by-laws. The Executive Board informed us about the Company's business development and economic situation in a timely and comprehensive manner through Supervisory Board meetings and written reports. The Chairman of the Supervisory Board was kept informed about significant developments and decisions taken by the Executive Board. He also held regular discussions with the Chairman of the Executive Board regarding the Group's strategy and risk management.

The Supervisory Board held four regular meetings 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 addition, we approved all transactions as needed. In November, we held in-depth discussions regarding the Company's medium-term planning, including its financial, investment and human resources planning.

The publishing of the German Corporate Governance Code by the Government Commission in the year under review prompted the Company to revise the by-laws for its Supervisory and Executive Boards. We submitted a Declaration of Compliance with the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) and § 15 *Einführungsgesetz zum Aktiengesetz* (Introductory Act to the AktG); we published this declaration in conjunction with the Executive Board on the Company's website on December 10, 2002. Additional information on corporate governance at Beiersdorf can be found in the joint report by the Executive and Supervisory Boards that is also contained in this Annual Report.

The Executive Board Committee of the Supervisory Board met once. In addition, this Committee passed a resolution via a telephone conference. With the revision of the by-laws for the Supervisory Board, the Executive Board Committee was renamed the Executive Committee, and the duties of this Committee were expanded. It was not necessary for the Mediation Committee set up in accordance with § 27 para. 3 *Mitbestimmungsgesetz* (German Co-determination Act) to meet. The Audit Committee that was formed in November 2002 met for the first time in March 2003.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, which was appointed as the Company's auditors by the Annual General Meeting on June 4, 2002 and engaged by the Supervisory Board, issued an unqualified audit opinion on the annual financial statements of Beiersdorf AG and the consolidated financial statements as of December 31, 2002, as well as the joint management report for Beiersdorf AG and the Group. Immediately after their completion, the annual financial statements, as well as the auditors' report, were issued to all members of the Supervisory Board. The Audit Committee of the Supervisory Board performed a preliminary inspection of the financial statements, the joint management report and the proposal on the appropriation of profits.

In the meeting convened to adopt the accounts on March 17, 2003, all documentation relating to the financial statements, as well as the auditors' report, were discussed at length in the presence of the auditors, who reported on the key results of their audit. We concur with the auditors' findings, do not raise any objections and approve the annual financial statements of Beiersdorf AG and the Group as prepared by the Executive Board for the year ending December 31, 2002; the annual financial statements of Beiersdorf AG are thus adopted. We endorse the Executive Board's proposal on the appropriation of profits.

In connection with the disposal of the Reemtsma sub-group by the Tchibo group, Wilfried Boysen, a member of the Supervisory Board since 1996, stepped down from his position at Beiersdorf AG as of May 29, 2002. We would like to thank Mr. Boysen for his contribution to the Board. By way of a ruling by the Hamburg Local Court on May 22, 2002, Reinhard Pöllath, Chairman of the Executive Board of Tchibo Holding AG, was appointed as a member of Beiersdorf AG's Supervisory Board from May 30, 2002 until the close of the Annual General Meeting 2003. There were no changes in the composition of the Executive Board.

The Supervisory Board would like to thank the Executive Board and all of the Group's employees for their hard work in the fiscal year under review. Their dedication was instrumental to the Company's success.

Hamburg, March 17, 2003

On behalf of the Supervisory Board,
Dr. Hans Meinhardt
Chairman

CORPORATE GOVERNANCE AT BEIERSDORF

"Corporate Governance" refers to responsible company management and supervision that aims to achieve long-term value enhancement. It increases the transparency of the statutory and company-specific conditions for the management of listed companies and hence promotes the confidence of investors, customers, employees and the general public in this regard.

IMPLEMENTATION OF THE CODE AT BEIERSDORF

Beiersdorf AG welcomes the German Corporate Governance Code and its goal of establishing internationally and nationally recognised standards for good and responsible governance, and of continuing to develop these in the future.

Good corporate governance has been a high priority at Beiersdorf even before the publication of the Code. Close and efficient cooperation between the Executive and Supervisory Boards, consideration of shareholder interests and open corporate communication have always formed the Company's basis for success. As a result, compliance with the Code did not necessitate any fundamental changes at Beiersdorf.

On December 10, 2002, the Executive and Supervisory Boards of Beiersdorf AG submitted the following declaration of compliance with the recommendations of the German Corporate Governance Code in accordance with § 161 *Aktiengesetz* (German Stock Corporation Act) and § 15 *Einführungsgesetz zum Aktiengesetz* (Introductory Act to the German Stock Corporation Act) and made this declaration permanently accessible to shareholders on the Company's website at www.Beiersdorf.com:

"Beiersdorf AG complies with the recommendations of the 'Government Commission's German Corporate Governance Code', with the following exception: Separate compensation is currently not paid for the chair and members of Beiersdorf AG's Supervisory Board committees. At the Annual General Meeting in 2003, the Executive and Supervisory Boards will propose to amend the Articles of Association of Beiersdorf AG by including a provision that takes into account chairing and membership in Supervisory Board committees when specifying the compensation of Supervisory Board members (Code section 5.4.5 par. 1 sentence 3)."

GENERAL INFORMATION ON THE COMPANY'S MANAGEMENT STRUCTURE

As an international *Aktiengesellschaft* (German Stock Corporation) headquartered in Hamburg, Beiersdorf AG is subject to the provisions of German stock corporation and co-determination law, capital market regulations and the Company's Articles of Association. The two executive bodies, the Executive Board and the Supervisory Board, provide Beiersdorf with a dual management and supervisory structure. In addition, the Annual General Meeting functions as a shareholder decision-making body. Together, these three bodies are equally committed to promoting shareholder interests and the Company's well being.

THE SUPERVISORY BOARD

The Company's Supervisory Board consists of twelve members, six of whom are elected by the Annual General Meeting in accordance with the provisions of the *Aktiengesetz,* and six of whom are elected by employees in accordance with the provisions of the *Mitbestimmungsgesetz* (German Co-determination Act). Members of the Supervisory Board have a five-year term of office and shall not be more than 72 years old.

Supervisory Board members must inform the Supervisory Board of any potential conflicts of interest which may result from consultant or executive body functions performed for other companies; material conflicts of interest and those which are not merely temporary result in the termination of the Supervisory Board member's mandate. In its report, the Supervisory Board informs the Annual General Meeting about conflicts of interest that have arisen and how these have been dealt with. The Company has taken out a D&O insurance policy for its Supervisory Board members that provides for a suitable deductible. In accordance with the Articles of Association, the compensation paid to Supervisory Board members consists of a fixed salary and a variable, dividend-based component.

The Supervisory Board has created three committees composed of its members: The Executive Committee prepares Supervisory Board decisions relating to personnel matters and takes decisions in the place of the Supervisory Board on employment contracts for Executive Board members as well as additional Executive Board matters. This Committee also regularly examines the efficiency with which the Supervisory Board performs its duties, in addition to regularly discussing long-term succession planning for the Executive Board. The Audit Committee prepares Supervisory Board decisions on the adoption of the annual financial statements, the approval of the consolidated financial statements and agreements with the auditor, in addition to dealing with risk management issues. The Mediation Committee, formed in accordance with the provisions of the *Mitbestimmungsgesetz,* submits proposals to the Supervisory Board regarding the appointment of Executive Board members in cases where the required two-thirds majority was not reached in the first round of elections.

THE EXECUTIVE BOARD

The Executive Board (currently six members) manages the Company and the Company's transactions. In doing so, it is obliged to act in the Company's interests and undertakes to increase the Company's long-term value. The Executive Board develops the Company's strategy, coordinates it with the Supervisory Board and ensures that it is implemented. The Executive Board is also responsible for the Company's annual and long-term planning as well as the preparation of its quarterly, annual and consolidated financial statements. In addition, it ensures that appropriate risk management and risk control systems are in place and submits regular, timely and comprehensive reports to the Supervisory Board. Certain Executive Board measures and transactions require Supervisory Board approval.

Executive Board members must disclose conflicts of interest to the Supervisory Board without delay and inform the other members of the Executive Board thereof. Important transactions between Executive Board members, or related parties, and the Company must be approved by the Supervisory Board; such transactions must comply with standards customary in the sector. Executive Board members may only take on ancillary work with the approval of the Supervisory Board. The Company has taken out a D&O insurance policy for its Executive Board members that provides for a suitable deductible. The compensation paid to Executive Board members consists of a fixed salary and a variable, dividend-based component.

THE ANNUAL GENERAL MEETING

Shareholders exercise their rights, including their right to vote, at the Annual General Meeting. Every share entitles the holder to one vote.

The Ordinary Annual General Meeting is held once a year – usually within the first six months of each fiscal year. The agenda for the Annual General Meeting, including the required reports and documents, is also published on the Company's website; the invitation convening the Meeting, as well as all of the supporting documentation, can be sent by e-mail, if so desired.

In order to aid shareholders in personally exercising their voting rights, Beiersdorf AG will ensure that a proxy is at hand during the 2003 Ordinary Annual General Meeting to cast shareholders' votes in accordance with their instructions. The invitation convening the Annual General Meeting will describe how shareholders can give instructions for the exercise of their voting rights in the run-up to the Meeting. This does not affect shareholders' rights to have an authorized representative of their choice cast their votes.

TRANSPARENCY

Beiersdorf AG is committed to compliance with the principle of equal treatment of all shareholders. The Company uses its website (www.Beiersdorf.com) to provide shareholders and investors with timely and consistent information. Shareholders and third parties are kept informed via interim reports, in addition to the Group's and Beiersdorf AG's annual financial statements. Beiersdorf AG publishes a financial calendar that provides notice of the Company's key events and publications well in advance.

As a result of § 15 a *Wertpapierhandelsgesetz* (German Securities Trading Act), which came into force as of July 1, 2002, the members of Beiersdorf AG's Executive Board and Supervisory Board are obliged, in accordance with the details laid down in this Act, to disclose the acquisition or disposal of shares or other securities in the Company. As of the balance sheet date, Beiersdorf AG had not received any such disclosures.

FINANCIAL REPORTING AND RISK MANAGEMENT

The Group's annual financial statements and interim reports of the Beiersdorf Group are prepared in accordance with International Financial Reporting Standards (IFRS); Beiersdorf AG's annual financial statements are prepared in accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code).

Our auditors examine the Company's risk management system; we continuously develop this system further and adjust it to our changing operating environment.

Hamburg, March 2003

Beiersdorf Aktiengesellschaft

The Supervisory Board The Executive Board

AUDITORS' REPORT

We have audited the Consolidated Financial Statements prepared by Beiersdorf Aktiengesellschaft, consisting of the balance sheet, income statement, shareholders' equity statement, cash flow statement and notes, for the financial year from January 1, 2002 to December 31, 2002. The preparation and content of the Consolidated Financial Statements are the responsibility of the Company's legal representatives. Our task is to express an opinion, based on our audit, as to whether they comply with International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with German auditing standards, the generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW) and the International Standards on Auditing (ISA). These require that we plan and perform our audit to obtain reasonable assurance that the Consolidated Financial Statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Group Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's legal representatives, as well as evaluating overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the Consolidated Financial Statements present a true and fair view of the Company's net assets and financial position and of the income and cash flow position for the financial year in accordance with International Financial Reporting Standards (IFRS).

Our audit, which also included the management report for the Group and for the Company prepared by the legal representatives for the financial year from January 1, 2002 to December 31, 2002, did not give rise to any objections. We are satisfied that it gives an accurate overall picture of the Group's and the Company's situation and suitably presents the risks associated with the future development.

We furthermore confirm that the Consolidated Financial Statements for the financial year from January 1, 2002 to December 31, 2002 satisfy the requirements for the Company's exemption from preparing Consolidated Financial Statements in accordance with German commercial law.

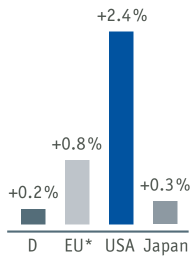
Hamburg, February 27, 2003

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

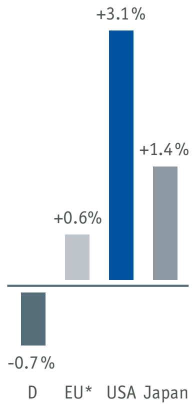
sgd. Dyckerhoff	sgd. zu Inn- u. Knyphausen
Wirtschaftsprüfer	Wirtschaftsprüfer

ECONOMIC ENVIRONMENT

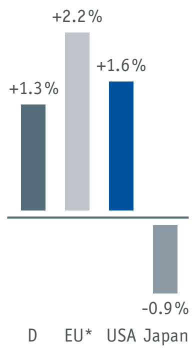
Growth of real gross domestic product 2002 compared with 2001**



Growth of private consumer spending** 2002 compared with 2001



Inflation rate**



* EU 11 "Euroland"

** Estimated because figures for 4th quarter still outstanding.

GENERAL ECONOMIC SITUATION

At the beginning of 2002 there were hopes that the economic situation would show a worldwide improvement during the course of the year. But the economic data from Euroland and Japan displayed no more than moderate growth – supported by a recovery in the export sectors and not, as previously expected, by a rise in domestic demand. The weak worldwide improvement came to a halt in mid 2002. In the second half of the year there was a marked cooling of the economic climate. Additional problems were caused by new risks for the global economy: higher oil prices as result of political tensions, and sharp drops in prices on the international stock markets.

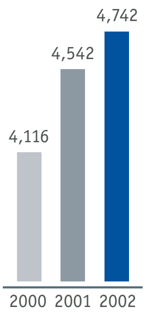
The fall in the value of the dollar against the euro and yen adversely affected the export-driven economic upturn in Euroland and Japan. In Germany, Euroland and Japan growth rates fell short of the year before. Little growth stimulus came from consumer spending in Euroland, and Germany actually recorded a drop in consumer spending. In the USA economic growth was significantly above prior year, and real consumer spending also showed an increase.

Over the years the cosmetics market which is so important to Beiersdorf has proved to be a relatively stable growth market. In the year under review, however, there were great variations in the developments in the individual market segments and in the different countries. In Germany there was actually a contraction of the market in some segments important to Beiersdorf. In this difficult situation, private label products succeeded in increasing their importance in certain cosmetic sectors of the highly competitive German market (e.g. sun protection) at the expense of branded products.

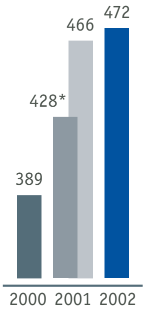
In Beiersdorf's important procurement markets there was a slackening of demand for raw materials and packaging materials, maintaining the trend that started in 2001. As a result, material prices fell by 1.5 % to 2 %. In addition, the use of modern instruments and methods in the procurement sector had a positive impact. Our expectations regarding price trends were thus fulfilled, and in some cases exceeded.

DEVELOPMENT OF BUSINESS

Group sales
(in million €)

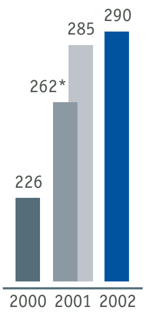


Group operating result (EBIT)
(in million €)



*Excluding non-recurring income of € 38 million (before tax).

Group profit after tax
(in million €)



*Excluding non-recurring income of € 23 million (after tax).

GROUP

Despite the difficult economic situation during the year under review, Group sales grew by 4.4 % to € 4,742 million. At constant exchange rates the growth figure was 7.3 %. The increase in sales due to the initial consolidation of Florena Cosmetic GmbH offset the special effects of the year before, such as the sale of the advanced wound care business. Beiersdorf thus continued to grow from within.

With an increase of 10.2 % over the adjusted EBIT for 2001 (€ 428 million excluding the non-recurring income from the sale of the advanced wound care business), the operating result (EBIT) grew faster than sales to reach € 472 million. The operating return on sales thus increased to 9.9 % (prior year: 9.4 % excluding non-recurring income). This good performance was achieved despite higher spending for the modernization of IT systems (mainly in Germany).

Group profit after tax rose to € 290 million. This represents an increase of 10.7 % as compared to the prior year's adjusted profit after tax of € 262 million. As a result, the after tax return on sales rose to 6.1 % (prior year: 5.8 % excluding non-recurring income).

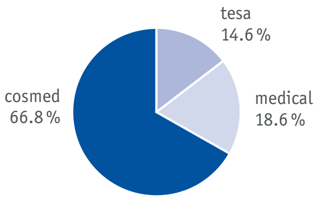
The profit after tax of Beiersdorf AG as calculated under the regulations of *Handelsgesetzbuch* (German Commercial Code) totaled € 156 million in 2002.

DEVELOPMENT OF BUSINESS BY DIVISION

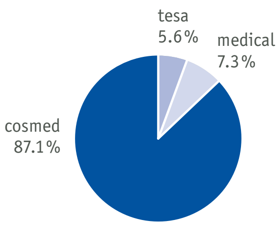
cosmed The cosmed division develops, produces and markets cosmetic products worldwide for skin care and personal care and concentrates successfully on the international brands NIVEA, Labello, la prairie, JUVENA, Florena, atrix and 8x4.

In the year under review, the cosmed division maintained its successful expansion policy and strengthened its worldwide market position despite the current difficult market conditions and heavy competition. This growth was supported by the launch of new products such as NIVEA Visage Perfect Contour, further internationalization of existing successful innovative concepts such as NIVEA body Skin Reflecting Lotion and an extremely successful relaunch of NIVEA Deo.

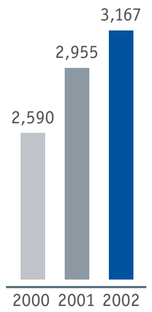
Divisional shares of
Group sales 2002



Divisional shares of
Group operating result (EBIT) 2002



cosmed sales
(in million €)



The division's sales grew by 7.2 % to € 3,167 million. At constant exchange rates the increase was 10.3 %. As in the past, this sales growth was essentially the result of organic growth from within. The acquisition of Florena Cosmetic GmbH contributed 1.7 % to the growth of the division.

NIVEA, the world's biggest skin and personal care brand, achieved 6.9 % growth to reach € 2.6 billion, or at constant exchange rates an increase of as much as 11.0 %. This growth took place in nearly all NIVEA brand groups and in nearly all regions and countries. Sales expansion by the NIVEA range was particularly dynamic in China, the United Kingdom, Norway, Thailand, Russia and South Africa.

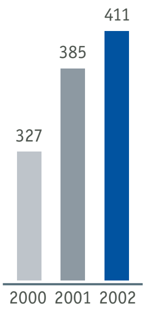
The new product categories "Face Care for Men" and "Hand" launched under the NIVEA label in recent years, as well as the established NIVEA brands groups "for Men" and "Deo", recorded double-digit sales growth. Successful launches during the year included NIVEA Deo in the United Kingdom, NIVEA for Men in Japan, South Africa and Canada, NIVEA Baby in Hungary and NIVEA Visage in Korea.

The further overall improvement in sales quality can be seen in the growing number of leading market positions. For example, NIVEA for Men has become market leader in Russia, the Czech Republic, Slovakia and Saudi Arabia. NIVEA Deo became market leader in Croatia, Romania and Thailand. NIVEA Sun became the leading brand in Norway. In Germany NIVEA also secured the leading position in the men's shaving products category (creams, foams, gels).

With a growth figure of 16.9 % (18.8 % at constant exchange rates), the Labello brand also grew faster than the market. Growth was especially good in the Nordic countries, Greece, Italy and Switzerland. Product innovations such as "Active" and "Gold & Shine" helped to expand Labello's leading market position in numerous countries.

In the field of exclusive authorized dealer cosmetics, business in 2002 was difficult. Unfavorable exchange rates also had an adverse impact on sales. Despite this the JUVENA/ la prairie group continued its positive trend, with an increase of 5.6 %. The la prairie brand achieved 10.4 % sales growth at constant exchange rates.

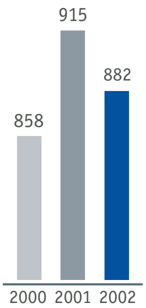
Operating result (EBIT) cosmed (in million €)



The EBIT figure for the cosmed division showed a marked increase from € 385 million to € 411 million. The division thus achieved an EBIT return on sales of 13.0 %.

medical Following the reorientation initiated in 2001, the medical division now concentrates on the consumer business in branded goods in the fields of Dermatology (medicinal skin care) and Personal Health Care (consumer products for wound care and physical complaints). The focus of activities is on further development of the international plaster brands (Hansaplast, Elastoplast, CURAD, CURITAS), the medicinal skin care brand Eucerin, and FUTURO, the consumer brand for support bandages. The worldwide business in professional wound care and orthopedics/phlebology is concentrated in the joint venture BSN medical GmbH & Co. KG.

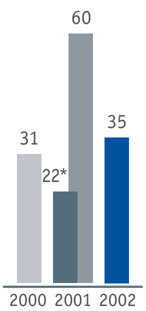
medical sales (in million €)



Sales by the medical division, at € 882 million, fell 3.6 % short of the previous year's figure. At constant exchange rates the decrease was -0.8 %. Disregarding the effects of the sale of the advanced wound care business, sales by the medical division grew slightly.

By introducing and distributing innovative products, the medical division further strengthened its market leadership in many countries around the world, focusing its attention on a small number of global brands such as Eucerin, Hansaplast and FUTURO. Regional brands like ABC Plasters in Germany were integrated in the global brands.

Operating result (EBIT) medical (in million €)



*Excluding non-recurring income of € 38 million (before tax).

Thanks to innovation and the development of new regional markets, the Eucerin brand achieved double-digit growth for the fourth year in a row. The basis for this trend was its good growth in the traditional personal care market and its very good growth in new product sectors such as facial care. In Germany Eucerin moved up to number two in the pharmacy market for medicinal skin care during the year. Examples of successful product innovations are Eucerin "Eye Care Capsules" and "Anti-Age Body Lotion" with pure retinol, which occupy an exclusive position in the pharmacy market.

In the consumer-oriented plasters business the international expansion of Hansaplast scar reduction plasters and Hansaplast Active Gel Strips distribution was successful.

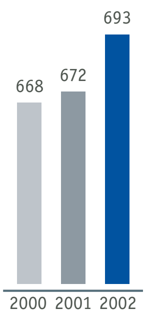
ABC heat plasters now under the Hansaplast umbrella since 2002

In addition to product launches, key activities in the plasters and bandages business consisted of harmonizing ranges, standardizing products and concentrating production at a small number of locations. These measures made it possible to achieve substantial cost savings.

The sales and profit figures for BSN medical, the joint venture by Beiersdorf AG and Smith & Nephew plc., developed well according to plan. The businesses contributed by the two parent companies were successfully continued. The targeted synergies were achieved.

The EBIT figure for the medical division, at € 35 million, was significantly above the adjusted result for the year before (€ 22 million). The EBIT return on sales rose to 3.9 % (prior year: 2.5 % excluding non-recurring income).

tesa sales
(in million €)



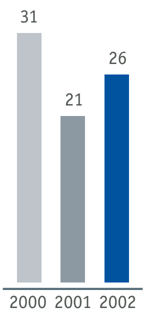
tesa tesa develops, produces and markets products for industrial customers and private consumers. The focus is on ideas that offer solutions to problems in three areas of application: fixing and joining systems using double-sided adhesive tape (Fastening), protection and covering systems (Masking) and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

Sales by tesa, at € 693 million, defied the general trend in the industry and increased 3.0 % above prior year. At constant exchange rates the growth would have been 4.9 %.

Against the background of a slack economy, continued systematic pursuit of the corporate strategy proved to be the successful answer for the division's business: by introducing innovative products for industrial customers and consumers, employing selective continuous processing of industrial sectors with appropriate specialization on the sales front and developing new business fields, tesa expanded its sales and increased its share in a generally shrinking market.

In the field of fastening systems special-purpose products were added to the successful tesa Easy Splice range of high-performance adhesive tapes for the paper and printing industries. Sales of this product family and also of plate mounting tapes for flexographic printing made a substantial contribution to the positive trend in the industrial sector. Double-digit growth was achieved with double-sided adhesive tapes for die-cut blanks. The focus of attention here is on the field of electronic devices, where tesa offers made-to-measure solutions that support adhesive bonding of electronic components inside such devices.

Operating result (EBIT)
tesa (in million €)



In the stagnating market environment of the automotive industry, all regions recorded a further marked rise in sales and market shares in the field of protection and covering systems (Masking). Factors responsible for this success included the good performance of tesa Sleeve (flexible sheathing of cable harnesses), tesa Bodyguard (transport and assembly protection for car bodies) and tesa Glassguard (highly transparent scratch-resistant windshield protection films). In the recessive market for painters' supplies, tesa profited from the successful introduction of quality crepe products manufactured with a new solvent-free technology, and increased its market share in Europe.

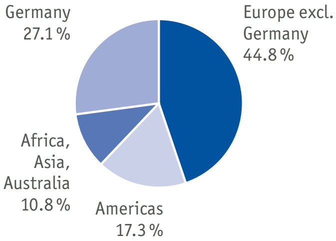
In the field of systems for internal and external packaging, which were also suffering from the economic downturn, tesa was largely able to offset the decline thanks to a fresh thrust from the marketing of a new solvent-free packaging tape with improved sealing performance. In addition the division expanded sales of the new security packaging tape "tesa Tamper Evident", which reveals any manipulation of products along the logistics chain, and successfully launched a double-sided adhesive tape for efficient mechanical packaging of folding boxes.

tesa Film's new look

Despite slightly declining sales in Germany as a result of the consumers' general reluctance to spend, the consumer business as a whole displayed a stable sales trend compared with the year before – growth was achieved in all other regions of Europe. The new photo range made a successful start in Germany, Austria, Switzerland and Scandinavia. Innovations in the Mosquito Net segment became established in the market, resulting in considerable growth. The classic tesa Film and tesa Band products were outfitted with a new packaging design that ensures better differentiation between the product families and underlines the product benefits more effectively.

tesa achieved an EBIT of € 26 million (prior year: € 21 million) and a return on sales of 3.8 % (prior year: 3.1 %).

Regional shares of
Group sales 2002



DEVELOPMENT OF BUSINESS BY REGION

Germany The sales situation in Germany for all divisions was dominated by the ongoing consumer reluctance to spend. It was only because of the initial consolidation of Florena Cosmetic GmbH that sales growth of 2.4 % to € 1,286 million was achieved. Excluding consolidation effects the sales development was -1.3 %.

Sales by the cosmed division rose by 6.1 % to € 847 million. Disregarding the sales by Florena Cosmetic GmbH, its sales remained at the prior year's level. Despite shrinking markets in some cases, the cosmed division made market share gains. Sales by the medical division in Germany came to € 223 million*. The sales figure for the tesa division showed a slight decline of 0.4 % to € 216 million.

The EBIT operating result for Germany fell to € 141 million, compared with € 185 million the year before (excluding the non-recurring income from the sale of the advanced wound care business). This was largely due to the difficult market situation and increased expenditure for the modernization of IT systems.

Europe excluding Germany Sales in Europe excluding Germany displayed double-digit growth of 10.3 % to € 2,124 million. At constant exchange rates the increase would have been 11.0 %. The region's share of Group sales showed a further increase to 44.8 % (prior year: 42.3 %).

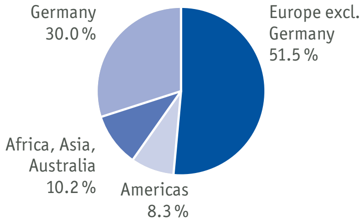
NIVEA Deo achieved satisfying worldwide growth in 2002

Thanks to successful product launches, sales by the cosmed division achieved very good growth, rising by 12.2 % to € 1,565 million. European sales by the medical division reached € 268 million*. With an increase of 5.6 %, tesa also returned a very encouraging performance to record sales of € 291 million.

The Group companies in Eastern and Southeastern Europe were successful with product launches and thus made major contributions to the sales growth of the European region. Moreover, good growth rates were also achieved in other major European markets such as the United Kingdom (through the successful launch of NIVEA Deo), Spain, France and Italy.

The EBIT operating result for Europe grew faster than sales, increasing by 22.9 % to € 243 million. This represented a further increase in the importance of this region for the Group.

Regional shares of
Group operating result (EBIT) 2002



Americas Sales in North and South America fell by 9.3 % to € 819 million as a result of the development of the exchange rate for the US dollar and the principal Latin American currencies. This negative trend was exacerbated by the difficult economic situation in South America. At constant exchange rates, Group sales would have displayed slight growth of 0.3 %. The region's share of Group sales fell to 17.3 % (prior year: 19.9 %). As a result of exchange rate movements, the sales of the cosmed division declined by 9.9 % to € 412 million. At constant exchange rates sales increased by 2.2 %. Sales by the medical division also declined to € 300 million*. tesa sales dropped by 3.8 % to € 107 million as a result of the exchange rate situation. Largely thanks to good sales in the USA, tesa's sales at constant exchange rates showed an increase of 4.5 %.

The EBIT operating result in the Americas grew from € 11 million to € 39 million, mainly as a result of the improved earnings situation of our companies in the USA and Mexico.

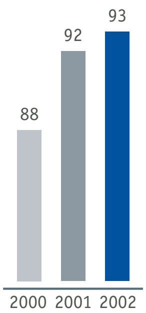
Africa/Asia/Australia With an increase of 12.3 %, Africa/Asia/Australia recorded regional sales of € 513 million. Here too, exchange rate effects had a considerable impact on the growth figures. At constant exchange rates growth came to 18.8 %. The region's share of Group sales amounted to 10.8 % (prior year: 10.1 %). The cosmed division increased its sales by 12.9 % (+ 19.7 % at constant exchange rates) to € 343 million. Sales by the medical division reached € 91 million*. tesa recorded very good double-digit sales growth of 14.7 % to € 79 million. At constant exchange rates, tesa's growth would have been as much as 21.5 %.

The good sales performance resulted in the EBIT operating result increasing from € 35 million to € 49 million.

NIVEA Visage advertisement in Asia

*The regional sales figures for the medical division were influenced by the sale of the advanced wound care business, the contribution of the professional business to the joint venture BSN medical GmbH & Co. KG, and the acquisition of the brands Nobacter and Onagrine, and are therefore not comparable with prior period.

RESEARCH AND DEVELOPMENT

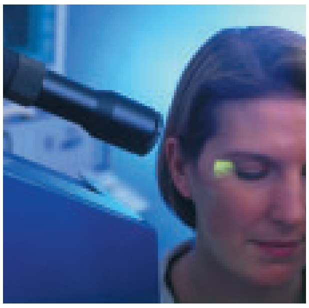


The success of Beiersdorf's research and development work is based on the three competence fields cosmetics/personal care, wound care/health, and adhesives technology. These three competence fields serve as the basis for the ongoing development of our brands.

Spending on research and development in 2002 amounted to € 93 million (2.0 % of sales). There was an increase in employee numbers in the research and development sector. To safeguard the future of Beiersdorf's core business, work started on the construction of an additional research center at the Hamburg location.

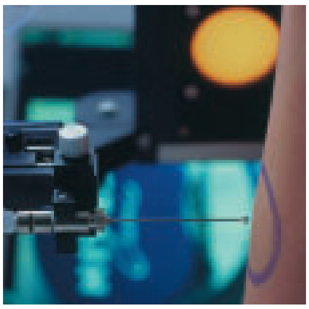
COSMETICS/PERSONAL CARE

cosmed The further development of our successful product technologies for protecting the skin and treating the skin aging processes remains an important area of the cosmed division's research activities. In the skin aging field the focus was on optimized UV protection technologies. To further increase the efficiency of developments in the sun protection field, Beiersdorf's skin research developed a new contact angle measurement method that permits rapid assessment of the water resistance of sun protection products.



Efficacy testing of anti-wrinkle products using strip projection (PRIMOS) and skin area retrieval system

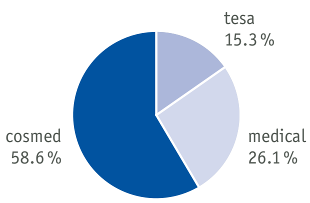
In the treatment of aging skin, 2002 saw further substantial advances in biophysical efficacy measurement methods for anti-wrinkle products. The established wrinkle measurement technique using strip projection was equipped with an electronic skin area retrieval system. This now permits precise quantification of product efficacy levels.



Contact angle measurements to determine the water resistance of sun protection products - the method measures the degree of wetting of the water on the surface of the skin after application of the product

In addition, numerous product innovations were launched during the year under review. For the first time Research & Development succeeded in adding decorative elements to skin care products for the mass market. NIVEA Body Silky Shimmer Lotion combines an ultra-modern skin care formula with natural decorative reflecting pigments. NIVEA Hair Care Liquid Styler was the first pump spray without alcohol in the styling market. This development is a further step in the systematic expansion of the alcohol-free styling product range.

Divisional shares of research and development expenditure 2002



New pollen protection system

WOUND CARE/HEALTH

medical In 2002 the division continued the changeover of coating processes in plaster production to the solvent-free hot melt technology on two fronts: firstly, the USA is another major market that is now being supplied with plasters manufactured by this process, and secondly, work is continuing to optimize the adhesive compounds, in order to reduce costs and improve adhesive properties.

In the field of pain-relieving plasters, a new product variant took a step on its way to international authorization when it was registered with the responsible UK authority. This is followed by the “Mutual Recognition Procedure”, which in 2003 will lead to registration in the European markets important to Beiersdorf.

In addition, the modern polyurethane plaster from Hansaplast and Elastoplast (Active Gel Strip) was optimized. The plaster is waterproof and creates a moist wound healing environment. Wounds heal faster and leave fewer scars.

ADHESIVES TECHNOLOGY

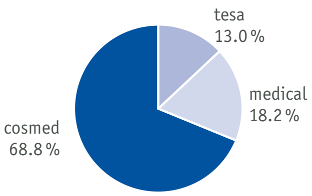
tesa In 2002 tesa again moved ahead with its projects for solvent-free adhesive systems, and some were implemented in large-scale production. The installations brought into service in 2001 are now operating successfully. Further products are currently being converted to the new environmentally friendly technology. The development of solvent-free technologies based on various polymer components for new low-cost applications in the adhesive tape sector will continue to be a key area of tesa’s research and development.

A completely new pollen protection system affording a dramatic reduction in the problems of allergy sufferers indoors was developed for the consumer business. An adhesive system permits easy window-frame mounting of the special textile material. The new technology has been awarded a seal of quality by the German Pollen Information Service.

The newly established company tesa scribos GmbH continued its work on the development of the “Holospot” system for storing digital holograms on labels. In close cooperation with customers, it is developing system components designed to combat counterfeiting and facilitate product tracking. These technologies will enable tesa to considerably expand its competence in the fast growing market for product security and identification.

CAPITAL EXPENDITURE

Divisional shares of
Group investment in tangible
and intangible assets 2002



In the year under review € 227 million was invested in tangible and intangible assets. The investments in intangible assets consisted largely of goodwill from the acquisition of Florena Cosmetic GmbH and newly installed EDP software at Beiersdorf AG.

The construction of an additional research center for cosmed, which started in Hamburg at the beginning of 2002, will further strengthen the outstanding position of cosmed research and development. The total volume of this capital expenditure project is € 38 million. It is due for completion in 2003. In Brazil the construction of the cosmed production plant for supplying the local market was completed at a total cost of approximately € 14 million. A new production and filling unit at our Swedish affiliate is nearing completion. The remaining investments related to a variety of projects, particularly in the production and logistics sectors.

Total investment in the divisions came to € 157 million for cosmed, € 41 million for medical and € 29 million for tesa.

In Germany € 124 million was invested in fixed assets and intangible assets, the greater part of it at Beiersdorf AG. Investment in the regions totaled € 65 million in Europe excluding Germany, € 28 million in the Americas and € 10 million in Africa/Asia/Australia.

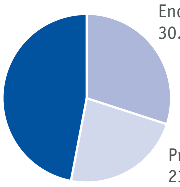
Financial investment by the Group in the year under review amounted to € 15 million. This was primarily due to a long-term financial investment by tesa AG.

Beiersdorf plans to maintain its current investment volume in the financial year 2003. The biggest individual project in 2003 will be the completion of the cosmed research center. In the coming year tesa plans to reorganize its logistics structures in Europe in order to cater even better to customers' requirements. In addition, cost-saving potential is to be exploited all over Europe. Throughout the Group, and especially in Europe, numerous efficiency, improvement and expansion projects will be implemented in the production and logistics sectors.

In the medium term the Group's investment in fixed assets will remain at current level. Investment in financial participations and trademarks will be undertaken whenever meaningful opportunities arise for Beiersdorf within the framework of its strategy.

ENVIRONMENTAL PROTECTION AND SAFETY

Group expenditure on environmental protection 2002



Worldwide expenditure on environmental protection and safety in the year under review totaled roughly € 42 million. To ensure the highest standard of environmental protection and occupational safety we rely on our proven three-stage strategy which starts with product development and continues through the production process to environmentally sound waste management, and which is integrated in all business workflows. By implementing this strategy we not only put into practice the principles of "responsible care", but also support the achievement of our vision of "zero accidents at work".

One example: in 2002 a survey on "Safety, Health and Environmental Protection" was conducted among employees and management staff in aerosol production within Beiersdorf – with the help of external advisors. The results show that employees have a high awareness of dangers and risks and that they know what to do in case of danger.

Audit in the production sector

The internal environmental and safety audits are conducted throughout the Group on the basis of international standards (DIN/ISO 14001 and EMAS Regulation). In the year under review the Beiersdorf affiliate Medical-Latex in Malaysia was the first Group company to be audited in Asia. The purpose of these audits is not only to verify compliance with the standards, but also to improve processes in an intensive global sharing of experience between affiliates.

One key area in the future will be to step up communication on "sustainability" aspects inside and outside the company. This also implies a need to intensify our active dialog with customers, suppliers, public authorities and neighbors about environmental protection and safety issues.

We will also continue our efforts to eliminate accidents at work, reduce resource consumption and increase information sharing within the Beiersdorf Group.

RISK MANAGEMENT

In the context of its worldwide business activities, Beiersdorf is exposed to a wide variety of risks that are inextricably associated with its operations. Our risk policy is therefore to make the most of existing opportunities and to enter into risks only where they are matched by the prospect of a corresponding increase in value. It is part of our fundamental risk management policy that we only accept risks which can be managed by methods and measures within our organization.

Risk management at Beiersdorf is thus an integral component of the management of the company and the design of our business processes. The management of operating risks is largely decentralized, with responsibility resting in the individual operating sectors and companies. Overriding international risks such as brand management, production and safety standards, financing and the development of the Group's shareholder value are centrally monitored.

Targeted controlling with detailed planning and steering processes and regular strategy reviews ensure that corporate decisions are based on early identification and a coordinated balance of opportunities and risks. Our internal audit department monitors compliance with the internal control system and the efficiency and reliability of the processes. The risk management system is examined by our external auditors.

A factor of central importance for Beiersdorf's business development and continued existence is maintaining and increasing the value of our consumer brands – especially NIVEA. The substantial opportunities for strong brands with

a broad base have to be set against specific risks. To overcome these risks our activities are geared towards promoting the positioning and sustained acceptance of our products in the market, ensuring the quality and safety of our products, and protecting and expanding the legal rights associated with our brands.

The development of the consumer business is determined by the climate of consumer spending. In the long term this is subject to smaller fluctuations than the general economic environment, and on average it results in a relatively stable overall level of consumer demand. In the financial year 2002, however, the sales and profit situation was affected in particular by the current dip in consumer spending in Germany. Our plans for the coming financial year are based on the assumption that there will be no fundamental improvement in this business environment. The industrial business of tesa is more dependent on the general economic trend. The professional business of the medical division is influenced by long-term trends in the health care sector.

Within these industry-specific framework conditions, Beiersdorf is exposed to keen competition on price, quality and innovation in its worldwide markets. It meets the resulting risks by means of comprehensive and continuous brand management designed to expand and safeguard its market position. Strong brands based on innovation and competence also counteract the risks arising from growing concentration in the retail trade and from the regional emergence of private labels. Detailed analyses of competition and markets provide a timely

picture of changes in the business environment and permit an efficient, forward-looking approach to dealing with the markets. Continuous expansion of our innovation activities is a central prerequisite for securing the future success of the business. The planned completion of the new cosmed research center in 2003 will substantially increase our innovation competence and represents a further step in our efforts to avert the risks of increased competition on the innovation front.

Sustained acceptance by the consumer requires compliance with high standards of safety and quality in the development and manufacture of our products. When developing new products we therefore perform a thorough safety assessment prior to release, taking care in particular to check the toxicological safety of the components and perform comprehensive tolerance and efficacy tests. Our products pass through a start-to-finish quality assurance system on the basis of international standards. Continuous testing, regular controls, reliable processes and constant documentation make for risk management all along the line.

Raw materials procurement and the use of third-party services involve additional risks with regard to delivery, reliability and costs. Continuous observation of the relevant markets, careful selection of suppliers and the use of long-term master agreements help to contain these risks. Production and logistics activities are subject not only to quality risks, but also to occupational safety, environmental and interruption risks. Such risks are minimized by ongoing in-process checks on the basis of international standards.

Risks relating to the availability, reliability and efficiency of our IT systems are contained by our regular updating measures. Thanks to a comprehensive IT security management system we ensure a targeted response to the growing requirements regarding the security of our IT systems. Our project management proved its quality during the successful introduction of our new IT platform at Beiersdorf AG at the beginning of 2003. The experience gained here will be valuable throughout the Group in avoiding risks connected with future launches of IT systems.

The future development of Beiersdorf depends on our employees. Shorter innovation cycles and increasing international links place ever-growing demands on the qualifications of specialized and management personnel. In order to recruit and retain suitable employees, we maintain close contacts with universities and offer attractive remuneration systems and training programs.

Foreign exchange, interest rate and liquidity risks are the subject of active treasury management on the basis of rules that apply worldwide. To a large extent the hedging activities are centralized. The use of derivative financial instruments is intended solely to hedge basic operational activities and financial transactions essential to the business. It does not involve any additional risks for the Group.

The task of protecting and safeguarding the legal rights associated with our brands is becoming increasingly important in light of the growing numbers of counterfeits and imitations. We are therefore stepping up our activities in this field and have taken targeted action to strengthen our position by introducing a new database system. Risks arising from trademarks, patents and licenses, contracts and other legal risks are avoided to a large extent by our Legal Department in close cooperation with the operating functions and the management of our affiliates.

We transfer remaining insurable risks to insurance companies where this makes economic sense. To deal with the increasingly difficult situation on the insurance market we call on the assistance of an insurance broker.

There are currently no discernable risks that may jeopardize the existence of Beiersdorf.

FURTHER PROSPECTS AND FORECAST

STRATEGIC OBJECTIVES

Our focus is on the continuous development of Beiersdorf’s core business through the cultivation of our major consumer brands. We attach fundamental importance to growing from within by opening up new countries and new market segments.

In the years ahead we aim to achieve average annual sales growth of 8 % to 10 % without significant acquisitions. We plan to reach this target through further expansion of our brands. We intend to strengthen our leading market position, launch new product categories and develop new regional markets. At the same time our investment in production and logistics is designed to support even faster growth in operating profit. We aim to improve the Group’s EBIT return on sales to 12 %. In the long term this target will apply to each individual business field.

ECONOMIC ENVIRONMENT

We expect the global economic environment to remain difficult in 2003. Growth rates in the individual markets will not differ significantly from the situation in 2002. A decline in import demand in the USA will have an adverse impact on export trade in other parts of the world. In Euroland, consumers will show little inclination to spend in light of the general uncertainty about future economic developments and a continuing high level of unemployment. We expect that this will be the situation in Germany in particular. We nevertheless expect the world-wide cosmetics market to continue growing in 2003, though growth rates will vary between the individual markets and segments.

EXPECTATIONS FOR THE FINANCIAL YEAR 2003

In 2003 the cosmed division plans to maintain its good sales growth of around 6 %, placing emphasis on a particularly rapid development of the NIVEA brand. Sales in Europe (excluding Germany) are to be the driving force, with double-digit sales growth. The division's EBIT return on sales is again expected to exceed 12 %.

Sales by the medical division are to grow by around 4 %, with growth powered by good development rates of Eucerin in particular. The division aims to achieve further improvements in profitability through greater standardization of products and streamlining of production in the plasters sector. The EBIT return on sales is expected to be around 4 %.

The situation at tesa in 2003 will continue to be strongly influenced by the general economic environment. Expenditure relating to the reorganization of logistics structures in the interest of future cost savings will once again depress the tesa result in 2003. tesa is aiming for sales growth of around 2 %. Its EBIT return on sales is expected to reach close to 4 %.

For the Group as a whole we are planning sales growth of over 5 %. We expect the Group's EBIT return on sales to be around 10 %, and the after tax return on sales to be around 6 %.

INCOME STATEMENT – BEIERSDORF GROUP

(in million €)	Notes	2001	2002
Sales	(1)	**4,542**	**4,742**
Cost of goods sold	(2)	-1,725	-1,756
Gross profit		**2,817**	**2,986**
Selling expenses	(3)	-2,042	-2,098
Research and development expenses	(4)	-92	-93
General administration expenses	(5)	-215	-260
Other operating income	(6)	148	96
Other operating expenses	(7)	-150	-159
Operating result (EBIT)		**466**	**472**
Interest income/expense (net)	(8)	10	17
Other financial income/expense (net)	(9)	-8	-11
Financial result		**2**	**6**
Profit before tax		**468**	**478**
Taxes on income	(10)	-183	-188
Profit after tax		**285**	**290**
Minority interests	(11)	-6	-7
Changes in retained earnings		-170	-165
Net profit (dividend of Beiersdorf AG)		**109**	**118**
Earnings per share (in €)	(12)	**3.32**	**3.37**

BALANCE SHEET – BEIERSDORF GROUP

ASSETS (in million €)	Notes	**Dec. 31, 2001**	**Dec. 31, 2002**
Intangible assets	(14)	138	128
Property, plant and equipment	(15)	871	917
Financial assets	(16)	18	22
Fixed assets		**1,027**	**1,067**
Inventories	(17)	695	677
Trade accounts receivable	(18)	660	675
Other receivables and other assets	(18)	109	110
Cash and cash equivalents	(19)	714	722
Current assets		**2,178**	**2,184**
Deferred taxes	(10, 20)	**18**	**22**
Prepaid expenses	(21)	**24**	**25**
		3,247	**3,298**

SHAREHOLDERS' EQUITY AND LIABILITIES (in million €)			
Capital stock	(22)	215	215
Additional paid-in capital	(25)	47	47
Retained earnings	(26)	1,204	1,380
Group profit		109	118
Translation differences		40	-53
Shareholders' equity (Beiersdorf AG) excl. minority interests		**1,615**	**1,707**
Minority interests	(27)	21	20
Shareholders' equity		**1,636**	**1,727**
Provisions for pensions and other post-employment benefits	(28)	405	397
Other provisions	(29)	458	511
Provisions		**863**	**908**
Financial liabilities	(30)	129	96
Trade accounts payable	(30)	337	293
Other liabilities	(30)	164	148
Liabilities		**630**	**537**
Deferred taxes	(10, 20)	**113**	**119**
Deferred income		**5**	**7**
		3,247	**3,298**

CASH FLOW STATEMENT – BEIERSDORF GROUP

(in million €)	2001	2002
Cash and cash equivalents at beginning of year	**632**	**714**
Operating result (EBIT)	**466**	**472**
Income taxes paid	-146	-189
Depreciation and amortization	154	161
Changes in long-term provisions (excluding interest)	-20	-4
Profit/loss on disposal of property, plant and equipment	2	1
Gross cash flow	**456**	**441**
Change in inventories	-80	27
Change in trade accounts receivable and other assets	-3	-46
Change in liabilities and short-term provisions	-26	-30
Net cash flow from operating activities	**347**	**392**
Investment in fixed assets	-241	-242
Proceeds from the sale of fixed assets	6	15
Interest, dividends and other financial income received	50	40
Net cash flow from investing activities	**-185**	**-187**
Free cash flow	**162**	**205**
Change in financial liabilities	46	-33
Interest and other financial expenses paid	-42	-42
Cash dividends paid (Beiersdorf AG)	-84	-109
Net cash flow from financing activities	**-80**	**-184**
Change in cash and cash equivalents due to exchange rate movements	0	-14
Change in cash and cash equivalents due to changes in companies consolidated and other changes	0	1
Change in cash and cash equivalents	**82**	**8**
Cash and cash equivalents at end of year	**714**	**722**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY – BEIERSDORF GROUP

(in million €)	Capital stock	Additional paid-in capital	Retained earnings	Net profit	Translation differences	Minority interests	**Total**
Jan. 1, 2001	**215**	**47**	**1,039**	**84**	**49**	**24**	**1,458**
Dividend of Beiersdorf AG for previous year	–	–	–	-84	–	–	-84
Transfer to retained earnings	–	–	170	–	–	6	176
Group profit	–	–	–	109	–	–	109
Difference – establishment of BSN	–	–	-3	–	-7	–	-10
Revaluation of derivatives (no impact on profit)	–	–	-5	–	–	–	-5
Revaluation of marketable securities (no impact on profit)	–	–	3	–	–	–	3
Currency movements	–	–	–	–	-2	-1	-3
Other changes	–	–	–	–	–	-8	-8
Dec. 31, 2001	**215**	**47**	**1,204**	**109**	**40**	**21**	**1,636**
Dividend of Beiersdorf AG for previous year	–	–	–	-109	–	–	-109
Transfer to retained earnings	–	–	165	–	–	7	172
Group profit	–	–	–	118	–	–	118
Revaluation of derivatives (no impact on profit)	–	–	15	–	–	–	15
Revaluation of marketable securities (no impact on profit)	–	–	-4	–	–	–	-4
Currency movements	–	–	–	–	-93	-2	-95
Other changes	–	–	–	–	–	-6	-6
Dec. 31, 2002	**215**	**47**	**1,380**	**118**	**-53**	**20**	**1,727**

SEGMENT REPORTING – BEIERSDORF GROUP

Divisions 2002 (in million €)	cosmed	medical	tesa	**Group**
Net sales	**3,167**	**882**	**693**	**4,742**
Change from prior year	+7.2 %	-3.6 %	+3.0 %	+4.4 %
Share of Group sales	66.8 %	18.6 %	14.6 %	100.0 %
EBITDA	**493**	**87**	**53**	**633**
Operating result (EBIT)	**411**	**35**	**26**	**472**
in % 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. fin. assets)	**82**	**52**	**27**	**161**
Research and development expenses	**55**	**24**	**14**	**93**
Employees (number at Dec. 31, 2002)	**9,380**	**5,133**	**3,670**	**18,183**

Divisions 2001 (in million €)	cosmed	medical		tesa	**Group**	
Net sales	**2,955**	**915**		**672**	**4,542**	
Change from prior year	+14.1 %	+6.5 %		+0.5 %	+10.3 %	
Share of Group sales	65.1 %	20.1 %		14.8 %	100.0 %	
EBITDA	**461**	**111**	*73[1]*	**48**	**620**	*582[1]*
Operating result (EBIT)	**385**	**60**	*22[1]*	**21**	**466**	*428[1]*
in % of sales	13.0 %	6.6 %	*2.5 %[1]*	3.1 %	10.3 %	*9.4 %[1]*
Gross operating capital	**1,348**	**605**		**490**	**2,443**	
Operating liabilities	**532**	**192**		**108**	**832**	
EBIT return on capital employed	**47.1 %**	**14.7 %**	*5.5 %[1]*	**5.4 %**	**28.9 %**	*26.6 %[1]*
Gross cash flow	**329**	**87**	*64[1]*	**40**	**456**	*433[1]*
Capital expenditure (excl. financial assets)	**119**	**66**		**48**	**233**	
Depreciation (excl. fin. assets)	**76**	**51**		**27**	**154**	
Research and development expenses	**53**	**24**		**15**	**92**	
Employees (number at Dec. 31, 2001)	**8,717**	**5,066**		**3,966**	**17,749**	

Regions 2002 (in million €)	Germany	Europe excl. Germany	Americas	Africa Asia Australia	**Group**
Net sales[2]	**1,286**	**2,124**	**819**	**513**	**4,742**
Change from prior year	+2.4 %	+10.3 %	-9.3 %	+12.3 %	+4.4 %
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**
in % 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. fin. assets)	**89**	**47**	**16**	**9**	**161**
Employees (number at Dec. 31, 2002)	**6,708**	**5,662**	**2,852**	**2,961**	**18,183**

Regions 2001 (in million €)	Germany		Europe excl. Germany	Americas	Africa Asia Australia	**Group**	
Net sales[2]	**1,256**		**1,927**	**903**	**456**	**4,542**	
Change from prior year	+3.2 %		+17.6 %	+8.4 %	+6.4 %	+10.3 %	
Share of Group sales	27.7 %		42.3 %	19.9 %	10.1 %	100.0 %	
EBITDA	**304**	***266***[1]	**241**	**31**	**44**	**620**	***582***[1]
Operating result (EBIT)	**223**	***185***[1]	**197**	**11**	**35**	**466**	***428***[1]
in % of sales	17.8 %	*14.7 %*[1]	10.2 %	1.2 %	7.7 %	10.3 %	*9.4 %*[1]
Gross operating capital	**798**		**1,001**	**461**	**183**	**2,443**	
Operating liabilities	**316**		**330**	**119**	**67**	**832**	
EBIT return on capital employed	**46.3 %**	***38.4 %***[1]	**29.4 %**	**3.1 %**	**30.4 %**	**28.9 %**	***26.6 %***[1]
Gross cash flow	**218**	***195***[1]	**181**	**27**	**30**	**456**	***433***[1]
Capital expenditure (excl. financial assets)	**116**		**82**	**22**	**13**	**233**	
Depreciation (excl. fin. assets)	**81**		**44**	**20**	**9**	**154**	
Employees (number at Dec. 31, 2001)	**6,429**		**5,640**	**2,813**	**2,867**	**17,749**	

[1] Excluding the non-recurring income of € 38 million (€ 23 million after tax) from the sale of the advanced wound care business.

[2] Based on company domicile.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Group financial statements of Beiersdorf AG are prepared in accordance with the rules of the International Accounting Standards Board (IASB), London, in force on the balance sheet date and take due account of the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). As interpreted by the German Standardization Council (DSR) they conform to the European Union rules for consolidated accounts (Directive 83/349/EEC). The conditions set out in Section 292a of the German Commercial Code (HGB) for exemption from the requirement to prepare consolidated financial statements under German accounting rules are satisfied.

These Group Financial Statements contain the following departures from the accounting and valuation methods applicable under German law:

- Valuation of pension provisions by the projected unit credit method, taking into account future pay increases in accordance with IAS 19 (Employee Benefits)

- Accounting and valuation of deferred taxes under the balance sheet oriented liabilities method in accordance with IAS 12 (Taxes on Income) and capitalization of deferred taxes in the case of losses carried forward that are expected to be realizable

- Accounting and valuation of securities and financial instruments at market value in accordance with IAS 39 (Financial Instruments: Recognition and Measurement)

New standards approved by the IASB are applied as of the effective date. The application of and any changes in the accounting and valuation methods are explained in the Notes to the relevant items.

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

In the Group financial statements it is to a very limited extent necessary to make estimates and assumptions that have an impact on the amount and presentation of the assets and liabilities, earnings and expenditure and contingent liabilities. The actual values may differ from these estimates.

CONSOLIDATED GROUP

In addition to Beiersdorf AG, the Group financial statements include 13 German and 94 international companies in which Beiersdorf AG directly or indirectly holds a majority of the voting rights and which are under its unified management. This is seven more than the year before. Two of these were established in the course of transforming the tesa division into a separate company (tesa AG) and do not represent any change in the consolidated group. The remaining five cases concern initial consolidation of newly established or existing Beiersdorf companies and Florena Cosmetic GmbH. Three companies in which Beiersdorf has a share of 50 % and which are run jointly with the other shareholders are consolidated pro rata in accordance with IAS 31 (Financial Reporting of Interests in Joint Ventures).

The three joint ventures account for € 328 million of the income shown in the income statement and € 300 million of the expenditure, and hence € 28 million of the result. The companies consolidated pro rata account for € 52 million of fixed assets and € 142 million of current assets. These companies are responsible for € 107 million of the liabilities and provisions.

10 German and 18 international companies which individually and in overall terms are of only minor importance for presenting a true and fair view of the Group’s assets, liabilities, earnings and financial position are not included.

CONSOLIDATION PRINCIPLES

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

Capital consolidation is by the acquisition method. Here the acquisition costs of the interests acquired are set off against the share of shareholders' equity due to the parent company at the time of acquisition. Differences arising from this offsetting are wholly or partially allocated to the assets of the affiliated companies and written down over the useful life of the assets. Any remaining positive differences are capitalized as goodwill and written down over the probable useful life. Negative goodwill is netted against retained earnings or allocated to other provisions.

Provisions made in individual company financial statements for intragroup receivables or write-downs on shares of consolidated companies are reversed upon consolidation.

Intragroup balances, intragroup transactions and resulting unrealized profits are eliminated upon consolidation. Deferred taxes have been provided on consolidation entries where necessary.

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

CURRENCY TRANSLATION

The accounts of foreign affiliates are translated in accordance with the functional currency concept. Balance sheets are translated at the rate in effect on the balance sheet date, and income statements at the average rate for the year, as these companies run their business independently from a financial, economic and organizational point of view. Differences arising from currency translation with respect to assets and liabilities as compared with the previous year's translation, and differences in translations between balance sheet and income statement items, are recorded as a separate component of shareholders' equity.

In order to better mitigate the effects of inflation, the financial statements of affiliates in high-inflation countries are prepared in euros (EUR).

In the financial statements of the individual companies, payables and receivables denominated in a foreign currency are translated at the rate in effect on the day they arose. However, if translation of the foreign currency items at the rate in effect on the balance sheet date results in a lower figure in the case of receivables or a higher figure in the case of accounts payable, the foreign currency items are valued at the rate in effect on the balance sheet date, unless they are hedged. The exchange rate developments for the currencies relevant to the Group Financial Statements are shown in the tables below.

	ISO Code	Average rates	
€ 1 =		2001	2002
Swiss Franc	CHF	1.5088	1.4660
Pound Sterling	GBP	0.6196	0.6295
Japanese Yen	JPY	108.8307	118.0980
Mexican Peso	MXN	8.3308	9.2708
US Dollar	USD	0.8922	0.9506

	ISO Code	Reporting date rates	
€ 1 =		2001	2002
Swiss Francs	CHF	1.4805	1.4525
Pound Sterling	GBP	0.6088	0.6502
Japanese Yen	JPY	115.7200	124.1900
Mexican Peso	MXN	8.0600	10.7400
US Dollar	USD	0.8820	1.0415

NOTES TO THE INCOME STATEMENT

1 | Sales

Sales are realized when the goods or services have been supplied and the risk has passed to the customer, less cash discounts, customer bonuses and other discounts. A further breakdown of sales and their development by division and region is given in the segment reporting on pages 62 and 63.

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 produced goods includes not only the directly allocatable costs such as the cost of materials, personnel and energy, but also production-related overheads including depreciation on production plant. In accordance with IAS 2 (Inventories), adequate write-downs on inventories are made and shown here.

3 | Selling expenses

Selling expenses include the cost of marketing, sales organization and distribution logistics. This position also includes write-downs on receivables. The marketing expenses for advertising, trade marketing and similar items came to € 1,301 million (prior year: € 1,266 million).

4 | Research and development expenses

In accordance with IAS 38 (Intangible Assets), research and development expenses include the cost of research and of product and process development including expenses for third-party services. Development expenses are treated in their entirety as period-related expenses, because the criteria for capitalization are not satisfied in view of the individual risks that exist until the time of market launch.

5 | General administration expenses

This item shows the personnel and other costs of administration, as well as the cost of external services, except when they have been recharged to other functional areas.

6 | Other operating income

(in million €)	2001	2002
Gains from the disposal of fixed assets	1	3
Exchange gains	16	13
Income from the release of provisions	35	29
Income from sale of the advanced wound care business	38	-
Other income	58	51
	148	**96**

Other income consists of income from license agreements, income not related to the current period, income from the release of the allowance for doubtful accounts, and other operating income.

7 | Other operating expenses

(in million €)	2001	2002
Expenditure on restructuring measures	17	15
Losses on the disposal of fixed assets	4	4
Exchange losses	16	20
Amortization of goodwill and trademarks acquired	33	37
Other expenses	80	83
	150	**159**

Other expenses include provisions for miscellaneous risks and other operating expenses.

8 | Interest income/expense (net)

(in million €)	2001	2002
Interest income (of which: from affiliated companies)	24 (-)	26 (-)
Interest expense (of which: to affiliated companies)	-14 (-)	-9 (-)
	10	**17**

The interest cost component of pension obligations is netted against income from plan assets and the amortization of unrecognized actuarial gains. This results in a net interest income of € 4 million (prior year: € 1 million).

9 | Other financial income/expense

(in million €)	2001	2002
Write-downs of marketable securities	-1	-
Other financial income	13	13
Other financial expense	-20	-24
	-8	**-11**

Other financial income consists of exchange gains on financial items in foreign currency. Other financial expense includes exchange losses on financial items.

10 | Taxes on income

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

(in million €)	2001	2002
Taxes on income, Germany	83	71
International	90	116
	173	**187**
Deferred taxes	10	1
	183	**188**

Taxes on income include € 3 million in tax payments attributable to prior periods (prior year: tax refunds of € 12 million).

Deferred taxes result from differences in the valuation between the tax accounts of the individual companies and the valuation in the Group accounts. They are determined using the balance sheet liability method by applying the tax rates expected to be in effect in the individual countries at the time of realization. These are essentially based on the legislation in force at the balance sheet date.

With an effective tax rate of 39.2 %, actual tax expense works out to be € 20 million higher than the expected tax expense. The expected tax rate is calculated as a weighted average of the tax rates of the individual Group companies, and came to 35.2 % in 2002 (prior year: 36.8 %). The change in this tax rate is largely due to a shift in the regional distribution of Group profit before tax to Europe which has lower local tax rates and reduces the Group's weighted average tax rate.

The following table shows the reconciliation from expected to actual tax expense:

(in million €)	2001	2002
Expected tax expense at a tax rate of 35.2 % (prior year: 36.8 %)	172	168
Tax increases due to nondeductible expenses	9	18
Other tax effects	2	2
Actual tax expense	**183**	**188**

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

11 | Minority interests

€ 7 million of the profit is due to minority shareholders (prior year: € 6 million)

12 | Earnings per share

Earnings per share in 2002 came to € 3.37(prior year: € 3.32). There was no change in the number of shares (84 million individual shares) in the year under review. As there are no outstanding financial instruments that can be exchanged for shares, there is no need to calculate diluted earnings per share.

13 | Other expenses

Material expenses Expenses for raw material, supplies, merchandise and external services came to € 1,205 million (prior year: € 1,196 million).

Personnel expenses

(in million €)	2001	2002
Wages and salaries	660	695
Social security contributions and assistance costs	126	136
Pension costs	31	32
	817	**863**

Employees The breakdown of employees by functional area is as follows:

Functional areas (employee numbers at Dec. 31)	**2001**	**2002**
Production	7,092	7,237
Sales and Marketing	6,322	6,634
Other functions	4,335	4,312
	17,749	**18,183**

The total figure includes the proportion of employees in joint ventures that corresponds to the interest held by Beiersdorf. A total of 3,487 (prior year: 3,516) persons work in these companies. In the period under review the number of employees increased by 434 compared with December 31, 2001 to reach 18,183. Initial consolidation of companies accounted for 351 of this figure.

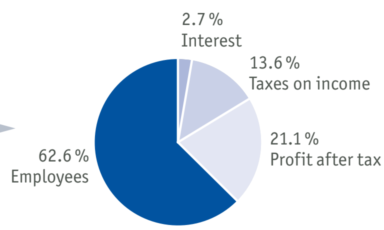
The breakdown of employees among the segments of the Beiersdorf Group can be seen in the segment reporting on pages 62 and 63.

Value-added calculation

Output method
(in million €)

Sales	4,742
Material expenses	1,205
Depreciation	162
Other expenses	2,040
Financial income	44
Company income	**1,379**

Income received method



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, 2002	337	36	1	374
Changes due to exchange rate movements	-1	-1	-	-2
Changes in consolidated Group	-	-	-	-
Additions	21	15	-	36
Disposals	-2	-	-	-2
Transfers	2	-	-1	1
Closing balance Dec. 31, 2002	**357**	**50**	**-**	**407**
Amortization				
Opening balance Jan. 1, 2002	221	15	–	236
Changes due to exchange rate movements	-	-1	-	-1
Changes in consolidated Group	-	-	-	-
Amortization 2002	37	9	-	46
Disposals / Transfers	-2	-	-	-2
Closing balance Dec. 31, 2002	**256**	**23**	**-**	**279**
Book value Dec. 31, 2002	**101**	**27**	**-**	**128**
Book value Dec. 31, 2001	116	21	1	138

Intangible assets acquired against payment are valued at acquisition cost and amortized on a straight-line basis over their useful lives. Impairment write-downs are made where there is a permanent reduction in value. If reasons for impairment write-downs cease to apply, appropriate write-ups are made.

The usual amortization period for intangible assets is 5 years. As an exception to this rule, the NIVEA trademarks are amortized over a useful life of 10 years.

Goodwill arising upon consolidation and derivative goodwill from the individual company accounts is capitalized in accordance with IAS 22 (Business Combinations) and amortized on a straight-line basis over a period of between 5 and a maximum of 20 years depending on the useful life. The value of goodwill is checked regularly. Where necessary, the value is adjusted appropriately.

Goodwill arising from capital consolidation that took place before January 1, 1995 is not capitalized, but is netted directly against shareholders' equity without affecting the result.

15 | Property, plant and equipment

(in million €)	Land and buildings	Machinery and technical equipment	Office and other equipment	Assets under construction and advance payments	**Total**
Cost of acquisition/manufacture					
Opening balance Jan. 1, 2002	705	803	467	72	2,047
Changes due to exchange rate movements	-21	-28	-15	-4	-68
Changes in consolidated group	10	7	3	1	21
Additions	16	55	47	73	191
Disposals	-4	-35	-31	-3	-73
Transfers	7	45	7	-60	-1
Closing balance Dec. 31, 2002	**713**	**847**	**478**	**79**	**2,117**
Depreciation					
Opening balance Jan. 1, 2002	324	523	329	-	1,176
Changes due to exchange rate movements	-6	-18	-8	-	-32
Changes in consolidated group	-	-	-	-	-
Depreciation 2002	19	48	47	1	115
Disposals / Transfers	-2	-27	-30	-	-59
Closing balance Dec. 31, 2002	**335**	**526**	**338**	**1**	**1,200**
Book value Dec. 31, 2002	**378**	**321**	**140**	**78**	**917**
Book value Dec. 31, 2001	381	280	138	72	871

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

Property, plant and equipment are depreciated on a straight-line basis. Impairment write-downs are made where there is a probability of a permanent reduction in value. If the reasons for impairment write-downs cease to apply, appropriate write-ups are made. Minor assets are depreciated in full in the year of acquisition.

Scheduled depreciation on property, plant and equipment is based on the following useful economic lives:

Residential and production buildings	25 – 33 years
Other buildings	10 – 25 years
Machinery and technical equipment	5 – 15 years
Vehicles	4 years
Office and other equipment	3 – 15 years

16 | Financial assets

(in million €)	Shares in affiliated companies	Participations	Investment securities	Other	**Total**
Cost of acquisition					
Opening balance Jan. 1, 2002	10	7	3	2	22
Changes due to exchange rate movements	-	-	-	-	-
Changes in consolidated group	-2	-7	-	1	-8
Additions	1	1	13	-	15
Disposal	-	-	-	-2	-2
Transfers	-	-	-	-	-
Closing balance Dec. 31, 2002	**9**	**1**	**16**	**1**	**27**
Depreciation					
Opening balance 01.01.2002	4	-	-	-	4
Changes due to exchange rate movements	-	-	-	-	-
Changes in consolidated group	-	-	-	-	-
Depreciation 2002	-	-	1	-	1
Disposals / Transfers	-	-	-	-	-
Closing balance Dec. 31, 2002	**4**	**-**	**1**	**-**	**5**
Book value Dec. 31, 2002	**5**	**1**	**15**	**1**	**22**
Book value Dec. 31, 2001	6	7	3	2	18

Interests in nonconsolidated affiliated companies and other participating interests are valued at acquisition cost following the principle of individual valuation. Impairment write-downs are made where there is a probability of a permanent reduction in value. If the reasons for impairment write-downs cease to apply, appropriate write-ups are made. Interest-free or low-interest loans are assessed at their cash value, other securities and loans at market value.

17 | Inventories

(in million €)	2001	2002
Raw materials and supplies	148	139
Work in progress	46	42
Finished products, goods	496	492
Advance payments	5	4
	695	**677**

Inventories are valued, in accordance with IAS 2 (Inventories), at acquisition or manufacturing cost, or at a lower market value or realizable value. Inventories are valued using the fifo or average cost method. Manufacturing costs include not only individual costs, but also apportioned material and production overheads and production-related depreciation. They also include the relevant share of the cost of company pension arrangements and of voluntary fringe benefits provided by the company, and production-related administration expenses.

18 | Receivables and other assets

(in million €)	2001	2002
Trade accounts receivable (of which: maturities of more than 1 year)	660 (-)	675 (-)
Accounts receivable from affiliated companies (of which: maturities of more than 1 year)	6 (1)	4 (-)
Accounts receivable from companies in which a participating interest is held (of which: maturities of more than 1 year)	3 (-)	4 (-)
Other assets (of which: maturities of more than 1 year)	100 (4)	102 (-)
	769	**785**

Receivables and other assets are recorded at their nominal value, while bills receivable and interest-free or low-interest loans are assessed at their present value. Appropriate allowances have been made for identifiable individual risks, and the overall credit risk is provided for by an allowance for doubtful accounts. Other assets include tax refund entitlements (€ 15 million), short-term loans (€ 2 million) and other receivables.

19 | Cash and cash equivalents

(in million €)	2001	2002
Marketable securities	301	50
Cash	413	672
	714	**722**

In accordance with IAS 39 (Financial Instruments: Recognition and Measurement) marketable securities are reported at their fair value (market value).

The special funds shown last year under marketable securities closed during the year under review. Cash balances comprise balances at banks, petty cash balances and checks.

20 | Deferred taxes

Deferred taxes result mainly from differences in the valuations between the commercial accounts in accordance with IFRS and the tax accounts of the individual companies, and also on consolidation entries. See also Note 10 "Taxes on income".

21 | Prepaid expenses

The greater portion of prepaid expenses will probably be utilized in 2003.

22 | Capital stock

The share capital totals € 215,040,000.
There were 84 million individual shares issued as at the balance sheet date.

23 | Authorized capital

At the Annual General Meeting held on June 20, 2000 the Executive Board was empowered to raise the share capital with the consent of the Supervisory Board during the period ending June 19, 2005 in three steps by a total of up to € 87 million (authorized capital I: € 45 million; authorized capital II: € 21 million; authorized capital III: € 21 million) by making one or more issues of new bearer shares. The right to participation in the profits of such new shares may be defined other than as prescribed in § 60 para. 2 *Aktiengesetz* (German Stock Corporations Act).

The shareholders are to be granted a preemptive right. The Executive Board may however exclude the preemptive right with the consent of the Supervisory Board in the following cases:

1. to offset residual amounts due to an increase of capital resulting from cash contributions (authorized capital I, II, III);

2. where this is necessary to grant bearers/creditors of convertible bonds or warrant-linked bonds issued by Beiersdorf AG or by its directly or indirectly majority-owned affiliates a right to subscribe to new shares on the scale to which they would be entitled after exercising the conversion or option rights or after satisfying the conversion obligation (authorized capital I, II, III);

3. to issue new shares at an issue price that is not substantially lower than the market price of the shares already listed at the time of finalization of the issue price, which should be as close as possible to the time of placement of the new shares (authorized capital II);

4. in the event of increases of capital against noncash contributions for the purpose of acquiring enterprises or participations in enterprises (authorized capital III).

The Executive Board was furthermore authorized to decide, with the consent of the Supervisory Board, the further details of the increase of capital and its implementation.

24 | Contingent capital

The Annual General Meeting held on June 20, 2000 also passed a resolution providing for a contingent increase of up to € 40 million in share capital. Under this resolution the contingent capital increase will only be implemented insofar as

1. the bearers or creditors of conversion and/or option rights attached to the convertible bonds and/or warrant-linked bonds issued by Beiersdorf AG or its directly or indirectly majority-owned affiliates during the period ending June 19, 2005 exercise their conversion or option rights, or

2. the bearers or creditors with a conversion obligation in respect of the convertible bonds issued by Beiersdorf AG or its directly or indirectly majority-owned affiliates during the period ending June 19, 2005 satisfy their conversion obligations.

The new shares are to participate in profits as from the beginning of the financial year in which they come into existence as a result of the exercise of conversion or option rights or of the satisfaction of conversion obligations.

25 | Additional paid-in capital

Additional paid-in capital includes the paid-in surplus from the issuance of shares by Beiersdorf AG.

26 | Retained earnings

Retained earnings contain prior years' undistributed profits of companies included in the consolidated Group, changes in the consolidation entries, and other adjustments made directly to shareholders' equity.

The changes in the value of marketable securities and financial derivatives which total € -1 million and € +10 million respectively were recorded directly to retained earnings.

27 | Minority interests

This item comprises third-party shares in the equity of fully consolidated affiliates. Third-party shares exist primarily in Nivea-Kao Co., Ltd., Japan, PT. Beiersdorf Indonesia, Beiersdorf India Limited and Bode Chemie GmbH & Co., Hamburg.

28 | Provisions for pensions and other postemployment benefits

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

The pension obligations covered by the legally independent TROMA Alters- und Hinterbliebenenstiftung, Hamburg, take into account the assets of this foundation.

Group companies provide retirement benefits under defined contribution plans and defined benefit plans. The resulting expenses – with the exception of the interest portion of the pension obligations acquired in prior years and the return on plan assets – are included in the costs of the functional areas.

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

The calculation of pension obligations takes into account market interest rates, projected wage/salary increases and projected pension increases. The following assumptions were made when assessing the figures for the German companies:

	2001	2002
Discount rate	5.75 %	5.75 %
Projected salary increases	3.00 %	3.00 %
Projected pension increases	2.00 %	2.00 %
Projected employee turnover	2.00 %	2.00 %
Projected return on plan assets	5.75 %	5.75 %

In the case of the international companies, these parameters vary according to the economic conditions in the individual countries.

Total expenditure on defined benefit pension plans can be broken down as follows:

(in million €)	2001	2002
Expenses for pension obligations acquired in the reporting year	19	19
Interest cost on present value of pension obligations*	33	34
Expected return on plan assets*	-23	-25
Amortization of unrecognized actuarial gains*	-11	-13
Total expenditure on defined benefit pension plans	**18**	**15**

*The net sum of these values is reported in the income statement under interest income/expense.

The pension provision is calculated as follows:

(in million €)	2001	2002
Present value of pension obligations not covered by plan assets	460	528
Present value of pension obligations covered by plan assets	168	107
Present value of pension obligations	628	635
Fair value of plan assets	-443	-484
Present value of pension obligations after deducting fair value of plan assets	185	151
Unrecognized actuarial gains	220	246
Provision for pensions in accordance with IAS 19	**405**	**397**

Actuarial gains and losses are not recognized in the financial statements unless they exceed 10 % of the present value of the obligations and of the fair value of the plan assets. Where they exceed 10 %, they are amortized over the expected remaining working lives of the employees concerned, starting the following year.

Plan assets and pension obligations are valued at regular intervals. This interval does not exceed three years. For all major pension plans the actuarial valuations are performed annually.

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

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

29 | Other provisions

(in million €)	Taxes	Personnel expenses	Marketing and sales expenses	Restructuring measures	Miscellaneous	**Total**
Opening balance Jan. 1, 2002	102	123	96	13	124	458
Changes due to exchange rate movements	-1	-1	-4	-1	-5	-12
Changes in consolidated Group	–	1	1	–	1	3
Addition	45	78	112	5	120	360
Usage	-45	-65	-86	-6	-67	-269
Release	-1	-3	-3	-1	-21	-29
Closing balance Dec. 31, 2002	**100**	**133**	**116**	**10**	**152**	**511**

Other provisions cover all identifiable future payment obligations, risks and uncertain obligations of the Group. Assessed at the probable amount of the liability incurred, they mostly have a maturity not exceeding one year.

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

Miscellaneous provisions relate largely to litigation and other risks.

30 | Liabilities

(in million €)	2001	Maturities up to 1 year	Maturities up to 5 years	2002	Maturities up to 1 year	Maturities up to 5 years
Financial liabilities	**129**	**117**	**4**	**96**	**93**	**-**
Trade accounts payable	**337**	**328**	**9**	**293**	**293**	**-**
Accounts payable to affiliated companies	2	2	–	2	2	-
Accounts payable to companies in which a participating interest is held	2	2	–	-	-	-
Tax liabilities	33	31	–	32	32	-
Social security contributions	18	18	–	19	19	-
Miscellaneous liabilities	109	106	3	95	94	1
Other liabilities	**164**	**159**	**3**	**148**	**147**	**1**
	630	**604**	**16**	**537**	**533**	**1**

Liabilities are shown at the higher of their nominal value or the repayment value. Financial liabilities of € 3 million (prior year: € 8 million) and other liabilities of € 0 million (prior year: € 2 million) have a maturity of more than five years.

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

Trade accounts payable include liabilities in the amount of € 4 million (prior year: € 6 million) arising from bills accepted and drawn.

There are no secured liabilities to banks.

31 | Contingent liabilities and other financial obligations

(in million €)	2001	2002
Contingent liabilities		
Bills	1	1
Liabilities under guarantees	2	2
Other financial obligations		
Obligations under rental and leasing agreements for the next three years	21	42

Beiersdorf has potential obligations arising from a legal action and from claims brought against the Company. Estimates of possible future expenses are subject to numerous uncertainties. Beiersdorf does not expect this to have any significant impact on the Group's business or financial situation.

32 | Derivative financial instruments

In the Beiersdorf Group, derivative financial instruments are used to manage existing and future foreign exchange and interest rate risks. The instruments serve to hedge the basic operational business and the company's essential financial transactions; the companies do not incur any additional financial risks as a result of these instruments. The transactions are conducted entirely in standard market instruments (e.g. forwards, swaps, options).

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

The nominal values show the sum of all purchase and sale amounts under derivative financial transactions. Amounts have not been netted in the nominal amounts shown.

The market values shown are calculated by valuing the outstanding items at market rates on the balance sheet date without taking account of any opposite trend in the value of the underlying transaction.

(in million €)	Market value 2001	2002	Nominal value 2001	2002	Maturities up to 1 year	over 1 year
Forwards exchange deals	-2	16	394	353	343	10
Currency options	-	-	-	-	-	-
Interest rate swaps	-7	-2	43	22	9	13
Interest rate options	-	-	-	-	-	-
	-9	**14**	**437**	**375**	**352**	**23**

Positive market values of derivatives always include a risk of loss arising from nonfulfillment of contract obligations by the counterparties. In our case the counterparties are banks of first-class credit standing. The risk of loss is therefore judged to be very low.

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows the changes that took place in the Beiersdorf Group's cash and cash equivalents during the year under review as a result of the inflows and outflows of funds. A distinction is made between cash flows for operating, investing and financial activities.

The liquidity shown in the cash flow statement comprises cash balances, checks and balances at banks, and also marketable securities.

Despite an increase in EBIT, the gross cash flow of € 441 million for the year under review was slightly lower than prior year. This was largely due to higher income tax payments. In prior year, the level of taxes had been reduced by a tax refund.

Thanks to a systematic reduction in inventories and only a slight increase in receivables, accompanied by a decrease in accounts payable, Beiersdorf's net cash from operating activities was considerably above prior year at € 392 million. The cash outflow of € 187 million from investing activities remained at the same level as prior year, and related mainly to investments in property, plant and equipment and in intangible assets. Overall, the free cash flow of € 205 million was substantially higher than prior year. It was mainly used to reduce financial liabilities and pay a higher dividend.

Cash and cash equivalents increased by a total of € 8 million.

NOTES TO SEGMENT REPORTING

The definition of segments within the Beiersdorf Group is based primarily on the products manufactured and sold by the corporate sectors. The breakdown into the divisions cosmed, medical and tesa reflects the Group's internal organizational structure. The regional structure shows the international breakdown of business activities within the Beiersdorf Group.

The divisions and the development of the business by divisions and regions are shown in the Management Report on pages 40 – 57.

The net sales shown for the regions are based on the the location of the selling company.

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

Capital employed is gross operating capital less operating liabilities.

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

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

MISCELLANEOUS INFORMATION

INFORMATION ON RELATIONS WITH RELATED PARTIES PURSUANT TO IAS 24

In the context of its provision for risks, Beiersdorf has business relations with companies belonging to the Allianz Group. The choice of insurance providers and the handling of insurance transactions takes place through an independent insurance broker. In addition, traffic in goods and services takes place on a small scale in the course of normal business between the Beiersdorf Group and non-consolidated Beiersdorf companies and associated enterprises.

Business transactions with related companies are conducted on the usual market terms.

DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

On December 10, 2002 Beiersdorf AG's Supervisory Board and Executive Board submitted the declaration required under § 161 *Aktiengesetz* (German Stock Corporation Act) and § 15 *Einführungsgesetz zum Aktiengesetz* (Introductory Act to the German Stock Corporation Act) and made it available to the shareholders on the Company's website at www.Beiersdorf.com. The Declaration of Compliance is also reproduced in the "Corporate Governance" section on page 34.

DISCLOSURES RELATING TO THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Compensation

The total compensation of the members of the Supervisory Board for the year 2002 came to € 1,393 thousand (prior year: € 1,309 thousand). In accordance with the Articles of Association this consists of a fixed salary of € 259 thousand (previous year: identical) and a variable, dividend-based component of € 1,134 thousand (prior year: € 1,050 thousand). The members of the Supervisory Board did not receive any remuneration or rewards for services provided individually, such as advisory or agency services.

The total compensation of the members of the Executive Board for the financial year 2002 came to € 5,313 thousand (prior year: € 4,814 thousand). This figure is made up of a fixed salary of € 1,813 thousand (prior year: € 1,646 thousand) and a variable, dividend-based component of € 3,500 thousand (prior year: € 3,168 thousand).

Payments to former members of the Executive Board and their dependants came to € 1,317 thousand (prior year: € 1,283 thousand). Total provisions for pension commitments to former members of the Executive Board and their dependants amounted to € 12,905 thousand (prior year: € 12,622 thousand).

Loans

There are no loans to members of the Supervisory Board or the Executive Board.

Share Ownership

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

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred after the balance sheet date.

INFORMATION ON THE INDIVIDUAL FINANCIAL STATEMENTS OF BEIERSDORF AG

Income statement of Beiersdorf AG (HGB)[1]

(in million €)	Dec. 31, 2001	Dec. 31, 2002
Sales	**1,285**	**1,249**
Operating income	152	122
Material expenses	-426	-401
Personnel expenses	-244	-246
Amortization of intangible assets and depreciation on property, plant and equipment	-51	-55
Other operating expenses	-535	-539
Operating result	**181**	**130**
Investment income	31	73
Financial result	21	14
Profit on ordinary activities	**233**	**217**
Taxes	-78	-61
Profit after tax	**155**	**156**

[1] In accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code).

Balance sheet of Beiersdorf AG (HGB)[1)]

ASSETS (in million €)	**Dec. 31, 2001**	**Dec. 31, 2002**
Fixed assets	**861**	**914**
Inventories	84	92
Trade accounts receivable	72	89
Other receivables and other assets	224	279
Cash and cash equivalents	301	209
Current assets	**681**	**669**
	1,542	**1,583**

SHAREHOLDERS' EQUITY AND LIABILITIES (in million €)		
Shareholders' equity	**891**	**937**
Special item with reserve element	**8**	**3**
Provisions for pensions and similar obligations	320	331
Other provisions	228	244
Provisions	**548**	**575**
Trade accounts payable	46	37
Other liabilities	49	31
Liabilities	**95**	**68**
	1,542	**1,583**

[1)] In accordance with the provisions of the *Handelsgesetzbuch* (German Commercial Code).

SHAREHOLDINGS OF BEIERSDORF AG

A list of shareholdings of Beiersdorf AG is filed with the Commercial Register of the Hamburg District Court (HRB 1787). The significant Group companies are listed on pages 94 and 95.

OWNERSHIP OF SHARE CAPITAL OF BEIERSDORF AG

Allianz Aktiengesellschaft, Munich, has informed us pursuant to § 41 para. 2 sentence 1 *Wertpapierhandelsgesetz* (German Securities Trading Act) that on April 1, 2002 it held 43.60 % of the voting rights in our company. It also has stated that of this figure 4.66 % of the voting rights are attributable to it pursuant to § 22 para. 1 sentence 1 no. 1 *Wertpapierhandelsgesetz* (German Securities Trading Act).

Allianz Aktiengesellschaft, Munich, has furthermore informed us pursuant to § 21 para. 1 and § 24 *Wertpapierhandelsgesetz* (German Securities Trading Act) that the share of voting rights in our company held by AZ-BDF Vermögensverwaltungsgesellschaft mbH exceeded the thresholds of 5 %, 10 % and 25 % on August 20, 2002 and now stands at 38.94 %, and that these voting rights are attributable to it pursuant to § 22 para. 1 sentence 1 no. 1 *Wertpapierhandelsgesetz* (German Securities Trading Act).

Tchibo Holding Aktiengesellschaft, Hamburg, has informed us pursuant to § 21, § 22 and § 24 *Wertpapierhandelsgesetz* (German Securities Trading Act) that on September 30, 2002 it held a total of 30.36 % of the voting rights in our company. It has also informed us that the share of voting rights in our company held by Vanguard Grundbesitz GmbH, Überseering 18, 22297 Hamburg, a 100 % subsidiary of Tchibo Beteiligungsgesellschaft mbH, exceeded the threshold of 25 % on September 30, 2002 and now stands at 29.99 %, and that this share is attributable to Tchibo Holding AG pursuant to § 22, para. 1 sentence 1 no. 1 and para. 3 *Wertpapierhandelsgesetz* (German Securities Trading Act) and to Tchibo Beteiligungsgesellschaft mbH, Überseering 18, 22297 Hamburg, a 100 % subsidiary of Tchibo Holding AG, pursuant to § 22 para. 1 sentence 1 no. 1 *Wertpapierhandelsgesetz* (German Securities Trading Act).

RECOMMENDED USE OF UNAPPROPRIATED PROFIT OF BEIERSDORF AG

(in million €)	**2002**
Beiersdorf AG profit after tax	155.5
Transfer to retained earnings	37.9
Unappropriated profit	117.6

The Executive Board recommends to the Annual General Meeting that the unappropriated profit of Beiersdorf AG in the amount of € 117.6 million be used to pay a dividend of € 1.40 per share on the 84 million individual shares.

Hamburg, February 2003

The Executive Board

BOARDS OF BEIERSDORF AG

HONORARY CHAIRMAN OF THE COMPANY

Georg W. Claussen

SUPERVISORY BOARD

Dr. Hans Meinhardt, Wiesbaden
Chairman

Chairman of Supervisory Board,
Linde AG

Chairman of Supervisory Board
- Karstadt Quelle AG
- Karstadt Warenhaus AG

Deputy Chairman of Supervisory Board
- Nv Hoek Loos, Schiedam/NL
  (until September 18, 2002)

Jürgen Krause, Hamburg
Deputy Chairman

Chairman of Works Council,
Beiersdorf AG

Günter Herz, Hamburg
Deputy Chairman,

Merchant

Wilfried Boysen, Hamburg
(until May 29, 2002)

Member of Executive Board,
Reemtsma Cigarettenfabriken GmbH
(until November 30, 2002)

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

Member of Supervisory Board
- Bayerische Hypo- und Vereinsbank AG
  (until May 23, 2002)
- Continental AG
- Karstadt Quelle AG
- KM Europa Metal AG
- mg technologies ag

Member of Conseil d'Administration
- Crédit Lyonnais, Paris/F
- EULER & Hermes, Paris/F
  (since April 17, 2002)
- Les Assurances Générales de France (AGF),
  Paris/F

Member of Consejo de Administración
- Banco Popular Español, Madrid/E

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

Margret Buhse, Hamburg
Head of Corporate Communication,
Beiersdorf AG

Dr. Carl Albrecht Claussen, Berlin
Attorney at Law
Taylor Wessing Lawyers

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

Rainer Holland, Hardebek
Machine Fitter, Beiersdorf AG

Reinhard Pöllath, Munich
(since May 30, 2002)

Chairman of Executive Board,
Tchibo Holding AG
(until May 31, 2003)

Chairman of Supervisory Board,
- Deutsche Woolworth GmbH & Co. OHG
- Tchibo Frisch-Röst-Kaffee-GmbH & Co. KG

Deputy Chairman of Supervisory Board
- SinnerSchrader AG

Member of Supervisory Board
- Blume 2000 new media ag
(until June 30, 2002)
- F-LOG AG
(until December 31, 2002)
- TA Triumph-Adler AG
- Tchibo Holding AG
(delegated to Executive Board
from July 1, 2002 until May 31, 2003)
- Verwaltungsgesellschaft Otto Versand mbH

Norbert Ranft, Bochum
Executive Committee Secretary,
IG Bergbau, Chemie, Energie

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

Manuela Rousseau, Halstenbek
Head of PR Programs,
Beiersdorf AG

Professor at the Academy of Music and Theater, Hamburg

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

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

Chairman of Administrative Board
- Stulz Holding GmbH
(until June 30, 2002)

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

EXECUTIVE BOARD

Dr. Rolf Kunisch
Chairman

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

Dr. Werner Opgenoorth
Human Resources/Administration/
Environmental Protection

Thomas-Bernd Quaas
medical division

Rolf-Dieter Schwalb
Finance/Controlling/IT

Dieter W. Steinmeyer
tesa division

Uwe Wölfer
cosmed division

SIGNIFICANT GROUP COMPANIES

	Location	Share of capital (%)	Sales[1] 2002 (million €)	Result[2] 2002 (million €)	Employees Dec. 31, 2001
Germany					
Beiersdorf AG	DE, Hamburg		1,101	164	3,252
Bode Chemie GmbH & Co.	DE, Hamburg	75.0	68	5	282
Cosmed-Produktions GmbH	DE, Berlin	100.0	51	3	138
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100.0	92	1	469
Florena Cosmetic GmbH	DE, Waldheim	100.0	56	1	295
tesa AG	DE, Hamburg	100.0	335	4	712
tesa-Werk Offenburg GmbH	DE, Offenburg	100.0	110	1	490
tesa Werk Hamburg GmbH	DE, Hamburg	100.0	83	6	469
Europe excluding Germany					
Beiersdorf GmbH	AT, Vienna	100.0	141	11	223
SA Beiersdorf NV	BE, Brussels	100.0	91	6	144
Bandfix AG	CH, Bergdietikon	100.0	35	2	152
Beiersdorf AG[3]	CH, Münchenstein	50.0	49	9	63
Juvena (International) AG	CH, Volketswil/Zurich	100.0	56	3	112
Beiersdorf spol. sr.o.	CZ, Prague	100.0	34	3	77
Beiersdorf A/S	DK, Birkerød	100.0	45	2	100
BDF Nivea, S.A.	ES, Tres Cantos/Madrid	100.0	141	9	281
Beiersdorf S.A.	ES, Argentona (Barcelona)	100.0	64	3	364
Beiersdorf S.A.	FR, Savigny-le-Temple	99.9	343	15	718
Beiersdorf UK Ltd.	GB, Birmingham	100.0	151	6	204
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100.0	54	4	182
Beiersdorf Kft.	HU, Budapest	100.0	41	4	95
Beiersdorf S.p.A.	IT, Milan	100.0	299	12	393
tesa S.p.A.	IT, Milan	100.0	83	2	223
Beiersdorf NV	NL, Almere	100.0	156	13	283
Beiersdorf-Lechia S.A.	PL, Poznan	99.9	114	9	422
Beiersdorf Portuguesa, Ltda.	PT, Queluz de Baixo	100.0	67	6	110
Beiersdorf OOO	RU, Moscow	100.0	113	20	77
Beiersdorf AB	SE, Kungsbacka	100.0	93	6	248

	Location	Share of capital (%)	Sales[1] 2002 (million €)	Result[2] 2002 (million €)	Employees Dec. 31, 2002
Americas					
BDF Nivea, Ltda.	BR, São Paulo	100.0	73	-1	143
Beiersdorf S.A.	CL, Santiago de Chile	100.0	34	2	131
BDF México, S.A. de C.V.	MX, Mexico City	100.0	93	3	343
Beiersdorf, Inc.	US, Wilton, CT	100.0	339	7[4]	620
La Prairie, Inc.	US, New York	100.0	43	1	68
tesa tape inc.	US, Charlotte, NC	100.0	97	2	293
Africa/Asia/Australia					
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100.0	46	1	162
Nivea-Kao Co., Ltd.	JP, Tokyo	60.0	161	11	63
Beiersdorf (Thailand) Co., Ltd.	TH, Bangkok	97.1	61	5	311
BSN medical GmbH & Co. KG (subgroup)[3]	DE, Hamburg	50.0	257	16	1,660

[1] These figures also include company sales to other Group companies, and do not show the companies' contribution to the Group Financial Statements.

[2] Profit after tax in accordance with the Group accounting and valuation policies before consolidation.

[3] Joint venture, 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

(Figures in million €, unless otherwise stated)		1993	1994	1995	1996	1997	1998[1]	1999	2000	2001	2002
Sales		**2,435**	**2,634**	**2,733**	**2,954**	**3,215**	**3,347**[2]	**3,638**	**4,116**	**4,542**	**4,742**
Change from prior year	in %	4.6	8.2	3.7	8.1	8.8	4.1	8.7	13.1	10.3	4.4
cosmed		1,280	1,424	1,488	1,573	1,751	1,980	2,242	2,590	2,955	3,167
medical		557	582	593	711	753	735	768	858	915	882
tesa		598	628	652	670	711	632	628	668	672	693
Germany		910	954	1,030	1,050	1,062	1,192	1,194	1,217	1,256	1,286
Europe excluding Germany		939	999	1,050	1,146	1,267	1,358	1,493	1,638	1,927	2,124
Americas		370	385	347	455	556	544	630	832	903	819
Africa/Asia/Australia		216	296	306	303	330	253	321	429	456	513
EBITDA		**308**	**315**	**357**	**364**	**377**	**424**	**468**	**538**	**620**	**633**
Operating result (EBIT)		**206**	**212**	**240**	**235**	**248**	**291**	**339**	**389**	**466**	**472**
Profit before tax		186	207	235	226	132	265	323	382	468	478
Profit after tax		**92**	**106**	**116**	**120**	**72**	**166**	**175**	**226**	**285**	**290**
Return on sales (after tax)	in %	3.8	4.0	4.2	4.0	2.2	5.0	4.8	5.5	6.3	6.1
Earnings per share	in €	1.08	1.23	1.30	1.34	1.31	1.93	2.04	2.61	3.32	3.37
Total dividend		31	34	37	43	43	52	60	84	109	118
Dividend per share	in €	0.37	0.41	0.43	0.51	0.51	0.61	0.72	1.00	1.30	1.40
Material expenses		**739**	**801**	**845**	**901**	**964**	**981**	**995**	**1,112**	**1,196**	**1,205**
Personnel expenses		**638**	**662**	**648**	**673**	**716**	**701**	**713**	**786**	**817**	**863**
Capital expenditure (incl. financial assets)		**131**	**157**	**204**	**123**	**144**	**138**	**129**	**249**	**241**	**242**
Depreciation (incl. financial assets)		**102**	**104**	**117**	**133**	**133**	**154**	**129**	**149**	**154**	**162**
Research and development expenses		**75**	**83**	**90**	**94**	**97**	**74**	**79**	**88**	**92**	**93**
in % of sales		3.1	3.1	3.3	3.2	3.0	2.2	2.2	2.1	2.0	2.0
Employees (Dec. 31)		**16,796**	**17,357**	**17,975**	**17,881**	**16,777**	**16,417**	**16,065**	**16,590**	**17,749**	**18,183**

(Figures in million € unless otherwise stated)		1993	1994	1995	1996	1997	1998[1]	1999	2000	2001	2002
Fixed assets		**706**	**743**	**780**	**756**	**751**	**861**	**864**	**950**	**1,027**	**1,067**
Intangible assets		51	50	118	105	91	79	56	118	138	128
Property, plant, equipment		640	643	634	628	617	751	782	808	871	917
Financial assets		15	50	28	23	43	31	26	24	18	22
Current assets		**877**	**937**	**1,023**	**1,108**	**1,253**	**1,545**	**1,838**	**2,031**	**2,220**	**2,231**
Inventories		347	351	388	401	394	484	515	595	695	677
Receivables and other assets		434	416	456	497	510	618	701	804	811	832
Cash and cash equivalents		96	170	179	210	349	443	622	632	714	722
Shareholders' equity		**667**	**736**	**774**	**853**	**877**	**1,122**	**1,289**	**1,458**	**1,636**	**1,727**
Capital stock		107	107	107	215	215	215	215	215	215	215
Additional paid-in capital and retained earnings		509	571	605	579	604	838	991	1,135	1,291	1,374
Group profit		37	43	45	43	43	52	60	84	109	118
Minority interests		14	15	17	16	15	17	23	24	21	20
Liabilities		**916**	**944**	**1,029**	**1,011**	**1,127**	**1,284**	**1,413**	**1,523**	**1,611**	**1,571**
Provisions		469	491	553	578	666	691	772	828	863	908
Financial liabilities		171	138	130	91	80	66	61	83	129	96
Other liabilities		276	315	346	342	381	527	580	612	619	567
Balance sheet total		**1,583**	**1,680**	**1,803**	**1,864**	**2,004**	**2,406**	**2,702**	**2,981**	**3,247**	**3,298**
Equity ratio	in %	42.1	43.8	42.9	45.7	43.8	46.8	47.7	48.9	50.4	52.4
Return on equity (after tax)	in %	14.5	15.1	15.4	14.7	8.3	14.7	14.5	16.4	18.5	17.3
Overall return on capital (before tax)	in %	13.4	13.5	14.5	12.8	7.3	13.1	13.7	14.2	15.5	14.9
Beiersdorf share Year-end price[3]	in €	21.73	25.95	25.69	38.91	39.88	58.80	66.66	111.50	127.50	106.10
Market capitalization at Dec. 31[3]		1,825	2,180	2,158	3,268	3,350	4,939	5,599	9,366	10,710	8,912

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

[2] Sales changed from "based on customer's domicile" to "based on company domicile".

[3] Until 1998 based on Frankfurt floor trading; from 1999 onward based on XETRA trading.

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Published by: Beiersdorf AG, Corporate Identity,
Unnastrasse 48, 20245 Hamburg, Germany
Phone: +49 40 4909-0, Fax: +49 40 4909-3434

Additional information:
Press and PR: Phone: +49 40 4909-2332
E-mail: Info@Beiersdorf.com
Investor Relations: Phone: +49 40 4909-5000
E-mail: Investor.Relations@Beiersdorf.com
Beiersdorf in the Internet: http://www.Beiersdorf.com

This Annual Report is also available in German.

The Financial Statements of Beiersdorf AG are available in the Internet at "www.Beiersdorf.com". Printed copies can be ordered at:
Beiersdorf AG, Corporate Communication, Unnastrasse 48, 20245 Hamburg, Germany

The Interim Reports are available in the Internet at "www.Beiersdorf.com" under "Investor Relations/Interim Reports".
Printed versions of the Interim Reports can be ordered at:
Beiersdorf AG, Investor Relations, Unnastrasse 48, 20245 Hamburg, Germany

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Financial Calendar

Annual Accounts Press Conference Financial Analyst Meeting I	April 2, 2003
Interim Report January to March 2003	May 14, 2003
Annual General Meeting	June 11, 2003
Dividend Payment	June 12, 2003
Interim Report January to June 2003	August 12, 2003
Interim Report January to September 2003 Financial Analyst Meeting II	November 11, 2003
Information on Preliminary Group Results	January 2004
Key Company Data for the Financial Year 2003	End of February 2004
Annual Accounts Press Conference Financial Analyst Meeting I	End of March 2004
Interim Report January to March 2004	Mid May 2004
Annual General Meeting	June 3, 2004
Interim Report January to June 2004	Mid August 2004
Interim Report January to September 2004 Financial Analyst Meeting II	Mid November 2004

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Beiersdorf