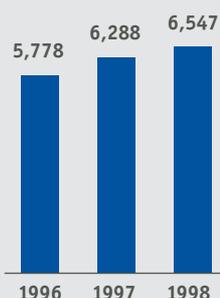
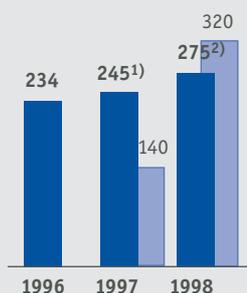


Beiersdorf at a Glance

Group sales
(in million DEM)



Group profit for the year
(in million DEM)



¹⁾ Disregarding the extraordinary restructuring costs for tesa

²⁾ Disregarding release of tesa provisions and sale of operations

		1997	1998	1998
		in DEM	in DEM	in €
(Unless otherwise stated)				
Sales	mill.	6,288	6,547	3,347
Change from previous year	%	8.8	4.1	4.1
of which:				
cosmed	mill.	3,425	3,873	1,980
medical	mill.	1,474	1,438	735
tesa	mill.	1,390	1,236	632
Operating result	mill.	484	586	300
Profit for the year	mill.	140	320	164
Return on sales	%	2.2	4.9	4.9
Earnings per share*		2.56	3.43	1.75
Total dividend	mill.	84	101	52
Dividend per share**		1.00	1.20	0.61
Gross cash flow	mill.	430	633	324
Capital investment	mill.	281	271	138
Expenditure on research and development	mill.	189	203	104
	% of sales	3.0	3.1	3.1
Employees (average)	number	16,447	16,933	16,933

* In accordance with new DVFA/SG definition

** Plus corporation tax credit 1998: 0.51 DEM/0.26 € (1997: 0.43 DEM)

Important dates

Annual Accounts Press Conference 1999	20.05.1999
Annual General Meeting 1999	22.06.1999
Dividend payment 1999	23.06.1999
Letter to Shareholders January – June 1999	early August 1999
Letter to Shareholders January – September 1999	early November 1999
Letter to Shareholders January – December 1999	mid March 2000
Annual Accounts Press Conference 2000	early April 2000
Annual General Meeting 2000	20.06.2000

Beiersdorf Group

Report on the Financial Year 1998

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Beiersdorf Corporate Communication, Unnastrasse 48, 20245 Hamburg, Germany

Cover picture: Beiersdorf Group Head Office in Hamburg

W9/1771/2GB

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Georg W. Claussen

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Chairman

Günther Käding*
Deputy Chairman

Günter Herz
Deputy Chairman

Wilfried Boysen

Dr. Diethart Breipohl

Margret Buhse*

Detlef Fahlbusch*

Jürgen Krause*

Dr. Hans Stracke

Kurt Ungerath*

Dr. Detlef Wiswe*

Hans-Otto Wöbcke

* Elected employee representatives

Executive Board

Dr. Rolf Kunisch
Chairman

Hans H. Meyer-Burgdorf

Dr. Werner Opgenoorth

Dr. Peter Schäfer

Dieter W. Steinmeyer

Uwe Wölfer



Report by the Supervisory Board



Dr. Hans Meinhardt,
Chairman of the Supervisory Board

During the year under review we continuously supervised and gave advice to the management of the company. We were kept constantly and thoroughly informed about all major business matters within the group. This was done primarily by means of the four regular meetings of the Supervisory Board and on the basis of the regular written reports, or in special ad hoc reports by the Executive Board. In the past year the reporting structure has been revised jointly with the Executive Board to make it even more informative.

Moreover, the Chairman of the Supervisory Board maintained close contact with the Chairman of the Executive Board and was constantly informed of all major business transactions and decisions. In particular, the restructuring of tesa division and the acquisition of the majority interest in Beiersdorf-Lechia S.A. in Poznan were the subject of intensive discussion. At the Supervisory Board meetings we discussed the development of the business of the Beiersdorf Group and the three divisions in detail on the basis of papers and supplementary verbal reports provided by the Executive Board. In April and November, we discussed the three-year capital investment plans. At the November meeting we approved the capital investment plan for 1999 and made a thorough review of the group's medium-term planning. We were provided with information in writing by the Executive Board about any decisions requiring our consent. At our meetings we examined the individual issues and gave the necessary consent.

In addition to the committee pursuant to Section 27 para. 3 of the German Codetermination Act, the Supervisory Board also has an "Executive Board Committee" for dealing with personnel matters relating to Executive Board members and representing the company vis-à-vis Executive Board members. One meeting of the Executive Board Committee was held. On three occasions relevant submissions were prepared for the meetings of the Supervisory Board. The Annual General Meeting on 25 June 1998 having chosen BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as the company's auditors for the financial year 1998, we engaged them to audit

the financial statements of Beiersdorf AG and the Beiersdorf Group for the financial year 1998.

The annual financial statements and management reports of Beiersdorf AG and the Beiersdorf Group were audited by the company's auditors and given their unqualified certificate. In voluntary anticipation of the requirements of the new Control and Transparency Act which will not become compulsory until future reporting years, the risk management system of Beiersdorf AG was also included in the audit.

All members of the Supervisory Board received the financial statements and management reports and the auditors' report immediately on completion.

At the spring meeting of the Supervisory Board on 21 April 1999, these were discussed in detail and subjected to a final scrutiny in the presence of the auditors, who reported on the salient findings of their audit.

We concurred with the auditors' findings, raised no objections, and (at our meeting on 21 April 1999) endorsed the financial statements prepared by the Executive Board. The annual accounts for the year ending 31 December 1998 are thus approved. We endorse the Executive Board's recommendation on the appropriation of profit.

We wish to thank all the group's employees for their great dedication and successful work during the financial year 1998.

Hamburg, 21 April 1999

for the Supervisory Board

Dr. Hans Meinhardt

Chairman

Foreword by the Executive Board

Ladies and Gentlemen,

1998 was a successful year for the Beiersdorf Group – successful in terms of financial result and successful in terms of building a future-oriented organisation.

Sales grew by 4.1 % to a record DEM 6,547 million. Profit for the year rose to DEM 320 million to reach a new record of 4.9 % for return on sales. This figure, however, includes DEM 45 million due to sales of operations and to the release of provisions made the year before for the tesa restructuring project. Without these special factors, return on sales would have come to 4.2 %. We are recommending the Annual General Meeting to raise the dividend to DEM 1.20 per share. Including the full corporation tax credit of DEM 0.51 this results in a record gross dividend of DEM 1.71 per share.

In 1998, **all three divisions – tesa, medical and cosmed – made a contribution to the positive profit result.** For tesa this means a trend reversal and speedy success of our restructuring efforts.

Our world brands such as la prairie, FUTURO, tesa Power-Strips and Eucerin again recorded marked growth last year. And above all NIVEA. Worldwide sales of NIVEA rose to over DEM 3 billion in 1998, after DEM 1 billion in 1990 and DEM 2 billion in 1995.

1998 also brought a breakthrough in our efforts to secure a majority interest in Beiersdorf-Lechia S.A. in Poznan. This company holds the NIVEA brand rights in Poland. **This means that after 50 years NIVEA is once again united in a worldwide family.** NIVEA is one of the most

popular brands in Poland, and our large neighbour in the East is one of the most important countries in Europe.

Our emotional and economic strength lies in Germany and also in "Euroland". We report on this aspect on the following pages as part of our strategic orientation.

We make targeted use of this strength to expand our business into new markets and new countries. We generate 67 % of our sales outside Germany.

"We" means all Beiersdorfers – in Hamburg, in Germany and all over the world. The Executive Board wishes to thank all employees and their representative bodies for their constructive and creative cooperation, especially in difficult times.

We are grateful to our customers for their trust and to our business partners for their support. And to you, our shareholders, we are grateful for your loyalty.



Dr. Rolf Kunisch
Chairman of the Executive Board



Dr. Rolf Kunisch,
Chairman of the Executive Board

Divisional Overview

Division:

Major brands:

cosmed



NIVEA, Labello, 8 x 4, atrix,
GAMMON, JUVENA, la prairie,
BASIS pH.

Core competence:

Cosmetics and Personal Care

Cosmetic products to care for
healthy skin.

medical



Hansaplast, FUTURO, JOBST,
Eucerin, Cutinova, Leukoplast,
HIDROFUGAL, ABC-Pflaster, CURAD.

Core competence:

Wound Care

Supporting, protecting, healing
diseased and injured skin.

tesa

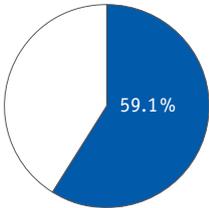
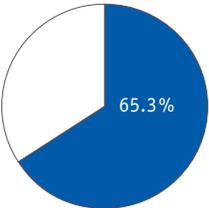
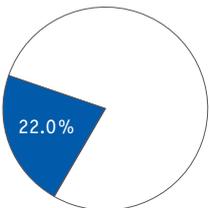
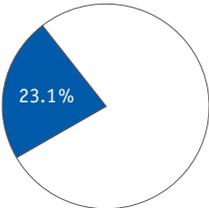
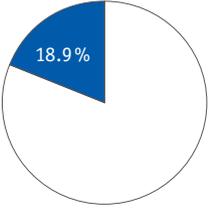
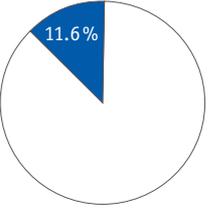


tesa Film, tesa Power-Strips,
tesa Poster-Strips, tesa Krepp,
tesa Print, tesa Fix,
tesa "Bodyguard".

Core competence:

Adhesive Tapes

Problem-solving with
adhesives technology.

Keynotes 1998:	Divisional share of:	
<p>cosmed division recorded double-digit growth of 13.1%. The business in Poland accounted for 4 percentage points of this figure. In 1998 NIVEA Beauté was put on the market and firmly established in Germany, Austria, Switzerland and Turkey. Highly successful events in the year under review were the European launches of NIVEA VISAGE Q10 Anti-Wrinkle Day Care and the new Clear-up Strips. la prairie also performed very well worldwide. More innovative products will ensure further growth in 1999. Operating profit, at DEM 383 million, stood at 9.9% of divisional sales.</p>	<p>Group sales 1998</p> 	<p>Group operating result 1998</p> 
<p>Sales by medical division were down by 2.4%. Factors responsible for this were the crisis in Asia and the effects of the measures to reform the healthcare system. A joint venture in Japan and a cooperation agreement in China paved the way for positive development in Asia. The division's brands also performed well. Hansaplast, Eucerin and JOBST improved their positions in many countries due to innovative products. In 1998 FUTURO (self-medication bandages) was launched in Germany, Spain, Italy and Belgium. Operating profit, at DEM 135 million, represented 9.4% of divisional sales (including income of DEM 45 million from the sale of the remaining shares in Beiersdorf-Lilly GmbH).</p>		
<p>Sales by tesa division were down by 11.1%. In view of the restructuring of the division we had originally expected a larger drop in sales. However, the division succeeded in convincing many customers of the quality of tesa products that they had not previously used. In Asia a new infrastructure for serving this region was created at the end of 1998. With its own operating facilities and new sales offices, tesa is now independent of its former joint venture partner. In the motor vehicle industries new customers were recruited for the tesa "Bodyguard" surface protection system. In Germany and throughout Europe the Power-Strips family grew by over 30%. Operating profit, at DEM 68 million, came to 5.5% of divisional sales.</p>		

Developments in the first three months of 1999

In the first quarter of 1999 the Beiersdorf Group increased its sales by 3.7%. At constant exchange rates the growth figure would have come to 5.6%. There were no significant changes in the consolidated group.

While cosmed division achieved substantial growth of 10.6%, both medical (-4.2%) and tesa (-7.7%) were down on the year before. All mass products in the fields of medical and industrial adhesive tapes continue to feel the pressure on prices from low-cost manufacturing countries. tesa division also felt the effects of the range streamlining measures implemented the year before. This ongoing trend can only be counteracted by means of successful specialities and innovations.

Sales in Germany were 1.9% lower than the year before. The hoped-for revival of consumption failed to materialise. Sales in Europe (excluding Germany) grew by a very good 10.3%. Sales growth in the American region (North and South) came to 6.7% in local currency (-1.3% in DEM). The Africa/Asia/Australia region grew by 6.8%. Business in East Asia started to develop again, though at a lower level.

We expect overall growth in the coming nine months to continue at the level achieved in the first quarter. Thanks to rigorous cost control, the operating result for the first quarter of 1999 was higher than the year before. For the full year 1999 we expect profit to grow faster than sales.

+++ stop press +++

1. japan:

launch of tesa power-strips product family starting in april '99 +++ even closer cooperation with kao corporation, the market leader for household products in japan +++ another result of this cooperation is the extremely successful launch of nivea visage kao bioré clear-up strips in europe +++ medical division's joint venture with terumo makes a successful start +++ terumo is the leading supplier of medicinal products in japan

2. usa:

launch of nivea visage q10 products +++ new medical products appear on the us market: curad extreme length and futuro magnetic

3. europe:

highly successful development of the polish market by beiersdorf-lechia +++ tesa industrial products in poland as well +++ new nivea sun spray in many european countries +++ new clear-up strips under nivea for men and nivea visage (for cleansing forehead and chin)

4. germany:

newly developed eucerin sun screen range in pharmacies since february '99 +++ further expansion of q10 ranges +++ german consumers display good acceptance of tesa easy cover for painting work +++ transplantation of product to other countries +++ tesa receives certification for all car manufacturers in accordance with qs 9000/vda 6.1 +++ iso 9001 confirmed

5. world:

beiersdorf web brings about substantial improvement in employee information +++ information system open to all +++ german and english variants to be successively expanded +++ intranet speeds up beiersdorf

We are strong in Europe

Germany is our home market.

Economically speaking, Germany will become part of "Euroland" in the next few years. Beiersdorf is strong in Germany, in all "Euroland" countries, and in Europe. We have a leading position with many of our brands:

- tesa is the Euro market leader with tesa Film, tesa Band and tesa Power-Strips.
- Hansaplast is the Euro market leader with plasters and many other products.
- NIVEA is the Euro market leader in personal care, facial care and sun protection.

Europe is our strategic strength. We will further build upon this strength in the coming "Euroland".



Testing new ecological production methods (hotmelt technology) for



Photo:
TV commercial shots
Germany 1998 –
tesa Power-Strips.

We learn in Europe

The “Euroland” countries will have a common currency. But still they are very different. They display a fascinating diversity of language, mentality and cultural background. They are very similar and very different at the same time.

In Europe we have learned how to deal with this challenge.

Our products are the same everywhere. NIVEA Creme is a world product because skin care knows no frontiers. Hansaplast plasters are the same because wound care represents the same challenge everywhere. And tesa industrial tapes meet universal specifications.

Our sales, our product presentations and our advertising take different approaches geared to our customers, and especially to our customers’ language.

Our employees in all countries translate their knowledge about similarities and differences into growth.

In Europe we learn how to achieve strategic growth worldwide.



A new mixing system for plasters with active ingredients went into service at the Hamburg medical factory in the beginning of 1999.



Photo left:
Advertisement motif Austria 1999 –
Hansaplast Fever Plaster.

We are growing in Europe

In the last five years our brands in the future “Euroland” have grown. Although they were already strong, they have managed to build their position on the market still further.

Only strong brands can do this. NIVEA VISAGE, for example. Only launched as a European product line in 1990, by 1993 it had a market share of 12 % to take second place in “Euroland”. Now, with 20 %, it is the clear market leader.

Despite the keen competition in the sun protection market, our market share in “Euroland” increased from 20 % in 1993 to 25 % in 1998.

tesa Power-Strips, after early double-digit growth in 1997, expanded sales by 35 % in “Euroland” in 1998.

The competence of our affiliates makes for speedy and systematic introduction of our innovations – country by country. And Europe still has many opportunities for profitable growth.



Quality testing in the Hamburg control laboratories.

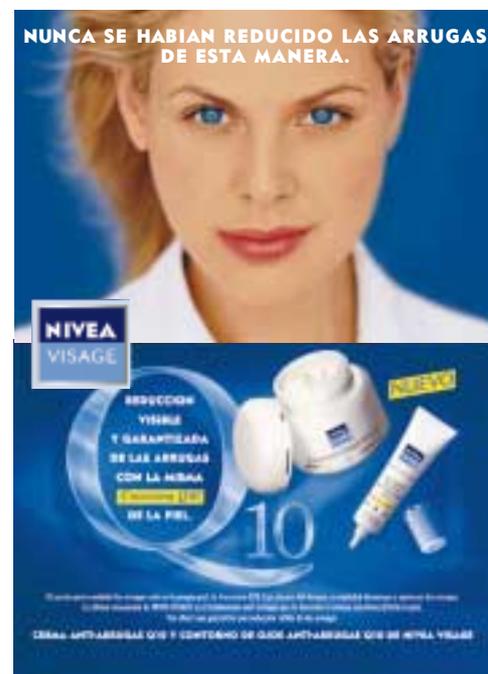


Photo:
Advertising motif Spain 1998 –
NIVEA VISAGE Q 10.

Worldwide growth is our goal

What we learn in Europe also applies to other continents. What we learn in other countries, we can also use in Europe.

The enthusiasm of our employees and their determination to achieve are the basis for our success. When this is combined with the innovative strength of our researchers, the drive of our product developers and the know-how of our affiliates, we achieve growth. We grow from our own resources – thanks to the competence of our employees and the persuasiveness of our brands.

Strategic acquisitions supplement our own strengths. The brand FUTURO was bought in the USA in 1996 and has developed into a world brand. It is already proving successful in Germany as well. The acquisition of the majority interest in Beiersdorf-Lechia S.A. in Poland strengthens our position in Central Europe.

Innovations and strategic acquisitions are keyed to the worldwide market. They are the pillars of our growth.

We will learn to be even faster and more focussed in our quest for growth.



Filling line for NIVEA products at Beiersdorf-Lechia S.A. in Poland.



Photo:
Advertising motif Germany 1999 –
FUTURO wrist bandage.

Our future lies in strategic growth

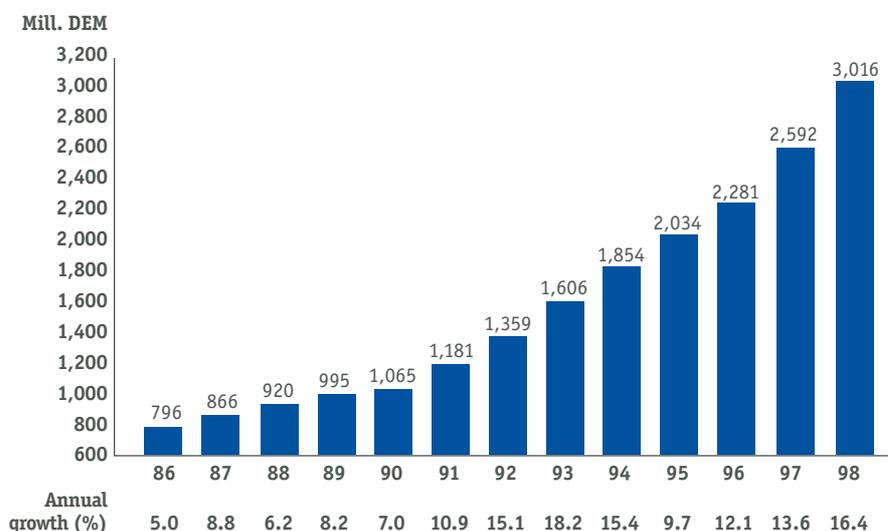
- We are market leader in Germany.
- We are very strong in Europe.
- We have successful brands worldwide.
- We are innovative and quick to implement new ideas.
- And we look with confidence to the future.

“Euroland”, with a population of 290 million, is one of the largest markets in the world, ahead of the USA with 270 million and Japan with 140 million. We use the opportunities these markets offer and the leading positions of our brands. We are strong in many markets – and we are steadily building our position. In “Euroland” and in many other countries around the world.

We will increase our speed even further and step up the pace of innovation. We will continue to grow because we will develop our brands, reduce costs and take advantage of investment opportunities.

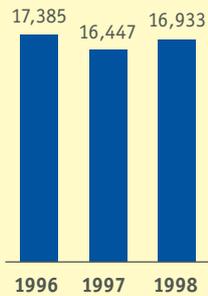


NIVEA sales worldwide



Personnel

Number of employees in group



In 1998 Beiersdorf has a sound financial basis in all divisions. This is the success developed of the combined efforts of all our employees. It is all the more impressive since the restructuring of tesa, the reorganisation of many other departments and the challenges of the German medical business placed special demands on our employees' determination to contribute.

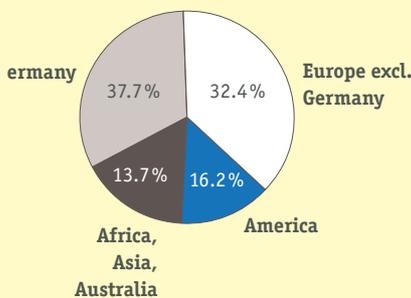
The success and future development of Beiersdorf depend on our success in further increasing the commitment of all our employees. Surveys have revealed that further scope exists for increasing the dedication and motivation of our personnel.

We will focus special attention on information, communication and cooperation, and also on managerial skills and personal development opportunities for our employees. This process will encompass all employees, management and the Executive Board.

In an important step designed to improve communication and the exchange of information, we have introduced an internal employee information system, the "Beiersdorf WEB". This permits rapid provision of up-to-date information for all employees.

It is another move to strengthen the basis for our long-term business success.

Regional shares of group personnel 1998



Environmental Protection and Safety

We demand the highest standards when it comes to the safety and environmental soundness of our products.

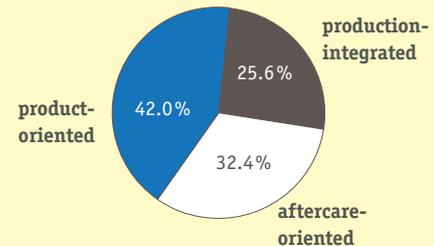
Our efforts here focussed on continuous improvements in accordance with Beiersdorf's three-stage environmental protection concept (product, production, aftercare). In this we are also guided by the principles of "responsible care" and "sustainable development".

One example of product development geared to environmental protection is the development of solvent-free printable adhesive tapes made from environmentally acceptable polypropylene film. Consumer protection aspects also have top priority in the development of new products. For example, we have increasingly given more weight to the safety assessments of our products.

In the interest of improving production-integrated environmental protection, our stringent internal environmental and safety audits have been implemented at several Beiersdorf locations outside Germany as well.

Another key area is the safety of our employees. The accident rate has been reduced in many companies within the group. We aim to achieve further reductions in the years ahead. Our efforts here are keyed to the vision of a "zero accident" scenario.

Group expenditure on environmental protection 1998



Risk Management System

In voluntary anticipation of the requirements of the new "Business Control and Transparency Act" (KonTraG), which will not be compulsory until next year, the group's risk management system was already included in the scope of the audit for the financial year 1998. The audit certified that our system reached a high standard of quality.

Beiersdorf's risk management system includes the monitoring system, internal auditing, targeted controlling and regular strategy reviews.

Internal Auditing is accountable to the Executive Board Chairman and ensures independent reviews. It verifies the proper conduct of business processes and the effectiveness of internal control systems. The functions of Controlling include planning, steering, and reporting. In order to be close to the business and thus to take external factors into account as well, Controlling is installed on a decentralised basis in the divisions and affiliates. In addition, a central Controlling Department ensures the consistency of the methods used and provides planning and steering at group level.

Decisions are based on the strategy and principles of the group. The strategy is defined in concrete terms for the divisions and includes specific quantitative objectives. Individual plans are compared with the strategies and objectives to enable action to be taken at an early stage.

One item under the heading of risk management that received special attention during the year under review was the "Year-2000 Problem". In view of the progress achieved to date and the remaining project stages planned for the months ahead, we believe we are well prepared.

Beiersdorf Share

In 1998, despite a temporary decline in the summer, the German stock exchange saw a marked rise in prices. The increase in the value of the German share index (DAX) in the year under review came to 18 %. Even this good performance was surpassed by the Beiersdorf share. Its price rose by 47 %. And the Beiersdorf share has maintained its upward trend in the first few months of the current year.

At the end of 1998 the stock market value of Beiersdorf AG stood at DEM 9.7 billion.

Not only in 1998 but also on a ten-year comparison, the Beiersdorf share performed better than the DAX. Whereas the DAX went up by 277 % from the end of 1988 to the end of 1998, the price of the Beiersdorf share and therefore the company's stock market value displayed a much sharper rise of 392 %. Over the same period the total dividend also increased by 188 %. Moreover, in each of these years the company was able to pay the full corporation tax credit with the dividend, as it was again in 1998.

The goal of our ongoing investor relations activities is transparent information about the company for existing and potential shareholders. These activities are designed to enable financial analysts and investors to assess our earning power, our strategic capabilities and the resulting opportunities. In 1998, as in previous years, we once again ran a large conference for financial analysts. We have successfully positioned ourselves as a conservative growth stock.

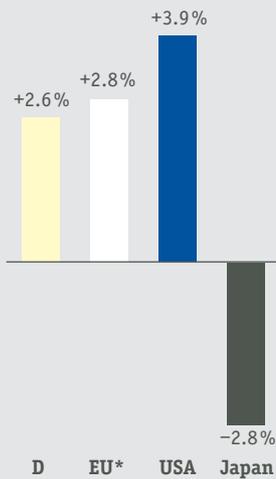
Number of shares:	
84 million	
Price on the Frankfurt Stock Exchange:	
End of 1997	78.00 DEM
End of 1998	115.00 DEM
High 1998	126.00 DEM
Low 1998	75.50 DEM
Proposed dividend 1998	1.20 DEM
including corporation tax credit	1.71 DEM
Total dividend	101 mill. DEM

Performance of Beiersdorf share compared with DAX 1998

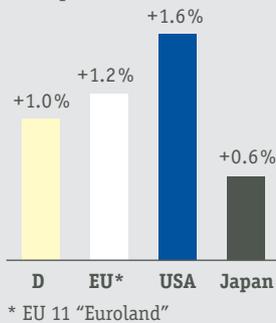


Business Context

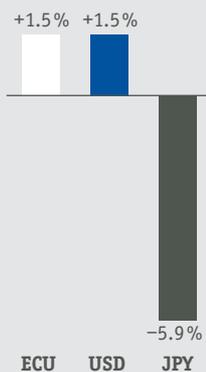
Growth in gross domestic product 1998 compared with 1997



Inflation rate 1998 compared with 1997



Exchange rate movements against DEM (annual average 1998 compared with 1997)



In 1998 Beiersdorf was able to operate in an improved business context. Germany and nearly all countries in "Euroland" experienced stronger growth, and the upturn in North America was also maintained. The financial upheavals that occurred in a number of East Asian countries at the end of 1997 led in 1998 to the Asian crisis, to which Japan with its shrinking economy also contributed. In the second half of 1998 Russia had increasing problems to deal with. Economic conditions in the Latin American countries were still satisfactory in the year under review, as the Asian crisis did not, as many had feared, spread to this region. In spite of this crisis the Beiersdorf Group was able to continue growing, because more than 80 % of our business lies in Western and Central Europe and North America.

We expect 1999 to bring a slackening of growth in Europe and North America, and a certain stabilisation in Asia. Most Latin American countries will, we believe, experience a further slowing of growth accompanied by a sometimes high level of inflation. At present it is difficult to forecast the further course of events in Brazil.

The introduction of the Euro is a matter of great importance for Beiersdorf. For us as an internationally operating and networked company it results in advantages with regard to transaction costs, investment decisions, and above all planning certainty.

The economic situation in our worldwide procurement markets in 1998 was favourable. With sourcing strategies for all major materials we will again take advantage of the likewise favourably rated situation in 1999.

Development of Turnover

In the improved business context, Beiersdorf's business developed well. Sales were up by 4.1% to DEM 6,547 million. At constant exchange rates the growth figure would have been 5.1%. The planned drop in sales resulting from the restructuring of tesa was compensated by changes in the consolidated group. The Polish company Beiersdorf-Lechia S.A., acquired at the end of 1997, was included for the first time. It contributed 2.0% to group sales.

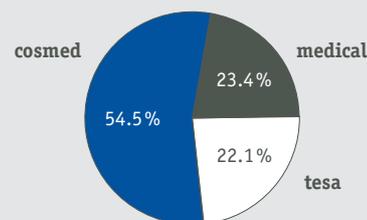
Development of sales by divisions

In the year under review **cosmed division** again achieved very gratifying double-digit sales growth of 13.1%, of which close to 4 percentage points were due to Beiersdorf-Lechia S.A. Total sales by the division came to DEM 3,873 million. All strategic business units contributed to this growth, despite stagnating markets in some cases. Important pillars of the division's growth were the launches of NIVEA Beauté, Q10 Cremes and NIVEA VISAGE kao bioré Clear-up Strips in Germany and other countries.

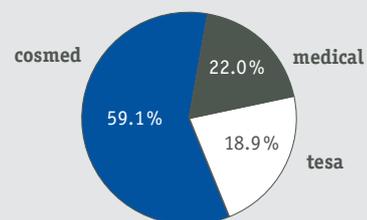
medical division suffered a 2.4% drop in sales to DEM 1,438 million. About two thirds of this reduction is due to the crisis in Asia. The markets in Germany were also shrinking as a result of the legislation to reform healthcare structures. With innovative products, the FUTURO non-prescription bandage programme and the new Eucerin series, the division nevertheless succeeded in increasing its market shares in Germany and Europe.

The restructuring programme in **tesa division** meant a marked streamlining of the product range and resulted in an 11.1% drop in sales to DEM 1,236 million. This restructuring involves focusing on three core areas, which in 1998 grew distinctly faster than the market. The competitive strength and earning power of the division were restored.

Divisional shares of group sales 1997



Divisional shares of group sales 1998



Development of Turnover

Development of sales by regions

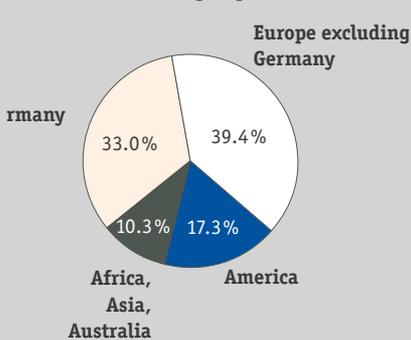
In **Germany** the Beiersdorf Group grew by 4.0 % to DEM 2,160 million. Germany's share of group sales remained virtually unchanged at 33.0%. cosmed increased by 10.7 % to DEM 1,244 million. This outstandingly good result in stagnating and sometimes even shrinking markets shows the importance of product innovations. In medical division the launch of FUTURO was unable to do more than cushion the effects of the healthcare structure reform: divisional sales showed a slight drop of 1.4 % to DEM 490 million. Sales by tesa division, down by 6.6 % as a result of the planned restructuring, came to DEM 426 million.

Sales in **Europe** (excluding Germany) grew by a very good 10.7 % to DEM 2,743 million. Europe's share of group sales increased to 41.9%. Nearly all countries contributed to this growth. The divisional contributions varied considerably: cosmed performed extremely well, growing by 21.2 % to DEM 1,827 million. Sales by medical division, at DEM 410 million, were slightly higher than the year before (+ 1.2%). tesa lost 10.5 % as a result of the range streamlining and recorded sales of DEM 506 million.

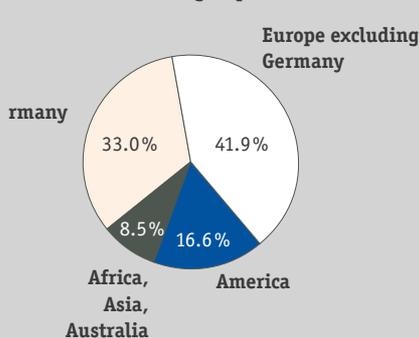
In **America** (North and South), Beiersdorf equalled the previous year's sales. A plus of 0.3 % resulted in sales of DEM 1,091 million (16.6 % of group sales). The growth achieved by cosmed division was cancelled out by the two other divisions, since a major part of the restructuring within tesa was in the USA. The majority of the companies in South America returned good sales figures.

As a result of the financial crises in East Asia, sales in the **Africa/Asia/Australia** region did not reach the previous year's figure. Sales totalled DEM 553 million, which is a drop of 14.4 %. The region's share of group sales fell to 8.5 %.

Regional shares of group sales 1997



Regional shares of group sales 1998



Development of Earnings

The group's profit for the year was up by DEM 180 million to DEM 320 million. This meant a resumption of the steady earnings growth of previous years, following the year of the tesa restructuring project.

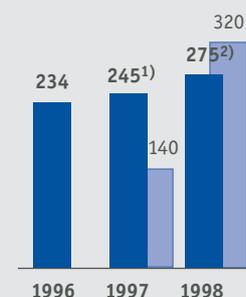
The profit for the year under review includes the sale of operations, for example the remaining shares in Beiersdorf-Lilly GmbH, and the release of provisions that were made the year before for the tesa restructuring project and were no longer required. Without these positive effects, the group's profit for the year would come to DEM 275 million. Without the extraordinary expenditure on the restructuring project the previous year's profit would have stood at DEM 245 million. Thus, on a comparable basis, the return on sales increased from 3.9% to 4.2%.

The expense items displayed a healthy development in the year under review: material costs and personnel costs grew distinctly slower than sales. The marketing expenditure shown under other operating expenses was once again increased faster than sales in order to secure future brand growth.

The group operating result increased to DEM 586 million (9.0% of sales). All three divisions made a positive contribution to this result. cosmed made an operating profit of DEM 383 million (9.9% of sales), medical division DEM 135 million (9.4% of sales including the sale of the remaining shares in Beiersdorf-Lilly GmbH) and tesa DEM 68 million (5.5% of sales).

Beiersdorf AG's profit for the year was up by DEM 13 million to DEM 119 million. The Executive Board recommends using the unappropriated profit of DEM 101 million to pay an increased dividend of DEM 1.20 per share (previous year: DEM 1.00 per share). Including the full corporation tax credit this results in a gross dividend of DEM 1.71 per share (previous year: DEM 1.43).

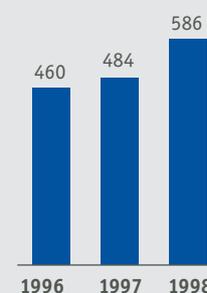
Group profit for the year
(in million DEM)



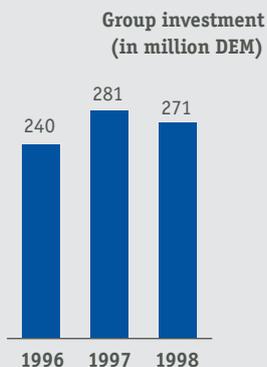
¹⁾Disregarding the extraordinary restructuring costs for tesa

²⁾Disregarding release of tesa provisions and sale of operations

Group operating result
(in million DEM)



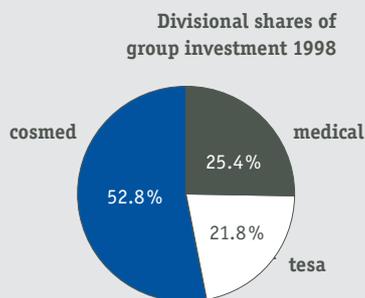
Capital Investment



Capital investment by the group in the year under review, at DEM 271 million, was slightly down on the previous year's figure, which included the greater part of the acquisition of Pollena-Lechia S.A. in Poland. The inflow of funds from ordinary business came to DEM 510 million and thus, as in preceding years, considerably exceeded investment.

Group capital investment in tangible fixed assets amounted to DEM 233 million. Made at existing locations, it primarily concerned the installation of new machinery to improve productivity and to expand and maintain the group's technological lead.

Investment in intangible assets totalled DEM 31 million. Financial investments amounted to DEM 7 million.



cosmed invested DEM 143 million, medical DEM 69 million and tesa DEM 59 million. These capital investments were in line with the existing investment strategies of the group and its divisions. Safeguarding brand rights, maintaining innovation capacity, technological progress, geographical expansion, optimisation of business processes and synergistic acquisitions are the focal points of these strategies.

Investment in Germany amounted to DEM 119 million, a considerable proportion of which was again spent on the Hamburg production facilities. In the international sector investment totalled DEM 152 million. The key areas of investment were production and logistics projects in Europe and America.

Research and Development

The key areas of Beiersdorf's research and development work in 1998 were once again the core competence areas: skin care, wound care and adhesives technology. The innovation rate over a five-year period was over 30 % in all three divisions.

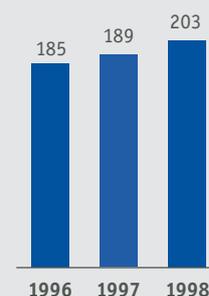
In the year under review Beiersdorf's skin research made a breakthrough in its endeavours to combat skin wrinkles. The outstanding wrinkle-smoothing effect of coenzyme Q10 has been confirmed by numerous clinical studies. This active ingredient was used in several newly designed anti-wrinkle creams, for example NIVEA VISAGE Q10 and Eucerin Q10. Furthermore, the effectiveness and skin compatibility of the new Eucerin product line for mature skin was demonstrated in the dermatology sector.

The main focus of medical research was on plasters with active ingredients (known as medicated systems). Products launched here were Hansaplast Disinfectant Plaster and Fever Plaster. In the field of wound dressings further research into chronic wounds was conducted in cooperation with universities. Here Beiersdorf sees a further basis for innovative products.

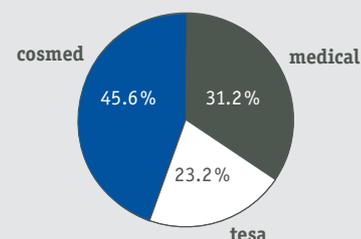
tesa research concentrated on the further development of new key technologies for solvent-free production of adhesive tapes. High-performance, radiation-curable hotmelt systems will make a significant contribution to tesa's lead on technology and costs. Heat-activated products were developed for the production of smart cards (memory chip bonding).

The group's expenditure on research and development amounted to 3.1 % of sales. A total of 941 employees were active in this field.

Research and development expenditure (in million DEM)



Research and development expenditure by divisions 1998



Further Prospects / Forecast

In 1999 we aim to make group sales grow at a similar rate to 1998. As far as basic external economic conditions are concerned, we expect a slowing of economic growth in our core region, Europe, and an improvement in Asia. Existing risks in a number of Asian countries and Brazil will be kept under constant surveillance with an eye to their impact on our business.

Our markets in Europe will continue to display only slight growth. In this context a further stream of innovative products which we shall be quick to put on the market will be the basis for our growth.

With the continuation of this successful strategy, we again expect growth of between 5 and 10 % for cosmed division.

By means of increased innovation, medical division plans to reverse the negative trend of 1998 and return to the growth trail in 1999.

Following the completion of the tesa restructuring programme in 1998, the basis has been created for positive development in 1999. The growth of the focus areas will offset the sales losses expected as a result of range streamlining.

Disregarding the extraordinary income items in 1998, group profit for 1999 should grow faster than sales. All three divisions will contribute to this result.

Profit-and-Loss Account Beiersdorf Group

(in million DEM)	Notes	1998	1997
Sales	(1)	6,547	6,288
Changes in stocks of finished goods and work in progress		34	-11
Own work capitalised		9	10
Other operating income	(2)	251	95
Material costs	(3)	-1,918	-1,886
Personnel costs	(4)	-1,432	-1,401
Depreciation on intangible and tangible assets		-265	-242
Other operating expenses	(5)	-2,640	-2,370
Operating result		586	484
Net income from participations	(6)	2	2
Depreciation on financial assets and current asset securities	(7)	-41	-8
Net interest	(8)	-6	-23
Result from ordinary activities		541	456
Extraordinary result		0	-199
Result before taxes		541	257
Taxes on income and profit		-196	-88
Other taxes		-25	-29
Profit for the year		320	140
Profit due to minority shareholders		-4	-3
Change in revenue reserves		-215	-53
Group profit (dividend of Beiersdorf AG)		101	84

Balance Sheet Beiersdorf Group

ASSETS (in million DEM)	Notes	31.12.1998	31.12.1997
Intangible assets	(9)	143	178
Tangible assets	(10)	1,248	1,206
Financial assets	(11)	61	84
Fixed assets		1,452	1,468
Stocks	(12)	805	771
Trade debtors	(13)	893	819
Other accounts receivable and current assets	(13)	229	150
Securities and liquid funds	(14)	867	683
Current assets		2,794	2,423
Prepaid expenses		37	28
		4,283	3,919
SHAREHOLDERS' EQUITY AND LIABILITIES (in million DEM)			
Subscribed capital	(15, 16)	420	420
Capital reserves		92	92
Revenue reserves	(17)	1,330	1,090
Group profit		101	84
Minority interests	(18)	31	29
Shareholders' equity		1,974	1,715
Provisions for pensions and similar obligations	(19)	675	612
Other provisions	(20)	661	690
Provisions		1,336	1,302
Financial liabilities	(21)	121	157
Trade creditors	(21)	532	489
Other liabilities	(21)	320	256
Liabilities		973	902
		4,283	3,919

Cash Flow Statement Beiersdorf Group

Cash flow statement (in million DEM)	1998	1997
Liquid funds/securities at 01.01.1998	683	410
Operating result	586	484
Extraordinary result	0	-199
Taxes paid	-232	-136
Depreciation on tangible and intangible assets	265	261
Change in pension provisions	64	21
Loss due to disposals of fixed assets	-50	-1
Gross cash flow	633	430
Change in inventories	-23	12
Change in debtors and other assets	-176	-37
Change in creditors and short-term provisions	76	246
Inflow of funds from ordinary business	510	651
Investment in fixed assets	-271	-281
Income from disposal of fixed assets	79	31
Interest income and dividends received	41	29
Outflow of funds due to investment	-151	-221
Free cash flow	359	430
Change in financial liabilities	-36	-22
Interest expenditure	-46	-49
Dividend paid Beiersdorf AG	-84	-84
Outflow of funds due to financing activities	-166	-155
Change in financial resources due to exchange rate movements	-4	-3
Change in financial resources due to consolidated group	-5	1
Change in liquid funds/securities	184	273
Liquid funds/securities at 31.12.1998	867	683

Segment Reporting Beiersdorf Group

Divisions (in million DEM)	cosmed	medical	tesa	Group
Sales	3,873	1,438	1,236	6,547
Change on previous year	+13.1 %	-2.4 %	-11.1 %	+4.1 %
Share of group sales	59.1 %	22.0 %	18.9 %	100.0 %
Operating result	383	135	68	586
in % of sales	9.9 %	9.4 %*	5.5 %	9.0 %
Investment (excl. financial investment)	138	68	58	264

* Excluding income from sale of Beiersdorf-Lilly GmbH 6.3 %

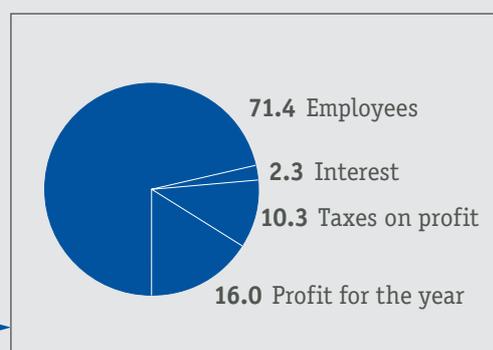
Regions (in million DEM)	Germany	Europe excl. Germany	America	Africa, Asia, Australia	Group
Sales	2,160	2,743	1,091	553	6,547
Change on previous year	+4.0 %	+10.7 %	+0.3 %	-14.4 %	+4.1 %
Share of group sales	33.0 %	41.9 %	16.6 %	8.5 %	100.0 %
Operating result	264	248	44	30	586
in % of sales	12.2 %	9.0 %	4.1 %	5.4 %	9.0 %
Investment (excl. financial investment)	119	86	51	8	264

Value Added Statement Beiersdorf Group

Output method (in million DEM)

Sales revenue	6,547
Cost of material	1,918
Depreciation	306
Other expenses	2,360
Financial earnings	41
Company earnings	2,004

Incomes received method (in %)



Notes on Consolidation and Valuation

The group financial statements of Beiersdorf AG are compiled in accordance with the provisions of the German Commercial Code and the German Stock Corporation Act. There are no changes in valuation methods compared with the previous year.

Consolidated group

In addition to Beiersdorf AG, the group financial statements include ten German and 58 international companies in which Beiersdorf AG directly or indirectly holds a majority of the voting rights and which are under its unified management. Two companies in which Beiersdorf has a share of 50% and which are run jointly with the other shareholders are consolidated pro rata.

Nine German and 31 international companies which individually and in overall terms are of only minor importance for presenting a true and fair view of the group's assets, liabilities, financial position and profit are not included.

In the year under review Beiersdorf-Lechia S.A., which was acquired at the end of 1997, Beiersdorf India Ltd. and five newly established regional holding companies were consolidated for the first time. As a result of the restructuring of Four Pillars-Beiersdorf Pte. Ltd. in Asia, five companies are for the first time consolidated on a 100% basis (previous year 50%), and three companies in the same group no longer belong to the Beiersdorf Group. The former Four Pillars-Beiersdorf Pte. Ltd. was deconsolidated in 1998.

Notes on Consolidation and Valuation

The differences arising on the assets side (DEM 19 million) and the liabilities side (DEM 2 million) as a result of first-time consolidation of the new companies are offset against the reserves without affecting profit. In the case of the deconsolidation, the previous years' profit-neutral allocations of differences arising on the assets side (DEM 45 million) were reversed, also without affecting profit.

The changes in the consolidated group in 1998 do not give rise to any significant impacts on the items in the group balance sheet. The group's profit for the year is up by DEM 9 million as a result of the first-time consolidation of Beiersdorf-Lechia S.A. and Beiersdorf India Ltd.

Consolidation principles

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

Capital consolidation is by the book value method. The acquisition costs of the shares acquired are offset against the shareholders' equity due to the parent company at the time of acquisition or first-time consolidation. Differences arising from this offsetting are wholly or partially allocated to the assets of the subsidiary companies. Residual differences are offset against revenue reserves.

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

Accounts receivable, accounts payable, provisions and also sales, expenditure and revenue arising between the consolidated companies are cancelled out. The intermediate profits arising in inventories and in fixed assets as a result of intra-group deliveries are eliminated.

Tax accruals and deferrals in respect of consolidation transactions affecting the profit-and-loss account have been made at an average group tax rate of 50 % in cases where the tax difference can be expected to cancel out in later financial years.

Currency translation

In the group financial statements, current assets and liabilities are translated at the mean rate for the balance sheet date, fixed assets at the average rate for the year of acquisition (historical rate). At 31.12.1998 the translation of shareholders' equity led to a negative effect of DEM 3 million (previous year: DEM -4 million), which is directly netted with revenue reserves without affecting profit.

In the profit-and-loss account, expenditure and revenue are translated on the basis of the average rate for the reporting year, with the exception of depreciation, which is entered at historical rates. Profit for the year is shown at the rate for the balance sheet date of 31.12.1998. The resulting currency translation differences are treated as affecting the result.

Notes on Consolidation and Valuation

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

Selected currencies:

(in DEM)	Average rates		Reporting date rates	
	1998	1997	1998	1997
100 ATS	14.21	14.21	14.21	14.21
100 BEF	4.85	4.85	4.85	4.85
100 CHF	121.28	119.73	122.20	123.25
100 ESP	1.18	1.18	1.18	1.18
100 FRF	29.83	29.71	29.82	29.88
1 GBP	2.92	2.85	2.80	2.98
1000 ITL	1.01	1.02	1.01	1.02
100 JPY	1.35	1.43	1.45	1.38
100 MXN	19.22	21.86	16.95	22.26
100 NLG	88.71	88.83	88.75	88.74
1 USD	1.76	1.74	1.67	1.79

Notes on the Profit-and-Loss Account

(1) Sales revenue

A breakdown of sales is given in the segment report on page 38.

(2) Other operating income

(in million DEM)	1998	1997
Gains from disposal of fixed assets	61	4
Exchange gains	44	31
Income from release of provisions	46	13
Other income	100	47
	251	95

The gains from disposal of fixed assets also include the income from the sale of the remaining shares in Beiersdorf-Lilly GmbH. Other income also includes the sale of other group operations.

(3) Material costs

(in million DEM)	1998	1997
Cost of raw materials, supplies and merchandise	1,825	1,798
Cost of external services	93	88
	1,918	1,886

Notes on the Profit-and-Loss Account

(4) Personnel costs

(in million DEM)	1998	1997
Wages and salaries	1,096	1,098
Social security contributions and assistance costs	227	235
Pension costs	109	68
	1,432	1,401

Pension costs include the entire additional expenditure of DEM 40 million that results from applying the new 1998 Heubeck tables to the calculation of pension provisions for Beiersdorf AG and the German affiliates.

(5) Other operating expenses

(in million DEM)	1998	1997
Marketing expenditure	1,600	1,415
Freight costs	117	118
Repairs and maintenance	105	97
Exchange losses	51	43
Other expenditure	767	697
	2,640	2,370

In addition to media expenses, marketing expenditure consists essentially of expenditure on trade marketing. Other expenditure relates to expenditure on external support, fees, travel expenses and other services rendered by third parties.

(6) Net income from participations

This figure contains income from non-consolidated participations.

(7) Depreciation on financial assets and current asset securities

The write-down relates to the deconsolidated company Four Pillars-Beiersdorf Pte. Ltd., Singapore.

(8) Net interest

(in million DEM)	1998	1997
Other interest and similar income	39	26
(of which: from affiliated companies)	(1)	(-)
Interest paid and similar expenditure	-45	-49
(of which: to affiliated companies)	(-)	(-)
	-6	-23

Interest on special-fund units held by Beiersdorf AG since the end of 1997 is not included in the interest income for the financial year, owing to the different financial years of these funds.

Notes on the Balance Sheet

(9) Intangible assets

(in million DEM)	Industrial property rights and similar rights and assets	Goodwill	Payments on account	Total
Acquisition cost				
Opening balance 01.01.1998	360	1	2	363
Changes in consolidated group	-1	0	0	-1
Additions	26	0	5	31
Disposals	-7	0	-1	-8
Transfers	2	0	0	2
Closing balance 31.12.1998	380	1	6	387
Depreciation				
Opening balance 01.01.1998	185	1	0	186
Changes in consolidated group	-1	0	0	-1
Additions	64	0	0	64
Disposals/Transfers	-5	0	0	-5
Closing balance 31.12.1998	243	1	0	244
Book value 31.12.1998	137	0	6	143
Book value 31.12.1997	175	0	2	177

Acquisitions of intangible assets are valued at acquisition cost and depreciated on a scheduled linear basis. The usual depreciation period is 5 years. As an exception to this rule, the NIVEA trade marks reacquired in 1992 are written down on a scheduled basis over 10 years in the group financial statement.

(10) Tangible assets

	Land and buildings	Machinery and technical installations	Factory and office equipment	Assets under construction and payments on account	Total
(in million DEM)					
Cost of acquisition/manufacture					
Opening balance 01.01.1998	1,265	1,338	714	64	3,381
Changes in consolidated group	28	43	3	1	75
Additions	17	70	79	67	233
Disposals	-24	-134	-41	-2	-201
Transfers	21	18	10	-51	-2
Closing balance 31.12.1998	1,307	1,335	765	79	3,486
Depreciation					
Opening balance 01.01.1998	552	1,072	551	0	2,175
Changes in consolidated group	11	30	2	0	43
Additions	40	90	71	0	201
Disposals/Transfers	-21	-124	-36	0	-181
Closing balance 31.12.1998	582	1,068	588	0	2,238
Book value 31.12.1998	725	267	177	79	1,248
Book value 31.12.1997	713	266	163	64	1,206

Tangible assets are valued at the cost of acquisition or manufacture and depreciated on a scheduled basis in line with the probable economic life of the asset. The cost of manufacture of company-produced tangible assets is determined on the basis of directly allocatable individual costs and appropriate overheads. Interest on outside capital is not included. Repair costs are entered as current expenditure. Buildings are depreciated on a linear basis. The depreciation on movable fixed assets is usually accelerated at first, changing to linear depreciation when the latter exceeds the accelerated depreciation figure. In addition, special depreciation is taken in cases where there is a probable permanent reduction in value. Minor assets are depreciated in full in the year of acquisition.

Notes on the Balance Sheet

Scheduled depreciation on tangible assets is largely based on the following economic life figures:

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

(11) Financial assets

(in million DEM)	Shares in affiliated companies	Participations	Investment securities	Other loans	Total
Cost of acquisition					
Opening balance 01.01.1998	103	4	6	4	117
Changes in consolidated group	16	1	0	0	17
Additions	5	1	0	1	7
Disposals	-16	-2	0	-3	-21
Transfers	-3	3	0	0	0
Closing balance 31.12.1998	105	7	6	2	120
Depreciation					
Opening balance 01.01.1998	33	0	0	0	33
Changes in consolidated group	0	0	0	0	0
Additions	41	0	0	0	41
Disposals/Transfers	-19	4	0	0	-15
Closing balance 31.12.1998	55	4	0	0	59
Book value 31.12.1998	50	3	6	2	61
Book value 31.12.1997	70	4	6	4	84

Financial assets are valued at acquisition cost or an attributable lower value. Interest-free loans are assessed at their cash value. Appropriate write-downs are made in cases of a probable permanent reduction in value.

In the case of Four Pillars-Beiersdorf Pte. Ltd., which was deconsolidated in 1998, the book value of the investment is shown under shares in affiliated companies. In view of the impending winding-up of the company, the book value is written down to the lower attributable value.

(12) Stocks

(in million DEM)	1998	1997
Raw materials and supplies	213	218
Work in progress	53	59
Finished products, goods	533	486
Payments on account	6	8
	805	771

Raw materials and supplies are shown here at average acquisition cost or, if lower, at current prices. Finished goods and work in progress are valued at average manufacturing cost. When calculating manufacturing cost, only allocatable variable costs have been included.

(13) Accounts receivable and other current assets

(in million DEM)	1998	1997
Trade debtors	893	819
(of which: residual term more than 1 year)	(1)	(1)
Accounts receivable from affiliated companies	33	21
(of which: residual term more than 1 year)	(-)	(-)
Accounts receivable from companies in which a participating interest is held	2	1
(of which: residual term more than 1 year)	(-)	(-)
Other current assets	194	128
(of which: residual term more than 1 year)	(5)	(4)
	1,122	969

Notes on the Balance Sheet

Accounts receivable and other current assets are basically entered at their nominal value, bills receivable and interest-free or low-interest loans at their cash value. Appropriate adjustments have been made for identifiable risks, and the overall credit risk has been catered for by a lump-sum value adjustment. Revaluation is not necessary when the reason for devaluation no longer applies.

(14) Securities and liquid funds

(in million DEM)	1998	1997
Securities	541	356
Liquid funds	326	327
	867	683

In 1998 special-fund units held by Beiersdorf AG to the value of DEM 400 million are shown under securities.

(15) Subscribed capital

The share capital of Beiersdorf AG remains unchanged from the previous year at DEM 420 million. Under a resolution passed by the Annual General Meeting on 25 June 1998, the issued shares with a nominal value of DEM 5.- were converted to individual share certificates representing equal shares in the company's share capital. The company is entitled to issue global certificates for multiple shares.

(16) Authorised capital

Under the resolution passed at the Annual General Meeting on 2 July 1996, the Executive Board is empowered, in the period ending 31 May 2001, to raise the share capital by up to DEM 84 million with the consent of the Supervisory Board by making one or more issues of new shares against cash contributions.

(17) Revenue reserves

The group's revenue reserves developed as follows:

(in million DEM)

Opening balance 01.01.1998	1,090
Transfer from profit for the year 1998	215
Changes in consolidated group	28
Changes due to currency translation	-3
Closing balance 31.12.1998	1,330

(18) Minority interests

The adjustment item contains the interests held by third parties in the shareholders' equity of the fully consolidated companies.

(19) Provisions for pensions and similar obligations

The pension provisions for the German companies are determined in accordance with actuarial principles under Section 6a of the Income Tax Act and represent the discounted value at an interest rate of 6 %. The 1998 Heubeck tables are used for the calculation for the first time. In the case of companies outside Germany the relevant provisions are calculated in accordance with the requirements of local commercial law. In addition to the pension provisions shown in the balance sheet, premium reserves for employees of various group companies are held by pension and assistance funds; in some cases the pension entitlements have been transferred to insurance companies.

Notes on the Balance Sheet

(20) Other provisions

(in million DEM)	1998	1997
Provisions for deferred taxes	48	55
Other tax provisions	101	67
Miscellaneous provisions	512	568
	661	690

In the consolidated financial statements, deferred taxation has been recalculated taking account of the changes in valuation. All deferred tax assets and liabilities, including those arising on consolidation, are disclosed as a net balance in the group accounts. Deferred taxes on consolidation entries are calculated at an average tax rate of 50% and shown as net positions. Miscellaneous provisions cover all identifiable risks and relate largely to contractual and voluntary staff remunerations, expenditure on partial retirement schemes and severance payments, premiums for industrial injury compensation insurance, advertising costs, year-end bonuses and other risks. The reduction in miscellaneous provisions is largely due to depletion and release of the provisions made in connection with the tesa restructuring measures.

(21) Liabilities

(in million DEM)	1998	Residual term up to 1 year	Residual term 1 to 5 years	Residual term over 5 years	1997
Liabilities to banks	121	101	19	1	157
Trade creditors	520	520	-	-	466
Liabilities on bills accepted and drawn (goods/services)	12	12	-	-	23
	532	532	-	-	489
Accounts payable to affiliated companies	7	7	-	-	5
Accounts payable to companies in which a participating interest is held	1	1	-	-	-
Other liabilities	312	280	29	3	251
(of which: taxes)	(62)	(60)	(2)	(-)	(48)
(of which: social security)	(29)	(29)	(-)	(-)	(27)
	320	288	29	3	256

(22) Total secured liabilities

Secured liabilities to banks total DEM 3 million (1997: DEM 3 million). The security provided largely takes the form of encumbrances on real property.

(23) Contingent liabilities and other financial obligations

(in million DEM)	1998	1997
Contingent liabilities		
Bills	-	1
Liabilities under guarantees	4	14
Other financial obligations		
Obligations under rental and leasing agreements for the next three years	26	22

Notes on the Balance Sheet

(24) Derivative financial instruments

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

Currency rate hedging relates largely to intra-group deliveries and loans, while interest rate hedging relates to long-term financing. In the nominal volume shown, amounts have only been netted out if the contracts are opposite in terms of nature, maturity and size.

(in million DEM)		Nominal volume	Market value
Currency rate hedging	Futures	460	4
	Options	73	2
		533	6
Interest rate hedging	Swaps	138	-9
	Options	20	0
		158	-9
Total		691	-3

The market values shown are calculated by assessing the outstanding items at market rates on the balance sheet date. These values are shown without regard to the opposite trend in value arising from the basic business.

Miscellaneous Information

(25) Breakdown of employee numbers by sectors

(annual average)	1998	1997
Production	6,939	6,914
Sales and Marketing	4,733	4,780
Other functions	5,261	4,753
	16,933	16,447
(of which: in companies consolidated pro rata)	(852)	(978)

(26) Remuneration of the Supervisory Board and the Executive Board, loans granted

The remuneration of the members of the Supervisory Board for 1998 amounted to DEM 1,428 thousand. Total remuneration of the members of the Executive Board for the financial year 1998 came to DEM 6,300 thousand, while payments to former members of the Executive Board and their dependants came to DEM 2,159 thousand. Provisions for pension commitments to former members of the Executive Board and their dependants stand at DEM 19,460 thousand. No loans were made to members of the Supervisory Board or the Executive Board.

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

The principal affiliated companies are listed on page 58 of this Annual Report. A full list is filed with the Commercial Register of the Hamburg District Court.

(28) Ownership of share capital of Beiersdorf AG

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

Miscellaneous Information

(29) Recommended use of unappropriated profit of Beiersdorf AG

(in DEM)	1998
Beiersdorf AG profit for the year	119,200,000.-
Transfer to retained profit	18,400,000.-
Unappropriated profit	100,800,000.-

The Executive Board recommends that the unappropriated profit of Beiersdorf AG in the amount of DEM 100,800,000.- be used to pay a dividend of DEM 1.20 per share for 84 million individual shares.

Hamburg, March 1999

The Executive Board

Auditors' Certificate

"We have audited the group financial statements and the group management report prepared by Beiersdorf Aktiengesellschaft for the financial year ending 31 December 1998. The preparation of the group financial statements and the group management report in accordance with the requirements of German commercial law is the responsibility of the company's Executive Board. Our task is to make, on the basis of the audit we have conducted, a judgement about the group financial statements and the group management report.

We have made our audit of the group accounts in accordance with Section 317 of the German Commercial Code having regard to the principles of proper auditing drawn up by the "Institut der Wirtschaftsprüfer" (IDW). These state that the audit is to be planned and conducted such that it is possible to judge with sufficient certainty whether the group financial statements and the group management report are free from significant defects.

During the audit, evidence of the information in the group financial statements and the group management report is verified on the basis of random samples. The scope of the audit includes assessing the annual financial statements of the companies included in the group financial statements, the definition of the consolidated group, the accounting and consolidation principles applied and important judgments by the Executive Board, and also appraising the overall presentation of the group financial statements and the group management report. In our opinion, our audit provides a sufficiently reliable basis for our audit conclusions.

Our audit did not give rise to any objections.

We are satisfied that the group financial statements present a true and fair view of the group's assets, liabilities, financial position and profit, in accordance with generally accepted German accounting principles. The group management report gives an accurate overall picture of the group's situation and correctly describes the risks associated with its future development."

Hamburg, 29 March 1999

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Dyckerhoff
Wirtschaftsprüfer

sgd. Dannenbaum
Wirtschaftsprüfer

Major Group Companies

	Location	Share of capital (%)	Sales ¹⁾ 1998 (mill. DEM)	Sales growth ²⁾ (%)	Employees (1998)
Germany					
Beiersdorf AG	DE, Hamburg		2,781	6.1	4,581
Bode Chemie GmbH & Co.	DE, Hamburg	75	103	3.5	223
Cosmed-Produktions GmbH	DE, Berlin	100	80	4.1	126
Juvena Produits de Beauté GmbH	DE, Baden-Baden	100	110	3.9	437
tesa-Werke Offenburg GmbH	DE, Offenburg	100	90	-12.6	637
Europe excluding Germany					
Beiersdorf Gesellschaft m.b.H.	AT, Vienna	100	209	5.9	236
SA Beiersdorf NV	BE, Brussels	100	151	10.4	136
Bandfix AG	CH, Bergdietikon	100	55	3.0	127
Beiersdorf AG ³⁾	CH, Münchenstein	50	127	6.5	118
Juvena (International) AG	CH, Volketswil/Zürich	100	89	-2.4	115
BDF Nivea SA	ES, Tres Cantos/Madrid	100	199	15.3	297
Beiersdorf, S.A.	ES, Argentona (Barcelona)	100	126	3.4	338
Beiersdorf s.a.	FR, Savigny-le-Temple	99.8	602	14.6	669
Beiersdorf UK Ltd.	GB, Milton Keynes	100	156	8.7	93
Beiersdorf Hellas AE	GR, Gerakas/Attikis	100	81	7.7	262
Beiersdorf SpA	IT, Milan	100	519	10.6	616
Beiersdorf N.V.	NL, Almere	100	234	6.5	293
Beiersdorf-Lechia S.A.	PL, Poznan	99.9	130	-	1,179
Beiersdorf Portuguesa, Lda.	PT, Queluz de Baixo	100	97	5.4	115
Beiersdorf AB	SE, Kungsbacka	100	131	0.2	233
America					
BDF Nivea Ltda.	BR, São Paulo	100	75	40.9	109
BDF México, S.A. de C.V.	MX, Mexico City	100	110	12.0	396
Beiersdorf, Inc.	US, Wilton, CT	100	401	-6.1	577
Beiersdorf-Jobst Inc.	US, Charlotte, NC	100	152	2.3	714
La Prairie, Inc.	US, New York	100	62	1.5	68
tesa tape inc.	US, Charlotte, NC	100	186	-12.5	397
Asia/Africa/Australia					
Beiersdorf Australia Ltd.	AU, North Ryde, NSW	100	79	7.9	177
Nivea-Kao Co., Ltd.	JP, Tokyo	60	217	-3.7	67
tesa tape Asia Pacific Pte. Ltd.	SG, Singapore	100	45	-16.6	706

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

²⁾ In local currency

³⁾ Joint venture, consolidated pro rata

Ten-Year Overview Beiersdorf Group

(Figures in million DEM, unless otherwise stated)	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Sales	3,793	3,953	4,488	4,552	4,763	5,153	5,345	5,778	6,288	6,547
Change from previous year in %	10.1	4.2	13.6	1.4	4.6	8.2	3.7	8.1	8.8	4.1
cosmed	1,572	1,752	2,091	2,238	2,503	2,787	2,909	3,076	3,425	3,873
medical	907	953	1,098	1,088	1,091	1,138	1,159	1,390	1,474	1,438
tesa	1,314	1,248	1,299	1,226	1,170	1,228	1,276	1,312	1,390	1,236
Germany	1,457	1,591	1,763	1,757	1,780	1,867	2,014	2,053	2,076	2,160
Europe excluding Germany	1,479	1,569	1,732	1,792	1,837	1,954	2,053	2,243	2,478	2,743
America	553	516	648	661	724	753	679	890	1,088	1,091
Africa/Asia/Australia	304	277	345	342	422	579	599	592	646	553
Material costs	1,353	1,354	1,531	1,413	1,446	1,566	1,652	1,763	1,886	1,918
Personnel costs	1,076	1,111	1,247	1,267	1,248	1,294	1,267	1,317	1,401	1,432
Depreciation	170	179	214	200	199	203	229	260	261	306
Operating result	272	287	355	367	403	415	470	460	484	586
Profit for the year	102	118	147	159	179	208	227	234	140	320
Return on sales (in %)	2.7	3.0	3.3	3.5	3.8	4.0	4.2	4.0	2.2	4.9
Earnings per share ¹⁾ (in DEM)	1.27	1.42	1.79	1.85	2.11	2.40	2.54	2.63	2.56	3.43
Total dividend	39	50	54	54	61	67	71	84	84	101
Dividend per share (in DEM)	0.55	0.60	0.65	0.65	0.73	0.80	0.85	1.00	1.00	1.20
Balance sheet structure										
Fixed assets	1,184	1,213	1,236	1,357	1,381	1,452	1,526	1,479	1,468	1,452
Current assets ²⁾	1,371	1,626	1,728	1,618	1,716	1,833	2,000	2,166	2,451	2,831
(of which: Liquid funds)	(107)	(235)	(209)	(135)	(188)	(333)	(351)	(410)	(683)	(867)
Shareholders' equity	959	1,053	1,077	1,168	1,305	1,439	1,513	1,667	1,715	1,974
Provisions	704	804	842	847	917	960	1,081	1,131	1,302	1,336
Financial liabilities	417	506	526	459	335	270	255	179	157	121
Other liabilities	475	476	519	501	540	616	677	668	745	852
Equity ratio (in %)	37.5	37.1	36.3	39.3	42.1	43.8	42.9	45.7	43.8	46.1
Return on equity (in %)	11.0	11.7	13.8	14.1	14.5	15.1	15.4	14.7	8.3	17.3
Return on total capital (in %)	3.7	3.8	4.4	4.6	4.9	4.9	5.2	4.7	2.9	5.6
Capital investment	264	483	344	343	257	307	398	240	281	271
Expenditure on research and development	115	125	138	130	146	162	175	185	189	203
in % of sales	3.0	3.2	3.1	2.9	3.1	3.1	3.3	3.2	3.0	3.1
Employees										
Number (average for the year)	17,644	17,842	18,521	17,599	16,880	16,886	17,040	17,385	16,447	16,933

¹⁾ From 1997 in accordance with new DVFA/SG definition

²⁾ Including accruals and deferrals