

## **Bayer AG Ad-hoc Mitteilung**

**June 27, 2001**

**Bayer: Earnings forecast revised in the face of economic downturn**

With results in for May and considering the predicted trend in the world economy, the Bayer Group's Management Board has revised its earnings forecast for the current year. At the present time it no longer appears possible to achieve the previous aim of increasing the operating result from continuing operations before exceptional items compared with 2000 - the most successful year in the company's history. Second-quarter profits are now likely to be well below the same period of 2000, and a decline in earnings is predicted for the full year. The company nevertheless expects to report an operating result before exceptional items for 2001 in the region of EUR 3 billion.

This reassessment has been prompted mainly by a sharp drop in earnings from the biotechnology product Kogenate, combined with the current weakness of the economy and muted prospects for the remainder of the year. Another factor is that raw material costs have not gone down as much as expected.

The weakness of the U.S. economy has caused growth to slow in Europe and Asia as well. This has harmed the business of the Polymers segment in particular, where weak demand has prevented the company from raising selling prices enough to offset high raw material costs.

The Health Care segment is being greatly hampered in the current quarter by the production problems for Kogenate. Very good business in the other, chemically produced pharmaceutical products does not compensate for this effect. For this reason the segment's full-year earnings currently are not expected to match the 2000 level.

The Chemicals and Agriculture business segments, however, are showing an upward trend, with Chemicals - particularly the specialties - continuing the strong performance of the first quarter.

The same applies in the Agriculture segment, where business increased in April and May as anticipated. Bayer expects full-year results for this segment to be on target. Despite the economic slowdown, Bayer will adhere to its budgets for both capital spending and R&D, underlining the company's growth ambitions for the coming years.

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