



Investor News

Werner Wenning continues systematic realignment:

Bayer plans stock market flotation for chemicals activities and strategic refocus of health care business

- Supervisory Board approves Management Board plans
 - Focus on core businesses should enhance Bayer's competitiveness
 - New company to be positioned among Europe's leading chemical enterprises
 - Pharmaceuticals business to be retained as stand-alone solution
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Leverkusen, November 7, 2003 – Following its successful reorganization, the Bayer Group intends to maintain its focus on its core businesses and in the future concentrate on health care, nutrition and innovative materials. For this reason, Bayer Chemicals (excluding H.C. Starck and Wolff Walsrode) is to be combined with certain parts of the polymers business in a new company with the provisional name "NewCo". The aim is for this company to be listed on the stock market under a new name by early 2005 at the latest. The Supervisory Board approved these plans of the Group Management Board at its meeting today. CEO designate of the new company is Dr. Axel Claus Heitmann (44), currently a member of the Executive Committee of Bayer Polymers and head of that company's Asia region, headquartered in Shanghai.

"Both Bayer and NewCo will benefit from the split, because a stock market listing will be highly attractive for both shareholders and employees," explained Bayer CEO Werner Wenning. "Following the separation, Bayer – with sales of around EUR 22 billion – will be able to focus more closely on the core businesses in which we have excellent technologies, strong market positions and above all growth areas that we intend to further strengthen by pooling all our resources. In this way, we aim to safeguard the success of our company in the long term and generate additional value.

Bayer's reorganization was a key requirement for this significant step. Equally, we will be safeguarding the future of our chemicals business because, as an independent company, NewCo will be able to respond faster and more flexibly. In this new scenario, chemicals and polymers will be the core businesses and therefore the top priorities of the company's new management team."

In the future Bayer aims to concentrate all its financial and management resources on developing and expanding its core activities in health care, nutrition and innovative materials, which are predominantly research-intensive areas. Wenning sees high growth potential in these areas but also a corresponding need for investment. "This means we do not have sufficient resources available to maintain or enhance the market positions of our chemicals business or all of our polymers activities," said Bayer's CEO. The separation should trigger the necessary entrepreneurial impulses and create the conditions for optimizing the strategies of each company according to their different business needs.

Bayer's wealth of knowledge with respect to humans, animals, plants and materials, coupled with the respective products, will provide the foundation for sustainable growth in the long term in the promising markets in which Bayer plans to specialize. Following the reorganization, Bayer will have three operating subgroups: Bayer HealthCare, Bayer CropScience and Bayer MaterialScience.

Growth will come primarily from products containing newly researched active ingredients, from the consumer healthcare business and from growth in Asia. However, contributions to value creation should be achieved by the Group-wide utilization of technology platforms, nanotechnology and the expansion of biotechnology and genetic engineering as key innovation drivers.

Biotechnology is used not only by CropScience to achieve sustainable qualitative improvements in food crops and higher yields, but also to open up a range of new applications in other areas such as gene-based diagnostics.

Bayer's new realignment also includes repositioning the Pharmaceuticals business. "We have examined all the options for this business – especially the possibility of partnerships. We found that none of these solutions would have adequately reflected the value of our Pharmaceuticals business. In our view, they would not have offered a value-creating alternative," explained Werner Wenning. "We therefore intend to focus on our own strengths and steer our Pharmaceuticals Division with significantly

modified structures towards a successful future.” Bayer will concentrate its research effort on the therapeutic areas where it already plays a leading role and has developed successful products: anti-infectives, cardiovascular (including diabetes and obesity) and urology. Bayer also has a number of promising product developments in the oncology (cancer) field.

“We intend to position our Pharmaceuticals Division as a mid-size European pharmaceuticals business because we are convinced that this will generate the greatest value for our shareholders,” stated Wenning. In the future, the division’s activities will be focused more strongly on Europe, though without neglecting the important markets in the United States and Asia. According to Wenning, considerable progress has already been made in restructuring Pharmaceuticals. Successful new product launches have given grounds for optimism. For example, sales of Levitra[®], Bayer’s treatment for erectile dysfunction, are very encouraging. Also, major progress has been made in the area of cancer research. A raf kinase inhibitor for the treatment of advanced renal cell carcinoma, developed in collaboration with U.S. company Onyx, has now entered phase III clinical trials.

Wenning also sees particular opportunities for growth in the consumer healthcare business. Bayer’s Consumer Care, Diagnostics and Animal Health divisions hold strong or very strong positions worldwide. The company intends to further expand these activities.

The CropScience business units Herbicides, Insecticides, Fungicides and Seed Treatment hold excellent positions, and the aim is to grow faster than the market in these areas. Environmental Science is the market leader in the supply of pest control products for the home and garden. The Bio Science unit is a pool of impressive expertise in the field of biotechnology for which experts predict annual growth rates of 15 percent.

In MaterialScience, Bayer holds global leadership positions in polyurethanes, polycarbonates and coating raw materials. It has access to internationally acknowledged leading-edge technologies and a wealth of expertise acquired over many years. It is intended to continue expanding the growth areas of innovative plastics and coatings materials – with a special investment focus on the growth markets of Asia. In China alone, Bayer is currently building or planning several new production facilities. The MaterialScience subgroup will in future also include the subsidiaries H.C. Starck and Wolff Walsrode.

In addition to these three operating subgroups, the three service companies will also remain within the Bayer Group. These companies will also perform services for NewCo. Employees of the service companies whose work centers on areas that will be part of NewCo are to be transferred to NewCo.

With sales of EUR 5.6 billion and a workforce of around 20,000, NewCo will rank among Europe's leading chemicals suppliers, occupy leadership positions in more than two thirds of global market segments and be a technology leader in manufacturing. "Independence will trigger strong entrepreneurial impulses, enabling NewCo to enhance the competitiveness of its production technology, too, and generate above-average growth and value," said Wenning.

Independence from Bayer should put NewCo in a position to utilize capital resources more efficiently for the enhancement of its competitiveness and to seek partners or investors at its discretion. The new structure will also make it easier to focus management resources on the specific needs of the chemicals business, conform structures and processes to the requirements of the chemical industry and activate niche markets utilizing new business models. The aim is to continue to grow through a stronger focus on innovation, efficient use of resources and targeted expansion of attractive specialty applications.

NewCo will have a broad-based portfolio of around 5,000 products covering basic, specialty and fine chemicals as well as polymers. These products include: intermediates for the manufacture of active ingredients for pharmaceuticals and crop protection products; material protection products; chemicals for the leather, textile and paper industries; ion exchange resins for water treatment applications; inorganic pigments for coloring concrete and plastics; polymer additives such as flame-retarding agents and plasticizers; solid rubber and rubber chemicals for the rubber and tire industries; ABS (styrenics) and semi-crystalline thermoplastics which are used primarily in automotive engineering, as well as for the manufacture of covers and housings. NewCo will have a global presence with production facilities and sales organizations in 40 companies and 20 countries.

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Bayer AG, Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)

Dr. Juergen Beunink (+49-214-30-65742)

Peter Dahlhoff (+49-214-30-33022)

Judith Nestmann (+49-214-30-66836)

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