Bayer CEO Dr. Manfred Schneider at the Fall Financial News Conference:

"A very successful first three quarters"

Sales up 22 percent / Operating result climbs by 29 percent /
Double-digit earnings growth expected again in 2001

Leverkusen – The Bayer Group posted excellent sales and earnings growth from continuing operations in the first three quarters of 2000. Speaking at the company's Fall Financial News Conference, Bayer Management Board Chairman Dr. Manfred Schneider announced that sales increased by 22 percent to EUR 22.2 billion, while the operating result improved by 29 percent to EUR 2.7 billion. Group net income from continuing operations – disregarding the Agfa-Gevaert group, which was floated on the stock market in 1999, and the activities of the DyStar group and EC Erdölchemie – rose by 40 percent to EUR 1.5 billion. In view of Bayer's performance so far in 2000, Dr. Schneider expects an increase of at least 10 percent in both sales and operating profit from continuing operations for the full year. The Bayer CEO was also optimistic for next year: "A first look at the prospects for 2001 gives us reason to believe that we will boost our operating result by a double-digit percentage next year, too."

All geographical regions and business segments contributed significantly to the Group's strong growth in sales. Bayer's Asian and North American companies posted the strongest increases, with business in Asia expanding by 43 percent to EUR 3.1 billion and sales in North America up 31 percent to EUR 7.3 billion. Europe remained the company's most important market, with sales advancing 12 percent year-on-year to EUR 10.3 billion. "Here we profited from the improved economic conditions, particularly in Germany," said Schneider. He expects that the world economy will continue to expand overall, although the current high growth rates will weaken slightly.

With respect to the business segments, the Bayer CEO was particularly pleased with the performance of the Health Care segment, which boosted sales by 21 percent to EUR 7.3 billion and its operating result by 40 percent to EUR 1.1 billion. Sales of the Pharmaceuticals Business Group increased by 23 percent. This was considerably faster than the world market, which only grew by 9 to 10 percent. "In addition to the encouraging double-digit growth in sales of our proven blockbusters Adalat and Cipro, three future blockbusters, in particular – Baycol, Kogenate, and Avelox – registered very good growth."

In regard to future growth in the Health Care segment and particularly in Pharmaceuticals, Schneider pointed to the research platform the company has assembled in recent years, which is intended to boost innovative potential by 30 percent a year: "We expect to discover 20 new development candidates a year from 2004, with the aim of translating two of these candidates each year into new pharmaceutical product introductions." The cooperation with the U.S. biotech company Millennium is expected to produce the first development candidate for the cancer indication before the end of this year.

The Agriculture segment succeeded in maintaining its 20 percent operating margin – one of the best in the industry – despite a difficult business environment, according to Dr. Schneider. With 15 percent growth in sales, to EUR 2.8 billion, and a 13 percent increase in the operating result, to EUR 573 million, the segment outperformed the market, again increasing its market share. The Crop Protection Business Group strategically strengthened its fungicides business through the acquisition from Novartis of the Flint® line, which has annual sales potential of some EUR 300 million.

The Polymers segment achieved impressive sales growth of 29 percent to EUR 8.4 billion in the first three quarters. However, Dr. Schneider characterized the segment's 4 percent increase in operating profit to EUR 897 million as "unsatisfactory." According to Schneider, this was due to the Group's higher raw material costs, which exceeded last year's figure by more than EUR 900 million, based on an equal procurement volume.

Raw material costs also affected the Chemicals segment, where operating profit advanced by only 3.2 percent to EUR 352 million, despite an 18 percent increase in sales to EUR 3.2 billion.

Bayer aims to enhance the profitability of its Polymers segment in the short term through price increases, lower raw material costs and savings from cost containment programs. Over the medium term, the company aims to achieve a 15 percent return on sales in steadily expanding markets. In the Chemicals segment, too, Bayer is endeavoring to improve the operating margin by continuing to implement its successful restructuring programs and expanding its specialties businesses.

Bayer’s CEO pointed out that his company is not just addressing the challenges of the markets, but is also speeding up the pace of change. As examples, Dr. Schneider cited Bayer's consistent portfolio optimization strategy and its numerous e-commerce activities. Not only does the company operate its own transaction portals, it also participates in leading Internet marketplaces. Bayer expects to generate sales through e-commerce in the region of EUR 5 billion by 2004, compared with EUR 250 million this year. According to Dr. Schneider, the company is well-equipped for e-commerce: "We are taking consistent steps to actively encourage Internet-driven changes wherever these enhance the competitiveness of our core businesses."

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