

International news conference to mark NYSE listing

“New” Bayer Group will be more flexible to boost competitiveness and performance

Bayer stock to be listed on the New York Stock Exchange on January 24 – Corporate reorganization proceeding apace

New York, January 22, 2002 - Bayer takes its place on the New York Stock Exchange with a clear blueprint for a new corporate structure. At an international news conference held in New York on Tuesday prior to the listing of Bayer's stock on January 24, 2002, CEO Dr. Manfred Schneider commented that he expects the formation of a management holding company with four independent operating subsidiaries to give the group the flexibility it needs to achieve greater agility in its markets and boost its international competitiveness. Speaking at the news conference, CEO Dr. Schneider and Bayer CFO Werner Wenning reported that the company is in a process of rapid change following the announcement of the reorganization plans at the end of last year.

“We have initiated far reaching change processes which will lead to increased competitiveness, more flexibility and a better overall performance in all our businesses,” explained Schneider. Preparations for implementing the new structure, which is also designed to facilitate strategic partnerships, are already well under way. The plans also include streamlining the portfolio by divesting subsidiaries and affiliates whose activities are considered non-core. The new legal structure is to be introduced on January 1, 2003. “We are convinced that our four new companies will prosper and establish top positions in their markets,” said Schneider.

The New York Stock Exchange represents the ‘Who’s Who’ of global industry, Schneider noted, declaring: “Our stock belongs here.” The U.S. listing provides Bayer with a range of benefits and opportunities, including direct access to the U.S. capital market. It also means that Bayer can use its stock as an acquisition currency in the future. At present, U.S. investors hold about 8 percent of the capital stock, and the company wishes to broaden its stockholder base in the United States. “We are now more attractive to some institutions here that can only purchase shares of foreign companies which are listed in the U.S.,” explained Schneider. The listing on Wall Street will also give Bayer the opportunity to launch stock ownership programs for its U.S. employees.

Health Care company in strong position

The new organizational structure will comprise of four operating companies under the umbrella of a management holding company. The EUR 11 billion-plus Health Care business, consisting of the Pharmaceuticals, Biologicals, Consumer Care, Diagnostics and Animal Health business groups, is to be developed into one of the leading companies in its field. To gain critical mass and round out the portfolio, Bayer is looking for strategic partners – whether for the entire health care business or for individual business units and special markets. However, Schneider stressed that Bayer intends to remain “in the driver’s seat.” The company’s health care activities, in particular, are much stronger and more valuable than is generally realized at the present time. While Bayer already has the necessary expertise and resources for a leading position in the global health care market, partnerships could speed up the new company’s development.

To boost the efficiency of pharmaceutical research and development, the search for new active substances has already been placed on a broader footing. Instead of establishing and maintaining large-scale capacities for these highly specialized processes, Bayer has assembled a network of external partnerships and alliances. “This research platform provides us with best-of-class technology,” Bayer’s CEO explained. “We access know-how through long-term alliances with leading biotechnology and high-tech companies such as Millennium Pharmaceuticals, Lion Bioscience and CuraGen. Our goal is to identify at least 20 new development projects per year and to rapidly leverage this high output into new pharmaceutical products.” The development pipeline currently contains 14 more substances in phase I and II clinical trials and 24 substances undergoing preclinical tests – for such indications as cancer, cardiovascular disorders and infectious diseases. The number of ongoing preclinical projects has increased more than five-fold since 1995.

A global leader in Crop Science

Bayer is making rapid progress with the planned acquisition of Aventis CropScience. The EUR 7.25 billion acquisition – pending regulatory approval – will be the largest in Bayer’s history. “The two businesses had combined sales of almost EUR 7 billion in 2001, and the new company will be a world leader in the agrochemicals industry.” The antitrust authorities are expected to complete their review of this transaction by the end of the first quarter of 2002. Bayer CropScience – as the new company will be called – aims to increase sales to EUR 8 billion a year by 2005 and is targeting a 20 percent operating margin.

Schneider reported that the four Polymers business groups – Plastics, Polyurethanes, Rubber, and Coatings and Colorants – would be combined to create one of the world’s largest polymers companies with sales of more than EUR 11

billion. He pointed out that in many of these businesses, Bayer is already the market leader. "In other businesses, too, we have reached top positions," he said. "Our goal is not only to maintain our leading position but to gain further market share."

Although Bayer is continuing its active portfolio management even after the acquisition of the Lyondell polyols business and Sybron, it is now strong enough to grow organically in the future.

The new EUR 4 billion-plus Chemicals company to be created from the Basic and Fine Chemicals and Specialty Products business groups will target a 12 to 13 percent operating margin. It aims to become one of the world's leading specialty chemicals producers. In the face of the ongoing consolidation in the global chemicals market, Bayer is prepared to enter into a partnership for this business that could lead to a joint venture with a similarly structured company. Schneider: "Our medium-term goal is to forge a strategic alliance to gain enhanced technological expertise, expanded marketing operations and strengthened presence in the world's major economic regions, especially in the United States."

Wenning: "Biggest reorganization in Bayer's history"

CFO Werner Wenning, who succeeds Schneider as CEO at the end of April this year, described the planned changes in the company's corporate structure as the biggest reorganization in Bayer's history: "The change process we have initiated is far-reaching, and it is being implemented at full speed." The establishment of four independent operating companies has three goals: to create a more agile Bayer Group, to increase the focus on key success factors and to enhance transparency. "Focused, balanced and timely decisions will give us a competitive edge," he said. The new operating units will therefore have the mandate and flexibility to act quickly, resulting in accelerated portfolio and technology development, faster identification of market opportunities and faster response to customer demand.

"A declared objective of our new structure is more transparency," said Wenning. "The result is value: We – and our shareholders and the analysts – will be able to judge even better Bayer's drivers of success – and thus what belongs, and what does not." Much has already been accomplished in this direction. Almost half of the product line has been restructured through acquisitions and divestitures over the past five years. Only recently Bayer announced the divestment of three companies with annual sales totaling EUR 1.4 billion. Wenning commented that he is confident that all of these divestments can be completed during 2002.

At the helm of the new structure will be the holding company's management board. It will determine overall strategy, decide on the portfolio of businesses, control the allocation of resources and nominate the top managers of the operating companies. Its most important aim will be to achieve a sustained increase in Bayer's value.

Wenning explained that positioning four operating units under the umbrella of a management holding company would serve to maximize market potential, and therefore value, by creating a sound basis for sustained growth.

Schneider and Wenning expressed their confidence that the stockholders will give the plans an unconditional go-ahead at the Annual Stockholders' Meeting in April and that the new structure can be in place by January 1, 2003.

Leverkusen, January 22, 2002

Forward-Looking Statements

This news release contains forward-looking statements based on current assumptions and forecasts made by Bayer Group management. Various known and unknown risks, uncertainties and other factors could lead to substantial differences between the actual future results, financial situation, development or performance of the company and the estimates given here. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Note:

The texts of the speeches by Dr. Manfred Schneider and Werner Wenning, including charts, can be found on the Bayer homepage at www.bayer.com.