Deutsche Bank

DEPARTAMENTO DE VALORES
Emisoras

Barcelona, 17 de Marzo de 2000

Adjunto les remitimos información recibida de la sociedad Bayer AG., considerada de interes.

Sin otro particular aprovechamos la ocasión para saludarles muy atentamente.

DEUTSCHE BANK
Sociedad Anónima Española

Strong 1999 performance in a difficult business environment

Bayer Group net income climbs 24 percent to EUR 2 billion

Good start to 2000: Sales jump by 20 percent in January/February

Leverkusen – "Last year we maintained our strong position in a difficult business environment." This was how Dr. Manfred Schneider, Chairman of Bayer's Board of Management, described the Group's 1999 performance at its Spring Financial News Conference on Thursday. Due primarily to tax-free earnings from the Agfa flotation, Bayer Group net income climbed by 24 percent to EUR 2 billion. Schneider's outlook for 2000 was optimistic: "Our performance in the first two months of this year was most encouraging." Sales jumped by 20 percent year-on-year and earnings also improved considerably.

Although sales dipped by 2.6 percent in 1999 to EUR 27.3 billion, the operating result moved ahead by 6.4 percent to EUR 3.4 billion. The Bayer CEO pointed out that this margin reflected not just one-time profit of EUR 1 billion from the flotation of Agfa, but also restructuring charges of EUR 646 million.

Income before income taxes increased to EUR 2.8 billion, compared to EUR 2.7 billion in 1998. "These figures for 1999 are very respectable," said Schneider. Bayer wants its stockholders to share in the company's success and will therefore propose to the Annual Stockholders' Meeting on April 28 that the dividend be increased from EUR 1.02 to EUR 1.30 per share. This would amount to a record dividend payment of EUR 949 million – the sixth consecutive dividend increase.

Bayer Group sales from continuing operations grew by 7.9 percent in 1999 to EUR 25.2 billion. The operating result before exceptional items declined by 3.8 percent to EUR 2.8 billion. According to Schneider, the figure was diminished by substantial additional one-time charges and a strategic 18.2 percent increase in research expenditures to EUR 2.1 billion.

Asia and North America had the highest growth rates

Bayer registered its highest growth rates in 1999 in the Asia/Africa/Australia region, where sales grew by 29 percent to EUR 3.1 billion. According to Schneider, this indicates an end to the Asian economic crisis. Bayer Group sales in North America climbed by 15 percent to EUR 7.7 billion. "We anticipate significant growth rates in this region, particularly in our health care activities," stressed Bayer's CEO.

By contrast, sales growth in Europe amounted to only 2 percent, to EUR 12.8 billion. In Germany, weak domestic demand diminished sales of Bayer AG by 2 percent and comparable operating profit by 15 percent.

Sales of Health Care business segment advance by 19 percent

Commenting on the performance of Bayer's individual business segments, Schneider said he was particularly pleased with the Health Care segment, which saw sales climb by 19 percent to EUR 8.4 billion. Sales of the Pharmaceuticals Business Group grew by 15 percent to over EUR 5 billion – nearly twice as fast as the world market. The company's diagnostics business boosted its sales by 55 percent, to EUR 1.7 billion, due in large part to the acquisition of Chiron Diagnostics at the end of 1998. This business is being successfully integrated. Bayer is confident of becoming the world's third largest supplier of diagnostic systems in 2000.

Bayer intends to increase the sales of its Health Care segment in the coming years through innovation. The company also plans to raise profitability through extensive restructuring measures, the continuing success of its star products Ciprobay, Adalat and Aspirin, and also that of future blockbusters such as Avelox, Lipobay/Baycol and Kogenate. Schneider added: "The genomics technology platform we have systematically assembled over the past four years is of eminent importance for our company over the long term." Since 1997, the Group has entered into collaborations in this area worth a total of EUR 1 billion if performance targets are met. Bayer is now regarded as being in the "first league" in this field.

Schneider predicts a return on sales for the Health Care segment of more than 20 percent by 2002. "We believe we hold a strong position, not just with our pharmaceuticals business, but with our health care activities as a whole."

Top operating margin in the Agriculture business segment

The Agriculture business segment grew sales by 6 percent in a difficult environment, to EUR 3.1 billion. Here, Bayer is the world leader in terms of profitability, with a 17 percent operating margin. The segment's challenge for the coming years will be to maintain its strong position against the current market trend. Furthermore, Bayer will take advantage of its stable, strong position in chemical crop protection to closely evaluate all portfolio options concerning both consolidation and opportunities to enter the field of green biotechnology.

The Polymers segment, which Schneider described as "a central and reliable element of our portfolio," expanded its sales by 6 percent, to EUR 9.3 billion, with an extremely encouraging fourth quarter trend. Although the operating result declined by 4 percent to EUR 1.2 billion due to pressure on margins and high exceptional charges, Bayer remains number 1 or 2 in the world market in many of these businesses. The company eliminates weaknesses through active and strategic portfolio management measures such as the acquisition of the Lyondell polyols business. The Bayer CEO announced that these activities will be transferred to Bayer on April 1, 2000.

Schneider expressed confidence that Bayer's strong position in its polymer activities will allow significant organic growth. For this reason, Bayer will focus on the expansion of its capacities worldwide, with particular emphasis on its Asian operations.

Sales of the Chemicals segment remained practically unchanged year-on-year, at EUR 3.7 billion. The operating result declined by 20 percent to EUR 414 million, which Schneider characterized as "a disappointing overall performance," despite a fourth quarter upswing. The main factor here was unfavorable economic conditions in 1999. Reduced consumption by major customers for fine chemicals and life science intermediates also hampered the Group's earnings. He said it would take the company's best efforts to achieve a reasonable result in 2000.

The future success of Bayer's Chemicals segment depends on cost-optimization in basic chemicals and growth in fine and specialty chemicals. The segment has boosted its return on sales from 1 to 11 percent within the past three years. "A respectable level when compared with the European chemicals business as a whole," commented the Management Board Chairman. Due to the strong pressure from competition, however, Bayer will need to streamline its chemicals portfolio even further. The company is currently examining closely the success factors of all its chemical activities.

Setting the course for the future

Bayer once again took important steps in 1999 to set the course for the future. Significant portfolio optimization included the acquisition of the Lyondell polyols business, the spin-offs of Agfa and DyStar and the sale of a large portion of the houses and apartments Bayer owns in Germany. "These moves will allow us to concentrate our resources on our core competencies in the four business segments," commented Schneider.

Bayer was especially active in 1999 with respect to boosting its innovative capacity, which is the key factor in the enhancing corporate value, especially in the life sciences. Significant changes were also introduced to the financial incentive systems for the company's employees. According to Schneider, initial reactions to the variable remuneration policy indicate that these steps are sharpening the commercial focus of Bayer's workforce.

Schneider also highlighted the decision to list Bayer shares on the New York Stock Exchange in the second quarter of 2001: "This move will strengthen Bayer stock as a potential acquisition currency." As a global company, Bayer also wanted to be present on the world's most important trading floor. Preparations for the listing, estimated to take half a year, are scheduled to get under way in the fall of 2000.

According to the Bayer Chairman, these moves are an indication of the considerable changes currently taking place within the Bayer Group. The emphasis here will be on the competitiveness and market position of the individual business groups: "We have a healthy portfolio that will give us further potential to increase our corporate value."

CFO Werner Wenning: "Excellent balance sheet structure"

Bayer's Chief Financial Officer, Werner Wenning, spoke of "a very solid set of statements that reflects the Bayer Group's excellent financial condition." The balance sheet, he went on, was very healthy, and the level of net income allowed not only a dividend increase but also an allocation of some EUR 1 billion to retained earnings. Wenning expressed confidence that the good prospects for the current year would boost Bayer's share price.

Bayer had taken advantage of the successful stock market flotation of Agfa to bring forward a number of measures that would raise the profitability of its core businesses for the long term. These had led to exceptional charges of EUR 442 million in the fourth quarter alone. Exceptional expenses for the full year 1999 amounted to EUR 646 million.

The non-operating result in 1999 was down by 22 percent to minus EUR 521 million, mainly due to lower income from minority affiliates. Financial obligations were reduced by EUR 264 million to EUR 4.5 billion. Wenning explained that liquid assets had been strategically increased in 1999 by EUR 1.4 billion to EUR 3.1 billion to allow for acquisitions to be made in the short term; this liquidity would now be used for the Lyondell acquisition.

Regarding the balance sheet structure, Bayer's CFO said noncurrent assets accounted for 50 percent of the total; equity covered 97 percent of noncurrent assets. Capital expenditures for property, plant and equipment amounted to EUR 2.3 billion, almost half of which were spent on capacity expansions. Pension provisions accounted for EUR 4.2 billion of the EUR 6.7 billion total provisions. Total assets increased by 6 percent to EUR 31.3 billion due to exchange rate movements.

Leverkusen, March 16, 2000