Decision of the Supervisory Board:

Bayer to establish management holding company with operating subsidiaries

- Reorganization process will continue
- Sharper focus on core businesses
- Haarmann & Reimer, Rhein Chemie Rheinau and interest in PolymerLatex to be divested

Leverkusen, December 6, 2001 – Bayer plans to transform its current organizational structure into a management holding company with independent operating subsidiaries. Subject to stockholders' approval, the new structure is to be operational effective January 1, 2003. Plans to this effect were approved by the company's Supervisory Board at its meeting on December 6, 2001.

Following the decision made in September to transfer the Health Care segment and the Crop Protection Business Group into legally independent corporate units within the Bayer Group, the same action is now to be taken for the Polymers and Chemicals business segments as well. Explaining the changes, Management Board Chairman Dr. Manfred Schneider said: "In line with our proven four-pillar strategy we are adjusting our organizational structure to increase maneuverability in our markets, to improve our competitiveness, to better exploit synergies and to align our business for potential strategic partnerships."

Major synergy potential in Polymers

Merging Bayer's Rubber, Plastics, Polyurethanes, as well as Coatings and Colorants business groups willcreate one of the world's largest polymers companies, with sales of more than EUR 11 billion. Bayer is already a world leader in the manufacture of polyurethane raw materials, coating raw materials, specialty rubbers, and engineering plastics such as Makrolon, the material for CDs and CD-ROMs.

The new company will capitalize on major synergies through shared technological structures - especially in manufacturing, logistics and marketing - and a common IT platform. With customer industries increasingly requiring single-source suppliers and service back-up, the new company's operations will be aligned toward markets and customer industries – such as automotive, electrical/electronics and construction – thus opening up further business opportunities. "In an improved economic climate our polymers business can achieve a 15 percent operating margin and generate the cash flows necessary for sustained value creation, which is very much in the interests of our stockholders and employees," said Schneider. "We are strong enough in polymers to grow organically and expand from our existing position."

Plans for a strategic partnership in Chemicals

Bayer's Basic and Fine Chemicals as well as Specialty Products business groups will also be merged to create an independent corporate unit. With some EUR 4 billion in sales and a targeted return of 12 to 13 percent, the new company will be one of the world's leading specialty chemicals producers. "A major factor in this decision – apart from the obvious synergies in manufacturing, logistics and management – was the need to plan for a strategic partnership," commented Schneider. The increasingly difficult conditions in the world market for chemicals – especially specialties, fine chemicals and life science intermediates – are leading to industry consolidation, he said. According to Schneider, Bayer cannot afford to ignore this in the long term despite outperforming many of its competitors in terms of growth. The medium-term goal was to forge a strategic alliance with enhanced technological expertise, expanded marketing operations and strengthened presence in the world's major economic regions, especially in the United States. "By combining the two business groups into an independent unit, we are getting ready for a partnership that could lead to a joint venture with a similarly structured company."

Three companies to be divested

As part of this restructuring, Bayer plans to divest non-core businesses: the wholly owned subsidiary Haarmann & Reimer of Holzminden, Germany, a manufacturer of fragrances and flavors, and Rhein Chemie Rheinau of Mannheim, Germany, a specialist in additives for the rubber, lubricants and plastics industries as well as in polyurethane chemistry. Said Schneider: "These are excellent companies with strong development potential. But we no longer considere their activities to be core businesses. Changes in customer structures and in the world market would require additional resources and investments that would not be consistent with Bayer's focus on core businesses. We are sure these companiesstand to benefit from the change." Bayer also plans to sell its 50 percent interest in PolymerLatex GmbH & Co. KG of Marl, Germany. Since Degussa, the other joint venture partner, also wishes to sell its interest, the sale will be effected jointly by Bayer and Degussa.

Preparations for Bayer CropScience on schedule

Following the agreement to acquire Aventis CropScience (ACS) in early October, preparations for the new, legally independent agrochemical company are proceeding at full speed. . Subject to the approval of the antitrust authorities, the entire crop protection activities of Bayer and ACS will be combined into a new company named Bayer CropScience. The new company, with anticipated pro forma sales of nearly EUR 7 billion in 2001, will be a world leader in the agrochem industry, targeting EUR 8 billion in sales and a 20 percent operating margin for 2005.

Animal Health part of new health care entity

In a move that gives it an organizational positioning similar to that of its competitors, the Animal Health Business Group – currently part of Bayer's Agriculture segment – will transfer effective January 1, 2002 to the Health Care segment, which also comprises the Pharmaceuticals, Diagnostics, Biological Products and Consumer Care business groups. As announced in September, Bayer's Health Care activities will be combined into a new Bayer health care company. According to Schneider, this step will increase the unit's flexibility for strategic partnerships and thus additional growth. Based on this year's figures, the health care company's sales will exceed EUR 11 billion.

Schneider: "Bayer will not become a financial holding company"

Schneider stressed the intention to preserve the Bayer Group's unity and reaffirmed its focus on entrepreneurial leadership. The new organizational structure is to enhance flexibility and sharpen Bayer's competitive edge. "Let me make it quite clear that we are not opting for a financial holding structure. There will continue to be structural ties between the operating companies," declared Bayer's CEO.

The holding company's management board is to determine overall strategy, decide on the portfolio, control resource allocation and nominate subsidiary companies' managers. "We are convinced that all the new companies will prosper and establish themselves as leaders in their respective markets. The Bayer name and trademark will continue to be of great benefit. We believe the strong cohesion provided by a holding company serves to increase the value of the entire Group."

Separate companies to provide global services

Essential corporate services not directly assigned to the operating companies will be merged into service companies for the benefit of the entire Bayer Group. In Germany, for example, this applies to the Site Services Division with its 7,000 employees, along with Enterprise Accounting and Reporting, Central Technology, Information Management, Human Resources, Procurement and Logistics as well as other service units. In the major countries and regions outside Germany, too, service companies are to support the operating subsidiaries. In smaller countries, the single Bayer entities covering all the Group's activities will be retained.

Boost from new organizational structure

"We have set a new course for Bayer," said Schneider. "Over the next few weeks and months we will be working hard on the details and at the same time rigorously implementing our efficiency improvement program. This program will yield increasing economies from year to year, with annual savings amounting to some EUR 1.8 billion by 2005. But the reorganization will give us the boost from which everyone will benefit – the company, its employees and its stockholders."

"The Board of Management and the Supervisory Board are confident that the new concept provides the fastest route to renewed success following an extremely challenging year," the Chairman said. "Bayer was, is and will continue to be an attractive company that holds great promise for the future."

Bayer is an international, research-based group with core businesses in health care, agriculture, polymers and specialty chemicals. In 2000 Bayer had sales of EUR 31 billion, net income of EUR 1.8 billion, and approximately 122,000 employees at year end. Capital expenditures amounted to EUR 2.6 billion, R&D spending to EUR 2.4 billion.

Leverkusen, December 6, 2001

Forward-Looking Statements

This news release may contain 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 accepts no obligation to continue to report or update these forward-looking statements or adjust them to future events or developments.