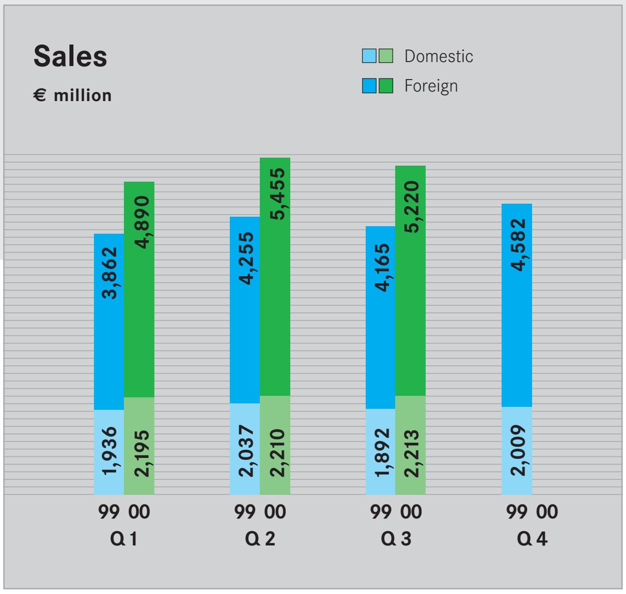
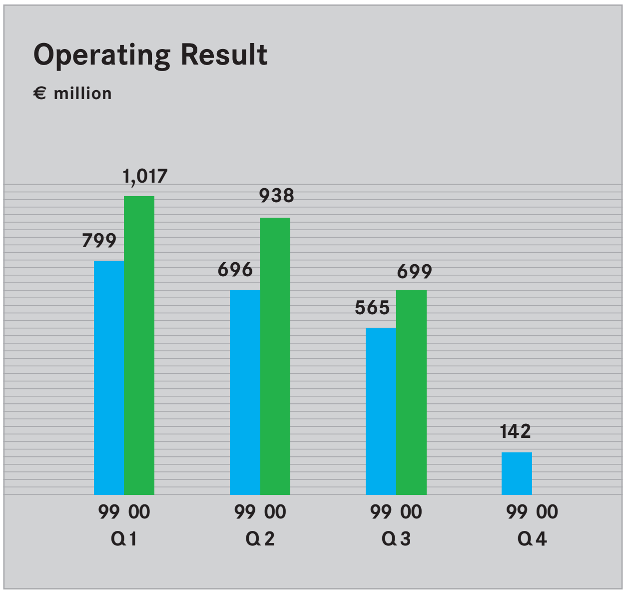
Stockholders' Newsletter 2000

Interim Report for the First Three Quarters of 2000

Bayer

Strong performance of continuing operations in the first three quarters: operating result up 29 percent, net income up 40 percent





Following a very successful first half, business continued to develop well in the third quarter of 2000. Based on our continuing operations, sales in the first nine months advanced 22 percent to €22.2 billion and operating income climbed 29 percent to €2.7 billion.

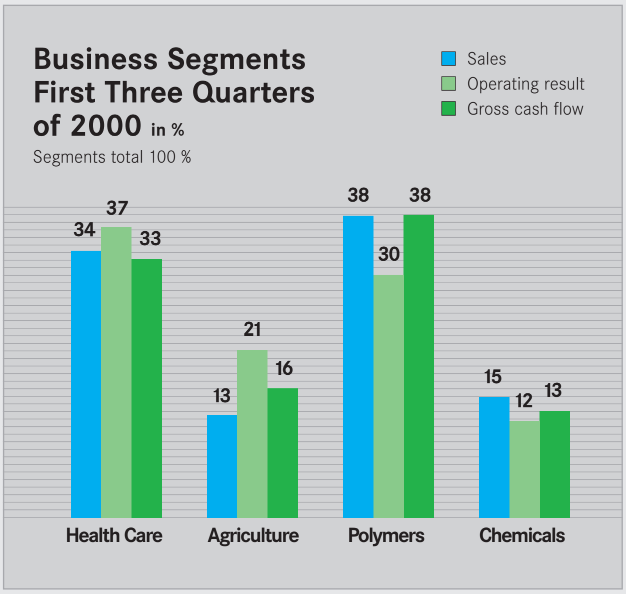
Change in Sales

Total	+ 11.8 %
Continuing operations	**+ 22.2 %**
Volumes	+ 9.2 %
Prices	+ 1.0 %
Exchange rates	+ 9.2 %
Portfolio changes	+ 2.8 %

Overall economic conditions remained favorable, with unwavering growth in both Europe and North America and substantial overall improvements in the economies of Asia and Latin America.

The sustained upward trend in demand led to 9 percent higher volume sales, and favorable shifts in exchange rates added a similar percentage. In recent months we succeeded in passing on part of the sharp increase in raw material costs to customers, with the result that 1 percentage point of the sales growth was achieved through higher selling prices. Further price rises have since been implemented in the market.

Total sales, including portfolio changes and the discontinuing operations of Agfa, DyStar and Erdölchemie, rose by 12 percent to €22.9 billion. The corresponding operating result is down by 15 percent because of last year's one-time gain from the stock exchange listing of Agfa.



Business trend by segment

Our four business segments – Health Care, Agriculture, Polymers and Chemicals – registered sales growth of between 15 and 29 percent. The Health Care and Agriculture segments increased their operating incomes by 40 and 13 percent respectively, while Polymers and Chemicals recorded more modest earnings growth of 4 percent and 3 percent.

Health Care's share of the Group operating result increased by 9 percentage points, its contribution to cash flow by 2 points. The Agriculture segment accounted for 2 percentage points less of both operating result and cash flow than a year ago. The contribution of the Polymers segment to sales was up by 1 percentage point, while its share of the operating result declined by 6 points. The Chemicals segment's shares of sales, operating result and cash flow remained virtually constant.

Health Care

In **Health Care,** the encouraging rise in demand experienced in the first half of the year continued in the third quarter, with three-quarter sales up 21 percent to €7.3 billion. The principal contribution came from the Pharmaceuticals Business Group, where sales moved ahead 23 percent. Particularly successful among the products of this business group were our cholesterol-lowering agent Lipobay®/Baycol®, our biologicals line and the antihypertensive Adalat®. Sales registered particularly strong growth in North America and Japan.

We will exploit the high potential of our Avelox® anti-infective through a co-promotion agreement with Alza Corporation and by further expanding the field force in the United States. Our new drug Baynas®, for the treatment of allergic rhinitis, has been granted approval in Japan.

Lipobay®/Baycol® passed the DM 1 billion sales threshold in October and has doubled its market share in the United States. Kogenate® is currently growing at 40 percent a year and is on course for DM 1 billion in sales next year. We plan to further improve the profitability of the Pharmaceuticals Business Group. This will be achieved not only through the cost containment program that is already successfully under way, but through our leading research platform based on modern enabling technologies. We expect the first candidate for drug development to emerge from our collaboration with Millennium before the end of this year. By 2004 we expect to receive 20 candidates annually, leading to the launch of two new drug products each year.

The operating result of the Health Care segment advanced by 40 percent and the cash flow by 38 percent to €1.1 billion each. The return on sales improved by 2 percentage points from the same period last year, to 14.6 percent, which was in line with our medium-term expectations.

Health Care

€ million	First Three Quarters 2000	First Three Quarters 1999	Full year 1999
Sales	**7,265**	6,024	8,367
Operating result before exceptional items	**1,060**	757	1,095
Return on sales before exceptional items	**14.6 %**	12.6 %	13.1 %
Gross cash flow	**1,097**	794	1,138

Polymers

€ million	First Three Quarters 2000	First Three Quarters 1999	Full year 1999
Sales	**8,408**	6,526	8,922
Operating result before exceptional items	**897**	865	1,125
Return on sales before exceptional items	**10.7 %**	13.3 %	12.6 %
Gross cash flow	**1,255**	992	1,340

Agriculture

€ million	First Three Quarters 2000	First Three Quarters 1999	Full year 1999
Sales	**2,815**	2,447	3,094
Operating result before exceptional items	**573**	507	520
Return on sales before exceptional items	**20.4 %**	20.7 %	16.8 %
Gross cash flow	**549**	459	549

Chemicals

€ million	First Three Quarters 2000	First Three Quarters 1999	Full year 1999
Sales	**3,160**	2,681	4,089
Operating result before exceptional items	**352**	341	453
Return on sales before exceptional items	**11.1 %**	12.7 %	11.1 %
Gross cash flow	**442**	340	502

Agriculture

Sales of the **Agriculture** segment rose by 15 percent to €2.8 billion, with its Crop Protection and Animal Health business groups expanding at roughly equal rates of 15 and 14 percent respectively. Shifts in currency parities had positive effects of 9 and 11 percent. The operating result improved by 13 percent, ensuring that the segment remains a top performer with a return on sales of 20.4 percent. The cash flow showed an even bigger improvement, improving by 20 percent to €549 million.

Acquisition of the FLINT line of strobilurin products from Novartis will reinforce our crop protection business for the long term. This product line has a sales potential of €300 million, adding another blockbuster to our life science portfolio. The purchase price is approximately €880 million. Following approval of the deal by the E.U. Commission, it now awaits the consent of the U.S. and other countries' antitrust authorities. The acquisition will make Bayer the number two in the world fungicides market.

Polymers

Polymers is our largest business segment, with sales of €8.4 billion in the first nine months of 2000. The 29 percent expansion compared to the same period last year was mainly attributable to the Polyurethanes and Plastics business groups. Growth was stimulated by favorable exchange rates, a positive business climate in all major markets and the acquisition of the polyols business of Lyondell Chemical Company.

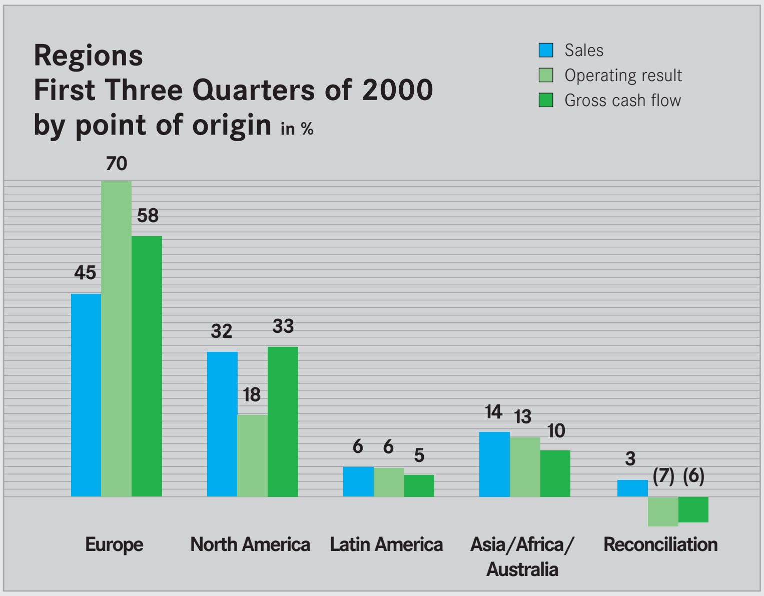
Despite the enormous impact of sharply increased raw material costs, the operating result improved by 4 percent to €0.9 billion. Competitive pressure inevitably delayed the necessary selling price adjustments. The cash flow developed very well, advancing by 27 percent to €1.3 billion.

To pave the way for further growth in our plastics business, we have reached agreement with DuPont on the formation of a joint venture to manufacture PBT base polymer. The new plant to be built is due on stream in 2003.

We are confident that the squeeze on margins that has resulted from higher raw material costs can be largely reversed in the coming months.

Chemicals

Sales of the **Chemicals** segment increased by 18 percent to €3.2 billion, mainly because of high volumes and favorable exchange rates. H.C. Starck, continuing to benefit from the rapid development in the microelectronics and telecommunications markets, saw its sales advance by 52 percent year-on-year.



Earnings in this segment, too, were hampered by higher raw material costs, with only a small increase in the operating result to €0.4 billion. Cash flow, on the other hand, improved by a substantial 30 percent.

To take advantage of further growth opportunities for the H.C. Starck Business Group, we have added to the existing range of products by acquiring the U.S.-based Climax Specialty Metals (CSM) group.

The acquisition of the paper chemicals business of Cytec Industries Inc. will give our Specialty Products Business Group access to the U.S. market for process chemicals and strengthen its global position in paper sizing agents.

Business trend by region / companies

Sales by market amounted to €8.9 billion in Europe, which was 11 percent above the same period last year. In North America we had sales of €7.1 billion, in Latin America €1.7 billion and in the Asia/Africa/Australia region €4.5 billion. The strongest growth was recorded in Asia/Africa/Australia (35 percent) and North America (29 percent).

In Europe, sales by point of origin reached €10.3 billion and operating income was €1.9 billion, giving a return on sales of 18 percent. The cash flow in this region, also amounting to €1.9 billion, accounted for 58 percent of the Group total.

A further 33 percent of the cash flow was earned by our companies in North America, where sales amounted to €7.3 billion and the return on sales was 7 percent.

First Three Quarters of 2000

	Europe		North America		Latin America		Asia/Africa/Australia	
	€ million	%	€ million	%	€ million	%	€ million	%
Sales by point of origin	10,311	+ 12.3	7,312	+ 30.5	1,435	+ 21.8	3,125	+ 43.1
Sales by market	8,884	+ 11.5	7,105	+ 29.4	1,727	+ 24.5	4,467	+ 35.5
Operating result before exceptional items	1,893	+ 2.3	538	+ 45.8	157	+ 55.4	354	+ 152.9
Gross cash flow	1,867	+ 12.3	1,051	+ 65.0	160	+ 46.8	329	+ 120.8

Summary Cash Flow Statements

€ million	First Three Quarters 2000	1999
Cash and cash equivalents at beginning of year	**2,812**	1,184
Gross operating cash flow	**3,214**	2,500
Changes in working capital	**(873)**	(59)
Net cash provided by operating activities	**2,341**	**2,441**
of which discontinuing operations	*90*	*226*
Net cash provided by (used in) investing activities	**(3,818)**	**1,166**
of which discontinuing operations	*(80)*	*2,701*
Net cash used in financing activities	**(402)**	**(1,638)**
of which discontinuing operations	*(26)*	*(25)*
Exchange rate movements and changes in companies consolidated	**7**	(119)
Change in cash and cash equivalents	**(1,872)**	1,850
Cash and cash equivalents at end of third quarter	**940**	3,034

Earnings

€ million	First Three Quarters 2000	1999	Full year 1999
Operating result from continuing operations	**2,654**	2,060	2,202
Operating result from discontinuing operations	*64*	*1,120*	*1,155*
Non-operating result from continuing operations	**(158)**	(344)	(489)
Non-operating result from discontinuing operations	*(12)*	*(27)*	*(32)*
Income from continuing operations before income taxes	**2,496**	1,716	1,713
Income from discontinuing operations before income taxes	*52*	*1,093*	*1,123*
Net income from continuing operations	**1,514**	1,085	917
Net income from discontinuing operations	*53*	*1,065*	*1,085*

Liquidity and capital resources

The consolidated financial statements for the first three quarters of 2000 have been prepared as for the year 1999 according to the rules issued by the International Accounting Standards Committee, London. Reference should be made as appropriate to the notes to the 1999 statements.

The gross operating cash flow – before changes in working capital – increased by 29 percent to €3.2 billion, substantially exceeding our target return for value management purposes. The strong growth in business, however, led to a greater increase in working capital, diminishing the net operating cash flow by 4 percent to €2.3 billion.

The net cash outflow for investing activities amounted to €3.8 billion, the disbursements of €2.5 billion for the Lyondell acquisition and €1.9 billion for additions to property, plant, equipment and investments being partly offset by a total of €0.7 billion in cash inflows from sales of property, plant and equipment, inflows related to investments, and interest receipts.

The net cash outflow for financing activities was €0.4 billion.

We have broadened our range of capital market instruments with a US$ 5 billion global CP program and a €2 billion European Medium Term Note (EMTN) program. Under the EMTN program, debt can be issued in any major currency not only by the parent company Bayer AG, but also by the U.S. subsidiary Bayer Corporation, the Japanese subsidiary Bayer Ltd. and the Dutch subsidiary Bayer Capital Corporation B.V.

The net cash inflow of €2.3 billion from operating activities was more than offset by net cash outflows of €3.8 billion for investing and €0.4 billion for financing activities, reducing cash and cash equivalents by €1.9 billion.

Earnings performance

The result of continuing operations before exceptional items climbed by €510 million, or 23 percent, to €2.7 billion. After exceptional items, which led to a charge of €47 million against income in the first three quarters of 2000, it improved by €594 million, or 29 percent.

If discontinuing operations– the DyStar group and EC Erdölchemie – are included, the operating result was 15 percent below the same period of last year. Of particular significance here is the inclusion in the 1999 figures of €1 billion in income from the Agfa stock market listing.

The improvement of €201 million, or 54 percent, in the non-operating result was largely attributable to the sale of our interests in Schein Pharmaceuticals and Myriad Genetics.

Income tax expense rose by €306 million, or 47 percent, to €1 billion. This increase occurred mainly because the previous year's figure included tax-free income from the Agfa divestiture. The effective tax rate advanced by 15 percentage points to 38 percent.

While Group net income including discontinuing operations, at €1.6 billion, was down 27 percent for the above reason, net income from continuing operations climbed by 40 percent to €1.5 billion.

Balance Sheet Structure

€ million	Sept. 30, 2000	Sept. 30, 1999	Dec. 31, 1999
Noncurrent assets	**19,176**	14,694	15,614
Current assets	**16,227**	15,464	15,665
Stockholders' equity	**16,471**	14,863	15,182
Liabilities	**18,932**	15,295	16,097
Total assets	**35,403**	**30,158**	**31,279**

Asset and capital structure

Total assets of the Group rose during the first nine months of 2000 by €4.1 billion, or 13 percent, to €35.4 billion. Noncurrent assets showed the largest increase of €3.6 billion, or 23 percent, of which €2.5 billion was due to the Lyondell polyols acquisition. Current assets grew by 4 percent to €16.2 billion, with business-related increases in inventories and receivables partly offset by a decline in liquid assets.

Stockholders' equity increased by €1.3 billion, or 8 percent, during the first three quarters of 2000. Income after taxes contributed €1.6 billion, while foreign currency translation and minority interests added €0.7 billion; the dividend payout for 1999 was €1.0 billion.

The equity-to-assets ratio was 46.5 percent, compared with 48.5 percent at the end of 1999.

The allocations to provisions since the end of 1999 related mainly to taxes and personnel commitments, which accounted for €0.3 billion each.

Net debt grew by €3.0 billion in the first nine months to €4.3 billion, with financial obligations increasing by €1 billion – mainly because greater use was made of the commercial paper program – and liquid assets decreasing by €2 billion.

Capital expenditures and acquisitions

We spent €1.9 billion for intangible assets, property, plant and equipment between January and September 2000, which was 27 percent more than in the same period of last year. Europe and North America were the main focus of our investment activities, with capital spending in these regions totaling €1.0 billion and €0.7 billion, respectively. Our capital spending budget for the full year 2000 is €2.4 billion.

To speed up active ingredient research in the life sciences, we have concluded a further agreement with the bio-IT company LION Bioscience AG. In the period through 2003, LION will expand the life-science informatics platform established between the two companies last year to include the field of pharmacophore informatics.

Our acquisition of the U.S. company Sybron Chemicals Inc. in October 2000 strengthens the market positions of the Coatings and Colorants Business Group (Polymers segment) and the Specialty Products Business Group (Chemicals segment) in North America, at the same time giving them access to new technologies and products. The total purchase price, including all of Sybron's liabilities and options on Sybron shares, is approximately US$325 million.

As part of our strategy of focusing even more on our core activities, we sold the subsidiary Bayer Solar GmbH to the SolarWorld group in October 2000.

Employees

On September 30, 2000, the Bayer Group had 118,200 employees in its continuing operations, which was about 500 more than at the end of 1999.

While the number of employees in Europe declined by about 900, it increased by 1,000 in the Asia/Africa/Australia region and by 400 in North America, partly as a result of acquisitions.

Personnel expenses increased by 8 percent year-on-year, to €5.5 billion. Three quarters of this increase was due to currency translations.

Highlights

	3rd Quarter 2000	3rd Quarter 1999	First Three Quarters 2000	First Three Quarters 1999
Sales (€ million)	**7,680**	**6,275**	**22,918**	**20,499**
of which discontinuing operations	*247*	*218*	*735*	*2,352*
Sales from continuing operations	**7,433**	**6,057**	**22,183**	**18,147**
Change	22.7 %	11.8 %	22.2 %	4.9 %
Domestic companies	2,213	1,892	6,618	5,865
Change	17.0 %	1.0 %	12.8 %	- 3.3 %
Foreign companies	5,220	4,165	15,565	12,282
Change	25.3 %	17.5 %	26.7 %	9.4 %
Operating result (€ million)	**724**	**624**	**2,718**	**3,180**
of which discontinuing operations	*25*	*59*	*64*	*1,120*
Operating result from continuing operations	**699**	**565**	**2,654**	**2,060**
Change	23.7 %	- 17.4 %	28.8 %	- 5.7 %
Operating result from continuing operations before exceptional items	**724**	**648**	**2,701**	**2,191**
Change	11.7 %	- 5.4 %	23.2 %	- 3.5 %
Return on sales before exceptional items	**9.7 %**	**10.7 %**	**12.2 %**	**12.1 %**
Net income (€ million)	**534**	**431**	**1,567**	**2,150**
Change	23.9 %	26.4 %	- 27.1 %	77.4 %
Gross cash flow (€ million)	**1,019**	**796**	**3,214**	**2,500**
Change	28.0 %	- 0.1 %	28.6 %	- 9.4 %
Capital expenditures (€ million)*	**610**	**552**	**1,869**	**1,495**
Domestic companies	242	258	767	661
Foreign companies	368	294	1,102	834
Number of employees* as of September 30			118,200	118,200
Personnel expenses (€ million)	1,914	1,796	5,546	5,130
Change	6.6 %	15.6 %	8.1 %	3.1 %

* continuing operations

Outlook

In light of the favorable business trend, we continue to predict double-digit increases in sales and operating income from continuing operations for the full year.

This growth is being fueled by the Health Care segment, especially the Pharmaceuticals Business Group. In the long term we anticipate further major improvements to accrue from the steady expansion of our research infrastructure and our collaborations with Millennium, LION Bioscience and other companies, in line with our strategic objectives.

The Agriculture segment will hold on to its outstanding operating margin, despite the seasonal dip in the fourth quarter, and surpass last year's good figures.

In the Polymers and Chemicals segments, we expect to be increasingly successful in passing on the higher raw material costs by raising selling prices.

We will continue to make every effort to optimize our portfolio and increase productivity in the fourth quarter and will take advantage of the favorable economic climate.

Bayer Group Statements for the First Three Quarters (Summary)

Consolidated Statements of Income (€ million)

	3rd Quarter 2000	3rd Quarter 1999*	First Three Quarters 2000	First Three Quarters 1999*
Net sales	**7,680**	**6,275**	**22,918**	**20,499**
Net sales from discontinuing operations	*(247)*	*(218)*	*(735)*	*(2,352)*
Net sales from continuing operations	7,433	6,057	22,183	18,147
Cost of goods sold	(4,013)	(3,229)	(11,750)	(9,590)
Gross profit	**3,420**	**2,828**	**10,433**	**8,557**
Selling expenses	(1,728)	(1,379)	(4,876)	(4,020)
Research and development expenses	(509)	(512)	(1,712)	(1,536)
General administration expenses	(251)	(191)	(694)	(573)
Other operating expenses – net	(233)	(181)	(497)	(368)
Operating result from continuing operations	**699**	**565**	**2,654**	**2,060**
Operating result from discontinuing operations	*25*	*59*	*64*	*1,120*
Operating result	**724**	**624**	**2,718**	**3,180**
Non-operating result	**48**	**(90)**	**(170)**	**(371)**
Income before income taxes	**772**	**534**	**2,548**	**2,809**
Income taxes	(231)	(100)	(963)	(657)
Income after taxes	**541**	**434**	**1,585**	**2,152**
Minority stockholders' interest	(7)	(3)	(18)	(2)
Net income	**534**	**431**	**1,567**	**2,150**
Earnings per share (€)	**0.74**	**0.59**	**2.15**	**2.94**

Consolidated Balance Sheets (€ million)

	Sept. 30, 2000	Sept. 30, 1999*	Dec. 31, 1999
ASSETS			
Noncurrent assets	**19,176**	**14,694**	**15,614**
Inventories	5,957	4,782	4,992
Receivables	8,662	6,891	7,126
Liquid assets	1,178	3,438	3,140
Current assets	**15,797**	**15,111**	**15,258**
Deferred taxes	**430**	**353**	**407**
	35,403	**30,158**	**31,279**
Discontinuing operations	*742*	*613*	*379*
STOCKHOLDERS' EQUITY AND LIABILITIES			
Capital stock and reserves	4,812	4,812	4,812
Retaining earnings	9,019	7,989	7,965
Net income	1,567	2,150	2,002
Translation differences	863	(263)	227
Minority stockholders' interest	210	175	176
Stockholders' equity	**16,471**	**14,863**	**15,182**
Long-term liabilities	9,043	7,604	7,961
Short-term liabilities	8,568	6,627	6,979
Liabilities	**17,611**	**14,231**	**14,940**
Discontinuing operations	*396*	*410*	*198*
Deferred taxes	**1,321**	**1,064**	**1,157**
	35,403	**30,158**	**31,279**

* restated in line with the accounting policies applied in the Consolidated Financial Statements for 1999

The statements for the first three quarters are unaudited.

Changes in Stockholders' Equity (Summary, € million)

	Capital stock and reserves	Retained earnings and minority interest	Net income	Translation differences	Total
December 31, 1998	**4,812**	**7,332**	**1,614**	**(979)**	**12,779**
Income after taxes			2,152		2,152
Dividend payments		(22)	(747)		(769)
Exchange differences				716	716
Allocation to retained earnings		890	(867)		23
Minority stockholders' interest		(36)	(2)		(38)
September 30, 1999	**4,812**	**8,164**	**2,150**	**(263)**	**14,863**
December 31, 1999	**4,812**	**8,141**	**2,002**	**227**	**15,182**
Income after taxes			1,585		1,585
Dividend payments		(3)	(949)		(952)
Exchange differences				636	636
Allocation to retained earnings		1,074	(1,053)		21
Minority stockholders' interest		17	(18)		(1)
September 30, 2000	**4,812**	**9,229**	**1,567**	**863**	**16,471**

Sales and Operating Result by Business Segment and Region (€ million)

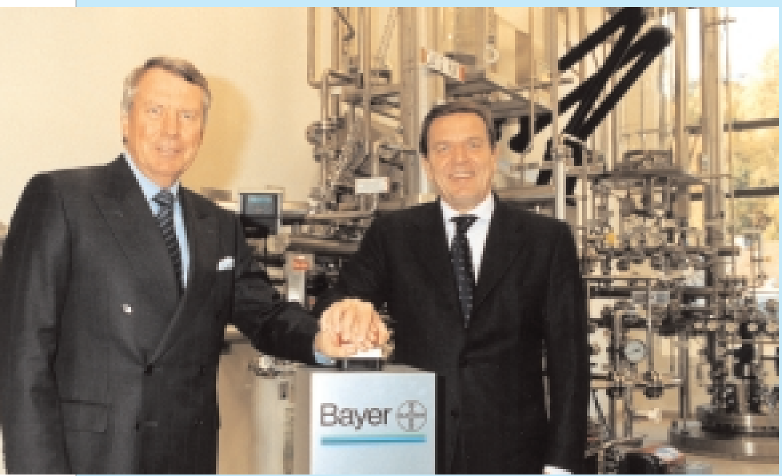
BUSINESS SEGMENTS	Health Care		Agriculture		Polymers		Chemicals		Reconciliation		Bayer Group	
	First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Sales	7,265	6,024	2,815	2,447	8,408	6,526	3,160	2,681	1,270	2,821	22,918	20,499
of which discontinuing operations									*735*	*2,352*	*735*	*2,352*
Sales from continuing operations	**7,265**	**6,024**	**2,815**	**2,447**	**8,408**	**6,526**	**3,160**	**2,681**	**535**	**469**	**22,183**	**18,147**
Change in €	20.6%	20.9%	15.0%	3.2%	28.8%	1.3%	17.9%	- 6.1%			22.2%	4.9%
Change in local currencies	9.6%	19.1%	5.4%	1.9%	22.3%	0.4%	11.6%	- 7.2%			13.0%	4.0%
Operating result	**1,024**	**651**	**598**	**528**	**833**	**834**	**346**	**326**	**(83)**	**841**	**2,718**	**3,180**
of which discontinuing operations									*64*	*1,120*	*64*	*1,120*
Operating result from continuing operations	**1,024**	**651**	**598**	**528**	**833**	**834**	**346**	**326**	**(147)**	**(279)**	**2,654**	**2,060**
Change	57.3%	- 3.3%	13.3%	- 2.8%	-0.1%	2.7%	6.1%	5.5%			28.8%	- 5.7%
Operating result from continuing operations before exceptional items	**1,060**	**757**	**573**	**507**	**897**	**865**	**352**	**341**	**(181)**	**(279)**	**2,701**	**2,191**
Return on sales before exceptional items	**14.6%**	**12.6%**	**20.4%**	**20.7%**	**10.7%**	**13.3%**	**11.1%**	**12.7%**			**12.2%**	**12.1%**

REGIONS	Europe		North America		Latin America		Asia/Africa/ Australia		Reconciliation		Bayer Group	
	First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Sales by market	8,884	7,971	7,105	5,492	1,727	1,387	4,467	3,297	735	2,352	22,918	20,499
Change	11.5%	- 2.5%	29.4%	12.3%	24.5%	- 6.5%	35.5%	20.1%			11.8%	- 3.2%
Sales by point of origin	**10,311**	**9,184**	**7,312**	**5,601**	**1,435**	**1,178**	**3,125**	**2,184**	**735**	**2,352**	**22,918**	**20,499**
of which discontinuing operations									*735*	*2,352*	*735*	*2,352*
Sales from continuing operations	**10,311**	**9,184**	**7,312**	**5,601**	**1,435**	**1,178**	**3,125**	**2,184**			**22,183**	**18,147**
Change in €	12.3%	- 1.9%	30.5%	13.9%	21.8%	- 6.7%	43.1%	25.0%			22.2%	4.9%
Change in local currencies	11.7%	- 1.8%	15.2%	13.2%	8.0%	- 6.2%	31.2%	17.1%			13.0%	4.0%
Operating result	**1,907**	**1,796**	**485**	**282**	**157**	**100**	**346**	**151**	**(177)**	**851**	**2,718**	**3,180**
of which discontinuing operations									*64*	*1,120*	*64*	*1,120*
Operating result from continuing operations	**1,907**	**1,796**	**485**	**282**	**157**	**100**	**346**	**151**	**(241)**	**(269)**	**2,654**	**2,060**
Change	6.2%	- 0.7%	72.0%	- 1.1%	57.0%	- 39.0%	129.1%	65.9%			28.8%	- 5.7%
Operating result from continuing operations before exceptional items	**1,893**	**1,850**	**538**	**369**	**157**	**101**	**354**	**140**	**(241)**	**(269)**	**2,701**	**2,191**
Return on sales before exceptional items	**18.4%**	**20.1%**	**7.4%**	**6.6%**	**10.9%**	**8.6%**	**11.3%**	**6.4%**			**12.2%**	**12.1%**

1999 figures restated

Chancellor Schröder inaugurates new pharmaceutical pilot plant in Wuppertal

State-of-the-art technology for tomorrow's medicines



German Chancellor Gerhard Schröder (right) and Bayer CEO Dr. Manfred Schneider inaugurated the new pharmaceutical pilot plant in Wuppertal-Elberfeld at the end of October.

Bayer's Wuppertal site recently welcomed German Chancellor Gerhard Schröder, who joined with Dr. Manfred Schneider, Chairman of the Board of Management of Bayer AG, in inaugurating the new pharmaceutical pilot plant there. The new facility, which cost €90 million to build, is the largest single investment project in the site's history.

Chancellor Schröder referred to the chemical industry as "a key sector of the German economy," describing Bayer as a particularly innovative company: "The chemical industry is one of the most technologically advanced sectors, setting standards worldwide with its innovations – just as Bayer is doing here in Wuppertal."

Dr. Schneider pointed out that the facility will create an additional 70 highly qualified jobs in the community over the long-term: "This capital expenditure represents a clear vote of confidence in Germany, the state of North Rhine-Westphalia and the city of Wuppertal."

According to Dr. Schneider, Bayer possesses the necessary core competencies in all business segments to remain competitive in the market. This is especially true for the Health Care segment. In the Pharmaceuticals Business Group alone, the operating margin should climb to 22 percent by 2002. "Our promising range of drug products gives us an excellent basis to achieve this goal," said Schneider. The Bayer CEO explained, however, that future growth is heavily dependent on the discovery of innovative active substances. "The foundations are in place for this," said Dr. Schneider. Bayer's commitment to this objective is reflected in the company's spending for research and development, which will total approximately €2.2 billion this year.

The Bayer CEO also announced at the ceremony that the company is currently considering whether to develop a second biotech site at Wuppertal (after Berkeley, California). "If we decide to go ahead with the project, it would mean an investment of €230 million and the creation of a further 400 high-tech jobs," said Dr. Schneider. The decision will be based on how quickly approval is granted by the relevant authorities. The announcement will be made at the end of this year.

The new pilot plant is one of the Pharmaceuticals Business Group's investments for the future. The facility will produce active ingredients for 20 development candidates that will then undergo clinical testing as potential drug products. The project represents a major step toward the company's long-term goal of launching two new pharmaceutical products each year, and Bayer can already point to a significant increase in the number of new active substances developed.

Chancellor Schröder commented in his address that the inauguration of the new pharmaceutical pilot plant is an important signal for research and innovation potential in Germany. He also called for globalization to be seen as a challenge: it is providing new markets and products through the international division of labor, resulting in a wealth of opportunities. "Bayer has shown that it is capable of exploiting this potential," said the German Chancellor, noting Bayer's success in identifying promising research opportunities: "This has resulted in almost DM 2 billion worth of research alliances, from the U.S. to the U.K. to Heidelberg, Germany. In the experts' view, Bayer has succeeded in assembling a technology platform that is unique in Germany."

At a news conference that took place before the inauguration ceremony, Dr. Frank Morich, Board Representative for the Health Care segment, explained the details of this high-tech platform. By networking Bayer's own core competencies with the expertise of external partners who are technological leaders in their respective fields, Bayer's pharmaceutical research laboratories have moved into a pole position in all key technologies: "This pilot plant is not a stand-alone project; it is part of a long-term, target-oriented pharmaceutical strategy."

“Bayer’s Perspective on Ecology 2000” in Leverkusen

€20 billion over 15 years for environmental protection and safety

The press forum “Bayer’s Perspective on Ecology 2000” was attended by more than 120 media representatives from 18 different countries.

Despite an increase in production volumes of more than a third, Bayer has significantly reduced its emissions over the past 10 years – by up to 90 percent in some areas of the company. During this time period, the company invested over €13 billion to construct and maintain environmental protection facilities, and a further €7 billion is earmarked for ecology and safety over the next five years.

At an international press forum entitled “Bayer’s Perspective on Ecology 2000,” which was attended by more than 120 media representatives from around the world, Bayer Management Board Chairman Dr. Manfred Schneider emphasized the company’s traditional commitment to the fields of environmental protection and safety.

Dr. Attila Molnar, Board Spokesman for Environmental Protection, introduced a unique strategy for ecological product evaluation called “Product Excellence.” This is a kind of sustainability check that significantly expands on previous ecological and economic evaluations. Under this system, all current and future products will be analyzed with regard to environmental compatibility, cost-effectiveness, health risks, technology and benefit to society, including a life cycle assessment. The system will allow Bayer to meet both the expectations of its customers and social and environmental demands. With this quality offensive, Bayer aims to assume a leadership position in the international chemical and pharmaceutical industry.

Replacement by global certificate

Bayer calls in old share certificates

Bayer AG is calling in its old share certificates and replacing them by a single global certificate to be deposited with Clearstream Banking AG in Frankfurt. This means stockholders will no longer receive share certificates in the future: a custody credit showing the number of shares held will be issued instead.

Stockholders are being asked to hand in their old share certificates, which will be declared void if not surrendered by January 12, 2001. Stockholders whose Bayer shares are kept by a bank in a collective security deposit need take no action. Stockholders whose shares are kept in separate custody must have their shares transferred by the custodian bank to a collective security deposit; the bank will take all necessary further steps.

Stockholders who have their share certificates in their possession are requested to hand them in at a branch of a custodian bank, where a custody credit will be issued accordingly. Stockholders will not incur any costs as a result of surrendering the invalid certificates.

Bayer acquires Sybron Chemicals and the paper chemicals business of Cytec Industries

Strategic enhancement of core activities

Bayer Corporation, a subsidiary of Bayer AG, has successfully completed the purchase of U.S. polymers and specialty chemicals producer Sybron Chemicals Inc. Bayer acquired a total of 99.6 percent of the approximately 5.7 million outstanding shares at a price of US$ 35 per share. The total purchase price was approximately $325 million.

The acquisition provides two of Bayer’s business groups – Coatings and Colorants, and Specialty Products – with access to new technologies and products, and allows them to expand their product offerings in the NAFTA region.

Substantial synergy comes from combining Sybron’s North American polymer intermediates business with the worldwide distribution structure of Bayer’s Coatings and Colorants Business Group. Other advantages result from the joint purchase of raw materials and services.

In addition, Bayer acquired major parts of the paper chemicals business of the U.S. specialty chemicals manufacturer Cytec Industries Inc. of West Paterson, New Jersey. This move gives the Specialty Products Business Group access to the U.S. market for process chemicals and will also enhance the product range of Bayer’s paper industry business unit. Under the terms of the agreement, Bayer will acquire a sales volume totaling $85 million a year, as well as patents, technical expertise and marketing operations. Cytec will remain in possession of the plants and will continue to manufacture the products on an interim basis under contract to Bayer.

New rubber production facility

Advances in environmental protection

Dr. Schneider, Minister Trittin and Dr. Molnar (from right) brought the new plant on stream with a symbolic push of the button.

Bayer recently received accolades from Jürgen Trittin, German Minister for the Environment, Nature Conservation and Reactor Safety, for the company's achievements in the field of environmental protection. Trittin's comments came at the inauguration ceremony for a new, environmentally friendly production facility in Leverkusen for Bayer's Therban® synthetic rubber. Together with Bayer CEO Dr. Manfred Schneider and Management Board member Dr. Attila Molnar, Trittin brought the €60 million plant on stream with a symbolic push of the button.

The production facility, the only one of its kind in Europe, employs 40 people. The new plant doubles Bayer's capacity for Therban® hydrogenated nitrile rubber, which is mainly used in the automotive industry for sealing gaskets, hoses and timing belts. It also further enhances the company's position as a world leader in synthetic rubber production. The plant's designers placed particular emphasis on ecological aspects: less raw material and energy use as well as lower waste and emission volumes are the result of a completely new production process which will serve as a model for future facilities.

The German Environment Ministry had helped to finance the construction of the Therban® facility with a €700,000 grant from the federal government's investment program for the reduction of environmental pollution. "After all, this isn't just any modern chemical production plant – it more than satisfies ecological concerns with its focus on integrated environmental protection," stressed Trittin.

New products from Bayer's own research pipeline

Bayer's Crop Protection Business Group strengthens competitiveness

Bayer intends to continue its successful growth strategy in agrochemicals with new products from its own research projects. The company expects additional annual sales potential of some €700 million from its research pipeline by 2005. This will be supplemented by acquisitions such as the FLINT® strobilurin product line, which Bayer recently acquired from Novartis for about €880 million. This promising fungicide from a novel active substance class will give Bayer a further blockbuster product, as sales potential for the FLINT® line is estimated at about €300 million per year. The acquisition includes global ownership of all associated intellectual property rights, registrations and trademarks as well as production and formulation know-how. Bayer will also take over production facilities and the 90 employees in Muttenz, Switzerland. The Crop Protection Business Group is one of the world's leading suppliers of agrochemical products, with sales in 1999 of €2.2 billion.

FLINT® protects cereal crops against fungal diseases.

Bayer subsidiary to expand operations

H.C. Starck acquires U.S. group CSM

Bayer subsidiary H.C. Starck GmbH & Co. KG of Goslar, Germany, plans to acquire the U.S.-based CSM group, headquartered in Cleveland, Ohio. CSM is a manufacturer of molybdenum and tungsten mill products as well as machined components and fabrications made from alloys of other refractory metals. The acquisition of CSM will enhance H.C. Starck's potential to create value for Bayer. Due to continuing good growth opportunities, Bayer has decided to further expand H.C. Starck, which it views as an important part of the Bayer Group.

The products of H.C. Starck, which employs 2,600 people in Europe, the United States and Asia, are indispensable to the booming microelectronics and telecommunications markets. The acquisition will further enhance the Bayer subsidiary's market opportunities, adding significantly to its existing product lines and offering substantial synergy potential.

The acquisition is subject to the approval of the U.S. antitrust authorities.

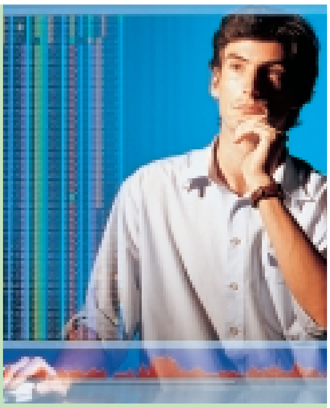
Bayer CEO Dr. Manfred Schneider

Supervisory Board extends contract

At its meeting on September 14, 2000, the Supervisory Board of Bayer AG extended the contract of Management Board Chairman Dr. Manfred Schneider until the Annual Stockholders' Meeting in 2002. It was also announced that both boards want to maintain Bayer's current corporate structure, since it meets all the requirements for efficient corporate management while at the same time allowing enough flexibility for adjustments should the need arise.

Further agreement with LION Bioscience AG

Bayer strengthens high-tech platform



LION researcher Robin Munro works with a DNA analysis program.

Bayer and the bio-IT company LION Bioscience AG, Heidelberg, have concluded a further agreement to accelerate active substance discovery in life science research. In the period through 2003, LION will expand the life science informatics platform established between the two companies last year to include the field of pharmacophore informatics. This expansion should enable Bayer to identify significantly more quickly and efficiently chemical compounds that are potential candidates for innovative active substances.

Rapidly increasing data volumes in the area of life sciences are fueling the demand for comprehensive and integrated IT solutions, which will be met by the expanded cooperation between Bayer and LION. The innovative software will narrow the search for active substances – such as those necessary for the production of pharmaceuticals or crop protection products – from millions of test substances to just a few candidates, thereby accelerating the identification of compounds for development into commercial products.

In recent years, Bayer has signed international cooperation and licensing agreements worth a total of up to €1 billion – depending on their productivity – to assemble a high-tech research platform and thus fully exploit the potential of life science technologies. This includes the world's largest pharmaceutical research alliance, formed by Bayer and Millennium Pharmaceuticals of Cambridge, Massachusetts, which has already identified more than 70 targets in the human genome for potential new drug products.

Cooperation with DuPont

New PBT polymer plant

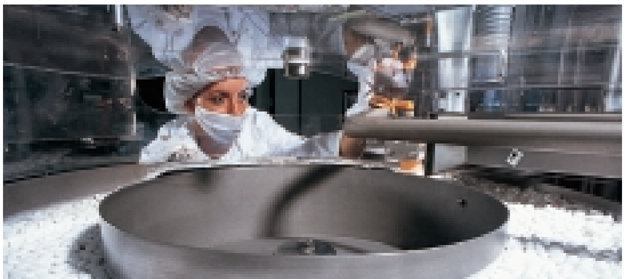
Bayer and DuPont Engineering Polymers recently signed a letter of intent to form a manufacturing joint venture that will build a new 80,000 tons-a-year plant for the production of polybutylene terephthalate (PBT) base polymers in Europe. Bayer and DuPont plan to bring the plant on stream early in 2003. A decision on the location for the new plant has not yet been made. Each partner will continue to market its PBT products independently.

The decision underscores Bayer's and DuPont's confidence in the PBT market, which is currently growing at an estimated 7 to 9 percent a year – one of the highest growth rates for engineering polymers. PBT's excellent performance characteristics and ease of processing make it ideal for demanding automotive, electrical and electronic applications.

Bayer classic sets a record

10 billion Aspirin tablets

Aspirin®, probably the world's best-known medication and one of the most innovative ever produced, has yet another milestone to celebrate. Bayer Bitterfeld GmbH's 10 billionth Aspirin® tablet rolled off the production line on September 15, 2000. Aspirin® has a greater effect on Bayer's image worldwide than any other product. Together with the antibiotic Cipro® and the cardiovascular drug Adalat®, Aspirin® is among Bayer's best-selling health care products.



Bayer Bitterfeld GmbH recently celebrated the production of its 10 billionth Aspirin® tablet.

License agreement with PPL Therapeutics

Treatment of hereditary pulmonary emphysema

Bayer Corporation of Research Triangle Park, North Carolina, and PPL Therapeutics of Edinburgh, Scotland, have signed a worldwide licensing agreement to develop an aerosol formulation of transgenically produced AAT. Under the terms of the agreement, clinical development and marketing of the product will be handled by Bayer, while PPL will be responsible for exclusive product manufacturing. Bayer will make an equity investment of US$ 15 million in PPL, and the U.K. company will also receive a string of milestone payments totaling up to US$ 25 million as registration and sales targets are met.

The new formulation is intended for the treatment of alpha1-antitrypsin (AAT) deficiency-related emphysema and of cystic fibrosis. AAT deficiency is a potentially lethal hereditary disease affecting more than 200,000 people worldwide.

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Bayer AG, Corporate Communications Division,
51368 Leverkusen, Germany
Tel.: +49-214-30-58992
Fax: +49-214-30-71985
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Bayer on the Internet:
www.bayer.com