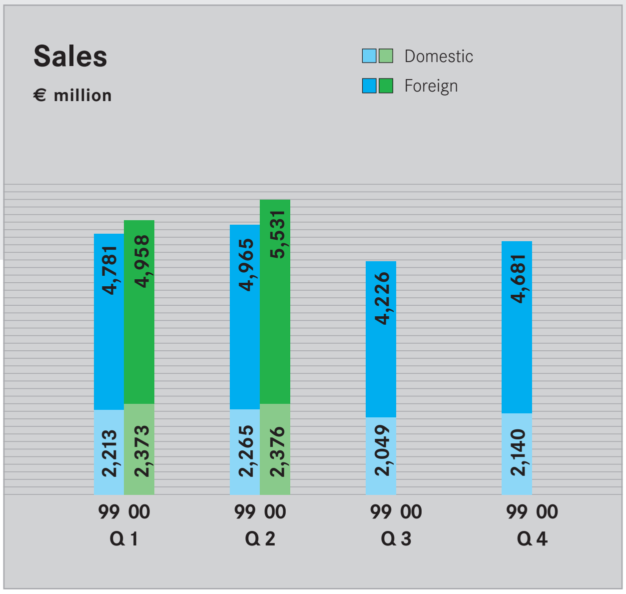
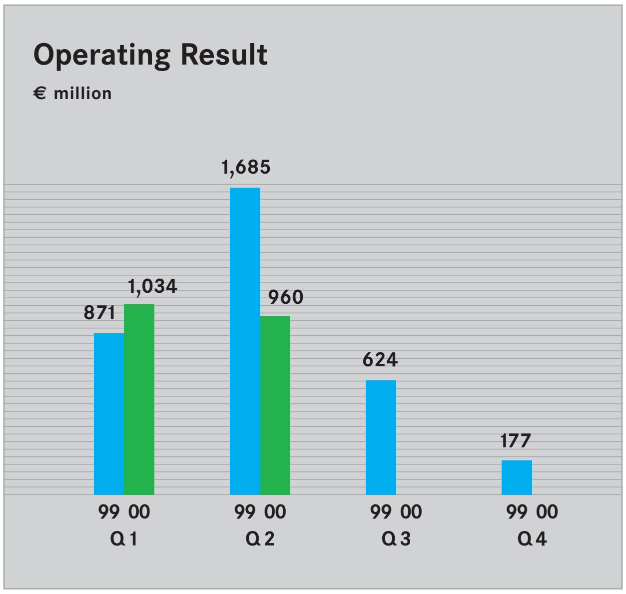
Stockholders' Newsletter 2000

Interim Report for the First Half of 2000

Bayer

Strong growth in all business segments – Health Care earnings climb sharply





After the successful start to the year 2000, Bayer's business continued to develop well in the second quarter. Overall economic conditions were favorable. There was a tangible recovery in Europe, while growth rates in North America declined only slightly. The Asia-Pacific region saw a significant economic upswing.

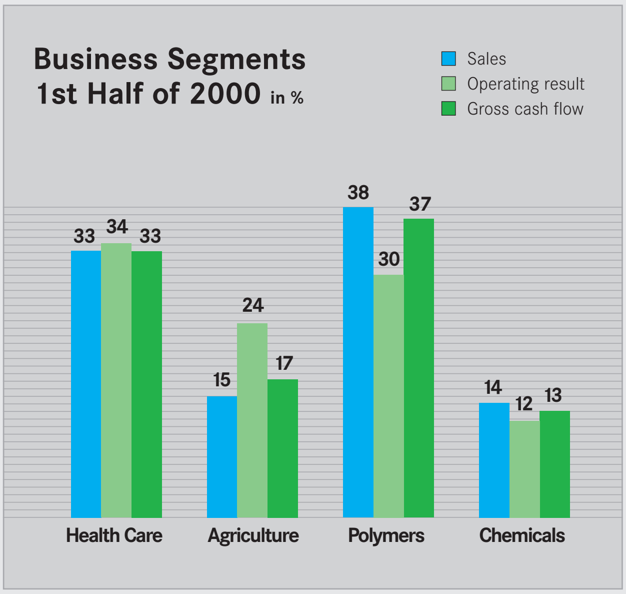
Change in Sales

Total	7.1 %
Continuing operations	**22.0 %**
Volumes	+ 13.6 %
Prices	– 1.0 %
Exchange rates	+ 7.0 %
Other portfolio changes	+ 2.4 %

Disregarding the Agfa-Gevaert group, which was divested effective June 1, 1999, and the sales of the DyStar group and the Erdölchemie Business Group, sales from continuing operations grew by 22 percent to €14.8 billion.

Continuing strong demand led to 14 percent growth in volumes in the first half of 2000. The effects of currency translations were again positive, adding 7 percent to the value of sales. Prices remained unsatisfactory, diminishing sales by 1 percent. Income from continuing operations advanced by 31 percent, to €2 billion.

If discontinuing operations are included, Group sales advanced by 7 percent while the operating result was down by 22 percent.



Business trend by segment

All four business segments – Health Care, Agriculture, Polymers and Chemicals – registered double-digit sales growth of between 17 and 27 percent. The operating result showed a less uniform pattern. While Chemicals earnings declined slightly and Polymers recorded only moderately higher profits, Agriculture and Health Care boosted their operating incomes by 17 and 68 percent, respectively.

Although the segments' respective shares of Group sales were virtually unchanged, there were clear shifts in their percentage contributions to operating profit and cash flow. Health Care boosted its share of the operating result by 12 percentage points and its contribution to cash flow by 7 percentage points.

Health Care

Business in the Health Care segment expanded by 21 percent, to €4.7 billion. Within this segment, sales of the Pharmaceuticals Business Group were up 23 percent, while Diagnostics added 19 percent and Consumer Care 15 percent.

The gross cash flow climbed by 61 percent to €741 million. The operating result improved by an even stronger 68 percent, to €726 million. The return on sales increased from 11 to 15 percent.

This improvement was due mainly to the substantially higher earnings of the Pharmaceuticals Business Group, achieved by sharpening our focus on core products. Demand was particularly strong for our new blockbuster drug, the cholesterol-lowering agent Baycol®/Lipobay®, and for our biological products, where we compensated for past production shortfalls. We again experienced significant growth in demand for the anti-infective drug Cipro® and the anti-hypertensive Adalat®. Our new anti-infective Avelox®, too, is a commercial success. Intensified marketing activities, especially in the United States, will ensure that Avelox® lives up to expectations. In addition, the cost savings produced by our restructuring program are having a positive impact.

Agriculture

Sales of the Agriculture segment advanced by 20 percent to €2.1 billion. With a 21 percent growth rate, the Crop Protection Business Group continued to gain market share. The integration of Misung Ltd., South Korea, which is consolidated for the first time following the acquisition of all of its shares, and the further expansion of the Garden & Professional Care (GPC) business unit together accounted for 6 percentage points of this increase. We expanded our business in Asia and the NAFTA region, primarily through new product launches.

Sales of the Animal Health Business Group also rose significantly, its strong performance in the U.S. market, in particular, leading to a 17 percent boost in revenues. In China, a new facility for the production of veterinary pharmaceuticals and feed additives came on stream as part of Bayer's strategy to expand its business in that country.

Health Care

€ million	1st Half 2000	1st Half 1999	Full year 1999
Sales	**4,747**	3,932	8,367
Operating result before exceptional items	**726**	433	1,095
Return on sales before exceptional items	**15.3 %**	11.0 %	13.1 %
Gross cash flow	**741**	459	1,138

Polymers

€ million	1st Half 2000	1st Half 1999	Full year 1999
Sales	**5,469**	4,297	8,922
Operating result before exceptional items	**631**	604	1,125
Return on sales before exceptional items	**11.5 %**	14.1 %	12.6 %
Gross cash flow	**840**	669	1,340

Agriculture

€ million	1st Half 2000	1st Half 1999	Full year 1999
Sales	**2,093**	1,742	3,094
Operating result before exceptional items	**487**	416	520
Return on sales before exceptional items	**23.3 %**	23.9 %	16.8 %
Gross cash flow	**398**	371	549

Chemicals

€ million	1st Half 2000	1st Half 1999	Full year 1999
Sales	**2,104**	1,791	4,089
Operating result before exceptional items	**248**	258	453
Return on sales before exceptional items	**11.8 %**	14.4 %	11.1 %
Gross cash flow	**304**	238	502

The operating result of the Agriculture segment improved by 17 percent to €0.5 billion. Its 23 percent return on sales puts it among the top earners in the industry.

Polymers

The Polymers segment contributed the largest share to Group sales, at €5.5 billion, and the highest cash flow, at €0.8 billion. The cash flow advanced by 26 percent, while sales moved ahead by 27 percent; 4 percentage points of this sales growth resulted from the acquisition of the polyols business of Lyondell Chemical Company on March 31, 2000. Shifts in exchange rates added 6 percent to the value of sales.

The operating result of the Polymers segment advanced by 4 percent to €631 million. The slower growth in operating profit than in sales was mainly due to higher prices for raw materials. The return on sales dipped to 12 percent. Although selling prices finally showed an improvement over previous quarters, this still did not relieve the pressure on margins.

In the Polyurethanes Business Group, integration of the business acquired from Lyondell is proceeding according to schedule. The Plastics Business Group continues to expand. Bayer has joined with Röhm GmbH to form a Europe-wide joint venture for transparent polycarbonate and polyester sheet, and with Dainippon Ink & Chemicals, Inc. (DIC) to establish a joint venture for thermoplastic polyurethanes in Japan. In addition, Bayer has acquired the plastic sheet business of Sewon Enterprise Co., Ltd. of South Korea. To streamline its portfolio, the Fibers Business Group will sell its Dralon® business to the Fraver group of Biella, Italy. This divestiture will become effective on January 1, 2001, subject to approval from the relevant supervisory bodies and regulatory authorities.

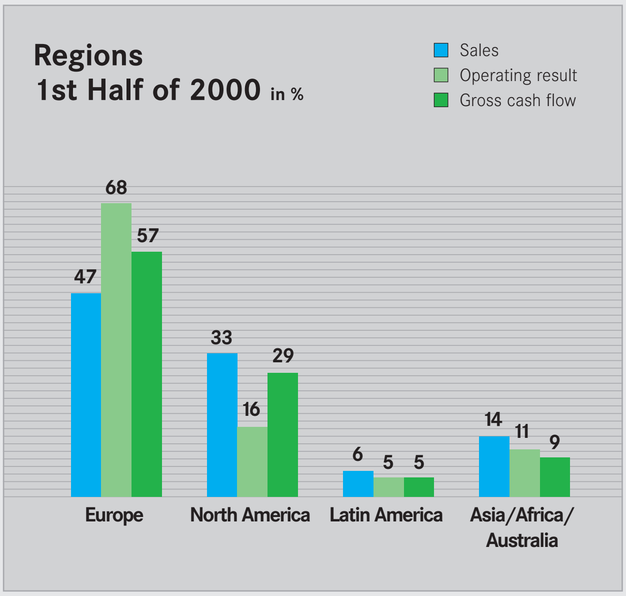
As part of the realignment of Wolff Walsrode, this business group was transferred to the Chemicals segment.

Chemicals

Sales of the Chemicals segment rose by 17 percent to €2.1 billion. Since Bayer plans to sell its 50 percent interest in EC Erdölchemie GmbH to Deutsche BP, Bayer's share of this joint venture's sales is reflected in discontinuing operations rather than in the Chemicals segment.

Considerably higher raw material prices adversely affected earnings in this segment, where the operating result declined by 4 percent, to €248 million, and the return on sales dipped to 12 percent. This is due exclusively to developments in the Basic and Fine Chemicals Business Group. By contrast, the other business groups improved their earnings significantly. The H.C. Starck Business Group registered particularly good sales growth of 60 percent, benefiting from sustained high demand for its products in the electronics and optics industries.

The Chemicals segment's cash flow increased by €66 million to €304 million.



Business trend by region/companies

The strong performance in all of our key markets in the first quarter of 2000 continued in the second quarter. We generated sales – by market – of €6.0 billion in Europe, up 11 percent; €4.7 billion in North America, up 31 percent; €1.1 billion in Latin America, up 21 percent; and €2.9 billion in the Asia/Africa/Australia region, up 37 percent.

The North America and Asia/Africa/Australia regions boosted their shares of Group sales – by point of origin – by 3 and 2 percentage points, respectively, their shares of the operating result by 7 and 4 percentage points, and their shares of the cash flow by 5 and 3 percentage points.

In all regions, our companies performed very well compared with the same period in 1999:

In North America, the strength of the U.S. dollar and the acquisition of Lyondell's polyols business added 17 percent to sales. The favorable effects of currency translations also added 14 percent to sales of our companies in Latin America and 18 percent to sales of our Asian companies.

1st Half of 2000

	Europe		North America		Latin America		Asia/Africa/Australia	
	€ million	%	€ million	%	€ million	%	€ million	%
Sales	6,968	+10.9	4,831	+33.3	900	+16.9	2,051	+45.3
Operating result before exceptional items	1,416	+4.8	379	+91.4	99	+43.5	234	+127.2
Gross cash flow	1,317	+16.0	677	+68.4	106	+47.2	218	+131.9

Summary Cash Flow Statements

€ million	First Half 2000	First Half 1999
Cash and cash equivalents at beginning of year	**2,812**	1,184
Gross operating cash flow	**2,195**	1,704
Changes in working capital	**(817)**	(444)
Net cash provided by operating activities	**1,378**	**1,260**
of which discontinuing operations	*43*	*185*
Net cash provided by (used in) investing activities	**(3,343)**	**1,588**
of which discontinuing operations	*(57)*	*2,557*
Net cash provided by (used in) financing activities	**34**	**(1,427)**
of which discontinuing operations	*(11)*	*(12)*
Exchange rate movements and changes in companies consolidated	**(3)**	(138)
Change in cash and cash equivalents	**(1,934)**	1,283
Cash and cash equivalents at end of first half	**878**	2,467

Earnings

€ million	First Half 2000	First Half 1999	Full Year 1999
Operating result	**1,994**	2,556	3,357
of which discontinuing operations	*39*	*1,061*	*1,155*
Non-operating result	**(218)**	(281)	(521)
Income before income taxes	**1,776**	2,275	2,836
Net income	**1,033**	1,719	2,002

Liquidity and capital resources

The consolidated financial statements for the first half 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 €118 million increase in the net operating cash flow resulted from a 29 percent, or €491 million, improvement in the gross cash flow. A greater change in working capital, due mainly to an increase in inventories and receivables, diminished the net operating cash flow by €373 million.

The net cash outflow for investing activities amounted to €3.3 billion. Disbursements of €2.5 billion for the Lyondell polyols acquisition and €1.3 billion for additions to property, plant, equipment and investments were partly offset by a total of €492 million in cash inflows from sales of property, plant and equipment, inflows related to investments, and interest receipts.

Financing activities provided net cash of €34 million. Dividend payments of €1 billion and interest payments of €0.2 billion were balanced by net borrowings of €1.2 billion.

Cash and cash equivalents declined by €1.9 billion during the first half of 2000, components of the change being the net inflows of €1.4 billion from operating and €34 million from financing activities and the net outflow of €3.3 billion for investing activities.

Earnings performance

The result of continuing operations climbed by €460 million, or 31 percent, to €2 billion. Before exceptional items, which led to a charge of €22 million against income in the first half of 2000, it improved by €434 million, or 28 percent.

The result of discontinuing operations includes the activities of the DyStar group and the Erdölchemie Business Group. Of particular significance here is the inclusion in the 1999 figures of Agfa's operating result and the €1 billion in income from the Agfa flotation. Because of this, reported operating profit is down 22 percent year-on-year.

The non-operating result improved by €63 million, or 22 percent, to minus €218 million, due to higher income from affiliated companies and lower net interest expense. Pre-tax income amounted to €1.8 billion. Income tax expense increased by 31 percent to €732 million, due to the fact that the previous year's figure included tax-free income from the Agfa divestiture. The effective tax rate rose from 24 to 41 percent. Group net income amounted to €1 billion.

Balance Sheet Structure

€ million	June 30, 2000	June 30, 1999	Dec. 31, 1999
Noncurrent assets	**18,206**	14,784	15,614
Current assets	**15,644**	15,016	15,665
Stockholders' equity	**15,346**	14,542	15,182
Liabilities	**18,504**	15,258	16,097
Total assets	**33,850**	**29,800**	**31,279**

Asset and capital structure

Total assets of the Group rose by €2.6 billion, or 8 percent, to €33.9 billion, €0.7 billion of the increase being due to exchange rate movements. The growth of €2.6 billion in noncurrent assets resulted mainly from the Lyondell polyols acquisition, with intangible assets accounting for most of the increase. Current assets varied only slightly overall. While liquid assets declined by €2.0 billion, due in large part to the above acquisition, current assets expanded by about the same amount. €0.4 billion of this increase was due to changes in exchange rates.

Stockholders' equity increased by €164 million during the first half of 2000. Income after taxes amounted to €1,044 million, while foreign currency translation and minority interests added €69 million; the dividend payout totaled €949 million. The equity-to-assets ratio was 45.3 percent, compared with 48.5 percent at the end of 1999.

Net debt grew by €3.3 billion in the first half of 2000 to €4.6 billion, with financial obligations increasing by €1.2 billion and liquid assets decreasing by €2 billion.

Capital expenditures

We spent €1.3 billion for intangible assets, property, plant and equipment in the first six months of 2000, which was 34 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 €735 million and €418 million, respectively.

Our capital spending budget for the full year 2000 is €2.4 billion.

We are steadily expanding our e-commerce activities. For example, we have joined with other leading chemical companies to establish the business-to-business e-commerce joint venture ELEMICA. This will be the world's largest virtual marketplace for chemicals, with a product range including basic chemicals, intermediates, specialties and fine chemicals. The marketplace will become operational by the end of this year, subject to the approval of the relevant supervisory bodies.

Together with Infracor GmbH and Infraserv Logistics GmbH, we are planning to assemble an open marketplace for trading logistics services on the Internet. We are also a founding member of the technology marketplace yet2.com, which markets patents, licenses and inventions via Internet.

Employees

On June 30, 2000, the Bayer Group had 117,600 employees in its continuing operations, which was about 100 fewer than at the end of 1999.

The workforce shrank by about 1,200 in Europe, whereas it increased by 600 in the Asia/Africa/Australia region and 500 in North America.

Personnel expenses increased by 9 percent year-on-year, to €3.6 billion. Two thirds of this increase was due to currency translations.

Highlights

	2nd Quarter		First Half	
	2000	**1999**	**2000**	**1999**
Sales (€ million)	**7,907**	**7,230**	**15,238**	**14,224**
Discontinuing operations	*242*	*938*	*488*	*2,134*
Sales from continuing operations	**7,665**	**6,292**	**14,750**	**12,090**
Change	21.8 %	4.7 %	22.0 %	1.8 %
Domestic companies	2,210	2,037	4,405	3,973
Change	8.5 %	0.1 %	10.9 %	- 5.2 %
Foreign companies	5,455	4,255	10,345	8,117
Change	28.2 %	13.1 %	27.4 %	5.6 %
Operating result (€ million)	**960**	**1,685**	**1,994**	**2,556**
Discontinuing operations	*22*	*989*	*39*	*1,061*
Results of continuing operations	**938**	**696**	**1,955**	**1,495**
Change	34.8 %	- 7.4 %	30.8 %	- 0.3 %
Return on sales before exceptional items	**12.5 %**	**11.9 %**	**13.4 %**	**12.8 %**
Net income (€ million)	**477**	**1,279**	**1,033**	**1,719**
Change	- 62.7 %	192.0 %	- 39.9 %	97.4 %
Gross cash flow (€ million)	**1,148**	**863**	**2,195**	**1,704**
Change	33.0 %	- 17.5 %	28.8 %	- 13.0 %
Capital expenditures (€ million)*	**803**	**534**	**1,259**	**943**
Domestic companies	299	223	525	403
Foreign companies	504	311	734	540
Number of employees at closing date*			117,600	117,700
Personnel expenses (€ million)	1,845	1,684	3,632	3,334
Change	9.6 %	- 5.6 %	8.9 %	- 3.3 %

*continuing operations

Outlook

In view of our continuing strong business development, we are very optimistic about the full year 2000.

We expect growth to continue coming primarily from the Health Care segment, particularly the Pharmaceuticals Business Group. We see considerable potential for further expansion due to growing demand for our products.

The business trend in our Agriculture segment so far gives us a solid position from which to build on our outstanding operating margin and once again exceed last year's excellent figures.

In the Polymers and Chemicals segments, we will implement selective price increases to counter significantly higher raw material costs. This policy paid off in the second quarter of 2000, with a 2 percent improvement in prices.

We are well equipped to exploit developments in the field of e-commerce, and we believe the use of the new media will allow us considerable efficiency improvements in both procurement and sales activities.

We continue to anticipate double-digit growth in both sales and earnings from continuing operations.

Bayer Group Statements for the First Half (Summary)

Consolidated Statements of Income (€ million)

	2nd Quarter 2000	2nd Quarter 1999*	First Half 2000	First Half 1999*
Net sales	**7,907**	**7,230**	**15,238**	**14,224**
Discontinuing operations	*(242)*	*(938)*	*(488)*	*(2,134)*
Continuing operations	7,665	6,292	14,750	12,090
Cost of goods sold	(4,086)	(3,377)	(7,737)	(6,361)
Gross profit	**3,579**	**2,915**	**7,013**	**5,729**
Selling expenses	(1,648)	(1,359)	(3,148)	(2,641)
Research and development expenses	(658)	(529)	(1,203)	(1,024)
General administration expenses	(234)	(191)	(443)	(382)
Other operating expenses – net	(101)	(140)	(264)	(187)
Result of continuing operations	**938**	**696**	**1,955**	**1,495**
Result of discontinuing operations	*22*	*989*	*39*	*1,061*
Operating result	**960**	**1,685**	**1,994**	**2,556**
Non-operating result	**(136)**	**(136)**	**(218)**	**(281)**
Income before income taxes	**824**	**1,549**	**1,776**	**2,275**
Income taxes	(340)	(267)	(732)	(557)
Income after taxes	**484**	**1,282**	**1,044**	**1,718**
Minority stockholders' interest	(7)	(3)	(11)	1
Net income	**477**	**1,279**	**1,033**	**1,719**
Earnings per share (€)	**0.65**	**1.75**	**1.41**	**2.35**

Consolidated Balance Sheets (€ million)

	June 30, 2000	June 30, 1999*	Dec. 31, 1999
ASSETS			
Noncurrent assets	**18,206**	**14,784**	**15,614**
Inventories	5,439	4,837	4,992
Receivables	8,689	6,965	7,126
Liquid assets	1,091	2,841	3,140
Current assets	**15,219**	**14,643**	**15,258**
Deferred taxes	**425**	**373**	**407**
	33,850	**29,800**	**31,279**
Discontinuing operations	*654*	*644*	*379*
STOCKHOLDERS' EQUITY AND LIABILITIES			
Capital stock and reserves	4,812	4,812	4,812
Retained earnings	9,032	7,901	7,965
Net income	1,033	1,719	2,002
Translation differences	279	(65)	227
Minority stockholders' interest	190	175	176
Stockholders' equity	**15,346**	**14,542**	**15,182**
Long-term liabilities	8,620	7,760	7,961
Short-term liabilities	8,613	6,622	6,979
Liabilities	**17,233**	**14,382**	**14,940**
Discontinuing operations	*365*	*375*	*198*
Deferred taxes	**1,271**	**876**	**1,157**
	33,850	**29,800**	**31,279**

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

The first-half statements 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			1,718		1,718
Dividend payments		(21)	(747)		(768)
Exchange differences				914	914
Allocation to retained earnings		801	(867)		(66)
Minority stockholders' interest		(36)	1		(35)
June 30, 1999	**4,812**	**8,076**	**1,719**	**(65)**	**14,542**
December 31, 1999	**4,812**	**8,141**	**2,002**	**227**	**15,182**
Income after taxes			1,044		1,044
Dividend payments		(3)	(949)		(952)
Exchange differences				52	52
Allocation to retained earnings		1,067	(1,053)		14
Minority stockholders' interest		17	(11)		6
June 30, 2000	**4,812**	**9,222**	**1,033**	**279**	**15,346**

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

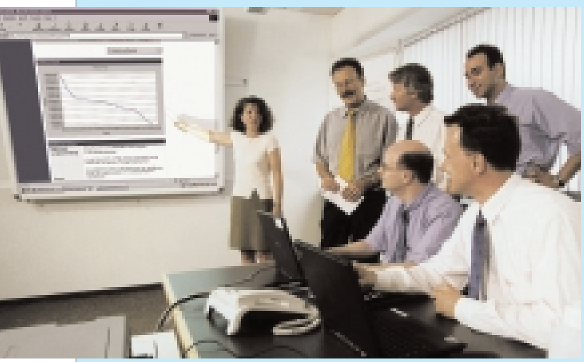
BUSINESS SEGMENTS	**Health Care**		**Agriculture**		**Polymers**		**Chemicals**		**Reconciliation**		**Bayer Group**	
	First Half		**First Half**		**First Half**		**First Half**		**First Half**		**First Half**	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Sales	4,747	3,932	2,093	1,742	5,469	4,297	2,104	1,791	825	2,462	15,238	14,224
Discontinuing operations									*488*	*2,134*	*488*	*2,134*
Sales from continuing operations	**4,747**	**3,932**	**2,093**	**1,742**	**5,469**	**4,297**	**2,104**	**1,791**	**337**	**328**	**14,750**	**12,090**
Change in €	20.7%	19.2%	20.1%	1.7%	27.3%	-2.4%	17.5%	-9.1%			22.0%	1.8%
Change in local currencies	10.2%	19.2%	10.9%	1.9%	21.3%	-1.8%	11.6%	-8.9%			15.0%	2.0%
Operating result before exceptional items	**726**	**433**	**487**	**416**	**631**	**604**	**248**	**258**	**(71)**	**893**	**2,021**	**2,604**
Discontinuing operations									*44*	*1,061*	*44*	*1,061*
Result of continuing operations before exceptional items	**726**	**433**	**487**	**416**	**631**	**604**	**248**	**258**	**(115)**	**(168)**	**1,977**	**1,543**
Change	67.7%	-3.1%	17.1%	-5.0%	4.5%	4.1%	-3.9%	-3.0%			28.1%	-2.7%
Return on sales before exceptional items	15.3%	11.0%	23.3%	23.9%	11.5%	14.1%	11.8%	14.4%			13.4%	12.8%
Operating result	**700**	**376**	**481**	**453**	**608**	**581**	**247**	**253**	**(42)**	**893**	**1,994**	**2,556**

REGIONS	**Europe**		**North America**		**Latin America**		**Asia/Africa/ Australia**		**Reconciliation**		**Bayer Group**	
	First Half		**First Half**		**First Half**		**First Half**		**First Half**		**First Half**	
	2000	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Sales by market	6,046	5,471	4,694	3,595	1,086	897	2,924	2,127	488	2,134	15,238	14,224
Change	10.5%	-3.9%	30.6%	8.9%	21.1%	-8.7%	37.5%	12.2%			7.1%	-2.0%
Sales by point of origin	**6,968**	**6,285**	**4,831**	**3,623**	**900**	**770**	**2,051**	**1,412**	**488**	**2,134**	**15,238**	**14,224**
Discontinuing operations									*488*	*2,134*	*488*	*2,134*
Sales from continuing operations	**6,968**	**6,285**	**4,831**	**3,623**	**900**	**770**	**2,051**	**1,412**			**14,750**	**12,090**
Change in €	10.9%	-3.7%	33.3%	10.6%	16.9%	-8.6%	45.3%	15.0%			22.0%	1.8%
Change in local currencies	10.3%	-3.1%	19.1%	15.9%	3.0%	-3.8%	27.7%	16.8%			15.0%	2.0%
Operating result before exceptional items	**1,416**	**1,351**	**379**	**198**	**99**	**69**	**234**	**103**	**(107)**	**883**	**2,021**	**2,604**
Discontinuing operations									*44*	*1,061*	*44*	*1,061*
Result of continuing operations before exceptional items	**1,416**	**1,351**	**379**	**198**	**99**	**69**	**234**	**103**	**(151)**	**(178)**	**1,977**	**1,543**
Change	4.8%	3.9%	91.4%	-29.0%	43.5%	-18.8%	127.2%	33.8%			28.1%	-2.7%
Return on sales before exceptional items	20.3%	21.5%	7.8%	5.5%	11.0%	9.0%	11.4%	7.3%			13.4%	12.8%
Operating result	**1,443**	**1,333**	**330**	**150**	**99**	**69**	**234**	**121**	**(112)**	**883**	**1,994**	**2,556**

1999 figures restated

Customer orientation and support at Bayer further enhanced

Continued expansion of e-commerce



Pilot project for online bidding (from left): Birgit Sander from Bayer's purchasing department, F. Stein, H. Preichel and M. Serafinowski (seated) discuss the bids of various companies with Dr. Dietmar Kottmann of Boston Consulting (foreground, at right) and K. Derakhshan (background, at right) of Portum, which set up the auction and trade platform.

Bayer is continuing its expansion of e-commerce activities. By 2004 up to 50 percent of the company's trade – depending on the business group – will be conducted via Internet. The Bayer Group is a founding member of or participant in many international electronic marketplaces and has plans to set up new portals and marketplaces that will serve all of its business segments. It also makes use of several freely accessible neutral platforms (see insert below).

The aim is to exploit the benefits of speed, low transaction expenses and global competition inherent to this form of trading. However, for Werner Spinner, member of the Board of Management, e-commerce will mean other changes: "We will have to develop entirely new forms of customer relations as well."

An important role in future development will be played by the Electronic Commerce Initiative, set up at the Leverkusen headquarters of the Bayer Group. This is where Bayer experts monitor the market to spot specific uses for e-commerce. So far, nearly one hundred potential e-commerce applications have been identified and some have already been implemented. Explaining Bayer's strategy, Spinner says: "Business-to-business is an area where we can directly offer research expertise and help in the selection and application of materials." Customer orientation and support – Bayer's traditional strengths – will be reinforced by the new technologies. E-commerce will soon cover all areas of the value chain. Procurement, production and sales departments will be dealing in Internet auctions and working with online customer support and order tracking.

Bayer currently invests €80 million a year – 10 percent of its IT budget – in the development of e-commerce structures. In addition, there are the costs of financial participation in new marketplaces and advertising. To encourage a professional approach to the new medium among its staff, Bayer now provides unrestricted Internet access and e-mail facilities on all desktop PCs.

The success of the big marketplaces will be determined by powerful partnerships. This is why Bayer is looking for strategic alliances, some together with other international companies. Moreover, most of the marketplaces with Bayer involvement will be open to third parties. There will be no "off-the-rack" solutions. It is therefore impossible to run a universal electronic Bayer department store for the entire product portfolio. It will be possible, however, to set up a variety of marketplaces which, together, will cover more than 10,000 Bayer products.

Bayer e-commerce activities:

- Founding member of a marketplace for the world's leading elastomer manufacturers (www.elastomersolutions.com)
- Founding member of chemplorer, a marketplace for MRO products (maintenance, repair and operations) for the chemicals and related industries together with InfraServ Höchst and Deutsche Telekom
- Founding member of Omnexus, a marketplace for thermoplastics, together with BASF, DOW Chemical, DuPont and Ticona/Celanese (www.omnexus.com)
- Founding member of ELEMICA, a global marketplace for chemicals, which also includes DOW Chemical and DuPont (www.elemica.com)
- Founding member of e-ChemLogistics, a marketplace for logistics services, together with Infracor GmbH and Infraserv Logistics, GmbH
- Development of BayerONE (Bayer Online E-commerce), a marketplace for the plastics and polyurethane industries
- Development of BayerValue.com, a marketplace for agricultural supplies
- Member of the Global Health Care Exchange, a platform for trading hospital supplies
- Member of ChemConnect (chemicals, petrochemical feedstocks and specialties)
- Member of CheMatch (chemicals and petrochemical feedstocks)
- Development of the online pharmacy Bayerdirect.com in the United States, initially selling biological products
- Member of yet2.com (market for patents, licenses and inventions)

Bayer is planning to enter into further memberships and set up further ventures.

New Bayer Group headquarters building in Leverkusen

Groundbreaking ceremony


Burying the time capsule (front, from left): NRW Premier Wolfgang Clement, Bayer CEO Dr. Manfred Schneider and Leverkusen Mayor Paul Hebbel.

Bayer CEO Dr. Manfred Schneider described Bayer's decision to build its new corporate headquarters building in Leverkusen as a clear vote of confidence in Germany, and in the state of North Rhine-Westphalia in particular, as an industrial location.
Dr. Schneider's comments came at the groundbreaking ceremony for the new building in May. He added that Leverkusen is where Bayer has its roots, and that being headquartered in the heart of Europe reflects the significance of this continent as Bayer's most important market.
Designed by the world-renowned, Chicago-based architect Helmut Jahn, the new, largely transparent building will cost about €50 million and is scheduled for completion by the end of 2001. It will have office facilities for 275 employees, including the Board of Management. Following its inauguration, the existing – now technically obsolescent – high-rise headquarters building will be demolished.

Transfer planned for January 1, 2001

Bayer sells Dralon business to Fraver

Bayer has signed a letter of intent to sell the Dralon® fibers business of its subsidiary Bayer Faser GmbH to the Fraver Group, Biella, Italy, a manufacturer of acrylic yarns. Effective January 1, 2001, subject to approval from the relevant supervisory bodies and regulatory authorities, Fraver will take over the Dralon® production facility at the Bayer site in Dormagen and the remaining interest in the subsidiary Faserwerke Lingen, in which the Italian company already holds a 30 percent stake.

Monheim Agricultural Center

New analysis robot

Bayer has invested about €1 million in a new analysis robot for crop protection research at the company's Agricultural Center in Monheim. This technology should help accelerate the discovery of crop protection agents. It will also ensure that Bayer will continue to occupy a leading position in the face of increasingly stiff international competition to develop the most innovative and effective crop protection products.
The new facility supports Bayer's researchers in the characterization of substances in terms of purity, composition and chemical structure.
Automation simplifies all routine work processes from job distribution to actual laboratory analysis. This means that a single substance sample can be used to perform six different analyses – with a smaller amount of substance than was previously required. With the new analysis robot, the researchers can perform as many as 700 individual measurements on about 350 samples a day, roughly doubling research efficiency.


The new robot can characterize about 350 samples a day.

Bayer Corporation recognized for its social commitment and contribution to environmental protection

U.S. President Clinton honors Bayer

U.S. President Bill Clinton has honored the social commitment of Bayer Corporation in the United States: Bayer's U.S. subsidiary received the "President's Service Award" in recognition of its "Making Science Make Sense" program. The award is presented to companies, organizations or individuals who make a commitment to solving the country's most critical social problems.
In addition, the company received the coveted 2000 "Presidential Green Chemistry Challenge Award", which the U.S. Environmental Protection Agency presents each year to promote environmental protection in industry, for developing an industrial coating material that uses water instead of chemical solvents, thereby reducing volatile air emissions.

Worldwide customer service network

Bayer sets up laboratory for optical data carriers

Better service for producers of digital versatile discs (DVDs): Bayer has invested about €2.5 million to equip its laboratory for optical data carriers in Leverkusen with a complete production line for the DVD formats 5.9 and 10 and with systems for complete testing of disc quality. The latest additions mean that the Leverkusen facility now possesses comprehensive technology for the production and testing of pre-recorded optical discs. At Bayer's U.S. subsidiary in Pittsburgh, Pennsylvania, a further facility for the production of DVD 18 is currently under construction, and additional labs for optical data storage are being planned in Asia. This global service network should enable customers to receive practical training in disc production without disrupting ongoing production processes. The new DVD production lines serve both training and developmental purposes. They allow Bayer's experts to test, in particular, whether and how laboratory findings can be applied at the facilities of the company's customers. The goal is to raise quality standards, further reduce production cycle times and widen the processing window in terms of both technical equipment and the raw material Makrolon®.

Josef Wiesner tests optical discs in the customer laboratory at Leverkusen.

Bayer acquires South Korean company

Polycarbonate business enhanced

Bayer recently acquired South Korean plastic sheet manufacturer Sewon Enterprise Co., Ltd., which will trade in future under the name Bayer Sewon Ltd. in Kimhae, near Pusan. The focus of the company's business activities is to be on the production and marketing of solid sheet made of Bayer's Makrolon® polycarbonate.

Sewon posted sales of €18 million in 1999. The South Korean company's share of the polycarbonate sheet market alone amounted to 40 percent.

This acquisition will further consolidate Bayer's global status as a leading producer of polycarbonate sheet. Accounting for approximately €240 million in sales in 1999, South Korea is one of Bayer's strongest Asian markets.

Recognition for contribution to German-American relations

Dr. Manfred Schneider receives Vernon A. Walters Award

Bayer CEO Dr. Manfred Schneider has received the Vernon A. Walters Award in honor of his "outstanding contribution in fostering German-American relations". The award is presented jointly each year by the Atlantik-Brücke e.V. of Germany and the New York-based Armonk Institute. Dr. Schneider received the award at a dinner in New York on June 6, 2000, from Dr. Arend Oetker, Vice Chairman of the Atlantik-Brücke. The dinner was attended by leading representatives of the U.S. and German political and business communities.

Dr. Arend Oetker (left) presents Dr. Manfred Schneider with the award.

Approved in Europe

New medication for hemophiliacs

Kogenate® Bayer has been approved in all 15 member states of the European Union via the centralized registration process. The product will be launched shortly.

A new manufacturing process for Kogenate, which is used to treat hemophilia A, offers an even greater level of viral safety and is easier for patients to use. It is estimated that about 19,000 people in Europe and more than 350,000 people worldwide suffer from hemophilia.

The new Kogenate is currently approved and available in New Zealand and Switzerland.

Global investment totaling €250 million

Bayer builds on leading position in synthetic rubber

Bayer has now completed capital spending of €250 million to further reinforce its position as a leading global supplier of synthetic rubber. Since embarking on this investment program five years ago, the company has increased its total capacities for polybutadiene (BR) and styrene-butadiene (SBR) rubber by more than 100 percent to 550,000 tons. These types of rubber are used primarily in the automotive, construction and leisure industries. The main focus of the investment was on the facilities at Orange, Texas and Port-Jérôme, France.

Focus on European market

Bayer divests U.S. livestock vaccines business unit

The Bayer Group has sold its U.S. livestock vaccines business unit to Intervet International, a subsidiary of the Dutch chemicals company Akzo Nobel, Arnhem. The business includes a production facility in Worthington, Minnesota, along with additional capacity in the Bayer plant at Shawnee, Kansas. The employees concerned will be transferred to Intervet. The Animal Health Business Group has been extremely successful in the United States in recent years, and is one the industry leaders there. Two years ago, Bayer invested more than €60 million in a new U.S. production facility.

Treatment of allergic rhinitis

New product for the Japanese market

In May, Bayer's Japanese pharmaceutical subsidiary Bayer Yakuhin launched the drug Baynas® for the treatment of allergic rhinitis (hay fever) in the Japanese market. This new product has peak sales potential of about €100 million annually.

Baynas® has an anti-allergic action and was developed primarily by Bayer's Japanese research team. Bayer added its third pharmaceutical research center at Kansai Science City near Kyoto to the existing locations in Germany and in the United States in 1995.

It is estimated that 20 million people in Japan suffer from allergic rhinitis. The nasal discharge and irritation associated with this disorder is a particular burden on individuals who suffer from it throughout the year. Baynas® combats these symptoms very effectively and also has no adverse effects such as drowsiness or exhaustion.

Award of the German Public Relations Association

"Golden Bridge" for Aspirin centennial

The German Public Relations Association (DPRG) has awarded the 2000 "Golden Bridge" in the category International Public Relations to Bayer AG for its outstanding achievements in this field. The prize was awarded in recognition of the events and press work organized to commemorate the 100th birthday of the Aspirin® brand on March 6, 1999. The focal point of the celebrations was the wrapping of Bayer's high-rise administration building to transform it into the world's largest Aspirin® pack. More than 50 mountaineers used 22,500 square meters of fabric to enclose the 120 meter high skyscraper. 250 journalists from 29 countries visited Leverkusen to report on the megafestivities. The result was around 650 million contacts via the media worldwide, including reports by news programs in the United States.

Awards ceremony in Mainz: DPRG President Stephan Becker-Sonnenschein with Dr. Franz-Josef Bohle and Hartmut Alfsfasser of Bayer's Corporate Communications Division (from left).

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