Stockholders' Newsletter 2001

Special Issue: Withdrawal of Lipobay®/Baycol®

Bayer

Dear Stockholders,

Just over two weeks ago, as you probably know already, we voluntarily withdrew our cholesterol-lowering drug, which had been sold under the tradenames Lipobay®/Baycol®. This was not an easy decision to make – and yet we were left with no alternative, because the safety and health of the patients who trust our products and rely on them take priority over all other interests.

It is a matter of great regret for us that some patients have lost confidence in Bayer products. We extend our sincere sympathy to the relatives and friends of any person whose death may have been associated with the use of our cholesterol-lowering drug. I must again stress, however, that there is currently no proof that this has been the case.

The product withdrawal has led to a substantial drop in the price of your Bayer shares. The stock price currently is also being depressed by lawsuits that have been announced – and in some cases already filed – in connection with Lipobay®/Baycol®, especially in the United States.

It is difficult to compensate for the loss of this product, which was one of the growth drivers for our pharmaceutical business. The withdrawal has far-reaching consequences for our company. We will therefore review our strategy for pharmaceuticals, which in turn is a cornerstone of the Group strategy, as quickly as possible and keep you informed of all the main developments.

We have been surprised by the reaction of the financial markets regarding the possible consequences of claims for damages, since we believe the chances for the success of such litigation are being overrated. Bayer has at all times acted responsibly and in the interests of patient health and safety. We therefore consider these claims to be unfounded and will vigorously contest them. Although fatalities have reportedly occurred among patients who had been taking the drug, a causal connection has not been proven. What is more, we had included warnings in package leaflets and physicians' prescribing information regarding contraindications and the possible risks of commencing therapy with the highest dosage.

The recent downward movement in the stock is disappointing for us all. But we can assure you that we are doing all we can to restore the share price to a respectable level.

We are convinced that Bayer remains a sound enterprise with very good future prospects:

- We will evolve a new strategy for our Health Care segment and, if necessary, modify the Group strategy accordingly.
- The planned acquisition of Aventis CropScience will further strengthen our already highly profitable Agriculture segment and make us a global leader in the crop protection business.
- In the Polymers segment, extensive optimization measures are under way to generate sustained earnings growth.
- We are continuing to sharpen our focus on specialties in the Chemicals segment.

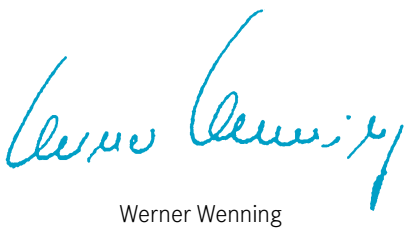
Bayer's foundations are firm, thanks partly to our "four-pillar" strategy, even if only two of those pillars – Agriculture and Chemicals – currently show a stable earnings trend overall.

We – the Management Board and Bayer's entire management team – will do everything in our power to get your company back on course.

You can keep abreast of developments by watching our Internet site (www.bayer.com). This special issue of the "Stockholders' Newsletter" is intended to provide you with answers to the questions we have been most frequently asked over the past two weeks. We will make every effort to restore confidence in the company. This we owe to you, our stockholders, and to the public at large.

Sincerely,
BAYER AG

Dr. Manfred Schneider



Werner Wenning

Withdrawal of Lipobay®/Baycol®

Straight answers to important questions

1 Is there proof of a connection between the reported fatalities and the use of Lipobay®/Baycol®?

No. Bayer is aware of cases of fatalities in patients that may have occurred following treatment with cerivastatin – the active ingredient in Lipobay®/Baycol® – and the occurrence of rhabdomyolysis, a rare but potentially life-threatening muscle weakness. However, these cases are based on spontaneous reports which, in the opinion of experts and the regulatory authorities, have only limited conclusiveness because it is very difficult to establish a causal connection. Throughout the world, approximately six million patients have been treated with this product.

The Bayer Board of Management has on several occasions expressed our sincere sympathy to the relatives and friends of any person whose death may have been connected with the use of our product. We must again stress, however, that there is currently no proof that this has been the case.

2 When did the side effects of this product first become known?

It was known that all statins – the class to which the drug Lipobay®/Baycol® belongs – present a risk when they are taken in combination with gemfibrozil. This product – also a cholesterol-lowering drug – is in widespread use and is frequently prescribed, especially in the United States. This is why warnings were issued as soon as Lipobay®/Baycol® first came onto the market in 1997.

Individuals treated with statins are often elderly and suffer from other serious disorders associated with a high level of morbidity and mortality. In view of the state of health of most of the patients concerned, it is extremely difficult to distinguish between a fatality due to a prior or co-existing disease and one due directly to the side effects of the medication being taken. This is a problem that medical science encounters with many pharmaceutical products.

All highly effective medications unfortunately also have side effects which in exceptional cases may even result in fatalities. These rare risks must, however, be weighed against the great benefits of the drugs concerned.

3 Do competing products also carry warnings about adverse effects?

There are five other substances which belong to the statins class. The product information of all statin products contains a reference to the risk of muscle weakness and, in particular, to the interaction.

4 Why did Bayer take cerivastatin off the market?

As a result of continued evaluation of post-marketing spontaneous reports, we concluded that rhabdomyolysis appeared to be reported at a higher rate with Lipobay®/Baycol® when co-prescribed with gemfibrozil than with other drugs in the statin class.

Concomitant use of gemfibrozil and cerivastatin is low. Bayer took a number of steps to prevent the two drugs being co-prescribed, including placing of a contraindication to this effect in the prescribing information for Lipobay®/Baycol® and information letters to health care professionals. Nonetheless, despite our diligent efforts to preclude combination therapy, Bayer continued to receive further reports of myopathy/rhabdomyolysis in patients taking both products at the same time. Bayer therefore decided in the interest of patient safety to withdraw the product voluntarily from the market.

5 Why didn't Bayer inform doctors and patients at the first signs that side effects were occurring?

Bayer included information on the growing risk associated with co-prescription of cerivastatin with gemfibrozil in the package inserts and information for doctors right from the very start of marketing. Subsequently, the company even added a contra-indication and sent information letters to doctors about this. Yet we continued to receive reports that doctors were prescribing both products at the same time. Since we could not exclude the possibility of some doctors continuing with their previous prescribing practice, we decided to take the product off the market voluntarily.

A further reason was the fact that, in some cases, the highest available dose was being used contrary to instructions as the starting dose to initiate therapy. Our prescribing information highlighted the recommendation that the dose should be increased gradually after the patient has been started on a low dose, but in some cases this recommendation was not followed.

6 Could the problems with Lipobay®/Baycol® have been avoided?

No. Bayer did not receive any signal during the product development process or subsequent studies involving more than 15,000 patients that could have indicated the possible effects that now prompted us to make this decision. The fact is that all effective drugs generally have side effects. Rare side effects are often not discovered until the post-marketing surveillance stage – when the product is being used to treat millions of patients.

The reported side effects initially showed that the safety profile of Lipobay®/Baycol® was comparable to that of other statins. As more and more patients were treated with cerivastatin following its market introduction, the continuous analysis of spontaneous reports showed that when Lipobay®/Baycol® was used in combination with gemfibrozil – which Bayer had warned against from the start – rhabdomyolysis appeared to be reported more frequently than in patients using other statins.

7 How was it possible for this drug to come under such grave suspicion?

No anomalous findings involving muscle weakness as a side effect were observed throughout the entire, thorough clinical development process – which was carried out in compliance with the strict requirements of the regulatory authorities – right up to the registration of cerivastatin.

8 Did Bayer only take the medication off the market in response to pressure from the American health authorities?

No, Bayer decided voluntarily to withdraw the product from the market after due consideration of all the available information. This is also corroborated by the FDA, the American health authority.

The economic impact on our company is far-reaching. In the interest of the safety and health of patients, however, we had no alternative but to take the product off the market.

9 Is it true that the company did not provide adequate information and informed interested parties in the wrong sequence?

Bayer informed the global public and the financial markets immediately and simultaneously, as required by law. We deeply regret the confusion that arose among our partners in the health service. However, legal requirements prevented us from informing specific target groups such as doctors and pharmacists in advance.

The withdrawal of our product is the first instance in which a company included in the German stock index DAX has taken a product with such a high sales volume off the market. We immediately realized that this decision would be likely to impact heavily on the price of Bayer stock. Regrettably, the trend in the share price in the days following the announcement proved us right. Our decision to stop marketing the product was taken just hours before the public announcement was made; it thus constituted insider information and as such was subject to special legal requirements. It meant that we were obliged to inform the public of this decision immediately in an ad hoc announcement and were prevented from informing individual target groups in advance.

In this crisis situation, we have made every effort to satisfy the legitimate information needs of different target groups while at the same time observing the legal requirements by which we are bound.

10 What did the company do to inform doctors, pharmacists and affected patients as quickly as possible?

The basic information was posted on the Internet at the same time as the ad hoc announcement was made, and was therefore available worldwide. We are required to inform doctors and pharmacists directly by means of a “Dear Healthcare Professional” letter, and the text of this letter first has to be agreed on with the local health authorities. This procedure was implemented immediately. Patient information, too, was posted on the Internet and a patient hotline was set up.

Since the Internet is currently the fastest way of providing all the target groups worldwide with up-to-the-minute information, we have been presenting continuously updated supplementary news items, background information and reports on our homepage.

11 The authorities in Germany have nonetheless criticized Bayer's information policy. Why?

We firmly reject the criticism from the Federal Health Ministry. The main information contained in the publicly cited report dated June 15, 2001 had already been submitted to the Federal Institute for Drugs and Medical Devices at the end of April. There can be no question of our having adopted an unacceptable information policy. Bayer has at all times acted in the interests of patient safety.

12 What is the economic impact of this product withdrawal?

There can be no doubt that the economic impact for the company will be far-reaching. We expect the global withdrawal of the product to diminish the operating result for the current year by between €750 million and €800 million. Lipobay®/Baycol® was one of the driving forces for growth in our pharmaceutical business, with a peak annual sales potential of €2.5 billion.

In the interest of the safety and health of patients, however, we had no alternative but to take the product off the market.

13 How does Bayer intend to compensate for the loss of Lipobay®/Baycol®?

We have very promising new products under development, including vardenafil for the treatment of erectile dysfunction which is scheduled for launch in 2002, and a new antibiotic and two cancer drugs which are likely to come onto the market in the next two to three years. In addition, we will support all of our current products more intensively.

14 Bayer initially announced the global withdrawal of the product except in Japan. Withdrawal from the Japanese market has now been announced also. Why?

We decided to take this further step in the interest of patient safety after it emerged from discussions with the health authorities in Japan that the active substance gemfibrozil will soon be approved for use in Japan too. This substance has not been available in the Japanese market so far, making it impossible for gemfibrozil to be used simultaneously with our cholesterol-lowering drug in that country. Since we can no longer exclude this possibility, we have acted responsibly and decided to stop marketing our product in Japan as well.

15 Isn't the case of Lipobay®/Baycol® unique in the history of the pharmaceutical industry?

No, the withdrawal of drugs from the market is nothing new. The Tufts Center for the Study of Drug Development, for example, has examined this phenomenon over a 30-year period and has found that there have always been cases of product withdrawals, and their frequency has not increased. Moreover, the number of fatalities alleged but not proven to have been associated with Lipobay®/Baycol® does not make this a special case.

16 What will Bayer do to get the company out of this crisis?

We are naturally evaluating the strategic implications of this product withdrawal, quite apart from the short and medium-term repercussions. We will reconsider our strategy, taking all possible options into account and assessing them in the interest of achieving sustained value growth for Bayer.

We have already initiated a restructuring and efficiency-boosting program which we expect to produce annual savings of €1.5 billion by 2005. We will now implement this program rapidly and thus markedly improve our figures.

The restructuring measures will help to make the Chemicals and Polymers businesses less cyclical. We have good prospects for growth in these segments thanks to new products and more efficient processes, and we therefore expect them to contribute very substantially to earnings in the medium term.

In Crop Protection, we still firmly intend to acquire Aventis CropScience. This acquisition will make us an industry leader. Our agricultural business is already highly profitable and will be even stronger after the acquisition.

17 Stockholders' associations are demanding that Bayer should take some fundamental decisions regarding its corporate structure. Has the "four-pillar" strategy been a failure?

The starting point for our deliberations was our target of achieving margins on a level with those attained by our best competitors in each business segment. We have certainly done this in the Agriculture segment. In the Polymers and Chemicals segments, we hold strong positions relative to our competitors, despite the current state of the economy. We were also on the right track in Health Care, as the improved operating margin last year clearly showed. The withdrawal of Lipobay®/Baycol® from the market has created a completely new set of circumstances, however, which we now have to face up to. The fact that a drug product has been withdrawn, a setback that other companies have also had to cope with in the past, is not evidence that our strategy has failed – it just alters the starting-point for our future strategy.

18 First approaches have reportedly been made to you by companies interested in taking over your pharmaceuticals business. Will Bayer divest its Pharmaceuticals Business Group?

The withdrawal of Lipobay®/Baycol® is a major deletion from our product portfolio. In our Health Care business, we are facing – as I mentioned – a new situation which we will analyze and assess thoroughly. What strategy we pursue for this business segment, what new objectives we set ourselves, when and with what kind of product portfolio we will achieve them, whether on our own or in alliances – all of these issues will now be examined and a decision will be made as quickly as possible.

19 Is Bayer stock still a good investment?

There is no doubt that the withdrawal of our cholesterol-lowering drug has shaken the company and severely impacted the share price.

Yet we will still increase our sales in 2001 despite the loss of revenues. Of course it is painful to have to considerably reduce our most recent earnings forecast of €3 billion. But we will overcome these difficulties. We will make vital strategic course corrections quickly and implement them rapidly. We will continue driving the measures already in place to improve our return on sales. And we will do everything within our power to restore the value of Bayer shares to an appropriate level.

20 Will the legal consequences, in particular in the United States, not be an incalculable burden for Bayer?

Our company acted responsibly and in the interest of patient safety and health at all times. We will therefore vigorously defend ourselves against the lawsuits that have been announced, and in some cases have already been filed, because in our opinion they are unfounded. There have been reports of fatalities said to be associated with the use of the cholesterol-lowering drug but no causal relationship has been established. Furthermore, we referred to the contraindications and potential risks in the event of the highest dosage being administered at the start of treatment in our package inserts and information letters to physicians.

Incidentally, we are surprised at the reactions in the financial markets, where the prospects for the success of this litigation are being overstated. Attempts to exert pressure on the affected companies in such situations by means of class actions are not unusual in the United States.

21 What will be Bayer's next course of action?

We will thoroughly analyze the impact of the withdrawal. We will then draw the necessary conclusions and implement appropriate measures. However, over-hasty reactions will not get us anywhere because we have other important ongoing tasks to consider as well.

We also want to restore people's confidence in our company as quickly as possible. We owe that to the people who trust our medicines, and we owe it to our customers, our employees and our stockholders. Bayer is and remains a solid, trustworthy company.

Up-to-date information – together with our international patient hotline numbers for medical enquiries – can be found on the Internet at **www.bayer.com**.

Interview with Dr. Schneider on the consequences of the Lipobay®/Baycol® withdrawal

"We will do everything in our power to get the company back on course"

The need to voluntarily withdraw the cholesterol-lowering drug that had been marketed under the tradenames Lipobay®/Baycol® also came as a personal blow to Management Board Chairman Dr. Manfred Schneider. In the following interview he talks about the consequences of withdrawing the product, the unfair criticism of the company's information policy that has been levied in some quarters, and the action necessary to improve Bayer's business situation.

Dr. Schneider, how does the decision to take Lipobay®/Baycol® off the market affect you personally?

This is an alarming and a depressing event for me. I have always had a distinctly emotional relationship to our company, and what has happened causes me great personal concern. But the most important thing is that we have acted in the interests of patients and that these took clear priority over economic considerations. The crucial factor is people's safety – and we have taken action in line with that principle.

At present 52 fatalities, including five in Germany, have been reported worldwide that are said be associated with the use of Bayer's product and the occurrence of rhabdomyolysis. Is it possible to reliably establish whether these deaths could have been attributable to Lipobay®/Baycol®?

These cases are based on what are known as spontaneous reports. In the opinion of experts, such reports have only limited conclusiveness, as the authorities have also repeatedly emphasized. It is difficult to establish a causal connection since important information regarding individual cases – such as whether the patient was taking other medication at the same time – is usually not available. We extend our sincere sympathy to the relatives and friends of any person whose death may have been associated with the use of our product. I must again stress, however, that there is currently no proof that this has been the case.

Some of the media have accused Bayer of informing the stock market first and delaying the announcement to doctors and pharmacists.

The criticism of our information policy is unfair. Statutory regulations leave a listed company no room to maneuver in cases like this. Any corporate news with the potential to significantly affect the share price must first be publicized in the form of an ad hoc announcement. For this reason we informed the public worldwide at the same time as the stock market. We were unfortunately not allowed to notify specific groups of people – such as physicians or pharmacists – in advance, as that would have made them "insiders." That would have been a clear violation of law. This procedure certainly does not mean that we consider investors' financial interests or the media to be more important than the need to inform doctors and their patients. That is not true, and we did, of course, notify doctors and pharmacists as quickly as we could.

How do you assess the company's position in the wake of this product withdrawal?

Let me state quite clearly that Bayer is not a company in need of rescue. A major reason for this is that we are so broadly diversified and our strategy is not solely reliant on pharmaceuticals. In fact, we now see the strength of our "four-pillar" strategy, even if only two of those pillars – namely Agriculture and Chemicals – currently show a stable earnings trend overall.

Nevertheless, we will be thoroughly reviewing our strategy for pharmaceuticals, starting at once. We will have to see whether this has implications for our "four-pillar" strategy, especially the status of the pharmaceutical or health care "pillar" in our portfolio and, if so, what those implications are. We will now examine what strategy to adopt, what new targets to set ourselves, and how and with what kind of portfolio we will achieve them – on our own or in partnerships – and answer these questions as quickly as possible.

Bayer Management Board Chairman Dr. Manfred Schneider emphasizes that patient safety was the overriding consideration in the decision to take Lipobay®/Baycol® off the market.

What is the situation in the other business segments?

Our highly profitable Agriculture segment will certainly remain a cornerstone of our portfolio and, of course, we still intend to acquire Aventis CropScience. This is a profitable project in itself and will boost the earnings situation in the Group as a whole in the short term.

Polymers, too, will remain a core business. We are confident that we can achieve a lasting improvement in this segment's earning power through the extensive optimization measures already adopted and that, given a more favorable economic environment, we will report much higher profits again. And let me stress one thing: the 8 percent return on sales we recently reported in this segment is very respectable compared with those of our competitors against the background of a weak economy and extremely high energy prices.

In the Chemicals segment, restructuring continues as planned – including the extensive action to strengthen our German sites, which is where most of this business is based.

Bayer's share price dropped substantially following the withdrawal announcement. What can the Board of Management do to win back the confidence of stockholders and analysts?

Even before the Lipobay®/Baycol® crisis, we had initiated extensive restructuring and cost containment programs designed to save a total of around 1.5 billion euros a year by 2005. In conjunction with these programs to increase profitability, we currently plan to have achieved a headcount reduction of about 5,000 by 2005.

With some of the relevant measures already implemented, about 4,000 of these jobs still have to be cut by means of these programs and additional projects. We will naturally make every effort to minimize social hardship, as we have done in the past.

Let me also say quite plainly that our managers will suffer a substantial loss of income, in line with our concept of managerial responsibility.

How do you plan to compensate for the loss of Lipobay®/Baycol®?

It will be a difficult loss to bear. We cannot yet say whether it will be possible to market the active ingredient again in the future. But we have some very promising products in the pipeline: vardenafil, a drug to treat erectile dysfunction, which is due on the market in 2002, along with a new antibiotic and two cancer drugs which we plan to launch within two to three years. But they cannot compensate for the loss of Lipobay®/Baycol®. For the medium term we are optimistic: We have 42 products in the pipeline, of which 18 are in clinical trials. Over the past three years we have doubled the productivity of our pharmaceutical research.

What will management's most important task be in the next few weeks?

The task for Bayer's management team is to do everything in our power to get the company back on course. The most important thing is to regain public confidence. We owe that to the people who trust our products, and we owe it to our customers, employees and stockholders.

Facts prove:

Bayer gave authorities proper notification

In a letter to the German Minister of Health, Ulla Schmidt, Bayer firmly rejected the accusation that it did not properly notify the authorities in connection with the voluntary withdrawal of the cholesterol-lowering drug Lipobay®/Baycol®. Bayer sent the letter in response to allegations made by the State Secretary in the Health Ministry, Dr. Klaus Theo Schröder, at a press conference on August 16, 2001 that the company's information policy toward the Federal Institute for Drugs and Medical Devices had been "unacceptable."

"We strongly deny the allegations made," Dr. David Ebsworth, Head of the Pharmaceuticals Business Group of Bayer AG, wrote to the Health Minister. He said the claims made at the press conference were incorrect, and the company had documents to prove it.

Regarding the information provided to the authorities, the sequence of events was as follows:

- Bayer commissioned studies to further evaluate the risk/benefit profile of the active substance cerivastatin. The first results were available in February 2001 and were submitted in good time to the British reference authority, the MCA, as well as to the German regulatory authority in the context of routine safety analyses (PSUR Periodic Safety Update Report). This data was received by the Federal Institute for Drugs and Medical Devices (BfArM) on April 28, 2001.
- Under European law, the authority to be contacted regarding any changes to the registration, and therefore also to the prescribing information, for a product registered in Europe is the authority in the reference country, which in the case of Lipobay® is the United Kingdom. This authority also performs a coordinating function.
- The report on the above data was completed on June 15, 2001. It was submitted immediately to the MCA in London, which also evaluated it.
- In light of this report, Bayer proposed an accelerated procedure in Europe to immediately amend the prescribing information, and implemented this under the auspices of the MCA. All the national authorities – and therefore the BfArM – were included in this procedure.
- The British health authority MCA was notified by Bayer of the imminent voluntary withdrawal of Lipobay®/Baycol® the evening before the announcement was made.
- Bayer withdrew the drug Lipobay®/Baycol® from the market voluntarily on August 8, 2001.

"You can see from these facts that we have acted in the interest of patient safety at all times," Ebsworth wrote in his letter to the Minister. "It is therefore of great concern to us that your ministry subjected us to this kind of accusation in the presence of the media." This had given the public the impression that Bayer had tried to disguise the facts for the sake of commercial gain. "Throughout the development of the cholesterol-lowering drug Lipobay®/Baycol® we have always put the safety and health of patients first. We took voluntary action as soon as an accumulation of anomalous findings became apparent."

At a glance:

Reasons for the withdrawal

- Co-prescription of statins (including cerivastatin) and gemfibrozil, another cholesterol-lowering agent, increases the risk of side effects. This was pointed out in package inserts and in the prescribing information for physicians ever since the product was launched. Indeed, we later even added a contraindication and sent information letters to physicians. Despite all of the measures taken, we continued to receive reports of muscular weakness in patients who had been prescribed these two substances simultaneously.

In addition, data suggest that reports of muscular weakness following concomitant use with gemfibrozil appear to occur more frequently with cerivastatin than with other statins.

Despite the contraindication, market research data indicate that about 1.5 % of the U.S. patients treated with cerivastatin also took gemfibrozil. According to the FDA (Food and Drug Administration), 12 (approximately 40%) of the 31 fatalities it reported occurred following combination therapy with gemfibrozil.

- Our prescribing recommendations for the 0.8 milligram dose strength clearly state that treatment should not be initiated at the highest dosage but should start with a lower dose which can then be increased in stages. Unfortunately, this warning was likewise frequently ignored.

Regrettably, the maximum dose of 0.8 milligrams was used contrary to directions as the starting dose at the very beginning of therapy in some cases, leading to spontaneous reports of fatalities even in cases involving monotherapy with cerivastatin. We therefore concluded that incorrect use of the product represented an additional risk for consumers.

- These cases are based on spontaneous reports, which – as the authorities, too, have repeatedly emphasized – are of only limited conclusiveness. A causal relationship is difficult to prove, since information about other drugs being taken concurrently, for example, is frequently not available.
- It is also important to note that there are therapeutic alternatives with which the risk of side effects due to interaction with gemfibrozil also exists, but apparently not to the same degree.

Since Bayer's experts could not rule out the possibility that some physicians would continue their previous prescribing habits, and since therapeutic alternatives are available, the company decided to withdraw the product voluntarily from the market to avoid endangering patients.

State Premier of North Rhine-Westphalia visits Leverkusen

Wolfgang Clement pledges support for Bayer

Wolfgang Clement, Premier of the German state of North Rhine-Westphalia, visited Bayer headquarters in Leverkusen on Tuesday, August 21, 2001, to meet with Management Board Chairman Dr. Manfred Schneider and learn about the latest developments there. Following the meeting, Clement pledged his backing for the company: "Bayer is and will remain one of the most important companies in our state. Our government will do everything in its power to support Bayer in this difficult situation, especially in the interests of the employees and the North Rhine-Westphalian economy."
Also participating in the talks were Georg Wilhelm Adamowitsch, Head of the State Chancellery, and Bayer Management Board members Dr. Frank Morich and Werner Wenning. Schneider explained to the Premier the consequences of the voluntary withdrawal of the cholesterol-lowering drug Lipobay®/Baycol®. He also talked about the company's restructuring projects to improve competitiveness, which were planned or had already been embarked on irrespective of recent developments. He also reiterated Bayer's intention to acquire Aventis CropScience. The acquisition, he said, would make Bayer one of the world's leading producers of crop protection products. Schneider once again emphasized that the withdrawal of Lipobay®/Baycol® had taken place in the interests of patient safety. "We will do all we can to restore public confidence in our company and our products as quickly as possible. Although the economic consequences are severe, there is absolutely no reason to speak of a threat to Bayer's existence."
Clement reaffirmed that the state government would firmly reject any effort to downplay the many achievements the company had scored in its long history. "And we will not tolerate third parties' thinly veiled attempts to capitalize on a difficult situation. North Rhine-Westphalia needs companies like Bayer, whose success is of benefit to many people in our state," said Clement.

Visitors to Leverkusen: Wolfgang Clement, the North Rhine-Westphalian State Premier (left) and Georg Wilhelm Adamowitsch, Head of the State Chancellery, with Bayer Management Board Chairman Dr. Manfred Schneider.

Company acted responsibly

Bayer says claims are without foundation

Bayer AG confirms that actions for damages have been brought in the United States in connection with alleged side effects of the cholesterol-lowering drug Lipobay®/Baycol®. The company regards these claims as unfounded and will defend itself against them vigorously. Although fatalities have reportedly occurred among patients who had been taking the drug, a causal connection has not been proven.

Moreover, the company had included warnings in package inserts and prescribing information for physicians regarding contraindications and the possible risks of commencing therapy with the highest dosage.

Bayer has at all times behaved responsibly and acted in the interest of patient safety and health. The company is therefore unperturbed by this litigation and sees no reason to establish provisions as a result.

Bayer is surprised by the reaction of the financial markets, which clearly overrate the litigation's chances for success. Attempts to put pressure on companies by means of class actions in such situations are not unusual in the United States.

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Forward-looking statements
This Stockholders' Newsletter contains forward-looking statements. These statements use words like "believes", "assumes", "expects" or similar formulations. 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 our company and those either expressed or implied by these statements.
These factors include, among other things:

- downturns in the business cycle of the industries in which we compete;
- new regulations, or changes to existing regulations, that increase our operating costs or otherwise reduce our profitability;
- increases in the price of our raw materials, especially if we are unable to pass these costs along to customers;
- loss or reduction of patent protection for our products;
- liabilities, especially those incurred as a result of environmental laws or product liability litigation;
- fluctuation in international currency exchange rates as well as changes in the general economic climate; and
- other factors identified in this Stockholders' Newsletter.

In view of these uncertainties, we caution readers not to place undue reliance on these forward-looking statements. We accept no obligation to continue to report or update these forward-looking statements or adjust them to future events or developments.