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Werner Wenning at the Spring Financial News Conference on March 15

2006 a record year for Bayer

- Sales up 17.2% to EUR 28,956 million
- EBITDA before special items climbs 21.3% to EUR 5,584 million
- EBIT before special items advances 14.2% to EUR 3,479 million
- Sales and underlying EBITDA expected to grow more than 10% in 2007
- Bayer Group targets underlying EBITDA margin of about 22% for 2009
- Bayer HealthCare aims for an underlying EBITDA margin of some 27% in 2009

Leverkusen / March 15, 2007 – The Bayer Group achieved a record underlying operating result in 2006. "Fiscal 2006 was an extraordinarily eventful and very successful year for Bayer," said Management Board Chairman Werner Wenning on Thursday at the company's Spring Financial News Conference in Leverkusen. Bayer, he said, had improved major performance indicators substantially compared to the previous year. In addition, Bayer decisively strengthened its pharmaceuticals business with the acquisition of Schering AG, Berlin, Germany. Wenning forecast a further improvement in earning power for 2007.

Sales of the Bayer Group rose in 2006 by 17.2 percent to EUR 28,956 million (2005: EUR 24,701 million). The total for 2006 includes EUR 3,082 million in revenues from the Schering business in the period from June 23, 2006, while the divested Diagnostics Division and the subsidiaries H.C. Starck and Wolff Walsrode, as discontinued operations, are omitted except that their net earnings are included in Group net income. Adjusted for currency and portfolio effects, Group sales rose by 5.2 percent.

"The gratifying expansion of business also led to an improvement in operational profitability of which our employees are justly proud: in fact we set a new earnings record," Wenning said. Earnings before interest, taxes, depreciation and amortization (EBITDA) and before special items rose by 21.3 percent to the record level of EUR 5,584 million (2005: EUR 4,602 million), yielding an underlying EBITDA margin of 19.3 percent in line with Bayer's announced target for 2006. The operating result (EBIT) before special items climbed to a record high of EUR 3,479 million (2005: EUR 3,047 million).

Strong growth in sales and earnings of Bayer HealthCare

Business trends in 2006 varied across the subgroups. Bayer HealthCare was particularly successful, with above-market growth in all its divisions and additional momentum coming from the Schering acquisition. Sales of Bayer HealthCare rose by 46.6 percent to EUR 11,724 million, with business in the Pharmaceuticals segment expanding by 83.9 percent to EUR 7,478 million. "Including Schering's sales prior to the acquisition date as well gave Bayer Schering Pharma total pro forma sales of more than EUR 10 billion for 2006. This is an impressive figure," said Wenning. Pro forma sales grew by 8 percent year on year, compared to about 6 percent for the market as a whole.

Bayer achieved dynamic growth in major pharmaceutical products. Pro forma sales of the oral contraceptive Yasmin®, including YAZ® and Yasminelle®, advanced by 35.5 percent. The erectile dysfunction treatment Levitra® and the hemophilia drug Kogenate® posted sales growth of 20.8 and 18.7 percent, respectively. Pro forma sales of Betaferon®/Betaseron® for the treatment of multiple sclerosis expanded by 14.3 percent. "Our cancer drug Nexavar® turned in a particularly encouraging performance, posting sales of EUR 130 million in the year of its introduction," Wenning stressed.

Sales of the Consumer Health segment moved ahead 8.1 percent to EUR 4,246 million, with all the divisions in this segment contributing to the gratifying increase. Business of the Consumer Care Division, which markets non-prescription medicines, expanded by 7.5 percent. Among its top ten products, the largest sales gains were posted by Aleve® with a 27.5 percent gain, Bepanthen® with 14.9 percent and Canesten® with 11.7 percent. The Diabetes Care (+12.8 percent) and Animal Health (+5.7 percent) divisions also boosted sales significantly.

The HealthCare subgroup's operating result also improved considerably, with EBITDA before special items advancing 75.7 percent to EUR 2,613 million.

Even without Schering’s contribution of EUR 774 million, there was a notable 23.7 percent increase. The underlying EBITDA margin of Bayer HealthCare came to 22.3 percent, in line with the earnings guidance for 2006 which had been raised in light of the Schering acquisition.

Bayer CropScience held up well in a shrinking market

Sales of Bayer CropScience came in at EUR 5,700 million, down 3.3 percent from the previous year. Wenning said the subgroup held up relatively well in 2006 in a declining crop protection market. In the Crop Protection segment, representing the conventional agricultural chemicals business, sales decreased by 4.7 percent to EUR 4,644 million. Sales declines were partially offset by successful marketing of innovative active ingredients introduced over the past few years. Bayer CropScience achieved its 2006 target of EUR 1 billion in sales of these new active ingredients that have been launched in core markets since 2000. Sales of the Environmental Science, BioScience segment rose by 3.3 percent to EUR 1,056 million.

EBITDA before special items in CropScience was down by 5.4 percent from the previous year, to EUR 1,204 million, while the underlying EBITDA margin was 21.1 percent. The savings achieved through cost structure and efficiency improvement programs partly compensated for the squeeze on margins.

Business at Bayer MaterialScience continued to expand

The upward business trend at Bayer MaterialScience continued in 2006, with sales advancing 7.6 percent to EUR 10,161 million. This encouraging growth was due primarily to higher volumes in all business units, while selling prices rose slightly on average. Sales of the Materials segment, where the main product is polycarbonate, were up 3.1 percent from the prior year, to EUR 2,925 million. In the Systems segment, dominated by the polyurethanes business, sales climbed by 9.5 percent year on year to EUR 7,236 million.

EBITDA before special items for the subgroup, at EUR 1,677 million (2005: EUR 1,764 million) almost matched the previous year’s level. Substantial price hikes for energy and raw materials were offset by volume growth and price increases, but earnings were held back by start-up costs for facilities, temporary production interruptions and expenses for expanding the sales organization in the Asian growth market. The underlying EBITDA margin was 16.5 percent.

Strong growth in Europe

In regional terms, Bayer achieved its largest absolute sales increase in Europe, where sales climbed by about EUR 1.9 billion, or 17.5 percent, in 2006 to EUR 12,652 million. Sales in Germany grew 17.7 percent to EUR 4,525 million. Business expanded by 19.8 percent to EUR 7,779 million in North America and by 13.2 percent to EUR 4,610 million in Asia/Pacific. Sales in Greater China advanced by a substantial 24.1 percent from the previous year, to EUR 1.5 billion. Business in the Latin America/Africa/Middle East region grew 16.5 percent to EUR 3,915 million.

Group net income rose to nearly EUR 1.7 billion

Earnings in 2006 were diminished by net special charges of EUR 717 million (2005: EUR 533 million). Included in the 2006 figure are special charges of EUR 273 million (net) related to the acquisition and integration of Schering AG, Berlin, Germany, EUR 200 million (2005: EUR 109 million) in restructuring expenses, EUR 172 million (2005: EUR 451 million) (net) in litigation-related charges and minus EUR 72 million (2005: plus EUR 27 million) (net) in other special items. EBIT after special items improved by 9.9 percent to EUR 2,762 million (2005: EUR 2,514 million). The non-operating result of minus EUR 782 million (2005: minus EUR 602 million) included an increase in interest expense related to the Schering acquisition. After deducting income taxes, adding income from discontinued operations and adjusting for minority interest, net income of the Bayer Group improved by 5.4 percent to EUR 1,683 million (2005: EUR 1,597 million).

Gross cash flow increased to EUR 3,913 million (2005: EUR 3,114 million) due to the gratifying growth in business and the inclusion of Schering. Net cash flow advanced to EUR 3,928 million, compared with EUR 3,227 million in the prior year.

Significant reduction in net debt planned for 2007

Net debt amounted to EUR 17,473 million at December 31, 2006, compared to EUR 5,494 million at the end of 2005. “This already includes the approximately EUR 710 million required to pay compensation to the remaining minority shareholders of Schering under the squeeze-out resolution,” explained CFO Klaus Kühn. “We succeeded in limiting the net debt increase to EUR 12 billion, despite the EUR 17 billion paid to acquire Schering.” Just the proceeds of the divestments of the Diagnostics business and H.C. Starck, received at the beginning of 2007, along with the expected proceeds from the sale of Wolff Walsrode, will lead to a further substantial reduction in net debt of approximately EUR 4.5 billion during 2007, said Kühn.

Gratifying fourth-quarter business performance

Also contributing to the successful business year was a positive performance in the fourth quarter. Thanks to strong business gains in HealthCare, Group sales moved ahead 25.1 percent to EUR 7,970 million (Q4 2005: EUR 6,371 million). Underlying EBITDA climbed by 34.3 percent year on year, to EUR 1,258 million (Q4 2005: EUR 937 million), while underlying EBIT rose by 12.5 percent to EUR 622 million (Q4 2005: EUR 553 million). Bayer has thus improved year-on-year earnings before special items in 16 consecutive quarters. Including extraordinary tax income, Group net income jumped to EUR 311 million (Q4 2005: EUR 46 million).

Successful start to 2007

All signs point to further growth in 2007 as well: “Our sales and earnings performance in the first two months of this year gives us confidence,” said Wenning. Bayer expects to further improve its earning power over the full year. The company is anticipating a more than 10 percent increase in Group sales, equivalent to about 5 percent after adjusting for currency and portfolio effects. “We plan to increase underlying EBITDA by more than 10 percent and slightly improve our EBITDA margin,” Wenning explained. To safeguard future growth, Bayer is planning capital expenditures of EUR 1.7 billion during 2007, including EUR 1.6 billion for property, plant and equipment. Research and development expenditures are likely to total about EUR 2.8 billion. “Thus in 2007 alone, we plan to invest a total of about EUR 4.5 billion in the future of our company,” Wenning announced.

Bayer HealthCare aims to grow with or faster than the market in all divisions in 2007, and to improve its underlying EBITDA margin toward 24 percent. Wenning said he currently takes a positive view of the general market environment for CropScience this year, although it remains to be seen how market conditions will develop in the various regions: “We want to expand our position as an innovation leader in chemical crop protection and therefore aim to grow slightly faster than the market.” The subgroup intends to improve its underlying EBITDA margin toward 22 percent.

Bayer MaterialScience is planning further volume increases in 2007, with earnings at a good, value-creating level, and intends to considerably improve its underlying EBITDA margin in the first quarter of 2007 compared with the fourth quarter of 2006. Given the high volatility of raw material prices, a reliable longer-term forecast for this subgroup is not possible at present.

New order of magnitude for Bayer Group earnings

“Our planning for 2007 shows that the measures we have implemented in recent years are working,” Wenning continued, outlining the company’s longer-term perspectives. In 2009 the Bayer Group aims to achieve an underlying EBITDA margin in the region of 22 percent. In 2002, the margin was 12 percent. “This shows we are headed toward a new order of magnitude in terms of earnings,” he announced.

In this connection, Bayer sees a very positive future trend for its HealthCare business in particular. For 2009 this subgroup is aiming for an underlying EBITDA margin of about 27 percent. CropScience, too, plans to further increase the underlying EBITDA margin through 2009, anticipating a level of approximately 25 percent under normal market conditions. In years with favorable business conditions, the underlying EBITDA margin for Bayer MaterialScience is expected to exceed 18 percent.

Solid foundation for the future of Bayer Schering Pharma

“We can undoubtedly say that 2006 has been one of the most significant years in Bayer’s history,” Wenning said, referring particularly to the Schering acquisition. The Management Board Chairman explained that the new Bayer Schering Pharma is among the world’s leading suppliers of specialty pharmaceuticals, adding that with its attractive product portfolio and highly promising research and development projects, the company is on track to further expand this position.

Wenning reminded his audience that it was less than a year ago that Bayer published its offer to Schering AG stockholders. “We have come a long way since then,” he said. For example, Bayer now holds more than 96 percent of the outstanding shares of Schering, and the squeeze-out of the minority stockholders has been initiated. Furthermore, the timely entry of the domination and profit and loss transfer agreement into the commercial register is enabling Bayer to rapidly integrate the acquisition. Important decisions were made at an early stage on matters such as the common business model, organizational structure and site-related issues. In addition, plans have been announced to eliminate about 6,100 positions worldwide – out of the total number at Bayer HealthCare and Schering – by 2009. “We will implement these measures fairly and in a socially responsible manner,” Wenning stressed.

With these measures, the company’s management is establishing a solid foundation for the future of Bayer Schering Pharma, he explained. “We are convinced that the expansion of our HealthCare business will strengthen the entire Bayer Group for the long term.”

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Forward-looking statements

Bayer key data: full year and fourth quarter 2006

(2005 figures partially restated)

Bayer Group € million	FY 2005	**FY 2006**	Change in %	Q4 2005	**Q4 2006**	Change in %
Sales	24,701	**28,956**	+ 17.2	6,371	**7,970**	+ 25.1
EBITDA	4,122	**4,675**	+ 13.4	539	**846**	+ 57.0
Special items	*- 480*	***- 909***	-	*- 398*	***-412***	-
EBITDA before special items	4,602	**5,584**	+ 21.3	937	**1,258**	+ 34.3
EBIT	2,514	**2,762**	+ 9.9	129	**206**	+ 59.7
Special items	*- 533*	***- 717***	-	*- 424*	***- 416***	-
EBIT before special items	3,047	**3,479**	+ 14.2	553	**622**	+ 12.5
Net income	1,597	**1,683**	+ 5.4	46	**311**	-

Bayer HealthCare € million	FY 2005	**FY 2006**	Change in %	Q4 2005	**Q4 2006**	Change in %
Sales	7,996	**11,724**	+ 46.6	2,157	**3,782**	+ 75.3
EBITDA	1,280	**1,947**	+ 52.1	269	**469**	+ 74.3
Special items	*- 207*	***- 666***	-	*- 70*	***- 327***	-
EBITDA before special items	1,487	**2,613**	+ 75.7	339	**796**	+ 134.8
EBIT	923	**1,313**	+ 42.3	186	**187**	+ 0.5
Special items	*- 254*	***- 402***	-	*- 90*	***- 274***	-
EBIT before special items	1,177	**1,715**	+ 45.7	276	**461**	+ 67.0

Bayer CropScience € million	FY 2005	**FY 2006**	Change in %	Q4 2005	**Q4 2006**	Change in %
Sales	5,896	**5,700**	- 3.3	1,377	**1,302**	- 5.4
EBITDA	1,284	**1,166**	- 9.2	194	**107**	- 44.8
Special items	*11*	***- 38***	-	*- 8*	***- 35***	-
EBITDA before special items	1,273	**1,204**	- 5.4	202	**142**	- 29.7
EBIT	690	**584**	- 15.4	44	**- 42**	-
Special items	*5*	***- 57***	-	*- 14*	***- 42***	-
EBIT before special items	685	**641**	- 6.4	58	**0**	-

Bayer MaterialScience € million	FY 2005	**FY 2006**	Change in %	Q4 2005	**Q4 2006**	Change in %
Sales	9,446	**10,161**	+ 7.6	2,448	**2,532**	+ 3.4
EBITDA	1,721	**1,499**	- 12.9	339	**288**	- 15.0
Special items	*- 43*	***- 178***	-	*- 65*	***- 19***	-
EBITDA before special items	1,764	**1,677**	- 4.9	404	**307**	- 24.0
EBIT	1,250	**992**	- 20.6	215	**131**	- 39.1
Special items	*- 43*	***- 218***	-	*- 65*	***- 56***	-
EBIT before special items	1,293	**1,210**	- 6.4	280	**187**	- 33.2

EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales.