

Q1 2006 Analyst and Investor Briefing

April 27, 2006

- **Sales** increased by 11.8% to €7,494m (Q1'05: €6,704m); Volume +4%, price +2%, currency +5%, portfolio +1%.
- **Underlying EBIT** up 8.2% to €1,236m (Q1'05: €1,142m), driven by favorable performance of HealthCare and MaterialScience.
- **Net Special Items** of -€128m include:
HealthCare: Total -€6m: chiefly Baycol
MaterialScience: Total -€112m, mainly US arbitration proceeding regarding propylene oxide contract with Lyondell
Reconciliation: -€10m Polymer antitrust
- **Reported EBIT** advanced by 10.4% to €1,108m (Q1'05: €1,004m).
- **Underlying EBITDA** at €1,680m up 6.7% (Q1'05: €1,575m)
- **Reported EBITDA** at €1,552m up by 8.0% (Q1'05: €1,437m)
- **Non-operating result** down by 62.6% to -€213m (Q1'05: -€131m) due to interest incurred on retroactive tax payments in Germany as well as on payment obligations arising out of the US arbitration proceeding.
- **Net income** (including discontinued operations) down by 8.0% to €600m (Q1'05: €652m); EPS accordingly at €0.82 (Q1'05: €0.89). Previous year contained income from discontinued business (mainly Lanxess) of €52m.
- **Gross cash flow** up by 8.1% to €1,190m (Q1'05: €1,101m). Delta **Working Capital** improved by €265m. **Net cash flow (cont.)** at €128m (Q1'05: -€226m). **Investments** up by 131.5% to €419m (Fixed assets €242m, Intangible assets €177m). **Operating free cash flow** at -€291m (Q1'05: -€439m).
- **Net debt** down by €1,398m to €5,717m when compared to March 31, 2005 (€7,115m) and up by €223m when compared to December 31, 2005 (€5,494m).
- Provisions for **pensions** and other post-employment benefits (€6.3bn) €0.9bn lower than on Dec. 31, 2005, mainly as a result of higher capital market interest rates.

€ million	Q1 2005						Q1 2006					
	Sales	EBIT rep.	Special Items	EBIT Clean	EBITDA rep.	EBITDA clean	Sales	EBIT rep.	Special Items	EBIT Clean	EBITDA rep.	EBITDA clean
HealthCare	2,135	183	(119)	302	302	421	2,581	410	(6)	416	529	535
PH	952	86	(98)	184	127	225	1,148	202	(5)	207	241	246
CC	523	11	(21)	32	43	64	642	98	(1)	99	129	130
DC/DS	461	37	0	37	77	77	571	59	0	59	102	102
AH	199	49	0	49	55	55	220	51	0	51	57	57
CropScience	1,744	414	(9)	423	557	566	1,771	408	0	408	551	551
CP	1,417	322	(9)	331	443	452	1,413	285	0	285	406	406
ES/BS	327	92	0	92	114	114	358	123	0	123	145	145
MaterialSc.	2,544	406	0	406	533	533	2,811	339	(112)	451	473	585
Materials	923	159	0	159	212	212	1,035	160	0	160	216	216
Systems	1,621	247	0	247	321	321	1,776	179	(112)	291	257	369
Reconc.	281	1	(10)	11	45	55	331	(49)	(10)	(39)	(1)	9
Group	6,704	1,004	(138)	1,142	1,437	1,575	7,494	1,108	(128)	1,236	1,552	1,680



Outlook

Despite persistently high energy and raw material prices we are anticipating further global economic growth in 2006. The U.S. economy should remain robust, although growth may not be quite so strong as of late. The uptrend that emerged in Europe toward the end of last year continued in the first quarter of 2006. We therefore expect this region's economy to grow slightly faster in 2006 than in 2005.

At present we are not altering the guidance we gave in March. On the basis of the economic forecast outlined above, the Bayer Group is still targeting a slight increase in underlying EBIT and EBITDA in 2006 and an underlying EBITDA margin of approximately 19 percent for the full year.

The market environment for our present HealthCare activities should remain favorable, with all divisions able to grow at least with the market. We expect underlying EBIT to increase by more than 10 percent from last year.

We predict a slight expansion in the crop science market this year. Especially in light of recent product launches, we are targeting above-market sales growth and an increase in underlying EBIT. Further restructuring is planned to further improve the underlying EBITDA margin.

We also predict continuing positive market conditions for our MaterialScience business, which should therefore continue to grow. Against this background, underlying EBIT for this subgroup should remain at an excellent level in 2006 although it could be somewhat lower than for 2005. We expect the EBITDA margin for the full year to come in slightly below the 18 percent recorded for 2005.

The above guidance does not take the effects of the planned acquisition of Schering into account.

Q1'06 HealthCare

Pharmaceuticals sales up 20.6% to €1,148m due to strong performance of key products. *Primary Care*: Adalat slightly up to €157m (+2.6%). Cipro (€132m, -16.5%); Cipro sales in Q1'05 included contribution from government deals with US and France (approx. €40m). Avelox (€130m; +26.2%) profited from a strong flu season and expanded indications. Levitra up 30.0% (€78m) driven by market share gains in all major regions. *Hematology/Cardiology*: Trasylol down 11.1% to €40m due to safety discussions. Kogenate (€204m; +63.2%) showed continuous strong performance in Europe and US. Q1'05 was hampered by ZLB label change for Helixate. Rx Aspirin Cardio up 20.0% (€48m). *Oncology*: Nexavar demonstrated a good start (€20m). Underlying EBIT up 12.5% to €207m driven by sales growth. Milestone payment of €41 million for Alfimeprase was capitalized as an intangible asset and thus did not impact earnings.

Consumer Care sales advanced by 22.8% to €642m (Q1'05 €523m). Aleve (€53m; +89.3%) successfully recovered from NSAIDS safety discussions. Aspirin OTC sales increased by 16% to €116m. Underlying EBIT up by €67m to €99m. Q1'05 included -€43m step-up inventory from Roche integration.

Diabetes Care/Diagnostics sales up 23.9% to €571m. Diabetes Care (€193m) grew by 35.0% on strong performance of Ascensia line. Diagnostics (€378m; +18.9%) with contributions from all regions and strong Laboratory Testing sales. Underlying EBIT up by 59.5% to €59m due to sales growth.

Animal Health sales increased by 10.6% to €220m. Sales in Europe benefiting from launch of de-wormer Profender in Q4'05. Underlying EBIT up by 4.1% to €51m (Q1'05; €49m).



Q1'06 CropScience

Crop Protection sales slightly down by 0.3% to €1,413m. Sales of **Insecticides** decreased by 4.4% to €348m due to the weak farm economy in Brazil. **Fungicides** sales up by 8.9% to €378m, driven by favorable business of new products Proline and Fandango. Sales in the **Herbicides** division slightly below previous year (€550m, -0.9%). **Seed Treatment** (€137m; -9.3%) suffered from reduction in sugar beet acreages following the reform of the E.U. sugar market.

Underlying EBIT in Crop Protection down by 13.9% to €285m (Q1'05: €331m) mainly affected by the declining business in Latin America which could only partly be compensated for by cost savings.

Environmental Science/BioScience up by 9.5% to €358m. Environmental Science (€193m; +10.9%) profited from currency effects and new products in the professional segment. BioScience increased sales by 7.8% to €165m due to favourable business with vegetable seeds.

Underlying EBIT significantly improved by 33.7% to €123m (Q1'05: €92m) due to sales performance and cost savings.

Q1'06 MaterialScience

Materials segment sales improved by 12.1% to €1,035m. Polycarbonates up 11.6% to €656m, driven by higher volumes. Strongest increase in Asia Pacific. Higher selling prices drove sales growth at H.C. Starck (€247m, +13.8%) passing on higher raw material prices for refractory materials.

Underlying EBIT (€160m) remained at high level (Q1'05: €159m).

Systems segment sales were up 9.6% to €1,776m, with Polyurethanes up 6.1% to €1,269m and Inorganic Basic Chemicals up 21.8% to €106m.

MDI (-3%) volumes and prices softer. TDI up (+57%) on volume gains accompanied by significant price increases. Polyols, excluding

raw material sales up 14% with lower volumes at higher prices.

Underlying EBIT significantly up by 17.8% to €291m (Q1'05: €247m), resulting chiefly from strong performances of TDI and PET, overcompensating lower earnings from MDI.

Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
 Dr. Juergen Beunink (+49-214-30-65742)
 Peter Dahlhoff (+49-214-30-33022)
 Ilia Kürten (+49-214-30-35426)
 Ute Menke (+49-214-30-33021)
 Judith Nestmann (+49-214-30-66836)

Forward-looking statements

This announcement contains forward-looking statements based on current assumptions and forecasts made by Bayer Group management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in our annual and interim reports to the Frankfurt Stock Exchange and in our reports filed with the U.S. Securities and Exchange Commission. Bayer AG and Dritte BV GmbH assume no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.