Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

Investor News

Bayer HealthCare Investor Day 2007:

Bayer raises guidance for 2007 and 2009

- Underlying EBITDA margin of the Bayer Group to exceed 22 percent by 2009
- Improved earnings forecast for Bayer HealthCare
- Integration of Bayer Schering Pharma proceeding more quickly than planned
- New research strategy adopted and pharmaceutical pipeline optimized
- Current clinical studies confirm the potential of rivaroxaban
- Nexavar® submitted in HCC
- New drug to control bleeding during surgery inlicensed

Leverkusen / June 19, 2007 – In view of the improved earnings prospects for the HealthCare business, the Bayer Group is raising its earnings guidance for 2007 and 2009. "We expect the underlying EBITDA margin for the Bayer Group as a whole to exceed 20 percent this year, and we are aiming for a margin above 22 percent by 2009," said the chairman of the Board of Management, Werner Wenning, on Tuesday at an investor conference in Leverkusen. "With this target, we are headed toward a new order of magnitude for Bayer in terms of earnings and underscoring our confidence in the earning power of our healthcare business," he explained. The company had previously expected to slightly improve upon the prior-year margin (19.3 percent) in 2007 and begin generating a margin of about 22 percent, starting in 2009.

Bayer HealthCare's margin forecast for earnings before interest, taxes, depreciation and amortization (EBITDA) before special items in 2007 is increasing from previously 24 to now 25 percent. By 2009, the subgroup plans to raise its underlying EBITDA margin to around 28 percent, compared to the previously forecast 27 percent. "The strengths of all four divisions make Bayer HealthCare a growth engine for the entire Bayer Group," explained Wenning, adding: "Both the Schering acquisition and

the strong performance of the consumer health business are contributing to an increased profitability." The Bayer Chairman confirmed the guidance published in March for the Bayer CropScience and Bayer MaterialScience subgroups.

"The Schering takeover was a milestone in the further development of our business portfolio, and we are proceeding faster than expected with the integration," stated Wenning. "We are confident to achieve synergy effects of more than EUR 800 million compared to the previously planned EUR 700 million by 2009. We also anticipate that we will achieve 80 percent of the synergies already by the end of 2008." According to the Bayer CEO, the company plans to further expand its HealthCare activities in order to strategically strengthen the entire enterprise.

Pharmaceutical research concentrated on the most promising projects

"Our successful strategy for Bayer HealthCare ensures sustainable growth through both the pharmaceutical specialties and consumer health businesses," said Arthur Higgins, Chairman of the Executive Committee of Bayer HealthCare. "In the specialty pharmaceuticals field, the Schering acquisition was a key step in the establishment of a leading international business. We recently completed the strategic realignment of our development portfolio – a key milestone in the integration process that will enable us to concentrate on the most promising projects in the future," Higgins continued. The new pipeline comprises 14 projects in Phase I, 17 projects in Phase II and 19 projects in Phase III. A further 9 projects have already been submitted for marketing authorization.

As a result of the evaluation, a total of 20 pipeline projects will have been discontinued due to either strategic reasons or low prospects for success. These projects include the cancer drug PTK/ZK, Leukine against Crohn's disease and asoprisnil to combat benign uterine tumors. "We are adjusting our pharmaceutical research and development budget for this year and in 2008 to about 15 percent of the division's sales. We expect that the budget will be between 15 and 17 percent in the years thereafter," Higgins said.

Bayer's drug discovery research will focus on four growth areas in the future: Oncology, Cardiology, Women's Healthcare and Diagnostic Imaging. The clinical development of new products and the further development of existing products are to continue for all areas of the subgroup.

In order to ensure increased efficiency and optimal decision-making processes in the future, a so-called "Proof of Concept" process has been established to enable an accelerated procedure for making initial statements on the effectiveness of new drugs in patients. In this way, the success prospects of a new medicine can be evaluated more quickly and the development period can be shortened overall. Higgins explained: "A key factor in our R&D strategy was to increase productivity and strengthen our innovation capability."

Promising results for Nexavar® and rivaroxaban

"The outstanding Phase III results for our cancer drug Nexavar® and for the thrombosis treatment rivaroxaban demonstrate the tremendous potential of these products," said Dr. Kemal Malik, member of the Bayer Schering Pharma Management Board responsible for Global Drug Development.

"Rivaroxaban showed impressive results in the recently completed RECORD3 study," Malik explained. In this Phase III trial for prevention of venous thromboembolism (VTE) after knee replacement surgery, more than 2,500 patients were examined as part of rivaroxaban's extensive development program. Key RECORD3 results will be presented at the Congress of the International Society on Thrombosis and Haemostasis (ISTH) in July 2007 in the "Late-Breaker Session" – the congress program for important current presentations. "We aim to provide an efficient prophylaxis for thrombosis for patients in the future and plan to submit the full data for regulatory review before the end of this year in Europe," Malik continued. It is planned to market the product under the trade name Xarelto® following its approval by the regulatory authorities. Bayer estimates the peak sales potential of this drug to exceed the amount of EUR 2 billion.

At the annual meeting of the American Society of Clinical Oncology (ASCO) held in Chicago at the beginning of June, Bayer presented the results of a Phase III study involving Nexavar® in the treatment of liver cancer. According to this study, Nexavar® has demonstrated an increase in overall survival by 44 percent over placebo in patients with advanced hepatocellular carcinoma. "Nexavar® showed unprecedented efficacy in treating liver cancer, and this could be a true breakthrough for patients suffering from this disease," said Malik. Liver cancer is one of the most common cancer types worldwide. As there is currently no approved treatment that can demonstrably increase overall survival in patients suffering from this disease, Nexavar® has the potential to become the therapeutic standard. The data in this indication has recently been

submitted for regulatory review in Europe and will be submitted in the U.S. still this month.

Further clinical trials involving Nexavar® are ongoing in other indications as well. Enrollment of approximately 900 patients has been completed in a Phase III study in non-small cell lung cancer (NSCLC), and Bayer is targeting the launch of this indication in 2009. Most recently, extensive Phase II studies have been initiated to examine Nexavar's® potential in metastatic breast cancer. Phase III studies in this indication could begin in 2009.

In the field of hematology, the pipeline has been strengthened by the successful inlicensing of a late-stage hemostasis project. Bayer HealthCare has acquired the commercialization rights outside the United States for recombinant human thrombin (rThrombin) from U.S.-based ZymoGenetics. The two companies also plan to jointly market the product designed for bleeding control during surgery, in the United States. "This product is a clear strategic fit to our growing specialized pharmaceuticals business," said Higgins.

Progress has also been reported in the further development of Kogenate. A formulation based on liposomal technology could potentially prolong the product's activity and thus reduce the number of infusions needed. This in turn could contribute significantly to the success of preventive therapy for hemophilia patients. The launch of a clinical Phase II trial is set for the end of 2007, which makes this development candidate the only long-acting product in advanced clinical development. This study will be the largest randomized, double-blind clinical trial ever conducted in hemophilia. The European launch is anticipated for 2011, followed a year later by introduction in the United States.

11 projects expected to reach Phase III clinical development by 2009

"We expect our pipeline to produce 11 Phase III projects by the end of 2009," Malik highlighted. Promising results were reported for multiple sclerosis, as the monoclonal antibody alemtuzumab has demonstrated in Phase II the best treatment effect ever seen in a controlled trial. VEGF Trap-Eye could play an important role in the treatment of serious eye diseases. It has shown positive interim results in Phase II for the treatment of age-related macular degeneration (AMD), the leading cause of strong visual

impairment and blindness in people over the age of 65 in the U.S. and Europe. Both compounds are scheduled to enter Phase III studies in 2007.

"We can also report good progress from our early-stage pipeline and have advanced eight projects into Phase II since December 2005," said Professor Andreas Busch, member of the Bayer Schering Pharma Management Board responsible for Global Drug Discovery. "We have set clear targets for productivity in our drug discovery process: by the end of 2007, we aim to produce Proof of Concept – in other words demonstrate their effectiveness in patients – for four projects and transfer three drug candidates from research to clinical development." As an example of the productivity of Bayer's research activities, he described current achievements in the cardiology pipeline: three compounds for various heart diseases have recently demonstrated efficacy in patients: BAY 58-2667 has been investigated in acute decompensated heart failure, BAY 63-2521 in patients with pulmonary hypertension, and BAY 68-4986 as a therapy for stable angina pectoris.

Sustained growth through innovation

"Our new research and development strategy puts in place the foundation for the successful future of our pharmaceuticals business," Higgins emphasized, adding: "In addition to the marketing of new products, the further development of our existing portfolio plays a crucial role in this context." For example, current clinical studies are expanding the spectrum of applications for Betaferon® to treat multiple sclerosis (MS) and creating the potential for further growth. In the BENEFIT study, it was demonstrated that early treatment with Betaferon® reduces patients' risk of permanent disability due to MS events by 40 percent over three years compared to conventional treatment. The BEYOND trial is the largest study ever conducted in MS patients, and has the goal of investigating the efficacy and safety of the double-dose of Betaferon®. Filing of the BEYOND data to support the launch of a high-dose version of Betaferon® in Europe and in the United States is expected for the fourth quarter of this year.

Leading positions in Women's Healthcare and Diagnostic Imaging

Bayer is the world's leading supplier in Women's Healthcare. "We aim to further expand this position," said Higgins. "We expect this business to grow by 7 to 8 percent annually in the medium term." The Yasmin® product family is the biggest growth driver, Higgins stressed, explaining that Yasmin® is already the most successful oral contraceptive worldwide and YAZ® builds on the success of the active

ingredient drospirenone. YAZ® is the only oral contraceptive approved in the U.S. for three distinct indications (contraception, acne and treatment of premenstrual dysphoria symptoms) and is the fastest growing brand in this important market.

Bayer HealthCare is also the global leader in the area of Diagnostic Imaging. To safeguard this position over the long term, the company is building on its strong products and engaging in the exploration of innovative approaches in the field of molecular imaging, the potential of which is being evaluated particularly in oncology and in neurodegenerative diseases. One example is the inlicensing of a development candidate from Avid Radiopharmaceuticals, Inc. for early diagnosis of Alzheimer's disease. Molecular imaging is a promising new method for the early diagnosis of a wide variety of diseases with the goal of improving therapy decisions.

Consumer health: maximizing the value of key brands

"In consumer health, Bayer is building on the continued strengths of its three divisions: Consumer Care, Animal Health and Diabetes Care," said Higgins. In 2006, all three businesses grew faster than the market. "We expect that our attractive consumer health businesses will continue to exceed market growth by about 2 percentage points."

"We are currently the number two global over-the-counter (OTC) consumer healthcare company and will continue to outpace market growth and our main competitors in the future", said Higgins. The Consumer Care Division is amongst the fastest growing companies in this arena and achieved twice the average market growth last year. 30 strong brands account for more than 80 percent of sales; eight brands have sales over EUR 100 million each. The value of these strong brands is the basis for future business success.

Through continued innovation and a focus on profitable segments, Bayer Animal Health is also growing faster than the market. "Bayer Animal Health is a leader with benchmark profitability," outlined Higgins. The strategy builds on investment both in in-house R&D as well as in external partnerships. Numerous development projects in the pipeline will support this business in the medium to long term.

The Diabetes Care Division is also performing very positively. Meanwhile, Bayer is among the fastest-growing companies in this area and made it into the top 3 worldwide in the first quarter of this year with net sales of EUR 226 million. Higgins

said: “We aim to further expand our leading position in the area of diabetes diagnosis, management and monitoring.”

Leverkusen, June 19, 2007

Bayer AG, 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)
Dr. Olaf Weber (+49-214-30-33567)