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Wenning: Schering acquisition provides additional boost to Bayer

- Third-quarter sales up 26.0 percent to EUR 7,783 million
- EBITDA before special items up 38.5 percent to EUR 1,505 million
- EBIT before special items up 22.2 percent to EUR 798 million
- Bayer aims to significantly improve underlying EBIT and EBITDA in 2006
- HealthCare earnings forecast raised

Leverkusen / November 27, 2006 – The Bayer Group posted gratifying increases in sales and earnings in the third quarter. “The successful acquisition of Schering has provided an additional boost to our business,” said Bayer AG Management Board Chairman Werner Wenning on Monday at the Fall Financial News Conference in Leverkusen. According to Wenning, the integration of the acquired business is proceeding as planned.

Bayer Group sales rose by 26.0 percent to EUR 7,783 million (Q3 2005: EUR 6,177 million), while earnings before interest, taxes, depreciation and amortization (EBITDA) before special items advanced by 38.5 percent to EUR 1,505 million (EUR 1,087 million). The operating result (EBIT) before special items improved by 22.2 percent to EUR 798 million (EUR 653 million). For the full year 2006, Wenning predicted a significant increase in underlying EBIT and EBITDA and raised the earnings forecast for the Bayer HealthCare subgroup.

The acquired Schering business contributed EUR 1,410 million to Bayer Group sales in the third quarter. When adjusted for currency and portfolio effects, Group sales moved ahead by 6.4 percent. Business expanded in the MaterialScience and HealthCare subgroups, while sales of CropScience declined as expected.

The biggest acquisition in Bayer's history also had a positive effect on earnings, with Schering accounting for EUR 392 million of the Group's EUR 1,505 million underlying EBITDA. Due to charges resulting from the purchase price allocation, the acquired Schering business accounted for only EUR 80 million of the EUR 798 million underlying EBIT. Wenning said the Group's gratifying operating performance continues the trend of recent years. Bayer has consistently posted year-on-year increases in underlying EBIT in each of the 15 quarters since the beginning of 2003.

Net special charges in the third quarter amounted to EUR 139 million. This figure included EUR 106 million for HealthCare alone, most of which was related to the integration of Schering. After special items, EBIT of the Bayer Group declined by 17.2 percent in the third quarter of 2006, to EUR 659 million (EUR 796 million). However, EBIT for the corresponding period of 2005 was boosted by a EUR 244 million one-time gain related to changes to Bayer's pension systems. Group net income including earnings from discontinued operations amounted to EUR 320 million (EUR 493 million).

Benefiting from the positive business trend and the inclusion of Schering, gross cash flow improved by 35.6 percent to EUR 1,170 million (EUR 863 million), while net cash flow rose by 10.7 percent to EUR 1,521 million (EUR 1,374 million). Net debt decreased by EUR 924 million in the third quarter, to EUR 19,021 million. Wenning predicted a further substantial reduction in net debt. "The divestiture of H.C. Starck to financial investors Advent International and The Carlyle Group, which we announced last week, will bring down net debt by about another EUR 1 billion," he said, adding that the proceeds from the divestitures of the Diagnostics business and of Wolff Walsrode would lead to further reductions.

The Bayer Group's operating performance in the first nine months of 2006 also improved compared to the same period last year. Sales grew by 14.1 percent to EUR 21,971 million (9M 2005: EUR 19,249 million), or by 5.1 percent when adjusted for currency effects and portfolio changes. Underlying EBITDA for the first three quarters increased by 16.9 percent to EUR 4,457 million (EUR 3,814 million), while EBIT before special items advanced by 13.2 percent, to EUR 2,931 million (EUR 2,590 million). Group net income for the first nine months came to EUR 1,372 million (EUR 1,551 million).

Bayer HealthCare the main growth engine in the third quarter

The principal growth engine for Bayer's business in the third quarter was the Bayer HealthCare subgroup, where sales climbed by 72.5 percent to EUR 3,482 million. Adjusted for exchange rate movements and for portfolio changes such as the Schering acquisition, sales rose by 7.5 percent. Revenues of the Pharmaceuticals segment climbed by 137.5 percent to EUR 2,444 million, with currency- and portfolio-adjusted sales up 7.4 percent. Bayer HealthCare recorded good sales gains for Kogenate®, key Primary Care products and its Oncology business. The Schering business also performed well, with growth driven primarily by the Yasmin® product family and the multiple sclerosis treatment Betaferon®/Betaseron®.

In the Consumer Health segment – comprising the Consumer Care, Diabetes Care and Animal Health divisions – business improved by 4.8 percent to EUR 1,038 million. Currency-adjusted sales rose by 7.7 percent, with good contributions to growth coming from the Consumer Care and Animal Health divisions.

Bayer HealthCare also improved its operating result once again. EBITDA before special items advanced by 113.6 percent to EUR 882 million. Even before the EUR 392 million contribution from Schering, the increase was a very gratifying 18.6 percent.

Difficult market environment for Bayer CropScience

Sales of Bayer CropScience declined in the third quarter as anticipated, coming in 10.4 percent below the prior-year period at EUR 1,049 million. Adjusted for currency and portfolio effects, the decrease amounted to 5.9 percent. Sales of the Environmental Science, BioScience segment fell by 7.8 percent to EUR 177 million. Adjusted for currency effects, however, business remained nearly steady compared to the prior-year quarter. Sales of the Crop Protection segment dropped by 10.9 percent in the third quarter, to EUR 872 million. Currency- and portfolio-adjusted sales fell by 6.6 percent. The subgroup attributes this to adverse weather conditions in North America, Latin America, Australia and parts of Europe, as well as to the growing presence of generics and increasing acceptance of genetically modified products.

These factors led to a drop in earnings of Bayer CropScience in the third quarter. EBITDA before special items, at EUR 143 million, was down by EUR 31 million from the prior-year quarter. A further cost containment program launched in August is designed to help Bayer CropScience reach its target EBITDA margin of 25 percent by 2009.

Bayer MaterialScience now the world’s leading polycarbonate producer

Business at Bayer MaterialScience again developed well in the third quarter. Sales continued to grow, advancing by 10.6 percent to EUR 2,920 million. Sales of the Materials segment advanced by 3.6 percent to EUR 1,067 million, buoyed in part by growth in the Polycarbonates business unit. “In 2006 we became the world’s biggest polycarbonate producer,” explained Wenning. Third-quarter sales of the Systems segment rose by 15.2 percent year on year, to EUR 1,853 million. Business expansion was largely attributable to selling-price and volume increases in the Polyurethanes business unit and the Coatings, Adhesives, Sealants unit.

Despite the positive sales trend at Bayer MaterialScience in the third quarter, EBITDA before special items was down to EUR 427 million from the high level of EUR 502 million reached in the prior-year period. The decline was mainly due to the substantial rise in petrochemical feedstock costs, which was only partly offset by volume increases.

Wenning: 2006 a landmark year for Bayer

“We can already say that 2006 has been a landmark year for Bayer,” remarked Wenning, “a year of significant accomplishments from both a strategic and an operational point of view.” The Bayer CEO pointed out that only eight months had passed since the company announced its takeover offer for Schering on March 23. “Since then we have made substantial progress with this project,” Wenning said, adding that Bayer currently holds more than 96.1 percent of the outstanding shares of Schering AG, for which it has so far paid a total of about EUR 16.2 billion – an average price of EUR 88.18 per share.

Following the entry of the domination and profit and loss transfer agreement in the commercial register on October 27, 2006, Bayer has begun the integration process. “The keys to success in this respect are speed and determination,” Wenning stressed. Important decisions have already been made, such as on the organizational structure, key executive appointments, and questions relating to the sites in the individual countries,” Wenning continued. “We can therefore reaffirm our target of realizing EUR 700 million a year in synergies by 2009.”

“I am convinced that Bayer Schering Pharma is poised to become a leading international supplier of specialty pharmaceuticals,” remarked the Bayer Chairman. “But we are particularly encouraged by the success achieved in our ongoing business operations during what have been very busy and challenging times for all our employees.” Adding revenues of Schering AG to those from Bayer’s existing pharmaceuticals business, Bayer Schering Pharma had pro-forma sales of roughly EUR 7.5 billion in the first nine months of this year, thus posting an 8.6 percent increase from the same period of last year compared to market growth of 7 percent.

Positive outlook for the full year

The Bayer Group expects sales for the full year 2006 to be in the region of EUR 30 billion (2005: EUR 25,950 million), including roughly EUR 3.0 billion in revenues from the Schering business since June 23. Excluding the Diagnostics business now to be divested, Bayer aims to significantly improve underlying earnings in 2006. The forecast is for underlying EBITDA of about EUR 5.7 billion in 2006, compared to EUR 4,787 million in the previous year, with the acquired Schering business contributing some EUR 0.7 billion. Bayer thus anticipates an EBITDA margin before special items of about 19 percent, which would meet the target the company set for 2006 nearly three years ago.

Underlying EBIT for the full year 2006 is predicted to be in the order of EUR 3.5 billion (EUR 3,158 million), with the Schering business contributing only about EUR 0.1 billion to this total because of charges relating to the purchase price allocation. The Bayer Group expects to incur net special charges of EUR 0.6 billion in the fourth quarter, including EUR 0.4 billion related to the integration of Schering.

With the integration of Schering proceeding on schedule, Wenning raised earnings guidance for Bayer HealthCare: “We are now planning an underlying EBITDA margin of approximately 22 percent for the full year 2006.”

Bayer CropScience continues to anticipate a negative market environment in the fourth quarter, particularly in Brazil. That subgroup therefore upholds its forecast of a drop in sales and a year-on-year decline in the underlying EBITDA margin for 2006 as a whole.

The company maintains a positive view of the market environment for its MaterialScience business. “For the full year 2006, we continue to aim for underlying EBIT and underlying EBITDA on a par with the previous year,” Wenning said, adding however that some risks are inherent in the effects of raw material cost increases and the production shortfalls that have occurred.

“The third quarter has once again shown that we are on the right track,” summed up the Bayer CEO. “We will place major emphasis in the coming year on driving forward the integration of Schering,” Wenning said in conclusion. “With a clearly focused, fast-growing pharmaceuticals business, we aim to further improve the operating performance of our HealthCare business and the earning power of Bayer as a whole.”

Note:

Tables containing the key data for the Bayer Group and its subgroups for the third quarter and first nine months of 2006 are appended below.

The complete interim report as of September 30, 2006 is available on the Internet at ***www.investor.bayer.com***

We are also offering the following Internet services at ***www.investor.bayer.com:***
- Live webcast of the Fall Financial News Conference beginning at 10:00 a.m. CET
- Live webcast of the Investor Conference Call beginning at 4:00 p.m. CET

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Bayer Group Key Data

	3rd Quarter 2005	3rd Quarter 2006	Change	First Nine Months 2005	First Nine Months 2006	Change	Full Year 2005
€ million							
Net sales	**6,177**	**7,783**	**+ 26.0%**	**19,249**	**21,971**	**+ 14.1%**	**25,950**
Change in sales							
Volume	+ 1%	+ 6%		+ 1%	+ 5%		0%
Price	+ 7%	0%		+ 9%	0%		+ 8%
Currency	+ 2%	– 2%		0%	+ 1%		+ 1%
Portfolio	+ 10%	+ 22%		+ 9%	+ 8%		+ 9%
EBITDA[1]	**1,257**	**1,170**	**– 6.9%**	**3,740**	**3,960**	**+ 5.9%**	**4,315**
Special items	*170*	*(335)*		*(74)*	*(497)*		*(472)*
EBITDA before special items	*1,087*	*1,505*	*+ 38.5%*	*3,814*	*4,457*	*+ 16.9%*	*4,787*
EBITDA margin before special items	17.6%	19.3%		19.8%	20.3%		18.4%
EBIT[2]	**796**	**659**	**– 17.2%**	**2,489**	**2,614**	**+ 5.0%**	**2,633**
Special items	*143*	*(139)*		*(101)*	*(317)*		*(525)*
EBIT before special items	*653*	*798*	*+ 22.2%*	*2,590*	*2,931*	*+ 13.2%*	*3,158*
EBIT margin before special items	10.6%	10.3%		13.5%	13.3%		12.2%
Non-operating result	**(182)**	**(272)**	**– 49.5%**	**(442)**	**(719)**	**– 62.7%**	**(615)**
Net income	**493**	**320**	**– 35.1%**	**1,551**	**1,372**	**– 11.5%**	**1,597**
Earnings per share (€)[3]	0.68	0.42		2.12	1.82		2.19
Core earnings per share (€)[4]	0.64	0.79		2.46	2.56		2.93
Gross cash flow[5]	**863**	**1,170**	**+ 35.6%**	**2,790**	**3,260**	**+ 16.8%**	**3,262**
Net cash flow[6]	**1,374**	**1,521**	**+ 10.7%**	**2,083**	**2,480**	**+ 19.1%**	**3,278**
Capital expenditures (total)	**346**	**325**	**– 6.1%**	**798**	**1,084**	**+ 35.8%**	**1,389**
Research and development expenses	**418**	**678**	**+ 62.2%**	**1,264**	**1,549**	**+ 22.5%**	**1,766**
Depreciation and amortization	**461**	**511**	**+ 10.8%**	**1,251**	**1,346**	**+ 7.6%**	**1,682**
Number of employees at end of period[7]	**–**	–		**87,100**	**110,800**	**+ 27.2%**	**87,100**
Personnel expenses	1,251	1,883	+ 50.5%	4,155	4,984	+ 20.0%	5,576

2005 figures restated

1 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.

2 EBIT as shown in the income statement

3 Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 40.

4 To calculate core earnings per share from continuing operations we eliminate from net income as per the income statement the amortization of intangible assets, asset write-downs (including any impairment losses), special items in EBITDA and extraordinary factors affecting income from investments in affiliated companies (such as divestment gains or write-downs), including the related tax effects. We also deduct income from discontinued operations. Core earnings per share is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. For details see page 31.

5 Gross cash flow = EBIT plus depreciation, amortization and write-downs, minus write-backs, minus income taxes, minus gains/plus losses on retirements of noncurrent assets, plus/minus changes in pension provisions. The latter item includes the elimination of non-cash components of the operating result. It also contains benefit payments during the period. Non-cash charges resulting from the remeasurement of Schering inventories are added back. For details see pages 19f.

6 Net cash flow = cash flow from operating activities according to IAS 7

7 Number of employees in full-time equivalents

Bayer HealthCare						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**2,019**	**3,482**	**+ 72.5**	**5,839**	**7,942**	**+ 36.0**
EBITDA*	**476**	**565**	**+ 18.7**	**1,011**	**1,478**	**+ 46.2**
Special items	*63*	*(317)*		*(137)*	*(339)*	
*EBITDA before special items***	*413*	*882*	*+ 113.6*	*1,148*	*1,817*	*+ 58.3*
EBITDA margin before special items	20.5%	25.3%		19.7%	22.9%	
EBIT*	**353**	**392**	**+ 11.0**	**737**	**1,126**	**+ 52.8**
Special items	*36*	*(106)*		*(164)*	*(128)*	
*EBIT before special items***	*317*	*498*	*+ 57.1*	*901*	*1,254*	*+ 39.2*

2005 figures restated
* for definition see Bayer Group Key Data
** for definition see also page 29 of Stockholders' Newsletter 2006

Bayer CropScience						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**1,171**	**1,049**	**– 10.4**	**4,519**	**4,398**	**– 2.7**
EBITDA*	**227**	**140**	**– 38.3**	**1,090**	**1,059**	**– 2.8**
Special items	*53*	*(3)*		*19*	*(3)*	
EBITDA before special items	*174*	*143*	*– 17.8*	*1,071*	*1,062*	*– 0.8*
EBITDA margin before special items	14.9%	13.6%		23.7%	24.1%	
EBIT*	**70**	**(12)**	**•**	**646**	**626**	**– 3.1**
Special items	*53*	*(15)*		*19*	*(15)*	
EBIT before special items	*17*	*3*	*– 82.4*	*627*	*641*	*+ 2.2*

* for definition see Bayer Group Key Data

Bayer MaterialScience						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**2,639**	**2,920**	**+ 10.6**	**7,917**	**8,614**	**+ 8.8**
EBITDA*	**542**	**398**	**– 26.6**	**1,539**	**1,342**	**– 12.8**
Special items	*40*	*(29)*		*30*	*(159)*	
EBITDA before special items	*502*	*427*	*– 14.9*	*1,509*	*1,501*	*– 0.5*
EBITDA margin before special items	19.0%	14.6%		19.1%	17.4%	
EBIT*	**406**	**261**	**– 35.7**	**1,139**	**919**	**– 19.3**
Special items	*40*	*(32)*		*30*	*(178)*	
EBIT before special items	*366*	*293*	*– 19.9*	*1,109*	*1,097*	*– 1.1*

* for definition see Bayer Group Key Data

Forward-looking Statements

This news release 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 public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.