



Investor News

“Analyst and Investor Days 2005” in Lyon:

Bayer CropScience: Sales of new products should rise to € 2 billion

Company counting on its first-class product pipeline

Lyon, France / September 5, 2005 – Bayer CropScience AG has substantially raised its forecast for annual sales of crop protection products containing new active ingredients, to € 2 billion. Since 2000, Bayer CropScience has introduced 16 new substances, which already posted revenues of € 534 million in the first half of 2005. Including a further 10 substances scheduled for launch through 2011, the company now believes the products emerging from its R&D pipeline have a peak sales potential of about € 2 billion.

Bayer AG Management Board Chairman Werner Wenning, speaking at an investor conference held in Lyon, had high praise for Bayer CropScience’s research activities: “Bayer CropScience’s R&D pipeline is among the best in the entire industry,” he declared. “This new forecast clearly underscores our industry leadership in terms of innovation.”

So far the company’s target for sales of the new products had been set at € 1 billion a year, to be achieved by the end of 2006. Bayer CropScience AG Management Board Chairman Prof. Friedrich Berschauer commented: “We are confident of reaching this sales threshold on schedule next year, but we believe it by no means exhausts the outstanding potential of our pipeline. We have therefore raised our sales forecast accordingly.”

Best-stocked pipeline in the crop science industry

An expected addition to the product portfolio next year is the new fungicidal active ingredient fluopicolid, which the company intends to market under the tradename Infinito[®] for use in grapes, potatoes and vegetables. In the area of insecticides, Bayer

CropScience plans to launch the active ingredient flubendiamide in 2007, which currently is under joint development with the Japanese company Nihon Nohyaku. This chemical substance class offers a novel solution for the control of caterpillar pests.

Another insecticide in the pipeline is spirotetramat, the third ketoenol from Bayer CropScience following spirotetramat and spiromesifen. This active ingredient suppresses the insects' lipid synthesis, thus offering a completely new mechanism of action for pest control. Market introduction is planned for 2008 / 2009. And in the herbicides segment pyrasulfotole, a newly developed substance for use in cereals, is expected to be ready for the market within the next few years.

“These examples alone demonstrate the success of our research. And our focus for the future is quite clearly on innovation,” says Dr. Bernward Garthoff, the Bayer CropScience Management Board member responsible for research and development. “We have the world's largest R&D budget in the conventional crop protection segment and intend to secure and further expand our position as an innovation leader in the crop science industry,” Garthoff added.

Bayer CropScience well ahead with patent applications

The company boasts a variety of product innovations that form the basis for future growth. For example, in 2003 Bayer CropScience filed 58 patent applications for new agrochemical substances, putting it in first place among the industry's most innovative players. This was nearly twice as many patent applications as were filed by the two next-placed competitors combined.

In the field of plant biotechnology, too, Bayer CropScience intends to strengthen its position through its own research. Lykele van der Broek, Head of the BioScience Business Group, also speaking at the conference, outlined new avenues of research ranging from plants with improved stress tolerance, for example in hot climates, through the development of health-promoting canola varieties to biopharmaceutical products based on renewable raw materials. Bayer CropScience invests some €80 million annually in its bioscience research, which has already given rise to such successful products as the high-yielding canola variety InVigor[®] and the cotton seed FiberMax[®]. Each of these products holds a leading position in its respective segment in the United States and Canada.

The successful R&D at Bayer CropScience fits seamlessly into the R&D strategy of the Bayer Group as a whole, underlining Bayer's mission as an inventor company. Said

Wenning: “We are convinced that Bayer CropScience is capable of sustained growth and high profitability, and that it can secure a competitive advantage through innovation. Bayer CropScience today has all the strategic success factors necessary for a global leader in this market – strong positions in all segments, an excellent business portfolio, a best-in-class pipeline and a first-rate management team.”

Successful portfolio management

In the future Bayer CropScience plans to concentrate even more on the introduction of new ingredients, with the focus on modern, high-performance products that make above-average contributions to value creation. Five new substances – the fungicides prothioconazole and trifloxystrobin and the herbicides iodosulfuron, mesosulfuron and foramsulfuron – are already among Bayer CropScience’s 12 best-selling products. Sales of these products have been particularly strong in Europe, as Jacques du Puy, head of the company’s Europe region, explained. Sales of new products in Europe rose by some 50 percent in the first half of 2005.

“Apart from this focus on the successful portfolio of new products, we also intend to contribute significantly to portfolio management by actively managing the life cycles of our established products,” explained Dr. Rüdiger Scheitza, the Bayer CropScience Management Board member responsible for portfolio and supply chain management. At the same time, he said, the company would phase out active ingredients that no longer form part of the core portfolio. In this way it is planned to reduce the number of active ingredients by a total of 20, from 113 in 2002 to 93 in 2008.

The Environmental Science Business Group, which markets branded consumer and professional products for non-agricultural applications, also benefits from the introduction of new active ingredients for conventional crop protection. Outlining the prospects for these businesses at Bayer CropScience, Pascal Housset, Head of the company’s Environmental Science Business Group, said they are growing in importance and are projected to expand by about 3 percentage points a year above market over the next few years.

Outlook for the second half of 2005

Bayer CropScience has set itself the target of raising its EBITDA margin – earnings before interest, taxes, depreciation and amortization, expressed as a percentage of sales – to 25 percent by the end of 2006. The company remains committed to that goal despite the effect of adverse weather conditions on the results for the first half of 2005,

Bayer CropScience CEO Friedrich Berschauer confirmed in Lyon. He said Bayer CropScience is planning a significant improvement in its operating result before special items for the full year 2005.

The systematic pursuit of cost-saving and restructuring programs will contribute to this improvement, according to Dr. Dirk Suwelack, the Bayer CropScience Management Board member responsible for business planning and administration. "We expect these programs to have a more marked effect in the second half of this year than in the first, and this should have a positive impact on EBIT," he explained. Bayer CropScience plans to achieve cost savings of some € 500 million this year from current programs.

Bayer CropScience AG, a subsidiary of Bayer AG with annual sales of about € 6 billion, is one of the world's leading innovative crop science companies in the areas of crop protection, non-agricultural pest control, seeds and plant biotechnology. The company offers an outstanding range of products and extensive service backup for modern, sustainable agriculture and for non-agricultural applications. Bayer CropScience has a global workforce of about 19,000 and is represented in more than 120 countries. This and other news releases are also available at:

www.newsroom.bayercropscience.com

Note:

The presentation slides shown at the "CropScience Analyst and Investor Days 2005" will be available on the Internet from 10:30 a.m. CEST at www.live.bayer.com. The investor conference will be broadcast live on the Internet on September 5 beginning at 12:30 p.m. CEST and on September 6 from 10:00 a.m., also at www.live.bayer.com.

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Forward-looking statements

This news release contains forward-looking statements based on current assumptions and forecasts made by Bayer CropScience AG management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future consolidated results, financial situation, development or

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