



## Investor News

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### **Bayer deal with Novartis improves profit outlook for Betaseron<sup>®</sup> franchise**

- Bayer Schering Pharma AG, Germany, acquires U.S. Biologics manufacturing facility from Novartis
  - Bayer will stop paying Novartis current royalty on Betaseron<sup>®</sup> from October 2008
  - Bayer will provide licensing rights to Novartis to establish its own brand of interferon beta-1b from 2009 forward
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**Berlin / March 26, 2007** – Bayer Schering Pharma AG, Germany, has purchased from Novartis a biologics manufacturing facility in Emeryville, California, which is currently used to produce Bayer Schering Pharma's Betaseron<sup>®</sup> for patients in the United States. Bayer Schering Pharma will manufacture Betaseron<sup>®</sup> at the Emeryville site, retain full control of all manufacturing and process technology used in the production of Betaseron<sup>®</sup> and will continue to employ the facility's employees.

Novartis will transfer manufacturing responsibility for Betaseron<sup>®</sup> (interferon beta-1b) including the Biologics License Application (BLA), by selling related equipment and property, as well as leasing certain buildings at the Emeryville site to Bayer Schering Pharma for a one-off payment of approximately USD 110 million. To assure a smooth transition and safeguard continuous product supply for patients, Novartis will assist Bayer Schering Pharma in assuming responsibility for Betaseron<sup>®</sup> manufacturing in Emeryville and will also help Bayer qualify another possible supplier of the product. In addition, Novartis will grant Bayer royalty-free licenses under all patents and know-how used by Novartis in relation to Betaseron<sup>®</sup>.

Bayer Schering Pharma will continue to pay Novartis royalties equivalent to those being paid currently on net sales of Betaseron<sup>®</sup> manufactured by Bayer at the Emeryville facilities until expiration of the original regulatory filing, development and supply agreement in October 2008. After this date, no more royalties will be due to Novartis on the sales of Betaseron<sup>®</sup>.

Bayer Schering Pharma will support Novartis in the regulatory filing process of a Novartis brand of interferon beta-1b. When approved by health authorities, Bayer Schering Pharma will supply this medicine to Novartis from 2009 forward and receive in return a double digit royalty payment from Novartis.

“Manufacturing knowledge is critical in this marketplace, and we are looking forward to having the employees at Emeryville join the Bayer Schering Pharma team” said Arthur Higgins, Chairman of the Board of Management of Bayer Schering Pharma AG. “In addition to improving the profitability of the Betaseron<sup>®</sup> franchise through this transaction we believe a second independent brand will reinforce the existing growth of the global MS market”.

Bayer Schering Pharma has pioneered the treatment of multiple sclerosis and is committed to expand the boundaries of MS treatment through lifecycle management of Betaseron<sup>®</sup> and the development of new treatment options. Betaseron<sup>®</sup> is the only high-dose, high-frequency interferon beta indicated for patients at the earliest stage of MS.

In 2006 prior to the close of the Novartis-Chiron transaction, Bayer Schering Pharma AG exercised its option to acquire all Betaseron<sup>®</sup>-related assets at the Emeryville site at fair market value. Since then, both sides have continued discussions about the transfer of the Betaseron<sup>®</sup> assets.

The agreement is subject to regulatory consent and resolves all outstanding legal actions between the parties regarding Betaseron<sup>®</sup>.

Further financial details were not disclosed.

### **About Betaseron® / Betaferon®**

Betaseron®, which is marketed outside the U.S. and Canada under the trademark Betaferon®, was the first disease-modifying drug introduced for MS and is a well-established treatment around the world. Betaferon® is indicated for the treatment of relapsing forms of multiple sclerosis to reduce the frequency of clinical exacerbations. Betaferon® has the broadest experience of any MS medication. In the U.S., Europe and Japan, the drug has been approved for all relapsing forms of MS. It is able to reduce the number of MS episodes by one-third, and the frequency of moderate to severe episodes by as much as 50 percent. Sixteen years' follow up of people treated with Betaferon® has shown that it is safe and well tolerated.

### **Bayer HealthCare**

Bayer HealthCare, a subsidiary of Bayer AG, is one of the world's leading, innovative companies in the healthcare and medical products industry and is based in Leverkusen, Germany. The company combines the global activities of the Animal Health, Consumer Care, Diabetes Care and Pharmaceuticals divisions. The pharmaceuticals business operates under the name Bayer Schering Pharma AG. Bayer HealthCare's aim is to discover and manufacture products that will improve human and animal health worldwide.

### **Bayer Schering Pharma**

Bayer Schering Pharma is a worldwide leading specialty pharmaceuticals company. Its research and business activities are focused on the following areas: Diagnostic Imaging, Hematology/Cardiology, Oncology, Primary Care, Specialized Therapeutics and Women's Healthcare. With innovative products, Bayer Schering Pharma aims for leading positions in specialized markets worldwide. Using new ideas, Bayer Schering Pharma aims to make a contribution to medical progress and strives to improve the quality of life.

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**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.