

Investor News

Bayer CropScience aims to grow in China:

Sales in the People's Republic forecast to top EUR 100 million in the medium term

Plans for two joint ventures for hybrid rice business and expansion of crop protection production

Beijing / March 28, 2007 – Bayer CropScience is aiming to grow in China. The company plans to increase annual sales in the People's Republic from the current level of EUR 65 million (2006) to over EUR 100 million in the medium term. In pursuit of this goal, Bayer CropScience will be systematically expanding its involvement in China, one of the fastest-growing markets in the world. The key points of the company's strategy are the introduction of new, innovative active ingredients, formulations and mixtures, and the expansion of its production site for crop protection products in Hangzhou, where Bayer CropScience will be investing a further EUR 25 million in 2007 and 2008. The company intends to set up two joint ventures with Chinese partners with the aim of strengthening its hybrid rice seed business and exploiting the growth potential of this increasingly important segment.

"The Chinese agrochemicals market presents us with some good opportunities for profitable growth," Professor Friedrich Berschauer, Chairman of the Board of Management at Bayer CropScience AG, said to journalists in Beijing on March 28, 2007. Berschauer explained that a sharp rise in demand for high-quality food products and changing dietary habits in the constantly growing population have led to marked progress in Chinese agriculture in recent years. The company will maintain its high level of investment in research and development to ensure that it can offer Chinese farmers products that meet local needs. The country's goal continues to be greater self-sufficiency, particularly in staples such as rice, cereals, vegetables and fruit. Berschauer emphasized that the Chinese government is promoting the use of modern

agricultural production methods with this goal in mind and he sees good prospects there for Bayer CropScience

Marked expansion of business in new crop protection actives in 2006

Bayer CropScience's crop protection business has developed very gratifyingly in China in recent years. Sales rose from EUR 44 million in 2005 to a record level of EUR 65 million in 2006 (+46 percent). The insecticides business, in particular, grew very strongly last year. Regent[®] (active ingredient: fipronil), sold by Bayer CropScience to control the brown plant hopper in rice, is the No. 1 in the Chinese insecticides market. Sales of the new acaricide Envidor[®] (spirodiclofen) for the control of spider mites grew strongly in the second year after its launch. The herbicide Puma[®] Super (fenoxaprop) has become the standard for effective weed control in cereal crops and grew by around 70 percent. The fungicide Infinito[®], a combination of the new active ingredient fluopicolide and propamocarb, also got off to a good start. The product provides effective protection against late blight in potatoes and vegetables.

"The fact that we selected China as the first market for the Infinito[®] launch last year also illustrates our confidence in the improved protection for intellectual property that China now offers," Berschauer emphasized.

There can be no innovation without protection for patents and copyrights

For Bayer CropScience, as one of the leading research-based companies in the international crop protection industry, protection for patents and copyrights is one of the most important prerequisites for investment in new active ingredients and products. Referring to current developments, Professor Berschauer stated, "We are determined to defend our patent rights against illegal producers in China with all the legal remedies at our disposal." In this context Bayer CropScience is pleased with the judgment issued by the High Court in Beijing in December 2006 which definitively confirmed the company's rights to fipronil, the active ingredient in Regent[®], in China. Berschauer welcomed the efforts being made by the Chinese government to establish clear rules and regulations for the recognition of copyrights.

Planned investments to the tune of EUR 25 million in Hangzhou

The production facility in Hangzhou is of strategic importance for Bayer CropScience. A 380-strong workforce currently produces, formulates and packs the active ingredient fipronil for the insecticide Regent[®] at this key location in the region. Yet the importance of Hangzhou extends beyond China - it also supplies other countries in Asia and the USA. As part of a new investment program for the period 2007 to 2008, Bayer CropScience will be spending some EUR 25 million to expand the facilities there. These plans also include expenditure on a project to double the production capacity for Regent[®] before the end of this year. "We will also be inaugurating a new distribution warehouse on the Hangzhou site this week," Berschauer said. Some EUR 2 million will be invested to expand warehousing capacity on site by a further 4,800 pallets. This will enable the company to keep up with the planned expansion of production.

Seed business as a future growth driver

Bayer CropScience's growth strategy in China also envisions expansion of the seed business. The company views the country as an attractive market for its core crops vegetables, cotton, canola and rice. "We are currently examining a number of possibilities for sharpening our profile on the market," said Berschauer, underlining the growing importance of the high-quality seed business for Bayer CropScience.

Two joint ventures to focus on production of hybrid rice seed

Bayer CropScience is already very successful in the important rice segment with its conventional Arize[™] seed line in countries including India, Vietnam and the Philippines. "China has 16 million hectares of land under rice, making it the biggest market in the world for hybrid rice seed. This is why we have decided to set up two joint ventures in China," Berschauer stated. An agreement with Lu Dan Seed Co. Ltd. in Sichuan, historically the country's "province of abundance", has already been concluded. Bayer CropScience will hold a 49 percent share in the planned joint venture. Regulatory approval is expected during the summer of 2007.

Bayer CropScience has also signed a letter of intent with Nong Ke Seed Co. Ltd. in Jiangxi province to breed high-yielding hybrid rice varieties. Bayer CropScience will contribute to the success of the two planned joint ventures by offering its marketing skills, international experience and logistics, supply chain and quality management

expertise. The Chinese partners will contribute specific knowledge of the local markets and their experience in breeding conventional varieties of rice and developing high-yielding varieties.

Bayer CropScience is also interested in becoming involved in additional crops in China. As the global market leader in hybrid canola seed, the company feels it is well placed to engage in this market segment in China, Berschauer said in Beijing. The Board Chairman of Bayer CropScience indicated that the company would be open to investing in canola and cotton in partnership with Chinese companies seeking to develop and breed seed. Berschauer also said that the company is interested in greater involvement in vegetable seed in the Chinese market.

Bayer CropScience AG, a subsidiary of Bayer AG with annual sales of about EUR 5.7 billion (2006), 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 17,900 and is represented in more than 120 countries. This and further news is available at: www.newsroom.bayercropscience.com

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