

Investor News

Werner Wenning at the Annual Stockholders' Meeting in Cologne:

Bayer off to an excellent start in 2007

- Preliminary figures show substantial growth in first-quarter sales and earnings
 - Positive outlook for full year confirmed
 - Elections to the Supervisory Board
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Cologne/Leverkusen / April 27, 2007 – The Bayer Group increased sales and earnings substantially in the first quarter of 2007. “Our performance thus continued last year’s gratifying trend,” said Management Board Chairman Werner Wenning at Friday’s Annual Stockholders’ Meeting in Cologne. According to the preliminary figures currently available, Group sales rose by 23 percent in the first three months to EUR 8.3 billion (Q1 2006: EUR 6,791 million). Of the Group total, Bayer HealthCare accounted for EUR 3.6 billion (Q1 2006: EUR 2,203 million), of which the acquired business of Schering, Berlin, Germany, accounted for EUR 1.4 billion. Bayer CropScience contributed EUR 1.8 billion (Q1 2006: EUR 1,771 million), and Bayer MaterialScience EUR 2.6 billion (Q1 2006: EUR 2,486 million), to Group sales. Adjusted for shifts in exchange rates and also for portfolio changes such as the Schering acquisition, sales growth came to 7 percent.

Earnings before interest, taxes, depreciation and amortization (EBITDA) before special items advanced in the period January-March by 27 percent to EUR 2.0 billion (Q1 2006: EUR 1,564 million). The largest earnings increase was achieved by the Bayer HealthCare subgroup, where underlying EBITDA roughly doubled from EUR 465 million in Q1 2006 to approximately EUR 950 million in the first quarter of 2007. Contributing to this increase were the acquisition of Schering, Berlin, Germany, and the gratifying business trend in Consumer Health. Bayer CropScience raised earnings by 6 percent to roughly EUR 580 million (Q1 2006: EUR 551 million) thanks largely

to higher volumes and improved cost structures. As expected, earnings of Bayer MaterialScience were below the high level of the prior-year period, mainly in light of raw material cost increases of some EUR 140 million. However, underlying EBITDA of this subgroup, at over EUR 400 million (Q1 2006: EUR 539 million), was well above the fourth quarter of 2006.

The operating result (EBIT) before special items rose in the first quarter by 17 percent to approximately EUR 1.4 billion (Q1 2006: EUR 1,177 million). "That means we posted a year-on-year increase in underlying EBIT yet again," Wenning commented. After net special charges of EUR 200 million, EBIT came in at about EUR 1.2 billion, a clear 12 percent above Q1 2006 (EUR 1,049 million). Including the gain of just under EUR 2.2 billion from the divestments of the diagnostics business and H.C. Starck and a non-operating result of about minus EUR 220 million, net income came to EUR 2.8 billion (Q1 2006: EUR 0.6 billion).

Net debt was reduced in the first quarter by approximately EUR 4.8 billion to EUR 12.8 billion, due particularly to the proceeds from the two divestments. Bayer will provide further details on the first-quarter results in its interim report on May 8, 2007.

Outlook for 2007 and medium-term margin targets confirmed

"In light of the successful start to 2007," said Wenning, "we confirm the positive outlook for the full year." At the present time the company is not altering the guidance it issued in March. Over the year as a whole, Bayer predicts a further improvement in the Group's earning power. The company aims to grow both Group sales and underlying EBITDA by more than 10 percent, and slightly increase the underlying EBITDA margin.

Beyond the business forecast for 2007, Wenning also outlined Bayer's medium-term planning. He said the company had achieved its goal of reporting an underlying EBITDA margin of 19 percent by 2006 and is now planning to generate an underlying EBITDA margin of approximately 22 percent in 2009. "With this target, we are headed toward a new order of magnitude in terms of earnings," he declared.

“2006 was one of the most significant years in Bayer’s history”

In his address the Bayer Chairman reviewed the most important events of 2006. “We can undoubtedly say that 2006 was one of the most significant years in Bayer’s history. On the operating side, key indicators improved substantially compared to the previous year,” Wenning said, adding that Bayer also continued systematically with the strategic development of its portfolio. He explained that the company further sharpened its focus by divesting its diagnostics business and the subsidiaries H.C. Starck and Wolff Walsrode. “The outstanding event of 2006,” said Wenning, “was of course the strengthening of our pharmaceuticals business through the acquisition of Schering AG of Berlin, Germany.” He reported that the company’s interest in Bayer Schering Pharma AG currently amounts to 96.3 percent.

“It already seems quite natural for us to talk about our new, integrated company Bayer Schering Pharma. We are very pleased at how quickly the merger is progressing,” Wenning went on, adding that there are few transactions where the squeeze-out is initiated, the legal requirements for integration are fulfilled and the first measures are implemented within such a short time. “And we are determined to keep up the pace,” Wenning remarked. He said rapid integration is crucial to the future success of the new company. “We are convinced that the expansion of our HealthCare activities will strengthen the entire Bayer Group for the long term.”

Achievements in climate protection

Wenning also talked in detail about climate protection, which he described as a global task. “Every country, every industry and every citizen should contribute to protecting the climate. There are certainly a number of effective approaches to this issue,” he said, adding that Bayer is very well positioned in terms of climate-friendly utility supplies and production efficiency. Major capital expenditures and technological improvements have helped Bayer to reduce the burden on the environment by a substantial 5.5 million tons of carbon dioxide equivalent since 1990. One of the accolades Bayer received last year as a result of these accomplishments was its inclusion in the Climate Leadership Index – an internationally acknowledged honor. Here Bayer received the “Best-in-Class” designation and was also named best company in the chemical industry.

“Innovative and economical approaches are more important than ever if we are to master the enormous ecological challenge,” Wenning stressed, explaining that various

products supplied by Bayer help to save energy and open up impressive potential for reducing carbon dioxide emissions. He said the company's polycarbonates can make an important contribution, for example as low-density materials that help to reduce the weight of vehicles. And Bayer's polyurethanes have outstanding thermal insulation properties, which is important for refrigerators and buildings. The company's crop protection products are also used in a number of crops that serve as renewable, and thus climate-friendly, raw materials for the new generation of fuels known as biofuels. Bayer is thus active in the search for climate protection solutions and is opening up new business opportunities for itself at the same time, Wenning explained.

Major emphasis on corporate compliance

Against the backdrop of current public debate, the Bayer Chairman addressed the topic of corporate compliance: "In our company we place great emphasis on corporate compliance, to which we have a clear commitment throughout the world," he said, adding that mandatory guidelines and oversight mechanisms exist within the company for this purpose. Declared Wenning: "It goes without saying that we will not tolerate violations of law. And I would like to emphasize that where the only way to do business is by unfair means, we will have nothing to do with it. That's the only policy that will enable us to grow in the long term."

Stockholders to vote on proposed dividend of EUR 1.00 per share

On Friday the stockholders will decide among other things on the proposal by the Board of Management and the Supervisory Board to raise the dividend for 2006 by 5.3 percent to EUR 1.00 (2005: EUR 0.95) per share. The total dividend payment would increase by 10.1 percent to EUR 764 million, as the number of Bayer shares entitled to the dividend has risen by 34 million to 764,341,920 due to the capital increase in July 2006.

Also on the agenda are the revocation of the existing Authorized Capital II and the creation of new Authorized Capital II with the option of excluding subscription rights. The current Authorized Capital II was partially used up in connection with the financing of the Schering acquisition and is therefore to be renewed. The Bayer stockholders will also be asked to approve the domination agreement of March 12, 2007, between Bayer and Bayer Schering GmbH.

Elections to the Supervisory Board

Elections to the Supervisory Board of Bayer AG are also on the agenda at the Annual Stockholders' Meeting. The persons elected will hold office until the end of the Annual Stockholders' Meeting for fiscal 2011. The Bayer Supervisory Board has proposed the following stockholders' representatives to serve as new members of the Supervisory Board, which is comprised of 10 stockholders' and 10 employees' representatives: Dr. Clemens Börsig, Chairman of the Supervisory Board of Deutsche Bank AG; Dr. Helmut Panke, former Chairman of the Board of Management of BMW AG; and Dr. Klaus Sturany, Member of the Board of Management of RWE AG. Not standing for reelection are Dr. Josef Ackermann, Dr. h.c. Martin Kohlhaussen and John Christian Kornblum. The Chairman of the Supervisory Board, Dr. Manfred Schneider, thanked them and the departing employees' representatives Thomas Hellmuth and Gregor Jüsten for their many years of valued service.

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Forward-looking statements

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