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HealthCare strategy being systematically implemented

Bayer to sell diagnostics business to Siemens for EUR 4.2 billion

- Bayer Diabetes Care Division and Schering contrast agents business not affected
- Decision not driven by financing of Schering acquisition

Leverkusen / June 29, 2006 – The Bayer Group plans to sell the Diagnostics Division of Bayer HealthCare to Siemens AG, Munich, Germany, for EUR 4.2 billion. The divestment was approved today by the Bayer Supervisory Board. "This decision is fully in line with our strategy for systematically aligning our health care business. We are concentrating on pharmaceuticals for both humans and animals, and products that can be promoted directly to patients," explained Bayer AG Management Board Chairman Werner Wenning.

The systems business of the Diagnostics Division, with its emphasis on hardware, IT networking and comprehensive equipment service, is subject to different success factors than the other Bayer HealthCare divisions. Wenning said Bayer is therefore divesting these activities as part of the consolidation phase in the diagnostics market. "We are convinced that the successful laboratory equipment business has even better long-term development prospects in a company specializing in medical technology," he added. Closing of the transaction is expected for the first half of 2007, subject to the approval of the antitrust authorities.

The consumer-influenced Diabetes Care Division is not affected by the transaction, nor is the contrast agents (diagnostic imaging) business of Schering AG, which will form an important part of the future Bayer Schering Pharma AG.

"Bayer HealthCare Diagnostics has grown considerably faster than the market in terms of earnings and profitability over the past three years. So now is the right time to divest this successful business and thereby add value for the Bayer Group. Siemens is the ideal company to continue developing Bayer HealthCare Diagnostics as a core business," commented Arthur Higgins, Chairman of the Board of Management of Bayer HealthCare AG.

"With this acquisition we are continuing to consistently pursue our strategy of building the industry's first integrated diagnostics company that combines diagnostic imaging, laboratory diagnostics and clinical information technology under one roof right along the value chain. The aim is to enable trend-setting innovations that improve the quality of health care through early, specific and efficient diagnostic solutions and thus to address the growing global demand for superior health care solutions," commented Erich Reinhardt, CEO and President of Siemens Medical Solutions and member of the Managing Board of Siemens AG.

For Bayer the after-tax proceeds of the divestment will be about EUR 3.6 billion. Although this transaction has been pursued irrespective of the Schering acquisition and its financing, it will affect it in that the planned EUR 1.3 billion hybrid bond may not be launched or may have a much smaller volume. In addition, the previously announced equity raising of up to EUR 4 billion in connection with the Schering acquisition is now likely to be reduced by EUR 500 million. In March this year Bayer had already issued a mandatory convertible bond in the amount of EUR 2.3 billion as a first step. "The effect of this divestment is to substantially reduce our debt, thus helping to improve our credit profile," said Wenning.

Sales of Bayer HealthCare Diagnostics rose in 2005 by 8.4 percent to EUR 1.4 billion. The division employs more than 5,000 people worldwide. It offers an extensive portfolio of in-vitro diagnostic products for evaluating and monitoring the therapy of numerous diseases, including cardiovascular disorders, kidney diseases, infections, cancer and diabetes. The business units are Laboratory Testing, including the ADVIA Centaur® and Centaur® CP, ADVIA® Clinical Chemistry, ADVIA LabCell® and WorkCell® Automation, ADVIA® Hematology and Clinitek® Atlas systems; Near Patient Testing, with its Rapidpoint®, Rapidlab®, RapidComm™ and Clinitek® brands; and Molecular Testing, with its Trugene® and Versant® lines of tests and systems.

About Bayer HealthCare

Bayer HealthCare AG is one of the world's leading innovative companies in the health care and medical products industry. In 2005, this Bayer subgroup had sales of about EUR 9.4 billion. Bayer HealthCare employs approximately 33,800 people worldwide.

The company combines the activities of the Animal Health, Consumer Care, Diabetes Care, Diagnostics and Pharmaceuticals divisions. The Pharmaceuticals and Biological Products divisions were combined effective January 1, 2006. The new Pharmaceuticals Division comprises the Hematology/Cardiology, Oncology, and Primary Care business units.

Our aim is to discover, develop, manufacture and market products that will improve human and animal health worldwide. These products enhance well-being and quality of life by diagnosing, preventing and treating disease.

Leverkusen, June 29, 2006

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