

# Bayer



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## Investor News

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### **Bayer HealthCare Acquires Western OTC Cough and Cold Business of Topsun Science and Technology**

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**Leverkusen / October 25, 2006** – Bayer HealthCare (BHC) and Topsun Science and Technology Co., Ltd. (Topsun, 600771.SS) together announced today that BHC's Consumer Care Division has signed an agreement in China to acquire the Western over-the-counter (OTC) cough and cold portfolio of Topsun Science and Technology Qidong Gaitianli Pharmaceutical Co., Ltd. for the consideration of RMB 1,072 million (approximately EUR 103 million) plus contingent payments of RMB 192 million (approximately EUR 19 million) subject to fulfilment of certain performance criteria.

This acquisition will substantially increase Bayer Consumer Care's presence in China, one of the fastest growing OTC markets in the world. The transaction, which is now subject to the necessary regulatory approvals, will include the transfer of personnel and assets related to the acquired business, including the Gaitianli manufacturing facility in Qidong City, JiangSu Province, and a national sales force and distribution network associated with the brands. The transferred employees and assets will become part of Bayer Healthcare China Ltd. and operate within the Consumer Care Division upon receiving the required approvals.

Arthur Higgins, Chairman of Bayer HealthCare said, "With this transaction Bayer HealthCare follows its global strategy to strengthen our OTC business, and at the same time our presence in China, one of the fastest-growing OTC markets. We're delighted to have found such an attractive local opportunity to further strengthen our business." The Cough & Cold portfolio of Topsun, which delivered 331 mio RMB (approximately EUR 32.4 million) in 2005 annual sales, includes White and Black (白加黑), a leading brand in an important consumer healthcare category, and will allow Bayer to compete more effectively in the OTC arena in China. Increased

marketing and selling investments will not only strengthen the acquired brands, but will also have a positive impact on Bayer's existing OTC portfolio.

Commenting on the deal, Mr. Jiaxue Guo, Chairman of Topsun said, "I believe one of the reasons why multinational pharmaceuticals were interested in Topsun's Western OTC cough and cold business was due to the leading brand portfolio, effective brand management and extensive sales network of Topsun's Western OTC cough and cold business. We came to the conclusion that Bayer is the best choice to ensure the future success of our cough and cold business. We believe that Bayer is in a strong position to continue the impressive growth and leading positions already achieved by our brands."

After the divestment of its Western OTC cough and cold business, Topsun will focus on modern Chinese medicine, traditional Chinese medicine and narcotics/psychotropic drugs, where it is highly competitive in terms of brands, products and research and development capabilities. In line with its adjustment in strategy, the divestment will provide resources to drive growth plans of the company. Going forward, Topsun intends to develop its modern Chinese medicine as its core business, with selective focuses on high-end traditional Chinese medicine and narcotics/psychotropic drugs.

UBS Investment Bank is the financial advisor to Topsun for this transaction.

#### **About Bayer HealthCare AG**

Bayer HealthCare, a subsidiary of Bayer AG, is one of the world's leading, innovative companies in the health care and medical products industry based in Leverkusen/Germany. In 2005, the Bayer HealthCare subgroup generated sales amounting to some 9.4 billion Euro. Bayer HealthCare employed 33.800 people worldwide in 2005. The company combines the global activities of the divisions Animal Health, Consumer Care, Diabetes Care, Diagnostics and Pharmaceuticals. Since January 1, 2006 the new Pharmaceutical Division consists of the former Biological Products and Pharmaceutical Division and now comprises three business units: Hematology/Cardiology, Oncology and Primary Care. Bayer HealthCare's aim is to discover and manufacture products that will improve human and animal health worldwide. The products enhance well being and quality of life by diagnosing, preventing and treating diseases.

### **About Bayer HealthCare's Consumer Care Division**

The Consumer Care Division of Bayer HealthCare LLC, is headquartered in Morristown, New Jersey, USA. Bayer's Consumer Care Division is among the largest marketers of over-the-counter medications and nutritional supplements in the world. Some of the most trusted and recognizable brands in the world today come from the Bayer portfolio of products. These include *Bayer<sup>®</sup> Aspirin*, *ALEVE<sup>®</sup>*, *Flanax<sup>®</sup>/Apranax<sup>®</sup>*, *Alka-Seltzer Plus<sup>®</sup>*, *Bactine<sup>®</sup>*, *RID<sup>®</sup>*, *Phillips<sup>®</sup> Milk of Magnesia*, *Midol<sup>®</sup>*, *Alka-Seltzer<sup>®</sup>*, *Talcid<sup>®</sup>*, *Rennie<sup>®</sup>*, *Canesten<sup>®</sup>*, *Bepanthen<sup>®</sup>*, *Bepanthol<sup>®</sup>*, *One-A-Day<sup>®</sup> vitamins*, *Flintstones<sup>™</sup> vitamins*, *Supradyn<sup>®</sup>*, *Redoxon<sup>®</sup>*, *Berocca<sup>®</sup>*, *Cal-D-Vita/Elevit<sup>®</sup>*, *Vital 50 Plus<sup>®</sup>*, *CardioAspirin<sup>®</sup>*.

### **About Bayer HealthCare China**

The Bayer HealthCare business enjoys a long history in China. The first production activity with Aspirin in Shanghai dated back in 1936. Today, with more than 1,500 employees, Bayer HealthCare is represented by 4 divisions in China, namely Pharmaceuticals, Consumer Care, Diagnostics and Animal Health.

As one of the top 10 leading multinational pharmaceutical companies in the Chinese market, the Pharmaceuticals Division established Bayer HealthCare Co. Ltd. in 1995 in Beijing to provide international GMP certified pharmaceutical and OTC products to the local market as well as developed pharmaceutical markets such as Australia and Japan.

### **About Topsun Science and Technology Co., Ltd. (Topsun)**

Topsun is a subsidiary of Xi'an Topsun Group Co., Ltd., one of the largest non state-owned (or privately owned) pharmaceutical enterprises in China. Its A-shares are listed on the Shanghai Stock Exchange (Stock code: 600771).

Topsun is involved in the research and development, manufacturing and distribution of pharmaceutical products in China, with a focus on cold and cough medicines, traditional and modern Chinese medicines, narcotics and psychotropic sectors. Its Western medicines include well-known brands such as "White and Black", "Xiaobai" and "Xinli". Natural supplements and traditional Chinese medicines include "Gaitianli", "Topsun Sijisanhuang Soft Capsule", "Weiiaoxin", "Zhenju Hypertension Tablet" and "Fengwang Dongganfen Capsule". Topsun Science and Technology's subsidiary, Qinghai Pharmaceutical Group, is one of the most important narcotics/ psychotropic raw material and medicine production base in China, its major products include raw materials such as "Buprenorphine Hydrochloride", "Morphine

Sulfate”, “Cocaine Hydrochloride”, “Morphine hydrochloride”, “Opium Pulveratum” , “Ethylmorphine hydrochloride”, “Papaverine Hydrochloride”, and “Apomorphine Hydrochloride”. Its major drugs include “Compound Glycyrrhiza Tablet”, “Acetaminophen and Codeine Phosphate Tablets”, “Buprenorphine Hydrochloride tablet” and “Xikeqi” ( compound Codeine Platycodon Tablet)”.

In early 2006, Qinghai Pharmaceutical Group, a subsidiary of Topsun, obtained the new drug certificate and production license to produce raw material and oral dosages for methadone, as well as the production license to produce raw materials and injection form of “Naloxone Hydrochloride”. The market potential of these two products will be key drivers for the company’s future growth and development.

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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.