Bayer

Investor News

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Further step in the realignment of Bayer HealthCare:

Bayer enters strategic pharmaceuticals alliance with Schering-Plough

- Establishes regional marketing and distribution agreement in the United States and Japan
- Repositions the pharmaceuticals business in the United States
- Creates an Oncology Business Unit with global responsibility

Leverkusen / September 13, 2004 – Today Bayer announced that it is continuing the systematic realignment of its HealthCare business and has entered a broad pharmaceuticals alliance with U.S.-based Schering-Plough Corporation, of Kenilworth/NJ. According to the terms of the agreement, Bayer's primary care pharmaceutical products will be marketed and distributed by Schering-Plough in the United States. The companies have also committed to a co-marketing agreement for future promotion of a Schering-Plough cardiovascular product, Zetia, in Japan. At the same time Bayer HealthCare will build up a new U.S.-based global oncology business unit and refocus its U.S. organization on high-profit specialty and biotech products to form Bayer HealthCare's Specialty Pharmaceuticals business.

"Following the targeted expansion of our consumer-focused business with the planned acquisition of Roche Consumer Health, we have now reached another strategic milestone for Bayer HealthCare. The alliance with Schering-Plough will take advantage of the regional strengths of both companies. It will help us adapt cost structures and resources in the United States to meet our strategic financial objectives and better exploit the potential of our products and, at the same time, further expand our business in Japan," explained Werner Wenning, Chairman of the Board of Bayer AG.

Under the terms of the agreement, Schering-Plough will undertake marketing and distribution activities for Bayer´s primary care products in the United States and Puerto Rico. Accordingly, a large part of Bayer's marketing and sales organization currently supporting primary care in these markets will be integrated into Schering-

Plough. This will enhance the potential for Bayer's portfolio through seasonally-complementary detailing from an expanded Schering-Plough sales force. Bayer estimates that approximately 1,800 U.S.-based Bayer primary care sales and marketing positions will be impacted – either through transfer to Schering-Plough or through reductions.

Bayer's drug products will remain the property and legal responsibility of Bayer and continue to be sold under the Bayer brand names. The agreement covers only those Bayer products already approved, not those in development.

Schering-Plough will market Bayer antibiotics Avelox and Cipro, the cardiovascular product Adalat and some other smaller established primary care Bayer products in the United States and Puerto Rico. Schering-Plough will pay a royalty to Bayer based on net sales of these products. Schering-Plough will also undertake on Bayer's behalf the U.S. commercialization activities for Levitra, which is marketed under a co-promotion agreement between Bayer HealthCare and GlaxoSmithKline PLC (GSK). Bayer and Schering-Plough will share Bayer's portion of the profits on U.S. sales of Levitra in exchange for Schering-Plough's promotion of the drug. Other products marketed by Schering-Plough in the U.S. and Puerto Rico include the allergy and respiratory tract products Nasonex, Clarinex and Foradil and the cardiovascular drugs Vytorin and Zetia.

Concurrent with this announcement, Bayer will also establish a new Oncology Business Unit with global P&L responsibility and will begin to create an oncology field force. Headquartered in West Haven, Connecticut, the group will prepare for the anticipated approval and market launch of BAY 43-9006, Bayer's cancer compound currently being co-developed with Onyx Pharmaceuticals, Inc. BAY 43-9006 has shown encouraging results in a clinical trial for treatment of advanced renal cell carcinoma, and is currently in Phase III clinical development. Under the agreement Bayer will also be compensated to promote certain Schering-Plough cancer products in the United States and key European markets for a certain period of time. Bayer's Viadur, for the treatment of prostate cancer will also be aligned with the Oncology unit.

"The alliance with Schering-Plough will strengthen the performance of our primary care portfolio in this important market and improve the cost structure and profitability of our Pharma organization", said Arthur Higgins, Chairman of the Executive Committee of Bayer HealthCare. "This in turn increases our capacity to invest in the future of our Pharma division by building our global Oncology Unit and laying the foundation for a successful presence in this important therapeutic segment".

The cooperation includes a co-marketing agreement in the Japanese market for Schering-Plough's new cardiovascular product Zetia, which is currently in the regulatory approval phase. Bayer Yakuhin (Bayer's Japanese subsidiary) has many years of experience in the field of cardiovascular disease and will apply this expertise to support the market launch.

Bayer HealthCare's Specialty Pharmaceuticals business, will be headquartered in West Haven, and will focus on high-profit specialty and biotech products with specialist physicians. In addition to Oncology products, the portfolio will be comprised of Kogenate FS for the treatment of hemophilia, and Trasylol, which is used during open-heart surgery.

Both parties anticipate that the agreements will become effective on October 1st 2004 and will work to complete the transition as soon as possible. Triggered by the reduction of positions and extra one-time expenditures Bayer will incur one-time costs in the range of €50-70 million, the majority of which will occur in 2004. The agreement is expected to be accretive in subsequent years.

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Forward-looking statements

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