Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

Fall Financial News Conference 2006 of Bayer AG

Wenning: Schering acquisition provides additional boost to Bayer

- Third-quarter sales up 26.0 percent to EUR 7,783 million
- EBITDA before special items up 38.5 percent to EUR 1,505 million
- EBIT before special items up 22.2 percent to EUR 798 million
- Bayer aims to significantly improve underlying EBIT and EBITDA in 2006
- HealthCare earnings forecast raised

Leverkusen / November 27, 2006 – The Bayer Group posted gratifying increases in sales and earnings in the third quarter. “The successful acquisition of Schering has provided an additional boost to our business,” said Bayer AG Management Board Chairman Werner Wenning on Monday at the Fall Financial News Conference in Leverkusen. According to Wenning, the integration of the acquired business is proceeding as planned.

Bayer Group sales rose by 26.0 percent to EUR 7,783 million (Q3 2005: EUR 6,177 million), while earnings before interest, taxes, depreciation and amortization (EBITDA) before special items advanced by 38.5 percent to EUR 1,505 million (EUR 1,087 million). The operating result (EBIT) before special items improved by 22.2 percent to EUR 798 million (EUR 653 million). For the full year 2006, Wenning predicted a significant increase in underlying EBIT and EBITDA and raised the earnings forecast for the Bayer HealthCare subgroup.

The acquired Schering business contributed EUR 1,410 million to Bayer Group sales in the third quarter. When adjusted for currency and portfolio effects, Group sales moved ahead by 6.4 percent. Business expanded in the MaterialScience and HealthCare subgroups, while sales of CropScience declined as expected.

The biggest acquisition in Bayer's history also had a positive effect on earnings, with Schering accounting for EUR 392 million of the Group's EUR 1,505 million underlying EBITDA. Due to charges resulting from the purchase price allocation, the acquired Schering business accounted for only EUR 80 million of the EUR 798 million underlying EBIT. Wenning said the Group's gratifying operating performance continues the trend of recent years. Bayer has consistently posted year-on-year increases in underlying EBIT in each of the 15 quarters since the beginning of 2003.

Net special charges in the third quarter amounted to EUR 139 million. This figure included EUR 106 million for HealthCare alone, most of which was related to the integration of Schering. After special items, EBIT of the Bayer Group declined by 17.2 percent in the third quarter of 2006, to EUR 659 million (EUR 796 million). However, EBIT for the corresponding period of 2005 was boosted by a EUR 244 million one-time gain related to changes to Bayer's pension systems. Group net income including earnings from discontinued operations amounted to EUR 320 million (EUR 493 million).

Benefiting from the positive business trend and the inclusion of Schering, gross cash flow improved by 35.6 percent to EUR 1,170 million (EUR 863 million), while net cash flow rose by 10.7 percent to EUR 1,521 million (EUR 1,374 million). Net debt decreased by EUR 924 million in the third quarter, to EUR 19,021 million. Wenning predicted a further substantial reduction in net debt. "The divestiture of H.C. Starck to financial investors Advent International and The Carlyle Group, which we announced last week, will bring down net debt by about another EUR 1 billion," he said, adding that the proceeds from the divestitures of the Diagnostics business and of Wolff Walsrode would lead to further reductions.

The Bayer Group's operating performance in the first nine months of 2006 also improved compared to the same period last year. Sales grew by 14.1 percent to EUR 21,971 million (9M 2005: EUR 19,249 million), or by 5.1 percent when adjusted for currency effects and portfolio changes. Underlying EBITDA for the first three quarters increased by 16.9 percent to EUR 4,457 million (EUR 3,814 million), while EBIT before special items advanced by 13.2 percent, to EUR 2,931 million (EUR 2,590 million). Group net income for the first nine months came to EUR 1,372 million (EUR 1,551 million).

Bayer HealthCare the main growth engine in the third quarter

The principal growth engine for Bayer's business in the third quarter was the Bayer HealthCare subgroup, where sales climbed by 72.5 percent to EUR 3,482 million. Adjusted for exchange rate movements and for portfolio changes such as the Schering acquisition, sales rose by 7.5 percent. Revenues of the Pharmaceuticals segment climbed by 137.5 percent to EUR 2,444 million, with currency- and portfolio-adjusted sales up 7.4 percent. Bayer HealthCare recorded good sales gains for Kogenate®, key Primary Care products and its Oncology business. The Schering business also performed well, with growth driven primarily by the Yasmin® product family and the multiple sclerosis treatment Betaferon®/Betaseron®.

In the Consumer Health segment – comprising the Consumer Care, Diabetes Care and Animal Health divisions – business improved by 4.8 percent to EUR 1,038 million. Currency-adjusted sales rose by 7.7 percent, with good contributions to growth coming from the Consumer Care and Animal Health divisions.

Bayer HealthCare also improved its operating result once again. EBITDA before special items advanced by 113.6 percent to EUR 882 million. Even before the EUR 392 million contribution from Schering, the increase was a very gratifying 18.6 percent.

Difficult market environment for Bayer CropScience

Sales of Bayer CropScience declined in the third quarter as anticipated, coming in 10.4 percent below the prior-year period at EUR 1,049 million. Adjusted for currency and portfolio effects, the decrease amounted to 5.9 percent. Sales of the Environmental Science, BioScience segment fell by 7.8 percent to EUR 177 million. Adjusted for currency effects, however, business remained nearly steady compared to the prior-year quarter. Sales of the Crop Protection segment dropped by 10.9 percent in the third quarter, to EUR 872 million. Currency- and portfolio-adjusted sales fell by 6.6 percent. The subgroup attributes this to adverse weather conditions in North America, Latin America, Australia and parts of Europe, as well as to the growing presence of generics and increasing acceptance of genetically modified products.

These factors led to a drop in earnings of Bayer CropScience in the third quarter. EBITDA before special items, at EUR 143 million, was down by EUR 31 million from the prior-year quarter. A further cost containment program launched in August is designed to help Bayer CropScience reach its target EBITDA margin of 25 percent by 2009.

Bayer MaterialScience now the world's leading polycarbonate producer

Business at Bayer MaterialScience again developed well in the third quarter. Sales continued to grow, advancing by 10.6 percent to EUR 2,920 million. Sales of the Materials segment advanced by 3.6 percent to EUR 1,067 million, buoyed in part by growth in the Polycarbonates business unit. "In 2006 we became the world's biggest polycarbonate producer," explained Wenning. Third-quarter sales of the Systems segment rose by 15.2 percent year on year, to EUR 1,853 million. Business expansion was largely attributable to selling-price and volume increases in the Polyurethanes business unit and the Coatings, Adhesives, Sealants unit.

Despite the positive sales trend at Bayer MaterialScience in the third quarter, EBITDA before special items was down to EUR 427 million from the high level of EUR 502 million reached in the prior-year period. The decline was mainly due to the substantial rise in petrochemical feedstock costs, which was only partly offset by volume increases.

Wenning: 2006 a landmark year for Bayer

"We can already say that 2006 has been a landmark year for Bayer," remarked Wenning, "a year of significant accomplishments from both a strategic and an operational point of view." The Bayer CEO pointed out that only eight months had passed since the company announced its takeover offer for Schering on March 23. "Since then we have made substantial progress with this project," Wenning said, adding that Bayer currently holds more than 96.1 percent of the outstanding shares of Schering AG, for which it has so far paid a total of about EUR 16.2 billion – an average price of EUR 88.18 per share.

Following the entry of the domination and profit and loss transfer agreement in the commercial register on October 27, 2006, Bayer has begun the integration process. "The keys to success in this respect are speed and determination," Wenning stressed. Important decisions have already been made, such as on the organizational structure, key executive appointments, and questions relating to the sites in the individual countries," Wenning continued. "We can therefore reaffirm our target of realizing EUR 700 million a year in synergies by 2009."

"I am convinced that Bayer Schering Pharma is poised to become a leading international supplier of specialty pharmaceuticals," remarked the Bayer Chairman. "But we are particularly encouraged by the success achieved in our ongoing business operations during what have been very busy and challenging times for all our employees." Adding revenues of Schering AG to those from Bayer's existing pharmaceuticals business, Bayer Schering Pharma had pro-forma sales of roughly EUR 7.5 billion in the first nine months of this year, thus posting an 8.6 percent increase from the same period of last year compared to market growth of 7 percent.

Positive outlook for the full year

The Bayer Group expects sales for the full year 2006 to be in the region of EUR 30 billion (2005: EUR 25,950 million), including roughly EUR 3.0 billion in revenues from the Schering business since June 23. Excluding the Diagnostics business now to be divested, Bayer aims to significantly improve underlying earnings in 2006. The forecast is for underlying EBITDA of about EUR 5.7 billion in 2006, compared to EUR 4,787 million in the previous year, with the acquired Schering business contributing some EUR 0.7 billion. Bayer thus anticipates an EBITDA margin before special items of about 19 percent, which would meet the target the company set for 2006 nearly three years ago.

Underlying EBIT for the full year 2006 is predicted to be in the order of EUR 3.5 billion (EUR 3,158 million), with the Schering business contributing only about EUR 0.1 billion to this total because of charges relating to the purchase price allocation. The Bayer Group expects to incur net special charges of EUR 0.6 billion in the fourth quarter, including EUR 0.4 billion related to the integration of Schering.

With the integration of Schering proceeding on schedule, Wenning raised earnings guidance for Bayer HealthCare: "We are now planning an underlying EBITDA margin of approximately 22 percent for the full year 2006."

Bayer CropScience continues to anticipate a negative market environment in the fourth quarter, particularly in Brazil. That subgroup therefore upholds its forecast of a drop in sales and a year-on-year decline in the underlying EBITDA margin for 2006 as a whole.

The company maintains a positive view of the market environment for its MaterialScience business. “For the full year 2006, we continue to aim for underlying EBIT and underlying EBITDA on a par with the previous year,” Wenning said, adding however that some risks are inherent in the effects of raw material cost increases and the production shortfalls that have occurred.

“The third quarter has once again shown that we are on the right track,” summed up the Bayer CEO. “We will place major emphasis in the coming year on driving forward the integration of Schering,” Wenning said in conclusion. “With a clearly focused, fast-growing pharmaceuticals business, we aim to further improve the operating performance of our HealthCare business and the earning power of Bayer as a whole.”

Note:

Tables containing the key data for the Bayer Group and its subgroups for the third quarter and first nine months of 2006 are appended below.

The complete interim report as of September 30, 2006 is available on the Internet at ***www.investor.bayer.com***

We are also offering the following Internet services at ***www.investor.bayer.com:***
- Live webcast of the Fall Financial News Conference beginning at 10:00 a.m. CET
- Live webcast of the Investor Conference Call beginning at 4:00 p.m. CET

Leverkusen, November 27, 2006

Bayer AG, Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
Dr. Juergen Beunink (+49-214-30-65742)
Peter Dahlhoff (+49-214-30-33022)
Ilia Kürten (+49-214-30-35426)
Ute Menke (+49-214-30-33021)
Judith Nestmann (+49-214-30-66836)
Dr. Olaf Weber (+49-214-30-33567)

Bayer Group Key Data

	3rd Quarter 2005	3rd Quarter 2006	Change	First Nine Months 2005	First Nine Months 2006	Change	Full Year 2005
€ million							
Net sales	**6,177**	**7,783**	**+ 26.0%**	**19,249**	**21,971**	**+ 14.1%**	**25,950**
Change in sales							
Volume	+ 1%	+ 6%		+ 1%	+ 5%		0%
Price	+ 7%	0%		+ 9%	0%		+ 8%
Currency	+ 2%	– 2%		0%	+ 1%		+ 1%
Portfolio	+ 10%	+ 22%		+ 9%	+ 8%		+ 9%
EBITDA[1]	**1,257**	**1,170**	**– 6.9%**	**3,740**	**3,960**	**+ 5.9%**	**4,315**
Special items	*170*	*(335)*		*(74)*	*(497)*		*(472)*
EBITDA before special items	*1,087*	*1,505*	*+ 38.5%*	*3,814*	*4,457*	*+ 16.9%*	*4,787*
EBITDA margin before special items	17.6%	19.3%		19.8%	20.3%		18.4%
EBIT[2]	**796**	**659**	**– 17.2%**	**2,489**	**2,614**	**+ 5.0%**	**2,633**
Special items	*143*	*(139)*		*(101)*	*(317)*		*(525)*
EBIT before special items	*653*	*798*	*+ 22.2%*	*2,590*	*2,931*	*+ 13.2%*	*3,158*
EBIT margin before special items	10.6%	10.3%		13.5%	13.3%		12.2%
Non-operating result	**(182)**	**(272)**	**– 49.5%**	**(442)**	**(719)**	**– 62.7%**	**(615)**
Net income	**493**	**320**	**– 35.1%**	**1,551**	**1,372**	**– 11.5%**	**1,597**
Earnings per share (€)[3]	0.68	0.42		2.12	1.82		2.19
Core earnings per share (€)[4]	0.64	0.79		2.46	2.56		2.93
Gross cash flow[5]	**863**	**1,170**	**+ 35.6%**	**2,790**	**3,260**	**+ 16.8%**	**3,262**
Net cash flow[6]	**1,374**	**1,521**	**+ 10.7%**	**2,083**	**2,480**	**+ 19.1%**	**3,278**
Capital expenditures (total)	**346**	**325**	**– 6.1%**	**798**	**1,084**	**+ 35.8%**	**1,389**
Research and development expenses	**418**	**678**	**+ 62.2%**	**1,264**	**1,549**	**+ 22.5%**	**1,766**
Depreciation and amortization	**461**	**511**	**+ 10.8%**	**1,251**	**1,346**	**+ 7.6%**	**1,682**
Number of employees at end of period[7]	**–**	–		**87,100**	**110,800**	**+ 27.2%**	**87,100**
Personnel expenses	1,251	1,883	+ 50.5%	4,155	4,984	+ 20.0%	5,576

2005 figures restated

1 EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales.

2 EBIT as shown in the income statement

3 Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 40.

4 To calculate core earnings per share from continuing operations we eliminate from net income as per the income statement the amortization of intangible assets, asset write-downs (including any impairment losses), special items in EBITDA and extraordinary factors affecting income from investments in affiliated companies (such as divestment gains or write-downs), including the related tax effects. We also deduct income from discontinued operations. Core earnings per share is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. For details see page 31.

5 Gross cash flow = EBIT plus depreciation, amortization and write-downs, minus write-backs, minus income taxes, minus gains/plus losses on retirements of noncurrent assets, plus/minus changes in pension provisions. The latter item includes the elimination of non-cash components of the operating result. It also contains benefit payments during the period. Non-cash charges resulting from the remeasurement of Schering inventories are added back. For details see pages 19f.

6 Net cash flow = cash flow from operating activities according to IAS 7

7 Number of employees in full-time equivalents

Bayer HealthCare						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**2,019**	**3,482**	**+ 72.5**	**5,839**	**7,942**	**+ 36.0**
EBITDA*	**476**	**565**	**+ 18.7**	**1,011**	**1,478**	**+ 46.2**
Special items	*63*	*(317)*		*(137)*	*(339)*	
*EBITDA before special items***	*413*	*882*	*+ 113.6*	*1,148*	*1,817*	*+ 58.3*
EBITDA margin before special items	20.5%	25.3%		19.7%	22.9%	
EBIT*	**353**	**392**	**+ 11.0**	**737**	**1,126**	**+ 52.8**
Special items	*36*	*(106)*		*(164)*	*(128)*	
*EBIT before special items***	*317*	*498*	*+ 57.1*	*901*	*1,254*	*+ 39.2*

2005 figures restated
* for definition see Bayer Group Key Data
** for definition see also page 29 of Stockholders' Newsletter 2006

Bayer CropScience						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**1,171**	**1,049**	**– 10.4**	**4,519**	**4,398**	**– 2.7**
EBITDA*	**227**	**140**	**– 38.3**	**1,090**	**1,059**	**– 2.8**
Special items	*53*	*(3)*		*19*	*(3)*	
EBITDA before special items	*174*	*143*	*– 17.8*	*1,071*	*1,062*	*– 0.8*
EBITDA margin before special items	14.9%	13.6%		23.7%	24.1%	
EBIT*	**70**	**(12)**	**•**	**646**	**626**	**– 3.1**
Special items	*53*	*(15)*		*19*	*(15)*	
EBIT before special items	*17*	*3*	*– 82.4*	*627*	*641*	*+ 2.2*

* for definition see Bayer Group Key Data

Bayer MaterialScience						
€ million	3rd Quarter 2005	3rd Quarter 2006	Change %	First Nine Months 2005	First Nine Months 2006	Change %
Net sales	**2,639**	**2,920**	**+ 10.6**	**7,917**	**8,614**	**+ 8.8**
EBITDA*	**542**	**398**	**– 26.6**	**1,539**	**1,342**	**– 12.8**
Special items	*40*	*(29)*		*30*	*(159)*	
EBITDA before special items	*502*	*427*	*– 14.9*	*1,509*	*1,501*	*– 0.5*
EBITDA margin before special items	19.0%	14.6%		19.1%	17.4%	
EBIT*	**406**	**261**	**– 35.7**	**1,139**	**919**	**– 19.3**
Special items	*40*	*(32)*		*30*	*(178)*	
EBIT before special items	*366*	*293*	*– 19.9*	*1,109*	*1,097*	*– 1.1*

* for definition see Bayer Group Key Data

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.

Bayer

Q3 2006 Analyst and Investor Briefing

November 27, 2006

- **Sales** increased by 26.0% to €7,783m (Q3'05: €6,177m); Volume +6%, price +/-0%, currency -2%, portfolio +22%. Portfolio and currency adjusted sales increased +6.4% (Schering €1,410m).

- **Underlying EBIT** up 22.2% to €798m (Q3'05: €653m), driven by Pharma and Consumer Health (Schering: €80m).

- **Net Special Items** of -€139m include: *HealthCare*: Total -€106m, mainly due to Schering and a write-down of cancer drug Viadur (€25m)
  CropScience: Total -€15m from restructuring charge and divestiture gain of a product line.
  MaterialScience: Total -€32m, mainly for site consolidation and litigation.

- **Reported EBIT** dropped by 17.2% to €659m (Q3'05: €796m), including Schering (€9m). Q3'05 contained gain of €244m from change in pension plan.

- **Underlying EBITDA** at €1,505m up 38.5% (Q3'05: €1,087m). Contribution from Schering: €392m.

- **Reported EBITDA** at €1,170m down by 6.9% (Q3'05: €1,257m) including €91m from Schering. Please **see annex** (page 4) for details on the impact of Schering on EBIT and EBITDA.

- **Non-operating result** down by 49.5% to -€272m (Q3'05: -€182m) including net interest expenses of -€214m (Q3'05: -€116m).

- **Net income** (incl. discontinued operations) down by 35.1% to €320m (Q3'05: €493m); **EPS** accordingly at €0.42 (Q3'05: €0.68)

- **Core EPS** at €0.79 (Q3'05: €0.64). Details on EPS/Core EPS see page 5.

- **Gross cash flow** up by 35.6% to €1.170m (Q3'05: €863m). Delta **Working Capital** €351m. **Net cash flow (cont.)** at €1,521m (Q3'05: €1,374m). **Investments** down by 6.1% to €325m. **Operating free cash flow** at €1,170m (Q3'05: €1,080m).

- **Net debt** qoq down by €924m to €19,021m and up by €13,527m compared to December 31, 2005.

€ million	Q3 2005 Sales	Q3 2005 EBIT rep.	Q3 2005 Special Items	Q3 2005 EBIT under-lying	Q3 2005 EBITDA rep.	Q3 2005 EBITDA under-lying	Q3 2006 Sales	Q3 2006 EBIT Rep.	Q3 2006 Special Items	Q3 2006 EBIT under-lying	Q3 2006 EBITDA rep.	Q3 2006 EBITDA under-lying
HealthCare	**2,019**	**353**	**36**	**317**	**476**	**413**	**3,482**	**392**	**(106)**	**498**	**565**	**882**
Pharma	1,029	188	30	158	256	214	2,444	199	(92)	291	337	640
Cons. Health	990	165	6	159	220	199	1,038	193	(14)	207	228	242
CropScience	**1,171**	**70**	**53**	**17**	**227**	**174**	**1,049**	**(12)**	**(15)**	**3**	**140**	**143**
CP	979	53	44	9	175	131	872	(7)	(15)	8	130	133
ES/BS	192	17	9	8	52	43	177	(5)	0	(5)	10	10
MaterialSc.	**2,639**	**406**	**40**	**366**	**542**	**502**	**2,920**	**261**	**(32)**	**293**	**398**	**427**
Materials	1,030	192	27	165	247	220	1,067	67	0	67	123	123
Systems	1,609	214	13	201	295	282	1,853	194	(32)	226	275	304
Reconc.	**348**	**(33)**	**14**	**(47)**	**12**	**(2)**	**332**	**18**	**14**	**4**	**67**	**53**
Group	**6,177**	**796**	**143**	**653**	**1,257**	**1,087**	**7,783**	**659**	**(139)**	**798**	**1,170**	**1,505**

Outlook

The outlook refers to continuing operations, including Schering. It does not reflect the Diagnostics business, which is to be divested and is reported under discontinued operations.

We expect Bayer Group sales to amount to about €30 billion for the full year 2006, including €3.0 billion in revenues from the Schering business.

Excluding the Diagnostics business now to be divested, we achieved underlying EBIT of €3,158 million and underlying EBITDA of €4,787 million in fiscal 2005. We aim to significantly improve on these numbers in 2006, and expect to achieve underlying EBITDA of approximately €5.7 billion, including about €0.7 billion from the Schering business. As explained in the previous interim report, this figure is adjusted for non-cash charges arising from the acquisition-related step-up of Schering inventories, thus ensuring comparability with future periods. Further details of the calculation of EBIT and EBITDA before special items for Schering are given in the Stockholders' Newsletter, page 29.

We expect to achieve underlying EBIT of approximately €3.5 billion in 2006, with the Schering business contributing about €0.1 billion to this total. Following the entry of the domination and profit and loss transfer agreement with Schering in the commercial register on October 27, 2006, we have embarked on the integration of Schering. We expect to incur net special charges of €0.6 billion in the fourth quarter, including €0.4 billion related to Schering. The €0.6 billion figure includes €0.3 billion in non-cash charges comprising write-downs and effects of the purchase price allocation.

With the integration of Schering proceeding on schedule, we are now planning an underlying EBITDA margin in HealthCare of approximately 22 percent for the full year 2006. This guidance already reflects expected increases in marketing and R&D costs in the fourth quarter.

Bayer CropScience continues to anticipate a negative market environment in the fourth quarter, particularly in Brazil. We therefore uphold our forecast of a drop in sales and a year-on-year decline in the underlying EBITDA margin for 2006 as a whole.

We maintain a positive view of the market environment for our MaterialScience business. For the full year 2006, we continue to aim for underlying EBIT and EBITDA on a par with the previous year. Some risks are inherent in the effects of raw material cost increases and the production shortfalls that have occurred.

We are targeting an EBITDA margin (before special items) for the Bayer Group of about 19 percent.

Q3'06 HealthCare

Pharmaceuticals sales up 137.5% to €2,444m with Schering contributing €1,410m. *Primary Care:* Adalat down to €155m (-6.1%). Cipro sales €117m (-13.3%). Avelox sales up 23.4% to €79m driven by market share increase. Levitra also gained market share (€77m, +14.9%). *Hematology/Cardiology:* Trasylol down 39.7% to €38. Kogenate (€199m, +6.4%) compared to strong previous year quarter (BioSet launch). Negative sales impact of €37m from cessation of distribution of plasma products with Talecris. Rx Aspirin Cardio up 13.0% (€52m) with growth in major markets. *Oncology*: Sales €54m with Nexavar contributing €37m. *Schering:* Betaferon up 10.3% to €246m. Yasmin sales (including Yaz and Yasminelle) increased by 24.8% to €206m.
Underlying EBIT up 84.2% to €291m due to Schering inclusion (€80m) and optimization of cost structures. Underlying EBITDA at €640m, up 199.1% (Schering €392m).

Consumer Health sales advanced by 4.8% to €1,038m. Aleve with ongoing recovery (€62m, +21.6%). Strong performance of the Bepanthen product family (€32m, +23.1%).

Ascensia flat +0.6% (€178m) due to destocking in US. Aspirin OTC sales increased by 2.7% to €116m.
Underlying EBIT up 30.2% to €207m. Underlying EBITDA at €242m (+21.6%)

Q3'06 CropScience

Crop Protection sales down by 10.9% to €872m. Portfolio and currency adjusted down by 6.6%. Sales of **Insecticides** decreased by 7.6% to €267m mainly due to drought in US, unfavourable Fx development and divested products. **Fungicides** sales down by 31.5% to €152m mainly caused by difficult farm situation in Brazil, especially for soy and unfavourable weather conditions in main regions. Sales in the **Herbicides** division decreased by 7.5% (€310m) despite a good start into fall cereals season in EU. **Seed Treatment** up 7.5% to €143m driven by new products.
Underlying EBIT in Crop Protection down by €1m to €8m. Underlying EBITDA up €2m to €133m.

Environmental Science/BioScience sales down by 7.8% to €177m. Environmental Science down 5.5% to €137m. BioScience reduced sales by 14.9% to €40m.
Underlying EBIT down by €13m to -5€m due to increased marketing efforts in Environmental Science. Underlying EBITDA at €10m (-76.7%)

Q3'06 MaterialScience

Materials segment sales improved by 3.6% to €1,067m. Polycarbonates sales up 4.0% to €695m, strong volume growth compensated for price declines.
Underlying EBIT down 59.4% to €67m, mainly due to lower selling prices and higher raw material costs. Underlying EBITDA at €123m (-44.1%).

Systems segment sales were up 15.2% to €1,853m, with Polyurethanes up 15.2% to €1,328m. MDI with higher volumes but lower prices. TDI up mainly on price enhancements. Polyols up on improved prices. Coatings raw materials continued growth of 16.0% to €385m driven by strong demand and price increases.
Underlying EBIT up by 12.4% to €226m. Higher raw material prices were compensated by increasing prices and volumes. Underlying EBITDA at €304m (+7.8%)

Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
Dr. Juergen Beunink (+49-214-30-65742)
Peter Dahlhoff (+49-214-30-33022)
Ilia Kürten (+49-214-30-35426)
Ute Menke (+49-214-30-33021)
Judith Nestmann (+49-214-30-66836)
Dr. Olaf Weber (+49-214-30-33567)

Forward-looking statements

Annex

Q3'06 Performance of Bayer Schering Pharmaceuticals (BSP)

Euro million	Q3´05 Bayer Pharma	Q3´05 Schering	Q3´06 Bayer Pharma	Q3´06 ∆% yoy	Q3´06 Schering	Q3´06 BSP
Sales	**1,029**	•	**1,034***	**0.5**	**1,410**	**2,444**
EBITDA	**256**	•	**246**	**-3.9**	**91**	**337**
Special items	42	•	-2	•	-301	-303
•*work-down of inventory step-up*	*0*	•	*0*	•	*-267*	*-267*
•*capitalization of amortization as part of inventory*	*0*	•	*0*	•	*0*	*0*
•*Schering integration*	*0*	•	*0*	•	*-30*	*-30*
•*other*	*42*	•	*-2*	•	*-4*	*-6*
underlying EBITDA	**214**	•	**248**	**15.9**	**392**	**640**
EBIT	**188**	•	**190**	**1.1**	**9**	**199**
Special items	30	•	-21	•	-71	-92
•*work-down of inventory step-up*	*0*	•	*0*	•	*-267*	*-267*
•*capitalization of amortization as part of inventory*	*0*	•	*0*	•	*230*	*230*
•*Schering integration*	*0*	•	*0*	•	*-30*	*-30*
•*other*	*30*	•	*-21*	•	*-4*	*-25*
underlying EBIT	**158**	•	**211**	**33.5**	**80**	**291**

*) + 6.5% sales growth if adjusted for Trasylol impact (-€25m) and cessation of plasma product distribution in Canada (-€37 m)

Calculation of Core Earnings per Share

Earnings per share according to IFRS are affected by the purchase price allocation (see Stockholders' Newsletter page 41) and other special factors. To enhance comparability over time, we also determine core earnings per share (from continuing operations), from which these factors are excluded. We do this by eliminating from net income as per the income statement the amortization of intangible assets, asset writedowns (including any impairment losses), special items in EBITDA and extraordinary factors affecting income from investments in affiliated companies (such as divestment gains or write-downs), including the related tax effects. We also deduct income from discontinued operations.

Calculation of Core Earnings per Share*				
€ million	3rd Quarter 2005	3rd Quarter 2006	First Nine Months 2005	First Nine Months 2006
Net income	493	320	1,551	1,372
+ Amortization and write-downs of intangible assets	153	190	418	470
+ Write-downs of property, plant and equipment	41	23	50	48
+/– Special items (other than write-downs)	(170)	335	74	497
+/– Extraordinary income/loss from investments in affiliated companies	–	–	–	–
+/– Tax adjustment	(9)	(193)	(190)	(355)
+/– Income/loss from discontinued operations	(39)	(51)	(105)	(78)
Core net income from continuing operations	469	624	1,798	1,954
+/– Financing expenses for the mandatory convertible bond, net of tax effects	–	25	–	48
Adjusted core net income	469	649	1,798	2,002
Million shares				
Weighted average number of outstanding ordinary shares**	730.34	760.28	730.34	740.43
Potential shares to be issued upon conversion of the mandatory convertible bond	–	60.12	–	41.30
Adjusted weighted average number of outstanding ordinary shares	730.34	820.40	730.34	781.73
Basic and diluted core earnings per share from continuing operations (€)	0.64	0.79	2.46	2.56

* Adjusted core net income and core earnings per share are not defined in the International Financial Reporting Standards. These indicators are therefore to be regarded only as supplementary information. The company believes that they give readers a clearer picture of the results of operations and ensure greater comparability of data over time.

** including newly issued shares from the capital increase *pro rata temporis*

November 27, 2006

Acquisition of Schering:
Indicative impact of the additional amortization charge and work-down of inventory step-up on EBIT and EBITDA

The additional charge from the amortization of intangible and tangible assets related to the acquisition of Schering is expected to be around 0.9 billion euros per annum. This will be the run-rate of acquisition related additional amortization charges for 13 years on average.

An approximately 1 billion euros step-up of inventories will probably be worked down over the next 2.5 years reflecting the lifespan of these assets. As rough guidance, charges of approximately 470 million euros in 2006, 300 million euros in 2007 and 180 million euros in 2008 are assumed. These charges will be a component of special items.

The extraordinary charges resulting from the work-down of the stepped up inventories are partly offset by capitalizing part of the additional amortization in newly produced inventory.

The major part of the intangible assets identified during the purchase price allocation, such as patents, production know-how and other product-related assets is linked to manufacturing. Thus, amortization of these assets is part of the manufacturing cost and hence is capitalized in inventories until inventories are sold.

As rough guidance for the impact on the reported EBIT, this means that in 2006 approximately 80 percent of the amortization charge associated with the acquisition of Schering, or roughly 380 million euros, will be capitalized, reducing the P&L effect of the amortization from 480 million euros to 100 million euros. In addition, the 470 million euros work-down of the inventory step-up has to be accounted for, leading to overall charges of 570 million euros in the reported EBIT for 2006. The capitalized amortization charge of about 380 million euros will be treated as a special item offsetting the work-down of the inventory step-up. As a result, the net one time charge related to the additional amortization and the work-down of inventory step-up will be approximately 90 million euros in 2006. Hence, the effect on the underlying EBIT line is expected to be around 480 million euros.

For 2007, the effect of capitalizing additional amortization in inventory will be approximately 630 million euros, whereas the work-down of inventory step-up will be roughly 300 million euros. The reported EBIT impact should therefore be approximately 970 million euros, whereas the impact on the underlying EBIT is estimated to be in the range of 920 million euros.

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Underlying EBITDA excludes the work-down of the inventory step-up and of course any depreciation and amortization effects. The one-time gains resulting from capitalizing part of the additional amortization charges are not relevant for the EBITDA line.

Acquisition of Schering - Indicative Impact of Additional Amortization*

In € million, figures rounded	Q4 2006e	FY 2006e	FY 2007e	FY 2008e	FY 2009e
Work-down of inventory step-up	**-200**	**-470**	**-300**	**-180**	**0**
Amortization of intangibles & tangibles, excl. trademarks	-210	-460	-870	-850	-850
> Of which capitalized as part of inventory	150	380	630	690	690
Expensed amortization capitalized in previous period			-380	-630	-690
Amortization of trademarks	-10	-20	-50	-50	-50
Amortization	**-70**	**-100**	**-670**	**-840**	**-900**
EBIT impact	**-270**	**-570**	**-970**	**-1,020**	**-900**
EBIT special items	-50	-90	-50	-120	0
Underlying EBIT impact	**-220**	**-480**	**-920**	**-900**	**-900**
EBITDA impact	**-200**	**-470**	**-300**	**-180**	**0**
EBITDA special items	-200	-470	-300	-180	0
Underlying EBITDA impact	**0**	**0**	**0**	**0**	**0**

* Status: November 27, 2006
All figures are indicative as the purchase price allocation is still provisional. Assumptions subject to change.
Figures may change during the finalization of the process.

Bayer Investor Relations contacts:

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Peter Dahlhoff (+49-214-30-33022)
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