



Investor News

Bayer CropScience plans further profitable growth:

Sales of new active ingredients to reach EUR 1 billion, EBITDA margin to improve to 25 % by 2006

Innovative products to offer new solutions for farmers, drive company growth

Monheim / May 12, 2005 – Bayer CropScience plans to significantly increase its operating income before interest and taxes (EBIT) by 2006. The announcement follows a strong year 2004, where the Monheim, Germany based Bayer subgroup boosted EBIT by 44 % to EUR 492 million. With sales of EUR 5.95 billion, Bayer CropScience became the global market leader in the crop science industry in 2004.

“We plan a further significant increase in EBIT in 2005 and 2006, supported by a migration to innovative, higher-margin products and a further improvement of our cost base”, said Prof. Dr. Friedrich Berschauer, Chairman of the Board of Management of Bayer CropScience, at the company’s Annual Press Conference in Monheim. Based on this, Bayer CropScience expects to raise its EBITDA margin – the ratio of EBIT plus depreciation and amortization to sales – to 25 % by the year 2006, Berschauer explained. The company aims to further raise this margin to 26 %.

Significant progress since formation of the company in 2002

The Bayer CropScience CEO said that he was very pleased with the distinct improvements in operations and financial performance the company and its employees have delivered since formation of Bayer CropScience in 2002. Berschauer: “We have made significant progress over the past three years in terms of revitalizing our product portfolio, improving profitability and building a global market and innovation leader.” With 95 % of the integration projects completed, the focus would now be on fine-tuning operative and administrative processes to further improve efficiency. “As we go forward, we intend to build our future growth on a powerful portfolio of new

products, our excellent Research and Development pipeline and a strong marketing position that helps us to offer our customers around the world a broad and highly integrated product portfolio”, Berschauer said.

Sales target of EUR 1 billion from new active ingredients by 2006

By the year 2006, Bayer CropScience expects to achieve EUR 1 billion in sales from new active ingredients introduced in key countries since 2000. In the first quarter of 2005, these new products achieved combined sales of EUR 268 million, a year-on-year increase of 39 %. The group of newly launched active ingredients now represents a 15 % share of the total product portfolio of Bayer CropScience.

Attesting to the company’s drive for innovation, 7 new active ingredients have been introduced in the past 3 years alone, among them prothioconazole, a new fungicidal compound marketed under trade names such as Proline[®], which the company expects to achieve annual peak sales of more than EUR 300 million. In 2005, Bayer CropScience is planning to launch 2 new active ingredients and 5 major other crop protection products. Part of this line-up are the new keteonole-based insecticide Oberon[®] for use in cotton and vegetables and Nativo[®], a new tebuconazole and trifloxystrobin-based broad spectrum fungicide against many plant diseases in cereals, vegetables, soybeans and other crops.

According to the Bayer CropScience CEO, the company’s pipeline looks promising also for the years ahead. Says Berschauer: “We are prepared to support growth in the coming years with a well-filled pipeline which holds 10 phase III development projects anticipated for launch in the period between 2006 and 2011.” He said that these innovative products would offer new solutions for farmers in innovative crop management. Berschauer added: “Bayer CropScience draws on the largest budget for crop protection research and development in the industry. This underlines the strong position of Bayer CropScience as the innovation leader in the crop science business.”

First quarter 2005: upward EBIT trend continues

Reviewing the first quarter of the current business year, Berschauer said that following an exceptionally strong year 2004, the first three months of 2005 started on a mixed note for the agricultural industry. A drought in the Mercosur countries in Southern Latin America and particularly in Brazil led to a significant decrease of the markets in this important agro-economic region. In Europe, farming operations were delayed by a

long and cold winter, and a subsequent drought in southern Europe further extended the unfavorable weather conditions.

At Bayer CropScience, this development was offset by strong growth in the North American crop protection business, an excellent performance of the company's newly launched active ingredients, a strong seed treatment business as well as the continuing expansion of the crop improvement business at BioScience. Bayer CropScience CEO Friedrich Berschauer said that given the delayed start to the planting season in certain regions, he expects some shift of business from the first into the second quarter.

Total sales in the first quarter 2005 increased by 0.7 % to EUR 1.74 billion. On a currency adjusted basis sales grew by 1.0 %. About 80 % of total business were accounted for by the Crop Protection business group, where sales improved slightly to EUR 1.42 billion (+ 0.1 %). BioScience turned in an excellent performance with sales up 17.7 % to EUR 153 million, while a late start of the gardening season in the US led to a decrease of Environmental Science sales (- 6.5 % to EUR 174 million).

The Bayer CropScience CEO also explained that the company has seen a strong first quarter fungicide demand in North America in anticipation of an outbreak of Asian Rust in the soy growing regions in the US. However, revenue and earnings from Asian Rust related fungicides sales in the US have not yet entered the books as sales were made on the basis of the so-called Section 18 emergency registration for its Folicur[®] and Stratego[®] fungicides. Berschauer added: "If Asian Rust develops in the US, this provides a significant upside for our fungicide business."

Outlining the financial key data for the first quarter 2005, Dr. Dirk Suwelack, Head of Business Administration and Member of the Board of Management of Bayer CropScience, said that operating income before interest and taxes increased by 9 % to EUR 414 million. After special items of EUR - 9 million, EBIT grew by 12 % to EUR 423 million vs. EUR 379 million in the previous year's period, Suwelack explained. On a business segment level, Crop Protection improved its EBIT by 14 % to EUR 322 million, while EBIT at the Environmental Science and BioScience Segment decreased by 4 % to EUR 92 million.

Since formation of the company in 2002, Bayer CropScience has improved its EBIT by EUR 600 million, up from an acquisition-related EUR - 108 million in 2002 to EUR 492 million in 2004. Over the same period of time, the company has lifted its EBITDA margin from 11 % to 21 %. Suwelack commented: "As our integration

synergy programs show their full effect and additional business efficiency measures come on stream, we are confident that we can achieve our EBITDA margin targets.”

To help reach its mid-term goals, Bayer CropScience has launched an initiative under the name “Challenge 2007” to capture post-integration efficiencies and optimize business processes. Suwelack: “The overall target of the initiative is to reach net savings of EUR 200 million per year from the year 2007 onwards.” The savings initiative consists of efficiency enhancing measures from all areas of the company, ranging from procurement and IT systems to R&D and production. Suwelack stressed that the process improvement measures initiated would not compromise the company’s ability to invest and innovate. In 2005, Bayer CropScience is planning to invest about EUR 200 million in capital expenditures and EUR 650 million in R&D.

Bayer CropScience, a subsidiary of Bayer AG with annual sales of about EUR 6 billion, is one of the world’s leading innovative crop science companies in the areas of crop protection, non-agricultural pest control, seeds and plant biotechnology. The company offers an outstanding range of products and extensive service backup for modern, sustainable agriculture and for non-agricultural applications. Bayer CropScience has a global workforce of about 19,000 and is represented in more than 120 countries. Further information is available at <http://www.bayercropscience.com>

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