



August 29, 2006

Acquisition of Schering:

Indicative impact of the additional amortization charge and step-up of inventories 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 1 billion euros per annum. This will be the run-rate of acquisition related additional amortization charges for up to about 13 years.

An approximately 1 billion euros step-up of inventories will probably be amortized over the next 2.5 years reflecting the lifespan of these assets. As rough guidance, charges of approximately 510 million euros in 2006, 410 million euros in 2007 and 100 million euros in 2008 are assumed. These charges will be a component of special items.

The extraordinary charges resulting from the carry-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. These have an average lifespan of one year at Schering. It is assumed that approximately 20 percent of total inventories built up in a given year are consumed during that year, the remaining 80 percent being capitalized in that year and expensed in the following year.

As rough guidance for the impact on the reported EBIT, this means that in 2006 almost 80 percent of the amortization charge for the second half of the year, or roughly 400 million euros, will be capitalized, reducing the P&L effect of the amortization from the half year run-rate of 520 million euros to 120 million euros. In addition, the 510 million euros step-up inventory has to be accounted for, leading to overall charges of 630 million euros in the reported EBIT for 2006. The capitalized amortization charge of about 400 million euros will be treated as a special item offsetting the charge from the step-up of the inventory. As a result, the net one time charge related to the additional amortization and the step-up of inventory will be approximately 110 million euros in 2006. Hence, the effect on the underlying EBIT line is expected to be around 520 million euros.

For 2007, the effect of capitalizing additional amortization in inventory and carry-down of inventory step-up will roughly offset each other. The reported EBIT impact should therefore be

1.05 billion euros, which is close to the normal run-rate of 1 billion euros of charges in the underlying EBIT.

Underlying EBITDA excludes the write-off 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	Q3 2006e	FY 2006e	FY 2007e	FY 2008e	FY 2009e
Write-off inventory step-up	-240	-510	-410	-100	0
Amortization of intangibles & tangibles, excl. trademarks	-240	-490	-950	-950	-950
> Of which capitalized as part of inventory (approx. 80%)	190	400	760	760	760
Expensed amortization capitalized in previous period			-400	-760	-760
Amortization of trademarks	-10	-30	-50	-50	-50
Amortization	-60	-120	-640	-1,000	-1,000
EBIT impact	-300	-630	-1,050	-1,100	-1,000
EBIT exceptionals	-50	-110	-50	-100	0
Underlying EBIT impact	-250	-520	-1,000	-1,000	-1,000
EBITDA impact	-240	-510	-410	-100	0
EBITDA exceptionals	-240	-510	-410	-100	0
Underlying EBITDA impact	0	0	0	0	0

* Status: August 29, 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.
 Example 2007: EBIT except. of -50m = -410m (step-up inventory) + 760m (capitalized amort.) - 400m (expensed amort. from prev. period)

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Forward-looking statements

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