Bayer to sell diagnostics business to Siemens for EUR 4.2 billion

Leverkusen, June 29, 2006

- Bayer Diabetes Care Division and Schering contrast agents business not affected
- Decision not driven by financing of Schering acquisition

Leverkusen – The Bayer Group plans to sell the Diagnostics Division of Bayer HealthCare to Siemens AG, Munich, Germany, for EUR 4.2 billion. The divestment was approved today by the Bayer Supervisory Board. This decision is fully in line with the company’s strategy for systematically aligning its health care business. Bayer is concentrating on pharmaceuticals for both humans and animals, and products that can be promoted directly to patients.

The systems business of the Diagnostics Division, with its emphasis on hardware, IT networking and comprehensive equipment service, is subject to different success factors than the other Bayer HealthCare divisions. Bayer is therefore divesting these activities as part of the consolidation phase in the diagnostics market. The company is convinced that the successful laboratory equipment business has even better long-term development prospects in a company specializing in medical technology. Closing of the transaction is expected for the first half of 2007, subject to the approval of the antitrust authorities.

The consumer-influenced Diabetes Care Division is not affected by the transaction, nor is the contrast agents (diagnostic imaging) business of Schering AG, which will form an important part of the future Bayer Schering Pharma AG.
For Bayer the after-tax proceeds of the divestment will be about EUR 3.6 billion. Although this transaction has been pursued irrespective of the Schering acquisition and its financing, it will affect it in that the planned EUR 1.3 billion hybrid bond may not be launched or may have a much smaller volume. In addition, the previously announced equity raising of up to EUR 4 billion in connection with the Schering acquisition is now likely to be reduced by EUR 500 million. In March this year Bayer had already issued a mandatory convertible bond in the amount of EUR 2.3 billion as a first step. The effect of the divestment is to substantially reduce the company’s debt, thus helping to improve its credit profile.

Sales of Bayer HealthCare Diagnostics rose in 2005 by 8.4 percent to EUR 1.4 billion. The division employs more than 5,000 people worldwide. It offers an extensive portfolio of in-vitro diagnostic products for evaluating and monitoring the therapy of numerous diseases, including cardiovascular disorders, kidney diseases, infections, cancer and diabetes.

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Listing: Official market Frankfurt sub-segment entailing additional post-admission obligations (Prime Standard) Berlin-Bremen, Düsseldorf, Hamburg, Hannover, München und Stuttgart; Swiss Exchange; London; Madrid; New York, Tokyo

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Forward-looking statements
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