Stockholders' Newsletter

Interim Report as of March 31, 2007 and Report on the Annual Stockholders' Meeting of Bayer AG on April 27, 2007 in Cologne

Excellent start to 2007

Group Management Report as of March 31, 2007

Consolidated Financial Statements as of March 31, 2007

COVER PICTURE

Bayer accords high priority to climate protection as part of its sustainability strategy. The company has adopted a range of measures to help reduce greenhouse gas emissions, with many of its products also playing an active role in this respect. For example, Bayer products protect many agricultural crops that serve as sources of the renewable ñ and therefore climate-friendly ñ raw materials from which biofuels are produced. Our researchers are also studying plants that are rich sources of energy and are not used for food production. The "Focus" article on page 68 f of this issue also deals with the topic of climate protection.

For direct access to a chapter, simply click on its name.

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Bayer Group Key Data

	1st Quarter 2006	**1st Quarter 2007**	Change	Full Year 2006
	€ million	€ million	%	€ million
Net sales	**6,791**	**8,335**	**+ 22.7**	**28,956**
Change in sales				
Volume	+ 4%	+ 8%		+ 5%
Price	+ 1%	0%		0%
Currency	+ 5%	− 5%		0%
Portfolio	+ 1%	+ 20%		+ 12%
EBITDA[1]	**1,436**	**1,774**	**+ 23.5**	**4,675**
Special items	*(128)*	*(216)*		*(909)*
EBITDA before special items	*1,564*	*1,990*	*+ 27.2*	*5,584*
EBITDA margin before special items	23.0%	23.9%		19.3%
EBIT[2]	**1,049**	**1,175**	**+ 12.0**	**2,762**
Special items	*(128)*	*(200)*		*(717)*
EBIT before special items	*1,177*	*1,375*	*+ 16.8*	*3,479*
EBIT margin before special items	17.3%	16.5%		12.0%
Non-operating result	**(210)**	**(218)**	**− 3.8**	**(782)**
Net income	**600**	**2,809**	**•**	**1,683**
Earnings per share (€)[3]	0.82	3.44		2.22
Core earnings per share (€)[4]	1.01	1.26		3.24
Gross cash flow[5]	**1,089**	**1,411**	**+ 29.6**	**3,913**
Net cash flow[6]	**38**	**375**	**•**	**3,928**
Cash outflows for capital expenditures	**419**	**201**	**− 52.0**	**1,876**
Research and development expenses	**414**	**625**	**+ 51.0**	**2,297**
Depreciation and amortization	**387**	**599**	**+ 54.8**	**1,913**
Number of employees at end of period[7]	**82,400**	**105,100**		**106,000**
Personnel expenses	1,486	1,898	+ 27.7	6,630

2006 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 38.

[4] 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. The calculation of core earnings per share is explained on page 31.

[5] Gross cash flow = income after taxes from continuing operations plus income taxes, plus/minus non-operating result, minus income taxes paid, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see page 22 f.

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

[7] Number of employees in full-time equivalents

Financial Calendar

Q2 2007 Interim Report	August 7, 2007
Q3 2007 Interim Report	November 6, 2007
Annual Stockholders' Meeting 2008	April 25, 2008
Payment of Dividend	April 28, 2008

Masthead

Published by
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Date of publication
May 8, 2007

Many business and financial terms are explained on the Bayer Investor Relations website at www.investor.bayer.com>Stock>Glossary

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www.bayer.com

If you would like to receive the Bayer Stockholders' Newsletter in electronic rather than print form in future, please email the editor.

Forward-Looking Statements
This Annual Report contains forward-looking statements. These statements use words like "believes," "assumes," "expects" or similar formulations. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, assets, development or performance of our company and those either expressed or implied by these statements. These factors include, among other things:

- downturns in the business cycle of the industries in which we compete;
- new regulations, or changes to existing regulations, that increase our operating costs or otherwise reduce our profitability;
- increases in the price of our raw materials, especially if we are unable to pass these costs along to customers;
- loss or reduction of patent protection for our products;
- liabilities, especially those incurred as a result of environmental laws or product liability litigation;
- fluctuation in international currency exchange rates as well as changes in the general economic climate; and
- other factors identified in this Annual Report.

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). In view of these uncertainties, we caution readers not to place undue reliance on these forward-looking statements. We assume no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Important Information from Bayer AG:
This is neither an offer to purchase nor a solicitation of an offer to sell shares or American depositary shares of Bayer Schering Pharma AG (formerly Schering AG). Bayer Schering GmbH (formerly Dritte BV GmbH) filed a tender offer statement with the U.S. Securities and Exchange Commission (SEC) with respect to the mandatory compensation offer on November 30, 2006, the time of commencement of the mandatory compensation offer. Simultaneously Bayer Schering Pharma AG (formerly Schering AG) filed a solicitation/recommendation statement on Schedule 14D-9 with the SEC with respect to the mandatory compensation offer. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) are strongly advised to read the tender offer statement and other relevant documents regarding the mandatory compensation offer that have been filed or will be filed with the SEC because they contain important information. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) will be able to receive these documents free of charge at the SEC's website (www.sec.gov), or at the website www.bayer.com.

These documents and information contain forward-looking statements based on assumptions and forecasts made by Bayer Group management as of the respective dates of such documents. 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 Bayer Group and/or Bayer Schering Pharma AG (formerly Schering AG) and the estimates contained in these documents and to differences between actions taken by the Bayer Group with respect to its investment in Bayer Schering Pharma AG (formerly Schering AG) and the intentions described in these documents. These factors include those discussed in reports filed with the Frankfurt Stock Exchange and in our reports filed with the U.S. Securities and Exchange Commission (including on Form 20-F). All forward-looking statements in these documents are made as of the dates thereof, based on information available to us as of the dates thereof. Except as otherwise required by law, we assume no obligation to update or revise any forward-looking statement to reflect new information, events or circumstances after the applicable dates thereof.

The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.

Please note that Bayer Schering Pharma AG is not legally related to Schering-Plough Corporation, New Jersey, United States. The two companies have been totally independent of each other for many years.

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Jump in HealthCare sales and earnings

Bayer: excellent start to 2007

- All subgroups on course for growth – sales up 22.7 percent to €8.3 billion
- EBITDA before special items climbs 27.2 percent to €2.0 billion
- EBIT before special items moves ahead 16.8 percent to €1.4 billion
- Group net income improves from €0.6 billion to €2.8 billion
- Net debt reduced by €4.8 billion

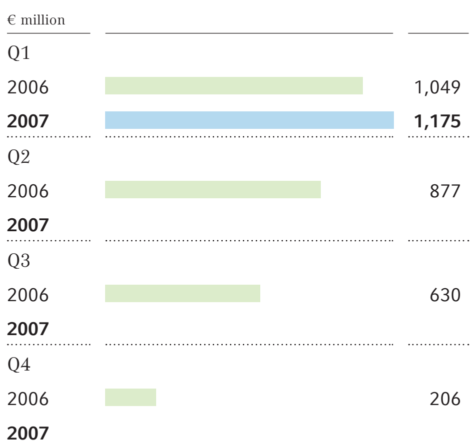
Overview of Sales, Earnings and Financial Position

Bayer got off to an excellent start in 2007, substantially improving on its strong performance in the prior-year quarter. **Sales** rose by 22.7 percent to €8,335 million (Q1 2006: €6,791 million). Revenues for the first three months of 2007 include €1,410 million in sales of the acquired products of Schering, Berlin, Germany. When adjusted for the effects of exchange rate shifts and portfolio changes, sales rose by 7.5 percent, with HealthCare (+7.9 percent), CropScience (+5.9 percent) and MaterialScience (+9.4 percent) all contributing to the increase.

The Group's **EBITDA** before special items advanced by 27.2 percent to €1,990 million (Q1 2006: €1,564 million). The figure for HealthCare jumped by 103.9 percent to €948 million (Q1 2006: €465 million), mainly in light of the Schering AG acquisition and a solid performance by Consumer Health. At CropScience there was a 6.0 percent improvement to €584 million (Q1 2006: €551 million), particularly as a result of higher volumes and improved cost structures. EBITDA before special items of MaterialScience fell by 24.1 percent from the high level of the prior-year quarter, to €409 million (Q1 2006: €539 million), largely due to increased raw material costs.

Net Sales by Market

Operating Result (EBIT)



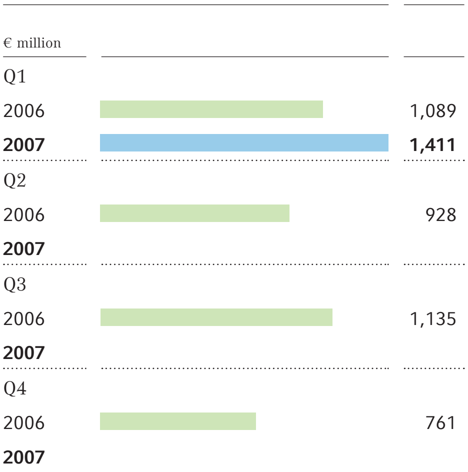
EBIT before special items advanced by 16.8 percent in the first quarter of 2007, to €1,375 million (Q1 2006: €1,177 million). Earnings were diminished by special charges of €200 million (Q1 2006: €128 million). The acquisition and integration of Schering, Berlin, Germany, led to special charges of €139 million. Special charges of €61 million were incurred for restructuring at CropScience, MaterialScience and Bayer Industry Services. After special items, EBIT of the Bayer Group moved ahead by 12.0 percent to €1,175 million (Q1 2006: €1,049 million).

After a non-operating result of minus €218 million (Q1 2006: minus €210 million), pre-tax income came in at €957 million (Q1 2006: €839 million). The non-operating result contained net interest expense of €156 million (Q1 2006: €143 million). Here it should be noted that interest charges for the same period of the previous year were boosted by one-time effects, while financing costs in the first quarter of 2007 rose due to acquisitions. After tax expense of €301 million (Q1 2006: €277 million), income after taxes from continuing operations rose to €656 million (Q1 2006: €562 million).

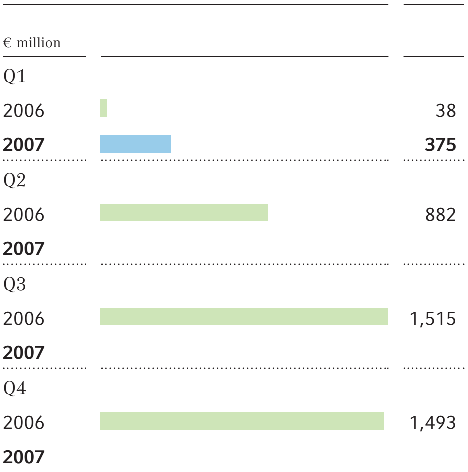
Income after taxes from discontinued operations was €2.2 billion, including divestment gains of €2.1 billion for the Diagnostics business and €0.1 billion for H.C. Starck.

After minority stockholders' interest, net income of the Bayer Group amounted to €2,809 million (Q1 2006: €600 million). Earnings per share came to €3.44 (Q1 2006: €0.82).

Gross Cash Flow



Net Cash Flow



Gross cash flow improved by 29.6 percent from the prior-year quarter, to €1,411 million (Q1 2006: €1,089 million), due to the strong growth in business and the inclusion of Schering, Berlin, Germany. Net cash flow rose by €337 million to €375 million (Q1 2006: €38 million). The total net cash flow including discontinued operations was €413 million.

Net debt declined by €4.8 billion to €12.8 billion in the first quarter of 2007, due particularly to the proceeds from the divestments of the Diagnostics business and H.C. Starck.

Provisions for pensions and other post-employment benefits declined by €0.4 billion compared with December 31, 2006, to €6.2 billion, mainly because of higher capital market interest.

Future Perspectives

Economic outlook

For 2007 we continue to expect the global economy to grow at a rate that is considerably faster than the long-term average. In our opinion, the economic slowdown in the United States will only have a moderate effect on the global economy. Robust growth in Europe and also in the emerging economies of Asia and Latin America is expected to compensate for the weakness in the United States. Although we anticipate that the global economy will maintain its current momentum, risks could result from continuing imbalances in the world economy. It is also very difficult to predict the development of oil prices. We therefore expect a positive trend across the MaterialScience market sectors, although the extent of this trend will vary from region to region. The global crop protection market is expected to expand compared to the previous year. We do not expect a major change in the performance of the pharmaceuticals market compared to the prior year.

Bayer Group sales and earnings forecast

In light of the very successful start to 2007, we confirm our positive outlook for the year. At the present time we are not altering the guidance we issued in March. For the full year we therefore continue to target more than 10 percent growth in both Group sales and underlying EBITDA, along with a slight increase in the underlying EBITDA margin.

We remain confident of the trend in our HealthCare business. For the year as a whole we intend to grow with or faster than the market in all divisions and improve the underlying EBIDTA margin toward 24 percent.

The market environment for our CropScience business in the first quarter was positive as expected. Provided market conditions do not significantly deteriorate, we continue to expect that we will grow slightly faster than the market and improve the underlying EBITDA margin toward 22 percent.

Following the anticipated strong start to the year, MaterialScience plans to achieve further volume growth in 2007 and expects to sustain a good, value-creating earnings level. Underlying EBITDA in the second quarter is expected to be roughly on par with the first quarter.

Performance by Subgroup and Segment

Changes in corporate structure

Our business activities are grouped into the HealthCare, CropScience and MaterialScience subgroups.

As of March 31, 2007, our interest in the voting capital of Bayer Schering Pharma AG, Berlin, Germany, amounted to 96.3 percent. The acquired business of Schering, Berlin, Germany, is included in the Pharmaceuticals segment of the HealthCare subgroup as of June 23, 2006. This business is not included in the figures for the first quarter of 2006.

The names “Bayer Schering Pharma” or “Schering” as used in this report always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively. The reference to Bayer Schering Pharma AG or Schering AG also includes business conducted by affiliated entities in countries outside Germany. Bayer Schering Pharma AG and Schering-Plough Corporation, New Jersey, United States, are unaffiliated companies that have been totally independent of each other for many years.

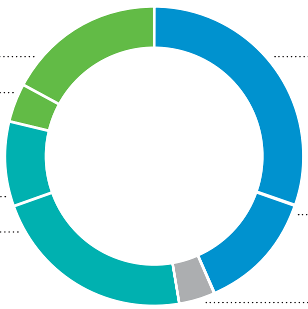
The commentaries in this report relate exclusively to continuing operations, except where specific reference is made to discontinued operations or to a total value (total). The Diagnostics Division and H.C. Starck, both now divested, and the Wolff Walsrode activities, divestment of which is pending, are reported as discontinued operations. The prior-year data are restated accordingly.

Key Data by Subgroup and Segment

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
€ million	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
HealthCare	**2,203**	**3,610**	**385**	**624**	**465**	**948**	**21.1%**	**26.3%**
Pharmaceuticals	1,148	2,495	207	420	246	711	21.4%	28.5%
Consumer Health	1,055	1,115	178	204	219	237	20.8%	21.3%
CropScience	**1,771**	**1,786**	**408**	**447**	**551**	**584**	**31.1%**	**32.7%**
Crop Protection	1,413	1,434	285	343	406	461	28.7%	32.1%
Environmental Science, BioScience	358	352	123	104	145	123	40.5%	34.9%
MaterialScience	**2,486**	**2,608**	**423**	**291**	**539**	**409**	**21.7%**	**15.7%**
Materials	710	739	132	38	170	80	23.9%	10.8%
Systems	1,776	1,869	291	253	369	329	20.8%	17.6%
Reconciliation	**331**	**331**	**(39)**	**13**	**9**	**49**	**2.7%**	**14.8%**
Continuing operations	**6,791**	**8,335**	**1,177**	**1,375**	**1,564**	**1,990**	**23.0%**	**23.9%**

2006 figures restated
* for definition see Bayer Group Key Data on page 2, also page 29.

Sales by Segment in Percent, 1st Quarter 2007 (Q1 2006 in parentheses)



Bayer HealthCare

Sales of the **Bayer HealthCare** subgroup rose in the first quarter by 63.9 percent, or €1,407 million, to €3,610 million. The acquired business of Schering, Berlin, Germany, contributed €1,410 million to this figure. Currency- and portfolio-adjusted sales improved by 7.9 percent, due particularly to the gratifying trend in our Consumer Health segment.

EBITDA before special items for this subgroup climbed by 103.9 percent to €948 million (Q1 2006: €465 million). Underlying **EBIT** advanced by €239 million to €624 million (Q1 2006: €385 million). The special items totaling minus €139 million in our HealthCare business resulted from charges connected with the integration of Schering, Berlin, Germany. EBIT of Bayer HealthCare moved ahead by €106 million, or 28.0 percent, to €485 million.

Pharmaceuticals

Sales of our **Pharmaceuticals** segment rose by €1,347 in the first quarter of 2007, to a total of €2,495 million (Q1 2006: €1,148 million), with the acquired business of Schering, Berlin, Germany, accounting for €1,410 million. Adjusted for currency and portfolio changes, sales expanded by 4.6 percent. Sharply higher sales of Nexavar® and Levitra® more than offset the expected decline for Cipro®/Ciprobay®.

The figures for the first quarter of 2006 do not contain the business of Schering, Berlin, Germany, acquired in June 2006. The commentaries given below on business developments related to the acquired products include comparisons with data for the first quarter of 2006 that were prepared by Schering AG, Berlin, Germany, and do not form part of the Bayer Group financial statements. We refer to those figures as "pro forma." The acquired Schering business posted dynamic currency- and portfolio-adjusted sales growth of more than 5 percent.

Sales of the Primary Care business unit in the first three months of 2007 dipped by 1.8 percent to €773 million, but rose by 1.5 percent on a currency- and portfolio-adjusted basis. On a currency-adjusted basis, business with Levitra® developed particularly well, expanding by 14.7 percent, while sales of Avalox®/Avelox® also improved slightly in the first quarter, advancing by 3.8 percent. Increasing competition from generic products led to a marked decline for Cipro®/Ciprobay®, with sales dropping by 15.0 percent when adjusted for shifts in currency parities.

In our Women's Healthcare business unit, we achieved sales of €627 million in the first quarter. The main growth drivers were the oral contraceptives of the Yasmin®/YAZ®/Yasminelle® product line, sales of which rose by 41.1 percent (pro forma) when adjusted for currency changes. This positive performance was due particularly to the launch of Yasminelle® in Europe and of YAZ® in the United States and Latin America. In January, the U.S. Food and Drug Administration (FDA) expanded the registration for YAZ®, which can now be used in the United States to treat moderately severe acne in women. Currency-adjusted sales of our intra-uterine system Mirena® also advanced by a pleasing 25.0 percent (pro forma) thanks mainly to strong growth in the United States.

Bayer HealthCare	1st Quarter 2006	1st Quarter 2007	Change
	€ million	€ million	%
Net sales	**2,203**	**3,610**	**+ 63.9**
EBITDA[1]	**459**	**783**	**+ 70.6**
Special items	*(6)*	*(165)*	
EBITDA before special items[2]	*465*	*948*	*+ 103.9*
EBITDA margin before special items	21.1%	26.3%	
EBIT[1]	**379**	**485**	**+ 28.0**
Special items	*(6)*	*(139)*	
EBIT before special items[2]	*385*	*624*	*+ 62.1*
Gross cash flow[1]	**292**	**557**	**+ 90.8**
Net cash flow[1]	**43**	**383**	**•**

2006 figures restated
[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 29

Pharmaceuticals	1st Quarter 2006	1st Quarter 2007	Change
	€ million	€ million	%
Sales	**1,148**	**2,495**	**+ 117.3**
Primary Care[1]	787	773	– 1.8
Women's Healthcare	•	627	•
Diagnostic Imaging (including Medrad)	•	307	•
Specialized Therapeutics	•	303	•
Hematology/Cardiology	327	268	– 18.0
Oncology[2]	34	159	•
Dermatology (Intendis)	•	58	•
EBITDA[3]	**241**	**546**	**+ 126.6**
Special items	*(5)*	*(165)*	
EBITDA before special items[4]	*246*	*711*	*+ 189.0*
EBITDA margin before special items	21.4%	28.5%	
EBIT[3]	**202**	**281**	**+ 39.1**
Special items	*(5)*	*(139)*	
EBIT before special items[4]	*207*	*420*	*+ 102.9*
Gross cash flow[3]	**162**	**390**	**+ 140.7**
Net cash flow[3]	**(11)**	**279**	**•**

2006 figures restated
[1] Schering andrology business not included in Q1 2006
[2] Schering oncology business not included in Q1 2006
[3] for definition see Bayer Group Key Data on page 2
[4] for definition see also page 29

Sales of the Diagnostic Imaging business unit came to €307 million. Currency-adjusted sales of Magnevist® rose by 11.8 percent (pro forma), while those of Ultravist® fell by 20.8 percent (pro forma) from the prior-year quarter. Having voluntarily withdrawn the 370 mgI/ml formulation of Ultravist® in the summer of 2006, we resumed sales of this product in numerous countries in the first quarter of 2007. We expect to quickly proceed with distribution of this product in the remaining countries as well.

Sales of the Specialized Therapeutics business unit amounted to €303 million. Currency-adjusted sales of our top product Betaferon®/Betaseron® to treat multiple sclerosis (MS) expanded by 9.9 percent (pro forma) in the first quarter. To safeguard our Betaseron® business, we signed an agreement with Novartis in March 2007 to acquire the biologics manufacturing facility in Emeryville, California, currently used to produce Betaseron®. The acquisition is subject to the approval of the antitrust authorities. According to the terms of the agreement, Bayer will make a one-time payment to Novartis of approximately US$ 110 million for the production facility, including the Biologics License Application (BLA). Bayer Schering Pharma will continue to pay Novartis royalties equivalent to those being paid currently on net sales of Betaseron® manufactured by Bayer at the Emeryville facilities until the original agreement with Novartis expires in October 2008. After this date, no more royalties will be due to Novartis on the sales of Betaseron®. Bayer Schering Pharma will also acquire the existing inventories. In return, Novartis will receive a license to establish its own brand based on interferon beta-1b starting in 2009. When it is approved by the health authorities, Bayer Schering Pharma will manufacture the product for Novartis from 2009 forward and receive in return a low double-digit percentage royalty from Novartis.

Sales of the Hematology/Cardiology business unit fell by 18.0 percent to €268 million, mainly due to termination of the plasma distribution agreements for Canada and Germany. Adjusted for currency and portfolio changes, business was up by 3.7 percent. Currency-adjusted sales of Kogenate® advanced by 3.2 percent in the first quarter. At the end of January 2007, the European Commission granted an additional registration authorizing the use of Kogenate® for continuous infusion in hemophilia A patients undergoing major surgery. Currency-adjusted sales of Trasylol® declined by 4.4 percent. Two separate observational studies reported on a possible correlation between the administration of Trasylol® (aprotinin), our product for use during open-heart surgery, and severe renal dysfunction and vasoconstriction (myocardial infarction and stroke). A follow-up study to one of them reported on a possible correlation between administration of this product and increased long-term mortality. Based on our study data and many years of experience with Trasylol®, Bayer believes that this product is a safe and effective medicine when used correctly. We are currently cooperating closely with the relevant regulatory authorities to resolve the questions that have arisen.

Best-Selling Pharmaceutical Products	1st Quarter 2006	**1st Quarter 2007**	Change	Currency-adjusted change
	€ million	€ million	%	%
Betaferon®/Betaseron®* (Specialized Therapeutics)	•	244	•	•
Yasmin®/YAZ®/Yasminelle®* (Women's Healthcare)	•	240	•	•
Kogenate® (Hematology/Cardiology)	204	201	– 1.5	+ 3.2
Adalat® (Primary Care)	157	145	– 7.6	– 0.9
Avalox®/Avelox® (Primary Care)	130	128	– 1.5	+ 3.8
Cipro®/Ciprobay® (Primary Care)	132	108	– 18.2	– 15.0
Levitra® (Primary Care)	78	84	+ 7.7	+ 14.7
Mirena®* (Women's Healthcare)	•	81	•	•
Magnevist®* (Diagnostic Imaging)	•	80	•	•
Glucobay® (Primary Care)	77	72	– 6.5	– 1.2
Total	**778**	**1,383**	**+ 77.8**	**+ 87.1**
Proportion of Pharmaceuticals sales	68%	55%		

Products ranked by Q1 2007 sales
* acquired Schering AG product

Best-Selling Schering Products (pro forma)	1st Quarter 2006	**1st Quarter 2007**	Change	Currency-adjusted change
	€ million	€ million	%	%
Betaferon®/Betaseron® (Specialized Therapeutics)	232	244	+ 5.2	+ 9.9
Yasmin®/YAZ®/Yasminelle® (Women's Healthcare)	180	240	+ 33.3	+ 41.1
Mirena® (Women's Healthcare)	68	81	+ 19.1	+ 25.0
Magnevist® (Diagnostic Imaging)	76	80	+ 5.3	+ 11.8

Our Oncology business unit lifted sales by €125 million to €159 million. Included in this figure is €98 million in sales of the acquired oncology business of Schering AG, Berlin, Germany, which mainly comprises the key products Fludara® and Campath®. Currency- and portfolio-adjusted sales rose by 83.6 percent. Our new cancer drug, Nexavar®, first launched in December 2005, performed very well in the market, with sales of €47 million (Q1 2006: €20 million). Study results for Nexavar® in liver cancer are also very promising. The phase III study involving patients with advanced hepatocellular carcinoma reached its primary endpoint. Overall survival was significantly extended in patients treated with Nexavar®. Furthermore, Bayer plans to expand the registration of Campath®, developed jointly by Bayer and Genzyme, to include first-line treatment of B-cell chronic lymphocytic leukemia (B-CLL). Genzyme submitted the required supplemental license application to the FDA on March 19, 2007 and to the European Medicines Agency (EMEA) on April 4, 2007.

The Dermatology (Intendis) business unit had sales of €58 million. Currency-adjusted sales of the principal products Skinoren® and Advantan® rose by 16.5 percent and 1.8 percent (pro forma), respectively.

EBITDA of the **Pharmaceuticals** segment before special items advanced to €711 million in the first quarter of 2007, from €246 million in the same period of last year. This sharp increase is mainly due to the earnings contribution from the acquired business of Schering, Berlin, Germany, and to improved cost structures, including synergies already realized. EBIT before special items rose by €213 million, or 102.9 percent, to €420 million. The special charges of €139 million in the Pharmaceuticals segment resulted from expenses for the acquisition and integration of Schering. EBIT moved ahead by €79 million, or 39.1 percent, to €281 million.

Consumer Health

All divisions contributed to the gratifying performance of our **Consumer Health** segment, where **sales** improved by 5.7 percent to €1,115 million (Q1 2006: €1,055 million). On a currency-adjusted basis, business expanded by a substantial 11.4 percent.

Sales in the Consumer Care Division rose by 2.6 percent to €659 million (Q1 2006: €642 million), or by 8.1 percent on a currency-adjusted basis. Among our top products, Aleve® performed particularly well, with sales up 40.9 percent when adjusted for changes in currency parities, thanks mainly to the launch of Aleve® Liquid Gels in the United States.

There was a significant increase in sales of the Diabetes Care Division, where business improved by 17.1 percent to €226 million (Q1 2006: €193 million), due primarily to a strong performance by our blood glucose monitoring systems Ascensia® Contour® and Ascensia® Breeze®, which replace the older Elite® systems in the Ascensia® product family. Currency-adjusted sales of the division improved by an even more gratifying 23.0 percent.

Sales of the Animal Health Division rose by 4.5 percent to €230 million (Q1 2006: €220 million), or by 11.2 percent when adjusted for currency changes. The increase was primarily due to the encouraging performance of our Advantage® product line, especially in North America, sales of which rose 35.5 percent on a currency-adjusted basis.

EBITDA of the **Consumer Health** segment before special items grew by €18 million, or 8.2 percent, in the first quarter of 2007, to €237 million. Higher earnings resulting from the growth in sales more than offset an increase in marketing expenses to support the new product launches planned for 2007. EBIT before special items advanced by 14.6 percent to €204 million (Q1 2006: €178 million). After special items, EBIT improved by 15.3 percent to €204 million (Q1 2006: €177 million).

Consumer Health	1st Quarter 2006	1st Quarter 2007	Change
	€ million	€ million	%
Net sales	**1,055**	**1,115**	**+ 5.7**
Consumer Care	642	659	+ 2.6
Diabetes Care	193	226	+ 17.1
Animal Health	220	230	+ 4.5
EBITDA*	**218**	**237**	**+ 8.7**
Special items	*(1)*	*0*	
EBITDA before special items	*219*	*237*	*+ 8.2*
EBITDA margin before special items	20.8%	21.3%	
EBIT*	**177**	**204**	**+ 15.3**
Special items	*(1)*	*0*	
EBIT before special items	*178*	*204*	*+ 14.6*
Gross cash flow*	**130**	**167**	**+ 28.5**
Net cash flow*	**54**	**104**	**+ 92.6**

2006 figures restated
* for definition see Bayer Group Key Data on page 2

Best-Selling Consumer Health Products	1st Quarter 2006	1st Quarter 2007	Change	Change currency-adjusted
	€ million	€ million	%	%
Ascensia® product line (Diabetes Care)	190	223	+ 17.4	+ 23.8
Aspirin®* (Consumer Care)	116	113	− 2.6	+ 2.3
Advantage® product line (Animal Health)	59	75	+ 27.1	+ 35.5
Aleve®/naproxen (Consumer Care)	53	69	+ 30.2	+ 40.9
Canesten® (Consumer Care)	41	43	+ 4.9	+ 7.3
Baytril® (Animal Health)	40	40	0.0	+ 2.8
Bepanthen®/Bepanthol® (Consumer Care)	35	36	+ 2.9	+ 5.1
Supradyn® (Consumer Care)	35	33	− 5.7	− 3.2
One-A-Day® (Consumer Care)	30	31	+ 3.3	+ 12.1
Rennie® (Consumer Care)	26	27	+ 3.8	+ 5.4
Total	**625**	**690**	**+ 10.4**	**+ 16.1**
Proportion of Consumer Health sales	59%	62%		

* Total Aspirin® sales = €167 million (Q1 2006: €164 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment

Bayer CropScience

Sales of our **CropScience** subgroup, at €1,786 million, showed a slight year-on-year increase (Q1 2006: €1,771 million). Adjusted for currency and portfolio changes, business expanded by a gratifying 5.9 percent.

EBITDA before special items advanced by €33 million, or 6.0 percent, to €584 million. The combined effect of higher volumes and cost savings more than offset the pressure on margins from adverse shifts in currency parities. **EBIT** before special items improved by €39 million, or 9.6 percent, to €447 million. Earnings were held back by special charges related to the restructuring project initiated in 2006. First-quarter EBIT was steady at €408 million.

Crop Protection

First-quarter sales in the Crop Protection segment grew to €1,434 million (Q1 2006: €1,413 million). When adjusted for currency and portfolio changes, sales moved ahead 6.5 percent. The early start to the season in Europe, the increased cultivation of plants for the production of biofuels and internationally high prices for crop commodities led to growth in business, particularly in the Seed Treatment, Herbicides and Fungicides business units.

Sales of the Insecticides business unit fell by €37 million to €311 million. When adjusted for currency and portfolio changes, sales decreased by 4.2 percent. The decline should be viewed in light of the impact on our North American business of factors including a shift from soil- and foliar-applied insecticides to seed treatment products in the first quarter of this year. Sales in Europe increased, thanks mainly to a strong performance by our new insecticide Biscaya®.

Sales of the Fungicides business unit grew by 1.6 percent in the first quarter of 2007, to €384 million. On a currency-adjusted basis, the increase amounted to 4.2 percent. Buoyed by the trend in Europe, sales of our new cereal fungicides Proline® and Fandango®, in particular, made good gains. Business with our Flint® line of fungicide products benefited from a recovery in the Latin American market. The downward sales trend for our Folicur® product line was largely the result of a drop in business in the United States. Sales were hampered by the fact that our customers had built up substantial precautionary inventories in 2005/2006 for the prevention of Asian rust in soybeans. Another factor was the planned switch to the active ingredient prothioconazole, which received marketing authorization in the United States at the end of the first quarter of 2007.

Sales of the Herbicides business unit advanced by 3.3 percent to €568 million, with currency-adjusted growth amounting to 7.2 percent. The main reason for the improvement was the strong performance of our young cereal herbicides Atlantis®, Hussar® and Sekator®, particularly in Europe.

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Bayer CropScience	1st Quarter 2006	1st Quarter 2007	Change
	€ million	€ million	%
Net sales	**1,771**	**1,786**	**+ 0.8**
EBITDA*	**551**	**548**	**– 0.5**
Special items	*0*	*(36)*	
EBITDA before special items	*551*	*584*	*+ 6.0*
EBITDA margin before special items	31.1%	32.7%	
EBIT*	**408**	**408**	**0.0**
Special items	*0*	*(39)*	
EBIT before special items	*408*	*447*	*+ 9.6*
Gross cash flow*	**387**	**369**	**– 4.7**
Net cash flow*	**(350)**	**(238)**	**+ 32.0**

* for definition see Bayer Group Key Data on page 2

Best-Selling Bayer CropScience Products*	1st Quarter 2006	1st Quarter 2007	Change	Currency-adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	165	163	– 1.2	+ 3.1
Folicur®/Raxil® (Fungicides/Seed Treatment)	95	77	– 18.9	– 16.1
Atlantis® (Herbicides)	49	76	+ 55.1	+ 57.1
Proline® (Fungicides)	58	72	+ 24.1	+ 24.7
Basta®/Liberty® (Herbicides)	72	72	0.0	+ 8.0
Puma® (Herbicides)	68	69	+ 1.5	+ 7.5
Flint®/Stratego®/Sphere® (Fungicides)	49	60	+ 22.4	+ 29.1
Poncho® (Seed Treatment)	31	59	+ 90.3	+ 106.1
Hussar® (Herbicides)	32	47	+ 46.9	+ 44.6
Betanal® (Herbicides)	45	45	0.0	+ 2.2
Total	**664**	**740**	**+ 11.4**	**+ 15.8**
Proportion of Bayer CropScience sales	37%	41%		

* Figures are based on active ingredient class. For the sake of clarity, only the principal brands and business units are listed.

Crop Protection	1st Quarter 2006	1st Quarter 2007	Change
	€ million	€ million	%
Net sales	**1,413**	**1,434**	**+ 1.5**
Insecticides	348	311	– 10.6
Fungicides	378	384	+ 1.6
Herbicides	550	568	+ 3.3
Seed Treatment	137	171	+ 24.8
EBITDA*	**406**	**425**	**+ 4.7**
Special items	*0*	*(36)*	
EBITDA before special items	*406*	*461*	*+ 13.5*
EBITDA margin before special items	28.7%	32.1%	
EBIT*	**285**	**304**	**+ 6.7**
Special items	*0*	*(39)*	
EBIT before special items	*285*	*343*	*+ 20.4*
Gross cash flow*	**285**	**282**	**– 1.1**
Net cash flow*	**(289)**	**(113)**	**+ 60.9**

* for definition see Bayer Group Key Data on page 2

Sales of the Seed Treatment business unit advanced by a substantial €34 million, or 24.8 percent, to €171 million. The currency-adjusted increase was 31.1 percent. Our new insecticidal seed treatment Poncho®, in particular, performed very well in the market in light of an early start to the season in Europe and especially because of the planned increase in corn acreages in the United States to meet heightened demand for biofuels.

First-quarter EBITDA before special items of our Crop Protection segment climbed by 13.5 percent year on year to €461 million, the positive overall sales trend and the savings achieved through our cost structure and efficiency improvement programs offsetting the currency-related squeeze on margins. EBIT before special items in the first quarter came in at €343 million (Q1 2006: €285 million). After special items, EBIT amounted to €304 million (Q1 2006: €285 million).

Environmental Science, BioScience

Sales of the **Environmental Science, BioScience** segment edged down 1.7 percent to €352 million, but rose by 3.7 percent on a currency-adjusted basis.

The Environmental Science unit recorded sales of €188 million, which was 2.6 percent below the prior-year figure. Currency-adjusted sales moved ahead 2.4 percent thanks to good business with home and garden products for consumers.

Sales of the BioScience unit held steady year on year at €164 million, though on a currency-adjusted basis they increased by 5.3 percent. The improvement was due particularly to the good development of our vegetable seed business.

EBITDA before special items of the Environmental Science, BioScience segment fell by €22 million year on year to €123 million (Q1 2006: €145 million), due primarily to negative currency effects and increased research and development spending at BioScience. EBIT fell by €19 million to €104 million (Q1 2006: €123 million).

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Environmental Science, BioScience	1st Quarter 2006	**1st Quarter 2007**	Change
	€ million	€ million	%
Net sales	**358**	**352**	**– 1.7**
Environmental Science	193	188	– 2.6
BioScience	165	164	– 0.6
EBITDA*	*145*	*123*	– 15.2
Special items	*0*	*0*	
EBITDA before special items	*145*	*123*	*– 15.2*
EBITDA margin before special items	40.5%	34.9%	
EBIT*	**123**	**104**	**– 15.4**
Special items	*0*	*0*	
EBIT before special items	*123*	*104*	*– 15.4*
Gross cash flow*	**102**	**87**	**– 14.7**
Net cash flow*	**(61)**	**(125)**	**– 104.9**

* for definition see Bayer Group Key Data on page 2

Bayer MaterialScience

The **MaterialScience** subgroup got off to a good start in 2007, expanding its business once again. **Sales** rose by 4.9 percent to €2,608 million (Q1 2006: €2,486 million), or by 9.4 percent on a currency-adjusted basis. Growth was mainly the result of higher volumes in all segments and regions. We also succeeded in holding selling prices steady overall in the face of continuing strong price pressure.

EBITDA before special items did not reach the high level of the previous year, coming in at €409 million (Q1 2006: €539 million). We did not succeed in compensating for the approximately €140 million increase in raw material and energy costs through higher volumes. **EBIT** before special items fell by €132 million, or 31.2 percent, to €291 million. After special items, first-quarter EBIT declined by €26 million, or 8.4 percent, to €285 million. Earnings of the Systems segment in the prior-year quarter were diminished by one-time expenses of €112 million arising from an arbitration proceeding in the United States concerning the production of propylene oxide.

Materials

Sales in the **Materials** segment advanced by 4.1 percent to €739 million, or by 9.0 percent on a currency-adjusted basis. The Polycarbonates business unit, with sales of €683 million, saw a currency-adjusted 9.1 percent increase in business despite lower selling prices. Volumes advanced in all regions. Sales of the Thermoplastic Polyurethanes business unit moved ahead 8.0 percent when adjusted for currency changes, thanks largely to higher volumes in Europe.

First-quarter **EBITDA** before special items dropped by €90 million, or 52.9 percent, to €80 million, with higher volumes not fully offsetting selling price erosion and raw material cost increases. **EBIT** fell by 71.2 percent to €38 million.

Systems

Sales of our **Systems** segment in the first quarter gained 5.2 percent from the prior-year period, to €1,869 million. Currency-adjusted sales improved by a substantial 9.6 percent.

Thanks to price increases and volume gains, our Polyurethanes business unit improved sales by 5.0 percent to €1,332 million. Adjusted for shifts in currency parities, growth came to 9.7 percent. The Coatings, Adhesives, Sealants business unit saw sales advance by 6.5 percent. The currency-adjusted increase amounted to 10.3 percent. Here, too, price increases and higher volumes were contributory factors.

EBITDA before special items of our Systems segment was down by €40 million, or 10.8 percent, from the excellent level of the prior-year period, to €329 million. Although we almost completely absorbed the increase in raw material costs by raising prices and boosting volume sales, earnings were weighed down by other factors, including the problems experienced by our supplier of raw MDI in Shanghai. **EBIT** before special items fell by €38 million, or 13.1 percent, to €253 million. The closure of our MDI plant at New Martinsville, West Virginia, United States, led to €6 million in special charges for the first quarter. After special items, EBIT rose by €68 million, or 38.0 percent, to €247 million.

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Bayer MaterialScience	1st Quarter 2006	**1st Quarter 2007**	Change
	€ million	€ million	%
Net sales	**2,486**	**2,608**	**+ 4.9**
EBITDA*	**427**	**409**	**– 4.2**
Special items	*(112)*	*0*	
EBITDA before special items	*539*	*409*	*– 24.1*
EBITDA margin before special items	21.7%	15.7%	
EBIT*	**311**	**285**	**– 8.4**
Special items	*(112)*	*(6)*	
EBIT before special items	*423*	*291*	*– 31.2*
Gross cash flow*	**317**	**304**	**– 4.1**
Net cash flow*	**273**	**37**	**– 86.4**

2006 figures restated
* for definition see Bayer Group Key Data on page 2

Materials	1st Quarter 2006	**1st Quarter 2007**	Change
	€ million	€ million	%
Net sales	**710**	**739**	**+ 4.1**
Polycarbonates	656	683	+ 4.1
Thermoplastic Polyurethanes	54	56	+ 3.7
EBITDA*	**170**	**80**	**– 52.9**
Special items	*0*	*0*	
EBITDA before special items	*170*	*80*	*– 52.9*
EBITDA margin before special items	23.9%	10.8%	
EBIT*	**132**	**38**	**– 71.2**
Special items	*0*	*0*	
EBIT before special items	*132*	*38*	*– 71.2*
Gross cash flow*	**126**	**69**	**– 45.2**
Net cash flow*	**35**	**(25)**	**•**

2006 figures restated
* for definition see Bayer Group Key Data on page 2

Systems	1st Quarter 2006	**1st Quarter 2007**	Change
	€ million	€ million	%
Net sales	**1,776**	**1,869**	**+ 5.2**
Polyurethanes	1,269	1,332	+ 5.0
Coatings, Adhesives, Sealants	369	393	+ 6.5
Inorganic Basic Chemicals	106	106	0.0
Others	32	38	+ 18.8
EBITDA*	**257**	**329**	**+ 28.0**
Special items	*(112)*	*0*	
EBITDA before special items	*369*	*329*	*– 10.8*
EBITDA margin before special items	20.8%	17.6%	
EBIT*	**179**	**247**	**+ 38.0**
Special items	*(112)*	*(6)*	
EBIT before special items	*291*	*253*	*– 13.1*
Gross cash flow*	**191**	**235**	**+ 23.0**
Net cash flow*	**238**	**62**	**– 73.9**

* for definition see Bayer Group Key Data on page 2

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Performance by Region

Bayer's global business expanded in the first quarter of 2007 by €1,544 million, or 22.7 percent, to €8,335 million. Adjusted for shifts in exchange rates, sales rose by 27.3 percent. The increase in sales was mainly due to the inclusion of Schering, Berlin, Germany. The strongest percentage gains were recorded in the Europe and Latin America/Africa/Middle East regions. Adjusted for both currency and portfolio effects, business expanded by 7.5 percent.

The largest increases in absolute terms were achieved in **Europe**, were sales rose by €830 million, or 27.5 percent, to 3,848 million. Europe thus accounted for 46 percent of Group sales in the first quarter, with all subgroups posting a year-on-year improvement. Adjusted for currency and portfolio changes, business grew by 8.4 percent, mainly as a result of substantial increases in the Crop Protection and Systems segments. Sales in Germany climbed by 16.7 percent to €1,301 million, or by 5.0 percent when adjusted for portfolio changes.

Sales by Region and Segment (by Market)

	Europe				North America			
€ million	1st Quarter 2006	**1st Quarter 2007**	%	adj. %	1st Quarter 2006	**1st Quarter 2007**	%	adj. %
HealthCare	**883**	**1,495**	**+69.3**	**+69.1**	**696**	**1,145**	**+64.5**	**+79.3**
Pharmaceuticals	449	1,039	+131.4	+130.8	356	754	+111.8	+130.7
Consumer Health	434	456	+5.1	+5.1	340	391	+15.0	+25.4
CropScience	**766**	**862**	**+12.5**	**+12.3**	**538**	**447**	**−16.9**	**−9.2**
Crop Protection	623	723	+16.1	+16.0	380	292	−23.2	−16.1
Environmental Science, BioScience	143	139	−2.8	−3.3	158	155	−1.9	+7.4
MaterialScience	**1,065**	**1,185**	**+11.3**	**+11.3**	**700**	**631**	**−9.9**	**−1.6**
Materials	274	283	+3.3	+3.6	151	149	−1.3	+7.9
Systems	791	902	+14.0	+14.0	549	482	−12.2	−4.2
Continuing operations (incl. reconciliation)	**3,018**	**3,848**	**+27.5**	**+27.5**	**1,936**	**2,226**	**+15.0**	**+25.4**

2006 figures restated
adj. = currency adjusted

Sales in **North America** advanced by 15.0 percent to €2,226 million in the first quarter of 2007, or by 2.7 percent when adjusted for currency and portfolio changes. The Consumer Health segment in North America developed particularly well. The CropScience and MaterialScience subgroups, however, saw sales decline in this region.

In **Asia/Pacific** we expanded business by 19.3 percent, or by 10.1 percent when adjusted for currency and portfolio changes. Sales growth at Bayer HealthCare on a currency- and portfolio-adjusted basis was particularly due to gains in the Consumer Health segment. Sales of CropScience remained nearly steady in this region, dipping by 0.9 percent on a currency-adjusted basis, while MaterialScience posted substantial growth, with currency-adjusted sales up 20.4 percent.

Sales in the **Latin America/Africa/Middle East** region climbed by 27.7 percent, or by 12.9 on a currency- and portfolio-adjusted basis. CropScience sales in this region improved considerably, with a currency-adjusted 20.6 percent gain due primarily to a very pleasing uptrend in the crop protection business. We also generated higher sales in the HealthCare and MaterialScience subgroups.

Asia/Pacific				Latin America/Africa/Middle East				Continuing Operations			
1st Quarter 2006	**1st Quarter 2007**	%	adj. %	1st Quarter 2006	**1st Quarter 2007**	%	adj. %	1st Quarter 2006	**1st Quarter 2007**	%	adj. %
308	**466**	**+51.3**	**+62.5**	**316**	**504**	**+59.5**	**+75.7**	**2,203**	**3,610**	**+63.9**	**+69.2**
224	379	+69.2	+82.7	119	323	+171.4	+196.7	1,148	2,495	+117.3	+122.2
84	87	+3.6	+8.6	197	181	−8.1	+2.6	1,055	1,115	+5.7	+11.4
236	**219**	**−7.2**	**−0.9**	**231**	**258**	**+11.7**	**+20.6**	**1,771**	**1,786**	**+0.8**	**+5.1**
207	189	−8.7	−2.4	203	230	+13.3	+21.7	1,413	1,434	+1.5	+5.5
29	30	+3.4	+10.4	28	28	0.0	+12.5	358	352	−1.7	+3.7
450	**506**	**+12.4**	**+20.4**	**271**	**286**	**+5.5**	**+12.2**	**2,486**	**2,608**	**+4.9**	**+9.4**
219	240	+9.6	+17.5	66	67	+1.5	+5.9	710	739	+4.1	+9.0
231	266	+15.2	+23.1	205	219	+6.8	+14.2	1,776	1,869	+5.2	+9.6
1,006	**1,200**	**+19.3**	**+27.8**	**831**	**1,061**	**+27.7**	**+38.7**	**6,791**	**8,335**	**+22.7**	**+27.3**

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Liquidity and Capital Resources

Operating cash flow

Gross cash flow in the first quarter of 2007 amounted to €1,411 million, up 29.6 percent from the prior-year quarter (€1,089 million). The increase was mainly due to the inclusion of Schering, Berlin, Germany, and the strong performance of the business. Net cash flow improved by €337 million to €375 million (Q1 2006: €38 million). The change in working capital improved slightly compared with the first quarter of 2006 despite the growth in business.

Bayer Group Summary Cash Flow Statements	1st Quarter 2006	**1st Quarter 2007**
€ million		
Gross cash flow*	**1,089**	**1,411**
Changes in working capital/other non-cash items	(1,051)	(1,036)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**38**	**375**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	90	38
Net cash provided by (used in) operating activities (net cash flow) (total)	**128**	**413**
Net cash provided by (used in) investing activities (total)	**(192)**	**4,589**
Net cash provided by (used in) financing activities (total)	**(187)**	**(1,764)**
Change in cash and cash equivalents due to business activities (total)	**(251)**	**3,238**
Cash and cash equivalents, January 1	**3,290**	**2,915**
Change due to exchange rate movements and to changes in scope of consolidation	**(13)**	**(10)**
Cash and cash equivalents, March 31	**3,026**	**6,143**

2006 figures restated
* for definition see Bayer Group Key Data on page 2

Investing cash flow

There was a net cash inflow of €4,589 for investing activities in the first three months of 2007, compared with a €192 million outflow in the prior-year quarter. The main items here are net proceeds totaling €4.7 billion from the divestments of our Diagnostics business and H.C. Starck. In January 2007 we sold the Diagnostics business to Siemens for €4.3 billion. Following an initial receipt of €0.4 billion in December 2006, there was a further inflow of €3.7 billion (after deducting divested cash of approximately €0.2 billion) from this transaction at the beginning of 2007. In subsequent quarters we will pay approximately €0.6 billion in taxes on the divestment gain. We sold H.C. Starck to Advent International and The Carlyle Group for approximately €1.2 billion. The transaction volume is comprised mainly of a cash component – including compensation for financial liabilities – of more than €0.9 billion, along with the assumption of €0.2 billion in pension obligations. This sale was closed at the beginning of February 2007.

Cash outflows for property, plant and equipment (€193 million) and intangible assets (€8 million) totaled €201 million (Q1 2006: €419 million). The prior-year figure included in particular the purchase of the European marketing rights for the blood pressure treatments Pritor® and PritorPlus® and expenditures for the expansion of our polymers production facilities in Caojing, China.

Financing cash flow

The €1,764 million (Q1 2006: €187 million) cash outflow for financing activities comprised €245 million in interest payments, €1,510 million in net repayments of loans and €9 million for dividend payments to minority stockholders of consolidated companies. The item "Bayer AG dividend" in the prior-year period contained an inflow of €176 million from the reimbursement of advance capital gains tax payments made on intragroup dividends in 2004.

As of March 31, 2007 the Bayer Group had cash and cash equivalents of €6,143 million, including €784 million held in escrow accounts. The latter amount comprises €699 million deposited in a guarantee account following the decision by the Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG on January 17, 2007 to squeeze out Bayer Schering Pharma AG's remaining minority stockholders. The decisions means the shares still held by minority stockholders will be transferred to the main stockholder, Bayer Schering GmbH, a wholly owned subsidiary of Bayer AG, in return for cash compensation of €98.98 per share. Dissenting stockholders are seeking to have the stockholder resolution set aside or to have it declared null and void. An additional €85 million is earmarked for payments relating to civil law settlements in antitrust proceedings.

In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt. The high level of cash and cash equivalents will return to normal in subsequent quarters, particularly following the redemption of bonds.

Liquid assets and net debt

Net debt (total) declined by €4.8 billion compared with December 31, 2006, to €12.8 billion. This was due particularly to cash inflows from the divestitures and to the improvement in operating cash flow. We intend to use the proceeds of the planned sale of Wolff Walsrode to The Dow Chemical Company to further reduce net debt.

Net Debt	Dec. 31, 2006	**March 31, 2007**
€ million		
Noncurrent financial liabilities as per balance sheets (including derivatives)	14,723	14,626
of which mandatory convertible bond	2,276	2,278
of which hybrid bond	1,247	1,245
Current financial liabilities as per balance sheets (including derivatives)	5,078	3,673
Derivative receivables	(185)	(165)
Financial liabilities	**19,616**	**18,134**
Cash and cash equivalents*	(2,116)	(5,359)
Current financial assets	(27)	(5)
Net debt from continuing operations	**17,473**	**12,770**
Net debt from discontinued operations	66	7
Net debt (total)	**17,539**	**12,777**

* In view of the restriction on its use, the €784 million liquidity in escrow accounts in the first quarter of 2007 (Q1 2006: €299 million) was not deducted when calculating net debt. March 31, 2007: €5,359 million = €6,143 million - €784 million (Dec. 31, 2006: €2,116 million = €2,915 million - €799 million).

As of March 31, 2007 we had noncurrent financial liabilities of €14.6 billion, including the €1.2 billion hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond issued in April 2006. Moody's and Standard & Poor's treat 75 percent and 50 percent, respectively, of the hybrid bond as equity. Both rating agencies consider the mandatory convertible bond wholly as equity. Unlike conventional borrowings, the hybrid bond thus has only a limited effect on the Group's rating-specific debt indicators, while the mandatory convertible bond has no effect.

Standard & Poor's gives Bayer AG a long-term issuer rating of BBB+ with positive outlook, while Moody's gives the company a rating of A3 with negative outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings evidence a continuing high level of creditworthiness.

Employees

The number of employees is shown as full-time equivalents, which means part-time employees are included in proportion to their contractual working hours. We believe this presentation improves the comparability of personnel expenses and employee numbers. The previous year's data have been restated accordingly.

On March 31, 2007 the Bayer Group had 105,100 employees, a decline of 1.0 percent compared to December 31, 2006. The number of employees thus remained virtually steady. Personnel expenses increased by 27.7 percent to €1,898 million (Q1 2006: €1,486 million), mainly due to the inclusion of personnel expenses for the employees of the former Schering group.

In the individual regions, too, the number of employees was practically unchanged against December 31, 2006. Compared to the previous year, the size of the workforce increased significantly, primarily due to the inclusion of the employees of the former Schering group. We currently employ 16,700 people in North America, 17,800 in Asia/Pacific, 13,800 in Latin America/Africa/Middle East and 56,800 in Europe. Our 40,000 employees in Germany account for 38.1 percent of the Group total.

Legal Risks

As a global company with a diverse business portfolio, the Bayer Group is exposed to various legal risks.

Legal proceedings currently considered to involve material risks are outlined below. The litigation referred to does not necessarily represent an exhaustive list.

Lipobay/Baycol:
As of April 20, 2007, the number of Lipobay/Baycol cases pending against Bayer worldwide was approximately 1,230 (approximately 1,175 of them in the United States, including several class actions). At the same date, Bayer had settled 3,160 Lipobay/Baycol cases worldwide without acknowledging any liability and resulting in settlement payments of approximately US$ 1,162 million. In the United States five cases have been tried to date, all of which were found in Bayer's favor.

After more than five years of litigation we are currently aware of fewer than 20 pending cases in the United States that in our opinion hold a potential for settlement, although we cannot rule out the possibility that additional cases involving serious side effects from Lipobay/Baycol may come to our attention. In addition, there could be further settlements of cases outside of the United States.

Since the existing insurance coverage with respect to the Lipobay/Baycol cases is exhausted, it is possible – depending on the future progress of the litigation – that Bayer could face further payments that are not covered by the accounting measures already taken. We will regularly review the possibility of further accounting measures depending on the progress of the litigation.

Cipro®:
39 putative class action lawsuits and one individual lawsuit against Bayer involving the medication Cipro® have been pending since July 2000 in the United States. The plaintiffs are suing Bayer and other companies also named as defendants, alleging that a settlement reached in 1997 to end litigation between Bayer and Barr Laboratories, Inc. concerning the validity of a Cipro® patent violated antitrust regulations. The plaintiffs claim the alleged violation prevented the marketing of generic ciprofloxacin since 1997. Plaintiffs also are seeking triple damages under U.S. law. After the settlement with Barr, the Cipro® patent was the subject of a successful re-examination by the U.S. Patent and Trademark Office and of successful defenses in U.S. federal courts. The patent has since expired.

In March 2005, a federal district court in New York granted summary judgment in favor of Bayer in all actions pending in federal court. The plaintiffs are appealing this decision. Further cases are pending before various state courts. Bayer believes that it has meritorious defenses and intends to defend these cases vigorously.

Medrad:
As reported in the past, Liebel-Flarsheim Company and its parents, Mallinckrodt, Inc. and Tyco Healthcare Group LP, filed suit against Bayer's U.S. subsidiary Medrad alleging that some of Medrad's front load syringe injectors infringe patents held by Liebel-Flarsheim. In March 2007, the U.S. Court of Appeals decided that the Liebel-Flarsheim patents are invalid. Bayer believes that the legal risks involved in these proceedings are no longer material for the Bayer Group.

Yasmin®/YAZ®:
In April 2005, Schering AG (now Bayer Schering Pharma AG), Berlin, Germany, filed an ANDA IV suit against Barr Pharmaceuticals, Inc. and Barr Laboratories, Inc. in U.S. federal court alleging patent infringement by Barr for its generic version of Bayer Schering Pharma's Yasmin® oral contraceptive product in the United States. In June, 2005, Barr filed its counterclaims seeking to invalidate Bayer Schering Pharma's patent.

In January 2007, Schering received notice from Barr Laboratories, Inc. that it has filed an ANDA IV application with the U.S. FDA seeking approval of a generic version of Schering's YAZ® oral contraceptive product. Barr will be prohibited from marketing its generic version until after expiry in March 2009 of the three-year exclusivity period for marketing granted by the FDA.

The Company highly values its Yasmin® and YAZ® oral contraceptive products and is deeply committed to continuing its leadership position in oral contraception.

LLRICE:
Since August 2006 numerous lawsuits, including putative class actions, have been filed by rice farmers, distributors and rice mills against Bayer CropScience LP in the United States. The plaintiffs are suing the company, alleging that they have suffered economic losses after traces of the genetically modified rice event from the Liberty Link rice lines (LLRICE) were identified in samples of conventional long-grain rice grown in the U.S. This is alleged to have led in particular to a decline in the commodity price for long-grain rice due to import restrictions imposed by the European Commission and certain other countries. After development, LLRICE 601 was further tested in cooperation with third parties, including a breeding institute in the U.S. However, it was never selected for commercialization.

In March 2007 traces of LLRICE 62 and LLRICE 604 were found in Clearfield 131 conventional hybrid rice marketed by BASF. Subsequently the USDA issued an order temporarily prohibiting the sale or planting of Clearfield 131.

The USDA and the FDA have stated that LLRICE 62, 601 and 604 do not constitute a health risk and are safe for use in food and feed and for the environment. The USDA deregulated LLRICE 62 in 1999 and, upon Bayer CropScience´s application, deregulated LL RICE 601 in November 2006.

Bayer believes it has meritorious defenses and intends to defend these cases vigorously.

Rubber, polyester polyols, urethane:
Proceedings involving the former rubber-related lines of business
A number of investigations and proceedings by the respective authorities in the E.U. and Canada for alleged anticompetitive conduct involving certain products in the rubber field have been resolved, while others remain pending. As previously reported, in the United States the investigations of the U.S. Department of Justice into Bayer's conduct have been concluded. In November 2006, the E.U. Commission closed the proceedings related to BR/ESBR by imposing fines against several companies and granting full amnesty to Bayer.

Numerous civil claims for damages including class actions are pending in the United States and Canada against Bayer AG and certain of its subsidiaries as well as other companies. The lawsuits involve rubber chemicals, EPDM, NBR and polychloroprene rubber (CR). As previously reported, Bayer has settled the actions which management believes to be material.

Proceedings involving polyester polyols, urethanes and urethane chemicals
As previously reported, Bayer has resolved the U.S. Department of Justice investigation previously pending in the United States. In Canada an investigation is pending against Bayer for alleged anticompetitive conduct relating to adipic-based polyester polyols.

A number of civil claims for damages, including class actions, have been filed against Bayer in the United States involving allegations of unlawful collusion on prices for certain polyester polyols, urethanes and urethane chemicals product lines. Similar actions are pending in Canada with respect to polyester polyols. Bayer has settled several actions pending in the United States. These settlements do not resolve all of the pending civil litigation nor do they preclude the bringing of additional claims.

Proceedings involving polyether polyols and other precursors for urethane end-use products
Bayer has been named as a defendant in multiple putative class action lawsuits in the United States and Canada involving allegations of price fixing for, inter alia, polyether polyols and certain other precursors for urethane end-use products. In the United States, Bayer has settled with a class of direct purchasers of polyether polyols, MDI and TDI (and related systems) representing approximately 75 percent of the purchases, which settlement has been approved by the court. The remaining direct purchasers opted out of the settlement and have the right to bring their own actions. To date no such actions have been brought. In Canada, the class action lawsuit on behalf of direct and indirect purchasers of polyether polyols, MDI and TDI (and related systems) continues. In February 2006 Bayer was served with a subpoena from the U.S. Department of Justice seeking information relating to the manufacture and sale of these products.

Impact of antitrust proceedings on Bayer

Excluding the portion allocated to Lanxess, the provision with respect to the described civil proceedings were reduced from €285 million in 2005 to €124 million as of March 31, 2007, due to settlement payments.

Bayer will continue to pursue settlements that in its view are warranted. In cases where settlement is not achievable, Bayer will continue to defend itself vigorously.

The financial risk associated with the proceedings described above beyond the amounts already paid and the financial provisions already established is currently not quantifiable due to the considerable uncertainty associated with these proceedings. Consequently, no provisions other than those described above have been established. The Company expects that, in the course of the regulatory proceedings and civil damages suits, additional charges will become necessary.

Arbitration proceeding concerning propylene oxide

As previously reported, an arbitration panel in May 2006 issued a final award in favor of Lyondell Chemical Co. in respect of a dispute with Bayer over interpretation of their joint venture agreements for the manufacture of propylene oxide. Bayer was seeking to vacate the final award, while Lyondell was seeking to confirm the award as well as obtain pre-award interest. On March 20, 2007, the Texas District Court denied Bayer´s motion to vacate, confirmed in part the final award and ordered additional discovery relevant to one issue on which confirmation was not granted. Bayer has established appropriate provisions for the entire matter. In January 2007, Bayer filed a suit against Lyondell in the Delaware State Court of Chancery, seeking equitable reformation of one of the license agreements relating to the joint venture and restitution of certain monies paid or allegedly owing by Bayer to Lyondell.

Subsequent Events

In April 2007 the Japanese Ministry of Health, Labor and Welfare (MHLW) approved the novel cholesterol-lowering agent ZETIA® (ezetimibe). ZETIA® will be co-marketed by Bayer Yakuhin Ltd. and Schering-Plough K.K. Japan. The drug is approved for use either as mono-therapy or co-administered with a statin, for further reduction of LDL ("bad") cholesterol.

The co-marketing agreement regarding ZETIA® in Japan is part of Bayer's strategic pharmaceuticals alliance with Schering-Plough, which was announced in 2004. Bayer's primary care pharmaceutical products, such as the antibiotics Avelox® and Cipro®, the cardiovascular product Adalat® and also Levitra® are today marketed and distributed by Schering-Plough in the United States and Puerto Rico.

Please note that Bayer Schering Pharma AG is not legally related to Schering-Plough Corporation, New Jersey, United States. The two companies have been totally independent of each other for many years.

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Calculation of EBIT(DA) Before Special Items

EBITDA, EBITDA before special items and EBIT before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers the underlying earnings figures to be more suitable indicators of operating performance since they are not affected by special items, and EBITDA before special items is not affected by depreciation, amortization or write-downs/write-backs. The company also believes that these indicators give readers a clearer picture of the results of operations and ensure greater comparability of data over time.

Special Items Reconciliation	EBIT 1st Quarter 2006	**EBIT 1st Quarter 2007**	EBITDA 1st Quarter 2006	**EBITDA 1st Quarter 2007**
€ million				
After special items	**1,049**	**1,175**	**1,436**	**1,774**
HealthCare	**6**	**139**	**6**	**165**
Schering PPA effects*	0	20	0	64
Schering integration costs	0	119	0	101
Litigation	5	0	5	0
Other	1	0	1	0
CropScience	**0**	**39**	**0**	**36**
Restructuring	0	39	0	36
MaterialScience	**112**	**6**	**112**	**0**
Restructuring	0	6	0	0
Litigation	112	0	112	0
Reconciliation	**10**	**16**	**10**	**15**
Restructuring Industry Services	0	16	0	15
Litigation	10	0	10	0
Total special items	**128**	**200**	**128**	**216**
Before special items	**1,177**	**1,375**	**1,564**	**1,990**

* The purchase price paid for Schering AG, Germany, was allocated among the acquired assets and assumed liabilities in accordance with the International Financial Reporting Standards (IFRS). The purchase price allocation, which is not yet complete, resulted in total charges to EBIT of €224 million in the first quarter of 2007. To ensure comparability with future earnings data, the expected long-term effects of the step-up are reflected in EBIT and EBITDA before special items, whereas temporary, non-cash effects of the purchase price allocation are eliminated. When calculating EBIT before special items, we deducted a €20 million special charge recorded in this connection. EBIT before special items therefore reflects €204 million in charges resulting from the purchase price allocation. EBITDA before special items remains unaffected by the purchase price allocation.

Investor Information

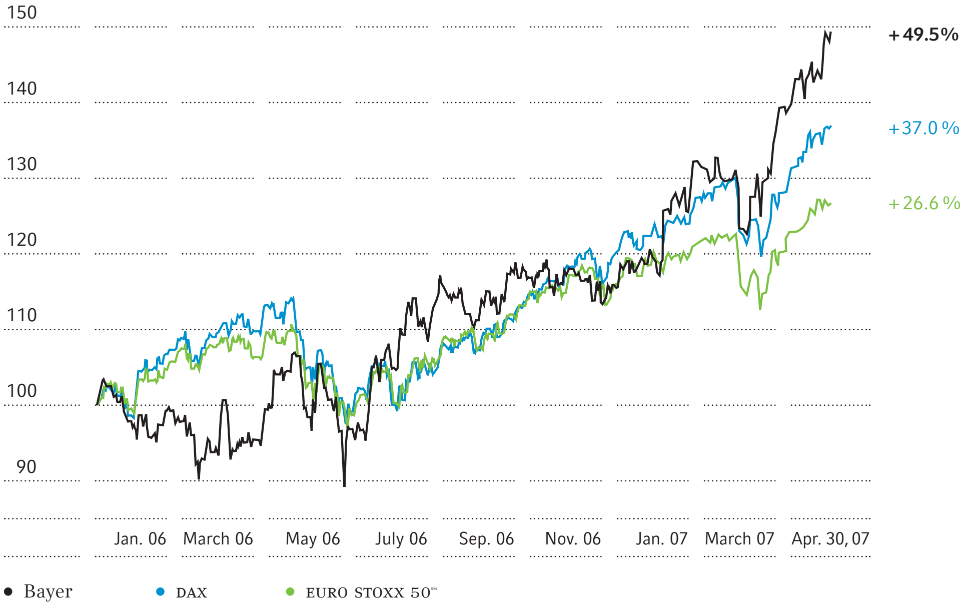
Bayer stock performed very well in the first quarter of 2007, ending the quarter at €47.84, up 17.7 percent from the closing price on December 31, 2006. This was the highest closing price for Bayer stock in the past five years. Over the same period the DAX rose 4.9 percent to 6,917.

Supported by a favorable market environment, this outstanding performance was due to the good results for fiscal 2006 and our positive business outlook, which in turn led to a number of upgrades by financial analysts.

Bayer Stock Key Data		1st Quarter 2006	**1st Quarter 2007**	Full Year 2006	
High for the period	€	36.37	47.84	40.92	
Low for the period	€	31.70	40.20	30.56	
Average daily share turnover on German stock exchanges	million	5.6	5.5	5.6	
		March 31, 2006	**March 31, 2007**	Dec. 31, 2006	**Change March 31, 2007/ Dec. 31, 2006 %**
Share price	€	33.06	47.84	40.66	17.7
Market capitalization	€ million	24,145	36,566	31,078	17.7
Stockholders' equity	€ million	12,105	15,906	12,851	23.8
Number of shares entitled to the dividend	million	730.34	764.34	764.34	0.0
DAX		5,970	6,917	6,597	4.9

XETRA closing price; source: Bloomberg

Performance of Bayer Stock
Index (100 = XETRA closing price on December 31, 2005)



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Calculation of core earnings per share

Earnings per share according to IFRS are affected by the purchase price allocation and other special factors. To enhance comparability, we also determine core net income from continuing operations after elimination of 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.

The calculation of earnings per share in accordance with IFRS is explained in the notes to this interim report on page 38. Adjusted core net income, core earnings per share and core EBIT are not defined in the International Financial Reporting Standards. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of Core EBIT and Core Earnings per Share	1st Quarter 2006	1st Quarter 2007
€ million		
EBIT as per income statement	**1,049**	**1,175**
Amortization and write-downs of intangible assets	131	293
Write-downs of property, plant and equipment	6	24
Special items (other than write-downs)	128	216
Core EBIT	**1,314**	**1,708**
Non-operating result (as per income statement)	(210)	(218)
Extraordinary income/loss from investments in affiliated companies	-	-
Income taxes (as per income statement)	(277)	(301)
Tax adjustment	(93)	(177)
Income after taxes attributable to minority interest (as per income statement)	3	(1)
Core net income from continuing operations	**737**	**1,011**
Financing expenses for the mandatory convertible bond, net of tax effects	-	24
Adjusted core net income	**737**	**1,035**
Shares		
Weighted average number of issued ordinary shares	730,341,920	764,341,920
Potential shares to be issued upon conversion of the mandatory convertible bond	-	59,523,810
Adjusted weighted average total number of issued and potential ordinary shares	**730,341,920**	**823,865,730**
Core earnings per share from continuing operations (€)	**1.01**	**1.26**

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Bayer Group Consolidated Statements of Income

€ million	1st Quarter 2006	1st Quarter 2007
Net sales	**6,791**	**8,335**
Cost of goods sold	(3,438)	(4,134)
Gross profit	**3,353**	**4,201**
Selling expenses	(1,365)	(1,807)
Research and development expenses	(414)	(625)
General administration expenses	(353)	(436)
Other operating income	208	143
Other operating expenses	(380)	(301)
Operating result (EBIT)	**1,049**	**1,175**
Equity-method loss	(8)	(14)
Non-operating income	350	242
Non-operating expenses	(552)	(446)
Non-operating result	**(210)**	**(218)**
Income before income taxes	**839**	**957**
Income taxes	(277)	(301)
Income from continuing operations after taxes	**562**	**656**
Income from discontinued operations after taxes	**35**	**2,154**
Income after taxes	**597**	**2,810**
of which attributable to minority interest	(3)	1
of which attributable to Bayer AG stockholders (net income)	**600**	**2,809**
Earnings per share (€)		
From continuing operations		
Basic*	0.77	0.82
Diluted*	0.77	0.82
From continuing and discontinued operations		
Basic*	0.82	3.44
Diluted*	0.82	3.44

2006 figures restated
* The ordinary shares to be issued upon conversion of the mandatory convertible bond are treated as already issued shares.

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Bayer Group Consolidated Balance Sheets

€ million	March 31, 2006	**March 31, 2007**	Dec. 31, 2006
Noncurrent assets			
Goodwill	2,546	8,183	8,227
Other intangible assets	4,656	15,448	15,807
Property, plant and equipment	7,339	8,740	8,867
Investments in associates	776	517	532
Other financial assets	1,227	1,177	1,094
Other receivables	140	184	165
Deferred taxes	1,301	1,005	1,205
	17,985	**35,254**	**35,897**
Current assets			
Inventories	4,774	6,327	6,153
Trade accounts receivable	5,436	6,759	5,802
Other financial assets	526	238	401
Other receivables	1,403	1,356	1,217
Claims for tax refunds	446	550	581
Cash and cash equivalents	3,026	6,143	2,915
Assets held for sale and discontinued operations	2,832	346	2,925
	18,443	**21,719**	**19,994**
Total assets	**36,428**	**56,973**	**55,891**
Stockholders' equity			
Capital stock of Bayer AG	1,870	1,957	1,957
Capital reserves of Bayer AG	2,942	4,028	4,028
Other reserves	7,222	9,855	6,782
	12,034	**15,840**	**12,767**
Equity attributable to minority interest	71	66	84
	12,105	**15,906**	**12,851**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	5,961	6,156	6,543
Other provisions	1,670	1,506	1,464
Financial liabilities	7,418	14,626	14,723
Other liabilities	469	402	449
Deferred taxes	293	4,397	4,346
	15,811	**27,087**	**27,525**
Current liabilities			
Other provisions	2,809	4,571	3,765
Financial liabilities	1,309	3,673	5,078
Trade accounts payable	1,610	2,289	2,369
Tax liabilities	283	463	400
Other liabilities	1,608	2,826	3,055
Liabilities directly related to assets held for sale and discontinued operations	893	158	848
	8,512	**13,980**	**15,515**
Total stockholders' equity and liabilities	**36,428**	**56,973**	**55,891**

2006 figures restated

Bayer Group Consolidated Statements of Cash Flows

€ million	1st Quarter 2006	1st Quarter 2007
Income from continuing operations after taxes	562	656
Income taxes	277	301
Non-operating result	210	218
Income taxes paid	(216)	(343)
Depreciation and amortization	387	599
Change in pension provisions	(130)	(96)
(Gains) losses on retirements of noncurrent assets	(1)	12
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	–	64
Gross cash flow	**1,089**	**1,411**
Decrease (increase) in inventories	(114)	(213)
Decrease (increase) in trade accounts receivable	(889)	(1,011)
(Decrease) increase in trade accounts payable	(231)	(114)
Changes in other working capital, other non-cash items	183	302
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**38**	**375**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	90	38
Net cash provided by (used in) operating activities (net cash flow), total	**128**	**413**
Cash outflows for property, plant, equipment and intangible assets	(419)	(201)
Cash inflows from sales of property, plant, equipment and other assets	20	18
Cash inflows from divestitures less divested cash	0	4,673
Cash outflows for acquisitions less acquired cash	(20)	(22)
Cash inflows from noncurrent financial assets	26	5
Interest and dividends received	107	93
Cash inflows (outflows) from current financial assets	94	23
Net cash provided by (used in) investing activities (total)	**(192)**	**4,589**
Capital contributions	0	0
Bayer AG dividend, dividend payments to minority stockholders, reimbursements of advance capital gains tax payments	165	(9)
Issuances of debt	269	444
Retirements of debt	(393)	(1,954)
Interest paid	(228)	(245)
Net cash provided by (used in) financing activities (total)	**(187)**	**(1,764)**
Change in cash and cash equivalents due to business activities (total)	**(251)**	**3,238**
Cash and cash equivalents, January 1	**3,290**	**2,915**
Change in cash and cash equivalents due to changes in scope of consolidation	(2)	(1)
Change in cash and cash equivalents due to exchange rate movements	(11)	(9)
Cash and cash equivalents, March 31	**3,026**	**6,143**

2006 figures restated

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Bayer Group Consolidated Statements of Recognized Income and Expense

€ million	1st Quarter 2006	**1st Quarter 2007**
Changes in fair values of derivatives designated as hedges and available-for-sale financial assets, recognized in stockholders' equity	9	1
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits, recognized in stockholders' equity	805	331
Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity	(144)	36
Deferred taxes on valuation adjustments offset directly against stockholders' equity	(315)	(134)
Changes due to changes in scope of consolidation	-	31
Valuation adjustments recognized directly in stockholders' equity	**355**	**265**
Income after taxes	**597**	**2,810**
Total income and expense recognized in the financial statements	**952**	**3,075**
of which attributable to minority interest	(5)	2
of which attributable to Bayer AG stockholders	957	3,073

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Key Data by Segment

Segment	HealthCare			
	Pharmaceuticals		Consumer Health	
€ million	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
Net sales (external)	1,148	2,495	1,055	1,115
Change	+ 20.6 %	+117.3 %	+ 22.0 %	+ 5.7 %
Currency-adjusted change	+ 15.2 %	+122.2 %	+ 15.8 %	+ 11.4 %
Intersegment sales	13	12	2	3
Operating result (EBIT)	202	281	177	204
Depreciation, amortization and write-downs/write-backs	39	265	41	33
Gross cash flow*	162	390	130	167
Net cash flow*	(11)	279	54	104
Number of employees at end of period	16,700	39,400	11,700	11,500

2006 figures restated
* for definition see Bayer Group Key Data on page 2

Key Data by Region

Region	Europe		North America	
€ million	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
Net sales (external) – by market	3,018	3,848	1,936	2,226
Change	+ 6.8 %	+ 27.5 %	+ 20.8 %	+ 15.0 %
Currency-adjusted change	+ 6.6 %	+ 27.5 %	+ 9.8 %	+ 25.4 %
Net sales (external) – by point of origin	3,226	4,153	1,952	2,220
Change	+ 6.9 %	+ 28.7 %	+ 21.2 %	+ 13.7 %
Currency-adjusted change	+ 6.8 %	+ 28.7 %	+ 10.0 %	+ 24.2 %
Interregional sales	1,045	1,374	477	516
Operating result (EBIT)	663	724	262	357
Gross cash flow*	689	1,302	259	(52)
Number of employees at end of period	45,200	56,800	13,000	16,700

2006 figures restated
* for definition see Bayer Group Key Data on page 2

CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Materials		Systems		Reconciliation		Continuing Operations	
1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
1,413	1,434	358	352	710	739	1,776	1,869	331	331	6,791	8,335
− 0.3 %	+ 1.5 %	+ 9.5 %	− 1.7 %	+ 12.0 %	+ 4.1 %	+ 9.6 %	+ 5.2 %			+ 11.4 %	+ 22.7 %
− 5.8 %	+ 5.5 %	+ 3.4 %	+ 3.7 %	+ 6.6 %	+ 9.0 %	+ 4.8 %	+ 9.6 %			+ 6.2%	+ 27.3 %
18	18	2	2	6	4	39	38	(80)	(77)		
285	304	123	104	132	38	179	247	(49)	(3)	1,049	1,175
121	121	22	19	38	42	78	82	48	37	387	599
285	282	102	87	126	69	191	235	93	181	1,089	1,411
(289)	(113)	(61)	(125)	35	(25)	238	62	72	193	38	375
15,500	14,900	2,800	2,900	4,800	4,900	9,800	10,200	21,100	21,300	82,400	105,100

Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
1,006	1,200	831	1,061			6,791	8,335
+ 7.7 %	+ 19.3 %	+ 13.2 %	+ 27.7 %			+ 11.4 %	+ 22.7 %
+ 2.2 %	+ 27.8 %	+ 1.6 %	+ 38.7 %			+ 6.2 %	+ 27.3 %
964	1,137	649	825			6,791	8,335
+ 7.1 %	+ 17.9 %	+ 14.1 %	+ 27.1 %			+ 11.4 %	+ 22.7 %
+ 1.4 %	+ 26.9 %	− 0.4 %	+ 40.8 %			+ 6.2 %	+ 27.3 %
59	53	42	57	(1,623)	(2,000)		
123	73	44	63	(43)	(42)	1,049	1,175
128	98	38	71	(25)	(8)	1,089	1,411
13,600	17,800	10,600	13,800			82,400	105,100

Notes to the Interim Report as of March 31, 2007

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the unaudited consolidated interim financial statements as of March 31, 2007 have been prepared according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), in effect at the closing date.

Reference should be made as appropriate to the notes to the 2006 financial statements, particularly with regard to recognition and valuation principles.

Information on earnings per share

The ordinary shares to be issued upon conversion of the mandatory convertible bond are treated as already issued shares. Diluted earnings per share are therefore equal to basic earnings per share.

Calculation of Earnings per Share	1st Quarter 2006	**1st Quarter 2007**
€ million		
Income after taxes	597	2,810
Income attributable to minority interest	(3)	1
Income attributable to Bayer AG stockholders	600	2,809
Income from discontinued operations	35	2,154
Financing expenses for the mandatory convertible bond, net of tax effects	–	24
Adjusted income after taxes from continuing operations	565	679
Adjusted net income	600	2,833
Weighted average number of issued ordinary shares	730,341,920	764,341,920
Potential shares to be issued upon conversion of the mandatory convertible bond	–	59,523,810
Adjusted weighted average total number of issued and potential ordinary shares	730,341,920	823,865,730
Basic earnings per share (€)		
from continuing operations	0.77	0.82
from continuing and discontinued operations	0.82	3.44
Diluted earnings per share (€)		
from continuing operations	0.77	0.82
from continuing and discontinued operations	0.82	3.44

2006 figures restated

Changes in the Bayer Group

Scope of consolidation

As of March 31, 2007, the Bayer Group comprised 386 fully or proportionately consolidated companies, compared with 432 companies as of December 31, 2006. This decrease is primarily the result of companies leaving the group through the Diagnostics and H.C. Starck divestitures and of intragroup mergers of companies as part of the integration of Schering, Berlin, Germany.

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Discontinued operations

In mid-2006 Bayer AG and Siemens AG signed an agreement concerning the sale of the Diagnostics business, which was transferred to the new owner on January 2, 2007.

On November 23, 2006 an agreement was concluded to divest the activities of the H.C. Starck group, formerly assigned to the Materials segment, to a consortium of two financial investors, Advent International and The Carlyle Group. This business was transferred to the new owners on February 1, 2007.

The agreement to sell the companies of the Wolff Walsrode group, which operates principally in the field of cellulose chemistry, to The Dow Chemical Company, United States, was signed in December 2006. Wolff Walsrode also was formerly assigned to the Materials segment. Pending the approval of the antitrust authorities, the transfer of this business is expected to take place in the summer of 2007.

The Diagnostics activities, H.C. Starck and Wolff Walsrode are recognized as discontinued operations. The prior-period data have been restated accordingly.

This information, which is provided from the standpoint of the Bayer Group, is to be regarded as part of the reporting for the entire Bayer Group by analogy with our segment reporting and is not intended to portray either the discontinued operations or the remaining operations of Bayer as separate entities. This presentation is thus in line with the principles for reporting discontinued operations.

Discontinued Operations	Diagnostics		H.C. Starck		Wolff Walsrode		Total	
€ million	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**	1st Quarter 2006	**1st Quarter 2007**
Net sales	378	0	247	74	78	85	703	159
Operating result (EBIT)*	31	2,778	22	109	6	13	59	2,900
Income after taxes	21	2,044	12	103	2	7	35	2,154
Gross cash flow*	64	(10)	27	14	10	10	101	14
Net cash flow*	64	7	26	26	0	5	90	38
Net investing cash flow	(29)	3,748	(10)	922	(2)	(2)	(41)	4,668
Net financing cash flow	(35)	(3,755)	(16)	(948)	2	(3)	(49)	(4,706)

* for definition see Bayer Group Key Data on page 2

Related parties

In the course of the operating business, materials, inventories and services are sourced from a large number of business partners around the world. These include companies in which an interest is held, and companies with which members of the Supervisory Board of Bayer AG are associated. Transactions with these companies are carried out on an arm's-length basis. Business with such companies was not material from the viewpoint of the Bayer Group. The Bayer Group was not a party to any transaction of an unusual nature or structure that was material to it or to companies or persons closely associated with it, nor does it intend to be party to such transactions in the future.

Business transactions with companies included in the consolidated financial statements at equity, or at cost less impairment charges, mainly comprised trade in goods and services. The value of these transactions was, however, immaterial from the point of view of the Bayer Group. The same applies to financial receivables and payables vis-à-vis related parties.

Other information

The Annual Stockholders' Meeting on April 27, 2007 approved the dividend proposed by the Board of Management and Supervisory Board of €1.00 per share for fiscal 2006.

The stockholders also ratified the actions of the members of the Board of Management and the Supervisory Board.

The terms of office of all Supervisory Board members ended at the close of the 2007 Annual Stockholders' Meeting. In addition to the previous Supervisory Board members Dr. Paul Achleitner, Prof. Dr.-Ing. h.c. Hans-Olaf Henkel, Dr. Klaus Kleinfeld, Dr. Manfred Schneider, Dr. Ekkehard D. Schulz, Dr.-Ing. h.c. Jürgen Weber and Prof. Dr. Dr. h.c. Ernst-Ludwig Winnacker, the Annual Stockholders' Meeting elected Dr. Clemens Börsig, Chairman of the Supervisory Board of Deutsche Bank Aktiengesellschaft, Dr. Helmut Panke, former Chairman of the Board of Management of BMW Aktiengesellschaft, and Dr. Klaus Sturany, member of the Board of Management of RWE Aktiengesellschaft, as stockholders' representatives on the Supervisory Board. They will hold office until the conclusion of the Annual Stockholders' Meeting that resolves on the ratification of the actions of the members of the Supervisory Board for the 2011 fiscal year. In addition to the previous Supervisory Board members Willy Beumann, Karl-Josef Ellrich, Dr.-Ing. Thomas Fischer, Peter Hausmann, Rainer Hoffmann, Petra Kronen, Hubertus Schmoldt and Thomas de Win, the employee delegates' assembly elected Oliver Zühlke and André Krejcik as employees' representatives on the Supervisory Board.

The existing Authorized Capital II was revoked and new Authorized Capital II created with the option of excluding subscription rights; Section 4, Paragraph 3 of the Articles of Incorporation (Capital Stock) was amended accordingly.

Due to the expiration of the authorization given by the previous Annual Stockholders' Meeting, the Board of Management was again authorized to purchase and sell company shares subject to exclusion of subscription rights.

The Annual Stockholders' Meeting approved the Control Agreement between Bayer AG and Bayer Schering GmbH.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, Germany, was appointed as auditor for the 2007 fiscal year as well as for the audit review of the semi-annual financial report for the 2007 fiscal year.

Leverkusen, May 2, 2007
Bayer Aktiengesellschaft

The Board of Management

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Bayer is currently on a successful course and has very good future prospects

At the Annual Stockholders' Meeting on April 27, 2007 in Cologne, Management Board Chairman Werner Wenning reported to the stockholders on a successful year 2006.
The complete text of his address appears on the following pages.

**Valued stockholders and stockholders' representatives,
Ladies and gentlemen,**

On behalf of the Board of Management, I would also like to welcome you to our meeting today.

We are pleased that so many of you responded to our invitation. It shows the bond that exists between you and the company and demonstrates your interest in our work and in the developments of the past year.

I would like to begin with a review of the most important events and results of 2006, which was a very successful and indeed a record year for Bayer. I will keep my comments fairly brief, as we have already presented our results in detail in the Annual Report, on the Internet and at our Spring Financial News Conference.

I will then talk about our successful start to fiscal 2007, our perspectives for the year as a whole and our goals for the medium term.

We can undoubtedly say that 2006 was one of the most significant years in Bayer's history.

On the operating side, key indicators improved substantially compared to the previous year. Sales rose strongly to €29 billion, and our operating performance reached an all-time high. EBITDA before special items advanced to €5.6 billion, while EBIT before special items improved to €3.5 billion.

Last year we also continued systematically with the strategic development of our portfolio. And we further sharpened its focus by divesting our diagnostics business and the subsidiaries H.C. Starck and Wolff Walsrode.

The outstanding event of 2006 was of course the strengthening of our pharmaceuticals business through the acquisition of Schering AG of Berlin, Germany. I already had the opportunity to elaborate on the strategic rationale and the importance of this acquisition at last year's Annual Stockholders' Meeting.

As you all know, there was some excitement in the final phase of the takeover offer, but in the end we were successful, with the total purchase price for Schering rising by about €400 million to just under €17 billion. The average price being paid per Schering share is currently about €88.60, which is €2.60 higher than our initial offer of €86 per share.

But we are convinced that the additional expense is justified for a transaction of this magnitude that is of such long-term significance for Bayer.

And we are confident that we can more than compensate for these additional costs by improving the performance of the combined business and realizing synergy potentials.

The new Bayer Schering Pharma is among the world leaders in specialty pharmaceuticals, by which we mean medicines that are mainly prescribed by specialist physicians or used in hospitals.

Our core indications, which have significant growth potential, are in the following areas:

- First, in oncology, the treatment of various types of cancer.

- Second, in cardiology and hematology. The goal here is to improve cardiovascular risk management.

- Third, in gynecology, particularly hormonal contraceptives.

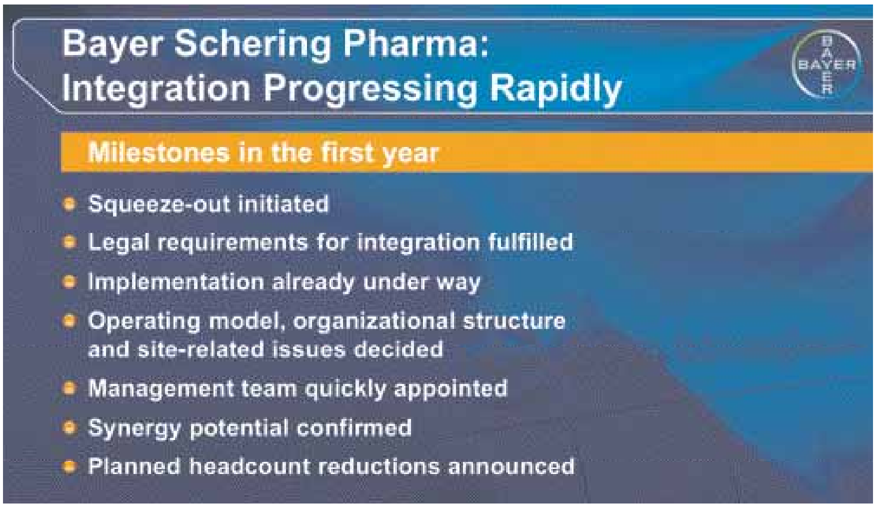
- Fourth, in contrast agents and diagnostic imaging.

- And fifth, in specialized therapeutics, the prime example here being Betaferon®/Betaseron® for the treatment of multiple sclerosis.

Another key feature are our drug products that are mainly prescribed by general practitioners, such as our anti-infectives and the erectile dysfunction treatment Levitra®.

Our combined business at Bayer Schering Pharma is thus extremely well placed. And in light of our very promising research and development projects, we believe we are well on the way to further enhancing its position.

The exhibition here in the lobby of the trade fair halls is designed to give you insight into our expanded pharmaceuticals business.



It already seems quite natural for us to talk about our new, integrated company Bayer Schering Pharma. We are very pleased at how quickly the merger is progressing.

After all, there are few transactions where the squeeze-out of minority stockholders is initiated, the legal requirements for integration fulfilled and the first measures implemented within such a short time.

And we are determined to keep up the pace, because rapid integration is crucial to the future success of the new company.

And here it should be borne in mind that the merger of two global pharmaceutical businesses is a task of considerable proportions.

At a very early stage we made important decisions on the common operating model, the organizational structure and site-related issues.

For example, we are concentrating the global research activities of Bayer Schering Pharma at three sites and consolidating distribution activities in the various regions and countries.

We have now made nearly all management appointments at the top four levels following a transparent selection process. A total of more than 800 positions worldwide have been almost equally divided between executives from Bayer and Schering.

And our pharmaceuticals business is now able to operate with a uniform image as Bayer Schering Pharma at nearly all of our sites.

The success of this merger also depends very much on creating competitive cost structures and exploiting existing savings potential – what we call synergies.

About 50 percent of the synergies will come from the merging of infrastructures, and the other 50 percent from downsizing the workforce. We will thus eliminate some 6,100 positions worldwide by 2009.

This is not an easy course to take, but there is no alternative. And as with previous job cuts, it goes without saying that we are committed to seeking fair, flexible and socially responsible solutions.

The steps we have taken so far put us on track to achieve the announced synergy goal of €700 million annually by 2009.

And we are laying a solid foundation for the future of Bayer Schering Pharma, and thus for the future of our entire HealthCare business.

We are convinced that the expansion of our HealthCare activities will strengthen the entire Bayer Group for the long term.

Last year the Schering business already contributed €3.1 billion to Bayer Group sales, giving our company additional momentum.

In 2006 total sales rose by 17 percent, or €4.3 billion, to €29 billion. Adjusted for currency and portfolio changes, growth amounted to 5 percent.

The drivers of this growth were our HealthCare and MaterialScience subgroups.

The largest increases in absolute terms were achieved in Europe, where business expanded by €1.9 billion, or 17.5 percent, to €12.7 billion. Sales in Germany rose by 18 percent to €4.5 billion.

Notably, we posted very rapid growth in Greater China, with sales up by 24 percent year on year, to €1.5 billion. In terms of sales, Greater China therefore took third place for the first time – behind the United States and Germany.

The gratifying expansion of business also led to an improvement in operational profitability of which our employees are justly proud: in fact we set a new earnings record.

On the one hand, we improved Group EBITDA before special items by a substantial 21 percent, to €5.6 billion. We thus achieved an underlying EBITDA margin of 19.3 percent, in line with the communicated margin target for 2006.

And EBIT before special items advanced by 14 percent to an all-time high of €3.5 billion.

However, earnings in 2006 were diminished by a number of special items totaling €717 million. These special items arose mainly from the integration of Schering and other restructuring activities.

After these special items, EBIT advanced by 10 percent to €2.8 billion.

So how did the subgroups contribute to this gratifying performance?

Sales of Bayer HealthCare rose in 2006 by 47 percent to €11.7 billion. We are pleased that we grew faster than the market in all of our HealthCare divisions. The business trend in Europe and North America was particularly encouraging.

Global sales of our Pharmaceuticals segment climbed by 84 percent to €7.5 billion. Including Schering's sales prior to the acquisition date gave Bayer Schering Pharma total pro forma sales of more than €10 billion for 2006. This is an impressive figure.

Pro forma sales of Bayer Schering Pharma grew by 8 percent year on year, compared to about 6 percent for the market as a whole.

This expansion of sales in such eventful times is surely testimony to the hard work of our employees and to our excellent product portfolio.

We achieved dynamic growth in a number of important products:

- Pro forma sales of the oral contraceptive Yasmin®, including YAZ® and Yasminelle®, advanced by 36 percent.

- Our erectile dysfunction treatment Levitra® and our hemophilia drug Kogenate® each saw sales growth in the region of 20 percent.

- Sales of Betaferon®/Betaseron® for the treatment of multiple sclerosis expanded by 14 percent pro forma. With sales of nearly €1 billion, this is our top-selling pharmaceutical product.

- Our cancer drug Nexavar® turned in a particularly encouraging performance, posting impressive sales of €130 million in the year of its introduction.

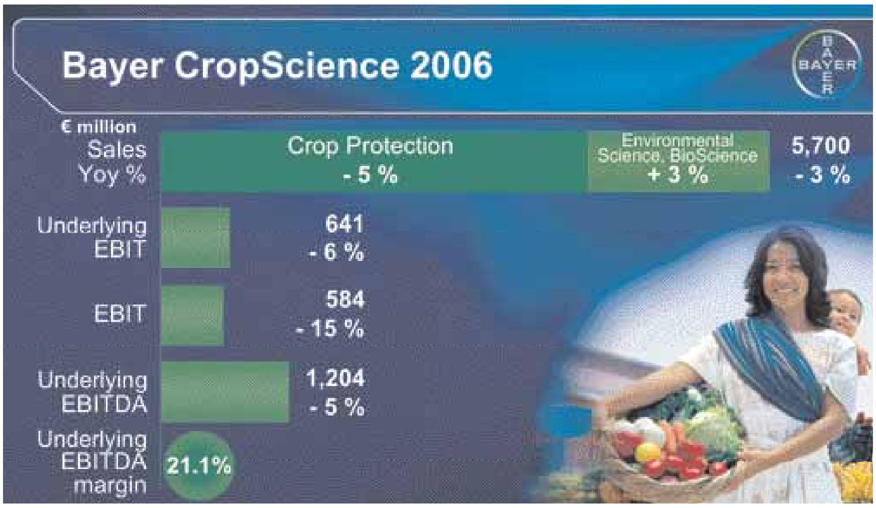
In our Consumer Health segment, all divisions contributed to the growth in business, which expanded by 8 percent to €4.2 billion.

Among the top products of the Consumer Care Division, the strongest growth was registered by Aleve® at 28 percent, Bepanthen® at 15 percent and Canesten® at 12 percent.

The Diabetes Care Division posted a significant improvement in sales, thanks particularly to the outstanding performance of our Ascensia® Contour® blood glucose monitoring device.

Sales of the Animal Health Division moved ahead thanks to pleasing gains by the Advantage® product family and launches of new products.

Bayer HealthCare's operating result also posted a further improvement. EBITDA before special items jumped by 76 percent, or roughly €1.1 billion, to €2.6 billion. Even without Schering's contribution of €774 million, we registered a very pleasing 24 percent increase. The underlying EBITDA margin came to 22.3 percent, in line with the earnings guidance for 2006 which had been raised in light of the Schering acquisition.



In 2006 Bayer CropScience had sales of €5.7 billion. This subgroup performed relatively well last year in a shrinking crop protection market, with a decline of 3 percent from the prior year.

In the Crop Protection segment, which markets conventional agricultural chemicals, sales were down by nearly 5 percent from the previous year, to €4.6 billion.

The 2006 fiscal year was marked by adverse weather conditions in major agricultural regions, a difficult market in Brazil, growing pressure on prices from generic products, and the increasing cultivation of genetically modified crops.

We partly offset the resulting decline in sales through successful marketing of our young and innovative products. Despite the general decline in the crop protection market, for example, we met our goal of generating €1 billion in sales in 2006 with new active ingredients that have been introduced in core markets since 2000.

Our cereal herbicide Atlantis®, the seed treatment Poncho® and our cereal fungicide Proline® made significant contributions in this respect. Including our Flint® fungicide, we therefore have four recently launched products among our ten best-sellers.

In the Environmental Science, BioScience segment, we boosted sales by 3 percent to €1.1 billion.

Underlying EBITDA of the CropScience segment was down by 5 percent from the prior year, to €1.2 billion. We partially compensated for the squeeze on margins through savings from our cost structure and efficiency improvement programs. The underlying EBITDA margin was 21.1 percent.

The Bayer MaterialScience subgroup continued its positive sales performance in 2006, with business expanding by 8 percent to €10.2 billion. This pleasing growth resulted mainly from higher volumes in all business units, accompanied by slightly higher selling prices overall.

Our Materials segment posted sales of €2.9 billion, up 3 percent from the previous year. Sales of the Polycarbonates Business Unit rose particularly in Europe and the Asia-Pacific region. We are very pleased to have become the world's number one supplier of polycarbonates last year.

Polyurethanes account for the lion's share of our Systems segment. Sales here advanced by 10 percent to €7.2 billion.

EBITDA before special items of the Bayer MaterialScience subgroup amounted to €1.7 billion, which nearly matched the high level of the previous year.

Substantial price hikes for energy and raw materials were offset by volume growth and price increases. However, earnings were held back by start-up costs for facilities, temporary production interruptions and expenses for expanding the sales organization in the growing Asian market.

The underlying EBITDA margin was 16.5 percent.

Let me take this opportunity to say a few words about a topic that is very much on all our minds: climate protection.

I am sure we all agree that climate protection is a global task. Every country, every industry and every citizen should contribute to protecting the climate. There are certainly a number of effective approaches to this issue.

Bayer is very well positioned in terms of climate-friendly utility supplies and production efficiency. Major capital expenditures and technological improvements have helped us to reduce the burden on the environment by a substantial 5.5 million tons of carbon dioxide equivalent since 1990.

One of the accolades Bayer received last year as a result of these accomplishments was our inclusion in the Climate Leadership Index – an internationally acknowledged honor. Here we received the "Best-in-Class" designation and were also named best company in our industry.

As I see it, one of the main things we need to realize as far as the future is concerned is that innovative and economical approaches are more important than ever if we are to master the enormous ecological challenge. And that is where the chemical industry in particular has a major role to play in problem-solving.

Various products supplied by our company help to save energy and open up impressive potential for reducing carbon dioxide emissions.

Our polycarbonates can make an important contribution, for example as low-density materials that help to reduce the weight of vehicles. And our polyurethanes have outstanding thermal insulation properties, which is important for refrigerators and buildings.

Our crop protection products are also used in a number of crops that serve as renewable, and thus climate-friendly, raw materials for the new generation of fuels known as biofuels.

Furthermore, we conduct research into plants that are not suitable for food production but have the potential to serve as rich energy sources.

As you can see, we are active in the search for climate protection solutions and are opening up new business opportunities for our company at the same time.

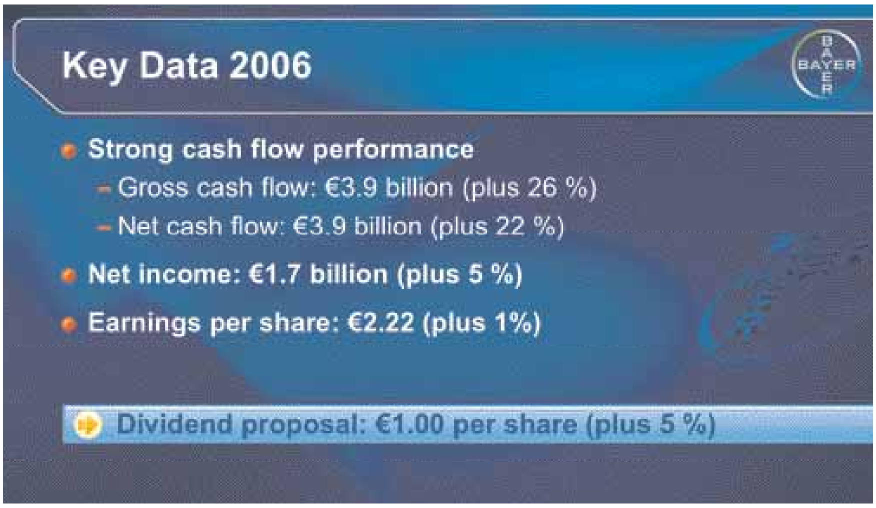
Now let's get back to our business performance and take a look at the rest of our financial data:

The non-operating result came to minus €782 million. This deterioration compared to the previous year resulted particularly from higher interest expense linked to the Schering acquisition.

Our net debt amounted to €17.5 billion on December 31, 2006, compared to €5.5 billion at the end of 2005. So despite the purchase price of some €17 billion for Schering, our net debt rose by only €12 billion last year.

A significant factor here was the €1.2 billion raised by last year's capital increase. We successfully placed 34 million new shares to help finance the Schering acquisition.

We also made use of existing liquid assets resulting from our dynamic cash flow performance in 2006.



Gross and net cash flow each came to €3.9 billion, representing year-on-year increases of 26 and 22 percent, respectively.

The cash inflows resulting from the divestitures you are aware of will allow us to reduce net debt significantly once again.

In addition, we issued a €2.3 billion mandatory convertible bond in March last year. This will convert to equity in 2009, thus further reducing our net debt.

Group net income rose by about €100 million to €1.7 billion, while earnings per share improved from €2.19 to €2.22.

Of course we also want you, our stockholders, to benefit from the positive business trend. The Board of Management and the Supervisory Board are therefore jointly proposing to you today that the dividend per share for 2006 be raised by 5 percent to €1. Subject to your approval, we will thus pay out approximately 45 percent of Group net income.

For 2006 we also reported core earnings per share for the first time to facilitate performance comparisons with other companies, particularly regarding the impact of major acquisitions.

Core EPS are calculated by deducting from Group net income the above special items, the acquisition-related amortization and asset write-downs, earnings from discontinued operations, and extraordinary income or expenses from investments in affiliated companies.

That gives core EPS of €3.24, compared with €2.84 for 2005.

The proposed dividend of €1.00 per share corresponds to 31 percent of core EPS.

For the future, we plan to maintain the dividend at between 30 and 40 percent of this indicator.

This brings us to the strategic highlights of the past year:

Apart from the acquisition of Schering and the successful launch of Bayer Schering Pharma, we actively managed our portfolio in further important respects.

The sale of our Diagnostics business to Siemens for €4.3 billion was the biggest divestiture in Bayer's history.

H.C. Starck was sold to a consortium of two financial investors, and we have signed an agreement with Dow Chemical concerning the divestiture of Wolff Walsrode.

We are very much convinced that the acquirers of these businesses offer good perspectives for the employees.

In addition to these portfolio movements, we made further significant progress in the Group's development. I'd like to mention just a few examples here:

We expanded our HealthCare business by purchasing the European marketing rights for the blood pressure treatments Pritor® and PritorPlus®, taking over the U.S. company Metrika in the field of blood glucose measurement, and acquiring the over-the-counter medicines business of the Chinese-based Topsun group.

In addition, the collaboration with U.S.-based biotech company Regeneron Pharmaceuticals to develop and market a product for the treatment of eye diseases enhances our profile as a supplier of specialty pharmaceuticals. The recently published preliminary results of the phase II studies are encouraging.

In 2006 we received marketing authorization in nearly 50 countries, including those of the E.U., for our kidney cancer drug Nexavar®.

We also specified the phase III trial program for our thrombosis drug rivaroxaban and began the studies for the chronic indications. It is planned to accept more than 40,000 patients into this study program. This impressive figure gives you some idea of the scale of what is a very important development program for one of Bayer's most promising drug candidates.

And we significantly strengthened the potential of Betaferon®/Betaseron® and the Yasmin® product family by expanding their registrations.

At Bayer CropScience our growth strategy is focused on strengthening our position as an innovation leader in chemical crop protection and expanding our seed and plant biotechnology businesses in particular.

In addition, we initiated a new cost structure program for this subgroup in the summer of 2006. This is due to be largely completed by 2009, bringing us annual savings of €300 million.

At Bayer MaterialScience we have mapped our course for the future in major respects. These include a number of system house collaborations in Polyurethanes and the acquisition of the Taiwan-based Ure-Tech group, the leading producer of thermoplastic polyurethanes in the Asia-Pacific region.

The inauguration of several production facilities in Shanghai underscores China's central importance to Bayer in this region.

Here you see pictures of our biggest capital expenditure project outside of Germany.

The inauguration in September of a world-scale polycarbonate facility and important production plants for isocyanates was a milestone in the development of the Bayer Integrated Site Shanghai. It demonstrates Bayer's steadily increasing commitment to China.

Regarding our service companies, which successfully support our subgroups' performance, we have taken steps to increase efficiency and improve cost structures in the medium term.

Adjustments to these companies' personnel structures are also necessary to enhance their competitiveness.

Together with the representatives of the work force, we aim to find future-oriented and socially responsible solutions that take our employees' interests into account as far as possible.

That concludes my review of Bayer's operational and strategic developments in 2006.

Last year we again asked a great deal of our more than 100,000 employees worldwide in the subgroups, service companies and Corporate Center. And we continue to rely on their dedication and high level of motivation. I believe we have every reason to be very proud of them.

On your behalf as well, ladies and gentlemen, I would like to sincerely thank our employees for what they have achieved.

The upward business trend and the Bayer Group's ongoing strategic development were also reflected in a gratifying improvement in the share price.

The performance of Bayer stock including the dividend came to plus 18 percent, following a 54 percent performance in the previous year.

And this year, too, we have so far seen a strong, above-average upward trend, with the share price rising by more than 20 percent.

This means that our market capitalization has grown by over €20 billion to more than €38 billion in just over two-and-a-quarter years.

Favorable perspectives and positive corporate news have contributed to the growth momentum in our share price since the beginning of the year.

We have reached important milestones for three key pharmaceutical products in particular:

- We safeguarded the earnings potential of our Betaferon®/Betaseron® business through an agreement with Novartis under which we will assume control of that company's U.S. biologics manufacturing facility and will cease to pay royalties as of October 2008.

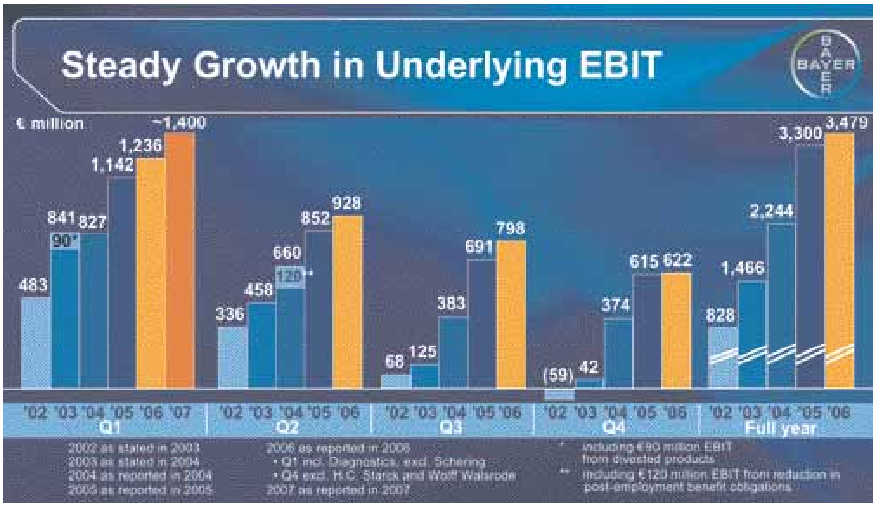
- We have extended the existing agreement to supply CSL Behring with our recombinant Factor VIII until 2017, at the same time securing licenses to certain patents for Kogenate®.

- The phase III study with Nexavar® in patients with advanced liver cell carcinoma showed good results. We are currently preparing the remaining steps toward registering Nexavar® in this indication.

We are also encouraged by our sales and earnings performance in the first three months of 2007, which continues last year's gratifying trend.

Group sales in the first quarter rose by 23 percent to €8.3 billion, including €1.4 billion in sales of the acquired Schering products. Adjusted for shifts in exchange rates and also for portfolio changes such as the Schering acquisition, sales growth came to 7 percent. All of the subgroups made tangible contributions to this improvement.

But more important, of course, is the operating result. And here, too, I have good news to report on the basis of the preliminary figures we have at the moment.



The operating result before special items rose by 17 percent in the first quarter, to €1.4 billion. That means we have now posted year-on-year increases in underlying EBIT in 17 consecutive quarters.

And our EBITDA before special items actually moved ahead 27 percent, to €2 billion.

The largest increase was recorded by our Bayer HealthCare subgroup. Here, earnings approximately doubled, with the main contributions coming from the acquired Schering business and the gratifying trend in Consumer Health.

Bayer CropScience also achieved higher earnings, due primarily to volume increases and improved cost structures.

As expected, earnings of Bayer MaterialScience were below the high level of the prior-year quarter, mainly because of a considerable increase in raw material costs.

After net special charges of €200 million, EBIT came in at about €1.2 billion, a clear 12 percent above the first quarter of 2006.

Including the gain of just under €2.2 billion from the divestments of the diagnostics business and H.C. Starck and a non-operating result of about minus €220 million, net income came to €2.8 billion.

Net debt was reduced in the first quarter by €4.8 billion to €12.8 billion, due particularly to the proceeds of these divestments.

We will provide further details of our first-quarter results on May 8, as already announced (see pages 4 – 40).

In light of this successful start to 2007, we confirm our positive outlook for the full year. At the present time we are not altering the guidance we issued in March.

Over the year as a whole we expect a further improvement in the Group's earning power. We aim to grow Group sales by more than 10 percent.

We plan to increase underlying EBITDA by more than 10 percent and slightly improve our underlying EBITDA margin.

At Bayer HealthCare, we intend to grow with or faster than the market in all divisions in 2007, and to improve the underlying EBITDA margin toward 24 percent.

Here we will take special care to ensure that we continue to integrate the Schering business successfully.

We currently take a positive view of the general market environment for CropScience this year, although it remains to be seen how market conditions will develop in the various regions.

We assume that growth here will be slightly above market, and we plan to improve the underlying EBITDA margin from 21.1 percent in 2006 toward 22 percent this year. Implementation of the cost structure programs at Bayer CropScience has a part to play in this respect.

Bayer MaterialScience is planning further volume increases and expects to maintain a good, value-creating earnings level in 2007. However, given the high volatility of raw material prices, it is difficult for us to give a reliable longer-term forecast for this subgroup.

Our planning for 2007 shows that the measures adopted in recent years are working.

I would like to take a moment to address a topic that has become the focus of intense public interest of late: corporate compliance.

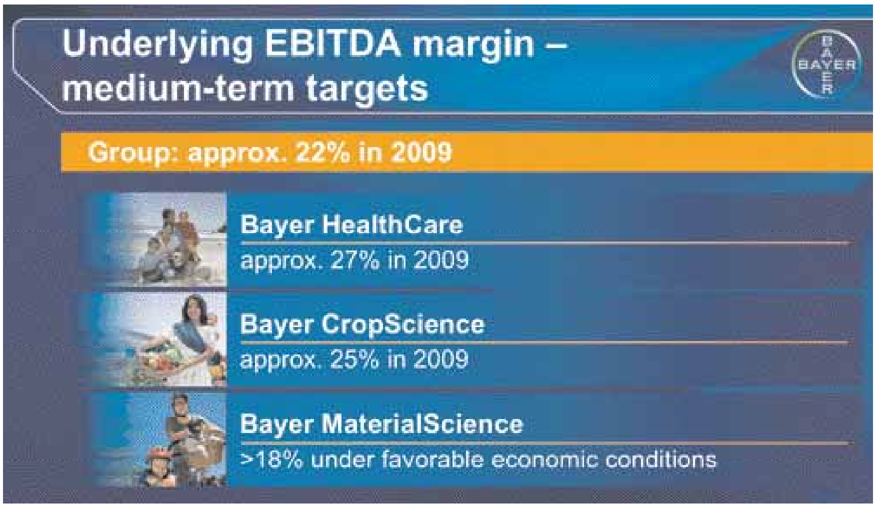
This refers to a company’s correct conduct with respect to all legal and other regulatory requirements.

I can assure you that Bayer has taken extensive action in recent years to ensure that these requirements are adhered to.

After all, you – our stockholders – and also our employees, analysts, the media and, not least, the general public rightly demand that management pay special attention to this issue.

In our company we place great emphasis on corporate compliance, to which we have a clear commitment throughout the world. Mandatory guidelines and oversight mechanisms exist in our company for this purpose. It goes without saying that we will not tolerate violations of law.

And I would like to emphasize that where the only way to do business is by unfair means, we will have nothing to do with it. That’s the only policy that will enable us to grow in the long term.



I'm pleased to be able to give you details on our medium-term planning beyond our expectations for 2007.

As you know, our EBITDA margin for the Group as a whole was 12 percent as recently as 2002. Our goal was to report an underlying EBITDA margin of 19 percent by 2006, and we achieved that goal.

We are now planning to generate an underlying EBITDA margin of approximately 22 percent in 2009. So we are headed toward a new order of magnitude in terms of earnings.

Let me illustrate this impressive percentage in terms of absolute figures:

A margin increase of three percentage points corresponds to growth of roughly €1 billion in underlying EBITDA based on last year's sales.

And of course, we expect to considerably expand our business by 2009. In this connection, we see a very positive future trend for our HealthCare activities in particular.

For 2009 we are aiming for an underlying EBITDA margin of about 27 percent in this subgroup, helped by the synergies from the Schering integration and the growth of our businesses.

In CropScience, too, we plan to further increase the underlying EBITDA margin through 2009 and anticipate a margin in the region of 25 percent under normal market conditions.

And at Bayer MaterialScience, with our enhanced business portfolio and competitive production structures, we believe we can create value even in a difficult market environment by earning an attractive premium over the capital and asset replacement costs.

In years with favorable business conditions, we aim to generate an underlying EBITDA margin in excess of 18 percent.

I believe these perspectives offer strong evidence of our confidence and of our determination to successfully drive Bayer forward.

We have a firm foundation on which to achieve our goals, and we are continuing to broaden that foundation.

To safeguard further growth, for example, we are planning capital expenditures of €1.7 billion in 2007, including €1.6 billion for property, plant and equipment.

We expect our research and development spending to total €2.8 billion, which would once again be the biggest R&D budget in the German chemical and pharmaceutical industry.

Thus in 2007 alone we plan to invest a total of about €4.5 billion in the future of our company.

This is in the interests of the company and its employees, and it is in your interests too, as our stockholders.

There is no question that sales and earnings are extremely important for us and for our stockholders.

Yet at today's Annual Stockholders' Meeting, I would like to point out another aspect that is equally important for our work.

I'm talking about how people benefit from our products. Those products often have a greater value than can be expressed in mere numbers.

They help to improve the health of people and animals, ensure the adequacy of food supplies and make cars safer – and they contribute to climate protection. This is what makes Bayer a fascinating company.

The achievements of our employees are evident everywhere – in keeping with our mission statement "Bayer: Science For A Better Life."

I would now like to show you a short film that provides impressive evidence of how a Bayer medicine can help people with a serious disease.

* * *

I'm sure these images move us all. They show how our medicines help people.
Our products save lives, improve living conditions and are essential to many people.
This gives deep meaning to our work and greatly motivates us all.

I would now like to conclude my report:

- 2006 was an outstanding year, a record year for Bayer from both an operational and a strategic standpoint.

- We have gotten off to a very good start in 2007 and aim to further improve our performance this year compared to 2006.

- And we have defined specific, ambitious goals for 2009.

Thus not only is Bayer currently on a successful course, it also has very good future prospects. What we have achieved so far motivates us to be even better in the future.

On behalf of my colleagues on the Board of Management, I would like to thank you for the trust you have placed in us.

We will do everything in our power to justify your confidence – in 2007 and beyond.

Thank you.

High praise for the company's success

At the Annual Stockholders' Meeting, held at the Cologne Exhibition Center, Bayer CEO Werner Wenning reported to the approximately 5,000 visitors on the company's positive business performance.

"Bayer is somebody again in the pharmaceutical world." That was how one stockholders' representative summed up his praise for the company's performance and the successfully ongoing integration of Schering during the discussion at the 55th Annual Stockholders' Meeting of Bayer AG, which was attended by some 5,000 people.

Following words of welcome from Supervisory Board Chairman Dr. Manfred Schneider and the report by Management Board Chairman Werner Wenning, the Board of Management and Supervisory Board fielded questions from the participants. One topic featuring prominently in the discussion was the integration of Schering. According to Hans-Richard Schmitz from the German private investors' association DSW, the company can now reap the fruits of the acquisition. "Since 2004 you have presented us with improved earnings and dividend increases with pleasing regularity," Schmitz said, adding that Bayer stock has also far outperformed the German stock index DAX since the beginning of this year. The representative of the stockholders' association SdK, Harald Petersen, also praised the Bayer Group's strategy: "The Schering takeover was a courageous step. It looks as if all's going well, and I hope things stay that way."

Another attendee expressed gratitude for the performance of the stock, thanking all employees of the Group for their dedication

Tomorrow's medicine: Christina Sehnert (left) explained to visitors Wilhelm Winter and Konstanze Loose how cardiovascular medicines work (above). A moving film provided impressive evidence of how the Bayer drug Nexavar® can help seriously ill patients (top right). At the Bayer Schering Pharma exhibition, Ludwig Hahn handed out information brochures to Christina Kersten, Jan Schell, Juliane Pütz and Brigitte Nassauer (from left).

and their achievements. "In light of the international trend, strengthening the Pharmaceuticals Division was exactly the right thing to do," he declared.

During the discussion, which lasted several hours, Wenning explained that all the stages in the integration of Bayer Schering Pharma has been reached as planned so far. "We will create an agile, international pharmaceutical company aligned toward specialties," he said, emphasizing that Bayer will continue to focus on strengthening its HealthCare business. "The Schering acquisition has already made us the world's sixth-leading supplier of drugs that are prescribed by specialist physicians. We plan to continue growing in this area." He also indicated that Bayer is looking for worthwhile additions to its non-prescription medicines business in order to expand its presence in all regions and round out its product range.

Hans-Richard Schmitz from the German private investors' association DSW praised the company for its acquisition of Schering.

One candidate from Bayer's research pipeline that Wenning said has special potential is the oral factor Xa inhibitor rivaroxaban for the prevention of stroke in atrial fibrillation and the treatment of venous thromboembolism. The Bayer Chairman was also upbeat with regard to Nexavar®, a promising candidate in the company's oncology pipeline. "If the ongoing clinical trials in liver cancer and non-small-cell lung cancer confirm our expectations, we could realize considerable market potential," he said, adding that Nexavar® has already been registered in more than 50 countries to treat kidney cancer.

Asked about the future structure of Bayer's portfolio, Wenning emphasized that "each of the three subgroups – HealthCare, CropScience and MaterialScience – forms an integral part of the Bayer Group." He pointed out that Bayer MaterialScience operates in a cyclical environment and that rising raw material costs and the creation of additional production capacities are temporarily squeezing margins. In the Bayer Chairman's words, however, the tremendous growth potential of this subgroup's products is of greater significance: "We haven't reached the peak

The Bayer Cross and the company colors featured prominently in the light and transparent atmosphere of the Cologne Exhibition Center's entrance hall.

there yet," said Wenning, adding that this applies both to polycarbonates and the polyurethane raw material MDI. "That's why we're confident that Bayer MaterialScience will earn its capital costs in difficult times as well."

The Bayer CEO also expressed optimism in response to a question about the performance of the crop protection business at Bayer CropScience, remarking that an improvement in the global crop protection market is expected in 2007. According to Wenning, the main reason for this optimism is that prices for crops such as corn, canola, soybeans and cereals have risen significantly, partly because of poor harvests in the previous year due to weather conditions and partly on account of strong demand for raw materials used to produce biofuels. He said these factors will likely cause farmers to spend more on fertilizers and crop protection products. In addition, Bayer CropScience is working to improve its cost structures and expand its research and development activities in the rapidly growing seed business. Said Wenning: "We are working hard on ways to make plants more resistant to stress factors such as dryness, heat, cold or soil with a high salt content that will tend to come to the fore in the event of significant climate changes."

One stockholder asked about the importance of research and development in relation to Bayer's corporate strategy. "Innovation is the only way to ensure sustained success for our company," Wenning explained. He said the research budget will grow to approximately €2.8 billion this year following the integration of Schering, making it the largest budget of any chemical or pharmaceutical company in Germany. "It's investment on this scale that enables Bayer to submit three new patent applications every working day. We achieved sales of more than €4 billion last year with recently launched products and new applications." Wenning also spoke about the overall climate for innovation in Germany: "We must recognize the opportunities that new technologies present for our country's future. Unfortunately, our initial focus on the possible risks of each new technology, rather than the opportunities it presents, often detracts from seizing those opportunities."

Another topic of discussion was the Bayer Group's capital investment in China. One stockholder wanted to know what environmental standards the company applies in that country. Wenning emphasized that Bayer is committed to sustainable development: "This means that we deploy resources responsibly and efficiently in the interests of coming generations, manufacture our products according to high standards and take society's needs into account." He said this applies not just to China, but to all other countries where Bayer has operations,

Supervisory Board Chairman Dr. Manfred Schneider (left) and Werner Wenning garnered overwhelming approval from the stockholders.

and that the company's facilities in China satisfy the highest technological and environmental standards. For example, Bayer uses its proprietary oxygen depolarized cathode technology for chlorine production in China, thereby reducing energy consumption by roughly 30 percent compared to conventional processes.

In the context of Bayer's activities in China, another stockholder asked about the protection of intellectual property. Wenning assured the stockholders that as an innovation-driven company, Bayer also takes this point very seriously. "We have taken maximum precautions to protect our know-how, both in plant and process technology and in research and development."

Other topics that came up in the discussion included the size of the dividend, the company's human resources policy, the remuneration of the Supervisory Board and the Board of Management, the construction of a coal-fired power plant in Krefeld, Germany, and points of detail concerning the Schering AG acquisition. The "critical" stockholders leveled many of the same accusations against Bayer as in previous years, including some concerning child labor and product safety. The Management Board Chairman dismissed all the allegations as being without foundation. In the voting that followed, the stockholders approved the proposals of the Supervisory Board and the Board of Management by large majorities (see insert below).

Resolutions of the Annual Stockholders' Meeting

Of the €1.96 billion capital stock, 56.9 percent was represented at the Meeting. All the resolutions proposed by the Board of Management and the Supervisory Board were passed by overwhelming majorities.

The decisions taken were as follows:

- The balance sheet profit of €764 million will be used to pay a dividend of €1.00 per share.
- The actions of the members of the Supervisory Board and Board of Management are ratified.
- The proposed Supervisory Board members are elected (see page 66 f).
- The existing Authorized Capital II is revoked and new Authorized Capital II created, and the Articles of Incorporation are amended accordingly.
- The Board of Management is authorized to purchase and sell company shares.
- The Control Agreement between the company and Bayer Schering GmbH is approved.
- PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, is appointed as auditor for the 2007 fiscal year.

New Members of the Supervisory Board

At the start of the Annual Stockholders' Meeting, Supervisory Board Chairman Dr. Manfred Schneider introduced the candidates for election to the Supervisory Board as stockholders' representatives, along with the already elected employees' representatives. Excerpts from his address are printed below.

Ladies and gentlemen,

Item 4 on the agenda concerns the election of the stockholders' representatives to the Supervisory Board. The employees' representatives were already elected by the delegates' assembly in February. Several changes are involved in both cases.

Mr. Ackermann, Mr. Kohlhaussen and Mr. Kornblum are not standing for reelection as stockholders' representatives. Mr. Ackermann and Mr. Kornblum have been members of the Supervisory Board since 2002. Mr. Kohlhaussen is the longest-serving member. He has been on the Supervisory Board for 15 years and is Chairman of the Audit Committee and a member of the Human Resources Committee.

On behalf of the Supervisory Board – and I presume on your behalf as well – I would like to thank all three gentlemen for their service to the company.

At the conclusion of this Annual Stockholders' Meeting, two of the employees' representatives on the Supervisory Board – Mr. Thomas Hellmuth and Mr. Gregor Jüsten – will step down. Mr. Hellmuth has been a member for five years, while Mr. Jüsten joined the Supervisory Board a year ago. Gentlemen, may I thank you, too, on behalf of us all for your service.

I would like to briefly introduce to you those candidates who are not currently members and who are standing for election to the Supervisory Board today.

Dr. Clemens Börsig is Chairman of the Supervisory Board of Deutsche Bank AG, Frankfurt. He studied business administration and mathematics. After completing his studies, he spent several years working in a scientific function, completing his

The elected members of the Bayer AG Supervisory Board

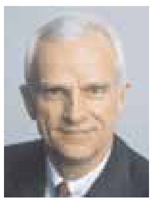
Stockholders' representatives


P. Achleitner


C. Börsig

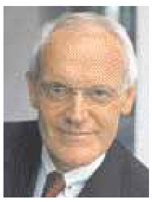

H.-O. Henkel


K. Kleinfeld


H. Panke


M. Schneider


E. D. Schulz


K. Sturany


J. Weber


E.-L. Winnacker

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doctorate during this period. His professional career took him from Mannesmann to Robert Bosch, RWE, and finally to Deutsche Bank in 1999. In 2006 he transferred from the Board of Management of Deutsche Bank to its Supervisory Board, of which he is Chairman.

Dr. Helmut Panke studied physics. After that he, too, spent some time on scientific work and gained his doctorate. He was a consultant with McKinsey for several years before joining BMW AG in 1982. He was named to that company's Board of Management in 1996. From 2002 to 2006 he served as Chairman of the Board of Management of BMW.

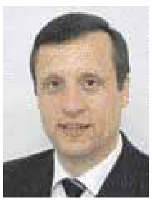
Dr. Klaus Sturany studied mathematics, physics and business administration. After earning his Ph.D. he joined Kalle AG in Wiesbaden in 1971. Later he worked for Hoechst AG in Frankfurt and GEA AG in Bochum before transferring to RWE, where since 1999 he has served as the member of the Management Board responsible for Finance and Controlling.

On the employees' side, Willy Beumann became a member of the Supervisory Board this February through a court appointment. He has since been elected by the employee delegates' assembly and will thus continue to serve. Mr. Beumann is Chairman of the Works Council at the Wuppertal site of Bayer AG.

André Krejcik comes to us from Schering AG, now Bayer Schering Pharma AG. He is a member of the Schering Works Council in Berlin. Schering also took part in the voting at the employee delegates' assembly, with representatives of Schering standing for election.

Oliver Zühlke has worked for Bayer since 1985. He began his career with Bayer by training as a chemical production technician. He has served as Vice Chairman of the Bayer AG Works Council since 2002.

Employees' representatives


W. Beumann


K.-J. Ellrich


T. Fischer


P. Hausmann


R. Hoffmann


A.Krejcik


P. Kronen


H. Schmoldt


T. de Win


O. Zühlke

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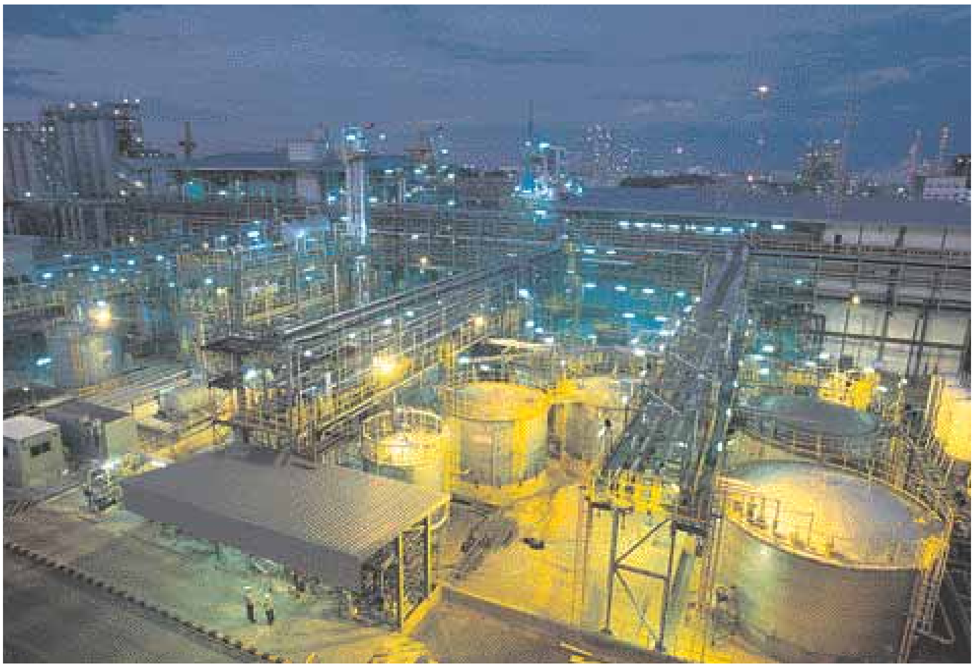
Climate protection has high priority at Bayer



Bayer operates modern production facilities all over the world. This picture shows a polycarbonate production plant in Map Ta Phut, Thailand. The use of polycarbonates makes cars lighter, helping to reduce fuel consumption.

Commitment to climate protection has high priority in Bayer's sustainability strategy. The company has adopted a variety of measures and introduced numerous products that help in reducing greenhouse gas emissions.

"Climate protection is a global task. Every country, every industry and every citizen should contribute to protecting the climate. There are certainly a number of effective approaches to this issue," declared Bayer Management Board Chairman Werner Wenning at the Annual Stockholders' Meeting at the end of April 2007, emphasizing that this makes climate protection a subject of vital significance for the Bayer Group. The company has therefore placed climate protection at the center of its environmental protection activities. "Innovative and economical approaches are more important than ever if we are to master the enormous ecological challenge," he said.
Bayer is very well positioned in terms of climate-friendly utility supplies and production efficiency. Major capital expenditures and technological improvements have helped the company to reduce the burden on the environment by a substantial 5.5 million tons of carbon dioxide equivalent since 1990.

Significant energy savings

Current examples of Bayer's efforts in the area of climate protection are the use of a "regenerative thermoreactor" at the Dormagen Chemical Park and an innovative process for producing toluene diisocyanate (TDI) at Bayer MaterialScience's site in Shanghai.

The new reactor in Dormagen will reduce CO_2 emissions from thermal waste air incineration by 11,000 metric tons per year in future. What is more, the process is so efficient that natural gas consumption can be reduced by more than 90 percent.

The pioneering technology for TDI production results in energy savings of around 40 percent due to a significant reduction in the use of solvents. The pilot plant in Dormagen with an annual capacity of 30,000 tons has been operating successfully since mid-2004. The new technology to produce the polyurethane raw material will be used in a world-scale facility for the first time at the Shanghai site, giving an annual capacity of 300,000 tons.

Bayer's success in saving energy and reducing carbon dioxide emissions has also aroused considerable interest at international level. The company once again received the „Best in Class“ award in fall 2006 for its commitment to climate protection, retaining its position in the global Climate Leadership Index.

Dr. Wolfgang Plischke sees this success as a direct result of Bayer's sustainability strategy: "Our inclusion in the Climate Leadership Index once again is testimony to our efforts to reduce greenhouse gases in recent years and to our climate strategy as a whole." The significant reduction has been attained above all through clear decision-making. Bayer has introduced new technology in its production processes, closed down outdated plants and now obtains energy from power plants that are far more efficient than their predecessors. Also contributing to the reduction in emission volumes have been organizational changes and portfolio streamlining. Many of the company's products themselves contribute to climate protection, including lightweight materials such as polycarbonate that reduce gasoline consumption in cars. Polyurethanes also play an important role. These materials are used to insulate refrigerators, for example, and in building construction. They provide equally effective protection against heat and cold, helping to reduce the amount of energy used by heating, cooling and air conditioning systems.

Renewable and climate-friendly raw materials, too, are key to finding sustainable answers to the pressing international challenge of protecting the climate while ensuring adequate raw material supplies. Of particular significance are the renewable raw materials being used to produce a new generation of fuels called biofuels. "We are looking at plants that are rich sources of energy and are not used for food production," says Plischke.

Worldwide climate protection initiative
Bayer participates in numerous international initiatives designed to engender a commitment to protecting the climate. For example, the company was one of the first to sign up to the worldwide climate protection initiative "3C: Combating Climate Change". This joint initiative currently comprises 30 multinational companies that are contributing their specialist knowledge and experience to developing an effective climate protection policy for the period after the Kyoto Protocol expires in 2012. Companies are being urged to play an active role and contribute to climate protection by developing innovative technologies and products. "This is exactly the requirement that Bayer is fulfilling with its overall sustainability strategy," says Plischke.

News

Rachid El Kasmi, who works for Bayer HealthCare in Wuppertal, observes the isolation of sorafenib, the active ingredient in the new cancer medicine Nexavar®.

Nexavar® extends overall survival in patients with liver cancer

Leverkusen. The cancer medicine Nexavar®, jointly developed by Bayer HealthCare and Onyx Pharmaceuticals, is also showing promising study results in liver cancer. The placebo-controlled phase III trial in patients with advanced hepatocellular carcinoma, or primary liver cancer, met its primary endpoint resulting in superior overall survival. This means that overall survival was significantly extended in patients receiving Nexavar®. Furthermore, there was no demonstrated difference in serious adverse event rates between Nexavar® and placebo. Based on these conclusions, an independent data monitoring committee that reviewed the safety and efficacy data of Nexavar® (sorafenib) tablets recommended that the trial be stopped early. Bayer and Onyx will follow this recommendation and allow all patients enrolled in the trial access to Nexavar®.

The higher rate of overall survival for Nexavar®-treated patients over patients receiving placebo demonstrates the efficacy of Nexavar® in advanced primary liver cancer.

Additional studies are evaluating the efficacy of Nexavar® in the treatment of a wide range of cancers, including metastatic melanoma, non-small-cell lung cancer and breast cancer. Nexavar® is currently approved in nearly 50 countries for the treatment of patients with advanced kidney cancer.

Marion van de Wal and Bart Segers develop new tomato varieties at Nunhems' research center in the Netherlands.

Collaboration to develop new tomato varieties

Monheim, Germany / Haelen, Netherlands. Nunhems BV, Bayer CropScience's vegetable seed business, has signed an agreement with Unilever to codevelop new tomato varieties with added benefits in taste, nutrition and health. The agreement includes the formation of a shared research, development and business platform for innovative tomato varieties as well as the acquisition of Unilever's tomato seed business by Nunhems. The agreement with Unilever is a further consistent step in Bayer's strategy to find new product solutions for the food industry.

An international jury met at the Bayer Communication Center in Leverkusen to select the winners of the painting competition.

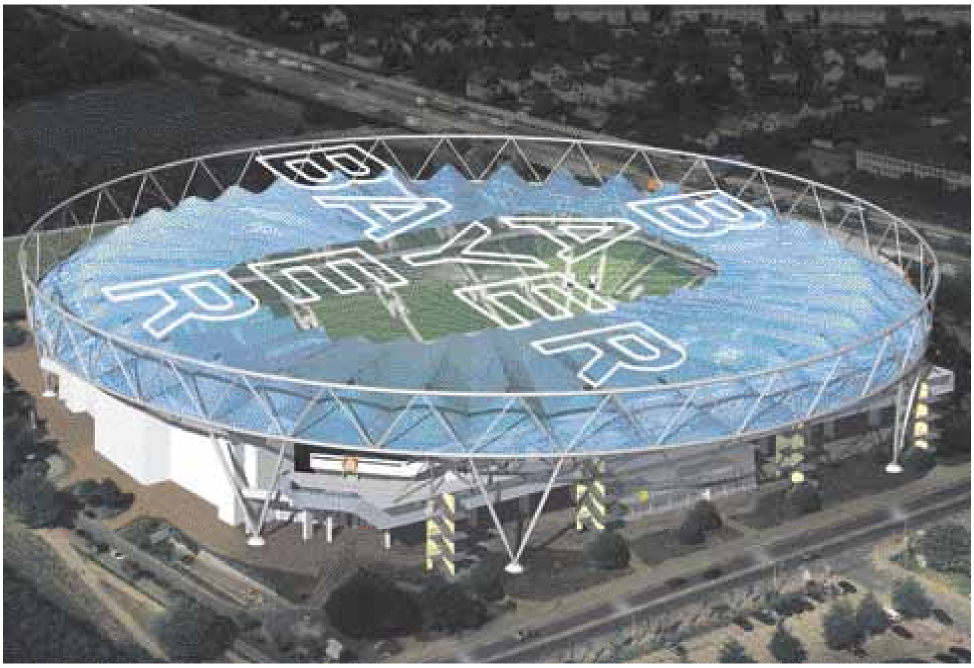
Children's painting competition focuses on climate change

Leverkusen. "Climate Change" was the subject of a global children's painting competition organized jointly by the United Nations Environment Programme (UNEP) and Bayer AG in the context of their alliance. A total of 13,450 paintings were submitted by children from 104 countries. The brightly colored pictures – some with humorous content, others depicting bitter scenarios – expressed the children's fears and hopes about the future. Most of the images contained a clear message to the world's adults to take better care of the endangered planet Earth. The winning paintings will be exhibited for the first time on June 3, 2007, in Norway.

New registrations for Bayer HealthCare

Berlin. Bayer HealthCare has received new marketing authorizations for a number of products. The innovative long-acting contraceptive system Mirena® from Bayer Schering Pharma (BSP) was launched on the Japanese market in April 2007 under the trade name Mirena® 52 mg.
The U.S. Food and Drug Administration (FDA) has approved a new indication for BSP's oral contraceptive YAZ®, which can now be used in the United States to treat moderate acne in women.
Fludara® Oral from BSP's hematology portfolio has received marketing approval in Japan for therapy of a malignant disease of the lymphatic system.
Also in Japan, BSP recently received approval for its novel cholesterol-lowering drug ZETIA®, which will be co-marketed by Bayer Yakuhin Ltd. and Schering-Plough K.K. Japan. This co-marketing agreement is part of Bayer's strategic pharmaceuticals alliance with Schering-Plough, which was announced in 2004.

The oral contraceptive YAZ® is now also approved in the U.S. for the treatment of moderate acne in women.



The future BayArena will be covered by a circular, tent-like roof integrating the company's logo. Its 200 meters diameter will make it the world's biggest Bayer Cross.

BayArena to be enlarged

Leverkusen. The BayArena, the stadium that is home to the Bundesliga soccer team Bayer 04 Leverkusen, is to be modernized, enlarged and its capacity increased to accommodate over 30,000 spectators. Construction work costing some €56 million is scheduled to commence at the end of this year and be completed before the start of the 2009/2010 season.

"Our soccer team is an important way to promote our image both at home and abroad," explained Bayer Management Board Chairman Werner Wenning. "Expanding the stadium will help it to retain a high advertising value in the future." The seats for spectators will be covered by a circular, tent-like roof that will extend well beyond the stands and provide shelter for people in front of the stadium as well. Above the arena will be a huge Bayer Cross 200 meters in diameter formed of 2,000 transparent LEDs. The world-famous company logo will thus be clearly visible from the air at a considerable distance.

Further E.U. approval for Kogenate® Bayer

Leverkusen. The European Commission has granted Bayer HealthCare (BHC) a further approval for Kogenate® Bayer, which can now also be used for continuous infusion in hemophilia A patients undergoing major surgery. BHC is the first manufacturer to be granted the continuous infusion indication by the European Commission for all E.U. countries. This product provides surgeons with increased confidence in treating hemophilia patients.

BaySystems® is umbrella brand for polyurethanes

Leverkusen. Bayer MaterialScience (BMS) has combined its global polyurethane systems business under the umbrella brand BaySystems®. The new name relates both to existing product brands in this segment and to the global network of polyurethane systems houses. In keeping with the brand's slogan "customized polyurethanes," it is synonymous with individual service for each and every customer and tailor-made solutions based on the extensive BMS product range.

Bayer CropScience targets growth in China

In China, Bayer CropScience intends to expand the production of crop protection products and its hybrid rice seed business.

Beijing. Bayer CropScience is aiming for growth in China. The company plans to increase annual sales in the People's Republic from the current level of €65 million (2006) to over €100 million in the medium term. In pursuit of this goal, Bayer CropScience will continue to systematically step up its commitment in China, one of the world's fastest-growing markets for crop protection products. The key points of the company's strategy are the introduction of new, innovative active ingredients, formulations and mixtures, and the expansion of its production site for crop protection products in Hangzhou, where Bayer CropScience will invest a further €25 million in 2007 and 2008. The company intends to set up two joint ventures with Chinese partners with the aim of strengthening its hybrid rice seed business and exploiting the growth potential of this increasingly important segment. "The Chinese agrochemicals market offers good opportunities for profitable growth," said Professor Friedrich Berschauer, Chairman of the Board of Management of Bayer CropScience AG, speaking to journalists in Beijing.

Chinese agriculture has made considerable progress in recent years in response to the sharply increased demand for high-quality food products and the changing dietary habits of a steadily growing population. Bayer CropScience will continue to invest heavily in research and development to ensure that it can offer Chinese farmers products that meet local needs. The country's goal continues to be greater self-sufficiency, particularly in food staples. Berschauer emphasized that, with this goal in mind, the government is committed to promoting the use of modern agricultural production methods. He therefore sees good prospects for Bayer CropScience in China.

Bayer's Communications Chief is "PR Professional of the Year"

Berlin. The Bayer Group's Head of Communications, Heiner Springer, was recently chosen as "PR Professional of the Year 2006" and presented with the Gold Award of the German trade magazine PR Report at a ceremony in Berlin. According to the jury, the successful communication of the Schering acquisition, for which Bayer's Head of Communication bore responsibility, was the culmination of several decades of experience in positions of responsibility in Group PR work and the result of having efficient structures, globally controlled processes and a flexible and high-performing team developed under Springer's leadership. In addition to the prize for the "PR Professional of the Year," other "PR Report Awards" were also presented at the ceremony. A total of 382 entries were received – more than ever before. Two Bayer projects made it to the finals: in the "Capital Market Communications" category, the announcement of Bayer's planned takeover offer for Schering; and in the "Corporate Social Responsibility" category, the Environmental Envoys program run by Bayer and the United Nations Environment Programme (UNEP).

Heiner Springer, Head of Bayer AG Communications, at the award ceremony in Berlin.

New study data on treatment of multiple sclerosis with Betaferon®/Betaseron®

In patients with multiple sclerosis, the myelin coatings around the nerve cells are destroyed.

Berlin. According to new data recently announced by Bayer Schering Pharma, immediate initiation of Betaferon®/Betaseron® (interferon beta-1b) treatment in patients with a first event suggestive of multiple sclerosis (MS) can significantly reduce the risk of permanent neurological impairment as measured by the Expanded Disability Status Scale (EDSS) by 40 percent over three years compared to delayed treatment. These findings from the BENEFIT (BEtaferon in Newly Emerging multiple sclerosis For Initial Treatment) studies were presented at the American Academy of Neurology's 59th Annual Meeting in Boston, Massachusetts. Some patients have already developed significant neurological damage when they first present with signs of MS, which can lead to accumulated disability later in life. The BENEFIT results clearly show that immediate treatment with Betaferon®/Betaseron® initiated after the first clinical event can significantly reduce that damage, which could translate into a greater delay in the time it takes for patients to suffer from the debilitating consequences of MS. This is a truly novel finding that has not yet been demonstrated for any other immunomodulatory MS treatment, and underscores the urgent need to treat patients early rather than waiting for further signs of MS to develop. Physicians and patients should consider these unprecedented findings when making treatment decisions.

Hermes Award for ProteXXion® identification technology

Leverkusen. ProteXXion®, the innovative identification technology for the forgery-proof authentication of objects and packaging, has won the prestigious Hermes Award, the international technology prize presented by the Hannover Fair. Accepting the €100,000 award from Dr. Annette Schavan, German Research Minister and patron of the Hermes Award, were Bayer Technology Services (BTS) Managing Director Achim Noack (photo, third from left) and Mounir Barakat (right), Chief Executive Officer of British-based Ingenia Technology.
Also present were German Chancellor Angela Merkel, Turkish Prime Minister Recep Tayyip Erdogan and Lower Saxony State Premier Christian Wulff (left), who is co-patron of the Hermes Award.

Foto: Deutsche Messe

The €100,000 Hermes Award was presented at the Hannover Fair in the presence of German Research Minister Dr. Annette Schavan.

ProteXXion® uses laser light to unambiguously identify each item on the basis of its unique surface structure without the need for additional marking or tagging. BTS developed ProteXXion® for industrial applications on the basis of Laser Surface Authentication technology invented by Ingenia Technology.