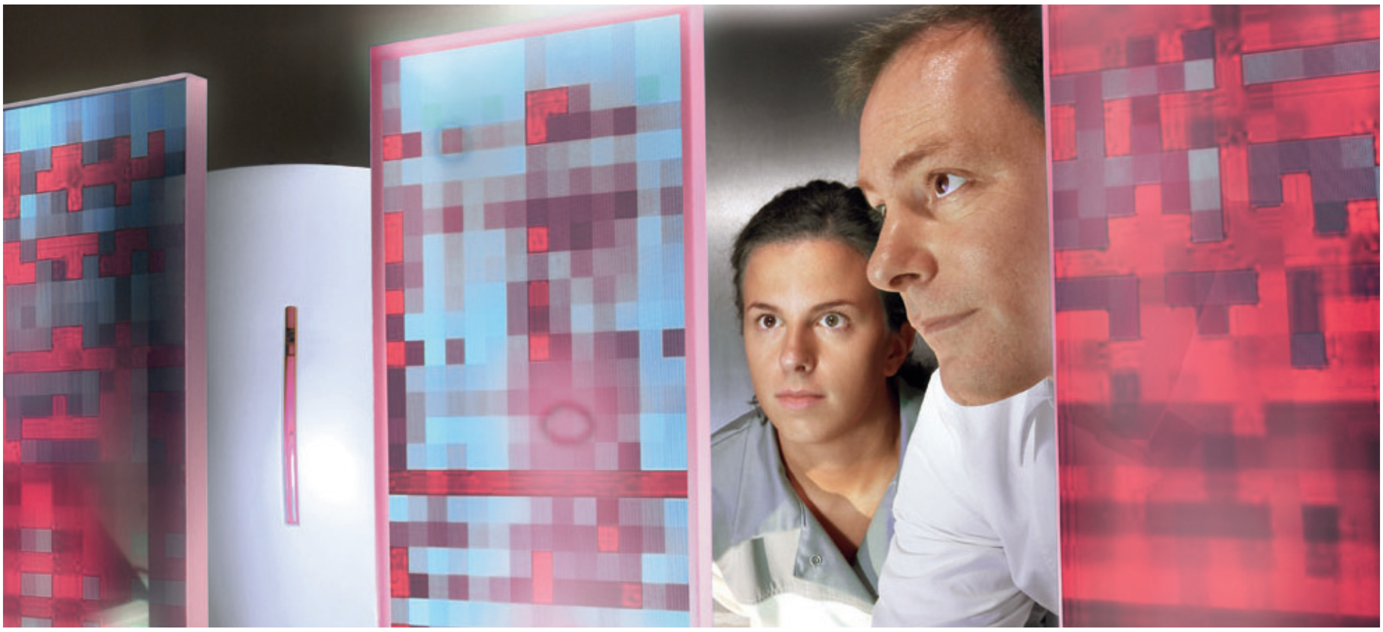
Financial Report

as of March 31, 2008



Bayer: excellent start to 2008

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

COVER PICTURE

Apart from the discovery of new active substances, the refinement of established products capable of enhancing patients' quality of life is another major focus at Bayer HealthCare. One example is the multiple sclerosis (MS) drug Betaferon®/Betaseron®, which helps to reduce the frequency of MS episodes. Now a new study has found that early treatment can further delay the onset of disability. Our cover illustration shows Sandra Patkovic and Dr. Jürgen Heubach of Bayer HealthCare studying gene activity patterns from patients treated with Betaferon®/Betaseron®. The scientists' goal is to identify biomarkers of successful treatment with this drug.

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Bayer Group Key Data

	1st Quarter 2007	**1st Quarter 2008**	Change	Full Year 2007
	€ million	€ million	%	€ million
Sales	**8,335**	**8,536**	**+2.4**	**32,385**
Change in sales				
Volume	+7.6 %	+5.9 %		+5.6 %
Price	−0.1 %	+1.0 %		+0.5 %
Currency	−4.6 %	−4.8 %		−3.6 %
Portfolio	+19.8 %	+0.3 %		+9.3 %
EBITDA[1]	**1,774**	**2,055**	**+15.8**	**5,866**
Special items	*(216)*	*(130)*		*(911)*
EBITDA before special items	*1,990*	*2,185*	*+9.8*	*6,777*
EBITDA margin before special items	23.9 %	25.6 %		20.9 %
EBIT[2]	**1,175**	**1,343**	**+14.3**	**3,154**
Special items	*(200)*	*(154)*		*(1,133)*
EBIT before special items	*1,375*	*1,497*	*+8.9*	*4,287*
EBIT margin before special items	16.5 %	17.5 %		13.2 %
Non-operating result	**(218)**	**(275)**	**−26.1**	**(920)**
Net income	**2,809**	**762**	**−72.9**	**4,711**
Earnings per share (€)[3]	3.44	0.96		5.84
Core earnings per share (€)[4]	1.26	1.44		3.80
Gross cash flow[5]	**1,411**	**1,651**	**+17.0**	**4,784**
Net cash flow[6]	**375**	**528**	**+40.8**	**4,281**
Cash outflows for capital expenditures	**201**	**288**	**+43.3**	**1,860**
Research and development expenses	**625**	**633**	**+1.3**	**2,578**
Depreciation and amortization	**599**	**712**	**+18.9**	**2,712**
Number of employees at end of period[7]	**105,100**	**106,000**	**+0.9**	**106,200**
Personnel expenses	1,898	1,988	+4.7	7,571

[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. See also page 21.
[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 34.
[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 27.
[5] Gross cash flow = income from continuing operations after taxes, 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 21 ff.
[6] Net cash flow = cash flow from operating activities according to IAS 7
[7] Number of employees in full-time equivalents

Earning power further strengthened in the first quarter

Bayer: excellent start to 2008

- Sales up 2.4 percent to €8.5 billion
- EBITDA before special items up 9.8 percent to €2.2 billion
- EBIT before special items up 8.9 percent to €1.5 billion
- Net income €0.8 billion
- Full-year guidance for CropScience raised
- Positive Group forecast for 2008 confirmed

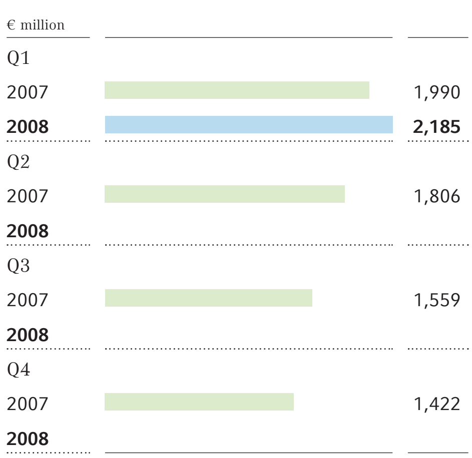
Overview of Sales, Earnings and Financial Position

First quarter of 2008

The Bayer Group posted excellent **first-quarter** results, carrying over the previous year's positive trend into 2008. Sales increased by 2.4 percent to €8,536 million (Q1 2007: €8,335 million). This corresponds to a 6.9 percent improvement when adjusted to reflect currency and portfolio effects. The main contributions to this improvement came from CropScience (+14.8 percent) and HealthCare (+8.6 percent). MaterialScience held steady at the prior-year level (+0.6 percent).

Sales by Market

EBITDA Before Special Items

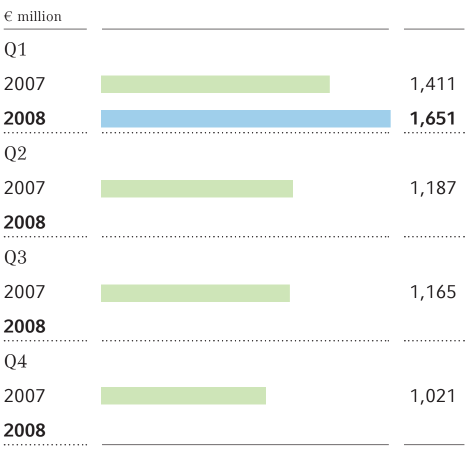


EBITDA before special items rose by 9.8 percent in the first quarter to €2,185 million (Q1 2007: €1,990 million) despite adverse shifts in currency parities. HealthCare posted a 10.8 percent improvement to €1,050 million (Q1 2007: €948 million), while underlying EBITDA of CropScience climbed by 22.1 percent to €713 million (Q1 2007: €584 million). Earnings of MaterialScience were flat, with EBITDA before special items coming in at €407 million (Q1 2007: €409 million). Group EBITDA amounted to €2,055 million, up 15.8 percent year on year.

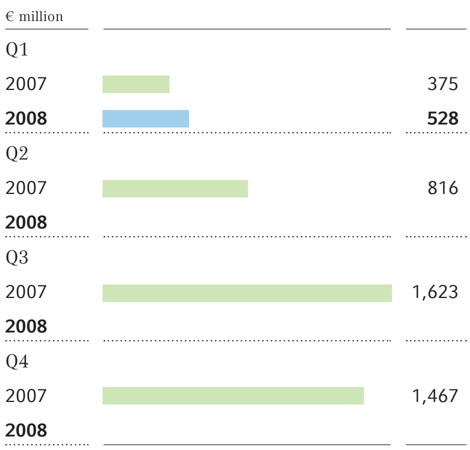
EBIT before special items advanced by 8.9 percent in the first quarter of 2008 to €1,497 million (Q1 2007: €1,375 million). Special charges totaled €154 million (Q1 2007: €200 million), including €100 million (Q1 2007: €139 million) related to the acquisition of Schering AG, Germany, and €54 million (Q1 2007: €39 million) arising from the cost structure program at CropScience. EBIT climbed by 14.3 percent to €1,343 million (Q1 2007: €1,175 million).

After a non-operating result of minus €275 million (Q1 2007: minus €218 million), income before income taxes came in at €1,068 million (Q1 2007: €957 million). The non-operating result contained net interest expense of €189 million (Q1 2007: €156 million). This increase was due mainly to the early redemption of a U.S. bond. After tax expense of €306 million (Q1 2007: €301 million), income from continuing operations rose to €762 million (Q1 2007: €656 million). Net income for the first quarter of 2008, at €762 million, corresponded to the income from continuing operations. The net income of €2,809 million for the prior-year period included income of €2,154 million from discontinued operations, largely comprising the proceeds of the divestiture of our Diagnostics business. Earnings per share came to €0.96 (Q1 2007: €3.44). Core earnings per share improved to €1.44 (Q1 2007: €1.26). Details of how core earnings per share are calculated are given on page 27.

Gross Cash Flow



Net Cash Flow



Gross cash flow moved ahead by 17.0 percent year on year in the first quarter of 2008, to €1,651 million (Q1 2007: €1,411 million). Despite an increase in cash tied up in working capital, net cash flow rose by 40.8 percent to €528 million. Net debt was €12.1 billion as of March 31, 2008, compared with €12.2 billion on December 31, 2007. The Group's net pension obligations – the difference between pension provisions and plan assets – declined by €0.9 billion compared with the end of 2007, to €4.1 billion. The decrease was mainly due to higher long-term interest rates on the capital market.

Future Perspectives

Economic outlook

We expect global economic growth to slow in 2008 compared to the previous year, particularly as a result of the economic weakness in the United States. We anticipate that growth in the other industrialized countries and the emerging economies will remain relatively stable at a lower level. It remains difficult to predict the extent to which the U.S. subprime crisis and the turbulence on the international financial markets will affect the global economy.

We continue to expect solid growth in our health care markets, especially for pharmaceuticals. This year our business with crop protection and seed products is likely to benefit from high demand for food, energy and feed crops. We do not foresee any major impairments to growth in the markets relevant for our MaterialScience business, except in the United States.

Bayer Group sales and earnings forecast

The start to 2008 exceeded our expectations, strengthening our confidence for the year as a whole. We continue to target about 5 percent currency-adjusted growth in Bayer Group sales, an increase in EBITDA before special items and a further improvement in the underlying EBITDA margin.

We confirm our target margin for 2009 and continue to aim for an improvement in the Group's underlying EBITDA margin to over 22 percent.

We remain confident about the performance of our HealthCare business, and are targeting a market or above-market rate of currency-adjusted sales growth in all divisions in 2008. Following the negative ruling in the United States regarding our Yasmin® patent (see page 24), we have made a minor adjustment to our HealthCare guidance. We now aim to improve our EBITDA margin before special items toward 27 percent (previously: approximately 27 percent). There is no change to our target margin of approximately 28 percent for 2009.

Our CropScience business shared in the positive performance of the world's agricultural markets in the first quarter of 2008. We now believe that we will exceed our forecast of 5 percent currency-adjusted sales growth. Our goal is to improve the EBITDA margin before special items for the full year to about 24 percent (previously: more than 23 percent). We plan to further increase our profitability by 2009 and continue to target an EBITDA margin before special items of around 25 percent in a normal market environment.

Our MaterialScience business turned in a pleasingly robust performance in the first quarter. Its development over the remainder of the year is difficult to forecast due to the considerable uncertainty regarding the business environment and the movement of raw material prices. Against this background, we expect second-quarter EBITDA before special items at MaterialScience to be close to the level of the first quarter. For the year as a whole, we continue to expect that we can achieve a good, value-creating earnings level, though without matching the 2007 figure.

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Performance by Subgroup and Segment

Corporate structure

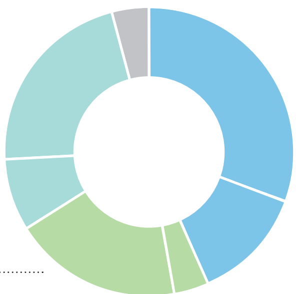
Our business activities are grouped into the HealthCare, CropScience and MaterialScience subgroups. There was no change to the corporate structure of the Bayer Group in the first quarter. The commentaries in this report relate exclusively to continuing operations, except where specific reference is made to discontinued operations or to a total value (total).

Key Data by Subgroup and Segment

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
€ million	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**
HealthCare	**3,610**	**3,731**	**624**	**663**	**948**	**1,050**	**26.3 %**	**28.1 %**
Pharmaceuticals	2,495	2,614	420	441	711	794	28.5 %	30.4 %
Consumer Health	1,115	1,117	204	222	237	256	21.3 %	22.9 %
CropScience	**1,786**	**1,978**	**447**	**578**	**584**	**713**	**32.7 %**	**36.0 %**
Crop Protection	1,434	1,622	343	493	461	607	32.1 %	37.4 %
Environmental Science, BioScience	352	356	104	85	123	106	34.9 %	29.8 %
MaterialScience	**2,608**	**2,512**	**291**	**281**	**409**	**407**	**15.7 %**	**16.2 %**
Systems	1,869	1,839	253	281	329	368	17.6 %	20.0 %
Materials	739	673	38	0	80	39	10.8 %	5.8 %
Reconciliation	**331**	**315**	**13**	**(25)**	**49**	**15**	**14.8 %**	**4.8 %**
Continuing operations	**8,335**	**8,536**	**1,375**	**1,497**	**1,990**	**2,185**	**23.9 %**	**25.6 %**

* for definition see Bayer Group Key Data on page 2, also page 21

Sales by Segment in Percent, 1st Quarter 2008 (Q1 2007 in parentheses)



Bayer HealthCare

Sales of the **HealthCare** subgroup rose by 3.4 percent in the first quarter of 2008, to €3,731 million. Adjusted for currency and portfolio effects, business expanded by 8.6 percent. This increase was mainly attributable to the positive performance of the Pharmaceuticals segment. On a currency-adjusted basis, sales rose strongly in all regions, and by 5.2 percent in North America.

Bayer HealthCare increased first-quarter **EBITDA** before special items by 10.8 percent to €1,050 million (Q1 2007: €948 million). Earnings growth was bolstered by the strong business performance and synergies from the integration of Schering AG, Germany. Negative currency effects were more than offset. **EBIT** before special items also rose considerably from the prior-year period to €663 million (Q1 2007: €624 million). Included here is some €60 million in additional amortization of intangible assets, which also takes into account the change in the patent situation regarding Yasmin®. The special items totaling minus €100 million resulted from charges in connection with the acquisition of Schering AG. EBIT advanced by 16.1 percent to €563 million.

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, U.S., are unaffiliated companies that have been totally independent of each other for many years.

Pharmaceuticals

In the Pharmaceuticals segment, **sales** increased by 4.8 percent in the first quarter of 2008 to €2,614 million (Q1 2007: €2,495 million). Adjusted for currency effects, business expanded by 9.9 percent. The principal growth drivers were Yasmin®/YAZ®/Yasminelle® and Nexavar®.

Sales of the Primary Care business unit rose slightly by 0.4 percent to €776 million (Q1 2007: €773 million). On a currency-adjusted basis, this was equivalent to a 4.4 percent increase. Significant sales gains for Aspirin Cardio® (currency-adjusted: +22.4 percent), Avalox®/Avelox® (currency-adjusted: +18.2 percent) and Glucobay® (currency-adjusted: +14.6 percent) more than offset the expected decline for Cipro®/Ciprobay® (currency-adjusted: -21.7 percent) in Europe and North America that resulted from generic competition.

The positive trend in the Women's Healthcare business unit – particularly in the United States – continued, with sales up 11.0 percent to €696 million (Q1 2007: €627 million). Adjusted for currency changes, sales advanced by 17.4 percent. The strongest growth was recorded by the intra-uterine system Mirena®, sales of which climbed by 50.8 percent on a currency-adjusted basis. Business with the oral contraceptives of the Yasmin®/YAZ®/Yasminelle® product group climbed by 33.3 percent when adjusted for currency effects. In early March 2008, a U.S. court declared our patent '531 for Yasmin® invalid. Bayer has appealed this ruling (see page 24 f).

Sales of the Diagnostic Imaging business unit fell by 2.9 percent to €298 million (Q1 2007: €307 million), but rose by 2.9 percent on a currency-adjusted basis. Business with Ultravist® improved by 28.4 percent after adjusting for currency effects, the prior-year figure having been diminished by a temporary interruption in distribution of the 375 mgI/ml formulation of Ultravist®. Sales of Magnevist® dropped by a currency-adjusted 20.2 percent, partly because of a shift toward Gadovist®. The Medrad business expanded by 8.0 percent on a currency-adjusted basis. At the beginning of April 2008,

Bayer HealthCare	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**3,610**	**3,731**	**+3.4**
Pharmaceuticals	2,495	2,614	+4.8
Consumer Health	1,115	1,117	+0.2
Sales by Region			
Europe	1,495	1,626	+8.8
North America	1,145	1,045	−8.7
Asia/Pacific	466	526	+12.9
Latin America/Africa/Middle East	504	534	+6.0
EBITDA[1]	**783**	**970**	**+23.9**
Special items	*(165)*	*(80)*	
EBITDA before special items[2]	*948*	*1,050*	*+10.8*
EBITDA margin before special items	26.3 %	28.1 %	
EBIT[1]	**485**	**563**	**+16.1**
Special items	*(139)*	*(100)*	
EBIT before special items[2]	*624*	*663*	*+6.3*
Gross cash flow[1]	**557**	**737**	**+32.3**
Net cash flow[1]	**383**	**577**	**+50.7**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Pharmaceuticals	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**2,495**	**2,614**	**+4.8**
Primary Care	773	776	+0.4
Women's Healthcare	627	696	+11.0
Diagnostic Imaging (including Medrad)	307	298	−2.9
Specialized Therapeutics	303	327	+7.9
Hematology/Cardiology	268	255	−4.9
Oncology	159	202	+27.0
Dermatology (Intendis)	58	60	+3.4
Sales by Region			
Europe	1,039	1,140	+9.7
North America	754	707	−6.2
Asia/Pacific	379	429	+13.2
Latin America/Africa/Middle East	323	338	+4.6
EBITDA[1]	**546**	**714**	**+30.8**
Special items	*(165)*	*(80)*	
EBITDA before special items[2]	*711*	*794*	*+11.7*
EBITDA margin before special items	28.5 %	30.4 %	
EBIT[1]	**281**	**341**	**+21.4**
Special items	*(139)*	*(100)*	
EBIT before special items[2]	*420*	*441*	*+5.0*
Gross cash flow[1]	**390**	**544**	**+39.5**
Net cash flow[1]	**279**	**415**	**+48.7**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Bayer HealthCare subsidiary Medrad, Inc. completed its tender offer for U.S.-based Possis Medical, Inc., a supplier of mechanical thrombectomy systems to treat constricted or blocked arteries and veins. Our interest in this company as of March 31, 2008 amounted to 91.8 percent.

The Specialized Therapeutics business unit saw sales rise by 7.9 percent to €327 million (Q1 2007: €303 million). Adjusted for changes in currency parities, business expanded by 12.6 percent. Sales of Betaferon®/Betaseron®, our product to treat multiple sclerosis, continued to grow strongly, increasing by 18.3 percent on a currency-adjusted basis. Business with Betaferon®/Betaseron® in the United States, Russia and Germany was particularly gratifying.

In the Hematology/Cardiology business unit, sales declined by 4.9 percent to €255 million (Q1 2007: €268 million). On a currency-adjusted basis, sales edged down 0.6 percent. The main reason for this was the temporary, worldwide suspension of marketing in November 2007 for Trasylol®, the product to control loss of blood during coronary bypass operations. Business with Kogenate® increased by a currency-adjusted 21.5 percent from the previous year's low level.

Sales of the Oncology business unit expanded by 27.0 percent to €202 million, with the currency-adjusted increase amounting to 34.7 percent. Growth was mainly attributable to our cancer drug Nexavar®, which posted a currency-adjusted 129.9 percent increase. During 2007 we received marketing authorization for Nexavar® in various countries to treat renal cell carcinoma and hepatocellular carcinoma. In January 2008, Nexavar® was approved in Japan for the treatment of advanced renal cell carcinoma, the most common form of kidney cancer. Also in January 2008, the Japanese health authority MHLW granted Priority Review Status to the registration application for Nexavar® to treat liver cancer.

Sales of the Dermatology (Intendis) business unit improved by 3.4 percent to €60 million (Q1 2007: €58 million). This corresponds to a currency-adjusted increase of 6.2 percent.

EBITDA before special items in the Pharmaceuticals segment improved to €794 million in the first quarter of 2008 (Q1 2007: €711 million). This increase was mainly due to the gratifying business performance and to synergies already realized. **EBIT** before special items came in at €441 million, up €21 million or 5.0 percent from the prior-year period. Earnings were diminished by special charges of €100 million from the acquisition of Schering. EBIT rose by 21.4 percent to €341 million (Q1 2007: €281 million).

Best-Selling Pharmaceutical Products	1st Quarter 2007	**1st Quarter 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%
Yasmin®/YAZ®/Yasminelle® (Women's Healthcare)	240	297	+23.8	+33.3
Betaferon®/Betaseron® (Specialized Therapeutics)	244	274	+12.3	+18.3
Kogenate® (Hematology/Cardiology)	201	233	+15.9	+21.5
Adalat® (Primary Care)	145	150	+3.4	+6.0
Avalox®/Avelox® (Primary Care)	128	143	+11.7	+18.2
Mirena® (Women's Healthcare)	81	112	+38.3	+50.8
Nexavar® (Oncology)	47	101	+114.9	+129.9
Levitra® (Primary Care)	84	82	−2.4	+4.0
Cipro®/Ciprobay® (Primary Care)	108	81	−25.0	−21.7
Glucobay® (Primary Care)	72	80	+11.1	+14.6
Ultravist® (Diagnostic Imaging)	55	68	+23.6	+28.4
Aspirin Cardio® (Primary Care)	54	64	+18.5	+22.4
Magnevist® (Diagnostic Imaging)	80	60	−25.0	−20.2
Iopamiron® (Diagnostic Imaging)	47	43	−8.5	−7.8
Diane® (Women's Healthcare)	45	41	−8.9	−7.5
Total	**1,631**	**1,829**	**+12.1**	**+18.2**
Proportion of Pharmaceuticals sales	65 %	70 %		

Consumer Health

Sales in the **Consumer Health** segment edged up 0.2 percent to €1,117 million in the first quarter of 2008 (Q1 2007: €1,115 million). After adjusting for currency and portfolio changes, the increase came to 5.4 percent.

In the Consumer Care Division, sales remained practically level with the prior-year period, at €655 million (-0.6 percent). Adjusted for currency and portfolio effects, business was up by 3.9 percent. The strongest growth was achieved by Bepanthen®/Bepanthol® (currency-adjusted: +27.8 percent), Canesten® (currency-adjusted: +14.9 percent) and Supradyn® (currency-adjusted: +10.7 percent). Sales of Aleve®, however, were down by 21.7 percent on a currency-adjusted basis. Here it should be kept in mind that the prior-year sales performance was positively impacted by the launch of Aleve® Liquid Gels in the United States. Bayer HealthCare has reached an agreement to acquire the over-the-counter (OTC) medicines business of U.S.-based Sagmel, Inc. Sagmel operates this business in the Commonwealth of Independent States (CIS), where it occupies a leading position. With this acquisition, Bayer aims to strengthen its Consumer Care business in eastern Europe, one of the world's fastest-growing OTC markets. Closing of the transaction is expected for the second half of this year.

The Diabetes Care Division had sales of €227 million (+0.4 percent). Adjusted for shifts in exchange rates, business expanded by 6.6 percent. This performance was attributable largely to the successful marketing of the Contour® blood glucose monitoring systems (currency-adjusted: +27.7 percent), which are replacing our Elite® systems (currency-adjusted: -26.3 percent). Sales of Breeze® dropped by 17.1 percent on a currency-adjusted basis, the high sales level in the prior-year period having been due to the market introduction of "Breeze® 2" in North America.

Sales of the Animal Health Division grew by 2.2 percent to €235 million (Q1 2007: €230 million), and by 8.5 percent when adjusted for the effects of currency translation. The principal growth driver was the Advantage® product line (currency-adjusted: +10.3 percent).

EBITDA of the Consumer Health segment in the first quarter of 2008 improved by 8.0 percent to €256 million (Q1 2007: €237 million). **EBIT** rose by €18 million, or 8.8 percent, to €222 million.

Consumer Health	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**1,115**	**1,117**	**+0.2**
Consumer Care	659	655	−0.6
Diabetes Care	226	227	+0.4
Animal Health	230	235	+2.2
Sales by Region			
Europe	456	486	+6.6
North America	391	338	−13.6
Asia/Pacific	87	97	+11.5
Latin America/Africa/Middle East	181	196	+8.3
EBITDA[1]	**237**	**256**	**+8.0**
Special items	*0*	*0*	
EBITDA before special items[2]	*237*	*256*	*+8.0*
EBITDA margin before special items	21.3 %	22.9 %	
EBIT[1]	**204**	**222**	**+8.8**
Special items	*0*	*0*	
EBIT before special items[2]	*204*	*222*	*+8.8*
Gross cash flow[1]	**167**	**193**	**+15.6**
Net cash flow[1]	**104**	**162**	**+55.8**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Best-Selling Consumer Health Products	1st Quarter 2007	1st Quarter 2008	Change	Currency-adjusted change
	€ million	€ million	%	%
Contour® [1] (Diabetes Care)	106	128	+20.8	+27.7
Aspirin® [2] (Consumer Care)	113	114	+0.9	+7.2
Advantage® product line (Animal Health)	75	77	+2.7	+10.3
Aleve®/naproxen (Consumer Care)	69	48	−30.4	−21.7
Canesten® (Consumer Care)	43	47	+9.3	+14.9
Bepanthen®/Bepanthol® (Consumer Care)	36	46	+27.8	+27.8
Baytril® (Animal Health)	40	38	−5.0	+2.0
Supradyn® (Consumer Care)	33	35	+6.1	+10.7
Breeze® [1] (Diabetes Care)	43	34	−20.9	−17.1
Elite® [1] (Diabetes Care)	44	32	−27.3	−26.3
Total	**602**	**599**	**−0.5**	**+5.3**
Proportion of Consumer Health sales	54 %	54 %		

[1] previously included with the Ascensia® product family
[2] total Aspirin® sales = €178 million (Q1 2007: €167 million), including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

Bayer CropScience

Bayer CropScience raised **sales** by 10.8 percent in the first quarter of 2008 to €1,978 million (Q1 2007: €1,786 million). Adjusted for currency and portfolio changes, sales advanced by 14.8 percent. Substantially higher volumes and selling price increases contributed to growth. High prices for major agricultural crops due to low inventories worldwide, combined with stronger demand for plants as an alternative energy source, prompted farmers to increase their expenditures for high-quality seed and innovative crop protection products.

EBITDA before special items came in at €713 million, up 22.1 percent from €584 million in the prior-year period. This significant earnings improvement was due particularly to the growth in business, selling price increases and cost savings, which more than offset the negative currency effects. **EBIT** before special items rose by 29.3 percent to €578 million (Q1 2007: €447 million). Earnings were diminished by €54 million in special charges for the cost structure program we initiated in 2006. After special items, EBIT moved ahead 28.4 percent to €524 million (Q1 2007: €408 million).

Crop Protection

Sales of the **Crop Protection** segment for the first quarter of 2008 rose by 13.1 percent, from €1,434 million in the prior-year period to €1,622 million. The currency-adjusted increase was 17.8 percent. Sales of all business units rose significantly in a positive market environment.

Growth was driven mainly by our young products based on active ingredients that have been introduced to core markets since 2000. Sales of these products climbed by some 40 percent to more than €600 million.

In the Europe region, sales advanced by 21.7 percent to €880 million (Q1 2007: €723 million), or by 22.7 percent on a currency-adjusted basis. The suspension of mandatory fallowing practices in the European Union led to an increase in planted acreages, particularly for cereals. In France, we registered a sales shift from the fourth quarter of 2007 to the beginning of 2008 due to a change in the French taxation system for crop protection products. Overall, the positive market environment benefited all our business units, and especially sales of the herbicides Atlantis®, Hussar® and MaisTer®, the fungicides Fandango®, Proline® and Flint®, and the insecticide Biscaya®.

Our crop protection business in North America expanded by 1.4 percent to €296 million. Adjusted for currency effects, the increase came to 10.6 percent. Sales of our soybean fungicides, in particular, made considerable gains against the background of an anticipated increase in planted acreages, more than offsetting a slight decline in the insecticides business. Sales of our cereal herbicides recorded a gratifying increase, due partly to the successful market introduction of our products Huskie™ and Infinity™ based on the innovative active ingredient pyrasulfotole.

Sales in the Asia-Pacific region came in at €185 million, down 2.1 percent from the prior-year figure of €189 million, but up 2.8 percent on a currency-adjusted basis. Our business in India, Southeast Asia and China posted strong increases, particularly for insecticides, while herbicide sales declined as a result of the receding rice market, especially in Japan. Business in Australia improved slightly following rainfall over large areas of the country at the beginning of the year.

Bayer CropScience	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**1,786**	**1,978**	**+10.8**
Crop Protection	1,434	1,622	+13.1
Environmental Science, BioScience	352	356	+1.1
Sales by Region			
Europe	862	1,022	+18.6
North America	447	456	+2.0
Asia/Pacific	219	211	−3.7
Latin America/Africa/Middle East	258	289	+12.0
EBITDA[1]	**548**	**663**	**+21.0**
Special items	*(36)*	*(50)*	
EBITDA before special items[2]	*584*	*713*	*+22.1*
EBITDA margin before special items	32.7 %	36.0 %	
EBIT[1]	**408**	**524**	**+28.4**
Special items	*(39)*	*(54)*	
EBIT before special items[2]	*447*	*578*	*+29.3*
Gross cash flow[1]	**369**	**489**	**+32.5**
Net cash flow[1]	**(238)**	**(312)**	**−31.1**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Best-Selling Bayer CropScience Products*	1st Quarter 2007	1st Quarter 2008	Change	Currency-adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	163	157	−3.7	+2.5
Atlantis® (Herbicides)	76	124	+63.2	+68.6
Flint®/Stratego®/Sphere® (Fungicides)	60	91	+51.7	+63.1
Basta®/Liberty® (Herbicides)	72	81	+12.5	+14.9
Proline® (Fungicides)	72	81	+12.5	+13.9
Folicur®/Raxil® (Fungicides/Seed Treatment)	77	75	−2.6	−0.2
Poncho® (Seed Treatment)	59	72	+22.0	+33.1
Puma® (Herbicides)	69	66	−4.3	−1.8
Hussar® (Herbicides)	47	60	+27.7	+28.4
Decis®/K-Othrine® (Insecticides/Environmental Science)	45	46	+2.2	+7.5
Total	**740**	**853**	**+15.3**	**+20.2**
Proportion of Bayer CropScience sales	41 %	43 %		

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

Sales in Latin America/Africa/Middle East rose by 13.5 percent to €261 million (Q1 2007: €230 million). Adjusted for currency effects, the increase was 24.1 percent. While sales in Africa and the Middle East moved slightly lower, business in Latin America registered very pleasing growth in a market environment that was considerably more favorable than in the previous year. Sales gained strongly in Brazil and Argentina, particularly those of insecticides and seed treatment products.

EBITDA before special items climbed by 31.7 percent in the first quarter of 2008, to €607 million. This earnings improvement resulted mainly from increased volume sales, slight selling price increases, and higher margin contributions by our new products, as well as from the savings achieved through the cost structure program initiated in 2006. These factors combined to more than offset negative currency effects. EBIT before special items also improved significantly, advancing by 43.7 percent to €493 million (Q1 2007: €343 million). Special charges for our cost structure program came to €47 million. EBIT rose by €142 million to €446 million (Q1 2007: €304 million).

Environmental Science, BioScience

Sales in the **Environmental Science, BioScience** segment rose by 1.1 percent in the first quarter of 2008, to €356 million (Q1 2007: €352 million). After adjusting for currency and portfolio effects, sales improved by 2.3 percent.

Sales of Environmental Science fell by 12.2 percent to €165 million. The currency-adjusted decrease came to 8.3 percent. Business shrank in North America, chiefly as a result of adverse weather patterns and heightened generic competition. Sales growth in Europe only partially offset this decline.

Sales of BioScience grew by 16.5 percent to €191 million. Adjusted for currency and portfolio effects, business expanded by 14.4 percent. The portfolio effects resulted from the acquisition of the U.S. cotton seed producer Stoneville and from businesses acquired in the area of vegetable seeds. The expansion resulted mainly from the success of the InVigor® hybrid canola seed business in North America and a further increase in global sales of vegetable seeds.

EBITDA before special items in the Environmental Science, BioScience segment came in at €106 million, down €17 million compared with the same period in 2007. To reinforce the innovative capability and future growth of our seed business, we have increased research and development spending in BioScience. Earnings also were impacted by the decline in the Environmental Science business in North America. EBIT before special items receded by 18.3 percent to €85 million. Special charges in connection with our restructuring program amounted to €7 million. After special items, EBIT came in at €78 million (Q1 2007: €104 million).

Crop Protection	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**1,434**	**1,622**	**+13.1**
Herbicides	568	664	+16.9
Fungicides	384	448	+16.7
Insecticides	311	322	+3.5
Seed Treatment	171	188	+9.9
Sales by Region			
Europe	723	880	+21.7
North America	292	296	+1.4
Asia/Pacific	189	185	−2.1
Latin America/Africa/Middle East	230	261	+13.5
EBITDA[1]	**425**	**564**	**+32.7**
Special items	*(36)*	*(43)*	
EBITDA before special items[2]	*461*	*607*	*+31.7*
EBITDA margin before special items	32.1 %	37.4 %	
EBIT[1]	**304**	**446**	**+46.7**
Special items	*(39)*	*(47)*	
EBIT before special items[2]	*343*	*493*	*+43.7*
Gross cash flow[1]	**282**	**416**	**+47.5**
Net cash flow[1]	**(113)**	**(266)**	**−135.4**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Environmental Science, BioScience	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**352**	**356**	**+1.1**
Environmental Science	188	165	−12.2
BioScience	164	191	+16.5
Sales by Region			
Europe	139	142	+2.2
North America	155	160	+3.2
Asia/Pacific	30	26	−13.3
Latin America/Africa/Middle East	28	28	0.0
EBITDA[1]	**123**	**99**	**−19.5**
Special items	*0*	*(7)*	
EBITDA before special items[2]	*123*	*106*	*−13.8*
EBITDA margin before special items	34.9 %	29.8 %	
EBIT[1]	**104**	**78**	**−25.0**
Special items	*0*	*(7)*	
EBIT before special items[2]	*104*	*85*	*−18.3*
Gross cash flow[1]	**87**	**73**	**−16.1**
Net cash flow[1]	**(125)**	**(46)**	**+63.2**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Bayer MaterialScience

MaterialScience posted first-quarter **sales** of €2,512 million, down 3.7 percent compared to the same period of 2007. When adjusted for portfolio and currency effects, sales edged up by 0.6 percent, thanks to higher selling prices that were only partly offset by a slight decline in volumes due to lower sales of raw materials, particularly styrene. If raw material sales are disregarded, volumes rose slightly.

Regional trends varied. While sales in North America receded by about 6 percent on a currency-adjusted basis due to the slowdown in the U.S. economy, business in Asia-Pacific and Latin America/Africa/Middle East improved strongly. Adjusted for the lower raw material sales, business in Europe held steady year on year.

First-quarter **EBITDA** before special items came to €407 million, virtually matching the previous year's level of €409 million. A significant earnings decline in Materials was compensated by a gratifying improvement in underlying EBITDA in Systems. For the subgroup as a whole, the selling price increases implemented and the first earnings contributions from the restructuring program launched at the end of last year offset the higher costs for raw materials and energies. **EBIT** before special items fell by 3.4 percent to €281 million. There were no special items in the quarter.

Systems

Sales in the **Systems** segment slipped 1.6 percent to €1,839 million (Q1 2007: €1,869 million), due mainly to the weak U.S. dollar. Adjusted for currency and portfolio changes, sales grew by 1.6 percent, thanks to selling price increases. By contrast, volumes were down slightly year on year as a result of much lower raw material sales. Sales performance varied by region, with business down in North America but substantially improved in Asia-Pacific and Latin America/Africa/Middle East. Disregarding raw material sales, sales in Europe showed a slight increase.

The Polyurethanes business unit had sales of €1,259 million, down 5.5 percent from the prior-year period. Even after adjusting for currency and portfolio effects, sales did not quite reach the prior-year level, declining by 1.2 percent.

Our Coatings, Adhesives, Specialties business unit improved sales by 7.6 percent to €423 million, or by 7.3 percent on a currency- and portfolio-adjusted basis.

Inorganic Basic Chemicals boosted sales by 10.4 percent (currency-adjusted: +13.6 percent) to €117 million, due primarily to higher volumes.

EBITDA before special items came in at €368 million, up 11.9 percent year on year. This earnings improvement was chiefly attributable to selling price increases that more than offset the higher costs for raw materials and energies. **EBIT** before special items advanced by 11.1 percent to €281 million.

Bayer MaterialScience	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**2,608**	**2,512**	**−3.7**
Systems	1,869	1,839	−1.6
Materials	739	673	−8.9
Sales by Region			
Europe	1,185	1,135	−4.2
North America	631	521	−17.4
Asia/Pacific	506	529	+4.5
Latin America/Africa/Middle East	286	327	+14.3
EBITDA[1]	**409**	**407**	**−0.5**
Special items	*0*	*0*	
EBITDA before special items[2]	*409*	*407*	*−0.5*
EBITDA margin before special items	15.7 %	16.2 %	
EBIT[1]	**285**	**281**	**−1.4**
Special items	*(6)*	*0*	
EBIT before special items[2]	*291*	*281*	*−3.4*
Gross cash flow[1]	**304**	**310**	**+2.0**
Net cash flow[1]	**37**	**146**	**•**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Systems	1st Quarter 2007	1st Quarter 2008	Change
	€ million	€ million	%
Sales	**1,869**	**1,839**	**−1.6**
Polyurethanes	1,332	1,259	−5.5
Coatings, Adhesives, Specialties	393	423	+7.6
Inorganic Basic Chemicals	106	117	+10.4
Other	38	40	+5.3
Sales by Region			
Europe	902	863	−4.3
North America	482	401	−16.8
Asia/Pacific	266	316	+18.8
Latin America/Africa/Middle East	219	259	+18.3
EBITDA[1]	**329**	**368**	**+11.9**
Special items	*0*	*0*	
EBITDA before special items[2]	*329*	*368*	*+11.9*
EBITDA margin before special items	17.6 %	20.0 %	
EBIT[1]	**247**	**281**	**+13.8**
Special items	*(6)*	*0*	
EBIT before special items[2]	*253*	*281*	*+11.1*
Gross cash flow[1]	**235**	**273**	**+16.2**
Net cash flow[1]	**62**	**63**	**+1.6**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

Materials

In the **Materials** segment, sales fell by 8.9 percent to €673 million (Q1 2007: €739 million). On a portfolio- and currency-adjusted basis, business shrank by 2.1 percent from the prior-year period. The main reason for the lower sales was a decline in volumes, while selling prices were steady. Adjusted sales were down in the Europe, North America and Asia-Pacific regions, but rose in Latin America/Africa/Middle East.

In an expectedly difficult market environment, sales of our Polycarbonates business unit fell by 10.7 percent to €610 million (currency- and portfolio-adjusted: -2.4 percent).

Sales of our Thermoplastic Polyurethanes business unit moved ahead 12.5 percent to €63 million (currency- and portfolio-adjusted: +2.6 percent).

EBITDA before special items of the Materials segment dropped by 51.3 percent to €39 million. This decline in earnings resulted from lower volumes and higher costs for raw materials and energies, which were not offset by selling price increases. EBIT before special items moved back to €0 million (Q1 2007: €38 million).

Materials	1st Quarter 2007	**1st Quarter 2008**	Change
	€ million	€ million	%
Sales	**739**	**673**	**−8.9**
Polycarbonates	683	610	−10.7
Thermoplastic Polyurethanes	56	63	+12.5
Sales by Region			
Europe	283	272	−3.9
North America	149	120	−19.5
Asia/Pacific	240	213	−11.3
Latin America/Africa/Middle East	67	68	+1.5
EBITDA[1]	**80**	**39**	**−51.3**
Special items	*0*	*0*	
EBITDA before special items[2]	*80*	*39*	*−51.3*
EBITDA margin before special items	10.8 %	5.8 %	
EBIT[1]	**38**	**0**	•
Special items	*0*	*0*	
EBIT before special items[2]	*38*	*0*	•
Gross cash flow[1]	**69**	**37**	**−46.4**
Net cash flow[1]	**(25)**	**83**	•

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 21

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Calculation of EBIT(DA) Before Special Items

To permit a more accurate assessment of business operations, EBIT and EBITDA are also stated "before special items." The special items concerned are detailed in the table below. "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.

Special Items Reconciliation	EBIT 1st Quarter 2007	EBIT 1st Quarter 2008	EBITDA 1st Quarter 2007	EBITDA 1st Quarter 2008
€ million				
After special items	**1,175**	**1,343**	**1,774**	**2,055**
HealthCare	**139**	**100**	**165**	**80**
Schering PPA effects*	20	51	64	51
Schering integration costs	119	49	101	29
CropScience	**39**	**54**	**36**	**50**
Restructuring	39	54	36	50
MaterialScience	**6**	**0**	**0**	**0**
Restructuring	6	0	0	0
Reconciliation	**16**	**0**	**15**	**0**
Restructuring	16	0	15	0
Total special items	**200**	**154**	**216**	**130**
Before special items	**1,375**	**1,497**	**1,990**	**2,185**

* 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). 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. In this connection we recognized a €51 million special charge when calculating EBIT before special items for the first quarter.

Liquidity and Capital Resources

Operating cash flow

Gross cash flow in the first quarter of 2008 rose by 17.0 percent, from €1,411 million in the prior-year period to €1,651 million, as a result of the strong business performance. Net cash flow improved by €153 million to €528 million (Q1 2007: €375 million) despite an increase in cash tied up in working capital.

Bayer Group Summary Cash Flow Statements	1st Quarter 2007	1st Quarter 2008
€ million		
Gross cash flow*	**1,411**	**1,651**
Changes in working capital/other non-cash items	(1,036)	(1,123)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**375**	**528**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	38	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**413**	**528**
Net cash provided by (used in) investing activities (net cash flow) (total)	**4,589**	**(464)**
Net cash provided by (used in) financing activities (net cash flow) (total)	**(1,764)**	**131**
Change in cash and cash equivalents due to business activities (total)	**3,238**	**195**
Cash and cash equivalents at beginning of period	**2,915**	**2,531**
Change due to exchange rate movements and to changes in scope of consolidation	(10)	(9)
Cash and cash equivalents at end of period	**6,143**	**2,717**

* for definition see Bayer Group Key Data on page 2

Investing cash flow

In the first three months of 2008, there was a net cash outflow of €464 million for investing activities (Q1 2007: €4,589 million inflow). This amount mainly comprised €203 million – net of acquired cash – in payments relating to the purchase of 91.8 percent of the shares of Possis Medical, Inc. along with tax payments of €40 million in connection with the divestiture of the diagnostics business. The prior-year figure consisted primarily of the net proceeds totaling €4.7 billion from the divestitures of the diagnostics business and H.C. Starck.

Cash outflows for property, plant and equipment in the first quarter of 2008 came to €239 million (Q1 2007: €193 million) and those for intangible assets to €49 million (Q1 2007: €8 million), giving a total of €288 million (Q1 2007: €201 million). This figure included the expenditures for the expansion of our polymers production facilities in Caojing, near Shanghai, China.

Financing cash flow

Net cash inflow for financing activities in the first quarter of 2008 amounted to €131 million (Q1 2007: €1,764 million outflow). Payments to minority stockholders of consolidated companies amounted to €9 million (Q1 2007: €9 million).

Liquid assets and net debt

As of March 31, 2008 the Bayer Group held cash and cash equivalents of €2,717 million, including €750 million deposited in escrow accounts. This amount is earmarked for payments to be made in connection with the squeeze-out of the remaining minority stockholders of Bayer Schering Pharma AG and civil law settlements of antitrust proceedings. Pursuant to a resolution of the Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG on January 17, 2007, the shares of that company that are 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. As of March 31, 2008, we held a 96.3 percent interest in Bayer Schering Pharma AG. In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt.

Net Debt	Dec. 31, 2007	**March 31, 2008**
€ million		
Noncurrent financial liabilities as per balance sheets (including derivatives)	12,911	12,648
of which mandatory convertible bond	2,285	2,288
of which hybrid bond	1,237	1,237
Current financial liabilities as per balance sheets (including derivatives)	1,287	1,757
Derivative receivables	(230)	(301)
Financial liabilities	**13,968**	**14,104**
Cash and cash equivalents*	(1,776)	(1,967)
Current financial assets	(8)	(35)
Net debt from continuing operations	**12,184**	**12,102**
Net debt from discontinued operations	-	-
Net debt (total)	**12,184**	**12,102**

* In view of the restriction on its use, the €750 million liquidity in escrow accounts in the first quarter 2008 (Dec. 31, 2007: €755 million) was not deducted when calculating net debt. March 31, 2008: €1,967 million = €2,717 million - €750 million (Dec. 31, 2007: €1,776 million = €2,531 million - €755 million).

In the first quarter we reduced net debt (total) by €0.1 billion to €12.1 billion. As of March 31, 2008 we had noncurrent financial liabilities of €12.6 billion, including the €1.2 billion subordinated hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond issued in April 2006. Net debt should be viewed against the fact that 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 has given Bayer a long-term issuer rating of BBB+ with positive outlook, while Moody's has assigned the company an A3 rating with negative outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

Net pension liability

The net pension liability fell in the first quarter from €5.0 billion to €4.1 billion, mainly due to the increase in capital market interest rates. Provisions for pensions and other post-employment benefits declined from €5.5 billion to €5.0 billion. At the same time prepaid benefit assets, reflected in the balance sheet as other receivables, rose from €0.5 billion to €0.9 billion.

Net pension liability	Dec. 31, 2007	March 31, 2008
€ million		
Provisions for pensions and other post-employment benefits	5,501	4,970
Prepaid benefit assets	(533)	(882)
Net pension liability	**4,968**	**4,088**

Employees

The number of employees has been converted to full-time equivalents, which means part-time employees are included in proportion to their contractual working hours.

On March 31, 2008, the Bayer Group had 106,000 employees, 200 less than on December 31, 2007. We employed 17,000 people in North America, including for the first time the employees in the United States transferred to Bayer in connection with the acquisition of Possis Medical, Inc. Bayer had 19,200 employees in the Asia-Pacific region and 14,500 in Latin America/Africa/Middle East. The number of employees in Europe was 55,300. This includes 37,900 people in Germany, which thus accounts for 35.8 percent of the Group's total workforce. Personnel expenses in the first quarter of 2008 amounted to €1,988 million (Q1 2007: €1,898 million).

Risk Report

As a global enterprise with a diverse business portfolio, the Bayer Group is exposed to numerous risks. We therefore have an appropriate risk management system in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks.

Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. The outcome of any current or future proceedings cannot be predicted with certainty. It is therefore possible that legal or regulatory judgments or settlements could give rise to expenses that are not covered, or not fully covered, by insurers' compensation payments and could significantly affect our revenues and earnings.

Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2007 on pages 80 - 88 and 188 - 193. The Bayer Annual Report 2007 can be downloaded free of charge at www.bayer.com. The following significant changes have occurred in respect of the legal risks since publication of the Bayer Annual Report 2007:

Antitrust proceedings in connection with polymers
As reported on page 190 of the Bayer Annual Report 2007, Bayer expects that civil antitrust lawsuits for damages concerning the products rubber chemicals, butadiene rubber, styrene butadiene rubber, polychloroprene rubber and nitrile butadiene rubber will be filed against Bayer in Europe. At the end of February 2008, a group of plaintiffs who are primarily producers of tires brought an action for damages before the High Court of Justice in the United Kingdom against Bayer and other producers of butadiene rubber and styrene butadiene rubber based on alleged violations of antitrust law.

Proceedings involving contraceptives and other hormonal products
Yasmin®: On page 191 of the Bayer Annual Report 2007, we reported that, in April 2005, Bayer Schering Pharma filed suit against Barr Pharmaceuticals Inc. and Barr Laboratories Inc. in U.S. federal court alleging patent infringement by Barr for the intended generic version of Bayer Schering Pharma's Yasmin® oral contraceptive product in the United States. In June 2005 Barr filed its counterclaim seeking to invalidate Bayer Schering Pharma's patent. In March 2008, the U.S. federal court invalidated Bayer Schering Pharma's '531 patent for Yasmin®. Bayer has appealed this ruling.

In March 2008 Bayer HealthCare Pharmaceuticals Inc. and Bayer Schering Pharma AG received two notices of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson Laboratories Inc. and Sandoz Inc. seek approval to market a generic version of Bayer Schering Pharma's oral contraceptive Yasmin® in the United States. Bayer has filed suit against Watson and Sandoz in U.S. federal court alleging patent infringement by Watson and Sandoz for the intended generic version of Yasmin®.

YAZ®: On page 191 of the Bayer Annual Report 2007, we reported that, in January 2007, Barr Laboratories Inc. filed an ANDA IV application with the U.S. FDA seeking approval of a generic version of Bayer Schering Pharma's YAZ® oral contraceptive. In October 2007 Bayer Schering Pharma received also notice from Watson Laboratories Inc. that it has filed an ANDA IV application with the U.S. FDA seeking approval of a generic version of YAZ®. Both applications claim that Bayer Schering Pharma's patents are invalid and/or that the respective generic product does not infringe them. Bayer has filed a patent infringement suit against Watson claiming, inter alia, that Bayer's '531 patent has been infringed. Bayer's '531 patent is also at issue in the patent infringement suit against Barr, mentioned in the previous paragraph, relating to the Yasmin® oral contraceptive.

Bayer is currently evaluating the impact of the court's decision regarding Yasmin® on YAZ®. However, regardless of the outcome of the court decision invalidating the company's '531 patent with regard to Yasmin®, Bayer retains marketing exclusivity for YAZ® as an oral contraceptive in the U.S. until March 16, 2009. No generic manufacturer can lawfully market a generic version of YAZ® for an oral contraceptive indication until after March 16, 2009.

The Yasmin® and YAZ® oral contraceptive products are very important to the business. Bayer is deeply committed to maintaining its leadership in oral contraception and intends to continue to vigorously defend its position.

Further patent disputes

On page 192 of the Bayer Annual Report 2007, we reported that Abbott Laboratories commenced a lawsuit in the United States against Bayer and another party alleging infringement of two of Abbott's patents relating to blood glucose monitoring devices. The devices concerned are sold by Bayer as part of its Ascensia® Contour® system and its DEX® and Autodisc® system. In April 2008 the court granted summary judgement in favor of Bayer with regard to one of the two patents on the basis that the patent's claims that were asserted by Abbott against Bayer are invalid. On the second patent, the court found that Bayer did not literally infringe Abbott's patent, but left for trial the question of whether Bayer infringed that patent under the so-called doctrine of equivalents. A jury trial on this second patent is scheduled to begin in May 2008. Bayer believes it has meritorious defenses in this matter and intends to defend itself vigorously.

On page 192 of the Bayer Annual Report 2007, we reported that Bayer has filed suit against several companies in the U.S. alleging patent infringement in connection with moxifloxacin (Avelox®). In the two proceedings still pending Bayer has reached agreement with Teva Pharmaceuticals USA, Inc., the adverse party, to settle their patent litigation with regard to the two Bayer patents. Under the settlement terms agreed upon, Teva will obtain a license to sell its generic moxifloxacin tablet product in the U.S. shortly before the second of the two Bayer patents expires in March 2014. The impact on the Avelox® business in the U.S. is expected to be immaterial. Teva acknowledges the validity and enforceability of the two Bayer patents.

At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of the Bayer Group.

Subsequent Events

Since March 31, 2008, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

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Investor Information

Bayer stock could not escape the turbulence on the international stock markets in the first quarter, closing on March 31, 2008, at €50.76, down 18.8 percent from the closing price on December 31, 2007.

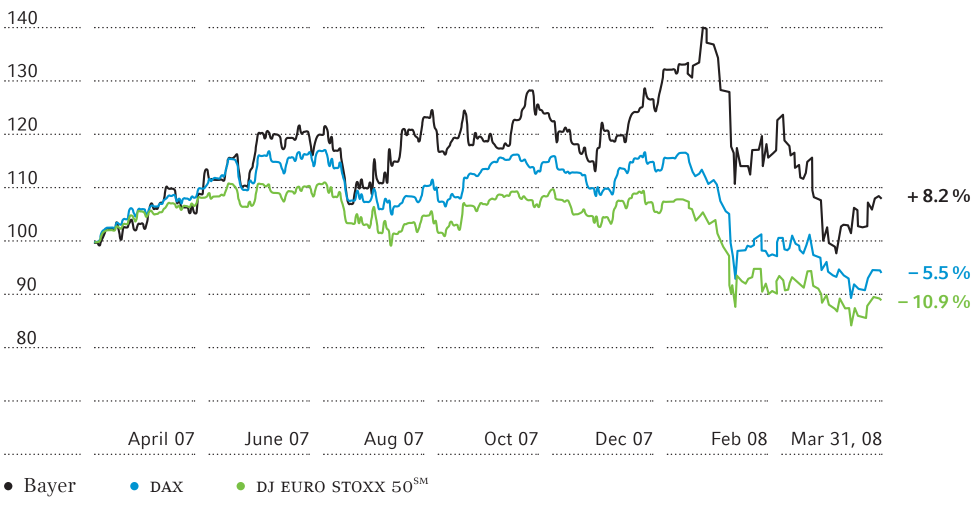
The DAX lost 19.0 percent in the same period, closing at 6,535 points on March 31. The European reference index Euro Stoxx 50 also fell by 17.4 percent from the beginning of the year, finishing the quarter at 5,362 points.

Bayer Stock Key Data		1st Quarter 2007	**1st Quarter 2008**	Full Year 2007	
High for the period	€	47.84	65.68	62.53	
Low for the period	€	40.20	45.90	40.20	
Average daily share turnover on German stock exchanges	million	5.5	7.4	5.7	
		March 31, 2007	**March 31, 2008**	Dec. 31, 2007	**Change March 31, 2008/ Dec. 31, 2007 %**
Share price	€	47.84	50.76	62.53	–18.8
Market capitalization	€ million	36,566	38,798	47,794	–18.8
Stockholders' equity	€ million	15,906	17,605	16,821	+4.7
Number of shares entitled to the dividend	million	764.34	764.34	764.34	
DAX		6,917	6,535	8,067	–19.0

XETRA closing price; source: Bloomberg

Performance over the Past Twelve Months

(indexed; 100 = Xetra closing price on March 31, 2007)



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Calculation of core earnings per share

Earnings per share according to IFRS are affected by the purchase price allocation for Schering, Berlin, Germany, 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 including the related tax effects, and one-time tax income or expense.

The calculation of earnings per share in accordance with IFRS is explained in the notes to the consolidated financial statements on page 34. 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 2007	**1st Quarter 2008**
€ million		
EBIT as per income statement	**1,175**	**1,343**
Amortization and write-downs of intangible assets	293	407
Write-downs of property, plant and equipment	24	31
Special items (other than write-downs)	216	130
Core EBIT	**1,708**	**1,911**
Non-operating result (as per income statement)	(218)	(275)
Income taxes (as per income statement)	(301)	(306)
Tax adjustment	(177)	(173)
Income after taxes attributable to minority interest (as per income statement)	(1)	0
Core net income from continuing operations	**1,011**	**1,157**
Financing expenses for the mandatory convertible bond, net of tax effects	24	28
Adjusted core net income	**1,035**	**1,185**
Shares		
Weighted average number of issued ordinary shares	**764,341,920**	**764,341,920**
Potential shares to be issued upon conversion of the mandatory convertible bond	59,523,810	59,582,699
Adjusted weighted average total number of issued and potential ordinary shares	**823,865,730**	**823,924,619**
Core earnings per share from continuing operations (€)	**1.26**	**1.44**

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Bayer Group Consolidated Statements of Income

€ million	1st Quarter 2007	**1st Quarter 2008**
Net sales	**8,335**	**8,536**
Cost of goods sold	(4,134)	(4,103)
Gross profit	**4,201**	**4,433**
Selling expenses	(1,807)	(1,902)
Research and development expenses	(625)	(633)
General administration expenses	(436)	(419)
Other operating income	143	287
Other operating expenses	(301)	(423)
Operating result [EBIT]	**1,175**	**1,343**
Equity-method loss	(14)	(10)
Non-operating income	242	135
Non-operating expenses	(446)	(400)
Non-operating result	**(218)**	**(275)**
Income before income taxes	**957**	**1,068**
Income taxes	(301)	(306)
Income from continuing operations after taxes	**656**	**762**
Income from discontinued operations after taxes	**2,154**	**-**
Income after taxes	**2,810**	**762**
of which attributable to minority interest	1	0
of which attributable to Bayer AG stockholders (net income)	**2,809**	**762**
Earnings per share (€)		
From continuing operations		
Basic*	0.82	0.96
Diluted*	0.82	0.96
From discontinued operations		
Basic*	2.62	-
Diluted*	2.62	-
From continuing and discontinued operations		
Basic*	3.44	0.96
Diluted*	3.44	0.96

*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, 2007	**March 31, 2008**	Dec. 31, 2007
Noncurrent assets			
Goodwill	8,183	8,190	8,215
Other intangible assets	15,448	14,221	14,555
Property, plant and equipment	8,740	8,561	8,819
Investments in associates	517	457	484
Other financial assets	1,177	995	1,127
Other receivables	184	996	667
Deferred taxes	1,005	611	845
	35,254	**34,031**	**34,712**
Current assets			
Inventories	6,327	6,218	6,217
Trade accounts receivable	6,817	6,689	5,830
Other financial assets	238	570	335
Other receivables	1,613	1,494	1,461
Claims for income tax refunds	235	195	208
Cash and cash equivalents	6,143	2,717	2,531
Assets held for sale and discontinued operations	346	82	84
	21,719	**17,965**	**16,666**
Total assets	**56,973**	**51,996**	**51,378**
Stockholders' equity			
Capital stock of Bayer AG	1,957	1,957	1,957
Capital reserves of Bayer AG	4,028	4,028	4,028
Other reserves	9,855	11,543	10,749
	15,840	**17,528**	**16,734**
Equity attributable to minority interest	66	77	87
	15,906	**17,605**	**16,821**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,156	4,970	5,501
Other provisions	1,506	1,273	1,166
Financial liabilities	14,626	12,648	12,911
Other liabilities	402	515	501
Deferred taxes	4,397	3,893	3,866
	27,087	**23,299**	**23,945**
Current liabilities			
Other provisions	4,571	3,995	3,754
Financial liabilities	3,673	1,757	1,287
Trade accounts payable	2,296	2,220	2,466
Income tax liabilities	170	99	56
Other liabilities	3,112	2,892	2,873
Liabilities directly related to assets held for sale and discontinued operations	158	129	176
	13,980	**11,092**	**10,612**
Total stockholders' equity and liabilities	**56,973**	**51,996**	**51,378**

2007 figures reclassified

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Bayer Group Consolidated Statements of Cash Flows

€ million	1st Quarter 2007	**1st Quarter 2008**
Income from continuing operations after taxes	656	762
Income taxes	301	306
Non-operating result	218	275
Income taxes paid	(343)	(364)
Depreciation and amortization	599	712
Change in pension provisions	(96)	(94)
(Gains) losses on retirements of noncurrent assets	12	3
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	64	51
Gross cash flow	**1,411**	**1,651**
Decrease (increase) in inventories	(213)	(251)
Decrease (increase) in trade accounts receivable	(1,011)	(1,038)
(Decrease) increase in trade accounts payable	(114)	(196)
Changes in other working capital, other non-cash items	302	362
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**375**	**528**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	38	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**413**	**528**
Cash outflows for additions to property, plant, equipment and intangible assets	(201)	(288)
Cash inflows from sales of property, plant, equipment and other assets	18	16
Cash inflows (outflows) from divestitures less divested cash	4,673	(40)
Cash inflows (outflows) from acquisitions less acquired cash	(22)	(246)
Cash inflows (outflows) from noncurrent financial assets	5	27
Interest and dividends received	93	74
Cash inflows (outflows) from current financial assets	23	(7)
Net cash provided by (used in) investing activities (total)	**4,589**	**(464)**
Capital contributions	0	0
Bayer AG dividend, dividend payments to minority stockholders, reimbursements of advance capital gains tax payments	(9)	(9)
Issuances of debt	444	397
Retirements of debt	(1,954)	(120)
Interest paid	(245)	(137)
Net cash provided by (used in) financing activities (total)	**(1,764)**	**131**
Change in cash and cash equivalents due to business activities (total)	**3,238**	**195**
Cash and cash equivalents at beginning of period	**2,915**	**2,531**
Change in cash and cash equivalents due to changes in scope of consolidation	(1)	0
Change in cash and cash equivalents due to exchange rate movements	(9)	(9)
Cash and cash equivalents at end of period	**6,143**	**2,717**

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Bayer Group Consolidated Statements of Recognized Income and Expense

€ million	1st Quarter 2007	**1st Quarter 2008**
Changes in fair values of derivatives designated as hedges and available-for-sale financial assets, recognized in stockholders' equity	1	42
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets, recognized in stockholders' equity	331	817
Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity	36	(552)
Deferred taxes on valuation adjustments offset directly against stockholders' equity	(134)	(261)
Changes due to changes in scope of consolidation	31	1
Revaluation surplus (IFRS 3)	-	4
Minority interest in partnerships, recognized in liabilities	-	(20)
Valuation adjustments recognized directly in stockholders' equity	**265**	**31**
Income after taxes	**2,810**	**762**
Total income and expense recognized in the financial statements	**3,075**	**793**
of which attributable to minority interest	2	(1)
of which attributable to Bayer AG stockholders	3,073	794

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Notes to the Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2008

Key Data by Segment

Segment	HealthCare			
	Pharmaceuticals		Consumer Health	
€ million	1st Quarter 2007	1st Quarter 2008	1st Quarter 2007	1st Quarter 2008
Sales (external)	2,495	2,614	1,115	1,117
Change	+117.3%	+4.8%	+5.7%	+0.2%
Currency-adjusted change	+122.2%	+9.9%	+11.4%	+6.1%
Intersegment sales	12	19	3	0
Operating result (EBIT)	281	341	204	222
Depreciation, amortization and write-downs	265	373	33	34
Gross cash flow*	390	544	167	193
Net cash flow*	279	415	104	162
Number of employees at end of period*	39,400	39,400	11,500	12,600

* for definition see Bayer Group Key Data on page 2

Key Data by Region

Region	Europe		North America	
€ million	1st Quarter 2007	1st Quarter 2008	1st Quarter 2007	1st Quarter 2008
Sales (external) – by market	3,848	4,072	2,226	2,026
Change	+27.5%	+5.8%	+15.0%	−9.0%
Currency-adjusted change	+27.5%	+6.5%	+25.4%	+1.5%
Sales (external) – by point of origin	4,153	4,393	2,220	2,033
Change	+28.7%	+5.8%	+13.7%	−8.4%
Currency-adjusted change	+28.7%	+6.4%	+24.2%	+2.3%
Interregional sales	1,374	1,601	516	504
Operating result (EBIT)	724	880	357	341
Number of employees at end of period*	56,800	55,300	16,700	17,000

* number of employees in full-time equivalents

CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Systems		Materials		Reconciliation		Continuing Operations	
1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**
1,434	1,622	352	356	1,869	1,839	739	673	331	315	8,335	8,536
+1.5%	+13.1%	−1.7%	+1.1%	+5.2%	−1.6%	+4.1%	−8.9%			+22.7%	+2.4%
+5.5%	+17.8%	+3.7%	+4.1%	+9.6%	+3.0%	+9.0%	−3.4%			+27.3%	+7.2%
18	14	2	5	38	34	4	5	(77)	(77)		
304	446	104	78	247	281	38	0	(3)	(25)	1,175	1,343
121	118	19	21	82	87	42	39	37	40	599	712
282	416	87	73	235	273	69	37	181	115	1,411	1,651
(113)	(266)	(125)	(46)	62	63	(25)	83	193	117	375	528
14,900	14,700	2,900	3,200	10,200	10,300	4,900	4,700	21,300	21,100	105,100	106,000

Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**
1,200	1,276	1,061	1,162			8,335	8,536
+19.3%	+6.3%	+27.7%	+9.5%			+22.7%	+2.4%
+27.8%	+12.9%	+38.7%	+13.9%			+27.3%	+7.2%
1,137	1,207	825	903			8,335	8,536
+17.9%	+6.2%	+27.1%	+9.5%			+22.7%	+2.4%
+26.9%	+13.1%	+40.8%	+17.0%			+27.3%	+7.2%
53	53	57	32	(2,000)	(2,190)		
73	85	63	92	(42)	(55)	1,175	1,343
17,800	19,200	13,800	14,500			105,100	106,000

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2008 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 consolidated financial statements for the 2007 fiscal year, 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 2007	**1st Quarter 2008**
€ million		
Income after taxes	2,810	762
Income attributable to minority interest	1	0
Income attributable to Bayer AG stockholders	2,809	762
Income from discontinued operations	2,154	-
Financing expenses for the mandatory convertible bond, net of tax effects	24	28
Adjusted income from continuing operations after taxes	679	790
Adjusted net income	2,833	790
Shares		
Weighted average number of issued ordinary shares	764,341,920	764,341,920
Potential shares to be issued upon conversion of the mandatory convertible bond	59,523,810	59,582,699
Adjusted weighted average total number of issued and potential ordinary shares	823,865,730	823,924,619
Basic earnings per share (€)		
from continuing operations	0.82	0.96
from discontinued operations	2.62	-
from continuing and discontinued operations	3.44	0.96
Diluted earnings per share (€)		
from continuing operations	0.82	0.96
from discontinued operations	2.62	-
from continuing and discontinued operations	3.44	0.96

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Changes in the Bayer Group

Scope of consolidation

As of March 31, 2008, the Bayer Group comprised 321 fully consolidated companies, compared with 326 companies as of December 31, 2007. Three joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

Acquisitions

Expenses for acquisitions in the first quarter of 2008 totaled €247 million. Bayer subsidiary Medrad, Inc. has completed its tender offer for the outstanding shares of common stock of Possis Medical, Inc. As of March 31, 2008, Medrad had acquired 91.8 percent of the shares for US$ 309 million (approx. €208 million). As of the expiration of the subsequent offer period on Tuesday, April 1, 2008, a total of approximately 93.0 percent of Possis Medical shares had been validly tendered in the offer. Medrad, through its wholly owned subsidiary Phoenix Acquisition Corp., accepted for purchase all of these validly tendered shares. The merger of Phoenix Acquisition Corp. with and into Possis Medical took place immediately thereafter. In the merger, each outstanding Possis Medical share not tendered and purchased in the offer (other than those as to which holders properly exercised appraisal rights) was automatically canceled and converted pursuant to Minnesota law into the right to receive the same US$ 19.50 per share, net to the seller in cash, without interest thereon and subject to reduction for any applicable withholding taxes, that was paid in the tender offer. As a result of the merger, Possis Medical became a wholly owned subsidiary of Medrad. Following the merger, Possis Medical's common stock ceased to be traded on the NASDAQ.

Discontinued operations

The diagnostics activities, along with H.C. Starck and Wolff Walsrode, were recognized as discontinued operations in 2007. The information on discontinued operations, 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 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**	1st Quarter 2007	**1st Quarter 2008**
Sales	0	-	74	-	85	-	159	-
Operating result (EBIT)*	2,778	-	109	-	13	-	2,900	-
Income after taxes	2,044	-	103	-	7	-	2,154	-
Gross cash flow*	(10)	-	14	-	10	-	14	-
Net cash flow*	7	-	26	-	5	-	38	-
Net investing cash flow	3,748	(40)	922	-	(2)	-	4,668	(40)
Net financing cash flow	(3,755)	40	(948)	-	(3)	-	(4,706)	40

* for definition see Bayer Group Key Data on page 2

Related parties

Our business partners 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. 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.

Leverkusen, April 22, 2008
Bayer Aktiengesellschaft

Board of Management

Werner Wenning   Klaus Kühn   Dr. Wolfgang Plischke   Dr. Richard Pott

Werner Wenning at the Bayer AG Annual Stockholders' Meeting

"2007 was Bayer's most successful year to date"

At the Annual Stockholders' Meeting, Management Board Chairman Werner Wenning reported on a very successful 2007. He also said the company experienced an excellent start to 2008.

- Previous year's record levels and earnings targets exceeded
- Dividend increased by 35 percent to €1.35
- Good start to fiscal 2008
- Bayer Climate Program being implemented and expanded

"2007 was Bayer's most successful year to date," said Werner Wenning, Chairman of the Board of Management of Bayer AG, at the company's Annual Stockholders' Meeting in Cologne. According to the Bayer CEO, the company's operating performance exceeded both the previous year's record levels and the earnings targets that had been set. The dividend of €1.35 per share, giving a total payout of more than €1 billion, ensures that the stockholders also benefit from this performance. Wenning said Bayer was also off to an excellent start in 2008: "In the first quarter of 2008, we achieved another year-on-year increase in the underlying operating result – the 21st in a row."

In his comments on fiscal 2007, Wenning reported on Group sales of more than €32 billion – representing a currency- and portfolio-adjusted 6 percent increase over the prior year. EBITDA before special items rose by an even more substantial 21 percent to €6.8 billion, while underlying EBIT grew by 23 percent to €4.3 billion. This resulted in net income of €4.7 billion, bolstered by divestiture proceeds. "These achievements are the result of the outstanding dedication displayed by all 106,000 Bayer employees worldwide.

We can be very proud of them," said the Bayer Chairman.

Bayer clearly remains on the right track, as evidenced by its performance in the first quarter. The company carried over into 2008 last year's positive trend for both sales (up a currency- and portfolio-adjusted 7 percent to €8.5 billion) and EBITDA before special items (up 10 percent to €2.2 billion). Underlying EBIT advanced by 9 percent to €1.5 billion. Since the beginning of 2003, Bayer has posted steady year-on-year increases in quarterly earnings before special items – in other words its underlying operating performance. The company continues to target about 5 percent currency-adjusted growth for the full year, Wenning confirmed, adding that an increase in EBITDA before special items and a further improvement in the underlying EBITDA margin are also planned.

Employees share in the company's success

Wenning said the company will be paying out a total of approximately €490 million to its employees worldwide to enable them to share in the company's success in 2007. This corresponds to an average of more than one month's salary for Bayer's payscale employees in Germany alone, in addition to the increase in their fixed salaries. The rise in total remuneration in recent years has considerably outpaced inflation, Wenning remarked, adding that the employees have also benefited from stock participation programs for a number of years. "In this way we are continuing our policy of enabling our employees to participate appropriately in the development of our company and in our capital growth. That too is an expression of our social responsibility."

The Management Board Chairman also talked about the debate surrounding the development of German society. "Industry executives, politicians and the so-called opinion leaders are regarded as role models, and that is something they have to live up to," he said. According to the Bayer CEO, the current debate is polarizing the issue of social cohesion in a way that is not good for German society. "I firmly believe that we should not call into question our social market economy – a system that has proven effective," stressed Wenning. He said managers are dependent on people's confidence in their integrity and leadership abilities in order to exercise their very important role in society: the task of aligning and leading companies so that companies can achieve sustained growth and earn respectable profits. After all, this is an important basis for safeguarding jobs and creating new ones, commented Wenning.

In this connection, successful corporate strategy may also involve changes and upheavals, as the dynamic change processes taking place in the globalized economy also affect the situation in Germany. Wenning explained that Bayer, too, experienced such change processes, especially in recent years, and the company mastered the challenge. The Bayer Chairman said it was important to him that the company had worked together with the employees' representatives in an effort to take the necessary action in a socially responsible manner.

"We are well aware that acceptance of a company and its actions by society forms an important part of the basis for lasting success. Yet it is not always easy to reach a productive consensus of different opinions," Wenning said, adding that this is also true of the company's plan to build a carbon monoxide pipeline between its sites at Dormagen and Krefeld-Uerdingen. He explained that this project has met with a lack of understanding and caused concern among Bayer's neighbors. "The public-interest aspect of this project is the subject of an ongoing evaluation which we know is supported by the state government. After that, we expect that the parties and fractions in the state parliament will examine the project again. The parliamentary vote will then point the way to our future course of action."

Wenning described the basic attitude to investment at Germany's industrial sites as a crucial issue, citing local opposition to the planned construction of a new coal-fired power plant by the company Trianel at the Krefeld-Uerdingen site. He said that a modern, competitive infrastructure

An exhibition provided information about the Bayer Climate Program (from left): Hans-Jürgen and Christel Peters, Thorsten Lützler, Pramatha Mitra and Britta Eerhard.

is essential: "Without secure supplies – whether of raw materials or energy, for example – a site like Uerdingen has difficulty competing in the international arena. We will therefore have to draw even greater attention to these issues and work together with the political community to ensure stable conditions for investment," stressed the Bayer CEO.

Innovation and growth are key success factors

In 2008 Bayer plans to invest about €4.5 billion for the future, with research and development accounting for €2.8 billion and property, plant and equipment for €1.7 billion. "I am firmly convinced that innovation and growth are the key success factors in our globalized world," Wenning said. To achieve this, Bayer continues to require well trained, qualified and motivated employees, he explained, adding that the situation on the employment market, particularly in Germany, is taking a critical turn. There is already a lack of good technical personnel and highly qualified academics in core disciplines, he said.

"Germany will only be able to assert itself as an industrial base in the global arena if government, society and industry invest in education and training. Equal opportunity in education is a cornerstone of our social market economy," said Wenning. He said that this year again, Bayer will offer vocational training opportunities to more than 800 young people and hire about 250 university graduates since here, too, Bayer takes its social responsibility as an employer very seriously.

Worldwide Bayer Climate Program launched in 2007

In connection with global challenges such as the consequences of climate change, the Bayer CEO emphasized that the company will rigorously implement its Climate Program and continue to expand it in the future: "After all, it is also fundamentally important that the company live up to its role as a responsible corporate citizen."

Exhibits, publications and a new film shown at the meeting provided stockholders with information on the "Bayer Climate Program" launched at the end of 2007. The company's efforts to further reduce CO_2 include initial projects in production, the construction of commercial buildings and agriculture, and other activities forming part of Bayer's integrated Group-wide Climate Program.

"With the 'Bayer Climate Program' we want to live up to our responsibility regarding the major challenge that climate change presents to society," Wenning explained, remarking that this social responsibility can go hand in hand with the company's economic achievements. "We want to continue growing, and this includes creating innovative products for efficient climate protection and dealing with climate change." He said Bayer plans to spend €1 billion on climate-relevant research, development and projects between 2008 and 2010.

A summary of the discussion with the stockholders begins on the next page. The complete text of the address by the Chairman of the Board of Management can be found on the Internet at www.asm2008.bayer.com.

Discussion with the stockholders' representatives:

"The Bayer Cross shines ever brighter"

At the Annual Stockholders Meeting, which was held at the Cologne Exhibition Center and attended by about 4,500 people, Bayer CEO Werner Wenning garnered much praise for the company's record performance in 2007.

Recognition for Bayer's strong performance: "The company's results are improving all the time, and the Bayer Cross shines ever brighter," said Harald Petersen of the stockholders' association SdK during the discussion with the stockholders' representatives, which was led by Supervisory Board Chairman Dr. Manfred Schneider.

Many other visitors to the Annual Stockholders' Meeting also had words of praise for the achievements of the Bayer Group and its employees. "2007 was an excellent year from Bayer's viewpoint. You once again achieved record earnings, and we as stockholders will duly benefit from a payout exceeding €1 billion. This, too, is a new record," said Hans-Richard Schmitz from the German private investors' association DSW, adding that the value of Bayer stock had risen substantially overall, even if it had lost ground again of late.

The discussion with the stockholders' representatives lasted several hours and focused on the strategy and the future outlook for all three subgroups. Bayer Management Board Chairman Werner Wenning was asked about the integration status of Bayer Schering Pharma. "We are very satisfied," he replied. "The projects are proceeding as planned." Wenning said this was reflected partly in the steady sales growth experienced by the combined business operations in recent quarters. Considerable synergies had been already

Young visitors Golriz Ranjbar, Henrique Leimkuhl-Schulz and Kun Wang (from left) also wanted more information on "Bayer: Science For A Better Life" (photo top left). The Bayer publications aroused considerable interest (above): Maren Rasch and Sarah Bräutigam with Ahmad Torabian (from left).

Discussion speaker Harald Petersen of the stockholders' association SdK.

been achieved. He explained that research in pharmaceuticals is now focused on the fields of oncology, gynecology, cardiology and diagnostic imaging.

The Bayer CEO described not only long-established medicines such as Betaferon®/Betaseron® and the products containing drospirenone, but also Xarelto® to treat venous thromboembolism and the cancer drug Nexavar® as products with blockbuster potential. He said analysts put the peak sales potential of Xarelto® at more than €2 billion. "We anticipate that Xarelto® will set itself apart from other medicines currently on the market. Here we are developing a safe, patient-friendly thrombosis treatment that also obviates the need for routine blood tests during therapy." Business with Nexavar®, too, is developing very well in the already approved treatment indications of kidney cancer and liver cancer, Wenning reported. "We are targeting peak sales of up to €500 million just for these two indications," he said, adding that additional sales potential exists in further indications currently in clinical development, such as breast and skin cancer.

Asked about the patent dispute over the contraceptive Yasmin®, Wenning replied: "We have slightly reduced our earnings targets for HealthCare after losing this suit." According to the Bayer Chairman, the subgroup is now planning to improve the EBITDA margin before special items toward 27 percent. "However, there is no change to our target margin of approximately 28 percent for 2009."

Bolstering the food supply

Wenning anticipates that the global seed and crop protection markets will provide a positive environment for Bayer CropScience again this year. Also of interest to the discussion participants was the increasing use of plants to produce fuel. "We are well aware that food and feed crops may sometimes be competing with fuel-producing plants for land," Wenning said, adding that safeguarding food supplies in the face of a sharply increasing world population is without doubt among today's most pressing challenges. He said Bayer is actively searching for ways to help cope with the growing demand for agricultural products. The goal here, he said, is to optimize the targeted use of crop protection products and to more effectively exploit both the possibilities offered by modern plant breeding methods and the opportunities inherent in plant biotechnology.

The Bayer MaterialScience subgroup expanded strongly in 2007, Wenning said in response to a stockholder's question. He explained that the extent to which further increases in raw material costs can be passed on to customers in the form of higher selling prices depends on sup-

The Bayer Cross and company colors featured prominently in the lobby of the Cologne Exhibition Center.

ply and demand in the various markets. Wenning was also asked about the future of the MaterialScience subgroup against the background of possible further acquisitions in the health care field. Said the Bayer Chairman: "MaterialScience is a core business for Bayer that makes outstanding contributions to implementing our corporate strategy."

Bayer stock of great importance on the international financial markets

Another topic raised during the discussion was the proportion of Bayer stock in the hands of foreign investors. "We are proud of our stockholder structure," the Management Board Chairman said, remarking that in recent years the company has managed to convince the most prominent global funds of the benefits of its strategy. A current survey on Bayer stock ownership by institutional investors showed that 78 percent of the capital covered by the survey is held by foreign investors, with nearly half of Bayer's institutional stockholders based in the United States. "The high proportion of foreign investors mirrors the considerable importance of Bayer stock on the international financial markets," Wenning commented.

Numerous visitors to the Annual Stockholders' Meeting expressed their concern about the planned carbon monoxide pipeline linking the Krefeld-Uerdingen and Dormagen sites. "We are convinced both of the pipeline's safety and its necessity," Wenning emphasized. Without this pipeline, he said, the Krefeld site's prospects for success in the international competitive arena would clearly be diminished. He explained that not only are the Dormagen and Krefeld-Uerdingen chemical park sites dependent on the safe and smooth supply of raw materials, but so are manufacturing companies in North Rhine-Westphalia that procure supplies from these sites. Stressed the Bayer CEO: "It is important to remember that pipelines are the best means of transporting many liquid and gaseous substances – both from a safety and an environmental point of view."

Wenning pointed out that the Bayer Group has decades of experience in the safe handling of carbon monoxide and has operated a number of supply pipelines for years. On top of that, Bayer's safety precautions go beyond those required by law. Wenning emphasized that Bayer MaterialScience is implementing this project in compliance with applicable law and that the pipeline's construction has been approved by the Düsseldorf regional government and the state parliament of North Rhine-Westphalia. "We take the interests and the concerns of our neighbors very seriously and are providing comprehensive information. This we will continue to do." Wenning also spoke of the company's efforts to cover its personnel requirements for the future. "As a company that applies the results of scientific research worldwide, Bayer enjoys an outstanding reputation among up-and-coming scientists as an attractive employer." The

Bayer CEO Werner Wenning (right) and Supervisory Board Chairman Dr. Manfred Schneider were pleased with the outcome of the Annual Stockholders' Meeting.

Bayer CEO said the company has no difficulty in attracting highly qualified new employees for its research and development activities.

Another topic of discussion was the company's commitment to climate protection. This is a global challenge that Bayer has long been addressing, Wenning explained, pointing out that the company has been included since 2005 in the "Carbon Disclosure Leadership Index" – the world's first index that evaluates companies in terms of their efforts to help protect the earth's climate. This year, in fact, Bayer was the only European chemical company to receive the "Best in Class" designation.

One stockholder asked about the company's support for cultural activities and sports. "I can assure you that cultural affairs are very important to us," Wenning replied. "This season we are celebrating 100 years of the Bayer Cultural Affairs Department." The Bayer Chairman stressed that the company's corporate social responsibility program will continue to include support for recreational, youth and disabled sports. In professional sports, the focus is now confined to the Bayer 04 Leverkusen soccer club and the opportunities for corporate advertising that this provides. "The money we are saving in this area is instead being invested in young people's education," Wenning explained, the Bayer Science & Education Foundation having been endowed with an additional €10 million for this purpose. The anticipated investment return of some €500,000 per year will be used to help schools finance projects or equip classrooms for science teaching, for example.

Further questions posed by the stockholders related to the remuneration of the Supervisory Board and the members of the Works Councils, the company's policy on donations, the delisting of Bayer shares from the New York Stock Exchange, the safety of Trasylol®, child labor in India and the planned construction of a coal-fired power plant in Krefeld-Uerdingen. In the voting that followed, the stockholders approved the proposals of the Supervisory Board and the Board of Management by large majorities (see inset below).

Resolutions of the Annual Stockholders' Meeting

Of the €1,957 million capital stock, 61.8 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 €1.03 billion will be used to pay a dividend of €1.35 per share.
- The actions of the members of the Supervisory Board and Board of Management are ratified.
- Consent is given to the authorization of the Board of Management to purchase and sell company shares.
- Consent is given to the authorizations I and II to issue warrant or convertible bonds, profit-sharing rights or profit participation bonds and create conditional capital.
- Consent is given to the domination and profit-and-loss transfer agreements between the company and three subsidiaries.
- PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, is appointed as auditor for the 2008 fiscal year.

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News

The cancer drug Nexavar® is on track to become a standard therapy for several types of cancer. The picture shows Bayer HealthCare employees Dirk Unterberg (left) and Ömür Capar carrying out an optical inspection of Nexavar® tablets.

Nexavar® approved in Japan

Berlin – Bayer has been granted marketing approval for Nexavar® in Japan for the treatment of advanced renal cell carcinoma (RCC), the most common form of kidney cancer. Nexavar® is an oral multi-kinase inhibitor, jointly developed by Bayer HealthCare and Onyx Pharmaceuticals, that targets both the tumor cell and the tumor vasculature. In Japan, Nexavar® is the first approved oral targeted therapy for metastatic RCC. Nexavar® is being introduced to the market now that its price has been set by the Japanese health authorities.

The application for marketing approval for Nexavar® to treat liver cancer was filed in September 2007. Japanese authorities have granted the product priority review status for this indication.

Every year, more than 200,000 people around the world are diagnosed with RCC, and more than 100,000 die from this type of cancer. In about one third of patients the cancer has already metastasized by the time it is diagnosed. In Japan, approximately 10,000 people suffer from kidney cancer.

Nexavar® is currently approved in more than 40 countries for liver cancer and in over 70 countries for the treatment of advanced kidney cancer. The drug is also being evaluated by Bayer and Onyx, government agencies, oncological study groups and individual investigators as a single-agent or combination treatment in a wide range of other cancers.

Fungicidal active ingredient receives registrations in Japan and the United States

Monheim – Fluopicolide, the latest active ingredient in the Bayer CropScience fungicides portfolio, has received regulatory approval in Japan and the United States. The Japanese authorities granted a local registration for Reliable® (fluopicolide + propamocarb HCl) for the control of late blight in potatoes.

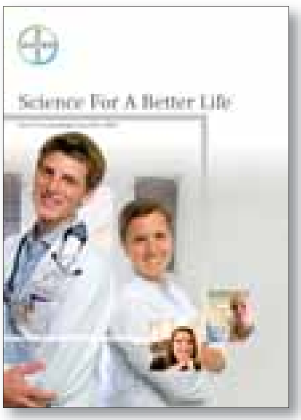
The U.S. Environmental Protection Agency (EPA) approved fluopicolide for use in vegetable crops, grapes, turf and ornamentals. In the United States, fluo picolide and combinations containing it will be marketed under a licensing agreement by Valent Corporation of Walnut Creek, California. Brand names will be Stellar® for use on turf and Presidio® for use on vegetables and grapes. The market launch is scheduled for 2008.

Reliable® from Bayer CropScience helps to protect potatoes from late blight.

Bayer Sustainable Development Report honored

Leverkusen – The 2006 Bayer Sustainable Development Report has been named the best in its industry sector by the prestigious Roberts Environmental Center at McKenna College in Claremont, California. The scientific institute looked at sustainability reports from 29 chemical companies, including the world's ten largest.

In an international online poll of more than 20,000 people, the Bayer publication was also rated the one with the highest level of "openness and honesty" out of 156 sustainability reports by global companies. The poll was organized by the online service provider "CorporateRegister.com." This Internet platform manages the world's largest directory of sustainability reports, currently containing in excess of 16,000 reports by more than 4,000 companies in 105 countries.



The 2006 Bayer Sustainable Development Report was judged among the best in the world.

Bayer acquires OTC business of Sagmel

Leverkusen – The Consumer Care Division of Bayer HealthCare has signed an agreement with U.S.-based Sagmel, Inc. to acquire that company's over-the-counter (OTC) brand portfolio and related assets. Sagmel operates this business in the Commonwealth of Independent States (CIS), which comprises Russia, Belarus, Ukraine, Kazakhstan and other countries, and holds a strong market position in the region. The acquisition will substantially increase Bayer Consumer Care's presence in eastern Europe, one of the world's fastest growing OTC markets. The transaction is expected to close in the second half of 2008.

The Sagmel portfolio, which delivered sales of roughly €78 million in the 12-month period starting in October 2006, includes the analgesic Theraflex®, the decongestant Nazol®, the hemorrhoid treatment Relief® and the nutritional brands Calcemin®, Theravit® and Jungle®. Together with the Bayer brands already established in this market, such as Aspirin®, Alka-Seltzer®, the antacid Rennie® and the vitamin products Supradyn®, Biovital® and Elevit®, the acquired products will help Bayer HealthCare to further strengthen its market position in the CIS countries.

A crop with major potential: the oil of the Jatropha plant, which grows primarily in tropical regions, could be used to produce tomorrow's biodiesel.

Jatropha: new biofuel source offers great potential

Monheim – Archer Daniels Midland Company (ADM), Bayer CropScience AG and Daimler AG plan to jointly explore the potential for Jatropha in the biodiesel industry. Jatropha, a tropical plant from the Euphorbia family, is seen by the three partner companies as a promising alternative energy feedstock for biodiesel production. Biodiesel derived from Jatropha nut kernels has properties similar to those of biofuels obtained from oilseeds. It also has a positive CO_2 balance and can thus contribute to protecting the climate.

As Jatropha can be cultivated on barren soil, it does not compete with food crops for land and can provide farmers with an additional source of income.

New design for Aspirin® packaging

Cologne – Starting in April 2008, Aspirin® is modeling a new outfit and improved packaging. The new pack design takes in the entire Aspirin® product family and gives each product greater individuality. In addition to a modern typeface, the new folding box for tablets features a practical mechanism that allows it to be opened with one hand.

As part of the "European Trusted Brands" consumer study, Reader's Digest magazine recently honored Aspirin® with the 2008 Pegasus Award – the consumer prize for brands achieving the highest levels of customer trust. This is the eighth time in a row that the Bayer brand has been voted the most trusted pain reliever by the publication's readers. A survey conducted by the Federation of German Pharmacists (BVDA) found that experts worldwide consider Aspirin® to be one of the most important over-the-counter analgesics.

The redesigned Aspirin® pack features a modified logo and a practical opening mechanism.

Bayer subsidiary Medrad acquires Possis Medical

Leverkusen / Pittsburgh – Bayer HealthCare affiliate Medrad, Inc. has completed its tender offer for the outstanding shares of Possis Medical, Inc.

According to the depositary for the offer, a total of 15,835,892 Possis Medical shares had been validly tendered in the offer as of the expiration of the subsequent offer period at 5:00 p.m. Eastern Standard Time on April 1, 2008. This represents approximately 93.0 percent of the outstanding shares. Medrad, through its wholly owned subsidiary Phoenix Acquisition Corp., accepted for purchase all shares that were validly tendered in the offer.

The merger of Possis Medical with Medrad's wholly owned subsidiary Phoenix Acquisition Corp. took place immediately thereafter. In the merger, each outstanding Possis Medical share not tendered and purchased in the offer (other than those as to which holders properly exercised appraisal rights) was automatically converted pursuant to local law into the right to receive the same US$ 19.50 per share, net to the seller in cash, without interest thereon and subject to reduction for any applicable withholding taxes, that was paid in the tender offer. As a result of the merger, Possis Medical became a wholly-owned subsidiary of Medrad. Following the merger, Possis Medical's common stock ceased to be traded on the NASDAQ.

Medrad develops and markets contrast agent injection systems for the diagnosis of cardiovascular diseases and other disorders, while Possis Medical offers mechanical thrombectomy systems to treat constricted or blocked arteries and veins. The merger of the two sales organizations, which complement each other very well, and their respective target groups will create a company that is well positioned in both areas.

Partnership with Hyundai on the "i-mode" concept car

The "i-mode" exhibits many outstanding features resulting from the close development partnership between Hyundai and Bayer MaterialScience.

Leverkusen – With its sporty-looking contours, the "i-mode" is certainly an impressive sight. One thing that immediately catches the eye is its new door design, which does away with the center pillar, while the cockpit of Hyundai's new HED-5 "i-mode" concept car promises plenty of driving pleasure. The vehicle combines the advantages of a van with those of a sedan. Many of its outstanding features have come about as a result of close development partnership between Hyundai and Bayer MaterialScience. One striking feature of the "i-mode" is its transparency. It has a total of eleven glazing components made of Makrolon®. In addition to the windshield and backlite, the four moving and two fixed side windows, the two hinged windows and the large roof module are all made of this polycarbonate from Bayer MaterialScience. The decisive argument for using this high-tech thermoplastic was its enormous design scope. For example, the backlite extends up into the roof.

Martin Schmid of Bayer MaterialScience displays a molecular model of a carbon nanotube.

Carbon nanotubes for new thermoplastic materials

Leverkusen – The excellent electrical conductivity and mechanical strength of Baytubes® carbon nanotubes were the decisive factors leading to a cooperation agreement on thermoplastics between Bayer MaterialScience AG and Clariant Masterbatches (Deutschland) GmbH. Bayer MaterialScience will supply Clariant with industrial quantities of high-quality Baytubes® for the manufacture of developmental and sales products for compounds and master batches. The carbon nanotubes, or CNT for short, will initially be used in the new CESA® conductive CNT product range. Potential applications for the compounds produced from them include electrically conductive machine parts and packaging for delicate electronic components such as computer chips.

The objective is to jointly grow the business in the expanding market for compounds and open up new markets, Clariant's broad product portfolio being a major advantage in this respect. The cooperation between Bayer MaterialScience and Clariant for Baytubes® is a long-term arrangement likely to be extended to other products in the future.

New food chain partnership project in Brazil

Monheim – Bayer CropScience has launched the "Flavour Guarantee Project" in collaboration with Brazilian non-governmental organization HortiBrasil and some 500 small farmers. The farmers will produce certified and thus competitive fruit and vegetables for Brazilian supermarkets that will undergo strict quality control procedures. Such products will command higher prices, helping to raise the farmers' incomes, and should become available in supermarkets outside Brazil during 2008.

This new partnership project includes the people involved at several stages in the food chain – the small farmers who grow quality products sustainably with help from Bayer CropScience, independent inspectors who certify product quality and attach a special label to the fruit, and the traders at the main food market in São Paulo.

The new "Flavour Guarantee Project" ensures strict quality control of fruit in Brazil.

Bayer and Cologne University Hospital launch collaboration

Cologne/Leverkusen – Under an agreement signed in Cologne at the end of March, Bayer and the Cologne University Hospital will immediately begin cooperating in the field of medical research. Given the partners' areas of focus and close proximity of their locations, this "preferred partnership agreement" to work together in research and development areas such as oncology, cardiology, central nervous system disorders and pre-clinical activities offers key advantages in terms of positioning in the international arena.

Cologne University Hospital and Bayer plan to conduct joint clinical studies in the above areas. The alliance is also aimed at promoting excellence among young researchers. Plans call for the establishment of a graduate college in which the first doctoral students will begin receiving support in 2009. The partnership aims to serve as a model for the future of the state of North Rhine-Westphalia as a center of innovation.

In recent years, Germany has been facing strong competition from China, India, eastern Europe and other regions as a location for clinical studies. The scientific quality of studies conducted in Germany is considered to be very high, and a larger number of studies would not only provide a boost to research in Germany but also facilitate patient access to the latest medicines.

Bayer Management Board member Dr. Wolfgang Plischke (right), North Rhine-Westphalia Research Minister Professor Andreas Pinkwart (center), and Professor Joachim Klosterkötter of Cologne University Hospital.

Support for people with hemophilia

Leverkusen – In celebration of World Hemophilia Day on April 17, 2008, Bayer HealthCare donated €250,000 and more than 950,000 international units of Kogenate® FS, a recombinant Factor VIII product to treat hemophilia, to the World Federation of Hemophilia (WFH). The donations are evidence of Bayer's ongoing commitment to the hemophilia community. Over the past four years, the company has donated more than €1 million to the WFH. By holding the annual World Hemophilia Day, the WHF aims to increase awareness of the needs of people around the world living with hemophilia and help improve their care.

These activities for hemophilia patients are another expression of the Bayer Group's social responsibility. Together with numerous partners, Bayer HealthCare has for many years supported a variety of projects aiming at improving health care worldwide.

Collaboration in veterinary medicine

Leverkusen – A recently signed licensing agreement between the Animal Health Division of Bayer HealthCare AG and Juvaris BioTherapeutics, Inc. gives Bayer HealthCare complete access in the veterinary field to the mono-immunotherapy and vaccine technology being developed by Juvaris for human health care. The companies will work together on product development programs in the fields of immune stimulation and disease prevention in a variety of animal species.

In addition, Bayer Animal Health will financially support Juvaris' research, product formulation, development and GMP manufacturing activities. The license agreement is worldwide in scope. A joint steering committee made up of executives from both companies will ensure compliance with the agreement terms as the work proceeds.

Financial Calendar

Q2 2008 Interim Report	July 30, 2008
Q3 2008 Interim Report	October 29, 2008
2008 Annual Report	March 3, 2009
Q1 2009 Interim Report	April 29, 2009
Annual Stockholders' Meeting 2009	May 12, 2009
Payment of Dividend 2009	May 13, 2009
Q2 2009 Interim Report	July 29, 2009
Q3 2009 Interim Report	October 27, 2009

Masthead

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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 based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual assets, financial position, earnings, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes 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

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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.