Bayer

Q1 2007 Analyst and Investor Briefing

May 8, 2007

- **Sales** rose by 22.7% to €8,335m (Q1'06: €6,791m); Volume +8%, price +/-0%, currency -5%, portfolio +20%. Portfolio and currency adjusted sales increased +7.5% (Schering €1,410m).

- **Reported EBITDA** at €1,774m, up by 23.5% (Q1'06: €1,436m).

- **Underlying EBITDA** advanced by 27.2% to €1,990m (Q1'06: €1,564m).

- **Reported EBIT** up by 12.0% to €1,175m (Q1'06: €1,049m).

- **Net Special Items** of -€200m include: *HealthCare*: Total -€139m, due to Schering integration (-€119m), Schering PPA (-€20m).
  CropScience: Total -€39m, related to restructuring.
  MaterialScience: Total -€6m, mainly due to restructuring.
  Reconciliation: Total -€16m, mainly from restructuring of Bayer Industry Services.

- **Underlying EBIT** rose by 16.8% to €1,375m (Q1'06: €1,177m).

- **Non-operating result** down by 3.8% to -€218m (Q1'06: -€210m) including net interest expenses of -€156m (Q1'06: -€143m). Interest charges for Q1'06 boosted by one-time effects (Lyondell arbitration case, government tax audit) of ca. €60m.

- **Net income** after minorities (cont. and discont.) amounted to €2,809m (Q1'06: €600m). Discontinued Operations provided net income of €2.154m, mainly due to proceeds from divestments of Diagnostics and H.C. Starck. **EPS** came to €3.44 (Q1'06: €0.82).

- **Core EPS** at €1.26 (Q1'06: €1.01).

- **Gross cash flow** improved by 29.6% to €1,411m (Q1'06: €1,089m). Delta **Working Capital** at €1,036m. **Net cash flow (cont.)** at €375m (Q1'06: €38m). **Investments** down by 52.0% to €201m. **Operating free cash flow (total)** at €212m (Q1'06: -€291m).

- **Net debt** (total) declined qoq by €4,762 to €12,777m, largely due to the proceeds from the divestments.

€ million	Q1 2006						Q1 2007					
	Sales	**EBITDA rep.**	**EBITDA under-lying**	**EBIT rep.**	**Special Items**	**EBIT under-lying**	**Sales**	**EBITDA rep.**	**EBITDA under-lying**	**EBIT Rep.**	**Special Items**	**EBIT under-lying**
HealthCare	**2,203**	**459**	**465**	**379**	**(6)**	**385**	**3,610**	**783**	**948**	**485**	**(139)**	**624**
Pharma	1,148	241	246	202	(5)	207	2,495	546	711	281	(139)	420
Cons. Health	1,055	218	219	177	(1)	178	1,115	237	237	204	0	204
CropScience	**1,771**	**551**	**551**	**408**	**0**	**408**	**1,786**	**548**	**584**	**408**	**(39)**	**447**
CP	1,413	406	406	285	0	285	1,434	425	461	304	(39)	343
ES/BS	358	145	145	123	0	123	352	123	123	104	0	104
MaterialSc.	**2,486**	**427**	**539**	**311**	**(112)**	**423**	**2,608**	**409**	**409**	**285**	**(6)**	**291**
Materials	710	170	170	132	0	132	739	80	80	38	0	38
Systems	1,776	257	369	179	(112)	291	1,869	329	329	247	(6)	253
Reconc.	**331**	**(1)**	**9**	**(49)**	**(10)**	**(39)**	**331**	**34**	**49**	**(3)**	**(16)**	**13**
Group	**6,791**	**1,436**	**1,564**	**1,049**	**(128)**	**1,177**	**8,335**	**1,774**	**1,990**	**1,175**	**(200)**	**1,375**

Outlook Summary

Bayer Group sales and earnings forecast

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

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

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

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

Q1'07 HealthCare

Due to the advanced integration of Schering into our HealthCare subgroup, we cease to report profit figures for Schering on a stand-alone basis.

Pharmaceuticals sales up 117.3% (Fx and portfolio adj. +4.6%) to €2,495m with Schering contributing €1,410m. *Primary Care:* Adalat at €145m (-7.6%, Fx adj. -0.9%). Cipro sales down 18.2% (Fx adj. -15.0%) to €108m due to increased generic pressure. Avelox sales down 1.5% (Fx adj. +3.8%) to €128m. Levitra up 7.7% (Fx adj. +14.7%) to €84m. *Hematology/ Cardiology:* Trasylol down 10.0% (Fx adj. -2.5%) to €36m. Kogenate down 1.5% (Fx adj. +3.2%) to €201m due to Helixate shipment fluctuations to CSL. Plasma down by €57m due to cancellation of distribution agreements. *Oncology*: Nexavar contributed €47m. *Women's Health:* Yasmin sales (including Yaz and Yasminelle) rose by pro-forma 33.3% (Fx adj. +41.1%) to €240m, driven by launch of Yasminelle in Europe, Yaz in US and Latin America. *Special Therapeu-tics:* Betaferon up (pro-forma) 5.2% (Fx adj. +9.9%) to €244m.
Underlying EBITDA at €711m, up 189.0%, mainly due to acquired Schering business and improved cost structures. Underlying EBIT up 102.9% to €420m.

Consumer Health sales advanced by 5.7% to €1,115m (Fx adj. +11.4%). Aleve (€69m, +30.2%, Fx adj. +40.9%), driven by launch of Aleve Liquid Gels in US. Aspirin OTC slightly down by 2.6% (Fx adj. +2.3%) to €113m. Bepanthen family (€36m, +2.9%, Fx adj. +5.1%). Favorable performance of Canesten (€43m, +4.9%, Fx adj. +7.3%).
Ascensia product line expanded sales by 17.4% (Fx adj. +23.8%) to €223m, due to replacement of older Elite systems. Advantage up 27.1% (Fx adj. +35.5%) to €75m, driven by encouraging performance in North America.
Underlying EBITDA grew by 8.2% to €237m, mainly due to top-line growth offsetting increase in marketing spent for new product launches. Underlying EBIT up 14.6% to €204m.

Q1'07 CropScience

Crop Protection sales grew by 1.5% to €1,434m (Fx and currency adj. +6.5%). Sales of Insecticides decreased by 10.6% to €311m (Fx and portfolio adj. -4.2%), caused by divestments of older compounds and shift from foliar and soil applications to seed treatment in North America. Favorable development of new insecticide Biscaya in

Europe. Fungicides sales up by 1.6% to €384m (Fx adj. +4.2%). Good performance of new cereal fungicides driven by early season in Europe; improving situation in Latin America. Sales in the Herbicides business (€568m) increased by 3.3% (Fx adj. +7.2%), mainly due to favorable development of new cereal herbicides in Europe. Seed Treatment advanced by 24.8% to €171m (Fx adj. +31.1%), largely driven by Poncho and the planned increase in US corn acreage to meet heightened demand for biofuels.
Underlying EBITDA climbed by 13.5% to €461m, mainly due to positive sales trend and cost savings offsetting the currency-related squeeze on margins. Underlying EBIT up by 20.4% to €343m.

Environmental Science/BioScience sales edged back by 1.7% (Fx adj. +3.7%) to €352m. Environmental Science down by 2.6% (Fx adj. +2.4%) to €188m with good performance of home and garden products for private consumers. Sales of BioScience unit held steady at €164m (-0.6%, Fx adj. +5.3%), due to satisfactory development of vegetable seeds business.
Underlying EBITDA fell by 15.2% to €123m, primarily due to negative currency effects and increased R&D spending at BioScience. Underlying EBIT at €104m (-15.4%).

Q1'07 MaterialScience

Materials segment sales advanced by 4.1% (Fx adj. +9.0%) to €739m with Polycarbonates sales up 4.1% to €683m. Robust volume growth in all regions compensated for declining prices.
Underlying EBITDA at €80m (-52.9%). Higher volumes did not offset price erosion and considerable raw material cost increases. Underlying EBIT down 71.2% to €38m.

Systems segment sales were up 5.2% to €1,869m (Fx adj. +9.6%). Thanks to price increases and volume gains, the Polyurethanes business improved sales by 5.0% to €1,332m. MDI global demand remained strong. TDI supply continued to be tight in all regions. CAS up by 6.5% to €393m due to price and volume enhancements.
Underlying EBITDA down by 10.8% to €329m. Higher volume and prices nearly offset higher raw material costs. Earnings were burdened by production problems of our raw MDI supplier in Shanghai. Underlying EBIT down by 13.1% to €253m.

Please see next page for indicative impact of the additional amortization charge and work-down of inventory step-up on EBIT and EBITDA.

Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
Dr. Jürgen Beunink (+49-214-30-65742)
Peter Dahlhoff (+49-214-30-33022)
Ilia Kürten (+49-214-30-35426)
Ute Menke (+49-214-30-33021)
Judith Nestmann (+49-214-30-66836)
Dr. Olaf Weber (+49-214-30-33567)

Bayer

Indicative impact of the additional amortization charge and work-down of inventory step-up on EBIT and EBITDA

Acquisition of Schering - Indicative Impact of Additional Amortization*

In € million, figures rounded	FY 2006a	FY 2007e	Q1 2007a	Q2 2007e	FY 2008e	FY 2009e
Work-down of inventory step-up	**-429**	**-200**	**-64**	**-50**	**-220**	**0**
Amortization of intangibles & tangibles, excl. trademarks	-419	-730	-182	-182	-900	-900
> Of which capitalized as part of inventory	345	450	130	110	550	550
Expensed amortization capitalized in previous period		-345	-86	-85	-450	-550
Amortization of trademarks	-48	-90	-22	-22	-90	-90
Amortization	**-122**	**-715**	**-160**	**-179**	**-890**	**-990**
EBIT impact	**-551**	**-915**	**-224**	**-229**	**-1,110**	**-990**
EBIT special items	-84	-95	-20	-25	-120	0
Underlying EBIT impact	**-467**	**-820**	**-204**	**-204**	**-990**	**-990**
EBITDA impact	**-429**	**-200**	**-64**	**-50**	**-220**	**0**
EBITDA special items	-429	-200	-64	-50	-220	0
Underlying EBITDA impact	**0**	**0**	**0**	**0**	**0**	**0**

* Status: May 8, 2007
All figures are indicative as the purchase price allocation is still provisional. Assumptions subject to change.
Figures may change during the finalization of the process.