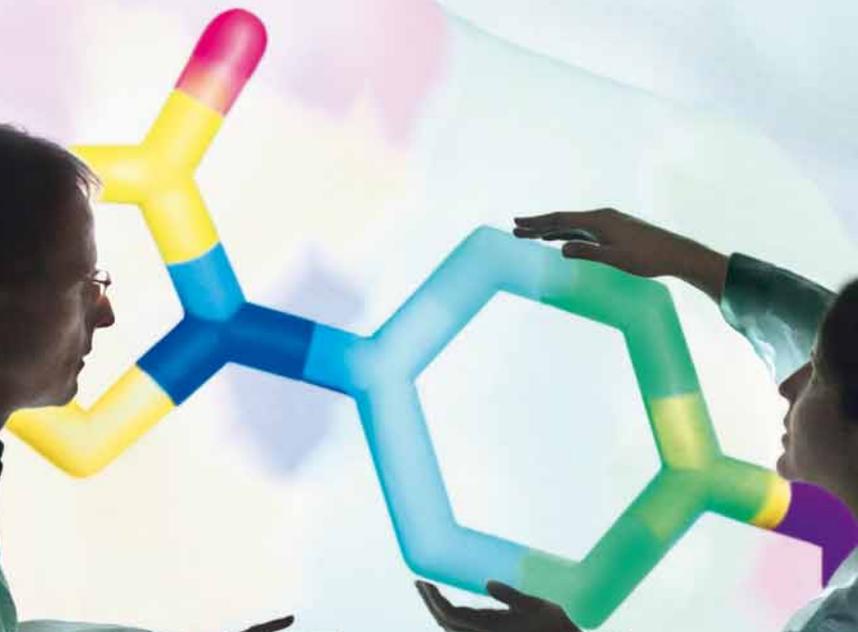




Science For A Better Life



NOTICE

OF THE ANNUAL
STOCKHOLDERS' MEETING

on Tuesday, May 12, 2009

Contents

AGENDA

1. Submission of the approved annual financial statements and consolidated financial statements, the management report for the Company and the Group, the report by the Supervisory Board as well as the explanatory report by the Management Board on take-over relevant information for the fiscal year 2008 as well as the resolution on the use of the profits	3
2. Ratification of the actions of the members of the Management Board	3
3. Ratification of the actions of the members of the Supervisory Board	3
4. Authorization to acquire treasury shares and to sell treasury shares subject to exclusion of the subscription right or a potential tender right	3
5. Conversion of bearer shares to registered shares and the corresponding changes to the Articles of Incorporation as well as the adaptation of Annual Shareholders' Meeting resolutions	7
6. Consent for the transmission of information by means of data telecommunication and the corresponding change to the Articles of Incorporation	9
7. Election of the auditor for the fiscal year 2009 and the audit review of the half-year financial report	9

EXTRACTS FROM THE ANNUAL REPORT 2008

Chairman's Letter	16
Investor Information	20
Highlights 2008	26
Overview of Business Performance	28
Bayer Group Consolidated Statements of Income	32
Bayer Group Consolidated Balance Sheets	33
Bayer Group Consolidated Statements of Cash Flows	34
Bayer Group Consolidated Statements of Recognized Income and Expense	35
Governance Bodies	36
Organization Chart	37
Financial Calendar/Masthead	38
Key Data	39

COVER PICTURE

Bayer chemists Dr. Susanne Roehrig and Dr. Alexander Straub examine the molecular contours of rivaroxaban – the active ingredient of the new anticoagulant Xarelto® – using a computer simulation. One of Bayer's aims in developing this innovative drug is to minimize the risk of thrombosis following orthopedic surgery. This drug is currently the most thoroughly investigated anticoagulant in clinical development. Over 60,000 patients are to be enrolled in the study program. Xarelto® has been approved in the European Union for the prevention of venous thromboembolism in adults following elective hip or knee replacement surgery. It has also been registered in over ten other countries, and further applications are currently being reviewed by regulatory authorities worldwide, including the u.s. Food and Drug Administration. Other highlights of 2008 are listed on page 26.

Notice of Meeting

Our stockholders are hereby invited to attend the Annual Stockholders' Meeting to be held on Tuesday, May 12, 2009 at 10:00 a.m., Düsseldorf Exhibition Center (Messe Düsseldorf), Messeplatz, Hall 8b, 40474 Düsseldorf.

Agenda

1. Submission of the approved financial statements of Bayer AG and consolidated financial statements of the Bayer Group, the management report of Bayer AG and the Bayer Group, the report of the Supervisory Board as well as the explanatory report by the Board of Management on takeover-relevant information for the fiscal year 2008 and the resolution on the distribution of the profit

The Board of Management and the Supervisory Board propose to use the entire balance sheet profit in the amount of EUR 1,070,080,515.00 to distribute a dividend of EUR 1.40 for each share entitled to a dividend.

If the Company holds treasury shares at the time of the Annual Stockholders' Meeting which are not entitled to a dividend, a proposed resolution, modified accordingly, on the use of the balance sheet profit will be submitted to the Annual Stockholders' Meeting which, in addition to the distribution of a dividend of EUR 1.40, for each share entitled to a dividend, will provide for showing a profit carry-forward in the amount of the remaining profit.

2. Ratification of the actions of the members of the Board of Management

The Board of Management and the Supervisory Board propose to ratify the actions of the members of the Board of Management holding office in the fiscal year 2008 with respect to that year.

3. Ratification of the actions of the members of the Supervisory Board

The Board of Management and the Supervisory Board propose to ratify the actions of the members of the Supervisory Board holding office in the fiscal year 2008 with respect to that year.

4. Authorization to acquire treasury shares and to sell treasury shares subject to exclusion of the subscription right or a potential tender right

In light of the expiration on October 24, 2009 of the authorization resolved in the last Annual Stockholders' Meeting, the Board of Management shall be authorized to acquire treasury shares, subject to canceling the previous authorization.

The Board of Management and the Supervisory Board propose that the following resolution be adopted:

- a) The Company is authorized until November 11, 2010 to acquire treasury shares up to a total amount of 10% of the share capital of the Company existing at the time the resolution is adopted with the stipulation that the shares acquired under this authority together with other shares of the Company which the Company has already acquired or still possesses or can be assigned according to §§ 71 d and 71 e German Stock Corporations Act [Aktiengesetz, "AktG"] at no time exceed 10% of the share capital of the Company. The tender can only take place through the stock exchange or by means of a public tender offering and must conform to the principle of equal treatment of stockholders (§ 53 a AktG). When the tender occurs on the exchange, the purchase price paid by the Company (without ancillary costs for the tender) cannot be more than 10% higher or 10% lower than the exchange price for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Securities Exchange as determined by the opening auction on the trade date. When the tender occurs by means of a public tender offering the offer price paid by the Company (without ancillary costs for the tender) cannot be more than 10% higher or 10% lower than the exchange price for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Securities Exchange as determined by the closing auction on the last trading day before the announcement of the tender offer. If the total number of the shares tendered in a public tender offer exceed the volume, the tender may proceed on the basis of the proportion of the tendered shares (tender ratio); furthermore a preferred acceptance of a limited number of shares (up to 50 shares per stockholder) as well as rounding according to business principles for the avoidance of fractional shares is intended. Any further stockholder tender rights are precluded. The currently existing authorization for the tender of treasury shares, which is limited until October 24, 2009, is cancelled upon this new authorization taking effect. The current authorization for use of already acquired shares remains unaffected.
- b) The authorization can be exercised either in full or in several installments. The authorization can be exercised on behalf of the Company by affiliated group companies as determined by § 17 AktG or by third parties acting on its or their behalf. The authorization can be exercised for any legally permitted purpose in particular to pursue one or more of the purposes set forth in points c), d), e) and f). Trade in treasury shares is excluded. If the use of the acquired treasury shares occurs for one or more of the purposes set forth in points c), d) or e), the subscription right of the stockholders is excluded. The sale of the acquired shares on the exchange also precludes the stockholders' subscription right. In the case of a sale of the acquired treasury shares by means of a public offering to stockholders, the Board of Management is authorized to exclude the subscription right of stockholders for fractional amounts.
- c) The Board of Management is authorized to sell the treasury shares acquired under the preceding authorization also in a manner other than through the stock exchange or an offer to all stockholders, provided that the sale is for cash payment and at a price which does not materially fall below the stock exchange price of the shares of the Company at the time of the sale.

This authorization is limited to shares representing a proportionate amount of the share capital which cannot exceed a total of 10% of the share capital either at the time this authorization takes effect or, if the value is lower, at the time of exercise of the preceding authorization. The maximum limit of 10% of the share capital is reduced by the proportionate amount of the share capital attributable to those shares which are issued during the term of this authorization in the course of a capital increase which excludes the subscription right pursuant to § 186 para. 3 sentence 4 AktG. The maximum limit of 10% of the share capital is further reduced by the proportionate amount of the share capital which is

attributable to those shares to be issued for the purpose of servicing bonds with options/or convertible bonds if the bonds are issued during the term of this authorization subject to exclusion of the subscription rights in corresponding application of § 186 para. 3 sentence 4 AktG.

- d) The Board of Management is authorized to transfer treasury shares which have been acquired under the above authorization to third parties to the extent that this is for the purpose of acquiring companies, divisions of companies or participation in companies or other assets or for implementing mergers with companies.
- e) The Board of Management is authorized to offer the treasury shares acquired on the basis of the above authorization to managers of the Company and of subordinate, affiliated companies and to employees of the Company and of subordinate, affiliated companies in the context of stock option programs of the years 2000-2002 (hereinafter, "Stock Programs"), Module 1 of the Stock Participation Program (hereinafter "SPP") as well as for the Stock Incentive Program (hereinafter "SIP"). These programs are substantially shown in the overview provided at the end of this authorization.
- f) The Board of Management is authorized to cancel the treasury shares acquired under the above authorization or under a previously granted authorization without any additional resolution of the Annual Stockholders' Meeting. The cancellation can also occur without a reduction in capital by adjusting the proportionate amount of the remaining shares in the share capital of the Company. The Board of Management is authorized in this event to adjust the number of the shares in the Articles of Association.
- g) The Board of Management can make use of the authorizations in points c) and d) only with the consent of the Supervisory Board. Additionally, the Supervisory Board can determine that measures of the Board of Management under this resolution of the Annual Stockholders' Meeting can only be taken with its consent.
- h) The authorities for use of treasury shares in c) through f) apply on the basis of an earlier authorization granted by the Annual Stockholders' Meeting to treasury shares. Insofar the subscription right of stockholders is excluded. With respect to the requirement of the Supervisory Board's consent, g) applies accordingly.

OVERVIEW OF THE STOCK PROGRAM

Stock Options

Each participant in one of the two Stock Programs is entitled to obtain shares in the Company under the following terms and conditions. Each right to obtain shares in the Company is referred to hereinafter as a "Stock Option."

Authorized participants

The authorized participants in the SPP are, as a general rule, all employees under union contracts as well as management employees and employees in the contract levels 1 through 3 of the Company if they were in a permanent employment relationship which had not been terminated at the time of the commitment and had received a variable onetime payment for the respective previous year at that time. The above also applied for employees of subsidiary companies if they had also offered an SPP.

The authorized participants of the SIP were all management personnel in the contract levels 4 and 5 of the Company if they were in a permanent employment relationship which had not been terminated at the time of the commitment, were not a member in one of the Group management bodies and had received a variable one-time payment for the respective previous year at that time. The above applied also for management personnel in a comparable function at subsidiary companies participating in the program.

Prerequisites for participation

The prerequisite for participation in the Stock Programs was making an individual investment in shares of the Company by the respective participant (hereinafter, the "Investment Shares"). The maximum number of the Investment Shares was dependent on the individual variable compensation of each authorized participant as well as the share price at the time of the commitment. For each ten (10) Investment Shares, the participant in Module 1 of the SPP received five (5) Stock Options, each for one share in the Company. For each ten (10) Investment Shares, the participant in the SIP received ten (10) Stock Options, each for one share in the Company.

Term/Content of the program

Both Stock Programs from the years 2000 through 2002 (SPP Module 1, SIP) have a total term of ten years each. The programs from the years 2003 and 2004 are directed exclusively towards cash compensation and are not the subject of this resolution. The employee share programs in the years 2005, 2006 and 2007 are also not the subject of the resolution.

During the term, each participant can receive additional shares in the Company free of charge (hereinafter, the "Incentive Shares") for each ten Investment Shares; in the case of the SPP, a maximum of five Incentive Shares and in the case of the SIP, a maximum of ten Incentive Shares. The prerequisite is that the Investment Shares have remained in the securities account of the employee from the start of the program until the respective incentive date. In the case of the SIP, the allocation of Incentive Shares is linked to an additional prerequisite. Incentive Shares in the case of the tranches established prior to 2003 are provided in this case only if the performance of the shares of the Company (measured on a total return basis) is better than the benchmark index Dow Jones EURO STOXX 50SM (Performance Index).

The basis for determining the performance of the shares compared to the performance of the index are the average exchange prices for the respective last ten trading days on the exchange prior to the start of the program or prior to the respective incentive date in the closing auction in XETRA trading (or a comparable successor system) of the Frankfurt Securities Exchange. In the case of the tranches established prior to 2003, in addition to the development of the exchange price of the shares of the Company, the dividend payments, capital measures, the value of subscription rights as well as other special rights are also to be taken into account using the same criteria as in the Dow Jones EURO STOXX 50SM (Performance Index). In connection with the spin-off of the Lanxess division, tranches of the Stock Programs which are still continuing were adjusted in such a manner that the economic dilution and a loss in value resulting from the spin-off were substantially compensated for.

One portion of the stock options can be exercised in each case after a waiting period of two years, the other portion upon expiration of a total of six years and the rest after ten years. If the above conditions have been satisfied, the participants will be allocated the following Incentive Shares at the following times for each ten Investment Shares which have been deposited:

Investment Date	SPP	SIP
(upon expiration of:)	(number of Incentive Shares)	(number of Incentive Shares)
two years	1	2
six years	2	4
ten years	2	4

The allocation of the Incentive Shares is free of charge for all entitled persons.

Non-transferability/Employment relationship

The Stock Options, i. e. the right to Incentive Shares, are not transferable by way of a transaction. Generally, the Incentive Shares can only be allocated if the participant at the time of allocation is in an existing service or employment relationship with the Company or with a subordinate, affiliated company which has not been terminated.

5. Conversion of bearer shares to registered shares and the corresponding changes to the Articles of Incorporation as well as the adaptation of Annual Stockholders' Meeting resolutions

Under the German Stock Corporation Act (AktG), shares in a company are either in registered or in bearer form. Both forms of shares are prevalent in Germany and well established; this also applies to entities with a large number of stockholders. The shares of Bayer AG have to date been in the form of bearer shares.

Management recommends a conversion to registered shares since registered shares facilitate communication between the Company and its stockholders and leads to improved transparency in regard to the company's ownership structure.

For the purposes of the complete conversion to registered shares, it is proposed that the Articles of Incorporation including the authorized capital specified therein, as well as the existing authorization for the granting of conversion and subscription rights and/or for the imposition of conversion or subscription obligations and the conditional capital to secure them, be amended as follows.

The Board of Management and the Supervisory Board propose the following resolution;

- a) (1) Upon the entry into force of the amendments to the Articles of Incorporation set forth under (2) below, the existing bearer shares of the Company shall be converted into registered shares with retention of the current denomination.

- (2) § 4 para. 1 of the Articles of Incorporation shall be amended to replace the words "bearer shares" by the words "registered shares" and shall read as follows:

"The capital stock amounts to EUR 1,956,721,996.80 and is divided into 764,344,530 registered shares (no-par shares)."

In the case of changes to the amount of capital stock and the number of shares after the resolution by the Annual Stockholders' Meeting the Supervisory Board is authorized to carry out adjustments of amount and number information in the filing for registration of changes of the Articles of Incorporation to the Commercial Registry.

- (b) § 4 para. 2 sentence 1 and 2 of the Articles of Incorporation shall be amended as follows:

"The Board of Management with the consent of the Supervisory Board is authorized to increase the capital stock until April 27, 2011 in one or more installments by issuing new registered no-par shares by up to a total amount of EUR 465,000,000.00. The issue of new registered no-par shares may take place in exchange for cash and/or contributions in kind, a capital increase in exchange for contributions in kind only being permissible up to a total amount of EUR 370,000,000.00 (Authorized Capital I)."

- (c) § 4 para. 3 sentence 1 of the Articles of Incorporation shall be amended as follows:

"The Board of Management with the consent of the Supervisory Board is authorized to increase the capital stock until April 26, 2012 by up to a total amount of EUR 195,000,000.00 in one or more installments by issuance of new registered no-par shares in exchange for cash contributions (Authorized Capital II)."

- (d) (1) Authority I granted to the Board of Management by the Annual Stockholders' Meeting of 2008 under agenda item 5 a to issue or to guarantee at one or more times and with the consent of the Supervisory Board until April 24, 2013 bearer bonds with options or conversion rights, profit sharing rights or profit participation bonds or a combination of these instruments (together, the "Bonds") in a total nominal amount up to EUR 6 billion and to grant option rights to the holders of bonds with warrants and to grant conversion rights to the holders of convertible bonds for bearer shares in the Company representing a proportionate amount of the share capital in a total of EUR 195,584,000 as further specified in the terms and conditions of the bonds with warrants or the convertible bonds will be changed such that in the place of the authority to grant option rights and/or conversion rights or option obligations or conversion obligations to bearer shares the authority applies to option rights and/or conversion rights or option obligations or conversion obligations to registered shares.
- (2) The resolution by the Annual Stockholders' Meeting of 2008 under agenda item 5 b to increase the conditional capital by up to EUR 195,584,000 through the issuance of up to 76,400,000 new bearer shares with a proportionate amount of the share capital of EUR 2.56 each shall be changed such that the increase shall be carried out through the issuance of registered shares in place of the issuance of bearer shares.
- (3) § 4 para. 5 sentence 1 of the Articles of Incorporation shall be changed as follows:
- "The capital stock is conditionally increased by up to an additional EUR 195,584,000 allocated to up to 76,400,000 registered shares (Conditional Capital 2008 I)."
- e) (1) Authority II granted to the Board of Management by the Annual Stockholders' Meeting of 2008 under agenda item 6 a to issue or to guarantee at one or more times with the consent of the Supervisory Board until April 24, 2013 bearer bonds with options or conversion rights, profit sharing rights or profit participation bonds or a combination of these instruments (together, the "Bonds") in a total nominal amount up to EUR 6 billion and to grant option rights to the holders of bonds with warrants and to grant conversion rights to the holders of convertible bonds for bearer shares in the Company representing a proportionate amount of the share capital in a total of EUR 195,584,000 as further specified in the terms and conditions of the bonds with warrants or the convertible bonds will be changed such that in the place of the authority to grant option rights and/or conversion rights or option obligations or conversion obligations to bearer shares the authority applies to option rights and/or conversion rights or option obligations or conversion obligations to registered shares.
- (2) The resolution by the Annual Stockholders' Meeting of 2008 under agenda item 6 b to increase the conditional capital by up to EUR 195,584,000 through the issuance of up to 76,400,000 new bearer shares with a proportionate amount of the share capital of EUR 2.56 each shall be changed such that the increase shall be carried out through the issuance of registered shares in place of the issuance of bearer shares.
- (3) § 4 para. 6 sentence 1 of the Articles of Incorporation shall be changed as follows:
- "The capital stock is conditionally increased by up to an additional EUR 195,584,000 allocated to up to 76,400,000 registered shares (Conditional Capital 2008 II)."

(f) § 15 para. 1 and 2 shall be changed as follows:

“(1) Only those stockholders shall have the right to participate in the Stockholders’ Meeting and to exercise voting rights who are recorded in the share registry and have registered for the Stockholders’ Meeting in the time permitted.

(2) The last possible registration day is determined by law. The registration must be received by the Company no later than this day at the address provided in the notice. Details will be made public in the invitation to the Annual Stockholders’ Meeting in business publications.”

6. Consent for the transmission of information by means of data telecommunication and the corresponding change to the Articles of Incorporation

Upon effectiveness of the proposed conversion from bearer shares to registered shares, the Board of Management must in the future notify stockholders recorded in the share registry of the convening of the Annual Stockholders’ Meeting and the agenda. This may in future occur in electronic form, namely by means of the sending of E-mails.

The prerequisite for a transmission of information to stockholders by means of E-mails is the explicit approval by stockholders for the transmission to occur through data telecommunication or the failure to object to a request for consent made within an appropriate time period in written form and the failure to withdraw their consent provided in this manner at a later date. A further prerequisite according to § 30 b para. 3 number 1 a) WpHG German Securities Law is that the Annual Stockholders’ Meeting has consented to this form of transmission.

The Board of Management and Supervisory Board recommend therefore the following resolution:

a) The Annual Stockholders’ Meeting consents to the transmission of information to holders of shares approved by the Company by means of data telecommunication.

b) The Articles of Incorporation shall be changed as follows:

(1) The title of § 3 shall be changed as follows:

“Fiscal year, Notices, Transmission of Information, Place of Jurisdiction”

(2) § 3 para 2 shall be expanded with the following sentence 2:

“The transmission of information to stockholders may also occur by means of data telecommunication.”

7. Election of the auditor for the fiscal year 2009 and the audit review of the half-year financial report

The Supervisory Board proposes that PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, be elected as auditor for the fiscal year 2009 and for the audit review of the half-year financial report.

REPORT TO AGENDA ITEM 4

§ 71 para. 1 no. 8 AktG offers stock corporations the possibility to acquire treasury shares of up to a total of 10% of their share capital on the basis of an authorization by the Annual Stockholders' Meeting. Agenda item 4 contains the recommendation to grant a corresponding authorization limited to 18 months. This is intended to enable the Board of Management to acquire treasury shares in the interest of the Company and its stockholders on an exchange or through a public tender offer up to a total amount of 10% of the current share capital of the Company. The tender may also be carried out on behalf of the Company by affiliated group companies (according to the meaning of § 17 AktG) and third parties acting its or their behalf.

The principle of equal treatment of § 53 a AktG must be observed from the beginning if the tender occurs through a public tender offer as well as the tender of shares on an exchange. If the number of shares offered at a fixed price exceeds the number of shares demanded by the Company, it should be possible under the recommended authority that the tender should occur according to the relation of the tendered shares (tender rate). Only when a tender occurs principally according to the tender rate instead of the holding rate, can the tender process be technically concluded in an economically reasonable fashion. Furthermore it should be possible to preferentially accept smaller numbers of shares up to a maximum of 50 shares per stockholder. To one extent this ability serves to avoid small normally uneconomical remnants and a potential accompanying disadvantage for small stockholders. To another extent it serves to simplify the technical settlement of the tender process. Finally in all cases a rounding according to business principles for the avoidance of fractions of shares is intended. This also serves to simplify the technical settlement. The Board of Management in conformity with the Supervisory Board finds an exclusion of any additional stockholder tender rights justified as well as appropriate vis-à-vis the stockholders.

The treasury shares acquired by the Company can be sold again over an exchange or by means of a public offering to all stockholders. In this regard the principle of equal treatment of the stockholders is observed in the sale of the shares. To the extent shares are sold by means of an offer to all stockholders, the Board of Management shall be authorized to exclude stockholder subscription rights for fractional amounts of shares. The ability to exclude subscription rights for fractional amounts serves to produce a technically feasible subscription ratio. The fractional shares excluded from the stockholder subscription rights will be either sold over an exchange or disposed of in another manner in the best interest of the Company. The potential dilution effect is marginal due to the limitation of the fractional amounts.

Furthermore, under the recommended authority the Company can also sell the acquired shares on cash terms outside of an exchange and without a public offer directed to stockholders if the sale price at the time of the sale does not materially fall below the exchange quotation. The ability of this authorization, available under § 71 para. 1 no. 8 AktG in corresponding application of § 186 para. 3 sentence 4 AktG for facilitating an exclusion of the subscription right is invoked. This serves, in the interests of the Company, to reach a best possible price at the sale of the treasury shares. The Company would thus be in the position of being able to react quickly, flexibly and cost effectively to beneficial situations on the stock exchange. Sale proceeds recoverable through price determination close to the market generally lead to a considerably higher cash inflow per share sold than in the case of a share placement with a subscription right which normally incurs a substantial deduction from its market price. Through the avoidance of the time and cost intensive settlement of the subscription right, stockholder equity needs can be covered through timely short term market opportunities. The asset and voting interests of the stockholders will be appropriately protected. The authorization on excluding subscription rights under § 186 para. 3 sentence 4 AktG when selling treasury shares or options and/or convertible bonds is limited to a maximum amount of 10% of the share capital of the Company, including any authorizations for the issuance of new shares or convertible bonds excluding the subscription right

according to, pursuant to, or in the meaning of § 186 para. 3 sentence 4 AktG. Determinative is the share capital upon effectiveness of the authority or at its use, whichever value is smaller. This addresses the question of protecting stockholders against dilution of their holdings, such that the shares can only be sold at a price which does not materially fall below the controlling exchange price. The final determination of the sale price for the shares occurs promptly before the sale. The Board of Management will endeavor – under consideration for the current market conditions – to keep a potential deduction from the exchange price as low as possible. Interested stockholders can maintain their holding quota at the substantially same terms through purchases on the market. The entire trading volume in the 2008 calendar year was more than 200% of the capital stock of the Company.

The Company should retain the possibility to transfer its shares as consideration to third parties to the extent that it is used for the purpose of acquiring companies, portions of companies, or interests in companies or other assets or to transact business mergers. At the same time the stockholders' subscription right should be excluded. The Company competes globally. It must at any moment be in the position to quickly and flexibly trade on the national and international markets. This also includes the ability to improve its competitive position by combining with other companies or acquiring companies, portions of companies and interests in companies. In particular in connection with the acquisition of companies or portions of companies it can be economically meaningful to acquire other assets that could economically serve the Company or segment of the Company. The optimal case in the interest of the Company would be the single case where a company combination or the acquisition would be conducted under warranty of the shares of the acquiring company. Practice further shows that on the international as well as the national markets the procurement of shares of the acquiring company is often demanded as consideration in the scope of corporate mergers or for attractive acquisition objects. The possibility to grant shares for this purpose is already envisaged by Authorized Capital I in § 4 of the Articles of Incorporation. Beyond this the possibility to grant shares of the Company should exist without having to execute an increase in the capital stock especially because of the time consuming requirements of entry into the commercial registry and the associated higher administrative costs. The recommended authorization should give the Company the necessary latitude to quickly and flexibly take advantage of opportunities for business mergers or acquisitions. This would not be possible if subscription rights were granted and the associated advantages would not be available to the Company. There are currently no specific plans for a business combination or acquisition which would make use of this possibility. When the respective plans become more specific, the Board of Management will carefully examine whether the authority to grant shares should be used. When determining the relative valuation, the Board of Management will ensure that the interests of the stockholders are reasonably protected. The Board of Management will normally base its determination of the value of the shares being provided as consideration on the stock exchange price of the shares of the Company. A fixed link to a stock exchange price is not contemplated, especially so as not to call into question achieved results of negotiations because of fluctuations in the stock exchange price.

Furthermore, the terms in e) of the resolution proposal would enable the Company to use treasury shares in order to service stock programs from the years 2000 – 2002.

The grant of Stock Options and subscription rights to employees and management personnel which entitle them under certain conditions to obtain shares in the Company is an internationally common method of compensation. This is intended to create an incentive to additionally increase the value of the Company by special efforts, and thus to promote the development of the stock exchange price of the shares of the Company in the interests of the stockholders and the Company, also when compared to other businesses. At the same time, the aim is to attract qualified employees and management personnel to the Bayer Group and retain them in the Bayer Group over the long-term. In light of this purpose, shares acquired to service the Stock Pro-

grams 2000 – 2002 cannot be offered to stockholders in the event of a sale, but only to the participants in the Stock Programs 2000 – 2002. All material provisions in the relevant Stock Programs are already set forth in the proposal for the resolution. Therefore, only the most important aspects are explained below:

The proposed authorization is intended to permit the Company to service the Module 1 of the SPP and the SIP using treasury shares. The Stock Programs which are to be serviced using treasury shares on the basis of the proposed authorization of the Annual Stockholders' Meeting are based on two or three aspects respectively, which correspond to the specific interests of the Company and its stockholders. The first aspect consists in the respectively established waiting periods which create a mid to long-term relationship between the management personnel and employees and the Bayer Group. These waiting periods exceed the waiting periods in stock programs of other companies, in some cases to a substantial degree.

The second aspect is based in personal investment. Only if the relevant employees and management personnel invest in shares of the Company for their own account, and thus for their own risk, can they participate in the Stock Programs as has been described. Accordingly, the Stock Programs have particular importance and a particular weight which differentiate them from many other stock programs of other companies. Not only do the respective employees and management personnel have the opportunity to participate in the development of the Company by using increased efforts, they are also at risk with their own resources, as is the case with the other stockholders. The third aspect consists of additional prerequisites for exercising the rights.

The participants in the SPP have two available modules. While Module 2, for which no resolution is required here, corresponds to the structure of a normal employee stock program which can be serviced under § 71 para. 1 no. 2 AktG using treasury shares of the Company which are acquired by the Board of Management on the market, Module 1, as a supplement to § 71 para. 1 no. 2 AktG, is an innovative employee stock model which makes the grant of additional shares in the Company dependent on remaining with the Bayer Group and holding a personal investment.

The participants in the SIP only receive Incentive Shares if the performance of the stock of the Company for tranches up to and including 2002 (on a total return basis) in each case during the relevant period was better than the performance of the Dow Jones EURO STOXX 50SM (Performance Index). The management personnel of the Bayer Group, therefore, are prepared to have their performance measured against the performance of the most important listed companies in the European economic region. The Stock Programs represent in each case elements of compensation which expand the already existing variable compensation components for the purpose of developing even greater motivation and are intended to contribute to a long-term increase in the value of the business. Upon the grant of the Incentive Shares, the management personnel will therefore have already earned them as consideration as a result of their own personal performance. The shares are thus issued free of charge.

During the year 2008, 67,520 shares were granted free of charge under the SPP Module 1 incentive program, and 16,860 shares were granted free of charge under the SIP incentive program to employees and management personnel.

Finally, the authorization permits the Company to cancel treasury shares without requiring any further resolution from the Annual Stockholders' Meeting. The authorization permits the Company to react in a reasonable and flexible manner to the respective situation in the capital markets. Pursuant to § 237 para. 3 no. 3 AktG, the proposed authorization provides that the Board of Management can also cancel the shares without a reduction of capital. By canceling the shares

without a reduction of capital, the proportionate amount of the remaining shares in the share capital of the Company is increased. The Board of Management is authorized in this regard to adjust the Articles of Association with regard to the altered number of shares.

According to g) of the resolution proposal the Board of Management shall only with the consent of the Supervisory Board make use of the authority to sell shares outside of an exchange without an offer directed to all stockholders for cash consideration as well as the authority to transfer shares to third parties to the extent that it serves the purpose of conducting acquisitions of companies, portions of companies, or interests in companies. Furthermore the Supervisory Board shall be able to determine that the measures taken by the Board of Management on the basis of the proposed resolution of the Annual Stockholders' Meeting may only be affected with its consent.

Irrespective of the ability on the basis of the proposed tender authority to use acquired shares according to c) through f) of the resolution proposal, the authority to use shares in c) through f) which were acquired through the authority granted by an earlier Annual Stockholders' Meeting should additionally be effective. The stockholders' subscription right should also to this extent be precluded. The aforesaid shall apply with respect to the basis for the preclusion of the subscription right. With respect to the requirement of the Supervisory Board's consent, g) of the resolution proposal shall apply.

The Board of Management in conformity with the Supervisory Board finds an exclusion of any additional stockholder subscription rights in the cited cases and for the stated reasons, also in consideration of a possible dilution effect justified as well as appropriate vis-à-vis the stockholders. The Board of Management shall appraise the next Annual Stockholders' Meeting regarding the use of this authority.

Commencing with the date when the Annual Stockholders' Meeting is called, the following documents in particular are available for review by stockholders in the offices of the Company at building Q 26 (Legal Department), Kaiser-Wilhelm-Allee, 51373 Leverkusen and copies of them will be provided to each stockholder upon request without undue delay and free of charge. The documents can also be reviewed on the Internet at <http://www.ASM2009.BAYER.COM>:

- Annual Financial Statements, Consolidated Financial Statements, Management Reports for the Company and the Group, Report of the Supervisory Board, Explanatory Report by the Board of Management on takeover-relevant information, Proposal of the Board of Management for the distribution of the balance sheet profit of Bayer AG (Agenda Item 1)
- Report of the Board of Management pursuant to § 71 para. 1 no. 8 AktG in conjunction with § 186 para. 4 sentence 2 AktG (Agenda Item 4)

PARTICIPATION IN THE ANNUAL STOCKHOLDERS' MEETING AND TOTAL NUMBER OF SHARES AND VOTING RIGHTS

Participation in the Annual Stockholders' Meeting and exercise of voting rights are reserved for those stockholders who are registered at the latest by the end of the day on May 5, 2009 (12:00 Midnight, Central European Summer Time) at the following address:

Bayer Aktiengesellschaft
c/o Deutsche Bank AG
-General Meetings-
Post Office Box 20 01 07
60605 Frankfurt am Main
Telefax: +49 (0)69/12012-86045
Email: WP.HV@Xchanging.com

and have provided to this address at the latest by the end of the day on May 5, 2009 (12:00 Midnight, Central European Summer Time) evidence transmitted by the institution maintaining the securities account that they were stockholders of the Company at the beginning of the day on April 21, 2009, i. e. on April 21, 2009 at 00:00 (Central European Summer Time). The registration and evidence prepared by the institution maintaining the securities account of ownership of shares require the form of text and must be in German or English. The timely receipt at the address provided is determinative for satisfying the deadline.

Entry tickets to the Annual Stockholders' Meeting will be issued to stockholders upon timely receipt at the Company of the registration and evidence of share ownership.

Even after completed registration, stockholders can continue to freely dispose of their shares.

The share capital of the Company on the date of calling this Annual Stockholders' Meeting is divided into 764,344,530 bearer shares which are each entitled to one vote (Information according to § 30 b para 1 sentence 1 nr. 1 alt. 2 WpHG).

PROXIES

Stockholders have the possibility to have their voting rights exercised by a proxy, including by an association of stockholders.

The Company offers its stockholders the possibility to grant proxy to proxy holders designated by the Company but who are bound to the instructions of the stockholders prior to the Annual Stockholders' Meeting for the purpose of exercising the Stockholders' voting rights. The stockholders who wish to grant a proxy to proxy holders designated by the Company require an entry ticket for the Annual Stockholders' Meeting. In order to ensure that the entry ticket is obtained in time, registration and evidence of share ownership should be received by the Company as early as possible.

To the extent that the proxy holders designated by the Company receive proxies, they must always be issued instructions for the exercise of the voting rights. Proxy holders designated by the Company vote only to the extent instructions have been issued. Proxy holders are required to vote in accordance with the instructions.

Proxies and instructions to proxy holders designated by the Company can be issued in writing, by fax, or, if so desired, electronically through the Internet, at www.ASM2009.BAYER.COM, using the procedure established by the Company. Proxies and instructions to the proxy holders designated by the Company which have been issued in writing or by fax must be delivered to the address or fax number given on the entry ticket to the Annual Stockholders' Meeting. The necessary information for receiving authorization for the internet dialog which makes the electronic issuance of authorization and instructions possible for proxies designated by the Company can be found on the entry ticket. Proxies and instructions in writing may be issued until 11 May 2009 (day of receipt at the address indicated on the entry ticket) and proxies and instructions by fax or by internet dialog may be issued until 11 May 2009 (until 12:00 noon, Central European Summer Time). Further information regarding the issuance of authorization and instructions to proxies designated by the Company can as well be found on the entry ticket. Corresponding information is also available on the Internet at www.ASM2009.BAYER.COM.

To the extent the proxy holders not designated by the Company are to be authorized, no terms of the Articles of Incorporation which deviate from provisions of statutory law apply as to the form of the authorization.

PARTIAL TRANSMISSION OF THE ANNUAL STOCKHOLDERS' MEETING ON THE INTERNET

All stockholders of the Company as well as the interested public can follow the speech by the Chairman of the Board of Management at the Annual Stockholders' Meeting on May 12, 2009 starting at approximately 10:15 a.m. live on the internet at www.ASM2009.BAYER.COM. There will be no other video or audio transmission from the Annual Stockholders' Meeting.

OPPOSING MOTIONS FOR RESOLUTIONS AND NOMINATIONS FOR ELECTIONS BY STOCKHOLDERS

Proposals for opposing motions and nominations for elections by stockholders concerning a certain item of the agenda must be addressed exclusively to the following address:

Bayer Aktiengesellschaft
Building Q 26 (Legal Department)
Kaiser-Wilhelm-Allee
51373 Leverkusen
Telefax: + 49 (0) 214/30-56524

Opposing motions for resolutions and nominations for election by stockholders received at the following address by the end of April 28, 2009 (12:00 midnight, Central European Summer Time), to the extent all other prerequisites for disclosure duty are fulfilled, will be made available without delay at the Internet address www.ASM2009.BAYER.COM including the name of the stockholder, the reason and a position by the administration. A reason for election nominations is not required.

Leverkusen, February 2009
Bayer Aktiengesellschaft

The Board of Management

This notice is a convenience translation. For the legally binding document, please refer to the original German version which is published on the Internet at www.EBUNDESANZEIGER.DE.



We stand for sustainable success

Dear Stockholders:

We look back on an eventful year. The fourth quarter, particularly, was marked by the unexpectedly severe financial and economic crisis. While the economy remains surrounded by considerable uncertainty, we are looking to the future with relative confidence. Our Group strategy is tried and tested, and our commitment to research and development stands undiminished even in difficult times. A further budget increase, to €2.9 billion, will make this year's R&D spending the highest in our history and lay the foundations for future growth.

We believe Bayer is well equipped, we trust in its strengths, and we stand for sustainable success. Our performance last year bolsters that confidence. Operationally, 2008 was Bayer's most successful year ever. We again improved our key data compared to the prior year and achieved our published earnings targets:

- Sales rose to €32.9 billion, up by a currency- and portfolio-adjusted 4.4 percent. EBITDA before special items increased by 2.3 percent to €6.9 billion, with the margin edging up to 21.1 percent from 20.9 percent in 2007.
- At Bayer HealthCare, the EBITDA margin before special items moved ahead to 27 percent.
- Bayer CropScience achieved an underlying EBITDA margin of 25 percent, reaching its 2009 target a year earlier than originally planned.
- Bayer MaterialScience – despite a substantial drop in business toward the end of the year – posted a cash flow return on investment (CFROI) of 10.1 percent, clearly exceeding the internal hurdle.
- With a CFROI of 13 percent for the Bayer Group, the highest in our history, we created appreciable value for you, our stockholders.

These achievements were made possible by an outstanding level of commitment on the part of our employees, whom I would like to thank on behalf of the entire Board of Management. And I can assure you that we are taking the overall economic situation and the related concerns of our workforce very seriously. Of course, Bayer too must take appropriate steps in response to the crisis. Yet now more than ever, positive signals are needed to encourage and motivate our people.

It goes without saying that you, our stockholders, should also benefit from the solid performance of our business. The Board of Management and the Supervisory Board are therefore proposing to raise the dividend by 3.7 percent from the previous year, to €1.40.

Bayer stock was unable to escape the general market trend, which was determined by the changing economic situation. Yet its 32 percent decline on the year was significantly smaller than that of the DAX (minus 40 percent) or the EURO STOXX 50 (minus 42 percent).

We achieved a great deal in 2008. It was a strong year for Bayer HealthCare, with all divisions performing very well and posting above-market rates of growth. The integration of Schering, Berlin, Germany, was successfully completed. And we strengthened key areas of the business with further acquisitions and inlicensed products.

A highlight of 2008 is featured on the cover of this Annual Report: the first marketing approvals for our new anticoagulant Xarelto. We believe this innovative drug could achieve peak annual sales of more than €2 billion.

Bayer CropScience turned in the best performance in the history of our crop protection business, benefiting from the positive conditions on agricultural markets around the world. Given the favorable market environment and the high demand for innovative solutions, we now expect that our €2 billion sales target for new active ingredients from the launch program initiated in 2000 will be reached by the end of this year. That would be two years earlier than originally planned.

As a result we have already set ourselves a new goal. Between 2008 and 2012 we plan to launch new active substances with peak sales potential totaling over €1 billion. This underscores the success of our alignment toward the research and development of new crop protection solutions and emphasizes our innovation leadership in this area.

Bayer MaterialScience experienced a much weaker year, with declines in sales and earnings. Business in the fourth quarter, particularly, was tangibly harmed by the effects of the global financial and economic crisis. But we responded prudently to the difficult market conditions at an early stage, reinforcing the foundations for our long-term success. We significantly strengthened our presence in the expanding Chinese market with the inauguration of the world's largest MDI production facility in Shanghai. At the same time this entire production complex sets standards for energy-efficient and environmentally compatible production. Bayer MaterialScience will have invested a total of €2.1 billion in Shanghai by the end of 2012.

The strategic alignment of the Bayer Group allows us to look forward to 2009 with relative confidence despite the current financial and economic crisis. The fact that the less cyclical life-science businesses – HealthCare and CropScience – account for more than 70 percent of our sales is paying off. For these two subgroups we expect a gratifying trend in 2009, and aim to improve the EBITDA margin before special items toward 28 percent at HealthCare and maintain the margin for CropScience at the high level of about 25 percent. The business situation at MaterialScience runs counter to this. We anticipate an extremely difficult year for this subgroup, with a severe drop in sales and earnings. In this negative scenario for MaterialScience, we are nevertheless confident of limiting the decline in Group EBITDA before special items to about 5 percent. Should there be a tangible recovery in our MaterialScience business in the short term, Group EBITDA before special items could match the very high level of 2008 or even post a slight increase.

We are convinced that Bayer can emerge from the financial and economic crisis even stronger than before. Sustainable success requires responsible interaction with all stakeholders, sound business models and investment in the future. And sustainable success is Bayer's utmost priority. We are aiming for sustainability in everything we do.

In these turbulent times we could, of course, help to improve earnings in the short term by cutting back on research, for example. But that would not be a sustainable strategy. It would simply be short-sighted. Our investment in research and development is intended to drive our growth and produce groundbreaking innovations. That is how we safeguard growth – and with it jobs and prosperity. Success tomorrow demands investment today. The time to compete for tomorrow's best products and technologies is now.

But we must not lose sight of the long-term challenges either. By these I mean the major issues such as demographic change, global food supplies, energy conservation and

climate protection. Bayer's climate program is already making very encouraging headway. We have good answers that address long-term challenges and at the same time take advantage of related business opportunities for our enterprise.

There are also other fields in which politicians, industry leaders and society as a whole need to think – and act – in terms of sustainability. Safeguarding the future also involves investing more heavily in education, for example. That is a crucial task to which we should all pay special attention. And for that reason Bayer has for many years trained more young people than it will need to employ at its own facilities. We also support numerous school projects aimed at improving science teaching through the Bayer Science & Education Foundation.

We have seen success in recent years. I and my colleagues on the Board of Management would like to thank you, our stockholders, for your renewed trust in 2008. We will do all we can to ensure that we continue along our successful path.

Sincerely,



WERNER WENNING
Chairman of the Board of Management of Bayer AG

Difficult year on the stock market

Although Bayer stock was unable to escape last year's global market turmoil, its performance placed it in the top third of the stocks in the German DAX index. The price fell by nearly 32 percent on the year, compared with a 40 percent drop in the DAX. The Board of Management and the Supervisory Board propose that the dividend be raised by 4 percent to €1.40 per share.

INTERNET

For more information about Bayer on the capital market, go to www.investor.bayer.com

WEAKEST YEAR FOR GERMAN STOCKS SINCE 2002

Last year saw the second-worst performance by the DAX since its introduction on July 1, 1988. The index closed 2008 at 4,810 points, down 40 percent from the end of the previous year. Only in 2002 did it sustain a heavier loss of 44 percent.

The downward movement was triggered by the subprime mortgage crisis in the United States, which began in summer 2007. The resulting crisis on the financial markets eventually spread to the real economy, leading to the current global economic downturn. Nearly all DAX companies saw double-digit falls in their share prices.

The performance of stock markets in other European countries, North America and Asia was equally disappointing, with the EURO STOXX 50SM ending the year down roughly 42 percent, the S&P 500 in the U.S. falling by some 38 percent, and Japan's Nikkei index losing 42 percent.

BAYER STOCK MOVED LOWER

Caught up in the global market turbulence, Bayer stock lost 33.6 percent on the year. Including the dividend of €1.35 per share paid in May 2008, its performance amounted to minus 31.9 percent. Despite the drop in the share price, Bayer ranked among the top third of DAX 30 stocks in performance terms.

The price initially fell by some 25 percent at the start of the year to €47 at the beginning of March. This was followed by a rally that lasted until mid-September and restored the price to about €57. The collapse of the investment bank Lehman Brothers in mid-September was just one of the factors causing share prices around the world to plummet in the fourth quarter. Amid very high trading volumes, especially in October (11.5 million shares per day), Bayer stock fell to a year low of €36.83 on November 21, 2008.

SUCCESSFUL FINANCING DESPITE THE DIFFICULT MARKET CONDITIONS

The subprime mortgage crisis in the U.S. had already put pressure on credit markets in the second half of 2007. Uncertainty among credit investors continued in 2008, leading to a surge in the risk premiums for credit default swaps (CDS) (see CDS graph on page 23).

The market price of these tradable insurance contracts, which are used to hedge against default of a borrower, depends on the underlying credit risk and thus helps to determine the credit margin when raising debt.

Despite the difficult environment, Bayer concluded two opportunistic financing agreements on comparatively attractive terms in the second half of the year. Apart from small private placements totaling Yen 25 billion (approximately €198 million) in Japan, special mention should be made of a €450 million seven-year credit financing agreement with the European Investment Bank and a €200 million private placement. A list of the bonds issued by Bayer can be found in Note 27 to the consolidated financial statements in the Bayer Annual Report 2008.

Bayer stock data

		2007	2008
Earnings per share	€	5.84	2.22
Core earnings per share ¹	€	3.80	4.17
Cash flow per share	€	6.26	6.93
Equity per share	€	22.01	21.38
Dividend per share	€	1.35	1.40
Year-end price ²	€	62.53	41.55
High for the year ²	€	62.53	65.68
Low for the year ²	€	40.20	36.83
Total dividend payment	€ million	1,032	1,070
Shares entitled to the dividend (Dec. 31)	million	764.34	764.34
Market capitalization (Dec. 31)	€ billion	47.8	31.8
Average daily trading volume	million	5.7	6.0
Price/EPS ²		10.7	18.7
Price/core EPS ^{1,2}		16.5	10.0
Price/cash flow ²		10.0	6.0
Dividend yield	%	2.2	3.4

¹For details on the calculation of core earnings per share, see page 25.

²XETRA closing prices (source: Bloomberg)

Performance of Bayer Stock in 2008

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



HIGHER LONG-TERM YIELD THAN THE DAX AVERAGE

A long-term investor who purchased Bayer shares for €10,000 five years ago on January 1, 2004 and reinvested all dividends would have seen the value of the position grow to €21,442 as of December 31, 2008, giving an average annual return of 16.5 percent.

Comparison of average annual performance in % (dividends reinvested)

Performance p.a.	1 year 2008	3 years 2006–2008	5 years 2004–2008
	%	%	%
Bayer	-31.9	+8.1	+16.5
DAX	-40.4	-3.8	+3.9
DJ EURO STOXX 50 SM	-42.4	-9.3	+0.3

BAYER STOCK INCLUDED IN THE STOXX 50 INDEX

Since September 22, 2008, Bayer stock has been included in the Dow Jones STOXX 50, a European blue chip index comprising the top 50 stocks from 17 western European countries. It also continues to be listed in the EURO STOXX 50SM index of the 50 top shares in the euro currency zone.

MSCI INDEX FAMILY RECLASSIFIES BAYER TO HEALTHCARE SECTOR

The index provider MSCI reclassified Bayer stock from the “Materials” sector, category “Diversified Chemicals,” to the “HealthCare” sector, category “Pharmaceuticals,” effective July 1, 2008, reflecting our new focus on the HealthCare business.

BAYER STOCK DELISTED IN JAPAN

Bayer AG withdrew from the Tokyo Stock Exchange in early December 2008 because the low trading volume made its listing there superfluous. Bayer shares had been listed in Japan since 1988.

HIGH TURNOUT AT THE ANNUAL STOCKHOLDERS' MEETING

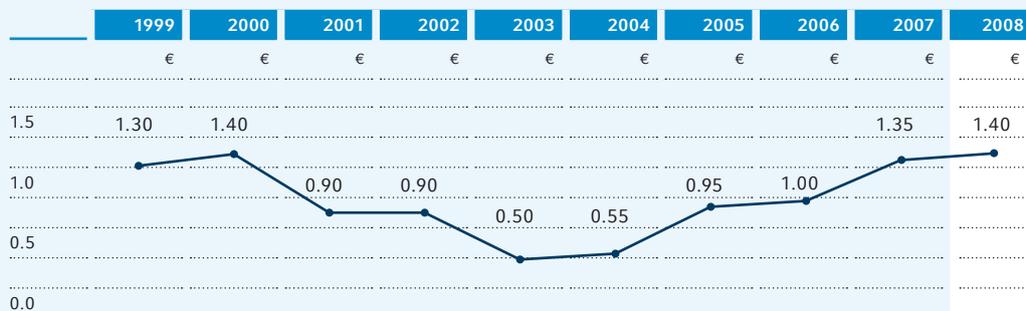
In 2008, the number of stockholders represented at the Annual Stockholders' Meeting increased for the fourth consecutive year, with 62 percent of the voting capital represented at the meeting held on April 25, 2008.

DIVIDEND RAISED TO €1.40 PER SHARE

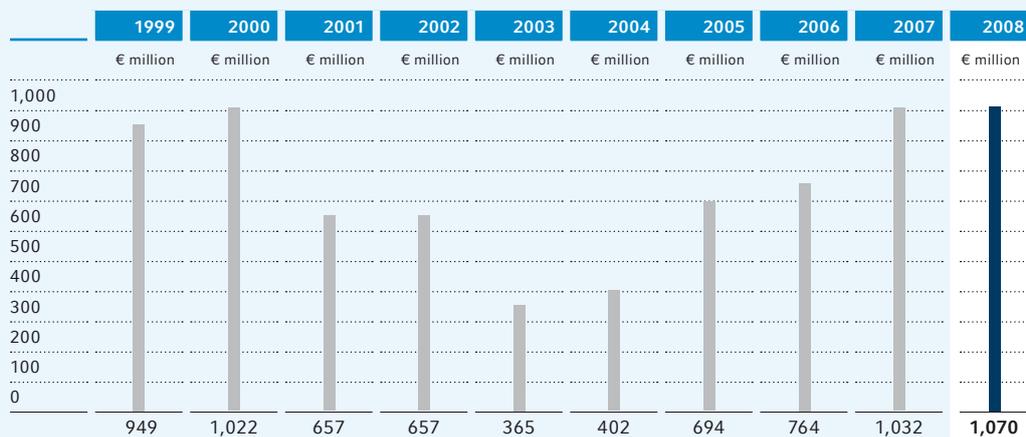
The Board of Management and Supervisory Board will propose to the Annual Stockholders' Meeting that the dividend be raised by €0.05 to €1.40 per share. This results in a payout ratio of approximately 34 percent calculated on core earnings per share (see page 21), which is within the target corridor of 30 to 40 percent.

The dividend yield calculated on the share price of €41.55 at year end 2008 amounts to 3.4 percent and the total dividend payment to €1,070 million.

Dividends per share



Total dividend payment



Rates for five-year credit default swaps (CDS) in 2008

in basis points¹



¹source: Bloomberg

²iTraxx Europe is a CDS index comprising the CDS of 125 companies (including financial institutions) with investment-grade ratings.

BROADER STOCKHOLDER STRUCTURE

The latest survey of domestic and foreign stockholders, which covered 85 percent of Bayer stock (approximately 650.8 million shares out of the 764.3 million total), revealed a slight increase in the proportion of foreign institutional investors compared with the previous year. Of the shares identified, 80 percent are owned by institutions outside Germany, with 43 percent held by U.S.-based institutions, 20 percent by those in Germany and 13 percent by institutions headquartered in the U.K. The high proportion of foreign investors reflects the importance of Bayer stock on the international financial markets.

BAYER STOCK A SUSTAINABLE INVESTMENT

In 2008 Bayer was again included in leading sustainability indices. Our stock has been listed right from the beginning in both the Dow Jones Sustainability Index World and the FTSE4Good Index series. Bayer also featured once more in the Carbon Disclosure Leadership Index and has thus been honored for its activities in the area of climate protection.

At conferences and one-on-one discussions we stepped up our dialogue with investors who are guided largely by sustainability criteria when making their investment decisions.

CONTINUING HIGH LEVEL OF INVESTOR RELATIONS ACTIVITIES

A broad range of investor relations activities again took place in 2008. The Board of Management and Investor Relations department held over 400 one-on-one meetings in some 25 financial centers to provide information on current events in the Bayer Group.

The focus of attention was on progress with the pharmaceutical research pipeline, and especially the anti-thrombosis drug Xarelto®. Experts explained the main research findings at conference calls, which were streamed in parallel on the Internet. Other key topics were the sustained boom in the agricultural sector and the demand situation for polymers.

AWARDS FOR INVESTOR RELATIONS ACTIVITIES

Bayer's capital market communications again received several awards in 2008.

For example, Bayer garnered first place in a buy-side survey conducted by the Institutional Investor Research Group as the company with the best IR work in the European chemicals sector. More than 600 buy-side analysts and portfolio managers in Europe and the U.S. took part in this survey.

The German business journal *Capital* presents the *Capital* Investor Relations Award annually in conjunction with the Society of Investment Professionals in Germany (DVFA). For this purpose financial communications are rated by target-group focus, transparency, and continuity of reporting. In 2008 Bayer came third in the EURO STOXX 50SM category.

The French financial journal *La Vie Financière* also honored the excellent service provided by Bayer's financial communications. Bayer was awarded the "Fils d'or 2008" as the best non-French company in the FTS Eurofirst 80 share index in the category "Prix du Meilleur Service Actionnaire."

For the fourth time, Bayer's investor relations website took first place in the overall ranking issued by the leading international consultancy MZ Consult. The factors appealing to the jury included the breadth of the Internet offering, the use of modern technologies such as RSS (Rich Site Summary) feeds, podcasts and mobile services, and the high update frequency.

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.

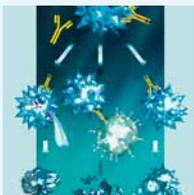
The calculation of earnings per share in accordance with the International Financial Reporting Standards (IFRS) is explained in the notes to the financial statements on page 185. Adjusted core net income, core earnings per share and core EBIT are not defined in the IFRS. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of core EBIT and core earnings per share	2007	2008
	€ million	€ million
EBIT as per income statement	3,154	3,544
Amortization and write-downs of intangible assets	1,463	1,550
Write-downs of property, plant and equipment	118	88
Special items (other than write-downs)	911	665
Core EBIT	5,646	5,847
Non-operating result (as per income statement)	(920)	(1,188)
Income taxes (as per income statement)	72	(636)
One-time tax income*	(870)	–
Tax adjustment	(887)	(691)
Income after taxes attributable to non-controlling interest (as per income statement)	(5)	(5)
Core net income from continuing operations	3,036	3,327
Financing expenses for the mandatory convertible bond, net of tax effects	98	112
Adjusted core net income	3,134	3,439
	Shares	Shares
Weighted average number of issued ordinary shares	764,341,920	764,342,029
Potential shares to be issued upon conversion of the mandatory convertible bond	59,565,383	59,893,122
Adjusted weighted average total number of issued and potential ordinary shares	823,907,303	824,235,151
Core earnings per share from continuing operations (€)	3.80	4.17

* arising from the corporate tax reform in Germany in 2007

Highlights 2008

JANUARY



Leukemia drug: European registration expanded

The European Commission grants marketing authorization to MabCampath® for the treatment of patients with B-cell chronic lymphocytic leukemia (B-CLL) for whom fludarabine combination chemotherapy is not appropriate. MabCampath® works in an entirely different way than chemotherapy, and is the first and only monoclonal antibody approved in Europe for the treatment of B-CLL, the leading form of adult leukemia in the Western hemisphere.

FEBRUARY



Catalysis center to raise production efficiency

In February 2008 a new catalysis center opens in Aachen, Germany. Bayer MaterialScience, Bayer Technology Services and RWTH Aachen University sign a cooperation agreement for a research facility in which Bayer will invest more than €7 million. The planned research projects will focus partly on making sustainable chemical production more efficient, one of the aims being to find alternative raw materials for plastics. Photo: Dr. Angelina Prokofiewa and Dr. Guilia Erre (from left) at the Aachen catalysis center.

MARCH



Innovative active substance offers protection from fungal diseases

Fluopicolide, an innovative fungicidal active ingredient from Bayer CropScience, receives regulatory approval in Japan and the United States. It can now be used in Japan for the control of late blight (*Phytophthora infestans*) in potatoes. In the United States, fluopicolide is used to protect vegetables, grapes, turf and ornamentals from disease.

APRIL



Donation for hemophilia patients

On the occasion of World Hemophilia Day on April 17, Bayer HealthCare donates €250,000 to the World Federation of Hemophilia (WFH) along with more than 950,000 international units of the recombinant coagulation factor Kogenate® FS. This further donation means Bayer has contributed more than €1 million to the WFH in recent years to support treatment and training programs. Approximately 400,000 people around the world have hemophilia A.

MAY



High-yielding rice variety for India

Bayer CropScience launches Arize® Dhani – the world's first hybrid rice variety resistant to bacterial leaf blight – in India. The new variety increases yields by between 20 and 30 percent compared with conventional varieties and at the same time offers broad protection against this devastating disease, which is caused by the bacteria *Xanthomonas oryzae oryzae*. In India, bacterial leaf blight can destroy up to 60 percent of the rice crop. Photo: Bayer employee Frank Adam removes seeds from a rice plant.

JUNE



Bayer receives Environmental Award from the Federation of German Industries

Bayer is presented with the 2008 Environmental Award in the category "Environmentally Friendly Technologies" by the Federation of German Industries (BDI) for its new chlorine production process, which reduces power consumption and CO₂ emissions by 30 percent. The new process is based on oxygen-depolarized cathode technology. Chlorine is a basic chemical used in the manufacture of high-tech materials such as polyurethanes. Photo: BMS employees Andreas Bulan (left) and Blas Riquelme-Moreno next to an oxygen-depolarized cathode.

JULY



New insecticide approved in North America

The new insecticide Movento® from Bayer CropScience is granted regulatory approval in the United States and Canada, two strategically important markets. The innovative feature of Movento® is that it works by moving up and down through the entire plant system. Thanks to this two-way transport, the product also prevents insect eggs and larvae from growing in the shoots, leaves and roots.

AUGUST



Bayer MaterialScience at the Olympics

Numerous buildings at the Olympic Games in Beijing incorporate materials from Bayer MaterialScience. The roof of the stadium in Shenyang, for example, is made of Makrolon®, its wing-shaped design symbolizing elegance and lightness. Makrolon® sheets in the Tianjin Olympic stadium form a transparent inner ring measuring approximately 13,000 square meters that covers part of the stands. Another example is the use of the aliphatic polyurethane crosslinking agent Desmodur® N in the topcoat for the steel struts of the "Bird's Nest" national stadium (photo).

SEPTEMBER



Industrial-scale production of biopharmaceuticals

A facility is to be developed in Owensboro, Kentucky, United States, for the industrial-scale production of proteins in tobacco plants. Plant-made pharmaceuticals (PMP) and other high-value products will be manufactured there on the basis of Bayer's magniCON® technology. Photo: Dr. Stefan Herz of Bayer subsidiary Icon Genetics homogenizes tobacco plants.

OCTOBER



World-scale production facilities in Shanghai

Bayer MaterialScience commissions its new 350,000 tons-per-year diphenylmethane diisocyanate (MDI) production complex in Shanghai, the largest MDI facility of its kind in the world. MDI is needed for the manufacture of rigid polyurethane foams. The company also breaks ground at the site for a 250,000 tons-per-year toluene diisocyanate (TDI) plant, due on stream in 2010. TDI is the primary raw material used in the production of flexible polyurethane foams.

NOVEMBER



Joining forces to fight cancer

The German Cancer Research Center and Bayer Schering Pharma form a strategic research alliance scheduled to run for an initial period of two years. The collaboration is aimed at enabling more rapid exploitation of research findings for the development of new cancer drugs and enhancing the evaluation of innovative therapeutic approaches for tumor diseases. To this end, the partners will each invest €1.75 million in joint cancer research through 2010. Photo: Prof. Dr. Otmar D. Wiestler (DKFZ) and Dr. Wolfgang Plischke (from left) sign the collaboration agreement.

DECEMBER



Expanding innovation

At a press forum entitled "Bayer's Perspective on Innovation 2008," Management Board Chairman Werner Wenning announces a further increase in the Bayer Group's research and development activities. The demand for food and health care, in particular, continues to grow. Bayer is responding with the development of new crop protection products, ten of which it is planned to bring to market in the period from 2008 through 2012. The company's pharmaceutical pipeline is also well stocked, with 50 projects currently in Phases I to III of clinical testing.

Group strategy holds up well in a difficult environment

Bayer achieves 2008 earnings targets

- Sales advance by 1.6% to €32.9 billion
- EBITDA before special items up 2.3% to €6.9 billion
- EBIT before special items up 1.3% to €4.3 billion
- Net income of €1.7 billion
- Dividend to be raised to €1.40
- Outlook for 2009:

Earnings growth at HealthCare and CropScience;

substantial decline at MaterialScience

Significant reduction in financial debt

Overview of Sales, Earnings and Financial Position

FULL YEAR 2008

In 2008 Bayer had a successful year overall in an increasingly difficult economic environment. The Group's key operational performance data showed a slight further improvement from the previous year, and earnings targets were achieved. We benefited from the Group's focus on the HealthCare and CropScience businesses, which are less dependent on global economic development.

Change in sales	2007	2008
	%	%
Volume	+5.6	+2.8
Price	+0.5	+1.6
Currency	-3.6	-3.4
Portfolio	+9.3	+0.6

Sales of the Bayer Group came in at €32,918 million, up 1.6% from the prior-year figure of €32,385 million. Adjusted for currency and portfolio effects, business expanded by 4.4%, slightly less than we had forecasted. HealthCare posted a 6.9% increase on a currency- and portfolio-adjusted basis. CropScience sales climbed by 13.9%. MaterialScience experienced a considerable drop in business in the fourth quarter as a result of the financial and economic crisis, causing full-year sales to drop by 4.6%.

Group **EBITDA** before special items rose by 2.3% to a record €6,931 million (2007: €6,777 million). With an improvement in the **EBITDA** margin before special items to 21.1%, we met our profitability target for fiscal 2008.

Bayer Group Quarterly Sales

		Domestic	€ million	Foreign	€ million	Total
Q1	2007		1,301		7,034	8,335
	2008		1,325		7,211	8,536
Q2	2007		1,199		7,018	8,217
	2008		1,202		7,309	8,511
Q3	2007		1,190		6,603	7,793
	2008		1,227		6,721	7,948
Q4	2007		1,125		6,915	8,040
	2008		1,043		6,880	7,923

Bayer Group Quarterly EBITDA Before Special Items

			€ million
Q1	2007		1,990
	2008		2,185
Q2	2007		1,806
	2008		1,896
Q3	2007		1,559
	2008		1,493
Q4	2007		1,422
	2008		1,357

EBITDA before special items of the HealthCare subgroup advanced by 9.6% to €4,157 million (2007: €3,792 million), yielding an EBITDA margin before special items of 27.0%. Contributing to this increase were the gratifying business performance and the synergies realized from the integration of the former business of Schering AG, Berlin, Germany. Earnings of CropScience rose by 21.1% to €1,603 million (2007: €1,324 million), and the EBITDA margin before special items came in at 25.1%. This increase resulted from significantly larger volumes, selling price increases and cost savings. MaterialScience reported EBITDA before special items of €1,088 million, down by a substantial 32.3% from the prior-year figure of €1,606 million. The decline was due to lower volumes, mainly because of the overall slump in the economy in the fourth quarter. Earnings were also hampered by a high average level of petrochemical raw material and energy costs for the year.

EBIT before special items of the Bayer Group amounted to €4,342 million, up 1.3% from the prior-year figure of €4,287 million. EBIT in 2008 was diminished by net special charges of €798 million, against €1,133 million in the previous year. Of the 2008 figure, HealthCare accounted for €583 million, CropScience for €166 million and MaterialScience for €49 million. Special charges of €365 million (2007: €683 million) related to the acquisition and integration of Schering AG, €215 million (2007: €172 million) to restructuring at CropScience and MaterialScience, €106 million (2007: €139 million) to litigation and €98 million (2007: €166 million) to impairments. EBIT of the Bayer Group rose by 12.4% to €3,544 million (2007: €3,154 million).

After a non-operating result of minus €1,188 million (2007: minus €920 million), income before income taxes came in at €2,356 million (2007: €2,234 million). The main components of the non-operating result were €702 million (2007: €701 million) in net interest expense, €300 million (2007: €246 million) in interest cost for pension and other provisions and a €79 million exchange loss (2007: €88 million exchange gain). The shift in the balance of exchange gains and losses was partly due to the increased cost of exchange hedging in emerging countries arising from the

expansion of our business there, while in the previous year we had benefited from exchange gains on financial transactions.

In 2008 we recorded tax expense of €636 million, compared to net tax income of €72 million in the prior year. The latter amount included a one-time, non-cash positive tax effect of €912 million arising in connection with the 2007 corporate tax reform in Germany.

Income from continuing operations after taxes receded to €1,720 million (2007: €2,306 million). After-tax income in the previous year also included €2,410 million from discontinued operations, chiefly consisting of gains from the divestitures of the diagnostics business, H.C. Starck and Wolff Walsrode.

After non-controlling interest, net income of the Bayer Group came in at €1,719 million (2007: €4,711 million). Earnings per share amounted to €2.22 (2007: €5.84). Core earnings per share improved to €4.17 (2007: €3.80). The calculation of core earnings per share is explained under "Investor Information," page 25.

Brutto-Cashflow				Netto-Cashflow			
		in Mio €				in Mio €	
Q1	2007		1.411	Q1	2007		375
	2008		1.651		2008		528
Q2	2007		1.187	Q2	2007		816
	2008		1.322		2008		889
Q3	2007		1.165	Q3	2007		1.623
	2008		1.171		2008		1.234
Q4	2007		1.021	Q4	2007		1.467
	2008		1.151		2008		957

Gross cash flow increased by 10.7% from the previous year to €5,295 million (2007: €4,784 million), due to the gratifying business trend at HealthCare and CropScience. Net cash flow declined by 15.7% to €3,608 million (2007: €4,281 million), mainly due to a significant increase in cash tied up in working capital. Contributing to this increase was a higher level of receivables and inventories at HealthCare and CropScience, which was partly the result of business growth.

Net debt of the Bayer Group as of December 31, 2008 amounted to €14.2 billion (2007: €12.2 billion). Components of this increase included the increase in cash tied up in working capital, €0.9 billion in acquisition-related disbursements and a €0.6 billion effect from fluctuations in major currencies against the euro. The €0.7 billion for payments to minority stockholders of Bayer Schering Pharma AG did not affect net debt, as the amount held in escrow accounts for this purpose was not deducted when net debt was calculated in the past.

The net pension liability rose by €1.0 billion compared with December 31, 2007, to €6.0 billion, due to sharp falls in share prices that diminished the value of stocks held by pension funds, particularly in the United States. The return on plan assets was a negative 6.5% overall.

Future Perspectives

BAYER GROUP SALES AND EARNINGS FORECAST

The strategic alignment of the Bayer Group allows us to look forward to 2009 with relative confidence despite the current financial and economic crisis. The fact that the less cyclical life-science businesses account for more than 70% of our sales is paying off.

For the markets relevant to our HealthCare business we predict largely steady growth of between 3% and 5%. For the CropScience markets we are assuming moderate growth of 2% to 3%. In the main sectors of importance for our MaterialScience business, however, we anticipate a very difficult year marked by a great deal of uncertainty. We have budgeted for an exchange rate of US\$ 1.35 to the euro.

For HealthCare and CropScience we expect a gratifying trend in 2009, with growth in sales and EBITDA before special items. At MaterialScience the start to the year has been even weaker than expected, and we therefore anticipate an extremely difficult year for this subgroup, with a severe drop in sales and earnings. In this negative scenario for MaterialScience we are nevertheless confident of limiting the decline in Group EBITDA before special items to about 5%. Group sales would probably then be in the region of €32 billion.

Should there be a tangible recovery in our MaterialScience business in the short term, Group EBITDA before special items could match the very high level of 2008 or even post a slight increase.

We have budgeted for special charges in the region of €250 million related to our ongoing restructuring programs.

Our capital expenditure budget for 2009 is €1.5 billion. We expect to record some €2.8 billion in depreciation and amortization, including €1.3 billion in depreciation of property, plant and equipment. Research and development expenses are planned to rise to about €2.9 billion.

We expect to reduce net debt toward €10 billion in 2009, helped by the conversion of the mandatory convertible bond into equity upon maturation in June 2009 and an improvement in net cash flow. This forecast does not take into account any possible portfolio changes.

We are not currently issuing any sales or earnings guidance beyond 2009 in view of the considerable uncertainty as to the future development of the global economy.

Bayer Group Consolidated Statements of Income

	2007	2008
	€ million	€ million
Net sales	32,385	32,918
Cost of goods sold	(16,352)	(16,456)
Gross profit	16,033	16,462
Selling expenses	(7,782)	(8,105)
Research and development expenses	(2,578)	(2,653)
General administration expenses	(1,772)	(1,649)
Other operating income	822	907
Other operating expenses	(1,569)	(1,418)
Operating result (EBIT)	3,154	3,544
Equity-method loss	(45)	(62)
Non-operating income	834	589
Non-operating expenses	(1,709)	(1,715)
Non-operating result	(920)	(1,188)
Income before income taxes	2,234	2,356
Income taxes	72	(636)
Income from continuing operations after taxes	2,306	1,720
Income from discontinued operations after taxes	2,410	4
Income after taxes	4,716	1,724
of which attributable to non-controlling interest	5	5
of which attributable to Bayer AG stockholders (net income)	4,711	1,719
Earnings per share (€)		
From continuing operations		
Basic*	2.91	2.22
Diluted*	2.91	2.22
From discontinued operations		
Basic*	2.93	-
Diluted*	2.93	-
From continuing and discontinued operations		
Basic*	5.84	2.22
Diluted*	5.84	2.22

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

Bayer Group Consolidated Balance Sheets

	Dec. 31, 2007	Dec. 31, 2008
	€ million	€ million
Noncurrent assets		
Goodwill	8,215	8,647
Other intangible assets	14,555	13,951
Property, plant and equipment	8,819	9,492
Investments in associates	484	450
Other financial assets	1,127	1,197
Other receivables	667	458
Deferred taxes	845	1,156
	34,712	35,351
Current assets		
Inventories	6,217	6,681
Trade accounts receivable	5,830	5,953
Other financial assets	335	634
Other receivables	1,461	1,284
Claims for income tax refunds	208	506
Cash and cash equivalents	2,531	2,094
Assets held for sale and discontinued operations	84	8
	16,666	17,160
Total assets	51,378	52,511
Stockholders' equity		
Capital stock of Bayer AG	1,957	1,957
Capital reserves of Bayer AG	4,028	4,028
Other reserves	10,749	10,278
	16,734	16,263
Equity attributable to non-controlling interest	87	77
	16,821	16,340
Noncurrent liabilities		
Provisions for pensions and other post-employment benefits	5,501	6,347
Other provisions	1,166	1,351
Financial liabilities	13,081	10,614
Other liabilities	331	432
Deferred taxes	3,866	3,592
	23,945	22,336
Current liabilities		
Other provisions	3,754	3,163
Financial liabilities	1,336	6,256
Trade accounts payable	2,466	2,377
Income tax liabilities	56	65
Other liabilities	2,824	1,961
Liabilities directly related to assets held for sale and discontinued operations	176	13
	10,612	13,835
Total stockholders' equity and liabilities	51,378	52,511

2007 figures restated

Bayer Group Consolidated Statements of Cash Flows

	2007	2008
	€ million	€ million
Income from continuing operations after taxes	2,306	1,720
Income taxes	(72)	636
Non-operating result	920	1,188
Income taxes paid or accrued	(915)	(812)
Depreciation and amortization	2,712	2,722
Change in pension provisions	(369)	(292)
(Gains) losses on retirements of noncurrent assets	(13)	(75)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	215	208
Gross cash flow	4,784	5,295
Decrease (increase) in inventories	(347)	(692)
Decrease (increase) in trade accounts receivable	(183)	(134)
(Decrease) increase in trade accounts payable	189	(36)
Changes in other working capital, other non-cash items	(162)	(825)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	4,281	3,608
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	2	-
Net cash provided by (used in) operating activities (net cash flow) (total)	4,283	3,608
Cash outflows for additions to property, plant, equipment and intangible assets	(1,860)	(1,759)
Cash inflows from sales of property, plant, equipment and other assets	165	167
Cash inflows from (outflows for) divestitures	4,648	(41)
Cash inflows from (outflows for) noncurrent financial assets	70	(390)
Cash outflows for acquisitions less acquired cash	(491)	(1,617)
Interest and dividends received	636	553
Cash inflows from (outflows for) current financial assets	18	(2)
Net cash provided by (used in) investing activities (total)	3,186	(3,089)
Capital contributions	-	-
Dividend payments and withholding tax on dividends	(773)	(1,126)
Issuances of debt	2,155	2,277
Retirements of debt	(7,768)	(752)
Interest paid	(1,344)	(1,272)
Net cash provided by (used in) financing activities (total)	(7,730)	(873)
Change in cash and cash equivalents due to business activities (total)	(261)	(354)
Cash and cash equivalents at beginning of year	2,915	2,531
Change in cash and cash equivalents due to changes in scope of consolidation	(4)	3
Change in cash and cash equivalents due to exchange rate movements	(119)	(86)
Cash and cash equivalents at end of year	2,531	2,094

Bayer Group Consolidated Statements of Recognized Income and Expense

	2007	2008
	€ million	€ million
Changes in fair values of derivatives designated as hedges, recognized in stockholders' equity	180	(110)
<i>Changes in fair values of derivatives designated as hedges, recognized in the income statement</i>	(65)	(47)
Changes in fair values of available-for-sale financial assets, recognized in stockholders' equity	31	(32)
<i>Changes in fair values of available-for-sale financial assets, recognized in the income statement</i>	(8)	1
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	1,355	(1,067)
Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity	(825)	(413)
Deferred taxes on valuation adjustments offset directly against stockholders' equity	(677)	505
<i>Deferred taxes on valuation adjustments, removed from stockholders' equity and recognized in the income statement</i>	20	14
Changes due to changes in the scope of consolidation	42	1
Revaluation surplus (IFRS 3)	-	8
Non-controlling interest in partnerships, recognized in liabilities	(36)	(15)
Valuation adjustments recognized directly in stockholders' equity	17	(1,155)
of which attributable to non-controlling interest	(3)	3
Income after taxes	4,716	1,724
Total income and expense recognized in the financial statements	4,733	569
of which attributable to non-controlling interest	2	8
of which attributable to Bayer AG stockholders	4,731	561

Governance Bodies

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Honorary Chairman of the Supervisory Board of Bayer AG,
Leverkusen

Supervisory Board

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WERNER WENNING
Chairman of the
Board of Management

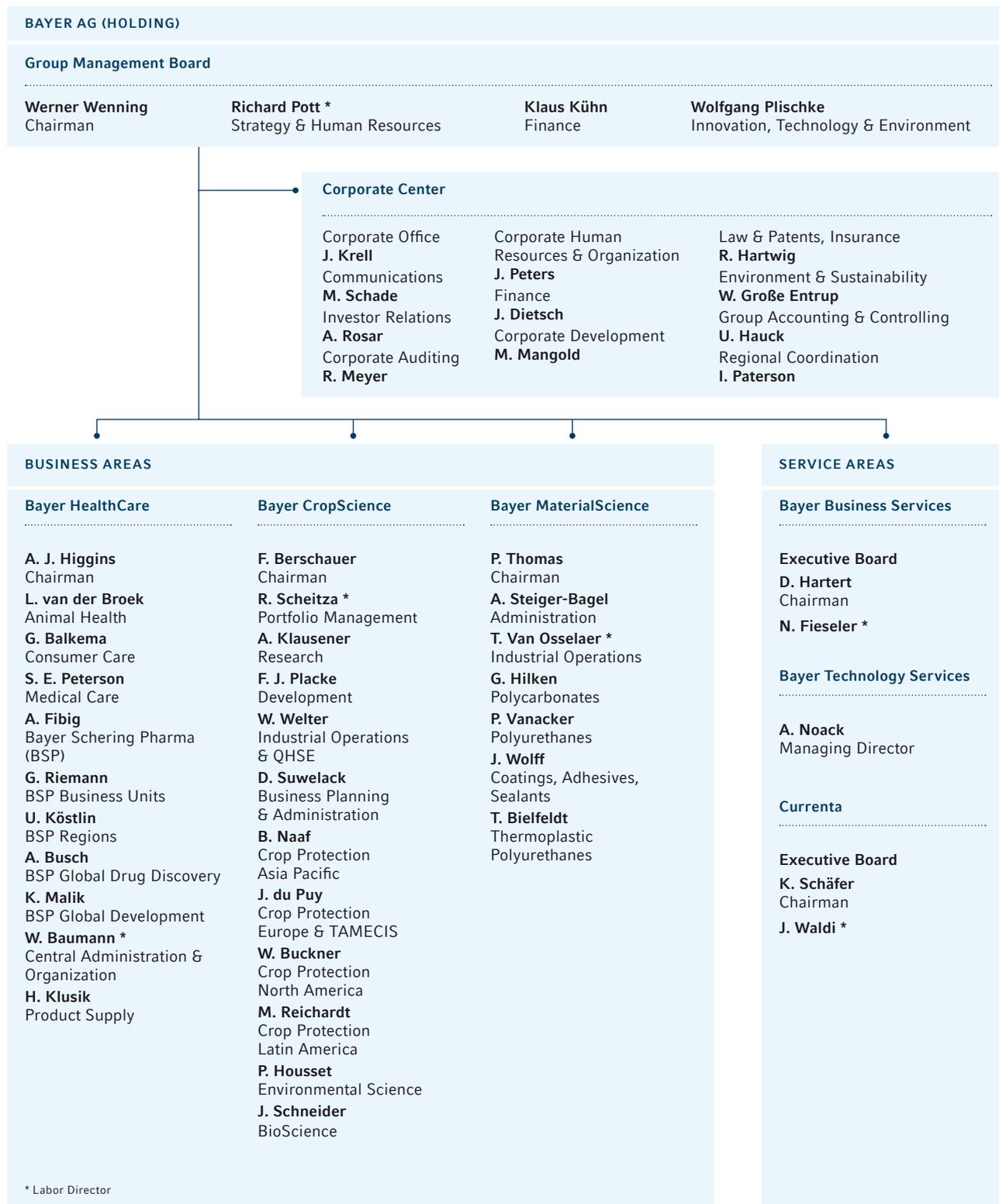
KLAUS KÜHN

DR. WOLFGANG PLISCHKE

DR. RICHARD POTT

Organization Chart

as of February 1, 2009



Financial Calendar

2008 Annual Report	MARCH 3, 2009
Q1 2009 Interim Report	APRIL 29, 2009
Annual Stockholders' Meeting 2009	MAY 12, 2009
Payment of Dividend	MAY 13, 2009
Q2 2009 Interim Report	JULY 29, 2009
Q3 2009 Interim Report	OCTOBER 27, 2009
Annual Stockholders' Meeting 2010	APRIL 30, 2010
Payment of Dividend	MAY 3, 2010

MASTHEAD

The complete financial statements of the Bayer Group have been examined by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, who have issued an unqualified opinion. The complete Annual Report, which includes the financial statements of the Bayer Group, is published in English and German. The financial statements of Bayer AG are published separately in both languages. These publications may be obtained on request from Bayer AG, Communications, 51368 Leverkusen, Germany.

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Forward-Looking Statements

This publication 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

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.

Key Data

	2007	2008	Change
	€ million	€ million	%
Bayer Group			
Sales	32,385	32,918	+1.6
EBITDA ¹	5,866	6,266	+6.8
EBITDA before special items	6,777	6,931	+2.3
EBIT ²	3,154	3,544	+12.4
EBIT before special items	4,287	4,342	+1.3
Income before income taxes	2,234	2,356	+5.5
Net income	4,711	1,719	-63.5
Earnings per share (€) ³	5.84	2.22	-62.0
Core earnings per share (€) ⁴	3.80	4.17	+9.7
Gross cash flow ⁵	4,784	5,295	+10.7
Net cash flow ⁶	4,281	3,608	-15.7
Capital expenditures as per segment table	1,891	1,982	+4.8
Research and development expenses	2,578	2,653	+2.9
Dividend per Bayer AG share (€)	1.35	1.40	+3.7
Bayer HealthCare			
External sales	14,807	15,407	+4.1
EBITDA ¹	3,065	3,692	+20.5
EBITDA before special items	3,792	4,157	+9.6
EBIT ²	1,564	2,181	+39.5
EBIT before special items	2,492	2,764	+10.9
Gross cash flow ⁵	2,389	3,045	+27.5
Net cash flow ⁶	2,010	2,259	+12.4
Capital expenditures as per segment table	593	610	+2.9
Bayer CropScience			
External sales	5,826	6,382	+9.5
EBITDA ¹	1,204	1,450	+20.4
EBITDA before special items	1,324	1,603	+21.1
EBIT ²	656	918	+39.9
EBIT before special items	786	1,084	+37.9
Gross cash flow ⁵	961	1,192	+24.0
Net cash flow ⁶	1,040	736	-29.2
Capital expenditures as per segment table	223	314	+40.8
Bayer MaterialScience			
External sales	10,435	9,738	-6.7
EBITDA ¹	1,542	1,041	-32.5
EBITDA before special items	1,606	1,088	-32.3
EBIT ²	1,042	537	-48.5
EBIT before special items	1,117	586	-47.5
Gross cash flow ⁵	1,228	850	-30.8
Net cash flow ⁶	1,147	782	-31.8
Capital expenditures as per segment table	889	831	-6.5

¹ EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales.

² EBIT as shown in the income statement

³ Earnings per share as defined in IAS 33 = net income divided by the average number of shares.

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 25.

⁵ Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid or accrued, 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.

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

