

Information for Stockholders 2002

Interim Report for the First Quarter

Net income substantially improved – No recovery in industrial business so far

Hopes of an economic recovery were not yet fulfilled in the first quarter of 2002. However, we believe the U.S. economy, which had weakened considerably, will recover in the course of the year and we also anticipate an economic revival in Europe.

Forward-Looking Statements

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

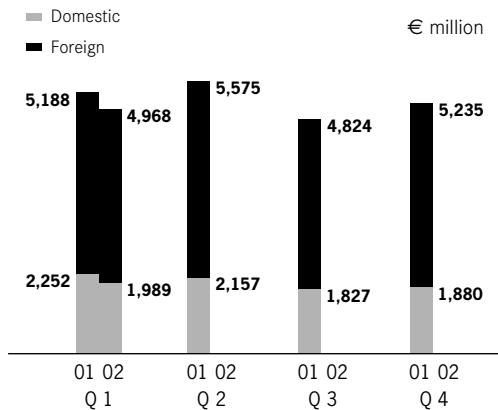
- downturns in the business cycle of the industries in which we compete;
- new regulations, or changes to existing regulations, that increase our operating costs or otherwise reduce our profitability;
- increases in the price of our raw materials, especially if we are unable to pass these costs along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

These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). In view of these uncertainties, we caution readers not to place undue reliance on these forward-looking statements. We accept no obligation to continue to report or update these forward-looking statements or adjust them to future events or developments.

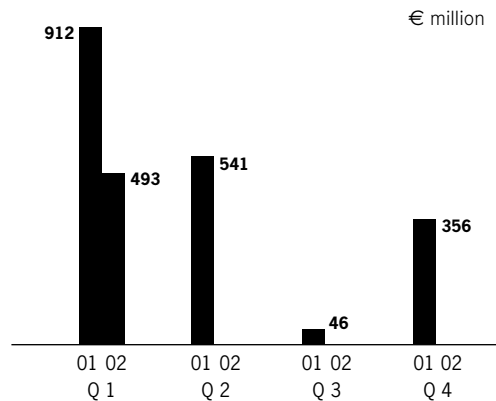


Interim Report for the First Quarter

SALES FROM CONTINUING OPERATIONS



OPERATING RESULT FROM CONTINUING OPERATIONS BEFORE EXCEPTIONAL ITEMS



The 6 percent decline in sales from continuing operations, to €7.0 billion, was fairly modest considering the state of the economy in the first quarter and especially since portfolio changes accounted for a 4 percent decrease.

The operating result before exceptional items dropped by 46 percent to €0.5 billion, due partly to the weakness of the economy but also to continuing pressure on polymers margins and the absence of sales of the cholesterol-lowering drug Lipobay®/Baycol®.

Including the Haarmann & Reimer and Fibers business groups, which it is planned to divest, sales declined by 8 percent to €7.2 billion, and the operating result was down just 1 percent.

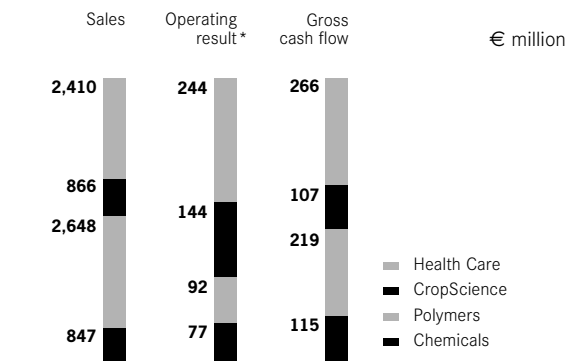
Performance by Business Area

Our four business areas recorded combined external sales of €6.8 billion, an operating result of €0.6 billion before exceptional items and corporate costs, and gross cash flow of €0.7 billion. Polymers posted the highest sales volume and CropScience the highest operating margin, while Health Care accounted for the largest shares of the operating result and gross cash flow.

CHANGE IN SALES	1st QUARTER
Reported	- 8%
Continuing operations	- 6%
Volumes	+ 1%
Prices	- 4%
Exchange rates	+ 1%
Portfolio changes	- 4%

After exceptional items, the operating result matched the €0.8 billion earned in the same period last year. It was boosted to the tune of €0.5 billion by the sale of company-owned housing units, but diminished by €0.2 billion in charges for restructuring and site consolidation.

PERFORMANCE BY BUSINESS AREA (before reconciliation)



* before exceptional items

Interim Report for the First Quarter

HEALTH CARE

€ million	1st Quarter 2002	1st Quarter 2001	Full Year 2001
Sales	2,410	2,566	10,821
Operating result before exceptional items	244	380	943
Return on sales before exceptional items	10.1%	14.8%	8.7%
Gross cash flow	266	366	926

CROPSCIENCE

€ million	1st Quarter 2002	1st Quarter 2001	Full Year 2001
Sales	866	814	2,708
Operating result before exceptional items	144	213	453
Return on sales before exceptional items	16.6%	26.2%	16.7%
Gross cash flow	107	160	550

Sales in the **Health Care** business area decreased by 6 percent to €2.4 billion, largely because of the withdrawal of the cholesterol-lowering drug Lipobay®/Baycol®. The operating result dropped by 36 percent to €0.2 billion, and gross cash flow was down 27 percent, to €0.3 billion.

Pharmaceuticals saw business decline by €233 million, or 19 percent, to €1.0 billion, with the absence of Lipobay®/Baycol® diminishing sales by €246 million. The anti-infective Ciprobay®/Cipro® showed growth, while the antihypertensive Adalat® was exposed to increasing competition from generics, especially in the United States.

The Biological Products Business Group grew sales by 36 percent to €0.3 billion, mainly because increased quantities of our factor VIII product Kogenate® were released.

Bayer and Aventis have signed a non-binding letter of intent to combine the Biological Products Business Group and Aventis Behring into a joint venture.

Consumer Care sales were down 9 percent to €0.5 billion due to lower sales of our cold remedies and the effects of the economic crisis in Argentina.

We plan to optimize the portfolio by divesting the household insecticides business.

Sales of the Diagnostics Business Group rose by 8 percent to €0.5 billion, with increases in

all business units. Nucleic acid diagnostics showed the strongest growth.

A worldwide distribution agreement for oncology-related serum assays was signed with DAKO A/S of Denmark.

Animal Health boosted sales by 13 percent to €0.2 billion, mainly due to a strong upward trend in our products for companion animals in North America.

CropScience sales rose 6 percent to €0.9 billion, with our European and North American companies contributing most to the increase. The operating result and gross cash flow slipped by 32 and 33 percent, respectively, to €0.1 billion each, chiefly due to write-offs of receivables in Latin America and one-time charges for the integration of Aventis CropScience.

The European Commission has approved the acquisition of Aventis CropScience subject to certain conditions. The U.S. Federal Trade Commission (FTC) is expected to announce its decision shortly.

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POLYMERS

€ million	1st Quarter 2002	1st Quarter 2001	Full Year 2001
Sales	2,648	2,846	10,788
Operating result before exceptional items	92	230	434
Return on sales before exceptional items	3.5%	8.1%	4.0%
Gross cash flow	219	381	1,201

The **Polymers** business area continued to be affected by poor trading conditions in the first quarter of 2002. Fierce competition for market share was accompanied by further price erosion. The cost structure programs we have embarked on could not yet fully offset the resulting pressure on margins. Against this background the business area posted sales of €2.6 billion, with the operating result amounting to €0.1 billion and gross cash flow to €0.2 billion.

Sales of the Plastics Business Group declined by 19 percent to €0.8 billion, largely because of a substantial drop in demand and price reductions in the Polycarbonates Business Unit.

In the Rubber Business Group, continuing weak demand from the automotive industry caused a 6 percent drop in sales, to €0.6 billion.

Sales of Polyurethanes grew by 4 percent to €0.8 billion, mainly as a result of higher volumes in the Comfort and Insulation business units.

This business group is strengthening its market position in Scandinavia by acquiring the polyurethanes activities of the Danish company Tectrade A/S, Copenhagen.

Sales in the Coatings and Colorants Business Group slipped 3 percent to €0.5 billion.

CHEMICALS

€ million	1st Quarter 2002	1st Quarter 2001	Full Year 2001
Sales	847	1,023	3,749
Operating result before exceptional items	77	132	271
Return on sales before exceptional items	9.1%	12.9%	7.2%
Gross cash flow	115	124	379

The **Chemicals** business area recorded a 17 percent decline in sales, of which 7 percentage points were due to portfolio changes. Here, too, continuing pressure on margins weighed heavily on the operating result. Gross cash flow receded by 8 percent to €0.1 billion.

The Basic and Fine Chemicals Business Group saw sales drop by 13 percent to €0.2 billion, primarily because of divestments. Other factors were the effect of the weak economy on the basic chemicals business and, in the Inorganic Basic Chemicals Business Unit, a sharp drop in the price of caustic soda solution.

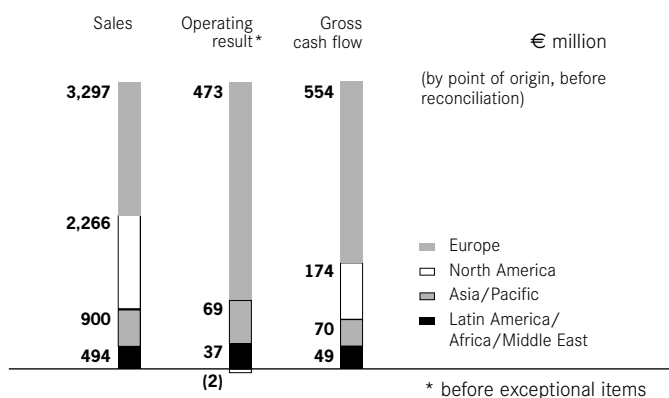
Business in Specialty Products was down 5 percent to €0.4 billion, due partly to generally weak demand and partly to lower sales of textile processing chemicals in North America.

In the Wolff Walsrode Business Group, portfolio changes caused sales to decrease by 27 percent to €0.1 billion.

Sales of H.C. Starck fell 35 percent – mainly because of the continuing cyclical weakness in the electrical industry – to €0.2 billion.

€ million	1st Quarter	1st Quarter
	2002	2001
Gross operating cash flow	834	1,067
Changes in working capital	(594)	(770)
Net cash provided by operating activities	240	297
<i>of which discontinuing operations</i>	23	(16)
Net cash used in investing activities	(62)	(746)
<i>of which discontinuing operations</i>	(29)	(21)
Net cash provided by financing activities	194	415
<i>of which discontinuing operations</i>	5	47
Change in cash and cash equivalents	372	(34)
Cash and cash equivalents at beginning of year	719	491
Exchange rate movements and changes in scope of consolidation	1	18
Cash and cash equivalents at end of first quarter	1,092	475

PERFORMANCE BY REGION



Performance by Region

Sales of our companies in **Europe** registered an 8 percent decline, to €3.3 billion.

The operating result dropped by 41 percent to €0.5 billion, and gross cash flow was down 27 percent, at €0.6 billion. The 14 percent return on sales was well above the Group average of 7 percent. In **North America** and **Asia/Pacific**, too, we recorded lower sales, operating income and gross cash flow.

In the **Latin America/Africa/Middle East** region, Bayer companies posted 5 percent higher sales in local currencies. Shifts in currency parities had a negative effect. The operating result was on a par with last year, while gross cash flow improved by 20 percent to €49 million.

Interim Report for the First Quarter

EARNINGS

€ million	1st Quarter 2002	1st Quarter 2001	Full Year 2001
Operating result	840	848	1,611
<i>of which discontinuing operations</i>	19	24	369
Non-operating result	(157)	(126)	(496)
Income before income taxes	683	722	1,115
Net income	523	442	965

Liquidity and capital resources

The consolidated financial statements for the first quarter of 2002 have been prepared as for the year 2001 according to the rules issued by the International Accounting Standards Board, London. Reference should be made as appropriate to the notes to the 2001 statements.

While gross cash flow declined by €233 million, net cash flow was down by only €57 million because of a €176 million reduction in working capital compared with the first quarter of 2001.

Net cash used in investing activities came to €62 million, including €26 million for net additions to property, plant and equipment. The latter figure is the difference between €541 million in capital expenditures and €515 million in cash inflows from sales of noncurrent assets. Net cash outflow for investments, after deducting interest and dividends received, amounted to €36 million.

Financing activities provided net cash of €194 million, with €310 million in net borrowings partially offset by €116 million in interest paid after taxes.

Cash and cash equivalents increased from the first quarter of last year by €617 million to €1,092 million. Including marketable securities and other instruments, the Group had liquid assets of €1,144 million on March 31, 2002.

Earnings performance

The operating result – including discontinuing operations – for the first quarter of 2002 declined by 1 percent to €0.8 billion. This includes the €0.5 gain on the sale of the majority of our company housing units.

The non-operating result declined by €31 million to minus €157 million.

Income tax expense, at €159 million, was €125 million less than for the same period last year due to the tax-free income from the above sale. The effective tax rate dropped by 16 percentage points to 23 percent. Net income rose by 18 percent to €523 million.

Interim Report for the First Quarter

BALANCE SHEET STRUCTURE

€ million

	March 31, 2002	March 31, 2001	Dec. 31, 2001
Noncurrent assets	21,621	21,656	21,702
Current assets	16,541	16,631	15,337
Stockholders' equity	16,763	16,322	16,922
Minority stockholders' interest	96	108	98
Liabilities	21,303	21,857	20,019
Total assets	38,162	38,287	37,039

Asset and capital structure

Total assets increased during the first three months of 2002 by €1.1 billion, or 3 percent, to €38.2 billion.

Growth was mainly in current assets, with trade accounts receivable €0.6 billion higher than on December 31, 2001 and liquid assets €0.4 billion higher.

Stockholders' equity declined by €0.2 billion to €16.8 billion. The €0.5 billion in net income for the first quarter does not offset the proposed dividend for 2001.

Liabilities, including deferred taxes and deferred income, grew to €21.3 billion. Of the increase, the dividend allocation alone accounts for €0.7 billion. Net debt was unchanged from December 31, 2001 at €6.5 billion.

Capital expenditures

In the first quarter of 2002 we spent €0.5 billion for intangible assets, property, plant and equipment. In line with our declared strategy, this was fully financed out of the €0.6 billion amortization and depreciation charge. Europe accounted for expenditures of €0.2 billion, with 83 percent of this invested at our German sites. We more than doubled our capital investment in North America, to €0.3 billion.

The capital expenditure budget for the full year 2002 is €2.4 billion.

Employees

On March 31, 2002 the Bayer Group had 111,100 employees in its continuing operations, which was 900 fewer than at the start of the year.

Headcount was reduced by 600 in Europe, 200 in the Latin America/Africa/Middle East region and 100 in Asia/Pacific. The number of employees in North America was unchanged. Compared with the first quarter of 2001, personnel expenses rose by €45 million to €1.9 billion. Of this increase, €25 million resulted from currency translations.

Outlook

In the Health Care business area, we expect substantially higher sales this year for biological products, though this cannot compensate for the absence of Lipobay®/Baycol®. Operating income will be further affected by restructuring charges in Pharmaceuticals and expenses for the planned launch of our new drug for the treatment of erectile dysfunction. In Diagnostics and Biological Products, however, we expect earnings to improve.

CropScience should post moderate business growth during the year despite the economic weakness in Latin America. The operating result, however, will be hampered by expenses for the integration of Aventis CropScience.

The business trend in Polymers and Chemicals is crucially dependent on an improvement in the economic situation. The cost structure programs we have initiated cannot fully offset the continuing pressure on margins.

Regarding the full year 2002, the current economic uncertainty precludes any reliable forecast for the operating business. However, gains from the planned divestitures should significantly improve net income.

Interim Report for the First Quarter

BAYER GROUP HIGHLIGHTS

	1st Quarter		Full Year
	2002	2001	2001
Sales (€ million)	7,233	7,901	30,275
<i>of which discontinuing operations</i>	276	461	1,337
Sales from continuing operations	6,957	7,440	28,938
Change	- 6.5 %	+ 10.2 %	+ 1.1 %
Domestic companies	1,989	2,252	8,116
Change	- 11.7 %	+ 10.2 %	- 0.2 %
Foreign companies	4,968	5,188	20,822
Change	- 4.2 %	+ 10.2 %	+ 1.7 %
Operating result (€ million)	840	848	1,611
<i>of which discontinuing operations</i>	19	24	369
Operating result from continuing operations	821	824	1,242
Change	- 0.4 %	- 16.4 %	- 59.5 %
Operating result from continuing operations before exceptional items	493	912	1,855
Change	- 45.9 %	- 7.9 %	- 42.2 %
Return on sales before exceptional items	7.1 %	12.3 %	6.4 %
Net income (€ million)	523	442	965
Change	+ 18.3 %	- 20.5 %	- 46.9 %
Gross cash flow (€ million)	834	1,067	2,923
Change	- 21.8 %	+ 2.9 %	- 29.8 %
Capital expenditures (€ million)*	528	519	2,553
Domestic companies	182	234	1,346
Foreign companies	346	285	1,207
Number of employees*	111,100	114,600	112,000
as of March 31			
Personnel expenses (€ million)	1,879	1,834	7,576
Change	+ 2.5 %	+ 7.1 %	+ 3.9 %

* continuing operations

Interim Report for the First Quarter

BAYER GROUP CONSOLIDATED STATEMENTS OF INCOME (SUMMARY)

	1st Quarter		Change %
	2002 € million	2001 € million	
Net sales	7,233	7,901	- 8.5 %
<i>Net sales from discontinuing operations</i>	(276)	(461)	- 40.1 %
Net sales from continuing operations	6,957	7,440	- 6.5 %
Cost of goods sold	(4,070)	(3,873)	+ 5.1 %
Gross profit	2,887	3,567	- 19.1 %
Selling expenses	(1,574)	(1,672)	- 5.9 %
Research and development expenses	(551)	(562)	- 2.0 %
General administration expenses	(217)	(253)	- 14.2 %
Other operating income (expenses) - net	276	(256)	•
Operating result from continuing operations	821	824	- 0.4 %
<i>Operating result from discontinuing operations</i>	19	24	- 20.8 %
Operating result	840	848	- 0.9 %
Non-operating result	(157)	(126)	- 24.6 %
Income before income taxes	683	722	- 5.4 %
Income taxes	(159)	(284)	- 44.0 %
Inome after taxes	524	438	+ 19.6 %
Minority stockholders' interest	(1)	4	•
Net income	523	442	+ 18.3 %
Earnings per share (€)	0.72	0.61	+ 18.0 %

Interim Report for the First Quarter

BAYER GROUP CONSOLIDATED BALANCE SHEETS (SUMMARY)

	March 31, 2002 € million	March 31, 2001 € million	Dec. 31, 2001 € million
ASSETS			
Noncurrent assets	21,621	21,656	21,702
Inventories	5,852	6,454	5,818
Receivables	8,898	9,312	8,140
Liquid assets	1,144	677	771
Current assets	15,894	16,443	14,729
Deferred taxes	647	188	608
	38,162	38,287	37,039
<i>of which discontinuing operations</i>	1,043	1,529	1,049
STOCKHOLDERS' EQUITY AND LIABILITIES			
Capital stock and reserves	4,812	4,812	4,812
Retained earnings	10,159	9,911	9,841
Net income	523	442	965
Other comprehensive income			
Currency translation adjustment	666	811	759
Miscellaneous items	603	346	545
Stockholders' equity	16,763	16,322	16,922
Minority stockholders' interest	96	108	98
Long-term liabilities	8,477	8,934	8,906
Short-term liabilities	11,488	11,311	9,875
Liabilities	19,965	20,245	18,781
<i>of which discontinuing operations</i>	313	481	307
Deferred taxes	1,338	1,612	1,238
	38,162	38,287	37,039

The first-quarter statements are unaudited.

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BAYER GROUP CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital stock and reserves	Retained earnings	Net income	Currency translation adjustment	Miscel- laneous items	Total
	€ million	€ million	€ million	€ million	€ million	€ million
December 31, 2000	4,812	9,047	1,816	465	0	16,140
Dividend payment			(1,022)			(1,022)
Allocation to retained earnings		864	(794)			70
Exchange differences				346		346
Other changes in stockholders' equity					346	346
Income after taxes			442			442
March 31, 2001	4,812	9,911	442	811	346	16,322
December 31, 2001	4,812	9,841	965	759	545	16,922
Dividend payment			(657)			(657)
Allocation to retained earnings		318	(308)			10
Exchange differences				(93)		(93)
Other changes in stockholders' equity					58	58
Income after taxes			523			523
March 31, 2002	4,812	10,159	523	666	603	16,763

KEY DATA BY REGION

Regions	Europe		North America		Asia/Pacific		Latin America/ Africa/Middle East	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter	
€ million	2002	2001	2002	2001	2002	2001	2002	2001
Net sales (external) – by market	2,914	3,218	2,242	2,254	1,113	1,201	688	767
Net sales (external) – by point of origin	3,297	3,590	2,266	2,357	900	963	494	530
• Change in €	- 8.2%	+ 10.0%	- 3.9%	+ 8.4%	- 6.5%	+ 18.3%	- 6.8%	+ 6.6%
• Change in local currencies	- 8.4%	+ 9.9%	- 8.8%	+ 3.0%	- 4.9%	+ 22.6%	+ 5.1%	+ 3.5%
Interregional sales	795	908	506	458	53	70	25	32
Operating result before exceptional items	473	804	(2)	35	69	110	37	38
Return on sales before exceptional items	14.3%	22.4%	(0.1%)	1.5%	7.7%	11.4%	7.5%	7.2%
Exceptional items	427	(24)	(98)	(55)	0	(4)	(1)	0
Operating result	900	780	(100)	(20)	69	106	36	38
Return on sales	27.3%	21.7%	(4.4%)	(0.8%)	7.7%	11.0%	7.3%	7.2%
Gross cash flow	554	755	174	221	70	97	49	41

Regions	Reconciliation		Continuing Operations		Discontinuing Operations		Bayer Group	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter	
€ million	2002	2001	2002	2001	2002	2001	2002	2001
Net sales (external) – by market			6,957	7,440	276	461	7,233	7,901
Net sales (external) – by point of origin			6,957	7,440	276	461	7,233	7,901
• Change in €			- 6.5%	+ 10.2%			- 8.5%	+ 7.8%
• Change in local currencies			- 6.9%	+ 8.9%			- 8.9%	+ 6.5%
Interregional sales	(1,379)	(1,468)						
Operating result before exceptional items	(84)	(75)	493	912	19	41	512	953
Return on sales before exceptional items			7.1%	12.3%			7.1%	12.1%
Exceptional items	0	(5)	328	(88)	0	(17)	328	(105)
Operating result	(84)	(80)	821	824	19	24	840	848
Return on sales			11.8%	11.1%			11.6%	10.7%
Gross cash flow	(46)	(81)	801	1,033	33	34	834	1,067

Financial Highlights

Euro million

	Q1'02	Q1'01	Δ %
● Sales	7,233	7,901	- 8.5
● Sales (cont.)	6,957	7,440	- 6.5
● Operating income	840	848	- 0.9
● Operating income pre-exceptionals (cont.)	493	912	- 45.9
● Non-operating result	- 157	- 126	- 24.6
● Pre-tax income	683	722	- 5.4
● After-tax income	524	438	+ 19.6
● Net income	523	442	+ 18.3
● Earnings/share (Euro)	0.72	0.61	+ 18.0

Components of Q1 Sales Trend

Euro million

	2001	2002	Δ %
Sales	7,901	7,233	- 8.5
• Discontinuing	461	276	
• Continuing	7,440		
- Acquisitions/ Divestitures		- 299	- 4.0
			Divestitures - 299
			• Lipobay/Baycol - 246
			• Covexx - 25
			• ChemDesign - 20
			• H-acid - 8
+ Currencies		+ 28	+ 0.4
- Prices		- 281	- 3.8
+ Volumes		+ 69	+ 0.9
• Continuing		6,957	- 6.5

Q1 Comparable Operating Income

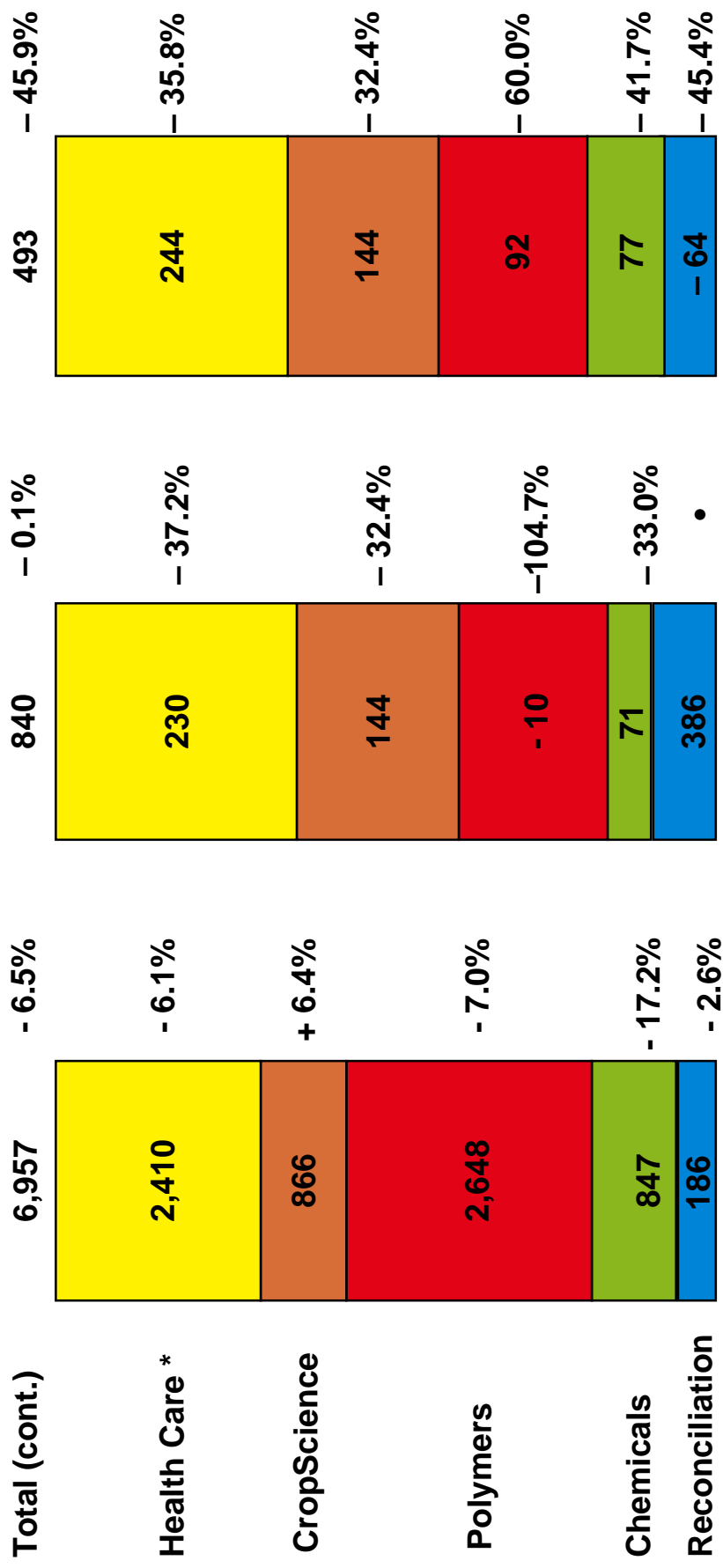
Euro million	2002	2001	Δ %
OPI reported	840	848	- 0.9
● Segments	435	872	- 50.1
● Reconciliation	386	(48)	
● Discontinuing operations	19	24	
<hr style="border-top: 1px dashed black;"/>			
- H&R	22	24	
- Fibers	(3)	(15)	
- Erdölchemie	•	15	
OPI continuing	821	824	- 0.4
● Exceptional items (cont.)	328	(88)	
OPI underlying – continuing operations	493	912	- 45.9

Q1 Exceptional Items

Euro million	2002			2001			Net	Gain	Δ %
	Charge	Gain	Net	Charge	Gain	Net			
Health Care	- 14	0	- 14	- 14	0	- 14	- 14	0	0
CropScience	0	0	0	0	0	0	0	0	0
Polymers	- 102	0	- 102	- 18	0	- 18	- 18	- 84	- 84
Chemicals	- 6	0	- 6	- 51	0	- 51	- 51	+ 45	+ 45
Reconciliation	- 2	+ 452	+ 450	- 5	0	- 5	- 5	+ 455	+ 455
Discont.	0	0	0	- 17	0	- 17	- 17	+ 17	+ 17
Total	- 124	+ 452	+ 328	- 105	0	- 105	- 105	+ 433	+ 433

Q1'02 Business Performance

Euro million



Op. Income
(underlying)

Op. Income
(reported)

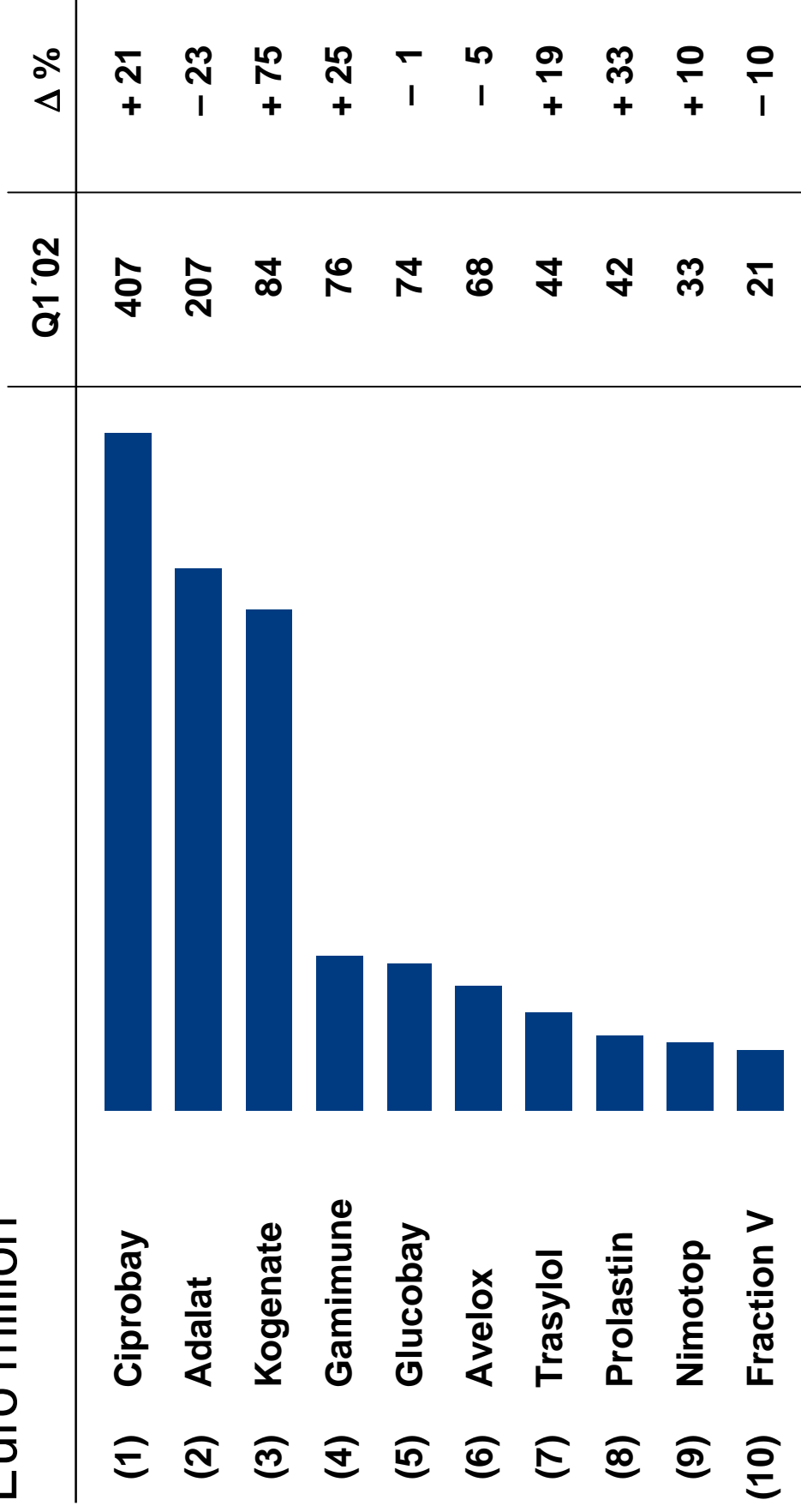
Sales

* including Animal Health



Pharmaceuticals – Top 10 Products

Euro million



Non-operating result

EUR million	Q1'02	Q1'01	Δ %
Non-operating result	- 157	- 126	- 24.6
● Income (expenses) from affiliated companies – net	+ 3	+ 31	- 90.3
● Interest expense – net	- 62	- 88	+ 29.5
● Interest portion pension provisions	- 67	- 68	+ 1.5
● Exchange gain – net	- 10	+ 17	•
● Miscellaneous – net	- 21	- 18	- 16.7