

Bayer Group Consolidated Statements of Income

Financial Report
as of March 31, 2008

Consolidated
Financial Statements

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

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

Bayer Group Consolidated Balance Sheets

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

2007 figures reclassified

Bayer Group Consolidated Statements of Cash Flows

Financial Report
as of March 31, 2008

Consolidated
Financial Statements

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

Bayer Group Consolidated Statements of Recognized Income and Expense

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

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

Key Data by Segment

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

* for definition see Bayer Group Key Data on page 2

Key Data by Region

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

* number of employees in full-time equivalents

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

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

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2008 have been prepared according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), in effect at the closing date.

Reference should be made as appropriate to the notes to the consolidated financial statements for the 2007 fiscal year, particularly with regard to recognition and valuation principles.

Information on earnings per share

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

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

Changes in the Bayer Group

Scope of consolidation

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

Acquisitions

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

Discontinued operations

The diagnostics activities, along with H.C. Starck and Wolff Walsrode, were recognized as discontinued operations in 2007. The information on discontinued operations, which is provided from the standpoint of the Bayer Group, is to be regarded as part of the reporting for the entire Bayer Group by analogy with our segment reporting and is not intended to portray either the discontinued operations or the remaining operations of Bayer as separate entities. This presentation is thus in line with the principles for reporting discontinued operations.

Discontinued Operations	Diagnostics		H.C. Starck		Wolff Walsrode		Total	
	1st Quarter 2007	1st Quarter 2008	1st Quarter 2007	1st Quarter 2008	1st Quarter 2007	1st Quarter 2008	1st Quarter 2007	1st Quarter 2008
€ million								
Sales	0	-	74	-	85	-	159	-
Operating result (EBIT)*	2,778	-	109	-	13	-	2,900	-
Income after taxes	2,044	-	103	-	7	-	2,154	-
Gross cash flow*	(10)	-	14	-	10	-	14	-
Net cash flow*	7	-	26	-	5	-	38	-
Net investing cash flow	3,748	(40)	922	-	(2)	-	4,668	(40)
Net financing cash flow	(3,755)	40	(948)	-	(3)	-	(4,706)	40

* for definition see Bayer Group Key Data on page 2

Related parties

Our business partners include companies in which an interest is held, and companies with which members of the Supervisory Board of Bayer AG are associated. Transactions with these companies are carried out on an arm's-length basis. Business with such companies was not material from the viewpoint of the Bayer Group. The Bayer Group was not a party to any transaction of an unusual nature or structure that was material to it or to companies or persons closely associated with it. Business transactions with companies included in the consolidated financial statements at equity, or at cost less impairment charges, mainly comprised trade in goods and services. The value of these transactions was, however, immaterial from the point of view of the Bayer Group. The same applies to financial receivables and payables vis-à-vis related parties.

Leverkusen, April 22, 2008
Bayer Aktiengesellschaft

Board of Management

Werner Wenning

Klaus Kühn

Dr. Wolfgang Plischke

Dr. Richard Pott