Earning power further strengthened in the first quarter

Bayer: excellent start to 2008

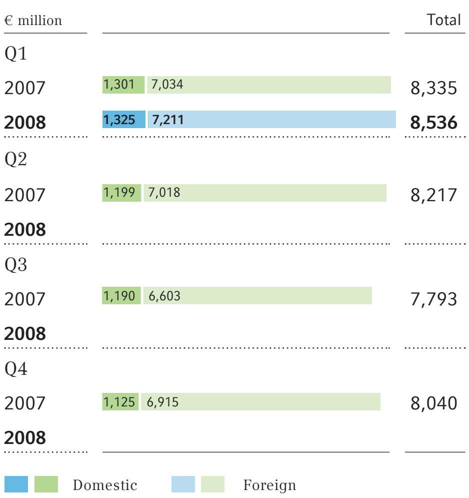
- Sales up 2.4 percent to €8.5 billion
- EBITDA before special items up 9.8 percent to €2.2 billion
- EBIT before special items up 8.9 percent to €1.5 billion
- Net income €0.8 billion
- Full-year guidance for CropScience raised
- Positive Group forecast for 2008 confirmed

Overview of Sales, Earnings and Financial Position

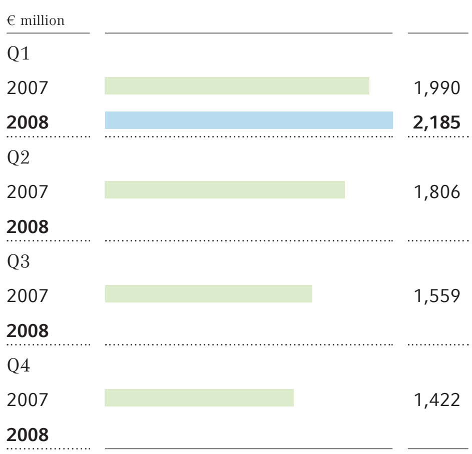
First quarter of 2008

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

Sales by Market



EBITDA Before Special Items

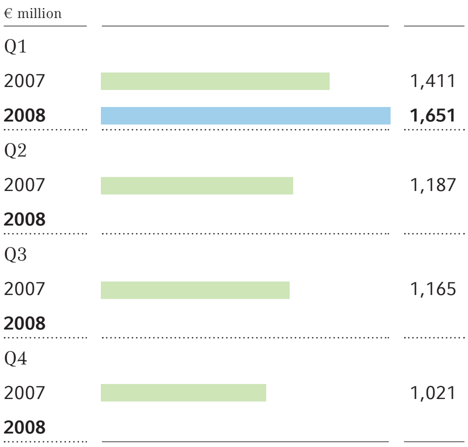


EBITDA before special items rose by 9.8 percent in the first quarter to €2,185 million (Q1 2007: €1,990 million) despite adverse shifts in currency parities. HealthCare posted a 10.8 percent improvement to €1,050 million (Q1 2007: €948 million), while underlying EBITDA of CropScience climbed by 22.1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

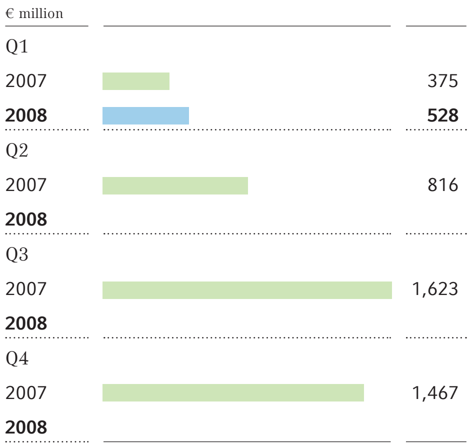
EBIT before special items advanced by 8.9 percent in the first quarter of 2008 to €1,497 million (Q1 2007: €1,375 million). Special charges totaled €154 million (Q1 2007: €200 million), including €100 million (Q1 2007: €139 million) related to the acquisition of Schering AG, Germany, and €54 million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

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

Gross Cash Flow



Net Cash Flow



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

Future Perspectives

Economic outlook

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

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

Bayer Group sales and earnings forecast

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

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

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

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

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

Performance by Subgroup and Segment

Corporate structure

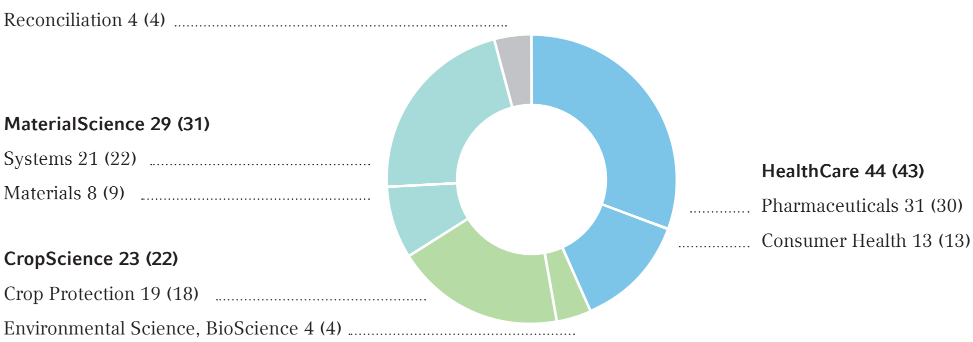
Our business activities are grouped into the HealthCare, CropScience and MaterialScience subgroups. There was no change to the corporate structure of the Bayer Group in the first quarter. The commentaries in this report relate exclusively to continuing operations, except where specific reference is made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

Key Data by Subgroup and Segment

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

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

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



Bayer HealthCare

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

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

The names "Bayer Schering Pharma" or "Schering" as used in this report always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively. The reference to Bayer Schering Pharma AG or Schering AG also includes business conducted by affiliated entities in countries outside Germany. Bayer Schering Pharma AG and Schering-Plough Corporation, New Jersey, U.S., are unaffiliated companies that have been totally independent of each other for many years.

Pharmaceuticals

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consumer Health

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

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

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

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

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

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

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

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

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

Bayer CropScience

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

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

Crop Protection

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

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

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

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

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

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

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

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

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

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

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

Environmental Science, BioScience

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

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

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

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

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

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

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

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

Bayer MaterialScience

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

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

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

Systems

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

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

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

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

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

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

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

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

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

Materials

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

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

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

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

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

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

Calculation of EBIT(DA) Before Special Items

To permit a more accurate assessment of business operations, EBIT and EBITDA are also stated "before special items." The special items concerned are detailed in the table below. "EBITDA," "EBITDA before special items" and "EBIT before special items" are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information.

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

* The purchase price paid for Schering AG, Germany, was allocated among the acquired assets and assumed liabilities in accordance with the International Financial Reporting Standards (IFRS). To ensure comparability with future earnings data, the expected long-term effects of the step-up are reflected in EBIT and EBITDA before special items, whereas temporary, non-cash effects of the purchase price allocation are eliminated. In this connection we recognized a €51 million special charge when calculating EBIT before special items for the first quarter.

Liquidity and Capital Resources

Operating cash flow

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

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

* for definition see Bayer Group Key Data on page 2

Investing cash flow

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

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

Financing cash flow

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

Liquid assets and net debt

As of March 31, 2008 the Bayer Group held cash and cash equivalents of €2,717 million, including €750 million deposited in escrow accounts. This amount is earmarked for payments to be made in connection with the squeeze-out of the remaining minority stockholders of Bayer Schering Pharma AG and civil law settlements of antitrust proceedings. Pursuant to a resolution of the Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG on January 17, 2007, the shares of that company that are still held by minority stockholders will be transferred to the main stockholder, Bayer Schering GmbH, a wholly owned subsidiary of Bayer AG, in return for cash compensation of €98.98 per share. Dissenting stockholders are seeking to have the stockholder resolution set aside or to have it declared null and void. As of March 31, 2008, we held a 96.3 percent interest in Bayer Schering Pharma AG. In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt.

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

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

In the first quarter we reduced net debt (total) by €0.1 billion to €12.1 billion. As of March 31, 2008 we had noncurrent financial liabilities of €12.6 billion, including the €1.2 billion subordinated hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond issued in April 2006. Net debt should be viewed against the fact that Moody's and Standard & Poor's treat 75 percent and 50 percent, respectively, of the hybrid bond as equity. Both rating agencies consider the mandatory convertible bond wholly as equity. Unlike conventional borrowings, the hybrid bond thus has only a limited effect on the Group's rating-specific debt indicators, while the mandatory convertible bond has no effect.

Standard & Poor's has given Bayer a long-term issuer rating of BBB+ with positive outlook, while Moody's has assigned the company an A3 rating with negative outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

Net pension liability

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

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

Employees

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

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

Risk Report

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

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

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

Antitrust proceedings in connection with polymers

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

Proceedings involving contraceptives and other hormonal products

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

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

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

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

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

Further patent disputes

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

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

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

Subsequent Events

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