Q4 2007 Analyst and Investor Briefing

February 28, 2008

- **Sales** rose by 0.9% to €8.040m (Q4'06: €7,970m); Volume +4%, price +/-0%, currency -4%, portfolio +1%. Portfolio and currency adjusted sales increased by 4.6%.
- **Reported EBITDA** at €1,081m, up by 27.8% (Q4'06: €846m).
- **Underlying EBITDA** advanced by 13.0% to €1.422m (Q4'06: €1,258m).
- **Reported EBIT** up by 86.9% to €385m (Q4'06: €206m).
- **Net Special Items** of -€389m include: *HealthCare*: Total -€311m, mainly due to Schering integration costs (-€143m), Schering PPA (-€73m) and litigation (-€79m). *CropScience:* -€36 (restructuring); *MaterialScience*: -€42m (restructuring).
- **Underlying EBIT** rose by 24.4% to €774m (Q4'06: €622m).
- **Non-operating result** at -€179m (Q4'06: -€77m) including net interest expenses of €160m (Q4'06: €242m). Foreign currency gain of €48m in connection with financing activities. Q4'06 included gain (€236m) from divestiture of our stake in GE Bayer Silicones.
- **Income taxes** at -€149m (Q4'06: €130m). One-time tax expense of -€42m for future intercompany transactions to optimize financial structure in the group. Q4'06 income taxes of €130m included gain of €203m resulting from one-time recognition of deferred tax assets on loss carryforwards. Income tax paid at -€29m (Q4'06: -€30m).
- **Net income** at €67m down by 78.5% (Q4'06: €311m). **EPS** amounted to €0.11 (Q4'06: €0.41).
- **Core EPS** at €0.71 up 42% (Q4'06: €0.50).
- **Gross cash flow** improved by 34.2% to €1,021m (Q4'06: €761m). **Delta Working Capital** down by 39.1% to €446m. **Net cash flow (cont.)** at €1,467m (Q4'06: 1,493m). **Investments** at €737m (Q4'06: €792m). **Operating free cash flow (total)** at €732m (Q4'06: €786m).
- **Net debt** (total) qoq reduced by €536 to €12,184m. Net debt down by €5,355m since year end 2006.

	Q4 2006						Q4 2007					
€ million	Sales	EBITDA rep.	EBITDA under-lying	EBIT rep.	Special Items	EBIT under-lying	Sales	EBITDA rep.	EBITDA under-lying	EBIT Rep.	Special Items	EBIT under-lying
HealthCare	**3,782**	**469**	**796**	**187**	**(274)**	**461**	**3,800**	**658**	**922**	**273**	**(311)**	**584**
Pharma	2,698	250	563	3	(260)	263	2,619	434	670	84	(283)	367
Cons. Health	1,084	219	233	184	(14)	198	1,181	224	252	189	(28)	217
CropScience	**1,302**	**107**	**142**	**(42)**	**(42)**	**0**	**1,321**	**142**	**177**	**7**	**(36)**	**43**
Crop Protect.	1,090	76	111	(53)	(42)	(11)	1,100	112	147	(3)	(36)	33
ES/BS	212	31	31	11	0	11	221	30	30	10	0	10
MaterialSc.	**2,532**	**288**	**307**	**131**	**(56)**	**187**	**2,579**	**325**	**367**	**199**	**(42)**	**241**
Materials	749	62	62	18	0	18	778	42	42	1	0	1
Systems	1,783	226	245	113	(56)	169	1,801	283	325	198	(42)	240
Reconc.	**354**	**(18)**	**13**	**(70)**	**(44)**	**(26)**	**340**	**(44)**	**(44)**	**(94)**	**0**	**(94)**
Group	**7,970**	**846**	**1,258**	**206**	**(416)**	**622**	**8,040**	**1,081**	**1,422**	**385**	**(389)**	**774**

Bayer Group sales and earnings forecast

We plan to raise Group sales by about 5% on a currency-adjusted basis and expect to further increase underlying EBITDA and underlying EBITDA margin. Our planning is based on an exchange rate of 1.45 US$/€ (PY average rate 1.37 US$/€). Special charges: approx. €650m (€400m-€450m thereof will be cash items). Capex: €1.7bn; D&A: €2.6bn, thereof depreciation on property, plant and equipment accounting for €1.2bn. R&D spending: approx. €2.8bn.
We continue to target an EBITDA margin before special items in excess of 22% in 2009.

HealthCare:
Targeting a growth at or above-market rate (on a Fx adj. basis) in all divisions in 2008, and an improvement in underlying EBITDA margin to approx. 27%. We confirm our target of an underlying EBITDA margin of around 28% in 2009.

CropScience
We expect a generally positive market environment in 2008 and aim to raise sales by approx. 5% on a currency-adjusted basis. Our goal is to improve the underlying EBITDA margin to > 23%. We plan to further increase our profitability by 2009 and continue to target an underlying EBITDA margin of around 25% in a normal market environment.

Bayer MaterialScience
We are planning to achieve good volume growth once again in 2008. Due to the uncertain business environment and highly volatile raw material prices, it is currently not possible to make a firm prediction concerning earnings for the full year. We expect to achieve a good, value-creating earnings level, though without matching the 2007 figure. For the first quarter of 2008 we believe underlying EBITDA will remain practically level with the fourth quarter of 2007. We continue to believe that in the future, under favorable economic conditions, we can post an underlying EBITDA margin of more than 18 %.

Q4'07 HealthCare

Pharmaceuticals sales -2.9% (Fx adj. +1.4%) to €2,619m compared to a strong Q4'06. YoY comparison affected by negative one-time effects of roughly €80m due to cessation of plasma products distribution, Helixate shipment fluctuations to CSL and absence of Cipro government sales included in Q4'06. *Primary Care:* Adalat (€155m, -10.9%, Fx adj. -7.2%). Avelox grew strongly by 29.3% to €128m (Fx adj. +35.5%) on higher volumes in US and EU. Cipro (€86m, -37.2%, Fx adj. -34.9%). Levitra down 4.7% (Fx adj. -0.1%) to €82m. *Women's HealthCare:* Yasmin sales (including Yaz and Yasminelle) rose by 20.2% (Fx adj. +27.2%) to €274m, driven by increasing market share in all regions. Mirena advanced by 14.3% to €96m (Fx adj. +19.7%), driven mainly by growth in the US market. *Diagnostic Imaging:* Magnevist fell 15.7% to €70m (Fx adj. -8.9%). Ultravist (€57m, +18.8%, Fx adj. +24.0%). *Specialized Therapeutics:* Betaferon rose by 0.8% (Fx adj. +3.9%) to €266m. *Hematology/Cardiology:* Kogenate dropped 5.4% (Fx adj. -1.4%) to €194m. Voluntary suspension of Trasylol (€10m, -75.0%, Fx adj. -71.1%) *Oncology*: Nexavar contributed €87m (+77.6%, Fx adj. +84.3%). Portfolio effect of Plasma (-€14m) due to termination of distribution in some regions in 2006.
Underlying EBITDA at €670m (Q4'06: €563m), up 19.0%, mainly due to synergies already achieved. **Underlying EBIT** up 39.5% to €367m. Cost base in Q4 approx. €130m higher compared to Q3, driven primarily by higher marketing cost. Reclassification of approx. €25m former Schering R&D cost per quarter (FY'07: approx. €100m) to marketing cost to align with Bayer accounting practices under IFRS.

Consumer Health sales up 8.9% to €1,181m (Fx adj. +14.6%). *Consumer Care:* Aspirin OTC advanced by 8.5% (Fx adj. +11.9%) to €128m, due to strong sales in all regions. Aleve up 10.7% to €62m (Fx adj. +21.3%), mainly due to new product launches (Liquid Gel). Canesten (€44m, +10.0%, Fx adj.

+15.7%). Bepanthen family grew by 16.7% to €35m (Fx adj. +13.3%). One-A-Day vitamin product fell by 5.7% (Fx adj. +4.5%) to €33m. Rennie increased sales by 3.6% (Fx adj. +3.3%) to €29m. *Diabetes Care:* Ascensia family expanded sales by 21.2% (Fx adj. +27.7%) to €257m, driven by strong performance in North America and Europe. *Animal Health:* Advantage family up 5.5% (Fx adj. +13.7%) to €58m.
Underlying EBITDA improved by 8.2% to €252m, due to the gratifying expansion of the business in all regions. **Underlying EBIT** increased by 9.6% to €217m.

Q4'07 CropScience

Crop Protection sales increased by 0.9% to €1,100m (Fx adj. +3.6%). Sales in the **Herbicides** business slightly dropped 1.8% to €372m (Fx adj. +0.8%). Good development in Asia (some rainfall in Australia stimulated sales) partly compensated for decline in Europe (lower pre-season sales in France) and GMO pressure in LatAm. **Fungicides** sales down 3.5% to €307m (Fx adj. -2.2%). Strong performance of Flint in LatAm could not fully offset phasing effects (Q4 to Q1) in Europe. **Insecticides** decreased by 3.8% to €276m (Fx adj. -1.1%). Favorable growth of new products in LatAm offset price pressure in NA. **Seed Treatment** strongly up by 36.8% to €145m (Fx adj. +43.2%). Increasing global corn acreage drives Poncho, especially in NA.
Underlying EBITDA climbed by 32.4% to €147m, due to higher volumes and savings from restructuring programs. **Underlying EBIT** up by €44m to €33m.

Environmental Science/BioScience sales up by 4.2% (Fx adj. +8.7%) to €221m. **Environmental Science** down by 6.9% (Fx adj. -0.7%) to €148m, due to generic pressure for Professional Products and depressed housing market (effects termiticides) in NA nearly offset by good development in EU. Sales of **BioScience** unit advanced by 37.7% to €73m (Fx adj. +36.8%), driven by good performance of vegetable seeds and lower returns of canola seeds.
Underlying EBITDA fell by €1m to €30m. **Underlying EBIT** down by €1m to €10m.

Q4'07 MaterialScience

Materials segment sales moved ahead by 3.9% (Fx adj. +9.7%) to €778m due to higher Polycarbonates volumes and first-time consolidation of Ure-Tech (TPU). Polycarbonates sales up 2.9% (Fx adj. +8.9%) to €719m.
Underlying EBITDA dropped by 32.3% to €42m. Earnings burdened by higher raw material costs and negative Fx effects. **Underlying EBIT** down €17m to €1m.

Systems segment sales were slightly up 1.0% to €1,801m (Fx adj. +5.5%) with Polyurethanes contributing €1,280m (-0.3%). Demand for MDI remained solid (except USA), TDI showed strong volume and price growth. Coatings, Adhesives, Sealants continued to grow on higher prices and volumes (€380m, +7.3%).
Underlying EBITDA advanced by 32.7% to €325m. Higher selling prices fully compensated higher raw material costs and negative Fx effects. **Underlying EBIT** up by 42.0% to €240m.

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Calculation of Core EBIT and Core Ernings per Share

Calculation of Core EBIT and Core Earnings per Share

in € million	2006	2007	Q4'06	Q4'07
EBIT as per income statement	**2,762**	**3,154**	**206**	**385**
Amortization and write-downs of intangible assets	734	1,463	267	366
Write-downs of property, plant and equipment	107	118	78	32
Special items (other than write-downs)	909	911	412	341
Core EBIT	**4,512**	**5,646**	**963**	**1,124**
Non-operating result (as per income statement)	(782)	(920)	(77)	(179)
One-time income/losses from investments in affiliated companies	(236)	-	(236)	-
Income taxes (as per income statement)	(454)	72	130	(149)
One-time tax income	(203)	(870)	(203)	41
Tax adjustment	(531)	(887)	(180)	(270)
Income after taxes attirubutable to minority interest	(12)	(5)	(12)	(4)
Core net income from continuing operations	**2,294**	**3,036**	**385**	**563**
Financing expenses for the mandatory convertible bond, net of tax effects	72	98	24	25
Adjusted core net income	**2,366**	**3,134**	**409**	**588**
Adjusted weighted average total number of issued and potential ordinary shares	791,757,583	823,907,303	823,865,730	823,927,413
Core earnings per share from continuing operations (€)	**2.99**	**3.80**	**0.50**	**0.71**