Bayer

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Spring Financial News Conference:

Wenning: 2007 was Bayer's most successful year to date

- Sales grew 11.8 percent to EUR 32,385 million
- EBITDA before special items advanced 21.4 percent to EUR 6,777 million
- Performance target for 2007 exceeded: underlying EBITDA margin of 20.9 percent
- EBIT before special items climbed 23.2 percent to EUR 4,287 million
- Group net income totaled EUR 4,711 million – boosted by divestiture proceeds
- Further earnings increase expected for 2008

Leverkusen, February 28, 2008 – The Bayer Group once again considerably improved its sales and earnings in 2007, and also exceeded its performance targets. "2007 was Bayer's most successful year to date," said Management Board Chairman Werner Wenning on Thursday at the Spring Financial News Conference in Leverkusen. Sales gained 11.8 percent to EUR 32,385 million (2006: EUR 28,956 million) – bearing in mind that in the previous year the acquired business of Schering AG, Berlin, Germany, was only included on a pro-rated basis from June 23, 2006. Adjusted for currency and portfolio effects, Group sales rose by 6.1 percent, with all three subgroups contributing to the increase.

"Our operating performance exceeded both the previous year's record levels and the earnings targets we had set for 2007," Wenning continued. Earnings before interest, taxes, depreciation and amortization (EBITDA) and before special items advanced by 21.4 percent to EUR 6,777 million (2006: EUR 5,584 million). The underlying EBITDA margin was 20.9 percent (2006: 19.3 percent). The operating result (EBIT) before special items climbed by 23.2 percent to EUR 4,287 million (2006: EUR 3,479 million).

Bayer HealthCare boosts sales and earnings

Bayer HealthCare achieved the strongest growth among the three subgroups in 2007. Its sales rose by 26.3 percent year on year to EUR 14,807 million (2006: EUR 11,724 million). The 2007 figure includes the acquired Schering business on a full-year basis for the first time. Currency- and portfolio-adjusted sales of the subgroup rose by 7.3 percent. This increase was due to the positive sales performance of both the Pharmaceuticals and the Consumer Health segments. “As expected, Pharmaceuticals expanded in line with the market, while in Consumer Health all divisions actually grew faster than the market,” the Bayer Chairman explained.

Sales of the Pharmaceuticals segment climbed by 37.3 percent to EUR 10,267 million. Adjusted for currency and portfolio effects, business expanded by 5.7 percent. The oral contraceptives Yasmin®, YAZ® and Yasminelle® saw currency-adjusted sales climb by 37 percent pro forma in 2007, with sales of this product family passing the EUR 1 billion mark. Sales of the multiple sclerosis treatment Betaferon® also exceeded EUR 1 billion for the first time, with currency-adjusted business up 7 percent pro forma. Sales of the intra-uterine spiral Mirena® expanded by 25 percent (pro forma and currency-adjusted) to EUR 361 million, due especially to strong growth in the United States. “Our cancer drug Nexavar® developed particularly well,” Wenning reported. “Sales of this product more than doubled in only the second year after its introduction, to EUR 270 million.”

In the Consumer Health segment, sales came in at EUR 4,540 million (2006: EUR 4,246 million), with growth amounting to 10.3 percent on a currency- and portfolio-adjusted basis. Seven of this segment’s ten best-selling products posted double-digit sales growth. Among the top products of the Consumer Care Division, the strongest currency-adjusted gains were registered by the Berocca® vitamin tablet with 17 percent, the antifungal Canesten® with 15 percent, the analgesic Aleve® with 14 percent, and the One-A-Day® line of vitamin products, also with a 14 percent increase.

Sales of the Diabetes Care Division grew by a particularly strong 18 percent, thanks mainly to the outstanding performance of the Ascensia® Contour® blood glucose monitoring system. On a currency-adjusted basis, the Ascensia® product family expanded by 24 percent.

Business in the Animal Health Division increased primarily due to the positive performance of the Advantage® range of flea and tick control products, currency-adjusted sales of which rose by 21 percent.

The Bayer HealthCare subgroup's operating result improved significantly, thanks to the very good sales performance, the full-year inclusion of Schering and the synergies already realized from the integration. EBITDA before special items jumped by 45.1 percent to EUR 3,792 million (2006: EUR 2,613 million). The underlying EBITDA margin came in at 25.6 percent (2006: 22.3 percent), ahead of the company's expectations for 2007.

Bayer CropScience: positive conditions on the world's agricultural markets

Bayer CropScience had sales in 2007 of EUR 5,826 million (2006: EUR 5,700 million), with business up by 5.6 percent after adjusting for currency and portfolio effects.

In the Crop Protection segment – the conventional crop protection business – currency- and portfolio-adjusted sales advanced 6.3 percent to EUR 4,781 million (2006: EUR 4,644 million). Overall the crop protection business benefited from the positive business conditions on the world's agricultural markets, particularly the higher prices for agricultural commodities, increased cultivation of crops for the production of biofuels, and an improved market environment in Latin America.

The subgroup's young and innovative products turned in a particularly pleasing performance. Sales of active substances introduced to core markets since 2000 rose by one third compared to 2006, reaching nearly EUR 1.4 billion. Significant contributions here came from the seed treatment Poncho®, sales of which almost doubled on a currency-adjusted basis, the fungicide Flint®, which saw sales increase by 37 percent, the cereal herbicide Atlantis® and the cereal fungicide Proline®.

In the Environmental Science, BioScience segment, sales came to EUR 1,045 million (2006: EUR 1,056 million), with the currency- and portfolio-adjusted increase amounting to 2.6 percent. While BioScience saw business expand by 14.1 percent on a currency- and portfolio-adjusted basis, sales of Environmental Science receded by a currency-adjusted 2.8 percent. Here, business with products for professional users was hampered by generic competition and by unfavorable weather conditions in North America.

EBITDA before special items of the subgroup was up by 10.0 percent year on year to EUR 1,324 million (2006: EUR 1,204 million). This was due in part to higher volume sales and cost savings, which more than offset the decline in margins caused by negative currency effects. The underlying EBITDA margin came to 22.7 percent (2006: 21.1 percent), thus exceeding the company's expectations.

Bayer MaterialScience achieves aimed-for earnings level

Bayer's business with high-tech materials also continued to make good gains in 2007: the Bayer MaterialScience subgroup expanded business by 6.2 percent on a currency- and portfolio adjusted basis, to EUR 10,435 million (2006: EUR 10,161 million). This sales growth was mainly the result of higher volumes in both segments, as well as a slight increase in selling prices overall.

Sales in the Systems segment climbed by 5.5 percent on a currency- and portfolio-adjusted basis, to EUR 7,394 million (2006: EUR 7,236 million), thanks to growth in volumes and higher selling prices. Currency- and portfolio-adjusted sales of the Polyurethanes business unit grew by 4.2 percent, while Coatings, Adhesives, Sealants saw currency-adjusted sales improve by an even more substantial 10.9 percent.

The Materials segment, which comprises the Polycarbonate and Thermoplastic Polyurethanes business units, had sales of EUR 3,041 million (2006: EUR 2,925 million). Business expanded by 7.9 percent on a currency- and portfolio-adjusted basis thanks to significantly higher volumes, especially in Asia.

EBITDA before special items of the Bayer MaterialScience subgroup amounted to EUR 1,606 million (2006: EUR 1,677 million), down just 4.2 percent from the very high level of the previous year. The considerable increases in petrochemical raw material and energy costs and negative currency effects were largely offset by higher volumes and selling price increases. The subgroup achieved an underlying EBITDA margin of 15.4 percent (2006: 16.5 percent), and thus the high earnings level the company was aiming for.

Net debt reduced by more than EUR 5 billion

Earnings in 2007 were diminished by a number of special items totaling minus EUR 1,133 million (2006: minus EUR 717 million) on aggregate. The acquisition and integration of Schering accounted for a large proportion of these items at nearly EUR 700 million. After special items, EBIT improved by 14.2 percent to EUR 3,154 million (2006: EUR 2,762 million).

Gross cash flow rose by 22.3 percent to EUR 4,784 million, and net cash flow by 9.0 percent to EUR 4,281 million, thanks to the gratifying expansion of business and the full-year inclusion of Schering. “We are also very satisfied with the reduction in our net debt,” said Chief Financial Officer Klaus Kühn, explaining that the company’s net indebtedness was paid down by an impressive EUR 5.4 billion in 2007, to EUR 12.2 billion. He said contributory factors here were the purchase price payments received for the diagnostics business, H.C. Starck and Wolff Walsrode, and the improvement in operating cash flow.

Including the EUR 2.4 billion in earnings from discontinued operations, Group net income climbed to EUR 4,711 million (2006: EUR 1,683 million).

Further improvement in the fourth quarter

Bayer also reported strong results for the fourth quarter of 2007. Sales totaled EUR 8,040 million (Q4 2006: EUR 7,970 million), representing a year-on-year increase of 4.6 percent on a currency- and portfolio-adjusted basis. EBITDA before special items was up by 13.0 percent to EUR 1,422 million (Q4 2006: EUR 1,258 million) and EBIT before special items increased by 24.4 percent to EUR 774 million (Q4 2006: EUR 622 million). “We have now posted year-on-year improvements in underlying earnings in 20 consecutive quarters,” Wenning pointed out. “I would like to stress that all three subgroups contributed to the improvement in our performance.”

However, fourth-quarter net income came in at only EUR 67 million, against EUR 311 million for the same period of 2006. This was mainly due to one-time effects, both in the non-operating result and in income taxes. In the fourth quarter of 2006, the non-operating result contained one-time income of EUR 236 million from the sale of Bayer’s interest in GE Bayer Silicones. The company also had exceptional tax income of EUR 203 million in

the fourth quarter of 2006, while the Q4 2007 figure was weighed down by one-time non-cash tax expense.

Stockholders and employees benefit from Bayer's success

Earnings per share increased from EUR 2.22 to EUR 5.84 in 2007. Since 2006 Bayer has also published core earnings per share. This key indicator, which also forms the basis for the company's dividend policy, rose from EUR 2.99 in the previous year to EUR 3.80 in 2007. "Together with the Supervisory Board, we are proposing to raise the dividend per share for fiscal 2007 by 35 percent to EUR 1.35," said Wenning. This corresponds to 36 percent of Bayer's core earnings per share, which is within the company's announced dividend policy of paying between 30 and 40 percent of core earnings per share. The total payout would be in excess of EUR 1 billion.

Not just the stockholders, but also Bayer's approximately 106,000 employees worldwide are once again benefiting from the company's gratifying performance. Bayer plans to pay out approximately EUR 490 million under the Group-wide incentive program to enable its workforce to participate in this success. "Our payscale employees in Germany alone will receive an amount equivalent to more than one month's salary," Wenning said. In addition to this substantial variable income, Bayer employees also saw their fixed incomes increase. Wenning explained that the growth in total remuneration in recent years has outpaced inflation. In addition, Bayer's employees have benefited from stock participation programs for a number of years. "In this way we are continuing our policy of enabling our employees to participate appropriately in our capital growth and the development of our company," continued Wenning. "The efforts of recent years have therefore paid off for Bayer employees. And we can certainly say that they have participated in the upswing at our company."

Planned further increase in underlying EBITDA margin in 2008 / Good start to the current year

Wenning predicted further growth for 2008. "We anticipate that we can raise Bayer Group sales by about 5 percent this year on a currency-adjusted basis," the Bayer Chairman said. This would mean a slight nominal increase over 2007. "We also plan to further improve both EBITDA before exceptional items and our operating margin in 2008. The strong start to this year confirms our assessment," Wenning continued. Bayer expects a

gratifying earnings trend for HealthCare and CropScience, while MaterialScience anticipates a more difficult market environment this year. Wenning confirmed the company's target margin for next year: "We still plan to achieve an underlying EBITDA margin of over 22 percent for the Group in 2009."

The company expects to take special charges of about EUR 650 million in 2008, of which between EUR 400 million and EUR 450 million will be cash items. These charges will result primarily from the integration of Schering and from ongoing restructuring projects at CropScience and MaterialScience. Bayer is budgeting for cash expenses of approximately EUR 200 million in 2008 and EUR 50 million in 2009 for the Schering integration.

To safeguard long-term growth, Bayer plans to spend EUR 1.7 billion on property, plant and equipment in 2008. Research and development spending is expected to increase to EUR 2.8 billion. "This is once again the largest R&D budget of any German company in our industry," Wenning emphasized.

Bayer HealthCare is targeting a market or above-market rate of currency-adjusted sales growth in all divisions in 2008, along with an improvement in the underlying EBITDA margin to approximately 27 percent. The subgroup's goal is to reach an underlying EBITDA margin of around 28 percent in 2009.

Bayer CropScience expects a generally positive market environment in 2008 and aims to raise sales by approximately 5 percent on a currency-adjusted basis. Its goal is to improve the underlying EBITDA margin to more than 23 percent. "We plan to further increase our profitability by 2009 and continue to target an underlying EBITDA margin of around 25 percent for CropScience in a normal market environment," the Bayer Chairman explained.

Bayer MaterialScience is planning to achieve good volume growth once again in 2008, too. 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. The subgroup expects to achieve a good, value-creating earnings level once again, though without matching the 2007 figure. For the first quarter of 2008, Bayer MaterialScience believes underlying EBITDA will remain practically level with the fourth quarter of 2007. The MaterialScience subgroup continues to believe that in the future,

under favorable economic conditions, it can post an underlying EBITDA margin of more than 18 percent. Its cost structure program is designed to help achieve this objective.

“2007 was another very successful year for Bayer from both an operational and a strategic perspective,” Wenning said, adding that the company aims to further increase its earning power in 2008. “We believe the Group is on a successful path in view of the innovative and growth potential in our portfolio. And that’s why we’re looking to the future with confidence.”

Note:
Tables containing the key data for the Bayer Group and its subgroups for the Fourth Quarter and Full Year 2007 are appended below.

The complete Annual Report 2007 is available on the Internet at ***www.investor.bayer.com.***

We are also offering the following Internet services at ***www.investor.bayer.com:***
- Live webcast of the ***Spring Financial News Conference*** *beginning at 10:00 a.m. CET*
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- Live webcast of the ***Investor Conference Call*** *beginning at 4:00 p.m. CET*

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Forward-looking statements
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Bayer Group Key Data, Fourth Quarter and Full Year 2007

Bayer Group (EUR million)	Q4 2006	**Q4 2007**	Change in %	FY 2006	**FY 2007**	Change in %
Sales	7,970	**8,040**	+0.9	28,956	**32,385**	+11.8
EBITDA	846	**1,081**	+27.8	4,675	**5,866**	+25.5
Special items	*(412)*	***(341)***	-	*(909)*	***(911)***	-
EBITDA before special items	1,258	**1,422**	+13.0	5,584	**6,777**	+21.4
EBIT	206	**385**	+86.9	2,762	**3,154**	+14.2
Special items	*(416)*	***(389)***	-	*(717)*	***(1,133)***	-
EBIT before special items	622	**774**	+24.4	3,479	**4,287**	+23.2
Group net income	311	**67**	-78.5	1,683	**4,711**	-

Bayer HealthCare (EUR million)	Q4 2006	**Q4 2007**	Change in %	FY 2006	**FY 2007**	Change in %
Sales	3,782	**3,800**	+0.5	11,724	**14,807**	+26.3
EBITDA	469	**658**	+40.3	1,947	**3,065**	+57.4
Special items	*(327)*	***(264)***	-	*(666)*	***(727)***	-
EBITDA before special items	796	**922**	+15.8	2,613	**3,792**	+45.1
EBIT	187	**273**	+46.0	1,313	**1,564**	+19.1
Special items	*(274)*	***(311)***	-	*(402)*	***(928)***	-
EBIT before special items	461	**584**	+26.7	1,715	**2,492**	+45.3

Bayer CropScience (EUR million)	Q4 2006	**Q4 2007**	Change in %	FY 2006	**FY 2007**	Change in %
Sales	1,302	**1,321**	+1.5	5,700	**5,826**	+2.2
EBITDA	107	**142**	+32.7	1,166	**1,204**	+3.3
Special items	*(35)*	***(35)***	-	*(38)*	***(120)***	-
EBITDA before special items	142	**177**	+24.6	1,204	**1,324**	+10.0
EBIT	(42)	**7**	-	584	**656**	+12.3
Special items	*(42)*	***(36)***	-	*(57)*	***(130)***	-
EBIT before special items	0	**43**	-	641	**786**	+22.6

Bayer MaterialScience (EUR million)	Q4 2006	**Q4 2007**	Change in %	FY 2006	**FY 2007**	Change in %
Sales	2,532	**2,579**	+1.9	10,161	**10,435**	+2.7
EBITDA	288	**325**	+12.8	1,499	**1,542**	+2.9
Special items	*(19)*	***(42)***	-	*(178)*	***(64)***	-
EBITDA before special items	307	**367**	+19.5	1,677	**1,606**	-4.2
EBIT	131	**199**	+51.9	992	**1,042**	+5.0
Special items	*(56)*	***(42)***	-	*(218)*	***(75)***	-
EBIT before special items	187	**241**	+28.9	1,210	**1,117**	-7.7

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