Bayer

Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

Investor News

Gratifying trend in the second quarter of 2007

Bayer continues on a path of growth

- Sales up 22 percent to EUR 8,217 (6,736) million
- Underlying EBITDA climbs 39 percent to EUR 1,806 (1,303) million
- Underlying EBIT rises 30 percent to EUR 1,185 (911) million
- Net income advances by 46 percent to EUR 660 (452) million
- Underlying EBITDA margin above 20 percent expected for the full year

Leverkusen, August 7, 2007 – The Bayer Group continued its successful development in the second quarter of 2007. Sales grew by 22.0 percent to EUR 8,217 million (Q2 2006: EUR 6,736 million). Adjusted for currency and portfolio effects, sales rose by 5.4 percent. All three subgroups contributed to this growth, with business up 9.3 percent at Bayer HealthCare, 1.9 percent at Bayer CropScience and 6.3 percent at Bayer MaterialScience. “The Bayer Group had a very good second quarter in 2007, following the excellent start to the year,” Bayer CEO Werner Wenning commented on Tuesday. At the same time he confirmed the improved full-year earnings forecast for the Group issued in June, according to which the EBITDA margin before special items in 2007 should exceed 20 percent in a full year for the first time.

Business with the acquired products of Schering, Berlin, Germany, contributed EUR 1,489 million to second-quarter sales. The figure for the same period of 2006 *pro rata temporis* was EUR 144 million, with Schering being included in the Bayer Group’s consolidated financial statements from June 23, 2006.

Earnings before interest, taxes, depreciation and amortization (EBITDA) before special items climbed by 38.6 percent to EUR 1,806 million (Q2 2006: EUR 1,303 million). HealthCare posted the strongest earnings growth, more than doubling its underlying EBITDA. The Bayer Group's operating result (EBIT) before special items improved by 30.1 percent to EUR 1,185 million (Q2 2006: EUR 911 million).

Bayer HealthCare sales and earnings increase sharply

The Bayer HealthCare subgroup posted the strongest advances in sales and earnings in the second quarter. Sales moved ahead 64.7 percent to EUR 3,717 million. Adjusted for the effects of currency and portfolio changes – including the acquired Schering business – sales increased by 9.3 percent thanks to the positive business trend in both segments, Pharmaceuticals and Consumer Health.

The Pharmaceuticals business expanded by 117.4 percent (currency- and portfolio-adjusted: 9.0 percent), with sales of EUR 2,583 million. Bayer achieved particularly encouraging growth in sales of the new cancer medicine Nexavar®, which advanced 160.9 percent to EUR 60 million. Business with the oral contraceptive Yasmin®, including YAZ® and Yasminelle®, registered a pro forma 38.1 percent increase. Sales of the blood-clotting factor Kogenate® improved by 17.3 percent, and those of the intra-uterine system Mirena® rose by the same percentage (pro forma). The erectile dysfunction treatment Levitra® registered an 11.0 percent advance in sales. Revenues from Bayer's top-selling pharmaceutical product, the multiple sclerosis treatment Betaferon®/Betaseron®, were particularly affected by shifts in currency parities, posting a 2.8 percent sales increase (pro forma).

Sales of the Consumer Health segment advanced in the second quarter by 6.1 percent (currency- and portfolio-adjusted: 9.6 percent) to EUR 1,134 million, with all divisions contributing to growth. Diabetes Care posted the largest increase, with sales gaining 14.6 percent. Sales of the Consumer Care Division – the over-the-counter drugs business – rose by 3.3 percent, and Animal Health also developed very well with a 5.6 percent gain.

EBITDA of the Bayer HealthCare subgroup before special items moved ahead by 106.2 percent in the second quarter, to EUR 969 million. The increase was mainly due to the earnings contributions from the acquired Schering business and also to synergies of around EUR 100 million.

Cost-containment programs improve results at Bayer CropScience

Second-quarter sales of Bayer CropScience were 1.0 percent below the prior-year period, at EUR 1,562 million. Currency- and portfolio-adjusted sales expanded by 1.9 percent. In the Crop Protection segment, sales edged downward to EUR 1,262 million. Adjusted for currency and portfolio changes, business grew by 2.5 percent. Sales advanced mainly in the Fungicides and Seed Treatment business units, with our young products performing particularly well. Sales of the innovative fungicide Proline® (active ingredient: prothioconazole), for example, climbed by 36.4 percent. The Insecticides and Herbicides units, however, saw revenues decline.

Sales of the Environmental Science/BioScience segment were down 2.9 percent to EUR 300 million. Adjusted for currency changes, however, they were roughly level with the same period of 2006. In Environmental Science, the positive trend in home and garden products for consumers did not compensate for a significant drop in sales of products for professional users resulting mainly from increased generic competition in North America. The BioScience business posted good gains, however, with sales up by 19.0 percent.

The subgroup's EBITDA before special items moved ahead 7.6 percent to EUR 396 million, benefiting not only from higher volumes in Crop Protection but also from savings achieved through the cost-containment programs. These factors more than offset the negative effects of altered currency parities and lower selling prices for some products.

Further increase in volumes at Bayer MaterialScience

The business with high-tech materials also expanded in the second quarter. Bayer MaterialScience saw sales move ahead 3.0 percent to EUR 2,623 million. On a currency-adjusted basis, the increase over the prior-year period came to 6.3 percent. The expansion came mainly from higher volumes in nearly all segments and regions. There were also some slightly positive price effects.

In the Materials segment, sales rose by 4.7 percent (currency-adjusted: 8.5 percent), thanks mainly to the expanding polycarbonate business. Sales of the Systems segment improved by 2.3 percent (currency-adjusted: 5.4 percent) due to slight gains in selling prices and volumes. The Coatings, Adhesives, Sealants business unit turned in a particularly pleasing performance, with sales up 7.9 percent. Sales of the Polyurethanes business unit edged up 0.9 percent.

EBITDA before special items in the second quarter of 2007 came in as expected at the first-quarter level of EUR 409 million, down 9.1 percent from the strong EUR 450 million figure for the prior-year period. Higher volumes and the slightly positive price effects did not entirely compensate for the roughly EUR 110 million in additional costs for raw materials and energy.

Dynamic growth in all regions

In the second quarter the Bayer Group achieved its highest sales in Europe, where revenues rose 22.8 percent to EUR 3,697 million. Business in Germany expanded by 13.1 percent to EUR 1,199 million, while in North America sales were 17.4 percent above the prior-year quarter at EUR 2,140 million. Sales in the Asia/Pacific region gained 23.3 percent to EUR 1,308 million. The Latin America/Africa/Middle East region saw sales climb by 27.5 percent to EUR 1,072 million.

Sharp rise in Group net income

Second-quarter EBIT was affected by special charges of EUR 268 million (Q2 2006: EUR 34 million), including EUR 209 million for the acquisition and integration of Schering. EBIT after special items rose to EUR 917 million (Q2 2006: EUR 877 million). Net income increased to EUR 660 million (Q2 2006: EUR 452 million), including a EUR 231 million gain on the divestment of Wolff Walsrode. Earnings per share moved ahead to EUR 0.83 (Q2 2006: EUR 0.60). Gross cash flow increased by 27.9 percent year on year to EUR 1,187 million (Q2 2006: EUR 928 million), due to the strong growth in business and the inclusion of Schering.

Operating performance in the first six months substantially improved

The Bayer Group also turned in a very pleasing performance for the entire first half of the year. Sales advanced by 22.4 percent to EUR 16,552 million (H1 2006: EUR 13,527 million). Adjusted for currency and portfolio changes, the overall increase was 6.4 percent, with the HealthCare business growing by 8.5 percent, CropScience by 4.0 percent and MaterialScience by 7.8 percent. EBITDA before special items climbed by 32.4 percent to EUR 3,796 million (H1 2006: EUR 2,867 million) and underlying EBIT by 22.6 percent to EUR 2,560 million (H1 2006: EUR 2,088 milion). After special items, EBIT came in 8.6 percent above the prior-year period at EUR 2,092 million (H1 2006: EUR 1,926 million). Net income tripled to EUR 3,469 million (H1 2006: EUR 1,052 million) thanks to gains from the divestments of the Diagnostics business, H.C. Starck and Wolff Walsrode.

Confidence for the second half of 2007

The company expects the global economic upswing to continue in the second half of the year. The pharmaceuticals market should maintain its current pace of steady growth, while the market environment for crop protection products is expected to show a further year-on-year improvement. Markets for the products of MaterialScience will probably show only a slight overall improvement, with regional growth rates diverging considerably.

“We remain confident about the development of our business in the second half,” declared Wenning. He said Bayer continues to target an increase of more than 10 percent in Group sales for the full year 2007. Adjusted for portfolio and currency effects, business should expand by about 5 percent. In June, Bayer had already raised its full-year earnings guidance for 2007 and 2009, with the underlying EBITDA margin for the Group expected to increase to more than 20 percent for the current year and over 22 percent in 2009.

Wenning expressed particular optimism regarding the HealthCare business. “We continue to expect that all of its divisions will grow with or faster than the market,” he said. Bayer is targeting an underlying EBITDA margin of 25 percent for 2007 and aiming to increase this to approximately 28 percent by 2009. The integration of the acquired business of Schering is proceeding more quickly than planned, with synergies of more than EUR 800 million expected to be realized by 2009.

The market environment for the Bayer CropScience subgroup was positive in the first half of the year, as anticipated. Year-on-year growth in sales is expected in the second half, the previous forecast being that full-year sales would grow slightly faster than the market. The target for the full-year underlying EBITDA margin is now more than 22 percent, compared to the previous forecast of an improvement toward 22 percent.

Bayer MaterialScience sustained a good, value-creating earnings level in the first six months of 2007. Underlying EBITDA for this subgroup in the third quarter is likely to remain on a par with the second quarter.

In connection with the passage of corporate tax reform legislation in Germany, we expect to receive approximately EUR 0.9 billion in one-time non-cash tax income in the third quarter of 2007 that will be mainly related to the accounting for the Schering acquisition. However, because the assessment base has been significantly widened in order to finance the reduction in nominal tax rates, only limited relief in terms of the total tax payable is expected in the coming years.

Note:
Tables containing the key data for the Bayer Group and its subgroups for the second quarter and first half of 2007 are appended below.

The Half-Year Financial Report as of June 30, 2007 is available on the Internet at ***www.investor.bayer.com.***

On the Internet we are also offering a live webcast of today's Investor Conference Call beginning at 2:00 p.m. CEST.

Bayer AG, Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
Dr. Juergen Beunink (+49-214-30-65742)
Peter Dahlhoff (+49-214-30-33022)
Ilia Kürten (+49-214-30-35426)
Ute Menke (+49-214-30-33021)
Judith Nestmann (+49-214-30-66836)
Dr. Olaf Weber (+49-214-30-33567)

Bayer Group Key Data

	2nd Quarter 2006	**2nd Quarter 2007**	Change	1st Half 2006	**1st Half 2007**	Change	Full Year 2006
	€ million	€ million	%	€ million	€ million	%	€ million
Net sales	**6,736**	**8,217**	**+ 22.0**	**13,527**	**16,552**	**+ 22.4**	**28,956**
Change in sales							
Volume	+ 4%	+ 5%		+ 4%	+ 6%		+ 5%
Price	0%	+ 1%		+ 1%	0%		0%
Currency	0%	− 3%		+ 3%	− 4%		0%
Portfolio	+ 2%	+ 19%		+ 1%	+ 20%		+ 12%
EBITDA[1]	**1,269**	**1,572**	**+ 23.9**	**2,705**	**3,346**	**+ 23.7**	**4,675**
Special items	*(34)*	*(234)*		*(162)*	*(450)*		*(909)*
EBITDA before special items	*1,303*	*1,806*	*+ 38.6*	*2,867*	*3,796*	*+ 32.4*	*5,584*
EBITDA margin before special items	19.3%	22.0%		21.2%	22.9%		19.3%
EBIT[2]	**877**	**917**	**+ 4.6**	**1,926**	**2,092**	**+ 8.6**	**2,762**
Special items	*(34)*	*(268)*		*(162)*	*(468)*		*(717)*
EBIT before special items	*911*	*1,185*	*+ 30.1*	*2,088*	*2,560*	*+ 22.6*	*3,479*
EBIT margin before special items	13.5%	14.4%		15.4%	15.5%		12.0%
Non-operating result	**(228)**	**(257)**	**− 12.7**	**(438)**	**(475)**	**− 8.4**	**(782)**
Net income	**452**	**660**	**+ 46.0**	**1,052**	**3,469**	**•**	**1,683**
Earnings per share (€)[3]	0.60	0.83		1.41	4.27		2.22
Core earnings per share (€)[4]	0.74	1.03		1.74	2.28		3.24
Gross cash flow[5]	**928**	**1,187**	**+ 27.9**	**2,017**	**2,598**	**+ 28.8**	**3,913**
Net cash flow[6]	**882**	**816**	**− 7.5**	**920**	**1,191**	**+ 29.5**	**3,928**
Cash outflows for capital expenditures	**340**	**440**	**+ 29.4**	**759**	**641**	**− 15.5**	**1,876**
Research and development expenses	**439**	**650**	**+ 48.1**	**853**	**1,275**	**+ 49.5**	**2,297**
Depreciation and amortization	**392**	**655**	**+ 67.1**	**779**	**1,254**	**+ 61.0**	**1,913**
Number of employees at end of period[7]	**105,700**	**104,600**	**− 1.0**	**105,700**	**104,600**	**− 1.0**	**106,000**
Personnel expenses	1,475	1,894	+ 28.4	2,961	3,792	+ 28.1	6,630

2006 figures restated

[1] 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. See also page 31.

[2] EBIT as shown in the income statement

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 42.

[4] Core earnings per share is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained on page 33.

[5] Gross cash flow = income after taxes from continuing operations plus income taxes, plus/minus non-operating result, minus income taxes paid, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see page 26 f.

[6] Net cash flow = cash flow from operating activities according to IAS 7

[7] Number of employees in full-time equivalents

Bayer HealthCare	2nd Quarter 2006	**2nd Quarter 2007**	Change	1st Half 2006	**1st Half 2007**	Change
	€ million	€ million	%	€ million	€ million	%
Net sales	**2,257**	**3,717**	**+ 64.7**	**4,460**	**7,327**	**+ 64.3**
EBITDA[1]	**454**	**788**	**+ 73.6**	**913**	**1,571**	**+ 72.1**
Special items	*(16)*	*(181)*		*(22)*	*(346)*	
EBITDA before special items[2]	*470*	*969*	*+ 106.2*	*935*	*1,917*	*+ 105.0*
EBITDA margin before special items	20.8%	26.1%		21.0%	26.2%	
EBIT[1]	**355**	**431**	**+ 21.4**	**734**	**916**	**+ 24.8**
Special items	*(16)*	*(209)*		*(22)*	*(348)*	
EBIT before special items[2]	*371*	*640*	*+ 72.5*	*756*	*1,264*	*+ 67.2*
Gross cash flow[1]	**336**	**545**	**+ 62.2**	**628**	**1,102**	**+ 75.5**
Net cash flow[1]	**367**	**284**	**– 22.6**	**410**	**667**	**+ 62.7**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 31

Bayer CropScience	2nd Quarter 2006	**2nd Quarter 2007**	Change	1st Half 2006	**1st Half 2007**	Change
	€ million	€ million	%	€ million	€ million	%
Net sales	**1,578**	**1,562**	**– 1.0**	**3,349**	**3,348**	**0.0**
EBITDA[1]	**368**	**348**	**– 5.4**	**919**	**896**	**– 2.5**
Special items	*0*	*(48)*		*0*	*(84)*	
EBITDA before special items[2]	*368*	*396*	*+ 7.6*	*919*	*980*	*+ 6.6*
EBITDA margin before special items	23.3%	25.4%		27.4%	29.3%	
EBIT[1]	**230**	**211**	**– 8.3**	**638**	**619**	**– 3.0**
Special items	*0*	*(51)*		*0*	*(90)*	
EBIT before special items[2]	*230*	*262*	*+ 13.9*	*638*	*709*	*+ 11.1*
Gross cash flow[1]	**289**	**259**	**– 10.4**	**676**	**628**	**– 7.1**
Net cash flow[1]	**534**	**494**	**– 7.5**	**184**	**256**	**+ 39.1**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 31

Bayer MaterialScience	2nd Quarter 2006	**2nd Quarter 2007**	Change	1st Half 2006	**1st Half 2007**	Change
	€ million	€ million	%	€ million	€ million	%
Net sales	**2,547**	**2,623**	**+ 3.0**	**5,033**	**5,231**	**+ 3.9**
EBITDA[1]	**432**	**389**	**– 10.0**	**859**	**798**	**– 7.1**
Special items	*(18)*	*(20)*		*(130)*	*(20)*	
EBITDA before special items[2]	*450*	*409*	*– 9.1*	*989*	*818*	*– 17.3*
EBITDA margin before special items	17.7%	15.6%		19.7%	15.6%	
EBIT[1]	**318**	**266**	**– 16.4**	**629**	**551**	**– 12.4**
Special items	*(18)*	*(24)*		*(130)*	*(30)*	
EBIT before special items[2]	*336*	*290*	*– 13.7*	*759*	*581*	*– 23.5*
Gross cash flow[1]	**327**	**293**	**– 10.4**	**644**	**597**	**– 7.3**
Net cash flow[1]	**251**	**278**	**+10.8**	**524**	**315**	**– 39.9**

2006 figures restated
[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 31

Forward-Looking Statements
This news release contains forward-looking statements based on current assumptions and forecasts made by Bayer Group management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.