



Stockholders' Newsletter

Financial Report as of September 30, 2007



Bayer continues on a successful path

Interim Group Management Report as of September 30, 2007


| | |
|--|----|
| → Bayer Group Key Data | 2 |
| → Financial Calendar, Masthead | 3 |
| → Overview of Sales, Earnings and Financial Position | 4 |
| → Future Perspectives | 7 |
| → Performance by Subgroup and Segment | 8 |
| → Bayer HealthCare | 10 |
| → Bayer CropScience | 16 |
| → Bayer MaterialScience | 20 |
| → Performance by Region | 22 |
| → Liquidity and Capital Resources | 24 |
| → Employees | 27 |
| → Risk Report | 28 |
| → Calculation of ebit(da) Before Special Items | 30 |
| → Subsequent Events | 30 |
| → Investor Information | 32 |

COVER PICTURE

Nanotechnology is playing an increasingly important role in research and development and harbors promising innovative potential for Bayer. For example, Bayer MaterialScience recently started to manufacture carbon nanotubes under the name Baytubes®. The low weight and tremendous strength of these materials make them a classic example of what nanotechnology can achieve. The cover photo shows Martin Schmid with an oversize model of the carbon nanotubes.

Consolidated Interim Financial Statements as of September 30, 2007

| | |
|---|----|
| → Bayer Group Statements of Income | 34 |
| → Bayer Group Balance Sheets | 35 |
| → Bayer Group Statements of Cash Flows | 36 |
| → Bayer Group Statements of Recognized Income and Expense | 37 |
| → Notes to the Consolidated Interim Financial Statements as of September 30, 2007 | 38 |
| → Key Data by Segment | 38 |
| → Key Data by Region | 40 |
| → Explanatory Notes | 42 |
| → Focus: Nexavar® approved in Europe to treat liver cancer | 46 |
| → News | 48 |

 For direct access to a chapter, simply click on its name.

Bayer Group Key Data

| | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change | Full Year 2006 |
|---|------------------------|------------------------|---------------|------------------------------|------------------------------|---------------|-------------------|
| | € million | € million | % | € million | € million | % | € million |
| Net sales | 7,459 | 7,793 | + 4.5 | 20,986 | 24,345 | + 16.0 | 28,956 |
| Change in sales | | | | | | | |
| Volume | + 6% | + 6% | | + 5% | + 6% | | + 5% |
| Price | 0% | + 1% | | + 1% | + 1% | | 0% |
| Currency | - 2% | - 3% | | + 1% | - 4% | | 0% |
| Portfolio | + 23% | 0% | | + 8% | + 13% | | + 12% |
| EBITDA¹ | 1,124 | 1,439 | + 28.0 | 3,829 | 4,785 | + 25.0 | 4,675 |
| <i>Special items</i> | <i>(335)</i> | <i>(120)</i> | | <i>(497)</i> | <i>(570)</i> | | <i>(909)</i> |
| <i>EBITDA before special items</i> | <i>1,459</i> | <i>1,559</i> | <i>+ 6.9</i> | <i>4,326</i> | <i>5,355</i> | <i>+ 23.8</i> | <i>5,584</i> |
| EBITDA margin before special items | 19.6% | 20.0% | | 20.6% | 22.0% | | 19.3% |
| EBIT² | 630 | 677 | + 7.5 | 2,556 | 2,769 | + 8.3 | 2,762 |
| <i>Special items</i> | <i>(139)</i> | <i>(276)</i> | | <i>(301)</i> | <i>(744)</i> | | <i>(717)</i> |
| <i>EBIT before special items</i> | <i>769</i> | <i>953</i> | <i>+ 23.9</i> | <i>2,857</i> | <i>3,513</i> | <i>+ 23.0</i> | <i>3,479</i> |
| EBIT margin before special items | 10.3% | 12.2% | | 13.6% | 14.4% | | 12.0% |
| Non-operating result | (267) | (266) | + 0.4 | (705) | (741) | - 5.1 | (782) |
| Net income | 320 | 1,175 | • | 1,372 | 4,644 | • | 1,683 |
| Earnings per share (€) ³ | 0.42 | 1.46 | | 1.82 | 5.73 | | 2.22 |
| Core earnings per share (€) ⁴ | 0.77 | 0.81 | | 2.50 | 3.09 | | 3.24 |
| Gross cash flow⁵ | 1,135 | 1,165 | + 2.6 | 3,152 | 3,763 | + 19.4 | 3,913 |
| Net cash flow⁶ | 1,515 | 1,623 | + 7.1 | 2,435 | 2,814 | + 15.6 | 3,928 |
| Cash outflows for capital expenditures | 325 | 482 | + 48.3 | 1,084 | 1,123 | + 3.6 | 1,876 |
| Research and development expenses | 669 | 640 | - 4.3 | 1,522 | 1,915 | + 25.8 | 2,297 |
| Depreciation and amortization | 494 | 762 | + 54.3 | 1,273 | 2,016 | + 58.4 | 1,913 |
| Number of employees at end of period⁷ | 106,300 | 106,200 | - 0.1 | 106,300 | 106,200 | - 0.1 | 106,000 |
| Personnel expenses | 1,824 | 1,781 | - 2.4 | 4,785 | 5,573 | + 16.5 | 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 30.

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 from continuing operations after taxes, 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 24 f.

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

⁷ Number of employees in full-time equivalents

Financial Calendar

| | |
|-----------------------------------|-------------------|
| 2007 Annual Report | February 28, 2008 |
| Q1 2008 Interim Report | April 24, 2008 |
| Annual Stockholders' Meeting 2008 | April 25, 2008 |
| Payment of Dividend | April 28, 2008 |

Masthead

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Many business and financial terms are explained on the Bayer Investor Relations website at www.investor.bayer.com>Stock>Glossary

Bayer on the Internet
www.bayer.com

If you would like to receive the Bayer Stockholders' Newsletter in electronic rather than print form in future, please email the editor.

Forward-Looking Statements

This Annual Report contains forward-looking statements. These statements use words like "believes," "assumes," "expects" or similar formulations. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, assets, development or performance of our company and those either expressed or implied by these statements. These factors include, among other things:

- downturns in the business cycle of the industries in which we compete;
- new regulations, or changes to existing regulations, that increase our operating costs or otherwise reduce our profitability;
- increases in the price of our raw materials, especially if we are unable to pass these costs along to customers;
- loss or reduction of patent protection for our products;
- liabilities, especially those incurred as a result of environmental laws or product liability litigation;
- fluctuation in international currency exchange rates as well as changes in the general economic climate; and
- other factors identified in this Annual Report.

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). In view of these uncertainties, we caution readers not to place undue reliance on these forward-looking statements. We assume no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Important Information from Bayer AG:

This is neither an offer to purchase nor a solicitation of an offer to sell shares or American depositary shares of Bayer Schering Pharma AG (formerly Schering AG). Bayer Schering GmbH (formerly Dritte BV GmbH) filed a tender offer statement with the U.S. Securities and Exchange Commission (SEC) with respect to the mandatory compensation offer on November 30, 2006, the time of commencement of the mandatory compensation offer. Simultaneously Bayer Schering Pharma AG (formerly Schering AG) filed a solicitation/recommendation statement on Schedule 14D-9 with the SEC with respect to the mandatory compensation offer. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) are strongly advised to read the tender offer statement and other relevant documents regarding the mandatory compensation offer that have been filed or will be filed with the SEC because they contain important information. Investors and holders of shares and American depositary shares of Bayer Schering Pharma AG (formerly Schering AG) will be able to receive these documents free of charge at the SEC's website (www.sec.gov), or at the website www.bayer.com.

These documents and information contain forward-looking statements based on assumptions and forecasts made by Bayer Group management as of the respective dates of such documents. 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 Bayer Group and/or Bayer Schering Pharma AG (formerly Schering AG) and the estimates contained in these documents and to differences between actions taken by the Bayer Group with respect to its investment in Bayer Schering Pharma AG (formerly Schering AG) and the intentions described in these documents. These factors include those discussed in reports filed with the Frankfurt Stock Exchange and in our reports filed with the U.S. Securities and Exchange Commission (including on Form 20-F). All forward-looking statements in these documents are made as of the dates thereof, based on information available to us as of the dates thereof. Except as otherwise required by law, we assume no obligation to update or revise any forward-looking statement to reflect new information, events or circumstances after the applicable dates thereof.

The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.

Please note that Bayer Schering Pharma AG is not legally related to Schering-Plough Corporation, New Jersey, United States. The two companies have been totally independent of each other for many years.

Gratifying trend sustained in the third quarter of 2007

Bayer continues on a successful path

- Sales grow 4.5 percent to €7.8 billion
- EBITDA before special items advances 6.9 percent to €1.6 billion
- EBIT before special items climbs 23.9 percent to €1.0 billion
- All subgroups contribute to increases
- Positive outlook: 2007 to set a new record

Overview of Sales, Earnings and Financial Position

Third quarter of 2007

The Bayer Group continued the positive performance reported for the first half of 2007 with a gratifying set of results for the **third quarter**. **Sales** rose by 4.5 percent to €7,793 million (Q3 2006: €7,459 million). Adjusted for currency and portfolio changes, business expanded by 7.0 percent, with HealthCare sales increasing by 8.8 percent, CropScience by 12.1 percent and MaterialScience by 3.5 percent.

Despite adverse shifts in exchange rates and high raw material prices, **EBITDA** before special items increased in the third quarter by 6.9 percent to €1,559 million (Q3 2006: €1,459 million). HealthCare registered an 8.0 percent improvement to €953 million (Q3 2006: €882 million). CropScience posted a 16.8 percent advance to €167 million (Q3 2006: €143 million), due mainly to higher volumes. MaterialScience succeeded in growing EBITDA before special items by 10.5 percent to €421 million (Q3 2006: €381 million). After special items, third-quarter EBITDA of the Bayer Group moved ahead 28.0 percent to €1,439 million.

Net Sales by Market

| € million | | | Total |
|-----------|-------|-------|-------|
| Q1 | | | |
| 2006 | 1,115 | 5,676 | 6,791 |
| 2007 | 1,301 | 7,034 | 8,335 |
| Q2 | | | |
| 2006 | 1,060 | 5,676 | 6,736 |
| 2007 | 1,199 | 7,018 | 8,217 |
| Q3 | | | |
| 2006 | 1,183 | 6,276 | 7,459 |
| 2007 | 1,190 | 6,603 | 7,793 |
| Q4 | | | |
| 2006 | 1,167 | 6,803 | 7,970 |
| 2007 | | | |

■ Domestic ■ Foreign
2006 figures restated

EBITDA Before Special Items

| € million | Total |
|-----------|-------|
| Q1 | |
| 2006 | 1,564 |
| 2007 | 1,990 |
| Q2 | |
| 2006 | 1,303 |
| 2007 | 1,806 |
| Q3 | |
| 2006 | 1,459 |
| 2007 | 1,559 |
| Q4 | |
| 2006 | 1,258 |
| 2007 | |

2006 figures restated

EBIT before special items increased by 23.9 percent in the third quarter, to €953 million (Q3 2006: €769 million). Net special charges amounted to €276 million (Q3 2006: €139 million). Included here are €119 million in expenses arising from the acquisition and integration of Schering, Berlin, Germany, and a €152 million impairment of intangible assets from a Betaferon®/Betaseron® development project (BEYOND). Despite the substantially higher special charges, EBIT rose by 7.5 percent to €677 million (Q3 2006: €630 million).

After a non-operating result of minus €266 million (Q3 2006: minus €267 million), income before income taxes was €411 million (Q3 2006: €363 million). The non-operating result contained net interest expense of €180 million (Q3 2006: €214 million), which mainly reflected the financing costs for the Schering acquisition.

In the third quarter of 2007 we recorded net tax income of €769 million. This included €911 million in one-time non-cash tax income arising in connection with the corporate tax reform in Germany. This tax effect resulted mainly from the remeasurement of the deferred tax liabilities accrued in connection with the Schering acquisition, particularly in order to reflect the lower nominal rates of corporate income tax that will apply in Germany from 2008. Without this one-time effect, we had third-quarter tax expense of €142 million (Q3 2006: €109 million).

After taxes, income from continuing operations came to €1,180 million (Q3 2006: €254 million), while income from discontinued operations was minus €2 million (Q3 2006: €66 million). After minority stockholders' interest, net income of the Bayer Group came in at €1,175 million (Q3 2006: €320 million). Earnings per share were €1.46 (Q3 2006: €0.42).

| Gross Cash Flow | | | Net Cash Flow | | |
|-----------------|--|--------------|---------------|--|--------------|
| € million | | | € million | | |
| Q1 | | | Q1 | | |
| 2006 | | 1,089 | 2006 | | 38 |
| 2007 | | 1,411 | 2007 | | 375 |
| Q2 | | | Q2 | | |
| 2006 | | 928 | 2006 | | 882 |
| 2007 | | 1,187 | 2007 | | 816 |
| Q3 | | | Q3 | | |
| 2006 | | 1,135 | 2006 | | 1,515 |
| 2007 | | 1,165 | 2007 | | 1,623 |
| Q4 | | | Q4 | | |
| 2006 | | 761 | 2006 | | 1,493 |
| 2007 | | | 2007 | | |

2006 figures restated

2006 figures restated

Gross cash flow increased by 2.6 percent year on year to €1,165 million (Q3 2006: €1,135 million). Net cash flow climbed to €1,623 million (Q3 2006: €1,515 million) due to a decline in cash tied up in working capital. The total net cash flow including discontinued operations was €1,621 million (Q3 2006: €1,495 million).

We reduced net debt by €0.8 billion in the third quarter, to €12.7 billion.

Provisions for pensions and other post-employment benefits declined by €0.3 billion compared with June 30, 2007 to €5.3 billion, mainly because of higher capital market interest rates.

First nine months of 2007

In the **first nine months of 2007**, too, the Bayer Group posted a further significant improvement in operating performance. **Sales** from continuing operations increased by 16.0 percent to €24,345 million (9M 2006: €20,986 million). The year-on-year comparison should be viewed in light of the fact that in 2006 the acquired Schering business was included only pro rata temporis (from June 23, 2006). Currency- and portfolio-adjusted sales advanced by 6.6 percent.

EBITDA before special items grew by 23.8 percent in the first nine months of 2007, to €5,355 million (9M 2006: €4,326 million). **EBIT** before special items improved by 23.0 percent to €3,513 million (9M 2006: €2,857 million). Net special charges amounted to €744 million (9M 2006: €301 million), with the acquisition and integration of Schering accounting for more than half of this figure. After special items, **EBIT** of the Bayer Group advanced by 8.3 percent to €2,769 million (9M 2006: €2,556 million).

After a non-operating result of minus €741 million (9M 2006: minus €705 million), income before income taxes for the first nine months came in at €2,028 million (9M 2006: €1,851 million). The non-operating result contained net interest expense of €541 million (9M 2006: €486 million). After non-cash tax income of €911 million in connection with the corporate tax reform, the Bayer Group had net tax income of €221 million (9M 2006: tax expense of €584 million). Income from continuing operations after taxes thus came to €2,249 million (9M 2006: €1,267 million).

Income from discontinued operations after taxes was €2.4 billion, including divestment gains of €2.1 billion for the Diagnostics business and €0.1 billion for H.C. Starck in the first quarter and €0.2 billion for Wolff Walsrode in the second quarter.

After minority stockholders' interest, the Bayer Group posted net income of €4,644 million for the first nine months of the year (9M 2006: €1,372 million). Earnings per share came to €5.73 (9M 2006: €1.82).

Gross cash flow in the first nine months of 2007 improved by 19.4 percent from the prior-year period, to €3,763 million (9M 2006: €3,152 million), due to the positive business performance and the inclusion of Schering, Berlin, Germany. Net cash flow moved ahead 15.6 percent to €2,814 million (9M 2006: €2,435 million). The total net cash flow including discontinued operations was €2,814 million (9M 2006: €2,625 million).

Future Perspectives

Economic outlook

It is currently not possible to predict the extent to which loan default risks in the banking sector will impact the continuing development of the world economy. So far the global business cycle has proven robust, especially as the slowdown in the United States has been offset by continuing strong growth in the emerging economies and steady expansion in Europe. We currently expect the global economy to remain in relatively good shape, with slightly lower rates of growth in the coming months.

We anticipate stable growth overall in the markets relevant to our HealthCare business, with the pharmaceuticals market in particular likely to maintain its current pace of expansion. The global crop protection market in 2007 is benefiting from more favorable weather patterns than in the previous year and from generally positive conditions in the world's agricultural markets. In the markets of greatest importance for Bayer MaterialScience we expect steady growth to continue overall, though with regional and sectoral variations.

Sales and earnings forecast

Bayer's business performance in the first nine months of 2007 has strengthened our confidence that we will report another record year despite high raw material costs and adverse shifts in exchange rates.

We now forecast an increase in Group sales in 2007 to more than €32 billion. This would correspond to an increase of about 6 percent after adjusting for portfolio and currency effects (previous forecast: about 5 percent).

We plan to increase the Group's EBITDA margin before special items by at least one percentage point from the 19.3 percent recorded in 2006 (previous forecast: increase to more than 20 percent).

We remain optimistic about the prospects for our HealthCare business. For the year as a whole, we continue to expect that all of its divisions will grow with or faster than the market. We are raising the target margin for Bayer HealthCare and now expect to achieve an EBITDA margin before special items of more than 25 percent (previous forecast: 25 percent). This takes into account our expectation that marketing and research and development costs will be higher in the fourth quarter of 2007 than in the preceding quarters.

For our CropScience business we anticipate a continuing positive market environment in the fourth quarter. For the full year 2007, we confirm the raised target we announced in August of increasing the EBITDA margin before special items to more than 22 percent.

We also do not envisage any significant change in the business environment for our MaterialScience subgroup in the fourth quarter and continue to expect a good, value-creating earnings level. Due to the normal seasonal slowdown in business activity toward the end of the year, we expect EBITDA before special items in the fourth quarter to be below that of the third quarter but above the fourth quarter of 2006. We have initiated extensive cost-structure measures to sustainably improve our earning power. For more information, please refer to the "Subsequent Events" chapter on page 30.

Performance by Subgroup and Segment

Changes in corporate structure

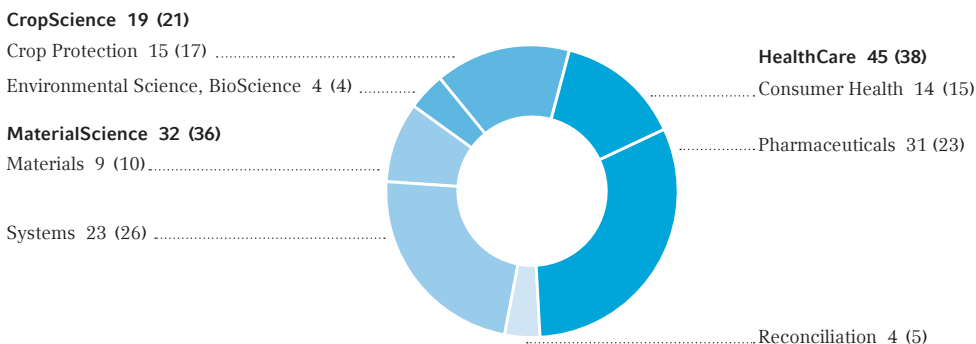
Our business activities are grouped into the HealthCare, CropScience and MaterialScience subgroups.

As of September 30, 2007, our interest in the voting capital of Bayer Schering Pharma AG, Berlin, Germany, amounted to 96.3 percent. The acquired business of Schering, Berlin, Germany, is included in the Pharmaceuticals segment of the HealthCare subgroup as of June 23, 2006.

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, United States, are unaffiliated companies that have been totally independent of each other for many years.

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). The divested activities of the Diagnostics Division, H.C. Starck and Wolff Walsrode are reported as discontinued operations. The prior-year figures have been restated accordingly.

Sales by Segment in Percent, 9M 2007 (9M 2006 in parentheses)



Key Data by Subgroup and Segment

| € million | Sales | | EBIT before special items* | | EBITDA before special items* | | EBITDA margin before special items* | |
|-----------------------------------|------------------------|------------------------|-------------------------------|------------------------|---------------------------------|------------------------|--|------------------------|
| | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| HealthCare | 3,482 | 3,680 | 498 | 644 | 882 | 953 | 25.3% | 25.9% |
| Pharmaceuticals | 2,444 | 2,570 | 291 | 438 | 640 | 715 | 26.2% | 27.8% |
| Consumer Health | 1,038 | 1,110 | 207 | 206 | 242 | 238 | 23.3% | 21.4% |
| CropScience | 1,049 | 1,157 | 3 | 34 | 143 | 167 | 13.6% | 14.4% |
| Crop Protection | 872 | 985 | 8 | 60 | 133 | 175 | 15.3% | 17.8% |
| Environmental Science, BioScience | 177 | 172 | (5) | (26) | 10 | (8) | 5.6% | (4.7)% |
| MaterialScience | 2,596 | 2,625 | 264 | 295 | 381 | 421 | 14.7% | 16.0% |
| Materials | 743 | 767 | 38 | 32 | 77 | 80 | 10.4% | 10.4% |
| Systems | 1,853 | 1,858 | 226 | 263 | 304 | 341 | 16.4% | 18.4% |
| Reconciliation | 332 | 331 | 4 | (20) | 53 | 18 | 16.0% | 5.4% |
| Continuing operations | 7,459 | 7,793 | 769 | 953 | 1,459 | 1,559 | 19.6% | 20.0% |

2006 figures restated

* for definition see Bayer Group Key Data on page 2, also page 30

| € million | Sales | | EBIT before special items* | | EBITDA before special items* | | EBITDA margin before special items* | |
|-----------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|---------------------------------|------------------------------|--|------------------------------|
| | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| HealthCare | 7,942 | 11,007 | 1,254 | 1,908 | 1,817 | 2,870 | 22.9% | 26.1% |
| Pharmaceuticals | 4,780 | 7,648 | 671 | 1,274 | 1,123 | 2,137 | 23.5% | 27.9% |
| Consumer Health | 3,162 | 3,359 | 583 | 634 | 694 | 733 | 21.9% | 21.8% |
| CropScience | 4,398 | 4,505 | 641 | 743 | 1,062 | 1,147 | 24.1% | 25.5% |
| Crop Protection | 3,554 | 3,681 | 452 | 599 | 816 | 946 | 23.0% | 25.7% |
| Environmental Science, BioScience | 844 | 824 | 189 | 144 | 246 | 201 | 29.1% | 24.4% |
| MaterialScience | 7,629 | 7,856 | 1,023 | 876 | 1,370 | 1,239 | 18.0% | 15.8% |
| Materials | 2,176 | 2,263 | 271 | 99 | 386 | 231 | 17.7% | 10.2% |
| Systems | 5,453 | 5,593 | 752 | 777 | 984 | 1,008 | 18.0% | 18.0% |
| Reconciliation | 1,017 | 977 | (61) | (14) | 77 | 99 | 7.6% | 10.1% |
| Continuing operations | 20,986 | 24,345 | 2,857 | 3,513 | 4,326 | 5,355 | 20.6% | 22.0% |

2006 figures restated

* for definition see Bayer Group Key Data on page 2, also page 30

Bayer HealthCare

Bayer
Stockholders'
Newsletter 2007

Group Management
Report as of
September 30, 2007

Sales of the HealthCare subgroup rose by 5.7 percent in the **third quarter of 2007**, to €3,680 million (Q3 2006: €3,482 million). Adjusted for currency changes, sales improved by 8.8 percent. The growth in business was due to a gratifying performance in both segments.

Bayer HealthCare improved **EBITDA** before special items in the third quarter of 2007 by 8.0 percent to €953 million (Q3 2006: €882 million). This increase was mainly due to the strong performance of the business and synergies already realized from the integration of Schering, Berlin, Germany. Earnings were diminished by considerably higher marketing and distribution expenses, particularly in Pharmaceuticals. **EBIT** before special items also came in considerably above the prior-year period, at €644 million (Q3 2006: €498 million). After special charges of €269 million comprising expenses for the integration of Schering and an impairment of intangible assets due to negative results of the BEYOND study for Betaferon®/Betaseron®, EBIT slipped 4.3 percent to €375 million.

| Bayer HealthCare | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------|------------------|--------------|------------------------|------------------------|--------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 3,482 | 3,680 | +5.7 | 7,942 | 11,007 | +38.6 |
| EBITDA¹ | 565 | 836 | +48.0 | 1,478 | 2,407 | +62.9 |
| <i>Special items</i> | <i>(317)</i> | <i>(117)</i> | | <i>(339)</i> | <i>(463)</i> | |
| <i>EBITDA before special items²</i> | <i>882</i> | <i>953</i> | <i>+8.0</i> | <i>1,817</i> | <i>2,870</i> | <i>+58.0</i> |
| EBITDA margin before special items | 25.3% | 25.9% | | 22.9% | 26.1% | |
| EBIT¹ | 392 | 375 | -4.3 | 1,126 | 1,291 | +14.7 |
| <i>Special items</i> | <i>(106)</i> | <i>(269)</i> | | <i>(128)</i> | <i>(617)</i> | |
| <i>EBIT before special items²</i> | <i>498</i> | <i>644</i> | <i>+29.3</i> | <i>1,254</i> | <i>1,908</i> | <i>+52.2</i> |
| Gross cash flow¹ | 606 | 708 | +16.8 | 1,234 | 1,810 | +46.7 |
| Net cash flow¹ | 570 | 684 | +20.0 | 980 | 1,351 | +37.9 |

¹ for definition see Bayer Group Key Data on page 2
² for definition see also page 30

| Pharmaceuticals | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------|------------------|--------------|------------------------|------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Sales | 2,444 | 2,570 | +5.2 | 4,780 | 7,648 | +60.0 |
| Primary Care ¹ | 722 | 743 | +2.9 | 2,262 | 2,282 | +0.9 |
| Women's Healthcare ² | 611 | 664 | +8.7 | 669 | 1,943 | +190.4 |
| Diagnostic Imaging (including Medrad) ² | 311 | 320 | +2.9 | 348 | 957 | +175.0 |
| Specialized Therapeutics ² | 311 | 315 | +1.3 | 341 | 928 | +172.1 |
| Hematology/Cardiology | 271 | 264 | -2.6 | 850 | 803 | -5.5 |
| Oncology ³ | 165 | 203 | +23.0 | 251 | 550 | +119.1 |
| Dermatology (Intendis) ² | 53 | 61 | +15.1 | 59 | 185 | • |
| EBITDA⁴ | 337 | 598 | +77.4 | 801 | 1,674 | +109.0 |
| <i>Special items</i> | <i>(303)</i> | <i>(117)</i> | | <i>(322)</i> | <i>(463)</i> | |
| <i>EBITDA before special items⁵</i> | <i>640</i> | <i>715</i> | <i>+11.7</i> | <i>1,123</i> | <i>2,137</i> | <i>+90.3</i> |
| EBITDA margin before special items | 26.2% | 27.8% | | 23.5% | 27.9% | |
| EBIT⁴ | 199 | 169 | -15.1 | 560 | 657 | +17.3 |
| <i>Special items</i> | <i>(92)</i> | <i>(269)</i> | | <i>(111)</i> | <i>(617)</i> | |
| <i>EBIT before special items⁵</i> | <i>291</i> | <i>438</i> | <i>+50.5</i> | <i>671</i> | <i>1,274</i> | <i>+89.9</i> |
| Gross cash flow⁴ | 456 | 519 | +13.8 | 775 | 1,290 | +66.5 |
| Net cash flow⁴ | 444 | 464 | +4.5 | 717 | 945 | +31.8 |

2006 figures restated

¹ Schering andrology business included in 2006 pro rata temporis

² Schering sales included in 2006 pro rata temporis

³ Schering oncology business included in 2006 pro rata temporis

⁴ for definition see Bayer Group Key Data on page 2

⁵ for definition see also page 30

Pharmaceuticals

Sales of our Pharmaceuticals segment increased by €126 million in the **third quarter of 2007**, to €2,570 million (Q3 2006: €2,444 million). On a currency-adjusted basis, this was equivalent to an 8.1 percent increase. The main growth drivers were the Yasmin® product family along with Nexavar®, Ultravist® and Mirena®.

The Primary Care business unit posted third-quarter sales of €743 million (Q3 2006: €722 million). Adjusted for currency effects, sales advanced by 5.6 percent. The expansion in business was due primarily to growth for Avelox® (currency-adjusted: +29.3 percent), Aspirin Cardio® (currency-adjusted: +16.0 percent) and Levitra® (currency-adjusted: +14.4 percent). By contrast, business with Cipro®/Ciprobay® declined substantially as expected due to competitive pressure from generic products. On a currency-adjusted basis, sales fell by 16.0 percent.

| Best-Selling Pharmaceutical Products | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | Currency-adjusted change | First Nine Months 2006 | First Nine Months 2007 | Change | Currency-adjusted change |
|--------------------------------------|------------------|------------------|---------------|--------------------------|------------------------|------------------------|----------|--------------------------|
| | € million | € million | | | € million | € million | | |
| Yasmin®/YAZ®/Yasminelle® * | 206 | 278 | + 35.0 | + 40.7 | 223 | 768 | • | • |
| Betaferon®/Betaseron® * | 246 | 262 | + 6.5 | + 9.0 | 271 | 762 | • | • |
| Kogenate® (Hematology/Cardiology) | 199 | 213 | + 7.0 | + 10.4 | 582 | 624 | + 7.2 | + 10.9 |
| Adalat® (Primary Care) | 155 | 152 | - 1.9 | + 2.0 | 483 | 459 | - 5.0 | + 0.5 |
| Avalox®/Avelox® (Primary Care) | 79 | 99 | + 25.3 | + 29.3 | 297 | 317 | + 6.7 | + 10.6 |
| Cipro®/Ciprobay® (Primary Care) | 117 | 96 | - 17.9 | - 16.0 | 376 | 297 | - 21.0 | - 18.5 |
| Mirena® * (Women's Healthcare) | 74 | 96 | + 29.7 | + 35.4 | 82 | 265 | • | • |
| Levitra® (Primary Care) | 77 | 85 | + 10.4 | + 14.4 | 228 | 250 | + 9.6 | + 14.7 |
| Magnevist® * (Diagnostic Imaging) | 79 | 77 | - 2.5 | + 2.0 | 88 | 231 | • | • |
| Glucobay® (Primary Care) | 75 | 74 | - 1.3 | + 3.4 | 228 | 225 | - 1.3 | + 3.3 |
| Nexavar® (Oncology) | 38 | 76 | + 100.0 | + 110.2 | 81 | 183 | + 125.9 | + 134.9 |
| Ultravist® * (Diagnostic Imaging) | 31 | 59 | + 90.3 | + 92.2 | 38 | 178 | • | • |
| Aspirin Cardio® (Primary Care) | 52 | 59 | + 13.5 | + 16.0 | 153 | 170 | + 11.1 | + 14.8 |
| Iopamiron® * (Diagnostic Imaging) | 50 | 48 | - 4.0 | + 4.7 | 56 | 152 | • | • |
| Diane® * (Women's Healthcare) | 42 | 41 | - 2.4 | - 0.8 | 47 | 129 | • | • |
| Total | 1,520 | 1,715 | + 12.8 | + 16.9 | 3,233 | 5,010 | • | • |
| Proportion of Pharmaceuticals sales | 62% | 67% | | | 68% | 66% | | |

Products ranked by first-nine-months 2007 sales

* acquired Schering product, sales included in 2006 pro rata temporis

| Best-Selling Schering Products (pro forma) | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | Currency-adjusted change | First Nine Months 2006 | First Nine Months 2007 | Change | Currency-adjusted change |
|--|------------------|------------------|--------|--------------------------|------------------------|------------------------|--------|--------------------------|
| | € million | € million | | | € million | € million | | |
| Yasmin®/YAZ®/Yasminelle® | 206 | 278 | + 35.0 | + 40.7 | 566 | 768 | + 35.7 | + 41.4 |
| Betaferon®/Betaseron® | 246 | 262 | + 6.5 | + 9.0 | 727 | 762 | + 4.8 | + 7.4 |
| Mirena® (Women's Healthcare) | 74 | 96 | + 29.7 | + 35.4 | 217 | 265 | + 22.1 | + 27.3 |
| Magnevist® (Diagnostic Imaging) | 79 | 77 | - 2.5 | + 2.0 | 240 | 231 | - 3.8 | + 1.3 |
| Ultravist® (Diagnostic Imaging) | 31 | 59 | + 90.3 | + 92.2 | 174 | 178 | + 2.3 | + 4.3 |
| Iopamiron® (Diagnostic Imaging) | 50 | 48 | - 4.0 | + 4.7 | 160 | 152 | - 5.0 | + 4.0 |
| Diane® (Women's Healthcare) | 42 | 41 | - 2.4 | - 0.8 | 134 | 129 | - 3.7 | - 2.3 |

In our Women's Healthcare business unit, we achieved sales of €664 million in the third quarter of 2007 (Q3 2006: €611 million). Adjusted for currency changes, business expanded by 12.4 percent. The primary growth drivers were the oral contraceptives of the Yasmin®/YAZ®/Yasminelle® product group, sales of which climbed by 40.7 percent when adjusted for shifts in exchange rates. YAZ® received its first European marketing authorization in July 2007 in the Netherlands. It is registered for contraception and the treatment of moderate acne in women. Sales of our intrauterine system Mirena® also posted pleasing gains in the third quarter, driven mainly by growth in the U.S. market. Adjusted for currency changes, the increase was 35.4 percent.

Sales of the Diagnostic Imaging business unit came to €320 million (Q3 2006: €311 million; currency-adjusted: + 7.0 percent). Following the voluntary withdrawal of the 370 mg/ml formulation in the summer of 2006, business with Ultravist® recovered strongly, particularly in Europe (currency-adjusted: +92.2 percent). We began marketing this formulation again in the United States in August 2007. The Medrad business also expanded on a currency-adjusted basis (+ 5.6 percent).

Sales of the Specialized Therapeutics business unit amounted to €315 million in the third quarter of 2007 (Q3 2006: €311 million). Adjusted for shifts in exchange rates, business grew by 4.0 percent. Currency-adjusted sales of our top product Betaferon®/Betaseron® to treat multiple sclerosis (MS) advanced by 9.0 percent. In September 2007, Bayer Schering Pharma AG completed the purchase, agreed with Novartis in March 2007, of a production site for biotechnological products in Emeryville, California, where Bayer will produce Betaseron®. In a large randomized trial (BEYOND: Betaferon/Betaseron Efficacy Yielding Outcomes of a New Dose), the efficacy, tolerability and safety of a 500 mcg dose of Betaferon®/Betaseron® (interferon beta-1b) were investigated against the standard 250 mcg Betaferon®/Betaseron® dose and Copaxone® (glatiramer acetate) for the treatment of patients with relapsing-remitting multiple sclerosis. The recently published study results confirm that Betaferon®/Betaseron® 250 mcg represents the optimum dose and that it is highly effective and very well tolerated. They do not show a statistically significant superiority of Betaferon®/Betaseron® 500 mcg compared to Betaferon®/Betaseron® 250 mcg and Copaxone®. These results do not support a regulatory filing for the 500 mcg dose of Betaferon®/Betaseron®. Consequently, a €152 million impairment charge was taken in the third quarter of 2007 on the intangible assets from the BEYOND project that were capitalized at the time of the Schering acquisition. This write-down is reflected in special items.

Third-quarter sales of the Hematology/Cardiology business unit were €264 million (Q3 2006: €271 million). On a currency-adjusted basis, sales were nearly flat (+0.5 percent). Currency-adjusted sales of Kogenate® advanced by 10.4 percent. However, currency-adjusted business with Trasylol®, our product for use during open-heart surgery, declined by 16.9 percent.

Our Oncology business unit increased sales by a substantial 23.0 percent to €203 million (Q3 2006: €165 million), or by 27.1 percent when adjusted for currency effects. This was due to a doubling of business with Nexavar® to €76 million (Q3 2006: €38 million; currency-adjusted: +110.2 percent). At the end of October 2007, the oral anti-cancer drug Nexavar® received marketing approval in Europe for the treatment of liver cancer. This makes Nexavar® – which is being jointly developed by Bayer HealthCare and Onyx Pharmaceuticals, Inc. – the first approved systemic drug therapy for liver cancer. In a placebo-controlled phase III study carried out in the Asia-Pacific region, Nexavar® showed good results in patients with advanced hepatocellular carcinoma (HCC). It was found to significantly improve overall survival, progression-free survival and time to progression in Asia-Pacific patient populations. Additional regulatory filings in HCC are under review in countries around the world including the United States and, most recently, Japan. Nexavar® is currently approved in more than 60 countries for the treatment of patients with advanced kidney cancer.

The Dermatology (Intendis) business unit achieved sales of €61 million in the third quarter of 2007 (Q3 2006: €53 million). On a currency-adjusted basis, sales moved ahead 5.0 percent.

EBITDA before special items for the Pharmaceuticals segment advanced in the third quarter of 2007 to €715 million (Q3 2006: €640 million). This increase was largely due to the gratifying increase in business and the synergies already achieved. **EBIT** before special items came in €147 million, or 50.5 percent, above the prior-year quarter, at €438 million. After net special charges of €269 million, **EBIT** declined by €30 million, or 15.1 percent, from the prior-year period, to €169 million.

Sales of the Pharmaceuticals segment in the **first nine months of 2007** climbed by 60.0 percent to €7,648 million, with the acquired business of Schering, Berlin, Germany, accounting for €4,384 million (9M 2006: €1,554 million pro rata temporis). Adjusted for currency and portfolio effects, sales rose by 7.8 percent. The Pharmaceuticals segment saw **EBITDA** before special items for the first three quarters advance to €2,137 million (9M 2006: €1,123 million). **EBIT** before special items climbed by €603 million, or 89.9 percent, to €1,274 million. After net special charges of €617 million, **EBIT** increased by €97 million, or 17.3 percent, to €657 million.

Consumer Health

Sales in the Consumer Health segment came to €1,110 million in the **third quarter of 2007** (Q3 2006: €1,038 million). Adjusted for currency changes, sales advanced by 10.2 percent, which was well above the market's rate of growth. All divisions contributed to the increase in sales.

Business in the Consumer Care Division expanded by 4.0 percent to €654 million (Q3 2006: €629 million). Adjusted for currency effects, sales rose by 7.2 percent. Particularly gratifying gains were made by our One-A-Day[®] vitamin products (currency-adjusted: +35.8 percent) and products from the Rennie[®] (currency-adjusted: +27.3 percent), Berocca[®] (currency-adjusted: +23.2 percent) and Canesten[®] (currency-adjusted: +20.2 percent) lines.

Sales of the Diabetes Care Division moved ahead 18.3 percent to €220 million. On a currency-adjusted basis, the increase came to 21.8 percent. This pleasing trend was mainly due to the particularly successful marketing in North America and Europe of our Ascensia[®] Contour[®] blood glucose monitoring systems, which replace the older Elite[®] systems in the Ascensia[®] product family.

Third-quarter sales of the Animal Health Division rose by 5.8 percent to €236 million. Adjusted for currency changes, sales improved by 9.2 percent. The main driver of business expansion was the Advantage[®] product range, sales of which increased by 15.0 percent when adjusted for currency effects.

EBITDA before special items for the Consumer Health segment in the third quarter of 2007 was essentially flat from the previous year at €238 million (– 1.7 percent). Earnings on the additional business were offset by the higher expenses necessary to support product introductions and expenditures of €15 million for the renewal of the IT infrastructure at Diabetes Care in North America. **EBIT** before special items, at €206 million, was at the level of the prior-year quarter (Q3 2006: €207 million). **EBIT** amounted to €206 million (Q3 2006: €193 million).

Business in the Consumer Health segment expanded by 6.2 percent in the **first three quarters** of the year, or by 10.5 percent when adjusted for currency effects. The Consumer Health segment posted a €39 million year-on-year increase in **EBITDA** before special items for the period, to €733 million. **EBIT** before special items rose by 8.7 percent to €634 million (9M 2006: €583 million). **EBIT** came to €634 million (9M 2006: €566 million).

| Consumer Health | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------------|------------------------|---------------|------------------------------|------------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 1,038 | 1,110 | + 6.9 | 3,162 | 3,359 | + 6.2 |
| Consumer Care | 629 | 654 | + 4.0 | 1,875 | 1,937 | + 3.3 |
| Diabetes Care | 186 | 220 | + 18.3 | 592 | 690 | + 16.6 |
| Animal Health | 223 | 236 | + 5.8 | 695 | 732 | + 5.3 |
| EBITDA¹ | 228 | 238 | + 4.4 | 677 | 733 | + 8.3 |
| <i>Special items</i> | (14) | 0 | | (17) | 0 | |
| <i>EBITDA before special items²</i> | 242 | 238 | - 1.7 | 694 | 733 | + 5.6 |
| EBITDA margin before special items | 23.3% | 21.4% | | 21.9% | 21.8% | |
| EBIT¹ | 193 | 206 | + 6.7 | 566 | 634 | + 12.0 |
| <i>Special items</i> | (14) | 0 | | (17) | 0 | |
| <i>EBIT before special items²</i> | 207 | 206 | - 0.5 | 583 | 634 | + 8.7 |
| Gross cash flow¹ | 150 | 189 | + 26.0 | 459 | 520 | + 13.3 |
| Net cash flow¹ | 126 | 220 | + 74.6 | 263 | 406 | + 54.4 |

¹ for definition see Bayer Group Key Data on page 2

² for definition see also page 30

| Best-Selling Consumer Health Products | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | Currency- adjusted change | First Nine Months 2006 | First Nine Months 2007 | Change | Currency- adjusted change |
|--|------------------------|------------------------|--------------|---------------------------------|------------------------------|------------------------------|--------------|---------------------------------|
| | € million | € million | % | % | € million | € million | % | % |
| Ascensia [®] product line (Diabetes Care) | 178 | 213 | + 19.7 | + 24.0 | 576 | 677 | + 17.5 | + 22.6 |
| Aspirin [®] * (Consumer Care) | 116 | 112 | - 3.4 | + 0.8 | 347 | 332 | - 4.3 | - 0.2 |
| Advantage [®] product line (Animal Health) | 70 | 76 | + 8.6 | + 15.0 | 220 | 256 | + 16.4 | + 22.6 |
| Aleve [®] /naproxen (Consumer Care) | 62 | 53 | - 14.5 | - 6.8 | 171 | 177 | + 3.5 | + 11.5 |
| Canesten [®] (Consumer Care) | 41 | 48 | + 17.1 | + 20.2 | 122 | 138 | + 13.1 | + 15.3 |
| Baytril [®] (Animal Health) | 41 | 38 | - 7.3 | - 3.4 | 116 | 111 | - 4.3 | - 0.5 |
| Bepanthen [®] /Bepanthol [®] (Consumer Care) | 32 | 34 | + 6.3 | + 9.0 | 101 | 110 | + 8.9 | + 10.5 |
| Supradyn [®] (Consumer Care) | 33 | 36 | + 9.1 | + 11.0 | 99 | 101 | + 2.0 | + 4.9 |
| One-A-Day [®] (Consumer Care) | 29 | 37 | + 27.6 | + 35.8 | 89 | 97 | + 9.0 | + 17.3 |
| Rennie [®] (Consumer Care) | 21 | 26 | + 23.8 | + 27.3 | 70 | 78 | + 11.4 | + 12.9 |
| Total | 623 | 673 | + 8.0 | + 12.8 | 1,911 | 2,077 | + 8.7 | + 13.4 |
| Proportion of Consumer Health sales | 60% | 61% | | | 60% | 62% | | |

* Total Aspirin[®] third-quarter sales = €171 million (Q3 2006: €168 million), first-nine-months sales = €502 million (9M 2006: €500 million) including Aspirin Cardio[®], which is reflected in sales of the Pharmaceuticals segment.

Bayer CropScience

Bayer
Stockholders'
Newsletter 2007

Group Management
Report as of
September 30, 2007

Our CropScience subgroup recorded **sales** of €1,157 million in the **third quarter of 2007**, up 10.3 percent from the prior-year period. Adjusted for currency and portfolio effects, the increase came to 12.1 percent.

Third-quarter **EBITDA** before special items advanced 16.8 percent to €167 million. This earnings growth was largely due to higher volume sales, which more than offset the negative impacts of shifts in exchange rates, higher research and development expenditures in Bioscience and a seasonally negative earnings contribution from the Stoneville business acquired in the previous quarter. **EBIT** before special items came in at €34 million (Q3 2006: €3 million). After special items, **EBIT** rose to €30 million (Q3 2006: minus €12 million).

| Bayer CropScience | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------|------------------|---------------|------------------------|------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 1,049 | 1,157 | + 10.3 | 4,398 | 4,505 | + 2.4 |
| EBITDA¹ | 140 | 166 | + 18.6 | 1,059 | 1,062 | + 0.3 |
| <i>Special items</i> | (3) | (1) | | (3) | (85) | |
| <i>EBITDA before special items²</i> | 143 | 167 | + 16.8 | 1,062 | 1,147 | + 8.0 |
| EBITDA margin before special items | 13.6% | 14.4% | | 24.1% | 25.5% | |
| EBIT¹ | (12) | 30 | • | 626 | 649 | + 3.7 |
| <i>Special items</i> | (15) | (4) | | (15) | (94) | |
| <i>EBIT before special items²</i> | 3 | 34 | • | 641 | 743 | + 15.9 |
| Gross cash flow¹ | 101 | 149 | + 47.5 | 777 | 777 | 0.0 |
| Net cash flow¹ | 306 | 433 | + 41.5 | 490 | 689 | + 40.6 |

¹ for definition see Bayer Group Key Data on page 2
² for definition see also page 30

| Best-Selling Bayer CropScience Products* | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | Currency-adjusted change | First Nine Months 2006 | First Nine Months 2007 | Change | Currency-adjusted change |
|--|------------------|------------------|---------------|--------------------------|------------------------|------------------------|---------------|--------------------------|
| | € million | € million | % | % | € million | € million | % | % |
| Confidor®/Gauchó®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science) | 136 | 157 | + 15.4 | + 16.5 | 448 | 452 | + 0.9 | + 3.7 |
| Basta®/Liberty® (Herbicides) | 30 | 28 | - 6.7 | - 9.1 | 183 | 189 | + 3.3 | + 8.5 |
| Folicur®/Raxil® (Fungicides/Seed Treatment) | 50 | 48 | - 4.0 | - 3.8 | 216 | 186 | - 13.9 | - 12.2 |
| Puma® (Herbicides) | 21 | 22 | + 4.8 | + 1.0 | 164 | 160 | - 2.4 | + 1.0 |
| Flint®/Stratego®/Sphere® (Fungicides) | 25 | 47 | + 88.0 | + 86.2 | 113 | 160 | + 41.6 | + 45.0 |
| Proline® (Fungicides) | 3 | 8 | + 166.7 | + 182.4 | 116 | 155 | + 33.6 | + 34.0 |
| Poncho® (Seed Treatment) | 25 | 60 | + 140.0 | + 143.6 | 75 | 150 | + 100.0 | + 110.5 |
| Decis®/K-Othrine® (Insecticides) | 40 | 42 | + 5.0 | + 7.0 | 140 | 139 | - 0.7 | + 2.6 |
| Atlantis® (Herbicides) | 26 | 34 | + 30.8 | + 34.4 | 96 | 125 | + 30.2 | + 31.0 |
| Betanal® (Herbicides) | 7 | 7 | 0.0 | + 5.8 | 109 | 113 | + 3.7 | + 6.1 |
| Total | 363 | 453 | + 24.8 | + 25.7 | 1,660 | 1,829 | + 10.2 | + 13.3 |
| Proportion of Bayer CropScience sales | 35% | 39% | | | 38% | 41% | | |

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

Crop Protection

Sales of the Crop Protection segment in the **third quarter of 2007** amounted to €985 million (Q3 2006: €872 million). Adjusted for currency and portfolio changes, business expanded by 14.8 percent. Higher prices for agricultural commodities, increased cultivation of crops for the production of biofuels and a more favorable market environment in Latin America led to an expansion in business from which our fungicides, insecticides and seed treatment products derived particular benefit in the third quarter.

Sales of the Herbicides business unit were virtually level with the previous third quarter at €306 million (Q3 2006: €310 million; currency- and portfolio-adjusted: – 0.2 percent). Lower sales of cotton and soybean herbicides in North America due to smaller planting acreages were offset by the successful marketing of our young products such as Atlantis® and Sekator®, particularly in Europe.

Sales of our Fungicides business unit improved by 27.6 percent to €194 million (Q3 2006: €152 million). This positive trend was chiefly the result of higher sales of soybean fungicides in Brazil and of cereal and nut fungicides in the United States. We experienced particularly strong demand for our young products Flint® and Proline®.

Third-quarter sales of the Insecticides business unit improved by 5.2 percent to €281 million (Q3 2006: €267 million), with currency- and portfolio-adjusted growth of 10.3 percent. Our Confidor® family of products turned in a very gratifying performance in an improved Latin American market environment.

| Crop Protection | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------|------------------|---------------|------------------------|------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 872 | 985 | + 13.0 | 3,554 | 3,681 | + 3.6 |
| Herbicides | 310 | 306 | – 1.3 | 1,379 | 1,353 | – 1.9 |
| Fungicides | 152 | 194 | + 27.6 | 882 | 963 | + 9.2 |
| Insecticides | 267 | 281 | + 5.2 | 932 | 905 | – 2.9 |
| Seed Treatment | 143 | 204 | + 42.7 | 361 | 460 | + 27.4 |
| EBITDA¹ | 130 | 174 | + 33.8 | 813 | 896 | + 10.2 |
| <i>Special items</i> | <i>(3)</i> | <i>(1)</i> | | <i>(3)</i> | <i>(50)</i> | |
| <i>EBITDA before special items²</i> | <i>133</i> | <i>175</i> | <i>+ 31.6</i> | <i>816</i> | <i>946</i> | <i>+ 15.9</i> |
| EBITDA margin before special items | 15.3% | 17.8% | | 23.0% | 25.7% | |
| EBIT¹ | (7) | 56 | • | 437 | 540 | + 23.6 |
| <i>Special items</i> | <i>(15)</i> | <i>(4)</i> | | <i>(15)</i> | <i>(59)</i> | |
| <i>EBIT before special items²</i> | <i>8</i> | <i>60</i> | <i>•</i> | <i>452</i> | <i>599</i> | <i>+ 32.5</i> |
| Gross cash flow¹ | 86 | 149 | + 73.3 | 598 | 650 | + 8.7 |
| Net cash flow¹ | 206 | 325 | + 57.8 | 351 | 525 | + 49.6 |

¹ for definition see Bayer Group Key Data on page 2

² for definition see also page 30

Sales of the Seed Treatment business unit advanced strongly to €204 million (+42.7 percent; currency-adjusted: +44.0 percent). Our young insecticidal seed treatment Poncho® and the new mix product CropStar® benefited particularly from an increase in global corn acreages. In Europe we registered higher sales of our cereal seed treatment products, such as Gaucho®.

EBITDA before special items in the Crop Protection segment advanced from €133 million to €175 million in the third quarter, the positive impact of higher volumes being partially offset by adverse currency effects. **EBIT** before special items climbed to €60 million (Q3 2006: €8 million), while **EBIT** rose by €63 million to €56 million (Q3 2006: minus €7 million).

In the **first three quarters of 2007**, sales of the Crop Protection segment moved ahead by 3.6 percent to €3,681 million (9M 2006: €3,554 million). When adjusted for currency and portfolio effects, business expanded by 7.1 percent. **EBITDA** before special items in the first nine months increased by 15.9 percent to €946 million. **EBIT** before special items rose by €147 million, or 32.5 percent, to €599 million. After €59 million in special charges for our restructuring project initiated in 2006, **EBIT** came in 23.6 percent above the prior-year period, at €540 million.

Environmental Science, BioScience

Third-quarter sales in the Environmental Science, BioScience segment dipped by 2.8 percent to €172 million, or by 1.2 percent when adjusted for currency effects.

Environmental Science had sales of €127 million (Q3 2006: €137 million), down 4.0 percent after adjusting for currency changes. This was due to lower sales of products for professional users in the United States as a result of heightened generic competition and unfavorable weather conditions. Partially offsetting this decline was an increase in business with home and garden products for consumers.

Sales of the BioScience business unit improved by 12.5 percent to €45 million (Q3 2006: €40 million), the currency-adjusted increase amounting to 8.2 percent. Business growth came mainly from our canola seed, marketed under the InVigor® brand, and from vegetable seeds.

Third-quarter **EBITDA** before special items for the Environmental Science, BioScience segment receded by €18 million year on year to minus €8 million. Earnings were diminished particularly by higher research and development spending at BioScience and a seasonally negative earnings contribution from the Stoneville business acquired in the second quarter of 2007, as well as by the decline in the Environmental Science business in North America. **EBIT** came in at minus €26 million (Q3 2006: minus €5 million).

In the **first three quarters of 2007**, sales of the Environmental Science, BioScience segment moved back 2.4 percent to €824 million (9M 2006: €844 million). Adjusted for currency changes, however, business improved by 1.3 percent. Segment **EBITDA** before special items fell by 18.3 percent to €201 million, while **EBIT** before special items came to €144 million (9M 2006: €189 million). After special charges totaling €35 million, **EBIT** for the first nine months of 2007 dropped to €109 million (9M 2006: €189 million).

| Environmental Science, BioScience | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------------|------------------------|----------------|------------------------------|------------------------------|---------------|
| | € million | € million | | % | € million | |
| Net sales | 177 | 172 | - 2.8 | 844 | 824 | - 2.4 |
| Environmental Science | 137 | 127 | - 7.3 | 555 | 515 | - 7.2 |
| BioScience | 40 | 45 | + 12.5 | 289 | 309 | + 6.9 |
| EBITDA¹ | 10 | (8) | • | 246 | 166 | - 32.5 |
| <i>Special items</i> | <i>0</i> | <i>0</i> | | <i>0</i> | <i>(35)</i> | |
| <i>EBITDA before special items²</i> | <i>10</i> | <i>(8)</i> | <i>•</i> | <i>246</i> | <i>201</i> | <i>- 18.3</i> |
| EBITDA margin before special items | 5.6% | (4.7)% | | 29.1% | 24.4% | |
| EBIT¹ | (5) | (26) | • | 189 | 109 | - 42.3 |
| <i>Special items</i> | <i>0</i> | <i>0</i> | | <i>0</i> | <i>(35)</i> | |
| <i>EBIT before special items²</i> | <i>(5)</i> | <i>(26)</i> | <i>•</i> | <i>189</i> | <i>144</i> | <i>- 23.8</i> |
| Gross cash flow¹ | 15 | 0 | - 100.0 | 179 | 127 | - 29.1 |
| Net cash flow¹ | 100 | 108 | + 8.0 | 139 | 164 | + 18.0 |

¹ for definition see Bayer Group Key Data on page 2

² for definition see also page 30

Bayer MaterialScience

The MaterialScience subgroup grew **sales** in the **third quarter of 2007** by 1.1 percent to €2,625 million (Q3 2006: €2,596 million). Adjusted for currency and portfolio effects, sales advanced by 3.5 percent year on year. This increase was largely due to higher prices than in the prior-year quarter in nearly all regions. We also achieved a small increase in volumes, with a slight overall decline in Europe and North America being more than offset by steadily rising demand in Asia and Latin America.

EBITDA before special items in the third quarter of 2007 came to €421 million (+10.5 percent). This marked the first time in fiscal 2007 that we were able to improve quarterly underlying earnings year on year. We compensated for the rise in raw material and energy costs, mainly through higher selling prices. **EBIT** before special items rose by 11.7 percent to €295 million. After special items, **EBIT** improved by 25.9 percent to €292 million.

| Bayer MaterialScience | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------------|------------------------|--------|------------------------------|------------------------------|--------|
| | € million | € million | % | € million | € million | % |
| Net sales | 2,596 | 2,625 | + 1.1 | 7,629 | 7,856 | + 3.0 |
| EBITDA¹ | 352 | 419 | + 19.0 | 1,211 | 1,217 | + 0.5 |
| <i>Special items</i> | (29) | (2) | | (159) | (22) | |
| <i>EBITDA before special items²</i> | 381 | 421 | + 10.5 | 1,370 | 1,239 | - 9.6 |
| EBITDA margin before special items | 14.7% | 16.0% | | 18.0% | 15.8% | |
| EBIT¹ | 232 | 292 | + 25.9 | 861 | 843 | - 2.1 |
| <i>Special items</i> | (32) | (3) | | (162) | (33) | |
| <i>EBIT before special items²</i> | 264 | 295 | + 11.7 | 1,023 | 876 | - 14.4 |
| Gross cash flow¹ | 239 | 326 | + 36.4 | 883 | 923 | + 4.5 |
| Net cash flow¹ | 256 | 378 | + 47.7 | 780 | 693 | - 11.2 |

2006 figures restated

¹ for definition see Bayer Group Key Data on page 2

² for definition see also page 30

Materials

Sales in the Materials segment rose by 3.2 percent in the **third quarter of 2007**, to €767 million (Q3 2006: €743 million). After adjusting for currency and portfolio effects, business increased by 5.8 percent, with the Polycarbonates and Thermoplastic Polyurethanes business units posting adjusted sales gains of 5.3 percent and 12.4 percent, respectively. We achieved slight increases in both volumes and selling prices.

Third-quarter **EBITDA** before special items came in 3.9 percent above the prior-year period, at €80 million, with higher selling prices and growth in volumes offsetting increases in raw material and energy costs. **EBIT** before special items, however, fell by 15.8 percent to €32 million due to higher write-downs. There were no special items.

Sales of the Materials segment in the **first three quarters of 2007** advanced to €2,263 million (currency- and portfolio-adjusted: +7.7 percent). **EBITDA** before special items came in at €231 million (-40.2 percent), while **EBIT** before special items fell to €99 million (-63.5 percent). There were no special items.

| Materials | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------------|------------------------|----------------|------------------------------|------------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 743 | 767 | + 3.2 | 2,176 | 2,263 | + 4.0 |
| Polycarbonates | 695 | 706 | + 1.6 | 2,021 | 2,092 | + 3.5 |
| Thermoplastic Polyurethanes | 48 | 61 | + 27.1 | 155 | 171 | + 10.3 |
| EBITDA¹ | 77 | 80 | + 3.9 | 386 | 231 | - 40.2 |
| <i>Special items</i> | 0 | 0 | | 0 | 0 | |
| <i>EBITDA before special items²</i> | 77 | 80 | + 3.9 | 386 | 231 | - 40.2 |
| EBITDA margin before special items | 10.4% | 10.4% | | 17.7% | 10.2% | |
| EBIT¹ | 38 | 32 | - 15.8 | 271 | 99 | - 63.5 |
| <i>Special items</i> | 0 | 0 | | 0 | 0 | |
| <i>EBIT before special items²</i> | 38 | 32 | - 15.8 | 271 | 99 | - 63.5 |
| Gross cash flow¹ | 62 | 69 | + 11.3 | 293 | 193 | - 34.1 |
| Net cash flow¹ | 45 | 103 | + 128.9 | 168 | 103 | - 38.7 |

2006 figures restated

¹ for definition see Bayer Group Key Data on page 2² for definition see also page 30

Systems

The Systems segment posted **third-quarter sales** of €1,858 million, virtually in line with the prior-year period (Q3 2006: €1,853 million). Currency- and portfolio-adjusted sales improved by 2.6 percent. Our Coatings, Adhesives, Sealants and Inorganic Basic Chemicals business units contributed to this improvement with growth of 10.6 and 8.1 percent, respectively. By contrast, currency- and portfolio-adjusted sales of our Polyurethanes business unit were level year on year (+0.0 percent). The slight growth in sales of the Systems segment resulted from selling price increases.

Third-quarter **EBITDA** before special items in the Systems segment advanced by 12.2 percent to €341 million. The higher selling prices offset increases in raw material and energy costs. **EBIT** before special items moved ahead by 16.4 percent to €263 million. After special charges of €3 million (Q3 2006: €32 million), **EBIT** improved by 34.0 percent to €260 million.

The Systems segment saw sales rise by 2.6 percent to €5,593 million in the **first three quarters of 2007**, with the currency- and portfolio-adjusted increase amounting to 5.8 percent. **EBITDA** before special items improved by 2.4 percent to €1,008 million, while **EBIT** before special items increased by 3.3 percent to €777 million. **EBIT** after special items rose by 26.1 percent to €744 million.

| Systems | 3rd Quarter 2006 | 3rd Quarter 2007 | Change | First Nine Months 2006 | First Nine Months 2007 | Change |
|--|------------------------|------------------------|---------------|------------------------------|------------------------------|---------------|
| | € million | € million | % | € million | € million | % |
| Net sales | 1,853 | 1,858 | + 0.3 | 5,453 | 5,593 | + 2.6 |
| Polyurethanes | 1,328 | 1,299 | - 2.2 | 3,898 | 3,944 | + 1.2 |
| Coatings, Adhesives, Sealants | 385 | 415 | + 7.8 | 1,134 | 1,218 | + 7.4 |
| Inorganic Basic Chemicals | 101 | 107 | + 5.9 | 307 | 317 | + 3.3 |
| Others | 39 | 37 | - 5.1 | 114 | 114 | 0.0 |
| EBITDA¹ | 275 | 339 | + 23.3 | 825 | 986 | + 19.5 |
| <i>Special items</i> | (29) | (2) | | (159) | (22) | |
| <i>EBITDA before special items²</i> | 304 | 341 | + 12.2 | 984 | 1,008 | + 2.4 |
| EBITDA margin before special items | 16.4% | 18.4% | | 18.0% | 18.0% | |
| EBIT¹ | 194 | 260 | + 34.0 | 590 | 744 | + 26.1 |
| <i>Special items</i> | (32) | (3) | | (162) | (33) | |
| <i>EBIT before special items²</i> | 226 | 263 | + 16.4 | 752 | 777 | + 3.3 |
| Gross cash flow¹ | 177 | 257 | + 45.2 | 590 | 730 | + 23.7 |
| Net cash flow¹ | 211 | 275 | + 30.3 | 612 | 590 | - 3.6 |

¹ for definition see Bayer Group Key Data on page 2² for definition see also page 30

Performance by Region

Bayer
Stockholders'
Newsletter 2007

Group Management
Report as of
September 30, 2007

Bayer's global sales expanded in the **third quarter of 2007** by €334 million to €7,793 million. Adjusted for currency and portfolio effects, this corresponds to an increase of 7.0 percent.

The largest increases in absolute terms were recorded in **Europe**, where third-quarter sales rose by €182 million to €3,377 million (+5.7 percent). Europe thus accounted for 43.3 percent of Group sales, with all subgroups posting a year-on-year improvement. Adjusted for currency and portfolio changes, business grew by 6.3 percent, mainly as a result of increases in the Pharmaceuticals, Crop Protection and Consumer Health segments. Sales in **Germany** rose to €1,190 million (portfolio-adjusted: +2.1 percent).

Sales in **North America** declined by €74 million to €1,889 million in the third quarter of 2007. When adjusted for currency and portfolio changes, business grew by 1.6 percent. The Crop Protection and Consumer Health segments, in particular, reported sales gains, while the Environmental Science, BioScience segment and the Systems segment recorded a decrease in sales in North America.

Sales by Region and Segment (by Market)

| € million | Europe | | | | North America | | | |
|---|------------------|------------------|---------------|---------------------|------------------|------------------|---------------|---------------------|
| | 3rd Quarter 2006 | 3rd Quarter 2007 | % | Currency-adjusted % | 3rd Quarter 2006 | 3rd Quarter 2007 | % | Currency-adjusted % |
| HealthCare | 1,410 | 1,540 | + 9.2 | + 9.0 | 1,091 | 1,086 | - 0.5 | + 6.4 |
| Pharmaceuticals | 1,009 | 1,104 | + 9.4 | + 9.1 | 723 | 704 | - 2.6 | + 4.0 |
| Consumer Health | 401 | 436 | + 8.7 | + 8.7 | 368 | 382 | + 3.8 | + 11.1 |
| CropScience | 375 | 415 | + 10.7 | + 10.1 | 208 | 206 | - 1.0 | + 3.2 |
| Crop Protection | 331 | 368 | + 11.2 | + 10.8 | 125 | 140 | + 12.0 | + 16.3 |
| Environmental Science, BioScience | 44 | 47 | + 6.8 | + 5.2 | 83 | 66 | - 20.5 | - 16.8 |
| MaterialScience | 1,100 | 1,122 | + 2.0 | + 2.0 | 665 | 596 | - 10.4 | - 3.9 |
| Materials | 264 | 276 | + 4.5 | + 4.5 | 150 | 144 | - 4.0 | + 3.3 |
| Systems | 836 | 846 | + 1.2 | + 1.2 | 515 | 452 | - 12.2 | - 6.0 |
| Continuing operations (incl. reconciliation) | 3,195 | 3,377 | + 5.7 | + 5.7 | 1,963 | 1,889 | - 3.8 | + 2.6 |

2006 figures restated

Sales by Region and Segment (by Market)

| € million | Europe | | | | North America | | | |
|---|------------------------|------------------------|---------------|---------------------|------------------------|------------------------|---------------|---------------------|
| | First Nine Months 2006 | First Nine Months 2007 | % | Currency-adjusted % | First Nine Months 2006 | First Nine Months 2007 | % | Currency-adjusted % |
| HealthCare | 3,195 | 4,602 | + 44.0 | + 43.8 | 2,475 | 3,323 | + 34.3 | + 44.5 |
| Pharmaceuticals | 1,937 | 3,258 | + 68.2 | + 67.9 | 1,392 | 2,153 | + 54.7 | + 66.4 |
| Consumer Health | 1,258 | 1,344 | + 6.8 | + 6.8 | 1,083 | 1,170 | + 8.0 | + 16.4 |
| CropScience | 1,811 | 1,953 | + 7.8 | + 7.5 | 1,207 | 1,083 | - 10.3 | - 3.8 |
| Crop Protection | 1,519 | 1,657 | + 9.1 | + 8.7 | 842 | 751 | - 10.8 | - 4.4 |
| Environmental Science, BioScience | 292 | 296 | + 1.4 | + 1.2 | 365 | 332 | - 9.0 | - 2.5 |
| MaterialScience | 3,282 | 3,476 | + 5.9 | + 5.9 | 2,033 | 1,840 | - 9.5 | - 2.4 |
| Materials | 821 | 848 | + 3.3 | + 3.3 | 452 | 442 | - 2.2 | + 5.5 |
| Systems | 2,461 | 2,628 | + 6.8 | + 6.8 | 1,581 | 1,398 | - 11.6 | - 4.7 |
| Continuing operations (incl. reconciliation) | 9,224 | 10,922 | + 18.4 | + 18.3 | 5,722 | 6,255 | + 9.3 | + 17.6 |

2006 figures restated

In **Asia/Pacific** business grew by 6.5 percent in the third quarter of 2007, or by 10.4 percent on a currency- and portfolio-adjusted basis. This was mainly due to double-digit sales growth in our HealthCare and MaterialScience businesses.

Currency-adjusted sales in the **Latin America/Africa/Middle East** region climbed by 15.7 percent in the third quarter, or by 14.4 percent when adjusted for currency and portfolio changes. High prices for agricultural commodities and the general improvement in the market situation in Brazil led to particularly gratifying growth in CropScience sales in both the Crop Protection and the Environmental Science, BioScience segments (+25.1 percent and +25.2 respectively when adjusted for currency changes). We also generated significantly higher sales in the HealthCare (+11.6 percent currency-adjusted) and MaterialScience (+13.7 percent currency-adjusted) subgroups.

| Asia/Pacific | | | | Latin America/Africa/Middle East | | | | Continuing Operations | | | |
|------------------|------------------|-------|---------------------|----------------------------------|------------------|-------|---------------------|-----------------------|------------------|-------|---------------------|
| 3rd Quarter 2006 | 3rd Quarter 2007 | % | Currency-adjusted % | 3rd Quarter 2006 | 3rd Quarter 2007 | % | Currency-adjusted % | 3rd Quarter 2006 | 3rd Quarter 2007 | % | Currency-adjusted % |
| 488 | 514 | +5.3 | +10.6 | 493 | 540 | +9.5 | +11.6 | 3,482 | 3,680 | +5.7 | +8.8 |
| 401 | 419 | +4.5 | +10.3 | 311 | 343 | +10.3 | +11.8 | 2,444 | 2,570 | +5.2 | +8.1 |
| 87 | 95 | +9.2 | +11.7 | 182 | 197 | +8.2 | +11.4 | 1,038 | 1,110 | +6.9 | +10.2 |
| 211 | 218 | +3.3 | +4.1 | 255 | 318 | +24.7 | +25.1 | 1,049 | 1,157 | +10.3 | +11.2 |
| 186 | 190 | +2.2 | +3.0 | 230 | 287 | +24.8 | +25.1 | 872 | 985 | +13.0 | +13.7 |
| 25 | 28 | +12.0 | +12.4 | 25 | 31 | +24.0 | +25.2 | 177 | 172 | -2.8 | -1.2 |
| 538 | 582 | +8.2 | +14.5 | 293 | 325 | +10.9 | +13.7 | 2,596 | 2,625 | +1.1 | +4.3 |
| 256 | 267 | +4.3 | +10.9 | 73 | 80 | +9.6 | +12.2 | 743 | 767 | +3.2 | +7.1 |
| 282 | 315 | +11.7 | +17.7 | 220 | 245 | +11.4 | +14.2 | 1,853 | 1,858 | +0.3 | +3.2 |
| 1,248 | 1,329 | +6.5 | +11.2 | 1,053 | 1,198 | +13.8 | +15.7 | 7,459 | 7,793 | +4.5 | +7.2 |

| Asia/Pacific | | | | Latin America/Africa/Middle East | | | | Continuing Operations | | | |
|------------------------|------------------------|-------|---------------------|----------------------------------|------------------------|-------|---------------------|------------------------|------------------------|-------|---------------------|
| First Nine Months 2006 | First Nine Months 2007 | % | Currency-adjusted % | First Nine Months 2006 | First Nine Months 2007 | % | Currency-adjusted % | First Nine Months 2006 | First Nine Months 2007 | % | Currency-adjusted % |
| 1,131 | 1,503 | +32.9 | +41.4 | 1,141 | 1,579 | +38.4 | +45.1 | 7,942 | 11,007 | +38.6 | +42.4 |
| 880 | 1,236 | +40.5 | +50.4 | 571 | 1,001 | +75.3 | +82.6 | 4,780 | 7,648 | +60.0 | +63.5 |
| 251 | 267 | +6.4 | +10.2 | 570 | 578 | +1.4 | +7.5 | 3,162 | 3,359 | +6.2 | +10.5 |
| 684 | 674 | -1.5 | +2.0 | 696 | 795 | +14.2 | +17.4 | 4,398 | 4,505 | +2.4 | +5.1 |
| 578 | 563 | -2.6 | +1.0 | 615 | 710 | +15.4 | +18.3 | 3,554 | 3,681 | +3.6 | +6.0 |
| 106 | 111 | +4.7 | +7.3 | 81 | 85 | +4.9 | +10.6 | 844 | 824 | -2.4 | +1.3 |
| 1,464 | 1,625 | +11.0 | +18.1 | 850 | 915 | +7.6 | +11.7 | 7,629 | 7,856 | +3.0 | +6.6 |
| 692 | 751 | +8.5 | +15.7 | 211 | 222 | +5.2 | +8.6 | 2,176 | 2,263 | +4.0 | +8.2 |
| 772 | 874 | +13.2 | +20.2 | 639 | 693 | +8.5 | +12.7 | 5,453 | 5,593 | +2.6 | +6.0 |
| 3,315 | 3,837 | +15.7 | +22.5 | 2,725 | 3,331 | +22.2 | +27.2 | 20,986 | 24,345 | +16.0 | +19.4 |

Liquidity and Capital Resources

| Bayer Group Summary Cash Flow Statements | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| € million | | | | |
| Gross cash flow* | 1,135 | 1,165 | 3,152 | 3,763 |
| Changes in working capital/other non-cash items | 380 | 458 | (717) | (949) |
| Net cash provided by (used in) operating activities (net cash flow), continuing operations | 1,515 | 1,623 | 2,435 | 2,814 |
| Net cash provided by (used in) operating activities (net cash flow), discontinued operations | (20) | (2) | 190 | 0 |
| Net cash provided by (used in) operating activities (net cash flow) (total) | 1,495 | 1,621 | 2,625 | 2,814 |
| Net cash provided by (used in) investing activities (total) | (1,313) | (603) | (15,341) | 3,933 |
| Net cash provided by (used in) financing activities (total) | 235 | (1,538) | 12,368 | (7,191) |
| Change in cash and cash equivalents due to business activities (total) | 417 | (520) | (348) | (444) |
| Cash and cash equivalents at beginning of period | 2,491 | 2,980 | 3,290 | 2,915 |
| Change due to exchange rate movements and to changes in scope of consolidation | (1) | (79) | (35) | (90) |
| Cash and cash equivalents at end of period | 2,907 | 2,381 | 2,907 | 2,381 |

2006 figures restated

* for definition see Bayer Group Key Data on page 2

Operating cash flow

Gross cash flow in the **third quarter of 2007** increased by 2.6 percent from the prior-year period to €1,165 million (Q3 2006: €1,135 million). Net cash flow improved by €108 million to €1,623 million (Q3 2006: €1,515 million) due to a decrease in cash tied up in working capital. The total net cash flow including discontinued operations was €1,621 million (Q3 2006: €1,495 million).

Gross cash flow in the **first nine months of 2007** improved by 19.4 percent from the same period of last year to €3,763 million (9M 2006: €3,152 million) as a result of the strong business performance and the inclusion of Schering. Net cash flow rose by €379 million to €2,814 million (9M 2006: €2,435 million), mainly due to the high inflows in the first quarter. The total net cash flow including discontinued operations was €2,814 million (9M 2006: €2,625 million).

Investing cash flow

There was a net cash inflow of €3,933 million for investing activities in the first nine months of 2007, compared with a €15,341 million outflow in the prior-year period. The main items here were divestment proceeds of €3.4 billion for the Diagnostics business, €0.9 billion for H.C. Starck and €0.4 billion for Wolff Walsrode.

The €4.3 billion transaction volume for the Diagnostics business comprised an initial receipt of €0.4 billion at the end of 2006 and a further purchase-price payment of €3.9 billion in the first quarter of 2007. After deducting approximately €0.2 billion in divested cash and a total of €0.3 billion in tax payments made in the second and third quarters on the divestment gain, net proceeds of divestitures in the first nine months of 2007 totaled €3.4 billion. Further tax payments totaling some €0.2 billion will be due in subsequent periods. We sold H.C. Starck to Advent International and The Carlyle Group for approximately €1.2 billion. The transaction volume consisted mainly of a cash component in excess of €0.9 billion, including compensation for financial liabilities, along

with the assumption of €0.2 billion in pension obligations. The €0.5 billion proceeds of the sale of Wolff Walsrode mainly comprised a cash component of €0.4 billion, including compensation for financial liabilities, and the assumption of pension obligations by the acquirer.

Cash outflows for acquisitions included the US\$ 310 million (approx. €230 million) purchase price for U.S. cotton seed producer Stoneville. Bayer CropScience acquired Stoneville Pedigreed Seed Company from Monsanto in June 2007 in order to strengthen the position of its BioScience business unit in the U.S. cotton seed market. Further, in September 2007, Bayer HealthCare completed the acquisition, agreed in March 2007, of a biologics production facility in Emeryville, California, from Novartis and made a purchase price payment of US\$ 183 million (approx. €137 million). On July 1, 2007, Bayer MaterialScience completed the acquisition of the Ure-Tech Group, Taiwan, a supplier of TPU resins and films, at a purchase price of US\$ 82 million (approx. €61 million). Cash outflows for acquisitions in the prior-year period were largely attributable to the acquisition of Schering, Berlin, Germany.

Cash outflows for property, plant and equipment in the first nine months of 2007 came to €989 million (9M 2006: €847 million) and those for intangible assets to €134 million (9M 2006: €237 million), giving a total of €1,123 million (9M 2006: €1,084 million). This figure included the expenditures for the expansion of our polymers production facilities in Caojing, China.

Financing cash flow

Net cash outflow for financing activities in the first nine months of 2007 amounted to €7,191 million (9M 2006: €12,368 million net inflow). Net loan repayments totaled €5,209 million, including €2.1 billion for the scheduled redemption of our 2002/2007 Eurobond in April 2007. The Bayer AG dividend for 2006, paid in the second quarter of 2007, and dividend payments to minority stockholders of consolidated companies accounted for a further €775 million (9M 2006: €533 million). The item "Bayer AG dividend, dividend payments to minority stockholders" in the prior-year period contained an inflow of €176 million from the reimbursement of advance capital gains tax payments made on intragroup dividends in 2004.

Liquid assets and net debt

As of September 30, 2007 the Bayer Group had cash and cash equivalents of €2,381 million, including €777 million held in escrow accounts. These are 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 in 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. In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt.

During the third quarter of 2007 we reduced net debt (total) by €0.8 billion to €12.7 billion. This was the result of a €1.4 billion reduction in financial liabilities, partly offset by a €0.6 billion decrease in cash and cash equivalents. Net debt (total) stood at €12.7 billion on September 30, 2007, having fallen by €4.8 billion since December 31, 2006, thanks largely to cash inflows from the divestitures and also to an improvement in operating cash flow. Net debt should be viewed against the fact that noncurrent financial liabilities include both the 100-year hybrid bond and the mandatory convertible bond in full. However, when computing debt indicators, rating agencies classify hybrid bonds partially as equity and mandatory convertible bonds entirely as equity. These bonds therefore boost the Group's rating-specific debt indicators.

Standard & Poor's gives Bayer AG a long-term issuer rating of **BBB+** with positive outlook, while Moody's gives the company a rating of **A3** with negative outlook. The short-term ratings are **A-2** (Standard & Poor's) and **P-2** (Moody's). These investment-grade ratings evidence a continuing high level of creditworthiness.

| Net Debt | Dec. 31, 2006 | June 30, 2007 | Sept. 30, 2007 |
|--|------------------|------------------|-------------------|
| € million | | | |
| Noncurrent financial liabilities as per balance sheets (including derivatives) | 14,723 | 13,644 | 13,307 |
| of which mandatory convertible bond | 2,276 | 2,280 | 2,283 |
| of which hybrid bond | 1,247 | 1,234 | 1,236 |
| Current financial liabilities as per balance sheets (including derivatives) | 5,078 | 2,309 | 1,298 |
| Derivative receivables | (185) | (194) | (219) |
| Financial liabilities | 19,616 | 15,759 | 14,386 |
| Cash and cash equivalents* | (2,116) | (2,202) | (1,604) |
| Current financial assets | (27) | (6) | (62) |
| Net debt from continuing operations | 17,473 | 13,551 | 12,720 |
| Net debt from discontinued operations | 66 | 0 | 0 |
| Net debt (total) | 17,539 | 13,551 | 12,720 |

* In view of the restriction on its use, the €777 million liquidity in escrow accounts in the third quarter of 2007 (Q3 2006: €310 million) was not deducted when calculating net debt. Sept. 30, 2007: €1,604 million = €2,381 million - €777 million (June 30, 2007: €2,202 million = €2,980 million - €778 million; Dec. 31, 2006: €2,116 million = €2,915 million - €799 million).

Employees

The number of employees is shown as full-time equivalents, which means part-time employees are included in proportion to their contractual working hours. We believe this presentation improves the comparability of personnel expenses and employee numbers.

On September 30, 2007 the Bayer Group had 106,200 employees, 1.5 percent more than on June 30, 2007. This figure includes employees of the acquired facility in Emeryville, California and of Ure-Tech in Asia. As of September 30, 2007, we employed 16,700 people in North America, 18,700 in Asia/Pacific, 14,200 in Latin America/Africa/Middle East and 56,600 in Europe. Our 39,400 employees in Germany accounted for 37.1 percent of the Group total.

Personnel expenses in the third quarter of 2007 amounted to €1,781 million (Q3 2006: €1,824 million). The 2.4 percent decrease was mainly the result of shifts in exchange rates.

Risk Report

As a global company with a diverse business portfolio, the Bayer Group is exposed to numerous risks which are monitored within the context of a risk management system. These include financial risks and, in particular, business-specific selling market risks, procurement market risks, product development risks, patent risks, and product and environmental 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.

To find out more about the Bayer Group's overall risk situation, please see pages 80 to 88 of the Bayer Annual Report 2006, which can be downloaded free of charge at www.bayer.com. Since publication of the Bayer Annual Report 2006, the following significant changes have occurred in respect of the legal risks:

Proceedings involving syringe injectors and related products: As stated on page 87 of the Bayer Annual Report 2006, Liebel-Flarsheim Company and its parents, Mallinckrodt, Inc. and Tyco Healthcare Group LP, filed suit against Bayer's U.S. subsidiary Medrad alleging that some of Medrad's front load syringe injectors infringe patents held by Liebel-Flarsheim. In March 2007, the U.S. Court of Appeals decided that the Liebel-Flarsheim patents are invalid. The legal risks involved in these proceedings are no longer material for the Bayer Group.

Proceedings involving genetically modified rice: On page 86 of the Bayer Annual Report 2006 we described lawsuits and putative class actions filed against Bayer in the United States after traces of the genetically modified rice LLRICE 601 from the Liberty Link product line were identified in samples of conventional long-grain rice grown in the U.S. In March 2007, traces of LLRICE 62 and LLRICE 604 were found in Clearfield 131 conventional hybrid rice marketed by BASF. Subsequently the USDA issued an order temporarily prohibiting the sale or planting of Clearfield 131. The USDA and the FDA have stated that LLRICE 62, 601 and 604 do not constitute a health risk and are safe for use in food and feed and for the environment. In its report issued in October 2007 on the causation of the LLRICE incidents, the USDA did not identify a specific mode of cause and determined it would not pursue any enforcement actions against Bayer CropScience or any other party. Bayer believes it has meritorious defenses against claims made or any possible future claims and intends to defend these cases vigorously. Bayer has recorded a provision of €26 million for related defense costs.

Arbitration proceedings concerning propylene oxide: As reported on page 86 of the Bayer Annual Report 2006, an arbitration panel in May 2006 issued a final award in favor of Lyondell Chemical Co. in respect of a dispute with Bayer over interpretation of their joint venture agreements for the manufacture of propylene oxide. Bayer was seeking to vacate the final award, while Lyondell was seeking to confirm the award as well as obtain pre-award interest. On March 20, 2007, the Texas District Court denied Bayer's motion to vacate, confirmed in part the final award and ordered additional discovery relevant to one issue on which confirmation was not granted. Bayer has established appropriate provisions for the entire matter. In January 2007, Bayer filed a suit against Lyondell in the Delaware State Court of Chancery, seeking equitable reformation of one of the agreements relating to the joint venture and restitution of certain monies paid or allegedly owing by Bayer to Lyondell.

Proceedings involving oral contraceptives

Yasmin®: On page 86 of the Bayer Annual Report 2006, we reported that, in April 2005, Bayer Schering Pharma filed an ANDA IV 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. Barr has already admitted that the marketing of a generic version of Yasmin® would infringe Bayer's patent, therefore the proceedings now relate solely to the question of patent validity. Trial of the matter has been set to start on November 15, 2007.

YAZ®: On page 86 of the Bayer Annual Report 2006, 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 YAZ® oral contraceptive. In October 2007 Bayer Schering Pharma received notice that Watson Laboratories Inc. also has filed an ANDA IV application with the U.S. FDA seeking approval of a generic version of Bayer Schering Pharma's YAZ® oral contraceptive product. 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 Schering Pharma has market exclusivity rights for its YAZ® oral contraceptive product until March 2009.

Bayer highly values its Yasmin® and YAZ® oral contraceptive products and is deeply committed to maintaining its leadership position in oral contraception. Bayer will continue to vigorously defend its rights in this litigation.

As far as can be seen today, no risks have been identified which alone or in combination could jeopardize the continued existence of the Bayer Group.

Calculation of EBIT(DA) Before Special Items

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Stockholders'
Newsletter 2007

Group Management
Report as of
September 30, 2007

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 3rd Quarter 2006 | EBIT 3rd Quarter 2007 | EBIT First Nine Months 2006 | EBIT First Nine Months 2007 | EBITDA 3rd Quarter 2006 | EBITDA 3rd Quarter 2007 | EBITDA First Nine Months 2006 | EBITDA First Nine Months 2007 |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------------------------|--|--|
| € million | | | | | | | | |
| After special items | 630 | 677 | 2,556 | 2,769 | 1,124 | 1,439 | 3,829 | 4,785 |
| HealthCare | 106 | 269 | 128 | 617 | 317 | 117 | 339 | 463 |
| Schering PPA effects* | 37 | 51 | 37 | 104 | 267 | 51 | 267 | 165 |
| Schering integration costs | 30 | 68 | 44 | 363 | 30 | 68 | 44 | 300 |
| Changes in intangible asset values | 19 | 152 | 19 | 152 | 0 | 0 | 0 | 0 |
| Restructuring | 17 | 0 | 20 | 0 | 17 | 0 | 20 | 0 |
| Litigation | 13 | 27 | 18 | 27 | 13 | 27 | 18 | 27 |
| Other | (10) | (29) | (10) | (29) | (10) | (29) | (10) | (29) |
| CropScience | 15 | 4 | 15 | 94 | 3 | 1 | 3 | 85 |
| Restructuring | 40 | 4 | 40 | 61 | 28 | 1 | 28 | 52 |
| Litigation | 0 | 0 | 0 | 33 | 0 | 0 | 0 | 33 |
| Other | (25) | 0 | (25) | 0 | (25) | 0 | (25) | 0 |
| MaterialScience | 32 | 3 | 162 | 33 | 29 | 2 | 159 | 22 |
| Restructuring | 11 | 3 | 11 | 33 | 8 | 2 | 8 | 22 |
| Litigation | 21 | 0 | 151 | 0 | 21 | 0 | 151 | 0 |
| Reconciliation | (14) | 0 | (4) | 0 | (14) | 0 | (4) | 0 |
| Restructuring | (14) | 0 | (4) | 0 | (14) | 0 | (4) | 0 |
| Total special items | 139 | 276 | 301 | 744 | 335 | 120 | 497 | 570 |
| Before special items | 769 | 953 | 2,857 | 3,513 | 1,459 | 1,559 | 4,326 | 5,355 |

2006 figures restated

* 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). The purchase price allocation resulted in total charges to EBIT of €254 million in the third quarter of 2007. 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. When calculating EBIT before special items, we deducted a €51 million special charge recorded in this connection. EBIT before special items therefore reflects €203 million in charges resulting from the purchase price allocation. EBITDA before special items remains unaffected by the purchase price allocation.

Subsequent Events

Bayer, the U.S. Food and Drug Administration (FDA) and the Canadian regulatory authority Health Canada were notified during the second half of October that an independent, randomized, controlled clinical trial being conducted in high-risk cardiac surgery patients in Canada (BART study), in which Trasylol® (aprotinin injection) was one of the substances being used, had been halted. In the context of a planned periodic data analysis carried out by the BART Data Safety Monitoring Board (DSMB), it was reported that there was a reduction in bleeding but also an increase in all-cause mortality – that almost reached conventional statistical significance for 30-day mortality – for patients in the Trasylol® treatment arm compared to patients who received either aminocaproic acid or tranexamic acid. As a result, the trial was halted. Detailed data have not, as yet, been shared with Bayer. The BART investigators will now collect data from all centers throughout Canada and undertake data analysis. This is expected to take up to eight weeks, or perhaps longer.

On November 5, following consultation with the German Federal Institute for Drugs and Medical Devices (BfArM), the FDA, Health Canada, and other health authorities, Bayer announced that it has elected to temporarily suspend worldwide marketing of Trasylol®. The company took this global action following direction from the German BfArM and requests from the FDA and other regulators that Bayer temporarily suspend Trasylol® marketing in their respective countries until final BART data were available. Once the complete BART dataset is available, Bayer will work with health authorities to evaluate whether these data have any impact on the positive benefit-risk assessment for Trasylol®. At that time, the temporary marketing suspension will be reevaluated.

The FDA, Health Canada and other health authorities have indicated their interest in working with Bayer to create a program for use during the temporary suspension under which physicians in these markets might request and receive Trasylol® for treatment of certain surgical patients with an established medical need. Bayer will work with the FDA, Health Canada, and any other authorities who wish to institute similar programs, to outline appropriate patient profiles and the specific details.

Bayer believes that the totality of the available data continues to support a favorable risk-benefit profile for Trasylol® when used according to labeling.

First through third quarter global 2007 sales for Trasylol® were €93 million, including approximately €63 million from the U.S. and €5 million in Germany.

At the beginning of October 2007, Bayer HealthCare's Consumer Care Division acquired the global Citracal® line of over-the-counter calcium supplements from the U.S. company Mission Pharmacal. Citracal® is primarily sold in North America and saw net sales of US\$ 47.0 million (approx. €36 million) for fiscal year 2006/2007.

Bayer Vital GmbH is the subject of an investigation by the German Federal Cartel Office concerning certain agreements with pharmacies on drug pricing. Bayer is cooperating with the Federal Cartel Office in clarifying the allegations.

Bayer MaterialScience has initiated extensive cost-structure measures to support its value-creation and efficiency-improvement targets. The goal is to achieve savings of €300 million annually by the end of 2009. The measures focus primarily on further process and cost optimization at production facilities, rigorous management of marketing and distribution expenses, and a significant reduction in administrative costs. Total special charges of €150 million to €200 million are expected to be taken through 2009 in order to realize these savings. We anticipate that the headcount reduction necessitated by the measures can be achieved in a socially compatible way and through normal attrition.

At the end of October 2007 Bayer agreed to sell the Hennecke group, part of the MaterialScience subgroup, to the Adcuram group, Vienna/Munich. The sale is scheduled to be completed by the end of the year, subject to the approval of the antitrust authorities. The Hennecke group is headquartered in Sankt Augustin, near Bonn, Germany, and has further sites in Pittsburgh, United States; Singapore; and Shanghai, China. It employs approximately 500 people and had sales of about €80 million in 2006.

Investor Information

Bayer's share price showed mainly lateral movement in the third quarter, closing on September 30, 2007, at €55.82, up 37.3 percent from the closing price at the end of 2006. Including the dividend of €1.00 per share for 2006 paid on April 30, 2007, Bayer stock achieved a performance of 40.0 percent in the first nine months of 2007. Over the same period the DAX rose 19.2 percent to 7862 points.

The delisting of Bayer's American Depositary Shares (ADSs) from the New York Stock Exchange (NYSE) was completed on September 27, 2007. Since then, Bayer ADSs have been traded in the U.S. over-the-counter market. The company has also filed for deregistration with the Securities and Exchange Commission (SEC) on Form 15-F.

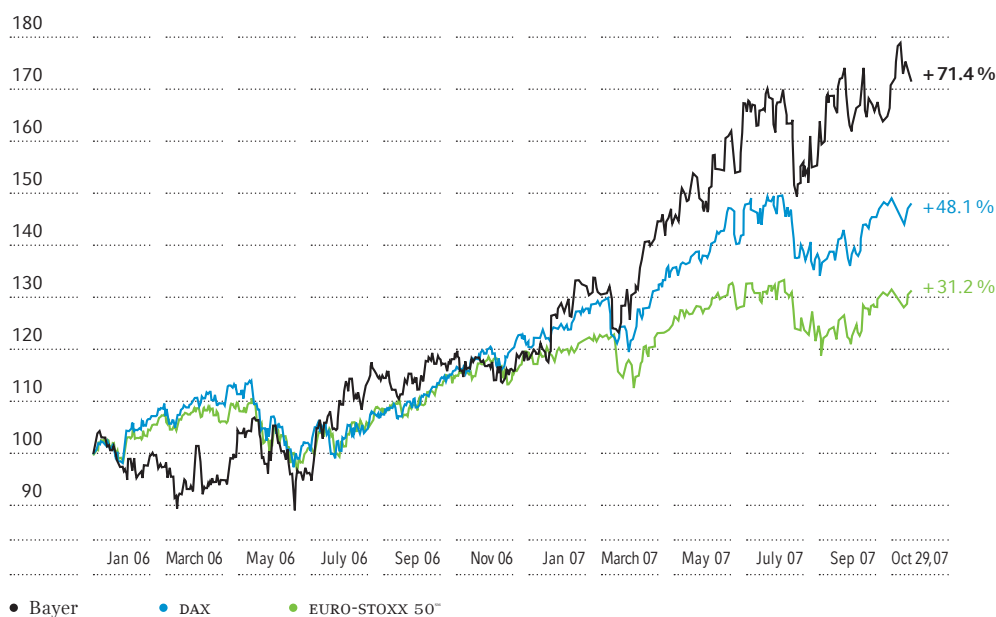
Bayer has applied the International Financial Reporting Standards (IAS/IFRS) of the International Accounting Standards Board (IASB) since 1994. We will maintain the transparency of our financial reporting irrespective of the intended deregistration with the SEC and the resulting termination of the respective reporting obligations.

| Bayer Stock Key Data | | 3rd Quarter | 3rd Quarter | First Nine | First Nine |
|--|-----------|----------------|----------------|---------------|--|
| | | 2006 | 2007 | Months | Months |
| | | | | 2006 | 2007 |
| High for the period | € | 40.20 | 58.56 | 40.20 | 58.56 |
| Low for the period | € | 35.32 | 50.33 | 30.56 | 40.20 |
| Average daily share turnover on German stock exchanges | million | 5.1 | 6.0 | 6.0 | 5.9 |
| | | Sept. 30, 2006 | Sept. 30, 2007 | Dec. 31, 2006 | Change Sept. 30, 2007/ Dec. 31, 2006 % |
| Share price | € | 40.20 | 55.82 | 40.66 | 37.3 |
| Market capitalization | € million | 30,727 | 42,665 | 31,078 | 37.3 |
| Stockholders' equity | € million | 13,164 | 17,008 | 12,851 | 32.3 |
| Number of shares entitled to the dividend | million | 764.34 | 764.34 | 764.34 | 0.0 |
| DAX | | 6004 | 7862 | 6597 | 19.2 |

XETRA closing price; source: Bloomberg

Relative Performance of Bayer Stock

Index (100 = XETRA closing price on December 31, 2005)



Fidelity Management and Research LLC. (a Delaware limited liability company with its principal place of business at Boston, Massachusetts, USA) has informed us that, as a result of an internal merger reorganization effective October 1, 2007, it became the successor entity to Fidelity Management and Research Corp. and has assumed all that company's rights and obligations. It has notified us that the proportion of voting rights it held in our company exceeded the 3 percent threshold on October 1, 2007, that as of that date it held 4.71 percent of the voting rights, and that the shares/voting rights were to be attributed to Fidelity Management and Research LLC., United States, pursuant to Section 22, Paragraph 1, Sentence 2 in conjunction with Section 22, Paragraph 1, Sentence 1, No. 6 of the German Securities Trading Act. Any notification received from other shareholders as to whether the proportion of voting rights they hold in our company exceeds or falls below specified thresholds is detailed on our website at: <http://www.investor.bayer.com/en/aktie/aktionaersstruktur/stimmrechtsanteile/>

Calculation of core earnings per share

Earnings per share according to IFRS are affected by the purchase price allocation for Schering, Berlin, Germany, and other special factors. To enhance comparability, we also determine core net income from continuing operations after elimination of the amortization of intangible assets, asset write-downs (including any impairment losses), special items in EBITDA including the related tax effects, and extraordinary tax income or expense.

The €0.9 billion in one-time non-cash tax income received in the third quarter of 2007 in connection with the German corporate tax reform represents a special tax effect and is therefore eliminated.

The calculation of earnings per share in accordance with IFRS is explained in the notes to this interim report on page 42. Adjusted core net income, core earnings per share and core EBIT are not defined in the International Financial Reporting Standards. Therefore

| | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|---|------------------------|------------------------|------------------------------|------------------------------|
| Calculation of Core EBIT and Core Earnings per Share | | | | |
| € million | | | | |
| EBIT as per income statement | 630 | 677 | 2,556 | 2,769 |
| Amortization and write-downs of intangible assets | 189 | 479 | 467 | 1,097 |
| Write-downs of property, plant and equipment | 23 | 9 | 29 | 86 |
| Special items (other than write-downs) | 335 | 120 | 497 | 570 |
| Core EBIT | 1,177 | 1,285 | 3,549 | 4,522 |
| Non-operating result (as per income statement) | (267) | (266) | (705) | (741) |
| Extraordinary income/loss from investments in affiliated companies | - | - | - | - |
| Income taxes (as per income statement) | (109) | 769 | (584) | 221 |
| One-time tax income* | 0 | (911) | 0 | (911) |
| Tax adjustment | (195) | (234) | (351) | (617) |
| Income after taxes attributable to minority interest (as per income statement) | 0 | (3) | 0 | (1) |
| Core net income from continuing operations | 606 | 640 | 1,909 | 2,473 |
| Financing expenses for the mandatory convertible bond, net of tax effects | 25 | 25 | 48 | 73 |
| Adjusted core net income | 631 | 665 | 1,957 | 2,546 |
| Shares | | | | |
| Weighted average number of issued ordinary shares | 760,276,703 | 764,341,920 | 740,429,832 | 764,341,920 |
| Potential shares to be issued upon conversion of the mandatory convertible bond | 60,115,244 | 59,585,493 | 41,299,096 | 59,558,606 |
| Adjusted weighted average total number of issued and potential ordinary shares | 820,391,947 | 823,927,413 | 781,728,928 | 823,900,526 |
| Core earnings per share from continuing operations (€) | 0.77 | 0.81 | 2.50 | 3.09 |

2006 figures restated

* arising from the corporate tax reform in Germany

Bayer Group Consolidated Statements of Income

Bayer
Stockholders'
Newsletter 2007

Consolidated
Financial Statements
as of September 30,
2007

| | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| € million | | | | |
| Net sales | 7,459 | 7,793 | 20,986 | 24,345 |
| Cost of goods sold | (3,974) | (3,978) | (10,983) | (12,184) |
| Gross profit | 3,485 | 3,815 | 10,003 | 12,161 |
| Selling expenses | (1,715) | (1,916) | (4,522) | (5,642) |
| Research and development expenses | (669) | (640) | (1,522) | (1,915) |
| General administration expenses | (407) | (418) | (1,137) | (1,279) |
| Other operating income | 65 | 219 | 440 | 590 |
| Other operating expenses | (129) | (383) | (706) | (1,146) |
| Operating result (EBIT) | 630 | 677 | 2,556 | 2,769 |
| Equity-method loss | (3) | (9) | (14) | (36) |
| Non-operating income | 206 | 113 | 500 | 545 |
| Non-operating expenses | (470) | (370) | (1,191) | (1,250) |
| Non-operating result | (267) | (266) | (705) | (741) |
| Income before income taxes | 363 | 411 | 1,851 | 2,028 |
| Income taxes | (109) | 769 | (584) | 221 |
| Income from continuing operations after taxes | 254 | 1,180 | 1,267 | 2,249 |
| Income (loss) from discontinued operations after taxes | 66 | (2) | 105 | 2,396 |
| Income after taxes | 320 | 1,178 | 1,372 | 4,645 |
| of which attributable to minority interest | 0 | 3 | 0 | 1 |
| of which attributable to Bayer AG stockholders (net income) | 320 | 1,175 | 1,372 | 4,644 |
| Earnings per share (€) | | | | |
| From continuing operations | | | | |
| Basic* | 0.34 | 1.46 | 1.68 | 2.82 |
| Diluted* | 0.34 | 1.46 | 1.68 | 2.82 |
| From continuing and discontinued operations | | | | |
| Basic* | 0.42 | 1.46 | 1.82 | 5.73 |
| Diluted* | 0.42 | 1.46 | 1.82 | 5.73 |

2006 figures restated

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

Bayer Group Consolidated Balance Sheets

| | Sept. 30, 2006 | Sept. 30, 2007 | Dec. 31, 2006 |
|---|-------------------|-------------------|------------------|
| € million | | | |
| Noncurrent assets | | | |
| Goodwill | 8,796 | 8,336 | 8,227 |
| Other intangible assets | 14,801 | 14,685 | 15,807 |
| Property, plant and equipment | 9,357 | 8,664 | 8,867 |
| Investments in associates | 655 | 481 | 532 |
| Other financial assets | 1,084 | 1,104 | 1,094 |
| Other receivables | 201 | 488 | 176 |
| Deferred taxes | 1,283 | 808 | 1,205 |
| | 36,177 | 34,566 | 35,908 |
| Current assets | | | |
| Inventories | 7,123 | 6,315 | 6,153 |
| Trade accounts receivable | 6,512 | 6,331 | 5,802 |
| Other financial assets | 677 | 312 | 401 |
| Other receivables | 1,490 | 1,548 | 1,567 |
| Claims for income tax refunds | 218 | 240 | 220 |
| Cash and cash equivalents | 2,907 | 2,381 | 2,915 |
| Assets held for sale and discontinued operations | 1,654 | 0 | 2,925 |
| | 20,581 | 17,127 | 19,983 |
| Total assets | 56,758 | 51,693 | 55,891 |
| Stockholders' equity | | | |
| Capital stock of Bayer AG | 1,957 | 1,957 | 1,957 |
| Capital reserves of Bayer AG | 4,028 | 4,028 | 4,028 |
| Other reserves | 6,697 | 10,937 | 6,782 |
| | 12,682 | 16,922 | 12,767 |
| Equity attributable to minority interest | 482 | 86 | 84 |
| | 13,164 | 17,008 | 12,851 |
| Noncurrent liabilities | | | |
| Provisions for pensions and other post-employment benefits | 7,043 | 5,268 | 6,543 |
| Other provisions | 1,514 | 1,596 | 1,464 |
| Financial liabilities | 14,447 | 13,307 | 14,723 |
| Other liabilities | 558 | 502 | 449 |
| Deferred taxes | 3,988 | 3,632 | 4,346 |
| | 27,550 | 24,305 | 27,525 |
| Current liabilities | | | |
| Other provisions | 4,280 | 4,080 | 3,765 |
| Financial liabilities | 7,361 | 1,298 | 5,078 |
| Trade accounts payable | 1,992 | 2,217 | 2,369 |
| Income tax liabilities | 144 | 104 | 109 |
| Other liabilities | 1,898 | 2,681 | 3,346 |
| Liabilities directly related to assets held for sale and discontinued operations | 369 | - | 848 |
| | 16,044 | 10,380 | 15,515 |
| Total stockholders' equity and liabilities | 56,758 | 51,693 | 55,891 |

2006 figures reclassified

Bayer Group Consolidated Statements of Cash Flows

Bayer
Stockholders'
Newsletter 2007

**Consolidated
Financial Statements
as of September 30,
2007**

| | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| € million | | | | |
| Income from continuing operations after taxes | 254 | 1,180 | 1,267 | 2,249 |
| Income taxes | 109 | (769) | 584 | (221) |
| Non-operating result | 267 | 266 | 705 | 741 |
| Income taxes paid | (233) | (201) | (733) | (886) |
| Depreciation and amortization | 494 | 762 | 1,273 | 2,016 |
| Change in pension provisions | (3) | (116) | (183) | (298) |
| (Gains) losses on retirements of noncurrent assets | (28) | (8) | (36) | (2) |
| Non-cash effects of the remeasurement of acquired assets (inventory work-down) | 275 | 51 | 275 | 164 |
| Gross cash flow | 1,135 | 1,165 | 3,152 | 3,763 |
| Decrease (increase) in inventories | (214) | (107) | (317) | (282) |
| Decrease (increase) in trade accounts receivable | 177 | 397 | (687) | (666) |
| (Decrease) increase in trade accounts payable | (12) | 1 | (283) | (97) |
| Changes in other working capital, other non-cash items | 429 | 167 | 570 | 96 |
| Net cash provided by (used in) operating activities (net cash flow), continuing operations | 1,515 | 1,623 | 2,435 | 2,814 |
| Net cash provided by (used in) operating activities (net cash flow), discontinued operations | (20) | (2) | 190 | 0 |
| Net cash provided by (used in) operating activities (net cash flow) (total) | 1,495 | 1,621 | 2,625 | 2,814 |
| Cash outflows for property, plant, equipment and intangible assets | (325) | (482) | (1,084) | (1,123) |
| Cash inflows from sales of property, plant, equipment and other assets | 43 | 89 | 87 | 120 |
| Cash inflows from divestitures less divested cash | 3 | (111) | 42 | 4,792 |
| Cash outflows for acquisitions less acquired cash | (1,164) | (198) | (15,294) | (455) |
| Cash inflows from noncurrent financial assets | (6) | 1 | 63 | 9 |
| Interest and dividends received | 80 | 96 | 562 | 565 |
| Cash inflows/outflows from current financial assets | 56 | 2 | 283 | 25 |
| Net cash provided by (used in) investing activities (total) | (1,313) | (603) | (15,341) | 3,933 |
| Capital contributions | 1,177 | 0 | 1,177 | 0 |
| Bayer AG dividend, dividend payments to minority stockholders, reimbursements of advance capital gains tax payments | (6) | 0 | (533) | (775) |
| Issuances of debt | 69 | 239 | 13,831 | 1,842 |
| Retirements of debt | (740) | (1,555) | (1,153) | (7,051) |
| Interest paid | (265) | (222) | (954) | (1,207) |
| Net cash provided by (used in) financing activities (total) | 235 | (1,538) | 12,368 | (7,191) |
| Change in cash and cash equivalents due to business activities (total) | 417 | (520) | (348) | (444) |
| Cash and cash equivalents at beginning of period | 2,491 | 2,980 | 3,290 | 2,915 |
| Change in cash and cash equivalents due to changes in scope of consolidation | 0 | 1 | (2) | (3) |
| Change in cash and cash equivalents due to exchange rate movements | (1) | (80) | (33) | (87) |
| Cash and cash equivalents at end of period | 2,907 | 2,381 | 2,907 | 2,381 |

2006 figures restated

Bayer Group Consolidated Statements of Recognized Income and Expense

| | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|--|------------------------|------------------------|------------------------------|------------------------------|
| € million | | | | |
| Changes in fair values of derivatives designated as hedges and available-for-sale financial assets, recognized in stockholders' equity | (39) | 76 | (51) | 74 |
| Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits, recognized in stockholders' equity | (852) | 167 | 335 | 1,272 |
| Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity | 47 | (477) | (428) | (470) |
| Deferred taxes on valuation adjustments offset directly against stockholders' equity | 353 | (184) | (108) | (615) |
| Changes due to changes in scope of consolidation | - | - | - | 36 |
| Valuation adjustments recognized directly in stockholders' equity | (491) | (418) | (252) | 297 |
| Minority interests in partnerships, recognized in stockholders' equity | - | (5) | - | (24) |
| Income after taxes | 320 | 1,178 | 1,372 | 4,645 |
| Total income and expense recognized in the financial statements | (171) | 755 | 1,120 | 4,918 |
| of which attributable to minority interest | (3) | 1 | (6) | (1) |
| of which attributable to Bayer AG stockholders | (168) | 754 | 1,126 | 4,919 |

2006 figures restated

Notes to the Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2007

Key Data by Segment

| Segment | HealthCare | | | |
|--|------------------------|------------------------|------------------------|------------------------|
| | Pharmaceuticals | | Consumer Health | |
| | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| € million | | | | |
| Net sales (external) | 2,444 | 2,570 | 1,038 | 1,110 |
| Change | +137.5% | +5.2% | +4.8% | +6.9% |
| Currency-adjusted change | +140.6% | +8.1% | +7.7% | +10.2% |
| Intersegment sales | 9 | 22 | 2 | 2 |
| Operating result (EBIT) | 199 | 169 | 193 | 206 |
| Depreciation, amortization and write-downs/write-backs | 138 | 429 | 35 | 32 |
| Gross cash flow* | 456 | 519 | 150 | 189 |
| Net cash flow* | 444 | 464 | 126 | 220 |

2006 figures restated
* for definition see Bayer Group Key Data on page 2

| Segment | HealthCare | | | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | Pharmaceuticals | | Consumer Health | |
| | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| € million | | | | |
| Net sales (external) | 4,780 | 7,648 | 3,162 | 3,359 |
| Change | +61.0% | +60.0% | +10.2% | +6.2% |
| Currency-adjusted change | +60.4% | +63.5% | +9.1% | +10.5% |
| Intersegment sales | 34 | 44 | 5 | 6 |
| Operating result (EBIT) | 560 | 657 | 566 | 634 |
| Depreciation, amortization and write-downs/write-backs | 241 | 1,017 | 111 | 99 |
| Gross cash flow* | 775 | 1,290 | 459 | 520 |
| Net cash flow* | 717 | 945 | 263 | 406 |
| Number of employees at end of period* | 40,100 | 39,100 | 11,500 | 12,100 |

2006 figures restated
* for definition see Bayer Group Key Data on page 2

| CropScience | | | | MaterialScience | | | | | | | |
|------------------|------------------|-----------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|
| Crop Protection | | Environmental Science, BioScience | | Materials | | Systems | | Reconciliation | | Continuing Operations | |
| 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| 872 | 985 | 177 | 172 | 743 | 767 | 1,853 | 1,858 | 332 | 331 | 7,459 | 7,793 |
| -10.9% | +13.0% | -7.8% | -2.8% | +3.6% | +3.2% | +15.2% | +0.3% | | | +27.2% | +4.5% |
| -7.8% | +13.7% | -2.0% | -1.2% | +5.7% | +7.1% | +17.3% | +3.2% | | | +29.8% | +7.2% |
| 10 | 13 | 1 | 2 | 6 | 7 | 43 | 33 | (71) | (79) | | |
| (7) | 56 | (5) | (26) | 38 | 32 | 194 | 260 | 18 | (20) | 630 | 677 |
| 137 | 118 | 15 | 18 | 39 | 48 | 81 | 79 | 49 | 38 | 494 | 762 |
| 86 | 149 | 15 | 0 | 62 | 69 | 177 | 257 | 189 | (18) | 1,135 | 1,165 |
| 206 | 325 | 100 | 108 | 45 | 103 | 211 | 275 | 383 | 128 | 1,515 | 1,623 |

| CropScience | | | | MaterialScience | | | | | | | |
|------------------------|------------------------|-----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Crop Protection | | Environmental Science, BioScience | | Materials | | Systems | | Reconciliation | | Continuing Operations | |
| First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| 3,554 | 3,681 | 844 | 824 | 2,176 | 2,263 | 5,453 | 5,593 | 1,017 | 977 | 20,986 | 24,345 |
| -4.3% | +3.6% | +4.8% | -2.4% | +4.7% | +4.0% | +10.9% | +2.6% | | | +14.5% | +16.0% |
| -6.0% | +6.0% | +3.7% | +1.3% | +3.6% | +8.2% | +9.7% | +6.0% | | | +13.4% | +19.4% |
| 45 | 47 | 4 | 6 | 19 | 15 | 125 | 108 | (232) | (226) | | |
| 437 | 540 | 189 | 109 | 271 | 99 | 590 | 744 | (57) | (14) | 2,556 | 2,769 |
| 376 | 356 | 57 | 57 | 115 | 132 | 235 | 242 | 138 | 113 | 1,273 | 2,016 |
| 598 | 650 | 179 | 127 | 293 | 193 | 590 | 730 | 258 | 253 | 3152 | 3763 |
| 351 | 525 | 139 | 164 | 168 | 103 | 612 | 590 | 185 | 81 | 2,435 | 2,814 |
| 15,200 | 14,700 | 2,800 | 3,100 | 5,000 | 5,300 | 9,900 | 10,300 | 21,800 | 21,600 | 106,300 | 106,200 |

Key Data by Region

Bayer
Stockholders'
Newsletter 2007

**Consolidated
Financial Statements
as of September 30,
2007**

Notes

| Region | Europe | | North America | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| € million | | | | |
| Net sales (external) – by market | 3,195 | 3,377 | 1,963 | 1,889 |
| Change | +31.4% | +5.7% | 26.1% | -3.8% |
| Currency-adjusted change | +31.6% | +5.7% | 30.3% | +2.6% |
| Net sales (external) – by point of origin | 3,462 | 3,669 | 1,968 | 1,905 |
| Change | +30.5% | +6.0% | 25.8% | -3.2% |
| Currency-adjusted change | +30.6% | +6.0% | 30.0% | +3.4% |
| Interregional sales | 1,225 | 1,367 | 465 | 525 |
| Operating result (EBIT) | 405 | 445 | 154 | 108 |

2006 figures restated

| Region | Europe | | North America | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|
| | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| € million | | | | |
| Net sales (external) – by market | 9,224 | 10,922 | 5,722 | 6,255 |
| Change | +13.2% | +18.4% | +17.9% | +9.3% |
| Currency-adjusted change | +13.2% | +18.3% | +15.0% | +17.6% |
| Net sales (external) – by point of origin | 9,948 | 11,792 | 5,746 | 6,285 |
| Change | +13.5% | +18.5% | +17.9% | +9.4% |
| Currency-adjusted change | +13.4% | +18.5% | +15.0% | +17.8% |
| Interregional sales | 3,165 | 4,012 | 1,370 | 1,571 |
| Operating result (EBIT) | 1,586 | 1,798 | 665 | 657 |
| Number of employees at end of period* | 58,100 | 56,600 | 17,200 | 16,700 |

2006 figures restated

* number of employees in full-time equivalents

| | Asia/Pacific | | Latin America/ Africa/Middle East | | Reconciliation | | Continuing Operations | |
|--|------------------------|------------------------|--------------------------------------|------------------------|------------------------|------------------------|--------------------------|------------------------|
| | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| | 1,248 | 1,329 | 1,053 | 1,198 | | | 7,459 | 7,793 |
| | +21.0% | +6.5% | +24.6% | +13.8% | | | +27.2% | +4.5% |
| | +25.5% | +11.2% | +27.6% | +15.7% | | | +29.8% | +7.2% |
| | 1,200 | 1,272 | 829 | 947 | | | 7,459 | 7,793 |
| | +22.3% | +6.0% | +24.7% | +14.2% | | | +27.2% | +4.5% |
| | +27.1% | +10.9% | +28.1% | +16.2% | | | +29.8% | +7.2% |
| | 50 | 67 | 70 | 65 | (1,810) | (2,024) | | |
| | 44 | 45 | 56 | 125 | (29) | (46) | 630 | 677 |

| | Asia/Pacific | | Latin America/ Africa/Middle East | | Reconciliation | | Continuing Operations | |
|--|------------------------------|------------------------------|--------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| | 3,315 | 3,837 | 2,725 | 3,331 | | | 20,986 | 24,345 |
| | +11.0% | +15.7% | +16.3% | +22.2% | | | +14.5% | +16.0% |
| | +11.0% | +22.5% | +13.4% | +27.2% | | | +13.4% | +19.4% |
| | 3,185 | 3,675 | 2,107 | 2,593 | | | 20,986 | 24,345 |
| | +10.7% | +15.4% | +16.2% | +23.1% | | | +14.5% | +16.0% |
| | +10.7% | +22.4% | +12.5% | +29.0% | | | +13.4% | +19.4% |
| | 152 | 182 | 151 | 181 | (4,838) | (5,946) | | |
| | 257 | 185 | 161 | 263 | (113) | (134) | 2,556 | 2,769 |
| | 17,100 | 18,700 | 13,900 | 14,200 | | | 106,300 | 106,200 |

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 30, 2007 have been prepared according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), in effect at the closing date.

Reference should be made as appropriate to the notes to the consolidated financial statements for the 2006 fiscal year, particularly with regard to recognition and valuation principles.

Information on earnings per share

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

| Calculation of Earnings per Share | 3rd Quarter 2006 | 3rd Quarter 2007 | First Nine Months 2006 | First Nine Months 2007 |
|---|---------------------|---------------------|---------------------------|---------------------------|
| € million | | | | |
| Income after taxes | 320 | 1,178 | 1,372 | 4,645 |
| Income attributable to minority interest | 0 | 3 | 0 | 1 |
| Income attributable to Bayer AG stockholders | 320 | 1,175 | 1,372 | 4,644 |
| Income from discontinued operations | 66 | (2) | 105 | 2,396 |
| Financing expenses for the mandatory convertible bond, net of tax effects | 25 | 25 | 48 | 73 |
| Adjusted income after taxes from continuing operations | 279 | 1,202 | 1,315 | 2,321 |
| Adjusted net income | 345 | 1,200 | 1,420 | 4,717 |
| Weighted average number of issued ordinary shares | 760,276,703 | 764,341,920 | 740,429,832 | 764,341,920 |
| Potential shares to be issued upon conversion of the mandatory convertible bond | 60,115,244 | 59,585,493 | 41,299,096 | 59,558,606 |
| Adjusted weighted average total number of issued and potential ordinary shares | 820,391,947 | 823,927,413 | 781,728,928 | 823,900,526 |
| Basic earnings per share (€) | | | | |
| from continuing operations | 0.34 | 1.46 | 1.68 | 2.82 |
| from continuing and discontinued operations | 0.42 | 1.46 | 1.82 | 5.73 |
| Diluted earnings per share (€) | | | | |
| from continuing operations | 0.34 | 1.46 | 1.68 | 2.82 |
| from continuing and discontinued operations | 0.42 | 1.46 | 1.82 | 5.73 |

2006 figures restated

Changes in the Bayer Group

Scope of consolidation

As of September 30, 2007, the Bayer Group comprised 329 fully or proportionately consolidated companies, compared with 432 companies as of December 31, 2006. This decrease is primarily the result of companies leaving the group through the Diagnostics, H.C. Starck and Wolff Walsrode divestitures and of intragroup mergers of companies as part of the integration of Schering, Berlin, Germany.

Consolidation of Schering

In June 2006, the majority of the shares of Schering AG, Berlin, Germany, were acquired by Bayer Schering GmbH (then known as Dritte BV GmbH), a subsidiary of Bayer AG. As of June 23, 2006, Schering AG was included in full in the consolidated financial statements of the Bayer Group. As of September 30, 2007, Bayer Schering GmbH held 96.3 percent of the shares of Bayer Schering Pharma AG.

The Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG resolved on January 17, 2007, to effect a squeeze-out of the remaining minority stockholders. Pursuant to this resolution, the shares held by minority stockholders will be transferred to the majority stockholder Bayer Schering GmbH in return for a cash compensation payment of €98.98 per share.

Acquisitions

On September 13, 2007, Bayer HealthCare acquired a biologics manufacturing facility in Emeryville, California, from Novartis. Bayer HealthCare will continue the production of Betaseron® at the Emeryville site, gaining full control of the entire manufacturing and process technology used in the production of Betaseron® and retaining the Emeryville work force. The amount paid for the transfer of the facility – including the Biologics License Application, which permits the manufacturing of biotechnological products – along with supplies and certain buildings, was US\$ 183 million (approx. €137 million). The acquisition resulted in the addition of €30 million in property, plant and equipment, €56 million in inventories and a €53 million receivable for leased assets in the third quarter of 2007.

On May 31, 2007 an agreement was signed to acquire Stoneville Pedigreed Seed Company, a leading U.S. producer of cotton seeds, from Monsanto for US\$ 310 million (approximately €230 million). The acquired company was included in full in the consolidated financial statements of the Bayer Group effective June 1, 2007. The as yet incomplete allocation of the purchase price among the acquired assets and liabilities at the date of acquisition resulted in the addition of more than €200 million in intangible assets, including goodwill, in the second quarter. Adjustments to the purchase price allocation may be made in the future. The goodwill remaining after the purchase price allocation is largely attributable to synergies in the areas of technology and marketing. In addition, the acquisition strengthens the position of Bayer's BioScience business unit in the U.S. cotton seed market.

Bayer MaterialScience completed its acquisition of the Ure-Tech Group, Taiwan, on July 1, 2007. The as yet incomplete allocation of the purchase price among the acquired assets and liabilities at the date of acquisition resulted in the addition of more than €40 million in intangible assets, including goodwill, in the third quarter. Adjustments to the purchase price allocation may be made in the future.

Discontinued operations

In mid-2006 Bayer AG and Siemens AG signed an agreement concerning the sale of the Diagnostics business, which was transferred to the new owner on January 2, 2007.

On November 23, 2006 an agreement was concluded to divest the activities of the H.C. Starck group, formerly assigned to the Materials segment, to a consortium of two financial investors, Advent International and The Carlyle Group. This business was transferred to the new owners on February 1, 2007.

The agreement to sell the companies of the Wolff Walsrode group, which operates principally in the field of cellulose chemistry, to The Dow Chemical Company, United States, was signed in December 2006. Wolff Walsrode also was formerly assigned to the Materials segment. Following approval by the antitrust authorities, the transfer of this business took place on June 30, 2007.

The Diagnostics activities, H.C. Starck and Wolff Walsrode are recognized as discontinued operations. The prior-period data have been restated accordingly.

This information, which is provided from the standpoint of the Bayer Group, is to be regarded as part of the reporting for the entire Bayer Group by analogy with our segment reporting and is not intended to portray either the discontinued operations or the remaining operations of Bayer as separate entities. This presentation is thus in line with the principles for reporting discontinued operations.

| Discontinued Operations | Diagnostics | | H.C. Starck | | Wolff Walsrode | | Total | |
|--------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 | 3rd Quarter 2006 | 3rd Quarter 2007 |
| € million | | | | | | | | |
| Net sales | 364 | - | 239 | - | 85 | - | 688 | - |
| Operating result (EBIT)* | 80 | - | 19 | (1) | 10 | (1) | 109 | (2) |
| Income after taxes | 51 | - | 9 | (1) | 6 | (1) | 66 | (2) |
| Gross cash flow* | 29 | - | 21 | (1) | 14 | (1) | 64 | (2) |
| Net cash flow* | (26) | 0 | 5 | (1) | 1 | (1) | (20) | (2) |
| Net investing cash flow | (26) | (107) | (12) | 7 | (5) | 1 | (43) | (99) |
| Net financing cash flow | 52 | 107 | 7 | (6) | 4 | 0 | 63 | 101 |

* for definition see Bayer Group Key Data on page 2

| Discontinued Operations | Diagnostics | | H.C. Starck | | Wolff Walsrode | | Total | |
|--------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 | First Nine Months 2006 | First Nine Months 2007 |
| € million | | | | | | | | |
| Net sales | 1,119 | - | 733 | 74 | 252 | 172 | 2,104 | 246 |
| Operating result (EBIT)* | 120 | 2,778 | 35 | 108 | 23 | 266 | 178 | 3,152 |
| Income after taxes | 78 | 2,044 | 16 | 102 | 11 | 250 | 105 | 2,396 |
| Gross cash flow* | 143 | (10) | 74 | 13 | 34 | 14 | 251 | 17 |
| Net cash flow* | 145 | (32) | 42 | 25 | 3 | 7 | 190 | 0 |
| Net investing cash flow | (72) | 3,432 | (34) | 929 | (11) | 431 | (117) | 4,792 |
| Net financing cash flow | (73) | (3,400) | (8) | (954) | 8 | (438) | (73) | (4,792) |

* for definition see Bayer Group Key Data on page 2

Related parties

In the course of the operating business, materials, inventories and services are sourced from a large number of business partners around the world. These include companies in which an interest is held, and companies with which members of the Supervisory Board of Bayer AG are associated. Transactions with these companies are carried out on an arm's length basis. Business with such companies was not material from the viewpoint of the Bayer Group. The Bayer Group was not a party to any transaction of an unusual nature or structure that was material to it or to companies or persons closely associated with it, nor does it intend to be party to such transactions in the future. Business transactions with companies included in the consolidated financial statements at equity, or at cost less impairment charges, mainly comprised trade in goods and services. The value of these transactions was, however, immaterial from the point of view of the Bayer Group. The same applies to financial receivables and payables vis-à-vis related parties.

Leverkusen, November 5, 2007
Bayer Aktiengesellschaft

Board of Management

Werner Wenning Klaus Kühn Dr. Wolfgang Plischke Dr. Richard Pott

Nexavar® approved in Europe to treat liver cancer



New studies have shown that Nexavar® can significantly extend overall survival in patients with hepatocellular carcinoma. Our photo shows Bayer employee Gisela Niepraschk carrying out an inspection at the Nexavar® packaging plant in Leverkusen.

Leverkusen. Nexavar® recently became the first treatment for hepatocellular carcinoma, the most common form of liver cancer, to be approved in Europe. Studies show Nexavar® to significantly extend overall survival in patients with this disease. The European Commission has granted marketing authorization to Nexavar® (sorafenib) tablets for the treatment of patients with hepatocellular carcinoma (HCC), or liver cancer.

Nexavar®, an oral anti-cancer drug, is the first approved systemic drug therapy for liver cancer and the only drug therapy shown to significantly improve overall survival in patients with the disease. Additional regulatory filings in HCC are

under review in countries around the world including the U.S. and, most recently, Japan. Nexavar® is currently approved in more than 60 countries for the treatment of patients with advanced kidney cancer and is being jointly developed by

Bayer HealthCare and Onyx Pharmaceuticals, Inc.

“The approval of Nexavar, a novel multi-kinase inhibitor, represents an unprecedented advance for patients with HCC who, until now, had no approved systemic treatment options,” said Arthur J. Higgins, Chairman of the Executive Committee of Bayer HealthCare. “This milestone will likely establish Nexavar as the standard of care in HCC and shows the dedication of health authorities to make Nexavar available as quickly as possible. Most importantly, it allows us to offer patients and medical professionals the potential to improve treatment outcomes for this devastating disease.”

The European Commission’s decision to approve Nexavar® is based on positive data from the international, Phase III, placebo-controlled Sorafenib HCC Assessment Randomized Protocol (SHARP) trial which demonstrated that Nexavar® extended overall survival by 44 percent in patients with HCC versus placebo. The primary objective of the study was to compare overall survival in patients administered Nexavar® versus those administered placebo. Median overall survival was 10.7 months in Nexavar®-treated patients compared to 7.9 months in those taking placebo. There were no significant differences in serious adverse event rates between the Nexavar® and placebo-treated groups with the most commonly observed adverse events in patients receiving Nexavar® being diarrhea and hand-foot skin reaction. Based on these data, a supplemental New Drug Application for Nexavar® was granted Priority Review status by the U.S. Food and Drug Administration (FDA) in August. The regulatory filing in Japan was submitted recently.

HCC, the most common form of liver cancer, is responsible for about 90 percent of the primary malignant liver tumors in adults. Liver cancer is the sixth most common cancer in the world and the third leading cause of cancer-related deaths globally. Over 600,000 cases of liver cancer are diagnosed worldwide each year (about 54,000 in Europe, 19,000 in the U.S. and

390,000 in China, Korea and Japan), and incidence is increasing. Currently, the five-year survival rate for patients with liver cancer in Europe is less than 8 percent. Risk factors for the development of liver cancer include chronic infections with the hepatitis B or C virus.

Differentiated mechanism

Nexavar® targets both the tumor cell and tumor vasculature. In preclinical studies, Nexavar® has been shown to target members of two classes of kinases known to be involved in both cell proliferation (growth) and angiogenesis (blood supply) – two important processes that enable cancer growth.

The product is currently used in more than 50 countries, including the United States and the European Union, for the treatment of patients with advanced kidney cancer. In Europe, Nexavar® is approved for the treatment of patients with advanced renal cell carcinoma who have failed prior interferon-alpha or interleukin-2 based therapy or are considered unsuitable for such therapy.

Nexavar® is also being evaluated by government institutions, oncology study groups and individual scientists as a single-agent or combination treatment in a wide range of other cancers, including adjuvant therapy for kidney cancers, metastatic melanoma, non-small-cell lung cancer and breast cancer.

News



Bayer CropScience plans to align its research even more closely with the needs of the new agricultural economy. In the picture, Bieke Nagels examines canola plants at the Center for Plant Molecular Biology in Ghent, Belgium.

Driver for the future of Bayer CropScience is its well-stocked pipeline

Monheim. Bayer CropScience (BCS) plans to align its research even more closely with the needs of the new agricultural economy. Limited agricultural land, the steady growth of the world's population and the impact of climate change are threatening the supply of agricultural products and leading to shortage-driven prices for major commodities. Bayer CropScience also expects the use of agricultural raw materials for the production of biofuels to increase considerably. The company regards innovation and technological progress as essential to meet the expanding requirements and therefore plans to increase its annual research and development budget to some €750 million by 2015, from €614 million in 2006. Bayer CropScience began its "Launch" program in 2000 with the goal of bringing a total of 26 new crop protection active ingredients to market by 2011. BCS expects these substances to

have a combined peak sales potential of approximately €2 billion. Of the 26 compounds, 17 had already been launched by the end of 2006, posting more than €1 billion in sales last year. In 2007 the company has received first regulatory approvals for three more active ingredients in various markets. In addition, it has 19 substances in development and a further 45 new projects at an early stage of research.

The company also has a highly promising seed and plant biotechnology pipeline currently containing over 40 lead projects. Six herbicide tolerance and insect resistance projects are at a late stage of development and are scheduled for launch from 2010 onwards. In addition, the introduction of three new herbicide tolerance traits is planned within the next three years.

“Best in Class” worldwide in climate protection

Leverkusen. In 2007 Bayer has again been included in the Dow Jones Sustainability World Index and its European counterpart. This means the company is considered an international leader in sustainability on the basis of an independent evaluation. Bayer stock has been continuously listed in the two sustainability indexes – the DJSI World (1999) and the European DJSI STOXX (2001) – since their introduction. This year’s Dow Jones sustainability ranking expanded the indicators used to evaluate performance in the area of environmental and climate protection. Bayer’s excellent performance in this area led to another honor in 2007: the company was included again in the Climate Disclosure Leadership Index, the first international climate protection index, with the classification “Best in Class.” Bayer was the only German corporation in the chemical sector to receive this distinction.

Ruling in Bayer’s favor over Avelox® patents

Berlin. The U.S. District Court for the District of Delaware recently ruled in Bayer’s favor in the company’s lawsuit against Dr. Reddy’s Laboratories, who had challenged the validity and enforceability of two U.S. patents covering Avelox®, Bayer’s fluoroquinolone antibiotic to treat respiratory tract and other infections. The court rejected all of Dr. Reddy’s challenges to the validity and enforceability of both Bayer patents. This patent infringement suit was brought in response to the filing of an Abbreviated New Drug Application (ANDA) by Dr. Reddy’s, a manufacturer of generic drugs. In submitting its ANDA with the U.S. Food and Drug Administration, Dr. Reddy’s sought approval of a generic version of Avelox® prior to the expiration of Bayer’s patents.

Tunza youth environmental conference focuses on international climate debate

Leverkusen. Climate protection, regenerative energies and modern environmental protection technologies were the topics taking center stage at the Tunza International Youth Conference held in Leverkusen at the end of August. The youth environment summit was hosted by Bayer in the context of its partnership with the United Nations Environment Programme (UNEP). For four days, 180 young environmentalists aged 15–24 from 85 countries exchanged views on the topic of “Technology in Service of the Environment” and gained first-hand experience through visits to Bayer sites and external environmental protection facilities. At the end of

the conference, each of the 180 participants planted a tree as a personal contribution to the “Plant for the Planet: The Billion Tree Campaign.” This is a UNEP initiative – also supported by Bayer – calling for the planting of one billion trees in 2007.

To continue the successful alliance between UNEP and Bayer, UNEP Executive Director Achim Steiner and Bayer Management Board Chairman Werner Wenning signed a new cooperation agreement that extends the collaboration by another three years. Bayer will support UNEP’s activities with its own programs and provide annual funding of €1.2 million. Wenning also announced the establishment of the “Bayer Climate Program” – a Group-wide initiative designed to further enhance the energy efficiency of production operations and verify the climate compatibility of major investment projects.



The conference attendees were impressed by the new Tunza logo symbolizing the four elements.

World-scale facility to be built in Antwerp



Bayer MaterialScience plans to build a plant to manufacture polymer-filled polyether polyols (PMPO) at the Antwerp site in Belgium that will have an annual capacity of 60,000 tons. The picture shows a similar facility already operating in the United States.

Leverkusen. Bayer MaterialScience is planning to build a world-scale production facility for polymer-filled polyether polyols (polymer polyols, PMPO) at the Antwerp site in Belgium. The plant, involving an investment volume of some €40 million, will have an annual capacity of 60,000 tons and is due on stream in late 2008. Bayer MaterialScience already manufactures polyether polyols, one of the starting materials for polymer polyols, at the Antwerp site. The decision to build the new

plant in Antwerp enables leverage of available synergies and will further increase the efficiency of PMPO production.

The planned facility will utilize a new process developed by Bayer MaterialScience in close cooperation with Bayer Technology Services. This innovative and patented PMPO technology delivers products that are considerably superior to those manufactured by conventional processes and has already been successfully tested on a multi-ton scale.

Study results do not support regulatory filing for Betaferon® 500 mcg

Berlin. Bayer Schering Pharma recently announced top-line results from the BEYOND study, a large randomized trial of patients with relapsing-remitting multiple sclerosis (MS) to investigate the efficacy, tolerability and safety of a 500 mcg dose of Betaferon®/Betaseron® (interferon beta-1b) compared to the standard 250 mcg Betaferon® dose and Copaxone® (glatiramer acetate). The overall outcome of the trial did not show a statistically significant superiority of the 500 mcg Betaferon® dose compared to the 250 mcg Betaferon® dose and Copaxone®. The risk for relapses was similar in all three study arms. In this study, there was a very

low relapse rate in the entire study population, unlike in previous trials. The standard 250 mcg dose was shown to be highly effective and well tolerated. Results of the BEYOND study do not support a regulatory filing for the 500 mcg dose of Betaferon® (see also page 12).

The data from the Betaferon® clinical studies, combined with development supporting potential new therapies, demonstrate Bayer Schering Pharma's long-standing commitment to advancing the treatment of MS patients with new, highly effective and safe therapies.

Chair for Sustainable Development in China

Shanghai. In mid-October Bayer and Tongji University announced the endowment of a Chair of Environmental Policy and Sustainable Development in Shanghai. The Chair will be part of the Tongji Institute of Environment for Sustainable Development, which the university maintains in cooperation with the United Nations Environment Programme (UNEP). The endowment totals US\$1 million to be made available by the Bayer Science and Education Foundation over the first five years.

Against the background of the major environmental and social challenges that exist in China, the Chair will aim primarily to promote projects that support the country on its path to sustainable growth. Academic work at the Chair will therefore



(from right): Bayer Management Board Research spokesman Dr. Wolfgang Plischke, Maheh Pradhan of UNEP and Tongji University President Professor Pei Gang at the endowment ceremony.

center on research into modern, efficient environmental technologies. Further areas of focus will include the development of political and socio-economic measures to implement sustainable development in China and scholarship programs for outstanding students.

New research projects to fight malaria

Monheim. Bayer CropScience has signed an agreement with the Innovative Vector Control Consortium (ivcc) to collaborate on two projects aimed at finding new effective solutions in the fight against malaria and other diseases transmitted by insects. The ivcc, a consortium of institutions that are leading the development of products and information systems to control the disease-carrying mosquitoes, was formed with a \$50.7 million grant from the Bill and Melinda Gates Foundation.

Among the goals of the project is to treat indoor areas to give better, longer-lasting protection against the vectors of malaria and other diseases. The problem of product resistance is also being addressed.



Malaria, the world's most dangerous tropical disease, is transmitted by the Anopheles mosquito.

Rivaroxaban submitted for European approval

Berlin. Bayer HealthCare has submitted a Marketing Authorization Application to the European medicines agency EMEA for rivaroxaban (Xarelto®) in the prevention of venous thromboembolism (VTE) after major orthopedic surgery of the lower limbs. Rivaroxaban is an oral, once-daily direct Factor Xa inhibitor. Data from the RECORD3 study prior to the EMEA submission revealed that rivaroxaban significantly reduces the risk of VTE in patients undergoing knee replacement surgery compared with enoxaparin, the current standard-of-care therapy.

The Marketing Authorization Application is based on data from three Phase III studies of rivaroxaban involving a total of nearly 10,000 patients, as well as extensive Phase I and Phase II study programs.

To date, rivaroxaban is the most extensively studied oral direct Factor Xa inhibitor in development. More than 20,000 patients have been evaluated in the completed Phase II programs or enrolled in the Phase III programs.

A century of culture at Bayer



German President Horst Köhler was the keynote speaker at the opening ceremony for the Bayer Cultural Affairs Department's centennial season, which was held at the "Erholungshaus" in Leverkusen and attended by more than 500 guests. Köhler thanked the company for its commitment to the arts.

Leverkusen. In the presence of German President Horst Köhler and North Rhine-Westphalia Premier Jürgen Rüttgers, the 100th season of the Bayer Cultural Affairs Department was opened at the beginning of September at the "Erholungshaus" in Leverkusen. Bayer CEO Werner Wenning thanked the prominent guests for the special appreciation they had shown for Bayer's cultural activities, and thus for the company as a whole, by attending the event. "A century of successful cultural activity also confers an obligation on us for the future," Wenning noted. Said President Köhler in his address: "I would like to see a society in which art and culture are accessible to everyone. They are the elixir of life. And even if parents have no involvement with education or culture, then this should not be a barrier for their

children." Premier Rüttgers also described the company's activities as exemplary.

Bayer has one of the longest traditions of cultural sponsorship in German industry. The ceremony, attended by more than 500 guests, marked the opening of the centennial season. The sophisticated and multifaceted program for this season comprises some 100 events in the areas of music, dance, theater and fine arts.

The centennial season features classics from various genres and eras reflecting developments during a century of cultural activities. With appearances by prominent artists from Germany and around the world, the program builds a bridge between North Rhine-Westphalia as a center for the arts and the rest of Europe.

Bayer delists from the New York Stock Exchange

Leverkusen. Bayer AG has delisted its American Depositary Shares from the New York Stock Exchange (NYSE). The shares were traded for the last time on the NYSE on September 26. The company also plans to file for deregistration with the Securities and Exchange Commission (SEC), resulting in termination of the respective reporting obligations. Since the end of September,

Bayer's American Depositary Shares have no longer been traded on the NYSE but can still be bought and sold in the U.S. over-the-counter market. Bayer will maintain a high level of transparency in its financial reporting in order to meet the requirements of international investors. The company expects the delisting to save some €15 million annually.

Successful K 2007 plastics fair with a wealth of innovations

Düsseldorf. Using the motto “Vision-Works – Today and Tomorrow”, Bayer MaterialScience showcased a host of innovative developments at the 17th International Trade Fair for Plastics and Rubber, K 2007, held in Düsseldorf, Germany, at the end of October. The company’s stand occupied more than 1,000 square meters and played host to over 120 exhibits in fields such as automotive, electrical engi-



neering, electronics, communication, construction, timber, furniture, sports, leisure and medical technology. The extensive and varied developments covered products and applications from the Polyurethanes; Polycarbonates; Thermoplastic Polyurethanes; Coatings, Adhesives, Sealants; and “New Business” units.

In line with the chosen motto, Bayer MaterialScience displayed market-ready developments and examples from its extensive innovation portfolio that may play their part in its future success.

BMS Chairman Patrick Thomas, Bayer CEO Werner Wenning and BMS stand manager Dr. Ulrich Liman (from left) inspect the eXaxis concept car, which is made from Makrolon®, at Bayer’s exhibition stand.

Bayer CropScience provides vocational training opportunities to underprivileged youths in India

Hyderabad. Bayer CropScience is supplementing its efforts on behalf of underprivileged children and teens in India by establishing a vocational training center. The center will systematically prepare youngsters for the world of work they will encounter after completing their education, teaching them the professional agricultural skills that will enable them to sustainably improve their living standards. Priority will be given to young people who had to do field work as children.

Bayer CropScience Chairman Professor Friedrich Berschauer and Dr. D. N. Rao, Secretary General of Vignana Jyothi, a non-profit organization for rural development, recently signed a letter of intent to launch the project. Bayer CropScience will provide initial funding for the establishment of the vocational training center. The company will also contribute to the design of the curriculum to ensure its practical relevance, provide technical expertise and bear the cost of the students’ housing and tuition.

The vocational training program is part of the Bayer CropScience “Learning for Life” initiative. In the context of this initiative, Bayer CropScience has already established 19 bridge schools designed to reintegrate children who had previously worked in the fields into the Indian education system.



Bayer CropScience is playing an active part in improving the living conditions of children in India.