

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

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	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

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	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

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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

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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