

Bayer Group Consolidated Statements of Income

€ million

	Note	2003 ¹⁾	2004
Net sales	[1]	28,567	29,758
<i>of which discontinuing operations</i>	[6]	6,389	6,713
Cost of goods sold		(16,801)	(17,382)
Gross profit		11,766	12,376
Selling expenses	[2]	(6,460)	(6,155)
Research and development expenses	[3]	(2,404)	(2,107)
General administration expenses		(1,673)	(1,714)
Other operating income	[4]	1,158	804
Other operating expenses	[5]	(3,506)	(1,396)
Operating result (EBIT)	[7]	(1,119)	1,808
<i>of which discontinuing operations</i>	[6]	(1,639)	18
Expense from investments in affiliated companies – net	[8]	(93)	(158)
Interest expense – net	[9]	(353)	(275)
Other non-operating expenses – net	[10]	(429)	(390)
Non-operating result		(875)	(823)
Income (loss) before income taxes		(1,994)	985
Income taxes	[11]	645	(385)
Income (loss) after taxes		(1,349)	600
Minority stockholders' interest	[13]	(12)	3
Net income (loss)		(1,361)	603
Earnings per share (€)	[14]	(1.86)	0.83
Diluted earnings per share (€)	[14]	(1.86)	0.83

1) 2003 figures restated

Bayer Group Consolidated Balance Sheets

€ million

	Note	Dec. 31, 2003 ¹⁾	Dec. 31, 2004
Assets			
Noncurrent assets			
Intangible assets	[18]	6,514	6,017
Property, plant and equipment	[19]	9,937	9,184
Investments	[20]	1,781	1,654
		18,232	16,855
Current assets			
Inventories	[21]	5,885	6,215
Receivables and other assets			
Trade accounts receivable	[22]	5,071	5,580
Other receivables and other assets	[23]	3,854	4,153
		8,925	9,733
Liquid assets	[24]		
Marketable securities and other instruments		129	29
Cash and cash equivalents		2,734	3,570
		2,863	3,599
		17,673	19,547
Deferred taxes	[11]	1,298	1,235
Deferred charges	[25]	242	167
Total assets		37,445	37,804
<i>of which discontinuing operations</i>	[35]	<i>4,648</i>	<i>4,934</i>
Stockholders' Equity and Liabilities			
Stockholders' equity			
Capital stock of Bayer AG		1,870	1,870
Capital reserves of Bayer AG		2,942	2,942
Retained earnings		10,479	8,753
Net income (loss)		(1,361)	603
Revaluation surplus		-	66
Other comprehensive income			
Currency translation adjustment		(1,699)	(2,003)
Miscellaneous items		(18)	37
	[26]	12,213	12,268
Minority stockholders' interest	[27]	123	111
Liabilities			
Long-term liabilities			
Long-term financial liabilities	[30]	7,378	7,117
Miscellaneous long-term liabilities	[32]	98	130
Provisions for pensions and other post-employment benefits	[28]	5,072	4,999
Other long-term provisions	[29]	1,343	1,400
		13,891	13,646
Short-term liabilities			
Short-term financial liabilities	[30]	2,048	2,605
Trade accounts payable	[31]	2,265	2,276
Miscellaneous short-term liabilities	[32]	2,361	2,038
Short-term provisions	[29]	2,448	2,969
		9,122	9,888
		23,013	23,534
<i>of which discontinuing operations</i>	[35]	<i>2,077</i>	<i>2,255</i>
Deferred taxes	[11]	1,462	1,247
Deferred income	[34]	634	644
		37,445	37,804

1) 2003 figures restated

Bayer Group Consolidated Statements of Cash Flows

€ million

	Note	2003 ¹⁾	2004
Operating result [EBIT]		(1,119)	1,808
Income taxes		(607)	(527)
Depreciation and amortization		4,735	2,322
Change in pension provisions		(43)	(430)
(Gains) losses on retirements of noncurrent assets		(102)	37
Gross cash provided by (used in) operating activities²⁾		2,864	3,210
<i>of which discontinuing operations</i>	[42]	158	366
(Increase) decrease in inventories		(49)	(556)
(Increase) decrease in trade accounts receivable		115	(561)
Increase (decrease) in trade accounts payable		(143)	52
Changes in other working capital		506	305
Net cash provided by (used in) operating activities	[39]	3,293	2,450
<i>of which discontinuing operations</i>	[42]	33	218
Cash outflows for additions to property, plant and equipment		(1,653)	(1,251)
Cash inflows from sales of property, plant and equipment		1,644	200
Cash inflows from sales of investments		258	90
Cash outflows for acquisitions less acquired cash		(72)	(358)
Interest and dividends received		366	400
Net cash inflow (outflow) from marketable securities		(83)	105
Net cash provided by (used in) investing activities	[40]	460	(814)
<i>of which discontinuing operations</i>	[42]	(274)	(283)
Capital contributions		0	10
Bayer AG dividend and dividend payments to minority stockholders		(664)	(559)
Issuances of debt		1,621	1,393
Retirements of debt		(1,936)	(881)
Interest paid		(782)	(724)
Net cash provided by (used in) financing activities	[41]	(1,761)	(761)
<i>of which discontinuing operations</i>	[42]	241	65
Change in cash and cash equivalents due to business activities		1,992	875
Cash and cash equivalents at beginning of year		767	2,734
Change in cash and cash equivalents due to changes in scope of consolidation		1	6
Change in cash and cash equivalents due to exchange rate movements		(26)	(45)
Cash and cash equivalents at end of year	[43]	2,734	3,570
Marketable securities and other instruments		129	29
Liquid assets as per balance sheets		2,863	3,599

1) 2003 figures restated

2) for definition see Bayer Group Key Data on front flap

Key Data by Segment and Region

Segments

€ million

	HealthCare							
	Pharmaceuticals, Biological Products		Of which discontinuing operations Plasma		Consumer Care, Diagnostics		Animal Health	
	2003	2004	2003	2004	2003	2004	2003	2004
Net sales (external)	4,745	4,388	613	660	3,336	3,311	790	786
– Change in €	– 0.5 %	– 7.5 %			– 11.2 %	– 0.7 %	– 7.1 %	– 0.5 %
– Change in local currencies	+ 11.4 %	– 3.4 %			– 0.3 %	+ 4.6 %	+ 4.7 %	+ 4.5 %
Intersegment sales	51	42			4	18	8	4
Other operating income	100	128			383	26	25	12
Operating result [EBIT]	(408)	302	(349)	(56)	601	400	172	157
Return on sales	(8.6) %	6.9 %			18.0 %	12.1 %	21.8 %	20.0 %
Gross cash flow*	23	405	(122)	60	648	448	144	109
Capital invested	3,001	2,934			2,891	2,609	409	392
CFROI	0.6 %	14.4 %			20.9 %	15.6 %	27.1 %	25.4 %
Net cash flow*	(163)	215	(98)	(16)	719	667	226	125
Equity-method income (loss)	0	0			0	0	0	0
Equity-method investments	4	4			0	0	0	0
Total assets	4,632	4,581	619	621	3,207	3,096	575	554
Capital expenditures	185	134			201	161	21	25
Amortization and depreciation	555	220	227	46	300	239	32	23
Liabilities	2,279	2,067	89	134	961	1,021	207	176
Research and development expenses	964	788	44	47	209	189	72	67
Number of employees (as of Dec. 31)	20,700	20,000	1,600	1,600	11,000	10,800	2,900	2,900

Regions

€ million

	Europe		North America	
	2003	2004	2003	2004
	Net sales (external) – by market	12,162	12,915	8,636
Net sales (external) – by point of origin	13,518	14,454	8,763	8,434
<i>of which discontinuing operations</i>	<i>3,717</i>	<i>3,883</i>	<i>1,848</i>	<i>1,976</i>
– Change in €	– 2.7 %	+ 6.9 %	– 4.1 %	– 3.8 %
– Change in local currencies	– 2.7 %	+ 6.9 %	+ 11.4 %	+ 4.9 %
Interregional sales	3,833	4,028	1,876	1,900
Other operating income	812	547	64	134
Operating result [EBIT]	(267)	1,015	(1,184)	238
<i>of which discontinuing operations</i>	<i>(832)</i>	<i>105</i>	<i>(767)</i>	<i>(114)</i>
Return on sales	(2.0) %	7.0 %	(13.5) %	2.8 %
Gross cash flow*	1,483	1,731	743	836
Capital invested	20,000	16,604	9,325	7,896
CFROI	7.2 %	9.5 %	7.1 %	9.7 %
Equity-method income (loss)	(166)	(39)	0	(100)
Equity-method investments	452	431	412	307
Total assets	22,400	22,380	9,045	8,978
Capital expenditures	1,047	761	496	303
Amortization and depreciation	2,351	1,413	1,963	659
Liabilities	15,898	16,335	5,253	5,199
Research and development expenses	1,673	1,441	641	576
Number of employees (as of Dec. 31)	66,700	64,800	23,300	22,300

* for definition see Bayer Group Key Data on front flap

CropScience		MaterialScience				LANXESS		Reconciliation		Bayer Group	
CropScience		Materials		Systems		LANXESS discontinuing operations		Reconciliation		Bayer Group	
2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
5,764	5,946	2,777	3,248	4,676	5,349	5,776	6,053	703	677	28,567	29,758
+ 22.7 %	+ 3.2 %	- 3.4 %	+ 17.0 %	- 2.3 %	+ 14.4 %	- 7.5 %	+ 4.8 %			- 3.6 %	+ 4.2 %
+ 32.4 %	+ 7.1 %	+ 5.1 %	+ 22.1 %	+ 6.5 %	+ 18.8 %	- 1.7 %	+ 7.8 %			+ 5.0 %	+ 8.2 %
69	57	23	27	297	339	557	659	(1,009)	(1,146)		
329	171	21	32	44	96	85	64	171	275	1,158	804
342	492	58	293	(455)	348	(1,290)	74	(139)	(258)	(1,119)	1,808
5.9 %	8.3 %	2.1 %	9.0 %	(9.7) %	6.5 %	(22.3) %	1.2 %			(3.9) %	6.1 %
860	893	312	400	623	484	280	306	(26)	165	2,864	3,210
8,033	8,386	3,557	3,645	5,551	4,344	5,658	4,112	5,297	3,684	34,397	30,106
9.6 %	10.6 %	8.0 %	10.8 %	10.3 %	9.2 %	4.6 %	6.7 %			8.1 %	9.9 %
1,165	778	332	209	781	289	131	234	102	(67)	3,293	2,450
0	0	1	2	(23)	(131)	0	0	(143)	(10)	(165)	(139)
0	0	16	29	703	562	0	0	147	149	870	744
10,745	10,820	3,861	3,789	3,957	4,724	4,029	4,313	6,439	5,927	37,445	37,804
413	209	169	147	295	185	312	279	143	135	1,739	1,275
749	727	269	249	1,108	326	1,458	317	264	221	4,735	2,322
2,808	2,607	726	843	1,360	1,328	2,101	2,217	14,667	15,166	25,109	25,425
725	679	116	97	133	139	168	126	17	22	2,404	2,107
19,400	19,400	9,100	9,100	9,200	8,800	20,500	19,700	22,600	22,300	115,400	113,000

Asia/ Pacific		Latin America/ Africa/Middle East		Reconciliation		Bayer Group	
2003	2004	2003	2004	2003	2004	2003	2004
4,529	4,946	3,240	3,620			28,567	29,758
3,913	4,254	2,373	2,616			28,567	29,758
564	587	260	267			6,389	6,713
- 2.4 %	+ 8.7 %	- 8.2 %	+ 10.2 %			- 3.6 %	+ 4.2 %
+ 10.2 %	+ 14.6 %	+ 11.1 %	+ 17.5 %			+ 5.0 %	+ 8.2 %
266	239	151	157	(6,126)	(6,324)		
84	59	198	64			1,158	804
67	421	433	364	(168)	(230)	(1,119)	1,808
(52)	58	12	(31)			(1,639)	18
1.7 %	9.9 %	18.2 %	13.9 %			(3.9) %	6.1 %
333	416	391	336	(86)	(109)	2,864	3,210
2,258	2,459	1,197	1,275	1,617	1,872	34,397	30,106
14.1 %	17.6 %	31.1 %	27.2 %			8.1 %	9.9 %
1	0	0	0			(165)	(139)
2	2	4	4			870	744
2,731	2,928	1,627	2,070	1,642	1,448	37,445	37,804
138	149	58	62			1,739	1,275
333	125	69	56	19	69	4,735	2,322
1,189	1,271	675	833	2,094	1,787	25,109	25,425
74	70	16	20			2,404	2,107
13,900	14,100	11,500	11,800			115,400	113,000