

Q1 2005 Analyst and Investor Briefing

May 10, 2005

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- **Sales from continuing operations** increased +15.7% to €6,704m; currency- and portfolio-adjusted +9.3%. Volume +2%, price +8%, currency -2%, portfolio +8%.
- **Underlying EBIT (continuing)** significantly increased by 50.1 percent to €1,142m (Q1 2004: €761m). Cessation of goodwill amortization accounted for €47m. Cost and efficiency projects contributed €116m.
- **Reported EBIT (cont.)** grew by a substantial 33.2% to €1,004m (Q1 2004: €754m). **Net Special Items** of -€138m include:
HealthCare: Total: -€119m: -€94m for Levitra buyback, -€4m for Baycol, -€21m charge for Roche OTC integration.
CropScience: -€9m Termination of research collaboration
Reconciliation: -€10m Lanxess spin-off
- **Reported EBITDA (cont.)** at €1,437m (Q1'04: €1,230m) with **D&A** down by 9.0% at €433m (Q1'04: 476m), **Underlying EBITDA (cont.)** at €1,575m up 27.3% (Q1'04: €1,237m).
- **Non-operating result** down by 12.9% to -€131m, including a positive effect from implementation of IAS 19 amendment of €36m.
- **Net income** (including net income from discontinuing operations) improved by 55.6% to €652m (Q1'04: 419m); EPS accordingly at €0.89 (Q1'04: €0.57).
- **Gross cash flow (cont.)** up 27.0% to €1,101m (Q1'04: €867m). Cash flow impact from changes in **Working Capital** at -€1,327m due to expansion of business, higher inventories at CropScience because of unexpected drought in Latin America and preparation of North American Asian Rust business. **Net cash flow** at -€226m (Q1'04: -€205m). **CapEx** up by 84.7% to €181m.
- **Net debt** compared to March 31, 2004 up by €1,752m to €7,115m, mainly due to the acquisition of the Roche OTC business.

€ million	Q1 / 2004					Q1 / 2005						
	Sales	EBIT rep.	Special Items	EBIT Clean	EBITDA rep.	Sales	% yoy	EBIT rep.	Special Items	EBIT clean	EBITDA A rep.	% yoy
HealthCare	2,032	278	0	278	375	2,135	5.1	183	(119)	302	302	(19.5)
PH/BP	1,084	165	0	165	200	952	(12.2)	86	(98)	184	127	(36.5)
CC	326	53	0	53	69	523	60.4	11	(21)	32	43	(37.7)
DC/DS	444	28	0	28	69	461	3.8	37	0	37	77	11.6
AH	178	32	0	32	37	199	11.8	49	0	49	55	48.6
CropScience	1,732	379	0	379	556	1,744	0.7	414	(9)	423	557	0.2
CP	1,416	283	0	283	428	1,417	0.1	322	(9)	331	443	3.5
ES/BS	316	96	0	96	128	327	3.5	92	0	92	114	(10.9)
MaterialScience	1,877	135	0	135	281	2,544	35.5	406	0	406	533	89.7
Materials	700	32	0	32	92	923	31.9	159	0	159	212	130.4
Systems	1,177	103	0	103	189	1,621	37.7	247	0	247	321	69.8
Reconciliation	151	(38)	(7)	(31)	18	281	86.1	1	(10)	11	45	150
Group	5,792	754	(7)	761	1,230	6,704	15.7	1,004	(138)	1,142	1,437	16.8

Outlook

In light of the very pleasing sales and earnings trend in the first quarter, we confirm our guidance for the full year 2005 and are optimistic about future developments.

This year we are targeting an increase of more than 5 percent in currency- and portfolio-adjusted sales, to over EUR 25 billion. As far as earnings are concerned, we are very confident that we can improve EBIT before special items by about 20 percent year on year.

In the Bayer HealthCare subgroup, we have achieved savings in the Pharmaceuticals Division more quickly than originally planned. We also benefited from a strong flu season in the first quarter. In Consumer Care we realized synergies ahead of schedule.

In the Pharmaceuticals, Biological Products segment, we are now aiming for an underlying EBIT margin in low double digits. We are therefore raising our full-year 2005 guidance for the HealthCare business, where we believe we will more than offset the negative effects of the fair-value measurement of inventories acquired with the Roche OTC business and the decline in earnings from Cipro, pushing underlying HealthCare EBIT above the 2004 level.

The very pleasing business trend at Bayer MaterialScience is continuing. We remain optimistic for the full year and uphold our forecast of significant growth in underlying EBIT. Of course it remains to be seen how the economy and raw material prices will develop.

In Bayer CropScience too, we expect a considerable improvement in underlying EBIT.

All product related comments and percentages are based on currency adjusted figures

HealthCare

Pharma/Biologicals sales down by 11.0% (Pharma -14.1%; BP 5.1%). Pharma sales dropped mainly due to US patent expiration of Cipro (approx. -€120m) and top-line impact of Schering-Plough alliance (approx. -€50m). Cipro sales down by 43.0% to €158m. Avelox (€103m) performed especially well outside the US with 46.3% growth. Kogenate contributed €125m (+4.2%). Kogenate sales were impacted by lower Helixate sales to ZLB Behring due to a required label change. Plasma activities outside the US, that are still shown under continuing business came in at €61m. Levitra sales down by 6.9% to €60m. Strong sales growth of 34.1% outside the US, where Bayer bought back marketing rights from GSK in January. Adalat (€153m) down 8.3%, Aspirin Cardio up 21.2%. Underlying EBIT up by 11.5% to €184m. The decline in earnings due to the genericization of Cipro was more than offset by positive effects from the Schering-Plough alliance, savings in research and development, €40 million in additional business with governments, and other items.

Consumer Care sales up by 61.9% to €523m due to first-time consolidation of Roche OTC. Portfolio adjusted– Roche contributed €237m – nominal sales were down by 12.3%. Aleve was suffering from discussion about the safety profile of non-selective nonsteroidal anti-inflammatory drugs (NSAIDs). Aspirin sales (OTC -11.4%) were burdened by artificially high Q1'04 due to pre-buying in anticipation of changes in trade terms at pharmacies in Germany. Aspirin sales in the US were up year on year. Underlying EBIT was down by 39.6% to €32m. Inventory step-up with regard to Roche acquisition burdened margins by €43m in first quarter.

Diabetes Care/Diagnostics sales up 5.8% to €461m. Diabetes Care especially strong in Europe. Due to the pleasing sales development, underlying EBIT improved by 32.1% to €37m.

Animal Health sales significantly up by 13.6% to €199m, mainly due to the Advantage product line (€54m). Underlying EBIT reflected positive sales development and increased by 53.1% to €49m.

CropScience

Crop Protection sales were flat yoy at €1,417m, mainly due to the drought in some regions in Latin America. Sales of the Insecticides business unit receded by 4.4 percent to €364 million. Business with our Confidor/Gaucho/Admire/Merit product group remained steady year on year at €171 million. Sales of the Fungicides business unit rose by 1.8 percent to €347 million. Although Asian soybean rust remains widespread in many parts of Brazil and appeared even earlier than last year in Argentina, business with our fungicides receded due to the ongoing drought in southern Brazil. This decline was more than offset by higher selling prices in Europe. Sales of the Herbicides business unit held steady year on year at €555 million. Continuing cold weather in Europe had an adverse effect on business and delayed the start of the corn and cereal herbicide season. Sales in Seed Treatment were mainly effected by increase of shareholding in Gustafson from 50% to 100%. Underlying EBIT in Crop Protection nicely improved by 17.0% to €331m, driven by strict cost management and the cessation of the goodwill amortization.

Environmental Science/ BioScience up by 4.3%. Environmental Science was influenced due to the prolonged cold, wet weather in the United States, whereas BioScience was driven by a strong demand in the Crop Improvement segment, especially InVigor. Underlying EBIT decreased by 4.2% to €92m.

MaterialScience

Strong sales growth of 37.9%. **Materials** improved by 34.6%, driven by Polycarbonates (+39.7%) and H.C. Starck (+49.3%). Demand remained strong, enabling us to raise prices in all regions. Underlying EBIT of €159m improved significantly (Q1'04: €32m) mainly resulting from price increases.

Systems sales were up 39.8%. Adjusted for the additional raw material sales of €158m (mainly styrene from PO11), the nominal increase still amounted to +24.3%. Persistent high demand for MDI (+54.1%) enabled us to impose lasting price increases in all regions, and volumes continued to grow. Sales of TDI (-8.2%) declined, with prices remaining relatively stable and volumes receding, particularly in Europe and Asia. Underlying EBIT significantly up by 139.8% to €247m, driven by the beneficial demand and the price increases, which compensated for the higher raw material costs.

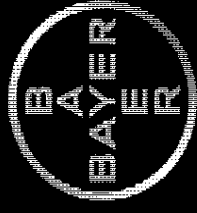
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Forward-looking statements

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

2004 Restatements – Group P & L



Group P&L (in million Euro)

	Q1 2004	Q2 2004	Q1-2 2004	Q3 2004	Q1-3 2004	Q4 2004	FY 2004
Sales	5792	5890	11682	5485	17167	6111	23278
EBITDA	1230	1016	2246	747	2993	841	3834
EBIT	754	510	1264	266	1530	345	1875
Special items	-7	-105	-112	-77	-189	-53	-242
EBIT underlying	761	615	1376	343	1719	398	2117
Non-operating result	-116	-231	-347	-161	-508	-166	-674
Pre tax profit	638	280	918	104	1022	179	1201
After tax profit continuing operations	399	174	573	13	586	142	728
After tax profit discontinued operations	26	-25	1	27	28	-74	-46
Group net income	419	146	565	52	617	68	685
Average number of shares (in million)	730,34	730,34	730,34	730,34	730,34	730,34	730,34
EPS reported (in Euro)	0,57	0,20	0,77	0,07	0,84	0,09	0,94
BCF	867	712	1579	627	2206	679	2885
NCF	-205	1075	870	525	1395	867	2262



2004 Restatements – CropScience

In million Euro

Bayer CropScience

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

Q1 2004	Q2 2004	Q1-2 2004	Q3 2004	Q1-3 2004	Q4 2004	FY 2004
1732	1642	3374	1124	4498	1448	5946
556	341	897	81	978	241	1219
379	159	538	-96	442	50	492
379	200	579	-108	471	51	522
347	192	539	143	682	211	893
-239	585	346	239	585	193	778

CP

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

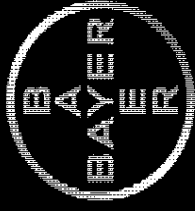
1416	1352	2768	956	3724	1233	4957
428	266	694	54	748	230	978
283	119	402	-85	317	69	386
283	160	443	-85	358	70	428
273	152	425	114	539	200	739
-195	522	327	139	466	171	637

ES/BS

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

316	290	606	168	774	215	989
128	75	203	27	230	11	241
96	40	136	-11	125	-19	106
96	40	136	-23	113	-19	94
74	40	114	29	143	11	154
-44	63	19	100	119	22	141

2004 Restatements – Material Science



In million Euro

Bayer Material Science

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

Q1 2004	Q2 2004	Q1-2 2004	Q3 2004	Q1-3 2004	Q4 2004	FY 2004
1877	2091	3968	2228	6196	2401	8597
281	366	647	262	909	307	1216
135	215	350	119	469	172	641
135	215	350	146	496	172	668
231	264	495	163	658	226	884
52	141	193	-1	192	306	498

MAT

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

700	800	1500	839	2339	909	3248
92	140	232	131	363	179	542
32	78	110	76	186	107	293
32	78	110	76	186	107	293
75	104	179	89	268	132	400
16	59	75	25	100	109	209

SYS

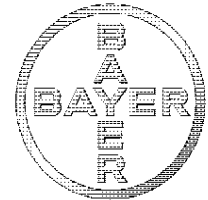
Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

1177	1291	2468	1389	3857	1492	5349
189	226	415	131	546	128	674
103	137	240	43	283	65	348
103	137	240	70	310	65	375
156	160	316	74	390	94	484
36	82	118	-26	92	197	289

Reconciliation

Sales
EBITDA
EBIT reported
EBIT underlying
BCF
NCF

151	150	301	172	473	204	677
18	-26	-8	22	14	-7	7
-38	-81	-119	-33	-152	-62	-214
-31	-17	-48	-11	-59	-53	-112
37	51	88	68	156	9	165
-80	9	-71	40	-31	-36	-67



Investor News

Bayer Group interim report:

Sales and earnings advance strongly in first quarter

- 2005 guidance for Bayer HealthCare increased
 - Full-year Group forecast confirmed
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Leverkusen / May 10, 2005 – The Bayer Group enjoyed a strong first quarter, with substantial advances in both sales and earnings. All subgroups contributed to this positive development, as the company announced in its first-quarter interim report, issued Tuesday. In view of the very pleasing business trend, Group Management Board Chairman Werner Wenning once again confirmed the full-year forecast for 2005. Bayer is targeting an increase of more than 5 percent in currency- and portfolio-adjusted sales, to over EUR 25 billion, and expects EBIT before special items to improve by about 20 percent. “We are optimistic about future developments,” said Wenning.

The outlook for Bayer HealthCare has improved significantly since the beginning of the year, with business benefiting from a strong flu season in the first quarter. In addition, savings in the Pharmaceuticals Division and synergies in Consumer Care were achieved more quickly than originally planned. “We are therefore raising our full-year 2005 guidance for the HealthCare business and now expect underlying HealthCare EBIT to be above the 2004 level,” explained the Bayer CEO.

Wenning remains optimistic about the prospects for Bayer MaterialScience, upholding the forecast of significant growth in EBIT before special items, even though he said it remains to be seen how the economy and raw material prices will develop. Bayer CropScience also expects a considerable improvement in underlying EBIT.

The sales increase in the first three months was due not only to volume growth, but also in particular to higher selling prices and portfolio changes. Group sales advanced by 15.7 percent to EUR 6,704 million. Adjusted for currency and portfolio changes, sales moved ahead by 9.3 percent. Underlying earnings before interest, taxes, depreciation and amortization (EBITDA) climbed by 27.3 percent to EUR 1,575 million, while underlying operating profit (EBIT) was up by 50.1 percent to EUR 1,142 million.

Negative special items of EUR 138 million (Q1 2004: EUR 7 million) included one-time charges of EUR 94 million arising from the termination of the co-promotion agreement with GlaxoSmithKline for Levitra[®] and expenses of EUR 21 million for the integration of the consumer health business acquired from Roche. After special items, EBITDA moved ahead by 16.8 percent to EUR 1,437 million and EBIT by 33.2 percent to EUR 1,004 million. Net income, which also included EUR 52 million in after-tax income from discontinued operations, expanded by 55.6 percent to EUR 652 million. Gross cash flow climbed by 27.0 percent to EUR 1,101 million. Net debt increased to EUR 7,115 million, mainly as a result of the Roche OTC acquisition.

Sales of the Bayer HealthCare subgroup grew by 5.1 percent in the first quarter of 2005, to EUR 2,135 million, thanks to the acquisition of the Roche consumer health business. Currency- and portfolio-adjusted sales declined as expected by 5.1 percent, mainly because of the expiration of the patent on the antibiotic Cipro[®] in the United States. Underlying EBIT improved by 8.6 percent to EUR 302 million. This was chiefly attributable to the positive performance of the Pharmaceuticals, Biological Products segment, where underlying EBIT rose as a result of the marketing and distribution alliance with Schering-Plough in the United States, savings in research and development, and other factors. The Animal Health and Diabetes Care, Diagnostics segments also turned in a strong earnings performance. In Consumer Care, however, underlying EBIT showed a slight decline due to the inventory step-up for the first-time consolidation of the Roche business.

Sales of the Bayer CropScience subgroup edged forward by 0.7 percent year on year to EUR 1,744 million. In the Crop Protection segment, sales were down in the Insecticides business unit but expanded in Seed Treatment and Fungicides, holding steady year on year in Herbicides. In the Environmental Science, BioScience segment, sales were up due to the positive performance of BioScience. Underlying EBIT of Bayer CropScience rose by 11.6 percent to EUR 423 million, due in part to the absence of goodwill amortization.

Bayer MaterialScience performed particularly well in the first quarter, posting by far the largest increase in sales. Business expanded by 35.5 percent to EUR 2,544 million, the main growth drivers being Makrolon[®] polycarbonate, the polyurethane raw material MDI and the business of H.C. Starck. Each of these businesses succeeded not only in boosting volumes, but also in implementing price increases. EBIT tripled to EUR 406 million.

From the geographical viewpoint, the biggest increase in sales was achieved in Europe, where revenues rose by 23.6 percent to EUR 3,109 million due especially to business expansion in Bayer MaterialScience and the acquisition of the Roche OTC business. Group sales in Germany advanced by 31.0 percent to EUR 1,030 million, though this was partly because sales to LANXESS are reported as external as of the date of the spin-off. Without this effect or the additional sales volume acquired from Roche, the increase in Germany amounted to about 10 percent.

Currency-adjusted sales in North America grew by 8.1 percent to EUR 1,783 million, the decline in sales of Cipro[®] being offset by continued strong demand for industrial products and brisk business with crop protection products in the United States. In the Asia-Pacific region, MaterialScience recorded substantial growth, including a more than 60 percent improvement in China. The HealthCare subgroup also posted a pleasing performance, especially in Japan, while CropScience sales were down. Group sales in Asia-Pacific as a whole climbed by 18.9 percent in local currencies, to EUR 1,038 million. In Latin America/Africa/Middle East, currency-adjusted sales increased by 15.1 percent to EUR 774 million thanks to a positive market trend, especially in the industrial sector.

The Bayer Group had 93,300 employees on March 31, 2005, compared to 92,500 on the same date in 2004. Headcount increased by 1,600 compared to December 31, 2004, with workforce reductions – primarily in the United States in connection with the Schering-Plough alliance – offset mainly by the transfer of employees from Roche.

The presentation of the financial statements in 2005 differs from prior years in a number of ways due to changes in the Group portfolio and the application of new International Financial Reporting Standards (IFRS). Details are provided in the notes to the first-quarter interim report, which is published in the Stockholders' Newsletter. One important change is that reporting is based primarily on continuing operations. In the income statement, discontinued operations are reflected only in after-tax

income. Thus all commentaries and forward-looking statements relate exclusively to continuing operations, except where specific reference is made to discontinued operations.

Note: The complete report on the first quarter of 2005 is available on the Internet at www.investor.bayer.com

Leverkusen, May 10, 2005

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Forward-looking statements

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