

Stockholders' Newsletter

2003

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Successful start to the year

Operating result up 80 percent before one-time items

Sales from continuing operations grew by 4.9 percent, or €346 million, in the first quarter of 2003 to €7,356 million. Portfolio changes – mostly related to the acquisition of Aventis CropScience (ACS) – boosted sales by 13 percent, while higher volumes led to a 3 percent increase. These gains were partially offset by negative currency effects, which diminished revenues by 11 percent. Adjusted for currency changes, sales grew by 15.8 percent.

The operating result improved by 31.4 percent, or €257 million, to €1,075 million. Disregarding one-time items, it advanced by 79.5 percent from €464 million to €833 million. This was due chiefly to higher earnings in HealthCare and CropScience and the improved cost structures created by efficiency enhancement programs. Group net income rose by 12.0 percent, or €63 million, to €586 million.

The gross cash flow expanded by 68.1 percent, or €568 million, to €1,402 million. The increase in the proportion of seasonal business due to the ACS acquisition led to a €77 million decline in the net cash flow to €163 million.

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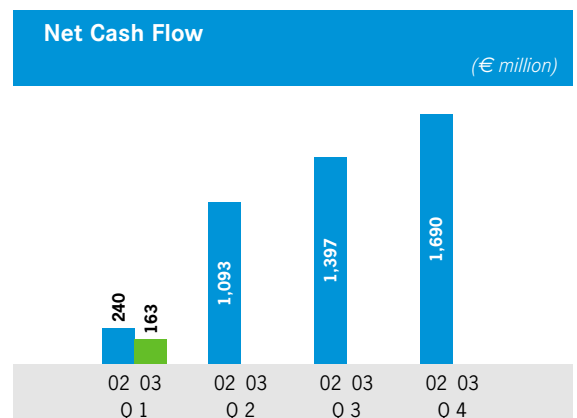
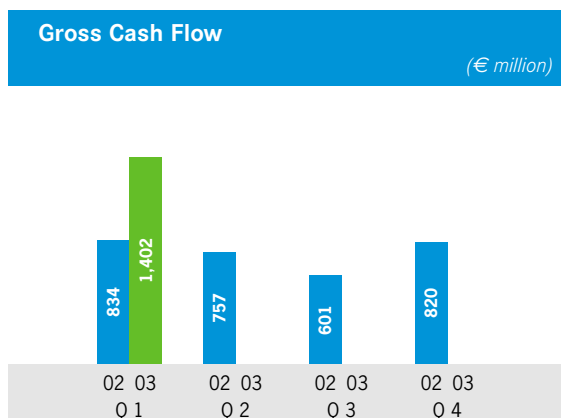
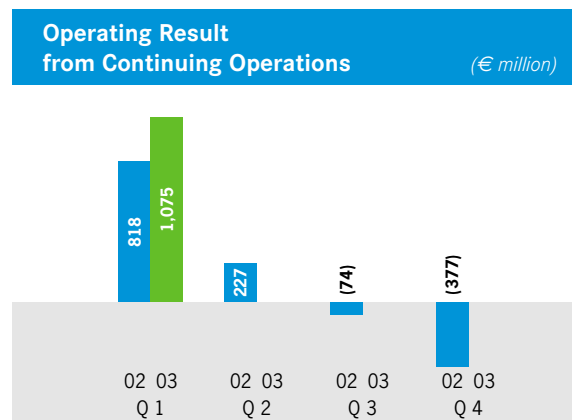
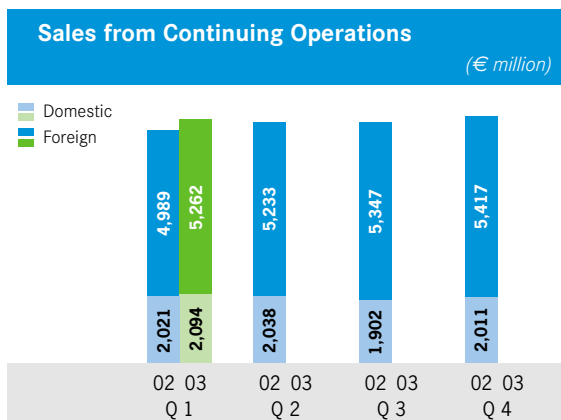
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Bayer Group Highlights			
<i>€ million</i>	<i>1st Quarter 2003</i>	<i>1st Quarter 2002</i>	Change
Sales (€ million)	7,356	7,233	+ 1.7%
Sales from continuing operations	7,356	7,010	+ 4.9%
Domestic companies	2,094	2,021	+ 3.6%
Foreign companies	5,262	4,989	+ 5.5%
Change in sales from continuing operations			
Volume	+ 3%	+ 1%	
Price	0%	- 4%	
Currency	- 11%	+ 1%	
Portfolio changes	+ 13%	- 4%	
Operating result (€ million)	1,075	840	+ 28.0%
of which one-time items	242	354	
Operating result from continuing operations	1,075	818	+ 31.4%
of which one-time items	242	354	
Return on sales from continuing operations	+ 14.6%	+ 11.7%	
Net income (€ million)	586	523	+ 12.0%
Earnings per share (€)	0.80	0.72	
Gross cash flow (€ million)	1,402	834	+ 68.1%
Gross cash flow per share (€)	1.92	1.14	
Net cash flow (€ million)	163	240	- 32.1%
Capital expenditures* (€ million)	476	530	- 10.2%
Domestic companies	149	184	- 19.0%
Foreign companies	327	346	- 5.5%
Number of employees* (as of March 31)	118,600	112,100	+ 5.8%
Personnel expenses (€ million)	1,925	1,888	+ 2.0%

* continuing operations

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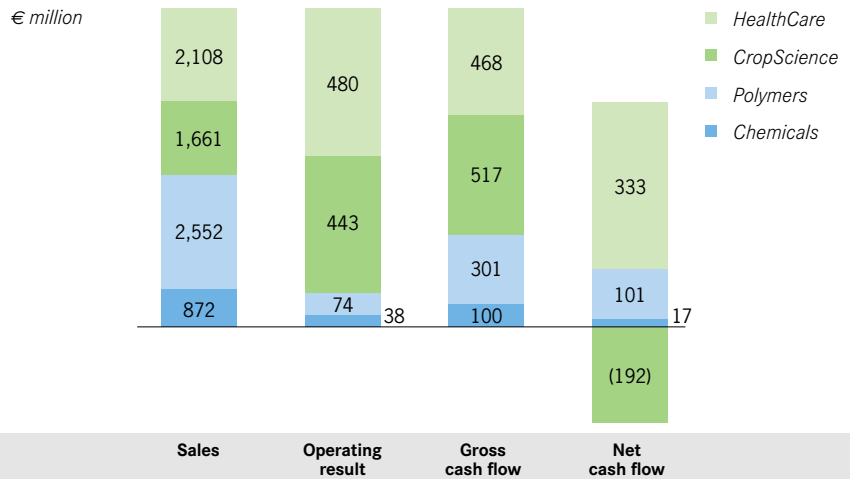
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Performance by Business Area – 1st Quarter of 2003



PERFORMANCE BY BUSINESS AREA

Our business activities are grouped together in the HealthCare, CropScience, Polymers and Chemicals business areas, comprising the following reporting segments:

Business Area	Segments
HealthCare	Pharmaceuticals, Biological Products; Consumer Care, Diagnostics; Animal Health
CropScience	CropScience
Polymers	Plastics, Rubber; Polyurethanes, Coatings, Fibers
Chemicals	Chemicals

Together the business areas – excluding corporate and service functions – had sales of €7,193 million, generating an operating result of €1,035 million, a gross cash flow of €1,386 million and a net cash flow of €259 million. HealthCare contributed the largest amounts to operating profit and net cash flow, while CropScience accounted for the largest share of gross cash flow. Polymers had the highest sales.

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HealthCare			
<i>€ million</i>	<i>1st Quarter</i>	<i>1st Quarter</i>	
	2003	2002	Change
Sales	2,108	2,410	- 12.5%
Proportion of Group sales	28.7%	34.4%	
Operating result	480	230	+ 108.7%
of which one-time items	193	(4)	
Return on sales	22.8%	9.5%	
Gross cash flow	468	266	+ 75.9%
Net cash flow	333	(4)	•

HealthCare

Sales in the Pharmaceuticals and Biological Products segment dropped by 10.0 percent, or €126 million, in the first quarter of 2003, to €1,131 million. The decrease was due mainly to negative currency effects. The antibiotic Avalox®/Avelox® and the Factor VIII product Kogenate® posted substantial gains.

The operating result improved by 61.8 percent, or €76 million, to €199 million, as the earnings enhancement programs began to take hold.

The market launch of our new drug Levitra® to treat erectile dysfunction is proceeding on schedule. We have already introduced the product in a number of European countries since receiving E.U. marketing authorization in March. We still expect to begin offering Levitra® in North America and other key non-European markets in the second half of 2003, despite the patent infringement suit filed against us by Pfizer in the United States. The U.S. launch of Cipro® XR for the treatment of urinary tract infections and the debut of the antihypertensive drug telmisartan in several European countries were very well received in the respective markets.

Pharmaceuticals, Biological Products

<i>€ million</i>	<i>1st Quarter</i>	<i>1st Quarter</i>	
	2003	2002	Change
Sales	1,131	1,257	- 10.0%
Proportion of Group sales	15.4%	17.9%	
Operating result	199	123	+ 61.8%
of which one-time items	17	(3)	
Return on sales	17.6%	9.8%	
Gross cash flow	187	114	+ 64.0%
Net cash flow	107	(66)	•

Sales of the Consumer Care and Diagnostics segment declined by 16 percent, or €152 million, to €798 million, mainly because of negative currency effects and the divestment of the household insecticides business. The significant €184 million

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Best-Selling HealthCare Products

€ million	2003	Change
Ciprobay®/Cipro® (Pharmaceuticals)	336	- 17%
Adalat® (Pharmaceuticals)	154	- 26%
Aspirin® (Consumer Care/Pharmaceuticals)	135	- 9%
Kogenate® (Biological Products)	109	+ 30%
Avalox®/Avelox® (Pharmaceuticals)	108	+ 59%
Ascensia® Elite (Diagnostics)	103	- 16%
ADVIA® Centaur System (Diagnostics)	89	+ 17%
Glucobay® (Pharmaceuticals)	70	- 7%
Gamimune® N (Biological Products)	60	- 21%
Baytril® (Animal Health)	41	- 9%
Total	1,205	- 8%
Proportion of HealthCare sales	57%	+ 3

growth in the operating result, to €241 million, was due to €134 million in proceeds from this divestiture and to performance improvements achieved through the cost structure programs. Net cash flow also showed encouraging growth, advancing by €134 million to €206 million.

Consumer Care, Diagnostics

€ million	1st Quarter 2003	1st Quarter 2002	Change
Sales	798	950	- 16.0%
Proportion of Group sales	10.8%	13.6%	
Operating result	241	57	•
of which one-time items	175	(1)	
Return on sales	30.2%	6.0%	
Gross cash flow	241	111	+ 117.1%
Net cash flow	206	72	•

Sales in the Animal Health segment also decreased due to shifts in exchange rates. Business was down by 11.8 percent, or €24 million, to €179 million, also because of the delay in obtaining marketing approval for the antiparasitic treatment Advantix® in California. This segment's operating result declined by 20.0 percent, or €10 million, to €40 million, while its net cash flow increased to €20 million.

Animal Health

€ million	1st Quarter 2003	1st Quarter 2002	Change
Sales	179	203	- 11.8%
Proportion of Group sales	2.4%	2.9%	
Operating result	40	50	- 20.0%
of which one-time items	1	0	
Return on sales	22.3%	24.6%	
Gross cash flow	40	41	- 2.4%
Net cash flow	20	(10)	•

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CropScience			
<i>€ million</i>	<i>1st Quarter</i> 2003	<i>1st Quarter</i> 2002	Change
Sales	1,661	866	+ 91.8%
Proportion of Group sales	22.6%	12.4%	
Operating result	443	144	•
of which one-time items	33	0	
Return on sales	26.7%	16.6%	
Gross cash flow	517	107	•
Net cash flow	(192)	(169)	- 13.6%

CropScience

The acquisition of Aventis CropScience caused sales of the CropScience segment to jump by 91.8 percent, or €795 million, to €1,661 million.

The operating result moved ahead to €443 million, helped by €33 million in one-time income related to the integration and by earnings on fipronil sales up to the end of March.

The expansion of business and the related change in working capital resulted in a 13.6 percent decline in net cash flow to minus €192 million.

The product divestments necessary to meet the conditions imposed by the antitrust authorities are largely completed. The action needed to achieve synergy and integration targets is proceeding on schedule.

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Polymers			
<i>€ million</i>	<i>1st Quarter</i> 2003	<i>1st Quarter</i> 2002	Change
Sales	2,552	2,613	- 2.3%
Proportion of Group sales	34.7%	37.3%	
Operating result	74	21	•
of which one-time items	(17)	(92)	
Return on sales	2.9%	0.8%	
Gross cash flow	301	257	+ 17.1%
Net cash flow	101	221	- 54.3%

Polymers

Sales of the Plastics and Rubber segment edged up to €1,272 million, chiefly as a result of growth in Asia and North America that offset adverse currency effects. Significantly higher raw material and energy costs could not be recouped through higher selling prices, putting a severe squeeze on margins and depressing the operating result to €3 million. The net cash flow increased by 10.8 percent, or €12 million, to €123 million.

Plastics, Rubber

<i>€ million</i>	<i>1st Quarter</i> 2003	<i>1st Quarter</i> 2002	Change
Sales	1,272	1,264	+ 0.6%
Proportion of Group sales	17.3%	18.0%	
Operating result	3	9	- 66.7%
of which one-time items	(4)	0	
Return on sales	0.2%	0.7%	
Gross cash flow	98	109	- 10.1%
Net cash flow	123	111	+ 10.8%

Polyurethanes, Coatings, Fibers

<i>€ million</i>	<i>1st Quarter</i>	<i>1st Quarter</i>	
	2003	2002	Change
Sales	1,280	1,349	- 5.1%
Proportion of Group sales	17.4%	19.2%	
Operating result	71	12	•
of which one-time items	(13)	(92)	
Return on sales	5.5%	0.9%	
Gross cash flow	203	148	+ 37.2%
Net cash flow	(22)	110	•

Business in the Polyurethanes, Coatings and Fibers segment was also hampered by negative currency effects, with sales down by 5.1 percent, or €69 million, to €1,280 million. By contrast, the operating result improved to €71 million, particularly because of savings attributable to our cost structure programs. The net cash flow declined to minus €22 million.

To further streamline the portfolio, we plan to terminate the joint venture Bayer-Shell Isocyanates N.V. (BSI).

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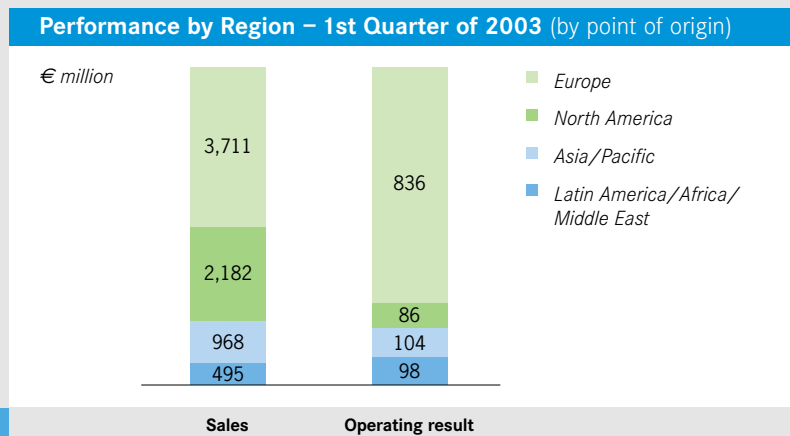
Chemicals			
<i>€ million</i>	<i>1st Quarter</i> 2003	<i>1st Quarter</i> 2002	Change
Sales	872	935	- 6.7%
Proportion of Group sales	11.9%	13.3%	
Operating result	38	37	+ 2.7%
of which one-time items	(2)	(2)	
Return on sales	4.4%	4.0%	
Gross cash flow	100	83	+ 20.5%
Net cash flow	17	40	- 57.5%

Chemicals

Sales of the Chemicals segment decreased by 6.7 percent, or €63 million, to €872 million, mainly due to currency translation and partly because the previous year's figure also included sales from the U.S. organic pigments business, which has since been divested. The operating result remained steady at €38 million. An increase in working capital caused the net cash flow to fall to €17 million.

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PERFORMANCE BY REGION

Sales of our European companies grew by 11.4 percent, or €381 million, to €3,711 million in the first quarter of 2003. Operating profit fell by 5.3 percent, or €47 million, to €836 million. When adjusted for portfolio changes and other one-time effects, however, the operating result increased by 38.2 percent to €630 million.

Business in North America dropped by 4.5 percent to €2,182 million due to currency translation effects. However, sales advanced by 13.3 percent when adjusted for these factors. The operating result moved ahead to €86 million, due largely to higher earnings in HealthCare.

Our companies in the Asia/Pacific region expanded sales by 7.4 percent to €968 million. Business developed particularly well in China, where CropScience and Polymers made the largest contributions to growth. Operating profit improved by €35 million, or 50.7 percent, to €104 million.

Sales in the Latin America/Africa/Middle East region remained steady at €495 million. The improvement in the operating result to €98 million was chiefly attributable to the CropScience business area.

Bayer Group Summary Cash Flow Statements

€ million	1st Quarter 2003	1st Quarter 2002
Gross operating cash flow	1,402	834
Changes in working capital	(1,239)	(594)
Net cash provided by operating activities	163	240
<i>of which discontinuing operations</i>	0	22
Net cash provided by (used in) investing activities	989	(117)
<i>of which discontinuing operations</i>	0	(28)
Net cash provided by financing activities	247	249
<i>of which discontinuing operations</i>	0	5
Changes in cash and cash equivalents due to business activities	1,399	372
Cash and cash equivalents at beginning of year	767	719
Change due to exchange rate movements and to changes in scope of consolidation	(1)	1
Cash and cash equivalents at end of first quarter	2,165	1,092
Marketable securities and other instruments	25	52
Liquid assets as per balance sheets	2,190	1,144

LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements for the first quarter of 2003 have been prepared as for the year 2002 according to the rules issued by the International Accounting Standards Board, London. Reference should be made as appropriate to the notes to the 2002 statements.

While the gross cash flow improved by €568 million, or 68.1 percent, the increase in working capital – mainly as a result of the expansion of the CropScience business – led to a €77 million, or 32.1 percent, drop in net cash flow, to €163 million.

Net cash provided by investing activities came to €989 million. Cash outflows of €476 million for capital expenditures were offset by €1,397 million in inflows from sales of noncurrent assets, particularly those divestments imposed on Bayer CropScience by the antitrust authorities. Interest and other financial inflows amounted to €68 million.

Financing activities provided net cash of €247 million, with €370 million in net borrowings partially offset by €123 million in interest paid after taxes.

Cash and cash equivalents increased in the first quarter by €1,398 million to €2,165 million. Including marketable securities and other instruments, the Group had liquid assets of €2,190 million on March 31, 2003.

Summary Income Statements			
€ million	1st Quarter 2003	1st Quarter 2002	Change
Sales	7,356	7,233	+ 1.7%
Operating result	1,075	840	+ 28.0%
Non-operating result	(172)	(157)	- 9.6%
Income before income taxes	903	683	+ 32.2%
Net income	586	523	+ 12.0%

EARNINGS PERFORMANCE

The operating result for the first quarter of 2003 increased by 28.0 percent year on year, to €1,075 million. This includes a total of €168 million in one-time gains from further scheduled household insecticide divestitures and the sale of certain CropScience businesses mandated by the antitrust authorities. In addition, sales of real estate brought proceeds of €82 million. Operating profit for the same period of 2002 contained €452 million in gains from the sale of company housing units.

The non-operating result declined to minus €172 million, from minus €157 million in the first quarter of 2002.

Income tax expense for the first quarter of 2003 amounted to €310 million, the low figure of €159 million for the same period in 2002 having been due to tax-free income from divestitures. The effective tax rate thus increased by 11 percentage points to 34 percent. Net income rose by 12.0 percent to €586 million.

Balance Sheet Structure			
<i>€ million</i>	March 31, 2003	March 31, 2002	Dec. 31, 2002
Noncurrent assets	22,680	21,621	23,513
Current assets	19,493	16,541	18,179
Stockholders' equity	15,042	16,763	15,335
Minority stockholders' interest	123	96	120
Liabilities	27,008	21,303	26,237
Total assets	42,173	38,162	41,692

ASSET AND CAPITAL STRUCTURE

Total assets increased by €0.5 billion compared with December 31, 2002, to €42.2 billion. Non-current assets declined by €0.8 billion, while current assets rose by €1.3 billion. Inventories, receivables and deferred tax assets were reduced by a total of €0.1 billion. Liquid assets grew by €1.4 billion.

Stockholders' equity dropped by €0.3 billion to €15.0 billion, with currency translation adjustments accounting for €0.2 billion of the decline.

Liabilities, including deferred taxes and deferred income, grew by €0.8 billion to €27.0 billion. Of the increase, the dividend allocation alone accounts for €0.7 billion. Net debt fell by €1.1 billion in the first three months of 2003, to €7.7 billion.

CAPITAL EXPENDITURES

In the first quarter of 2003 we spent €0.5 billion for intangible assets, property, plant and equipment. This figure, at 68 percent of our €699 million depreciation and amortization, is in line with our strategic goal. Europe accounted for €0.3 billion of our capital expenditures. Of this amount, 45 percent was spent at our German sites.

The capital expenditure budget for the full year 2003 is €2.0 billion.

EMPLOYEES

On March 31, 2003 the Bayer Group had 118,600 employees in continuing operations, which was 4,000 fewer than at the start of the year. Headcount was reduced by 1,500 in Europe, 800 in North America, 1,100 in Asia/Pacific and 600 in Latin America/Africa/Middle East.

Acquisitions boosted the workforce by 6,500 compared to the first quarter of 2002. Personnel expenses rose by €37 million, or 2 percent, compared to the first three months of 2002, reaching €1,925 million. Of the increase, €191 million resulted from currency translations.

OUTLOOK

In the HealthCare business area, we expect our product structure to result in further currency-adjusted sales growth in 2003. Here we are relying particularly on our Factor VIII drug Kogenate[®], the respiratory antibiotic Avalox[®]/Avelox[®] and our new erectile dysfunction treatment Levitra[®]. Our goal is to further improve profitability, helped by the programs we have launched to enhance efficiency.

In CropScience we will press firmly ahead with the integration projects initiated in 2002. Our highest priorities here are the consolidation of our production facilities worldwide, the consolidation of our global research and development activities and the further consolidation and streamlining of all organizational units. For the full year 2003 we expect the combined business to grow in currency-adjusted terms.

In Polymers and Chemicals we anticipate that the cost containment programs we have embarked on will yield further improvements in efficiency, and our portfolio is being systematically aligned toward high-margin products. Irrespective of this, we plan to implement further price increases to achieve the necessary improvement in margins.

Provided the present economic conditions do not seriously worsen, we expect to increase our operating result from continuing operations by a double-digit percentage in 2003.

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Bayer Group Consolidated Statements of Income (Summary)

€ million	1st Quarter 2003	1st Quarter 2002	Change
Net sales	7,356	7,233	+ 1.7%
<i>Net sales from discontinuing operations</i>	0	(223)	
Net sales from continuing operations	7,356	7,010	+ 4.9%
Cost of goods sold	(3,979)	(4,045)	- 1.6%
Gross profit	3,377	2,965	+ 13.9%
Selling expenses	(1,565)	(1,578)	- 0.8%
Research and development expenses	(520)	(553)	- 6.0%
General administration expenses	(381)	(290)	+ 31.4%
Other operating income – net	164	274	- 40.1%
Operating result from continuing operations	1,075	818	+ 31.4%
<i>Operating result from discontinuing operations</i>	0	22	
Operating result	1,075	840	+ 28.0%
Non-operating result	(172)	(157)	- 9.6%
Income before income taxes	903	683	+ 32.2%
Income taxes	(310)	(159)	+ 95.0%
Income after taxes	593	524	+ 13.2%
Minority stockholders' interest	(7)	(1)	•
Net income	586	523	+ 12.0%
Earnings per share (€)	0.80	0.72	

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Bayer Group Consolidated Balance Sheets (Summary)

€ million	March 31, 2003	March 31, 2002	Dec. 31, 2002
Assets			
Noncurrent assets	22,680	21,621	23,513
Inventories	6,593	5,852	6,342
Receivables	9,934	8,898	10,074
Liquid assets	2,190	1,144	796
Current assets	18,717	15,894	17,212
Deferred taxes	776	647	967
	42,173	38,162	41,692
<i>of which discontinuing operations</i>	0	825	0
Stockholders' Equity and Liabilities			
Capital stock and reserves	4,812	4,812	4,812
Retained earnings	10,481	10,159	10,076
Net income	586	523	1,060
Other comprehensive income			
Currency translation adjustment	(802)	666	(593)
Miscellaneous items	(35)	603	(20)
Stockholders' equity	15,042	16,763	15,335
Minority stockholders' interest	123	96	120
Long-term liabilities	13,489	8,477	13,550
Short-term liabilities	11,227	11,488	10,234
Liabilities	24,716	19,965	23,784
<i>of which discontinuing operations</i>	0	246	0
Deferred taxes	2,292	1,338	2,453
	42,173	38,162	41,692

The first-quarter statements are unaudited.

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Bayer Group Consolidated Statements of Changes in Stockholders' Equity (Summary)

€ million	Capital stock and reserves	Retained earnings	Net income	Currency translation adjustment	Miscellaneous items	Total
December 31, 2001	4,812	9,841	965	759	545	16,922
Dividend payment			(657)			(657)
Allocation to retained earnings		318	(308)			10
Exchange differences				(93)		(93)
Other changes in stockholders' equity					58	58
Net income			523			523
March 31, 2002	4,812	10,159	523	666	603	16,763
December 31, 2002	4,812	10,076	1,060	(593)	(20)	15,335
Dividend payment			(657)			(657)
Allocation to retained earnings		405	(403)			2
Exchange differences				(209)		(209)
Other changes in stockholders' equity					(15)	(15)
Net income			586			586
March 31, 2003	4,812	10,481	586	(802)	(35)	15,042

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Key Data by Segment

Segments	HealthCare				CropScience				Polymers			
	Pharmaceuticals, Biological Products		Consumer Care, Diagnostics		Animal Health		CropScience		Plastics, Rubber		Polyurethanes, Coatings, Fibers	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter		1st Quarter		1st Quarter	
€ million	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net sales (external)	1,131	1,257	798	950	179	203	1,661	866	1,272	1,264	1,280	1,349
• Change in €	-10.0 %	-11.6 %	-16.0 %	-1.5 %	-11.8 %	+12.8 %	+91.8 %	+6.4 %	+0.6 %	-9.5 %	-5.1 %	-4.9 %
• Change in local currencies	+2.4 %	-12.7 %	-1.4 %	-1.9 %	+2.4 %	+12.6 %	+103.6 %	+6.7 %	+9.1 %	-10.7 %	+5.3 %	-5.7 %
Intersegment sales	8	8	1	1	1	0	11	17	33	29	36	32
Operating result	199	123	241	57	40	50	443	144	3	9	71	12
Return on sales	17.6 %	9.8 %	30.2 %	6.0 %	22.3 %	24.6 %	26.7 %	16.6 %	0.2 %	0.7 %	5.5 %	0.9 %
EBITDA	254	204	304	131	47	59	641	203	111	123	209	173
Gross cash flow	187	114	241	111	40	41	517	107	98	109	203	148
Net cash flow	107	(66)	206	72	20	(10)	(192)	(169)	123	111	(22)	110

Segments	Chemicals		Reconciliation		Continuing Operations		Discontinuing Operations		Bayer Group	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter		1st Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Net sales (external)	872	935	163	186	7,356	7,010	0	223	7,356	7,233
• Change in €	-6.7 %	-16.4 %			+4.9 %	-6.6 %			+1.7 %	-8.5 %
• Change in local currencies	+1.8 %	-15.3 %			+15.8 %	-7.0 %			+12.6 %	-8.8 %
Intersegment sales	104	95	(194)	(182)						
Operating result	38	37	40	386	1,075	818	0	22	1,075	840
Return on sales	4.4 %	4.0 %			14.6 %	11.7 %			14.6 %	11.6 %
EBITDA	109	121	107	437	1,782	1,451	0	37	1,782	1,488
Gross cash flow	100	83	16	94	1,402	807	0	27	1,402	834
Net cash flow	17	40	(96)	130	163	218	0	22	163	240

2002 Figures restated



Interim Report for the First Quarter

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Key Data by Region

Regions	Europe		North America		Asia/Pacific		Latin America/ Africa/Middle East	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
€ million								
Net sales (external) – by market	3,352	2,998	2,117	2,227	1,171	1,100	716	685
Net sales (external) by point of origin	3,711	3,330	2,182	2,285	968	901	495	494
• Change in €	+ 11.4 %	– 8.3 %	– 4.5 %	– 3.9 %	+ 7.4 %	– 6.4 %	+ 0.2 %	– 7.1 %
• Change in local currencies	+ 12.0 %	– 8.5 %	+ 13.3 %	– 8.8 %	+ 20.0 %	– 4.8 %	+ 33.6 %	+ 4.8 %
Interregional sales	1,107	795	464	506	59	53	37	22
Operating result	836	883	86	(117)	104	69	98	36
Return on sales	22.5 %	26.5 %	3.9 %	(5.1) %	10.7 %	7.7 %	19.8 %	7.3 %
Gross cash flow	914	559	308	174	119	70	91	49

Regions	Reconciliation		Continuing Operations		Discontinuing Operations		Bayer Group	
	1st Quarter		1st Quarter		1st Quarter		1st Quarter	
	2003	2002	2003	2002	2003	2002	2003	2002
€ million								
Net sales (external) – by market			7,356	7,010	0	223	7,356	7,233
Net sales (external) by point of origin			7,356	7,010	0	223	7,356	7,233
• Change in €			+ 4.9 %	– 6.6 %			+ 1.7 %	– 8.5 %
• Change in local currencies			+ 15.8 %	– 7.0 %			+ 12.6 %	– 8.8 %
Interregional sales	(1,667)	(1,376)						
Operating result	(49)	(53)	1,075	818	0	22	1,075	840
Return on sales			14.6 %	11.7 %			14.6 %	11.6 %
Gross cash flow	(30)	(45)	1,402	807	0	27	1,402	834

2002 Figures restated

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Communications

51368 Leverkusen, Germany

Phone +49 214 30 58992

Fax +49 214 30 71985

E-Mail: ute.bode.ub@bayer-ag.de

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Bayer AG

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Forward-Looking Statements

This Stockholders' Newsletter 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, 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 prices 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 Stockholders' Newsletter.

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.