BAYER AKTIENGESELLSCHAFT
Form 6-K
May 10, 2007

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934
For the month of May 2007
Commission File Number: 001-16829
Bayer Aktiengesellschaft
Bayer Corporation*

(Translation of registrant s name into English)

Bayerwerk, Gebaeude W11
Kaiser-Wilhelm-Allee
51368 Leverkusen
Germany

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F þ Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1): N/A

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7): N/A

Indicate by check mark whether, by furnishing the information contained in this form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

* Bayer Corporation is also the name of a wholly-owned subsidiary of the registrant in the United States.

Table of Contents

Table of Contents

Bayer Group Key Data

million	1st Quarter 2006	1st Quarter 2007	Change	Full Year 2006
Net sales	**6,791**	**8,335**	**+ 22.7%**	**28,956**
Change in sales				
Volume	+ 4%	+ 8%		+ 5%
Price	+ 1%	0%		0%
Currency	+ 5%	5%		0%
Portfolio	+ 1%	+ 20%		+ 12%
EBITDA[1]	**1,436**	**1,774**	**+ 23.5%**	**4,675**
Special items	*(128)*	*(216)*		*(909)*
EBITDA before special items	*1,564*	*1,990*	*+ 27.2%*	*5,584*
EBITDA margin before special items	23.0%	23.9%		19.3%
EBIT[2]	**1,049**	**1,175**	**+ 12.0%**	**2,762**
Special items	*(128)*	*(200)*		*(717)*
EBIT before special items	*1,177*	*1,375*	*+ 16.8%*	*3,479*
EBIT margin before special items	17.3%	16.5%		12.0%
Non-operating result	**(210)**	**(218)**	3.8%	**(782)**
Net income	**600**	**2,809**		**1,683**
Earnings per share ([3])	0.82	3.44		2.22
Core earnings per share ([4])	1.01	1.26		3.24
Gross cash flow[5]	**1,089**	**1,411**	**+ 29.6%**	**3,913**
Net cash flow[6]	**38**	**375**		**3,928**
Cash outflows for capital expenditures	**419**	**201**	**52.0%**	**1,876**
Research and development expenses	**414**	**625**	**+ 51.0%**	**2,297**
Depreciation and amortization	**387**	**599**	**+ 54.8%**	**1,913**
Number of employees at end of period[7]	**82,400**	**105,100**		**106,000**
Personnel expenses	1,486	1,898	+ 27.7%	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.

[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 37.

[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 30.

5 Gross cash flow = income after taxes from continuing operations 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 21f.

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

7 Number of employees in full-time equivalents

Contents

Group Management Report as of March 31, 2007	
Overview of Sales, Earnings and Financial Position	4
Future Perspectives	6
Performance by Subgroup and Segment	6
Bayer HealthCare	8
Bayer CropScience	14
Bayer MaterialScience	18
Performance by Region	20
Liquidity and Capital Resources	21
Employees	23
Legal Risks	24
Subsequent Events	27
Calculation of ebit(da) Before Special Items	28
Investor Information	29
Consolidated Financial Statements as of March 31, 2007	
Bayer Group Statements of Income	31
Bayer Group Balance Sheets	32
Bayer Group Statements of Cash Flows	33
Bayer Group Statements of Recognized Income and Expense	34
Key Data by Segment and Region	35
Notes to the Interim Report as of March 31, 2007	37
Financial Calendar, Masthead	40

Table of Contents

Interim Report as of March 31, 2007

Jump in HealthCare sales and earnings

Bayer: excellent start to 2007

All subgroups on course for growth sales up 22.7 percent to 8.3 billion

EBITDA before special items climbs 27.2 percent to 2.0 billion

EBIT before special items moves ahead 16.8 percent to 1.4 billion

Group net income improves from 0.6 billion to 2.8 billion

Net debt reduced by 4.8 billion

Overview of Sales, Earnings and Financial Position

Bayer got off to an excellent start in 2007, substantially improving on its strong performance in the prior-year quarter. **Sales** rose by 22.7 percent to 8,335 million (Q1 2006: 6,791 million). Revenues for the first three months of 2007 include 1,410 million in sales of the acquired products of Schering, Berlin, Germany. When adjusted for the effects of exchange rate shifts and portfolio changes, sales rose by 7.5 percent, with HealthCare (+7.9 percent), CropScience (+5.9 percent) and MaterialScience (+9.4 percent) all contributing to the increase.

The Group s **ebitda** before special items advanced by 27.2 percent to 1,990 million (Q1 2006: 1,564 million). The figure for HealthCare jumped by 103.9 percent to 948 million (Q1 2006: 465 million), mainly in light of the Schering AG acquisition and a solid performance by Consumer Health. At CropScience there was a 6.0 percent improvement to 584 million (Q1 2006: 551 million), particularly as a result of higher volumes and improved cost structures. ebitda before special items of MaterialScience fell by 24.1 percent from the high level of the prior-year quarter, to 409 million (Q1 2006: 539 million), largely due to increased raw material costs.

ebit before special items advanced by 16.8 percent in the first quarter of 2007, to 1,375 million (Q1 2006: 1,177 million). Earnings were diminished by special charges of 200 million (Q1 2006: 128 million). The acquisition and integration of Schering, Berlin, Germany, led to special charges of 139 million. Special charges of 61 million were incurred for restructuring at CropScience, MaterialScience and Bayer Industry Services. After special items, ebit of the Bayer Group moved ahead by 12.0 percent to 1,175 million (Q1 2006: 1,049 million).

After a non-operating result of minus 218 million (Q1 2006: minus 210 million), pre-tax income came in at 957 million (Q1 2006: 839 million). The non-operating result contained net interest expense of 156 million (Q1 2006: 143 million). Here it should be noted that interest charges for the same period of the previous year were boosted by one-time effects, while financing costs in the first quarter of 2007 rose due to acquisitions. After tax expense of 301 million (Q1 2006: 277 million), income after taxes from continuing operations rose to 656 million (Q1 2006: 562 million).

Income after taxes from discontinued operations was 2.2 billion, including divestment gains of 2.1 billion for the Diagnostics business and 0.1 billion for H.C. Starck.

After minority stockholders interest, net income of the Bayer Group amounted to 2,809 million (Q1 2006: 600 million). Earnings per share came to 3.44 (Q1 2006: 0.82).

Gross cash flow improved by 29.6 percent from the prior-year quarter, to 1,411 million (Q1 2006: 1,089 million), due to the strong growth in business and the inclusion of Schering, Berlin, Germany. Net cash flow rose by 337 million to 375 million (Q1 2006: 38 million). The total net cash flow including discontinued operations was 413 million.

Net debt declined by 4.8 billion to 12.8 billion in the first quarter of 2007, due particularly to the proceeds from the divestments of the Diagnostics business and H.C. Starck.

Provisions for pensions and other post-employment benefits declined by 0.4 billion compared with December 31, 2006, to 6.2 billion, mainly because of higher capital market interest.

Table of Contents

Future Perspectives

Economic outlook

For 2007 we continue to expect the global economy to grow at a rate that is considerably faster than the long-term average. In our opinion, the economic slowdown in the United States will only have a moderate effect on the global economy. Robust growth in Europe and also in the emerging economies of Asia and Latin America is expected to compensate for the weakness in the United States. Although we anticipate that the global economy will maintain its current momentum, risks could result from continuing imbalances in the world economy. It is also very difficult to predict the development of oil prices. We therefore expect a positive trend across the MaterialScience market sectors, although the extent of this trend will vary from region to region. The global crop protection market is expected to expand compared to the previous year. We do not expect a major change in the performance of the pharmaceuticals market compared to the prior year.

Bayer Group sales and earnings forecast

In light of the very successful start to 2007, we confirm our positive outlook for the year. At the present time we are not altering the guidance we issued in March. For the full year we therefore continue to target more than 10 percent growth in both Group sales and underlying ebitda, along with a slight increase in the underlying ebitda margin.

We remain confident of the trend in our HealthCare business. For the year as a whole we intend to grow with or faster than the market in all divisions and improve the underlying ebidta margin toward 24 percent.

The market environment for our CropScience business in the first quarter was positive as expected. Provided market conditions do not significantly deteriorate, we continue to expect that we will grow slightly faster than the market and improve the underlying ebitda margin toward 22 percent.

Following the anticipated strong start to the year, MaterialScience plans to achieve further volume growth in 2007 and expects to sustain a good, value-creating earnings level. Underlying ebitda in the second quarter is expected to be roughly on par with the first quarter.

Performance by Subgroup and Segment

Changes in corporate structure

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

As of March 31, 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. This business is not included in the figures for the first quarter of 2006.

Interim Report as of March 31, 2007

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 Diagnostics Division and H.C. Starck, both now divested, and the Wolff Walsrode activities, divestment of which is pending, are reported as discontinued operations. The prior-year data are restated accordingly.

Key Data by Subgroup and Segment

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
million	1st Quarter 2006	1st Quarter 2007	1st Quarter 2006	1st Quarter 2007	1st Quarter 2006	1st Quarter 2007	1st Quarter 2006	1st Quarter 2007
HealthCare	**2,203**	**3,610**	**385**	**624**	**465**	**948**	**21.1%**	**26.3%**
Pharmaceuticals	1,148	2,495	207	420	246	711	21.4%	28.5%
Consumer Health	1,055	1,115	178	204	219	237	20.8%	21.3%
CropScience	**1,771**	**1,786**	**408**	**447**	**551**	**584**	**31.1%**	**32.7%**
Crop Protection	1,413	1,434	285	343	406	461	28.7%	32.1%
Environmental Science, BioScience	358	352	123	104	145	123	40.5%	34.9%
MaterialScience	**2,486**	**2,608**	**423**	**291**	**539**	**409**	**21.7%**	**15.7%**
Materials	710	739	132	38	170	80	23.9%	10.8%
Systems	1,776	1,869	291	253	369	329	20.8%	17.6%
Reconciliation	**331**	**331**	**(39)**	**13**	**9**	**49**	**2.7%**	**14.8%**
Continuing operations	**6,791**	**8,335**	**1,177**	**1,375**	**1,564**	**1,990**	**23.0%**	**23.9%**

2006 figures restated

* for definition see Bayer Group Key Data on page 2, also page 28.

Sales by Segment in Percent, 1st Quarter 2007 (Q1 2006 in parentheses)

7

Bayer HealthCare

Sales of the **Bayer HealthCare** subgroup rose in the first quarter by 63.9 percent, or 1,407 million, to 3,610 million. The acquired business of Schering, Berlin, Germany, contributed 1,410 million to this figure. Currency- and portfolio-adjusted sales improved by 7.9 percent, due particularly to the gratifying trend in our Consumer Health segment.

ebitda before special items for this subgroup climbed by 103.9 percent to 948 million (Q1 2006: 465 million). Underlying **ebit** advanced by 239 million to 624 million (Q1 2006: 385 million). The special items totaling minus 139 million in our HealthCare business resulted from charges connected with the integration of Schering, Berlin, Germany. ebit of Bayer HealthCare moved ahead by 106 million, or 28.0 percent, to 485 million.

Pharmaceuticals

Sales of our **Pharmaceuticals** segment rose by 1,347 in the first quarter of 2007, to a total of 2,495 million (Q1 2006: 1,148 million), with the acquired business of Schering, Berlin, Germany, accounting for 1,410 million. Adjusted for currency and portfolio changes, sales expanded by 4.6 percent. Sharply higher sales of Nexavar® and Levitra® more than offset the expected decline for Cipro®/Ciprobay®.

The figures for the first quarter of 2006 do not contain the business of Schering, Berlin, Germany, acquired in June 2006. The commentaries given below on business developments related to the acquired products include comparisons with data for the first quarter of 2006 that were prepared by Schering AG, Berlin, Germany, and do not form part of the Bayer Group financial statements. We refer to those figures as pro forma. The acquired Schering business posted dynamic currency- and portfolio-adjusted sales growth of more than 5 percent.

Sales of the Primary Care business unit in the first three months of 2007 dipped by 1.8 percent to 773 million, but rose by 1.5 percent on a currency- and portfolio-adjusted basis. On a currency-adjusted basis, business with Levitra® developed particularly well, expanding by 14.7 percent, while sales of Avalox®/Avelox® also improved slightly in the first quarter, advancing by 3.8 percent. Increasing competition from generic products led to a marked decline for Cipro®/Ciprobay®, with sales dropping by 15.0 percent when adjusted for shifts in currency parities.

In our Women s Healthcare business unit, we achieved sales of 627 million in the first quarter. The main growth drivers were the oral contraceptives of the Yasmin®/yaz®/ Yasminelle® product line, sales of which rose by 41.1 percent (pro forma) when adjusted for currency changes. This positive performance was due particularly to the launch of Yasminelle® in Europe and of yaz® in the United States and Latin America. In January, the u.s. Food and Drug Administration (fda) expanded the registration for yaz®, which can now be used in the United States to treat moderately severe acne in women. Currency-adjusted sales of our intra-uterine system Mirena® also advanced by a pleasing 25.0 percent (pro forma) thanks mainly to strong growth in the United States.

Table of Contents

Interim Report as of March 31, 2007

Bayer HealthCare million	**1st Quarter 2006**	**1st Quarter 2007**	**Change %**
Net sales	**2,203**	**3,610**	**+ 63.9**
EBITDA[1]	**459**	**783**	**+ 70.6**
Special items	*(6)*	*(165)*	
EBITDA before special items[2]	*465*	*948*	*+ 103.9*
EBITDA margin before special items	21.1%	26.3%	
EBIT[1]	**379**	**485**	**+ 28.0**
Special items	*(6)*	*(139)*	
EBIT before special items[2]	*385*	*624*	*+ 62.1*
Gross cash flow[1]	**292**	**557**	**+ 90.8**
Net cash flow[1]	**43**	**383**	

2006 figures restated

1 for definition see Bayer Group Key Data on page 2

2 for definition see also page 28

Pharmaceuticals million	**1st Quarter 2006**	**1st Quarter 2007**	**Change %**
Sales	**1,148**	**2,495**	**+ 117.3**
Primary Care[1]	787	773	-1.8
Women s Healthcare		627	
Diagnostic Imaging (including Medrad)		307	
Specialized Therapeutics		303	
Hematology/Cardiology	327	268	-18.0
Oncology[2]	34	159	
Dermatology (Intendis)		58	
EBITDA[3]	**241**	**546**	**+ 126.6**
Special items	*(5)*	*(165)*	
EBITDA before special items[4]	*246*	*711*	*+ 189.0*
EBITDA margin before special items	21.4%	28.5%	
EBIT[3]	**202**	**281**	**+ 39.1**
Special items	*(5)*	*(139)*	
EBIT before special items[4]	*207*	*420*	*+ 102.9*
Gross cash flow[3]	**162**	**390**	**+ 140.7**

Net cash flow[3]	**(11)**	**279**

2006 figures restated

[1] Schering andrology business not included in Q1 2006

[2] Schering oncology business not included in Q1 2006

[3] for definition see Bayer Group Key Data on page 2

[4] for definition see also page 28

Sales of the Diagnostic Imaging business unit came to 307 million. Currency-adjusted sales of Magnevist® rose by 11.8 percent (pro forma), while those of Ultravist® fell by 20.8 percent (pro forma) from the prior-year quarter. Having voluntarily withdrawn the 370 mgI/ml formulation of Ultravist® in the summer of 2006, we resumed sales of this product in numerous countries in the first quarter of 2007. We expect to quickly proceed with distribution of this product in the remaining countries as well.

Sales of the Specialized Therapeutics business unit amounted to 303 million. Currency-adjusted sales of our top product Betaferon®/Betaseron® to treat multiple sclerosis (ms) expanded by 9.9 percent (pro forma) in the first quarter. To safeguard our Betaseron® business, we signed an agreement with Novartis in March 2007 to acquire the biologics manufacturing facility in Emeryville, California, currently used to produce Betaseron®. The acquisition is subject to the approval of the antitrust authorities. According to the terms of the agreement, Bayer will make a one-time payment to Novartis of approximately us$ 110 million for the production facility, including the Biologics License Application (bla). Bayer Schering Pharma will continue to pay Novartis royalties equivalent to those being paid currently on net sales of Betaseron® manufactured by Bayer at the Emeryville facilities until the original agreement with Novartis expires in October 2008. After this date, no more royalties will be due to Novartis on the sales of Betaseron®. Bayer Schering Pharma will also acquire the existing inventories. In return, Novartis will receive a license to establish its own brand based on interferon beta-1b starting in 2009. When it is approved by the health authorities, Bayer Schering Pharma will manufacture the product for Novartis from 2009 forward and receive in return a low double-digit percentage royalty from Novartis.

Sales of the Hematology/Cardiology business unit fell by 18.0 percent to 268 million, mainly due to termination of the plasma distribution agreements for Canada and Germany. Adjusted for currency and portfolio changes, business was up by 3.7 percent. Currency-adjusted sales of Kogenate® advanced by 3.2 percent in the first quarter. At the end of January 2007, the European Commission granted an additional registration authorizing the use of Kogenate® for continuous infusion in hemophilia a patients undergoing major surgery. Currency-adjusted sales of Trasylol® declined by 4.4 percent. Two separate observational studies reported on a possible correlation between the administration of Trasylol® (aprotinin), our product for use during open-heart surgery, and severe renal dysfunction and vasoconstriction (myocardial infarction and stroke). A follow-up study to one of them reported on a possible correlation between administration of this product and increased long-term mortality. Based on our study data and many years of experience with Trasylol®, Bayer believes that this product is a safe and effective medicine when used correctly. We are currently cooperating closely with the relevant regulatory authorities to resolve the questions that have arisen.

Interim Report as of March 31, 2007

Best-Selling Pharmaceutical Products million	**1st Quarter 2006**	**1st Quarter 2007**	**Change %**	**Currency-adjusted change %**
Betaferon®/Betaseron®* (Specialized Therapeutics)		244		
Yasmin®/YAZ®/Yasminelle®* (Women s Healthcare)		240		
Kogenate® (Hematology/Cardiology)	204	201	-1.5	+ 3.2
Adalat® (Primary Care)	157	145	-7.6	-0.9
Avalox®/Avelox® (Primary Care)	130	128	-1.5	+ 3.8
Cipro®/Ciprobay® (Primary Care)	132	108	-18.2	-15.0
Levitra® (Primary Care)	78	84	+ 7.7	+ 14.7
Mirena®* (Women s Healthcare)		81		
Magnevist®* (Diagnostic Imaging)		80		
Glucobay® (Primary Care)	77	72	-6.5	-1.2
Total	**778**	**1,383**	**+ 77.8**	**+ 87.1**
Proportion of Pharmaceuticals sales	68%	55%		

Products ranked by Q1 2007 sales

* acquired Schering AG product