Stockholders' Newsletter

Half-Year Financial Report as of June 30, 2008

Bayer continues its success in the 2nd quarter

For direct access to a chapter, simply click on its name.

Cover picture

Modern plant breeding for healthy food

Today, new vegetable varieties are created by combining traditional plant breeding with modern analysis methods based on genetic engineering. Using these innovative precision breeding methods, often referred to as smart breeding, Bayer CropScience and its subsidiary Nunhems develop improved vegetable varieties that meet the constantly increasing quality requirements of professional vegetable producers and of consumers. The vegetables have a more distinctive flavor and contribute to a healthier diet. Nunhems is a global vegetable seed specialist and supplier of innovative products, concepts and know-how for commercial fruit and vegetable production. Our cover photo shows Jeanine Derks from the Nunhems research laboratories extracting plant samples for analysis.

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Bayer Group Key Data

	2nd Quarter 2007	**2nd Quarter 2008**	Change	1st Half 2007	**1st Half 2008**	Change	Full Year 2007
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**8,217**	**8,511**	**+3.6**	**16,552**	**17,047**	**+3.0**	**32,385**
Change in sales							
Volume	+4.7%	+8.1%		+6.2 %	+7.0%		+5.6 %
Price	+0.7%	+1.4%		+0.3 %	+1.2%		+0.5 %
Currency	−2.9%	−6.4%		−3.7 %	−5.6%		−3.6 %
Portfolio	+19.5%	+0.5%		+19.6 %	+0.4%		+9.3 %
EBITDA[1]	**1,572**	**1,774**	**+12.8**	**3,346**	**3,829**	**+14.4**	**5,866**
Special items	*(234)*	*(122)*		*(450)*	*(252)*		*(911)*
EBITDA before special items	*1,806*	*1,896*	*+5.0*	*3,796*	*4,081*	*+7.5*	*6,777*
EBITDA margin before special items	22.0 %	22.3 %		22.9 %	23.9 %		20.9 %
EBIT[2]	**917**	**1,105**	**+20.5**	**2,092**	**2,448**	**+17.0**	**3,154**
Special items	*(268)*	*(143)*		*(468)*	*(297)*		*(1,133)*
EBIT before special items	*1,185*	*1,248*	*+5.3*	*2,560*	*2,745*	*+7.2*	*4,287*
EBIT margin before special items	14.4 %	14.7 %		15.5 %	16.1%		13.2 %
Non-operating result	**(257)**	**(262)**	**−1.9**	**(475)**	**(537)**	**−13.1**	**(920)**
Net income	**660**	**574**	**−13.0**	**3,469**	**1,336**	**−61.5**	**4,711**
Earnings per share (€)[3]	0.83	0.73		4.27	1.69		5.84
Core earnings per share (€)[4]	1.03	1.18		2.28	2.62		3.80
Gross cash flow[5]	**1,187**	**1,322**	**+11.4**	**2,598**	**2,973**	**+14.4**	**4,784**
Net cash flow[6]	**816**	**889**	**+8.9**	**1,191**	**1,417**	**+19.0**	**4,281**
Cash outflows for capital expenditures	**440**	**347**	**−21.1**	**641**	**635**	**−0.9**	**1,860**
Research and development expenses	**650**	**648**	**−0.3**	**1,275**	**1,281**	**+0.5**	**2,578**
Depreciation and amortization	**655**	**669**	**+2.1**	**1,254**	**1,381**	**+10.1**	**2,712**
Number of employees at end of period[7]	**104,600**	**107,100**	**+2.4**	**104,600**	**107,100**	**+2.4**	**106,200**
Personnel expenses	1,894	1,864	−1.6	3,792	3,852	+1.6	7,571

[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 more a 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. See also page 24.
[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 41.
[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 29.
[5] Gross cash flow = income from continuing operations after taxes, 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 24ff.
[6] Net cash flow = cash flow from operating activities according to IAS 7
[7] Number of employees in full-time equivalents

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Outstanding performance by CropScience

Bayer continues its success in the 2nd quarter

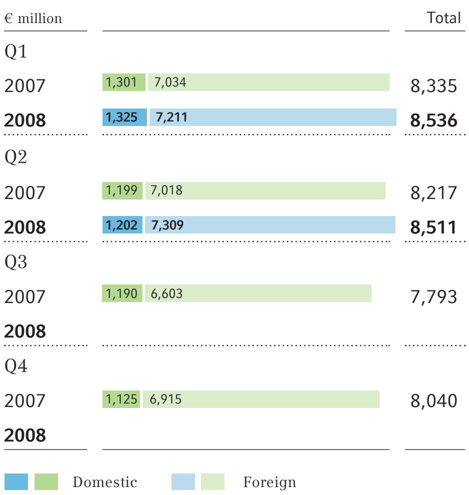
- Sales up 3.6 percent to €8.5 billion - strong volume growth
- EBITDA before special items up 5.0 percent to €1.9 billion
- EBIT before special items up 5.3 percent to €1.2 billion
- Net income €0.6 billion
- Guidance for CropScience raised again
- Positive Group forecast for 2008 confirmed

Overview of Sales, Earnings and Financial Position

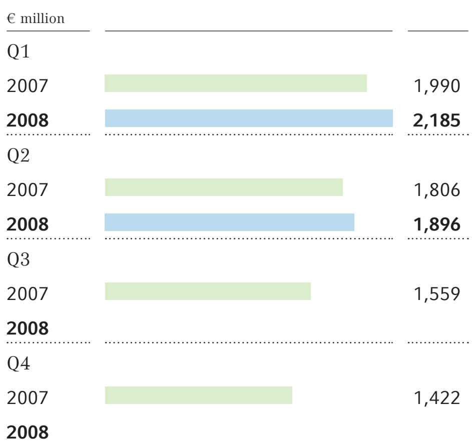
2nd quarter of 2008

With a successful **second quarter**, the Bayer Group continued the positive performance of the preceding quarters. **Sales** rose by 3.6 percent to €8,511 million (Q2 2007: €8,217 million). Adjusted for currency and portfolio effects, business expanded by 9.5 percent. This growth came mainly from higher volumes. Sales of CropScience jumped by 23.0 percent, while those of HealthCare and MaterialScience advanced by 6.6 and 5.3 percent, respectively.

Sales by Market



EBITDA Before Special Items

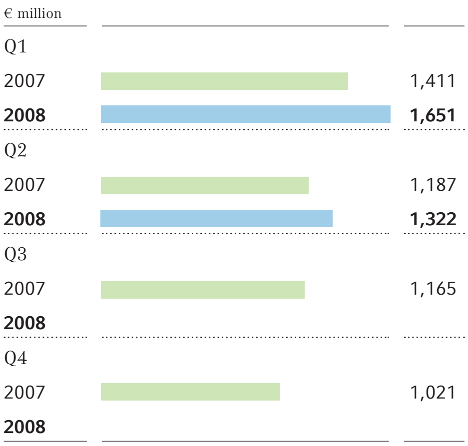


Second-quarter EBITDA before special items improved by 5.0 percent to €1,896 million (Q2 2007: €1,806 million), despite continuing unfavorable currency parities. Earnings of HealthCare increased by 2.6 percent to €994 million (Q2 2007: €969 million). CropScience improved underlying EBITDA by 26.5 percent to €501 million (Q2 2007: €396 million) thanks to the very strong sales performance. However, EBITDA before special items of MaterialScience fell by 9.0 percent to €372 million (Q2 2007: €409 million). Bayer Group EBITDA rose by 12.8 percent in the second quarter, to €1,774 million.

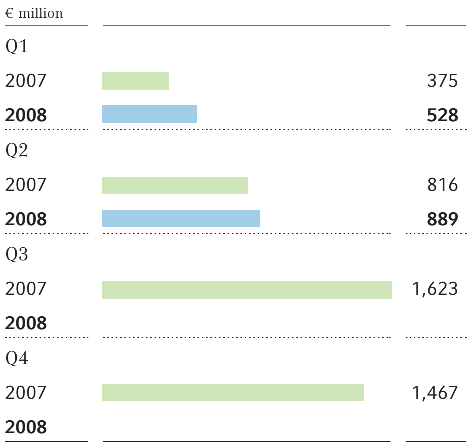
EBIT before special items grew by 5.3 percent in the second quarter of 2008 to €1,248 million (Q2 2007: €1,185 million). There were net special charges of €143 million (Q2 2007: €268 million), of which HealthCare accounted for €126 million (Q2 2007: €209 million), CropScience for €8 million (Q2 2007: €51 million) and MaterialScience for €9 million (Q2 2007: €24 million). EBIT increased by 20.5 percent to €1,105 million (Q2 2007: €917 million).

After a non-operating result of minus €262 million (Q2 2007: minus €257 million), income before income taxes for the second quarter came in at €843 million (Q2 2007: €660 million). The non-operating result included net interest expense of €187 million (Q2 2007: €205 million). After tax expense of €262 million (Q2 2007: €247 million), income from continuing operations amounted to €581 million (Q2 2007: €413 million). Net income came in at €574 million. The prior-year net income of €660 million contained income of €244 million from discontinued operations, largely comprising the proceeds of the divestiture of Wolff Walsrode. Earnings per share were €0.73 (Q2 2007: €0.83). Core earnings per share improved to €1.18 (Q2 2007: €1.03). The calculation of core earnings per share is explained on page 29.

Gross Cash Flow



Net Cash Flow



Gross cash flow moved back by 11.4 percent year on year in the second quarter of 2008, to €1,322 million (Q2 2007: €1,187). Despite a seasonal increase in cash tied up in working capital, net cash flow grew by 8.9 percent to €889 million. Net debt as of June 30, 2008 was €13.3 billion, up €1.2 billion from the end of March. The increase was attributable largely to €1.0 billion in dividend payments, a further factor being the annual payments of variable compensation to our employees and the higher interest payments that are regularly made in the second quarter. The net pension liability declined by €0.2 billion compared with March 31, 2008, to €3.9 billion. The decrease was mainly due to higher long-term rates on the capital market.

1st half of 2008

The Bayer Group also considerably improved its operating performance in the **first half of 2008**. **Sales** from continuing operations grew by 3.0 percent to €17,047 million (H1 2007: €16,552 million). The currency- and portfolio-adjusted increase was 8.2 percent. HealthCare sales rose by 7.6 percent, CropScience by 18.6 percent and MaterialScience by 2.9 percent.

EBITDA before special items grew by 7.5 percent to €4,081 million (H1 2007: €3,796 million). First-half **EBIT** before special items increased by 7.2 percent to €2,745 million (H1 2007: €2,560 million). There were net special charges of €297 million (H1 2007: €468 million), of which HealthCare accounted for €226 million, CropScience for €62 million and MaterialScience for €9 million. EBIT of the Bayer Group rose by 17.0 percent to €2,448 million (H1 2007: €2,092 million).

After a non-operating result of minus €537 million (H1 2007: minus €475 million), income before income taxes in the first half amounted to €1,911 million (H1 2007: €1,617 million). The non-operating result contained net interest expense of €376 million (H1 2007: €361 million). After tax expense of €568 million (H1 2007: €548 million), income from continuing operations came in at €1,343 million (H1 2007: €1,069 million).

The €2.4 billion after-tax income from discontinued operations in the first half of 2007 largely comprised the proceeds of the divestitures of the Diagnostics business, H.C. Starck and Wolff Walsrode.

After minority stockholders' interest, net income for the first half of 2008 totaled €1,336 million, against €3,469 million in the prior-year period. Earnings per share amounted to €1.69 (H1 2007: €4.27). Core earnings per share rose to €2.62 (H1 2007: €2.28). The calculation of core earnings per share is explained on page 29.

Gross cash flow rose by 14.4 percent year on year in the first half of 2008, to €2,973 million (H1 2007: €2,598 million), due to the strong business performance. Net cash flow advanced to €1,417 million (H1 2007: €1,191 million).

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Future Perspectives

Economic outlook

We expect global economic growth to slow in the second half of 2008 compared to the previous year. Uncertainties remain in view of the ongoing crisis on the financial markets, the weakness of the U.S. real-estate sector, increased oil and energy costs and significantly greater inflation risks. We anticipate that economic growth in the industrialized countries will slow during the second half, mainly due to a decline in consumer spending. For the emerging economies we expect continued growth, albeit at a slower pace, driven by robust domestic demand.

We predict steady overall growth in the markets relevant to our HealthCare business. The market environment for crop protection and seed products should continue to develop favorably in the second half of the year. We expect prices for agricultural commodities to remain high in light of continuing strong demand for food, energy and feed plants and low inventories worldwide, resulting in more intensive crop production and expanded acreages. We see increasing economic risks in the markets of importance for our MaterialScience business.

Bayer Group sales and earnings forecast

Our successful performance in the first half strengthens our confidence for the full year. We are now targeting over 5 percent currency- and portfolio-adjusted growth in Bayer Group sales (previously: approximately 5 percent) and plan to further improve EBITDA before special items and the underlying EBITDA margin.

We remain confident about the performance of our HealthCare business and expect all divisions to grow with or above the market after adjusting for currency changes. We aim to improve our EBITDA margin before special items toward 27 percent.

Our CropScience business performed very well in the first half of 2008. Against the background of the positive market environment, which we expect to continue, we are again raising the full-year guidance for this business. We now believe that we can increase sales by well over 10 percent on a currency- and portfolio adjusted basis (previously: more than 5 percent) and improve the EBITDA margin before special items to about 25 percent (previously: about 24 percent). This would mean that our goal of an approximately 25 percent EBITDA margin before special items, originally targeted for 2009, would be achieved a year earlier than planned.

Our MaterialScience business turned in a pleasingly robust performance in the first half of the year. However, we anticipate a slackening pace of growth in the third quarter, accompanied by further increases in raw material and energy costs. We therefore expect to report lower EBITDA before special items in the third quarter of 2008 than in the second quarter. For the year as a whole, we continue to expect that we can achieve a good, value-creating earnings level, though without matching the 2007 figure.

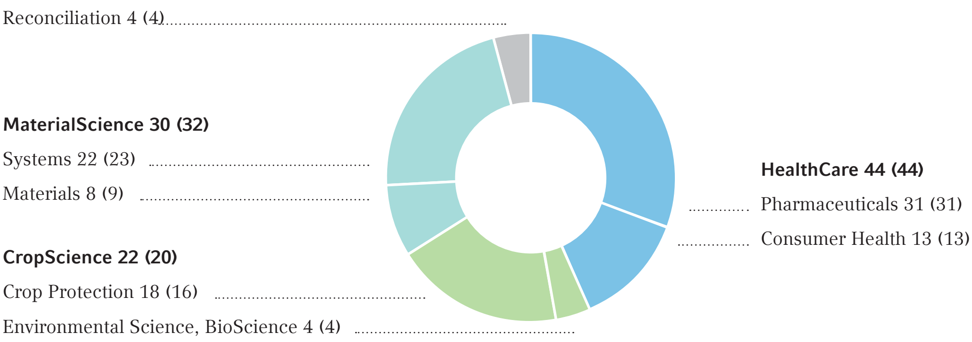
For the Bayer Group we continue to predict special charges in the region of €650 million for the full year, of which €400–450 million will be cash items.

Performance by Subgroup and Segment

Corporate structure

Our business activities are grouped into the HealthCare, CropScience and MaterialScience subgroups. There was no change to the corporate structure of the Bayer Group in the second quarter of 2008. 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).

Sales by Segment in Percent, 1st Half 2008 (1st Half 2007 in parentheses)



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Key Data by Subgroup and Segment

€ million	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
HealthCare	**3,717**	**3,734**	**640**	**639**	**969**	**994**	**26.1 %**	**26.6 %**
Pharmaceuticals	2,583	2,584	416	425	711	744	27.5 %	28.8 %
Consumer Health	1,134	1,150	224	214	258	250	22.8 %	21.7 %
CropScience	**1,562**	**1,804**	**262**	**375**	**396**	**501**	**25.4 %**	**27.8 %**
Crop Protection	1,262	1,526	196	329	310	435	24.6 %	28.5 %
Environmental Science, BioScience	300	278	66	46	86	66	28.7 %	23.7 %
MaterialScience	**2,623**	**2,622**	**290**	**253**	**409**	**372**	**15.6 %**	**14.2 %**
Systems	1,866	1,935	261	258	338	337	18.1 %	17.4 %
Materials	757	687	29	(5)	71	35	9.4 %	5.1 %
Reconciliation	**315**	**351**	**(7)**	**(19)**	**32**	**29**	**10.2 %**	**8.3 %**
Continuing operations	**8,217**	**8,511**	**1,185**	**1,248**	**1,806**	**1,896**	**22.0 %**	**22.3 %**

* for definition see Bayer Group Key Data on page 2, also page 24

€ million	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
HealthCare	**7,327**	**7,465**	**1,264**	**1,302**	**1,917**	**2,044**	**26.2 %**	**27.4 %**
Pharmaceuticals	5,078	5,198	836	866	1,422	1,538	28.0 %	29.6 %
Consumer Health	2,249	2,267	428	436	495	506	22.0 %	22.3 %
CropScience	**3,348**	**3,782**	**709**	**953**	**980**	**1,214**	**29.3 %**	**32.1 %**
Crop Protection	2,696	3,148	539	822	771	1,042	28.6 %	33.1 %
Environmental Science, BioScience	652	634	170	131	209	172	32.1 %	27.1 %
MaterialScience	**5,231**	**5,134**	**581**	**534**	**818**	**779**	**15.6 %**	**15.2 %**
Systems	3,735	3,774	514	539	667	705	17.9 %	18.7 %
Materials	1,496	1,360	67	(5)	151	74	10.1 %	5.4 %
Reconciliation	**646**	**666**	**6**	**(44)**	**81**	**44**	**12.5 %**	**6.6 %**
Continuing operations	**16,552**	**17,047**	**2,560**	**2,745**	**3,796**	**4,081**	**22.9 %**	**23.9 %**

* for definition see Bayer Group Key Data on page 2, also page 24

Bayer HealthCare

Sales of the Bayer HealthCare subgroup in the **second quarter of 2008** came in at €3,734 million (+0.5 percent). On a currency- and portfolio-adjusted basis, sales rose by 6.6 percent, thanks to the positive performance of both segments' businesses.

Bayer HealthCare increased second-quarter **EBITDA** before special items by 2.6 percent to €994 million (Q2 2007: €969 million). The gratifying performance of the business and the synergies from the integration of Schering AG, Germany, more than offset adverse shifts in currency parities and a substantial increase in marketing expenses related to the expansion of our activities in emerging countries and new product introductions. **EBIT** before special items, at €639 million, was level with the prior-year period. The special items totaling minus €126 million resulted from charges in connection with the acquisition and integration of Schering, the suspension of marketing for Trasylol® and litigations. EBIT advanced by a significant 19.0 percent to €513 million.

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, U.S., are unaffiliated companies that have been totally independent of each other for many years.

Pharmaceuticals

Sales in our Pharmaceuticals segment in the **second quarter of 2008**, at €2,584 million, matched those of the prior-year period. Adjusted for currency and portfolio effects, business expanded by 5.8 percent.

Sales of the Primary Care business unit receded by 3.9 percent in the second quarter, to €736 million (Q2 2007: €766 million). On a currency-adjusted (Fx adj.) basis, however, business expanded by 1.2 percent. Particularly strong sales gains were registered by Aspirin Cardio® (Fx adj. +22.2 percent) and Levitra® (Fx adj. +11.9 percent). Sales of Cipro®/Ciprobay® continued to decline due to generic competition (Fx adj. –13.8 percent).

The positive trend in the Women's Healthcare business unit – particularly in the United States – continued in the second quarter of 2008, with sales up 10.9 percent to €723 million (Q2 2007: €652 million). Adjusted for shifts in exchange rates, business expanded by 18.5 percent. The strongest growth was recorded by the intra-uterine system Mirena®, sales of which climbed by 47.2 percent (Fx adj.). Business with the oral contraceptives of the Yasmin®/YAZ®/Yasminelle® product group once again climbed significantly year on year (Fx adj. +32.1 percent). The Mutual Recognition Procedure to gain marketing approval for YAZ® for the oral contraception indication in the European Union was successfully concluded in April 2008. YAZ® is to be launched on several major European markets in the fall of this year. In June 2008, Bayer and Barr Laboratories Inc. signed a supply and license agreement for Yasmin® and YAZ® for the United States. As of the end of June 2008, Bayer is supplying U.S. generics manufacturer Barr with a generic version of its oral contraceptive Yasmin®, which Barr will market solely in the United States. Irrespective of this, Bayer continues to pursue its appeal of a decision issued by a U.S. court in March 2008 invalidating the U.S. patent '531 for Yasmin®.

Bayer HealthCare	2nd Quarter 2007	**2nd Quarter 2008**	Change	1st Half 2007	**1st Half 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**3,717**	**3,734**	**+0.5**	**7,327**	**7,465**	**+1.9**
Pharmaceuticals	2,583	2,584	0.0	5,078	5,198	+2.4
Consumer Health	1,134	1,150	+1.4	2,249	2,267	+0.8
Sales by Region						
Europe	1,566	1,538	−1.8	3,061	3,164	+3.4
North America	1,093	1,085	−0.7	2,238	2,130	−4.8
Asia/Pacific	523	545	+4.2	989	1,071	+8.3
Latin America/Africa/Middle East	535	566	+5.8	1,039	1,100	+5.9
EBITDA[1]	**788**	**887**	**+12.6**	**1,571**	**1,857**	**+18.2**
Special items	*(181)*	*(107)*		*(346)*	*(187)*	
EBITDA before special items[2]	*969*	*994*	*+2.6*	*1,917*	*2,044*	*+6.6*
EBITDA margin before special items	26.1 %	26.6 %		26.2 %	27.4 %	
EBIT[1]	**431**	**513**	**+19.0**	**916**	**1,076**	**+17.5**
Special items	*(209)*	*(126)*		*(348)*	*(226)*	
EBIT before special items[2]	*640*	*639*	*−0.2*	*1,264*	*1,302*	*+3.0*
Gross cash flow[1]	**545**	**606**	**+11.2**	**1,102**	**1,343**	**+21.9**
Net cash flow[1]	**284**	**154**	**−45.8**	**667**	**731**	**+9.6**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Pharmaceuticals	2nd Quarter 2007	**2nd Quarter 2008**	Change	1st Half 2007	**1st Half 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,583**	**2,584**	**0.0**	**5,078**	**5,198**	**+2.4**
Primary Care	766	736	−3.9	1,539	1,512	−1.8
Women's Healthcare	652	723	+10.9	1,279	1,419	+10.9
Diagnostic Imaging (including Medrad)	330	321	−2.7	637	619	−2.8
Specialized Therapeutics	310	329	+6.1	613	656	+7.0
Hematology/Cardiology	271	188	−30.6	539	443	−17.8
Oncology	188	222	+18.1	347	424	+22.2
Dermatology (Intendis)	66	65	−1.5	124	125	+0.8
Sales by Region						
Europe	1,114	1,061	−4.8	2,153	2,201	+2.2
North America	696	705	+1.3	1,450	1,412	−2.6
Asia/Pacific	438	449	+2.5	817	878	+7.5
Latin America/Africa/Middle East	335	369	+10.1	658	707	+7.4
EBITDA[1]	**530**	**672**	**+26.8**	**1,076**	**1,386**	**+28.8**
Special items	*(181)*	*(72)*		*(346)*	*(152)*	
EBITDA before special items[2]	*711*	*744*	*+4.6*	*1,422*	*1,538*	*+8.2*
EBITDA margin before special items	27.5%	28.8%		28.0%	29.6%	
EBIT[1]	**207**	**334**	**+61.4**	**488**	**675**	**+38.3**
Special items	*(209)*	*(91)*		*(348)*	*(191)*	
EBIT before special items[2]	*416*	*425*	*+2.2*	*836*	*866*	*+3.6*
Gross cash flow[1]	**381**	**447**	**+17.3**	**771**	**991**	**+28.5**
Net cash flow[1]	**202**	**78**	**−61.4**	**481**	**493**	**+2.5**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Sales of the Diagnostic Imaging business unit fell by 2.7 percent in the second quarter of 2008, to €321 million (Q2 2007: €330 million). Adjusted for currency and portfolio changes, business remained at the previous year's level. Sales of Ultravist® rose by 8.9 percent after adjusting for shifts in exchange rates. On the other hand, business with our contrast agent Magnevist® shrank by a currency-adjusted 13.1 percent. This resulted primarily from the shift toward our other contrast agent Gadovist®. Sales of Iopamiron® fell by 15.5 percent (Fx adj.), due mainly to price declines in Japan. Sales of our subsidiary Medrad increased by 14.8 percent on a currency- and portfolio-adjusted basis. In April 2008 we completed the acquisition of U.S.-based Possis Medical, Inc., a supplier of thrombectomy systems to treat constricted or blocked arteries and veins.

The Specialized Therapeutics business unit saw sales expand by 6.1 percent to €329 million (Q2 2007: €310 million). Adjusted for changes in currency parities, business expanded by 12.5 percent. Sales of Betaferon®/Betaseron® moved forward by a currency-adjusted 13.6 percent. The findings of a Phase IIb clinical study investigating the efficacy of Spheramine® in Parkinson's patients did not meet the primary or secondary endpoints following the 12-month observation period. As a result, a €20 million write-down was made in respect of intangible assets capitalized for this research project upon the acquisition of Schering, Germany.

In the Hematology/Cardiology business unit, sales declined by 30.6 percent to €188 million (Q2 2007: €271 million). On a currency- and portfolio-adjusted basis, sales dropped by 24.6 percent. The reason for this was the worldwide suspension of marketing in November 2007 for Trasylol®, the product to control loss of blood during coronary bypass operations. Furthermore, business with Kogenate® receded by a currency-adjusted 6.7 percent, mainly due to our marketing partner's order pattern. In July 2008, Bayer HealthCare acquired the hematology portfolio of the U.S. company Maxygen Inc. for US$ 90 million plus milestone payments of up to US$ 30 million, thus enhancing its future perspectives in the hemophilia market. Included in the scope of the transaction is the innovative recombinant Factor VIIa protein MAXY-VII, for which a Phase I development program is expected to begin in the third quarter of 2008.

Best-Selling Pharmaceutical Products	2nd Quarter 2007	**2nd Quarter 2008**	Change	Currency-adjusted change	1st Half 2007	**1st Half 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Yasmin®/YAZ®/Yasminelle® (Women's Healthcare)	250	305	+22.0	+32.1	490	602	+22.9	+32.7
Betaferon®/Betaseron® (Specialized Therapeutics)	256	274	+7.0	+13.6	500	548	+9.6	+15.9
Kogenate® (Hematology/Cardiology)	210	182	−13.3	−6.7	411	415	+1.0	+7.1
Adalat® (Primary Care)	162	158	−2.5	+2.8	307	308	+0.3	+4.3
Avalox®/Avelox® (Primary Care)	90	90	0.0	+7.8	218	233	+6.9	+13.9
Mirena® (Women's Healthcare)	88	118	+34.1	+47.2	169	230	+36.1	+48.9
Nexavar® (Oncology)	60	108	+80.0	+90.4	107	209	+95.3	+107.7
Levitra® (Primary Care)	81	84	+3.7	+11.9	165	166	+0.6	+7.9
Cipro®/Ciprobay® (Primary Care)	93	77	−17.2	−13.8	201	158	−21.4	−18.0
Glucobay® (Primary Care)	79	74	-6.3	−2.1	151	154	+2.0	+5.9
Ultravist® (Diagnostic Imaging)	64	65	+1.6	+8.9	119	133	+11.8	+18.0
Aspirin Cardio® (Primary Care)	57	67	+17.5	+22.2	111	131	+18.0	+22.3
Magnevist® (Diagnostic Imaging)	74	59	−20.3	−13.1	154	119	−22.7	−16.8
Iopamiron® (Diagnostic Imaging)	57	48	−15.8	−15.5	104	91	−12.5	−12.0
Diane® (Women's Healthcare)	43	41	−4.7	−2.0	88	82	−6.8	−4.8
Total	**1,664**	**1,750**	**+5.2**	**+12.2**	**3,295**	**3,579**	**+8.6**	**+15.1**
Proportion of Pharmaceuticals sales	64 %	68 %			65 %	69 %		

The Oncology business unit saw sales expand by 18.1 percent to €222 million (Q2 2007: €188 million). On a currency-adjusted basis the increase came to 25.0 percent. This gratifying expansion was driven by our cancer drug Nexavar®, which posted a 90.4 percent increase in sales after adjusting for shifts in exchange rates. During 2007 and the first half of 2008, we received marketing authorization for Nexavar® in various countries, most recently China, to treat renal cell carcinoma and/or hepatocellular carcinoma.

Our dermatology business (Intendis) posted sales of €65 million (-1.5 percent). On a currency-adjusted basis, sales rose by 2.4 percent.

EBITDA before special items in the Pharmaceuticals segment improved by 4.6 percent in the second quarter of 2008 to €744 million (Q2 2007: €711 million). Contributing to the increase were the growth in business and, in particular, the synergies already realized from the integration of Schering AG, Germany. Earnings were hampered by negative currency effects and by higher marketing costs, mainly in connection with product introductions and the expansion of our activities in emerging markets such as China, Russia and Brazil. **EBIT** before special items came in at €425 million, up 2.2 percent from the prior-year period. The net special charges of €91 million comprised €54 million in expenses concerning the suspension of marketing for Trasylol® and a €37 million net charge related to the acquisition and integration of Schering AG, Germany, after income of €69 million from the sale of buildings. EBIT climbed by 61.4 percent to €334 million (Q2 2007: €207 million).

Sales of the Pharmaceuticals segment in the **first half of 2008** climbed by 2.4 percent to €5,198 million (H1 2007: €5,078 million). Adjusted for currency and portfolio changes, business was up by 7.9 percent. This was attributable especially to the pleasing growth recorded for Yasmin®/YAZ®/Yasminelle® (Fx adj. +32.7 percent), Mirena® (Fx adj. +48.9 percent) and Nexavar® (Fx adj. +107.7 percent). However, we experienced the anticipated negative effects from Trasylol® and Cipro®/Ciprobay® (Fx adj. -18.0 percent). In the Pharmaceuticals segment, first-half EBITDA before special items improved by 8.2 percent to €1,538 million (H1 2007: €1,422 million). EBIT before special items rose by 3.6 percent to €866 million (H1 2007: €836 million). The net special charges of €191 million resulted from the suspension of marketing for Trasylol® and a net charge related to the acquisition and integration of Schering AG, Germany. EBIT advanced by 38.3 percent to €675 million (H1 2007: €488 million).

Consumer Health

Sales in the Consumer Health segment amounted to €1,150 million in the **second quarter of 2008** (Q2 2007: €1,134 million). Adjusted for currency and portfolio effects, business expanded by 8.3 percent. All divisions contributed to this increase.

In the Consumer Care Division, sales rose by 2.7 percent to €641 million (Q2 2007: €624 million). Adjusted for currency and portfolio effects, business was up by 8.6 percent. Particularly good growth was achieved by Canesten® (Fx adj. +23.4 percent), Aleve®/naproxen (Fx adj. +19.4 percent) and the products from the Bepanthen®/Bepanthol® line (Fx adj. +13.9 percent). In June 2008 we completed the acquisition of the eastern European over-the-counter (OTC) medicines business of Sagmel, Inc. In July 2008, after receiving the necessary regulatory approvals, we acquired the over-the-counter cough and cold portfolio of Chinese-based Topsun Science and Technology Qidong Gaitianli Pharmaceutical Co., Ltd. These acquisitions strengthen Bayer HealthCare's presence in eastern Europe and China, which are among the world's fastest growing OTC markets.

Our Diabetes Care Division posted second-quarter sales of €249 million (+2.0 percent). Adjusted for shifts in exchange rates, business expanded by 10.0 percent. This performance was attributable largely to the successful marketing of our Contour® blood glucose monitoring systems (Fx adj. +22.3 percent), which are replacing the older Elite® systems (Fx adj. -25.4 percent).

Sales of the Animal Health Division slipped by 2.3 percent to €260 million (Q2 2007: €266 million). On a currency-adjusted basis, business expanded by 6.0 percent. Growth rates were particularly high in the Asia-Pacific region. Business with the Advantage® product line rose by a currency-adjusted 6.2 percent.

EBITDA before special items of the Consumer Health segment in the second quarter came to €250 million (Q2 2007: €258 million). Negative currency effects and integration costs for the OTC business acquired from Sagmel were nearly offset by the growth in business. EBIT before special items fell by 4.5 percent to €214 million. Special charges of €35 million were recorded in connection with litigations. **EBIT** dropped by €45 million to €179 million (Q2 2007: €224 million).

In the **first half of 2008**, sales of the Consumer Health segment increased by €18 million to €2,267 million. The currency-adjusted increase came to 6.9 percent. EBITDA before special items improved by 2.2 percent to €506 million (H1 2007: €495 million). EBIT before special items grew by €8 million to €436 million (H1 2007: €428 million). After special items, EBIT came in at €401 million (H1 2007: €428 million).

Consumer Health	2nd Quarter 2007	**2nd Quarter 2008**	Change	1st Half 2007	**1st Half 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,134**	**1,150**	**+1.4**	**2,249**	**2,267**	**+0.8**
Consumer Care	624	641	+2.7	1,283	1,296	+1.0
Diabetes Care	244	249	+2.0	470	476	+1.3
Animal Health	266	260	−2.3	496	495	−0.2
Sales by Region						
Europe	452	477	+5.5	908	963	+6.1
North America	397	380	−4.3	788	718	−8.9
Asia/Pacific	85	96	+12.9	172	193	+12.2
Latin America/Africa/Middle East	200	197	−1.5	381	393	+3.1
EBITDA[1]	**258**	**215**	**−16.7**	**495**	**471**	**−4.8**
Special items	*0*	*(35)*		*0*	*(35)*	
EBITDA before special items[2]	*258*	*250*	*−3.1*	*495*	*506*	*+2.2*
EBITDA margin before special items	22.8 %	21.7 %		22.0 %	22.3 %	
EBIT[1]	**224**	**179**	**−20.1**	**428**	**401**	**−6.3**
Special items	*0*	*(35)*		*0*	*(35)*	
EBIT before special items[2]	*224*	*214*	*−4.5*	*428*	*436*	*+1.9*
Gross cash flow[1]	**164**	**159**	**−3.0**	**331**	**352**	**+6.3**
Net cash flow[1]	**82**	**76**	**−7.3**	**186**	**238**	**+28.0**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Best-Selling Consumer Health Products	2nd Quarter 2007	**2nd Quarter 2008**	Change	Currency-adjusted change	1st Half 2007	**1st Half 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Contour®[1] (Diabetes Care)	129	145	+12.4	+22.3	235	273	+16.2	+24.8
Aspirin®[2] (Consumer Care)	107	105	−1.9	+4.6	220	219	−0.5	+5.9
Advantage® product line (Animal Health)	105	100	−4.8	+6.2	180	177	−1.7	+7.9
Aleve®/naproxen (Consumer Care)	55	57	+3.6	+19.4	124	105	−15.3	−3.5
Canesten® (Consumer Care)	47	54	+14.9	+23.4	90	101	+12.2	+19.4
Bepanthen®/Bepanthol® (Consumer Care)	40	45	+12.5	+13.9	76	91	+19.7	+20.5
Baytril® (Animal Health)	33	31	−6.1	−0.4	73	69	−5.5	+0.9
Supradyn® (Consumer Care)	32	33	+3.1	+4.1	65	68	+4.6	+7.4
Breeze®[1] (Diabetes Care)	38	34	−10.5	−0.7	81	68	−16.0	−9.4
Elite®[1] (Diabetes Care)	44	31	−29.5	−25.4	88	63	−28.4	−25.8
Total	**630**	**635**	**+0.8**	**+9.1**	**1,232**	**1,234**	**+0.2**	**+7.2**
Proportion of Consumer Health sales	56 %	55 %			55 %	54 %		

[1] previously included with the Ascensia® product family
[2] total Aspirin® second-quarter sales = €172 million (Q2 2007: €164 million), first-half sales = €350 million (H1 2007: €331 million) including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

Bayer CropScience

The Bayer CropScience subgroup once again considerably expanded its business in the **second quarter of 2008**. **Sales** climbed by a gratifying 15.5 percent to €1,804 million (Q2 2007: €1,562 million), with the currency- and portfolio-adjusted increase amounting to 23.0 percent. Our business benefited from the positive development of global agricultural markets and largely favorable weather patterns in the most important European and Latin American markets.

EBITDA before special items grew by 26.5 percent to €501 million (Q2 2007: €396 million). This outstanding earnings improvement was due especially to volume and selling price increases in our crop protection business. Earnings were diminished by negative currency effects, higher research and development expenditures at BioScience and a drop in sales at Environmental Science. **EBIT** before special items climbed by 43.1 percent to €375 million (Q2 2007: €262 million). Special charges of €8 million were recorded for our cost structure program. EBIT jumped by 73.9 percent to €367 million.

Crop Protection

Sales of the Crop Protection segment expanded by 20.9 percent in the **second quarter of 2008**, to €1,526 million (Q2 2007: €1,262 million). Adjusted for currency effects, sales advanced by 29.1 percent. Sales of all business units rose in a positive market environment, with our fungicides portfolio developing especially well. Above-average growth was achieved especially by our young products based on active ingredients introduced in core markets since 2000. Sales of these products advanced by 50 percent year on year, to more than €500 million.

In the **Europe** region, sales moved ahead by 22.8 percent to €695 million (Q2 2007: €566 million), or by 25.0 percent on a currency-adjusted basis. Thanks to the higher acreages in the European Union - particularly for cereals – and favorable weather patterns, we increased sales of the cereal herbicides Puma® and Hussar® and, in particular, the cereal fungicides Proline®, Input® and Fandango®. Our fungicides for grapes and potatoes also contributed to sales growth.

Our crop protection business in **North America** expanded considerably by 13.8 percent to €363 million, against €319 million in the previous year. Adjusted for currency effects, the increase came to 26.0 percent. Demand increased, particularly for our fungicides, such as Flint®, Proline® and Folicur®, and for our insecticidal seed treatment products. In our herbicides portfolio, the new products Huskie® and Infinity™, introduced in the first quarter of this year, performed very well. Despite pressure on prices from generic products, the insecticides business held steady at the prior-year level.

Sales in the **Asia-Pacific** region rose by 9.8 percent to €202 million (Q2 2007: €184 million). The currency-adjusted increase was 20.6 percent. The main factor contributing to this growth was the higher sales of insecticides and fungicides in India and Southeast Asia. More favorable weather patterns in parts of Australia led to a recovery in our business, particularly with herbicides.

Sales in **Latin America/Africa/Middle East** rose by 37.8 percent to €266 million (Q2 2007: €193 million). Adjusted for currency effects, the increase was 53.8 percent. While sales in Africa and the Middle East were largely in line with the second quarter of 2007, business in Latin America registered a very pleasing increase, as in the first quarter. In Brazil, particularly, we successfully expanded sales across our entire portfolio in a positive market environment. Fungicides posted especially strong growth.

Bayer CropScience	2nd Quarter 2007	**2nd Quarter 2008**	Change	1st Half 2007	**1st Half 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,562**	**1,804**	**+15.5**	**3,348**	**3,782**	**+13.0**
Crop Protection	1,262	1,526	+20.9	2,696	3,148	+16.8
Environmental Science, BioScience	300	278	−7.3	652	634	−2.8
Sales by Region						
Europe	675	798	+18.2	1,537	1,820	+18.4
North America	431	453	+5.1	878	909	+3.5
Asia/Pacific	237	260	+9.7	456	471	+3.3
Latin America/Africa/Middle East	219	293	+33.8	477	582	+22.0
EBITDA[1]	**348**	**493**	**+41.7**	**896**	**1,156**	**+29.0**
Special items	*(48)*	*(8)*		*(84)*	*(58)*	
EBITDA before special items[2]	*396*	*501*	*+26.5*	*980*	*1,214*	*+23.9*
EBITDA margin before special items	25.4 %	27.8 %		29.3 %	32.1 %	
EBIT[1]	**211**	**367**	**+73.9**	**619**	**891**	**+43.9**
Special items	*(51)*	*(8)*		*(90)*	*(62)*	
EBIT before special items[2]	*262*	*375*	*+43.1*	*709*	*953*	*+34.4*
Gross cash flow[1]	**259**	**377**	**+45.6**	**628**	**866**	**+37.9**
Net cash flow[1]	**494**	**731**	**+48.0**	**256**	**419**	**+63.7**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Best-Selling Bayer CropScience Products*	2nd Quarter 2007	**2nd Quarter 2008**	Change	Currency-adjusted change	1st Half 2007	**1st Half 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	132	133	+0.8	+12.7	295	290	−1.7	+7.0
Proline® (Fungicides)	75	125	+66.7	+80.3	147	206	+40.1	+47.5
Flint®/Stratego®/Sphere® (Fungicides)	53	91	+71.7	+89.9	113	182	+61.1	+75.6
Basta®/Liberty® (Herbicides)	89	90	+1.1	+8.9	161	171	+6.2	+11.6
Folicur®/Raxil® (Fungicides/Seed Treatment)	61	83	+36.1	+44.6	138	158	+14.5	+19.6
Puma® (Herbicides)	69	84	+21.7	+30.1	138	150	+8.7	+14.3
Atlantis® (Herbicides)	15	12	−20.0	−11.5	91	136	+49.5	+55.3
Poncho® (Seed Treatment)	31	35	+12.9	+27.1	90	107	+18.9	+31.0
Decis®/K-Othrine® (Insecticides/Environmental Science)	52	53	+1.9	+9.3	97	99	+2.1	+8.4
Fandango® (Fungicides)	15	50	•	•	42	95	+126.2	+131.4
Total	**592**	**756**	**+27.7**	**+38.5**	**1,312**	**1,594**	**+21.5**	**+29.2**
Proportion of Bayer CropScience sales	38 %	42 %			39 %	42 %		

* Figures are based on active ingredient class. For the sake of clarity, only the principal brands and business units are listed.

EBITDA before special items in the Crop Protection segment advanced by 40.3 percent to €435 million (Q2 2007: €310 million). This strong earnings growth was mainly the result of considerably higher volumes and selling price increases. Earnings were held back by negative currency effects. **EBIT** before special items climbed by 67.9 percent to €329 million (Q2 2007: €196 million). Special charges of €8 million were taken in connection with the cost structure program we initiated in 2006. EBIT came in at €321 million (Q2 2007: €180 million).

Sales of the Crop Protection segment in the **first half** grew by 16.8 percent to €3,148 million (H1 2007: €2,696 million). The currency-adjusted increase was 23.1 percent. EBITDA before special items rose by 35.1 percent to €1,042 million. EBIT before special items improved by 52.5 percent to €822 million (H1 2007: €539 million). Our cost structure program resulted in special charges of €55 million. EBIT came in at €767 million, up 58.5 percent year on year (H1 2007: €484 million).

Environmental Science, BioScience

In the Environmental Science, Bioscience segment, **sales** fell by 7.3 percent in the **second quarter of 2008** to €278 million (Q2 2007: €300 million). On a currency- and portfolio-adjusted basis, sales decreased by 2.6 percent.

Sales of Environmental Science receded by 17.5 percent in the second quarter to €165 million (Q2 2007: €200 million). The currency-adjusted decrease came to 10.9 percent. In North America, this was mainly attributable to a further drop in sales of products for professional users in the green industry, while in Europe, sales were down particularly in the area of home and garden products for consumers. We also registered lower sales of specialty active ingredients to downstream customers.

Sales of BioScience grew by 13.0 percent in the second quarter, to €113 million. Adjusted for currency and portfolio effects – the latter resulting from acquisitions in the cotton and vegetable seed businesses – sales expanded by 13.9 percent. This increase was mainly attributable to the good performance of our cotton seed business in North America, Mexico and India, and the successful expansion of our hybrid rice business under the Arize® brand in Asia.

EBITDA before special items in the Environmental Science, BioScience segment came in at €66 million, down 23.3 percent from €86 million in the same period of 2007. Earnings were held back by lower sales of Environmental Science and adverse shifts in exchange rates. In addition, we increased research and development spending at BioScience to strengthen our future competitiveness. **EBIT** before special items fell by 30.3 percent to €46 million. While the prior-period figure contained special charges for litigations, there were no special items in the second quarter of 2008. EBIT climbed by 48.4 percent to €46 million (Q2 2007: €31 million).

Sales in the Environmental Science, BioScience segment in the **first half** decreased by 2.8 percent to €634 million (H1 2007: €652 million). Adjusted for currency and portfolio effects, sales were level with the prior-year period. EBITDA before special items dropped by 17.7 percent to €172 million. EBIT before special items amounted to €131 million (H1 2007: €170 million). After special charges of €7 million, first-half EBIT came in at €124 million (H1 2007: €135 million).

Crop Protection	2nd Quarter 2007	2nd Quarter 2008	Change	1st Half 2007	1st Half 2008	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,262**	**1,526**	**+20.9**	**2,696**	**3,148**	**+16.8**
Herbicides	479	521	+8.8	1,047	1,185	+13.2
Fungicides	385	576	+49.6	769	1,024	+33.2
Insecticides	313	321	+2.6	624	643	+3.0
Seed Treatment	85	108	+27.1	256	296	+15.6
Sales by Region						
Europe	566	695	+22.8	1,289	1,575	+22.2
North America	319	363	+13.8	611	659	+7.9
Asia/Pacific	184	202	+9.8	373	387	+3.8
Latin America/Africa/Middle East	193	266	+37.8	423	527	+24.6
EBITDA[1]	**297**	**427**	**+43.8**	**722**	**991**	**+37.3**
Special items	*(13)*	*(8)*		*(49)*	*(51)*	
EBITDA before special items[2]	*310*	*435*	*+40.3*	*771*	*1,042*	*+35.1*
EBITDA margin before special items	24.6 %	28.5 %		28.6 %	33.1 %	
EBIT[1]	**180**	**321**	**+78.3**	**484**	**767**	**+58.5**
Special items	*(16)*	*(8)*		*(55)*	*(55)*	
EBIT before special items[2]	*196*	*329*	*+67.9*	*539*	*822*	*+52.5*
Gross cash flow[1]	**219**	**325**	**+48.4**	**501**	**741**	**+47.9**
Net cash flow[1]	**313**	**630**	**+101.3**	**200**	**364**	**+82.0**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Environmental Science, BioScience	2nd Quarter 2007	2nd Quarter 2008	Change	1st Half 2007	1st Half 2008	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**300**	**278**	**−7.3**	**652**	**634**	**−2.8**
Environmental Science	200	165	−17.5	388	330	−14.9
BioScience	100	113	+13.0	264	304	+15.2
Sales by Region						
Europe	109	103	−5.5	248	245	−1.2
North America	112	90	−19.6	267	250	−6.4
Asia/Pacific	53	58	+9.4	83	84	+1.2
Latin America/Africa/Middle East	26	27	+3.8	54	55	+1.9
EBITDA[1]	**51**	**66**	**+29.4**	**174**	**165**	**−5.2**
Special items	*(35)*	*0*		*(35)*	*(7)*	
EBITDA before special items[2]	*86*	*66*	*−23.3*	*209*	*172*	*−17.7*
EBITDA margin before special items	28.7 %	23.7 %		32.1 %	27.1 %	
EBIT[1]	**31**	**46**	**+48.4**	**135**	**124**	**−8.1**
Special items	*(35)*	*0*		*(35)*	*(7)*	
EBIT before special items[2]	*66*	*46*	*−30.3*	*170*	*131*	*−22.9*
Gross cash flow[1]	**40**	**52**	**+30.0**	**127**	**125**	**−1.6**
Net cash flow[1]	**181**	**101**	**−44.2**	**56**	**55**	**−1.8**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Bayer MaterialScience

Sales of MaterialScience in the **second quarter of 2008** came in at €2,622 million, which was level with the prior-year figure. When adjusted for portfolio and currency effects, sales improved by 5.3 percent, thanks to price and volume increases.

Despite the growth in business, **EBITDA** before special items decreased by 9.0 percent in the second quarter, to €372 million. The Systems segment matched its prior-year earnings, while our Materials segment saw earnings decline significantly as difficult market conditions continued. Earnings as a whole were greatly hampered by raw material and energy price increases exceeding €100 million year on year, and by negative currency effects. These were not fully offset by price and volume increases and savings from the cost structure programs. **EBIT** before special items fell by 12.8 percent to €253 million. Special charges of €9 million were taken in connection with the restructuring program launched in 2007. The prior-year figure contained special charges of €24 million. EBIT fell by 8.3 percent to €244 million.

Systems

Sales in the Systems segment grew by 3.7 percent to €1,935 million (Q2 2007: €1,866 million). Adjusted for currency and portfolio changes, sales rose by 8.1 percent, thanks to higher volumes and selling prices. On a currency-adjusted basis, sales expanded in all regions. In Europe, sales edged up despite the declines for polymer raw materials, such as styrene. In North America, sales rose by a currency-adjusted 6.2 percent, with higher selling prices for certain products compensating for the overall volume decline due to the economic situation. We experienced good growth in the Asia-Pacific and Latin America/Africa/Middle East regions, primarily on account of higher volumes.

All units of the Systems segment succeeded in improving sales from the prior-year period. The Polyurethanes business unit saw sales rise by 2.9 percent to €1,351 million. On a currency- and portfolio-adjusted basis, business expanded by 8.7 percent. Sales of toluene diisocyanate (TDI), in particular, developed well in all regions.

Sales of our Coatings, Adhesives, Specialties business unit grew by 5.4 percent to €432 million. Adjusted for currency and portfolio changes, the increase was 5.2 percent. Sales growth took place primarily in the Asia-Pacific market.

Inorganic Basic Chemicals raised sales by 8.7 percent to €113 million. On a currency-adjusted basis, the increase was 12.6 percent. Growth in this business unit was due largely to higher selling prices for sodium hydroxide solution in the United States.

EBITDA before special items in the Systems segment held steady from the prior-year period, at €337 million (Q2 2007: €338 million). Here we succeeded in offsetting negative currency effects and price increases for raw materials and energies, which were substantial in some cases, through higher selling prices and volumes. **EBIT** before special items dipped by 1.1 percent to €258 million. Special charges in the second quarter came to €6 million. The figure for the prior-year period contained special charges of €24 million for the closure of our MDI plant in New Martinsville, West Virginia, United States. EBIT improved by 6.3 percent to €252 million.

Bayer MaterialScience	2nd Quarter 2007	2nd Quarter 2008	Change	1st Half 2007	1st Half 2008	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,623**	**2,622**	**0.0**	**5,231**	**5,134**	**−1.9**
Systems	1,866	1,935	+3.7	3,735	3,774	+1.0
Materials	757	687	−9.2	1,496	1,360	−9.1
Sales by Region						
Europe	1,169	1,169	0.0	2,354	2,304	−2.1
North America	613	548	−10.6	1,244	1,069	−14.1
Asia/Pacific	537	577	+7.4	1,043	1,106	+6.0
Latin America/Africa/Middle East	304	328	+7.9	590	655	+11.0
EBITDA[1]	**389**	**365**	**−6.2**	**798**	**772**	**−3.3**
Special items	*(20)*	*(7)*		*(20)*	*(7)*	
EBITDA before special items[2]	*409*	*372*	*−9.0*	*818*	*779*	*−4.8*
EBITDA margin before special items	15.6 %	14.2 %		15.6 %	15.2 %	
EBIT[1]	**266**	**244**	**−8.3**	**551**	**525**	**−4.7**
Special items	*(24)*	*(9)*		*(30)*	*(9)*	
EBIT before special items[2]	*290*	*253*	*−12.8*	*581*	*534*	*−8.1*
Gross cash flow[1]	**293**	**278**	**−5.1**	**597**	**588**	**−1.5**
Net cash flow[1]	**278**	**276**	**−0.7**	**315**	**422**	**+34.0**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Systems	2nd Quarter 2007	2nd Quarter 2008	Change	1st Half 2007	1st Half 2008	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,866**	**1,935**	**+3.7**	**3,735**	**3,774**	**+1.0**
Polyurethanes	1,313	1,351	+2.9	2,645	2,610	−1.3
Coatings, Adhesives, Specialties	410	432	+5.4	803	855	+6.5
Inorganic Basic Chemicals	104	113	+8.7	210	230	+9.5
Other Systems	39	39	0.0	77	79	+2.6
Sales by Region						
Europe	880	893	+1.5	1,782	1,756	−1.5
North America	464	428	−7.8	946	829	−12.4
Asia/Pacific	293	356	+21.5	559	672	+20.2
Latin America/Africa/Middle East	229	258	+12.7	448	517	+15.4
EBITDA[1]	**318**	**333**	**+4.7**	**647**	**701**	**+8.3**
Special items	*(20)*	*(4)*		*(20)*	*(4)*	
EBITDA before special items[2]	*338*	*337*	*−0.3*	*667*	*705*	*+5.7*
EBITDA margin before special items	18.1%	17.4%		17.9%	18.7%	
EBIT[1]	**237**	**252**	**+6.3**	**484**	**533**	**+10.1**
Special items	*(24)*	*(6)*		*(30)*	*(6)*	
EBIT before special items[2]	*261*	*258*	*−1.1*	*514*	*539*	*+4.9*
Gross cash flow[1]	**238**	**247**	**+3.8**	**473**	**520**	**+9.9**
Net cash flow[1]	**253**	**239**	**−5.5**	**315**	**302**	**−4.1**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Sales in our Systems segment in the **first half of 2008,** at €3,774 million, were up slightly year on year (+1.0 percent). Adjusted for shifts in exchange rates and portfolio changes, business expanded by 4.8 percent, thanks to higher volumes and selling prices. EBITDA before special items advanced by 5.7 percent to €705 million. EBIT before special items came in at €539 million (H1 2007: €514 million). EBIT advanced by 10.1 percent to €533 million.

In May 2008, Bayer acquired the polyurethane systems house Resina Chemie B.V., Netherlands, a supplier of rigid polyurethane foam systems for the refrigeration and construction industries. In addition, the cast elastomers businesses of Bayer MaterialScience AG and Michel Baulé SA were merged in July into a joint venture named Baulé SAS, in which each company holds a 50 percent interest.

Materials

Sales of the Materials segment fell by 9.2 percent in the **second quarter of 2008**, to €687 million (Q2 2007: €757 million). After adjusting for currency and portfolio effects, sales declined by 1.8 percent as a result of lower selling prices, with volumes remaining steady. Sales in Europe were at the prior-year level despite lower selling prices. Sales in Asia/Pacific came in below the previous year's level due to a drop in business with raw materials. Volumes in the North American market shrank due to the economic situation, causing sales to move back by a currency-adjusted 7.5 percent. Sales in the Latin America / Africa / Middle East region did not match the prior-year period despite higher volumes.

Sales in our Polycarbonates business unit fell by 11.1 percent to €625 million in a difficult market environment. Adjusted for currency and portfolio effects, business was down by 2.3 percent, due largely to lower selling prices.

Our Thermoplastic Polyurethanes business unit saw sales expand by 14.8 percent to €62 million, with sales of the acquired Uretech business making a key contribution to growth. The currency- and portfolio-adjusted increase was 4.3 percent.

EBITDA before special items of the Materials segment fell by 50.7 percent to €35 million. The drop in earnings was largely attributable to lower selling prices and to higher raw material and energy costs. **EBIT** before special items declined to minus €5 million (Q2 2007: €29 million). EBIT came in at minus €8 million.

Sales of the Materials segment moved back by 9.1 percent in the **first half of 2008**, to €1,360 million. Adjusted for currency and portfolio effects, business shrank by 2.0 percent. EBITDA before special items fell by 51.0 percent in the first six months, to €74 million. EBIT before special items came in at minus €5 million (Q2 2007: plus €67 million). EBIT amounted to minus €8 million.

Materials	2nd Quarter 2007	2nd Quarter 2008	Change	1st Half 2007	1st Half 2008	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**757**	**687**	**−9.2**	**1,496**	**1,360**	**−9.1**
Polycarbonates	703	625	−11.1	1,386	1,235	−10.9
Thermoplastic Polyurethanes	54	62	+14.8	110	125	+13.6
Sales by Region						
Europe	289	276	−4.5	572	548	−4.2
North America	149	120	−19.5	298	240	−19.5
Asia/Pacific	244	221	−9.4	484	434	−10.3
Latin America/Africa/Middle East	75	70	−6.7	142	138	−2.8
EBITDA[1]	**71**	**32**	**−54.9**	**151**	**71**	**−53.0**
Special items	*0*	*(3)*		*0*	*(3)*	
EBITDA before special items[2]	*71*	*35*	*−50.7*	*151*	*74*	*−51.0*
EBITDA margin before special items	9.4 %	5.1%		10.1%	5.4 %	
EBIT[1]	**29**	**(8)**	**−127.6**	**67**	**(8)**	**−111.9**
Special items	*0*	*(3)*		*0*	*(3)*	
EBIT before special items[2]	*29*	*(5)*	*−117.2*	*67*	*(5)*	*−107.5*
Gross cash flow[1]	**55**	**31**	**−43.6**	**124**	**68**	**−45.2**
Net cash flow[1]	**25**	**37**	**+48.0**	**0**	**120**	**•**

[1] for definition see Bayer Group Key Data on page 2
[2] for definition see also page 24

Calculation of EBIT(DA) Before Special Items

To permit a more accurate assessment of business operations, EBIT and EBITDA are also stated "before special items." The special items concerned are detailed in the table below. "EBITDA," "EBITDA before special items" and "EBIT before special items" are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information.

Special Items Reconciliation	EBIT 2nd Quarter 2007	**EBIT 2nd Quarter 2008**	EBIT 1st Half 2007	**EBIT 1st Half 2008**	EBITDA 2nd Quarter 2007	**EBITDA 2nd Quarter 2008**	EBITDA 1st Half 2007	**EBITDA 1st Half 2008**
€ million								
After special items	**917**	**1,105**	**2,092**	**2,448**	**1,572**	**1,774**	**3,346**	**3,829**
HealthCare	**209**	**126**	**348**	**226**	**181**	**107**	**346**	**187**
Schering PPA effects*	33	55	53	106	50	55	114	106
Schering Integration	176	(18)	295	31	131	(27)	232	2
Write-downs	0	21	0	21	0	11	0	11
Litigations	0	68	0	68	0	68	0	68
CropScience	**51**	**8**	**90**	**62**	**48**	**8**	**84**	**58**
Restructuring	18	8	57	62	15	8	51	58
Litigations	33	0	33	0	33	0	33	0
MaterialScience	**24**	**9**	**30**	**9**	**20**	**7**	**20**	**7**
Restructuring	24	9	30	9	20	7	20	7
Reconciliation	**(16)**	**0**	**0**	**0**	**(15)**	**0**	**0**	**0**
Restructuring	(16)	0	0	0	(15)	0	0	0
Total special items	**268**	**143**	**468**	**297**	**234**	**122**	**450**	**252**
Before special items	**1,185**	**1,248**	**2,560**	**2,745**	**1,806**	**1,896**	**3,796**	**4,081**

* The purchase price paid for Schering AG, Germany, was allocated among the acquired assets and assumed liabilities in accordance with the International Financial Reporting Standards (IFRS). To ensure comparability with future earnings data, the expected long-term effects of the step-up are reflected in EBIT and EBITDA before special items, whereas temporary, non-cash effects of the purchase price allocation are eliminated. In this connection we recognized a €55 million special charge when calculating EBIT before special items for the second quarter of 2008.

Liquidity and Capital Resources

Bayer Group Summary Cash Flow Statements	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
€ million				
Gross cash flow*	**1,187**	**1,322**	**2,598**	**2,973**
Changes in working capital/other non-cash items	(371)	(433)	(1,407)	(1,556)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**816**	**889**	**1,191**	**1,417**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	(36)	0	2	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**780**	**889**	**1,193**	**1,417**
Net cash provided by (used in) investing activities (total)	**(53)**	**(321)**	**4,536**	**(785)**
Net cash provided by (used in) financing activities (total)	**(3,889)**	**(1,227)**	**(5,653)**	**(1,096)**
Change in cash and cash equivalents due to business activities (total)	**(3,162)**	**(659)**	**76**	**(464)**
Cash and cash equivalents at beginning of period	**6,143**	**2,717**	**2,915**	**2,531**
Change due to exchange rate movements and to changes in scope of consolidation	(1)	0	(11)	(9)
Cash and cash equivalents at end of period	**2,980**	**2,058**	**2,980**	**2,058**

* for definition see Bayer Group Key Data on page 2

Operating cash flow

Gross cash flow in the **second quarter of 2008** rose by 11.4 percent, from €1,187 million in the prior-year period to €1,322 million, as a result of the strong business performance. Net cash flow improved by €73 million to €889 million (Q2 2007: €816 million) despite a seasonal increase in cash tied up in working capital.

Gross cash flow in the **first half of 2008** advanced to €2,973 (H1 2007: €2,598 million). Net cash flow rose by 19.0 percent to €1,417 million (H1 2007: €1,191 million).

Investing cash flow

In the **second quarter of 2008**, there was a net cash outflow of €321 million for investing activities (Q2 2007: €53 million). This amount mainly comprised €265 million in disbursements relating to the purchase of the eastern European OTC business of Sagmel, Inc. Cash outflows for property, plant and equipment in the second quarter totaled €347 million (Q2 2007: €440 million). This figure included the expenditures for the expansion of our polymers production facilities in Caojing, near Shanghai, China. Inflows consisted primarily of €224 million in interest and dividend payments, as well as €91 million in proceeds from the divestiture of property, plant, equipment and other assets.

The net cash outflow for investing activities in the **first six months** of 2008 amounted to €785 million. This amount mainly comprised €227 million in payments concerning the acquisition of U.S.-based Possis Medical, Inc. and €265 million relating to the purchase of the OTC business of Sagmel, Inc. In the prior-year period, there was a cash inflow of €4,536 million, comprising mainly the net proceeds from the divestitures of the diagnostics business, H.C. Starck and Wolff Walsrode. Cash outflows for property, plant and equipment and intangible assets in the first half came to €635 million (H1 2007: €641 million). The principal cash inflows were €298 million in interest and dividend payments and €107 million in proceeds from the divestiture of property, plant, equipment and other assets.

Financing cash flow

The net cash outflow for financing activities in the first half of 2008 amounted to €1,096 million. The outflow in the prior-year period came to €5,653 million. This included €3.9 billion for net loan repayments, the greater part of this amount (€2.1 billion) being for the scheduled redemption of our 2002/2007 Eurobond in April 2007. The Bayer AG dividend and dividend payments to minority stockholders of consolidated companies amounted to €1,040 million in the first half of 2008 (H1 2007: €775 million).

Liquid assets and net debt

As of June 30, 2008 the Bayer Group held cash and cash equivalents of €2,058 million, including €747 million deposited in escrow accounts. This amount is earmarked for payments to be made in connection with the squeeze-out of the remaining minority stockholders of Bayer Schering Pharma AG and civil law settlements of antitrust proceedings. Pursuant to a resolution of the Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG on January 17, 2007, the shares of that company that are still held by minority stockholders will be transferred to the main stockholder, Bayer Schering GmbH, a wholly owned subsidiary of Bayer AG, in return for cash compensation of €98.98 per share. Dissenting stockholders are seeking to have the stockholder resolution set aside or to have it declared null and void. As of June 30, 2008, we held a 96.3 percent interest in Bayer Schering Pharma AG. In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt.

Net Debt	Dec. 31, 2007	March 31, 2008	June 30, 2008
€ million			
Noncurrent financial liabilities as per balance sheets (including derivatives)	12,911	12,648	8,925
of which hybrid bond	1,237	1,237	1,221
Current financial liabilities as per balance sheets (including derivatives)	1,287	1,757	6,010
Derivative receivables	(230)	(301)	(314)
Financial liabilities	**13,968**	**14,104**	**14,621**
Cash and cash equivalents*	(1,776)	(1,967)	(1,311)
Current financial assets	(8)	(35)	(6)
Net debt from continuing operations	**12,184**	**12,102**	**13,304**
Net debt from discontinued operations	-	-	-
Net debt (total)	**12,184**	**12,102**	**13,304**

* In view of the restriction on its use, the €747 million liquidity in escrow accounts in the second quarter of 2008 (March 31, 2008: €750 million; Dec. 31, 2007: €755 million) was not deducted when calculating net debt. June 30, 2008: €1,311 million = €2,058 million - €747 million.

In the second quarter net debt (total) rose by €1.2 billion to €13.3 billion. This was mainly due to our dividend payout of €1.0 billion and to payments of €0.5 billion for annual payments of variable compensation to our employees. In addition, the interest payment dates for our bonds occur mainly in the second quarter, resulting in expectedly high disbursements. As of June 30, 2008 we had financial liabilities of €14.6 billion, including the €1.2 billion subordinated hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond issued in April 2006. Net debt should be viewed against the fact that Moody's and Standard & Poor's treat 75 percent and 50 percent, respectively, of the hybrid bond as equity. Both rating agencies consider the mandatory convertible bond wholly as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators, while the mandatory convertible bond has no effect. In light of their maturity dates, the mandatory convertible bond issued in 2006 and the floating rate note of Bayer AG, also issued in 2006, were reclassified from noncurrent to current financial liabilities. Our noncurrent financial liabilities amounted to €8.9 billion as of June 30, 2008.

In the second quarter of 2008, Standard & Poor's raised Bayer's long-term issuer rating to A– with stable outlook. Moody's has changed the outlook for our long-term issuer rating of A3 from "negative" to "stable." The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

Net pension liability

Capital market interest rates continued to rise in the second quarter of 2008. The net pension liability fell once again, to €3.9 billion. Provisions for pensions and other post-employment benefits declined from €5.0 billion to €4.7 billion. At the same time prepaid benefit assets, reflected in the balance sheet under "Other receivables," declined by €0.1 billion to €0.8 billion.

Net pension liability	Dec. 31, 2007	March 31, 2008	June 30, 2008
€ million			
Provisions for pensions and other post-employment benefits	5,501	4,970	4,696
Prepaid benefit assets	(533)	(882)	(760)
Net pension liability	**4,968**	**4,088**	**3,936**

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Employees

The number of employees has been converted to full-time equivalents, which means part-time employees are included in proportion to their contractual working hours.

On June 30, 2008, the Bayer Group had 107,100 employees, 900 more than on December 31, 2007. We employed 17,000 people in North America, including the 300 employees of the recently acquired U.S. company Possis Medical, Inc. Bayer had 19,800 employees in the Asia-Pacific region and 14,900 in Latin America/Africa/Middle East. The number of employees in Europe was 55,400, including for the first time the 600 employees of Sagmel. In Germany we had 37,500 employees, accounting for 35.0 percent of the Group workforce. Personnel expenses in the first half of 2008 amounted to €3,852 million (H1 2007: €3,792 million).

Opportunities and Risks

As a global enterprise with a diverse business portfolio, the Bayer Group enjoys a variety of opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in the Bayer Annual Report 2007.

A risk management system is in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2007 are described in the Notes to the Condensed Consolidated Interim Financial Statements on page 42 ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2007 on pages 80–88 and 188–193. The Bayer Annual Report 2007 can be downloaded free of charge at www.bayer.com.

At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of the Bayer Group.

Subsequent Events

Since June 30, 2008, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

Bayer stock recovered somewhat in the second quarter following the drop in the share price in the first three months of the year. Including the dividend of €1.35 per share paid in April, the second-quarter performance of our shares came to 7.9 percent.

However, with a closing price of €53.46 on June 30, 2008, the stock was down 14.5 percent from the end of 2007 (performance: −12.4 percent). The DAX lost 20.4 percent over the same period, closing at 6,418 points. The European reference index EURO STOXX 50 fell even more sharply, closing the second quarter down 21.8 percent from the start of the year, at 5,076 points.

The index provider MSCI Barra reclassified Bayer stock from the "Diversified Chemicals" category of the "Materials" sector to the "Pharmaceuticals" category of the "HealthCare" sector with effect from July 1, 2008 reflecting the strategic emphasis of our activities on the HealthCare business.

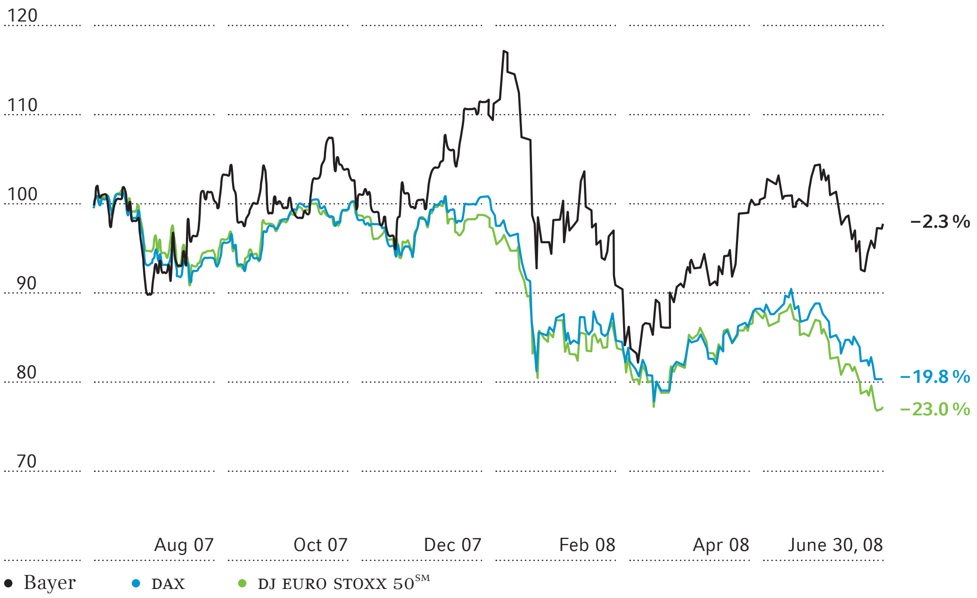
At the Annual Stockholders' Meeting on April 25, 2008 in Cologne, 62 percent of the voting capital was represented – an increase of 5 percentage points from the previous year's meeting.

Bayer Stock Key Data		2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
High for the period	€	56.68	57.00	56.68	65.68
Low for the period	€	47.58	50.61	40.20	45.90
Average daily share turnover on German stock exchanges	million	6.2	4.3	5.9	5.8
		June 30, 2007	**June 30, 2008**	Dec. 31, 2007	**Change June 30, 2008/ Dec. 31, 2007 %**
Share price	€	56.10	53.46	62.53	−14.5
Market capitalization	€ million	42,879	40,862	47,794	−14.5
Stockholders' equity as per balance sheets	€ million	16,249	17,412	16,821	+3.5
Number of shares entitled to the dividend	million	764.34	764.34	764.34	0.0
DAX		8,007	6,418	8,067	−20.4

Xetra-closing price; source: Bloomberg

Performance over the Past Twelve Months

(indexed; 100 = Xetra closing price on June 30, 2007)



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Calculation of core earnings per share

Earnings per share according to IFRS are affected by the purchase price allocation for Schering, Berlin, Germany, and other special factors. To enhance comparability, we also determine core net income from continuing operations after elimination of the amortization of intangible assets, asset write-downs (including any impairment losses), special items in EBITDA including the related tax effects, and one-time tax income or expense.

The calculation of earnings per share in accordance with IFRS is explained in the notes to the consolidated financial statements on page 41. Adjusted core net income, core earnings per share and core EBIT are not defined in the International Financial Reporting Standards. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of Core EBIT and Core Earnings per Share	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
€ million				
EBIT as per income statement	**917**	**1,105**	**2,092**	**2,448**
Amortization and write-downs of intangible assets	325	378	618	785
Write-downs of property, plant and equipment	53	29	77	60
Special items (other than write-downs)	234	122	450	252
Core EBIT	**1,529**	**1,634**	**3,237**	**3,545**
Non-operating result (as per income statement)	(257)	(262)	(475)	(537)
Income taxes (as per income statement)	(247)	(262)	(548)	(568)
Tax adjustment	(205)	(160)	(382)	(333)
Income after taxes attributable to minority interest (as per income statement)	3	(7)	2	(7)
Core net income from continuing operations	**823**	**943**	**1,834**	**2,100**
Financing expenses for the mandatory convertible bond, net of tax effects	24	28	48	56
Adjusted core net income	**847**	**971**	**1,882**	**2,156**
Shares				
Weighted average number of issued ordinary shares	**764,341,920**	**764,341,920**	**764,341,920**	**764,341,920**
Potential shares to be issued upon conversion of the mandatory convertible bond	59,565,835	59,904,897	59,544,939	59,743,798
Adjusted weighted average total number of issued and potential ordinary shares	**823,907,755**	**824,246,817**	**823,886,859**	**824,085,718**
Core earnings per share from continuing operations (€)	**1.03**	**1.18**	**2.28**	**2.62**

Bayer Group Consolidated Statements of Income

€ million	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
Net sales	**8,217**	**8,511**	**16,552**	**17,047**
Cost of goods sold	(4,072)	(4,256)	(8,206)	(8,359)
Gross profit	**4,145**	**4,255**	**8,346**	**8,688**
Selling expenses	(1,919)	(2,034)	(3,726)	(3,936)
Research and development expenses	(650)	(648)	(1,275)	(1,281)
General administration expenses	(425)	(439)	(861)	(858)
Other operating income	228	563	371	850
Other operating expenses	(462)	(592)	(763)	(1,015)
Operating result [EBIT]	**917**	**1,105**	**2,092**	**2,448**
Equity-method loss	(13)	(13)	(27)	(23)
Non-operating income	190	161	432	289
Non-operating expenses	(434)	(410)	(880)	(803)
Non-operating result	**(257)**	**(262)**	**(475)**	**(537)**
Income before income taxes	**660**	**843**	**1,617**	**1,911**
Income taxes	(247)	(262)	(548)	(568)
Income from continuing operations after taxes	**413**	**581**	**1,069**	**1,343**
Income from discontinued operations after taxes	**244**	**-**	**2,398**	**-**
Income after taxes	**657**	**581**	**3,467**	**1,343**
of which attributable to minority interest	(3)	7	(2)	7
of which attributable to Bayer AG stockholders (net income)	**660**	**574**	**3,469**	**1,336**
Earnings per share (€)				
From continuing operations				
Basic*	0.53	0.73	1.36	1.69
Diluted*	0.53	0.73	1.36	1.69
From discontinued operations				
Basic*	0.30	-	2.91	-
Diluted*	0.30	-	2.91	-
From continuing and discontinued operations				
Basic*	0.83	0.73	4.27	1.69
Diluted*	0.83	0.73	4.27	1.69

* The ordinary shares to be issued upon conversion of the mandatory convertible bond are treated as already issued shares.

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Bayer Group Consolidated Balance Sheets

€ million	June 30, 2007	**June 30, 2008**	Dec. 31, 2007
Noncurrent assets			
Goodwill	8,439	8,287	8,215
Other intangible assets	15,112	14,042	14,555
Property, plant and equipment	8,662	8,637	8,819
Investments in associates	501	456	484
Other financial assets	1,190	1,364	1,127
Other receivables	413	870	667
Deferred taxes	773	458	845
	35,090	**34,114**	**34,712**
Current assets			
Inventories	6,277	6,232	6,217
Trade accounts receivable	6,880	6,805	5,830
Other financial assets	252	484	335
Other receivables	1,600	1,361	1,461
Claims for income tax refunds	243	301	208
Cash and cash equivalents	2,980	2,058	2,531
Assets held for sale and discontinued operations	82	82	84
	18,314	**17,323**	**16,666**
Total assets	**53,404**	**51,437**	**51,378**
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	10,183	11,347	10,749
	16,168	**17,332**	**16,734**
Equity attributable to minority interest	81	80	87
	16,249	**17,412**	**16,821**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	5,550	4,696	5,501
Other provisions	1,671	1,379	1,166
Financial liabilities	13,644	8,925	12,911
Other liabilities	504	649	501
Deferred taxes	4,347	3,698	3,866
	25,716	**19,347**	**23,945**
Current liabilities			
Other provisions	4,087	3,599	3,754
Financial liabilities	2,309	6,010	1,287
Trade accounts payable	2,249	2,284	2,466
Income tax liabilities	127	129	56
Other liabilities	2,667	2,527	2,873
Liabilities directly related to assets held for sale and discontinued operations	-	129	176
	11,439	**14,678**	**10,612**
Total stockholders' equity and liabilities	**53,404**	**51,437**	**51,378**

2007 figures reclassified

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Bayer Group Consolidated Statements of Cash Flows

€ million	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
Income from continuing operations after taxes	413	581	1,069	1,343
Income taxes	247	262	548	568
Non-operating result	257	262	475	537
Income taxes paid	(342)	(352)	(685)	(716)
Depreciation and amortization	655	669	1,254	1,381
Change in pension provisions	(86)	(86)	(182)	(180)
(Gains) losses on retirements of noncurrent assets	(6)	(69)	6	(66)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	49	55	113	106
Gross cash flow	**1,187**	**1,322**	**2,598**	**2,973**
Decrease (increase) in inventories	38	(13)	(175)	(264)
Decrease (increase) in trade accounts receivable	(52)	(36)	(1,063)	(1,074)
(Decrease) increase in trade accounts payable	16	131	(98)	(65)
Changes in other working capital, other non-cash items	(373)	(515)	(71)	(153)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**816**	**889**	**1,191**	**1,417**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	(36)	0	2	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**780**	**889**	**1,193**	**1,417**
Cash outflows for additions to property, plant, equipment and intangible assets	(440)	(347)	(641)	(635)
Cash inflows from sales of property, plant, equipment and other assets	13	91	31	107
Cash inflows (outflows) from divestitures less divested cash	230	(9)	4,903	(49)
Cash inflows (outflows) for acquisitions less acquired cash	(235)	(306)	(257)	(552)
Cash inflows (outflows) from noncurrent financial assets	3	21	8	48
Interest and dividends received	376	224	469	298
Cash (inflows) outflows from current financial assets	0	5	23	(2)
Net cash provided by (used in) investing activities (total)	**(53)**	**(321)**	**4,536**	**(785)**
Capital contributions	0	0	0	0
Bayer AG dividend and dividend payments to minority stockholders	(766)	(1,031)	(775)	(1,040)
Issuances of debt	1,159	602	1,603	999
Retirements of debt	(3,542)	(179)	(5,496)	(299)
Interest paid	(740)	(619)	(985)	(756)
Net cash provided by (used in) financing activities (total)	**(3,889)**	**(1,227)**	**(5,653)**	**(1,096)**
Change in cash and cash equivalents due to business activities (total)	**(3,162)**	**(659)**	**76**	**(464)**
Cash and cash equivalents at beginning of period	**6,143**	**2,717**	**2,915**	**2,531**
Change in cash and cash equivalents due to changes in scope of consolidation	(3)	2	(4)	2
Change in cash and cash equivalents due to exchange rate movements	2	(2)	(7)	(11)
Cash and cash equivalents at end of period	**2,980**	**2,058**	**2,980**	**2,058**

Bayer Group Consolidated Statements of Recognized Income and Expense

€ million	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
Changes in fair values of derivatives designated as hedges and available-for-sale financial assets, recognized in stockholders' equity	(3)	78	(2)	120
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets, recognized in stockholders' equity	774	128	1,105	945
Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity	(36)	121	7	(431)
Deferred taxes on valuation adjustments offset directly against stockholders' equity	(297)	(62)	(431)	(323)
Changes due to changes in scope of consolidation	5	(1)	36	0
Revaluation surplus (IFRS 3)	-	2	-	6
Minority interest in partnerships, recognized in liabilities	(12)	(9)	(19)	(29)
Valuation adjustments recognized directly in stockholders' equity	**431**	**257**	**696**	**288**
Income after taxes	**657**	**581**	**3,467**	**1,343**
Total income and expense recognized in the financial statements	**1,088**	**838**	**4,163**	**1,631**
of which attributable to minority interest	(4)	2	(2)	1
of which attributable to Bayer AG stockholders	1,092	836	4,165	1,630

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Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2008

Key Data by Segment

	HealthCare			
Segment	Pharmaceuticals		Consumer Health	
€ million	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
Sales (external)	2,583	2,584	1,134	1,150
Change	+117.4%	0.0%	+6.1%	+1.4%
Currency-adjusted change	+120.6%	+6.2%	+9.7%	+9.2%
Intersegment sales	10	17	1	2
Operating result (EBIT)	207	334	224	179
Gross cash flow [1]	381	447	164	159
Net cash flow [1]	202	78	82	76
Depreciation, amortization and write-downs/write-backs	323	338	34	36

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

	HealthCare			
Segment	Pharmaceuticals		Consumer Health	
€ million	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
Sales (external)	5,078	5,198	2,249	2,267
Change	+117.4%	+2.4%	+5.9%	+0.8%
Currency-adjusted change	+121.4%	+8.0%	+10.6%	+7.7%
Intersegment sales	22	36	4	2
Operating result (EBIT)	488	675	428	401
Gross cash flow [1]	771	991	331	352
Net cash flow [1]	481	493	186	238
Depreciation, amortization and write-downs/write-backs	588	711	67	70
Number of employees at end of period [2]	39,200	39,400	11,100	13,100

[1] for definition see Bayer Group Key Data on page 2
[2] number of employees in full-time equivalents

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CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Systems		Materials		Reconciliation		Continuing Operations	
2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
1,262	1,526	300	278	1,866	1,935	757	687	315	351	8,217	8,511
−0.6%	+20.9%	−2.9%	−7.3%	+2.3%	+3.7%	+4.7%	−9.2%			+22.0%	+3.6%
+1.4%	+29.1%	−0.2%	+0.8%	+5.4%	+9.4%	+8.5%	−3.1%			+24.9%	+10.0%
16	17	2	2	37	36	4	4	(70)	(78)		
180	321	31	46	237	252	29	(8)	9	(19)	917	1,105
219	325	40	52	238	247	55	31	90	61	1,187	1,322
313	630	181	101	253	239	25	37	(240)	(272)	816	889
117	106	20	20	81	81	42	40	38	48	655	669

CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Systems		Materials		Reconciliation		Continuing Operations	
1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
2,696	3,148	652	634	3,735	3,774	1,496	1,360	646	666	16,552	17,047
+0.5%	+16.8%	−2.2%	−2.8%	+3.8%	+1.0%	+4.4%	−9.1%			+22.4%	+3.0%
+3.5%	+23.1%	+1.9%	+2.6%	+7.5%	+6.1%	+8.7%	−3.3%			+26.1%	+8.6%
34	31	4	7	75	70	8	9	(147)	(155)		
484	767	135	124	484	533	67	(8)	6	(44)	2,092	2,448
501	741	127	125	473	520	124	68	271	176	2,598	2,973
200	364	56	55	315	302	0	120	(47)	(155)	1,191	1,417
238	224	39	41	163	168	84	79	75	88	1,254	1,381
14,800	14,700	3,000	3,300	10,200	10,300	5,000	4,800	21,300	21,500	104,600	107,100

Key Data by Region

Region	Europe		North America	
€ million	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
Sales (external) – by market	3,697	3,833	2,140	2,087
Change	+22.8%	+3.7%	+17.4%	−2.5%
Currency-adjusted change	+22.6%	+4.5%	+25.5%	+11.5%
Net sales (external) – by point of origin	3,970	4,130	2,160	2,099
Change	+21.8%	+4.0%	+18.3%	−2.8%
Currency-adjusted change	+21.7%	+4.8%	+26.5%	+11.1%
Interregional sales	1,271	1,054	530	359
Operating result (EBIT)	629	696	192	270

Region	Europe		North America	
€ million	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
Sales (external) – by market	7,545	7,905	4,366	4,113
Change	+25.1%	+4.8%	+16.1%	−5.8%
Currency-adjusted change	+25.0%	+5.5%	+25.4%	+6.4%
Net sales (external) – by point of origin	8,123	8,523	4,380	4,132
Change	+25.2%	+4.9%	+15.9%	−5.7%
Currency-adjusted change	+25.1%	+5.6%	+25.3%	+6.6%
Interregional sales	2,645	2,655	1,046	863
Operating result (EBIT)	1,353	1,576	549	611
Number of employees at end of period*	56,200	55,400	16,600	17,000

* number of employees in full-time equivalents

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
	1,308	1,390	1,072	1,201			8,217	8,511
	+23.3%	+6.3%	+27.5%	+12.0%			+22.0%	+3.6%
	+30.6%	+14.9%	+30.2%	+21.0%			+24.9%	+10.0%
	1,266	1,410	821	872			8,217	8,511
	+24.0%	+11.4%	+30.5%	+6.2%			+22.0%	+3.6%
	+31.6%	+16.1%	+33.8%	+23.5%			+24.9%	+10.0%
	62	42	59	24	(1,922)	(1,479)		
	67	86	75	101	(46)	(48)	917	1,105

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
	2,508	2,666	2,133	2,363			16,552	17,047
	+21.3%	+6.3%	+27.6%	+10.8%			+22.4%	+3.0%
	+29.3%	+14.0%	+34.4%	+18.4%			+26.1%	+8.6%
	2,403	2,617	1,646	1,775			16,552	17,047
	+21.1%	+8.9%	+28.8%	+7.8%			+22.4%	+3.0%
	+29.3%	+14.6%	+37.3%	+20.2%			+26.1%	+8.6%
	115	95	116	56	(3,922)	(3,669)		
	140	171	138	193	(88)	(103)	2,092	2,448
	18,000	19,800	13,800	14,900			104,600	107,100

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Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of June 30, 2008 have been prepared in condensed form 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 2007 fiscal year, particularly with regard to the main recognition and valuation principles. Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

The exchange rates for major currencies against the euro varied as follows:

		Closing rate			Average rate	
1 €		June 30, 2007	**June 30, 2008**	Dec. 31, 2007	1st Half 2007	**1st Half 2008**
Argentina	ARS	4.17	4.77	4.64	4.11	4.80
Brazil	BRL	2.63	2.53	2.61	2.72	2.60
China	CNY	10.28	10.81	10.75	10.26	10.80
U.K.	GBP	0.67	0.79	0.73	0.67	0.77
Japan	JPY	166.63	166.44	164.93	159.58	160.54
Canada	CAD	1.42	1.59	1.44	1.51	1.54
Mexico	MXN	14.56	16.23	16.08	14.55	16.24
Switzerland	CHF	1.66	1.61	1.65	1.63	1.61
United States	USD	1.35	1.58	1.47	1.33	1.53

The most important interest rates applied in the calculation of actuarial gains and losses from pension obligations are given below:

	Dec. 31, 2007	March 31, 2008	**June 30, 2008**
%			
Germany	5.5	6.1	6.4
U.K.	5.8	6.8	6.7
United States	6.6	7.0	7.0

Changes in the Bayer Group

Scope of consolidation

As of June 30, 2008, the Bayer Group comprised 323 fully consolidated companies, compared with 326 companies as of December 31, 2007. Three joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

Acquisitions

The Bayer Group spent a total of €552 million on acquisitions in the first half of 2008, resulting chiefly from the following transactions: Bayer subsidiary Medrad, Inc. acquired the remaining shares of Possis Medical through its subsidiary Phoenix Acquisition Corp. By virtue of the merger of Phoenix Acquisition Corp. with Possis Medical, the latter became a wholly owned subsidiary of Medrad. At the beginning of June 2008, we successfully completed the acquisition of the over-the-counter (OTC) business of U.S.-based Sagmel, Inc., including the related goodwill. This business is now integrated into the operations of Bayer HealthCare in Russia, Ukraine, Belarus, Kazakhstan, the Baltic states and several countries of the Caucasus and Central Asia regions.

The effects of these and other, smaller acquisitions on the Group's assets and liabilities as of the respective acquisition dates are shown in the table. Including acquired cash and cash equivalents, they resulted in the following net cash outflow:

€ million	Net carrying amounts at the dates of first-time consolidation	Fair-value adjustments	Net carrying amounts after the acquisitions
Acquired assets and assumed liabilities			
Goodwill	0	205	205
Other intangible assets	0	303	303
Property, plant and equipment	15	0	15
Other noncurrent assets	22	0	22
Inventories	27	7	34
Other current assets	43	0	43
Cash and cash equivalents	5	0	5
Provisions for pensions and other post-employment benefits	(1)	0	(1)
Other provisions	(2)	(1)	(3)
Financial liabilities	(10)	0	(10)
Other liabilities	(26)	0	(26)
Deferred taxes	10	(40)	(30)
Net assets	**83**	**474**	**557**
Minority interests			0
Purchase prices			**557**
of which ancillary acqusition costs			5
Acquired cash and cash equivalents			5
Liabilities to minority stockholders			0
Net cash outflow for the acquisitions			**552**

After the closing date, the over-the-counter cough and cold medicines business of the Chinese company Topsun Science and Technology Qidong Gaitianli Pharmaceutical Co., Ltd. was acquired for €99 million. The provisional allocation of the difference between the value of the acquired assets and the purchase price relates primarily to trademark rights (€48 million) and goodwill (€40 million).

Discontinued operations

The diagnostics activities, along with H.C. Starck and Wolff Walsrode, were recognized as discontinued operations in 2007. The information on discontinued operations, 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	
€ million	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**	2nd Quarter 2007	**2nd Quarter 2008**
Sales	-	-	-	-	87	-	87	-
Operating result (EBIT)*	-	-	-	-	254	-	254	-
Income after taxes	-	-	-	-	244	-	244	-
Gross cash flow*	-	-	-	-	5	-	5	-
Net cash flow*	(39)	-	-	-	3	-	(36)	-
Net investing cash flow	(209)	(9)	-	-	432	-	223	(9)
Net financing cash flow	248	9	-	-	(435)	-	(187)	9

* for definition see Bayer Group Key Data on page 2

€ million	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**	1st Half 2007	**1st Half 2008**
Sales	-	-	74	-	172	-	246	-
Operating result (EBIT)*	2,778	-	109	-	267	-	3,154	-
Income after taxes	2,044	-	103	-	251	-	2,398	-
Gross cash flow*	(10)	-	14	-	15	-	19	-
Net cash flow*	(32)	-	26	-	8	-	2	-
Net investing cash flow	3,539	(49)	922	-	430	-	4,891	(49)
Net financing cash flow	(3,507)	49	(948)	-	(438)	-	(4,893)	49

* for definition see Bayer Group Key Data on page 2

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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	2nd Quarter 2007	**2nd Quarter 2008**	1st Half 2007	**1st Half 2008**
€ million				
Income after taxes	657	581	3,467	1,343
Income attributable to minority interest	(3)	7	(2)	7
Income attributable to Bayer AG stockholders	660	574	3,469	1,336
Income from discontinued operations	244	-	2,398	-
Financing expenses for the mandatory convertible bond, net of tax effects	24	28	48	56
Adjusted income from continuing operations after taxes	440	602	1,119	1,392
Adjusted net income	684	602	3,517	1,392
Weighted average number of issued ordinary shares	764,341,920	764,341,920	764,341,920	764,341,920
Potential shares to be issued upon conversion of the mandatory convertible bond	59,565,835	59,904,897	59,544,939	59,743,798
Adjusted weighted average total number of issued and potential ordinary shares	823,907,755	824,246,817	823,886,859	824,085,718
Basic earnings per share (€)				
from continuing operations	0.53	0.73	1.36	1.69
from discontinued operations	0.30	-	2.91	-
from continuing and discontinued operations	0.83	0.73	4.27	1.69
Diluted earnings per share (€)				
from continuing operations	0.53	0.73	1.36	1.69
from discontinued operations	0.30	-	2.91	-
from continuing and discontinued operations	0.83	0.73	4.27	1.69

Legal Risks

Information on the Bayer Group's legal risks is provided in the Bayer Annual Report 2007 on pages 188–193. The following significant changes have occurred in respect of the legal risks since publication of the Bayer Annual Report 2007:

Magnevist®: On pages 188–189 of the Bayer Annual Report 2007 we reported a total of 29 lawsuits in the United States based on allegations of physical harm suffered as a result of the use of Bayer's contrast agent Magnevist®. As of July 16, 2008, Bayer has been served in a total of 134 lawsuits and the pending motion to create a multi-district litigation (MDL) has been granted.

Trasylol®: The number of lawsuits filed in the United States against Bayer on behalf of plaintiffs alleging personal injuries from the use of Trasylol® as reported on page 189 of the Bayer Annual Report 2007 has increased from 46 as of February 1, 2008 to 103 as of July 15, 2008.

Antitrust proceedings in connection with polymers

As reported on page 190 of the Bayer Annual Report 2007, Bayer expects that civil antitrust lawsuits for damages concerning the products rubber chemicals, butadiene rubber, styrene butadiene rubber, polychloroprene rubber and nitrile butadiene rubber will be filed against Bayer in Europe. At the end of February 2008, a group of plaintiffs who are primarily producers of tires brought an action for damages before the High Court of Justice in the United Kingdom against Bayer and other producers of butadiene rubber and styrene butadiene rubber based on alleged violations of antitrust law. In June 2008, Bayer filed its defense with the High Court. Due to a parallel proceeding initiated before a court in Milan, to which Bayer joined as intervenient, the question arises as to which jurisdiction is competent to judge the case.

Antitrust proceedings in connection with over-the-counter drugs in Germany

The inquiry by the German Federal Cartel Office (Bundeskartellamt) against Bayer Vital GmbH concerning certain discounts Bayer had granted to pharmacies, as reported on page 190 of the Bayer Annual Report 2007, resulted in a €10.34 million fine imposed in May 2008. The fine has been accepted by Bayer Vital.

Proceedings involving contraceptives

Yasmin®: On page 191 of the Bayer Annual Report 2007, we reported that, in April 2005, Bayer Schering Pharma filed suit against Barr Pharmaceuticals Inc. and Barr Laboratories Inc. in U.S. federal court alleging patent infringement by Barr for the intended generic version of Bayer Schering Pharma's Yasmin® oral contraceptive product in the United States. In June 2005 Barr filed its counterclaim seeking to invalidate Bayer Schering Pharma's patent. In March 2008, the U.S. federal court invalidated Bayer Schering Pharma's '531 patent for Yasmin®. Bayer Schering Pharma has appealed this ruling.

In June 2008, Bayer Schering Pharma and Barr Laboratories Inc. signed a supply and licensing agreement for Yasmin® covering the United States. Bayer Schering Pharma already has begun to supply Barr with a generic version of Yasmin® which Barr will market solely in the United States. Barr will pay Bayer Schering Pharma a fixed percentage of the revenues from the product sold by Barr. Bayer Schering Pharma will continue to pursue its appeal of the court decision that invalidated Bayer Schering Pharma's U.S. patent '531 for Yasmin®. If Bayer Schering Pharma prevails in its appeal, Bayer Schering Pharma will receive a larger share of Barr's revenues from sales of its generic version of Yasmin® in the United States.

In March 2008 Bayer Schering Pharma received two notices of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson Laboratories Inc. and Sandoz Inc. each seek approval to market a generic version of Bayer Schering Pharma's oral contraceptive Yasmin® in the United States. Bayer Schering Pharma has filed suit against Watson and Sandoz in U.S. federal court alleging patent infringement by Watson and Sandoz for the intended generic version of Yasmin®. In reply, Sandoz has filed its answer and counterclaim alleging, among other things, the invalidity of various Bayer patents and that the agreement reached with Barr is anticompetitive and violates the Sherman Act antitrust law.

YAZ®: On page 191 of the Bayer Annual Report 2007, we reported that, in January 2007, Barr Laboratories Inc. filed an ANDA IV with the U.S. FDA seeking approval of a generic version of Bayer Schering Pharma's YAZ® oral contraceptive. In October 2007 Bayer Schering Pharma also received notice from Watson Laboratories Inc. that it has filed an ANDA IV with the U.S. FDA seeking approval of a generic version of YAZ®. In June/July 2008 Bayer Schering Pharma further received notice from Sandoz Inc. that it has filed an ANDA IV with the U.S. FDA seeking approval of a generic version of YAZ®; Bayer Schering Pharma is currently evaluating the information in Sandoz's notice letter. All three applications claim that Bayer Schering Pharma's patents are invalid and/or that the respective generic product does not infringe them. Bayer Schering Pharma has filed a patent infringement suit against Watson claiming that certain of Bayer Schering Pharma's patents have been infringed. Originally, Bayer Schering Pharma included the '531 patent in this suit. After the court decision in the suit against Barr regarding Yasmin®, Bayer Schering Pharma had to exclude the '531 patent from the suit against Watson. If Bayer Schering Pharma prevails in its appeal against the court decision regarding Yasmin®, Bayer Schering Pharma will evaluate its options to use the '531 patent. However, regardless of these patent disputes, Bayer Schering Pharma retains data exclusivity for YAZ® as an oral contraceptive in the U.S. until March 16, 2009. No generic manufacturer can lawfully market a generic version of YAZ® for an oral contraceptive indication in the United States until after March 16, 2009.

In June 2008, Bayer Schering Pharma and Barr agreed that Bayer Schering Pharma will grant Barr a license to market a generic version of YAZ® in the United States starting July 2011. Bayer Schering Pharma will supply Barr with the product for this purpose. Should Bayer Schering Pharma lose patent lawsuits in the United States against other companies concerning YAZ®, at that time Bayer Schering Pharma will begin supplying the product to Barr and Barr will begin marketing generic YAZ® in the United States. Barr will pay Bayer Schering Pharma a fixed percentage of the revenues from the product sold by Barr.

Further patent disputes

On page 192 of the Bayer Annual Report 2007, we reported that Abbott Laboratories commenced a lawsuit in the United States against Bayer and another party alleging infringement of two of Abbott's patents relating to blood glucose monitoring devices. The devices concerned are sold by Bayer as part of its Ascensia® Contour® system and its DEX® and Autodisc® system. In April 2008 the court granted summary judgment in favor of Bayer with regard to one of the two patents on the basis that the patent's claims that were asserted by Abbott against Bayer are invalid. In June, after a trial on the issue of invalidity, the court held the second patent invalid. Abbott has the right to appeal this decision.

As reported on page 192 of the Bayer Annual Report 2007, Limagrain had filed suit against Bayer for indemnity against liabilities to third parties arising from an alleged breach of a 1986 contract to which Rhône-Poulenc – one of the predecessor companies of Bayer CropScience – was a party. At the end of March 2008 the Commercial Court in Paris as the court of first instance dismissed all claims of Limagrain.

On page 192 of the Bayer Annual Report 2007, we reported that Bayer has filed suit against several companies in the U.S. alleging patent infringement in connection with moxifloxacin (Avelox®). In the two proceedings still pending Bayer has reached agreement with Teva Pharmaceuticals USA, Inc., the adverse party, to settle their patent litigation with regard to the two Bayer patents. Under the settlement terms agreed upon, Teva will obtain a license to sell its generic moxifloxacin tablet product in the U.S. shortly before the second of the two Bayer patents expires in March 2014. The impact on the Avelox® business in the U.S. is expected to be immaterial. Teva acknowledges the validity and enforceability of the two Bayer patents.

Other cases

On page 193 of the Bayer Annual Report 2007 we reported on numerous lawsuits seeking to set aside, or to have declared null and void, the Bayer Schering Pharma AG shareholders resolution of September 2006 approving the domination and profit and loss transfer agreement between Bayer Schering GmbH and Bayer Schering Pharma AG. These lawsuits are still pending before the High Court of Berlin (Kammergericht Berlin). However, in the special proceedings initiated by Bayer Schering Pharma AG (Freigabeverfahren), the Kammergericht Berlin ruled in June 2008 that defects of the shareholders resolution, if any, do not affect the validity of the registration of the domination and profit and loss transfer agreement in the commercial register. This decision cannot be appealed. Therefore, the domination and profit and loss transfer agreement will remain effective even if the court should rule against Bayer Schering Pharma AG in the main proceedings at a later point in time.

In the litigation described on page 193 of the Bayer Annual Report 2007 concerning the rupture of a tank in Baytown, Texas, 35 out of a total of 60 cases have since been settled.

Related parties

Our business partners 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. 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, July 28, 2008
Bayer Aktiengesellschaft

Board of Management

Werner Wenning　　Klaus Kühn　　Dr. Wolfgang Plischke　　Dr. Richard Pott

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Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 28, 2008
Bayer Aktiengesellschaft

The Board of Management

Werner Wenning   Klaus Kühn   Dr. Wolfgang Plischke   Dr. Richard Pott

Review Report

To Bayer AG, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the statement of income, balance sheet, cash flow statement, statement of recognized income and expense and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2008 to June 30, 2008 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act.) The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, July 29, 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

A. Slotta
(German Public Auditor)

V. Linke
(German Public Auditor)

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Bayer Climate Program makes great advances

Zero-emissions building: As part of its Climate Program, Bayer has launched various lighthouse projects – including the EcoCommercial Building. The picture shows a 3D animation of the building in New Delhi, for which ground was broken this spring.

Leverkusen – Bayer is reaffirming its commitment to sustainable development. "Our goal is to continue growing without placing an additional burden on the global climate," said Bayer AG Management Board member Dr. Wolfgang Plischke at a news conference held in Berlin to present Bayer's new Sustainable Development Report. He said great advances had already been made with the first projects of the Bayer Climate Program.

Informative: The new Sustainable Development Report details the Bayer Group's activities in this area.

Bayer intends to live up to its reputation as an inventor company in the field of climate protection as well, said Plischke. Current estimates suggest that absolute greenhouse gas emissions of the Bayer Group will remain at the present level through 2020 despite increasing production volumes, which means there will also be a reduction in specific CO_2 emissions per metric ton of product. This will be achieved partly by taking steps to make production processes more energy-efficient.

As part of its Climate Program, Bayer has launched a number of so-called lighthouse projects. One of these is the Bayer Climate Check, devised to analyze and reduce CO_2 emissions in industrial production. Bayer plans to assess all its production facilities around the world by the end of 2009 using this new measurement tool, which also includes raw materials, logistics and energy consumption in its CO_2 emissions analysis. A CO_2 reduction potential of roughly 10 percent has already been identified in a pilot phase in Germany involving five plants. Other companies, too, have shown interest in the Bayer Climate Check system. The production units are currently investigating and deciding on ways to implement the system. The reductions will be ensured in the medium term through sustainability programs.

An important feature of the Bayer Climate Check is the "climate footprint" – a new performance indicator that serves as a basis for decisions on climate-relevant aspects of capital expenditure and technology projects and was recently certified by TÜV SÜD, one of the world's leading certification organizations in the field of climate protection. The certification will help Bayer to market its innovative control tool for energy-efficient and climate-friendly production outside of the Bayer Group as well.

A lighthouse project arousing great interest in the construction industry is Bayer's EcoCommercial Building under construction in India (see photo on page 48). This building, scheduled for completion by the end of 2009, will require 70 percent less electricity than comparable structures. A key feature is the building's insulation based on raw materials from Bayer. The building will meet its remaining energy needs itself through the emission-free generation of solar energy. Importantly, the concept can be adapted to conditions in different climate zones.

A major focus of the Climate Program is on the sustainable use of plant-based energy resources. For example, the Jatropha plant can be cultivated on barren land that is not suitable for growing food crops. While it is inedible, its seeds contain 30 percent oil, which can be used to produce biodiesel. Bayer is joining forces with farmers in a research collaboration to explore

Certified sustainability: Rudolf X. Ruter (left) of Ernst & Young and Bayer Management Board member Dr. Wolfgang Plischke with the Sustainable Development Report.

the possible use of crop protection products in the sustainable growing of Jatropha.

The new Sustainable Development Report outlines what Bayer has already accomplished in the areas of ecology, economy and social needs. Despite a global 5 percent increase in the Group's production volume, Bayer kept CO_2 emissions in 2007 at about the same level as in the previous year. Specific CO_2 emissions per metric ton of product fell by 2.7 percent. Emissions into water held practically steady despite the increased production volume. Bayer has also achieved positive results in occupational and environmental safety. The number of industrial injuries resulting in absence from work declined, as did the number of reportable environmental incidents.

To ensure that its reporting on sustainability activities is complete, systematic and transparent, Bayer follows the internationally recognized guidelines of the "Global Reporting Initiative" (GRI). The GRI examined Bayer's new Sustainable Development Report, awarding it an "A+" rating, the highest attainable. Bayer has also had the report certified by the auditing firm of Ernst & Young.

Record participation in the International Children's Painting Competition

This year's topic for the painting competition that Bayer regularly organizes together with the United Nations Environment Programme (UNEP) was "What we can do about climate change." More than 15,400 children from nearly 100 countries took part – a new record. The pictures will be on show at exhibitions around the world, including one at the United Nations headquarters in New York. Bayer will present the paintings at exhibitions to be held at its sites.

News

Protecting crops against black stem rust

Tracking down the fungus: In the research laboratory, Bayer CropScience employees Anne Suty-Heinze (left) and Karin Wieczorek test wheat plants for infection with black stem rust.

Monheim – A new, aggressive strain of the black stem rust fungus, designated Ug99, is threatening global wheat stocks. Discovered in Uganda in 1999, the fungus attacks the stalks and leaves of wheat plants and consumes their metabolic products – which then are no longer available to the plants for growth. As a result, the grain withers and the harvest fails. Field trials conducted in Kenya have demonstrated that black stem rust can be effectively controlled with the cereal fungicide Folicur® from Bayer CropScience.

The fungus is invading wheat fields around the world and spreading faster than agricultural scientists expected. As a result, it threatens to cause devastating harvest losses in major wheat-growing countries in the future. If the fungal spores were to reach India, the world's largest producer of wheat after Europe and China, this would lead to increasing shortages of this important staple crop. Experts put the potential annual losses at more than €2.2 billion.

Folicur® is already available to farmers in Kenya and Iran to combat stem rust. Bayer CropScience plans to register further fungicides based on Folicur® in these two countries to control the disease.

At present, no wheat varieties are resistant to infection with Ug99. The medium-term goal is therefore to breed varieties that are resistant to the aggressive fungus.

YAZ registered in Europe

Berlin – The new low-dose oral contraceptive YAZ® will soon be available on the European market, too. Bayer Schering Pharma recently received the necessary marketing authorization. The product is scheduled for launch in all major European markets in the fall of 2008.

YAZ® will be the first oral contraceptive on the European market containing the unique progestin drospirenone combined with a low dose of ethinyl estradiol in a new dosing regimen of 24 days of active hormone tablets and four days of placebo.

Visual inspection: The new contraceptive YAZ® is soon to be launched in Europe.

YAZ® has been available since April 2006 in the United States (see page 10 for further information), where it is the only oral contraceptive ever approved for three distinct indications: contraception, treatment of moderate acne as well as treatment of the emotional and physical symptoms associated with PMDD (premenstrual dysphoric disorder), such as mood swings, irritability, anxiety, food cravings, breast tenderness, bloating and headache. Bayer Schering Pharma also plans to submit YAZ® for registration in Europe in the acne and PMDD indications.

Werner Wenning receives McCloy Award

New York/Leverkusen – The Chairman of the Board of Management of Bayer AG, Werner Wenning, has been presented with the coveted John J. McCloy Award of the American Council on Germany (ACG) at a ceremony in New York City. Wenning was honored for his “efforts to promote transatlantic synergies in general and innovative approaches to addressing global health issues in particular.” The award was bestowed by former German Foreign Minister Hans-Dietrich Genscher at a gala dinner attended by more than 500 leaders from German and American politics and industry.

Award ceremony: Former German Foreign Minister Hans-Dietrich Genscher (left) presents Bayer CEO Werner Wenning with the McCloy Award.

Movento insecticide approved in the U.S. and Canada

Monheim – The new insecticidal active ingredient spirotetramat from Bayer CropScience has been granted regulatory approval in the strategically important markets of the United States and Canada. Spirotetramat will be marketed worldwide under the brand name Movento®.

Bayer CropScience is the world number one in insecticides and is confident of expanding its global leadership position. The company expects this product to have annual sales potential of around €200 million. It is planned to launch the new insecticide in Brazil, Mexico, Colombia, Australia, New Zealand, Turkey, Africa, the Netherlands and Austria during 2008 and 2009. Movento® is ultimately intended for use in over 70 countries.

Not only does the active ingredient display a comprehensive spectrum of activity against sucking pests, it also spares important beneficial insects.

Rivaroxaban again shows superior efficacy to enoxaparin

Berlin – The active substance rivaroxaban has once again demonstrated superior efficacy to enoxaparin in a Phase III study. The anticoagulant, which is undergoing clinical development, was investigated in the RECORD4 study in patients who had undergone total knee replacement surgery. It was found that rivaroxaban (future brand name: Xarelto®) more effectively prevents venous thromboembolism (VTE) than the U.S.-approved treatment regimen with enoxaparin. The once-daily oral administration of rivaroxaban was compared to a twice-daily injection of enoxaparin.

The results of the RECORD 1, 2 and 3 studies, which were recently published in the New England Journal of Medicine and The Lancet, were correspondingly positive. Those studies included patients who had had total hip replacement surgery and others who had undergone hip and knee replacement surgery. In all studies, rivaroxaban was shown to be highly effective in preventing thrombosis.

The European Committee for Medicinal Products for Human Use (CHMP) recently recommended approval of rivaroxaban for the prevention of venous thromboembolism after planned hip or knee replacement surgery. The European Commission is expected to issue its final decision within the next few months, allowing rivaroxaban to be marketed in all E.U. member states.

A successful team: Dr. Alexander Straub, Dr. Elisabeth Perzborn and Dr. Susanne Röhrig (from left) of Bayer HealthCare developed rivaroxaban.

Brazil – a growing market for Bayer

Leverkusen/Belford Roxo – Bayer plans to invest roughly €100 million at its Brazilian sites through the end of 2009. Said Bayer CEO Werner Wenning at a ceremony marking the 50th anniversary of the Belford Roxo site's founding: "Brazil is our biggest market in Latin America, and we want to further expand our position in this growth region." In 2007 Bayer achieved sales of €3.2 billion in Latin America. Of this figure, Brazil accounted for about €1.2 billion, placing it among Bayer's top ten markets worldwide in terms of sales.

The announced investment program will focus on Belford Roxo, where €40 million will be spent on modernization and technical upgrading of the production facilities for plastics precursors and crop protection products, as well as on infrastructure projects.

Bayer receives environmental award

Berlin – Bayer has been presented with the 2008 Environmental Award in the category "Environmentally Friendly Technologies" by the Federation of German Industries (BDI) for a new chlorine production process that reduces power consumption and CO_2 emissions by 30 percent.

The environmentally friendly technology impressed the jury as an example of German industry's innovative capability. Chlorine is a basic raw material for the manufacture of high-tech materials such as polyurethane. Bayer worked with partners to develop the oxygen depolarized cathode technology, which enables chlorine to be recycled in a closed system.

Increasing energy efficiency in chlorine production is one of the goals of climate protection activities that Bayer has combined under its Climate Program since the end of 2007 (see also page 48).

Medicines from tobacco plants

Promoting health: Professor Yuri Gleba (right) and Thomas Prochaska with a tobacco plant.

Leverkusen/Halle – In conjunction with its subsidiary Icon Genetics, Bayer has developed a new process by which biotech drugs can be produced in tobacco plants. A new facility that employs this process was recently inaugurated at Halle in the German state of Saxony-Anhalt.

In the future, the active substances produced in the tobacco plants could be used to develop new approaches to the therapy and prevention of diseases where current medical options are not satisfactory.

The project is of particular significance in terms of personalized medicine, since tobacco plants produce proteins rapidly at high yields, opening up the prospect of therapies that so far have not been viable for economic reasons.

The first plant-made protein from the pilot facility in Halle that will be a candidate for clinical development is a patient-specific antibody vaccine for the treatment of non-Hodgkin's lymphoma (NHL), a malignant disorder of the lymphatic system. Phase I testing is scheduled to begin in 2009.

In the fast lane with BayVision

Leverkusen – Bayer MaterialScience is pooling its expertise in automotive glazing under the new BayVision brand, which combines glazing raw materials and plastics processing expertise with extensive development and engineering resources.

For many automakers, the high-tech material Makrolon® from Bayer MaterialScience is increasingly the glazing material of choice because it saves weight and at the same time allows for modern 3D styling. The Mercedes GL and the smart fortwo are already being series-produced with transparent roof modules of Makrolon®. A topical example of how the BayVision package works is the i-mode concept car, developed in collaboration with Hyundai and unveiled at the 2008 Geneva Auto Show. It is equipped with a total of eleven glazing components made of Makrolon®.

Exciting perspectives: The glazing components on the i-mode concept vehicle, from the windshield to the roof module to the rear window, are made of Makrolon®.

Phase II data: Nexavar effective against further types of cancer

Hope for cancer patients: Bayer HealthCare employee David Milczanowski performs the filling process for the cancer drug Nexavar® at Bayer's facility in Wuppertal.

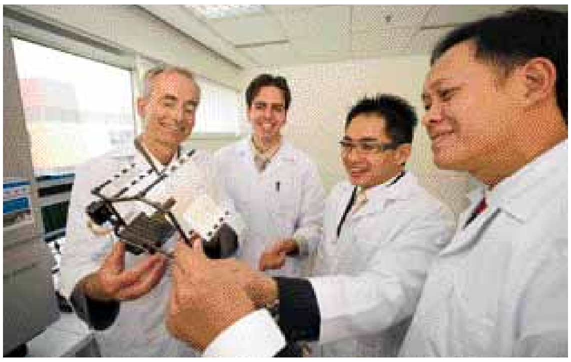
Berlin/Chicago – New data show increased application potential for the cancer drug Nexavar®. Findings from the drug's Phase II development program were presented at the 44th Annual Meeting of the American Society of Clinical Oncology (ASCO). Tablets containing the active substance sorafenib are currently being tested in multiple tumor types including lung, thyroid, gastric and ovarian cancers.

Nexavar® is currently approved in more than 40 countries – now including China – for the treatment of patients with inoperable liver cancer and in more than 70 countries for the treatment of advanced kidney cancer.

Following the approval by the U.S. Food and Drug Administration of the contrast agent Primovist®, the company now supplies two products that complement each other in the diagnosis and therapy of liver cancer. Primovist® is now available in more than 40 countries for the diagnosis of liver diseases.

Rice research laboratory opened in Singapore

Monheim – Bayer CropScience has opened a rice research laboratory in Singapore to drive the development of new high-yielding rice varieties in Asia, where 90 percent of global rice production takes place. Representing an investment of about €5 million, the research unit will work with cutting-edge technologies like DNA marker analysis to support molecular assisted breeding.



New research laboratory: Dr. Joachim Schneider, Head of BioScience (far left), and Julian Ho of the Singapore Economic Development Board (second from right) with colleagues.

The scientists at the new facility will work to integrate innovative agronomic traits, like disease or pest resistance, into hybrid rice.

At a later stage, the laboratory will also work on rice grain quality and on combating diseases that affect the crop. Bayer CropScience, already one of the world's leading developers of hybrid rice, expects the new facility to significantly increase its breeding capacity.

New study with VEGF Trap-Eye: Shedding light on blindness

Leverkusen – With treatment options for one of the leading causes of blindness in adults currently under close investigation, Bayer HealthCare and U.S.-based Regeneron are driving forward their joint global development program for the active substance VEGF Trap-Eye.

Insight: A doctor examines a patient's visual accuity. This can enable macular degeneration to be diagnosed in older patients.

The recently launched, second Phase III clinical study VIEW 2 will evaluate the effectiveness of VEGF Trap-Eye in the treatment of wet AMD, the neovascular form of age-related macular degeneration. Wet AMD accounts for about 90 percent of all severe AMD-related vision loss. It occurs when abnormal blood vessels in the eye leak fluid and blood into the macula. This can lead to a rapid loss of central vision with continued progression, and ultimately to blindness.

The recently launched study will enroll approximately 1,200 patients in up to 200 centers in Europe, Asia Pacific, Japan and Latin America. The first Phase III trial, VIEW 1, began enrolling patients in August 2007 in the United States and Canada. The development program, expected to be completed in 2011, compares VEGF Trap-Eye with Lucentis®, which is already available in several countries to treat wet AMD. Vascular endothelial growth factor (VEGF) is a naturally occurring protein in the body whose normal role is to trigger the formation of new blood vessels.

Makrofol ID used in British driver's licenses

Leverkusen – The new British driver's licenses in credit card format are being produced from the Bayer material Makrofol® ID. This film, which is based on the polycarbonate Makrolon®, helps the new driver's licenses set global standards in terms of counterfeit protection.

Credit card format: The new U.K. driver's license is made of the polycarbonate Makrofol® ID.

The well-known international security card manufacturer Trüb AG, based in Aarau, Switzerland, is to produce at least 40 million driver's licenses for the United Kingdom.

Makrofol® ID was the material of choice thanks in no small part to the excellent mechanical properties of the polycarbonate film, which make the driving licenses extremely strong and durable in day-to-day-use. For example, the cards do not become damaged or warped when subjected to high temperatures. Furthermore, counterfeiters cannot tamper with the license without damaging it and making it unusable.

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Financial Calendar

Q3 2008 Interim Report	October 29, 2008
2008 Annual Report	March 3, 2009
Q1 2009 Interim Report	April 29, 2009
Annual Stockholders' Meeting 2009	May 12, 2009
Payment of Dividend	May 13, 2009
Q2 2009 Interim Report	July 29, 2009
Q3 2009 Interim Report	October 27, 2009

Masthead

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