Stockholders' Newsletter

Financial Report as of September 30, 2008

Bayer continues on path of growth in third quarter

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Cover picture
Antithrombosis drug Xarelto® set for success

The process of drug discovery is both time-consuming and expensive. Pharmaceutical research scientists nowadays combine chemistry with the latest automation technology. Bayer HealthCare's development of the antithrombosis drug Xarelto® is a shining example of successful partnership between high-tech and classical chemistry. Our cover picture shows Bayer HealthCare employee Sandra Bilo with a high-throughput screening system. Each of the microtiter plates holds 1,536 test compounds, which the fully automated system investigates for biological activity. This is how promising drug candidates are identified for subsequent development into successful medicinal products. Read more about Xarelto® on page 46.

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Bayer Group Key Data

	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change	Full Year 2007
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**7,793**	**7,948**	**+2.0**	**24,345**	**24,995**	**+2.7**	**32,385**
Change in sales							
Volume	+5.8 %	+2.5 %		+6.0 %	+5.6 %		+5.6 %
Price	+1.2 %	+2.6 %		+0.6 %	+1.6 %		+0.5 %
Currency	−2.7 %	−4.0 %		−3.3 %	−5.1 %		−3.6 %
Portfolio	+0.1 %	+0.9 %		+12.7 %	+0.6 %		+9.3 %
EBITDA[1]	**1,439**	**1,334**	**−7.3**	**4,785**	**5,163**	**+7.9**	**5,866**
Special items	*(120)*	*(159)*		*(570)*	*(411)*		*(911)*
EBITDA before special items	*1,559*	*1,493*	*−4.2*	*5,355*	*5,574*	*+4.1*	*6,777*
EBITDA margin before special items	20.0 %	18.8 %		22.0 %	22.3 %		20.9 %
EBIT[2]	**677**	**684**	**+1.0**	**2,769**	**3,132**	**+13.1**	**3,154**
Special items	*(276)*	*(207)*		*(744)*	*(504)*		*(1,133)*
EBIT before special items	*953*	*891*	*−6.5*	*3,513*	*3,636*	*+3.5*	*4,287*
EBIT margin before special items	12.2 %	11.2 %		14.4 %	14.5 %		13.2 %
Non-operating result	**(266)**	**(276)**	**−3.8**	**(741)**	**(813)**	**−9.7**	**(920)**
Net income	**1,175**	**277**	**−76.4**	**4,644**	**1,613**	**−65.3**	**4,711**
Earnings per share (€)[3]	1.46	0.37		5.73	2.06		5.84
Core earnings per share (€)[4]	0.81	0.85		3.09	3.46		3.80
Gross cash flow[5]	**1,165**	**1,171**	**+0.5**	**3,763**	**4,144**	**+10.1**	**4,784**
Net cash flow[6]	**1,623**	**1,234**	**−24.0**	**2,814**	**2,651**	**−5.8**	**4,281**
Cash outflows for capital expenditures	**482**	**492**	**+2.1**	**1,123**	**1,127**	**+0.4**	**1,860**
Research and development expenses	640	662	+3.4	1,915	1,943	+1.5	2,578
Depreciation and amortization	**762**	**650**	**−14.7**	**2,016**	**2,031**	**+0.7**	**2,712**
Number of employees at end of period[7]	**106,200**	**108,600**	**+2.3**	**106,200**	**108,600**	**+2.3**	**106,200**
Personnel expenses	1,781	1,887	+6.0	5,573	5,739	+3.0	7,571

[1] EBITDA: EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. 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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Group guidance for 2008 confirmed

Bayer continues on path of growth in third quarter

- Sales €7.9 billion (+2.0 percent; adjusted +5.1 percent)
- HealthCare and CropScience improve earning power
- MaterialScience earnings significantly lower
- Group EBITDA before special items €1.5 billion (– 4.2 percent)
- Group EBIT before special items €0.9 billion (– 6.5 percent)
- Net income €0.3 billion

Overview of Sales, Earnings and Financial Position

Third quarter of 2008

Bayer continued on its path of growth in the **third quarter of 2008**. **Sales** rose by 2.0 percent to €7,948 million (Q3 2007: €7,793 million). Adjusted for currency and portfolio effects, sales rose by 5.1 percent. HealthCare improved sales by 6.1 percent. Sales of CropScience gained a substantial 14.0 percent. Business of MaterialScience was at the previous year's level (-0.5 percent) in a difficult market environment.

Sales by Market

€ million	Domestic	Foreign	Total
Q1			
2007	1,301	7,034	8,335
2008	1,325	7,211	**8,536**
Q2			
2007	1,199	7,018	8,217
2008	1,202	7,309	**8,511**
Q3			
2007	1,190	6,603	7,793
2008	1,227	6,721	**7,948**
Q4			
2007	1,125	6,915	8,040
2008			

EBITDA Before Special Items

€ million	
Q1	
2007	1,990
2008	**2,185**
Q2	
2007	1,806
2008	**1,896**
Q3	
2007	1,559
2008	**1,493**
Q4	
2007	1,422
2008	

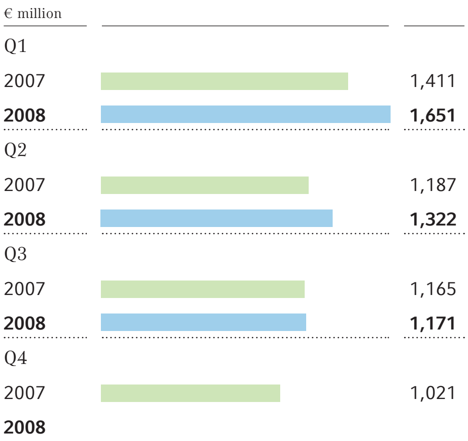
Domestic Foreign

EBITDA before special items for the third quarter came in at €1,493 million, down 4.2 percent from the prior-year figure of €1,559 million in the face of continuing adverse exchange-rate effects and higher raw material and energy costs compared to the previous year. HealthCare earnings grew by 6.8 percent to €1,018 million (Q3 2007: €953 million). CropScience raised earnings by 24.0 percent to €207 million (Q3 2007: €167 million) thanks to the strong performance of the business. By contrast, EBITDA before special items of MaterialScience fell by 39.4 percent to €255 million (Q3 2007: €421 million). As a result, third-quarter EBITDA for the Bayer Group as a whole declined by 7.3 percent to €1,334 million.

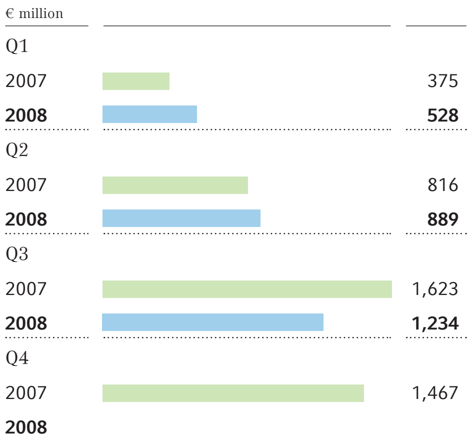
EBIT before special items declined by 6.5 percent in the third quarter of 2008 to €891 million (Q3 2007: €953 million). Special items totaled minus €207 million (Q3 2007: minus €276 million), with HealthCare accounting for minus €160 million (Q3 2007: minus €269 million), CropScience for minus €42 million (Q3 2007: minus €4 million) and MaterialScience for minus €5 million (Q3 2007: minus €3 million). EBIT edged ahead by 1.0 percent to €684 million (Q3 2007: €677 million).

After a non-operating result of minus €276 million (Q3 2007: minus €266 million), income before income taxes for the third quarter came in at €408 million (Q3 2007: €411 million). The non-operating result contained net interest expense of €159 million (Q3 2007: €180 million). After tax expense of €133 million (Q3 2007: tax income of €769 million), income from continuing operations came to €275 million (Q3 2007: €1,180 million). The net tax income in the prior-year quarter was due to €911 million in one-time non-cash tax income arising from the corporate tax reform in Germany. After minority interest, net income in the third quarter of 2008 came to €277 million (Q3 2007: €1,175 million). Earnings per share were €0.37 (Q3 2007: €1.46). Core earnings per share improved to €0.85 (Q3 2007: €0.81). The calculation of core earnings per share is explained on page 29.

Gross Cash Flow



Net Cash Flow



Gross cash flow edged ahead by 0.5 percent year on year in the third quarter of 2008, to €1,171 million. Due to a smaller decline in working capital than in the prior-year quarter, net cash flow was down by 24.0 percent to €1,234 million. Net debt was €13.7 billion as of September 30, 2008, up €0.4 billion from June 30, 2008. This increase was due in part to shifts in exchange rates between the euro and other major currencies, which had a €0.5 billion effect, and to €0.4 billion in disbursements for acquisitions. The Group's net pension liability declined from €3.9 billion on June 30, 2008, to €3.4 billion on September 30, 2008. The decrease was mainly due to higher long-term interest rates on the capital market.

First three quarters of 2008

The Bayer Group continued to improve its operating performance in the **first three quarters of 2008**. **Sales** from continuing operations grew by 2.7 percent to €24,995 million (9M 2007: €24,345 million). Adjusted for currency and portfolio changes, the increases were 7.2 percent for the Group as a whole, 7.1 percent for HealthCare, 17.4 percent for CropScience and 1.8 percent for MaterialScience.

EBITDA before special items grew by 4.1 percent to €5,574 million (9M 2007: €5,355 million). **EBIT** before special items in the first three quarters increased by 3.5 percent to €3,636 million (9M 2007: €3,513 million). Special items totaled minus €504 million (9M 2007: minus €744 million), with HealthCare accounting for minus €386 million, CropScience for minus €104 million and MaterialScience for minus €14 million. EBIT of the Bayer Group rose by 13.1 percent to €3,132 million (9M 2007: €2,769 million).

After a non-operating result of minus €813 million (9M 2007: minus €741 million), income before income taxes in the first three quarters came in at €2,319 million (9M 2007: €2,028 million). The non-operating result contained net interest expense of €535 million (9M 2007: €541 million). After tax expense of €701 million (9M 2007: tax income of €221 million), income from continuing operations came to €1,618 million (9M 2007: €2,249 million). The €2,396 million after-tax income from discontinued operations recorded for the first three quarters of the prior year largely comprised the proceeds from the divestitures of the Diagnostics business, H.C. Starck and Wolff Walsrode.

After minority stockholders' interest, net income for the first three quarters of 2008 totaled €1,613 million, against €4,644 million in the prior-year period. Earnings per share amounted to €2.06 (9M 2007: €5.73). Core earnings per share increased to €3.46 (9M 2007: €3.09). The calculation of core earnings per share is explained on page 29.

Gross cash flow rose by 10.1 percent year on year in the first three quarters of 2008, to €4,144 million (9M 2007: €3,763 million) in light of the strong business performance. Net cash flow dropped by 5.8 percent to €2,651 million (9M 2007: €2,814 million).

Future Perspectives

Economic outlook

The profound turbulence on the international financial markets is increasingly restraining global economic development and harbors substantial additional risks for the real economy.

We expect growth in the markets relevant to our HealthCare business to be relatively steady overall, with a slight loss of momentum likely in the pharmaceutical market due mainly to slower growth in the United States and other major countries. On the other hand, we predict steady expansion in emerging markets such as China, Russia, India and Brazil.

Prices for agricultural raw materials remain well above the ten-year average, despite a decline in recent weeks. We believe that the global seed and crop protection markets will continue to benefit from higher farm incomes and the associated increase in crop production.

Growth in the main customer industries for Bayer MaterialScience (automotive, construction) will probably continue to weaken tangibly, particularly in North America and western Europe. We expect largely stable development in other economic regions (Asia, eastern Europe, Middle East), although export activity in these countries will likely be hampered by shrinking global demand over the next few quarters.

Bayer Group sales and earnings forecast

Despite the difficult economic conditions expected in the fourth quarter, we confirm our full-year guidance for 2008. We continue to target over 5 percent currency- and portfolio-adjusted growth in Bayer Group sales, which would mean sales of approximately €33 billion, 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 the EBITDA margin before special items in this subgroup toward 27 percent.

We expect the generally positive market environment for our CropScience business to persist in the fourth quarter. Against this background, we continue to believe that we can increase sales by well over 10 percent on a currency- and portfolio adjusted basis and improve the EBITDA margin before special items to about 25 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.

We believe the economic environment for our MaterialScience business will continue to weaken in the fourth quarter of 2008 and that this subgroup's earnings will decline again compared to the third quarter. We therefore expect EBITDA before special items for the full year 2008 to come in well below the 2007 figure. However, we anticipate that we will again achieve a good, value-creating earnings level.

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

In light of the portfolio realignment carried out in recent years, we are confident about the Group's future development. For 2009 we confirm our target of an EBITDA margin before special items for HealthCare and CropScience in the region of 28 percent and 25 percent, respectively. We expect MaterialScience to report lower EBITDA before special items than in 2008.

For the Bayer Group as a whole, we plan a further improvement in EBITDA before special items. We will narrow our 2009 guidance when we publish our Annual Report 2008.

Performance by Subgroup and Segment

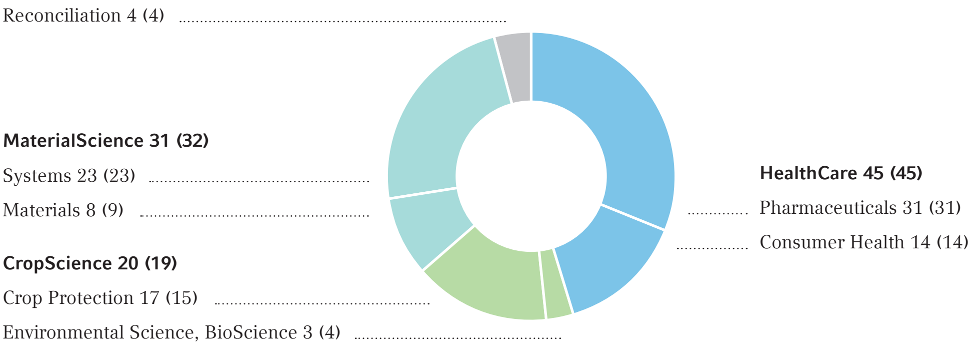
Corporate structure

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 third 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).

With the entry of the squeeze-out of the remaining minority stockholders of Bayer Schering Pharma AG in the commercial register on September 25, 2008, all shares of the minority stockholders of Bayer Schering Pharma AG were transferred by operation of law to Bayer Schering GmbH, a wholly owned subsidiary of Bayer AG. The remaining minority stockholders have received cash compensation of €98.98 per share. The required sum of €695 million, which had been held in escrow accounts for this purpose, was paid out to the stockholders at the beginning of October. No final decision has yet been issued in the main proceedings involving lawsuits brought by dissenting stockholders seeking to have the squeeze-out resolution set aside or declared null and void.

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.

Sales by Segment in Percent, 9M 2008 (9M 2007 in parentheses)



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Key Data by Subgroup and Segment

€ million	Sales 3rd Quarter 2007	Sales 3rd Quarter 2008	EBIT before special items* 3rd Quarter 2007	EBIT before special items* 3rd Quarter 2008	EBITDA before special items* 3rd Quarter 2007	EBITDA before special items* 3rd Quarter 2008	EBITDA margin before special items* 3rd Quarter 2007	EBITDA margin before special items* 3rd Quarter 2008
HealthCare	**3,680**	**3,802**	**644**	**703**	**953**	**1,018**	**25.9 %**	**26.8 %**
Pharmaceuticals	2,570	2,638	438	461	715	738	27.8 %	28.0 %
Consumer Health	1,110	1,164	206	242	238	280	21.4 %	24.1 %
CropScience	**1,157**	**1,248**	**34**	**78**	**167**	**207**	**14.4 %**	**16.6 %**
Crop Protection	985	1,067	60	88	175	197	17.8 %	18.5 %
Environmental Science, BioScience	172	181	(26)	(10)	(8)	10	(4.7) %	5.5 %
MaterialScience	**2,625**	**2,549**	**295**	**138**	**421**	**255**	**16.0 %**	**10.0 %**
Systems	1,858	1,850	263	148	341	225	18.4 %	12.2 %
Materials	767	699	32	(10)	80	30	10.4 %	4.3 %
Reconciliation	**331**	**349**	**(20)**	**(28)**	**18**	**13**	**5.4 %**	**3.7 %**
Continuing operations	**7,793**	**7,948**	**953**	**891**	**1,559**	**1,493**	**20.0 %**	**18.8 %**

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

€ million	Sales First Nine Months 2007	Sales First Nine Months 2008	EBIT before special items* First Nine Months 2007	EBIT before special items* First Nine Months 2008	EBITDA before special items* First Nine Months 2007	EBITDA before special items* First Nine Months 2008	EBITDA margin before special items* First Nine Months 2007	EBITDA margin before special items* First Nine Months 2008
HealthCare	**11,007**	**11,267**	**1,908**	**2,005**	**2,870**	**3,062**	**26.1 %**	**27.2 %**
Pharmaceuticals	7,648	7,836	1,274	1,327	2,137	2,276	27.9 %	29.0 %
Consumer Health	3,359	3,431	634	678	733	786	21.8 %	22.9 %
CropScience	**4,505**	**5,030**	**743**	**1,031**	**1,147**	**1,421**	**25.5 %**	**28.3 %**
Crop Protection	3,681	4,215	599	910	946	1,239	25.7 %	29.4 %
Environmental Science, BioScience	824	815	144	121	201	182	24.4 %	22.3 %
MaterialScience	**7,856**	**7,683**	**876**	**672**	**1,239**	**1,034**	**15.8 %**	**13.5 %**
Systems	5,593	5,624	777	687	1,008	930	18.0 %	16.5 %
Materials	2,263	2,059	99	(15)	231	104	10.2 %	5.1 %
Reconciliation	**977**	**1,015**	**(14)**	**(72)**	**99**	**57**	**10.1 %**	**5.6 %**
Continuing operations	**24,345**	**24,995**	**3,513**	**3,636**	**5,355**	**5,574**	**22.0 %**	**22.3 %**

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

Bayer HealthCare

Sales of the Bayer HealthCare subgroup rose by 3.3 percent in the **third quarter of 2008**, to €3,802 million (Q3 2007: €3,680 million). Adjusted for currency and portfolio changes, business was up by 6.1 percent. The Pharmaceuticals and Consumer Health segments both contributed to the increase.

Bayer HealthCare improved third-quarter **EBITDA** before special items by 6.8 percent to €1,018 million (Q3 2007: €953 million). Earnings growth was due mainly to the pleasing performance of the business and the synergies realized from the integration of Schering AG, Germany. These factors were partially offset by adverse shifts in currency parities and a substantial increase in the marketing expenses related to the expansion of our activities in emerging countries and to new product introductions. **EBIT** before special items improved from €644 million to €703 million. The special items totaling minus €160 million resulted primarily from charges in connection with the acquisition and integration of Schering AG and the market withdrawal of Vasovist®. EBIT advanced by a strong 44.8 percent to €543 million (Q3 2007: €375 million).

Pharmaceuticals

Sales of the Pharmaceuticals segment increased by 2.6 percent in the **third quarter of 2008**, to €2,638 million (Q3 2007: €2,570 million). Adjusted for currency and portfolio effects, business expanded by 5.9 percent.

Sales of the Primary Care business unit were level with the same period of last year, at €742 million (Q3 2007: €743 million). On a currency-adjusted (Fx adj.) basis, business expanded by 3.1 percent. Particularly strong gains were recorded by Aspirin Cardio® (Fx adj. +15.8 percent) and Avalox®/Avelox® (Fx adj. +6.3 percent), especially in the Asia-Pacific region.

Women's Healthcare saw sales rise by 6.8 percent to €709 million (Q3 2007: €664 million). Adjusted for shifts in exchange rates, business moved ahead 10.7 percent. The intrauterine contraceptive system Mirena® (Fx adj. +17.1 percent) and the oral contraceptives Yasmin®/YAZ®/Yasminelle® (Fx adj. +15.1 percent) were again particularly successful in the market. Even in the United States, sales of the YAZ® family as a whole recorded an increase despite the launch of a generic competitor for Yasmin®. In September 2008, we began the European market introduction of YAZ®, a low-dose contraceptive tablet.

Sales of the Diagnostic Imaging business unit rose by 1.6 percent in the third quarter of 2008, to €325 million (Q3 2007: €320 million). Adjusted for currency and portfolio effects, business expanded by 1.7 percent. Sales of our subsidiary Medrad advanced by €11 million to €104 million (Fx and portfolio adj. +3.3 percent). Sales of Ultravist® progressed particularly well (Fx adj. +10.1 percent), while business with Magnevist® showed another marked decline (Fx adj. -16.3 percent), due in part to the shift toward Gadovist® in Europe. The U.S. Food and Drug Administration (FDA) granted marketing authorization for Bayer's contrast agent EOVIST® for magnetic resonance imaging of the liver.

The Specialized Therapeutics business unit saw sales rise by 9.2 percent to €344 million (Q3 2007: €315 million), or by 12.9 percent when adjusted for currency effects. The increase here was mainly attributable to our multiple sclerosis drug Betaferon®/Betaseron® (Fx adj. +15.2 percent).

In the Hematology/Cardiology business unit, sales declined by 8.0 percent to €243 million. On a currency- and portfolio-adjusted basis, sales were down by 3.3 percent. The positive performance of Kogenate® (Fx adj. +14.8 percent) did not fully offset the drop

Bayer HealthCare	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**3,680**	**3,802**	**+3.3**	**11,007**	**11,267**	**+2.4**
Pharmaceuticals	2,570	2,638	+2.6	7,648	7,836	+2.5
Consumer Health	1,110	1,164	+4.9	3,359	3,431	+2.1
Sales by Region						
Europe	1,540	1,588	+3.1	4,602	4,753	+3.3
North America	1,086	1,093	+0.6	3,323	3,222	−3.0
Asia/Pacific	514	561	+9.1	1,503	1,632	+8.6
Latin America/Africa/Middle East	540	560	+3.7	1,579	1,660	+5.1
EBITDA[1]	**836**	**905**	**+8.3**	**2,407**	**2,762**	**+14.7**
Special items	*(117)*	*(113)*		*(463)*	*(300)*	
EBITDA before special items[2]	*953*	*1,018*	*+6.8*	*2,870*	*3,062*	*+6.7*
EBITDA margin before special items	25.9 %	26.8 %		26.1%	27.2 %	
EBIT[1]	**375**	**543**	**+44.8**	**1,291**	**1,619**	**+25.4**
Special items	*(269)*	*(160)*		*(617)*	*(386)*	
EBIT before special items[2]	*644*	*703*	*+9.2*	*1,908*	*2,005*	*+5.1*
Gross cash flow[1]	**708**	**799**	**+12.9**	**1,810**	**2,142**	**+18.3**
Net cash flow[1]	**684**	**679**	**−0.7**	**1,351**	**1,410**	**+4.4**

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

Pharmaceuticals	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,570**	**2,638**	**+2.6**	**7,648**	**7,836**	**+2.5**
Primary Care	743	742	−0.1	2,282	2,254	−1.2
Women's Healthcare	664	709	+6.8	1,943	2,128	+9.5
Diagnostic Imaging (including Medrad)	320	325	+1.6	957	944	−1.4
Specialized Therapeutics	315	344	+9.2	928	1,000	+7.8
Hematology/Cardiology	264	243	−8.0	803	686	−14.6
Oncology	203	215	+5.9	550	639	+16.2
Dermatology (Intendis)	61	60	−1.6	185	185	0.0
Sales by Region						
Europe	1,104	1,095	−0.8	3,258	3,296	+1.2
North America	704	714	+1.4	2,153	2,126	-1.3
Asia/Pacific	419	459	+9.5	1,236	1,337	+8.2
Latin America/Africa/Middle East	343	370	+7.9	1,001	1,077	+7.6
EBITDA[1]	**598**	**630**	**+5.4**	**1,674**	**2,016**	**+20.4**
Special items	*(117)*	*(108)*		*(463)*	*(260)*	
EBITDA before special items[2]	*715*	*738*	*+3.2*	*2,137*	*2,276*	*+6.5*
EBITDA margin before special items	27.8 %	28.0 %		27.9 %	29.0 %	
EBIT[1]	**169**	**306**	**+81.1**	**657**	**981**	**+49.3**
Special items	*(269)*	*(155)*		*(617)*	*(346)*	
EBIT before special items[2]	*438*	*461*	*+5.3*	*1,274*	*1,327*	*+4.2*
Gross cash flow[1]	**519**	**586**	**+12.9**	**1,290**	**1,577**	**+22.2**
Net cash flow[1]	**464**	**496**	**+6.9**	**945**	**989**	**+4.7**

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

in sales resulting from the worldwide suspension of marketing for Trasylol®. In the third quarter of 2008, we began marketing Xarelto® in Germany, the Netherlands and Canada. This novel anticoagulant, a once-daily tablet, can be used to prevent venous thromboembolism (VTE) in patients following hip or knee replacement surgery. In July 2008 our cooperation partner for Xarelto®, Johnson & Johnson Pharmaceutical Research & Development, L.L.C., filed a registration application for Xarelto® with the U.S. Food and Drug Administration.

The Oncology business unit saw sales expand by 5.9 percent to €215 million (Q3 2007: €203 million). On a currency-adjusted basis the increase came to 9.4 percent, boosted by strong growth in sales of Nexavar® (Fx adj. +62.9 percent), which more than offset the sales decline in certain other products. In July 2008 the Chinese State Food and Drug Administration approved Nexavar® for the treatment of inoperable or metastasizing forms of liver cancer.

Sales from our Dermatology business (Intendis) in the third quarter were level with the prior-year quarter at €60 million, rising by 1.3 percent on a currency-adjusted basis.

In September 2008 we acquired DIREVO Biotech AG, Cologne, Germany. The acquisition of this biotech company, which specializes in protein engineering, strengthens our biological research expertise.

Best-Selling Pharmaceutical Products	3rd Quarter 2007	**3rd Quarter 2008**	Change	Currency-adjusted change	First Nine Months 2007	**First Nine Months 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Yasmin®/YAZ®/Yasminelle® (Women's Healthcare)	278	308	+10.8	+15.1	768	910	+18.5	+26.3
Betaferon®/Betaseron® (Specialized Therapeutics)	262	291	+11.1	+15.2	762	839	+10.1	+15.6
Kogenate® (Hematology/Cardiology)	213	235	+10.3	+14.8	624	650	+4.2	+9.7
Adalat® (Primary Care)	152	148	−2.6	+1.8	459	456	−0.7	+3.5
Mirena® (Women's Healthcare)	96	105	+9.4	+17.1	265	335	+26.4	+37.4
Avalox®/Avelox® (Primary Care)	99	101	+2.0	+6.3	317	334	+5.4	+11.5
Nexavar® (Oncology)	76	121	+59.2	+62.9	183	330	+80.3	+89.0
Levitra® (Primary Care)	85	82	−3.5	+0.9	250	248	−0.8	+5.5
Cipro®/Ciprobay® (Primary Care)	96	84	−12.5	−7.6	297	242	−18.5	−14.7
Glucobay® (Primary Care)	74	75	+1.4	+1.2	225	229	+1.8	+4.4
Aspirin Cardio® (Primary Care)	59	67	+13.6	+15.8	170	198	+16.5	+20.0
Ultravist® (Diagnostic Imaging)	59	61	+3.4	+10.1	178	194	+9.0	+15.4
Magnevist® (Diagnostic Imaging)	77	61	−20.8	−16.3	231	180	−22.1	−16.6
Iopamiron® (Diagnostic Imaging)	48	47	−2.1	−2.3	152	138	−9.2	−8.9
Diane® (Women's Healthcare)	41	42	+2.4	+4.0	129	124	−3.9	−2.0
Total	**1,715**	**1,828**	**+6.6**	**+10.7**	**5,010**	**5,407**	**+7.9**	**+13.6**
Proportion of Pharmaceuticals sales	67 %	69 %			66 %	69 %		

Third-quarter **EBITDA** before special items of the Pharmaceuticals segment rose by 3.2 percent to €738 million (Q3 2007: €715 million). The strong performance of the business and the synergies already realized from the integration of Schering AG, Germany, contributed to earnings growth. These factors were partially offset by higher marketing costs, mainly for Nexavar®, Xarelto® and the expansion of our Primary Care business in China. **EBIT** before special items came in at €461 million, up 5.3 percent from the prior-year figure of €438 million. The main components of the €155 million in special charges were €99 million related to the acquisition and integration of Schering AG, Germany, and €52 million in connection with the market withdrawal of Vasovist®. EBIT jumped by 81.1 percent to €306 million (Q3 2007: €169 million).

Sales of the Pharmaceuticals segment in the **first nine months of 2008** rose by 2.5 percent to €7,836 million (9M 2007: €7,648 million). This corresponds to a currency- and portfolio-adjusted 7.2 percent increase, for which the gratifying development of Nexavar® (Fx adj. +89.0 percent), Mirena® (Fx adj. +37.4 percent), Yasmin®/YAZ®/Yasminelle® (Fx adj. +26.3 percent) and Aspirin Cardio® (Fx adj. +20.0 percent) was largely responsible. The gains for these products were partially offset by declining sales of Magnevist® (Fx adj. −16.6 percent), Cipro®/Ciprobay® (Fx adj. −14.7 percent) and Trasylol®. EBITDA before special items rose to €2,276 million (9M 2007: €2,137 million), while EBIT before special items was up by €53 million to €1,327 million. After special items totaling minus €346 million, EBIT improved by 49.3 percent to €981 million (9M 2007: €657 million).

Consumer Health

Sales of the Consumer Health segment came in at €1,164 million in the **third quarter of 2008**, up 4.9 percent from €1,110 million in the prior-year period. Adjusted for currency and portfolio effects, business expanded by 6.7 percent, with all divisions contributing to this increase.

In the Consumer Care Division, sales advanced by 6.0 percent to €693 million (Q3 2007: €654 million). The increase came in part from our business with the calcium supplement Citracal® acquired in October 2007, the Sagmel business acquired in Europe in June 2008 and, since September 2008, the Topsun business acquired in China. Sales rose by 4.8 percent on a currency- and portfolio-adjusted basis. Bepanthen®/Bepanthol® (Fx adj. +21.4 percent) and Canesten® (Fx adj. +11.4 percent) posted particularly strong gains.

Sales of the Diabetes Care Division rose by 5.9 percent in the third quarter of 2008, to €233 million (Q3 2007: €220 million). On a currency-adjusted basis, business expanded by 11.0 percent. Sales of our Contour® line of blood glucose monitoring systems moved ahead to €128 million (Fx adj. +19.1 percent), driven by growth in North America and Europe. Sales of Breeze® also climbed strongly (Fx adj. +37.8 percent). This increase was partly related to a price increase in the United States announced for October. Sales of our older Elite® systems continued to decline in the third quarter to €28 million (Fx adj. -28.7 percent).

Sales of the Animal Health Division edged up 0.8 percent to €238 million (Q3 2007: €236 million). On a currency-adjusted basis, sales rose by 8.1 percent. We were especially pleased with the performance of the Advantage® product line (Fx adj. +19.0 percent).

The Consumer Health segment saw third-quarter **EBITDA** before special items improve to €280 million (Q3 2007: €238 million), due mainly to business expansion in all divisions. Earnings in the prior-year period were diminished by charges of €15 million to modernize the IT infrastructure of Diabetes Care in North America. **EBIT** before special items in the third quarter of 2008 increased by 17.5 percent to €242 million (Q3 2007: €206 million). After special charges of €5 million related to litigation, EBIT climbed by 15.0 percent to €237 million (Q3 2007: €206 million).

Sales in the **first three quarters of 2008** improved by 2.1 percent to €3,431 million (9M 2007: €3,359 million). Adjusted for currency and portfolio effects, business expanded by 6.8 percent. EBITDA before special items of the Consumer Health segment advanced by €53 million year-on-year to €786 million. EBIT before special items grew by 6.9 percent to €678 million (9M 2007: €634 million). After special items of minus €40 million, EBIT rose by €4 million to €638 million (9M: €634 million).

Consumer Health	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,110**	**1,164**	**+4.9**	**3,359**	**3,431**	**+2.1**
Consumer Care	654	693	+6.0	1,937	1,989	+2.7
Diabetes Care	220	233	+5.9	690	709	+2.8
Animal Health	236	238	+0.8	732	733	+0.1
Sales by Region						
Europe	436	493	+13.1	1,344	1,457	+8.4
North America	382	379	−0.8	1,170	1,096	−6.3
Asia/Pacific	95	102	+7.4	267	295	+10.5
Latin America/Africa/Middle East	197	190	−3.6	578	583	+0.9
EBITDA[1]	**238**	**275**	**+15.5**	**733**	**746**	**+1.8**
Special items	*0*	*(5)*		*0*	*(40)*	
EBITDA before special items[2]	*238*	*280*	*+17.6*	*733*	*786*	*+7.2*
EBITDA margin before special items	21.4 %	24.1%		21.8 %	22.9 %	
EBIT[1]	**206**	**237**	**+15.0**	**634**	**638**	**+0.6**
Special items	*0*	*(5)*		*0*	*(40)*	
EBIT before special items[2]	*206*	*242*	*+17.5*	*634*	*678*	*+6.9*
Gross cash flow[1]	**189**	**213**	**+12.7**	**520**	**565**	**+8.7**
Net cash flow[1]	**220**	**183**	**−16.8**	**406**	**421**	**+3.7**

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

Best-Selling Consumer Health Products	3rd Quarter 2007	**3rd Quarter 2008**	Change	Currency-adjusted change	First Nine Months 2007	**First Nine Months 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Contour®[1] (Diabetes Care)	112	128	+14.3	+19.1	347	401	+15.6	+22.9
Aspirin®[2] (Consumer Care)	112	105	−6.3	−3.7	332	324	-2.4	+2.6
Advantage® product line (Animal Health)	76	85	+11.8	+19.0	256	262	+2.3	+11.2
Aleve®/naproxen (Consumer Care)	53	48	−9.4	−5.8	177	153	−13.6	−4.2
Canesten® (Consumer Care)	48	51	+6.3	+11.4	138	152	+10.1	+16.6
Bepanthen®/Bepanthol® (Consumer Care)	34	41	+20.6	+21.4	110	132	+20.0	+20.8
Breeze®[1] (Diabetes Care)	31	40	+29.0	+37.8	112	108	−3.6	+3.6
Baytril® (Animal Health)	38	38	0.0	+5.6	111	107	−3.6	+2.5
Supradyn® (Consumer Care)	36	35	−2.8	+0.4	101	103	+2.0	+4.9
One-A-Day® (Consumer Care)	37	35	−5.4	+2.6	97	92	−5.2	+6.4
Total	**577**	**606**	**+5.0**	**+9.8**	**1,781**	**1,834**	**+3.0**	**+9.7**
Proportion of Consumer Health sales	52 %	52 %			53 %	53 %		

[1] previously included with the Ascensia® product family
[2] Total Aspirin® Q3 sales = €172 million (Q3 2007: €171 million), 9M sales = €522 million (9M 2007: €502 million) including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

Bayer CropScience

The Bayer CropScience subgroup again posted gratifying growth in the **third quarter of 2008**. **Sales** rose by 7.9 percent to €1,248 million (Q3 2007: €1,157 million). Adjusted for currency and portfolio changes, the increase came to 14.0 percent. Our CropScience business benefited from price levels for agricultural products that continued to be attractive to producers.

EBITDA before special items for the subgroup grew by 24.0 percent to €207 million (Q3 2007: €167 million), due especially to higher volumes and selling price increases for Crop Protection products. However, earnings were diminished by negative currency effects. **EBIT** before special items more than doubled to €78 million. Special charges for restructuring came to €42 million. EBIT advanced by 20.0 percent to €36 million.

Crop Protection

Sales of the Crop Protection segment expanded by 8.3 percent in the **third quarter of 2008**, to €1,067 million (Q3 2007: €985 million). On a currency-adjusted basis, business expanded by 14.7 percent. The market environment remained favorable and sales of all business units increased, with particularly strong growth recorded for our seed treatments, insecticides and fungicides.

In the Europe region, sales edged ahead by 0.8 percent to €371 million (Q3 2007: €368 million). Adjusted for currency effects, the increase was 1.1 percent. Our business with cereal and canola seed treatment products was especially successful. By contrast, sales of our herbicides were down substantially from the corresponding period of last year due to the somewhat later start to the fall season in western Europe.

Our crop protection business in North America expanded by 5.0 percent to €147 million. Adjusted for currency effects, the increase came to 17.2 percent. Business with our herbicides moved ahead significantly, with Liberty®/Rely® performed particularly well. The market introduction of Movento® and Belt® boosted insecticide sales. On the other hand, business with our seed treatment products, especially Poncho®, was down due to the delayed start to the season for these products.

Crop Protection sales in the Asia-Pacific region advanced by 6.8 percent to €203 million (Q3 2007: €190 million). Adjusted for shifts in exchange rates, business expanded by 16.2 percent. The tangible recovery in the agriculture sector in many parts of Australia following several years of drought provided a significant boost to sales of our herbicides and fungicides. In Japan, sales of our herbicides and insecticides improved, more than offsetting lower sales in China due to reduced insect infestation in rice.

Sales in our Latin America/Africa/Middle East region rose by 20.6 percent to €346 million (Q3 2007: €287 million). Adjusted for currency effects, the increase came to 29.8 percent. In Africa and the Middle East sales were down, while in Latin America we benefited from the positive market environment brought about by attractive prices for agricultural raw materials from the farmers' perspective. As a result, sales increased significantly in all business units. We recorded particularly high growth rates for the Flint® family of fungicides, seed treatments for corn, and various insecticides for citrus fruits and corn.

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Bayer CropScience	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,157**	**1,248**	**+7.9**	**4,505**	**5,030**	**+11.7**
Crop Protection	985	1,067	+8.3	3,681	4,215	+14.5
Environmental Science, BioScience	172	181	+5.2	824	815	−1.1
Sales by Region						
Europe	415	424	+2.2	1,953	2,244	+14.9
North America	206	213	+3.4	1,083	1,122	+3.6
Asia/Pacific	218	230	+5.5	674	701	+4.0
Latin America/Africa/Middle East	318	381	+19.8	795	963	+21.1
EBITDA[1]	**166**	**167**	**+0.6**	**1,062**	**1,323**	**+24.6**
Special items	*(1)*	*(40)*		*(85)*	*(98)*	
EBITDA before special items[2]	*167*	*207*	*+24.0*	*1,147*	*1,421*	*+23.9*
EBITDA margin before special items	14.4 %	16.6 %		25.5 %	28.3 %	
EBIT[1]	**30**	**36**	**+20.0**	**649**	**927**	**+42.8**
Special items	*(4)*	*(42)*		*(94)*	*(104)*	
EBIT before special items[2]	*34*	*78*	*+129.4*	*743*	*1,031*	*+38.8*
Gross cash flow[1]	**149**	**167**	**+12.1**	**777**	**1,033**	**+32.9**
Net cash flow[1]	**433**	**273**	**−37.0**	**689**	**692**	**+0.4**

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

Best-Selling Bayer CropScience Products*	3rd Quarter 2007	**3rd Quarter 2008**	Change	Currency-adjusted change	First Nine Months 2007	**First Nine Months 2008**	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	157	199	+26.8	+32.6	452	489	+8.2	+16.0
Flint®/Stratego®/Sphere® (Fungicides)	47	69	+46.8	+58.5	160	251	+56.9	+70.6
Proline® (Fungicides)	8	18	+125.0	+122.5	155	224	+44.5	+51.5
Folicur®/Raxil® (Fungicides/Seed Treatment)	48	50	+4.2	+8.6	186	208	+11.8	+16.8
Basta®/Liberty®/Rely® (Herbicides)	28	24	−14.3	−5.2	189	195	+3.2	+9.1
Puma® (Herbicides)	22	24	+9.1	+16.9	160	174	+8.8	+14.7
Poncho® (Seed Treatment)	60	50	−16.7	−10.4	150	157	+4.7	+14.4
Atlantis® (Herbicides)	34	19	−44.1	−45.2	125	155	+24.0	+27.6
Decis®/K-Othrine® (Insecticides/Environmental Science)	42	41	−2.4	+3.0	139	140	+0.7	+6.8
Fandango® (Fungicides)	12	15	+25.0	+32.1	54	110	+103.7	+109.2
Total	**458**	**509**	**+11.1**	**+17.2**	**1,770**	**2,103**	**+18.8**	**+26.0**
Proportion of Bayer CropScience sales	40 %	41%			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 rose by 12.6 percent to €197 million (Q3 2007: €175 million). This earnings growth came mainly from higher volumes and selling price increases, which were partially offset by adverse currency effects. **EBIT** before special items came in at €88 million, up 46.7 percent from €60 million for the prior-year period. We took special charges of €42 million related to our cost structure program. EBIT came in at €46 million (Q3 2007: €56 million).

Sales of the Crop Protection segment in the **first three quarters** advanced by 14.5 percent to €4,215 million (9M 2007: €3,681 million). When adjusted for currency effects, the increase amounted to 20.8 percent. EBITDA before special items advanced by 31.0 percent to €1,239 million. EBIT before special items climbed by 51.9 percent to €910 million (9M 2007: €599 million). Our cost structure program led to special charges of €97 million. EBIT advanced by 50.6 percent to €813 million (9M 2007: €540 million).

Environmental Science, BioScience

In the Environmental Science, BioScience segment, **sales** for the **third-quarter of 2008** rose by 5.2 percent year-on-year to €181 million (Q3 2007: €172 million). Adjusted for currency and portfolio effects, business expanded by 10.5 percent.

Sales of the Environmental Science business unit improved by 1.6 percent to €129 million. Adjusted for currency effects, business was up 6.7 percent. In Europe, business with products for both professional users and consumers rose substantially from the same period of last year, more than offsetting a slight decline in sales in North America.

Sales of the BioScience business unit moved ahead 15.6 percent to €52 million. Adjusted for currency and portfolio effects, business was 21.2 percent ahead of the third quarter of 2007. This marked expansion was due especially to our vegetable seed business. The cotton seed business also turned in a pleasing performance.

Third-quarter **EBITDA** before special items in the Environmental Science, BioScience segment improved to €10 million (Q3 2007: minus €8 million). This was chiefly due to the growth in business. **EBIT** came in at minus €10 million (Q3 2007: minus €26 million).

Sales in the Environmental Science, BioScience segment in the **first three quarters of 2008** decreased by 1.1 percent to €815 million (9M 2007: €824 million). Adjusted for currency and portfolio effects, however, business was up by 2.2 percent compared to the first nine months of 2007. EBITDA before special items dropped by 9.5 percent to €182 million. EBIT before special items fell by 16.0 percent to €121 million. After special charges of €7 million for our restructuring program, EBIT amounted to €114 million (9M 2007: €109 million).

Crop Protection	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**985**	**1,067**	**+8.3**	**3,681**	**4,215**	**+14.5**
Herbicides	306	307	+0.3	1,353	1,492	+10.3
Fungicides	194	210	+8.2	963	1,234	+28.1
Insecticides	281	311	+10.7	905	954	+5.4
Seed Treatment	204	239	+17.2	460	535	+16.3
Sales by Region						
Europe	368	371	+0.8	1,657	1,946	+17.4
North America	140	147	+5.0	751	806	+7.3
Asia/Pacific	190	203	+6.8	563	590	+4.8
Latin America/Africa/Middle East	287	346	+20.6	710	873	+23.0
EBITDA[1]	**174**	**157**	**−9.8**	**896**	**1,148**	**+28.1**
Special items	*(1)*	*(40)*		*(50)*	*(91)*	
EBITDA before special items[2]	*175*	*197*	*+12.6*	*946*	*1,239*	*+31.0*
EBITDA margin before special items	17.8 %	18.5 %		25.7 %	29.4 %	
EBIT[1]	**56**	**46**	**−17.9**	**540**	**813**	**+50.6**
Special items	*(4)*	*(42)*		*(59)*	*(97)*	
EBIT before special items[2]	*60*	*88*	*+46.7*	*599*	*910*	*+51.9*
Gross cash flow[1]	**149**	**151**	**+1.3**	**650**	**892**	**+37.2**
Net cash flow[1]	**325**	**208**	**−36.0**	**525**	**572**	**+9.0**

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

Environmental Science, BioScience	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**172**	**181**	**+5.2**	**824**	**815**	**−1.1**
Environmental Science	127	129	+1.6	515	459	−10.9
BioScience	45	52	+15.6	309	356	+15.2
Sales by Region						
Europe	47	53	+12.8	296	298	+0.7
North America	66	66	0.0	332	316	−4.8
Asia/Pacific	28	27	−3.6	111	111	0.0
Latin America/Africa/Middle East	31	35	+12.9	85	90	+5.9
EBITDA[1]	**(8)**	**10**	**•**	**166**	**175**	**+5.4**
Special items	*0*	*0*		*(35)*	*(7)*	
EBITDA before special items[2]	*(8)*	*10*	*•*	*201*	*182*	*−9.5*
EBITDA margin before special items	(4.7) %	5.5 %		24.4 %	22.3 %	
EBIT[1]	**(26)**	**(10)**	**•**	**109**	**114**	**+4.6**
Special items	*0*	*0*		*(35)*	*(7)*	
EBIT before special items[2]	*(26)*	*(10)*	*•*	*144*	*121*	*−16.0*
Gross cash flow[1]	**0**	**16**	**•**	**127**	**141**	**+11.0**
Net cash flow[1]	**108**	**65**	**−39.8**	**164**	**120**	**−26.8**

[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 **third quarter of 2008** came in at €2,549 million (Q3 2007: €2,625 million), down 2.9 percent from the prior-year period. When adjusted for portfolio and currency effects, sales were level (-0.5 percent) with the corresponding period of 2007. We almost completely offset a decline in volumes through higher selling prices. Our business in North America was heavily impacted by Hurricane Ike. Due to transport problems and the severely restricted supply of raw materials at our largest U.S. site in Baytown, Texas, we had to temporarily halt production and declare force majeure. All major product groups were affected.

EBITDA before special items in the third quarter was down 39.4 percent to €255 million. Earnings were greatly hampered by raw material and energy price increases totaling over €200 million. Selling price increases and cost savings from our restructuring program only partly offset these effects. **EBIT** before special items dropped by 53.2 percent to €138 million. After special charges of €5 million (Q3 2007: €3 million) for our restructuring program, EBIT fell by 54.5 percent to €133 million.

Systems

Sales in the Systems segment remained level year on year at €1,850 million (-0.4 percent). Included for the first time in the **third quarter** were the sales of our new systems house joint venture BaySystems Baulé in France and the systems house Resina acquired in the Netherlands in the second quarter. Business remained at the previous year's level on a currency- and portfolio-adjusted basis (+0.3 percent). We succeeded in significantly raising prices for our key end products, while volumes declined.

Sales in the Polyurethanes business unit came in at €1,269 million, down 2.3 percent against the prior-year figure of €1,299 million. Business was down by 1.0 percent on a currency- and portfolio-adjusted basis. Sales of diphenylmethane diisocyanate (MDI) posted a slight overall decline. Business with this product expanded in North America and Europe, but was down in the Asia-Pacific region. By contrast, we saw a gratifying increase in sales of toluene diisocyanate (TDI). While TDI sales in the Latin America/Africa/Middle East and North America regions moved higher, business in the Asia-Pacific region suffered particularly from the effects of the four-week ban on TDI shipments in China in connection with the Olympic Games. Polyether (PET) sales shrank due to lower volumes, particularly in Europe and North America.

Sales of our Coatings, Adhesives, Specialties business unit were almost level with the prior-year quarter at €412 million (-0.7 percent). Adjusted for currency and portfolio effects, business receded by 2.9 percent. Although sales of this business unit again posted encouraging growth in the Asia-Pacific region, this did not fully offset the declines in the European market.

Industrial Operations raised sales by 18.7 percent to €127 million (Q3 2007: €107 million). On a currency-adjusted basis, sales advanced by 22.5 percent. This was particularly attributable to the very good selling prices for sodium hydroxide solution on the German and U.S. markets.

Bayer MaterialScience	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,625**	**2,549**	**–2.9**	**7,856**	**7,683**	**–2.2**
Systems	1,858	1,850	–0.4	5,593	5,624	+0.6
Materials	767	699	–8.9	2,263	2,059	–9.0
Sales by Region						
Europe	1,122	1,111	–1.0	3,476	3,415	–1.8
North America	596	558	–6.4	1,840	1,627	–11.6
Asia/Pacific	582	547	–6.0	1,625	1,653	+1.7
Latin America/Africa/Middle East	325	333	+2.5	915	988	+8.0
EBITDA[1]	**419**	**249**	**–40.6**	**1,217**	**1,021**	**–16.1**
Special items	*(2)*	*(6)*		*(22)*	*(13)*	
EBITDA before special items[2]	*421*	*255*	*–39.4*	*1,239*	*1,034*	*–16.5*
EBITDA margin before special items	16.0 %	10.0 %		15.8 %	13.5 %	
EBIT[1]	**292**	**133**	**–54.5**	**843**	**658**	**–21.9**
Special items	*(3)*	*(5)*		*(33)*	*(14)*	
EBIT before special items[2]	*295*	*138*	*–53.2*	*876*	*672*	*–23.3*
Gross cash flow[1]	**326**	**197**	**–39.6**	**923**	**785**	**–15.0**
Net cash flow[1]	**378**	**139**	**–63.2**	**693**	**561**	**–19.0**

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

Systems	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,858**	**1,850**	**–0.4**	**5,593**	**5,624**	**+0.6**
Polyurethanes	1,299	1,269	–2.3	3,944	3,879	–1.6
Coatings, Adhesives, Specialties	415	412	–0.7	1,218	1,267	+4.0
Industrial Operations	107	127	+18.7	317	357	+12.6
Other	37	42	+13.5	114	121	+6.1
Sales by Region						
Europe	846	852	+0.7	2,628	2,608	–0.8
North America	452	435	–3.8	1,398	1,264	–9.6
Asia/Pacific	315	297	–5.7	874	969	+10.9
Latin America/Africa/Middle East	245	266	+8.6	693	783	+13.0
EBITDA[1]	**339**	**220**	**–35.1**	**986**	**921**	**–6.6**
Special items	*(2)*	*(5)*		*(22)*	*(9)*	
EBITDA before special items[2]	*341*	*225*	*–34.0*	*1,008*	*930*	*–7.7*
EBITDA margin before special items	18.4 %	12.2 %		18.0 %	16.5 %	
EBIT[1]	**260**	**144**	**–44.6**	**744**	**677**	**–9.0**
Special items	*(3)*	*(4)*		*(33)*	*(10)*	
EBIT before special items[2]	*263*	*148*	*–43.7*	*777*	*687*	*–11.6*
Gross cash flow[1]	**257**	**170**	**–33.9**	**730**	**690**	**–5.5**
Net cash flow[1]	**275**	**118**	**–57.1**	**590**	**420**	**–28.8**

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

EBITDA before special items in the Systems segment dropped by 34.0 percent to €225 million. The selling price increases implemented only partly offset the significantly higher raw material and energy costs and the lower volumes. EBIT before special items fell by 43.7 percent to €148 million. Special charges in the third quarter came to €4 million (Q3 2007: €3 million). EBIT moved back by 44.6 percent to €144 million.

Sales in the Systems segment in the **first three quarters of 2008** came in at €5,624 million (9M 2007: €5,593 million). Adjusted for currency and portfolio effects, business expanded by 3.3 percent. This growth resulted from selling price increases, although volumes dipped slightly overall. EBITDA before special items fell by 7.7 percent to €930 million. EBIT before special items amounted to €687 million (9M 2007: €777 million). EBIT of the Systems segment fell by 9.0 percent year on year to €677 million.

Materials

Sales of the Materials segment in the **third quarter of 2008** dropped by 8.9 percent to €699 million, and by 2.3 percent after adjusting for currency and portfolio effects.

Our Polycarbonates business unit saw sales recede by 9.6 percent to €638 million. Adjusted for currency and portfolio effects, sales were down by 2.8 percent. This reduction was chiefly attributable to volume-related declines in raw material sales. In the end-products field, we raised sales of polycarbonate sheet in all regions on a currency- and portfolio-adjusted basis. Sales of polycarbonate resins moved slightly lower overall.

Sales of the Thermoplastic Polyurethanes business unit were level year on year at €61 million, but rose by 2.9 percent on a currency-adjusted basis. This was mainly due to selling price increases implemented in all regions.

EBITDA before special items of the Materials segment fell by 62.5 percent to €30 million. This was due above all to significantly higher raw material and energy costs, coupled with lower volumes and a slight decline in prices. Savings from the cost structure program we initiated partly offset these effects. EBIT before special items amounted to minus €10 million (Q3 2007: plus €32 million). After special items of minus €1 million, EBIT amounted to minus €11 million.

Sales of the Materials segment declined by 9.0 percent in the **first nine months of 2008**, to €2,059 million. On a currency- and portfolio-adjusted basis, sales decreased by 2.1 percent. EBITDA before special items fell by 55.0 percent to €104 million. EBIT before special items amounted to minus €15 million (9M 2007: €99 million). After special items of minus €4 million, EBIT came in at minus €19 million.

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Materials	3rd Quarter 2007	**3rd Quarter 2008**	Change	First Nine Months 2007	**First Nine Months 2008**	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**767**	**699**	**−8.9**	**2,263**	**2,059**	**−9.0**
Polycarbonates	706	638	−9.6	2,092	1,873	−10.5
Thermoplastic Polyurethanes	61	61	0.0	171	186	+8.8
Sales by Region						
Europe	276	259	−6.2	848	807	−4.8
North America	144	123	−14.6	442	363	−17.9
Asia/Pacific	267	250	−6.4	751	684	−8.9
Latin America/Africa/Middle East	80	67	−16.3	222	205	−7.7
EBITDA[1]	**80**	**29**	**−63.8**	**231**	**100**	**−56.7**
Special items	*0*	*(1)*		*0*	*(4)*	
EBITDA before special items[2]	*80*	*30*	*−62.5*	*231*	*104*	*−55.0*
EBITDA margin before special items	10.4 %	4.3 %		10.2 %	5.1%	
EBIT[1]	**32**	**(11)**	•	**99**	**(19)**	•
Special items	*0*	*(1)*		*0*	*(4)*	
EBIT before special items[2]	*32*	*(10)*	•	*99*	*(15)*	•
Gross cash flow[1]	**69**	**27**	**−60.9**	**193**	**95**	**−50.8**
Net cash flow[1]	**103**	**21**	**−79.6**	**103**	**141**	**+36.9**

[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 3rd Quarter 2007	**EBIT 3rd Quarter 2008**	EBIT First Nine Months 2007	**EBIT First Nine Months 2008**	EBITDA 3rd Quarter 2007	**EBITDA 3rd Quarter 2008**	EBITDA First Nine Months 2007	**EBITDA First Nine Months 2008**
€ million								
After special items	**677**	**684**	**2,769**	**3,132**	**1,439**	**1,334**	**4,785**	**5,163**
HealthCare	**269**	**160**	**617**	**386**	**117**	**113**	**463**	**300**
Schering PPA effects*	51	51	104	157	51	51	165	157
Schering integration	68	48	363	79	68	43	300	45
Write-downs	152	56	152	77	0	14	0	25
Litigations	27	5	27	73	27	5	27	73
Other	(29)	0	(29)	0	(29)	0	(29)	0
CropScience	**4**	**42**	**94**	**104**	**1**	**40**	**85**	**98**
Restructuring	4	42	61	104	1	40	52	98
Litigations	0	0	33	0	0	0	33	0
MaterialScience	**3**	**5**	**33**	**14**	**2**	**6**	**22**	**13**
Restructuring	3	5	33	14	2	6	22	13
Reconciliation	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total special items	**276**	**207**	**744**	**504**	**120**	**159**	**570**	**411**
Before special items	**953**	**891**	**3,513**	**3,636**	**1,559**	**1,493**	**5,355**	**5,574**

* 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 €51 million special charge when calculating EBIT before special items for the third quarter of 2008.

Liquidity and Capital Resources

Bayer Group Summary Cash Flow Statements	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
€ million				
Gross cash flow*	**1,165**	**1,171**	**3,763**	**4,144**
Changes in working capital/other non-cash items	458	63	(949)	(1,493)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,623**	**1,234**	**2,814**	**2,651**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	(2)	0	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,621**	**1,234**	**2,814**	**2,651**
Net cash provided by (used in) investing activities (net cash flow) (total)	**(603)**	**(667)**	**3,933**	**(1,452)**
Net cash provided by (used in) financing activities (net cash flow) (total)	**(1,538)**	**(332)**	**(7,191)**	**(1,428)**
Change in cash and cash equivalents due to business activities (total)	**(520)**	**235**	**(444)**	**(229)**
Cash and cash equivalents at beginning of period	**2,980**	**2,058**	**2,915**	**2,531**
Change due to exchange rate movements and to changes in scope of consolidation	(79)	(12)	(90)	(21)
Cash and cash equivalents at end of period	**2,381**	**2,281**	**2,381**	**2,281**

* for definition see Bayer Group Key Data on page 2

Operating cash flow

Gross cash flow in the **third quarter** rose by 0.5 percent, from €1,165 million in the prior-year period to €1,171 million. Net cash flow declined to €1,234 million (Q3 2007: €1,623 million) due to a smaller decline in working capital than in the prior-year quarter.

Gross cash flow in the **first three quarters of 2008** advanced to €4,144 million (9M 2007: €3,763 million). Net cash flow fell by 5.8 percent to €2,651 million (9M 2007: €2,814 million).

Investing cash flow

In the **third quarter of 2008**, there was a net cash outflow of €667 million for investing activities (Q3 2007: €603 million). This amount contained disbursements of €367 million for acquisitions, including those of the OTC business of the Chinese Topsun group (€109 million) and German-based DIREVO Biotech AG (€185 million). Cash outflows for property, plant and equipment and intangible assets in the third quarter of 2008 totaled €492 million (Q3 2007: €482 million). This figure also included the expenditures for the expansion of our polymers production facilities in Caojing, near Shanghai, China, and for the acquisition of the hematology portfolio of Maxygen, Inc. Inflows consisted primarily of €126 million in "interest and dividends received."

Net cash outflow for investing activities in the **first nine months of 2008** totaled €1,452 million. This included €227 million related to the acquisition of U.S.-based Possis Medical, Inc., €265 million to the purchase of the eastern European OTC business of Sagmel, Inc., €109 million to the acquisition of the OTC business of the Chinese Topsun group and €185 million to the purchase of DIREVO Biotech AG, Germany. In the prior-year period, there was a cash inflow of €3,933 million, mainly comprising the net proceeds from the sale of the Diagnostics business, H.C. Starck and Wolff Walsrode. Cash outflows for property, plant and equipment and intangible assets in the first three quarters came to €1,127 million (9M 2007: €1,123 million). Inflows consisted primarily of €424 million in "interest and dividends received" and €148 million in proceeds from the sale of property, plant, equipment and other assets.

Financing cash flow

Net cash outflow for financing activities in the first nine months of 2008 amounted to €1,428 million. The outflow in the prior-year period came to €7,191 million. This figure included €5.2 billion for net loan repayments, especially the scheduled redemption of our 2002/2007 Eurobond in April 2007 (€2.1 billion). The Bayer AG dividend and dividend payments to minority stockholders of consolidated companies amounted to €1,042 million (9M 2007: €775 million).

Liquid assets and net debt

As of September 30, 2008 the Bayer Group held cash and cash equivalents of €2,281 million, including €751 million deposited in escrow accounts. This amount was 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. In view of the restriction on its use, the liquidity held in escrow accounts was not deducted when calculating net debt.

With the entry of the squeeze-out of the remaining minority stockholders of Bayer Schering Pharma AG in the commercial register on September 25, 2008, all shares of the minority stockholders of Bayer Schering Pharma AG were transferred by operation of law to Bayer Schering GmbH, a wholly owned subsidiary of Bayer AG. In accordance with the resolution of the Extraordinary Stockholders' Meeting of Bayer Schering Pharma AG on January 17, 2007, the remaining minority stockholders have received cash compensation

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of €98.98 per share. The required sum of €695 million held in escrow accounts for this purpose was paid out to the stockholders at the beginning of October. No final decision has yet been issued in the main proceedings involving lawsuits brought by dissenting stockholders seeking to have the squeeze-out resolution set aside or declared null and void.

Net Debt	Dec. 31, 2007	June 30, 2008	**Sept. 30, 2008**
€ million			
Noncurrent financial liabilities as per balance sheets (including derivatives)	12,911	8,925	9,420
of which hybrid bond	1,237	1,221	1,229
Current financial liabilities as per balance sheets (including derivatives)	1,287	6,010	6,004
Derivative receivables	(230)	(314)	(207)
Financial liabilities	**13,968**	**14,621**	**15,217**
Cash and cash equivalents*	(1,776)	(1,311)	(1,530)
Current financial assets	(8)	(6)	0
Net debt from continuing operations	**12,184**	**13,304**	**13,687**
Net debt from discontinued operations	0	0	0
Net debt (total)	**12,184**	**13,304**	**13,687**

* In view of the restriction on its use, the €751 million liquidity in escrow accounts in the third quarter of 2008 (June 30, 2008: €747 million; Dec. 31, 2007: €755 million) was not deducted when calculating net debt. Sept. 30, 2008: €1,530 million = €2,281 million - €751 million.

In the third quarter net debt (total) rose by €0.4 billion to €13.7 billion. This increase was due in part to shifts in exchange rates between the euro and other major currencies, which had a €0.5 billion effect, and to €0.4 billion in disbursements for acquisitions. As of September 30, 2008 we had financial liabilities of €15.2 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, the floating rate note of Bayer AG, also issued in 2006, and the Eurobonds of Bayer Corporation issued in 2004 have been reclassified in 2008 from noncurrent to current financial liabilities. Our noncurrent financial liabilities as of September 30, 2008 amounted to €9.4 billion.

Standard & Poor's gives Bayer a long-term issuer rating of A- with stable outlook, while Moody's gives the company a rating of A3 with stable outlook. 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 third quarter of 2008. The net pension liability fell once again, to €3.4 billion. Provisions for pensions and other post-employment benefits declined from €4.7 billion to €4.4 billion. At the same time prepaid benefit assets, reflected in the balance sheet under "Other receivables," increased by €0.3 billion to €1.1 billion.

Net pension liability	Dec. 31, 2007	June 30, 2008	**Sept. 30, 2008**
€ million			
Provisions for pensions and other post-employment benefits	5,501	4,696	4,442
Prepaid benefit assets	(533)	(760)	(1,057)
Net pension liability	**4,968**	**3,936**	**3,385**

Employees

On September 30, 2008, the Bayer Group had 108,600 employees, 2,400 more than on December 31, 2007. The rise in employee numbers was mainly due to our acquisitions and the expansion of our organizations in the BRIC countries (Brazil, Russia, India and China) and other growth markets. These increases were partly offset by workforce reductions in connection with the integration of Schering.

As of September 30, 2008, we employed 17,000 people in North America, including the 300 employees of the recently acquired U.S. company Possis Medical, Inc. Bayer had 20,700 employees in the Asia-Pacific region; this figure for the first time includes the 600 employees who joined the Group upon the acquisition of Topsun. There were 15,100 employees in Latin America/Africa/Middle East. The number of employees in Europe was 55,800. The 600 employees of Sagmel have been included here since the second quarter of 2008. In Germany we had 37,700 employees, accounting for 34.7 percent of the Group workforce.

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. Personnel expenses in the first three quarters of 2008 amounted to €5,739 million (9M 2007: €5,573).

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. Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2007 on pages 80 – 88 and 188 – 193. Significant changes that have occurred in respect of the legal risks compared to their presentation in the Bayer Annual Report 2007 are described in the Notes to the Condensed Consolidated Interim Financial Statements on page 41 ff. under "Legal Risks." The default risk for loans has generally increased across all sectors as a result of the current situation on the financial markets. However, the Bayer Group so far has not experienced any notable defaults. 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 September 30, 2008, no business developments 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

In the third quarter of 2008 the stock market was dominated by the effects of the international financial crisis, with the DAX down nearly 8 percent on the period. In this volatile environment, Bayer stock largely held its own, moving more or less laterally (–1.6 percent). The relative strength of our stock was also evident over the nine-month period. Although Bayer stock closed at €51.80 on September 30, 2008, down 17.2 percent from the end of 2007, giving a performance of minus 15.1 percent, the DAX lost 27.7 percent in the same period, closing at 5,831 points. The European reference index EURO STOXX 50 suffered comparably heavy losses, closing the third quarter at 4,615 points, down 28.4 percent from the beginning of the year.

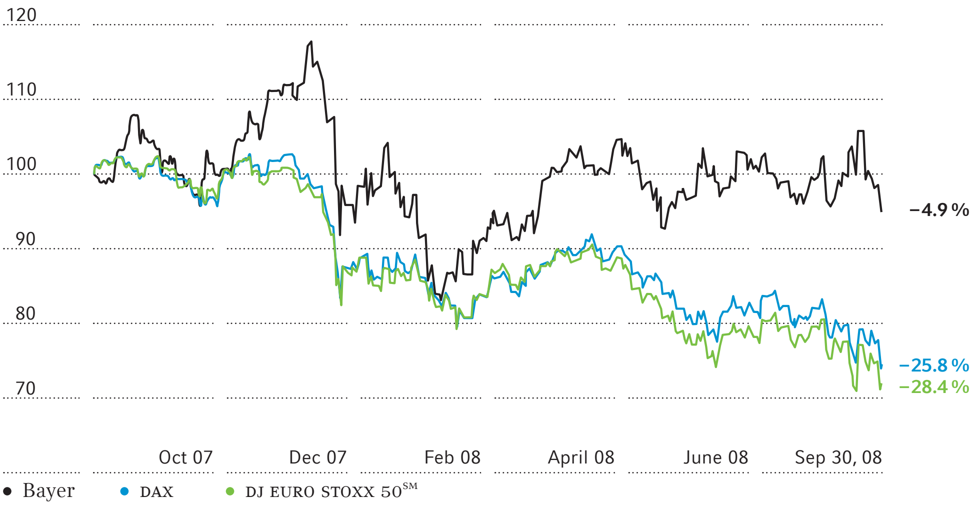
With effect from September 22, 2008, Bayer stock is included in the Dow Jones STOXX 50, a European blue chip index comprising the top 50 stocks from 17 western European countries.

At the end of September, Bayer hosted the "Meet Management" conference in Leverkusen for the third time. Some 90 investors and analysts accepted the company's invitation to participate in group discussions with members of the management boards of Bayer AG and the subgroups. These talks focused on corporate strategy, developments in key markets, the effects of the financial crisis and the candidates in the pharmaceutical research pipeline.

Bayer Stock Key Data		3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
High for the period	€	58.56	57.53	58.56	65.68
Low for the period	€	50.33	51.80	40.20	45.90
Average daily share turnover on German stock exchanges	million	6.0	4.9	5.9	5.5
		Sept. 30, 2007	**Sept. 30, 2008**	Dec. 31, 2007	**Change Sept. 30, 2008/ Dec. 31, 2007 %**
Share price	€	55.82	51.80	62.53	–17.2
Market capitalization	€ million	42,665	39,593	47,794	–17.2
Stockholders' equity as per balance sheets	€ million	17,008	18,310	16,821	+8.9
Number of shares entitled to the dividend	million	764.34	764.34	764.34	0.0
DAX		7,862	5,831	8,067	–27.7

XETRA closing prices; source: Bloomberg

Performance over the Past Twelve Months
(indexed; 100 = Xetra closing price on September 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 the International Financial Reporting Standards (IFRS) is explained in the notes to the financial statements on page 41. Adjusted core net income, core earnings per share and core EBIT are not defined in the IFRS. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of Core EBIT and Core Earnings per Share	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
€ million				
EBIT as per income statement	**677**	**684**	**2,769**	**3,132**
Amortization and write-downs of intangible assets	479	385	1,097	1,170
Write-downs of property, plant and equipment	9	3	86	63
Special items (other than write-downs)	120	159	570	411
Core EBIT	**1,285**	**1,231**	**4,522**	**4,776**
Non-operating result (as per income statement)	(266)	(276)	(741)	(813)
Income taxes (as per income statement)	769	(133)	221	(701)
One-time tax income*	(911)	0	(911)	0
Tax adjustment	(234)	(151)	(617)	(484)
Income after taxes attributable to minority interest (as per income statement)	(3)	(1)	(1)	(8)
Core net income from continuing operations	**640**	**670**	**2,473**	**2,770**
Financing expenses for the mandatory convertible bond, net of tax effects	25	28	73	84
Adjusted core net income	**665**	**698**	**2,546**	**2,854**
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	59,585,493	60,040,823	59,558,606	59,843,529
Adjusted weighted average total number of issued and potential ordinary shares	**823,927,413**	**824,382,743**	**823,900,526**	**824,185,449**
Core earnings per share from continuing operations (€)	**0.81**	**0.85**	**3.09**	**3.46**

* arising from the corporate tax reform in Germany

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Condensed Consolidated Interim Financial Statements of the Bayer Group

Bayer Group Consolidated Statements of Income

€ million	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
Net sales	**7,793**	**7,948**	**24,345**	**24,995**
Cost of goods sold	(3,978)	(4,076)	(12,184)	(12,435)
Gross profit	**3,815**	**3,872**	**12,161**	**12,560**
Selling expenses	(1,916)	(2,017)	(5,642)	(5,953)
Research and development expenses	(640)	(662)	(1,915)	(1,943)
General administration expenses	(418)	(417)	(1,279)	(1,275)
Other operating income	219	214	590	1,064
Other operating expenses	(383)	(306)	(1,146)	(1,321)
Operating result (EBIT)	**677**	**684**	**2,769**	**3,132**
Equity-method loss	(9)	(11)	(36)	(34)
Non-operating income	113	87	545	376
Non-operating expenses	(370)	(352)	(1,250)	(1,155)
Non-operating result	**(266)**	**(276)**	**(741)**	**(813)**
Income before income taxes	**411**	**408**	**2,028**	**2,319**
Income taxes	769	(133)	221	(701)
Income from continuing operations after taxes	**1,180**	**275**	**2,249**	**1,618**
Income from discontinued operations after taxes	**(2)**	**3**	**2,396**	**3**
Income after taxes	**1,178**	**278**	**4,645**	**1,621**
of which attributable to minority interest	3	1	1	8
of which attributable to Bayer AG stockholders (net income)	**1,175**	**277**	**4,644**	**1,613**
Earnings per share (€)				
From continuing operations				
Basic*	1.46	0.37	2.82	2.06
Diluted*	1.46	0.37	2.82	2.06
From discontinued operations				
Basic*	-	-	2.91	-
Diluted*	-	-	2.91	-
From continuing and discontinued operations				
Basic*	1.46	0.37	5.73	2.06
Diluted*	1.46	0.37	5.73	2.06

* 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	Sept. 30, 2007	Sept. 30, 2008	Dec. 31, 2007
Noncurrent assets			
Goodwill	8,336	8,646	8,215
Other intangible assets	14,685	14,234	14,555
Property, plant and equipment	8,664	9,200	8,819
Investments in associates	481	475	484
Other financial assets	1,104	1,049	1,127
Other receivables	488	1,190	667
Deferred taxes	808	295	845
	34,566	**35,089**	**34,712**
Current assets			
Inventories	6,315	6,696	6,217
Trade accounts receivable	6,355	6,586	5,830
Other financial assets	312	327	335
Other receivables	1,524	1,325	1,461
Claims for income tax refunds	240	362	208
Cash and cash equivalents	2,381	2,281	2,531
Assets held for sale and discontinued operations	-	-	84
	17,127	**17,577**	**16,666**
Total assets	**51,693**	**52,666**	**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	10,937	12,245	10,749
	16,922	**18,230**	**16,734**
Equity attributable to minority interest	86	80	87
	17,008	**18,310**	**16,821**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	5,268	4,442	5,501
Other provisions	1,596	1,503	1,166
Financial liabilities	13,307	9,420	12,911
Other liabilities	502	633	501
Deferred taxes	3,632	3,638	3,866
	24,305	**19,636**	**23,945**
Current liabilities			
Other provisions	4,080	3,717	3,754
Financial liabilities	1,298	6,004	1,287
Trade accounts payable	2,219	2,266	2,466
Income tax liabilities	104	242	56
Other liabilities	2,679	2,478	2,873
Liabilities directly related to assets held for sale and discontinued operations	-	13	176
	10,380	**14,720**	**10,612**
Total stockholders' equity and liabilities	**51,693**	**52,666**	**51,378**

2007 figures reclassified

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Bayer Group Consolidated Statements of Cash Flows

€ million	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
Income from continuing operations after taxes	1,180	275	2,249	1,618
Income taxes	(769)	133	(221)	701
Non-operating result	266	276	741	813
Income taxes paid	(201)	(197)	(886)	(913)
Depreciation and amortization	762	650	2,016	2,031
Change in pension provisions	(116)	(5)	(298)	(185)
(Gains) losses on retirements of noncurrent assets	(8)	(12)	(2)	(78)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	51	51	164	157
Gross cash flow	**1,165**	**1,171**	**3,763**	**4,144**
Decrease (increase) in inventories	(107)	(299)	(282)	(563)
Decrease (increase) in trade accounts receivable	397	377	(666)	(697)
(Decrease) increase in trade accounts payable	1	(78)	(97)	(143)
Changes in other working capital, other non-cash items	167	63	96	(90)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,623**	**1,234**	**2,814**	**2,651**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	(2)	0	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,621**	**1,234**	**2,814**	**2,651**
Cash outflows for additions to property, plant, equipment and intangible assets	(482)	(492)	(1,123)	(1,127)
Cash inflows from sales of property, plant, equipment and other assets	89	41	120	148
Cash inflows (outflows) from divestitures less divested cash	(111)	(3)	4,792	(52)
Cash inflows (outflows) for acquisitions less acquired cash	(198)	(367)	(455)	(919)
Cash inflows (outflows) from noncurrent financial assets	1	25	9	73
Interest and dividends received	96	126	565	424
Cash (inflows) outflows from current financial assets	2	3	25	1
Net cash provided by (used in) investing activities (total)	**(603)**	**(667)**	**3,933**	**(1,452)**
Capital contributions	-	-	-	-
Bayer AG dividend and dividend payments to minority stockholders	0	(2)	(775)	(1,042)
Issuances of debt	239	103	1,842	1,102
Retirements of debt	(1,555)	(166)	(7,051)	(465)
Interest paid	(222)	(267)	(1,207)	(1,023)
Net cash provided by (used in) financing activities (total)	**(1,538)**	**(332)**	**(7,191)**	**(1,428)**
Change in cash and cash equivalents due to business activities (total)	**(520)**	**235**	**(444)**	**(229)**
Cash and cash equivalents at beginning of period	**2,980**	**2,058**	**2,915**	**2,531**
Change in cash and cash equivalents due to changes in scope of consolidation	1	0	(3)	2
Change in cash and cash equivalents due to exchange rate movements	(80)	(12)	(87)	(23)
Cash and cash equivalents at end of period	**2,381**	**2,281**	**2,381**	**2,281**

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Bayer Group Consolidated Statements of Recognized Income and Expense

€ million	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
Changes in fair values of derivatives designated as hedges and available-for-sale financial assets, recognized in stockholders' equity	76	(268)	74	(148)
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	167	630	1,272	1,575
Exchange differences on translation of operations outside the euro zone, recognized in stockholders' equity	(477)	387	(470)	(44)
Deferred taxes on valuation adjustments offset directly against stockholders' equity	(184)	(115)	(615)	(438)
Changes due to changes in scope of consolidation	-	2	36	2
Revaluation surplus (IFRS 3)	-	0	-	6
Minority interest in partnerships, recognized in liabilities	(5)	(14)	(24)	(43)
Valuation adjustments recognized directly in stockholders' equity	**(423)**	**622**	**273**	**910**
Income after taxes	**1,178**	**278**	**4,645**	**1,621**
Total income and expense recognized in the financial statements	**755**	**900**	**4,918**	**2,531**
of which attributable to minority interest	1	2	(1)	3
of which attributable to Bayer AG stockholders	754	898	4,919	2,528

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

Key Data by Segment

	HealthCare			
Segment	Pharmaceuticals		Consumer Health	
€ million	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**
Sales (external)	2,570	2,638	1,110	1,164
Change	+5.2%	+2.6%	+6.9%	+4.9%
Currency-adjusted change	+8.1%	+6.4%	+10.2%	+10.0%
Intersegment sales	22	18	2	1
Operating result (EBIT)	169	306	206	237
Gross cash flow[1]	519	586	189	213
Net cash flow[1]	464	496	220	183
Depreciation, amortization and write-downs/write-backs	429	324	32	38

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

	HealthCare			
Segment	Pharmaceuticals		Consumer Health	
€ million	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**
Sales (external)	7,648	7,836	3,359	3,431
Change	+60.0%	+2.5%	+6.2%	+2.1%
Currency-adjusted change	+63.5%	+7.5%	+10.5%	+8.4%
Intersegment sales	44	54	6	3
Operating result (EBIT)	657	981	634	638
Gross cash flow[1]	1,290	1,577	520	565
Net cash flow[1]	945	989	406	421
Depreciation, amortization and write-downs/write-backs	1,017	1,035	99	108
Number of employees at end of period[2]	39,100	39,200	12,100	13,700

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

CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Systems		Materials		Reconciliation		Continuing Operations	
3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**
985	1,067	172	181	1,858	1,850	767	699	331	349	7,793	7,948
+13.0%	+8.3%	−2.8%	+5.2%	+0.3%	−0.4%	+3.2%	−8.9%			+4.5%	+2.0%
+13.7%	+14.7%	−1.2%	+11.0%	+3.2%	+2.5%	+7.1%	−4.7%			+7.2%	+6.0%
13	4	2	1	33	36	7	3	(79)	(63)		
56	46	(26)	(10)	260	144	32	(11)	(20)	(28)	677	684
149	151	0	16	257	170	69	27	(18)	8	1,165	1,171
325	208	108	65	275	118	103	21	128	143	1,623	1,234
118	111	18	20	79	76	48	40	38	41	762	650

CropScience				MaterialScience							
Crop Protection		Environmental Science, BioScience		Systems		Materials		Reconciliation		Continuing Operations	
First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**
3,681	4,215	824	815	5,593	5,624	2,263	2,059	977	1,015	24,345	24,995
+3.6%	+14.5%	−2.4%	−1.1%	+2.6%	+0.6%	+4.0%	−9.0%			+16.0%	+2.7%
+6.0%	+20.8%	+1.3%	+4.3%	+6.0%	+4.9%	+8.2%	−3.7%			+19.4%	+7.8%
47	35	6	8	108	106	15	12	(226)	(218)		
540	813	109	114	744	677	99	(19)	(14)	(72)	2,769	3,132
650	892	127	141	730	690	193	95	253	184	3,763	4,144
525	572	164	120	590	420	103	141	81	(12)	2,814	2,651
356	335	57	61	242	244	132	119	113	129	2,016	2,031
14,700	14,900	3,100	3,300	10,300	10,500	5,300	4,700	21,600	22,300	106,200	108,600

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Key Data by Region

Region	Europe		North America	
€ million	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**
Sales (external) – by market	3,377	3,443	1,889	1,866
Change	+5.7%	+2.0%	−3.8%	−1.2%
Currency-adjusted change	+5.7%	+2.3%	+2.6%	+8.0%
Sales (external) – by point of origin	3,669	3,769	1,905	1,855
Change	+6.0%	+2.7%	−3.2%	−2.6%
Currency-adjusted change	+6.0%	+3.2%	+3.4%	+6.6%
Interregional sales	1,367	1,440	525	530
Operating result (EBIT)	445	331	108	237

Region	Europe		North America	
€ million	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**
Sales (external) – by market	10,922	11,348	6,255	5,979
Change	+18.4%	+3.9%	+9.3%	−4.4%
Currency-adjusted change	+18.3%	+4.5%	+17.6%	+6.8%
Sales (external) – by point of origin	11,792	12,292	6,285	5,987
Change	+18.5%	+4.2%	+9.4%	−4.7%
Currency-adjusted change	+18.5%	+4.8%	+17.8%	+6.6%
Interregional sales	4,012	4,095	1,571	1,393
Operating result (EBIT)	1,798	1,907	657	848
Number of employees at end of period*	56,600	55,800	16,700	17,000

* number of employees in full-time equivalents

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	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**
	1,329	1,349	1,198	1,290			7,793	7,948
	+6.5%	+1.5%	+13.8%	+7.7%			+4.5%	+2.0%
	+11.2%	+7.1%	+15.7%	+12.1%			+7.2%	+6.0%
	1,272	1,287	947	1,037			7,793	7,948
	+6.0%	+1.2%	+14.2%	+9.5%			+4.5%	+2.0%
	+10.9%	+7.8%	+16.2%	+13.6%			+7.2%	+6.0%
	67	56	65	50	(2,024)	(2,076)		
	45	10	125	140	(46)	(34)	677	684

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**
	3,837	4,015	3,331	3,653			24,345	24,995
	+15.7%	+4.6%	+22.2%	+9.7%			+16.0%	+2.7%
	+22.5%	+11.5%	+27.2%	+16.1%			+19.4%	+7.8%
	3,675	3,904	2,593	2,812			24,345	24,995
	+15.4%	+6.2%	+23.1%	+8.4%			+16.0%	+2.7%
	+22.4%	+12.3%	+29.0%	+17.8%			+19.4%	+7.8%
	182	151	181	106	(5,946)	(5,745)		
	185	181	263	333	(134)	(137)	2,769	3,132
	18,700	20,700	14,200	15,100			106,200	108,600

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Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 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 €		Sept. 30, 2007	**Sept. 30, 2008**	Dec. 31, 2007	First Nine Months 2007	**First Nine Months 2008**
ARS	Argentina	4.47	4.46	4.64	4.17	4.73
BRL	Brazil	2.62	2.80	2.61	2.69	2.56
CAD	Canada	1.41	1.50	1.44	1.49	1.55
CHF	Switzerland	1.66	1.58	1.65	1.64	1.61
CNY	China	10.64	9.80	10.75	10.30	10.63
GBP	United Kingdom	0.70	0.79	0.73	0.68	0.78
JPY	Japan	163.55	150.47	164.93	160.35	160.97
MXN	Mexico	15.48	15.71	16.08	14.72	16.00
USD	United States	1.42	1.43	1.47	1.34	1.52

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

%	Dec. 31, 2007	June 30, 2008	**Sept. 30, 2008**
Germany	5.5	6.4	6.8
United Kingdom	5.8	6.7	7.3
United States	6.6	7.0	7.9

Changes in the Bayer Group

Scope of consolidation

As of September 30, 2008, the Bayer Group comprised 323 fully or proportionately consolidated companies (December 31, 2007: 326 companies). Four 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 €919 million on acquisitions in the first nine months 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. for €227 million. 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, for €265 million. The OTC business of Sagmel is now integrated into the operations of Bayer HealthCare in Russia, Ukraine, Kazakhstan, the Baltic states and several countries of the Caucasus and Central Asia regions. In July 2008 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 €109 million. The provisional allocation of the difference between the value of the acquired assets and the purchase price relates primarily to trademark rights and goodwill. Effective September 30, 2008, we acquired the protein engineering specialist DIREVO Biotech AG, Cologne, Germany, for €185 million. The provisional allocation of the difference between the value of the acquired assets and the purchase price relates primarily to research and development technologies and goodwill.

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	373	373
Other intangible assets	0	584	584
Property, plant and equipment	27	0	27
Other noncurrent assets	22	0	22
Inventories	32	7	39
Other current assets	51	0	51
Cash and cash equivalents	13	0	13
Provisions for pensions and other post-employment benefits	(1)	0	(1)
Other provisions	(7)	(1)	(8)
Financial liabilities	(31)	0	(31)
Other liabilities	(33)	(1)	(34)
Deferred taxes	10	(113)	(103)
Net assets	**83**	**849**	**932**
Minority interests			0
Purchase price			**932**
of which ancillary acquisition costs			6
Acquired cash and cash equivalents			13
Liabilities to minority stockholders			0
Net cash outflow for the acquisitions			**919**

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Discontinued operations

The diagnostics activities, along with H.C. Starck and Wolff Walsrode, were recognized as discontinued operations in 2007. Tax payments made in connection with the divestiture of the diagnostics business and a subsequent purchase price payment are therefore recognized in discontinued operations in 2008. 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	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**	3rd Quarter 2007	**3rd Quarter 2008**
Sales	-	-	-	-	-	-	-	-
Operating result (EBIT)*	-	4	(1)	-	(1)	-	(2)	4
Income after taxes	-	3	(1)	-	(1)	-	(2)	3
Gross cash flow*	-	-	(1)	-	(1)	-	(2)	-
Net cash flow*	-	-	(1)	-	(1)	-	(2)	-
Net investing cash flow	(107)	(3)	7	-	1	-	(99)	(3)
Net financing cash flow	107	3	(6)	-	0	-	101	3

* for definition see Bayer Group Key Data on page 2

€ million	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**	First Nine Months 2007	**First Nine Months 2008**
Sales	-	-	74	-	172	-	246	-
Operating result (EBIT)*	2,778	4	108	-	266	-	3,152	4
Income after taxes	2,044	3	102	-	250	-	2,396	3
Gross cash flow*	(10)	-	13	-	14	-	17	-
Net cash flow*	(32)	-	25	-	7	-	-	-
Net investing cash flow	3,432	(52)	929	-	431	-	4,792	(52)
Net financing cash flow	(3,400)	52	(954)	-	(438)	-	(4,792)	52

* 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	3rd Quarter 2007	**3rd Quarter 2008**	First Nine Months 2007	**First Nine Months 2008**
€ million				
Income after taxes	1,178	278	4,645	1,621
Income attributable to minority interest	3	1	1	8
Income attributable to Bayer AG stockholders	1,175	277	4,644	1,613
Income from discontinued operations	(2)	3	2,396	3
Financing expenses for the mandatory convertible bond, net of tax effects	25	28	73	84
Adjusted income from continuing operations after taxes	1,202	302	2,321	1,694
Adjusted net income	1,200	305	4,717	1,697
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	59,585,493	60,040,823	59,558,606	59,843,529
Adjusted weighted average total number of issued and potential ordinary shares	823,927,413	824,382,743	823,900,526	824,185,449
Basic earnings per shares (€)				
from continuing operations	1.46	0.37	2.82	2.06
from discontinued operations	0.00	0.00	2.91	0.00
from continuing and discontinued operations	1.46	0.37	5.73	2.06
Diluted earnings per share (€)				
from continuing operations	1.46	0.37	2.82	2.06
from discontinued operations	0.00	0.00	2.91	0.00
from continuing and discontinued operations	1.46	0.37	5.73	2.06

Legal risks

The following significant changes have occurred in respect of the Bayer Group’s legal risks compared to their presentation on pages 188–193 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 October 8, 2008, Bayer has been served in a total of 230 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 256 as of October 6, 2008.

Competition law proceedings

Cipro®: On page 189 of the Bayer Annual Report 2007 we reported that lawsuits were pending against Bayer in connection with our medication Cipro®. In October 2008 the Court of Appeals of the Federal Circuit in Washington D.C. affirmed the earlier ruling of a United States District Court in New York dismissing all lawsuits filed in federal court. The recent appellate decision affirmed the dismissal of various lawsuits brought by indirect purchaser plaintiffs in federal courts. Another appeal remains pending concerning the claims brought by direct purchasers of Cipro®. These claims were also dismissed by the federal district court, but the appellate court in New York has jurisdiction for the appeal of these lawsuits.

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. In August 2008, The Goodyear Tire & Rubber Company filed an amended complaint in U.S. federal court alleging that Bayer and other producers of butadiene rubber and styrene butadiene rubber violated antitrust law. The complaint seeks, among other things, treble damages. Bayer intends to defend itself against the Goodyear claim and in September 2008 filed a motion asking the court to dismiss Goodyear´s complaint for failure to state a cause of action.

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 genetically modified rice

On page 190 of the Bayer Annual Report 2007, we reported on lawsuits filed by rice farmers and resellers in the United States, who allege that they have suffered economic losses following the detection of traces of pre-commercial biotech rice in the 2006 long-grain rice harvest in the southern U.S. In August 2008, a motion to certify a plaintiff class of rice farmers in five U.S. states was denied by federal court. The appellate court subsequently denied plaintiffs´ request for an interim appeal of the decision denying class certification.

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®. 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 patent infringement suits against Watson and Sandoz claiming that certain of Bayer Schering Pharma's patents have been infringed. Originally, Bayer Schering Pharma included the '531 patent in its first suit against Watson. 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 appealed both decisions. In August 2008 the judge determined that Bayer could recover its reasonable attorneys fees and costs associated with the patent that was litigated through trial. The motion to determine the amount of those fees is currently pending.

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 61 cases have since been settled.

In September 2008, certain Bayer subsidiaries were named as defendants in a putative class action filed in West Virginia state court, alleging personal injuries from exposure to MDI, TDI and HDI based products in mining applications.

In October 2008, the claim mentioned on page 191 of the Bayer Annual Report 2007, in which Bayer was seeking equitable reformation of an agreement and restitution of certain monies against Lyondell, was dismissed in Lyondell´s favor.

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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, October 23, 2008
Bayer Aktiengesellschaft

The Board of Management

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

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Anticoagulant Xarelto registered in the European Union

Successful drug discoverers: Bayer HealthCare researchers Dr. Susanne Röhrig and Dr. Alexander Straub observe crystals of a test substance under a microscope. The two scientists played key roles in the development of Xarelto®.

Leverkusen – Bayer HealthCare has achieved a significant breakthrough in product development: At the end of September, the European Commission granted marketing authorization for the innovative anticoagulant Xarelto®. The active ingredient rivaroxaban can now be orally administered for prophylaxis of venous thromboembolism (VTE) following hip or knee replacement surgery in adult patients. Studies show that the substance is more effective than the current standard therapy and has a comparable safety profile.

"The successful Xarelto® development program offers impressive proof of Bayer's innovative capability," commented Bayer Management Board Chairman Werner Wenning. He described the novel anticoagulant as a major scientific breakthrough offering hope to millions of patients worldwide. The launch of Xarelto®, he said, is an important milestone for Bayer, especially as the drug has the potential to become a "blockbuster" medicine.

The Xarelto® approval in the E.U. is based on the results of an extensive trial program that included three Phase III studies with rivaroxaban involving nearly 10,000 patients who received the new active ingredient for thrombosis prophylaxis following hip or knee replacement surgery.

The studies documented the superior efficacy of rivaroxaban, both in a direct comparison and in a comparison between five-week prophylaxis with rivaroxaban and short-term, two-week prophylaxis with the current standard therapy. In all three studies, the active substance demonstrated a comparable safety profile and comparably lower rates of severe bleeding.

Hope in major surgical procedures

VTE is a serious and often life-threatening event. In the E.U., more than 1.5 million patients each year develop blood clots in the veins, and some 544,000 of them die as a result. More people die from VTE, for example, than from breast cancer, prostate cancer, HIV/AIDS and road-traffic accidents together.

People who undergo major orthopedic surgery have a high risk for developing VTE. This is because the implantation of a prosthetic knee or hip damages the major veins in the legs that transport blood back to the heart. Major orthopedic surgery can lead to a thrombus in 40 to 60 percent of patients who do not receive prophylaxis.

In the five largest member states of the E.U., more than 450,000 hip and knee operations in which artificial joints are implanted take place each year.

"The medicines currently available have certain disadvantages, especially with regard to efficacy and use. This novel anticoagulant, which can be taken once daily in tablet form, does not require routine blood coagulation monitoring," says Dr. Bengt Eriksson. The orthopedic surgeon at Sahlgrenska University Hospital / Östra in Gothenburg, Sweden – who is also one of the principal investigators in the trial program – considers the development of this drug product "a major step forward in preventing blood clots."

Xarelto® received its first marketing authorization in mid-September in Canada, where the drug is now approved for prevention of VTE in patients following elective hip or knee replacement surgery. Marketing of the new product began immediately following its registration.

The registration documentation was submitted to the U.S. Food and Drug Administration (FDA) in July 2008. Once it is approved in the United States, Xarelto® will be marketed there by Ortho-McNeil, a division of Ortho-McNeil-Janssen Pharmaceuticals. Registration submissions for Xarelto® are currently being reviewed in a further 10 countries.

Additional indications being evaluated

Rivaroxaban is currently the most thoroughly researched active substance in its class. The intention is to include a total of some 50,000 patients worldwide in the extensive clinical study program. Xarelto® is currently being investigated in the prophylaxis and therapy of thrombosis in a broad spectrum of indications – including treatment of venous thromboembolism, stroke prophylaxis in patients with atrial fibrillation, prevention of VTE in hospitalized, medically ill patients, and secondary prevention of acute coronary syndrome.

Xarelto® was discovered in Bayer's laboratories in Wuppertal, Germany, and is being jointly developed by Bayer HealthCare and Johnson & Johnson Pharmaceutical Research & Development, L.L.C.

Promising new product: Bayer HealthCare employee Frank Schaell monitors the production of Xarelto® tablets.

News

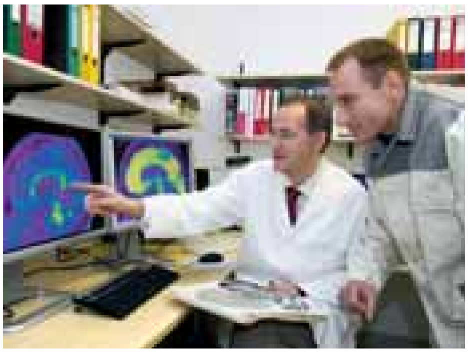
Safeguarding harvests: The new fungicide Infinito® from Bayer CropScience ensures healthy potatoes. Here Jonathan French (left) advises farmer Philip Mayhew on protecting crops.

Innovative fungicide saves potato harvest

Monheim – A fungus by the name of Phytophthora infestans has been destroying potato harvests throughout the world for many a year. And the pathogen – which originated in Latin America – has been particularly notorious in Europe since it destroyed potato harvests in Ireland several times in the 1840s, causing a famine that killed one million people. In 2007 alone, it ruined crops worth €3 billion. In Europe, infestation has assumed unprecedented proportions. Yet the fungus can be stopped. The new fungicide Infinito® from Bayer CropScience is already demonstrating its outstanding effectiveness in potato fields in Germany, the Netherlands, the United Kingdom, Japan and China. And the innovative fungicide is registered in numerous other countries as well. Infinito® is based on the active ingredient fluopicolide, one of the newest substances in the fungicide portfolio of Bayer CropScience. The product's new and unique mechanism of action leads to rapid destabilization of fungal cell structures, providing fast, high-level control of late blight and downy mildew diseases.

On the trail of Alzheimer's disease

Berlin – In September 2008 Bayer HealthCare and the University of Nagasaki, Japan, signed a licensing agreement on the use of novel substances for molecular imaging. Used as tracers in Positron Emission Tomography (PET), these compounds could make it possible to diagnose Alzheimer's disease at an early stage. Under the agreement, Bayer HealthCare will receive exclusive worldwide rights to develop and market a set of radiolabeled molecules.



Molecular imaging: Bayer HealthCare researchers Dr. Ludger Dinkelborg (left) and Dr. Thomas Dyrks hope to discover new therapies with the aid of this technique.

According to representative epidemiological studies, about 24 million people worldwide currently suffer from dementia. This figure is likely to rise to around 80 million by 2040. Some 50 to 75 percent of these cases are related to Alzheimer's disease.

At present, a definitive diagnosis of this devastating illness can only be made by autopsy after death. The possibilities for reliable clinical diagnosis are complex and limited. There is a high medical need for a simple, non-invasive imaging technique to assist in either diagnosing Alzheimer's disease or ruling it out. A diagnostic tool of this kind would help physicians to select therapeutic options and would clearly benefit patients and their families – particularly if it enables a diagnosis to be made when the disease is at a very early stage. It would also contribute to the development of new disease-modulating treatments.

Bayer significantly strengthens its presence in China

Shanghai – Bayer MaterialScience (BMS) has successfully started production at its new 350,000 tons per year diphenylmethane diisocyanate (MDI) complex at the Bayer Integrated Site Shanghai. The new plant is the largest MDI facility of its kind in the world. The company has also broken ground for a 250,000 tons per year toluene diisocyanate (TDI) plant in Shanghai which is due on stream in 2010.

MDI is a raw material used primarily for the production of rigid polyurethane foams, which have the best insulating properties of any material on the market. Two of their main applications are in the refrigeration chain and as thermal insulation in the construction industry. TDI is used in large quantities in the production of flexible polyurethane foam for upholstered furniture, mattresses and car seats.

The facilities set new standards in terms of energy-efficient and environmentally compatible production. The new TDI facility in Shanghai, for example, will feature the modern gas phase process. This enables energy savings of up to 60 percent compared with a conventional plant of the same size. The new process technology also uses up to 80 percent less solvent and lowers the investment volume for this type of large-scale facility by some 20 percent.

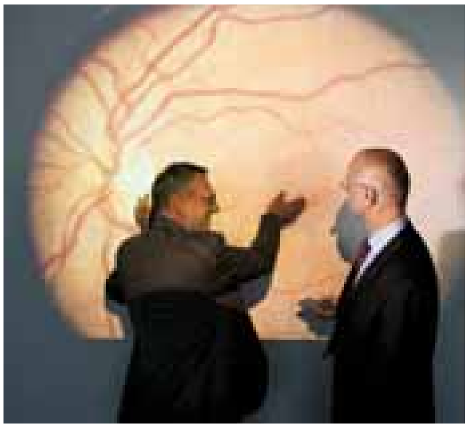
The oxygen depolarized cathode technology used to recycle chlorine at the Bayer Integrated Site Shanghai yields a 30 percent energy saving compared with the conventional process.

Groundbreaking: BMS Chairman Patrick Thomas (center) and other executives at the ceremony in Shanghai.

Improving vision with VEGF Trap-Eye

Berlin – New hope for patients with age-related macular degeneration (AMD): VEGF Trap-Eye can achieve durable improvements in visual acuity and in biologic measurement parameters of pathological blood vessel formation. This was the outcome of the final evaluation of a Phase 2 study presented at the annual meeting of the Retina Society in Scottsdale, Arizona. Bayer HealthCare and U.S.-based Regeneron are developing VEGF Trap-Eye together.

Age-related macular degeneration is the leading cause of blindness in people over the age of 65 in the western world. About 90 percent of late-onset blindness patients suffer from the wet form of AMD, which develops when new, abnormal blood vessels grow beneath the retina and leak blood and fluid – thereby damaging the macula, a small spot in the back of the eye that enables us to clearly distinguish visual details. The two companies are jointly developing VEGF Trap-Eye worldwide for the treatment of wet AMD as well as diabetes-related and other eye diseases.



Focusing on vision: Dr. Georg Grötzbach (left) and Dr. Andreas Sachse of Bayer HealthCare are developing a treatment for wet AMD.

Bayer anniversary in Pittsburgh

Pittsburgh – Bayer recently celebrated the 50th anniversary of its Pittsburgh site in the presence of Bayer CEO Werner Wenning, Pennsylvania Governor Ed Rendell, U.S. Congressman Tim Murphy and 2,000 employees and their families. In his address, Wenning emphasized the importance of the site: "50 years ago Bayer came to Pittsburgh, the city that has become our home. One could say that the company and the region have evolved together. I am convinced that this close partnership will continue to grow in the future." According to the Bayer CEO, the company has invested more than US$ 12 billion in the past decade to support growth in North America. Said Wenning: "This has played an important part in safeguarding the future of our enterprise." This year the city of Pittsburgh too is celebrating a birthday – the 250th anniversary of its founding.

Sustainable investment

Leverkusen – Bayer shares have once again been included in major sustainability indices in 2008. The company's sustainability performance has again earned it a place in the Dow Jones Sustainability Index World, which means it has been included in this index every year since the index was established in 1999. However, Bayer is no longer part of the Dow Jones Sustainability Index STOXX in Europe, despite improving its performance compared with last year. Bayer has also been included in the FTSE4Good indices, managed by a joint venture of the London Stock Exchange and the *Financial Times*, since this series of sustainability indices was established in 2001.
"We are delighted that the financial market acknowledges our endeavors in the field of environmentally and socially acceptable economic development," says Bayer AG Management Board member Dr. Wolfgang Plischke.

Industrial-scale pharmaceutical production from tobacco

Tobacco for medicines: Dr. Stefan Herz homogenizes tobacco plant material.

Leverkusen/Owensboro – Bayer Innovation GmbH and Kentucky Bioprocessing, LLC (KBP) have agreed to develop a facility for the production of biopharmaceuticals in Owensboro, Kentucky. Based on Bayer's magnICON® technology, plant-made pharmaceutical proteins (PMP) and other high-value products will be produced in tobacco plants on an industrial scale. Under the terms of the agreement, KBP will adapt its existing facility by installing an automated system for high throughput transfection of tobacco host plants.

magnICON® technology enables rapid, high-yield production of proteins in tobacco plants. In June 2008 Bayer inaugurated a facility in Halle, Germany, for the production of a vaccine for the therapy of non-Hodgkin's lymphoma based on this technology.

Innovation in railroad track construction

Berlin – As a raw materials and systems partner to the rail industry, Bayer MaterialScience (BMS) exhibited a wide range of rail transport applications for polyurethane systems and thermoplastics at InnoTrans, the international trade fair for transport technology, held in Berlin. A major focus was on developments in track construction involving polyurethane systems that BaySystems® has been working on in close cooperation with its partners. BaySystems® is the global umbrella brand of BMS for its polyurethane systems business. One example of this collaboration is a track superstructure system that cuts noise pollution and maintenance costs. Here liquid Durflex®, a noise-reducing ballast system, is injected into the spaces between the ballast stones.

Railroad ties based on the glass fiber reinforced integral skin foam Baydur® have been successfully used in Japan for many years. On high-speed Shinkansen lines, the material offers far greater durability than timber along with correspondingly lower lifecycle costs. The noise produced by streetcars (trams) – the cause of numerous complaints from local residents, particularly in city centers – can also be effectively dampened using the BMS material Büfaflex®.

Reducing noise: The Bayflex®-based material Büfaflex® makes rail vehicles quieter.

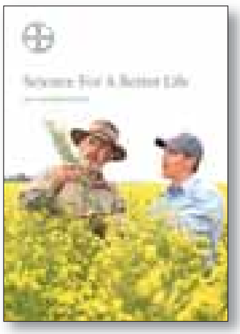
A pill with an innovative dosing regimen

Monitoring: Bayer HealthCare employee Lise Balica in the production facility for YAZ® tablets.

Leverkusen – Using the contraceptive pill used to mean taking a tablet every day for 21 days, followed by a seven-day break. Since the beginning of September 2008, users in many European countries have been able to select a low-dose oral contraceptive from Bayer HealthCare featuring a globally unique dosing regimen. With YAZ®, women can forego the customary seven-day break from the pill. Instead, they take active hormone tablets for 24 days and then hormone-free tablets for four days. Because of the extra three days of hormone tablets, users experience the benefits of the gestagen drospirenone – including reduced water retention – for longer. The shorter time without hormone pills also has the effect of reducing hormonal fluctuations. Bayer HealthCare also aims to gain marketing authorization for YAZ® in Europe for the treatment of acne and PMDD (premenstrual dysphoric disorder). PMDD is associated with mood swings, irritability, anxiety, food cravings, breast tenderness, bloating and headache. YAZ® is already approved to treat acne and PMDD in the United States.

Accolades for the Annual Report

New York – Bayer AG's Annual Report 2007 received gold, silver, bronze and honors twice each in the Annual Report Competition (ARC) in New York. More than 2,100 entries from 28 countries were entered for the competition organized by MerComm, Inc., an independent organization that honors outstanding achievements in the field of communications. In the Vision Awards organized by the League of American Communication Professionals, Bayer's Annual Report also earned second place among non-American pharmaceutical companies with sales in excess of US$ 1 billion.



Among the winners: The Bayer Annual Report 2007

Exemplary collaboration

Aachen/Monheim – Outstanding technology management has played a major role in helping Bayer CropScience to bring an average of two to three new crop protection active ingredients to market in recent years. The Fraunhofer Institute for Production Technology (IPT) in Aachen, Germany, was also impressed with this performance, recently presenting Bayer CropScience with the "Successful Practice Award" for the European company with the best targeted and most efficient technology management in its sector. The jury was particularly impressed by the level of interdepartmental collaboration at Bayer CropScience.

New opportunities for Nexavar

Leverkusen – Bayer HealthCare and Onyx Pharmaceuticals have launched a further Phase III study with Nexavar® tablets in liver cancer. The randomized, double-blind, placebo-controlled study is evaluating Nexavar® as an adjuvant therapy for patients with hepatocellular carcinoma (HCC), or primary liver cancer, following the removal of all identifiable tumor tissue. The additional therapy is aimed at fighting cancer cells that may have spread in the body. The product is being jointly developed by Bayer HealthCare and Onyx Pharmaceuticals.

The new trial aims to build on earlier Phase III data showing that Nexavar® significantly improves overall survival in patients with unresectable liver cancer. Based on the strength of these data, Nexavar® was approved to treat HCC in the U.S. and Europe in 2007. Malignant tumors of the liver are the third leading cause of cancer-related deaths worldwide.

Working to combat liver cancer: Bayer HealthCare employee Rachid El-Kasmi monitors production of the drug Nexavar®.

First registration for corn herbicide Adengo

Monheim – Bayer CropScience has reached a further milestone in the expansion of its successful product portfolio with the granting of the first regulatory approval for its new corn herbicide thiencarbazone-methyl in Romania. The market launch of this innovative product under the brand name Adengo® is scheduled for 2009. Further registrations for products based on thiencarbazone-methyl are expected in major European corn-growing countries, along with the United States and Argentina, during 2009. After tembotrione and pyrasulfotole, this is the third new herbicidal active ingredient from Bayer CropScience's research and development pipeline that has been brought to market since 2007. Bayer CropScience puts the annual sales potential of the new corn herbicide at over €100 million.

Over €500,000 in school funding

Leverkusen – This year the Bayer Science & Education Foundation will provide more than €500,000 in funding to 42 schools in the communities near Bayer's German sites. The money will be used to finance projects aimed at improving science teaching. All the projects are designed to arouse interest in science and technology among schoolchildren, make learning more fun, support talented students from an early age and help them in choosing a career. Last year the foundation distributed approximately €400,000 in funding. An independent Foundation Council selected the programs that will receive funding. All support projects are sustainable, with the goal of introducing innovative teaching methods or implementing exemplary initiatives that supplement regular instruction and create worthwhile educational opportunities.

Financial Calendar

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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Bayer on the Internet
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If you would like to receive the Bayer Stockholders' Newsletter in electronic rather than print form in future, please email the editor.

Forward-Looking Statements
This Stockholders' Newsletter contains forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual assets, financial position, earnings, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Important Information
The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.

Science For A Better Life