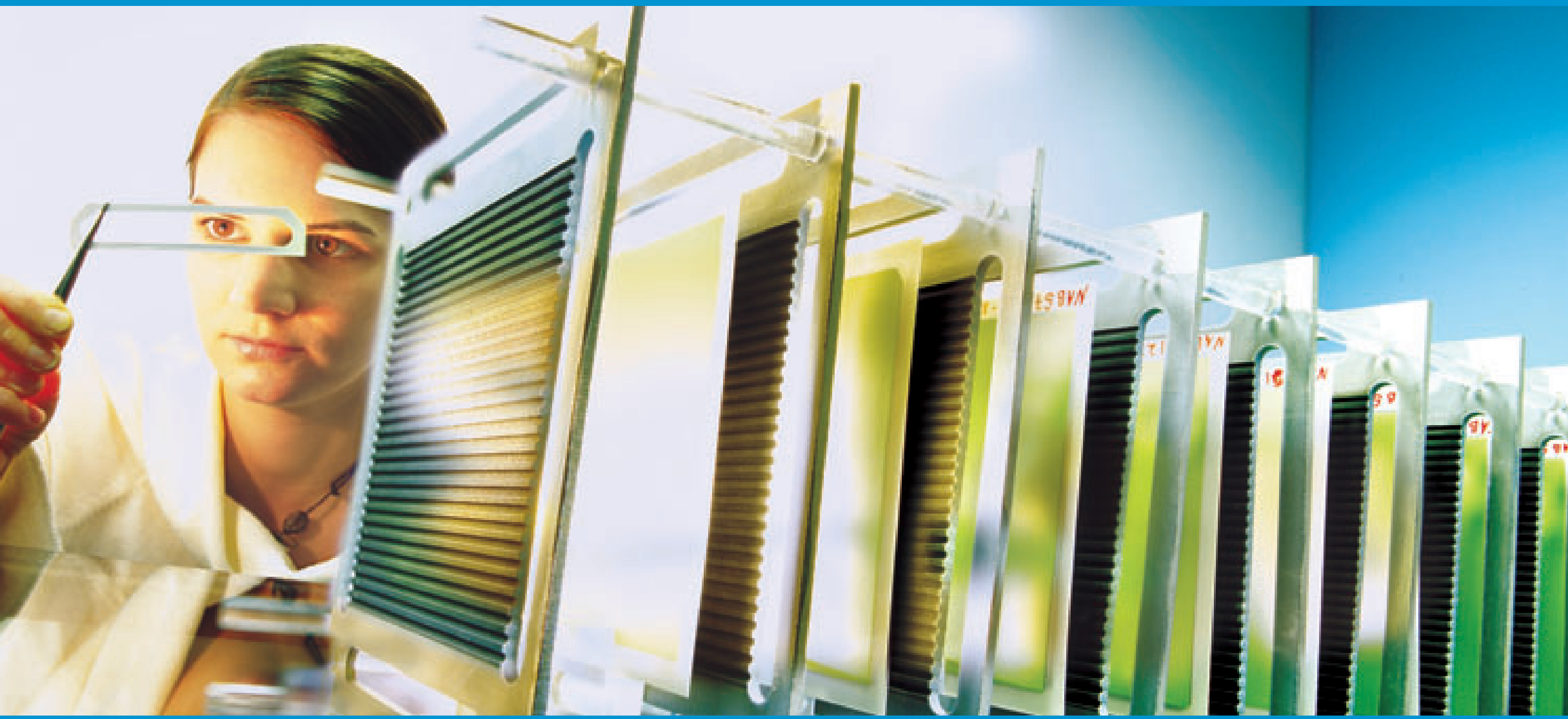


Stockholders' Newsletter 2004

Interim Report for the Third Quarter

Bayer Group Key Data

€ million

	3rd Quarter 2003	2004	Change %	*First Three Quarters* 2003	2004	Change %	*Full Year* 2003
Net sales	**6,834**	**7,065**	**+ 3.4**	**21,446**	**22,010**	**+ 2.6**	**28,567**
of which discontinuing operations	*1,565*	*1,642*		*4,818*	*5,022*		*6,389*
Change in sales							
Volume	+ 4%	+ 5%		+ 4%	+ 7%		+ 5%
Price	+ 3%	+ 2%		+ 1%	+ 1%		0%
Currency	– 11%	– 4%		– 11%	– 4%		– 9%
Portfolio changes	+ 1%	0%		+ 5%	– 1%		0%
EBITDA[1]	**774**	**809**	**+ 4.5**	**3,698**	**3,323**	**– 10.1**	**3,616**
Operating result (EBIT)	**42**	**244**	**•**	**1,613**	**1,588**	**– 1.5**	**(1,119)**
of which discontinuing operations	*(51)*	*(3)*		*(104)*	*114*		*(1,639)*
of which special items	(83)	(139)		189	(282)		(2,585)
Return on sales	0.6%	3.5%		7.5%	7.2%		(3.9)%
Non-operating result	**(232)**	**(190)**	**+ 18.1**	**(622)**	**(625)**	**– 0.5**	**(875)**
Net income (loss)	**(123)**	**34**	**•**	**591**	**562**	**– 4.9**	**(1,361)**
Earnings per share (€)	(0.17)	0.05		0.81	0.77		(1.86)
Gross cash flow[2]	**573**	**700**	**+ 22.2**	**2,903**	**2,515**	**– 13.4**	**2,865**
Net cash flow[3]	**1,188**	**654**	**– 44.9**	**2,310**	**1,501**	**– 35.0**	**3,293**
Capital expenditures	**384**	**289**	**– 24.7**	**1,184**	**711**	**– 39.9**	**1,739**
Research and development expenses	**636**	**501**	**– 21.2**	**1,758**	**1,513**	**– 13.9**	**2,404**
Depreciation and amortization	**732**	**565**	**– 22.8**	**2,085**	**1,735**	**– 16.8**	**4,735**
Number of employees (as of September 30)				**117,300**	**113,800**	**– 3.0**	**115,400**
Personnel expenses	1,919	1,758	– 8.4	5,835	5,466	– 6.3	7,906

1) EBITDA = operating result (EBIT) plus depreciation and amortization
2) Gross cash flow = operating result (EBIT) plus depreciation and amortization, less gains on retirements of noncurrent assets, less income taxes, and adjusted for changes in pension provisions
3) Net cash flow = cash flow from operating activities according to IAS 7

2003 figures restated (for details see Notes, page 34 f)

Cover picture: The future is bright for the solid oxide fuel cell (SOFC) as a means of generating electricity and heat. Research scientists at Bayer's subsidiary H.C. Starck are developing materials and complex components for the manufacture of these highly efficient electrochemical energy converters.

Upward trend at Bayer continues

- **Currency- and portfolio-adjusted sales rise by 7 percent**
- **EBIT before special items triples**
- **Litigation impacts EBIT by €76 million**
- **Reported EBIT climbs from €42 million to €244 million**
- **Group net income up by €157 million from minus €123 million to €34 million**
- **Increased full-year forecasts for sales and underlying EBIT**

Sales and Earnings

Bayer's sales and earnings showed further growth in the third quarter of 2004. We are particularly pleased by this, as it means we more than offset the drop in sales of our anti-infective Cipro® after its patent expired in the United States, along with the sharp rise in raw material costs and continuing adverse currency effects.

Sales of the Bayer Group rose by 3.4 percent to €7,065 million in the third quarter of 2004, or by 7.3 percent when adjusted for the effects of currency translations and portfolio changes. This gratifying growth was attributable to price and volume increases in our industrial businesses, which more than offset the expected decline in sales of Cipro®.

Group EBIT improved considerably in the third quarter, advancing by €202 million to €244 million. Here, a marked recovery in business activity and our efforts to contain costs and improve efficiency compensated for the lower returns on Cipro® and the considerable rise in raw material costs. Lower depreciation and amortization also had a positive effect. EBIT of all subgroups, particularly HealthCare and MaterialScience, improved considerably. EBIT of CropScience was negative as expected for seasonal reasons.

Before special items of minus €139 million (2003: minus €83 million), Group EBIT gained strongly in the third quarter, increasing from €125 million to €383 million. The special items included litigation-related expenses totaling €76 million. The company successfully continued its settlement policy regarding Lipobay/Baycol in the third quarter. After more than three years of litigation we are currently aware of fewer than 100 pending cases in the United States that in our opinion hold a potential for settlement, although we cannot rule out the possibility that additional cases involving serious side effects from Lipobay/Baycol may come to our attention. A €31 million charge to the operating result was taken in the third quarter of 2004 in light of settlements already concluded or expected to be concluded and anticipated defense costs. In connection with product liability lawsuits relating to phenylpropanolamine (PPA), a €12 million provision was recorded in the third quarter for possible settlements and further expected defense costs. Other litigation-related expenses resulted mainly from an antitrust suit in the MaterialScience field involving polyester polyols, in which an agreement was reached with the U.S. antitrust authorities in the third quarter. The special items also included in particular a €40 million charge for establishing an environmental provision for Lanxess, a €36 million charge relating to the strategic alliance with Schering-Plough and €18 million for the planned stock-market listing of Lanxess. These charges were partially offset by one-time income of €39 million from the sale of a license in HealthCare.

EBITDA increased by 4.5 percent year on year to €809 million, and by 12.1 percent to €928 million before special items.

With a non-operating result of minus €190 million, income before income taxes for the third quarter amounted to €54 million. After income taxes of €32 million and minority stockholders' interest, net income came to €34 million.

The Bayer Group also posted a gratifying operating performance for the first three quarters as a whole. Sales advanced by 2.6 percent, or by 8.0 percent when adjusted for currency translations and portfolio changes. EBIT before special items grew by 31.3 percent to €1,870 million, and EBITDA before special items was up by 2.9 percent. Net income in the first nine months declined by 4.9 percent year on year, to €562 million.

Subsequent Events

At the Extraordinary Stockholders' Meeting of Bayer AG on November 17, 2004, the stockholders approved the Spin-Off and Acquisition Agreement of September 22, 2004 between Bayer AG and Lanxess AG. The spin-off will take legal effect upon its entry into the commercial register for Bayer AG. For every 10 shares he or she holds in Bayer at the time the spin-off takes effect, each stockholder will receive one Lanxess share in addition. The allotment of Lanxess shares will be based on the number of shares in the shareholder's securities deposit account on that date. It is intended that Lanxess shares be admitted to the Prime Standard segment of the Frankfurt Stock Exchange. A total of 73,034,192 shares of Lanxess AG will be issued to Bayer AG stockholders.

The European Commission has approved, subject to minor conditions, Bayer AG's plans to acquire the Consumer Health activities of the Roche group, Switzerland. The volume of the transaction is €2.4 billion. Bayer intends to take over Roche's global business in prescription-free medicines – except in Japan – and integrate it into the Consumer Care Division of its Bayer HealthCare subgroup, assuming full operational control by the end of the first half of 2005. Control of most of the business is expected to pass to Bayer at the start of 2005. The acquisition comprises Roche's OTC (over-the-counter) drugs business, including consumer brands such as Rennie® and Bepanthen®, along with vitamins and nutritional supplements.

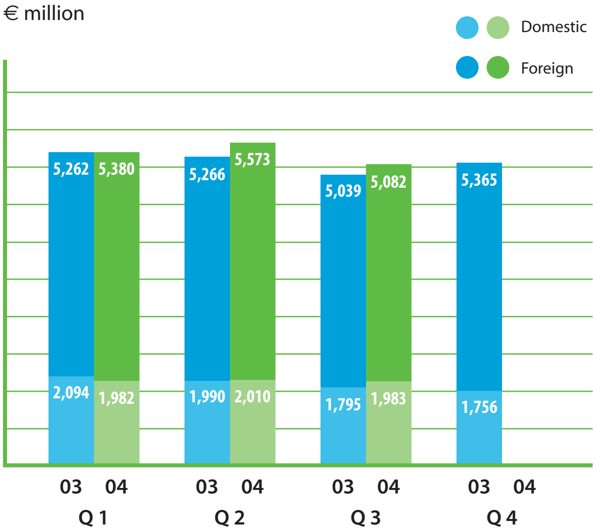
Outlook

In light of the continuing uptrend in our business in the third quarter, we are increasing our full-year forecasts for sales and underlying EBIT. We now expect sales for 2004 as a whole to grow by about the same percentage as in the first three quarters. Our target of improving underlying EBIT by more than 10 percent compared with last year was already achieved in the first nine months. EBIT before special items for that period, at €1,870 million, exceeded the full-year 2003 figure by 27.6 percent. For the fourth quarter, too, we expect to report positive underlying EBIT well above the level of the same quarter of last year despite the continuing high raw material costs.

We also reaffirm our goal for the full year 2004 of improving EBITDA by more than 10 percent compared with 2003.

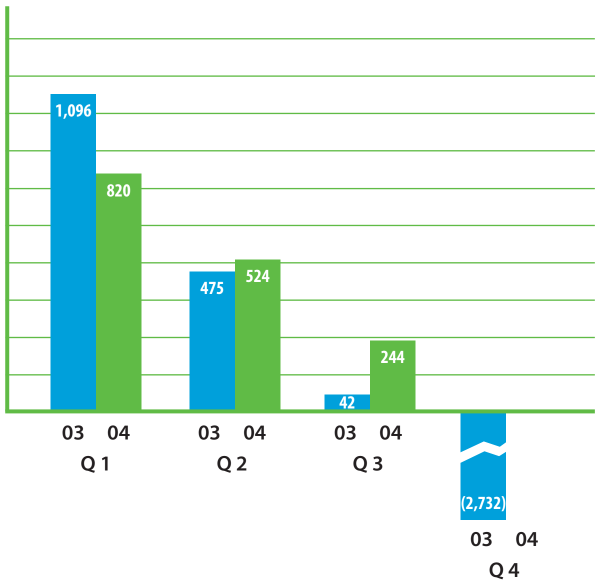
Net Sales

€ million



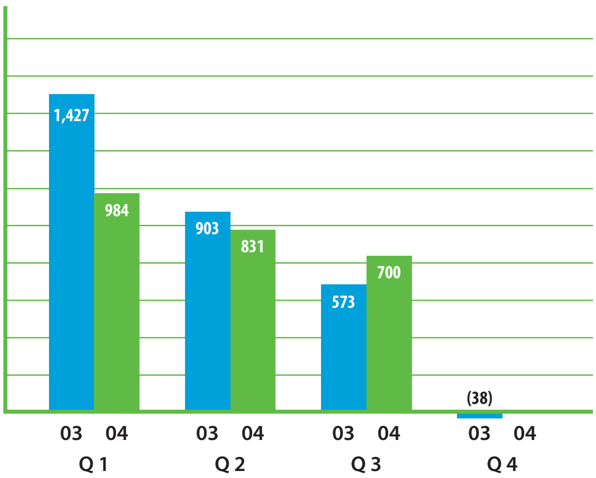
Operating Result (EBIT)

€ million



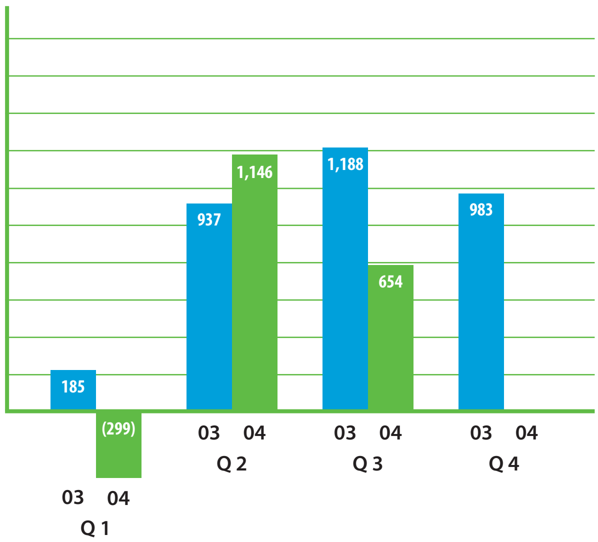
Gross Cash Flow

€ million



Net Cash Flow

€ million



Third-Quarter Net Sales by Region and Segment

	Europe			North America		
		Change	Change in local currencies		Change	Change in local currencies
	€ million	%	%	€ million	%	%
Pharmaceuticals/Biological Products	365	+ 4.9	+ 4.4	350	– 37.7	– 33.3
Consumer Care/Diagnostics	283	+ 6.4	+ 6.6	389	– 2.3	+ 5.3
Animal Health	57	– 3.4	– 2.0	77	– 8.3	– 0.9
CropScience	343	– 7.8	– 7.7	217	– 8.1	– 2.7
Materials	353	+ 12.4	+ 13.1	174	+ 13.0	+ 22.7
Systems	654	+ 28.0	+ 28.0	367	– 0.5	+ 7.2
Lanxess	739	+ 2.9	+ 3.0	337	– 0.3	+ 6.7
Total region (incl. reconciliation)	**2,962**	**+ 8.4**	**+ 8.2**	**1,912**	**– 11.2**	**– 4.3**

Performance by Region

Sales in the individual regions were as shown above.

The main factors in the regional development of our business were as follows:

In North America, sales of the Pharmaceuticals and Biological Products segment dropped by 33.3 percent in local currencies due to generic competition for Cipro®.

In Latin America, growth remained particularly strong in the crop protection market. Increased acreages and higher demand for seed treatment products and soil insecticides boosted currency-adjusted sales of CropScience in the Latin America/Africa/Middle East region as a whole by 27.6 percent.

Our business in products sold to manufacturing industry benefited from the general economic upswing, with MaterialScience and Lanxess posting major increases in Asia/Pacific due to dynamic growth in the plastics and electronics industries. The sharp increase in business in the Systems segment in Europe compared with the third quarter of last year resulted mainly from sales of styrene manufactured in a new facility that did not come on stream until the end of 2003.

Group sales in Germany grew by 2.0 percent year on year to €1,004 million.

Asia/Pacific			Latin America/Africa/Middle East			Total Segment		
	Change	Change in local currencies		Change	Change in local currencies		Change	Change in local currencies
€ million	%	%	€ million	%	%	€ million	%	%
214	+ 3.4	+ 7.6	96	+ 3.2	+ 12.1	**1,025**	– 15.3	– 12.0
74	+ 4.2	+ 6.4	104	– 3.7	+ 5.6	**850**	+ 0.6	+ 5.9
31	0.0	+ 2.6	30	– 3.2	+ 4.0	**195**	– 4.4	+ 0.1
214	– 5.3	– 0.8	350	+ 20.3	+ 27.6	**1,124**	– 0.1	+ 3.9
252	+ 34.0	+ 41.3	60	+ 25.0	+ 30.0	**839**	+ 19.2	+ 24.0
227	+ 28.2	+ 34.6	141	+ 12.8	+ 18.9	**1,389**	+ 17.4	+ 21.5
247	+ 14.4	+ 18.1	148	+ 12.1	+ 17.2	**1,471**	+ 4.6	+ 7.5
1,259	**+ 12.5**	**+ 17.8**	**932**	**+ 12.4**	**+ 19.5**	**7,065**	**+ 3.4**	**+ 7.2**

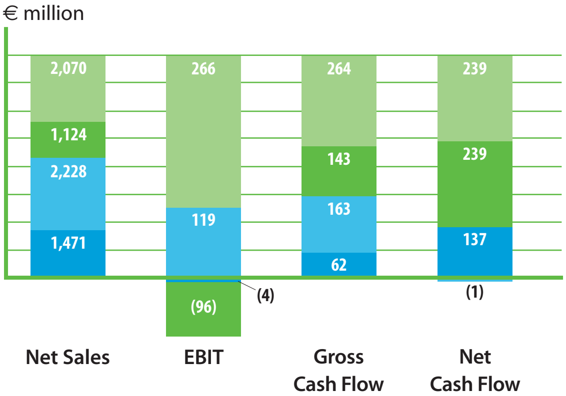
Performance by Subgroup

Our business activities are grouped in the Bayer HealthCare, Bayer CropScience, Bayer MaterialScience and Lanxess subgroups, comprising the following reporting segments:

Subgroup	Segments
HealthCare	Pharmaceuticals/Biological Products; Consumer Care/Diagnostics; Animal Health
CropScience	CropScience
MaterialScience	Materials; Systems
Lanxess	Lanxess

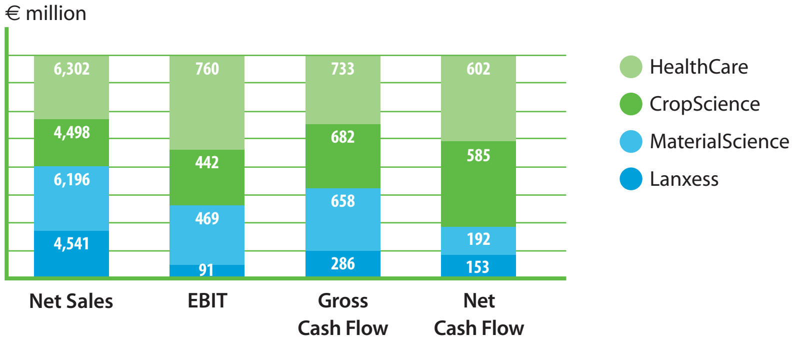
Performance by Subgroup in the Third Quarter 2004

€ million



Performance by Subgroup in the First Three Quarters 2004

€ million



Bayer HealthCare	3rd Quarter 2003	3rd Quarter 2004	Change	First Three Quarters 2003	First Three Quarters 2004	Change
€ million			%			%
Net sales	**2,259**	**2,070**	**– 8.4**	**6,571**	**6,302**	**– 4.1**
of which discontinuing operations	*159*	*171*		*452*	*481*	
EBITDA*	**368**	**392**	**+ 6.5**	**1,491**	**1,113**	**– 25.4**
of which discontinuing operations	*(9)*	*21*		*(18)*	*55*	
Operating result (EBIT)	**224**	**266**	**+ 18.8**	**1,098**	**760**	**– 30.8**
of which discontinuing operations	*(16)*	*1*		*(39)*	*23*	
of which special items	(26)	(52)		270	(52)	
Gross cash flow*	**331**	**264**	**– 20.2**	**1,243**	**733**	**– 41.0**
of which discontinuing operations	*(14)*	*22*		*(19)*	*55*	
Net cash flow*	**238**	**239**	**+ 0.4**	**683**	**602**	**– 11.9**
of which discontinuing operations	*(5)*	*(3)*		*(47)*	*(28)*	

* for definition see Bayer Group Key Data on page 2

Bayer HealthCare

Sales of the **Bayer HealthCare** subgroup declined by 8.4 percent in the third quarter to €2,070 million, or by 4.2 percent when adjusted for currency translations and portfolio changes. **EBIT** before special items climbed by €68 million, or 27.2 percent, to €318 million. Sales for the first nine months as a whole were down by 4.1 percent, to €6,302 million, with currency- and portfolio adjusted sales increasing by 1.4 percent.

Pharmaceuticals/Biological Products	3rd Quarter 2003	3rd Quarter 2004	Change	First Three Quarters 2003	First Three Quarters 2004	Change
€ million			%			%
Net sales	**1,210**	**1,025**	**– 15.3**	**3,531**	**3,241**	**– 8.2**
of which discontinuing operations	*159*	*171*		*452*	*481*	
Pharmaceuticals	913	712	– 22.0	2,724	2,362	– 13.3
Biological Products	297	313	+ 5.4	807	879	+ 8.9
EBITDA*	**112**	**146**	**+ 30.4**	**576**	**471**	**– 18.2**
of which discontinuing operations	*(9)*	*21*		*(18)*	*55*	
Operating result (EBIT)	**44**	**86**	**+ 95.5**	**397**	**315**	**– 20.7**
of which discontinuing operations	*(16)*	*1*		*(39)*	*23*	
of which special items	(44)	(40)		(47)	(40)	
Gross cash flow*	**101**	**102**	**+ 1.0**	**465**	**299**	**– 35.7**
of which discontinuing operations	*(14)*	*22*		*(19)*	*55*	
Net cash flow*	**85**	**95**	**+ 11.8**	**40**	**179**	**•**
of which discontinuing operations	*(5)*	*(3)*		*(47)*	*(28)*	

* for definition see Bayer Group Key Data on page 2

Best-Selling Bayer HealthCare Products	*3rd Quarter* 2004	Change	Change in local currencies	*First Three Quarters* 2004	Change	Change in local currencies
€ million		%	%		%	%
Ciprobay®/Cipro® (Pharmaceuticals)	149	– 55.1	– 53.9	632	– 43.1	– 40.1
Adalat® (Pharmaceuticals)	163	– 2.4	0.0	503	– 0.4	+ 2.2
Ascensia® product line (Diagnostics)	174	+ 9.4	+ 7.5	467	+ 10.9	+ 13.1
Aspirin® (Consumer Care/Pharmaceuticals)	158	+ 3.9	+ 7.2	451	+ 3.0	+ 7.5
Kogenate® (Biological Products)	142	+ 1.4	+ 3.6	398	+ 12.1	+ 14.9
ADVIA Centaur® System (Diagnostics)	107	+ 9.2	+ 15.3	323	+ 16.2	+ 21.6
Gamimune® N/Gamunex® (Biological Products)	86	+ 4.9	+ 13.4	244	+ 10.9	+ 19.1
Avalox®/Avelox® (Pharmaceuticals)	64	+ 18.5	+ 24.1	223	+ 15.5	+ 22.3
Glucobay® (Pharmaceuticals)	70	– 2.8	0.0	213	+ 2.9	+ 6.8
Advantage®/Advantix® (Animal Health)	61	+ 19.6	+ 27.5	173	+ 9.5	+ 17.1
Levitra® (Pharmaceuticals)	45	– 48.9	– 46.6	151	+ 36.0	+ 43.2
Prolastin® (Biological Products)	44	+ 10.0	+ 20.0	124	0.0	+ 7.3
Trasylol® (Pharmaceuticals)	48	+ 33.3	+ 44.4	121	+ 15.2	+ 24.8
Baytril® (Animal Health)	41	– 4.7	0.0	114	– 13.6	– 9.1
Canesten® (Consumer Care)	36	– 2.7	0.0	106	+ 1.0	+ 3.8
Total	**1,388**	**– 10.5**	**– 7.4**	**4,243**	**– 4.9**	**– 0.7**
Proportion of Bayer HealthCare sales	67.1%			67.3%		

Pharmaceuticals/Biological Products

Third-quarter sales of the **Pharmaceuticals** Division declined by €201 million, or 22.0 percent, to €712 million, largely because of the expiration of the U.S. patent on our anti-infective Cipro®. Sales of Ciprobay®/Cipro® (active ingredient: ciprofloxacin) fell by a total of €183 million, or 55.1 percent, compared with the same period of last year. Our once-daily formulation Cipro® XR had gained a 15 percent share of ciprofloxacin prescriptions in the United States by the end of the third quarter.

Sales of Levitra® rose by €5 million from the second quarter of this year, to €45 million. The market for erectile dysfunction products continued to feature inventory reductions by wholesalers and a high level of sample-product distribution. A comparison with the third quarter of 2003 is not meaningful since sales in that period were boosted by initial inventory buildup in connection with the product's introduction in the United States. Levitra® increased its share of both the world market and the U.S. market to 12 percent.

Avalox®/Avelox® (respiratory infections), Aspirin® Cardio (myocardial infarction and stroke prophylaxis) and Trasylol® (used in open heart surgery) continued to show good growth.

In the field of cancer research, we presented encouraging Phase II study results for our developmental product BAY 43-9006 in patients with advanced liver cancer. This substance is currently in Phase III of clinical testing for the treatment of advanced renal cell carcinoma. BAY 43-9006 also received orphan drug status from both the European Commission and the U.S. Food and Drug Administration for the treatment of renal cell carcinoma. The benefits of this status include market exclusivity rights for this indication for ten years in the E.U. and seven years in the United States, provided that certain requirements are met. Orphan drug status is intended to incentivize the development of drugs to treat diseases affecting comparatively small numbers of people.

Phase IIb studies with our Factor Xa inhibitor BAY 59-7939, which is being developed for prevention and therapy of thrombotic diseases, have not yet been completed. Phase I studies completed to date demonstrated that the highly potent, direct Factor Xa inhibitor for oral administration can effectively inhibit coagulation. We have discontinued clinical studies involving the cancer drug taxane, as the substance did not satisfy the clinical target profile defined at the start of its development.

The **Biological Products** Division increased its sales by 5.4 percent in the third quarter, to €313 million, with our hemophilia drug Kogenate® and the plasma products both contributing to this positive performance. While Kogenate® sales grew particularly in Europe and Asia, business with our plasma products was especially successful in North America. Negotiations with potential acquirers of the plasma business, which is listed under discontinuing operations, are expected to be concluded shortly.

EBIT of the **Pharmaceuticals/Biological Products** segment rose by €42 million to €86 million. EBIT before special items improved by €38 million, or 43.2 percent, to €126 million. Special items in the third quarter consisted chiefly of €36 million in expenses for establishing the pharmaceutical alliance with U.S.-based Schering-Plough Corporation, along with €31 million in litigation-related charges. These negative special items were partially offset by a €39 million one-time gain from the sale of a license to Alcon Laboratories, Inc. of the United States. The drop in EBIT of the Pharmaceuticals Division due to expiration of the U.S. patent on Cipro® was more than offset by the favorable earnings trends for our other pharmaceutical products and in the Biological Products Division.

Consumer Care/Diagnostics	*3rd Quarter* 2003	2004	Change	*First Three Quarters* 2003	2004	Change
€ million			%			%
Net sales	**845**	**850**	**+ 0.8**→**+ 0.6**	**2,443**	**2,463**	**+ 0.8**
Consumer Care	363	347	– 4.4	1,053	1,006	– 4.5
Diagnostics	482	503	+ 4.4	1,390	1,457	+ 4.8
Diagnostics Professional Testing Systems	314	324	+ 3.2	942	967	+ 2.7
Diagnostics Self Testing Systems	168	179	+ 6.5	448	490	+ 9.4
EBITDA*	**205**	**183**	**– 10.7**	**764**	**490**	**– 35.9**
Operating result (EBIT)	**136**	**122**	**– 10.3**	**572**	**310**	**– 45.8**
of which special items	18	(12)		315	(12)	
Gross cash flow*	**183**	**132**	**– 27.9**	**641**	**345**	**– 46.2**
Net cash flow*	**93**	**105**	**+ 12.9**	**541**	**339**	**– 37.3**

* for definition see Bayer Group Key Data on page 2

Consumer Care/Diagnostics
In the **Consumer Care** Division, sales declined by 4.4 percent to €347 million, though they increased by 1.5 percent in local currencies. In Europe we grew sales, particularly in Italy and the United Kingdom, primarily by expanding the product ranges under existing brands. In the United States, products such as the pain-relievers Aleve® and Alka-Seltzer® and the cold remedy Alka-Seltzer Plus® turned in a good performance, while Aspirin® came under heavy competitive pressure.

Sales of the **Diagnostics Professional Testing Systems** Division grew by 3.2 percent, or by 6.7 percent in local currencies, with the United States, Europe and Japan contributing to the upward trend. The largest increases were recorded in the laboratory testing systems business, where currency-adjusted sales were up by 7.6 percent.

The **Diagnostics Self Testing Systems** Division, which markets blood glucose monitoring systems, increased sales by 6.5 percent in the third quarter, or by 13.1 percent in local currencies. The new Ascensia® Contour and Ascensia® Breeze systems contributed significantly to this improvement.

EBIT of the **Consumer Care/Diagnostics** segment moved back by €14 million to €122 million, with earnings growth in Diagnostics Self Testing Systems offset primarily by increased marketing costs in Consumer Care. EBIT before special items rose by €16 million, or 13.6 percent, to €134 million.

Animal Health	3rd Quarter 2003	3rd Quarter 2004	Change	First Three Quarters 2003	First Three Quarters 2004	Change
€ million			%			%
Net sales	**204**	**195**	**– 4.4**	**597**	**598**	**+ 0.2**
EBITDA*	**51**	**63**	**+ 23.5**	**151**	**152**	**+ 0.7**
Operating result (EBIT)	**44**	**58**	**+ 31.8**	**129**	**135**	**+ 4.7**
of which special items	0	0		2	0	
Gross cash flow*	**47**	**30**	**– 36.2**	**137**	**89**	**– 35.0**
Net cash flow*	**60**	**39**	**– 35.0**	**102**	**84**	**– 17.6**

* for definition see Bayer Group Key Data on page 2

Animal Health

Sales of the **Animal Health** segment were down by 4.4 percent year-on-year, but remained steady in local currencies. We successfully launched our antiparasitic product Advantix® in additional European countries and our coccidiosis product Baycox® 5%.

EBIT of the **Animal Health** segment rose by €14 million, or 31.8 percent, to €58 million, which includes €8 million in proceeds from a real-estate sale.

Bayer CropScience	3rd Quarter 2003	3rd Quarter 2004	Change	First Three Quarters 2003	First Three Quarters 2004	Change
€ million			%			%
Net sales	**1,125**	**1,124**	**– 0.1**	**4,353**	**4,498**	**+ 3.3**
Crop Protection	948	956	+ 0.8	3,589	3,724	+ 3.8
Insecticides	335	300	– 10.4	1,058	1,069	+ 1.0
Fungicides	185	223	+ 20.5	836	911	+ 9.0
Herbicides	317	306	– 3.5	1,390	1,406	+ 1.2
Seed Treatment	111	127	+ 14.4	305	338	+ 10.8
Environmental Science	135	125	– 7.4	555	527	– 5.0
BioScience	42	43	+ 2.4	209	247	+ 18.2
EBITDA*	**55**	**81**	**+ 47.3**	**932**	**978**	**+ 4.9**
Operating result (EBIT)	**(130)**	**(96)**	**+ 26.2**	**354**	**442**	**+ 24.9**
of which special items	(25)	12		(40)	(29)	
Gross cash flow*	**(68)**	**143**	**•**	**602**	**682**	**+ 13.3**
Net cash flow*	**460**	**239**	**– 48.0**	**1,003**	**585**	**– 41.7**

* for definition see Bayer Group Key Data on page 2

	3rd Quarter			*First Three Quarters*		
Best-Selling Bayer CropScience Products	**2004**	**Change**	**Change in local currencies**	**2004**	**Change**	**Change in local currencies**
€ million		%	%		%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	137	+ 6.2	+ 6.2	466	– 1.9	+ 2.5
Folicur®/Raxil® (Fungicides/Seed Treatment)	88	+ 44.3	+ 45.9	300	+ 27.7	+ 32.3
Puma® (Herbicides)	32	+ 3.2	+ 3.2	174	0.0	+ 4.0
Basta®/Liberty® (Herbicides)	26	+ 18.2	+ 22.7	149	+ 21.1	+ 26.8
FLINT®/Stratego®/Sphere® (Fungicides)	36	•	•	148	+ 22.3	+ 28.1
Decis®/K-Othrine® (Insecticides/Environmental Science)	47	+ 9.3	+ 7.0	138	+ 8.7	+ 13.4
Betanal® (Herbicides)	10	+ 66.7	+ 66.7	126	0.0	+ 2.4
Fenikan® (Herbicides)	50	+ 6.4	+ 6.4	90	+ 2.3	+ 2.3
Temik® (Insecticides)	8	0.0	0.0	76	+ 31.0	+ 39.7
Hussar® (Herbicides)	13	+ 116.7	+ 116.7	73	+ 7.4	+ 8.8
Total	**447**	**+ 23.5**	**+ 23.8**	**1,740**	**+ 9.1**	**+ 13.4**
Proportion of Bayer CropScience sales	39.8%			38.7%		

Bayer CropScience

Sales of the **Bayer CropScience** subgroup in the third quarter remained steady year on year at €1,124 million; currency- and portfolio-adjusted sales advanced by 3.0 percent. For the first three quarters as a whole, sales grew by €145 million, or 3.3 percent, to €4,498 million. Business improved by 9.5 percent in local currencies if the effects of portfolio changes are eliminated. EBIT for the nine-month period rose by 24.9 percent from €354 million to €442 million.

The **Crop Protection** Business Group increased third-quarter sales by 0.8 percent year on year, to €956 million. The gratifying rise in sales of fungicides and seed treatment products offset third-quarter declines in insecticides and herbicides. Our top products continued to develop well in all areas.

Sales of our Confidor®/Gaucho®/Admire®/Merit® product group expanded by 6.2 percent in the third quarter. The key factor in this growth was the seed treatment business, particularly for cereals and canola in Europe, and for corn, cereals and cotton in Latin America.

Continuing high demand led to a 44.3 percent year-on-year jump in sales of our Folicur® fungicide, to €88 million. This was attributable to higher sales of the product in Brazil and Argentina for the control of Asian rust in the soybean season. In France we benefited from increasing sales of cereal fungicides.

Sales of our Basta® herbicide improved by 18.2 percent to €26 million in the third quarter due to continuing high demand for this product, particularly for use in Japan, South Korea and Taiwan as a non-selective herbicide for rice, vegetable and fruit crops.

Sales of our FLINT® fungicide quadrupled year on year, expanding by €27 million to €36 million. Much of this growth was attributable to good business in North and South America. Sales of our formulations Sphere® and Stratego® for soybean crops in Brazil and Argentina developed particularly well.

In the **Environmental Science** Business Group, sales declined by 7.4 percent to €125 million, or by 3.2 percent in local currencies.

Sales of the **BioScience** Business Group rose by 2.4 percent to €43 million, mainly due to stronger sales of Invigor® canola seed in Canada.

EBIT of **CropScience** advanced by €34 million year on year in the third quarter, to minus €96 million. Before special items, EBIT was down by €3 million, or 2.9 percent. Negative currency effects were largely offset by an increase in volumes and synergies from the continued integration of the ACS business.

	3rd Quarter			*First Three Quarters*		
Bayer MaterialScience	**2003**	**2004**	**Change**	**2003**	**2004**	**Change**
€ million			%			%
Net sales	**1,887**	**2,228**	**+ 18.1**	**5,608**	**6,196**	**+ 10.5**
EBITDA*	**244**	**262**	**+ 7.4**	**799**	**909**	**+ 13.8**
Operating result (EBIT)	**45**	**119**	**+ 164.4**	**236**	**469**	**+ 98.7**
of which special items	(12)	(27)		(63)	(27)	
Gross cash flow*	**216**	**163**	**– 24.5**	**738**	**658**	**– 10.8**
Net cash flow*	**394**	**(1)**	**•**	**731**	**192**	**– 73.7**

* for definition see Bayer Group Key Data on page 2

Bayer MaterialScience

In the third quarter of 2004, **sales** of **Bayer MaterialScience** rose by €341 million to €2,228 million, a gain of 18.1 percent; adjusted for currency translation and portfolio changes, business was up by 23.2 percent. EBIT before special items climbed by €89 million, or 156.1 percent. Reported EBIT improved by €74 million to €119 million, mostly due to strong earnings on polycarbonates and polyurethanes and also to lower depreciation and amortization resulting from the write-downs made in 2003. Sales in the first three quarters increased by 10.5 percent to €6,196 million. Adjusted for currency- and portfolio effects, sales climbed by 16.3 percent.

Materials

Third-quarter **sales** of the **Materials** segment rose by 19.2 percent year on year, to €839 million, or by 26.1 percent in local currencies.

Polycarbonates and H.C. Starck both shared significantly in this positive performance, achieving both prices and volume increases thanks to continuing high demand from the plastics and electronics industries. Sales of Wolff Walsrode advanced by 2.3 percent. Adjusted for currency effects and the sale of Walothen GmbH, business at Wolff Walsrode grew by 22.4 percent, due particularly to strong sales of methylcellulose to the construction industry.

EBIT of the **Materials** segment improved by €70 million from the same quarter of last year, to €76 million. This increase resulted largely from greater, demand-driven use of production capacities. The absence of one-time charges also contributed to the year-on-year growth in earnings. It was possible to pass part of the sharp increases in raw material costs along to customers.

	3rd Quarter			*First Three Quarters*		
Materials	**2003**	**2004**	**Change**	**2003**	**2004**	**Change**
€ million			%			%
Net sales	**704**	**839**	**+ 19.2**	**2,093**	**2,339**	**+ 11.8**
Polycarbonates	435	516	+ 18.6	1,282	1,435	+ 11.9
Thermoplastic Polyurethanes	45	46	+ 2.2	135	138	+ 2.2
Wolff Walsrode	86	88	+ 2.3	255	246	– 3.5
H.C. Starck	138	189	+ 37.0	421	520	+ 23.5
EBITDA*	**76**	**131**	**+ 72.4**	**266**	**363**	**+ 36.5**
Operating result (EBIT)	**6**	**76**	**•**	**74**	**186**	**+ 151.4**
of which special items	(3)	0		(15)	0	
Gross cash flow*	**66**	**89**	**+ 34.8**	**244**	**268**	**+ 9.8**
Net cash flow*	**114**	**25**	**– 78.1**	**207**	**100**	**– 51.7**

* for definition see Bayer Group Key Data on page 2

Systems	*3rd Quarter* 2003	2004	Change	*First Three Quarters* 2003	2004	Change
€ million			%			%
Net sales	**1,183**	**1,389**	**+ 17.4**	**3,515**	**3,857**	**+ 9.7**
Polyurethanes	818	1,021	+ 24.8	2,405	2,753	+ 14.5
Coatings, Adhesives, Sealants	299	311	+ 4.0	915	935	+ 2.2
Inorganic Basic Chemicals	55	52	– 5.5	165	152	– 7.9
Others	11	5	– 54.5	30	17	– 43.3
EBITDA*	**168**	**131**	**– 22.0**	**533**	**546**	**+ 2.4**
Operating result (EBIT)	**39**	**43**	**+ 10.3**	**162**	**283**	**+ 74.7**
of which special items	(9)	(27)		(48)	(27)	
Gross cash flow*	**150**	**74**	**– 50.7**	**494**	**390**	**– 21.1**
Net cash flow*	**280**	**(26)**	**•**	**524**	**92**	**– 82.4**

* for definition see Bayer Group Key Data on page 2

Systems
In the **Systems** segment, third-quarter **sales** were up by 17.4 percent to €1,389 million, or by 21.5 percent in local currencies.

Continuing high demand and price increases for MDI and polyether boosted polyurethane sales by 24.8 percent to €1,021 million. The third-quarter figures also included sales of styrene manufactured in a new facility that did not come on stream until the end of 2003. The TDI business was hampered by existing overcapacities.

The coatings, adhesives and sealants business improved by 4.0 percent to €311 million. While sales increased considerably in the Asia/Pacific and Latin America regions in particular, business in Europe was restrained.

Due to lower market prices for caustic soda compared to the previous year, sales of inorganic basic chemicals moved back by 5.5 percent. However, we succeeded in raising prices above the level of the second quarter.

Third-quarter **EBIT** of the **Systems** segment improved by €4 million to €43 million. Before special items, EBIT climbed by €22 million, or 45.8 percent, to €70 million. The special items mainly comprise a €27 million provision resulting from an agreement with the U.S. Department of Justice in connection with pricing agreements for polyester polyols. Earnings were boosted by high capacity utilization and successful cost-reduction measures. However, the sharp rise in raw material costs, particularly for benzene, could be only partially passed along to customers.

Lanxess	3rd Quarter 2003	3rd Quarter 2004	Change	First Three Quarters 2003	First Three Quarters 2004	Change
€ million			%			%
Net sales	**1,406**	**1,471**	**+ 4.6**	**4,366**	**4,541**	**+ 4.0**
Chemical Intermediates	259	271	+ 4.6	805	841	+ 4.5
Performance Chemicals	472	458	– 3.0	1,442	1,412	– 2.1
Engineering Plastics	317	386	+ 21.8	1,000	1,196	+ 19.6
Performance Rubber	328	338	+ 3.0	1,024	1,033	+ 0.9
Others	30	18	– 40.0	95	59	– 37.9
EBITDA*	**78**	**60**	**– 23.1**	**264**	**331**	**+ 25.4**
Operating result (EBIT)	**(35)**	**(4)**	**88.6**	**(65)**	**91**	**•**
of which special items	(17)	(50)		(42)	(81)	
Gross cash flow*	**67**	**62**	**– 7.5**	**222**	**286**	**+ 28.8**
Net cash flow*	**131**	**137**	**+ 4.6**	**8**	**153**	**•**

* for definition see Bayer Group Key Data on page 2

Lanxess

Sales of the **Lanxess** subgroup increased in the third quarter of 2004 by €65 million, or 4.6 percent, year on year to €1,471 million. Currency-adjusted sales grew by 7.5 percent. For the first three quarters as a whole, sales of Lanxess improved by 4.0 percent to €4,541 million, or by 7.0 percent in local currencies.

Third-quarter sales of the Chemical Intermediates business unit grew by 4.6 percent to €271 million, or by 6.8 percent before currency translation. While business in fine chemicals was down from the same quarter of last year, basic chemicals achieved growth in volumes. This business also had some success in passing on higher raw material costs to customers.

Sales of Performance Chemicals dipped by 3.0 percent to €458 million. Business in local currencies remained steady year on year. While sales of paper chemicals declined, sales of Rhein Chemie and material protection products were lifted by higher volumes.

Sales of Engineering Plastics advanced in the third quarter by 21.8 percent to €386 million. As in the previous quarters, the styrenics business played a major part in this growth through increases in prices and volumes. Semi-crystalline products also posted strong gains.

Performance Rubber sales rose by 3.0 percent to €338 million, with business up by 6.0 percent before currency translations. This encouraging sales performance resulted in large part from higher selling prices following increases in raw material costs.

EBIT of the **Lanxess** segment improved by a substantial €31 million in the third quarter of 2004, to minus €4 million. Before special items, particularly a €40 million allocation to environmental provisions, EBIT grew by €64 million to €46 million. This increase was mainly attributable to higher demand, and partly also to lower depreciation and amortization resulting from the impairments carried out in 2003. On the other hand, the high raw material prices, particularly for benzene, styrene and toluene, put pressure on margins. We succeeded in passing part of the raw material price increases along to customers.

Liquidity and Capital Resources

Cash Flow Key Data € million	*3rd Quarter* 2003	 2004	*First Three Quarters* 2003	 2004
Gross cash flow*	**573**	**700**	**2,903**	**2,515**
Changes in working capital	615	(46)	(593)	(1,014)
Net cash provided by (used in) operating activities (net cash flow)*	**1,188**	**654**	**2,310**	**1,501**
Net cash provided by (used in) investing activities	**(272)**	**(243)**	**677**	**(28)**
Net cash provided by (used in) financing activities	**(465)**	**(465)**	**(1,558)**	**(1,600)**
Change in cash and cash equivalents due to business activities	**451**	**(54)**	**1,429**	**(127)**

* for definition see Bayer Group Key Data on page 2

Gross cash flow improved by €127 million, or 22.2 percent, to €700 million in the third quarter of 2004 due to higher EBITDA and lower income taxes. By contrast, the net cash flow dropped by €534 million, or 44.9 percent, from the high level of the previous year, to €654 million. The increase in working capital in our industrial segments was due both to the substantial growth in business and to the higher inventory value that resulted from the rise in raw material prices. This increase was only partially offset by the seasonal reduction in working capital at CropScience.

Depreciation and amortization amounted to €565 million in the third quarter and €1.7 billion for the first nine months as a whole. We expect depreciation and amortization for the full year to total €2.3 billion.

Net cash used in investing activities in the third quarter came to €243 million (2003: €272 million). Cash outflows of €289 million for additions to property, plant and equipment were partially offset by inflows from sales of noncurrent assets.

The €465 million net cash used in financing activities resulted mainly from net loan repayments of €317 million and interest payments of €157 million.

Bayer has bolstered the financial position of Lanxess by purchasing a €200 million mandatory convertible bond from the new company. The bond was issued on September 15, 2004, and purchased in its entirety by Bayer. Since Lanxess AG is currently still part of the Bayer Group, intra-Group cash flows resulting from this transaction before the spin-off takes effect are not reflected. The issue, which reflects going market rates, has a maximum term of three years and the interest rate is 6 percent. Conversion to Lanxess shares is possible on July 20, 2005 at the earliest, but must take place at the end of the term at the latest. This does not affect the Bayer Group's goal of divesting 100 percent of Lanxess through the planned spin-off. Neither company will hold shares of the other immediately following the spin-off, nor does Bayer intend to hold the shares it acquires through the conversion for the long term or use them to exert influence on Lanxess AG. Rather, Bayer intends to divest the shares so as to impact the market price as little as possible.

Cash and cash equivalents decreased by €56 million to €2,610 million. Including marketable securities and other instruments, the Group had liquid assets of €2,820 million on September 30, 2004.

Net debt of the Bayer Group on the same date amounted to €5,669 million, a decrease of €283 million from December 31, 2003.

Employees

On September 30, 2004 the Bayer Group had 113,800 employees, which was 200 more than on June 30, 2004, but 1,600 fewer than at the start of the year. Headcount was reduced by 1,400 in Europe and 700 in North America, while the number of employees rose by 300 in Latin America/Africa/Middle East and by 200 in Asia/Pacific. The Bayer Group had 117,300 employees on September 30 last year.

Personnel expenses decreased by 8.4 percent compared to the third quarter of 2003, to €1,758 million. For the first three quarters as a whole, personnel expenses were down by 6.3 percent year on year, to €5,466 million.

More than 1,000 young people entered vocational training programs at Bayer's sites and those of its German subsidiaries on September 1. In 2004 we were able to offer employment to all 489 trainees who had successfully completed vocational training programs at Bayer.

Litigation Risks

Increased risks in our HealthCare business continue to exist from litigation commenced in the United States following the voluntary withdrawal of the statin Lipobay/Baycol from the market and the voluntary cessation of the marketing of products containing PPA. Further risks arise from pending U.S. lawsuits involving Cipro® alleging violations of antitrust regulations.

Lipobay/Baycol: Over the course of the Lipobay/Baycol litigation Bayer has been named as a defendant in approximately 14,570 cases worldwide (more than 14,460 of them in the U.S.). As of November 19, 2004, the number of Lipobay/Baycol cases pending against Bayer worldwide was 7,169 (7,093 of them in the U.S., including several class actions). The decrease in the number of U.S. cases is attributable to various reasons, including voluntary dismissals by plaintiffs, dismissals based on settlements and court-ordered dismissals, such as for failure to satisfy procedural requirements. Several courts have entered orders requiring plaintiffs alleging injury from Baycol to furnish medical evidence of such injury according to a court-imposed schedule, and numerous cases have been dismissed for failure to provide such evidence. As a consequence of these court orders, Bayer believes that there is a potential for the dismissal of a significant number of additional cases.

As of November 19, 2004, Bayer had settled 2,895 Lipobay/Baycol cases worldwide without acknowledging any liability and resulting in settlement payments of approximately US$1.1 billion. On a voluntary basis and without acknowledging any legal liability, Bayer will continue its policy of trying to agree on fair compensation for people who experienced serious side effects from Lipobay/Baycol.

After more than three years of litigation we are currently aware of fewer than 100 pending cases in the United States that in our opinion hold a potential for settlement, although we cannot rule out the possibility that additional cases involving serious side effects from Lipobay/Baycol may come to our attention. In addition, there could be further settlements of cases outside of the United States.

In the 2003 fiscal year, Bayer took a €300 million charge to the operating result in connection with the Lipobay/Baycol litigation risk, over and beyond the assumed insurance coverage of approximately US$ 1.2 billion. A €31 million charge to the operating result was taken in the third quarter of 2004 in light of settlements already concluded or expected to be concluded and anticipated defense costs.

PPA: Bayer is a defendant in numerous product liability lawsuits relating to phenylpropanolamine (PPA), which was previously contained in a cough/cold product of the company supplied in effervescent-tablet form. The first PPA lawsuits were filed after the U.S. Food and Drug Administration recommended in the fall of 2000 that manufacturers voluntarily cease marketing products containing this active ingredient. Bayer subsequently reformulated these medications by replacing PPA with phenylephrine. Since that time, Bayer and other manufacturers of PPA-containing products, along with several retailers and distributors, have been named in thousands of lawsuits in the United States brought by plaintiffs alleging injuries related to the claimed ingestion of PPA. Following the dismissal or withdrawal of many of these lawsuits, fewer than 1,100 cases remain pending against Bayer. Bayer is the sole defendant in approximately 700 cases and co-defendant together with other former manufacturers of PPA-containing products in approximately 400 cases. The majority of these cases are still at an early stage. Further dismissals are therefore possible, particularly should plaintiffs fail to comply with court orders requiring the submission of causative evidence.

In the only PPA case against Bayer that has gone to trial so far, a Texas jury awarded a plaintiff damages amounting to US$ 400,000. Bayer will appeal this decision.

Although Bayer plans to vigorously defend the majority of its PPA cases, there are cases where Bayer may consider settlement to be appropriate. To date, the company has settled several cases without acknowledging liability.

Based on the relatively small number (less than 10 percent) of pending cases in which adequate factual records have been developed to permit a meaningful assessment, a provision has been established for those cases where Bayer is considering settlement. This provision, which goes beyond the existing insurance coverage, was recorded in the third quarter and amounts to €12 million for possible settlements and further expected defense costs. It remains impossible, however, to reasonably estimate potential liability with respect to the balance of the pending PPA cases, so no provision has been recorded for them.

Bayer intends to vigorously defend the Lipobay/Baycol and PPA litigation. However, depending on the progress of the litigation, it is possible that Bayer could face payments that exceed our insurance coverage and the accounting measures already taken.
We will regularly review the possibility of further accounting measures depending on the progress of the litigation.

Cipro®: 39 putative class action lawsuits, one individual lawsuit and one consumer protection group lawsuit against Bayer involving the drug Cipro® have been filed since July 2000 in the United States. The plaintiffs are suing Bayer and other companies also named as defendants, alleging that a settlement to end patent litigation reached in 1997 between Bayer and Barr Laboratories, Inc. violated antitrust regulations. The plaintiffs claim the alleged violation prevented the marketing of generic ciprofloxacin as of 1997. In particular, they are seeking triple damages under U.S. law. Bayer believes that it has valid defenses to these allegations and will vigorously defend the litigation. Bayer believes the plaintiffs will not be able to establish that the settlement with Barr was outside of the scope of Bayer's valid Cipro® patent, which patent has been the subject of a successful re-examination by the U.S. Patent and Trademark Office and of successful defenses in U.S. Federal Courts.

Rubber and polyester polyols antitrust litigation: Risks also exist in connection with investigations by the E.U. Commission and the U.S. and Canadian antitrust authorities for alleged anticompetitive conduct involving certain products in the rubber field. In two cases Bayer AG has already reached agreements with the U.S. Department of Justice to pay fines, amounting to US$ 66 million for antitrust violations relating to rubber chemicals and approximately US$ 5 million for those relating to acrylonitrile-butadiene rubber. Both agreements are subject to court approval. The necessary provisions have been established. Provisions of €50 million were established in 2003 for risks arising out of the E.U. Commission's investigation, although a reliable estimate cannot yet be made as to the actual amount of any fines.

Bayer Corporation has reached agreement with the U.S. Department of Justice to pay a fine of US$ 33 million for antitrust violations in the United States relating to adipic-based polyester polyols. This fine, for which a provision has been established, also requires court approval. A similar investigation is pending in Canada, but it is not currently possible to estimate the amount of any fine that may result.

Against the background of these antitrust proceedings, a number of civil claims for damages have been filed in the United States and Canada against Bayer AG and some of its subsidiaries. These lawsuits are still at an early stage, and it is currently impossible to estimate the financial risks they may entail. Therefore, no provisions have been established in this connection.

Investor Information

Bayer Share Key Data	3rd Quarter 2003	3rd Quarter 2004	First Three Quarters 2003	First Three Quarters 2004	Year 2003
Earnings per share (€), diluted/undiluted	(0.17)	0.05	0.81	0.77	(1.86)
High for the period (€)	21.28	23.68	22.42	25.39	23.58
Low for the period (€)	18.55	19.86	10.28	19.49	10.28
Trading volume (million shares per trading day)	4.5	3.6	5.7	4.2	5.4

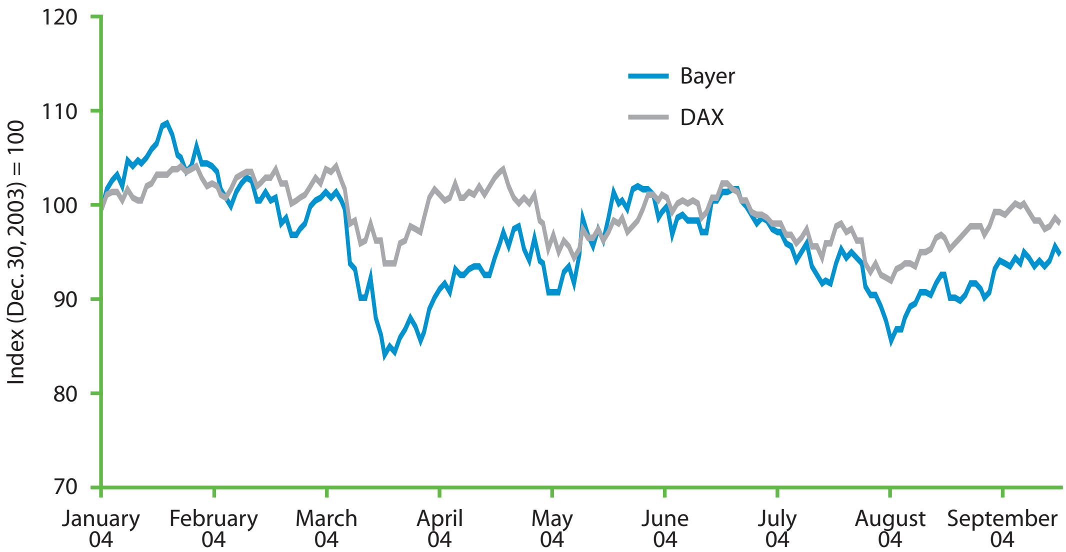
	Sept. 30, 2003	Sept. 30, 2004	Dec. 31, 2003	Change Sept. 30, 2004/ Dec. 31, 2003 %	incl. dividends
Share price (€)	18.55	22.02	23.22	– 5.2	– 3.0
Market capitalization (€ million)	13,548	16,082	16,959	– 5.2	
Stockholders' equity (€ million)	14,713	12,538	12,213	+2.7	
Number of shares entitled to the dividend (million)	730.34	730.34	730.34	0.0	
DAX	3,257	3,893	3,965	– 1.8	– 1.8

Base: Xetra price, Frankfurt Stock Exchange

Bayer stock closed the third quarter of 2004 at €22.02, thus slightly underperforming the German stock index DAX. While the DAX30 performance index declined by 1.8 percent between the beginning of January and the end of September, Bayer stock – including the €0.50 per share dividend for 2003 – lost 3.0 percent.

Comprehensive information about Bayer stock is available on our Investor Relations website at www.investor.bayer.com, where recent presentations and recordings of conference calls and analyst conferences are available for download to ensure timely communication with all investor groups. Investors may also take advantage of an interactive analysis tool.

Bayer Share Price vs. Dax



Bayer Group Consolidated Statements of Income

€ million

	3rd Quarter		*First Three Quarters*	
	2003	**2004**	**2003**	**2004**
Net sales	**6,834**	**7,065**	**21,446**	**22,010**
of which discontinuing operations	*1,565*	*1,642*	*4,818*	*5,022*
Cost of goods sold	(4,191)	(4,194)	(12,305)	(12,664)
Gross profit	**2,643**	**2,871**	**9,141**	**9,346**
Selling expenses	(1,491)	(1,526)	(4,670)	(4,620)
Research and development expenses	(636)	(501)	(1,758)	(1,513)
General administration expenses	(423)	(415)	(1,184)	(1,228)
Other operating income	225	240	942	631
Other operating expenses	(276)	(425)	(858)	(1,028)
Operating result (EBIT)	**42**	**244**	**1,613**	**1,588**
of which discontinuing operations	*(51)*	*(3)*	*(104)*	*114*
Expense from investments in affiliated companies – net	(24)	(7)	(7)	(123)
Interest expense – net	(93)	(80)	(313)	(204)
Other non-operating expense – net	(115)	(103)	(302)	(298)
Non-operating result	**(232)**	**(190)**	**(622)**	**(625)**
Income (loss) before income taxes	**(190)**	**54**	**991**	**963**
Income taxes	74	(32)	(385)	(404)
Income (loss) after taxes	**(116)**	**22**	**606**	**559**
Minority stockholders' interest	(7)	12	(15)	3
Net income (loss)	**(123)**	**34**	**591**	**562**
Earnings per share (€)	**(0.17)**	**0.05**	**0.81**	**0.77**
Diluted earnings per share (€)	**(0.17)**	**0.05**	**0.81**	**0.77**

2003 figures restated

Bayer Group Consolidated Balance Sheets

€ million

	Sept. 30, 2003	Sept. 30, 2004	Dec. 31, 2003
Assets			
Noncurrent assets			
Intangible asssets	8,010	6,140	6,514
Property, plant and equipment	11,387	9,445	9,937
Investments	2,269	1,608	1,781
	21,666	**17,193**	**18,232**
Current assets			
Inventories	6,375	6,361	5,885
Receivables and other assets			
Trade accounts receivable	5,302	5,790	5,071
Other receivables and other assets	3,151	3,259	3,854
	8,453	**9,049**	**8,925**
Liquid assets			
Marketable securities and other instruments	32	210	129
Cash and cash equivalents	2,171	2,610	2,734
	2,203	**2,820**	**2,863**
	17,031	**18,230**	**17,673**
Deferred taxes	**618**	**1,359**	**1,298**
Deferred charges	**430**	**305**	**242**
Total assets	**39,745**	**37,087**	**37,445**
of which discontinuing operations	*6,332*	*5,365*	*5,655*
Stockholders' Equity and Liabilities			
Stockholders' equity			
Capital stock of Bayer AG	1,870	1,870	1,870
Capital reserves of Bayer AG	2,942	2,942	2,942
Retained earnings	10,479	8,753	10,479
Net income	591	562	(1,361)
Currency translation adjustment	(1,268)	(1,605)	(1,699)
Miscellaneous items	99	16	(18)
	14,713	**12,538**	**12,213**
Minority stockholders' interest	**137**	**108**	**123**
Liabilities			
Long-term liabilities			
Long-term financial obligations	6,960	6,700	7,113
Miscellaneous long-term liabilities	80	103	98
Provisions for pensions and other post-employment benefits	5,112	5,048	5,072
Other long-term provisions	1,277	1,454	1,343
	13,429	**13,305**	**13,626**
Short-term liabilities			
Short-term financial obligations	2,656	2,293	2,313
Trade accounts payable	1,749	1,927	2,265
Miscellaneous short-term liabilities	2,100	1,719	2,361
Short-term provisions	2,527	3,148	2,448
	9,032	**9,087**	**9,387**
	22,461	**22,392**	**23,013**
of which discontinuing operations	*3,008*	*3,273*	*2,933*
Deferred taxes	**1,867**	**1,411**	**1,462**
Deferred income	**567**	**638**	**634**
Total stockholders' equity and liabilities	**39,745**	**37,087**	**37,445**

2003 figures restated

Bayer Group Consolidated Statements of Cash Flows

€ million

	3rd Quarter		First Three Quarters	
	2003	**2004**	**2003**	**2004**
Operating result (EBIT)	42	244	1,613	1,588
Income taxes	(187)	(97)	(606)	(483)
Depreciation and amortization	732	565	2,085	1,735
Change in pension provisions	(12)	(7)	(71)	(297)
Gains on retirements of noncurrent assets	(2)	(5)	(118)	(28)
Gross cash flow*	**573**	**700**	**2,903**	**2,515**
of which discontinuing operations	*53*	*84*	*203*	*341*
Decrease (increase) in inventories	31	(267)	(394)	(499)
Decrease (increase) in trade accounts receivable	558	113	45	(683)
Increase (decrease) in trade accounts payable	(193)	(129)	(703)	(372)
Changes in other working capital	219	237	459	540
Net cash provided by (used in) operating activities (Net cash flow*)	**1,188**	**654**	**2,310**	**1,501**
of which discontinuing operations	*126*	*134*	*(39)*	*125*
Cash outflows for additions to property, plant and equipment	(384)	(289)	(1,184)	(711)
Cash inflows from sales of property, plant and equipment	164	39	1,668	172
Cash inflows from sales of investments	(3)	2	(52)	374
Cash outflows for acquisitions less acquired cash	(66)	(8)	(66)	(150)
Interest and dividends received	18	9	311	366
Net cash inflow (outflow) from marketable securities	(1)	4	0	(79)
Net cash provided by (used in) investing activities	**(272)**	**(243)**	**677**	**(28)**
of which discontinuing operations	*(63)*	*(68)*	*(135)*	*(131)*
Capital contributions	0	9	0	9
Bayer AG dividend and dividend payments to minority stockholders	6	0	(658)	(548)
Issuances of debt	80	20	1,601	405
Retirements of debt	(465)	(337)	(1,865)	(834)
Interest paid	(86)	(157)	(636)	(632)
Net cash provided by (used in) financing activities	**(465)**	**(465)**	**(1,558)**	**(1,600)**
of which discontinuing operations	*411*	*78*	*174*	*6*
Change in cash and cash equivalents due to business activities	**451**	**(54)**	**1,429**	**(127)**
Cash and cash equivalents at beginning of period	**1,728**	**2,666**	**767**	**2,734**
Change in cash and cash equivalents due to changes in scope of consolidation	0	4	2	4
Change in cash and cash equivalents due to exchange rate movements	(8)	(6)	(27)	(1)
Cash and cash equivalents at end of period	**2,171**	**2,610**	**2,171**	**2,610**
Marketable securities and other instruments	32	210	32	210
Liquid assets as per balance sheets	**2,203**	**2,820**	**2,203**	**2,820**

* for definition see Bayer Group Key Data on page 2

2003 figures restated

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

€ million

	Capital stock and reserves	Retained earnings	Net income (loss)	Currency translation adjustment	Miscel-laneous items	Total
December 31, 2002	**4,812**	**10,076**	**1,060**	**(593)**	**(20)**	**15,335**
Dividend payment			(657)			(657)
Allocation to retained earnings		403	(403)			0
Exchange differences				(675)		(675)
Other changes in stockholders' equity					119	119
Net income			591			591
September 30, 2003	**4,812**	**10,479**	**591**	**(1,268)**	**99**	**14,713**
December 31, 2003	**4,812**	**10,479**	**(1,361)**	**(1,699)**	**(18)**	**12,213**
Dividend payment			(365)			(365)
Allocation from retained earnings		(1,726)	1,726			0
Exchange differences				94		94
Other changes in stockholders' equity					34	34
Net income			562			562
September 30, 2004	**4,812**	**8,753**	**562**	**(1,605)**	**16**	**12,538**

Key Data by Segment

3rd Quarter

Segments € million	**Bayer HealthCare** Pharmaceuticals/ Biological Products 3rd Quarter 2003	2004	*of which discontinuing operations Plasma* 3rd Quarter 2003	2004	Consumer Care/ Diagnostics 3rd Quarter 2003	2004	Animal Health 3rd Quarter 2003	2004
Net sales (external)	1,210	1,025	*159*	*171*	845	850	204	195
– Change in €	+ 8.4%	– 15.3%			– 10.1%	+ 0.6%	– 8.5%	– 4.4%
– Change in local currencies	+ 16.5%	– 12.0%			– 2.1%	+ 5.9%	– 0.9%	+ 0.1%
Intersegment sales	25	9			8	1	1	1
Operating result (EBIT)	44	86	*(16)*	*1*	136	122	44	58
Return on sales	3.6%	8.4%			16.1%	14.4%	21.6%	29.7%
Gross cash flow*	101	102	*(14)*	*22*	183	132	47	30
Net cash flow*	85	95	*(5)*	*(3)*	93	105	60	39
Depreciation and amortization	68	60	*7*	*20*	69	61	7	5

First Three Quarters

Segments € million	**Bayer HealthCare** Pharmaceuticals/ Biological Products First Three Quarters 2003	2004	*of which discontinuing operations Plasma* First Three Quarters 2003	2004	Consumer Care/ Diagnostics First Three Quarters 2003	2004	Animal Health First Three Quarters 2003	2004
Net sales (external)	3,531	3,241	*452*	*481*	2,443	2,463	597	598
– Change in €	– 0.3%	– 8.2%			– 14.6%	+ 0.8%	– 6.4%	+ 0.2%
– Change in local currencies	+ 10.9%	– 3.9%			– 2.6%	+ 6.5%	+ 5.7%	+ 5.1%
Intersegment sales	47	30			11	5	2	3
Operating result (EBIT)	397	315	*(39)*	*23*	572	310	129	135
Return on sales	11.2%	9.7%			23.4%	12.6%	21.6%	22.6%
Gross cash flow*	465	299	*(19)*	*55*	641	345	137	89
Net cash flow*	40	179	*(47)*	*(28)*	541	339	102	84
Depreciation and amortization	179	156	*21*	*32*	192	180	22	17

* for definition see Bayer Group Key Data on page 2

2003 figures restated

Bayer CropScience		Bayer MaterialScience				Lanxess					
CropScience		Materials		Systems		*Lanxess discontinuing operations*		Reconciliation		Bayer Group	
3rd Quarter		*3rd Quarter*		*3rd Quarter*		*3rd Quarter*		*3rd Quarter*		*3rd Quarter*	
2003	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
1,125	1,124	704	839	1,183	1,389	*1,406*	*1,471*	157	172	6,834	7,065
– 14.3%	– 0.1%	– 4.1%	+ 19.2%	+ 0.7%	+ 17.4%	*– 8.5%*	*+ 4.6%*			– 8.4%	+ 3.4%
– 8.3%	+ 3.9%	+ 1.9%	+ 24.0%	+ 6.9%	+ 21.5%	*– 5.1%*	*+ 7.5%*			– 2.2%	+ 7.2%
10	13	13	4	59	67	*107*	*69*	(223)	(164)		
(130)	(96)	6	76	39	43	*(35)*	*(4)*	(62)	(41)	42	244
(11.6)%	(8.5)%	0.9%	9.1%	3.3%	3.1%	*(2.5)%*	*(0.3)%*			0.6%	3.5%
(68)	143	66	89	150	74	*67*	*62*	27	68	573	700
460	239	114	25	280	(26)	*131*	*137*	(35)	40	1,188	654
185	177	70	55	129	88	*113*	*64*	91	55	732	565

Bayer CropScience		Bayer MaterialScience				Lanxess					
CropScience		Materials		Systems		*Lanxess discontinuing operations*		Reconciliation		Bayer Group	
First Three Quarters		*First Three Quarters*		*First Three Quarters*		*First Three Quarters*		*First Three Quarters*		*First Three Quarters*	
2003	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
4,353	4,498	2,093	2,339	3,515	3,857	*4,366*	*4,541*	548	473	21,446	22,010
+ 33.4%	+ 3.3%	– 3.4%	+ 11.8%	– 2.1%	+ 9.7%	*– 8.3%*	*+ 4.0%*			– 3.4%	+ 2.6%
+ 44.0%	+ 7.4%	+ 5.6%	+ 16.6%	+ 7.4%	+ 14.2%	*– 2.2%*	*+ 7.0%*			+ 5.7%	+ 6.8%
42	44	34	29	159	232	*245*	*227*	(540)	(570)		
354	442	74	186	162	283	*(65)*	*91*	(10)	(174)	1,613	1,588
8.1%	9.8%	3.5%	8.0%	4.6%	7.3%	*(1.5)%*	*2.0%*			7.5%	7.2%
602	682	244	268	494	390	*222*	*286*	98	156	2,903	2,515
1,003	585	207	100	524	92	*8*	*153*	(115)	(31)	2,310	1,501
578	536	192	177	371	263	*329*	*240*	222	166	2,085	1,735

Key Data by Region

3rd Quarter

Regions € million	**Europe**		**North America**	
	3rd Quarter		*3rd Quarter*	
	2003	**2004**	**2003**	**2004**
Net sales (external) – by market	2,733	2,962	2,153	1,912
Net sales (external) – by point of origin	3,065	3,328	2,174	1,962
of which discontinuing operations	*855*	*884*	*511*	*540*
– Change in €	– 10.5%	+ 8.6%	– 1.7%	– 9.8%
– Change in local currencies	– 10.0%	+ 8.3%	+ 8.9%	– 2.6%
Interregional sales	901	925	468	468
Operating result (EBIT)	(148)	194	108	(80)
of which discontinuing operations	*(3)*	*35*	*(57)*	*(10)*
Return on sales	(4.8)%	5.8%	5.0%	(4.1)%
Gross cash flow*	99	462	363	119

First Three Quarters

Regions € million	**Europe**		**North America**	
	First Three Quarters		*First Three Quarters*	
	2003	**2004**	**2003**	**2004**
Net sales (external) – by market	9,183	9,531	6,569	6,300
Net sales (external) – by point of origin	10,219	10,635	6,673	6,428
of which discontinuing operations	*2,805*	*2,920*	*1,399*	*1,470*
– Change in €	– 1.6%	+ 4.1%	– 3.3%	– 3.7%
– Change in local currencies	– 1.0%	+ 4.1%	+ 12.5%	+ 5.3%
Interregional sales	2,971	2,978	1,450	1,436
Operating result (EBIT)	850	988	355	214
of which discontinuing operations	*1*	*113*	*(142)*	*(11)*
Return on sales	8.3%	9.3%	5.3%	3.3%
Gross cash flow*	1,455	1,535	1,012	539

* for definition see Bayer Group Key Data on page 2

2003 figures restated

	Asia/Pacific		**Latin America/ Africa/Middle East**		**Reconciliation**		**Bayer Group**	
	3rd Quarter		*3rd Quarter*		*3rd Quarter*		*3rd Quarter*	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
	1,119	1,259	829	932			6,834	7,065
	985	1,090	610	685			6,834	7,065
	138	*150*	*61*	*68*			*1,565*	*1,642*
	– 5.6%	+ 10.7%	– 21.9%	+ 12.3%			– 8.4%	+ 3.4%
	+ 4.5%	+ 16.6%	– 14.1%	+ 21.4%			– 2.2%	+ 7.2%
	61	58	43	45	(1,473)	(1,496)		
	43	111	86	75	(47)	(56)	42	244
	6	*7*	*3*	*(35)*			*(51)*	*(3)*
	4.4%	10.2%	14.1%	10.9%			0.6%	3.5%
	72	104	74	51	(35)	(36)	573	700

	Asia/Pacific		**Latin America/ Africa/Middle East**		**Reconciliation**		**Bayer Group**	
	First Three Quarters		*First Three Quarters*		*First Three Quarters*		*First Three Quarters*	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**
	3,406	3,621	2,288	2,558			21,446	22,010
	2,918	3,110	1,636	1,837			21,446	22,010
	422	*433*	*192*	*199*			*4,818*	*5,022*
	–4.3%	+ 6.6%	– 12.1%	+ 12.3%			– 3.4%	+ 2.6%
	+ 8.4%	+ 12.0%	+ 11.4%	+ 20.3%			+ 5.7%	+ 6.8%
	192	169	125	119	(4,738)	(4,702)		
	242	321	319	235	(153)	(170)	1,613	1,588
	24	*43*	*13*	*(31)*			*(104)*	*114*
	8.3%	10.3%	19.5%	12.8%			7.5%	7.2%
	276	313	276	196	(116)	(68)	2,903	2,515

Notes to the Interim Report for the Third Quarter of 2004

Accounting policies
Like the financial statements for 2003, the unaudited, consolidated financial statements for the third quarter of 2004 have been prepared according to the rules issued by the International Accounting Standards Board (IASB), London. Reference should be made as appropriate to the notes to the 2003 statements. IAS 34 (Interim Financial Reporting) has been applied in addition.

On March 31, 2004, the IASB adopted the new standard IFRS 3 (Business Combinations) along with amended versions of IAS 36 (Impairment of Assets) and IAS 38 (Intangible Assets). We opted not to apply these standards to corporate acquisitions completed prior to this date.

To enhance the transparency of our reporting, we have reclassified certain income and expense items related to funded pension obligations as of January 1, 2004. Through December 31, 2003, the balance of all income and expenses related to funded defined benefit plans was recognized in the operating result. Only the interest cost for unfunded pension obligations was included in the non-operating result under other non-operating expense. Effective January 1, 2004, all interest cost – including that pertaining to funded pension obligations – is reflected in the non-operating result. The same applies to the return on plan assets. This reporting change has the effect of increasing the operating result for fiscal 2003 by €84 million and reducing the non-operating result by the same amount. This effect is fairly evenly spread over the four quarters and impacts all segments.

Also effective January 1, 2004 and likewise for reasons of transparency, we have altered our gross cash flow computation, which continues to reflect changes in pension provisions but no longer takes into account the changes in any other long-term provisions. The latter are now reflected only in the reconciliation of gross cash flow to net cash flow. This reduces the gross cash flow for the full year 2003 by €379 million to €2,865 million. The net cash flow remains unaffected, because working capital increases correspondingly. Direct comparison between changes in pension provisions and the corresponding balance sheet items is facilitated as a result.

Scope of consolidation

On September 30, 2004, the Bayer Group had a total of 349 fully or proportionately consolidated companies, compared with 334 companies on December 31, 2003. The increase is primarily due to preparatory measures linked to the planned spin-off of the Lanxess subgroup.

Segment reporting

With effect from January 1, 2004, we adjusted our segment reporting to reflect the realignment of the Bayer Group. Our Bayer MaterialScience subgroup is divided into the Materials and Systems segments. In light of our plans to list Lanxess on the stock market by the beginning of 2005 at the latest, this segment is reported under discontinuing operations.

Leverkusen, November 22, 2004

Bayer Aktiengesellschaft

The Board of Management

About 4,200 people attended the Extraordinary Stockholders' Meeting in the Gruga-Halle in Essen.

Lanxess spin-off approved by an overwhelming majority

The stockholders of Bayer AG have cleared the way for the spin-off of Lanxess. At an Extraordinary Stockholders' Meeting held in Essen on November 17, 2004, they voted by a majority of 99.66 percent of the capital stock represented to approve the Spin-Off and Acquisition Agreement between Bayer AG and Lanxess AG. The Lanxess unit, which is currently operating as a Bayer subgroup, can thus be spun off. Lanxess comprises most of Bayer's chemicals activities and about one third of its polymers business. Bayer will thereafter concentrate on the primarily innovation- and technology-driven core businesses of health care, nutrition and high-tech materials.

Bayer AG Management Board Chairman Werner Wenning expressed his satisfaction with the clear result of the vote: "We were able to convince our stockholders that this strategic step can create value for the company, and thus for its stockholders as well. Bayer and Lanxess have everything they need for success in the future."

This decision by Bayer's stockholders is a crucial step in the planned spin-off of Lanxess. For every 10 shares held in Bayer, each stockholder will receive one Lanxess share in addition. It is intended to list Lanxess shares on the stock market in early 2005.

Bayer CEO Werner Wenning (second from right) presented the Lanxess leadership (from left): Management Board members Dr. Axel Claus Heitmann (Chairman), Dr. Ulrich Koemm, Dr. Martin Wienkenhöver and Matthias Zachert, plus designated Supervisory Board Chairman Dr. Rolf Stomberg.

In his address at the start of the Extraordinary Stockholders' Meeting, which was chaired by Bayer Supervisory Board Chairman Dr. Manfred Schneider, Wenning described the vote as a milestone on the road to implementing Bayer's strategic realignment. "Having thoroughly examined the various possible ways to accomplish the separation, we are convinced that a spin-off is the best option," said Wenning, outlining the opportunities resulting from the planned spin-off.

The concept for the strategic realignment of the Bayer Group had already been approved by the Annual Stockholders' Meeting in April. Accordingly, Bayer in future will concentrate on activities with high growth and innovative potential that are combined in the Bayer HealthCare, Bayer CropScience and Bayer MaterialScience subgroups. Wenning explained that the spin-off will allow the Bayer Group to concentrate the necessary resources on its core areas of health care, nutrition and high-tech materials, while Lanxess will be better able to adapt to competitive conditions in the future than it could as part of Bayer. Lanxess will focus on basic, specialty and fine chemicals, as well as on certain polymer activities that have for the most part reached a high level of market maturity.

Numerous publications issued ahead of the meeting informed the stockholders about the planned spin-off of Lanxess.

Attendees also showed interest in Bayer's new corporate mission statement.

Exhibits gave stockholders insight into the wide-ranging activities of the new company Lanxess.

The Bayer Chairman explained once again that the decision to conduct a spin-off was made because this method of separation provided a high degree of certainty that the transaction could be completed. "The Board of Management of Bayer AG firmly believes that the spin-off of the Lanxess subgroup is in the best interests of Bayer AG and its stockholders, and that it serves those interests more effectively than any alternative course of action," Wenning said.

The Bayer CEO expressed confidence about the new company's future: "With its human and financial resources and its organizational structures, Lanxess has everything it needs to successfully manage its businesses as an independent company." With annual sales of more than EUR 6 billion and some 20,000 employees, Lanxess will be among Europe's biggest chemical companies. In some 70 percent of its business units the company is among the leading suppliers worldwide. "Lanxess is also on the right track in terms of performance," Wenning added.

A poster wall provided information on Bayer's new corporate image campaign and the Group's new international slogan "Bayer: Science For A Better Life."

Visitors to the Gruga-Halle couldn't miss the Lanxess logo with the new company's slogan "Energizing Chemistry."

Future perspectives and goals
In his report, the Management Board Chairman also presented the Bayer Group's new mission statement to the stockholders for the first time. The mission statement documents the company's realignment. "It seeks to explain our future perspectives and our objectives at a time of great change," said Wenning. "We on the Board of Management are personally endeavoring to ensure that our mission statement is implemented in everyday business at Bayer – and above all that our managers embrace the statement and set an example to their staff. In this way the mission statement will provide orientation and contribute to the success of our company in the future."

In this connection, Wenning also talked about the new international image campaign that is currently being launched in print media and on television. "The campaign is designed to show that Bayer contributes substantially to all of our lives – to our health care, to our nutrition and with high-tech materials that make our lives safer and more comfortable," he said, adding that the new corporate alignment is summed up by the new slogan "Bayer: Science For A Better Life."

After giving an overview of activities in Bayer's three remaining subgroups, Wenning once again underscored the ambitious goals the company has set for itself: "Our EBITDA targets for the Bayer Group mean that we aim to improve the 12 percent margin we achieved in 2003 by nearly 60 percent over the next three years." He asserted that, judging by Bayer's results so far this year, its strategy is already beginning to bear fruit.

The four-member Board of Management of Lanxess AG was introduced to the stockholders for the first time at the Extraordinary Stockholders' Meeting. The Board members are Chairman Dr. Axel Claus Heitmann, along with Dr. Ulrich Koemm, Dr. Martin Wienkenhöver and

Werner Wenning, Chairman of the Boad of Management, and Dr. Manfred Schneider, Chairman of the Supervisory Board, were pleased that the Extraordinary Stockholders' Meeting had approved Bayer's plans.

Matthias Zachert. Wenning explained that the Supervisory Board of Lanxess will consist of eight representatives of the stockholders and eight members representing the employees. He introduced Dr. Rolf Stomberg as a designated stockholders' representative. Stomberg is also to be nominated for election as Chairman of the Supervisory Board (see box below).

"Dr. Stomberg served as a top manager with the international BP Group for many years. His international experience will be of great value to Lanxess," said Wenning. It is intended that the first stockholders' meeting of Lanxess elect a new Supervisory Board in 2005.

Dr. Rolf Stomberg

Designated Chairman of the Lanxess Supervisory Board: Dr. Rolf Stomberg

Born in Emden, Germany, on April 10, 1940, Rolf Stomberg studied economics at Hamburg University. Prior to his retirement at the beginning of 1998, he spent 30 years working in the oil industry at BP, where he last held the position of Chief Executive of the Shipping, Refining and Marketing Division of The British Petroleum Co. plc, London, also serving as a member of the BP Board of Directors.

Since 1998 Dr. Stomberg has been Chairman of the Board of Directors of Management Consulting Group plc, London. He is a member of the Boards of Directors of Reed Elsevier plc, London, and Reed Elsevier NV, Amsterdam, the Board of Directors of Smith & Nephew plc, London, the Supervisory Board of TPG Post Group, Amsterdam, and the Board of Directors of Scania AB, Södertälje, Sweden. Stomberg is also Chairman of the Supervisory Board of Deutsche BP AG, Hamburg. In addition he undertakes occasional teaching assignments, for example at the Institut Français du Pétrole in Paris and at the Management School of Imperial College (University of London).

Dr. Stomberg is married and has four children.

Stockholders say yes to Lanxess

Most stockholders were full of praise for the Bayer Group's strategy in the discussion that followed Management Board Chairman Werner Wenning's address. The representative of the Association for the Protection of Capital Investors summed up the overall mood: "We say yes to Lanxess." She described the separation of most of the chemicals activities and about one third of the polymers business by way of a spin-off as sensible and stockholder-friendly, adding that this represented a continuation of Bayer's three-pillar strategy. "That's good for Bayer, and it's good for the stockholders."

The stockholders were particularly interested to hear about the future perspectives of the new company. Wenning reiterated that many of the businesses in Lanxess' portfolio are founded on leading or very good market positions. "So there is a good foundation for commercial success," Wenning said. "Independence from Bayer will provide impetus for structural adjustments and the optimization of Lanxess' business strategy." The Bayer CEO explained that the spin-off offers a unique opportunity to build a new company with its own identity. In a situation like this, he said, people involved show remarkable initiative that results in a new degree of commitment, team spirit and a sense of responsibility at all levels. "That is one of the major advantages for Lanxess."

The representative of the German private investors' association DSW expressed doubt as to whether all the relevant activities of Bayer were being transferred to Lanxess, and wondered why the polycarbonates and polyurethanes businesses of Bayer MaterialScience, for example, were not included. Wenning countered: "The chemicals and polymers activities placed into Lanxess are mainly products that have achieved a higher degree of market maturity. In these areas there are fewer obstacles to market entry, and growth is slower. Their typically lower margins make it necessary to set up more streamlined and less complex structures. By contrast, the activities remaining with Bayer are primarily more complex innovation- and technology-driven businesses with the potential for dynamic growth in the future." According to the Bayer Chairman, the success factors in these areas are high research expertise, technology leadership, and the establishment and safeguarding of intellectual property rights and broad access to markets. "These are also characteristics of polycarbonate and polyurethane, two classes of polymer products that were invented at Bayer."

Asked about the future of the Bayer Group, Wenning stressed: "We believe our management holding structure offers much greater value than a financial holding structure in which the subgroups have total operational independence." In Wenning's words, this structure will also allow Bayer to continue developing a common corporate culture as well as provide orientation. "Furthermore, we all benefit from the Bayer brand, which is one of the most valuable trademarks worldwide."

Other points discussed included the listing of Lanxess shares on the Frankfurt Stock Exchange, the new company's strategy in Asia, and business relations between Bayer and Lanxess.

Reinhild Keitel, speaking on behalf of the Association for the Protection of Capital Investors, praised Bayer's focus on a three-pillar strategy.

New corporate mission statement: "Bayer: Science For A Better Life"

Shaping the future as an inventor company

The course is set for the future. With a new mission statement featuring the slogan "Bayer: Science For A Better Life", the Bayer Group is concluding a phase of far-reaching change. In the future the company will focus on growth and innovation in the fields of health care, nutrition and high-tech materials. The mission statement summarizes Bayer's goals, strategy and values.

Werner Wenning, Chairman of the Board of Management of Bayer AG

"The mission statement guides our strategy. It outlines to our stockholders, our customers, the public and especially our employees how we think and behave as a company," explains Bayer Management Board Chairman Werner Wenning. The mission statement documents Bayer's willingness as an inventor company to help shape the future and engage in business activities that benefit humankind. Of special importance in this respect are new products emerging from the company's own active substance research, the consumer health business, the growth market of Asia and new areas such as biotechnology and nanotechnology.

The mission statement also summarizes the strategic alignment of Bayer's three, largely independent operating companies, which are supported by three competent service companies. The goal of Bayer HealthCare is to become one of the world's leading consumer health companies. Bayer CropScience is on its way to becoming the number one crop science company worldwide, and Bayer MaterialScience aims to build a highly profitable business based on its leading market positions.

"We want to make clear that our new technology-based portfolio offers major opportunities to tap the markets of the future," comments Wenning.

In addition to explaining the company's future perspectives, objectives and strategy, the mission statement also lists common values and leadership principles. These include a will to succeed; a passion for stakeholders; integrity, openness and honesty; respect for people and nature; and sustainability of actions.

The Bayer Group's goals, strategy and values are summarized in its new mission statement.

Corporate image campaign launched in Germany and the U.S.

Boosting the emotional appeal of the Bayer brand

Also featuring the slogan "Bayer: Science For A Better Life" is the company's new image campaign. The campaign aims to show in a vivid and emotional way how Bayer, as a newly aligned inventor company, is enriching the lives of people all over the world with its innovative developments and products. The campaign features 15 advertisements that will be published worldwide in the news and business magazines most important for Bayer and in national weekly and daily newspapers. The ads are backed up by TV commercials that will be shown mainly on news and business channels in prime-time slots.

"Bayer has changed dramatically over the past two years. We are focusing our resources on innovation and growth in the areas of health care, nutrition and high-tech materials. And we are now running the image campaign to communicate this message externally, strengthen our valuable Bayer brand and enhance its emotional appeal," declares Bayer Management Board Chairman Werner Wenning.

The campaign will kick off in Germany and the United States and will later be extended to around 10 more countries. It represents the culmination of a communications offensive designed to keep different target groups, such as stockholders, employees and journalists, up-to-date with the Group's restructuring. As part of this program, the Bayer Group management has provided a steady flow of information on the company's portfolio optimization and reorganization at stockholders' meetings, international news conferences and employee meetings. A common logo was also designed, both for the umbrella brand and for the subgroups and service companies. Following the corporate image film and the new mission statement, Bayer is now launching this image campaign to send a clear message to the public about the company's new alignment.

"This campaign is essentially the final stage in our program of communications activities surrounding the Group's restructuring," explains Heiner Springer, Head of Communications at Bayer AG. "It seeks to create awareness for the fascination of Bayer by evoking a positive atmosphere."

Bayer is presented as an inventor company with a rich history that continues to set trends in research-intensive areas. The campaign features vivid examples from the three subgroups Bayer HealthCare, Bayer CropScience and Bayer MaterialScience. The ads are complemented by images with a social theme to emphasize the Group's social responsibility.

The new image campaign consists of television commercials, as well as 15 advertising motifs illustrating how products from the realigned inventor company Bayer enrich people's lives. These four motifs show examples from the areas of health care, nutrition, high-tech materials and social responsibility.

The hemophilia medication Kogenate® is manufactured at Bayer's site in Berkeley, California.

World Federation of Hemophilia receives Kogenate® donation worth over US$ 9 million

The Biological Products Division of Bayer HealthCare has donated more than 12.2 million units of Kogenate® FS (recombinant blood coagulation factor VIII) to the World Federation of Hemophilia (WFH) for distribution in developing countries.
The donation is part of the Division's continuing global commitment to improving the state of care for people with hemophilia.
The WFH will use the donated Kogenate® FS, which has an approximate market value of US$ 9.3 million, to assist with urgently needed hemophilia care in 27 countries around the world. Many hemophiliacs live undiagnosed or untreated in low-income countries. The ability to provide the product free to patients is a critical success factor for improving care and sustaining supplies of the blood coagulation factor in these countries.

Bayer HealthCare and Schering-Plough form strategic pharmaceuticals alliance

Continuing the systematic realignment of its HealthCare business, Bayer has entered into a broad pharmaceuticals alliance with U.S.-based Schering-Plough Corporation of Kenilworth, New Jersey. This regional cooperation relates to the future marketing and distribution of certain Bayer pharmaceuticals by Schering-Plough in the United States.
The companies have also committed to a co-marketing agreement for future promotion of a Schering-Plough cardiovascular product, Zetia®, in Japan. At the same time, Bayer HealthCare will build up a new U.S.-based global oncology business unit and refocus its U.S. organization on high-profit specialty and biotech products.
Under the terms of the agreement, Schering-Plough manages the marketing and distribution organizations and handles the related business activities for both companies' primary care products in the United States. Approximately 1,800 U.S.-based Bayer primary care sales and marketing employees are affected, many of whom are to be integrated into the Schering-Plough organization. The alliance will considerably strengthen the companies' market presence, optimize the seasonal deployment of the sales force and make the distribution of Bayer products in the United States more efficient.

Plant biotechnology innovation center inaugurated in Belgium

Bayer has opened a new Bayer plant biotechnology innovation center in Ghent, Belgium, the largest and most modern research facility of the BioScience Business Group for developing plant biotechnology and seed products.
The inauguration ceremony at the center also marked the start of the company's annual science forum, this year's topic being "Biotechnology in Agriculture".

Bayer CropScience created this international forum to help promote scientific exchange. Over 150 leading scientists, representatives from the food and textile industries, authorities and members of the media attended this year's event. The participants from 18 countries took the opportunity to exchange views and opinions with their international peers.

About 200 researchers are employed at the new plant biotechnology innovation center.

Some 230,000 visitors attended the plastics fair in Düsseldorf, where Bayer MaterialScience, Bayer Industry Services and Lanxess presented new products, technologies and applications to their customers and potential customers.

Bayer at K 2004 in Düsseldorf

Under the slogan "VisionWorks", Bayer MaterialScience (BMS) showed visitors to the 16th International Trade Fair for Plastics and Rubber – K 2004 – in Düsseldorf why it is one of the world's leading polymer companies. On a total area of around 1,000 square meters, visitors discovered a wealth of new products, applications and service offerings. Music that emanates directly from the wall, flat screens that illuminate rooms and a high-tech saddle that makes horseback riding more comfortable were just a few of the product innovations with which BMS broke new ground at K 2004.
Bayer Industry Services (BIS) and the new company Lanxess were also represented at the fair. Using its slogan "focus on your success", BIS made clear that it, too, can offer customized solutions to the plastics industry. The new, globally operating company Lanxess – into which Bayer has placed most of its chemicals activities and about one third of its polymers business – impressed K 2004 visitors with tried-and-true products, new developments and innovative concepts.

Orphan drug status for substance to treat renal cell carcinoma

Bayer HealthCare's Pharmaceuticals Division and Onyx Pharmaceuticals, Inc. have received orphan drug status from the U.S. Food and Drug Administration (FDA) for the substance BAY 43-9006 to treat renal cell carcinoma.
BAY 43-9006 is currently being evaluated for the treatment of metastatic renal cell carcinoma. The Bayer substance had already received this status in the European Union from the European Medicines Agency's Committee for Orphan Medicinal Products. BAY 43-9006, which is being co-developed by Bayer and Onyx Pharmaceuticals, Inc, is currently in worldwide Phase III clinical testing. The orphan drug designation provides incentives to companies that develop drugs for diseases affecting comparatively small numbers of people.

Bayer in Dow Jones Sustainability Index for the sixth time

In 2004 Bayer stock is again a component of both the Dow Jones Sustainability World Index (DJSI World) and the European Dow Jones STOXX Sustainability Index (DJSI STOXX). Bayer has thus been continuously included in the two most important sustainability indexes since they were first introduced in 1999 and 2001 respectively.
The listing in the updated Dow Jones Sustainability Indexes identifies Bayer as a top international performer in terms of sustainability. Categories in which Bayer received top ratings included strategic planning and environmental reporting. Bayer was also judged to be the best company in the chemicals sector in terms of talent recruitment, employee retention and working conditions. The criterion of sustainability is increasingly influencing the investment decisions of financial service providers throughout the world.
The outstanding corporate sustainability performance once again evidenced by inclusion in the DJSI confirms the attractiveness of Bayer stock as a sustainability investment.

Publisher
Bayer AG
Communications
51368 Leverkusen
Germany

Editor
Ute Bode
Phone + 49 214 30 58992
E-mail: ute.bode.ub@bayer-ag.de

English edition
Bayer Industry Services
GmbH & Co. OHG
Central Language Service

Investor Relations
Peter Dahlhoff
Phone +49 214 30 33022
E-mail: peter.dahlhoff.
pd1@bayer-ag.de

Date of publication
November 25, 2004

Bayer on the Internet
www.bayer.com

If you would like to receive the Bayer Stockholders' Newsletter in electronic rather than print form in future, please send an e-mail to the editor.

Forward-Looking Statements

This Stockholders' Newsletter contains forward-looking statements. These statements use words like "believes", "assumes", "expects" or similar formulations. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of our company and those either expressed or implied by these statements.

These factors include, among other things:

- Downturns in the business cycle of the industries in which we compete;
- new regulations, or changes to existing regulations, that increase our operating costs or otherwise reduce our profitability;
- increases in the price of our raw materials, especially if we are unable to pass these costs along to customers;
- loss or reduction of patent protection for our products;
- liabilities, especially those incurred as a result of environmental laws or product liability litigation;
- fluctuation in international currency exchange rates as well as changes in the general economic climate; and
- other factors identified in this Stockholders' Newsletter.

These factors include those discussed in our public reports filed with the Frankfurt Stock Exchange and with the U.S. Securities and Exchange Commission (including our Form 20-F). In view of these uncertainties, we caution readers not to place undue reliance on these forward-looking statements. We assume no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

This publication is not an offer for the sale of securities in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. LANXESS AG and Bayer AG do not intend to register any securities of LANXESS AG in the United States or to conduct a public offering of securities in the United States.

Dates

Spring Financial News Conference
Tuesday, March 15, 2005

Spring Investor Conference
Tuesday/Wednesday, March 15/16, 2005

Annual Stockholders' Meeting 2005
Friday, April 29, 2005

Payment of Dividend
Monday, May 2, 2005

First-Quarter Results
Tuesday, May 10, 2005

Second-Quarter Results
Wednesday, August 10, 2005

Third-Quarter Results
Wednesday, November 9, 2005