Group guidance for 2008 confirmed

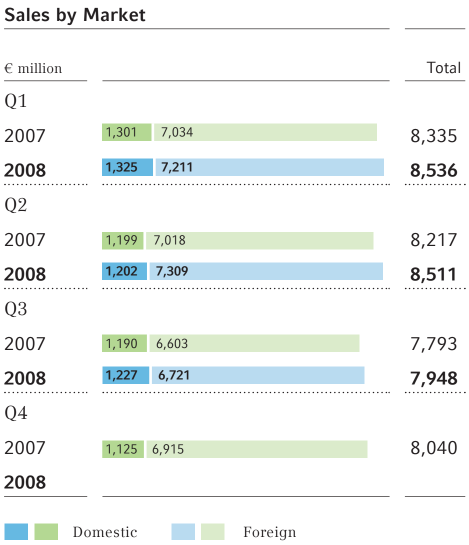
Bayer continues on path of growth in third quarter

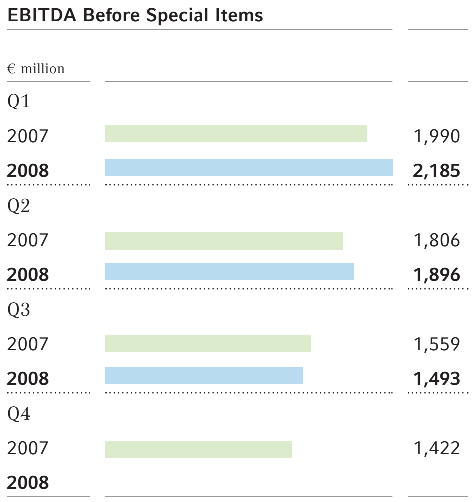
- Sales €7.9 billion (+2.0 percent; adjusted +5.1 percent)
- HealthCare and CropScience improve earning power
- MaterialScience earnings significantly lower
- Group EBITDA before special items €1.5 billion (– 4.2 percent)
- Group EBIT before special items €0.9 billion (– 6.5 percent)
- Net income €0.3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



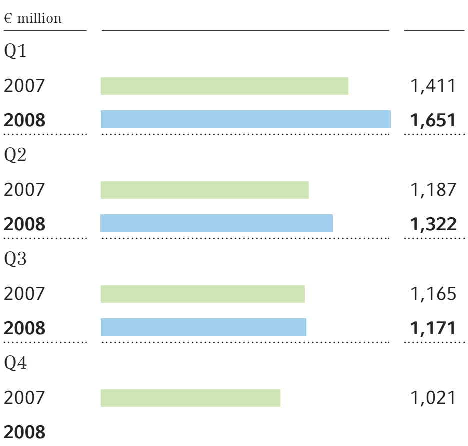


EBITDA before special items for the third quarter came in at €1,493 million, down 4.2 percent from the prior-year figure of €1,559 million in the face of continuing adverse exchange-rate effects and higher raw material and energy costs compared to the previous year. HealthCare earnings grew by 6.8 percent 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.

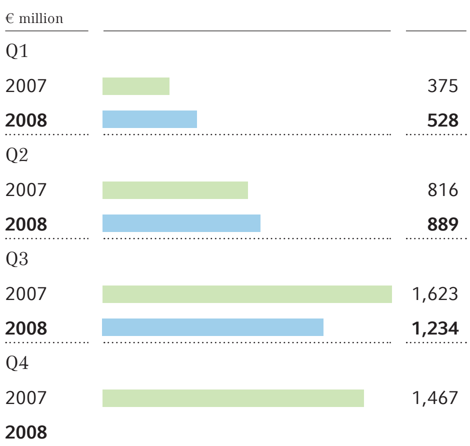
EBIT before special items declined by 6.5 percent in the third quarter of 2008 to €891 million (Q3 2007: €953 million). Special items totaled minus €207 million (Q3 2007: minus €276 million), with HealthCare accounting for minus €160 million (Q3 2007: minus €269 million), CropScience for minus €42 million (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

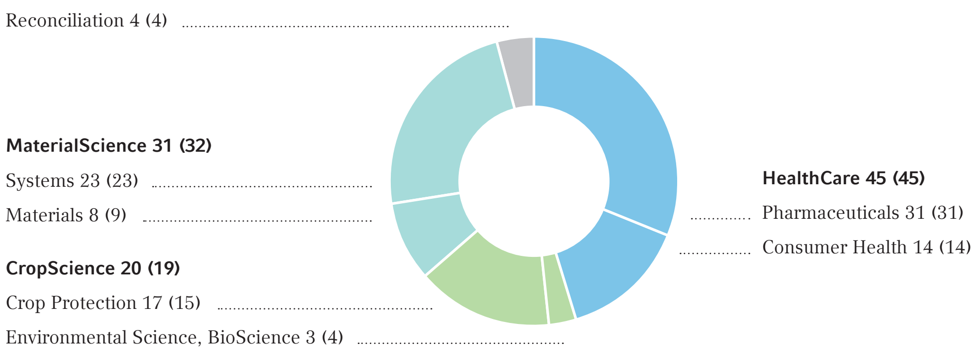
Corporate structure

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)



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.

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.

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 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.