BAYER AKTIENGESELLSCHAFT
Form 6-K
November 26, 2004

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2004

Bayer Aktiengesellschaft
Bayer Corporation*
(Translation of registrant s name into English)

Bayerwerk, Gebaeude W11
Kaiser-Wilhelm-Allee
51368 Leverkusen
Germany
(Address of principal executive offices)

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

Form 20-F þ Form 40-F o

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

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

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

Yes o No þ

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

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

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Bayer Group Key Data

million

	3rd Quarter			First Three Quarters			Full Year
	2003	**2004**	**Change**	**2003**	**2004**	**Change**	**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**
	636	**501**	**-21.2**	**1,758**	**1,513**	**-13.9**	**2,404**

Research and development expenses							
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 32 f)

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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.

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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.

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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.

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Third-Quarter Net Sales by Region and Segment

	Europe			North America			Asia/Pacific		
		Change	Change in local currencies		Change	Change in local currencies		Change	Change in local currencies
	million	%	%	million	%	%	million	%	%
Pharmaceuticals/Biological Products	365	+4.9	+4.4	350	-37.7	-33.3	214	+3.4	+7.6
Consumer Care/Diagnostics	283	+6.4	+6.6	389	-2.3	+5.3	74	+4.2	+6.4
Animal Health	57	-3.4	-2.0	77	-8.3	-0.9	31	0.0	+2.6
CropScience	343	-7.8	-7.7	217	-8.1	-2.7	214	-5.3	-0.8
Materials	353	+12.4	+13.1	174	+13.0	+22.7	252	+34.0	+41.3
Systems	654	+28.0	+28.0	367	-0.5	+7.2	227	+28.2	+34.6
Lanxess	739	+2.9	+3.0	337	-0.3	+6.7	247	+14.4	+18.1
Total region (incl. reconciliation)	**2,962**	**+8.4**	**+8.2**	**1,912**	**-11.2**	**-4.3**	**1,259**	**+12.5**	**+17.8**

Third-Quarter Net Sales by Region and Segment

	Latin America/Africa/Middle East			Total Segment		
		Change	Change in local currencies		Change	Change in local currencies
	million	%	%	million	%	%
Pharmaceuticals/Biological Products	96	+3.2	+12.1	**1,025**	-15.3	-12.0
Consumer Care/Diagnostics	104	-3.7	+5.6	**850**	+0.6	+5.9
Animal Health	30	-3.2	+4.0	**195**	-4.4	+0.1
CropScience	350	+20.3	+27.6	**1,124**	-0.1	+3.9
Materials	60	+25.0	+30.0	**839**	+19.2	+24.0
Systems	141	+12.8	+18.9	**1,389**	+17.4	+21.5
Lanxess	148	+12.1	+17.2	**1,471**	+4.6	+7.5

Total region (incl. reconciliation)	**932**	**+12.4**	**+19.5**	**7,065**	**+3.4**	**+7.2**

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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.

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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

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	3rd Quarter			First Three Quarters		
Bayer HealthCare	**2003**	**2004**	**Change**	**2003**	**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 1

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.

	3rd Quarter			First Three Quarters		
Pharmaceuticals/Biological Products	**2003**	**2004**	**Change**	**2003**	**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 1

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Best-Selling Bayer HealthCare Products	3rd Quarter 2004	3rd Quarter Change	Change in local currencies	First Three Quarters 2004	First Three Quarters 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.

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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.

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	3rd Quarter			First Three Quarters		
Consumer Care/Diagnostics	**2003**	**2004**	**Change**	**2003**	**2004**	**Change**
million			**%**			**%**
Net sales	**845**	**850**	**+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 1

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.

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	3rd Quarter			First Three Quarters		
Animal Health	**2003**	**2004**	**Change**	**2003**	**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 1

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.

	3rd Quarter			First Three Quarters		
Bayer CropScience	**2003**	**2004**	**Change**	**2003**	**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 1

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Best-Selling Bayer CropScience Products	3rd Quarter 2004	3rd Quarter Change	Change in local currencies	First Three Quarters 2004	First Three Quarters 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.

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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 1

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Interim Report for the Third Quarter

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 1

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	3rd Quarter			First Three Quarters		
Systems	**2003**	**2004**	**Change**	**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 1

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.

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Interim Report for the Third Quarter

	3rd Quarter			First Three Quarters		
Lanxess	**2003**	**2004**	**Change**	**2003**	**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 1

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.

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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

	3rd Quarter		First Three Quarters	
Cash Flow Key Data	**2003**	**2004**	**2003**	**2004**
million				
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 1

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.

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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.

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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.

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PPA: Bayer is a defendant in numerous product liability lawsuits relating to phenyl-propanolamine (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.

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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.

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Investor Information

	3rd Quarter		First Three Quarters		Year
Bayer Share Key Data	**2003**	**2004**	**2003**	**2004**	**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.

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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

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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

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Interim Report for the Third Quarter

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 1
2003 figures restated

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Interim Report for the Third Quarter

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**

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Interim Report for the Third Quarter

Key Data by Segment

3rd Quarter

	Bayer HealthCare							
	Pharmaceuticals/ Biological Products		of which discontinuing operations Plasma		Consumer Care/ Diagnostics		Animal Health	
	3rd Quarter		3rd Quarter		3rd Quarter		3rd Quarter	
Segments million	2003	2004	2003	2004	2003	2004	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

3rd Quarter

	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	
Segments million	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Net sales (external)	1,125	1,124	704	839	1,183	1,389	*1,406*	*1,471*	157	172	6,834	7,065
Change in	-14.3%	-0.1%	-4.1%	+19.2%	+0.7%	+17.4%	*-8.5%*	*+4.6%*			-8.4%	+3.4%
Change in local currencies	-8.3%	+3.9%	+1.9%	+24.0%	+6.9%	+21.5%	*-5.1%*	*+7.5%*			-2.2%	+7.2%
Intersegment	10	13	13	4	59	67	*107*	*69*	(223)	(164)		

sales												
Operating result (EBIT)	(130)	(96)	6	76	39	43	*(35)*	*(4)*	(62)	(41)	42	244
Return on sales	(11.6)%	(8.5)%	0.9%	9.1%	3.3%	3.1%	*(2.5)%*	*(0.3)%*			0.6%	3.5%
Gross cash flow*	(68)	143	66	89	150	74	*67*	*62*	27	68	573	700
Net cash flow*	460	239	114	25	280	(26)	*131*	*137*	(35)	40	1,188	654
Depreciation and amortization	185	177	70	55	129	88	*113*	*64*	91	55	732	565

* for definition see Bayer Group Key Data on page 1
2003 figures restated

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Interim Report for the Third Quarter

Key Data by Segment

First Three Quarters

	Bayer HealthCare							
	Pharmaceuticals/ Biological Products		of which discontinuing operations Plasma		Consumer Care/ Diagnostics		Animal Health	
	First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters	
Segments million	2003	2004	2003	2004	2003	2004	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

First Three Quarters

	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	
Segments million	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Net sales (external)	4,353	4,498	2,093	2,339	3,515	3,857	*4,366*	*4,541*	548	473	21,446	22,010
Change in	+33.4%	+3.3%	-3.4%	+11.8%	-2.1%	+9.7%	*-8.3%*	*+4.0%*			-3.4%	+2.6%
Change in	+44.0%	+7.4%	+5.6%	+16.6%	+7.4%	+14.2%	*-2.2%*	*+7.0%*			+5.7%	+6.8%

local currencies												
Intersegment sales	42	44	34	29	159	232	*245*	*227*	(540)	(570)		
Operating result (EBIT)	354	442	74	186	162	283	*(65)*	*91*	(10)	(174)	1,613	1,588
Return on sales	8.1%	9.8%	3.5%	8.0%	4.6%	7.3%	*(1.5)%*	*2.0%*			7.5%	7.2%
Gross cash flow*	602	682	244	268	494	390	*222*	*286*	98	156	2,903	2,515
Net cash flow*	1,003	585	207	100	524	92	*8*	*153*	(115)	(31)	2,310	1,501
Depreciation and amortization	578	536	192	177	371	263	*329*	*240*	222	166	2,085	1,735

* for definition see Bayer Group Key Data on page 1
2003 figures restated

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Interim Report for the Third Quarter

Key Data by Region

3rd Quarter

Regions million	Europe 3rd Quarter		North America 3rd Quarter		Asia/Pacific 3rd Quarter		Latin America/ Africa/Middle East 3rd Quarter		Reconciliation 3rd Quarter		Bayer Group 3rd Quarter	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Net sales (external) by market	2,733	2,962	2,153	1,912	1,119	1,259	829	932			6,834	7,065
Net sales (external) by point of origin	3,065	3,328	2,174	1,962	985	1,090	610	685			6,834	7,065
of which discontinuing operations	*855*	*884*	*511*	*540*	*138*	*150*	*61*	*68*			*1,565*	*1,642*
Change in	-10.5%	+8.6%	-1.7%	-9.8%	-5.6%	+10.7%	-21.9%	+12.3%			-8.4%	+3.4%
Change in local currencies	-10.0%	+8.3%	+8.9%	-2.6%	+4.5%	+16.6%	-14.1%	+21.4%			-2.2%	+7.2%
Interregional sales	901	925	468	468	61	58	43	45	(1,473)	(1,496)		
Operating result (EBIT)	(148)	194	108	(80)	43	111	86	75	(47)	(56)	42	244
of which discontinuing operations	*(3)*	*35*	*(57)*	*(10)*	*6*	*7*	*3*	*(35)*			*(51)*	*(3)*
Return on sales	(4.8)%	5.8%	5.0%	(4.1)%	4.4%	10.2%	14.1%	10.9%			0.6%	3.5%
Gross cash flow*	99	462	363	119	72	104	74	51	(35)	(36)	573	700

First Three Quarters

Regions million	Europe First Three Quarters		North America First Three Quarters		Asia/Pacific First Three Quarters		Latin America/ Africa/Middle East First Three Quarters		Reconciliation First Three Quarters		Bayer Group First Three Quarters	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004

Net sales (external) by market	9,183	9,531	6,569	6,300	3,406	3,621	2,288	2,558			21,446	22,010
Net sales (external) by point of origin	10,219	10,635	6,673	6,428	2,918	3,110	1,636	1,837			21,446	22,010
of which discontinuing operations	*2,805*	*2,920*	*1,399*	*1,470*	*422*	*433*	*192*	*199*			*4,818*	*5,022*
Change in	-1.6%	+4.1%	-3.3%	-3.7%	-4.3%	+6.6%	-12.1%	+12.3%			-3.4%	+2.6%
Change in local currencies	-1.0%	+4.1%	+12.5%	+5.3%	+8.4%	+12.0%	+11.4%	+20.3%			+5.7%	+6.8%
Interregional sales	2,971	2,978	1,450	1,436	192	169	125	119	(4,738)	(4,702)		
Operating result (EBIT)	850	988	355	214	242	321	319	235	(153)	(170)	1,613	1,588
of which discontinuing operations	*1*	*113*	*(142)*	*(11)*	*24*	*43*	*13*	*(31)*			*(104)*	*114*
Return on sales	8.3%	9.3%	5.3%	3.3%	8.3%	10.3%	19.5%	12.8%			7.5%	7.2%
Gross cash flow*	1,455	1,535	1,012	539	276	313	276	196	(116)	(68)	2,903	2,515

* for definition see Bayer Group Key Data on page 1
2003 figures restated

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Interim Report for the Third Quarter

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.

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Interim Report for the Third Quarter

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

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.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bayer Aktiengesellschaft
(Registrant)

By: /s/ ppa. Alexander Rosar
Name: Alexander Rosar
Title: Head of Investor Relations

By: /s/ Armin Buchmeier
Name: Armin Buchmeier
Title: Senior Counsel

Date: November 26, 2004