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Stockholders' Newsletter 2003

Interim Report for the First Three Quarters

Sales and EBIT in line with expectations

Sales up 4.6 percent before portfolio and currency effects  
Net debt reduced to (euro)6.9 billion  
Levitra(R) successfully launched in the United States

Group sales in the third quarter of 2003 declined by 8.4 percent to (euro)6,834 million in what continued to be a difficult business environment. The decrease was mainly due to adverse currency parities and several divestitures. Before portfolio and currency effects, sales grew by 4.6 percent, buoyed primarily by the Pharmaceuticals and Biological Products, and Polyurethanes, Coatings and Fibers segments.

Third-quarter EBIT amounted to (euro)21 million. The (euro)858 million figure for the same period of 2002 contained (euro)909 million in proceeds from the sale of Haarmann & Reimer. Before special items, EBIT improved by (euro)36 million, or 52.9 percent, to (euro)104 million, largely thanks to higher earnings in HealthCare.

EBIT for the first three quarters of 2003 was (euro)1,550 million, compared to (euro)1,950 million in the same period of 2002. Before special items, EBIT in the first nine months improved by (euro)474 million, or 53.4 percent, to (euro)1,361 million. Through strict capital discipline, net debt was reduced by (euro)828 million in the third quarter to (euro)6,930 million; during the first nine months, therefore, net debt was brought down by (euro)1,931 million using the operating cash flow and proceeds from divestitures.

We do not anticipate a sustained economic recovery before the end of the year. Earnings in HealthCare will be hampered by high launch costs for Levitra(R). In CropScience we expect full-year EBIT to be slightly below the figure for the first three quarters due to seasonal factors. Earnings in Polymers and Chemicals are not expected to improve in the near term.

In connection with the comprehensive strategic realignment of our portfolio, we will review the valuation of all relevant assets in the fourth quarter; this may lead to a charge against fourth-quarter earnings. However, such a charge would not impair our ability to pay a dividend for the year.

We expect EBIT before these special items to increase by a double-digit percentage from the previous year as forecast.

## Bayer Group Highlights

(euro) million	3rd Quarter		Change	First Three 2002
	2002	2003		
Net sales	7,459	6,834	- 8.4%	22,196

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of which discontinuing operations	362	159		1,155
Change in sales				
Volume	+ 6%	+ 5%		0%
Price	- 1%	0%		- 3%
Currency	- 8%	- 6%		- 4%
Portfolio changes	+ 11%	- 7%		+ 4%
EBITDA 1	1,639	753	- 54.1%	4,161
Operating result (EBIT)	858	21	- 97.6%	1,950
of which discontinuing operations	875	(19)		889
of which special items	790	(83)		1,063
Return on sales	11.5%	0.3%		8.8%
Net income (loss)	656	(123)	o	1,472
Earnings per share ((euro))	0.90	(0.17)		2.02
Gross cash flow 2	611	541	- 11.5%	2,206
Net cash flow 3	1,397	1,193	- 14.6%	2,730
Capital expenditures	611	384	- 37.2%	1,627
Depreciation and amortization	781	732	- 6.3%	2,211
Number of employees (as of September 30)				123,500
Personnel expenses	2,200	1,940	- 11.8%	6,166

2002 figures restated

- 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 long-term provisions
- 3 Net cash flow = cash flow from operating activities according to IAS 7

### PERFORMANCE BY BUSINESS AREA

Our business activities are grouped together in the HealthCare, CropScience, Polymers and Chemicals business areas, comprising the following reporting segments:

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Business Area	Segments
HealthCare	Pharmaceuticals, Biological Products; Consumer Care, Diagnostics; Animal Health
CropScience	CropScience
Polymers	Plastics, Rubber; Polyurethanes, Coatings, Fibers
Chemicals	Chemicals

Healthcare

Disregarding portfolio changes, the HealthCare subgroup turned in a pleasing performance in the third quarter. Despite unfavorable exchange rates and the sale of the household insecticides business, year-on-year sales were steady at (euro)2,259 million. In local currencies and before portfolio changes, sales rose by 10.9 percent. EBIT improved by (euro)88 million to (euro)216 million.

Even after negative currency effects, business of the Pharmaceuticals and Biological Products segment expanded by 8.4 percent in the third quarter of 2003 to (euro)1,210 million. The sales increase in local currencies amounted to 16.5 percent. This segment thus continued the positive trend of the second quarter, with both the Pharmaceuticals and Biological Products divisions contributing to the increase. Positive developments included the increase in market share for the Factor VIII drug Kogenate(R) and the very successful launch of Levitra(R) in the United States in September 2003. Levitra(R), our new medicine to treat erectile dysfunction, had already captured an approximately 14 percent share of new prescriptions in the United States by the 43rd calendar week of the year. The product is now registered in nearly 60 countries. Levitra(R) is on the market in the United States, Europe, numerous South American countries, New Zealand and Australia. The patent disputes with Pfizer are ongoing.

HealthCare Key Data

(euro) million	3rd Quarter		Change	Firs 20
	2002	2003		
Net Sales	2,279	2,259	- 0.9%	7,
of which discontinuing operations	152	159		
Proportion of Group sales	30.6%	33.1%		3
EBITDA*	306	360	+ 17.6%	1,
Operating result (EBIT)	128	216	+ 68.8%	
of which discontinuing operations	(47)	(19)		

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of which special items	(43)	(26)	
Return on sales	5.6%	9.6%	
Gross cash flow*	285	350	+ 22.8%
Net cash flow*	347	238	- 31.4%

Pharmaceuticals, Biological Products

Net sales	1,116	1,210	+ 8.4%	3,
of which discontinuing operations	152	159		
Pharmaceuticals	846	913	+ 7.9%	2,
Biological Products	270	297	+ 10.0%	
EBITDA*	43	108	+ 151.2%	
Operating result (EBIT)	(33)	40	o	
of which discontinuing operations	(47)	(19)		
of which special items	(30)	(44)		
Return on sales	(3.0)%	3.3%		
Gross cash flow*	41	108	+163.4%	
Net cash flow*	87	85	-2.3%	

Consumer Care, Diagnostics

Net sales	940	845	-10.1%	2,
Consumer Care	457	363	-20.6%	1,
Diagnostics	483	482	-0.2%	1,
EBITDA*	203	202	-0.5%	
Operating result (EBIT)	110	133	+20.9%	
of which special items	(13)	18		
Return on sales	11.7%	15.7%		
Gross cash flow*	196	196	0.0%	
Net cash flow*	203	93	-54.2%	

Animal Health

Net sales	223	204	-8.5%
EBITDA*	60	50	-16.7%

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Operating result (EBIT)	51	43	-15.7%
of which special items	0	0	
Return on sales	22.9%	21.1%	
Gross cash flow*	48	46	-4.2%
Net cash flow*	57	60	+5.3%

\* for definition see Bayer Group Highlights

EBIT increased to (euro)40 million in the third quarter. This growth in earnings resulted mainly from the optimization of production processes in Biological Products, the cost-structure programs in Pharmaceuticals and the favorable business trend. The special items largely comprised restructuring charges.

The U.S. Food and Drug Administration approved the once-daily formulation Cipro(R) XR to treat complicated urinary tract infections. We have also taken an important step in the field of cancer research: a Raf kinase inhibitor that is being developed jointly with U.S.-based Onyx Pharmaceuticals Inc. has reached Phase III clinical testing for the treatment of advanced renal cell carcinoma.

As part of our ongoing portfolio management, we plan to divest the plasma business of the Biological Products Division. These activities are shown under discontinuing operations. The Kogenate(R) business is not affected by this decision.

Following the first two successfully concluded Baycol(R) trials in Texas and Mississippi in March and April of this year, the number of rhabdomyolysis cases resolved by settlement increased substantially. As of November 6, 2003, 1,811 cases had been settled for payments totaling US\$ 659 million. Moreover, Bayer is in settlement negotiations with several hundred further plaintiffs. Bayer remains willing to settle those cases in which plaintiffs suffered serious side-effects due to our product. As of November 6, 2003, 11,459 cases remain pending. Where facts have been developed in the course of the litigation it so far appears that the vast majority of plaintiffs did not suffer serious side-effects.

Should the U.S. plaintiffs in the Baycol(R) litigation or in the phenylpropanolamine (PPA) product liability litigation substantially prevail despite the existing meritorious defenses, it is possible that Bayer could face payments that exceed its insurance coverage. The same is true should an unexpectedly sharp increase in settlement cases occur in the Baycol(R) litigation. PPA, which was widely used as an active ingredient in appetite suppressants and cough-and-cold medications by many manufacturers, was voluntarily replaced by Bayer and other producers in the U.S. in 2000 after a recommendation by the U.S. Food and Drug Administration.

### Best-Selling HealthCare Products

(euro) million	3rd Quarter 2003	Change	First Three Quarters 2003
Ciprobay (R)/Cipro (R) (Pharmaceuticals)	332	- 1%	1,111

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Adalat (R) (Pharmaceuticals)	167	- 8%	505
Aspirin (R) (Consumer Care/Pharmaceuticals)	152	+ 5%	438
Kogenate (R) (Biological Products)	140	+ 18%	355
Ascensia (R) Elite (Diagnostics)	117	- 1%	316
ADVIA (R) Centaur System (Diagnostics)	98	+ 21%	278
Levitra (R) (Pharmaceuticals)	88	o	111
Gamimune (R) N (Biological Products)	82	+ 6%	220
Glucobay (R) (Pharmaceuticals)	72	+ 13%	207
Avalox (R) /Avelox (R) (Pharmaceuticals)	54	+ 8%	193
<b>Total</b>	<b>1,302</b>	<b>+ 11%</b>	<b>3,734</b>
<b>Proportion of HealthCare sales</b>	<b>58%</b>		<b>57%</b>

The Consumer Care and Diagnostics segment continued to develop well in the third quarter. Despite the divestment of the household insecticides business and the strength of the euro, reported sales moved back by only 10.1 percent to (euro)845 million. In local currencies and before portfolio effects, sales climbed by 5.3 percent, with the Consumer Care and Diagnostics divisions expanding by 3.3 and 7.2 percent, respectively. The U.S. business drove growth of the Consumer Care Division, which was mainly due to the very positive performance of the One-A-Day (R) Weight Smart vitamin line introduced at the beginning of the

year. Also making pleasing gains was the analgesic Aleve (R), which grew faster than the U.S. market for non-prescription pain relievers. Both the Professional Testing and Self-Testing units of the Diagnostics Division posted good growth year on year. In the Self-Testing business, the improvement over the preceding quarters was chiefly attributable to new product launches in the Ascensia (R) line in a number of countries. We expect these newly launched blood glucose measurement systems to further improve our position in the self-testing market. In Professional Testing all product groups performed encouragingly, with the ADVIA (R) product line fairing especially well. Our position should again be strengthened by the launches of the ADVIA (R) IMS800i laboratory diagnostics system and the BNP heart failure assay for the ADVIA (R) Centaur system.

EBIT improved by 20.9 percent compared to the third quarter of 2002, to (euro)133 million, helped by special items and particularly the enhanced performance of the Professional Testing unit.

The Animal Health segment was also hampered by negative currency effects. Third-quarter sales fell by 8.5 percent in euros but remained steady in local currencies.

EBIT dropped by 15.7 percent to (euro)43 million, largely because of unfavorable currency parities and heightened competition in the United States. These effects were only partly offset by strict cost management.

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### CropScience Key Data

(euro)million	3rd Quarter		Change	First T 2002
	2002	2003		
Net sales	1,313	1,125	- 14.3%	3,262
Proportion of Group sales	17.6%	16.5%		14.7%
Insecticides*		282		
Fungicides*		176		
Herbicides*		317		
Seed Treatment/Environmental Science/BioScience*		335		
EBITDA**	(55)	51	o	299
Operating result (EBIT)	(219)	(134)	+ 38.8%	(53)
of which special items	(3)	(25)		(3)
Return on sales	(16.7)%	(11.9)%		(1.6)
Gross cash flow**	(40)	(100)	- 150.0%	221
Net cash flow**	541	461	- 14.8%	870

\* 2002 sales figures for product groups are not available.

\*\* for definition see Bayer Group Highlights

### CropScience

The third quarter saw a year-on-year fall of 14.3 percent, or (euro)188 million, in CropScience sales to (euro)1,125 million. In local currencies and adjusted for the absence of the products divested to comply with antitrust conditions, sales rose by 3.5 percent. Products containing our most important active ingredient, imidacloprid, continued to enjoy strong sales, as in the first half of the year - particularly our seed treatment product Gaucho(R), which made further gains in the important U.S., German and Italian markets. Business in Europe was impaired by sustained drought conditions that led to lower demand for fungicides. Sales increased significantly in North America due to heavy demand for fungicides and insecticides. In the third quarter we obtained registration there for our new insecticides Poncho(R) and Calypso(R). Business in South America was impacted by negative currency and portfolio effects. Sales in the first three quarters increased by 33.4 percent, or (euro)1,091 million, to (euro)4,353 million as a result of the Aventis CropScience acquisition.

EBIT improved to minus (euro)134 million in the third quarter despite the sales decline and restructuring charges, margins for the former Aventis CropScience products having been impaired in the same period last year by factors related to the acquisition. EBIT for the first nine months improved from minus (euro)53 million to (euro)342 million, while EBITDA rose to (euro)920



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million, compared to (euro)299 million in the first three quarters of 2002. This yields an EBITDA margin of 21.1 percent, compared to 9.2 percent a year ago.

The integration of Aventis CropScience has continued successfully in 2003 and is now at an advanced stage.

### Polymers Key Data

(euro)million	3rd Quarter		Change	First Three
	2002	2003		2002
Net sales	2,595	2,456	- 5.4%	7,872
Proportion of Group sales	34.8%	35.9%		35.5%
EBITDA*	440	233	- 47.0%	1,072
Operating result (EBIT)	101	- 11	- 110.9%	137
of which special items	(51)	(32)		(236)
Return on sales	3.9%	(0.4)%		1.7%
Gross cash flow*	378	210	- 44.4%	927
Net cash flow*	336	514	+ 53.0%	795
Plastics, Rubber				
Net sales	1,313	1,170	- 10.9%	3,951
Thermoplastic Polymers	770	702	- 8.8%	2,245
Rubber Polymers	543	468	- 13.8%	1,706
EBITDA*	258	62	- 76.0%	501
Operating result (EBIT)	95	(50)	o	126
of which special items	5	(23)		(56)
Return on sales	7.2%	(4.3)%		3.2%
Gross cash flow*	208	58	- 72.1%	407
Net cash flow*	167	215	+ 28.7%	331
Polyurethanes, Coatings, Fibers				
Net sales	1,282	1,286	+ 0.3%	3,921

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Polyurethane Materials	786	810	+ 3.1%	2,388
Coatings Materials	496	476	- 4.0%	1,533
EBITDA*	182	171	- 6.0%	571
Operating result (EBIT)	6	39	o	11
of which special items	(56)	(9)		(180)
Return on sales	0.5%	3.0%		0.3%
Gross cash flow*	170	152	- 10.6%	520
Net cash flow*	169	299	+ 76.9%	464

\* for definition see Bayer Group Highlights

Polymers

Sales of Polymers declined by 5.4 percent in the third quarter, to (euro)2,456 million, mainly due to adverse currency effects. EBIT was sharply down, at minus (euro)11 million.

Business in the PLASTICS AND RUBBER segment decreased by 10.9 percent to (euro)1,170 million, largely because of the weakness of the U.S. dollar. In local currencies and adjusted to reflect the divestment of PolymerLatex, sales fell by 3.1 percent, hampered as before by the absence of an economic recovery in Europe. Despite the overall trend, however, there was encouraging growth in polycarbonate sales in the Greater China region as important customers such as the automotive and electronics industries continued their expansion in the Far East.

The main reasons for the significant decline in EBIT, to minus (euro)50 million, were sustained pressure on prices - partly because Asian competitors were able to exploit their currency advantages - and high raw material costs. Special items diminished ~earnings by (euro)23 million, with the closure of a production line for butadiene rubber (BR) at the site in Marl, Germany, accounting for (euro)12 million. Our acquisition of the remaining shares of Makroform GmbH on July 15, 2003 strengthens our position as a leading supplier of polycarbonate sheet.

Sales of the Polyurethanes, Coatings and Fibers segment remained steady year on year at (euro)1,286 million. Business was up by 6.0 percent in local currencies. The MDI business continued to expand, with high capacity utilization and sales up 12.0 percent in the third quarter. Despite a squeeze on prices, the TDI business rebounded from its low level of the second quarter to grow 7.2 percent year-on-year in the third quarter. The drop in sales of coatings materials was largely currency-related.

EBIT improved to (euro)39 million in the third quarter, largely thanks to the strength of the MDI business. For this segment, too, competitive pressure from outside Europe was a negative factor. EBIT contains (euro)9 million in special items, including a (euro)7 million charge for the closure of the polyether site at Institute, West Virginia, United States.

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### Chemicals Key Data

(euro)million	3rd Quarter		Change
	2002	2003	
Net sales	1,105	839	- 24.1%
of which discontinuing operations	210	0	
Proportion of Group sales	14.8%	12.3%	
Industrial Chemicals	245	246	+ 0.4%
Custom Manufacturing	57	40	- 29.8%
Functional Chemicals	128	126	- 1.6%
Process Chemicals	217	184	- 15.2%
H.C. Starck	141	137	- 2.8%
Wolff Walsrode	60	59	- 1.7%
Others (including Haarmann & Reimer in 2002)	257	47	- 81.7%
EBITDA*	1,055	79	- 92.5%
Operating result (EBIT)	959	13	- 98.6%
of which discontinuing operations	922	0	
of which special items	889	0	
Return on sales	86.8%	1.5%	
Gross cash flow*	138	24	- 82.6%
Net cash flow*	205	7	- 96.6%

\* for definition see Bayer Group Highlights

### Chemicals

Chemicals sales fell by 24.1 percent in the third quarter of 2003, to (euro)839 million. Adjusted for portfolio changes and measured in local currencies, business remained nearly steady, with sales gains for Industrial Chemicals and H.C. Starck in particular.

With margins impaired by unfavorable currency parities, EBIT from continuing operations declined by (euro)24 million to (euro)13 million.

To further optimize our portfolio, we sold Walothen GmbH to the Wihuri group of Finland effective November 1, 2003.

### PERFORMANCE BY REGION

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There was still no tangible improvement in the economic situation of the euro zone in the third quarter of 2003. Investment and private consumption remained weak, while the continuing strength of the euro made it more difficult for many export-oriented companies to offer competitive prices. Against this background, sales of our European companies decreased by 10.5 percent to (euro)3,065 million. This decline and the lower margins, particularly on export business, caused EBIT to fall to minus (euro)151 million.

The U.S. economy received strong stimulus from the government's economic policy, with GDP growing surprisingly fast since the beginning of the year. Although sales of our North American companies dipped by 1.7 percent in euros, business was up by 8.9 percent in local currencies. As in the preceding quarters, the increase in HealthCare earnings led to a significant improvement in EBIT, to (euro)92 million.

An economic uptrend was also apparent in most of the Asia/Pacific countries. Third-quarter sales of our companies in that region grew by 4.5 percent in local currencies and declined by 5.6 percent in euros. Our business in China remains the growth driver in this region. EBIT for the Asia/Pacific region increased by (euro)14 million to (euro)43 million.

The economy appears to be stabilizing this year in most parts of our Latin America/Africa/Middle East region. The substantial decline in the sales of our companies in this region, which fell by 21.9 percent to (euro)610 million, was primarily due to the sale of the household insecticides business and factors relating to CropScience. EBIT also declined significantly, to (euro)86 million.

### Bayer Group Summary Cash Flow Statements

(euro)million	3rd Quarter	
	2002	2003
Gross cash flow*	611	541
Changes in working capital	786	652
Net cash provided by operating activities	1,397	1,193
Net cash provided by (used in) investing activities	(2,729)	(272)
Net cash provided by (used in) financing activities	1,190	(469)
Changes in cash and cash equivalents due to business activities	(142)	452
Cash and cash equivalents at beginning of period	840	1,728
Change due to exchange rate movements and to changes in scope of consolidation	11	(9)
Cash and cash equivalents at end of third quarter	709	2,171
Marketable securities and other instruments	27	32
Liquid assets as per balance sheets	736	2,203

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\* for definition see Bayer Group Highlights

### LIQUIDITY AND CAPITAL RESOURCES

The consolidated financial statements for the first three quarters of 2003 have been prepared as for the year 2002 according to the rules of the International Accounting Standards Board (IASB), London. Reference should be made as appropriate to the notes to the 2002 statements.

Gross cash flow decreased by (euro)70 million, or 11.5 percent, in the third quarter of 2003, chiefly as a result of higher income tax payments. Net cash flow, at (euro)1,193 million, was down (euro)204 million but still at a high level. A significant component of the operating cash flow was a (euro)558 million decline in accounts receivable during the third quarter, resulting mainly from seasonal effects in the CropScience business area and strict receivables management. Net cash flow in the first three quarters amounted to (euro)2,323 million, after disbursements of (euro)231 million made following a settlement reached with U.S. authorities in the context of an investigation into pharmaceutical product prices. A cash outflow of (euro)51 million pertained to the discontinuing plasma operations. (In 2002, a (euro)102 million cash outflow pertained to the plasma operations, and a (euro)100 million inflow to Haarmann & Reimer).

Net cash used in investing activities came to (euro)272 million in the third quarter. Here, cash outflows of (euro)454 million for capital expenditures were partially offset by (euro)164 million in inflows from asset sales and divestments. Interest and other financial receipts amounted to (euro)18 million. Net cash used in investing activities in the third quarter of the previous year included disbursements in connection with the acquisition of Aventis CropScience. In the first three quarters, investing activities provided net cash of (euro)677 million, with a (euro)15 million outflow pertaining to discontinuing operations. (In 2002, a (euro)9 million cash outflow pertained to the plasma operations, and a (euro)69 million outflow to Haarmann & Reimer).

Financing activities resulted in a net cash outflow of (euro)469 million in the third quarter, including primarily (euro)384 million in loan repayments and (euro)91 million in interest paid after taxes. Net cash of (euro)1,571 million was used in financing activities in the first nine months, with a cash inflow of (euro)66 million pertaining to discontinuing operations. (In 2002, a (euro)109 million cash inflow pertained to the plasma operations, and a (euro)1 million outflow to Haarmann & Reimer).

Cash and cash equivalents increased from the third quarter of 2002 by (euro)1,462 million to (euro)2,171 million. Including marketable securities and other instruments, the Group had liquid assets of (euro)2,203 million on September 30, 2003.

### Earnings

(euro)million	3rd Quarter		Change	First Three 2002
	2002	2003		
Operating result (EBIT)	858	21	- 97.6%	1,950

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of which discontinuing operations	875	(19)		889
of which special items	790	(83)		1,063
Non-operating result	(241)	(211)	+ 12.4%	(354)
Income (loss) before income taxes	617	(190)	o	1,596
Net income (loss)	656	(123)	o	1,472

### EARNINGS PERFORMANCE

Reported EBIT declined by (euro)837 million in the third quarter of 2003, to (euro)21 million, though before special items EBIT increased by 52.9 percent to (euro)104 million. Special items for the third quarter mainly comprised restructuring charges. Earnings for the same period of 2002 contained proceeds of (euro)909 million from the sale of the Haarmann & Reimer group.

The non-operating result improved by (euro)30 million to minus (euro)211 million, largely because of a (euro)39 million reduction in net interest expense, to (euro)93 million.

The Bayer Group reported a pre-tax loss of (euro)190 million for the quarter. After accounting for tax income of (euro)74 million and minority interests, a net loss of (euro)123 million was recorded. Net income for the first three quarters amounted to (euro)591 million.

We terminated our research agreement with Millennium Pharmaceuticals on October 31, 2003, as planned, and sold our interest in this biotech company in the fourth quarter. The divestiture proceeds of more than US\$ 300 million will be used to further reduce net debt.

### Balance Sheet Structure

(euro)million	Sept. 30, 2002	Sept. 30, 2003	Dec. 31,
Noncurrent assets	25,337	21,666	23,5
Current assets	17,884	17,031	16,8
Deferred taxes and deferred charges	1,262	1,048	1,2
Stockholders' equity	16,131	14,713	15,3
Minority stockholders' interest	152	137	1
Liabilities	24,979	22,461	23,3
Deferred taxes and deferred income	3,221	2,434	2,9
Total assets	44,483	39,745	41,6

### ASSET AND CAPITAL STRUCTURE

Total assets decreased by (euro)1.9 billion compared with the beginning of 2003,

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to (euro)39.7 billion.

Intangible assets shrank by (euro)0.9 billion to (euro)8.0 billion. Property, plant and equipment decreased by (euro)1.1 billion, with (euro)0.9 billion in capital expenditures offset by (euro)1.3 billion in depreciation and amortization and (euro)0.3 billion in retirements. Negative currency effects diminished property, plant and equipment by (euro)0.4 billion.

The total of inventories and receivables dropped by (euro)1.3 billion, or 7.9 percent, to (euro)14.8 billion, with inventories up 0.5 percent, to (euro)6.4 billion, but trade accounts receivable down by 4.3 percent, to (euro)5.3 billion. Other receivables declined by 25.2 percent to (euro)3.2 billion, as the assets earmarked for divestment and since divested in connection with the Aventis CropScience acquisition were still included in this item at the end of 2002. Liquid assets grew by (euro)1.4 billion to (euro)2.2 billion, particularly due to the operating cash flow. Total current assets increased by (euro)0.1 billion compared with December 31, 2002, to (euro)17.0 billion.

Stockholders' equity declined by (euro)0.6 billion to (euro)14.7 billion. A (euro)0.6 billion allocation out of net income was offset by the (euro)0.6 billion dividend payment for 2002 along with a further (euro)0.6 billion reduction, resulting mainly from currency translations, which was not recognized in net income.

Equity coverage of total assets rose by 0.2 percentage points compared to the end of 2002, to 37.0 percent.

Liabilities fell by (euro)0.9 billion to (euro)22.5 billion, chiefly due to a decline in trade accounts payable and to the disbursements made following the settlement reached with U.S.

authorities in the context of an investigation into pharmaceutical product prices. Gross financial liabilities dropped by (euro)0.5 billion, to (euro)9.1 billion.

Net debt declined by (euro)1.9 billion in the first three quarters, to (euro)6.9 billion.

### CAPITAL EXPENDITURES

As in the previous quarters, we again spent considerably less for intangible assets, property, plant and equipment in the third quarter of 2003 than in the corresponding period last year. Capital expenditures were down by 37.2 percent, to (euro)384 million.

### Bayer Group Consolidated Statements of Income (Summary)

(euro)million	3rd Quarter 2002	2003	First Three Quarters 2002
Net sales	7,459	6,834	22,196
of which discontinuing operations	362	159	1,155
Cost of goods sold	(4,524)	(4,199)	(13,108)
Gross profit	2,935	2,635	9,088

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Selling expenses	(1,757)	(1,497)	(5,048)
Research and development expenses	(640)	(639)	(1,842)
General administration expenses	(391)	(427)	(1,063)
Other operating income	1,048	225	1,786
Other operating expenses	(337)	(276)	(971)
Operating result (EBIT)	858	21	1,950
of which discontinuing operations	875	(19)	889
Non-operating result	(241)	(211)	(354)
Income (loss) before income taxes	617	(190)	1,596
Income taxes	44	74	(115)
Income (loss) after taxes	661	(116)	1,481
Minority stockholders' interest	(5)	(7)	(9)
Net income (loss)	656	(123)	1,472
Earnings per share ((euro))	0.90	(0.17)	2.02

Total capital spending in the first nine months of 2003 fell by 27.2 percent to (euro)1,184 million. At 57.2 percent of our (euro)2,069 million scheduled depreciation and amortization, the level of capital expenditures was in line with our planning. Europe accounted for capital spending of (euro)778 million, 60.4 percent of which went for our sites in Germany.

EMPLOYEES

On September 30, 2003, the Bayer Group had 117,300 employees, 5,300 fewer than at the start of the year. Headcount was reduced by 2,200 in Europe, 1,100 in North America, 1,400 in Asia/Pacific and 600 in Latin America/Africa/Middle East.

Personnel expenses were down by 11.8 percent in the third quarter, to (euro)1,940 million, and by 4.3 percent in the first three quarters as a whole, to (euro)5,898 million.

Bayer Group Consolidated Balance Sheets (Summary)

(euro)million	Sept. 30, 2002	Sept. 30, 2003	Dec. 31, 2002
Assets			
Noncurrent assets			
Intangible assets	10,512	8,010	8,879



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Property, plant and equipment	12,704	11,387	12,436
Investments	2,121	2,269	2,198
	25,337	21,666	23,513
Current Assets			
Inventories	6,706	6,375	6,342
Receivables and other assets			
Trade accounts receivable	6,134	5,302	5,542
Other receivables and other assets	4,308	3,151	4,210
	10,442	8,453	9,752
Liquid assets	736	2,203	796
	17,884	17,031	16,890
Deferred Taxes	915	618	967
Deferred Charges	347	430	322
	44,483	39,745	41,692
of which discontinuing operations	902	815	853
Stockholders' Equity and Liabilities			
Stockholders' Equity			
Capital stock and reserves	4,812	4,812	4,812
Retained earnings	10,127	10,479	10,076
Net income	1,472	591	1,060
Other comprehensive income			
Currency translation adjustment	(284)	(1,268)	(593)
Miscellaneous items	4	99	(20)
	16,131	14,713	15,335
Minority Stockholders' Interest	152	137	120
Liabilities			
Long-term liabilities			
Long-term financial liabilities	7,268	6,960	7,318
Miscellaneous long-term liabilities	108	80	92
Provisions for pensions and other	4,946	5,112	4,925

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post-employment benefits			
Other long-term provisions	1,298	1,277	1,215
	13,620	13,429	13,550
Short-term Liabilities			
Short-term financial liabilities	5,272	2,656	2,841
Trade accounts payable	2,285	1,749	2,534
Miscellaneous short-term liabilities	2,101	2,100	2,138
Short-term provisions	1,701	2,527	2,257
	11,359	9,032	9,770
	24,979	22,461	23,320
of which discontinuing operations	90	98	81
Deferred taxes	2,803	1,867	2,453
Deferred income	418	567	464
	44,483	39,745	41,692

The statements for the first three quarters are unaudited.

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

(euro)million	Capital stock and reserves	Retained earnings	Net income	Currency translation adjustment	Misc it
December 31, 2001	4,812	9,841	965	759	
Dividend payment			(657)		
Allocation to retained earnings		286	(308)		
Exchange differences				(1,043)	
Other changes in stockholders' equity					
Net income			1,472		
September 30, 2002	4,812	10,127	1,472	(284)	
December 31, 2002	4,812	10,076	1,060	(593)	
Dividend payment			(657)		

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Allocation to retained earnings		403	(403)	
Exchange differences				(675)
Other changes in stockholders' equity				
Net income			591	
September 30, 2003	4,812	10,479	591	(1,268)

Key Data by Segment

3rd Quarter Segments	Pharmaceuticals, Biological Products				HealthCare		CropScience	
	Pharmaceuticals, Biological Products		Consumer Care, Diagnostics		Animal Health		CropScience	
	3rd Quarter		3rd Quarter		3rd Quarter		3rd Quarter	
(euro)million	2002	2003	2002	2003	2002	2003	2002	2003
Net sales (external)	1,116	1,210	940	845	223	204	1,313	1,125
o Change in(euro)	-2.4%	+8.4%	-8.2%	-10.1%	-3.0%	-8.5%	+135.7%	-14.3%
o Change in local currencies	+5.6%	+16.5%	+2.7%	-2.1%	+6.1%	-0.9%	+146.2%	-8.3 %
Intersegment sales	8	25	0	8	0	1	12	10
Operating result (EBIT)	(33)	40	110	133	51	43	(219)	(134)
Return on sales	(3.0)%	3.3%	11.7%	15.7%	22.9%	21.1%	(16.7)%	(11.9)%
Depreciation and amortization	76	68	93	69	9	7	164	185
Gross cash flow*	41	108	196	196	48	46	(40)	(100)
Net cash flow*	87	85	203	93	57	60	541	461

3rd Quarter Segments

Chemicals

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(euro)million	Reconciliation				Bayer Group		(Pharmac Biolo Prod
	3rd Quarter		3rd Quarter		3rd Quarter		3rd
	2002	2003	2002	2003	2002	2003	2002
Net sales (external)	1,105	839	167	155	7,459	6,834	152
o Change in (euro)	+2.0%	-24.1%			+7.6%	-8.4%	
o Change in local currencies	+10.9%	-20.4%			+15.6%	-2.2%	
Intersegment sales	103	42	(166)	(150)			
Operating result (EBIT)	959	13	(111)	(63)	858	21	(47)
Return on sales	86.8%	1.5%			11.5%	0.3%	
Depreciation and amortization	96	66	4	93	781	732	8
Gross cash flow*	138	24	(150)	57	611	541	
Net cash flow*	205	7	(32)	(27)	1,397	1,193	

(euro)million	Pharmaceuticals, Biological Products		HealthCare Consumer Care, Diagnostics		Animal Health		CropScience	
	First Three Quarters		First Three Quarters		First Three Quarters		First Three Quarters	
	2002	2003	2002	2003	2002	2003	2002	2003
	2002	2003	2002	2003	2002	2003	2002	2003
Net sales (external)	3,540	3,531	2,861	2,443	638	597	3,262	4,353
o Change in _	-13.1%	-0.3%	-5.3%	-14.6%	-0.6%	-6.4%	+45.8%	+33.4%
o Change in local currencies	-9.3%	+10.9%	+0.4%	-2.6%	+4.3%	+5.7%	+51.4%	+44.0%
Intersegment sales	25	47	2	11	1	2	38	42
Operating result (EBIT)	192	385	270	562	144	128	-(53)	342
Return on sales	5.4%	10.9%	9.4%	23.0%	22.6%	21.4%	(1.6)%	7.9%
Depreciation and amortization	228	179	244	192	27	22	352	578

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Gross cash flow*	226	489	430	645	140	134	221	620
Net cash flow*	246	40	368	541	75	102	870	1,003

First Three Quarters  
Segments

Chemicals

(euro)million	First Three Quarters		Reconciliation		Bayer Group	
	First Three Quarters		First Three Quarters		First Three Quarters	
	2002	2003	2002	2003	2002	2003
Net sales (external)	3,450	2,582	573	481	22,196	21,446
o Change in _	-9.5%	-25.2%			-3.1%	-3.4%
o Change in local currencies	-4.3%	-18.7%			+0.9%	+5.7%
Intersegment sales	291	251	(506)	(565)		
Operating result (EBIT)	1,050	53	210	(52)	1,950	1,550
Return on sales	30.4%	2.1%			8.8%	7.2%
Depreciation and amortization	303	211	122	220	2,211	2,085
Gross cash flow*	377	216	(115)	172	2,206	3,032
Net cash flow*	421	75	(45)	(104)	2,730	2,323

\* for definition see Bayer Group Highlights  
2002 figures restated

Key Data by Region

3rd Quarter

(euro)million	Europe		North America		Asia/Pacific	
	3rd Quarter		3rd Quarter		3rd Quarter	
	2002	2003	2002	2003	2002	2003
Regions						

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Net sales (external) - by market	3,000	2,733	2,204	2,153	1,242	1,119
Net sales (external) - by point of origin	3,423	3,065	2,212	2,174	1,043	985
of which discontinuing operations	129	18	162	129	43	11
o Change in(euro)	+11.4%	-10.5%	-4.8%	-1.7%	+14.7%	-5.6%
o Change in local currencies	+11.6%	-10.0%	+5.3%	+8.9%	+21.4%	+4.5%
Interregional sales	776	901	456	468	53	120
Operating result (EBIT)	793	(151)	(48)	92	29	43
of which discontinuing operations	922	8	(54)	(27)	1	0
Return on sales	23.2%	(4.9)%	(2.2)%	4.2%	2.8%	4.4%
Gross cash flow*	205	14	263	381	74	68

Regions	Latin America/Africa/ Middle East		Reconciliation		Bayer Group	
	3rd Quarter		3rd Quarter		3rd Quarter	
(euro)million	2002	2003	2002	2003	2002	2003
Net sales (external) - by market	1,013	829			7,459	6,83
Net sales (external) - by point of origin	781	610			7,459	6,83
of which discontinuing operations	28	1			362	15
o Change in(euro)	+ 24.6%	-21.9%			+7.6%	-8.
o Change in local currencies	+58.9%	-14.1%			+15.6%	-2.
Interregional sales	39	80	(1,324)	(1,473)		
Operating result (EBIT)	134	86	(50)	(49)	858	2
of which discontinuing operations	6	0	0	0	875	(1
Return on sales	17.2%	14.1%			11.5%	0.
Gross cash flow*	120	75	(51)	3	611	54

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First Three Quarters

Regions	Europe		North America	
	First Three Quarters		First Three Quarters	
(euro)million	2002	2003	2002	2003
Net sales (external) - by market	9,225	9,183	6,801	6,569
Net sales (external) - by point of origin	10,387	10,219	6,898	6,673
of which discontinuing operations	404	51	523	360
o Change in(euro)	-2.9%	-1.6%	-7.1%	-3.3%
o Change in local currencies	-2.9%	-1.0%	-3.6%	+12.5%
Interregional sales	2,303	2,971	1,471	1,450
Operating result (EBIT)	1,927	842	(205)	308
of which discontinuing operations	958	24	(100)	(66)
Return on sales	18.6%	8.2%	(3.0)%	4.6%
Gross cash flow*	1,253	1,517	679	1,036

Regions	Latin America/Africa/ Middle East		Reconciliation	
	First Three Quarters		First Three Quarters	
(euro)million	2002	2003	2002	2003
Net sales (external) - by market	2,516	2,288		
Net sales (external) - by point of origin	1,861	1,636		
of which discontinuing operations	90	4		
o Change in(euro)	+2.2%	-12.1%		

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o Change in local currencies	+27.5%	+11.4%		
Interregional sales	122	125	(4,051)	(4,738)
Operating result (EBIT)	209	319	(168)	(160)
of which discontinuing operations	20	0	0	0
Return on sales	11.2%	19.5%		
Gross cash flow*	204	280	(170)	(79)

\* for definition see Bayer Group Highlights

2002 figures restated

### 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:

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

SIGNATURE



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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)

Date: November 21, 2003

By: /s/ ALEXANDER ROSAR

-----  
NAME: Alexander Rosar  
Title: Head of Investor Relations

By: /s/ ARMIN BUCHMEIER

-----  
Name: Armin Buchmeier  
Title: Senior Counsel