Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2009

CropScience and Pharmaceuticals continue on path of growth – Slump in business at MaterialScience leaves a distinct mark

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Bayer Group Key Data

	1st Quarter 2008	1st Quarter 2009	Change	Full Year 2008
	€ million	€ million	%	€ million
Sales	**8,536**	**7,895**	**−7.5**	**32,918**
Change in sales				
Volume	+5.9%	−9.4%		+2.8%
Price	+1.0%	−0.3%		+1.6%
Currency	−4.8%	+1.9%		−3.4%
Portfolio	+0.3%	+0.3%		+0.6%
EBITDA [1]	**2,055**	**1,661**	**−19.2**	**6,266**
Special items	*(130)*	*(34)*		*(665)*
EBITDA before special items	*2,185*	*1,695*	*−22.4*	*6,931*
EBITDA margin before special items	25.6%	21.5%		21.1%
EBIT [2]	**1,343**	**973**	**−27.6**	**3,544**
Special items	*(154)*	*(44)*		*(798)*
EBIT before special items	*1,497*	*1,017*	*−32.1*	*4,342*
EBIT margin before special items	17.5%	12.9%		13.2%
Non-operating result	**(275)**	**(334)**	**−21.5**	**(1,188)**
Net income	**762**	**425**	**−44.2**	**1,719**
Earnings per share (€) [3]	0.96	0.55		2.22
Core earnings per share (€) [4]	1.44	0.91		4.17
Gross cash flow [5]	**1,651**	**1,209**	**−26.8**	**5,295**
Net cash flow [6]	**528**	**693**	**+31.3**	**3,608**
Cash outflows for capital expenditures	**288**	**290**	**+0.7**	**1,759**
Research and development expenses	**633**	**657**	**+3.8**	**2,653**
Depreciation and amortization (as per segment table)	**712**	**688**	**−3.4**	**2,722**
Number of employees at end of period [7]	**106,000**	**108,700**	**+2.5**	**108,600**
Personnel expenses (including pension expenses)	1,988	1,891	−4.9	7,491

[1] EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be more a suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also page 20.

[2] EBIT as per income statements

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 36.

[4] Core earnings per share is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained on page 26.

[5] Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see page 22.

[6] Net cash flow = cash flow from operating activities according to IAS 7

[7] Number of employees in full-time equivalents

Bayer: 1st Quarter of 2009

CropScience and Pharmaceuticals continue on path of growth – Slump in business at MaterialScience leaves a distinct mark

- Group sales €7.9 billion (-7.5%)
- EBITDA before special items €1.7 billion (-22.4%)
- EBIT before special items €1.0 billion (-32.1%)
- Net income €0.4 billion (-44.2%)
- Net cash flow €0.7 billion (+31.3%)

Overview of Sales, Earnings and Financial Position

The performance of our subgroups in the first quarter of 2009 varied widely as expected. The slump in business at MaterialScience also significantly affected sales and earnings of the Bayer Group. By contrast, CropScience and Pharmaceuticals continued on a path of growth.

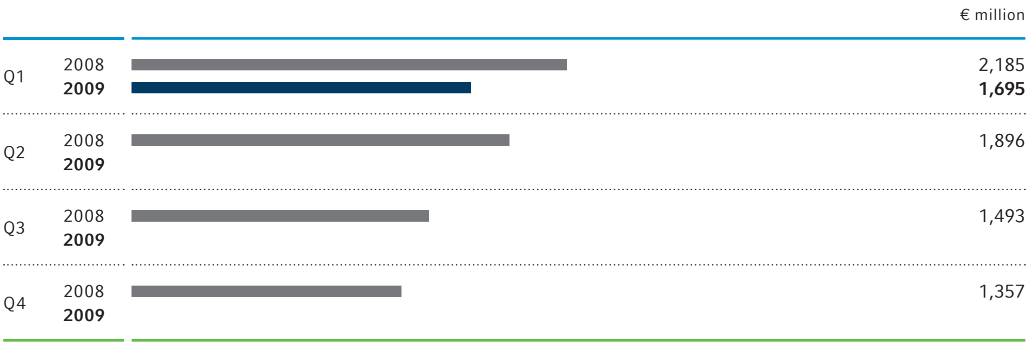
Group sales came in at €7,895 million, down 7.5% from the record level of €8,536 million registered in the prior-year quarter. After adjustment for currency and portfolio effects (Fx & portfolio adj.), sales receded by 9.7%. Sales of HealthCare grew by 3.0% (Fx & portfolio adj. +0.3%), while business at CropScience expanded by 7.2% (Fx adj. +7.4%). The negative effects of the global economic crisis were evident at MaterialScience, where sales fell by 34.9% (Fx & portfolio adj. -38.4%).

Sales by Quarter

		Domestic € million	Foreign € million	Total
Q1	2008	1,325	7,211	8,536
	2009	**1,153**	**6,742**	**7,895**
Q2	2008	1,202	7,309	8,511
	2009			
Q3	2008	1,227	6,721	7,948
	2009			
Q4	2008	1,043	6,880	7,923
	2009			

EBITDA before special items for the first quarter came in 22.4% below the prior-year period, at €1,695 million (Q1 2008: €2,185 million). HealthCare posted underlying EBITDA of €1,061 million (Q1 2008: €1,050 million). CropScience again improved on the very strong earnings of the prior-year quarter, with underlying EBITDA increasing by 3.4% to €737 million (Q1 2008: €713 million). At MaterialScience, EBITDA before special items came in at minus €116 million (Q1 2008: plus €407 million). Bayer Group EBITDA for the first quarter amounted to €1,661 million (-19.2%).

EBITDA Before Special Items by Quarter



EBIT before special items declined by 32.1% in the first quarter of 2009, to €1,017 million (Q1 2008: €1,497 million). Special items totaled minus €44 million (Q1 2008: minus €154 million). Of this figure, the integration of Schering AG, Berlin, Germany, accounted for minus €18 million, while our restructuring programs at CropScience and MaterialScience accounted for minus €8 million and minus €18 million, respectively. EBIT shrank by 27.6% to €973 million (Q1 2008: €1,343 million).

After the non-operating result of minus €334 million (Q1 2008: minus €275 million), income before income taxes came in at €639 million (Q1 2008: €1,068 million). The non-operating result mainly comprised €179 million (Q1 2008: €189 million) in net interest expense, €102 million (Q1 2008: €72 million) in interest expense for pension and other provisions, and a €26 million (Q1 2008: €7 million) net exchange loss. After tax expense of €215 million (Q1 2008: €306 million) and accounting for a €1 million loss attributable to non-controlling interest, net income came in at €425 million (Q1 2008: €762 million). Earnings per share were €0.55 (Q1 2008: €0.96). Core earnings per share moved back to €0.91 (Q1 2008: €1.44). The calculation of core earnings per share is explained on page 26.

Gross cash flow moved back by 26.8% year on year in the first quarter of 2009, to €1,209 million (Q1 2008: €1,651 million). By considerably reducing cash tied up in working capital, we succeeded in improving net cash flow by 31.3% to €693 million (Q1 2008: €528 million). This also enabled us to bring down the net financial debt as of March 31, 2009 to €14.0 billion despite adverse exchange rate effects (December 31, 2008: €14.2 billion). The net pension liability – the aggregate of pension obligations and plan assets – declined by €0.2 billion compared with December 31, 2008, to €5.8 billion, mainly because of higher long-term interest rates on the capital market.

Gross Cash Flow

		€ million
Q1	2008	1,651
	2009	**1,209**
Q2	2008	1,322
	2009	
Q3	2008	1,171
	2009	
Q4	2008	1,151
	2009	

Net Cash Flow

		€ million
Q1	2008	528
	2009	**693**
Q2	2008	889
	2009	
Q3	2008	1,234
	2009	
Q4	2008	957
	2009	

Future Perspectives

ECONOMIC OUTLOOK

The **global economy** is in a deep recession, and we do not yet see any sign of a sustained economic recovery.

We now anticipate only moderate growth of about 3% in the **pharmaceutical market** in 2009. While there is a loss of momentum in the United States and the major European countries, the emerging markets continue to show steady growth. We basically anticipate a continuing positive trend in the **consumer health** markets, although 2009 will be adversely affected by the general state of the economy.

We expect the global **seed and crop protection market** to continue its positive development, albeit with markedly lower growth rates than in 2008. Farmers in general should continue to benefit from attractive prices for plant-based raw materials compared to the long-term average, as well as from low energy and fertilizer costs.

With the global economic crisis likely to continue weighing heavily on the main customer industries of **MaterialScience** – the automotive, construction, electrical and furniture sectors – in the coming months, we expect a very difficult market environment for this subgroup in 2009 as a whole.

BAYER GROUP SALES AND EARNINGS FORECAST

For HealthCare and CropScience we continue to expect a positive trend in 2009, with growth in sales and EBITDA before special items. HealthCare plans to achieve currency-adjusted growth rates ahead of the market average in all divisions. We aim to further improve the EBITDA margin before special items toward 28%. CropScience plans to continue expanding sales in a generally favorable market environment. We aim to maintain the EBITDA margin before special items at the high level of about 25%.

The drop in sales and earnings at MaterialScience in the first quarter of 2009 turned out to be even steeper than we had expected. However, sales stabilized at a low level in the first three months. The downturn thus seems to be bottoming out, and first signs of a modest recovery in demand are appearing. We expect this subgroup to improve sales and earnings in the second quarter of this year compared with the first quarter and are targeting positive EBITDA before special items for the full year.

Against this background, we believe our aim of limiting the decline in Group EBITDA before special items to 5% to be increasingly demanding, though still achievable if there is a tangible recovery in the MaterialScience business. However, we no longer consider it possible to match the prior-year figure, still less to improve upon it.

We expect Group sales for the full year to be in the region of €32 billion.

We have budgeted for special charges in the region of €250 million related to our ongoing restructuring programs.

We now expect to make capital expenditures of €1.4 billion. We estimate depreciation and amortization at about €2.8 billion, including €1.3 billion in depreciation of property, plant and equipment. Research and development expenses are planned to rise to approximately €2.9 billion.

We expect to reduce net financial debt toward €10 billion in 2009, helped by the conversion of the mandatory convertible bond into equity upon maturation in June 2009 and an improvement in net cash flow. This forecast does not take into account any possible portfolio changes.

Performance by Subgroup and Segment

CORPORATE STRUCTURE

Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group. Business activities are conducted by the HealthCare, CropScience and MaterialScience subgroups, supported by the service companies Bayer Business Services, Bayer Technology Services and Currenta.

We have implemented a number of organizational changes that affect our segment reporting effective January 1, 2009 as described below. The prior-year figures have been restated accordingly.

We are now reporting MaterialScience as a single segment. The integration of the thermoplastic polyurethanes businesses into the Polyurethanes and the Coatings, Adhesives, Specialties business units completes an important phase in the reorganization of the MaterialScience portfolio. The Thermoplastic Polyurethanes (TPU) business unit has been dissolved. The TPU granules business has been integrated into the Polyurethanes business unit, while the TPU films activities now form part of the Coatings, Adhesives, Specialties business unit (Functional Films). In addition, due to organizational changes, we are now reporting the non-core businesses previously reported as “Other Systems” under Industrial Operations.

We have also made organizational changes in the HealthCare subgroup. Our dermatology business (Intendis) is no longer part of the Pharmaceuticals segment, but has been integrated into the Consumer Care Division within the Consumer Health segment. The Diabetes Care Division has been combined with our medical equipment business Medrad – which previously formed part of the Diagnostic Imaging business unit in the Pharmaceuticals segment – to create the Medical Care Division. In the Pharmaceuticals segment we now conduct our business in the General Medicine (formerly Primary Care and Cardiology), Specialty Medicine (formerly Specialized Therapeutics, Oncology and Hematology), Women’s Healthcare and Diagnostic Imaging business units.

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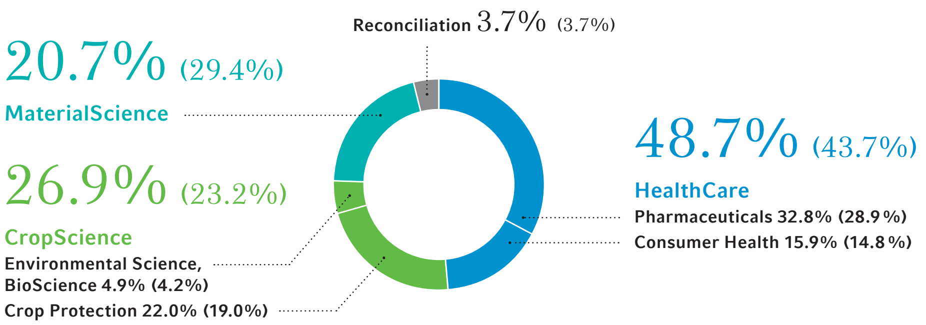
The commentaries in this report relate exclusively to continuing operations, except where specific reference is made to discontinued operations or to a total value.

Sales by Segment, 1st Quarter 2009 (Q1 2008 in parentheses)



2008 figures restated

Key Data by Subgroup and Segment

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**3,731**	**3,843**	**663**	**693**	**1,050**	**1,061**	**28.1**	**27.6**
Pharmaceuticals	2,469	2,587	429	523	760	827	30.8	32.0
Consumer Health	1,262	1,256	234	170	290	234	23.0	18.6
CropScience	**1,978**	**2,120**	**578**	**617**	**713**	**737**	**36.0**	**34.8**
Crop Protection	1,622	1,734	493	506	607	611	37.4	35.2
Environmental Science, BioScience	356	386	85	111	106	126	29.8	32.6
MaterialScience	**2,512**	**1,636**	**281**	**(263)**	**407**	**(116)**	**16.2**	**(7.1)**
Reconciliation	**315**	**296**	**(25)**	**(30)**	**15**	**13**	**4.8**	**4.4**
Continuing operations	**8,536**	**7,895**	**1,497**	**1,017**	**2,185**	**1,695**	**25.6**	**21.5**

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

Bayer HealthCare

Key Data – HealthCare	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**3,731**	**3,843**	**+3.0**
Pharmaceuticals	2,469	2,587	+4.8
Consumer Health	1,262	1,256	−0.5
Sales by Region			
Europe	1,626	1,572	−3.3
North America	1,045	1,104	+5.6
Asia/Pacific	526	635	+20.7
Latin America/Africa/Middle East	534	532	−0.4
EBITDA*	**970**	**1,043**	**+7.5**
Special items	*(80)*	*(18)*	
*EBITDA before special items**	*1,050*	*1,061*	*+1.0*
EBITDA margin before special items*	28.1%	27.6%	
EBIT*	**563**	**675**	**+19.9**
Special items	*(100)*	*(18)*	
*EBIT before special items**	*663*	*693*	*+4.5*
Gross cash flow**	**737**	**745**	**+1.1**
Net cash flow**	**577**	**699**	**+21.1**

2008 figures restated
* for definition see chapter “Calculation of EBIT(DA) Before Special Items,” page 20
**for definition see chapter “Liquidity and Capital Resources,” page 22

Sales in the HealthCare subgroup in the first quarter of 2009 came in 3.0% above the strong prior-year quarter, at €3,843 million (Q1 2008: €3,731 million). Adjusted for portfolio and currency effects, business remained at the previous year’s level (+0.3%). While there was a gratifying overall 2.5% increase in Pharmaceuticals sales, our Consumer Health business shrank by 4.1%, mainly due to inventory reductions by customers.

HealthCare slightly increased **EBITDA** before special items to €1,061 million (+1.0%). There was a pleasing improvement in earnings in the Pharmaceuticals segment, while Consumer Health recorded a decline. **EBIT** before special items advanced by 4.5% to €693 million (Q1 2008: €663 million). Special items totaled minus €18 million (Q1 2008: minus €100 million). EBIT grew by a substantial 19.9% to €675 million (2007: €563 million).

PHARMACEUTICALS

Key Data – Pharmaceuticals	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**2,469**	**2,587**	**+4.8**
General Medicine	798	831	+4.1
Specialty Medicine	762	814	+6.8
Women's Healthcare	696	722	+3.7
Diagnostic Imaging	213	220	+3.3
Sales by Region			
Europe	1,088	1,035	−4.9
North America	645	703	+9.0
Asia/Pacific	415	510	+22.9
Latin America/Africa/Middle East	321	339	+5.6
EBITDA*	**681**	**809**	**+18.8**
Special items	*(79)*	*(18)*	
*EBITDA before special items**	*760*	*827*	*+8.8*
EBITDA margin before special items*	30.8%	32.0%	
EBIT*	**330**	**505**	**+53.0**
Special items	*(99)*	*(18)*	
*EBIT before special items**	*429*	*523*	*+21.9*
Gross cash flow**	**518**	**565**	**+9.1**
Net cash flow**	**397**	**512**	**+29.0**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of our **Pharmaceuticals** segment climbed by 4.8% in the first quarter of 2009, to €2,587 million (Q1 2008: €2,469 million). Adjusted for currency and portfolio effects, business expanded by 2.5%.

Best-Selling Pharmaceuticals Products	1st Quarter 2008	1st Quarter 2009	Change	Currency-adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	297	319	+7.4	+4.6
Betaferon®/Betaseron® (Specialty Medicine)	274	301	+9.9	+7.4
Kogenate® (Specialty Medicine)	233	249	+6.9	+3.2
Adalat® (General Medicine)	150	156	+4.0	−3.1
Nexavar® (Specialty Medicine)	101	137	+35.6	+28.6
Avalox®/Avelox® (General Medicine)	143	129	−9.8	−14.0
Mirena® (Women's Healthcare)	112	125	+11.6	+6.9
Levitra® (General Medicine)	82	83	+1.2	−3.2
Glucobay® (General Medicine)	80	82	+2.5	−8.1
Cipro®/Ciprobay® (General Medicine)	81	80	−1.2	−4.1
Aspirin Cardio® (General Medicine)	64	73	+14.1	+9.8
Ultravist® (Diagnostic Imaging)	68	62	−8.8	−6.2
Magnevist® (Diagnostic Imaging)	60	56	−6.7	−14.9
Iopamiron® (Diagnostic Imaging)	43	46	+7.0	−13.1
Kinzal®/Pritor® (General Medicine)	34	37	+8.8	+9.2
Total	**1,822**	**1,935**	**+6.2**	**+1.7**
Proportion of Pharmaceuticals sales	74%	75%		

Sales of the **General Medicine** business unit expanded by +4.1% to €831 million (Q1 2008: €798 million). On a currency-adjusted (Fx adj.) basis, business thus held steady year on year (-0.4%). Sales of Aspirin Cardio® expanded again (Fx adj. +9.8%), as did business with Kinzal®/Pritor® (Fx adj. +9.2%). By contrast, sales of Avalox®/Avelox® were down by 14.0% (Fx adj.) due to a weak flu season in the United States. Business with Cipro®/Ciprobay® (Fx adj. -4.1%) benefited from a U.S. government contract concluded in 2008.

The **Specialty Medicine** business unit saw sales grow by 6.8% to €814 million (Q1 2008: €762 million). On a currency- and portfolio-adjusted basis, business expanded by 6.0%. Sales of our cancer drug Nexavar® developed well (Fx adj. +28.6%). The multiple sclerosis treatment Betaferon®/Betaseron® (Fx adj. +7.4%) and the blood-clotting drug Kogenate® (Fx adj. +3.2%) also contributed to the increase in sales. We concluded strategic agreements with the U.S. company Genzyme Corp. for our products Campath®/MabCampath®, Leukine® and Fludara®, which posted total sales of €48 million in the first quarter of 2009. Under the agreements we will transfer these products to Genzyme in return for royalties and milestone payments. We will maintain our development alliance with Genzyme for the active substance alemtuzumab for the treatment of multiple sclerosis.

Sales of our **Women's Healthcare** business unit climbed by 3.7% in the first quarter of 2009 to €722 million (Q1 2008: €696 million). The currency-adjusted increase was 3.5%. Sales of our hormone-releasing intrauterine device Mirena® advanced by 6.9% on a currency-adjusted basis. Business with our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives expanded by a further 4.6% (Fx adj.), mainly as a result of the positive sales trend for YAZ® in the United States and Europe.

Sales of our **Diagnostic Imaging** business unit moved forward by 3.3% percent in the first quarter of 2009 to €220 million (Q1 2008: €213 million). On a currency-adjusted basis, business fell by 2.5%. The continuing decline in sales of Magnevist® (Fx adj. –14.9%) was offset by increasing business with Gadovist® (Fx adj. +44.9%). Sales of Iopamiron® receded by 13.1% (Fx adj.), mainly as a result of government-mandated price reductions in Japan. Business with Ultravist® was down by 6.2% (Fx adj.) due mainly to lower sales in the Asia/Pacific region.

EBITDA before special items of the Pharmaceuticals segment rose by 8.8 % in the first quarter of 2009 to €827 million (Q1 2008: €760 million). This increase was due to the generally positive business trend, lower manufacturing costs and synergies from the integration of Schering AG, Berlin, Germany. On the other hand, earnings were diminished by higher marketing costs and research and development expenses. **EBIT** before special items advanced by 21.9% to €523 million (Q1 2008: €429 million). Special items of minus €18 million (Q1 2008: minus €99 million) resulted from the integration of Schering. EBIT climbed by a substantial €175 million to €505 million (Q1 2008: €330 million).

CONSUMER HEALTH

Key Data – Consumer Health	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**1,262**	**1,256**	**−0.5**
Consumer Care	715	704	−1.5
Medical Care	312	324	+3.8
Animal Health	235	228	−3.0
Sales by Region			
Europe	538	537	−0.2
North America	400	401	+0.3
Asia/Pacific	111	125	+12.6
Latin America/Africa/Middle East	213	193	−9.4
EBITDA*	**289**	**234**	**−19.0**
Special items	*(1)*	*0*	
*EBITDA before special items**	*290*	*234*	*−19.3*
EBITDA margin before special items*	23.0%	18.6%	
EBIT*	**233**	**170**	**-27.0**
Special items	*(1)*	*0*	
*EBIT before special items**	*234*	*170*	*−27.4*
Gross cash flow**	**219**	**180**	**−17.8**
Net cash flow**	**180**	**187**	**+3.9**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of our Consumer Health segment, at €1,256 million, were roughly level with the prior year (-0.5%). After adjustment for currency and portfolio effects, business declined by 4.1%. This was partly due to lower consumer spending in the wake of the economic crisis and inventory reductions by customers, particularly in North America, where sales receded by a currency-adjusted 10.9%.

Best-Selling Consumer Health Products	1st Quarter 2008	1st Quarter 2009	Change	Currency-adjusted change
	€ million	€ million	%	%
Contour® (Medical Care)	128	124	−3.1	−4.6
Aspirin®* (Consumer Care)	114	96	−15.8	−16.2
Advantage® product line (Animal Health)	77	78	+1.3	−3.1
Bepanthen®/Bepanthol® (Consumer Care)	46	48	+4.3	+8.3
Aleve®/naproxen (Consumer Care)	48	43	−10.4	−17.9
Canesten® (Consumer Care)	47	43	−8.5	−3.1
Baytril® (Animal Health)	38	35	−7.9	−11.7
One-A-Day® (Consumer Care)	30	31	+3.3	−6.1
Supradyn® (Consumer Care)	35	31	−11.4	−9.9
Breeze® (Medical Care)	34	30	−11.8	−16.5
Total	**597**	**559**	**−6.4**	**−8.1**
Proportion of Consumer Health sales	47%	45%		

*total Aspirin® Q1 sales = €169 million (Q1 2008: €178 million), including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

In the **Consumer Care** Division, sales moved back by 1.5% to €704 million (Q1 2008: €715 million). Business was down by 3.7% on a currency- and portfolio-adjusted basis. Our OTC business was impacted by the difficult economic environment; sales of Aleve®/naproxen (Fx adj. -17.9%), Aspirin® (Fx adj. -16.2%) and Supradyn® (Fx adj. -9.9%) fell particularly sharply. By contrast, sales of Bepanthen®/Bepanthol® (Fx adj. +8.3%) increased, due particularly to a strong business trend in France. Sales in our dermatology business (Intendis) improved to €64 million (Fx adj. +5.1%).

Our **Medical Care** Division raised sales by 3.8% in the first quarter to €324 million (Q1 2008: €312 million). After adjusting for currency and portfolio effects, business declined by 5.0%. The economic weakness and the resulting decline in consumer demand in the United States negatively impacted sales of our blood glucose measurement systems. Our medical equipment business (Medrad), however, expanded by 26.4% due to the inclusion of Possis Medical, Inc., United States, which we acquired in 2008 (Fx & portfolio adj. -0.2%).

In the **Animal Health** Division, business shrank by 3.0% to €228 million (Q1 2008: €235 million). Sales were down by 3.9% on a currency-adjusted basis. The reduction of inventories by distributors in the United States diminished sales of our Advantage® line of flea and tick control products (Fx adj. -3.1%).

EBITDA before special items of the Consumer Health segment came in significantly below the prior-year period, at €234 million (-19.3%). The main reason for these lower earnings, apart from the drop in business, was higher marketing expenses associated with the expansion of our activities in emerging markets. Earnings were also diminished by adverse effects of currency changes on the cost of goods sold. **EBIT** before special items fell by 27.4% to €170 million. EBIT declined to €170 million (-27.0%).

Bayer CropScience

Key Data – CropScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**1,978**	**2,120**	**+7.2**
Crop Protection	1,622	1,734	+6.9
Environmental Science, BioScience	356	386	+8.4
Sales by Region			
Europe	1,022	1,041	+1.9
North America	456	576	+26.3
Asia/Pacific	211	239	+13.3
Latin America/Africa/Middle East	289	264	−8.7
EBITDA*	**663**	**733**	**+10.6**
Special items	*(50)*	*(4)*	
*EBITDA before special items**	*713*	*737*	*+3.4*
EBITDA margin before special items*	36.0%	34.8%	
EBIT*	**524**	**609**	**+16.2**
Special items	*(54)*	*(8)*	
*EBIT before special items**	*578*	*617*	*+6.7*
Gross cash flow**	**489**	**550**	**+12.5**
Net cash flow**	**(312)**	**(421)**	**−34.9**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

First-quarter **sales** of CropScience rose by 7.2% in a favorable market environment to €2,120 million (Q1 2008: €1,978 million). On a currency-adjusted basis, business expanded by 7.4%. This growth was due to selling price increases and higher volumes.

Best-Selling CropScience Products*	1st Quarter 2008	1st Quarter 2009	Change	Currency-adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	157	163	+3.8	+0.1
Atlantis® (Herbicides)	124	131	+5.6	+10.2
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	81	109	+34.6	+33.7
Proline®/Input®/Prosaro® (Fungicides)	81	107	+32.1	+34.4
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	91	105	+15.4	+7.1
Folicur®/Raxil® (Fungicides/Seed Treatment)	75	75	+0.0	+1.3
Poncho® (Seed Treatment)	72	68	−5.6	−7.7
Puma® (Herbicides)	66	58	−12.1	−7.3
Hussar® (Herbicides)	60	56	−6.7	+0.5
Fandango® (Fungicides)	44	44	+0.0	+4.0
Total	**851**	**916**	**+7.6**	**+7.9**
Proportion of CropScience sales	43%	43%		

* Figures are based on active ingredient class. For the sake of clarity, only the principal brands and business units are listed.

EBITDA before special items advanced by 3.4% to €737 million (Q1 2008: €713 million). Whereas earnings were lifted by the expansion of the business, expenses for marketing and production activities increased. As a result, the EBITDA margin before special items declined by 1.2 percentage points. **EBIT** before special items amounted to €617 million (+6.7%). Special charges of €8 million (Q1 2008: €54 million) were taken in connection with our cost structure program. EBIT rose by 16.2% to €609 million (Q1 2008: €524 million).

Net cash flow decreased by 34.9% to minus €421 million (Q1 2008: minus €312 million), mainly because of higher inventory build-up than in the previous year in light of our positive sales expectations.

CROP PROTECTION

Key Data – Crop Protection	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**1,622**	**1,734**	**+6.9**
Herbicides	664	739	+11.3
Fungicides	448	509	+13.6
Insecticides	322	290	−9.9
Seed Treatment	188	196	+4.3
Sales by Region			
Europe	880	911	+3.5
North America	296	378	+27.7
Asia/Pacific	185	207	+11.9
Latin America/Africa/Middle East	261	238	−8.8
EBITDA*	**564**	**607**	**+7.6**
Special items	*(43)*	*(4)*	
*EBITDA before special items**	*607*	*611*	*+0.7*
EBITDA margin before special items*	37.4%	35.2%	
EBIT*	**446**	**500**	**+12.1**
Special items	*(47)*	*(6)*	
*EBIT before special items**	*493*	*506*	*+2.6*
Gross cash flow**	**416**	**458**	**+10.1**
Net cash flow**	**(266)**	**(359)**	**−35.0**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

Sales in the Crop Protection segment improved by 6.9% in the first quarter to €1,734 million (Q1 2008: €1,622 million). On a currency-adjusted basis the increase amounted to 7.0%. Sales of herbicides and fungicides registered particularly strong growth.

Sales in the **Europe** region moved ahead by 3.5% to €911 million (Q1 2008: €880 million). On a currency-adjusted basis, business was up by 7.8%. While business improved significantly in western Europe, demand was more restrained in many countries of central and eastern Europe due to the weak economic environment and the associated credit restrictions. Sales of our seed treatment products and fungicides in particular rose again compared to the prior-year quarter, offsetting a decline in our insecticides business. Our young products such as the cereal herbicide Atlantis®, the cereal fungicide Input® and the seed treatment Poncho® were mainly responsible for the sales growth in Europe.

Sales of our crop protection business in **North America** expanded by 27.7% to €378 million (Q1 2008: €296 million). On a currency-adjusted basis, business expanded by 19.1%. Our young corn herbicides in particular, such as Laudis® and Corvus™ – the latter having been launched this year – turned in an outstanding performance. We also recorded strong growth in sales of our young cereal herbicides Huskie® and Infinity® and of the weed control product Ignite® for use in herbicide-tolerant crops. Sales of our fungicides also continued to expand robustly as a result of heightened demand for Stratego® and Prosaro®, while business with seed treatment products was down because of intense competition.

Sales in the **Asia/Pacific** region advanced by 11.9% to €207 million (Q1 2008: €185 million). The currency-adjusted increase was 9.4%. Our business in India, South Korea, Japan and southeast Asia developed very well. By contrast, unfavorable weather patterns in China and Australia adversely impacted demand in those countries. Sales increases in the region as a whole were achieved primarily for herbicides and fungicides.

Sales in the **Latin America/Africa/Middle East** region amounted to €238 million, down 8.8% against the prior-year level of €261 million. Adjusted for currency effects, business shrank by 11.0%. This was chiefly attributable to lower sales of insecticides in Latin America. Extreme drought conditions hampered agriculture in Argentina, Paraguay and southern Brazil in particular and led to lower levels of infestation by insect pests. Sales of our fungicides also fell slightly, while business with herbicides and seed treatment products increased. Business in the Middle East receded due to lower sales in Turkey, whereas sales in Africa were at about the prior-year level.

EBITDA before special items in the Crop Protection segment rose by 0.7% to €611 million (Q1 2008: €607 million). Whereas earnings were lifted by selling price increases and higher volumes, expenses for marketing and production activities increased. **EBIT** before special items grew by 2.6% to €506 million (Q1 2008: €493 million). Special charges of €6 million (Q1 2008: €47 million) were taken in connection with our cost structure program. EBIT for the first quarter of 2009 climbed by 12.1% to €500 million (Q1 2008: €446 million).

ENVIRONMENTAL SCIENCE, BIOSCIENCE

Key Data – Environmental Science, BioScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**356**	**386**	**+8.4**
Environmental Science	165	164	−0.6
BioScience	191	222	+16.2
Sales by Region			
Europe	142	130	−8.5
North America	160	198	+23.8
Asia/Pacific	26	32	+23.1
Latin America/Africa/Middle East	28	26	−7.1
EBITDA*	**99**	**126**	**+27.3**
Special items	*(7)*	*0*	
*EBITDA before special items**	*106*	*126*	*+18.9*
EBITDA margin before special items*	29.8%	32.6%	
EBIT*	**78**	**109**	**+39.7**
Special items	*(7)*	*(2)*	
*EBIT before special items**	*85*	*111*	*+30.6*
Gross cash flow**	**73**	**92**	**+26.0**
Net cash flow**	**(46)**	**(62)**	**−34.8**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

In the Environmental Science, BioScience segment, **sales** climbed by 8.4% to €386 million (Q1 2008: €356 million). The currency-adjusted increase was 9.0%.

Sales of **Environmental Science** dipped by 0.6% to €164 million, the currency-adjusted decrease amounting to 3.3%. In Europe we recorded a sharp decline in sales of products for consumers, due in part to the long winter season. In North America we saw a slight improvement in business with products for both consumers and professional users compared with the low level of the prior-year period.

Sales of the **BioScience** business unit moved ahead by an encouraging 16.2% to €222 million. Adjusted for currency effects, the increase came to 19.7%. This significant expansion resulted primarily from the successful sales performance in North America of our hybrid canola seed marketed under the InVigor® brand. We also registered increases in our cotton seed business in the United States and India and in our vegetable seed business in Asia and Latin America.

EBITDA before special items of the Environmental Science, BioScience segment improved by €20 million in the first quarter of 2009, to €126 million (+18.9%). The main reason for this higher profitability, apart from the expansion of business at BioScience, was an increase in selling prices in both units. **EBIT** before special items advanced by 30.6% to €111 million (Q1 2008: €85 million). After special charges of €2 million (Q1 2008: €7 million) for restructuring, EBIT came in at €109 million (+39.7%).

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Bayer MaterialScience

Key Data – MaterialScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	**2,512**	**1,636**	**−34.9**
Polyurethanes	1,305	844	−35.3
Polycarbonates	610	374	−38.7
Coatings, Adhesives, Specialties	440	276	−37.3
Industrial Operations	157	142	−9.6
Sales by Region			
Europe	1,135	681	−40.0
North America	521	374	−28.2
Asia/Pacific	529	372	−29.7
Latin America/Africa/Middle East	327	209	−36.1
EBITDA*	**407**	**(128)**	**.**
Special items	*0*	*(12)*	
*EBITDA before special items**	*407*	*(116)*	.
EBITDA margin before special items*	16.2%	(7.1)%	
EBIT*	**281**	**(281)**	**.**
Special items	*0*	*(18)*	
*EBIT before special items**	*281*	*(263)*	.
Gross cash flow**	**310**	**(60)**	**.**
Net cash flow**	**146**	**207**	**+41.8**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20
**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of the MaterialScience subgroup in the first quarter of 2009 slumped to €1,636 million (-34.9%). After adjusting for currency and portfolio effects, business was down by 38.4%. The global economic crisis resulted in significantly lower demand from the customer industries relevant to MaterialScience. We experienced a sharp overall drop in volumes, accompanied by increasing pressure on prices. This applied to nearly all product groups of our business units in all regional markets.

The **Polyurethanes** business unit posted sales of €844 million (-35.3%). After adjusting for currency and portfolio effects, sales fell by 39.3%. This was attributable mainly to considerably lower volumes in all polyurethane product groups – diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether (PET) – coupled with price erosion.

Sales of the **Polycarbonates** business unit dropped by 38.7% (Fx adj. -41.7%) to €374 million (Q1 2008: €610 million). Volumes for both polycarbonate granules and polycarbonate sheet moved back significantly in all regions. We also experienced declining prices for polycarbonate granules but succeeded in slightly raising selling prices for polycarbonate sheet.

Sales of our **Coatings, Adhesives, Specialties** business unit fell by 37.3% to €276 million. On a currency- and portfolio-adjusted basis, sales were down by 40.8%. Prices remained constant overall, and volumes fell steeply in all regions.

Industrial Operations saw sales shrink by 9.6% year on year to €142 million. The currency-adjusted decline was 12.1%, with volume declines for basic chemicals being almost offset by price increases.

EBITDA before special items of MaterialScience slumped to minus €116 million (Q1 2008: plus €407 million). This was due primarily to lower volumes and selling prices, accompanied by substantially lower capacity utilization at our production facilities. The drop in earnings was tempered by savings from the restructuring program initiated in 2007. The relative easing of the situation on the raw material markets important to MaterialScience had only a slight beneficial effect on earnings compared with the prior-year quarter, since the bulk of our sales in the first quarter of 2009 was of products manufactured with higher-priced raw materials. In the first quarter of 2009, the segment recorded **EBIT** before special items of minus €263 million (Q1 2008: plus €281 million). Special charges for restructuring came to €18 million. EBIT came in at minus €281 million (Q1 2008: plus €281 million).

Performance by Region

Sales by Region and Segment (by Market)	Europe				North America			
	1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009		
	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.
HealthCare	**1,626**	**1,572**	**−3.3**	**−0.1**	**1,045**	**1,104**	**+5.6**	**−5.6**
Pharmaceuticals	1,088	1,035	−4.9	−1.7	645	703	+9.0	−2.3
Consumer Health	538	537	−0.2	+3.2	400	401	+0.3	−10.9
CropScience	**1,022**	**1,041**	**+1.9**	**+5.9**	**456**	**576**	**+26.3**	**+20.1**
Crop Protection	880	911	+3.5	+7.8	296	378	+27.7	+19.1
Environmental Science, BioScience	142	130	−8.5	−6.1	160	198	+23.8	+21.9
MaterialScience	**1,135**	**681**	**−40.0**	**−40.0**	**521**	**374**	**−28.2**	**−36.5**
Continuing operations (incl. reconciliation)	**4,072**	**3,563**	**−12.5**	**−10.1**	**2,026**	**2,057**	**+1.5**	**−7.8**

2008 figures restated
yoy = year on year; Fx adj. = currency-adjusted

Calculation of EBIT(DA) Before Special Items

Key performance indicators for the Bayer Group are EBIT before special items, EBITDA before special items and the EBITDA margin before special items. These indicators are reported in order to allow a more accurate assessment of business operations. The special items – one-time effects that are non-recurring or do not regularly recur or attain similar magnitudes – are detailed in the following table. "EBITDA," "EBITDA before special items" and "EBIT before special items" are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The EBITDA margin before special items, which is the ratio of EBITDA before special items to sales, serves as a relative indicator for the internal and external comparison of operational earning power.

Depreciation and amortization in the first quarter of 2009 was slightly below the previous year at €688 million (-3.4%), comprising €378 million in amortization and write-downs of intangible assets and €310 million in depreciation and write-downs of property, plant and equipment. Of the included write-downs, €10 million constituted special items.

	Asia/Pacific				Latin America/Africa/Middle East				Continuing Operations			
	1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009		
	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.
	526	**635**	**+20.7**	**+8.6**	**534**	**532**	**−0.4**	**+6.7**	**3,731**	**3,843**	**+3.0**	**+0.6**
	415	510	+22.9	+8.4	321	339	+5.6	+12.9	2,469	2,587	+4.8	+1.7
	111	125	+12.6	+9.6	213	193	−9.4	−2.7	1,262	1,256	−0.5	−1.6
	211	**239**	**+13.3**	**+10.4**	**289**	**264**	**−8.7**	**−9.6**	**1,978**	**2,120**	**+7.2**	**+7.4**
	185	207	+11.9	+9.4	261	238	−8.8	−11.0	1,622	1,734	+6.9	+7.0
	26	32	+23.1	+17.3	28	26	−7.1	+4.6	356	386	+8.4	+9.0
	529	**372**	**−29.7**	**−38.5**	**327**	**209**	**−36.1**	**−32.0**	**2,512**	**1,636**	**−34.9**	**−37.9**
	1,276	**1,256**	**−1.6**	**−10.6**	**1,162**	**1,019**	**−12.3**	**−8.3**	**8,536**	**7,895**	**−7.5**	**−9.4**

Special Items Reconciliation	EBIT* 1st Quarter 2008	EBIT* 1st Quarter 2009	EBITDA** 1st Quarter 2008	EBITDA** 1st Quarter 2009
	€ million	€ million	€ million	€ million
After special items	1,343	973	2,055	1,661
HealthCare	**100**	**18**	**80**	**18**
Schering PPA effects***	51	0	51	0
Schering integration costs	49	18	29	18
CropScience	**54**	**8**	**50**	**4**
Restructuring	54	8	50	4
MaterialScience	**0**	**18**	**0**	**12**
Restructuring	0	18	0	12
Total special items	154	44	130	34
Before special items	1,497	1,017	2,185	1,695

* EBIT as per income statements

** EBITDA: EBIT plus amortization of intangible assets and depreciation of property, plant and equipment.

*** The purchase price paid for Schering AG, Germany, was allocated among the acquired assets and assumed liabilities in accordance with the International Financial Reporting Standards (IFRS). To ensure comparability with future earnings data, the expected long-term effects of the step-up are reflected in EBIT and EBITDA before special items, whereas temporary, non-cash effects of the purchase price allocation are eliminated and deducted when calculating EBIT before special items.

Liquidity and Capital Resources

Bayer Group Summary Statements of Cash Flows	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Gross cash flow*	**1,651**	**1,209**
Changes in working capital/other non-cash items	(1,123)	(516)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**528**	**693**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**528**	**693**
Net cash provided by (used in) investing activities (total)	**(464)**	**(78)**
Net cash provided by (used in) financing activities (total)	**131**	**1,652**
Change in cash and cash equivalents due to business activities (total)	**195**	**2,267**
Cash and cash equivalents at beginning of period	**2,531**	**2,094**
Change due to exchange rate movements and to changes in scope of consolidation	(9)	4
Cash and cash equivalents at end of period	**2,717**	**4,365**

*Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year.

OPERATING CASH FLOW

Gross cash flow moved back by 26.8% year on year in the first quarter of 2009 to €1,209 million (Q1 2008: €1,651 million) due to the weak business performance at MaterialScience. Net cash flow rose by €165 million to €693 million (Q1 2008: €528 million), thanks to a significant overall decline in cash tied up in working capital. This in turn resulted mainly from lower inventories and trade accounts receivable. Net cash flow in the first quarter also reflects cash outflows of €19 million (Q1 2008: €239 million) related to income taxes.

INVESTING CASH FLOW

Net cash outflow for investing activities in the first three months of 2009 totaled €78 million (Q1 2008: €464 million). Cash outflows for additions to property, plant, equipment and intangible assets remained nearly level, at €290 million. This figure included disbursements related to the expansion of our polymers production facilities in Shanghai, China, and for the acquisition of developmental products for biological pest control. Whereas there were no cash outflows for acquisitions in the first quarter of 2009, the figure for the prior-year period mainly contained payments in connection with the acquisition of Possis Medical, Inc. Cash inflows included, in particular, €137 million (Q1 2008: €27 million) in receipts pertaining to noncurrent financial assets, such as repayments of loans granted.

FINANCING CASH FLOW

Net cash inflow for financing activities in the first quarter of 2009 amounted to €1,652 million (Q1 2008: €131 million). It mainly comprised net borrowings of €1,825 million, a larger amount than in the prior year, serving primarily to refinance the €1,600 million floating rate EMTN note that will mature in the second quarter of 2009. Interest payments increased to €169 million (Q1 2008: €137 million). There was a €4 million outflow for "dividend payments and withholding tax on dividends" (Q1 2008: €9 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt	Dec. 31, 2008	March 31, 2009
	€ million	€ million
Bonds and notes	10,729	12,226
of which hybrid bond	1,245	1,261
of which mandatory convertible bond	2,296	2,298
Liabilities to banks	4,438	4,596
Liabilities under finance leases	535	549
Liabilities from derivatives	612	808
Other financial liabilities	333	624
Positive fair values of hedges of recorded transactions	(454)	(522)
Financial debt	**16,193**	**18,281**
Cash and cash equivalents*	(2,037)	(4,306)
Current financial assets	(4)	(8)
Net financial debt from continuing operations	**14,152**	**13,967**
Net financial debt from discontinued operations	0	0
Net financial debt (total)	**14,152**	**13,967**

*In view of the restriction on its use, the €59 million liquidity in escrow accounts in the first quarter of 2009 (Dec. 31, 2008: €57 million) was not deducted when calculating net financial debt.
March 31, 2009: €4,306 million = €4,365 million - €59 million (Dec. 31, 2008: €2,037 million = €2,094 million - €57 million).

Net financial debt (total) declined in the first quarter by €0.2 billion to €14.0 billion. As of March 31, 2009 the Bayer Group held cash and cash equivalents of €4,365 million. Financial liabilities amounted to €18.3 billion, including both the €1.3 billion subordinated hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond maturing in June 2009. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Both rating agencies consider the mandatory convertible bond wholly as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators, while the mandatory convertible bond has no effect. Our noncurrent financial liabilities as of March 31, 2009 amounted to €12.7 billion.

Standard & Poor's gives Bayer a long-term issuer rating of A- with negative outlook, while Moody's gives the company a rating of A3 with stable outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

NET PENSION LIABILITY

The net pension liability decreased from €6.0 billion to €5.8 billion in the first quarter, due especially to higher long-term capital market interest rates. Provisions for pensions and other post-employment benefits declined from €6.3 billion to €6.1 billion. At the same time prepaid benefit assets, reflected in the balance sheet as other receivables, fell slightly to €0.3 billion.

Net Pension Liability	Dec. 31, 2008	March 31, 2009
	€ million	€ million
Provisions for pensions and other post-employment benefits	6,347	6,094
Prepaid benefit assets	(351)	(306)
Net pension liability	**5,996**	**5,788**

Employees

On March 31, 2009, the Bayer Group had 108,700 employees, 100 more than on December 31, 2008. We employed 16,800 people in North America, 21,300 in the Asia/Pacific region and 15,900 in Latin America/Africa/Middle East. The number of employees in Europe was 54,700. In Germany we had 36,800 employees, accounting for 33.9% of the Group workforce. These figures include 2,500 trainees worldwide. Personnel expenses in the first quarter of 2009 amounted to €1,891 million (Q1 2008: €1,988 million).

The number of employees has been converted to full-time equivalents, which means part-time employees are included in proportion to their contractual working hours.

Opportunities and Risks

As a global enterprise with a diverse business portfolio, the Bayer Group enjoys a variety of opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in the Bayer Annual Report 2008.

A risk management system is in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2008 are described in the Notes to the Condensed Consolidated Interim Financial Statements on page xx ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2008 on pages 117 – 125 and 231 – 237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com.

At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of the Bayer Group.

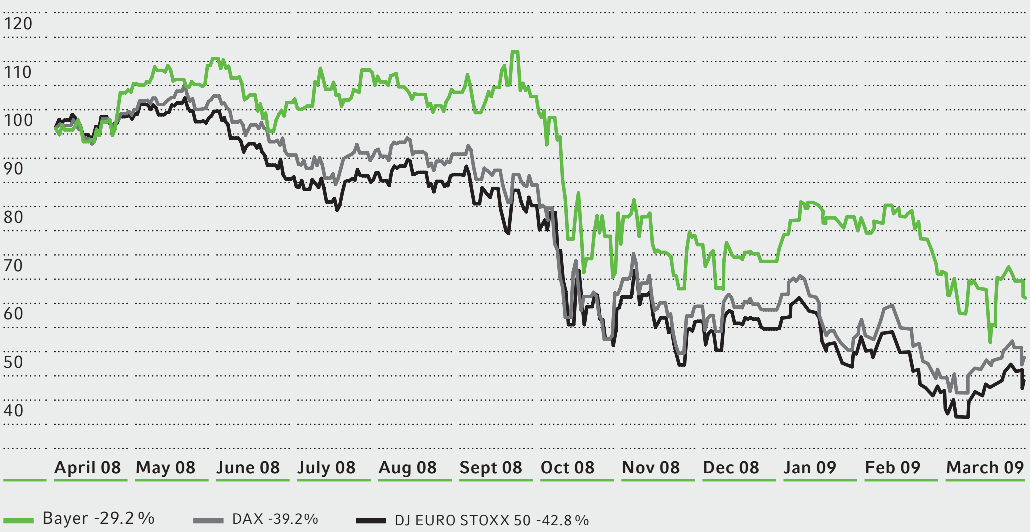
Events After the Reporting Period

Since March 31, 2009, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

Performance of Bayer Stock over the Past Twelve Months

indexed; 100 = Xetra closing price on March 31, 2008. Source: Bloomberg



The price of Bayer stock was relatively stable from early January to mid-February 2009 within a narrow range from €41.60 to €44.29. From mid-February onward, however, Bayer shares mirrored the general market decline, closing at €36.00 on March 31, 2009, down 13.4% from the closing price on December 31, 2008.

The DAX lost 15.1% in the same period, closing the quarter at 4,085 points. The European reference index EURO STOXX 50 also fell by 15.1% from the beginning of the year, closing at 3,174 points on March 31, 2009.

Bayer Stock Key Data		1st Quarter 2008	1st Quarter 2009	Full Year 2008	
High for the period	€	65.68	44.29	65.68	
Low for the period	€	45.90	32.69	36.83	
Average daily share turnover on German stock exchanges	million	7.4	5.1	6.0	

		March 31, 2008	March 31, 2009	Dec. 31, 2008	Change March 31, 2009/ Dec. 31, 2008 %
Share price	€	50.76	36.00	41.55	−13.4
Market capitalization	€ million	38,798	27,516	31,758	−13.4
Equity as per statements of financial position	€ million	17,605	17,094	16,340	+4.6
Number of shares entitled to the dividend	million	764.34	764.34	764.34	0.0
DAX		6,535	4,085	4,810	−15.1

XETRA closing prices (source: Bloomberg)

CALCULATION OF CORE EARNINGS PER SHARE

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To enhance comparability, we also determine core net income from continuing operations after elimination of the amortization of intangible assets, asset write-downs (including any impairment losses), special items in EBITDA including the related tax effects, and one-time tax income or expense.

The calculation of earnings per share in accordance with IFRS is explained in the Notes to the Condensed Consolidated Interim Financial Statements on page 36. Adjusted core net income, core earnings per share and core EBIT are not defined in the IFRS. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of core EBIT and core earnings per share	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
EBIT as per income statements	**1,343**	**973**
Amortization and write-downs of intangible assets	407	378
Write-downs of property, plant and equipment	31	13
Special items (other than write-downs)	130	34
Core EBIT	**1,911**	**1,398**
Non-operating result (as per income statements)	(275)	(334)
Income taxes (as per income statements)	(306)	(215)
Tax adjustment	(173)	(127)
Income after taxes attributable to non-controlling interest (as per income statements)	0	1
Core net income from continuing operations	**1,157**	**723**
Financing expenses for the mandatory convertible bond, net of tax effects	28	28
Adjusted core net income	**1,185**	**751**
	Shares	Shares
Weighted average number of issued ordinary shares	**764,341,920**	**764,343,660**
Potential shares to be issued upon conversion of the mandatory convertible bond	59,582,699	60,039,083
Adjusted weighted average total number of issued and potential ordinary shares	**823,924,619**	**824,382,743**
Core earnings per share from continuing operations (€)	**1.44**	**0.91**

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2009

Bayer Group Consolidated Statements of Financial Position

	March 31, 2008	March 31, 2009	Dec. 31, 2008
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,190	8,649	8,647
Other intangible assets	14,221	13,520	13,951
Property, plant and equipment	8,561	9,596	9,492
Investments in associates	457	456	450
Other financial assets	995	1,374	1,197
Other receivables	996	425	458
Deferred taxes	611	1,212	1,156
	34,031	**35,232**	**35,351**
Current assets			
Inventories	6,218	6,630	6,681
Trade accounts receivable	6,689	6,719	5,953
Other financial assets	570	423	634
Other receivables	1,494	1,110	1,284
Claims for income tax refunds	195	310	506
Cash and cash equivalents	2,717	4,365	2,094
Assets held for sale and discontinued operations	82	302	8
	17,965	**19,859**	**17,160**
Total assets	**51,996**	**55,091**	**52,511**
Equity			
Capital stock of Bayer AG	1,957	1,957	1,957
Capital reserves of Bayer AG	4,028	4,028	4,028
Other reserves	11,543	11,034	10,278
	17,528	**17,019**	**16,263**
Equity attributable to non-controlling interest	77	75	77
	17,605	**17,094**	**16,340**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	4,970	6,094	6,347
Other provisions	1,273	1,250	1,351
Financial liabilities	12,686	12,736	10,614
Other liabilities	477	332	432
Deferred taxes	3,893	3,576	3,592
	23,299	**23,988**	**22,336**
Current liabilities			
Other provisions	3,995	3,538	3,163
Financial liabilities	1,946	6,287	6,256
Trade accounts payable	2,220	1,986	2,377
Income tax liabilities	99	113	65
Other liabilities	2,703	2,085	1,961
Liabilities directly related to assets held for sale and discontinued operations	129	0	13
	11,092	**14,009**	**13,835**
Total equity and liabilities	**51,996**	**55,091**	**52,511**

2008 figures reclassified

Bayer Group Consolidated Income Statements

	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Net sales	**8,536**	**7,895**
Cost of goods sold	(4,103)	(3,786)
Gross profit	**4,433**	**4,109**
Selling expenses	(1,902)	(1,960)
Research and development expenses	(633)	(657)
General administration expenses	(419)	(402)
Other operating income	287	134
Other operating expenses	(423)	(251)
Operating result [EBIT]	**1,343**	**973**
Equity-method loss	(10)	(13)
Non-operating income	135	283
Non-operating expenses	(400)	(604)
Non-operating result	**(275)**	**(334)**
Income before income taxes	**1,068**	**639**
Income taxes	(306)	(215)
Income from continuing operations after taxes	**762**	**424**
Income from discontinued operations after taxes	**0**	**0**
Income after taxes	**762**	**424**
of which attributable to non-controlling interest	0	(1)
of which attributable to Bayer AG stockholders (net income)	**762**	**425**
Earnings per share (€)		
From continuing operations		
Basic *	0.96	0.55
Diluted *	0.96	0.55
From discontinued operations		
Basic *	0.00	0.00
Diluted *	0.00	0.00
From continuing and discontinued operations		
Basic *	0.96	0.55
Diluted *	0.96	0.55

* The ordinary shares to be issued upon conversion of the mandatory convertible bond are treated as already issued shares.

Bayer Group Consolidated Statements of Comprehensive Income

	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Income after taxes	**762**	**424**
of which attributable to non-controlling interest	*0*	*(1)*
of which attributable to Bayer AG stockholders	*762*	*425*
Changes in fair values of derivatives designated as cash flow hedges	73	(108)
Recognized in profit or loss	(8)	27
Income taxes	(20)	24
Changes recognized outside profit or loss (cash flow hedges)	**45**	**(57)**
Changes in fair values of available-for-sale financial assets	(23)	(3)
Recognized in profit or loss	0	0
Income taxes	8	2
Changes recognized outside profit or loss (available-for-sale financial assets)	**(15)**	**(1)**
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets	817	244
Income taxes	(249)	(93)
Changes recognized outside profit or loss (actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets)	**568**	**151**
Exchange differences on translation of operations outside the euro zone	(552)	241
Recognized in profit or loss	0	0
Changes recognized outside profit or loss (exchange differences)	**(552)**	**241**
Changes in revaluation surplus (IFRS 3)	**4**	**(1)**
Effects of changes in liabilities from non-controlling interests in partnerships on other comprehensive income	**(20)**	**0**
Changes due to changes in the scope of consolidation	**1**	**0**
Other comprehensive income (changes recognized outside profit or loss)	**31**	**333**
of which attributable to non-controlling interest	*(1)*	*2*
of which attributable to Bayer AG stockholders	*32*	*331*
Total comprehensive income	**793**	**757**
of which attributable to non-controlling interest	*(1)*	*1*
of which attributable to Bayer AG stockholders	*794*	*756*

Bayer Group Consolidated Statements of Changes in Equity

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI	Equity attributable to Bayer AG stock-holders	Equity attributable to non-controlling interest incl. OCI	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2007/Jan. 1, 2008	**1,957**	**4,028**	**10,749**	**16,734**	**87**	**16,821**
Equity transactions with owners						
Capital contributions						
Dividend payments					(9)	(9)
Other changes						
Total comprehensive income			794	794	(1)	793
March 31, 2008	**1,957**	**4,028**	**11,543**	**17,528**	**77**	**17,605**
Dec. 31, 2008/Jan. 1, 2009	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital contributions						
Dividend payments					(3)	(3)
Other changes						
Total comprehensive income			756	756	1	757
March 31, 2009	**1,957**	**4,028**	**11,034**	**17,019**	**75**	**17,094**

OCI = Other comprehensive income

Bayer Group Consolidated Statements of Cash Flows

	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Income from continuing operations after taxes	762	424
Income taxes	306	215
Non-operating result	275	334
Income taxes paid or accrued	(364)	(332)
Depreciation and amortization	712	688
Change in pension provisions	(94)	(117)
(Gains) losses on retirements of noncurrent assets	3	(3)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	51	0
Gross cash flow	**1,651**	**1,209**
Decrease (increase) in inventories	(251)	118
Decrease (increase) in trade accounts receivable	(1,038)	(672)
(Decrease) increase in trade accounts payable	(196)	(432)
Changes in other working capital, other non-cash items	362	470
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**528**	**693**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**528**	**693**
Cash outflows for additions to property, plant, equipment and intangible assets	(288)	(290)
Cash inflows from sales of property, plant, equipment and other assets	16	15
Cash inflows from (outflows for) divestitures	(40)	0
Cash inflows from (outflows for) noncurrent financial assets	27	137
Cash outflows for acquisitions less acquired cash	(246)	0
Interest and dividends received	74	64
Cash inflows from (outflows for) current financial assets	(7)	(4)
Net cash provided by (used in) investing activities (total)	**(464)**	**(78)**
Capital contributions	0	0
Dividend payments and withholding tax on dividends	(9)	(4)
Issuances of debt	397	2,361
Retirements of debt	(120)	(536)
Interest paid	(137)	(169)
Net cash provided by (used in) financing activities (total)	**131**	**1,652**
Change in cash and cash equivalents due to business activities (total)	**195**	**2,267**
Cash and cash equivalents at beginning of period	**2,531**	**2,094**
Change in cash and cash equivalents due to changes in scope of consolidation	0	2
Change in cash and cash equivalents due to exchange rate movements	(9)	2
Cash and cash equivalents at end of period	**2,717**	**4,365**

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Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2009

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
Segments	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external)	2,469	2,587	1,262	1,256
Change	+5.1%	+4.8%	+0.2%	−0.5%
Currency-adjusted change	+3.8%	+1.7%	+19.9%	−1.6%
Intersegment sales	19	20	12	3
Operating result [EBIT]	330	505	233	170
Gross cash flow*	518	565	219	180
Net cash flow*	397	512	180	187
Depreciation, amortization and write-downs	351	304	56	64
Number of employees (as of March 31)**	36,400	36,700	15,600	17,000

2008 figures restated
* for definition see chapter "Liquidity and Capital Resources," page 22
** number of employees in full-time equivalents

Key Data by Region

	Europe		North America	
Regions	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external) – by market	4,072	3,563	2,026	2,057
Change	+5.8%	−12.5%	−9.0%	+1.5%
Currency-adjusted change	+6.5%	−10.1%	+1.5%	−7.8%
Net sales (external) – by point of origin	4,393	3,833	2,033	2,046
Change	+5.8%	−12.7%	−8.4%	+0.6%
Currency-adjusted change	+6.4%	−10.6%	+2.3%	−8.8%
Interregional sales	1,601	1,765	504	567
Operating result [EBIT]	880	687	341	264
Number of employees (as of March 31)*	55,300	54,700	17,000	16,800

* number of employees in full-time equivalents

	CropScience				MaterialScience		Reconciliation					
	Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Continuing Operations	
	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,622	1,734	356	386	2,512	1,636	311	292	4	4	8,536	7,895
	+13.1%	+6.9%	+1.1%	+8.4%	−3.7%	−34.9%	−4.9%	−6.1%			+2.4%	−7.5%
	+17.8%	+7.0%	+4.1%	+9.0%	+1.1%	−37.9%	−4.2%	−6.2%			+7.2%	−9.4%
	14	8	5	2	4	5	385	393	(439)	(431)		
	446	500	78	109	281	(281)	29	18	(54)	(48)	1,343	973
	416	458	73	92	310	(60)	136	(3)	(21)	(23)	1,651	1,209
	(266)	(359)	(46)	(62)	146	207	27	(87)	90	295	528	693
	118	107	21	17	126	153	27	29	13	14	712	688
	14,700	15,100	3,200	3,300	15,000	14,800	20,500	21,200	600	600	106,000	108,700

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Continuing Operations	
	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,276	1,256	1,162	1,019			8,536	7,895
	+6.3%	−1.6%	+9.5%	−12.3%			+2.4%	−7.5%
	+12.9%	−10.6%	+13.9%	−8.3%			+7.2%	−9.4%
	1,207	1,179	903	837			8,536	7,895
	+6.2%	−2.3%	+9.5%	−7.3%			+2.4%	−7.5%
	+13.1%	−11.8%	+17.0%	−1.8%			+7.2%	−9.4%
	53	73	32	62	(2,190)	(2,467)		
	85	(12)	92	82	(55)	(48)	1,343	973
	19,200	21,300	14,500	15,900			106,000	108,700

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2009 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2008 fiscal year, particularly with regard to the main recognition and valuation principles. Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

The exchange rates for major currencies against the euro varied as follows:

		Closing rate			Average rate	
		Dec. 31, 2008	March 31, 2008	March 31, 2009	March 31, 2008	March 31, 2009
ARS	Argentina	4.80	5.00	4.94	4.72	4.62
BRL	Brazil	3.25	2.76	3.10	2.60	3.02
CAD	Canada	1.70	1.62	1.67	1.50	1.62
CHF	Switzerland	1.49	1.57	1.52	1.60	1.50
CNY	China	9.50	11.09	9.09	10.73	8.92
GBP	U.K.	0.95	0.80	0.93	0.76	0.91
JPY	Japan	126.14	157.37	131.17	157.78	122.08
MXN	Mexico	19.23	16.90	18.76	16.19	18.73
USD	United States	1.39	1.58	1.33	1.50	1.30

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

	Dec. 31, 2008	March 31, 2008	March 31, 2009
Germany	6.0	6.1	6.2
U.K.	6.4	6.8	6.7
United States	6.2	7.0	7.3

SEGMENT REPORTING

The accounting standard IFRS 8 (Operating Segments) was applied for the first time in the first quarter of 2009. In addition, the following changes were implemented compared with the Consolidated Financial Statements for 2008:

- The integration of the thermoplastic polyurethanes businesses into the Polyurethanes and the Coatings, Adhesives, Specialties business units completes an important phase in the reorganization of the MaterialScience portfolio. It has led to an adjustment in the segment presentation for that subgroup. The previously separate Materials and Systems segments have been combined to form a single MaterialScience segment in light of their similar long-term economic performance and the comparability of their products, production processes, customer industries, distribution channels and regulatory environment.
- We have transferred our dermatology business (Intendis) and the medical equipment business Medrad from the Pharmaceuticals to the Consumer Health segment and restated the prior-year figures accordingly.
- Business activities that cannot be allocated to any other segment are reported under "All other segments." These include primarily the services of Bayer Business Services (BBS), Bayer Technology Services (BTS) and Currenta.
- The Bayer holding company and the elimination of intersegment sales are presented in our segment reporting as "Corporate Center and Consolidation."

The following table contains the reconciliation of the operating result (EBIT) of the operating segments to income before income taxes of the Group.

Segment Result Reconciliation	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Operating result of reporting segments	**1,397**	**1,021**
Operating result of Corporate Center	(54)	(48)
Operating result [EBIT]	1,343	973
Non-operating result	(275)	(334)
Income before income taxes	**1,068**	**639**

CHANGES IN THE BAYER GROUP

SCOPE OF CONSOLIDATION

As of March 31, 2009, the Bayer Group comprised 311 fully or proportionately consolidated companies (December 31, 2008: 316 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

No acquisitions were made in the first quarter of 2009. The expenses for acquisitions totaling €247 million in the first quarter of 2008 were related primarily to the purchase of Possis Medical, Inc.

On the basis of the agreement signed with Genzyme Corp., United States, on March 31, 2009, the relevant assets in the form of goodwill, other intangible assets and inventories are reflected in the item "Assets held for sale and discontinued operations." Following licensure by the U.S. Food and Drug Administration, we will also transfer the new Leukine production plant in Seattle, Washington, to Genzyme. Bayer's production site in Berlin, Germany, will continue to produce Fludara as a contract manufacturer for Genzyme.

EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS

	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Income after taxes	762	424
of which attributable to non-controlling interest	0	(1)
of which attributable to Bayer AG stockholders (net income)	762	425
Income from discontinued operations after taxes	0	0
Financing expenses for the mandatory convertible bond, net of tax effects	28	28
Adjusted net income from continuing operations	790	453
Adjusted net income from continuing and discontinued operations	790	453
Weighted average number of issued ordinary shares	764,341,920	764,343,660
Potential shares to be issued upon conversion of the mandatory convertible bond	59,582,699	60,039,083
Adjusted weighted average total number of issued and potential ordinary shares	823,924,619	824,382,743
Basic earnings per share	€	€
from continuing operations	0.96	0.55
from discontinued operations	0.00	0.00
from continuing and discontinued operations	0.96	0.55
Diluted earnings per share	€	€
from continuing operations	0.96	0.55
from discontinued operations	0.00	0.00
from continuing and discontinued operations	0.96	0.55

The ordinary shares to be issued upon conversion of the mandatory convertible bond, which matures on June 1, 2009, are treated as already issued shares. Diluted earnings per share are therefore equal to basic earnings per share.

LEGAL RISKS

Information on the Bayer Group's legal risks is provided in the Bayer Annual Report 2008 on pages 231 – 237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com. There have been no material changes in the legal risks since then.

RELATED PARTIES

Our business partners include companies in which an interest is held, and companies with which members of the Supervisory Board of Bayer AG are associated. Transactions with these companies are carried out on an arm's-length basis. Business with such companies was not material from the viewpoint of the Bayer Group. The Bayer Group was not a party to any transaction of an unusual nature or structure that was material to it or to companies or persons closely associated with it. Business transactions with companies included in the consolidated financial statements at equity, or at cost less impairment charges, mainly comprised trade in goods and services. The value of these transactions was, however, immaterial from the point of view of the Bayer Group. The same applies to financial receivables and payables vis-à-vis related parties.

Leverkusen, April 27, 2009
Bayer Aktiengesellschaft

The Board of Management

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

Focus

Energy efficiency has high priority at Bayer. For example, the oxygen-depolarized cathode technology codeveloped by Bayer reduces electricity consumption in the production of chlorine by about 30 percent. Here, plant assistant Jörg Bäther inspects the oxygen inlet pipe.

Honoring Energy Efficiency

Professor Eberhard Jochem received the inaugural Bayer Climate Award at the end of March for his "pioneering technical and economic contributions to energy efficiency."

The Bayer Science & Education Foundation chose energy efficiency expert Professor Eberhard Jochem from the Fraunhofer Institute for Systems and Innovation Research (ISI) in Karlsruhe, Germany, to receive the first Bayer Climate Award.

"More than almost any other researcher, Professor Jochem has been able to demonstrate that improving energy efficiency is the key to reducing greenhouse gas emissions in the different areas of our industrialized society," said Bayer CEO Werner Wenning at the award ceremony in Berlin. Germany alone could cut CO_2 emissions by almost 15 percent by 2020 in a commercially profitable way simply by improving energy efficiency.

"Climate change is the biggest challenge now facing society as a whole," Wenning pointed out. He said it jeopardizes the basis for all social and business activity.

Pointing out the possibilities

In his congratulatory address, Dr. Wolfgang Plischke, the member of the Bayer AG Management Board responsible for Innovation, Technology and Environment, highlighted Jochem's combination of outstanding research and personal commitment. "Professor Jochem never misses an opportunity to point out feasible courses of action," Plischke said. "Far from being a lone activist, he possesses detailed knowledge of the circumstances in which decisions are made." This is where Jochem brings in his expertise, Plischke explained.

Jochem's research has shown that energy efficiency could be increased by 80 percent during this century by means of improved processes for energy conversion and use – with special emphasis on materials sciences, physicochemical processes, biotechnology and electronics.

Part of the Bayer Climate Program

The award, which will be presented every two years from now on, forms part of the comprehensive Bayer Climate Program, a Groupwide initiative in which Bayer is combining a wide range of measures to further reduce its own greenhouse gas emissions while at the same time developing new ways to protect the climate and deal with the effects of climate change. As well as implementing so-called lighthouse projects such as the "EcoCommercial Building," "Stress tolerance in plants" and the "Bayer Climate Check," the company is also pursuing far-reaching goals in order to minimize greenhouse gas emissions from its production facilities. The program also includes measures related to the use of company cars and business air travel. The package is supplemented by measures to support schoolchildren and scientists who are active in the field of climate protection.

Bayer CEO Werner Wenning, award-winner Professor Eberhard Jochem and Bayer Management Board member Dr. Wolfgang Plischke (from left) at the award ceremony

One of these measures is the Bayer Climate Award, worth €50,000. Award-winner Jochem views the accolade as an additional incentive to continue his research into how greenhouse gas emissions can be reduced economically and efficiently. He plans to donate the prize money to a climate research foundation he himself established.

INTERNET

Read more about Eberhard Jochem and the Bayer Climate Award at http://www.climate.bayer.com/en/climate-award

Environmentally friendly and athletic: Eberhard Jochem rode his bicycle to the Bayer Climate Award presentation ceremony in Berlin.

News

Early therapy of multiple sclerosis

Study shows positive effect of interferon beta-1b

The five-year findings of the BENEFIT study, now available, point the way to a new strategy for early therapy of multiple sclerosis (MS). According to the data, consistent early therapy with interferon beta-1b significantly reduces the risk of suffering a further MS episode and thus of developing clinically definite multiple sclerosis.

"Thus there is no doubt that early therapy is of tremendous importance with respect to the outlook for multiple sclerosis patients," said Professor Ralf Gold from Bochum, commenting on the study results. At the same time, he pointed to the importance of patient compliance. "People with multiple sclerosis need to understand the benefits of long-term interferon therapy."

It is not always easy for MS patients such as Eveline (right) from Bünzen, Switzerland, to lead a carefree life. Her daughter helps her to cope. Bayer is aiming to support people with MS through an international campaign entitled "Mastering MS."

In the BENEFIT study, 468 patients with first clinical symptoms and typical MS findings were treated with Betaferon® at two-day intervals.

In light of these results, Bayer Schering Pharma has developed a starter pack specifically designed for patients beginning treatment with Betaferon®. The starter pack helps the body adjust more slowly to the medication. This in turn facilitates the long-term continuation of therapy.

Bayer CropScience acquires biological products from AgroGreen for the crop protection business

Company strengthens its crop protection portfolio

Bayer CropScience has signed an agreement with AgroGreen, Ashdod, Israel, to acquire certain assets and technology related to that company's biological development products. The acquisition expands Bayer CropScience's broad range of crop protection solutions to include biocontrol agents that offer further value added for its customers and provide the company with good growth opportunities in the seed treatment market.

The company also sees good prospects for use of these biocontrol agents by turfgrass professionals. AgroGreen, a business unit of the Minrav Group, is among the leading suppliers of bionematicides and biofungicides.

"Bayer CropScience is very well positioned in its core crop protection business. With this acquisition, we are further strengthening our portfolio with innovative and unique crop protection solutions to help safeguard harvests and increase yields," commented Dr. Rüdiger Scheitza, Member of the Board of Management of Bayer CropScience AG and responsible for portfolio management. Avraham Kuznitski, Chairman of the Minrav Group, said he is excited at the acquisition by Bayer CropScience of biological technology and products developed by Minrav. "We are convinced that our technology will be an excellent fit with the Bayer CropScience portfolio."

The acquired assets include products marketed under the brand name BioNem (active ingredient *Bacillus firmus*) that reduce nematode populations and root infestations in the soil while stimulating increased yields.

BioNem is currently registered in Israel for use in cucumbers, eggplant, peppers, tomatoes, almonds, apricots, olives, peaches, plums, pomegranates, major herbs and garlic. Based on this *Bacillus Firmus* as a mixing partner, Bayer CropScience plans to develop new seed treatment solutions for important agricultural crops such as corn, soybeans and cotton as well as soil-applied applications for use on fruits and vegetables.

Partners in Beijing

Bayer HealthCare and Tsinghua University in Beijing, China, have signed a comprehensive collaboration agreement to enter into a strategic partnership. The two partners will establish a joint research center at Tsinghua University, the Bayer-Tsinghua (Institute of Biomedicine) Research Center of Innovative Drug Discovery.

The center is part of an initiative of Bayer HealthCare's newly inaugurated R&D Center in Beijing. Under the terms of the agreement, scientists from the university will collaborate with scientists from Bayer Schering Pharma (BSP) along the drug discovery and development value chain, particularly in BSP's therapeutic research areas of oncology, women's healthcare, diagnostic imaging, and cardiology. "Complementing our own capabilities, strategic alliances with international innovation partners from academia are an essential element of our R&D strategy," said Professor Andreas Busch, the member of the Board of Management of Bayer Schering Pharma responsible for Global Drug Discovery.

Doing away with weeds

New herbicidal active ingredient indaziflam presented

Bayer CropScience presented a new herbicidal active ingredient called indaziflam for the first time at the 49th Annual Meeting of the Weed Science Society of America. Indaziflam is one of the new active ingredients that Bayer CropScience is planning to launch between 2008 and 2012. It is currently at an advanced stage of development. The company anticipates marketing the first products based on this active ingredient in 2011, assuming that regulatory approval is granted. Advantages of indaziflam include its long-lasting action, low application rate and control of a broad spectrum of weeds – including species that are difficult to eliminate such as annual bluegrass, goosegrass, ryegrass and goosefoot. Prospective areas of application include particularly golf courses and sports fields, as well as public lawns and gardens. The company also sees additional growth potential in agricultural applications, where indaziflam can be used as a new basic herbicide.

Indaziflam is manufactured by Bayer CropScience at the Höchst industrial park. From left: Dr. Klemens Minn, Dr. Chris Rosinger, Dr. Hansjörg Dietrich

New photovoltaic modules give the appearance of a continuous surface (top right), unlike conventional systems (bottom).

Solar energy: an attractive prospect

A successful collaboration between Bayer MaterialScience and its customer Solon SE of Berlin has yielded a prestigious innovation award, with Solon being honored at the "Symposium on Photovoltaic Solar Energy" for its photovoltaic module. The solar module has an innovative frame with an integrated mounting system based on the polyurethane foam Bayflex®, replacing the conventional installation system. This design makes an expensive substructure unnecessary.

The polyurethane sheathing of solar modules also opens up a whole range of design opportunities in terms of color and shape. In contrast to the conspicuous box-like structure of solar systems with aluminum frames, a network of several solar modules with polyurethane frames gives the appearance of a continuous surface.

Customers of Bayer MaterialScience have long used the Bayflex® polyurethane system as sheathing for automotive glazing.

News

Bayer employees Stefan Stargard and Antje Stratmann examine cell cultures under a microscope.

Strategies to fight cancer

Bayer and the German Cancer Research Center have agreed to form a strategic research alliance to further intensify tumor diagnosis and therapy. The collaboration is aimed at enabling more rapid exploitation of research findings for the development of new cancer drugs and improved evaluation of innovative therapeutic approaches to tumor diseases. Each partner will invest a total of €1.75 million in the joint cancer research.

In the field of preclinical cancer research, Bayer Schering Pharma has established a collaboration with the National University of Singapore. Specifically, the alliance aims to profile oncology drugs in Asian populations, identify new biomarkers and investigate novel tumor models with high relevance for the clinical situation.

Bayer also plans further partnerships with Singapore-based universities, hospitals, research institutes and companies, corresponding to an investment of roughly €10 million.

Bayer Schering Pharma and Hamamatsu Photonics K.K., Japan, have signed a licensing agreement in the area of tumor diagnostics concerning the use of novel substances for molecular imaging in oncology. Under the agreement, Bayer Schering Pharma acquires exclusive worldwide rights for the research, development and commercialization of a group of molecules that specifically bind to malignant tumor cells. Such tracers have the potential to significantly improve the diagnosis of a variety of cancers.

Good prospects for the future: Carbon nanotubes – a key technology

United States – a new market for Baytubes®

Bayer MaterialScience can now market its multi-wall carbon nanotubes known as Baytubes® in the United States as well, now that the U.S. Environmental Protection Agency (EPA) has granted regulatory approval for the product. This significantly reinforces Bayer MaterialScience's role as one of the world's leading manufacturers of carbon nanotubes.

Baytubes® can be added to polymer matrices or metal systems as a modifier or filler to improve their mechanical strength and/or antistatic properties. The product's applications include rotor blades for wind turbines along with sports equipment such as skis, hockey sticks, baseball bats and surfboards. Another application for nanotubes is the modification of light metals such as aluminum or magnesium. Martin Schmid, in charge of Baytubes® activities at Bayer MaterialScience in Leverkusen, views the EPA approval as a key milestone: "Now Bayer MaterialScience in the U.S. can take Baytubes® out of the lab and onto the market, working with our customers to develop new applications."

World's largest pilot facility for carbon nanotubes

The world's largest pilot plant for carbon nanotubes is currently being built in the Leverkusen Chempark. Bayer MaterialScience is investing some €22 million in the facility, which will have a capacity of 200 tons per year. "We are investing in a key technology of the future that will open up a broad range of new applications for us," explained Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Innovation, Technology and the Environment, at a press conference marking the start of construction.

The global market for carbon nanotubes is currently predicted to grow by 25 percent a year. Experts estimate that annual sales of these products will reach US$ 2 billion within about ten years. Bayer MaterialScience is one of the few companies that can produce carbon nanotubes of consistently high quality on an industrial scale.

Launch of construction for the world's biggest production facility for carbon nanotubes (CNT) in Leverkusen (from left): Michael Klefisch (Construction Planning), Dr. Ralph Weber (Head of Production), Roland Motzek (Project Manager), Dr. Josef Sanders (Plant Manager) and Dr. Dieter Zeitz (Plant Engineer)

Dr. Gerrit Weimann, Dr. Maria-Luisa Rodriguez and Dr. Johannes-Peter Stasch (from left) hope to ensure that pulmonary hypertension, a serious yet frequently underrated illness, will someday be as easy to treat as high blood pressure.

New substance class to treat pulmonary hypertension

Phase III program launched for active substance riociguat

Bayer Schering Pharma is making good progress with the development of its new pulmonary hypertension drug. Based on the positive findings from the clinical development phase II trial, the company has now begun a phase III program. Two phase III trials will investigate the active substance riociguat in patients with chronic thromboembolic pulmonary hypertension and pulmonary arterial hypertension. Riociguat is the first member of a new class of vasodilative substances and can be taken in tablet form.

"We are very encouraged by the positive phase II findings," says Professor Hossein Ardeschir Ghofrani, head of the pulmonary hypertension unit in the Department of Internal Medicine at the University Hospital of Giessen and Marburg, Germany. "If these results are replicated in the phase III trials, this will be an exciting breakthrough for patients with pulmonary hypertension." Chronic thromboembolic pulmonary hypertension and pulmonary arterial hypertension are life-threatening diseases. The currently available treatments are approved only for pulmonary arterial hypertension, which affects some 1.85 million people worldwide, and the median survival time for treated patients remains very limited.

Chancellor Merkel visits Bayer at the Hanover Fair

How is it possible to sustainably save over 20 percent energy in an industrial production plant? German Chancellor Dr. Angela Merkel, Research Minister Dr. Annette Schavan and South Korean Prime Minister Dr. Han Seung-Soo discovered the answer when they visited the Hanover Fair – the world's largest industrial trade show – and saw a model of a production plant developed jointly by Bayer Technology Services (BTS) and the Hanover Fair company.

The model, which measures 5 x 2.5 m², demonstrates the energy-saving potential inherent in ancillary processes such as heating and cooling, transporting and conveying, sealing, ventilating and pumping. At the same time it illustrates how the Bayer Climate Check works. Developed by BTS, this system is used to identify and evaluate potential savings and optimize operating parameters and process control strategies.

German Chancellor Dr. Angela Merkel with Friedhelm Loh, President of the Central Association of the Electrical and Electronic Industry, and Bayer's Dr. Klaus Sommer (left).

Bayer CropScience and French research organization CNRS step up collaboration

Bayer CropScience and the French National Center for Scientific Research (CNRS) in Paris have renewed a framework agreement signed in 2005. The new, joint research projects pursued under this agreement are intended to contribute to ensuring a sustainable food supply for a growing world population against the background of climate change. Over the next four years, the company will invest some €4 million in joint projects. This funding will support basic research projects at a number of CNRS institutions throughout France. One of them is the "mixed laboratory" with a team of about 20 researchers at the La Dargoire research campus operated by Bayer CropScience in Lyon. A multidisciplinary approach will be adopted to improving the stress tolerance of plants and finding ways to increase yields – areas in which several CNRS research teams are among the global leaders.

News

Growth in India

New production facility for Desmodur polyisocyanates

Bayer MaterialScience will invest some €20 million in a new aromatic and aliphatic polyisocyanate manufacturing facility in India as part of its strategy to grow its business in that country and strengthen its position as a market leader in the supply of polyurethane raw materials. The new plant in the northwestern state of Gujurat is due on stream in 2011.

"This investment underlines our commitment to India and the region. Despite the current weakness of the global economy, we are convinced that India holds great promise for sustainable market growth," says Dr. Joachim Wolff, head of the Coatings, Adhesives, Specialties business unit.

The facility will produce Desmodur® polyisocyanates, which are used as raw materials for the formulation of a variety of polyurethane coatings, adhesives and sealants.

A new BaySystems polyurethane systems house was inaugurated in Goungzhou.

Systems house for South China

Bayer MaterialScience has further expanded its presence in China, supporting customers in the automotive, construction, appliance, furniture, and footwear sectors with customized polyurethanes.

Baytherm® systems for thermal insulation of appliances and Baymer® for building insulation will have a particularly important role to play. These activities are spurred by the Chinese government's goal of significantly reducing energy consumption in both public and residential buildings. Says Peter Vanacker, head of the Polyurethanes business unit: "By 2015 China will be the largest polyurethanes market in the world."

Including the new project in South China, Bayer MaterialScience now operates a global network of 30 systems houses in close proximity to its customers.

Capacity expansion for crop protection products

CropScience to invest €30 million in Dormagen

In response to rising demand for fungicides, CropScience AG will invest some €30 million in the next two years to expand production capacities at the Dormagen Chempark for the active ingredient prothioconazole. Dormagen is one of the biggest production sites of Bayer CropScience worldwide.

Prothioconazole is registered in more than 40 countries for use in cereal, canola, soybeans, legumes and peanuts. This modern active ingredient, which is marketed worldwide, features significant, long-lasting efficacy against a broad spectrum of fungal diseases in plants. Prothioconazole also counteracts the development of mycotoxins, fungi that pose a danger to health and are a frequent cause of food poisoning. In 2008 fungicides based on prothioconazole accounted for global sales of €246 million, putting them among the ten most important Bayer CropScience products.

Bayer CropScience will invest some €30 million over the next two years to expand production capacities for the active ingredient prothioconazole at the Dormagen Chempark.

Bayer employees Dr. Susanne Röhrig and Dr. Alexander Straub, two of the inventors of Xarelto® from Medical Chemistry, observe crystals of new test compounds under the microscope.

Revolutionizing the prophylaxis of dangerous thromboses

Studies demonstrate superior efficacy of Xarelto against a comparator

Bayer's Xarelto® (active ingredient: rivaroxaban) has demonstrated superior efficacy against a comparator in the prevention of venous thromboembolism following hip or knee-joint replacement surgery. These were the findings of the overall evaluation of four Phase III studies in which this first Factor Xa inhibitor that can be taken in tablet form was thoroughly investigated. Says Professor A.G.G. Turpie from McMaster University in Canada, who is the lead investigator for the study program: "All reported findings confirm my confidence in Xarelto's potential to revolutionize the prophylaxis of dangerous thromboses."

An advisory committee to the U.S. Food and Drug Administration (FDA) also confirmed a favorable benefit-risk profile of rivaroxaban in venous blood clot prevention following hip or knee-joint replacement surgery. Although the advisory committee's recommendation is not binding, the FDA will take its opinion into account when processing the registration application for rivaroxaban.

In addition, rivaroxaban showed encouraging results in patients with acute coronary syndrome (ACS). A Phase II study designed to test the anticoagulant in secondary prevention of ACS was successful. Rivaroxaban has now been transferred to the next development stage for this indication.

Partnership for better cotton

Focus on yield improvement, stress resistance and fiber quality

How can the quality of cotton be further improved? Bayer CropScience and U.S.-based Nature Sources Genetics plan to pursue this goal together. To this end the two companies have entered into an exclusive five-year collaboration involving the pre-breeding and enhancement of cotton germplasm. The goal of the collaboration is to identify previously inaccessible genes and incorporate them into certain cotton varieties using innovative technologies. Bayer CropScience will initially concentrate on the areas of yield improvement, stress resistance – both biotic and abiotic – and fiber quality. However, more traits will be added as the program expands.

"The collaboration between Bayer CropScience and Nature Source Genetics takes cotton breeding to a completely new level and marks a significant expansion in the strategic scope of our cotton breeding program," says Mike Gilbert, Cotton General Manager at Bayer CropScience.

The collaboration aims to identify previously inaccessible genes and incorporate them into certain cotton varieties using innovative technologies.

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Annual Stockholders' Meeting 2010	APRIL 30, 2010
Payment of Dividend	MAY 3, 2010

COVER PICTURE

High-quality canola oil is in great demand. Nutrition experts recommend this valuable vegetable oil because it is rich in unsaturated fatty acids. Canola is also important as a renewable raw material. Bayer CropScience and the Leibniz Institute of Plant Genetics and Crop Plant Research in Gatersleben, Germany, recently entered into a research agreement to develop new products to meet the huge need for healthy, high-quality oils. The picture shows Calvin Pauls and Dr. Godfrey Chongo testing canola plants after cross-breeding in Saskatoon, Canada. For more news from the world of Bayer, turn to page 38.

MASTHEAD

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