Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2010

First Quarter of 2010:

Bayer achieves strong gains in sales and earnings

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COVER PICTURE

Research and development are a major success factor for the inventor company Bayer. An important focus of this activity is on the dynamic growth region of Asia/Pacific. The cover picture, taken at our facility in Singapore, shows Cally Lim (left) working with wafer-thin, flexible solar cells, and her colleagues Wilfredo Aguilar and Dr. Stefan Bahnmüller (right), who are inspecting luminescent films. They are all employees of the Functional Films unit of Bayer MaterialScience, which is combining innovative ideas with proven materials to develop products that meet tomorrow's needs.

Bayer Group Key Data

	1st Quarter 2009	1st Quarter 2010	Change	Full Year 2009
	€ million	€ million	%	€ million
Sales	**7,895**	**8,316**	**+5.3**	**31,168**
Change in sales				
Volume	−9.4%	+6.9%		−2.9%
Price	−0.3%	−0.7%		−2.8%
Currency	+1.9%	−0.3%		+0.6%
Portfolio	+0.3%	−0.6%		−0.2%
EBITDA[1]	**1,661**	**1,841**	**+10.8**	**5,815**
Special items	*(34)*	*(77)*		*(657)*
EBITDA before special items	***1,695***	***1,918***	***+13.2***	***6,472***
EBITDA margin before special items	21.5%	23.1%		20.8%
EBIT[2]	**973**	**1,197**	**+23.0**	**3,006**
Special items	*(44)*	*(77)*		*(766)*
EBIT before special items	***1,017***	***1,274***	***+25.3***	***3,772***
EBIT margin before special items	12.9%	15.3%		12.1%
Non-operating result	**(334)**	**(244)**	**+26.9**	**(1,136)**
Net income	**425**	**693**	**+63.1**	**1,359**
Earnings per share (€)[3]	0.55	0.84	+52.7	1.70
Core earnings per share (€)[4]	0.91	1.20	+31.9	3.64
Gross cash flow[5]	**1,209**	**1,271**	**+5.1**	**4,658**
Net cash flow[6]	**693**	**732**	**+5.6**	**5,375**
Cash outflows for capital expenditures	**290**	**230**	**−20.7**	**1,575**
Research and development expenses	**657**	**717**	**+9.1**	**2,746**
Depreciation and amortization	**688**	**644**	**−6.4**	**2,809**
Number of employees at end of period[7]	**108,700**	**107,800**	**−0.8**	**108,400**
Personnel expenses (including pension expenses)	1,891	2,015	+6.6	7,776

[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 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 underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also chapter 6 "Calculation of EBIT(DA) Before Special Items."

[2] EBIT = operating result as shown in the income statement

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 37.

[4] Core earnings per share are 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. It is calculated as explained in chapter 7 "Core Earnings Per Share."

[5] Gross cash flow = income after taxes, plus income taxes, plus 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 chapter 8 "Financial Position of the Bayer Group."

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

[7] Number of employees in full-time equivalents

First quarter of 2010:

Bayer achieves strong gains in sales and earnings

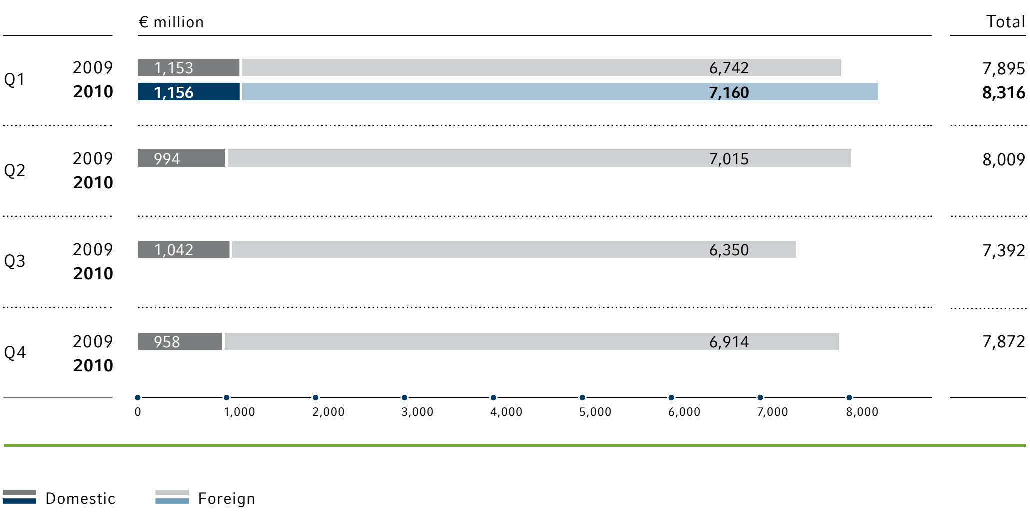
- Sales €8.3 billion (+5.3%)
- EBITDA before special items €1.9 billion (+13.2%)
- Net income €0.7 billion (+63.1%)
- Core earnings per share €1.20 (+31.9%)
- Group outlook raised for 2010

1. Overview of Sales, Earnings and Financial Position

The Bayer Group achieved strong gains in sales and earnings in the first quarter of 2010. MaterialScience posted a clear recovery, achieving better-than-expected sales growth against the very weak prior-year quarter in an increasingly stabilizing market environment. HealthCare saw a slight improvement in sales and earnings. The CropScience business, however, weakened distinctly in the first quarter of 2010 compared with the record prior-year quarter, mainly in light of market- and weather-related factors.

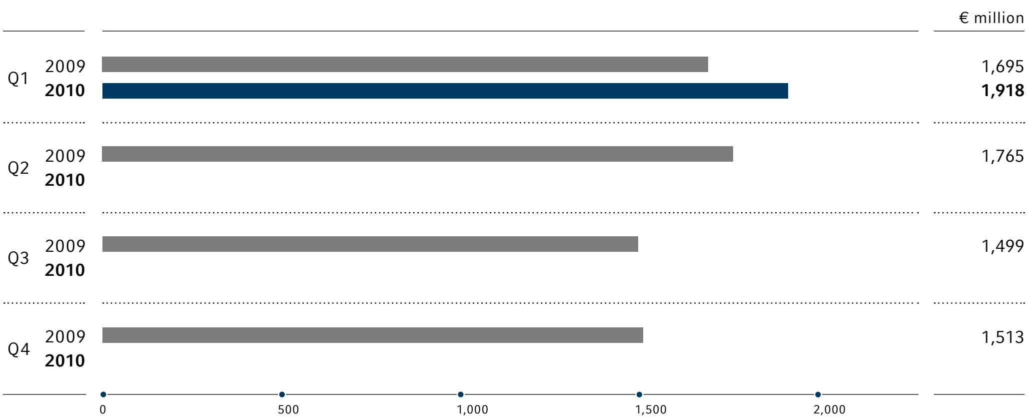
Group **sales** rose by 5.3% to €8,316 million (Q1 2009: €7,895 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business grew by 6.2%. Sales of HealthCare increased by 0.7% (Fx & portfolio adj. +2.6%). In the CropScience business, sales receded by 7.9% (Fx & portfolio adj. -10.0%). Sales of MaterialScience advanced by a considerable 35.5% (Fx adj. +37.9%).

Bayer Group Quarterly Sales [Graphic 1]



EBITDA before special items of the Bayer Group expanded by 13.2% to €1,918 million (Q1 2009: €1,695 million). The clear improvement at MaterialScience contributed substantially to this earnings growth. The EBITDA margin before special items climbed to 23.1% (Q1 2009: 21.5%).

Bayer Group Quarterly EBITDA Before Special Items [Graphic 2]



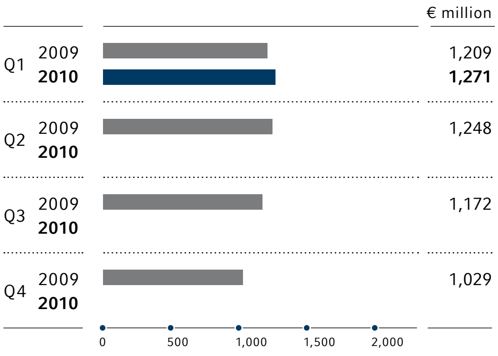
HealthCare generated EBITDA before special items of €1,079 million (Q1 2009: €1,061 million). EBITDA before special items of CropScience, at €559 million, was down by 24.2% from the very good earnings level of the prior-year period (€737 million). This drop in earnings was largely due to the decline in sales caused by market- and weather-related factors. MaterialScience posted EBITDA before special items of €287 million after the very weak prior-year figure of minus €116 million, which was attributable to the slump in the economy.

EBIT before special items of the Bayer Group in the first quarter of 2010 improved by 25.3% to €1,274 million (Q1 2009: €1,017 million). Earnings were diminished by special charges of €77 million (Q1 2009: €44 million). Of the special charges, which related entirely to litigations, HealthCare accounted for €29 million and CropScience for €48 million. EBIT of the Bayer Group grew by 23.0% to €1,197 million (Q1 2009: €973 million).

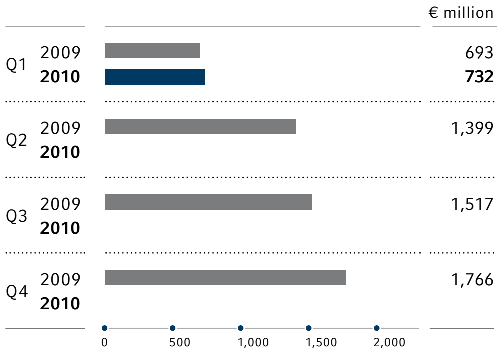
After a non-operating result of minus €244 million (Q1 2009: minus €334 million), income before income taxes in the first quarter of 2010 was €953 million (Q1 2009: €639 million). The main components of the non-operating result were €117 million (Q1 2009: €179 million) in net interest expense, €90 million (Q1 2009: €102 million) in interest cost for pension and other provisions, and an exchange loss of €9 million (Q1 2009: €26 million). The drop in net interest expense was partly due to the reduction in financial debt and lower interest rates. Tax expense in the first quarter came to €259 million (Q1 2009: €215 million). Income after taxes increased to €694 million (Q1 2009: €424 million), of which €1 million (Q1 2009: minus €1 million) was attributable to non-controlling interest.

Bayer Group net income for the first quarter of 2010 came in at €693 million (Q1 2009: €425 million). Earnings per share were €0.84 (Q1 2009: €0.55). Core earnings per share rose to €1.20 (Q1 2009: €0.91). For calculation details see Chapter 7 "Core Earnings Per Share."

Gross Cash Flow by Quarter [Graphic 3]



Net Cash Flow by Quarter [Graphic 4]



Gross cash flow of the Bayer Group increased by 5.1% year on year to €1,271 million (Q1 2009: €1,209 million) due especially to the upward business trend at MaterialScience. Net cash flow rose by 5.6% to €732 million (Q1 2009: €693 million).

Despite the usual seasonal first-quarter expansion of business and negative currency effects, net financial debt on March 31, 2010, remained level with the end of 2009 at €9.7 billion. The net pension liability – the aggregate of pension obligations and plan assets – rose by €0.5 billion compared with December 31, 2009, to €6.9 billion, due especially to lower long-term capital market interest rates.

2. Economic Outlook

The **global economy** should continue to recover over the course of the year. However, we expect overall growth to be somewhat restrained, with the effects of the economic crisis continuing to hamper development. Only in the emerging markets is the economic recovery likely to proceed at a steady, rapid pace. Asia will probably remain the most dynamic region, while growth is expected to be rather moderate in the United States and comparatively weak in Europe.

We expect growth in the **pharmaceutical market** in 2010 to be in the mid-single digits. This expansion is likely to be driven increasingly by emerging countries. However, we anticipate low-single-digit growth rates in the traditional markets such as the United States and the major European countries due to patent expirations for major products of various pharmaceutical companies, a decline in new product introductions and the increasing cost pressure from health organizations. We expect a positive overall trend this year in the **consumer health markets**, with wide regional variations in market growth.

We foresee modest growth in the **seed and crop protection market** in 2010 following a decline last year.

Following strongly negative market reactions last year, the main customer industries of **MaterialScience** (automotive, electrical/electronics, construction, furniture) are likely to experience a steady recovery in 2010 that will probably vary by region.

3. Sales and Earnings Forecast

The following forecasts for 2010 are based on the business performance described in this report, taking into account the potential risks and opportunities. The sales and earnings forecast for the period through 2012 is given in chapter 11.4 of the Bayer Annual Report 2009.

Bayer Group

We remain optimistic for 2010. The decline in business momentum at HealthCare and CropScience is being offset by the recovery at MaterialScience, which is progressing faster than expected. Since, in addition, currency parities have so far trended more favorably than anticipated, we are raising our earnings forecast for the Bayer Group.

We continue to target currency- and portfolio-adjusted sales growth of more than 5%. We now aim to increase EBITDA before special items to more than €7 billion (previously: toward €7 billion). Core earnings per share (calculated as explained in Chapter 7) are expected to improve by more than 15% (previously: about 10%). Our estimates are based on the exchange rates prevailing at the end of the first quarter (for example, 1.35 (previously: 1.40) U.S. dollars to the euro).

HealthCare

In light of the business trend in the first quarter, we are adjusting our 2010 sales forecast for HealthCare as follows: For Pharmaceuticals we anticipate below-market growth. In Consumer Health, however, we expect to expand faster than the market. This corresponds to currency- and portfolio-adjusted growth for HealthCare of about 3% (previously: about 5%). We are targeting a further increase in EBITDA before special items.

CropScience

Following the delayed start to the season due to weather conditions, business at CropScience has now gained momentum. Despite this, we now anticipate lower sales growth in view of the weak market development in the first quarter. We confirm our goal of achieving slightly above-market growth in 2010. We now expect to post a currency- and portfolio-adjusted sales increase of between 2% and 3% (previously: approximately 4%) and EBITDA before special items level with the previous year (previously: a small increase).

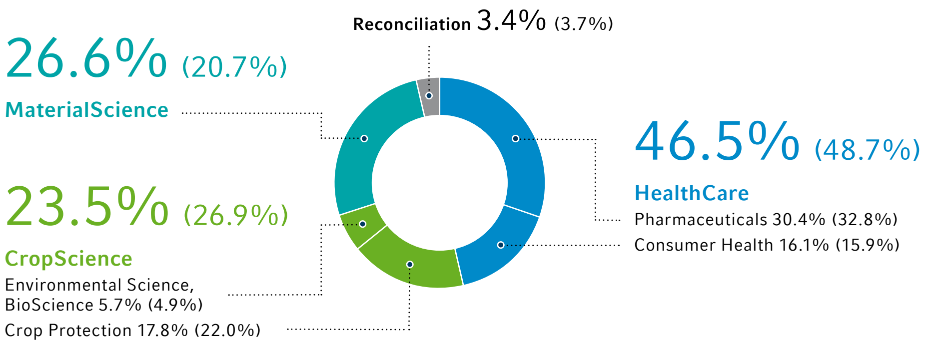
MaterialScience

We anticipate a continuing recovery in the markets relevant to our MaterialScience business.
In light of this we are targeting a sales increase in the region of 20% (previously: more than 10%) on a currency- and portfolio-adjusted basis in 2010. We plan to more than double (previously: considerably increase) EBITDA before special items.
In the second quarter of 2010 we anticipate further growth in sales and an improvement in EBITDA before special items compared with the first quarter of the year.

4. Corporate Structure

Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group. Business operations are conducted by the HealthCare, CropScience and MaterialScience subgroups.

Sales by Segment, 1st Quarter 2010 (1st Quarter 2009 in parentheses) [Graphic 5]



Our subgroups are supported by the Business Services, Technology Services and Currenta service companies, which are reported in the reconciliation as "All Other Segments" along with "Corporate Center and Consolidation."

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**3,843**	**3,869**	**693**	**745**	**1,061**	**1,079**	**27.6**	**27.9**
Pharmaceuticals	2,587	2,531	523	526	827	797	32.0	31.5
Consumer Health	1,256	1,338	170	219	234	282	18.6	21.1
CropScience	**2,120**	**1,952**	**617**	**436**	**737**	**559**	**34.8**	**28.6**
Crop Protection	1,734	1,476	506	276	611	380	35.2	25.7
Environmental Science, BioScience	386	476	111	160	126	179	32.6	37.6
MaterialScience	**1,636**	**2,216**	**(263)**	**146**	**(116)**	**287**	**(7.1)**	**13.0**
Reconciliation	**296**	**279**	**(30)**	**(53)**	**13**	**(7)**	**4.4**	**(2.5)**
Group	**7,895**	**8,316**	**1,017**	**1,274**	**1,695**	**1,918**	**21.5**	**23.1**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."

Changes in corporate structure

Effective January 1, 2010, we transferred certain products from the Specialty Medicine to the General Medicine business unit within the Pharmaceuticals segment of the HealthCare subgroup. The prior-year figures are restated accordingly.

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

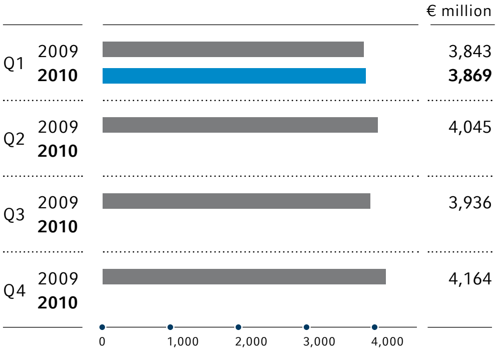
Key Data – HealthCare [Table 2]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**3,843**	**3,869**	**+0.7**
Change in sales			
Volume	−0.1%	+2.2%	
Price	+0.4%	+0.4%	
Currency	+2.4%	−0.6%	
Portfolio	+0.3%	−1.3%	
Sales by segment			
Pharmaceuticals	2,587	2,531	−2.2
Consumer Health	1,256	1,338	+6.5
Sales by region			
Europe	1,572	1,523	−3.1
North America	1,104	1,134	+2.7
Asia/Pacific	635	667	+5.0
Latin America/Africa/Middle East	532	545	+2.4
EBITDA*	**1,043**	**1,050**	**+0.7**
Special items	*(18)*	*(29)*	
EBITDA before special items*	***1,061***	***1,079***	***+1.7***
EBITDA margin before special items*	27.6%	27.9%	
EBIT*	**675**	**716**	**+6.1**
Special items	*(18)*	*(29)*	
EBIT before special items*	***693***	***745***	***+7.5***
Gross cash flow**	**745**	**719**	**−3.5**
Net cash flow**	**699**	**742**	**+6.2**

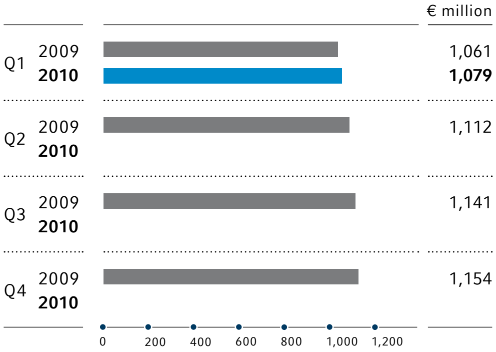
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **HealthCare** subgroup rose by 0.7% in the first quarter of 2010, to €3,869 million (Q1 2009: €3,843 million). Adjusted for currency and portfolio effects, business was up by 2.6%. This growth was mainly attributable to the Consumer Health segment, which performed particularly well in the United States. Sales in the Pharmaceuticals segment remained at the previous year's level.

HealthCare
Quarterly Sales [Graphic 6]



HealthCare
Quarterly EBITDA Before Special Items [Graphic 7]



EBITDA before special items of HealthCare increased by €18 million to €1,079 million (+1.7%). Earnings improved in the Consumer Health segment but declined slightly in Pharmaceuticals. **EBIT** before special items advanced by 7.5% to €745 million (Q1 2009: €693 million). Special charges totaled €29 million (Q1 2009: €18 million). EBIT rose by 6.1% to €716 million (Q1 2009: €675 million).

Pharmaceuticals

Key Data – Pharmaceuticals [Table 3]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**2,587**	**2,531**	**−2.2**
General Medicine	859	874	+1.7
Specialty Medicine	786	737	−6.2
Women's Healthcare	722	710	−1.7
Diagnostic Imaging	220	210	−4.5
Sales by region			
Europe	1,035	981	−5.2
North America	703	687	−2.3
Asia/Pacific	510	527	+3.3
Latin America/Africa/Middle East	339	336	−0.9
EBITDA*	**809**	**768**	**−5.1**
Special items	*(18)*	*(29)*	
EBITDA before special items*	***827***	***797***	***−3.6***
EBITDA margin before special items*	32.0%	31.5%	
EBIT*	**505**	**497**	**−1.6**
Special items	*(18)*	*(29)*	
EBIT before special items*	***523***	***526***	***+0.6***
Gross cash flow**	**565**	**512**	**−9.4**
Net cash flow**	**512**	**592**	**+15.6**

2009 figures restated
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **Pharmaceuticals** segment declined by 2.2% in the first quarter of 2010 to €2,531 million (Q1 2009: €2,587 million). After adjusting for currency and portfolio effects, business grew by 0.6%. Sales expanded in the North America and Asia/Pacific regions, but declined in Europe.

Best-Selling Pharmaceutical Products [Table 4]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	319	287	−10.0	−10.2
Betaferon®/Betaseron® (Specialty Medicine)	301	283	−6.0	−5.0
Kogenate® (Specialty Medicine)	249	244	−2.0	−0.4
Nexavar® (Specialty Medicine)	137	155	+13.1	+16.0
Adalat® (General Medicine)	156	146	−6.4	−5.5
Mirena® (Women's Healthcare)	125	143	+14.4	+16.5
Avalox®/Avelox® (General Medicine)	129	135	+4.7	+8.0
Levitra® (General Medicine)	83	86	+3.6	+5.1
Glucobay® (General Medicine)	82	79	−3.7	−1.7
Cipro®/Ciprobay® (General Medicine)	80	75	−6.3	−4.7
Aspirin® Cardio (General Medicine)	73	73	0.0	+0.9
Ultravist® (Diagnostic Imaging)	62	68	+9.7	+6.1
Magnevist® (Diagnostic Imaging)	56	51	−8.9	−7.0
Kinzal®/Pritor® (General Medicine)	37	42	+13.5	+12.6
Iopamiron® (Diagnostic Imaging)	46	39	−15.2	−14.5
Total	**1,935**	**1,906**	**−1.5**	**−0.3**
Proportion of Pharmaceuticals sales	75%	75%		

Sales of the **General Medicine** business unit increased by 1.7% to €874 million (Q1 2009: €859 million). Adjusted for currency changes, business grew by 3.4%. This was due especially to the positive business development in North America. Sales of our antibiotic Avalox®/Avelox® improved by 8.0% (Fx adj.) particularly as a result of business growth in the United States. Sales of our Levitra® erectile dysfunction treatment also increased (Fx adj. +5.1%). Our antihypertensive Kinzal®/Pritor® posted particularly strong growth (Fx adj. +12.6%), benefiting from the expansion of its indications in October 2009 to include the prevention of cardiovascular disease. Sales of Adalat® (Fx adj. -5.5%), Cipro®/Ciprobay® (Fx adj. -4.7%) and Glucobay® (Fx adj. -1.7%) moved back mainly as a result of generic competition.

Sales of the **Specialty Medicine** business unit fell by 6.2% to €737 million (Q1 2009: €786 million), partly as a consequence of the divestment of products from our oncology portfolio to Genzyme Corp., United States, in May 2009. After adjustment for currency and portfolio effects, business edged forward by 0.9%. Sales of our cancer drug Nexavar® (Fx adj. +16.0%) increased in all regions. In Japan, notably, we benefited from the product's registration in May 2009 for the treatment of liver cancer. Sales of our blood-clotting drug Kogenate® remained at the prior-year level (Fx adj. -0.4%). Global demand for Kogenate® marketed by Bayer increased. However, sales to our distribution partner were well down against the prior-year quarter as a result of ordering schedule fluctuations. Sales of the multiple sclerosis drug Betaferon®/Betaseron® were down overall (Fx adj. -5.0%). This was largely attributable to lower sales in Europe caused mainly by heightened competition, particularly in Germany and Russia.

First-quarter sales of our **Women's Healthcare** business unit edged down 1.7% to €710 million (Q1 2009: €722 million). Business receded by 2.3% on a currency-adjusted basis, mainly due to lower sales of our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives (Fx adj. -10.2%) caused by a drop in demand for YAZ® and Yasmin® in the United States. Demand in the United States suffered particularly from the discussion surrounding the thrombosis risk of contraceptives containing drospirenone. However, the company continues to believe that the risk profile is comparable to that of other combination oral contraceptives and that YAZ® and Yasmin® remain good choices for contraception when used as directed. Sales moved ahead in the other regions, especially those of YAZ® in Europe and Yasmin® in Asia/Pacific. There was a pleasing increase in sales of the hormone-releasing intrauterine device Mirena® (Fx adj. +16.5 %), with particularly strong growth in demand in the United States due to the announcement of price increases.

Sales of the **Diagnostic Imaging** business unit receded by 4.5% to €210 million (Q1 2009: €220 million). After adjusting for currency and portfolio effects, sales slipped by 1.9%. The continuing decline in sales of Magnevist® (Fx adj. -7.0%) was partially offset by increases for Gadovist® (Fx adj. +10.2%), particularly in Europe. Sales of Ultravist® rose by 6.1% (Fx adj.) thanks largely to a positive performance in the Latin America and Europe regions. Ultravist® benefited from the cessation of marketing activities for Iopamiron® in Latin America.

EBITDA before special items of the **Pharmaceuticals** segment fell by 3.6% in the first quarter of 2010 to €797 million (Q1 2009: €827 million). Apart from the portfolio change, the main reason for the lower earnings was an increase in research and development expenditures. **EBIT** before special items came in at €526 million, up 0.6% from the prior-year period (Q1 2009: €523 million). Special charges of €29 million resulted from litigation-related expenses. EBIT dipped by 1.6% to €497 million (Q1 2009: €505 million).

Consumer Health

Key Data – Consumer Health [Table 5]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,256**	**1,338**	**+6.5**
Consumer Care	704	744	+5.7
Medical Care	324	335	+3.4
Animal Health	228	259	+13.6
Sales by region			
Europe	537	542	+0.9
North America	401	447	+11.5
Asia/Pacific	125	140	+12.0
Latin America/Africa/Middle East	193	209	+8.3
EBITDA*	**234**	**282**	**+20.5**
Special items	*0*	*0*	
EBITDA before special items*	***234***	***282***	***+20.5***
EBITDA margin before special items*	18.6%	21.1%	
EBIT*	**170**	**219**	**+28.8**
Special items	*0*	*0*	
EBIT before special items*	***170***	***219***	***+28.8***
Gross cash flow**	**180**	**207**	**+15.0**
Net cash flow**	**187**	**150**	**−19.8**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **Consumer Health** segment advanced by 6.5% in the first quarter of 2010 to €1,338 million (Q1 2009: €1,256 million). On a currency- and portfolio-adjusted basis, sales expanded by 6.8%. All divisions contributed to this increase. Business developed particularly well in the United States, where demand was boosted by the gradual recovery in the economy.

Best-Selling Consumer Health Products [Table 6]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
Contour® (Medical Care)	124	131	+5.6	+4.6
Aspirin®* (Consumer Care)	96	90	−6.3	−5.3
Advantage® product line (Animal Health)	78	89	+14.1	+14.6
Aleve®/naproxen (Consumer Care)	43	59	+37.2	+40.9
Bepanthen®/Bepanthol® (Consumer Care)	48	55	+14.6	+12.0
Canesten® (Consumer Care)	43	44	+2.3	+1.3
Baytril® (Animal Health)	35	38	+8.6	+9.6
One-A-Day® (Consumer Care)	31	36	+16.1	+22.4
Supradyn® (Consumer Care)	31	31	0.0	+2.9
Breeze® (Medical Care)	30	30	0.0	+0.7
Total	**559**	**603**	**+7.9**	**+8.5**
Proportion of Consumer Health sales	45%	45%		

* Total Aspirin® Q1 sales = €163 million (Q1 2009 = €169 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales advanced by 5.7% to €744 million (Q1 2009: €704 million). Adjusted for currency and portfolio effects, the increase was 5.6%. Our non-prescription medicines business recovered strongly, especially in North America. Our analgesics Aleve®/naproxen (Fx adj. +40.9%) and the One-A-Day® line of dietary supplements (Fx adj. +22.4%) benefited particularly from this trend. Our Bepanthen®/Bepanthol® line of skin care products (Fx adj. +12.0%) also posted significant growth in Europe. By contrast, sales of our Aspirin® pain reliever were down (Fx adj. -5.3%) due to a weak cold season.

Sales of the **Medical Care** Division advanced by 3.4% in the first quarter of 2010 to €335 million (Q1 2009: €324 million). On a currency-adjusted basis, business improved by 4.9%. A major part of this growth was attributable to higher sales of the Contour® line of blood glucose meters (Fx adj. +4.6%), which also benefited in Europe – particularly Germany – from the introduction of new products. This more than offset the drop in sales in North America. Buoyed by growth in the equipment service sector in North America, our medical devices business saw a further increase in sales to €111 million (Fx adj. +7.9%).

Sales of the **Animal Health** Division rose by 13.6% to €259 million (Q1 2009: €228 million). After adjusting for currency effects, the increase came to 12.9%. Growth was mainly attributable to higher sales in the North America region. Sales also advanced in the Europe and Asia/Pacific regions, driven by the Advantage® line of flea, tick and worm control products (Fx adj. +14.6%). The growth in sales of Advantage® resulted mainly from the first-time use of a new distribution channel in the United States. The positive sales trend for the broad-spectrum antibiotic Baytril® (Fx adj. +9.6%) was primarily due to higher demand in the United States resulting from a weather-related increase in susceptibility to infection.

EBITDA before special items of the **Consumer Health** segment grew by a substantial 20.5% to €282 million (Q1 2009: €234 million). This increase resulted from the positive sales performance, especially in the Animal Health and Consumer Care divisions. As in the first quarter of 2009, there were no special items. **EBIT** grew by 28.8% to €219 million (Q1 2009: €170 million).

5.2 CropScience

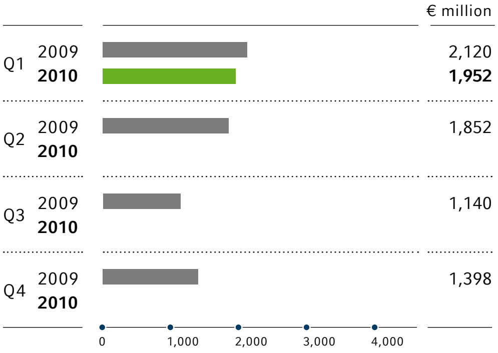
Key Data – CropScience [Table 7]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**2,120**	**1,952**	**–7.9**
Change in sales			
Volume	+3.4%	–9.9%	
Price	+4.0%	–0.1%	
Currency	–0.2%	+2.0%	
Portfolio	0.0%	+0.1%	
Sales by segment			
Crop Protection	1,734	1,476	–14.9
Environmental Science, BioScience	386	476	+23.3
Sales by region			
Europe	1,041	918	–11.8
North America	576	527	–8.5
Asia/Pacific	239	240	+0.4
Latin America/Africa/Middle East	264	267	+1.1
EBITDA*	**733**	**511**	**–30.3**
Special items	*(4)*	*(48)*	
EBITDA before special items*	***737***	***559***	***–24.2***
EBITDA margin before special items*	34.8%	28.6%	
EBIT*	**609**	**388**	**–36.3**
Special items	*(8)*	*(48)*	
EBIT before special items*	***617***	***436***	***–29.3***
Gross cash flow**	**550**	**363**	**–34.0**
Net cash flow**	**(421)**	**(265)**	**+37.1**

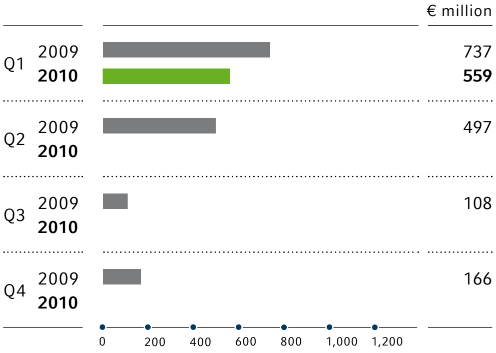
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of **CropScience** came in at €1,952 million in the first quarter of 2010 (Q1 2009: €2,120 million), down 7.9% against the prior-year period. Business receded by 10.0% on a currency- and portfolio-adjusted basis. This was due above all to the unfavorable weather conditions in a number of important growing regions and high product inventories in the distribution channels. In addition, there was a decline in prices for major agricultural commodities such as wheat and corn. On the other hand, the market environment for high-quality seed was relatively favorable, leading to a further increase in demand. Overall, business got off to a weak start but picked up again significantly toward the end of the quarter.

CropScience
Quarterly Sales [Graphic 8]



CropScience
Quarterly EBITDA Before Special Items [Graphic 9]



EBITDA before special items was down by 24.2% to €559 million (Q1 2009: €737 million). This was mainly due to the weak business development in Crop Protection, higher production and idle capacity costs, and increased research expenses, particularly at BioScience. **EBIT** before special items fell by 29.3% to €436 million (Q1 2009: €617 million). Special charges totaling €48 million were incurred in connection with litigations concerning genetically modified rice in the United States. EBIT shrank by 36.3% to €388 million (Q1 2009: €609 million).

Best-Selling CropScience Products* [Table 8]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	163	138	−15.3	−15.2
Atlantis® (Herbicides)	131	91	−30.5	−31.4
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	105	90	−14.3	−12.8
Proline®/Input®/Prosaro® (Fungicides)	107	80	−25.2	−27.4
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	109	71	−34.9	−39.7
Folicur®/Raxil® (Fungicides/Seed Treatment)	75	62	−17.3	−20.5
Fandango® (Fungicides)	44	57	+29.5	+26.6
Decis®/K-Othrine® (Insecticides/Environmental Science)	39	48	+23.1	+16.7
Hussar® (Herbicides)	56	47	−16.1	−19.8
Biscaya®/Calypso® (Insecticides)	34	44	+29.4	+27.4
Total	**863**	**728**	**−15.6**	**−17.5**
Proportion of CropScience sales	41%	37%		

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

Crop Protection

Key Data – Crop Protection [Table 9]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,734**	**1,476**	**−14.9**
Herbicides	739	603	−18.4
Fungicides	509	417	−18.1
Insecticides	290	296	+2.1
Seed Treatment	196	160	−18.4
Sales by region			
Europe	911	779	−14.5
North America	378	267	−29.4
Asia/Pacific	207	203	−1.9
Latin America/Africa/Middle East	238	227	−4.6
EBITDA*	**607**	**380**	**−37.4**
Special items	*(4)*	*0*	
EBITDA before special items*	***611***	***380***	***−37.8***
EBITDA margin before special items*	35.2%	25.7%	
EBIT*	**500**	**276**	**−44.8**
Special items	*(6)*	*0*	
EBIT before special items*	***506***	***276***	***−45.5***
Gross cash flow**	**458**	**266**	**−41.9**
Net cash flow**	**(359)**	**(258)**	**+28.1**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

In the **Crop Protection** segment, **sales** in the first quarter of 2010 came in 14.9% below the prior-year period at €1,476 million (Q1 2009: €1,734 million). Adjusted for currency effects, sales dropped by 16.4%. Business with herbicides, fungicides and seed treatment products was considerably weaker than in the first quarter of 2009, mainly as a result of the long winter in the northern hemisphere. Sales of insecticides, however, moved slightly higher.

In the **Europe** region, sales fell by 14.5% to €779 million (Q1 2009: €911 million). On a currency-adjusted basis, business shrank by 15.9%. A delayed start to the spring season following the long winter in Europe initially hampered business at the beginning of the year. While sales in France were significantly below the high prior-year level for market-related reasons, business in Germany matched the strong level of the first quarter of 2009. Sales were down considerably for herbicides, fungicides and seed treatment products, while business with insecticides expanded.

Crop Protection sales in **North America** dropped by 29.4% to €267 million (Q1 2009: €378 million). On a currency-adjusted basis the decrease came to 30.3%. The market as a whole was heavily impacted by the cold weather, which delayed sowing, and by the drought in Canada. In addition, market development was unfavorable as a result of lower prices for corn and wheat and high inventories in the distribution channels. We also considerably reduced prices for our canola herbicide Liberty® in Canada and our herbicide Ignite® in the United States, although there was a corresponding increase in the price of our canola seed. Sales of herbicides and fungicides fell substantially for the reasons mentioned, while business with insecticides developed well. Sales in the Seed Treatment business unit almost matched the level of the prior-year period.

Sales in the **Asia / Pacific** region were down by 1.9% to €203 million (Q1 2009: €207 million). After adjusting for currency effects, sales declined by 6.3%. Business got off to a slow start due to the exceptional weather conditions at the beginning of the year and to high inventory levels, but picked up again significantly toward the end of the quarter. The economic recovery in numerous countries of the Asia/Pacific region had a positive effect. Sales, especially of herbicides, rose in Australia, and business also increased in Southeast Asia. The adverse weather conditions in China had a negative effect.

Sales in the **Latin America/Africa/Middle East** region came in at €227 million, down 4.6% from €238 million in the prior-year period. Adjusted for currency effects, business was down by 5.0%. This was chiefly attributable to lower sales in Brazil, which were largely due to higher inventories in the distribution channels. By contrast, business trended positively in Argentina due to insect and disease infestation pressure. Sales in Africa and the Middle East were distinctly ahead of the prior-year period, mainly on account of the upward business trend in Turkey.

EBITDA before special items in the **Crop Protection** segment moved back 37.8% to €380 million (Q1 2009: €611 million), mainly as a result of the weak business performance caused by a significant reduction in volumes and by low prices. Earnings were also held back particularly by increased production and idle capacity costs and by shifts in the product mix. **EBIT** before special items fell by 45.5% to €276 million (Q1 2009: €506 million). There were no special items in the Crop Protection segment in the first quarter of 2010 (Q1 2009: special charges of €6 million). EBIT dropped by 44.8% year on year.

Environmental Science, BioScience

Key Data – Environmental Science, BioScience [Table 10]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**386**	**476**	**+23.3**
Environmental Science	164	170	+3.7
BioScience	222	306	+37.8
Sales by region			
Europe	130	139	+6.9
North America	198	260	+31.3
Asia/Pacific	32	37	+15.6
Latin America/Africa/Middle East	26	40	+53.8
EBITDA*	**126**	**131**	**+4.0**
Special items	*0*	*(48)*	
EBITDA before special items*	***126***	***179***	***+42.1***
EBITDA margin before special items*	32.6%	37.6%	
EBIT*	**109**	**112**	**+2.8**
Special items	*(2)*	*(48)*	
EBIT before special items*	***111***	***160***	***+44.1***
Gross cash flow**	**92**	**97**	**+5.4**
Net cash flow**	**(62)**	**(7)**	**+88.7**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales in the **Environmental Science, BioScience** segment posted a 23.3% increase in the first quarter of 2010, to €476 million (Q1 2009: €386 million). After adjusting for currency and portfolio effects, business was up by 18.6%.

Sales of the **Environmental Science** business unit rose by 3.7% to €170 million (Q1 2009: €164 million). The currency-adjusted increase was 3.9%. Business with products for private consumers advanced by 10.3% (Fx adj.), driven mainly by a very good performance in the United States as well as by increases in Europe. By contrast, sales of products for professional users receded in both these regions and were slightly below the prior-year period overall.

Sales of the **BioScience** business unit climbed by 37.8% to €306 million (Q1 2009: €222 million). When adjusted for currency and portfolio effects, sales grew by 29.4%. This growth was due primarily to markedly higher sales in cotton, canola and vegetables, which in turn were the result of positive market development. For cotton we registered considerable gains in North America, Latin America and Europe, due partly to an early start to the season. While canola revenues benefited particularly from the seed price increases we achieved in Canada, prices for our canola herbicide dropped at the same time. The vegetable seed business – especially onions and leeks – showed a positive trend.

EBITDA before special items in the **Environmental Science, BioScience** segment advanced by 42.1% to €179 million (Q1 2009: €126 million). Earnings of the Environmental Science business unit edged forward against the prior-year period, while the BioScience unit achieved significant gains, mainly because of the positive trend for canola and cotton. **EBIT** before special items climbed by 44.1% to €160 million (Q1 2009: €111 million). After special charges in connection with litigations concerning genetically modified rice in the United States, EBIT came to €112 million (+2.8%).

5.3 MaterialScience

Key Data – MaterialScience [Table 11]

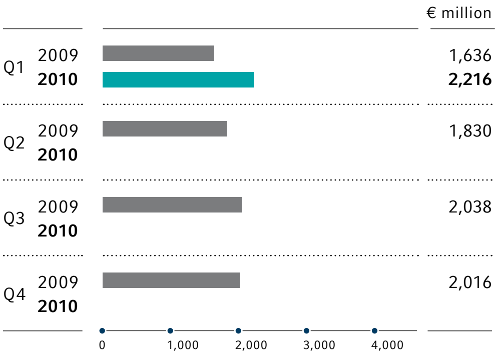
	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,636**	**2,216**	**+35.5**
Change in sales			
Volume	−33.5%	+41.2%	
Price	−4.9%	−3.3%	
Currency	+3.0%	−2.4%	
Portfolio	+0.5%	0.0%	
Sales by business unit			
Polyurethanes	844	1,106	+31.0
Polycarbonates	374	575	+53.7
Coatings, Adhesives, Specialties	276	413	+49.6
Industrial Operations	142	122	−14.1
Sales by region			
Europe	681	878	+28.9
North America	374	436	+16.6
Asia/Pacific	372	617	+65.9
Latin America/Africa/Middle East	209	285	+36.4
EBITDA*	**(128)**	**287**	**.**
Special items	*(12)*	*0*	
EBITDA before special items*	***(116)***	***287***	**.**
EBITDA margin before special items*	(7.1)%	13.0%	
EBIT*	**(281)**	**146**	**.**
Special items	*(18)*	*0*	
EBIT before special items*	***(263)***	***146***	**.**
Gross cash flow**	**(60)**	**229**	**.**
Net cash flow**	**207**	**16**	**−92.3**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

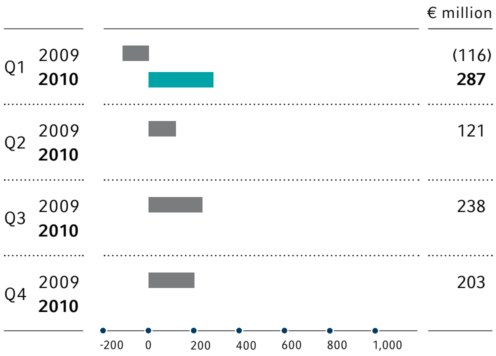
MaterialScience got off to a successful start in 2010. **Sales** of this subgroup came in at €2,216 million in the first quarter of 2010, up 35.5% (Fx adj. 37.9%) from the very weak prior-year quarter (€1,636 million), in which business was weighed down by the global financial and economic crisis. MaterialScience also achieved further gains compared to the fourth quarter of 2009 (+9.9%), with higher volumes and increased prices in all business units.

The growth in sales against the first quarter of 2009 was attributable to significant increases in demand from our principal customer industries. The greatest relative increase in demand came from the automotive industry. Volumes moved distinctly higher overall in all product groups. The growth engine was once again the Asia/Pacific region, where we also succeeded in implementing price increases. Volumes also rose appreciably in the Europe and North America regions, which last year were the hardest hit by the economic crisis.

MaterialScience
Quarterly Sales [Graphic 10]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 11]



Sales of the **Polyurethanes** business unit rose by a gratifying 31.0% (Fx adj. +33.4%) to €1,106 million (Q1 2009: €844 million). Sales of all polyurethane product groups (diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether) increased by double-digit percentages, with all product groups posting significantly higher volumes in nearly every sales region. However, the price increases achieved mainly in the Asia/Pacific region did not fully offset the price declines in North and Latin America.

The **Polycarbonates** business unit saw sales rise by a substantial 53.7% year on year (Fx adj. +56.9%), from €374 million in the prior-year period to €575 million in the first three months of this year. Here as well, both product groups (granules and polycarbonate sheet/semi-finished products) benefited from higher demand in all regions, posting substantial volume increases. Selling prices also rose overall. Here we more than offset the slight price declines in Europe, North America and Latin America with selling price increases in the Asia/Pacific region.

The business situation also improved considerably in the **Coatings, Adhesives, Specialties** business unit. Sales rose by 49.6% (Fx adj. +52.6%) to €413 million (Q1 2009: €276 million). Selling prices fell slightly, but all product groups considerably increased their sales worldwide on account of higher volumes.

Sales of the **Industrial Operations** business unit moved back 14.1% (Fx adj. -13.6%) to €122 million (Q1 2009: €142 million). Although volumes increased in both the relevant sales regions (Europe and North America) due to higher demand, selling prices fell significantly against the above-average levels of the prior-year quarter. This was mainly the result of lower prices for sodium hydroxide solution in North America compared with the very high level of the previous year.

The gratifying recovery in business also had a positive impact on earnings. **EBITDA** before special items of **MaterialScience** improved markedly in the first quarter of 2010 to €287 million (Q1 2009: minus €116 million), thanks mainly to considerably higher volumes and the related increase in capacity utilization at our production facilities. On the raw materials side, market prices began to rise again due to the global recovery in demand following the economic and financial crisis. However, raw material costs eased somewhat compared with the prior-year quarter. Here it should be kept in mind that in the first quarter of 2009 we were still selling products manufactured with higher-priced raw materials. Lower energy prices and savings resulting from our restructuring measures also made positive contributions to earnings. **EBIT** before special items came in at €146 million (Q1 2009: minus €263 million). There were no special items in 2010, while earnings for the prior-year period were diminished by special charges of €18 million. EBIT came in at €146 million (Q1 2009: minus €281 million).

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.
	€ million	€ million	%	%	€ million	€ million	%	%
HealthCare	**1,572**	**1,523**	**−3.1**	**−4.2**	**1,104**	**1,134**	**+2.7**	**+6.9**
Pharmaceuticals	1,035	981	−5.2	−6.2	703	687	−2.3	+1.5
Consumer Health	537	542	+0.9	−0.2	401	447	+11.5	+16.4
CropScience	**1,041**	**918**	**−11.8**	**−13.2**	**576**	**527**	**−8.5**	**−11.2**
Crop Protection	911	779	−14.5	−15.9	378	267	−29.4	−30.3
Environmental Science, BioScience	130	139	+6.9	+6.3	198	260	+31.3	+25.5
MaterialScience	**681**	**878**	**+28.9**	**+29.0**	**374**	**436**	**+16.6**	**+22.3**
Group (incl. reconciliation)	**3,563**	**3,567**	**+0.1**	**−0.8**	**2,057**	**2,098**	**+2.0**	**+4.6**

yoy = year on year; Fx adj. = currency-adjusted

6. 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 – comprising 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 fell by 6.4% in the first quarter of 2010 to €644 million (Q1 2009: €688 million), comprising €352 million (Q1 2009: €378 million) in amortization and write-downs of intangible assets and €292 million (Q1 2009: €310 million) in depreciation and write-downs of property, plant and equipment. The €3 million in included write-downs did not constitute special items.

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Group			
	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.
	€ million	€ million	%	%	€ million	€ million	%	%	€ million	€ million	%	%
	635	**667**	**+5.0**	**+3.9**	**532**	**545**	**+2.4**	**+2.9**	**3,843**	**3,869**	**+0.7**	**+1.3**
	510	527	+3.3	+3.5	339	336	−0.9	−0.3	2,587	2,531	−2.2	−1.4
	125	140	+12.0	+5.3	193	209	+8.3	+8.5	1,256	1,338	+6.5	+7.0
	239	**240**	**+0.4**	**−3.4**	**264**	**267**	**+1.1**	**−0.5**	**2,120**	**1,952**	**−7.9**	**−9.9**
	207	203	−1.9	−6.3	238	227	−4.6	−5.0	1,734	1,476	−14.9	−16.4
	32	37	+15.6	+15.8	26	40	+53.8	+40.7	386	476	+23.3	+19.2
	372	**617**	**+65.9**	**+72.6**	**209**	**285**	**+36.4**	**+33.4**	**1,636**	**2,216**	**+35.5**	**+37.9**
	1,256	**1,539**	**+22.5**	**+23.2**	**1,019**	**1,112**	**+9.1**	**+8.4**	**7,895**	**8,316**	**+5.3**	**+5.6**

Special Items Reconciliation

[Table 13]

	EBIT* 1st Quarter 2009	EBIT* 1st Quarter 2010	EBITDA** 1st Quarter 2009	EBITDA** 1st Quarter 2010
	€ million	€ million	€ million	€ million
After special items	**973**	**1,197**	**1,661**	**1,841**
HealthCare	**18**	**29**	**18**	**29**
Schering integration	18	0	18	0
Litigations	0	29	0	29
CropScience	**8**	**48**	**4**	**48**
Restructuring	8	0	4	0
Litigations	0	48	0	48
MaterialScience	**18**	**0**	**12**	**0**
Restructuring	18	0	12	0
Total special items	**44**	**77**	**34**	**77**
Before special items	**1,017**	**1,274**	**1,695**	**1,918**

* EBIT as per income statements
** EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment.

7. 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 after elimination of the amortization of intangible assets, asset write-downs (including any impairment losses), and special items in EBITDA including the related tax effects.

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. For the first quarter of 2010, core earnings per share amounted to €1.20 (Q1 2009: €0.91).

Calculation of Core EBIT and Core Earnings Per Share [Table 14]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
EBIT as per income statements	**973**	**1,197**
Amortization and write-downs of intangible assets	378	352
Write-downs of property, plant and equipment	13	1
Special items (other than write-downs)	34	77
Core EBIT	**1,398**	**1,627**
Non-operating result (as per income statements)	(334)	(244)
Income taxes (as per income statements)	(215)	(259)
Tax adjustment	(127)	(129)
Income after taxes attributable to non-controlling interest (as per income statements)	1	(1)
Core net income	**723**	**994**
Financing expenses for the mandatory convertible bond, net of tax effects	28	0
Adjusted core net income	**751**	**994**
	Shares	Shares
Weighted average number of issued ordinary shares	**764,343,660**	**826,947,808**
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,039,083	0
Adjusted weighted average total number of issued and potential ordinary shares	**824,382,743**	**826,947,808**
Core earnings per share (€)	**0.91**	**1.20**

The calculation of earnings per share in accordance with IFRS is explained in the Notes to the Condensed Consolidated Interim Financial Statements on page 37. The (adjusted) core net income, core earnings per share and core EBIT are not defined in the IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Gross cash flow*	**1,209**	**1,271**
Changes in working capital/other non-cash items	(516)	(539)
Net cash provided by (used in) operating activities (net cash flow)	**693**	**732**
Net cash provided by (used in) investing activities	**(78)**	**(302)**
Net cash provided by (used in) financing activities	**1,652**	**(126)**
Change in cash and cash equivalents due to business activities	**2,267**	**304**
Cash and cash equivalents at beginning of period	**2,094**	**2,725**
Change due to exchange rate movements and to changes in scope of consolidation	4	12
Cash and cash equivalents at end of period	**4,365**	**3,041**

* Gross cash flow = income after taxes, plus income taxes, plus 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 in the first quarter of 2010 rose by 5.1% from the previous year to €1,271 million (Q1 2009: €1,209 million), largely because of the improvement in the operating result. Gross cash flow of HealthCare showed a slight decline. At CropScience, the drop in the operating result caused gross cash flow to recede significantly. MaterialScience saw a marked improvement in gross cash flow due to the gratifying expansion of business. Net cash flow of the Group rose by 5.6% to €732 million (Q1 2009: €693 million). Net cash flow reflected income tax payments of €174 million (Q1 2009: €19 million).

Investing cash flow

Net cash outflow for investing activities in the first three months of 2010 totaled €302 million (Q1 2009: €78 million). Cash outflows for property, plant and equipment and intangible assets were 20.7% lower at €230 million (Q1 2009: €290 million). Of this figure, HealthCare accounted for €69 million (Q1 2009: €62 million), CropScience for €38 million (Q1 2009: €76 million) and MaterialScience for €106 million (Q1 2009: €106 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. Outflows for acquisitions amounted to €17 million (Q1 2009: €0 million) and comprised mainly the purchase by MaterialScience of Artificial Muscle Inc., United States, in March 2010. Cash outflows for noncurrent financial assets amounted to €110 million (Q1 2009: inflows of €137 million). Among the cash inflow items in the first quarter of 2010 was €32 million (Q1 2009: €64 million) in interest and dividends received.

Financing cash flow

Net cash outflow for financing activities in the first quarter of 2010 amounted to €126 million (Q1 2009: inflow of €1,652 million). This total contained net loan repayments of €30 million (Q1 2009: net borrowings of €1,825 million). Interest payments were 43.2% lower at €96 million (Q1 2009: €169 million).

Liquid assets and net financial debt

Net Financial Debt [Table 16]

	Dec. 31, 2009	March 31, 2010
	€ million	€ million
Bonds and notes	8,301	8,405
of which hybrid bond	1,267	1,297
Liabilities to banks	3,251	3,322
Liabilities under finance leases	550	572
Liabilities from derivatives	578	789
Other financial liabilities	178	188
Positive fair values of hedges of recorded transactions	(426)	(548)
Financial debt	**12,432**	**12,728**
Cash and cash equivalents	(2,725)	(3,041)
Current financial assets	(16)	(25)
Net financial debt	**9,691**	**9,662**

Despite the usual seasonal first-quarter expansion of business and negative currency effects, net financial debt of the Bayer Group on March 31, 2010, remained level with the end of 2009 at €9.7 billion. As of March 31, 2010 the Bayer Group held cash and cash equivalents of €3.0 billion. Financial liabilities amounted to €12.7 billion, including the €1.3 billion subordinated hybrid bond issued in July 2005. 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. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators. Our noncurrent financial liabilities dropped from €11.5 billion to €10.7 billion during the first quarter of 2010. At the same time, current financial liabilities increased from €1.5 billion to €2.7 billion. This was due largely to the reclassification of the €0.9 billion syndicated loan raised in 2006 in connection with the acquisition of Schering, Berlin, Germany, which matures in March 2011.

Net pension liability

Net Pension Liability [Table 17]

	Dec. 31, 2009	March 31, 2010
	€ million	€ million
Provisions for pensions and other post-employment benefits	6,517	7,051
Benefit plan assets in excess of obligation	(100)	(105)
Net pension liability	**6,417**	**6,946**

The net pension liability increased from €6.4 billion to €6.9 billion in the first quarter of 2010, due especially to lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €6.5 billion to €7.1 billion. The excess of benefit plan assets over the obligation – reflected in other receivables in the statement of financial position – came to €0.1 billion (December 31, 2009: €0.1 billion).

9. Employees

On March 31, 2010, the Bayer Group employed 107,800 people worldwide, compared with 108,700 twelve months earlier. The number of employees thus remained practically constant (-0.8%). In Germany we had 36,400 employees (March 31, 2009: 36,800), who made up 33.8% of the Group workforce.

HealthCare employed 53,200 people (Q1 2009: 53,700). CropScience had 18,700 employees (Q1 2009: 18,400), while MaterialScience had 14,200 (Q1 2009: 14,800). The remaining 21,700 (Q1 2009: 21,800) employees worked mainly for the service companies.

Personnel expenses rose by 6.6% in the first quarter of 2010 to €2,015 million (Q1 2009: €1,891 million). This increase was largely attributable to higher provisions for variable employee remuneration and regular salary increases.

10. 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 2009.

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 2009 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 38 under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2009 on pages 118–127 and 241–247. The Bayer Annual Report 2009 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.

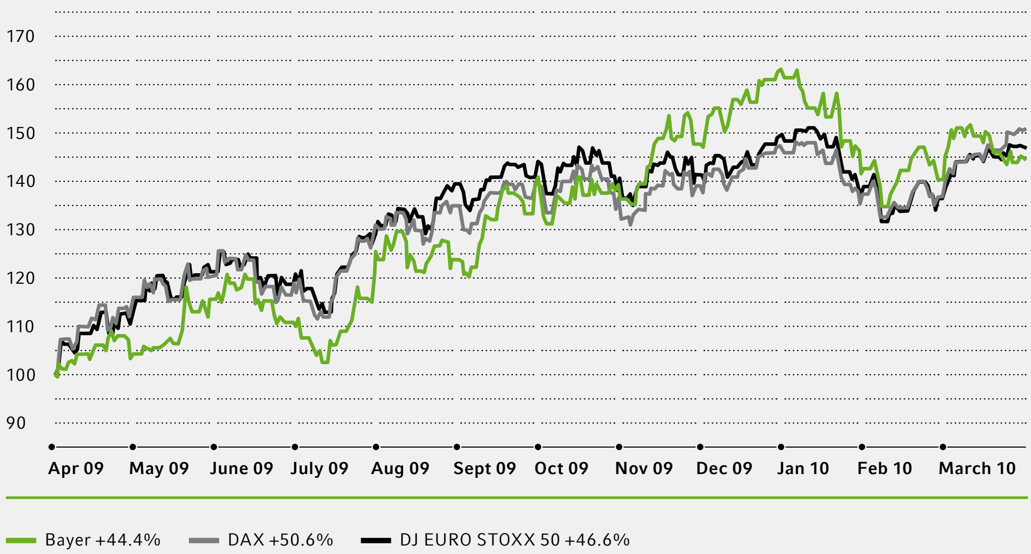
11. Events After the Reporting Period

Since April 1, 2010, 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 [Graphic 12]

indexed; 100 = Xetra closing price on March 31, 2010; Source: Bloomberg



Following a sharp increase in the price of Bayer shares in the fourth quarter of 2009, the company's stock entered a phase of consolidation in the first quarter of 2010. The price ranged from €56.40 in early January to €46.82 in February. Bayer shares closed at €50.08 on March 31, down 10.5% on the quarter.

Capital market trends were heterogeneous over this period. While the DAX gained 3.3% in the first quarter, closing at 6,154 points, the European reference index EURO STOXX 50 (performance index) fell by 1.0% since the beginning of the year, closing the quarter at 4,653 points.

Bayer Stock Key Data [Table 18]

		1st Quarter 2009	1st Quarter 2010	Full Year 2009	
High for the period	€	44.29	56.40	56.45	
Low for the period	€	32.69	46.82	32.69	
Average daily trading volume	million	5.1	3.4	4.3	
		March 31, 2009	**March 31, 2010**	**Dec. 31, 2009**	**Change March 31, 2010/ Dec. 31, 2009 %**
Share price	€	36.00	50.08	55.96	–10.5
Market capitalization	€ million	27,516	41,414	46,276	–10.5
Equity as per statements of financial position	€ million	17,094	19,621	18,951	+3.5
Shares entitled to the dividend	million	764.34	826.95	826.95	0.0
DAX		4,085	6,154	5,957	+3.3

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2010

Bayer Group Consolidated Income Statements

[Table 19]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Net sales	**7,895**	**8,316**
Cost of goods sold	(3,786)	(3,910)
Gross profit	**4,109**	**4,406**
Selling expenses	(1,960)	(1,966)
Research and development expenses	(657)	(717)
General administration expenses	(402)	(405)
Other operating income	134	34
Other operating expenses	(251)	(155)
Operating result [EBIT]	**973**	**1,197**
Equity-method loss	(13)	(20)
Non-operating income	283	155
Non-operating expenses	(604)	(379)
Non-operating result	**(334)**	**(244)**
Income before income taxes	**639**	**953**
Income taxes	(215)	(259)
Income after taxes	**424**	**694**
of which attributable to non-controlling interest	(1)	1
of which attributable to Bayer AG stockholders (net income)	**425**	**693**
	€	€
Earnings per share		
Basic*	0.55	0.84
Diluted*	0.55	0.84

* The ordinary shares that resulted from conversion of the mandatory convertible bond were treated as already issued shares following the issuance of the bond.

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	**424**	**694**
of which attributable to non-controlling interest	*(1)*	*1*
of which attributable to Bayer AG stockholders	*425*	*693*
Changes in fair values of derivatives designated as cash flow hedges	(108)	(155)
Recognized in profit or loss	27	(4)
Income taxes	24	50
Changes recognized outside profit or loss (cash flow hedges)	**(57)**	**(109)**
Changes in fair values of available-for-sale financial assets	(3)	1
Recognized in profit or loss	0	0
Income taxes	2	(1)
Changes recognized outside profit or loss (available-for-sale financial assets)	**(1)**	**0**
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	244	(507)
Income taxes	(93)	111
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)	**151**	**(396)**
Exchange differences on translation of operations outside the euro zone	241	471
Recognized in profit or loss	0	0
Changes recognized outside profit or loss (exchange differences)	**241**	**471**
Changes in revaluation surplus (IFRS 3)	**(1)**	**0**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**0**	**10**
Effects of changes in scope of consolidation	**0**	**0**
Total changes recognized outside profit or loss	**333**	**(24)**
of which attributable to non-controlling interest	*2*	*4*
of which attributable to Bayer AG stockholders	*331*	*(28)*
Total comprehensive income	**757**	**670**
of which attributable to non-controlling interest	*1*	*5*
of which attributable to Bayer AG stockholders	*756*	*665*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	March 31, 2009	March 31, 2010	Dec. 31, 2009
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,649	8,906	8,704
Other intangible assets	13,520	12,684	12,842
Property, plant and equipment	9,596	9,634	9,409
Investments accounted for using the equity method	456	388	395
Other financial assets	1,374	1,373	1,200
Other receivables	425	537	549
Deferred taxes	1,212	1,212	950
	35,232	**34,734**	**34,049**
Current assets			
Inventories	6,630	6,533	6,091
Trade accounts receivable	6,719	7,302	6,106
Other financial assets	423	240	367
Other receivables	1,110	1,333	1,357
Claims for income tax refunds	310	291	347
Cash and cash equivalents	4,365	3,041	2,725
Assets held for sale and discontinued operations	302	0	0
	19,859	**18,740**	**16,993**
Total assets	**55,091**	**53,474**	**51,042**
Equity			
Capital stock of Bayer AG	1,957	2,117	2,117
Capital reserves of Bayer AG	4,028	6,167	6,167
Other reserves	11,034	11,278	10,613
Equity attributable to Bayer AG stockholders	**17,019**	**19,562**	**18,897**
Equity attributable to non-controlling interest	75	59	54
	17,094	**19,621**	**18,951**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,094	7,051	6,517
Other provisions	1,250	1,471	1,516
Financial liabilities	12,736	10,675	11,460
Other liabilities	332	417	415
Deferred taxes	3,576	3,120	3,210
	23,988	**22,734**	**23,118**
Current liabilities			
Other provisions	3,538	3,779	3,089
Financial liabilities	6,287	2,680	1,489
Trade accounts payable	2,045	2,876	2,735
Income tax liabilities	113	74	93
Other liabilities	2,026	1,710	1,567
	14,009	**11,119**	**8,973**
Total equity and liabilities	**55,091**	**53,474**	**51,042**

2009 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	424	694
Income taxes	215	259
Non-operating result	334	244
Income taxes paid or accrued	(332)	(419)
Depreciation and amortization	688	644
Change in pension provisions	(117)	(145)
(Gains) losses on retirements of noncurrent assets	(3)	(6)
Gross cash flow	**1,209**	**1,271**
Decrease (increase) in inventories	118	(212)
Decrease (increase) in trade accounts receivable	(672)	(1,120)
(Decrease) increase in trade accounts payable	(463)	199
Changes in other working capital, other non-cash items	501	594
Net cash provided by (used in) operating activities (net cash flow)	**693**	**732**
Cash outflows for additions to property, plant, equipment and intangible assets	(290)	(230)
Cash inflows from sales of property, plant, equipment and other assets	15	13
Cash inflows from (outflows for) divestitures	0	17
Cash inflows from (outflows for) noncurrent financial assets	137	(110)
Cash outflows for acquisitions less acquired cash	0	(17)
Interest and dividends received	64	32
Cash inflows from (outflows for) current financial assets	(4)	(7)
Net cash provided by (used in) investing activities	**(78)**	**(302)**
Capital contributions	0	0
Dividend payments and withholding tax on dividends	(4)	0
Issuances of debt	2,361	117
Retirements of debt	(536)	(147)
Interest paid	(169)	(96)
Net cash provided by (used in) financing activities	**1,652**	**(126)**
Change in cash and cash equivalents due to business activities	**2,267**	**304**
Cash and cash equivalents at beginning of period	**2,094**	**2,725**
Change in cash and cash equivalents due to changes in scope of consolidation	2	0
Change in cash and cash equivalents due to exchange rate movements	2	12
Cash and cash equivalents at end of period	**4,365**	**3,041**

2009 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2008	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital increase/decrease						
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**
Dec. 31, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes						
Total comprehensive income**			665	665	5	670
March 31, 2010	**2,117**	**6,167**	**11,278**	**19,562**	**59**	**19,621**

* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2010

Key Data by Segment and Region

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external)	2,587	2,531	1,256	1,338
Change	+4.8%	−2.2%	−0.5%	+6.5%
Currency-adjusted change	+1.7%	−1.4%	−1.6%	+7.0%
Intersegment sales	20	17	3	3
Net sales	2,607	2,548	1,259	1,341
Operating result [EBIT]	505	497	170	219
EBIT before special items	523	526	170	219
EBITDA before special items	827	797	234	282
Gross cash flow*	565	512	180	207
Net cash flow*	512	592	187	150
Depreciation, amortization and write-downs	304	271	64	63
Number of employees (as of March 31)**	36,700	36,100	17,000	17,100

* For definition see chapter 8 "Financial Position of the Bayer Group."
** Number of employees in full-time equivalents

Key Data by Region

	Europe		North America	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,563	3,567	2,057	2,098
Change	−12.5%	+0.1%	+1.5%	+2.0%
Currency-adjusted change	−10.1%	−0.8%	−7.8%	+4.6%
Net sales (external) – by point of origin	3,833	3,890	2,046	2,096
Change	−12.7%	+1.5%	+0.6%	+2.4%
Currency-adjusted change	−10.6%	+0.7%	−8.8%	+5.2%
Interregional sales	1,765	1,803	567	750
Operating result [EBIT]	687	868	264	158
Number of employees (as of March 31)*	54,700	54,000	16,800	16,200

* Number of employees in full-time equivalents

[Table 24]

	CropScience				MaterialScience		Reconciliation					
	Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,734	1,476	386	476	1,636	2,216	292	275	4	4	7,895	8,316
	+6.9%	−14.9%	+8.4%	+23.3%	−34.9%	+35.5%	−6.1%	−5.8%			−7.5%	+5.3%
	+7.0%	−16.4%	+9.0%	+19.2%	−37.9%	+37.9%	−6.2%	−6.2%			−9.4%	+5.6%
	8	6	2	1	5	6	393	411	(431)	(444)		
	1,742	1,482	388	477	1,641	2,222	685	686	(427)	(440)	7,895	8,316
	500	276	109	112	(281)	146	18	(1)	(48)	(52)	973	1,197
	506	276	111	160	(263)	146	18	(1)	(48)	(52)	1,017	1,274
	611	380	126	179	(116)	287	47	30	(34)	(37)	1,695	1,918
	458	266	92	97	(60)	229	(3)	(16)	(23)	(24)	1,209	1,271
	(359)	(258)	(62)	(7)	207	16	(87)	(38)	295	277	693	732
	107	104	17	19	153	141	29	31	14	15	688	644
	15,100	15,200	3,300	3,500	14,800	14,200	21,200	21,100	600	600	108,700	107,800

[Table 25]

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Group	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,256	1,539	1,019	1,112			7,895	8,316
	−1.6%	+22.5%	−12.3%	+9.1%			−7.5%	+5.3%
	−10.6%	+23.2%	−8.3%	+8.4%			−9.4%	+5.6%
	1,179	1,467	837	863			7,895	8,316
	−2.3%	+24.4%	−7.3%	+3.1%			−7.5%	+5.3%
	−11.8%	+24.9%	−1.8%	+2.0%			−9.4%	+5.6%
	73	84	62	85	(2,467)	(2,722)		
	(12)	162	82	61	(48)	(52)	973	1,197
	21,300	21,900	15,900	15,700			108,700	107,800

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2010 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 2009 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:

Exchange Rates of Major Currencies [Table 26]

				Closing rate		Average rate
1 €/		Dec. 31, 2009	March 31, 2009	March 31, 2010	1st Quarter 2009	1st Quarter 2010
ARS	Argentina	5.47	4.94	5.22	4.62	5.31
BRL	Brazil	2.51	3.10	2.42	3.02	2.49
CAD	Canada	1.51	1.67	1.37	1.62	1.44
CHF	Switzerland	1.48	1.52	1.43	1.50	1.46
CNY	China	9.84	9.09	9.20	8.92	9.45
GBP	U.K.	0.89	0.93	0.89	0.91	0.89
JPY	Japan	133.16	131.17	125.93	122.08	125.59
MXN	Mexico	18.92	18.76	16.66	18.73	17.69
USD	United States	1.44	1.33	1.35	1.30	1.38

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

Discount Rates of Pension Obligations [Table 27]

	Dec. 31, 2009	March 31, 2009	Dec. 31, 2010
	%	%	%
Germany	5.5	6.2	5.0
U.K.	5.7	6.7	5.5
United States	5.8	7.3	5.9

Segment reporting

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

Reconciliation of Segment Result [Table 28]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Operating result of reporting segments	1,021	1,249
Operating result of Corporate Center	(48)	(52)
Operating result [EBIT]	**973**	**1,197**
Non-operating result	(334)	(244)
Income before income taxes	**639**	**953**

Changes in the Bayer Group

CHANGES IN THE SCOPE OF CONSOLIDATION

As of March 31, 2010, the Bayer Group comprised 292 fully or proportionately consolidated companies (December 31, 2009: 302 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

On March 9, 2010, MaterialScience acquired Artificial Muscle Inc., Sunnyvale, California, United States, for €21 million. Artificial Muscle Inc. is a technology leader in the field of electroactive polymers for the consumer electronics industry. The purchase price pertained mainly to patented technologies and goodwill.

No acquisitions were made in the first quarter of 2009.

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 were reflected in the statement of financial position as of March 31, 2009 in the item "Assets held for sale and discontinued operations." This agreement was implemented at the end of May 2009. In the first quarter of 2010 it led to a net cash inflow of €17 million, comprising the balance of revenue-based payments received from Genzyme Corp. and taxes paid.

Information on earnings per share

Earnings Per Share [Table 29]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	424	694
of which attributable to non-controlling interest	(1)	1
of which attributable to Bayer AG stockholders (net income)	425	693
Financing expenses for the mandatory convertible bond, net of tax effects	28	0
Adjusted net income	453	693
	Shares	Shares
Weighted average number of issued ordinary shares	764,343,660	826,947,808
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,039,083	0
Adjusted weighted average total number of issued and potential ordinary shares	824,382,743	826,947,808
	€	€
Basic earnings per share	0.55	0.84
Diluted earnings per share	0.55	0.84

The ordinary shares issued upon conversion of the mandatory convertible bond on June 1, 2009, were treated as already issued shares. Diluted earnings per share were therefore equal to basic earnings per share in the first quarter of 2009 as well.

Legal risks

To find out more about the Bayer Group's legal risks, please see pages 241 to 247 of the Bayer Annual Report 2009, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2009, the following significant changes have occurred in respect of the legal risks:

Trasylol® (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of April 21, 2010, there were approximately 1,500 lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries, including renal failure and death, and economic loss from the use of Trasylol®. Without admission of liability, Bayer has reached settlement agreements with about 60 plaintiffs as of April 13, 2010. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis, but will continue to defend itself vigorously against all claims that are not considered for settlement.

Yasmin®/YAZ®: The number of lawsuits pending in the United States and served upon Bayer has increased from about 1,100 as of February 15, 2010 to about 1,750 as of April 12, 2010. The number of Canadian class actions served upon Bayer has increased to eight. Plaintiffs allege to have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin®, YAZ® and/or Ocella, a generic version of Yasmin® distributed by Barr Laboratories, Inc. in the U.S. market.

Blood glucose monitoring devices: In 2005, Abbott Laboratories commenced a lawsuit in the United States against Bayer and another party alleging infringement of two of Abbott's patents relating to blood glucose monitoring devices. In 2008 the court decided in favor of Bayer with regard to both patents. In January 2010, the U.S. Court of Appeals for the Federal Circuit affirmed both decisions. In March 2010, Abbott filed a petition for rehearing. Bayer believes it has meritorious defenses and will continue to defend itself vigorously.

Kogenate®: In 2008, Novartis Vaccines and Diagnostics Inc. and Novo Nordisc A/S commenced a patent infringement suit in the United States alleging that Bayer's manufacturing and marketing of the recombinant Factor VIII product Kogenate® infringe a patent granted in 2006. In the second half of February 2010, the parties reached a settlement on mutually acceptable terms.

Proceedings involving genetically modified rice: As of March 9, 2010, Bayer was aware of a total of approximately 500 lawsuits, involving about 6,600 rice farmers and resellers, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. In development of the genetically modified rice, field testing was conducted in the United States in cooperation with third parties from 1998 to 2001. The genetically modified rice was never commercialized. In two trials in December 2009 and February 2010, two juries at the U.S. District Court in St. Louis, Missouri, found that Bayer should pay a total of approximately US$3.5 million in compensatory damages for losses sustained by five plaintiff farmers. The juries rejected the farmers´ claims for punitive damages. In a third trial in February 2010, a jury in an Arkansas state court found Bayer liable to one farmer for compensatory and punitive damages totaling approximately US$1 million. In a fourth trial in April 2010, a jury in an Arkansas state court found Bayer liable to 14 farmer entities for compensatory and punitive damages totaling approximately US$48 million. Bayer disagrees completely with the findings of liability and the awards of compensatory and punitive damages. Bayer will appeal the adverse findings. Additional trials have been scheduled for 2010, including two in the multidistrict litigation (MDL) and two in state courts in Arkansas. The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of these first trials do not allow any direct conclusions on the outcomes of the other cases. Bayer believes it has meritorious defenses in these actions and intends to continue to defend itself vigorously. With regard to the aforementioned decisions, Bayer has taken appropriate accounting measures.

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 26, 2010
Bayer Aktiengesellschaft

The Board of Management

Werner Wenning	Werner Baumann	Dr. Marijn Dekkers
Klaus Kühn	Dr. Wolfgang Plischke	Dr. Richard Pott

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CEO Werner Wenning at the Annual Stockholders' Meeting of Bayer AG:

"We plan to grow again"

- 2009 operationally a strong year in a difficult environment
- Bayer stock performance in 2009: plus 40 percent
- Dividend for 2009 remains unchanged at €1.40 per share
- Strong gains in sales and earnings in the first quarter of 2010
- Personnel changes on the Board of Management and the Supervisory Board

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2009 was operationally one of the most successful years for the Bayer Group in a difficult environment. "Today we are benefiting from the work we have done in recent years to align the enterprise toward innovation and growth and give it a competitive structure," said Werner Wenning, Chairman of the Board of Management, at the Annual Stockholders' Meeting in Cologne. The stockholders are to benefit from the company's success with a stable dividend of €1.40 per share. This corresponds to a total dividend payment of just under €1.2 billion. Bayer achieved strong sales and earnings gains in the first quarter of 2010 thanks to a marked recovery by MaterialScience. The company had raised its earnings forecast for 2010 the day before the meeting. "Bayer is a strong company, and we are confident about the future," said the Management Board Chairman.

Wenning began his address with a summary of recent business trends. The Bayer Group achieved strong gains in sales and earnings in the first quarter of 2010. "We plan to grow again this year," Wenning stressed. MaterialScience showed a marked recovery in an increasingly stable market environment, posting a larger-than-expected sales increase compared to the very weak prior-year quarter. While HealthCare posted a slight improvement in sales and earnings, the CropScience business weakened considerably compared to the record level of the prior-year period. This was primarily attributable to the delayed start to the season caused by the weather. Sales of the Bayer Group climbed by 5.3 percent in the first quarter, to €8.3 billion (Q1 2009: €7.9 billion). Adjusted for currency and portfolio effects, business was up by 6.2 percent. EBITDA before special items climbed by 13.2 percent to €1.9 billion (Q1 2009: €1.7 billion). Net income climbed by 63.1 percent to €0.7 billion (Q1 2009: €0.4 billion), while core earnings per share improved by 31.9 percent to €1.20 (Q1 2009: €0.91).

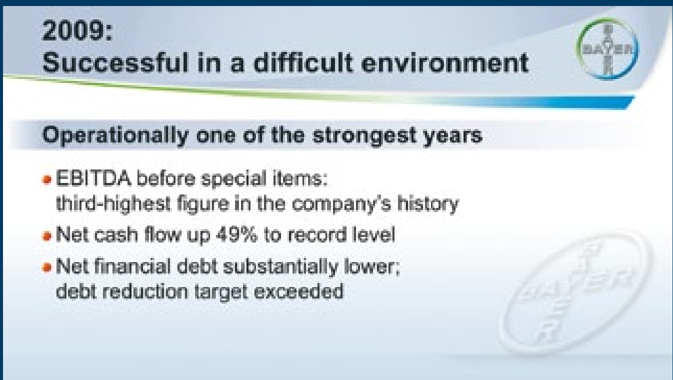
In his review of the past year, Wenning said 2009 had been dominated by the financial and economic crisis: "Sales and earnings declined last year despite our best efforts. Yet we were successful even in this difficult environment." The Bayer Group achieved the third-highest EBITDA before special items in its history, Wenning explained. In addition, net cash flow – to which Bayer had paid special attention – climbed by 49 percent to a new high. "One of our core objectives was to achieve a further significant reduction in net financial debt. We exceeded our target in this respect," the Bayer Chairman remarked. "These achievements are the result of the outstanding dedication displayed by our employees around the world," he stressed, before thanking Bayer's workforce for their hard work on behalf of the stockholders.

Group sales declined in 2009 by 5.3 percent to €31.2 billion (2008: €32.9 billion). The currency- and portfolio-adjusted (Fx & portfolio adj.) decrease was 5.7 percent. While sales of HealthCare and CropScience continued to grow to record levels, business at MaterialScience was down sharply due to the economy. EBITDA before special items of the Bayer Group was down 6.6 percent to €6.5 billion (2008: €6.9 billion). Currency effects diminished earnings by 2 percentage points, or approximately €140 million. "We thus practically achieved our ambitious goal of limiting the decline in earnings against the record 2008 level to about 5 percent," Wenning said. Net income declined to €1.4 billion (2008: €1.7 billion), and core earnings per share came in at €3.64 (2008: €4.17).

Once again, Bayer's approximately 108,000 employees worldwide are benefiting from last year's robust business performance. Over €460 million in variable bonus payments were made to the company's employees for 2009 under the Group-wide program alone. This figure is comparable to the amounts paid out in prior years.

Bayer stock performed strongly in 2009

Bayer's success was also reflected in the price of the company's shares. The performance came to 40 percent in 2009 alone, taking both the stock price and the dividend into account. Over the past five years – since 2005 – Bayer shares have appreciated by an average of 22 percent a year. In both periods the stock greatly outperformed the DAX and EURO STOXX 50 indices. At the end of 2009, Bayer was the third-largest company in the German stock index DAX, with a market capitalization of €46 billion. "That, too, is an all-time record for Bayer," Wenning commented.



Confident about future development

Bayer remains confident about the Group's development going forward. Wenning said this confidence is based on three aspects: the company's strategic alignment, its innovative capability and its corporate culture, which is imbued with the sustainability principle. He described further investment in the emerging economies as a strategic focus for the future, explaining that the so-called BRIC countries – Brazil, Russia, India and China – already account for nearly 14 percent of Group sales. "We will continue to target faster-than-average growth there in the future," said the Bayer CEO.

In addition to exploiting geographical growth markets, Bayer is also focusing on innovation, he stressed. Said Wenning: "Innovative capability is the deciding factor in the global arena." He described innovation as the only way to generate the growth that is essential for the lasting success of the company. He said the company is therefore investing more this year than ever before in research and development – the budget for 2010 is €2.9 billion.

Innovation not only contributes to the company's commercial success – it is also an integral part of Bayer's sustainable development efforts, Wenning said. "At the core of the sustainability principle is the need to align our current behavior so as not to restrict the options available to future generations," he explained. Wenning said Bayer contributes to this through its climate program, the reduction of greenhouse gas emissions, its efforts to achieve sustainable health care and its innovative solutions for increasing the supply of high-quality food. Another example in this context is Bayer's activities in the areas of education, science and social needs. For instance, the Bayer Science & Education Foundation supports innovative school projects in Germany that make science lessons more attractive to children. The company's social commitment comprises a total of 300 projects worldwide. Addressing the stockholders, the Bayer CEO said: "As you can see, sustainability forms an integral part of Bayer's corporate culture."

Criticism of government plans for health care reform

Wenning also raised the subject of the German government's plans for reforming the country's health care system. The Bayer CEO emphasized the need for a fundamental reform that will give Germany a viable health care system for the future, but pointed out that this can only be achieved by a market-based approach that allows greater competition on all levels. "Our common goal must be to continue ensuring a high standard of care and direct access by all patients to innovative pharmaceuticals," Wenning remarked.

Yet instead of acting to encourage competition and reduce the excessive amount of regulation, the coalition is focusing on short-term interventionist measures, he warned. "Such measures make companies less able

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to innovate and less willing to do so here in Germany – and this ultimately works to the disadvantage of patients," said the Bayer Chairman.

Wenning pointed out that life expectancy in Germany rose by five years between 1980 and 2005 – thanks in part to medical advances. Yet there is much more to be done, as only one third of all diseases today can be successfully treated with medicines, he explained. "The research-based pharmaceutical companies have the capability and the will to continue developing innovative medicines. "And I'm sure you agree with me that the politicians should encourage us to do so," Wenning said to the stockholders.

Board of Management compensation system now places greater emphasis on long-term success

On the agenda for the first time, apart from the ratification of the actions of the Board of Management and Supervisory Board and the renewal of capital increase authorizations, was the topical theme of management board compensation. Bayer stockholders were asked to approve adjustments to the compensation system for the Board of Management that had been decided on by the Supervisory Board. The long-term portion of the variable compensation has now been increased, the term of the long-term incentive plan (LTI) extended and the necessary personal investment in Bayer shares raised. "Bayer already had a balanced and frequently praised compensation system for the Board of Management. This further development of the system gives us an exemplary compensation structure and satisfies the new regulations," explained Dr. Manfred Schneider, Chairman of the Supervisory Board of Bayer AG, ahead of the Annual Stockholders' Meeting. The level of overall compensation and the basic system will not change. The changes come into effect this year.

Personnel changes on the Board of Management

It was the last Annual Stockholders' Meeting for Werner Wenning and Klaus Kühn in their capacities as Bayer CEO and CFO, respectively. While Wenning will hand over the chairmanship of the Board of Management to Dr. Marijn Dekkers effective October 1, 2010, Kühn left the Board of Management at the end of the Meeting. Werner Baumann took over as Chief Financial Officer on May 1, 2010.

Schneider and Wenning took the opportunity to thank Kühn for his great commitment. "Mr. Kühn has played an essential role in the restructuring of our company – and he has also done an excellent job as CFO," Wenning said. Schneider also emphasized Kühn's contribution to the company's commercial success.

Further details of the changes on the Board of Management and information about a change on the Supervisory Board are given on pages 48–49.
A summary of the discussion with the stockholders is provided starting on page 44.

INTERNET

For the full text of the address by the Chairman of the Board of Management, go to www.asm2010.bayer.com.

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During the discussion with the stockholders (from left): Supervisory Board Chairman Dr. Manfred Schneider, Bayer CEO Werner Wenning, departing CFO Klaus Kühn and CEO-designate Dr. Marijn Dekkers.

Discussion at the Annual Stockholders' Meeting in Cologne

Stockholders praise the company's strategy

Praise, gratitude and recognition for Bayer's performance figured prominently in the discussion with the stockholders' representatives, which was led by Supervisory Board Chairman Dr. Manfred Schneider. The message was clear: Bayer is extremely well prepared to face future challenges.

In this connection, a number of stockholders drew attention to the reorganization carried out in recent years and how successful it has proven from a business point of view. "Today Bayer is in very good shape – with a streamlined holding company," commented Marc Tüngler from the German private investors' association DSW. Tüngler said a great debt of gratitude is owed for this to Bayer CEO Werner Wenning – who will hand over to his successor, Dr. Marijn Dekkers, in the fall – and the other members of the Board of Management.

Hans-Martin Buhlmann from the German institutional shareholders' association VIP emphasized the creation of a holding company structure, for which Wenning had faced some criticism at the time, and recalled the successful spin-off of Lanxess. "This spin-off has made you a role model for many – not only in Germany."

Bayer's management also garnered recognition from the stockholders for the fact that the company's stock has appreciated by an average of 22 percent annually, including divi-

In a futuristically designed exhibition area, Bayer provided visitors with information on its activities in the field of sustainable development.

Stockholders' representative Marc Tüngler praised the good performance of Bayer stock.

dends, over the past five years. According to stockholders' representative Tüngler, only famous American investor Warren Buffett usually achieves that kind of growth in value. "That makes you the Rhineland's Warren Buffett," Tüngler remarked, looking in Wenning's direction.

There was also praise for Klaus Kühn, for whom the 58th Annual Stockholders' Meeting of Bayer AG at the Cologne Exhibition Center was the last day as Chief Financial Officer. "You have provided your successor, Werner Baumann, with a sound financial position to build on," remarked Harald Petersen from the stockholders' association SdK. He said Kühn had considerably reduced the company's debt despite the acquisition of Schering, leaving his successor with a clean balance sheet.

Numerous stockholders welcomed future CEO Dekkers and expressed particular interest in Bayer's strategic alignment against the background of the changes on the Board of Management. Would Bayer be focusing more on its pharmaceutical activities in the future? Wenning explained that continuous portfolio development is integral to the company's strategy. It is a declared aim to strengthen the HealthCare business not just in Pharmaceuticals but also in Consumer Health, he said. This includes the non-prescription medicines, blood glucose meters and animal health businesses.

The stockholders also enquired about the prospects for the antithrombosis drug Xarelto®. Wenning reported that development is proceeding as planned. New clinical data are expected before the end of this year, he said, including those for the important indication of stroke prophylaxis in atrial fibrillation. "We continue to estimate the peak sales potential of Xarelto® at more than €2 billion," Wenning said, adding that Bayer has spent €1 billion on research and development to bring this product to market. "This shows that we invest large sums of money in innovative medicines and need a stable environment for our multi-year research and development processes," Wenning said.

Tax incentives for research and development

In this context, the Bayer Chairman reiterated industry's call for tax incentives for research and development. He said such incentives had declined significantly in Germany in recent years. "This puts Germany at risk of falling behind in the international arena," Wenning warned. He described the German government's basic plan to introduce tax incentives for research and development for all companies as the right idea. This, he said, would strengthen industry's innovative capability, expedite new technologies and create tomorrow's jobs. It would be an important and worthwhile investment in Germany's future as an industrial base.

Despite the effects of the crisis, Bayer has increased its global research and development budget for 2010 to a record €2.9 billion, Wenning explained. "Three quarters of this amount will be spent in Germany, where we employ more than 6,000 people in research and development."

A special focus of research at Bayer CropScience is biotechnology. Against this back-

Some 4,000 stockholders attended the Annual Stockholders' Meeting at the Cologne Exhibition Center. This picture shows the main entrance hall.

ground, the stockholders were interested to know about the perspectives for genetic engineering. Wenning responded that Bayer aims to increase sales of seeds and plant traits from €500 million in 2009 to about €4 billion in 2018. He said key growth drivers here are the introduction of new varieties, regional expansion, the exploitation of plant trait potential through out-licensing, and the expansion of the portfolio to include other crops.

Bayer CropScience spent more than €1 billion between 2003 and 2008 to systematically expand the BioScience business. Wenning emphasized that substantial investment remains necessary in the future to ensure successful growth in this business unit. “We plan to spend some €3.5 billion between 2009 and 2018 just on research and development and the expansion of our infrastructure,” he announced.

The subgroup aligns its long-term corporate planning to trends in the agricultural markets. Wenning explained that as a leading innovation-based company, Bayer CropScience aims to offer products and integrated solutions to meet the rising demand for affordable, high-quality food and feed products, plant fibers and energy plants. In view of the growing world population and the relative decline in the amount of arable land, it is essential to safeguard and further increase harvest yields even as the climate changes, the Bayer CEO said.

Asked about the future role of Bayer MaterialScience, Wenning replied that the subgroup is an integral part of the company's portfolio. “We have no intention of changing the composition of the Bayer Group portfolio.” He stressed that the MaterialScience business continues to have excellent growth prospects for the future. According to Wenning, that subgroup is the market leader in process and production know-how, occupies very strong competitive positions in all business units and will continue to create value over the long term.

Innovative applications for carbon nanotubes

Another activity with promise for the future is the carbon nanotubes business, Wenning explained in response to a stockholder's question. The market for these materials is forecasted to grow by some 25 percent a year, he said. Experts predict that the world market for carbon nanotubes will grow to some US$2 billion in about ten years. “We want to exploit this potential and have positioned our carbon nanotubes business accordingly,” Wenning said. As a research-based company, Bayer is anticipating innovation through nanotechnology. Bayer MaterialScience has the expertise to take a product from the research laboratory and smooth its progress toward a broad spectrum of socially relevant applications such as energy, environment, mobility, safety and construction.

Corporate compliance was another topic addressed in the discussion with the stockholders' representatives. This issue is of highest priority for Bayer AG and its subsidiaries, Wenning emphasized. He said Bayer is deeply committed to promoting a corpo-

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Kerstin Döller, Susanne Fodor and Klaus Zantopp (from left) carried out experiments at the Baylab stand.

Supervisory Board Chairman Dr. Manfred Schneider and Bayer CEO Werner Wenning were satisfied with the outcome of the Annual Stockholders' Meeting.

Victoria Frost (left) and Johanna Dierksen learning about the 50-year history of the contraceptive pill.

rate culture built on integrity and adherence to applicable law. "We expect all employees at all levels of the organization in every country to conduct their business in compliance with the law," the Bayer Chairman stressed.

Also featuring in the discussion was the safety of the oral contraceptive YAZ®. In this connection, Wenning emphasized that combination oral contraceptives are among the safest, most reliable and easiest-to-use methods for women to prevent pregnancy. He said this conclusion is based on two major prospective observational studies involving more than 120,000 users of birth control pills in the United States and Europe.

Other topics addressed during the discussion included the compensation of the Board of Management, patent protection, the carbon monoxide pipeline, the coal power plant in Krefeld-Uerdingen, bee losses in the state of Baden-Württemberg, plant safety and the company's presence at political party conventions. Supervisory Board Chairman Schneider and Bayer CEO Wenning responded in detail and at length to all questions. In the voting that followed, the stockholders approved the proposals of the Supervisory Board and the Board of Management by large majorities (see inset at right).

Resolutions of the Annual Stockholders' Meeting

Of the €2,117 million capital stock, 49.59 percent was represented at the Meeting. All the resolutions proposed by the Board of Management and the Supervisory Board were passed by overwhelming majorities.

The decisions taken were as follows:

- The distributable profit of €1.16 billion will be used to pay a dividend of €1.40 per share.
- The actions of the members of the Board of Management and Supervisory Board are ratified.
- The compensation system for the members of the Board of Management is approved.
- Consent is given to the rescission of the existing Authorized Capitals I and II and the creation of new Authorized Capitals I and II.
- Consent is given to the authorization to issue bonds with warrants, convertible bonds, profit-sharing rights or profit participation bonds and to create new conditional capital.
- Consent is given to the authorization of the Board of Management to acquire and use treasury shares.
- Consent is given to the adjustments to the Articles of Incorporation of Bayer AG concerning the Act Implementing the Stockholder Rights Directive.
- PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, is appointed as auditor for the 2010 fiscal year.

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Changes on the Board of Management and the



CFO Klaus Kühn (left) entered retirement after the Annual Stockholders' Meeting. Dr. Marijn Dekkers and Werner Baumann (right) were welcomed as new members of the Board of Management.

Supervisory Board Chairman Dr. Manfred Schneider opened the Annual Stockholders' Meeting by welcoming the attendees. He then bade farewell to CFO Klaus Kühn, who retired that day, before introducing the two new members of the Board of Management, Dr. Marijn Dekkers and Werner Baumann, and drawing attention to a personnel change on the Supervisory Board.

Klaus Kühn's last Annual Stockholders' Meeting as CFO of Bayer AG was also his last working day at Bayer before entering retirement. "Mr. Kühn, when I look back on the years since your appointment to the Board of Management in 2002, they were years of far-reaching changes – including structural changes – and also of great economic success for the Bayer Group," said Schneider.

"You played a major role both in implementing those structural changes and in achieving that success. The Supervisory Board, your colleagues on the Board of Management and the other people you worked with inside and outside of the company greatly appreciated your tremendous expertise, your great dedication and your very pleasant manner," Schneider added. The Supervisory Board Chairman thanked Kühn both personally and on behalf of the entire Supervisory Board for his service to the company. "We wish you all the best for your retirement."

Schneider then introduced **Dr. Marijn Dekkers**, who will succeed Werner Wenning as Chairman of the Bayer AG Board of Management on October 1 this year. "After studying chemistry and chemical engineering and obtaining his doctorate in the Netherlands, our future CEO began his career in the United States, initially as a scientist. In the years that followed, he held a number of management positions with companies in the United States, most recently as CEO of a large, stock-exchange-listed laboratory equipment supplier," Schneider said. Dekkers joined the Bayer Group on January 1 this year through his appointment to the Board of Management. "The Supervisory Board is convinced that his approach truly embodies Bayer's corporate culture. I am sure we can continue to look to the future with optimism after Mr. Wenning's retirement," he added.

The second new member of the Board of Management, also appointed on January 1 this year, is **Werner Baumann**. "After studying economics, Mr. Baumann joined Bayer AG in 1988 and has since served Bayer in a variety of capacities both in Germany and abroad. He was a member of the Executive Committee of Bayer HealthCare as of 2002. Since 2006 he has been closely involved in the integration of Bayer Schering Pharma into the Bayer Group, among other projects," Schneider explained. Baumann succeeded Kühn as Chief Financial Officer of Bayer AG the day after the Annual Stockholders' Meeting.

Schneider also mentioned a change in the membership of the Supervisory Board. **Karl-Josef Ellrich** will enter retirement on July 1 of this year, and will therefore leave the Supervisory Board.

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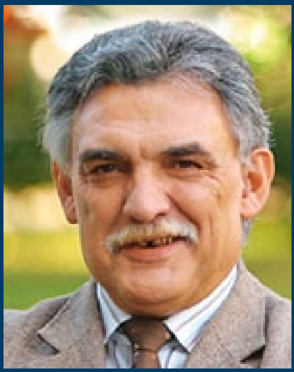
Supervisory Board



There is also a change on the Supervisory Board: Roswitha Süsselbeck will succeed Karl-Josef Ellrich.

Ellrich is Chairman of the Group Works Council of Bayer and has served as an employee representative on the Supervisory Board since 2000. "Mr. Ellrich, I would like to thank you for your dedicated work as a member of the Supervisory Board and its Human Resources Committee, and wish you all the best for your retirement in a few weeks' time," said Schneider. With Ellrich's departure on July 1, 2010, **Roswitha Süsselbeck** will join the Supervisory Board as his elected substitute.

Supervisory Board Chairman Dr. Manfred Schneider praises the achievements of CEO Werner Wenning

"You have left a clear and lasting mark on the company"

Werner Wenning

Following the remarks by Werner Wenning, Chairman of the Board of Management, on the company's business situation, Supervisory Board Chairman Dr. Manfred Schneider praised the achievements of the Bayer CEO, who remains in office until the end of September. "On behalf of the Supervisory Board – and I believe on your behalf as well, ladies and gentlemen – I would like express our gratitude to you, Mr. Wenning, your colleagues on the Board of Management and all the company's employees for your great dedication and your successful work," said Schneider. After the long applause that followed, Schneider commented that this had undoubtedly been intended for Wenning personally as well.

"Although you will remain at your post for another five months – and will surely accomplish a good deal in that time, in the way you have always done – this is your last Annual Stockholders' Meeting as Chairman of the Board of Management," said Schneider. For that reason – without wishing to anticipate your departure in advance – I would like to take this opportunity to outline to this audience some of the highlights of your 44 years of service to this company, including eight years as CEO.

Schneider said these undoubtedly included the strategic realignment of the Bayer Group, without which Bayer would neither have experienced its current success nor navigated the economic crisis so comparatively well. Bayer, he added, gained a new face within just a few years under Wenning's leadership. "You spun off the conventional chemicals business and about one-third of the polymers business and placed these activities on the stock market as a new company. At the same time, you greatly strengthened Bayer's life-science portfolio with the acquisitions of Schering, Aventis CropScience and the OTC business of Roche. It is surely no exaggeration to say that you have left a clear and lasting mark on the company. And for that, too – and I think I speak on behalf of everyone here – I would like to thank you most sincerely once again."

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Focus

Hormone research at Bayer Schering Pharma: Lam Cam Quoc studies cumulus-oocyte complexes. These cell complexes help the oocyte to mature and assist ovulation.

The Pill – reliability in a blister pack

Fifty years of successful family planning with the Pill: this innovative contraceptive was first given regulatory approval in 1960. It changed women's lives and their role in society.

One in two women in Germany use the contraceptive pill to protect themselves reliably against pregnancy. This was the result of a recent survey by the German Center for Health Education – and it's a figure that Schering could only have dreamed of at the start. The Berlin, Germany-based company, now operating as Bayer Schering Pharma, brought the Pill onto the market in Germany one year after the first product for hormonal contraception was approved for use in the United States. The Schering product was named Anovlar. It was officially approved for the treatment of menstrual disorders and could be prescribed only to married women with their husbands' permission.

Although the media welcomed the product as a major step forward, it took years for the Pill to become a widely used method of contraception and a symbol of change in western society. Family planning with the Pill allows women to decide for themselves whether and when to have children, how many children they want, and when they are going to focus more on their careers.

Reliability in a blister pack

Contraception for family planning

The Pill is also greatly helping women in developing countries. "As the global market leader in contraceptives, we aim to make family planning methods more accessible, irrespective of women's economic situation," says Philip Smits, Head of Women's Healthcare at Bayer Schering Pharma. Against this background, Bayer is collaborating with organizations such as the U.S. development agency USAID to distribute hormonal contraceptives free of charge or at reduced prices.

Research carried out over the past 50 years has also greatly diminished the side-effects associated with oral contraceptives. This is mainly because the amount of hormones contained in the pills has been drastically reduced. Today women can choose from a wide range of products. The type of active ingredients, dosage and administration patterns of modern pills are designed to meet individual expectations. In some countries the Pill is also approved in additional indications, such as the treatment of acne.

Top-selling products

Oral contraceptives of the latest generation are currently Bayer Schering Pharma's top-selling products, with revenues of over €1.2 billion in 2009. According to Smits, Bayer Schering Pharma sold around 450 million cycle packs of contraceptive pills in 2009. This means that 34 million women in the industrialized countries are using the company's oral contraceptives.

If non-oral contraceptives such as Mirena® are added to this figure, there are over 50 million women in the world who rely on Bayer Schering Pharma for their family planning needs. "Women all over the world trust the Pill," Smits says. "That's something we are very proud of. It confirms that we have understood women's requirements with respect to contraceptives and that we are able to meet their needs by developing innovative products."

For more than 40 years, Bayer Schering Pharma has been supporting organizations whose mission is to control population growth in developing countries. Nurse Jane Maenaria explains to women in Kenya how to use contraceptives.

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Change of leadership at three Bayer companies

- **Dr. Jörg Reinhardt appointed new CEO of Bayer HealthCare**
- **Sandra E. Peterson will be new CEO of Bayer CropScience**
- **Achim Noack to join the Board of Management of Bayer CropScience**
- **Dr. Dirk Van Meirvenne to be Managing Director of Bayer Technology Services**
- **Alan Main to head up the Medical Care Division of Bayer HealthCare**

The Bayer HealthCare and Bayer CropScience subgroups and the service company Bayer Technology Services will all see changes in leadership in the coming months.

Dr. Jörg Reinhardt has been appointed Chairman of the Board of Management of Bayer HealthCare AG and Chairman of the Executive Committee effective August 15, 2010. The 54-year-old German national was latterly Chief Operating Officer of Novartis AG, Basel, Switzerland. "Dr. Reinhardt is an acknowledged expert with many years of experience in the health care industry," commented Werner Wenning, Chairman of the Board of Management of Bayer AG. "We are convinced of his ability to provide a decisive impetus to our global HealthCare business and further expand our strong competitive positions."

The former HealthCare CEO, Arthur J. Higgins, left the company as planned on April 30, 2010 at his own request. "Over the past years, Arthur Higgins has made a decisive contribution to the restructuring and strengthening of Bayer HealthCare and has set new trends," said Wenning. "We thank him for his great commitment and wish him well for the future." Dr. Marijn Dekkers, member of the Bayer AG Board of Management and its designated Chairman, has taken over as interim Bayer HealthCare CEO, as previously announced, until Dr. Reinhardt's appointment takes effect.

The new Chairman of the Board of Management of Bayer CropScience AG will be **Sandra E. Peterson** (51), a U.S. citizen. She will join the subgroup's Board of Management on July 1, 2010 and succeed Prof. Dr. Dr. h.c. Friedrich Berschauer as Chairman effective October 1, 2010. Said Werner Wenning, Chairman of the Bayer AG Board of Management: "Sandra Peterson has been a successful division head in the Bayer Group for the past five years, having previously demonstrated her leadership qualities in various sectors of industry. We are therefore convinced that she has the right profile to successfully lead the CropScience business." Peterson's successor as a member of the Bayer HealthCare Executive Committee and Head of the Medical Care Division will be 46-year-old **Alan Main**, a British citizen, who is currently Head of the Europe Region in Bayer HealthCare's Consumer Care Division.

Wenning praised the achievements of Berschauer, who will be 60 in June and is taking retirement after 30 years of valuable service to Bayer: "Professor Berschauer has further strengthened the position of Bayer CropScience as an innovation leader in conventional crop protection and driven the expansion of our seed and biotechnology businesses. "We thank him for his great commitment and wish him well for the future."

In addition, the Supervisory Board of Bayer CropScience appointed **Achim Noack** (50) to the company's Board of Management effective June 1, 2010. As of October 1, 2010, Noack will assume responsibility for Industrial Operations & QHSE (Quality, Health, Safety and Environment) in succession to Dr. Wolfgang Welter (62), who will retire on September 30, 2010 after many years of valuable service to this company. Noack will be succeeded as Managing Director of Bayer Technology Services GmbH, effective June 1, 2010, by **Dr. Dirk Van Meirvenne** (46), currently Head of Production and Technology Isocyanates at Bayer MaterialScience AG.

Dr. Jörg Reinhardt

Future HealthCare CEO Dr. Jörg Reinhardt was born on March 11, 1956 in Homburg in the German state of Saarland. He studied pharmaceutical sciences at the University of Saarbrücken. After obtaining his doctorate in 1981, Reinhardt began his career with

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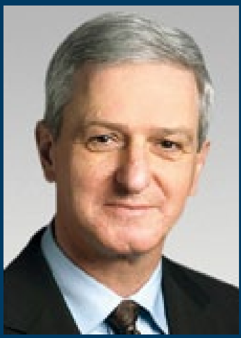
Dr. Jörg Reinhardt


Sandra E. Peterson


Achim Noack


Dr. Dirk Van Meirvenne


Alan Main

Sandoz, a predecessor company of Novartis, in 1982, holding various managerial positions of increasing responsibility in research and development. He was appointed Head of Corporate Development in 1994. After the formation of Novartis in 1996, he served as Head of Preclinical Development and Project Management before being appointed Global Head of Development in 1999. In this capacity he was responsible for clinical, pharmaceutical, chemical and biotechnological product development, drug safety testing and regulatory affairs.

At the end of 2005 he was appointed CEO of the Vaccines & Diagnostics Division, San Francisco/Boston, United States. At the end of 2008, Reinhardt returned to Switzerland to become Chief Operating Officer (COO) of Novartis, a position he held until the end of January 2010. In this capacity Reinhardt was responsible for all four of the group's divisions as well as for Human Resources, IT, Corporate Affairs and Communications. He was also a member of the company's Executive Committee.

From 2000 until January 2010, Reinhardt also served as Chairman of the Board of Directors of the Genomics Institute of the Novartis Foundation in La Jolla, California. From 2001 through 2004 he was a member of the Supervisory Board of MorphoSys AG, Germany, which specializes in researching and developing monoclonal antibodies.

Sandra E. Peterson

A member of the Bayer HealthCare Executive Committee since May 2005, future CropScience CEO Sandra E. Peterson has headed up HealthCare's Medical Care Division since January 2009. She was previously in charge of the Diabetes Care Division, now one of the businesses of Medical Care.

Peterson, born in 1959 in New York, N.Y., holds a B.A. in Government from Cornell University, Ithaca, New York, and a Master of Public Administration in Applied Economics from the University of Princeton, New Jersey. She received a fellowship from the Robert Bosch Foundation in Stuttgart, Germany, and spent a year in 1984–85 serving with the German Federal Ministry of Finance and the Federation of German Industries.

From 1987–1993, Peterson was a management consultant at McKinsey & Company, working on brand marketing strategies, innovative product development and new business. Between 1993 and 1996 she held various global executive positions with home appliances manufacturer Whirlpool Corporation, subsequently being appointed Executive Vice President at foods company Nabisco. In 1999 Peterson became Senior Vice President of Merck-Medco's Health Businesses, where she launched several new business lines.

Her areas of responsibility at Medco included business development, strategy, cooperation management, product development, branding and marketing As a member of the executive management team, she played a role in the strategic spin-off of Medco Health from Merck & Co., Inc., latterly serving as Group President of Medco Health Solutions, Inc.

Peterson is a member of the Board of Directors of Dunn & Bradstreet. In addition, she is a member and former Chairman of the Board of Wildlife Trust, an international non-profit scientific organization; a member of the Committee of 200, an international organization for women in management positions; and a member of the Women's Forum.

Achim Noack

Future CropScience Board of Management member Achim Noack was born in Hamburg on July 17, 1959. After studying chemical engineering at the University of Dortmund, he joined Bayer AG in 1986 as a process engineer with the former Crop Protection Business Group. After five years he transferred to the engineering unit of the Central Technology Division, moving two years later to Kansas City, Missouri, United States, as project manager for the Crop Protection Business Group.

Noack returned to Germany in 1997 as plant manager for the Organic Chemicals Business Group in Krefeld-Uerdingen. Two years later he was placed in charge of engineering sup-

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port for agrochemical active ingredients in Germany. In 2000 he was named Head of the Corporate Engineering Department and, shortly thereafter, Chief Technology Officer of Bayer Corporation in Pittsburgh, Pennsylvania, United States. After the establishment of Bayer Technology Services in 2002, he headed the Bayer Technology Services Americas office.

Noack was appointed the company's Managing Director in mid-2005. In this function Noack pursued a systematic growth strategy, continuing the development of the former Central Technology Division into a flexible, customer-focused service provider.

Dr. Dirk Van Meirvenne

The future Managing Director of Bayer Technology Services, Dr. Dirk Van Meirvenne, was born on September 19, 1963 in Sint-Niklaas, Belgium. He studied polymer chemistry at the University of Ghent, Belgium. In 1990 he joined Bayer Antwerpen N.V., Belgium, where he worked in titanium dioxide production until 1997, latterly as plant manager. He subsequently transferred to the plastics unit, holding responsibility for polycarbonate production in Antwerp until 2001. Van Meirvenne subsequently served as site manager in Map Ta Phut, Thailand, which at that time was being expanded to become Bayer's largest production center for polycarbonates in Asia.

Just over a year later he was appointed Head of Global Operations, Polycarbonates at Bayer Polymers in Krefeld-Uerdingen. When Bayer MaterialScience was formed in 2004, he was appointed Global Head of Production and Technology in the Polycarbonates business unit. Since 2007 Van Meirvenne has served as Global Head of Production and Technology, Isocyanates, at Bayer MaterialScience in Leverkusen. In this capacity he was responsible for the construction of the MDI and TDI facilities in Caojing near Shanghai, China.

Alan Main

The future head of Bayer HealthCare's Medical Care Division, Alan Main, has been Head of the Region Europe in the company's Consumer Care Division, headquartered in Basel, Switzerland, since February 1, 2008. This Region comprises the western and eastern European countries, the Middle East and Africa. Prior to that, as Head of the Region Asia/Pacific in the Consumer Care Division, he was responsible for Commercial Operations and the development of important growth markets in the Far East. Main is currently a board member and Vice President of the AESGP (Association of the European Self-Medication Industry).

Main was born in 1963 in Aberdeen, Scotland. He obtained a B.A. in International Marketing from Thames Polytechnic. He is a member of the Chartered Institute of Marketers in the United Kingdom.

Alan Main has more than 25 years of experience in the OTC industry, where he has held various positions in marketing and management. Before entering the consumer care business he worked for Stafford-Miller (now GSK) and Merrell Dow (now Sanofi-Aventis). In 1992 Main began his marketing career with Roche Consumer Health in the United Kingdom, where he held various positions of increasing responsibility in the U.K. and abroad, including South Africa and Hong Kong. He joined Bayer in January 2005 following Bayer's successful acquisition of the Roche Consumer Health business. Before the acquisition, Main was Head of the Region International, comprising Asia/Pacific, Russia, Turkey, the Middle East and Africa. He was a member of the Leadership Team at Roche Consumer Health.

Prospect of use in long-term therapy

The results of the EINSTEIN extension study involving some 1,200 patients who have recovered from deep vein thrombosis or pulmonary embolism show that extended treatment with Xarelto® significantly reduces the risk of recurrence compared with placebo.

The active ingredient in Xarelto®, rivaroxaban, could therefore offer a simple and effective option for extended anticoagulation in the future. The product is not yet registered in this indication, as an evaluation by the regulatory authorities is pending.

Scientist Dr. Elisabeth Perzborn in a Bayer Schering Pharma laboratory

Rivaroxaban is currently also being evaluated in other long-term indications. One example is the ROCKET AF study involving some 14,000 patients who suffer from atrial fibrillation. This study is investigating whether the active substance can also be used in stroke prevention and whether it is as effective as treatment with standard drugs (vitamin K antagonists).

Atrial fibrillation (AF) is a common heart rhythm disorder affecting approximately 10 percent of people over 70 years of age. AF patients with further risk factors have an elevated risk of suffering a stroke.

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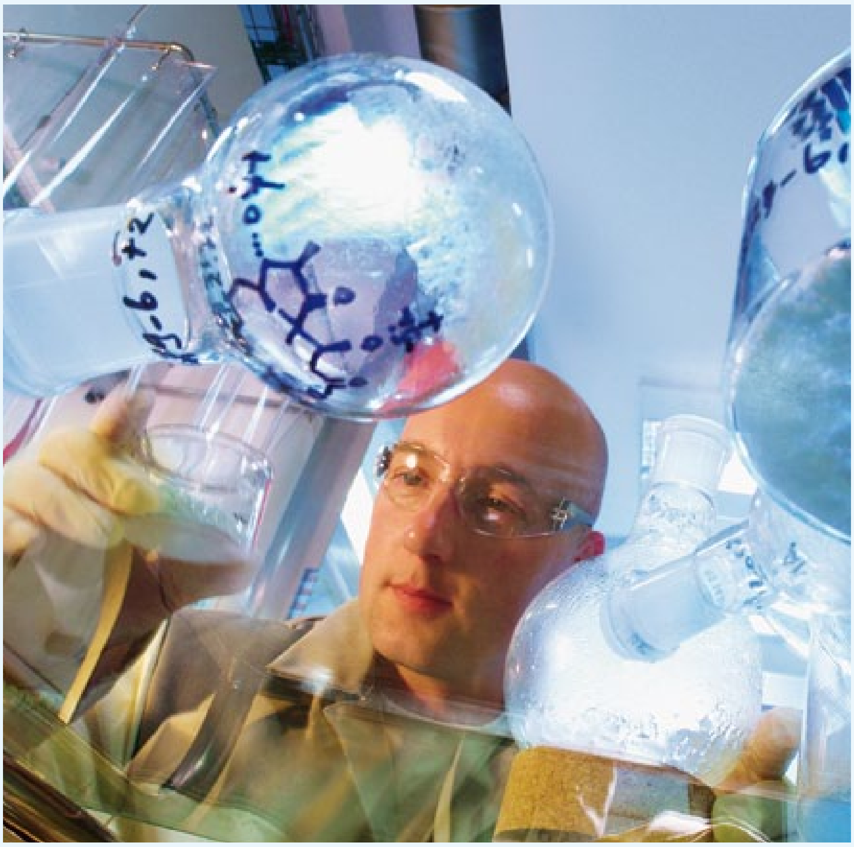
Novel method for targeted cancer therapy



Cancer researcher Guido Piechowiak performs a visual check on crystals in Bayer Schering Pharma's research laboratory in Berlin.

Under a research and license agreement concluded between Bayer Schering Pharma and Prometheus Laboratories Inc., a specialty pharmaceutical and diagnostic company based in San Diego, California, the two companies will collaborate on the development of a diagnostic platform for cancer therapy. Under the agreement, the partners will combine development candidates from Bayer Schering Pharma's broad oncology pipeline with Prometheus' specific diagnostic platform technology in an effort to stratify patients to appropriate drug candidates.

"The development of such a diagnostic tool represents a significant step toward personalized cancer medicine. We are convinced that these diagnostic approaches will increasingly become the clinical standard in oncology," says Professor Andreas Busch, Head of Global Drug Discovery and member of the Board of Management of Bayer Schering Pharma.

"This collaboration represents a novel approach in personalized medicine and demonstrates the potential of our technology," said Joseph M. Limber, President and Chief Executive Officer of Prometheus. "Our technology is a powerful tool to complement the robust oncology pipeline at Bayer Schering Pharma, help select patients who will benefit the most from specific drug candidates, design more efficient clinical trials, increase the probability of their success and ultimately improve the potential outcome for patients."

Feedback at the touch of a button

Bayer MaterialScience (BMS) has acquired Artificial Muscle, Inc. (AMI) of Sunnyvale, California. AMI is a pioneer and leader in the field of electroactive polymers for the consumer electronics industry. AMI polymers provide touchscreen panels with "awareness through touch" by creating authentic tactile feedback, just like a conventional keyboard. This innovative technology has significant application potential, particularly for electronic devices such as smartphones, gaming controllers and touchpads.

The acquisition gives BMS exclusive access to a broad patent portfolio and patent applications owned or exclusively licensed by AMI. This will allow BMS to address a significant part of the value chain for films in a broad range of applications and to accelerate the market introduction of this technology within the next two years. Says BMS Management Board Chairman Patrick Thomas: "This acquisition allows us to combine AMI's excellent technology with our existing expertise."

Innovative technology enables touchscreen panels to provide feedback.

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The prototype contains 12,000 solar cells: Energy for night flying is stored in batteries.

High technology for solar-powered aircraft

Bayer MaterialScience has become an official partner of the Solar Impulse project aimed at climate-friendly aviation. Bertrand Piccard and André Borschberg, the project's founders, are working to develop the first manned aircraft that can stay in the air day and night without fuel and circle the globe propelled only by solar energy.

The prototype airplane with the wingspan of a large airliner (63.4 meters) and the weight of a midsize car (1,600 kilograms) features cutting-edge technology. The solar-powered aircraft has already successfully completed its first flight tests. Bayer MaterialScience will support the Swiss-based Solar Impulse initiative with technical expertise, high-tech polymers and energy-saving, lightweight materials. Baytubes® carbon nanotubes, for example, could increase battery performance and improve the strength of structural components while keeping their weight to a minimum.

Other potential applications include innovative adhesives, rigid polyurethane foams for paneling in the cockpit and engines, and extremely thin yet break-resistant polycarbonate film and sheet for the cockpit glazing.

Investors praise Bayer's Sustainable Development Report

A coalition of global investors from 13 countries has praised Bayer for its leadership in sustainability reporting. Their analysis revealed that Bayer's Sustainable Development Report is of excellent quality, proves highly useful to investors and complies with the policies of the U.N. Global Compact, the United Nations' corporate responsibility initiative, in which Bayer participates.

"We greatly appreciate the leadership role you play in the Global Compact. It serves as a model for companies in all regions of the world," Global Compact Executive Director Georg Kell wrote in a letter to Werner Wenning, Chairman of the Bayer AG Board of Management.

"This accolade shows that our efforts to ensure the sustainability of our business operations increase the company's value over the long term. At the same time, it serves as recognition of our open and extensive communication on the issue of sustainability," says Dr. Wolfgang Plischke, member of the Bayer AG Board of Management responsible for Innovation, Technology and Environment.

More resistant to stress factors

Bayer CropScience and Mendel Biotechnology Inc. of Hayward, California, have signed a new agreement extending their existing collaboration project for a further three years. The objective of the project is to develop chemical products that make crops more resistant to stress factors such as heat, cold, drought, soil salinization or harmful microorganisms and thus safeguard and increase yields.

Bayer CropScience is contributing its expertise in chemical research – specifically in substance screening – to this collaboration. The company already markets products that enhance the stress tolerance of plants and boost yields under the "Stress Shield Inside" label. Mendel, a pioneer in the field of functional plant genomics, holds a number of plant biotechnology patents. Scientists from Mendel have identified key genes that are responsible for controlling plant growth and the way plants respond to environmental factors. They are using these discoveries to improve plant performance.

At the heart of the research project are new ideas for raising plant productivity. The aim is to develop substances capable of chemically modulating plants' signal networks, which regulate characteristics such as growth and stress tolerance. Mendel and Bayer CropScience have been working together for several years to discover and develop chemical products for regulating stress tolerance in plants.

Stress research: Dr. Dirk Ebbinghaus (left) and Dr. Albert Witzenberger in a Bayer CropScience greenhouse.

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Researching the sustainability of new crops

Bayer CropScience and the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national research agency, have expanded their collaboration to include assessing the sustainability of new-generation crops. The two-year agreement will develop and apply models to assess the consequences of new cereal varieties for the ecosystem and food security.

The project is based on many years of cooperation and a research and licensing agreement for cereals concluded in June 2009. While the latter is focused on developing crop varieties that give higher yields, use nutrients more efficiently and have better stress tolerance, the new project will assess their full environmental impact, including their influence on the carbon footprint of cereal production. The findings will be published in international science forums to ensure transparency and objectivity in evaluating the results.

"Innovation and sustainability are the foundation of our business. We are convinced that innovative, new-generation crops can deliver greater yields per hectare while requiring less resources such as water and energy. This project will develop methodology to assess these benefits at a plant, field, country and global level", said Dr. Joachim Schneider, Head of the BioScience business unit of Bayer CropScience.

"New-generation crops offer enormous potential for helping to meet the future demand for food. Their lower input requirements and more efficient use of water, energy and nutrients mean they also have the potential to diminish negative environmental impacts. That also includes reducing greenhouse gases," says Dr. Brian Keating, Director of CSIRO's new Sustainable Agriculture Flagship project.

Bayer CropScience and Australia's Commonwealth Scientific and Industrial Research Organisation (CSIRO) are researching the environmental impact of new-generation crops such as cereals.

Chancellor Merkel impressed by Bayer in Berkeley

Prominent visitor to Bayer in Berkeley: German Chancellor Dr. Angela Merkel spent nearly an hour during her recent U.S. visit getting first-hand information from Bayer about the benefits the biotechnology cluster in Berkeley, California, has to offer and the complex biotechnological development and production of the hemophilia treatment Kogenate®.

She was accompanied by a high-ranking political delegation and nearly 40 German journalists. Dr. Wolfgang Plischke, member of the Bayer AG Board of Management; Greg Babe, Senior Bayer Representative for North America; and Jörg Heidrich, Head of Product Supply Biotechnology, provided an overview of the political, scientific and economic framework in Berkeley.

After a round of discussions, Chancellor Merkel also took a tour of the highly modern packaging lines at the Kogenate® production facility. She and her delegation appeared very impressed with Bayer's high-tech manufacturing process.

At Bayer in Berkeley (from left): Dr. Wolfgang Plischke, Bayer employee Monique Mendoza, Chancellor Merkel and Greg Babe.

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Outstanding contributions to climate research

Professor Peter Lemke in the Antarctic during one of his seven polar expeditions on the research ice-breaker *Polarstern*.

The Bayer Science & Education Foundation presented this year's Bayer Climate Award to the polar researcher Professor Peter Lemke of Bremerhaven, Germany, for his outstanding contributions to climate research. His work centers on sea ice and its role as a barometer for climate change.

For more than 30 years, Lemke has been observing climate-relevant processes in the atmosphere, in sea ice and in the oceans. He focuses particularly on the interactions between them, as the formation or melting of ice is closely linked to air and water temperatures. Long-term trends in the atmosphere and the oceans are therefore reflected in sea ice, although it is difficult to distinguish between action and reaction.

Lemke was honored with the Bayer Climate Award for his fundamental and pioneering contributions to establishing the relationship between the oceans and the climate. Bayer CEO Werner Wenning presented Lemke with the award at the international climate conference "Continents under Climate Change" organized by the Humboldt University in Berlin. Lemke is the second recipient of the award, launched in 2008 to honor outstanding achievements in fundamental climate research.

"Professor Lemke's research into sea ice has led to the development of key principles for the climate models used today by the scientific community to analyze climate change. The results also create a basis for decisions on climate policy," said Dr. Wolfgang Plischke, member of the Bayer AG Board of Management and a member of the Board of Directors and Board of Trustees of the Bayer Science & Education Foundation, explaining the scientific committee's decision.

"I am grateful for this recognition in the form of the Bayer Climate Award for the contributions my colleagues and I have made to climate science," said Lemke. The prizewinner is currently Head of the Department of Climate Sciences at the Alfred Wegener Institute for Polar and Marine Research in Bremerhaven and Professor for Physics of Atmosphere and Ocean at the University of Bremen.

Improving visual acuity

The active substance VEGF Trap-Eye, developed jointly by Bayer HealthCare and Regeneron Pharmaceuticals for the treatment of certain eye diseases, has shown positive results in a Phase II study in patients with diabetic macular edema (DME).

The primary endpoint of the study – a statistically significant improvement in visual acuity over 24 weeks compared to the standard of care in DME – laser treatment of the macula, or yellow spot – was met.

Bayer receives coveted environmental award in China

It was a major honor for Bayer in China: in the presence of 600 prominent guests from the public and private sectors, the China Environmental Protection Foundation presented the company with the China Environmental Excellence Prize. The award, presented regularly since 2000 to honor outstanding achievements in environmental protection, is the highest accolade in its field in China.

"It is Bayer's corporate policy to treat economy, ecology and social responsibility as goals of equal rank," said Michael König, Senior Bayer Representative for the Greater China country group, in his address.

This year, 25 organizations and individuals were selected, the theme of the awards being "Environmentally friendly business and sustainable development." On announcing the award-winners, the organizers praised them for continuing to pursue their goal of environmentally friendly, low-CO_2 industrial activity despite the economic crisis. Bayer was one of five companies honored in the "Industry" category and is only the third international company to receive this award.

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Professor Detlef Weigel receives 2010 Otto Bayer Award

Professor Detlef Weigel of the Max Planck Institute for Developmental Biology in Tübingen has won the 2010 Otto Bayer Award. The Bayer Science and Education Foundation awarded the coveted science prize to the 48-year-old researcher for his outstanding work in advancing the understanding of the molecular-biological principles governing the variability of plants. The practical objective of Weigel's research is to be able to predict how wild and crop plants will react to the current rapid environmental changes.

Attending the award ceremony were Bayer CEO W. Wenning, Professor D. Weigel, Management Board member Dr. W. Plischke and Board of Trustees Chairman Professor E.L. Winnacker (from right).

Werner Wenning, Chairman of the Board of Management of Bayer AG, and Management Board member Dr. Wolfgang Plischke presented the award, worth €75,000, at a ceremony in Berlin. Wenning said Professor Weigel's work is impressive evidence of the high standard of scientific research in Germany. His findings are of great significance, particularly for fundamental research in the important field of biotechnology: "We need to exploit the entire spectrum of options if we are to protect crops from diseases, pests, weeds and environmental factors, increase yields and improve plant traits," said Wenning.

At the ceremony, Plischke – the Bayer Management Board member responsible for research – commented on the decision by the Board of Trustees: "Professor Weigel is an outstanding developmental biologist who repeatedly delves into new fields of research and sets new scientific standards."

Personalized vaccine from tobacco plants

The transfer of a patient-specific vaccine into clinical development represents a milestone for Bayer Innovation GmbH. Following approval of the Phase I study by the FDA (Food & Drug Administration) in the United States, the vaccine is now being tested in human subjects. This marks the first time that proteins obtained from tobacco plants using magnICON® technology are undergoing clinical testing. The patient-specific vaccines produced in the pilot plant of Bayer subsidiary Icon Genetics in Halle, Germany, are intended for the treatment of non-Hodgkin's lymphoma (NHL), a type of cancer affecting lymphocytes. The objective of the therapy is to activate the patient's immune system, enabling the malignant cells to be targeted and destroyed by the body's own defense system.

"This personalized vaccine is being developed with the aim of keeping patients who have responded well to chemotherapy in complete remission – in other words, preventing a recurrence of the tumor," explains Dr. Detlef Wollweber, Managing Director of Bayer Innovation GmbH. "The initiation of this clinical trial also demonstrates that our magnICON® technology is suitable for manufacturing proteins for potential pharmaceutical applications."

The magnICON® technology is a new process for rapidly producing high yields of recombinant proteins, such as biopharmaceuticals, in tobacco plants. The plant is not genetically modified. The blueprint for the required product is inserted temporarily into the plant using a species of Agrobacterium and distributed throughout the plant cells. The protein is subsequently extracted from the plant's leaves in a very pure form. The process can also be carried out in a large-scale closed facility.

Dr. Sylvestre Marillonnet has placed tobacco plants upside down in a vacuum tank filled with a bacterial solution. The bacteria transport genes into the plants, which can then produce medicinal active substances.

Financial Calendar

Annual Stockholders' Meeting 2010	**April 30, 2010**
Payment of Dividend	**May 3, 2010**
Q2 2010 Interim Report	**July 29, 2010**
Q3 2010 Interim Report	**October 28, 2010**
2010 Annual Report	**February 28, 2011**
Q1 2011 Interim Report	**April 28, 2011**
Annual Stockholders' Meeting 2011	**April 29, 2011**
Payment of Dividend	**May 2, 2011**
Q2 2011 Interim Report	**July 28, 2011**
Q3 2011 Interim Report	**October 27, 2011**

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Forward-Looking Statements
This Stockholders' Newsletter contains forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual assets, financial position, earnings, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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