Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2011

First Quarter of 2011:
Bayer off to a successful start to 2011

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COVER PICTURE

Healthy food for an expanding world population: Bayer CropScience develops innovative seed and new plant traits for high-quality, vitamin-rich fruit and vegetables. Our cover picture shows Bayer tomato breeder Coert Engels with Nikola Richter from salad manufacturer Bauer Funken.

Bayer Group Key Data

	1st Quarter 2010	1st Quarter 2011	Change	Full Year 2010
	€ million	€ million	%	€ million
Sales	**8,316**	**9,415**	**+13.2**	**35,088**
Change in sales				
Volume	+6.9%	+7.7%		+6.7%
Price	−0.7%	+2.7%		+1.3%
Currency	−0.3%	+2.7%		+4.9%
Portfolio	−0.6%	+0.1%		−0.3%
EBIT [1]	**1,104**	**1,148**	**+4.0**	**2,730**
Special items	*(77)*	*(442)*		*(1,722)*
EBIT before special items [2]	***1,181***	***1,590***	***+34.6***	***4,452***
EBIT margin before special items [3]	14.2%	16.9%		12.7%
EBITDA [4]	**1,748**	**1,866**	**+6.8**	**6,286**
Special items	*(77)*	*(366)*		*(815)*
EBITDA before special items [2]	***1,825***	***2,232***	***+22.3***	***7,101***
EBITDA margin before special items [3]	21.9%	23.7%		20.2%
Non-operating result	**(244)**	**(213)**	**+12.7**	**(1,009)**
Net income	**631**	**684**	**+8.4**	**1,301**
Earnings per share (€)	0.76	0.83	+9.2	1.57
Core earnings per share (€) [5]	1.13	1.45	+28.3	4.19
Gross cash flow [6]	**1,178**	**1,309**	**+11.1**	**4,771**
Net cash flow [7]	**732**	**801**	**+9.4**	**5,773**
Cash outflows for capital expenditures	**230**	**238**	**+3.5**	**1,514**
Research and development expenses	**717**	**737**	**+2.8**	**3,053**
Depreciation, amortization and impairments	**644**	**718**	**+11.5**	**3,556**
Number of employees at end of period [8]	**111,000**	**112,500**	**+1.4**	**111,400**
Personnel expenses (including pension expenses)	2,015	2,245	+11.4	8,099

2010 figures restated
In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.
[1] EBIT = operating result as shown in the income statement
[2] EBIT(DA) before special items is 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, impairments or special items. By reporting this indicator, the company aims to give readers a clearer picture of the results of operations and ensure greater comparability of data over time. See also Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[3] The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals.
[5] Core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained in Chapter 7.
[6] Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of the operating result (EBIT). It also contains benefit payments during the year. For details see Chapter 8 "Financial Position of the Bayer Group."
[7] Net cash flow = cash flow from operating activities according to IAS 7
[8] Full-time equivalents

First quarter of 2011:
All subgroups lift sales and earnings

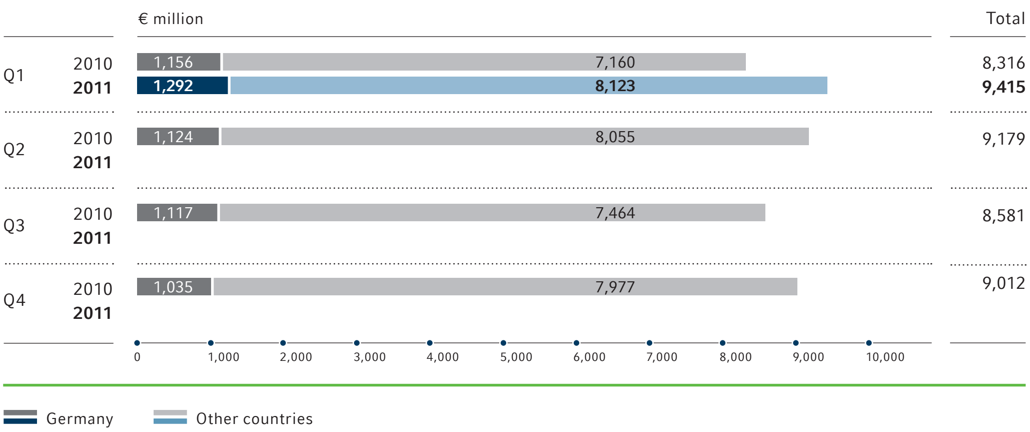
Bayer off to a successful start to 2011

- Sales €9.4 billion (+13.2%)
- Operating result (EBIT) €1.1 billion (+4.0%)
- EBITDA before special items €2.2 billion (+22.3%)
- Special items of €0.4 billion diminish earnings
- Net income €0.7 billion (+8.4%)
- Group forecast raised – improvement expected at CropScience

1. Overview of Sales, Earnings and Financial Position

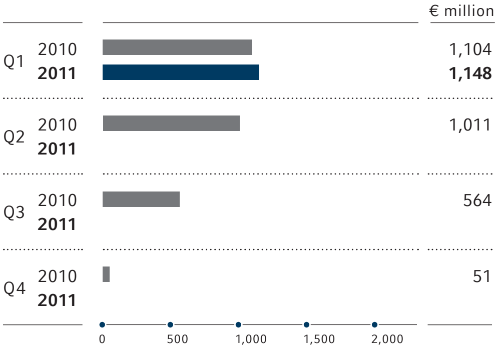
The Bayer Group got off to a successful start to 2011. Sales rose by a substantial 13.2% in the first quarter to €9.4 billion. On a currency- and portfolio-adjusted basis (Fx & portfolio adj.), sales increased by 10.4%. The operating result (EBIT) edged up 4.0% to €1.1 billion (Q1 2010: €1.1 billion) after special charges of €0.4 billion. EBITDA before special items improved significantly, rising by 22.3% to €2.2 billion. These increases were mainly attributable to the good start to the season at CropScience, a significant expansion of business at MaterialScience compared to the prior-year quarter – which was still hampered by the financial and economic crisis – and a solid HealthCare business. Net income rose by 8.4% to €0.7 billion (Q1 2010: €0.6 billion). Earnings per share amounted to €0.83 (Q1 2010: €0.76). Core earnings per share climbed by 28.3% to €1.45.

Bayer Group Quarterly Sales [Graphic 1]



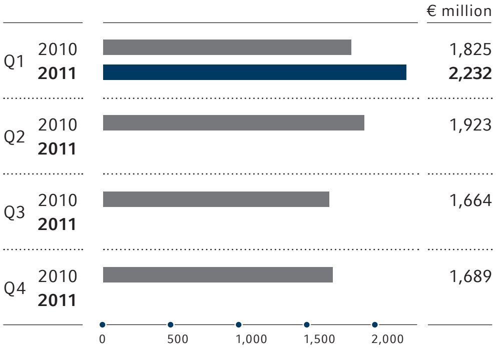
Group **sales** rose by 13.2% to €9,415 million (Q1 2010: €8,316 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business expanded by 10.4%. Sales of HealthCare increased by 7.7% (Fx & portfolio adj. +4.1%). At CropScience, sales were up by a substantial 15.6% (Fx adj. +13.6%) against the weak prior-year quarter. MaterialScience, too, achieved a significant 21.2% (Fx & portfolio adj. +18.7%) increase in sales.

Bayer Group
Quarterly EBIT [Graphic 2]



2010 figures restated

Bayer Group
Quarterly EBITDA Before Special Items [Graphic 3]

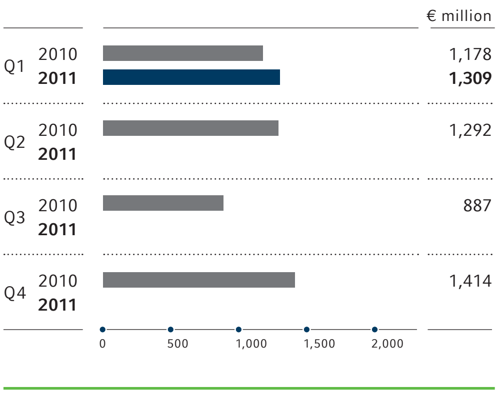


2010 figures restated

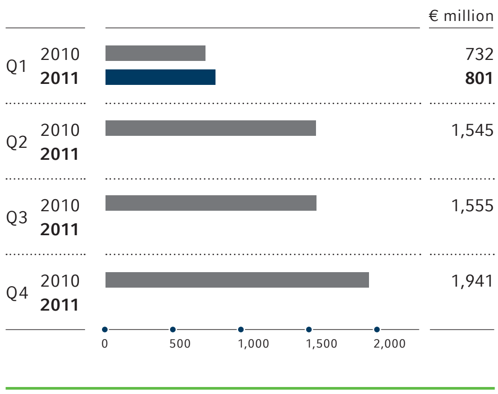
EBIT of the Bayer Group rose by only 4.0% to €1,148 million (Q1 2010: €1,104 million) despite the positive business development. Earnings were diminished by special charges of €442 million (Q1 2010: €77 million). These comprised €248 million for the announced restructuring at CropScience and HealthCare and €194 million for litigations in connection with genetically modified rice (LL RICE). EBIT before special items of the Bayer Group came to €1,590 million (Q1 2010: €1,181 million). **EBITDA** before special items increased by 22.3% to €2,232 million (Q1 2010: €1,825 million). HealthCare improved EBITDA before special items by 11.4% to €1,140 million (Q1 2010: €1,023 million), thanks mainly to the gratifying expansion of business at Consumer Health and to positive currency effects. EBITDA before special items of CropScience grew by 40.3% to €745 million (Q1 2010: €531 million), chiefly as a result of significantly higher volumes. Despite a tangible increase in raw material and energy costs, MaterialScience improved EBITDA before special items to €345 million (Q1 2010: €278 million), due largely to significantly expanded volumes and selling prices.

After a **non-operating result** of minus €213 million (Q1 2010: minus €244 million), **income before income taxes** came in at €935 million (Q1 2010: €860 million). The main components of the non-operating result were €111 million (Q1 2010: €117 million) in net interest expense and €83 million (Q1 2010: €90 million) in interest cost for pension and other provisions. After tax expense of €252 million (Q1 2010: €228 million) and non-controlling interest, **net income** in the first quarter of 2011 came to €684 million (Q1 2010: €631 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



2010 figures restated

Gross cash flow in the first quarter moved forward by 11.1% to €1,309 million (Q1 2010: €1,178 million) as a result of the improved operating performance. Cash tied up in working capital increased markedly due to the expansion of business. Net cash flow rose by 9.4% to €801 million (Q1 2010: €732 million).

Net financial debt receded by a further €0.8 billion compared to December 31, 2010, to €7.1 billion. The net pension liability fell from €7.2 billion on December 31, 2010, to €6.6 billion, due especially to higher long-term interest rates on the capital market.

2. Economic Outlook

The prospects for a lasting recovery of the **world economy** have improved in recent months. However, the rate of expansion varies greatly from one region to another. The strong pace of economic growth is expected to continue particularly in the emerging markets. There is evidence of a gradual rebound in the United States economy. By contrast, we anticipate only moderate growth in the eurozone – with the exception of Germany, where the economy is expected to expand briskly again this year. The disasters in Japan and the political unrest in North Africa and the Middle East have done little to hold back the world economy so far. However, the consequences of these events could still develop into a heightened risk for global economic growth over the course of the year. Furthermore, increases in raw material prices could dampen the positive overall economic trend.

In the **pharmaceuticals market** we continue to predict mid-single-digit growth rates for 2011. This expansion is likely to be driven increasingly by emerging economies. We believe that growth will be weaker in the established markets such as the United States and the major European countries.

We foresee solid growth once again in 2011 for the **consumer care market**. The **diabetes care market** will most likely grow only minimally this year. By contrast, we again expect faster-than-average growth in the **animal health market**.

Assuming normal weather conditions and continued high prices for agricultural commodities, we anticipate a clearly positive trend in the global **seed and crop protection** market over the course of the year.

The economic conditions for 2011 are favorable in all the main customer industries of **MaterialScience**. However, the risks stemming from the disasters in Japan cannot yet be predicted, particularly in the automotive and electrical/electronics sectors.

3. Sales and Earnings Forecast

The following forecasts for 2011 are based on the business performance described in this report, taking into account the potential risks and opportunities. The sales and earnings forecast for 2012 is given in chapter 11.4 of the Annual Report 2010.

BAYER GROUP

Following our successful start to 2011, we are raising our sales and earnings forecast for the full year, mainly in light of the good start to the season at CropScience. We confirm the outlook for HealthCare. We are adjusting our sales forecast for MaterialScience, as we expect to be able to pass along the increases in raw material prices to our customers through higher selling prices.

For the full year 2011, we are now targeting a currency- and portfolio-adjusted sales increase for the Bayer Group of between 5% and 7% (previously: between 4% and 6%). This corresponds to Group sales of between €36 billion and €37 billion (previously: between €35 billion and €36 billion). This guidance is based on the exchange rates prevailing at the end of the first quarter of 2011.

We aim to increase EBITDA before special items to more than €7.5 billion (previously: toward €7.5 billion). Core earnings per share (calculated as explained in chapter 7) are expected to improve by about 15% (previously: about 10%). We continue to anticipate special charges in the region of €0.5 billion for ongoing restructuring programs.

HEALTHCARE

We confirm our outlook for 2011.

In 2011, HealthCare plans to increase sales by a low- to mid-single-digit percentage after adjusting for currency and portfolio effects and to achieve a small improvement in EBITDA before special items.

In the Pharmaceuticals segment, we do not yet expect sales to resume growing with the market in 2011. We plan to increase sales by a low- to mid-single-digit percentage after adjusting for currency and portfolio effects and to raise the EBITDA margin before special items.

In the Consumer Health segment, we anticipate above-market growth in sales after adjusting for currency and portfolio effects. We expect sales and EBITDA before special items to increase by mid-single-digit percentages.

CROPSCIENCE

Following the dynamic start to 2011, we are raising our guidance for CropScience. We now expect to improve sales in both segments on a currency- and portfolio-adjusted basis and to grow overall by a high-single-digit (previously: at least a mid-single-digit) percentage. We intend to further strengthen our market position in the Environmental Science, BioScience segment and to at least maintain our existing position in Crop Protection. We plan to expand EBITDA before special items by about 20% compared to the weak prior year (previously: at a higher rate than sales).

MATERIALSCIENCE

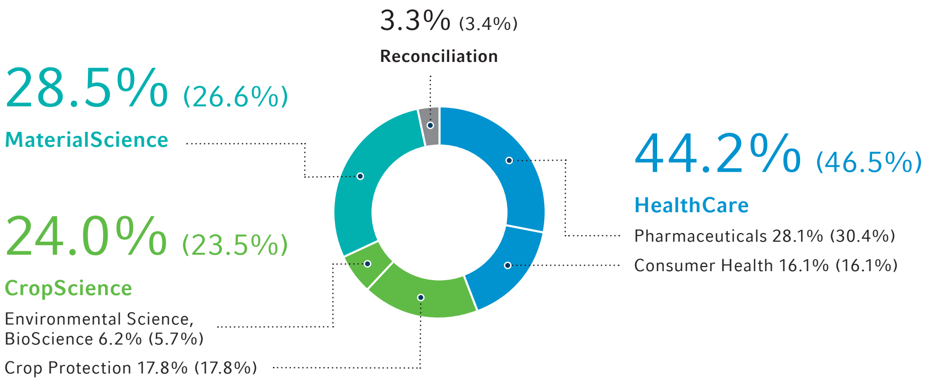
The good business situation at MaterialScience in the first quarter of 2011 was in line with our expectations. We expect that the economy will continue to recover. We are adjusting our sales forecast for 2011, as we expect to be able to pass on the raw material cost increases to our customers by raising selling prices. We now plan to raise sales by a high-single-digit (previously: mid-single-digit) percentage on a currency- and portfolio-adjusted basis and continue to expect that EBITDA before special items will increase at a higher rate than sales.

In the second quarter of 2011, 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 2011 (2010 in parentheses) [Graphic 6]



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		EBITDA before special items*	
	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**3,869**	**4,166**	**660**	**769**	**1,023**	**1,140**
Pharmaceuticals	2,531	2,649	459	499	759	803
Consumer Health	1,338	1,517	201	270	264	337
CropScience	**1,952**	**2,257**	**360**	**219**	**531**	**745**
Crop Protection	1,476	1,676	248	199	352	510
Environmental Science, BioScience	476	581	112	20	179	235
MaterialScience	**2,216**	**2,686**	**137**	**205**	**278**	**345**
Reconciliation	**279**	**306**	**(53)**	**(45)**	**(7)**	**2**
Group	**8,316**	**9,415**	**1,104**	**1,148**	**1,825**	**2,232**

2010 figures restated
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

CHANGES IN CORPORATE STRUCTURE

The Women's Healthcare and General Medicine business unit within the Pharmaceuticals segment of the HealthCare subgroup was renamed "General Medicine" effective January 1, 2011.

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

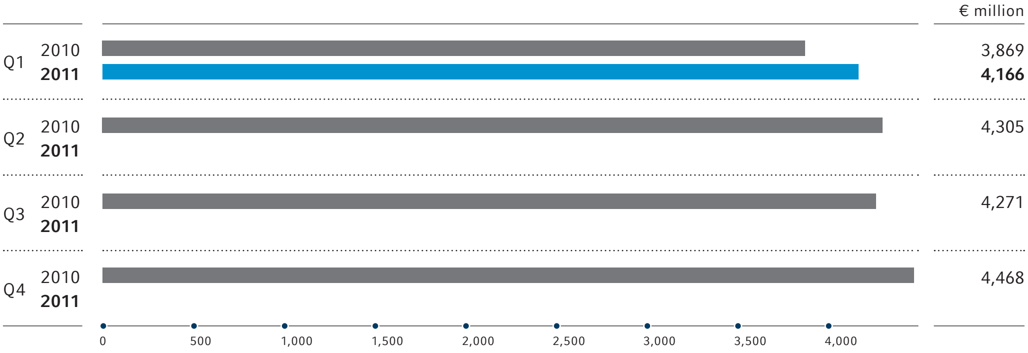
Key Data – HealthCare [Table 2]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**3,869**	**4,166**	**+7.7**	**+4.1**
Change in sales				
Volume	+2.2%	+4.1%		
Price	+0.4%	0.0%		
Currency	−0.6%	+3.5%		
Portfolio	−1.3%	+0.1%		
Sales by segment				
Pharmaceuticals	2,531	2,649	+4.7	+0.9
Consumer Health	1,338	1,517	+13.4	+10.1
Sales by region				
Europe	1,523	1,596	+4.8	
North America	1,134	1,076	−5.1	
Asia/Pacific	667	850	+27.4	
Latin America/Africa/Middle East	545	644	+18.2	
EBIT	**660**	**769**	**+16.5**	
Special items	*(29)*	*(37)*		
EBIT before special items*	***689***	***806***	***+17.0***	
EBITDA*	**994**	**1,103**	**+11.0**	
Special items	*(29)*	*(37)*		
EBITDA before special items*	***1,023***	***1,140***	***+11.4***	
EBITDA margin before special items*	26.4%	27.4%		
Gross cash flow**	**663**	**768**	**+15.8**	
Net cash flow**	**742**	**781**	**+5.3**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

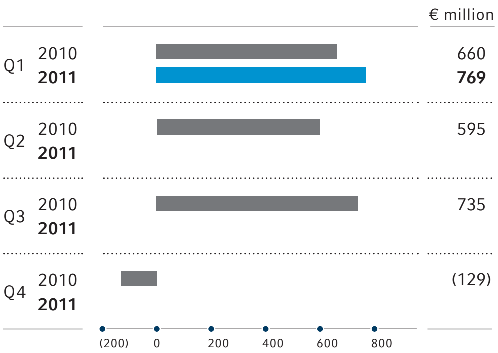
Sales of the HealthCare subgroup rose by 7.7% in the first quarter of 2011, to €4,166 million (Q1 2010: €3,869 million). Adjusted for currency and portfolio effects, business was up by 4.1%. This was largely due to the positive development in the Consumer Health segment.

HealthCare Quarterly Sales [Graphic 7]



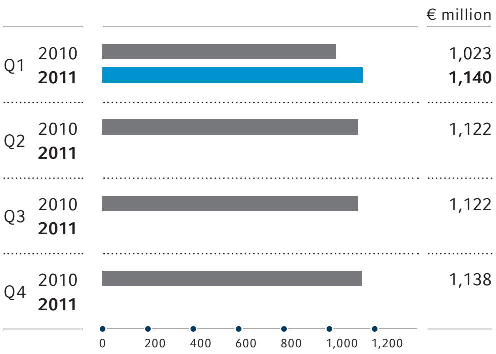
EBIT of the HealthCare subgroup grew by 16.5% in the first quarter of 2011 to €769 million (Q1 2010: €660 million) after special items of minus €37 million (Q1 2010: minus €29 million) related to restructuring measures. EBIT before special items increased by 17.0% to €806 million (Q1 2010: €689 million). **EBITDA** before special items advanced by 11.4% to €1,140 million (Q1 2010: €1,023 million). This increase was mainly attributable to the gratifying business performance at Consumer Health and to positive currency effects. Earnings were diminished by higher selling expenses.

HealthCare Quarterly EBIT [Graphic 8]



2010 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2010 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	1st Quarter 2010	1st Quarter 2011	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales	**2,531**	**2,649**	**+4.7**	**+0.9**
General Medicine	1,584	1,641	+3.6	−0.5
Specialty Medicine	947	1,008	+6.4	+3.2
Sales by region				
Europe	981	996	+1.5	
North America	687	564	−17.9	
Asia/Pacific	527	684	+29.8	
Latin America/Africa/Middle East	336	405	+20.5	
EBIT	**459**	**499**	**+8.7**	
Special items	*(29)*	*(36)*		
EBIT before special items*	***488***	***535***	***+9.6***	
EBITDA*	**730**	**767**	**+5.1**	
Special items	*(29)*	*(36)*		
EBITDA before special items*	***759***	***803***	***+5.8***	
EBITDA margin before special items*	30.0%	30.3%		
Gross cash flow**	**474**	**528**	**+11.4**	
Net cash flow**	**592**	**558**	**−5.7**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* 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 increased by 4.7% in the first quarter of 2011 to €2,649 million (Q1 2010: €2,531 million). On a currency-adjusted basis, sales were level with the prior-year quarter (+0.9%). A sharp rise in sales in China had a positive effect compared with a particularly weak prior-year quarter. Our business in Japan also developed especially well. However, sales of YAZ™ in the United States declined significantly, largely as a result of generic competition. Sales in the Pharmaceuticals segment were also held back by negative effects of the health system reforms in various countries.

Best-Selling Pharmaceutical Products [Table 4]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx adj. %
Kogenate™ (Specialty Medicine)	244	283	+16.0	+13.0
Betaferon™/Betaseron™ (Specialty Medicine)	283	274	−3.2	−5.0
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	287	242	−15.7	−18.3
Nexavar™ (Specialty Medicine)	155	172	+11.0	+7.2
Adalat™ (General Medicine)	146	157	+7.5	−0.1
Avalox™/Avelox™ (General Medicine)	135	147	+8.9	+4.7
Mirena™ (General Medicine)	143	143	0.0	−1.8
Aspirin™ Cardio (General Medicine)	73	90	+23.3	+18.7
Glucobay™ (General Medicine)	79	88	+11.4	+5.3
Levitra™ (General Medicine)	86	82	−4.7	−7.4
Ultravist™ (Specialty Medicine)	68	75	+10.3	+8.5
Cipro™/Ciprobay™ (General Medicine)	75	59	−21.3	−24.9
Magnevist™ (Specialty Medicine)	51	45	−11.8	−14.5
Iopamiron™ (Specialty Medicine)	39	44	+12.8	+3.6
Diane™ (General Medicine)	37	41	+10.8	+6.3
Total	**1,901**	**1,942**	**+2.2**	**−1.3**
Proportion of Pharmaceuticals sales	75%	73%		

Fx adj. = currency-adjusted

Sales of the **General Medicine** business unit rose by 3.6% to €1,641 million (Q1 2010: €1,584 million). After adjusting for currency effects, sales were flat with the same period of the previous year (Fx adj. -0.5%). Sales of our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives fell significantly (Fx adj. -18.3%). This was due mainly to the decline in sales of YAZ™ as a result of generic competition in the United States. Business with YAZ™ developed positively outside the United States. Sales of our hormone-releasing intrauterine device Mirena™ were slightly down against the prior-year period (Fx adj. -1.8%).

Higher volumes – particularly in China – led to significant sales growth for Aspirin™ Cardio (Fx adj. +18.7%), used for the prevention of myocardial infarction. Sales of the antibiotic Avalox™/Avelox™ (Fx adj. +4.7%) advanced primarily in the Asia/Pacific region, especially in China. The growth in sales of our oral diabetes treatment Glucobay™ (Fx adj. +5.3%) was attributable to successful marketing in China. Adalat™, used to treat high blood pressure and coronary heart disease, reached the prior-year level (Fx adj. -0.1%). Business with our erectile dysfunction treatment Levitra™ receded (Fx adj. -7.4%) due to lower sales in North America.

Sales of the **Specialty Medicine** business unit advanced by 6.4% to €1,008 million (Q1 2010: €947 million). The currency-adjusted increase was 3.2%. The increase in sales of our blood-clotting medication Kogenate™ (Fx adj. +13.0%) resulted mainly from higher volumes in Latin America/Africa/Middle East and larger deliveries to our distribution partner. Sales of our cancer drug Nexavar™ (Fx adj. +7.2%) also moved ahead, driven mainly by positive development in Japan and China. Sales of our multiple sclerosis drug Betaferon™/Betaseron™ (Fx adj. -5.0%) receded, however, due especially to increased competition and the negative effects of European governments' health system reforms. Business with the X-ray contrast agent Ultravist™ (Fx adj. +8.5 %) advanced, especially in the emerging markets, while sales of Iopamiron™ (Fx adj. +3.6%) showed a particular improvement in Japan. Among our contrast agents for magnetic resonance imaging (MRI), sales of Magnevist™ (Fx adj. -14.5%) fell sharply in North America and Europe. The decline in Europe was partly attributable to the transition to Gadovist™, sales of which came in at €37 million (Fx adj. +23.0%).

EBIT of the **Pharmaceuticals** segment increased by 8.7% in the first quarter of 2011 to €499 million (Q1 2010: €459 million) after special items of minus €36 million (Q1 2010: minus €29 million) for restructuring. EBIT before special items grew by 9.6% to €535 million (Q1 2010: €488 million). **EBITDA** before special items rose by 5.8% to €803 million (Q1 2010: €759 million). Currency effects had a positive impact, while earnings were diminished by higher selling expenses.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**1,338**	**1,517**	**+13.4**	**+10.1**
Consumer Care	744	864	+16.1	+13.0
Medical Care	335	357	+6.6	+4.9
Animal Health	259	296	+14.3	+8.5
Sales by region				
Europe	542	600	+10.7	
North America	447	512	+14.5	
Asia/Pacific	140	166	+18.6	
Latin America/Africa/Middle East	209	239	+14.4	
EBIT	**201**	**270**	**+34.3**	
Special items	*0*	*(1)*		
EBIT before special items*	***201***	***271***	***+34.8***	
EBITDA*	**264**	**336**	**+27.3**	
Special items	*0*	*(1)*		
EBITDA before special items*	***264***	***337***	***+27.7***	
EBITDA margin before special items*	19.7%	22.2%		
Gross cash flow**	**189**	**240**	**+27.0**	
Net cash flow**	**150**	**223**	**+48.7**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* 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 our **Consumer Health** segment advanced by 13.4% in the first quarter of 2011 to €1,517 million (Q1 2010: €1,388 million). Adjusted for currency and portfolio effects, business expanded by 10.1%. All regions contributed to the increase.

Best-Selling Consumer Health Products [Table 6]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	131	152	+16.0	+14.3
Aspirin™ * (Consumer Care)	90	112	+24.4	+21.8
Advantage™ product line (Animal Health)	89	102	+14.6	+11.7
Aleve™/naproxen (Consumer Care)	59	67	+13.6	+12.1
Bepanthen™/Bepanthol™ (Consumer Care)	55	63	+14.5	+11.7
Canesten™ (Consumer Care)	44	55	+25.0	+19.1
Baytril™ (Animal Health)	38	43	+13.2	+11.0
One A Day™ (Consumer Care)	36	41	+13.9	+10.3
Supradyn™ (Consumer Care)	31	33	+6.5	+4.5
Drontal™ (Animal Health)	28	29	+3.6	+0.6
Total	**601**	**697**	**+16.0**	**+13.3**
Proportion of Consumer Health sales	45%	46%		

Fx adj. = currency-adjusted
* Total Aspirin™ Q1 sales = €202 million (Q1 = €163 million), including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales climbed by 16.1% to €864 million (Q1 2010: €744 million). The currency-adjusted increase was 13.0%. All regions contributed to the growth in business. We posted gratifying sales gains, particularly in the United States, with our analgesics Aspirin™ (Fx adj. +21.8%) and Aleve™/naproxen (Fx adj. +12.1%). In addition, business with Aspirin™ benefited from a comparatively strong cold season in Europe. The growth in sales of the One A Day™ line of dietary supplements (Fx adj. +10.3%) was chiefly attributable to higher demand in the United States. Sales of our Bepanthen™/Bepanthol™ line of skincare products (Fx adj. +11.7%) rose mainly as a result of positive development in Europe. We also expanded business with the antifungal Canesten™ (Fx adj. +19.1%) thanks to higher volumes in China and new launches in Canada.

Sales of the **Medical Care** Division advanced by 6.6% in the first quarter of 2011, to €357 million (Q1 2010: €335 million). After adjusting for currency effects, the increase came to 4.9%. Growth was mainly attributable to the positive development of our Diabetes Care business, in which higher volumes for our Contour™ line of blood glucose meters (Fx adj. +14.3%) played a key role. The 4.2% (Fx adj.) increase in the sales of our medical equipment business, to €117 million, was driven by our radiology products in Asia/Pacific and North America.

Sales of the **Animal Health** Division moved ahead by 14.3% to €296 million (Q1 2010: €259 million). The sales of the New Zealand company Bomac, which was acquired on January 7, 2011, were included for the first time; they amounted to €7 million. On a currency- and portfolio-adjusted basis, the division's business expanded by 8.5%. This performance was founded on growth in all regions, more especially North and Latin America. Sales of our Advantage™ (Fx adj. +11.7% line of products) to control fleas, ticks and worms advanced, particularly in the United States. Business with the antibiotic Baytril™ (Fx adj. +11.0%) increased in the United States but declined slightly in Europe.

EBIT of the **Consumer Health** segment improved substantially in the first quarter of 2011 to €270 million (+34.3%). Special items totaled minus €1 million (Q1 2010: €0 million). EBIT before special items climbed by 34.8% to €271 million (Q1 2010: €201 million). **EBITDA** before special items rose by 27.7% to €337 million (Q1 2010: €264 million). This considerable improvement resulted mainly from the gratifying expansion of business.

5.2 CropScience

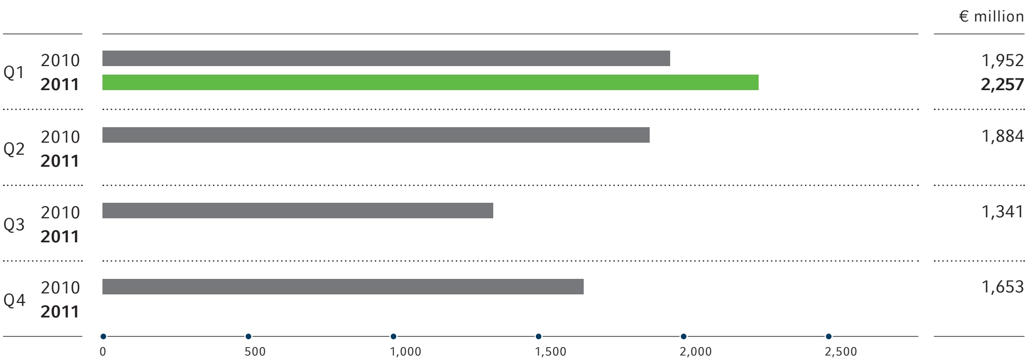
Key Data – CropScience [Table 7]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**1,952**	**2,257**	**+15.6**	**+13.6**
Change in sales				
Volume	−9.9%	+12.9%		
Price	−0.1%	+0.7%		
Currency	+2.0%	+2.0%		
Portfolio	+0.1%	0.0%		
Sales by segment				
Crop Protection	1,476	1,676	+13.6	+12.0
Environmental Science, BioScience	476	581	+22.1	+18.4
Sales by region				
Europe	918	1,002	+9.2	
North America	527	670	+27.1	
Asia/Pacific	240	269	+12.1	
Latin America/Africa/Middle East	267	316	+18.4	
EBIT	**360**	**219**	**−39.2**	
Special items	*(48)*	*(405)*		
EBIT before special items*	***408***	***624***	***+52.9***	
EBITDA*	**483**	**416**	**−13.9**	
Special items	*(48)*	*(329)*		
EBITDA before special items*	***531***	***745***	***+40.3***	
EBITDA margin before special items*	27.2%	33.0%		
Gross cash flow**	**335**	**314**	**−6.3**	
Net cash flow**	**(265)**	**(214)**	**+19.2**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

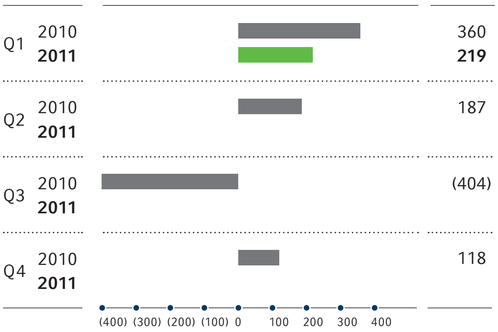
In the CropScience subgroup, **sales** grew by 15.6% in the first quarter of 2011 to €2,257 million (Q1 2010: €1,952 million). The currency-adjusted increase was 13.6%. An early and particularly strong start to the season in the northern hemisphere and high prices for agricultural raw materials provided a favorable market environment compared to the weak prior-year quarter. In addition, we were able to continue expanding our BioScience business.

CropScience Quarterly Sales [Graphic 10]



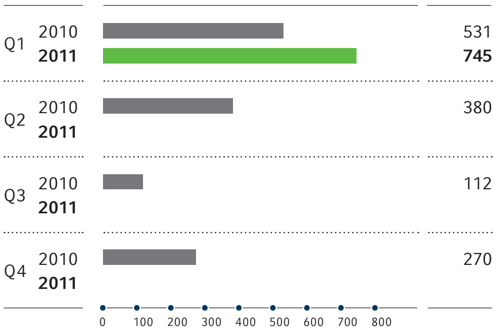
The first quarter saw a substantial decline in **EBIT** of CropScience, from €360 million to €219 million. Earnings were diminished by special items of minus €405 million (Q1 2010: minus €48 million). They related mainly to expenditures for restructuring measures and provisions established in connection with litigations concerning genetically modified rice (LL RICE) in the United States. EBIT before special items climbed by 52.9% to €624 million (Q1 2010: €408 million). **EBITDA** before special items rose by 40.3% to €745 million (Q1 2010: €531 million). The growth in earnings was mainly due to the good business development in Crop Protection and BioScience.

CropScience
Quarterly EBIT [Graphic 11]



2010 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2010 figures restated

CROP PROTECTION

Key Data – Crop Protection [Table 8]

	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**1,476**	**1,676**	**+13.6**	**+12.0**
Herbicides	603	701	+16.3	+14.9
Fungicides	417	497	+19.2	+18.3
Insecticides	296	288	−2.7	−4.5
Seed Treatment	160	190	+18.8	+17.3
Sales by region				
Europe	779	855	+9.8	
North America	267	331	+24.0	
Asia/Pacific	203	228	+12.3	
Latin America/Africa/Middle East	227	262	+15.4	
EBIT	**248**	**199**	**−19.8**	
Special items	*0*	*(211)*		
EBIT before special items*	***248***	***410***	***+65.3***	
EBITDA*	**352**	**375**	**+6.5**	
Special items	*0*	*(135)*		
EBITDA before special items*	***352***	***510***	***+44.9***	
EBITDA margin before special items*	23.8%	30.4%		
Gross cash flow**	**238**	**281**	**+18.1**	
Net cash flow**	**(258)**	**(236)**	**+8.5**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* 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 **Crop Protection** segment in the first quarter of 2011 advanced by 13.6% from the prior-year period to €1,676 million (Q1 2010: €1,476 million), with the currency-adjusted increase amounting to 12.0%. The principal growth drivers were our new products, such as the fungicide family Xpro™, the fungicide Stratego™ YLD and the seed treatment Poncho™/Votivo™. Business expanded significantly in all regions. While sales of our herbicides, fungicides and seed treatments rose substantially compared to the weak prior-year quarter, those of insecticides moved slightly lower.

In the **Europe** region, sales climbed by 9.8% to €855 million (Q1 2010: €779 million). On a currency-adjusted basis, sales expanded by 9.7%. Particularly strong growth rates were recorded in eastern Europe. The increase in business was mainly the outcome of a stronger and earlier start to the spring season than in the previous year. This particularly benefited our fungicides and herbicides businesses, which posted high growth rates in some cases. Sales of seed treatment products also moved forward significantly compared to the weak prior-year quarter. Insecticide sales, however, were slightly down.

Sales of Crop Protection in **North America** moved ahead by 24.0% to €331 million (Q1 2010: €267 million). The currency-adjusted increase was 21.5%. Compared to the unusually weak first quarter of 2010, we saw impressive growth in sales of our fungicides, herbicides and seed treatments in the United States due to an early and strong start to the season. On the other hand, business with insecticides fell sharply in the United States because we ceased marketing the insecticide Temik™.

Sales in the **Asia/Pacific** region advanced by 12.3% to €228 million (Q1 2010: €203 million). After adjusting for currency effects, sales rose by 6.4%. While business with insecticides was somewhat below the prior-year period, we achieved substantial increases for herbicides, fungicides and seed treatment products. Sales were mainly driven by an increase in Japan compared to the weak prior-year quarter.

Sales in the **Latin America/Africa/Middle East** region came in at €262 million, up 15.4% against the prior-year figure of €227 million. Adjusted for currency effects, business expanded by 13.6%. The herbicides business trended particularly well in Brazil, Argentina and Mexico, mainly because of the good market prospects for cotton and sugarcane. Insecticide sales again developed well in Brazil following the success achieved in the fourth quarter of 2010. Sales of seed treatments also rose considerably in the Latin America/Africa/Middle East region, while fungicides posted a slight decrease.

EBIT in the **Crop Protection** segment fell by 19.8% to €199 million (Q1 2010: €248 million). The special items of €211 million (Q1 2010: €0 million) incurred for our ongoing restructuring program pertained largely to planned site and plant closures and the related downsizing of the workforce in the United States. EBIT before special items came in at €410 million (Q1 2010: €248 million). **EBITDA** before special items in the Crop Protection segment climbed by 44.9% to €510 million (Q1 2010: €352 million). The improvement in earnings resulted from sharply higher volumes and favorable cost development.

ENVIRONMENTAL SCIENCE, BIOSCIENCE

Key Data – Environmental Science, BioScience [Table 9]

	1st Quarter 2010	1st Quarter 2011	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales	**476**	**581**	**+22.1**	**+18.4**
Environmental Science	170	178	+4.7	+3.0
BioScience	306	403	+31.7	+27.0
Sales by region				
Europe	139	147	+5.8	
North America	260	339	+30.4	
Asia/Pacific	37	41	+10.8	
Latin America/Africa/Middle East	40	54	+35.0	
EBIT	**112**	**20**	**−82.1**	
Special items	*(48)*	*(194)*		
EBIT before special items*	***160***	***214***	***+33.8***	
EBITDA*	**131**	**41**	**−68.7**	
Special items	*(48)*	*(194)*		
EBITDA before special items*	***179***	***235***	***+31.3***	
EBITDA margin before special items*	37.6%	40.4%		
Gross cash flow**	**97**	**33**	**−66.0**	
Net cash flow**	**(7)**	**22**	**.**	

Fx & p adj. = currency- and portfolio-adjusted
* 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 22.1% increase in the first quarter of 2011, to €581 million (Q1 2010: €476 million). The currency-adjusted increase amounted to 18.4%.

Sales of the **Environmental Science** business unit rose by 4.7% to €178 million (Q1 2010: €170 million). On a currency-adjusted basis, business expanded by 3.0%. Business with products for professional users increased, driven mainly by positive development in the United States and Latin America, while sales of consumer products showed a slight decline.

The **BioScience** business unit boosted sales by a substantial 31.7% to €403 million (Q1 2010: €306 million). After adjusting for currency effects, business expanded by 27.0%. The increase came primarily from much improved sales of canola seed in Canada and the United States thanks to increased acreages and higher prices for agricultural raw materials. Sales of our cotton seed also developed very well in the United States, where business was supported by increased demand combined with higher prices in a favorable overall market environment. The vegetable seed business also developed very positively, posting double-digit growth rates in all regions.

EBIT of **Environmental Science, BioScience** declined by €92 million to €20 million (Q1 2010: €112 million) after special charges totaling €194 million (Q1 2010: €48 million). These arose mainly for an intended settlement program in connection with litigations concerning genetically modified rice (LL RICE) in the United States. We hope this subject is now dealt with to a large extent. EBIT before special items advanced by 33.8% to €214 million (Q1 2010: €160 million). **EBITDA** before special items in the Environmental Science, BioScience segment increased by 31.3% to €235 million (Q1 2010: €179 million). This was due to the positive business development, which in turn was mainly the result of higher volumes at BioScience.

5.3 MaterialScience

Key Data – MaterialScience [Table 10]

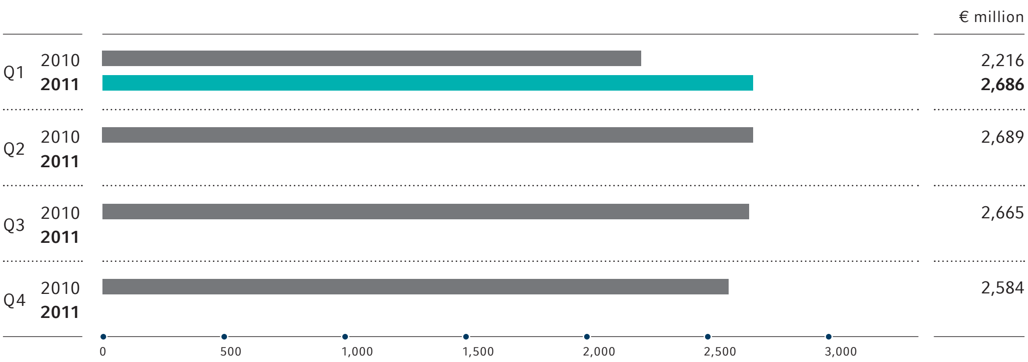
	1st Quarter 2010	1st Quarter 2011	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**2,216**	**2,686**	**+21.2**	**+18.7**
Change in sales				
Volume	+41.2%	+9.8%		
Price	−3.3%	+8.9%		
Currency	−2.4%	+2.3%		
Portfolio	0.0%	+0.2%		
Sales by business unit				
Polyurethanes	1,106	1,353	+22.3	+19.3
Polycarbonates	575	716	+24.5	+22.2
Coatings, Adhesives, Specialties	413	460	+11.4	+9.5
Industrial Operations	122	157	+28.7	+27.9
Sales by region				
Europe	878	1,120	+27.6	
North America	436	511	+17.2	
Asia/Pacific	617	712	+15.4	
Latin America/Africa/Middle East	285	343	+20.4	
EBIT	**137**	**205**	**+49.6**	
Special items	*0*	*0*		
EBIT before special items*	***137***	***205***	***+49.6***	
EBITDA*	**278**	**345**	**+24.1**	
Special items	*0*	*0*		
EBITDA before special items*	***278***	***345***	***+24.1***	
EBITDA margin before special items*	12.5%	12.8%		
Gross cash flow**	**220**	**272**	**+23.6**	
Net cash flow**	**16**	**151**	**.**	

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

The MaterialScience subgroup had a successful start to 2011, continuing its encouraging business trend. We also considerably improved earnings despite significant increases in raw material and energy costs.

Sales rose by 21.2% to €2,686 million (Q1 2010: €2,216 million). On a currency- and portfolio-adjusted basis, we raised sales by 18.7% compared to the first quarter of 2010, when business was still being held back by the global financial and economic crisis. This sales growth resulted largely from significantly higher demand in all our main customer industries, with the largest increases in absolute terms coming from the construction and automotive sectors. This led to volume growth in all product groups and regions. In addition, we succeeded in raising selling prices considerably, particularly in the Europe, Asia/Pacific and North America regions. Prices in the Latin America/Africa/Middle East region remained at the prior-year level.

MaterialScience Quarterly Sales [Graphic 13]



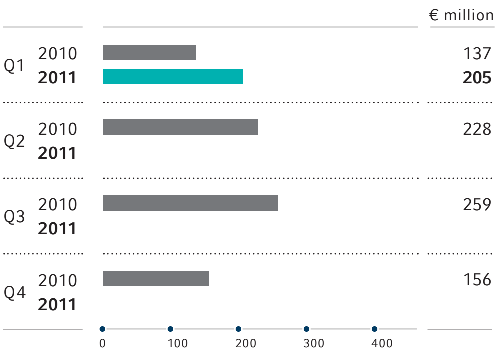
Sales of the **Polyurethanes** business unit rose by 22.3% to €1,353 million (Q1 2010: €1,106 million). Adjusted for currency and portfolio effects, the increase amounted to 19.3%. Among our polyurethane product groups, we recorded significant sales gains in diphenylmethane diisocyanate (MDI) and polyether (PET), while toluene diisocyanate (TDI) was only slightly above the previous year. Growth in business was mainly the result of substantially higher volumes in all regions. There was also a considerable increase in selling prices for polyurethanes. Selling price increases for our MDI and PET products more than offset the effect of lower prices for TDI.

Sales of the **Polycarbonates** business unit improved to €716 million, up 24.5% (Fx adj. +22.2%) against the prior-year figure of €575 million. This was largely due to the substantial increase in sales of our granules product group as a result of significantly higher selling prices and volumes. Polycarbonate sheet/semi-finished products also saw a year-on-year improvement in demand, with appreciable volume growth more than compensating for a slight drop in selling prices.

The **Coatings, Adhesives, Specialties** business unit registered sales of €460 million (Q1 2010: €413 million), which was 11.4% (Fx adj. +9.5%) more than in the prior-year period. All product groups contributed to this growth with volume and price increases.

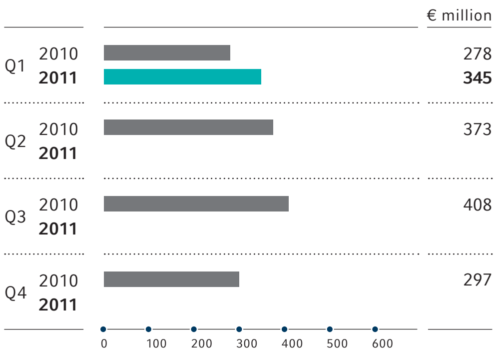
Sales in the **Industrial Operations** business unit grew by 28.7% to €157 million (Q1 2010: €122 million). The currency-adjusted increase was 27.9%. Volumes expanded significantly in all regions. We also implemented selling price increases in the North America and Europe regions. Selling prices in the Latin America / Africa / Middle East and Asia / Pacific regions were lower than in the prior-year period.

MaterialScience
Quarterly EBIT [Graphic 14]



2010 figures restated

MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



2010 figures restated

EBIT of **MaterialScience** rose by a substantial 49.6% in the first quarter of 2011, to €205 million (Q1 2010: €137 million), with no special charges affecting earnings in this period. **EBITDA** before special items posted a tangible increase to €345 million (Q1 2010: €278 million). Earnings were supported by the expansion in volumes. Through significantly higher selling prices for our products, we succeeded in nearly offsetting the marked rise in raw material and energy costs that followed from the global economic recovery and the political situation in the Middle East.

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	1st Quarter 2010	1st Quarter 2011			1st Quarter 2010	1st Quarter 2011		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,523**	**1,596**	**+4.8**	**+3.7**	**1,134**	**1,076**	**−5.1**	**−6.8**
Pharmaceuticals	981	996	+1.5	+0.6	687	564	−17.9	−19.4
Consumer Health	542	600	+10.7	+9.5	447	512	+14.5	+12.5
CropScience	**918**	**1,002**	**+9.2**	**+9.0**	**527**	**670**	**+27.1**	**+23.4**
Crop Protection	779	855	+9.8	+9.7	267	331	+24.0	+21.5
Environmental Science, BioScience	139	147	+5.8	+5.5	260	339	+30.4	+25.2
MaterialScience	**878**	**1,120**	**+27.6**	**+27.5**	**436**	**511**	**+17.2**	**+15.6**
Group (incl. reconciliation)	**3,567**	**3,988**	**+11.8**	**+11.3**	**2,098**	**2,258**	**+7.6**	**+5.4**

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 and EBITDA 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 (IFRS) 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, impairments or special items. By reporting this indicator, the company aims to give readers a clearer picture of the results of operations and ensure 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, amortization and impairments rose by 11.5% in the first quarter of 2011 to €718 million (Q1 2010: €644 million), comprising €366 million (Q1 2010: €352 million) in amortization and impairments of intangible assets and €352 million (Q1 2010: €292 million) in depreciation and impairments of property, plant and equipment. Included here were impairments of €92 million (Q1 2010: €3 million), of which €16 million (Q1 2010: €3 million) did not constitute special items.

[Table 11]

Asia/Pacific				Latin America/Africa/Middle East				Total			
1st Quarter 2010	1st Quarter 2011			1st Quarter 2010	1st Quarter 2011			1st Quarter 2010	1st Quarter 2011		
€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
667	**850**	**+ 27.4**	**+ 17.6**	**545**	**644**	**+18.2**	**+12.2**	**3,869**	**4,166**	**+7.7**	**+4.2**
527	684	+29.8	+19.3	336	405	+20.5	+14.1	2,531	2,649	+4.7	+0.9
140	166	+18.6	+10.9	209	239	+14.4	+9.1	1,338	1,517	+13.4	+10.6
240	**269**	**+12.1**	**+6.2**	**267**	**316**	**+18.4**	**+16.3**	**1,952**	**2,257**	**+15.6**	**+13.6**
203	228	+12.3	+6.4	227	262	+15.4	+13.6	1,476	1,676	+13.6	+12.0
37	41	+10.8	+5.1	40	54	+35.0	+31.6	476	581	+22.1	+18.4
617	**712**	**+15.4**	**+10.9**	**285**	**343**	**+20.4**	**+15.0**	**2,216**	**2,686**	**+21.2**	**+18.9**
1,539	**1,850**	**+20.2**	**+13.1**	**1,112**	**1,319**	**+18.6**	**+13.9**	**8,316**	**9,415**	**+ 13.2**	**+ 10.5**

Special Items Reconciliation [Table 12]

	EBIT* 1st Quarter 2010	EBIT* 1st Quarter 2011	EBITDA** 1st Quarter 2010	EBITDA** 1st Quarter 2011
	€ million	€ million	€ million	€ million
After special items	**1,104**	**1,148**	**1,748**	**1,866**
HealthCare	**29**	**37**	**29**	**37**
Restructuring	0	37	0	37
Litigations	29	0	29	0
CropScience	**48**	**405**	**48**	**329**
Restructuring	0	211	0	135
Litigations	48	194	48	194
MaterialScience	**0**	**0**	**0**	**0**
Reconciliation	**0**	**0**	**0**	**0**
Total special items	**77**	**442**	**77**	**366**
Before special items	**1,181**	**1,590**	**1,825**	**2,232**

2010 figures restated
* EBIT = operating result as per income statement
** EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

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 eliminating amortization and impairments of intangible assets, impairments of property, plant and equipment, 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. Core earnings per share in the first quarter of 2011 amounted to €1.45 (Q1 2010: €1.13).

Core Earnings per Share [Table 13]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
EBIT as per income statements	**1,104**	**1,148**
Amortization and impairment losses on intangible assets	352	366
Impairment losses on property, plant and equipment	1	55
Special items (other than impairment losses)	77	366
Core EBIT	**1,534**	**1,935**
Non-operating result (as per income statements)	(244)	(213)
Income taxes (as per income statements)	(228)	(252)
Tax effects related to impairments and special items	(129)	(271)
Income after taxes attributable to non-controlling interest (as per income statements)	(1)	1
Core net income	**932**	**1,200**
	Shares	Shares
Weighted average number of issued ordinary shares	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.13**	**1.45**

2010 figures restated

Core net income, core earnings per share and core EBIT are not defined in IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 14]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
Gross cash flow*	**1,178**	**1,309**
Changes in working capital/other non-cash items	(446)	(508)
Net cash provided by (used in) operating activities (net cash flow)	**732**	**801**
Net cash provided by (used in) investing activities	**(312)**	**(575)**
Net cash provided by (used in) financing activities	**(116)**	**(316)**
Change in cash and cash equivalents due to business activities	**304**	**(90)**
Cash and cash equivalents at beginning of period	**2,725**	**2,840**
Change due to exchange rate movements and to changes in scope of consolidation	12	(64)
Cash and cash equivalents at end of period	**3,041**	**2,686**

2010 figures restated
* Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirement of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of the operating result (EBIT). It also contains benefit payments during the year.

OPERATING CASH FLOW

Gross cash flow in the first quarter of 2011 was up by 11.1% from the prior-year period to €1,309 million (Q1 2010: €1,178 million), thanks largely to the improvement in the operating result. While HealthCare and MaterialScience significantly raised their gross cash flow, it declined slightly at CropScience due to the provisions established for the LL RICE litigation and for restructuring measures. Cash tied up in working capital increased considerably due to the expansion of business. Net cash flow of the Group rose by 9.4% to €801 million (Q1 2010: €732 million) and reflected income tax payments of €224 million (Q1 2010: €174 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the first three months of 2011 was €575 million (Q1 2010: €312 million). Cash outflows for additions to property, plant, equipment and intangible assets rose by 3.5% to €238 million (Q1 2010: €230 million). Of this figure, HealthCare accounted for €69 million (Q1 2010: €69 million), CropScience for €47 million (Q1 2010: €38 million) and MaterialScience for €101 million (Q1 2010: €106 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. The inflows from sales of property, plant and equipment included a €41 million advance payment received on a parcel of land in Thane, India. The €105 million (Q1 2010: €16 million) in outflows for acquisitions related mainly to the purchase of the animal health company Bomac, New Zealand.
Cash outflows for noncurrent and current financial assets amounted to €324 million (Q1 2010: €117 million). Among the cash inflow items in the first quarter of 2011 was €14 million (Q1 2010: €21 million) in interest and dividends received.

FINANCING CASH FLOW

Net cash outflow for financing activities in the first quarter of 2011 amounted to €316 million (Q1 2010: €116 million). It included net loan repayments of €214 million (Q1 2010: €30 million). Net interest payments were 18.8% higher at €101 million (Q1 2010: €85 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 15]

	Dec. 31, 2010	March 31, 2011
	€ million	€ million
Bonds and notes/promissory notes	8,209	7,860
of which hybrid bond	1,303	1,271
Liabilities to banks	2,271	2,185
Liabilities under finance leases	562	529
Liabilities from derivatives	529	393
Other financial liabilities	196	189
Positive fair values of hedges of recorded transactions	331	436
Financial debt	**11,436**	**10,720**
Cash and cash equivalents	(2,840)	(2,686)
Current financial assets	(679)	(932)
Net financial debt	**7,917**	**7,102**

Net financial debt of the Bayer Group was reduced in the first quarter of 2011 by €0.8 billion, or 10.3%, to €7.1 billion as a result of the cash inflows from operating activities and positive currency effects of €0.3 billion. The Group had cash and cash equivalents of €2.7 billion as of March 31, 2011. Financial liabilities on that date amounted to €10.7 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 debt indicators. Our noncurrent financial liabilities declined in the first quarter of 2011 from €9.9 billion to €9.5 billion. At the same time, current financial liabilities decreased from €1.9 billion to €1.7 billion.

Standard & Poor's continues to give Bayer a long-term issuer rating of A-, but upgraded the outlook in April 2011 from "negative" to "stable." Moody's has confirmed our long-term rating of A3 with stable outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

NET PENSION LIABILITY

Net Pension Liability [Table 16]

	Dec. 31, 2010	March 31, 2011
	€ million	€ million
Provisions for pensions and other post-employment benefits	7,305	6,705
Benefit plan assets in excess of obligation	(76)	(74)
Net pension liability	**7,229**	**6,631**

The net pension liability decreased from €7.2 billion to €6.6 billion in the first quarter of 2011, due especially to higher long-term capital market interest rates. Provisions for pensions and other post-employment benefits fell from €7.3 billion to €6.7 billion. Benefit plan assets in excess of obligations – reflected in the statement of financial position as "Other receivables" – came to €0.1 billion (December 31, 2010: €0.1 billion).

9. Employees

On March 31, 2011, the Bayer Group employed 112,500 people worldwide, compared with 111,400 people on December 31, 2010. The number of employees thus showed a small increase of 1.0%.

HealthCare employed 55,800 people. The increase compared with the end of 2010 (55,700) resulted from the first-time inclusion of the employees of Bomac, New Zealand. The number of employees at CropScience increased to 21,500 for seasonal reasons (December 31, 2010: 20,700). MaterialScience had 14,700 employees as before. The remaining 20,500 employees worked mainly for the service companies.

Personnel expenses rose by 11.4% in the first quarter of 2011 to €2,245 million (Q1 2010: €2,015 million). This increase was largely attributable to higher provisions for restructuring and variable employee compensation, regular salary increases and currency effects.

10. Opportunities and Risks

As a global enterprise with a diversified business portfolio, the Bayer Group enjoys many opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in Chapter 11.1 of the Bayer Annual Report 2010.

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 2010 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 38f. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2010 on pages 122 – 131 and 241 – 247. The Bayer Annual Report 2010 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.

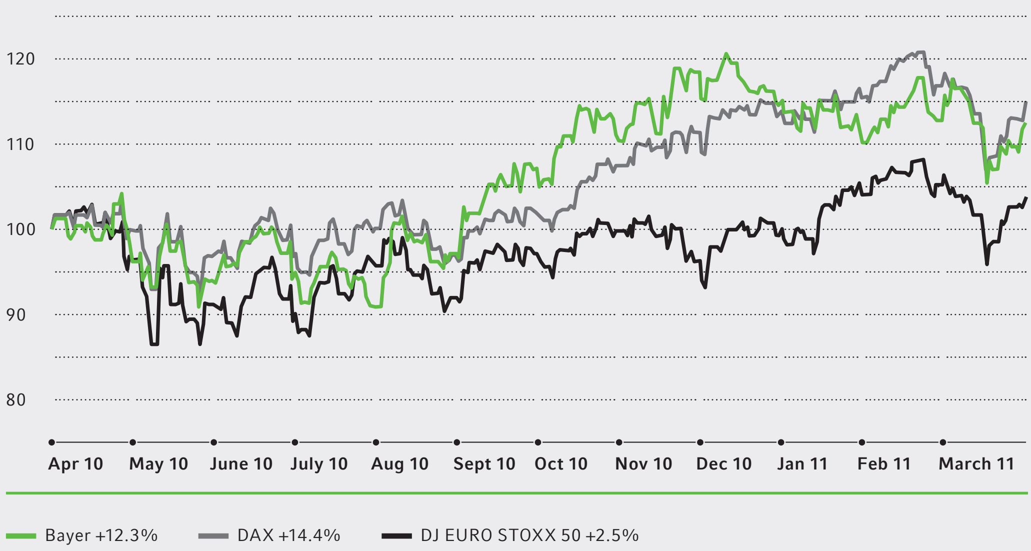
11. Events After the Reporting Period

Since April 1, 2011, 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 16]

indexed; 100 = Xetra closing price on March 31, 2010 (source: Bloomberg)



The price of Bayer shares fell slightly in the first quarter of 2011, closing at €54.64 at the end of March following a high of €57.18 in mid-February. The stock therefore closed the first quarter down 1.2% against the end of 2010.

The German stock index DAX and the European reference index trended positively in the reporting period. While the DAX rose 1.8% to 7,041 points, the EURO STOXX 50 (performance index) gained 4.5% since the beginning of the year, closing the quarter at 4,769.

Bayer Stock Data [Table 17]

		1st Quarter 2010	1st Quarter 2011	Year 2010	
High for the period	€	56.40	57.18	58.62	
Low for the period	€	46.82	51.17	44.12	
Average daily trading volume	million	3.4	3.0	3.6	
		March 31, 2010	March 31, 2011	Dec. 31, 2010	Change March 31, 2011/ Dec. 31, 2010 %
Share price	€	50.08	54.64	55.30	−1.2
Market capitalization	€ million	41,414	45,184	45,730	−1.2
Equity as per statements of financial position	€ million	19,482	19,652	18,896	+4.0
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		6,154	7,041	6,914	+1.8

2010 figures restated
Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2011

Bayer Group Consolidated Income Statements

[Table 18]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
Net sales	**8,316**	**9,415**
Cost of goods sold	(4,003)	(4,437)
Gross profit	**4,313**	**4,978**
Selling expenses	(1,966)	(2,147)
Research and development expenses	(717)	(737)
General administration expenses	(405)	(424)
Other operating income	34	255
Other operating expenses	(155)	(777)
Operating result [EBIT]	**1,104**	**1,148**
Equity-method loss	(20)	(11)
Non-operating income	155	49
Non-operating expenses	(379)	(251)
Non-operating result	**(244)**	**(213)**
Income before income taxes	**860**	**935**
Income taxes	(228)	(252)
Income after taxes	**632**	**683**
of which attributable to non-controlling interest	1	(1)
of which attributable to Bayer AG stockholders (net income)	**631**	**684**
	€	€
Earnings per share		
Basic	0.76	0.83
Diluted	0.76	0.83

2010 figures restated

Bayer Group Consolidated Statements of Comprehensive Income

[Table 19]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
Income after taxes	**632**	**683**
of which attributable to non-controlling interest	*1*	*(1)*
of which attributable to Bayer AG stockholders	*631*	*684*
Changes in fair values of derivatives designated as cash flow hedges	(155)	150
Recognized in profit or loss	(4)	36
Income taxes	50	(56)
Changes recognized outside profit or loss (cash flow hedges)	**(109)**	**130**
Changes in fair values of available-for-sale financial assets	1	0
Recognized in profit or loss	0	0
Income taxes	(1)	0
Changes recognized outside profit or loss (available-for-sale financial assets)	**0**	**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	(507)	461
Income taxes	111	(150)
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)	**(396)**	**311**
Exchange differences on translation of operations outside the eurozone	471	(363)
Recognized in profit or loss	0	0
Changes recognized outside profit or loss (exchange differences)	**471**	**(363)**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**10**	**(7)**
Effects of changes in scope of consolidation	**0**	**0**
Total changes recognized outside profit or loss	**(24)**	**71**
of which attributable to non-controlling interest	*4*	*(5)*
of which attributable to Bayer AG stockholders	*(28)*	*76*
Total comprehensive income	**608**	**754**
of which attributable to non-controlling interest	*5*	*(6)*
of which attributable to Bayer AG stockholders	*603*	*760*

2010 figures restated

Bayer Group Consolidated Statements of Financial Position

[Table 20]

	March 31, 2010	March 31, 2011	Dec. 31, 2010
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,906	8,870	9,002
Other intangible assets	12,684	10,748	11,161
Property, plant and equipment	9,634	9,363	9,835
Investments accounted for using the equity method	388	333	354
Other financial assets	1,373	1,175	1,164
Other receivables	537	469	498
Deferred taxes	1,278	1,237	1,174
	34,800	**32,195**	**33,188**
Current assets			
Inventories	6,328	6,133	6,104
Trade accounts receivable	7,302	7,691	6,668
Other financial assets	240	1,456	1,008
Other receivables	1,333	1,345	1,336
Claims for income tax refunds	291	300	362
Cash and cash equivalents	3,041	2,686	2,840
Assets held for sale	0	16	0
	18,535	**19,627**	**18,318**
Total assets	**53,335**	**51,822**	**51,506**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	11,139	11,309	10,549
Equity attributable to Bayer AG stockholders	**19,423**	**19,593**	**18,833**
Equity attributable to non-controlling interest	59	59	63
	19,482	**19,652**	**18,896**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,051	6,705	7,305
Other provisions	1,471	1,519	1,478
Financial liabilities	10,675	9,538	9,944
Other liabilities	417	470	471
Deferred taxes	3,120	2,727	2,577
	22,734	**20,959**	**21,775**
Current liabilities			
Other provisions	3,779	4,684	3,870
Financial liabilities	2,680	1,666	1,889
Trade accounts payable	2,876	3,247	3,497
Income tax liabilities	74	70	62
Other liabilities	1,710	1,544	1,517
	11,119	**11,211**	**10,835**
Total equity and liabilities	**53,335**	**51,822**	**51,506**

2010 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 21]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
Income after taxes	632	683
Income taxes	228	252
Non-operating result	244	213
Income taxes paid or accrued	(419)	(416)
Depreciation, amortization and impairments	644	718
Change in pension provisions	(145)	(138)
(Gains) losses on retirements of noncurrent assets	(6)	(3)
Gross cash flow	**1,178**	**1,309**
Decrease (increase) in inventories	(119)	(180)
Decrease (increase) in trade accounts receivable	(1,120)	(1,199)
(Decrease) increase in trade accounts payable	199	(138)
Changes in other working capital, other non-cash items	594	1,009
Net cash provided by (used in) operating activities (net cash flow)	**732**	**801**
Cash outflows for additions to property, plant, equipment and intangible assets	(230)	(238)
Cash inflows from sales of property, plant, equipment and other assets	13	50
Cash inflows from divestitures	17	28
Cash inflows from (outflows for) noncurrent financial assets	(110)	(20)
Cash outflows for acquisitions less acquired cash	(16)	(105)
Interest and dividends received	21	14
Cash inflows from (outflows for) current financial assets	(7)	(304)
Net cash provided by (used in) investing activities	**(312)**	**(575)**
Dividend payments and withholding tax on dividends	0	0
Issuances of debt	117	166
Retirements of debt	(147)	(380)
Interest paid including interest rate swaps	(96)	(110)
Interest received from interest rate swaps	11	9
Cash outflows for the purchase of additional interests in subsidiaries	(1)	(1)
Net cash provided by (used in) financing activities	**(116)**	**(316)**
Change in cash and cash equivalents due to business activities	**304**	**(90)**
Cash and cash equivalents at beginning of period	**2,725**	**2,840**
Change in cash and cash equivalents due to exchange rate movements	12	(64)
Cash and cash equivalents at end of period	**3,041**	**2,686**

2010 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 22]

	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, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Restatement			(77)	(77)		(77)
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes						
Total comprehensive income**			603	603	5	608
March 31, 2010	**2,117**	**6,167**	**11,139**	**19,423**	**59**	**19,482**
Dec. 31, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes					2	2
Total comprehensive income**			760	760	(6)	754
March 31, 2011	**2,117**	**6,167**	**11,309**	**19,593**	**59**	**19,652**

2010 figures restated
* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2011

Key Data by Segment and Region

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external)	2,531	2,649	1,338	1,517
Change	−2.2%	+4.7%	+6.5%	+13.4%
Currency-adjusted change	−1.4%	+0.9%	+7.0%	+10.6%
Intersegment sales	17	18	3	1
Net sales (total)	2,548	2,667	1,341	1,518
Operating result (EBIT)	459	499	201	270
EBIT before special items	488	535	201	271
EBITDA before special items	759	803	264	337
Gross cash flow*	474	528	189	240
Net cash flow*	592	558	150	223
Depreciation, amortization and impairment losses	271	268	63	66
Number of employees (as of March 31)**	37,700	38,100	17,900	17,700

2010 figures restated
* 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 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,567	3,988	2,098	2,258
Change	+0.1%	+11.8%	+2.0%	+7.6%
Currency-adjusted change	−0.8%	+11.3%	+4.6%	+5.4%
Net sales (external) – by point of origin	3,890	4,351	2,096	2,277
Change	+1.5%	+11.9%	+2.4%	+8.6%
Currency-adjusted change	+0.7%	+11.4%	+5.2%	+6.4%
Interregional sales	1,803	1,770	750	743
Operating result (EBIT)	811	884	123	83
Number of employees (as of March 31)*	54,700	54,700	16,400	16,100

2010 figures restated
* Full-time equivalents

[Table 23]

CropScience				MaterialScience		Reconciliation					
Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,476	1,676	476	581	2,216	2,686	275	305	4	1	8,316	9,415
−14.9%	+13.6%	+23.3%	+22.1%	+35.5%	+21.2%	−5.8%	+10.9%	-	-	+5.3%	+13.2%
−16.4%	+12.0%	+19.2%	+18.4%	+37.9%	+18.9%	−6.2%	+10.3%	-	-	+5.6%	+10.5%
6	7	1	2	6	15	411	430	(444)	(473)	-	-
1,482	1,683	477	583	2,222	2,701	686	735	(440)	(472)	8,316	9,415
248	199	112	20	137	205	(1)	12	(52)	(57)	1,104	1,148
248	410	160	214	137	205	(1)	12	(52)	(57)	1,181	1,590
352	510	179	235	278	345	30	48	(37)	(46)	1,825	2,232
238	281	97	33	220	272	(16)	(12)	(24)	(33)	1,178	1,309
(258)	(236)	(7)	22	16	151	(38)	(108)	277	191	732	801
104	176	19	21	141	140	31	36	15	11	644	718
16,900	17,600	3,600	3,900	14,500	14,700	19,700	19,800	700	700	111,000	112,500

[Table 24]

Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011	1st Quarter 2010	1st Quarter 2011
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,539	1,850	1,112	1,319	-	-	8,316	9,415
+22.5%	+20.2%	+9.1%	+18.6%	-	-	+5.3%	+13.2%
+23.2%	+13.1%	+8.4%	+13.9%	-	-	+5.6%	+10.5%
1,467	1,763	863	1,024	-	-	8,316	9,415
+24.4%	+20.2%	+3.1%	+18.7%	-	-	+5.3%	+13.2%
+24.9%	+12.8%	+2.0%	+12.6%	-	-	+5.6%	+10.5%
84	110	85	103	(2,722)	(2,726)	-	-
160	175	62	63	(52)	(57)	1,104	1,148
23,300	25,500	16,600	16,200	-	-	111,000	112,500

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2011 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 IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2010 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 for Major Currencies [Table 25]

		Closing rate			Average rate	
1 € /		Dec. 31, 2010	March 31, 2010	March 31, 2011	1st Quarter 2010	1st Quarter 2011
ARS	Argentina	5.31	5.22	5.75	5.31	5.48
BRL	Brazil	2.23	2.42	2.32	2.49	2.28
CAD	Canada	1.33	1.37	1.38	1.44	1.35
CHF	Switzerland	1.25	1.43	1.30	1.46	1.29
CNY	China	8.82	9.20	9.30	9.45	8.99
GBP	United Kingdom	0.86	0.89	0.88	0.89	0.85
JPY	Japan	108.65	125.93	117.61	125.59	112.39
MXN	Mexico	16.55	16.66	16.93	17.69	16.49
USD	United States	1.34	1.35	1.42	1.38	1.37

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

Discount Rate for Pension Obligations [Table 26]

	Dec. 31, 2010	March 31, 2010	March 31, 2011
	%	%	%
Germany	4.90	5.00	5.20
United Kingdom	5.45	5.50	5.55
United States	5.20	5.90	5.40

SEGMENT REPORTING

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

Reconciliation of Segments' Operating Result to Group Income Before Income Taxes [Table 27]

	1st Quarter 2010	1st Quarter 2011
	€ million	€ million
Operating result of segments	1,156	1,205
Operating result of Corporate Center	(52)	(57)
Operating result [EBIT]	**1,104**	**1,148**
Non-operating result	(244)	(213)
Income before income taxes	**860**	**935**

2010 figures restated

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of March 31, 2011, the Bayer Group comprised 305 fully or proportionately consolidated companies (December 31, 2010: 291 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2010: three joint ventures). In addition, five associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates).

Acquisitions and divestitures

Acquisitions

On January 7, 2011, we acquired the New Zealand-based Bomac group, which supplies a broad range of animal health products for the livestock sector. The net purchase price of €72 million pertained mainly to customer relationships and goodwill. Bomac had sales of €7 million in the first quarter of 2011.

In connection with the acquisition of Athenix Corporation, United States, in November 2009, milestone payments were agreed that led to a disbursement of €25 million in the first quarter of 2011.

The effects of the aforementioned transactions, and of further purchase price adjustments pertaining to previous years' transactions, on the assets and liabilities of the Bayer Group as of the respective acquisition or adjustment dates are shown in the following table together with the resulting cash outflow.

Acquired Assets and Assumed Liabilities [Table 28]

	Fair value
	€ million
Goodwill	42
Intangible assets	27
Other noncurrent assets	8
Cash and cash equivalents	4
Other current assets	19
Financial liabilities	(12)
Other liabilities	(7)
Deferred taxes	(9)
Net purchase prices	**72**
Acquired cash and cash equivalents/financial liabilities	8
Liabilities for future payments	26
Net cash outflow for acquisitions	**106**

The cash outflows for acquisitions in the first quarter of 2010 amounted to €21 million and related mainly to the purchase of Artificial Muscle, Inc., United States.

Acquisition after the closing date

On April 1, 2011, CropScience acquired Hornbeck Seed Company Inc., United States. Hornbeck supplies soybean, rice, and wheat varieties in the southern United States and has an in-house soybean breeding program and a proprietary soybean germplasm. The net purchase price paid amounted to €28 million and pertained mainly to technologies and goodwill.

Divestitures

No divestitures were made in the first quarter of 2011. We received further revenue-based payments of €28 million in the first quarter of 2011 in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, effected in May 2009.

Assets held for sale

On March 31, 2011, an exclusive agreement was signed between CropScience and Agile Real Estate Pvt. Ltd concerning the sale of a parcel of land in Thane, India. On this date we received an advance payment of €41 million. The land will be transferred at a later date subject to receipt of the necessary regulatory approvals.

LEGAL RISKS

To find out more about the Bayer Group's legal risks, please see pages 241 to 247 of the Bayer Annual Report 2010, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2010, the following significant changes have occurred in respect of the legal risks:

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: The number of lawsuits pending in the United States and served upon Bayer was about 8,000 as of April 16, 2011. Plaintiffs allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken accounting measures for anticipated defense costs. Bayer is insured against product liability risks to the extent customary in the industry.

Competition law proceedings

Cipro™: Several lawsuits remain pending in the United States in which plaintiffs allege that a 1997 settlement between Bayer and Barr Laboratories, Inc. to end patent litigation concerning the antibiotic drug Cipro™ violated antitrust laws. In 2010, the United States Court of Appeals for the Second Circuit (New York) affirmed the 2005 ruling of the federal district court dismissing lawsuits brought by direct purchasers of Cipro™. The Second Circuit also has denied plaintiffs' request for rehearing en banc. In March 2011, the United States Supreme Court denied plaintiffs´ request for certiorari. This ends the federal litigation. Further cases are pending before various state courts. Bayer believes that it has meritorious defenses and intends to defend itself vigorously.

Patent disputes

Blood glucose monitoring devices: Roche commenced a patent lawsuit against Bayer in 2007, which later proceeded in arbitration. The proceedings and findings of the arbitration are confidential. At this time, Bayer does not believe that the outcome of the arbitration will have a material effect on the Bayer results in 2011.

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of April 18, 2011, Bayer was aware of a total of approximately 425 lawsuits, involving about 11,800 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S. The number of plaintiffs is calculated by totaling the number of plaintiffs identified in the complaints. However, the number of plaintiffs does not allow any conclusions on the number of farming operations involved. U.S. rice farmers often have a number of entities associated with their operations. In some cases just an individual sued, in others all the entities sued. In addition, a partnership and its individual partners are counted separately if they are listed as plaintiffs in the complaints.

In March 2011, Bayer tried its seventh case in front of U.S. juries. This case involved a large U.S. rice mill. The jury at an Arkansas state court awarded US$11.8 million in compensatory and US$125 million in punitive damages. Bayer expects the amount of punitive damages to be reduced to the applicable statutory cap of US$1 million.

Bayer disagrees with the present findings of liability and the awards of compensatory and punitive damages. To the extent it has not already done so, Bayer intends to appeal the adverse findings.

One trial originally scheduled for April 2011 in a state court in Arkansas, involving one farming operation comprising nine plaintiffs, was settled. The settlement calls for the plaintiffs to receive US$636,000 collectively. Details of the other cases that were already tried or settled are provided on pages 245 and 246 of the Bayer Annual Report 2010. The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of the first trials do not allow any direct conclusions on the outcomes of the other cases. The company is willing to discuss with rice growers and other plaintiffs reasonable compensation for economic losses associated with its genetically modified rice without acknowledging liability, but intends to continue to defend itself vigorously in all cases in which resolutions on that basis are not possible. Bayer has established appropriate provisions, mainly for legal and defense costs and an intended settlement program.

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 accounted for in the consolidated financial statements using the equity method, 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, 2011
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   Dr. Wolfgang Plischke   Dr. Richard Pott

CEO Dr. Marijn Dekkers at the
Annual Stockholders' Meeting of Bayer AG:

"Our goal is to make Bayer a world-class innovative company"

- Group targets achieved in 2010
- Dividend for 2010 raised to EUR 1.50 per share
- Successful start to 2011 with sales and earnings gains in all subgroups
- Investment for the future planned to total EUR 15 billion through 2013

Bayer had a good year overall in 2010. "We reached our targets for the Group," said Management Board Chairman Dr. Marijn Dekkers at the Annual Stockholders' Meeting in Cologne. Raising the dividend to EUR 1.50 (2009: EUR 1.40) per share, he said – equivalent to a total dividend payment of EUR 1.24 billion – would ensure the stockholders benefit from the company's operational success. According to Dekkers, the increase is also a sign of Bayer's optimism for the future. "We got off to a good start this year," he said, adding that Bayer continues to have good prospects thanks to its strong product pipeline. "Our basic goal is to make Bayer a world-class innovative company." Through 2013 the company aims to invest a total of EUR 15 billion in its future, with research and development accounting for about two thirds of this figure and capital expenditures for one third.

Highest sales in the company's history

In his review of 2010, Dekkers explained that Bayer's operating performance was back on track compared with the crisis year 2009. The Group had sales of EUR 35.1 billion, the highest figure in its history. The reported sales increase of 12.6 percent corresponded to 8.0 percent after adjusting for currency and portfolio effects (Fx&p adj.). Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – climbed by 9.7 percent to EUR 7.1 billion, while the underlying EBITDA margin moved back by 0.6 percentage points. "The year 2010 was marked by factors we could not have predicted," Dekkers explained. "A very positive development was that MaterialScience emerged from the crisis better and faster than expected. A negative factor, however, was that HealthCare and CropScience did not meet our expectations. A second positive factor was currency effects, which boosted EBITDA before special items by more than EUR 400 million."

The operating result (EBIT) declined by 9.2 percent in 2010 to EUR 2.7 billion, while net income fell by 4.3 percent to EUR 1.3 billion. This was largely attributable to high special charges, totaling EUR 1.7 billion, which resulted mainly from asset impairments and from litigations.

"A very pleasing development, on the other hand, was the EUR 1.8 billion reduction in net financial debt to EUR 7.9 billion," said Dekkers, pointing out that the rating agency Standard & Poor's recently confirmed Bayer's good credit rating (A-) and raised the outlook from "negative" to "stable." "This positive development was partly the result of our good working capital management. The funds that we freed up enabled us to reduce debt."

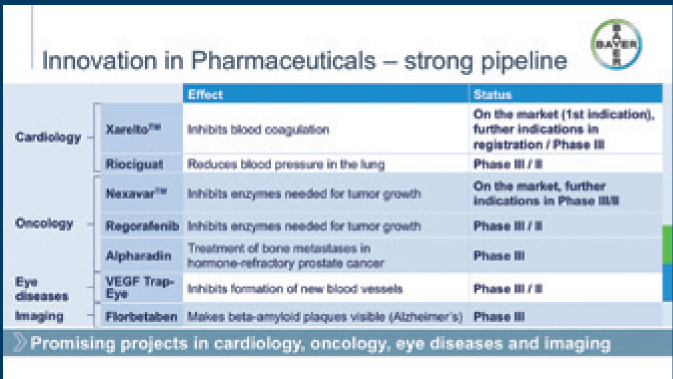
Bayer posted sales and earnings increases in all three subgroups in the first quarter of 2011. Group sales climbed by 13.2 percent (Fx&p adj. 10.4 percent), to EUR 9.4 billion. EBIT improved by only 4.0 percent to EUR 1.1 billion. Bayer again had to take substantial special charges of EUR 442 million. These comprised provisions totaling EUR 248 million for the announced restructuring measures at CropScience and HealthCare, along with charges of EUR 194 million that related mainly to the ongoing litigation concerning genetically modified rice in the United States. "We hope this subject is now dealt with to a large extent," Dekkers said. First-quarter EBITDA before special items advanced by 22.3 percent to EUR 2.2 billion. Bayer's net income improved by 8.4 percent to EUR 684 million. Net debt was further reduced to EUR 7.1 billion as of March 31, 2011.

"These improvements were mainly attributable to the good start to the season at CropScience," Dekkers emphasized. He said the HealthCare subgroup performed solidly, thanks mainly to the gratifying trend in the Consumer Health business and positive currency effects. And at MaterialScience, the positive trend continued in the first quarter in spite of higher raw material and energy prices. "That means we are seeing improvements in sales and earnings in all three subgroups. But we must also put this into perspective. We should not forget that the comparison is with the first quarter of 2010, which was relatively weak overall, with MaterialScience still hampered by the effects of the crisis," Dekkers commented.

Good annual return on Bayer stock over the past five years

With a gain of 1.8 percent in 2010, Bayer stock could not keep up with the DAX, which rose by 16.1 percent in the same period. However, Dekkers emphasized the long-term strength of Bayer stock. Over the five-year period since 2006, Bayer was level with the EURO STOXX Chemicals index and above the other indices, he said. Including the dividend, there was an annual return of 12.4 percent in this period.

Bayer has good perspectives for its further development, Dekkers continued. "Our mission sums it up – Bayer: Science For A Better



Life." Bayer stands for innovation for the benefit of many people, Dekkers explained. And that innovation is certainly needed, he said, stressing that the global population is forecast to grow to more than 9 billion by 2050, while life expectancy is rising. "The demand for health care will therefore increase considerably. Our HealthCare business addresses this trend," said Dekkers.

Innovation safeguards long-term success

He said it is also essential to ensure the supply of healthy food for the growing world population – despite the limited amount of arable land. Bayer's CropScience business offers ways to increase agricultural productivity, said Dekkers, adding that it is also important to use energy and resources more efficiently – especially given the increase in living standards in the emerging countries. This is where Bayer's MaterialScience business, with its high-tech products, has many contributions to make, he concluded.

Dekkers emphasized that Bayer as a company also needs innovations it can successfully commercialize. "Innovation is our lifeblood and safeguards our long-term success. That's why I see it as my fundamental duty to do everything I can to promote Bayer's innovative potential." For example, the company plans to keep its research and development expenditures in 2011 level with the record EUR 3.1 billion spent in 2010.

Dekkers added that he aims to continue expanding the company's existing strengths – including in particular Bayer's successful products and innovative product pipeline, its global alignment and the good position it holds in the emerging markets. In addition, he intends to further encourage the already dedicated efforts of the company's employees and continue to strengthen the world-class Bayer brand.

Dekkers also said that, over the past few months, Bayer has identified improvement potential in view of the rapidly changing business environment. "Specifically, I'm talking about making Bayer more international," said Dekkers. He said the company aims to streamline its administration processes – for example by making more decisions at the local level rather than centrally. Bayer also wants to get better at marketing its high-quality, innovative products.

The savings program Bayer announced is also partly related to this, Dekkers explained. He said that of the approximately EUR 800 million per year to be saved starting in 2013, the company plans to reinvest EUR 400 million. Some of this money is to be spent to improve the company's innovative capability. This includes not just research and development, but also the commercialization of new products – especially at HealthCare and CropScience. Bayer is also investing in growth areas, such as the expansion of its business in the emerging markets.

The further savings are intended to improve Bayer's earning power. "Unfortunately, this program also involves cutting jobs," Dekkers said. He added, however, that the talks with the Works Council in Germany are proceeding constructively, and that a number of measures have already been identified and discussed.

Employees benefit from the company's success

Dekkers expressly thanked Bayer's employees for their contribution to the company's economic success in 2010. "Our employees are one of Bayer's major strengths. We want them to benefit from our success," said the Management Board Chairman, commenting that more than half a billion euros is earmarked for the Group-wide bonus program for 2010.

Also of special importance are the targets Bayer has set for human resources development. The company intends to strengthen the role of the performance management process as an open dialogue about performance and development opportunities. "It will help to provide our employees – and therefore our company as well – with opportunities for improvement," explained Dekkers. He said Bayer also wants to define and implement a new strategy for talent development, talented people being a key factor for its future success.

"We also intend to promote diversity within the Group," Dekkers went on. For example, Bayer aims to raise the proportion of female executives in the Group as a whole toward 30 percent by 2015, compared with the current figure of just over 20 percent. He said the statutory quota under discussion would not be appropriate, explaining that skills, experience and talent should always be the deciding factors. Diversity isn't confined to gender balance, however, but also has an international aspect. Local employees around the world must be given more opportunities for development, he said, pointing out that about two thirds of Bayer's workforce is based outside of Germany.

Also linked to this is the global introduction of the new values for the Group, which are summarized by the acronym "LIFE." "The new LIFE values are the cornerstones of a common understanding of what Bayer is about, how we work and how we relate to one another," said Dekkers. LIFE stands for Leadership, Integrity, Flexibility and Efficiency. Based on these keywords, Bayer will take up further important issues for the Group.

Reorganization of property holdings

Among the resolutions passed at the Annual Stockholders' Meeting was an amendment to the Articles of Incorporation concerning the term of office of the stockholder representatives on the Supervisory Board. While the standard term of office remains at five years, the Annual Stockholders' Meeting may in future specify a shorter term of office for one or more of the stockholder representatives in the interests of greater flexibility. Also on the agenda was the spin-off of Bayer AG's property holdings to its wholly owned subsidiary Bayer Real Estate GmbH, which has served as the Bayer Group's real estate service provider since 2008. Dekkers explained that the transfer of the property holdings once again combines the property management function and their legal assignment.

The resolutions passed by the Annual Stockholders' Meeting are listed on page 47, and 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.asm2011.bayer.com

Supervisory Board Chairman Dr. Manfred Schneider, Bayer CEO Dr. Marijn Dekkers and CFO Werner Baumann (from left) fielded questions from the stockholders.

Discussion with the stockholders of Bayer AG:

Praise for the company's strategy

Bayer's CEO was right on target. At his first Annual Stockholders' Meeting as Chairman of the Board of Management, Dr. Marijn Dekkers made a convincing impression on the stockholders. The message that came across during the ensuing discussion – which was led by Supervisory Board Chairman Dr. Manfred Schneider – was that things are moving in the right direction and that the company has good future prospects under the leadership of Dekkers and his team.

"Your speech to us today was congenial, ambitious and on target," commented Marc Tüngler from the German private investors' association DSW following the Bayer Chairman's address. He said it was on target because Dekkers had addressed the issues that matter to the stockholders and the speech also reflected the spirit of optimism that prevails within the company – and it was congenial because Dekkers held it in German. "With you as Mr. Wenning's successor, Bayer is again in good hands." Hans-Martin Buhlmann from the German institutional shareholders' association VIP agreed: "Your appointment was a minor revolution in terms of Bayer culture. After your speech, we sensed that the Supervisory Board made the right decision. As far as the stockholders are concerned, Dr. Marijn Dekkers has arrived. Welcome!"
The stockholders also voiced appreciation of

Nearly 4,000 Bayer stockholders attended the Annual Stockholders' Meeting. There was a bustle of activity in the entrance hall.

Stockholders' representative Hans-Martin Buhlmann thanked the company's employees for their hard work.

the good start to this year. "The first quarter results were very well received by the market," one stockholder remarked, saying the company was right to raise the forecast for the full year. In addition to the positive business performance, the stockholders' representatives praised not only Bayer's good business performance but also the company's strategy in particular. Markus Neumann from the stockholders' association SdK was among those who said the company was right to continue expanding the business in the emerging markets. During the discussion, which lasted several hours, Dekkers underscored the importance of the Asia/Pacific region for Bayer's business. He said that this region already accounted for 21 percent of Group sales last year.

Major potential for Xarelto

A particularly significant discussion topic was the potential of the drug Xarelto™. Dekkers reported that no other oral antithrombosis drug is currently being tested in as many patients and different indications as Xarelto™. The studies include more than 65,000 patients overall. "We see the greatest commercial potential in the chronic indications," said the Bayer CEO – among them the prevention of stroke in patients with nonvalvular atrial fibrillation. He said applications for marketing authorization in this indication were submitted at the beginning of the year in Europe and the United States, and just recently in Japan. "We believe Xarelto™ has a peak annual sales potential of more than EUR 2 billion," Dekkers said.

Another focus of the discussion were the effects of governments' health system reforms. Dekkers said Bayer expects these reforms to diminish global revenues by nearly EUR 300 million in 2011 – with Germany accounting for about EUR 30 million.

He said the goal must be to ensure transparency and predictability in the assessment of innovations. "We must assume that the global trend toward a cost/benefit analysis for innovative drug products will persist," Dekkers explained. "We will therefore continue to carry out extensive studies to show that our products satisfy these requirements, thereby ensuring they will be suitably reimbursable."

The stockholders also discussed the increasing pressure exerted by generic products in crop protection. "The best answer to competition from generics is our innovative capability. We can proudly claim to have one of the best pipelines in the crop protection industry," said Dekkers, explaining that Bayer had launched a total of 23 new active substances between 2000 and 2009. He said six further substances should be ready for the market by next year. Only about 25 percent of all crop protection products enjoy patent protection, he said, but the proportion within Bayer's portfolio is significantly higher, at about 50 percent.

Innovative products for crop protection

"In the crop protection business you need to be able to offer innovative products to achieve good prices," said Dekkers, adding that the active ingredient is not the only crucial factor. New formulations can justify a higher price if

Large posters in the lobby provided visitors with insight into the inventor company Bayer.

they are more effective or easier for farmers to use.

"However, we have also identified improvement potential that we are now systematically realizing," he said. Cost structures are being optimized, and the money this frees up is being invested in the BioScience business, the commercialization of new products and the expansion of strategic growth markets. "In this way we aim to make CropScience more efficient in all areas."

Outstanding recovery at MaterialScience

Among the topics raised in connection with the MaterialScience business was the impact of rising raw material costs. In this context, Dekkers reported that the subgroup had recovered extremely well from the financial and economic crisis. "In 2010 we raised sales by 30 percent on a currency- and portfolio-adjusted basis. And the positive trend continued at the beginning of this year." He explained that raw material and energy costs had risen substantially as a result of the global economic recovery and the political situation in the Middle East. "However, we succeeded in largely offsetting these increases through significantly higher selling prices." According to the Bayer Chairman, the company is confident that, over the year as a whole, it will be able to pass on the increase in raw material costs in full to the customers through higher selling prices. "We already succeeded in doing this in the first quarter," said Dekkers.

Responding to a stockholder's question, Dekkers made it clear that no changes are currently planned to the Bayer Group's structure. "Our strategy is based on the three business areas of health care, crop protection and plastics," Dekkers said. In such a large company as Bayer, it is important that each unit does good business and at least keeps pace with the competition, the Chairman explained. "Otherwise, there is a risk that too little will be invested in the weakest link, because returns are insufficient. Fortunately, we currently do not see any need for action in this regard. Our three subgroups operate profitably and competitively in attractive markets." In this connection, the Bayer CEO explained that the company primarily aims to grow organically, yet regularly examines acquisition opportunities as well. He said that acquisitions are conceivable at HealthCare and CropScience in particular.

Higher proportion of women in leadership positions

The advancement of women at Bayer was a major topic of the discussion, with the debate about statutory quotas for management positions one of the main themes. "We don't believe that rigid rules are the right way to go about this," said Dekkers. Performance, motivation and commitment are the deciding factors. "Nevertheless, we are aware that we still do not have enough women in management positions." The company therefore resolved at the beginning of the year to increase the proportion of women in management positions throughout the Group toward 30 percent by 2015. According to Dekkers, the number of highly qualified women at

Innovations for medicine: Melanie Zanfrini (left) and Katja Reich (center) with Dr. Meike Niesten.

Supervisory Board Chairman Dr. Manfred Schneider (right) and Bayer CEO Dr. Marijn Dekkers were satisfied with the outcome of the Annual Stockholders' Meeting.

Focus on cotton (from left): Bernhard Grupp in conversation with Dr. Ursula and Walter Schulte and with Irmgard and Hubert Weisshaupt.

Bayer is now so large that more female applicants are bound to be promoted to fill vacant managerial positions in the future – "even without the help of a statutory quota."

One stockholder questioned the company's efforts to reduce the emission of the climate gas carbon dioxide. "There is no basis for criticism here," Dekkers replied, explaining that Bayer has succeeded in separating economic growth from greenhouse gas emissions. Although emissions increased by 4.9 percent in 2010, he said, Bayer at the same time registered a gratifying increase of nearly 20 percent in production volume. The significant reduction in emissions in relative terms resulted from improvements in process technology and from higher capacity utilization, Dekkers explained. Bayer's achievements in this area are also recognized by independent organizations. For example, the company is currently included in various leading sustainability indices, such as the Dow Jones Sustainability World Index and the Dow Jones Sustainability Europe Index. Furthermore, Bayer in 2010 was once again included in the Carbon Disclosure Leadership Index as the best company in its sector.

Other discussion topics included some that had featured at previous Annual Stockholders' Meetings – such as the safety of the YAZ™ family of oral contraceptives, the dispute regarding the former Schering product Duogynon/Primodos, bee deaths, LL RICE and the carbon monoxide pipeline. Supervisory Board Chairman Schneider, Bayer CEO Dekkers and CFO Werner Baumann gave detailed and comprehensive responses to all questions. In the subsequent voting, the stockholders approved the proposals of the Supervisory Board and the Board of Management (see inset below) by broad majorities.

Resolutions of the Annual Stockholders' Meeting

Of the €2,117 million capital stock, 49.23 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 €1.24 billion will be used to pay a dividend of €1.50 per share.
- The actions of the members of the Board of Management and Supervisory Board are ratified.
- The amendment to the Articles of Incorporation concerning the term of office of Supervisory Board members is approved.
- Consent is given to the transfer of the property holdings of Bayer Aktiengesellschaft to Bayer Real Estate GmbH.
- PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, is appointed as auditor for the 2011 fiscal year.

Focus

Innovation and sustainability: Bayer's zero-emissions office building in Greater Noida, India, is perfectly adapted to the subtropical climate.

New buildings help to protect the climate

On a successful path with climate protection: Bayer has opened its first zero-emissions office building in Asia as part of its Group-wide sustainability program. Bayer MaterialScience's new building in Greater Noida, near New Delhi, India, which obtains all its electricity from a photovoltaic plant, uses some 50 percent less energy than comparable structures in the region.

The new zero-emissions office building in Greater Noida, India, provides the Bayer Group with a further reference project for its EcoCommercial Building (ECB) program, which is based on a global network of experts in sustainable construction. "Our new office building represents the link between innovation and sustainability," says Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Environment and for the Asia/Pacific region. "We intend to apply our skills and our high-tech materials to increase energy efficiency in buildings, as this approach offers enormous potential for cutting CO_2 emissions." Energy consumption in buildings is responsible for around 30 percent of CO_2 emissions worldwide. "That's why we will steadily expand the EcoCommercial Building program as part of our sustainability strategy – both in Asia and globally," says Plischke.

Bayer has already constructed a climate-neutral children's daycare center at its Monheim site in Germany and an energy-optimized office building in Belgium. These projects show that approaches such as combining efficient insulation with the use of renewable energies can help to drastically reduce a building's energy consumption and therefore its CO_2 emissions.

Energy fed into the power grid

In its first year of existence, the children's daycare center of Bayer CropScience in Monheim produced a surplus of 13,600 kWh of electricity without emitting any CO_2. This corresponds roughly to the annual consumption of three four-person households. The surplus energy was fed into the power grid. Through insulation and the use of renewable energies such as geothermal heat and photovoltaics, the center saved 50 metric tons of CO_2 emissions – nine tons more than expected and equivalent to the CO_2 emissions of 27 cars over 12,600 kilometers - the average distance a car is driven in a year.

The EcoCommercial Building near the Indian capital, erected by Bayer together with local companies, shows that the concept is also effective in subtropical climates. While building insulation in the temperate climate of Europe is mainly designed to prevent heat loss in cold weather, its primary purpose in countries such as India is to shield against the heat from outside. Foams based on high-quality materials from Bayer MaterialScience perform either task very efficiently. Over the year as a whole, the building is CO_2-neutral – in other words, the energy required for heating, cooling, refrigeration, ventilation and lighting is provided entirely from renewable energy sources. A photovoltaic system on the roof generates some 120,000 kilowatt hours of electricity each year, thus reducing CO_2 emissions by approximately 108 tons.

The two-story, cube-shaped building was designed using extensive computer simulations and perfectly adapted to the local subtropical climate. The building is aligned to the path of the sun. The walls, roof and floors are insulated with polyisocyanurate (PIR) rigid foam to keep the heat out. Over its service life, this material helps save some 70 times as much energy as is needed to produce it. Highly efficient air-conditioning and lighting systems are also used in the building.

Bayer Management Board member Dr. Wolfgang Plischke (left) and Bayer MaterialScience CEO Patrick Thomas at the inaugural ceremony.

In its first year of existence, the children's daycare center in Monheim generated an electricity surplus without emitting any CO_2.

Another key aspect for the ongoing expansion of the ECB program is the extension of the network, which now comprises more than 30 companies worldwide. "We aim to offer a broad product portfolio for environmentally friendly construction. To achieve this, we rely on collaborations in the respective markets between specialized partners in different industry sectors," says Peter Vanacker, member of the Executive Committee of Bayer MaterialScience and global spokesman for the ECB program. For example, Bayer is stepping up its collaboration with steel company ThyssenKrupp in the field of sandwich panels for thermal insulation. In addition, Stiebel Eltron is supporting the program in the area of building services and systems engineering with a wide range of heat pumps for heating, cooling and hot water, as well as solar heating systems.

News

Help against tumors

Gastrointestinal stromal tumors are a type of soft tissue tumor that can occur anywhere in the digestive system – from the esophagus to the rectum. These tumors can be life-threatening if they metastasize to other parts of the body or cannot be surgically removed with curative intent. The disease is estimated to occur in 11 to 20 people per million each year. So far there is no cure, but there are prospects for halting the progression of the disease – with the active substance regorafenib. Bayer HealthCare is currently investigating this substance in a Phase III clinical study involving 170 patients in whom the tumor has already metastasized or is inoperable.

Regorafenib received orphan drug status for this indication from the U.S. Food and Drug Administration (FDA) at the beginning of February 2011. This status grants the developer of a medication extended patent protection and tax relief as a special incentive for companies to try new approaches in the fight against rare diseases.

Bayer employee Peter Heide monitors the release robot.

Tony Salcido (left) and Nkonko Mutamba from Bayer inspect cotton plants in the United States.

Jeans made of cotton from Bayer CropScience

New York-based textile and apparel company Olah Inc. and Bayer CropScience have signed a license agreement concerning the use of the cotton brand names FiberMax™ and Stoneville™. Under this ten-year agreement, Olah has been granted an exclusive license to develop and market these two brand names of Bayer CropScience for apparel and home furnishings. The agreement covers North America, Mexico and Japan and may be extended to other countries.

Both FiberMax and Stoneville are well-known brands in the cotton and apparel industries, and each offers a unique quality profile that appeals to different segments of the textile industry. FiberMax is a high-quality, long-staple cotton, grown mainly in the United States, that is ideally suited for finished goods that require finer yarns for manufacturing, such as T-shirts, chinos, towels and bedsheets. Stoneville cotton is stronger than FiberMax and suitable for use in heavier-weight fabrics and apparel including rugged outdoor working clothes or sports and casual wear such as jeans. As a result, consumers for the first time will be able to purchase goods labeled as manufactured with cotton from Bayer.

Continued listing in sustainability indices

Bayer continues to be listed in the important sustainability indices FTSE-4Good and ASPI. This is the outcome of the reviews of the sustainability performance of major companies conducted by both index providers. The indices aid decision-making by institutional investors who place importance on social and ecological criteria as well as economic aspects.

The FTSE4Good index series is managed by the Financial Times and the London Stock Exchange. To be listed, companies must meet considerable demands in terms of environmental and climate protection, employee rights, anti-corruption practices, supplier management and sustainability reporting. The evaluation is made by the rating agency Ethical Investment Research Services. Bayer has been listed in the FTSE4Good index series since it was established in 2001.

Bayer has also been listed right from the beginning in the Advanced Sustainable Performance Indices (ASPI) Eurozone. This, too, was set up in 2001 and comprises 120 sustainability leaders from the Dow Jones EURO STOXX index.

Stronger presence in emerging markets

Bayer MaterialScience is expanding its presence in the emerging markets. The company plans to construct a new production facility for the coating raw material isophorone diisocyanate (IPDI) at its integrated site in Shanghai, China. The facility is due on stream in 2015. This project is part of the company's extensive capital expenditure program, totaling about €1 billion, to increase its production capacities in China and brings Bayer's total investment volume there to more than €3 billion. IPDI is used as a raw material primarily in high-grade polyurethane coatings for applications such as automotive finishing.

In addition, Bayer MaterialScience has brought on stream a manufacturing facility for polyisocyanates at Ankleshwar in the Indian state of Gujarat. Polyisocyanates are used as raw materials for polyurethane coatings and adhesives. The aim of this roughly €20 million investment is to expand the company's business in India and share in the strong growth of the local market for coatings and adhesives. "This plant – the first of its kind in India – once again shows the confidence that Bayer MaterialScience places in this country and its economic future," says Dr. Tony Van Osselaer, member of the Executive Committee of Bayer MaterialScience.

Bayer also recently inaugurated a new Color Competence and Design Center in Greater Noida, near New Delhi. The center provides products and solutions for polycarbonate compounds, ranging from color matching and small-scale production to a range of technical services that support injection molding and compounding processes.

Polo Zou (left) and Jenny Yan discuss the color shades of Makrolon™ test samples at the Color Competence Center of Bayer MaterialScience in Shanghai.

New partner for the Indian pharmaceutical market

Bayer HealthCare and the Indian company Zydus Cadila have signed an agreement to form a joint venture, named Bayer Zydus Pharma, that will offer advantages to both partners. With this marketing and sales enterprise, Bayer aims to enhance its presence in the fast-growing pharmaceutical market in India. Each party will hold 50 percent of the shares of Bayer Zydus Pharma, and be equally represented on its management board. For Bayer HealthCare, the formation of Bayer Zydus Pharma is a crucial element of the company's strategy to build a stronger presence in the emerging markets. "We believe this will help us to better serve the fast-growing Indian market," says Bayer HealthCare CEO Dr. Jörg Reinhardt.

The partners will bring complementary product portfolios into the joint venture. The new company, headquartered in Mumbai, will make use of Zydus Cadila's marketing and sales expertise and its Indian distribution and industry network. Bayer will contribute its expertise in developing and commercializing novel products and its sophisticated administration and distribution processes, which are in line with international standards.

Senior Bayer Representative Stephan Gerlich and Pankaj P. Patel of Zydus Cadila.

Study in Asia with VEGF Trap-Eye

Bayer HealthCare and Regeneron Pharmaceuticals recently announced the initiation of a Phase III clinical trial in several Asian countries to investigate the efficacy and safety of VEGF Trap-Eye in patients with choroidal neovascularization (CNV) of the retina as a result of pathologic myopia (short-sightedness).

Myopic CNV is a complication of high myopia where abnormal blood vessels grow and leak blood and fluid into the retina as a result of degenerative changes in the retinal lining and is a potentially blinding condition. There is currently no established treatment for myopic CNV.

News

Further expanding the BioScience business

The importance of the BioScience business unit continues to increase. Bayer CropScience recently acquired U.S.-based Hornbeck Seed Company Inc., headquartered in DeWitt, Arkansas. Hornbeck supplies soybean, rice and wheat varieties and has an in-house soybean breeding program and a proprietary soybean germplasm. The acquisition gives Bayer access to quality soybean germplasm for future variety and trait development.

"Soybean is a strategically important crop for Bayer CropScience, and this acquisition is an important first step towards realizing a fully integrated soybean business," says Sandra E. Peterson, Chairman of the Board of Management at Bayer CropScience. Hornbeck has a strong seed business and an excellent reputation in the marketplace.

In addition, Bayer CropScience has signed an agreement with Syngenta to co-develop a trait that will make soybeans tolerant to certain herbicides. Breeding in this tolerance enables the use of leading weed control products and contributes to resistance management. The trait is currently in an early stage of development.

A further step to support research and development activities in the BioScience business unit is the construction of a new greenhouse in Research Triangle Park, North Carolina, United States. The company has also opened an expanded seed research laboratory in Singapore for the development of new high-yielding and high-quality varieties and hybrids.

Finally, Bayer CropScience and Wageningen, Netherlands-based biotech company KeyGene have entered into an exclusive plant trait co-development agreement. The collaboration will initially focus on the use of KeyGene's new and proprietary KeyBase™ methodology to develop innovative traits for new oilseed rape varieties. The technology includes a method for generating desired changes in key genes.

Bayer researcher Dr. Bernard Pelissier analyzes the properties of soybean plants.

Hansen Family Award goes to Professor Stefan W. Hell

Professor Stefan W. Hell of the Max Planck Institute for Biophysical Chemistry, Göttingen, and the German Cancer Research Center, Heidelberg, has been honored with the 2011 Hansen Family Award. The 48-year-old researcher received the scientific award for his breakthroughs in the field of microscopy. Professor Hell's discoveries have led to a new class of light microscopes that can penetrate much more deeply into the molecular scale of life.

The €75,000 prize was presented at a ceremony in Berlin by Bayer AG Management Board Chairman Dr. Marijn Dekkers and Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Environment. Dekkers said Professor Hell's work testifies to the high standard of scientific research in Germany. What his research has now made possible was unthinkable until recently: insight into living cells and tissue.

At the award ceremony (from left to right): Dr. Marijn Dekkers, Bayer CEO; Professor Ernst-Ludwig Winnacker, Chairman of the Board of Trustees of the Bayer Science & Education Foundation; Professor Stefan W. Hell; and Dr. Wolfgang Plischke, research spokesman on the Bayer AG Board of Management.

Support for victims of natural disasters

For many years, Bayer and its employees have provided direct support for victims of natural disasters. An example is the relief aid given following the devastating earthquake and subsequent tsunami in Japan. An immediate corporate donation of some €880,000 was made to the Japanese Red Cross, which used the money to help directly affected communities and individuals to cope with the damage.

In addition, the company provided urgently needed health care products and medicines worth over €700,000 to the Japanese health authorities. Bayer also invited its employees worldwide to help by donating to the Bayer Cares Foundation. Over the past seven weeks, they have given some €300,000. The company had promised to match the employees' donations up to an amount of €250,000, which therefore is now being made available in full. The Bayer Cares Foundation will use the resulting €550,000 for a long-term aid project in the stricken region. This brings Bayer's total donations to more than €2 million.

Bayer also provided assistance in the form of monetary and material donations following the recent natural disasters in Australia, New Zealand and Brazil.

Bayer donated some €880,000 to the Japanese Red Cross to help people in the areas affected by the earthquake and tsunami.

Bayer signs up to new Global Compact initiative

Bayer is among the first signatories of "LEAD" – the new corporate sustainability leadership platform of the United Nations Global Compact. As one of 54 participating companies, including six corporations headquartered in Germany, the Bayer Group has pledged its commitment to the strategic advancement of the Global Compact's program. Based on the experience gained from the first 10 years of this global commitment by companies to sustainability under the auspices of the United Nations, the leadership initiative aims to set new standards.

By signing up to LEAD, companies commit to implementing an ambitious plan of action. This ranges from integrating the Global Compact principles even more fully into corporate strategies and business activities and issuing in-depth progress reports to participating in specific global initiatives and local networks.

"We are happy to meet the United Nations' request to play an active role in this significant U.N. initiative," says Bayer CEO Dr. Marijn Dekkers. The U.N. Global Compact is the largest global initiative for sustainable business practices, with more than 8,900 members. Bayer was among the 50 companies to become founding members of the Global Compact in 2000.

United Nations Secretary-General Ban Ki-moon presented the initiative at the World Economic Forum in Davos.

Innovation Center in Mission Bay

The U.S. Innovation Center of Bayer HealthCare's Pharmaceuticals Division has started operations in San Francisco's Mission Bay life sciences hub. At the same time, the company announced a master agreement for future research collaborations with the University of California, San Francisco (UCSF).

"Bayer chose San Francisco as the site for its U.S. Innovation Center because of the leading role this area's research community plays in life-science discovery," said Andreas Fibig, Head of Bayer HealthCare Pharmaceuticals. "The master agreement is designed to create a long and successful partnership aimed at expanding our portfolio and developing new medicines for patients." Bayer plans to cooperate increasingly with academic institutions and biotech companies in California and with major U.S. scientific networks.

News

Making process research more efficient

More efficient, less complex, shorter paths – that's the philosophy behind the construction of a new research center for Bayer MaterialScience in Dormagen. The bench-scale hydrogenation facility is due for completion this fall, bringing together all of Bayer MaterialScience's process research activities for isocyanates at a single location.

"This strengthens the Dormagen site and will help us to build on our global leadership in isocyanates technology," said Peter Vanacker, member of the Executive Committee of Bayer MaterialScience. The company is investing some €5 million in the new hydrogenation unit.

The laboratories at the future facility have an important role to play in Bayer's polyurethanes business. Their task will be to explore and optimize technical processes for the production of the isocyanates MDI and TDI and the manufacture of the required feedstocks.

Flexible foams made of polyurethane are used especially in mattresses and car seats, while rigid foams are used to insulate buildings and refrigerators.

Joining forces to fight cancer

Following the positive experience with their collaboration so far, Bayer HealthCare and the German Cancer Research Center are extending their strategic alliance for another three years. They aim to use promising research results to develop new anti-cancer drugs and are investing a total of €10 million in the alliance, which was formed in 2008.

The collaboration focuses on the search for molecules, mechanisms and models that could expedite the development of innovative cancer therapies. The partners are also working on innovative diagnostic procedures designed to monitor individual disease and treatment progression and predict the treatment's success.

"Our partnership combines the scientific excellence of a leading research center with Bayer's drug development expertise," says Professor Andreas Busch, member of the Executive Committee of Bayer HealthCare and Head of Global Drug Discovery. "With knowledge increasing rapidly and drug development becoming more and more complex, networks are crucial to raise the chances of finding innovative therapeutic approaches. Despite the considerable progress made in recent years, there is still a great need for anti-cancer medicines."

Professor Otmar D. Wiestler (left) from the German Cancer Research Center and Dr. Wolfgang Plischke sign the agreement.

Bayer continues the fight against Chagas

The World Health Organization (WHO) and Bayer HealthCare have extended by five years their alliance in the fight against Chagas' disease, which had been set to expire in 2012. This ensures that ongoing projects and initiatives can continue beyond the end of the initially agreed period.

As part of the collaboration, Bayer has pledged to double its initial donation of 2.5 million Lampit™ tablets for the treatment of Chagas' disease to a total of 5 million by 2017. In addition, the company will contribute US$1.5 million in cash to fund logistics and distribution.

"Our efforts provide the WHO with a reliable supply of the product so that it can plan ahead in its fight against Chagas' disease," says Andreas Fibig, Head of Bayer HealthCare Pharmaceuticals. WHO Assistant Director-General Dr Hiroki Nakatani explains that Bayer's continuing donation of highly effective medicines, along with its financial support, are helping to reduce the spread of Chagas' disease.

Bayer promotes early education about Chagas' disease in Argentinian schools.

Turning waste gas into a raw material

Bayer employee Deniz Capar at the new pilot plant in Leverkusen.

Bayer is taking a new direction in the production of high-quality plastics using carbon dioxide (CO_2) supplied by the energy sector. A pilot plant has come on stream at the Leverkusen Chempark to trial the new process on a technical scale. The plant produces a chemical precursor into which CO_2 is chemically bound. The resulting substance is then processed into polyurethanes for a variety of everyday uses.

The innovative process is the outcome of the "Dream Production" project – a collaboration between industry and science. Bayer is working with the energy company RWE, which supplies the CO_2 used in the process. Other project partners are RWTH Aachen University and the CAT Catalytic Center, which is run jointly by the university and Bayer. The researchers recently achieved a breakthrough in catalysis technology that enables the efficient use of CO_2. "This provides an opportunity to establish Germany in the international competitive arena as a market leader in such technologies," says Bayer AG Board of Management member Dr. Wolfgang Plischke.

The new process contributes to sustainability in a number of ways. For example, carbon dioxide may offer an alternative to petroleum, which has so far been the chemical sector's main source of carbon. Polyurethanes themselves also help to reduce energy consumption and protect the climate. When used to insulate buildings against heat or cold, they can save around 70 times more energy than is used in their production.

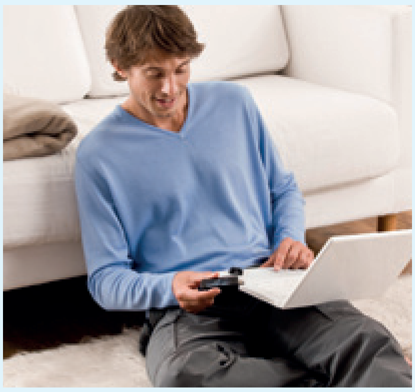
At the inauguration ceremony for the pilot plant, North Rhine-Westphalia innovation minister Svenja Schulze said that the project focuses on a "very specific, highly innovative solution extending from basic research to late-stage testing." She described the project as an example of successful cooperation between industry and academia on a central climate policy issue. The state of North Rhine-Westphalia is supporting the CAT Catalytic Center jointly with Bayer.

The "Dream Production" project is receiving federal funding of some €5 million. Including the investment by Bayer and RWE, the total budget is about €9 million. If the test phase yields positive results, the industrial production of plastics based on CO_2 is scheduled to start in 2015.

Simple everyday diabetes management

The combination of blood glucose monitoring and integrated diabetes management software in Bayer's Contour™ USB meter offers advantages for both users and the sup porting diabetes teams. This was the conclusion drawn from a six-week observational study led by Hamburg, Germany-based diabetologist Professor Ulrich Schwedes involving 129 diabetology clinics and about 1,100 insulin-treated type 1 and type 2 diabetes patients throughout Germany.

The patients and physicians were asked to rate their satisfaction with the device on the basis of standardized questionnaires. "The results show that patients are motivated by the opportunity to evaluate their data in a way they can readily understand," said Schwedes. The lead investigator also believes the device offers the teams advantages compared to handwritten records: "The software provides reliable data and information on recent blood glucose levels, enabling us to quickly and accurately figure out any therapy adjustments that may be needed. This in turn provides an ideal basis for constructive discussions with patients."



The Contour™ USB blood glucose meter facilitates everyday diabetes management.

Financial Calendar

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
2011 Annual Report	FEBRUARY 28, 2012
Q1 2012 Interim Report	APRIL 26, 2012
Annual Stockholders' Meeting 2012	APRIL 27, 2012

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