Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF JUNE 30, 2010

MaterialScience leaves the crisis behind

Bayer increases sales and earnings in the second quarter

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COVER PICTURE

Improved protection for cotton plants is at the focus of work by scientists at Bayer CropScience. The company recently entered into a number of agreements which will give cotton growers new choices. The cover photo shows Vivian Oliver (left) and Gary Henniger inspecting cotton plants at the research center in Lubbock, Texas.

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Bayer Group Key Data

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change	Full Year 2009
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**8,009**	**9,179**	**+14.6**	**15,904**	**17,495**	**+10.0**	**31,168**
Change in sales							
Volume	−6.7%	+7.9%		−8.0%	+7.4%		−2.9%
Price	−2.2%	+1.3%		−1.3%	+0.3%		−2.8%
Currency	+3.0%	+6.0%		+2.4%	+2.9%		+0.6%
Portfolio	0.0%	−0.6%		+0.2%	−0.6%		−0.2%
EBITDA[1]	**1,709**	**1,794**	**+5.0**	**3,370**	**3,635**	**+7.9**	**5,815**
Special items	*(56)*	*(123)*		*(90)*	*(200)*		*(657)*
EBITDA before special items	***1,765***	***1,917***	***+8.6***	***3,460***	***3,835***	***+10.8***	***6,472***
EBITDA margin before special items	22.0%	20.9%		21.8%	21.9%		20.8%
EBIT[2]	**1,021**	**1,005**	**−1.6**	**1,994**	**2,202**	**+10.4**	**3,006**
Special items	*(80)*	*(255)*		*(124)*	*(332)*		*(766)*
EBIT before special items	***1,101***	***1,260***	***+14.4***	***2,118***	***2,534***	***+19.6***	***3,772***
EBIT margin before special items	13.7%	13.7%		13.3%	14.5%		12.1%
Non-operating result	**(292)**	**(261)**	**+10.6**	**(626)**	**(505)**	**+19.3**	**(1,136)**
Net income	**532**	**525**	**−1.3**	**957**	**1,218**	**+27.3**	**1,359**
Earnings per share (€)[3]	0.67	0.63	−6.0	1.22	1.47	+20.5	1.70
Core earnings per share (€)[4]	1.05	1.15	+9.5	1.96	2.35	+19.9	3.64
Gross cash flow[5]	**1,248**	**1,286**	**+3.0**	**2,457**	**2,557**	**+4.1**	**4,658**
Net cash flow[6]	**1,399**	**1,545**	**+10.4**	**2,092**	**2,277**	**+8.8**	**5,375**
Cash outflows for capital expenditures	**370**	**365**	**−1.4**	**660**	**595**	**−9.8**	**1,575**
Research and development expenses	**663**	**747**	**+12.7**	**1,320**	**1,464**	**+10.9**	**2,746**
Depreciation and amortization	**688**	**789**	**+14.7**	**1,376**	**1,433**	**+4.1**	**2,809**
Number of employees at end of period[7]	**108,400**	**107,800**	**−0.6**	**108,400**	**107,800**	**−0.6**	**108,400**
Personnel expenses (including pension expenses)	2,057	2,029	−1.4	3,948	4,044	+2.4	7,776

[1] EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/writebacks or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also chapter 6 "Calculation of EBIT(DA) Before Special Items."

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

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 44.

[4] Core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. It is calculated as explained in chapter 7 "Core Earnings Per Share."

[5] Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see chapter 8 "Financial Position of the Bayer Group."

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

[7] Number of employees in full-time equivalents

MaterialScience leaves the crisis behind

Bayer increases sales and earnings in the second quarter

- Q2 sales €9.2 billion (+14.6%)
- EBITDA before special items €1.9 billion (+8.6%)
- Core earnings per share €1.15 (+9.5%)
- Increased investment for the future: R&D spending up 12.7%
- Group outlook confirmed for 2010

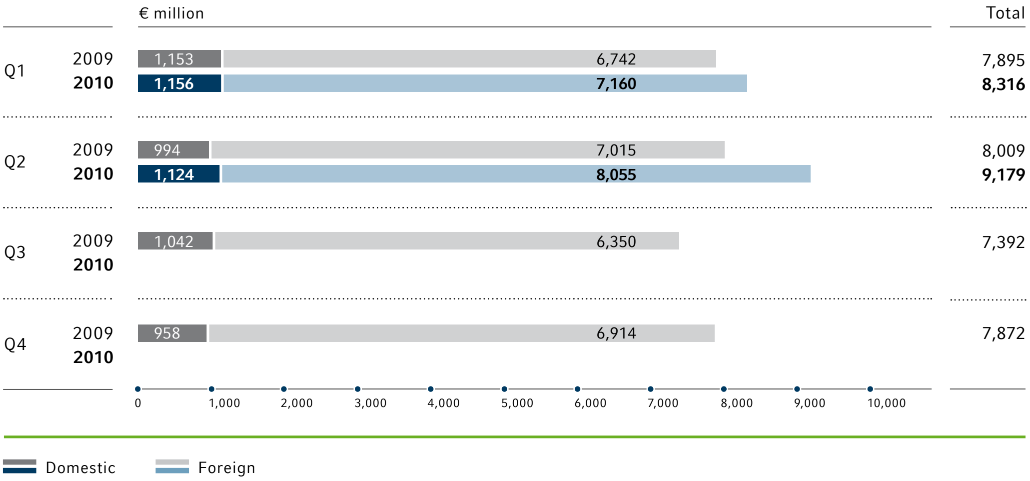
1. Overview of Sales, Earnings and Financial Position

SECOND QUARTER OF 2010

The Bayer Group once again achieved gains in sales and earnings in the second quarter of 2010. Business at MaterialScience expanded strongly, with volumes returning to the pre-crisis level. Sales at HealthCare improved slightly, while earnings of that subgroup matched the prior-year level. Business at CropScience was down year on year; volumes and prices declined in a market environment made difficult by the competitive situation and unfavorable weather conditions.

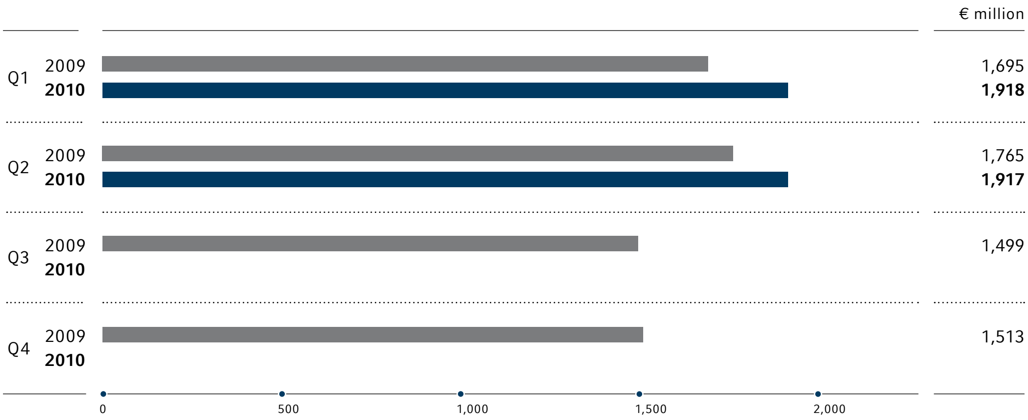
Group **sales** rose by 14.6% to €9,179 million (Q2 2009: €8,009 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business grew by 9.2%. Sales of HealthCare increased by 6.4% (Fx & portfolio adj. +2.0%). Sales at CropScience rose by 1.7% for currency-related reasons (Fx & portfolio adj. -5.5%), while business at MaterialScience expanded by a substantial 46.9% (Fx adj. +40.5%).

Bayer Group Quarterly Sales [Graphic 1]



EBITDA before special items of the Bayer Group improved by 8.6% to €1,917 million (Q2 2009: €1,765 million). This was attributable primarily to the gratifying business trends at MaterialScience and Consumer Health, as well as to positive currency effects. The EBITDA margin before special items was 20.9% (Q2 2009: 22.0%).

Bayer Group Quarterly EBITDA Before Special Items [Graphic 2]



HealthCare generated EBITDA before special items of €1,102 million (Q2 2009: €1,112 million). This figure contained significantly higher research and development costs in support of our research and development pipeline, which continues to perform positively. EBITDA before special items of CropScience, at €396 million, was 20.3% below the earnings level of the preceding year (€497 million). MaterialScience posted EBITDA before special items of €371 million, significantly exceeding the weak prior-year figure of €121 million attributable to the slump in the economy.

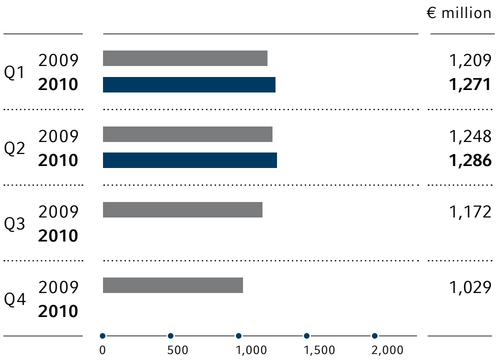
Taking into account special charges of €123 million that impacted EBITDA, the Bayer Group posted EBITDA of €1,794 million in the second quarter (Q2 2009: €1,709 million).

EBIT before special items improved by 14.4% to €1,260 million (Q2 2009: €1,101 million). The figure for the second quarter of 2010 was diminished by special charges of €255 million (Q2 2009: net special charges of €80 million). The special charges resulted from litigations (€123 million) and the partial write-down for our cancer drug Zevalin® (€132 million). Of the special charges, HealthCare accounted for €189 million and CropScience for €66 million. EBIT of the Bayer Group fell by 1.6% to €1,005 million (Q2 2009: €1,021 million).

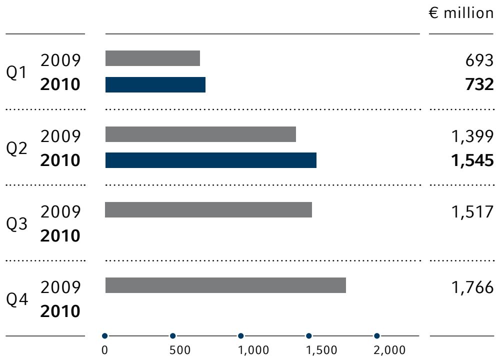
After a non-operating result of minus €261 million (Q2 2009: minus €292 million), income before income taxes came in at €744 million (Q2 2009: €729 million). The main components of the non-operating result were €138 million (Q2 2009: €154 million) in net interest expense, €89 million (Q2 2009: €107 million) in interest cost for pension and other provisions and a €19 million exchange loss (Q2 2009: €13 million). Tax expense totaled €220 million (Q2 2009: €199 million). Income after taxes decreased to €524 million (Q2 2009: €530 million), of which minus €1 million (Q2 2009: minus €2 million) was attributable to non-controlling interest.

The Bayer Group therefore posted net income of €525 million in the second quarter (Q2 2009: €532 million). Earnings per share were €0.63 (Q2 2009: €0.67). Core earnings per share rose to €1.15 (Q2 2009: €1.05). For calculation details see Chapter 7 "Core Earnings Per Share."

Gross Cash Flow by Quarter [Graphic 3]



Net Cash Flow by Quarter [Graphic 4]



Gross cash flow of the Bayer Group improved by 3.0% year on year to €1,286 million (Q2 2009: €1,248 million) due especially to the upward business trend at MaterialScience. Thanks in part to our measures to further optimize working capital management, we increased net cash flow by 10.4% to €1,545 million (Q2 2009: €1,399 million).

Net financial debt of the Bayer Group increased from €9.7 billion on March 31 to €10.7 billion on June 30. This increase, which is typical for the second quarter, was mainly due to the dividend payment of €1.2 billion, to annual payments of variable compensation to our employees and to expectedly high disbursements resulting from the fact that the interest payment dates for our bonds occur mainly in the second quarter. Negative currency effects of €0.6 billion were an additional factor.

The net pension liability increased from €6.9 billion to €7.7 billion in the second quarter of 2010, due especially to lower long-term capital market interest rates.

FIRST HALF OF 2010

Sales and earnings of the Bayer Group increased significantly in the first half of 2010, as we benefited especially from the significant recovery of the MaterialScience business.

Sales climbed by 10.0% to €17,495 million (H1 2009: €15,904 million). Business expanded by 7.7% on a currency- and portfolio-adjusted basis. HealthCare sales edged forward by 2.3% (Fx & portfolio adj.). Sales of CropScience fell by 7.9% (Fx & portfolio adj.), due particularly to unfavorable weather and market conditions. MaterialScience registered significant growth of 39.3% (Fx adj.) as a result of the economic recovery.

EBITDA before special items rose by 10.8% to €3,835 million (H1 2009: €3,460 million). First-half **EBIT** before special items improved by 19.6% to €2,534 million (H1 2009: €2,118 million). Special items totaled minus €332 million (H1 2009: minus €124 million) overall. EBIT of the Bayer Group grew by 10.4% to €2,202 million (H1 2009: €1,994 million).

After a non-operating result of minus €505 million (H1 2009: minus €626 million), income before income taxes for the first half came in at €1,697 million (H1 2009: €1,368 million). The non-operating result contained net interest expense of €255 million (H1 2009: €333 million). After tax expense of €479 million (H1 2009: €414 million), after-tax income was €1,218 million (H1 2009: €954 million).

After non-controlling interest, net income for the first half of 2010 amounted to €1,218 million (H1 2009: €957 million). Earnings per share were €1.47 (H1 2009: €1.22). Core earnings per share advanced 19.9% to €2.35 (H1 2009: €1.96). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow improved by 4.1% compared with the first half of 2009, to €2,557 million (H1 2009: €2,457 million), mainly because of the expansion of business at MaterialScience. Net cash flow advanced by 8.8% to €2,277 million (H1 2009: €2,092 million). Net financial debt rose to €10.7 billion as of June 30, 2010, compared to €9.7 billion on December 31, 2009. The net pension liability – the aggregate of pension obligations and plan assets – rose by €1.3 billion compared with December 31, 2009, to €7.7 billion, mainly because of lower long-term interest rates on the capital market.

2. Economic Outlook

The **global economy** should continue to recover over the course of the year. However, the expiration of public stimulus programs, the largely completed inventory adjustments and the planned savings measures to reduce budget deficits suggest that the pace of global economic expansion could slow down as the year progresses. Robust growth will presumably continue to be seen in the emerging markets, with Asia remaining the fastest-growing region. By contrast, comparatively moderate growth is expected in Europe. It is anticipated that growth in the United States will decline in the second half of the year.

We expect growth in the **pharmaceutical market** in 2010 to be in the mid-single digits. This expansion is likely to be driven increasingly by emerging countries. By contrast, we believe that growth will be weaker in the established markets such as the United States and the major European countries. Expansion will most likely be further restrained by various reforms to the health care systems in key markets. For the **consumer health markets**, we expect positive growth in the mid-single digits for this year as a whole.

We anticipate that the world market for **crop protection products** will shrink in 2010. The **seed market** will likely expand year on year thanks to growth in the area of genetically modified seed.

The main customer industries of **MaterialScience** (automotive, electrical/electronics, construction, furniture) will continue to benefit from the recovery of the global economy. Only the construction industry in the United States and a number of western European countries will probably continue to suffer noticeably from the effects of the real estate market crisis.

3. Sales and Earnings Forecast

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

Bayer Group

We remain optimistic for 2010. The strong recovery at MaterialScience is compensating for the below-forecast business performance at HealthCare and CropScience. Currency parities have also continued to trend positively.

We continue to target currency- and portfolio-adjusted sales growth of more than 5%. Research and development spending is now expected to total some €3.1 billion (previously: some €2.9 billion). It remains our aim to increase EBITDA before special items to more than €7 billion. Core earnings per share (calculated as explained in Chapter 7) are expected to improve by more than 15%. Our estimates are based on the exchange rates prevailing at the end of the second quarter of 2010.

HealthCare
We are adjusting our sales forecast for HealthCare in 2010 overall following the unexpected market entry of a generic competitor to YAZ® in the United States. We now expect sales in the Pharmaceuticals segment to remain level year on year on a currency- and portfolio-adjusted basis. In Consumer Health, however, we still expect to expand faster than the market. After adjusting for currency and portfolio effects, we anticipate a slight increase in sales at HealthCare (previously: about 3%). In part because of the situation pertaining to YAZ®, we now believe that EBITDA before special items will at least reach the prior-year level (previously: further year-on-year increase).

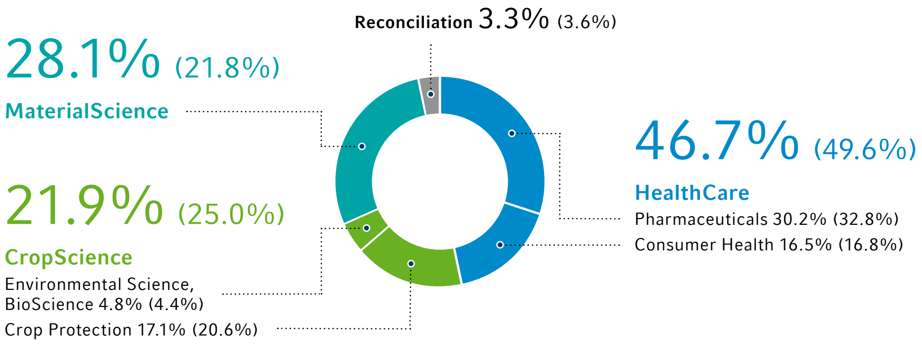
CropScience
Against the background of the unfavorable weather and market conditions in the first half of the year, we are lowering our sales and earnings forecast for 2010 at CropScience. Provided market conditions return to normal in the second half of the year, we anticipate that sales in 2010 overall will be slightly lower than the prior-year level on a currency- and portfolio-adjusted basis (previously: increase of between 2% and 3%). We expect EBITDA before special items to decline significantly in 2010 (previously: level with the previous year).

MaterialScience
We remain optimistic concerning our MaterialScience subgroup in the second half of 2010 and expect business to continue trending positively. In light of what we know today, we now view as conservative our previous targets of achieving a sales increase in the region of 20% and more than doubling EBITDA before special items. We expect to exceed these forecasts. In the third quarter, we anticipate that sales and EBITDA before special items will be in line with those of the previous quarter.

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 Half 2010 (1st Half 2009 in parentheses) [Graphic 5]



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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**4,045**	**4,305**	**758**	**764**	**1,112**	**1,102**	**27.5**	**25.6**
Pharmaceuticals	2,634	2,748	523	482	812	753	30.8	27.4
Consumer Health	1,411	1,557	235	282	300	349	21.3	22.4
CropScience	**1,852**	**1,884**	**374**	**269**	**497**	**396**	**26.8**	**21.0**
Crop Protection	1,540	1,520	315	189	423	295	27.5	19.4
Environmental Science, BioScience	312	364	59	80	74	101	23.7	27.7
MaterialScience	**1,830**	**2,689**	**(22)**	**226**	**121**	**371**	**6.6**	**13.8**
Reconciliation	**282**	**301**	**(9)**	**1**	**35**	**48**	**12.4**	**15.9**
Group	**8,009**	**9,179**	**1,101**	**1,260**	**1,765**	**1,917**	**22.0**	**20.9**
	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010
HealthCare	**7,888**	**8,174**	**1,451**	**1,509**	**2,173**	**2,181**	**27.5**	**26.7**
Pharmaceuticals	5,221	5,279	1,046	1,008	1,639	1,550	31.4	29.4
Consumer Health	2,667	2,895	405	501	534	631	20.0	21.8
CropScience	**3,972**	**3,836**	**991**	**705**	**1,234**	**955**	**31.1**	**24.9**
Crop Protection	3,274	2,996	821	465	1,034	675	31.6	22.5
Environmental Science, BioScience	698	840	170	240	200	280	28.7	33.3
MaterialScience	**3,466**	**4,905**	**(285)**	**372**	**5**	**658**	**0.1**	**13.4**
Reconciliation	**578**	**580**	**(39)**	**(52)**	**48**	**41**	**8.3**	**7.1**
Group	**15,904**	**17,495**	**2,118**	**2,534**	**3,460**	**3,835**	**21.8**	**21.9**

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

Changes in corporate structure

Effective January 1, 2010, we transferred certain products from the Specialty Medicine to the General Medicine business unit within the Pharmaceuticals segment of the HealthCare subgroup. In addition, organizational changes resulted in the merger of the General Medicine and Women's Healthcare business units and the integration of the Diagnostic Imaging business unit into the Specialty Medicine business unit in the second quarter of 2010. The prior-year figures are restated accordingly.

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

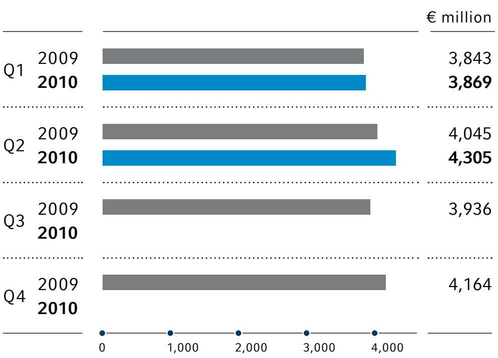
Key Data – HealthCare [Table 2]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**4,045**	**4,305**	**+6.4**	**7,888**	**8,174**	**+3.6**
Change in sales						
Volume	+1.9%	+1.5%		+0.9%	+1.9%	
Price	+2.8%	+0.5%		+1.6%	+0.4%	
Currency	+3.8%	+5.6%		+3.1%	+2.6%	
Portfolio	−0.2%	−1.2%		+0.1%	−1.3%	
Sales by segment						
Pharmaceuticals	2,634	2,748	+4.3	5,221	5,279	+1.1
Consumer Health	1,411	1,557	+10.3	2,667	2,895	+8.5
Sales by region						
Europe	1,576	1,599	+1.5	3,148	3,122	−0.8
North America	1,223	1,205	−1.5	2,327	2,339	+0.5
Asia/Pacific	652	845	+29.6	1,287	1,512	+17.5
Latin America/Africa/Middle East	594	656	+10.4	1,126	1,201	+6.7
EBITDA*	**1,176**	**1,045**	**−11.1**	**2,219**	**2,095**	**−5.6**
Special items	*64*	*(57)*		*46*	*(86)*	
EBITDA before special items*	***1,112***	***1,102***	***−0.9***	***2,173***	***2,181***	***+0.4***
EBITDA margin before special items*	27.5%	25.6%		27.5%	26.7%	
EBIT*	**821**	**575**	**−30.0**	**1,496**	**1,291**	**−13.7**
Special items	*63*	*(189)*		*45*	*(218)*	
EBIT before special items*	***758***	***764***	***+0.8***	***1,451***	***1,509***	***+4.0***
Gross cash flow**	**760**	**739**	**−2.8**	**1,505**	**1,458**	**−3.1**
Net cash flow**	**596**	**666**	**+11.7**	**1,295**	**1,408**	**+8.7**

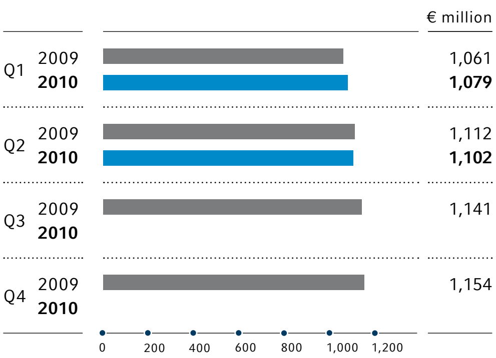
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **HealthCare** subgroup rose by 6.4% in the **second quarter of 2010**, to €4,305 million (Q2 2009: €4,045 million). Adjusted for currency and portfolio effects, business was up by 2.0%. Both of the subgroup's segments contributed to this growth, with Consumer Health playing a particularly significant role.

HealthCare
Quarterly Sales [Graphic 6]



HealthCare
Quarterly EBITDA Before Special Items [Graphic 7]



EBITDA before special items at HealthCare came in nearly level with the prior year at €1,102 million (Q2 2009: €1,112 million), despite significantly higher research and development costs (+13.9%) in support of our research and development pipeline, which continues to perform positively. The decline in earnings in the Pharmaceuticals segment was nearly offset by a gratifying improvement at Consumer Health. **EBIT** before special items grew by 0.8% to €764 million (Q2 2009: €758 million). Special items totaled minus €189 million (Q2 2009: plus €63 million). EBIT fell by 30.0% to €575 million (Q2 2009: €821 million).

Pharmaceuticals

Key Data – Pharmaceuticals [Table 3]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,634**	**2,748**	**+4.3**	**5,221**	**5,279**	**+1.1**
Women's Healthcare and General Medicine	1,646	1,710	+3.9	3,227	3,294	+2.1
Specialty Medicine	988	1,038	+5.1	1,994	1,985	−0.5
Sales by region						
Europe	1,028	1,033	+0.5	2,063	2,014	−2.4
North America	700	617	−11.9	1,403	1,304	−7.1
Asia/Pacific	526	686	+30.4	1,036	1,213	+17.1
Latin America/Africa/Middle East	380	412	+8.4	719	748	+4.0
EBITDA*	**879**	**696**	**−20.8**	**1,688**	**1,464**	**−13.3**
Special items	*67*	*(57)*		*49*	*(86)*	
EBITDA before special items*	***812***	***753***	***−7.3***	***1,639***	***1,550***	***−5.4***
EBITDA margin before special items*	30.8%	27.4%		31.4%	29.4%	
EBIT*	**589**	**293**	**−50.3**	**1,094**	**790**	**−27.8**
Special items	*66*	*(189)*		*48*	*(218)*	
EBIT before special items*	***523***	***482***	***−7.8***	***1,046***	***1,008***	***−3.6***
Gross cash flow**	**543**	**480**	**−11.6**	**1,108**	**992**	**−10.5**
Net cash flow**	**428**	**455**	**+6.3**	**940**	**1,047**	**+11.4**

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

Sales of the **Pharmaceuticals** segment climbed by 4.3% in the **second quarter of 2010** to €2,748 million (Q2 2009: €2,634 million). Adjusted for currency and portfolio effects, the increase was 1.1%. Business expanded in the Asia/Pacific and Latin America/Africa/Middle East regions, but fell considerably in North America.

Best-Selling Pharmaceutical Products [Table 4]

	2nd Quarter 2009	2nd Quarter 2010	Change	Currency-adjusted change	1st Half 2009	1st Half 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Betaferon®/Betaseron® (Specialty Medicine)	320	302	−5.6	−10.7	621	585	−5.8	−7.9
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare and General Medicine)	325	289	−11.1	−14.9	644	576	−10.6	−12.6
Kogenate® (Specialty Medicine)	184	238	+29.3	+25.2	433	482	+11.3	+10.5
Nexavar® (Specialty Medicine)	147	186	+26.5	+19.6	284	341	+20.1	+17.9
Adalat® (Women's Healthcare and General Medicine)	162	177	+9.3	+0.8	318	323	+1.6	−2.3
Mirena® (Women's Healthcare and General Medicine)	137	123	−10.2	−16.2	262	266	+1.5	−0.6
Avalox®/Avelox® (Women's Healthcare and General Medicine)	92	118	+28.3	+20.8	221	253	+14.5	+13.3
Levitra® (Women's Healthcare and General Medicine)	90	96	+6.7	+1.0	173	182	+5.2	+3.0
Glucobay® (Women's Healthcare and General Medicine)	84	90	+7.1	+0.1	166	169	+1.8	−0.8
Aspirin® Cardio (Women's Healthcare and General Medicine)	81	92	+13.6	+11.2	154	165	+7.1	+6.3
Ultravist® (Specialty Medicine)	66	82	+24.2	+17.6	128	150	+17.2	+12.0
Cipro®/Ciprobay® (Women's Healthcare and General Medicine)	90	61	−32.2	−34.6	170	136	−20.0	−20.4
Magnevist® (Specialty Medicine)	60	58	−3.3	−8.3	116	109	−6.0	−7.7
Iopamiron® (Specialty Medicine)	52	52	0.0	−8.9	98	91	−7.1	−11.5
Kinzal®/Pritor® (Women's Healthcare and General Medicine)	42	46	+9.5	+8.5	79	88	+11.4	+10.4
Total	**1,932**	**2,010**	**+4.0**	**−1.3**	**3,867**	**3,916**	**+1.3**	**−0.8**
Proportion of Pharmaceuticals sales	73%	73%			74%	74%		

Sales of the **Women's Healthcare and General Medicine** business unit increased by 3.9% to €1,710 million (Q2 2009: €1,646 million). On a currency-adjusted basis, business was down by 1.2%.

Our YAZ®/Yasmin®/Yasminelle® (Fx adj. -14.9%) line of oral contraceptives saw sales fall significantly, the main factor being lower demand for YAZ® in the United States. Our business in that country was additionally hampered by intensified generic competition. Sales of the hormone-releasing intrauterine device Mirena® fell by 16.2% (Fx adj.). This was chiefly attributable to advanced sales in the United States in the first quarter of 2010 following the announcement of a selling price increase.

Sales of our antibiotic Cipro®/Ciprobay® (Fx adj. -34.6%) shrank considerably in North America, particularly due to the expiration at the end of the first quarter of a U.S. government contract. By contrast, our business with the antibiotic Avalox®/Avelox® (Fx adj. +20.8%) benefited from increased stocking by Japanese dealers and sales gains in China resulting from a reassessment by that country's regulatory authorities of the active substance class. There was also a positive impact from fluctuations in the ordering schedule of our distribution partner in the United States.

Sales of Aspirin® Cardio for prevention of myocardial infarction (Fx adj. +11.2%) rose significantly due to an increase in volumes. Our antihypertensive Kinzal®/Pritor® posted pleasing growth (Fx adj. +8.5%), benefiting from the expansion of its indications in October 2009 to include the prevention of cardiovascular disease. Sales of our erectile dysfunction treatment Levitra® (Fx adj. +1.0%) and Adalat® for treating hypertension and coronary heart disease (Fx adj. +0.8%) edged forward year on year. Adalat® benefited from an unscheduled order from a business partner in Canada. Sales of Glucobay® (Fx adj. +0.1%) came in level year on year. Growth for that product in China compensated for declining volumes in Europe as a result of intensified generic competition.

Sales of the **Specialty Medicine** business unit climbed by 5.1% to €1,038 million (Q2 2009: €988 million). Adjusted for currency and portfolio effects, business was up by 4.9%.

Sales of our blood-clotting medication Kogenate® were up considerably (Fx adj. +25.2%) against the weak prior-year quarter, due primarily to higher volumes in North America and Asia/Pacific that resulted partly from fluctuations in the ordering schedule of our distribution partner. Our cancer drug Nexavar® (Fx adj. +19.6%) achieved impressive sales growth worldwide. In this connection, special mention should be made of the Asia/Pacific region, where the product was registered in Japan for the indication liver cancer in May 2009. Business with Nexavar® expanded markedly in Europe as well. Sales of the contrast agent Iopamiron® dropped considerably (Fx adj. -8.9%), mostly because of the near-complete cessation of marketing activities in Latin America. Benefiting from this trend was our contrast agent Ultravist®, sales of which expanded briskly also thanks to a positive performance in the Asia/Pacific region (Fx adj. +17.6%). The continuing decline in sales of the contrast agent Magnevist® (Fx adj. -8.3%) was more than offset by increases for Gadovist® (Fx adj. +24.1%), particularly in Europe. Sales of the multiple sclerosis drug Betaferon®/Betaseron® were down (Fx adj. -10.7%), mostly because of intensified competition especially in Germany and the United States. Sales were also down in Russia, where we had benefited in the previous year from a tender.

EBITDA before special items of the **Pharmaceuticals** segment fell by 7.3% in the second quarter of 2010 to €753 million (Q2 2009: €812 million). The decline resulted particularly from higher research and development expenditures in support of our Phase III projects and from a slight increase in selling expenses. Earnings were also diminished by portfolio changes. By contrast, currency effects had a positive impact. **EBIT** before special items declined by 7.8% to €482 million (Q2 2009: €523 million). Special items totaling minus €189 million (Q2 2009: plus €66 million) resulted from a partial write-down for our cancer drug Zevalin® and from litigations. EBIT fell by 50.3% to €293 million (Q2 2009: €589 million).

In the **first half of 2010**, **sales** of our **Pharmaceuticals** segment moved ahead by 1.1% to €5,279 million, compared with €5,221 million in the prior-year period. Adjusted for currency and portfolio effects, business grew by 0.8%. This performance was made possible especially by gratifying sales increases for the blood-clotting medication Kogenate® (Fx adj. +10.5%), the cancer drug Nexavar® (Fx adj. +17.9%) and the antibiotic Avalox®/Avelox® (Fx adj. +13.3%). By contrast, there was a decline in business with our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives (Fx adj. -12.6%), the multiple sclerosis drug Betaferon®/Betaseron® (Fx adj. -7.9%) and our antibiotic Cipro®/Ciprobay® (Fx adj. -20.4%).

EBITDA before special items in the first half of 2010 fell 5.4% to €1,550 million (H1 2009: €1,639 million). **EBIT** before special items fell by 3.6% to €1,008 million (H1 2009: €1,046 million). Special items of minus €218 million (H1 2009: plus €48 million) related to a partial write-down for our cancer drug Zevalin® and to litigations. EBIT fell by 27.8% to €790 million (H1 2009: €1,094 million).

Consumer Health

Key Data – Consumer Health [Table 5]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,411**	**1,557**	**+10.3**	**2,667**	**2,895**	**+8.5**
Consumer Care	749	836	+11.6	1,453	1,580	+8.7
Medical Care	391	399	+2.0	715	734	+2.7
Animal Health	271	322	+18.8	499	581	+16.4
Sales by region						
Europe	548	566	+3.3	1,085	1,108	+2.1
North America	523	588	+12.4	924	1,035	+12.0
Asia/Pacific	126	159	+26.2	251	299	+19.1
Latin America/Africa/Middle East	214	244	+14.0	407	453	+11.3
EBITDA*	**297**	**349**	**+17.5**	**531**	**631**	**+18.8**
Special items	*(3)*	*0*		*(3)*	*0*	
EBITDA before special items*	***300***	***349***	***+16.3***	***534***	***631***	***+18.2***
EBITDA margin before special items*	21.3%	22.4%		20.0%	21.8%	
EBIT*	**232**	**282**	**+21.6**	**402**	**501**	**+24.6**
Special items	*(3)*	*0*		*(3)*	*0*	
EBIT before special items*	***235***	***282***	***+20.0***	***405***	***501***	***+23.7***
Gross cash flow**	**217**	**259**	**+19.4**	**397**	**466**	**+17.4**
Net cash flow**	**168**	**211**	**+25.6**	**355**	**361**	**+1.7**

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

Sales of the **Consumer Health** segment advanced by 10.3% in the **second quarter of 2010** to €1,557 million (Q2 2009: €1,411 million). Business expanded by 3.8% on a currency- and portfolio-adjusted basis, with all regions – and particularly North America and Asia/Pacific – contributing to this increase.

Best-Selling Consumer Health Products [Table 6]

	2nd Quarter 2009	2nd Quarter 2010	Change	Currency-adjusted change	1st Half 2009	1st Half 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Contour® (Medical Care)	169	164	−3.0	−8.8	293	295	+0.7	−3.1
Advantage® product line (Animal Health)	109	141	+29.4	+20.5	187	230	+23.0	+18.0
Aspirin®* (Consumer Care)	94	105	+11.7	+6.1	190	195	+2.6	+0.3
Aleve®/naproxen (Consumer Care)	56	68	+21.4	+14.3	99	127	+28.3	+25.9
Bepanthen®/Bepanthol® (Consumer Care)	50	55	+10.0	+8.4	98	110	+12.2	+10.2
Canesten® (Consumer Care)	50	58	+16.0	+14.0	93	102	+9.7	+7.3
One-A-Day® (Consumer Care)	38	47	+23.7	+14.8	69	83	+20.3	+18.2
Baytril® (Animal Health)	33	35	+6.1	−0.5	68	73	+7.4	+4.7
Supradyn® (Consumer Care)	31	32	+3.2	+1.6	62	63	+1.6	+2.3
Breeze® (Medical Care)	41	32	−22.0	−26.2	71	62	−12.7	−14.9
Total	**671**	**737**	**+9.8**	**+4.2**	**1,230**	**1,340**	**+8.9**	**+6.0**
Proportion of Consumer Health sales	48%	47%			46%	46%		

* Total Aspirin® Q2 sales = €197 million (Q2 2009 = €175 million), H1 sales = €360 million (H1 2009 = €344 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales advanced by 11.6% to €836 million (Q2 2009: €749 million). Adjusted for currency and portfolio effects, the increase was 5.6%. All main products and regions contributed to this increase, with the growth in North America playing an especially important role. The analgesics Aspirin® (Fx adj. +6.1%) and Aleve® (Fx adj. +14.3%) and the One-A-Day® line of dietary supplements (Fx adj. +14.8%) achieved pleasing sales growth thanks mainly to the recovery of consumption in the United States. In addition, business with Aleve® and Canesten® benefited from the rescission of the prescription requirement in Canada. The improvement in sales of our Bepanthen®/Bepanthol® line of skincare products (Fx adj. +8.4%) was attributable especially to the positive trend in Russia and France.

Sales of the **Medical Care** Division advanced by 2.0% in the second quarter of 2010 to €399 million (Q2 2009: €391 million). On a currency-adjusted basis, sales fell by 4.3% due mostly to the negative trend in the U.S. diabetes care market, where both prices and demand were down. This situation negatively impacted our Breeze® (Fx adj. -26.2%) and Contour® (Fx adj. -8.8%) blood glucose meter lines. In Europe – and especially the United Kingdom – the Contour® product line benefited from the market launch of new products and was thus able to match prior-year sales overall despite inventory reductions in the German distribution channels. Buoyed by growth in the equipment service sector in North America, our medical devices business saw a further increase in sales to €133 million (Fx adj. +10.8%).

Sales of the **Animal Health** Division rose by a substantial 18.8% to €322 million (Q2 2009: €271 million). After adjusting for currency effects, the increase came to 10.4%. This performance was attributable to sales growth in all regions, but mainly to especially strong increases in North America. There was a gratifying improvement in sales of our Advantage® line of flea, tick and worm control products (Fx adj. +20.5%), due particularly to initial stocking of a new distribution channel in the United States. Business with our broad-spectrum antibiotic Baytril® (Fx adj. -0.5%) held steady year on year. Sales declines in Europe resulting especially from growing generic competition were almost fully offset by increases in North America and in Asia/Pacific.

In the **Consumer Health** segment we achieved **EBITDA** before special items of €349 million in the second quarter of 2010 (Q2 2009: €300 million). The 16.3% year-on-year increase resulted chiefly from the good business performance in the Animal Health and Consumer Care divisions and from positive currency effects. Moreover, the product mix had a favorable effect on the cost of goods sold. **EBIT** before special items grew by 20.0% to €282 million (Q2 2009: €235 million). There were no special items (Q2 2009: special charges of €3 million). EBIT rose by €50 million to €282 million (Q2 2009: €232 million).

Sales of the **Consumer Health** segment rose by 8.5% to €2,895 million in the **first half of 2010** (H1 2009: €2,667 million). After adjusting for currency and portfolio changes, sales grew by 5.2%; all regions contributed to this increase, with North America putting in an especially strong performance. The marked economic recovery and the associated rise in demand led to significant sales growth for the majority of our Consumer Health products. Examples include the Advantage® line of flea, tick and worm control products (Fx adj. +18.0%), our analgesic Aleve® (Fx adj. +25.9%) and the Bepanthen®/Bepanthol® line of skincare products (Fx adj. +10.2%). **EBITDA** before special items rose by a substantial 18.2% to €631 million (H1 2009: €534 million). **EBIT** before special items grew by a gratifying 23.7% to €501 million (H1 2009: €405 million). EBIT advanced by €99 million to €501 million (H1 2009: €402 million).

5.2 CropScience

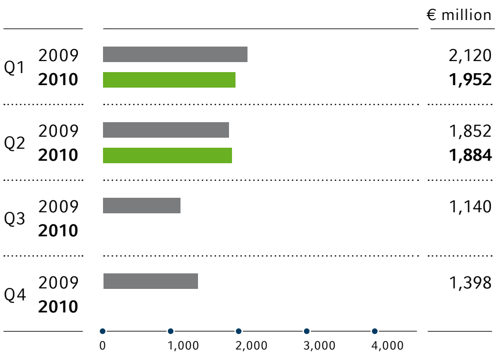
Key Data – CropScience [Table 7]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,852**	**1,884**	**+1.7**	**3,972**	**3,836**	**−3.4**
Change in sales						
Volume	−1.6%	−2.8%		+1.0%	−6.6%	
Price	+3.6%	−2.7%		+3.8%	−1.3%	
Currency	+0.7%	+7.0%		+0.2%	+4.3%	
Portfolio	0.0%	+0.2%		0.0%	+0.2%	
Sales by segment						
Crop Protection	1,540	1,520	−1.3	3,274	2,996	−8.5
Environmental Science, BioScience	312	364	+16.7	698	840	+20.3
Sales by region						
Europe	737	737	+0.0	1,778	1,655	−6.9
North America	562	494	−12.1	1,138	1,021	−10.3
Asia/Pacific	280	343	+22.5	519	583	+12.3
Latin America/Africa/Middle East	273	310	+13.6	537	577	+7.4
EBITDA*	**427**	**330**	**−22.7**	**1,160**	**841**	**−27.5**
Special items	*(70)*	*(66)*		*(74)*	*(114)*	
EBITDA before special items*	***497***	***396***	***−20.3***	***1,234***	***955***	***−22.6***
EBITDA margin before special items*	26.8%	21.0%		31.1%	24.9%	
EBIT*	**304**	**203**	**−33.2**	**913**	**591**	**−35.3**
Special items	*(70)*	*(66)*		*(78)*	*(114)*	
EBIT before special items*	***374***	***269***	***−28.1***	***991***	***705***	***−28.9***
Gross cash flow**	**337**	**240**	**−28.8**	**887**	**603**	**−32.0**
Net cash flow**	**471**	**782**	**+66.0**	**50**	**517**	**.**

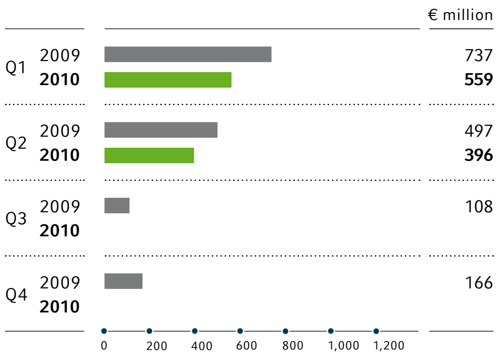
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **CropScience** subgroup climbed by 1.7% in the **second quarter** to €1,884 million (Q2 2009: €1,852 million). After adjusting for currency and portfolio effects, sales fell by 5.5%. This was due to a weaker Crop Protection business, while Environmental Science, BioScience once again achieved a positive business performance.

CropScience Quarterly Sales [Graphic 8]



CropScience Quarterly EBITDA Before Special Items [Graphic 9]



Best-Selling CropScience Products* [Table 8]

	2nd Quarter 2009	2nd Quarter 2010	Change	Currency-adjusted change	1st Half 2009	1st Half 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	145	143	−1.4	−8.7	308	281	−8.8	−12.3
Proline®/Input®/Prosaro® (Fungicides)	112	111	−0.9	−5.6	219	191	−12.8	−16.4
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	92	93	+1.1	−8.0	197	183	−7.1	−10.5
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	117	100	−14.5	−24.3	226	171	−24.3	−31.8
Folicur®/Raxil® (Fungicides/Seed Treatment)	57	55	−3.5	−10.7	132	117	−11.4	−16.5
Atlantis® (Herbicides)	4	18	.	.	135	109	−19.3	−20.4
Fandango® (Fungicides)	56	47	−16.1	−16.6	100	104	+4.0	+2.3
Decis®/K-Othrine® (Insecticides/Environmental Science)	54	55	+1.9	−5.2	93	103	+10.8	+4.0
Puma® (Herbicides)	65	63	−3.1	−13.0	123	96	−22.0	−28.4
Poncho® (Seed Treatment)	65	42	−35.4	−44.5	133	86	−35.3	−39.2
Total	**767**	**727**	**−5.2**	**−12.6**	**1,666**	**1,441**	**−13.5**	**−17.8**
Proportion of CropScience sales	41%	39%			42%	38%		

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

EBITDA before special items was down by 20.3% to €396 million (Q2 2009: €497 million). This was attributable to much lower profitability at Crop Protection, while Environmental Science, BioScience improved earnings. **EBIT** before special items fell by 28.1% to €269 million (Q2 2009: €374 million). Special charges totaling €66 million were incurred in connection with litigations concerning genetically modified rice in the United States. EBIT shrank by 33.2% to €203 million (Q2 2009: €304 million).

Crop Protection

Key Data – Crop Protection [Table 9]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,540**	**1,520**	**–1.3**	**3,274**	**2,996**	**–8.5**
Herbicides	542	587	+8.3	1,281	1,190	–7.1
Fungicides	493	477	–3.2	1,002	894	–10.8
Insecticides	361	344	–4.7	651	640	–1.7
Seed Treatment	144	112	–22.2	340	272	–20.0
Sales by region						
Europe	634	632	–0.3	1,545	1,411	–8.7
North America	448	355	–20.8	826	622	–24.7
Asia/Pacific	214	258	+20.6	421	461	+9.5
Latin America/Africa/Middle East	244	275	+12.7	482	502	+4.1
EBITDA*	**391**	**295**	**–24.6**	**998**	**675**	**–32.4**
Special items	*(32)*	*0*		*(36)*	*0*	
EBITDA before special items*	***423***	***295***	***–30.3***	***1,034***	***675***	***–34.7***
EBITDA margin before special items*	27.5%	19.4%		31.6%	22.5%	
EBIT*	**283**	**189**	**–33.2**	**783**	**465**	**–40.6**
Special items	*(32)*	*0*		*(38)*	*0*	
EBIT before special items*	***315***	***189***	***–40.0***	***821***	***465***	***–43.4***
Gross cash flow**	**307**	**229**	**–25.4**	**765**	**495**	**–35.3**
Net cash flow**	**357**	**570**	**+59.7**	**(2)**	**312**	**.**

* 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 **Crop Protection** segment fell by 1.3% to €1,520 million (Q2 2009: €1,540 million). The currency-adjusted decline was 8.6%. Sales of our herbicides came in close to the prior-year level on a currency-adjusted basis. By contrast, business with our insecticides, fungicides and seed treatment products was much weaker, with sales down significantly in some cases.

Sales in **Europe** were nearly level year on year in the second quarter of 2010, at €632 million (-0.3%). Adjusted for currency effects, business fell by 3.0%. This was attributable above all to the unfavorable weather conditions in key growing regions. Sales in France, particularly for fungicides, were well below the high prior-year level for market-related reasons. The considerable market contraction in that country resulted primarily from lower prices for agricultural raw materials and unusual drought conditions. In Germany we registered a steep decline in insecticide sales, while the trend for herbicides was positive. In the United Kingdom we expanded our fungicides business in particular; in northern Europe there was in increase especially in sales of herbicides.

Sales in the **North America** region were down by 20.8% to €355 million (Q2 2009: €448 million). The currency-adjusted decline was 30.0%. Our business in the United States was hampered by the difficult market and competitive situation, as well as by pressure exerted on prices by generic manufacturers. The price reductions implemented already in the first quarter led to further declines in sales of our herbicides Liberty® and Ignite®. Business was also down for fungicides. Contributing to this trend were targeted inventory clearances. This affected particularly the Stratego® product group in the applications corn and soybeans. Intensified generic competition and low insect infestation pressure led to a marked decline in sales in our insecticides business. Sales were also well down in our seed treatment business due to an unfavorable market environment that resulted above all from high inventories in the U.S. distribution channels. Sales in Canada also fell steeply in the second quarter. Sustained high precipitation levels in that country prior to sowing led to a significant reduction in cultivation acreages for canola and wheat.

Sales in the **Asia/Pacific** region were up by a substantial 20.6% to €258 million (Q2 2009: €214 million). The currency-adjusted improvement was 6.5%. The gratifying business trend in Australia played a particularly important role here. There we benefited from good weather conditions and saw a considerable improvement in sales of the corn herbicide Balance®. We also achieved sales increases in China. The positive business performance for our insecticide Confidor® in particular contributed to the sales growth in India.

In the **Latin America/Africa/Middle East** region, sales rose by 12.7% to €275 million (Q2 2009: €244 million). After adjusting for currency effects, sales advanced by 3.1%. Contributing to this increase were significantly higher sales in Africa and the Middle East, and particularly Turkey. By contrast, sales in Latin America fell slightly despite a gratifying performance by the fungicides Sphere® and Nativo®. Sales declined overall in Brazil especially because of the negative trend in the seed treatment business, while there was a gratifying expansion of business in Argentina.

EBITDA before special items of the **Crop Protection** segment dropped by 30.3% in the second quarter of 2010 to €295 million (Q2 2009: €423 million). This was attributable chiefly to lower prices and a decrease in volumes. Profitability was also impaired by lower capacity utilization at our production facilities. **EBIT** before special items fell by 40.0% to €189 million (Q2 2009: €315 million). There were no special charges in the Crop Protection segment in the second quarter of 2010 (Q2 2009: €32 million). EBIT dropped by 33.2% year on year.

First-half sales of the **Crop Protection** segment dropped by 8.5% to €2,996 million (H1 2009: €3,274 million). This corresponds to a currency-adjusted decrease of 12.7%. The first half of 2010 was characterized by unfavorable weather conditions in key growing regions, difficult market situations and growing pressure on prices from generic products. Our business in the Asia/Pacific and Latin America/Africa/Middle East regions came in nearly at the prior-year level, while sales in Europe were down as a result of the weak first quarter. Sales in the North America region declined sharply. **EBITDA** before special items in the Crop Protection segment fell 34.7% to €675 million (H1 2009: €1,034 million). **EBIT** before special items dropped by 43.4% to €465 million (H1 2009: €821 million). There were no special charges in the Crop Protection segment in the first half of 2010 (H1 2009: €38 million). EBIT fell by 40.6% to €465 million (H1 2009: €783 million).

Environmental Science, BioScience

Key Data – Environmental Science, BioScience [Table 10]

	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**312**	**364**	**+16.7**	**698**	**840**	**+20.3**
Environmental Science	172	199	+15.7	336	369	+9.8
BioScience	140	165	+17.9	362	471	+30.1
Sales by region						
Europe	103	105	+1.9	233	244	+4.7
North America	114	139	+21.9	312	399	+27.9
Asia/Pacific	66	85	+28.8	98	122	+24.5
Latin America/Africa/Middle East	29	35	+20.7	55	75	+36.4
EBITDA*	**36**	**35**	**−2.8**	**162**	**166**	**+2.5**
Special items	*(38)*	*(66)*		*(38)*	*(114)*	
EBITDA before special items*	***74***	***101***	**+36.5**	***200***	***280***	**+40.0**
EBITDA margin before special items*	23.7%	27.7%		28.7%	33.3%	
EBIT*	**21**	**14**	**−33.3**	**130**	**126**	**−3.1**
Special items	*(38)*	*(66)*		*(40)*	*(114)*	
EBIT before special items*	***59***	***80***	**+35.6**	***170***	***240***	**+41.2**
Gross cash flow**	**30**	**11**	**−63.3**	**122**	**108**	**−11.5**
Net cash flow**	**114**	**212**	**+86.0**	**52**	**205**	**.**

* 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 **Environmental Science, BioScience** segment climbed by 16.7% in the second quarter of 2010 to €364 million (Q2 2009: €312 million). After adjusting for currency and portfolio effects, business was up by 9.8%.

Sales of the **Environmental Science** business unit climbed by 15.7% to €199 million (Q2 2009: €172 million). After adjusting for currency effects, the increase was 9.1%. Sales of products for professional users for use in non-agricultural applications rose significantly in the United States and in Germany and Japan. By contrast, there was a slight decline year on year in sales of products for private users.

BioScience increased sales by a substantial 17.9% to €165 million (Q2 2009: €140 million). On a currency- and portfolio-adjusted basis, business expanded by 10.8%. This growth resulted mostly from higher sales of canola seed. We also further expanded the vegetable seed business.

EBITDA before special items in the **Environmental Science, BioScience** segment rose by 36.5% to €101 million (Q2 2009: €74 million), resulting from the expansion of business and from one-time income of €19 million in connection with a license agreement signed in the second quarter of 2010. This improvement more than offset increased expenditures for research and development at BioScience. **EBIT** before special items rose by 35.6% to €80 million (Q2 2009: €59 million). Special charges totaling €66 million resulted from litigations relating to the lawsuits pending in the United States in connection with genetically modified rice. EBIT shrank by 33.3% to €14 million (Q2 2009: €21 million).

Sales in the **Environmental Science, BioScience** segment improved by 20.3% in the **first half of 2010**, to €840 million (H1 2009: €698 million). When adjusted for currency and portfolio effects, sales grew by 14.7%. Sales of cotton and canola seed saw especially solid growth. The cotton seed business benefited above all from an expansion in growing acreages. Selling price increases in North America were instrumental in the growth of canola seed sales, whereas we lowered prices for the corresponding canola herbicides. **EBITDA** before special items in the Environmental Science, BioScience segment advanced by 40.0% to €280 million (H1 2009: €200 million). **EBIT** before special items rose by 41.2% to €240 million (H1 2009: €170 million). Special charges totaling €114 million (H1 2009: €40 million) resulted from litigations relating to the lawsuits pending in the United States in connection with genetically modified rice. EBIT came to €126 million (-3.1%).

5.3 MaterialScience

Key Data – MaterialScience [Table 11]

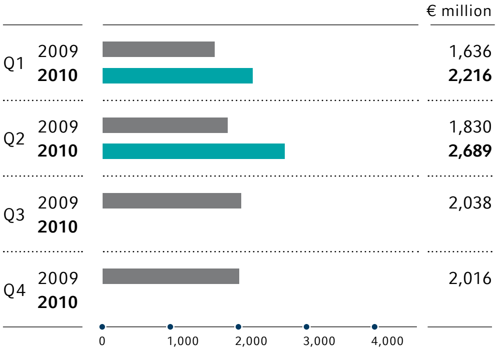
	2nd Quarter 2009	2nd Quarter 2010	Change	1st Half 2009	1st Half 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,830**	**2,689**	**+46.9**	**3,466**	**4,905**	**+41.5**
Change in sales						
Volume	−22.1%	+32.7%		−27.7%	+36.8%	
Price	−12.3%	+7.8%		−8.7%	+2.5%	
Currency	+3.7%	+6.4%		+3.4%	+2.2%	
Portfolio	+0.5%	0.0%		+0.5%	0.0%	
Sales by business unit						
Polyurethanes	918	1,321	+43.9	1,762	2,427	+37.7
Polycarbonates	450	753	+67.3	824	1,328	+61.2
Coatings, Adhesives, Specialties	337	481	+42.7	613	894	+45.8
Industrial Operations	125	134	+7.2	267	256	−4.1
Sales by region						
Europe	726	1,000	+37.7	1,407	1,878	+33.5
North America	380	575	+51.3	754	1,011	+34.1
Asia/Pacific	480	773	+61.0	852	1,390	+63.1
Latin America/Africa/Middle East	244	341	+39.8	453	626	+38.2
EBITDA*	**82**	**371**	**.**	**(46)**	**658**	**.**
Special items	*(39)*	*0*		*(51)*	*0*	
EBITDA before special items*	***121***	***371***	**.**	***5***	***658***	**.**
EBITDA margin before special items*	6.6%	13.8%		0.1%	13.4%	
EBIT*	**(84)**	**226**	**.**	**(365)**	**372**	**.**
Special items	*(62)*	*0*		*(80)*	*0*	
EBIT before special items*	***(22)***	***226***	**.**	***(285)***	***372***	**.**
Gross cash flow**	**74**	**291**	**.**	**14**	**520**	**.**
Net cash flow**	**207**	**62**	**−70.0**	**414**	**78**	**−81.2**

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

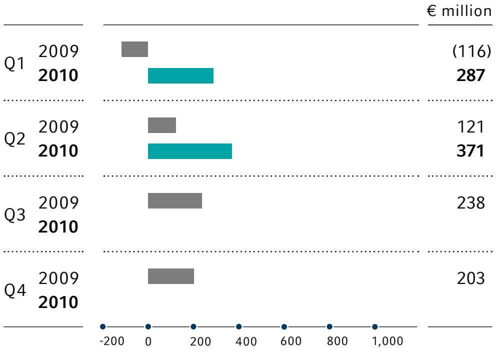
The significant improvement in the business performance of our **MaterialScience** subgroup continued in the **second quarter of 2010**. **Sales** of this subgroup came in at €2,689 million, up 46.9% (Fx adj. +40.5%) against the prior-year quarter, which was impacted by the global financial and economic crisis.

The expansion of business was based above all on a considerable increase in demand in our primary consumer industries that enabled us to significantly improve volumes in all product groups and regions. We registered the largest absolute volume gains in the Europe and North America regions, which were hardest hit in the previous year by the economic downswing. There was also an increase in selling prices particularly in Asia/Pacific and Europe. MaterialScience substantially improved sales compared to the first quarter of 2010 as well (+21.3%; Fx adj. +15.9%). Here, too, all product groups contributed to the gratifying business performance with significant volume expansion while overall selling prices increased.

MaterialScience
Quarterly Sales [Graphic 10]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 11]



Sales of the **Polyurethanes** business unit rose by 43.9% (Fx adj. +37.1%) to €1,321 million (Q2 2009: €918 million). This was attributable especially to the significantly higher volumes in all polyurethane product groups (diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether) and in all regions. The highest growth rates were achieved by TDI products in North America and our polyether products in the Asia/Pacific and Latin America regions. In addition, higher selling prices overall in the Asia/Pacific and Europe regions more than offset price declines in North and Latin America.

Sales of the **Polycarbonates** business unit increased by 67.3% (Fx adj. +59.4%) to €753 million (Q2 2009: €450 million). This substantial growth was made possible largely by the success of our polyurethane granules product group, where we succeeded in markedly raising selling prices overall in addition to the volume increases achieved in all regions. Furthermore, polycarbonate sheet/semi-finished products saw demand rise in all regions, enabling that product group to achieve higher sales despite selling price declines.

The **Coatings, Adhesives, Specialties** business unit also posted a pleasing business performance. Sales rose by 42.7% (Fx adj. +37.3%) to €481 million, thus substantially exceeding the prior-year level of €337 million. Significant volume increases in all product groups and regions more than offset the slight declines in selling prices.

Sales of the **Industrial Operations** business unit moved ahead 7.2% (Fx adj. +6.1%) to €134 million (Q2 2009: €125 million). Price declines in the two primary regional markets – Europe and North America – were more than offset by an increase in volumes.

The improved business situation was also reflected in earnings. **EBITDA** before special items of **MaterialScience** rose markedly in the second quarter of 2010 to €371 million (Q2 2009: €121 million). This success was based above all on a substantial expansion of volumes and the associated clear improvement in capacity utilization in our production facilities. Further positive effects came from the increased selling prices for our products and from efficiency improvements. By contrast, earnings were diminished by higher purchase prices on the raw material markets as a result of the global economic recovery. **EBIT** before special items came in at €226 million (Q2 2009: minus €22 million). There were no special charges in the second quarter of this year, compared to €62 million in the same period of 2009. EBIT came in at €226 million (Q2 2009: minus €84 million).

Half-year sales of the **MaterialScience** subgroup climbed by a substantial 41.5% to €4,905 million (H1 2009: €3,466 million). When adjusted for currency and portfolio effects, sales grew by 39.3%. This gratifying improvement was largely attributable to the recovery in demand following the downturn related to the financial and economic crisis in 2009. In addition, we were able to increase selling prices slightly. **EBITDA** before special items in the first half came to €658 million (H1 2009: €5 million). **EBIT** before special items amounted to €372 million (H1 2009: minus €285 million). By contrast to the prior-year period, there were no special charges in the first half of 2010; as a result, EBIT after special items also came in at €372 million (H1 2009: minus €365 million).

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	2nd Quarter 2009	2nd Quarter 2010			2nd Quarter 2009	2nd Quarter 2010		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,576**	**1,599**	**+1.5**	**−0.3**	**1,223**	**1,205**	**−1.5**	**−8.9**
Pharmaceuticals	1,028	1,033	+0.5	−1.2	700	617	−11.9	−18.5
Consumer Health	548	566	+3.3	+1.2	523	588	+12.4	+4.1
CropScience	**737**	**737**	**0.0**	**−2.4**	**562**	**494**	**−12.1**	**−20.1**
Crop Protection	634	632	−0.3	−3.0	448	355	−20.8	−30.0
Environmental Science, BioScience	103	105	+1.9	+1.5	114	139	+21.9	+18.5
MaterialScience	**726**	**1,000**	**+37.7**	**+37.7**	**380**	**575**	**+51.3**	**+40.8**
Group (incl. reconciliation)	**3,293**	**3,598**	**+9.3**	**+8.0**	**2,166**	**2,276**	**+5.1**	**−3.0**

	1st Half 2009	1st Half 2010			1st Half 2009	1st Half 2010		
HealthCare	**3,148**	**3,122**	**−0.8**	**−2.3**	**2,327**	**2,339**	**+0.5**	**−1.4**
Pharmaceuticals	2,063	2,014	−2.4	−3.7	1,403	1,304	−7.1	−8.5
Consumer Health	1,085	1,108	+2.1	+0.5	924	1,035	+12.0	+9.4
CropScience	**1,778**	**1,655**	**−6.9**	**−8.7**	**1,138**	**1,021**	**−10.3**	**−15.6**
Crop Protection	1,545	1,411	−8.7	−10.6	826	622	−24.7	−30.1
Environmental Science, BioScience	233	244	+4.7	+4.2	312	399	+27.9	+22.9
MaterialScience	**1,407**	**1,878**	**+33.5**	**+33.5**	**754**	**1,011**	**+34.1**	**+31.6**
Group (incl. reconciliation)	**6,856**	**7,165**	**+4.5**	**+3.4**	**4,223**	**4,374**	**+3.6**	**+0.7**

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

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	2nd Quarter 2009	2nd Quarter 2010			2nd Quarter 2009	2nd Quarter 2010			2nd Quarter 2009	2nd Quarter 2010		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
	652	**845**	**+29.6**	**+15.9**	**594**	**656**	**+10.4**	**+7.3**	**4,045**	**4,305**	**+6.4**	**+0.8**
	526	686	+30.4	+17.1	380	412	+8.4	+7.2	2,634	2,748	+4.3	−0.9
	126	159	+26.2	+10.4	214	244	+14.0	+7.4	1,411	1,557	+10.3	+4.0
	280	**343**	**+22.5**	**+8.0**	**273**	**310**	**+13.6**	**+3.7**	**1,852**	**1,884**	**+1.7**	**−5.3**
	214	258	+20.6	+6.5	244	275	+12.7	+3.1	1,540	1,520	−1.3	−8.6
	66	85	+28.8	+12.9	29	35	+20.7	+8.8	312	364	+16.7	+10.8
	480	**773**	**+61.0**	**+49.3**	**244**	**341**	**+39.8**	**+31.0**	**1,830**	**2,689**	**+46.9**	**+40.5**
	1,426	**1,982**	**+39.0**	**+25.7**	**1,124**	**1,323**	**+17.7**	**+11.5**	**8,009**	**9,179**	**+14.6**	**+8.6**
	1st Half 2009	1st Half 2010			1st Half 2009	1st Half 2010			1st Half 2009	1st Half 2010		
	1,287	**1,512**	**+17.5**	**+10.0**	**1,126**	**1,201**	**+6.7**	**+5.2**	**7,888**	**8,174**	**+3.6**	**+1.0**
	1,036	1,213	+17.1	+10.4	719	748	+4.0	+3.7	5,221	5,279	+1.1	−1.2
	251	299	+19.1	+7.8	407	453	+11.3	+8.0	2,667	2,895	+8.5	+5.4
	519	**583**	**+12.3**	**+2.8**	**537**	**577**	**+7.4**	**+1.7**	**3,972**	**3,836**	**−3.4**	**−7.7**
	421	461	+9.5	+0.2	482	502	+4.1	−0.9	3,274	2,996	−8.5	−12.7
	98	122	+24.5	+13.8	55	75	+36.4	+23.8	698	840	+20.3	+15.5
	852	**1,390**	**+63.1**	**+59.4**	**453**	**626**	**+38.2**	**+32.1**	**3,466**	**4,905**	**+41.5**	**+39.3**
	2,682	**3,521**	**+31.3**	**+24.6**	**2,143**	**2,435**	**+13.6**	**+10.0**	**15,904**	**17,495**	**+10.0**	**+7.1**

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 and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The EBITDA margin before special items, which is the ratio of EBITDA before special items to sales, serves as a relative indicator for the internal and external comparison of operational earning power.

Depreciation and amortization rose by 4.1% in the first half of 2010 to €1,433 million (H1 2009: €1,376 million), comprising €832 million (H1 2009: €746 million) in amortization and write-downs of intangible assets and €601 million (H1 2009: €630 million) in depreciation and write-downs of property, plant and equipment. Depreciation and amortization included write-downs of €143 million, of which €11 million did not constitute special items.

Special Items Reconciliation [Table 13]

	EBIT* 2nd Quarter 2009	EBIT* 2nd Quarter 2010	EBIT* 1st Half 2009	EBIT* 1st Half 2010	EBITDA** 2nd Quarter 2009	EBITDA** 2nd Quarter 2010	EBITDA** 1st Half 2009	EBITDA** 1st Half 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**1,021**	**1,005**	**1,994**	**2,202**	**1,709**	**1,794**	**3,370**	**3,635**
HealthCare	**(63)**	**189**	**(45)**	**218**	**(64)**	**57**	**(46)**	**86**
Schering integration	(89)	0	(71)	0	(90)	0	(72)	0
of which gain from divestitures	*(114)*	*0*	*(114)*	*0*	*(114)*	*0*	*(114)*	*0*
Write-downs	0	132	0	132	0	0	0	0
Litigations	0	57	0	86	0	57	0	86
Pension assurance association	26	0	26	0	26	0	26	0
CropScience	**70**	**66**	**78**	**114**	**70**	**66**	**74**	**114**
Restructuring	20	0	28	0	20	0	24	0
Litigations	35	66	35	114	35	66	35	114
Pension assurance association	15	0	15	0	15	0	15	0
MaterialScience	**62**	**0**	**80**	**0**	**39**	**0**	**51**	**0**
Restructuring	44	0	62	0	21	0	33	0
Pension assurance association	18	0	18	0	18	0	18	0
Reconciliation	**11**	**0**	**11**	**0**	**11**	**0**	**11**	**0**
Pension assurance association	11	0	11	0	11	0	11	0
Total special items	**80**	**255**	**124**	**332**	**56**	**123**	**90**	**200**
Before special items	**1,101**	**1,260**	**2,118**	**2,534**	**1,765**	**1,917**	**3,460**	**3,835**

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

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. For the second quarter of 2010, core earnings per share amounted to €1.15 (Q2 2009: €1.05).

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

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
EBIT as per income statements	**1,021**	**1,005**	**1,994**	**2,202**
Amortization and write-downs of intangible assets	368	480	746	832
Write-downs of property, plant and equipment	29	8	42	9
Special items (other than write-downs)	56	123	90	200
Core EBIT	**1,474**	**1,616**	**2,872**	**3,243**
Non-operating result (as per income statements)	(292)	(261)	(626)	(505)
Income taxes (as per income statements)	(199)	(220)	(414)	(479)
Tax effects related to amortization, write-downs and special items	(135)	(183)	(262)	(312)
Income after taxes attributable to non-controlling interest (as per income statements)	2	1	3	0
Core net income	**850**	**953**	**1,573**	**1,947**
Financing expenses for the mandatory convertible bond, net of tax effects	19	0	47	0
Adjusted core net income	**869**	**953**	**1,620**	**1,947**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**784,983,834**	**826,947,808**	**774,720,762**	**826,947,808**
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	40,823,622	0	50,328,170	0
Adjusted weighted average total number of issued and potential ordinary shares	**825,807,456**	**826,947,808**	**825,048,932**	**826,947,808**
Core earnings per share (€)	**1.05**	**1.15**	**1.96**	**2.35**

The calculation of earnings per share in accordance with IFRS is explained in the Notes to the Condensed Consolidated Interim Financial Statements on page 44. The (adjusted) core net income, core earnings per share and core EBIT are not defined in the IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,248**	**1,286**	**2,457**	**2,557**
Changes in working capital/other non-cash items	151	259	(365)	(280)
Net cash provided by (used in) operating activities (net cash flow)	**1,399**	**1,545**	**2,092**	**2,277**
Net cash provided by (used in) investing activities	**(349)**	**(427)**	**(479)**	**(740)**
Net cash provided by (used in) financing activities	**(3,579)**	**(1,613)**	**(1,875)**	**(1,728)**
Change in cash and cash equivalents due to business activities	**(2,529)**	**(495)**	**(262)**	**(191)**
Cash and cash equivalents at beginning of period	**4,365**	**3,041**	**2,094**	**2,725**
Change due to exchange rate movements and to changes in scope of consolidation	(2)	5	2	17
Cash and cash equivalents at end of period	**1,834**	**2,551**	**1,834**	**2,551**

2009 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 write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year.

Operating cash flow

Gross cash flow in the **second quarter of 2010** rose by 3.0% from the previous year to €1,286 million (Q2 2009: €1,248 million). Gross cash flow of HealthCare showed a slight decline. At CropScience, the drop in the operating result caused gross cash flow to recede significantly. MaterialScience saw a marked improvement in gross cash flow due to the gratifying expansion of business. Net cash flow of the Group rose by 10.4% to €1,545 million (Q2 2009: €1,399 million), due in part to our measures to optimize working capital management. Net cash flow reflected income tax payments of €319 million (Q2 2009: €114 million).

Gross cash flow in the **first half of 2010** increased by 4.1% to €2,557 million (H1 2009: €2,457 million), due largely to the higher operating result. Net cash flow rose to €2,277 million (H1 2009: €2,092 million). This figure contains income tax payments of €493 million (H1 2009: €133 million).

Investing cash flow

Net cash outflow for investing activities in the **second quarter of 2010** totaled €427 million (Q2 2009: €349 million). Cash outflows for property, plant, equipment and intangible assets were 1.4% lower at €365 million (Q2 2009: €370 million). Of this figure, HealthCare accounted for €129 million (Q2 2009: €117 million), CropScience for €69 million (Q2 2009: €68 million) and MaterialScience for €141 million (Q2 2009: €138 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China, and for a strategic alliance in the area of cancer research. Outflows for acquisitions totaled €1 million (Q2 2009: €2 million). Among the cash inflow items in the second quarter of 2010 were €24 million (Q2 2009: €51 million) in inflows from divestitures and €24 million (Q2 2009: outflow €3 million) from current financial assets.

Net cash outflow for investing activities in the **first six months of 2010** totaled €740 million (H1 2009: €479 million). Included here are cash outflows for noncurrent financial assets of €243 million (H1 2009: cash inflows of €84 million). Cash outflows for additions to property, plant, equipment and intangible assets declined 9.8% to €595 million (H1 2009: €660 million). Of this figure, HealthCare accounted for €198 million (H1 2009: €179 million), CropScience for €107 million (H1 2009: €144 million) and MaterialScience for €247 million (H1 2009: €244 million). The cash outflows for acquisitions amounted to €18 million and comprised mainly the purchase by MaterialScience of Artificial Muscle, Inc., United States, in March 2010. Among the cash inflow items in the first half of 2010 were €41 million (H1 2009: €51 million) in inflows from divestitures and €33 million (H1 2009: €32 million) in interest and dividends received.

Financing cash flow

Net cash outflow for financing activities in the **second quarter of 2010** amounted to €1,613 million (Q2 2009: €3,579 million). This total contained net loan repayments of €250 million (Q2 2009: €2,151 million). Interest payments were 34.9% lower at €423 million (Q2 2009: €650 million). This was partly due to the reduction of financial debt and lower interest rates. There was a €1,158 million outflow for "dividend payments and withholding tax on dividends" (Q2 2009: €969 million).

Net cash outflow for financing activities in the **first half of 2010** amounted to €1,728 million (H1 2009: €1,875 million). This total contained net loan repayments of €280 million (H1 2009: €326 million). Interest payments decreased to €519 million (H1 2009: €819 million). There was a €1,158 million outflow for "dividend payments and withholding tax on dividends" (H1 2009: €973 million). The prior-year figure contains the cash outflows for the subsequent purchase of ownership interests in subsidiaries totaling €40 million, comprising mainly disbursements made in connection with the purchase of the 49% interest in Berlimed, Spain and the remaining 10% interest in Bayer Polymers Shanghai, China.

Liquid assets and net financial debt

Net Financial Debt [Table 16]

	Dec. 31, 2009	March 31, 2010	June 30, 2010
	€ million	€ million	€ million
Bonds and notes	8,301	8,405	8,308
of which hybrid bond	1,267	1,297	1,322
Liabilities to banks	3,251	3,322	3,653
Liabilities under finance leases	550	572	612
Liabilities from derivatives	578	789	1,016
Other financial liabilities	178	188	177
Positive fair values of hedges of recorded transactions	(426)	(548)	(516)
Financial debt	**12,432**	**12,728**	**13,250**
Cash and cash equivalents	(2,725)	(3,041)	(2,551)
Current financial assets	(16)	(25)	(2)
Net financial debt	**9,691**	**9,662**	**10,697**

Net financial debt of the Bayer Group increased to €10.7 billion as of June 30, 2010. This increase in the second quarter was mainly due to the dividend payment of €1.2 billion and to negative currency effects of €0.6 billion. Debt was also increased by annual payments of variable compensation to our employees and by the expectedly high disbursements resulting from the fact that the interest payment dates for our bonds occur mainly in the second quarter. As of June 30, 2010 the Group had cash and cash equivalents of €2.6 billion. Financial liabilities amounted to €13.3 billion, including the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators. Our noncurrent financial liabilities rose from €10.7 billion to €11.0 billion during the second quarter of 2010. At the same time, current financial liabilities increased from €2.7 billion to €2.8 billion.

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

Net pension liability

Net Pension Liability [Table 17]

	Dec. 31, 2009	March 31, 2010	June 30, 2010
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	6,517	7,051	7,839
Benefit plan assets in excess of obligation	(100)	(105)	(112)
Net pension liability	**6,417**	**6,946**	**7,727**

The net pension liability increased from €6.9 billion to €7.7 billion in the second quarter of 2010, due especially to lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €7.1 billion to €7.8 billion. The excess of benefit plan assets over the obligation – reflected in other receivables in the statement of financial position – came to €0.1 billion (March 31, 2010: €0.1 billion).

9. Employees

On June 30, 2010, the Bayer Group employed 107,800 people worldwide, compared with 108,400 twelve months earlier. The number of employees thus remained practically constant (-0.6%). In Germany we had 36,200 employees (June 30, 2009: 36,400), who made up 33.6% of the Group workforce.

HealthCare employed 53,300 people (Q2 2009: 53,700). CropScience had 18,800 employees (Q2 2009: 18,500), while MaterialScience had 14,200 (Q2 2009: 14,600). The remaining 21,500 (Q2 2009: 21,600) employees worked mainly for the service companies.

Personnel expenses rose by 2.4% in the first half of 2010 to €4,044 million (H1 2009: €3,948 million). This increase was largely attributable to regular salary increases and to negative currency effects. The prior-year figure also included €70 million in additional funding for the German pension assurance association.

10. Opportunities and Risks

As a global enterprise with a diverse business portfolio, the Bayer Group enjoys a variety of opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in the Bayer Annual Report 2009.

A risk management system is in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2009 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 44 ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2009 on pages 118 to 127 and 241 to 247. The Bayer Annual Report 2009 can be downloaded free of charge at www.bayer.com.

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

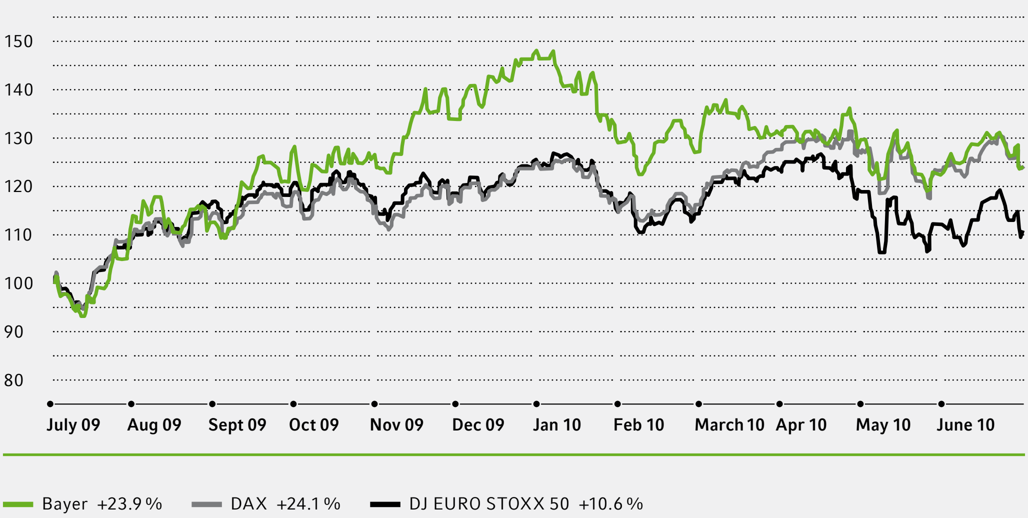
11. Events After the Reporting Period

Since July 1, 2010, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

Performance of Bayer Stock over the Past Twelve Months [Graphic 12]

indexed; 100 = Xetra closing price on June 30, 2009; Source: Bloomberg



The price of Bayer shares slipped further in the second quarter of 2010. Including the dividend of €1.40 per share paid on May 3, 2010, the second-quarter performance of Bayer stock came to minus 5.5%.

With a closing price of €46.00 on June 30, 2010, the stock's performance trended 15.4% down on the end of 2009, due also to the dividend payment as stated above. Capital market trends were heterogeneous over this period. While the DAX remained nearly level in the second quarter, closing at 5,966 points, the European reference index EURO STOXX 50 (performance index) fell by 11.1% since the beginning of the year, closing the second quarter at 4,177 points.

Bayer Stock Key Data [Table 18]

		2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
High for the period	€	41.92	52.06	44.29	56.40
Low for the period	€	35.81	44.17	32.69	44.17
Average daily trading volume	million	4.8	5.3	4.9	4.3
		June 30, 2009	**June 30, 2010**	**Dec. 31, 2009**	**Change June 30, 2010/ Dec. 31, 2009 %**
Share price	€	38.22	46.00	55.96	−17.8
Market capitalization	€ million	31,606	38,040	46,276	−17.8
Equity as per statements of financial position	€ million	18,507	19,002	18,951	+0.3
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		4,809	5,966	5,957	+0.2

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2010

Bayer Group Consolidated Income Statements

[Table 19]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Net sales	**8,009**	**9,179**	**15,904**	**17,495**
Cost of goods sold	(3,794)	(4,464)	(7,580)	(8,374)
Gross profit	**4,215**	**4,715**	**8,324**	**9,121**
Selling expenses	(2,033)	(2,258)	(3,993)	(4,224)
Research and development expenses	(663)	(747)	(1,320)	(1,464)
General administration expenses	(404)	(434)	(806)	(839)
Other operating income	412	172	546	206
Other operating expenses	(506)	(443)	(757)	(598)
Operating result [EBIT]	**1,021**	**1,005**	**1,994**	**2,202**
Equity-method loss	(13)	(12)	(26)	(32)
Non-operating income	195	160	478	315
Non-operating expenses	(474)	(409)	(1,078)	(788)
Non-operating result	**(292)**	**(261)**	**(626)**	**(505)**
Income before income taxes	**729**	**744**	**1,368**	**1,697**
Income taxes	(199)	(220)	(414)	(479)
Income after taxes	**530**	**524**	**954**	**1,218**
of which attributable to non-controlling interest	(2)	(1)	(3)	0
of which attributable to Bayer AG stockholders (net income)	**532**	**525**	**957**	**1,218**
	€	€	€	€
Earnings per share				
Basic*	0.67	0.63	1.22	1.47
Diluted*	0.67	0.63	1.22	1.47

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

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Income after taxes	**530**	**524**	**954**	**1,218**
of which attributable to non-controlling interest	*(2)*	*(1)*	*(3)*	*0*
of which attributable to Bayer AG stockholders	*532*	*525*	*957*	*1,218*
Changes in fair values of derivatives designated as cash flow hedges	164	(198)	56	(353)
Recognized in profit or loss	12	5	39	1
Income taxes	(58)	57	(34)	107
Changes recognized outside profit or loss (cash flow hedges)	**118**	**(136)**	**61**	**(245)**
Changes in fair values of available-for-sale financial assets	10	(9)	7	(8)
Recognized in profit or loss	0	0	0	0
Income taxes	(3)	3	(1)	2
Changes recognized outside profit or loss (available-for-sale financial assets)	**7**	**(6)**	**6**	**(6)**
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	(650)	(651)	(406)	(1,158)
Income taxes	215	226	122	337
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)	**(435)**	**(425)**	**(284)**	**(821)**
Exchange differences on translation of operations outside the euro zone	(26)	582	215	1,053
Recognized in profit or loss	0	3	0	3
Changes recognized outside profit or loss (exchange differences)	**(26)**	**585**	**215**	**1,056**
Changes in revaluation surplus (IFRS 3)	**1**	**0**	**0**	**0**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**5**	**5**	**5**	**15**
Effects of changes in scope of consolidation	**(1)**	**0**	**(1)**	**0**
Total changes recognized outside profit or loss	**(331)**	**23**	**2**	**(1)**
of which attributable to non-controlling interest	*(2)*	*5*	*0*	*9*
of which attributable to Bayer AG stockholders	*(329)*	*18*	*2*	*(10)*
Total comprehensive income	**199**	**547**	**956**	**1,217**
of which attributable to non-controlling interest	*(4)*	*4*	*(3)*	*9*
of which attributable to Bayer AG stockholders	*203*	*543*	*959*	*1,208*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	June 30, 2009	June 30, 2010	Dec. 31, 2009
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,564	9,207	8,704
Other intangible assets	13,179	12,514	12,842
Property, plant and equipment	9,417	10,118	9,409
Investments accounted for using the equity method	415	398	395
Other financial assets	1,292	1,332	1,200
Other receivables	492	556	549
Deferred taxes	1,403	1,506	950
	34,762	**35,631**	**34,049**
Current assets			
Inventories	6,312	6,743	6,091
Trade accounts receivable	6,785	7,603	6,106
Other financial assets	473	234	367
Other receivables	1,271	1,617	1,357
Claims for income tax refunds	255	296	347
Cash and cash equivalents	1,834	2,551	2,725
	16,930	**19,044**	**16,993**
Total assets	**51,692**	**54,675**	**51,042**
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	10,167	10,659	10,613
Equity attributable to Bayer AG stockholders	**18,451**	**18,943**	**18,897**
Equity attributable to non-controlling interest	56	59	54
	18,507	**19,002**	**18,951**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,480	7,839	6,517
Other provisions	1,366	1,547	1,516
Financial liabilities	11,835	11,041	11,460
Other liabilities	444	524	415
Deferred taxes	3,568	2,895	3,210
	23,693	**23,846**	**23,118**
Current liabilities			
Other provisions	3,568	3,956	3,089
Financial liabilities	2,304	2,788	1,489
Trade accounts payable	2,080	3,164	2,735
Income tax liabilities	71	48	93
Other liabilities	1,469	1,871	1,567
	9,492	**11,827**	**8,973**
Total equity and liabilities	**51,692**	**54,675**	**51,042**

2009 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Income after taxes	530	524	954	1,218
Income taxes	199	220	414	479
Non-operating result	292	261	626	505
Income taxes paid or accrued	(233)	(400)	(565)	(819)
Depreciation and amortization	688	789	1,376	1,433
Change in pension provisions	(97)	(89)	(214)	(234)
(Gains) losses on retirements of noncurrent assets	(131)	(19)	(134)	(25)
Gross cash flow	**1,248**	**1,286**	**2,457**	**2,557**
Decrease (increase) in inventories	257	195	375	(17)
Decrease (increase) in trade accounts receivable	(126)	221	(798)	(899)
(Decrease) increase in trade accounts payable	49	1	(414)	200
Changes in other working capital, other non-cash items	(29)	(158)	472	436
Net cash provided by (used in) operating activities (net cash flow)	**1,399**	**1,545**	**2,092**	**2,277**
Cash outflows for additions to property, plant, equipment and intangible assets	(370)	(365)	(660)	(595)
Cash inflows from sales of property, plant, equipment and other assets	8	12	23	25
Cash inflows from (outflows for) divestitures	51	24	51	41
Cash inflows from (outflows for) noncurrent financial assets	(53)	(133)	84	(243)
Cash outflows for acquisitions less acquired cash	(2)	(1)	(2)	(18)
Interest and dividends received	20	12	32	33
Cash inflows from (outflows for) current financial assets	(3)	24	(7)	17
Net cash provided by (used in) investing activities	**(349)**	**(427)**	**(479)**	**(740)**
Capital contributions	0	0	0	0
Dividend payments and withholding tax on dividends	(969)	(1,158)	(973)	(1,158)
Issuances of debt	191	374	2,552	491
Retirements of debt	(2,342)	(624)	(2,878)	(771)
Interest paid including interest rate swaps	(650)	(423)	(819)	(519)
Interest received from interest rate swaps	231	218	283	229
Payments for the subsequent purchase of ownership interests in subsidiaries	(40)	0	(40)	0
Net cash provided by (used in) financing activities	**(3,579)**	**(1,613)**	**(1,875)**	**(1,728)**
Change in cash and cash equivalents due to business activities	**(2,529)**	**(495)**	**(262)**	**(191)**
Cash and cash equivalents at beginning of period	**4,365**	**3,041**	**2,094**	**2,725**
Change in cash and cash equivalents due to changes in scope of consolidation	1	0	3	0
Change in cash and cash equivalents due to exchange rate movements	(3)	5	(1)	17
Cash and cash equivalents at end of period	**1,834**	**2,551**	**1,834**	**2,551**

2009 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2008	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital increase/decrease	160	2,139		2,299		2,299
Dividend payments			(1,070)	(1,070)	(4)	(1,074)
Other changes					(14)	(14)
Total comprehensive income**			959	959	(3)	956
June 30, 2009	**2,117**	**6,167**	**10,167**	**18,451**	**56**	**18,507**
Dec. 31, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,158)	(1,158)	(1)	(1,159)
Other changes			(4)	(4)	(3)	(7)
Total comprehensive income**			1,208	1,208	9	1,217
June 30, 2010	**2,117**	**6,167**	**10,659**	**18,943**	**59**	**19,002**

* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2010

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external)	2,634	2,748	1,411	1,557
Change	+9.1%	+4.3%	+6.9%	+10.3%
Currency-adjusted change	+5.0%	−0.9%	+3.7%	+4.0%
Intersegment sales	27	18	5	2
Net sales (total)	2,661	2,766	1,416	1,559
Operating result [EBIT]	589	293	232	282
EBIT before special items	523	482	235	282
EBITDA before special items	812	753	300	349
Gross cash flow*	543	480	217	259
Net cash flow*	428	455	168	211
Depreciation, amortization and write-downs	290	403	65	67
	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010
Net sales (external)	5,221	5,279	2,667	2,895
Change	+6.9%	+1.1%	+3.3%	+8.5%
Currency-adjusted change	+3.3%	−1.2%	+1.1%	+5.4%
Intersegment sales	47	35	8	5
Net sales (total)	5,268	5,314	2,675	2,900
Operating result [EBIT]	1,094	790	402	501
EBIT before special items	1,046	1,008	405	501
EBITDA before special items	1,639	1,550	534	631
Gross cash flow*	1,108	992	397	466
Net cash flow*	940	1,047	355	361
Depreciation, amortization and write-downs	594	674	129	130
Number of employees (as of June 30)**	36,700	36,100	17,000	17,200

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

[Table 24]

CropScience				MaterialScience		Reconciliation					
Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,540	1,520	312	364	1,830	2,689	280	299	2	2	8,009	9,179
+0.9%	−1.3%	+12.2%	+16.7%	−30.2%	+46.9%	−19.8%	+6.7%			−5.9%	+14.6%
+1.0%	−8.6%	+7.4%	+10.8%	−33.9%	+40.5%	−26.4%	+10.2%			−8.9%	+8.6%
12	3	6	5	20	6	411	495	(481)	(529)		
1,552	1,523	318	369	1,850	2,695	691	794	(479)	(527)	8,009	9,179
283	189	21	14	(84)	226	25	47	(45)	(46)	1,021	1,005
315	189	59	80	(22)	226	36	47	(45)	(46)	1,101	1,260
423	295	74	101	121	371	67	81	(32)	(33)	1,765	1,917
307	229	30	11	74	291	97	36	(20)	(20)	1,248	1,286
357	570	114	212	207	62	86	107	39	(72)	1,399	1,545
108	106	15	21	166	145	31	34	13	13	688	789
1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010
3,274	2,996	698	840	3,466	4,905	572	574	6	6	15,904	17,495
+4.0%	−8.5%	+10.1%	+20.3%	−32.5%	+41.5%	−13.3%	+0.3%			−6.7%	+10.0%
+4.1%	−12.7%	+8.3%	+15.5%	−35.9%	+39.3%	−13.5%	−0.2%			−9.1%	+7.1%
20	9	8	6	25	12	804	906	(912)	(973)		
3,294	3,005	706	846	3,491	4,917	1,376	1,480	(906)	(967)	15,904	17,495
783	465	130	126	(365)	372	43	46	(93)	(98)	1,994	2,202
821	465	170	240	(285)	372	54	46	(93)	(98)	2,118	2,534
1,034	675	200	280	5	658	114	111	(66)	(70)	3,460	3,835
765	495	122	108	14	520	94	20	(43)	(44)	2,457	2,557
(2)	312	52	205	414	78	(1)	69	334	205	2,092	2,277
215	210	32	40	319	286	60	65	27	28	1,376	1,433
15,100	15,300	3,400	3,500	14,600	14,200	21,000	20,900	600	600	108,400	107,800

Key Data by Region

	Europe		North America	
	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,293	3,598	2,166	2,276
Change	−14.1%	+9.3%	+3.8%	+5.1%
Currency-adjusted change	−11.5%	+8.0%	−7.5%	−3.0%
Net sales (external) – by point of origin	3,584	4,012	2,137	2,278
Change	−13.2%	+11.9%	+1.8%	+6.6%
Currency-adjusted change	−10.8%	+10.7%	−9.6%	−1.7%
Interregional sales	1,632	1,816	535	883
Operating result [EBIT]	688	484	242	257
	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010
Net sales (external) – by market	6,856	7,165	4,223	4,374
Change	−13.3%	+4.5%	+2.7%	+3.6%
Currency-adjusted change	−10.8%	+3.4%	−7.6%	+0.7%
Net sales (external) – by point of origin	7,417	7,902	4,183	4,374
Change	−13.0%	+6.5%	+1.2%	+4.6%
Currency-adjusted change	−10.7%	+5.5%	−9.2%	+1.7%
Interregional sales	3,397	3,619	1,102	1,633
Operating result [EBIT]	1,375	1,352	506	415
Number of employees (as of June 30)*	54,200	53,800	16,600	16,300

* Number of employees in full-time equivalents

[Table 25]

Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010	2nd Quarter 2009	2nd Quarter 2010
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,426	1,982	1,124	1,323			8,009	9,179
+2.6%	+39.0%	−6.4%	+17.7%			−5.9%	+14.6%
−7.0%	+25.7%	−5.1%	+11.5%			−8.9%	+8.6%
1,402	1,879	886	1,010			8,009	9,179
−0.6%	+34.0%	+1.6%	+14.0%			−5.9%	+14.6%
−10.0%	+20.6%	+3.7%	+6.5%			−8.9%	+8.6%
53	116	79	104	(2,299)	(2,919)		
111	255	25	55	(45)	(46)	1,021	1,005
1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010	1st Half 2009	1st Half 2010
2,682	3,521	2,143	2,435			15,904	17,495
+0.6%	+31.3%	−9.3%	+13.6%			−6.7%	+10.0%
−8.7%	+24.6%	−6.6%	+10.0%			−9.1%	+7.1%
2,581	3,346	1,723	1,873			15,904	17,495
−1.4%	+29.6%	−2.9%	+8.7%			−6.7%	+10.0%
−10.8%	+22.6%	+0.9%	+4.3%			−9.1%	+7.1%
126	200	141	189	(4,766)	(5,641)		
99	417	107	116	(93)	(98)	1,994	2,202
21,600	22,100	16,000	15,600			108,400	107,800

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of June 30, 2010 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the 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 2009 fiscal year, particularly with regard to the main recognition and valuation principles. Inflows from interest rate hedging transactions and outflows for the subsequent purchase of ownership interests in subsidiaries are recognized in the consolidated statements of cash flows under "Net cash provided by (used in) financing activities". The prior-year figures are restated accordingly.

Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

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

Exchange Rates of Major Currencies [Table 26]

		Closing rate			Average rate	
1 €/		Dec. 31, 2009	June 30, 2009	June 30, 2010	1st Half 2009	1st Half 2010
ARS	Argentina	5.47	5.35	4.82	4.85	5.13
BRL	Brazil	2.51	2.75	2.22	2.92	2.38
CAD	Canada	1.51	1.63	1.29	1.61	1.37
CHF	Switzerland	1.48	1.53	1.33	1.51	1.44
CNY	China	9.84	9.65	8.32	9.11	9.05
GBP	U.K.	0.89	0.85	0.82	0.89	0.87
JPY	Japan	133.16	135.51	108.79	127.32	121.29
MXN	Mexico	18.92	18.55	15.74	18.44	16.79
USD	United States	1.44	1.41	1.23	1.33	1.33

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

Discount Rates of Pension Obligations [Table 27]

	Dec. 31, 2009	March 31, 2010	June 30, 2010
	%	%	%
Germany	5.5	5.0	4.8
U.K.	5.7	5.5	5.3
United States	5.8	5.9	5.2

Segment reporting

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

Reconciliation of Segment Result [Table 28]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Operating result of reporting segments	1,066	1,051	2,087	2,300
Operating result of Corporate Center	(45)	(46)	(93)	(98)
Operating result [EBIT]	**1,021**	**1,005**	**1,994**	**2,202**
Non-operating result	(292)	(261)	(626)	(505)
Income before income taxes	**729**	**744**	**1,368**	**1,697**

Changes in the Bayer Group

CHANGES IN THE SCOPE OF CONSOLIDATION

As of June 30, 2010, the Bayer Group comprised 291 fully or proportionately consolidated companies (December 31, 2009: 302 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

The total cost of acquisitions made in the first half of 2010 was €36 million. In addition to smaller acquisitions, MaterialScience acquired Artificial Muscle, Inc., Sunnyvale, California, United States, for €21 million on March 9, 2010. Artificial Muscle, Inc. is a technology leader in the field of electroactive polymers for the consumer electronics industry. The purchase price pertained mainly to patented technologies and goodwill.

At the end of May 2009, we implemented the strategic alliance with Genzyme Corp., United States, announced on March 31, 2009. In accordance with the agreement signed, we transferred products from our hematological oncology portfolio to Genzyme. In the first half of 2010 this agreement led to a net cash inflow of €41 million, comprising the balance of revenue-based payments received from Genzyme Corp. and taxes paid.

We recorded total income from divestitures of €134 million before taxes in the first half of 2009. The aforementioned agreement with Genzyme accounted for most of this amount. In May 2009, furthermore, we acquired the remaining 49% interest in Berlimed, S.A., Spain, from Juste S.A. Química Farmacéutica (Juste), and in return sold our 51% share of Justesa Imagen, S.A., Spain, to Juste. In addition, the Thermoplastics Testing Center, Krefeld, Germany, was sold to Underwriters Laboratories Inc., United States, in May 2009.

Information on earnings per share

Earnings Per Share [Table 29]

	2nd Quarter 2009	2nd Quarter 2010	1st Half 2009	1st Half 2010
	€ million	€ million	€ million	€ million
Income after taxes	530	524	954	1,218
of which attributable to non-controlling interest	(2)	(1)	(3)	0
of which attributable to Bayer AG stockholders (net income)	532	525	957	1,218
Financing expenses for the mandatory convertible bond, net of tax effects	19	0	47	0
Adjusted net income	551	525	1,004	1,218
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	784,983,834	826,947,808	774,720,762	826,947,808
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	40,823,622	0	50,328,170	0
Adjusted weighted average total number of issued and potential ordinary shares	825,807,456	826,947,808	825,048,932	826,947,808
	€	€	€	€
Basic earnings per share	0.67	0.63	1.22	1.47
Diluted earnings per share	0.67	0.63	1.22	1.47

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

Legal risks

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

Trasylol® (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of July 12, 2010, there were approximately 1,450 lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries, including renal failure and death, and economic loss from the use of Trasylol®. Without admission of liability, Bayer has reached settlement agreements with about 120 plaintiffs as of July 6, 2010. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis, but will continue to defend itself vigorously against all claims that are not considered for settlement.

Yasmin®/YAZ®: The number of lawsuits pending in the United States and served upon Bayer was about 2,700 as of July 10, 2010. The number of Canadian class actions served upon Bayer has increased to 12. Plaintiffs allege to have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin®, YAZ® and/or Ocella®, a generic version of Yasmin® distributed by Barr Laboratories, Inc. in the U.S. market.

Yasmin®: In 2005, Bayer filed suit against Barr Pharmaceuticals, Inc. and Barr Laboratories, Inc. in U.S. federal court alleging patent infringement by Barr relating to the intended generic version of Bayer's Yasmin® oral contraceptive product in the United States. In 2008, the U.S. federal court invalidated Bayer's '531 patent for Yasmin®. In August 2009, the U.S. Court of Appeals for the Federal Circuit affirmed this decision. In May 2010, the U.S. Supreme Court rejected Bayer's petition for review.

YAZ®: In 2007 and 2008, Bayer received notices from Barr Laboratories, Inc. and from two further companies that each company had filed an ANDA IV seeking approval of a generic version of Bayer's YAZ® oral contraceptive in the United States. In 2008, Bayer and Barr agreed that Bayer will grant Barr a license to market a generic version of YAZ® in the United States starting July 2011. According to this agreement, Bayer will supply Barr with the product for this purpose. In December 2008, Barr was acquired by Teva Pharmaceutical Industries Ltd. In June 2010, Teva Pharmaceutical Industries Ltd. announced that it had commercially launched in the United States Gianvi™, a generic version of YAZ®. The product for Gianvi™ was not supplied by Bayer. Bayer filed a patent infringement suit against Teva Pharmaceutical Industries Ltd., Teva Pharmaceuticals USA, Inc., Barr Pharmaceuticals LLC and Barr Laboratories, Inc. in U.S. federal court claiming that certain of Bayer's patents have been infringed. Teva Pharmaceuticals USA, Inc. and Barr Laboratories, Inc. filed a declaratory judgment action in another U.S. federal court seeking a declaration by the court that the patents are invalid and not infringed. Bayer intends to pursue its rights vigorously.

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

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

Betaferon®/Betaseron®: In May 2010, Bayer filed a complaint against Biogen Idec MA Inc. in U.S. federal court seeking a declaration by the court that a patent issued to Biogen in 2009 is invalid and not infringed by Bayer's production and distribution of Betaseron®, Bayer's drug product for the treatment of multiple sclerosis. The next day, Biogen Idec MA Inc. filed a complaint against Bayer in the same court alleging that Bayer would infringe the patent through production and distribution of Betaseron® and Extavia®. Betaseron® is manufactured and distributed in the United States by Bayer. Extavia® is also a drug product for the treatment of multiple sclerosis; it is manufactured by Bayer, but distributed in the United States by Novartis Pharmaceuticals Corporation, another defendant in the lawsuit. Bayer does not believe that it has infringed any valid patent and intends to vigorously defend itself against the complaint.

Proceedings involving genetically modified rice: As of July 9, 2010, Bayer was aware of a total of approximately 460 lawsuits, involving about 7,200 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. 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 operation. 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 development of the genetically modified rice, field testing was conducted in the United States in cooperation with third parties from 1998 to 2001. The genetically modified rice was never commercialized. Two trials in the multidistrict litigation (MDL) at the U.S. District Court in St. Louis, Missouri, were decided by two juries in December 2009 and February 2010. The juries found that Bayer should pay a total of approximately US$3.5 million in compensatory damages for losses sustained by five farming operations comprising 29 plaintiffs. The juries rejected the farmers' claims for punitive damages. In a third trial in February 2010, a jury in an Arkansas state court found Bayer liable to one farming operation comprising two plaintiffs for compensatory and punitive damages totaling approximately US$1 million. In a fourth trial in April 2010, a jury in an Arkansas state court found Bayer liable to 11 farming operations comprising 14 plaintiffs for compensatory and punitive damages totaling approximately US$48 million. In a fifth trial in July 2010, a jury at the U.S. District Court in St. Louis, Missouri, found Bayer liable in a case involving one farming operation in Louisiana comprising 10 plaintiffs. Compensatory damages were fixed by the jury at approximately US$500,000, one third of the amount sought in trial. Punitive damages were not available under the laws of Louisiana applicable in this case.

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

Another trial started in July 2010 in a state court in Desha County, Arkansas. Additional trials have been scheduled for 2010, including one in the MDL and one in a state court in Arkansas.

The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of these first trials do not allow any direct conclusions on the outcomes of the other cases. Bayer believes it has meritorious defenses in these actions and intends to continue to defend itself vigorously. With regard to the aforementioned decisions, Bayer has taken appropriate accounting measures.

Related parties

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

Changes on the Board of Management and the Supervisory Board

Klaus Kühn completed his tenure as a member of the Board of Management of Bayer AG at midnight on the day on which the Annual Stockholders' Meeting was held. Mr. Kühn's successor as Chief Financial Officer, Werner Baumann, had been appointed to the Board of Management already effective January 1, 2010.

Karl-Josef Ellrich retired as at midnight on June 30, 2010 and thus left the Supervisory Board. Mr. Ellrich was succeeded by Roswitha Süßelbeck as his elected substitute.

Other information

The Annual Stockholders' Meeting on April 30, 2010 approved the proposal by the Board of Management and the Supervisory Board that a dividend of €1.40 per share be paid for the 2009 fiscal year.

The meeting ratified the actions of the Board of Management and the Supervisory Board.

The compensation system for members of the Board of Management was approved.

The rescission of existing and the creation of new Authorized Capital and the required amendment to the Articles of Incorporation were approved. The Annual Stockholders' Meeting also granted the Board of Management authorization to acquire treasury shares and to sell treasury shares subject to exclusion of the subscription right or a potential tender right.

The proposed amendments to the Articles of Incorporation of Bayer AG to satisfy the terms of the Act Implementing the Stockholder Rights Directive were approved.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor for the fiscal year 2010 and for the audit review of the 2010 half-year financial report.

Leverkusen, July 26, 2010
Bayer Aktiengesellschaft

The Board of Management

Werner Wenning | Werner Baumann | Dr. Marijn Dekkers

Dr. Wolfgang Plischke | Dr. Richard Pott

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 26, 2010
Bayer Aktiengesellschaft

The Board of Management

WERNER WENNING **WERNER BAUMANN** **DR. MARIJN DEKKERS**

DR. WOLFGANG PLISCHKE **DR. RICHARD POTT**

Review Report

To Bayer AG, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2010 to June 30, 2010 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, July 28, 2010

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

A. Slotta Wirtschaftsprüfer	A. Böcker Wirtschaftsprüferin

Focus

Dr. Angelina Prokofiewa (left) and Dr. Guilia Erre at the Aachen Catalysis Center, where Bayer researchers work with external partners to exploit alternative energy sources.

Sustainable solutions for global megatrends

Bayer MaterialScience helps to meet the global challenges of energy shortages and climate change through innovative and sustainable technologies and processes.

At K 2010 in Düsseldorf, the international trade show for the plastics and rubber industry, Bayer MaterialScience will present solutions for the effects of global megatrends such as the growing population and increasing urbanization. "Our company cannot solve these problems by itself, of course, but it does have sustainable solutions in the form of innovative products, processes and applications that exist today or are being developed for tomorrow," said Bayer MaterialScience Chief Executive Officer Patrick Thomas at a European news conference in Leverkusen. There Thomas outlined the subgroup's plans for its presence at K 2010, which will take place from October 27 through November 3. Under the motto "From Megatrends to Business," the company will showcase its leadership in polymer materials and its focus on sustainable solutions and developments in the areas of climate, technology, mobility, living and health on a 1,000-square-meter stand in Hall 6.

The K 2010 logo.

Reducing energy consumption

In 2030 more than eight billion people will live on the Earth, five billion of them in cities, Thomas explained. "Today, buildings are responsible for about 30 percent of global greenhouse gas emissions and more than 40 percent of global energy use." The BMS Chairman said that sustainable reductions in carbon dioxide emissions could be achieved if buildings were retrofitted with polyurethane insulation, by far the most effective insulating material per unit weight of all materials commonly found on the market.

Thomas said that over 14 percent of all greenhouse gases worldwide come from the transportation sector, making it the third-leading emission source. "Lightweight composites can cut a vehicle's weight by up to 30 percent, resulting in a significant reduction in fuel consumption," he said. "We are already supplying polyurethane composites as replacements for the metal roofs of cars, and we are beginning to supply polycarbonate glazing components as a substitute for glass. Replacing very energy-intensive steel and glass components in vehicles with polymers – which are much less energy-intensive, require far less energy to manufacture and also reduce the weight of the vehicle – offers significant reduction potential."

Citing a further example, Thomas said traditional light bulbs have a light efficiency of 3 percent compared with up to 80 percent for LEDs (light emitting diodes), and polycarbonate resin is one of the few materials that can withstand high temperatures in the manufacture and light management of LEDs.

Materials from Bayer MaterialScience also play an important role in the cool chain: up to 50 percent of food is wasted between the time it is produced and the time it is consumed. "Refrigerated transportation and cold storage from the warehouse to the customer are therefore hugely important, and polyurethane insulation materials play a key role here," Thomas explained.

Innovative products from Bayer MaterialScience are also set to become integral components of wind turbines, where the adhesives used to bond the blades are increasingly polyurethane-based instead of epoxy. Nanotubes can also be incorporated into the epoxy resins to reduce the weight of the blades.

Said Thomas: "Our materials have the potential to bring about a major improvement in the energy efficiency of every sector of the economy. The stories of the future we will be telling at K 2010 will show that Bayer MaterialScience has the necessary expertise in technology and materials to work with customers and support them in their new developments. At the same time we are a reliable, innovative partner when it comes to finding solutions that alleviate the effects of global megatrends."

Patrick Thomas, Chief Executive Officer of Bayer MaterialScience, addressed the media to explain the concept for the K 2010 trade fair.

News

Bayer CropScience has entered into an alliance to research optimized sugarcane varieties for the production of renewable energy.

Development of higher-yielding sugarcane

Sugarcane is regarded as an ideal crop for producing renewable energy. Bayer CropScience and the Centro de Tecnologia Canavieira (CTC), the Center for Sugarcane Technology in São Paulo, Brazil, intend to enter into a broad alliance for the research and development of biotechnologically optimized sugarcane varieties. The main goal is to combine the expertise of both partners to develop varieties with higher sugar content, with early research results indicating increases of about 30 to 40 percent. This in turn can increase the production efficiency of ethanol. Bayer CropScience plans to provide its genetic technologies for introgression into CTC's proprietary sugarcane varieties. The products resulting from this cooperation are anticipated to be ready for submission for regulatory approval by 2015.

The research and development activities of Bayer CropScience in sugarcane are currently focused on Brazil, where about 40 percent of global production occurs. The CTC is recognized as one of the world's leading sugarcane research centers.

From waste product to high-quality materials

Researchers from Bayer MaterialScience and Bayer Technology Services are working together with RWE Power AG and academic partner RWTH Aachen University on the sustainable use of carbon dioxide (CO_2). At the heart of what has been called the "Dream Production" project sits the construction and commissioning of a pilot plant at Chempark Leverkusen. This is to be the location for the kilogram-scale production of polyether polycarbonate polyols (PPPs) that will be processed into polyurethanes and will involve the chemical bonding of CO_2, an integral raw material in this sustainable process. The key technology for this is catalysis.

Catalysis is currently used in the manufacture of more than 85 percent of all chemical products, including so-called "dream reactions" – those created in a laboratory but the industrial application of which have so far remained a "dream." This is because the low energy density of carbon dioxide has hindered the application of this technology in any attempt to put CO_2 to practical use. In recent laboratory tests, however, this dream reaction has been achieved. For the first time, these promising results will be transferred from the laboratory to a larger scale in the "Dream Production" project. Over the next three years, the German Ministry of Education and Research will invest a total of more than €4.5 million in the initiative, which will be overseen by the German Aerospace Center (DLR).

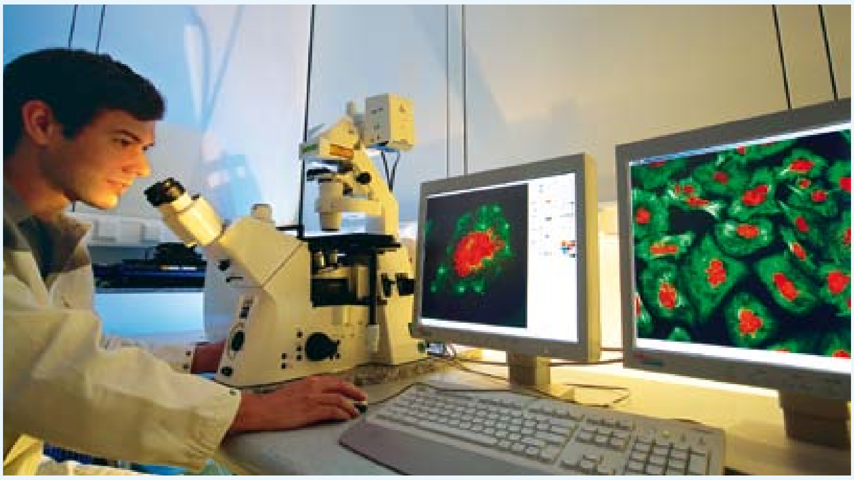
Polyether polycarbonate polyols (PPPs) produced using catalysis are extremely attractive materials. As well as the direct use of CO_2, there are also further interesting possibilities for reducing CO_2 emissions through the use of polyurethanes made from PPPs. "Using the waste product CO_2 to manufacture versatile materials is an amazing achievement made possible by catalysis – and one which both we and our project partners are very proud of," says Patrick Thomas, Chief Executive Officer of Bayer MaterialScience. "What's more, as an ultra-efficient organic insulating material, polyurethanes save around 80 times more energy during their service life than is required for their production. This ensures that PPPs have a doubly positive effect on climate protection."

Innovative anti-cancer stem cell therapeutics

Bayer Schering Pharma plans to cooperate with California-based OncoMed Pharmaceuticals, Inc., in the discovery, development and commercialization of novel anti-cancer stem cell therapeutics. The two companies have signed an agreement targeting the development of inhibitors for a specific cellular information pathway (so-called Wnt signal transduction) that could play a role in the development of cancer stem cells.

Cancer stem cells are a subset of tumor cells believed to play a significant role in the establishment, metastasis and recurrence of cancer, and agents targeting the Wnt pathway have the potential to be developed as pan-tumor drugs. The strategic alliance with OncoMed provides Bayer Schering Pharma with the option to exclusively license antibody and protein therapeutic product candidates for the Wnt pathway at any point up to the completion of Phase I testing.

In addition, Bayer and OncoMed will share technology and know-how to discover and develop not just protein therapeutics, but also small molecule inhibitors of the pathway. "The development of anti-cancer stem cell therapeutics is a highly innovative approach with the potential to perfectly complement our oncology portfolio," says Professor Andreas Busch, Head of Global Drug Discovery at Bayer Schering Pharma.



Dr. Daniel Korr analyzes the division of cancer cells using a laser scanning microscope.

Natural defense mechanisms for rice

Bayer CropScience has been granted regulatory approval for its active ingredient isotianil in Japan. The new rice fungicide – marketed by Bayer CropScience under the brand name Routine® – was successfully launched in South Korea in 2010. The market launch in Japan is scheduled for 2011, with further major rice-growing countries in Asia to follow as a measure to strengthen the company's portfolio in this region.

Isotianil was jointly developed with the Japanese company Sumitomo Chemical Co., Ltd. specifically for use in rice-growing in Japan to combat the plant disease rice blast. It stimulates the natural defense mechanisms of rice plants, thus boosting their resistance.

New contraceptive pill approved in the United States

Bayer Schering Pharma has received approval from the U.S. Food and Drug Administration (FDA) for its new Natazia® pill for the prevention of pregnancy. This new product with an estradiol valerate/dienogest combination is the first in a new class of oral contraceptives to deliver estradiol. Natazia® is expected to be available in the United States this summer. Outside the U.S., the product has been marketed in a number of countries as Qlaira® since May 2009.

"We are very pleased that women in the U.S. now also have the option to choose our new oral contraceptive Natazia® as an effective option for the prevention of pregnancy," said Phil Smits, MD, Head of Bayer Schering Pharma's Women's Healthcare business unit. "We are also working with the FDA on an indication for menstrual bleeding disorders to offer women a tailored therapy in future for this debilitating condition."

Contrast agent for MRI in children

Pediatric radiologist Professor Hans-Joachim Mentzel from Jena, Germany, reported at the 91st German Radiology Congress in Berlin that the contrast agents approved for magnetic resonance imaging (MRI) in children are well tolerated and reliable.

MRI with gadolinium-based contrast agents is suitable for the imaging of tumors, vascular disorders and malformations in children, said Mentzel. However, the number of contrast agents approved for use in children is limited, he said. Since January 2010, a further MR contrast agent has been available in Europe for use in children of certain age groups: Gadovist®.

Contrast agents such as Gadovist® enable well-tolerated diagnosis in children.

News

Research center for functional films in Asia/Pacific

Bayer MaterialScience has opened a new research center for functional films in Singapore. The facility will focus on upstream research into coated high-tech films and nano-technology for use in the growing electronics market in the Asia/Pacific region. Attending the inauguration were high-ranking executives of the Economic Development Board of Singapore.

The full-scale facility represents an initial investment of approximately €7 million, with a further provision for broadening its capabilities in subsequent years. Bayer Material-Science plans to pursue joint projects with customers and collaboration partners to create advanced technological breakthroughs in electronics. These include functional films that can be applied to flexible screens and three-dimensional displays, and nanomaterials like conductive inks used in printed electronics or energy-efficient lighting technologies.

"This facility underscores our continued commitment to Singapore and its unique position as an economic and business hub for Asia," said Bayer MaterialScience CEO Patrick Thomas at the inauguration ceremony. "Our activities are further strengthened by the growing demand for innovative film-based products. That's why many research and development projects for materials will be undertaken at this new center."

Attending the inauguration ceremony were BMS CEO Patrick Thomas (center), German Ambassador Jörg Ranau (third from right), Dr. Beh Swan Gin of the Singapore Economic Development Board (third from left), Dr. Christian Haessler, Bernd Steinhilber, Dr. Joachim Wolff and Marcus Yim from Bayer (from left).

New treatment option for erectile dysfunction

The U.S. Food and Drug Administration (FDA) has approved STAXYN™, a new formulation of the Bayer drug Levitra®. STAXYN, a vardenafil 10 mg orally disintegrating tablet, is the first and only erectile dysfunction (ED) medication to be approved in this new formulation. The tablet disintegrates on the tongue without liquid. Bayer's marketing partners GlaxoSmithKline and Merck & Co., Inc. expect to make the medicine available by prescription in the United States later this year. In Europe, Bayer has submitted the product for marketing authorization and expects to receive approval in 2010.

Erectile dysfunction (ED) is the consistent or recurrent inability of a man to attain and/or maintain a penile erection sufficient for sexual performance over a period of more than six months. An estimated 152 million men worldwide, 16 percent of all men aged 20 to 75, experience erection difficulties. It is predicted that the global prevalence of ED will increase to 322 million by 2025.

Supporting the worldwide battle against malaria

Bayer CropScience is supporting the worldwide battle against malaria with innovative solutions. The company's researchers have developed enhanced mosquito nets made of polypropylene fibers into which the WHO-recommended active ingredient deltamethrin is directly embedded. The nets are also longer-lasting than those currently available on the market, and were recently submitted to the WHO for evaluation. The company plans to market them under the brand name LifeNet™ in the coming years. In addition, Bayer CropScience is working together with the Innovative Vector Control Consortium (IVCC) based in Liverpool, United Kingdom, on a joint project devoted to searching for new insecticidal active ingredients that are effective against mosquitoes and other disease-transmitting insects.

Experts from the World Health Organization (WHO) expect the areas in which the Anopheles mosquito is endemic and where malaria is therefore prevalent to grow as a result of increasing global warming. Cases of malaria will then occur in regions in which the disease was previously never found. The WHO estimates that some 3.3 billion people worldwide – half the world's population – are at risk of infection.

Nets impregnated with an active substance from Bayer CropScience provide effective protection against malaria-transmitting mosquitoes.

Improved protection for cotton plants

New choices for cotton growers: Bayer CropScience and Dow AgroSciences, a subsidiary of The Dow Chemical Company, have entered into cross-licensing agreements regarding cotton technologies. With these agreements, growers will benefit from greater access to new traits and technologies from both companies. The agreement is aimed at giving growers more choices and flexibility, and providing them the opportunity to become more productive.

In addition, Bayer CropScience will support the Texas Tech University Department of Plant and Soil Science in Lubbock, Texas, with a grant of US$ 7.5 million. As a result, Texas Tech is eligible for a full funding match through the Texas Research Incentive Program (TRIP), yielding a US$ 15 million total contribution to the university. US$ 10 million of this amount will be allocated to support a research collaboration between Bayer CropScience and the university, and US$ 5 million will go toward a new plant and soil sciences building.

Bayer CropScience and Syngenta have entered into a long-term license agreement relating to a key plant biotechnology trait. Under the agreement, Syngenta has granted Bayer CropScience a worldwide, non-exclusive license for use of VIPCOT™ insect control technology in cotton.

Toni Salcido (left) and Nkonko Mutamba of Bayer CropScience inspect cotton plants near Phoenix, Arizona.

Bayer wins awards for best investor relations activities

The Bayer Group maintains the best investor relations activities among DAX companies. This was the result of a survey conducted by the German Investor Relations Association DIRK, the German business magazine *Wirtschaftswoche* and Thomson Reuters Extel. The company was presented with the German Investor Relations Award 2010 for its activities in this area. In addition, the company received the Capital Investor Relations Award 2010 from the German business magazine *Capital*.

Said Bayer AG Management Board Chairman Werner Wenning at the presentation ceremony for the German Investor Relations Award in Frankfurt: "This award honors our transparent communication with investors. We will continue our open and honest dialogue with the capital market." The

Bayer CEO W. Wenning (center) with moderator C. Wohlfeil and Chief Editor R. Tichy.

analysts and investors surveyed by Thomson Reuters Extel for this award praised the information quality of the company's reports and the fact that Bayer's team is always well-informed. They singled out the company's meet-the-management events, which bring together members of the financial community with many members of Bayer's senior management team.

In the Capital Investor Relations Award 2010 presented by *Capital* magazine, Bayer garnered second place among the EURO STOXX 50 companies and thus improved its position by one notch compared to the previous year.

News

Sustainability means future viability

Sex education: Bayer supports a campaign being implemented by the German Foundation for World Population (DSW) in Ugandan schools, youth centers and marketplaces.

The recently published Sustainable Development Report 2009 documents the progress made by Bayer in projects focusing on global health care, nutrition for a growing world population and climate protection. The 116-page publication vividly illustrates how Bayer is specifically helping to solve these global challenges with its Sustainable Development Program. The report also provides detailed information on further achievements in the field of sustainability.

"For us, sustainability essentially means ensuring future viability. It is therefore firmly established in our core business. This has proven its worth in the global financial and economic crisis. We are aiming for sustainability in everything we do," says Werner Wenning, Chairman of the Board of Management of Bayer AG, in the foreword.

The Focus Issue sections and the Performance Report have been certified by corporate auditors Ernst & Young. The overall report is aligned to the guidelines of the Global Reporting Initiative (GRI), the internationally recognized standard for sustainable development reporting, from which it received an "A+" – the highest possible rating.

Lighthouse projects driven by innovation

In implementing the eight lighthouse projects of the Sustainability Program launched at the end of 2009, the company is concentrating on its innovative capabilities. "Innovation is the driving force in our sustainability-focused corporate strategy," says Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Innovation, Technology and Environment.

The new Bayer Sustainable Development Report can be ordered by phone at +49 214 30 57546, by fax at +49 214 30 57547 or by e-mail at serviceline@bayer-ag.de. The online version can be accessed at: www.sustainability2009.bayer.com

One example is health care. To give women in developing countries access to safe contraceptives at affordable prices, Bayer is extending its cooperation with the United States Agency for International Development (USAID). The company has applied for the first marketing authorization in Ethiopia. A further 10 African countries will follow in the coming three years, the next being Tanzania and Uganda.

In the field of nutrition, Bayer CropScience maintains "Food Chain Partnerships" in 40 countries. Here the company is working with farmers and other players in the food industry to raise agricultural yields, increase food quality and improve the income situation of farmers. By 2011, the program aims to include 125 projects in India involving 65,000 farmers focusing on vegetable crops.

In the area of climate protection, Bayer has adhered to its objective of investing €1 billion in climate-relevant research and development and associated projects between 2008 and 2010, despite the effects of the global financial and economic crisis. The Sustainable Development Report explains which measures the company is implementing. It also gives detailed qualitative and quantitative information on relevant sustainability parameters such as safety data, resource consumption and emissions.

Corporate social responsibility

Within the context of its corporate social responsibility, the Bayer Group invested some €45 million in 2009 in the promotion of education and research, the meeting of basic social and health needs, environmental protection and support for sports and culture. Bayer views these activities, too, as an important contribution to safeguarding society's ability to thrive in the future.

Multiple sclerosis: follow-up of long-term therapy

Results from the 16-year follow-up to the Betaferon®/Betaseron® trial as published the U.S. journal Neurology provide the longest and most complete patient follow-up data and support the long-term safety profile of Betaferon in multiple sclerosis (MS). Results demonstrated that no new or unexpected adverse events emerged with long-term therapy, and the observed treatment-related adverse effects decreased over time.

"These data confirm that Betaseron® has a favorable safety and tolerability profile," said Anthony T. Reder, Professor of Neurology at the University of Chicago and lead study author. "Over the years, health care professionals have been able to greatly reduce treatment-related adverse events and increase patients' adherence to Betaseron® therapy with dose escalation at initiation of therapy and the routine use of an autoinjector and co-medication with non-steroidal anti-inflammatory drugs."

"MS is a chronic condition that requires treatment with a medication that combines efficacy with a safety profile that is manageable and predictable even over the long term," said Leslie Donato, who is responsible for neurology at Bayer.

Petra Nielsen oversees Betaferon packaging at the supply center in Berlin.

"The results of the 16-year follow-up study underscore Betaferon's positive safety and efficacy profile. We look forward to seeing additional outcomes from the 20-year follow-up study."

Aspirin Social Award goes to "Trauerland" children's project

Ines Schäferjohann from the "Trauerland" initiative with brothers Robin (left) and Jannik.

The Bayer Cares Foundation has conferred the Aspirin Social Award 2010 on "Trauerland," a center providing grief counseling for children and young people. The Bremen-based organization received the €15,000 award for its support and counseling services aimed at young people who have to deal with the death of a family member.

The second prize, worth €10,000, has been awarded to the Berlin-based organization AMSOC, an initiative unique in Germany that provides volunteers to care for children whose parents suffer from mental health problems. Third prize, with winnings of €5,000, went to a Berlin-based organ donation information project that motivates young people to document in an organ donor card their choice of whether or not their organs can be donated. An independent panel of judges selected the three winners from 10 nominated projects. A total of 146 initiatives had applied for the award. The additional public choice award – also worth €5,000 – was presented to a German children's hospice association that tallied the most votes in the online voting procedure in which more than 20,000 people participated.

"With their specific offers of help, the projects honored by the Aspirin Social Award act as a model for others and make important contributions to the German health care system," explained Bayer Management Board member Dr. Richard Pott at the award ceremony in Berlin.

New study in advanced colorectal cancer

Bayer Schering Pharma has initiated an international Phase III trial to evaluate its investigational compound regorafenib for the treatment of patients with metastatic colorectal cancer (CRC) which has progressed after standard therapies. Regorafenib is a novel, oral multi-kinase inhibitor that targets various tumor growth enzymes. Says Bayer Schering Pharma Management Board member Dr. Kemal Malik: "There are very few treatment options available to patients with colorectal cancer whose disease has progressed following treatment with existing therapies."

Financial Calendar

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

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Science For A Better Life