Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF JUNE 30, 2011

Second quarter of 2011:
Bayer continues positive momentum

CONTENTS

For direct access to a chapter, simply click on its name

Bayer Group Key Data

	2nd Quarter 2010	2nd Quarter 2011	Change	1st Half 2010	1st Half 2011	Change	Full Year 2010
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**9,179**	**9,252**	**+0.8**	**17,495**	**18,667**	**+6.7**	**35,088**
Change in sales							
Volume	+7.9%	+3.2%		+7.4%	+5.4%		+6.7%
Price	+1.3%	+2.2%		+0.3%	+2.4%		+1.3%
Currency	+6.0%	−4.7%		+2.9%	−1.2%		+4.9%
Portfolio	−0.6%	+0.1%		−0.6%	+0.1%		−0.3%
EBIT[1]	**1,011**	**1,273**	**+25.9**	**2,115**	**2,421**	**+14.5**	**2,730**
Special items	*(255)*	*(144)*		*(332)*	*(586)*		*(1,722)*
EBIT before special items[2]	***1,266***	***1,417***	***+11.9***	***2,447***	***3,007***	***+22.9***	***4,452***
EBIT margin before special items[3]	13.8%	15.3%		14.0%	16.1%		12.7%
EBITDA[4]	**1,800**	**1,906**	**+5.9**	**3,548**	**3,772**	**+6.3**	**6,286**
Special items	*(123)*	*(129)*		*(200)*	*(495)*		*(815)*
EBITDA before special items[2]	***1,923***	***2,035***	***+5.8***	***3,748***	***4,267***	***+13.8***	***7,101***
EBITDA margin before special items[3]	20.9%	22.0%		21.4%	22.9%		20.2%
Non-operating result	**(261)**	**(171)**	**+34.5**	**(505)**	**(384)**	**+24.0**	**(1,009)**
Net income	**530**	**747**	**+40.9**	**1,161**	**1,431**	**+23.3**	**1,301**
Earnings per share (€)	0.64	0.90	+40.6	1.40	1.73	+23.6	1.57
Core earnings per share (€)[5]	1.16	1.29	+11.2	2.29	2.74	+19.7	4.19
Gross cash flow[6]	**1,292**	**1,532**	**+18.6**	**2,470**	**2,841**	**+15.0**	**4,771**
Net cash flow[7]	**1,545**	**1,530**	**−1.0**	**2,277**	**2,331**	**+2.4**	**5,773**
Cash outflows for capital expenditure	**365**	**298**	**−18.4**	**595**	**536**	**−9.9**	**1,514**
Research and development expenses	**747**	**727**	**−2.7**	**1,464**	**1,464**	**-**	**3,053**
Depreciation, amortization and impairments	**789**	**633**	**−19.8**	**1,433**	**1,351**	**−5.7**	**3,556**
Number of employees at end of period[8]	**111,600**	**113,400**	**+1.6**	**111,600**	**113,400**	**+1.6**	**111,400**
Personnel expenses (including pension expenses)	2,029	2,206	+8.7	4,044	4,451	+10.1	8,099

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

COVER PICTURE

Bayer makes a sustainable contribution to overcoming global challenges with its innovative technologies and high-tech materials. The aim of the "Dream Production" project, for example, is to use the climate gas CO_2 as a raw material. Our cover picture shows Bayer researcher Dr. Thomas Ernst Müller (left) and Prof. Walter Leitner of RWTH Aachen University.

Second quarter of 2011:

Bayer continues positive momentum

- Sales €9.3 billion (Fx & portfolio adj. +5.4%)
- Operating result (EBIT) €1.3 billion (+25.9%)
- EBITDA before special items €2.0 billion (+5.8%)
- Net income rises substantially to €0.7 billion (+40.9%)
- Group outlook confirmed for 2011
- Gratifying progress with innovation projects
- Implementation of efficiency measures

The Bayer Group continued its successful performance in the second quarter of 2011. On a currency- and portfolio-adjusted basis (Fx & portfolio adj.), sales rose by 5.4% to €9.3 billion (reported: +0.8%; Q2 2010: €9.2 billion). The expansion of business in the emerging markets made an above-average contribution to this development. The operating result (EBIT) increased by a substantial 25.9% to €1.3 billion (Q2 2010: €1.0 billion) after special items of €0.1 billion (Q2 2010: €0.3 billion). EBITDA before special items improved by 5.8% to €2.0 billion (Q2 2010: €1.9 billion). These improvements were attributable especially to a good season in the northern hemisphere for CropScience and a slight expansion of business at HealthCare. Business in the MaterialScience subgroup was level year on year. Net income rose by a marked 40.9% to €0.7 billion (Q2 2010: €0.5 billion). Earnings per share were €0.90 (Q2 2010: €0.64). Core earnings per share climbed by 11.2% to €1.29 (Q2 2010: €1.16).

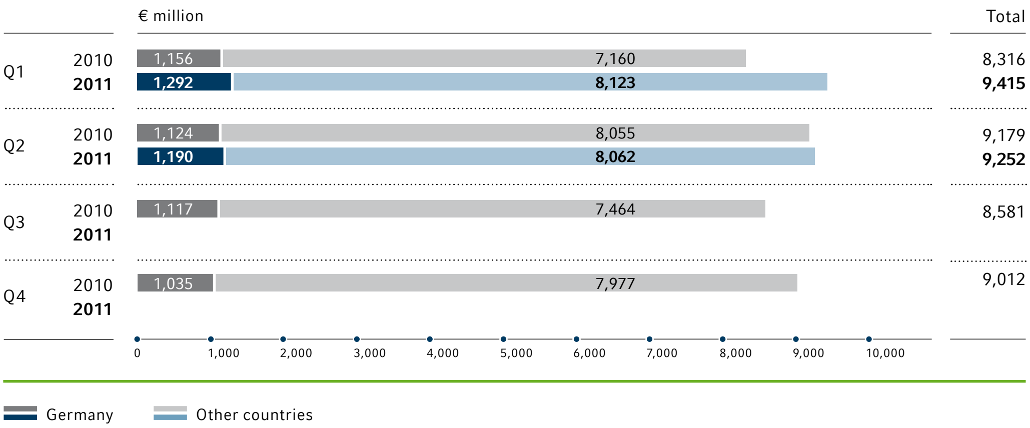
In the second quarter of 2011, we made significant progress with products from our R&D pipeline, especially our anticoagulant Xarelto™, VEGF Trap-Eye for the treatment of wet age-related macular degeneration and our cancer drug Alpharadin™.

The efficiency-enhancing measures announced at the end of 2010 are being implemented as planned.

1. Overview of Sales, Earnings and Financial Position

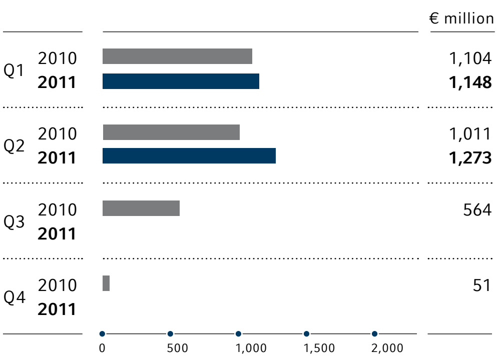
SECOND QUARTER OF 2011

Bayer Group Quarterly Sales [Graphic 1]



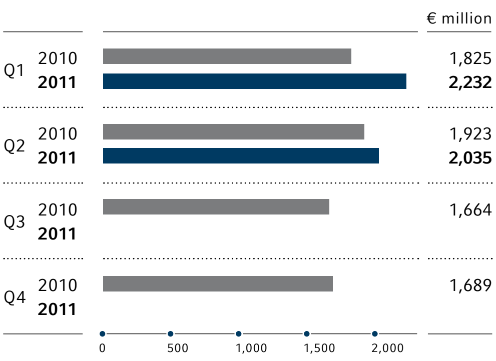
Sales of the Bayer Group grew by 5.4% (Fx & portfolio adj.) to €9,252 million (reported: +0.8%; Q2 2010: €9,179 million). Sales of HealthCare came in at €4,208 million (Q2 2010: €4,305 million). This corresponds to a currency- and portfolio-adjusted increase of 1.8% (reported: -2.3%). CropScience significantly raised sales by 9.2% (Fx & portfolio adj.) compared to the prior-year quarter to €1,943 million (reported: +3.1%; Q2 2010: €1,884 million). MaterialScience improved sales by 8.3% on a currency- and portfolio-adjusted basis (reported: +3.5%) to €2,782 million (Q2 2010: €2,689 million).

Bayer Group Quarterly EBIT [Graphic 2]



2010 figures restated

Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



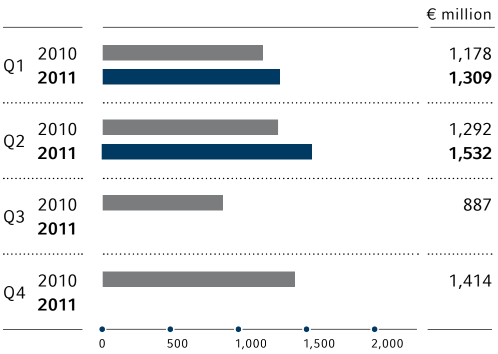
2010 figures restated

EBIT of the Bayer Group improved by a substantial 25.9% to €1,273 million (Q2 2010: €1,011 million). Special items totaled minus €144 million (Q2 2010: minus €255 million) overall. Restructuring, particularly at CropScience and HealthCare, accounted for €179 million of this figure. By contrast, valuation adjustments for our pension provisions in the United Kingdom resulted in income of €35 million. EBIT before special items of the Bayer Group came to €1,417 million (Q2 2010:

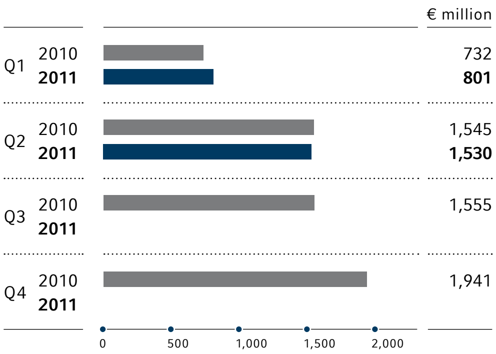
€1,266 million). **EBITDA** before special items increased by 5.8% to €2,035 million (Q2 2010: €1,923 million). HealthCare improved EBITDA before special items by 3.0% to €1,156 million (Q2 2010: €1,122 million), thanks mainly to lower costs at Pharmaceuticals. EBITDA before special items of CropScience grew by 23.9% to €471 million (Q2 2010: €380 million), chiefly as a result of significantly higher volumes. At MaterialScience, EBITDA before special items came in level year on year at €372 million (Q2 2010: €373 million). Higher raw material and energy costs were more than offset by selling price increases. Earnings were diminished by higher operating costs and negative currency effects.

After a **non-operating result** of minus €171 million (Q2 2010: minus €261 million), **income before income taxes** amounted to €1,102 million (Q2 2010: €750 million). The main components of the non-operating result were €83 million (Q2 2010: €89 million) in interest cost for pension and other provisions and net interest expense of €64 million (Q2 2010: €138 million). This improvement was due particularly to an interest effect associated with a tax settlement agreement in Brazil, which also led to higher tax expenditures and thus also a higher tax ratio. After tax expense of €356 million (Q2 2010: €221 million) and non-controlling interest, **net income** in the second quarter of 2011 came to €747 million (Q2 2010: €530 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



2010 figures restated

Gross cash flow in the second quarter moved forward by 18.6% to €1,532 million (Q2 2010: €1,292 million) as a result of the improved operating performance. Cash tied up in working capital was nearly unchanged in the second quarter of 2011. By contrast, liquid assets were freed up from working capital in the prior-year quarter. Net cash flow was level year on year at €1,530 million (Q2 2010: €1,545 million).

Net financial debt climbed only slightly despite the high outflows for the dividend, variable compensation and interest payments that are typical for the second quarter, increasing from €7.1 billion on March 31, 2011 to €7.4 billion on June 30, 2011. The net pension liability edged forward from €6.6 billion to €6.7 billion, mainly because of lower long-term interest rates on the capital market.

FIRST HALF OF 2011

The Bayer Group achieved a gratifying improvement in sales and earnings in the first half of 2011, with all subgroups contributing to this performance.

Sales climbed by 7.8% on a currency- and portfolio-adjusted basis to €18,667 million (reported: +6.7%; H1 2010: €17,495 million). HealthCare sales grew by a currency- and portfolio-adjusted 2.9% (reported: +2.4%). Thanks to a good season in the northern hemisphere and high prices for agricultural raw materials, CropScience achieved a gratifying 11.4% increase in sales after adjusting for currency and portfolio effects (reported: +9.5%). MaterialScience contributed to the positive trend in Group sales with a currency- and portfolio-adjusted increase of 13.0% (reported: +11.5%), which was attributable to a significantly better price level and an expansion in volumes.

EBIT improved by 14.5% to €2,421 million (H1 2010: €2,115 million). Special items totaled minus €586 million (H1 2010: minus €332 million), while EBIT before special items came in at €3,007 million (H1 2010: €2,447 million). **EBITDA** before special items advanced by 13.8% to €4,267 million (H1 2010: €3,748 million).

After a **non-operating result** of minus €384 million (H1 2010: minus €505 million), **income before income taxes** rose substantially to €2,037 million (H1 2010: €1,610 million). The non-operating result contained net interest expense of €175 million (H1 2010: €255 million). After tax expense of €608 million (H1 2010: €449 million), after-tax income was €1,429 million (H1 2010: €1,161 million).

After non-controlling interest, **net income** of the Bayer Group came in at €1,431 million (H1 2010: €1,161 million). Earnings per share improved to €1.73 (H1 2010: €1.40). Core earnings per share advanced by 19.7% to €2.74 (H1 2010: €2.29). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow rose by 15.0% to €2,841 million (H1 2010: €2,470 million). Net cash flow was up slightly year on year at €2,331 million (H1 2010: €2,277 million). Net financial debt fell to €7.4 billion as of June 30, 2011, compared to €7.9 billion on December 31, 2010. The net pension liability – the aggregate of pension obligations and plan assets – declined by €0.5 billion compared with December 31, 2010, to €6.7 billion, mainly because of higher long-term interest rates on the capital market.

2. Economic Outlook

We expect the **global economy** to continue growing in the second half of the year, albeit at a slower pace and with regional differences. There are increasing signs of a slowdown in growth in China; however, we expect the expansion in that country to weaken only slightly. The U.S. economy will most likely continue to gradually recover. There is a varying trend in the eurozone. While some countries are suffering from the debt crisis, we expect a continued upswing in Germany. The disasters in Japan probably will not have a significant impact on the global economy.

Overall, the growth perspectives for the global economy will depend on how Europe and the United States overcome their debt crises. Economic expansion could also be hampered by rising oil prices.

We anticipate that the **pharmaceutical market** will grow by a mid-single-digit percentage in 2011, with this trend increasingly driven by the emerging markets. We believe that growth will be weaker in the established markets such as the United States and the major European countries.

We continue to foresee solid growth in 2011 for the **consumer care market**. The **diabetes care market** will most likely grow only minimally this year. We expect the positive trend in the **animal health market** to continue unabated.

We expect a continued positive trend in the global **seed and crop protection** market over the course of the year. Likely contributing to this will be the high prices for agricultural raw materials that have led to an increase in agricultural production.

The recovery in the major customer industries of **MaterialScience** is expected to continue in the coming quarters. However, we believe growth rates will be weaker overall than in the year to date due to the declining pace of growth, especially in China, and to increasing economic risks.

3. Sales and Earnings Forecast

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

BAYER GROUP

We confirm the full-year sales and earnings forecast that we raised in April.

For 2011 we continue to target a currency- and portfolio-adjusted sales increase of between 5% and 7%. This corresponds to Group sales of between €36 billion and €37 billion. This guidance is based on the exchange rates prevailing at the end of the second quarter of 2011.

We still plan to increase EBITDA before special items to more than €7.5 billion. As before, core earnings per share (calculated as explained in Chapter 7) are expected to improve by about 15%. We anticipate that the special charges included in EBITDA for ongoing restructuring programs will remain unchanged at €0.5 billion.

HEALTHCARE

We confirm our outlook for 2011.

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

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

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

CROPSCIENCE

The CropScience business continues to trend positively. As previously communicated, we aim to improve sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis in 2011. We plan to expand EBITDA before special items by about 20% compared to the weak prior year – or more if the season progresses well in the second half of 2011.

MATERIALSCIENCE

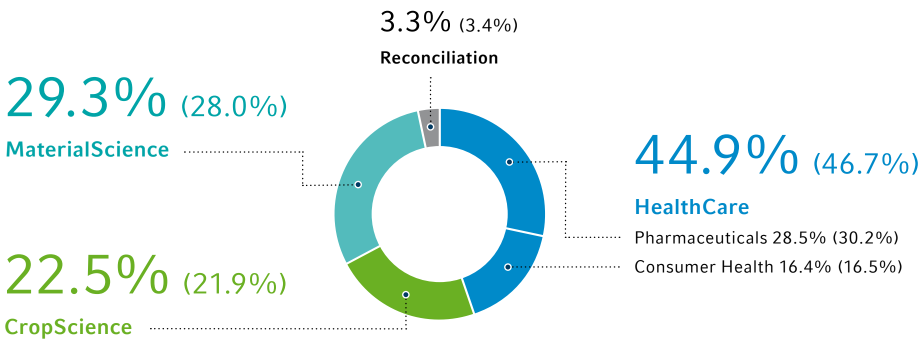
At MaterialScience we still expect to raise sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis. It remains our aim to grow EBITDA before special items at a higher rate than sales. However, we consider this objective to be increasingly ambitious.

We anticipate that sales and EBITDA before special items in the third quarter of 2011 will be in line with the prior-year level.

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 2011 (1st half 2010 in parentheses) [Graphic 6]



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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT		EBITDA before special items*	
	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,305**	**4,208**	**595**	**786**	**1,122**	**1,156**
Pharmaceuticals	2,748	2,666	312	504	772	807
Consumer Health	1,557	1,542	283	282	350	349
CropScience	**1,884**	**1,943**	**187**	**272**	**380**	**471**
MaterialScience	**2,689**	**2,782**	**228**	**236**	**373**	**372**
Reconciliation	**301**	**319**	**1**	**(21)**	**48**	**36**
Group	**9,179**	**9,252**	**1,011**	**1,273**	**1,923**	**2,035**
	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
HealthCare	**8,174**	**8,374**	**1,255**	**1,555**	**2,145**	**2,296**
Pharmaceuticals	5,279	5,315	771	1,003	1,531	1,610
Consumer Health	2,895	3,059	484	552	614	686
CropScience	**3,836**	**4,200**	**547**	**491**	**911**	**1,216**
MaterialScience	**4,905**	**5,468**	**365**	**441**	**651**	**717**
Reconciliation	**580**	**625**	**(52)**	**(66)**	**41**	**38**
Group	**17,495**	**18,667**	**2,115**	**2,421**	**3,748**	**4,267**

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

CHANGES IN CORPORATE STRUCTURE

The Women's Healthcare and General Medicine business unit within the Pharmaceuticals segment of the HealthCare subgroup was renamed "General Medicine" effective January 1, 2011. Since the second quarter of 2011 we have showed the CropScience subgroup as a single reportable segment to account for the organizational and strategic changes undertaken by CropScience to align Crop Protection and BioScience more closely and integrate the steering of these businesses. The prior-year figures are restated accordingly.

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

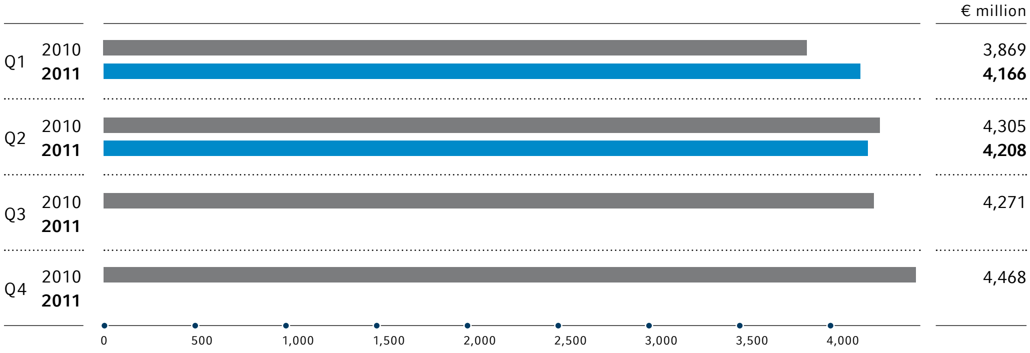
Key Data – HealthCare [Table 2]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,305**	**4,208**	**−2.3**	**+1.8**	**8,174**	**8,374**	**+2.4**	**+2.9**
Change in sales								
Volume	+1.5%	+2.6%			+1.9%	+3.4%		
Price	+0.5%	−0.8%			+0.4%	−0.5%		
Currency	+5.6%	−4.4%			+2.6%	−0.7%		
Portfolio	−1.2%	+0.3%			−1.3%	+0.2%		
Sales by segment								
Pharmaceuticals	2,748	2,666	−3.0	+0.5	5,279	5,315	+0.7	+0.7
Consumer Health	1,557	1,542	−1.0	+4.1	2,895	3,059	+5.7	+6.9
Sales by region								
Europe	1,599	1,592	−0.4	−0.3	3,122	3,188	+2.1	+1.6
North America	1,205	1,062	−11.9	−1.2	2,339	2,138	−8.6	−3.9
Asia/Pacific	845	878	+3.9	+7.0	1,512	1,728	+14.3	+11.6
Latin America/Africa/Middle East	656	676	+3.0	+7.4	1,201	1,320	+9.9	+9.6
EBIT	**595**	**786**	**+32.1**		**1,255**	**1,555**	**+23.9**	
Special items	*(189)*	*(51)*			*(218)*	*(88)*		
EBIT before special items*	***784***	***837***	***+6.8***		***1,473***	***1,643***	***+11.5***	
EBITDA*	**1,065**	**1,105**	**+3.8**		**2,059**	**2,208**	**+7.2**	
Special items	*(57)*	*(51)*			*(86)*	*(88)*		
EBITDA before special items*	***1,122***	***1,156***	***+3.0***		***2,145***	***2,296***	***+7.0***	
EBITDA margin before special items*	26.1%	27.5%			26.2%	27.4%		
Gross cash flow**	**759**	**760**	**+0.1**		**1,422**	**1,528**	**+7.5**	
Net cash flow**	**666**	**636**	**−4.5**		**1,408**	**1,417**	**+0.6**	

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

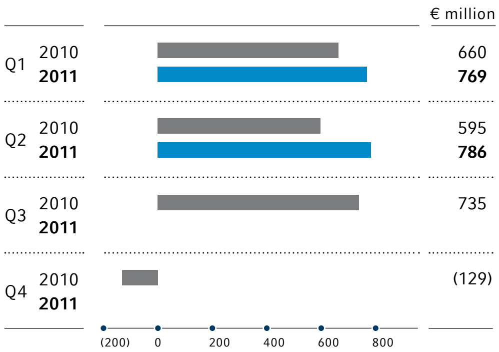
Sales of the **HealthCare** subgroup amounted to €4,208 million in the **second quarter of 2011** (reported: -2.3%). This corresponds to a currency- and portfolio-adjusted gain of 1.8%, which was largely due to the positive trend in the Consumer Health segment.

HealthCare Quarterly Sales [Graphic 7]



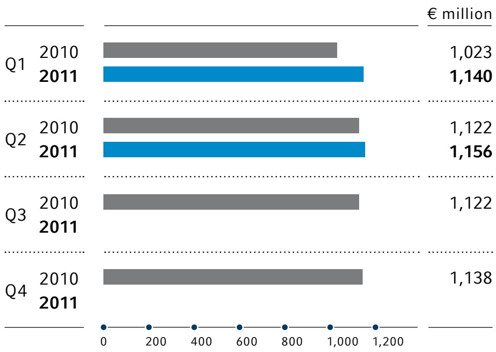
EBIT of the HealthCare subgroup grew by 32.1% in the second quarter of 2011 to €786 million. Earnings were diminished by special items of minus €51 million. Special charges of €70 million – relating mostly to restructuring measures – were partially offset by income of €19 million in connection with valuation adjustments for pension provisions. EBIT before special items rose by 6.8% to €837 million. **EBITDA** before special items rose by 3.0% to €1,156 million, due especially to lower costs at Pharmaceuticals.

HealthCare Quarterly EBIT [Graphic 8]



2010 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2010 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,748**	**2,666**	**–3.0**	**+0.5**	**5,279**	**5,315**	**+0.7**	**+0.7**
General Medicine	1,710	1,689	–1.2	+1.8	3,294	3,330	+1.1	+0.7
Specialty Medicine	1,038	977	–5.9	–1.7	1,985	1,985	0.0	+0.6
Sales by region								
Europe	1,033	991	–4.1	–4.1	2,014	1,987	–1.3	–1.8
North America	617	519	–15.9	–5.9	1,304	1,083	–16.9	–13.0
Asia/Pacific	686	716	+4.4	+7.3	1,213	1,400	+15.4	+12.6
Latin America/Africa/Middle East	412	440	+6.8	+10.0	748	845	+13.0	+11.8
EBIT	**312**	**504**	**+61.5**		**771**	**1,003**	**+30.1**	
Special items	*(189)*	*(48)*			*(218)*	*(84)*		
EBIT before special items*	***501***	***552***	***+10.2***		***989***	***1,087***	***+9.9***	
EBITDA*	**715**	**759**	**+6.2**		**1,445**	**1,526**	**+5.6**	
Special items	*(57)*	*(48)*			*(86)*	*(84)*		
EBITDA before special items*	***772***	***807***	***+4.5***		***1,531***	***1,610***	***+5.2***	
EBITDA margin before special items*	28.1%	30.3%			29.0%	30.3%		
Gross cash flow**	**499**	**513**	**+2.8**		**973**	**1,041**	**+7.0**	
Net cash flow**	**455**	**399**	**–12.3**		**1,047**	**957**	**–8.6**	

2010 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* 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 **Pharmaceuticals** segment in the **second quarter of 2011** came to €2,666 million (Fx & portfolio adj. +0.5%). Growth in sales in the emerging markets – and especially China – offset the weak performance in North America and western Europe. Sales of YAZ™ were down again in the United States, mainly because of generic competition. Furthermore, sales in the Pharmaceuticals segment were diminished by health reforms in various countries.

Best-Selling Pharmaceuticals Products [Table 4]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Betaferon™/Betaseron™ (Specialty Medicine)	302	273	–9.6	–4.7	585	547	–6.5	–4.9
Kogenate™ (Specialty Medicine)	238	262	+10.1	+15.4	482	545	+13.1	+14.2
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	289	263	–9.0	–7.0	576	505	–12.3	–12.6
Nexavar™ (Specialty Medicine)	186	171	–8.1	–4.4	341	343	+0.6	+0.9
Adalat™ (General Medicine)	177	156	–11.9	–9.5	323	313	–3.1	–5.3
Mirena™ (General Medicine)	123	144	+17.1	+26.2	266	287	+7.9	+11.1
Avalox™/Avelox™ (General Medicine)	118	105	–11.0	–6.8	253	252	–0.4	–0.6
Aspirin™ Cardio (General Medicine)	92	99	+7.6	+10.0	165	189	+14.5	+13.8
Glucobay™ (General Medicine)	90	90	0.0	+6.0	169	178	+5.3	+5.7
Levitra™ (General Medicine)	96	82	–14.6	–10.6	182	164	–9.9	–9.1
Ultravist™ (Specialty Medicine)	82	82	0.0	+2.7	150	157	+4.7	+5.3
Cipro™/Ciprobay™ (General Medicine)	61	58	–4.9	–0.8	136	117	–14.0	–14.1
Magnevist™ (Specialty Medicine)	58	46	–20.7	–15.3	109	91	–16.5	–14.9
Kinzal™/Pritor™ (General Medicine)	46	46	0.0	–0.3	88	87	–1.1	–1.6
Iopamiron™ (Specialty Medicine)	52	42	–19.2	–20.7	91	86	–5.5	–10.4
Total	**2,010**	**1,919**	**–4.5**	**–0.6**	**3,916**	**3,861**	**–1.4**	**–0.4**
Proportion of Pharmaceuticals sales	73%	72%			74%	73%		

Fx adj. = currency-adjusted

Sales in our **General Medicine** business unit amounted to €1,689 million. This corresponds to a currency- and portfolio-adjusted increase of 1.8%. There was a positive trend particularly for Mirena™, Aspirin™ Cardio and Glucobay™. The growth in sales of our hormone-releasing intrauterine device Mirena™ was based chiefly on higher volumes in the United States compared with the weak prior-year quarter. By expanding our marketing activities in China, we increased sales of Aspirin™ Cardio for the prevention of myocardial infarction and Glucobay™ to treat diabetes.

By contrast, we saw a significant decline in sales of our oral contraceptives YAZ™/Yasmin™/Yasminelle™. This resulted mainly from the drop in sales of YAZ™ in the United States following the market entry of generic competition in June 2010. We expanded business in the Latin America/Africa/Middle East and Asia/Pacific regions, however. Generic competition also held back sales of Adalat™ to treat high blood pressure and coronary heart disease, particularly in Canada and Japan. On the other hand, sales were up in China. Sales of our erectile dysfunction treatment Levitra™ and our antibiotic Avalox™/Avelox™ were down because of a partial reorganization of distribution for general practitioner products in the United States.

Sales in the **Specialty Medicine** business unit moved back by 1.7% on a currency- and portfolio-adjusted basis to €977 million. Sales of our multiple sclerosis drug Betaferon™/Betaseron™ declined. This was largely attributable to increased competition and price reductions in connection with health system reforms in Europe. In Latin America/Africa/Middle East we achieved sales growth primarily as the result of tender business. Sales of the cancer drug Nexavar™ dropped compared to a strong prior-year quarter, while business with our blood-clotting medicine Kogenate™ grew in all regions, especially in North America and Europe. This was chiefly due to higher demand in various European countries and larger shipments to our distribution partner in the United States.

EBIT of the **Pharmaceuticals** segment increased by 61.5% in the second quarter of 2011 to €504 million after special items of minus €48 million, comprising €62 million in charges for restructuring measures and €14 million in income from valuation adjustments for pension provisions. EBIT in the prior-year period was diminished by special items of minus €189 million. EBIT before special items rose by 10.2% to €552 million. **EBITDA** before special items was up by 4.5% to €807 million. This increase was mainly due to lower operating costs, including for research and development following the successful conclusion of most Phase III studies for our anticoagulant Xarelto™, as well as to one-time income of €22 million from a settlement. These factors were partially offset by selling price declines and negative currency effects.

Sales of our **Pharmaceuticals segment** in the **first half of 2011** were level year on year at €5,315 million (Fx & portfolio adj. +0.7%). There was a very gratifying business trend in the emerging markets, particularly in China, while sales were down in a number of established markets, including especially North America. This was mainly attributable to health system reforms and generic competition. Products that posted gratifying sales growth included especially the blood-clotting medicine Kogenate™, Aspirin™ Cardio for the prevention of myocardial infarction and the hormone-releasing intrauterine device Mirena™. Our contraceptives YAZ™/Yasmin™/Yasminelle™ and the multiple sclerosis drug Betaferon™/Betaseron™ in particular saw sales decline.

EBIT improved by 30.1% in the first half of 2011 to €1,003 million, but was diminished by special charges of €84 million that related mainly to restructuring measures. EBIT before special items advanced by 9.9% to €1,087 million. **EBITDA** before special items increased by 5.2% to €1,610 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,557**	**1,542**	**−1.0**	**+4.1**	**2,895**	**3,059**	**+5.7**	**+6.9**
Consumer Care	836	839	+0.4	+5.8	1,580	1,703	+7.8	+9.2
Medical Care	399	377	−5.5	+0.6	734	734	0.0	+2.6
Animal Health	322	326	+1.2	+3.9	581	622	+7.1	+6.0
Sales by region								
Europe	566	601	+6.2	+6.5	1,108	1,201	+8.4	+7.9
North America	588	543	−7.7	+3.8	1,035	1,055	+1.9	+7.6
Asia/Pacific	159	162	+1.9	+5.4	299	328	+9.7	+8.0
Latin America/Africa/Middle East	244	236	−3.3	+3.1	453	475	+4.9	+5.9
EBIT	**283**	**282**	**−0.4**		**484**	**552**	**+14.0**	
Special items	-	*(3)*			-	*(4)*		
EBIT before special items*	***283***	***285***	***+0.7***		***484***	***556***	***+14.9***	
EBITDA*	**350**	**346**	**−1.1**		**614**	**682**	**+11.1**	
Special items	-	*(3)*			-	*(4)*		
EBITDA before special items*	***350***	***349***	***−0.3***		***614***	***686***	***+11.7***	
EBITDA margin before special items*	22.5%	22.6%			21.2%	22.4%		
Gross cash flow**	**260**	**247**	**−5.0**		**449**	**487**	**+8.5**	
Net cash flow**	**211**	**237**	**+12.3**		**361**	**460**	**+27.4**	

2010 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* 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 4.1% (Fx & portfolio adj.) in the **second quarter of 2011** to €1,542 million. All regions, particularly Europe and North America, contributed to this increase.

Best-Selling Consumer Health Products [Table 6]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	164	159	−3.0	+0.9	295	311	+5.4	+6.8
Advantage™ product line (Animal Health)	141	143	+1.4	+9.8	230	245	+6.5	+10.5
Aspirin™* (Consumer Care)	105	104	−1.0	+7.4	195	216	+10.8	+14.1
Aleve™/naproxen (Consumer Care)	68	68	0.0	+11.6	127	135	+6.3	+11.8
Bepanthen™/Bepanthol™ (Consumer Care)	55	59	+7.3	+7.1	110	122	+10.9	+9.4
Canesten™ (Consumer Care)	58	58	0.0	+3.2	102	113	+10.8	+10.0
One A Day™ (Consumer Care)	47	44	−6.4	+5.4	83	85	+2.4	+7.6
Baytril™ (Animal Health)	35	31	−11.4	−6.2	73	74	+1.4	+2.7
Supradyn™ (Consumer Care)	32	32	0.0	+1.3	63	65	+3.2	+2.9
Breeze™ (Medical Care)	32	29	−9.4	−5.2	62	57	−8.1	−6.6
Total	**737**	**727**	**−1.4**	**+4.9**	**1,340**	**1,423**	**+6.2**	**+8.5**
Proportion of Consumer Health sales	47%	47%			46%	47%		

Fx adj. = currency-adjusted
* Total Aspirin™ Q2 sales totaled €203 million (Q2 2010: €197 million), H1 sales totaled €405 million (H1 2010: €360 million), including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment.

The **Consumer Care** Division achieved sales growth of 5.8% (Fx & portfolio adj.) to €839 million. This increase resulted especially from the performance of our analgesics Aspirin™ and Aleve™/naproxen and the One A Day™ line of dietary supplements in the United States. Contributing to the growth were new launches for Advanced Aspirin™, a particularly fast-acting new formulation, and for the One A Day™ line. Sales of our Bepanthen™/Bepanthol™ line of skincare products also rose significantly, particularly in Europe.

Sales of the **Medical Care** Division in the second quarter of 2011, at €377 million, came in at the prior-year level on a currency- and portfolio-adjusted basis (+0.6%). Here the positive trend in Europe and Latin America/Africa/Middle East was sufficient to offset the decline in our Diabetes Care business in North America that was chiefly attributable to lower volumes and selling prices for our Contour™ line of blood glucose meters in the United States. Rising demand and new launches contributed to the positive business trend for Contour™ in Europe. Sales of our medical equipment business were largely in line with the prior year.

Business in our **Animal Health** Division expanded by 3.9% (Fx & portfolio adj.) to €326 million, driven mainly by the positive development of our Advantage™ line of flea, tick and worm control products in Europe and North America. In the United States we increased sales of Advantage™ partly through the expansion of a distribution channel opened in the previous year. Sales of the antibiotic Baytril™ fell back particularly because of generic competition in Europe.

EBIT of the **Consumer Health** segment remained at the prior-year level in the second quarter of 2011, at €282 million (-0.4%). Earnings were diminished by special items of minus €3 million. EBIT before special items was €285 million (+0.7%). **EBITDA** before special items came in level year on year at €349 million (-0.3%). The positive earnings contributions from the expansion of business in the divisions were offset by a slight rise in operating costs and negative currency effects.

Sales of our **Consumer Health** segment in the **first half of 2011** improved by 6.9% (Fx & portfolio adj.) to €3,059 million. All regions, particularly Europe and North America, contributed to this increase. Most of our Consumer Health products saw significant sales growth. Examples here included the analgesic Aspirin™, the Advantage™ line of flea, tick and worm control products, and the Contour™ line of blood glucose meters.

EBIT climbed by 14.0% in the first half of 2011 to €552 million. Special items totaled minus €4 million. EBIT before special items advanced by 14.9% to €556 million. **EBITDA** before special items increased by 11.7% to €686 million.

5.2 CropScience

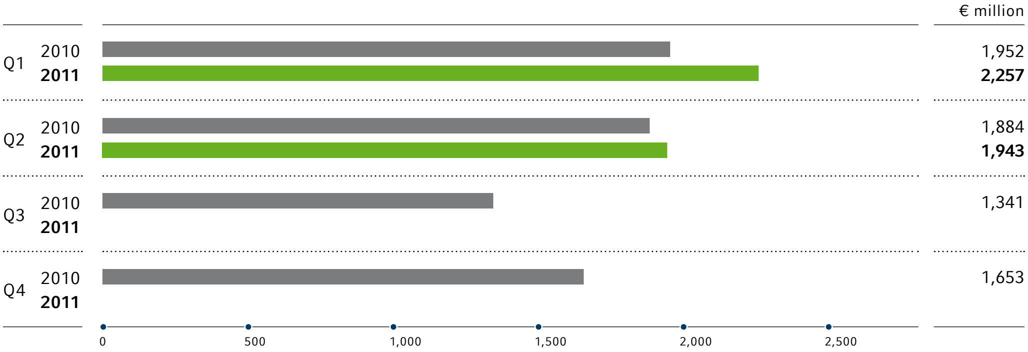
Key Data – CropScience [Table 7]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,884**	**1,943**	**+3.1**	**+9.2**	**3,836**	**4,200**	**+9.5**	**+11.4**
Change in sales								
Volume	−2.8%	+11.1%			−6.6%	+12.0%		
Price	−2.7%	−1.9%			−1.3%	−0.6%		
Currency	+7.0%	−5.8%			+4.3%	−1.8%		
Portfolio	+0.2%	−0.3%			+0.2%	−0.1%		
Sales by business group								
Crop Protection/BioScience	1,685	1,757	+4.3	+10.5	3,467	3,836	+10.6	+12.6
Environmental Science	199	186	−6.5	−1.7	369	364	−1.4	+0.5
Sales by region								
Europe	737	777	+5.4	+6.4	1,655	1,779	+7.5	+7.8
North America	494	535	+8.3	+19.2	1,021	1,205	+18.0	+21.3
Asia/Pacific	343	334	−2.6	+3.7	583	603	+3.4	+4.7
Latin America/Africa/Middle East	310	297	−4.2	+4.5	577	613	+6.2	+10.0
EBIT	**187**	**272**	**+45.5**		**547**	**491**	**−10.2**	
Special items	*(66)*	*(81)*			*(114)*	*(486)*		
EBIT before special items*	***253***	***353***	***+39.5***		***661***	***977***	***+47.8***	
EBITDA*	**314**	**405**	**+29.0**		**797**	**821**	**+3.0**	
Special items	*(66)*	*(66)*			*(114)*	*(395)*		
EBITDA before special items*	***380***	***471***	***+23.9***		***911***	***1,216***	***+33.5***	
EBITDA margin before special items*	20.2%	24.2%			23.7%	29.0%		
Gross cash flow**	**224**	**304**	**+35.7**		**559**	**618**	**+10.6**	
Net cash flow**	**782**	**823**	**+5.2**		**517**	**609**	**+17.8**	

2010 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business group; Fx adj.: Sales by region)
* 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 in the **second quarter of 2011** rose by 9.2% (Fx & portfolio adj.) to €1,943 million (reported: +3.1%). We continued to benefit from a generally good season in the northern hemisphere, with particularly strong growth in our BioScience business. High prices for agricultural raw materials led to a favorable market environment compared to the weak prior-year quarter.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/BioScience** in the second quarter of 2011 amounted to €1,757 million, up 10.5% (Fx & portfolio adj.) from the corresponding period of 2010. Business expansion in Crop Protection was driven by our fungicides and herbicides, and in BioScience by seeds for the large-area crops – canola, cotton and rice. However, total sales of insecticides were affected by the cessation of marketing for older products such as Temik™.

Sales – Crop Protection/BioScience [Table 8]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
BioScience	165	195	+18.2	+21.9	471	598	+27.0	+25.2
Herbicides	587	607	+3.4	+8.9	1,190	1,308	+9.9	+12.2
Fungicides	477	518	+8.6	+13.8	894	1,015	+13.5	+16.1
Insecticides	344	317	−7.8	+2.3	640	605	−5.5	−0.7
Seed Treatment	112	120	+7.1	+16.5	272	310	+14.0	+17.2

2010 figures restated
Fx & p adj. = currency- and portfolio-adjusted

The sharp increase at **BioScience** resulted from the significant expansion of business with our seeds for large-area crops. Seed sales benefited from increased crop acreages, particularly for canola in Canada, while business with cotton and rice seeds made strong gains above all in Asia. The vegetable seed business also developed well, especially in the Asia/Pacific and North America regions.

We significantly expanded our **Crop Protection** business in all regions except Asia/Pacific.

Sales in **Europe** rose by 6.9% (Fx adj.) to €668 million, with growth rates for herbicides and insecticides running into double digits. Sales of fungicides posted a slight increase, while those of seed treatments declined. There was encouraging growth in Germany, particularly for herbicides and the new fungicide family Xpro™. Our business in eastern Europe matched the already strong first quarter, helped by favorable weather conditions. Our Adengo™ family of corn herbicides developed particularly well in eastern Europe following its successful launch. The prolonged drought had an adverse effect in parts of western Europe.

Crop Protection sales in **North America** posted a clear 20.6% increase (Fx adj.) to €386 million. Sales of fungicides, herbicides and seed treatments advanced in the United States against a weak prior-year quarter. The new fungicide Stratego™ YLD, introduced this season for use in corn and soybeans, remains our principal growth driver. Sales of insecticides, however, declined. The successful launch and increased marketing of new products such as Movento™ partly offset the effects of streamlining the insecticide portfolio by discontinuing older products such as Temik™. Sales in Canada rose by a double-digit percentage.

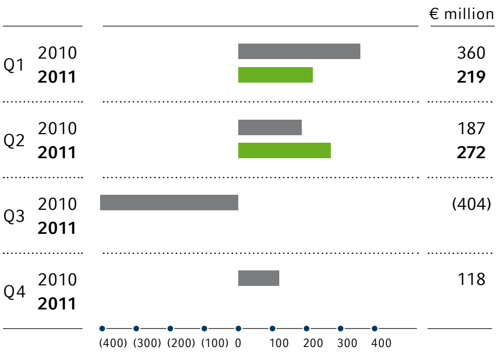
Sales in **Asia/Pacific** edged down by 0.2% (Fx adj.) to €244 million. Sharp declines for insecticides and herbicides were nearly offset by tangible increases for fungicides and seed treatments. Our business in the region was held back by the cessation of marketing for older insecticides, while Australia and China suffered from extreme weather conditions. By contrast, sales advanced significantly in the countries of northern Asia.

Sales in the **Latin America / Africa / Middle East** region improved by 5.0% (Fx adj.) from the prior-year quarter to €264 million. Business benefited mainly from the good market prospects for cotton and sugarcane in Latin America. In Brazil, sales of herbicides posted noticeable gains, whereas business with fungicides was down due to lower infestation rates in soybeans. We also registered substantial increases in the Middle East, while business in Africa was level with the same period of the previous year.

Sales in the **Environmental Science** business group declined by just 1.7% (Fx & portfolio adj.) to €186 million. The consumer products business stagnated. Business with products for professional users was down in Europe, the Middle East and Africa.

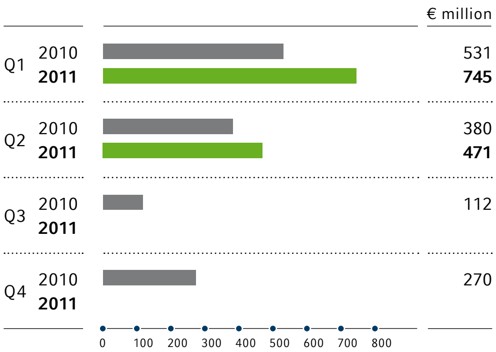
EBIT of **CropScience** posted an encouragingly strong 45.5% increase in the second quarter of 2011 to €272 million, after special charges of €81 million (Q2 2010: €66 million) incurred mainly for the ongoing restructuring program at Crop Protection. EBIT before special items climbed by 39.5% to €353 million. **EBITDA** before special items advanced by 23.9% to €471 million. This increase was chiefly due to the good business development, with significantly higher volumes and improved capacity utilization at our production facilities.

CropScience
Quarterly EBIT [Graphic 11]



2010 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2010 figures restated

CropScience sales in the **first half of 2011** advanced by 11.4% to €4,200 million. The six-month period was marked by a strong season in the northern hemisphere and high prices for agricultural raw materials. BioScience recorded double-digit growth rates for seeds in the core crops – canola, cotton, rice and vegetables – and in all regions. Crop Protection sales also moved ahead in all the regions. Business recovered well in North America, especially for fungicides and herbicides. The Environmental Science business was flat with the same period of 2010.

EBIT of CropScience declined in the first half of 2011 by 10.2% to €491 million after special charges of €486 million. These mainly comprised provisions established in connection with litigations concerning genetically modified rice (LL RICE) in the United States and expenses for restructuring at Crop Protection. EBIT before special items climbed by 47.8% to €977 million. **EBITDA** before special items rose by 33.5% to €1,216 million thanks to the good business development, especially in the northern hemisphere. The principal growth drivers were our new crop protection products and our seed business in North America.

5.3 MaterialScience

Key Data – MaterialScience [Table 9]

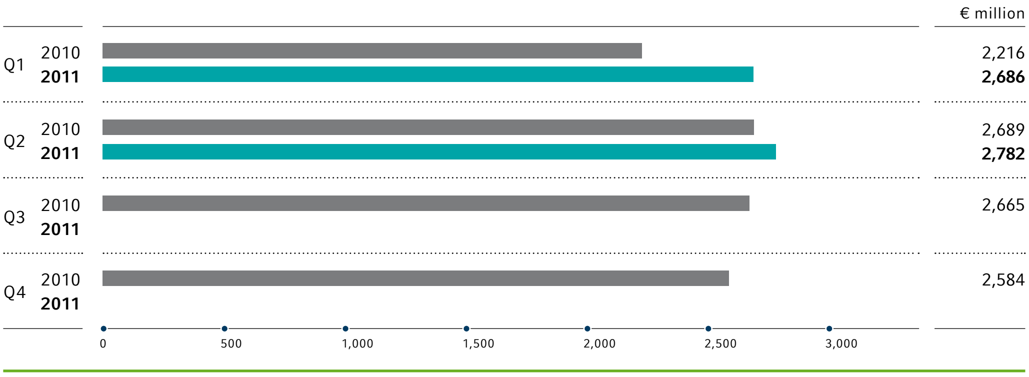
	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p)adj. %
Sales	**2,689**	**2,782**	**+3.5**	**+8.3**	**4,905**	**5,468**	**+11.5**	**+13.0**
Change in sales								
Volume	+32.7%	−1.0%			+36.8%	+3.9%		
Price	+7.8%	+9.3%			+2.5%	+9.1%		
Currency	+6.4%	−5.0%			+2.2%	−1.7%		
Portfolio	0.0%	+0.2%			0.0%	+0.2%		
Sales by business unit								
Polyurethanes	1,321	1,374	+4.0	+8.4	2,427	2,727	+12.4	+13.4
Polycarbonates	753	761	+1.1	+6.7	1,328	1,477	+11.2	+13.4
Coatings, Adhesives, Specialties	481	490	+1.9	+6.3	894	950	+6.3	+7.8
Industrial Operations	134	157	+17.2	+20.6	256	314	+22.7	+24.1
Sales by region								
Europe	1,000	1,169	+16.9	+17.0	1,878	2,289	+21.9	+21.9
North America	575	537	−6.6	+5.2	1,011	1,048	+3.7	+9.7
Asia/Pacific	773	712	−7.9	−0.6	1,390	1,424	+2.4	+4.5
Latin America/Africa/Middle East	341	364	+6.7	+10.1	626	707	+12.9	+12.3
EBIT	**228**	**236**	**+3.5**		**365**	**441**	**+20.8**	
Special items	-	-			-	-		
EBIT before special items*	***228***	***236***	***+3.5***		***365***	***441***	***+20.8***	
EBITDA*	**373**	**372**	**−0.3**		**651**	**717**	**+10.1**	
Special items	-	-			-	-		
EBITDA before special items*	***373***	***372***	***−0.3***		***651***	***717***	***+10.1***	
EBITDA margin before special items*	13.9%	13.4%			13.3%	13.1%		
Gross cash flow**	**293**	**288**	**−1.7**		**513**	**560**	**+9.2**	
Net cash flow**	**62**	**(15)**	**.**		**78**	**136**	**+74.4**	

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

In the **second quarter of 2011**, the **MaterialScience** subgroup was able to build on its performance in the previous three months and further increase sales.

Sales of MaterialScience climbed by 8.3% (Fx & portfolio adj.) year on year to €2,782 million (reported: +3.5%). This growth was driven mainly by the increase in selling prices in all business units and regions, especially in Europe and North America. Volume sales of our products were down slightly overall against the prior-year level. A significant expansion of volumes in Europe was not sufficient to fully offset the demand-related declines in the Asia/Pacific and North America regions. Volumes were level year on year in the Latin America/Africa/Middle East region.

MaterialScience Quarterly Sales [Graphic 13]



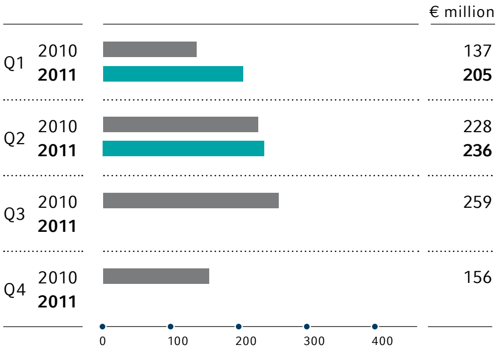
The **Polyurethanes** business unit raised sales by 8.4% (Fx & portfolio adj.) to €1,374 million. Among our polyurethane product groups, we recorded significant sales gains in diphenylmethane diisocyanate (MDI) and polyether (PET), while sales of toluene diisocyanate (TDI) were well below the previous year. The sales growth in this business unit was largely due to higher selling prices in all regions. We significantly raised the price level especially in the Europe region, and higher selling prices for MDI and PET products more than offset the decline in prices for TDI. Overall, volumes declined slightly year on year in the Polyurethanes business unit due to weaker demand for TDI and MDI. Significantly higher volumes for our polyurethane products in Europe and Latin America/Africa/Middle East were not sufficient to offset lower volumes in North America and Asia/Pacific.

Sales of the **Polycarbonates** business unit increased to €761 million, up 6.7% (Fx & portfolio adj.) against the prior-year figure. Instrumental in this growth was the considerable increase in sales of our granules product group largely on account of higher selling prices worldwide. Here we implemented double-digit price increase rates in the Europe and North America regions. By contrast, volumes were down overall against the strong prior-year quarter. The marked decline in the Asia/Pacific and Latin America/Africa/Middle East regions was partially compensated by a moderate increase in volumes in North America and Europe. Polycarbonate sheet/semi-finished products saw a year-on-year-decline in sales, as higher selling prices only partly offset the lower volumes in all relevant regions.

The **Coatings, Adhesives, Specialties** business unit posted sales of €490 million, which was 6.3% (Fx & portfolio adj.) more than in the prior-year period. Contributing to this performance were above all substantial price increases in all regions worldwide and in all product groups – including particularly coating resins. Volumes were level year on year, with expansions in Europe and North America and declines in the Latin America/Africa/Middle East and Asia/Pacific regions.

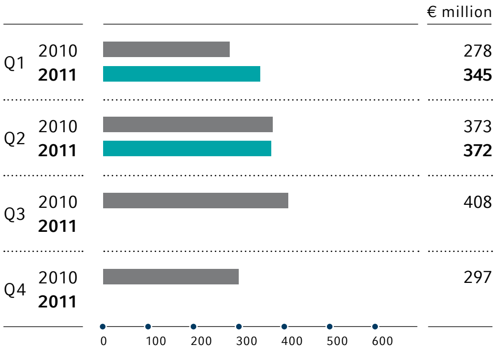
Sales of **Industrial Operations** grew by 20.6% (Fx & portfolio adj.) to €157 million. This was attributable in part to significant increases in volumes and selling prices in all regions.

MaterialScience
Quarterly EBIT [Graphic 14]



2010 figures restated

MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



2010 figures restated

EBIT of **MaterialScience** in the second quarter of 2011 was €236 million (+3.5%). Earnings were not affected by special charges in this period. **EBITDA** before special items came in level year on year at €372 million. Through higher selling prices, we more than offset the significant increase in raw material and energy costs driven by the economic situation. Earnings were diminished by higher costs, partly in connection with the commissioning of our TDI train in China, and by negative currency effects.

First-half sales of the **MaterialScience** subgroup rose by 13.0% (Fx & portfolio adj.) to €5,468 million. This pleasing growth was driven by the greatly improved price level in all business units and regions, as well as by the expansion of volumes in the Europe, Latin America/Africa/Middle East and North America regions. **EBIT** rose by a significant 20.8% to €441 million. **EBITDA** before special items climbed substantially to €717 million.

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011		
	€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy
HealthCare	**1,599**	**1,592**	**−0.4**	**−0.3**	**1,205**	**1,062**	**−11.9**	**−1.2**
Pharmaceuticals	1,033	991	−4.1	−4.1	617	519	−15.9	−5.9
Consumer Health	566	601	+6.2	+6.5	588	543	−7.7	+3.8
CropScience	**737**	**777**	**+5.4**	**+6.4**	**494**	**535**	**+8.3**	**+19.2**
MaterialScience	**1,000**	**1,169**	**+16.9**	**+17.0**	**575**	**537**	**−6.6**	**+5.2**
Group (incl. reconciliation)	**3,598**	**3,827**	**+6.4**	**+6.6**	**2,276**	**2,135**	**−6.2**	**+4.8**
	1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011		
HealthCare	**3,122**	**3,188**	**+2.1**	**+1.6**	**2,339**	**2,138**	**−8.6**	**−3.9**
Pharmaceuticals	2,014	1,987	−1.3	−1.8	1,304	1,083	−16.9	−13.0
Consumer Health	1,108	1,201	+8.4	+7.9	1,035	1,055	+1.9	+7.6
CropScience	**1,655**	**1,779**	**+7.5**	**+7.8**	**1,021**	**1,205**	**+18.0**	**+21.3**
MaterialScience	**1,878**	**2,289**	**+21.9**	**+21.9**	**1,011**	**1,048**	**+3.7**	**+9.7**
Group (incl. reconciliation)	**7,165**	**7,815**	**+9.1**	**+8.9**	**4,374**	**4,393**	**+0.4**	**+5.1**

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

[Table 10]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011		
	€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy
	845	**878**	**+3.9**	**+7.0**	**656**	**676**	**+3.0**	**+7.4**	**4,305**	**4,208**	**−2.3**	**+2.1**
	686	716	+4.4	+7.3	412	440	+6.8	+10.0	2,748	2,666	−3.0	+0.5
	159	162	+1.9	+5.4	244	236	−3.3	+3.1	1,557	1,542	−1.0	+4.9
	343	**334**	**−2.6**	**+3.7**	**310**	**297**	**−4.2**	**+4.5**	**1,884**	**1,943**	**+3.1**	**+8.9**
	773	**712**	**−7.9**	**−0.6**	**341**	**364**	**+6.7**	**+10.1**	**2,689**	**2,782**	**+3.5**	**+8.5**
	1,982	**1,935**	**−2.4**	**+2.9**	**1,323**	**1,355**	**+2.4**	**+7.6**	**9,179**	**9,252**	**+0.8**	**+5.5**
	1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011		
	1,512	**1,728**	**+14.3**	**+11.6**	**1,201**	**1,320**	**+9.9**	**+9.6**	**8,174**	**8,374**	**+2.4**	**+3.1**
	1,213	1,400	+15.4	+12.6	748	845	+13.0	+11.8	5,279	5,315	+0.7	+0.7
	299	328	+9.7	+8.0	453	475	+4.9	+5.9	2,895	3,059	+5.7	+7.5
	583	**603**	**+3.4**	**+4.7**	**577**	**613**	**+6.2**	**+10.0**	**3,836**	**4,200**	**+9.5**	**+11.3**
	1,390	**1,424**	**+2.4**	**+4.5**	**626**	**707**	**+12.9**	**+12.3**	**4,905**	**5,468**	**+11.5**	**+13.2**
	3,521	**3,785**	**+7.5**	**+7.4**	**2,435**	**2,674**	**+9.8**	**+10.4**	**17,495**	**18,667**	**+6.7**	**+7.9**

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments fell by 5.7% in the first half of 2011 to €1,351 million (H1 2010: €1,433 million), comprising €698 million (H1 2010: €832 million) in amortization and impairments of intangible assets and €653 million (H1 2010: €601 million) in depreciation and impairments of property, plant and equipment. Included here were impairments of €107 million (H1 2010: €143 million), of which €16 million (H1 2010: €11 million) did not constitute special items.

Special Items Reconciliation [Table 11]

	EBIT* 2nd Quarter 2010	EBIT* 2nd Quarter 2011	EBIT* 1st Half 2010	EBIT* 1st Half 2011	EBITDA** 2nd Quarter 2010	EBITDA** 2nd Quarter 2011	EBITDA** 1st Half 2010	EBITDA** 1st Half 2011
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**1,011**	**1,273**	**2,115**	**2,421**	**1,800**	**1,906**	**3,548**	**3,772**
HealthCare	**189**	**51**	**218**	**88**	**57**	**51**	**86**	**88**
Impairments and write-downs	132	-	132	-	-	-	-	-
Restructuring	-	70	-	107	-	70	-	107
Litigations	57	-	86	-	57	-	86	-
Change to pension valuation parameters	-	(19)	-	(19)	-	(19)	-	(19)
CropScience	**66**	**81**	**114**	**486**	**66**	**66**	**114**	**395**
Restructuring	-	95	-	306	-	80	-	215
Litigations	66	-	114	194	66	-	114	194
Change to pension valuation parameters	-	(14)	-	(14)	-	(14)	-	(14)
MaterialScience	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reconciliation	**-**	**12**	**-**	**12**	**-**	**12**	**-**	**12**
Restructuring	-	14	-	14	-	14	-	14
Change to pension valuation parameters	-	(2)	-	(2)	-	(2)	-	(2)
Total special items	**255**	**144**	**332**	**586**	**123**	**129**	**200**	**495**
Before special items	**1,266**	**1,417**	**2,447**	**3,007**	**1,923**	**2,035**	**3,748**	**4,267**

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

7. Core Earnings Per Share

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To enhance comparability, we also determine core net income after eliminating amortization and impairments of intangible assets, impairments of property, plant and equipment, and special items in EBITDA including the related tax effects.

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the second quarter of 2011 amounted to €1.29 (Q2 2010: €1.16).

Core Earnings per Share [Table 12]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
EBIT as per income statements	**1,011**	**1,273**	**2,115**	**2,421**
Amortization and impairment losses on intangible assets	480	332	832	698
Impairment losses on property, plant and equipment	8	14	9	69
Special items (other than impairment losses)	123	129	200	495
Core EBIT	**1,622**	**1,748**	**3,156**	**3,683**
Non-operating result (as per income statements)	(261)	(171)	(505)	(384)
Income taxes (as per income statements)	(221)	(356)	(449)	(608)
Tax effects related to impairments and special items	(183)	(153)	(312)	(424)
Income after taxes attributable to non-controlling interest (as per income statements)	1	1	-	2
Core net income	**958**	**1,069**	**1,890**	**2,269**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.16**	**1.29**	**2.29**	**2.74**

2010 figures restated

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 13]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,292**	**1,532**	**2,470**	**2,841**
Changes in working capital/other non-cash items	253	(2)	(193)	(510)
Net cash provided by (used in) operating activities (net cash flow)	**1,545**	**1,530**	**2,277**	**2,331**
Net cash provided by (used in) investing activities	**(427)**	**(965)**	**(739)**	**(1,540)**
Net cash provided by (used in) financing activities	**(1,613)**	**(1,443)**	**(1,729)**	**(1,759)**
Change in cash and cash equivalents due to business activities	**(495)**	**(878)**	**(191)**	**(968)**
Cash and cash equivalents at beginning of period	**3,041**	**2,686**	**2,725**	**2,840**
Change due to exchange rate movements and to changes in scope of consolidation	5	(11)	17	(75)
Cash and cash equivalents at end of period	**2,551**	**1,797**	**2,551**	**1,797**

2010 figures restated

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

OPERATING CASH FLOW

Gross cash flow in the **second quarter of 2011** was up by 18.6% from the prior-year period to €1,532 million, largely because of the improvement in operating result. While CropScience significantly raised gross cash flow, it remained nearly level at MaterialScience and HealthCare. Cash tied up in working capital remained unchanged in the second quarter of 2011, compared to a decrease of about €250 million in the same period of the previous year. Net cash flow of the Bayer Group thus came in at the prior-year level, at €1,530 million, and reflected income tax payments of €296 million (Q2 2010: €319 million).

Gross cash flow in the **first half of 2011** rose by 15.0% to €2,841 million, due mainly to the higher operating result. Net cash flow climbed by 2.4% to €2,331 million. This figure contains income tax payments of €520 million (H1 2010: €493 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the **second quarter of 2011** was €965 million. Cash outflows for property, plant and equipment and intangible assets were 18.4% lower at €298 million (Q2 2010: €365 million). Of this figure, HealthCare accounted for €101 million (Q2 2010: €129 million), CropScience for €52 million (Q2 2010: €69 million) and MaterialScience for €117 million (Q2 2010: €141 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. Outflows for acquisitions of €43 million (Q2 2010: €1 million) related mainly to the purchase of the seed company Hornbeck, United States. Cash outflows for noncurrent and current financial assets amounted to €677 million (Q2 2010: €109 million). Among the cash inflow items in the second quarter of 2011 was €14 million (Q2 2010: €12 million) in interest and dividends received.

Net cash outflow for investing activities in the **first half of 2011** totaled €1,540 million. Cash outflows for additions to property, plant and equipment and intangible assets declined 9.9% to €536 million (H1 2010: €595 million). Of this figure, HealthCare accounted for €170 million (H1 2010: €198 million), CropScience for €99 million (H1 2010: €107 million) and MaterialScience for €218 million (H1 2010: €247 million). The €148 million (H1 2010: €17 million) in outflows for acquisitions related mainly to the purchase of the animal health company Bomac, New Zealand, and Hornbeck, United States. Cash outflows for noncurrent and current financial assets amounted to €1,001 million (H1 2010: €226 million). Among the cash inflow items in the first six months of 2011 were €52 million (H1 2010: €41 million) in inflows from divestitures and €28 million (H1 2010: €33 million) in interest and dividends received.

FINANCING CASH FLOW

Net cash outflow for financing activities in the **second quarter of 2011** amounted to €1,443 million. It included net loan repayments of €21 million (Q2 2010: €250 million). Net interest payments were 12.2% lower at €180 million (Q2 2010: €205 million). There was a €1,241 million outflow for "dividend payments and withholding tax on dividends" (Q2 2010: €1,158 million).

Net cash outflow for financing activities in the **first half of 2011** amounted to €1,759 million. This figure included net loan repayments of €235 million (H1 2010: €280 million). Net interest payments were 3.1% lower at €281 million (H1 2010: €290 million). There was a €1,241 million outflow for "dividend payments and withholding tax on dividends" (H1 2010: €1,158 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2010	March 31, 2011	June 30, 2011
	€ million	€ million	€ million
Bonds and notes/promissory notes	8,209	7,860	7,681
of which hybrid bond	1,303	1,271	1,293
Liabilities to banks	2,271	2,185	2,395
Liabilities under finance leases	562	529	521
Liabilities from derivatives	529	393	343
Other financial liabilities	196	189	179
Positive fair values of hedges of recorded transactions	(331)	(436)	(373)
Financial debt	**11,436**	**10,720**	**10,746**
Cash and cash equivalents	(2,840)	(2,686)	(1,797)
Current financial assets	(679)	(932)	(1,551)
Net financial debt	**7,917**	**7,102**	**7,398**

Net financial debt of the Bayer Group increased by 4.2% to €7.4 billion as of June 30, 2011. High cash inflows from operating activities partly offset the outflows for the dividend payment, variable compensation to our employees and interest payments. Financial debt included the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined in the second quarter of 2011 from €9.9 billion to €7.3 billion. At the same time, current financial liabilities increased from €1.9 billion to €3.9 billion. This was chiefly due to the reclassification of the bond issued by Bayer AG in 2002 with a nominal value of €2 billion, which will mature in April 2012.

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

NET PENSION LIABILITY

Net Pension Liability [Table 15]

	Dec. 31, 2010	March 31, 2011	June 30, 2011
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,305	6,705	6,813
Benefit plan assets in excess of obligation	(76)	(74)	(94)
Net pension liability	**7,229**	**6,631**	**6,719**

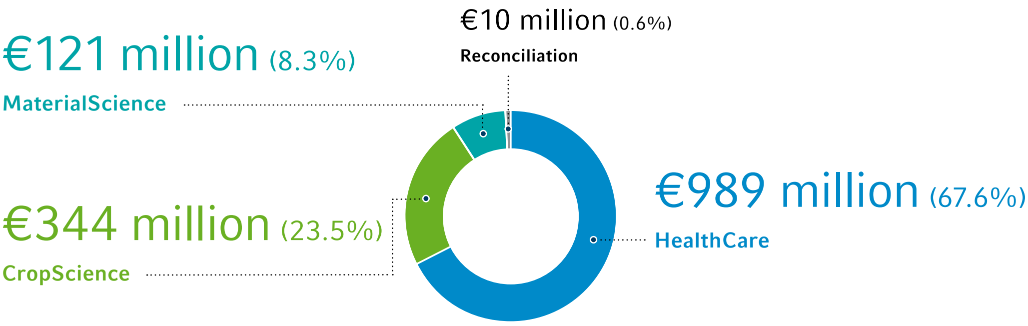
The net pension liability edged forward from €6.6 billion to €6.7 billion in the second quarter of 2011, due especially to lower long-term capital market interest rates.

9. Growth and Innovation

Innovation and the development of new markets drive the company's growth. Bayer has the necessary research and development resources to steadily add to its product portfolio, optimize production processes and expand capacities in the emerging markets. We plan to invest a total of €15 billion in our company's future through 2013, with research and development accounting for two thirds of this amount and capital expenditures for one third.

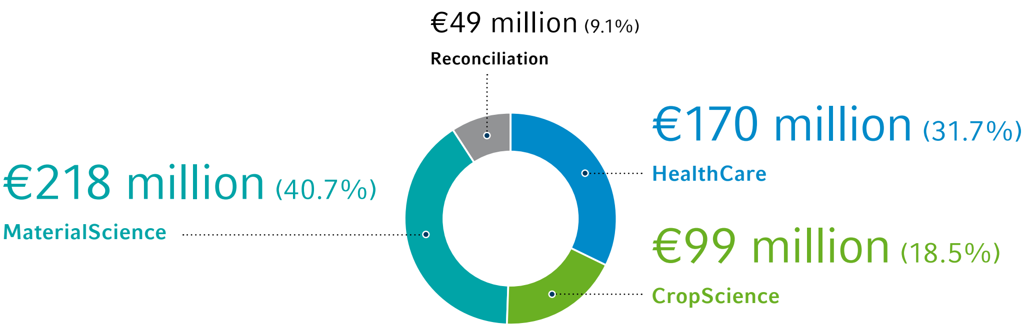
We spent €1,464 million on research and development in the first half of 2011, including €727 million in the second quarter. Capital expenditures for property, plant and equipment and intangible assets totaled €536 million in the first half of 2011, including €298 million in the second quarter.

Investments* in Research and Development by Subgroup
1st Half 2011 (subgroups' shares in parentheses) [Graphic 16]



* as per income statement

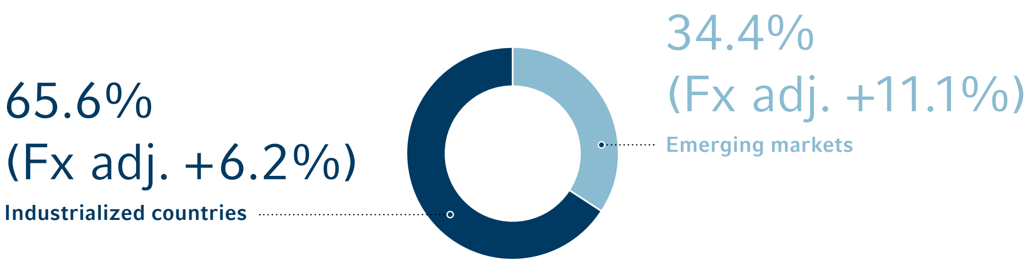
Capital Expenditures by Subgroup
1st Half 2011 (subgroups' shares in parentheses) [Graphic 17]



The emerging markets contributed significantly to sales growth in the first half of 2011. For reporting purposes we have defined these markets as the Asia/Pacific region (excluding Japan, Australia and New Zealand), Latin America, Eastern Europe, Africa and the Middle East.

Our sales in these emerging markets advanced by 11.1% (Fx adj.) in the first half of 2011 to €6,415 million, of which the second quarter accounted for €3,297 million (Fx adj. +6.9%). Growth in the second quarter was strongest in Eastern Europe and Asia.

Proportions of Sales in the Industrialized Countries and the Emerging Markets
1st Half 2011 (Fx adj. in parentheses) [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first half of 2011 we invested €989 million in research and development at HealthCare, including €481 million in the second quarter. We have made further progress with our research and development pipeline during the year. (The following description does not include ongoing activities already described in the Annual Report 2010.)

The most important drug candidates currently in the registration process are:

Products in Registration [Table 16]

	Indication
Qlaira™/Natazia™ (E2V/DNG)	U.S.A., treatment of heavy and/or prolonged menstrual bleeding
Valette™ Plus	E.U., oral contraception, combination product with folate
VEGF Trap-Eye	Wet age-related macular degeneration
Xarelto™	Stroke prevention in atrial fibrillation
Xarelto™	E.U., treatment and prevention of deep vein thrombosis
YAZ™ Flex	E.U., oral contraception, flexible dosage regimen

The following table shows our most important drug candidates currently in Phase III or II of clinical testing:

Research and Development Projects (Phases III and II)* [Table 17]

	Indication	Status
Alemtuzumab	Multiple sclerosis	Phase III
ATX-101	Reduction of submental fat	Phase III
FC Patch low	Contraception	Phase III
Florbetaben	PET imaging in diagnosis of Alzheimer's disease	Phase III
Gadovist™	Magnetic resonance imaging	Phase III
LCS (ULD LNG contraceptive system)	Contraception	Phase III
Nexavar™	Breast cancer	Phase III
Nexavar™	Thyroid cancer	Phase III
Nexavar™	Non-small-cell lung cancer	Phase III
Regorafenib (DAST inhibitor)	Treatment of metastatic or inoperable gastrointestinal stromal tumors	Phase III
Regorafenib (DAST inhibitor)	Colon cancer	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (CTEPH)	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (PAH)	Phase III

Research and Development Projects (Phases III and II)*

[Table 17 (continued)]

	Indication	Status
Xarelto™	Treatment and secondary prevention of venous thromboembolism	Phase III
Xarelto™	Secondary prevention of acute coronary syndrome/ myocardial infarction	Phase III
Vaginorm™	Vulvovaginal atrophy and female sexual dysfunction (FSD)	Phase III
VEGF Trap-Eye	Diabetic macular edema	Phase III
VEGF Trap-Eye	Abnormal retinal angiogenesis following pathological myopia	Phase III
VEGF Trap-Eye	Central retinal vein occlusion	Phase III
Alpharadin™	Treatment of bone metastases in breast cancer	Phase II
Amikacin Inhale	Pulmonary infection	Phase II
BAY 60-4552/Vardenafil	Erectile dysfunction	Phase II
Ciprofloxacin Inhale	Pulmonary infection	Phase II
Mapracorat (ZK 245186, SEGRA)	Atopic dermatitis	Phase II
MEK inhibitor	Cancer	Phase II
MR antagonist (BAY94-8862)	Chronic heart failure	Phase II
Nexavar™	Colon cancer, combination therapy	Phase II
Nexavar™	Ovarian cancer	Phase II
Nexavar™	Additional indications	Phase II
Regorafenib	Cancer	Phase II
Riociguat (sGC stimulator)	Pulmonary hypertension	Phase II

*as of July 18, 2011
PET = Positron emission tomography; CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite FDA, European Medicines Agency (EMA) or other regulatory approval will not be granted for these compounds.

In April 2011, we submitted a registration application to the Japanese health ministry for our anticoagulant Xarelto™ for stroke prevention in patients with atrial fibrillation.

In a Phase III study (MAGELLAN study) presented in April 2011 on the prevention of venous thromboembolism in hospitalized patients with acute medical illness, Xarelto™ achieved the primary efficacy endpoints. In the first evaluation, however, a consistently positive benefit-risk balance was not seen across the heterogeneous, acutely ill patient population studied. Further analysis is required to identify which patients may derive benefit from thromboprophylaxis with Xarelto™.

In May 2011, a subgroup analysis of the ROCKET AF Phase III clinical study confirmed that Xarelto™ is highly effective in the prevention of recurrent strokes in patients with atrial fibrillation who have experienced a prior stroke or transient ischemic attack.

At the beginning of July 2011, the U.S. Food and Drug Administration (FDA) approved Xarelto™ for the prevention of deep vein thrombosis (DVT) in people undergoing knee or hip replacement surgery.

Together with our cooperation partner Regeneron Pharmaceuticals, Inc., United States, we launched the first of two Phase III studies with the clinical development product VEGF Trap-Eye in patients with diabetic macular edema (DME) in April 2011. VEGF Trap-Eye also demonstrated positive results in a second Phase III study in patients with macular edema due to central retinal vein occlusion.

In addition, in June 2011 we filed with the European Medicines Agency (EMA) and the Japanese health ministry for registration of VEGF Trap-Eye to treat wet age-related macular degeneration (AMD).

In a Phase III study, Alpharadin™ – the cancer drug we are jointly developing with Algeta ASA, Norway – demonstrated a significant improvement in overall survival in patients with castration-resistant prostate cancer and bone metastases. With the positive efficacy data, the study met its primary endpoint and was concluded ahead of schedule in June 2011. We are now evaluating the filing strategy for Alpharadin™ based on the recommendation of the Independent Data Monitoring Committee (IDMC) that this study be concluded ahead of schedule.

In May 2011, the cancer drug Nexavar™, developed in cooperation with Onyx Pharmaceuticals, Inc., United States, also achieved positive study results in breast cancer. In a Phase IIb study in patients with locally advanced or metastatic breast cancer, Nexavar™ in combination with chemotherapy (gemcitabine or capecitabine) showed statistically significant improvements in progression-free survival and time-to-progression.

In May 2011, the U.S. Food and Drug Administration (FDA) granted fast-track designation to regorafenib for the therapy of metastatic and/or inoperable gastrointestinal stromal tumors.

May 2011 also saw the presentation of a successful Phase II study with riociguat in pulmonary hypertension owing to chronic obstructive pulmonary disease (COPD).

The U.S. Food and Drug Administration (FDA) granted marketing authorization in March 2011 for Gadavist™ as a contrast agent for magnetic resonance imaging of the central nervous system. Gadavist™ is known under the brand name Gadovist™ outside the United States and is marketed in more than 60 countries worldwide.

In April 2011, we received marketing authorization from the European Commission for the companion animal products Veraflox™ (active ingredient: pradofloxacin) and Procox™ (active ingredients: emodepside and toltrazuril). Veraflox™ is the first next-generation fluoroquinolone antibiotic for the treatment of bacterial infections in cats and dogs. Procox™ is the first combination treatment for roundworm and coccidia in dogs.

In May 2011, we launched Advanced Aspirin™, an especially fast-acting new formulation of our analgesic, in the United States.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In January 2011, Bayer acquired the New Zealand company Bomac, which offers a wide range of animal health products for the livestock sector. We plan to introduce the products outside of Australia and New Zealand, particularly in emerging markets.

In February 2011, we formed the joint venture Bayer Zydus Pharma in India together with the Indian company Zydus Cadila. With this sales and marketing company, we aim to greatly strengthen our presence in India's rapidly expanding pharmaceutical market. We hold 50% of the shares of Bayer Zydus Pharma.

In 2011, we plan to invest €44 million in new research and production facilities at the Wuppertal site. These capital expenditures will include the expansion of production capacities for Xarelto™ and Glucobay™.

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 11.8% (Fx adj.) in the first half of 2011 to €2,619 million, including €1,334 million (Fx adj. +8.5%) in the second quarter. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 24.4% (Fx adj.) through increased marketing activities, especially the expansion of our distribution network. Business also increased considerably in Russia following a weak prior-year quarter. The emerging markets' share of total HealthCare sales in the first half and the second quarter of 2011 was 31.3% and 31.7%, respectively.

9.2 CropScience

RESEARCH AND DEVELOPMENT

In the first half of 2011 we invested €344 million in research and development at CropScience, including €178 million in the second quarter.

The active ingredient pipeline of Crop Protection currently comprises nine developmental projects, seven of which are at an advanced stage and two at an early stage of development. About 35 more projects are in the research phase.

In addition, we expect to launch 18 new products of our BioScience business group in the period 2010 through 2016.

We achieved significant progress with our innovation and growth projects in the first half of 2011.

At the start of the current season, we launched cotton seed with our proprietary glyphosate tolerance trait on the U.S. market.

The spring of 2011 also saw the successful market introduction of new crop protection products. For example, we launched the Xpro™ family of fungicides – effective against a broad spectrum of fungal diseases in cereals – in Germany and the United Kingdom, two of Europe's major wheat-growing countries. Our new seed treatment Poncho™/Votivo™ was used in corn for the first time in the United States. This addition to our conventional portfolio is effective against nematodes – threadworms that live in the soil.

In April 2011, we received marketing authorization for the herbicide Alion™ from the U.S. Environmental Protection Agency. Alion™ controls a broad spectrum of weeds and is primarily used in perennial crops such as citrus, tree nuts, grapes, and pome and stone fruit.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In April 2011, we acquired U.S.-based Hornbeck Seed Company, Inc., which supplies soybean, rice and wheat varieties and has an in-house soybean breeding program.

Also in April 2011, we signed a global license agreement with the U.S. company DuPont concerning a herbicide tolerance trait for canola.

In June 2011, we signed a license and cooperation agreement with RAGT Semences S.A.S., France, under which RAGT grants us access to winter wheat germplasm and associated molecular markers.

EMERGING MARKETS

In the emerging markets, CropScience grew sales by 11.5% (Fx adj.) in the first half of 2011 to €1,459 million, including second-quarter sales of €778 million (Fx adj. +7.4%). We registered the strongest growth in Eastern Europe, especially Russia and Ukraine. This was attributable to favorable weather conditions that mainly benefited product sales for sugar beet and corn. Our business also continued to expand in Latin America, particularly in Brazil and Argentina. Sales growth in Asia was driven by India, while business declined in China due to the drought. The emerging markets' share of total CropScience sales in the first half and the second quarter of 2011 was 34.7% and 40.0%, respectively.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €121 million on research and development (not including joint development activities with customers) in the first half of 2011, including €62 million in the second quarter. This investment went mainly to explore new areas of application and improve process technologies and products.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

MaterialScience continuously invests in new production capacities to safeguard its competitive position.

For example, MaterialScience plans to greatly expand the production of isocyanates – raw materials for foams and coatings – in Europe and Asia. At the site in Brunsbüttel, Germany, it intends to enlarge a facility for diphenylmethane diisocyanate (MDI), a key precursor for rigid polyurethane foam. At a cost of some €100 million, the annual capacity is to be more than doubled to 420,000 tons by 2015/2016.

The manufacture of toluene diisocyanate (TDI) – one of the main raw materials for flexible polyurethane foam – is to be discontinued in Brunsbüttel and the entire European production consolidated at the site in Dormagen, Germany. MaterialScience plans to construct a new large-scale TDI facility in Dormagen with a capacity of 300,000 tons per year at a cost of about €150 million. It is planned to bring this facility on stream in 2014. Applications for the necessary approvals have already been submitted to the authorities.

At the site in Caojing near Shanghai, China, MaterialScience plans to invest €65 million in the construction of a new production facility for the coating raw material isophorone diisocyanate (IPDI). Production is due to start in 2015. The project is part of an extensive program of further expansion planned in China in which roughly €1 billion will be invested.

At the U.S. site in Baytown, Texas, MaterialScience plans to invest some US$120 million in the coming years, mainly to improve process technologies and energy efficiencies at the facilities for MDI, TDI and the high-tech plastic polycarbonate (PC) and increase the capacity of the MDI facility.

At the site in Krefeld, Germany, MaterialScience plans to increase polycarbonate production capacity in stages by a total of 70,000 tons over the next four years, bringing it to 400,000 tons. This project has a volume of €90 million.

EMERGING MARKETS

In the emerging markets, MaterialScience improved sales by 10.5% (Fx adj.) in the first half of 2011 to €2,277 million, including €1,158 million (Fx adj. +5.6%) in the second quarter. We registered the strongest growth in Eastern Europe, especially Poland, the Czech Republic and Russia. Business in the Latin America/Africa/Middle East region also developed well, with substantial sales growth in Turkey and Mexico. Growth rates varied within the Asia/Pacific region. In China sales fell slightly compared to the strong prior-year period. However, business in the other Asian countries continued to trend positively, with the strongest sales growth recorded in Thailand and India. The emerging markets' share of MaterialScience sales in both the first half and the second quarter of 2011 was 41.6%.

MaterialScience has been participating in Asia/Pacific's dynamic growth for many years, investing billions of euros in the region.

10. Employees

On June 30, 2011, the Bayer Group employed 113,400 people worldwide, compared with 111,400 six months earlier. The number of employees thus showed a small increase of 1.8%.

HealthCare employed 56,400 people. The increase compared with the end of 2010 (December 31, 2010: 55,700) resulted from the first-time inclusion of the employees of Bomac, New Zealand, and from continued expansion particularly in China. The number of employees at CropScience increased to 21,700 for seasonal reasons (December 31, 2010: 20,700). The size of the workforce at MaterialScience increased by 2.0% to 15,000 (December 31, 2010: 14,700), due particularly to the expansion of our activities in the emerging markets. The remaining 20,300 employees worked mainly for the service companies.

Personnel expenses rose by 8.7% in the second quarter of 2011 to €2,206 million (Q2 2010: €2,029 million). This increase was largely attributable to higher provisions for restructuring and provisions for variable employee compensation.

11. Opportunities and Risks

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

A risk management system is in place. Apart from financial risks, there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2010 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 51 f. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2010 on pages 122 – 131 and 241 – 247. The Bayer Annual Report 2010 can be downloaded free of charge at www.bayer.com.

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

12. Events After the Reporting Period

YASMIN™, YASMINELLE™ AND YAZ™

In July 2011, a board of appeal of the European Patent Office revoked a formulation patent for Yasmin™, Yasminelle™ and YAZ™. Hexal Pharmaforschung GmbH filed an opposition to Bayer's patent in 2004, but this was rejected by an opposition division of the European Patent Office in 2006. Hexal appealed this decision. Bayer will await and examine the authority's written statement explaining the grounds for its decision before deciding on further legal steps. Bayer is confident that it can maintain its leading position in the field of women's healthcare in Europe despite this decision by the board of appeal, although the company assumes the revocation of the patent could have negative effects on the sales and earnings of HealthCare.

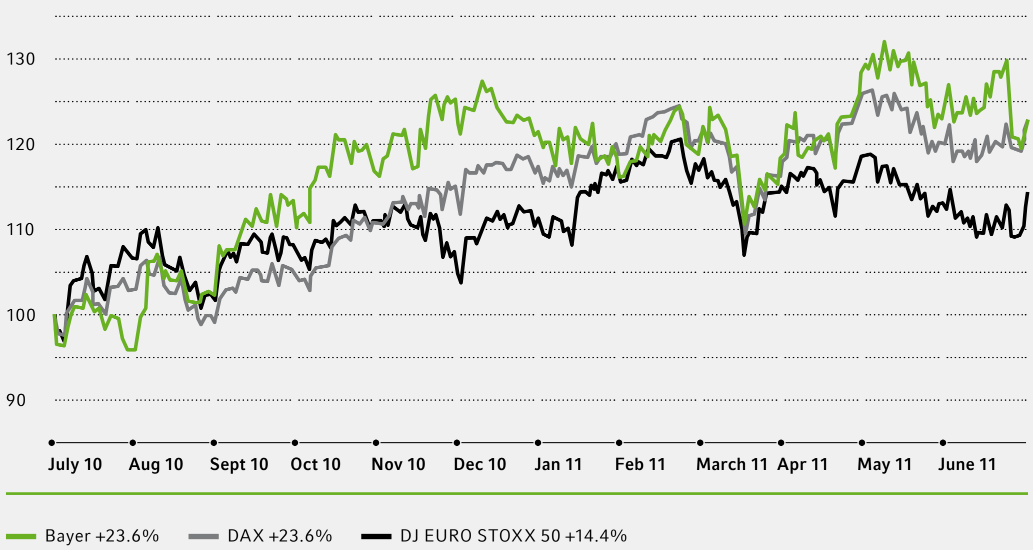
PROCEEDINGS INVOLVING GENETICALLY MODIFIED RICE (LL RICE)

Without acknowledging liability, Bayer in July 2011 reached settlement agreements with two groups of attorneys representing U.S. long-grain rice growers in the litigation concerning genetically modified rice (LL RICE). Under these agreements, Bayer will pay in total up to US$750 million to resolve claims submitted by growers. Bayer has established appropriate provisions for these payments. The settlements are contingent on the participation of a sufficient number of growers to represent 85% of U.S. long-grain rice acreage during the pertinent time frame. Bayer believes the future outflows will affect the company's financial position. Further details are explained in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 51 f. under "Legal Risks."

Investor Information

Performance of Bayer Stock over the Past Twelve Months **[Graphic 19]**

indexed; 100 = Xetra closing price on June 30, 2010 (source: Bloomberg)



Including the dividend of €1.50 per share paid on May 2, 2011, the second-quarter performance of Bayer stock came to 4.1%.

With a closing price of €55.44 on June 30, 2011, the stock's performance trended 2.8% up on the end of 2010, also taking account of the dividend payment as stated above. The capital market trends were likewise positive over this period. While the DAX gained 6.7% in the first half, closing at 7,376 points, the European reference index EURO STOXX 50 (performance index) climbed by 4.6% since the beginning of the year, closing the second quarter at 4,776 points.

Bayer Stock Data [Table 18]

		2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
High for the period	€	52.06	59.35	56.40	59.35
Low for the period	€	44.17	53.70	44.17	51.17
Average daily trading volume	million	5.3	3.7	4.3	3.4
		June 30, 2010	June 30, 2011	Dec. 31, 2010	Change June 30, 2011/ Dec. 31, 2010 %
Share price	€	46.00	55.44	55.30	+0.3
Market capitalization	€ million	38,040	45,846	45,730	+0.3
Equity as per statements of financial position	€ million	18,859	18,920	18,896	+0.1
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		5,966	7,376	6,914	+6.7

2010 figures restated
Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2011

Bayer Group Consolidated Income Statements

[Table 19]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Net sales	**9,179**	**9,252**	**17,495**	**18,667**
Cost of goods sold	(4,458)	(4,518)	(8,461)	(8,955)
Gross profit	**4,721**	**4,734**	**9,034**	**9,712**
Selling expenses	(2,258)	(2,230)	(4,224)	(4,377)
Research and development expenses	(747)	(727)	(1,464)	(1,464)
General administration expenses	(434)	(427)	(839)	(851)
Other operating income	172	226	206	481
Other operating expenses	(443)	(303)	(598)	(1,080)
Operating result [EBIT]	**1,011**	**1,273**	**2,115**	**2,421**
Equity-method loss	(12)	(10)	(32)	(21)
Non-operating income	160	185	315	234
Non-operating expenses	(409)	(346)	(788)	(597)
Non-operating result	**(261)**	**(171)**	**(505)**	**(384)**
Income before income taxes	**750**	**1,102**	**1,610**	**2,037**
Income taxes	(221)	(356)	(449)	(608)
Income after taxes	**529**	**746**	**1,161**	**1,429**
of which attributable to non-controlling interest	(1)	(1)	-	(2)
of which attributable to Bayer AG stockholders (net income)	**530**	**747**	**1,161**	**1,431**
	€	€	€	€
Earnings per share				
Basic	0.64	0.90	1.40	1.73
Diluted	0.64	0.90	1.40	1.73

2010 figures restated

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Income after taxes	**529**	**746**	**1,161**	**1,429**
of which attributable to non-controlling interest	*(1)*	*(1)*	*-*	*(2)*
of which attributable to Bayer AG stockholders	*530*	*747*	*1,161*	*1,431*
Changes in fair values of derivatives designated as cash flow hedges	(198)	(5)	(353)	145
Recognized in profit or loss	5	(15)	1	21
Income taxes	57	6	107	(50)
Changes recognized outside profit or loss (cash flow hedges)	**(136)**	**(14)**	**(245)**	**116**
Changes in fair values of available-for-sale financial assets	(9)	(1)	(8)	(1)
Recognized in profit or loss	-	(1)	-	(1)
Income taxes	3	-	2	-
Changes recognized outside profit or loss (available-for-sale financial assets)	**(6)**	**(2)**	**(6)**	**(2)**
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	(651)	(142)	(1,158)	319
Income taxes	226	46	337	(104)
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)	**(425)**	**(96)**	**(821)**	**215**
Exchange differences on translation of operations outside the eurozone	573	(126)	1,044	(489)
Recognized in profit or loss	3	-	3	-
Changes recognized outside profit or loss (exchange differences)	**576**	**(126)**	**1,047**	**(489)**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**5**	**2**	**15**	**(5)**
Effects of changes in scope of consolidation	**-**	**-**	**-**	**-**
Total changes recognized outside profit or loss	**14**	**(236)**	**(10)**	**(165)**
of which attributable to non-controlling interest	*5*	*(2)*	*9*	*(7)*
of which attributable to Bayer AG stockholders	*9*	*(234)*	*(19)*	*(158)*
Total comprehensive income	**543**	**510**	**1,151**	**1,264**
of which attributable to non-controlling interest	*4*	*(3)*	*9*	*(9)*
of which attributable to Bayer AG stockholders	*539*	*513*	*1,142*	*1,273*

2010 figures restated

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	June 30, 2010	June 30, 2011	Dec. 31, 2010
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,207	8,865	9,002
Other intangible assets	12,514	10,513	11,161
Property, plant and equipment	10,118	9,255	9,835
Investments accounted for using the equity method	398	315	354
Other financial assets	1,332	1,096	1,164
Other receivables	556	462	498
Deferred taxes	1,569	1,075	1,174
	35,694	**31,581**	**33,188**
Current assets			
Inventories	6,537	6,219	6,104
Trade accounts receivable	7,603	7,502	6,668
Other financial assets	234	2,045	1,008
Other receivables	1,617	1,516	1,336
Claims for income tax refunds	296	380	362
Cash and cash equivalents	2,551	1,797	2,840
Assets held for sale	-	15	-
	18,838	**19,474**	**18,318**
Total assets	**54,532**	**51,055**	**51,506**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	10,516	10,581	10,549
Equity attributable to Bayer AG stockholders	**18,800**	**18,865**	**18,833**
Equity attributable to non-controlling interest	59	55	63
	18,859	**18,920**	**18,896**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,839	6,813	7,305
Other provisions	1,547	1,673	1,478
Financial liabilities	11,041	7,251	9,944
Other liabilities	524	510	471
Deferred taxes	2,895	2,619	2,577
	23,846	**18,866**	**21,775**
Current liabilities			
Other provisions	3,956	4,434	3,870
Financial liabilities	2,788	3,888	1,889
Trade accounts payable	3,164	3,497	3,497
Income tax liabilities	48	35	62
Other liabilities	1,871	1,415	1,517
	11,827	**13,269**	**10,835**
Total equity and liabilities	**54,532**	**51,055**	**51,506**

2010 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Income after taxes	529	746	1,161	1,429
Income taxes	221	356	449	608
Non-operating result	261	171	505	384
Income taxes paid or accrued	(400)	(259)	(819)	(675)
Depreciation, amortization and impairments	789	633	1,433	1,351
Change in pension provisions	(89)	(112)	(234)	(250)
(Gains) losses on retirements of noncurrent assets	(19)	(3)	(25)	(6)
Gross cash flow	**1,292**	**1,532**	**2,470**	**2,841**
Decrease (increase) in inventories	189	(152)	70	(332)
Decrease (increase) in trade accounts receivable	221	128	(899)	(1,071)
(Decrease) increase in trade accounts payable	1	212	200	74
Changes in other working capital, other non-cash items	(158)	(190)	436	819
Net cash provided by (used in) operating activities (net cash flow)	**1,545**	**1,530**	**2,277**	**2,331**
Cash outflows for additions to property, plant, equipment and intangible assets	(365)	(298)	(595)	(536)
Cash inflows from sales of property, plant, equipment and other assets	12	15	25	65
Cash inflows from divestitures	24	24	41	52
Cash inflows from (outflows for) noncurrent financial assets	(133)	(50)	(243)	(70)
Cash outflows for acquisitions less acquired cash	(1)	(43)	(17)	(148)
Interest and dividends received	12	14	33	28
Cash inflows from (outflows for) current financial assets	24	(627)	17	(931)
Net cash provided by (used in) investing activities	**(427)**	**(965)**	**(739)**	**(1,540)**
Dividend payments and withholding tax on dividends	(1,158)	(1,241)	(1,158)	(1,241)
Issuances of debt	374	292	491	458
Retirements of debt	(624)	(313)	(771)	(693)
Interest paid including interest rate swaps	(423)	(363)	(519)	(473)
Interest received from interest rate swaps	218	183	229	192
Cash outflows for the purchase of additional interests in subsidiaries	-	(1)	(1)	(2)
Net cash provided by (used in) financing activities	**(1,613)**	**(1,443)**	**(1,729)**	**(1,759)**
Change in cash and cash equivalents due to business activities	**(495)**	**(878)**	**(191)**	**(968)**
Cash and cash equivalents at beginning of period	**3,041**	**2,686**	**2,725**	**2,840**
Change in cash and cash equivalents due to exchange rate movements	5	(11)	17	(75)
Cash and cash equivalents at end of period	**2,551**	**1,797**	**2,551**	**1,797**

2010 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, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Restatement			(77)	(77)		(77)
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,158)	(1,158)	(1)	(1,159)
Other changes			(4)	(4)	(3)	(7)
Total comprehensive income**			1,142	1,142	9	1,151
June 30, 2010	**2,117**	**6,167**	**10,516**	**18,800**	**59**	**18,859**
Dec. 31, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,240)	(1,240)	(1)	(1,241)
Other changes			(1)	(1)	2	1
Total comprehensive income**			1,273	1,273	(9)	1,264
June 30, 2011	**2,117**	**6,167**	**10,581**	**18,865**	**55**	**18,920**

2010 figures restated
* OCI = Other Comprehensive Income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2011

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external)	2,748	2,666	1,557	1,542
Change	+4.3%	−3.0%	+10.3%	−1.0%
Currency-adjusted change	−0.9%	+0.5%	+4.0%	+4.9%
Intersegment sales	18	20	2	1
Net sales (total)	2,766	2,686	1,559	1,543
Operating result (EBIT)	312	504	283	282
EBIT before special items	501	552	283	285
EBITDA before special items	772	807	350	349
Gross cash flow*	499	513	260	247
Net cash flow*	455	399	211	237
Depreciation, amortization and impairments	403	255	67	64
	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
Net sales (external)	5,279	5,315	2,895	3,059
Change	+1.1%	+0.7%	+8.5%	+5.7%
Currency-adjusted change	−1.2%	+0.7%	+5.4%	+7.5%
Intersegment sales	35	38	5	2
Net sales (total)	5,314	5,353	2,900	3,061
Operating result (EBIT)	771	1,003	484	552
EBIT before special items	989	1,087	484	556
EBITDA before special items	1,531	1,610	614	686
Gross cash flow*	973	1,041	449	487
Net cash flow*	1,047	957	361	460
Depreciation, amortization and impairments	674	523	130	130
Number of employees (as of June 30)**	37,800	38,700	18,000	17,700

2010 figures restated
* For definition see chapter 8 "Financial Position of the Bayer Group."
** Number of employees in full-time equivalents

[Table 24]

CropScience		MaterialScience		Reconciliation					
CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,884	1,943	2,689	2,782	299	318	2	1	9,179	9,252
+1.7%	+3.1%	+46.9%	+3.5%	+6.7%	+6.0%	-	-	+14.6%	+0.8%
−5.3%	+8.9%	+40.5%	+8.5%	+10.2%	+6.2%	-	-	+8.6%	+5.5%
8	5	6	19	495	453	(529)	(498)	-	-
1,892	1,948	2,695	2,801	794	771	(527)	(497)	9,179	9,252
187	272	228	236	47	20	(46)	(41)	1,011	1,273
253	353	228	236	47	32	(46)	(41)	1,266	1,417
380	471	373	372	81	66	(33)	(30)	1,923	2,035
224	304	293	288	36	182	(20)	(2)	1,292	1,532
782	823	62	(15)	107	322	(72)	(236)	1,545	1,530
127	133	145	136	34	34	13	11	789	633
1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
3,836	4,200	4,905	5,468	574	623	6	2	17,495	18,667
−3.4%	+9.5%	+41.5%	+11.5%	+0.3%	+7.8%	-	-	+10.0%	+6.7%
−7.8%	+11.3%	+39.3%	+13.2%	−0.2%	+7.5%	-	-	+7.1%	+7.9%
15	14	12	34	906	883	(973)	(971)	-	-
3,851	4,214	4,917	5,502	1,480	1,506	(967)	(969)	17,495	18,667
547	491	365	441	46	32	(98)	(98)	2,115	2,421
661	977	365	441	46	44	(98)	(98)	2,447	3,007
911	1,216	651	717	111	114	(70)	(76)	3,748	4,267
559	618	513	560	20	170	(44)	(35)	2,470	2,841
517	609	78	136	69	214	205	(45)	2,277	2,331
250	330	286	276	65	70	28	22	1,433	1,351
21,000	21,700	14,500	15,000	19,600	19,600	700	700	111,600	113,400

Key Data by Region

	Europe		North America	
	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,598	3,827	2,276	2,135
Change	+9.3%	+6.4%	+5.1%	−6.2%
Currency-adjusted change	+8.0%	+6.6%	−3.0%	+4.8%
Net sales (external) – by point of origin	4,012	4,274	2,278	2,148
Change	+11.9%	+6.5%	+6.6%	−5.7%
Currency-adjusted change	+10.7%	+6.7%	−1.7%	+5.6%
Interregional sales	1,816	1,745	883	670
Operating result (EBIT)	496	787	260	295
	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
Net sales (external) – by market	7,165	7,815	4,374	4,393
Change	+4.5%	+9.1%	+3.6%	+0.4%
Currency-adjusted change	+3.4%	+8.9%	+0.7%	+5.1%
Net sales (external) – by point of origin	7,902	8,625	4,374	4,425
Change	+6.5%	+9.1%	+4.6%	+1.2%
Currency-adjusted change	+5.5%	+9.0%	+1.7%	+6.0%
Interregional sales	3,619	3,515	1,633	1,413
Operating result (EBIT)	1,307	1,671	383	378
Number of employees (as of June 30) *	54,700	54,700	16,600	16,200

2010 figures restated
* Number of employees in full-time equivalents

[Table 25]

Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,982	1,935	1,323	1,355	-	-	9,179	9,252
+39.0%	−2.4%	+17.7%	+2.4%	-	-	+14.6%	+0.8%
+25.7%	+2.9%	+11.5%	+7.6%	-	-	+8.6%	+5.5%
1,879	1,845	1,010	985	-	-	9,179	9,252
+34.0%	−1.8%	+14.0%	−2.5%	-	-	+14.6%	+0.8%
+20.6%	+3.7%	+6.5%	+3.6%	-	-	+8.6%	+5.5%
116	116	104	101	(2,919)	(2,632)	-	-
255	187	46	45	(46)	(41)	1,011	1,273
1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
3,521	3,785	2,435	2,674	-	-	17,495	18,667
+31.3%	+7.5%	+13.6%	+9.8%	-	-	+10.0%	+6.7%
+24.6%	+7.4%	+10.0%	+10.4%	-	-	+7.1%	+7.9%
3,346	3,608	1,873	2,009	-	-	17,495	18,667
+29.6%	+7.8%	+8.7%	+7.3%	-	-	+10.0%	+6.7%
+22.6%	+7.7%	+4.3%	+7.8%	-	-	+7.1%	+7.9%
200	226	189	204	(5,641)	(5,358)	-	-
415	362	108	108	(98)	(98)	2,115	2,421
23,900	26,200	16,400	16,300	-	-	111,600	113,400

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of June 30, 2011 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2010 fiscal year, particularly with regard to the main recognition and valuation principles.

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

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

Exchange Rates for Major Currencies [Table 26]

		Closing Rate			Average Rate	
1 € /		Dec. 31, 2010	June 30, 2010	June 30, 2011	1st Half 2010	1st Half 2011
ARS	Argentina	5.31	4.82	5.94	5.13	5.67
BRL	Brazil	2.23	2.22	2.28	2.38	2.29
CAD	Canada	1.33	1.29	1.40	1.37	1.37
CHF	Switzerland	1.25	1.33	1.21	1.44	1.27
CNY	China	8.82	8.32	9.34	9.05	9.17
GBP	United Kingdom	0.86	0.82	0.90	0.87	0.87
JPY	Japan	108.65	108.79	116.25	121.29	114.88
MXN	Mexico	16.55	15.74	16.98	16.79	16.68
USD	United States	1.34	1.23	1.45	1.33	1.40

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

Discount Rate for Pension Obligations [Table 27]

	Dec. 31, 2010	March 31, 2011	June 30, 2011
	%	%	%
Germany	4.90	5.20	5.10
United Kingdom	5.45	5.55	5.55
United States	5.20	5.40	5.30

SEGMENT REPORTING

Following the publication of the Consolidated Financial Statements for 2010, the CropScience subgroup was combined within a single reportable segment. This adjustment resulted from organizational changes effected to align Crop Protection and BioScience more closely and integrate steering of these businesses. The operating segments Crop Protection/BioScience and Environmental Science show a similar long-term business performance, have comparable products, production processes, customer industries and distribution channels, and operate in the same regulatory environment; they were therefore combined in a single reportable segment.

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

Reconciliation of Segments' Operating Result to Group Income Before Income Taxes [Table 28]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Operating result of segments	1,057	1,314	2,213	2,519
Operating result of Corporate Center	(46)	(41)	(98)	(98)
Operating result [EBIT]	**1,011**	**1,273**	**2,115**	**2,421**
Non-operating result	(261)	(171)	(505)	(384)
Income before income taxes	**750**	**1,102**	**1,610**	**2,037**

2010 figures restated

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of June 30, 2011, the Bayer Group comprised 303 fully or proportionately consolidated companies (December 31, 2010: 291 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2010: three joint ventures). In addition, four associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates) (December 31, 2010: five associated companies).

Acquisitions and divestitures

Acquisitions

On January 7, 2011, we acquired the New Zealand-based Bomac group, which supplies a broad range of animal health products for the livestock sector. The net purchase price of €73 million pertained mainly to customer relationships and goodwill. Bomac had sales of €19 million in the first half of 2011.

On April 1, 2011, CropScience acquired Hornbeck Seed Company, Inc., United States. Hornbeck supplies soybean, rice and wheat varieties in the southern United States and has an in-house soybean breeding program and a proprietary soybean germplasm. The net purchase price paid amounted to €30 million and pertained mainly to research and development projects and goodwill. Since the acquisition date, Hornbeck achieved sales of €5 million.

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

The effects of these and other, smaller transactions and of purchase price adjustments pertaining to previous years' transactions on the Group's assets and liabilities as of the respective acquisition or adjustment dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow:

Acquired Assets and Assumed Liabilities [Table 29]

	Fair Value
	€ million
Goodwill	69
Other intangible assets	45
Property, plant and equipment	8
Cash and cash equivalents	4
Other current assets	28
Financial liabilities	(12)
Other liabilities	(11)
Deferred taxes	(16)
Net assets	**115**
Non-controlling interest	1
Net purchase price	**116**
Acquired cash and cash equivalents/financial liabilities	8
Liabilities for future payments	26
Net cash outflow for acquisitions	**150**

The total purchase price 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.

Divestitures

No divestitures were made in the first half of 2011. We received further revenue-based payments of €52 million in the first half of 2011 in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, effected in May 2009.

Assets held for sale

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

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: The number of lawsuits pending in the United States and served upon Bayer was about 9,300 as of July 16, 2011. Plaintiffs allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken accounting measures for anticipated defense costs. Bayer is insured against product liability risks to the extent customary in the industry. Going forward and depending on further developments the company's global liability insurance program may not be sufficient or fully applicable to cover all expenses and potential liability (if any) resulting from this litigation.

Competition law proceedings

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

Patent disputes

Blood glucose monitoring devices: In 2005, Abbott Laboratories commenced a patent infringement lawsuit against Bayer. The court and, thereafter, the U.S. Court of Appeals for the Federal Circuit held in favor of Bayer finding that Abbott's patents inter alia were invalid or not infringed. But, on one aspect of the decision with respect to one of the patents, the Court of Appeals granted a rehearing which took place in November 2010. In May 2011, the Court of Appeals vacated the lower court's decision in part and remanded the case to the lower court for further proceedings. The favorable findings of non-infringement or invalidity of Abbott's patents are not affected by the Court of Appeal´s May decision or by these further proceedings. Bayer believes the risks remaining in this litigation are no longer material.

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

Yasmin™/Yasminelle™/YAZ™: In July 2011, a board of appeal of the European Patent Office revoked a formulation patent for Yasmin™, Yasminelle™ and YAZ™. Hexal Pharmaforschung GmbH filed an opposition against Bayer's patent in 2004. In 2006, an opposition division of the European Patent Office rejected the opposition. The latest ruling follows an appeal by Hexal of the 2006 decision.

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of July 11, 2011, Bayer was aware of a total of approximately 425 lawsuits, involving about 11,800 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S.

In March 2011, Bayer tried its seventh case in front of U.S. juries. This case involved a large U.S. rice mill. The jury at an Arkansas state court awarded US$11.8 million in compensatory and US$125 million in punitive damages. In June 2011, the Arkansas County Circuit Court´s ruling on Bayer´s post-trial motion reduced the amount of punitive damages to the statutory cap of US$1 million.

Bayer disagrees with the present findings of liability and is considering its legal options with regard to the latest verdict.

One trial originally scheduled for April 2011 in a state court in Arkansas, involving one farming operation comprising nine plaintiffs, was settled. The settlement calls for the plaintiffs to receive US$636,000 collectively.

Details of the other cases that were already tried or settled are provided on pages 245 and 246 of the Bayer Annual Report 2010.

Without acknowledging liability, in July 2011 Bayer reached settlement agreements with two groups of attorneys representing U.S. long-grain rice growers in the LL RICE litigation. One agreement involves those cases that are a part of the federal multi-district litigation; the other involves those cases in state courts. Under these agreements, Bayer will pay in total up to US$750 million to resolve claims submitted by growers. The settlement program is open to all U.S. farmers who had been growing long-grain rice during the period 2006 through 2010. The settlements are contingent on the participation of a sufficient number of growers to represent 85 percent of U.S. long-grain rice acreage during that time frame. Rice growers have a 90-day period in which to submit their claims.

Two cases originally scheduled for trial in August 2011 involving approximately 25 farmer plaintiffs have been voluntarily withdrawn and will be settled at the value determined by the settlement program.

17 cases remain pending with business entities that are not a part of the settlement program. The company is hopeful that many of these cases can also be settled. However, Bayer intends to continue to defend itself vigorously in all cases in which reasonable resolutions are not possible and to continue the appeals process regarding previous verdicts in cases where no settlements have been reached.

Bayer has established appropriate provisions for the settlement program as well as for anticipated legal and defense costs.

RELATED PARTIES

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

OTHER INFORMATION

The Annual Stockholders' Meeting on April 29, 2011 approved the proposal by the Board of Management and the Supervisory Board that a dividend of €1.50 per share be paid for the 2010 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board were ratified.

The Annual Stockholders' Meeting also approved the amendment of the Articles of Incorporation with respect to the more flexible structuring of the term of office of members of the Supervisory Board.

The spin-off of the property holdings of Bayer Aktiengesellschaft to Bayer Real Estate GmbH was approved.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor for the fiscal year 2011 and for the audit review of the 2011 half-year financial report.

Leverkusen, July 26, 2011
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   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, 2011
Bayer Aktiengesellschaft

The Board of Management

DR. MARIJN DEKKERS

WERNER BAUMANN

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, 2011 to June 30, 2011 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 27, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Armin Slotta	Anne Böcker
Wirtschaftsprüfer	Wirtschaftsprüferin

Focus

In 2010, Bayer introduced an oral contraceptive in Ethiopia at a discounted price in conjunction with the United States Agency for International Development (USAID). Pharmacist Lulu Amakelech (right) explains to Tizita Getachew how an oral contraceptive works.

Growth in harmony with the environment and society

Bayer is stepping up its commitment to sustainable development. At a news conference in Leverkusen, the company presented its new goals and described further progress it has made in the key areas of protecting the climate, providing health care and feeding the world's growing population.

Introducing Bayer's Sustainable Development Report for 2010, Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Innovation, Technology and Environment, said: "Based on our commitment to sustainability, we are addressing key global challenges and driving economic growth in harmony with ecological and social interests."

For example, Bayer is aiming for a 35 percent reduction in its specific greenhouse gas emissions by 2020 compared to 2005 levels. A major contribution toward achieving this goal will come from the energy-intensive Bayer MaterialScience subgroup, which has raised its reduction target from 25 to 40 percent. "We already invested €1 billion in climate-related research and development and projects between 2008 and 2010 as planned. But climate protection remains an ongoing task and continues to require a substantial effort," said Dr. Plischke. Bayer plans to achieve a further 10 percent increase in the energy efficiency of its production facilities by the end of 2012. "Not only will this reduce our impact on the climate by around half a million metric tons of CO_2 annually," said Plischke. "We also expect it to save us some €60 million a year in energy costs."

At the presentation of Bayer's Sustainable Development Report: Dr. Wolfgang Plischke (right) and Dr. Wolfgang Engshuber.

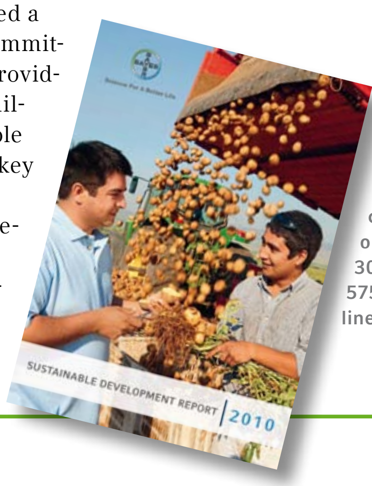
For an inventor company like Bayer, innovation is the key to success. "That means innovations that help improve people's lives are also the most effective catalyst for sustainability, in keeping with our mission 'Bayer: Science For A Better Life,'" he added. The level of investment to be made in the company's future underscores its commitment to innovation. Bayer is planning research and development expenses and capital expenditures totaling €15 billion in the period through 2013.

Dr. Wolfgang Engshuber, chairman of the UN-backed investor initiative "Principles for Responsible Investment" (UN PRI) and Chief Administrative Officer of Munich Reinsurance America, explained the growing importance of sustainable investment for the financial market: "Whether a company aligns its strategy toward sustainable success is not only a criterion for investors specializing in sustainable investment, but has long become relevant to mainstream investment as well."

As part of its Sustainability Program, Bayer contributes its products and core expertise to numerous projects that directly benefit millions of people all over the world, particularly in the areas of climate protection, health care provision and the safeguarding of food supplies. For example, the company plans to further improve the energy efficiency of its own production facilities and increasingly market products of its own for climate-friendly applications, including those featured in the EcoCommercial Building Program of Bayer MaterialScience (see p. 62). Family planning is a further key area of the Bayer Sustainability Program. The company is making modern contraceptives available to more people in developing countries in cooperation with organizations such as the United States Agency for International Development (USAID) and the German Foundation for World Population (DSW).

Fighting neglected diseases

Bayer is also committed to the fight against what are known as "neglected diseases," which affect one billion people. In the field of nutrition, the company focuses on the sustainable cultivation of high-quality, affordable food, particularly in threshold countries. Bayer maintained a strong social commitment in 2010, providing some €57 million for charitable purposes, with key areas including education and research, health care, and recreational and disabled sports.



Further information can be found in the online version of Bayer's Sustainable Development Report 2010 at www.sustainability.bayer.com. The print version can be ordered by phone at +49 214 30 57546, by fax at +49 214 30 57547 or by email from serviceline@bayer.com.

News

Further addition to crop protection portfolio

The innovative non-selective herbicide Alion™ (active ingredient indaziflam) from Bayer CropScience has been granted regulatory approval in the United States by the Environmental Protection Agency (EPA). Alion™ was developed primarily for use in perennial crops such as citrus, tree nut, grapes, and pome and stone fruit. The market launch of Alion™ in the United States is planned for later this year.

Bayer employees Angelo Marazia (left) and Giuseppe Cortese with grapevines.

Bayer CropScience anticipates peak global sales of more than €150 million annually for products based on indaziflam. Further registrations for Alion™ are expected in Central and South America before the end of 2011.

Alion™ controls a wide range of weeds and features excellent plant tolerance. Another advantage for the farmer is the low application rate. The product's long-lasting action and broad spectrum of activity enable the number of applications to be reduced. Alion™ also provides effective control of weed populations that have become resistant to other mechanisms of action.

Expansion of Polymer Research & Development Center in Shanghai

Bayer MaterialScience has held a groundbreaking ceremony for the next expansion phase of its Polymer Research & Development Center in Shanghai, China. This facility, which will become an innovation center for the company, is scheduled for completion by the second half of 2012.

The expansion is part of the some €1 billion investment announced in December 2010 to nearly double the production capacities of Bayer MaterialScience in Shanghai. At the same time, the company plans to carry out research and development in closer proximity to its customers in the growth economies in line with Bayer's global strategy.

"China is the largest market in the Asia/Pacific region and the third largest single market for Bayer globally, which is why China and Asia are central to our global strategy," said Dr. Marijn Dekkers, Chairman of the Bayer AG Board of Management, speaking at the ceremony. "The expansion of the Polymer Research & Development Center forms a major part of our extensive investment program in Shanghai, because innovation is essential for our future growth. Closeness to our customers is also important in enabling us to quickly respond to their specific needs."

Huang Guoping, Deputy Director of Jinqiao AC; Dai Haibo, Deputy District Governor; Dr. Marijn Dekkers, Chairman of the Bayer AG Board of Management; Michael König, Senior Bayer Representative for Greater China; and Dr. Ulrich Liman, head of the Polymer Research & Development Center (from left to right), at the groundbreaking ceremony.

Significant improvement in overall survival

The pre-planned interim analysis of a Phase III trial evaluating Alpharadin™ in patients with castration-resistant prostate cancer and symptomatic bone metastases has shown a significant improvement in overall survival. Median overall survival in the group treated with Alpharadin™ was 14.0 months against 11.2 months for placebo, meeting the primary endpoint of the ALSYMPCA study.

Based on a recommendation from the Independent Data Monitoring Committee, the study will now be unblinded in light of the positive results, and patients on the placebo arm will be offered treatment with Alpharadin™. "Based on the observed survival benefit and its safety profile, Alpharadin™ may become an important treatment option for patients with bone metastases from advanced prostate cancer," said Dr. Chris Parker, principal investigator for the ALSYMPCA study.

Alpharadin™ is an investigational drug of Bayer HealthCare and Algeta ASA, Oslo, Norway.

Visiting with the winners of the German Future Prize 2009: German President Christian Wulff (3rd from right) with Bayer scientists Dr. Frank Misselwitz (left), Dr. Dagmar Kubitza (2nd from left) and Dr. Elisabeth Perzborn (right), Bayer CEO Dr. Marijn Dekkers (center) and Dr. Alexander Straub.

German President praises Bayer's innovations

It was a great honor for the team of three Bayer employees. "I'm delighted to be able to visit you at your workplace," said Federal President Christian Wulff to Dr. Frank Misselwitz, Dr. Elisabeth Perzborn and Dr. Dagmar Kubitza, all scientists working at Bayer's research center in Wuppertal. The German head of state was visiting the winners of the President's 2009 "German Future Prize" for achievements in technology and innovation. The award was made for the team's development of the new blood coagulation inhibitor rivaroxaban (brand name: Xarelto™).

President Wulff was welcomed to the center by the prizewinners and by Dr. Marijn Dekkers, Chairman of the Bayer AG Board of Management, Dr. Wolfgang Plischke, the Board member responsible for research, and Peter Jung, Mayor of Wuppertal. Numerous groundbreaking medicines have been discovered and developed at this facility. Last year Bayer invested some €3.1 billion in research and development, including some €2 billion in the field of health care. Bayer's pharmaceutical research center in Wuppertal employs more than 1,300 people. "It was really impressive to meet the winners of the Future Prize at their workplace," Wulff said after his tour. Bayer's development of Xarelto™ is a life-saving invention. "My impression is that this company's innovations are also enhancing our country's reputation."

U.S. approval for anticoagulant

The U.S. Food and Drug Administration (FDA) has approved Xarelto™ (active ingredient: rivaroxaban) for the prevention of deep vein thrombosis (DVT) in people undergoing knee or hip replacement surgery. This makes Xarelto™ the first novel once-daily anticoagulant in tablet form to be approved in this indication in the United States.

According to the American Academy of Orthopedic Surgeons, more than 800,000 Americans undergo knee or hip replacement surgery each year. These procedures are associated with an increased risk for DVT, a blood clot that forms in a deep vein, usually in the leg. If all or part of a DVT breaks off and travels through the bloodstream to the lungs, it may block a blood vessel there. This condition, known as a pulmonary embolism, may impact the flow of oxygenated blood, with potentially life-threatening consequences.

"The approval of once-daily Xarelto™ tablets now extends to the United States a new option to help protect patients from developing venous blood clots following knee or hip replacement surgery," said Dr. Louis M. Kwong, Professor of Orthopedic Surgery at Harbor-UCLA Medical Center, who was involved with the Xarelto™ clinical trials program in this indication. "Xarelto™ has a proven clinical benefit over the current treatment standard for preventing these potentially life-threatening blood clots, and the use of a once-daily tablet may greatly simplify clinical practice."

Rivaroxaban is the most studied oral, direct Factor Xa inhibitor in the world today. By the time of its completion, more than 65,000 patients will have participated in the rivaroxaban clinical development program, which is evaluating this compound for the prevention and treatment of a broad range of acute and chronic thromboembolic disorders.

News

VEGF Trap-Eye submitted for marketing authorizations

Bayer HealthCare has submitted applications for marketing authorization to both the European Medicines Agency (EMA) and the Japanese Ministry of Health, Labor and Welfare (MHLW) for VEGF Trap-Eye for the treatment of the neovascular form of age-related macular degeneration (wet AMD). Bayer HealthCare is collaborating with Regeneron Pharmaceuticals, Inc. on the global development of VEGF Trap-Eye for the treatment of wet AMD, central retinal vein occlusion (CRVO), diabetic macular edema (DME) and myopic choroidal neovascularization (mCNV).

"Our large Phase III program demonstrated that patients treated with 2 mg VEGF Trap-Eye every two months, following three loading doses, showed comparable efficacy compared to the current standard of care of monthly injections," said Dr. Kemal Malik, Head of Global Development and member of the Bayer HealthCare Executive Committee.

Physician Elvira Allakhiarova (right) with patient Rosemarie Pingen in Cologne University Hospital.

Regeneron submitted a Biologics License Application (BLA) for marketing approval in wet AMD to the U.S. Food and Drug Administration (FDA) in February 2011 and received a Priority Review designation. Bayer will market VEGF Trap-Eye outside the United States, where the companies will share equally the profits from any future sales of the product. Regeneron maintains exclusive rights to VEGF Trap-Eye in the United States.

Licensing agreement for canola trait

New opportunities for canola growers: Bayer CropScience and DuPont have entered into a global licensing agreement for a canola herbicide tolerance trait. Bayer has licensed its proprietary herbicide tolerance technology, LibertyLink™, to DuPont business Pioneer Hi-Bred for use in canola hybrids. Pioneer will provide Bayer access to certain proprietary juncea genetics. The agreement will give growers a broader choice of canola hybrids with the LibertyLink™ trait.

Jeremy Klassen (left) and SiuWah Wu with canola plants in Bayer's Canadian laboratory.

Experiencing Bayer in social media

Bayer launched its new Facebook page at www.facebook.com/bayer with a unique feature: in a video message, CEO Dr. Marijn Dekkers personally welcomed users to the site and invited them to experience the Bayer world via the social media. And that's just what many of them want to do: within a very short time, way over 3,000 people had hit the "Like" button to show their support for the Bayer Group. The response has been resoundingly positive. Within a few days of the page going online, more than 100 users had taken the opportunity to post a message on the company's wall in Facebook.

"We are delighted with the early success of our Facebook page," says Dr. Michael Preuss, Head of Corporate Policy and Media Relations at Bayer AG. "It confirms that we are on the right track with our social networking policy. As an innovative enterprise, we always have

Bayer CEO Dr. Marijn Dekkers welcomes Facebook users in a video message.

our finger on the pulse. Dr. Dekkers' video message makes that clear. He is the first CEO of a DAX company to personally invite social media users to voice their opinions on Facebook."

One of the key aims is to encourage a frank dialog about the company and its mission "Bayer: Science For A Better Life." "We attach great importance to open communication with people from all over the world," says Preuss.

Improving wheat breeding

Bayer CropScience and RAGT Semences S.A.S. have signed a license and cooperation agreement for the improvement of wheat seed. Under the agreement, RAGT grants Bayer CropScience access to winter wheat germplasm and associated molecular markers.

The French company has one of the strongest winter wheat breeding programs in Europe. The two companies will also explore joint projects to further improve wheat breeding. At the same time, RAGT will have options to license wheat traits from Bayer CropScience. "This licensing and cooperation agreement is another important step toward our goal of improving sustainable cereal production with superior solutions based on our leading crop protection portfolio, agricultural service solutions and best-in-class wheat varieties. These solutions will enable growers to increase the productivity of wheat in a sustainable way, addressing challenges such as climate change," said Sandra E. Peterson, Chairman of the Board of Management of Bayer CropScience.

Richard Dickmann from Bayer CropScience (right) and Dr. Richard James from the Australian research organization CSIRO.

In July 2009, Bayer CropScience announced the expansion of its global activities in seeds and traits to include a focus on cereals. Wheat is a core crop for Bayer CropScience.

Cancer drug fast-tracked in the U.S.

Bayer HealthCare's investigational compound regorafenib has been granted fast-track designation by the U.S. Food and Drug Administration (FDA) for the treatment of patients with metastatic and/or unresectable gastrointestinal stromal tumors (GIST) whose disease has progressed despite prior treatment with at least imatinib and sunitinib.

The granting of "fast track" status is designed to facilitate the development, and expedite the review, of drugs to treat serious diseases where there is an unmet medical need. Regorafenib is a novel, oral multi-kinase inhibitor in the final phase of clinical development for GIST.

"People with this condition need new therapeutic options as quickly as possible," said Dr. Kemal Malik, Head of Global Development at Bayer HealthCare and a member of the company's Executive Committee. "The decision to fast-track regorafenib therefore represents a milestone for this group of patients."

New products for companion animals

The European Commission has approved two new companion animal products from Bayer, Veraflox™ and Procox™. Veraflox™ is the first next-generation veterinary fluoroquinolone antibiotic for the treatment of bacterial infection in cats and dogs. Procox™ is the first combination treatment for roundworm and coccidia in dogs.

"Bayer Animal Health is proud to introduce these two innovative treatments which will provide veterinarians with much needed, effective new treatment options for a range of indications," said Jean-Luc Lowinski, Managing Director of Bayer Animal Health. "As an expert solution provider for animal health we have a strong and ongoing commitment to researching and developing innovative ways to address parasitic and bacterial infections in companion animals."

Veterinarian Dr. Katja Beyer (right) and her assistant Andrea Kuapat (left) examining a dog.

The European Commission has approved Veraflox™ in 30 countries for the treatment of a range of infections caused by specific bacteria, and the product has already been launched in some countries.

Market introduction of Procox™ is scheduled for the second half of 2011.

News

Milestone in the battle against malaria

The World Health Organization (WHO) has issued an interim recommendation for Bayer CropScience's new LifeNet™ mosquito nets for malaria prevention and control. This is an important milestone on the road to the global product launch, which is scheduled to take place before the end of 2011.

LifeNet™ is the first innovation in this field for more than a decade. Deltamethrin, the active ingredient recommended by the WHO, has been directly integrated into a polypropylene fiber for the first time. From there it is gradually released, continuously exerting its insecticidal action. Because the polypropylene fibers are flexible but also have very good tear resistance, the mosquito nets are longer-lasting, user-friendly and ensure long-term protection.

People spreading mosquito nets in Ethiopia.

"The interim recommendation from the Pesticide Evaluation Scheme of the WHO (WHOPES) now enables us to offer national and international malaria control programs a new mosquito net in the battle against malaria," explained Dr. Gunnar Riemann, Head of Environmental Science at Bayer CropScience. "We are convinced that LifeNet™ will contribute significantly to the control of this tropical disease around the world."

Bayer CropScience has more than 50 years of experience in the field of vector control. The upcoming market launch of LifeNet™ means the company will now offer a complete portfolio for integrated vector management.

Raising awareness for sustainable construction

The United Nations Environment Programme (UNEP) has issued an appeal for the climate protection potential of buildings to be better utilized. Buildings account for roughly one-third of global greenhouse gas emissions. Speaking in Leverkusen, Arab Hoballah, member of the Board of the UNEP Sustainable Buildings and Climate Initiative (SBCI), said that the primary need is to raise the awareness of policymakers, market actors and other stakeholders of the need for sustainable construction and the opportunities it affords. Leverkusen was the venue for the SBCI Annual General Meeting and Symposium on Sustainable Buildings, which was held in Germany for the first time. The event was hosted by SBCI member Bayer MaterialScience.

Patrick Thomas (left) and Arab Hoballah.

Bayer's office building in Diegem, Belgium, consumes 40 percent less energy than a conventional building.

Hoballah told the roughly 150 experts from around the world that many stakeholders remain unaware of the viability of sustainable construction as a business model. He said environmentally friendly buildings not only help to conserve energy and avoid emissions of greenhouse gases such as carbon dioxide, but also improve people's quality of life. "Working in sustainable offices and factories is definitely good for your health."

Patrick Thomas, Chairman of the Board of Management of Bayer MaterialScience, pointed out the importance of materials that provide effective insulation against heat and cold. "Insulating boards made of rigid polyurethane foam save around 70 times more energy during their service life than is required for their production."

On a solar-powered journey

Landing at an historic site: Charles Lindbergh touched down at Le Bourget Airport near Paris in 1927 following the first solo flight across the Atlantic. On June 14 of this year, another pioneer landed there: Swiss aviator André Borschberg with the "Solar Impulse HB-SIA" aircraft. He had flown from Brussels to Paris in the aircraft, which can fly only on solar power, for the 49th Paris Air Show, where the futuristic plane was the main attraction for hundreds of thousands of people.


Solar Impulse was the star attraction at the 49th International Paris Air Show.

The trip from Brussels to Paris was the second international flight by the Swiss solar airplane. A month earlier, Borschberg had piloted the 1,600 kilogram aircraft from Switzerland to Brussels, where it was used to promote commitment to the environment during the European Union's Green Week.

Borschberg and his partner Bertrand Piccard, the initiator of the Solar Impulse, are looking to use their project to highlight the power of renewable energies for sustainable development and to show what is already technologically possible. This includes a plane that can fly night and day without any fuel and is expected to fly around the world in a few years' time.

Bayer MaterialScience has been a Solar Impulse partner since 2010. The wings, engine nacelles, canopy, windows and seat padding of the current aircraft are already based on Bayer materials. A large team is currently working on additional areas of application to make the aircraft even lighter. "The Solar Impulse aircraft is a successful example of what can be achieved with determination and cutting-edge technologies," said Patrick Thomas, Chairman of the Board of Management of Bayer MaterialScience.

Initiative for children with burns injuries

The Bayer Cares Foundation has conferred the Aspirin Social Award 2011 on "Paulinchen – Initiative für brandverletzte Kinder e.V.," an initiative for children with burns injuries. With its unique program, this pan-German association, which serves a previously unmet need by supporting young victims of fires and their families, received the first prize of €15,000. The second prize, worth €10,000, was awarded to "MediMobil," a cooperation project between the Solingen-based physicians' network "solimed" and the "Tafel Solingen" food bank that provides medical care to the needy. The third prize of €5,000 went to the "Diakonisches Werk Berlin-Stadtmitte" charity for its "forget me not" project that organizes "mentor" families for the children of parents with addictions.

"All the winners of the Aspirin Social Award offer unique assistance in the medical sector, are taking new approaches and serve as models for others," said Bayer Management Board member Dr. Richard Pott at the awards ceremony. An independent foundation committee selected the winners of the Aspirin Social Award 2011. The foundation presented the audience prize, also worth €5,000, to the winner of the online voting process, which was the Muslim telephone counseling service provided by the humanitarian organization "Islamic Relief." This advises both Muslims and non-Muslims in crisis situations.


Bayer Management Board member Dr. Richard Pott (right) in Berlin with winners of the Aspirin Social Award 2011.

Settlement in biotech rice litigation

Bayer CropScience has reached settlement agreements with attorneys representing U.S. long-grain rice growers in the biotech rice litigation. Bayer CropScience will pay up to US$750 million to resolve claims submitted by growers. The settlement program is open to all U.S. farmers who had been growing long-grain rice during the period 2006 through 2010.

Settlement agreements have been reached with two groups of lawyers. One agreement involves those cases that are a part of the federal multi-district litigation; the other involves those cases in state courts.

The settlements are contingent on the participation of a sufficient number of growers to represent at least 85 percent of U.S. long-grain rice acreage. Bayer has already established appropriate provisions for the settlement program.

Financial Calendar

Q3 2011 Interim Report	OCTOBER 27, 2011
2011 Annual Report	FEBRUARY 28, 2012
Q1 2012 Interim Report	APRIL 26, 2012
Annual Stockholders' Meeting 2012	APRIL 27, 2012
Q2 2012 Interim Report	JULY 31, 2012
Q3 2012 Interim Report	OCTOBER 30, 2012

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Science For A Better Life