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Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2009

Third Quarter of 2009

Bayer back on the uptrend: underlying EBITDA above the prior-year period

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Bayer Group Key Data

	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change	Full Year 2008
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**7,948**	**7,392**	**−7.0**	**24,995**	**23,296**	**−6.8**	**32,918**
Change in sales							
Volume	+2.5%	−2.8%		+5.6%	−6.4%		+2.8%
Price	+2.6%	−4.4%		+1.6%	−2.2%		+1.6%
Currency	−4.0%	+0.6%		−5.1%	+1.8%		−3.4%
Portfolio	+0.9%	−0.4%		+0.6%	0.0%		+0.6%
EBITDA[1]	**1,334**	**1,326**	**−0.6**	**5,163**	**4,696**	**−9.0**	**6,266**
Special items	*(159)*	*(173)*		*(411)*	*(263)*		*(665)*
EBITDA before special items	***1,493***	***1,499***	***+0.4***	***5,574***	***4,959***	***−11.0***	***6,931***
EBITDA margin before special items	18.8%	20.3%		22.3%	21.3%		21.1%
EBIT[2]	**684**	**646**	**−5.6**	**3,132**	**2,640**	**−15.7**	**3,544**
Special items	*(207)*	*(191)*		*(504)*	*(315)*		*(798)*
EBIT before special items	***891***	***837***	***−6.1***	***3,636***	***2,955***	***−18.7***	***4,342***
EBIT margin before special items	11.2%	11.3%		14.5%	12.7%		13.2%
Non-operating result	**(276)**	**(262)**	**+5.1**	**(813)**	**(888)**	**−9.2**	**(1,188)**
Net income	**277**	**249**	**−10.1**	**1,613**	**1,206**	**−25.2**	**1,719**
Earnings per share (€)[3]	0.37	0.30	−18.9	2.06	1.52	−26.2	2.22
Core earnings per share (€)[4]	0.85	0.78	−8.2	3.46	2.74	−20.8	4.17
Gross cash flow[5]	**1,171**	**1,172**	**+0.1**	**4,144**	**3,629**	**−12.4**	**5,295**
Net cash flow[6]	**1,234**	**1,517**	**+22.9**	**2,651**	**3,609**	**+36.1**	**3,608**
Cash outflows for capital expenditures	**492**	**420**	**−14.6**	**1,127**	**1,080**	**−4.2**	**1,759**
Research and development expenses	**662**	**692**	**+4.5**	**1,943**	**2,012**	**+3.6**	**2,653**
Depreciation and amortization	**650**	**680**	**+4.6**	**2,031**	**2,056**	**+1.2**	**2,722**
Number of employees at end of period[7]	**108,600**	**108,800**	**+0.2**	**108,600**	**108,800**	**+0.2**	**108,600**
Personnel expenses (including pension expenses)	1,887	1,906	+1.0	5,739	5,854	+2.0	7,491

[1] EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be more a suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also page 24.

[2] EBIT = operating result as per income statements

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 43.

[4] Core earnings per share is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained on page 30.

[5] Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see page 25.

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

[7] Number of employees in full-time equivalents

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Third Quarter of 2009:

Bayer back on the uptrend: underlying EBITDA above the prior-year period

HealthCare again strong – weak quarter at CropScience – MaterialScience substantially improved

- Group sales €7.4 billion (-7.0%)
- EBITDA before special items €1.5 billion (+0.4%)
- Net income €249 million (-10.1%)
- Net cash flow €1.5 billion (+22.9%)
- Full-year Group forecast confirmed

Overview of Sales, Earnings and Financial Position

THIRD QUARTER OF 2009

EBITDA before special items of the Bayer Group in the third quarter of 2009 slightly exceeded the prior-year level for the first time this year. HealthCare and MaterialScience contributed to this positive development. Sales and earnings of HealthCare increased. MaterialScience showed a tangible recovery, almost doubled earnings compared with the preceding quarter and thus reached approximately the level of the prior-year period. CropScience, in a weaker market, saw sales and earnings recede markedly compared with the strong prior-year period.

Group sales fell by 7.0% to €7,392 million (Q3 2008: €7,948 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business declined by 7.2%. Sales of HealthCare grew by 3.5% (Fx & portfolio adj. +4.2%). In the CropScience business sales were down by 8.7% (Fx adj. -8.2%). At MaterialScience, the economic situation led to a 20.0% year-on-year drop in sales (Fx & portfolio adj. -21.8%). Compared with the second quarter of 2009, however, sales of this subgroup rose by 14.4% (Fx adj.) due particularly to an increase in volumes.

Sales by Quarter

		Domestic (€ million)	Foreign (€ million)	Total
Q1	2008	1,325	7,211	8,536
	2009	**1,153**	**6,742**	**7,895**
Q2	2008	1,202	7,309	8,511
	2009	**994**	**7,015**	**8,009**
Q3	2008	1,227	6,721	7,948
	2009	**1,042**	**6,350**	**7,392**
Q4	2008	1,043	6,880	7,923
	2009			

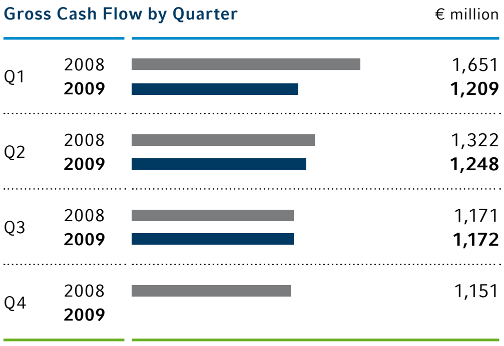
EBITDA before special items in the third quarter of 2009, at €1,499 million (+0.4%), slightly exceeded the level of the prior-year period. HealthCare improved underlying earnings by 12.1% to €1,141 million (Q3 2008: €1,018 million). At CropScience, EBITDA before special items shrank to €108 million (Q3 2008: €207 million). MaterialScience generated EBITDA before special items of €238 million (Q3 2008: €255 million), well in excess of the €121 million reported for the preceding quarter. Third-quarter EBITDA of the Bayer Group came in level with the prior-year quarter at €1,326 million (-0.6%) against the €1,334 million reported for the same period of 2008.

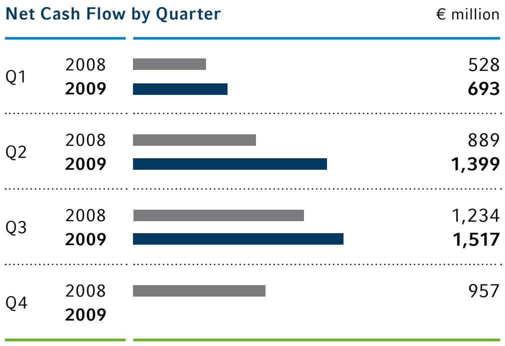
EBITDA Before Special Items by Quarter

		€ million
Q1	2008	2,185
	2009	**1,695**
Q2	2008	1,896
	2009	**1,765**
Q3	2008	1,493
	2009	**1,499**
Q4	2008	1,357
	2009	

EBIT before special items in the third quarter of 2009 moved back 6.1% to €837 million (Q3 2008: €891 million). Special items totaled minus €191 million (Q3 2008: minus €207 million). Of this amount, additional funding for the German corporate pension assurance association, necessitated by record bankruptcy losses, accounted for minus €36 million, restructuring at CropScience and MaterialScience for minus €65 million, the integration of Schering, Berlin, Germany, for minus €35 million and litigations for minus €55 million. EBIT declined by 5.6% to €646 million (Q3 2008: €684 million).

After a non-operating result of minus €262 million (Q3 2008: minus €276 million), income before income taxes came in at €384 million (Q3 2008: €408 million). The main components of the non-operating result were €121 million (Q3 2008: €159 million) in net interest expense, €104 million (Q3 2008: €71 million) in interest cost for pension and other provisions, and a €28 million (Q3 2008: €34 million) net exchange loss. After tax expense of €135 million (Q3 2008: €133 million), net income came in at €249 million (Q3 2008: €277 million). Earnings per share were €0.30 (Q3 2008: €0.37). Core earnings per share moved back to €0.78 (Q3 2008: €0.85). The calculation of core earnings per share is explained on page 30.





Gross cash flow in the third quarter of 2009, at €1,172 million (+0.1%), was level with the prior-year period. Net cash flow climbed by 22.9% to €1,517 million (Q3 2008: €1,234 million) because of improvements in working capital at HealthCare and CropScience. We reduced net financial debt to €10.7 billion as of the end of the third quarter (June 30, 2009: €11.7 billion). The net pension liability – the aggregate of pension obligations and plan assets – rose by €0.6 billion compared with June 30, 2009, to €7.0 billion, mainly because of lower long-term interest rates on the capital market.

FIRST THREE QUARTERS OF 2009

The Bayer Group was hampered in the **first three quarters of 2009** by the effects of the financial and economic crisis. **Sales** from continuing operations receded by 6.8% to €23,296 million (9M 2008: €24,995 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business was down by 8.6%. HealthCare posted 3.1% (Fx & portfolio adj.) and CropScience 1.6% (Fx adj.) growth in sales. Business at MaterialScience shrank by a substantial 31.5% (Fx & portfolio adj.).

EBITDA before special items declined by 11.0% to €4,959 million (9M 2008: €5,574 million). **EBIT** before special items in the first three quarters receded by 18.7% to €2,955 million (9M 2008: €3,636 million). Special items totaled minus €315 million (9M 2008: minus €504 million), including a €106 million charge for additional funding for the German corporate pension assurance association. EBIT of the Bayer Group fell by 15.7% to €2,640 million (9M 2008: €3,132 million).

After a non-operating result of minus €888 million (9M 2008: minus €813 million), income before income taxes in the first nine months of 2009 came in at €1,752 million (9M 2008: €2,319 million). The non-operating result included €454 million (9M 2008: €535 million) in net interest expense, €313 million (9M 2008: €210 million) in interest cost for pension and other provisions and a €67 million (9M 2008: €41 million) exchange loss. After tax expense of €549 million (9M 2008: €701 million), after-tax income was €1,203 million (9M 2008: €1,618 million).

After non-controlling interest, net income for the first three quarters amounted to €1,206 million (9M 2008: €1,613 million). Earnings per share were €1.52 (9M 2008: €2.06). Core earnings per share moved back to €2.74 (9M 2008: €3.46). The calculation of core earnings per share is explained on page 30.

Gross cash flow fell by 12.4% compared with the first three quarters of 2008, to €3,629 million (9M 2008: €4,144 million), mainly because of the weak business performance at MaterialScience. Net cash flow, however, rose by 36.1% to €3,609 million (9M 2008: €2,651 million). This was due particularly to improved working capital management and lower income tax payments. Net financial debt declined to €10.7 billion as of September 30, 2009 (December 31, 2008: €14.2 billion), with the conversion of the mandatory convertible bond accounting for a reduction of €2.3 billion. The net pension liability – the aggregate of pension obligations and plan assets – rose by €1.0 billion compared with December 31, 2008, to €7.0 billion, mainly because of lower long-term interest rates on the capital market.

Future Perspectives

ECONOMIC OUTLOOK

The **global economy** appears to have passed the bottom of the cycle. We expect the positive trend to continue through the end of the year. However, the overall economy is still being bolstered primarily by government stimulus programs. For 2009 as a whole, the global economy will show considerable shrinkage from the previous year.

We anticipate moderate growth in the **pharmaceutical market** for the full year 2009. Contrary to earlier forecasts, we expect the U.S. pharmaceutical industry to expand by a mid-single-digit percentage in light of the more positive market trend in the first months of the year. We believe that growth in the major European countries and in Japan will be restrained, while the industry should continue growing strongly in the emerging markets. We take a positive view of the **consumer health markets** as a whole, although they will expand rather more slowly due to the deterioration in the global economy compared with the previous year.

Following its favorable development in the first half of 2009, the global **seed and crop protection market** trended weaker in the third quarter because of adverse weather patterns, declining producer prices and higher trade inventories of crop protection products. We therefore predict slight overall market shrinkage in 2009 compared with the record year 2008.

Business activities in the main customer industries of **MaterialScience** (automotive, construction, furniture, electronics) are trending very differently from one region to another. While the Asian market is recovering more quickly from the sharp drop in sales at the beginning of the year thanks to massive stimulus programs and will likely regain its former pace of growth, demand in North America and western Europe remains well below the overall level of 2008.

SALES AND EARNINGS FORECAST

Our forecast for **HealthCare** has been confirmed so far this year. The increases achieved in sales and EBITDA before special items support this view. In addition, we expect to report slight growth in the fourth quarter compared with the very strong last quarter of 2008. Therefore we still expect to improve the underlying EBITDA margin toward 28%.

The market environment for **CropScience** deteriorated in the third quarter. However, this subgroup still plans to increase full-year sales compared with 2008. In light of the weak third quarter, we anticipate that EBITDA before special items will come in below the high prior-year level. Accordingly we now expect to achieve an EBITDA margin before special items of between 23% and 24% (previously: about 25%).

At **MaterialScience**, third-quarter sales and earnings were significantly above the low levels of the second quarter. We anticipate that the economic environment will continue to stabilize in the fourth quarter. Due to the usual seasonal weakening of business activity toward the end of the year, we expect underlying EBITDA in the fourth quarter to be below the third quarter but well ahead of the prior-year period.

Against this background we still expect to post full-year Group sales of between €31 billion and €32 billion and are adhering to our ambitious target of limiting the decline in Group EBITDA before special items to about 5%.

We intend to bring our current restructuring programs to a conclusion this year. Special charges of about €350 million (previously: €250 million) are expected to be incurred in this connection. In addition, we already took special charges of some €200 million in the first nine months for litigations and the additional pro rata funding required for the German corporate pension assurance association.

We still plan to make capital expenditures of €1.4 billion. We estimate depreciation and amortization at about €2.7 billion, including €1.2 billion in depreciation of property, plant and equipment. Our research and development budget amounts to €2.9 billion.

We expect to further reduce net financial debt toward €10 billion during the fourth quarter.

Performance by Subgroup and Segment

CORPORATE STRUCTURE

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

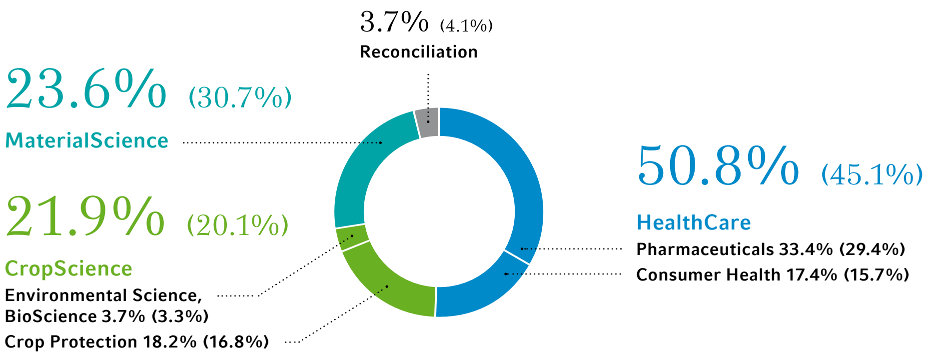
We have implemented a number of organizational changes that affect our segment reporting effective January 1, 2009 as described below. The prior-year figures have been restated accordingly.

MaterialScience is reported as a single segment. The Thermoplastic Polyurethanes (TPU) business unit has been dissolved. The TPU granules business has been integrated into the Polyurethanes business unit, while the TPU films activities now form part of the Coatings, Adhesives, Specialties business unit (Functional Films). In light of organizational changes, the non-core businesses previously reported as "Other Systems" are reported under Industrial Operations.

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

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

Sales by Segment, 9M 2009 (9M 2008 in parentheses)



2008 figures restated

Key Data by Subgroup and Segment, 3rd Quarter

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**3,802**	**3,936**	**703**	**786**	**1,018**	**1,141**	**26.8**	**29.0**
Pharmaceuticals	2,474	2,548	444	475	700	765	28.3	30.0
Consumer Health	1,328	1,388	259	311	318	376	23.9	27.1
CropScience	**1,248**	**1,140**	**78**	**(16)**	**207**	**108**	**16.6**	**9.5**
Crop Protection	1,067	973	88	12	197	118	18.5	12.1
Environmental Science, BioScience	181	167	(10)	(28)	10	(10)	5,5	(6.0)
MaterialScience	**2,549**	**2,038**	**138**	**100**	**255**	**238**	**10.0**	**11.7**
Reconciliation	**349**	**278**	**(28)**	**(33)**	**13**	**12**	**3.7**	**4.3**
Continuing operations	**7,948**	**7,392**	**891**	**837**	**1,493**	**1,499**	**18.8**	**20.3**

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24

Key Data by Subgroup and Segment, First Nine Months

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**11,267**	**11,824**	**2,005**	**2,237**	**3,062**	**3,314**	**27.2**	**28.0**
Pharmaceuticals	7,357	7,769	1,279	1,521	2,167	2,404	29.5	30.9
Consumer Health	3,910	4,055	726	716	895	910	22.9	22.4
CropScience	**5,030**	**5,112**	**1,031**	**975**	**1,421**	**1,342**	**28.3**	**26.3**
Crop Protection	4,215	4,247	910	833	1,239	1,152	29.4	27.1
Environmental Science, BioScience	815	865	121	142	182	190	22.3	22.0
MaterialScience	**7,683**	**5,504**	**672**	**(185)**	**1,034**	**243**	**13.5**	**4.4**
Reconciliation	**1,015**	**856**	**(72)**	**(72)**	**57**	**60**	**5.6**	**7.0**
Continuing operations	**24,995**	**23,296**	**3,636**	**2,955**	**5,574**	**4,959**	**22.3**	**21.3**

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24

Bayer HealthCare

Key Data – HealthCare	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**3,802**	**3,936**	**+3.5**	**11,267**	**11,824**	**+4.9**
Pharmaceuticals	2,474	2,548	+3.0	7,357	7,769	+5.6
Consumer Health	1,328	1,388	+4.5	3,910	4,055	+3.7
Sales by Region						
Europe	1,588	1,541	−3.0	4,753	4,689	−1.3
North America	1,093	1,146	+4.8	3,222	3,473	+7.8
Asia/Pacific	561	680	+21.2	1,632	1,967	+20.5
Latin America/Africa/Middle East	560	569	+1.6	1,660	1,695	+2.1
EBITDA*	**905**	**1,037**	**+14.6**	**2,762**	**3,256**	**+17.9**
Special items	*(113)*	*(104)*		*(300)*	*(58)*	
EBITDA before special items*	***1,018***	***1,141***	***+12.1***	***3,062***	***3,314***	***+8.2***
EBITDA margin before special items*	26.8%	29.0%		27.2%	28.0%	
EBIT*	**543**	**681**	**+25.4**	**1,619**	**2,177**	**+34.5**
Special items	*(160)*	*(105)*		*(386)*	*(60)*	
EBIT before special items*	***703***	***786***	***+11.8***	***2,005***	***2,237***	***+11.6***
Gross cash flow**	**799**	**876**	**+9.6**	**2,142**	**2,381**	**+11.2**
Net cash flow**	**679**	**979**	**+44.2**	**1,410**	**2,274**	**+61.3**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Sales of the HealthCare subgroup rose by 3.5% in the **third quarter of 2009**, to €3,936 million (Q3 2008: €3,802 million). Adjusted for currency and portfolio effects, business was up by 4.2%.

HealthCare improved **EBITDA** before special items by 12.1% to €1,141 million (Q3 2008: €1,018 million). The higher earnings were due especially to the gratifying business growth in both segments and to lower selling expenses. **EBIT** before special items rose by 11.8% to €786 million (Q3 2008: €703 million). Net special charges came to €105 million. EBIT advanced by a significant 25.4% to €681 million (Q3 2008: €543 million).

PHARMACEUTICALS

Key Data – Pharmaceuticals	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,474**	**2,548**	**+3.0**	**7,357**	**7,769**	**+5.6**
General Medicine	766	834	+8.9	2,324	2,519	+8.4
Specialty Medicine	778	791	+1.7	2,256	2,391	+6.0
Women's Healthcare	709	699	−1.4	2,128	2,186	+2.7
Diagnostic Imaging	221	224	+1.4	649	673	+3.7
Sales by Region						
Europe	1,041	996	−4.3	3,134	3,059	−2.4
North America	634	648	+2.2	1,906	2,051	+7.6
Asia/Pacific	445	540	+21.3	1,292	1,576	+22.0
Latin America/Africa/Middle East	354	364	+2.8	1,025	1,083	+5.7
EBITDA*	**593**	**659**	**+11.1**	**1,910**	**2,347**	**+22.9**
Special items	*(107)*	*(106)*		*(257)*	*(57)*	
EBITDA before special items*	***700***	***765***	***+9.3***	***2,167***	***2,404***	***+10.9***
EBITDA margin before special items*	28.3%	30.0%		29.5%	30.9%	
EBIT*	**290**	**368**	**+26.9**	**936**	**1,462**	**+56.2**
Special items	*(154)*	*(107)*		*(343)*	*(59)*	
EBIT before special items*	***444***	***475***	***+7.0***	***1,279***	***1,521***	***+18.9***
Gross cash flow**	**554**	**599**	**+8.1**	**1,493**	**1,707**	**+14.3**
Net cash flow**	**447**	**668**	**+49.4**	**950**	**1,608**	**+69.3**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Sales of our **Pharmaceuticals** segment increased by 3.0% in the **third quarter of 2009**, to €2,548 million (Q3 2008: €2,474 million). Adjusted for currency and portfolio effects, business grew by 3.8%. The sales increase was due particularly to the pleasing trend in Asia and Latin America.

Best-Selling Pharmaceutical Products	3rd Quarter 2008	3rd Quarter 2009	Change	Currency-adjusted change	First Nine Months 2008	First Nine Months 2009	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	308	320	+3.9	+4.6	910	964	+5.9	+4.4
Betaferon®/Betaseron® (Specialty Medicine)	291	283	−2.7	−3.7	839	904	+7.7	+5.5
Kogenate® (Specialty Medicine)	235	247	+5.1	+3.4	650	680	+4.6	+1.4
Adalat® (General Medicine)	148	155	+4.7	−1.4	456	473	+3.7	−3.3
Nexavar® (Specialty Medicine)	121	161	+33.1	+29.6	330	445	+34.8	+29.3
Mirena® (Women's Healthcare)	105	105	0.0	+0.3	335	367	+9.6	+5.7
Avalox®/Avelox® (General Medicine)	101	92	−8.9	−8.5	334	313	−6.3	−9.3
Levitra® (General Medicine)	82	92	+12.2	+12.1	248	265	+6.9	+3.4
Cipro®/Ciprobay® (General Medicine)	84	83	−1.2	−2.9	242	253	+4.5	+1.1
Glucobay® (General Medicine)	75	77	+2.7	−0.8	229	243	+6.1	−2.0
Aspirin Cardio® (General Medicine)	67	78	+16.4	+14.9	198	232	+17.2	+13.1
Ultravist® (Diagnostic Imaging)	61	62	+1.6	+4.1	194	190	−2.1	−0.3
Magnevist® (Diagnostic Imaging)	61	50	−18.0	−19.9	180	166	−7.8	−14.6
Iopamiron® (Diagnostic Imaging)	47	51	+8.5	−7.5	138	149	+8.0	−9.9
Kinzal®/Pritor® (General Medicine)	34	40	+17.6	+15.8	104	119	+14.4	+14.6
Total	**1,820**	**1,896**	**+4.2**	**+2.5**	**5,387**	**5,763**	**+7.0**	**+3.2**
Proportion of Pharmaceuticals sales	74%	74%			73%	74%		

Sales of the **General Medicine** business unit expanded by 8.9% to €834 million (Q3 2008: €766 million). Adjusted for currency changes, business grew by 6.8%. Business with Aspirin Cardio® expanded by 14.9% (Fx adj.), with particularly strong sales gains registered in China. Sales of Levitra® also increased (Fx adj. +12.1%), mainly as result of the positive trend in the United States. By contrast, sales of Avalox®/Avelox® declined by 8.5% (Fx adj.), with business down especially in the United States. Our products Zetia® and Fosrenol®, marketed in Japan, turned in a very gratifying performance. To further strengthen our business in China, we signed an exclusive supply and distribution agreement in July 2009 with insulin producer Bioton S.A., Poland. This gives us 15-year exclusive marketing and distribution rights in China for the recombinant insulin SciLin®.

Sales of the **Specialty Medicine** business unit gained 1.7% to €791 million (Q3 2008: €778 million). The currency- and portfolio-adjusted increase was 5.2%. This increase was due in large part to the ongoing sales growth of our cancer drug Nexavar® (Fx adj. +29.6%). Sales of this product in Japan were boosted by its approval for the treatment of liver cancer in May 2009. Business with our blood coagulation product Kogenate® also moved ahead (Fx adj. +3.4%). By contrast, sales of the multiple sclerosis drug Betaferon®/Betaseron® were down overall (Fx adj. -3.7%). This was due to lower sales in Europe, which were only partially offset by an increase in the United States. We augmented our oncology pipeline by concluding a global agreement with Algeta ASA of Norway on September 3, 2009 concerning the development and commercialization of Alpharadin™, a novel radiopharmaceutical currently being evaluated in a global Phase III trial for the treatment of bone metastases in symptomatic hormone-refractory prostate cancer (HRPC) patients. Including an up-front payment of €42.5 million, Algeta could receive milestone payments totaling up to €560 million in addition to the agreed license fees.

Third-quarter sales of our **Women's Healthcare** business unit edged down 1.4% to €699 million (Q3 2008: €709 million) due especially to lower sales in the United States. Sales held steady year on year (+0.3%) after adjusting for currency effects. Our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives continued to perform positively (Fx adj. +4.6%). Sales of the hormone-releasing intrauterine device Mirena® matched the high level of the prior-year period (Fx adj. +0.3%).

Sales of the **Diagnostic Imaging** business unit came in slightly ahead of the same period of 2008, at €224 million (Q3 2008: €221 million). After adjusting for currency and portfolio effects, sales fell by 0.5%. Sales of Ultravist® rose by 4.1% (Fx adj.) thanks to a positive performance in the Asia/Pacific region. The continuing decline in sales of Magnevist® (Fx adj. -19.9%) was partly offset by increases for Gadovist® (Fx adj. +33.1%), particularly in Europe. Sales of Iopamiron® receded by 7.5% (Fx adj.) because of continuing generic competition in Japan.

EBITDA before special items of the Pharmaceuticals segment advanced by 9.3% in the third quarter of 2009 to €765 million (Q3 2008: €700 million). The growth in earnings was due to the business uptrend and in particular to lower selling expenses and to synergies from the Schering integration. These positive effects were partially offset by an increase in manufacturing costs and by higher research and development expenses. **EBIT** before special items rose by 7.0% to €475 million (Q3 2008: €444 million). Special items totaled minus €107 million (Q3 2008: minus 154 million), comprising further provisions for litigation and defense costs, expenses for the Schering integration and an increase in the contributions to the German pension assurance association. EBIT rose by 26.9% to €368 million (Q3 2008: €290 million).

Sales in our Pharmaceuticals segment in the **first nine months of 2009** improved by 5.6% to €7,769 million (9M 2008: €7,357 million). Adjusted for currency and portfolio effects, business grew by 4.1%. This positive performance was driven primarily by a significant increase in sales of Nexavar® (Fx adj. +29.3%) and by the expansion of business with Betaferon®/Betaseron® (Fx adj. +5.5%), YAZ®/Yasmin®/Yasminelle® (Fx adj. +4.4%) and Aspirin Cardio® (Fx adj. +13.1%). By contrast, sales were down particularly for Avalox®/Avelox® (Fx adj. -9.3%), Magnevist® (Fx adj. -14.6%) and Iopamiron® (Fx adj. -9.9%). **EBITDA** before special items improved by 10.9% in the first nine months of 2009, to €2,404 million (9M 2008: €2,167 million). **EBIT** before special items rose by 18.9% to €1,521 million (9M 2008: €1,279 million). After net special charges of €59 million, EBIT grew by 56.2% to €1,462 million (9M 2008: €936 million).

CONSUMER HEALTH

Key Data – Consumer Health	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,328**	**1,388**	**+4.5**	**3,910**	**4,055**	**+3.7**
Consumer Care	753	777	+3.2	2,174	2,230	+2.6
Medical Care	337	360	+6.8	1,003	1,075	+7.2
Animal Health	238	251	+5.5	733	750	+2.3
Sales by Region						
Europe	547	545	−0.4	1,619	1,630	+0.7
North America	459	498	+8.5	1,316	1,422	+8.1
Asia/Pacific	116	140	+20.7	340	391	+15.0
Latin America/Africa/Middle East	206	205	−0.5	635	612	−3.6
EBITDA*	**312**	**378**	**+21.2**	**852**	**909**	**+6.7**
Special items	*(6)*	*2*		*(43)*	*(1)*	
EBITDA before special items*	***318***	***376***	***+18.2***	***895***	***910***	***+1.7***
EBITDA margin before special items*	23.9%	27.1%		22.9%	22.4%	
EBIT*	**253**	**313**	**+23.7**	**683**	**715**	**+4.7**
Special items	*(6)*	*2*		*(43)*	*(1)*	
EBIT before special items*	***259***	***311***	***+20.1***	***726***	***716***	***−1.4***
Gross cash flow**	**245**	**277**	**+13.1**	**649**	**674**	**+3.9**
Net cash flow**	**232**	**311**	**+34.1**	**460**	**666**	**+44.8**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Sales of the **Consumer Health** segment increased by 4.5% in the **third quarter of 2009** to €1,388 million (Q3 2008: €1,328 million). Business expanded by 4.9% on a currency- and portfolio-adjusted basis, with all divisions contributing to this increase.

Best-Selling Consumer Health Products	3rd Quarter 2008	3rd Quarter 2009	Change	Currency-adjusted change	First Nine Months 2008	First Nine Months 2009	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Contour® (Medical Care)	128	149	+16.4	+15.0	401	442	+10.2	+7.1
Aspirin® * (Consumer Care)	105	99	−5.7	−3.0	324	289	−10.8	−10.7
Advantage® product line (Animal Health)	85	88	+3.5	+1.9	262	275	+5.0	+0.8
Aleve®/naproxen (Consumer Care)	48	60	+25.0	+23.2	153	159	+3.9	−2.6
Bepanthen®/Bepanthol® (Consumer Care)	41	44	+7.3	+9.0	132	142	+7.6	+10.6
Canesten® (Consumer Care)	51	49	−3.9	+0.7	152	142	−6.6	−3.1
One-A-Day® (Consumer Care)	35	36	+2.9	−1.4	92	105	+14.1	+4.3
Breeze® (Medical Care)	40	34	−15.0	−16.9	108	105	−2.8	−8.1
Baytril® (Animal Health)	38	37	−2.6	−7.6	107	105	−1.9	−6.3
Supradyn® (Consumer Care)	35	37	+5.7	+9.6	103	99	−3.9	−0.4
Total	**606**	**633**	**+4.5**	**+4.3**	**1,834**	**1,863**	**+1.6**	**−0.6**
Proportion of Consumer Health sales	46%	46%			47%	46%		

* total Aspirin® Q3 sales = €177 million (Q3 2008 = €172 million), 9M sales = €521 million (9M 2008 = €522 million) including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

In the **Consumer Care** Division, sales advanced by 3.2% to €777 million (Q3 2008: €753 million). Adjusted for currency and portfolio effects, business grew by 5.1%. Sales of non-prescription medicines trended especially well in the emerging markets and North America. Sales of Aleve®/naproxen (Fx adj. +23.2%) improved markedly, particularly in the United States, against a weak prior-year quarter. Substantial business growth was also recorded for Redoxon® and Supradyn®, with sales of these products rising to €22 million (Fx adj. +36.9%) and €37 million (Fx adj. +9.6%), respectively. By contrast, sales of Aspirin® were down (Fx adj. -3.0%). Our dermatology business (Intendis) lifted sales by 6.7% (Fx adj.) to €63 million.

Sales of our **Medical Care** Division advanced by 6.8% in the third quarter of 2009 to €360 million (Q3 2008: €337 million). Adjusted for currency changes, business improved by 4.7%. Sales of blood glucose monitoring systems (Diabetes Care) advanced in all regions. The Contour® product line (Fx adj. +15.0%), which performed particularly well in the United States, accounted for a major share of this increase. On the other hand, sales of Breeze® receded to €34 million (Fx adj. -16.9%). Our medical equipment business (Medrad) grew sales to €116 million (Fx adj. +7.1%), buoyed by increases in North America and Asia/Pacific.

Sales of the **Animal Health** Division rose by 5.5% to €251 million (Q3 2008: €238 million). Adjusted for currency effects, the increase came to 4.6%. This performance was based primarily on growth in the Drontal® product line (Fx adj. +13.6%). Sales of the Advantage® product line were up (Fx adj. +1.9%), with increases in Australia and the United Kingdom, in particular, offsetting a decline in the United States.

In the Consumer Health segment we achieved **EBITDA** before special items of €376 million in the third quarter of 2009 (Q3 2008: €318 million). This earnings increase was attributable to the business expansion in all divisions and to lower selling expenses. **EBIT** before special items grew by 20.1% to €311 million (Q3 2008: €259 million). Special items amounted to €2 million (Q3 2008: minus €6 million). EBIT climbed by 23.7% to €313 million (Q3 2008: €253 million).

In the **first nine months of 2009**, **sales** in the Consumer Health segment advanced by €145 million to €4,055 million. Adjusted for currency and portfolio effects, business grew by 1.2%. All three divisions reported growth in sales. Here we benefited from a very positive performance in the emerging markets that offset the effects of the economic weakness in North America in the first quarter of 2009. **EBITDA** before special items grew by 1.7% to €910 million (9M 2008: €895 million). **EBIT** before special items, however, receded by 1.4% to €716 million (9M 2008: €726 million) due to higher depreciation and amortization charges. After net special charges of €1 million, EBIT came in at €715 million (9M 2008: €683 million).

Bayer CropScience

Key Data – CropScience	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,248**	**1,140**	**−8.7**	**5,030**	**5,112**	**+1.6**
Crop Protection	1,067	973	−8.8	4,215	4,247	+0.8
Environmental Science, BioScience	181	167	−7.7	815	865	+6.1
Sales by Region						
Europe	424	352	−17.0	2,244	2,130	−5.1
North America	213	149	−30.0	1,122	1,287	+14.7
Asia/Pacific	230	224	−2.6	701	743	+6.0
Latin America/Africa/Middle East	381	415	+8.9	963	952	−1.1
EBITDA*	**167**	**78**	**−53.3**	**1,323**	**1,238**	**−6.4**
Special items	*(40)*	*(30)*		*(98)*	*(104)*	
EBITDA before special items*	***207***	***108***	***−47.8***	***1,421***	***1,342***	***−5.6***
EBITDA margin before special items*	16.6%	9.5%		28.3%	26.3%	
EBIT*	**36**	**(59)**	**•**	**927**	**854**	**−7.9**
Special items	*(42)*	*(43)*		*(104)*	*(121)*	
EBIT before special items*	***78***	***(16)***	***•***	***1,031***	***975***	***−5.4***
Gross cash flow**	**167**	**49**	**−70.7**	**1,033**	**936**	**−9.4**
Net cash flow**	**273**	**371**	**+35.9**	**692**	**421**	**−39.2**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Business in the CropScience subgroup declined in the **third quarter of 2009** against the strong level of the prior-year period. Lower prices for key crop commodities and adverse weather patterns greatly marred the market environment in the third quarter of 2009. At the start of the year, with producer prices at a high level, farmers and wholesalers placed their orders early, expecting crop protection products to remain in short supply. Purchases by our customers in the third quarter were distinctly restrained as a result. **Sales** fell by 8.7% to €1,140 million (Q3 2008: €1,248 million). Adjusted for currency changes, business contracted by 8.2%.

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Best-Selling CropScience Products*	3rd Quarter 2008	3rd Quarter 2009	Change	Currency-adjusted change	First Nine Months 2008	First Nine Months 2009	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	199	169	−15.1	−15.0	489	477	−2.5	−5.3
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	69	90	+30.4	+27.1	251	287	+14.3	+9.2
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	24	34	+41.7	+36.8	195	260	+33.3	+30.3
Proline®/Input®/Prosaro® (Fungicides)	18	20	+11.1	+27.0	224	239	+6.7	+10.2
Folicur®/Raxil® (Fungicides/Seed Treatment)	50	45	−10.0	−9.1	208	177	−14.9	−13.7
Poncho® (Seed Treatment)	50	21	−58.0	−53.2	157	154	−1.9	−2.8
Atlantis® (Herbicides)	19	12	−36.8	−34.8	155	147	−5.2	−1.5
Puma® (Herbicides)	24	19	−20.8	−15.7	174	142	−18.4	−15.8
Decis®/K-Othrine® (Insecticides/Environmental Science)	41	41	0.0	+2.2	140	134	−4.3	−2.7
Fandango® (Fungicides)	15	16	+6.7	−1.2	110	116	+5.5	+8.8
Total	**509**	**467**	**−8.3**	**−7.5**	**2,103**	**2,133**	**+1.4**	**+1.1**
Proportion of CropScience sales	41%	41%			42%	42%		

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

EBITDA before special items of the CropScience subgroup dropped by 47.8% in the third quarter of 2009 to €108 million (Q3 2008: €207 million). This was attributable particularly to lower volumes for our Crop Protection and Environmental Science products, and to negative currency effects. Selling prices also moved slightly lower. **EBIT** before special items came in well below the prior-year period at minus €16 million (Q3 2008: plus €78 million). After net special charges of €43 million (Q3 2008: €42 million), EBIT fell by €95 million to minus €59 million (Q3 2008: €36 million).

CROP PROTECTION

Key Data – Crop Protection	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,067**	**973**	**−8.8**	**4,215**	**4,247**	**+0.8**
Herbicides	307	282	−8.1	1,492	1,563	+4.8
Fungicides	210	225	+7.1	1,234	1,227	−0.6
Insecticides	311	279	−10.3	954	930	−2.5
Seed Treatment	239	187	−21.8	535	527	−1.5
Sales by Region						
Europe	371	304	−18.1	1,946	1,849	−5.0
North America	147	92	−37.4	806	918	+13.9
Asia/Pacific	203	196	−3.4	590	617	+4.6
Latin America/Africa/Middle East	346	381	+10.1	873	863	−1.1
EBITDA*	**157**	**92**	**−41.4**	**1,148**	**1,090**	**−5.1**
Special items	*(40)*	*(26)*		*(91)*	*(62)*	
EBITDA before special items*	***197***	***118***	***−40.1***	***1,239***	***1,152***	***−7.0***
EBITDA margin before special items*	18.5%	12.1%		29.4%	27.1%	
EBIT*	**46**	**(28)**	**•**	**813**	**755**	**−7.1**
Special items	*(42)*	*(40)*		*(97)*	*(78)*	
EBIT before special items*	***88***	***12***	***−86.4***	***910***	***833***	***−8.5***
Gross cash flow**	**151**	**58**	**−61.6**	**892**	**823**	**−7.7**
Net cash flow**	**208**	**289**	**+38.9**	**572**	**287**	**−49.8**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Sales in the **Crop Protection** segment were down sharply against the strong prior-year quarter, falling 8.8% to €973 million (Q3 2008: €1,067 million). On a currency-adjusted basis, sales declined by 8.6% year on year. Demand for crop protection products was held back by unfavorable weather conditions in Europe and on the Indian subcontinent, as well as by lower producer prices, especially for wheat and corn. This applied particularly to the insecticides and herbicides businesses. Our seed treatment business shrank significantly in the third quarter because of orders for the fall treatment season that had been placed early and were already included in the strong figures for the second quarter.

In the **Europe** region, sales fell by 18.1% to €304 million (Q3 2008: €371 million). Adjusted for currency effects, sales declined by 14.8%. The decrease was not only weather-related, but in particular the result of restrained demand in France due to provisions of a new law limiting payment periods, which delayed orders for the new season. Sales in Germany also fell considerably as sales of seed treatments declined following early business for the fall season.

Sales in **North America** decreased by 37.4% to €92 million (Q3 2008: €147 million). Adjusted for currency changes, business shrank by 34.7%. A decline in cotton acreages in the United States led to a significant drop in demand for the relevant products, especially insecticides and the growth regulators reported in the Herbicides business unit. On top of this, sales of our seed treatment product Poncho® fell considerably, following a very strong second quarter that contained revenues from early orders for the fall treatment season.

Sales of our crop protection products in the **Asia/Pacific** region, at €196 million, were down by 3.4% from the prior-year period. After adjusting for shifts in exchange rates, business shrank by 3.7%. We also saw significant declines for our insecticides due to the delayed and erratic monsoon season in India and low pest infestation in China. The recovery in Australian agriculture lifted demand for our herbicides. In southeast Asia we benefited from the successful performance of our new active ingredients, particularly those used in rice growing.

In the **Latin America/Africa/Middle East** region, sales rose by 10.1% to €381 million (Q3 2008: €346 million). Adjusted for currency changes, business improved by 6.4%. We recorded a gratifying expansion in business, particularly in Brazil. Important growth drivers were the fungicides Nativo® and Sphere®, and the launch of the insecticide Belt®. Sales in Africa also improved, while business in the Middle East receded.

EBITDA before special items of the Crop Protection segment declined by 40.1% in the third quarter of 2009, to €118 million (Q3 2008: €197 million). Earnings were diminished by the significant fall in volumes, negative currency effects, and a drop in selling prices for our crop protection products in Latin America. **EBIT** before special items fell by €76 million to €12 million (Q3 2008: €88 million). The special items of minus €40 million (Q3 2008: minus €42 million) related to the cost structure program we initiated in 2006, the restructuring of our production site in Institute, West Virginia, United States, and Crop Protection's share of the additional funding for the German pension assurance association. EBIT came in at minus €28 million (Q3 2008: plus €46 million).

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Sales in the Crop Protection segment in the **first three quarters of 2009** matched the high level of the previous year at €4,247 million (+0.8%). Adjusted for shifts in currency parities, sales rose by 0.9%. Our business expanded significantly, particularly in North America and also in Asia, our young products being the principal growth drivers. Sales in Latin America moved slightly lower, mainly as a result of the adverse weather patterns in major growing areas in the first half of the year. Business in Europe was level with the same period of last year. **EBITDA** before special items fell by 7.0% to €1,152 million (9M 2008: €1,239 million). **EBIT** before special items came in at €833 million, down 8.5% from the prior-year figure of €910 million. After net special charges of €78 million (9M 2008: €97 million), EBIT came in at €755 million (9M 2008: €813 million).

ENVIRONMENTAL SCIENCE, BIOSCIENCE

Key Data – Environmental Science, BioScience	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**181**	**167**	**−7.7**	**815**	**865**	**+6.1**
Environmental Science	129	116	−10.1	459	452	−1.5
BioScience	52	51	−1.9	356	413	+16.0
Sales by Region						
Europe	53	48	−9.4	298	281	−5.7
North America	66	57	−13.6	316	369	+16.8
Asia/Pacific	27	28	+3.7	111	126	+13.5
Latin America/Africa/Middle East	35	34	−2.9	90	89	−1.1
EBITDA*	**10**	**(14)**	•	**175**	**148**	**−15.4**
Special items	*0*	*(4)*		*(7)*	*(42)*	
EBITDA before special items*	***10***	***(10)***	•	***182***	***190***	***+4.4***
EBITDA margin before special items*	5.5%	(6.0)%		22.3%	22.0%	
EBIT*	**(10)**	**(31)**	•	**114**	**99**	**−13.2**
Special items	*0*	*(3)*		*(7)*	*(43)*	
EBIT before special items*	***(10)***	***(28)***	•	***121***	***142***	***+17.4***
Gross cash flow**	**16**	**(9)**	•	**141**	**113**	**−19.9**
Net cash flow**	**65**	**82**	**+26.2**	**120**	**134**	**+11.7**

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Sales in the **Environmental Science, BioScience** segment fell by 7.7% in the third quarter, to €167 million (Q3 2008: €181 million). Adjusted for currency changes, business shrank by 6.3%.

Sales of the **Environmental Science** business unit dropped by 10.1% to €116 million (Q3 2008: €129 million). Business was also down by 10.1% after adjusting for currency effects. The decline was attributable to lower sales of products for professional users, especially in North America. However, sales of products for consumers posted an improvement.

Sales of the **BioScience** business unit came in at €51 million, down only slightly from the prior-year figure of €52 million. Adjusted for currency effects, business was up by 3.2%. This growth resulted mostly from higher sales of our vegetable seeds and increased revenues from the out-licensing of our traits.

In August 2009 Bayer agreed to acquire Athenix Corp., a privately held biotechnology company headquartered in Research Triangle Park, North Carolina, United States. This transaction is subject to the approval of the relevant U.S. authorities and is expected to close before the end of this year. Athenix has an extensive herbicide tolerance and insect control trait development platform, particularly for corn and soybeans. The acquisition is designed to strengthen the BioScience business by significantly expanding its research and development presence in the United States.

EBITDA before special items in the Environmental Science, BioScience segment fell by €20 million in the third quarter, to minus €10 million (Q3 2008: plus €10 million). This was due not only to the decline in business, but particularly to increased research and development costs in the BioScience business unit. **EBIT** before special items, at minus €28 million, was significantly below the prior-year figure of minus €10 million. The net special charges of €3 million (Q3 2008: €0 million) included costs associated with our restructuring program. EBIT dropped to minus €31 million (Q3 2008: minus €10 million).

Sales in the Environmental Science, BioScience segment improved by 6.1% in the **first three quarters of 2009**, to €865 million (9M 2008: €815 million). After adjusting for currency effects, business expanded by 5.1%. Double-digit growth rates in our BioScience unit, particularly for canola seed in North America, more than offset the slight declines in the Environmental Science business due to the weaker demand for green industry products in North America. **EBITDA** before special items rose by 4.4%, from €182 million to €190 million. **EBIT** before special items grew by 17.4% to €142 million (9M 2008: €121 million). After net special charges of €43 million (9M 2008: €7 million), EBIT fell by 13.2% to €99 million (9M 2008: €114 million).

Bayer MaterialScience

Key Data – MaterialScience	3rd Quarter 2008	3rd Quarter 2009	Change	First Nine Months 2008	First Nine Months 2009	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,549**	**2,038**	**−20.0**	**7,683**	**5,504**	**−28.4**
Polyurethanes	1,314	1,011	−23.1	4,017	2,773	−31.0
Polycarbonates	638	526	−17.6	1,873	1,350	−27.9
Coatings, Adhesives, Specialties	428	383	−10.5	1,315	996	−24.3
Industrial Operations	169	118	−30.2	478	385	−19.5
Sales by Region						
Europe	1,111	825	−25.7	3,415	2,232	−34.6
North America	558	395	−29.2	1,627	1,149	−29.4
Asia/Pacific	547	546	−0.2	1,653	1,398	−15.4
Latin America/Africa/Middle East	333	272	−18.3	988	725	−26.6
EBITDA*	**249**	**227**	**−8.8**	**1,021**	**181**	**−82.3**
Special items	*(6)*	*(11)*		*(13)*	*(62)*	
EBITDA before special items*	***255***	***238***	***−6.7***	***1,034***	***243***	***−76.5***
EBITDA margin before special items*	10.0%	11.7%		13.5%	4.4%	
EBIT*	**133**	**85**	**−36.1**	**658**	**(280)**	**•**
Special items	*(5)*	*(15)*		*(14)*	*(95)*	
EBIT before special items*	***138***	***100***	***−27.5***	***672***	***(185)***	**•**
Gross cash flow**	**197**	**180**	**−8.6**	**785**	**194**	**−75.3**
Net cash flow**	**139**	**129**	**−7.2**	**561**	**543**	**−3.2**

2008 figures restated
* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 24
** for definition see chapter "Liquidity and Capital Resources," page 25

Our MaterialScience subgroup had **sales** of €2,038 million in the **third quarter of 2009**, down 20.0% against the prior-year level of €2,549 million. Compared with the second quarter of 2009 (€1,830 million), however, there was a gratifying expansion of business worldwide due to increased demand in all our main customer industries. After adjusting for currency and portfolio effects, the year-on-year decline was 21.8%. This was due especially to the fact that selling prices were much lower than in the prior-year period, while volumes were also down. By contrast, volumes already increased again in the Asia/Pacific region.

Sales of the **Polyurethanes** business unit fell by 23.1% to €1,011 million (Q3 2008: €1,314 million). Adjusted for currency and portfolio effects, business shrank by 24.6%. The drop in sales was primarily the result of lower selling prices for all polyurethane product groups (diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether (PET)). Volumes were also down overall compared with the prior-year quarter, the strong gains in Asia/Pacific not fully offsetting the declines in the other regions.

The **Polycarbonates** business unit saw sales move back by 17.6% (Fx adj. -19.6%) to €526 million (Q3 2008: €638 million). Business was adversely impacted by lower selling prices in both product groups (granules and sheet) and a demand-related decrease in volumes, particularly in Europe and the United States.

Sales of the **Coatings, Adhesives, Specialties** business unit dropped by 10.5% to €383 million (Q3 2008: €428 million). Adjusted for currency and portfolio effects, business receded by 13.1%. This decrease resulted almost equally from price and volume reductions in all regions. Only in Asia/Pacific did volumes reach the level of the prior-year quarter.

Sales of **Industrial Operations** fell by 30.2% (Fx adj. -30.1%) to €118 million, well below the prior-year level of €169 million. This resulted particularly from lower prices for sodium hydroxide solution in North America against the very high level of the prior-year quarter. Volumes receded compared with the third quarter of 2008 due to a drop in demand, particularly in Europe.

EBITDA before special items of the MaterialScience subgroup came in at €238 million in the third quarter of 2009 (Q3 2008: €255 million). Compared with the second quarter of 2009 (€121 million), EBITDA before special items nearly doubled thanks to the recovery in business, despite a slight increase in raw material costs. This was primarily attributable to higher volumes.

Compared with the third quarter of 2008, we were unable to fully offset the negative impact of the selling-price and volume reductions on earnings. The easing of the situation on those raw material and energy markets that are important for MaterialScience had a positive effect. We also registered savings from the restructuring program initiated in 2007 and from the measures introduced in the first half of 2009. **EBIT** before special items in the third quarter fell by 27.5% to €100 million (Q3 2008: €138 million). The special items of minus €15 million (Q3 2008: minus €5 million) related to restructuring measures and the MaterialScience subgroup's share of funding for the German corporate pension assurance association. EBIT came in at €85 million, down 36.1% against the prior-year figure of €133 million.

Sales of the MaterialScience subgroup in the **first three quarters** amounted to €5,504 million, down 28.4% year on year (9M 2008: €7,683 million). Adjusted for currency and portfolio effects, business dropped by 31.5%. **EBITDA** before special items in the first three quarters came to €243 million (9M 2008: €1,034 million). **EBIT** before special items amounted to minus €185 million (9M 2008: plus €672 million). After net special charges of €95 million, EBIT for the first nine months of the year was minus €280 million (9M 2008: plus €658 million).

Performance by Region

Sales by Region and Segment (by Market)	Europe				North America			
	3rd Quarter 2008	3rd Quarter 2009			3rd Quarter 2008	3rd Quarter 2009		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,588**	**1,541**	**−3.0**	**0.0**	**1,093**	**1,146**	**+4.8**	**+0.3**
Pharmaceuticals	1,041	996	−4.3	−1.9	634	648	+2.2	−1.7
Consumer Health	547	545	−0.4	+3.6	459	498	+8.5	+3.1
CropScience	**424**	**352**	**−17.0**	**−13.8**	**213**	**149**	**−30.0**	**−28.9**
Crop Protection	371	304	−18.1	−14.8	147	92	−37.4	−34.7
Environmental Science, BioScience	53	48	−9.4	−7.4	66	57	−13.6	−15.8
MaterialScience	**1,111**	**825**	**−25.7**	**−25.5**	**558**	**395**	**−29.2**	**−32.7**
Continuing operations (incl. reconciliation)	**3,443**	**2,965**	**−13.9**	**−12.1**	**1,866**	**1,691**	**−9.4**	**−13.0**

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

Sales by Region and Segment (by Market)	Europe				North America			
	First Nine Months 2008	First Nine Months 2009			First Nine Months 2008	First Nine Months 2009		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**4,753**	**4,689**	**−1.3**	**+1.9**	**3,222**	**3,473**	**+7.8**	**−1.7**
Pharmaceuticals	3,134	3,059	−2.4	+0.6	1,906	2,051	+7.6	−1.5
Consumer Health	1,619	1,630	+0.7	+4.3	1,316	1,422	+8.1	−1.9
CropScience	**2,244**	**2,130**	**−5.1**	**−0.5**	**1,122**	**1,287**	**+14.7**	**+7.8**
Crop Protection	1,946	1,849	−5.0	0.0	806	918	+13.9	+7.0
Environmental Science, BioScience	298	281	−5.7	−3.5	316	369	+16.8	+9.8
MaterialScience	**3,415**	**2,232**	**−34.6**	**−34.6**	**1,627**	**1,149**	**−29.4**	**−36.0**
Continuing operations (incl. reconciliation)	**11,348**	**9,821**	**−13.5**	**−11.2**	**5,979**	**5,914**	**−1.1**	**−9.3**

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

	Asia/Pacific				Latin America/Africa/Middle East				Continuing Operations			
	3rd Quarter 2008	3rd Quarter 2009			3rd Quarter 2008	3rd Quarter 2009			3rd Quarter 2008	3rd Quarter 2009		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
	561	**680**	**+21.2**	**+11.4**	**560**	**569**	**+1.6**	**+9.4**	**3,802**	**3,936**	**+3.5**	**+3.2**
	445	540	+21.3	+10.1	354	364	+2.8	+9.9	2,474	2,548	+3.0	+2.0
	116	140	+20.7	+16.9	206	205	−0.5	+8.7	1,328	1,388	+4.5	+5.4
	230	**224**	**−2.6**	**−3.1**	**381**	**415**	**+8.9**	**+6.4**	**1,248**	**1,140**	**−8.7**	**−8.2**
	203	196	−3.4	−3.7	346	381	+10.1	+6.4	1,067	973	−8.8	−8.6
	27	28	+3.7	+2.1	35	34	−2.9	+6.7	181	167	−7.7	−6.3
	547	**546**	**−0.2**	**−7.0**	**333**	**272**	**−18.3**	**−14.7**	**2,549**	**2,038**	**−20.0**	**−21.7**
	1,349	**1,464**	**+8.5**	**+1.7**	**1,290**	**1,272**	**−1.4**	**+2.2**	**7,948**	**7,392**	**−7.0**	**−7.6**

	Asia/Pacific				Latin America/Africa/Middle East				Continuing Operations			
	First Nine Months 2008	First Nine Months 2009			First Nine Months 2008	First Nine Months 2009			First Nine Months 2008	First Nine Months 2009		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
	1,632	**1,967**	**+20.5**	**+8.9**	**1,660**	**1,695**	**+2.1**	**+7.9**	**11,267**	**11,824**	**+4.9**	**+2.8**
	1,292	1,576	+22.0	+8.4	1,025	1,083	+5.7	+11.1	7,357	7,769	+5.6	+2.9
	340	391	+15.0	+11.0	635	612	−3.6	+2.8	3,910	4,055	+3.7	+2.6
	701	**743**	**+6.0**	**+4.4**	**963**	**952**	**−1.1**	**−2.9**	**5,030**	**5,112**	**+1.6**	**+1.6**
	590	617	+4.6	+2.9	873	863	−1.1	−4.1	4,215	4,247	+0.8	+0.9
	111	126	+13.5	+12.4	90	89	−1.1	+8.0	815	865	+6.1	+5.1
	1,653	**1,398**	**−15.4**	**−23.9**	**988**	**725**	**−26.6**	**−23.4**	**7,683**	**5,504**	**−28.4**	**−31.2**
	4,015	**4,146**	**+3.3**	**−5.2**	**3,653**	**3,415**	**−6.5**	**−3.5**	**24,995**	**23,296**	**−6.8**	**−8.7**

Calculation of EBIT(DA) Before Special Items

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

Depreciation and amortization in the first three quarters of 2009 was level with the prior-year figure, at €2,056 million (+1.2%), comprising €1,112 million in amortization and write-downs of intangible assets and €944 million in depreciation and write-downs of property, plant and equipment. Of the €62 million in included write-downs, €52 million constituted special items.

Special Items Reconciliation	EBIT* 3rd Quarter 2008	EBIT* 3rd Quarter 2009	EBIT* First Nine Months 2008	EBIT* First Nine Months 2009	EBITDA** 3rd Quarter 2008	EBITDA** 3rd Quarter 2009	EBITDA** First Nine Months 2008	EBITDA** First Nine Months 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**684**	**646**	**3,132**	**2,640**	**1,334**	**1,326**	**5,163**	**4,696**
HealthCare	**160**	**105**	**386**	**60**	**113**	**104**	**300**	**58**
Schering PPA effects***	51	0	157	0	51	0	157	0
Schering integration	48	35	79	(36)	43	34	45	(38)
of which gain from divestitures	*0*	*0*	*(69)*	*(114)*	*0*	*0*	*(69)*	*(114)*
Write-downs	56	0	77	0	14	0	25	0
Litigations	5	56	73	56	5	56	73	56
Pension assurance association	0	14	0	40	0	14	0	40
CropScience	**42**	**43**	**104**	**121**	**40**	**30**	**98**	**104**
Restructuring	42	48	104	76	40	35	98	59
Litigations	0	(1)	0	34	0	(1)	0	34
Pension assurance association	0	(4)	0	11	0	(4)	0	11
MaterialScience	**5**	**15**	**14**	**95**	**6**	**11**	**13**	**62**
Restructuring	5	17	14	79	6	13	13	46
Pension assurance association	0	(2)	0	16	0	(2)	0	16
Reconciliation	**0**	**28**	**0**	**39**	**0**	**28**	**0**	**39**
Pension assurance association	0	28	0	39	0	28	0	39
Total special items	**207**	**191**	**504**	**315**	**159**	**173**	**411**	**263**
Before special items	**891**	**837**	**3,636**	**2,955**	**1,493**	**1,499**	**5,574**	**4,959**

* EBIT as per income statements

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

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

Liquidity and Capital Resources

Bayer Group Summary Statements of Cash Flows	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,171**	**1,172**	**4,144**	**3,629**
Changes in working capital/other non-cash items	63	345	(1,493)	(20)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,234**	**1,517**	**2,651**	**3,609**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0	0	0
Net cash provided by (used in) operating activities (net cash flow), (total)	**1,234**	**1,517**	**2,651**	**3,609**
Net cash provided by (used in) investing activities (total)	**(667)**	**(238)**	**(1,452)**	**(474)**
Net cash provided by (used in) financing activities (total)	**(332)**	**(508)**	**(1,428)**	**(2,626)**
Change in cash and cash equivalents due to business activities (total)	**235**	**771**	**(229)**	**509**
Cash and cash equivalents at beginning of period	**2,058**	**1,834**	**2,531**	**2,094**
Change due to exchange rate movements and to changes in scope of consolidation	(12)	(10)	(21)	(8)
Cash and cash equivalents at end of period	**2,281**	**2,595**	**2,281**	**2,595**

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

OPERATING CASH FLOW

Gross cash flow in the **third quarter of 2009**, at €1,172 million, was level with the prior-year period (+0.1%). Net cash flow advanced by 22.9% to €1,517 million (Q3 2008: €1,234 million). This increase was mainly due to a substantial reduction in cash tied up in working capital at HealthCare and CropScience.

Gross cash flow in the **first three quarters of 2009** fell by 12.4% year on year to €3,629 million (9M 2008: €4,144 million), due largely to the lower operating result. Net cash flow rose by 36.1% to €3,609 million (9M 2008: €2,651 million). This was mainly the result of improved working capital management. Significantly lower net income tax payments of €327 million (9M 2008: €946 million) also contributed to the growth in net cash flow.

INVESTING CASH FLOW

Net cash outflow for investing activities in the **third quarter of 2009** totaled €238 million (Q3 2008: €667 million). Cash outflows for additions to property, plant, equipment and intangible assets were 14.6% below the prior-year period, at €420 million. This figure included disbursements related to the expansion of our polymers production facilities in Shanghai, China, and for marketing rights in the pharmaceuticals field. Disbursements for acquisitions came to €6 million. The prior-year figure of €367 million mainly comprised payments related to the purchase of the OTC business of the Chinese-based Topsun group (€109 million) and the acquisition of German-based Direvo Biotech AG (€185 million). The principal cash inflow item was €120 million (Q3 2008: €126 million) in interest and dividends received.

Net cash outflow for investing activities in the **first nine months of 2009** totaled €474 million (9M 2008: €1,452 million). Cash outflows for property, plant and equipment and intangible assets were 4.2% lower at €1,080 million (9M 2008: €1,127 million). Of this figure, HealthCare accounted for €349 million (9M 2008: €368 million), CropScience for €223 million (9M 2008: €173 million) and MaterialScience for €356 million (9M 2008: €450 million). The cash outflows for acquisitions totaling €48 million related mainly to the purchase of the remaining interests in Berlimed, Spain (49%) and Bayer Polymers Shanghai, China (10%). The prior-year amount of €919 million included disbursements for acquisitions in the third quarter of 2008 and, in particular, payments in connection with the acquisition of Possis Medical, Inc., and the OTC business of Sagmel, Inc. The principal cash inflow item was €435 million (9M 2008: €424 million) in interest and dividends received.

FINANCING CASH FLOW

Net cash outflow for financing activities in the **third quarter of 2009** amounted to €508 million (Q3 2008: €332 million). This total contained net loan repayments of €249 million (Q3 2008: €63 million). Interest payments were slightly lower at €259 million (Q3 2008: €267 million).

Net cash outflow for financing activities in the **first three quarters of 2009** amounted to €2,626 million (9M 2008: €1,428 million). Interest expense totaled €1,078 million (9M 2008: €1,023 million). Net loan repayments amounted to €575 million, the main item here being the €1,600 million disbursement to redeem the floating-rate EMTN note in the second quarter of 2009. In the prior-year period there was a €637 million inflow from net borrowings. There was a €973 million outflow for "dividend payments and withholding tax on dividends" (9M 2008: €1,042 million), including Bayer AG's €1,070 million dividend payment made in May 2009 and €101 million in refunds of withholding tax on intra-Group dividend payments.

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt	Dec. 31, 2008	June 30, 2009	Sept. 30, 2009
	€ million	€ million	€ million
Bonds and notes	10,729	8,305	8,301
of which hybrid bond	1,245	1,254	1,268
of which mandatory convertible bond	2,296	0	0
Liabilities to banks	4,438	4,287	4,077
Liabilities under finance leases	535	567	551
Liabilities from derivatives	612	529	540
Other financial liabilities	333	291	238
Positive fair values of hedges of recorded transactions	(454)	(463)	(441)
Financial debt	**16,193**	**13,516**	**13,266**
Cash and cash equivalents*	(2,037)	(1,790)	(2,595)
Current financial assets	(4)	(11)	(6)
Net financial debt from continuing operations	**14,152**	**11,715**	**10,665**
Net financial debt from discontinued operations	0	0	0
Net financial debt (total)	**14,152**	**11,715**	**10,665**

*In view of the restriction on its use, €0 million of the liquidity in escrow accounts as of September 30, 2009 (June 30, 2009: €44 million; Dec. 31, 2008: €57 million) was not deducted when calculating net financial debt.

Net financial debt (total) of the Bayer Group declined by €1,050 million in the third quarter, amounting to €10.7 billion on September 30, 2009. Net financial debt decreased by €3.5 billion compared with the end of 2008. Of this amount, €2,299 million resulted from the conversion of the mandatory convertible bond issued in 2006 into 62,605,888 new shares. As of September 30, 2009 the Group had cash and cash equivalents of €2,595 million. Financial liabilities amounted to €13.3 billion, including the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators. Our noncurrent financial liabilities as of September 30, 2009 amounted to €11.7 billion.

Standard & Poor's gives Bayer a long-term issuer rating of A- with negative outlook, while Moody's gives the company a rating of A3 with stable outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness. Standard & Poor's confirmed its rating on September 14, 2009.

NET PENSION LIABILITY

	Dec. 31, 2008	June 30, 2009	Sept. 30, 2009
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	6,347	6,480	7,101
Prepaid benefit assets	(351)	(106)	(102)
Net pension liability	**5,996**	**6,374**	**6,999**

The net pension liability increased from €6.4 billion to €7.0 billion in the **third quarter of 2009**, due especially to lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €6.5 billion to €7.1 billion.

In the **first nine months of 2009**, the net pension liability increased from €6.0 billion to €7.0 billion, due especially to lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €6.4 billion to €7.1 billion. At the same time prepaid benefit assets, reflected in the statement of financial position as other receivables, fell to €0.1 billion.

Employees

On September 30, 2009, the Bayer Group had 108,800 employees worldwide, 200 more than on December 31, 2008. We employed 16,400 people in North America, 21,500 in the Asia/Pacific region and 16,200 in Latin America/Africa/Middle East. The number of employees in Europe was 54,700. In Germany we had 36,900 employees, who made up 33.9% of the Group workforce. The above figures include 2,800 trainees worldwide. The number of employees has been converted to full-time equivalents, which means part-time employees are included in proportion to their contractual working hours.

Personnel expenses in the first three quarters of 2009 amounted to €5,854 million (9M 2008: €5,739 million). The increase was largely attributable to the additional funding for the German corporate pension assurance association.

Opportunities and Risks

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

A risk management system is in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2008 are described in the Notes to the Condensed Consolidated Interim Financial Statements on page 43ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2008 on pages 117–125 and 231–237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com.

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

Events After the Reporting Period

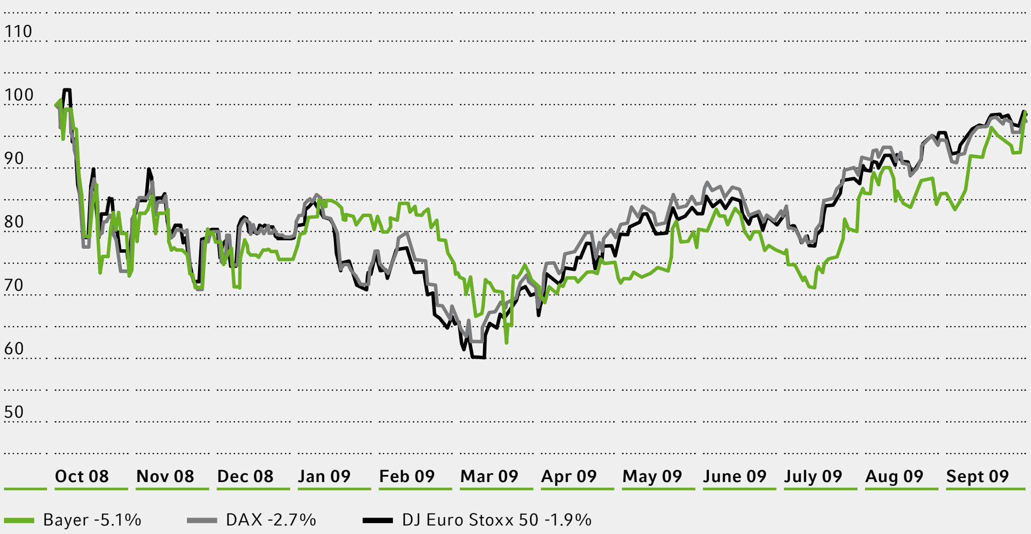
On October 1, 2009, we acquired two dermatology product lines from the U.S. company SkinMedica, Inc., Carlsbad, California, for US$ 63 million (approximately €43 million). These prescription medications, Desonate® and NeoBenz® Micro, are marketed in the United States. The purchase price covers primarily the production rights and brands of the two product lines.

As of November 1, 2009, MaterialScience will revert to the standard collectively agreed work week of 37.5 hours at its German sites. At the beginning of February, MaterialScience had introduced shorter working hours along with a corresponding pay reduction to combat the effects of the economic crisis.

Investor Information

Performance of Bayer Stock over the Past Twelve Months

indexed; 100 = Xetra closing price on September 30, 2008. Source: Bloomberg



Bayer stock performed very well in the third quarter of 2009 in a positive market environment. It gained 23.9% on the quarter, outperforming both the DAX (+18.0%) and the European reference index Euro Stoxx 50 (+19.9%).

At its closing price of €47.35 on September 30, 2009, the stock was up 14.0% from the end of 2008. Including the dividend of €1.40 per share paid on May 13, 2009, it posted a performance of 18.3%. The DAX gained 18.0% in the same period, closing at 5,675 points. The Euro Stoxx 50 improved by 21.1% since the beginning of the year, closing the third quarter at 4,529 points.

Bayer Stock Key Data		3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
High for the period	€	57.53	48.84	65.68	48.84
Low for the period	€	51.80	35.66	45.90	32.69
Average daily share turnover on German stock exchanges	million	4.9	3.8	5.5	4.5

		Sept. 30, 2008	Sept. 30, 2009	Dec. 31, 2008	Change Sept. 30, 2009/ Dec. 31, 2008 %
Share price	€	51.80	47.35	41.55	+14.0
Market capitalization	€ million	39,593	39,156	31,758	+23.3
Equity as per statements of financial position	€ million	18,310	18,252	16,340	+11.7
Number of shares entitled to the dividend	million	764.34	826.95	764.34	+8.2
DAX		5,831	5,675	4,810	+18.0

Xetra closing prices (source: Bloomberg)

CALCULATION OF CORE EARNINGS PER SHARE

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

The calculation of earnings per share in accordance with IFRS is explained in the Notes to the Condensed Consolidated Interim Financial Statements on page 43. Adjusted core net income, core earnings per share and core EBIT are not defined in the IFRS. Therefore they should be regarded as supplementary information rather than stand-alone indicators.

Calculation of Core EBIT and Core Earnings per Share	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
EBIT as per income statements	**684**	**646**	**3,132**	**2,640**
Amortization and write-downs of intangible assets	385	366	1,170	1,112
Write-downs of property, plant and equipment	3	18	63	60
Special items (other than write-downs)	159	173	411	263
Core EBIT	**1,231**	**1,203**	**4,776**	**4,075**
Non-operating result (as per income statements)	(276)	(262)	(813)	(888)
Income taxes (as per income statements)	(133)	(135)	(701)	(549)
Tax adjustment	(151)	(166)	(484)	(428)
Income after taxes attributable to non-controlling interest (as per income statements)	(1)	0	(8)	3
Core net income from continuing operations	**670**	**640**	**2,770**	**2,213**
Financing expenses for the mandatory convertible bond, net of tax effects	28	0	84	47
Adjusted core net income	**698**	**640**	**2,854**	**2,260**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**764,341,920**	**826,947,808**	**764,341,920**	**792,321,971**
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,040,823	0	59,843,529	33,366,875
Adjusted weighted average total number of issued and potential ordinary shares	**824,382,743**	**826,947,808**	**824,185,449**	**825,688,846**
	€	€	€	€
Core earnings per share from continuing operations	**0.85**	**0.78**	**3.46**	**2.74**

Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2009

Bayer Group Consolidated Statements of Financial Position

	Sept. 30, 2008	Sept. 30, 2009	Dec. 31, 2008
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,646	8,505	8,647
Other intangible assets	14,234	12,920	13,951
Property, plant and equipment	9,200	9,249	9,492
Investments in associates	475	402	450
Other financial assets	1,049	1,326	1,197
Other receivables	1,190	572	458
Deferred taxes	295	1,526	1,156
	35,089	**34,500**	**35,351**
Current assets			
Inventories	6,696	6,301	6,681
Trade accounts receivable	6,586	6,355	5,953
Other financial assets	327	431	634
Other receivables	1,325	1,284	1,284
Claims for income tax refunds	362	257	506
Cash and cash equivalents	2,281	2,595	2,094
Assets held for sale and discontinued operations	0	0	8
	17,577	**17,223**	**17,160**
Total assets	**52,666**	**51,723**	**52,511**
Equity			
Capital stock of Bayer AG	1,957	2,117	1,957
Capital reserves of Bayer AG	4,028	6,167	4,028
Other reserves	12,245	9,918	10,278
	18,230	**18,202**	**16,263**
Equity attributable to non-controlling interest	80	50	77
	18,310	**18,252**	**16,340**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	4,442	7,101	6,347
Other provisions	1,503	1,469	1,351
Financial liabilities	9,661	11,725	10,614
Other liabilities	392	451	432
Deferred taxes	3,638	3,530	3,592
	19,636	**24,276**	**22,336**
Current liabilities			
Other provisions	3,717	3,480	3,163
Financial liabilities	6,033	2,105	6,256
Trade accounts payable	2,266	2,133	2,377
Income tax liabilities	242	63	65
Other liabilities	2,449	1,414	1,961
Liabilities directly related to assets held for sale and discontinued operations	13	0	13
	14,720	**9,195**	**13,835**
Total equity and liabilities	**52,666**	**51,723**	**52,511**

2008 figures restated

Bayer Group Consolidated Income Statements

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales	**7,948**	**7,392**	**24,995**	**23,296**
Cost of goods sold	(4,076)	(3,579)	(12,435)	(11,159)
Gross profit	**3,872**	**3,813**	**12,560**	**12,137**
Selling expenses	(2,017)	(1,880)	(5,953)	(5,873)
Research and development expenses	(662)	(692)	(1,943)	(2,012)
General administration expenses	(417)	(404)	(1,275)	(1,210)
Other operating income	214	172	1,064	718
Other operating expenses	(306)	(363)	(1,321)	(1,120)
Operating result [EBIT]	**684**	**646**	**3,132**	**2,640**
Equity-method loss	(11)	(10)	(34)	(36)
Non-operating income	87	158	376	636
Non-operating expenses	(352)	(410)	(1,155)	(1,488)
Non-operating result	**(276)**	**(262)**	**(813)**	**(888)**
Income before income taxes	**408**	**384**	**2,319**	**1,752**
Income taxes	(133)	(135)	(701)	(549)
Income from continuing operations after taxes	**275**	**249**	**1,618**	**1,203**
Income from discontinued operations after taxes	**3**	**0**	**3**	**0**
Income after taxes	**278**	**249**	**1,621**	**1,203**
of which attributable to non-controlling interest	1	0	8	(3)
of which attributable to Bayer AG stockholders (net income)	**277**	**249**	**1,613**	**1,206**
	€	€	€	€
Earnings per share				
From continuing operations				
Basic*	0.37	0.30	2.06	1.52
Diluted*	0.37	0.30	2.06	1.52
From discontinued operations				
Basic*	0.00	0.00	0.00	0.00
Diluted*	0.00	0.00	0.00	0.00
From continuing and discontinued operations				
Basic*	0.37	0.30	2.06	1.52
Diluted*	0.37	0.30	2.06	1.52

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

Bayer Group Consolidated Statements of Comprehensive Income

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income after taxes	**278**	**249**	**1,621**	**1,203**
of which attributable to non-controlling interest	*1*	*0*	*8*	*(3)*
of which attributable to Bayer AG stockholders	*277*	*249*	*1,613*	*1,206*
Changes in fair values of derivatives designated as cash flow hedges	(240)	60	(54)	116
Recognized in profit or loss	(19)	(1)	(68)	38
Income taxes	83	(20)	37	(54)
Changes recognized outside profit or loss (cash flow hedges)	**(176)**	**39**	**(85)**	**100**
Changes in fair values of available-for-sale financial assets	(9)	5	(26)	12
Recognized in profit or loss	0	0	0	0
Income taxes	3	(1)	9	(2)
Changes recognized outside profit or loss (available-for-sale financial assets)	**(6)**	**4**	**(17)**	**10**
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	630	(602)	1,575	(1,008)
Income taxes	(201)	195	(484)	317
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)	**429**	**(407)**	**1,091**	**(691)**
Exchange differences on translation of operations outside the euro zone	387	(139)	(44)	76
Recognized in profit or loss	0	0	0	0
Changes recognized outside profit or loss (exchange differences)	**387**	**(139)**	**(44)**	**76**
Changes in revaluation surplus (IFRS 3)	**0**	**0**	**6**	**0**
Effects of changes in liabilities from non-controlling interests in partnerships on other comprehensive income	**(14)**	**6**	**(43)**	**11**
Changes due to changes in the scope of consolidation	**2**	**1**	**2**	**0**
Other comprehensive income (changes recognized outside profit or loss)	**622**	**(496)**	**910**	**(494)**
of which attributable to non-controlling interest	*1*	*2*	*(5)*	*2*
of which attributable to Bayer AG stockholders	*621*	*(498)*	*915*	*(496)*
Total comprehensive income	**900**	**(247)**	**2,531**	**709**
of which attributable to non-controlling interest	*2*	*2*	*3*	*(1)*
of which attributable to Bayer AG stockholders	*898*	*(249)*	*2,528*	*710*

Bayer Group Consolidated Statements of Changes in Equity

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2007	**1,957**	**4,028**	**10,749**	**16,734**	**87**	**16,821**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,032)	(1,032)	(10)	(1,042)
Other changes						
Total comprehensive income			2,528	2,528	3	2,531
Sept. 30, 2008	**1,957**	**4,028**	**12,245**	**18,230**	**80**	**18,310**
Dec. 31, 2008	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital increase/decrease	160	2,139		2,299		2,299
Dividend payments			(1,070)	(1,070)	(4)	(1,074)
Other changes					(22)	(22)
Total comprehensive income			710	710	(1)	709
Sept. 30, 2009	**2,117**	**6,167**	**9,918**	**18,202**	**50**	**18,252**

*OCI = other comprehensive income

Bayer Group Consolidated Statements of Cash Flows

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income from continuing operations after taxes	275	249	1,618	1,203
Income taxes	133	135	701	549
Non-operating result	276	262	813	888
Income taxes paid or accrued	(197)	(131)	(913)	(696)
Depreciation and amortization	650	680	2,031	2,056
Change in pension provisions	(5)	(24)	(185)	(238)
(Gains) losses on retirements of noncurrent assets	(12)	1	(78)	(133)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	51	0	157	0
Gross cash flow	**1,171**	**1,172**	**4,144**	**3,629**
Decrease (increase) in inventories	(299)	(48)	(563)	327
Decrease (increase) in trade accounts receivable	377	427	(697)	(371)
(Decrease) increase in trade accounts payable	(78)	132	(143)	(259)
Changes in other working capital, other non-cash items	63	(166)	(90)	283
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,234**	**1,517**	**2,651**	**3,609**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,234**	**1,517**	**2,651**	**3,609**
Cash outflows for additions to property, plant, equipment and intangible assets	(492)	(420)	(1,127)	(1,080)
Cash inflows from sales of property, plant, equipment and other assets	41	24	148	47
Cash inflows from (outflows for) divestitures	(3)	6	(52)	57
Cash inflows from (outflows for) noncurrent financial assets	25	32	73	116
Cash outflows for acquisitions less acquired cash	(367)	(6)	(919)	(48)
Interest and dividends received	126	120	424	435
Cash inflows from (outflows for) current financial assets	3	6	1	(1)
Net cash provided by (used in) investing activities (total)	**(667)**	**(238)**	**(1,452)**	**(474)**
Capital contributions	0	0	0	0
Dividend payments and withholding tax on dividends	(2)	0	(1,042)	(973)
Issuances of debt	103	97	1,102	2,649
Retirements of debt	(166)	(346)	(465)	(3,224)
Interest paid	(267)	(259)	(1,023)	(1,078)
Net cash provided by (used in) financing activities (total)	**(332)**	**(508)**	**(1,428)**	**(2,626)**
Change in cash and cash equivalents due to business activities (total)	**235**	**771**	**(229)**	**509**
Cash and cash equivalents at beginning of period	**2,058**	**1,834**	**2,531**	**2,094**
Change in cash and cash equivalents due to changes in scope of consolidation	0	0	2	3
Change in cash and cash equivalents due to exchange rate movements	(12)	(10)	(23)	(11)
Cash and cash equivalents at end of period	**2,281**	**2,595**	**2,281**	**2,595**

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Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2009

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
Segments	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external)	2,474	2,548	1,328	1,388
Change	+2.4%	+3.0%	+5.1%	+4.5%
Currency-adjusted change	+6.1%	+2.0%	+10.2%	+5.4%
Intersegment sales	29	29	2	6
Operating result [EBIT]	290	368	253	313
Gross cash flow*	554	599	245	277
Net cash flow*	447	668	232	311
Depreciation, amortization and write-downs	303	291	59	65

2008 figures restated
* for definition see chapter "Liquidity and Capital Resources," page 25

	HealthCare			
	Pharmaceuticals		Consumer Health	
Segments	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales (external)	7,357	7,769	3,910	4,055
Change	+2.3%	+5.6%	+2.5%	+3.7%
Currency-adjusted change	+7.2%	+2.9%	+8.9%	+2.6%
Intersegment sales	70	76	5	14
Operating result [EBIT]	936	1,462	683	715
Gross cash flow*	1,493	1,707	649	674
Net cash flow*	950	1,608	460	666
Depreciation, amortization and write-downs	974	885	169	194
Number of employees (as of Sept. 30)**	36,000	36,700	16,900	17,100

2008 figures restated
* for definition see chapter "Liquidity and Capital Resources," page 25
** number of employees in full-time equivalents

CropScience				MaterialScience		Reconciliation					
Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Continuing Operations	
3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,067	973	181	167	2,549	2,038	348	276	1	2	7,948	7,392
+8.3%	−8.8%	+5.2%	−7.7%	−2.9%	−20.0%	+6.1%	−20.7%			+2.0%	−7.0%
+14.7%	−8.6%	+11.0%	−6.3%	+0.4%	−21.7%	+6.8%	−22.1%			+6.0%	−7.6%
5	8	1	2	10	15	501	408	(548)	(468)		
46	(28)	(10)	(31)	133	85	5	(13)	(33)	(48)	684	646
151	58	16	(9)	197	180	17	92	(9)	(25)	1,171	1,172
208	289	65	82	139	129	129	127	14	(89)	1,234	1,517
111	120	20	17	116	142	28	31	13	14	650	680

CropScience				MaterialScience		Reconciliation					
Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Continuing Operations	
First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
4,215	4,247	815	865	7,683	5,504	1,008	848	7	8	24,995	23,296
+14.5%	+0.8%	−1.1%	+6.1%	−2.2%	−28.4%	+4.1%	−15.9%			+2.7%	−6.8%
+20.8%	+0.9%	+4.3%	+5.1%	+2.4%	−31.2%	+5.0%	−16.0%			+7.8%	−8.7%
37	28	7	10	30	40	1,358	1,212	(1,507)	(1,380)		
813	755	114	99	658	(280)	64	30	(136)	(141)	3,132	2,640
892	823	141	113	785	194	231	186	(47)	(68)	4,144	3,629
572	287	120	134	561	543	144	126	(156)	245	2,651	3,609
335	335	61	49	363	461	85	91	44	41	2,031	2,056
14,900	15,200	3,300	3,400	15,200	14,300	21,700	21,500	600	600	108,600	108,800

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Key Data by Region

Regions	Europe 3rd Quarter 2008	Europe 3rd Quarter 2009	North America 3rd Quarter 2008	North America 3rd Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,443	2,965	1,866	1,691
Change	+2.0%	−13.9%	−1.2%	−9.4%
Currency-adjusted change	+2.3%	−12.1%	+8.0%	−13.0%
Net sales (external) – by point of origin	3,769	3,260	1,855	1,682
Change	+2.7%	−13.5%	−2.6%	−9.3%
Currency-adjusted change	+3.2%	−11.9%	+6.6%	−13.0%
Interregional sales	1,440	1,510	530	638
Operating result [EBIT]	331	346	237	100

Regions	Europe First Nine Months 2008	Europe First Nine Months 2009	North America First Nine Months 2008	North America First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales (external) – by market	11,348	9,821	5,979	5,914
Change	+3.9%	−13.5%	−4.4%	−1.1%
Currency-adjusted change	+4.5%	−11.2%	+6.8%	−9.3%
Net sales (external) – by point of origin	12,292	10,677	5,987	5,865
Change	+4.2%	−13.1%	−4.7%	−2.0%
Currency-adjusted change	+4.8%	−11.0%	+6.6%	−10.4%
Interregional sales	4,095	4,907	1,393	1,740
Operating result [EBIT]	1,907	1,721	848	606
Number of employees (as of Sept. 30)*	55,800	54,700	17,000	16,400

* number of employees in full-time equivalents

	Asia/Pacific		Latin America/Africa/Middle East		Reconciliation		Continuing Operations	
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,349	1,464	1,290	1,272			7,948	7,392
	+1.5%	+8.5%	+7.7%	−1.4%			+2.0%	−7.0%
	+7.1%	+1.7%	+12.1%	+2.2%			+6.0%	−7.6%
	1,287	1,412	1,037	1,038			7,948	7,392
	+1.2%	+9.7%	+9.5%	+0.1%			+2.0%	−7.0%
	+7.8%	+2.6%	+13.6%	+4.6%			+6.0%	−7.6%
	56	63	50	68	(2,076)	(2,279)		
	10	147	140	101	(34)	(48)	684	646

	Asia/Pacific		Latin America/Africa/Middle East		Reconciliation		Continuing Operations	
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	4,015	4,146	3,653	3,415			24,995	23,296
	+4.6%	+3.3%	+9.7%	−6.5%			+2.7%	−6.8%
	+11.5%	−5.2%	+16.1%	−3.5%			+7.8%	−8.7%
	3,904	3,993	2,812	2,761			24,995	23,296
	+6.2%	+2.3%	+8.4%	−1.8%			+2.7%	−6.8%
	+12.3%	−6.4%	+17.8%	+2.3%			+7.8%	−8.7%
	151	189	106	209	(5,745)	(7,045)		
	181	246	333	208	(137)	(141)	3,132	2,640
	20,700	21,500	15,100	16,200			108,600	108,800

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 30, 2009 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2008 fiscal year, particularly with regard to the main recognition and valuation principles. Income taxes comprise the taxes levied on taxable income in the individual countries and the changes in deferred tax assets and liabilities. The income taxes paid or accrued are recognized in the reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the pre-tax income reported in the interim financial statements. Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

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

		Closing rate			Average rate	
1 €/		Dec. 31, 2008	Sept. 30, 2008	Sept. 30, 2009	First Nine Months 2008	First Nine Months 2009
ARS	Argentina	4.80	4.46	5.63	4.73	5.06
BRL	Brazil	3.25	2.80	2.62	2.56	2.84
CAD	Canada	1.70	1.50	1.57	1.55	1.59
CHF	Switzerland	1.49	1.58	1.51	1.61	1.51
CNY	China	9.50	9.80	10.00	10.63	9.33
GBP	U.K.	0.95	0.79	0.91	0.78	0.89
JPY	Japan	126.14	150.47	131.07	160.97	129.51
MXN	Mexico	19.23	15.71	19.75	16.00	18.62
USD	United States	1.39	1.43	1.46	1.52	1.37

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

	Dec. 31, 2008	June 30, 2009	Sept. 30, 2009
Germany	6.0	5.9	5.3
U.K.	6.4	6.2	5.5
United States	6.2	6.2	5.5

SEGMENT REPORTING

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

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

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

Segment Result Reconciliation	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Operating result of reporting segments	717	694	3,268	2,781
Operating result of Corporate Center	(33)	(48)	(136)	(141)
Operating result [EBIT]	**684**	**646**	**3,132**	**2,640**
Non-operating result	(276)	(262)	(813)	(888)
Income before income taxes	**408**	**384**	**2,319**	**1,752**

CHANGES IN THE BAYER GROUP

CHANGES IN THE SCOPE OF CONSOLIDATION

As of September 30, 2009, the Bayer Group comprised 304 consolidated companies (December 31, 2008: 316 companies), of which four were joint ventures included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

At the end of May 2009, we implemented the strategic alliance with Genzyme Corp., United States. In accordance with the agreement terms, we transferred the products Campath®/ MabCampath®, Fludara® and Leukine® from our hematological oncology portfolio to Genzyme. We are continuing our established co-development partnership with Genzyme for the active substance alemtuzumab for an indication in multiple sclerosis. In May 2009 we acquired the remaining 49% interest in Berlimed, S.A. Spain, from Juste S.A. Química Farmacéutica (Juste), and in return sold our 51% share of Justesa Imagen, S.A., Spain, to Juste. In addition, the Thermoplastics Testing Center, Krefeld, Germany, was sold to Underwriters Laboratories Inc., United States, in May 2009.

The expenses for acquisitions totaling €48 million in the first three quarters of 2009 were mainly related to the purchase of the remaining interests in Berlimed, Spain (49%) and Bayer Polymers Shanghai, China (10%). The expenses for acquisitions totaling €919 million in the first three quarters of 2008 were related primarily to the purchase of Possis Medical, Inc., the OTC business of Sagmel Inc., the OTC cough and cold business of Topsun Science and Technology Qidong Gaitianli Pharmaceutical Co., Ltd., and Direvo Biotech AG.

The assets and liabilities divested in the first three quarters of 2009 are listed in the following table:

Divested assets and liabilities	First Nine Months 2009
	€ million
Property, plant and equipment	(6)
Other noncurrent assets	(1)
Inventories	(9)
Other current assets	(12)
Assets held for sale	(297)
Provisions for pensions and other post-employment benefits	1
Other provisions	5
Other liabilities	11
Divested assets and liabilities	**(308)**
Non-controlling interest	6
Net assets	**(302)**
Divestiture costs	(8)
Net cash inflow from divestitures	57
Future cash payments receivable	395
Net gain from divestitures	**142**
Deferred net gain	(8)
Net gain from divestitures (before taxes)	**134**

On October 1, 2009, we acquired two dermatology product lines from the U.S. company SkinMedica, Inc., Carlsbad, California, for US$ 63 million (approximately €43 million). These prescription medications, Desonate® and NeoBenz® Micro, are marketed in the United States. The purchase price covers primarily the production rights and brands of the two product lines.

INFORMATION ON EARNINGS PER SHARE

Calculation of Earnings per Share	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income after taxes	278	249	1,621	1,203
of which attributable to non-controlling interest	1	0	8	(3)
of which attributable to Bayer AG stockholders (net income)	277	249	1,613	1,206
Income from discontinued operations after taxes	3	0	3	0
Financing expenses for the mandatory convertible bond, net of tax effects	28	0	84	47
Adjusted net income from continuing operations	302	249	1,694	1,253
Adjusted net income from continuing and discontinued operations	305	249	1,697	1,253
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	764,341,920	826,947,808	764,341,920	792,321,971
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,040,823	0	59,843,529	33,366,875
Adjusted weighted average total number of issued (and potential) ordinary shares	824,382,743	826,947,808	824,185,449	825,688,846
	€	€	€	€
Basic earnings per share				
from continuing operations	0.37	0.30	2.06	1.52
from discontinued operations	0.00	0.00	0.00	0.00
from continuing and discontinued operations	0.37	0.30	2.06	1.52
Diluted earnings per share				
from continuing operations	0.37	0.30	2.06	1.52
from discontinued operations	0.00	0.00	0.00	0.00
from continuing and discontinued operations	0.37	0.30	2.06	1.52

The ordinary shares that resulted from conversion of the mandatory convertible bond on June 1, 2009, were treated as already issued shares since the issuance of the bond. Diluted earnings per share are therefore equal to basic earnings per share.

LEGAL RISKS

Information on the Bayer Group's legal risks is provided in the Bayer Annual Report 2008 on pages 231–237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com. The following significant changes have occurred in respect of the legal risks since publication of the Bayer Annual Report 2008:

Magnevist®: As of October 15, 2009, Bayer has been served in a total of about 350 lawsuits in the U.S. involving the gadolinium-based contrast agent Magnevist®. Without admission of liability, Bayer has reached agreements in principle with a substantial number of plaintiffs in the U.S. to settle their claims. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis. Bayer has taken accounting measures and is insured against product liability risks to the extent customary in the industry.

Trasylol®: As of October 15, 2009, the number of lawsuits filed in the United States against Bayer on behalf of plaintiffs alleging personal injuries from the use of Trasylol® was about 780. Trasylol® (aprotinin) is a drug for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. 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.

Cipro®: 39 putative class action lawsuits and one individual lawsuit against Bayer involving Cipro®, a medication used in the treatment of infectious diseases, have been pending in the United States since 2000. The plaintiffs are suing Bayer and other companies also named as defendants, alleging that a settlement reached in 1997 to end patent litigation between Bayer and Barr Laboratories, Inc. violated antitrust regulations. In 2005 a federal district court in New York dismissed all lawsuits pending in federal courts. In 2008, the Court of Appeals for the Federal Circuit in Washington D.C. affirmed this dismissal with regard to the lawsuits brought by indirect purchaser plaintiffs. In June 2009, the U.S. Supreme Court denied certiorari. As a result there are no further avenues of appeal in these federal indirect purchasers' cases. Another appeal remains pending in federal appellate court in New York concerning the lawsuits filed by direct purchasers of Cipro®. Several lawsuits in state courts by indirect purchasers also remain pending.

Yasmin®: In April 2005, Bayer filed suit against Barr Pharmaceuticals, Inc. and Barr Laboratories, Inc. in U.S. federal court alleging patent infringement by Barr for the intended generic version of Bayer's Yasmin® oral contraceptive product in the United States. In June 2005, Barr filed its counterclaim seeking to invalidate Bayer's patent. In March 2008, the U.S. federal court invalidated Bayer's '531 patent for Yasmin®. In August 2009, the U.S. Court of Appeals for the Federal Circuit in a two-to-one opinion affirmed this decision. One judge filed a dissent. Bayer disagrees with the panel majority and has filed a petition for rehearing based upon the dissenting judge's opinion.

Yasmin®/YAZ®: As of October 15, 2009, there were about 150 lawsuits pending in the United States served upon Bayer on behalf of persons alleging personal injuries, some of them fatal, from the use of Bayer's Yasmin® and/or YAZ® oral contraceptive products. Plaintiffs seek compensatory and punitive damages, claiming, in particular, that Bayer knew or should have known of these risks and should be held liable for having failed to disclose them or adequately warn users of Yasmin® and YAZ®. Bayer has also been served with two putative consumer class actions claiming in particular economic loss. Additional lawsuits are anticipated. All cases pending in federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Bayer is insured against product liability risks to the extent customary in the industry.

Levitra®: In July 2009, Bayer filed a patent infringement suit in U.S. federal court against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries, Ltd. In May 2009, Bayer had received notice of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Teva seeks approval to market a generic version of Levitra®, Bayer's therapy for the treatment of erectile dysfunction, prior to patent expiration in the United States. Bayer intends to pursue its rights vigorously.

Regorafenib: In May 2009, Onyx Pharmaceuticals, Inc. filed a complaint in the U.S. District Court for Northern California alleging that the compound regorafenib, which is under development by Bayer in cancer indications, is a compound to which Onyx has rights under a collaboration agreement which was originally concluded in 1994. Under this agreement, the parties jointly developed Nexavar®, a drug product to treat kidney and liver cancer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

HIV/HCV: Bayer and its three co-defendants have entered into an agreement with two U.S. law firms representing the vast majority of plaintiffs in the U.S. federal multidistrict factor concentrates litigation. The agreement is subject to conditions that must be satisfied before the settlement can be completed, including broad acceptance of, and overall participation in, the settlement by the group of plaintiffs represented by these firms. While the aim of the agreement is to bring decades of litigation to an end, Bayer will continue to vigorously defend any claims that are not included in the resolution process.

RELATED PARTIES

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

OTHER INFORMATION

In September the Supervisory Board of Bayer AG decided on the company's future leadership. Werner Wenning (63), Chairman of the Board of Management of Bayer AG since 2002, has extended his contract of service – originally scheduled to run until January 2010 – by eight months through September 30, 2010. At its meeting on September 15, 2009, the Supervisory Board of Bayer AG appointed Netherlands-born Dr. Marijn E. Dekkers (52) to succeed Wenning as Chairman of the Board of Management effective October 1, 2010. Dekkers will join the Bayer AG Board of Management on January 1, 2010, and will also serve for a transitional period as CEO of the Bayer HealthCare subgroup. Arthur J. Higgins (53), who was appointed Chairman of the Bayer HealthCare Executive Committee on July 1, 2004, and has served as Chairman of the Board of Management of Bayer HealthCare AG since January 1, 2006, will leave the company during the first half of 2010 for personal reasons.

Following the Annual Stockholders' Meeting on April 30, 2010, Chief Financial Officer Klaus Kühn will take retirement at the age of 58 at his own request. The Supervisory Board has appointed Werner Baumann (47), currently a member of the Board of Management of Bayer HealthCare AG and of this subgroup's Executive Committee, to succeed him. Baumann will also join the Bayer AG Board of Management effective January 1, 2010.

Leverkusen, October 23, 2009
Bayer Aktiengesellschaft

The Board of Management

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

Focus

Bayer employees Astrid Hübner and Michael Czarnetzki examine new test compounds.

Research excellence for the future

Bayer researchers nominated for German President's 2009 "Innovation Oscar"

High honors for three Bayer researchers: Dr. Frank Misselwitz, Dr. Elisabeth Perzborn and Dr. Dagmar Kubitza have been nominated for the 2009 German Future Prize in recognition of their development of the novel anticoagulant Xarelto®. The prestigious award is presented once a year by German President Horst Köhler at a ceremony in Berlin. This year's event will take place on December 2.

The nominees – along with two other teams – were selected by an expert jury from numerous distinguished recommendations. The three Bayer researchers and their teams developed a new active ingredient for the prevention and treatment of thromboembolism: rivaroxaban. The German Academy of Science and Engineering (acatech) nominated them for the prize to honor this achievement.

"The nomination for the 2009 German Future Prize is a high commendation that fills us all with pride," said Dr. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for innovation, technology and the environment. "Our Bayer team has shown that excellent research is the basis of our country's innovative strength and competitiveness."

Rivaroxaban is an anticoagulant with a novel mechanism of action. It selectively targets a pivotal stage in the blood clotting process and inhibits the activity of the enzyme Factor Xa, which plays a key role in the development of thrombosis. Rivaroxaban offers patients and doctors major advantages over the current standard therapies. Studies have shown the superior efficacy of rivaroxaban in preventing venous thromboembolism following elective hip and knee replacement surgery in adult patients. Rivaroxaban is administered in tablet form and does not have to be injected like the current standard therapies.

Thromboembolism is a serious condition affecting millions of people every year – often with a fatal outcome. In the western world, venous thromboembolism kills more than twice as many people as breast cancer, prostate cancer, HIV/Aids and road traffic accidents combined.

Rivaroxaban was invented in Bayer's laboratories in Wuppertal, Germany, and is being jointly developed by Bayer HealthCare and Johnson & Johnson Pharmaceutical Research & Development, L.L.C. The active ingredient is approved in the European Union under the brand name Xarelto® for the prevention of venous thromboembolism in adult patients undergoing elective hip or knee replacement surgery. Approvals have also been granted in many other countries including Australia, China, Canada, Mexico and Singapore. To date, Xarelto® has been launched by Bayer HealthCare in more than 55 countries.

The extensive clinical trial program supporting rivaroxaban makes it the most studied oral direct Factor Xa inhibitor in the world today. More than 65,000 patients are expected to be enrolled into the rivaroxaban clinical development program, which will evaluate the product in the prevention and treatment of a broad range of acute and chronic blood-clotting disorders, including venous thromboembolism (VTE) treatment, stroke prevention in patients with atrial fibrillation, secondary prevention of acute coronary syndrome, and VTE prevention in hospitalized, medically ill patients.

Bayer researchers Dr. Dagmar Kubitza (left), Dr. Frank Misselwitz and Dr. Elisabeth Perzborn have been nominated for the German Future Prize.

INTERNET

A podcast on "innovative thrombosis protection" can be found in our podcast center at www.podcast.bayer.com

Lukas Famula (left) and Christoph Bonk of Bayer Schering Pharma at the solids plant in Leverkusen.

News

Dr. Marijn E. Dekkers to be new Bayer CEO

Bayer Supervisory Board decided on company's future management line-up

Werner Wenning (63), Chairman of the Board of Management of Bayer AG since 2002, has extended his contract of service by eight months through September 30, 2010, which will be a few weeks before his 64th birthday. The Bayer AG Supervisory Board has appointed Netherlands-born Dr. Marijn E. Dekkers (52), most recently President and CEO of U.S. laboratory equipment manufacturer Thermo Fisher Scientific Inc., to succeed Wenning as Chairman of the Board of Management effective October 1, 2010.

Dekkers will join the Bayer Board of Management on January 1, 2010. He will also serve for a transitional period as CEO of Bayer HealthCare in succession to Arthur J. Higgins (53), who will leave the company during the first half of 2010 for personal reasons. Higgins was appointed Chairman of the Bayer HealthCare Executive Committee on July 1, 2004, and has served as Chairman of the Board of Management of Bayer HealthCare AG since January 1, 2006.

Following the Annual Stockholders' Meeting on April 30, 2010, Chief Financial Officer Klaus Kühn will take retirement at the age of 58 at his own request. The Supervisory Board has appointed Werner Baumann (47), currently a member of the Board of Management of Bayer HealthCare AG and of this subgroup's Executive Committee, to succeed him. Baumann will also join the Bayer AG Board of Management effective January 1, 2010. Baumann's successor will be Manfred Vehreschild, currently Head of Biltrolling at Bayer AG.

"Mr. Wenning has very successfully steered our company for the past seven years. We are grateful to him for consenting to extend his contract of service, thereby ensuring both continuity and an adequate period of transition in these economically difficult times," commented Dr. Manfred Schneider, Chairman of the Bayer Supervisory Board. "The Supervisory Board believes that, in Dr. Dekkers, it has found a highly qualified successor to steer the fortunes of our company. His international experience, goal-oriented approach and proven management skills are very convincing qualities."

Thomas de Win, Chairman of the Central Works Council of Bayer AG and Vice Chairman of the Supervisory Board, also expressed his satisfaction with the succession procedure. "A structured transition has been ensured by extending Mr. Wenning's contract of service. From the employees' point of view, we would have welcomed a longer extension as Mr. Wenning has worked closely with employee representatives over the past years to implement tremendous changes successfully and in a socially responsible manner. Following my first meeting with his successor, I am very confident that Dr. Dekkers will continue this proven approach. Bayer's employees will support him to the best of their ability."

Commenting on the retirement of CFO Klaus Kühn, Supervisory Board Chairman Schneider said: "We greatly regret the departure of Klaus Kühn, who is a highly competent and respected CFO. However, we respect his decision to pursue a new route in life."

Arthur J. Higgins is also leaving Bayer at his own request. "Over the past five years, Mr. Higgins has played a key role in realigning and strengthening our health care business. For this he deserves our thanks and appreciation," said Werner Wenning.

Dr. Marijn E. Dekkers

In Dekkers, who holds both Dutch and U.S. citizenship, Bayer is gaining a highly experienced international manager as its new CEO.

Born on September 22, 1957 in the Dutch city of Tilburg, Dekkers studied chemistry at the universities of Nijmegen and Eindhoven after graduating from high school. As his father was the general manager of a large textile company, he recognized at an early stage the significance of international experience in career progression.

After completing his education and gaining a Ph.D., the future Bayer CEO moved to the United


Dr. Marijn E. Dekkers (left), new Chairman of the Board of Management of Bayer AG effective October 1, 2010; and Werner Baumann, new Chief Financial Officer effective April 30, 2010.

States in 1985, starting his career in research at General Electric in Schenectady, New York. At that time, this company's R&D center employed 2,000 scientists and was one of the oldest and most respected research facilities in North America. Dekkers originally planned this position only as a way station en route to a university professorship. However, he enjoyed working in industry so much that he stayed.

Two years later, he returned to the Netherlands to work at the GE Plastics research facility in Bergen op Zoom. When the post of his former U.S. supervisor became vacant in 1988, he returned to head polymer materials research in the United States. During this time he was elected "Technologist of the Year" at GE Plastics and contributed to 30 patents.

Dr. Dekkers held management positions in various other polymers units at GE before moving to Allied Signal (subsequently Honeywell International Inc.) in 1995. For four years he subsequently headed this company's Specialty Films and Fluorine Chemicals business groups based in Morristown, New Jersey, moving in 1999 to head Electronic Materials in San José in California's Silicon Valley. This business group manufactures electronic components, supplying companies such as Intel and Cisco.

In 2000, Marijn Dekkers was offered the position of Chief Operating Officer with Boston-based Thermo Electron Corporation, one of the world's leading specialists in the manufacture of laboratory instruments such as chromatographs and mass spectrometers. The offer included the prospect of becoming the company's CEO at a later date – and thus began a nine-year success story. Within a short time, Dekkers implemented a complete corporate reorganization. When he became President and CEO as planned in 2002, the company had a workforce of 11,000 and sales of US$ 2.2 billion.

The new CEO initiated extensive restructuring measures, divesting various units and strengthening the company's core business through selective acquisitions, including the purchase in 2006 of the significantly larger laboratory consumables supplier Fisher Scientific. Dekkers thereby created a company which now employs 35,000 people in six business groups and generates annual sales of US$ 10.5 billion.

Two years ago, Marijn Dekkers was also elected to the Board of Directors of Biogen Idec, one of the world's leading biotechnology companies. Based in Cambridge, Massachusetts, Biogen has branches in 27 countries.

Dr. Dekkers is married to an American and has three daughters. As a student, he was one of the best tennis players in the Netherlands, playing on a semi-professional basis in Germany's top league for a number of years.

Werner Baumann

Bayer's future Chief Financial Officer, Werner Baumann, was born on October 6, 1962 in Krefeld, Germany. After studying economics at RWTH Aachen University and the University of Cologne, he joined Bayer AG at Leverkusen in 1988. His first duties were in the Southwest Europe section of the Corporate Finance Department. In 1991 he transferred to Bayer Hispania Comercial in Barcelona, Spain, to take up a position as controller, becoming assistant to that company's managing director in 1995.

A year later, Baumann moved to Bayer Corporation in Tarrytown, New York, where he was latterly Head of Business Planning & Administration in the Diagnostics Business Group.

Baumann returned to Germany in July 2002 to become a member of the Board of Management of the Bayer HealthCare subgroup, which had just been formed. He is presently a member of this company's Executive Committee and Head of Central Administration & Organization. As a member of the Board of Management of Bayer Schering Pharma until 2009, he actively participated in this company's integration. Baumann is married and has four children.

News

Study reveals new options

The novel oral contraceptive Qlaira® significantly reduced menstrual blood loss in a clinical study with women suffering from heavy and/or prolonged menstrual bleeding without organic pathology. The results of this international Phase III trial were presented by Professor Ian Fraser, the principal investigator, at the World Congress of the International Federation of Gynecology and Obstetrics in Cape Town. In a randomized, placebo-controlled and double-blind trial with 231 women in Europe and Australia, Qlaira® was compared to a placebo. The product also significantly improved iron metabolism parameters in these women.

Menstrual abnormalities such as heavy or prolonged uterine bleeding are very common. Said Dr. Phil Smits, Head of Women's Healthcare at Bayer Schering Pharma: "The data from this study clearly underscore that our new oral contraceptive could offer a new treatment option for many women who suffer from these frequent gynecological symptoms."

Bayer employees Ulrike Wolf and Christa Himmel (right) examine a Qlaira® pack at the Weimar Supply Center.

Commitment to education and volunteerism

The Bayer foundations have announced new grants. In a third round of funding, the Executive Committee of the Bayer Science & Education Foundation selected 39 scholastic projects to receive a total of €369,000. The money will go to projects aimed at improving scientific and technical instruction at schools and training centers in the communities near Bayer's German sites. "These projects deserve our support because they teach science in a modern and interesting way," explained Bayer AG Management Board member Dr. Wolfgang Plischke, who also serves on the foundation's Board of Trustees.

In addition, the Bayer Cares Foundation, in its fourth round of funding, will support a further 19 social projects with total funding of €49,650 as part of its volunteerism program. Said Dr. Richard Pott, who is responsible for strategy and human resources on the Bayer AG Management Board and also a member of the foundation's Board of Trustees: "In this way we are rewarding the social commitment of people – particularly Bayer employees – who assume responsibility for others in special ways."

Platform for new plant traits

Bayer CropScience plans to purchase Athenix Corp., a privately-held biotechnology company headquartered in Research Triangle Park, North Carolina, United States. The acquisition is subject to the approval of the relevant US authorities and will boost Bayer CropScience's ability to make novel technology and complete agricultural solutions available to growers worldwide.

Athenix has an extensive herbicide tolerance and insect control trait development platform, particularly for corn and soybeans. The acquisition will also bolster Bayer CropScience's trait platform for its established core crops such as rapeseed/canola, cotton, rice and wheat. The acquisition complements the fast-growing BioScience business of Bayer CropScience by significantly extending its research and development presence in the United States.

Commented Professor Friedrich Berschauer, Chairman of the Board of Management of Bayer CropScience: "As part of our long-term strategy for innovation and growth, we intend to strengthen the position of Bayer CropScience in the seeds and traits market. This acquisition underpins the expansion of our BioScience core crop products and allows us to create a strong R&D platform in North America."

Bernard Pelissier checks whether a soybean plant has been successfully pollinated.

With a diameter of 217 meters, the Makrolon® roof of the new BayArena is also an impressive sight after dark.

Flagship sports venue for Leverkusen

After a 20-month renovation phase, the BayArena soccer stadium in Leverkusen re-opened its gates in mid-August. Featuring three new upper tiers, the completely modernized stadium now offers seating for more than 30,000 spectators.

At the same time, the media, team and physio areas along with the restaurant and boxes were significantly enlarged. All functional areas now meet the highest international standards. The stadium's most spectacular showpiece is its new roof. The 28,000 square-meter covering of Makrolon® sheeting is supported by a discus-shaped steel cable construction.

The BayArena thus boasts the biggest stadium roof ever constructed from this high-tech plastic supplied by Bayer MaterialScience. The anti-corrosion coating for the steel support structure is based on polyurethane raw materials from the same company. Bayer AG Management Board Chairman Werner Wenning emphasized the fact that the renovation was carried out without public funding and that Bayer had invested heavily in the project. "Our soccer team is an important image vehicle for the Bayer Group both in Germany and abroad," he explained. In 2011, the renovated BayArena will host some of the Women's World Cup matches.

Progression-free survival in breast cancer extended by 74 percent

Nexavar® may also have the potential to improve treatment of advanced breast cancer. In a clinical Phase II study, the anti-cancer drug from Bayer in combination with the oral chemotherapeutic agent capecitabine was more effective than treatment with capecitabine alone. Specifically, this combination extended progression-free survival by 74 percent. The data were presented at a medical congress in Berlin at the end of September.

"Building on these positive trial data, we are committed to the development of Nexavar® to treat breast cancer in a variety of settings through a robust clinical program," said Dimitris Voliotis, responsible for the global clinical development of Nexavar® at Bayer HealthCare.

Nexavar® is currently approved in many countries for the treatment of renal cell carcinoma and hepatocellular carcinoma. Its possible use in a wide range of cancers is also currently being evaluated in various clinical studies.

A new study is yielding positive results for the treatment of breast cancer with Nexavar® in combination with chemotherapy.

Innovation Prize for Bayer researcher

A Bayer research scientist is to be awarded the Innovation Prize of the State of North Rhine-Westphalia for the development of a special-purpose film that enables high-quality holograms to be produced at low cost. The prize, worth €100,000, goes to physicist Dr. Friedrich-Karl Bruder of Bayer MaterialScience, who together with his team developed a new basis for three-dimensional and colored holograms.

"The award of the North Rhine-Westphalian Innovation Prize is a great honor that we at Bayer are proud to receive," said Bayer Board of Management member Dr. Wolfgang Plischke. It is the second-most valuable award for innovation in Germany.

News

Working together for higher rice yields

Bayer CropScience and the China National Rice Research Institute (CNRRI) have signed two agreements in the area of rice research and development. The partners will work together on trait development and breeding. "By introducing high-yielding hybrids, we intend to make a contribution to securing the world's food supply," said Professor Friedrich Berschauer, Chairman of the Board of Management of Bayer CropScience.

The company markets conventional hybrid rice varieties under the Arize® brand in countries that together represent over half of the world's rice growing area. These include major rice producers such as India, Indonesia and Vietnam. High-quality Arize® seed combines excellent genetic purity with high yields.

The CNRRI is run partly by the Chinese Academy of Agricultural Sciences (CAAS). Bayer CropScience concluded a cooperation agreement with this institution in 2008 under which the parties are conducting an intensive dialogue in the areas of rice, cotton, canola, soybeans and safety assessment.

"CAAS attaches great importance to its cooperation with Bayer CropScience. Rice is the most important crop for Chinese agriculture. Through the signing of the agreement, we are looking forward to promoting and boosting food security in China," said CAAS President Dr. Huqu Zhai.

Arize® from Bayer CropScience is intended to meet China's growing demand for rice.

Contour® USB is the first meter with integrated Plug & Play diabetes management software designed to simplify personal diabetes management.

Monitoring blood glucose by Plug & Play

Bayer has launched the first blood glucose meter with integrated Plug & Play diabetes management software. The new Contour® USB makes it easier for people with diabetes to actively manage their condition and can store up to 2,000 test results. It also has important additional features such as pre- and post-meal marking and storage of information on activity, stress and sickness.

The stored data can be opened on a computer via USB port. There the data can be displayed and analyzed in graphic or table form via Plug & Play – without cables, downloading or installation, enabling users to access an overview of their test results at any time. Patients can also email daily, weekly and monthly overviews of their blood glucose levels to their doctor as PDF files, or the doctor can analyze them on an office PC during patients' visits.

Contour® USB is based on Bayer's proven Contour® technology. It does not require user coding, needs only 0.6 microliters of blood and delivers the reading in only five seconds.

Business model for sustainable construction

As part of its worldwide climate program, Bayer aims to support the construction industry in the use of sustainable, eco-friendly building techniques. The Bayer MaterialScience EcoCommercial Building program demonstrates that the company's materials can be used to increase the energy efficiency of buildings and thus reduce carbon dioxide emissions. What makes this concept special is that it can be used in different climate zones around the world.

The program is designed to act as an interface between decision-makers and the construction industry and generate additional business in the sustainable and energy-efficient construction segment. It includes an integral planning process combining the materials expertise of Bayer MaterialScience with the construction skills of customers and service partners. The first EcoCommercial building, located in Diegem, Belgium, is serving as Bayer's administrative headquarters for that country.

Red card for counterfeiters

Bayer MaterialScience and Bayer Technology Services have jointly developed a process to make credit cards and identity cards counterfeit-proof. Unlike with conventional cards, an optical code is the crucial factor in verifying authenticity.

The base material for these cards is Makrofol® ID ProteXXion, a polycarbonate film from Bayer MaterialScience with ultra-thin metallic platelets embedded in its surface. The random distribution and arrangement of these platelets give each card a unique surface. Thanks to the ProteXXion® process from Bayer Technology Services, this uniqueness can be used to ascertain beyond doubt whether a card is genuine.

For verification purposes, a laser beam scans the card surface at an oblique angle, and sensors register the reflection pattern. Devices based on this technology can read the reflection pattern and compare it with patterns stored in a database. If this comparison does not yield a match, the card is a forgery. The metallic particles embedded in the overlay film make every card as unique as a fingerprint.

When the card is inserted into a cash machine, the reader scans the surface in detail. The laser strikes the film at an oblique angle, detecting the tiny metallic particles it contains.

Rapeseed/canola genome sequenced

SiuWah Wu (left) and Jeremy Klassen at the new canola research center of Bayer CropScience in Saskatoon, Canada.

Bayer CropScience, together with several partners, has sequenced for the first time the entire genome of canola and its constituent genomes present in turnip rape and wild cabbage. This provides Bayer with a unique level of insight into the previously unknown genetic code of the canola plant. Canola is the second largest oilseed crop after soybeans, accounting for approximately 15 percent of world production, and is cultivated primarily in North America.

"This milestone achievement demonstrates Bayer's ongoing commitment to be a leader in the oilseed crop production business," said Bart Lambert, Head of Research for Oilseeds at Bayer CropScience in Ghent, Belgium. "This will allow us to speed up our current research and breeding programs so that these will bring new technology and better products to growers much sooner." The company can now explore many more innovative approaches to continue enhancing the value of canola as a crop.

In the summer of 2009, Bayer CropScience inaugurated a new innovation center in Saskatoon, Canada, dedicated to researching, developing and breeding canola seed. The complex is one of the few such facilities worldwide.

New license for oncology research

Bayer Schering Pharma, Berlin, has further intensified its oncology research. These activities include the signing this summer of an exclusive license agreement with California-based Celera Corporation that provides Bayer Schering Pharma with access to five novel targets for the development of both cancer therapies and new cancer diagnostic procedures. "This agreement allows us to expand our existing research portfolio in the area of cancer-related targets," said Professor Khusru Asadullah, Head of Target Discovery at Bayer Schering Pharma. "We look forward to exploring the full potential of these promising target candidates with regard to therapeutic interference for anti-tumor therapy as well as in in-vivo diagnostic imaging."

Bayer Schering Pharma acquired the license in exchange for a one-time fee for the exclusive access to the five targets. Additional payments will be due if products resulting from this research are successfully commercialized.

Celera is a health care business delivering personalized disease management through a combination of products and services.

Financial Calendar

2009 Annual Report	**FEBRUARY 26, 2010**
Q1 2010 Interim Report	**APRIL 29, 2010**
Annual Stockholders' Meeting 2010	**APRIL 30, 2010**
Payment of Dividend	**MAY 3, 2010**
Q2 2010 Interim Report	**JULY 29, 2010**
Q3 2010 Interim Report	**OCTOBER 28, 2010**

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COVER PICTURE

Bayer is constantly looking for solutions to future challenges – and setting standards in climate protection at the same time. For example, Bayer participated in the development of oxygen depolarized cathode technology, which cuts electricity consumption during the production of chlorine by 30 percent, thereby reducing greenhouse gas emissions. The cover picture shows plant assistant Jörg Bäther at the facility in Brunsbüttel, Germany. Read more about climate protection, along with other news from around the Bayer world, starting on page 46.

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

Important Information:
The names "Bayer Schering Pharma" or "Schering" as used in this publication always refer to Bayer Schering Pharma AG, Berlin, Germany, or its predecessor, Schering AG, Berlin, Germany, respectively.