Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2010

Third quarter of 2010:
Bayer lifts sales and earnings again

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COVER PICTURE

As an inventor company, Bayer has many achievements to its credit in research-intensive areas. Its scientists are developing innovative substances for the treatment of severe heart and lung diseases, for example. The cover picture shows Prof. Johannes-Peter Stasch, together with Prof. Hossein Ardeschir Ghofrani of Giessen University Hospital, looking at a model of a lung.

Bayer Group Key Data

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change	Full Year 2009
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**7,392**	**8,581**	**+16.1**	**23,296**	**26,076**	**+11.9**	**31,168**
Change in sales							
Volume	−2.8%	+5.7%		−6.4%	+6.8%		−2.9%
Price	−4.4%	+2.7%		−2.2%	+1.1%		−2.8%
Currency	+0.6%	+7.7%		+1.8%	+4.4%		+0.6%
Portfolio	−0.4%	0.0%		0.0%	−0.4%		−0.2%
EBITDA[1]	**1,326**	**1,220**	**−8.0**	**4,696**	**4,855**	**+3.4**	**5,815**
Special items	*(173)*	*(436)*		*(263)*	*(636)*		*(657)*
EBITDA before special items	***1,499***	***1,656***	***+10.5***	***4,959***	***5,491***	***+10.7***	***6,472***
EBITDA margin before special items	20.3%	19.3%		21.3%	21.1%		20.8%
EBIT[2]	**646**	**556**	**−13.9**	**2,640**	**2,758**	**+4.5**	**3,006**
Special items	*(191)*	*(436)*		*(315)*	*(768)*		*(766)*
EBIT before special items	***837***	***992***	***+18.5***	***2,955***	***3,526***	***+19.3***	***3,772***
EBIT margin before special items	11.3%	11.6%		12.7%	13.5%		12.1%
Non-operating result	**(262)**	**(267)**	**−1.9**	**(888)**	**(772)**	**+13.1**	**(1,136)**
Net income	**249**	**280**	**+12.4**	**1,206**	**1,498**	**+24.2**	**1,359**
Earnings per share (€)[3]	0.30	0.34	+13.3	1.52	1.81	+19.1	1.70
Core earnings per share (€)[4]	0.78	0.95	+21.8	2.74	3.30	+20.4	3.64
Gross cash flow[5]	**1,172**	**879**	**−25.0**	**3,629**	**3,436**	**−5.3**	**4,658**
Net cash flow[6]	**1,517**	**1,555**	**+2.5**	**3,609**	**3,832**	**+6.2**	**5,375**
Cash outflows for capital expenditures	**420**	**395**	**−6.0**	**1,080**	**990**	**−8.3**	**1,575**
Research and development expenses	**692**	**776**	**+12.1**	**2,012**	**2,240**	**+11.3**	**2,746**
Depreciation and amortization	**680**	**664**	**−2.4**	**2,056**	**2,097**	**+2.0**	**2,809**
Number of employees at end of period[7]	**108,800**	**108,700**	**−0.1**	**108,800**	**108,700**	**−0.1**	**108,400**
Personnel expenses (including pension expenses)	1,906	2,018	+5.9	5,854	6,062	+3.6	7,776

[1] EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be more a suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/writebacks or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] EBIT = operating result as shown in the income statement
[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 44.
[4] Core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. It is calculated as explained in chapter 7 "Core Earnings Per Share."
[5] Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see chapter 8 "Financial Position of the Bayer Group."
[6] Net cash flow = cash flow from operating activities according to IAS 7
[7] Number of employees in full-time equivalents

Third quarter of 2010:

Bayer lifts sales and earnings again

- Q3 sales €8.6 billion (+16.1%)
- EBITDA before special items €1.7 billion (+10.5%)
- Core earnings per share €0.95 (+21.8%)
- Provisions of €0.4 billion for litigations
- Net financial debt reduced to €9.1 billion
- Group outlook for 2010 confirmed

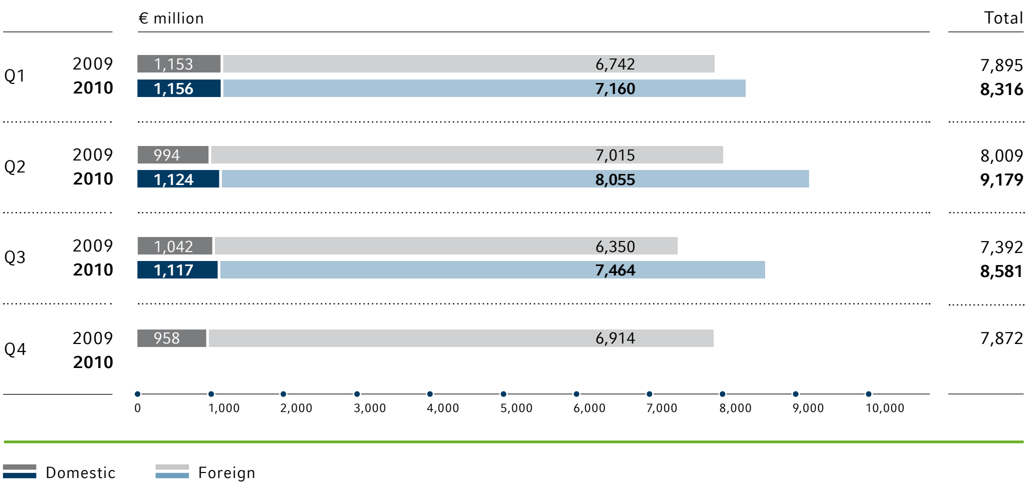
1. Overview of Sales, Earnings and Financial Position

THIRD QUARTER OF 2010

The Bayer Group achieved significant gains in sales and earnings in the third quarter of 2010, as in the two preceding quarters. The continued recovery in the MaterialScience business was a key factor in this improvement. CropScience grew sales and improved its operating performance. HealthCare sales held steady, with earnings slightly down from the prior-year period. Exchange rates had a positive effect on earnings, especially at HealthCare and CropScience.

Group **sales** rose by 16.1% to €8,581 million (Q3 2009: €7,392 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business expanded by 8.4%. Sales of HealthCare increased by 8.5% (Fx & portfolio adj. +0.9%). While the Pharmaceuticals business stagnated due to lower sales in North America, Consumer Health posted growth. The second half got off to a successful start at CropScience, where sales climbed by 17.6% (Fx & portfolio adj. +8.3%) in a positive market environment. Sales of MaterialScience were up by a substantial 30.8% (Fx adj. +23.0%) compared to the prior-year quarter, which was weak due to the economic situation.

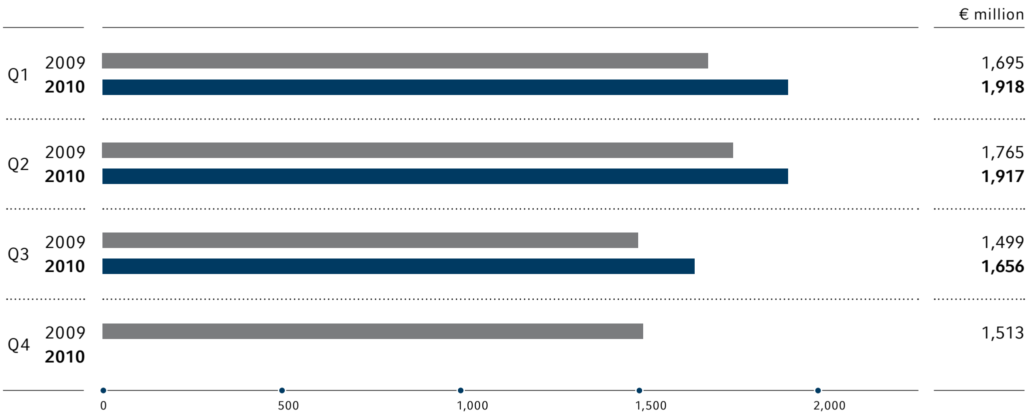
Bayer Group Quarterly Sales [Graphic 1]



EBITDA before special items of the Bayer Group improved by 10.5% to €1,656 million (Q3 2009: €1,499 million). The increase was due especially to the sharp rise in earnings at MaterialScience and also to positive currency effects. The EBITDA margin before special items came in at 19.3% (Q3 2009: 20.3%).

HealthCare generated EBITDA before special items of €1,099 million (Q3 2009: €1,141 million). EBITDA before special items of CropScience advanced by 16.7% to €126 million (Q3 2009: €108 million). At MaterialScience, EBITDA before special items came to €409 million (Q3 2009: €238 million). Third-quarter EBITDA of the Bayer Group came in at €1,220 million (Q3 2009: €1,326 million).

Bayer Group Quarterly EBITDA Before Special Items [Graphic 2]



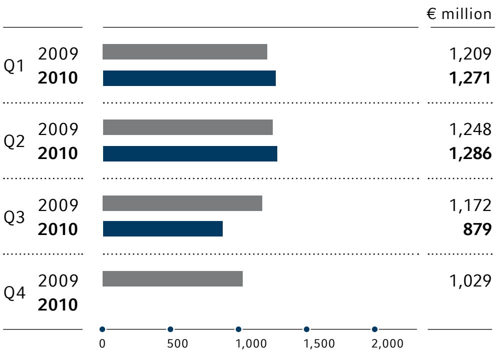
EBIT before special items improved by 18.5% to €992 million (Q3 2009: €837 million). Here the third quarter of 2010 was hampered by special charges totaling €436 million (Q3 2009: €191 million). These were related to litigations in the United States. Of this amount, €386 million was attributable to CropScience and arose mainly for an intended settlement program in connection with litigations concerning genetically modified rice (LL RICE). Special charges of €50 million were taken at HealthCare in connection with litigations concerning YAZ®/Yasmin®. EBIT of the Bayer Group fell by 13.9% to €556 million (Q3 2009: €646 million).

After a non-operating result of minus €267 million (Q3 2009: minus €262 million), income before income taxes in the third quarter of 2010 came in at €289 million (Q3 2009: €384 million). The main components of the non-operating result were €141 million (Q3 2009: €121 million) in net interest expense, €89 million (Q3 2009: €104 million) in interest cost for pension and other provisions and a €25 million (Q3 2009: €28 million) exchange loss. Tax expense in the third quarter amounted to only €4 million (Q3 2009: €135 million) due to the regional earnings distribution. Income after taxes increased to €285 million (Q3 2009: €249 million), of which €5 million (Q3 2009: €0 million) was attributable to non-controlling interest.

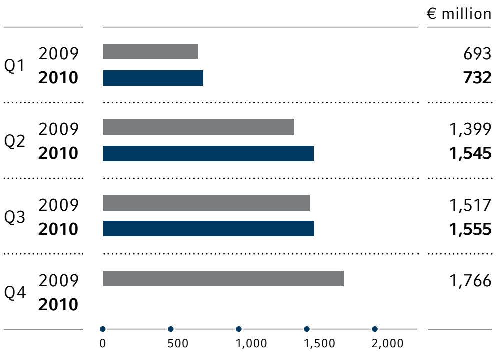
Net income therefore came in at €280 million (Q3 2009: €249 million). Earnings per share were €0.34 (Q3 2009: €0.30). Core earnings per share rose to €0.95 (Q3 2009: €0.78). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow of the Bayer Group was down by 25.0% year on year at €879 million (Q3 2009: €1,172 million). The decrease was mainly due to litigation-related provisions not yet reflected in net cash flow. Net cash flow rose by 2.5% to €1,555 million (Q3 2009: €1,517 million), partly as a result of more effective working capital management.

Gross Cash Flow by Quarter [Graphic 3]



Net Cash Flow by Quarter [Graphic 4]



We considerably reduced the net financial debt of the Bayer Group in the third quarter of 2010, from €10.7 billion to €9.1 billion (-14.6%). Contributing to this improvement were cash inflows from operating activities and €0.4 billion in positive currency effects. The net pension liability increased from €7.7 billion to €8.2 billion in the third quarter of 2010, due especially to lower long-term capital market interest rates.

FIRST THREE QUARTERS OF 2010

Sales and earnings of the Bayer Group increased significantly in the first three quarters of 2010, benefiting especially from the tangible recovery in the MaterialScience business and from positive currency effects.

Sales rose by 11.9% to €26,076 million (9M 2009: €23,296 million). Business expanded by 7.9% on a currency- and portfolio-adjusted basis. HealthCare sales edged forward by 1.8% (Fx & portfolio adj.). Sales of CropScience dropped by 4.3% (Fx & portfolio adj.) due to the weak first half. MaterialScience registered significant growth of 33.2% (Fx adj.) in the wake of the economic recovery.

EBITDA before special items increased by 10.7% to €5,491 million (9M 2009: €4,959 million). **EBIT** before special items in the first three quarters improved by 19.3% to €3,526 million (9M 2009: €2,955 million). Special items totaled minus €768 million (9M 2009: minus €315 million). EBIT of the Bayer Group grew by 4.5% to €2,758 million (9M 2009: €2,640 million).

After a non-operating result of minus €772 million (9M 2009: minus €888 million), income before income taxes in the first nine months of 2009 came in at €1,986 million (9M 2009: €1,752 million). The non-operating result contained net interest expense of €396 million (9M 2009: €454 million). After tax expense of €483 million (9M 2009: €549 million), after-tax income was €1,503 million (9M 2009: €1,203 million).

After non-controlling interest, net income for the first three quarters amounted to €1,498 million (9M 2009: €1,206 million). Earnings per share were €1.81 (9M 2009: €1.52). Core earnings per share advanced by 20.4% to €3.30 (9M 2009: €2.74). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow declined by 5.3% compared to the first three quarters of 2009, to €3,436 million (9M 2009: €3,629 million). Net cash flow, however, rose by 6.2% to €3,832 million (9M 2009: €3,609 million), due to a decrease in cash tied up in working capital. Net financial debt dropped to €9.1 billion as of September 30, 2010, compared to €9.7 billion on December 31, 2009. The net pension liability – the aggregate of pension obligations and plan assets – rose by €1.8 billion compared with December 31, 2009, to €8.2 billion, mainly because of lower long-term interest rates on the capital market.

2. Economic Outlook

We expect that the expansion of the **global economy** will continue to weaken in the fourth quarter of 2010 compared to the significant growth rates recorded in the first few months of the year. Economic growth in the emerging markets will likely remain robust in the coming months, but the pace will probably be somewhat slower. Growth rates in the industrialized countries, however, are expected to decline more significantly.

In the **pharmaceuticals market** we continue to predict growth rates for 2010 in the mid-single digits. This expansion is likely to be driven increasingly by emerging countries. We anticipate a weaker trend in the traditional markets such as the United States and the major European countries due to patent expirations for leading products of various pharmaceutical companies, the drop in new product launches and increasing cost pressure exerted by health care institutions.

In the **consumer health markets** we expect positive growth in the low single digits for this year as a whole.

The market for **crop protection products** is expected to shrink again slightly in 2010 as a whole due to the adverse weather conditions experienced in many growing regions in the first half. By contrast, the **seed market** will likely continue to expand thanks to growth in the area of genetically modified seed.

Despite a slight slowing of global economic growth, we continue to anticipate a gratifying trend in the main customer industries of **MaterialScience** through the end of 2010. We believe the strong growth that has taken place so far this year in the automotive industry will persist in the remaining months. The expectations for the construction industry continue to vary by region. While business in western Europe, Japan and the United States is likely to remain rather sluggish in the final quarter of 2010, we expect the construction industry to develop particularly well in the rest of Asia, eastern Europe and Latin America. Sales in the electrical and electronics industry, too, will probably benefit from rising demand in the principal markets in the near future. Following a sharp decline in the crisis year 2009, the furniture industry should continue to recover at a moderate rate.

3. Sales and Earnings Forecast

The following forecasts for 2010 are based on the business performance described in this report, taking into account the potential risks and opportunities.

Bayer Group

We remain optimistic for 2010 and confirm our full-year forecast for the Group. We continue to target currency- and portfolio-adjusted sales growth of more than 5%. It remains our aim to increase EBITDA before special items to more than €7 billion. Core earnings per share (calculated as explained in Chapter 7) are still expected to improve by more than 15%. Our expectations are based on the exchange rates prevailing at the end of the third quarter of 2010.

HealthCare

For HealthCare we forecast a slight increase in sales after adjusting for portfolio and currency effects. We expect sales in the Pharmaceuticals segment to remain level year on year on a currency- and portfolio-adjusted basis. In Consumer Health, however, we still plan to expand faster than the market. Regarding EBITDA before special items of HealthCare, we are still aiming to at least match the prior year. However, in view of the business performance so far and the appreciation of the euro, this target appears ambitious.

CropScience

In the currently positive market environment, we plan to grow fourth-quarter sales compared to the prior-year period on a currency- and portfolio-adjusted basis. Against the background of the weak first half, we continue to anticipate that sales for the full year 2010 will come in slightly below the prior-year level. We expect a substantial year-on-year decline in EBITDA before special items.

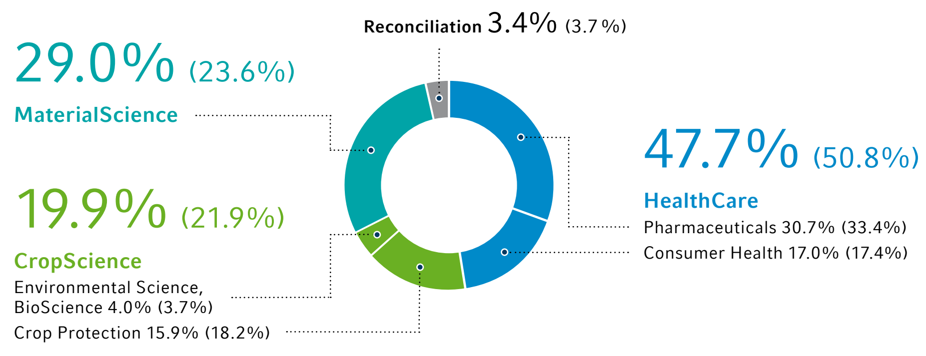
MaterialScience

We remain optimistic about our MaterialScience business for the rest of the year. In this period, which is normally weaker for seasonal reasons, we expect that sales and EBITDA before special items will be well below the strong third quarter of 2010 but significantly above the fourth quarter of last year. For the full year 2010, we anticipate sales in the region of €10 billion and roughly threefold growth in EBITDA before special items to more than €1.3 billion. Overall, the MaterialScience business has recovered impressively and more quickly than expected. This means we will meet our original target of returning to the pre-crisis level at MaterialScience by 2012 much earlier than planned.

4. Corporate Structure

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

Sales by Segment 9M 2010 (9M 2009 in parentheses) [Graphic 5]



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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**3,936**	**4,271**	**786**	**762**	**1,141**	**1,099**	**29.0**	**25.7**
Pharmaceuticals	2,548	2,732	475	462	765	731	30.0	26.8
Consumer Health	1,388	1,539	311	300	376	368	27.1	23.9
CropScience	**1,140**	**1,341**	**(16)**	**(4)**	**108**	**126**	**9.5**	**9.4**
Crop Protection	973	1,130	12	33	118	142	12.1	12.6
Environmental Science, BioScience	167	211	(28)	(37)	(10)	(16)	(6.0)	(7.6)
MaterialScience	**2,038**	**2,665**	**100**	**260**	**238**	**409**	**11.7**	**15.3**
Reconciliation	**278**	**304**	**(33)**	**(26)**	**12**	**22**	**4.3**	**7.2**
Group	**7,392**	**8,581**	**837**	**992**	**1,499**	**1,656**	**20.3**	**19.3**
	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010
HealthCare	**11,824**	**12,445**	**2,237**	**2,271**	**3,314**	**3,280**	**28.0**	**26.4**
Pharmaceuticals	7,769	8,011	1,521	1,470	2,404	2,281	30.9	28.5
Consumer Health	4,055	4,434	716	801	910	999	22.4	22.5
CropScience	**5,112**	**5,177**	**975**	**701**	**1,342**	**1,081**	**26.3**	**20.9**
Crop Protection	4,247	4,126	833	498	1,152	817	27.1	19.8
Environmental Science, BioScience	865	1,051	142	203	190	264	22.0	25.1
MaterialScience	**5,504**	**7,570**	**(185)**	**632**	**243**	**1,067**	**4.4**	**14.1**
Reconciliation	**856**	**884**	**(72)**	**(78)**	**60**	**63**	**7.0**	**7.1**
Group	**23,296**	**26,076**	**2,955**	**3,526**	**4,959**	**5,491**	**21.3**	**21.1**

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

Changes in corporate structure

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

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

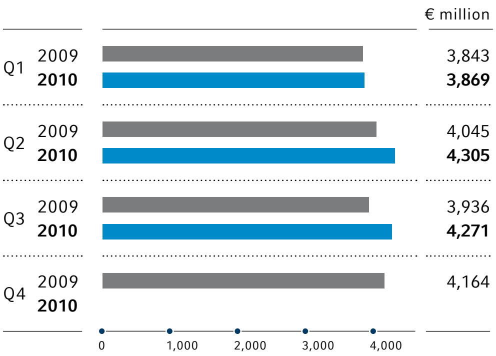
Key Data – HealthCare [Table 2]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**3,936**	**4,271**	**+8.5**	**11,824**	**12,445**	**+5.3**
Change in sales						
Volume	+1.4%	+1.5%		+1.1%	+1.7%	
Price	+2.8%	−0.6%		+2.0%	+0.1%	
Currency	+0.3%	+7.6%		+2.1%	+4.3%	
Portfolio	−1.0%	0.0%		−0.3%	−0.8%	
Sales by segment						
Pharmaceuticals	2,548	2,732	+7.2	7,769	8,011	+3.1
Consumer Health	1,388	1,539	+10.9	4,055	4,434	+9.3
Sales by region						
Europe	1,541	1,590	+3.2	4,689	4,712	+0.5
North America	1,146	1,161	+1.3	3,473	3,500	+0.8
Asia/Pacific	680	854	+25.6	1,967	2,366	+20.3
Latin America/Africa/Middle East	569	666	+17.0	1,695	1,867	+10.1
EBITDA*	**1,037**	**1,049**	**+1.2**	**3,256**	**3,144**	**−3.4**
Special items	*(104)*	*(50)*		*(58)*	*(136)*	
EBITDA before special items*	***1,141***	***1,099***	***−3.7***	***3,314***	***3,280***	***−1.0***
EBITDA margin before special items*	29.0%	25.7%		28.0%	26.4%	
EBIT*	**681**	**712**	**+4.6**	**2,177**	**2,003**	**−8.0**
Special items	*(105)*	*(50)*		*(60)*	*(268)*	
EBIT before special items*	***786***	***762***	***−3.1***	***2,237***	***2,271***	***+1.5***
Gross cash flow**	**876**	**684**	**−21.9**	**2,381**	**2,142**	**−10.0**
Net cash flow**	**979**	**694**	**−29.1**	**2,274**	**2,102**	**−7.6**

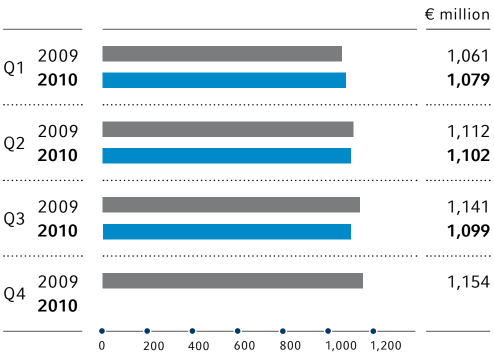
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the HealthCare subgroup rose by 8.5% in the **third quarter of 2010**, to €4,271 million (Q3 2009: €3,936 million). Adjusted for currency and portfolio effects, business expanded by 0.9% thanks to the positive performance in the Consumer Health segment.

HealthCare
Quarterly Sales [Graphic 6]



HealthCare
Quarterly EBITDA Before Special Items [Graphic 7]



EBITDA before special items of HealthCare declined by 3.7% to €1,099 million (Q3 2009: €1,141 million) due to higher selling expenses in both segments. In addition, we increased spending on research and development. These factors were partially offset by positive currency effects. **EBIT** before special items was down by 3.1% at €762 million (Q3 2009: €786 million). Special items amounted to minus €50 million (Q3 2009: minus €105 million). EBIT rose by 4.6% to €712 million (Q3 2009: €681 million).

Pharmaceuticals

Key Data – Pharmaceuticals [Table 3]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,548**	**2,732**	**+7.2**	**7,769**	**8,011**	**+3.1**
Women's Healthcare and General Medicine	1,574	1,675	+6.4	4,801	4,969	+3.5
Specialty Medicine	974	1,057	+8.5	2,968	3,042	+2.5
Sales by region						
Europe	996	1,014	+1.8	3,059	3,028	−1.0
North America	648	601	−7.3	2,051	1,905	−7.1
Asia/Pacific	540	687	+27.2	1,576	1,900	+20.6
Latin America/Africa/Middle East	364	430	+18.1	1,083	1,178	+8.8
EBITDA*	**659**	**681**	**+3.3**	**2,347**	**2,145**	**−8.6**
Special items	*(106)*	*(50)*		*(57)*	*(136)*	
EBITDA before special items*	***765***	***731***	***−4.4***	***2,404***	***2,281***	***−5.1***
EBITDA margin before special items*	30.0%	26.8%		30.9%	28.5%	
EBIT*	**368**	**412**	**+12.0**	**1,462**	**1,202**	**−17.8**
Special items	*(107)*	*(50)*		*(59)*	*(268)*	
EBIT before special items*	***475***	***462***	***−2.7***	***1,521***	***1,470***	***−3.4***
Gross cash flow**	**599**	**442**	**−26.2**	**1,707**	**1,434**	**−16.0**
Net cash flow**	**668**	**421**	**−37.0**	**1,608**	**1,468**	**−8.7**

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

Sales of the Pharmaceuticals segment increased by 7.2% in the **third quarter of 2010** to €2,732 million (Q3 2009: €2,548 million). Adjusted for currency and portfolio effects, business matched the prior-year period (0.0%). Sales in the emerging markets again rose strongly. However, the health care reforms in various countries had negative consequences, and there was a sharp drop in business in North America that was mainly due to significantly lower sales of YAZ® in the United States. If YAZ® sales in the United States are factored out, revenues in the Pharmaceuticals segment improved by 4.4% (Fx & portfolio adj.) year on year.

Best-Selling Pharmaceutical Products [Table 4]

	3rd Quarter 2009	3rd Quarter 2010	Change	Currency-adjusted change	First Nine Months 2009	First Nine Months 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Betaferon®/Betaseron® (Specialty Medicine)	283	308	+8.8	+1.2	904	893	−1.2	−5.1
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare and General Medicine)	320	243	−24.1	−28.1	964	819	−15.0	−17.7
Kogenate® (Specialty Medicine)	247	277	+12.1	+6.9	680	759	+11.6	+9.2
Nexavar® (Specialty Medicine)	161	175	+8.7	+1.3	445	516	+16.0	+11.9
Adalat® (Women's Healthcare and General Medicine)	155	171	+10.3	−1.6	473	494	+4.4	−2.1
Mirena® (Women's Healthcare and General Medicine)	105	138	+31.4	+20.7	367	404	+10.1	+5.5
Avalox®/Avelox® (Women's Healthcare and General Medicine)	92	100	+8.7	+1.1	313	353	+12.8	+9.7
Levitra® (Women's Healthcare and General Medicine)	92	110	+19.6	+9.4	265	292	+10.2	+5.2
Glucobay® (Women's Healthcare and General Medicine)	77	91	+18.2	+5.2	243	260	+7.0	+1.1
Aspirin® Cardio (Women's Healthcare and General Medicine)	78	94	+20.5	+12.8	232	259	+11.6	+8.5
Ultravist® (Specialty Medicine)	62	81	+30.6	+20.1	190	231	+21.6	+14.7
Cipro®/Ciprobay® (Women's Healthcare and General Medicine)	83	61	−26.5	−30.1	253	197	−22.1	−23.6
Magnevist® (Specialty Medicine)	50	55	+10.0	−3.0	166	164	−1.2	−6.2
Iopamiron® (Specialty Medicine)	51	44	−13.7	−30.3	149	135	−9.4	−18.0
Kinzal®/Pritor® (Women's Healthcare and General Medicine)	40	44	+10.0	+11.5	119	132	+10.9	+10.8
Total	**1,896**	**1,992**	**+5.1**	**−2.6**	**5,763**	**5,908**	**+2.5**	**−1.4**
Proportion of Pharmaceuticals sales	74%	73%			74%	74%		

Sales of the **Women´s Healthcare and General Medicine** business unit increased by 6.4% to €1,675 million (Q3 2009: €1,574 million). After adjusting for currency effects, sales almost matched the prior-year period (-0.7%). Apart from significant declines for YAZ® and Cipro® in the United States, the business unit developed positively thanks to increased demand for our products, especially in China.

Sales of our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives were substantially lower (Fx adj. -28.1%) as a result of the steep drop in YAZ® sales in North America caused by generic competition in the United States. Business with YAZ® developed positively in the other regions. The encouraging growth in sales of the hormone-releasing intrauterine device Mirena® (Fx adj. +20.7%) was mainly due to the price increase implemented in the United States in March 2010. Our new oral contraceptive Natazia® has been on the market in the United States, too, since the second quarter of 2010.

Higher volumes – particularly in China – led to significant sales growth for Aspirin® Cardio (Fx adj. +12.8%), used for the prevention of myocardial infarction. Sales of our oral diabetes treatment Glucobay® (Fx adj. +5.2%) also moved ahead, due largely to successful marketing in China. Business with our erectile dysfunction treatment Levitra® (Fx adj. +9.4%) posted a gratifying improvement in the United States. The growth in sales of our antihypertensive Kinzal®/Pritor® (Fx adj. +11.5%) was primarily due to the indication expansion to include the prevention of cardiovascular disease. Sales of our antibiotic Avalox®/Avelox® (Fx adj. +1.1%) showed a small year-on-year increase, while those of Adalat® to treat high blood pressure and coronary heart disease were slightly down (Fx adj. -1.6%). Business with our antibiotic Cipro®/Ciprobay® shrank considerably (Fx adj. -30.1%), mainly due to the expiration of a U.S. government contract at the end of the first quarter of 2010.

Sales of the **Specialty Medicine** business unit improved by 8.5% to €1,057 million (Q3 2009: €974 million). Adjusted for currency and portfolio effects, the increase came to 1.2%.

Sales of the blood-clotting medication Kogenate® (Fx adj. +6.9%) developed positively, particularly in the Latin America/Africa/Middle East and North America regions. Sales of our cancer drug Nexavar® moved slightly ahead (Fx adj. +1.3%) from the very strong prior-year quarter, when business benefited from the product's approval for the treatment of liver cancer in Japan in May 2009. Sales of the multiple sclerosis drug Betaferon®/Betaseron® also edged higher (Fx adj. +1.2%).

Sales of the X-ray contrast agent Ultravist® advanced significantly (Fx adj. +20.1%). This growth was largely attributable to the positive business performance in the Asia/Pacific region, where we recorded gratifying increases, particularly in China. Business with Ultravist® also expanded in Latin America, where we have almost completely ceased marketing our contrast agent Iopamiron®. Sales of Iopamiron® (Fx adj. -30.3%) were lower due to the resulting drop in volumes and particularly because of price reductions in Japan. In our MRI contrast agents business, the continuing decline in sales of Magnevist® (Fx adj. -3.0%) was more than offset by increases for Gadovist® (Fx adj. +10.9%), particularly in Europe.

EBITDA before special items of the **Pharmaceuticals** segment declined by 4.4% in the **third quarter of 2010** to €731 million (Q3 2009: €765 million). This was partly due to pressure on margins caused by health care reforms and particularly to the adverse effects of the genericization of YAZ® in the United States. In addition, we incurred higher selling expenses in connection with product launches and growth initiatives in the emerging markets. At the same time, earnings were diminished by higher research and development expenses. By contrast, currency effects had a positive impact. **EBIT** before special items declined by 2.7% to €462 million (Q3 2009: €475 million). The special items of minus €50 million (Q3 2009: minus €107 million) were related to litigations concerning YAZ®/Yasmin®. EBIT climbed by 12.0% to €412 million (Q3 2009: €368 million).

In the **first nine months of 2010**, **sales** of our Pharmaceuticals segment grew by 3.1% to €8,011 million (9M 2009: €7,769 million). Adjusted for currency and portfolio effects, business was up by 0.6%. Pleasing sales increases were recorded for the blood-clotting medication Kogenate® (Fx adj. +9.2%), our cancer drug Nexavar® (Fx adj. +11.9%) and the antibiotic Avalox®/Avelox® (Fx adj. +9.7%). By contrast, there was a decline in business with our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives (Fx adj. -17.7%), our antibiotic Cipro®/Ciprobay® (Fx adj. -23.6%) and the multiple sclerosis treatment Betaferon®/Betaseron® (Fx adj. -5.1%). **EBITDA** before special items for the first nine months of 2010 receded by 5.1% to €2,281 million (9M 2009: €2,404 million). **EBIT** before special items declined by 3.4% to €1,470 million (9M 2009: €1,521 million). The special items of minus €268 million (9M 2009: minus €59 million) resulted from litigations and an asset write-down related to the cancer drug Zevalin®. EBIT fell by 17.8% to €1,202 million (9M 2009: €1,462 million).

Consumer Health

Key Data – Consumer Health [Table 5]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,388**	**1,539**	**+10.9**	**4,055**	**4,434**	**+9.3**
Consumer Care	777	880	+13.3	2,230	2,460	+10.3
Medical Care	360	375	+4.2	1,075	1,109	+3.2
Animal Health	251	284	+13.1	750	865	+15.3
Sales by region						
Europe	545	576	+5.7	1,630	1,684	+3.3
North America	498	560	+12.4	1,422	1,595	+12.2
Asia/Pacific	140	167	+19.3	391	466	+19.2
Latin America/Africa/Middle East	205	236	+15.1	612	689	+12.6
EBITDA*	**378**	**368**	**−2.6**	**909**	**999**	**+9.9**
Special items	*2*	*0*		*(1)*	*0*	
EBITDA before special items*	***376***	***368***	***−2.1***	***910***	***999***	***+9.8***
EBITDA margin before special items*	27.1%	23.9%		22.4%	22.5%	
EBIT*	**313**	**300**	**−4.2**	**715**	**801**	**+12.0**
Special items	*2*	*0*		*(1)*	*0*	
EBIT before special items*	***311***	***300***	***−3.5***	***716***	***801***	***+11.9***
Gross cash flow**	**277**	**242**	**−12.6**	**674**	**708**	**+5.0**
Net cash flow**	**311**	**273**	**−12.2**	**666**	**634**	**−4.8**

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

Sales of our Consumer Health segment advanced by 10.9% in the **third quarter of 2010** to €1,539 million (Q3 2009: €1,388 million). Business expanded by 2.6% on a currency- and portfolio-adjusted basis, with all regions contributing to this performance.

Best-Selling Consumer Health Products [Table 6]

	3rd Quarter 2009	3rd Quarter 2010	Change	Currency-adjusted change	First Nine Months 2009	First Nine Months 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Contour® (Medical Care)	149	147	−1.3	−6.5	442	442	0.0	−4.2
Advantage® product line (Animal Health)	88	103	+17.0	+7.5	275	333	+21.1	+14.7
Aspirin®* (Consumer Care)	99	110	+11.1	+3.4	289	305	+5.5	+1.4
Aleve®/naproxen (Consumer Care)	60	78	+30.0	+18.2	159	205	+28.9	+23.0
Bepanthen®/Bepanthol® (Consumer Care)	44	51	+15.9	+14.3	142	161	+13.4	+11.4
Canesten® (Consumer Care)	49	57	+16.3	+9.6	142	159	+12.0	+8.1
One-A-Day® (Consumer Care)	36	48	+33.3	+20.3	105	131	+24.8	+18.9
Baytril® (Animal Health)	37	44	+18.9	+12.1	105	117	+11.4	+7.3
Supradyn® (Consumer Care)	37	37	0.0	−4.9	99	100	+1.0	−0.4
Breeze® (Medical Care)	34	31	−8.8	−16.9	105	93	−11.4	−15.6
Total	**633**	**706**	**+11.5**	**+4.2**	**1,863**	**2,046**	**+9.8**	**+5.4**
Proportion of Consumer Health sales	46%	46%			46%	46%		

* Total Aspirin® Q3 sales = €204 million (Q3 2009 = €177 million), 9M sales = €564 million (9M 2009 = €521 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales moved ahead by 13.3% to €880 million (Q3 2009: €777 million). Adjusted for currency and portfolio effects, the increase came to 4.7%. All regions contributed to this growth in business, particularly North America. The analgesics Aleve® (Fx adj. +18.2%) and Aspirin® (Fx adj. +3.4%) and the One-A-Day® line of dietary supplements (Fx adj. +20.3%) achieved substantial sales growth in the United States. Business with our antifungal Canesten® (Fx adj. +9.6%) grew strongly, due primarily to new product launches in Canada and higher volumes in Italy. Sales of the skincare product Bepanthen®/Bepanthol® (Fx adj. +14.3%) developed particularly well in Brazil, Russia and France.

Sales of the **Medical Care** Division rose by 4.2% in the third quarter of 2010 to €375 million (Q3 2009: €360 million). Sales were down by 3.1% on a currency-adjusted basis, largely because of the negative development of the U.S. diabetes care market, where both prices and volumes declined on account of lower demand. This was the main reason for the drop in sales of our Breeze® (Fx adj. -16.9%) line of blood glucose meters. Sales of the Contour® (Fx adj. -6.5%) product line also fell on account of the development in the United States, while business increased in Europe. In contrast, sales of our medical devices business rose by 4.3% (Fx adj.) to €131 million.

Sales of the **Animal Health** Division rose by a gratifying 13.1% to €284 million (Q3 2009: €251 million). After adjusting for currency effects, the increase amounted to 3.9%, with all regions contributing to this positive performance. Our Advantage® line of flea, tick and worm control products (Fx adj. +7.5%) showed particularly strong growth in Europe. As in the second quarter, business also benefited from a new distribution channel in the United States. Business with the antibiotic Baytril® (Fx adj. +12.1%) expanded mainly because of higher sales to the U.S. livestock sector.

In the **Consumer Health** segment we achieved **EBITDA** before special items of €368 million in the **third quarter of 2010** (Q3 2009: €376 million). The 2.1% decline occurred mainly because marketing and distribution costs returned to normal levels following their reduction in the previous year due to the crisis. This development was partially offset by positive currency effects. **EBIT** before special items receded by 3.5% to €300 million (Q3 2009: €311 million). There were no special items (Q3 2009: €2 million). EBIT declined by €13 million to €300 million (Q3 2009: €313 million).

In the **first nine months of 2010**, **sales** in the Consumer Health segment advanced by 9.3% to €4,434 million (9M 2009: €4,055 million). Business increased by 4.3% on a currency- and portfolio-adjusted basis. All regions, especially North America, contributed to this growth. The marked economic recovery and the associated rise in demand brought significantly higher sales for some of our Consumer Health products. Examples include the Advantage® line of flea, tick and worm control products (Fx adj. +14.7%), our analgesic Aleve® (Fx adj. +23.0%) and the One-A-Day® line of dietary supplements (Fx adj. +18.9%). By contrast, sales were down for our Diabetes Care products Contour® (Fx adj. -4.2%) and Breeze® (Fx adj. -15.6%). **EBITDA** before special items advanced by 9.8% in the first nine months of 2010 to €999 million (9M 2009: €910 million). **EBIT** before special items grew by an appreciable 11.9% to €801 million (9M 2009: €716 million). EBIT climbed by 12.0% to €801 million (9M 2009: €715 million).

5.2 CropScience

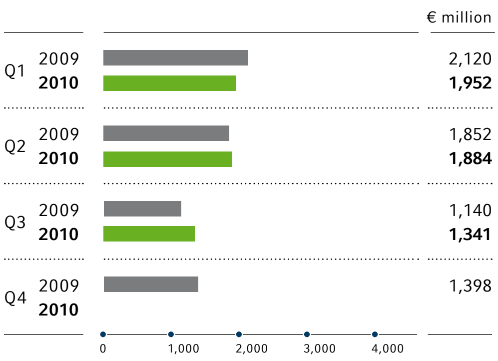
Key Data – CropScience [Table 7]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**1,140**	**1,341**	**+17.6**	**5,112**	**5,177**	**+1.3**
Change in sales						
Volume	−7.2%	+8.6%		−1.1%	−3.2%	
Price	−1.0%	−0.3%		+2.7%	−1.1%	
Currency	−0.5%	+9.1%		0.0%	+5.4%	
Portfolio	0.0%	+0.2%		0.0%	+0.2%	
Sales by segment						
Crop Protection	973	1,130	+16.1	4,247	4,126	−2.8
Environmental Science, BioScience	167	211	+26.3	865	1,051	+21.5
Sales by region						
Europe	352	342	−2.8	2,130	1,997	−6.2
North America	149	227	+52.3	1,287	1,248	−3.0
Asia/Pacific	224	279	+24.6	743	862	+16.0
Latin America/Africa/Middle East	415	493	+18.8	952	1,070	+12.4
EBITDA*	**78**	**(260)**	**.**	**1,238**	**581**	**−53.1**
Special items	*(30)*	*(386)*		*(104)*	*(500)*	
EBITDA before special items*	***108***	***126***	***+16.7***	***1,342***	***1,081***	***−19.4***
EBITDA margin before special items*	9.5%	9.4%		26.3%	20.9%	
EBIT*	**(59)**	**(390)**	**.**	**854**	**201**	**−76.5**
Special items	*(43)*	*(386)*		*(121)*	*(500)*	
EBIT before special items*	***(16)***	***(4)***	***+75.0***	***975***	***701***	***−28.1***
Gross cash flow**	**49**	**(187)**	**.**	**936**	**416**	**−55.6**
Net cash flow**	**371**	**472**	**+27.2**	**421**	**989**	**.**

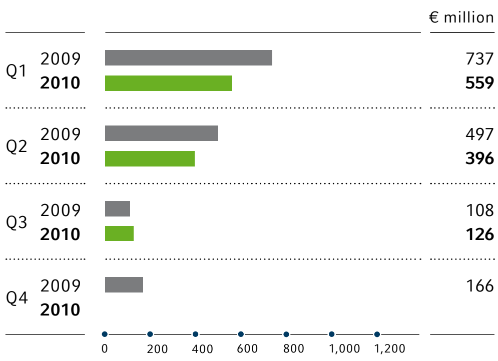
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

The CropScience subgroup registered a solid performance in the **third quarter of 2010**, with **sales** advancing by 17.6% to €1,341 million (Q3 2009: €1,140 million). Business expanded by 8.3% on a currency- and portfolio-adjusted basis. This was mainly the result of a far more favorable market environment with increased demand, due partly to significantly lower inventories in the distribution channels and higher prices for agricultural raw materials. We maintained approximately the price level of the prior-year quarter.

CropScience Quarterly Sales [Graphic 8]



CropScience Quarterly EBITDA Before Special Items [Graphic 9]



EBITDA before special items of the CropScience subgroup advanced by 16.7% in the third quarter of 2010 to €126 million (Q3 2009: €108 million), due especially to the growth in business at Crop Protection and also to positive currency effects. Higher research and development expenses in the BioScience business unit were more than offset, mainly by volume increases for our crop protection products. **EBIT** before special items came in at minus €4 million (Q3 2009: minus €16 million). Special items amounted to minus €386 million (Q3 2009: minus €43 million). They related mainly to an intended settlement program in connection with litigations concerning genetically modified rice (LL RICE) in the United States. EBIT dropped by €331 million to minus €390 million (Q3 2009: minus €59 million).

Best-Selling CropScience Products* [Table 8]

	3rd Quarter 2009	3rd Quarter 2010	Change	Currency-adjusted change	First Nine Months 2009	First Nine Months 2010	Change	Currency-adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	169	177	+4.7	−4.8	477	458	−4.0	−8.8
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	90	126	+40.0	+25.5	287	309	+7.7	+1.5
Proline®/Input®/Prosaro® (Fungicides)	20	30	+50.0	+33.3	239	221	−7.5	−12.1
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	34	35	+2.9	−10.3	260	206	−20.8	−28.8
Folicur®/Raxil® (Fungicides/Seed Treatment)	45	51	+13.3	−0.9	177	168	−5.1	−11.2
Decis®/K-Othrine® (Insecticides/Environmental Science)	41	39	−4.9	−11.9	134	142	+6.0	−0.8
Poncho® (Seed Treatment)	21	44	.	+77.4	154	130	−15.6	−21.9
Atlantis® (Herbicides)	12	17	+41.7	+39.9	147	126	−14.3	−15.8
Puma® (Herbicides)	19	24	+26.3	+9.0	142	120	−15.5	−23.2
Fandango® (Fungicides)	16	9	−43.8	−37.4	116	113	−2.6	−2.9
Total	**467**	**552**	**+18.2**	**+6.5**	**2,133**	**1,993**	**−6.6**	**−12.0**
Proportion of CropScience sales	41%	41%			42%	38%		

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

Crop Protection

Key Data – Crop Protection [Table 9]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**973**	**1,130**	**+16.1**	**4,247**	**4,126**	**−2.8**
Herbicides	282	322	+14.2	1,563	1,512	−3.3
Fungicides	225	286	+27.1	1,227	1,180	−3.8
Insecticides	279	334	+19.7	930	974	+4.7
Seed Treatment	187	188	+0.5	527	460	−12.7
Sales by region						
Europe	304	298	−2.0	1,849	1,709	−7.6
North America	92	152	+65.2	918	774	−15.7
Asia/Pacific	196	239	+21.9	617	700	+13.5
Latin America/Africa/Middle East	381	441	+15.7	863	943	+9.3
EBITDA*	**92**	**142**	**+54.3**	**1,090**	**817**	**−25.0**
Special items	*(26)*	*0*		*(62)*	*0*	
EBITDA before special items*	***118***	***142***	***+20.3***	***1,152***	***817***	***−29.1***
EBITDA margin before special items*	12.1%	12.6%		27.1%	19.8%	
EBIT*	**(28)**	**33**	.	**755**	**498**	**−34.0**
Special items	*(40)*	*0*		*(78)*	*0*	
EBIT before special items*	***12***	***33***	.	***833***	***498***	***−40.2***
Gross cash flow**	**58**	**101**	**+74.1**	**823**	**596**	**−27.6**
Net cash flow**	**289**	**374**	**+29.4**	**287**	**686**	.

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

Sales in the Crop Protection segment climbed by a gratifying 16.1% in the **third quarter of 2010**, to €1,130 million (Q3 2009: €973 million). After adjusting for currency effects, sales rose by 7.4%. Sales of our fungicides, insecticides and herbicides achieved good growth rates in a favorable market environment. By contrast, sales of our seed treatment products receded.

In the **Europe** region, sales declined by 2.0% to €298 million (Q3 2009: €304 million). Adjusted for currency effects, sales were 3.1% lower. This was attributable to the sharp decline in business with seed treatment products, particularly in France and Germany. On the other hand, sales of fungicides and insecticides were level year on year. Our herbicides, especially those for cereals, saw an extremely positive start to the fall season.

Sales in **North America** rose by a substantial 65.2% to €152 million (Q3 2009: €92 million). On a currency-adjusted basis, business improved by 49.1%. This considerable increase compared to the unusually weak prior-year quarter was attributable to the good performance in all business units in the United States. Lower inventories in the distribution channels, coupled with increased demand, contributed to strong growth for our fungicides, especially Stratego®. Sales of our herbicides, especially the growth regulator Finish®, also rose markedly. Increased infestation pressure from insects led to higher sales of our young insecticides Envidor® and Oberon® for citrus and corn. Our seed treatment application technology business also developed particularly well.

Sales of our crop protection products in the **Asia/Pacific** region rose by a healthy 21.9% to €239 million (Q3 2009: €196 million). Adjusted for currency effects, sales were up by 5.2%. Sales gains for insecticides and fungicides more than offset the decline for herbicides. In India, we recorded substantial growth in some areas for weather-related reasons. Here we increased our market share particularly with the insecticides Confidor® and Fame®. By contrast, we saw significant declines in Australia due mainly to weak sales of herbicides.

In the **Latin America/Africa/Middle East** region, sales moved ahead by 15.7% to €441 million (Q3 2009: €381 million). Adjusted for currency changes, business improved by 6.8%. In Latin America in particular, we considerably improved sales of our fungicides and herbicides thanks to the recovery in the crop protection market. The expansion in Mexico, Argentina and Brazil was especially encouraging. The key growth driver was our fungicide Sphere® Max in Brazil, which benefited mainly from a rise in soybean prices. Herbicide sales in Brazil, especially those of Soberan® for corn, posted strong increases.

EBITDA before special items of the **Crop Protection** segment advanced by 20.3% in the third quarter of 2010, to €142 million (Q3 2009: €118 million). Significantly higher volumes and positive currency effects contributed to the improvement in earnings. **EBIT** before special items moved forward by €21 million to €33 million (Q3 2009: €12 million). EBIT rose substantially to €33 million (Q3 2009: minus €28 million) compared with the prior-year quarter, when earnings were diminished by special items of minus €40 million.

Despite the good third-quarter performance, **sales** in the Crop Protection segment in the **first nine months of 2010** came in at €4,126 million, down 2.8% against the high prior-year figure (€4,247 million). Adjusted for currency effects, business declined by 8.1%. This was attributable to the weak first-half performance, which resulted mainly from the difficult market environment and unfavorable weather conditions. Our nine-month sales in Europe were down primarily because of the low first-quarter sales and the continuing weakness of the business in France. In North America, the good third-quarter performance did not fully offset the drop in sales in the first six months. Sales in the Latin America/Africa/Middle East and Asia/Pacific regions for the first nine months of 2010 showed a slight improvement. **EBITDA** before special items fell by 29.1% to €817 million (9M 2009: €1,152 million). **EBIT** before special items came in at €498 million, down 40.2% against the prior-year level of €833 million. There were no special charges in the Crop Protection segment in the first three quarters of 2010 (9M 2009: €78 million). EBIT was down by 34.0% year on year.

Environmental Science, BioScience

Key Data – Environmental Science, BioScience [Table 10]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**167**	**211**	**+26.3**	**865**	**1,051**	**+21.5**
Environmental Science	116	125	+7.8	452	494	+9.3
BioScience	51	86	+68.6	413	557	+34.9
Sales by region						
Europe	48	44	−8.3	281	288	+2.5
North America	57	75	+31.6	369	474	+28.5
Asia/Pacific	28	40	+42.9	126	162	+28.6
Latin America/Africa/Middle East	34	52	+52.9	89	127	+42.7
EBITDA*	**(14)**	**(402)**	**.**	**148**	**(236)**	**.**
Special items	*(4)*	*(386)*		*(42)*	*(500)*	
EBITDA before special items*	***(10)***	***(16)***	***−60.0***	***190***	***264***	***+38.9***
EBITDA margin before special items*	(6.0)%	(7.6)%		22.0%	25.1%	
EBIT*	**(31)**	**(423)**	**.**	**99**	**(297)**	**.**
Special items	*(3)*	*(386)*		*(43)*	*(500)*	
EBIT before special items*	***(28)***	***(37)***	***−32.1***	***142***	***203***	***+43.0***
Gross cash flow**	**(9)**	**(288)**	**.**	**113**	**(180)**	**.**
Net cash flow**	**82**	**98**	**+19.5**	**134**	**303**	**.**

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

Sales of the Environmental Science, BioScience segment posted a healthy 26.3% gain in the **third quarter of 2010** to €211 million (Q3 2009: €167 million). Adjusted for currency and portfolio effects, business was up by 13.5%.

Sales of the **Environmental Science** business unit rose by 7.8% to €125 million (Q3 2009: €116 million). After adjusting for currency effects, however, business was down by 3.5%. Sales of products for private consumers were weaker, due especially to adverse weather conditions in the United States. Business with non-agricultural products for professional users also showed a slight decline.

Sales of the **BioScience** business unit came in at €86 million, up significantly over the prior-year figure of €51 million. On a currency- and portfolio-adjusted basis, sales moved ahead by 52.7%. In a positive market environment we registered strong gains for vegetable seeds. Significantly higher sales in cotton and sales increases in canola and rice contributed substantially to business growth in BioScience.

EBITDA before special items in the **Environmental Science, BioScience** segment dropped by €6 million in the third quarter of 2010 to minus €16 million (Q3 2009: minus €10 million). This was due to the continued expansion of our research and development activities in BioScience. **EBIT** before special items was minus €37 million, below the prior-year figure of minus €28 million. The special items of minus €386 million (Q3 2009: minus €3 million) arose in connection with litigations concerning genetically modified rice in the United States. EBIT fell to minus €423 million (Q3 2009: minus €31 million).

Sales in the Environmental Science, BioScience segment climbed by 21.5% in the **first three quarters of 2010**, to €1,051 million (9M 2009: €865 million). Adjusted for currency and portfolio effects, sales rose by 14.4%, with both business units contributing to this performance. In the BioScience business unit, we registered double-digit sales growth in each of our main crops: cotton, canola, rice and vegetables. We increased our market share for cotton in all major growing regions (United States, Latin America, India and Europe). At Environmental Science, business with products for professional and private users developed positively. **EBITDA** before special items climbed by 38.9% to €264 million (9M 2009: €190 million). **EBIT** before special items grew by 43.0% to €203 million (9M 2009: €142 million). After special charges totaling €500 million (9M 2009: €43 million), EBIT fell to minus €297 million (9M 2009: €99 million).

5.3 MaterialScience

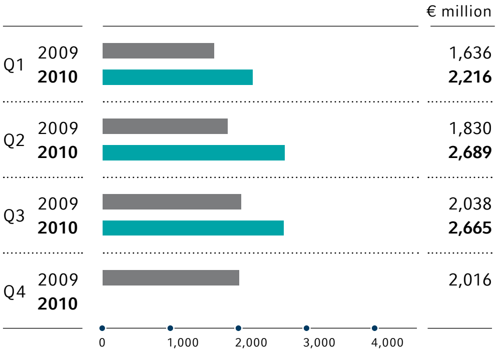
Key Data – MaterialScience [Table 11]

	3rd Quarter 2009	3rd Quarter 2010	Change	First Nine Months 2009	First Nine Months 2010	Change
	€ million	€ million	%	€ million	€ million	%
Sales	**2,038**	**2,665**	**+30.8**	**5,504**	**7,570**	**+37.5**
Change in sales						
Volume	−6.5%	+12.7%		−20.6%	+27.8%	
Price	−15.3%	+10.3%		−10.9%	+5.4%	
Currency	+1.7%	+7.8%		+2.8%	+4.3%	
Portfolio	+0.1%	0.0%		+0.3%	0.0%	
Sales by business unit						
Polyurethanes	1,011	1,321	+30.7	2,773	3,748	+35.2
Polycarbonates	526	726	+38.0	1,350	2,054	+52.1
Coatings, Adhesives, Specialties	383	475	+24.0	996	1,369	+37.4
Industrial Operations	118	143	+21.2	385	399	+3.6
Sales by region						
Europe	825	1,046	+26.8	2,232	2,924	+31.0
North America	395	540	+36.7	1,149	1,551	+35.0
Asia/Pacific	546	754	+38.1	1,398	2,144	+53.4
Latin America/Africa/Middle East	272	325	+19.5	725	951	+31.2
EBITDA*	**227**	**409**	**+80.2**	**181**	**1,067**	**.**
Special items	*(11)*	*0*		*(62)*	*0*	
EBITDA before special items*	***238***	***409***	***+71.8***	***243***	***1,067***	***.***
EBITDA margin before special items*	11.7%	15.3%		4.4%	14.1%	
EBIT*	**85**	**260**	**.**	**(280)**	**632**	**.**
Special items	*(15)*	*0*		*(95)*	*0*	
EBIT before special items*	***100***	***260***	***.***	***(185)***	***632***	***.***
Gross cash flow**	**180**	**297**	**+65.0**	**194**	**817**	**.**
Net cash flow**	**129**	**254**	**+96.9**	**543**	**332**	**−38.9**

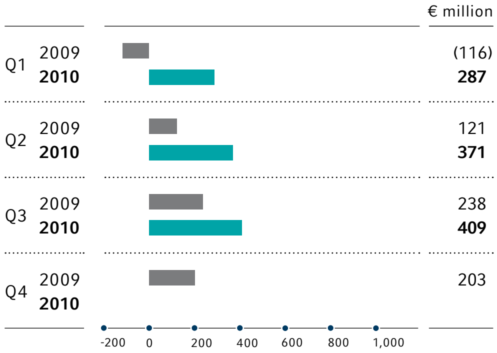
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

The business situation for MaterialScience improved significantly in the **third quarter of 2010** compared to the prior-year quarter, which was weak due to the economic situation. **Sales** came in at €2,665 million (Q3 2009: €2,038 million), which was 30.8% (Fx adj. +23.0%) ahead of the prior-year period. This growth was primarily attributable to significantly higher demand in our main customer industries. We registered the largest increase in absolute terms in the construction and automotive industries. The improved demand situation led to considerably higher volumes in all product groups and regions. Selling prices also rose significantly overall. Contributing to this were price increases in Europe, Asia/Pacific and North America, while selling prices in Latin America held steady at the prior-year level.

**MaterialScience
Quarterly Sales** [Graphic 10]



**MaterialScience
Quarterly EBITDA Before Special Items** [Graphic 11]



Sales of the **Polyurethanes** business unit came in at €1,321 million, up 30.7% (Fx adj. +22.7%) from the prior-year figure of €1,011 million. This increase resulted primarily from significant volume growth in all polyurethane product groups (diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether). Volumes rose in all regions, with especially strong gains recorded both in the Asia/Pacific region, which was stable in the prior-year period, and in the Europe region, which last year was still weighed down by the economic crisis. We were also able to implement price increases in all product groups, particularly in Europe and North America.

The **Polycarbonates** business unit also posted a pleasing business performance, with sales advancing by 38.0% (Fx adj. +28.7%) to €726 million (Q3 2009: €526 million), chiefly as a result of higher selling prices and volumes worldwide in our granules product group. Our product group "polycarbonate sheet/semi-finished products" benefited from higher demand, enabling us to grow sales through steady selling prices coupled with higher volumes.

Sales of the **Coatings, Adhesives, Specialties** business unit climbed by 24.0% (Fx adj. +17.6%) to €475 million (Q3 2009: €383 million). This was largely due to significant volume increases in all product groups and regions. Demand picked up noticeably, especially in Asia/Pacific and Europe. We also achieved a slight increase in selling prices in nearly all product groups and regions.

Sales in the **Industrial Operations** business unit climbed by 21.2% (Fx adj. +17.5%) to €143 million (Q3 2009: €118 million). We registered volume increases in all regions, especially Europe and North America. Selling prices were down slightly overall.

The markedly improved business situation was also reflected in earnings. **EBITDA** before special items of **MaterialScience** rose significantly in the third quarter of 2010 to €409 million (Q3 2009: €238 million). This success was the result of substantial volume gains, higher selling prices and efficiency improvements. On the other hand, earnings were hampered by the increase in raw material costs accompanying the global economic recovery. **EBIT** before special items came in at €260 million (Q3 2009: €100 million). In contrast to the prior-year quarter, third-quarter EBIT was not diminished by any special charges (Q3 2009: €15 million). EBIT therefore also came in at €260 million (Q3 2009: €85 million).

In the **first nine months of 2010**, MaterialScience lifted **sales** by a substantial 37.5% to €7,570 million (9M 2009: €5,504 million). Adjusted for currency and portfolio effects, sales grew by 33.2%. This pleasing development was chiefly due to significant volume growth. In this respect we benefited from the recovery in demand following the sharp decline caused by the financial and economic crisis in the previous year. We also were able to raise selling prices. **EBITDA** before special items came in at €1,067 million (9M 2009: €243 million). **EBIT** before special items amounted to €632 million (9M 2009: minus €185 million). While EBIT in the first three quarters of 2009 was diminished by special charges of €95 million, there were no special charges in the corresponding period of 2010. EBIT came in at €632 million (9M 2009: minus €280 million).

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	3rd Quarter 2009	3rd Quarter 2010			3rd Quarter 2009	3rd Quarter 2010		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,541**	**1,590**	**+3.2**	**+1.4**	**1,146**	**1,161**	**+1.3**	**−9.0**
Pharmaceuticals	996	1,014	+1.8	+0.3	648	601	−7.3	−16.7
Consumer Health	545	576	+5.7	+3.5	498	560	+12.4	+1.1
CropScience	**352**	**342**	**−2.8**	**−4.0**	**149**	**227**	**+52.3**	**+37.5**
Crop Protection	304	298	−2.0	−3.1	92	152	+65.2	+49.1
Environmental Science, BioScience	48	44	−8.3	−9.3	57	75	+31.6	+18.8
MaterialScience	**825**	**1,046**	**+26.8**	**+26.7**	**395**	**540**	**+36.7**	**+22.8**
Group (incl. reconciliation)	**2,965**	**3,244**	**+9.4**	**+8.3**	**1,691**	**1,930**	**+14.1**	**+2.6**

	First Nine Months 2009	First Nine Months 2010			First Nine Months 2009	First Nine Months 2010		
HealthCare	**4,689**	**4,712**	**+0.5**	**−1.1**	**3,473**	**3,500**	**+0.8**	**−3.9**
Pharmaceuticals	3,059	3,028	−1.0	−2.4	2,051	1,905	−7.1	−11.1
Consumer Health	1,630	1,684	+3.3	+1.5	1,422	1,595	+12.2	+6.5
CropScience	**2,130**	**1,997**	**−6.2**	**−7.9**	**1,287**	**1,248**	**−3.0**	**−9.4**
Crop Protection	1,849	1,709	−7.6	−9.4	918	774	−15.7	−22.2
Environmental Science,BioScience	281	288	+2.5	+1.9	369	474	+28.5	+22.3
MaterialScience	**2,232**	**2,924**	**+31.0**	**+31.0**	**1,149**	**1,551**	**+35.0**	**+28.6**
Group (incl. reconciliation)	**9,821**	**10,409**	**+6.0**	**+4.9**	**5,914**	**6,304**	**+6.6**	**+1.2**

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

[Table 12]

Asia/Pacific				Latin America/Africa/Middle East				Total			
3rd Quarter 2009	3rd Quarter 2010			3rd Quarter 2009	3rd Quarter 2010			3rd Quarter 2009	3rd Quarter 2010		
€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
680	**854**	**+25.6**	**+8.1**	**569**	**666**	**+17.0**	**+11.1**	**3,936**	**4,271**	**+8.5**	**+0.9**
540	687	+27.2	+9.1	364	430	+18.1	+14.5	2,548	2,732	+7.2	−0.1
140	167	+19.3	+3.6	205	236	+15.1	+5.1	1,388	1,539	+10.9	+2.9
224	**279**	**+24.6**	**+7.3**	**415**	**493**	**+18.8**	**+9.3**	**1,140**	**1,341**	**+17.6**	**+8.5**
196	239	+21.9	+5.2	381	441	+15.7	+6.8	973	1,130	+16.1	+7.4
28	40	+42.9	+21.6	34	52	+52.9	+37.5	167	211	+26.3	+15.0
546	**754**	**+38.1**	**+22.9**	**272**	**325**	**+19.5**	**+12.1**	**2,038**	**2,665**	**+30.8**	**+23.0**
1,464	**1,907**	**+30.3**	**+13.6**	**1,272**	**1,500**	**+17.9**	**+10.6**	**7,392**	**8,581**	**+16.1**	**+8.4**
First Nine Months 2009	First Nine Months 2010			First Nine Months 2009	First Nine Months 2010			First Nine Months 2009	First Nine Months 2010		
1,967	**2,366**	**+20.3**	**+9.3**	**1,695**	**1,867**	**+10.1**	**+7.2**	**11,824**	**12,445**	**+5.3**	**+1.0**
1,576	1,900	+20.6	+10.0	1,083	1,178	+8.8	+7.3	7,769	8,011	+3.1	−0.8
391	466	+19.2	+6.3	612	689	+12.6	+7.0	4,055	4,434	+9.3	+4.6
743	**862**	**+16.0**	**+4.1**	**952**	**1,070**	**+12.4**	**+5.0**	**5,112**	**5,177**	**+1.3**	**−4.1**
617	700	+13.5	+1.8	863	943	+9.3	+2.5	4,247	4,126	−2.8	−8.1
126	162	+28.6	+15.5	89	127	+42.7	+29.0	865	1,051	+21.5	+15.4
1,398	**2,144**	**+53.4**	**+45.2**	**725**	**951**	**+31.2**	**+24.6**	**5,504**	**7,570**	**+37.5**	**+33.2**
4,146	**5,428**	**+30.9**	**+20.7**	**3,415**	**3,935**	**+15.2**	**+10.2**	**23,296**	**26,076**	**+11.9**	**+7.5**

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation and amortization rose by 2.0% in the first three quarters of 2010 to €2,097 million (9M 2009: €2,056 million), comprising €1,183 million (9M 2009: €1,112 million) in amortization and write-downs of intangible assets and €914 million (9M 2009: €944 million) in depreciation and write-downs of property, plant and equipment. Depreciation and amortization included write-downs of €162 million, of which €30 million did not constitute special items.

Special Items Reconciliation [Table 13]

	EBIT* 3rd Quarter 2009	EBIT* 3rd Quarter 2010	EBIT* First Nine Months 2009	EBIT* First Nine Months 2010	EBITDA** 3rd Quarter 2009	EBITDA** 3rd Quarter 2010	EBITDA** First Nine Months 2009	EBITDA** First Nine Months 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**646**	**556**	**2,640**	**2,758**	**1,326**	**1,220**	**4,696**	**4,855**
HealthCare	**105**	**50**	**60**	**268**	**104**	**50**	**58**	**136**
Schering integration	35	0	(36)	0	34	0	(38)	0
of which gain from divestitures	*0*	*0*	*(114)*	*0*	*0*	*0*	*(114)*	*0*
Write-downs	0	0	0	132	0	0	0	0
Litigations	56	50	56	136	56	50	56	136
Additional funding for the pension assurance association	14	0	40	0	14	0	40	0
CropScience	**43**	**386**	**121**	**500**	**30**	**386**	**104**	**500**
Restructuring	48	0	76	0	35	0	59	0
Litigations	(1)	386	34	500	(1)	386	34	500
Additional funding for the pension assurance association	(4)	0	11	0	(4)	0	11	0
MaterialScience	**15**	**0**	**95**	**0**	**11**	**0**	**62**	**0**
Restructuring	17	0	79	0	13	0	46	0
Additional funding for the pension assurance association	(2)	0	16	0	(2)	0	16	0
Reconciliation	**28**	**0**	**39**	**0**	**28**	**0**	**39**	**0**
Additional funding for the pension assurance association	28	0	39	0	28	0	39	0
Total special items	**191**	**436**	**315**	**768**	**173**	**436**	**263**	**636**
Before special items	**837**	**992**	**2,955**	**3,526**	**1,499**	**1,656**	**4,959**	**5,491**

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

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. For the third quarter of 2010, core earnings per share amounted to €0.95 (Q3 2009: €0.78).

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

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
EBIT as per income statements	**646**	**556**	**2,640**	**2,758**
Amortization and write-downs of intangible assets	366	351	1,112	1,183
Write-downs of property, plant and equipment	18	9	60	18
Special items (other than write-downs)	173	436	263	636
Core EBIT	**1,203**	**1,352**	**4,075**	**4,595**
Non-operating result (as per income statements)	(262)	(267)	(888)	(772)
Income taxes (as per income statements)	(135)	(4)	(549)	(483)
Tax effects related to amortization, write-downs and special items	(166)	(295)	(428)	(607)
Income after taxes attributable to non-controlling interest (as per income statements)	0	(5)	3	(5)
Core net income	**640**	**781**	**2,213**	**2,728**
Financing expenses for the mandatory convertible bond, net of tax effects	0	0	47	0
Adjusted core net income	**640**	**781**	**2,260**	**2,728**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**826,947,808**	**826,947,808**	**792,321,971**	**826,947,808**
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	0	0	33,366,875	0
Adjusted weighted average total number of issued and potential ordinary shares	**826,947,808**	**826,947,808**	**825,688,846**	**826,947,808**
Core earnings per share (€)	**0.78**	**0.95**	**2.74**	**3.30**

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,172**	**879**	**3,629**	**3,436**
Changes in working capital/other non-cash items	345	676	(20)	396
Net cash provided by (used in) operating activities (net cash flow)	**1,517**	**1,555**	**3,609**	**3,832**
Net cash provided by (used in) investing activities	**(310)**	**(639)**	**(789)**	**(1,378)**
Net cash provided by (used in) financing activities	**(436)**	**(1,281)**	**(2,311)**	**(3,010)**
Change in cash and cash equivalents due to business activities	**771**	**(365)**	**509**	**(556)**
Cash and cash equivalents at beginning of period	**1,834**	**2,551**	**2,094**	**2,725**
Change due to exchange rate movements and to changes in scope of consolidation	(10)	(62)	(8)	(45)
Cash and cash equivalents at end of period	**2,595**	**2,124**	**2,595**	**2,124**

2009 figures restated

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

Operating cash flow

Gross cash flow in the **third quarter of 2010** fell by 25.0% from the prior-year period to €879 million (Q3 2009: €1,172 million). MaterialScience saw a marked business-related improvement in gross cash flow. By contrast, gross cash flow was down significantly at HealthCare and CropScience. These declines were partly due to increased contributions to pension funds. Gross cash flow was also held back primarily by provisions established in connection with the LL RICE and YAZ® litigations that were not yet reflected in net cash flow. Net cash flow of the Group rose by 2.5% to €1,555 million (Q3 2009: €1,517 million), partly as a result of more effective working capital management. Net cash flow reflected income tax payments of €121 million (Q3 2009: €194 million).

Gross cash flow in the **first three quarters of 2010** declined by 5.3% to €3,436 million (9M 2010: €3,629 million). Net cash flow rose to €3,832 million (9M 2009: €3,609 million) and reflected income tax payments of €614 million (9M 2009: €327 million).

Investing cash flow

Net cash outflow for investing activities in the **third quarter of 2010** totaled €639 million (Q3 2009: €310 million). Cash outflows for property, plant and equipment and intangible assets were 6.0% lower at €395 million (Q3 2009: €420 million). Of this figure, HealthCare accounted for €175 million (Q3 2009: €170 million), CropScience for €74 million (Q3 2009: €79 million) and MaterialScience for €102 million (Q3 2009: €112 million). The outflows included payments in connection with a license and development agreement in the field of aesthetic dermatology products and the expansion of our polymers production site in Shanghai, China. Among the cash inflow items in the third quarter of 2010 was €36 million (Q3 2009: €6 million) in inflows from divestitures.

Net cash outflow for investing activities in the **first nine months of 2010** was €1,378 million (9M 2009: €789 million). Cash outflows for property, plant and equipment and intangible assets were 8.3% lower at €990 million (9M 2009: €1,080 million). Of this figure, HealthCare accounted for €373 million (9M 2009: €349 million), CropScience for €181 million (9M 2009: €223 million) and MaterialScience for €349 million (9M 2009: €356 million). The cash outflows for acquisitions amounted to €18 million and mainly arose from the purchase by MaterialScience of Artificial Muscle, Inc., United States, in March 2010. Among the cash inflow items in the first nine months of 2010 were €77 million (9M 2009: €57 million) in inflows from divestitures and €48 million (9M 2009: €74 million) in interest and dividends received.

Financing cash flow

Net cash outflow for financing activities in the **third quarter of 2010** amounted to €1,281 million (Q3 2009: €436 million). It included net loan repayments of €1,117 million (Q3 2009: €249 million). Interest payments decreased to €254 million (Q3 2009: €259 million).

Net cash outflow for financing activities in the **first three quarters of 2010** amounted to €3,010 million (9M 2009: €2,311 million). This included net loan repayments of €1,397 million (9M 2009: €575 million). Interest payments were 28.3% lower at €773 million (9M 2009: €1,078 million). This was partly due to the reduction in financial debt and lower interest rates. There was a €1,159 million outflow for "dividend payments and withholding tax on dividends" (9M 2009: €973 million).

Liquid assets and net financial debt

Net Financial Debt [Table 16]

	Dec. 31, 2009	June 30, 2010	Sep. 30, 2010
	€ million	€ million	€ million
Bonds and notes	8,301	8,308	8,207
of which hybrid bond	1,267	1,322	1,330
Liabilities to banks	3,251	3,653	2,368
Liabilities under finance leases	550	612	553
Liabilities from derivatives	578	1,016	606
Other financial liabilities	178	177	194
Positive fair values of hedges of recorded transactions	(426)	(516)	(562)
Financial debt	**12,432**	**13,250**	**11,366**
Cash and cash equivalents	(2,725)	(2,551)	(2,124)
Current financial assets	(16)	(2)	(103)
Net financial debt	**9,691**	**10,697**	**9,139**

Net financial debt of the Bayer Group was considerably reduced from €10.7 billion to €9.1 billion (-14.6%) in the third quarter of 2010 thanks to cash inflows from operating activities and positive currency effects of €0.4 billion. As of September 30, 2010 the Group had cash and cash equivalents of €2.1 billion. Financial liabilities amounted to €11.4 billion, including the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined during the third quarter of 2010 from €11.0 billion to €10.4 billion. At the same time, current financial liabilities decreased from €2.8 billion to €1.6 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.

Net Pension Liability

Net Pension Liability [Table 17]

	Dec. 31, 2009	June 30, 2010	Sep. 30, 2010
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	6,517	7,839	8,297
Benefit plan assets in excess of obligation	(100)	(112)	(120)
Net pension liability	**6,417**	**7,727**	**8,177**

The net pension liability increased from €7.7 billion to €8.2 billion in the third quarter of 2010, mainly because of lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €7.8 billion to €8.3 billion. Benefit plan assets in excess of obligations – reflected in the statement of financial position under "other receivables" – came to €0.1 billion (June 30, 2010: €0.1 billion).

9. Employees

On September 30, 2010, the Bayer Group employed 108,700 people worldwide, compared with 108,800 twelve months earlier. The number of employees thus remained practically constant (-0.1%). HealthCare had 53,500 employees (Q3 2009: 53,800), CropScience 18,800 (Q3 2009: 18,600), and MaterialScience 14,300 (Q3 2009: 14,300). The remaining 22,100 (Q3 2009: 22,100) employees worked mainly for the service companies.

Personnel expenses rose by 3.6% in the first three quarters of 2010 to €6,062 million (9M 2009: €5,854 million). This increase was largely attributable to regular salary increases and currency effects. The prior-year figure also included €106 million in additional funding for the German corporate pension assurance association.

10. Opportunities and Risks

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

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

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

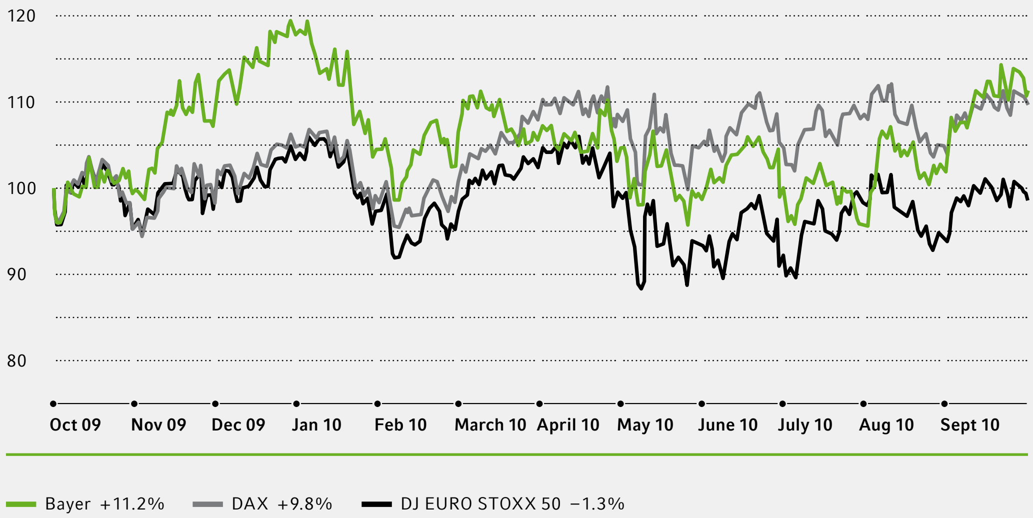
11. Events After the Reporting Period

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

Investor Information

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

indexed; 100 = XETRA closing price on September 30, 2009; Source: Bloomberg



The price of Bayer shares trended positively in the third quarter of 2010, increasing by 11.2%. The DAX rose by 4.4% and the EURO STOXX 50 (Performance) index by 7.0% in the same period.

Including the dividend paid on May 3, 2010, Bayer stock posted a performance of -5.9% on the nine-month period, slightly below that of the EURO STOXX 50 (-4.8%), which closed the third quarter at 4,471 points. The DAX gained 4.6% in the first nine months, closing at 6,229 points.

Bayer Stock Key Data [Table 18]

		3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
High for the period	€	48.84	52.32	48.84	56.40
Low for the period	€	35.66	44.12	32.69	44.12
Average daily trading volume	million	3.8	3.1	4.5	3.9
		Sep. 30, 2009	**Sep. 30, 2010**	**Dec. 31, 2009**	**Change Sep. 30, 2010/ Dec. 31, 2009 %**
Share price	€	47.35	51.15	55.96	−8.6
Market capitalization	€ million	39,156	42,298	46,276	−8.6
Equity as per statements of financial position	€ million	18,252	18,404	18,951	−2.9
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		5,675	6,229	5,957	+4.6

XETRA closing prices (source: Bloomberg)

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

Bayer Group Consolidated Income Statements

[Table 19]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Net sales	**7,392**	**8,581**	**23,296**	**26,076**
Cost of goods sold	(3,579)	(4,174)	(11,159)	(12,548)
Gross profit	**3,813**	**4,407**	**12,137**	**13,528**
Selling expenses	(1,880)	(2,171)	(5,873)	(6,395)
Research and development expenses	(692)	(776)	(2,012)	(2,240)
General administration expenses	(404)	(404)	(1,210)	(1,243)
Other operating income	172	230	718	436
Other operating expenses	(363)	(730)	(1,120)	(1,328)
Operating result [EBIT]	**646**	**556**	**2,640**	**2,758**
Equity-method loss	(10)	(13)	(36)	(45)
Non-operating income	158	76	636	391
Non-operating expenses	(410)	(330)	(1,488)	(1,118)
Non-operating result	**(262)**	**(267)**	**(888)**	**(772)**
Income before income taxes	**384**	**289**	**1,752**	**1,986**
Income taxes	(135)	(4)	(549)	(483)
Income after taxes	**249**	**285**	**1,203**	**1,503**
of which attributable to non-controlling interest	0	5	(3)	5
of which attributable to Bayer AG stockholders (net income)	**249**	**280**	**1,206**	**1,498**
	€	€	€	€
Earnings per share				
Basic*	0.30	0.34	1.52	1.81
Diluted*	0.30	0.34	1.52	1.81

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

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Income after taxes	**249**	**285**	**1,203**	**1,503**
of which attributable to non-controlling interest	*0*	*5*	*(3)*	*5*
of which attributable to Bayer AG stockholders	*249*	*280*	*1,206*	*1,498*
Changes in fair values of derivatives designated as cash flow hedges	60	279	116	(74)
Recognized in profit or loss	(1)	13	38	14
Income taxes	(20)	(89)	(54)	18
Changes recognized outside profit or loss (cash flow hedges)	**39**	**203**	**100**	**(42)**
Changes in fair values of available-for-sale financial assets	5	8	12	0
Recognized in profit or loss	0	(2)	0	(2)
Income taxes	(1)	(1)	(2)	1
Changes recognized outside profit or loss (available-for-sale financial assets)	**4**	**5**	**10**	**(1)**
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	(602)	(737)	(1,008)	(1,895)
Income taxes	195	235	317	572
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)	**(407)**	**(502)**	**(691)**	**(1,323)**
Exchange differences on translation of operations outside the euro zone	(139)	(601)	76	452
Recognized in profit or loss	0	0	0	3
Changes recognized outside profit or loss (exchange differences)	**(139)**	**(601)**	**76**	**455**
Changes in revaluation surplus (IFRS 3)	**0**	**0**	**0**	**0**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**6**	**13**	**11**	**28**
Effects of changes in scope of consolidation	**1**	**0**	**0**	**0**
Total changes recognized outside profit or loss	**(496)**	**(882)**	**(494)**	**(883)**
of which attributable to non-controlling interest	*2*	*(5)*	*2*	*4*
of which attributable to Bayer AG stockholders	*(498)*	*(877)*	*(496)*	*(887)*
Total comprehensive income	**(247)**	**(597)**	**709**	**620**
of which attributable to non-controlling interest	*2*	*0*	*(1)*	*9*
of which attributable to Bayer AG stockholders	*(249)*	*(597)*	*710*	*611*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	Sep. 30, 2009	Sep. 30, 2010	Dec. 31, 2009
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,505	8,917	8,704
Other intangible assets	12,920	12,081	12,842
Property, plant and equipment	9,249	9,602	9,409
Investments accounted for using the equity method	402	361	395
Other financial assets	1,326	1,267	1,200
Other receivables	572	478	549
Deferred taxes	1,526	1,776	950
	34,500	**34,482**	**34,049**
Current assets			
Inventories	6,301	6,526	6,091
Trade accounts receivable	6,355	6,796	6,106
Other financial assets	431	463	367
Other receivables	1,284	1,535	1,357
Claims for income tax refunds	257	258	347
Cash and cash equivalents	2,595	2,124	2,725
	17,223	**17,702**	**16,993**
Total assets	**51,723**	**52,184**	**51,042**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	9,918	10,062	10,613
Equity attributable to Bayer AG stockholders	**18,202**	**18,346**	**18,897**
Equity attributable to non-controlling interest	50	58	54
	18,252	**18,404**	**18,951**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,101	8,297	6,517
Other provisions	1,469	1,498	1,516
Financial liabilities	11,725	10,367	11,460
Other liabilities	451	475	415
Deferred taxes	3,530	2,969	3,210
	24,276	**23,606**	**23,118**
Current liabilities			
Other provisions	3,480	4,108	3,089
Financial liabilities	2,105	1,618	1,489
Trade accounts payable	2,181	2,870	2,735
Income tax liabilities	63	47	93
Other liabilities	1,366	1,531	1,567
	9,195	**10,174**	**8,973**
Total equity and liabilities	**51,723**	**52,184**	**51,042**

2009 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Income after taxes	249	285	1,203	1,503
Income taxes	135	4	549	483
Non-operating result	262	267	888	772
Income taxes paid or accrued	(131)	(106)	(696)	(925)
Depreciation and amortization	680	664	2,056	2,097
Change in pension provisions	(24)	(225)	(238)	(459)
(Gains) losses on retirements of noncurrent assets	1	(10)	(133)	(35)
Gross cash flow	**1,172**	**879**	**3,629**	**3,436**
Decrease (increase) in inventories	(48)	(104)	327	(121)
Decrease (increase) in trade accounts receivable	427	505	(371)	(394)
(Decrease) increase in trade accounts payable	112	(168)	(302)	32
Changes in other working capital, other non-cash items	(146)	443	326	879
Net cash provided by (used in) operating activities (net cash flow)	**1,517**	**1,555**	**3,609**	**3,832**
Cash outflows for additions to property, plant, equipment and intangible assets	(420)	(395)	(1,080)	(990)
Cash inflows from sales of property, plant, equipment and other assets	24	15	47	40
Cash inflows from (outflows for) divestitures	6	36	57	77
Cash inflows from (outflows for) noncurrent financial assets	32	(209)	116	(452)
Cash outflows for acquisitions less acquired cash	0	(1)	(2)	(18)
Interest and dividends received	42	15	74	48
Cash inflows from (outflows for) current financial assets	6	(100)	(1)	(83)
Net cash provided by (used in) investing activities	**(310)**	**(639)**	**(789)**	**(1,378)**
Capital contributions	0	0	0	0
Dividend payments and withholding tax on dividends	0	(1)	(973)	(1,159)
Issuances of debt	97	222	2,649	713
Retirements of debt	(346)	(1,339)	(3,224)	(2,110)
Interest paid including interest rate swaps	(259)	(254)	(1,078)	(773)
Interest received from interest rate swaps	78	96	361	325
Cash outflows for the purchase of additional interests in subsidiaries	(6)	(5)	(46)	(6)
Net cash provided by (used in) financing activities	**(436)**	**(1,281)**	**(2,311)**	**(3,010)**
Change in cash and cash equivalents due to business activities	**771**	**(365)**	**509**	**(556)**
Cash and cash equivalents at beginning of period	**1,834**	**2,551**	**2,094**	**2,725**
Change in cash and cash equivalents due to changes in scope of consolidation	0	0	3	0
Change in cash and cash equivalents due to exchange rate movements	(10)	(62)	(11)	(45)
Cash and cash equivalents at end of period	**2,595**	**2,124**	**2,595**	**2,124**

2009 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2008	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital increase/decrease	160	2,139		2,299		2,299
Dividend payments			(1,070)	(1,070)	(4)	(1,074)
Other changes					(22)	(22)
Total comprehensive income**			710	710	(1)	709
Sep. 30, 2009	**2,117**	**6,167**	**9,918**	**18,202**	**50**	**18,252**
Dec. 31, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,158)	(1,158)	(2)	(1,160)
Other changes			(4)	(4)	(3)	(7)
Total comprehensive income**			611	611	9	620
Sep. 30, 2010	**2,117**	**6,167**	**10,062**	**18,346**	**58**	**18,404**

* OCI = other comprehensive income
** Net of tax

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

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external)	2,548	2,732	1,388	1,539
Change	+3.0%	+7.2%	+4.5%	+10.9%
Currency-adjusted change	+2.0%	−0.1%	+5.4%	+2.9%
Intersegment sales	29	14	6	2
Net sales (total)	2,577	2,746	1,394	1,541
Operating result [EBIT]	368	412	313	300
EBIT before special items	475	462	311	300
EBITDA before special items	765	731	376	368
Gross cash flow*	599	442	277	242
Net cash flow*	668	421	311	273
Depreciation, amortization and write-downs	291	269	65	68
	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010
Net sales (external)	7,769	8,011	4,055	4,434
Change	+5.6%	+3.1%	+3.7%	+9.3%
Currency-adjusted change	+2.9%	−0.8%	+2.6%	+4.6%
Intersegment sales	76	49	14	7
Net sales (total)	7,845	8,060	4,069	4,441
Operating result [EBIT]	1,462	1,202	715	801
EBIT before special items	1,521	1,470	716	801
EBITDA before special items	2,404	2,281	910	999
Gross cash flow*	1,707	1,434	674	708
Net cash flow*	1,608	1,468	666	634
Depreciation, amortization and write-downs	885	943	194	198
Number of employees (as of Sep. 30)**	36,700	36,400	17,100	17,100

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

[Table 24]

CropScience				MaterialScience		Reconciliation					
Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
973	1,130	167	211	2,038	2,665	276	302	2	2	7,392	8,581
−8.8%	+16.1%	−7.7%	+26.3%	−20.0%	+30.8%	−20.7%	+9.4%			−7.0%	+16.1%
−8.6%	+7.4%	−6.3%	+15.0%	−21.7%	+23.0%	−22.1%	+7.3%			−7.6%	+8.4%
8	15	2	3	15	37	408	334	(468)	(405)		
981	1,145	169	214	2,053	2,702	684	636	(466)	(403)	7,392	8,581
(28)	33	(31)	(423)	85	260	(13)	20	(48)	(46)	646	556
12	33	(28)	(37)	100	260	15	20	(48)	(46)	837	992
118	142	(10)	(16)	238	409	46	57	(34)	(35)	1,499	1,656
58	101	(9)	(288)	180	297	92	108	(25)	(23)	1,172	879
289	374	82	98	129	254	127	(24)	(89)	159	1,517	1,555
120	109	17	21	142	149	31	37	14	11	680	664
First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010
4,247	4,126	865	1,051	5,504	7,570	848	876	8	8	23,296	26,076
+0.8%	−2.8%	+6.1%	+21.5%	−28.4%	+37.5%	−15.9%	+3.3%			−6.8%	+11.9%
+0.9%	−8.1%	+5.1%	+15.4%	−31.2%	+33.2%	−16.0%	+2.2%			−8.7%	+7.5%
28	24	10	9	40	49	1,212	1,240	(1,380)	(1,378)		
4,275	4,150	875	1,060	5,544	7,619	2,060	2,116	(1,372)	(1,370)	23,296	26,076
755	498	99	(297)	(280)	632	30	66	(141)	(144)	2,640	2,758
833	498	142	203	(185)	632	69	66	(141)	(144)	2,955	3,526
1,152	817	190	264	243	1,067	160	168	(100)	(105)	4,959	5,491
823	596	113	(180)	194	817	186	128	(68)	(67)	3,629	3,436
287	686	134	303	543	332	126	45	245	364	3,609	3,832
335	319	49	61	461	435	91	102	41	39	2,056	2,097
15,200	15,200	3,400	3,600	14,300	14,300	21,500	21,500	600	600	108,800	108,700

Key Data by Region

	Europe		North America	
	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external) – by market	2,965	3,244	1,691	1,930
Change	−13.9%	+9.4%	−9.4%	+14.1%
Currency-adjusted change	−12.1%	+8.3%	−13.0%	+2.6%
Net sales (external) – by point of origin	3,260	3,587	1,682	1,957
Change	−13.5%	+10.0%	−9.3%	+16.3%
Currency-adjusted change	−11.9%	+9.0%	−13.0%	+4.4%
Interregional sales	1,510	1,521	638	697
Operating result [EBIT]	346	575	100	(284)
	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010
Net sales (external) – by market	9,821	10,409	5,914	6,304
Change	−13.5%	+6.0%	−1.1%	+6.6%
Currency-adjusted change	−11.2%	+4.9%	−9.3%	+1.2%
Net sales (external) – by point of origin	10,677	11,489	5,865	6,331
Change	−13.1%	+7.6%	−2.0%	+7.9%
Currency-adjusted change	−11.0%	+6.6%	−10.4%	+2.4%
Interregional sales	4,907	5,140	1,740	2,330
Operating result [EBIT]	1,721	1,927	606	131
Number of employees (as of Sep. 30)*	54,700	54,200	16,400	16,200

* Number of employees in full-time equivalents

[Table 25]

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Total	
	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010	3rd Quarter 2009	3rd Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,464	1,907	1,272	1,500			7,392	8,581
	+8.5%	+30.3%	−1.4%	+17.9%			−7.0%	+16.1%
	+1.7%	+13.6%	+2.2%	+10.6%			−7.6%	+8.4%
	1,412	1,821	1,038	1,216			7,392	8,581
	+9.7%	+29.0%	+0.1%	+17.1%			−7.0%	+16.1%
	+2.6%	+11.7%	+4.6%	+8.5%			−7.6%	+8.4%
	63	133	68	113	(2,279)	(2,464)		
	147	201	101	110	(48)	(46)	646	556
	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010	First Nine Months 2009	First Nine Months 2010
	4,146	5,428	3,415	3,935			23,296	26,076
	+3.3%	+30.9%	−6.5%	+15.2%			−6.8%	+11.9%
	−5.2%	+20.7%	−3.5%	+10.2%			−8.7%	+7.5%
	3,993	5,167	2,761	3,089			23,296	26,076
	+2.3%	+29.4%	−1.8%	+11.9%			−6.8%	+11.9%
	−6.4%	+18.7%	+2.3%	+5.9%			−8.7%	+7.5%
	189	333	209	302	(7,045)	(8,105)		
	246	618	208	226	(141)	(144)	2,640	2,758
	21,500	22,700	16,200	15,600			108,800	108,700

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 30, 2010 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2009 fiscal year, particularly with regard to the main recognition and valuation principles. In the statement of cash flows, interest received on interest rate swaps, and cash outflows for the purchase of additional interests in subsidiaries, are included in financing cash flow. The prior-year figures are restated accordingly.

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

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

Exchange Rates of Major Currencies [Table 26]

		Closing rate			Average rate	
€1		Dec. 31, 2009	Sep. 30, 2009	Sep. 30, 2010	First Nine Months 2009	First Nine Months 2010
ARS	Argentina	5.47	5.63	5.41	5.06	5.11
BRL	Brazil	2.51	2.62	2.33	2.84	2.34
CAD	Canada	1.51	1.57	1.41	1.59	1.36
CHF	Switzerland	1.48	1.51	1.33	1.51	1.40
CNY	China	9.84	10.00	9.13	9.33	8.94
GBP	U.K.	0.89	0.91	0.86	0.89	0.86
JPY	Japan	133.16	131.07	113.68	129.51	117.43
MXN	Mexico	18.92	19.75	17.13	18.62	16.69
USD	United States	1.44	1.46	1.36	1.37	1.31

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

Discount Rates of Pension Obligations [Table 27]

	Dec. 31, 2009	June 30, 2010	Sep. 30, 2010
	%	%	%
Germany	5.5	4.8	4.2
U.K.	5.7	5.3	5.0
United States	5.8	5.2	4.9

Segment reporting

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

Reconciliation of Segment Result [Table 28]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Operating result of reporting segments	694	602	2,781	2,902
Operating result of Corporate Center	(48)	(46)	(141)	(144)
Operating result [EBIT]	**646**	**556**	**2,640**	**2,758**
Non-operating result	(262)	(267)	(888)	(772)
Income before income taxes	**384**	**289**	**1,752**	**1,986**

Changes in the Bayer Group

CHANGES IN THE SCOPE OF CONSOLIDATION

As of September 30, 2010, the Bayer Group comprised 290 fully or proportionately consolidated companies (December 31, 2009: 302 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

The total cost of acquisitions made in the first three quarters of 2010 was €37 million. In addition to smaller acquisitions, MaterialScience acquired Artificial Muscle, Inc., Sunnyvale, California, United States, for €21 million on March 9, 2010. Artificial Muscle, Inc. is a technology leader in the field of electroactive polymers for the consumer electronics industry. The purchase price pertained mainly to patented technologies and goodwill.

At the end of May 2009, we implemented the strategic alliance with Genzyme Corp., United States, announced on March 31, 2009. In accordance with the agreement signed, we transferred products from our hematological oncology portfolio to Genzyme. In the first three quarters of 2010 this agreement led to a net cash inflow of €69 million, comprising the balance of revenue-based payments received from Genzyme Corp. and taxes paid.

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

Information on earnings per share

Earnings Per Share [Table 29]

	3rd Quarter 2009	3rd Quarter 2010	First Nine Months 2009	First Nine Months 2010
	€ million	€ million	€ million	€ million
Income after taxes	249	285	1,203	1,503
of which attributable to non-controlling interest	0	5	(3)	5
of which attributable to Bayer AG stockholders (net income)	249	280	1,206	1,498
Financing expenses for the mandatory convertible bond, net of tax effects	0	0	47	0
Adjusted net income	249	280	1,253	1,498
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	826,947,808	826,947,808	792,321,971	826,947,808
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	0	0	33,366,875	0
Adjusted weighted average total number of issued and potential ordinary shares	826,947,808	826,947,808	825,688,846	826,947,808
	€	€	€	€
Basic earnings per share	0.30	0.34	1.52	1.81
Diluted earnings per share	0.30	0.34	1.52	1.81

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

Legal risks

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

HealthCare:

PRODUCT-RELATED LITIGATIONS

Trasylol® (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of October 15, 2010, there were approximately 1,280 lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries, including renal failure and death, and economic loss from the use of Trasylol®. Without admission of liability, Bayer has reached settlement agreements with about 290 plaintiffs as of October 15, 2010. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis, but will continue to defend itself vigorously against all claims that are not considered for settlement.

HIV/HCV: Numerous actions are pending against Bayer in the United States and other countries seeking damages for plaintiffs resident outside of the United States who claim to have become infected with HIV or HCV (hepatitis C virus) through use of blood plasma-derived therapies provided by Bayer. Additional actions are pending by U.S. residents who claim to have been infected with HCV. In 2009, Bayer and its three co-defendants entered into a settlement agreement with the U.S. law firms representing the vast majority of plaintiffs in the U.S. federal multidistrict factor concentrates litigation. The agreement was subject to conditions that had to be satisfied before the settlement could be completed. The remaining requirement of broad acceptance by the groups of clients represented by these firms has now been met and the settlement is being implemented. Bayer will continue to vigorously defend any claims that are not included in the resolution process, but Bayer believes the legal risks remaining in the HIV/HCV litigation are no longer material.

Yasmin®/YAZ®: The number of lawsuits pending in the United States and served upon Bayer was about 4,800 as of October 15, 2010. The number of Canadian class actions served upon Bayer was 13. Plaintiffs allege to have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin®, YAZ® and /or Ocella®, a generic version of Yasmin® distributed by Barr Laboratories, Inc. in the U.S. market. Bayer believes that it has meritorious defenses and intends to defend itself vigorously.

COMPETITION LAW PROCEEDINGS

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

PATENT DISPUTES

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

In 2008, Bayer received two notices of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson Laboratories Inc. and Sandoz Inc. each seek approval to market a generic version of Bayer's oral contraceptive Yasmin® in the United States. Bayer has filed suit against Watson and Sandoz in U.S. federal court alleging patent infringement by Watson and Sandoz for the intended generic version of Yasmin®. In September 2010, the U.S. federal court granted a motion to dismiss Bayer's infringement claims against Watson and Sandoz. Bayer will appeal.

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

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

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

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

CropScience:

Proceedings involving genetically modified rice (LL RICE): As of October 12, 2010, Bayer was aware of a total of approximately 500 lawsuits, involving about 8,900 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. The number of plaintiffs is calculated by totaling the number of plaintiffs identified in the complaints. However, the number of plaintiffs does not allow any conclusions on the number of farming operations involved. U.S. rice farmers often have a number of entities associated with their operations. In some cases just an individual sued, in others all the entities sued. In addition, a partnership and its individual partners are counted separately if they are listed as plaintiffs in the complaints.

In development of the genetically modified rice, field testing was conducted in the United States in cooperation with third parties from 1998 to 2001. The genetically modified rice was never commercialized. Two trials in the multidistrict litigation (MDL) at the U.S. District Court in St. Louis, Missouri, were decided by two juries in December 2009 and February 2010. The juries found that Bayer should pay a total of approximately US$3.5 million in compensatory damages for losses sustained by five farming operations comprising 29 plaintiffs. The juries rejected the farmers' claims for punitive damages. In a third trial in February 2010, a jury in an Arkansas state court found Bayer liable to one farming operation comprising two plaintiffs for compensatory and punitive damages totaling approximately US$1 million. In a fourth trial in April 2010, a jury in an Arkansas state court found Bayer liable to 11 farming operations comprising 14 plaintiffs for compensatory and punitive damages totaling approximately US$48 million. In a fifth trial in July 2010, a jury at the U.S. District Court in St. Louis, Missouri, found Bayer liable in a case involving one farming operation in Louisiana comprising 10 plaintiffs. Compensatory damages were fixed by the jury at approximately US$500,000. Punitive damages were not available under the laws of Louisiana applicable in this case. In a sixth trial in July 2010, a jury in the State Court of Desha County, Arkansas, found Bayer should pay a total of approximately US$946,000 in compensatory damages to five farming operations comprising 36 plaintiffs. The jury rejected the farmer's claims for punitive damages.

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

One trial scheduled for September 2010 in a state court in Arkansas has been continued indefinitely for procedural reasons. The remaining trial this year involving three farming operations comprising eight plaintiffs was settled in October 2010 before the U.S. District Court in St. Louis, Missouri. The settlement calls for the plaintiffs to receive US$290,000 collectively. Additional trials have been scheduled for the year 2011 both in federal court in St. Louis and in state courts.

The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of these first trials do not allow any direct conclusions on the outcomes of the other cases. The company is willing to discuss with rice growers and other plaintiffs reasonable compensation for economic losses associated with its genetically modified rice without acknowledging liability, but intends to continue to defend itself vigorously in all cases in which resolutions on that basis are not possible.

Bayer has established appropriate provisions, mainly for legal and defense costs and an intended settlement program.

MaterialScience:

MDI: In August 2010, Bayer settled in principle - without admitting liability - the multi-defendant litigation for personal injuries allegedly resulting from exposure to diphenylmethane diisocyanate (MDI) based products used in coal mines. Terms of the settlement agreement are being negotiated. Bayer has taken appropriate accounting measures.

Related parties

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

Changes on the Board of Management

Werner Wenning's tenure of office as Chairman of the Board of Management of Bayer AG ended on September 30, 2010. He was succeeded as Chairman of the Board of Management by Dr. Marijn Dekkers, who had already been appointed to the Board of Management of Bayer AG effective January 1, 2010.

Leverkusen, October 25, 2010
Bayer Aktiengesellschaft

The Board of Management

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

Focus

Werner Wenning (left) presents his successor, Dr. Marijn Dekkers, with a relay baton.

Change at the top

Another milestone in the history of the Bayer Group was reached on October 1, when Werner Wenning handed over the chairmanship of the Bayer AG Board of Management to Dr. Marijn Dekkers. "Bayer was and is my company. And my heart will continue to beat for Bayer," Wenning admitted at a ceremony attended by some 300 people from industry, politics, sports and society. Dekkers stressed that "My goal is the same as that of all my predecessors. We want the best for Bayer and Bayer's stakeholders."

There were moving moments for the guests invited to the event at Bayer's "Kasino" hotel in Leverkusen. Looking back at the nearly 45 years he worked for Bayer, Wenning said: "There were many things that inspired and fascinated me." For Wenning, it was the company's internationalism, its people and its research that made Bayer so fascinating. "Bayer is and will remain an inventor company. That is something we can all be proud of."

Wenning thanked the Supervisory Board and its Chairman for their effective cooperation, his colleagues on the Board of Management for their unity in all decision-making, and the works councils for being fair and dependable partners. "I would like to thank all the company's employees worldwide, without whose active support we would never have reached the goals we set for ourselves," he said. He also expressly thanked his wife: "Bayer and my family – these are the two constants that have influenced and shaped my life." Wenning's speech was followed by prolonged applause.

Referring to his successor, Dr. Marijn Dekkers, Wenning said: "He is the right man in the right place at the right time." Dekkers worked with Wenning on the Board of Management for three quarters of a year. "In these nine months, Mr. Dekkers, you have seen and learned more about Bayer than some people do in 25 years with the company," Wenning remarked. In keeping with tradition, the departing CEO presented the new leader with a relay baton made of Makrolon®. Inside the baton are all the notes containing handwritten messages from each CEO to his successor. Wenning's words to Dr. Dekkers are: "Dear Mr. Dekkers, to be truly happy you need three things: someone you love, a challenging task and a great deal of hope. I believe you have all these things. Your predecessor Werner Wenning."

Successful journey

New Management Board Chairman Dekkers told his predecessor: "Mr. Wenning, you put Bayer well ahead in our relay race of the generations. I will do everything I can to be a worthy successor. That applies especially to dealing fairly with the employees and employee representatives. This good relationship is the foundation for Bayer's tremendous success, and I don't intend to change it." He expressly thanked his predecessor, the Supervisory Board and its Chairman, his colleagues on the Board of Management, and the employee representatives: "You have done everything to ensure that this transfer of leadership goes smoothly and that the conditions are in place for a successful journey together."

Dekkers said he is proud to have been given the opportunity to lead Bayer. "Bayer is among the world's leading companies. It is very well managed and highly competitive in all areas." Dekkers, too, spoke of the fascination the inventor company holds for him. He made it clear that he has always been passionate about investing in employee development. "A company is only as good as its employees. That's why they have to be well trained and highly motivated, which they are at Bayer."

Supervisory Board Chairman Dr. Manfred Schneider honored Werner Wenning as a man "who has made an enormous contribution to Bayer's evolution. That's why we owe him a special debt of gratitude and recognition for his highly successful work on behalf of the entire Bayer Group." He said that Wenning had strategically realigned the company, focused on Bayer's own innovative capability and committed it to the principle of sustainability. Said Schneider: "We know Bayer as a healthy, well positioned company that can look to the future with confidence." The Supervisory Board Chairman said he hoped Dekkers would find a path "that will continue the successful development of our Bayer Group."

Thomas de Win, Chairman of Bayer's Central Works Council, pointed out that Bayer is also a very good company in terms of its human resources policies. "For this I would like to sincerely thank the Board of Management led by Mr. Wenning." Turning to Dekkers, de Win said: "After our initial discussions, I am confident that you will not only continue to lead Bayer along the road to economic success, but that you will also preserve our company's proven culture of togetherness."

Four generations of Bayer CEOs: Werner Wenning, Hermann Josef Strenger, Dr. Manfred Schneider and Dr. Marijn Dekkers (from left).

The evening event for some 300 guests at the Bayer Kasino ended with a performance by the Bayer Men's Choir.

News

Better treatment for MS patients in China

Bayer Schering Pharma has announced the upcoming launch in China of Betaferon® for the treatment of relapsing-remitting forms of multiple sclerosis (MS). Betaferon®/Betaseron® is already approved in over 100 countries worldwide. With Betaferon® and the contrast agent Gadovist® 1.0, which was also recently launched in China, Bayer now aims to provide Chinese multiple sclerosis patients with a comprehensive range of services from diagnosis to therapy. Gadovist® 1.0, used in magnetic resonance imaging (MRI), has been approved in China for the diagnosis of diseases affecting the central nervous system, including MS, and for blood-vessel imaging.

"Multiple sclerosis is a chronic condition that requires reliable and effective treatment. More than 20 years of clinical experience have yielded a wealth of data proving the excellent benefit-to-risk profile of Betaferon®," said Leslie Donato, Vice President, Neurology, Bayer Schering Pharma AG. "We are delighted that we are now also able to give MS patients in China access to this medication. Gadovist® 1.0 and Betaferon® demonstrate our expertise in the diagnosis and treatment of multiple sclerosis."

Approximately 15,000 people in China suffer from MS, which is one of the most frequently encountered neurological diseases in young adults. The most common form of the disease is relapsing-remitting MS, which is characterized by the sudden appearance of symptoms that can last for days, weeks or even months, followed by periods of partial or total remission. In many cases, the disease advances with increasing MS-induced disability and, above all, worsening symptoms between individual relapses. Brain lesions typical of MS that occur early in the course of the disease can be visualized and evaluated by MRI. Such lesions indicate whether the disease process is currently active.

The image shows the nerve cells of a person with multiple sclerosis.

Otto Bayer Medals awarded to top researchers

Former Bayer CEO Werner Wenning (center) with Chairman of the Board of Management Dr. Marijn Dekkers (9th from left), Board member Dr. Wolfgang Plischke (6th from right) and the award-winning researchers.

Bayer Group scientists have received Otto Bayer Medals for their outstanding achievements in three research projects. These medals honor successful contributions from research into new products or applications and into innovative technologies. Werner Wenning, at the time still Chairman of the Bayer AG Board of Management, and Dr. Wolfgang Plischke, the Board member responsible for Innovation, Technology and Environment, presented the awards in the presence of new Bayer CEO Dr. Marijn Dekkers and around 800 researchers at Bayer Science Day.

"The achievements of our researchers and developers are a cornerstone of our international competitiveness," said Wenning. He added that the award of the Otto Bayer Medals shows the tremendous importance Bayer places on research, saying that Bayer plans to spend some €3.1 billion for research and development in 2010 – more than any other company in the German chemical and pharmaceutical industry. Said Wenning: "The progress made with our new health care products, the promising pipeline candidates both in pharmaceuticals and in crop protection, and the new applications and technologies for our high-tech materials highlight Bayer's innovative capability."

Research projects from Bayer HealthCare, Bayer CropScience, Bayer MaterialScience and Bayer Technology Services were honored. The projects reflect the wide spectrum of research activities at Bayer. They range from innovative technologies for pharmaceuticals research and new fungicides to protect food crops to a resource-saving process for plastics production. Wenning himself also received an award. Dr. Plischke presented him with the Otto Bayer Medal "honoris causa" in recognition of his keen support for research and development during his time as Group CEO.

Good news on rivaroxaban from Bayer

Based on the results of the EINSTEIN-DVT Phase III clinical trial, Bayer's anticoagulant rivaroxaban is just as effective as the standard therapy for the treatment of deep vein thrombosis (DVT). It also delivers a significantly improved net clinical benefit. Consequently, this innovative treatment has the potential to offer a better option for patients. Instead of the standard therapy comprising an initial injection of enoxaparin followed by vitamin K, patients can simply receive rivaroxaban in tablet form as a single-drug treatment.

"The results of this study confirm that the novel, more convenient treatment approach with rivaroxaban could replace the current standard therapy in the treatment of deep vein thrombosis," said Dr. Kemal Malik, member of the Executive Committee of Bayer HealthCare and Chief Medical Officer.

Novel mechanism of action

Rivaroxaban is characterized by a novel mechanism of action. It targets the blood clotting process and inhibits the activity of the Factor Xa enzyme, which plays a key role in the formation of a thrombosis. Rivaroxaban is marketed under the brand name Xarelto® for the prevention of venous thromboembolism in adults following elective hip or knee replacement surgery, and it is the only new type of anticoagulant that has consistently demonstrated superior efficacy over enoxaparin for this indication.

Xarelto® is approved in more than 100 countries worldwide and has been successfully launched in more than 75 countries by Bayer HealthCare. Bayer believes this innovative drug has a peak annual sales potential of more than €2 billion. The extensive clinical trial program supporting rivaroxaban makes it the most-studied direct Factor Xa inhibitor in the world today. More than 65,000 patients are due to participate in the rivaroxaban clinical development program, which will evaluate the product's potential for the prevention and treatment of a broad range of acute and chronic blood-clotting disorders, including stroke prevention in patients with atrial fibrillation, secondary prevention of acute coronary syndrome, and prevention of venous thromboembolism in hospitalized, medically ill patients.

Bayer researchers Dr. Frank Misselwitz, Dr. Dagmar Kubitza and Dr. Elisabeth Perzborn (from left).

Awards for anticoagulant

The highly esteemed, independent Awards Committee of the Galien Foundation has honored Bayer's Xarelto® with the Prix Galien International 2010 in the category Best Pharmaceutical Agent. Xarelto® had already won national Prix Galien awards in Belgium, France and Switzerland.

The Prix Galien recognizes outstanding achievements in improving health through the development of innovative therapies, and is regarded as the equivalent of the Nobel Prize in pharmaceutical research. The Awards Committee of the Prix Galien International 2010 included several Nobel Prize laureates. The award ceremony took place at the American Museum of Natural History in New York. "We are very excited about the award and honored to receive recognition from this renowned Committee," commented Bayer CEO Dr. Marijn Dekkers.

In a further honor last December, Bayer researchers Dr. Frank Misselwitz, Dr. Elisabeth Perzborn and Dr. Dagmar Kubitza received the German Future Prize awarded by the German President. They donated the €250,000 prize money for a new research award, and Bayer is doubling the prize fund to €500,000. The new research award is worth €30,000 and will be presented every two years by the Bayer Science & Education Foundation starting in 2011.

News

Increasing oil content and combating disease in oilseed rape

Bayer CropScience and the Oil Crops Research Institute (OCRI) in China have concluded two agreements to conduct joint research into increasing seed oil content and resistance to the fungal disease Sclerotinia in oilseed rape (canola).

A higher seed oil content – resulting in higher yields for farmers – is a major goal of oilseed rape research and will make Bayer CropScience's leading oilseed rape hybrids even more competitive. Sclerotinia is a widespread and challenging fungal disease in oilseed rape that can reduce yields by up to 20 percent. Bayer CropScience and the OCRI will therefore jointly investigate how genes that determine oil content and Sclerotinia resistance can be exploited using molecular breeding or green genetic engineering techniques.

Oilseed rape research at Bayer: Siu Wah Wu and Jeremy Klassen (left) inspect plants.

Entering the aesthetic medicine segment

Bayer HealthCare's dermatology subsidiary Intendis and Kythera Biopharmaceuticals, Inc. have concluded a licensing and development agreement to develop the substance ATX-101 for use in aesthetic dermatology. ATX-101 is an injectable adipolytic agent intended for the reduction of small volumes of fat. The two companies are to collaborate closely on a Phase III study in Europe starting this year to assess the effectiveness of ATX-101 in removing localized fat deposits under the chin.

It is planned that Intendis will obtain the marketing authorizations and commercialize ATX-101 outside the United States and Canada, while Kythera retains the rights to develop and commercialize the product in North America. “As a first-in-class candidate for minimally invasive fat removal, we see ATX-101 as a strong growth opportunity and an excellent entry point into the aesthetic dermatology market,” said Marc Lafeuille, President and CEO of Intendis.

Collaboration on energy-efficient buildings

The EcoCommercial Building Program for sustainable construction continues to expand. Ed. Züblin AG, a leading German construction and engineering company, and Bayer MaterialScience AG have signed a memorandum of understanding on a pilot project for the turnkey construction of energy-efficient commercial buildings.

Under the agreement, Bayer MaterialScience intends to work closely with Züblin in the areas of integrated consulting, energy and material solutions with the help of the member network of the EcoCommercial Building Program. The key focus of the cooperation with Züblin is on lowering the energy demand of commercial buildings through an integrated concept that includes optimizing building envelope insulation, using energy-efficient building technologies and generating renewable energy on-site.

Also new to the global network of the EcoCommercial Building Program is SilenceSolutions GmbH, a leading specialist in acoustic interior design for office and industrial buildings. The Cologne-based company's expertise in the cost-effective and efficient acoustic optimization of rooms is a valuable addition to the network.

Example of an EcoCommercial Building – the Bayer administrative headquarters in the Belgian town of Diegem.

Using carbon dioxide as a raw material

Surplus energy from renewable sources is to be used to produce hydrogen.

CO_2RRECT is the name of a new, ambitious initiative launched by 14 partners from the chemical and energy industries and academia. Its long-term objectives are threefold: to put to good use the surplus (and to date unused) electrical energy from renewable sources that is generated during peak periods, lower carbon dioxide (CO_2) emissions and reduce the consumption of fossil raw materials.

Bayer Technology Services is managing the project, which is sponsored by the German Federal Ministry of Education and Research (BMBF) and also involves RWE, Siemens, Bayer MaterialScience and ten academic institutions. A total of €18 million has been made available for the project, of which €11 million is being provided by the BMBF over a three-year period. With a share of over €3 million, Bayer Technology Services is the biggest investor among the partners.

The abbreviation CO_2RRECT stands for "CO_2 Reaction using Regenerative Energies and Catalytic Technologies." Specifically, it involves using wind power to convert CO_2 into basic chemicals by water electrolysis.

Orodispersible tablet to treat erectile dysfunction

The European Commission has approved a new formulation of the Bayer drug Levitra® (vardenafil HCl). Levitra 10mg orodispersible tablets will be the first erectile dysfunction (ED) medication available in this novel and convenient formulation. In contrast to other drugs of the same class, Levitra 10mg orodispersible tablets can be taken discreetly and conveniently without water, dissolving on the tongue within seconds, and have a minty taste.

In Europe, the launch roll-out will start in November 2010. In the U.S., the medication was already approved in June 2010 and will be marketed by GlaxoSmithKline and Merck & Co., Inc. under the tradename STAXYN™.

"We believe men with ED will appreciate a medication that is convenient and easy to take," said Dr. Flemming Oernskov, Head of the Women's Healthcare and General Medicine Business Unit at Bayer Schering Pharma. The overall efficacy and safety of vardenafil has been widely demonstrated in numerous clinical trials. For this registration, Levitra 10mg orodispersible tablets were tested in two multinational Phase III trials.

Milestone registration expands product portfolio for cereals

The new cereal fungicide bixafen from Bayer CropScience has received its first regulatory approval worldwide in the United Kingdom. The company plans to market bixafen in the United Kingdom in mixtures under the brand names Aviator® 235 Xpro™ and Siltra® Xpro™ and puts its global peak annual sales potential at about €300 million. The market launch of bixafen in the United Kingdom is scheduled for the 2011 growing season. Bixafen was developed specifically for foliar application to control major cereal diseases such as septoria leaf blotch in areas of intensive cereal cultivation.

The unique combination of bixafen and Bayer's tried-and-tested active ingredient prothioconazole, enhanced by a new formulation technology, forms the basis for the new Xpro™ product line. Products based on this innovative technology offer efficient and long-lasting disease control and have positive effects on plant physiology, which in turn increases stress tolerance and boosts grain yields. These products are therefore also highly suitable for use as a component in resistance management.

Bayer CropScience plans to bring an extensive line of Xpro™ cereal fungicides to market in Europe starting in 2011.

News

New pioneering active ingredient to combat weeds

Bayer CropScience has received the first registration worldwide for its new herbicidal active ingredient indaziflam in the United States. Indaziflam will initially be available in 2011 for professional users operating in the commercially attractive turf segment and will be marketed under the brand name Specticle™. This is to be followed by planned entries into the ornamental and industrial vegetation management segments. Furthermore, Bayer CropScience plans to offer non-professional gardeners a range of indaziflam-based products under the Bayer Advanced™ brand. "Registration in the U.S. is a very important milestone. It paves the way for global use of indaziflam as a new base herbicide in crops such as fruits and vines, nuts, citrus varieties, olives and sugar cane," said Dr. Rüdiger Scheitza, member of the Board of Management of Bayer CropScience AG with responsibility for global portfolio management.

Scheitza added that the company anticipates global annual peak sales potential of more than €150 million for products based on indaziflam. Bayer CropScience has a strong position in the global herbicide market and is a leader in the key cereals, sugar beet and rice segments.

Indaziflam belongs to the chemical class of alkylazines. The new compound controls a broad spectrum of weeds and offers excellent long-lasting efficacy at low application rates. This makes indaziflam an environmentally compatible and pioneering active ingredient in the global herbicides market.

Expansion of research on vegetable seed varieties

Bayer CropScience's vegetable seed subsidiary Nunhems is investing €12 million in the expansion and modernization of its research center at Leudal in the Netherlands to allow faster and more efficient development of vegetable seed varieties. The existing research building will be enlarged from 2,200 square meters to a total size of 6,400 square meters and will be equipped with state-of-the-art laboratories for Nunhems' biotech services, including DNA analyses, and also for seed technology, cell biology and molecular breeding. The extended and modernized facilities are scheduled to be operational by the end of 2011.

Says Dr. Joachim Schneider, Head of the BioScience business unit of Bayer CropScience: "By upgrading our research facilities, we will be in an even better position to develop innovative vegetable seed varieties with good yields, disease resistance and excellent quality."

Nunhems employee Kelly Peeters inspects young plants.

14-year-old Chinese girl wins painting competition organized by UNEP and Bayer

A dark hand symbolizes the destruction of the environment, stealing and shifting the building blocks that make up the natural biodiversity of the Earth. As more and more elements are removed from their foundations, the world begins to sway ominously and threatens to collapse. But it is not too late. The planet can be saved, for example by using solar energy and wind power or by recycling materials. This is the message behind the painting by 14-year-old Tin Chi Ting Coco from Hong Kong, who was named the winner of the 19th International Children's Painting Competition on the Environment organized jointly by Bayer AG and the United Nations Environment Programme (UNEP) as part of their partnership.

With the United Nations declaring 2010 the International Year of Biodiversity, the theme chosen for this year's competition was "Biodiversity – Connecting with Nature." Some 600,000 girls and boys aged between six and 14 from 95 countries submitted paintings. In addition, a separate painting competition was held in China with the support of a local partner. This attracted 2.6 million entries, bringing the total number of children participating to a record 3.2 million. The 20 best paintings from China were then selected to enter the 19th International Children's Painting Competition on the Environment.

The winning entry by 14-year-old Tin Chi Ting Coco from Hong Kong.

The motto for the 2011 painting competition is "Life in the Forests." Entries should be mailed to the following address to arrive by April 15, 2011:
UNEP Regional Office for Europe, International Environment House, 11-13 Chemin des Anémones, 1219 Châtelaine, Geneva, Switzerland. Further information is available online at www.unep.org/tunza/children

Confirmation of successful climate strategy

Plant assistant Jörg Bäther inspects inlet pipes on the oxygen depolarized cathode, co-developed by Bayer, which gives an energy saving of some 30 percent in the production of chlorine.

Bayer's leading position in climate protection and sustainable development has been confirmed by its renewed inclusion in the Carbon Disclosure Leadership Index (CDLI) – as the best company in its sector. The listing was announced in New York by the Carbon Disclosure Project (CDP) investor group. As a result, Bayer is the only European chemical and pharmaceutical company to be included for the sixth consecutive year in the world's first global climate index.

The CDLI includes 51 of the world's 500 biggest listed companies (Global 500 Index) that display the greatest transparency in reporting on greenhouse gas emissions and climate strategy. Bayer is also included in the newly established Carbon Performance Leadership Index (CPLI) and has been awarded the "A" rating. The CPLI evaluates the companies' specific measures and achievements in protecting the climate and dealing with the impact of climate change. Currently, 48 companies from the Global 500 Index are included in the CPLI.

Both the CDLI and the CPLI were compiled following detailed investigation and analysis of climate-relevant corporate data by the auditing firm PricewaterhouseCoopers (PwC) on behalf of the CDP. This database is the largest of its kind in the world. The CDP initiative now includes 534 institutional investors managing combined assets of US$64 trillion. These investors expect companies to provide comprehensive climate-relevant information so that they can base their investment decisions on companies' contributions to climate protection and how they address the challenges posed by climate change.

"We are delighted by our renewed listing in the CDLI and the listing in the new CPLI, both of which we regard as confirmation of the success of our climate strategy," says Dr. Wolfgang Plischke, member of the Board of Management of Bayer AG responsible for Innovation, Technology and Environment. "At the same time, this recognition encourages us to systematically pursue our activities with the dual objectives of further reducing CO_2 emissions from our production facilities and offering our customers increasingly climate-friendly products and solutions. In both areas we are focusing on innovation as the driver of sustainability."

"Best in class" for sustainable development

Bayer stock has been included once again in the Dow Jones Sustainability World Index (DJSI World), providing renewed proof of the company's standing as an international leader in sustainability. Bayer is thus one of very few German-based companies to have been continuously listed in the DJSI World since the index was established in 1999.

The DJSI World follows the "best in class" principle: out of the 2,500 corporations listed in the Dow Jones Global Index, a selection is made every year of the 10 percent of companies in a given sector that best meet certain economic, ecological, ethical and social criteria. The categories assessed include transparent sustainability reporting, responsible corporate governance and human resources policies, environmental management and environment performance, customer and supplier relations, and social commitment.

An abridged version of the new Bayer Sustainable Development Report is now also available. It can be ordered by phone at +49 214 30 57546, by fax at +49 214 30 57547 or by email at serviceline@bayer-ag.de.

Financial Calendar

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

MASTHEAD

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

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.

Science For A Better Life