Science For A Better Life

Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2012

Third quarter of 2012:
Bayer on track for a successful 2012

CONTENTS

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

Bayer Group Key Data

	3rd Quarter 2011	3rd Quarter 2012	Change	First Nine Months 2011	First Nine Months 2012	Change	Full Year 2011
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**8,670**	**9,665**	**+11.5**	**27,337**	**29,898**	**+9.4**	**36,528**
Change in sales							
Volume	+2.6%	+4.9%		+4.5%	+4.6%		+3.4%
Price	+2.2%	+0.6%		+2.3%	+0.6%		+2.1%
Currency	−3.9%	+6.5%		−2.1%	+4.7%		−1.5%
Portfolio	+0.1%	−0.5%		+0.1%	−0.5%		+0.1%
EBIT[1]	**1,099**	**838**	**−23.7**	**3,520**	**3,225**	**−8.4**	**4,149**
Special items	*(75)*	*(356)*		*(661)*	*(1,287)*		*(876)*
EBIT before special items[2]	***1,174***	***1,194***	***+1.7***	***4,181***	***4,512***	***+7.9***	***5,025***
EBIT margin before special items[3]	13.5%	12.4%		15.3%	15.1%		13.8%
EBITDA[4]	**1,731**	**1,582**	**−8.6**	**5,503**	**5,520**	**+0.3**	**6,918**
Special items	*(74)*	*(263)*		*(569)*	*(939)*		*(695)*
EBITDA before special items[2]	***1,805***	***1,845***	***+2.2***	***6,072***	***6,459***	***+6.4***	***7,613***
EBITDA margin before special items[3]	20.8%	19.1%		22.2%	21.6%		20.8%
Non-operating result	**(224)**	**(172)**	**+23.2**	**(608)**	**(551)**	**+9.4**	**(786)**
Net income	**642**	**528**	**−17.8**	**2,073**	**2,072**	**0.0**	**2,470**
Earnings per share (€)	0.78	0.64	−17.9	2.51	2.51	0.0	2.99
Core earnings per share (€)[5]	1.12	1.20	+7.1	3.86	4.35	+12.7	4.83
Gross cash flow[6]	**1,327**	**1,023**	**−22.9**	**4,168**	**3,844**	**−7.8**	**5,172**
Net cash flow[7]	**1,577**	**1,989**	**+26.1**	**3,908**	**3,629**	**−7.1**	**5,060**
Cash outflows for capital expenditures	**354**	**486**	**+37.3**	**890**	**1,186**	**+33.3**	**1,615**
Research and development expenses	**691**	**741**	**+7.2**	**2,155**	**2,191**	**+1.7**	**2,932**
Depreciation, amortization and impairments	**632**	**744**	**+17.7**	**1,983**	**2,295**	**+15.7**	**2,769**
Number of employees at end of period[8]	**113,200**	**111,000**	**−1.9**	**113,200**	**111,000**	**−1.9**	**111,800**
Personnel expenses (including pension expenses)	2,029	2,283	+12.5	6,480	6,899	+6.5	8,726

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

COVER PICTURE

Cardiovascular diseases are among the main areas of research at Bayer HealthCare. Our cover picture shows Bayer researchers Diana Dutcher and Mark Hilse in a laboratory in Minneapolis, United States, demonstrating on a model of blood vessels how thrombi and deposits can be removed by a minimally invasive procedure using a catheter.

Third quarter of 2012:

Bayer on track for a successful 2012

- Upward trend at HealthCare and CropScience continues
- Group sales €9.7 billion (Fx & portfolio adj. +5.5%)
- EBIT €0.8 billion (-23.7%)
- EBITDA before special items €1.8 billion (+2.2%)
- Net income €0.5 billion (-17.8%)
- Further progress with innovation pipeline
- Group forecast for 2012 confirmed

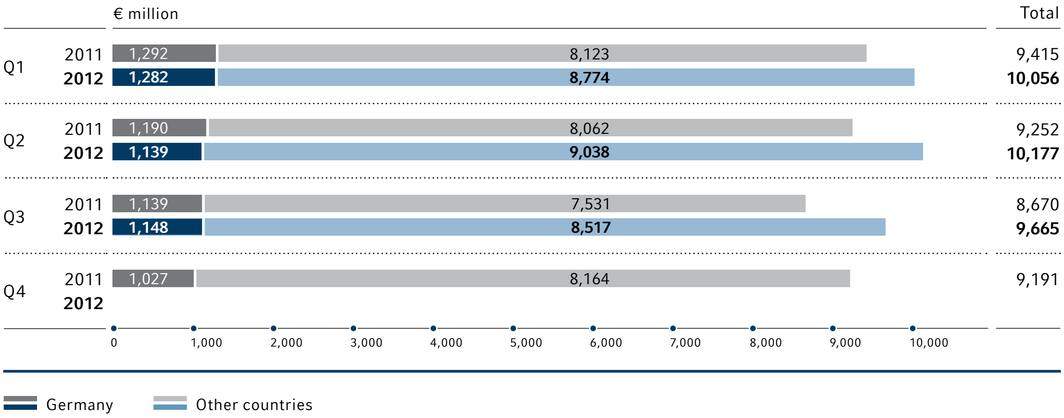
The third quarter was marked above all by the continued expansion in our life science businesses. Group sales posted a currency- and portfolio-adjusted (Fx & portfolio adj.) 5.5% increase to €9.7 billion (reported: +11.5%; Q3 2011: €8.7 billion). HealthCare, particularly Pharmaceuticals, gained further growth momentum. At CropScience, the strong business development seen in the first half of the year continued unabated. MaterialScience registered good quarterly sales. The operating result (EBIT) declined to €0.8 billion (Q3 2011: €1.1 billion). Earnings were impacted by special items of minus €0.4 billion (Q3 2011: minus €0.1 billion). EBITDA before special items improved by 2.2% to €1.8 billion (Q3 2011: €1.8 billion). Net income was down by 17.8%, at €0.5 billion. Earnings per share declined to €0.64 (Q3 2011: €0.78), whereas core earnings per share rose by 7.1% to €1.20 (Q3 2011: €1.12).

We strengthened our life science businesses in the third quarter through acquisitions. The acquisition of U.S. company AgraQuest Inc. expands the biological crop protection business of CropScience. HealthCare intends to strengthen its Animal Health Division starting in 2013 following the signing of an agreement to acquire the U.S. animal health business of U.S. company Teva Pharmaceutical Industries Ltd.

1. Overview of Sales, Earnings and Financial Position

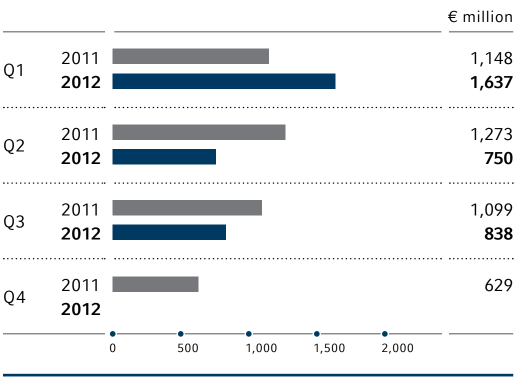
THIRD QUARTER OF 2012

Bayer Group Quarterly Sales [Graphic 1]

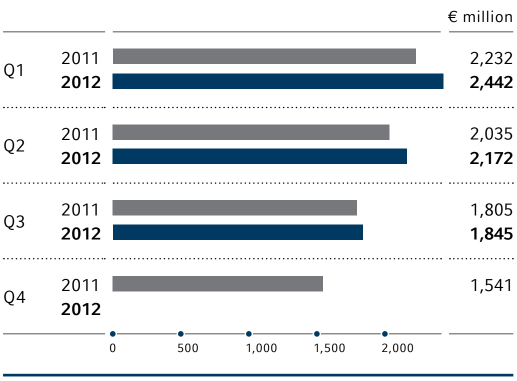


Sales of the Bayer Group advanced by 5.5% (Fx & portfolio adj.) in the third quarter of 2012 to €9,665 million (reported: +11.5%; Q3 2011: €8,670 million). Sales of HealthCare came in at €4,719 million (Q3 2011: €4,200 million), giving a currency- and portfolio-adjusted increase of 5.5% (reported: +12.4%). CropScience raised sales by 12.8% (Fx & portfolio adj.) against the prior-year quarter to €1,641 million (reported: +19.0%; Q3 2011: €1,379 million). MaterialScience lifted sales by 2.9% (Fx & portfolio adj.) to €2,992 million (reported: +8.1%; Q3 2011: €2,768 million).

Bayer Group Quarterly EBIT [Graphic 2]



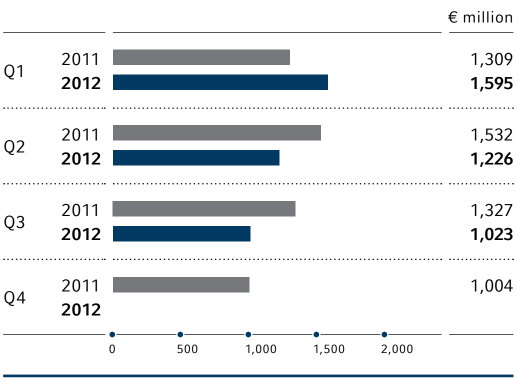
Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



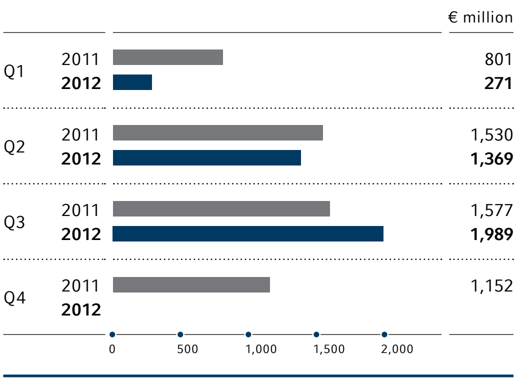
EBIT of the Bayer Group fell by 23.7% to €838 million (Q3 2011: €1,099 million). Net special items totaled minus €356 million (Q3 2011: minus €75 million). Included here were €205 million in further accounting measures taken – mainly based on additional claims asserted but not filed in court – for all cases in connection with the oral contraceptives Yasmin™/YAZ™ of which we are currently aware and which we consider to be worthy of settlement (venous clot injuries). Other special charges were restructuring expenses of €134 million and impairment losses of €68 million on intangible assets. Special gains of €53 million resulted from adjustments of entitlements to "other post-employment benefits" in the United States. EBIT before special items of the Bayer Group advanced by 1.7% to €1,194 million (Q3 2011: €1,174 million). **EBITDA** before special items increased by 2.2% to €1,845 million (Q3 2011: €1,805 million). The rise in Bayer's share price in the third quarter led to substantial additional allocations of about €110 million to our long-term stock-based incentive programs. Positive currency effects, however, improved earnings by about €160 million. At HealthCare, EBITDA before special items improved by 5.8% to €1,297 million (Q3 2011: €1,226 million), due especially to the good business development in the Pharmaceuticals segment. EBITDA before special items of CropScience grew by 14.5% to €189 million (Q3 2011: €165 million), largely as a result of higher volumes. Earning power at MaterialScience weakened during the quarter. EBITDA before special items of MaterialScience was down by 4.3% to €333 million (Q3 2011: €348 million), due mainly to lower polycarbonate sales and an overall increase in raw material and energy costs.

After a **non-operating result** of minus €172 million (Q3 2011: minus €224 million), **income before income taxes** fell to €666 million (Q3 2011: €875 million). Among the components of the non-operating result, net interest expense was down from €109 million in the same period of last year to €73 million, while interest cost for pension and other provisions amounted to €69 million (Q3 2011: €85 million). After tax expense of €132 million (Q3 2011: €229 million) and non-controlling interest, **net income** for the third quarter of 2012 amounted to €528 million (Q3 2011: €642 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



Gross cash flow in the third quarter of 2012 declined by 22.9% to €1,023 million (Q3 2011: €1,327 million), mainly because of the lower operating result. Net cash flow, however, rose by 26.1% to €1,989 million (Q3 2011: €1,577 million) due to a seasonal decrease in cash tied up in working capital.

Net financial debt was reduced from €7.9 billion on June 30, 2012, to €6.8 billion on September 30, 2012 thanks to the operating cash flow. The net amount recognized for post-employment benefits increased from €9.3 billion on June 30, 2012, to €9.7 billion, due especially to lower long-term capital market interest rates.

FIRST NINE MONTHS OF 2012

The Bayer Group achieved a gratifying improvement in sales and underlying earnings in the first nine months of 2012, with CropScience making a particularly strong contribution.

Sales climbed by 5.2% (Fx & portfolio adj.) to €29,898 million (reported: +9.4%; 9M 2011: €27,337 million). HealthCare sales grew by a currency- and portfolio-adjusted 3.9% (reported: +8.9%). CropScience saw a pleasing 13.4% increase in sales after adjusting for currency and portfolio effects (reported: +17.0%). MaterialScience raised sales by a currency- and portfolio-adjusted 2.5% (reported: +6.1%).

EBIT receded by 8.4% to €3,225 million (9M 2011: €3,520 million). Special items totaled minus €1,287 million (9M 2011: minus €661 million). EBIT before special items increased by 7.9% to €4,512 million (9M 2011: €4,181 million). **EBITDA** before special items rose by 6.4% to €6,459 million (9M 2011: €6,072 million).

After a **non-operating result** of minus €551 million (9M 2011: minus €608 million), **income before income taxes** amounted to €2,674 million (9M 2011: €2,912 million). The main components of the non-operating result were €249 million (9M 2011: €284 million) in net interest expense and €212 million (9M 2011: €251 million) in interest cost for pension and other provisions. After tax expense of €590 million (9M 2011: €837 million), after-tax income was €2,084 million (9M 2011: €2,075 million).

After non-controlling interest, **net income** of the Bayer Group came in at €2,072 million (9M 2011: €2,073 million). Earnings per share were unchanged from the prior-year period at €2.51. Core earnings per share advanced by 12.7% to €4.35 (9M 2011: €3.86). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow was down by 7.8% at €3,844 million (9M 2011: €4,168 million). Net cash flow fell by 7.1% to €3,629 million (9M 2011: €3,908 million). Net financial debt declined to €6.8 billion as of September 30, 2012, compared with €7.0 billion on December 31, 2011. The net amount recognized for post-employment benefits increased from €7.8 billion on December 31, 2011, to €9.7 billion, due especially to lower long-term capital market interest rates.

2. Economic Outlook

As we approach the end of 2012, the prospects for the **global economy** remain uncertain. The economic weakness in Europe is likely to continue due to the ongoing debt crisis. Growth in the emerging markets has been somewhat slower of late, but is likely to remain robust, especially in China. While in Japan the pace of economic growth is predicted to slacken, we expect the U.S. economy to continue recovering at a moderate pace.

We still expect growth in the **pharmaceuticals market** in 2012 to be in the low single digits, largely because of the weak market development in the United States and Europe. The main stimulus to growth is likely to come from emerging markets such as China, Brazil and Russia.

The **consumer care market** remains likely to expand at the same or a slightly lower rate in 2012 than in 2011. We expect to see an increase in the low- to mid-single-digit range. Growth rates are likely to be higher in the emerging markets but weaker in Europe and the United States. We anticipate that the **medical care market** will grow somewhat faster than in 2011 in light of a stronger market for medical devices. Here we are assuming an increase in the low single-digit range. We continue to expect that the **animal health market** will expand by a mid-single-digit percentage in 2012.

Based on the continuing high prices for agricultural commodities, we anticipate that the global **seed and crop protection market** will develop as positively as it did in 2011. Development should be especially favorable in Latin America and Eastern Europe. Despite the extreme summer drought, we expect that the crop protection market in North America will also grow at a faster-than-average pace for the year as a whole.

We anticipate slower overall growth in the remainder of 2012 in the global markets of importance to **MaterialScience**. The ongoing euro crisis in particular is holding back consumption. By contrast, demand will probably continue to be supported by the economic momentum in Asia and the moderate recovery in North America.

3. Sales and Earnings Forecast

The following forecasts for 2012 are based on the business performance described in this report, taking into account the potential risks and opportunities. The sales and earnings forecast for 2013 is given in Chapter 11.4 of the Annual Report 2011.

Based on the exchange rates prevailing at the end of the third quarter, we confirm the sales and earnings forecast for the full year 2012 that we raised in July.

BAYER GROUP

For the full year 2012, we continue to anticipate a currency- and portfolio-adjusted sales increase of between 4% and 5%. This would result in Group sales of between approximately €39 billion and €40 billion.

As before, we plan to increase EBITDA before special items by a high-single-digit percentage. We continue to expect to raise core earnings per share (calculated as explained in Chapter 7) by about 10%. In addition to the special charges already recognized, we anticipate further expenses of €0.2 billion for ongoing restructuring programs in the fourth quarter of 2012.

HEALTHCARE

HealthCare's top priority remains to successfully commercialize the new pharmaceutical products. We continue to expect sales to increase by between 3% and 4% after adjusting for currency and portfolio effects. We plan to improve EBITDA before special items by a mid- to high-single-digit percentage to which high positive currency effects will contribute.

We forecast sales of the Pharmaceuticals segment to move slightly higher on a currency- and portfolio-adjusted basis, with EBITDA before special items rising by a mid-single-digit percentage.

In the Consumer Health segment, we anticipate that sales will grow by a mid-single-digit percentage on a currency- and portfolio-adjusted basis and that EBITDA before special items will increase by a high-single-digit percentage.

CROPSCIENCE

As before, we anticipate that sales will advance by approximately 10% on a currency- and portfolio-adjusted basis and that EBITDA before special items will improve by approximately 20%. We continue to predict above-market growth.

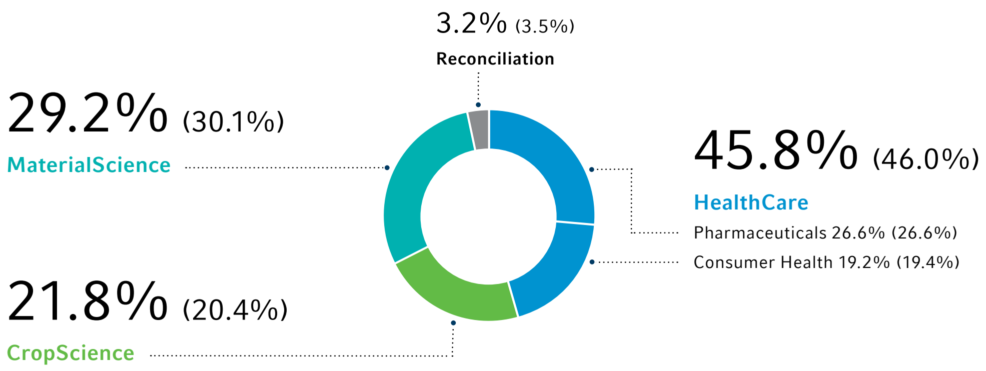
MATERIALSCIENCE

At MaterialScience, we anticipate a significant currency- and portfolio-adjusted sales gain and significantly higher EBITDA before special items in the fourth quarter of 2012 compared to the weak prior-year quarter. For the full year 2012, we now expect sales to show a small currency- and portfolio-adjusted increase (previously: to remain level with the prior year) and continue to expect EBITDA before special items to remain level with the prior year.

4. Corporate Structure

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

Sales by Segment, 9M 2012 (9M 2011 in parentheses) [Graphic 6]



2011 figures restated

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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT		EBITDA before special items*	
	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,200**	**4,719**	**866**	**638**	**1,226**	**1,297**
Pharmaceuticals	2,420	2,734	515	366	768	827
Consumer Health	1,780	1,985	351	272	458	470
CropScience	**1,379**	**1,641**	**24**	**65**	**165**	**189**
MaterialScience	**2,768**	**2,992**	**196**	**168**	**348**	**333**
Reconciliation	**323**	**313**	**13**	**(33)**	**66**	**26**
Group	**8,670**	**9,665**	**1,099**	**838**	**1,805**	**1,845**
	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012
HealthCare	**12,574**	**13,689**	**2,421**	**1,613**	**3,522**	**3,726**
Pharmaceuticals	7,269	7,936	1,426	918	2,214	2,376
Consumer Health	5,305	5,753	995	695	1,308	1,350
CropScience	**5,579**	**6,527**	**515**	**1,298**	**1,381**	**1,719**
MaterialScience	**8,236**	**8,742**	**637**	**505**	**1,065**	**996**
Reconciliation	**948**	**940**	**(53)**	**(191)**	**104**	**18**
Group	**27,337**	**29,898**	**3,520**	**3,225**	**6,072**	**6,459**

2011 figures restated
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

CHANGES IN CORPORATE STRUCTURE

In August 2012 we implemented organizational changes within the MaterialScience segment. The Vulkollan business with high-performance elastomers is no longer part of the Polyurethanes business unit but is reported under the Coatings, Adhesives, Specialties (CAS) business unit. The prior-year figures are restated accordingly.

In September 2012 we renamed the "BioScience" business unit within the CropScience segment to "Seeds." In addition, the "Seed Treatment" business unit was renamed to "SeedGrowth."

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

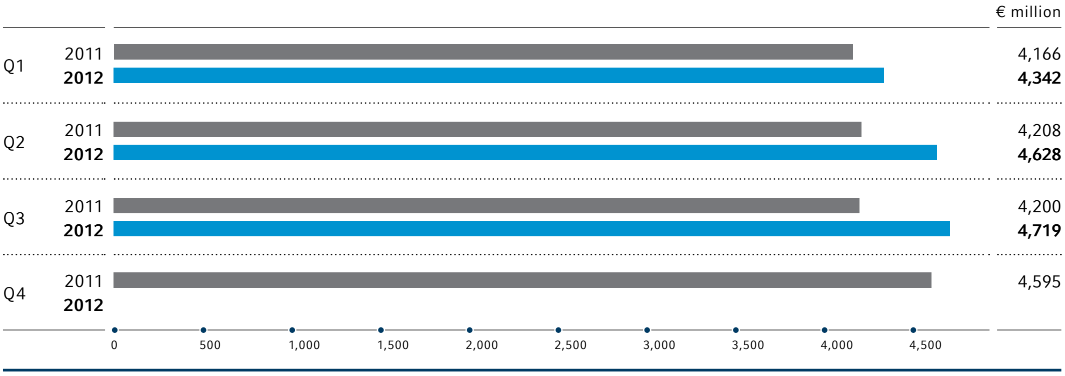
Key Data – HealthCare [Table 2]

	3rd Quarter 2011	3rd Quarter 2012	Change		First Nine Months 2011	First Nine Months 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,200**	**4,719**	**+12.4**	**+5.5**	**12,574**	**13,689**	**+8.9**	**+3.9**
Change in sales								
Volume	+1.0%	+4.0%			+2.5%	+3.2%		
Price	+0.6%	+1.5%			−0.1%	+0.7%		
Currency	−3.5%	+7.1%			−1.7%	+5.2%		
Portfolio	+0.2%	−0.2%			+0.3%	−0.2%		
Sales by segment								
Pharmaceuticals	2,420	2,734	+13.0	+6.1	7,269	7,936	+9.2	+4.0
Consumer Health	1,780	1,985	+11.5	+4.7	5,305	5,753	+8.4	+3.8
Sales by region								
Europe	1,537	1,573	+2.3	+1.2	4,725	4,752	+0.6	−0.1
North America	1,061	1,298	+22.3	+8.9	3,199	3,680	+15.0	+5.3
Asia/Pacific	924	1,108	+19.9	+7.5	2,652	3,098	+16.8	+5.8
Latin America/Africa/Middle East	678	740	+9.1	+5.7	1,998	2,159	+8.1	+7.0
EBIT	**866**	**638**	**−26.3**		**2,421**	**1,613**	**−33.4**	
Special items	*(43)*	*(334)*			*(131)*	*(1,122)*		
EBIT before special items*	***909***	***972***	***+6.9***		***2,552***	***2,735***	***+7.2***	
EBITDA*	**1,184**	**1,047**	**−11.6**		**3,392**	**2,937**	**−13.4**	
Special items	*(42)*	*(250)*			*(130)*	*(789)*		
EBITDA before special items*	***1,226***	***1,297***	***+5.8***		***3,522***	***3,726***	***+5.8***	
EBITDA margin before special items*	29.2%	27.5%			28.0%	27.2%		
Gross cash flow**	**800**	**668**	**−16.5**		**2,328**	**2,030**	**−12.8**	
Net cash flow**	**814**	**1,116**	**+37.1**		**2,231**	**2,482**	**+11.3**	

2011 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by segment; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

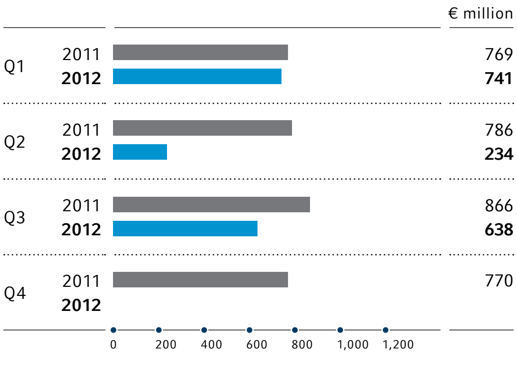
Sales of the **HealthCare** subgroup increased by 5.5% (Fx & portfolio adj.) in the **third quarter of 2012**, to €4,719 million (reported: +12.4%). The Pharmaceuticals and Consumer Health segments both contributed to this positive performance. Business developed particularly well in North America and the emerging markets. HealthCare maintained its growth momentum, especially in China.

HealthCare Quarterly Sales [Graphic 7]

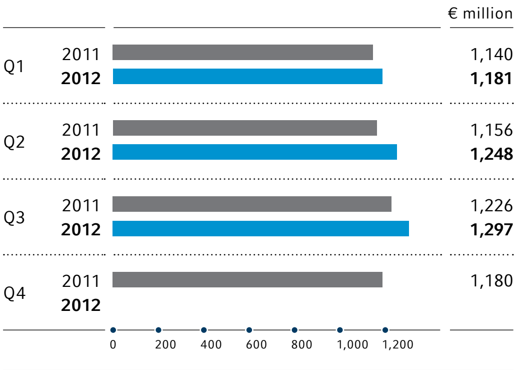


EBIT of HealthCare declined by 26.3% in the third quarter of 2012 to €638 million, after special items of minus €334 million (Q3 2011: minus €43 million). EBIT before special items, however, rose by 6.9% to €972 million. **EBITDA** before special items increased by 5.8% to €1,297 million. The underlying earnings improvement was largely attributable to good business development in the Pharmaceuticals segment and positive currency effects.

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	3rd Quarter 2011	3rd Quarter 2012	Change		First Nine Months 2011	First Nine Months 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,420**	**2,734**	**+13.0**	**+6.1**	**7,269**	**7,936**	**+9.2**	**+4.0**
General Medicine	1,661	1,913	+15.2	+8.4	4,991	5,485	+9.9	+4.8
Specialty Medicine	759	821	+8.2	+0.9	2,278	2,451	+7.6	+2.2
Sales by region								
Europe	877	888	+1.3	+0.5	2,712	2,689	−0.8	−1.4
North America	498	619	+24.3	+11.0	1,516	1,769	+16.7	+7.3
Asia/Pacific	628	781	+24.4	+11.3	1,822	2,168	+19.0	+7.5
Latin America/Africa/Middle East	417	446	+7.0	+4.1	1,219	1,310	+7.5	+6.4
EBIT	**515**	**366**	**−28.9**		**1,426**	**918**	**−35.6**	
Special items	*(34)*	*(247)*			*(118)*	*(786)*		
EBIT before special items*	***549***	***613***	***+11.7***		***1,544***	***1,704***	***+10.4***	
EBITDA*	**735**	**591**	**−19.6**		**2,097**	**1,609**	**−23.3**	
Special items	*(33)*	*(236)*			*(117)*	*(767)*		
EBITDA before special items*	***768***	***827***	***+7.7***		***2,214***	***2,376***	***+7.3***	
EBITDA margin before special items*	31.7%	30.2%			30.5%	29.9%		
Gross cash flow**	**489**	**364**	**−25.6**		**1,412**	**1,070**	**−24.2**	
Net cash flow**	**517**	**795**	**+53.8**		**1,376**	**1,717**	**+24.8**	

2011 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of our **Pharmaceuticals** segment in the **third quarter of 2012** rose by 6.1% (Fx & portfolio adj.) to €2,734 million. Growth was achieved mainly in North America and in the emerging markets, especially China.

Best-Selling Pharmaceuticals Products [Table 4]

	3rd Quarter 2011	3rd Quarter 2012	Change		First Nine Months 2011	First Nine Months 2012	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Betaferon™/Betaseron™ (Specialty Medicine)	289	292	+1.0	−6.1	836	887	+6.1	+0.7
Kogenate™ (Specialty Medicine)	257	300	+16.7	+8.9	802	884	+10.2	+4.8
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	275	277	+0.7	−4.0	780	775	−0.6	−3.7
Nexavar™ (Specialty Medicine)	177	199	+12.4	+4.2	520	580	+11.5	+5.4
Mirena™ (General Medicine)	137	183	+33.6	+22.5	424	542	+27.8	+19.2
Adalat™ (General Medicine)	156	171	+9.6	−0.3	469	501	+6.8	−1.5
Avalox™/Avelox™ (General Medicine)	103	119	+15.5	+6.8	355	363	+2.3	−3.4
Aspirin™ Cardio (General Medicine)	102	124	+21.6	+13.0	291	347	+19.2	+12.2
Glucobay™ (General Medicine)	88	122	+38.6	+23.5	266	309	+16.2	+5.4
Levitra™ (General Medicine)	75	75	0.0	−1.9	239	220	−7.9	−9.6
Xarelto™ (General Medicine)	20	81	+305.0	+294.0	55	191	+247.3	+238.0
Cipro™/Ciprobay™ (General Medicine)	53	65	+22.6	+17.3	170	173	+1.8	−2.4
Zetia™ (General Medicine)	45	55	+22.2	+8.1	124	150	+21.0	+8.5
Diane™ (General Medicine)	47	52	+10.6	+9.9	133	145	+9.0	+7.4
Fosrenol™ (General Medicine)	31	47	+51.6	+36.5	104	137	+31.7	+18.6
Total	**1,855**	**2,162**	**+16.5**	**+8.6**	**5,568**	**6,204**	**+11.4**	**+5.4**
Proportion of Pharmaceuticals sales	77%	79%			77%	78%		

2011 figures restated
Fx adj. = currency-adjusted

Sales of the **General Medicine** business unit advanced by 8.4% (Fx & portfolio adj.) to €1,913 million. We achieved sales of €81 million with our anticoagulant Xarelto™, which we continue to launch in further countries and indications. Sales of this product showed the strongest growth in Germany and the United States. The significant increase in revenues from our hormone-releasing intrauterine device Mirena™ was based mainly on higher volumes in the United States. In China, we again raised sales of our products by steadily expanding our marketing activities, particularly for our oral anti-diabetic Glucobay™, Aspirin™ Cardio for the prevention of myocardial infarction, and the antibiotic Avalox™/Avelox™. Sales of our antibiotic Cipro™/Ciprobay™ benefited from a government contract in the United Kingdom.

Business with our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives was hampered by generic competition, especially in Western Europe. Sales gains in the Asia/Pacific and Latin America regions only partly compensated for this effect.

Sales in the **Specialty Medicine** business unit came in at €821 million, up 0.9% on a currency- and portfolio-adjusted basis. Business with our blood-clotting product Kogenate™ developed positively, with growth driven by increased shipments to our distribution partner during this quarter and by higher volumes resulting from tender business in Australia. The gains in sales of our cancer drug Nexavar™ occurred mainly in China and in the United States. Business with our multiple sclerosis treatment Betaferon™/Betaseron™ receded by 6.1% (Fx adj.) worldwide, mainly due to a decline in Europe.

EBIT of the **Pharmaceuticals** segment fell by 28.9% in the third quarter of 2012 to €366 million. The decrease was attributable to special items of minus €247 million (Q3 2011: minus €34 million), chiefly comprising €205 million in further accounting measures taken in connection with claims asserted concerning Yasmin™/YAZ™. EBIT before special items rose by 11.7% to €613 million. **EBITDA** before special items moved ahead by 7.7% to €827 million. Earnings growth was due mainly to sales gains resulting from higher volumes as well as to positive currency effects. This development was partially offset by increased expenses for the marketing of new products and the steady expansion of our distribution activities in the emerging markets.

Sales of our **Pharmaceuticals** segment improved by 4.0% (Fx & portfolio adj.) in the **first nine months** of 2012 to €7,936 million. Business developed particularly well in the emerging markets and in North America. In Europe, however, there was a slight drop in sales, largely as a result of health system reforms and generic competition in Western Europe.

EBIT fell by 35.6% in the first nine months of 2012 to €918 million. The special charges of €786 million resulted mainly from accounting measures taken in connection with claims asserted concerning Yasmin™/YAZ™. EBIT before special items advanced by 10.4% to €1,704 million. **EBITDA** before special items rose by 7.3% to €2,376 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	3rd Quarter 2011 € million	3rd Quarter 2012 € million	Change %	Change Fx (& p) adj. %	First Nine Months 2011 € million	First Nine Months 2012 € million	Change %	Change Fx (& p) adj. %
Sales	**1,780**	**1,985**	**+11.5**	**+4.7**	**5,305**	**5,753**	**+8.4**	**+3.8**
Consumer Care	885	984	+11.2	+5.1	2,588	2,797	+8.1	+4.2
Medical Care	613	661	+7.8	+1.0	1,813	1,937	+6.8	+1.9
Animal Health	282	340	+20.6	+11.3	904	1,019	+12.7	+6.3
Sales by region								
Europe	660	685	+3.8	+2.1	2,013	2,063	+2.5	+1.6
North America	563	679	+20.6	+6.9	1,683	1,911	+13.5	+3.5
Asia/Pacific	296	327	+10.5	−0.7	830	930	+12.0	+2.1
Latin America/Africa/Middle East	261	294	+12.6	+8.4	779	849	+9.0	+7.8
EBIT	**351**	**272**	**−22.5**		**995**	**695**	**−30.2**	
Special items	*(9)*	*(87)*			*(13)*	*(336)*		
EBIT before special items*	***360***	***359***	***−0.3***		***1,008***	***1,031***	***+2.3***	
EBITDA*	**449**	**456**	**+1.6**		**1,295**	**1,328**	**+2.5**	
Special items	*(9)*	*(14)*			*(13)*	*(22)*		
EBITDA before special items*	***458***	***470***	***+2.6***		***1,308***	***1,350***	***+3.2***	
EBITDA margin before special items*	25.7%	23.7%			24.7%	23.5%		
Gross cash flow**	**311**	**304**	**−2.3**		**916**	**960**	**+4.8**	
Net cash flow**	**297**	**321**	**+8.1**		**855**	**765**	**−10.5**	

2011 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales in the **Consumer Health** segment rose by 4.7% (Fx & portfolio adj.) in the **third quarter of 2012** to €1,985 million. This positive development was attributable mainly to sales growth in the Consumer Care and Animal Health divisions. Business developed especially well in the emerging markets and in North America.

Best-Selling Consumer Health Products [Table 6]

	3rd Quarter 2011 € million	3rd Quarter 2012 € million	Change %	Change Fx adj. %	First Nine Months 2011 € million	First Nine Months 2012 € million	Change %	Change Fx adj. %
Contour™ (Medical Care)	159	189	+18.9	+11.7	470	529	+12.6	+7.8
Advantage™ product line (Animal Health)	91	125	+37.4	+25.1	336	403	+19.9	+11.9
Aspirin™* (Consumer Care)	108	116	+7.4	+0.7	324	331	+2.2	−2.1
Ultravist™ (Medical Care)	76	77	+1.3	−3.2	233	240	+3.0	−1.2
Aleve™/naproxen (Consumer Care)	74	84	+13.5	+0.1	209	236	+12.9	+3.5
Bepanthen™/Bepanthol™ (Consumer Care)	53	65	+22.6	+19.5	175	202	+15.4	+14.8
Canesten™ (Consumer Care)	55	68	+23.6	+18.4	168	185	+10.1	+6.4
Gadovist™ (Medical Care)	40	51	+27.5	+20.5	116	149	+28.4	+25.0
One A Day™ (Consumer Care)	42	50	+19.0	+5.4	127	143	+12.6	+2.8
Iopamiron (Medical Care)	47	44	−6.4	−17.2	133	128	−3.8	−14.0
Total	**745**	**869**	**+16.6**	**+8.4**	**2,291**	**2,546**	**+11.1**	**+5.4**
Proportion of Consumer Health sales	42%	44%			43%	44%		

2011 figures restated
Fx adj.= currency-adjusted
* Sales of Aspirin™ – including Aspirin™ Cardio, which is reflected in the sales of the Pharmaceuticals segment – increased by 14.3% (Fx adj. +6.7%) in the third quarter of 2012 to €240 million (Q3 2011: €210 million). In the first nine months of 2012, they increased by 10.2% (Fx adj. +4.7%) to €678 million (9M 2011: €615 million).

Our **Consumer Care** Division grew sales by 5.1% (Fx & portfolio adj.) to €984 million. Business with our skincare product Bepanthen™/ Bepanthol™ and the antifungal Canesten™ benefited from increased marketing activities, especially in Europe.

Sales of the **Medical Care** Division were roughly level with the prior-year period at €661 million (Fx & portfolio adj. +1.0%). While the Diabetes Care business expanded, driven by higher sales of our Contour™ line of blood glucose meters in the United States, we recorded slightly lower sales of contrast agents and medical equipment.

Sales of the **Animal Health** Division came in at €340 million (Fx & portfolio adj. +11.3%). Business with our Advantage™ line of flea, tick and worm control products increased against a weak prior-year quarter, mainly due to sales gains in North America and successful marketing.

EBIT of the **Consumer Health** segment fell by 22.5% in the third quarter of 2012 to €272 million after special items of minus €87 million (Q3 2011: minus €9 million), consisting mainly of impairment losses recognized on intangible assets. EBIT before special items was flat with the prior-year quarter at €359 million (-0.3%). **EBITDA** before special items increased by 2.6% to €470 million, primarily as a result of the higher sales and positive currency effects. However, earnings were negatively impacted by higher marketing expenses.

Sales of our **Consumer Health** segment in the **first nine months of 2012** improved by 3.8% (Fx & portfolio adj.) to €5,753 million, with all divisions contributing to growth.

EBIT declined by 30.2% in the first nine months of 2012 to €695 million. Special items totaled minus €336 million and mainly comprised impairment losses on intangible assets. EBIT before special items rose by 2.3% to €1,031 million. **EBITDA** before special items increased by 3.2% to €1,350 million.

5.2 CropScience

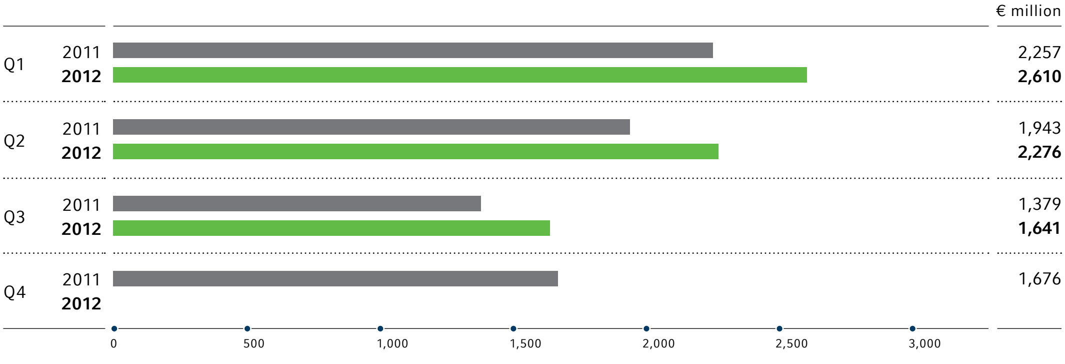
Key Data – CropScience [Table 7]

	3rd Quarter 2011 € million	3rd Quarter 2012 € million	Change %	Change Fx (& p) adj. %	First Nine Months 2011 € million	First Nine Months 2012 € million	Change %	Change Fx (& p) adj. %
Sales	**1,379**	**1,641**	**+19.0**	**+12.8**	**5,579**	**6,527**	**+17.0**	**+13.4**
Change in sales								
Volume	+11.3%	+12.2%			+11.8%	+12.4%		
Price	−1.9%	+0.6%			−0.9%	+1.0%		
Currency	−5.9%	+7.3%			−2.8%	+4.4%		
Portfolio	−0.7%	−1.1%			−0.3%	−0.8%		
Sales by business group								
Crop Protection/Seeds	1,265	1,511	+19.4	+13.1	5,101	6,021	+18.0	+14.5
Environmental Science	114	130	+14.0	+8.8	478	506	+5.9	+1.9
Sales by region								
Europe	346	414	+19.7	+18.2	2,125	2,313	+8.8	+8.4
North America	212	279	+31.6	+16.5	1,417	1,867	+31.8	+23.0
Asia/Pacific	304	325	+6.9	+2.3	907	1,023	+12.8	+8.4
Latin America/Africa/Middle East	517	623	+20.5	+10.8	1,130	1,324	+17.2	+10.6
EBIT	**24**	**65**	**+170.8**		**515**	**1,298**	**+152.0**	
Special items	*(22)*	*(3)*			*(508)*	*(66)*		
EBIT before special items*	***46***	***68***	***+47.8***		***1,023***	***1,364***	***+33.3***	
EBITDA*	**143**	**192**	**+34.3**		**964**	**1,665**	**+72.7**	
Special items	*(22)*	*3*			*(417)*	*(54)*		
EBITDA before special items*	***165***	***189***	***+14.5***		***1,381***	***1,719***	***+24.5***	
EBITDA margin before special items*	12.0%	11.5%			24.8%	26.3%		
Gross cash flow**	**102**	**130**	**+27.5**		**720**	**1,189**	**+65.1**	
Net cash flow**	**409**	**514**	**+25.7**		**1,018**	**794**	**−22.0**	

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

Sales of the **CropScience** subgroup rose by 12.8% (Fx & portfolio adj.) in the **third quarter of 2012**, to €1,641 million (reported: +19.0%), maintaining nearly the same momentum as in the preceding quarters. Sales growth was especially brisk in Europe and North America, but business also expanded by an encouraging double-digit percentage in Latin America/Africa/Middle East. Business was supported by the positive market conditions, which in turn benefited from factors such as the persistently high prices for agricultural commodities.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/Seeds** in the third quarter of 2012 totaled €1,511 million, up 13.1% (Fx & portfolio adj.) year on year.

The **Crop Protection business** grew by 11.7% (Fx & portfolio adj.) and developed positively in all product groups and regions. SeedGrowth, our business with seed treatment products – especially the Poncho™ and Gaucho™ product families – showed particularly strong gains. The fungicides business benefited mainly from sales of Fox™, the highly effective fungicide from our Nativo™ product family. Insecticide sales also advanced significantly, largely due to good business with our Belt™ product family. Sales of herbicides increased moderately overall, though with slight declines in Latin America. Cereal herbicides posted gains in Europe.

Sales – Crop Protection/Seeds [Table 8]

	3rd Quarter 2011	3rd Quarter 2012	Change		First Nine Months 2011	First Nine Months 2012	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
Herbicides	328	360	+9.8	+4.3	1,636	1,905	+16.4	+12.7
Fungicides	297	361	+21.5	+15.5	1,312	1,529	+16.5	+14.1
Insecticides	334	376	+12.6	+7.5	939	1,090	+16.1	+12.9
SeedGrowth	241	317	+31.5	+23.7	551	677	+22.9	+17.1
Crop Protection	1,200	1,414	+17.8	+11.7	4,438	5,201	+17.2	+13.7
Seeds	65	97	+49.2	+39.1	663	820	+23.7	+20.1
Crop Protection/Seeds	**1,265**	**1,511**	**+19.4**	**+13.1**	**5,101**	**6,021**	**+18.0**	**+14.5**

Fx & p adj. = currency- and portfolio-adjusted

Sales in **Europe** rose by 16.7% (Fx adj.) to €361 million. This increase was mainly driven by strong SeedGrowth sales in Germany, France and the United Kingdom. The herbicides business also registered significant gains, mainly due to fall application in cereals. Fungicide and insecticide sales developed well.

We achieved strong third-quarter growth in **North America**, too, with sales up by 10.7% (Fx adj.) to €199 million. Business developed particularly well in the United States, especially in SeedGrowth. The drought in the United States had only a marginal effect on our business so far.

Sales in the **Asia/Pacific** region rose by a moderate 2.6% (Fx adj.) to €286 million. This was largely attributable to increases for herbicides and SeedGrowth products. Sales in China and Australia improved considerably, while business in Japan and Thailand was below the high level of the prior-year period.

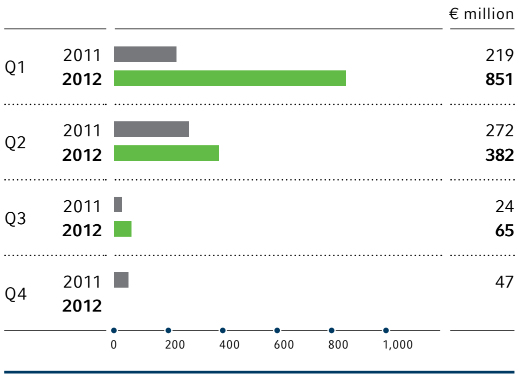
Sales in the **Latin America/Africa/Middle East** region advanced by 10.5% (Fx adj.) year on year to €567 million. Growth was mainly driven by increases in Latin America, especially Brazil, where the fungicides business developed especially well in the third quarter. On the other hand, business with herbicides declined. In Argentina we saw a sharp rise in sales of insecticides. The business also performed positively overall in Africa and the Middle East.

Sales of **Seeds** climbed by a substantial 39.1% (Fx & portfolio adj.) to €97 million. Growth was driven by the business in North America, particularly with canola seed. Sales of Nunhems™ vegetable seeds were level with the previous year.

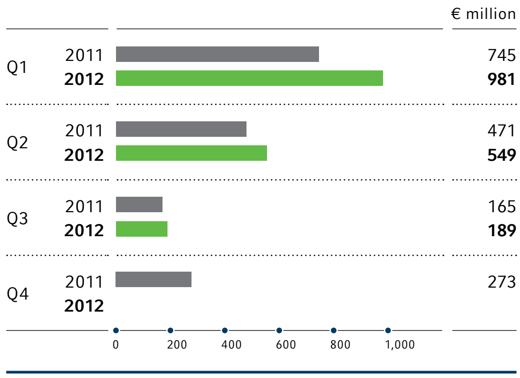
Sales of the **Environmental Science** business unit developed positively overall, rising by 8.8% (Fx adj.) to €130 million. Business with products for professional users expanded by a double-digit percentage, while sales of products for private customers remained level year on year.

EBIT of **CropScience** rose in the third quarter of 2012 from €24 million to €65 million. Special items amounted to minus €3 million (Q3 2011: minus €22 million). EBIT before special items advanced by 47.8% to €68 million, while **EBITDA** before special items increased by 14.5% to €189 million. This was attributable above all to higher volumes and to favorable currency effects. The progress made with our efficiency improvement programs also had a positive impact on earnings. However, manufacturing and selling expenses increased.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



CropScience sales in the **first nine months of 2012** climbed by 13.4% (Fx & portfolio adj.) to €6,527 million. The positive business development in 2012 has been driven by a successful season in the northern hemisphere. The realignment of our sales and marketing activities and our streamlined product range, along with an attractive market environment, also contributed to the positive business development. All business units of Crop Protection posted double-digit growth rates worldwide in the first nine months of 2012. Our Seeds business developed well in the core crops of oilseed rape/canola, cotton and rice, while sales of vegetable seeds were slightly down. Sales in the Environmental Science business unit were level with the prior year.

EBIT of CropScience increased substantially in the first nine months of 2012 from €515 million to €1,298 million after special charges of €66 million (9M 2011: €508 million). In the current year these mainly comprised expenses for restructuring at Crop Protection. EBIT before special items advanced by 33.3% to €1,364 million. **EBITDA** before special items increased by 24.5% year on year to €1,719 million thanks to the good business development, especially in the northern hemisphere. Our North American business contributed substantially to this improvement in earnings. In addition, we benefited from one-time gains of €47 million (9M 2011: €16 million), primarily in connection with outlicensing activities and the divestment of active ingredients at Crop Protection.

5.3 MaterialScience

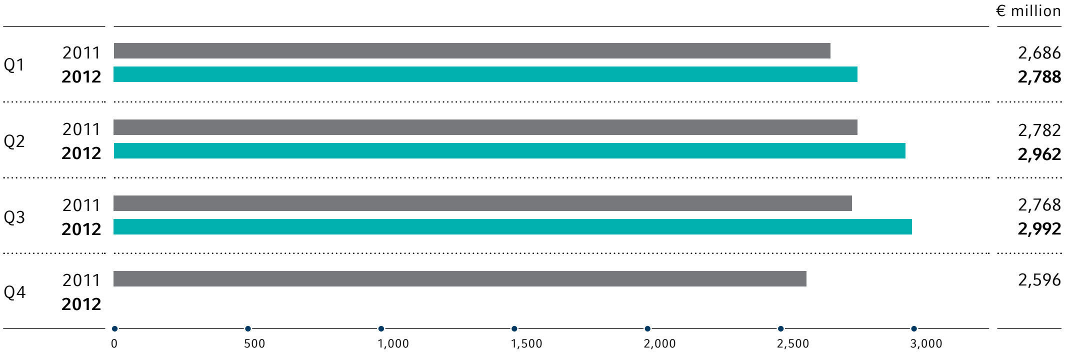
Key Data – MaterialScience [Table 9]

	3rd Quarter 2011	3rd Quarter 2012	Change		First Nine Months 2011	First Nine Months 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,768**	**2,992**	**+8.1**	**+2.9**	**8,236**	**8,742**	**+6.1**	**+2.5**
Change in sales								
Volume	+0.3%	+3.3%			+2.6%	+2.4%		
Price	+7.1%	−0.4%			+8.4%	+0.1%		
Currency	−3.7%	+5.9%			−2.4%	+4.4%		
Portfolio	+0.2%	−0.7%			+0.2%	−0.8%		
Sales by business unit								
Polyurethanes	1,352	1,572	+16.3	+10.2	4,035	4,522	+12.1	+7.6
Polycarbonates	749	720	−3.9	−10.5	2,226	2,154	−3.2	−8.4
Coatings, Adhesives, Specialties	494	512	+3.6	+2.8	1,484	1,521	+2.5	+3.0
Industrial Operations	173	188	+8.7	+4.6	491	545	+11.0	+8.4
Sales by region								
Europe	1,120	1,117	−0.3	−0.3	3,409	3,384	−0.7	−0.8
North America	542	646	+19.2	+5.5	1,590	1,862	+17.1	+6.8
Asia/Pacific	743	848	+14.1	+2.2	2,167	2,378	+9.7	0.0
Latin America/Africa/Middle East	363	381	+5.0	+5.0	1,070	1,118	+4.5	+5.2
EBIT	**196**	**168**	**−14.3**		**637**	**505**	**−20.7**	
Special items	-	*(9)*			-	*(31)*		
EBIT before special items*	***196***	***177***	***−9.7***		***637***	***536***	***−15.9***	
EBITDA*	**348**	**327**	**−6.0**		**1,065**	**968**	**−9.1**	
Special items	-	*(6)*			-	*(28)*		
EBITDA before special items*	***348***	***333***	***−4.3***		***1,065***	***996***	***−6.5***	
EBITDA margin before special items*	12.6%	11.1%			12.9%	11.4%		
Gross cash flow**	**258**	**235**	**−8.9**		**818**	**730**	**−10.8**	
Net cash flow**	**129**	**415**	**.**		**265**	**495**	**+86.8**	

2011 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business unit; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

In the **MaterialScience** subgroup, **sales** rose by 2.9% (Fx & portfolio adj.) in the **third quarter of 2012** to €2,992 million (reported: +8.1%). This growth was due to higher volumes overall. Volumes were flat with the prior year in Europe, while there was a gratifying increase in the other regions. Selling price increases in the Latin America/Africa/Middle East, Europe and North America regions nearly offset declines in Asia/Pacific.

MaterialScience Quarterly Sales [Graphic 13]



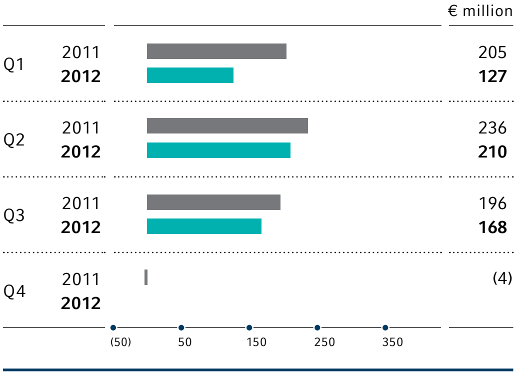
The **Polyurethanes** business unit raised sales by 10.2% (Fx & portfolio adj.) to €1,572 million. The increase was mainly driven by higher volumes in all product groups and regions. We also achieved price increases in all regions except North America. Higher prices were realized for toluene diisocyanate (TDI) and diphenylmethane diisocyanate (MDI), while prices for polyether (PET) were below the prior-year period.

The **Polycarbonates** business unit posted sales of €720 million, down 10.5% (Fx & portfolio adj.) compared with the strong prior-year quarter. This was attributable to lower selling prices and volumes in both product groups (granules and polycarbonate sheet/semi-finished products).

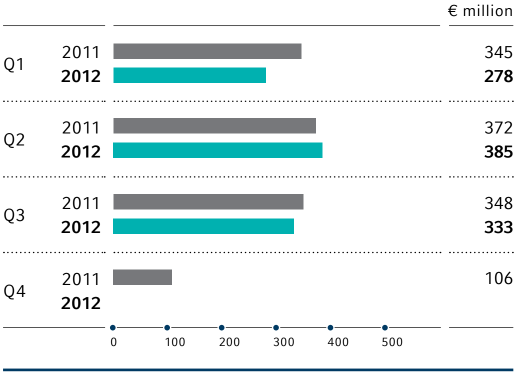
Sales in the **Coatings, Adhesives, Specialties** business unit moved ahead by 2.8% (Fx & portfolio adj.) to €512 million thanks to higher volumes in all regions. Prices as a whole were somewhat below the prior-year period.

Sales in **Industrial Operations** grew by 4.6% (Fx & portfolio adj.) to €188 million as a result of higher selling prices, especially in North America and Europe. Volumes, however, were down from the prior year.

MaterialScience
Quarterly EBIT [Graphic 14]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



EBIT of **MaterialScience** in the third quarter of 2012 receded by 14.3% to €168 million after special items of minus €9 million (Q3 2011: €0 million). EBIT before special items amounted to €177 million (-9.7%). **EBITDA** before special items was down by 4.3% to €333 million. The lower earnings were largely the result of increases in raw material and energy costs and a slight drop in selling prices. These factors were only partly offset by volume growth, savings from efficiency improvement measures, and positive currency effects.

Sales of **MaterialScience** rose by 2.5% (Fx & portfolio adj.) in the **first nine months of 2012**, to €8,742 million (reported: +6.1%). Higher volumes in the Latin America/Africa/Middle East, Asia/Pacific and North America regions were a contributory factor. Selling prices overall were level with the prior year. **EBIT** fell by a substantial 20.7% to €505 million. **EBITDA** before special items moved back by 6.5% to €996 million.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	3rd Quarter 2011	3rd Quarter 2012			3rd Quarter 2011	3rd Quarter 2012		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
HealthCare	**1,537**	**1,573**	**+2.3**	**+1.2**	**1,061**	**1,298**	**+22.3**	**+8.9**
Pharmaceuticals	877	888	+1.3	+0.5	498	619	+24.3	+11.0
Consumer Health	660	685	+3.8	+2.1	563	679	+20.6	+6.9
CropScience	**346**	**414**	**+19.7**	**+18.2**	**212**	**279**	**+31.6**	**+16.5**
MaterialScience	**1,120**	**1,117**	**−0.3**	**−0.3**	**542**	**646**	**+19.2**	**+5.5**
Group (incl. reconciliation)	**3,295**	**3,383**	**+2.7**	**+1.9**	**1,815**	**2,227**	**+22.7**	**+9.0**
	First Nine Months 2011	First Nine Months 2012			First Nine Months 2011	First Nine Months 2012		
HealthCare	**4,725**	**4,752**	**+0.6**	**−0.1**	**3,199**	**3,680**	**+15.0**	**+5.3**
Pharmaceuticals	2,712	2,689	−0.8	−1.4	1,516	1,769	+16.7	+7.3
Consumer Health	2,013	2,063	+2.5	+1.6	1,683	1,911	+13.5	+3.5
CropScience	**2,125**	**2,313**	**+8.8**	**+8.4**	**1,417**	**1,867**	**+31.8**	**+23.0**
MaterialScience	**3,409**	**3,384**	**−0.7**	**−0.8**	**1,590**	**1,862**	**+17.1**	**+6.8**
Group (incl. reconciliation)	**11,110**	**11,289**	**+1.6**	**+1.2**	**6,208**	**7,424**	**+19.6**	**+9.9**

2011 figures restated
yoy = year on year; Fx. adj. = currency-adjusted

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments rose by 15.7% in the first nine months of 2012 to €2,295 million (9M 2011: €1,983 million), comprising €1,310 million (9M 2011: €1,021 million) in amortization and impairments of intangible assets and €985 million (9M 2011: €962 million) in depreciation and impairments of property, plant and equipment. Included here were impairments of €350 million (9M 2011: €113 million), of which €34 million (9M 2011: €21 million) did not constitute special items. Of the €1,945 million (9M 2011: €1,870 million) in depreciation and amortization, €32 million (9M 2011: €0 million) were included in special items.

[Table 10]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	3rd Quarter 2011	3rd Quarter 2012			3rd Quarter 2011	3rd Quarter 2012			3rd Quarter 2011	3rd Quarter 2012		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
	924	**1,108**	**+19.9**	**+7.5**	**678**	**740**	**+9.1**	**+5.7**	**4,200**	**4,719**	**+12.4**	**+5.3**
	628	781	+24.4	+11.3	417	446	+7.0	+4.1	2,420	2,734	+13.0	+6.1
	296	327	+10.5	−0.7	261	294	+12.6	+8.4	1,780	1,985	+11.5	+4.2
	304	**325**	**+6.9**	**+2.3**	**517**	**623**	**+20.5**	**+10.8**	**1,379**	**1,641**	**+19.0**	**+11.7**
	743	**848**	**+14.1**	**+2.2**	**363**	**381**	**+5.0**	**+5.0**	**2,768**	**2,992**	**+8.1**	**+2.2**
	1,983	**2,289**	**+15.4**	**+4.4**	**1,577**	**1,766**	**+12.0**	**+7.4**	**8,670**	**9,665**	**+11.5**	**+5.0**
	First Nine Months 2011	First Nine Months 2012			First Nine Months 2011	First Nine Months 2012			First Nine Months 2011	First Nine Months 2012		
	2,652	**3,098**	**+16.8**	**+5.8**	**1,998**	**2,159**	**+8.1**	**+7.0**	**12,574**	**13,689**	**+8.9**	**+3.7**
	1,822	2,168	+19.0	+7.5	1,219	1,310	+7.5	+6.4	7,269	7,936	+9.2	+4.0
	830	930	+12.0	+2.1	779	849	+9.0	+7.8	5,305	5,753	+8.4	+3.2
	907	**1,023**	**+12.8**	**+8.4**	**1,130**	**1,324**	**+17.2**	**+10.6**	**5,579**	**6,527**	**+17.0**	**+12.6**
	2,167	**2,378**	**+9.7**	**0.0**	**1,070**	**1,118**	**+4.5**	**+5.2**	**8,236**	**8,742**	**+6.1**	**+1.7**
	5,768	**6,520**	**+13.0**	**+3.6**	**4,251**	**4,665**	**+9.7**	**+7.6**	**27,337**	**29,898**	**+9.4**	**+4.7**

Special Items Reconciliation [Table 11]

	EBIT* 3rd Quarter 2011	EBIT* 3rd Quarter 2012	EBIT* First Nine Months 2011	EBIT* First Nine Months 2012	EBITDA** 3rd Quarter 2011	EBITDA** 3rd Quarter 2012	EBITDA** First Nine Months 2011	EBITDA** First Nine Months 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Before special items	**1,174**	**1,194**	**4,181**	**4,512**	**1,805**	**1,845**	**6,072**	**6,459**
HealthCare	**(43)**	**(334)**	**(131)**	**(1,122)**	**(42)**	**(250)**	**(130)**	**(789)**
Impairment losses	-	(68)	-	(305)	-	-	-	-
Restructuring	(43)	(72)	(150)	(123)	(42)	(56)	(149)	(95)
Litigations	-	(205)	-	(705)	-	(205)	-	(705)
Adjustments to post-employment benefit entitlements	-	11	19	11	-	11	19	11
CropScience	**(22)**	**(3)**	**(508)**	**(66)**	**(22)**	**3**	**(417)**	**(54)**
Restructuring	(16)	(17)	(322)	(58)	(16)	(11)	(231)	(46)
Litigations	(6)	(2)	(200)	(24)	(6)	(2)	(200)	(24)
Adjustments to post-employment benefit entitlements	-	16	14	16	-	16	14	16
MaterialScience	**-**	**(9)**	**-**	**(31)**	**-**	**(6)**	**-**	**(28)**
Restructuring	-	(22)	-	(44)	-	(19)	-	(41)
Adjustments to post-employment benefit entitlements	-	13	-	13	-	13	-	13
Reconciliation	**(10)**	**(10)**	**(22)**	**(68)**	**(10)**	**(10)**	**(22)**	**(68)**
Restructuring	(10)	(23)	(24)	(57)	(10)	(23)	(24)	(57)
Litigations	-	-	-	(26)	-	-	-	(26)
Adjustments to post-employment benefit entitlements	-	13	2	15	-	13	2	15
Total special items	**(75)**	**(356)**	**(661)**	**(1,287)**	**(74)**	**(263)**	**(569)**	**(939)**
After special items	**1,099**	**838**	**3,520**	**3,225**	**1,731**	**1,582**	**5,503**	**5,520**

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

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the third quarter of 2012 amounted to €1.20 (Q3 2011: €1.12).

Core Earnings per Share [Table 12]

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	**1,099**	**838**	**3,520**	**3,225**
Amortization and impairment losses on intangible assets	323	407	1,021	1,310
Impairment losses on property, plant and equipment	4	9	73	32
Special items (other than amortization and impairments)	74	263	569	939
Core EBIT	**1,500**	**1,517**	**5,183**	**5,506**
Non-operating result (as per income statements)	(224)	(172)	(608)	(551)
Income taxes (as per income statements)	(229)	(132)	(837)	(590)
Tax effects related to amortization, impairments and special items	(121)	(211)	(545)	(755)
Income after taxes attributable to non-controlling interest (as per income statements)	(4)	(6)	(2)	(12)
Core net income	**922**	**996**	**3,191**	**3,598**
	Shares	Shares	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.12**	**1.20**	**3.86**	**4.35**

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 13]

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,327**	**1,023**	**4,168**	**3,844**
Changes in working capital/other non-cash items	250	966	(260)	(215)
Net cash provided by (used in) operating activities (net cash flow)	**1,577**	**1,989**	**3,908**	**3,629**
Net cash provided by (used in) investing activities	**(1,637)**	**(1,756)**	**(3,177)**	**(316)**
Net cash provided by (used in) financing activities	**(567)**	**(156)**	**(2,326)**	**(3,667)**
Change in cash and cash equivalents due to business activities	**(627)**	**77**	**(1,595)**	**(354)**
Cash and cash equivalents at beginning of period	**1,797**	**1,342**	**2,840**	**1,770**
Change due to exchange rate movements and to changes in scope of consolidation	11	7	(64)	10
Cash and cash equivalents at end of period	**1,181**	**1,426**	**1,181**	**1,426**

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

OPERATING CASH FLOW

Gross cash flow in the **third quarter of 2012** receded by 22.9% against the prior-year period to €1,023 million, mainly because of the decline in EBIT. Net cash flow rose by 26.1% to €1,989 million, due to a decrease in cash tied up in working capital. This in turn was mainly the result of a €686 million drop in trade accounts receivable and a €337 million increase in trade accounts payable, partly offset by a slight increase of €180 million in inventories. Also contributing to the higher net cash flow was a decrease of €123 million in cash tied up in other working capital. Net cash flow reflected income tax payments of €319 million (Q3 2011: €201 million).

In the **first nine months of 2012**, gross cash flow declined by 7.8% year on year to €3,844 million. Net cash flow was 7.1% lower at €3,629 million after income tax payments of €1,133 million (9M 2011: €721 million).

INVESTING CASH FLOW

In the **third quarter of 2012** there was a net cash outflow of €1,756 million for investing activities. Cash outflows for property, plant and equipment and intangible assets were 37.3% higher at €486 million (Q3 2011: €354 million). Of this amount, HealthCare accounted for €167 million (Q3 2011: €129 million), CropScience for €92 million (Q3 2011: €62 million) and MaterialScience for €164 million (Q3 2011: €119 million). The €386 million (Q3 2011: €87 million) in outflows for acquisitions related to the purchase of the U.S. biological crop protection company AgraQuest, Inc. and the watermelon and melon seed business of the U.S. company Abbott & Cobb, Inc. The €26 million in cash inflows from divestitures was largely derived from the sale of the hematological oncology portfolio to Genzyme Corp., United States. Cash outflows for noncurrent and current financial assets – mainly for the purchase of short-term securities – amounted to €965 million (Q3 2011: €1,261 million).

The **first nine months of 2012** saw a net cash outflow of €316 million for investing activities. Cash outflows for property, plant and equipment and intangible rose by 33.3% to €1,186 million (9M 2011: €890 million). Of this amount, HealthCare accounted for €444 million (9M 2011: €299 million), CropScience for €230 million (9M 2011: €161 million) and MaterialScience for €389 million (9M 2011: €337 million). The €452 million (9M 2011: €235 million) in cash outflows for acquisitions related mainly to the purchase of the U.S. biological crop protection company AgraQuest, Inc., the watermelon and melon seed business of the U.S. company Abbott & Cobb, Inc., and the remaining 50% interest in Baulé S.A.S., France. The €139 million in cash inflows from divestitures was largely derived from the sale of the hematological oncology portfolio and a manufacturing facility to Genzyme Corp., United States. Cash inflows from noncurrent and current financial assets amounted to €1,009 million (9M 2011: outflow of €2,262 million for financial assets). Some investments in money market funds were sold in the second quarter of 2012, mainly in order to redeem the €2 billion EMTN bond.

FINANCING CASH FLOW

In the **third quarter of 2012** there was a net cash outflow of €156 million for financing activities. Net loan repayments amounted to €40 million (Q3 2011: €372 million). Net interest payments were 40.3% lower at €114 million (Q3 2011: €191 million).

Net cash outflow for financing activities in the **first nine months of 2012** amounted to €3,667 million, including net loan repayments of €1,907 million (9M 2011: €607 million). Net interest payments fell by 17.2% to €391 million (9M 2011: €472 million). There was a €1,366 million outflow for "dividend payments and withholding tax on dividends" (9M 2011: €1,243 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2011	June 30, 2012	Sep. 30, 2012
	€ million	€ million	€ million
Bonds and notes/promissory notes	7,710	5,622	5,632
of which hybrid bond	1,344	1,357	1,367
Liabilities to banks	2,657	2,953	2,827
Liabilities under finance leases	554	573	556
Liabilities from derivatives	513	468	355
Other financial liabilities	228	287	370
Positive fair values of hedges of recorded transactions	(395)	(377)	(350)
Financial debt	**11,267**	**9,526**	**9,390**
Cash and cash equivalents	(1,770)	(1,342)	(1,426)
Current financial assets	(2,484)	(273)	(1,159)
Net financial debt	**7,013**	**7,911**	**6,805**

Net financial debt of the Bayer Group decreased by 14.0% to €6.8 billion as of September 30, 2012. High cash inflows from operating activities were partly offset by outflows for acquisitions. Financial liabilities included the €1.4 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined in the third quarter of 2012 from €7.3 billion to €7.1 billion. Current financial liabilities remained unchanged at €2.6 billion.

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

NET LIABILITY FOR POST-EMPLOYMENT BENEFITS

Net Amount Recognized for Post-Employment Benefits [Table 15]

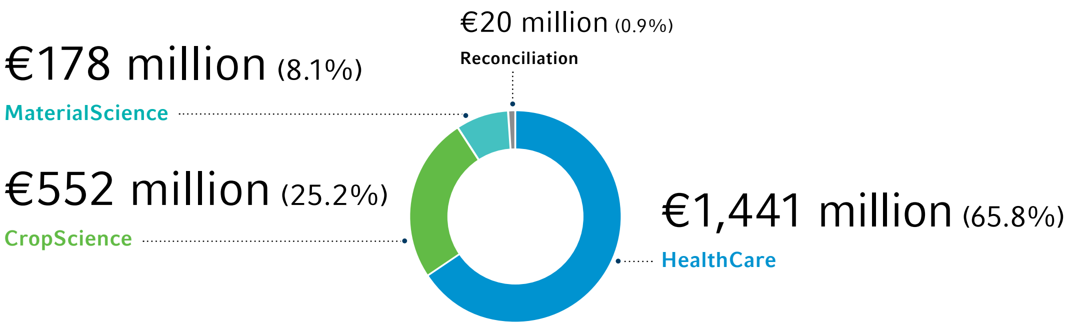
	Dec. 31, 2011	June 30, 2012	Sep. 30, 2012
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,870	9,417	9,805
Benefit plan assets in excess of obligation	(72)	(71)	(71)
Net amount recognized for post-employment benefits	**7,798**	**9,346**	**9,734**

The net amount recognized for post-employment benefits increased from €9.4 billion to €9.7 billion in the third quarter of 2012, due especially to lower long-term capital market interest rates.

9. Growth and Innovation

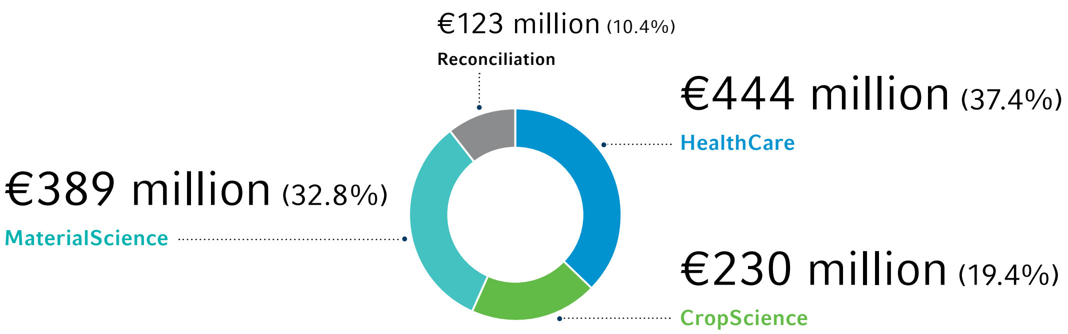
We spent €2,191 million on research and development in the first nine months of 2012, including €741 million in the third quarter. Capital expenditures for property, plant and equipment and intangible assets totaled €1,186 million in the first nine months of 2012, including €486 million in the third quarter.

Research and Development Expenses by Subgroup*
9M 2012 (subgroup shares in parentheses) [Graphic 16]



* as per income statement

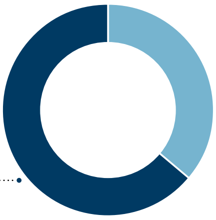
Capital Expenditures by Subgroup
9M 2012 (subgroup shares in parentheses) [Graphic 17]



The emerging markets accounted for a disporportionately large share of sales growth in the first nine months of 2012. For reporting purposes we have defined the emerging markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East.

Our sales in these markets advanced by 6.8% (Fx adj.) in the first nine months of 2012 to €10,828 million, including €3,800 million (Fx adj. +7.5%) in the third quarter. We registered encouraging growth in the third quarter in Asia, Latin America and Eastern Europe. The emerging markets accounted for 36.2% of total sales in the first nine months of 2012 and 39.3% in the third quarter.

Percentage Sales Breakdown by Industrialized Countries and Emerging Markets
9M 2012 [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first nine months of 2012 we invested €1,441 million in research and development at HealthCare, including €487 million in the third quarter. We have made further progress with our research and development pipeline during the year. (The following outline of activities does not include those already described in the Annual Report 2011.)

The most important drug candidates already submitted for approval are:

Products Submitted for Approval [Table 16]

	Indication
Eylea™ (VEGF Trap-Eye)	E.U.; wet age-related macular degeneration
FC-Patch Low	E.U.; contraception
Kogenate™ FS	U.S.A.; prophylaxis in hemophilia A
LCS-12 (ULD LNG Contraceptive System)	E.U., U.S.A.; contraception, duration of use: up to 3 years
Regorafenib	E.U., Japan; colorectal cancer
Regorafenib	U.S.A.; treatment of metastatic and/or unresectable gastrointestinal stromal tumors
Xarelto™	E.U., U.S.A.; secondary prophylaxis of acute coronary syndrome
Xarelto™	E.U.; treatment of pulmonary embolism and secondary prevention of recurrent deep vein thrombosis and pulmonary embolism
Xarelto™	U.S.A.; treatment of venous thromboembolism (VTE) and secondary prevention of recurrent VTE
YAZ™ Flex Plus	U.S.A.; oral contraception with flexible dosage regimen and folic acid supplementation

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

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

	Indication	Status
Aflibercept (VEGF Trap-Eye)	Diabetic macular edema	Phase III
Aflibercept (VEGF Trap-Eye)	Abnormal retinal angiogenesis following pathological myopia	Phase III
Aflibercept (VEGF Trap-Eye)	Central retinal vein occlusion	Phase III
Alpharadin (radium-223 dichloride)	Treatment of bone metastases in castration-resistant prostate cancer	Phase III
ATX-101	Reduction of submental fat	Phase III
BAY 86-6150 (rFVIIa)	Hemophilia A	Phase II/III
Ciprofloxacin Inhale	Pulmonary infection	Phase III
Gadovist™	Magnetic resonance imaging, expansion of indication	Phase III
KG-N (BAY 94-9027)	Hemophilia A	Phase II/III
LCS-16 (ULD LNG Contraceptive System)	Contraception, duration of use: up to 5 years	Phase III
Nexavar™	Breast cancer	Phase III
Nexavar™	Adjuvant therapy of liver cancer	Phase III
Nexavar™	Adjuvant therapy of kidney cancer	Phase III
Nexavar™	Thyroid cancer	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (CTEPH)	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (PAH)	Phase III
Tedizolid	Complicated skin infections and pneumonia	Phase III
Vaginorm™	Vulvovaginal atrophy	Phase III
Alpharadin (radium-223 dichloride)	Treatment of bone metastases in cancer	Phase II
Amikacin Inhale	Pulmonary infection	Phase II
MEK inhibitor	Cancer	Phase II
MR antagonist (BAY94-8862)	Chronic heart failure	Phase II
Nexavar™	Cancer	Phase II
Regorafenib	Cancer	Phase II
Riociguat (sGC stimulator)	Pulmonary hypertension	Phase II

* as of October 15, 2012

CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension

The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals.

It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds.

In January 2012, the Japanese Ministry of Health, Labor and Welfare (MHLW) granted Bayer marketing authorization for our anticoagulant **Xarelto™ (rivaroxaban)** for prevention of stroke and systemic embolism in patients with non-valvular atrial fibrillation. The market launch began in April 2012.

In June 2012, we received a Complete Response Letter from the U.S. Food and Drug Administration (FDA) regarding the application for approval of Xarelto™ in combination with standard antiplatelet therapy to reduce the risk of secondary cardiovascular events in patients with acute coronary syndrome (ACS). The requested information was submitted to the FDA in ***September 2012*** by our cooperation partner Janssen Research & Development, LLC.

In May 2012, our cooperation partner Janssen Research & Development, LLC submitted an application to the FDA for the use of Xarelto™ to reduce the risk of stent thrombosis in patients with acute coronary syndrome. The application was withdrawn in July 2012. In ***September 2012***, Janssen Research & Development, LLC resubmitted the application together with the responses to the questions in the Complete Response Letter regarding the ACS indication (see above). In Europe, we submitted an application for marketing authorization for secondary prevention after an ACS at the end of 2011. Reducing the risk of stent thrombosis is part of that application.

The data from a Phase III clinical study (EINSTEIN-PE) with rivaroxaban were presented in March 2012 at the Annual Scientific Sessions of the American College of Cardiology (ACC) and published in the New England Journal of Medicine (NEJM). Based on the successful Phase III study, we submitted an application to the European Medicines Agency (EMA) in April 2012 for marketing authorization of Xarelto™ for the treatment of pulmonary embolism and the prevention of recurrent deep vein thrombosis and pulmonary embolism. In May 2012, our cooperation partner Janssen Research & Development, LLC submitted applications to the U.S. Food and Drug Administration (FDA) seeking approval for Xarelto™ in the treatment of deep vein thrombosis or pulmonary embolism and in secondary prevention of recurrent venous thromboembolism (VTE). In July 2012, the FDA granted priority review to these applications.

In March 2012 we received approval from the Australian Therapeutic Goods Administration (TGA) to market **aflibercept (VEGF Trap-Eye)** under the trade name **Eylea™** for the treatment of wet age-related macular degeneration (AMD). In ***September 2012***, we received marketing authorization from the Japanese health ministry MHLW as well as a positive recommendation from the European Committee for Medicinal Products for Human Use (CHMP). We plan to launch Eylea™ in Australia and Japan in the fourth quarter of 2012. A decision by the European Commission is expected in the fourth quarter of 2012.

In ***September 2012***, based on the successful GALILEO Phase III study with aflibercept (VEGF trap-eye), our cooperation partner Regeneron received approval from the U.S. Food and Drug Administration for aflibercept under the trade name Eylea™ in the additional indication of macular edema following central retinal vein occlusion (CRVO). We plan to submit the application for marketing authorization in this indication in Europe before the end of 2012.

For **Alpharadin (radium-223 dichloride)**, the cancer drug we are jointly developing with Algeta ASA, Norway, we plan to file for regulatory approval in the treatment of castration-resistant prostate cancer (CRPC) and bone metastases in the fourth quarter of 2012.

Two Phase III clinical trials with **Nexavar™** did not show the desired results. A study in patients with advanced non-small-cell lung cancer whose disease had progressed after two or three previous treatments and a combination study with Nexavar™ and Tarceva (active ingredient: erlotinib) in liver cancer did not meet their primary endpoints.

Based on the Phase III clinical study GRID with **regorafenib**, we submitted a New Drug Application to the U.S. Food and Drug Administration in ***August 2012*** for the treatment of patients with metastatic and/or unresectable gastrointestinal stromal tumors (GIST).

In ***July 2012***, we submitted a marketing authorization application to the Japanese Ministry of Health, Labor and Welfare (MHLW) for regorafenib in the treatment of patients with metastatic colorectal cancer (mCRC). The MHLW has granted priority review. In ***September 2012***, regorafenib was approved in this indication by the FDA under the trade name Stivarga™. The European registration procedure has been ongoing since May 2012.

In March 2012, the U.S. Food and Drug Administration (FDA) granted marketing authorization for our contraceptive **Natazia™** (estradiol valerate and dienogest) for the treatment of heavy menstrual bleeding that is not caused by any diagnosed conditions of the uterus in women who choose to use a combined oral contraceptive for contraception. Natazia™ is the first combined oral contraceptive to be approved in the United States in this indication.

In ***September 2012***, we applied in the European Union for marketing authorization for **FC-Patch Low**, a new transparent, low-dose contraceptive patch (ethinylestradiol/gestodene).

In ***October 2012***, the European Commission gave the go-ahead for the approval of our new oral contraceptive **Flexyess™**. Based on this positive decision, we expect the respective authorities to grant national approvals in the coming weeks. Flexyess™ will be the first low-dose combined oral contraceptive with a flexible extended regimen to be approved in the E.U. First launches of the product are expected in the second half of 2013.

The European Phase III clinical trial program with **ATX-101**, an injectable drug for the reduction of unwanted fat under the chin (submental fat), was successfully completed in April 2012.

Our cooperation partner Genzyme Corp., United States, has applied for marketing authorization for the humanized monoclonal antibody **alemtuzumab** under the trade name LEMTRADA™ for the indication multiple sclerosis. The relevant registration applications were filed in the European Union and the United States in the second quarter of 2012. We will share in the future success of LEMTRADA™ through potential inlicensing, milestone payments and global copromotion.

In July 2012, we launched an international Phase III trial to evaluate the investigational compound **BAY94-9027** for the treatment of hemophilia A. The PROTECT VIII trial is designed to investigate whether the recombinant coagulation factor VIII (rFVIII) BAY94-9027 can prolong the duration of protection from bleeding when used prophylactically, while also having the ability to treat acute bleeding events. This could mean less frequent infusions for patients.

In ***August 2012***, the European regulatory authority EMA extended its approval of the contrast agent **Gadovist™** 1.0 to include the diagnosis of diseases in the whole body with magnetic resonance imaging (MRI). Based on the label extension, Gadovist™ 1.0 can be used in the future in Europe for MRI scans of all body parts and organs.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In February 2012, we acquired the animal health business of KMG Chemicals, Inc., United States, as part of the strategic expansion of our Animal Health Division. The transaction strengthens our existing insecticides portfolio in the United States and enables us to offer a broader range of active substances and delivery forms in the future.

In March 2012, we signed an agreement with Tsinghua University in Beijing, China, to collaborate over a three-year period in the field of biomedical sciences. The agreement further expands our existing strategic cooperation at the Bayer-Tsinghua Joint Research Center for Innovative Drug Discovery (BTC).

In April 2012, we sold all our PET tracer substances developed for in-vivo diagnostics to Piramal Imaging SA, Switzerland. This transaction includes the PET tracer florbetaben, which is currently in late-stage development for the detection of beta-amyloid plaques in the brain. Piramal Imaging SA is acquiring from us the intellectual property rights relating to our PET tracer substances and will apply for marketing authorizations covering florbetaben. We will continue to provide certain services for the development of florbetaben. Milestone and royalty payments were agreed.

In April 2012, we extended our cooperation with Amgen Research GmbH, Munich, Germany, to include the research, development and commercialization of a new bispecific T-cell engager (BiTE™) antibody against a new, undisclosed target structure expressed in multiple tumors. Under the terms of the present agreement, we will collaborate with Amgen from the research phase through the completion of any Phase I clinical trials, upon which we will assume full control of further development and potential commercialization of the antibody.

In ***August 2012***, we signed an agreement with Norbrook Laboratories Ltd., United Kingdom, concerning the exclusive distribution of a range of Norbrook's animal health products in Germany and France. The product range covers companion animal and livestock products in the segments of parasiticides, anti-infectives and other pharmaceuticals.

In ***September 2012***, we signed an agreement to acquire the U.S. animal health business of Teva Pharmaceutical Industries Ltd., United States. The acquisition reinforces our product offering in the area of anti-infectives for livestock and expands our existing product portfolio to include reproductive hormones. This transaction will also add dermatologicals, pet wellness products and nutraceuticals to our product range for companion animals. The transaction is expected to close in 2013, subject to antitrust approvals and the fulfillment of other conditions.

In ***October 2012***, we entered into a strategic alliance with Evotec AG, Hamburg. Together with this company we will carry out research into multiple target molecules associated with endometriosis over a five-year period. The aim is to identify three drug candidates for clinical development in the treatment of this disorder.

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 8.7% (Fx adj.) in the first nine months of 2012 to €4,501 million, including €1,579 million (Fx adj. +9.0%) in the third quarter. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 27.5% (Fx adj.) in the third quarter through increased marketing activities, especially the expansion of our distribution network. Business developed well in Latin America and in Eastern Europe, particularly Russia. The emerging markets accounted for 32.9% of total HealthCare sales in the first nine months of 2012 and 33.4% in the third quarter.

9.2 CropScience

RESEARCH AND DEVELOPMENT

We invested €552 million in research and development at CropScience in the first nine months of 2012, including €184 million in the third quarter.

Our Crop Protection pipeline currently comprises eight projects with estimated launch dates between 2011 and 2016. More than 25 further projects are in the research phase. In our Seeds business, we expect to bring some 18 new projects to market-readiness for the broad-acre crops of cotton, oilseed rape/canola, rice, wheat and soybeans alone between 2011 and 2016. Following the acquisition of the U.S. company AgraQuest, Inc., we also have a variety of biological crop protection products in our pipeline. The integrated pipeline of Bayer CropScience products with estimated launch dates between 2011 and 2016 has a combined peak sales potential of over €4 billion.

We made significant progress with our innovation and growth projects in the first nine months of 2012:

In February 2012 we received the registration for our fungicide **Luna™** from the U.S. Environmental Protection Agency (EPA). It has been available in the United States since the 2012 planting season. Luna™ (fluopyram) was developed to combat a number of problematic fungal diseases in fruit and vegetables. Important additional benefits are better storability and longer shelf life of the harvested produce.

In the first quarter of 2012 we began commercializing conventional oilseed rape varieties in several European countries, thus taking a major step toward regional expansion in this crop.

In March 2012 we were granted the first marketing authorization worldwide from the Canadian authorities for the new fungicidal seed treatment product **EverGol™** (penflufen). We subsequently introduced that product to the market. Further registrations for the **EverGol™/Emesto™** line of seed treatment products have been received in the United States. These products offer farmers much better options for controlling fungal diseases even at very low application rates.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In February 2012, CropScience and Texas AgriLife Research, United States, signed a multi-year agreement to develop and commercialize improved wheat varieties.

In March 2012, CropScience acquired the germplasm assets of ProSoy Genetics, L.C., the soybean breeding division of Thompson Agronomics, Inc., headquartered in Leland, Iowa, United States.

In April 2012 we signed an agreement with KWS SAAT AG on the global joint development and commercialization of an innovative weed control system in sugar beet.

In May 2012 we completed the expansion of our research and development center for vegetable seed in Leudal, Netherlands. The existing research building was almost tripled in size and is now equipped with state-of-the-art laboratories.

In ***July 2012***, CropScience acquired the watermelon and melon seed business of Abbott & Cobb Inc., headquartered in Feasterville, Pennsylvania, United States. The acquisition strengthens our vegetable seed business.

Also in ***July 2012***, CropScience formed a partnership in Australia with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Grains Research and Development Corporation (GRDC) to increase yield in wheat. Through genetic modification, CSIRO has developed wheat that produces significantly more grain. CropScience and CSIRO aim to continue developing this technology.

A further agreement signed in July 2012 related to the purchase of AgraQuest, Inc., a company headquartered in Davis, California, United States. This transaction closed in ***August 2012***. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. The acquisition is aimed at enabling us to build a leading technology platform for biological crop protection products and further strengthen our strategically important vegetables business.

EMERGING MARKETS

CropScience raised sales in the emerging markets by 10.1% (Fx adj.) in the first nine months of 2012 to €2,522 million, including third-quarter sales of €885 million (Fx adj. +9.1%). We registered particularly strong growth in the third quarter in Brazil and China. In addition, we posted sales gains in the Eastern Europe, Africa and Middle East regions. The emerging markets' share of total CropScience sales was 38.6% in the first nine months of 2012 and 53.9% in the third quarter.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €178 million on research and development (not including joint development activities with customers) in the first nine months of 2012, including €60 million in the third quarter. This investment went mainly to explore new areas of application and improve process technologies and products.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

In January 2012, construction began on a multi-purpose production facility in Leverkusen that will expand the current capacities for polyurethane coating raw materials. Scheduled for completion in the fall of 2013, the plant will use modern and innovative process technologies to produce the chemicals hexamethylene diisocyanate (HDI) and isophorone diisocyanate (IPDI). MaterialScience predicts growing demand for these precursors, which are used primarily for high-quality, environmentally friendly automotive and industrial coatings.

Also in January 2012, MaterialScience opened a new research center at the Dormagen site that pools global process research for isocyanates, key components of polyurethanes.

In February 2012, we received a permit for an early start to the construction of a major new plant at the Dormagen site. There the company plans to spend approximately €150 million to build a high-tech facility for the production of toluene diisocyanate (TDI) using a particularly eco-friendly process. TDI is needed for the manufacture of flexible polyurethane foam. The final operating permit is expected to be granted at the end of 2012. In the medium term, the new 300,000-tons-per-year facility is due to replace the existing plants for the production of TDI in Dormagen and Brunsbüttel. MaterialScience expects demand for this raw material to continue increasing.

In March 2012, we acquired from French company Eximium S.A.S. and other stockholders the remaining 50% interest in the systems house joint venture Baulé S.A.S., which was formed in 2008. Baulé S.A.S. is a global leader in the development, formulation and processing of polyurethane cast elastomers.

In ***September 2012***, MaterialScience applied for the permit to expand the capacity of its new high-tech diphenylmethane diisocyanate (MDI) production facility in Brunsbüttel. It is planned to invest some €120 million to increase this plant's capacity from 200,000 to 420,000 tons per year. The regulatory decision is expected in mid-2013.

EMERGING MARKETS
In the emerging markets, MaterialScience had sales of €3,720 million in the first nine months of 2012 (9M 2011: €3,450 million). On a currency-adjusted basis, sales expanded by 2.7%. Sales in the emerging markets came to €1,307 million (Fx adj. +4.8%) in the third quarter. We again achieved the highest growth rates in Latin America, and also increased sales in Eastern Europe. Business also expanded in the emerging markets of Asia, thanks to strong sales in China. The emerging markets accounted for 42.6% of total MaterialScience sales in the first nine months of 2012 and 43.7% in the third quarter.

10. Employees

On September 30, 2012, the Bayer Group employed 111,000 people worldwide (December 31, 2011: 111,800). There was thus a slight decline in the total number of employees (-0.7%).

HealthCare employed 55,600 people (December 31, 2011: 55,700). The number of employees at CropScience remained almost flat with the end of last year at 20,900 (December 31, 2011: 21,000). There was a slight decline at MaterialScience to 14,600 employees (December 31, 2011: 14,800). The majority of the remaining 19,900 employees (December 31, 2011: 20,300) worked for the service companies.

Personnel expenses rose by 6.5% in the first nine months of 2012 to €6,899 million (9M 2011: €6,480 million), of which the third quarter of 2012 accounted for €2,283 million. The increase was largely due to provisions for variable employee compensation as well as currency effects.

11. Opportunities and Risks

As a global enterprise with a diversified business portfolio, the Bayer Group enjoys many opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in Chapter 11.1 of the Bayer Annual Report 2011.

A risk management system is in place. Apart from financial risks, there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2011 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 49 ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2011 on pages 132-141 and 255-262. The Bayer Annual Report 2011 can be downloaded free of charge at WWW.BAYER.COM.

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

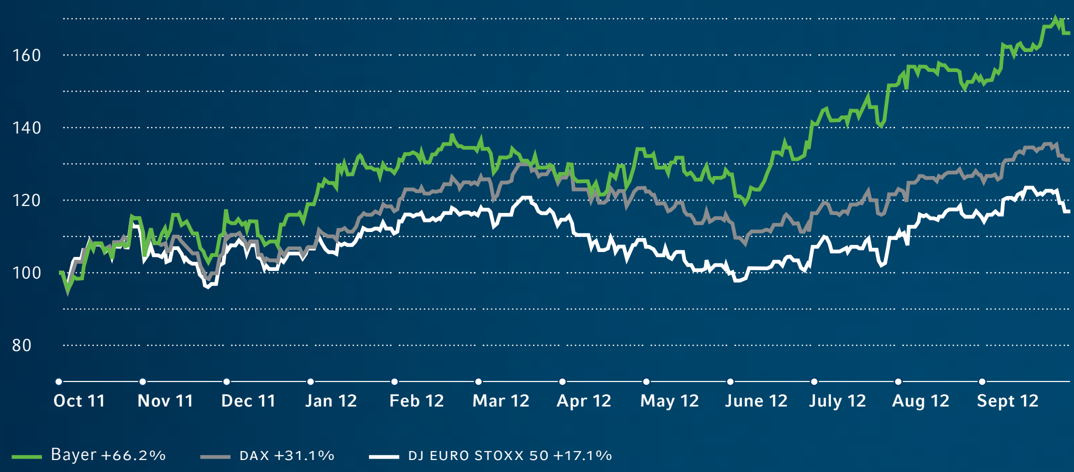
12. Events After the End of the Reporting Period

Since October 1, 2012, 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 19]

indexed; 100 = Xetra closing price on September 30, 2011 (source: Bloomberg)



The positive development of Bayer stock in the first half of 2012 gained momentum in the third quarter, with the company's shares considerably outperforming the DAX and EURO STOXX 50 indices. Bayer stock climbed by 17.7%, while the DAX rose by 12.5%. The EURO STOXX 50 (performance index) registered an increase of 8.9% in the same period.

Bayer stock closed at €66.83 on September 30, 2012. Including the dividend of €1.65 per share paid on April 30, 2012, Bayer stock posted a performance of 39.5% for the first nine months of 2012. The DAX gained 22.3% in the same period, closing at 7,216 points. The EURO STOXX 50 (performance index) advanced by 9.6% since the beginning of the year, closing the third quarter at 4,300 points.

Bayer Stock Data [Table 18]

		3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
High for the period	€	58.30	68.40	59.35	68.40
Low for the period	€	36.82	56.56	36.82	47.97
Average daily trading volume	million	4.8	2.7	3.9	2.8
		Sep. 30, 2011	Sep. 30, 2012	Dec. 31, 2011	Change Sep. 30, 2012/ Dec. 31, 2011 %
Share price	€	41.45	66.83	49.40	+35.3
Market capitalization	€ million	34,277	55,265	40,851	+35.3
Equity as per statements of financial position	€ million	19,008	18,706	19,271	−2.9
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		5,502	7,216	5,898	+22.3

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2012

Bayer Group Consolidated Income Statements

[Table 19]

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
Net sales	**8,670**	**9,665**	**27,337**	**29,898**
Cost of goods sold	(4,278)	(4,686)	(13,233)	(14,279)
Gross profit	**4,392**	**4,979**	**14,104**	**15,619**
Selling expenses	(2,134)	(2,471)	(6,511)	(7,284)
Research and development expenses	(691)	(741)	(2,155)	(2,191)
General administration expenses	(403)	(477)	(1,254)	(1,388)
Other operating income	92	185	573	470
Other operating expenses	(157)	(637)	(1,237)	(2,001)
Operating result (EBIT)	**1,099**	**838**	**3,520**	**3,225**
Equity-method loss	(12)	(12)	(33)	(36)
Non-operating income	153	75	387	319
Non-operating expenses	(365)	(235)	(962)	(834)
Non-operating result	**(224)**	**(172)**	**(608)**	**(551)**
Income before income taxes	**875**	**666**	**2,912**	**2,674**
Income taxes	(229)	(132)	(837)	(590)
Income after taxes	**646**	**534**	**2,075**	**2,084**
of which attributable to non-controlling interest	4	6	2	12
of which attributable to Bayer AG stockholders (net income)	**642**	**528**	**2,073**	**2,072**
	€	€	€	€
Earnings per share				
Basic	0.78	0.64	2.51	2.51
Diluted	0.78	0.64	2.51	2.51

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
Income after taxes	**646**	**534**	**2,075**	**2,084**
of which attributable to non-controlling interest	*4*	*6*	*2*	*12*
of which attributable to Bayer AG stockholders	*642*	*528*	*2,073*	*2,072*
Changes in fair values of derivatives designated as cash flow hedges	(106)	1	39	(47)
Reclassified to profit or loss	(18)	78	3	110
Income taxes	38	(22)	(12)	(19)
Change in the amount recognized outside profit or loss (cash flow hedges)	**(86)**	**57**	**30**	**44**
Changes in fair values of available-for-sale financial assets	(7)	18	(8)	36
Reclassified to profit or loss	(2)	-	(3)	-
Income taxes	3	(7)	3	(14)
Change in the amount recognized outside profit or loss (available-for-sale financial assets)	(6)	11	(8)	22
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	(981)	(573)	(667)	(2,187)
Income taxes	346	181	242	687
Change in the amount 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)	**(635)**	**(392)**	**(425)**	**(1,500)**
Change in exchange differences recognized on translation of operations outside the eurozone	170	(58)	(319)	153
Reclassified to profit or loss	-	-	-	-
Change in the amount recognized outside profit or loss (exchange differences)	**170**	**(58)**	**(319)**	**153**
Effects of changes in scope of consolidation	**-**	**1**	**-**	(3)
Total changes recognized outside profit or loss	**(557)**	**(381)**	**(722)**	**(1,284)**
of which attributable to non-controlling interest	*1*	*-*	*(6)*	*-*
of which attributable to Bayer AG stockholders	*(558)*	*(381)*	*(716)*	*(1,284)*
Total comprehensive income	**89**	**153**	**1,353**	**800**
of which attributable to non-controlling interest	*5*	*6*	*(4)*	*12*
of which attributable to Bayer AG stockholders	*84*	*147*	*1,357*	*788*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	Sep. 30, 2011	Sep. 30, 2012	Dec. 31, 2011
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,047	9,363	9,160
Other intangible assets	10,430	9,700	10,295
Property, plant and equipment	9,480	9,696	9,823
Investments accounted for using the equity method	319	292	319
Other financial assets	1,113	1,354	1,364
Other receivables	408	518	425
Deferred taxes	1,246	1,485	1,311
	32,043	**32,408**	**32,697**
Current assets			
Inventories	6,539	6,933	6,368
Trade accounts receivable	7,025	7,923	7,061
Other financial assets	3,063	1,566	2,784
Other receivables	1,619	1,939	1,628
Claims for income tax refunds	436	639	373
Cash and cash equivalents	1,181	1,426	1,770
Assets held for sale	15	14	84
	19,878	**20,440**	**20,068**
Total assets	**51,921**	**52,848**	**52,765**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	10,665	10,356	10,928
Equity attributable to Bayer AG stockholders	**18,949**	**18,640**	**19,212**
Equity attributable to non-controlling interest	59	66	59
	19,008	**18,706**	**19,271**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,524	9,805	7,870
Other provisions	1,754	1,872	1,649
Financial liabilities	7,521	7,117	7,995
Other liabilities	500	385	474
Deferred taxes	2,401	1,225	2,116
	19,700	**20,404**	**20,104**
Current liabilities			
Other provisions	4,593	5,485	4,218
Financial liabilities	3,721	2,630	3,684
Trade accounts payable	3,397	3,788	3,779
Income tax liabilities	46	320	76
Other liabilities	1,456	1,515	1,630
Provisions directly related to assets held for sale	-	-	3
	13,213	**13,738**	**13,390**
Total equity and liabilities	**51,921**	**52,848**	**52,765**

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
Income after taxes	646	534	2,075	2,084
Income taxes	229	132	837	590
Non-operating result	224	172	608	551
Income taxes paid or accrued	(210)	(312)	(885)	(1,173)
Depreciation, amortization and impairments	632	744	1,983	2,295
Change in pension provisions	(181)	(219)	(431)	(448)
(Gains) losses on retirements of noncurrent assets	(13)	(28)	(19)	(55)
Gross cash flow	**1,327**	**1,023**	**4,168**	**3,844**
Decrease (increase) in inventories	(192)	(180)	(524)	(466)
Decrease (increase) in trade accounts receivable	571	686	(500)	(794)
(Decrease) increase in trade accounts payable	(157)	337	(83)	17
Changes in other working capital, other non-cash items	28	123	847	1,028
Net cash provided by (used in) operating activities (net cash flow)	**1,577**	**1,989**	**3,908**	**3,629**
Cash outflows for additions to property, plant, equipment and intangible assets	(354)	(486)	(890)	(1,186)
Cash inflows from sales of property, plant, equipment and other assets	24	41	89	98
Cash inflows from divestitures	28	26	80	139
Cash inflows from (outflows for) noncurrent financial assets	16	(79)	(54)	(316)
Cash outflows for acquisitions less acquired cash	(87)	(386)	(235)	(452)
Interest and dividends received	13	14	41	76
Cash inflows from (outflows for) current financial assets	(1,277)	(886)	(2,208)	1,325
Net cash provided by (used in) investing activities	**(1,637)**	**(1,756)**	**(3,177)**	**(316)**
Dividend payments and withholding tax on dividends	(2)	(1)	(1,243)	(1,366)
Issuances of debt	47	150	505	1,026
Retirements of debt	(419)	(190)	(1,112)	(2,933)
Interest paid including interest-rate swaps	(268)	(203)	(741)	(668)
Interest received from interest-rate swaps	77	89	269	277
Cash outflows for the purchase of additional interests in subsidiaries	(2)	(1)	(4)	(3)
Net cash provided by (used in) financing activities	**(567)**	**(156)**	**(2,326)**	**(3,667)**
Change in cash and cash equivalents due to business activities	**(627)**	**77**	**(1,595)**	**(354)**
Cash and cash equivalents at beginning of period	**1,797**	**1,342**	**2,840**	**1,770**
Change in cash and cash equivalents due to exchange rate movements	11	7	(64)	10
Cash and cash equivalents at end of period	**1,181**	**1,426**	**1,181**	**1,426**

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, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,240)	(1,240)	(2)	(1,242)
Other changes			(1)	(1)	2	1
Total comprehensive income**			1,357	1,357	(4)	1,353
Sep. 30, 2011	**2,117**	**6,167**	**10,665**	**18,949**	**59**	**19,008**
Dec. 31, 2011	**2,117**	**6,167**	**10,928**	**19,212**	**59**	**19,271**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,364)	(1,364)	(2)	(1,366)
Other changes			4	4	(3)	1
Total comprehensive income**			788	788	12	800
Sep. 30, 2012	**2,117**	**6,167**	**10,356**	**18,640**	**66**	**18,706**

* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2012

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external)	2,420	2,734	1,780	1,985
Change	−2.9%	+ 13.0%	+ 0.1%	+ 11.5%
Currency-adjusted change	0.0%	+ 6.1%	+ 4.5%	+ 4.2%
Intersegment sales	28	117	3	2
Net sales (total)	2,448	2,851	1,783	1,987
Operating result (EBIT)	515	366	351	272
EBIT before special items	549	613	360	359
EBITDA before special items	768	827	458	470
Gross cash flow*	489	364	311	304
Net cash flow*	517	795	297	321
Depreciation, amortization and impairments	220	225	98	184
	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012
Net sales (external)	7,269	7,936	5,305	5,753
Change	−0.5%	+ 9.2%	+ 3.2%	+ 8.4%
Currency-adjusted change	+0.5%	+4.0%	+5.7%	+3.2%
Intersegment sales	81	218	5	3
Net sales (total)	7,350	8,154	5,310	5,756
Operating result (EBIT)	1,426	918	995	695
EBIT before special items	1,544	1,704	1,008	1,031
EBITDA before special items	2,214	2,376	1,308	1,350
Gross cash flow*	1,412	1,070	916	960
Net cash flow*	1,376	1,717	855	765
Depreciation, amortization and impairments	671	691	300	633
Number of employees (as of Sep. 30)**	37,600	37,800	18,700	17,800

2011 figures restated
* For definition see chapter 8 "Financial Position of the Bayer Group."
** Number of employees in full-time equivalents

[Table 24]

CropScience		MaterialScience		Reconciliation					
CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
1,379	1,641	2,768	2,992	322	312	1	1	8,670	9,665
+ 2.8%	+ 19.0%	+ 3.9%	+ 8.1%	+ 6.6%	−3.1%	-	-	+ 1.0%	+ 11.5%
+ 8.7%	+ 11.7%	+ 7.6%	+ 2.2%	+ 7.3%	−3.7%	-	-	+ 4.9%	+ 5.0%
7	8	15	12	465	508	(518)	(647)	-	-
1,386	1,649	2,783	3,004	787	820	(517)	(646)	8,670	9,665
24	65	196	168	65	22	(52)	(55)	1,099	838
46	68	196	177	75	36	(52)	(59)	1,174	1,194
165	189	348	333	135	84	(69)	(58)	1,805	1,845
102	130	258	235	226	40	(59)	(50)	1,327	1,023
409	514	129	415	67	107	158	(163)	1,577	1,989
119	127	152	159	60	48	(17)	1	632	744
First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012
5,579	6,527	8,236	8,742	945	937	3	3	27,337	29,898
+ 7.8%	+ 17.0%	+ 8.8%	+ 6.1%	+ 7.9%	−0.8%	-	-	+4.8%	+9.4%
+10.6%	+12.6%	+11.2%	+1.7%	+8.1%	−1.3%	-	-	+6.9%	+4.7%
21	22	49	38	1,348	1,472	(1,504)	(1,753)	-	-
5,600	6,549	8,285	8,780	2,293	2,409	(1,501)	(1,750)	27,337	29,898
515	1,298	637	505	97	(12)	(150)	(179)	3,520	3,225
1,023	1,364	637	536	119	62	(150)	(185)	4,181	4,512
1,381	1,719	1,065	996	249	199	(145)	(181)	6,072	6,459
720	1,189	818	730	396	35	(94)	(140)	4,168	3,844
1,018	794	265	495	281	5	113	(147)	3,908	3,629
449	367	428	463	130	137	5	4	1,983	2,295
21,500	20,900	15,000	14,600	19,700	19,300	700	600	113,200	111,000

Key Data by Region

	Europe		North America	
	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,295	3,383	1,815	2,227
Change	+1.6%	+2.7%	−6.0%	+22.7%
Currency-adjusted change	+1.9%	+1.9%	+2.3%	+9.0%
Net sales (external) – by point of origin	3,681	3,748	1,823	2,227
Change	+2.6%	+1.8%	−6.8%	+22.2%
Currency-adjusted change	+2.8%	+1.1%	+1.6%	+8.2%
Interregional sales	1,642	1,957	696	733
Operating result (EBIT)	631	411	220	128

	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012
Net sales (external) – by market	11,110	11,289	6,208	7,424
Change	+6.7%	+1.6%	−1.5%	+19.6%
Currency-adjusted change	+6.7%	+1.2%	+4.3%	+9.9%
Net sales (external) – by point of origin	12,306	12,501	6,248	7,364
Change	+7.1%	+1.6%	−1.3%	+17.9%
Currency-adjusted change	+7.1%	+1.2%	+4.6%	+8.0%
Interregional sales	5,157	5,967	2,109	2,179
Operating result (EBIT)	2,302	2,162	598	380
Number of employees (as of Sep. 30)*	54,700	52,700	16,000	15,300

* Number of employees in full-time equivalents

[Table 25]

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Total	
	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012	3rd Quarter 2011	3rd Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,983	2,289	1,577	1,766	-	-	8,670	9,665
	+4.0%	+15.4%	+5.1%	+12.0%	-	-	+1.0%	+11.5%
	+6.9%	+4.4%	+12.1%	+7.4%	-	-	+4.9%	+5.0%
	1,908	2,216	1,258	1,474	-	-	8,670	9,665
	+4.8%	+16.1%	+3.5%	+17.2%	-	-	+1.0%	+11.5%
	+7.8%	+4.7%	+11.7%	+11.8%	-	-	+4.9%	+5.0%
	122	169	102	140	(2,562)	(2,999)	-	-
	153	168	147	186	(52)	(55)	1,099	838
	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012	First Nine Months 2011	First Nine Months 2012
	5,768	6,520	4,251	4,665	-	-	27,337	29,898
	+6.3%	+13.0%	+8.0%	+9.7%	-	-	+4.8%	+9.4%
	+7.2%	+3.6%	+11.1%	+7.6%	-	-	+6.9%	+4.7%
	5,516	6,301	3,267	3,732	-	-	27,337	29,898
	+6.8%	+14.2%	+5.8%	+14.2%	-	-	+4.8%	+9.4%
	+7.8%	+4.4%	+9.3%	+11.9%	-	-	+6.9%	+4.7%
	348	483	306	370	(7,920)	(8,999)	-	-
	515	520	255	342	(150)	(179)	3,520	3,225
	26,200	26,500	16,300	16,500	-	-	113,200	111,000

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 30, 2012 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 2011 fiscal year, particularly with regard to the main recognition and valuation principles.

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

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

Exchange Rates for Major Currencies [Table 26]

		Closing Rate			Average Rate	
€1		Dec. 31, 2011	Sep. 30, 2011	Sep. 30, 2012	First Nine Months 2011	First Nine Months 2012
ARS	Argentina	5.57	5.67	6.06	5.74	5.71
BRL	Brazil	2.43	2.47	2.62	2.29	2.45
CAD	Canada	1.32	1.41	1.27	1.37	1.28
CHF	Switzerland	1.22	1.22	1.21	1.23	1.20
CNY	China	8.16	8.62	8.13	9.14	8.10
GBP	United Kingdom	0.84	0.87	0.80	0.87	0.81
JPY	Japan	100.20	103.79	100.37	113.12	101.52
MXN	Mexico	18.05	18.59	16.61	16.90	16.94
USD	United States	1.29	1.35	1.29	1.41	1.28

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

Discount Rate for Pension Obligations [Table 27]

	Dec. 31, 2011	June 30, 2012	Sep. 30, 2012
	%	%	%
Germany	4.50	3.60	3.20
United Kingdom	4.70	4.25	4.00
United States	4.10	3.80	3.60

SEGMENT REPORTING

The strategic business entity "Diagnostic Imaging," comprising contrast agents for imaging applications such as X-ray and MRI, was transferred at the end of 2011 from the Specialty Medicine business unit (Pharmaceuticals segment) to the Medical Care Division (Consumer Health segment) for organizational reasons and combined with the related injection systems into a single business unit. The prior-year figures have been restated accordingly.

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

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

	3rd Quarter 2011	3rd Quarter 2012	First Nine Months 2011	First Nine Months 2012
	€ million	€ million	€ million	€ million
Operating result of segments	1,151	893	3,670	3,404
Operating result of Corporate Center	(52)	(55)	(150)	(179)
Operating result (EBIT)	**1,099**	**838**	**3,520**	**3,225**
Non-operating result	(224)	(172)	(608)	(551)
Income before income taxes	**875**	**666**	**2,912**	**2,674**

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of September 30, 2012, the Bayer Group comprised 288 fully or proportionately consolidated companies (December 31, 2011: 283 companies). Three joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2011: four joint ventures). In addition, four associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates) (December 31, 2011: four associated companies).

ACQUISITIONS AND DIVESTITURES

Acquisitions

On March 31, 2012, Bayer acquired the remaining 50% interest in the systems house joint venture Baulé S.A.S., France. This joint venture was formed in 2008 by MaterialScience and Michel Baulé S.A., which was later renamed EXIMIUM S.A.S. Baulé S.A.S. is a global leader in the development, formulation and processing of polyurethane cast elastomers. The purchase price of €50 million pertained mainly to customer relationships and goodwill. The income statement of Baulé S.A.S. was included in the consolidated financial statements by proportionate consolidation for the last time in the first quarter of 2012, whereas its assets and liabilities were already fully consolidated as of March 31, 2012. Following the purchase price allocation, the following assets and liabilities were recognized: goodwill (€39 million), other intangible assets (€55 million), other noncurrent assets (€3 million), inventories and other current assets (€21 million), cash and cash equivalents (€5 million), other liabilities (€8 million) and deferred tax liabilities (€16 million). The revaluation of mainly intangible assets that were previously held by the joint venture resulted in other operating income of €19 million. The fair value of the prior interest was €49 million at the time of the acquisition. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual assets. Baulé achieved sales of €24 million since the date on which the remaining interest was acquired.

On July 2, 2012, CropScience acquired the watermelon and melon seed business of the U.S. company Abbott & Cobb Inc., headquartered in Feasterville, Pennsylvania. Abbott & Cobb has a robust watermelon position in the U.S. market with increasing business in Mexico, Australia and Asia. This makes the acquisition a significant step forward for the presence of CropScience in the watermelon market. In addition, the melon business and the germplasm will further broaden the existing seed portfolio and provide the basis for future new hybrids. A net purchase price of €43 million was agreed, pertaining mainly to germplasm, customer relations and goodwill. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual assets. Sales of €2 million were recorded since the acquisition date.

On July 3, 2012, CropScience signed an agreement to purchase the U.S. company AgraQuest Inc., headquartered in Davis, California, United States. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. It focuses on discovering, manufacturing and marketing highly effective products for biological pest and disease control to safeguard and increase crop production. The acquisition will help CropScience to build a leading technology platform for biological products and to further strengthen its strategically important fruit and vegetables business. A purchase price of approximately €370 million was agreed, pertaining mainly to the technology platform and goodwill. This amount comprises a one-time payment and potential milestone payments with a total fair value of €29 million. The acquisition received the necessary regulatory approvals and closed on August 15, 2012. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual assets. AgraQuest had sales of €2 million since the acquisition date.

The effect of this and other, smaller transactions and of purchase price adjustments pertaining to previous years' transactions on the Group's assets and liabilities as of the respective acquisition or adjustment dates are shown in the table. Net of acquired cash and cash equivalents, they resulted in the following cash outflow (disregarding the assets and liabilities that were previously included by proportionate consolidation):

Acquired Assets and Assumed Liabilities [Table 29]

	Fair value
	€ million
Goodwill	177
Other intangible assets	417
Property, plant and equipment	13
Other noncurrent assets	1
Inventories	36
Other current assets	15
Cash and cash equivalents	4
Other provisions	(4)
Other liabilities	(15)
Deferred tax liabilities	(161)
Net assets	**483**
Non-controlling interest	-
Net purchase prices	**483**
Acquired cash and cash equivalents	(4)
Liabilities for future payments	(24)
Net cash outflow for acquisitions	**455**

Cash outflows for acquisitions and for the purchase of additional interests in subsidiaries in the first nine months of 2011 amounted to €239 million and related mainly to the purchase of the animal health company Bomac, New Zealand; Hornbeck Seed Company, Inc., United States; and the U.S. company Pathway Medical Technologies, Inc., a supplier of products to mechanically remove arterial plaque.

Divestitures

On April 15, 2012, Bayer entered into an agreement to sell all PET tracer substances to Piramal Imaging SA., Switzerland. This transaction includes the PET tracer florbetaben, which is currently in development for the detection of Alzheimer's disease, the most common form of dementia. Milestone and royalty payments were agreed.

The agreement with Genzyme Corp., United States, announced in March 2009 comprised the transfer of the hematological oncology portfolio to Genzyme, which was effected in May 2009. We also agreed to transfer the production site for Leukine after final inspection by the U.S. Food and Drug Administration (FDA). This inspection took place in March 2012. The agreement concerning the sale of the production site including inventories was signed on May 29, 2012. A purchase price of €71 million was agreed.

We received revenue-based payments of €71 million in the first nine months of 2012 in connection with the aforementioned transfer of the hematological oncology portfolio to Genzyme Corp., United States.

The effects in the first nine months of 2012 of the above divestitures, an additional smaller divestiture and the receipt of a payment pertaining to a transaction effected in the previous year are shown in the table:

Divestitures [Table 30]

	2012
	€ million
Inventories	1
Assets held for sale	70
Net assets	**71**
Net cash inflow from divestitures	139
Changes in future cash payments receivable	(65)
Net gain from divestitures (before taxes)	**3**

Assets held for sale, and provisions directly related to assets held for sale

The negotiations concerning the sale of a research center in Japan (CropScience), a pharmaceutical product, a pharmaceutical research and development project, and a property including buildings in France (Consumer Health) were concluded in the first half of 2012. These assets had been reclassified as "assets held for sale" as of December 31, 2011. They were also transferred in the first half of 2012.

Due to new contractual negotiations concerning the sale of a production site in the United Kingdom, an impairment loss of €8 million was recognized in the CropScience reporting segment in the second quarter of 2012 in accordance with IFRS 5.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

In April 2012, the unpaid portion of the capital provided to Bayer-Pensionskasse VVaG for its effective initial fund was increased by €800 million to €1,005 million.

In June 2012, Bayer AG signed a guarantee declaration in favor of the trustee company for the U.K. pension plans concerning pension obligations of Bayer Public Limited Company and Bayer CropScience Ltd. Bayer AG, in addition to these two companies, thus guarantees that further funds will be paid in should the trustees make a request for such payment. As of September 30, 2012, the net obligation according to IAS 19 arising from the pension plans of the above-mentioned companies was €146 million.

LEGAL RISKS

To find out more about the Bayer Group's legal risks, please see pages 255 to 262 of the Bayer Annual Report 2011, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2011, the following significant changes have occurred in respect of the legal risks:

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of October 15, 2012, the number of lawsuits pending in the United States and served upon Bayer was about 12,400. In addition, about 720 asserted claims were pending that have not been filed in court. The number of claimants in the pending lawsuits and claims totaled about 13,500 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. As of October 15, 2012, Bayer had reached agreements, without admission of liability, to settle the claims of about 3,490 claimants in the U.S. for a total amount of about US$750 million. Bayer is only settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case-specific analysis of medical records on a rolling basis. Such injuries are alleged by about 3,800 of the pending unsettled claimants and therefore by fewer than one third of the currently pending claimants. Bayer has taken appropriate accounting measures for anticipated defense costs and for agreed and anticipated future settlements based on the information currently available and based on the number of pending claims alleging venous clot injuries. Bayer is insured against product liability risks to the extent customary in the industry. However, the accounting measures taken include an amount in excess of the available insurance coverage. For the accounting measures exceeding the insurance coverage, Bayer recorded expenses totaling about €0.7 billion in the second and third quarters of 2012.

Patent disputes

Yasmin™: In the patent infringement proceedings against Watson, Sandoz and Lupin, a U.S. federal court dismissed Bayer´s infringement claims in 2010. In April 2012, the U.S. Court of Appeals for the Federal Circuit affirmed these judgments. Bayer did not seek a review of the decision. The dismissal of Bayer´s infringement claims is now final. In June 2012, Watson Pharmaceuticals, Inc., Watson Laboratories, Inc. and Watson Pharma, Inc. filed a complaint against Bayer in a U.S. state court in New York. Watson seeks compensatory and punitive damages claiming malicious prosecution, tortious interference and unjust enrichment by Bayer in connection with the patent infringement proceedings. The case is now pending before a U.S. federal court. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. In September 2012, the U.S. Federal Trade Commission (FTC) closed its investigation on the supply and licensing agreement between Bayer and Barr.

YAZ™: In the patent infringement proceedings against Watson, Sandoz and Lupin, the U.S. federal court ruled in March 2012 that Bayer's patents are valid and enforceable. The defendants have also infringed Bayer´s patents as was conceded by them earlier in the proceedings. Watson, Sandoz and Lupin have appealed. Bayer will vigorously pursue its claims for relief. In September 2012, the FTC closed its investigation on the supply and licensing agreement between Bayer and Barr.

Blood glucose monitoring devices: In April 2012, Bayer and Roche settled the arbitration over the alleged infringement of six of Roche's patents by Bayer's Breeze™ 2 and Contour™ systems. The terms of the settlement are confidential. The settlement did not have a material effect on Bayer´s results.

Staxyn™: In April 2012, Bayer filed a patent infringement suit in a U.S. federal court against Watson Laboratories, Inc. In March 2012, Bayer had received notice of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Watson seeks approval to market a generic version of Bayer's erectile dysfunction treatment Staxyn™ prior to patent expiration in the United States. Staxyn™ is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the U.S. by two patents expiring in 2018.

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of October 15, 2012, Bayer was aware of a total of approximately 130 lawsuits, involving about 4,900 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. A large percentage of these cases will be dismissed upon completion of the settlement with rice growers, discussed below. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S.

As reported previously, in 2011 Bayer reached settlement agreements with U.S. long grain rice growers. More than 94% of all of the eligible rice acreage will participate in the settlement. Bayer has now paid more than US$632 million to rice growers under the settlement. Additional payments will be made in the coming months once all claims have been verified until the full US$750 million agreed to under the settlement has been paid.

Without acknowledging liability, Bayer also settled the claims filed by six European rice importers, one U.S. rice exporter, nine U.S. rice mills or rice dryers, six rice seed sellers and several growers outside of the US$750 million master settlement at a total settlement value of about US$170 million. This amount includes settlement of all of the cases that went to trial, except for the case involving Riceland Foods. In addition, 18 cases that have not yet gone to trial continue to be pending in the U.S. with business entities that are not a part of the US$750 million settlement program.

MATERIALSCIENCE

Antitrust proceedings in connection with rubber products

Antitrust proceedings in connection with rubber products: The reported actions for damages have been settled and are no longer considered to be material.

RELATED PARTIES

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

Leverkusen, October 25, 2012
Bayer Aktiengesellschaft

The Board of Management

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

Focus

Bayer CropScience develops integrated crop protection solutions and has partnered with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in Australia, for example, in the area of wheat. The photo shows Dr. Richard James examining wheat plants in a CSIRO greenhouse in Canberra, Australia.

Investment program to fuel further growth

Bayer CropScience has a robust strategy in place and is geared for continued strong growth over the mid-term, said Bayer CropScience CEO Sandra Peterson, speaking at the company's annual press conference.

Bayer CropScience is on track for above-market growth, Peterson explained. Backing the company's ambitions are plans to invest a total of €7 billion between 2011 and 2016 in Research and Development (R&D) and an expansion of production capacities and seed processing facilities.

As part of this program, Bayer CropScience is committing funds of €5 billion for its R&D operations to develop new solutions for the farmer, both in seeds and in novel chemical and biological crop protection. These funds are intended to fortify Bayer CropScience's already promising pipeline of integrated agricultural solutions. The products to be launched between 2011 and 2016 are considered to have a combined peak sales potential of more than €4 billion. The company also plans to establish new production capacities and seed processing facilities, in which a total of €2 billion is expected to be invested within the same time frame.

Fungicides research: Wolfgang Bucher from Bayer CropScience inspects treated seeds.

Peterson emphasized that the company is well-positioned to propel farming's future by leveraging the opportunities ahead. "Bayer CropScience aims to lead the way in sustainable crop solutions, and we are heavily investing in R&D, as well as production capacities, to respond to global demand for differentiated crop solutions," Peterson said. In August, Bayer CropScience completed its nearly US$500 million acquisition of U.S. biological pest control company AgraQuest, securing its foothold in this market, which is expected to triple to almost US$4 billion by 2020.

Peterson also spoke of the progress the company had made since it launched its four-pillar strategy based on rejuvenating the core Crop Protection business, reinventing customer-centricity along the entire value chain, refocusing innovation activities and expanding the Seeds business. "Our four-pillar strategy has transformed the company and set our path for future success," Peterson noted. "We have streamlined our portfolio and rebalanced the mix while accelerating the potential of new technologies. All these factors play a significant role in how we strive to propel farming's future."

Driving a world-class R&D portfolio

Bayer CropScience's R&D strategy and continuing portfolio development are at the core of an aggressive plan that will see the company increase its R&D spend and invest €5 billion in this area between 2011 and 2016. The strategy aims to create the best R&D portfolio in the industry by delivering differentiated solutions to meet customers' needs and leveraging the company's expertise in seeds, small molecules and biologics to build a unique position in plant health and a world-class external R&D network.

"With our strong expertise in seeds, chemistry and biological solutions, Bayer CropScience is uniquely positioned in the agricultural industry," said Dr. David Nicholson, Head of Research and Development at Bayer CropScience. "Our goal is to develop integrated crop solutions that provide farmers with a full package of products and services for the entire growing cycle – from planting the seeds to helping their harvest arrive fresh and in perfect shape on the retail shelves." To achieve this, Bayer CropScience has integrated its R&D operations across all its three divisions and disciplines. This enables the company to better leverage its full research and development capabilities – from weed, pest and disease management to stress tolerance and yield enhancement – to focus on key crops.

Members of the Bayer CropScience Executive Committee took questions from the media representatives at the annual press conference.

Cancer drug Stivarga approved in the U.S.

Bayer HealthCare employee Melanie Piazza at the filling unit for regorafenib in Leverkusen

The U.S. Food and Drug Administration (FDA) has approved Stivarga™ (active ingredient: regorafenib) for the treatment of patients with metastatic colorectal cancer (mCRC) who have been previously treated with currently available therapies (including fluoropyrimidine-, oxaliplatin- and irinotecan-based chemotherapy, an anti-VEGF therapy and, if KRAS wild type, an anti-EGFR therapy). The approval of Stivarga™ is based on results from the pivotal Phase III study (CORRECT) that demonstrated a statistically significant improvement in overall survival (OS) and progression-free survival (PFS) compared to placebo in patients with mCRC whose disease had progressed after approved standard therapies. Stivarga™ is an oral multi-kinase inhibitor that inhibits various kinases within the mechanisms involved in tumor growth and progression. "The U.S. approval of Stivarga™ is an important milestone for Bayer as it marks the first approval of this cancer treatment to fulfill a significant unmet medical need," said Bayer HealthCare CEO Dr. Jörg Reinhardt.

Regorafenib was submitted for approval for mCRC in the E.U. in May 2012. The application for approval of regorafenib to treat advanced colorectal cancer in Japan, filed in July 2012, has been granted priority review by the Japanese authorities. Regorafenib is also under development for the treatment of metastatic and/or unresectable gastrointestinal stromal tumors (GIST) in patients whose disease has progressed despite prior treatment with imatinib and sunitinib. Bayer recently submitted a New Drug Application (NDA) to the U.S. FDA for regorafenib in GIST.

Markku Kulmala honored with Bayer Climate Award 2012

Tiny solid or liquid particles that occur in the atmosphere in mixtures with gases – known as aerosols – can, under certain circumstances, lower the temperature of the Earth and thus diminish climate change. The formation of these tiny particles in the atmosphere is vitally important from a climate perspective. Climate research owes this fundamental finding to Professor Markku Kulmala from the University of Helsinki. It was for this research that the Bayer Science & Education Foundation honored the 53-year-old Finn, one of the world's leading geoscientists, with the Bayer Climate Award 2012. This award worth €50,000 is presented every two years. The award ceremony took place in Berlin during the opening event of the annual assembly of the Leopoldina, the German National Academy of Sciences, in front of 300 scientists and guests. "The Leopoldina devotes itself to the major global challenges of our time.

Bayer Management Board member Prof. Wolfgang Plischke with Bayer Climate Award winner Prof. Markku Kulmala and Nobel Prize winner Prof. Klaus von Klitzing (from left)

Bayer and our foundation are also closely involved in the search for solutions to some of these challenges – such as health care, nutrition and climate change," said Prof. Wolfgang Plischke, the member of the Bayer Board of Management responsible for Technology, Innovation and Sustainability and member of the Board of Directors of the Bayer Science & Education Foundation, at the award ceremony. In his congratulatory address, Prof. Klaus von Klitzing, Director of the Max Planck Institute for Solids Research (Stuttgart), winner of the 1985 Nobel Prize for Physics and member of the judging panel for the award, praised prizewinner Kulmala's pioneering achievements as a researcher into aerosols.

New Chairman of the Bayer Supervisory Board

In line with a resolution of the Bayer AG Supervisory Board, Werner Wenning became its Chairman on October 1, 2012. Wenning (65) had already been elected by the Annual Stockholders' Meeting of Bayer AG on April 27, 2012, to join the Supervisory Board effective October 1. Thus he took over as planned from Dr. Manfred Schneider (73), who stepped down from the Supervisory Board on September 30. Schneider had been in the service of the Bayer Group since 1966, including ten years as Chairman of the Board of Management and more than ten years as Chairman of the Supervisory Board. Wenning was Chairman of the Board of Management of Bayer AG from April 2002 until September 30, 2010. The statutory "cooling-off period," after which a former member of a company's board of management may join its supervisory board, ends after two years.

Dr. Manfred Schneider

Werner Wenning

Wenning's career with Bayer spanned nearly 45 years, during which he rose from trainee to CEO. Born in Leverkusen on October 21, 1946, Wenning joined the company on April 1, 1966 as a commercial trainee. He subsequently held a number of positions with Bayer in Germany and abroad before being appointed to the Bayer AG Board of Management as Chief Financial Officer in February 1997. Five years later – in April 2002 – he took over as Chairman of the Board of Management.

Milestones during Wenning's tenure as CEO included the strategic realignment of the Bayer Group and the spin-off of the traditional chemicals business under the name Lanxess. The most important and strategically decisive step toward expanding the life science business was the acquisition of Schering AG, Berlin, Germany, in 2006.

Search for herbicides with novel modes of action

With the aim of providing support for farmers in combating herbicide resistance, Bayer CropScience and the U.S. company Mendel Biotechnology, Inc., Hayward, California, have announced a new multi-year collaboration to jointly identify herbicides with novel modes of action. Increasing evidence of herbicide-resistant weeds in different regions of the world – including some weeds resistant to multiple herbicide classes – has spurred renewed interest in herbicide discovery.

Bayer CropScience, the global number three in herbicides, will contribute its leading expertise in herbicide research and development. Together with Mendel's deep knowledge of plant genetic regulatory networks (PGRNs) and its suite of proprietary genetic tools and assays for understanding plant development, this promising collaboration offers significant synergies.

Bayer CropScience supports farmers in managing herbicide resistance.

"There is a major need in agriculture for herbicides acting through novel modes of action," noted Dr. David Nicholson, Global Head of Research and Development at Bayer CropScience. "We believe that this collaboration will help us continue our significant contributions in agricultural chemistry and will further strengthen our partnering to cultivate new ideas and answers that will help growers to tackle weed resistance issues and protect their crops."

Treatment of wet macular degeneration

Bayer HealthCare has received approval from the Ministry of Health, Labor and Welfare (MHLW) in Japan for EYLEA™ (aflibercept) Injection for the treatment of patients with neovascular (wet) age-related macular degeneration (wet AMD) at a recommended dose of 2 milligram (mg) intravitreal injection per month for three consecutive months (treatment initiation).

The macula, part of the retina of the eye

The Japanese approval is based upon the results of two Phase III clinical studies (VIEW 1 and VIEW 2). Beyond the wet AMD indication, Phase III trials are currently underway with aflibercept (VEGF Trap-Eye) in the treatment of diabetic macular edema (DME) and myopic choroidal neovascularization (mCNV). Myopia is one of the most common eye conditions and is highly prevalent in Asian countries such as Singapore and Japan.

In the United States, Bayer's cooperation partner Regeneron received marketing approval for aflibercept (VEGF Trap-Eye) under the trade name EYLEA™ in November 2011 to treat wet AMD and in September 2012 to treat central retinal vein occlusion (CRVO). In Europe, Bayer recently received a positive recommendation from the Committee for Medicinal Products for Human Use (CHMP) for aflibercept for the treatment of patients with wet AMD. Bayer plans to submit an application for marketing authorization for aflibercept to treat CRVO in Europe before the end of 2012.

Products for companion animals and livestock

In a move to expand its product portfolio for companion animals and livestock, Bayer HealthCare has signed an agreement to acquire the U.S. animal health business of Teva Pharmaceutical Industries Ltd. for up to US$145 million. This acquisition reinforces Bayer's product offering in the United States with anti-infectives for livestock and adds reproductive hormones to the existing portfolio. The transaction also strengthens the company's companion animal franchise with the addition of dermatological, pet wellness and nutraceutical products. The transaction is expected to close in 2013.

"Teva's animal health business is a great strategic fit that allows us to strengthen and broaden our range of animal care solutions for our customers," said Bayer HealthCare CEO Dr. Jörg Reinhardt. "Through this acquisition we will leverage our own strong product line, customer relationships and brand equity. We look forward to offering our customers further treatment options in the future."

Bayer HealthCare continues to expand its range of treatment options for animals.

In addition, Bayer is to strengthen its European business by exclusively distributing a range of animal health products from Northern Ireland-based Norbrook Laboratories Ltd. in Germany and France. The two companies have signed an agreement to this effect.

Joint fight against malaria

Bayer CropScience and the Innovative Vector Control Consortium (IVCC), Liverpool, U.K., have extended the successful partnership they formed to discover new solutions for Public Health Products (PHPs). Under a new agreement, the parties have agreed to cooperate for a further three years in the search for new active ingredients effective against mosquitoes, which transmit diseases such as malaria and dengue fever.

"New ideas and answers are key in our continued fight against malaria, and as a global leader in vector control we are proud to be working so closely and successfully with the IVCC," said Bayer CropScience CEO Sandra Peterson. She reaffirmed the company's commitment to offer its resources and expertise, including its large substance library, its screening capabilities and its extensive experience in chemical synthesis and in the research and development of insecticides. According to figures from the World Health Organization (WHO), some 3.3 billion people are at risk from malaria.

The oxygen-depolarized cathode technology saves energy and reduces CO_2 emissions. The picture shows Luciano Goncalves of Bayer MaterialScience in the chlorine production plant in Krefeld, Germany.

Bayer a leader in sustainability commitment

Bayer has once again been included in both of the important Carbon Leadership Indexes of the Carbon Disclosure Project (CDP). With optimal ratings for performance and transparency, the Group reaffirmed its status as one of the world's leading companies in its sector in terms of climate strategy. Bayer also remains "best in class" in the area of sustainability. This is demonstrated by the company's renewed inclusion in both the Dow Jones Sustainability World (DJSI World) and the Dow Jones Sustainability Europe (DJSI Europe) indexes. Bayer has been continuously listed in the DJSI World since its inception in 1999. According to Paul Simpson, chief executive officer of CDP, Bayer shows "a clear commitment to manage its greenhouse gas emissions and take action on climate change." Organizations like Bayer that work to reduce their emissions and integrate climate change issues into their business strategies "have the potential for cost savings, revenue generating opportunities and, ultimately, a more resilient future," he added. "The fact that CDP has once again awarded us top ratings in both the major climate indexes is proof of the success of our strategy and our efforts in this area," said Prof. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Sustainability.

E.U. marketing application for contraceptive patch

Bayer HealthCare has submitted an application for marketing authorization in the European Union for a new transparent low-dose contraceptive patch. France will serve as the reference member state in the decentralized approval procedure. The contraceptive patch is small, round and transparent and contains 0.55 mg ethinylestradiol and 2.1 mg gestodene. It is applied once a week either to the abdomen, buttocks or outer upper arm where it delivers a steady, continuous dose of hormones over the 7-day application period. The systemic exposure is the same as observed after daily administration of a combined oral contraceptive containing 0.02 mg ethinylestradiol and 0.06 mg gestodene. Each patch is replaced after seven days. After three weeks, there is a hormone-free week.

Solutions for mobility concepts

Spanish firm Ingeteam has developed charging stations for electric cars in close collaboration with Bayer MaterialScience and Policam. For the first time ever, the housing is made of polyurethane: robust Baydur™ 110 rigid polyurethane foam. Two different versions of the charging stations are available: one suitable for outdoor installation along public roads and on plazas, and a wall-mounted model for installation in private homes.

More than 500 prototypes of the charging stations have already been installed at Spanish supermarkets, parking garages, conference and exhibition centers. "The charging-station housing is another example of how Bayer

A first in charging stations for electric cars: the housing is made of polyurethane.

MaterialScience develops solutions for future mobility concepts," says Alp Sarici, a marketing expert for polyurethane systems. "Unlike other plastic solutions, the polyurethane housings can also be produced profitably in small numbers, not least because the molds are relatively inexpensive."

Bayer steps up involvement in Solar Impulse project

Bayer MaterialScience is deepening its involvement in the Solar Impulse project – an unprecedented around-the-world flight powered solely by solar energy that is planned to take place in 2015. The company is responsible for the complete design of the cockpit shell of the second, improved model and is providing an innovative, extremely high-performance insulating material for this purpose. The new solar aircraft is expected to be completed in late 2013, with test flights to take place the following year.

Patrick Thomas, CEO of Bayer MaterialScience (center), with Bertrand Piccard (left) and André Borschberg of Solar Impulse

The first model remains available for additional missions. "We are studying several possibilities, and it could perhaps be making its first flights around the United States next year," said Bertrand Piccard, project initiator and President of Solar Impulse, at a joint news conference with Bayer in Payerne, Switzerland. The project proves that energy consumption can be greatly reduced with the help of clean technologies.

So far the solar aircraft has completed flights in Europe and most recently to North Africa, in each case with materials from Bayer MaterialScience on board. "We are now deepening our involvement as we go from materials supplier to system leader for the new cockpit," said Bayer MaterialScience CEO Patrick Thomas. "The Bayer Cross will be displayed on the aircraft in the future as a visible symbol of our commitment to this excellent partnership."

Bayer MaterialScience is contributing a variety of products and solutions to ensure that the second, larger model of the futuristic aircraft will be particularly lightweight, yet retain its rigidity. For example, because the cockpit cowl will be hinged for the first time, a section of it is being supported with a carbon-fiber-reinforced plastic. In addition, the innovative polyurethane foam Baytherm Microcell™ will be used as insulation in places. Further material and weight savings will be achieved by using Baytubes™ carbon nanotubes in carbon-fiber-reinforced structural components. This could allow the wings of the new aircraft to be enlarged and the number of solar cells mounted on them to be significantly increased.

New lab model for biotech start-ups

Bayer HealthCare has officially opened a new center for early-stage bioscience companies under the name CoLaborator™ in San Francisco's Mission Bay. The aim of the CoLaborator™ concept is to support academic researchers' start-ups in establishing their research labs. In addition to lab facilities, access to the global expertise and equipment of Bayer's research network will be available to CoLaborator™ scientists. At the same time, Bayer would like to make itself available to emerging companies as their first point of contact when they look for possible cooperation partners in the pharmaceutical industry.

"The CoLaborator™ concept seeks to address the need for new approaches to research partnerships that allow for a collaborative process with shared risks and rewards," said Prof. Andreas Busch, member of the Bayer HealthCare Executive Committee.

Children paint green communities

A penguin stands in a snowstorm, carefully bending over a ball between its feet and keeping it warm. The ball, with rivers and continents depicted on it, represents the Earth. With this picture, 13-year-old Diana Fan from the United States won the 21st International Children's Painting Competition on the Environment on the subject of "Green Communities."

Bayer and the United Nations Environment Programme (UNEP), as part of their global partnership, organized this unique competition, in which 637,675 children from all regions of the globe participated. In addition, more than 2.2 million children submitted their entries to a national pre-contest in China. "Participants in the International Children's Painting Competition continue to inspire the judges with their creativity and enthusiasm for the environment," said U.N. Under-Secretary-General and UNEP Executive Director Achim Steiner. "Their colorful artwork sends a clear message that we are all part of the global green community, and that by leading more sustainable lives, we can ensure that the rich, diverse environments depicted in these paintings can be supported for generations to come."

The winning painting by 13-year-old Diana Fan

New wheat varieties with higher stress tolerance

In a further move to establish a global wheat breeding program, Bayer CropScience has acquired a wheat breeding station in Milly-la-Forêt near Paris, France, from the privately-owned company RAGT Semences S.A.S. This station now becomes part of Bayer CropScience's breeding-station network.

Bayer CropScience is building a leading global wheat breeding program through selecting for outstanding agronomic properties in a broad pool of local and global breeding materials. "We are focused on increasing yields in wheat and adapting new varieties to existing environmental challenges," said Dr. Mathias Kremer, Head of the Seeds business unit at Bayer CropScience. "This new breeding station in France will enable us to deliver solutions to wheat farmers more rapidly by tapping into our global network of experts, using tools like molecular breeding and working closely with local partners and farmers."

Fleur Wilkins (left) from Bayer CropScience and Bahar Miraghazadeh from the Commonwealth Scientific and Industrial Research Organisation examine wheat plants.

Breeders are also developing new varieties with improved tolerance to abiotic stresses like drought and heat and improved resistance to fungal diseases. Another important criterion is grain quality. In addition, Bayer CropScience plans to invest around €12 million to set up a new breeding center for wheat and oilseed rape in the Wimmera region of Victoria, Australia.

"Complete Response" submitted

Bayer HealthCare's cooperation partner, Janssen Research & Development, LLC, has submitted its reply to the Complete Response Letter from the U.S. Food and Drug Administration (FDA) for the use of Xarelto™ (rivaroxaban) 2.5 mg twice daily in combination with standard antiplatelet therapy to reduce the risk of secondary cardiovascular events in patients with acute coronary syndrome (ACS). The submission includes the information requested by the FDA in its letter to Janssen Research & Development on June 21, 2012. The supplemental New Drug Application (sNDA) for the use of rivaroxaban, in combination with standard antiplatelet therapy, to reduce the risk of stent thrombosis in patients with ACS was resubmitted at the same time. Data from the ATLAS ACS 2-TIMI 51 trial support both filings.

Michael Czarnetzki (left) and Jörg Verlage inspect equipment in a Bayer HealthCare laboratory.

In Europe, an application for marketing authorization of Xarelto™ for secondary prevention after an ACS was submitted in December 2011 and is currently under review.

Reliable partner for innovative and sustainable products

AkzoNobel, the world's largest coatings manufacturer, has honored Bayer MaterialScience with the "Alliance Award for Superior Partnership." This coveted award is presented each year by the company's Amsterdam-based Automotive & Aerospace Coatings (A&AC) unit in recognition of particularly high and consistent product quality, supply reliability and product availability as well as good partnership. Bayer has long supplied AkzoNobel with raw materials, primarily aliphatic and aromatic isocyanates and polyurethane dispersions. Says Daniel Meyer, Head of Bayer MaterialScience's Coatings, Adhesives, Specialties business unit: "Our goal is to be a reliable partner for our customers, supporting their positive development in the global market."

TABLE OF CONTENTS

Financial Calendar

Announcement of Proposed Dividend	**February 26, 2013**
2012 Annual Report	**February 28, 2013**
Q1 2013 Interim Report	**April 25, 2013**
Annual Stockholders' Meeting 2013	**April 26, 2013**
Planned dividend payment date	**April 29, 2013**
Q2 2013 Interim Report	**July 31, 2013**
Q3 2013 Interim Report	**October 31, 2013**

MASTHEAD

Publisher
Bayer AG, 51368 Leverkusen,
Germany

Editor
Jörg Schäfer, phone +49 214 30 39136
email: joerg.schaefer@bayer.com

English edition
Currenta GmbH & Co. OHG
Language Service

Investor Relations
Peter Dahlhoff, phone +49 214 30 33022
email: peter.dahlhoff@bayer.com

Date of publication
Tuesday, October 30, 2012

Bayer on the internet
WWW.BAYER.COM

For fast and easy access to our online services, there's no need to copy down the internet addresses. Simply scan the codes below with your smartphone and an appropriate app:

Bayer's **online Stockholders' Newsletter** is available at: BAYER.COM/SN12Q3

Bayer's **online Annual Report** is available at: BAYER.COM/AR11

For an overview of other Bayer **publications**, go to: BAYER.COM/PUBLICATIONS

FSC www.fsc.org MIX From responsible sources FSC® C021751

Science For A Better Life