Science For A Better Life

NOTICE

OF THE ANNUAL STOCKHOLDERS' MEETING

on Friday, April 30, 2010

Contents

AGENDA

EXTRACTS FROM THE ANNUAL REPORT 2009

COVER PICTURE

As an inventor company Bayer aims for innovation, supported by its 12,400-strong global research and development team. One member of that team is Dr. Xin Ma, Head of the Global Drug Discovery Innovation Center China in Beijing. The photo shows the scientist preparing an experiment during drug development.

Notice of Meeting

We hereby give notice of our Annual Stockholders' Meeting to be held on Friday, April 30, 2010 at 10:00 a.m., in the Congress-Centrum Koelnmesse, North Entrance, Hall 7, Deutz-Mülheimer-Straße 111, 50679 Cologne.

Agenda

1. Submission of the confirmed financial statements of Bayer AG and consolidated financial statements of the Bayer Group, the combined management report, the report of the Supervisory Board as well as the explanatory report by the Board of Management on takeover-relevant information for the fiscal year 2009 and the Board of Management proposal for the distribution of the profit; resolution on the distribution of profit
The Board of Management and the Supervisory Board propose to use the entire distributable profit for the fiscal year 2009 shown in the financial statements in the amount of €1,157,726,931.20 to distribute a dividend of €1.40 per share entitled to a dividend.

The dividend, which represents the entire profit, is based on the number of shares entitled to a dividend on the day the financial statements were prepared by the Board of Management. If the Company holds treasury shares at the time of the Annual Stockholders' Meeting and therefore the number of shares which are entitled to a dividend at the time of the Annual Stockholders' Meeting is less than that at the time the financial statements were prepared, the Board of Management and Supervisory Board will propose a modified profit distribution to the Annual Stockholders' Meeting with the provision that in addition to an unchanged dividend distribution of €1.40 for each share the remaining amount of the profit will be carried forward.

The financial statements prepared by the Board of Management on February 15, 2010 were approved by the Supervisory Board on February 24, 2010 pursuant to § 172 sentence 1 of the German Stock Corporations Act (AktG); the financial statements are thus confirmed. A resolution by the Annual Stockholders' Meeting for confirmation of the annual financial statements therefore is not required. The remaining documents cited above are also only to be made available to the Annual Stockholders' Meeting pursuant to § 176 paragraph 1 sentence 1 AktG without requiring a resolution apart from the resolution for the distribution of the profit.

2. Ratification of actions of the members of the Board of Management
The Board of Management and the Supervisory Board propose that the actions of the members of the Board of Management holding office in the fiscal year 2009 be ratified with respect to that year.

3. Ratification of actions of the members of the Supervisory Board
The Board of Management and the Supervisory Board propose that the actions of the members of the Supervisory Board holding office in the fiscal year 2009 be ratified with respect to that year.

4. Approval of the compensation system for members of the Board of Management
The Law on the Appropriateness of Management Board Compensation (VorstAG) which became effective on August 5, 2009, creates the opportunity for the Annual Stockholders' Meeting to decide on the approval of the system of compensation for members of the Board of Management. This opportunity shall be exercised.

The compensation system for members of the Board of Management is described under the heading "Compensation System for the Board of Management effective 2010" on page 97f. of the Bayer Annual Report 2009 as part of the Compensation Report (Chapter 7.2 of the Management Report). The Annual Report for 2009 is available on the Internet at WWW.HV2010.BAYER.DE and is also available for inspection during the Annual Stockholders' Meeting.

The Board of Management and the Supervisory Board propose the approval of the compensation system for the members of the Board of Management.

5. Rescission of the existing Authorized Capital I, creation of a new Authorized Capital I with the option of exclusion of subscription rights and amendment of § 4 paragraph 2 of the Articles of Incorporation (capital stock)
The current Authorized Capital I (§ 4 paragraph 2 of the Articles of Incorporation) expires on April 27, 2011 and therefore prior to the planned 2011 Stockholders' Meeting. It is therefore intended to replace it with a new Authorized Capital I in the amount of €530,000,000.00 (equal to approximately 25% of the current existing capital stock), such that the existing Authorized Capital I is only then to be rescinded when it is certain that the new Authorized Capital I is available. In the case of utilization of this new Authorized Capital I, the stockholders will generally have a subscription right; however, the Board of Management, with the consent of the Supervisory Board, shall be authorized to exclude the stockholders' subscription right for certain purposes. The proportionate amount per share of the capital stock represented by shares which can be issued under exclusion of the stockholder's subscription right against cash or non-cash contributions may not exceed 20% of the company's capital stock existing at the time of the Stockholders' Meeting resolution. For the issuance of shares against non-cash contributions, the new Authorized Capital I may only be utilized up to a maximum of €423,397,120.00 (equal to less than 20% of the current existing capital stock).

The Board of Management may exercise the authority to issue shares from the new Authorized Capital I under the exclusion of stockholders' subscription rights up to a maximum of 20% of the current existing capital stock. Subject to the reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, the Board of Management would issue or tender shares or bonds with options/ or conversion rights on the basis of other existing authorization subject to the exclusion of the stockholder subscription rights (see resolution proposal to agenda item 6, 7 and 8), considering that the authorization for capital measures under the exclusion of stockholder subscription rights would only be used for an increase of the capital stock in a maximum amount of 20% of the current existing capital stock. The Board of Management is bound by this term as long as a subsequent Stockholders' Meeting does not reauthorize the Board of Management to undertake capital measures under the exclusion of stockholder subscription rights. Reference is made to the Board of Management Report to the Stockholders' Meeting pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG on Authorized Capital I (Agenda Item 5) as well the respective Board of Management reports on Authorized Capital II (Agenda Item 6), on the authorization to issue bonds with warrants/or convertible bonds (Agenda Item 7) and on the acquisition and use of treasury shares (Agenda Item 8).

Accordingly, the Board of Management and the Supervisory Board propose that the following resolution be adopted:

(1) The authorization of the Board of Management until April 27, 2011 contained in § 4 paragraph 2 of the Articles of Incorporation to increase the capital stock of the company by up to €465,000,000.00 (Authorized Capital I) with the consent of the Supervisory Board shall be rescinded pursuant to the terms of the following Number (5) effective as of the time of entry into the commercial registry specified therein.

(2) The Board of Management, with the consent of the Supervisory Board, is authorized until April 29, 2015 to raise the capital stock by a total of up to €530,000,000.00 (Authorized Capital I) through the issuance of new registered shares in one or more installments. The issuance of new registered shares may take place against cash contributions and/or contributions in kind. Capital increases through contributions in kind may only be carried out for a total of up to €423,397,120.00. Stockholders shall in principle be granted a subscription right. The subscription right can also be granted indirectly to the stockholders pursuant to § 186 paragraph 5 AktG. The Board of Management shall however be authorized, with the consent of the Supervisory Board, to exclude the stockholders' right of subscription:

- for fractional amounts resulting from the subscription ratio,
- insofar as this is necessary in order to grant holders or creditors of bonds with option/or conversion rights or obligations issued by the company or its Group companies a subscription right to new shares to the extent to which they would be entitled upon exercising their option or conversion rights or after fulfillment of an option or conversion obligation,
- provided the increase in capital stock occurs for the granting of shares through contributions in kind for the purpose acquiring companies, parts of companies or interests in companies or other assets.

The proportionate amount of share capital attributable to shares that may be issued under the exclusion of the stockholder subscription right against cash or contributions in kind may not exceed 20% of the company's capital stock existing at the time of the Stockholders' Meeting resolution. The Board of Management, with the consent of the Supervisory Board, shall decide upon the content of the share rights and the further terms of the issuance of shares including the issue price.

(3) Upon the entry into the commercial registry of the rescission of the previous paragraph 2 of § 4 of the Articles of Incorporation, the following § 4 paragraph 2 shall be inserted:

"(2) The Board of Management, with the consent of the Supervisory Board, is authorized until April 29, 2015 to raise the capital stock by a total of up to €530,000,000.00 (Authorized Capital I) through the issuance of new registered shares in one or more installments. The issuance of new registered shares may take place against cash contributions and/or contributions in kind. Capital increases against contributions in kind may only be carried out for a total up to €423,397,120.00 (Authorized Capital I). Stockholders shall in principle be granted a subscription right. The subscription right can also be granted indirectly to the stockholders pursuant to § 186 paragraph 5 AktG. The Board of Management shall however be authorized, with the consent of the Supervisory Board, to exclude the stockholders' right of subscription:

- for fractional amounts resulting from the subscription ratio,
- insofar as this is necessary in order to grant holders or creditors of bonds with option/or conversion rights or obligations issued by the Company or its Group compa-

nies a subscription right to new shares to the extent to which they would be entitled upon exercising their option or conversion rights or after fulfillment of an option or conversion obligation,

- provided the increase in capital stock occurs for the granting of shares through contributions in kind for the purpose of acquiring companies, parts of companies, interests in companies or other assets.

The proportionate amount of share capital attributable to shares that may be issued under the exclusion of the stockholder subscription right against cash or contributions in kind may not exceed 20% of the company's capital stock existing at the time of the Stockholders' Meeting resolution. The Board of Management, with the consent of the Supervisory Board, shall decide upon the content of the share rights and the further terms of the issuance of shares including the issue price."

(4) The Supervisory Board shall be authorized to adjust paragraph 1 and 2 of § 4 of the Articles of Incorporation relative to the respective utilization of the Authorized Capital I or upon expiration of the authorization period.

(5) The Board of Management is directed to report the rescission of the existing Authorized Capital I only in conjunction with the adopted creation of the new Authorized Capital I in the amount of €530,000,000.00 with the respective change in the Articles of Incorporation pursuant to Number 3 above for entry into the commercial registry providing that the rescission of the existing Authorized Capital I is to be entered into the commercial registry when it has been ensured that the new Authorized Capital I is entered into the commercial registry at the same time or directly subsequently.

Regarding Agenda Item 5: Board of Management Report pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG

In the utilization of the new Authorized Capital I we generally want to grant our stockholders a subscription right and only have the option to exclude it in the following cases; new shares to be issued under the exclusion of stockholder subscription rights may only be a proportionate amount of the capital stock that does not exceed 20% of the current existing capital stock.

The authority to exclude the subscription right for fractional shares serves to allow a practical representation of the subscription ratio with respect to the amount of the respective capital increase. Without the exclusion of the subscription right for fractional shares, the technical execution of the capital increase and the exercise of the subscription right would be significantly more difficult, particularly for capital increases of a round sum. The new fractional shares excluded from the stockholder subscription rights will be either sold over an exchange or disposed of in another manner in the best interest of the Company.

The authority to exclude the subscription right to the benefit of holders of bonds with option/or conversion rights or obligations issued by the Company or its Group companies serves the purpose, in the event that this authorization is exercised, of not having to reduce the option/or conversion price pursuant to the so-called dilution protection clause of the option/or conversion conditions. The holders of the bonds with option/or conversion rights or obligations rather should also be able to be granted a subscription right to the extent they would be due them upon exercising the option/or conversion rights or upon fulfillment of the option/or conversion obligations. With this authorization, the Board of Management receives the option to choose between the alternatives in the utilization of the Authorized Capital I after careful consideration of the interests.

The authority to exclude the subscription right for capital increases against contributions in kind serves the purpose of enabling the acquisition of companies, parts of companies, interests in companies or other assets in return for the granting of shares. If the acquisition of companies, company parts, interests in companies or other assets through capital increase against contributions in kind leads to tax savings for the seller or the seller is interested for any other reason in acquiring shares of the Company instead of a cash payment, the negotiating position of the Company is strengthened through the option of being able to offer shares as consideration. In individual cases based on particular interests of the Company, it may be necessary to offer the seller new shares in return for an interest in a company. Through Authorized Capital I, the Company can react quickly and flexibly in order to acquire in appropriate individual cases companies, parts of companies, interests in companies or other assets through the issuance of new shares. The proposed authorization thereby enables optimal financing of the acquisition through issuance of new shares, as well as the associated strengthening of the Company's own equity base.

In any case the administration would only use the option of the capital increase through contributions in kind under exclusion of the subscription right from the Authorized Capital I when the value of the new shares and the value of the consideration, meaning the value of the company, part of the company, interests in the company or other asset to be acquired are in a reasonable relationship to each other. The issue price of the new shares should principally be aligned with the stock exchange rate. An economic disadvantage for stockholders excluded from the subscription right thus would be avoided. The volume of the Authorized Capital I that can be used for the capital increase against contributions in kind is limited to a maximum amount of €423,397,120.00, an amount equal to less than 20% of the current capital stock of the Company. By limiting the potential volume of a capital increase through contributions in kind to a maximum of 20% of the current capital stock of the Company, the use of the authorization would only moderately dilute stockholders' voting rights. In view of all of these circumstances, the exclusion of subscription rights within the limits described is appropriate, necessary, commensurate and in the interest of the Company.

The Board of Management may exercise the authority to issue shares from the Authorized Capital I to the exclusion of stockholder subscription rights only in a maximum volume of 20% of the current existing capital stock. Subject to the authorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, the Board of Management would also consider issuing or tendering shares or bonds with option/or conversion rights on the basis of other existing authorization subject to the exclusion of the stockholders' subscription rights (see resolution proposal to agenda item 6, 7 and 8), provided that the authority for capital measures under the exclusion of stockholder subscription rights would only be used for an increase of the capital stock in a maximum amount of 20% of the current existing capital stock. Of the maximum increase volume of 20% of the current stock capital, the Board of Management, subject to the reauthorization of the exclusion of the subscription right by a subsequent Stockholders' Meeting, would also take into account proportional capital stock in shares which are issued or tendered during the period of the authorization under the Authorized Capital I allowing for exclusion of stockholder subscription rights (§ 71 paragraph 1 number 8 sentence 5 AktG) or relate to bonds with option/or conversion rights or obligations which are issued during the period of the authority of exclusion of stockholder subscription rights including the issue or tender of shares or bonds under exclusion of subscription rights in direct or analogous application of § 186 paragraph 3 sentence 4 AktG. This charge will be cancelled, however, and the original volume of authority will be available as soon as a subsequent Stockholders' Meeting reauthorizes the Board of Management to issue or tender shares or bonds with option/or conversion rights or obligations under the exclusion of stockholder subscription rights.

The Board of Management will in each case carefully examine whether the utilization of the Authorized Capital I, and as warranted, the exclusion of stockholder subscription rights is in the interest of the Company and its stockholders. The Board of Management will report every use of the Authorized Capital I to the Stockholders' Meeting.

6. Rescission of the existing Authorized Capital II, creation of a new Authorized Capital II with the option of exclusion of the subscription rights and amendment of § 4 paragraph 3 of the Articles of Incorporation (capital stock)

The current Authorized Capital II, which expires in 2012, is limited to €195,000,000.00. Since the capital stock has increased in the course of the issuance of new shares, it no longer amounts to 10% of the capital stock cited in § 186 paragraph 3 sentence 4 AktG, for which the exclusion of stockholder subscription rights is possible in the issuance of new shares not substantially below the stock exchange price. The current existing Authorized Capital II (§ 4 paragraph 3 of the Articles of Incorporation) shall therefore be rescinded and replaced by a new Authorized Capital II with the authority for a facilitated exclusion of subscription rights pursuant to § 186 paragraph 3 sentence 4 AktG in the amount of €211,698,560.00, whereby the existing Authorized Capital II is to be rescinded only when it is certain that the new Authorized Capital II is available. The Board of Management shall moreover be authorized to exclude the subscription right of stockholders for fractional shares.

The option to issue new shares from the Authorized Capital II under exclusion of the subscription right of stockholders pursuant to § 186 paragraph 3 sentence 4 AktG is already limited by law to 10% of the existing capital stock. The 10% limit includes the proportionate capital stock attributable to treasury shares under exclusion of subscription rights of stockholders pursuant to § 71 paragraph 1 number 8 sentence 5 AktG in conjunction with § 186 paragraph 3 sentence 4 AktG to be tendered after April 30, 2010. Additionally, the 10% limit includes those shares which were or are to be issued for the servicing of bonds with option/or conversion rights or obligations which were issued after April 30, 2010 under exclusion of subscription rights pursuant to § 221 paragraph 4 AktG and analogous application of § 186 paragraph 3 sentence 4 AktG.

The Board of Management, subject to the reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, will not exercise the authorization to issue new shares from the new Authorized Capital II under the exclusion of stockholders' subscription rights in the scope of the proportionate capital stock attributable to shares which are under exclusion of subscription rights of stockholders on the basis of other authorization granted to the Board of Management to be issued or tendered if the scope of the capital stock attributable to these shares authorization exceeds 10% of the current capital stock of the Company. The Board of Management is bound by this term as long as a subsequent Stockholders' Meeting does not reauthorize the Board of Management to undertake capital measures under the exclusion of stockholder subscription rights. Reference is made to the Board of Management Report to the Stockholders' Meeting pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG on Authorized Capital II (Agenda Item 6) as well the respective Board of Management reports on Authorized Capital I (Agenda Item 5), on the authorization to issue options/or convertible bonds (Agenda Item 7) and on the acquisition and use of treasury shares (Agenda Item 8).

Accordingly, the Board of Management and the Supervisory Board propose the following resolution:

(1) The authorization of the Board of Management until April 26, 2012 to increase the capital stock of the company by up to €195,000,000.00 against cash contributions with the consent of the Supervisory Board contained in § 4 paragraph 3 of the Articles of Incorporation will be rescinded pursuant to the terms of the following Number (5) effective as of the time of entry into the commercial registry specified therein.

(2) The Board of Management, with the consent of the Supervisory Board, is authorized until April 29, 2015 to increase the capital stock by a total of up to €211,698,560.00 (Authorized Capital II) through the issuance of new registered shares in one or more installments against cash contributions. Stockholders shall be granted a subscription right. The subscription right can also be granted indirectly to the stockholders pursuant to § 186 paragraph 5 AktG. The Board of Management shall however be authorized, with the consent of the Supervisory Board, to exclude the stockholders' right of subscription:

- for fractional amounts resulting from the subscription ratio,

- insofar as the increase in capital stock occurs against cash contributions and the proportionate amount of the capital stock attributable to the new shares for which a subscription right is excluded does not exceed 10% of the existing capital stock at the time of the resolution or in the event that this amount is less, 10% of the existing capital stock at the time the new shares are issued, and the new shares against cash contributions are issued at an issue price which is not substantially below the market price of the already listed shares of the Company with the same terms at the time of the final determination of the issue price by the Board of Management in the meaning of § 203 paragraph 1 and 2 in conjunction with § 186 paragraph 3 sentence 4 AktG. All treasury shares which are tendered after April 30, 2010 under exclusion of stockholder subscription rights pursuant to § 71 paragraph 1 Number 8 sentence 5 in conjunction with § 186 paragraph 3 sentence 4 AktG are included in the aforementioned 10% limit. Further, those shares which have been issued or are to be issued for the servicing of bonds with option/or conversion rights or obligations are to be included in the limit provided that the bonds are issued after April 30, 2010 under exclusion of the subscription right in analogous application of § 186 paragraph 3 sentence 4 AktG.

The Board of Management, with the consent of the Supervisory Board, shall decide the contents of the share rights and the further conditions of the share issuance including the issue price.

(3) Upon the entry into the commercial registry of the rescission of the previous paragraph 3 of § 4 of the Articles of Incorporation, the following § 4 paragraph 3 shall be inserted:

"(3) The Board of Management, with the consent of the Supervisory Board, is authorized until April 29, 2015 to increase the capital stock by a total of up to €211,698,560.00 (Authorized Capital II) through the issuance of new registered shares against cash contributions in one or more installments. Stockholders shall be granted a subscription right. The subscription right can also be granted indirectly to the stockholders pursuant to § 186 paragraph 5 AktG. The Board of Management shall however be authorized, with the consent of the Supervisory Board, to exclude the stockholders' right of subscription:

- or fractional amounts resulting from the subscription ratio,

- insofar as the increase in capital stock occurs against cash contributions and the proportionate amount of the capital stock attributable to the new shares for which a subscription right is excluded does not exceed 10% of the existing capital stock at the time of the resolution or, in the event that this amount is less, 10% of the existing capital stock at the time the new shares are issued, and the new shares against cash contributions are issued at an issue price which is not substantially below the market price of the already listed shares of the Company with the same terms at the time of the final determination of the issue price by the Board of Management in the meaning of § 203 paragraph 1 and 2 in conjunction with § 186 paragraph 3 sentence 4 AktG. All treasury shares which are tendered after April 30, 2010 under exclusion of stockholder subscription rights pursuant to § 71 paragraph 1 Number 8 sentence 5 in conjunction with § 186 paragraph 3 sentence 4 AktG are included in the aforementioned 10% limit. Further, those shares which have been issued or are to be issued for the servicing of bonds with option/or conversion rights or obligations are to be included in the limit provided that the bonds are issued after April 30, 2010 under exclusion of the subscription right in analogous application of § 186 paragraph 3 sentence 4 AktG.

The Board of Management, with the consent of the Supervisory Board, shall decide the contents of the share rights and the further conditions of the share issuance including the issue price."

(4) The Supervisory Board shall be authorized to adjust paragraphs 1 and 3 of § 4 of the Articles of Incorporation relative to the respective utilization of the Authorized Capital II or upon expiration of the authorization period.

(5) The Board of Management is directed to report the rescission of the existing Authorized Capital II only in conjunction with the adopted creation of the new Authorized Capital II in the amount of €211,698,560.00 with the respective change in the Articles of Incorporation pursuant to the aforementioned Number 3 for entry into the commercial registry provided that the rescission of the existing Authorized Capital II is only to be entered into the commercial registry when it has been ensured that the new Authorized Capital II will be entered into the commercial registry at the same time or directly subsequently.

Regarding Agenda Item 6: Board of Management Report pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG
In the utilization of the new Authorized Capital II we generally want to grant our stockholders a subscription right but would like to have the exclusion option for fractional shares as well as pursuant to § 203 paragraph 1 sentence 1 and paragraph 2 in conjunction with § 186 paragraph 3 sentence 4 AktG:

The authorization to exclude the subscription right for fractional shares serves to allow a practical representation of the subscription ratio with regard to the amount of the respective capital increase. Without the exclusion of the subscription right for fractional shares, the technical execution of the capital increase and the exercise of the subscription right would be significantly more difficult particularly for capital increases of a round sum. The new fractional shares excluded from the stockholder subscription rights will be either sold over an exchange or disposed of in another manner in the best interest of the Company.

The option for a so-called facilitated exclusion of subscription right pursuant to § 186 paragraph 3 sentence 4 AktG serves the Company's interest in achieving the best possible issue rate in the issue of new shares. The exclusion of the subscription right option provided for in § 186 paragraph 3 sentence 4 AktG gives the Board of Management, with the consent of the Supervisory Board, the ability to quickly, flexibly and cost effectively take advantage of the possibilities resulting from the respective stock exchange situation. A strengthening of the Company's equity in the interest of the Company and all stockholders is thereby achieved. Through the avoidance of the time-consuming and costly processing of the subscription right, equity requirements can be met in a timely manner through market opportunities arising at short notice, and new stockholders groups can be acquired domestically and abroad. The possibility to increase capital under optimal conditions and without a considerable subscription right discount is of particular importance to the Company since it allows for the quick and flexible utilization of changing opportunities in its market as well as in new markets and the very short term coverage of a resulting capital requirement.

The shares issued under exclusion of subscription rights pursuant to § 186 paragraph 3 sentence 4 AktG may not exceed 10% of the capital stock at the time of its effectiveness nor at the time of the exercise of the authorization. This limitation includes the tender of treasury shares, provided it occurs during the exclusion of subscription rights after April 30, 2010 pursuant to § 186 paragraph 3 sentence 4 AktG. Further, those shares which have been issued or are to be issued for the servicing of bonds with option/or conversion rights or obligations are to be included in the limit, provided that the bonds are issued after April 30, 2010 under exclusion of the subscription right pursuant to § 221 paragraph 4 AktG in analogous application of § 186 paragraph 3 sentence 4 AktG.

The Board of Management, subject to the reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, will not exercise the authority to issue shares from the new Authorized Capital II under the exclusion of stockholders' subscription rights in the scope of the proportionate capital stock attributable to shares under exclusion of subscription rights of stockholders on the basis of other authorization granted to the Board of Management to be issued or tendered insofar as the scope of the capital stock attributable to these shares exceeds

10% of the current capital stock of the Company. This charge will be cancelled however and the original volume of authority will be available as soon as a subsequent Stockholders' Meeting reauthorizes the Board of Management to issue or tender shares or bonds with option/or conversion rights or obligations under the exclusion of stockholder subscription rights.

This is intended to take account of the needs of stockholders with regard to protection against the dilution of their holdings.

The issue price of the new shares and thus also the consideration flowing to the Company shall be based on the stock exchange price of the already listed shares of the same form. This price shall not be substantially less than current stock exchange price at the time of the determination of the issue price, and is not likely to be more than 3% lower and will definitely not be more than 5% lower.

In view of the fact that all of the shares issued by the Company thus far are listed on the official market of Deutsche Börse and are widely held, stockholders interested in the maintenance of their equity interest can presently acquire shares of the Company on the stock exchange in the utilization of Authorized Capital II under exclusion of subscription rights pursuant to § 186 paragraph 3 sentence 4 AktG. The asset as well as voting right interests of stockholders, in conformity with the legal rationale of § 186 paragraph 3 sentence 4 AktG, are appropriately preserved in the case of utilization of Authorized Capital II under exclusion of stockholder subscription rights.

In view of all of these circumstances, the authority to exclude subscription rights in the limits described is suitable, necessary, appropriate and in the interest of the Company.

7. Authority to issue bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds (or a combination of these instruments) and to exclude subscription rights, creation of a new conditional capital through the rescission of the existing conditional capital and amendment of the Articles of Incorporation

The Stockholders' Meeting of April 25, 2008 granted two authorizations for the issuance of bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds and created the respective conditional capital. In view of the rulings of a few district courts, each of the authorizations provided for a fixed option/or conversion price thereby significantly limiting the desired flexibility of the form of the issuance. After a clarification by the federal supreme court and a change in the Stock Corporation Law, the Company's room to maneuver was significantly improved and should therefore be exploited through a new resolution of the Stockholders' Meeting. For the servicing of the bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds, the existing Conditional Capital pursuant to § 4 paragraphs 4 and 5 of the Articles of Incorporation should be rescinded and a new Conditional Capital resolved (Conditional Capital 2010).

The bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds should within certain limits be able to be issued under the exclusion of subscription rights. The intended authorization for exclusion of subscription rights pursuant to § 221 paragraph 4 in conjunction with § 186 paragraph 3 sentence 4 AktG may by law only relate to a proportionate amount of the stock capital which does not exceed 10% of the capital stock. New shares issued after April 30, 2010 under exclusion of subscription rights pursuant to § 203 paragraphs 1 and 6 in conjunction with § 186 paragraph 3 sentence 4 AktG as well as treasury shares tendered after April 30, 2010 under exclusion of stockholder subscription rights pursuant to § 71 paragraph 1 number 8 sentence 5 in conjunction with § 186 paragraph 3 sentence 4 AktG are included in the 10% limit.

The Board of Management, subject to a reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, will not exercise the authorization to issue bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds under the exclusion of stockholders' subscription rights in the scope of the proportionate capital stock attributable to shares under exclusion of subscription rights of stockholders on the basis of other authorization granted to the Board of Management to be issued or tendered if the scope of the capital stock attributable to these shares exceeds 10% of the current capital stock of the Company. The Board of Management is bound by this term as long as a subsequent Stockholders' Meeting does not renew the Board of Management's authorization for capital measures under the exclusion of stockholder subscription rights. Reference is made to the Board of Management Report to the Stockholders' Meeting pursuant to § 221 paragraph 4 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG on the authority to issue options/or convertible bonds (Agenda Item 7) as well as the respective Board of Management reports on Authorized Capital I (Agenda Item 5), on Authorized Capital II (Agenda Item 6) and on the acquisition and use of treasury shares (Agenda Item 8).

Accordingly, the Board of Management and the Supervisory Board propose that the following resolution be adopted:

a) Authorization to issue bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds (or a combination of these instruments) and to exclude subscription rights.

aa) Authorization period, par value, share quantity, currency, issues by Group companies, term, interest rate

The Board of Management, with the consent of the Supervisory Board, shall be authorized until April 29, 2015 to issue at one or more times bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds or a combination of these instruments (in conjunction, the "bonds") in a total nominal amount up to €6 billion and to grant option or conversion rights to the holders or creditors (in conjunction "holders") of bonds for registered shares in the Company representing a proportionate amount of the capital stock in a total of €211,698,560.00 as further specified in the terms and conditions of the bonds.

In addition to the euro, the bonds may be issued in the legal currency of an OECD country at the respective current euro value. They may also be issued by a Bayer AG Group company pursuant to the meaning of § 18 AktG in which Bayer AG directly or indirectly holds at least 90% of the votes and equity. In this case the Board of Management shall be authorized with the consent of the Supervisory Board to assume the guarantee for the bonds and grant or impose option or conversion rights for registered shares of Bayer AG for the holders of the bonds.

The bonds as well as the option/or conversion rights may be issued with or without term limits. The bonds may carry a fixed or variable rate of interest. Furthermore the interest rate can, similarly to a profit participation bond, depend entirely or partially on the amount of the Company's dividend.

bb) Granting subscription rights, exclusion of subscription rights

The legal subscription right on the bonds shall be granted to stockholders in such a manner that the bonds shall be assumed by credit institutions or the members of a consortium of credit institutions or similarly situated companies pursuant to § 186 paragraph 5 sentence 1 AktG with the obligation to offer stockholders subscription. In the event bonds are issued by a Bayer AG Group company in the meaning of § 18 AktG in which Bayer AG directly or indirectly holds at least 90% of the votes and equity, the company shall ensure the granting of the right of subscription for Bayer AG stockholders pursuant to the preceding sentence.

The Board of Management shall however be authorized, with the consent of the Supervisory Board, to exempt the subscription right of stockholders for fractional shares which result from the subscription ratio and to exclude the subscription right of stockholders as necessary so that the holders of previously issued bonds with option/or conversion rights or obligations can be granted a subscription right in the scope which would be due them as stockholders upon exercising the option/or conversion rights or fulfillment of the option/or conversion obligations.

The Board of Management shall further be authorized, with the consent of the Supervisory Board, to completely exclude the subscription right of stockholders of bonds issued against cash payment with option/or conversion rights or obligations should the Board of Management be of the opinion upon obligatory review that the issue price of the bonds is not substantially less than their hypothetical fair market value determined pursuant to recognized actuarial methods. This authorization to exclude subscription rights applies to bonds with option/or conversion rights or option/or conversion obligations on shares with a proportionate amount of capital stock which may not exceed 10% of the capital stock at the time of the resolution or, should this amount be less, at the time of the exercise of this authorization. The 10% limit includes

- new shares issued after April 30, 2010 under exclusion of stockholder subscription rights pursuant to § 203 paragraphs 1 and 2 in conjunction with § 186 paragraph 3 sentence 4 AktG,

- and such treasury shares tendered after April 30, 2010 under exclusion of stockholder subscription rights pursuant to § 71 paragraph 1 number 8 sentence 5 in conjunction with § 186 paragraph 3 sentence 4 AktG.

To the extent profit sharing rights or profit participation bonds without option/or conversion rights or obligations are issued, the Board of Management shall be authorized, with the consent of the Supervisory Board, to exclude the subscription rights of stockholders if these profit sharing rights or profit participation bonds have obligation-like features, meaning no membership rights in the Company, no participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of annual net profit, net earning or the dividend. Furthermore, in this case the interest rate and the issue price of the profit sharing rights or profit participation bonds must reflect the current market conditions at the time of issuance.

cc) Option/and Conversion Right

In the case of the issuance of bonds with warrants, every registered bond will include a warrant or several warrants, which entitles the holder pursuant to the option conditions to the subscription of registered shares of Bayer AG. For bonds with warrants issued by Bayer AG in Euro, the option conditions could prescribe that the option price could be fulfilled through the transfer of registered bonds and where applicable an additional cash payment. To the extent that fragments of shares result, it could be prescribed that these fragments, where applicable against an additional cash payment, could be combined for the subscription of whole shares.

In the case of the issuance of convertible bonds, the holder acquires the right to convert his registered bonds to registered shares of Bayer AG pursuant to the terms of the conversion conditions. The conversion ratio results from the division of the par value or the issue price of a registered bond which is below the par value by the fixed conversion price for a share of the Company and can be rounded up or down to the next full number;

furthermore, an additional cash payment and the consolidation or settlement for non-convertible fragments can be set.

§ 9 paragraph 1 in conjunction with § 199 paragraph 2 AktG are each to be observed.

dd) Option price, conversion price, adjustment of the option/or conversion price

In the case of the issuance of bonds which grant option/or conversion rights, the respective option/or conversion price for a share to be fixed – with exception of cases in which the conversion obligation is provided for (under ff)) – must amount to at least 80% of the non-weighted average closing price of Bayer AG shares in XETRA-trading on the Frankfurt Stock Exchange or in a corresponding successor system in the last 10 trading days before the day the Board of Management resolution regarding the issuance of the bonds or – in the case of the granting of a subscription right – at least 80% of the non-weighted average closing price of Bayer AG shares in XETRA-trading on the Frankfurt Stock Exchange or in a corresponding successor system in the period from the start of the subscription period until and including the day before the disclosure of the final conditions of the bonds pursuant to § 186 paragraph 2 AktG. § 9 paragraph 1 AktG remains unaffected.

The option/or conversion price can be adjusted notwithstanding § 9 paragraph 1 AktG for bonds with option/or conversion rights or obligations in the case of economic dilution of the value of the option/or conversion rights or obligations pursuant to the terms of the conditions of the bonds, provided the adjustment is not already established by law or subscription rights are granted as compensation or a corresponding amount of money is rendered.

ee) Granting of new or existing shares; monetary payment

The conditions of the bonds can allow for the right of the Company not to grant new shares in cases of the exercise of option or conversion but rather to pay the equivalent in money. The conditions of the bonds can also allow the Company to choose that the bonds can be converted into new shares from authorized capital, already existing shares of the Company or shares of another listed company, or an option right or option obligation could be fulfilled through the supply of such shares, instead of new shares from conditional capital.

ff) Option/or conversion obligation

The terms of the bonds could also allow an option or a conversion obligation at the end of the term or as of another time period (in each case also a "final maturity") or the right of the Company upon final maturity of the bonds to grant the holders of the bonds entirely or partially shares of the Company or another listed company instead of the payment of the money due. In these cases the option/or conversion price for a share can amount to the non-weighted average closing price of Bayer AG shares in XETRA-trading on the Frankfurt Stock Exchange or in a corresponding successor system during the 10 trading days before or after the day of maturity even if this is below the minimum price referenced under dd). § 9 paragraph 1 in conjunction with § 199 paragraph 2 AktG are to be observed.

gg) Authority to determine further specifics

The Board of Management, with the consent of the Supervisory Board, shall be authorized to determine or establish in agreement with the Bayer AG Group companies issuing the bonds with warrants or convertible bonds the further specifics of the issuance and configuration of the bonds, and particularly interest rate, manner of interest, issue price, term and denomination as well as option/or conversion period and possible variability of the exchange ratio.

b) Creation of a new conditional capital

The capital stock shall be conditionally increased by up to €211,698,560.00 through the issuance of up to 82,694,750 new registered shares with a proportionate value of the stock capital of €2.56 each. The conditional increase in capital serves the granting of registered shares which shall be issued until April 29, 2015 to holders of bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds (or a combination of these instruments) (in conjunction "bonds"), each with option/or conversion rights or obligations on the basis of the resolution by the Stockholders' Meeting of April 30, 2010 granting authority to Bayer AG or a Bayer AG Group company in the meaning of § 18 AktG in which Bayer AG either directly or indirectly holds at least 90% of the votes and the equity. The issuance of the new shares shall take place with a price for each option or conversion determined pursuant to the previously described authorization resolution.

The conditional increase in capital is only to be executed to the extent that option/or conversion rights are asserted or bond holders who are required to exercise option/or conversion fulfill their obligation to exercise option or conversion and no other forms of performance are used. The new shares issued on the basis of the exercise of option/or conversion rights or the fulfillment of the option/or conversion obligation participate in earnings from the beginning of the fiscal year in which they originate.

The Board of Management shall be authorized, with the consent of the Supervisory Board, to determine the further specifics of the execution of the increase in conditional capital.

c) Amendment of the Articles of Incorporation

Both authorizations resolved by the Stockholders' Meeting on April 25, 2008 for the issuance of bonds with warrants or convertible bonds, profit sharing rights or profit participation bonds and the conditional capital (Conditional Capital 2008 I and Conditional Capital II) contained in § 4 paragraph 4 and 5 of the Articles of Incorporation (Capital Stock) shall be rescinded upon the effectiveness of the new conditional capital, § 4 paragraph 4 of the Articles of Incorporation will be revised as follows, and the existing § 4 paragraph 6 shall become § 4 paragraph 5:

"The Capital Stock is conditionally increased by up to €211,698,560.00 through the issuance of up to 82,694,750 new registered shares (Conditional Capital 2010). The conditional increase in capital is only to be executed if holders of option/or conversion rights or parties required to exercise option rights or required to convert on the basis of bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds (or a combination of these instruments) issued or guaranteed by Bayer AG or a Bayer AG Group company in the meaning of § 18 AktG in which Bayer AG either directly or indirectly holds at least 90% of the votes and the equity on the basis of the resolution by the Stockholders' Meeting from April 30, 2010, make use of their option/or conversion rights or to the extent that they are required to exercise option/or conversion rights fulfill their obligation to exercise their option or conversation rights, and no other forms of performance are used. The issuance of the new shares shall take place with a price for each option or conversion determined pursuant to the previously described authorization resolution.

The new shares issued on the basis of the exercise of option/or conversion rights or the fulfillment of the option/or conversion obligations participate in earnings from the beginning of the fiscal year in which they originate. The Board of Management is authorized, with the consent of the Supervisory Board, to determine the further specifics of the execution of the increase in conditional capital."

d) Authorization to adjust the Articles of Incorporation

The Supervisory Board is authorized to execute adjustments to the wording of § 4 paragraphs 1 and 4 of the Articles of Incorporation pursuant to the respective issuance of offered shares as well as all other associated adjustments which only relate to the wording. The same applies in the event of non-utilization of the authorization to issue bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds (or a combination of these instruments) after the expiration of the period of authorization as well as in the event of non-utilization of the conditional capital after expiration of the terms for the exercising of option/or conversion rights or the fulfillment of option/or conversion obligations.

Regarding Agenda Item 7: Board of Management Report to the Stockholders' Meeting pursuant to § 221 paragraph 4 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG
The proposed authorization to issue bonds with warrants, convertible bonds, profit sharing rights or profit participation bonds or a combination of these instruments (in conjunction, the "bonds") with a par value of up to €6 billion as well as the creation of the associated conditional capital of up to €211,698,560.00 shall expand Bayer AG's opportunities as described further below for the financing of its activities and open the way for the Board of Management, with the consent of the Supervisory Board, to flexible and timely financing in the interest of the Company, in particular upon the emergence of favorable market conditions.

The intended authorization shall replace the two authorizations which were ratified in the Stockholders' Meeting of April 25, 2008. Both authorizations provide a fixed option/or conversion price on the basis of decisions by district courts and thereby significantly limited the desired flexibility in the form of the issuance. After a clarification by the federal supreme court, the Company's maneuvering room has improved considerably. This should be exploited.

The stockholders are principally entitled to the legal subscription right on the bonds which are connected with option/or conversion rights or obligations (§ 221 paragraph 4 in conjunction with § 186 paragraph 1 AktG). In order to facilitate processing, the option should be used to issue the bonds to a credit institution or the members of a consortium of credit institutions or similarly situated companies pursuant to § 186 paragraph 5 sentence 1 AktG with the obligation to offer stockholders the right of subscription pursuant to the bonds (indirect subscription right in the meaning of § 186 paragraph 5 AktG).

Within the scope of this general authorization, the Board of Management shall also be authorized to exclude the legal right of the stockholders to subscribe the bonds, however only within a certain limit and in a limited scope, or in a broader scope only under certain restrictive preconditions. The authority to exclude the subscription right for fractional amounts allows for a practicable presentation of the subscription ratio in regard to the amount of the respective emission. Without the exclusion of the subscription right for fractional amounts, the technical execution of the capital increase and the exercise of the subscription right would be significantly more difficult, particularly for the emission of bonds with round amounts. The fractional share bonds excluded from the subscription right of stockholders will either be sold on the stock exchange or utilized in the best interest of the Company in another manner. The exclusion of the subscription rights to the benefit of holders of previously issued bonds with option/or conversion rights or obligations shall occur with consideration to the so-called protection against dilution, which is generally due pursuant to the conditions of the bonds. This has the advantage that the option/or conversion price for the previously issued option/or conversion rights or obligations do not need to be reduced, thereby allowing for a greater total flow of capital for the Company. Both instances of the exclusion of subscription rights are therefore in the interest of the Company and its stockholders.

The Board of Management shall be further authorized with the consent of the Supervisory Board to completely exclude the subscription right of stockholders if the issuance of bonds with option/or conversion rights or obligations occurs against cash payment at an issue price which does not substantially fall below the market value of these bonds. The Company thereby gains the opportunity to quickly use favorable market situations on short notice and to reach better terms for the bonds through market oriented fixing of the conditions. Such a market oriented fixing of conditions and smooth placement would not be possible if the subscription right were to be observed. § 186 paragraph 2 AktG does allow for the disclosure of the subscription price (and therefore the conditions of the bonds) until three days before the expiration of the subscription period at the latest. In view of the often observed volatility of the stock market, this would entail a market risk for several days which would result in safety margins deducted when stipulating bond conditions and thus would not ensure terms in line with general market conditions. As uncertainty of exercise (subscription ratio) is inherent in a subscription right, the successful placement with third parties can be endangered or entail additional expenses. Finally, the Company when granted a subscription right cannot quickly react to favorable or unfavorable market conditions because of the length of the subscription period.

In the event of a complete exclusion of the subscription right, the terms of § 186 paragraph 3 sentence 4 AktG apply analogously pursuant to § 221 paragraph 4 sentence 2 AktG. The limit for the exclusion of subscription rights of 10% of the capital stock provided for in those sections is to be observed in the resolution. The volume of the conditional capital which at the utmost shall be available for the security of the option/or conversion rights or obligations amounts to less than 10% of the current capital stock. Through a respective stipulation in the authorization resolution, it is similarly ensured that in the event of a reduction of capital the 10% limit will not be exceeded since the authorization to exclude subscription rights explicitly must not exceed 10% of the capital stock at the time of the resolution nor – to the extent this amount is less – at the time the authorization is exercised. The 10% limit includes new shares issued after April 30, 2010 under exclusion of subscription rights of stockholders pursuant to § 203 paragraphs 1 and 2 in conjunction with § 186 paragraph 3 sentence 4 AktG as well as treasury shares tendered after April 30, 2010 pursuant to § 71 paragraph 1 number 8 sentence 5 in conjunction with § 186 paragraph 3 sentence 4 AktG and pursuant to § 221 paragraph 4 in conjunction with § 186 paragraph 3 sentence 4 AktG up to the issuance of bonds with option/or conversion rights or obligations under exclusion of the subscription right of stockholders.

The Board of Management, subject to the reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, will not exercise the authorization to issue bonds with option/or conversion rights or obligations under the exclusion of stockholders' subscription rights on the basis of the authorizing resolution in an amount of the proportionate capital stock upon which the bonds draw attributable to shares under exclusion of subscription rights of stockholders on the basis of other authorization granted to the Board of Management to be issued or tendered if the scope of the capital stock attributable to these shares exceeds 10% of the current capital stock of the Company. This charge shall be canceled and the original authorized volume shall be available as soon as a subsequent Stockholders' Meeting reauthorizes the Board of Management, under the exclusion of stockholder subscription rights, to issue or tender shares or issue bonds with option/or conversion rights or obligations on shares of the Company.

§ 221 paragraph 4 in conjunction with § 186 paragraph 3 sentence 4 AktG further provide that the issue price may not be substantially below the exchange price. This is to ensure that an appreciable economic dilution of the value of the shares does not occur. Whether such a dilution effect occurs with the issuance of bonds with option/or conversion rights or obligations without subscription can be determined by comparing the hypothetical exchange price (fair value) of the bonds determined by recognized, particularly actuarial methods and the issue price. If after the required examination the issue price is not substantially below the hypothetical exchange price (fair value) at the time of the issuance of the bonds, then an exclusion of the subscription right is permissible because of the immaterial discount pursuant to the intent and purpose of the terms of § 186 paragraph 3 sentence 4 AktG. The exclusion provides that the Board of Management before the issuance of the bonds with option/or conversion rights or obligations must reach the conclusion after the required examination that the intended issue price does not lead to an appreciable dilution of the value of the shares. The calculated market value of a subscription right would thus sink to almost zero, with the result that the stockholders could not be put at an appreciable economic disadvantage through the exclusion of subscription rights.

Moreover, stockholders have the option even after the exercise of option/or conversion rights or the occurrence of option/or conversion obligations to maintain their share of capital stock through purchases of shares on the exchange. By contrast, the authorization to exclude subscription rights allows the Company market oriented fixing of conditions, the greatest possible security regarding the placement ability with third parties and the utilization of favorable market situations on short notice.

Insofar as profit sharing rights or profit participation bonds without option/or conversion rights or obligations are to be issued, the Board of Management is authorized, with the consent of the Supervisory Board, to completely exclude stockholders if these profit sharing rights or profit participation bonds have obligatory features, meaning no membership rights in the Company, no participation in liquidation proceeds and the amount of interest is not calculated on the basis of the amount of annual net profit, the balance sheet profit or the dividend. Additionally it is necessary that the interest and the issue price of the profit sharing rights or profit participation bonds reflect the current market conditions at the time of issuance. If the conditions cited are fulfilled, the exclusion of subscription rights does not result in a disadvantage for the stockholders, since the profit sharing rights or profit participation bonds do not establish membership rights and do not grant share of liquidation proceeds or profit.

8. Authorization for the acquisition and use of treasury shares with the possible exclusion of subscription rights and any other tender rights

The authorization to acquire treasury shares decided upon in the last Annual Stockholders' Meeting expires on November 11, 2010. The Board of Management shall therefore be authorized to acquire treasury shares, subject to cancelation the previous authorization. Pursuant to the Act Implementing the Stockholder Rights Directive of July 30, 2009 (ARUG) the authorization can now be granted for up to five years. In the interest of streamlining future Stockholders' Meetings, this should also be utilized.

The Board of Management and the Supervisory Board propose that the following resolution be adopted:

a) The Board of Management is authorized until April 29, 2015 to acquire treasury shares attributable to a proportionate amount of capital stock totaling 10% existing at the time the resolution is adopted with the stipulation that the shares acquired under this authorization in conjunction with other shares of the Company which the Company has already acquired or still possess or can be assigned pursuant to §§ 71 d and 71 e AktG at no time exceed 10% of the capital stock of the Company. The terms in §§ 71 paragraph 2 sentences 2 and 3 AktG are to be observed.

   The tender can only take place through the stock exchange or by means of a public tender offering and must conform to the principle of equal treatment of stockholders (§ 53 a AktG). When the tender occurs on the exchange, the purchase price paid by the Company (without ancillary costs for the tender) cannot be more than 10% higher or 10% lower than the exchange price for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Securities Exchange as determined by the opening auction on the trade date. When the tender occurs by means of a public tender offering, the offer price paid by the Company (without ancillary costs for the tender) cannot be more than 10% higher or 10% lower than the exchange price for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Securities Exchange as determined by the closing auction on the last trading day before the announcement of the tender offer. If the total number of the shares tendered in a public tender offer exceed the volume, the tender may proceed on the basis of the proportion of the tendered shares (tender ratio); furthermore, a preferred acceptance of a limited number of shares (up to 50 shares per stockholder) as well as rounding pursuant to business principles for the avoidance of fractional shares is intended. Any further stockholder tender rights are precluded.

The currently existing authorization for the tender of treasury shares, which is limited until November 11, 2010, is cancelled upon this new authorization taking effect. The current authorization for use of already acquired shares remains unaffected.

b) The authorization can be exercised either in full or in several installments over several acquisition periods until the maximum acquisition volume is reached. The authorization can be exercised on behalf of the Company by affiliated Group companies as determined by § 17 AktG or by third parties acting on its or their behalf. The authorization can be exercised for any legally permitted purpose in particular to pursue one or more of the purposes set forth in points c), d), e) and f). Trade in treasury shares is precluded.

If the use of the acquired treasury shares occurs for one or more of the purposes set forth in points c), d) or e), the subscription right of the stockholders is excluded. The sale of the acquired shares on the exchange also precludes the stockholders' subscription right. In the case of a sale of the acquired treasury shares by means of a public offering to stockholders in conformity with the principle of equal treatment, the Board of Management is authorized to exclude the subscription right of stockholders for fractional amounts.

c) The Board of Management is authorized to sell the treasury shares acquired under the preceding authorization also in a manner other than through the stock exchange or an offer to all stockholders, provided that the sale is for cash payment and at a price which is not substantially less than the stock exchange price of the shares of the Company with equal features at the time of the sale. This authorization of use is limited to shares representing a proportionate amount of the share capital which cannot exceed a total of 10% of the share capital either at the time this authorization takes effect or, if the value is lower, at the time of exercise of the preceding authorization. The maximum limit of 10% of the share capital is reduced by the proportionate amount of the share capital attributable to those shares which are issued after April 30, 2010 in the course of a capital increase which excludes the subscription right pursuant to § 186 paragraph 3 sentence 4 AktG. The maximum limit of 10% of the share capital is further reduced by the proportionate amount of the share capital which is attributable to those shares to be issued for the purpose of servicing bonds with options/or conversion rights or obligations if the bonds are issued after April 30, 2010 subject to exclusion of the subscription rights in corresponding application of § 186 paragraph 3 sentence 4 AktG.

d) The Board of Management is authorized to transfer treasury shares acquired under the above authorization to third parties provided this is for the purpose of acquiring companies, divisions of companies or interest in companies or other assets or for implementing mergers with companies.

e) The Board of Management is authorized to offer the treasury shares acquired on the basis of the above authorization to managers of the Company and of subordinate, affiliated companies and to employees of the Company and of subordinate, affiliated companies in the context of stock option programs of the years 2000-2002 (hereinafter, "Stock Programs"), Module 1 of the Stock Participation Program (hereinafter "SPP") as well as for the Stock Incentive Program (hereinafter "SIP"). These programs are substantially shown in the overview provided at the end of this authorization.

f) The Board of Management is authorized to cancel the treasury shares acquired under the above authorization or under a previously granted authorization without any additional resolution of the Stockholders' Meeting. The cancellation can also occur without a reduction in capital by adjusting the proportionate amount of the remaining shares in the share capital of the Company. The Board of Management is authorized in this event to adjust the number of the shares in the Articles of Association.

g) The Board of Management can make use of the authorizations in points c) and d) only with the consent of the Supervisory Board. Additionally, the Supervisory Board can determine that measures of the Board of Management under this resolution of the Stockholders' Meeting can only be taken with its consent.

h) Notwithstanding the last half sentence in a) the authorities for use of treasury shares in c) through f) apply on the basis of an earlier authorization granted by the Stockholders' Meeting to treasury shares. Insofar the subscription right of stockholders is excluded. With respect to the requirement of the Supervisory Board's consent, g) applies accordingly.

i) The authorizations of use can be used once or several times, each individually or in conjunction, covering partial volumes of treasury shares or the total quantity of treasury shares.

Overview of the Stock Program

Stock options
Each participant in one of the two Stock Programs is entitled to obtain shares in the Company under the following terms and conditions. Each right to obtain shares in the Company is referred to hereinafter as a "Stock Option".

Authorized participants
The authorized participants in the SPP are, as a general rule, all employees under union contracts as well as management employees and employees in the contract levels 1 through 3 of the Company if they were in a permanent employment relationship which had not been terminated at the time of the commitment and had received a variable one-time payment for the respective previous year at that time. The above also applied for employees of subsidiary companies if these companies have also offered a SPP.

The authorized participants of the SIP were all management personnel in the contract levels 4 and 5 of the Company if they were in a permanent employment relationship which had not been terminated at the time of the commitment, were not a member in one of the Group management bodies and had received a variable one-time payment for the respective previous year at that time. The above applied also for management personnel in a comparable function at subsidiary companies participating in the program.

Prerequisites for participation
The prerequisite for participation in the Stock Programs was making an individual investment in shares of the Company by the respective participant (hereinafter, the "Investment Shares"). The maximum number of the Investment Shares was dependent on the individual variable compensation of each authorized participant as well as the share price at the time of the commitment. For each ten (10) Investment Shares, the participant in Module 1 of the SPP received five (5) Stock Options, each for one share in the Company. For each ten (10) Investment Shares, the participant in the SIP received ten (10) Stock Options, each for one share in the Company.

Term/content of the program
Both Stock Programs from the years 2000 through 2002 (SPP Module 1, SIP) have a total term of ten years each. The programs from the years 2003 and 2004 are directed exclusively towards cash compensation and are not the subject of this resolution. The employee share programs for 2005 through 2009 are also not the subject of the resolution.

During the term, each participant can receive additional shares in the Company free of charge (hereinafter, the "Incentive Shares") for each ten Investment Shares; in the case of the SPP, a maximum of five Incentive Shares and in the case of the SIP, a maximum of ten Incentive Shares. The prerequisite is that the Investment Shares have remained in the securities account of the employee from the start of the program until the respective incentive date. In the case of the SIP, the allocation of Incentive Shares is linked to an additional prerequisite. Incentive Shares in the case of the tranches established prior to 2003 are provided in this case only if the performance of the shares of the Company (measured on a total return basis) is better than the benchmark index Dow Jones €STOXX 50 (Performance Index).

The basis for determining the performance of the shares compared to the performance of the index is the average exchange prices for the respective last ten trading days on the exchange prior to the start of the program or prior to the respective incentive date in the closing auction in XETRA trading (or a comparable successor system) of the Frankfurt Securities Exchange. In the case of the tranches established prior to 2003, in addition to the development of the exchange price of the shares of the Company, the dividend payments, capital measures, the value of subscription rights as well as other special rights are also to be taken into account using the same criteria as in the Dow Jones €STOXX 50 (Performance Index). In connection with the spin-off of the Lanxess subgroup, tranches of the Stock Programs which are still continuing were adjusted in such a manner that the economic dilution and a loss in value resulting from the spin-off were substantially compensated for.

One portion of the stock options can be exercised in each case after a waiting period of two years, the other portion upon expiration of a total of six years and the rest after ten years. If the above conditions have been satisfied, the participants will be allocated the following Incentive Shares at the following times for each ten Investment Shares which have been deposited:

Investment Date	SPP	SIP
upon expiration of:	(number of Incentive Shares)	(number of Incentive Shares)
two years	1	2
six years	2	4
ten years	2	4

The allocation of the Incentive Shares is free of charge for all entitled persons.

Non-transferability/employment relationship
The Stock Options, i.e. the right to Incentive Shares, are not transferable by way of a transaction. Generally, the Incentive Shares can only be allocated if the participant at the time of allocation is in an existing service or employment relationship with the Company or with a subordinate, affiliated company which has not been terminated.

Regarding Agenda Item 8: The Board of Management Report to the Stockholders' Meeting pursuant to § 71 paragraph 1 number 8 in conjunction with § 186 paragraph 4 sentence 2 AktG
§ 71 paragraph 1 number 8 AktG offers the Company the option on the basis of an authorization by the Stockholders' Meeting to acquire treasury shares up to 10% of its capital stock. Agenda item 8 contains the recommendation to issue a respective authorization. The Board of Management would thereby be able to acquire treasury shares in the interest of the Company and its stockholders of up to 10% of the current capital stock of the Company either over the exchange

or through a public purchase offer. The acquisition should also be able to be conducted by the Company's dependent Group companies in the meaning of § 17 AktG or for them by third parties. The term of the authorization for acquisition of treasury shares should make use of the new legal rule which now enables a length of five years.

The principle of equal treatment of § 53 a AktG must be observed from the beginning if the tender occurs through a public tender offer as well as the tender of shares on an exchange. If the number of shares offered at a fixed price exceeds the number of shares demanded by the Company, it should be possible under the recommended authority that the tender should occur pursuant to the relation of the tendered shares (tender rate). Only when a tender occurs principally pursuant to the tender rate instead of the holding rate can the tender process be technically concluded in an economically reasonable fashion. Furthermore it should be possible to preferentially accept smaller numbers of shares up to a maximum of 50 shares per stockholder. On the one hand this ability serves to avoid small normally uneconomical remnants and a potential accompanying disadvantage for small stockholders. On the other it serves to simplify the technical settlement of the tender process. Finally a rounding pursuant to business principles for the avoidance of fractions of shares is intended in all cases. This also serves to simplify the technical processing. The Board of Management in conformity with the Supervisory Board finds an exclusion of any additional stockholder tender rights justified as well as appropriate vis-à-vis the stockholders.

The treasury shares acquired by the Company can be sold again over an exchange or by means of a public offering to all stockholders. In this regard the principal of equal treatment of the stockholders is observed in the sale of the shares. Insofar as shares are sold by means of an offer to all stockholders, the Board of Management shall be authorized to exclude stockholder subscription rights for fractional amounts of shares. The ability to exclude subscription rights for fractional amounts serves to produce a technically feasible subscription ratio. The fractional shares excluded from the stockholder subscription rights will be either sold over an exchange or disposed of in another manner in the best interest of the Company. The potential dilution effect is marginal due to the limitation of the fractional amounts.

Furthermore, under the recommended authority the Company can also sell the acquired shares on cash terms outside of an exchange and without a public offer directed to stockholders if the sale price at the time of the sale does not materially fall below the exchange quotation. The ability of this authorization, available under § 71 paragraph 1 number 8 AktG in corresponding application of § 186 paragraph 3 sentence 4 AktG for facilitating an exclusion of the subscription right is invoked. This serves, in the interests of the Company, to achieve the best possible price at the sale of the treasury shares. The Company would thus be in the position of being able to react quickly, flexibly and cost effectively to beneficial situations on the stock exchange. Sale proceeds recoverable through price determination close to the market generally lead to a considerably higher cash inflow per share sold than in the case of a share placement with a subscription right which normally incurs a substantial deduction from its market price. Through the avoidance of the time and cost intensive settlement of the subscription right, equity needs can be covered through timely short term market opportunities. The asset and voting interests of the stockholders will be appropriately protected. The authorization on excluding subscription rights under § 186 paragraph 3 sentence 4 AktG when selling treasury shares or options and/or convertible bonds is limited to a maximum amount of 10% of the share capital of the Company, including any authorizations for the issuance of new shares or bonds with option/or conversion rights or obligations under exclusion of the subscription right in accordance with, pursuant to, or in the meaning of § 186 paragraph 3 sentence 4 AktG.

The Board of Management, subject to the reauthorization of the exclusion of subscription rights by a subsequent Stockholders' Meeting, will not exercise the authority to issue treasury shares under the exclusion of stockholders' subscription rights in the scope of the proportionate capital stock attributable to shares under exclusion of subscription rights of stockholders on the basis of other authority granted to the Board of Management to be issued or tendered if the scope of the capital stock attributable to these shares exceeds 10% of the current capital stock of the Company. The Board of Management shall be bound by this term as long as a subsequent Stockholders' Meeting does not decide to reauthorize the Board of Management to conduct capital measures under the exclusion of stockholder subscription rights. This charge will be cancelled however and the original volume of authority will be available as soon as a subsequent Stockholders' Meeting reauthorizes the Board of Management to issue or tender shares or bonds with option/or conversion rights or obligations on shares of the Company under the exclusion of stockholder subscription rights. Reference is made to the Board of Management Report to the Stockholders' Meeting on Authorized Capital I (Agenda Item 5) on Authorized Capital II (Agenda Item 6) and on the authorization to issue bonds with warrant or convertible bonds (Agenda Item 7).

The stockholders are protected against dilution through the fact that the shares can only be sold at a price which is not substantially less than the controlling exchange price. The final determination of the sale price for the shares occurs promptly before the sale. The Board of Management will endeavor – taking into consideration the current market conditions – to keep a potential deduction from the exchange price as low as possible. Interested stockholders can maintain their holding quota largely at the same terms through purchases on the market.

The Company should retain the possibility to transfer its shares as consideration to third parties provided that it is used for the purpose of acquiring companies, portions of companies, or interests in companies or other assets or to transact business mergers. At the same time the stockholders' subscription right should be excluded. The Company competes globally. It must at any moment be in the position to quickly and flexibly trade on the national and international markets. This entails the ability to improve its competitive position by merging with other companies or acquiring companies, portions of companies and interests in companies. Particularly in connection with the acquisition of companies or portions of companies it can be economically expedient to acquire other assets that could economically serve the Company or respective segment of the Company. The optimal case in the interest of the Company would specifically be the implementation of a merger or acquisition under warranty of the shares of the acquiring company. Further more, it has been shown in practice that on the international as well as the national markets the procurement of shares of the acquiring company is often demanded as consideration in the scope of corporate mergers or for attractive acquisition objects. The possibility to grant shares for this purpose is already envisaged by Authorized Capital I in § 4 of the Articles of Incorporation. Beyond this, the possibility to grant shares of the Company should exist without having to execute an increase in the capital stock especially because of the time consuming requirements of entry into the commercial registry and the associated rise in administrative costs. The recommended authorization should give the Company the necessary latitude to quickly and flexibly take advantage of opportunities for business mergers or acquisitions. This would not be possible if subscription rights were granted, and the associated advantages would not be available to the Company. When the respective plans become more specific, the Board of Management will carefully examine whether the authorization to grant shares should be used. When determining the relative valuation, the Board of Management will ensure that the interests of the stockholders are reasonably protected. The Board of Management will normally base its determination of the value of the shares being provided as consideration on the stock exchange price of the shares of the Company. A fixed link to a stock exchange price is not contemplated, especially so as not to call into question achieved results of negotiations because of fluctuations in the stock exchange price.

Furthermore, the terms in e) of the resolution proposal would enable the Company to use treasury shares in order to service stock programs from the years 2000 - 2002.

The grant of Stock Options and subscription rights to employees and management personnel which entitle them under certain conditions to obtain shares in the Company is an internationally common method of compensation. This is intended to create an incentive to additionally increase the value of the Company by special efforts, and thus to promote the development of the stock exchange price of the shares of the Company in the interests of the stockholders and the Company, also when compared to other businesses. At the same time, the aim is to attract qualified employees and management personnel to the Bayer Group and retain them in the Bayer Group over the long-term. In light of this purpose, shares acquired to service the Stock Programs 2000 – 2002 cannot be offered to stockholders in the event of a sale, but only to the participants in the Stock Programs 2000 - 2002. All material provisions in the relevant Stock Programs are already set forth in the proposal for the resolution. Therefore, only the most important aspects are explained below:

The proposed authorization is intended to permit the Company to service the Module 1 of the SPP and the SIP using treasury shares. The Stock Programs which are to be serviced using treasury shares on the basis of the proposed authorization of the Stockholders' Meeting are based on two or three aspects, respectively, which correspond to the specific interests of the Company and its stockholders. The first aspect relates to the respectively established waiting periods which create a mid to long-term relationship between the management personnel and employees and the Bayer Group. These waiting periods exceed the waiting periods in stock programs of other companies, in some cases to a substantial degree.

The second aspect is based in personal investment. Only if the relevant employees and management personnel invest in shares of the Company for their own account, and thus for their own risk, can they participate in the Stock Programs as has been described. Accordingly, the Stock Programs have particular importance and a particular weight which differentiate them from many other stock programs of other companies. Not only do the respective employees and management personnel have the opportunity to participate in the development of the Company by using increased efforts, they are also at risk with their own resources, as is the case with the other stockholders. The third aspect consists of additional prerequisites for exercising the rights.

The participants in the SPP have two available modules. While Module 2, for which no resolution is required here, corresponds to the structure of a normal employee stock program which can be serviced under § 71 paragraph 1 number 2 AktG using treasury shares of the Company which are acquired by the Board of Management on the market, Module 1, as a supplement to § 71 paragraph 1 number 2 AktG, is an innovative employee stock model which makes the grant of additional shares in the Company dependent on remaining with the Bayer Group and holding a personal investment.

The participants in the SIP only receive Incentive Shares if the performance of the stock of the Company for tranches up to and including 2002 (on a total return basis) in each case during the relevant period was better than the performance of the Dow Jones €STOXX 50 (Performance Index). The management personnel of the Bayer Group, therefore, are prepared to have their performance measured against the performance of the most important listed companies in the European economic region. The Stock Programs represent in each case elements of compensation which expand the already existing variable compensation components for the purpose of developing even greater motivation and are intended to contribute to a long-term increase in the value of the business. Upon the grant of the Incentive Shares, the management personnel will have already earned them as consideration, therefore, as a result of their own personal performance so that the shares are issued free of charge.

In 2009, no shares were granted free of charge under the SPP Module 1 incentive program and under the SIP incentive program to employees and management personnel under the still applicable comparable utilization authorization.

Finally, the authorization permits the Company to cancel treasury shares without requiring any further resolution from the Stockholders' Meeting. The authorization permits the Company to react in a reasonable and flexible manner to the respective situation in the capital markets. Pursuant to § 237 paragraph 3 number 3 AktG, the proposed authorization provides that the Board of Management can also cancel the shares without a reduction of capital. By canceling the shares without a reduction of capital, the proportionate amount of the remaining shares in the share capital of the Company is increased. The Board of Management is authorized in this regard to adjust the Articles of Association with regard to the altered number of shares.

Pursuant to g) of the resolution proposal, the Board of Management shall only with the consent of the Supervisory Board make use of the authority to sell shares outside of an exchange without an offer directed to all stockholders for cash consideration as well as the authority to transfer shares to third parties to the extent that is serves the purpose of conducting acquisitions of companies, portions of companies, or interests in companies. Furthermore the Supervisory Board shall be able to determine that the measures taken by the Board of Management on the basis of the proposed resolution of the Stockholders' Meeting may only be affected with its consent.

Irrespective of the ability on the basis of the proposed tender authorization to use acquired shares pursuant to c) through f) of the resolution proposal, the authorization to use shares in c) through f) which were acquired through the authorization granted by an earlier Stockholders' Meeting should additionally be effective. The stockholders' subscription right should also to this extent be precluded. The aforesaid shall apply with respect to the basis for the preclusion of the subscription right. With respect to the requirement of the Supervisory Board's consent, g) of the resolution proposal shall apply.

The Board of Management in conformity with the Supervisory Board finds an exclusion of any additional stockholder subscription rights in the cited cases and for the stated reasons, also in consideration of a possible dilution effect, justified as well as appropriate vis-à-vis the stockholders. The Board of Management shall appraise the next Stockholders' Meeting regarding the use of this authority.

9. Adjustments to the Articles of Incorporation in §§ 14, 15 and 16 concerning the Act Implementing the Stockholder Rights Directive (ARUG)

The Act Implementing the Stockholder Rights Directive of July 30, 2009 (ARUG) has among other things changed the terms of deadlines and proxies in connection with the Annual Stockholders' Meeting. This makes adjustments to the Articles of Incorporation necessary. Additionally, the Articles of Incorporation can provide for the possibility of an absentee voting which can ease the voting by stockholders in the future. Moreover, the competency to decide on the already existing option whether to permit the sound and image transmission of the Annual Stockholders' Meeting is to be transferred through terms in the Articles of Incorporation to the Board of Management or the meeting Chairman.

The Board of Management and the Supervisory Board therefore propose that § 14, § 15 paragraphs 2 and 3 as well as § 16 paragraph 4 be reworded as well as § 15 be expanded by paragraph 4 as follows:

§ 14

"Insofar as no other persons are legally authorized to do so, the Annual Stockholders' Meeting shall be convened by the Board of Management. To the extent no shorter deadline is permitted by law, notice shall be provided at least thirty days prior to the meeting. The convening deadline is extended by the days of the registration deadline (§ 15 paragraph 2)."

§ 15 paragraph 2

"Registration must be received by the Company at the address provided in the notice of the Annual Stockholders' Meeting at least six days prior to the meeting."

§ 15 paragraph 3

"The voting right can also be exercised through a proxy. The granting of the proxy, the cancellation of the proxy and the evidence of the authorization to be provided to the Company are required in the form required by law; the notice of the meeting can establish relief from this requirement. In the notice of the Annual Stockholders' Meeting the Company can establish, beyond the legally required information, the terms as to the form and manner in which the evidence of the granting of the proxy to proxy holders can be communicated. Concrete forms and communication channels can be established in the meeting notice for the granting and cancellation of a proxy to a proxy holder appointed by the Company."

§ 15 paragraph 4

"The Board of Management can provide that stockholders may cast their votes without participating in the meeting through written or electronic communication (absentee voting). It can determine the specifics of the absentee voting process."

§ 16 paragraph 4

"The meeting Chairman is authorized to permit the partial or complete transmission of the Annual Stockholders' Meeting in image and sound in a manner to be determined by him."

10. Appointment of the Auditor for the audit of the financial statements and the audit review of the half-year financial report

The Supervisory Board proposes, supported by the recommendation of the Audit Committee, to appoint PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen as the auditor of the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group for the fiscal year 2010 and as the auditor for the audit review of the condensed consolidated financial statements and the interim management report in the fiscal year 2010.

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Upon notice of the Annual Stockholders' Meeting, in addition to this notice the following documents in particular are available on the Internet under WWW.HV2010.BAYER.DE:

- Financial Statements of Bayer AG, Consolidated Financial Statements of the Bayer Group, Combined Management Report, Report of the Supervisory Board, Explanatory Report by the Board of Management on Takeover-Relevant Information, Proposal of the Board of Management for the Distribution of the Profit (Agenda Item 1)
- Report of the Board of Management pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG (Agenda Item 5)
- Report of the Board of Management pursuant to § 203 paragraph 2 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG (Agenda Item 6)
- Report of the Board of Management pursuant to § 221 paragraph 4 sentence 2 in conjunction with § 186 paragraph 4 sentence 2 AktG (Agenda Item 7)
- Report of the Board of Management pursuant to § 71 paragraph 1 number 8 in conjunction with § 186 paragraph 4 sentence 2 AktG (Agenda Item 8)

These documents are also available for viewing during the Annual Stockholders' Meeting. Additionally, copies of these documents will be provided upon request to every stockholder.

Total number of shares and voting rights
The stock capital of the Company on the day of notice of this Annual Stockholders' Meeting is divided into 826,947,808 individual registered shares that are each entitled to one vote.

Participation in the Annual Stockholders' Meeting and exercise of voting rights
Participation in the Annual Stockholders' Meeting and exercise of voting rights are reserved for those stockholders who are entered in the share register and have provided timely notice of their intention to attend. Such notice must be received by the Company not later than 24.00 hours on April 23, 2010 at the following address:

Bayer Aktiengesellschaft
Hauptversammlungs-Service
Postfach 97 70 08
69977 Mannheim
Germany
Fax: +49 (0)69/2222-34280
Email: BAYER.HV@RSGMBH.COM

or electronically through use of the password-protected Internet service for the Annual Stockholders' Meeting at the Internet address WWW.HV2010.BAYER.DE

An access authorization is required for the use of the password-protected Internet service. The necessary information for receiving the access authorization for the use of the password-protected Internet service (stockholder number and individual access code) will be sent with the invitation (including notice to attend and proxy forms). The password-protected Internet service is anticipated to be available from Wednesday, April 7, 2010. The use requires that the stockholder is entered in the share register not later than Thursday April 15, 2010 (entry status after the last change).

Pursuant to § 67 paragraph 2 sentence 1 AktG, only those who are entered in the share registry as such are considered stockholders, in relationship to the Company. The status of the register entry on the day of the Annual Stockholders' Meeting is determinative for the right of participation and the number of votes to which the participant is entitled. For technical processing reasons, no changes will be performed in the share register in the period between Saturday, April 24, 2010 until and including Friday, April 30, 2010. Therefore the entry status in the share register on the day of the Annual Stockholders' Meeting is the status after the last change on Friday, April 23, 2010.

Credit institutions and stockholder associations as well as other similarly situated persons or associations pursuant to § 135 AktG may only exercise the voting right for shares which do not belong to them but who are entered in the share register as their holder on the basis of an authorization. Specifics to this authorization are found in § 135 AktG.

Further information on the notice of intention to attend process is found on the notice to attend and proxy forms as well as on the Internet site WWW.HV2010.BAYER.DE

After the timely receipt of the notice of intention to attend, entry tickets to the Annual Stockholders' Meeting will be issued provided the stockholder has not previously decided on the proxy of a proxy holder appointed by the Company.

The trade in shares will not be blocked by a notice of intention to attend the Stockholders' Meeting. Even after successfully providing notice to attend, stockholders can continue to have free use of their shares. Since only those who are entered into the share register on the day of the Annual Stockholders' Meeting are considered stockholders in relationship to the Company (see above), a decision may however have an effect on the participation eligibility of a stockholder.

Voting process through a proxy
Stockholders have the option to let their voting right be exercised through a proxy and also through an association of stockholders. The timely notice of intention to attend is also required in these cases (see above under Participation in the Annual Stockholders' Meeting and exercise of voting rights). The granting of a proxy is permitted before as well as during the Annual Stockholders' Meeting. Declarations to the proxy as well as to the Company come into consideration by the granting of a proxy. In particular, the stockholder can declare upon notice of intention to attend that he will not personally participate in the Annual Stockholders' Meeting but rather through a specific proxy.

With the mailing of the invitation to the Annual Stockholders' Meeting, the stockholders receive a notice of intention to attend and proxy form which among other things can be used to grant a proxy and instructions to the proxy holder designated by the Company or to order entry tickets for a proxy. An example of the notice of intention to attend and proxy will be made available for viewing by stockholders at the Internet site WWW.HV2010.BAYER.DE. Additionally, cards for granting a proxy and instructions during the Annual Stockholders' Meeting will be included in the voting card packet which will be handed out upon entry to the Annual Stockholders' Meeting. The password-protected Internet service contains a (screen) form which makes is possible already upon notice of intention to attend as well as at a later point to grant a proxy and instructions to the proxy holder designated by the Company. The entry tickets issued by the Company also contain a form to grant a proxy and instructions.

Stockholders who want to make use of the proxy holder are referred in particular to the following:

The Company offers its stockholders the option to authorize proxy holders designated by the Company. Proxy holders designated by the Company vote only to the extent that instructions have been issued. Proxy holders are required to vote in accordance with the instructions.

Proxies and instructions to proxy holders designated by the Company can be executed before the Annual Stockholders' Meeting through the return by post of the notice of intention to attend and proxy forms included with the invitation to the Annual Stockholders' Meeting, or during the Meeting through use of the proxy card included in the voting card packet. Irrespective of the necessary notice of intention to attend by 24.00 hours on Friday, April 23, 2010 (see "Participation in the Annual Stockholders' Meeting and exercise of voting rights" above), in the event of the granting of a proxy through return by post, it must be received by Thursday, April 29, 2010 (date of postmarking) at the following address:

Bayer Aktiengesellschaft
Hauptversammlungs-Service
Postfach 97 70 08
69977 Mannheim
Germany

Proxy and instructions to the proxy holder designated by the Company can also be granted by fax under the fax number +49 (0)69/2222 – 34280 or electronically through use of the password-protected Internet service for the Annual Stockholders' Meeting (see above under Participation in the Stockholders' Meeting and exercise of voting rights) at the Internet address WWW.HV2010.BAYER.DE through use of the (screen) form found there. Irrespective of the necessary notice of intention to attend by 24.00 hours on Friday, April 23, 2010 (see "Participation in the Annual Stockholders' Meeting and exercise of voting rights" above), proxies and instructions by fax or Internet may be issued until 1200 on April 29, 2010.

Further information regarding the granting of proxy and instructions to proxies designated by the Company can also be found on the notice of intention to attend and proxy forms. Corresponding information is also available on the Internet at WWW.HV2010.BAYER.DE. The cancellation of a proxy granted to a proxy holder designated by the Company can be performed in writing (§ 126a BGB). Additional evidence of such an authorization is not required.

If the granting of a proxy to the benefit of a person other than the proxy holder appointed by the Company occurs and is not subject to § 135 AktG (in particular authorizations of credit institutions and stockholder associations), the granting and cancellation of a proxy as well as evidence to the Company must be in text form (§ 126b BGB). If the granting of the proxy or its cancellation occurs in a declaration to the Company, it can be submitted under the following address:

Bayer Aktiengesellschaft
Hauptversammlungs-Service
Postfach 97 70 08
69977 Mannheim
Germany
Fax: +49 (0)69/2222-34280
Email: BAYER.HV@RSGMBH.COM

Subject to § 135 AktG (in particular authorizations of credit institutions and stockholder associations) the text form is not required by § 134 paragraph 3 sentence 3 AktG nor do the Articles of Incorporation contain a particular term for this case. Therefore credit institutions as well as other similarly situated persons or associations pursuant to § 135 AktG can provide forms for their authorization which must satisfy only the applicable legal requirements for the granting of proxy in this case, particularly those in § 135 AktG.

If the proxy is granted though declaration to the Company, additional evidence of the authorization is not required. If however the proxy is granted through declaration to the proxy holder, the Company can demand evidence of the authorization provided nothing else results from § 135 AktG. Evidence of the authorization can be conveyed to the Company prior to the Annual Stockholders' Meeting.

We offer the following electronic means of communication: the company can convey the evidence of a granting of a proxy through use of the password-protected Internet service pursuant to the intended process (see above under Participation in the Annual Stockholders' Meeting and exercise of voting rights) at the Internet address WWW.HV2010.BAYER.DE or by e-mail to the address BAYER.HV@RSGMBH.COM. The evidence of the authorization conveyed by fax can only unambiguously be associated with the notice of intention to attend if the name, birth date or address of the stockholder or the stockholder number are provided. The name and the address of the proxy holder should also be provided so that the entry ticket can be transferred.

We ask for your understanding that due to the large number of expected notices of intention to attend our Annual Stockholders' Meeting, principally send a maximum of two entry tickets. This does not apply to the proxies of holders of American Depository Shares of the Company through the custodial bank.

Additions and amendments to the agenda

Stockholders whose interests together amount to one twentieth of the capital stock or the pro rata share of €500,000 (amounting to 195,313 shares) can pursuant to § 122 paragraph 2 AktG demand that items be placed on the agenda and disclosed. Each new item must include a reason or a resolution. The demand is to be directed to the Board of Management in written form:

Bayer Aktiengesellschaft
Board of Management
Building W 11
Kaiser-Wilhelm-Allee 1
51373 Leverkusen
Germany

Demands for additions and amendments to the agenda must be received by the Company at least 30 days before the Annual Stockholders' Meeting in other words at 24.00 hours on Tuesday, March 30, 2010.

Additions and amendments to the agenda to be disclosed – insofar as they are not already disclosed with the meeting notice – will be made known without delay in the electronic federal gazette. They are additionally available without delay at the Internet address WWW.HV2010.BAYER.DE

Right to submit counter motions and election proposals

Every stockholder has the right to submit motions and election proposals to items on the agenda as well as to the rules of procedure in the Annual Stockholders' Meeting without requiring an announcement, disclosure or requiring any other action before the Annual Stockholders' Meeting.

The Company will make counter motions in the meaning of § 126 AktG and election proposals in the meaning of § 127 AktG including the name of the stockholder, the reasoning, which is not required for election proposals and any statement by the administration available under WWW.HV2010.BAYER.DE if the stockholder has sent them at least 14 days, prior to the meeting, meaning 24.00 hours on Thursday, April 15, 2010, to the following address:

Bayer Aktiengesellschaft
Building Q 26 (Legal Department)
Kaiser-Wilhelm-Allee 20
51373 Leverkusen
Germany

Fax: + 49 (0) 214/30-56524
Email Address: HV2010.GEGENANTRAEGE@BAYER-AG.DE

and the other conditions for a duty to make available pursuant to § 126 AktG or § 127 AktG are fulfilled.

Right of information
Pursuant to § 131 paragraph 1 AktG every stockholder is to be given information regarding Company matters by the Board of Management upon demand in the Annual Stockholders' Meeting insofar as is necessary for an appropriate judgement of an agenda item and no right of refusal to disclose exists. The information duty applies to all legal and business relationships of the Company to an affiliated company and the state of the Group and the companies included in the consolidated financial statements.

Further explanations
These and further explanations of the rights of stockholders pursuant to § 122 paragraph 2, § 126 paragraph 1, § 127 and § 131 paragraph 1 AktG are available on the Company's Internet site at WWW.HV2010.BAYER.DE.

Partial transmission
All stockholders of the Company as well as the interested public can follow the speech by the Chairman of the Board of Management at the Annual Stockholders' Meeting on April 30, 2010 from approximately 10:15 a.m. live on the Internet at WWW.HV2010.BAYER.DE. There will be no other video or audio transmission from the Annual Stockholders' Meeting.

Leverkusen, February 2010
Bayer Aktiengesellschaft

The Board of Management

This notice is a convenience translation. For the legally binding document, please refer to the original German version which is published on the Internet at WWW.EBUNDESANZEIGER.DE.

Bayer: a strong company

Dear Stockholders:

2009 was an especially challenging year. Despite our best efforts, we too were unable to prevent a decline in sales and earnings. Yet thanks to our strategic alignment, we navigated the economic downturn with comparative success. Sales fell by 5.3 percent to €31.2 billion, and we limited the drop in earnings to 6.6 percent. EBITDA before special items came in at €6.5 billion, making 2009 operationally one of the three best years in Bayer's history. We also improved net cash flow by 49 percent to €5.4 billion. This enabled us to reduce net financial debt by €4.5 billion – a bigger drop than expected – to €9.7 billion.

These achievements were the result of an outstanding level of commitment by our employees, to whom I extend my sincere thanks on behalf of the entire Board of Management.

Our business performance varied from one subgroup to another. HealthCare again registered growth in both sales and earnings that was driven by all divisions. This subgroup's activities account for about half of our sales and some 70 percent of underlying EBITDA. We strategically strengthened our HealthCare subgroup with further acquisitions and a number of license agreements in key areas. These transactions included research, development and distribution partnerships, particularly in oncology, the purchase of exclusive rights to an insulin product for the Chinese market, and the acquisition of two dermatology products in the United States.

CropScience further increased sales and market share, with our young products again showing above-market growth. Thus in 2009 we already achieved an important target: €2 billion in sales of products based on active ingredients launched since 2000. In terms of earnings, CropScience was unable to match the record level of 2008 due to higher raw material costs and negative currency effects. Strategically, however, there were a number of highlights, ranging from extensive license agreements in the field of plant traits to the acquisition of U.S.-based biotech company Athenix, which was Bayer's largest transaction in 2009.

For MaterialScience, it was a very difficult year as expected. Yet business recovered tangibly as the year went on. The subgroup initiated a rapid, broad response to the sharp drop in demand with measures such as temporary plant shutdowns, production cutbacks, and short-term reductions in working hours and compensation. These actions paid off. We also accelerated the implementation of our restructuring programs and applied strict cost management.

It goes without saying that you, our stockholders, should benefit from the relatively stable performance of our business. The Board of Management and the Supervisory Board are therefore proposing to pay a dividend for 2009 of €1.40 per share, the same as in the previous year. This payout reflects the Bayer Group's operational earning power and future perspectives.

We brought 2009 to a successful close and are optimistic for 2010. This year we are targeting currency- and portfolio-adjusted sales growth of more than 5 percent and aim to increase EBITDA before special items toward €7 billion. Core earnings per share are expected to improve by about 10 percent.

Having largely achieved our current target margins, our main focus for the future is on creating value through profitable growth. To do this we plan to continue investing primarily in our research and development pipeline, in BioScience and in the emerging markets. We expect to achieve steady currency- and portfolio-adjusted sales growth of approximately 5 percent annually through 2012 and plan to raise EBITDA before special items to around €8 billion within this period. We are targeting an average 10 percent annual improvement in core earnings per share, which would mean an increase to around €5 per share.

Today we are benefiting from the work we have done in recent years to align the enterprise toward innovation and growth and give it a competitive structure.

That work began with the biggest reorganization in Bayer's history. We separated the Group's strategic management from the day-to-day running of the business, created clear lines of responsibility and focused our activities more closely on their respective markets. This new organizational structure proved to be a solid foundation for our subsequent activities.

We focused our portfolio on the core areas of health care, nutrition and high-tech materials. The acquisition of Schering AG, Berlin, Germany, crucially strengthened our pharmaceutical operations. Since 2002 we have acquired or divested businesses worth a total of over €43 billion in order to restructure the Bayer Group.

Since the reorganization – in other words, between 2002 and 2009 – we implemented efficiency improvement and cost containment measures with a total volume of some €4 billion, completing the last of the restructuring programs last year. There can be no doubt that we would not have mastered the crisis so well if we had not transformed our portfolio and increased our efficiency.

This is also reflected in our stock market performance, which was very positive last year at nearly 40 percent. Bayer shares thus trended significantly better than the DAX or the EURO STOXX 50. Since 2005 our stock has appreciated by an average of 22 percent a year, taking dividends into account.

As you can see, long-term alignment and sustainable business management have been the top priority at Bayer for many years. And this strategy also proves effective in a difficult environment.

An important milestone is our new sustainability strategy, which we presented last year. We are contributing Bayer products and the expertise of our employees to eight international lighthouse projects in the areas of health care, nutrition and climate protection to help drive sustainable development forward throughout the world. These activities once again underline our strategic objective of balancing ecological, economic and social needs.

A special focus has been set with our foundation activities. Greater investment in education is needed to safeguard the future. In this context, the Bayer Science & Education Foundation is providing financial assistance for projects designed to improve science teaching in schools. Since the launch of our school support program at the end of 2007, we have already facilitated more than 100 projects with total funding of over €1.25 million.

Our direction is clear: as an inventor company, Bayer stands for research and development. That's why the cover of this Annual Report is dedicated to research. The picture shows the director of our new HealthCare research center in China.

Innovation is vital for a company's future. With this in mind, we are maintaining our commitment to research and development even in these challenging times. In 2009 we invested €2.75 billion in research and development – the largest amount in Bayer's 146-year history. These expenditures are intended to lead to pioneering innovations that will benefit future generations too.

This fall, after 44 years with Bayer and more than eight years as Chairman of the Board of Management, I will relinquish my responsibility for steering the company. I would like to thank Bayer for the opportunity to have such an interesting, challenging and varied career. My thanks are also due to all the colleagues who have shown such dedication and commitment to Bayer over the years.

In addition, I would like to thank you, our stockholders, for the trust you have placed in me and the entire Board of Management in recent years. I ask that you give the same support to my successor, Dr. Marijn E. Dekkers, and the management team in continuing Bayer's successful course.

Sincerely,

WERNER WENNING
Chairman of the Board of Management of Bayer AG

A volatile year on the stock markets

Bayer stock showed a strong performance in 2009, appreciating by nearly 40 percent, while the DAX ended the year up 24 percent. The Board of Management and the Supervisory Board propose the distribution of a dividend of €1.40 per share, the same as for the previous year.

Sharp fluctuations throughout 2009

Substantial price movements characterized the international stock markets in 2009. In the wake of the economic and financial crisis, the DAX had slipped roughly 24 percent by early March to its year low of 3,666 points. This was also its lowest level for five years. However, the market rallied considerably in the months that followed, and the DAX closed the year at 5,957 points, up some 24 percent from the end of 2008. On a longer-term view, 2009 was an above-average year on the German stock market. In only three of the past ten years did the DAX achieve a better performance: 1999 (approx. 39 percent), 2003 (approx. 37 percent) and 2005 (approx. 27 percent).

INTERNET

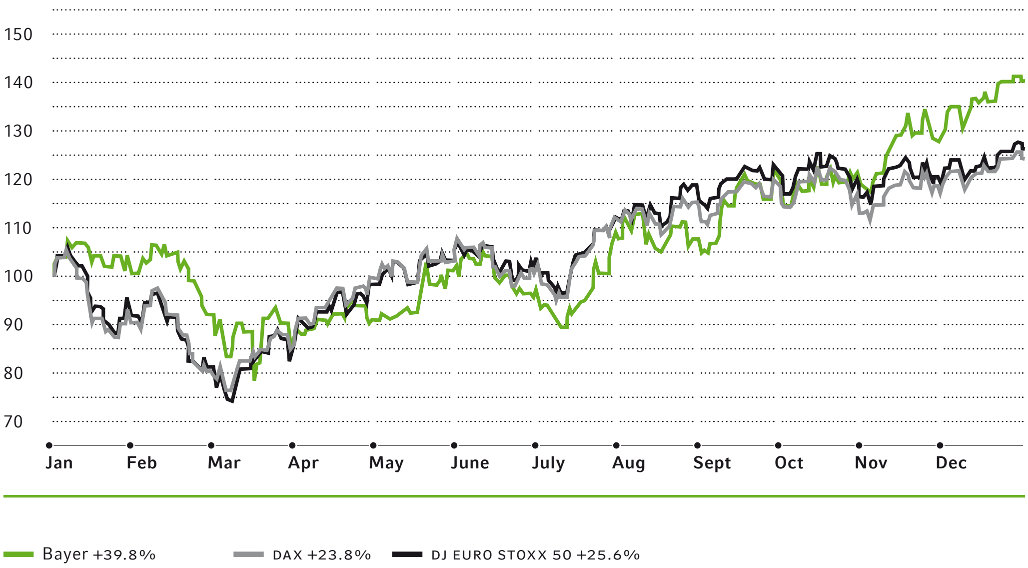
For more information about Bayer on the capital market, go to WWW.INVESTOR.BAYER.COM

Prices trended similarly in other European countries, Asia and North America, with the DJ EURO STOXX 50 up some 26 percent on the year, the S&P 500 in the U.S. gaining around 23 percent and Japan's Nikkei 225 rising 19 percent.

The positive trend in equities, especially in the second half of the year, was driven primarily by central bank and fiscal policy and investor optimism about an economic recovery.

Performance of Bayer Stock in 2009

(indexed; 100 = closing price on December 31, 2008)



Bayer stock again significantly outperformed the DAX

In 2009, Bayer stock outperformed the DAX and EURO STOXX 50 indices for the third consecutive year, gaining 34.7 percent on the year. Including the dividend of €1.40 per share for 2008 paid in May 2009, its performance amounted to 39.8 percent. The shares ended 2009 at €55.96, very close to their high for the year.

Bayer's market capitalization showed an even stronger improvement. The conversion of the mandatory convertible bond in June 2009 boosted the number of shares to 826,947,808. In sum, our market capitalization rose last year by nearly 46 percent to over €46 billion.

The trading volume in our shares receded by about 30 percent from the previous year to an average of 4.3 million per day. However, Bayer stock still trended better than the average for the Deutsche Börse cash market, which was down more than 50 percent compared with 2008.

Successful capital market transactions despite difficult market conditions

In the first half of 2009, the ability to raise capital in order to refinance debt and create an additional liquidity reserve for risk management was almost entirely confined to companies with investment-grade ratings. Although risk premiums were far higher than before the collapse of the U.S. investment bank Lehman Brothers, they were more favorable than in the fourth quarter of 2008 and below those on equivalent bank loans.

The decline in risk premiums during the year can be seen from the trend in credit default swaps (CDS), depicted in the graphic on page 38. The market price of these tradable insurance contracts, which are used to hedge against default of a borrower, depends on the underlying credit risk and thus helps to determine the credit margin when raising debt.

Bayer's good credit rating and sound reputation on the capital market enabled us even in the first half of 2009 to raise capital for purposes of refinancing and creating a safety cushion. In the first quarter of 2009 we issued promissory notes (Schuldscheine) with a total face value of €620 million and a €1.3 billion Eurobond.

A list of the bonds issued by Bayer can be found in Note [27] to the consolidated financial statements on page 227ff. of the Bayer Annual Report 2009.

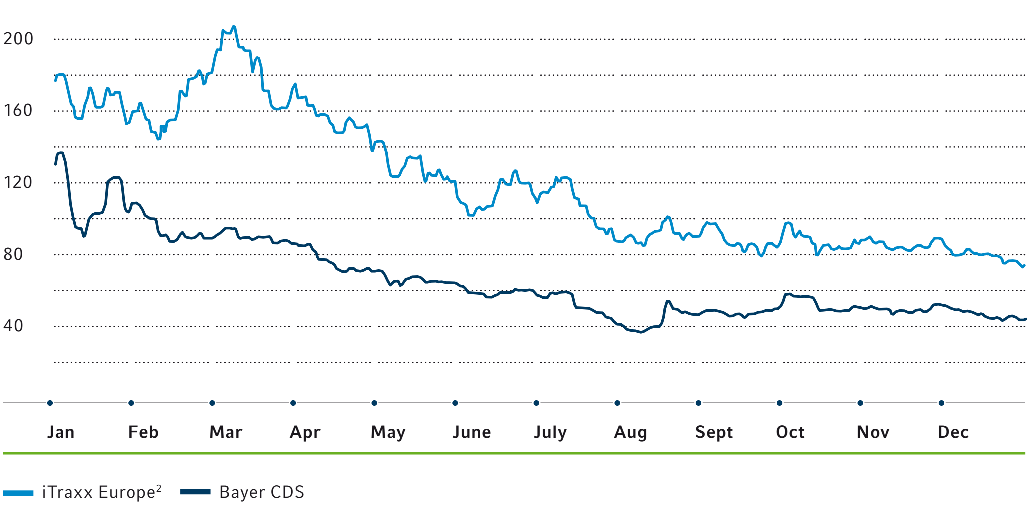
Bayer Stock Data

		2008	2009
Earnings per share	€	2.22	1.70
Core earnings per share[1]	€	4.17	3.64
Cash flow per share	€	6.93	5.63
Equity per share	€	21.38	22.92
Dividend per share	€	1.40	1.40
Year-end price[2]	€	41.55	55.96
High for the year[2]	€	65.68	56.45
Low for the year[2]	€	36.83	32.69
Total dividend payment	€ million	1,070	1,158
Shares entitled to the dividend (Dec. 31)	million	764.34	826.95
Market capitalization (Dec. 31)	€ billion	31.8	46.3
Average daily trading volume	million	6.0	4.3
Price/EPS[2]		18.7	32.9
Price/core EPS[1,2]		10.0	15.4
Price/cash flow[2]		6.0	9.9
Dividend yield	%	3.4	2.5

[1] For details on the calculation of core earnings per share, see chapter 4.3., page 75 of the Bayer Annual Report 2009.
[2] XETRA closing prices (source: Bloomberg)

Rates for Five-Year Credit Default Swaps (CDS) in 2009

in basis points[1]



[1] source: Bloomberg
[2] iTraxx Europe is a CDS index comprising the CDS of 125 companies (including financial institutions) with investment-grade ratings.

Average return on Bayer stock remains ahead of the market

A long-term investor who purchased Bayer shares for €10,000 five years ago and reinvested all dividends would have seen the value of the position grow to €27,247 as of December 31, 2009, giving an average annual return of 22.2 percent.

Long-Term Returns on Bayer Stock in % p.a. (Dividends Reinvested)

Annual returns	1 year 2009	3 years 2007–09	5 years 2005–09
	%	%	%
Bayer	+39.8	+14.3	+22.2
DAX	+23.8	–3.3	+7.0
DJ EURO STOXX 50	+25.6	–7.4	+3.1

A sustainable investment

Bayer stock is included in many important sustainability indices and funds that single out companies with sustainable and responsible corporate strategies. These include the Dow Jones Sustainability Index World, the FTSE4Good index series, the Storebrand SRI Funds and the ASPI (Advanced Sustainable Performance Indices) Eurozone. Our sustainability reporting is based on the guidelines issued by the Global Reporting Initiative.

In 2009 Bayer was honored by the Carbon Disclosure Project (CDP) for its climate reporting, and included in the Carbon Disclosure Leadership Index (CDLI) as the world's best company on this criterion. The CDLI ranks companies on the range and depth of carbon disclosure.

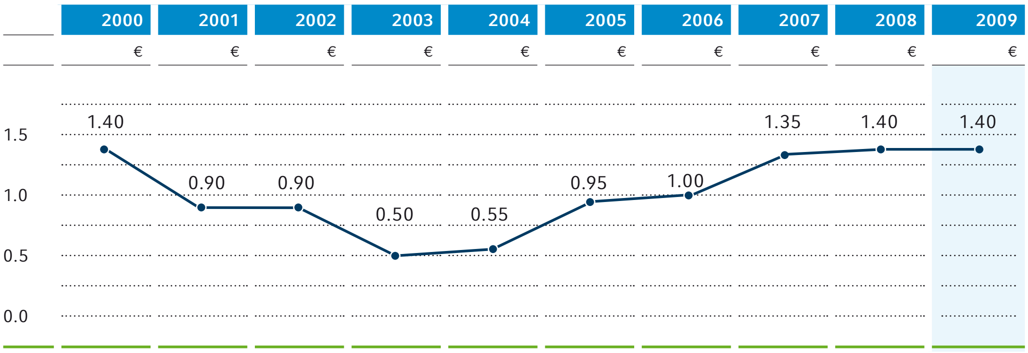
Bayer also explained its commitment to sustainability at one-on-one meetings and conferences with investors.

Dividend steady at €1.40 per share

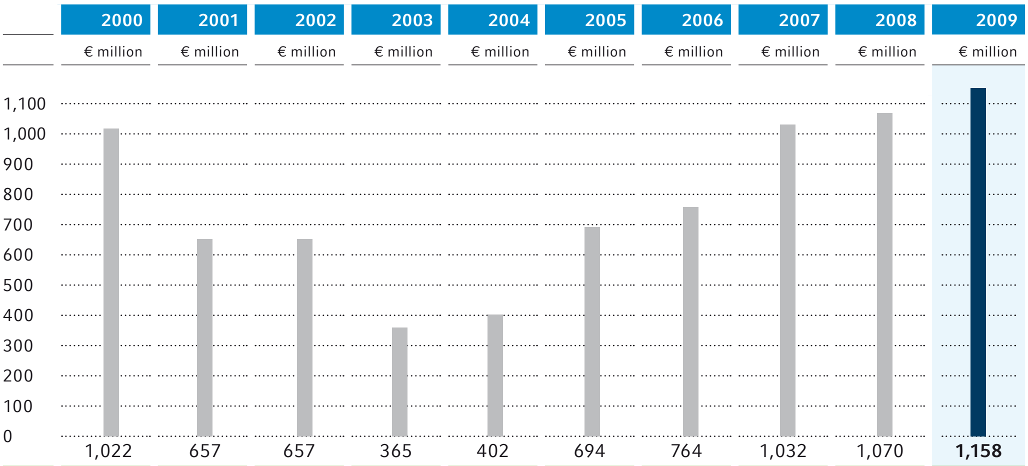
The Board of Management and the Supervisory Board will propose to the Annual Stockholders' Meeting that a dividend of €1.40 per share be paid for 2009, the same as for the previous year. This results in a payout ratio of approximately 38 percent calculated on core earnings per share (see page 75 of the Bayer Annual Report 2009), which is within the target corridor of 30 to 40 percent.

The dividend yield calculated on the share price of €55.96 at year end 2009 amounts to 2.5 percent and the total dividend payment to €1,158 million.

Dividends Per Share



Total Dividend Payment



Switch to registered shares facilitates contact and increases transparency

Switch to registered shares

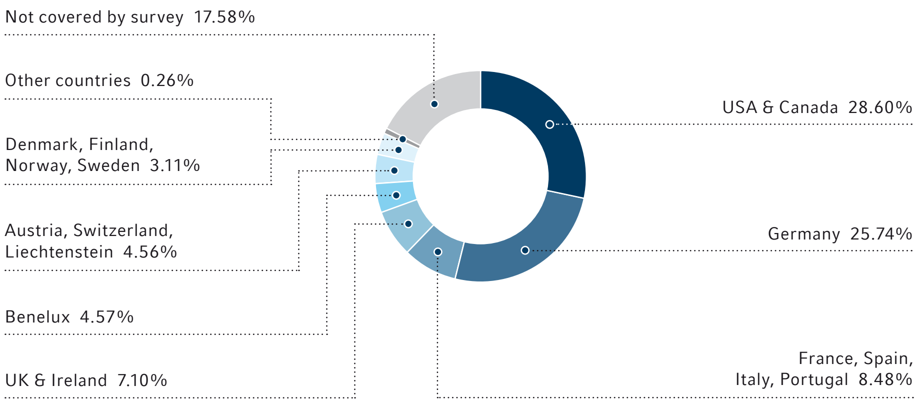
In September 2009 Bayer AG switched its entire capital stock of 826,947,808 bearer shares to registered shares at a conversion ratio of 1:1. Listing our stockholders in the share register is intended to facilitate contact with them and increase transparency.

International ownership structure

As of December 31, 2009, approximately 320,000 stockholders worldwide were listed in our share register.

The following graphic shows the geographical distribution of our stockholders, based on the results of an international survey conducted in November 2009:

Ownership Structure by Country



Registered shares make investor relations activities more efficient

The share register offers us additional opportunities to identify our stockholders and more accurately target our communications. The switch to registered shares has thus increased the efficiency of our investor relations activities.

Last year, we held some 400 one-on-one meetings with investors at 26 financial centers, providing them with information on topics of current interest relating to the Bayer Group. Along with our quarterly reporting, the pharmaceuticals research pipeline remains the prime focus of investors' attention. As in the past, we held conference calls, which were also streamed on the Internet, to keep stockholders informed of progress with drug products or candidates such as Xarelto® or riociguat.

Our Bayer MaterialScience subgroup also received increased attention at the start of the year in light of the economic situation. The consequences of the financial and economic crisis and our actions to counter its effects were discussed at length.

Investors also followed topics relating to the CropScience subgroup, such as new license agreements and collaborations and the acquisition of Athenix Corp.

Awards for investor relations activities

Our IR activities once again garnered several awards from investors and analysts in 2009. For example, our investor relations team was named the best in the chemicals sector following a survey conducted by the U.S. capital market journal *Institutional Investor* and was similarly honored in the UK & Continental Europe Awards presented by *IR Magazine*. We are also proud to have secured third place among EURO STOXX 50 companies in the 2009 Investor Relations Awards bestowed by the German business magazine *Capital*.

Award for outstanding research: German President Köhler (second from left) honors Bayer researchers Dr. E. Perzborn, Dr. F. Misselwitz and Dr. D. Kubitza (from left).

Highlights 2009

Award for novel anticoagulant

Bayer team wins President's "German Future Prize"

PODCAST CENTER

Watch a video podcast of the award ceremony at WWW.PODCAST.BAYER.COM

The "German Future Prize 2009," awarded by the Federal President, went to an R&D team from Bayer: Dr. Frank Misselwitz, Dr. Elisabeth Perzborn and Dr. Dagmar Kubitza received the prize for achievements in technology and innovation from President Horst Köhler at a ceremony in Berlin.

The Bayer scientists from Wuppertal were honored with this prestigious award for developing the new anticoagulant drug rivaroxaban (Xarelto®). "The development of this drug was very expensive, and projects like this require a great deal of patience and stamina. That's why I'm particularly pleased that major corporations such as Bayer have long-term innovation strategies," the President explained.

"I am delighted at this outstanding recognition for our research team. It again shows how important research and innovation are at Bayer," said Werner Wenning, Chairman of the Board of Management of Bayer AG. "The 'German Future Prize,' the highest innovation award in Germany, puts the spotlight on science, ensuring that the potential of the natural sciences, technology and medicine become more firmly anchored in the public consciousness," Wenning added.

Dr. Wolfgang Plischke, the Bayer Management Board member responsible for research, was in Berlin to congratulate the award-winners: "Winning this award is a truly historic moment and a milestone for Bayer as an inventor company." North Rhine-Westphalia Innovation Minister Professor Andreas Pinkwart also sent his congratulations: "There could be no more impressive evidence that investment in research and development is worthwhile. This is a crowning moment in Bayer's successful history as an inventor company."

The award-winners themselves were also delighted. "We really didn't expect this," said Misselwitz. He said the award was the result of excellent teamwork. Together with their teams and numerous scientists from a wide range of disciplines, the three Bayer researchers developed the new active ingredient for the prevention of thromboembolism after elective hip or knee joint replacement surgery.

Phase III trial launched for diagnosis of Alzheimer's disease

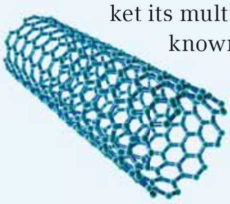

Dr. Ludger Dinkelborg (left) and Dr. Thomas Dyrks compare a healthy brain (left screen) with that of an Alzheimer's patient.

Bayer Schering Pharma, Berlin, Germany is progressing with the development of florbetaben to support the diagnosis of Alzheimer's disease. At the 95th Scientific Assembly and Annual Meeting of the Radiological Society of North America, the company announced the launch of an international Phase III trial to evaluate the efficacy and safety of florbetaben PET (positron emission tomography) imaging in the detection of beta-amyloid deposits in the brain.

The trial will include subjects with and without manifest dementia such as Alzheimer's disease. In the preceding Phase II trial, florbetaben successfully demonstrated its potential to detect beta-amyloid deposits in the brain as a pathological hallmark of disease in Alzheimer's patients.

"Currently, there is no diagnostic tool on the market to facilitate the in vivo diagnosis of the various dementia types, including Alzheimer's disease," said Dr. Thomas Balzer, Head of Global Clinical Development, Diagnostic Imaging, at Bayer Schering Pharma, Berlin. "This Phase III study showed that florbetaben can be used as a new tool to clearly detect beta-amyloid deposits in the brain while the patient is still alive. This could lead to better and earlier diagnosis of this devastating disease and eventually to more specific treatment."

World's largest production facility for carbon nanotubes


Schematic drawing of a carbon nanotube

Bayer MaterialScience can now market its multi-wall carbon nanotubes known as Baytubes® in the United States as well, following the granting of regulatory approval for the product by the U.S. Environmental Protection Agency (EPA) at the beginning of 2009. This reinforces Bayer MaterialScience's role as the supplier with currently the world's largest production capacity for carbon nanotubes.

Baytubes® can be added to polymer matrices or metal systems as a modifier or filler to improve their mechanical strength and/or antistatic properties. The product's applications include rotor blades for wind turbines along with sports equipment such as skis, hockey sticks, baseball bats and surfboards. Another application for nanotubes is the modification of light metals such as aluminum or magnesium.

The global market for carbon nanotubes is currently predicted to grow by 25 percent a year. Experts estimate that annual sales of these products will reach US$2 billion within about ten years. Bayer MaterialScience is one of the few companies capable of producing carbon nanotubes of consistently high quality on an industrial scale.

The world's largest pilot plant for carbon nanotubes was inaugurated in the Leverkusen Chempark in 2009. Bayer MaterialScience invested some €22 million in the facility, which has a capacity of 200 tons per year.

New active ingredient doesn't give weeds a chance

Bayer CropScience presented a new herbicidal active ingredient known as indaziflam in February 2009. Indaziflam, one of the new substances that Bayer CropScience is planning to launch by 2012, is currently at an advanced stage of development.

The company anticipates marketing the first products based on this active ingredient in 2011, assuming that regulatory approval is granted. Advantages of indaziflam include its long-lasting action, low application rate and the control of a broad spectrum of weeds.

Applications for indaziflam include fruit and wine growing, citrus, olives and sugar cane. Uses may also extend to golf courses, sports fields, public parks and gardens, and other non-agricultural environments.

Acquisition of biotech company Athenix completed

Trial in an Athenix greenhouse in the United States: Jayme Williams harvests soybeans.

Bayer CropScience has completed the purchase of Athenix Corp., a biotechnology company headquartered in Research Triangle Park, North Carolina, United States. The company, which was privately held, was acquired for US$365 million. Further cash payments totaling up to US$35 million will be made, depending on the achievement of certain development milestones.

The acquisition of Athenix and its innovative technology platform significantly boosts Bayer CropScience's ability to provide growers worldwide with novel technology and complete agricultural solutions – from seed to harvest. Athenix has an extensive development platform for herbicide tolerance and insect control traits. The company also possesses the industry's largest collection of genes that are crucial for insect resistance in plants.

"We are investing heavily in our BioScience business to strengthen our position in the global seeds and traits market," said Professor Friedrich Berschauer, Chairman of the Board of Management of Bayer CropScience.

Treatment option for bone metastases in cancer patients

Bayer Schering Pharma has entered into a global agreement with Algeta ASA, Oslo, Norway, for the development and commercialization of the cancer drug Alpharadin™, a novel alpha-emitting radiopharmaceutical based on radium-223. The substance is currently being evaluated in a global Phase III trial for the treatment of bone metastases in prostate cancer patients who no longer respond to hormone treatment.

"We recognize the tremendous potential of Algeta's Alpharadin as a possible treatment for bone metastases – a serious, life-threatening condition. The data we have seen suggest that Alpharadin may represent a highly targeted treatment option that could potentially extend overall survival with good tolerability, and offers convenient handling," said Kemal Malik, a member of the Board of Management of Bayer Schering Pharma. "Our goal is to further expand our global oncology portfolio."

Flagship sports venue for Leverkusen

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

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

The BayArena thus boasts the largest stadium roof yet to be made of this high-tech plastic from Bayer MaterialScience, and the anti-corrosion coating for the steel support structure is based on the company's polyurethane raw materials.

At the inauguration, Bayer AG Management Board Chairman Werner Wenning emphasized the fact that the renovation was carried out without public funding. "Our soccer team is an important image vehicle for the Bayer Group both in Germany and abroad," he explained. In 2011, the BayArena will host some of the Women's World Cup matches.

The Makrolon® roof of the new BayArena is a particularly impressive sight after dark.

Bayer CEO Werner Wenning (at the lectern) and Board of Management member Dr. Wolfgang Plischke (on the platform at left) explained the Sustainability Program to journalists.

Bayer strengthens sustainability commitment

Extensive new program includes global lighthouse projects

Bayer is increasing its commitment to sustainability. To this end the company is launching an extensive program including eight lighthouse projects focusing on the fields of health care, nutrition and climate protection. The aim is to integrate the company's products and its employees' expertise into international projects to promote sustainable development across the globe.

Bayer CEO Werner Wenning and Board of Management member Dr. Wolfgang Plischke presented the Bayer Sustainability Program at a press conference in Leverkusen, which was attended by approximately 120 journalists from 35 countries. "We are helping in specific ways to balance commercial success with the protection of the environment and the needs of society," said Wenning.

More than 15 million people worldwide will benefit directly from the lighthouse projects forming the centerpiece of the Sustainability Program. Apart from this, Bayer plans to achieve a 10 percent increase in energy efficiency at its production facilities by 2013 compared with 2008, corresponding to total annual reductions of 350,000 metric tons in greenhouse gas emissions. In addition, a new technology for chlorine production will enable these emissions to be reduced by a further 250,000 metric tons a year by 2020.

Bayer's business activities are focused on sustainability. "Sustainable development forms an integral part of Bayer's corporate policy, which is geared toward high-quality solutions and long-term success," Wenning said, adding: "We are aiming for sustainability in everything we do."

World's best climate protection reporting

Bayer has emerged as a leader in climate protection, now featuring in the Carbon Disclosure Leadership Index as the world's best company. This was announced by the investor group of the Carbon Disclosure Project (CDP) in New York in September. Awarded 95 out of a possible 100 points, Bayer came in first out of 50 companies represented in the Leadership Index, which were chosen from among the world's top 500 stock-exchange-listed companies. Rating takes place according to the thoroughness and transparency of companies' reporting on their climate strategies and greenhouse gas emissions.

Bayer is the only European company in the chemical and pharmaceutical industry to be included in the climate index for the fifth time in a row. CDP members' investment decisions are increasingly based on how companies strategically address the challenges posed by climate change.

Energy expert Jochem honored

The Bayer Science & Education Foundation chose energy efficiency expert Professor Eberhard Jochem of the Fraunhofer Institute for Systems and Innovation Research (ISI) in Karlsruhe, Germany, as the inaugural winner of the "Bayer Climate Award." "More than almost any other researcher, Professor Jochem has demonstrated that improving energy efficiency is the most important lever for reducing greenhouse gas emissions in the various areas of our industrialized society," Bayer CEO Werner Wenning said at the award ceremony in Berlin.

New contraceptive pill launched in Europe

Bayer Schering Pharma, Berlin, Germany, has started the European roll-out of Qlaira®. The new oral contraceptive has been available in several European countries, including Germany, since May 2009.

Qlaira® is the first in a new class of oral contraceptives with estradiol valerate as the estrogen component. Estradiol valerate is transformed into estradiol in the female body. The second component of Qlaira® is the progestogen dienogest. Until now, only one substance – ethinylestradiol – has been used as the estrogen component of oral contraceptives worldwide. For a long time, efforts to use estradiol had failed to achieve a satisfactory level of bleeding control.

Clinical studies with Qlaira® have shown that the combination of estradiol with the progestogen dienogest achieves good cycle control. It also offers a dynamic dosing regimen designed to deliver hormones at the right levels and at the right time during the cycle, providing reliable contraception and good cycle control.

The New Drug Application in the United States was submitted in July 2009. The company has sought approval for Qlaira® for the contraception indication and for the treatment of heavy and/or prolonged menstrual bleeding.

The children's daycare center of Bayer CropScience in Monheim, Germany, is housed in a zero-emissions building.

Business model for sustainable construction

Bayer aims to support the construction industry in the use of sustainable, eco-friendly building techniques as part of its worldwide climate program. The Eco-Commercial Building program of Bayer MaterialScience demonstrates the use of its materials to increase the energy efficiency of buildings, thereby helping to reduce carbon dioxide emissions. The special feature of this concept is that it can be adapted for use in different climate zones around the world.

The program is designed to act as an interface between decision makers and the construction industry and generate new business in the field of sustainable, energy-efficient construction. It includes an integral planning process that combines the materials expertise of Bayer MaterialScience with the construction skills of customers and service partners. Bayer's Belgian headquarters in Diegem and a children's daycare center in Monheim, Germany, were the first EcoCommercial buildings in Europe.

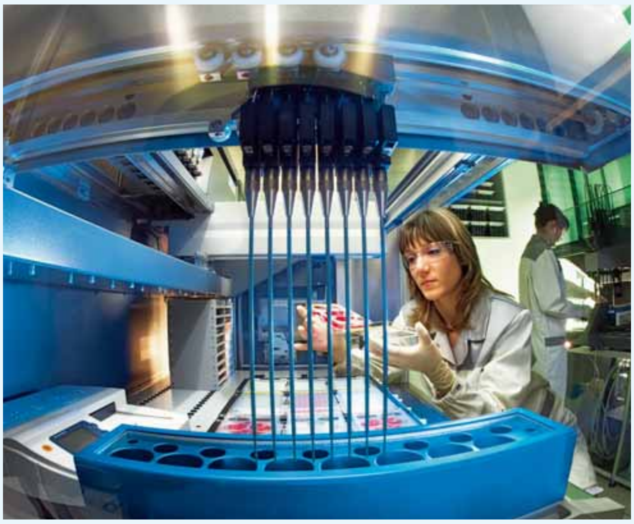
Promising approach to cancer therapy

Bayer Schering Pharma, Berlin, Germany, is working with biopharmaceutical company Micromet, Inc. to develop a new specific BiTE antibody for the treatment of solid tumors. In January 2009, the two companies entered into an option, license and collaboration agreement. By exercising the option in November 2009, Bayer Schering Pharma triggered a joint collaboration on the development of the BiTE antibody against an undisclosed solid tumor target through the completion of Phase I clinical trials, at which point Bayer will assume full control of the further development and commercialization of the antibody.

BiTE antibodies are designed to direct the body's cell-destroying T-cells against tumor cells, and represent a new therapeutic approach to cancer therapy. According to the agreement, Micromet will be eligible for milestone payments totaling up to €285 million and up to double-digit royalties based on tiered net sales of the product. In addition it is planned to reimburse Micromet for its R&D expenses.

"BiTE antibodies represent a promising approach to cancer therapy," said Dr. Karl Ziegelbauer, Head of Therapeutic Research Oncology at Bayer Schering Pharma. "We are looking forward to developing a new treatment for patients with solid tumors and to further advancing novel therapeutic options in our oncology portfolio."

Bayer employees Daniela Fischer (left) and Katja Zachmann prepare samples for automated RNAi testing.



Development of substances to control malaria mosquitoes

Bayer CropScience signs agreement with U.K. research institute

Defense against malaria mosquitoes: nets made of fibers impregnated with the active ingredient deltamethrin from Bayer CropScience provide effective protection.

Bayer CropScience and the Innovative Vector Control Consortium (IVCC), Liverpool, United Kingdom, plan to jointly develop new active ingredients to control mosquitoes that transmit diseases such as malaria and are resistant to conventional insecticides. Resistance is currently one of the greatest problems in the battle against malaria vectors. The aim is to discover new active ingredients for public health products (PHPs) that help protect people against diseases by controlling the insects that transmit them. According to figures from the World Health Organization, some 3.3 billion people – half the world's population – live in malaria-endemic areas.

The two partners signed a research agreement in May 2009 that will initially run for three years. Bayer CropScience is contributing its spectrum of substances and screening capabilities, along with its experience in chemical synthesis and insecticides research and development.

Initially established as a research consortium in 2005, the IVCC has evolved into a product development partnership (PDP).

Partners in Beijing

Bayer HealthCare and Tsinghua University in Beijing, China, have signed an agreement to enter into a comprehensive strategic partnership. Under the agreement, the partners have established a joint research center at Tsinghua University, the Bayer-Tsinghua (Institute of Biomedicine) Research Center of Innovative Drug Discovery.

The center is part of an initiative of Bayer HealthCare's newly inaugurated R&D Center in Beijing. Under the terms of the agreement, scientists from the university will collaborate with scientists from Bayer Schering Pharma, Berlin, Germany, along the drug discovery and development value chain, particularly in the areas of oncology, women's healthcare, diagnostic imaging and cardiology.

Best film of the year

Another accolade for Bayer's corporate image film: "Elements of Fascination" was chosen as the Grand Winner of the Galaxy Award 2009. This honor is bestowed on only one of the films awarded the Gold Prize, which means Bayer's corporate image film was named best film of the year.

"The film presents Bayer as a modern and innovative inventor company. It is a special honor for us that it has now been selected best film of the year from among so many excellent communication activities," said Michael Schade, Head of Communications at Bayer.

The award tops off the already strong showing by Bayer Communications at the Galaxy Awards, where Bayer won seven prizes in 2009. The Bayer corporate image film "Elements of Fascination" and the online version of the Annual Report each took home gold. The text and layout of the Annual Report and the company magazine *report* each won bronze. The scientific magazine *research* and the corporate image film received an "Honors" ranking in the "Stakeholder Dialogue" category.

A scene from "Elements of Fascination"

2009 operationally one of Bayer's strongest years

Bayer successful in a difficult environment

Optimistic for the future

- Group sales of €31.2 billion (-5.3%)
- EBITDA before special items of €6.5 billion (-6.6%) still at a high level
- Net income of €1.4 billion (-20.9%)
- Net cash flow significantly improved to €5.4 billion (+49.0%)
- Net financial debt reduced by €4.5 billion to €9.7 billion
- Unchanged dividend of €1.40 proposed
- Outlook for 2010: core earnings per share expected to improve by about 10%

Overview of Sales, Earnings and Financial Position

Full year 2009

In 2009 Bayer was successful in a difficult environment. We achieved EBITDA before special items of €6.5 billion, the third-highest level in our history, and nearly reached our ambitious target of limiting the decline in earnings against the record year 2008 to about 5%. Moreover, we improved net cash flow by 49% to a record €5.4 billion. This enabled us to reduce net financial debt by €4.5 billion – a greater amount than planned – to €9.7 billion.

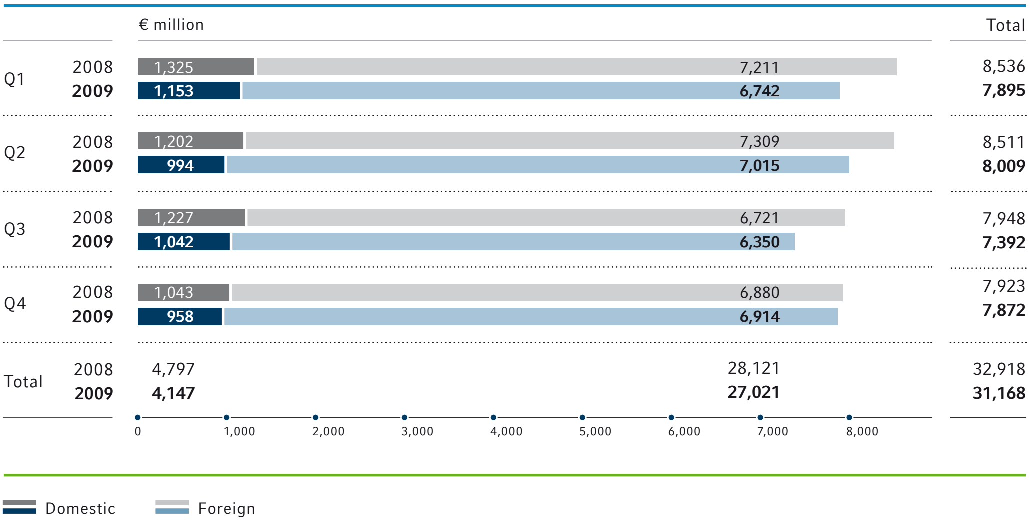
HealthCare again saw pleasing growth in both sales and earnings. CropScience achieved a slight improvement in sales despite a weakening market environment, though earnings came in somewhat below the previous year's record level. MaterialScience was hard hit by the slump in the world economy. Despite a recovery in business during the year, sales and earnings in 2009 came in well below the prior-year level.

Change in Sales

	2008	2009
	%	%
Volume	+2.8	−2.9
Price	+1.6	−2.8
Currency	−3.4	+0.6
Portfolio	+0.6	−0.2

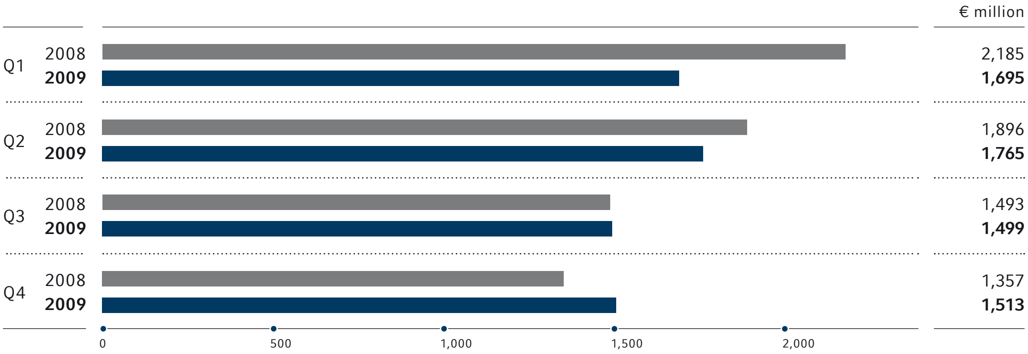
Group **sales** fell by 5.3% to €31,168 million (2008: €32,918 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales receded by 5.7%. Sales of HealthCare grew by 3.8% (Fx & portfolio adj. +3.8%). In the CropScience subgroup, business expanded by 2.0% (Fx & portfolio adj. +2.5%). Sales of MaterialScience fell by a substantial 22.8% (Fx & portfolio adj. 24.7%) due to the economic situation.

Bayer Group Quarterly Sales



EBITDA before special items of the Bayer Group, at €6,472 million, was down 6.6% from the prior-year figure of €6,931 million. Shifts in currency parities, particularly in the emerging markets, diminished earnings by some €140 million. The EBITDA margin before special items declined slightly to 20.8% (2008: 21.1%).

Bayer Group Quarterly EBITDA Before Special Items



EBITDA before special items of HealthCare improved by 7.5% to a record €4,468 million (2008: €4,157 million), yielding an EBITDA margin before special items of 27.9% (2008: 27.0%). Contributing to this increase were the gratifying business performance and the synergies from the integration of the former business of Schering, Berlin, Germany. EBITDA before special items of CropScience, at €1,508 million, was 5.9% below the very good result for the preceding year (€1,603 million). The EBITDA margin before special items came in at 23.2% (2008: 25.1%). The drop in earnings was due primarily to higher raw material costs and negative currency effects, which were only partly offset by earnings contributions from the additional sales. In the difficult year 2009, EBITDA before special items of MaterialScience amounted to €446 million (2008: €1,088 million). This substantially lower earnings level was due to negative price and volume effects on account of the much weaker demand caused by the economic slump. However, earnings of MaterialScience improved as the year went on, approaching the 2008 level by the third quarter. The EBITDA margin before special items dropped to 5.9% (2008: 11.2%).

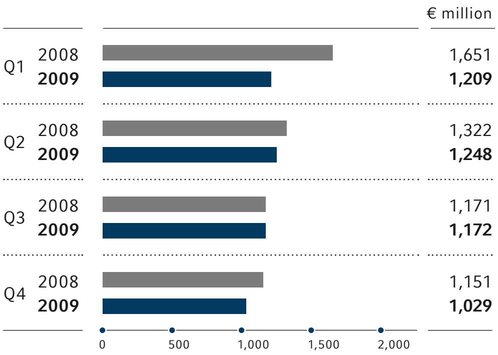
EBIT before special items of the Bayer Group, at €3,772 million, was down 13.1% from the previous year's level of €4,342 million. EBIT in 2009 was diminished by net special charges of €766 million (2008: €798 million). Of the 2009 figure, HealthCare accounted for €372 million, CropScience for €219 million and MaterialScience for €140 million. The net special charges related mainly to restructuring (2009: €354 million; 2008: €215 million) and the integration and acquisition of Schering, Berlin, Germany (2009: €87 million; 2008: €365 million). These expenses completed the current restructuring programs. Special charges of €225 million (2008: €106 million) were litigation-related, €68 million comprised additional funding for the German corporate pension assurance association necessitated by record bankruptcy losses, and €32 million consisted of impairment charges (2008: €98 million). EBIT of the Bayer Group fell by 15.2% to €3,006 million (2008: €3,544 million).

After a non-operating result of minus €1,136 million (2008: minus €1,188 million), income before income taxes in 2009 came in at €1,870 million (2008: €2,356 million). The main components of the non-operating result were €548 million (2008: €702 million) in net interest expense, €436 million (2008: €300 million) in interest cost for pension and other provisions, and a €92 million (2008: €79 million) exchange loss. The lower net interest expense was partly due to the reduction in financial debt and the decline in interest rates. Tax expense in 2009 came to €511 million (2008: €636 million).

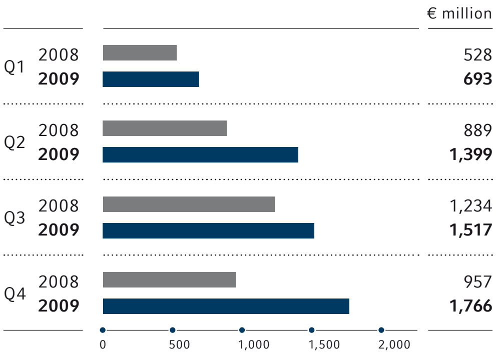
After tax we recorded income from continuing operations of €1,359 million (2008: €1,720 million).

The Bayer Group posted net income of €1,359 million in 2009 (2008: €1,719 million). Earnings per share were €1.70 (2008: €2.22). Core earnings per share moved back to €3.64 (2008: €4.17). The calculation of core earnings per share is explained in Chapter 4.3 "Core Earnings Per Share" on page 75 of the Bayer Annual Report 2009.

Gross Cash Flow by Quarter



Net Cash Flow by Quarter



Gross cash flow of the Bayer Group receded by 12.0% year on year to €4,658 million (2008: €5,295 million) due to the weak business performance at MaterialScience. By contrast, net cash flow advanced by 49.0% to €5,375 million (2008: €3,608 million), due particularly to improved working capital management and lower income tax payments.

We significantly reduced net financial debt during the year to €9.7 billion on December 31, 2009, compared with €14.2 billion at the end of 2008. The reduction included the conversion of the €2.3 billion mandatory convertible bond. The net pension liability – the aggregate of pension obligations and plan assets – rose by €0.4 billion compared with December 31, 2008, to €6.4 billion, mainly because of lower long-term interest rates on the capital market.

Sales and Earnings Forecast

Bayer Group

The Bayer Group is confident for 2010. We are targeting currency- and portfolio-adjusted sales growth of more than 5% and aim to increase EBITDA before special items toward €7 billion. Core earnings per share (calculated as explained in Chapter 4.3, page 75 of the Bayer Annual Report 2009) are expected to improve by about 10%. Our estimates are based on an exchange rate of US$1.40 (2009 average: US$1.39) to the euro.

We do not expect to incur special charges for restructuring programs in 2010.

Our capital expenditure budget is €1.4 billion. Depreciation and amortization are expected to total about €2.6 billion, including €1.3 billion in amortization of intangible assets. We plan to spend some €2.9 billion on research and development.

Having largely achieved our current target margins, our main focus for the future is on creating value through profitable growth. To do this we plan to continue investing primarily in our research and development pipeline, in BioScience and in the emerging markets. We expect to achieve steady currency- and portfolio-adjusted sales growth of approximately 5% annually through 2012 and plan to raise EBITDA before special items to around €8 billion within this period. We are targeting an average 10% annual improvement in core earnings per share, which would mean an increase to around €5 per share.

HealthCare

HealthCare plans to grow at least with the market in 2010. This corresponds to a currency- and portfolio-adjusted expansion of about 5%. We also intend to increase EBITDA before special items.

We aim to continue growing at least with the market through 2012 and to steadily improve EBITDA before special items.

CropScience

For CropScience we anticipate slightly above-market growth in 2010, equivalent to a currency- and portfolio-adjusted increase of approximately 4%. We are targeting a small increase in EBITDA before special items. However, the business environment is currently more difficult than expected.

We aim to grow at least with the market through 2012 and to further improve EBITDA before special items.

MaterialScience

We anticipate a continuing recovery in the markets relevant to our MaterialScience business. In light of this we aim to increase sales by more than 10% on a currency- and portfolio-adjusted basis in 2010. We are targeting a substantial increase in EBITDA before special items.

We expect to report somewhat higher sales in the first quarter of 2010 than in the fourth quarter of 2009. In light of further increases in raw material costs, we expect first-quarter EBITDA before special items to be roughly level with the preceding quarter.

Provided the economic recovery continues, we expect MaterialScience to return to its pre-crisis sales level of more than €10 billion by 2012. We plan to considerably increase EBITDA before special items.

Bayer AG

As the holding company for the Bayer Group, Bayer AG derives most of its income from its subsidiaries. Under profit and loss transfer agreements with the major operating subsidiaries in Germany, their earnings are transferred directly to Bayer AG. The positive expectations for the Group's business development outlined above are also likely to be reflected in the earnings of Bayer AG. In addition, the net interest position should continue to improve in light of the reduction in financial debt. We therefore expect to maintain a level of after-tax income that allows the payment of an appropriate dividend.

Bayer Group Consolidated Income Statements

	2008	2009
	€ million	€ million
Net sales	**32,918**	**31,168**
Cost of goods sold	(16,456)	(15,135)
Gross profit	**16,462**	**16,033**
Selling expenses	(8,105)	(7,923)
Research and development expenses	(2,653)	(2,746)
General administration expenses	(1,649)	(1,623)
Other operating income	907	922
Other operating expenses	(1,418)	(1,657)
Operating result [EBIT]	**3,544**	**3,006**
Equity-method loss	(62)	(48)
Non-operating income	589	789
Non-operating expenses	(1,715)	(1,877)
Non-operating result	**(1,188)**	**(1,136)**
Income before income taxes	**2,356**	**1,870**
Income taxes	(636)	(511)
Income from continuing operations after taxes	**1,720**	**1,359**
Income from discontinued operations after taxes	**4**	**-**
Income after taxes	**1,724**	**1,359**
of which attributable to non-controlling interest	5	-
of which attributable to Bayer AG stockholders (net income)	**1,719**	**1,359**
Earnings per share (€)		
From continuing operations		
Basic*	2.22	1.70
Diluted*	2.22	1.70
From discontinued operations		
Basic*	-	-
Diluted*	-	-
From continuing and discontinued operations		
Basic*	2.22	1.70
Diluted*	2.22	1.70

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

Bayer Group Consolidated Statements of Comprehensive Income

	2008	2009
	€ million	€ million
Income after taxes	**1,724**	**1,359**
of which attributable to non-controlling interest	*5*	*-*
of which attributable to Bayer AG stockholders	*1,719*	*1,359*
Changes in fair values of derivatives designated as cash flow hedges	(110)	89
Recognized in profit or loss	(47)	10
Income taxes	55	(38)
Changes recognized outside profit or loss (cash flow hedges)	**(102)**	**61**
Changes in fair values of available-for-sale financial assets	(32)	11
Recognized in profit or loss	1	-
Income taxes	9	(2)
Changes recognized outside profit or loss (available-for-sale financial assets)	**(22)**	**9**
Change in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets	(1,067)	(437)
Income taxes	455	117
Change 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)	**(612)**	**(320)**
Exchange differences on translation of operations outside the euro zone	(413)	284
Recognized in profit or loss	-	-
Changes recognized outside profit or loss (exchange differences)	**(413)**	**284**
Changes in revaluation surplus (IFRS 3)	**8**	**-**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**(15)**	**15**
Effects of changes in scope of consolidation	**1**	**(1)**
Total changes recognized outside profit or loss	**(1,155)**	**48**
of which attributable to non-controlling interest	*3*	*2*
of which attributable to Bayer AG stockholders	*(1,158)*	*46*
Total comprehensive income	**569**	**1,407**
of which attributable to non-controlling interest	*8*	*2*
of which attributable to Bayer AG stockholders	*561*	*1,405*

Bayer Group Consolidated Statements of Financial Position

	Dec. 31, 2008	Dec. 31, 2009
	€ million	€ million
Noncurrent assets		
Goodwill	8,647	8,704
Other intangible assets	13,951	12,842
Property, plant and equipment	9,492	9,409
Investments in associates	450	395
Other financial assets	1,197	1,200
Other receivables	458	549
Deferred taxes	1,156	950
	35,351	**34,049**
Current assets		
Inventories	6,681	6,091
Trade accounts receivable	5,953	6,106
Other financial assets	634	367
Other receivables	1,284	1,357
Claims for income tax refunds	506	347
Cash and cash equivalents	2,094	2,725
Assets held for sale and discontinued operations	8	-
	17,160	**16,993**
Total assets	**52,511**	**51,042**
Equity		
Capital stock of Bayer AG	1,957	2,117
Capital reserves of Bayer AG	4,028	6,167
Other reserves	10,278	10,613
	16,263	**18,897**
Equity attributable to non-controlling interest	77	54
	16,340	**18,951**
Noncurrent liabilities		
Provisions for pensions and other post-employment benefits	6,347	6,517
Other provisions	1,351	1,516
Financial liabilities	10,614	11,460
Other liabilities	432	415
Deferred taxes	3,592	3,210
	22,336	**23,118**
Current liabilities		
Other provisions	3,163	3,089
Financial liabilities	6,256	1,489
Trade accounts payable	2,464	2,735
Income tax liabilities	65	93
Other liabilities	1,874	1,567
Liabilities directly related to assets held for sale and discontinued operations	13	-
	13,835	**8,973**
Total equity and liabilities	**52,511**	**51,042**

2008 figures restated

Bayer Group Consolidated Statements of Cash Flows

	2008	2009
	€ million	€ million
Income from continuing operations after taxes	1,720	1,359
Income taxes	636	511
Non-operating result	1,188	1,136
Income taxes paid or accrued	(812)	(636)
Depreciation and amortization	2,722	2,809
Change in pension provisions	(292)	(366)
(Gains) losses on retirements of noncurrent assets	(75)	(155)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	208	-
Gross cash flow	**5,295**	**4,658**
Decrease (increase) in inventories	(692)	604
Decrease (increase) in trade accounts receivable	(134)	(28)
(Decrease) increase in trade accounts payable	16	235
Changes in other working capital, other non-cash items	(877)	(94)
Net cash provided by (used in) operating activities (net cash flow)	**3,608**	**5,375**
Cash outflows for additions to property, plant, equipment and intangible assets	(1,759)	(1,575)
Cash inflows from sales of property, plant, equipment and other assets	167	98
Cash inflows from (outflows for) divestitures	(41)	70
Cash inflows from (outflows for) noncurrent financial assets	(390)	169
Cash outflows for acquisitions less acquired cash	(1,617)	(354)
Interest and dividends received	553	477
Cash inflows from (outflows for) current financial assets	(2)	(11)
Net cash provided by (used in) investing activities	**(3,089)**	**(1,126)**
Capital contributions	-	-
Dividend payments and withholding tax on dividends	(1,126)	(973)
Issuances of debt	2,277	2,798
Retirements of debt	(752)	(4,240)
Interest paid	(1,272)	(1,206)
Net cash provided by (used in) financing activities	**(873)**	**(3,621)**
Change in cash and cash equivalents due to business activities	**(354)**	**628**
Cash and cash equivalents at beginning of year	**2,531**	**2,094**
Change in cash and cash equivalents due to changes in scope of consolidation	3	3
Change in cash and cash equivalents due to exchange rate movements	(86)	-
Cash and cash equivalents at end of year	**2,094**	**2,725**

2008 figures restated

Bayer Group Consolidated Statements of Changes in Equity

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Retained earnings incl. net income	Exchange differences
	€ million	€ million	€ million	€ million
Dec. 31, 2007	**1,957**	**4,028**	**12,949**	**(2,317)**
Equity transactions with owners				
Capital increase/decrease				
Dividend payments			(1,032)	
Other changes			4	
Changes recognized outside profit or loss**			(626)	(416)
Net income 2008			1,719	
Dec. 31, 2008	**1,957**	**4,028**	**13,014**	**(2,733)**
Equity transactions with owners				
Capital increase/decrease	160	2,139		
Dividend payments			(1,070)	
Other changes			6	
Changes recognized outside profit or loss**			(306)	282
Net income 2009			1,359	
Dec. 31, 2009	**2,117**	**6,167**	**13,003**	**(2,451)**

* OCI = other comprehensive income
** net of tax

Accumulated other comprehensive income					
Fair-value measurement of securities	Cash flow hedges	Revaluation surplus	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
€ million	€ million	€ million	€ million	€ million	€ million
32	**31**	**54**	**16,734**	**87**	**16,821**
			(1,032)	(9)	(1,041)
		(4)	-	(9)	(9)
(22)	(102)	8	(1,158)	3	(1,155)
			1,719	5	1,724
10	**(71)**	**58**	**16,263**	**77**	**16,340**
			2,299		2,299
			(1,070)	(4)	(1,074)
		(6)	-	(21)	(21)
9	61		46	2	48
			1,359		1,359
19	**(10)**	**52**	**18,897**	**54**	**18,951**

Governance Bodies

HERMANN JOSEF STRENGER
Honorary Chairman of the Supervisory Board of Bayer AG,
Leverkusen

Supervisory Board

DR. MANFRED SCHNEIDER
Chairman

THOMAS DE WIN
Vice Chairman

DR. PAUL ACHLEITNER

ANDRÉ AICH

WILLY BEUMANN

DR. CLEMENS BÖRSIG

KARL-JOSEF ELLRICH

DR.-ING. THOMAS FISCHER

PETER HAUSMANN

PROF. DR.-ING. E.H. HANS-OLAF HENKEL

REINER HOFFMANN

DR. RER. POL. KLAUS KLEINFELD

PETRA KRONEN

DR. RER. NAT. HELMUT PANKE

HUBERTUS SCHMOLDT

DR.-ING. EKKEHARD D. SCHULZ

DR. KLAUS STURANY*

DIPL.-ING. DR.-ING. E.H. JÜRGEN WEBER

PROF. DR. DR. H.C. ERNST-LUDWIG WINNACKER

OLIVER ZÜHLKE

* independent expert member pursuant to Section 100 Paragraph 5 of the German Stock Corporation Act (AktG)

Board of Management

WERNER WENNING
Chairman of the Board
of Management

WERNER BAUMANN

DR. MARIJN DEKKERS

KLAUS KÜHN

DR. WOLFGANG PLISCHKE

DR. RICHARD POTT

Organization Chart

as of February 1, 2010

BAYER AG (HOLDING COMPANY)

Group Management Board

Werner Wenning
Chairman
(until September 30, 2010)

Werner Baumann
Finance
(effective May 1, 2010)

Marijn Dekkers
Chairman
(effective October 1, 2010)

Klaus Kühn
Finance
(until April 30, 2010)

Wolfgang Plischke
Innovation, Technology & Environment

Richard Pott*
Strategy & Human Resources

Corporate Center

Corporate Office
J. Krell

Communications
M. Schade

Investor Relations
A. Rosar

Corporate Auditing
R. Meyer

Corporate Human Resources & Organization
J. Peters

Finance
J. Dietsch

Corporate Development
M. Mangold

Law & Patents, Insurance
R. Hartwig

Environment & Sustainability
W. Große Entrup

Group Accounting & Controlling
U. Hauck

Regional Coordination
I. Paterson

BUSINESS AREAS

Bayer HealthCare

A. J. Higgins
Chairman

L. van der Broek
Animal Health

G. Balkema
Consumer Care

S. E. Peterson
Medical Care

A. Fibig
Bayer Schering Pharma (BSP)

U. Köstlin
BSP Regions

A. Busch *
BSP Global Drug Discovery

K. Malik
BSP Global Development

M. Vehreschild
Central Administration & Organization

H. Klusik
Product Supply

Bayer CropScience

F. Berschauer
Chairman

R. Scheitza *
Portfolio Management

A. Klausener
Research

F. J. Placke
Development

W. Welter
Industrial Operations & QHSE

D. Suwelack
Business Planning & Administration

B. Naaf
Crop Protection Asia Pacific

J. du Puy
Crop Protection Europe & TAMECIS

W. Buckner
Crop Protection North America

M. Reichardt
Crop Protection Latin America

G. Riemann
Environmental Science

J. Schneider
BioScience

Bayer MaterialScience

P. Thomas
Chairman

A. Steiger-Bagel
Administration

T. Van Osselaer *
Industrial Operations

G. Hilken
Polycarbonates

P. Vanacker
Polyurethanes

J. Wolff
Coatings, Adhesives, Specialties

SERVICE AREAS

Bayer Business Services

Executive Board
D. Hartert
Chairman
N. Fieseler *

Bayer Technology Services

A. Noack
Managing Director

Currenta

Executive Board
K. Schäfer
Chairman
J. Waldi *

* Labor Director

Financial Calendar

2009 Annual Report	FEBRUARY 26, 2010
Q1 2010 Interim Report	APRIL 29, 2010
Annual Stockholders' Meeting 2010	APRIL 30, 2010
Payment of Dividend	MAY 3, 2010
Q2 2010 Interim Report	JULY 29, 2010
Q3 2010 Interim Report	OCTOBER 28, 2010
Annual Stockholders' Meeting 2011	APRIL 29, 2011
Payment of Dividend	MAY 2, 2011

MASTHEAD

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

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

Key Data

	2008	2009	Change
	€ million	€ million	%
Bayer Group			
Sales	32,918	31,168	−5.3
EBITDA[1]	6,266	5,815	−7.2
EBITDA before special items	6,931	6,472	−6.6
EBITDA margin before special items	21.1%	20.8%	
EBIT[2]	3,544	3,006	−15.2
EBIT before special items	4,342	3,772	−13.1
Income before income taxes	2,356	1,870	−20.6
Net income	1,719	1,359	−20.9
Earnings per share (€)[3]	2.22	1.70	−23.4
Core earnings per share (€)[4]	4.17	3.64	−12.7
Gross cash flow[5]	5,295	4,658	−12.0
Net cash flow[6]	3,608	5,375	+49.0
Net financial debt	14,152	9,691	−31.5
Capital expenditures as per segment table	1,982	1,669	−15.8
Research and development expenses	2,653	2,746	+3.5
Dividend per Bayer AG share (€)	1.40	1.40	0.0
Bayer HealthCare			
External sales	15,407	15,988	+3.8
EBITDA[1]	3,692	4,148	+12.4
EBITDA before special items	4,157	4,468	+7.5
EBITDA margin before special items	27.0%	27.9%	
EBIT[2]	2,181	2,640	+21.0
EBIT before special items	2,764	3,012	+9.0
Gross cash flow[5]	3,045	3,153	+3.5
Net cash flow[6]	2,259	3,431	+51.9
Bayer CropScience			
External sales	6,382	6,510	+2.0
EBITDA[1]	1,450	1,311	−9.6
EBITDA before special items	1,603	1,508	−5.9
EBITDA margin before special items	25.1%	23.2%	
EBIT[2]	918	798	−13.1
EBIT before special items	1,084	1,017	−6.2
Gross cash flow[5]	1,192	1,043	−12.5
Net cash flow[6]	736	745	+1.2
Bayer MaterialScience			
External sales	9,738	7,520	−22.8
EBITDA[1]	1,041	341	−67.2
EBITDA before special items	1,088	446	−59.0
EBITDA margin before special items	11.2%	5.9%	
EBIT[2]	537	(266)	•
EBIT before special items	586	(126)	•
Gross cash flow[5]	850	319	−62.5
Net cash flow[6]	782	849	+8.6

[1] EBITDA: EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also Chapter 4.2 "Calculation of EBIT(DA) Before Special Items," on page 74 of the Bayer Annual Report 2009.

[2] EBIT as shown in the income statement

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see Note [16] to the consolidated financial statements on page 193f. of the Bayer Annual Report 2009.

[4] Core earnings per share is not defined in the International Financial Reporting Standards. The company believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained in Chapter 4.3 on page 75 of the Bayer Annual Report 2009.

[5] Gross cash flow = income from continuing operations after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. See also Chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group," page 78ff. of the Bayer Annual Report 2009.

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