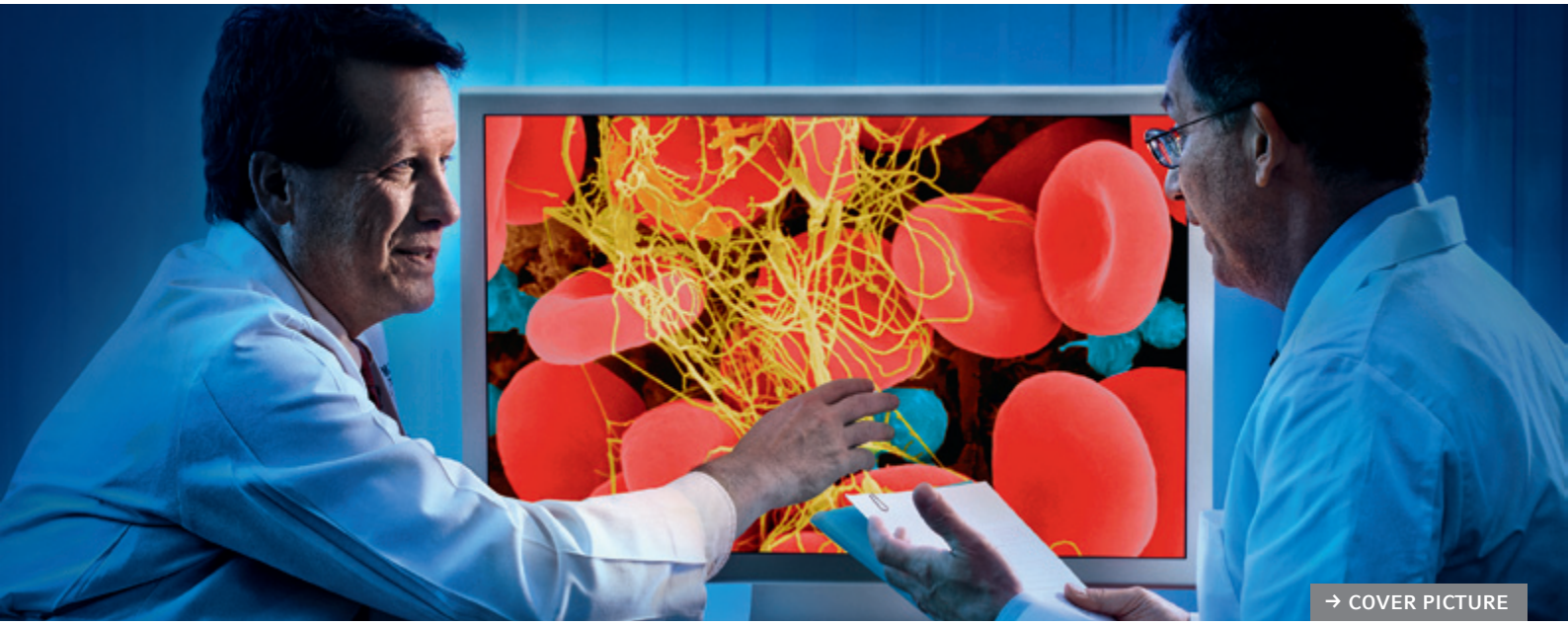
Science For A Better Life



Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2011

After a good third quarter: Bayer confirms Group outlook

CONTENTS

INTERIM GROUP MANAGEMENT REPORT AS OF SEPTEMBER 30, 2011 4
- → Bayer Group Key Data 2
- → Overview of Sales, Earnings and Financial Position 5
- → Economic Outlook 7
- → Sales and Earnings Forecast 8
- → Corporate Structure 9
- → Performance by Subgroup, Segment and Region 10
  - → HealthCare 10
  - → CropScience 16
  - → MaterialScience 19
  - → Performance by Region 22
- → Calculation of EBIT(DA) Before Special Items 22
- → Core Earnings Per Share 24
- → Financial Position of the Bayer Group 25
- → Growth and Innovation 27
  - → HealthCare 28
  - → CropScience 32
  - → MaterialScience 33
- → Employees 34
- → Opportunities and Risks 34
- → Events After the Reporting Period 35

INVESTOR INFORMATION 36

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011 37
- → Bayer Group Consolidated Income Statements 37
- → Bayer Group Consolidated Statements of Comprehensive Income 38
- → Bayer Group Consolidated Statements of Financial Position 39
- → Bayer Group Consolidated Statements of Cash Flows 40
- → Bayer Group Consolidated Statements of Changes in Equity 41
- → Notes to the Condensed Consolidated Interim Financial Statements as of September 30, 2011 42
  - → Key Data by Segment 42
  - → Key Data by Region 44
  - → Explanatory Notes 46

HIGHLIGHTS OF THE THIRD QUARTER OF 2011 52
- → Focus: Top in climate protection and sustainability 52
- → News 54

FURTHER INFORMATION
- → Financial Calendar 60
- → Masthead 60

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

Bayer Group Key Data

	3rd Quarter 2010	3rd Quarter 2011	Change	First Nine Months 2010	First Nine Months 2011	Change	Full Year 2010
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**8,581**	**8,670**	**+1.0**	**26,076**	**27,337**	**+4.8**	**35,088**
Change in sales							
Volume	+5.7%	+2.6%		+6.8%	+4.5%		+6.7%
Price	+2.7%	+2.2%		+1.1%	+2.3%		+1.3%
Currency	+7.7%	−3.9%		+4.4%	−2.1%		+4.9%
Portfolio	0.0%	+0.1%		−0.4%	+0.1%		−0.3%
EBIT[1]	**564**	**1,099**	**+94.9**	**2,679**	**3,520**	**+31.4**	**2,730**
Special items	*(436)*	*(75)*		*(768)*	*(661)*		*(1,722)*
EBIT before special items[2]	***1,000***	***1,174***	***+17.4***	***3,447***	***4,181***	***+21.3***	***4,452***
EBIT margin before special items[3]	11.7%	13.5%		13.2%	15.3%		12.7%
EBITDA[4]	**1,228**	**1,731**	**+41.0**	**4,776**	**5,503**	**+15.2**	**6,286**
Special items	*(436)*	*(74)*		*(636)*	*(569)*		*(815)*
EBITDA before special items[2]	***1,664***	***1,805***	***+8.5***	***5,412***	***6,072***	***+12.2***	***7,101***
EBITDA margin before special items[3]	19.4%	20.8%		20.8%	22.2%		20.2%
Non-operating result	**(267)**	**(224)**	**+16.1**	**(772)**	**(608)**	**+21.2**	**(1,009)**
Net income	**285**	**642**	**+125.3**	**1,446**	**2,073**	**+43.4**	**1,301**
Earnings per share (€)	0.35	0.78	+122.9	1.75	2.51	+43.4	1.57
Core earnings per share (€)[5]	0.95	1.12	+17.9	3.24	3.86	+19.1	4.19
Gross cash flow[6]	**887**	**1,327**	**+49.6**	**3,357**	**4,168**	**+24.2**	**4,771**
Net cash flow[7]	**1,555**	**1,577**	**+1.4**	**3,832**	**3,908**	**+2.0**	**5,773**
Cash outflows for capital expenditures	**395**	**354**	**−10.4**	**990**	**890**	**−10.1**	**1,514**
Research and development expenses	**776**	**691**	**−11.0**	**2,240**	**2,155**	**−3.8**	**3,053**
Depreciation, amortization and impairments	**664**	**632**	**−4.8**	**2,097**	**1,983**	**−5.4**	**3,556**
Number of employees at end of period[8]	**111,600**	**113,200**	**+1.4**	**111,600**	**113,200**	**+1.4**	**111,400**
Personnel expenses (including pension expenses)	2,018	2,029	+0.5	6,062	6,480	+6.9	8,099

2010 figures restated

In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.

[1] EBIT = operating result as shown in the income statement

[2] EBIT(DA) before special items is not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clearer picture of the results of operations and ensure greater comparability of data over time. See also Chapter 6 "Calculation of EBIT(DA) before special items."

[3] The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.

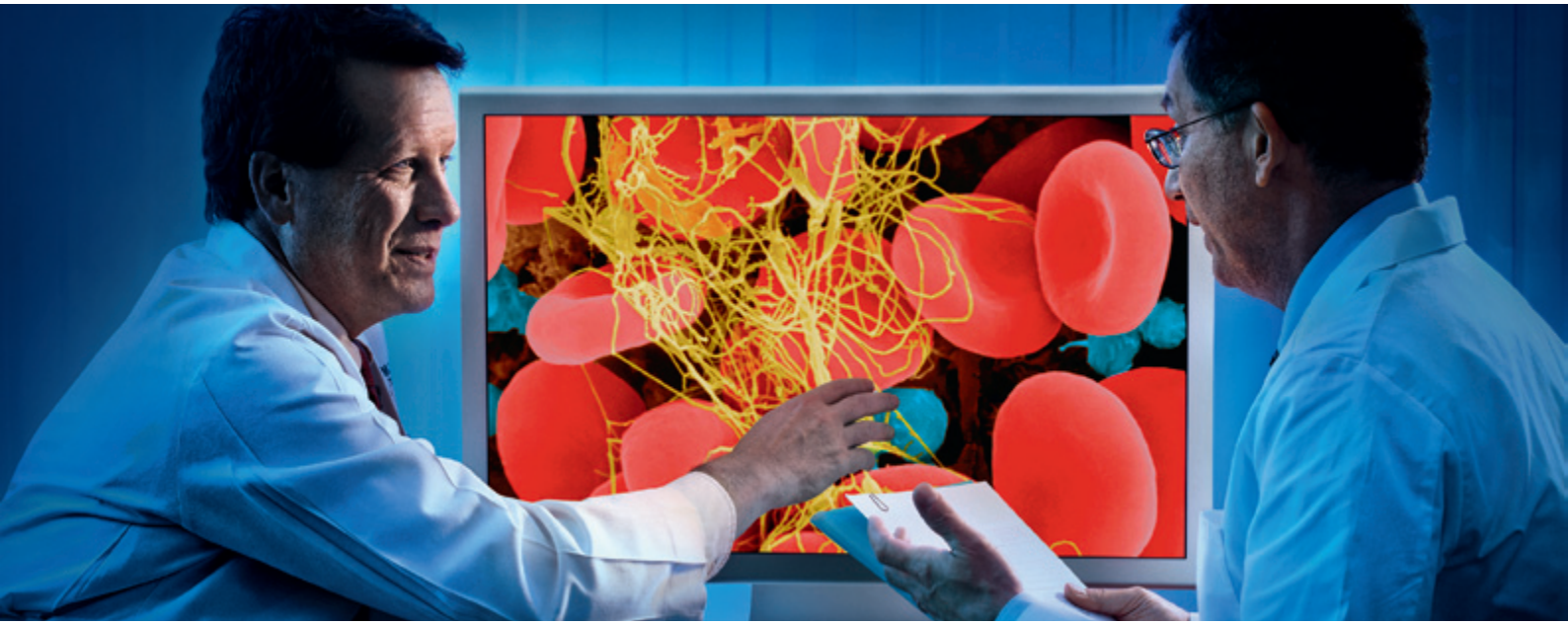
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals.

[5] Core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained in Chapter 7 "Core Earnings per Share."

[6] Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of the operating result (EBIT). It also contains benefit payments during the year. For details see Chapter 8 "Financial Position of the Bayer Group."

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

[8] Full-time equivalents



COVER PICTURE

A product of Bayer's research, the anticoagulant rivaroxaban is expected to provide new treatment options for patients with atrial fibrillation. Our cover photo shows Bayer scientist Dr. Scott D. Berkowitz (right) with Prof. Robert M. Califf from Duke University in North Carolina, United States.

After a good third quarter: Bayer confirms Group outlook

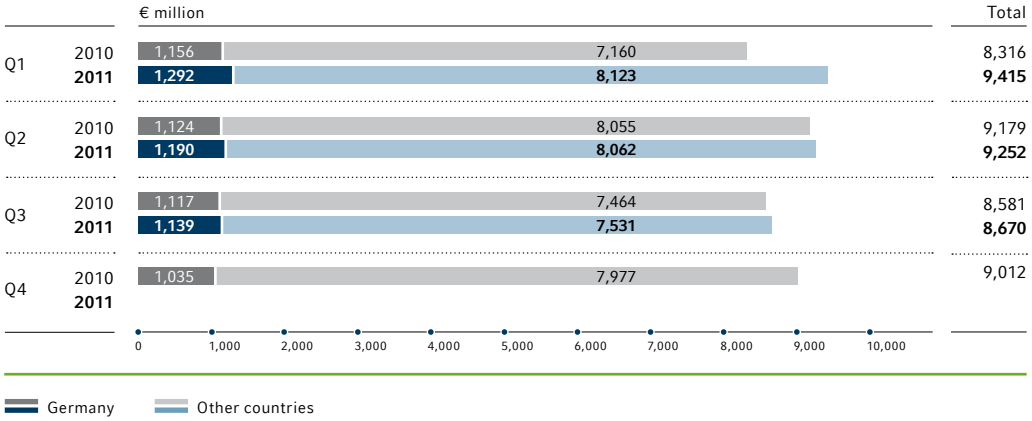
- Sales €8.7 billion (Fx & portfolio adj. +4.8%)
- Continuing momentum in the emerging markets (Fx adj. +9.5%)
- Operating result (EBIT) €1.1 billion (+94.9%)
- EBITDA before special items €1.8 billion (+8.5%)
- HealthCare and CropScience margins distinctly improved; MaterialScience weaker
- Net income increased to €0.6 billion (+125.3%)

The Bayer Group continued its successful development in the third quarter of 2011. On a currency- and portfolio-adjusted basis (Fx & portfolio adj.), sales rose by 4.8% to €8.7 billion (reported: +1.0%; Q3 2010: €8.6 billion), with the emerging markets accounting for a disproportionately large share of growth. The operating result (EBIT) advanced by a substantial 94.9% to €1.1 billion (Q3 2010: €0.6 billion) after special items of minus €0.1 billion (Q3 2010: minus €0.4 billion). EBITDA before special items improved by 8.5% to €1.8 billion (Q3 2010: €1.7 billion), contributory factors being lower costs at HealthCare and higher volumes at CropScience. Earnings of MaterialScience declined because of higher raw material costs. Net income more than doubled to €0.6 billion. Earnings per share rose to €0.78 (Q3 2010: €0.35) while core earnings per share moved ahead by 17.9% to €1.12 (Q3 2010: €0.95).

1. Overview of Sales, Earnings and Financial Position

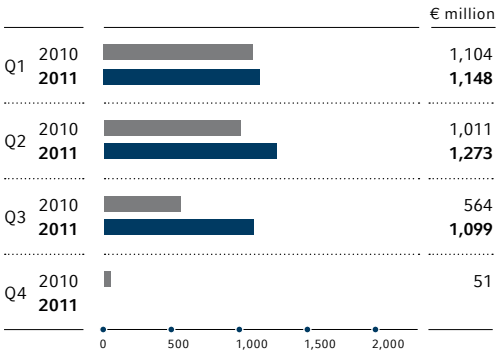
THIRD QUARTER OF 2011

Bayer Group Quarterly Sales [Graphic 1]



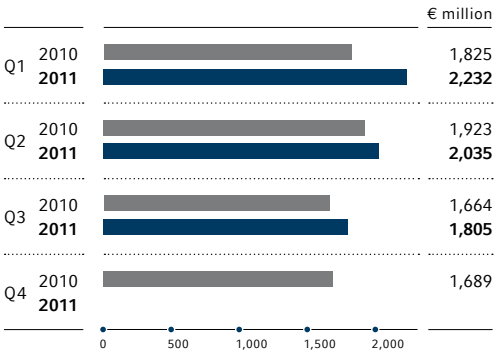
Sales of the Bayer Group grew by 4.8% (Fx & portfolio adj.) to €8,670 million (reported: +1.0%; Q3 2010: €8,581 million). Sales of HealthCare came in at €4,200 million (Q3 2010: €4,271 million), up 1.6% after adjusting for currency and portfolio changes (reported: -1.7%). CropScience raised sales by 9.4% (Fx & portfolio adj.) compared with the prior-year quarter to €1,379 million (reported: +2.8%; Q3 2010: €1,341 million). MaterialScience improved sales by 7.4% on a currency- and portfolio-adjusted basis (reported: +3.9%) to €2,768 million (Q3 2010: €2,665 million).

Bayer Group Quarterly EBIT [Graphic 2]



2010 figures restated

Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



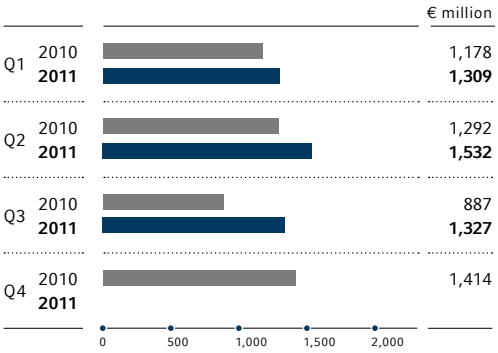
2010 figures restated

EBIT of the Bayer Group posted a clear 94.9% improvement to €1,099 million (Q3 2010: €564 million). Special items totaled minus €75 million (Q3 2010: minus €436 million) including restructuring charges of €69 million. Earnings in the prior-year quarter were diminished by provisions established in connection with litigations concerning genetically modified rice (LL RICE). EBIT before special items for the Bayer Group amounted to €1,174 million (Q3 2010: €1,000 million). **EBITDA** before special items increased by 8.5% to €1,805 million (Q3 2010: €1,664 million). HealthCare improved EBITDA before special items by 9.3% to €1,226 million (Q3 2010: €1,122 million), due in part to cost reductions in Pharmaceuticals. EBITDA before spe-

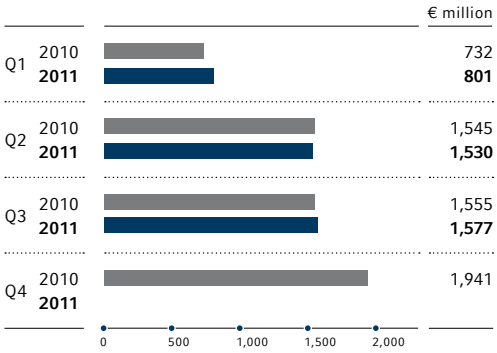
cial items at CropScience grew by 47.3% to €165 million (Q3 2010: €112 million), mainly due to higher volumes. At MaterialScience, EBITDA before special items declined to €348 million (Q3 2010: €408 million), with selling price increases failing to offset higher raw material and energy costs.

After a **non-operating result** of minus €224 million (Q3 2010: minus €267 million), **income before income taxes** rose substantially to €875 million (Q3 2010: €297 million). The main components of the non-operating result were €85 million (Q3 2010: €89 million) in interest cost for pension and other provisions and net interest expense of €109 million (Q3 2010: €141 million). After tax expense of €229 million (Q3 2010: €7 million) and non-controlling interest, **net income** in the third quarter of 2011 came to €642 million (Q3 2010: €285 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



2010 figures restated

Gross cash flow in the third quarter climbed by 49.6% to €1,327 million (Q3 2010: €887 million) as a result of the improved operating performance and lower special charges. A largely seasonal improvement in trade working capital freed up cash of €222 million (Q3 2010: €225 million). In the prior-year quarter there were also some initially non-cash special charges (mainly related to the LL RICE litigation) that reduced the cash tied up in working capital. Net cash flow was level year on year at €1,577 million (Q3 2010: €1,555 million).

Net financial debt fell from €7.4 billion on June 30, 2011 to €7.0 billion due to operating cash flows. Negative currency effects of €0.3 billion were fully offset. The net pension liability rose from €6.7 billion on June 30, 2011 to €7.4 billion, mainly because of lower long-term interest rates on the capital market.

FIRST NINE MONTHS OF 2011

Sales and earnings of the Bayer Group posted very encouraging increases in the first nine months of 2011, with all subgroups contributing to this performance.

Sales climbed by 6.8% after adjusting for currency and portfolio changes, to €27,337 million (reported: +4.8%; 9M 2010: €26,076 million). Sales of HealthCare rose by 2.4% on a currency- and portfolio-adjusted basis (reported: +1.0%). CropScience raised sales by a gratifying 10.9% on a currency- and portfolio-adjusted basis (reported: +7.8%) thanks to positive business development in Crop Protection/BioScience. MaterialScience contributed to the sales gain with a currency- and portfolio-adjusted increase of 11.0% (reported: +8.8%) that was attributable to higher selling prices and growth in volumes.

EBIT improved by 31.4% to €3,520 million (9M 2010: €2,679 million). Special items totaled minus €661 million (9M 2010: minus €768 million), while EBIT before special items came in at €4,181 million (9M 2010: €3,447 million). **EBITDA** before special items increased by 12.2% to €6,072 million (9M 2010: €5,412 million).

After a **non-operating result** of minus €608 million (9M 2010: minus €772 million), **income before income taxes** moved ahead substantially to €2,912 million (9M 2010: €1,907 million). The main components of the non-operating result were €284 million (9M 2010: €396 million) in net interest expense and €251 million (9M 2010: €268 million) in interest cost for pension and other provisions. After tax expense of €837 million (9M 2010: €456 million), after-tax income was €2,075 million (9M 2010: €1,451 million).

After non-controlling interest, **net income** of the Bayer Group came in at €2,073 million (9M 2010: €1,446 million). Earnings per share improved to €2.51 (9M 2010: €1.75). Core earnings per share advanced by 19.1% to €3.86 (9M 2010: €3.24). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow rose by 24.2% to €4,168 million (9M 2010: €3,357 million). Net cash flow was up slightly year on year at €3,908 million (9M 2010: €3,832 million). Net financial debt fell to €7.0 billion as of September 30, 2011, compared to €7.9 billion on December 31, 2010. The net pension liability – the aggregate of pension obligations and plan assets – edged up by €0.2 billion compared with December 31, 2010, to €7.4 billion, mainly because of lower long-term interest rates on the capital market.

2. Economic Outlook

We expect a further slowing of **global economic growth** toward the end of the year. There are increasing signs that the economy is weakening, particularly in Europe and the United States. We foresee robust, though somewhat slower, rates of growth in the emerging markets.

We continue to expect that the **pharmaceutical market** will grow by a mid-single-digit percentage in 2011, mainly driven by the emerging economies. We anticipate weaker growth in the United States and the major European countries.

We continue to foresee solid growth in 2011 for the **consumer care market**. The **diabetes care market** will probably grow somewhat more than initially expected due to the more favorable development of the U.S. market. We expect the positive trend in the **animal health market** to continue.

We expect the positive development of the global **seed and crop protection market** to continue for the remainder of 2011. Prices for agricultural raw materials, which remain at a comparatively high level, have accelerated market growth, especially in Latin America and Eastern Europe.

We expect to see generally lower growth rates in the major customer industries of **MaterialScience** in the coming months than in the year to date due to the weaker trend in the global economy.

3. Sales and Earnings Forecast

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

BAYER GROUP
We confirm the full-year sales and earnings forecast as raised in April.

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

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

HEALTHCARE
In 2011 HealthCare plans to increase sales by a low-single-digit percentage (previously: low- to mid-single-digit percentage) after adjusting for currency and portfolio effects. We now expect EBITDA before special items to increase by a mid-single-digit percentage to at least €4.6 billion (previously: a small improvement), mainly in light of the savings from the efficiency programs.

In the Pharmaceuticals segment, we continue to believe that sales will not yet resume growing with the market in 2011. We expect virtually unchanged or only slightly higher sales (previously: low- to mid-single digit percentage increase) after adjusting for currency and portfolio effects. Particularly in view of our structural measures, we expect to increase EBITDA before special items by about 5%, improving the EBITDA margin before special items to about 30% (previously: raise the EBITDA margin before special items).

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

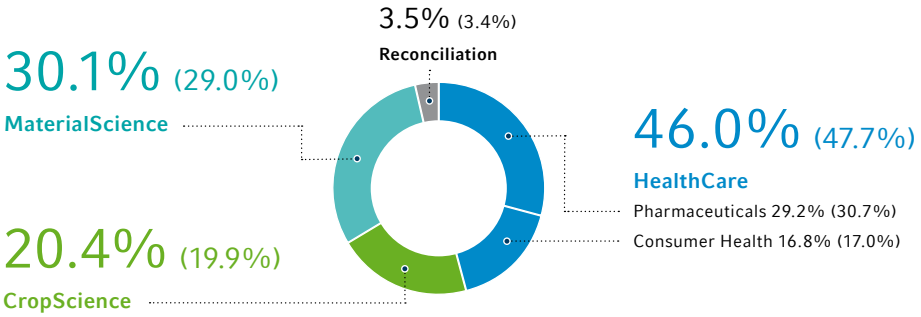
CROPSCIENCE
The CropScience business has continued to trend positively. As previously communicated, we aim to improve sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis in 2011. In light of the good business performance so far, we plan to expand EBITDA before special items by more than (previously: about) 20% compared to the weak prior year.

MATERIALSCIENCE
At MaterialScience we anticipate higher fourth-quarter sales but lower EBITDA before special items than in the same period of 2010 in view of continued increases in raw material and energy costs. As a result, we expect to raise full-year sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis, posting slightly lower EBITDA before special items in the region of €1.3 billion (previously: grow EBITDA before special items at a higher rate than sales).

4. Corporate Structure

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

Sales by Segment, 9M 2011 (9M 2010 in parentheses) [Graphic 6]



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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT		EBITDA before special items*	
	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,271**	**4,200**	**735**	**866**	**1,122**	**1,226**
Pharmaceuticals	2,732	2,663	420	566	739	853
Consumer Health	1,539	1,537	315	300	383	373
CropScience	**1,341**	**1,379**	**(404)**	**24**	**112**	**165**
MaterialScience	**2,665**	**2,768**	**259**	**196**	**408**	**348**
Reconciliation	**304**	**323**	**(26)**	**13**	**22**	**66**
Group	**8,581**	**8,670**	**564**	**1,099**	**1,664**	**1,805**
	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011
HealthCare	**12,445**	**12,574**	**1,990**	**2,421**	**3,267**	**3,522**
Pharmaceuticals	8,011	7,978	1,191	1,569	2,270	2,463
Consumer Health	4,434	4,596	799	852	997	1,059
CropScience	**5,177**	**5,579**	**143**	**515**	**1,023**	**1,381**
MaterialScience	**7,570**	**8,236**	**624**	**637**	**1,059**	**1,065**
Reconciliation	**884**	**948**	**(78)**	**(53)**	**63**	**104**
Group	**26,076**	**27,337**	**2,679**	**3,520**	**5,412**	**6,072**

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

CHANGES IN CORPORATE STRUCTURE

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

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

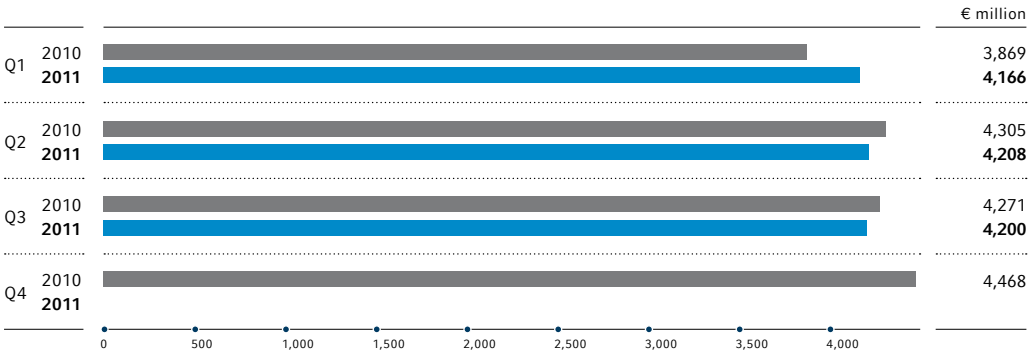
Key Data – HealthCare [Table 2]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,271**	**4,200**	**–1.7**	**+1.6**	**12,445**	**12,574**	**+1.0**	**+2.4**
Change in sales								
Volume	+1.5%	+1.0%			+1.7%	+2.5%		
Price	–0.6%	+0.6%			+0.1%	–0.1%		
Currency	+7.6%	–3.5%			+4.3%	–1.7%		
Portfolio	0.0%	+0.2%			–0.8%	+0.3%		
Sales by segment								
Pharmaceuticals	2,732	2,663	–2.5	+0.3	8,011	7,978	–0.4	+0.5
Consumer Health	1,539	1,537	–0.1	+3.8	4,434	4,596	+3.7	+5.8
Sales by region								
Europe	1,590	1,537	–3.3	–3.0	4,712	4,725	+0.3	0.0
North America	1,161	1,061	–8.6	–0.9	3,500	3,199	–8.6	–2.9
Asia/Pacific	854	924	+8.2	+9.0	2,366	2,652	+12.1	+10.7
Latin America/Africa/Middle East	666	678	+1.8	+9.2	1,867	1,998	+7.0	+9.5
EBIT	**735**	**866**	**+17.8**		**1,990**	**2,421**	**+21.7**	
Special items	*(50)*	*(43)*			*(268)*	*(131)*		
EBIT before special items*	***785***	***909***	***+15.8***		***2,258***	***2,552***	***+13.0***	
EBITDA*	**1,072**	**1,184**	**+10.4**		**3,131**	**3,392**	**+8.3**	
Special items	*(50)*	*(42)*			*(136)*	*(130)*		
EBITDA before special items*	***1,122***	***1,226***	***+9.3***		***3,267***	***3,522***	***+7.8***	
EBITDA margin before special items*	26.3%	29.2%			26.3%	28.0%		
Gross cash flow**	**707**	**800**	**+13.2**		**2,129**	**2,328**	**+9.3**	
Net cash flow**	**694**	**814**	**+17.3**		**2,102**	**2,231**	**+6.1**	

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

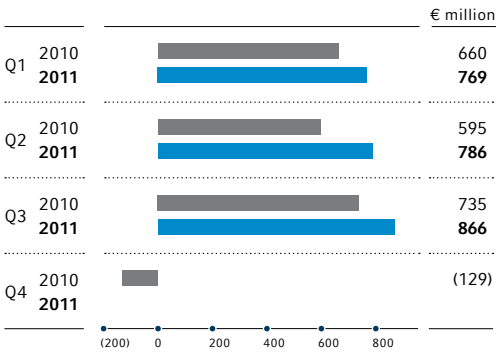
Sales of the **HealthCare** subgroup amounted to €4,200 million in the **third quarter of 2011** (reported: -1.7%). Adjusted for currency and portfolio effects, sales rose by 1.6%. The Pharmaceuticals business experienced pleasing growth in the emerging markets but declines in Europe and North America. The Consumer Health business developed positively in all regions.

HealthCare Quarterly Sales [Graphic 7]



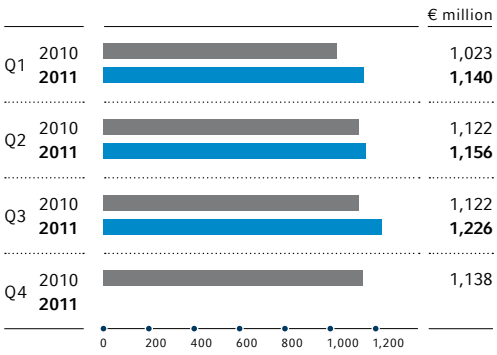
EBIT of the HealthCare subgroup grew by 17.8% in the third quarter of 2011 to €866 million after special charges of €43 million for restructuring. EBIT before special items rose by 15.8% to €909 million. **EBITDA** before special items advanced by 9.3% to €1,226 million, mainly as a result of higher earnings in Pharmaceuticals. Currency changes had a negative effect.

HealthCare Quarterly EBIT [Graphic 8]



2010 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2010 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,732**	**2,663**	**−2.5**	**+0.3**	**8,011**	**7,978**	**−0.4**	**+0.5**
General Medicine	1,675	1,661	−0.8	+1.8	4,969	4,991	+0.4	+1.0
Specialty Medicine	1,057	1,002	−5.2	−2.0	3,042	2,987	−1.8	−0.3
Sales by region								
Europe	1,014	949	−6.4	−6.1	3,028	2,936	−3.0	−3.3
North America	601	535	−11.0	−4.0	1,905	1,618	−15.1	−10.2
Asia/Pacific	687	742	+8.0	+8.9	1,900	2,142	+12.7	+11.3
Latin America/Africa/Middle East	430	437	+1.6	+7.9	1,178	1,282	+8.8	+10.4
EBIT	**420**	**566**	**+34.8**		**1,191**	**1,569**	**+31.7**	
Special items	*(50)*	*(34)*			*(268)*	*(118)*		
EBIT before special items*	***470***	***600***	***+27.7***		***1,459***	***1,687***	***+15.6***	
EBITDA*	**689**	**820**	**+19.0**		**2,134**	**2,346**	**+9.9**	
Special items	*(50)*	*(33)*			*(136)*	*(117)*		
EBITDA before special items*	***739***	***853***	***+15.4***		***2,270***	***2,463***	***+8.5***	
EBITDA margin before special items*	27.0%	32.0%			28.3%	30.9%		
Gross cash flow**	**450**	**547**	**+21.6**		**1,423**	**1,588**	**+11.6**	
Net cash flow**	**421**	**579**	**+37.5**		**1,468**	**1,536**	**+4.6**	

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

Sales in the **Pharmaceuticals** segment in the **third quarter of 2011** came to €2,663 million (Fx & portfolio adj. +0.3%). We achieved the largest sales gains in the Asia/Pacific region and in Latin America, especially in China and Brazil. Sales declined in North America and Western Europe, where business continued to be held back by health system reforms.

Best-Selling Pharmaceuticals Products [Table 4]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Betaferon™/Betaseron™ (Specialty Medicine)	308	289	−6.2	−1.9	893	836	−6.4	−3.9
Kogenate™ (Specialty Medicine)	277	257	−7.2	−3.9	759	802	+5.7	+7.6
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	243	275	+13.2	+16.5	819	780	−4.8	−4.0
Nexavar™ (Specialty Medicine)	175	177	+1.1	+4.5	516	520	+0.8	+2.1
Adalat™ (General Medicine)	171	156	−8.8	-6.7	494	469	−5.1	−5.8
Mirena™ (General Medicine)	138	137	−0.7	+4.3	404	424	+5.0	+8.8
Avalox™/Avelox™ (General Medicine)	100	103	+3.0	+6.7	353	355	+0.6	+1.5
Aspirin™ Cardio (General Medicine)	94	102	+8.5	+11.4	259	291	+12.4	+13.0
Glucobay™ (General Medicine)	91	88	−3.3	−0.2	260	266	+2.3	+3.6
Levitra™ (General Medicine)	110	75	−31.8	−31.0	292	239	−18.2	−17.3
Ultravist™ (Specialty Medicine)	81	76	−6.2	−4.0	231	233	+0.9	+2.1
Cipro™/Ciprobay™ (General Medicine)	61	53	−13.1	−12.0	197	170	−13.7	−13.5
Magnevist™ (Specialty Medicine)	55	48	−12.7	−7.5	164	139	−15.2	−12.4
Iopamiron™ (Specialty Medicine)	44	47	+6.8	+8.3	135	133	−1.5	−4.4
Diane™ (General Medicine)	43	47	+9.3	+12.4	125	133	+6.4	+6.3
Total	**1,991**	**1,930**	**−3.1**	**−0.3**	**5,901**	**5,790**	**−1.9**	**−0.6**
Proportion of Pharmaceuticals sales	73%	72%			74%	73%		

Fx adj. = currency-adjusted

Sales in our **General Medicine** business unit amounted to €1,661 million, up 1.8% after adjusting for currency and portfolio effects. Our YAZ™/Yasmin™/Yasminelle™ product group developed well, especially in North America and Asia/Pacific. The improvement in North America was mainly attributable to higher sales of YAZ™ compared with the weak prior-year quarter and to the launch of Beyaz™ in the United States. Business with this product group also continued to develop well in Japan. Sales of our hormone-releasing intrauterine device Mirena™ moved ahead, thanks largely to higher volumes. By continuing to invest in our marketing activities in China, we significantly raised sales of Aspirin™ Cardio for the prevention of myocardial infarction. Sales of our antibiotic Avalox™/Avelox™ rose, particularly in the United States, from the weak level of the prior-year period.

Sales of our erectile dysfunction treatment Levitra™ again fell significantly because of the partial reorganization of distribution for general medicine products in the United States, while business in the prior-year quarter benefited from an agreement concluded with a major customer. Sales of Adalat™, used to treat high blood pressure and coronary heart disease, were held back by generic competition, particularly in Canada and Japan, but increased in China. Business with our antibiotic Cipro™/Ciprobay™ was down, mainly because of generic competition in Japan and Europe.

Sales in the **Specialty Medicine** business unit moved back by 2.0% on a currency- and portfolio-adjusted basis to €1,002 million. Business with our blood-clotting drug Kogenate™ was down from the prior-year quarter due to fluctuations in the ordering schedule of our distribution partner. Sales of our multiple sclerosis drug Betaferon™/Betaseron™ receded slightly, with selling price increases and higher volumes in North America partly offsetting losses of market share and price reductions in connection with health system reforms in Europe.

Our cancer drug Nexavar™ developed positively, mainly for the liver cancer indication. We achieved higher volumes in the Asia/Pacific region, particularly in Japan and China, and benefited from price and volume increases in the United States. In Europe, on the other hand, sales were down against a strong prior-year quarter.

EBIT of the **Pharmaceuticals** segment climbed by 34.8% in the third quarter of 2011 to €566 million. Earnings were diminished by special charges of €34 million for restructuring. EBIT before special items advanced by 27.7% to €600 million. **EBITDA** before special items rose by 15.4% to €853 million due to lower costs in all functions, including reduced development costs following the successful completion of most Phase III studies for our anticoagulant Xarelto™. Earnings were diminished by the effects of health system reforms and negative currency changes.

In the **first nine months of 2011**, **sales** in our **Pharmaceuticals** segment totaled €7,978 million, which was 0.5% about the prior-year period after adjusting for currency and portfolio effects. Business developed positively in the emerging markets, while sales were down in the established markets, especially North America, mainly due to health system reforms and generic competition. Encouraging sales gains were achieved particularly for our blood-clotting medicine Kogenate™, the hormone-releasing intrauterine device Mirena™, and Aspirin™ Cardio for prevention of myocardial infarction. By contrast, our oral contraceptives YAZ™/Yasmin™/Yasminelle™ and the multiple sclerosis drug Betaferon™/Betaseron™ saw sales decline.

EBIT moved ahead by 31.7% in the first nine months of 2011 to €1,569 million after special charges of €118 million, which were incurred mainly for restructuring. EBIT before special items advanced by 15.6% to €1,687 million. **EBITDA** before special items increased by 8.5% to €2,463 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,539**	**1,537**	**–0.1**	**+3.8**	**4,434**	**4,596**	**+3.7**	**+5.8**
Consumer Care	880	885	+0.6	+5.5	2,460	2,588	+5.2	+7.9
Medical Care	375	370	–1.3	+2.9	1,109	1,104	–0.5	+2.7
Animal Health	284	282	–0.7	0.0	865	904	+4.5	+3.9
Sales by region								
Europe	576	588	+2.1	+2.4	1,684	1,789	+6.2	+6.1
North America	560	526	–6.1	+2.3	1,595	1,581	–0.9	+5.8
Asia/Pacific	167	182	+9.0	+9.6	466	510	+9.4	+8.4
Latin America/Africa/Middle East	236	241	+2.1	+11.4	689	716	+3.9	+7.8
EBIT	**315**	**300**	**–4.8**		**799**	**852**	**+6.6**	
Special items	*0*	*(9)*			*0*	*(13)*		
EBIT before special items*	***315***	***309***	***–1.9***		***799***	***865***	***+8.3***	
EBITDA*	**383**	**364**	**–5.0**		**997**	**1,046**	**+4.9**	
Special items	*0*	*(9)*			*0*	*(13)*		
EBITDA before special items*	***383***	***373***	***–2.6***		***997***	***1,059***	***+6.2***	
EBITDA margin before special items*	24.9%	24.3%			22.5%	23.0%		
Gross cash flow**	**257**	**253**	**–1.6**		**706**	**740**	**+4.8**	
Net cash flow**	**273**	**235**	**–13.9**		**634**	**695**	**+9.6**	

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

Sales in our **Consumer Health** segment came to €1,537 million in the **third quarter of 2011**. The currency- and portfolio-adjusted increase came to 3.8%. All regions contributed to this performance, particularly Latin America/Africa/Middle East.

Best-Selling Consumer Health Products [Table 6]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	147	159	+8.2	+11.2	442	470	+6.3	+8.3
Advantage™ product line (Animal Health)	103	91	–11.7	–6.6	333	336	+0.9	+5.2
Aspirin™* (Consumer Care)	110	108	–1.8	+3.0	305	324	+6.2	+10.1
Aleve™/naproxen (Consumer Care)	78	74	–5.1	+1.9	205	209	+2.0	+8.0
Bepanthen™/Bepanthol™ (Consumer Care)	51	53	+3.9	+5.2	161	175	+8.7	+8.1
Canesten™ (Consumer Care)	57	55	–3.5	–2.3	159	168	+5.7	+5.6
One A Day™ (Consumer Care)	48	42	–12.5	–3.7	131	127	–3.1	+3.5
Baytril™ (Animal Health)	44	40	–9.1	–4.4	117	114	–2.6	0.0
Supradyn™ (Consumer Care)	37	36	–2.7	+2.2	100	101	+1.0	+2.6
Breeze™ (Medical Care)	31	27	–12.9	–9.5	93	84	–9.7	–7.5
Total	**706**	**685**	**–3.0**	**+1.4**	**2,046**	**2,108**	**+3.0**	**+6.0**
Proportion of Consumer Health sales	46%	45%			46%	46%		

Fx adj.= currency-adjusted
* Including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment, Aspirin™ Q3 2011 sales totaled €210 million (Q3 2010: €204 million), and 9M 2011 sales totaled €615 million (9M 2010: €564 million).

Sales in our **Consumer Care** Division rose by 5.5% on a currency- and portfolio-adjusted basis, to €885 million. Business with our Bepanthen™/Bepanthol™ line of skincare products expanded in all regions. The development of our analgesic Aspirin™ in the United States also contributed to the growth in sales, the main factor here being the launch of Advanced Aspirin™, a new formulation with particularly rapid action. Sales of the One A Day™ line were down from the strong prior-year quarter, partly due to heightened competition in the United States.

Sales of the **Medical Care** Division rose by a currency- and portfolio-adjusted 2.9% to €370 million. The growth in our Diabetes Care business was based mainly on our Contour™ line of blood glucose meters. Sales of Contour™ rose in all regions, especially North America, where volumes increased from a weak prior-year quarter. Sales of our medical devices business increased in all regions, particularly North America.

Sales of the **Animal Health** Division, at €282 million, were level with the prior-year quarter after adjusting for currency and portfolio effects. Gains in Asia/Pacific and Latin America offset the weak trend in North America. Business with our Advantage™ line of flea, tick and worm control products receded, particularly in the United States, mainly due to unfavorable weather conditions. Sales of the antibiotic Baytril™ also declined, largely because of generic competition in Europe.

EBIT of our **Consumer Health** segment declined by 4.8% in the third quarter of 2011 to €300 million after special charges of €9 million for restructuring. EBIT before special items amounted to €309 million (-1.9%). **EBITDA** before special items was slightly down from the prior-year period at €373 million (-2.6%). Positive earnings contributions from the increase in sales were offset by higher selling expenses, especially at Consumer Care, and adverse currency effects.

In the **first nine months of 2011**, we raised **sales** in our **Consumer Health** segment by 5.8% on a currency- and portfolio-adjusted basis to €4,596 million. All regions contributed to this performance. The majority of our Consumer Health products saw strong sales growth, particularly the analgesics Aspirin™ and Aleve™/naproxen, the Bepanthen™/Bepanthol™ line of skincare products and the Contour™ family of blood glucose meters.

EBIT in the first nine months of 2011 rose by 6.6% to €852 million. Special items amounted to minus €13 million. EBIT before special items advanced by 8.3% to €865 million. **EBITDA** before special items increased by 6.2% to €1,059 million.

5.2 CropScience

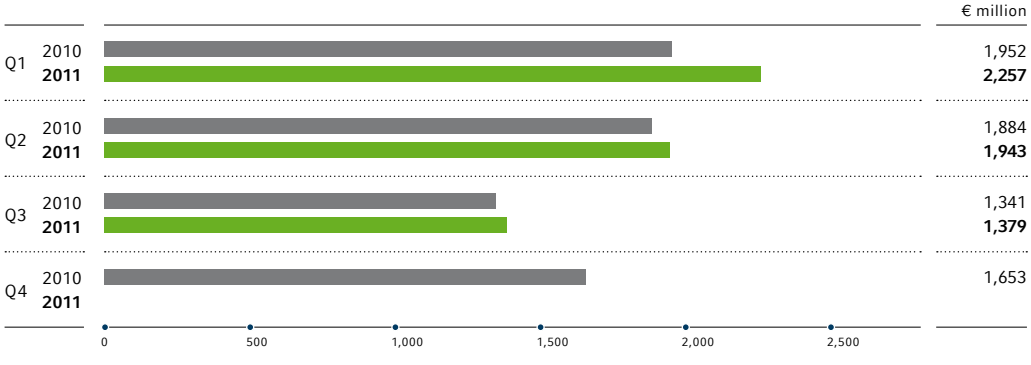
Key Data – CropScience [Table 7]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,341**	**1,379**	**+2.8**	**+9.4**	**5,177**	**5,579**	**+7.8**	**+10.9**
Change in sales								
Volume	+8.6%	+11.3%			−3.2%	+11.8%		
Price	−0.3%	−1.9%			−1.1%	−0.9%		
Currency	+9.1%	−5.9%			+5.4%	−2.8%		
Portfolio	+0.2%	−0.7%			+0.2%	−0.3%		
Sales by business group								
Crop Protection/BioScience	1,216	1,265	+4.0	+10.7	4,683	5,101	+8.9	+12.1
Environmental Science	125	114	−8.8	−3.2	494	478	−3.2	−0.4
Sales by region								
Europe	342	346	+1.2	+2.3	1,997	2,125	+6.4	+6.9
North America	227	212	−6.6	+2.2	1,248	1,417	+13.5	+17.8
Asia/Pacific	279	304	+9.0	+12.5	862	907	+5.2	+7.3
Latin America/Africa/Middle East	493	517	+4.9	+13.8	1,070	1,130	+5.6	+11.8
EBIT	**(404)**	**24**	**.**		**143**	**515**	**.**	
Special items	*(386)*	*(22)*			*(500)*	*(508)*		
EBIT before special items*	***(18)***	***46***	**.**		***643***	***1,023***	***+59.1***	
EBITDA*	**(274)**	**143**	**.**		**523**	**964**	**+84.3**	
Special items	*(386)*	*(22)*			*(500)*	*(417)*		
EBITDA before special items*	***112***	***165***	***+47.3***		***1,023***	***1,381***	***+35.0***	
EBITDA margin before special items*	8.4%	12.0%			19.8%	24.8%		
Gross cash flow**	**(201)**	**102**	**.**		**358**	**720**	**+101.1**	
Net cash flow**	**472**	**409**	**−13.3**		**989**	**1,018**	**+2.9**	

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

Sales of the **CropScience** subgroup in the **third quarter of 2011** grew by 9.4% (Fx & portfolio adj.) to €1,379 million (reported: +2.8%), due to higher volumes at Crop Protection. By contrast, BioScience and Environmental Science saw a drop in business. High prices for agricultural raw materials led to a favorable market environment overall.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/BioScience** in the third quarter of 2011 amounted to €1,265 million, up 10.7% (Fx & portfolio adj.) year on year.

In Crop Protection, all product groups showed encouraging growth, with sales of seed treatments and fungicides gaining considerably and our herbicides posting a positive performance. We also saw significant growth in the insecticides business despite the cessation of marketing for older products such as Temik™.

Sales – Crop Protection/BioScience [Table 8]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
Herbicides	322	328	+1.9	+6.2	1,512	1,636	+8.2	+10.9
Fungicides	286	297	+3.8	+10.5	1,180	1,312	+11.2	+14.7
Insecticides	334	334	0.0	+10.2	974	939	−3.6	+2.9
Seed Treatment	188	241	+28.2	+35.1	460	551	+19.8	+24.7
Crop Protection	1,130	1,200	+6.2	+13.0	4,126	4,438	+7.6	+11.0
BioScience	86	65	−24.4	−20.9	557	663	+19.0	+18.1
Crop Protection/BioScience	**1,216**	**1,265**	**+4.0**	**+10.7**	**4,683**	**5,101**	**+8.9**	**+12.1**

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

Development of the **Crop Protection** business varied from one region to another.

Sales in **Europe** rose by 3.7% (Fx adj.) to €306 million. While fungicides and insecticides saw moderate business growth, sales of herbicides were below the strong figures for the previous year in several Western European countries. Our business in France developed well, due especially to our seed treatment products. In Eastern Europe, we continued to benefit from favorable market conditions and recorded strong growth in all business units.

Crop Protection sales in **North America** advanced by a substantial 14.5% (Fx adj.) to €160 million. Here we saw particularly strong growth for seed treatments, especially our newly launched product Poncho™/Votivo™. The herbicides business also developed well. Sales of insecticides were at the prior-period level, with higher sales of our innovative products compensating for the withdrawal of older ones. The positive development for fungicides in Canada did not offset declines for this product group in the United States.

Sales in the **Asia/Pacific** region grew by a substantial 15.5% (Fx adj.) to €267 million, despite the discontinuation of some older insecticides. We recorded particularly strong gains in India, China and Australia, chiefly for our Nativo™ family of rice and cereal fungicides. Business with seed treatments grew strongly, while herbicides also posted significant sales gains.

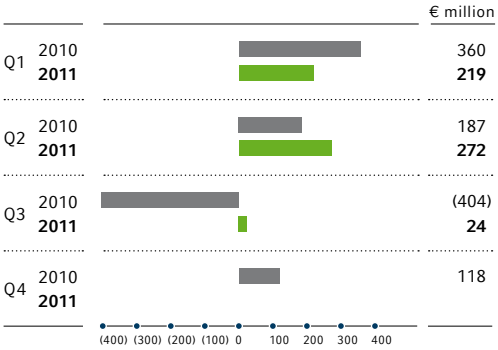
Sales in the **Latin America/Africa/Middle East** region moved forward by 15.2% (Fx adj.) year on year to €467 million, driven mainly by insecticides and seed treatments in Latin America. Our insecticide Belt™ developed especially well in Brazil and Argentina in the major applications for soybean, corn and cotton. The herbicides business saw encouraging growth thanks to a good start to the corn season for Soberan™. We also raised sales of our fungicides.

BioScience reported a sharp decline in business, mainly due to weaker third-quarter sales of canola and cotton seed in North America following a very successful sowing season overall. Both crops showed double-digit sales gains for the first nine months as a whole. The vegetable seed business (Nunhems™) continued to develop well, especially in the United States and the Asia/Pacific region.

Sales of the **Environmental Science** business unit declined slightly by 3.2% (Fx adj.) to €114 million. This was attributable to the drop in sales of specialty actives and products for professional users in Japan. The consumer products business trended positively, especially in the United States.

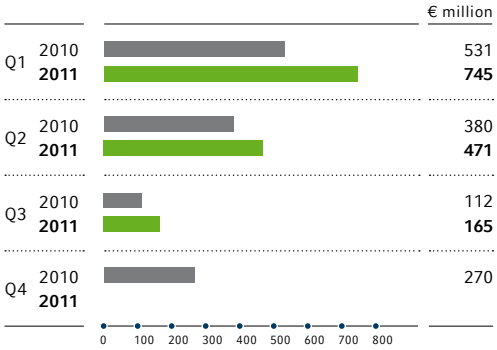
EBIT of **CropScience** in the third quarter of 2011 rose to €24 million (Q3 2010: minus €404 million) after €22 million in special charges, mainly for restructuring. The special items in the prior-year quarter mainly comprised provisions established in connection with litigations concerning genetically modified rice (LL RICE). EBIT before special items improved to €46 million (Q3 2010: minus €18 million). **EBITDA** before special items advanced by 47.3% to €165 million. Earnings growth was mainly due to considerably higher volumes and improved capacity utilization.

CropScience
Quarterly EBIT [Graphic 11]



2010 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2010 figures restated

CropScience sales in the **first nine months of 2011** rose by 10.9% (Fx & portfolio adj.) to €5,579 million, with sales growth largely attributable to the positive business development at BioScience and Crop Protection. Sales of Environmental Science, however, remained level with the corresponding period of 2010. Due to the strong first half at BioScience, we achieved double-digit growth rates for seeds in the core crops – canola, cotton, rice and vegetables – and in all regions. Crop Protection raised sales substantially in the seed treatment, fungicides and herbicides businesses, thanks in part to our recent product launches. The insecticides business held steady year on year despite the absence of some older products. The increases at Crop Protection were attributable to all regions, with business in North and Latin America developing particularly well.

EBIT of CropScience advanced to €515 million in the first nine months of 2011 (9M 2010: €143 million) after special charges of €508 million. These charges related mainly to provisions established in connection with litigations concerning genetically modified rice (LL RICE) in the United States and to expenditures for restructuring measures at Crop Protection. EBIT before special items climbed by 59.1% to €1,023 million. **EBITDA** before special items increased by 35.0% year on year to €1,381 million thanks to the strong business performance in all regions.

5.3 MaterialScience

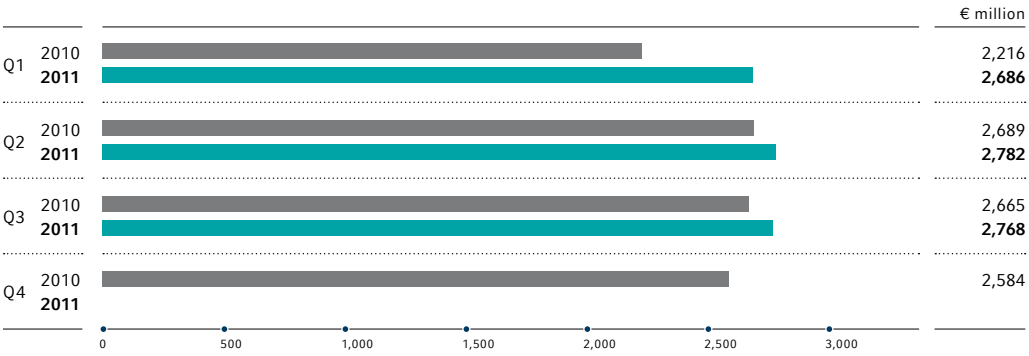
Key Data – MaterialScience [Table 9]

	3rd Quarter 2010	3rd Quarter 2011	Change		First Nine Months 2010	First Nine Months 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p)adj. %
Sales	**2,665**	**2,768**	**+3.9**	**+7.4**	**7,570**	**8,236**	**+8.8**	**+11.0**
Change in sales								
Volume	+12.7%	+0.3%			+27.8%	+2.6%		
Price	+10.3%	+7.1%			+5.4%	+8.4%		
Currency	+7.8%	–3.7%			+4.3%	–2.4%		
Portfolio	0.0%	+0.2%			0.0%	+0.2%		
Sales by business unit								
Polyurethanes	1,321	1,371	+3.8	+7.1	3,748	4,094	+9.2	+11.2
Polycarbonates	726	749	+3.2	+7.4	2,054	2,226	+8.4	+11.3
Coatings, Adhesives, Specialties	475	475	0.0	+3.2	1,369	1,425	+4.1	+6.2
Industrial Operations	143	173	+21.0	+23.8	399	491	+23.1	+25.1
Sales by region								
Europe	1,046	1,120	+7.1	+7.3	2,924	3,409	+16.6	+16.6
North America	540	542	+0.4	+9.4	1,551	1,590	+2.5	+9.6
Asia/Pacific	754	743	–1.5	+3.6	2,144	2,167	+1.1	+4.2
Latin America/Africa/Middle East	325	363	+11.7	+14.8	951	1,070	+12.5	+13.2
EBIT	**259**	**196**	**–24.3**		**624**	**637**	**+2.1**	
Special items	-	-			-	-		
EBIT before special items*	***259***	***196***	***–24.3***		***624***	***637***	***+2.1***	
EBITDA*	**408**	**348**	**–14.7**		**1,059**	**1,065**	**+0.6**	
Special items	-	-			-	-		
EBITDA before special items*	***408***	***348***	***–14.7***		***1,059***	***1,065***	***+0.6***	
EBITDA margin before special items*	15.3%	12.6%			14.0%	12.9%		
Gross cash flow**	**296**	**258**	**–12.8**		**809**	**818**	**+1.1**	
Net cash flow**	**254**	**129**	**–49.2**		**332**	**265**	**–20.2**	

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

In the **MaterialScience** subgroup, **sales** grew by 7.4% (Fx & portfolio adj.) in the **third quarter of 2011** to €2,768 million (reported: +3.9%). This sales growth resulted from higher selling prices in all business units and regions. Volumes as a whole were level year on year, with increases in the Latin America/Africa/Middle East and North America regions fully offsetting declines in Asia/Pacific.

MaterialScience Quarterly Sales [Graphic 13]



The **Polyurethanes** business unit raised sales by 7.1% (Fx & portfolio adj.) to €1,371 million. Among our polyurethane product groups, we recorded sales gains for polyether (PET) and diphenylmethane diisocyanate (MDI), while sales of our toluene diisocyanate (TDI) product group were below the previous year. Sales growth in this business unit was attributable to price increases in all regions and in all product groups with the exception of TDI. Volumes for the business unit were down slightly against the prior-year quarter, mainly because of weaker demand for our PET and MDI products.

Sales of the **Polycarbonates** business unit increased to €749 million, up 7.4% (Fx & portfolio adj.) from the same period of last year. This sales growth was mainly due to significantly higher volumes in the granules product group in North America, Europe and especially Asia/Pacific. We also achieved a small global increase in selling prices.

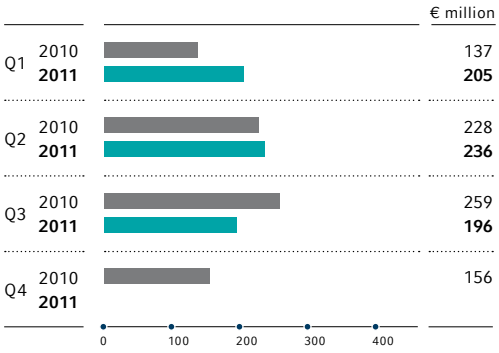
The **Coatings, Adhesives, Specialties** business unit registered sales of €475 million, up 3.2% (Fx & portfolio adj.) from the prior-year period. Significantly higher selling prices worldwide, especially for coating resins, contributed to this growth. Volumes, however, were below the prior-year quarter. The increase in volumes in the North America and Latin America/Africa/Middle East regions did not fully offset the declines in Asia/Pacific and Europe.

Sales of **Industrial Operations** grew by 23.8% (Fx & portfolio adj.) to €173 million as a result of substantial volume gains and higher selling prices in all regions.

EBIT of **MaterialScience** in the third quarter of 2011 fell by 24.3% to €196 million. There were no special charges in this period. **EBITDA** before special items also came in below the prior-year quarter, posting a 14.7% decline to €348 million. This decline resulted mainly from higher raw material and energy costs, which we largely – but not fully – offset through selling price increases. Increases in project-related operating costs and downtime costs also had a negative impact on earnings. However, cost increases due to inflation were offset by our ongoing efficiency improvement programs.

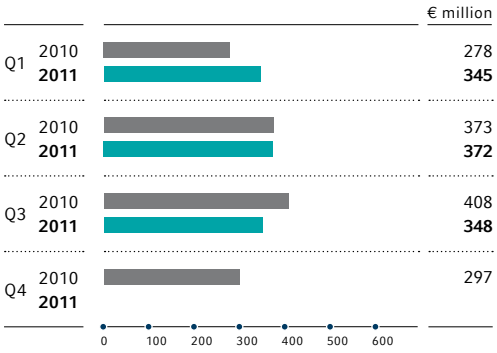
MaterialScience sales in the **first nine months of 2011** rose by 11.0% (Fx & portfolio adj.) to €8,236 million. This pleasing growth was largely attributable to improved price levels in all business units and regions. We also saw considerable volume increases in the Latin America/Africa/Middle East, Europe and North America regions. **EBIT** grew by 2.1% to €637 million. **EBITDA** before special items rose by 0.6% to €1,065 million.

MaterialScience
Quarterly EBIT [Graphic 14]



2010 figures restated

MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



2010 figures restated

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	3rd Quarter 2010	3rd Quarter 2011			3rd Quarter 2010	3rd Quarter 2011		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
HealthCare	**1,590**	**1,537**	**−3.3**	**−3.0**	**1,161**	**1,061**	**−8.6**	**−0.9**
Pharmaceuticals	1,014	949	−6.4	−6.1	601	535	−11.0	−4.0
Consumer Health	576	588	+2.1	+2.4	560	526	−6.1	+2.3
CropScience	**342**	**346**	**+1.2**	**+2.3**	**227**	**212**	**−6.6**	**+2.2**
MaterialScience	**1,046**	**1,120**	**+7.1**	**+7.3**	**540**	**542**	**+0.4**	**+9.4**
Group (incl. reconciliation)	**3,244**	**3,295**	**+1.6**	**+1.9**	**1,930**	**1,815**	**−6.0**	**+2.3**
	First Nine Months 2010	First Nine Months 2011			First Nine Months 2010	First Nine Months 2011		
HealthCare	**4,712**	**4,725**	**0.3**	**0.0**	**3,500**	**3,199**	**−8.6**	**−2.9**
Pharmaceuticals	3,028	2,936	−3.0	−3.3	1,905	1,618	−15.1	−10.2
Consumer Health	1,684	1,789	+6.2	+6.1	1,595	1,581	−0.9	+5.8
CropScience	**1,997**	**2,125**	**+6.4**	**+6.9**	**1,248**	**1,417**	**+13.5**	**+17.8**
MaterialScience	**2,924**	**3,409**	**+16.6**	**+16.6**	**1,551**	**1,590**	**+2.5**	**+9.6**
Group (incl. reconciliation)	**10,409**	**11,110**	**+6.7**	**+6.7**	**6,304**	**6,208**	**−1.5**	**+4.3**

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

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments fell by 5.4% in the first nine months of 2011 to €1,983 million (9M 2010: €2,097 million), comprising €1,021 million (9M 2010: €1,183 million) in amortization and impairments of intangible assets and €962 million (9M 2010: €914 million) in depreciation and impairments of property, plant and equipment. Included here were impairments of €113 million (9M 2010: €162 million), of which €21 million (9M 2010: €30 million) did not constitute special items.

[Table 10]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	3rd Quarter 2010	3rd Quarter 2011			3rd Quarter 2010	3rd Quarter 2011			3rd Quarter 2010	3rd Quarter 2011		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
Sales	**854**	**924**	**+8.2**	**+9.0**	**666**	**678**	**+1.8**	**+9.2**	**4,271**	**4,200**	**−1.7**	**+1.8**
EBITDA	687	742	+8.0	+8.9	430	437	+1.6	+7.9	2,732	2,663	−2.5	+0.3
Depreciation and amortization	167	182	+9.0	+9.6	236	241	+2.1	+11.4	1,539	1,537	−0.1	+4.5
EBIT	**279**	**304**	**+9.0**	**+12.5**	**493**	**517**	**+4.9**	**+13.8**	**1,341**	**1,379**	**+2.8**	**+8.7**
EBIT before special items	**754**	**743**	**-1.5**	**+3.6**	**325**	**363**	**+11.7**	**+14.8**	**2,665**	**2,768**	**+3.9**	**+7.6**
EBITDA before special items	**1,907**	**1,983**	**+4.0**	**+6.9**	**1,500**	**1,577**	**+5.1**	**+12.1**	**8,581**	**8,670**	**+1.0**	**+4.9**
	First Nine Months 2010	First Nine Months 2011			First Nine Months 2010	First Nine Months 2011			First Nine Months 2010	First Nine Months 2011		
Sales	**2,366**	**2,652**	**+12.1**	**+10.7**	**1,867**	**1,998**	**+7.0**	**+9.5**	**12,445**	**12,574**	**+1.0**	**+2.7**
EBITDA	1,900	2,142	+12.7	+11.3	1,178	1,282	+8.8	+10.4	8,011	7,978	−0.4	+0.5
Depreciation and amortization	466	510	+9.4	+8.4	689	716	+3.9	+7.8	4,434	4,596	+3.7	+6.5
EBIT	**862**	**907**	**+5.2**	**+7.3**	**1,070**	**1,130**	**+5.6**	**+11.8**	**5,177**	**5,579**	**+7.8**	**+10.6**
EBIT before special items	**2,144**	**2,167**	**+1.1**	**+4.2**	**951**	**1,070**	**+12.5**	**+13.2**	**7,570**	**8,236**	**+8.8**	**+11.2**
EBITDA before special items	**5,428**	**5,768**	**+6.3**	**+7.2**	**3,935**	**4,251**	**+8.0**	**+11.1**	**26,076**	**27,337**	**+4.8**	**+6.9**

Special Items Reconciliation

[Table 11]

	EBIT* 3rd Quarter 2010	EBIT* 3rd Quarter 2011	EBIT* First Nine Months 2010	EBIT* First Nine Months 2011	EBITDA** 3rd Quarter 2010	EBITDA** 3rd Quarter 2011	EBITDA** First Nine Months 2010	EBITDA** First Nine Months 2011
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**564**	**1,099**	**2,679**	**3,520**	**1,228**	**1,731**	**4,776**	**5,503**
HealthCare	**50**	**43**	**268**	**131**	**50**	**42**	**136**	**130**
Impairments and write-downs	-	-	132	-	-	-	-	-
Restructuring	-	43	-	150	-	42	-	149
Litigations	50	-	136	-	50	-	136	-
Change in pension valuation parameters	-	-	-	(19)	-	-	-	(19)
CropScience	**386**	**22**	**500**	**508**	**386**	**22**	**500**	**417**
Restructuring	-	16	-	322	-	16	-	231
Litigations	386	6	500	200	386	6	500	200
Change in pension valuation parameters	-	-	-	(14)	-	-	-	(14)
MaterialScience	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reconciliation	**-**	**10**	**-**	**22**	**-**	**10**	**-**	**22**
Restructuring	-	10	-	24	-	10	-	24
Change in pension valuation parameters	-	-	-	(2)	-	-	-	(2)
Total special items	**436**	**75**	**768**	**661**	**436**	**74**	**636**	**569**
Before special items	**1,000**	**1,174**	**3,447**	**4,181**	**1,664**	**1,805**	**5,412**	**6,072**

2010 figures restated

* EBIT = operating result as per income statement

** EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. For the third quarter of 2011, core earnings per share amounted to €1.12 (Q3 2010: €0.95).

Core Earnings per Share [Table 12]

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
EBIT as per income statements	**564**	**1,099**	**2,679**	**3,520**
Amortization and impairment losses on intangible assets	351	323	1,183	1,021
Impairment losses on property, plant and equipment	9	4	18	73
Special items (other than impairment losses)	436	74	636	569
Core EBIT	**1,360**	**1,500**	**4,516**	**5,183**
Non-operating result (as per income statements)	(267)	(224)	(772)	(608)
Income taxes (as per income statements)	(7)	(229)	(456)	(837)
Tax effects related to impairments and special items	(295)	(121)	(607)	(545)
Income after taxes attributable to non-controlling interest (as per income statements)	(5)	(4)	(5)	(2)
Core net income	**786**	**922**	**2,676**	**3,191**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**0.95**	**1.12**	**3.24**	**3.86**

2010 figures restated

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 13]

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
Gross cash flow*	**887**	**1,327**	**3,357**	**4,168**
Changes in working capital/other non-cash items	668	250	475	(260)
Net cash provided by (used in) operating activities (net cash flow)	**1,555**	**1,577**	**3,832**	**3,908**
Net cash provided by (used in) investing activities	**(639)**	**(1,637)**	**(1,378)**	**(3,177)**
Net cash provided by (used in) financing activities	**(1,281)**	**(567)**	**(3,010)**	**(2,326)**
Change in cash and cash equivalents due to business activities	**(365)**	**(627)**	**(556)**	**(1,595)**
Cash and cash equivalents at beginning of period	**2,551**	**1,797**	**2,725**	**2,840**
Change due to exchange rate movements and to changes in scope of consolidation	(62)	11	(45)	(64)
Cash and cash equivalents at end of period	**2,124**	**1,181**	**2,124**	**1,181**

2010 Figures restated

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

OPERATING CASH FLOW

Gross cash flow in the **third quarter of 2011** rose by 49.6% from the prior-year period to €1,327 million, mainly due to the increase in the operating result. The growth in cash flow was largely attributable to the significant improvement at CropScience. Substantial provisions were established in the prior-year period in connection with litigations concerning genetically modified rice (LL RICE), which diminished gross cash flow of CropScience but have not yet affected net cash flow. Net cash flow of the Bayer Group thus came in flat with the prior year, at €1,577 million, reflecting income tax payments of €201 million (Q3 2010: €121 million). The €217 million in funding for the U.S. pension plan through the transfer of bonds was a non-cash item.

Gross cash flow in the **first nine months of 2011** climbed by 24.1% to €4,168 million, due mainly to the higher operating result. Net cash flow rose by 2% to €3,908 million, reflecting income tax payments of €721 million (9M 2010: €614 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the **third quarter of 2011** was €1,637 million. Cash outflows for property, plant and equipment and intangible assets were 10.4% lower at €354 million (Q3 2010: €395 million). Of this figure, HealthCare accounted for €129 million (Q3 2010: €175 million), CropScience for €62 million (Q3 2010: €74 million) and MaterialScience for €119 million (Q3 2010: €102 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. The €87 million (Q3 2010: €1 million) in outflows for acquisitions related mainly to the purchase of Pathway Medical Technologies, Inc., United States. Disbursements for noncurrent and current financial assets amounted to €1,261 million (Q3 2010: €309 million). The transfer of €217 million in bonds as funding for the U.S. pension plan was a non-cash item. Among the cash inflow items in the third quarter of 2011 was €13 million (Q3 2010: €15 million) in interest and dividends received.

Net cash outflow for investing activities in the **first nine months of 2011** was €3,177 million. Cash outflows for property, plant and equipment and intangible assets were 10.1% lower at €890 million (9M 2010: €990 million). Of this figure, HealthCare accounted for €299 million (9M 2010: €373 million), CropScience for €161 million (9M 2010: €181 million) and MaterialScience for €337 million (9M 2010: €349 million). The €235 million (9M 2010: €18 million) in outflows for acquisitions related mainly to the acquisitions of the animal health company Bomac, New Zealand; Hornbeck Seed Company, Inc., United States; and Pathway Medical Technologies, Inc., United States. Cash outflows for noncurrent and current financial assets amounted to €2,262 million (9M 2010: €535 million). Among the cash inflow items in the first nine months of 2011 were €80 million (9M 2010: €77 million) in income from divestitures and €41 million (9M 2010: €48 million) in interest and dividends received.

FINANCING CASH FLOW

Net cash outflow for financing activities in the **third quarter of 2011** amounted to €567 million, including net loan repayments of €372 million (Q3 2010: €1,117 million). Net interest payments were 20.9% higher at €191 million (Q3 2010: €158 million).

Net cash outflow for financing activities in the **first nine months of 2011** amounted to €2,326 million, including net loan repayments of €607 million (9M 2010: €1,397 million). Net interest payments were 5.4% higher at €472 million (9M 2010: €448 million). There was a €1,243 million outflow for "dividend payments and withholding tax on dividends" (9M 2010: €1,159 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2010	June 30, 2011	Sep. 30, 2011
	€ million	€ million	€ million
Bonds and notes/promissory notes	8,209	7,681	7,639
of which hybrid bond	1,303	1,293	1,334
Liabilities to banks	2,271	2,395	2,398
Liabilities under finance leases	562	521	538
Liabilities from derivatives	529	343	451
Other financial liabilities	196	179	199
Positive fair values of hedges of recorded transactions	(331)	(373)	(433)
Financial debt	**11,436**	**10,746**	**10,792**
Cash and cash equivalents	(2,840)	(1,797)	(1,181)
Current financial assets	(679)	(1,551)	(2,623)
Net financial debt	**7,917**	**7,398**	**6,988**

Net financial debt of the Bayer Group decreased by 5.5% to €7.0 billion as of September 30, 2011. High cash inflows from operating activities were partly offset by negative currency effects of €0.3 billion. Financial debt included the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities rose in the third quarter of 2011 from €7.3 billion to €7.5 billion. At the same time, current financial liabilities decreased from €3.9 billion to €3.7 billion.

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

NET PENSION LIABILITY

Net Pension Liability [Table 15]

	Dec. 31, 2010	June 30, 2011	Sep. 30, 2011
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,305	6,813	7,524
Benefit plan assets in excess of obligation	(76)	(94)	(77)
Net pension liability	**7,229**	**6,719**	**7,447**

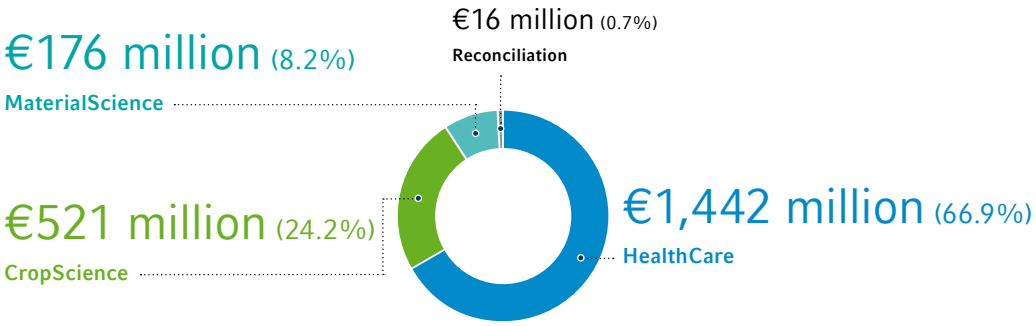
The net pension liability rose from €6.7 billion to €7.4 billion in the third quarter of 2011, due especially to lower long-term capital market interest rates.

9. Growth and Innovation

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

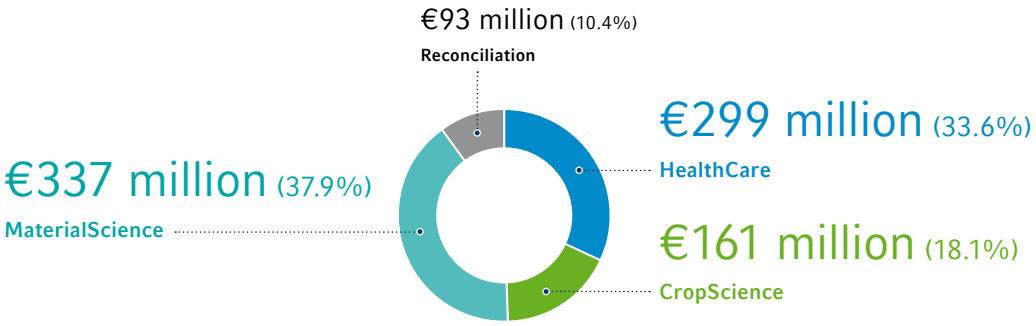
We spent €2,155 million on research and development in the first nine months of 2011, including €691 million in the third quarter. Capital expenditures for property, plant and equipment and intangible assets totaled €890 million in the first nine months of 2011, including €354 million in the third quarter.

Research and Development Expenses by Subgroup*
9M 2011 (subgroup shares in parentheses) [Graphic 16]



* as per income statement

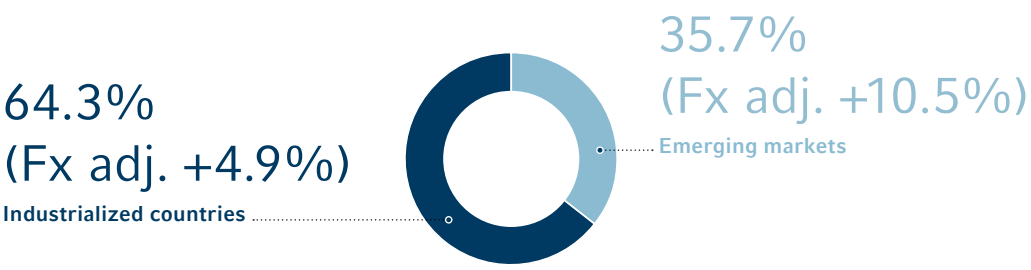
Capital Expenditures by Subgroup
9M 2011 (subgroup shares in parentheses) [Graphic 17]



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

Our sales in these emerging markets advanced by 10.5% (Fx adj.) in the first nine months of 2011 to €9,746 million, of which the third quarter accounted for €3,331 million (Fx adj. +9.5%). All regions contributed to growth in the third quarter of 2011.

Percentage Sales Breakdown by Industrialized Countries and Emerging Markets
9M 2011 (currency-adjusted changes in parentheses) [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first nine months of 2011 we invested €1,442 million in research and development at HealthCare, including €453 million in the third quarter. We have made further progress with our research and development pipeline during the year. (The following description does not include ongoing activities already described in the Annual Report 2010.)

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

Products in Registration [Table 16]

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

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

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

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

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

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

*as of October 20, 2011

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

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

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

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

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

In **July 2011**, a study conducted exclusively in Japan, the Phase III J-ROCKET AF study of Xarelto™ in patients with non-valvular atrial fibrillation at risk of stroke, met its primary endpoint, demonstrating non-inferiority versus warfarin for the principal safety outcome – the composite of major and non-major clinically relevant bleeding.

In **September 2011**, the Cardiovascular and Renal Drugs Advisory Committee of the U.S. Food and Drug Administration (FDA) recommended approval of Xarelto™ for the prevention of stroke and systemic embolism in patients with non-valvular atrial fibrillation in the United States. A decision by the FDA is expected in early November 2011.

In **September 2011** we received from the European Committee for Medicinal Products for Human Use (CHMP) a recommendation for the registration of Xarelto™ in two new indications: prevention of stroke in adult patients with atrial fibrillation, and treatment of deep vein thrombosis (DVT) and prevention of recurrent DVT and pulmonary embolism (PE) in adults. The decision of the European Commission is expected in the fourth quarter of 2011.

In **September 2011** the double-blind, placebo-controlled Phase III ATLAS ACS TIMI 51 clinical trial of Xarelto™ plus standard therapy met its primary efficacy endpoint, showing a statistically significant reduction in the rate of events for the primary composite endpoint of cardiovascular death, myocardial infarction and stroke in patients with acute coronary syndrome, compared to standard therapy plus placebo. For the primary safety endpoint, defined as major bleeding events according to the TIMI classification that are not associated with coronary artery bypass graft surgery, there was a statistically significant increase in such events in patients receiving rivaroxaban versus placebo.

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

In addition, in June 2011 we submitted applications to both the European Medicines Agency (EMA) and the Japanese Ministry of Health for registration of VEGF Trap-Eye to treat wet age-related macular degeneration (wet AMD).

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

In **August 2011** the cancer drug Alpharadin™ was granted fast-track designation by the U.S. Food and Drug Administration (FDA) for the treatment of castration-resistant prostate cancer in patients with bone metastases.

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

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

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

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

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

In May 2011 we launched Advanced Aspirin™, a formulation of our pain reliever with particularly rapid action, in the United States.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

In **July 2011** we signed an exclusive agreement with Trius Therapeutics, Inc., United States, to jointly develop and commercialize Trius' antibiotic tedizolid phosphate (tedizolid). The agreement gives us exclusive rights for the markets of Asia – excluding North and South Korea – and all countries of Africa, Latin America and the Middle East. According to the agreement, we will develop tedizolid, which is already in Phase III clinical development in the United States and Europe, for the treatment of various infectious diseases, such as acute bacterial skin and skin structure infections and Gram-positive pneumonia. Trius retains full development and commercialization rights for the United States, Canada and the European Union.

In **September 2011** we acquired U.S.-based Pathway Medical Technologies, Inc., a leading supplier of products to mechanically remove arterial plaques. This acquisition expands our presence in the field of interventional cardiology and thus strengthens the MEDRAD Interventional business unit.

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

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 10.5% (Fx adj.) in the first nine months of 2011 to €3,988 million, including €1,369 million (Fx adj. +8.3%) in the third quarter. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 13.6% (Fx adj.) through increased marketing activities, especially the expansion of our distribution network. Business also developed well in the Latin America region, with sales gains in Brazil, Mexico, Venezuela and Argentina, particularly for pharmaceuticals. The emerging markets' share of total HealthCare sales in the first nine months and the third quarter of 2011 was 31.7% and 32.6%, respectively.

9.2 CropScience

RESEARCH AND DEVELOPMENT

In the first nine months of 2011 we invested €521 million in research and development at CropScience, including €177 million in the third quarter.

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

In addition, we expect to bring some 20 new projects to market-readiness for the large-area crops of cotton, canola, rice and soybeans alone by 2015.

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

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

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

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

In July 2011, the United Kingdom became the first country to register the new fungicidal seed treatment Emesto™. This product has outstanding efficacy against black scurf (Rhizoctonia solani), significantly enhances potato quality and increases the marketable yield.

In **September 2011** we acquired exclusive license rights to the rice breeding program of the Brazilian company Fazenda Ana Paula, which specializes in the breeding of hybrid rice.

To drive growth based on new products, we intend to double the annual research and development spend in the BioScience business group by 2015 (2010: approx. €200 million). The annual R&D budget of CropScience as a whole is planned to increase by about 20% over the same period to more than €850 million.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

In **October 2011** we successfully completed the acquisition of the oilseed rape business of Raps GbR, headquartered in Germany. This business mainly includes varieties that are already on the market and the company's breeding material.

EMERGING MARKETS

In the emerging markets, CropScience grew sales by 12.7% (Fx adj.) in the first nine months of 2011 to €2,221 million, including third-quarter sales of €762 million (Fx adj. +14.9%). We registered the strongest absolute growth in the third quarter of 2011 in Latin America, especially Brazil and Argentina, at the start of the planting season there. The most significant growth markets in Asia were India, China and Thailand. The growth region of Africa/Middle East also developed well, while Eastern Europe posted the highest percentage increase. The emerging markets' share of total CropScience sales was 39.8% in the first nine months, and 55.2% in the third quarter due to seasonal factors.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €176 million on research and development (not including joint development activities with customers) in the first nine months of 2011, including €55 million in the third quarter. This investment went mainly to explore new areas of application and improve process technologies and products.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

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

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

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

EMERGING MARKETS

In the emerging markets, MaterialScience improved sales by 9.8% (Fx adj.) in the first nine months of 2011 to €3,450 million, including €1,173 million (Fx adj. +8.4%) in the third quarter. The strongest growth in the third quarter was registered in the Latin America/Africa/Middle East region, particularly in Brazil, Mexico and Turkey. Business also developed well in Eastern Europe, with significant sales gains in Poland, the Czech Republic and Russia. Growth rates in the Asia/Pacific region varied, however. In Thailand sales fell compared to the strong prior-year period, while business in the other Asian countries continued to develop positively, with the highest growth rates in Taiwan and Singapore. The emerging markets' share of MaterialScience sales in the first nine months and the third quarter of 2011 was 41.9% and 42.4%, respectively.

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

10. Employees

On September 30, 2011, the Bayer Group employed 113,200 people worldwide (December 31, 2010: 111,400). The number of employees thus rose by 1.6%.

HealthCare employed 56,300 people. The increase compared with the end of 2010 (December 31, 2010: 55,700) resulted from the first-time inclusion of the employees of Bomac, New Zealand, and Pathway Medical Technologies, Inc., United States, and from further expansion in other countries, particularly China. The number of employees at CropScience increased to 21,500 due to seasonal factors (December 31, 2010: 20,700). The workforce at MaterialScience grew by 2.0% to 15,000 (December 31, 2010: 14,700), mainly due to the expansion of our activities in the emerging markets. The majority of the remaining 20,400 employees worked for the service companies.

Personnel expenses rose by 0.5% in the third quarter of 2011 to €2,029 million (Q3 2010: €2,018 million).

11. Opportunities and Risks

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

A risk management system is in place. Apart from financial risks, there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2010 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 49 ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2010 on pages 122–131 and 241–247. The Bayer Annual Report 2010 can be downloaded free of charge at www.bayer.com.

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

12. Events After the Reporting Period

HEALTHCARE

Bayer HealthCare and Onyx Pharmaceuticals, Inc., United States, have restructured their partnership for the global development and marketing of Nexavar™ (active ingredient: sorafenib) and entered into a new agreement concerning regorafenib. Further details are explained in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 50 under "Legal Risks."

CROPSCIENCE

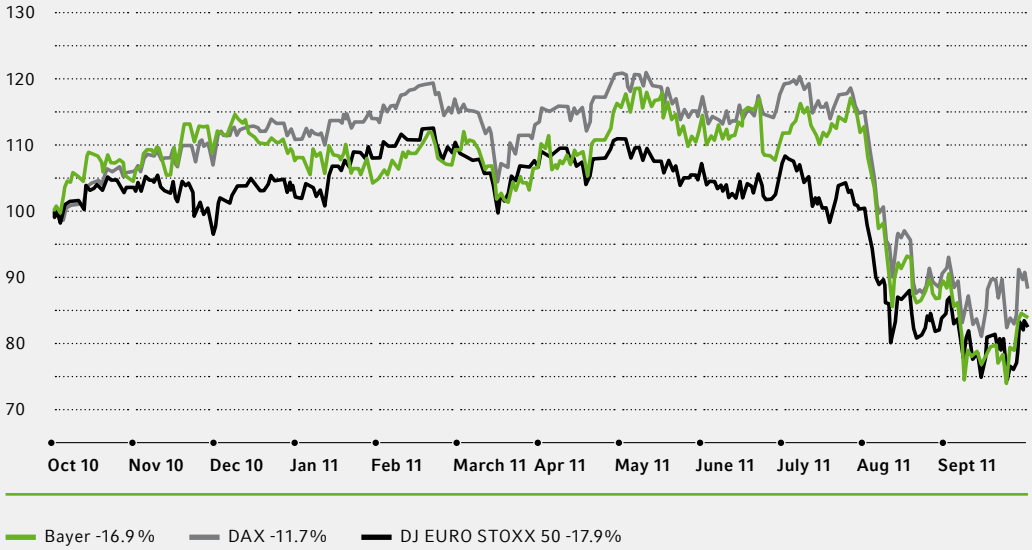
In October 2011, the deadline – originally due to expire in October 2011 – for U.S. rice growers to submit their claims under settlement agreements in the litigation concerning genetically modified rice (LL RICE) was extended by 40 days. Further details are explained in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 50f. under "Legal Risks."

In October 2011, Bayer CropScience acquired the oilseed rape business of the mid-size seed company Raps GbR, Germany. This mainly includes oilseed rape varieties that are already on the market and the company's breeding material. The agreed purchase price of €27 million pertains mainly to technologies, inventories and goodwill.

Investor Information

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

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



Stock markets around the world fell sharply in the third quarter of 2011. Bayer shares dropped by 25.2%, while the DAX was down 25.4%. The EURO STOXX 50 (performance index) declined by 23.1% over the same period.

Including the dividend paid on May 2, 2011, Bayer stock posted a performance of minus 23.1% for the first nine months of 2011 with a share price of € 41.45 at the end of the third quarter. The DAX lost 20.4% over the same period, closing the quarter at 5,502 points. The EURO STOXX 50 receded by 19.6%, closing the third quarter of 2011 at 3,672 points.

Bayer Stock Data [Table 18]

		3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
High for the period	€	52.32	58.30	56.40	59.35
Low for the period	€	44.12	36.82	44.12	36.82
Average daily trading volume	million	3.1	4.8	3.9	3.9

		Sep. 30, 2010	Sep. 30, 2011	Dec. 31, 2010	Change Sep. 30, 2011/ Dec. 31, 2010 %
Share price	€	51.15	41.45	55.30	–25.0
Market capitalization	€ million	42,298	34,277	45,730	–25.0
Equity as per statements of financial position	€ million	18,281	19,008	18,896	+0.6
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		6,229	5,502	6,914	–20.4

2010 figures restated
Xetra closing prices (source: Bloomberg)

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

Bayer Group Consolidated Income Statements

[Table 19]

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
Net sales	**8,581**	**8,670**	**26,076**	**27,337**
Cost of goods sold	(4,166)	(4,278)	(12,627)	(13,233)
Gross profit	**4,415**	**4,392**	**13,449**	**14,104**
Selling expenses	(2,171)	(2,134)	(6,395)	(6,511)
Research and development expenses	(776)	(691)	(2,240)	(2,155)
General administration expenses	(404)	(403)	(1,243)	(1,254)
Other operating income	230	92	436	573
Other operating expenses	(730)	(157)	(1,328)	(1,237)
Operating result [EBIT]	**564**	**1,099**	**2,679**	**3,520**
Equity-method loss	(13)	(12)	(45)	(33)
Non-operating income	76	153	391	387
Non-operating expenses	(330)	(365)	(1,118)	(962)
Non-operating result	**(267)**	**(224)**	**(772)**	**(608)**
Income before income taxes	**297**	**875**	**1,907**	**2,912**
Income taxes	(7)	(229)	(456)	(837)
Income after taxes	**290**	**646**	**1,451**	**2,075**
of which attributable to non-controlling interest	5	4	5	2
of which attributable to Bayer AG stockholders (net income)	**285**	**642**	**1,446**	**2,073**
	€	€	€	€
Earnings per share				
Basic	0.35	0.78	1.75	2.51
Diluted	0.35	0.78	1.75	2.51

2010 figures restated

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
Income after taxes	**290**	**646**	**1,451**	**2,075**
of which attributable to non-controlling interest	*5*	*4*	*5*	*2*
of which attributable to Bayer AG stockholders	*285*	*642*	*1,446*	*2,073*
Changes in fair values of derivatives designated as cash flow hedges	279	(106)	(74)	39
Recognized in profit or loss	13	(18)	14	3
Income taxes	(89)	38	18	(12)
Changes recognized outside profit or loss (cash flow hedges)	**203**	**(86)**	**(42)**	**30**
Changes in fair values of available-for-sale financial assets	8	(7)	-	(8)
Recognized in profit or loss	(2)	(2)	(2)	(3)
Income taxes	(1)	3	1	3
Changes recognized outside profit or loss (available-for-sale financial assets)	**5**	**(6)**	**(1)**	**(8)**
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets	(737)	(990)	(1,895)	(671)
Income taxes	235	346	572	242
Changes recognized outside profit or loss (actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets)	**(502)**	**(644)**	**(1,323)**	**(429)**
Exchange differences on translation of operations outside the eurozone	(586)	170	458	(319)
Recognized in profit or loss	-	-	3	-
Changes recognized outside profit or loss (exchange differences)	**(586)**	**170**	**461**	**(319)**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**13**	**9**	**28**	**4**
Effects of changes in scope of consolidation	**-**	**-**	**-**	**-**
Total changes recognized outside profit or loss	**(867)**	**(557)**	**(877)**	**(722)**
of which attributable to non-controlling interest	*(5)*	*1*	*4*	*(6)*
of which attributable to Bayer AG stockholders	*(862)*	*(558)*	*(881)*	*(716)*
Total comprehensive income	**(577)**	**89**	**574**	**1,353**
of which attributable to non-controlling interest	*-*	*5*	*9*	*(4)*
of which attributable to Bayer AG stockholders	*(577)*	*84*	*565*	*1,357*

2010 figures restated

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	Sep. 30, 2010	Sep. 30, 2011	Dec. 31, 2010
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,917	9,047	9,002
Other intangible assets	12,081	10,430	11,161
Property, plant and equipment	9,602	9,480	9,835
Investments accounted for using the equity method	361	319	354
Other financial assets	1,267	1,113	1,164
Other receivables	478	408	498
Deferred taxes	1,838	1,246	1,174
	34,544	**32,043**	**33,188**
Current assets			
Inventories	6,341	6,539	6,104
Trade accounts receivable	6,796	7,025	6,668
Other financial assets	463	3,063	1,008
Other receivables	1,535	1,619	1,336
Claims for income tax refunds	258	436	362
Cash and cash equivalents	2,124	1,181	2,840
Assets held for sale	-	15	-
	17,517	**19,878**	**18,318**
Total assets	**52,061**	**51,921**	**51,506**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	9,939	10,665	10,549
Equity attributable to Bayer AG stockholders	**18,223**	**18,949**	**18,833**
Equity attributable to non-controlling interest	58	59	63
	18,281	**19,008**	**18,896**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	8,297	7,524	7,305
Other provisions	1,498	1,754	1,478
Financial liabilities	10,367	7,521	9,944
Other liabilities	475	500	471
Deferred taxes	2,969	2,401	2,577
	23,606	**19,700**	**21,775**
Current liabilities			
Other provisions	4,108	4,593	3,870
Financial liabilities	1,618	3,721	1,889
Trade accounts payable	2,870	3,397	3,497
Income tax liabilities	47	46	62
Other liabilities	1,531	1,456	1,517
	10,174	**13,213**	**10,835**
Total equity and liabilities	**52,061**	**51,921**	**51,506**

2010 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
Income after taxes	290	646	1,451	2,075
Income taxes	7	229	456	837
Non-operating result	267	224	772	608
Income taxes paid or accrued	(106)	(210)	(925)	(885)
Depreciation, amortization and impairments	664	632	2,097	1,983
Change in pension provisions	(225)	(181)	(459)	(431)
(Gains) losses on retirements of noncurrent assets	(10)	(13)	(35)	(19)
Gross cash flow	**887**	**1,327**	**3,357**	**4,168**
Decrease (increase) in inventories	(112)	(192)	(42)	(524)
Decrease (increase) in trade accounts receivable	505	571	(394)	(500)
(Decrease) increase in trade accounts payable	(168)	(157)	32	(83)
Changes in other working capital, other non-cash items	443	28	879	847
Net cash provided by (used in) operating activities (net cash flow)	**1,555**	**1,577**	**3,832**	**3,908**
Cash outflows for additions to property, plant, equipment and intangible assets	(395)	(354)	(990)	(890)
Cash inflows from sales of property, plant, equipment and other assets	15	24	40	89
Cash inflows from divestitures	36	28	77	80
Cash inflows from (outflows for) noncurrent financial assets	(209)	16	(452)	(54)
Cash outflows for acquisitions less acquired cash	(1)	(87)	(18)	(235)
Interest and dividends received	15	13	48	41
Cash inflows from (outflows for) current financial assets	(100)	(1,277)	(83)	(2,208)
Net cash provided by (used in) investing activities	**(639)**	**(1,637)**	**(1,378)**	**(3,177)**
Dividend payments and withholding tax on dividends	(1)	(2)	(1,159)	(1,243)
Issuances of debt	222	47	713	505
Retirements of debt	(1,339)	(419)	(2,110)	(1,112)
Interest paid including interest rate swaps	(254)	(268)	(773)	(741)
Interest received from interest rate swaps	96	77	325	269
Cash outflows for the purchase of additional interests in subsidiaries	(5)	(2)	(6)	(4)
Net cash provided by (used in) financing activities	**(1,281)**	**(567)**	**(3,010)**	**(2,326)**
Change in cash and cash equivalents due to business activities	**(365)**	**(627)**	**(556)**	**(1,595)**
Cash and cash equivalents at beginning of period	**2,551**	**1,797**	**2,725**	**2,840**
Change in cash and cash equivalents due to exchange rate movements	(62)	11	(45)	(64)
Cash and cash equivalents at end of period	**2,124**	**1,181**	**2,124**	**1,181**

2010 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Restatement			(77)	(77)		(77)
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,158)	(1,158)	(2)	(1,160)
Other changes			(4)	(4)	(3)	(7)
Total comprehensive income**			565	565	9	574
Sep. 30, 2010	**2,117**	**6,167**	**9,939**	**18,223**	**58**	**18,281**
Dec. 31, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,240)	(1,240)	(2)	(1,242)
Other changes			(1)	(1)	2	1
Total comprehensive income**			1,357	1,357	(4)	1,353
Sep. 30, 2011	**2,117**	**6,167**	**10,665**	**18,949**	**59**	**19,008**

2010 figures restated

* OCI = other comprehensive income

** Net of tax

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

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external)	2,732	2,663	1,539	1,537
Change	+7.2%	−2.5%	+10.9%	−0.1%
Currency-adjusted change	−0.1%	+0.3%	+2.9%	+4.5%
Intersegment sales	14	21	2	3
Net sales (total)	2,746	2,684	1,541	1,540
Operating result (EBIT)	420	566	315	300
EBIT before special items	470	600	315	309
EBITDA before special items	739	853	383	373
Gross cash flow*	450	547	257	253
Net cash flow*	421	579	273	235
Depreciation, amortization and impairments	269	254	68	64
	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011
Net sales (external)	8,011	7,978	4,434	4,596
Change	+3.1%	−0.4%	+9.3%	+3.7%
Currency-adjusted change	−0.8%	+0.5%	+4.6%	+6.5%
Intersegment sales	49	59	7	5
Net sales (total)	8,060	8,037	4,441	4,601
Operating result (EBIT)	1,191	1,569	799	852
EBIT before special items	1,459	1,687	799	865
EBITDA before special items	2,270	2,463	997	1,059
Gross cash flow*	1,423	1,588	706	740
Net cash flow*	1,468	1,536	634	695
Depreciation, amortization and impairments	943	777	198	194
Number of employees (as of Sep. 30)**	38,200	38,600	17,800	17,700

2010 figures restated
* For definition see Chapter 8 "Financial Position of the Bayer Group."
** Full-time equivalents

[Table 24]

	CropScience		MaterialScience				Reconciliation			
	CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,341	1,379	2,665	2,768	302	322	2	1	8,581	8,670
	+17.6%	+2.8%	+30.8%	+3.9%	+9.4%	+6.6%	-	-	+16.1%	+1.0%
	+8.5%	+8.7%	+23.0%	+7.6%	+7.3%	+7.3%	-	-	+8.4%	+4.9%
	18	7	37	15	334	465	(405)	(511)	-	-
	1,359	1,386	2,702	2,783	636	787	(403)	(510)	8,581	8,670
	(404)	24	259	196	20	65	(46)	(52)	564	1,099
	(18)	46	259	196	20	75	(46)	(52)	1,000	1,174
	112	165	408	348	57	135	(35)	(69)	1,664	1,805
	(201)	102	296	258	108	226	(23)	(59)	887	1,327
	472	409	254	129	(24)	67	159	158	1,555	1,577
	130	119	149	152	37	60	11	(17)	664	632
	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011
	5,177	5,579	7,570	8,236	876	945	8	3	26,076	27,337
	+1.3%	+7.8%	+37.5%	+8.8%	+3.3%	+7.9%	-	-	+11.9%	+4.8%
	−4.1%	+10.6%	+33.2%	+11.2%	+2.2%	+8.1%	-	-	+7.5%	+6.9%
	33	21	49	49	1,240	1,348	(1,378)	(1,482)	-	-
	5,210	5,600	7,619	8,285	2,116	2,293	(1,370)	(1,479)	26,076	27,337
	143	515	624	637	66	97	(144)	(150)	2,679	3,520
	643	1,023	624	637	66	119	(144)	(150)	3,447	4,181
	1,023	1,381	1,059	1,065	168	249	(105)	(145)	5,412	6,072
	358	720	809	818	128	396	(67)	(94)	3,357	4,168
	989	1,018	332	265	45	281	364	113	3,832	3,908
	380	449	435	428	102	130	39	5	2,097	1,983
	20,600	21,500	14,600	15,000	19,700	19,700	700	700	111,600	113,200

Key Data by Region

	Europe		North America	
	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,244	3,295	1,930	1,815
Change	+9.4%	+1.6%	+14.1%	−6.0%
Currency-adjusted change	+8.3%	+1.9%	+2.6%	+2.3%
Net sales (external) – by point of origin	3,587	3,681	1,957	1,823
Change	+10.0%	+2.6%	+16.3%	−6.8%
Currency-adjusted change	+9.0%	+2.8%	+4.4%	+1.6%
Interregional sales	1,521	1,642	697	696
Operating result (EBIT)	575	631	(277)	220

	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011
Net sales (external) – by market	10,409	11,110	6,304	6,208
Change	+6.0%	+6.7%	+6.6%	−1.5%
Currency-adjusted change	+4.9%	+6.7%	+1.2%	+4.3%
Net sales (external) – by point of origin	11,489	12,306	6,331	6,248
Change	+7.6%	+7.1%	+7.9%	−1.3%
Currency-adjusted change	+6.6%	+7.1%	+2.4%	+4.6%
Interregional sales	5,140	5,157	2,330	2,109
Operating result (EBIT)	1,882	2,302	106	598
Number of employees (as of Sep. 30)*	54,500	54,700	16,400	16,000

2010 figures restated
* Full-time equivalents

[Table 25]

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Total	
	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011	3rd Quarter 2010	3rd Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,907	1,983	1,500	1,577	-	-	8,581	8,670
	+30.3%	+4.0%	+17.9%	+5.1%	-	-	+16.1%	+1.0%
	+13.6%	+6.9%	+10.6%	+12.1%	-	-	+8.4%	+4.9%
	1,821	1,908	1,216	1,258	-	-	8,581	8,670
	+29.0%	+4.8%	+17.1%	+3.5%	-	-	+16.1%	+1.0%
	+11.7%	+7.8%	+8.5%	+11.7%	-	-	+8.4%	+4.9%
	133	122	113	102	(2,464)	(2,562)	-	-
	199	153	113	147	(46)	(52)	564	1,099
	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011	First Nine Months 2010	First Nine Months 2011
	5,428	5,768	3,935	4,251	-	-	26,076	27,337
	+30.9%	+6.3%	+15.2%	+8.0%	-	-	+11.9%	+4.8%
	+20.7%	+7.2%	+10.2%	+11.1%	-	-	+7.5%	+6.9%
	5,167	5,516	3,089	3,267	-	-	26,076	27,337
	+29.4%	+6.8%	+11.9%	+5.8%	-	-	+11.9%	+4.8%
	+18.7%	+7.8%	+5.9%	+9.3%	-	-	+7.5%	+6.9%
	333	348	302	306	(8,105)	(7,920)	-	-
	614	515	221	255	(144)	(150)	2,679	3,520
	24,300	26,200	16,400	16,300	-	-	111,600	113,200

Explanatory Notes

ACCOUNTING POLICIES

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

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

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

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

Exchange Rates for Major Currencies [Table 26]

		Closing Rate			Average Rate	
1 € /		Dec. 31, 2010	Sep. 30, 2010	Sep. 30, 2011	First Nine Months 2010	First Nine Months 2011
ARS	Argentina	5.31	5.41	5.67	5.11	5.74
BRL	Brazil	2.23	2.33	2.47	2.34	2.29
CAD	Canada	1.33	1.41	1.41	1.36	1.37
CHF	Switzerland	1.25	1.33	1.22	1.40	1.23
CNY	China	8.82	9.13	8.62	8.94	9.14
GBP	United Kingdom	0.86	0.86	0.87	0.86	0.87
JPY	Japan	108.65	113.68	103.79	117.43	113.12
MXN	Mexico	16.55	17.13	18.59	16.69	16.90
USD	United States	1.34	1.36	1.35	1.31	1.41

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

Discount Rate for Pension Obligations [Table 27]

	Dec. 31, 2010	June 30, 2011	Sep. 30, 2011
	%	%	%
Germany	4.90	5.10	4.70
United Kingdom	5.45	5.55	5.10
United States	5.20	5.30	4.40

SEGMENT REPORTING

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

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

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

	3rd Quarter 2010	3rd Quarter 2011	First Nine Months 2010	First Nine Months 2011
	€ million	€ million	€ million	€ million
Operating result of segments	610	1,151	2,823	3,670
Operating result of Corporate Center	(46)	(52)	(144)	(150)
Operating result (EBIT)	**564**	**1,099**	**2,679**	**3,520**
Non-operating result	(267)	(224)	(772)	(608)
Income before income taxes	**297**	**875**	**1,907**	**2,912**

2010 figures restated

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of September 30, 2011, the Bayer Group comprised 301 fully or proportionately consolidated companies (December 31, 2010: 291 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2010: three joint ventures). In addition, four associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates) (December 31, 2010: five associated companies).

Acquisitions and divestitures

Acquisitions

On January 7, 2011, we acquired the New Zealand-based Bomac group, which supplies a broad range of animal health products for the livestock sector. The net purchase price of €73 million pertained mainly to customer relationships and goodwill. Bomac had sales of €30 million in the first nine months of 2011.

On April 1, 2011, CropScience acquired Hornbeck Seed Company, Inc., United States. Hornbeck supplies soybean, rice and wheat varieties in the southern United States and has an in-house soybean breeding program and a proprietary soybean germplasm. The net purchase price paid amounted to €30 million and pertained mainly to research and development projects and goodwill. Hornbeck had sales of €6 million since the acquisition date.

On August 31, 2011, HealthCare acquired Pathway Medical Technologies, Inc., United States, through its subsidiary MEDRAD, Inc. Pathway supplies products to mechanically remove plaques from the arteries. The net purchase price of €88 million pertained mainly to patents and goodwill. Pathway had sales of €1 million since the acquisition date.

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

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

Acquired Assets and Assumed Liabilities [Table 29]

	Fair value
	€ million
Goodwill	98
Other intangible assets	82
Property, plant and equipment	10
Other noncurrent assets	(2)
Cash and cash equivalents	5
Other current assets	34
Financial liabilities	(12)
Other liabilities	(13)
Deferred taxes	(2)
Net assets	**200**
Non-controlling interest	1
Net purchase price	**201**
Acquired cash and cash equivalents/financial liabilities	7
Liabilities for future payments	31
Net cash outflow for acquisitions	**239**

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

Acquisitions after the closing date

On October 6, 2011, CropScience acquired the oilseed rape business of the mid-size seed company Raps GbR, Germany. This mainly includes oilseed rape varieties that are already on the market and the company's breeding material. The agreed purchase price of €27 million pertains mainly to technologies, inventories and goodwill.

Divestitures

No divestitures were made in the first nine months of 2011. We received further revenue-based payments of €80 million in the first nine months of 2011 in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, effected in May 2009.

Assets held for sale

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

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: The number of lawsuits pending in the United States and served upon Bayer was about 10,400 as of October 8, 2011. Plaintiffs allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Based on the information currently available, Bayer has taken accounting measures for anticipated defense costs. Bayer is insured against product liability risks to the extent customary in the industry. Going forward and depending on further developments, the company's global liability insurance program may not be sufficient or fully applicable to cover all expenses and potential liability (if any) resulting from this litigation.

Competition law proceedings

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

Patent disputes

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

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

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

Further legal proceedings

Kogenate™: A dispute with Recoly Holding NV and its affiliate Zilip Pharma BV relates to the termination by Bayer of the KG-Lip project (longer acting Factor VIII). Bayer is seeking a declaratory judgment by an arbitration panel that it has exerted best commercial efforts to develop the product and that it is not contractually bound to pay a termination fee. Recoly has counterclaimed for damages.

Regorafenib: In 2009, Onyx Pharmaceuticals, Inc. filed a complaint in the U.S. alleging that the compound regorafenib, which is under development by Bayer in cancer indications, is a compound to which Onyx has rights under a collaboration agreement. Under this agreement, the parties jointly developed Nexavar™, a drug product to treat kidney and liver cancer. Onyx also claimed damages with respect to Nexavar™. In October 2011, the parties settled their dispute. While Bayer maintains ultimate decision-making authority for regorafenib, Onyx will receive a royalty on sales of regorafenib in oncology indications. For Japan, the royalties on Nexavar sales were discharged in exchange for a one-time payment.

CROPSCIENCE

Product-related litigations

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

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

Bayer disagrees with the present findings of liability.

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

Without acknowledging liability, in July 2011 Bayer reached settlement agreements with two groups of attorneys representing U.S. long-grain rice growers in the LL RICE litigation. One agreement involves those cases that are a part of the federal multi-district litigation; the other involves those cases in state courts. Under these agreements, Bayer will pay in total up to US$750 million to resolve claims submitted by growers. The settlement program is open to all U.S. farmers who had been growing long-grain rice during the period 2006 through 2010. The settlements are contingent on the participation of a sufficient number of growers to represent 85 percent of U.S. long-grain rice acreage during that time frame. Rice growers had a 90-day period in which to submit their claims. The deadline was due to expire in October 2011, but was extended for 40 days. The claims submitted are being reviewed, and deficiencies in the information submitted will have to be addressed. This process could take 30 to 60 additional days. Thus, Bayer does not expect to know the actual participation level before November 2011.

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

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

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

RELATED PARTIES

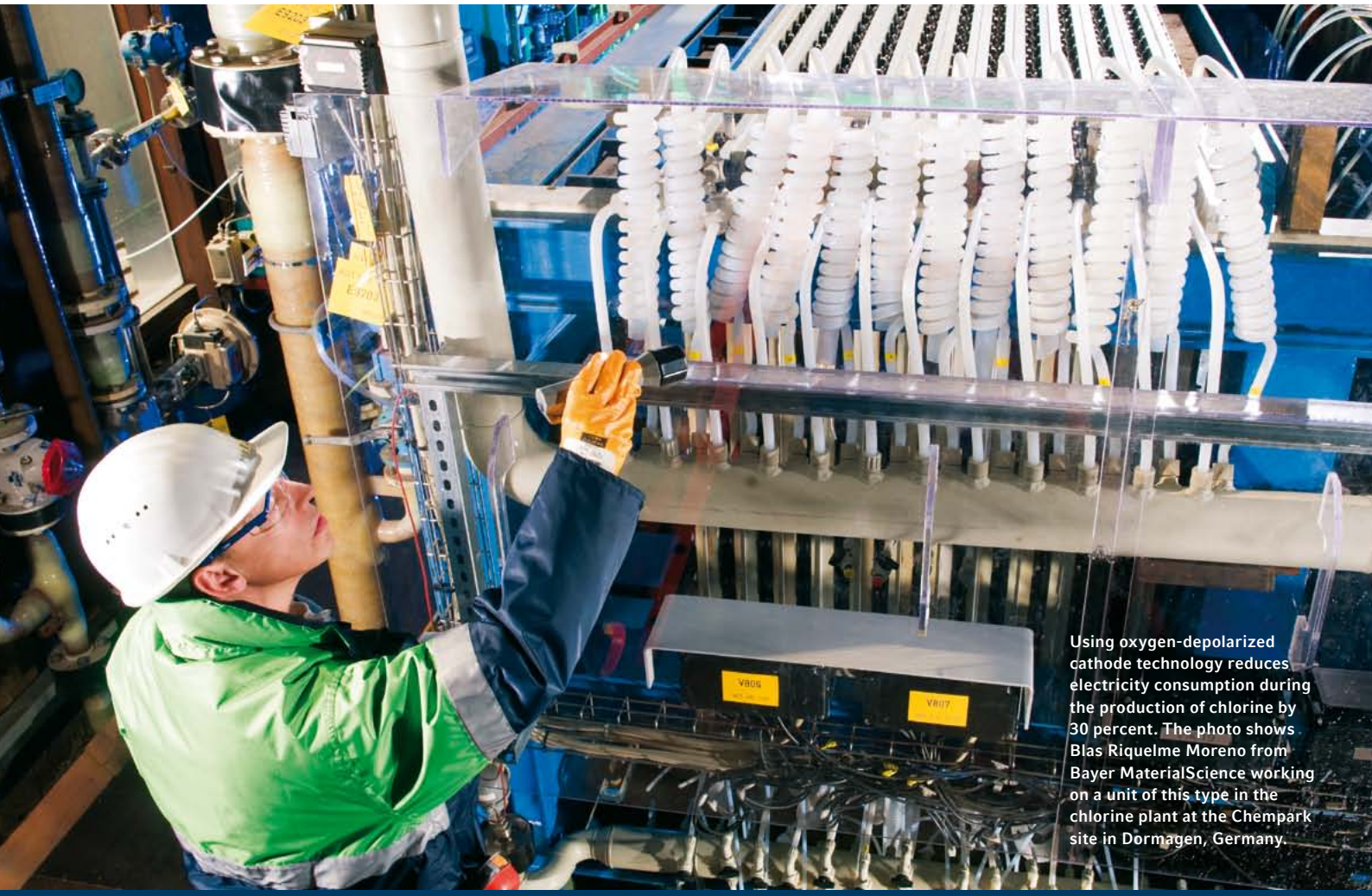
Our business partners include companies in which an interest is held, and companies with which members of the Supervisory Board of Bayer AG are associated. Transactions with these companies are carried out on an arm's-length basis. Business with such companies was not material from the viewpoint of the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

Leverkusen, October 25, 2011
Bayer Aktiengesellschaft

The Board of Management

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

Focus



Using oxygen-depolarized cathode technology reduces electricity consumption during the production of chlorine by 30 percent. The photo shows Blas Riquelme Moreno from Bayer MaterialScience working on a unit of this type in the chlorine plant at the Chempark site in Dormagen, Germany.

Top in climate protection and sustainability

Bayer is a world leader in climate protection. This is confirmed by the company's renewed inclusion in two global indices used by investors who place importance on corporate climate strategies when making their investment decisions. In the broader area of sustainability, too, Bayer remains "best in class" and is listed in the principal indices.

Recognition of the Group's climate protection efforts is reflected in the fact that Bayer is one of 29 companies listed in the Carbon Performance Leadership Index. Bayer has also achieved a top international ranking in the Carbon Disclosure Leadership Index, which lists the 52 companies that display the greatest transparency in climate reporting. As last year, this index ranks Bayer as the best company in its sector.

For both indices the Carbon Disclosure Project (CDP) annually evaluates the 500 largest publicly traded companies. Only 23 companies are included in both indices. Bayer is the only chemical and pharmaceutical company that has been included in the Carbon Disclosure Index for seven consecutive years. The company achieved its best overall rating to date with a score of 99 out of 100 and shares first place with three companies from other sectors. Bayer is included for the second time in the Performance Index, which was established in 2010. Here, instead of absolute points, companies are assigned to performance bands, and Bayer has been awarded the maximum "A" rating.

Wide-ranging contributions to CO_2 reduction

"We are delighted by the renewed listing in these two significant climate indices and believe this confirms the success of our climate strategy," said Prof. Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Innovation, Technology and Environment. "In the future, we will continue to contribute to CO_2 reduction in various ways and openly communicate climate-relevant data to investors and other interested parties."

The index organizer CDP, which is based in London, represents a group that now includes 551 institutional investors with combined assets of US$71 trillion under management. According to these investors, their investment decisions are partly based on the extent to which a company is equipped for the challenges of climate change. "Organizations that reduce their emissions, maximize business resilience and capitalize on opportunities are in the best position to help protect the climate and counter the effects of climate change," says Paul Simpson, Chief Executive Officer of the CDP.

The company's excellent position as regards sustainability is demonstrated by its renewed inclusion in both the Dow Jones Sustainability World Index (DJSI World) and the Dow Jones Sustainability Europe Index (DJSI Europe). Bayer has been listed continuously in the DJSI World since its inception in 1999.

The evaluation of corporate sustainability performance is performed on behalf of the index provider Dow Jones by the Swiss rating agency SAM. This year, Bayer achieved its best overall result ever. Central categories assessed comprise responsible corporate governance and innovation management, environmental management and environmental performance, human resources policy and customer and supplier relations.

Inclusion in the DJSI World and DJSI Europe is based on the "best in class" principle: to warrant inclusion, it is not sufficient for companies to meet basic economic, ecological and social criteria. Rather, they must have the best sustainability performances in their respective industry sectors. The DJSI World lists the top 10 percent of the world's 2,500 largest listed companies. The best 20 percent of Europe's 600 largest listed companies qualify for the DJSI Europe. Investors who place importance on sustainability use the Dow Jones Sustainability Indices as a guide for their decisions. The assets under management in DJSI-based portfolios currently total more than US$8 billion.

The company's commitment to sustainability has also been honored by the judges of the German Sustainability Prize, which will be presented in Düsseldorf on November 4. Bayer is among the top three candidates in the category "Germany's Most Sustainable Initiatives." Bayer was nominated for the Dream Production research project, which aims to turn the greenhouse gas CO_2 into a useful raw material. This could ultimately provide the chemical industry with an alternative to increasingly scarce resources such as petroleum.

CO_2 as a precursor for valuable materials: Dr. Torren Carlson from the Catalysis Center at RWTH Aachen University, where research on Dream Production is being conducted.

News

Perfect solutions for potato growers

Bayer CropScience's new fungicidal seed treatment Emesto™ (active ingredient: penflufen) has received its first registration worldwide – in the United Kingdom. Emesto™ is used in potato growing. It has outstanding efficacy against black scurf (*Rhizoctonia solani*), significantly enhances potato quality and increases the marketable yield. The market launch of Emesto™ in the U.K. is scheduled for the 2012 growing season.

In the field: Dr. Thomas Wegmann, Alexander Buschermöhle and Sylvain Tafforeau (left to right).

New therapeutic options in interventional medicine

Bayer HealthCare's U.S. subsidiary MEDRAD, Inc. has acquired Pathway Medical Technologies, Inc., headquartered at Kirkland in Washington state. The acquisition is intended to strengthen Bayer's presence in the field of interventional cardiology. Pathway Medical Technologies is one of the leading manufacturers of products for mechanical removal of arterial deposits. The company's products eliminate blockages in leg arteries, also known as peripheral arterial occlusive disease.

Jetstream™ devices from Pathway, for example, allow the physician to perform minimally invasive surgery to reinstate circulation in peripheral arteries where the build-up of deposits has led to vascular occlusion. Thanks to their special technology, Jetstream™ products are able to remove deposits from arteries without harming healthy tissue. The number of people with peripheral arterial occlusive disease in the U.S. alone is estimated at more than 12 million.

"The integration of Pathway Medical Technologies into the business of our Medrad subsidiary will support our strategy of offering new therapeutic options in the growing field of interventional medicine," says Bayer HealthCare CEO Dr. Jörg Reinhardt. "Pathway's products ideally supplement the current and future portfolio of Medrad Interventional." Medrad Interventional's product strategy envisions marketing Pathway's Jetstream™ in combination with Bayer HealthCare's AngioJet™ and Cotavance™ products as a comprehensive range of products to identify vascular diseases, restore blood circulation in the affected arteries and finally confirm the success of the treatment.

Mosquito nets exceed requirements

LifeNet™ mosquito nets have a superior effect on malaria-transmitting insects. A Bayer CropScience statement to this effect was confirmed by the recently published final report of the World Health Organization Pesticide Evaluation Scheme (WHOPES). The detailed report followed the WHO's preliminary recommendation for LifeNet™ in April 2011.

According to the report, the mosquito nets remain effective even after 30 washes and regenerate completely within one day after washing, thus far exceeding the WHOPES minimum requirements. LifeNet™ is the first net that combines the strength of polypropylene with the softness of a multifilament fiber and the long-lasting action of the active ingredient deltamethrin. "The longer duration of use achieved by this net takes us a major step closer to sustainable vector control," explained Dr. Gunnar Riemann, member of the Executive Committee of Bayer CropScience and Head of Environmental Science. "We provide greater added value through more nights of mosquito protection and extended replacement intervals – to the benefit of our stakeholders and the users of our nets."

LifeNet™ mosquito nets offer protection at night.

LifeNet™ was assessed in accordance with the WHOPES test specifications in field studies held in villages in Tanzania, Benin and India where pyrethroid-susceptible and -resistant mosquito strains were prevalent.

E.U. registration for Xarelto recommended

The European Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) has recommended approving Xarelto™ (active ingredient: rivaroxaban) in two new indications: prevention of stroke in adult patients with atrial fibrillation, and treatment of deep-vein thrombosis (DVT) and prevention of recurrent DVT and pulmonary embolism (PE) in adult patients.

"The CHMP recommendation to approve rivaroxaban in these two additional indications is an important milestone for Bayer," said Dr. Kemal Malik, member of the Board of Management of Bayer HealthCare and Head of Global Clinical Development. "We expect to soon be able to offer patients and doctors in the E.U. an effective alternative for stroke prevention in patients with atrial fibrillation and a novel, easy-to-use approach for the treatment of deep-vein thrombosis."

The decision of the European Commission is expected in the fourth quarter of 2011. Once the approvals are granted, rivaroxaban will be the only novel anticoagulant for adult patients that can be used for three indications in all E.U. member states:

- prevention of stroke and systemic embolism in patients with non-valvular atrial fibrillation and one or more risk factors;
- treatment of DVT and prevention of recurrent DVT and PE in patients after acute DVT;
- prevention of venous thromboembolism (VTE) in patients after elective hip or knee replacement surgery.

Bayer scientist Dr. Elisabeth Perzborn in the Wuppertal laboratory.

"The decision to recommend using rivaroxaban in these new indications confirms the product's benefits in the treatment and prevention of potentially deadly blood clots in a wide spectrum of venous and arterial indications," said Ajay Kakkar, Professor of Surgical Sciences at the University of London. "Patients have been waiting for more than 50 years for new therapeutic options that give better results than traditional treatments and are not subject to the familiar restrictions such as frequent monitoring, regular injections, dietary adjustments and interactions with other drug products," said Eve Knight, Chief Executive and co-founder of AntiCoagulation Europe (ACE).

An Advisory Committee of the U.S. Food and Drug Administration (FDA) has likewise recommended granting regulatory approval for rivaroxaban for the prevention of stroke and systemic embolism in patients with non-valvular atrial fibrillation in the United States. The FDA's decision is expected in early November 2011.

New opportunities in rice research

To further expand its global hybrid rice business, Bayer CropScience has acquired worldwide exclusive licensing rights to the rice breeding program of Fazenda Ana Paula, a Brazilian company specializing in hybrid rice breeding. The agreement will allow Bayer CropScience to increase its research and development capacities for hybrid rice in Brazil. It gives the company access to the rice germplasm developed by Fazenda Ana Paula, strengthening Bayer's existing hybrid breeding program and extending its global presence.

"Hybrid rice will play an important role in meeting the increasing demand for rice from more than half the world's population," says Dr. Mathias Kremer, Head of the BioScience business unit of Bayer CropScience. "Hybrid rice will have an important role to play. With Arize™, we are already a worldwide leader in hybrid rice seed, and we intend to enhance our hybrids further – with superior genetics and a world-class hybrid seed operation."

Bayer CropScience is also among the world leaders in crop protection agents for rice.

Bayer plans continued growth in Japan

The Bayer Group plans to expand its business in Japan – despite the difficult conditions following the earthquake and tsunami disaster – and continue to grow sales in the coming years. "Japan has been and continues to be one of the world's most attractive markets for Bayer," said Dr. Marijn Dekkers, Chairman of the Board of Management, at a news conference held to mark the centennial of Bayer's Japanese subsidiary.

In the first six months of 2011, Bayer had sales of more than €1 billion in Japan – a year-on-year increase of 4.6 percent after adjusting for currency and portfolio effects. Sales for the full year 2010 came to nearly €2 billion. Dekkers predicted further growth in light of the dynamic market environment: "Over the next five years we plan to grow by an average of about 6 percent a year – after adjusting for currency and portfolio effects – and raise sales to around €2.4 billion by 2015." He said spending on research and development in Japan is to continue at a high level, totaling more than €500 million over the same period.

Dekkers also announced that the Bayer Cares Foundation will provide €700,000 – including €300,000 donated by Bayer employees – for a long-term reconstruction project following the Japanese earthquake and tsunami. Bayer's total relief aid – including extensive emergency aid and a donation of urgently needed health care products – now totals nearly €2.3 million.

Speaking to the media in Tokyo: Bayer CEO Dr. Marijn Dekkers (center) with Bayer AG Management Board member Dr. Wolfgang Plischke (left) and the Senior Bayer Representative for Japan, Hans-Dieter Hausner.

Affordable contraceptive

Microgynon™ Fe, the world's most frequently used oral contraceptive, is now available at a markedly reduced price from pharmacies in Uganda as the result of a new public-private partnership between Bayer HealthCare and the United States Agency for International Development (USAID). The price gives average-income couples in Uganda access to an affordable, high-quality family planning product. The successful partnership was launched in Ethiopia in December 2010 and rolled out in Uganda as well at a ceremony attended by Bayer HealthCare, USAID and the local Ministry of Health.

"This partnership is designed to offer women more affordable family planning alternatives," said Dr. Jörg Reinhardt, Chairman of the Board of Management of Bayer HealthCare. Bayer and USAID plan to extend the initiative to numerous other sub-Saharan African countries by 2014.

Milestone in wheat genome research

Bayer CropScience and the Israeli company Evogene have reached a milestone in their joint research collaboration in wheat. Utilizing Evogene's proprietary tools, more than 200,000 single-nucleotide polymorphisms (SNPs) across the wheat genome were identified as part of the two companies' efforts to improve wheat through the application of advanced breeding techniques.

Farmer Neels Neethling (left) and Tol Kaptein in a wheat field.

SNPs are single-nucleotide substitutions of one base in the genome and a powerful type of molecular marker for traits improvement. Identifying SNPs across the wheat genome is an essential step towards improving desired traits in wheat through advanced breeding. The wheat genome is both complex and very large – approximately five times the size of the human genome – which creates a major challenge for breeders in implementing advanced breeding techniques. The identification of a significant number of SNP markers improves the overall understanding of the wheat genome, and therefore facilitates the utilization of this knowledge to deliver desirable improvements in wheat.

New growth strategy for CropScience

Bayer CropScience is committed to focusing on four key objectives: rejuvenating its core Crop Protection business; reinventing customer-centricity along the entire value chain (seed-to-shelf); refocusing its innovation through increased R&D investment; and extending the company's BioScience business. This new strategy for future growth was outlined by Bayer CropScience CEO Sandra E. Peterson at the company's Annual Press Conference in Monheim, Germany.

"Our entire organization is relentlessly focused on meeting the rapidly changing needs of a planet hungry for agricultural resources," said Peterson. "We will continue to meet these needs only through our increased focus, improved efficiencies and accelerated innovation. Already, our efforts on these fronts are driving positive business results and momentum."

Field force employee Heinrich Mumme (right) in conversation with farmer Jürgen Schlichte.

Bayer CropScience is currently restructuring its Crop Protection business by phasing out older products, increasing its focus on key brand families, extending its geographic presence further into emerging markets and developing its supply chain operations to a position of industry leadership.

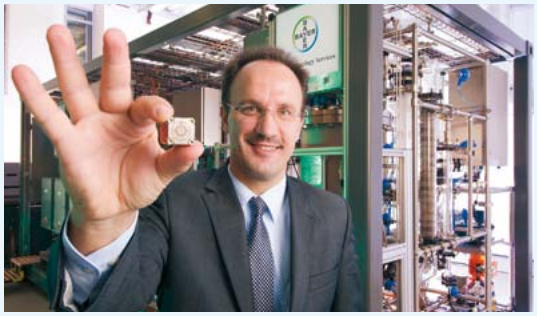
The company is also striving to leverage customer-centricity across the value chain to deliver solutions from seed to shelf. This involves increased grower orientation and improved channel management practices.

The third pillar of the strategy is refocusing innovation, with an increasing emphasis on the BioScience business unit (seeds and plant traits) and new growth areas in agrochemical research. Bayer CropScience intends to double the annual investment for research and development in this business unit by 2015.

Finally, BioScience plans to expand its leading positions in cotton, oilseed rape/canola and vegetable seeds. Bayer also intends to build significant positions in soybeans, rice and wheat.

Research center for the factory of the future

The factory of the future will combine flexible and efficient production concepts that conserve resources. Such production concepts are to be developed and tested at the new INVITE research center located in the Leverkusen Chempark and operated by Bayer MaterialScience and TU Dortmund University. "INVITE" stands for innovations, visions and technologies. Managing Director Dr. Thomas Bieringer used the occasion of the opening to announce an innovative pharmaceutical production concept in which containerized modules are connected in series like building blocks.



INVITE Managing Director Dr. Thomas Bieringer holding the core component of a modular production container.

Speaking before more than 150 invited guests from the industrial, political and scientific communities at the start of the event, Dr. Wolfgang Plischke, Bayer Management Board member responsible for Innovation, Technology and Environment, said: "The only way we can achieve significant further improvements in production processes from the sustainability and resource conservation perspective is by using completely new technologies."

The results of the research projects will not only be tested for feasibility, however. They will also benefit students and graduates participating in vocational training and continuing education programs, who will be able to take a first-hand look at world-class science and research during future visits to the INVITE research center.

Help in the battle against tuberculosis

Support for the World Health Organization (WHO) and the Stop Tuberculosis (TB) Partnership in the battle against multi-drug-resistant tuberculosis (MDR-TB): Bayer HealthCare is supplying WHO with 620,000 tablets of its antibiotic moxifloxacin. WHO will provide the antibiotics to China's national TB program through the Global Drug Facility belonging to the Stop TB Partnership.

"We decided to make moxifloxacin available as a way of providing support to patients requiring treatment at short notice and were more than happy to comply with WHO's request" said Dr. Jörg Reinhardt, Management Board Chairman of Bayer HealthCare. Adds Dr. Lucica Ditiu, Executive Secretary of the Stop TB Partnership, "We are very grateful to Bayer for providing moxifloxacin in China. This drug product could relieve the suffering of people with MDR-TB and prevent many deaths." Moxifloxacin is a broad-spectrum antibiotic that is approved for the treatment of a number of acute bacterial infections such as respiratory tract infections. Bayer HealthCare points out that moxifloxacin is not currently registered for the treatment of TB, including MDR-TB. However, WHO has adopted moxifloxacin in treatment group 3 of its guidelines as part of a second-line therapy.

Effective, broad-spectrum weed control in soybeans

The Argentinian Ministry of Agriculture has granted Bayer CropScience final approval for its herbicide tolerance technology for soybeans. The Liberty Link™ technology makes plants tolerant to the herbicide glufosinate-ammonium and thus enables effective, broad-spectrum weed control.

"The approval of this technology for soybeans shows a very positive and constructive attitude to plant biotechnology in Argentina. It is an important step toward more sustainable and innovative solutions for farmers in that country," said Dr. Mathias Kremer, Head of BioScience at Bayer CropScience. "The approval in Argentina is a further step toward regional regulatory harmonization for innovations and trade in soybeans. It also strengthens the growth of our business with seeds and plant traits."

Weed resistance is evolving rapidly, driving the need for sustainable solutions such as new herbicide tolerance traits, especially in soybeans. The Liberty Link™ trait will deliver an important and effective weed management tool as an alternative to using glyphosate herbicides in genetically modified soybeans, which are currently grown on 18 million hectares in Argentina.

Jayme Williams assesses soybeans during a greenhouse trial.

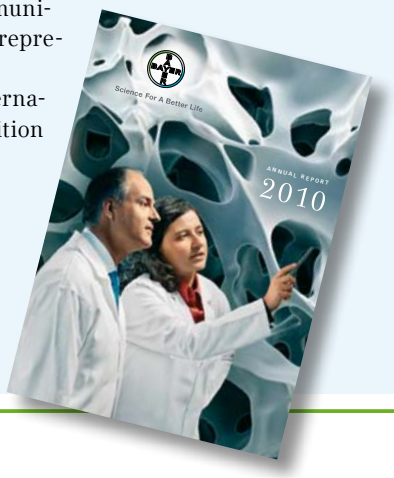
Bayer CropScience plans to launch its first genetically modified soybeans in Argentina once further approvals for important stacked traits become available. Liberty Link™ will be combined with these traits and then launched in the coming years.

Multiple accolades for Bayer Annual Report

Honor for the Bayer 2010 Annual Report: The publication took first place in the categories "chemicals" and "pharmaceuticals" of the Vision Awards from the League of American Communication Professionals (LACP). It received the Platinum Award in both categories, the highest honor conferred by the organization.

More than 5,000 entries from over two dozen countries were submitted for the prestigious awards this year. "This year's Bayer Annual Report proves to be remarkable in the light of tremendous competition," said Christine Kennedy, Managing Director of LACP. The jury praised the contemporary design, the clear presentation and the level of detail. "We're very pleased with the honor from the American communications experts. This international recognition supports us in our efforts to deliver comprehensible and transparent information to our stockholders and the broader public in an attractive format," said Michael Schade, Head of Communications at Bayer AG.

Bayer was also honored at this year's Annual Report Competition (ARC) Awards, receiving two silver awards and one bronze award for its 2010 Annual Report. The ARC Awards are presented by MerComm, Inc., an independent organization which sets global quality standards in communications. They represent the most important international competition for annual reports.



Prize-winning: the Bayer Annual Report 2010

Cancer drug prolongs survival

Positive results from Phase III trial on Alpharadin: The drug candidate under development by Bayer and Algeta ASA, Oslo, significantly prolonged the overall survival time of patients with castration-resistant cancer (CRPC) and symptomatic bone metastases by 44 percent. The ALSYMPCA study thus reached its primary endpoint and all secondary endpoints, including extension of the time until the occurrence of skeleton-related events. The data were presented in September in Stockholm at the multidisciplinary European Cancer Congress of the European Cancer Organisation, the European Society for Medical Oncology and the European Society for Therapeutic Radiology and Oncology during the presidential session.

Cancer research: Daniela Fischer (left) and Katja Zachmann prepare samples in the laboratory.

"The results are really significant," said Dr. Chris Parker from the Royal Marsden Hospital in London, chief investigator of the ALSYMPCA trial. "These data and the results from previous trials suggest that Alpharadin could become a new therapeutic standard for CRPC patients with bone metastases."

Alpharadin was recently accepted by the U.S. Food and Drug Administration (FDA) for a simplified approval procedure (fast track designation). Fast track status is designed to facilitate the development of drugs to treat severe diseases where there is a high level of unmet medical need and to accelerate assessment by the FDA.

"Prostate cancer is one of the most frequent causes of death in men worldwide. In particular, patients in an advanced stage of the disease whose cancer has already metastasized into the bones urgently require new therapeutic options," said Dr. Kemal Malik, Head of Global Development at Bayer HealthCare. Bayer plans to submit Alpharadin for regulatory approval in the United States and Europe in mid-2012.

Technology improves energy efficiency

Groundbreaking advance: Bayer MaterialScience intends to substantially reduce energy consumption and CO_2 emissions by means of a new industrial production process. A demonstration plant with an annual capacity of 20,000 metric tons of chlorine has now gone on stream at the Chempark in Krefeld-Uerdingen.

The oxygen-depolarized cathode technology used there has been incorporated into the new electrolysis technology from Uhde/UHDENORA. The combination of these two technologies was developed at Bayer in Leverkusen over the last eight years. Provided the two-year large-scale trial is successful, Bayer will gradually switch its chlorine production to the new process. In addition, the companies also plan to offer the new technology on the global market. Large German chlorine producers have already announced their interest, as have a number of companies in the Asia/Pacific region.

"Improving energy efficiency in chemical production processes can considerably reduce electricity consumption in Germany and elsewhere in the world," says Bayer MaterialScience CEO Patrick Thomas. "In the current debate, the subject of energy efficiency is not being given enough air-time because politicians are too focused on electricity generation. They need to pay more attention to the question of how to significantly lower electricity consumption with comparatively little effort."

Targeted insertion of gene into cotton

Additional innovative solutions for farmers: Bayer CropScience and Precision BioSciences Inc. have successfully inserted a gene into a specific desired location in the cotton genome for the first time using Precision's DNE (Directed Nuclease Editor™) technology. Scientists at Bayer CropScience used an enzyme known as a DNE-engineered meganuclease, produced by Precision, to target the insertion of a transgene near an existing transgene in a plant line. This approach could reduce the time required to produce a new plant characteristic and removes the complexities associated with current product development methods.

Financial Calendar

2011 Annual Report	**February 28, 2012**
Q1 2012 Interim Report	**April 26, 2012**
Annual Stockholders' Meeting 2012	**April 27, 2012**
Planned dividend payment date	**April 30, 2012**
Q2 2012 Interim Report	**July 31, 2012**
Q3 2012 Interim Report	**October 30, 2012**

MASTHEAD

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