Science For A Better Life

→ COVER PICTURE

Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2012

1st Quarter of 2012: Encouraging start to the year for Bayer

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COVER PICTURE

Active partnerships: Bayer CropScience is strengthening its marketing and distribution activities. Our picture shows Miguel Angel Baltazar Canizal (left) from Bayer CropScience in conversation with Mexican farmer José Uribe Estrada, who receives support from Bayer under the company's food chain partnership program.

Bayer Group Key Data

	1st Quarter 2011	1st Quarter 2012	Change	Full Year 2011
	€ million	€ million	%	€ million
Sales	**9,415**	**10,056**	**+6.8**	**36,528**
Change in sales				
Volume	+7.7%	+5.1%		+3.4%
Price	+2.7%	+0.1%		+2.1%
Currency	+2.7%	+2.2%		−1.5%
Portfolio	+0.1%	−0.6%		+0.1%
EBIT[1]	**1,148**	**1,637**	**+42.6**	**4,149**
Special items	*(442)*	*(169)*		*(876)*
EBIT before special items[2]	***1,590***	***1,806***	***+13.6***	***5,025***
EBIT margin before special items[3]	16.9%	18.0%		13.8%
EBITDA[4]	**1,866**	**2,377**	**+27.4**	**6,918**
Special items	*(366)*	*(65)*		*(695)*
EBITDA before special items[2]	***2,232***	***2,442***	***+9.4***	***7,613***
EBITDA margin before special items[3]	23.7%	24.3%		20.8%
Non-operating result	**(213)**	**(177)**	**+16.9**	**(786)**
Net income	**684**	**1,050**	**+53.5**	**2,470**
Earnings per share (€)	0.83	1.27	+53.0	2.99
Core earnings per share (€)[5]	1.45	1.68	+15.9	4.83
Gross cash flow[6]	**1,309**	**1,595**	**+21.8**	**5,172**
Net cash flow[7]	**801**	**271**	**−66.2**	**5,060**
Cash outflows for capital expenditures	**238**	**256**	**+7.6**	**1,615**
Research and development expenses	**737**	**699**	**−5.2**	**2,932**
Depreciation, amortization and impairments	**718**	**740**	**+3.1**	**2,769**
Number of employees at end of period[8]	**112,500**	**112,000**	**−0.4**	**111,800**
Personnel expenses (including pension expenses)	2,245	2,289	+2.0	8,726

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

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

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

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

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

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

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

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

[8] Full-time equivalents

1st Quarter of 2012:

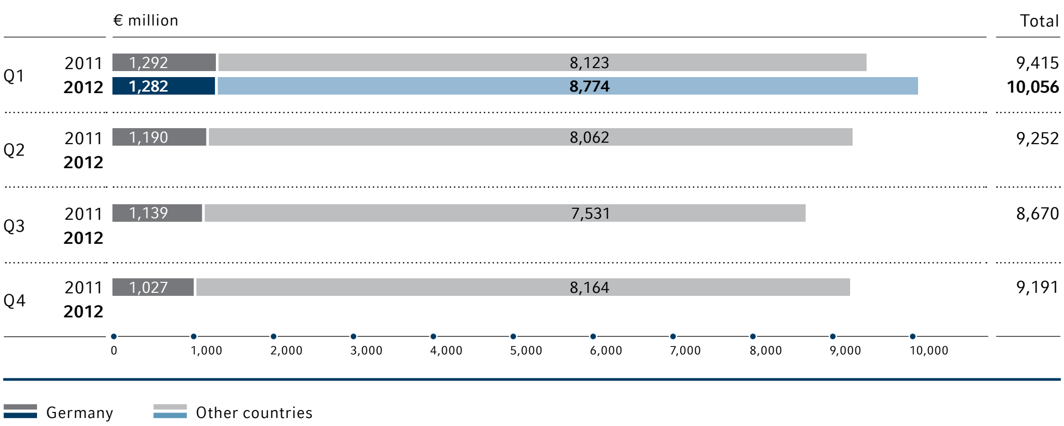
Encouraging start to the year for Bayer

- Sales €10.1 billion (Fx & portfolio adj. +5.2%)
- Operating result (EBIT) €1.6 billion (+42.6%)
- EBITDA before special items €2.4 billion (+9.4%)
- Strong start to the season at CropScience, increases at HealthCare, continuing margin pressure at MaterialScience
- Net income €1.1 billion (+53.5%)
- 2012 guidance confirmed

The Bayer Group saw an encouraging start to 2012. Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales moved ahead by 5.2% to the record level of €10.1 billion (reported: +6.8%; Q1 2011: €9.4 billion). All the subgroups contributed to the increase, particularly CropScience, which experienced a strong start to the season. The operating result (EBIT) rose sharply by 42.6% to €1.6 billion (Q1 2011: €1.1 billion) after special items of minus €0.2 billion (Q1 2011: minus €0.4 billion). EBITDA before special items improved by 9.4% to €2.4 billion (Q1 2011: €2.2 billion), driven by positive business development at HealthCare and significant volume gains at CropScience. Earnings of MaterialScience came in below the prior-year period due to higher raw material costs, but showed the expected increase against the weak fourth quarter of 2011. Net income advanced by 53.5% to €1.1 billion. Earnings per share advanced to €1.27 (Q1 2011: €0.83), and core earnings per share rose by 15.9% to €1.68 (Q1 2011: €1.45).

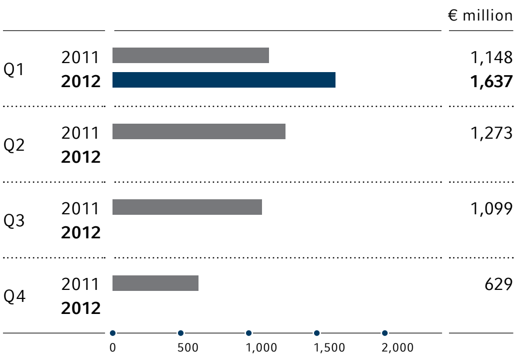
1. Overview of Sales, Earnings and Financial Position

Bayer Group Quarterly Sales [Graphic 1]

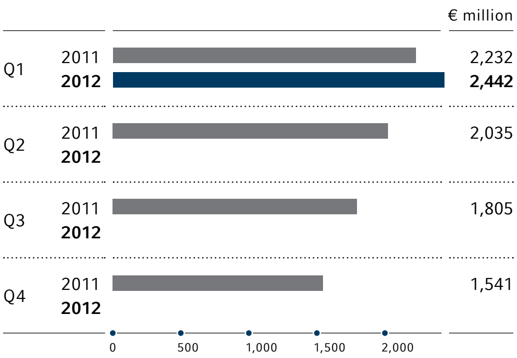


Sales of the Bayer Group grew by 5.2% (Fx & portfolio adj.) in the first quarter of 2012, to €10,056 million (reported: +6.8%; Q1 2011: €9,415 million). Sales of HealthCare came in at €4,342 million (Q1 2011: €4,166 million), giving a currency- and portfolio-adjusted increase of 2.1% (reported: 4.2%). CropScience raised sales by 14.4% (Fx & portfolio adj.) against the prior-year quarter to €2,610 million (reported: +15.6%; Q1 2011: €2,257 million). MaterialScience lifted sales by 2.5% (Fx & portfolio adj.) to €2,788 million (reported: +3.8%; Q1 2011: €2,686 million).

Bayer Group
Quarterly EBIT [Graphic 2]



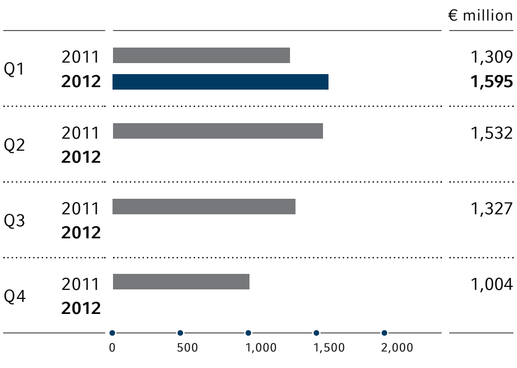
Bayer Group
Quarterly EBITDA Before Special Items [Graphic 3]



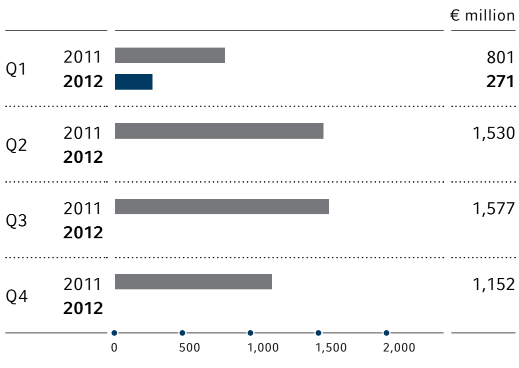
EBIT of the Bayer Group improved by a substantial 42.6% to €1,637 million (Q1 2011: €1,148 million). Special items totaled minus €169 million (Q1 2011: minus €442 million), comprising a partial impairment loss of €100 million recognized on the company name Medrad, restructuring charges of €39 million and litigation-related expenses of €30 million. EBIT before special items of the Bayer Group came to €1,806 million (Q1 2011: €1,590 million). **EBITDA** before special items increased by 9.4% to €2,442 million (Q1 2011: €2,232 million). At HealthCare, EBITDA before special items improved by 3.6% to €1,181 million (Q1 2011: €1,140 million), due mainly to the positive business development. EBITDA before special items of CropScience grew by 31.7% to €981 million (Q1 2011: €745 million), largely as a result of higher volumes. EBITDA before special items of MaterialScience declined to €278 million (Q1 2011: €345 million). Earnings were held back by higher raw material costs.

After a **non-operating result** of minus €177 million (Q1 2011: minus €213 million), **income before income taxes** rose substantially to €1,460 million (Q1 2011: €935 million). The main components of the non-operating result were €70 million (Q1 2011: €83 million) in interest cost for pension and other provisions and net interest expense of €96 million (Q1 2011: €111 million) . After net tax expense of €409 million (Q1 2011: €252 million) and non-controlling interest, **net income** for the first quarter of 2012 amounted to €1,050 million (Q1 2011: €684 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



Gross cash flow in the first quarter of 2012 advanced by 21.8% to €1,595 million (Q1 2011: €1,309 million) due to the improved operating performance. Cash tied up in working capital increased markedly due to the expansion of business. Net cash flow was down by 66.2% year on year at €271 million (Q1 2011: €801 million).

Net financial debt fell since the start of the year from €7.0 billion to €6.9 billion, mainly as a result of positive currency effects. The net amount recognized for post-employment benefits increased from €7.8 billion on December 31, 2011, to €8.1 billion, due especially to lower long-term capital market interest rates in Germany and the United Kingdom.

2. Economic Outlook

The prospects for the **global economy** improved at the beginning of 2012, but remain uncertain. On the one hand, the recovery in the United States has stabilized and is likely to continue over the rest of the year. We also expect the emerging markets to continue their robust growth, albeit with somewhat reduced momentum in some countries, especially China. On the other hand, the outlook for Europe remains unfavorable. Investor and consumer reticence is likely in view of the uncertainty as to how the euro crisis will develop. In this environment, we also anticipate slower growth in Germany than in the previous year. In addition, raw material price increases could further hamper the global economy.

We continue to expect the growth rate for the **pharmaceuticals market** in 2012 to be in the mid-single digits. A major part of this growth will probably continue to take place in emerging markets such as China, Brazil, India and Russia. In the traditional markets such as the United States and the major European countries, we expect growth to be only in the low single digits. Slight declines are possible in some countries.

The **consumer care market** remains likely to expand at the same or a slightly lower rate than in 2011, with higher rates of growth in the emerging markets but slower expansion in Europe and the United States. We anticipate that the **medical care market** will grow somewhat faster in 2012 than in 2011 in light of a stronger market for medical devices. We expect the **animal health market** as a whole to continue expanding in 2012 at the rate of recent years despite the weaker economic prospects for the first half.

We anticipate that the global **seed and crop protection market** will continue to develop positively in 2012, albeit rather more slowly than in the preceding year. The continuing high prices for agricultural commodities are likely to stimulate growth, particularly in Asia/Pacific, Eastern Europe and Latin America.

We anticipate that the global markets of importance to **MaterialScience** will continue to grow in 2012, though perhaps more slowly, with Asia maintaining its economic growth momentum.

3. Sales and Earnings Forecast

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

BAYER GROUP

In view of the good start to 2012, we are increasingly confident for the rest of the year. Given the continuing uncertainties, however, we are currently adhering to the guidance for the full year 2012 that we issued at the end of February.

For the full year 2012, we continue to forecast a currency- and portfolio-adjusted sales increase of about 3%. This would result in Group sales of approximately €37 billion based on unchanged exchange rate assumptions (e.g. €1 = US$1.40). We continue to plan a slight improvement in EBITDA before special items. This will be driven by HealthCare and CropScience, while earnings at MaterialScience are likely to be flat with 2011 in view of the currently difficult market conditions. We also plan to slightly improve core earnings per share (calculated as explained in Chapter 7). We anticipate taking special charges of about €0.2 billion for ongoing restructuring programs in 2012.

HEALTHCARE

We confirm our outlook for 2012.

HealthCare's top priority for 2012 is to successfully commercialize the new pharmaceutical products. We expect sales to increase by a low- to mid-single-digit percentage after adjusting for currency and portfolio effects. We plan to slightly improve EBITDA before special items, although earnings are likely to be hampered by higher marketing expenses and the effects of the genericization of Yasmin™ in Europe.

We forecast sales of the Pharmaceuticals segment in 2012 to remain stable or move slightly higher on a currency- and portfolio-adjusted basis, and EBITDA before special items to approximately match the prior-year level.

In the Consumer Health segment, we anticipate mid-single-digit growth in currency- and portfolio-adjusted sales and in EBITDA before special items.

CROPSCIENCE

We expect market conditions for our CropScience business to remain favorable in 2012, and predict above-market growth. Following the strong start to the year, the guidance we issued in February – "We anticipate that currency- and portfolio-adjusted sales and EBITDA before special items will advance by mid-single-digit percentages" – may be adjusted upon publication of our next interim report depending on future business development.

MATERIALSCIENCE

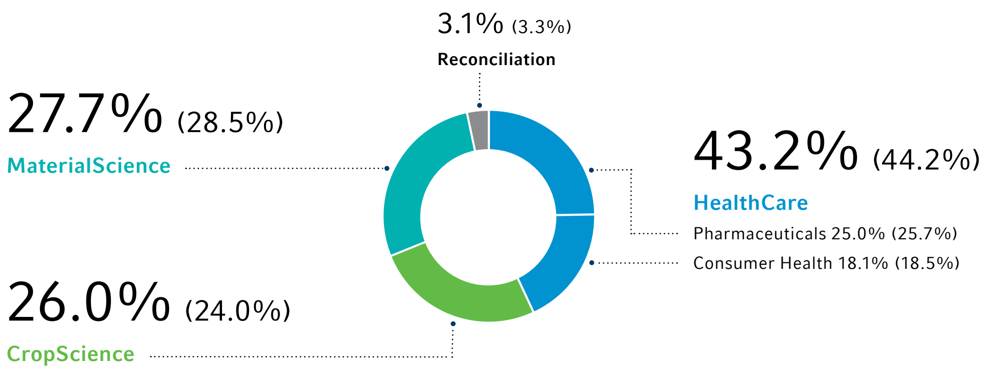
The market environment for MaterialScience developed as expected in the first quarter. We continue to plan for currency- and portfolio-adjusted sales and EBITDA before special items in 2012 to remain level with the prior year. Should the market environment develop more favorably than anticipated, we expect sales and earnings to increase accordingly.

Compared with the first quarter of 2012, we expect an improvement in currency- and portfolio-adjusted sales and significantly higher EBITDA before special items in the second quarter of 2012.

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, 1st Quarter 2012 (2011 in parentheses) [Graphic 6]



2011 figures restated

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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT		EBITDA before special items*	
	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,166**	**4,342**	**769**	**741**	**1,140**	**1,181**
Pharmaceuticals	2,419	2,517	457	505	724	740
Consumer Health	1,747	1,825	312	236	416	441
CropScience	**2,257**	**2,610**	**219**	**851**	**745**	**981**
MaterialScience	**2,686**	**2,788**	**205**	**127**	**345**	**278**
Reconciliation	**306**	**316**	**(45)**	**(82)**	**2**	**2**
Group	**9,415**	**10,056**	**1,148**	**1,637**	**2,232**	**2,442**

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

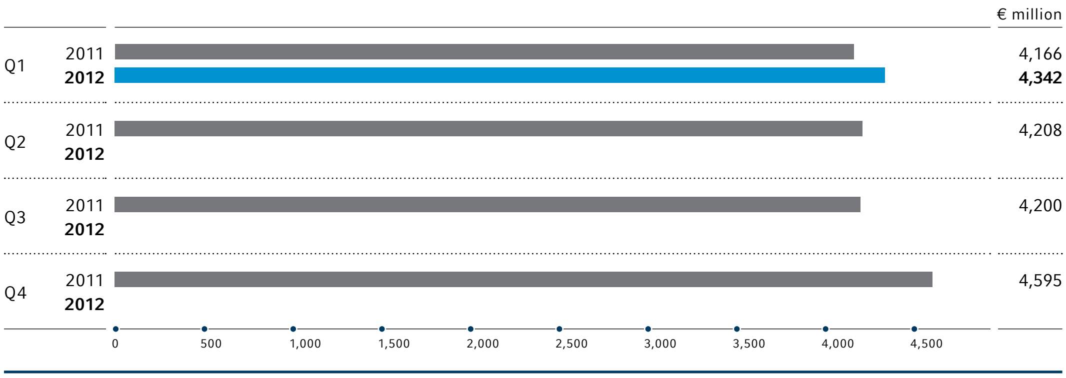
Key Data – HealthCare [Table 2]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,166**	**4,342**	**+4.2**	**+2.1**
Change in sales				
Volume	+4.1%	+2.3%		
Price	0.0%	−0.2%		
Currency	+3.5%	+2.4%		
Portfolio	+0.1%	−0.3%		
Sales by segment				
Pharmaceuticals	2,419	2,517	+4.1	+1.6
Consumer Health	1,747	1,825	+4.5	+2.9
Sales by region				
Europe	1,596	1,601	+0.3	+0.1
North America	1,076	1,125	+4.6	+0.7
Asia/Pacific	850	924	+8.7	+1.5
Latin America/Africa/Middle East	644	692	+7.5	+8.5
EBIT	**769**	**741**	**−3.6**	
Special items	*(37)*	*(120)*		
EBIT before special items*	***806***	***861***	***+6.8***	
EBITDA*	**1,103**	**1,164**	**+5.5**	
Special items	*(37)*	*(17)*		
EBITDA before special items*	***1,140***	***1,181***	***+3.6***	
EBITDA margin before special items*	27.4%	27.2%		
Gross cash flow**	**768**	**804**	**+4.7**	
Net cash flow**	**781**	**497**	**−36.4**	

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

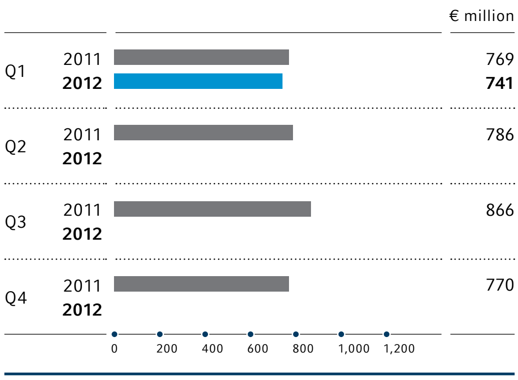
Sales of the **HealthCare** subgroup increased by 2.1% (Fx & portfolio adj.) in the first quarter of 2012, to €4,342 million (reported: +4.2%). The Pharmaceuticals and Consumer Health segments both contributed to this growth. Business developed particularly well in the emerging markets.

HealthCare Quarterly Sales [Graphic 7]

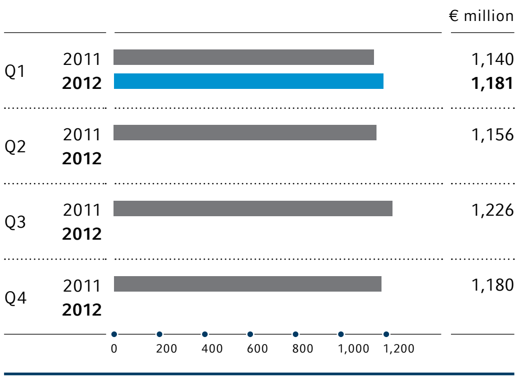


EBIT of HealthCare declined by 3.6% in the first quarter of 2012, to €741 million after special items of minus €120 million (Q1 2011: minus €37 million). EBIT before special items rose by 6.8% to €861 million. **EBITDA** before special items increased by 3.6% to €1,181 million. This was largely attributable to the positive business development and effective cost management in both segments.

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,419**	**2,517**	**+4.1**	**+1.6**
General Medicine	1,641	1,725	+5.1	+2.6
Specialty Medicine	778	792	+1.8	−0.5
Sales by region				
Europe	920	908	−1.3	−1.4
North America	532	545	+2.4	−1.1
Asia/Pacific	584	643	+10.1	+2.9
Latin America/Africa/Middle East	383	421	+9.9	+10.2
EBIT	**457**	**505**	**+10.5**	
Special items	*(36)*	*(15)*		
EBIT before special items*	***493***	***520***	***+5.5***	
EBITDA*	**688**	**725**	**+5.4**	
Special items	*(36)*	*(15)*		
EBITDA before special items*	***724***	***740***	***+2.2***	
EBITDA margin before special items*	29.9%	29.4%		
Gross cash flow**	**471**	**488**	**+3.6**	
Net cash flow**	**518**	**317**	**−38.8**	

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

In the first quarter of 2012, **sales** in our **Pharmaceuticals** segment rose by 1.6% (Fx & portfolio adj.) to €2,517 million. Growth was achieved mainly in the emerging markets, especially China. There were slight decreases elsewhere, particularly in most European countries.

Best-Selling Pharmaceuticals Products [Table 4]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx adj. %
Kogenate™ (Specialty Medicine)	283	295	+4.2	+1.9
Betaferon™/Betaseron™ (Specialty Medicine)	274	276	+0.7	−1.5
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	242	244	+0.8	−0.6
Nexavar™ (Specialty Medicine)	172	186	+8.1	+4.5
Mirena™ (General Medicine)	143	160	+11.9	+8.3
Adalat™ (General Medicine)	157	158	+0.6	−3.7
Avalox™/Avelox™ (General Medicine)	147	131	−10.9	−13.3
Aspirin™ Cardio (General Medicine)	90	108	+20.0	+15.7
Glucobay™ (General Medicine)	88	84	−4.5	−10.0
Levitra™ (General Medicine)	82	75	−8.5	−9.3
Cipro™/Ciprobay™ (General Medicine)	59	51	−13.6	−15.0
Zetia™ (General Medicine)	38	47	+23.7	+13.0
Diane™ (General Medicine)	41	45	+9.8	+8.8
Kinzal™/Pritor™ (General Medicine)	41	42	+2.4	+2.7
Xarelto™ (General Medicine)	16	42	+162.5	+165.9
Total	**1,873**	**1,944**	**+3.8**	**+1.0**
Proportion of Pharmaceuticals sales	77%	77%		

2011 figures restated
Fx adj. = currency-adjusted

Sales of the **General Medicine** business unit moved up by 2.6% (Fx & portfolio adj.) to €1,725 million. We achieved sales of €42 million with our anticoagulant Xarelto™ following market launches in further countries and the expansion of indications. By continuing to extend our marketing activities in China, we significantly raised sales of Aspirin™ Cardio for the prevention of myocardial infarction. Revenues from our hormone-releasing intrauterine device Mirena™ increased in all regions as a result of higher volumes, especially in the United States.

Sales of our antibiotic Avalox™/Avelox™ and the erectile dysfunction treatment Levitra™ were down because of a partial restructuring of distribution for general medicine products in the United States. The decline for Avalox™/Avelox™ was partially offset by sales gains in Western Europe. Business with our antibiotic Cipro™/Ciprobay™ was held back in most regions by generic competition. Sales of our oral antidiabetic Glucobay™ moved lower, mainly because of price declines in China. Business with Adalat™, our product to treat high blood pressure and coronary heart disease, receded particularly in Japan and Canada but expanded in China. Sales of our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives were level with the prior-year period, with declines in Europe due to generic competition being offset by gains in the other regions.

Sales in the **Specialty Medicine** business unit came in at €792 million, matching the same period of last year on a currency- and portfolio-adjusted basis (-0.5%). Sales of our cancer drug Nexavar™ developed well, particularly in the United States. We expanded volumes of our blood-clotting product Kogenate™ through tender business. As expected, sales of our multiple sclerosis treatment Betaferon™/Betaseron™ were slightly down from the previous year on a currency-adjusted basis. Volume declines, especially in North America, were only partially offset by selling price increases.

EBIT of the **Pharmaceuticals** segment increased by 10.5% in the first quarter of 2012 to €505 million after special items of minus €15 million (Q1 2011: minus €36 million) that resulted mainly from restructuring. EBIT before special items rose by 5.5% to €520 million. **EBITDA** before special items came in slightly above the prior-year period at €740 million (+2.2%). Earnings benefited from higher sales and a decline in development costs – which was mainly due to the completion of most Phase III studies for our anticoagulant Xarelto™ – as well as from exchange-rate movements. This effect was partially offset by increased expenses for the marketing of new products and investment in business development in the emerging markets.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,747**	**1,825**	**+4.5**	**+2.9**
Consumer Care	864	887	+2.7	+1.7
Medical Care	587	619	+5.5	+3.6
Animal Health	296	319	+7.8	+4.7
Sales by region				
Europe	676	693	+2.5	+2.2
North America	544	580	+6.6	+2.4
Asia/Pacific	266	281	+5.6	−1.5
Latin America/Africa/Middle East	261	271	+3.8	+6.2
EBIT	**312**	**236**	**−24.4**	
Special items	*(1)*	*(105)*		
EBIT before special items*	***313***	***341***	***+8.9***	
EBITDA*	**415**	**439**	**+5.8**	
Special items	*(1)*	*(2)*		
EBITDA before special items*	***416***	***441***	***+6.0***	
EBITDA margin before special items*	23.8%	24.2%		
Gross cash flow**	**297**	**316**	**+6.4**	
Net cash flow**	**263**	**180**	**−31.6**	

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

Sales in the **Consumer Health** segment rose by 2.9% (Fx & portfolio adj.) in the first quarter of 2012 to €1,825 million, with all divisions contributing to growth. Business developed especially well in the emerging markets.

Best-Selling Consumer Health Products [Table 6]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	152	166	+9.2	+7.3
Advantage™ product line (Animal Health)	102	122	+19.6	+16.2
Aspirin™* (Consumer Care)	112	105	−6.3	−7.0
Ultravist™ (Medical Care)	75	76	+1.3	−1.0
Aleve™/naproxen (Consumer Care)	67	70	+4.5	+0.4
Bepanthen™/Bepanthol™ (Consumer Care)	63	67	+6.3	+7.7
Canesten™ (Consumer Care)	55	56	+1.8	+1.4
Gadovist™ (Medical Care)	37	47	+27.0	+26.5
One A Day™ (Consumer Care)	41	43	+4.9	+0.5
Magnevist™ (Medical Care)	45	42	−6.7	−11.8
Total	**749**	**794**	**+6.0**	**+4.0**
Proportion of Consumer Health sales	43%	44%		

2011 figures restated
Fx adj. = currency-adjusted
* Sales of Aspirin™ – including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment – increased by 5.4% (Fx adj. +3.1%) in Q1 2012 to €213 million (Q1 2011: €202 million).

Sales in our **Consumer Care** Division rose by 1.7% (Fx & portfolio adj.) to €887 million. While sales of our skincare product Bepanthen™/Bepanthol™ increased, business with our analgesic Aleve™/naproxen and the One A Day™ line of dietary supplements matched the good prior-year level. Sales of our analgesic Aspirin™ declined from the high level of the prior-year quarter.

In the first quarter of 2012, sales in the **Medical Care** Division advanced by 3.6% (Fx & portfolio adj.), to €619 million. Growth was mainly attributable to the positive development of our contrast agent and medical equipment business. Among contrast agents for magnetic resonance imaging, Gadovist™ posted higher volumes, especially in Europe and North America. The increase in North America was partly due to the switch from Magnevist™, sales of which steadily declined. The growth in our Diabetes Care business was largely attributable to substantial increases in all regions for our Contour™ line of blood glucose meters.

The **Animal Health** Division lifted sales by 4.7% (Fx & portfolio adj.) to €319 million. Sales of our Advantage™ line of flea, tick and worm control products developed positively, especially in the United States. Here we continued to benefit from the establishment of an additional distribution channel through pet-product retailers, considerably raising sales once again against a strong prior-year quarter. We also saw gratifying sales gains in Europe.

EBIT of the **Consumer Health** segment fell by 24.4% in the first quarter of 2012 to €236 million after special items of minus €105 million (Q1 2011: minus €1 million). The charges resulted mainly from a partial impairment loss recognized on the company name Medrad following the merger in 2011 of our medical equipment and contrast agent businesses to form the new "Radiology and Interventional" unit. EBIT before special items amounted to €341 million (+8.9%). **EBITDA** before special items grew by 6.0% to €441 million. The earnings improvement was mainly attributable to higher sales in all divisions, while successful cost management kept expenses stable across all functions.

5.2 CropScience

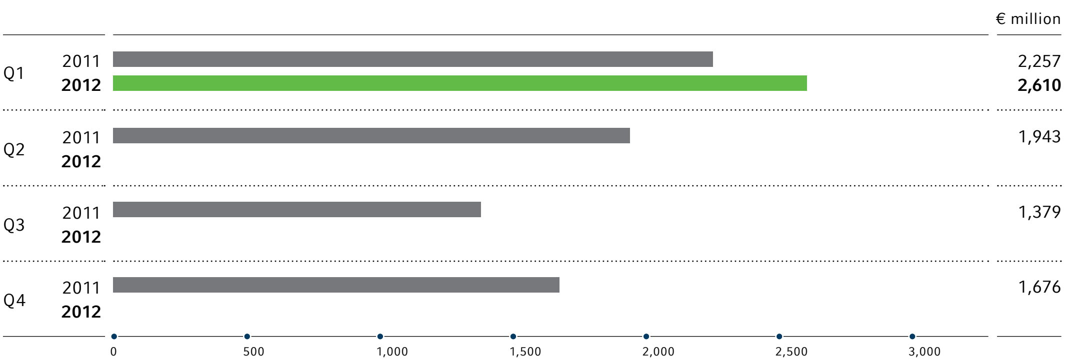
Key Data – CropScience [Table 7]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,257**	**2,610**	**+15.6**	**+14.4**
Change in sales				
Volume	+12.9%	+13.7%		
Price	+0.7%	+0.7%		
Currency	+2.0%	+2.0%		
Portfolio	0.0%	−0.8%		
Sales by business group				
Crop Protection/BioScience	2,079	2,423	+16.5	+15.3
Environmental Science	178	187	+5.1	+3.4
Sales by region				
Europe	1,002	1,052	+5.0	+5.2
North America	670	867	+29.4	+24.8
Asia/Pacific	269	344	+27.9	+22.7
Latin America/Africa/Middle East	316	347	+9.8	+8.9
EBIT	**219**	**851**	**.**	
Special items	*(405)*	*(10)*		
EBIT before special items*	***624***	***861***	***+38.0***	
EBITDA*	**416**	**972**	**+133.7**	
Special items	*(329)*	*(9)*		
EBITDA before special items*	***745***	***981***	***+31.7***	
EBITDA margin before special items*	33.0%	37.6%		
Gross cash flow**	**314**	**678**	**+115.9**	
Net cash flow**	**(214)**	**(655)**	.	

2011 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 advanced by 14.4% (Fx & portfolio adj.) in the first quarter of 2012 to €2,610 million (reported: +15.6%). The season got off to an early and promising start in the northern hemisphere, especially in North America, with moderate growth stimuli in Europe. Our sharpened focus on marketing and distribution is already bearing fruit. With good market conditions continuing, we grew all areas of the business.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/BioScience** in the first quarter of 2012 amounted to €2,423 million, up 15.3% (Fx & portfolio adj.) from the same period of 2011.

Crop Protection posted growth in all product groups and regions. While our seed treatment products showed a moderate increase, the other business units registered double-digit growth rates. Sales of insecticides benefited from our rejuvenated portfolio. The herbicides business was mainly driven by our corn portfolio, especially the considerable increase in sales of the Adengo™ product family. The strongest growth in fungicide revenues was achieved in North America and Asia/Pacific.

Sales – Crop Protection/BioScience [Table 8]

	1st Quarter 2011	1st Quarter 2012	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales				
Herbicides	701	848	+21.0	+19.0
Fungicides	497	554	+11.5	+12.3
Insecticides	288	336	+16.7	+17.4
Seed Treatment	190	199	+4.7	+3.2
Crop Protection	1,676	1,937	+15.6	+14.9
BioScience	403	486	+20.6	+17.1
Crop Protection/BioScience	**2,079**	**2,423**	**+16.5**	**+15.3**

2011 figures restated
Fx & p adj. = currency- and portfolio-adjusted

Sales of Crop Protection in **Europe** rose by 6.0% (Fx adj.) to €903 million. The herbicides, fungicides and insecticides businesses showed solid growth, while seed treatment products were down from the high level of the prior-year period. Growth was driven by the Eastern European countries, particularly Ukraine, along with Italy. In central Europe we posted a slight increase. Business on the Iberian peninsula dropped noticeably due to an ongoing drought.

Crop Protection sales in **North America** advanced by a substantial 25.4% (Fx adj.) to €432 million. This was the result of an early start to the season and generally favorable market conditions in the United States, where we nearly doubled sales of herbicides thanks to our balanced portfolio. Our insecticides business benefited from the rejuvenation of the portfolio, led by Movento™ for fruit and vegetables. Our fungicides matched their strong prior-year development.

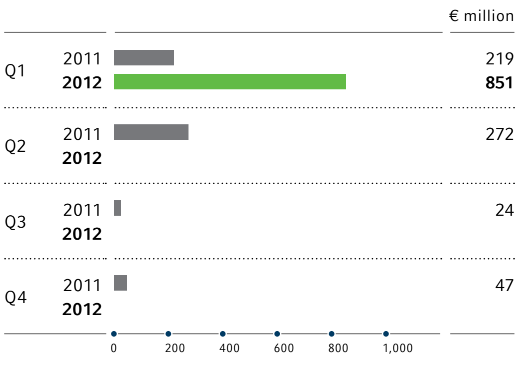
Sales in the **Asia/Pacific** region grew by a substantial 24.6% (Fx adj.) to €298 million. We achieved double-digit growth rates in all business units, with particularly strong increases in Japan, Australia, China and India. Our products for rice and cereals were especially successful.

Sales in the **Latin America/Africa/Middle East** region moved forward by 14.1% (Fx adj.) year on year to €304 million. Growth in Latin America was driven by herbicides, insecticides and seed treatment products. The herbicides business expanded across the entire portfolio and in all important crops. Our insecticides developed particularly well in Brazil and Argentina in the major crops of soybeans and cotton. Tried-and-tested products such as CropStar™ and an extended range of customized solutions enabled us to continue expanding the seed treatment business. By contrast, demand for our fungicides was impaired by drought. Business developed positively overall in Africa and the Middle East.

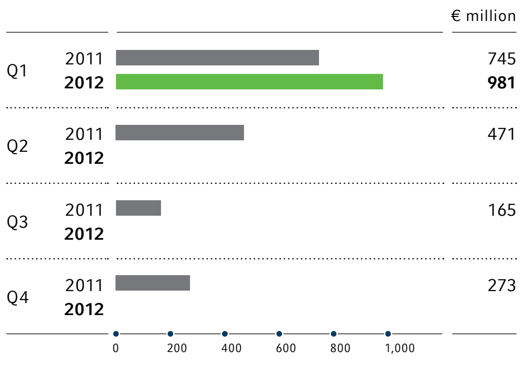
BioScience continued on its path of growth with a considerable sales gain of 17.1% (Fx & portfolio adj.) to €486 million. The largest increases were posted for InVigor™ (canola seed) and FiberMax™ (cotton seed) in North America. Our Nunhems™ vegetable seed business saw a modest start to the year, with a moderate decline in sales against a strong prior-year quarter.

Sales of the **Environmental Science** business group advanced slightly by 3.4% (Fx adj.) to €187 million. This was due to sales increases for consumer products in the United States and Europe. However, sales of products for professional users declined due to phasing in tender business.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



EBIT of **CropScience** rose strongly in the first quarter of 2012 from €219 million to €851 million. Special charges amounted to €10 million (Q1 2011: €405 million) and were incurred for restructuring at Crop Protection. EBIT before special items improved by 38.0% to €861 million, while **EBITDA** before special items advanced by 31.7% to €981 million. Earnings growth – mainly the result of an early start to the season and considerably higher volumes – was also helped by efficiency improvements, successful cost management and positive currency effects. In addition, we benefited from one-time gains of €22 million (Q1 2011: €0 million) in connection with the divestment of active ingredients at Crop Protection and from the earlier receipt of royalty payments.

5.3 MaterialScience

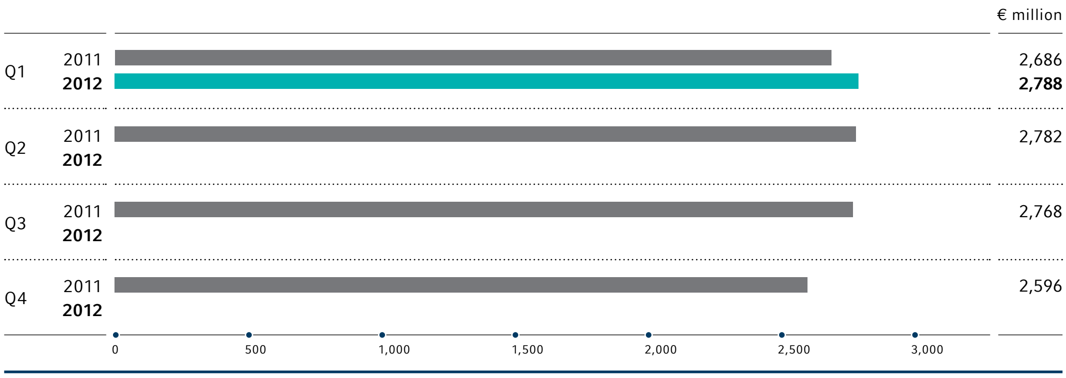
Key Data – MaterialScience [Table 9]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,686**	**2,788**	**+3.8**	**+2.5**
Change in sales				
Volume	+9.8%	+2.8%		
Price	+8.9%	−0.3%		
Currency	+2.3%	+2.2%		
Portfolio	+0.2%	−0.9%		
Sales by business unit				
Polyurethanes	1,353	1,443	+6.7	+4.7
Polycarbonates	716	706	−1.4	−4.2
Coatings, Adhesives, Specialties	460	462	+0.4	+3.9
Industrial Operations	157	177	+12.7	+8.9
Sales by region				
Europe	1,120	1,130	+0.9	+0.9
North America	511	574	+12.3	+7.8
Asia/Pacific	712	724	+1.7	−3.9
Latin America/Africa/Middle East	343	360	+5.0	+5.8
EBIT	**205**	**127**	**−38.0**	
Special items	-	-		
EBIT before special items*	***205***	***127***	***−38.0***	
EBITDA*	**345**	**278**	**−19.4**	
Special items	-	-		
EBITDA before special items*	***345***	***278***	***−19.4***	
EBITDA margin before special items*	12.8%	10.0%		
Gross cash flow**	**272**	**206**	**−24.3**	
Net cash flow**	**151**	**72**	**−52.3**	

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

In the **MaterialScience** subgroup, **sales** rose by 2.5% (Fx & portfolio adj.) in the first quarter of 2012 to €2,788 million (reported: +3.8%), with growth the result of higher volumes in all regions. Selling prices as a whole were level with the prior-year quarter. Price increases in the Latin America/Africa/Middle East, North America and Europe regions offset declines in Asia/Pacific.

MaterialScience Quarterly Sales [Graphic 13]



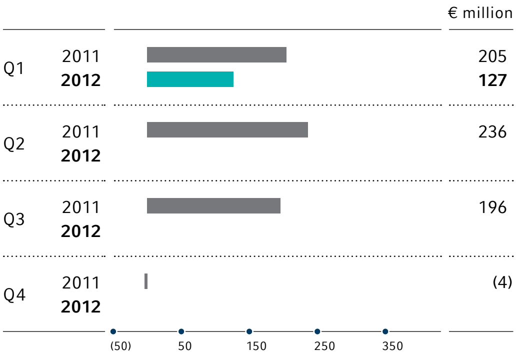
The **Polyurethanes** business unit raised sales by 4.7% (Fx & portfolio adj.) to €1,443 million. Among our polyurethane product groups, we recorded significant sales gains for polyether (PET) and diphenylmethane diisocyanate (MDI), while sales of our toluene diisocyanate (TDI) product group moved slightly lower. The increase in sales in this business unit was the result of higher volumes in the Europe and Latin America / Africa / Middle East regions. Selling prices were slightly increased overall. Volumes for PET and MDI advanced significantly, and price increases were achieved for these products. Sales of TDI were below the prior-year period due to lower overall price levels.

The **Polycarbonates** business unit posted sales of €706 million, down 4.2% (Fx & portfolio adj.) compared with the strong prior-year quarter. This drop in sales was largely the result of a global decline in selling prices in our granules product group. Volumes in this product group expanded overall, with increases in North America and Asia / Pacific more than offsetting declines in Europe and Latin America / Africa / Middle East. In our product group "polycarbonate sheet / semi-finished products" we registered an overall drop in prices but higher volumes.

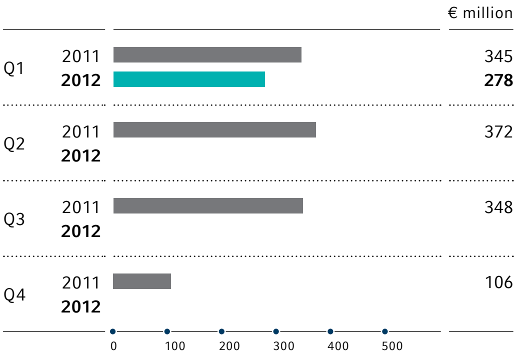
Sales in the **Coatings, Adhesives, Specialties** business unit moved forward by 3.9% (Fx & portfolio adj.) to €462 million, with all product groups contributing to growth. We were able to raise selling prices for basic and modified isocyanates worldwide. Although volumes developed positively in North America, Latin America / Africa / Middle East and Europe, the increase did not fully offset the decline in volumes in Asia / Pacific. In resins and functional films we achieved higher prices and volumes overall.

Sales in **Industrial Operations** grew by 8.9% (Fx & portfolio adj.) to €177 million, driven by significantly higher selling prices in North America and Europe in particular. Volumes were down from the prior-year period.

**MaterialScience
Quarterly EBIT** [Graphic 14]



**MaterialScience
Quarterly EBITDA Before Special Items** [Graphic 15]



EBIT of **MaterialScience** in the first quarter of 2012 fell by 38.0% to €127 million. No special charges were taken in this period. **EBITDA** before special items, at €278 million, was down a substantial 19.4% from the prior-year quarter, but more than doubled against the fourth quarter of 2011 (€106 million). Earnings were diminished above all by a rise in raw material costs. Higher operating costs also had a negative impact. These cost increases were kept in check by savings from the efficiency improvement programs. Earnings benefited from increased volumes. In addition, we recorded one-time gains of €19 million (Q1 2011: €0 million) on the acquisition of the remaining interest in the joint venture Baulé S.A.S.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	1st Quarter 2011	1st Quarter 2012			1st Quarter 2011	1st Quarter 2012		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,596**	**1,601**	**+0.3**	**+0.1**	**1,076**	**1,125**	**+4.6**	**+0.7**
Pharmaceuticals	920	908	−1.3	−1.4	532	545	+2.4	−1.1
Consumer Health	676	693	+2.5	+2.2	544	580	+6.6	+2.4
CropScience	**1,002**	**1,052**	**+5.0**	**+5.2**	**670**	**867**	**+29.4**	**+24.8**
MaterialScience	**1,120**	**1,130**	**+0.9**	**+0.9**	**511**	**574**	**+12.3**	**+7.8**
Group (incl. reconciliation)	**3,988**	**4,065**	**+1.9**	**+1.9**	**2,258**	**2,571**	**+13.9**	**+9.6**

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

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments rose by 3.1% in the first quarter of 2012 to €740 million (Q1 2011: €718 million), comprising €429 million (Q1 2011: €366 million) in amortization and impairments of intangible assets and €311 million (Q1 2011: €352 million) in depreciation and impairments of property, plant and equipment. Impairment losses amounted to €104 million (Q1 2011: €92 million), of which €3 million (Q1 2011: €16 million) did not constitute special items. Of the €636 million (Q1 2011: €626 million) in depreciation and amortization, €3 million (Q1 2011: €0 million) were included in special items.

[Table 10]

	Asia/Pacific				Latin America / Africa / Middle East				Total			
	1st Quarter 2011	1st Quarter 2012			1st Quarter 2011	1st Quarter 2012			1st Quarter 2011	1st Quarter 2012		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
	850	**924**	**+8.7**	**+1.5**	**644**	**692**	**+7.5**	**+8.5**	**4,166**	**4,342**	**+4.2**	**+1.8**
	584	643	+10.1	+2.9	383	421	+9.9	+10.2	2,419	2,517	+4.1	+1.6
	266	281	+5.6	−1.5	261	271	+3.8	+6.2	1,747	1,825	+4.5	+2.2
	269	**344**	**+27.9**	**+22.7**	**316**	**347**	**+9.8**	**+8.9**	**2,257**	**2,610**	**+15.6**	**+13.6**
	712	**724**	**+1.7**	**−3.9**	**343**	**360**	**+5.0**	**+5.8**	**2,686**	**2,788**	**+3.8**	**+1.6**
	1,850	**1,999**	**+8.1**	**+1.8**	**1,319**	**1,421**	**+7.7**	**+8.3**	**9,415**	**10,056**	**+6.8**	**+4.6**

Special Items Reconciliation [Table 11]

	EBIT* 1st Quarter 2011	EBIT* 1st Quarter 2012	EBITDA** 1st Quarter 2011	EBITDA** 1st Quarter 2012
	€ million	€ million	€ million	€ million
After special items	**1,148**	**1,637**	**1,866**	**2,377**
HealthCare	**37**	**120**	**37**	**17**
Impairment losses	-	100	-	-
Restructuring	37	16	37	13
Litigations	-	4	-	4
CropScience	**405**	**10**	**329**	**9**
Restructuring	211	10	135	9
Litigations	194	-	194	-
MaterialScience	**-**	**-**	**-**	**-**
Reconciliation	**-**	**39**	**-**	**39**
Restructuring	-	13	-	13
Litigations	-	26	-	26
Total special items	**442**	**169**	**366**	**65**
Before special items	**1,590**	**1,806**	**2,232**	**2,442**

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

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the first quarter of 2012 amounted to €1.68 (Q1 2011: €1.45).

Core Earnings per Share [Table 12]

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
EBIT (as per income statements)	**1,148**	**1,637**
Amortization and impairment losses on intangible assets	366	429
Impairment losses on property, plant and equipment	55	4
Special items (other than amortization and impairments)	366	65
Core EBIT	**1,935**	**2,135**
Non-operating result (as per income statements)	(213)	(177)
Income taxes (as per income statements)	(252)	(409)
Tax effects related to amortization, impairments and special items	(271)	(161)
Income after taxes attributable to non-controlling interest (as per income statements)	1	(1)
Core net income	**1,200**	**1,387**
	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.45**	**1.68**

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]

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
Gross cash flow*	**1,309**	**1,595**
Changes in working capital/other non-cash items	(508)	(1,324)
Net cash provided by (used in) operating activities (net cash flow)	**801**	**271**
Net cash provided by (used in) investing activities	**(575)**	**(897)**
Net cash provided by (used in) financing activities	**(316)**	**160**
Change in cash and cash equivalents due to business activities	**(90)**	**(466)**
Cash and cash equivalents at beginning of period	**2,840**	**1,770**
Change due to exchange rate movements and to changes in scope of consolidation	(64)	2
Cash and cash equivalents at end of period	**2,686**	**1,306**

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

OPERATING CASH FLOW

Gross cash flow in the first quarter of 2012 moved ahead by 21.8% against the prior-year period to €1,595 million, mainly because of the higher operating result. The increase was driven by the substantial improvement at CropScience. Cash tied up in working capital showed a marked, largely business-related increase. Net cash flow therefore dropped by 66.2% to €271 million, reflecting income tax payments of €304 million (Q1 2011: €224 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the first quarter of 2012 totaled €897 million. Cash outflows for property, plant and equipment and intangible assets were 7.6% higher at €256 million (Q1 2011: €238 million). Of this amount, HealthCare accounted for €62 million (Q1 2011: €69 million), CropScience for €71 million (Q1 2011: €47 million) and MaterialScience for €99 million (Q1 2011: €101 million). The €48 million (Q1 2011: €105 million) in outflows for acquisitions related mainly to the purchase of the remaining 50% interest in Baulé S.A.S., France. Cash outflows for noncurrent and current financial assets amounted to €659 million (Q1 2011: €324 million). Cash inflows in the first quarter of 2012 included €17 million (Q1 2011: €14 million) in interest and dividends received.

FINANCING CASH FLOW

In the first quarter of 2012 there was a net cash inflow of €160 million for financing activities. Net borrowings amounted to €247 million (Q1 2011: net loan repayments amounted to €214 million). Net interest payments were 16.8% lower at €84 million (Q1 2011: €101 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2011	March 31, 2012
	€ million	€ million
Bonds and notes/promissory notes	7,710	7,630
of which hybrid bond	1,344	1,349
Liabilities to banks	2,657	2,766
Liabilities under finance leases	554	534
Liabilities from derivatives	513	372
Other financial liabilities	228	332
Positive fair values of hedges of recorded transactions	(395)	(449)
Financial debt	**11,267**	**11,185**
Cash and cash equivalents	(1,770)	(1,306)
Current financial assets	(2,484)	(3,028)
Net financial debt	**7,013**	**6,851**

Net financial debt of the Bayer Group decreased by 2.3% to €6.9 billion as of March 31, 2012. This reduction was mainly due to positive currency effects of €0.3 billion. Financial liabilities 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 declined in the first quarter of 2012 from €8.0 billion to €7.9 billion. Current financial liabilities were unchanged at €3.7 billion. The bond with a nominal volume of €2.0 billion issued by Bayer AG in 2002 under the EMTN program was redeemed at maturity on April 10, 2012.

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 LIABILITY FOR POST-EMPLOYMENT BENEFITS

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

	Dec. 31, 2011	March 31, 2012
	€ million	€ million
Provisions for pensions and other post-employment benefits	7,870	8,135
Benefit plan assets in excess of obligation	(72)	(78)
Net amount recognized for post-employment benefits	**7,798**	**8,057**

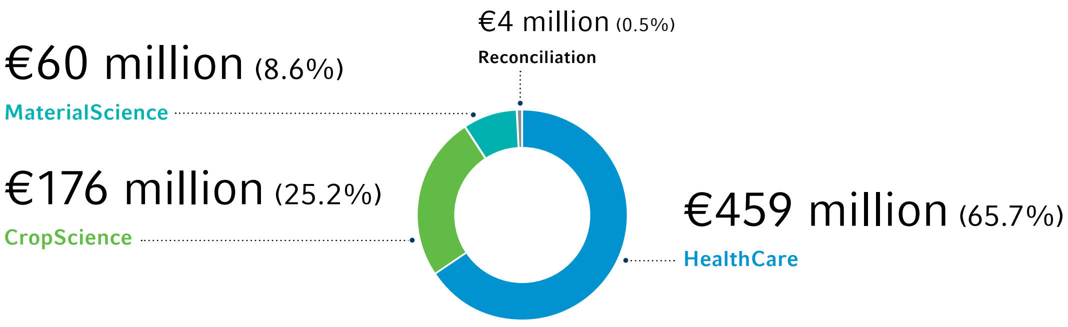
The net amount recognized for post-employment benefits increased from €7.8 billion to €8.1 billion in the first quarter of 2012, due especially to lower long-term capital market interest rates in Germany and the United Kingdom.

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.

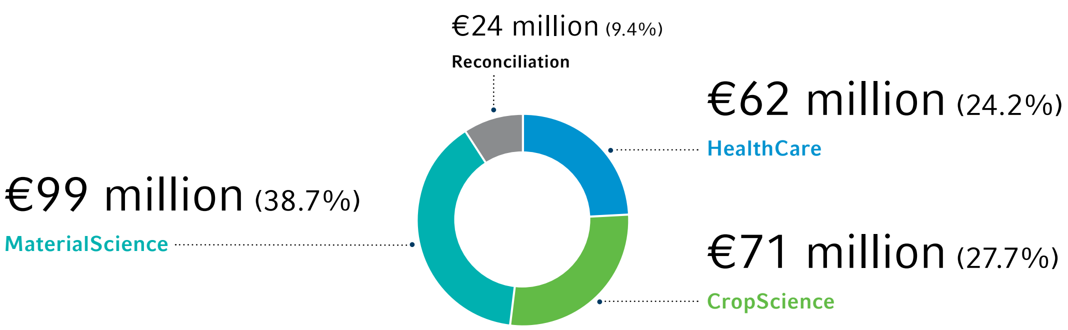
In the first quarter of 2012 we spent €699 million on research and development, while capital expenditures for property, plant and equipment and intangible assets totaled €256 million.

Research and Development Expenses by Subgroup*
1st Quarter 2012 (subgroup shares in parentheses) [Graphic 16]



* as per income statement

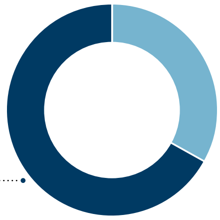
Capital Expenditures by Subgroup
1st Quarter 2012 (subgroup shares in parentheses) [Graphic 17]



The emerging markets made a good contribution to sales growth in the first quarter of 2012. For reporting purposes we have defined these markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East.

Our sales in these emerging markets advanced by 5.5% (Fx adj.) in the first quarter of 2012 to €3,340 million, with particularly strong contributions from Latin America, Eastern Europe, Africa and the Middle East. The emerging markets accounted for 33.2% of total sales (Q1 2011: 33.1%).

Percentage Sales Breakdown by Industrialized Countries and Emerging Markets
1st Quarter 2012 (currency-adjusted changes in parentheses) [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first quarter of 2012 we invested €459 million in research and development at HealthCare. We made further progress with our research and development pipeline during this period. (The following description does not include ongoing activities already described in the Annual Report 2011.)

The most important drug candidates already submitted for approval are:

Products Submitted for Approval [Table 16]

	Indication
EYLEA™ (VEGF Trap-Eye)	E.U., Japan; wet age-related macular degeneration
LCS-12 (ULD LNG Contraceptive System)	E.U., U.S.A.; contraception, duration of use: up to 3 years
Xarelto™	E.U., U.S.A.; secondary prophylaxis of acute coronary syndrome
Xarelto™	E.U.; treatment of pulmonary embolism and prevention of recurrent deep vein thrombosis and pulmonary embolism
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
Aflibercept (VEGF Trap-Eye)	Diabetic macular edema	Phase III
Aflibercept (VEGF Trap-Eye)	Abnormal retinal angiogenesis following pathological myopia	Phase III
Aflibercept (VEGF Trap-Eye)	Central retinal vein occlusion	Phase III
Alemtuzumab**	Multiple sclerosis	Phase III
Alpharadin	Treatment of bone metastases in hormone-refractory/castration-resistant prostate cancer	Phase III
ATX-101	Reduction of submental fat	Phase III
FC Patch low	Contraception	Phase III
Gadovist™	Magnetic resonance imaging, expansion of indication	Phase III
LCS-16 (ULD LNG Contraceptive System)	Contraception, duration of use: up to 5 years	Phase III
Nexavar™	Breast cancer	Phase III
Nexavar™	Adjuvant therapy of liver cancer	Phase III
Nexavar™	Non-small-cell lung cancer	Phase III
Nexavar™	Adjuvant therapy of kidney cancer	Phase III
Nexavar™	Thyroid cancer	Phase III
Regorafenib (DAST inhibitor)	Colorectal cancer	Phase III
Regorafenib (DAST inhibitor)	Treatment of metastatic and/or unresectable gastrointestinal stromal tumors	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (CTEPH)	Phase III
Riociguat (sGC stimulator)	Pulmonary hypertension (PAH)	Phase III
Tedizolid	Complicated skin infections and pneumonia	Phase III
Vaginorm™	Vulvovaginal atrophy	Phase III
Alpharadin	Treatment of bone metastases in cancer	Phase II
Amikacin Inhale	Pulmonary infection	Phase II
Ciprofloxacin Inhale	Pulmonary infection	Phase II
MEK inhibitor	Cancer	Phase II
MR antagonist (BAY94-8862)	Chronic heart failure	Phase II
Nexavar™	Additional indications	Phase II
Regorafenib (DAST inhibitor)	Cancer	Phase II
Riociguat (sGC stimulator)	Pulmonary hypertension	Phase II

* as of April 17, 2012
** co-promotion
CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approval will not be granted for these compounds.

In January 2012, the Japanese Ministry of Health, Labor and Welfare granted Bayer marketing authorization for our anticoagulant Xarelto™ (rivaroxaban) for prevention of stroke and systemic embolism in patients with non-valvular atrial fibrillation. The approval was based on the results of the global ROCKET AF Phase III study and the specific J-ROCKET AF Phase III study run in Japan. The market launch began in April 2012.

In February 2012, the U.S. Food and Drug Administration (FDA) granted priority review designation to the application filed in December 2011 for approval of Xarelto™ in combination with standard anti-platelet therapy to reduce the risk of cardiovascular events in patients with acute coronary syndrome (ACS). The corresponding application to the European Medicines Agency (EMA) was also submitted at the end of 2011.

The data from a Phase III clinical study (EINSTEIN-PE) with rivaroxaban were presented in March 2012 at the Annual Scientific Sessions of the American College of Cardiology (ACC) and published in the New England Journal of Medicine (NEJM). According to the study results, the oral anticoagulant proved to be as safe and effective as the current standard of care in treating patients with acute symptomatic pulmonary embolism (PE) and in the prevention of recurrent venous thromboembolism (VTE). While rivaroxaban is administered as a single drug, the current standard therapy comprises an initial subcutaneous injection of enoxaparin followed by a vitamin K antagonist. Rivaroxaban demonstrated similar overall bleeding rates, but was associated with significantly lower rates of major bleeding compared with the current standard regimen. Based on the successful Phase III study, we submitted an application to the European Medicines Agency (EMA) in April 2012 for marketing authorization of Xarelto™ for the treatment of pulmonary embolism and the prevention of recurrent deep vein thrombosis and pulmonary embolism.

In February 2012, the first results of the one-year GALILEO Phase III study confirmed the results of the two 24-week, approval-relevant studies (GALILEO and COPERNICUS) in which patients with macular edema due to central retinal vein occlusion were treated with aflibercept injection (VEGF Trap-Eye). Based on these studies, our development partner Regeneron has already submitted an application for approval in this additional indication in the United States. We plan to submit the application for marketing authorization in this indication to the European Medicines Agency in the second half of 2012.

In March 2012 we received approval from the Australian Therapeutic Goods Administration (TGA) to market aflibercept (VEGF Trap-Eye) under the trade name EYLEA™ for the treatment of wet age-related macular degeneration (AMD). We plan to launch EYLEA™ in Australia in the second half of 2012.

The Phase III clinical study GRID (GIST – Regorafenib In Progressive Disease) with regorafenib has achieved positive results and in early April 2012 met its primary endpoint of a statistically significant improvement in progression-free survival. The GRID trial investigated regorafenib in the treatment of patients with metastatic and/or unresectable gastrointestinal stromal tumors (GIST) whose disease had progressed despite prior treatment with imatinib and sunitinib.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 7.4% (Fx adj.) in the first quarter of 2012 to €1,397 million. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 16.2% (Fx adj.) through increased marketing activities, especially the expansion of our distribution network. Business also developed well in Latin America, Africa and the Middle East. The emerging markets accounted for 32.2% of total HealthCare sales in the first quarter of 2012.

9.2 CropScience

RESEARCH AND DEVELOPMENT

We invested €176 million in research and development at CropScience in the first quarter of 2012.

The active ingredient pipeline of Crop Protection currently comprises seven developmental projects, five of which are at an advanced stage and two at an early stage of development. About 30 more projects are in the research phase.

In addition, we expect to bring some 15 new projects in BioScience to market-readiness for the broad-acre crops of cotton, oilseed rape/canola, rice and soybeans by 2016.

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

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

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

EMERGING MARKETS

CropScience raised sales in the emerging markets by 12.2% (Fx adj.) in the first quarter of 2012, to €766 million, with the greatest growth stimulus coming from Eastern Europe. Brazil saw the largest increases in Latin America despite the drought. We also posted gratifying sales gains in the emerging markets of Asia. Sales rose slightly in Africa, but declined in the Middle East. The emerging markets accounted for a 29.3% share of CropScience sales in the first quarter of 2012.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

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

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

EMERGING MARKETS

In the emerging markets, MaterialScience had sales of €1,149 million (Q1 2011: €1,119 million) in the first quarter of 2012. Sales were level with the prior-year period on a currency-adjusted basis.

Business development varied according to region. We achieved the highest growth rates in Latin America and also expanded business in Eastern Europe. Sales in the Asian emerging markets as a whole showed a slight decline, but business in China was level with the prior-year period.

The emerging markets accounted for 41.2% of total MaterialScience sales in the first quarter of 2012.

10. Employees

On March 31, 2012, the Bayer Group employed 112,000 people worldwide (December 31, 2011: 111,800). The number of employees thus remained practically constant (+0.2%).

HealthCare employed 55,800 people. The increase compared with the end of last year (December 31, 2011: 55,700) was mainly due to further expansion, especially in China. The number of employees at CropScience remained flat with December 31, 2011 at 21,000. There was a slight decline at MaterialScience to 14,700 employees (December 31, 2011: 14,800). The majority of the remaining 20,500 employees worked for the service companies.

Personnel expenses rose by 2.0% in the first quarter of 2012 to €2,289 million (Q1 2011: €2,245 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 2011.

A risk management system is in place. Apart from financial risks, there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2011 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 45f. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2011 on pages 132-141 and 255-262. The Bayer Annual Report 2011 can be downloaded free of charge at www.bayer.com.

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

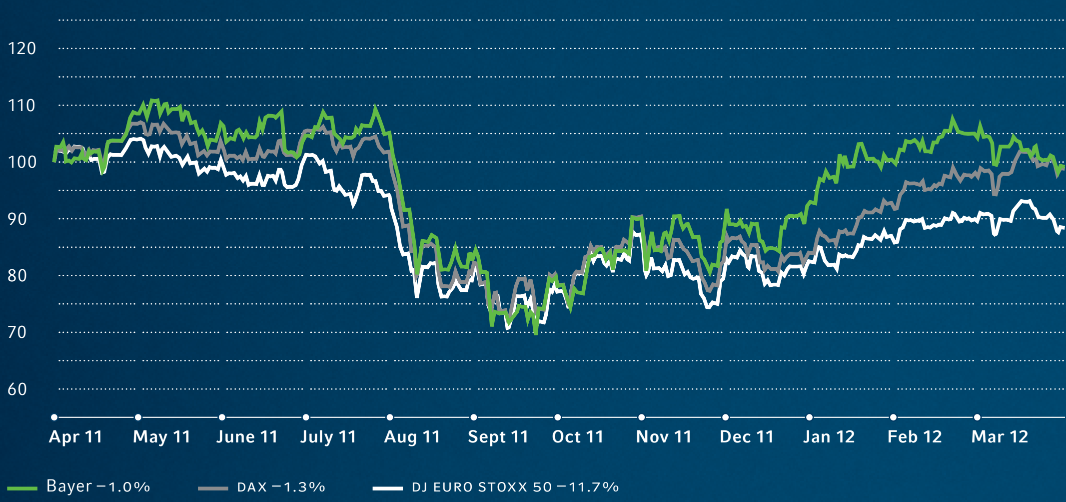
12. Events After the End of the Reporting Period

Since April 1, 2012, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

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

indexed; 100 = Xetra closing price on March 31, 2011 (source: Bloomberg)



Bayer stock developed positively in the first quarter of 2012, albeit underperforming the DAX and EURO STOXX 50 indices. The closing price at the end of March was €52.74, up 6.8% on the quarter. In mid-February our shares reached their high of €57.31 for the first quarter of 2012.

The DAX gained 17.8% on the period to 6,947 points. The EURO STOXX 50 (performance index) rose by 7.4%, closing the first quarter of 2012 at 4,210 points.

Bayer Stock Data [Table 18]

		1st Quarter 2011	1st Quarter 2012	Year 2011	
High for the period	€	57.18	57.31	59.35	
Low for the period	€	51.17	50.81	36.82	
Average daily trading volume	million	3.0	2.7	3.8	

		March 31, 2011	March 31, 2012	Dec. 31, 2011	Change March 31, 2012/ Dec. 31, 2011 %
Share price	€	54.64	52.74	49.40	+6.8
Market capitalization	€ million	45,184	43,613	40,851	+6.8
Equity as per statements of financial position	€ million	19,652	20,065	19,271	+4.1
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		7,041	6,947	5,898	+17.8

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2012

Bayer Group Consolidated Income Statements

[Table 19]

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
Net sales	**9,415**	**10,056**
Cost of goods sold	(4,437)	(4,750)
Gross profit	**4,978**	**5,306**
Selling expenses	(2,147)	(2,297)
Research and development expenses	(737)	(699)
General administration expenses	(424)	(446)
Other operating income	255	163
Other operating expenses	(777)	(390)
Operating result (EBIT)	**1,148**	**1,637**
Equity-method loss	(11)	(12)
Non-operating income	49	111
Non-operating expenses	(251)	(276)
Non-operating result	**(213)**	**(177)**
Income before income taxes	**935**	**1,460**
Income taxes	(252)	(409)
Income after taxes	**683**	**1,051**
of which attributable to non-controlling interest	(1)	1
of which attributable to Bayer AG stockholders (net income)	**684**	**1,050**
	€	€
Earnings per share		
Basic	0.83	1.27
Diluted	0.83	1.27

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
Income after taxes	**683**	**1,051**
of which attributable to non-controlling interest	*(1)*	*1*
of which attributable to Bayer AG stockholders	*684*	*1,050*
Changes in fair values of derivatives designated as cash flow hedges	150	52
Reclassified to profit or loss	36	(2)
Income taxes	(56)	(14)
Change in the amount recognized outside profit or loss (cash flow hedges)	**130**	**36**
Changes in fair values of available-for-sale financial assets	-	(2)
Reclassified to profit or loss	-	-
Income taxes	-	-
Change in the amount recognized outside profit or loss (available-for-sale financial assets)	**-**	**(2)**
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	454	(375)
Income taxes	(150)	98
Change in the amount recognized outside profit or loss (actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets)	**304**	**(277)**
Change in exchange differences recognized on translation of operations outside the eurozone	(363)	(11)
Reclassified to profit or loss	-	-
Change in the amount recognized outside profit or loss (exchange differences)	**(363)**	**(11)**
Effects of changes in scope of consolidation	**-**	**(2)**
Total changes recognized outside profit or loss	**71**	**(256)**
of which attributable to non-controlling interest	*(5)*	*-*
of which attributable to Bayer AG stockholders	*76*	*(256)*
Total comprehensive income	**754**	**795**
of which attributable to non-controlling interest	*(6)*	*1*
of which attributable to Bayer AG stockholders	*760*	*794*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	March 31, 2011	March 31, 2012	Dec. 31, 2011
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,870	9,106	9,160
Other intangible assets	10,748	9,893	10,295
Property, plant and equipment	9,363	9,530	9,823
Investments accounted for using the equity method	333	306	319
Other financial assets	1,175	1,371	1,364
Other receivables	469	463	425
Deferred taxes	1,237	1,304	1,311
	32,195	**31,973**	**32,697**
Current assets			
Inventories	6,133	6,545	6,368
Trade accounts receivable	7,691	8,737	7,061
Other financial assets	1,456	3,393	2,784
Other receivables	1,345	1,903	1,628
Claims for income tax refunds	300	315	373
Cash and cash equivalents	2,686	1,306	1,770
Assets held for sale	16	144	84
	19,627	**22,343**	**20,068**
Total assets	**51,822**	**54,316**	**52,765**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	11,309	11,722	10,928
Equity attributable to Bayer AG stockholders	**19,593**	**20,006**	**19,212**
Equity attributable to non-controlling interest	59	59	59
	19,652	**20,065**	**19,271**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,705	8,135	7,870
Other provisions	1,519	1,775	1,649
Financial liabilities	9,538	7,925	7,995
Other liabilities	470	424	474
Deferred taxes	2,727	1,850	2,116
	20,959	**20,109**	**20,104**
Current liabilities			
Other provisions	4,684	5,099	4,218
Financial liabilities	1,666	3,713	3,684
Trade accounts payable	3,247	3,452	3,779
Income tax liabilities	70	159	76
Other liabilities	1,544	1,712	1,630
Provisions directly related to assets held for sale	-	7	3
	11,211	**14,142**	**13,390**
Total equity and liabilities	**51,822**	**54,316**	**52,765**

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
Income after taxes	683	1,051
Income taxes	252	409
Non-operating result	213	177
Income taxes paid or accrued	(416)	(619)
Depreciation, amortization and impairments	718	740
Change in pension provisions	(138)	(130)
(Gains) losses on retirements of noncurrent assets	(3)	(33)
Gross cash flow	**1,309**	**1,595**
Decrease (increase) in inventories	(180)	(205)
Decrease (increase) in trade accounts receivable	(1,199)	(1,768)
(Decrease) increase in trade accounts payable	(138)	(269)
Changes in other working capital, other non-cash items	1,009	918
Net cash provided by (used in) operating activities (net cash flow)	**801**	**271**
Cash outflows for additions to property, plant, equipment and intangible assets	(238)	(256)
Cash inflows from sales of property, plant, equipment and other assets	50	22
Cash inflows from divestitures	28	27
Cash inflows from (outflows for) noncurrent financial assets	(20)	(117)
Cash outflows for acquisitions less acquired cash	(105)	(48)
Interest and dividends received	14	17
Cash inflows from (outflows for) current financial assets	(304)	(542)
Net cash provided by (used in) investing activities	**(575)**	**(897)**
Dividend payments and withholding tax on dividends	-	(1)
Issuances of debt	166	417
Retirements of debt	(380)	(170)
Interest paid including interest-rate swaps	(110)	(96)
Interest received from interest-rate swaps	9	12
Cash outflows for the purchase of additional interests in subsidiaries	(1)	(2)
Net cash provided by (used in) financing activities	**(316)**	**160**
Change in cash and cash equivalents due to business activities	**(90)**	**(466)**
Cash and cash equivalents at beginning of period	**2,840**	**1,770**
Change in cash and cash equivalents due to exchange rate movements	(64)	2
Cash and cash equivalents at end of period	**2,686**	**1,306**

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes					2	2
Total comprehensive income**			760	760	(6)	754
March 31, 2011	**2,117**	**6,167**	**11,309**	**19,593**	**59**	**19,652**
Dec. 31, 2011	**2,117**	**6,167**	**10,928**	**19,212**	**59**	**19,271**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments					(1)	(1)
Other changes						
Total comprehensive income**			794	794	1	795
March 31, 2012	**2,117**	**6,167**	**11,722**	**20,006**	**59**	**20,065**

* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2012

Key Data by Segment and Region

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external)	2,419	2,517	1,747	1,825
Change	+4.2%	+4.1%	+12.9%	+4.5%
Currency-adjusted change	+0.5%	+1.6%	+9.8%	+2.2%
Intersegment sales	24	36	1	1
Net sales (total)	2,443	2,553	1,748	1,826
Operating result (EBIT)	457	505	312	236
EBIT before special items	493	520	313	341
EBITDA before special items	724	740	416	441
Gross cash flow*	471	488	297	316
Net cash flow*	518	317	263	180
Depreciation, amortization and impairments	231	220	103	203
Number of employees (as of March 31)**	37,100	37,900	18,700	17,900

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

Key Data by Region

	Europe		North America	
	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,988	4,065	2,258	2,571
Change	+11.8%	+1.9%	+7.6%	+13.9%
Currency-adjusted change	+11.3%	+1.9%	+5.4%	+9.6%
Net sales (external) – by point of origin	4,351	4,480	2,277	2,550
Change	+11.9%	+3.0%	+8.6%	+12.0%
Currency-adjusted change	+11.4%	+2.9%	+6.4%	+7.6%
Interregional sales	1,770	2,069	743	774
Operating result (EBIT)	884	994	83	455
Number of employees (as of March 31)*	54,700	53,700	16,100	15,500

* Number of employees in full-time equivalents

[Table 24]

	CropScience		MaterialScience		Reconciliation					
	CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2,257	2,610	2,686	2,788	305	315	1	1	9,415	10,056
	+15.6%	+15.6%	+21.2%	+3.8%	+10.9%	+3.3%	-	-	+13.2%	+6.8%
	+13.6%	+13.6%	+18.9%	+1.6%	+10.3%	+3.3%	-	-	+10.5%	+4.6%
	7	6	15	11	430	463	(477)	(517)	-	-
	2,264	2,616	2,701	2,799	735	778	(476)	(516)	9,415	10,056
	219	851	205	127	12	(20)	(57)	(62)	1,148	1,637
	624	861	205	127	12	19	(57)	(62)	1,590	1,806
	745	981	345	278	48	63	(46)	(61)	2,232	2,442
	314	678	272	206	(12)	(45)	(33)	(48)	1,309	1,595
	(214)	(655)	151	72	(108)	(17)	191	374	801	271
	197	121	140	151	36	44	11	1	718	740
	21,500	21,000	14,700	14,700	19,800	19,900	700	600	112,500	112,000

[Table 25]

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Total	
	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012	1st Quarter 2011	1st Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,850	1,999	1,319	1,421	-	-	9,415	10,056
	+20.2%	+8.1%	+18.6%	+7.7%	-	-	+13.2%	+6.8%
	+13.1%	+1.8%	+13.9%	+8.3%	-	-	+10.5%	+4.6%
	1,763	1,924	1,024	1,102	-	-	9,415	10,056
	+20.2%	+9.1%	+18.7%	+7.6%	-	-	+13.2%	+6.8%
	+12.8%	+2.6%	+12.6%	+8.6%	-	-	+10.5%	+4.6%
	110	144	103	107	(2,726)	(3,094)	-	-
	175	153	63	97	(57)	(62)	1,148	1,637
	25,500	26,500	16,200	16,300	-	-	112,500	112,000

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2012 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2011 fiscal year, particularly with regard to the main recognition and valuation principles.

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

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

Exchange Rates for Major Currencies [Table 26]

€1		Closing Rate Dec. 31, 2011	Closing Rate March 31, 2011	Closing Rate March 31, 2012	Average Rate 1st Quarter 2011	Average Rate 1st Quarter 2012
ARS	Argentina	5.57	5.75	5.83	5.48	5.68
BRL	Brazil	2.43	2.32	2.45	2.28	2.32
CAD	Canada	1.32	1.38	1.33	1.35	1.31
CHF	Switzerland	1.22	1.30	1.20	1.29	1.21
CNY	China	8.16	9.30	8.41	8.99	8.26
GBP	United Kingdom	0.84	0.88	0.83	0.85	0.83
JPY	Japan	100.20	117.61	109.56	112.39	103.67
MXN	Mexico	18.05	16.93	17.02	16.49	17.03
USD	United States	1.29	1.42	1.34	1.37	1.31

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

Discount Rate for Pension Obligations [Table 27]

	Dec. 31, 2011	March 31, 2011	March 31, 2012
	%	%	%
Germany	4.50	5.20	4.10
United Kingdom	4.70	5.55	4.65
United States	4.10	5.40	4.30

SEGMENT REPORTING

Since the second quarter of 2011, the CropScience subgroup has been presented as a single reportable segment. This resulted from organizational changes undertaken to more closely align Crop Protection and BioScience and integrate the steering of these businesses. The Crop Protection/BioScience and Environmental Science operating segments are combined into a single reportable segment because they show a similar long-term economic performance, have comparable products, production processes, customer industries and distribution channels, operate in the same regulatory environment, and are steered and monitored together. The strategic business entity "Diagnostic Imaging," comprising contrast agents for imaging applications such as X-ray and MRI, was transferred at the end of 2011 from the Specialty Medicine business unit (Pharmaceuticals segment) to the Medical Care Division (Consumer Health segment) for organizational reasons and combined with the related injection systems into a single business unit. The prior-year figures have been restated accordingly.

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

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

	1st Quarter 2011	1st Quarter 2012
	€ million	€ million
Operating result of segments	1,205	1,699
Operating result of Corporate Center	(57)	(62)
Operating result (EBIT)	**1,148**	**1,637**
Non-operating result	(213)	(177)
Income before income taxes	**935**	**1,460**

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of March 31, 2012, the Bayer Group comprised 284 fully or proportionately consolidated companies (December 31, 2011: 283 companies). Three joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2011: four joint ventures). In addition, four associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates) (December 31, 2011: four associated companies).

Acquisitions and divestitures

Acquisitions

On March 31, 2012, Bayer acquired the remaining 50% interest in the systems house joint venture Baulé S.A.S., France. This joint venture was formed in 2008 by MaterialScience and Michel Baulé S.A., which was later renamed Eximium S.A.S. Baulé S.A.S. is a global leader in the development, formulation and processing of polyurethane cast elastomers. The purchase price of €49 million pertained mainly to customer relationships and goodwill. The income statement of Baulé S.A.S. was included in the consolidated financial statements by proportionate consolidation for the last time in the first quarter of 2012, whereas its assets and liabilities were already fully consolidated. Following the purchase price allocation, the following assets and liabilities were recognized: goodwill (€38 million), other intangible assets (€56 million), other noncurrent assets (€3 million), inventories and other current assets (€21 million), cash and cash equivalents (€5 million), other liabilities (€8 million) and deferred tax liabilities (€16 million). The revaluation of mainly intangible assets resulted in other operating income of €19 million. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual asset items.

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

Acquired Assets and Assumed Liabilities [Table 29]

	Fair value
	€ million
Goodwill	19
Other intangible assets	30
Property, plant and equipment	1
Other noncurrent assets	1
Inventories	10
Other current assets	6
Cash and cash equivalents	3
Other provisions	(2)
Other liabilities	(3)
Deferred tax liabilities	(8)
Net assets	**57**
Non-controlling interest	-
Net purchase prices	**57**
Acquired cash and cash equivalents	(3)
Liabilities for future payments	(4)
Net cash outflow for acquisitions	**50**

The cash outflows for acquisitions in the first quarter of 2011 amounted to €106 million and related mainly to the purchase of the animal health company Bomac, New Zealand.

Divestitures

No divestitures were made in the first quarter of 2012. We received further revenue-based payments of €27 million in the first quarter of 2012 in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, effected in May 2009.

Assets held for sale

The agreement with Genzyme Corp., United States, announced in March 2009 comprised the transfer of the hematological oncology portfolio to Genzyme, which was effected in May 2009. We also agreed to transfer the production site for Leukine™ in Seattle, United States, after final inspection by the U.S. Food and Drug Administration (FDA). This inspection took place in March 2012. The respective assets of the Pharmaceuticals reporting segment, amounting to €65 million, were therefore classified as "assets held for sale." The transaction is expected to close in the second quarter of 2012.

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of April 18, 2012, the number of lawsuits pending in the United States and served upon Bayer was about 11,900 involving about 14,000 plaintiffs (excluding cases already settled). 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. As of April 19, 2012, Bayer had reached agreements, without admission of liability, to settle the claims of 651 plaintiffs in the U.S. for a total amount of about US$142 million. Bayer is only settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case specific analysis of medical records on a rolling basis. The number of such injuries cannot be estimated at this time. However, less than half of the cases served to date allege such an injury. Based on the information currently available, Bayer has taken appropriate accounting measures for anticipated defense costs and for agreed and anticipated future settlements. Bayer is insured against product liability risks to the extent customary in the industry. However, going forward and depending on further developments in the litigation, it is possible that 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.

Patent disputes

Yasmin™: In the patent infringement proceedings against Watson, Sandoz and Lupin, a U.S. federal court dismissed Bayer's infringement claims in 2010. In April 2012, the U.S. Court of Appeals for the Federal Circuit affirmed these decisions. Bayer is considering its legal options.

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

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

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of April 11, 2012, Bayer was aware of a total of approximately 420 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. A large percentage of these cases will be dismissed upon completion of the settlement with rice growers, discussed below. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S.

As reported previously, in 2011 Bayer reached settlement agreements with U.S. long grain rice growers. More than 94% of all of the eligible rice acreage will participate in the settlement. Bayer has now paid more than US$628 million to rice growers under the settlement. Additional payments will be made in the coming months once all claims have been verified until the full US$750 million agreed to under the settlement has been paid.

Without acknowledging liability, Bayer also settled the claims filed by six European rice importers, one U.S. rice exporter, five U.S. rice mills or rice dryers, six rice seed sellers and several growers outside of the US$750 million master settlement at a total settlement value of about US$143 million. This amount includes settlement of all of the cases that went to trial, except for the case involving Riceland Foods.

MATERIALSCIENCE

Antitrust proceedings in connection with rubber products

The reported actions for damages have been settled and are no longer considered to be material.

RELATED PARTIES

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

Leverkusen, April 24, 2012
Bayer Aktiengesellschaft

The Board of Management

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

Management Board Chairman Dr. Marijn Dekkers
at the Annual Stockholders' Meeting of Bayer AG:

Bayer has great potential for the future too

- Fiscal 2011 was strategically and operationally successful
- Dividend for 2011 raised to €1.65 per share
- Encouraging start to 2012
- Good progress with the development of innovative products
- Werner Wenning to become Chairman of the Supervisory Board on October 1

2011 was a good year for the Bayer Group both strategically and operationally. "Our business was very successful and we achieved our targets for the Group," said Management Board Chairman Dr. Marijn Dekkers at the Annual Stockholders' Meeting in Cologne. The stockholders are benefiting from this success with an increased dividend of €1.65 (2010: €1.50) per share. The total dividend payment thus amounts to €1.4 billion. Dekkers described the company's start to the 2012 fiscal year as encouraging. "Thanks to our innovative capability and our good position in the emerging markets, we have great potential for the future, too."

Among the items on the agenda at this year's Annual Stockholders' Meeting was the election of the stockholders' representatives on the Supervisory Board. It is planned for the company's former Management Board Chairman, Werner Wenning, to take over as Chairman of the Supervisory Board on October 1, 2012. (For further details on the elections to the Supervisory Board see page 56ff.)

New sales record set in 2011

Dekkers said that Bayer last year not only set a new sales record, but also increased its earning power. On a currency- and portfolio-adjusted (Fx & portfolio adj.) basis, sales increased by more than 5 percent to €36.5 billion. The operating result (EBIT) climbed by 52 percent to more than €4.1 billion. Here the company benefited from the €0.8 billion decrease in special charges to about €0.9 billion. Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – rose by over 7 percent to more than €7.6 billion. The underlying EBITDA margin thus moved forward from 20.2 percent in the previous year to 20.8 percent in 2011.

"A positive factor was that Bayer HealthCare improved its earnings and its margin," Dekkers explained. He said the pharmaceuticals business primarily benefited from its good position in the emerging markets, another strength of this business being the well-stocked development pipeline. In December Bayer had raised its sales expectations for a number of advanced innovation projects in the pharmaceuticals business. "We now consider that four of our medicines in late-stage development have the potential to become blockbusters. That means each of these products could achieve peak annual sales of €1 billion or more," said Dekkers. This applies particularly to the anticoagulant Xarelto™, which he said could reach peak sales of more than €2 billion across all indications. Xarelto™, the eye medicine VEGF Trap-Eye and the two cancer drugs Alpharadin and regorafenib have a total peak sales potential of around €5 billion.

Dekkers reported that the Consumer Health business also developed successfully in 2011, partly due to the good reputation of the world-class Bayer brand. On the other hand, the health system reforms in numerous countries and the competitive pressure created by generic products proved to be a considerable burden for HealthCare, he explained.

The Bayer CEO said CropScience benefited from its new products and a favorable environment for agricultural commodities. The significantly higher volumes showed that the subgroup has made progress toward the goal of better commercializing its innovative products, the Bayer Chairman stressed.

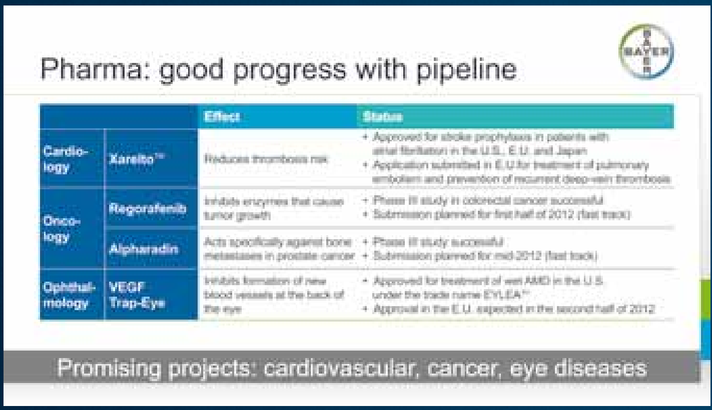
"MaterialScience, however, remained below our expectations in 2011," Dekkers commented. He said that although the subgroup increased sales and raised selling prices in all business units and regions, there was hardly any overall volume increase. It was also unable to pass on the high raw material costs in full to its customers.

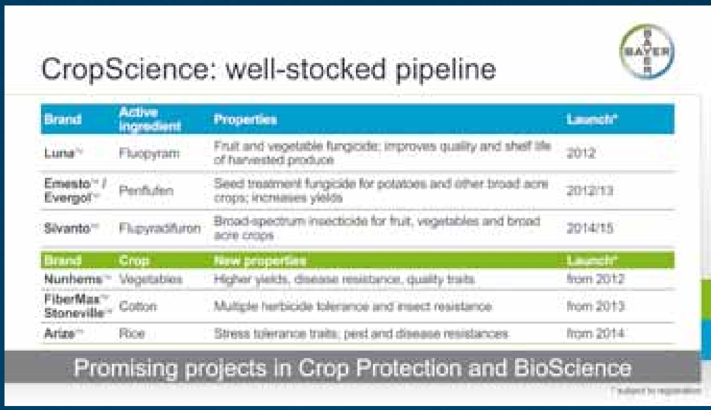
A positive aspect Dekkers mentioned was that Bayer made good progress with one of its most important objectives – the expansion of business in the emerging markets. He said the company raised sales in these countries overall by 9 percent (Fx adj.). Net income climbed by nearly 90 percent in 2011 to €2.5 billion, while net financial debt declined by €0.9 billion to €7 billion.

"Our workforce – from the Executive Council to our many colleagues throughout the world – played a crucial role in this success. And I would therefore like to thank them all most sincerely for their work," said Dekkers. For this reason, he added, it is not only the stockholders who will benefit from the good development in 2011: more than €600 million is earmarked for bonus awards to employees under the Group-wide short-term incentive program alone.

Encouraging start to the 2012 fiscal year

Dekkers was also satisfied with the company's performance in the first quarter of this year: "We had an encouraging start to the year. The trends we experienced in 2011 largely continued." Sales in





the first three months rose by more than 5 percent (Fx & portfolio adj.) to €10.1 billion. EBIT moved substantially higher, climbing by nearly 43 percent to €1.6 billion after special charges of about €170 million (Q1 2011: more than €400 million). EBITDA before special items improved by over 9 percent to €2.4 billion, driven by the positive development at HealthCare and CropScience. Net income climbed by about 54 percent to €1.1 billion.

Bayer shares declined by only 8 percent in 2011, clearly outperforming the lead index DAX, which fell by 15 percent. Dekkers particularly emphasized the long-term strength of Bayer stock: "If you look at the five years since 2007, we outperformed all the relevant indices. And including the dividend, we see that there was a good annual yield of about 7 percent."

A world-class innovative company

"We work very hard every day to build on our position as a world-class inventor company that improves the lives of many people with its innovative products and solutions," said Dekkers. He said the company's mission "Bayer: Science For A Better Life" sums up what Bayer stands for.

The global population is predicted to grow from 7 billion now to 9 billion by 2050, Dekkers explained. People are living longer and longer – and affluence is increasing in the emerging markets. For Bayer this means that even more innovative health care products will be needed, and the global demand for food will rise. "We are addressing these trends with our research-intensive life science businesses HealthCare and CropScience."

The need for innovative materials and resource efficiency is also more acute than ever before, Dekkers said, this being where Bayer MaterialScience comes in.

"It makes me very happy – and indeed proud – to see the progress we are making and how our products can help people in very specific ways," he continued. The new anticoagulant Xarelto™ can help to prevent strokes, which means many people and their families will be spared this fate. And the new active substance VEGF Trap-Eye is used to treat wet age-related macular degeneration and can save patients from blindness.

Dekkers explained that the new fungicide Xpro™ from Bayer CropScience enabled the production of an additional 500,000 tons of cereals in Germany last year alone. "To transport this additional yield, you would need a train with 20,000 freight cars, which would stretch from Leverkusen to Frankfurt," he said by way of illustration.

Dekkers explained that the high-tech materials from MaterialScience also bring many benefits. When used to insulate buildings, for example, polyurethane helps to reduce the amount of energy needed for heating or cooling – and this in turn contributes to reducing carbon dioxide (CO_2) emissions. Bayer supplies the construction industry with some 450,000 tons of polyurethane raw materials each year. "This amount could be used to insulate some 300,000 homes. The heating oil saved as a result would fill 45,000 tanker trucks. And 2.5 million tons of CO_2 emissions would be prevented. This is good for the environment – and it is good for homeowners' pocketbooks," said Dekkers.

But to continually develop and commercialize such innovative products also requires substantial investment, Dekkers pointed out. Together with partner Johnson & Johnson, Bayer has spent some €2 billion on research and development for Xarelto™ alone. Research and development spending at Bayer totaled about €3 billion in each of the past two years. And the company has an equally large budget for the current year. "These are substantial amounts of money. And that's also the reason why recognition and adequate remuneration for our innovations are so important to us, particularly in the pharmaceuticals area," said Dekkers.

"Revenues from today's medicines finance tomorrow's innovative drugs"

The Bayer Chairman said the current debate over pharmaceutical prices involves some difficult issues, such as whether it is possible, or even desirable, to put a value on extending lives. "For me, there is no doubt that the research-based pharmaceutical industry in particular has achieved a great deal. For example, average life expectancy has risen by about four years during the past 20 years – which surely is partly due to the new medicines." Cost savings are another positive effect, Dekkers added. That is because treatment options for many widespread diseases, such as diabetes, are steadily improving, and this in turn avoids expensive hospitalization or the need for nursing care.

"Of course, we also understand that health service costs have to be kept under control. And we are prepared to contribute to the development of cost-effective solutions. But it's important to keep a sense of proportion," Dekkers continued. He said a fundamental problem seems to be society's general lack of appreciation for innovations. Many patients often don't know which company developed and manufactured the medicine used to treat them, he said, although it was that company that at great risk invested the substantial amount of time and resources necessary to enable the doctor to help the patient at all. Dekkers said people need to be clear about the fact that "The revenues from today's medicines finance tomorrow's innovative drugs." These are things that must be explained more often and more clearly so that society accepts innovations and acknowledges their value, he said. "Otherwise there is a risk that, in the medium term, we as a society will squander our tremendous innovation potential," he warned.

Schneider's achievements honored

This was Dr. Manfred Schneider's final Annual Stockholders' Meeting as Chairman of the Supervisory Board and therefore the last meeting that he presided over. Dr. Paul Achleitner, member of the Board of Management of Allianz SE and a member of the Presidial Committee of the Bayer Supervisory Board, honored Schneider's achievements during his 46-year career at Bayer – of which he served for five years as a member of the Board of Management, ten years as Chairman of the Board of Management and a further ten years as Chairman of the Supervisory Board (see page 58ff.). Dekkers also thanked Schneider personally and on behalf of all Bayer employees: "I have found your cooperation to be extremely professional, highly constructive and based on trust. And so I'm pleased that we will continue working together for a few more months following today's Annual Stockholders' Meeting."

INTERNET

Read more about the Annual Stockholders' Meeting at WWW.ASM2012.BAYER.COM

The resolutions passed by the Annual Stockholders' Meeting are listed on page 55, and a summary of the discussion with the stockholders is provided starting on page 52.

Discussion with the stockholders: Supervisory Board Chairman Dr. Manfred Schneider, Bayer CEO Dr. Marijn Dekkers and CFO Werner Baumann (from left)

Stockholders praise management and employees

"Bayer is incredibly successful"

"The first quarter was so fascinating that you might almost think the Board of Management itself was surprised by the quality of the results," said a stockholder representative during the discussion led by Supervisory Board Chairman Dr. Manfred Schneider. A further focus of Bayer's Annual Stockholders' Meeting in Cologne – apart from the company's good business development – was on Schneider's planned retirement.

Several stockholder representatives praised the achievements of Dr. Schneider, who will be succeeded as Chairman of the Supervisory Board in October by former Management Board Chairman Werner Wenning. "Not only has Dr. Schneider been around for a long time, but the benefits of much that he accomplished are still being felt today," said Marc Tüngler from the German private investors' association DSW. Tüngler recalled Bayer's strong presence in the United States and Asia, the new Bayer Group structure that Schneider introduced together with Wenning, the robust crop protection business and the repurchase of the trademark rights in the United States. The company will also continue to benefit for a long time from Schneider's fortunate personnel decisions, he said.

The Bayer Boulevard at the Annual Stockholders' Meeting in Cologne, which was attended by more than 3,500 stockholders.

Marc Tüngler from the German private investors' association DSW was pleased with the successful start to 2012.

Joachim Kregel from the stockholders' association SdK thanked the departing Supervisory Board Chairman for his "fair and professional way of dealing with awkward issues." And Hans-Martin Buhlmann from the German institutional private investors' association VIP recalled that Schneider had led a number of "revolutions" for Bayer. "You are not leaving behind any worries for your successors."

The stockholder representatives were also full of praise for the first-quarter figures, which were published the day before the Annual Stockholders' Meeting. "Bayer is incredibly successful – and I'm excited to see what lies in store," said one stockholder, expressing the hope that the dividend would rise in the future as a result. He said the company's approximately 112,000 employees around the world are also owed a debt of gratitude "for working to achieve these results." One stockholder representative summed it up with the words: "Bayer is a great company of high international renown."

Operating profitably

But what does the future really look like? One stockholder representative wanted to know if the company is big enough in all of its business areas to operate profitably. Management Board Chairman Dr. Marijn Dekkers – who responded to the stockholders' questions during a discussion session lasting several hours – emphasized that Bayer has been operating profitably in all of its business areas for many years, but that it is working to get even better. "The first step was to initiate a new efficiency improvement program, which we did in November 2010. We're reinvesting half of the planned savings in growth and the other half in improving our profitability." Dekkers explained that sufficient resources are also available to achieve further organic growth. "We are investing some €4.5 billion each year in the form of R&D and capital expenditures. We're convinced that this is sufficient," said Dekkers.

Well satisfied with Xarelto™ sales

Another topic of discussion was the commercial potential of the anticoagulant Xarelto™. "Is this product really driving the business the way we expected?" asked a stockholder. "We're working at full steam to launch Xarelto™ in the various countries in the coming weeks. Xarelto™ has been available in Germany since the beginning of the year. We are very satisfied with the sales figures for the first few weeks," said Dekkers.

"None of the other novel anticoagulants is registered in as many indications as our product. We're very proud of that," said Dekkers. Prevention of stroke in patients with atrial fibrillation is the number one indication from a commercial viewpoint, he explained, saying Bayer had received marketing authorization in this indication at the end of last year in Europe and other markets. It was approved in Canada and Japan in January. The Bayer Chairman said the other potential blockbusters in the pharmaceutical pipeline are the cancer drugs Alpharadin and regorafenib, and VEGF Trap-Eye to treat eye diseases.

The fascination of science: Bayer stockholders Roland Scholz and Valentina Antoni view a large poster about cardio-vascular research.

Above-market growth at CropScience

The first quarter was particularly successful for Bayer CropScience. Responding to a stockholder's question about the subgroup's future perspectives, Dekkers explained that in this business the first half of the year is always stronger than the second. "This is because the business is focused more on the northern hemisphere. The southern hemisphere is then crucial to performance in the second half, he said. "Overall we're optimistic and currently expect to grow faster than the market in 2012."

Leading positions at MaterialScience

Another question involved Bayer's portfolio management, and against this background the future of the Bayer MaterialScience subgroup. Dekkers said it is essential for Bayer to be active in markets that are growing long-term, are profitable and in which the company occupies a leading position. It is equally important that Bayer possess the necessary core competencies in terms of both technology and management. And, of course, the company has to be sure it can meet the capital requirements for these businesses. "If we judge MaterialScience by these criteria, we see that the business is well positioned and by that definition part of the Bayer portfolio," Dekkers pointed out.

The reason why this subgroup spends less on research and development than the others is because MaterialScience focuses more on process innovations and new applications than on product innovations, he said. "We are constantly working to make our production even more efficient. This saves costs – for example by reducing the necessary energy input – and also gives us a competitive advantage. And of course, the environment also benefits when we are able to reduce emissions or the consumption of raw materials as a result of technological improvements," said Dekkers.

Another topic was the proportion of women in management positions. "Last year we set ourselves a voluntary target of increasing this share toward 30 percent across the Group by 2015," Dekkers stated. He said this goal refers to the top five management levels below the Board of Management. The proportion of women in this segment at Bayer's German companies is currently about 19 percent – compared with only 17 percent a year ago. "At the global level, more than 22 percent of our managers at these levels are women – also a significant increase from the previous year," said Dekkers. Dekkers said the company continues to consistently further the development of talented female employees.

The discussion also touched on the effects that demographic trends are having on the company. Dekkers reported that the average age of Bayer's employees will increase in the coming years. In 2010 this was 45 for non-managerial employees and about 50 for managers. "We anticipate that

Experiencing the company's innovative capability at the multitouch tables: Bernhard Grupp (right) with attendees.

The "Bayer magazine" as an app: Julia Betzer (center) with Ivonne Strombach and Axel Wihths.

Dr. Manfred Schneider (right) and Bayer CEO Dr. Marijn Dekkers were well satisfied with the outcome of the Annual Stockholders' Meeting.

the average age in both groups will rise by several years through 2020." He said that means the forecasted development at Bayer is line with the trend at similar large companies.

Focus on employee health

A central element of the company's strategy to address demographic trends is the collective bargaining agreement on life worktime and demographic change, the Bayer Chairman said. He said that as of the end of 2010 Bayer was the first German chemical company to place a major focus on health promotion for all its employees. Some 25 percent of eligible employees already took advantage of the offer by taking a medical check-up in the first year of the program. "We hope the number of participants will steadily increase in the coming years," said Dekkers.

One stockholder asked about Bayer's commitment to vocational training. "We continue to work hard to arouse young people's interest in vocational training at Bayer and to attract talented and motivated university graduates," Dekkers commented. "We continue to train more young people than our company is likely to need and are pursuing our many existing programs and initiatives."

There were numerous other questions on topics such as the carbon monoxide pipeline, bee deaths, the safety of hormonal contraceptives, and litigations relating to the former Schering product Duogynon/Primodos and to LL RICE. Supervisory Board Chairman Schneider, Bayer CEO Dekkers and Chief Financial Officer Werner Baumann gave complete and detailed answers to all the questions. When the votes were taken, the stockholders approved the proposals of the Supervisory Board and the Board of Management by large majorities (see inset below).

Resolutions of the Annual Stockholders' Meeting

Of the €2,117 million capital stock, about 55 percent was represented at the Meeting. All the resolutions proposed by the Board of Management and the Supervisory Board were passed by overwhelming majorities.

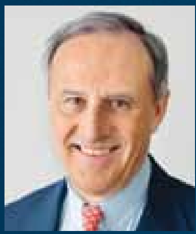
The decisions taken were as follows:

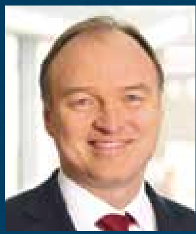
- The distributable profit of €1.36 billion will be used to pay a dividend of €1.65 per share.
- The actions of the members of the Board of Management and Supervisory Board are ratified.
- The stockholder representatives on the Supervisory Board are elected in accordance with the nominations submitted by the Supervisory Board.
- The proposed amendment to the Articles of Incorporation concerning the compensation of the Supervisory Board is approved.
- PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, is appointed as auditor for the 2012 fiscal year.

Elections to the Supervisory Board

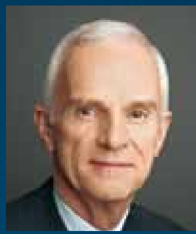
The following persons were elected as representa-tives of the stockholders:


Dr. Paul Achleitner

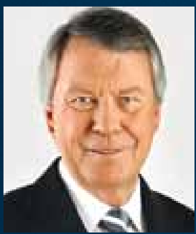

Dr. Clemens Börsig


Thomas Ebeling

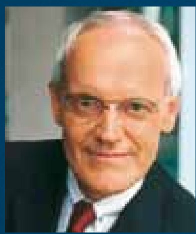

Dr. Klaus Kleinfeld


Dr. Helmut Panke

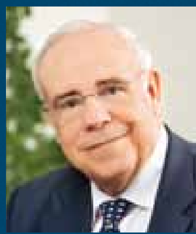

Sue H. Rataj


Dr. Manfred Schneider


Prof. Dr. Ekkehard D. Schulz


Dr. Klaus Sturany


Werner Wenning
effective October 1, 2012


Prof. Dr. Ernst-Ludwig Winnacker

The Annual Stockholders' Meeting in Cologne elected three new stockholder representatives to the Bayer AG Supervisory Board, while eight representatives were re-elected. The employees had elected their representatives in advance.

The Supervisory Board members Prof. Hans-Olaf Henkel and Dr. Jürgen Weber did not stand for re-election, as they had reached the age limit. Henkel had been a member since 2002 and Weber since 2003. "On behalf of the Supervisory Board – and on your behalf as well, I'm sure – I would like to thank both gentlemen for their service to the company," Supervisory Board Chairman Dr. Manfred Schneider said in his address to open the Annual Stockholders' Meeting in Cologne.

Schneider himself stood for re-election for a transition period of five months. The Supervisory Board had proposed Werner Wenning as his successor. Eight of the previous stockholder representatives on the Supervisory Board were nominated for re-election, so Schneider did not introduce these candidates individually. "However, I would like to introduce to you the candidates who are standing for election to the Supervisory Board for the first time: Ms. Rataj, Mr. Ebeling, and – although this won't really be necessary – Mr. Wenning," he said.

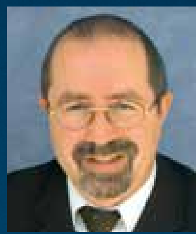
Three new stockholder representatives

Sue H. Rataj is a member of the Board of Directors of Cabot Corporation, Boston, United States. After studying economics and finance, she worked in various functions at both Amoco Corporation and BP Petrochemicals, spending several years in Asia. In 2011 she joined Cabot Corporation as a member of the Board of Directors, also becoming a member of the Audit Committee and the Health, Safety and Environment Committee.

Thomas Ebeling is Chief Executive Officer of ProSiebenSat.1 Media AG, Unterföhring, Germany. After gaining a degree in psychology, he held positions at Reemtsma, Pepsi-Cola and Novartis, The employees' delegate assembly had already elected the following members to the Supervisory Board of Bayer AG on February 7, 2012:

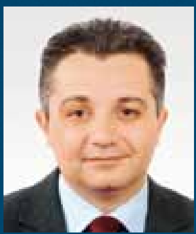
André van Broich

Dr. Thomas Fischer

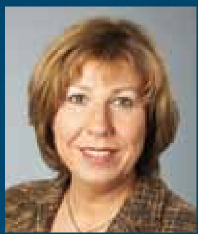


Peter Hausmann

Reiner Hoffmann



Yüksel Karaaslan



Petra Kronen

Petra Reinbold-Knape

Michael Schmidt-Kiessling

Thomas de Win

Oliver Zühlke

where he served for seven years as CEO of the pharmaceuticals business. He became CEO of ProSiebenSat.1 Media AG in 2009.

Schneider then explained the intended succession arrangement for the Supervisory Board chairmanship: "Mr. Wenning is proposed for election to the Supervisory Board with effect from October 1, 2012, immediately following my planned retirement on September 30, 2012. As announced in the Notice of the Annual Stockholders' Meeting, it is intended that, once he has joined the Supervisory Board, Mr. Wenning be elected as Chairman."

Werner Wenning joined Bayer AG in 1966 and became a member of the company's Board of Management in 1997. He served as Chairman of the Board of Management from 2002 until 2010. He stepped down from the Board of Management of Bayer AG on September 30, 2010.

"The Supervisory Board believes that with this wealth of experience, in particular his outstanding knowledge of the Bayer Group and the industries in which Bayer operates, Mr. Wenning is ideally qualified for the chairmanship," said Schneider. Schneider pointed out that Wenning's proposed election effective October 1, 2012, complies with all the recommendations of the German Corporate Governance Code and, of course, with the statutory requirement for a two-year "cooling-off period" to elapse before a former member of a company's Board of Management may join the Supervisory Board. This period expires on September 30 of this year.

"The Nominations Committee of the Supervisory Board and the full Supervisory Board, which has nominated these candidates, firmly believe that in these three new candidates, they have found a very good solution for the future composition of the Supervisory Board," said Schneider.

Four new employee representatives

Dr. Schneider then explained to the stockholders the changes to the employee representation on the Supervisory Board. As of the conclusion of the Annual Stockholders' Meeting, Roswitha Süsselbeck, André Aich, Willy Beumann and Hubertus Schmoldt stepped down from the Supervisory Board. Aich and Beumann had been members since 2007, and Süsselbeck since 2010. Schmoldt had belonged to the Supervisory Board since 1995, and was thus the longest-serving member.

When it came to the vote, the stockholders elected the new Supervisory Board by a large majority – here Hans-Martin Buhlmann (left) hands his ballot paper to Hans Helm.

"Ms. Süsselbeck, gentlemen, on behalf of everyone here I would like to thank you for your service on Bayer's Supervisory Board. I would especially like to thank you, Mr. Schmoldt, for your total of 17 years' service on the Supervisory Board and for your dedicated efforts on behalf of the company, its employees and its stockholders," said Schneider.

As successors to the four departing employee representatives on the Supervisory Board, the employees' delegate assembly elected André van Broich, Yüksel Karaaslan, Petra Reinbold-Knape and Michael Schmidt-Kiessling.

André van Broich joined Bayer in 1988, training as a chemical laboratory technician. He has been Chairman of the Works Council at Bayer's Dormagen site since 2010.

Yüksel Karaaslan joined the former Schering AG in 1985, training as a chemical production technician. He has been Chairman of the Works Council at Bayer's Berlin site and Vice Chairman of the Central Works Council of Bayer AG since 2008.

Petra Reinbold-Knape is Northeast District Secretary of the German Mining, Chemical and Energy Industrial Union, based in Berlin.

Michael Schmidt-Kiessling joined Bayer in 1976, training as a chemical laboratory technician. He has been Vice Chairman of the Works Council at Bayer's Wuppertal site and a member of the Central Works Council of Bayer AG since 2010.

Supervisory Board member Dr. Paul Achleitner

"He was and is far

"Ladies and gentlemen, please allow me to say a few words outside of the agenda. They relate to Dr. Schneider.

As is the case today, his place over the past 26 years at the Bayer AG Annual Stockholders' Meeting has been up here on the platform: first as a member of the Board of Management, then for ten years as Chairman of the Board of Management, and now for ten years already as Chairman of the Supervisory Board. That chapter concludes tonight because, as you all know, he will step down from the Supervisory Board on September 30, 2012. Ladies and gentlemen, this afternoon you will be asked to make the necessary decisions of the Annual Stockholders' Meeting in this connection. These will establish the end of Manfred Schneider's tenure. He will then relinquish his office to his successor in the fall without the need for an additional stockholders' meeting.

Yet I think that we should express our gratitude and appreciation in advance – namely here and now during his final Annual Stockholders' Meeting – even if this is not yet the day of his departure. I have willingly taken on this task and hope I succeed in accurately reflecting your views, ladies and gentlemen, and those of my colleagues on the Supervisory Board.

Dr. Schneider, you were elected to the Supervisory Board of Bayer AG in April 2002. At that time you were already a key figure in the Bayer world, having served for a total of 36 years with the company, including five years as a member of the Board of Management and another ten years as its highly successful Chairman. Like all of your predecessors, you then immediately joined the Supervisory Board and became its Chairman. As we all know, such a transition has since been made much more difficult. This is not the time to discuss the question of whether the new rule makes sense. But I would simply point out that it was a very good and correct decision from Bayer's point of view that Manfred Schneider transferred directly from the Board of Management to the Supervisory Board.

Dr. Schneider, back then I was a newcomer to the Supervisory Board, and I did not know you very well. That has changed significantly over the past ten years. Like so many other people, I have gotten to know you and above all have come to greatly appreciate you as a person. And so I tip my hat to you! This man was and is the right man in the right place at the right time. It is in large part also due to Manfred Schneider that Bayer thanked Dr. Manfred Schneider:

more than just an overseer"

Dr. Paul Achleitner, member of the Presidial Committee of the Supervisory Board, addresses the Bayer Annual Stockholders' Meeting.

today can present itself as a continually successful company. He was and is far more than just an overseer. He was and remains a very active guide for the company: exceedingly competent, his sights firmly fixed on the strategic objective, always tenacious and determined to take advantage of the opportunities that presented themselves without any hesitation – for the good of the company.

The emphasis over the past decade, of course, has been on the fundamental strategic and organizational restructuring of the Bayer Group: the establishment of the subgroups and service companies, the focus on life sciences and high-tech materials and, on the other hand, the divestment of non-core businesses.

Aventis CropScience was the first of the major acquisitions, followed by the Roche consumer health business – and above all the takeover of Schering. It was a Herculean task to reorganize the Bayer Group – not just for the Board of Management, but also for the Supervisory Board and especially its Chairman Manfred Schneider. Yet this task was mastered with tremendous success. The best evidence of this is provided by the current figures, about which I'm sure a lot will be said today.

Dr. Schneider, in just over five months you will give up your seat on the Supervisory Board to make way for Mr. Wenning. In all you will have spent an incredible 46 years at Bayer in a wide variety of functions. I repeat: 46 years!

There will be some nostalgia. People will ask you how you plan to spend the supposedly ample free time you will now have. And you will doubtless point out that apart from Bayer, you will retain important duties as a member of other supervisory boards. And then someone will tell you that at 73 you're too young to slow down anyway. After all, Konrad Adenauer was 73 when he became German Chancellor. And as we all know, he remained in that job for another 14 years.

So you have a wealth of perspectives. But there is still some time to go before the big farewell. All I want to do today, at your final Annual Stockholders' Meeting, is to express my sincere gratitude to you – and I'm sure I do so on behalf of everyone present. If I may quote the newspaper *Handelsblatt:* 'Rhetorical bluster isn't Schneider's thing.' That's true. And for that reason, I would like to summarize our gratitude in a slight variation on the words that conclude the Report of the Supervisory Board in every Annual Report.

Those words are:

The stockholders would like to thank the Chairman of the Supervisory Board for his dedication and hard work from 2002 until 2012!

I trust you agree with me."

Response by Dr. Manfred Schneider

"Ladies and gentlemen, please let me take this opportunity to say a few words on a personal note. After 46 years at Bayer – including 15 on the Board of Management, ten years as its Chairman and ten years as Chairman of the Supervisory Board, I plan to end my active service five months from now. Rest assured that I still very much enjoy serving as Chairman of the Supervisory Board of Bayer AG. However, I too have reached the age limit set by the Supervisory Board and will therefore step down after an orderly transition.

I can only say of this long period with Bayer that it has been a fascinating time in which I had the great opportunity to help shape our company from a position of responsibility.

Ladies and gentlemen, all the successes this company has scored have been based in large part on the achievements of our employees around the world. I would like to thank them, as I would the Board of Management for its competent leadership.

May I also take this opportunity to pay tribute to my colleagues on the Supervisory Board, who have supported me in my work with their expert knowledge and their commitment. At the same time, I would like to thank you, our stockholders, for the loyalty and trust that you have placed in me, the Supervisory Board and our company.

I wish all of you good luck and the very best for the future. And stay loyal to your company, Bayer."

Focus

Bayer researchers Dr. Christoph Gürtler and Daniela d'Elia from RWTH Aachen University viewing a scanning electron micrograph of a polyurethane foam structure.

Innovation with a future

They can be hard and tough or soft and flexible. They improve people's quality of life – and play a key role in climate protection: polyurethanes. Indeed, the modern world would be inconceivable without these plastics – which were invented in Leverkusen 75 years ago.

What does the outer skin of a soccer ball have in common with shoe soles? Or the cushion in a car seat with the coating of a high-speed train? Or the insulation used in houses and refrigerators with the rollers of a roller coaster? All of them contain polyurethanes. The range of possible applications is virtually endless. Their success story began in 1937, in the main scientific laboratory of what then was known as I.G. Farbenindustrie in Leverkusen. The laboratory manager, 35-year-old Dr. Otto Bayer (not related to the company founder) had a groundbreaking idea: to react diisocyanates with polyols. The idea appeared simple on paper, but encountered many obstacles in the lab. It wasn't until the 1950s that polyurethanes became a commercial success. Otto Bayer was convinced of their potential nevertheless. Because products with very different properties can be manufactured depending on the starting material and production process, the phrase "tailored polymers" was soon making the rounds.

Endless stream of new products and applications

Today, there is still no end in sight for the tailored polymers, with new product variants and areas of application being added constantly. Accordingly, the global market for polyurethanes has been growing steadily for decades. "Polyurethanes are an excellent example of how an innovation can help to improve the quality of life over many decades," says Bayer MaterialScience CEO Patrick Thomas.

Bayer researcher Dr. Otto Bayer experimenting with the foaming process for polyurethane

Bayer is among the world's leading suppliers of the raw materials necessary for making polyurethane. With few exceptions, it is the processors who synthesize the actual plastic. By far the most important class of polyurethanes in terms of volume are the foams. Flexible polyurethane foams are used in mattresses, chairs and seating. Rigid foams help to keep refrigerators cool and homes warm. Building insulation is the fastest-growing market at the moment. "Polyurethanes are thus making ever greater contributions to energy conservation," says Dr. Joachim Wolff, head of the Polyurethanes business unit at Bayer MaterialScience.

One reason for the trend is that polyurethanes are superior to all conventional insulating materials when it comes to efficiency. That's why Bayer's EcoCommercial Building Program initiative also favors these materials. "Insulating boards made of rigid polyurethane foam save around 70 times more energy over their lifetime than was used in their production," says Wolff.

Bayer employees Xiang Liu (left) and Erika Zhu in the Global Footwear Competence Center in Shanghai

Lowering greenhouse gas emissions and improving resource efficiency are important objectives in automotive engineering, too. Polyurethanes in the bodywork and seats of cars help to save weight and thus fuel. Bayer researchers see even more potential here, though. According to Dr. Géza Avar, innovation manager in the Polyurethanes business unit, "Composites made of carbon fibers and polyurethanes could one day replace heavy, conventional load-bearing bodywork components that are currently made of metal." Polyurethanes are also making key contributions to power generation from renewable energy sources. In solar modules, for example, they are used as flexible frames and protective laminations.

Used in coatings, polyurethanes can also extend the service life of products. "More and more users are turning to high-quality coatings that provide the longest possible protection, and that's where polyurethane coatings have an important role to play," explains Daniel Meyer, head of the Coatings, Adhesives, Specialties business unit.

The production of polyurethane raw materials is also becoming increasingly sustainable. As part of the "Dream Production" research initiative, experts are currently testing polyols manufactured using carbon dioxide from flue gases. The aim is to partly replace the petroleum used as a raw material for the production of high-grade foams.

Bayer invests more than €100 million each year in polyurethanes research and development as part of the quest for new applications. Experts are convinced: new chapters in the polyurethane success story will continue to be written in the 21st century.

Bayer sets ambitious targets for 2014

The Bayer Group sees good perspectives for its businesses in the medium term. "In the life science areas – HealthCare and CropScience – we anticipate further increases in sales and margins through 2014," said CEO Dr. Marijn Dekkers at the "Meet Management" investor conference recently held in Leverkusen.

Sales of Bayer HealthCare are expected to reach approximately €20 billion in 2014, while Bayer CropScience aims to raise sales to more than €8 billion. Bayer MaterialScience intends to further strengthen its leading position in the market. This subgroup plans to achieve volume gains in excess of the rate of global GDP growth. Targets are based on the most recent currency assumptions, including an exchange rate of US$1.40 to the euro.

"The main reason why I'm optimistic for our HealthCare subgroup is our well-stocked development pipeline in Pharmaceuticals," Dekkers said. Bayer had raised its sales expectations for a number of pharmaceutical products and development candidates in December 2011. "We believe four of our medicines in late-stage development have blockbuster potential. That means each of these products could achieve peak annual sales of €1 billion or more," he added. The four products are the anticoagulant Xarelto™, the eye medicine VEGF Trap-Eye, and the cancer drugs Alpharadin and regorafenib. Bayer considers Xarelto™ alone to have a peak sales potential of more than €2 billion.

Dekkers added that the company aims to expand sales in its Pharmaceuticals segment from €9.9 billion in 2011 to about €11.5 billion in 2014. Business in the Consumer Health segment, which includes the non-prescription (OTC) medicines business, animal health products and the Medical Care Division, is expected to grow from €7.2 billion in 2011 to some €8.5 billion in 2014. Sales of Bayer CropScience are planned to increase from €7.3 billion in 2011 to more than €8 billion in 2014, with the EBITDA margin before special items then rising to about 24 percent compared with 22.8 percent in 2011. In the high-tech materials business, Bayer aims to defend its position as the global market leader in raw materials for rigid polyurethane foams (MDI) and high-performance plastics (polycarbonate).

Bayer CEO Dr. Marijn Dekkers (right) at the investor conference

Better storability and longer shelf life

Bayer CropScience has received the registration for its new horticulture fungicide Luna™ from the U.S. Environmental Protection Agency (EPA). Luna™ is now available for the 2012 planting season.

For growers, distributors and the entire food value chain, Luna™ extends quality and provides excellent disease control, better storability and longer shelf life of harvested produce. Further registrations for Luna™ are expected soon in some European countries and Canada.

U.S. approval for Natazia to treat heavy menstrual bleeding

The U.S. Food and Drug Administration (FDA) has approved the Bayer contraceptive Natazia™ for the treatment of heavy menstrual bleeding that is not caused by any diagnosed conditions of the uterus in women who choose to use an oral contraceptive. Natazia™ is the first combined oral contraceptive to be approved in the United States for the treatment of heavy menstrual bleeding.

Natazia™ was approved in the United States in May 2010 to prevent pregnancy. It is the first combined oral contraceptive that contains an estrogen called estradiol valerate in combination with a progestogen called dienogest.

Estradiol valerate is converted to estradiol, which is the same estrogen produced in a woman's body. In Europe, the product has been marketed since May 2009 as a combined oral contraceptive under the tradename Qlaira™. The indication to treat heavy menstrual bleeding in women without organic pathology who desire oral contraception was first approved in Europe in October 2010.

Proven effectiveness in prevention and treatment

The oral anticoagulant Xarelto™ (rivaroxaban) has proven to be as safe and effective as the current standard of care in treating patients with acute symptomatic pulmonary embolism (PE) and in the secondary prevention of recurrent venous thromboembolism (VTE). Rivaroxaban is used as a single drug intervention whereas the standard approach comprises an initial subcutaneous injection of enoxaparin followed by a vitamin K antagonist. Rivaroxaban demonstrated similar overall bleeding rates, but was associated with significantly lower rates of major bleeding compared with the current standard regimen. The data from the Phase III EINSTEIN-PE study were recently presented as a late-breaker at the American College of Cardiology (ACC) Annual Scientific Sessions and published in the New England Journal of Medicine (NEJM).


Dr. Helmut Haning (left) and Dr. Jörg Hüser in Bayer's research laboratory

Bayer has submitted an application to the European Medicines Agency (EMA) for marketing authorization for rivaroxaban in this indication. Rivaroxaban is already marketed under the brand name Xarelto™ in more than 110 countries worldwide for the prophylaxis of venous thromboembolism (VTE) in adult patients following elective hip or knee replacement surgery. In the European Union, Xarelto™ is also approved for stroke prophylaxis in patients with atrial fibrillation, for the treatment of deep-vein thrombosis (DVT) and for the prevention of recurrent DVT and pulmonary embolism following an acute deep-vein thrombosis in adult patients. In the United States, it is approved for the prevention of venous thromboembolism in adult patients following elective hip or knee replacement surgery and for stroke prophylaxis in patients with atrial fibrillation.

Otto Bayer Award for sustainable chemistry

The Board of Trustees and Scientific Committee of the Bayer Science & Education Foundation have decided to bestow the Otto Bayer Award 2012 on Professor Benjamin List, a chemist from the Max Planck Institute for Coal Research in Mülheim an der Ruhr, Germany. The research scientist will receive the €75,000 prize for outstanding achievements in the field of organocatalysis. On the one hand, around 80 percent of all chemical products are manufactured with the help of metal catalysis, while on the other, enzymes, i.e. catalysts in living cells, play a fundamental role in metabolism. Catalysts make processes efficient and help to save resources. List's work on organocatalysis now opens up a third path toward more sustainable chemistry.


Professor Benjamin List

The Otto Bayer Award is one of Germany's most prestigious and coveted scientific accolades. It will be officially presented by Bayer CEO Dr. Marijn Dekkers at a ceremony in Berlin on June 21, 2012. The Otto Bayer Award honors scientists who have made pioneering contributions to research in innovative fields of biochemistry and chemistry. "Germany's future will be shaped by advances in fundamental and industrial research. We aim to promote research and strengthen excellence, particularly in Germany," said Professor Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Sustainability and a member of the Board of Directors of the foundation.

Further approval for EYLEA eye medicine

Good news for patients in Australia with wet age-related macular degeneration (wet AMD): Bayer HealthCare has received approval from the Australian Therapeutic Goods Administration (TGA) for VEGF Trap-Eye under the brand name EYLEA™. Bayer and Regeneron are collaborating on the global development of VEGF Trap-Eye. The eye medicine was approved in Australia for the treatment of patients with wet AMD at a recommended dose of 2 milligrams per month for three consecutive months, followed by one injection every two months. Bayer HealthCare plans to launch EYLEA™ in Australia in the second half of 2012.

Patient Sharifah Sehah (left) and Dr. Mayuri Bhangara during an eye examination at the Singapore Eye Research Institute

The TGA approval for EYLEA™ is based on the positive results of two Phase III clinical studies (VIEW 1 and VIEW 2), which demonstrated that VEGF Trap-Eye dosed every other month, following three initial monthly injections, was non-inferior to Lucentis™ (ranibizumab injection) dosed every four weeks. Beyond the wet AMD indication, VEGF Trap-Eye is currently in Phase III clinical studies for the treatment of central retinal vein occlusion (CRVO), diabetic macular edema (DME) and myopic choroidal neovascularization (mCNV).

VEGF Trap-Eye was approved in the United States under the EYLEA™ brand for the treatment of wet AMD in November 2011. Applications for marketing authorization in this indication have been submitted in Europe, Japan and other countries. In addition, Regeneron has filed a Biologics License Application for EYLEA™ in central retinal vein occlusion (CRVO) with the U.S. Food and Drug Administration (FDA) and expects a decision by September 2012.

Dual protection against weeds and insects

Bayer CropScience has received the registration from the U.S. Environmental Protection Agency (EPA) for its TwinLink™ technology for cotton in the United States. The EPA registration completes the federal regulatory authorization of this technology in the U.S. TwinLink™ technology combines dual insect resistance for effective management of a number of caterpillar pests and tolerance to glufosinate-ammonium herbicides (Liberty™).

When commercialized, TwinLink™ technology will be offered to U.S. cotton growers in combination with GlyTol™, which imparts tolerance to glyphosate herbicides. The stacked product will thus combine dual insect resistance with dual herbicide tolerance, allowing farmers to manage the pests and weeds that reduce yields and fiber quality, as well as prevent or postpone the onset of weed and pest resistance.

It is anticipated that the first cotton varieties with the TwinLink™ and GlyTol™ stacked traits will be available in the U.S. from 2013 onwards, pending additional regulatory approvals in key import countries. To date, TwinLink™ has been approved in Australia, New Zealand, Brazil, Canada and the U.S.

Tony Salcido (left) and Nkonko Mutamba from Bayer CropScience in a cotton field in the U.S.

Agreement to advance wheat breeding

Advancing wheat breeding and launching new wheat varieties on the market are the aims of a new collaboration between Bayer CropScience and Texas AgriLife Research, a part of the Texas A&M University System, College Station, Texas. The parties have signed a multi-year agreement to develop and commercialize improved wheat varieties. The collaboration utilizes Texas AgriLife Research's extensive collection of wheat cultivars and germplasm and Bayer's expertise in both classical and molecular plant breeding.

Bahar Miraghazadeh and Dr. Peter Chandler (left) from the Australian research organization CSIRO

In particular, researchers and breeders at both institutions will focus on developing wheat lines that offer improved yields or regionally important characteristics such as drought resistance, disease resistance and improved quality. Texas AgriLife Research is a leading provider of winter wheat germplasm for the Southern Great Plains region of the U.S., and its collection will serve as a strong basis for developing these new lines. Additionally, the collaboration will focus on the development of molecular breeding tools to facilitate the rapid genetic improvement of wheat. The agreement complements the many other collaborations that Bayer has in wheat with organizations including South Dakota State University and the University of Nebraska-Lincoln in the United States, the agricultural research institute NARDI in Romania, the companies RAGT Semences in France and Evogene in Israel, and the Commonwealth Scientific and Industrial Research Organization (CSIRO) in Australia.

Studies with cancer drug

Bayer has achieved positive results and met its primary endpoint of a statistically significant improvement in progression-free survival in its Phase III GRID study to evaluate its investigational compound regorafenib for the treatment of patients with metastatic and/or unresectable gastrointestinal stromal tumors (GIST) whose disease has progressed despite prior treatment with the chemotherapeutic agents imatinib and sunitinib. In this trial, the safety and tolerability of regorafenib were generally as expected. Detailed data from the study are expected to be presented at an upcoming scientific meeting. The GRID study was sponsored by Bayer, and the principal investigator was Dr. George Demetri, Director of the Ludwig Center at the Dana-Farber Cancer Institute and Harvard Medical School in Boston, Massachusetts.

Bayer plans to submit regorafenib for marketing authorization in the treatment of metastatic and/or unresectable GIST based on these data. Regorafenib has already shown positive results in a Phase III trial for the treatment of patients with metastatic colorectal cancer (mCRC). Bayer plans to submit regorafenib for marketing authorization in mCRC in the first half of 2012.

More energy generated than consumed

One year after the inauguration of Bayer's zero-emissions office building in Greater Noida, India, the energy balance of the EcoCommercial Building is positive, as expected. 72,000 kilowatt hours (kWh) of electricity were generated with the help of the photovoltaic system installed on the roof, whereas the building used just under 64,000 kWh over the same period. The net result is a surplus of more than 8,000 kWh of energy.

"The building is designed to use 50 percent less electricity than comparable buildings in our region," says Ram Sai Yelamanchili, who heads Bayer MaterialScience's EcoCommercial Building Program in India.

Protecting the health of bees

Bayer is initiating a global "Bee Care Program" to further promote bee health. As part of the program, two dedicated "Bayer Bee Care Centers" are to be established. In Europe, one center is scheduled to open in Monheim, Germany, this summer. A second center, which will focus on North America, is planned to open in the second half of the year in North Carolina, United States.

"As a company with long-standing expertise in both animal health and crop protection, Bayer is committed to environmental stewardship and sustainable agricultural practices, including the protection of beneficial insects such as honey bees," said Professsor Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Sustainability. "We have been providing products specifically designed to ensure bee health for more than 25 years," Plischke said.

The new centers are intended to provide a scientific communication and discussion platform, foster information sharing and consolidate existing and future bee health projects launched by Bayer companies in cooperation with external partners.

Expanding the soybean business

To further strengthen its business with soybean seeds and traits, Bayer CropScience has acquired the germplasm assets of ProSoy Genetics, the soybean breeding division of Thompson Agronomics, based in Leland, Iowa, United States. The acquisition broadens Bayer's range of soybean breeding options and enables Bayer to introduce LibertyLink™ and other improved traits into the U.S. Midwest. The company has a robust research and development pipeline including herbicide-tolerance and insect- and nematode-resistance programs specific to soybeans.

"We are pleased about the opportunity to bring the excellent germplasm assets of ProSoy into our expanding soybean breeding program," said Dr. Mathias Kremer, Head of the BioScience business unit of Bayer CropScience. "This move strengthens our position as a provider of both soybean germplasm and traits, and helps us in our quest to deliver tailored, high-performance solutions to farmers across the soybean growing regions of the United States that help them address the critical productivity challenges facing them today and in the future." Soybean is a strategically important crop for Bayer CropScience. The company has gradually expanded its business with soybean seeds and traits, partly through the acquisition of Hornbeck Seeds.

Bayer researcher Bernard Pelissier with soybean plants

CO_2 project among the best ideas for the future

The research initiative "Dream Production," a Bayer project for using the greenhouse gas carbon dioxide as a component for plastics, represents a highly promising idea for the future and is among the award winners in this year's "365 Landmarks in the Land of Ideas" competition. A pilot facility at Bayer's Leverkusen site is one of the "Selected Landmarks 2012." The CO_2 supplied by the power generation industry is to be used for the production of high-quality foams, replacing a portion of the petroleum previously used as a raw material.

Each year this competition under the patronage of the German President honors 365 ideas and projects that make a sustainable contribution to Germany's future viability. It has been held each year since 2006 and is sponsored in part by the "Germany – Land of Ideas" initiative. The winners chosen by a panel representing science, industry, politics and the media are considered "indicators of Germany's strong culture of innovation and a reflection of important future trends." This year there were more than 2,000 applications for the award, which is presented in six categories. "Dream Production" won in the science category. "This confirms our strategy of using sustainable products, processes and solutions to help in addressing global challenges such as resource conservation and climate protection," says Dr. Tony Van Osselaer, member of the Board of Management of Bayer MaterialScience. Other participants in "Dream Production" – under the leadership of Bayer MaterialScience – are the energy company RWE, RWTH Aachen University and the CAT Catalytic Center on the university campus.

Bayer employee Deniz Caper in the pilot facility for producing plastics using carbon dioxide

Investments in plants in Germany

Bayer MaterialScience is investing extensively to further strengthen its sites in Germany. The company has begun construction at Chempark Leverkusen of a multipurpose production plant for polyurethane coating raw materials, which are used primarily for high-quality and environmentally friendly automotive and industrial coatings. Bayer is investing roughly €35 million in the expansion of its production capacities, thus strengthening the site and safeguarding jobs. The plant is due on stream in fall 2013.

At the groundbreaking: Bayer CEO Dr. Marijn Dekkers (center) and Central Works Council Chairman Thomas de Win (2nd from right). Representing Bayer MaterialScience: CEO Patrick Thomas (2nd from left), Management Board member Dr. Tony Van Osselaer (left) and business unit head Daniel Meyer

"This investment reaffirms Bayer's commitment to the Leverkusen site and to our region," said Bayer CEO Dr. Marijn Dekkers at the groundbreaking. Bayer has also received the green light for the planned construction of a new world-scale plant in Dormagen to produce the chemical toluene diisocyanate (TDI) using a particularly eco-friendly process. The Cologne regional administration has granted the permit for an early start to construction. The final operating permit is expected in the second half of 2012. Bayer intends to invest €150 million in the facility. "We are pleased that the construction work for this important project can now begin and be completed within the next two years as planned," says Dr. Joachim Wolff, the member of the Executive Committee of Bayer MaterialScience responsible for the Polyurethanes business unit. "With an annual capacity of 300,000 metric tons, the future world-scale plant represents the final component of a long-term investment strategy in Dormagen in addition to being a key element in optimizing our isocyanate production in Europe." In the medium term, the new facility is due to replace the existing plants for the production of TDI in Dormagen and Brunsbüttel.

Also at Chempark Dormagen, Bayer MaterialScience recently commissioned a new technical center for process development. All global research activities for the production of aromatic isocyanates now take place at a single location.

Increased focus on interventional medicine

Bayer employees Diana Dutcher (left) and Joe Dutcher explain on a model in the U.S. laboratory how a thrombus can be dissolved.

With a view to focusing on a key strategic growth driver, Bayer has formed a new business unit named "Radiology and Interventional" through the integration of subsidiary Medrad Inc. and Bayer HealthCare Pharmaceuticals' contrast media business. The name Medrad will become a Bayer product brand. Commenting on the integration, Bayer HealthCare CEO Dr. Jörg Reinhardt said: "Working over several decades, the groups that now form Radiology and Interventional have achieved significant success in the radiology, interventional and contrast media fields. Our commitment continues with the integration of these business groups to increase the focus on shared customers." The new unit is part of Bayer HealthCare's Medical Care Division, headquartered in Tarrytown, New York. The former Medrad business has been committed to improving patient outcomes by being a leading manufacturer and distributor of high-tech medical devices that enable or enhance diagnostic and therapeutic medical procedures for computed tomography (CT), magnetic resonance imaging (MRI) and cardiovascular applications. The contrast media business has a similarly rich history, with pioneering developments in the areas of X-ray, CT and MRI.

Financial Calendar

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
2012 Annual Report	FEBRUARY 28, 2013
Q1 2013 Interim Report	APRIL 25, 2013
Annual Stockholders' Meeting 2013	APRIL 26, 2013

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