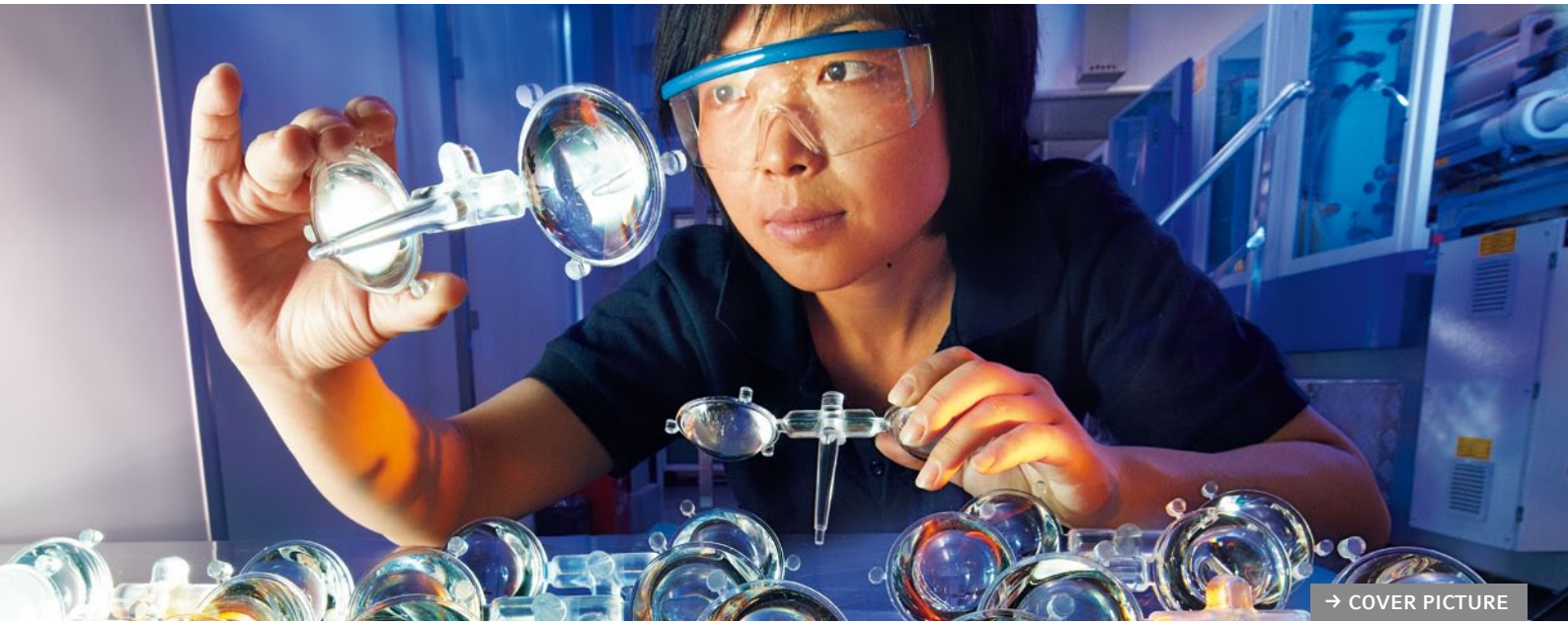
Science For A Better Life



Stockholders' Newsletter

FINANCIAL REPORT AS OF JUNE 30, 2012

Strong business performance in the second quarter of 2012: Bayer raises guidance for the full year

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Bayer Group Key Data

	2nd Quarter 2011	2nd Quarter 2012	Change	1st Half 2011	1st Half 2012	Change	Full Year 2011
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**9,252**	**10,177**	**+10.0**	**18,667**	**20,233**	**+8.4**	**36,528**
Change in sales							
Volume	+3.2%	+3.9%		+5.4%	+4.5%		+3.4%
Price	+2.2%	+1.1%		+2.4%	+0.6%		+2.1%
Currency	−4.7%	+5.5%		−1.2%	+3.8%		−1.5%
Portfolio	+0.1%	−0.5%		+0.1%	−0.5%		+0.1%
EBIT[1]	**1,273**	**750**	**−41.1**	**2,421**	**2,387**	**−1.4**	**4,149**
Special items	*(144)*	*(762)*		*(586)*	*(931)*		*(876)*
EBIT before special items[2]	***1,417***	***1,512***	***+6.7***	***3,007***	***3,318***	***+10.3***	***5,025***
EBIT margin before special items[3]	15.3%	14.9%		16.1%	16.4%		13.8%
EBITDA[4]	**1,906**	**1,561**	**−18.1**	**3,772**	**3,938**	**+4.4**	**6,918**
Special items	*(129)*	*(611)*		*(495)*	*(676)*		*(695)*
EBITDA before special items[2]	***2,035***	***2,172***	***+6.7***	***4,267***	***4,614***	***+8.1***	***7,613***
EBITDA margin before special items[3]	22.0%	21.3%		22.9%	22.8%		20.8%
Non-operating result	**(171)**	**(202)**	**−18.1**	**(384)**	**(379)**	**+1.3**	**(786)**
Net income	**747**	**494**	**−33.9**	**1,431**	**1,544**	**+7.9**	**2,470**
Earnings per share (€)	0.90	0.60	−33.3	1.73	1.87	+8.1	2.99
Core earnings per share (€)[5]	1.29	1.47	+14.0	2.74	3.15	+15.0	4.83
Gross cash flow[6]	**1,532**	**1,226**	**−20.0**	**2,841**	**2,821**	**−0.7**	**5,172**
Net cash flow[7]	**1,530**	**1,369**	**−10.5**	**2,331**	**1,640**	**−29.6**	**5,060**
Cash outflows for capital expenditures	**298**	**444**	**+49.0**	**536**	**700**	**+30.6**	**1,615**
Research and development expenses	**727**	**751**	**+3.3**	**1,464**	**1,450**	**−1.0**	**2,932**
Depreciation, amortization and impairments	**633**	**811**	**+28.1**	**1,351**	**1,551**	**+14.8**	**2,769**
Number of employees at end of period[8]	**113,400**	**112,300**	**−1.0**	**113,400**	**112,300**	**−1.0**	**111,800**
Personnel expenses (including pension expenses)	2,206	2,327	+5.5	4,451	4,616	+3.7	8,726

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

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

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

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

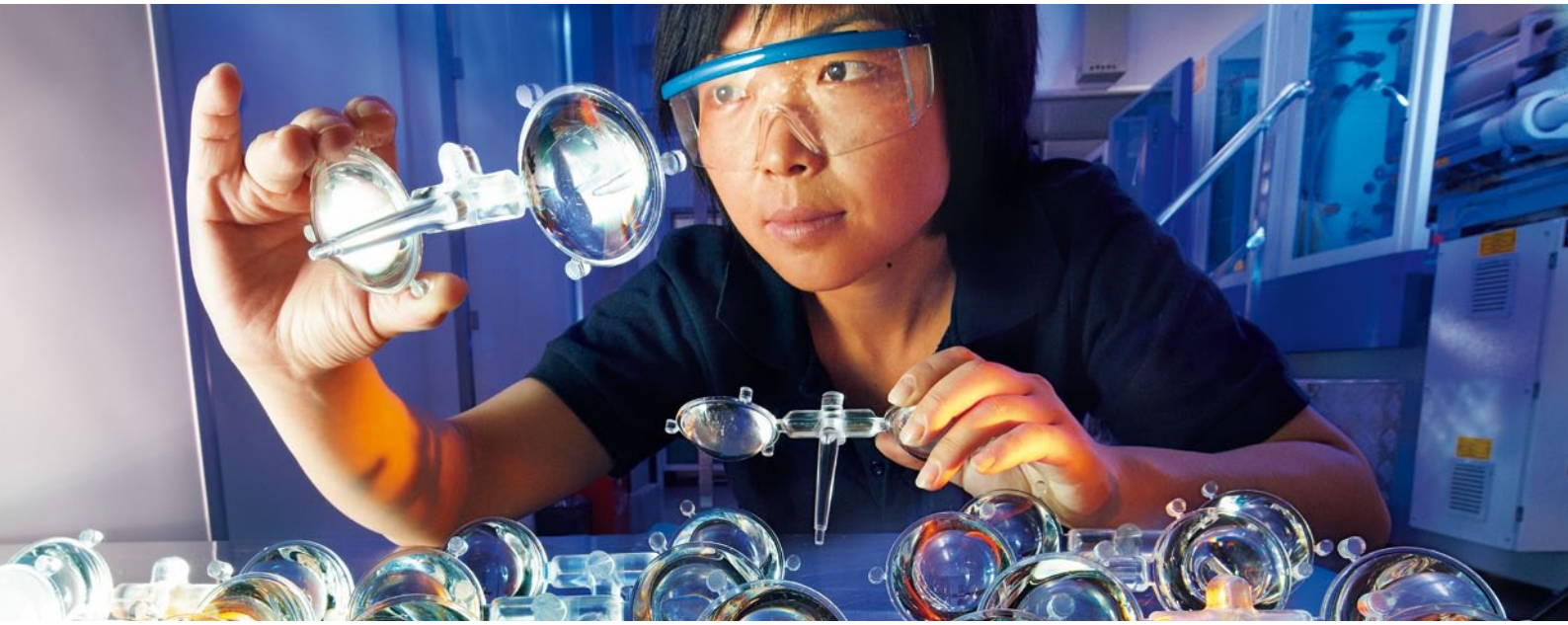
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals.

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

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

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

[8] Full-time equivalents



COVER PICTURE

Focus on sustainable innovations: Bayer's high-quality plastics make cars lighter, thus reducing their fuel consumption. Our cover picture shows development engineer Yilan Li checking freshly molded headlight inserts made from lightweight plastics at Bayer MaterialScience's Polymer Innovation Center in Shanghai.

Strong business performance in the second quarter of 2012:

Bayer raises guidance for the full year

- Record sales €10.2 billion (Fx & portfolio adj. +5.0%)
- CropScience and HealthCare sustained strong momentum, MaterialScience improved further
- EBIT €0.8 billion (-41.1%) impacted by special items – risk provisions established for litigations
- EBITDA before special items €2.2 billion (+6.7%)
- Net income €0.5 billion (-33.9%)

The Bayer Group saw continued growth momentum in the second quarter of 2012. Currency effects had a positive impact. We are raising our guidance for the full year.

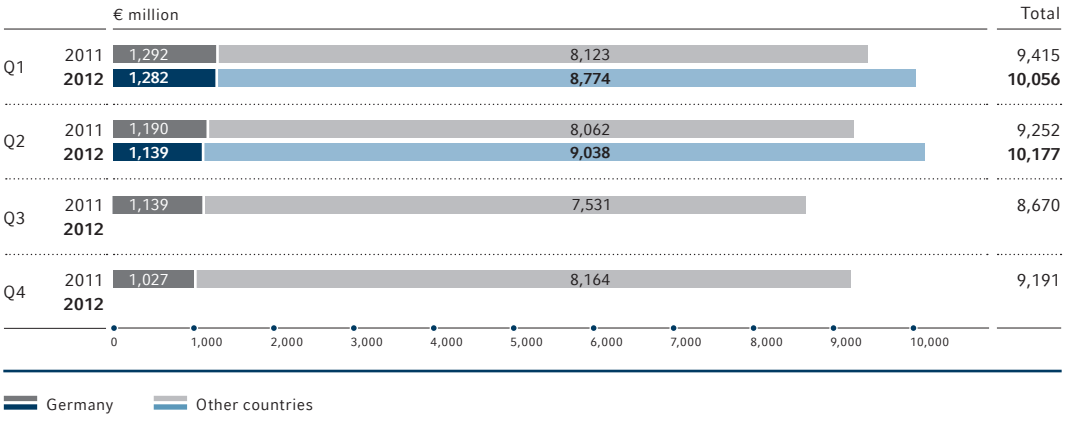
Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales rose by 5.0% to the record level of €10.2 billion (reported: +10.0%; Q2 2011: €9.3 billion). All the subgroups contributed to the increase, especially CropScience which continued to grow strongly. Earnings were impacted by special items of minus €0.8 billion (Q2 2011: minus €0.1 billion). This sum included risk provisions of €0.5 billion for litigations in connection with Yasmin™/YAZ™. The operating result (EBIT) decreased to €0.8 billion (Q2 2011: €1.3 billion).

EBITDA before special items improved by 6.7% to €2.2 billion (Q2 2011: €2.0 billion), driven by positive business development and currency effects at HealthCare and volume gains at CropScience. MaterialScience grew earnings slightly year on year, thus continuing the positive performance seen in the preceding quarters. On account of the high special items, net income declined by 33.9% to €0.5 billion. Earnings per share were €0.60 (Q2 2011: €0.90), and core earnings per share rose by 14.0% to €1.47 (Q2 2011: €1.29).

1. Overview of Sales, Earnings and Financial Position

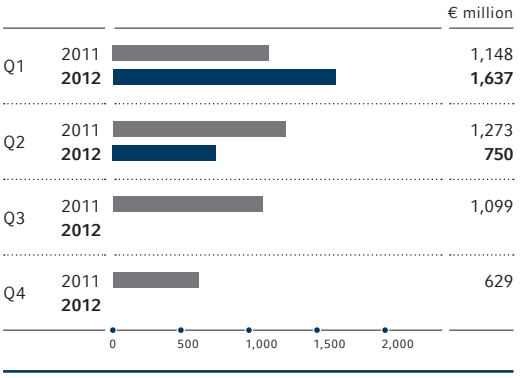
SECOND QUARTER OF 2012

Bayer Group Quarterly Sales [Graphic 1]

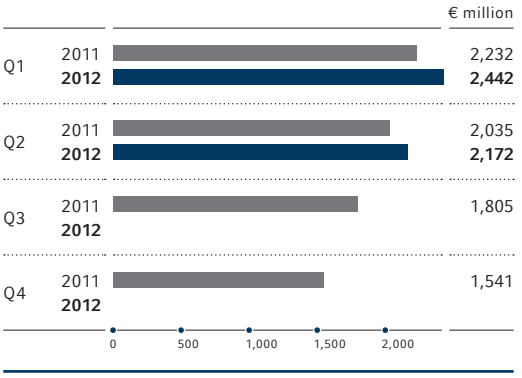


Sales of the Bayer Group grew by 5.0% (Fx & portfolio adj.) in the second quarter of 2012, to €10,177 million (reported: +10.0%; Q2 2011: €9,252 million). Sales of HealthCare came in at €4,628 million (Q2 2011: €4,208 million), giving a currency- and portfolio-adjusted increase of 4.1% (reported: +10.0%). CropScience raised sales by 12.7% (Fx & portfolio adj.) against the prior-year quarter to €2,276 million (reported: +17.1%; Q2 2011: €1,943 million). MaterialScience lifted sales by 1.9% (Fx & portfolio adj.) to €2,962 million (reported: +6.5%; Q2 2011: €2,782 million).

Bayer Group Quarterly EBIT [Graphic 2]



Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



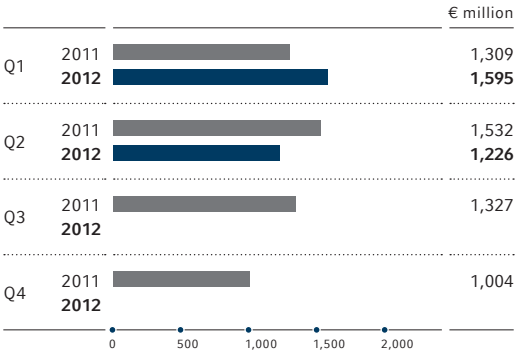
EBIT of the Bayer Group fell by 41.1% to €750 million (Q2 2011: €1,273 million). Special items totaled minus €762 million (Q2 2011: minus €144 million). This sum included provisions of €496 million for all litigations in connection with the oral contraceptive Yasmin™/YAZ™ of which we are currently aware and which we consider to be worthy of settlement (venous clot injuries).

Special items additionally comprised impairment losses on intangible assets of €137 million and restructuring charges of €107 million. EBIT before special items of the Bayer Group advanced by 6.7% to €1,512 million (Q2 2011: €1,417 million). **EBITDA** before special items increased by 6.7% to €2,172 million (Q2 2011: €2,035 million). At HealthCare, EBITDA before special items improved by

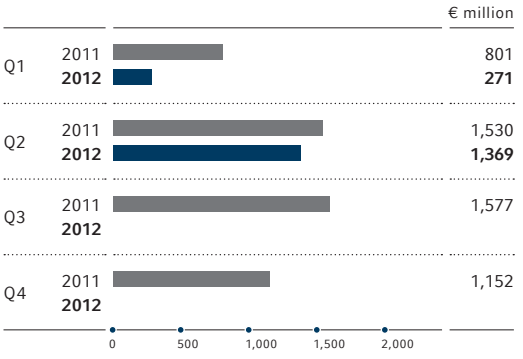
8.0% to €1,248 million (Q2 2011: €1,156 million), due mainly to the good business development in the Pharmaceuticals segment and positive currency effects. EBITDA before special items of CropScience grew by 16.6% to €549 million (Q2 2011: €471 million), largely as a result of higher volumes. EBITDA before special items of MaterialScience improved by 3.5% to €385 million (Q2 2011: €372 million). The Bayer Group benefited from positive currency effects of around €70 million overall.

After a **non-operating result** of minus €202 million (Q2 2011: minus €171 million), **income before income taxes** fell to €548 million (Q2 2011: €1,102 million). The main components of the non-operating result were €73 million (Q2 2011: €83 million) in interest cost for pension and other provisions and net interest expense of €80 million (Q2 2011: €64 million). After net tax expense of €49 million (Q2 2011: €356 million) and non-controlling interest, **net income** for the second quarter of 2012 amounted to €494 million (Q2 2011: €747 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



Gross cash flow in the second quarter of 2012 declined by 20.0% to €1,226 million (Q2 2011: €1,532 million), due especially to the high special charges. Net cash flow was down by 10.5% year on year at €1,369 million (Q2 2011: €1,530 million), particularly on account of significantly higher tax payments in the second quarter.

Net financial debt rose from €6.9 billion on March 31, 2012, to €7.9 billion on June 30, 2012. Cash provided by operating activities only partly offset the outflows for the dividend and interest payments. In addition, the weak euro resulted in a higher disclosure of foreign currency debt. The net amount recognized for post-employment benefits increased from €8.1 billion on March 31, 2012, to €9.3 billion, due especially to lower long-term capital market interest rates.

FIRST HALF OF 2012

The Bayer Group achieved a gratifying improvement in sales and earnings before special items in the first half of 2012, with CropScience making a particularly substantial contribution to this performance.

Sales climbed by 5.1% (Fx & portfolio adj.) to €20,233 million (reported: +8.4%; H1 2011: €18,667 million). HealthCare sales grew by a currency- and portfolio-adjusted 3.1% (reported: +7.1%). CropScience achieved a gratifying 13.6% increase in sales after adjusting for currency and portfolio effects (reported: +16.3%). MaterialScience raised sales by a currency- and portfolio-adjusted 2.2% (reported: +5.2%).

EBIT receded by 1.4% to €2,387 million (H1 2011: €2,421 million). Special items totaled minus €931 million (H1 2011: minus €586 million), while EBIT before special items increased by 10.3% to €3,318 million (H1 2011: €3,007 million). **EBITDA** before special items rose by 8.1% to €4,614 million (H1 2011: €4,267 million).

After a **non-operating result** of minus €379 million (H1 2011: minus €384 million), **income before income taxes** was €2,008 million (H1 2011: €2,037 million). The main components of the non-operating result were €176 million (H1 2011: €175 million) in net interest expense and €143 million (H1 2011: €166 million) in interest cost for pension and other provisions. After tax expense of €458 million (H1 2011: €608 million), after-tax income was €1,550 million (H1 2011: €1,429 million).

After non-controlling interest, **net income** of the Bayer Group came in at €1,544 million (H1 2011: €1,431 million). Earnings per share improved to €1.87 (H1 2011: €1.73). Core earnings per share advanced by 15.0% to €3.15 (H1 2011: €2.74). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow was level year on year at €2,821 million (H1 2011: €2,841 million). Net cash flow fell by 29.6% to €1,640 million. Net financial debt rose to €7.9 billion as of June 30, 2012, compared with €7.0 billion on December 31, 2011. The net amount recognized for post-employment benefits increased from €7.8 billion on December 31, 2011, to €9.3 billion, due especially to lower long-term capital market interest rates.

2. Economic Outlook

The prospects for the **global economy** remain very uncertain in mid-2012. On the one hand, the recovery in major economies such as the United States and Japan is likely to continue at a moderate pace. We also expect the emerging markets – especially China – to continue their robust growth, albeit with somewhat reduced momentum. On the other hand, the outlook for Europe remains unfavorable due to the persisting debt crisis.

We now expect the growth rate for the **pharmaceuticals market** in 2012 to be only in the low single digits. Much of the stimulus for growth will probably continue to come primarily from emerging markets such as China, Brazil, India and Russia. In the United States, we continue to expect growth to be in the low single digits. Development in Europe will likely vary from one country to another, with declines anticipated 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** to expand by a mid-single-digit percentage in 2012.

Assuming normal weather conditions, we anticipate that the global **seed and crop protection market** will grow by a high-single-digit percentage.

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

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

Following the good business performance in the first half of 2012, especially at CropScience and HealthCare, we are also confident for the second half of the year. In addition, we are benefiting from a very favorable currency environment. Against this background, we are raising our sales and earnings forecast for the full year. These predictions are based on the exchange rates on June 30, 2012.

For the full year 2012, we are now anticipating a currency- and portfolio adjusted sales increase of between 4% and 5% (previously: 3%). This would result in Group sales of between approximately €39 billion and €40 billion (previously: €37 billion).

We now plan to increase EBITDA before special items by a high-single-digit percentage (previously: slight improvement). We expect to raise core earnings per share (calculated as explained in Chapter 7) by about 10% (previously: slight improvement). In addition to the special charges already recognized, we anticipate further expenses of between €0.1 billion and €0.2 billion for ongoing restructuring programs in the second half of 2012.

HEALTHCARE

HealthCare's top priority for 2012 is to successfully commercialize the new pharmaceutical products. We expect sales to increase by between 3% and 4% (previously: by a low- to mid-single-digit percentage) after adjusting for currency and portfolio effects. We now plan to improve EBITDA before special items by a mid- to high-single-digit percentage (previously: slightly improve) to which high positive currency effects will contribute.

We now forecast sales of the Pharmaceuticals segment to move slightly higher (previously: remain stable or move slightly higher) on a currency- and portfolio-adjusted basis, and EBITDA before special items to rise by a mid-single-digit percentage (previously: approximately match the prior-year level).

In the Consumer Health segment, we anticipate that currency- and portfolio-adjusted sales will grow by a mid-single-digit percentage and EBITDA before special items by a high-single-digit percentage (previously: mid-single-digit growth).

CROPSCIENCE

Following the good business development in the first half of the year, we are raising our outlook for CropScience. We now anticipate that sales will advance by approximately 10% on a currency- and portfolio-adjusted basis and that EBITDA before special items will improve by approximately 20% (previously: sales and EBITDA before special items to advance by mid-single-digit percentages). We continue to predict above-market growth.

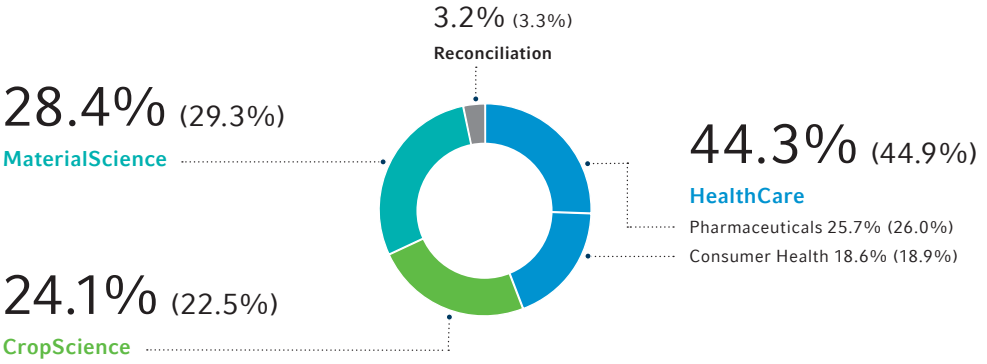
MATERIALSCIENCE

For MaterialScience, in the third quarter of 2012 we aspire to achieve currency- and portfolio-adjusted sales and EBITDA before special items on the level of the good second 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.

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 Half 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*	
	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,208**	**4,628**	**786**	**234**	**1,156**	**1,248**
Pharmaceuticals	2,430	2,685	454	47	722	809
Consumer Health	1,778	1,943	332	187	434	439
CropScience	**1,943**	**2,276**	**272**	**382**	**471**	**549**
MaterialScience	**2,782**	**2,962**	**236**	**210**	**372**	**385**
Reconciliation	**319**	**311**	**(21)**	**(76)**	**36**	**(10)**
Group	**9,252**	**10,177**	**1,273**	**750**	**2,035**	**2,172**

	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012
HealthCare	**8,374**	**8,970**	**1,555**	**975**	**2,296**	**2,429**
Pharmaceuticals	4,849	5,202	911	552	1,446	1,549
Consumer Health	3,525	3,768	644	423	850	880
CropScience	**4,200**	**4,886**	**491**	**1,233**	**1,216**	**1,530**
MaterialScience	**5,468**	**5,750**	**441**	**337**	**717**	**663**
Reconciliation	**625**	**627**	**(66)**	**(158)**	**38**	**(8)**
Group	**18,667**	**20,233**	**2,421**	**2,387**	**4,267**	**4,614**

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

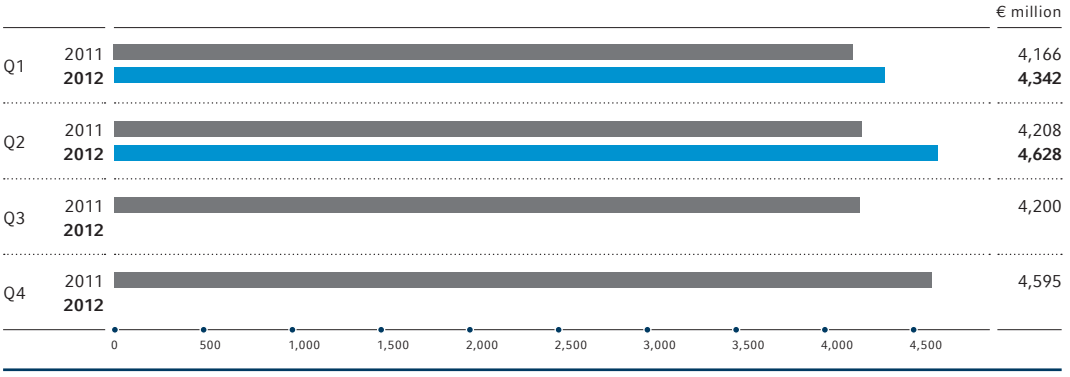
Key Data – HealthCare [Table 2]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,208**	**4,628**	**+10.0**	**+4.1**	**8,374**	**8,970**	**+7.1**	**+3.1**
Change in sales								
Volume	+2.6%	+3.3%			+3.4%	+2.8%		
Price	−0.8%	+0.8%			−0.5%	+0.3%		
Currency	−4.4%	+6.2%			−0.7%	+4.2%		
Portfolio	+0.3%	−0.3%			+0.2%	−0.2%		
Sales by segment								
Pharmaceuticals	2,430	2,685	+10.5	+4.3	4,849	5,202	+7.3	+2.9
Consumer Health	1,778	1,943	+9.3	+3.8	3,525	3,768	+6.9	+3.3
Sales by region								
Europe	1,592	1,578	−0.9	−1.5	3,188	3,179	−0.3	−0.7
North America	1,062	1,257	+18.4	+6.4	2,138	2,382	+11.4	+3.5
Asia/Pacific	878	1,066	+21.4	+8.2	1,728	1,990	+15.2	+4.9
Latin America/Africa/Middle East	676	727	+7.5	+6.7	1,320	1,419	+7.5	+7.6
EBIT	**786**	**234**	**−70.2**		**1,555**	**975**	**−37.3**	
Special items	*(51)*	*(668)*			*(88)*	*(788)*		
EBIT before special items*	***837***	***902***	***+7.8***		***1,643***	***1,763***	***+7.3***	
EBITDA*	**1,105**	**726**	**−34.3**		**2,208**	**1,890**	**−14.4**	
Special items	*(51)*	*(522)*			*(88)*	*(539)*		
EBITDA before special items*	***1,156***	***1,248***	***+8.0***		***2,296***	***2,429***	***+5.8***	
EBITDA margin before special items*	27.5%	27.0%			27.4%	27.1%		
Gross cash flow**	**760**	**558**	**−26.6**		**1,528**	**1,362**	**−10.9**	
Net cash flow**	**636**	**869**	**+36.6**		**1,417**	**1,366**	**−3.6**	

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."

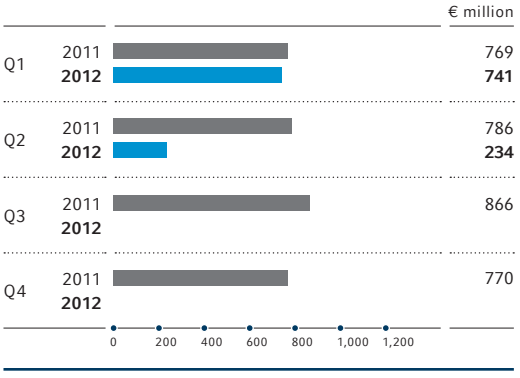
Sales of the **HealthCare** subgroup increased by 4.1% (Fx & portfolio adj.) in the **second quarter of 2012**, to €4,628 million (reported: +10.0%). The Pharmaceuticals and Consumer Health segments both contributed to this growth. Business developed particularly well in the emerging markets.

HealthCare Quarterly Sales [Graphic 7]

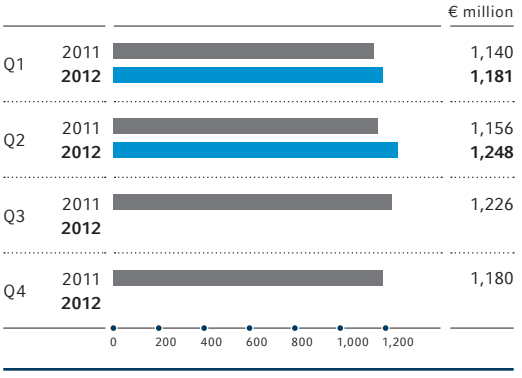


EBIT of HealthCare declined by 70.2% in the second quarter of 2012 to €234 million due to special items of minus €668 million (Q2 2011: minus €51 million). EBIT before special items rose by 7.8% to €902 million. **EBITDA** before special items increased by 8.0% to €1,248 million. This was largely attributable to good business development in the Pharmaceuticals segment and positive currency effects.

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,430**	**2,685**	**+10.5**	**+4.3**	**4,849**	**5,202**	**+7.3**	**+2.9**
General Medicine	1,689	1,847	+9.4	+3.4	3,330	3,572	+7.3	+3.0
Specialty Medicine	741	838	+13.1	+6.2	1,519	1,630	+7.3	+2.8
Sales by region								
Europe	915	893	−2.4	−2.9	1,835	1,801	−1.9	−2.2
North America	486	605	+24.5	+12.3	1,018	1,150	+13.0	+5.3
Asia/Pacific	610	744	+22.0	+8.2	1,194	1,387	+16.2	+5.6
Latin America/Africa/Middle East	419	443	+5.7	+5.3	802	864	+7.7	+7.6
EBIT	**454**	**47**	**−89.6**		**911**	**552**	**−39.4**	
Special items	*(48)*	*(524)*			*(84)*	*(539)*		
EBIT before special items*	***502***	***571***	***+13.7***		***995***	***1,091***	***+9.6***	
EBITDA*	**674**	**293**	**−56.5**		**1,362**	**1,018**	**−25.3**	
Special items	*(48)*	*(516)*			*(84)*	*(531)*		
EBITDA before special items*	***722***	***809***	***+12.0***		***1,446***	***1,549***	***+7.1***	
EBITDA margin before special items*	29.7%	30.1%			29.8%	29.8%		
Gross cash flow**	**452**	**218**	**−51.8**		**923**	**706**	**−23.5**	
Net cash flow**	**341**	**605**	**+77.4**		**859**	**922**	**+7.3**	

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 **second quarter of 2012**, **sales** in our **Pharmaceuticals** segment rose by 4.3% (Fx & portfolio adj.) to €2,685 million. Growth was achieved mainly in North America and the emerging markets, especially China. Seen alongside these increases were slight declines in Europe, particularly in Western Europe.

Best-Selling Pharmaceuticals Products [Table 4]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Betaferon™/Betaseron™ (Specialty Medicine)	273	319	+16.8	+10.2	547	595	+8.8	+4.4
Kogenate™ (Specialty Medicine)	262	289	+10.3	+4.1	545	584	+7.2	+2.9
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	263	254	−3.4	−6.4	505	498	−1.4	−3.6
Nexavar™ (Specialty Medicine)	171	195	+14.0	+7.5	343	381	+11.1	+6.0
Mirena™ (General Medicine)	144	199	+38.2	+26.7	287	359	+25.1	+17.6
Adalat™ (General Medicine)	156	172	+10.3	−0.4	313	330	+5.4	−2.1
Avalox™/Avelox™ (General Medicine)	105	113	+7.6	+0.5	252	244	−3.2	−7.5
Aspirin™ Cardio (General Medicine)	99	115	+16.2	+8.3	189	223	+18.0	+11.8
Glucobay™ (General Medicine)	90	103	+14.4	+2.7	178	187	+5.1	−3.6
Levitra™ (General Medicine)	82	70	−14.6	−16.9	164	145	−11.6	−13.1
Xarelto™ (General Medicine)	19	68	+257.9	+237.9	35	110	+214.3	+205.7
Cipro™/Ciprobay™ (General Medicine)	58	57	−1.7	−7.5	117	108	−7.7	−11.3
Zetia™ (General Medicine)	41	48	+17.1	+4.7	79	95	+20.3	+8.7
Diane™ (General Medicine)	45	48	+6.7	+3.4	86	93	+8.1	+6.0
Fosrenol™ (General Medicine)	43	50	+16.3	+3.7	73	90	+23.3	+11.0
Total	**1,851**	**2,100**	**+13.5**	**+6.3**	**3,713**	**4,042**	**+8.9**	**+3.8**
Proportion of Pharmaceuticals sales	76%	78%			77%	78%		

2011 figures restated
Fx adj. = currency-adjusted

Sales of the **General Medicine** business unit moved up by 3.4% (Fx & portfolio adj.) to €1,847 million. We achieved sales of €68 million with our anticoagulant Xarelto™ following market launches in further countries and the expansion of indications. Revenues from our hormone-releasing intrauterine device Mirena™ increased significantly, mainly as a result of higher volumes and a major order in the United States. By extending our marketing activities in China, we raised sales of Aspirin™ Cardio for the prevention of myocardial infarction and of our oral antidiabetic Glucobay™. Business with Adalat™, our product to treat high blood pressure and coronary heart disease, and with our antibiotic Avalox™/Avelox™ was level with the prior-year period.

Sales of our erectile dysfunction treatment Levitra™ declined particularly in the United States. Business with our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives was hampered by generic competition, especially in Western Europe and North America. By contrast, sales of this product line rose in Japan. Sales of our antibiotic Cipro™/Ciprobay™ fell back slightly, due primarily to weaker tender business.

Sales in the **Specialty Medicine** business unit came in at €838 million, up 6.2% (Fx & portfolio adj.). Business with our multiple sclerosis treatment Betaferon™/Betaseron™ developed positively. Reasons for this sales growth included price increases and the release of provisions for discounts in the United States. Sales of our cancer drug Nexavar™ also developed positively, particularly in the United States and due to additional government contracts in Latin America. We achieved further gains as a result of our expanded marketing activities in China. We expanded volumes of our blood-clotting product Kogenate™ through tender business.

EBIT of the **Pharmaceuticals** segment decreased by 89.6% in the second quarter of 2012 to €47 million. This decline is due to special items of minus €524 million (Q2 2011: minus €48 million), resulting mainly from provisions established in connection with litigations concerning Yasmin™/YAZ™. EBIT before special items rose by 13.7% to €571 million. **EBITDA** before special items also increased by 12.0% to €809 million. Earnings benefited above all from higher sales resulting from increased volumes and positive currency effects. This development was partially compensated by increased expenses for the marketing of new products and investment in business development in the emerging markets.

Sales of our **Pharmaceuticals** segment in the **first half of 2012** improved by 2.9% (Fx & portfolio adj.) to €5,202 million. Business developed positively, particularly in the emerging markets and in North America, while sales moved back slightly in Europe. This was mainly attributable to health system reforms and generic competition in Western Europe. Products that posted gratifying sales gains included especially our anticoagulant Xarelto™, the hormone-releasing intrauterine device Mirena™, Aspirin™ Cardio for the prevention of myocardial infarction, the multiple sclerosis drug Betaferon™/Betaseron™ and our cancer drug Nexavar™. Our blood-clotting medicine Kogenate™ posted a slight increase in sales. There was a decline in sales particularly for the erectile dysfunction treatment Levitra™, the antibiotic Avalox™/Avelox™ and our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives.

EBIT declined by 39.4% in the first half of 2012 to €552 million due to negative special items. Special charges of €539 million resulted mainly from provisions established in connection with litigations concerning Yasmin™/YAZ™. EBIT before special items advanced by 9.6% to €1,091 million. **EBITDA** before special items increased by 7.1% to €1,549 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,778**	**1,943**	**+9.3**	**+3.8**	**3,525**	**3,768**	**+6.9**	**+3.3**
Consumer Care	839	926	+10.4	+6.0	1,703	1,813	+6.5	+3.8
Medical Care	613	657	+7.2	+1.0	1,200	1,276	+6.3	+2.3
Animal Health	326	360	+10.4	+3.4	622	679	+9.2	+4.0
Sales by region								
Europe	677	685	+1.2	+0.4	1,353	1,378	+1.8	+1.3
North America	576	652	+13.2	+1.4	1,120	1,232	+10.0	+1.9
Asia/Pacific	268	322	+20.1	+8.2	534	603	+12.9	+3.4
Latin America/Africa/Middle East	257	284	+10.5	+8.9	518	555	+7.1	+7.5
EBIT	**332**	**187**	**–43.7**		**644**	**423**	**–34.3**	
Special items	*(3)*	*(144)*			*(4)*	*(249)*		
EBIT before special items*	***335***	***331***	***–1.2***		***648***	***672***	***+3.7***	
EBITDA*	**431**	**433**	**+0.5**		**846**	**872**	**+3.1**	
Special items	*(3)*	*(6)*			*(4)*	*(8)*		
EBITDA before special items*	***434***	***439***	***+1.2***		***850***	***880***	***+3.5***	
EBITDA margin before special items*	24.4%	22.6%			24.1%	23.4%		
Gross cash flow**	**308**	**340**	**+10.4**		**605**	**656**	**+8.4**	
Net cash flow**	**295**	**264**	**–10.5**		**558**	**444**	**–20.4**	

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 3.8% (Fx & portfolio adj.) in the **second quarter of 2012** to €1,943 million, with all divisions contributing to growth. Business developed especially well in the emerging markets.

Best-Selling Consumer Health Products [Table 6]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	159	174	+9.4	+4.2	311	340	+9.3	+5.8
Advantage™ product line (Animal Health)	143	156	+9.1	+0.4	245	278	+13.5	+6.9
Aspirin™ * (Consumer Care)	104	110	+5.8	+0.1	216	215	–0.5	–3.6
Ultravist™ (Medical Care)	82	87	+6.1	+0.3	157	163	+3.8	–0.3
Aleve™/naproxen (Consumer Care)	68	82	+20.6	+10.1	135	152	+12.6	+5.3
Bepanthen™/Bepanthol™ (Consumer Care)	59	70	+18.6	+18.3	122	137	+12.3	+12.8
Canesten™ (Consumer Care)	58	61	+5.2	0.0	113	117	+3.5	+0.7
Gadovist™ (Medical Care)	39	51	+30.8	+28.2	76	98	+28.9	+27.4
One A Day™ (Consumer Care)	44	50	+13.6	+2.4	85	93	+9.4	+1.5
Iopamiron (Medical Care)	42	44	+4.8	–8.4	86	84	–2.3	–12.2
Total	**798**	**885**	**+10.9**	**+4.2**	**1,546**	**1,677**	**+8.5**	**+4.0**
Proportion of Consumer Health sales	45%	46%			44%	45%		

2011 figures restated
Fx adj.= currency-adjusted
* Sales of Aspirin™ – including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment – increased by 10.8% (Fx adj. +4.1%) in Q2 2012 to €225 million (Q2 2011: €203 million). H1 2012 sales totaled €438 million (H1 2011: €405 million) and increased by 8.1% (Fx adj. +3.6%).

Our **Consumer Care** Division grew sales by 6.0% (Fx & portfolio adj.) to €926 million. Increased demand benefited our skincare product Bepanthen™/Bepanthol™ and the analgesic Aleve™/naproxen.

The **Medical Care** Division advanced sales by 1.0% (Fx & portfolio adj.) to €657 million. Growth was mainly attributable to the positive development of our contrast agent and medical equipment business.

Business in the **Animal Health** Division expanded by 3.4% (Fx & portfolio adj.) to €360 million. Sales of our Advantage™ line of flea, tick and worm control products came in at the prior-year level. We registered sales gains in Europe, mainly as a result of successful marketing activities. By contrast, business receded in North America compared with a strong prior-year quarter.

EBIT of the **Consumer Health** segment fell by 43.7% in the second quarter of 2012 to €187 million after special items of minus €144 million (Q2 2011: minus €3 million). These resulted mainly from impairment losses recognized on intangible assets, including the MEDRAD™ brand. EBIT before special items amounted to €331 million (-1.2%). **EBITDA** before special items came in at €439 million, gaining slightly on the prior-year quarter (+1.2%). The positive earnings contributions from higher sales were largely offset by higher market investments.

Sales of our **Consumer Health** segment in the **first half of 2012** improved by 3.3% (Fx & portfolio adj.) to €3,768 million, with all divisions contributing to this growth. We registered positive performances especially for the contrast agent Gadovist™, the Advantage™ product line, the Contour™ line of blood glucose meters, the skincare product Bepanthen™/Bepanthol™ and the analgesic Aleve™/naproxen.

EBIT declined by 34.3% in the first half of 2012 to €423 million. Special items totaled minus €249 million, resulting mainly from impairment losses recognized on intangible assets. EBIT before special items advanced by 3.7% to €672 million. **EBITDA** before special items increased by 3.5% to €880 million.

5.2 CropScience

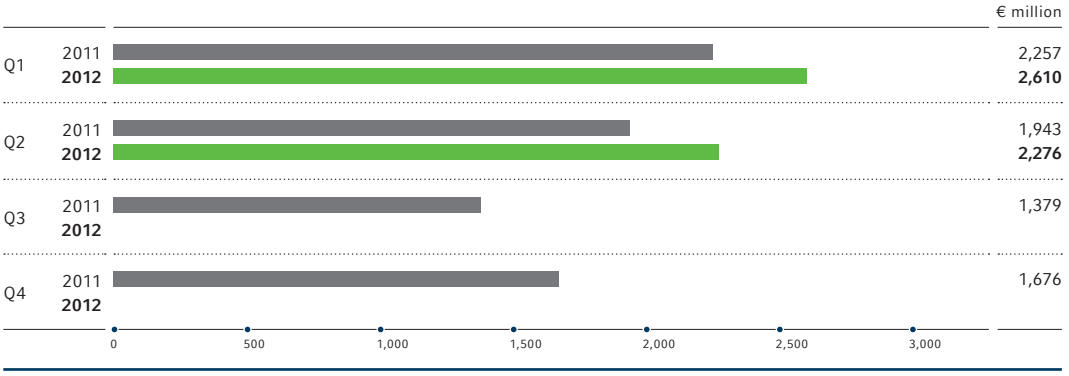
Key Data – CropScience [Table 7]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,943**	**2,276**	**+17.1**	**+12.7**	**4,200**	**4,886**	**+16.3**	**+13.6**
Change in sales								
Volume	+11.1%	+11.2%			+12.0%	+12.5%		
Price	−1.9%	+1.5%			−0.6%	+1.1%		
Currency	−5.8%	+5.2%			−1.8%	+3.5%		
Portfolio	−0.3%	−0.8%			−0.1%	−0.8%		
Sales by business group								
Crop Protection/BioScience	1,757	2,087	+18.8	+14.5	3,836	4,510	+17.6	+14.9
Environmental Science	186	189	+1.6	−3.8	364	376	+3.3	−0.3
Sales by region								
Europe	777	847	+9.0	+8.1	1,779	1,899	+6.7	+6.5
North America	535	721	+34.8	+23.4	1,205	1,588	+31.8	+24.1
Asia/Pacific	334	354	+6.0	+2.4	603	698	+15.8	+11.4
Latin America/Africa/Middle East	297	354	+19.2	+12.1	613	701	+14.4	+10.4
EBIT	**272**	**382**	**+40.4**		**491**	**1,233**	**+151.1**	
Special items	*(81)*	*(53)*			*(486)*	*(63)*		
EBIT before special items*	***353***	***435***	***+23.2***		***977***	***1,296***	***+32.7***	
EBITDA*	**405**	**501**	**+23.7**		**821**	**1,473**	**+79.4**	
Special items	*(66)*	*(48)*			*(395)*	*(57)*		
EBITDA before special items*	***471***	***549***	***+16.6***		***1,216***	***1,530***	***+25.8***	
EBITDA margin before special items*	24.2%	24.1%			29.0%	31.3%		
Gross cash flow**	**304**	**381**	**+25.3**		**618**	**1,059**	**+71.4**	
Net cash flow**	**823**	**935**	**+13.6**		**609**	**280**	**−54.0**	

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

Sales of the **CropScience** subgroup advanced by 12.7% (Fx & portfolio adj.) in the **second quarter of 2012** to €2,276 million (reported: +17.1%). Thus we were able to build on the successful start to the season in the previous quarter. We once again saw particularly strong growth in North America, due especially to the re-alignment of our commercial activities. Our business in Europe and in Latin America/Africa/Middle East also showed gratifying development, while sales rose moderately in Asia/Pacific. Positive market conditions, particularly as a result of the persisting high price level for agricultural commodities, contributed to this growth.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/BioScience** in the second quarter of 2012 amounted to €2,087 million, up 14.5% (Fx & portfolio adj.) from the same period of 2011.

Crop Protection once again posted marked growth in all product groups and regions. Nearly all business units saw double-digit growth rates. The expansion of business with seed treatment products was particularly strong following a moderate performance in the preceding quarter. The fungicides business benefited mainly from the introduction of X-Pro™ in additional European countries and the positive sales development of the Prosaro™ product group in the United States. Insecticides saw strong sales growth in North America, where our product Belt™ profited from the good market conditions in soybean cultivation. Herbicides posted significant growth across all regions. This was attributable primarily to the expansion of sales of the Adengo™ and Liberty™ product families.

Sales – Crop Protection/BioScience [Table 8]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
Herbicides	607	697	+14.8	+9.7	1,308	1,545	+18.1	+14.7
Fungicides	518	614	+18.5	+15.1	1,015	1,168	+15.1	+13.7
Insecticides	317	378	+19.2	+14.5	605	714	+18.0	+15.9
Seed Treatment	120	161	+34.2	+25.8	310	360	+16.1	+11.9
Crop Protection	1,562	1,850	+18.4	+13.8	3,238	3,787	+17.0	+14.4
BioScience	195	237	+21.5	+20.5	598	723	+20.9	+18.2
Crop Protection/BioScience	**1,757**	**2,087**	**+18.8**	**+14.5**	**3,836**	**4,510**	**+17.6**	**+14.9**

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

Sales of Crop Protection in **Europe** rose by 10.9% (Fx adj.) to €750 million, with the fungicides, seed treatment and herbicides businesses posting pleasing growth. Sales of insecticides remained level year on year. Nearly all countries contributed to this positive performance overall. We achieved considerable growth in the United Kingdom, France, Russia and Poland. This development was due in large part to X-Pro™ and the Prosaro™ product family.

We registered strong growth in **North America** in the second quarter as well. Crop Protection sales improved by a considerable 21.5% (Fx adj.) to €515 million. The positive market environment overall stimulated our business in the United States and Canada. We achieved double-digit growth rates in all business units, with insecticide sales expanding particularly strongly compared with the prior year. This was attributable above all to increased sales of Belt™ and Movento™. In Canada, the herbicides business benefited mainly from combination with canola seed within the context of our integrated product offering. Our fungicides also saw very gratifying gains there.

Sales in the **Asia/Pacific** region grew by a moderate 3.7% (Fx adj.) to €266 million. Business benefited primarily from strong growth in herbicides, particularly for rice and cereals. We significantly improved sales in Australia and India, while business in Japan and Thailand was down against the strong prior-year level.

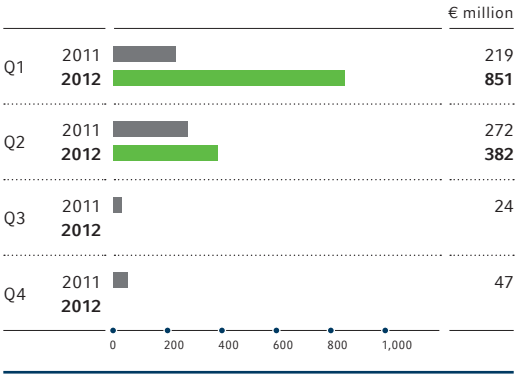
Sales in the **Latin America/Africa/Middle East** region moved forward by 12.9% (Fx adj.) year on year to €319 million. We registered the strongest gains in Brazil, where business with seed treatment products doubled. Sales of insecticides, and especially Belt™, rose sharply. Fungicides also developed positively, mainly in corn cultivation. Business performance was positive overall in Africa and the Middle East.

BioScience built on its success in the preceding quarter, markedly expanding sales by 20.5% (Fx & portfolio adj.) to €237 million. We achieved the strongest sales growth in North America, mainly in broad-acre crops. Our cotton seed brands Stoneville™ and FiberMax™ posted particularly strong performance. Sales of our vegetable seeds marketed under the Nunhems™ brand declined slightly.

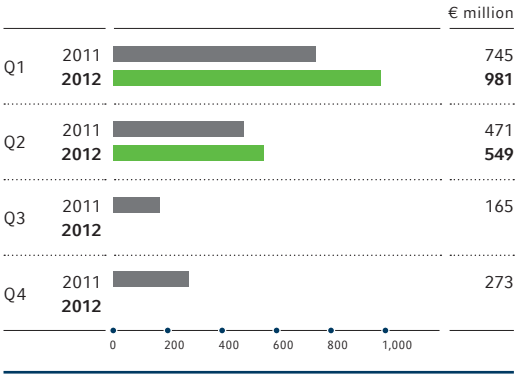
Sales of the **Environmental Science** business unit moved back by 3.8% (Fx adj.) to €189 million. This decline was mainly attributable to business with both professional users and products for private customers in Europe. By contrast, business in the United States developed positively.

EBIT of **CropScience** climbed substantially in the second quarter of 2012 from €272 million to €382 million (+40.4 %). Special charges amounted to €53 million (Q2 2011: €81 million) and were incurred mainly for restructuring at Crop Protection. EBIT before special items improved by 23.2% to €435 million, while **EBITDA** before special items advanced by 16.6% to €549 million. This was attributable above all to higher volumes and prices. Progress made with our efficiency improvement programs also had a positive impact on earnings. In addition, we benefited from one-time gains of €25 million (Q2 2011: €16 million) in connection with outlicensing activities at Crop Protection.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



CropScience sales in the **first half of 2012** increased by 13.6% (Fx & portfolio adj.) to €4,886 million. After a successful prior year, business in 2012 was also driven by a good season in the northern hemisphere. In addition to an attractive market environment, the realignment of our sales and marketing activities and our streamlined product portfolio contributed to the positive business performance. Crop Protection recorded double-digit growth in all business units. At BioScience we achieved gratifying sales gains with seed for the core crops oilseed rape/canola, cotton and rice. We also saw strong expansion in Latin America. On the other hand, business with vegetable seeds was down in a difficult market environment. Sales in the Environmental Science business unit were level year on year.

EBIT of CropScience rose substantially in the first half of 2012 from €491 million to €1,233 million after special charges of €63 million (H1 2011: €486 million). These mainly comprised expenses for restructuring at Crop Protection. EBIT before special items increased by 32.7% to €1,296 million. **EBITDA** before special items climbed 25.8% year on year to €1,530 million thanks to the good business development, especially in the northern hemisphere. Our business in North America made a substantial contribution. In addition, we benefited from one-time gains of €47 million (H1 2011: €16 million), primarily in connection with outlicensing activities and the divestment of active ingredients at Crop Protection.

5.3 MaterialScience

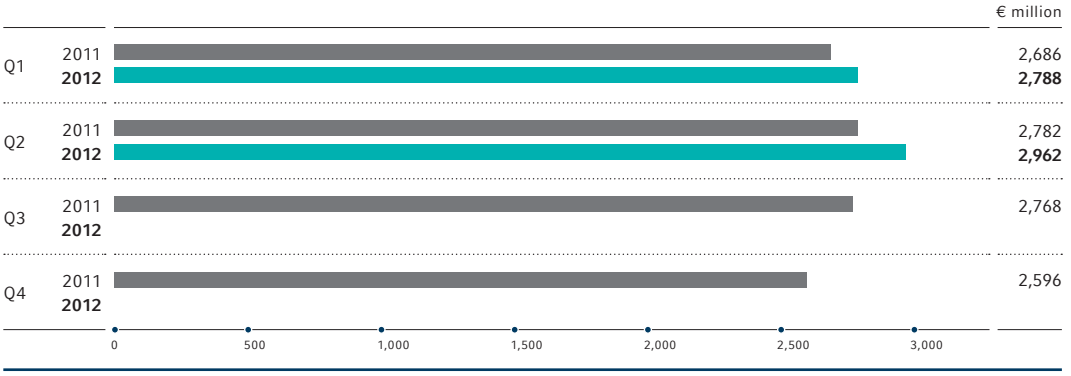
Key Data – MaterialScience [Table 9]

	2nd Quarter 2011	2nd Quarter 2012	Change		1st Half 2011	1st Half 2012	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,782**	**2,962**	**+6.5**	**+1.9**	**5,468**	**5,750**	**+5.2**	**+2.2**
Change in sales								
Volume	−1.0%	+1.0%			+3.9%	+1.9%		
Price	+9.3%	+0.9%			+9.1%	+0.3%		
Currency	−5.0%	+5.3%			−1.7%	+3.8%		
Portfolio	+0.2%	−0.7%			+0.2%	−0.8%		
Sales by business unit								
Polyurethanes	1,374	1,547	+12.6	+7.5	2,727	2,990	+9.6	+6.1
Polycarbonates	761	728	−4.3	−10.2	1,477	1,434	−2.9	−7.3
Coatings, Adhesives, Specialties	490	507	+3.5	+2.9	950	969	+2.0	+3.4
Industrial Operations	157	180	+14.6	+9.9	314	357	+13.7	+10.1
Sales by region								
Europe	1,169	1,137	−2.7	−2.8	2,289	2,267	−1.0	−1.0
North America	537	642	+19.6	+7.1	1,048	1,216	+16.0	+7.4
Asia/Pacific	712	806	+13.2	+1.5	1,424	1,530	+7.4	−1.2
Latin America/Africa/Middle East	364	377	+3.6	+4.9	707	737	+4.2	+5.4
EBIT	**236**	**210**	**−11.0**		**441**	**337**	**−23.6**	
Special items	-	*(22)*			-	*(22)*		
EBIT before special items*	***236***	***232***	***−1.7***		***441***	***359***	***−18.6***	
EBITDA*	**372**	**363**	**−2.4**		**717**	**641**	**−10.6**	
Special items	-	*(22)*			-	*(22)*		
EBITDA before special items*	***372***	***385***	***+3.5***		***717***	***663***	***−7.5***	
EBITDA margin before special items*	13.4%	13.0%			13.1%	11.5%		
Gross cash flow**	**288**	**289**	**+0.3**		**560**	**495**	**−11.6**	
Net cash flow**	**(15)**	**8**	**.**		**136**	**80**	**−41.2**	

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** advanced by 1.9% (Fx & portfolio adj.) in the **second quarter of 2012** to €2,962 million (reported: +6.5%), with growth the result of slightly higher selling prices and volumes overall. Price increases in the Latin America/Africa/Middle East, North America and Europe regions more than offset declines in Asia/Pacific. We achieved higher volumes in Asia/Pacific, Latin America/Africa/Middle East and North America, while volumes declined in Europe.

MaterialScience Quarterly Sales [Graphic 13]



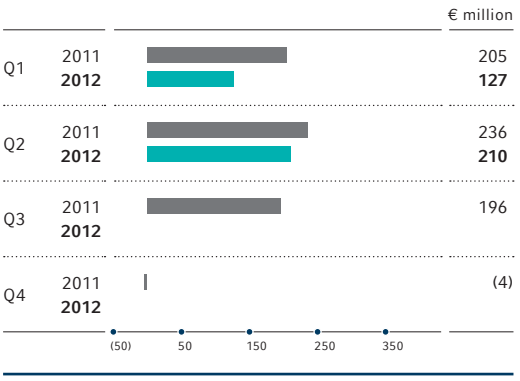
The **Polyurethanes** business unit raised sales by 7.5% (Fx & portfolio adj.) to €1,547 million. All product groups contributed to this growth with higher volumes and prices. Volumes expanded primarily in Asia/Pacific and Latin America/Africa/Middle East, while we achieved price increases in nearly all regions.

The **Polycarbonates** business unit posted sales of €728 million, down 10.2% (Fx & portfolio adj.) compared with the strong prior-year quarter. This was attributable above all to lower selling prices in our granules product group. Price declines in the Asia/Pacific, Europe and North America regions were not offset by moderate price increases in Latin America/Africa/Middle East. Volumes in this product group were down overall compared with the prior-year quarter, mainly as a result of volume declines in Europe. In our product group "polycarbonate sheet/semi-finished products" we registered an overall drop in selling prices but higher volumes.

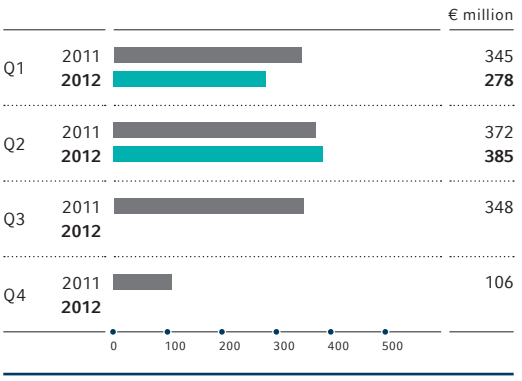
Sales in the **Coatings, Adhesives, Specialties** business unit moved forward by 2.9% (Fx & portfolio adj.) to €507 million, with price increases in the Latin America/Africa/Middle East, North America and Europe regions contributing particularly to growth. Volumes came in at the prior-year level. We were able to raise both selling prices and volumes for basic and modified isocyanates. In the resins product group, selling prices increased but volumes declined. Functional films registered lower volumes and selling prices overall.

Sales in **Industrial Operations** grew by 9.9% (Fx & portfolio adj.) to €180 million, driven by significantly higher selling prices in North America and Europe in particular. By contrast, 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 second quarter of 2012 decreased by 11.0% to €210 million. Special charges of €22 million (Q2 2011: €0 million) were incurred for restructuring measures. EBIT before special items came to €232 million (-1.7%). **EBITDA** before special items increased by 3.5% to €385 million, largely as a result of higher selling prices, savings generated by efficiency improvement programs and positive currency effects. By contrast, higher raw material costs had a negative impact on earnings.

Sales of **MaterialScience** rose by 2.2% (Fx & portfolio adj.) in the **first half of 2012**, to €5,750 million (reported: +5.2%). Volumes expanded in the Asia/Pacific, Latin America/Africa/Middle East and North America regions. Selling prices overall were level year on year. **EBIT** decreased by a substantial 23.6% to €337 million. **EBITDA** before special items declined by 7.5% to €663 million.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	2nd Quarter 2011	2nd Quarter 2012			2nd Quarter 2011	2nd Quarter 2012		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
HealthCare	**1,592**	**1,578**	**−0.9**	**−1.5**	**1,062**	**1,257**	**+18.4**	**+6.4**
Pharmaceuticals	915	893	−2.4	−2.9	486	605	+24.5	+12.3
Consumer Health	677	685	+1.2	+0.4	576	652	+13.2	+1.4
CropScience	**777**	**847**	**+9.0**	**+8.1**	**535**	**721**	**+34.8**	**+23.4**
MaterialScience	**1,169**	**1,137**	**−2.7**	**−2.8**	**537**	**642**	**+19.6**	**+7.1**
Group (incl. reconciliation)	**3,827**	**3,841**	**+0.4**	**−0.1**	**2,135**	**2,626**	**+23.0**	**+11.0**
	1st Half 2011	1st Half 2012			1st Half 2011	1st Half 2012		
HealthCare	**3,188**	**3,179**	**−0.3**	**−0.7**	**2,138**	**2,382**	**+11.4**	**+3.5**
Pharmaceuticals	1,835	1,801	−1.9	−2.2	1,018	1,150	+13.0	+5.3
Consumer Health	1,353	1,378	+1.8	+1.3	1,120	1,232	+10.0	+1.9
CropScience	**1,779**	**1,899**	**+6.7**	**+6.5**	**1,205**	**1,588**	**+31.8**	**+24.1**
MaterialScience	**2,289**	**2,267**	**−1.0**	**−1.0**	**1,048**	**1,216**	**+16.0**	**+7.4**
Group (incl. reconciliation)	**7,815**	**7,906**	**+1.2**	**+1.0**	**4,393**	**5,197**	**+18.3**	**+10.3**

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 14.8% in the first half of 2012 to €1,551 million (H1 2011: €1,351 million), comprising €903 million (H1 2011: €698 million) in amortization and impairments of intangible assets and €648 million (H1 2011: €653 million) in depreciation and impairments of property, plant and equipment. Impairment losses amounted to €261 million (H1 2011: €107 million), of which €19 million (H1 2011: €16 million) did not constitute special items. Of the €1,290 million (H1 2011: €1,244 million) in depreciation and amortization, €13 million (H1 2011: €0 million) were included in special items.

[Table 10]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	2nd Quarter 2011	2nd Quarter 2012			2nd Quarter 2011	2nd Quarter 2012			2nd Quarter 2011	2nd Quarter 2012		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
878	**1,066**	**+21.4**	**+8.2**	**676**	**727**	**+7.5**	**+6.7**	**4,208**	**4,628**	**+10.0**	**+3.8**
610	744	+22.0	+8.2	419	443	+5.7	+5.3	2,430	2,685	+10.5	+4.3
268	322	+20.1	+8.2	257	284	+10.5	+8.9	1,778	1,943	+9.3	+3.3
334	**354**	**+6.0**	**+2.4**	**297**	**354**	**+19.2**	**+12.1**	**1,943**	**2,276**	**+17.1**	**+11.9**
712	**806**	**+13.2**	**+1.5**	**364**	**377**	**+3.6**	**+4.9**	**2,782**	**2,962**	**+6.5**	**+1.2**
1,935	**2,232**	**+15.3**	**+4.4**	**1,355**	**1,478**	**+9.1**	**+7.3**	**9,252**	**10,177**	**+10.0**	**+4.5**

1st Half 2011	1st Half 2012			1st Half 2011	1st Half 2012			1st Half 2011	1st Half 2012		
1,728	**1,990**	**+15.2**	**+4.9**	**1,320**	**1,419**	**+7.5**	**+7.6**	**8,374**	**8,970**	**+7.1**	**+2.9**
1,194	1,387	+16.2	+5.6	802	864	+7.7	+7.6	4,849	5,202	+7.3	+2.9
534	603	+12.9	+3.4	518	555	+7.1	+7.5	3,525	3,768	+6.9	+2.8
603	**698**	**+15.8**	**+11.4**	**613**	**701**	**+14.4**	**+10.4**	**4,200**	**4,886**	**+16.3**	**+12.8**
1,424	**1,530**	**+7.4**	**−1.2**	**707**	**737**	**+4.2**	**+5.4**	**5,468**	**5,750**	**+5.2**	**+1.4**
3,785	**4,231**	**+11.8**	**+3.1**	**2,674**	**2,899**	**+8.4**	**+7.8**	**18,667**	**20,233**	**+8.4**	**+4.6**

Special Items Reconciliation

[Table 11]

	EBIT* 2nd Quarter 2011	EBIT* 2nd Quarter 2012	EBIT* 1st Half 2011	EBIT* 1st Half 2012	EBITDA** 2nd Quarter 2011	EBITDA** 2nd Quarter 2012	EBITDA** 1st Half 2011	EBITDA** 1st Half 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**1,273**	**750**	**2,421**	**2,387**	**1,906**	**1,561**	**3,772**	**3,938**
HealthCare	**51**	**668**	**88**	**788**	**51**	**522**	**88**	**539**
Impairment losses	-	137	-	237	-	-	-	-
Restructuring	70	35	107	51	70	26	107	39
Litigations	-	496	-	500	-	496	-	500
Remeasurement of pension provisions	(19)	-	(19)	-	(19)	-	(19)	-
CropScience	**81**	**53**	**486**	**63**	**66**	**48**	**395**	**57**
Restructuring	95	31	306	41	80	26	215	35
Litigations	-	22	194	22	-	22	194	22
Remeasurement of pension provisions	(14)	-	(14)	-	(14)	-	(14)	-
MaterialScience	**-**	**22**	**-**	**22**	**-**	**22**	**-**	**22**
Restructuring	-	22	-	22	-	22	-	22
Reconciliation	**12**	**19**	**12**	**58**	**12**	**19**	**12**	**58**
Restructuring	14	19	14	32	14	19	14	32
Litigations	-	-	-	26	-	-	-	26
Remeasurement of pension provisions	(2)	-	(2)	-	(2)	-	(2)	-
Total special items	**144**	**762**	**586**	**931**	**129**	**611**	**495**	**676**
Before special items	**1,417**	**1,512**	**3,007**	**3,318**	**2,035**	**2,172**	**4,267**	**4,614**

* 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 second quarter of 2012 amounted to €1.47 (Q2 2011: €1.29).

Core Earnings per Share [Table 12]

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	**1,273**	**750**	**2,421**	**2,387**
Amortization and impairment losses on intangible assets	332	474	698	903
Impairment losses on property, plant and equipment	14	19	69	23
Special items (other than amortization and impairments)	129	611	495	676
Core EBIT	**1,748**	**1,854**	**3,683**	**3,989**
Non-operating result (as per income statements)	(171)	(202)	(384)	(379)
Income taxes (as per income statements)	(356)	(49)	(608)	(458)
Tax effects related to amortization, impairments and special items	(153)	(383)	(424)	(544)
Income after taxes attributable to non-controlling interest (as per income statements)	1	(5)	2	(6)
Core net income	**1,069**	**1,215**	**2,269**	**2,602**
	Shares	Shares	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.29**	**1.47**	**2.74**	**3.15**

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]

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,532**	**1,226**	**2,841**	**2,821**
Changes in working capital/other non-cash items	(2)	143	(510)	(1,181)
Net cash provided by (used in) operating activities (net cash flow)	**1,530**	**1,369**	**2,331**	**1,640**
Net cash provided by (used in) investing activities	**(965)**	**2,337**	**(1,540)**	**1,440**
Net cash provided by (used in) financing activities	**(1,443)**	**(3,671)**	**(1,759)**	**(3,511)**
Change in cash and cash equivalents due to business activities	**(878)**	**35**	**(968)**	**(431)**
Cash and cash equivalents at beginning of period	**2,686**	**1,306**	**2,840**	**1,770**
Change due to exchange rate movements and to changes in scope of consolidation	(11)	1	(75)	3
Cash and cash equivalents at end of period	**1,797**	**1,342**	**1,797**	**1,342**

* 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 **second quarter of 2012** decreased by 20.0% against the prior-year period to €1,226 million, mainly because of lower EBIT. Net cash flow declined by 10.5% to €1,369 million, due especially to significantly higher income tax payments of €510 million (Q2 2011: €296 million).

Gross cash flow in the **first half of 2012** was level year on year at €2,821 million. Net cash flow declined by 29.6% to €1,640 million. This figure contains income tax payments of €814 million (H1 2011: €520 million).

INVESTING CASH FLOW

Net cash inflow for investing activities in the **second quarter of 2012** totaled €2,337 million. Cash outflows for property, plant and equipment and intangible assets were 49.0% higher at €444 million (Q2 2011: €298 million). Of this amount, HealthCare accounted for €215 million (Q2 2011: €101 million), CropScience for €67 million (Q2 2011: €52 million) and MaterialScience for €126 million (Q2 2011: €117 million). The €18 million (Q2 2011: €43 million) in outflows for acquisitions related to the takeover of the polycarbonate sheet business of Arkema in the United States and a further payment for the purchase of the remaining 50% interest in Baulé S.A.S., France. The cash inflows from divestitures totaling €86 million related to the sale of the hematological oncology portfolio to Genzyme Corp., United States. Cash inflows for noncurrent and current financial assets amounted to €2,633 million (Q2 2011: outflow of €677 million). Money market funds were liquidated above all for the repayment of the EMTN bond. Cash inflows in the second quarter of 2012 included €45 million (Q2 2011: €14 million) in interest and dividends received.

Net cash inflow for investing activities in the **first half of 2012** totaled €1,440 million. Cash outflows for property, plant and equipment and intangible assets were 30.6% higher at €700 million (H1 2011: €536 million). Of this amount, HealthCare accounted for €277 million (H1 2011: €170 million), CropScience for €138 million (H1 2011: €99 million) and MaterialScience for €225 million (H1 2011: €218 million). The €66 million (H1 2011: €148 million) in outflows for acquisitions related mainly to the purchase of the remaining 50% interest in Baulé S.A.S., France. The cash inflows from divestitures totaling €113 million related to the sale of the hematological oncology portfolio to Genzyme Corp., United States. Cash inflows for noncurrent and current financial assets amounted to €1,974 million (H1 2011: outflow of €1,001 million). Cash inflows in the first half of 2012 included €62 million (H1 2011: €28 million) in interest and dividends received.

FINANCING CASH FLOW

In the **second quarter of 2012** there was a net cash outflow of €3,671 million for financing activities. Net loan repayments amounted to €2,114 million (Q2 2011: €21 million). Net interest payments were 7.2% higher at €193 million (Q2 2011: €180 million). There was a €1,364 million outflow for "dividend payments and withholding tax on dividends" (Q2 2011: €1,241 million).

Net cash outflow for financing activities in the **first half of 2012** amounted to €3,511 million, including net loan repayments of €1,867 million (H1 2011: €235 million). Net interest payments fell by 1.4% to €277 million (H1 2011: €281 million). There was a €1,365 million outflow for "dividend payments and withholding tax on dividends" (H1 2011: €1,241 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2011	March 31, 2012	June 30, 2012
	€ million	€ million	€ million
Bonds and notes/promissory notes	7,710	7,630	5,622
of which hybrid bond	1,344	1,349	1,357
Liabilities to banks	2,657	2,766	2,953
Liabilities under finance leases	554	534	573
Liabilities from derivatives	513	372	468
Other financial liabilities	228	332	287
Positive fair values of hedges of recorded transactions	(395)	(449)	(377)
Financial debt	**11,267**	**11,185**	**9,526**
Cash and cash equivalents	(1,770)	(1,306)	(1,342)
Current financial assets	(2,484)	(3,028)	(273)
Net financial debt	**7,013**	**6,851**	**7,911**

Net financial debt of the Bayer Group increased by 15.5% to €7.9 billion as of June 30, 2012. Cash inflows from operating activities partly offset the outflows for the dividend payment, interest payments and negative currency effects. Financial liabilities included the €1.4 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined in the second quarter of 2012 from €7.9 billion to €7.3 billion. Current financial liabilities fell from €3.7 billion to €2.6 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. The bonds with a nominal volume of JPY 30.0 billion and JPY 15.0 billion, respectively, issued by Bayer Holding Ltd. in 2007 under the EMTN program were redeemed at maturity on June 28, 2012. On April 5, 2012, Bayer Holding Ltd. issued a bond under the EMTN program with a nominal volume of JPY 30.0 billion, a coupon of 0.816% and a term of 5 years.

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

NET LIABILITY FOR POST-EMPLOYMENT BENEFITS

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

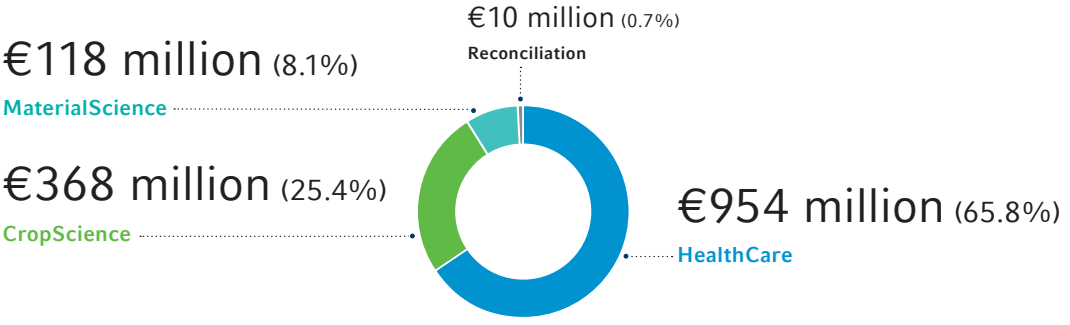
	Dec. 31, 2011	March 31, 2012	June 30, 2012
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,870	8,135	9,417
Benefit plan assets in excess of obligation	(72)	(78)	(71)
Net amount recognized for post-employment benefits	**7,798**	**8,057**	**9,346**

The net amount recognized for post-employment benefits increased from €8.1 billion to €9.3 billion in the second quarter of 2012, due especially to lower long-term capital market interest rates.

9. Growth and Innovation

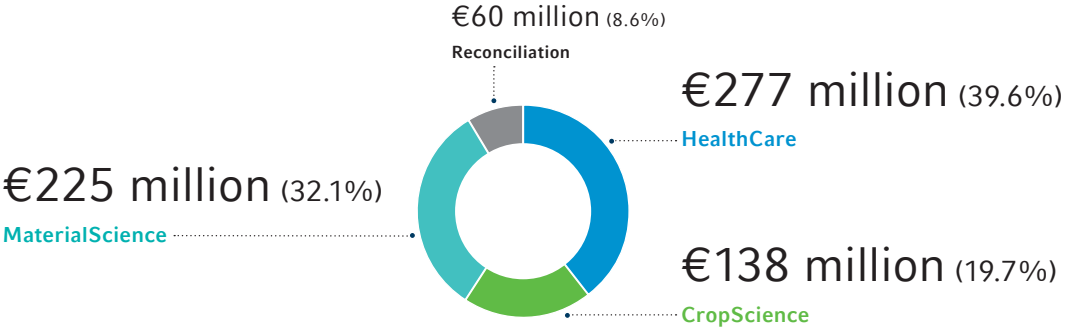
We spent €1,450 million on research and development in the first half of 2012, including €751 million in the second quarter. Capital expenditures for property, plant and equipment and intangible assets totaled €700 million in the first half of 2012, including €444 million in the second quarter.

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



* as per income statement

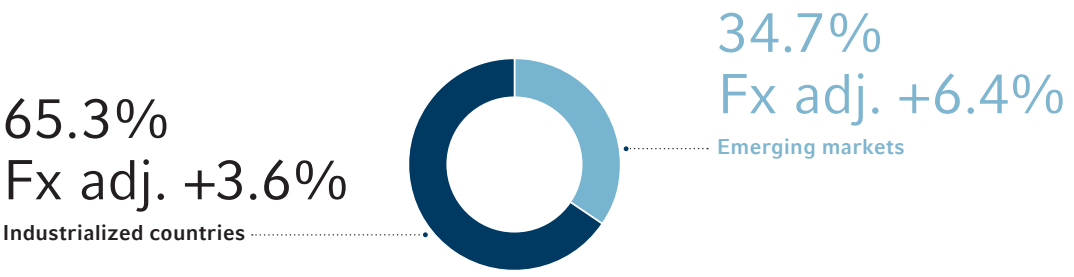
Capital Expenditures by Subgroup
1st Half 2012 (subgroup shares in parentheses) [Graphic 17]



The emerging markets made an above-average contribution to sales growth in the first half 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 6.4% (Fx adj.) in the first half of 2012 to €7,027 million, with the second quarter accounting for €3,687 million (Fx adj. +7.2%) of this total. We registered encouraging growth in the second quarter in Latin America, Asia and Eastern Europe. The emerging markets accounted for 34.7% of total sales in the first half of 2012 and 36.2% in the second quarter.

Percentage Sales Breakdown by Industrialized Countries and Emerging Markets 1st Half 2012 [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first half of 2012 we invested €954 million in research and development at HealthCare, including €495 million in the second quarter. We have 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
Kogenate™ FS	U.S.A., prophylaxis in hemophilia A
LCS-12 (ULD LNG Contraceptive System)	E.U., U.S.A.; contraception, duration of use: up to 3 years
Regorafenib	E.U., U.S.A.; colorectal cancer
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
Xarelto™	U.S.A., treatment of venous thromboembolism (VTE) and secondary prevention of recurrent VTE
YAZ™ Flex	E.U., oral contraception, flexible dosage regimen
YAZ™ Flex Plus	U.S.A., oral contraception, flexible dosage regimen, and folic acid supplementation

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

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

	Indication	Status
Aflibercept (VEGF Trap-Eye)	Diabetic macular edema	Phase III
Aflibercept (VEGF Trap-Eye)	Abnormal retinal angiogenesis following pathological myopia	Phase III
Aflibercept (VEGF Trap-Eye)	Central retinal vein occlusion	Phase III
Alpharadin (radium-223 dichloride)	Treatment of bone metastases in castration-resistant prostate cancer	Phase III
ATX-101	Reduction of submental fat	Phase III
BAY 86-6150 (rFVIIa)	Hemophilia A	Phase II/III
FC Patch low	Contraception	Phase III
Gadovist™	Magnetic resonance imaging, expansion of indication	Phase III
KG-N (BAY 94-9027)	Hemophilia A	Phase II/III
LCS-16 (ULD LNG Contraceptive System)	Contraception, duration of use: up to 5 years	Phase III
Nexavar™	Breast cancer	Phase III
Nexavar™	Adjuvant therapy of liver cancer	Phase III
Nexavar™	Adjuvant therapy of kidney cancer	Phase III
Nexavar™	Thyroid cancer	Phase III
Regorafenib	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 (radium-223 dichloride)	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™	Cancer	Phase II
Regorafenib	Cancer	Phase II
Riociguat (sGC stimulator)	Pulmonary hypertension	Phase II

* as of July 16, 2012
CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds.

In January 2012, the Japanese Ministry of Health, Labor and Welfare 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 ***May 2012***, the Cardiovascular and Renal Drugs Advisory Committee of the U.S. Food and Drug Administration (FDA) voted against the approval of Xarelto™ in combination with standard antiplatelet therapy for secondary prevention in patients with acute coronary syndrome (ACS). Recommendations from the advisory committee will be considered by the FDA in its review of the new drug application, but the FDA is not bound to follow them. In ***June 2012***, we received a complete response letter from the FDA. We are evaluating this complete response letter together with our cooperation partner Janssen Research & Development, LLC and will respond to the FDA's questions.

In ***May 2012***, our cooperation partner Janssen Research & Development, LLC submitted an application to the FDA for the use of Xarelto™ in the prevention of stent thrombosis in patients with acute coronary syndrome. The application was withdrawn in ***July 2012***. It is planned to resubmit rivaroxaban for the prevention of stent thrombosis together with the responses to the questions from the complete response letter for the ACS indication (see above). In Europe, we submitted an application for marketing authorization for secondary prevention after an ACS in December 2011. Reducing the risk of stent thrombosis is part of that application.

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

In February 2012, the first results of the one-year GALILEO Phase III study confirmed the results of the two 24-week, approval-relevant GALILEO and COPERNICUS studies 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.

In ***June 2012***, updated data from a registration-relevant Phase III trial (ALSYMPCA) for **alpharadin (radium-223 dichloride)**, the cancer drug we are jointly developing with Algeta ASA, Norway, confirmed the results of the interim analysis from June 2011: alpharadin significantly extends overall survival in patients with castration-resistant prostate cancer (CRPC) and bone metastases. We plan to file for regulatory approval for alpharadin in CRPC in the second half of 2012.

In ***May 2012***, a Phase III clinical trial evaluating our cancer drug **Nexavar™** in patients with advanced non-small cell lung cancer whose disease had progressed after two or three previous treatments did not meet its primary endpoint of improving overall survival. We are jointly developing Nexavar™ with Onyx Pharmaceuticals, Inc., United States.

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. The first submissions for the indication GIST are planned for the second half of 2012.

We submitted a marketing authorization application to the U.S. Food and Drug Administration (FDA) in ***April 2012*** and to the European Medicines Agency (EMA) in ***May 2012*** for regorafenib for the treatment of patients with metastatic colorectal cancer. In ***June 2012***, the FDA granted priority review designation to this application.

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.

The European Phase III clinical trial program with **ATX-101**, an injectable drug for the reduction of unwanted fat under the chin (submental fat), was successfully completed in ***April 2012***. In an initial analysis of the study data, ATX-101 demonstrated statistically significant efficacy ($p<0.001$) compared to placebo in the reduction of unwanted submental fat deposits.

Our cooperation partner Genzyme Corp., United States, has applied for marketing authorization for the humanized monoclonal antibody **alemtuzumab** under the trade name LEMTRADA™ for the indication multiple sclerosis. The relevant registration applications were filed in the European Union and the United States in the ***second quarter of 2012***.

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

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).

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

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

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 8.6% (Fx adj.) in the first half of 2012 to €2,922 million, including €1,524 million (Fx adj. +9.6%) in the second quarter. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 26.5% (Fx adj.) through increased marketing activities, especially the expansion of our distribution network. Business developed well in Latin America and Eastern Europe. The emerging markets accounted for 32.6% of total HealthCare sales in the first half of 2012 and 33.0% in the second quarter.

9.2 CropScience

RESEARCH AND DEVELOPMENT

We invested €368 million in research and development at CropScience in the first half of 2012.

The active ingredient pipeline of Crop Protection currently comprises seven developmental projects, four of which are at an advanced stage of development. More than 25 further 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, wheat and soybeans by 2016.

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

In February 2012 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.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In February 2012, CropScience and Texas AgriLife Research 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.

In ***April 2012*** we signed an agreement with KWS SAAT AG to jointly develop and commercialize an innovative system of weed control in sugar beet for the global market.

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

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

Also in ***July 2012*** we signed an agreement to purchase the green agriculture company AgraQuest, headquartered in Davis, California, United States. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. The acquisition is aimed at enabling us to build a leading technology platform for green products and to further strengthen our strategically important fruit and vegetables business.

EMERGING MARKETS

CropScience raised sales in the emerging markets by 10.6% (Fx adj.) in the first half of 2012 to €1,638 million, including second-quarter sales of €872 million (Fx adj. +9.3%). We registered the strongest growth of 29.9% (Fx adj.) in Brazil. A gratifying business trend was seen in India, Russia and Poland. Sales gains in Asia and Africa and the Middle East were moderate overall. The emerging markets' share of total CropScience sales was 33.5% in the first half of 2012 and 38.3% in the second quarter.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €118 million on research and development (not including joint development activities with customers) in the first half of 2012, including €58 million in the second quarter. This investment went mainly to explore new areas of application and improve process technologies and products.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

In February 2012, we received a permit for an early start to the construction of a major new plant at the Dormagen site. There the company plans to spend €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 summer 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 €2,413 million in the first half of 2012 (H1 2011: €2,277 million). On a currency-adjusted basis, sales expanded by 1.7%. Sales in the emerging markets came to €1,264 million (Fx adj. +3.4%) in the second quarter.

We once again achieved the highest growth rates in Latin America and also expanded business in Eastern Europe. Business in China advanced markedly, while sales in the Asian emerging markets as a whole improved only slightly.

The emerging markets accounted for 42.0% of total MaterialScience sales in the first half of 2012 and 42.7% in the second quarter.

10. Employees

On June 30, 2012, the Bayer Group employed 112,300 people worldwide (December 31, 2011: 111,800). The number of employees thus remained practically constant (+0.4%).

HealthCare employed 55,900 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 almost flat with the end of last year at 21,100 (December 31, 2011: 21,000). There was a slight decline at MaterialScience to 14,700 employees (December 31, 2011: 14,800). The majority of the remaining 20,600 employees worked for the service companies.

Personnel expenses rose by 3.7% in the first half of 2012 to €4,616 million (H1 2011: €4,451 million), of which the second quarter of 2012 accounted for €2,327 million. The increase was largely attributable to the regular adjustment of employee compensation.

11. Opportunities and Risks

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

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

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

12. Events After the End of the Reporting Period

CROPSCIENCE

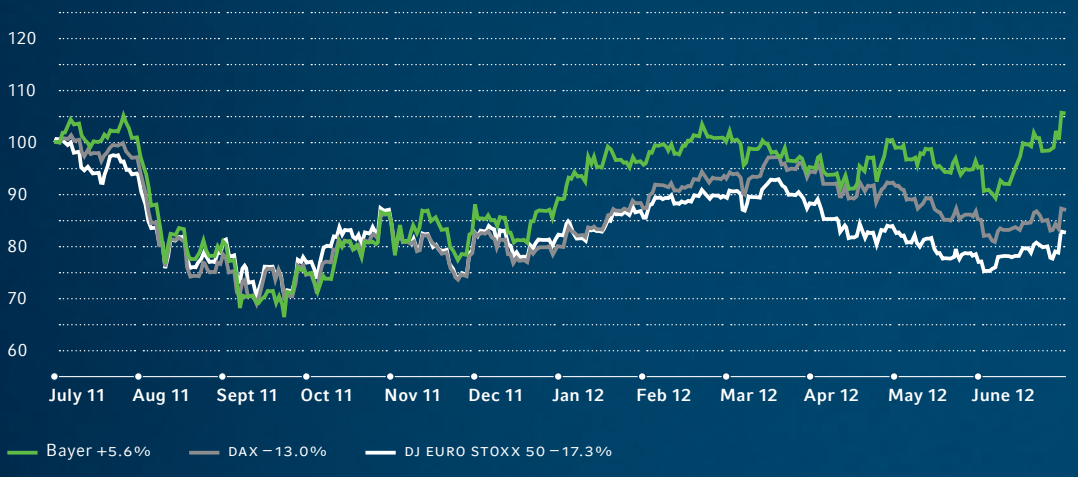
In July 2012, CropScience acquired the watermelon and melon seed business of Abbott & Cobb Inc., headquartered in Feasterville, Pennsylvania, United States. The acquisition strengthens our vegetable seed business.

In July 2012, we agreed to acquire the green agriculture company AgraQuest, headquartered in Davis, California, United States. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. The acquisition is aimed at enabling us to build a leading technology platform for green products and to further strengthen our strategically important fruit and vegetables business.

Investor Information

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

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



Bayer stock developed very positively in the second quarter of 2012, considerably outperforming the DAX and EURO STOXX 50 indices. Including the dividend of €1.65 per share paid on April 30, 2012, the second-quarter performance of Bayer stock came to 11.0%.

With a closing price of €56.78 on June 30, 2012, the stock's performance trended 18.5% up on the end of 2011, also taking account of the dividend payment as stated above. The DAX gained 8.8% on the period to 6,416 points. The European reference index EURO STOXX 50 (performance index) rose by 0.7%, closing the first half of 2012 at 3,950 points.

Bayer Stock Data [Table 18]

		2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
High for the period	€	59.35	56.78	59.35	57.31
Low for the period	€	53.70	47.97	51.17	47.97
Average daily trading volume	million	3.7	3.1	3.4	2.9

		June 30, 2011	June 30, 2012	Dec. 31, 2011	Change June 30, 2012/ Dec. 31, 2011 %
Share price	€	55.44	56.78	49.40	+14.9
Market capitalization	€ million	45,846	46,954	40,851	+14.9
Equity as per statements of financial position	€ million	18,920	18,554	19,271	−3.7
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		7,376	6,416	5,898	+8.8

Xetra closing prices (source: Bloomberg)

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

Bayer Group Consolidated Income Statements

[Table 19]

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
Net sales	**9,252**	**10,177**	**18,667**	**20,233**
Cost of goods sold	(4,518)	(4,843)	(8,955)	(9,593)
Gross profit	**4,734**	**5,334**	**9,712**	**10,640**
Selling expenses	(2,230)	(2,516)	(4,377)	(4,813)
Research and development expenses	(727)	(751)	(1,464)	(1,450)
General administration expenses	(427)	(465)	(851)	(911)
Other operating income	226	122	481	285
Other operating expenses	(303)	(974)	(1,080)	(1,364)
Operating result (EBIT)	**1,273**	**750**	**2,421**	**2,387**
Equity-method loss	(10)	(12)	(21)	(24)
Non-operating income	185	133	234	244
Non-operating expenses	(346)	(323)	(597)	(599)
Non-operating result	**(171)**	**(202)**	**(384)**	**(379)**
Income before income taxes	**1,102**	**548**	**2,037**	**2,008**
Income taxes	(356)	(49)	(608)	(458)
Income after taxes	**746**	**499**	**1,429**	**1,550**
of which attributable to non-controlling interest	(1)	5	(2)	6
of which attributable to Bayer AG stockholders (net income)	**747**	**494**	**1,431**	**1,544**
	€	€	€	€
Earnings per share				
Basic	0.90	0.60	1.73	1.87
Diluted	0.90	0.60	1.73	1.87

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
Income after taxes	**746**	**499**	**1,429**	**1,550**
of which attributable to non-controlling interest	*(1)*	*5*	*(2)*	*6*
of which attributable to Bayer AG stockholders	*747*	*494*	*1,431*	*1,544*
Changes in fair values of derivatives designated as cash flow hedges	(5)	(100)	145	(48)
Reclassified to profit or loss	(15)	34	21	32
Income taxes	6	17	(50)	3
Change in the amount recognized outside profit or loss (cash flow hedges)	**(14)**	**(49)**	**116**	**(13)**
Changes in fair values of available-for-sale financial assets	(1)	20	(1)	18
Reclassified to profit or loss	(1)	-	(1)	-
Income taxes	-	(7)	-	(7)
Change in the amount recognized outside profit or loss (available-for-sale financial assets)	**(2)**	**13**	**(2)**	**11**
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	(140)	(1,239)	314	(1,614)
Income taxes	46	408	(104)	506
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)	**(94)**	**(831)**	**210**	**(1,108)**
Change in exchange differences recognized on translation of operations outside the eurozone	(126)	222	(489)	211
Reclassified to profit or loss	-	-	-	-
Change in the amount recognized outside profit or loss (exchange differences)	**(126)**	**222**	**(489)**	**211**
Effects of changes in scope of consolidation	**-**	**(2)**	**-**	**(4)**
Total changes recognized outside profit or loss	**(236)**	**(647)**	**(165)**	**(903)**
of which attributable to non-controlling interest	*(2)*	*-*	*(7)*	*-*
of which attributable to Bayer AG stockholders	*(234)*	*(647)*	*(158)*	*(903)*
Total comprehensive income	**510**	**(148)**	**1,264**	**647**
of which attributable to non-controlling interest	*(3)*	*5*	*(9)*	*6*
of which attributable to Bayer AG stockholders	*513*	*(153)*	*1,273*	*641*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	June 30, 2011	June 30, 2012	Dec. 31, 2011
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,865	9,273	9,160
Other intangible assets	10,513	9,659	10,295
Property, plant and equipment	9,255	9,760	9,823
Investments accounted for using the equity method	315	317	319
Other financial assets	1,096	1,416	1,364
Other receivables	462	487	425
Deferred taxes	1,075	1,553	1,311
	31,581	**32,465**	**32,697**
Current assets			
Inventories	6,219	6,747	6,368
Trade accounts receivable	7,502	8,638	7,061
Other financial assets	2,045	646	2,784
Other receivables	1,516	1,972	1,628
Claims for income tax refunds	380	512	373
Cash and cash equivalents	1,797	1,342	1,770
Assets held for sale	15	16	84
	19,474	**19,873**	**20,068**
Total assets	**51,055**	**52,338**	**52,765**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	10,581	10,209	10,928
Equity attributable to Bayer AG stockholders	**18,865**	**18,493**	**19,212**
Equity attributable to non-controlling interest	55	61	59
	18,920	**18,554**	**19,271**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,813	9,417	7,870
Other provisions	1,673	1,789	1,649
Financial liabilities	7,251	7,320	7,995
Other liabilities	510	406	474
Deferred taxes	2,619	1,458	2,116
	18,866	**20,390**	**20,104**
Current liabilities			
Other provisions	4,434	5,374	4,218
Financial liabilities	3,888	2,585	3,684
Trade accounts payable	3,497	3,489	3,779
Income tax liabilities	35	205	76
Other liabilities	1,415	1,741	1,630
Provisions directly related to assets held for sale	-	-	3
	13,269	**13,394**	**13,390**
Total equity and liabilities	**51,055**	**52,338**	**52,765**

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
Income after taxes	746	499	1,429	1,550
Income taxes	356	49	608	458
Non-operating result	171	202	384	379
Income taxes paid or accrued	(259)	(242)	(675)	(861)
Depreciation, amortization and impairments	633	811	1,351	1,551
Change in pension provisions	(112)	(99)	(250)	(229)
(Gains) losses on retirements of noncurrent assets	(3)	6	(6)	(27)
Gross cash flow	**1,532**	**1,226**	**2,841**	**2,821**
Decrease (increase) in inventories	(152)	(81)	(332)	(286)
Decrease (increase) in trade accounts receivable	128	288	(1,071)	(1,480)
(Decrease) increase in trade accounts payable	212	(51)	74	(320)
Changes in other working capital, other non-cash items	(190)	(13)	819	905
Net cash provided by (used in) operating activities (net cash flow)	**1,530**	**1,369**	**2,331**	**1,640**
Cash outflows for additions to property, plant, equipment and intangible assets	(298)	(444)	(536)	(700)
Cash inflows from sales of property, plant, equipment and other assets	15	35	65	57
Cash inflows from divestitures	24	86	52	113
Cash inflows from (outflows for) noncurrent financial assets	(50)	(120)	(70)	(237)
Cash outflows for acquisitions less acquired cash	(43)	(18)	(148)	(66)
Interest and dividends received	14	45	28	62
Cash inflows from (outflows for) current financial assets	(627)	2,753	(931)	2,211
Net cash provided by (used in) investing activities	**(965)**	**2,337**	**(1,540)**	**1,440**
Dividend payments and withholding tax on dividends	(1,241)	(1,364)	(1,241)	(1,365)
Issuances of debt	292	459	458	876
Retirements of debt	(313)	(2,573)	(693)	(2,743)
Interest paid including interest-rate swaps	(363)	(369)	(473)	(465)
Interest received from interest-rate swaps	183	176	192	188
Cash outflows for the purchase of additional interests in subsidiaries	(1)	-	(2)	(2)
Net cash provided by (used in) financing activities	**(1,443)**	**(3,671)**	**(1,759)**	**(3,511)**
Change in cash and cash equivalents due to business activities	**(878)**	**35**	**(968)**	**(431)**
Cash and cash equivalents at beginning of period	**2,686**	**1,306**	**2,840**	**1,770**
Change in cash and cash equivalents due to exchange rate movements	(11)	1	(75)	3
Cash and cash equivalents at end of period	**1,797**	**1,342**	**1,797**	**1,342**

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2010	**2,117**	**6,167**	**10,549**	**18,833**	**63**	**18,896**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,240)	(1,240)	(1)	(1,241)
Other changes			(1)	(1)	2	1
Total comprehensive income**			1,273	1,273	(9)	1,264
June 30, 2011	**2,117**	**6,167**	**10,581**	**18,865**	**55**	**18,920**
Dec. 31, 2011	**2,117**	**6,167**	**10,928**	**19,212**	**59**	**19,271**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,364)	(1,364)	(1)	(1,365)
Other changes			4	4	(3)	1
Total comprehensive income**			641	641	6	647
June 30, 2012	**2,117**	**6,167**	**10,209**	**18,493**	**61**	**18,554**

* OCI = other comprehensive income
** Net of tax

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

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external)	2,430	2,685	1,778	1,943
Change	−2.5%	+10.5%	−1.9%	+9.3%
Currency-adjusted change	+1.0%	+4.3%	+3.5%	+3.3%
Intersegment sales	29	65	1	-
Net sales (total)	2,459	2,750	1,779	1,943
Operating result (EBIT)	454	47	332	187
EBIT before special items	502	571	335	331
EBITDA before special items	722	809	434	439
Gross cash flow*	452	218	308	340
Net cash flow*	341	605	295	264
Depreciation, amortization and impairments	220	246	99	246
	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012
Net sales (external)	4,849	5,202	3,525	3,768
Change	+0.7%	+7.3%	+4.9%	+6.9%
Currency-adjusted change	+0.7%	+2.9%	+6.4%	+2.8%
Intersegment sales	53	101	2	1
Net sales (total)	4,902	5,303	3,527	3,769
Operating result (EBIT)	911	552	644	423
EBIT before special items	995	1,091	648	672
EBITDA before special items	1,446	1,549	850	880
Gross cash flow*	923	706	605	656
Net cash flow*	859	922	558	444
Depreciation, amortization and impairments	451	466	202	449
Number of employees (as of June 30)**	37,700	38,100	18,700	17,800

2011 figures restated

* For definition see Chapter 8 "Financial Position of the Bayer Group."

** Number of employees in full-time equivalents

[Table 24]

	CropScience		MaterialScience				Reconciliation			
	CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,943	2,276	2,782	2,962	318	310	1	1	9,252	10,177
	+3.1%	+17.1%	+3.5%	+6.5%	+6.0%	−2.5%	-	-	+0.8%	+10.0%
	+8.9%	+11.9%	+8.5%	+1.2%	+6.2%	−3.1%	-	-	+5.5%	+4.5%
	5	8	19	15	453	501	(507)	(589)	-	-
	1,948	2,284	2,801	2,977	771	811	(506)	(588)	9,252	10,177
	272	382	236	210	20	(14)	(41)	(62)	1,273	750
	353	435	236	232	32	7	(41)	(64)	1,417	1,512
	471	549	372	385	66	52	(30)	(62)	2,035	2,172
	304	381	288	289	182	40	(2)	(42)	1,532	1,226
	823	935	(15)	8	322	(85)	(236)	(358)	1,530	1,369
	133	119	136	153	34	45	11	2	633	811
	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012
	4,200	4,886	5,468	5,750	623	625	2	2	18,667	20,233
	+9.5%	+16.3%	+11.5%	+5.2%	+7.8%	+0.3%	-	-	+6.7%	+8.4%
	+11.3%	+12.8%	+13.2%	+1.4%	+7.5%	0.0%	-	-	+7.9%	+4.6%
	14	14	34	26	883	964	(986)	(1,106)	-	-
	4,214	4,900	5,502	5,776	1,506	1,589	(984)	(1,104)	18,667	20,233
	491	1,233	441	337	32	(34)	(98)	(124)	2,421	2,387
	977	1,296	441	359	44	26	(98)	(126)	3,007	3,318
	1,216	1,530	717	663	114	115	(76)	(123)	4,267	4,614
	618	1,059	560	495	170	(5)	(35)	(90)	2,841	2,821
	609	280	136	80	214	(102)	(45)	16	2,331	1,640
	330	240	276	304	70	89	22	3	1,351	1,551
	21,700	21,100	15,000	14,700	19,600	20,000	700	600	113,400	112,300

Key Data by Region

	Europe		North America	
	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,827	3,841	2,135	2,626
Change	+6.4%	+0.4%	−6.2%	+23.0%
Currency-adjusted change	+6.6%	−0.1%	+4.8%	+11.0%
Net sales (external) – by point of origin	4,274	4,273	2,148	2,587
Change	+6.5%	0.0%	−5.7%	+20.4%
Currency-adjusted change	+6.7%	−0.4%	+5.6%	+8.3%
Interregional sales	1,745	1,941	670	672
Operating result (EBIT)	787	757	295	(203)
	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012
Net sales (external) – by market	7,815	7,906	4,393	5,197
Change	+9.1%	+1.2%	+0.4%	+18.3%
Currency-adjusted change	+8.9%	+1.0%	+5.1%	+10.3%
Net sales (external) – by point of origin	8,625	8,753	4,425	5,137
Change	+9.1%	+1.5%	+1.2%	+16.1%
Currency-adjusted change	+9.0%	+1.3%	+6.0%	+8.0%
Interregional sales	3,515	4,010	1,413	1,446
Operating result (EBIT)	1,671	1,751	378	252
Number of employees (as of June 30) *	54,700	53,200	16,200	15,700

* Number of employees in full-time equivalents

[Table 25]

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Total	
	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012	2nd Quarter 2011	2nd Quarter 2012
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,935	2,232	1,355	1,478	-	-	9,252	10,177
	−2.4%	+15.3%	+2.4%	+9.1%	-	-	+0.8%	+10.0%
	+2.9%	+4.4%	+7.6%	+7.3%	-	-	+5.5%	+4.5%
	1,845	2,161	985	1,156	-	-	9,252	10,177
	−1.8%	+17.1%	−2.5%	+17.4%	-	-	+0.8%	+10.0%
	+3.7%	+5.7%	+3.6%	+15.3%	-	-	+5.5%	+4.5%
	116	170	101	123	(2,632)	(2,906)	-	-
	187	199	45	59	(41)	(62)	1,273	750
	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012	1st Half 2011	1st Half 2012
	3,785	4,231	2,674	2,899	-	-	18,667	20,233
	+7.5%	+11.8%	+9.8%	+8.4%	-	-	+6.7%	+8.4%
	+7.4%	+3.1%	+10.4%	+7.8%	-	-	+7.9%	+4.6%
	3,608	4,085	2,009	2,258	-	-	18,667	20,233
	+7.8%	+13.2%	+7.3%	+12.4%	-	-	+6.7%	+8.4%
	+7.7%	+4.2%	+7.8%	+11.9%	-	-	+7.9%	+4.6%
	226	314	204	230	(5,358)	(6,000)	-	-
	362	352	108	156	(98)	(124)	2,421	2,387
	26,200	27,000	16,300	16,400	-	-	113,400	112,300

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of June 30, 2012 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

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

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

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

Exchange Rates for Major Currencies [Table 26]

		Closing Rate			Average Rate	
€1		Dec. 31, 2011	June 30, 2011	June 30, 2012	1st Half 2011	1st Half 2012
ARS	Argentina	5.57	5.94	5.64	5.67	5.69
BRL	Brazil	2.43	2.28	2.65	2.29	2.41
CAD	Canada	1.32	1.40	1.29	1.37	1.30
CHF	Switzerland	1.22	1.21	1.20	1.27	1.20
CNY	China	8.16	9.34	8.00	9.17	8.19
GBP	United Kingdom	0.84	0.90	0.81	0.87	0.82
JPY	Japan	100.20	116.25	100.13	114.88	103.23
MXN	Mexico	18.05	16.98	16.88	16.68	17.18
USD	United States	1.29	1.45	1.26	1.40	1.30

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, 2012	June 30, 2012
	%	%	%
Germany	4.50	4.10	3.60
United Kingdom	4.70	4.65	4.25
United States	4.10	4.30	3.80

SEGMENT REPORTING

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

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

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

	2nd Quarter 2011	2nd Quarter 2012	1st Half 2011	1st Half 2012
	€ million	€ million	€ million	€ million
Operating result of segments	1,314	812	2,519	2,511
Operating result of Corporate Center	(41)	(62)	(98)	(124)
Operating result (EBIT)	**1,273**	**750**	**2,421**	**2,387**
Non-operating result	(171)	(202)	(384)	(379)
Income before income taxes	**1,102**	**548**	**2,037**	**2,008**

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

As of June 30, 2012, the Bayer Group comprised 286 fully or proportionately consolidated companies (December 31, 2011: 283 companies). Three joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures) (December 31, 2011: four joint ventures). In addition, four associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates) (December 31, 2011: four associated companies).

ACQUISITIONS AND DIVESTITURES

Acquisitions

On March 31, 2012, Bayer acquired the remaining 50% interest in the systems house joint venture Baulé S.A.S., France. This joint venture was formed in 2008 by MaterialScience and Michel Baulé S.A., which was later renamed EXIMIUM S.A.S. Baulé S.A.S. is a global leader in the development, formulation and processing of polyurethane cast elastomers. The purchase price of €50 million pertained mainly to customer relationships and goodwill. The income statement of Baulé S.A.S. was included in the consolidated financial statements by proportionate consolidation for the last time in the first quarter of 2012, whereas its assets and liabilities were already fully consolidated as of March 31, 2012. Following the purchase price allocation, the following assets and liabilities were recognized: goodwill (€39 million), other intangible assets (€55 million), other noncurrent assets (€3 million), inventories and other current assets (€21 million), cash and cash equivalents (€5 million), other liabilities (€8 million) and deferred tax liabilities (€16 million). The revaluation of mainly intangible assets that were previously held by the joint venture resulted in other operating income of €19 million. The fair value of the prior interest was €49 million at the time of the acquisition. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual assets. Baulé has achieved sales of €12 million since the date on which the remaining interest was acquired.

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	20
Other intangible assets	33
Property, plant and equipment	5
Other noncurrent assets	1
Inventories	12
Other current assets	6
Cash and cash equivalents	3
Other provisions	(2)
Other liabilities	(3)
Deferred tax liabilities	(8)
Net assets	**67**
Non-controlling interest	-
Net purchase prices	**67**
Acquired cash and cash equivalents	(3)
Liabilities for future payments	4
Net cash outflow for acquisitions	**68**

The cash outflows for acquisitions and for the purchase of additional interests in subsidiaries in the first half of 2011 amounted to €150 million and related mainly to the purchase of the animal health company Bomac, New Zealand, and Hornbeck Seed Company, Inc., United States.

Acquisitions after the closing date

On July 2, 2012, CropScience acquired the watermelon and melon seed business of Abbott & Cobb Inc., headquartered in Feasterville, Pennsylvania, United States. Abbott & Cobb has a robust watermelon position in the U.S. market with increasing business in Mexico, Australia and Asia. This makes the acquisition a significant step forward for the presence of CropScience in this market. In addition, the melon business and the germplasm will further broaden the existing seed portfolio and provide the basis for future new hybrids. A net purchase price of €53 million was agreed, pertaining mainly to germplasm, customer relations and goodwill. As the purchase price allocation has not yet been completed, changes may yet be made in the allocation of the purchase price to the individual assets.

On July 3, 2012, CropScience signed an agreement to purchase the green agriculture company AgraQuest, headquartered in Davis, California, United States. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. It focuses on discovering, manufacturing and marketing highly effective biopesticide products to safeguard and increase crop production. The acquisition will help CropScience to build a leading technology platform for biological products and to further strengthen its strategically important fruit and vegetables business.
A provisional purchase price of approximately €340 million was agreed, pertaining mainly to the technology platform and goodwill. Milestone payments will also be made. The acquisition is subject to approval by the relevant authorities.

Divestitures

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

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

We received revenue-based payments of €52 million in the first half of 2012 in connection with the aforementioned transfer of the hematological oncology portfolio to Genzyme Corp., United States.

The effects of the divestitures in the first half of 2012 are shown in the table:

Divestitures [Table 30]

	2012
	€ million
Assets held for sale	70
Net assets	**70**
Net cash inflow from divestitures	113
Changes of future cash payments receivable	(42)
Net gain from divestitures (before taxes)	**1**

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

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

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

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

In June 2012, Bayer AG signed a guarantee declaration in favor of the trustee company for the U.K. pension plans concerning pension obligations of Bayer Public Limited Company and Bayer CropScience Ltd. Bayer AG, in addition to these two companies, thus guarantees that further funds will be paid in should the trustees make a request for such payment. As of June 30, 2012, the net obligation according to IAS 19 arising from the pension plans of the above-mentioned companies was €138 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 July 19, 2012, the number of lawsuits pending in the United States and served upon Bayer was about 12,325 involving about 13,530 claimants (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. As of July 19, 2012, Bayer had reached agreements, without admission of liability, to settle the claims of 1,877 claimants in the U.S. for a total amount of about US$402.6 million. Bayer is only settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case-specific analysis of medical records on a rolling basis. Such injuries are alleged in about 6,000 claims and therefore in fewer than half of the cases served to date. Bayer has taken appropriate accounting measures for anticipated defense costs and for agreed and anticipated future settlements based on the information currently available and based on the number of pending lawsuits alleging venous clot injuries. Bayer is insured against product liability risks to the extent customary in the industry. However, the accounting measures taken exceed the available insurance coverage. Against this background, we have recorded expenses of €0.5 billion in the second quarter.

On the assumption that the number of lawsuits will continue to decline and that we will be able to settle future claims of this kind for amounts similar on average to those agreed to date and based on the information currently available, we believe that we have made appropriate provisions for most of the cases we consider to be worthy of settlement with these accounting measures and the now exhausted insurance coverage.

Patent disputes

Yasmin™: In the patent infringement proceedings against Watson, Sandoz and Lupin, a U.S. federal court dismissed Bayer's infringement claims in 2010. In April 2012, the U.S. Court of Appeals for the Federal Circuit affirmed these judgments. Bayer did not seek a review of the decision. The dismissal of Bayer's infringement claims is now final. In June 2012, Watson Pharmaceuticals, Inc., Watson Laboratories, Inc. and Watson Pharma, Inc. filed a complaint against Bayer in a U.S. state court in New York. Watson seeks compensatory and punitive damages claiming malicious prosecution, tortious interference and unjust enrichment by Bayer in connection with the patent infringement proceedings. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. As of July 18, 2012, the complaint had not yet been served on Bayer.

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.

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

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

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of July 17, 2012, Bayer was aware of a total of approximately 415 lawsuits, involving about 12,200 plaintiffs, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United

States. A large percentage of these cases will be dismissed upon completion of the settlement with rice growers, discussed below. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the U.S.

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

Without acknowledging liability, Bayer also settled the claims filed by six European rice importers, one U.S. rice exporter, eight 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$168 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.

OTHER INFORMATION

The Annual Stockholders' Meeting on April 27, 2012 approved the proposal by the Board of Management and the Supervisory Board that a dividend of €1.65 per share be paid for the 2011 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board were ratified.

The stockholder representatives on the Supervisory Board were elected in accordance with the nominations submitted by the Supervisory Board.

The Annual Stockholders' Meeting also approved the amendment to the Articles of Incorporation changing the compensation of the Supervisory Board members to fixed compensation only.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor for the fiscal year 2012 and for the audit review of the 2012 half-year financial report.

Leverkusen, July 25, 2012
Bayer Aktiengesellschaft

The Board of Management

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 25, 2012
Bayer Aktiengesellschaft

The Board of Management

DR. MARIJN DEKKERS

WERNER BAUMANN

PROF. DR. WOLFGANG PLISCHKE

DR. RICHARD POTT

Review Report

To Bayer AG, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2012 to June 30, 2012 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, July 30, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Anne Böcker
Wirtschaftsprüferin

Focus

New cultivation methods are intended to help increase yields and protect the environment. Our photo from the new Bayer Sustainable Development Report shows farmers Doan Hong and Phan Minh Phat (from left) harvesting rice in Vietnam.

Innovation and sustainability are at the heart of Bayer's mission

Bayer has been honored with the SAM Sustainability Award 2012. The rating agency SAM (Sustainable Asset Management) conferred its Gold standard on the Bayer Group as the best German chemical company in the area of sustainability.

We are are very pleased about this accolade. It is both an acknowledgment of our strategy of maintaining successful and sustainable business operations and an incentive to continue along this path," commented Professor Wolfgang Plischke, the member of the Bayer AG Board of Management responsible for Technology, Innovation and Sustainability, at the SAM Sustainability Award ceremony in Berlin. "We place value on responsible business practices and want to make a lasting contribution to sustainable development in all our core areas – health care, nutrition and high-tech materials."

Award ceremony: Bayer Management Board Member Professor Wolfgang Plischke with presenter Corinna Wohlfeil

In his congratulatory speech, Dr. Daniel Wild, Head of Research at SAM, praised Bayer's innovation management among other aspects. "The company is able to efficiently manage the various phases of the research and development of new products and attaches considerable importance to maintaining a distinctive innovation culture."

SAM assesses the sustainability performance of more than 2,000 of the world's largest listed companies. The composition of the Dow Jones Sustainability indices is based on its evaluation. According to the rating agency, companies headquartered in Germany traditionally perform very well in this sustainability ranking in an international comparison. Bayer is included in both indices relevant for the company – the Dow Jones Sustainability Index World and the Dow Jones Sustainability Index Europe. Investors are showing an increasing interest in how companies integrate sustainable development into their strategies, and apply sustainability ratings as an additional risk indicator.

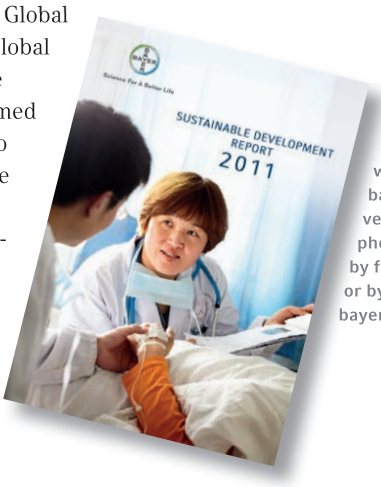
Sustainable Development Report published

The Bayer Group's progress in implementing its comprehensive Sustainability Program is underlined in the company's new Sustainable Development Report, which contains countless facts and figures. "We are making good progress in all core areas – health, nutrition, and climate protection and resource efficiency," remarked Plischke when he presented the 68-page publication. "We systematically strive to implement our qualitative and quantitative objectives on a step-by-step basis in the fields of innovation and product stewardship, ecology, employees, management and corporate governance, and social commitment."

The review of 2011 documented in the report also shows that sustainability is an important part of the company's corporate strategy. "We do not see this as merely a trend. Sustainability is firmly embedded in our core business and, for us, essentially means future viability," said Plischke. He added that Bayer places particular emphasis on innovative strength and partnership models so as to operate successfully and sustainably. This is reflected year after year in the company's high research and development budget, which – at around €3 billion in 2012 – is once again the highest in the German chemical and pharmaceutical industry. Plischke: "This commitment to innovation and sustainability is also at the heart of our mission: Bayer – Science For A Better Life."

Bayer faces two structural challenges with regard to its sustainability commitments in the area of health: on the one hand, the lack of basic medical care in developing countries where populations are on the rise and, on the other, health care requirements in industrialized countries with aging populations as a result of demographic change. In the field of nutrition, Bayer focuses on new cultivation methods aimed at increasing yields and protecting the environment, and on sustainable practices along the entire value-added chain. The Food Chain Partnerships established by Bayer CropScience aim to address this issue. Bayer is pursuing a two-pronged approach to climate protection and resource efficiency. First, the company plans to further improve the energy efficiency of its own production plants. Second, it is increasingly focusing on the development and marketing of resource-friendly products.

The current report is available in German and English. It is aligned to the international standards of the United Nations Global Compact and the Global Reporting Initiative (GRI), which confirmed that it conformed to the highest possible rating of "A+." The report was also certified by corporate auditors Ernst & Young.



An online version of the report and further information are available at: www.sustainability2011.bayer.com. The print version can be ordered by phone at +49 214 30 57546, by fax at +49 214 30 57547 or by e-mail at serviceline@bayer.com.

Acquisition of U.S. green agriculture company

Farmer Francisco Martínez Granero grows tomatoes in Spain. The acquisition of AgraQuest is aimed at strengthening the fruit and vegetables business.

With the acquisition of U.S. green agriculture company AgraQuest, Bayer CropScience aims to build a leading technology platform for biological products and to further strengthen its strategically important fruit and vegetables business. Bayer is acquiring the company, headquartered in Davis, California, United States, for a purchase price of US$425 million (approximately €340 million) plus milestone payments. AgraQuest is a global supplier of innovative biological pest management solutions based on natural microorganisms. These green products control a broad spectrum of pests and diseases and offer farmers integrated pest management programs and strategies to minimize the development of resistance and maximize crop yields.

"The growing fruit and vegetables market, which today accounts for more than 25 percent of our sales, is of strategic importance for us. We plan to achieve €3 billion sales in this segment by 2020 and with the acquisition of AgraQuest we are underlining our growth ambitions," said Sandra Peterson, CEO of Bayer CropScience. "We are the first in our industry to offer farmers a truly comprehensive range of integrated crop solutions based on seeds, traits and combined chemical crop protection and biological control," she added. The tailor-made portfolio and promising R&D pipeline of AgraQuest will help Bayer CropScience to build a broad-based technology platform to bring a new generation of innovative products to the market.

Stronger position in the polycarbonate sheet market

Bayer has acquired the polycarbonate sheet business of Arkema Inc. in the United States. This transaction strengthens the position of Bayer MaterialScience in the North American market and its global high-performance plastic sheet activities. The company already operates sheet production in the United States, Mexico, Germany, Belgium and Italy as well as in China, India, South Korea and Australia.

The acquisition includes Arkema's Tuffak™ line of products used in areas such as aerospace, transportation and heavy equipment for the construction and agriculture industries. In addition, some production equipment will be transferred from Arkema to Bayer. The acquisition of the Tuffak™ business will further strengthen Bayer MaterialScience's quality leadership position in the growing North American polycarbonate sheet market. For more than 60 years, the company has been a leader in innovation and quality production of extruded thermoplastic sheet products. These include a broad range of Makrolon™ products for a variety of applications in the transportation, security, architecture and recreational markets.

Bayer employee Michael Delbeck prepares polycarbonate sheets for the application of a scratch-resistant coating.

Valuable contribution to the chemistry of the future

Professor Benjamin List from the Max Planck Institute for Coal Research in Mülheim an der Ruhr has received the Otto Bayer Award 2012 from the Bayer Science & Education Foundation in recognition of his outstanding achievements in the field of organocatalysis. Bayer CEO Dr. Marijn Dekkers and Bayer Management Board member Professor Wolfgang Plischke presented the award – worth €75,000 – during a ceremony held in Berlin and attended by some 200 representatives of business, industry and government.

Dekkers emphasized the significance of Professor List's contribution in shaping the chemistry of the future. Catalysts make processes efficient and List's work in this area provides a sound basis for sustainability and resource efficiency in chemistry. In his speech at the ceremony, Dekkers called for greater public recognition for scientific achievements: "Germany is characterized by unique experiences, a good infrastructure and an outstanding network comprising companies as well as public and private institutes and research facilities. But we have to make use of these advantages. I see it as our duty to apply scientific findings in achieving the maximum possible gain for society." Professor Ernst-Ludwig Winnacker, Secretary General of the Human Frontier Science Program and Chairman of the Foundation's Board of Trustees said: "Today, catalysts are used in around 80 percent of all chemical industry processes. The advantages of organic catalysts are very convincing. They are stable, non-toxic because they contain no metals, and easy to recover – a very good example of green chemistry."

At the awards ceremony (from left): Management Board member Professor Wolfgang Plischke, award-winner Professor Benjamin List, Professor Ernst-Ludwig Winnacker and Bayer CEO Dr. Marijn Dekkers

Bleeding frequency in adults with hemophilia A reduced

The effectiveness and good tolerability of Kogenate™ Bayer as a secondary prophylaxis for reducing bleeding frequency in adults with severe hemophilia A has been confirmed in the SPINART Phase III clinical trial, which compared secondary prophylaxis to episodic treatment. The study results were presented as a late breaker at the 50th World Federation of Hemophilia (WFH) World Congress held in Paris, France.

The SPINART study is still ongoing to evaluate the effect of secondary prophylaxis with Kogenate™ Bayer on bleeding frequency and joint damage compared with episodic treatment in adults with severe hemophilia A.

For healthy fruit and vegetables

In a move that will further strengthen its vegetable seed business, Bayer CropScience is acquiring the watermelon and melon seed business of U.S.-based Abbott & Cobb Inc., a seed company headquartered in Feasterville, Pennsylvania, United States. The Bayer CropScience vegetable seed business operates under the Nunhems brand and is a key segment for the company.

Abbott & Cobb has a robust watermelon position in the U.S. market with increasing business in Mexico, Australia and Asia. This makes the acquisition a significant step forward for the presence of Bayer CropScience in this market. In addition, the melon business and the germplasm will broaden Bayer CropScience's existing seed portfolio and provide the basis for future new hybrids. "The demand for healthy fruit and vegetables is increasing worldwide, and this segment is of crucial importance for Bayer CropScience. We plan to achieve sales of about €3 billion with seeds, traits and crop protection solutions for fruit and vegetables by 2020. Our vegetable seed business is essential for this," said Sandra Peterson, CEO of Bayer CropScience.

The company recently celebrated the completed extension of its R&D center for vegetable seed at Leudal, the Netherlands. In an investment totaling €12 million, the area of the existing research facility was almost tripled to 6,400 square meters.

FDA grants priority review to Xarelto

The U.S. Food and Drug Administration (FDA) has granted priority review designation to the marketing authorization applications filed in early May 2012 for the oral anticoagulant Xarelto™ (rivaroxaban) to treat patients with deep vein thrombosis (DVT) or pulmonary embolism (PE) and for the secondary prevention of recurrent venous thromboembolism (VTE). The FDA grants priority review to medicines that offer major advances in care or provide a treatment where no adequate therapy exists. Under the Prescription Drug User Fee Act (PDUFA), the FDA will aim to complete its review within six months from the receipt of the applications, rather than the standard ten-month review cycle. Bayer and cooperation partner Janssen Research & Development, LLC also withdrew the application filed with the FDA for the use of Xarelto™ to reduce the risk of stent thrombosis in patients with acute coronary syndrome (ACS). The decision is due to the complete response letter issued by the FDA regarding the separate application for rivaroxaban to reduce the risk of secondary cardiovascular events in patients with ACS. Xarelto™ has already been approved in the United States in three indications: to prevent VTE in adult patients following elective hip or knee replacement surgery and to prevent stroke in patients with non-valvular atrial fibrillation.

Bayer researcher Dr. Alexander Straub in his laboratory

In the United Kingdom, the National Institute for Health and Clinical Excellence (NICE) has recommended Xarelto™ for the prevention of stroke and systemic embolism outside the central nervous system, for the treatment of DVT and for the secondary prevention of VTE. The NICE recommendation is the basis for the reimbursement of the costs of Xarelto™ by the public health insurance fund in England and Wales.

No way through for malaria mosquitoes

Bayer CropScience's innovative LifeNet™ mosquito nets are now available to provide improved protection against malaria. The company received all necessary regulatory approvals for large-scale production. As a first step, the delivery of millions of LifeNet™ mosquito nets is about to start in African countries to support their ongoing fight against malaria. Registrations have been received in Malawi, Namibia and Zambia, with further registrations pending. LifeNet™ represents a longer-lasting, user-friendly alternative to currently available nets. "Our motivation was to set a new standard in bednet durability and to thereby increase the impact of malaria control programs for the benefit of those in need," said Dr. Gunnar Riemann, Head of Bayer CropScience's Environmental Science business group.

The LifeNet™ mosquito net from Bayer remains effective even after 30 washes.

"LifeNet™ is the world's first long-lasting polypropylene net with deltamethrin incorporated deep inside the fiber providing a unique combination of efficacy, strength and softness – a new tool in the fight against malaria," added Nadim Mohr, responsible for Sub-Saharan Africa at Environmental Science. "LifeNet™ is the first net which is recognized by the World Health Organization to be effective even after 30 washes, providing more nights of protection."

Study fails to meet primary endpoint

A Phase III trial evaluating Nexavar™ (sorafenib) in patients with advanced non-small cell lung cancer whose disease had progressed after two or three previous treatments did not meet its primary endpoint of improving overall survival. An improvement in the secondary endpoint of progression-free survival was observed. "While we are disappointed that the primary endpoint was not met, we believe the study results will advance scientific knowledge of lung cancer," said Dr. Dimitris Voliotis, Head of Global Clinical Development Oncology at Bayer HealthCare.

Nexavar™ is a drug for the treatment of liver and kidney cancer that is currently approved in more than 100 countries worldwide. Various Phase III trials are ongoing to evaluate the active substance in a range of cancers and support its further development.

An offshore wind farm in Denmark: Danish companies develop and produce almost half of the wind turbines around the world.

Global wind energy competence center

Bayer MaterialScience plans to establish a global wind energy competence and development center at its existing site in Otterup, Denmark. The new competence center will spearhead and coordinate the global development activities for advanced materials used in wind energy applications.

The project underlines the commitment of Bayer MaterialScience to developing innovative and sustainable materials and technologies for generating power from renewable resources. It will bundle development capabilities from across the company's entire portfolio of polyurethanes, polycarbonates as well as coatings, adhesives and specialties, pooling expertise from research and development teams around the world.

Bayer MaterialScience CEO Patrick Thomas sees it as an opportunity to deploy the company's expertise in chemistry and process engineering to help achieve a sustainable reduction in the cost of generating energy from wind turbines. Said Thomas: "This is an exciting step in the area of sustainable energy supply that will help open new horizons in the wind power industry. We have decades of experience in the field of advanced materials development and I am confident that we will be able to make a valuable contribution to this important industry sector." Almost half of the wind turbines around the world are developed and produced by Danish manufacturers and many component suppliers are based in Denmark as well.

New seed treatment product

Bayer CropScience has been granted the first regulatory approval worldwide for its new fungicidal seed treatment product EverGol™ (penflufen) in Canada. The product sets a new standard in the control of Rhizoctonia solanum, the most important disease in the Canadian canola, a summer oilseed rape variety. Products based on EverGol™ are also characterized by a complete spectrum of activity. Canola seed treated with EverGol™ produces a healthy, vital canola crop and accordingly provides ideal conditions for increasing the marketable yield. Market launch activities for EverGol™ in Canada have already started. "The registration of EverGol™ underlines our role as a leading provider of crop protection agents and seed in the oilseed rape business," said Matthias Haug, who is responsible for the global Seed Treatment business at Bayer CropScience.

Last year, Bayer announced the registration of Emesto™, a seed treatment product for potatoes with the same active ingredient, in the United Kingdom. Other products from the EverGol™/Emesto™ family are expected to be granted approval in more than 40 countries globally – especially in the growing markets for seed treatment compounds in Latin America and Asia.

Farmers Herbert, Marc and Kevin Serfas (from left) in a canola field in Canada

In Gatersleben (from left): Professor Birgitta Wolff, Saxony-Anhalt's Minister for Science and Economy; Dr. Rüdiger Scheitza, Member of the Board of Management of Bayer CropScience; Bayer Management Board member Professor Wolfgang Plischke; laboratory technician Sylvia Müller; and Dr. Elmar Weissmann, Head of the European Wheat Breeding Center

European Wheat Breeding Center opened

Wheat is the most widely grown crop and one of the world's most important staple foods. In order to develop high-quality wheat varieties against the backdrop of a growing world population, Bayer CropScience has opened a European Wheat Breeding Center in Gatersleben, in the Saxony-Anhalt region of Germany. Work has begun in greenhouses and laboratories on an approximately 1,400-square-meter facility at the Biotechpark Gatersleben Infrastruktur GmbH site. As well as developing wheat varieties with higher yields and enhanced properties for the central European market, the 40 employees in Gatersleben will also coordinate all of Bayer's wheat-breeding activities in Europe. Bayer invests some €720 million worldwide in the research and development of crop protection agents and seeds every year. It is planned to increase this budget to approximately €850 million by 2015. "The inauguration of the European Wheat Breeding Center is another important milestone for our activities in the area of seeds and traits," said Bayer Management Board member Professor Wolfgang Plischke.

New model for sustainable building

The EcoCommercial Building (ECB) Program managed by Bayer MaterialScience was honored with the "Best Practice of Global Green Building" award at the Earth Summit in Rio de Janeiro, Brazil. The award was presented by the Global Forum on Human Settlements (GFHS) at a conference it co-hosted with the United Nations in recognition of numerous Bayer-owned buildings built according to the ECB concept.

The global program established by Bayer MaterialScience in 2009 bundles the expertise in various disciplines revolving around sustainable building. It counts over 50 partners, including companies such as ThyssenKrupp, Stiebel Eltron and Philips. The objective is the planning and erection of tailored, energy-optimized buildings according to a holistic concept. "The award demonstrates that the ECB initiative is the right tool for the global task of enabling sustainable living and building," said Dr. Thomas Römer, head of the Construction Industry Platform at Bayer MaterialScience. "Existing standards for climate protection, energy consumption, comfort and cost-effectiveness can be far exceeded simply through the intelligent combination of available technologies and solutions."

Bayer employee Dr. Ram Sei Yelamanchili (left) and Krishna Kumar Mitra from Lloyd Insulations outside the EcoCommercial Building in India

The Bayer buildings in the United States, Germany, Belgium and India are exemplary in this regard. For example, a climate-neutral administrative building opened near New Delhi in 2010 achieved a positive energy balance in just its first year of operation. This building recently ranked top in the international Leadership in Energy and Environmental Design (LEED) rating system. The zero-energy building was awarded the Platinum standard in the New Construction category.

Applications filed for cancer drug

The U.S. Food and Drug Administration (FDA) has granted priority review designation to the application for marketing authorization filed in April 2012 for Bayer HealthCare's oral multikinase inhibitor regorafenib for the treatment of patients with metastatic colorectal cancer (mCRC) whose disease has progressed after approved standard therapies.

The FDA grants priority review to medicines that offer major advances in care or provide a treatment where no adequate therapy exists. Under the Prescription Drug User Fee Act (PDUFA), the FDA will aim to complete its review within six months from the receipt of the application, rather than the standard ten-month review cycle. Bayer has also submitted an application for the approval of regorafenib in the same indication to the European Medicines Agency (EMA). In both cases, the applications are based on data from the global Phase III CORRECT study. The study results were first reported at the Annual Gastrointestinal Cancers Symposium of the American Society of Clinical Oncology (ASCO) in January 2012 and at the ASCO Annual Meeting held in Chicago, United States, in June 2012.

Eva Sakic (left) and Sylvia McKinnon in a Bayer Pharma laboratory in Berlin, Germany

Improved energy efficiency

Bayer MaterialScience's planned world-scale facility to manufacture TDI, a raw material for flexible polyurethane foam, has received recognition from the KfW IPEX Bank, which intends to co-finance the plant at the Chempark site in Dormagen, Germany. The bank, based in Frankfurt, Germany, is the arm of the KfW Group that is responsible for export and project financing. It will provide long-term credit equaling the investment sum using funds from the KfW Environment and Energy Efficiency Program. Germany's Federal Environment Ministry confirmed the planned facility's eligibility for funding on the basis of its energy efficiency.

"The novel process will set new standards for energy-efficient and climate-friendly TDI production. This is again confirmed by the funding award," said Dr. Steffen Kühling of Bayer MaterialScience. "KfW programs provide support to German industry, enabling the transfer of innovative projects to the industrial scale," explained Dr. Christian Staab, Senior Director at the KfW IPEX Bank. "This applies particularly to projects which are a model for other companies. Bayer MaterialScience's proposed TDI facility meets these criteria in every way, demonstrating how new technologies can be combined to improve energy efficiency."

On the construction site: Dr. Miriam Holstein, Head of Corporate Finance at Bayer AG (3rd from left) with KfW representatives and project team members

New opportunities for sugar beet growers

Farmers are to be given a new opportunity to make sugar beet cultivation easier, more flexible in its timing and more environmentally friendly. This is the objective of Bayer CropScience and KWS SAAT AG, which have signed an agreement to jointly develop and commercialize an innovative system of weed control in sugar beet for the global market. The technology is based on the breeding of sugar beet varieties that are tolerant to broad-spectrum herbicides in the ALS inhibitor class. The system is scheduled to be available to farmers in some years.

Joint research on developing the system began in 2001. The new sugar beet plants have a naturally occurring change in an enzyme involved in the biosynthesis of essential amino acids. During development, sugar beets with this spontaneously changed enzyme were specifically selected and used for further breeding.

Financial Calendar

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**
Q2 2013 Interim Report	**July 31, 2013**
Q3 2013 Interim Report	**October 31, 2013**

MASTHEAD

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Date of publication
Tuesday, July 31, 2012

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WWW.BAYER.COM

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

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