Science For A Better Life


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Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2010

First Quarter of 2010:

Bayer achieves strong gains in sales and earnings

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COVER PICTURE

Research and development are a major success factor for the inventor company Bayer. An important focus of this activity is on the dynamic growth region of Asia/Pacific. The cover picture, taken at our facility in Singapore, shows Cally Lim (left) working with wafer-thin, flexible solar cells, and her colleagues Wilfredo Aguilar and Dr. Stefan Bahnmüller (right), who are inspecting luminescent films. They are all employees of the Functional Films unit of Bayer MaterialScience, which is combining innovative ideas with proven materials to develop products that meet tomorrow's needs.

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Bayer Group Key Data

	1st Quarter 2009	1st Quarter 2010	Change	Full Year 2009
	€ million	€ million	%	€ million
Sales	**7,895**	**8,316**	**+5.3**	**31,168**
Change in sales				
Volume	−9.4%	+6.9%		−2.9%
Price	−0.3%	−0.7%		−2.8%
Currency	+1.9%	−0.3%		+0.6%
Portfolio	+0.3%	−0.6%		−0.2%
EBITDA[1]	**1,661**	**1,841**	**+10.8**	**5,815**
Special items	*(34)*	*(77)*		*(657)*
EBITDA before special items	***1,695***	***1,918***	***+13.2***	***6,472***
EBITDA margin before special items	21.5%	23.1%		20.8%
EBIT[2]	**973**	**1,197**	**+23.0**	**3,006**
Special items	*(44)*	*(77)*		*(766)*
EBIT before special items	***1,017***	***1,274***	***+25.3***	***3,772***
EBIT margin before special items	12.9%	15.3%		12.1%
Non-operating result	**(334)**	**(244)**	**+26.9**	**(1,136)**
Net income	**425**	**693**	**+63.1**	**1,359**
Earnings per share (€)[3]	0.55	0.84	+52.7	1.70
Core earnings per share (€)[4]	0.91	1.20	+31.9	3.64
Gross cash flow[5]	**1,209**	**1,271**	**+5.1**	**4,658**
Net cash flow[6]	**693**	**732**	**+5.6**	**5,375**
Cash outflows for capital expenditures	**290**	**230**	**−20.7**	**1,575**
Research and development expenses	**657**	**717**	**+9.1**	**2,746**
Depreciation and amortization	**688**	**644**	**−6.4**	**2,809**
Number of employees at end of period[7]	**108,700**	**107,800**	**−0.8**	**108,400**
Personnel expenses (including pension expenses)	1,891	2,015	+6.6	7,776

[1] EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales. See also chapter 6 "Calculation of EBIT(DA) Before Special Items."

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

[3] Earnings per share as defined in IAS 33 = net income divided by the average number of shares. For details see page 37.

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

[5] Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year. For details see chapter 8 "Financial Position of the Bayer Group."

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

[7] Number of employees in full-time equivalents

First quarter of 2010:

Bayer achieves strong gains in sales and earnings

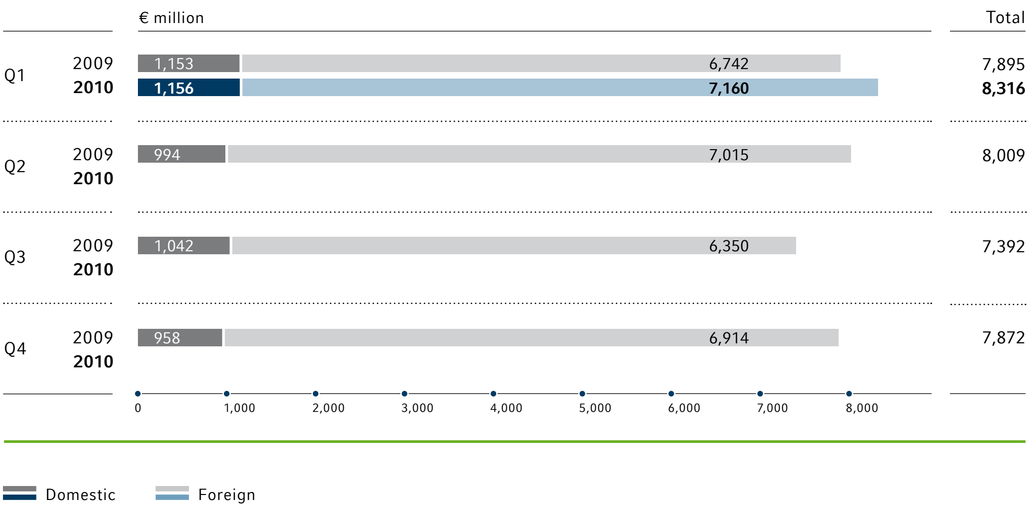
- Sales €8.3 billion (+5.3%)
- EBITDA before special items €1.9 billion (+13.2%)
- Net income €0.7 billion (+63.1%)
- Core earnings per share €1.20 (+31.9%)
- Group outlook raised for 2010

1. Overview of Sales, Earnings and Financial Position

The Bayer Group achieved strong gains in sales and earnings in the first quarter of 2010. MaterialScience posted a clear recovery, achieving better-than-expected sales growth against the very weak prior-year quarter in an increasingly stabilizing market environment. HealthCare saw a slight improvement in sales and earnings. The CropScience business, however, weakened distinctly in the first quarter of 2010 compared with the record prior-year quarter, mainly in light of market- and weather-related factors.

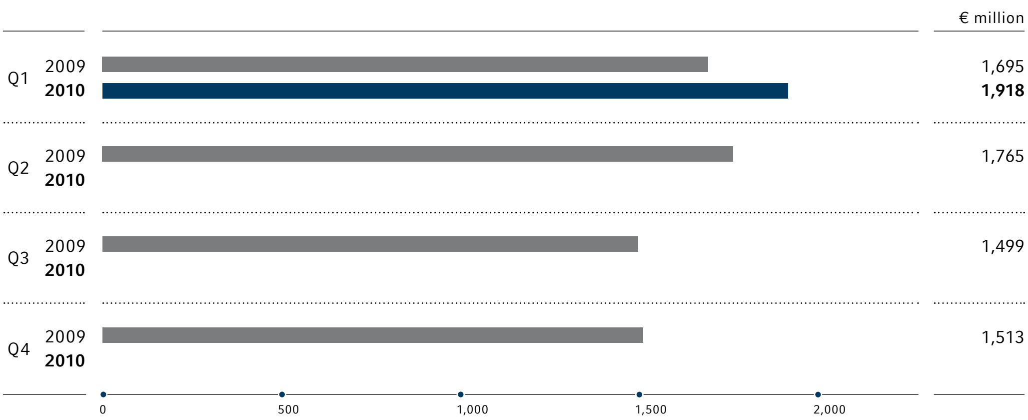
Group **sales** rose by 5.3% to €8,316 million (Q1 2009: €7,895 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), business grew by 6.2%. Sales of HealthCare increased by 0.7% (Fx & portfolio adj. +2.6%). In the CropScience business, sales receded by 7.9% (Fx & portfolio adj. -10.0%). Sales of MaterialScience advanced by a considerable 35.5% (Fx adj. +37.9%).

Bayer Group Quarterly Sales [Graphic 1]



EBITDA before special items of the Bayer Group expanded by 13.2% to €1,918 million (Q1 2009: €1,695 million). The clear improvement at MaterialScience contributed substantially to this earnings growth. The EBITDA margin before special items climbed to 23.1% (Q1 2009: 21.5%).

Bayer Group Quarterly EBITDA Before Special Items [Graphic 2]



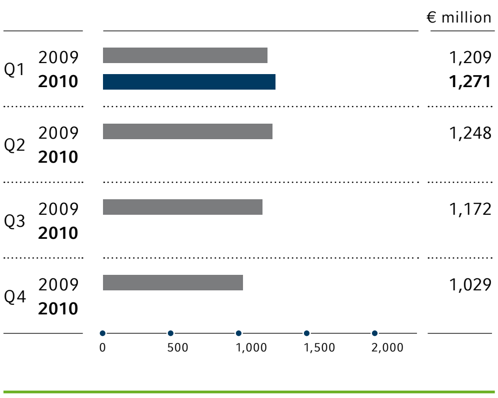
HealthCare generated EBITDA before special items of €1,079 million (Q1 2009: €1,061 million). EBITDA before special items of CropScience, at €559 million, was down by 24.2% from the very good earnings level of the prior-year period (€737 million). This drop in earnings was largely due to the decline in sales caused by market- and weather-related factors. MaterialScience posted EBITDA before special items of €287 million after the very weak prior-year figure of minus €116 million, which was attributable to the slump in the economy.

EBIT before special items of the Bayer Group in the first quarter of 2010 improved by 25.3% to €1,274 million (Q1 2009: €1,017 million). Earnings were diminished by special charges of €77 million (Q1 2009: €44 million). Of the special charges, which related entirely to litigations, HealthCare accounted for €29 million and CropScience for €48 million. EBIT of the Bayer Group grew by 23.0% to €1,197 million (Q1 2009: €973 million).

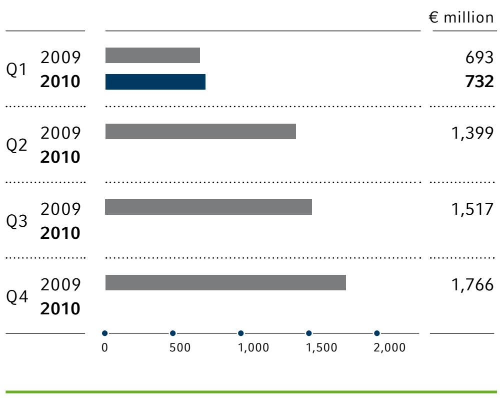
After a non-operating result of minus €244 million (Q1 2009: minus €334 million), income before income taxes in the first quarter of 2010 was €953 million (Q1 2009: €639 million). The main components of the non-operating result were €117 million (Q1 2009: €179 million) in net interest expense, €90 million (Q1 2009: €102 million) in interest cost for pension and other provisions, and an exchange loss of €9 million (Q1 2009: €26 million). The drop in net interest expense was partly due to the reduction in financial debt and lower interest rates. Tax expense in the first quarter came to €259 million (Q1 2009: €215 million). Income after taxes increased to €694 million (Q1 2009: €424 million), of which €1 million (Q1 2009: minus €1 million) was attributable to non-controlling interest.

Bayer Group net income for the first quarter of 2010 came in at €693 million (Q1 2009: €425 million). Earnings per share were €0.84 (Q1 2009: €0.55). Core earnings per share rose to €1.20 (Q1 2009: €0.91). For calculation details see Chapter 7 "Core Earnings Per Share."

Gross Cash Flow by Quarter [Graphic 3]



Net Cash Flow by Quarter [Graphic 4]



Gross cash flow of the Bayer Group increased by 5.1% year on year to €1,271 million (Q1 2009: €1,209 million) due especially to the upward business trend at MaterialScience. Net cash flow rose by 5.6% to €732 million (Q1 2009: €693 million).

Despite the usual seasonal first-quarter expansion of business and negative currency effects, net financial debt on March 31, 2010, remained level with the end of 2009 at €9.7 billion. The net pension liability – the aggregate of pension obligations and plan assets – rose by €0.5 billion compared with December 31, 2009, to €6.9 billion, due especially to lower long-term capital market interest rates.

2. Economic Outlook

The **global economy** should continue to recover over the course of the year. However, we expect overall growth to be somewhat restrained, with the effects of the economic crisis continuing to hamper development. Only in the emerging markets is the economic recovery likely to proceed at a steady, rapid pace. Asia will probably remain the most dynamic region, while growth is expected to be rather moderate in the United States and comparatively weak in Europe.

We expect growth in the **pharmaceutical market** in 2010 to be in the mid-single digits. This expansion is likely to be driven increasingly by emerging countries. However, we anticipate low-single-digit growth rates in the traditional markets such as the United States and the major European countries due to patent expirations for major products of various pharmaceutical companies, a decline in new product introductions and the increasing cost pressure from health organizations. We expect a positive overall trend this year in the **consumer health markets**, with wide regional variations in market growth.

We foresee modest growth in the **seed and crop protection market** in 2010 following a decline last year.

Following strongly negative market reactions last year, the main customer industries of **MaterialScience** (automotive, electrical/electronics, construction, furniture) are likely to experience a steady recovery in 2010 that will probably vary by region.

3. Sales and Earnings Forecast

The following forecasts for 2010 are based on the business performance described in this report, taking into account the potential risks and opportunities. The sales and earnings forecast for the period through 2012 is given in chapter 11.4 of the Bayer Annual Report 2009.

Bayer Group

We remain optimistic for 2010. The decline in business momentum at HealthCare and CropScience is being offset by the recovery at MaterialScience, which is progressing faster than expected. Since, in addition, currency parities have so far trended more favorably than anticipated, we are raising our earnings forecast for the Bayer Group.

We continue to target currency- and portfolio-adjusted sales growth of more than 5%. We now aim to increase EBITDA before special items to more than €7 billion (previously: toward €7 billion). Core earnings per share (calculated as explained in Chapter 7) are expected to improve by more than 15% (previously: about 10%). Our estimates are based on the exchange rates prevailing at the end of the first quarter (for example, 1.35 (previously: 1.40) U.S. dollars to the euro).

HealthCare

In light of the business trend in the first quarter, we are adjusting our 2010 sales forecast for HealthCare as follows: For Pharmaceuticals we anticipate below-market growth. In Consumer Health, however, we expect to expand faster than the market. This corresponds to currency- and portfolio-adjusted growth for HealthCare of about 3% (previously: about 5%). We are targeting a further increase in EBITDA before special items.

CropScience

Following the delayed start to the season due to weather conditions, business at CropScience has now gained momentum. Despite this, we now anticipate lower sales growth in view of the weak market development in the first quarter. We confirm our goal of achieving slightly above-market growth in 2010. We now expect to post a currency- and portfolio-adjusted sales increase of between 2% and 3% (previously: approximately 4%) and EBITDA before special items level with the previous year (previously: a small increase).

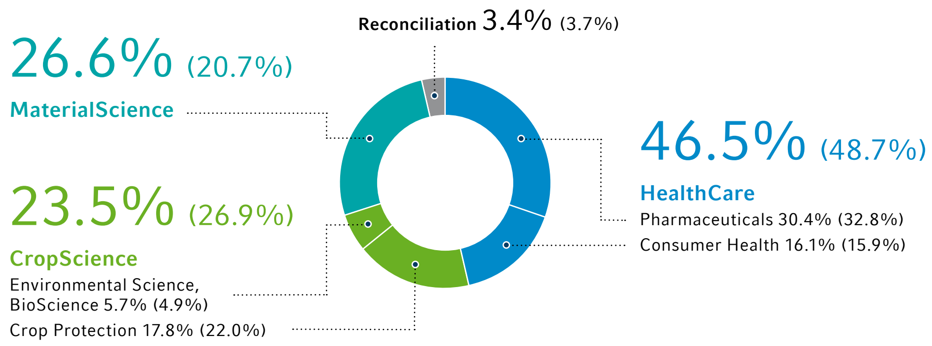
MaterialScience

We anticipate a continuing recovery in the markets relevant to our MaterialScience business.
In light of this we are targeting a sales increase in the region of 20% (previously: more than 10%) on a currency- and portfolio-adjusted basis in 2010. We plan to more than double (previously: considerably increase) EBITDA before special items.
In the second quarter of 2010 we anticipate further growth in sales and an improvement in EBITDA before special items compared with the first quarter of the 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 Quarter 2010 (1st Quarter 2009 in parentheses) [Graphic 5]



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 before special items*		EBITDA before special items*		EBITDA margin before special items*	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	**3,843**	**3,869**	**693**	**745**	**1,061**	**1,079**	**27.6**	**27.9**
Pharmaceuticals	2,587	2,531	523	526	827	797	32.0	31.5
Consumer Health	1,256	1,338	170	219	234	282	18.6	21.1
CropScience	**2,120**	**1,952**	**617**	**436**	**737**	**559**	**34.8**	**28.6**
Crop Protection	1,734	1,476	506	276	611	380	35.2	25.7
Environmental Science, BioScience	386	476	111	160	126	179	32.6	37.6
MaterialScience	**1,636**	**2,216**	**(263)**	**146**	**(116)**	**287**	**(7.1)**	**13.0**
Reconciliation	**296**	**279**	**(30)**	**(53)**	**13**	**(7)**	**4.4**	**(2.5)**
Group	**7,895**	**8,316**	**1,017**	**1,274**	**1,695**	**1,918**	**21.5**	**23.1**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."

Changes in corporate structure

Effective January 1, 2010, we transferred certain products from the Specialty Medicine to the General Medicine business unit within the Pharmaceuticals segment of the HealthCare subgroup. The prior-year figures are restated accordingly.

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

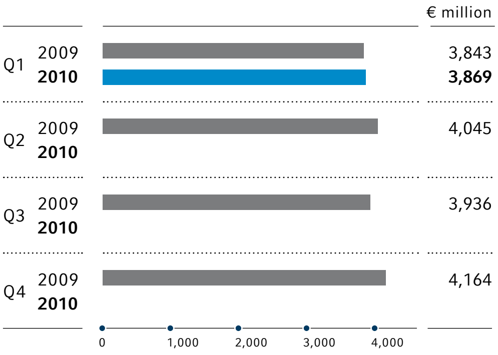
Key Data – HealthCare [Table 2]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**3,843**	**3,869**	**+0.7**
Change in sales			
Volume	−0.1%	+2.2%	
Price	+0.4%	+0.4%	
Currency	+2.4%	−0.6%	
Portfolio	+0.3%	−1.3%	
Sales by segment			
Pharmaceuticals	2,587	2,531	−2.2
Consumer Health	1,256	1,338	+6.5
Sales by region			
Europe	1,572	1,523	−3.1
North America	1,104	1,134	+2.7
Asia/Pacific	635	667	+5.0
Latin America/Africa/Middle East	532	545	+2.4
EBITDA*	**1,043**	**1,050**	**+0.7**
Special items	*(18)*	*(29)*	
EBITDA before special items*	***1,061***	***1,079***	***+1.7***
EBITDA margin before special items*	27.6%	27.9%	
EBIT*	**675**	**716**	**+6.1**
Special items	*(18)*	*(29)*	
EBIT before special items*	***693***	***745***	***+7.5***
Gross cash flow**	**745**	**719**	**−3.5**
Net cash flow**	**699**	**742**	**+6.2**

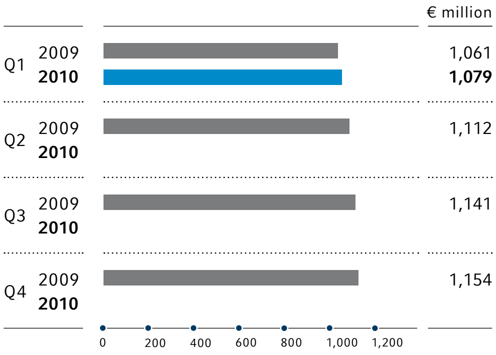
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of the **HealthCare** subgroup rose by 0.7% in the first quarter of 2010, to €3,869 million (Q1 2009: €3,843 million). Adjusted for currency and portfolio effects, business was up by 2.6%. This growth was mainly attributable to the Consumer Health segment, which performed particularly well in the United States. Sales in the Pharmaceuticals segment remained at the previous year's level.

HealthCare
Quarterly Sales [Graphic 6]



HealthCare
Quarterly EBITDA Before Special Items [Graphic 7]



EBITDA before special items of HealthCare increased by €18 million to €1,079 million (+1.7%). Earnings improved in the Consumer Health segment but declined slightly in Pharmaceuticals. **EBIT** before special items advanced by 7.5% to €745 million (Q1 2009: €693 million). Special charges totaled €29 million (Q1 2009: €18 million). EBIT rose by 6.1% to €716 million (Q1 2009: €675 million).

Pharmaceuticals

Key Data – Pharmaceuticals [Table 3]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**2,587**	**2,531**	**−2.2**
General Medicine	859	874	+1.7
Specialty Medicine	786	737	−6.2
Women's Healthcare	722	710	−1.7
Diagnostic Imaging	220	210	−4.5
Sales by region			
Europe	1,035	981	−5.2
North America	703	687	−2.3
Asia/Pacific	510	527	+3.3
Latin America/Africa/Middle East	339	336	−0.9
EBITDA*	**809**	**768**	**−5.1**
Special items	*(18)*	*(29)*	
EBITDA before special items*	***827***	***797***	***−3.6***
EBITDA margin before special items*	32.0%	31.5%	
EBIT*	**505**	**497**	**−1.6**
Special items	*(18)*	*(29)*	
EBIT before special items*	***523***	***526***	***+0.6***
Gross cash flow**	**565**	**512**	**−9.4**
Net cash flow**	**512**	**592**	**+15.6**

2009 figures restated
* 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 **Pharmaceuticals** segment declined by 2.2% in the first quarter of 2010 to €2,531 million (Q1 2009: €2,587 million). After adjusting for currency and portfolio effects, business grew by 0.6%. Sales expanded in the North America and Asia/Pacific regions, but declined in Europe.

Best-Selling Pharmaceutical Products [Table 4]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	319	287	−10.0	−10.2
Betaferon®/Betaseron® (Specialty Medicine)	301	283	−6.0	−5.0
Kogenate® (Specialty Medicine)	249	244	−2.0	−0.4
Nexavar® (Specialty Medicine)	137	155	+13.1	+16.0
Adalat® (General Medicine)	156	146	−6.4	−5.5
Mirena® (Women's Healthcare)	125	143	+14.4	+16.5
Avalox®/Avelox® (General Medicine)	129	135	+4.7	+8.0
Levitra® (General Medicine)	83	86	+3.6	+5.1
Glucobay® (General Medicine)	82	79	−3.7	−1.7
Cipro®/Ciprobay® (General Medicine)	80	75	−6.3	−4.7
Aspirin® Cardio (General Medicine)	73	73	0.0	+0.9
Ultravist® (Diagnostic Imaging)	62	68	+9.7	+6.1
Magnevist® (Diagnostic Imaging)	56	51	−8.9	−7.0
Kinzal®/Pritor® (General Medicine)	37	42	+13.5	+12.6
Iopamiron® (Diagnostic Imaging)	46	39	−15.2	−14.5
Total	**1,935**	**1,906**	**−1.5**	**−0.3**
Proportion of Pharmaceuticals sales	75%	75%		

Sales of the **General Medicine** business unit increased by 1.7% to €874 million (Q1 2009: €859 million). Adjusted for currency changes, business grew by 3.4%. This was due especially to the positive business development in North America. Sales of our antibiotic Avalox®/Avelox® improved by 8.0% (Fx adj.) particularly as a result of business growth in the United States. Sales of our Levitra® erectile dysfunction treatment also increased (Fx adj. +5.1%). Our antihypertensive Kinzal®/Pritor® posted particularly strong growth (Fx adj. +12.6%), benefiting from the expansion of its indications in October 2009 to include the prevention of cardiovascular disease. Sales of Adalat® (Fx adj. -5.5%), Cipro®/Ciprobay® (Fx adj. -4.7%) and Glucobay® (Fx adj. -1.7%) moved back mainly as a result of generic competition.

Sales of the **Specialty Medicine** business unit fell by 6.2% to €737 million (Q1 2009: €786 million), partly as a consequence of the divestment of products from our oncology portfolio to Genzyme Corp., United States, in May 2009. After adjustment for currency and portfolio effects, business edged forward by 0.9%. Sales of our cancer drug Nexavar® (Fx adj. +16.0%) increased in all regions. In Japan, notably, we benefited from the product's registration in May 2009 for the treatment of liver cancer. Sales of our blood-clotting drug Kogenate® remained at the prior-year level (Fx adj. -0.4%). Global demand for Kogenate® marketed by Bayer increased. However, sales to our distribution partner were well down against the prior-year quarter as a result of ordering schedule fluctuations. Sales of the multiple sclerosis drug Betaferon®/Betaseron® were down overall (Fx adj. -5.0%). This was largely attributable to lower sales in Europe caused mainly by heightened competition, particularly in Germany and Russia.

First-quarter sales of our **Women's Healthcare** business unit edged down 1.7% to €710 million (Q1 2009: €722 million). Business receded by 2.3% on a currency-adjusted basis, mainly due to lower sales of our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives (Fx adj. -10.2%) caused by a drop in demand for YAZ® and Yasmin® in the United States. Demand in the United States suffered particularly from the discussion surrounding the thrombosis risk of contraceptives containing drospirenone. However, the company continues to believe that the risk profile is comparable to that of other combination oral contraceptives and that YAZ® and Yasmin® remain good choices for contraception when used as directed. Sales moved ahead in the other regions, especially those of YAZ® in Europe and Yasmin® in Asia/Pacific. There was a pleasing increase in sales of the hormone-releasing intrauterine device Mirena® (Fx adj. +16.5 %), with particularly strong growth in demand in the United States due to the announcement of price increases.

Sales of the **Diagnostic Imaging** business unit receded by 4.5% to €210 million (Q1 2009: €220 million). After adjusting for currency and portfolio effects, sales slipped by 1.9%. The continuing decline in sales of Magnevist® (Fx adj. -7.0%) was partially offset by increases for Gadovist® (Fx adj. +10.2%), particularly in Europe. Sales of Ultravist® rose by 6.1% (Fx adj.) thanks largely to a positive performance in the Latin America and Europe regions. Ultravist® benefited from the cessation of marketing activities for Iopamiron® in Latin America.

EBITDA before special items of the **Pharmaceuticals** segment fell by 3.6% in the first quarter of 2010 to €797 million (Q1 2009: €827 million). Apart from the portfolio change, the main reason for the lower earnings was an increase in research and development expenditures. **EBIT** before special items came in at €526 million, up 0.6% from the prior-year period (Q1 2009: €523 million). Special charges of €29 million resulted from litigation-related expenses. EBIT dipped by 1.6% to €497 million (Q1 2009: €505 million).

Consumer Health

Key Data – Consumer Health [Table 5]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,256**	**1,338**	**+6.5**
Consumer Care	704	744	+5.7
Medical Care	324	335	+3.4
Animal Health	228	259	+13.6
Sales by region			
Europe	537	542	+0.9
North America	401	447	+11.5
Asia/Pacific	125	140	+12.0
Latin America/Africa/Middle East	193	209	+8.3
EBITDA*	**234**	**282**	**+20.5**
Special items	*0*	*0*	
EBITDA before special items*	***234***	***282***	***+20.5***
EBITDA margin before special items*	18.6%	21.1%	
EBIT*	**170**	**219**	**+28.8**
Special items	*0*	*0*	
EBIT before special items*	***170***	***219***	***+28.8***
Gross cash flow**	**180**	**207**	**+15.0**
Net cash flow**	**187**	**150**	**−19.8**

* 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 **Consumer Health** segment advanced by 6.5% in the first quarter of 2010 to €1,338 million (Q1 2009: €1,256 million). On a currency- and portfolio-adjusted basis, sales expanded by 6.8%. All divisions contributed to this increase. Business developed particularly well in the United States, where demand was boosted by the gradual recovery in the economy.

Best-Selling Consumer Health Products [Table 6]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
Contour® (Medical Care)	124	131	+5.6	+4.6
Aspirin®* (Consumer Care)	96	90	−6.3	−5.3
Advantage® product line (Animal Health)	78	89	+14.1	+14.6
Aleve®/naproxen (Consumer Care)	43	59	+37.2	+40.9
Bepanthen®/Bepanthol® (Consumer Care)	48	55	+14.6	+12.0
Canesten® (Consumer Care)	43	44	+2.3	+1.3
Baytril® (Animal Health)	35	38	+8.6	+9.6
One-A-Day® (Consumer Care)	31	36	+16.1	+22.4
Supradyn® (Consumer Care)	31	31	0.0	+2.9
Breeze® (Medical Care)	30	30	0.0	+0.7
Total	**559**	**603**	**+7.9**	**+8.5**
Proportion of Consumer Health sales	45%	45%		

* Total Aspirin® Q1 sales = €163 million (Q1 2009 = €169 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales advanced by 5.7% to €744 million (Q1 2009: €704 million). Adjusted for currency and portfolio effects, the increase was 5.6%. Our non-prescription medicines business recovered strongly, especially in North America. Our analgesics Aleve®/naproxen (Fx adj. +40.9%) and the One-A-Day® line of dietary supplements (Fx adj. +22.4%) benefited particularly from this trend. Our Bepanthen®/Bepanthol® line of skin care products (Fx adj. +12.0%) also posted significant growth in Europe. By contrast, sales of our Aspirin® pain reliever were down (Fx adj. -5.3%) due to a weak cold season.

Sales of the **Medical Care** Division advanced by 3.4% in the first quarter of 2010 to €335 million (Q1 2009: €324 million). On a currency-adjusted basis, business improved by 4.9%. A major part of this growth was attributable to higher sales of the Contour® line of blood glucose meters (Fx adj. +4.6%), which also benefited in Europe – particularly Germany – from the introduction of new products. This more than offset the drop in sales in North America. Buoyed by growth in the equipment service sector in North America, our medical devices business saw a further increase in sales to €111 million (Fx adj. +7.9%).

Sales of the **Animal Health** Division rose by 13.6% to €259 million (Q1 2009: €228 million). After adjusting for currency effects, the increase came to 12.9%. Growth was mainly attributable to higher sales in the North America region. Sales also advanced in the Europe and Asia/Pacific regions, driven by the Advantage® line of flea, tick and worm control products (Fx adj. +14.6%). The growth in sales of Advantage® resulted mainly from the first-time use of a new distribution channel in the United States. The positive sales trend for the broad-spectrum antibiotic Baytril® (Fx adj. +9.6%) was primarily due to higher demand in the United States resulting from a weather-related increase in susceptibility to infection.

EBITDA before special items of the **Consumer Health** segment grew by a substantial 20.5% to €282 million (Q1 2009: €234 million). This increase resulted from the positive sales performance, especially in the Animal Health and Consumer Care divisions. As in the first quarter of 2009, there were no special items. **EBIT** grew by 28.8% to €219 million (Q1 2009: €170 million).

5.2 CropScience

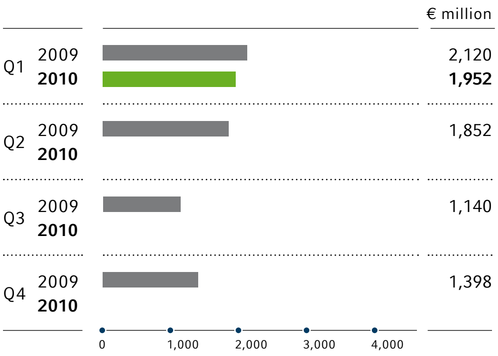
Key Data – CropScience [Table 7]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**2,120**	**1,952**	**−7.9**
Change in sales			
Volume	+3.4%	−9.9%	
Price	+4.0%	−0.1%	
Currency	−0.2%	+2.0%	
Portfolio	0.0%	+0.1%	
Sales by segment			
Crop Protection	1,734	1,476	−14.9
Environmental Science, BioScience	386	476	+23.3
Sales by region			
Europe	1,041	918	−11.8
North America	576	527	−8.5
Asia/Pacific	239	240	+0.4
Latin America/Africa/Middle East	264	267	+1.1
EBITDA*	**733**	**511**	**−30.3**
Special items	*(4)*	*(48)*	
EBITDA before special items*	***737***	***559***	***−24.2***
EBITDA margin before special items*	34.8%	28.6%	
EBIT*	**609**	**388**	**−36.3**
Special items	*(8)*	*(48)*	
EBIT before special items*	***617***	***436***	***−29.3***
Gross cash flow**	**550**	**363**	**−34.0**
Net cash flow**	**(421)**	**(265)**	**+37.1**

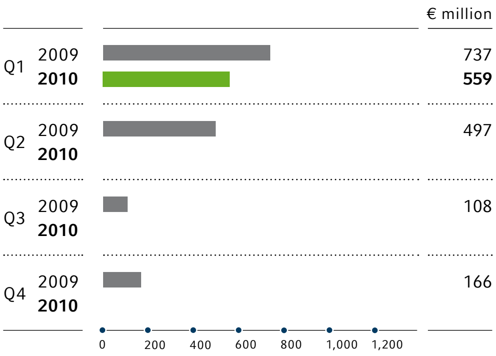
* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

Sales of **CropScience** came in at €1,952 million in the first quarter of 2010 (Q1 2009: €2,120 million), down 7.9% against the prior-year period. Business receded by 10.0% on a currency- and portfolio-adjusted basis. This was due above all to the unfavorable weather conditions in a number of important growing regions and high product inventories in the distribution channels. In addition, there was a decline in prices for major agricultural commodities such as wheat and corn. On the other hand, the market environment for high-quality seed was relatively favorable, leading to a further increase in demand. Overall, business got off to a weak start but picked up again significantly toward the end of the quarter.

CropScience
Quarterly Sales [Graphic 8]



CropScience
Quarterly EBITDA Before Special Items [Graphic 9]



EBITDA before special items was down by 24.2% to €559 million (Q1 2009: €737 million). This was mainly due to the weak business development in Crop Protection, higher production and idle capacity costs, and increased research expenses, particularly at BioScience. **EBIT** before special items fell by 29.3% to €436 million (Q1 2009: €617 million). Special charges totaling €48 million were incurred in connection with litigations concerning genetically modified rice in the United States. EBIT shrank by 36.3% to €388 million (Q1 2009: €609 million).

Best-Selling CropScience Products* [Table 8]

	1st Quarter 2009	1st Quarter 2010	Change	Currency-adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	163	138	−15.3	−15.2
Atlantis® (Herbicides)	131	91	−30.5	−31.4
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	105	90	−14.3	−12.8
Proline®/Input®/Prosaro® (Fungicides)	107	80	−25.2	−27.4
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	109	71	−34.9	−39.7
Folicur®/Raxil® (Fungicides/Seed Treatment)	75	62	−17.3	−20.5
Fandango® (Fungicides)	44	57	+29.5	+26.6
Decis®/K-Othrine® (Insecticides/Environmental Science)	39	48	+23.1	+16.7
Hussar® (Herbicides)	56	47	−16.1	−19.8
Biscaya®/Calypso® (Insecticides)	34	44	+29.4	+27.4
Total	**863**	**728**	**−15.6**	**−17.5**
Proportion of CropScience sales	41%	37%		

*Figures are based on active ingredient class. For the sake of clarity, only the principal brands and business units are listed.

Crop Protection

Key Data – Crop Protection [Table 9]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,734**	**1,476**	**−14.9**
Herbicides	739	603	−18.4
Fungicides	509	417	−18.1
Insecticides	290	296	+2.1
Seed Treatment	196	160	−18.4
Sales by region			
Europe	911	779	−14.5
North America	378	267	−29.4
Asia/Pacific	207	203	−1.9
Latin America/Africa/Middle East	238	227	−4.6
EBITDA*	**607**	**380**	**−37.4**
Special items	*(4)*	*0*	
EBITDA before special items*	***611***	***380***	***−37.8***
EBITDA margin before special items*	35.2%	25.7%	
EBIT*	**500**	**276**	**−44.8**
Special items	*(6)*	*0*	
EBIT before special items*	***506***	***276***	***−45.5***
Gross cash flow**	**458**	**266**	**−41.9**
Net cash flow**	**(359)**	**(258)**	**+28.1**

* 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 **Crop Protection** segment, **sales** in the first quarter of 2010 came in 14.9% below the prior-year period at €1,476 million (Q1 2009: €1,734 million). Adjusted for currency effects, sales dropped by 16.4%. Business with herbicides, fungicides and seed treatment products was considerably weaker than in the first quarter of 2009, mainly as a result of the long winter in the northern hemisphere. Sales of insecticides, however, moved slightly higher.

In the **Europe** region, sales fell by 14.5% to €779 million (Q1 2009: €911 million). On a currency-adjusted basis, business shrank by 15.9%. A delayed start to the spring season following the long winter in Europe initially hampered business at the beginning of the year. While sales in France were significantly below the high prior-year level for market-related reasons, business in Germany matched the strong level of the first quarter of 2009. Sales were down considerably for herbicides, fungicides and seed treatment products, while business with insecticides expanded.

Crop Protection sales in **North America** dropped by 29.4% to €267 million (Q1 2009: €378 million). On a currency-adjusted basis the decrease came to 30.3%. The market as a whole was heavily impacted by the cold weather, which delayed sowing, and by the drought in Canada. In addition, market development was unfavorable as a result of lower prices for corn and wheat and high inventories in the distribution channels. We also considerably reduced prices for our canola herbicide Liberty® in Canada and our herbicide Ignite® in the United States, although there was a corresponding increase in the price of our canola seed. Sales of herbicides and fungicides fell substantially for the reasons mentioned, while business with insecticides developed well. Sales in the Seed Treatment business unit almost matched the level of the prior-year period.

Sales in the **Asia / Pacific** region were down by 1.9% to €203 million (Q1 2009: €207 million). After adjusting for currency effects, sales declined by 6.3%. Business got off to a slow start due to the exceptional weather conditions at the beginning of the year and to high inventory levels, but picked up again significantly toward the end of the quarter. The economic recovery in numerous countries of the Asia/Pacific region had a positive effect. Sales, especially of herbicides, rose in Australia, and business also increased in Southeast Asia. The adverse weather conditions in China had a negative effect.

Sales in the **Latin America/Africa/Middle East** region came in at €227 million, down 4.6% from €238 million in the prior-year period. Adjusted for currency effects, business was down by 5.0%. This was chiefly attributable to lower sales in Brazil, which were largely due to higher inventories in the distribution channels. By contrast, business trended positively in Argentina due to insect and disease infestation pressure. Sales in Africa and the Middle East were distinctly ahead of the prior-year period, mainly on account of the upward business trend in Turkey.

EBITDA before special items in the **Crop Protection** segment moved back 37.8% to €380 million (Q1 2009: €611 million), mainly as a result of the weak business performance caused by a significant reduction in volumes and by low prices. Earnings were also held back particularly by increased production and idle capacity costs and by shifts in the product mix. **EBIT** before special items fell by 45.5% to €276 million (Q1 2009: €506 million). There were no special items in the Crop Protection segment in the first quarter of 2010 (Q1 2009: special charges of €6 million). EBIT dropped by 44.8% year on year.

Environmental Science, BioScience

Key Data – Environmental Science, BioScience [Table 10]

	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**386**	**476**	**+23.3**
Environmental Science	164	170	+3.7
BioScience	222	306	+37.8
Sales by region			
Europe	130	139	+6.9
North America	198	260	+31.3
Asia/Pacific	32	37	+15.6
Latin America/Africa/Middle East	26	40	+53.8
EBITDA*	**126**	**131**	**+4.0**
Special items	*0*	*(48)*	
EBITDA before special items*	***126***	***179***	***+42.1***
EBITDA margin before special items*	32.6%	37.6%	
EBIT*	**109**	**112**	**+2.8**
Special items	*(2)*	*(48)*	
EBIT before special items*	***111***	***160***	***+44.1***
Gross cash flow**	**92**	**97**	**+5.4**
Net cash flow**	**(62)**	**(7)**	**+88.7**

* 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 **Environmental Science, BioScience** segment posted a 23.3% increase in the first quarter of 2010, to €476 million (Q1 2009: €386 million). After adjusting for currency and portfolio effects, business was up by 18.6%.

Sales of the **Environmental Science** business unit rose by 3.7% to €170 million (Q1 2009: €164 million). The currency-adjusted increase was 3.9%. Business with products for private consumers advanced by 10.3% (Fx adj.), driven mainly by a very good performance in the United States as well as by increases in Europe. By contrast, sales of products for professional users receded in both these regions and were slightly below the prior-year period overall.

Sales of the **BioScience** business unit climbed by 37.8% to €306 million (Q1 2009: €222 million). When adjusted for currency and portfolio effects, sales grew by 29.4%. This growth was due primarily to markedly higher sales in cotton, canola and vegetables, which in turn were the result of positive market development. For cotton we registered considerable gains in North America, Latin America and Europe, due partly to an early start to the season. While canola revenues benefited particularly from the seed price increases we achieved in Canada, prices for our canola herbicide dropped at the same time. The vegetable seed business – especially onions and leeks – showed a positive trend.

EBITDA before special items in the **Environmental Science, BioScience** segment advanced by 42.1% to €179 million (Q1 2009: €126 million). Earnings of the Environmental Science business unit edged forward against the prior-year period, while the BioScience unit achieved significant gains, mainly because of the positive trend for canola and cotton. **EBIT** before special items climbed by 44.1% to €160 million (Q1 2009: €111 million). After special charges in connection with litigations concerning genetically modified rice in the United States, EBIT came to €112 million (+2.8%).

5.3 MaterialScience

Key Data – MaterialScience [Table 11]

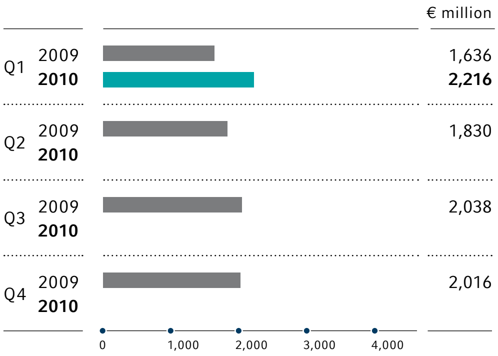
	1st Quarter 2009	1st Quarter 2010	Change
	€ million	€ million	%
Sales	**1,636**	**2,216**	**+35.5**
Change in sales			
Volume	−33.5%	+41.2%	
Price	−4.9%	−3.3%	
Currency	+3.0%	−2.4%	
Portfolio	+0.5%	0.0%	
Sales by business unit			
Polyurethanes	844	1,106	+31.0
Polycarbonates	374	575	+53.7
Coatings, Adhesives, Specialties	276	413	+49.6
Industrial Operations	142	122	−14.1
Sales by region			
Europe	681	878	+28.9
North America	374	436	+16.6
Asia/Pacific	372	617	+65.9
Latin America/Africa/Middle East	209	285	+36.4
EBITDA*	**(128)**	**287**	.
Special items	*(12)*	*0*	
EBITDA before special items*	***(116)***	***287***	.
EBITDA margin before special items*	(7.1)%	13.0%	
EBIT*	**(281)**	**146**	.
Special items	*(18)*	*0*	
EBIT before special items*	***(263)***	***146***	.
Gross cash flow**	**(60)**	**229**	.
Net cash flow**	**207**	**16**	**−92.3**

* For definition see chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see chapter 8 "Financial Position of the Bayer Group."

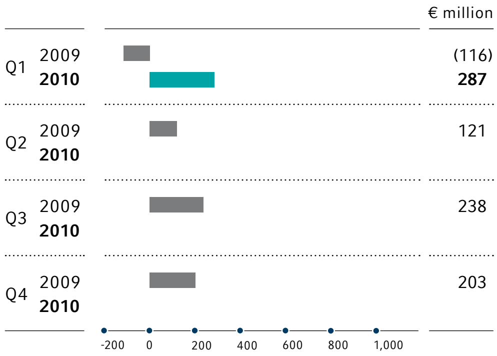
MaterialScience got off to a successful start in 2010. **Sales** of this subgroup came in at €2,216 million in the first quarter of 2010, up 35.5% (Fx adj. 37.9%) from the very weak prior-year quarter (€1,636 million), in which business was weighed down by the global financial and economic crisis. MaterialScience also achieved further gains compared to the fourth quarter of 2009 (+9.9%), with higher volumes and increased prices in all business units.

The growth in sales against the first quarter of 2009 was attributable to significant increases in demand from our principal customer industries. The greatest relative increase in demand came from the automotive industry. Volumes moved distinctly higher overall in all product groups. The growth engine was once again the Asia/Pacific region, where we also succeeded in implementing price increases. Volumes also rose appreciably in the Europe and North America regions, which last year were the hardest hit by the economic crisis.

MaterialScience
Quarterly Sales [Graphic 10]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 11]



Sales of the **Polyurethanes** business unit rose by a gratifying 31.0% (Fx adj. +33.4%) to €1,106 million (Q1 2009: €844 million). Sales of all polyurethane product groups (diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether) increased by double-digit percentages, with all product groups posting significantly higher volumes in nearly every sales region. However, the price increases achieved mainly in the Asia/Pacific region did not fully offset the price declines in North and Latin America.

The **Polycarbonates** business unit saw sales rise by a substantial 53.7% year on year (Fx adj. +56.9%), from €374 million in the prior-year period to €575 million in the first three months of this year. Here as well, both product groups (granules and polycarbonate sheet/semi-finished products) benefited from higher demand in all regions, posting substantial volume increases. Selling prices also rose overall. Here we more than offset the slight price declines in Europe, North America and Latin America with selling price increases in the Asia/Pacific region.

The business situation also improved considerably in the **Coatings, Adhesives, Specialties** business unit. Sales rose by 49.6% (Fx adj. +52.6%) to €413 million (Q1 2009: €276 million). Selling prices fell slightly, but all product groups considerably increased their sales worldwide on account of higher volumes.

Sales of the **Industrial Operations** business unit moved back 14.1% (Fx adj. -13.6%) to €122 million (Q1 2009: €142 million). Although volumes increased in both the relevant sales regions (Europe and North America) due to higher demand, selling prices fell significantly against the above-average levels of the prior-year quarter. This was mainly the result of lower prices for sodium hydroxide solution in North America compared with the very high level of the previous year.

The gratifying recovery in business also had a positive impact on earnings. **EBITDA** before special items of **MaterialScience** improved markedly in the first quarter of 2010 to €287 million (Q1 2009: minus €116 million), thanks mainly to considerably higher volumes and the related increase in capacity utilization at our production facilities. On the raw materials side, market prices began to rise again due to the global recovery in demand following the economic and financial crisis. However, raw material costs eased somewhat compared with the prior-year quarter. Here it should be kept in mind that in the first quarter of 2009 we were still selling products manufactured with higher-priced raw materials. Lower energy prices and savings resulting from our restructuring measures also made positive contributions to earnings. **EBIT** before special items came in at €146 million (Q1 2009: minus €263 million). There were no special items in 2010, while earnings for the prior-year period were diminished by special charges of €18 million. EBIT came in at €146 million (Q1 2009: minus €281 million).

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.
	€ million	€ million	%	%	€ million	€ million	%	%
HealthCare	**1,572**	**1,523**	**−3.1**	**−4.2**	**1,104**	**1,134**	**+2.7**	**+6.9**
Pharmaceuticals	1,035	981	−5.2	−6.2	703	687	−2.3	+1.5
Consumer Health	537	542	+0.9	−0.2	401	447	+11.5	+16.4
CropScience	**1,041**	**918**	**−11.8**	**−13.2**	**576**	**527**	**−8.5**	**−11.2**
Crop Protection	911	779	−14.5	−15.9	378	267	−29.4	−30.3
Environmental Science, BioScience	130	139	+6.9	+6.3	198	260	+31.3	+25.5
MaterialScience	**681**	**878**	**+28.9**	**+29.0**	**374**	**436**	**+16.6**	**+22.3**
Group (incl. reconciliation)	**3,563**	**3,567**	**+0.1**	**−0.8**	**2,057**	**2,098**	**+2.0**	**+4.6**

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, EBITDA before special items and the EBITDA margin 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 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, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The 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 and amortization fell by 6.4% in the first quarter of 2010 to €644 million (Q1 2009: €688 million), comprising €352 million (Q1 2009: €378 million) in amortization and write-downs of intangible assets and €292 million (Q1 2009: €310 million) in depreciation and write-downs of property, plant and equipment. The €3 million in included write-downs did not constitute special items.

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Group			
	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.	1st Quarter 2009	1st Quarter 2010	yoy	yoy Fx adj.
	€ million	€ million	%	%	€ million	€ million	%	%	€ million	€ million	%	%
	635	**667**	**+5.0**	**+3.9**	**532**	**545**	**+2.4**	**+2.9**	**3,843**	**3,869**	**+0.7**	**+1.3**
	510	527	+3.3	+3.5	339	336	−0.9	−0.3	2,587	2,531	−2.2	−1.4
	125	140	+12.0	+5.3	193	209	+8.3	+8.5	1,256	1,338	+6.5	+7.0
	239	**240**	**+0.4**	**−3.4**	**264**	**267**	**+1.1**	**−0.5**	**2,120**	**1,952**	**−7.9**	**−9.9**
	207	203	−1.9	−6.3	238	227	−4.6	−5.0	1,734	1,476	−14.9	−16.4
	32	37	+15.6	+15.8	26	40	+53.8	+40.7	386	476	+23.3	+19.2
	372	**617**	**+65.9**	**+72.6**	**209**	**285**	**+36.4**	**+33.4**	**1,636**	**2,216**	**+35.5**	**+37.9**
	1,256	**1,539**	**+22.5**	**+23.2**	**1,019**	**1,112**	**+9.1**	**+8.4**	**7,895**	**8,316**	**+5.3**	**+5.6**

Special Items Reconciliation [Table 13]

	EBIT* 1st Quarter 2009	EBIT* 1st Quarter 2010	EBITDA** 1st Quarter 2009	EBITDA** 1st Quarter 2010
	€ million	€ million	€ million	€ million
After special items	**973**	**1,197**	**1,661**	**1,841**
HealthCare	**18**	**29**	**18**	**29**
Schering integration	18	0	18	0
Litigations	0	29	0	29
CropScience	**8**	**48**	**4**	**48**
Restructuring	8	0	4	0
Litigations	0	48	0	48
MaterialScience	**18**	**0**	**12**	**0**
Restructuring	18	0	12	0
Total special items	**44**	**77**	**34**	**77**
Before special items	**1,017**	**1,274**	**1,695**	**1,918**

* EBIT as per income statements
** EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment.

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 elimination of the amortization of intangible assets, asset write-downs (including any impairment losses), and special items in EBITDA including the related tax effects.

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. For the first quarter of 2010, core earnings per share amounted to €1.20 (Q1 2009: €0.91).

Calculation of Core EBIT and Core Earnings Per Share [Table 14]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
EBIT as per income statements	**973**	**1,197**
Amortization and write-downs of intangible assets	378	352
Write-downs of property, plant and equipment	13	1
Special items (other than write-downs)	34	77
Core EBIT	**1,398**	**1,627**
Non-operating result (as per income statements)	(334)	(244)
Income taxes (as per income statements)	(215)	(259)
Tax adjustment	(127)	(129)
Income after taxes attributable to non-controlling interest (as per income statements)	1	(1)
Core net income	**723**	**994**
Financing expenses for the mandatory convertible bond, net of tax effects	28	0
Adjusted core net income	**751**	**994**
	Shares	Shares
Weighted average number of issued ordinary shares	**764,343,660**	**826,947,808**
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,039,083	0
Adjusted weighted average total number of issued and potential ordinary shares	**824,382,743**	**826,947,808**
Core earnings per share (€)	**0.91**	**1.20**

The calculation of earnings per share in accordance with IFRS is explained in the Notes to the Condensed Consolidated Interim Financial Statements on page 37. The (adjusted) core net income, core earnings per share and core EBIT are not defined in the IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Gross cash flow*	**1,209**	**1,271**
Changes in working capital/other non-cash items	(516)	(539)
Net cash provided by (used in) operating activities (net cash flow)	**693**	**732**
Net cash provided by (used in) investing activities	**(78)**	**(302)**
Net cash provided by (used in) financing activities	**1,652**	**(126)**
Change in cash and cash equivalents due to business activities	**2,267**	**304**
Cash and cash equivalents at beginning of period	**2,094**	**2,725**
Change due to exchange rate movements and to changes in scope of consolidation	4	12
Cash and cash equivalents at end of period	**4,365**	**3,041**

* Gross cash flow = income after taxes, plus income taxes, plus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year.

Operating cash flow

Gross cash flow in the first quarter of 2010 rose by 5.1% from the previous year to €1,271 million (Q1 2009: €1,209 million), largely because of the improvement in the operating result. Gross cash flow of HealthCare showed a slight decline. At CropScience, the drop in the operating result caused gross cash flow to recede significantly. MaterialScience saw a marked improvement in gross cash flow due to the gratifying expansion of business. Net cash flow of the Group rose by 5.6% to €732 million (Q1 2009: €693 million). Net cash flow reflected income tax payments of €174 million (Q1 2009: €19 million).

Investing cash flow

Net cash outflow for investing activities in the first three months of 2010 totaled €302 million (Q1 2009: €78 million). Cash outflows for property, plant and equipment and intangible assets were 20.7% lower at €230 million (Q1 2009: €290 million). Of this figure, HealthCare accounted for €69 million (Q1 2009: €62 million), CropScience for €38 million (Q1 2009: €76 million) and MaterialScience for €106 million (Q1 2009: €106 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. Outflows for acquisitions amounted to €17 million (Q1 2009: €0 million) and comprised mainly the purchase by MaterialScience of Artificial Muscle Inc., United States, in March 2010. Cash outflows for noncurrent financial assets amounted to €110 million (Q1 2009: inflows of €137 million). Among the cash inflow items in the first quarter of 2010 was €32 million (Q1 2009: €64 million) in interest and dividends received.

Financing cash flow

Net cash outflow for financing activities in the first quarter of 2010 amounted to €126 million (Q1 2009: inflow of €1,652 million). This total contained net loan repayments of €30 million (Q1 2009: net borrowings of €1,825 million). Interest payments were 43.2% lower at €96 million (Q1 2009: €169 million).

Liquid assets and net financial debt

Net Financial Debt [Table 16]

	Dec. 31, 2009	March 31, 2010
	€ million	€ million
Bonds and notes	8,301	8,405
of which hybrid bond	1,267	1,297
Liabilities to banks	3,251	3,322
Liabilities under finance leases	550	572
Liabilities from derivatives	578	789
Other financial liabilities	178	188
Positive fair values of hedges of recorded transactions	(426)	(548)
Financial debt	**12,432**	**12,728**
Cash and cash equivalents	(2,725)	(3,041)
Current financial assets	(16)	(25)
Net financial debt	**9,691**	**9,662**

Despite the usual seasonal first-quarter expansion of business and negative currency effects, net financial debt of the Bayer Group on March 31, 2010, remained level with the end of 2009 at €9.7 billion. As of March 31, 2010 the Bayer Group held cash and cash equivalents of €3.0 billion. Financial liabilities amounted to €12.7 billion, including the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators. Our noncurrent financial liabilities dropped from €11.5 billion to €10.7 billion during the first quarter of 2010. At the same time, current financial liabilities increased from €1.5 billion to €2.7 billion. This was due largely to the reclassification of the €0.9 billion syndicated loan raised in 2006 in connection with the acquisition of Schering, Berlin, Germany, which matures in March 2011.

Net pension liability

Net Pension Liability [Table 17]

	Dec. 31, 2009	March 31, 2010
	€ million	€ million
Provisions for pensions and other post-employment benefits	6,517	7,051
Benefit plan assets in excess of obligation	(100)	(105)
Net pension liability	**6,417**	**6,946**

The net pension liability increased from €6.4 billion to €6.9 billion in the first quarter of 2010, due especially to lower long-term capital market interest rates. Provisions for pensions and other post-employment benefits rose from €6.5 billion to €7.1 billion. The excess of benefit plan assets over the obligation – reflected in other receivables in the statement of financial position – came to €0.1 billion (December 31, 2009: €0.1 billion).

9. Employees

On March 31, 2010, the Bayer Group employed 107,800 people worldwide, compared with 108,700 twelve months earlier. The number of employees thus remained practically constant (-0.8%). In Germany we had 36,400 employees (March 31, 2009: 36,800), who made up 33.8% of the Group workforce.

HealthCare employed 53,200 people (Q1 2009: 53,700). CropScience had 18,700 employees (Q1 2009: 18,400), while MaterialScience had 14,200 (Q1 2009: 14,800). The remaining 21,700 (Q1 2009: 21,800) employees worked mainly for the service companies.

Personnel expenses rose by 6.6% in the first quarter of 2010 to €2,015 million (Q1 2009: €1,891 million). This increase was largely attributable to higher provisions for variable employee remuneration and regular salary increases.

10. Opportunities and Risks

As a global enterprise with a diverse business portfolio, the Bayer Group enjoys a variety of opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in the Bayer Annual Report 2009.

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 changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2009 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 38 under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2009 on pages 118–127 and 241–247. The Bayer Annual Report 2009 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.

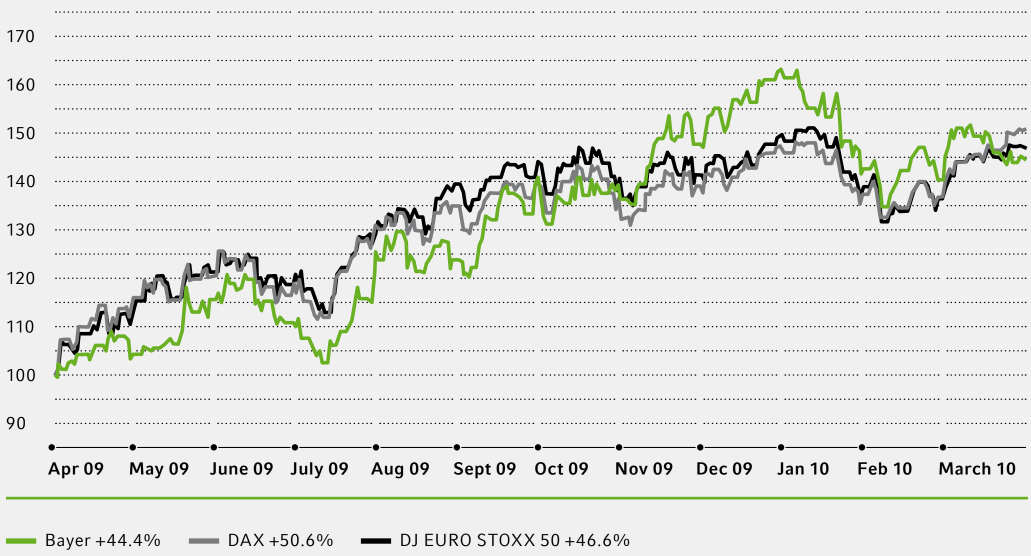
11. Events After the Reporting Period

Since April 1, 2010, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

Performance of Bayer Stock over the Past Twelve Months [Graphic 12]

indexed; 100 = Xetra closing price on March 31, 2010; Source: Bloomberg



Following a sharp increase in the price of Bayer shares in the fourth quarter of 2009, the company's stock entered a phase of consolidation in the first quarter of 2010. The price ranged from €56.40 in early January to €46.82 in February. Bayer shares closed at €50.08 on March 31, down 10.5% on the quarter.

Capital market trends were heterogeneous over this period. While the DAX gained 3.3% in the first quarter, closing at 6,154 points, the European reference index EURO STOXX 50 (performance index) fell by 1.0% since the beginning of the year, closing the quarter at 4,653 points.

Bayer Stock Key Data [Table 18]

		1st Quarter 2009	1st Quarter 2010	Full Year 2009	
High for the period	€	44.29	56.40	56.45	
Low for the period	€	32.69	46.82	32.69	
Average daily trading volume	million	5.1	3.4	4.3	
		March 31, 2009	**March 31, 2010**	**Dec. 31, 2009**	**Change March 31, 2010/ Dec. 31, 2009 %**
Share price	€	36.00	50.08	55.96	−10.5
Market capitalization	€ million	27,516	41,414	46,276	−10.5
Equity as per statements of financial position	€ million	17,094	19,621	18,951	+3.5
Shares entitled to the dividend	million	764.34	826.95	826.95	0.0
DAX		4,085	6,154	5,957	+3.3

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2010

Bayer Group Consolidated Income Statements

[Table 19]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Net sales	**7,895**	**8,316**
Cost of goods sold	(3,786)	(3,910)
Gross profit	**4,109**	**4,406**
Selling expenses	(1,960)	(1,966)
Research and development expenses	(657)	(717)
General administration expenses	(402)	(405)
Other operating income	134	34
Other operating expenses	(251)	(155)
Operating result [EBIT]	**973**	**1,197**
Equity-method loss	(13)	(20)
Non-operating income	283	155
Non-operating expenses	(604)	(379)
Non-operating result	**(334)**	**(244)**
Income before income taxes	**639**	**953**
Income taxes	(215)	(259)
Income after taxes	**424**	**694**
of which attributable to non-controlling interest	(1)	1
of which attributable to Bayer AG stockholders (net income)	**425**	**693**
	€	€
Earnings per share		
Basic*	0.55	0.84
Diluted*	0.55	0.84

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

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	**424**	**694**
of which attributable to non-controlling interest	*(1)*	*1*
of which attributable to Bayer AG stockholders	*425*	*693*
Changes in fair values of derivatives designated as cash flow hedges	(108)	(155)
Recognized in profit or loss	27	(4)
Income taxes	24	50
Changes recognized outside profit or loss (cash flow hedges)	**(57)**	**(109)**
Changes in fair values of available-for-sale financial assets	(3)	1
Recognized in profit or loss	0	0
Income taxes	2	(1)
Changes recognized outside profit or loss (available-for-sale financial assets)	**(1)**	**0**
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	244	(507)
Income taxes	(93)	111
Changes recognized outside profit or loss (actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets)	**151**	**(396)**
Exchange differences on translation of operations outside the euro zone	241	471
Recognized in profit or loss	0	0
Changes recognized outside profit or loss (exchange differences)	**241**	**471**
Changes in revaluation surplus (IFRS 3)	**(1)**	**0**
Effects of changes in liabilities from non-controlling interest in partnerships on other comprehensive income	**0**	**10**
Effects of changes in scope of consolidation	**0**	**0**
Total changes recognized outside profit or loss	**333**	**(24)**
of which attributable to non-controlling interest	*2*	*4*
of which attributable to Bayer AG stockholders	*331*	*(28)*
Total comprehensive income	**757**	**670**
of which attributable to non-controlling interest	*1*	*5*
of which attributable to Bayer AG stockholders	*756*	*665*

Bayer Group Consolidated Statements of Financial Position

[Table 21]

	March 31, 2009	March 31, 2010	Dec. 31, 2009
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,649	8,906	8,704
Other intangible assets	13,520	12,684	12,842
Property, plant and equipment	9,596	9,634	9,409
Investments accounted for using the equity method	456	388	395
Other financial assets	1,374	1,373	1,200
Other receivables	425	537	549
Deferred taxes	1,212	1,212	950
	35,232	**34,734**	**34,049**
Current assets			
Inventories	6,630	6,533	6,091
Trade accounts receivable	6,719	7,302	6,106
Other financial assets	423	240	367
Other receivables	1,110	1,333	1,357
Claims for income tax refunds	310	291	347
Cash and cash equivalents	4,365	3,041	2,725
Assets held for sale and discontinued operations	302	0	0
	19,859	**18,740**	**16,993**
Total assets	**55,091**	**53,474**	**51,042**
Equity			
Capital stock of Bayer AG	1,957	2,117	2,117
Capital reserves of Bayer AG	4,028	6,167	6,167
Other reserves	11,034	11,278	10,613
Equity attributable to Bayer AG stockholders	**17,019**	**19,562**	**18,897**
Equity attributable to non-controlling interest	75	59	54
	17,094	**19,621**	**18,951**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	6,094	7,051	6,517
Other provisions	1,250	1,471	1,516
Financial liabilities	12,736	10,675	11,460
Other liabilities	332	417	415
Deferred taxes	3,576	3,120	3,210
	23,988	**22,734**	**23,118**
Current liabilities			
Other provisions	3,538	3,779	3,089
Financial liabilities	6,287	2,680	1,489
Trade accounts payable	2,045	2,876	2,735
Income tax liabilities	113	74	93
Other liabilities	2,026	1,710	1,567
	14,009	**11,119**	**8,973**
Total equity and liabilities	**55,091**	**53,474**	**51,042**

2009 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	424	694
Income taxes	215	259
Non-operating result	334	244
Income taxes paid or accrued	(332)	(419)
Depreciation and amortization	688	644
Change in pension provisions	(117)	(145)
(Gains) losses on retirements of noncurrent assets	(3)	(6)
Gross cash flow	**1,209**	**1,271**
Decrease (increase) in inventories	118	(212)
Decrease (increase) in trade accounts receivable	(672)	(1,120)
(Decrease) increase in trade accounts payable	(463)	199
Changes in other working capital, other non-cash items	501	594
Net cash provided by (used in) operating activities (net cash flow)	**693**	**732**
Cash outflows for additions to property, plant, equipment and intangible assets	(290)	(230)
Cash inflows from sales of property, plant, equipment and other assets	15	13
Cash inflows from (outflows for) divestitures	0	17
Cash inflows from (outflows for) noncurrent financial assets	137	(110)
Cash outflows for acquisitions less acquired cash	0	(17)
Interest and dividends received	64	32
Cash inflows from (outflows for) current financial assets	(4)	(7)
Net cash provided by (used in) investing activities	**(78)**	**(302)**
Capital contributions	0	0
Dividend payments and withholding tax on dividends	(4)	0
Issuances of debt	2,361	117
Retirements of debt	(536)	(147)
Interest paid	(169)	(96)
Net cash provided by (used in) financing activities	**1,652**	**(126)**
Change in cash and cash equivalents due to business activities	**2,267**	**304**
Cash and cash equivalents at beginning of period	**2,094**	**2,725**
Change in cash and cash equivalents due to changes in scope of consolidation	2	0
Change in cash and cash equivalents due to exchange rate movements	2	12
Cash and cash equivalents at end of period	**4,365**	**3,041**

2009 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stock-holders	Equity attributable to non-controlling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2008	**1,957**	**4,028**	**10,278**	**16,263**	**77**	**16,340**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments					(3)	(3)
Other changes						
Total comprehensive income**			756	756	1	757
March 31, 2009	**1,957**	**4,028**	**11,034**	**17,019**	**75**	**17,094**
Dec. 31, 2009	**2,117**	**6,167**	**10,613**	**18,897**	**54**	**18,951**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes						
Total comprehensive income**			665	665	5	670
March 31, 2010	**2,117**	**6,167**	**11,278**	**19,562**	**59**	**19,621**

* OCI = other comprehensive income
** Net of tax

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2010

Key Data by Segment and Region

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external)	2,587	2,531	1,256	1,338
Change	+4.8%	−2.2%	−0.5%	+6.5%
Currency-adjusted change	+1.7%	−1.4%	−1.6%	+7.0%
Intersegment sales	20	17	3	3
Net sales	2,607	2,548	1,259	1,341
Operating result [EBIT]	505	497	170	219
EBIT before special items	523	526	170	219
EBITDA before special items	827	797	234	282
Gross cash flow*	565	512	180	207
Net cash flow*	512	592	187	150
Depreciation, amortization and write-downs	304	271	64	63
Number of employees (as of March 31)**	36,700	36,100	17,000	17,100

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

Key Data by Region

	Europe		North America	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,563	3,567	2,057	2,098
Change	−12.5%	+0.1%	+1.5%	+2.0%
Currency-adjusted change	−10.1%	−0.8%	−7.8%	+4.6%
Net sales (external) – by point of origin	3,833	3,890	2,046	2,096
Change	−12.7%	+1.5%	+0.6%	+2.4%
Currency-adjusted change	−10.6%	+0.7%	−8.8%	+5.2%
Interregional sales	1,765	1,803	567	750
Operating result [EBIT]	687	868	264	158
Number of employees (as of March 31)*	54,700	54,000	16,800	16,200

* Number of employees in full-time equivalents

[Table 24]

	CropScience				MaterialScience		Reconciliation					
	Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,734	1,476	386	476	1,636	2,216	292	275	4	4	7,895	8,316
	+6.9%	−14.9%	+8.4%	+23.3%	−34.9%	+35.5%	−6.1%	−5.8%			−7.5%	+5.3%
	+7.0%	−16.4%	+9.0%	+19.2%	−37.9%	+37.9%	−6.2%	−6.2%			−9.4%	+5.6%
	8	6	2	1	5	6	393	411	(431)	(444)		
	1,742	1,482	388	477	1,641	2,222	685	686	(427)	(440)	7,895	8,316
	500	276	109	112	(281)	146	18	(1)	(48)	(52)	973	1,197
	506	276	111	160	(263)	146	18	(1)	(48)	(52)	1,017	1,274
	611	380	126	179	(116)	287	47	30	(34)	(37)	1,695	1,918
	458	266	92	97	(60)	229	(3)	(16)	(23)	(24)	1,209	1,271
	(359)	(258)	(62)	(7)	207	16	(87)	(38)	295	277	693	732
	107	104	17	19	153	141	29	31	14	15	688	644
	15,100	15,200	3,300	3,500	14,800	14,200	21,200	21,100	600	600	108,700	107,800

[Table 25]

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Group	
	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010	1st Quarter 2009	1st Quarter 2010
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,256	1,539	1,019	1,112			7,895	8,316
	−1.6%	+22.5%	−12.3%	+9.1%			−7.5%	+5.3%
	−10.6%	+23.2%	−8.3%	+8.4%			−9.4%	+5.6%
	1,179	1,467	837	863			7,895	8,316
	−2.3%	+24.4%	−7.3%	+3.1%			−7.5%	+5.3%
	−11.8%	+24.9%	−1.8%	+2.0%			−9.4%	+5.6%
	73	84	62	85	(2,467)	(2,722)		
	(12)	162	82	61	(48)	(52)	973	1,197
	21,300	21,900	15,900	15,700			108,700	107,800

Explanatory Notes

Accounting policies

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of March 31, 2010 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 International Financial Reporting Interpretations Committee (IFRIC) in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2009 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 of Major Currencies [Table 26]

		Closing rate			Average rate	
1 €/		Dec. 31, 2009	March 31, 2009	March 31, 2010	1st Quarter 2009	1st Quarter 2010
ARS	Argentina	5.47	4.94	5.22	4.62	5.31
BRL	Brazil	2.51	3.10	2.42	3.02	2.49
CAD	Canada	1.51	1.67	1.37	1.62	1.44
CHF	Switzerland	1.48	1.52	1.43	1.50	1.46
CNY	China	9.84	9.09	9.20	8.92	9.45
GBP	U.K.	0.89	0.93	0.89	0.91	0.89
JPY	Japan	133.16	131.17	125.93	122.08	125.59
MXN	Mexico	18.92	18.76	16.66	18.73	17.69
USD	United States	1.44	1.33	1.35	1.30	1.38

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

Discount Rates of Pension Obligations [Table 27]

	Dec. 31, 2009	March 31, 2009	Dec. 31, 2010
	%	%	%
Germany	5.5	6.2	5.0
U.K.	5.7	6.7	5.5
United States	5.8	7.3	5.9

Segment reporting

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

Reconciliation of Segment Result [Table 28]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Operating result of reporting segments	1,021	1,249
Operating result of Corporate Center	(48)	(52)
Operating result [EBIT]	**973**	**1,197**
Non-operating result	(334)	(244)
Income before income taxes	**639**	**953**

Changes in the Bayer Group

CHANGES IN THE SCOPE OF CONSOLIDATION

As of March 31, 2010, the Bayer Group comprised 292 fully or proportionately consolidated companies (December 31, 2009: 302 companies). Four joint ventures were included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

On March 9, 2010, MaterialScience acquired Artificial Muscle Inc., Sunnyvale, California, United States, for €21 million. Artificial Muscle Inc. is a technology leader in the field of electroactive polymers for the consumer electronics industry. The purchase price pertained mainly to patented technologies and goodwill.

No acquisitions were made in the first quarter of 2009.

On the basis of the agreement signed with Genzyme Corp., United States, on March 31, 2009, the relevant assets in the form of goodwill, other intangible assets and inventories were reflected in the statement of financial position as of March 31, 2009 in the item "Assets held for sale and discontinued operations." This agreement was implemented at the end of May 2009. In the first quarter of 2010 it led to a net cash inflow of €17 million, comprising the balance of revenue-based payments received from Genzyme Corp. and taxes paid.

Information on earnings per share

Earnings Per Share [Table 29]

	1st Quarter 2009	1st Quarter 2010
	€ million	€ million
Income after taxes	424	694
of which attributable to non-controlling interest	(1)	1
of which attributable to Bayer AG stockholders (net income)	425	693
Financing expenses for the mandatory convertible bond, net of tax effects	28	0
Adjusted net income	453	693
	Shares	Shares
Weighted average number of issued ordinary shares	764,343,660	826,947,808
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,039,083	0
Adjusted weighted average total number of issued and potential ordinary shares	824,382,743	826,947,808
	€	€
Basic earnings per share	0.55	0.84
Diluted earnings per share	0.55	0.84

The ordinary shares issued upon conversion of the mandatory convertible bond on June 1, 2009, were treated as already issued shares. Diluted earnings per share were therefore equal to basic earnings per share in the first quarter of 2009 as well.

Legal risks

To find out more about the Bayer Group's legal risks, please see pages 241 to 247 of the Bayer Annual Report 2009, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2009, the following significant changes have occurred in respect of the legal risks:

Trasylol® (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of April 21, 2010, there were approximately 1,500 lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries, including renal failure and death, and economic loss from the use of Trasylol®. Without admission of liability, Bayer has reached settlement agreements with about 60 plaintiffs as of April 13, 2010. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis, but will continue to defend itself vigorously against all claims that are not considered for settlement.

Yasmin®/YAZ®: The number of lawsuits pending in the United States and served upon Bayer has increased from about 1,100 as of February 15, 2010 to about 1,750 as of April 12, 2010. The number of Canadian class actions served upon Bayer has increased to eight. Plaintiffs allege to have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin®, YAZ® and/or Ocella, a generic version of Yasmin® distributed by Barr Laboratories, Inc. in the U.S. market.

Blood glucose monitoring devices: In 2005, Abbott Laboratories commenced a lawsuit in the United States against Bayer and another party alleging infringement of two of Abbott's patents relating to blood glucose monitoring devices. In 2008 the court decided in favor of Bayer with regard to both patents. In January 2010, the U.S. Court of Appeals for the Federal Circuit affirmed both decisions. In March 2010, Abbott filed a petition for rehearing. Bayer believes it has meritorious defenses and will continue to defend itself vigorously.

Kogenate®: In 2008, Novartis Vaccines and Diagnostics Inc. and Novo Nordisc A/S commenced a patent infringement suit in the United States alleging that Bayer's manufacturing and marketing of the recombinant Factor VIII product Kogenate® infringe a patent granted in 2006. In the second half of February 2010, the parties reached a settlement on mutually acceptable terms.

Proceedings involving genetically modified rice: As of March 9, 2010, Bayer was aware of a total of approximately 500 lawsuits, involving about 6,600 rice farmers and resellers, pending in U.S. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. In development of the genetically modified rice, field testing was conducted in the United States in cooperation with third parties from 1998 to 2001. The genetically modified rice was never commercialized. In two trials in December 2009 and February 2010, two juries at the U.S. District Court in St. Louis, Missouri, found that Bayer should pay a total of approximately US$3.5 million in compensatory damages for losses sustained by five plaintiff farmers. The juries rejected the farmers´ claims for punitive damages. In a third trial in February 2010, a jury in an Arkansas state court found Bayer liable to one farmer for compensatory and punitive damages totaling approximately US$1 million. In a fourth trial in April 2010, a jury in an Arkansas state court found Bayer liable to 14 farmer entities for compensatory and punitive damages totaling approximately US$48 million. Bayer disagrees completely with the findings of liability and the awards of compensatory and punitive damages. Bayer will appeal the adverse findings. Additional trials have been scheduled for 2010, including two in the multidistrict litigation (MDL) and two in state courts in Arkansas. The facts and the types and amounts of damages claimed differ significantly from case to case. Management believes that the outcomes of these first trials do not allow any direct conclusions on the outcomes of the other cases. Bayer believes it has meritorious defenses in these actions and intends to continue to defend itself vigorously. With regard to the aforementioned decisions, Bayer has taken appropriate accounting measures.

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 included in the consolidated financial statements at equity, or at cost less impairment charges, mainly comprised trade in goods and services. The value of these transactions was, however, immaterial from the point of view of the Bayer Group. The same applies to financial receivables and payables vis-à-vis related parties.

Leverkusen, April 26, 2010
Bayer Aktiengesellschaft

The Board of Management

Werner Wenning   Werner Baumann   Dr. Marijn Dekkers

Klaus Kühn   Dr. Wolfgang Plischke   Dr. Richard Pott

Financial Calendar

Annual Stockholders' Meeting 2010	**April 30, 2010**
Payment of Dividend	**May 3, 2010**
Q2 2010 Interim Report	**July 29, 2010**
Q3 2010 Interim Report	**October 28, 2010**
2010 Annual Report	**February 28, 2011**
Q1 2011 Interim Report	**April 28, 2011**
Annual Stockholders' Meeting 2011	**April 29, 2011**
Payment of Dividend	**May 2, 2011**
Q2 2011 Interim Report	**July 28, 2011**
Q3 2011 Interim Report	**October 27, 2011**

MASTHEAD

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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.

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

Science For A Better Life