



Science For A Better Life



Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2012

1st Quarter of 2012:

Encouraging start to the year for Bayer

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COVER PICTURE

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

Bayer Group Key Data

	1st Quarter 2011	1st Quarter 2012	Change	Full Year 2011
	€ million	€ million	%	€ million
Sales	9,415	10,056	+6.8	36,528
Change in sales				
Volume	+7.7%	+5.1%		+3.4%
Price	+2.7%	+0.1%		+2.1%
Currency	+2.7%	+2.2%		-1.5%
Portfolio	+0.1%	-0.6%		+0.1%
EBIT¹	1,148	1,637	+42.6	4,149
<i>Special items</i>	<i>(442)</i>	<i>(169)</i>		<i>(876)</i>
EBIT before special items²	1,590	1,806	+13.6	5,025
EBIT margin before special items ³	16.9%	18.0%		13.8%
EBITDA⁴	1,866	2,377	+27.4	6,918
<i>Special items</i>	<i>(366)</i>	<i>(65)</i>		<i>(695)</i>
EBITDA before special items²	2,232	2,442	+9.4	7,613
EBITDA margin before special items ³	23.7%	24.3%		20.8%
Non-operating result	(213)	(177)	+16.9	(786)
Net income	684	1,050	+53.5	2,470
Earnings per share (€)	0.83	1.27	+53.0	2.99
Core earnings per share (€) ⁵	1.45	1.68	+15.9	4.83
Gross cash flow⁶	1,309	1,595	+21.8	5,172
Net cash flow⁷	801	271	-66.2	5,060
Cash outflows for capital expenditures	238	256	+7.6	1,615
Research and development expenses	737	699	-5.2	2,932
Depreciation, amortization and impairments	718	740	+3.1	2,769
Number of employees at end of period⁸	112,500	112,000	-0.4	111,800
Personnel expenses (including pension expenses)	2,245	2,289	+2.0	8,726

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

¹ EBIT = operating result as shown in the income statement

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

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

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

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

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

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

⁸ Full-time equivalents

1st Quarter of 2012:

Encouraging start to the year for Bayer

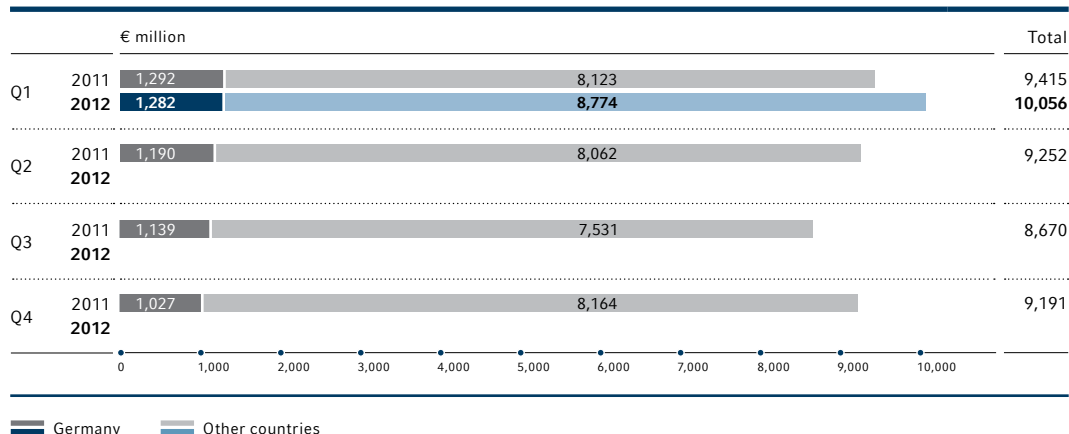
- Sales €10.1 billion (Fx & portfolio adj. +5.2%)
- Operating result (EBIT) €1.6 billion (+42.6%)
- EBITDA before special items €2.4 billion (+9.4%)
- Strong start to the season at CropScience, increases at HealthCare, continuing margin pressure at MaterialScience
- Net income €1.1 billion (+53.5%)
-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

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

1. Overview of Sales, Earnings and Financial Position

Bayer Group Quarterly Sales

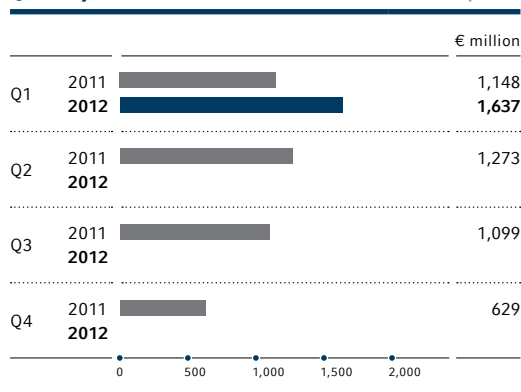
[Graphic 1]



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

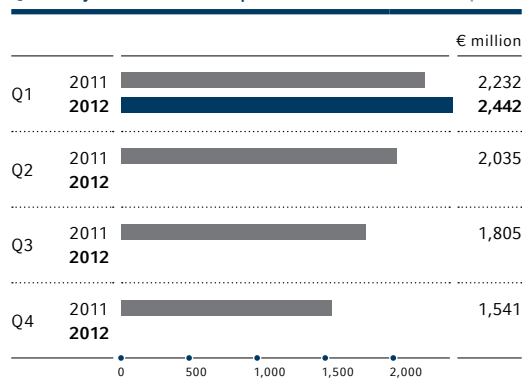
Bayer Group Quarterly EBIT

[Graphic 2]



Bayer Group Quarterly EBITDA Before Special Items

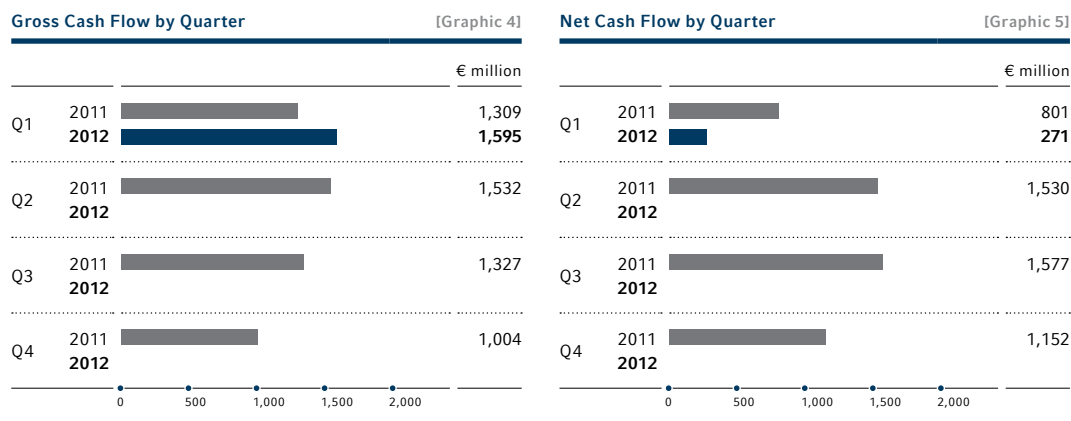
[Graphic 3]



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

higher volumes. EBITDA before special items of MaterialScience declined to €278 million (Q1 2011: €345 million). Earnings were held back by higher raw material costs.

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



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

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

2. Economic Outlook

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

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

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

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

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

3. Sales and Earnings Forecast

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

BAYER GROUP

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

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

HEALTHCARE

We confirm our outlook for 2012.

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

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

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

CROPSCIENCE

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

MATERIALSCIENCE

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

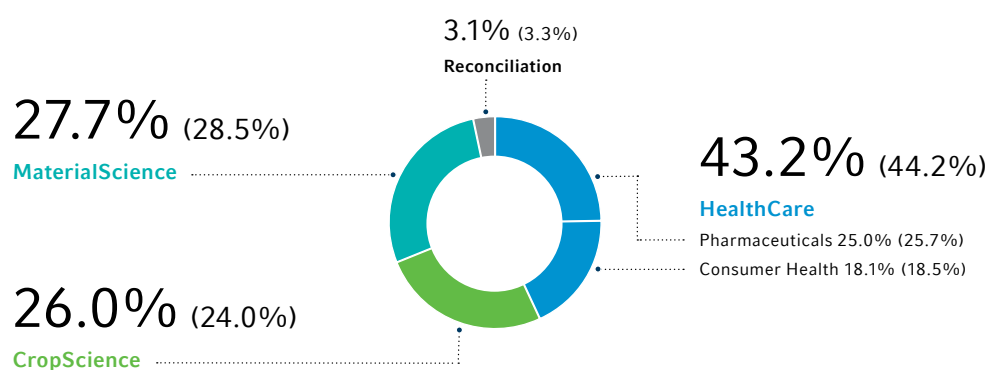
Compared with the first quarter of 2012, we expect an improvement in currency- and portfolio-adjusted sales and significantly higher EBITDA before special items in the second quarter of 2012.

4. Corporate Structure

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

Sales by Segment, 1st Quarter 2012 (2011 in parentheses)

[Graphic 6]



2011 figures restated

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

Key Data by Subgroup and Segment

[Table 1]

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

2011 figures restated

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

Key Data – HealthCare

[Table 2]

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

2011 figures restated

Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by segment; Fx adj.: Sales by region)

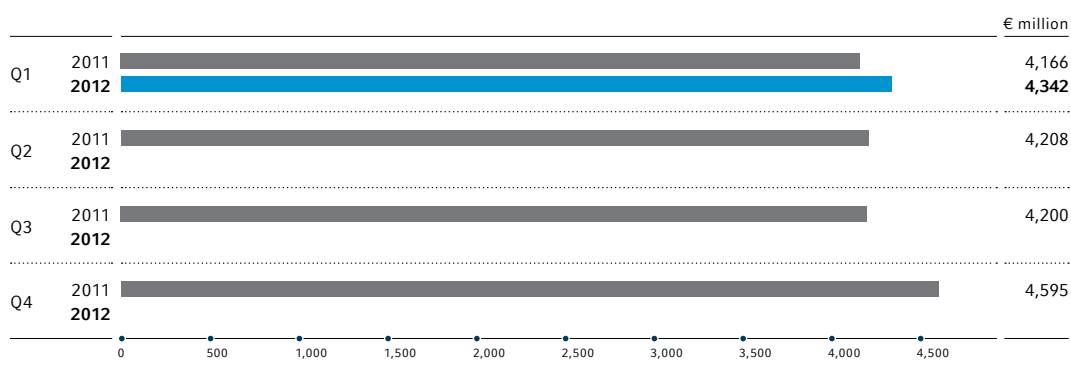
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

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

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

HealthCare Quarterly Sales

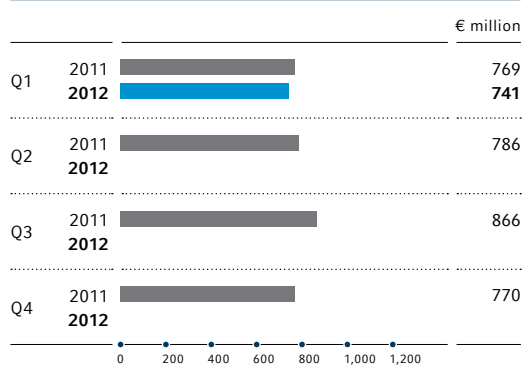
[Graphic 7]



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

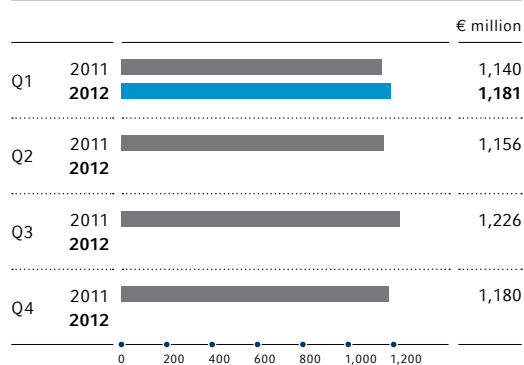
HealthCare Quarterly EBIT

[Graphic 8]



HealthCare Quarterly EBITDA Before Special Items

[Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals

[Table 3]

	1st Quarter 2011	1st Quarter 2012	Change	
	€ million	€ million	%	Fx (8 p) adj. %
Sales	2,419	2,517	+4.1	+1.6
General Medicine	1,641	1,725	+5.1	+2.6
Specialty Medicine	778	792	+1.8	–0.5
Sales by region				
Europe	920	908	–1.3	–1.4
North America	532	545	+2.4	–1.1
Asia/Pacific	584	643	+10.1	+2.9
Latin America/Africa/Middle East	383	421	+9.9	+10.2
EBIT	457	505	+10.5	
Special items	(36)	(15)		
EBIT before special items*	493	520	+5.5	
EBITDA*	688	725	+5.4	
Special items	(36)	(15)		
EBITDA before special items*	724	740	+2.2	
EBITDA margin before special items*	29.9%	29.4%		
Gross cash flow**	471	488	+3.6	
Net cash flow**	518	317	–38.8	

2011 figures restated

Fx (8 p) adj. = currency- (and portfolio-)adjusted (Fx 8 p adj.: Sales; Fx adj.: Sales by region)

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

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

In the first quarter of 2012, **sales** in our **Pharmaceuticals** segment rose by 1.6% (Fx 8 portfolio adj.) to €2,517 million. Growth was achieved mainly in the emerging markets, especially China. There were slight decreases elsewhere, particularly in most European countries.

Best-Selling Pharmaceuticals Products

[Table 4]

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

2011 figures restated

Fx adj. = currency-adjusted

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

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

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

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

CONSUMER HEALTH

Key Data – Consumer Health

[Table 5]

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

2011 figures restated

Fx (€ p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)

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

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

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

Best-Selling Consumer Health Products

[Table 6]

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

2011 figures restated

Fx adj. = currency-adjusted

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

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

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

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

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

5.2 CropScience

Key Data – CropScience

[Table 7]

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

2011 figures restated

Fx (€ p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business group; Fx adj.: Sales by region)

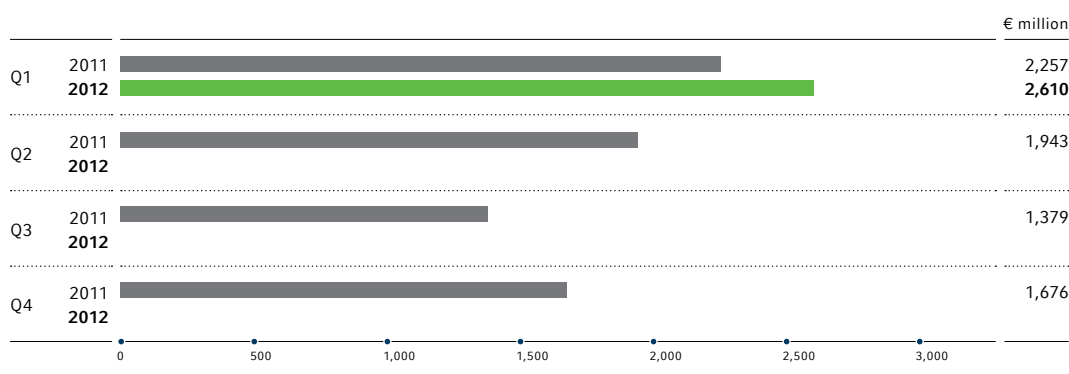
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

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

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

CropScience Quarterly Sales

[Graphic 10]



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

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

Sales – Crop Protection/BioScience

[Table 8]

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

2011 figures restated

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

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

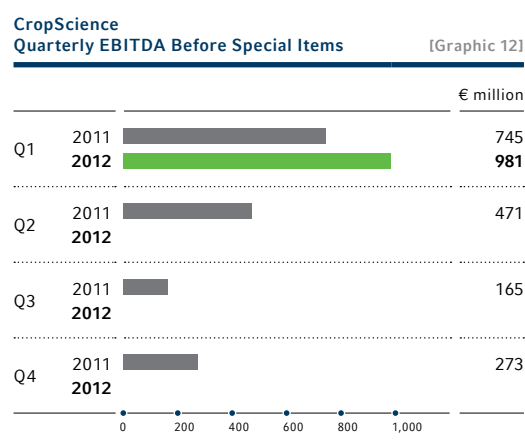
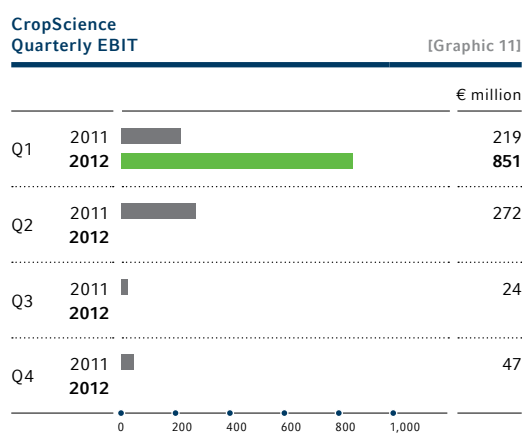
Crop Protection sales in **North America** advanced by a substantial 25.4% (Fx adj.) to €432 million. This was the result of an early start to the season and generally favorable market conditions in the United States, where we nearly doubled sales of herbicides thanks to our balanced portfolio. Our insecticides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

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

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

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

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



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

5.3 MaterialScience

Key Data – MaterialScience

[Table 9]

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

F x (& p) adj. = currency- (and portfolio-)adjusted (F x & p adj.: Sales and Sales by business unit; F x adj.: Sales by region)

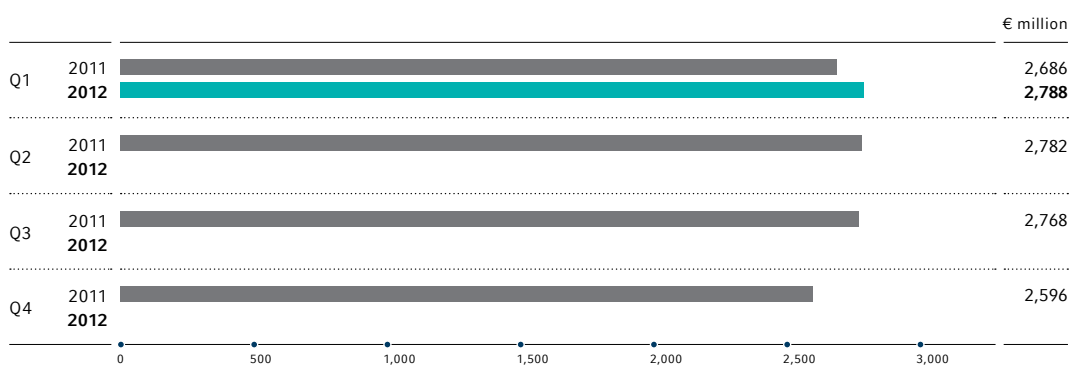
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

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

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

MaterialScience Quarterly Sales

[Graphic 13]



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

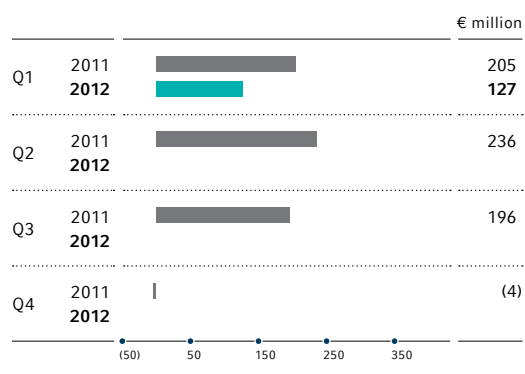
The **Polycarbonates** business unit posted sales of €706 million, down 4.2% (Fx & portfolio adj.) compared with the strong prior-year quarter. This drop in sales was largely the result of a global decline in selling prices in our granules product group. Volumes in this product group expanded overall,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

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

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

MaterialScience
Quarterly EBIT

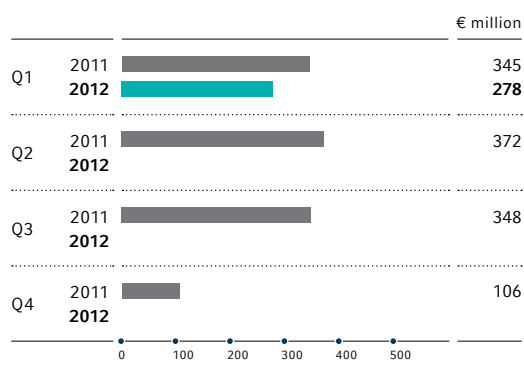
[Graphic 14]



MaterialScience

Quarterly EBITDA Before Special Items

[Graphic 15]



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

5.4 Business Development by Region

Sales by Region and Segment (by Market)

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

2011 figures restated

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

6. Calculation of EBIT(DA) Before Special Items

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

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

[Table 10]

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

Special Items Reconciliation

[Table 11]

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

* EBIT = operating result as per income statements

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

7. Core Earnings Per Share

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

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

Core Earnings per Share

[Table 12]

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

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows

[Table 13]

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

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

OPERATING CASH FLOW

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

INVESTING CASH FLOW

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

FINANCING CASH FLOW

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

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt

[Table 14]

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

Net financial debt of the Bayer Group decreased by 2.3% to €6.9 billion as of March 31, 2012. This reduction was mainly due to positive currency effects of €0.3 billion. Financial liabilities included the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined in the first quarter of 2012 from €8.0 billion to €7.9 billion. Current financial liabilities were unchanged at €3.7 billion. The bond with a nominal volume of €2.0 billion issued by Bayer AG in 2002 under the EMTN program was re-deemed at maturity on April 10, 2012.

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

NET LIABILITY FOR POST-EMPLOYMENT BENEFITS

Net Amount Recognized for Post-Employment Benefits

[Table 15]

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

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

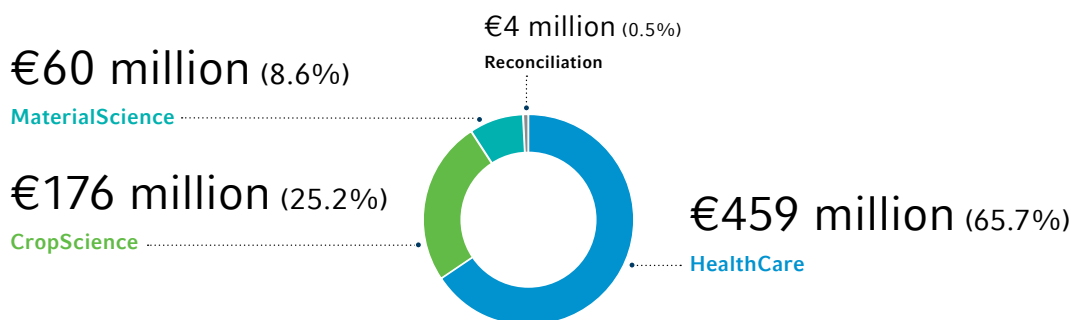
9. Growth and Innovation

Innovation and the development of new markets drive the company's growth. Bayer has the necessary research and development resources to steadily add to its product portfolio, optimize production processes and expand capacities in the emerging markets.

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

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

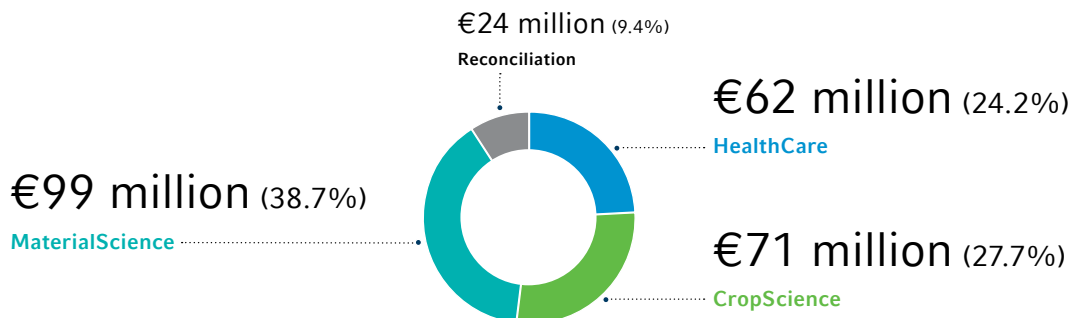
[Graphic 16]



* as per income statement

Capital Expenditures by Subgroup
 1st Quarter 2012 (subgroup shares in parentheses)

[Graphic 17]

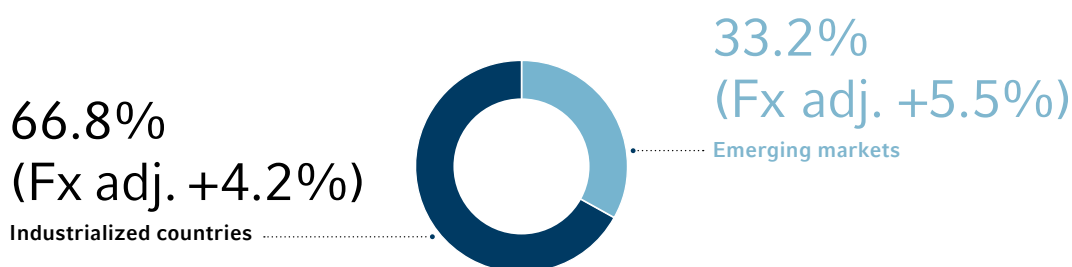


The emerging markets made a good contribution to sales growth in the first quarter of 2012. For reporting purposes we have defined these markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East.

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

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

[Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

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

The most important drug candidates already submitted for approval are:

Products Submitted for Approval

[Table 16]

	Indication
EYLEA™ (VEGF Trap-Eye)	E.U., Japan; wet age-related macular degeneration
LCS-12 (ULD LNG Contraceptive System)	E.U., U.S.A.; contraception, duration of use: up to 3 years
Xarelto™	E.U., U.S.A.; secondary prophylaxis of acute coronary syndrome
Xarelto™	E.U.; treatment of pulmonary embolism and prevention of recurrent deep vein thrombosis and pulmonary embolism
YAZ™ Flex	E.U., oral contraception, flexible dosage regimen

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

Research and Development Projects (Phases III and II)*

[Table 17]

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

* as of April 17, 2012

** co-promotion

CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

EMERGING MARKETS

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

9.2 CropScience

RESEARCH AND DEVELOPMENT

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

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

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

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

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

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

EMERGING MARKETS

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

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

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

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

EMERGING MARKETS

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

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

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

10. Employees

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

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

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

11. Opportunities and Risks

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

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

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

12. Events After the End of the Reporting Period

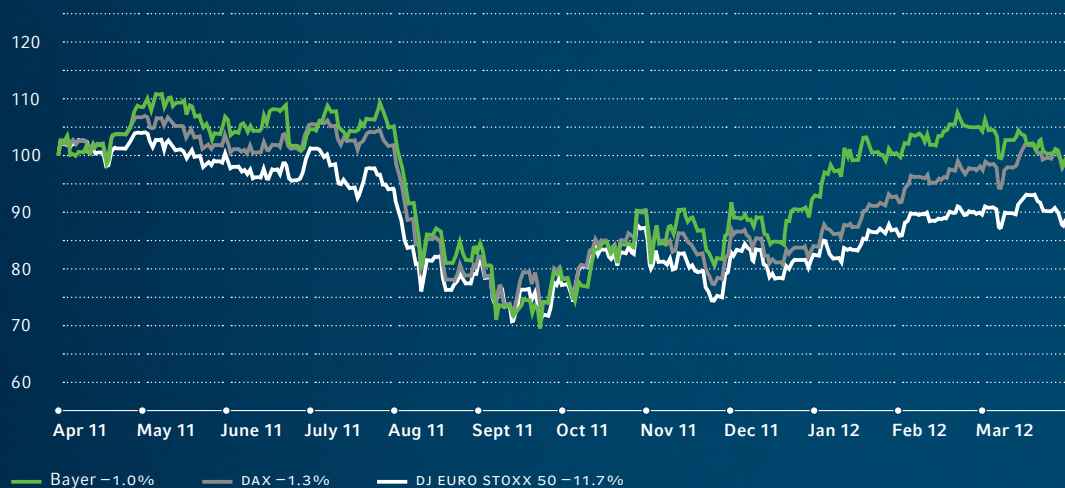
Since April 1, 2012, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

Performance of Bayer Stock over the Past Twelve Months

[Graphic 19]

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



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

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

Bayer Stock Data

[Table 18]

		1st Quarter 2011	1st Quarter 2012	Year 2011	
High for the period	€	57.18	57.31	59.35	
Low for the period	€	51.17	50.81	36.82	
Average daily trading volume	million	3.0	2.7	3.8	
		March 31, 2011	March 31, 2012	Dec. 31, 2011	Change March 31, 2012/ Dec. 31, 2011 %
Share price	€	54.64	52.74	49.40	+ 6.8
Market capitalization	€ million	45,184	43,613	40,851	+ 6.8
Equity as per statements of financial position	€ million	19,652	20,065	19,271	+ 4.1
Shares entitled to the dividend	million	826.95	826.95	826.95	0.0
DAX		7,041	6,947	5,898	+ 17.8

Xetra closing prices (source: Bloomberg)

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

Bayer Group Consolidated Income Statements

[Table 19]

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

Bayer Group Consolidated Statements of Comprehensive Income

[Table 20]

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

Bayer Group Consolidated Statements of Financial Position

[Table 21]

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

Bayer Group Consolidated Statements of Cash Flows

[Table 22]

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

Bayer Group Consolidated Statements of Changes in Equity

[Table 23]

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

* OCI = other comprehensive income

** Net of tax

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

Key Data by Segment and Region

Key Data by Segment

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

2011 figures restated

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

** Number of employees in full-time equivalents

Key Data by Region

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

* Number of employees in full-time equivalents

[Table 24]

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

[Table 25]

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

Explanatory Notes

ACCOUNTING POLICIES

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

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

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

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

Exchange Rates for Major Currencies

[Table 26]

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

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

Discount Rate for Pension Obligations

[Table 27]

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

SEGMENT REPORTING

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

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

Reconciliation of Segments' Operating Result to Group Income Before Income Taxes

[Table 28]

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

CHANGES IN THE BAYER GROUP

Changes in the scope of consolidation

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

Acquisitions and divestitures

Acquisitions

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

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

Acquired Assets and Assumed Liabilities

[Table 29]

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

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

Divestitures

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

Assets held for sale

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

CONTINGENT LIABILITIES AND OTHER FINANCIAL COMMITMENTS

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

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of April 18, 2012, the number of lawsuits pending in the United States and served upon Bayer was about 11,900 involving about 14,000 plaintiffs (excluding cases already settled). Plaintiffs allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's oral contraceptive products Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. As of April 19, 2012, Bayer had reached agreements, without admission of liability, to settle the claims of 651 plaintiffs in the U.S. for a total amount of about US\$142 million. Bayer is only settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case specific analysis of medical records on a rolling basis. The number of such injuries cannot be estimated at this time. However, less than half of the cases served to date allege such an injury. Based on the information currently available, Bayer has taken appropriate accounting measures for anticipated defense costs and for agreed and anticipated future settlements. Bayer is insured against product liability risks to the extent customary in the industry. However, going forward and depending on further developments in the litigation, it is possible that the company's global liability insurance program may not be sufficient or fully applicable to cover all expenses and potential liability (if any) resulting from this litigation.

Patent disputes

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

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

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

CROPSCIENCE

Product-related litigations

Proceedings involving genetically modified rice (LL RICE): As of April 11, 2012, Bayer was aware of a total of approximately 420 lawsuits, involving about 11,800 plaintiffs, pending in u.s. federal and state courts against several Bayer Group companies in connection with genetically modified rice in the United States. A large percentage of these cases will be dismissed upon completion of the settlement with rice growers, discussed below. Plaintiffs allege that they have suffered economic losses after traces of genetically modified rice were identified in samples of conventional long-grain rice grown in the u.s.

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

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

MATERIALSCIENCE

Antitrust proceedings in connection with rubber products

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

RELATED PARTIES

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

Leverkusen, April 24, 2012
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers

Werner Baumann

Prof. Dr. Wolfgang Plischke

Dr. Richard Pott

Financial Calendar

Annual Stockholders' Meeting 2012	APRIL 27, 2012
Planned dividend payment date	APRIL 30, 2012
Q2 2012 Interim Report	JULY 31, 2012
Q3 2012 Interim Report	OCTOBER 30, 2012
2012 Annual Report	FEBRUARY 28, 2013
Q1 2013 Interim Report	APRIL 25, 2013
Annual Stockholders' Meeting 2013	APRIL 26, 2013

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.

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Science For A Better Life