Second quarter of 2011:

Bayer continues positive momentum

- Sales €9.3 billion (Fx & portfolio adj. +5.4%)
- Operating result (EBIT) €1.3 billion (+25.9%)
- EBITDA before special items €2.0 billion (+5.8%)
- Net income rises substantially to €0.7 billion (+40.9%)
- Group outlook confirmed for 2011
- Gratifying progress with innovation projects
- Implementation of efficiency measures

The Bayer Group continued its successful performance in the second quarter of 2011. On a currency- and portfolio-adjusted basis (Fx & portfolio adj.), sales rose by 5.4% to €9.3 billion (reported: +0.8%; Q2 2010: €9.2 billion). The expansion of business in the emerging markets made an above-average contribution to this development. The operating result (EBIT) increased by a substantial 25.9% to €1.3 billion (Q2 2010: €1.0 billion) after special items of €0.1 billion (Q2 2010: €0.3 billion). EBITDA before special items improved by 5.8% to €2.0 billion (Q2 2010: €1.9 billion). These improvements were attributable especially to a good season in the northern hemisphere for CropScience and a slight expansion of business at HealthCare. Business in the MaterialScience subgroup was level year on year. Net income rose by a marked 40.9% to €0.7 billion (Q2 2010: €0.5 billion). Earnings per share were €0.90 (Q2 2010: €0.64). Core earnings per share climbed by 11.2% to €1.29 (Q2 2010: €1.16).

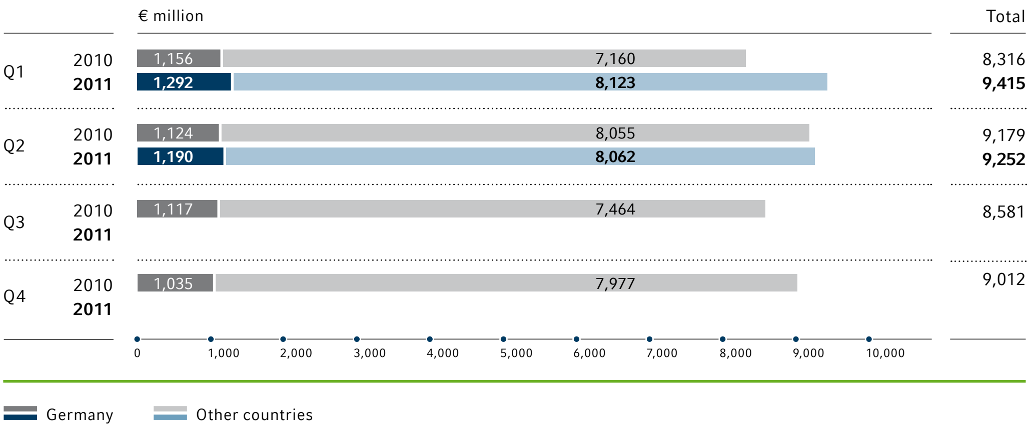
In the second quarter of 2011, we made significant progress with products from our R&D pipeline, especially our anticoagulant Xarelto™, VEGF Trap-Eye for the treatment of wet age-related macular degeneration and our cancer drug Alpharadin™.

The efficiency-enhancing measures announced at the end of 2010 are being implemented as planned.

1. Overview of Sales, Earnings and Financial Position

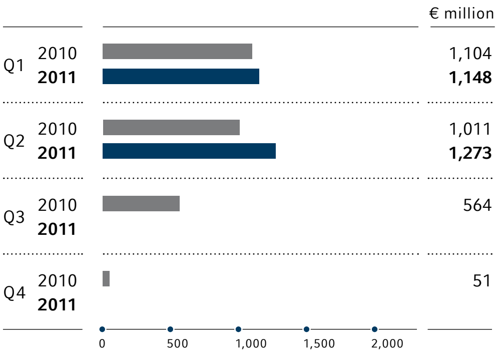
SECOND QUARTER OF 2011

Bayer Group Quarterly Sales [Graphic 1]



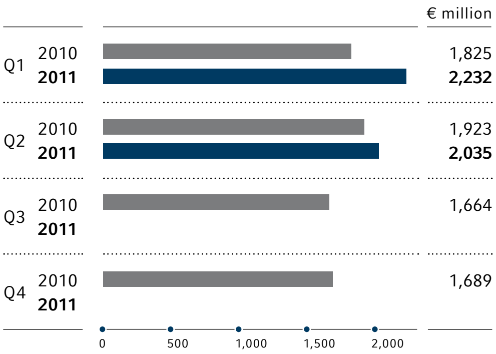
Sales of the Bayer Group grew by 5.4% (Fx & portfolio adj.) to €9,252 million (reported: +0.8%; Q2 2010: €9,179 million). Sales of HealthCare came in at €4,208 million (Q2 2010: €4,305 million). This corresponds to a currency- and portfolio-adjusted increase of 1.8% (reported: -2.3%). CropScience significantly raised sales by 9.2% (Fx & portfolio adj.) compared to the prior-year quarter to €1,943 million (reported: +3.1%; Q2 2010: €1,884 million). MaterialScience improved sales by 8.3% on a currency- and portfolio-adjusted basis (reported: +3.5%) to €2,782 million (Q2 2010: €2,689 million).

Bayer Group Quarterly EBIT [Graphic 2]



2010 figures restated

Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



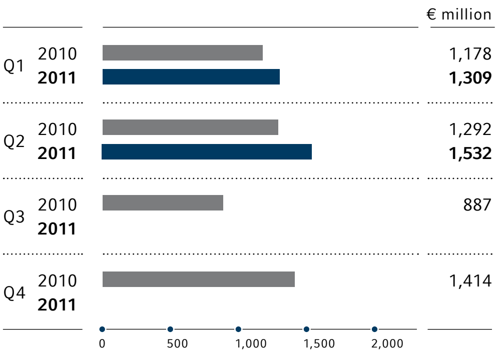
2010 figures restated

EBIT of the Bayer Group improved by a substantial 25.9% to €1,273 million (Q2 2010: €1,011 million). Special items totaled minus €144 million (Q2 2010: minus €255 million) overall. Restructuring, particularly at CropScience and HealthCare, accounted for €179 million of this figure. By contrast, valuation adjustments for our pension provisions in the United Kingdom resulted in income of €35 million. EBIT before special items of the Bayer Group came to €1,417 million (Q2 2010:

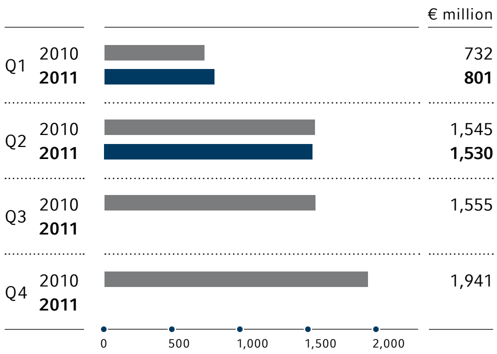
€1,266 million). **EBITDA** before special items increased by 5.8% to €2,035 million (Q2 2010: €1,923 million). HealthCare improved EBITDA before special items by 3.0% to €1,156 million (Q2 2010: €1,122 million), thanks mainly to lower costs at Pharmaceuticals. EBITDA before special items of CropScience grew by 23.9% to €471 million (Q2 2010: €380 million), chiefly as a result of significantly higher volumes. At MaterialScience, EBITDA before special items came in level year on year at €372 million (Q2 2010: €373 million). Higher raw material and energy costs were more than offset by selling price increases. Earnings were diminished by higher operating costs and negative currency effects.

After a **non-operating result** of minus €171 million (Q2 2010: minus €261 million), **income before income taxes** amounted to €1,102 million (Q2 2010: €750 million). The main components of the non-operating result were €83 million (Q2 2010: €89 million) in interest cost for pension and other provisions and net interest expense of €64 million (Q2 2010: €138 million). This improvement was due particularly to an interest effect associated with a tax settlement agreement in Brazil, which also led to higher tax expenditures and thus also a higher tax ratio. After tax expense of €356 million (Q2 2010: €221 million) and non-controlling interest, **net income** in the second quarter of 2011 came to €747 million (Q2 2010: €530 million).

Gross Cash Flow by Quarter [Graphic 4]



Net Cash Flow by Quarter [Graphic 5]



2010 figures restated

Gross cash flow in the second quarter moved forward by 18.6% to €1,532 million (Q2 2010: €1,292 million) as a result of the improved operating performance. Cash tied up in working capital was nearly unchanged in the second quarter of 2011. By contrast, liquid assets were freed up from working capital in the prior-year quarter. Net cash flow was level year on year at €1,530 million (Q2 2010: €1,545 million).

Net financial debt climbed only slightly despite the high outflows for the dividend, variable compensation and interest payments that are typical for the second quarter, increasing from €7.1 billion on March 31, 2011 to €7.4 billion on June 30, 2011. The net pension liability edged forward from €6.6 billion to €6.7 billion, mainly because of lower long-term interest rates on the capital market.

FIRST HALF OF 2011

The Bayer Group achieved a gratifying improvement in sales and earnings in the first half of 2011, with all subgroups contributing to this performance.

Sales climbed by 7.8% on a currency- and portfolio-adjusted basis to €18,667 million (reported: +6.7%; H1 2010: €17,495 million). HealthCare sales grew by a currency- and portfolio-adjusted 2.9% (reported: +2.4%). Thanks to a good season in the northern hemisphere and high prices for agricultural raw materials, CropScience achieved a gratifying 11.4% increase in sales after adjusting for currency and portfolio effects (reported: +9.5%). MaterialScience contributed to the positive trend in Group sales with a currency- and portfolio-adjusted increase of 13.0% (reported: +11.5%), which was attributable to a significantly better price level and an expansion in volumes.

EBIT improved by 14.5% to €2,421 million (H1 2010: €2,115 million). Special items totaled minus €586 million (H1 2010: minus €332 million), while EBIT before special items came in at €3,007 million (H1 2010: €2,447 million). **EBITDA** before special items advanced by 13.8% to €4,267 million (H1 2010: €3,748 million).

After a **non-operating result** of minus €384 million (H1 2010: minus €505 million), **income before income taxes** rose substantially to €2,037 million (H1 2010: €1,610 million). The non-operating result contained net interest expense of €175 million (H1 2010: €255 million). After tax expense of €608 million (H1 2010: €449 million), after-tax income was €1,429 million (H1 2010: €1,161 million).

After non-controlling interest, **net income** of the Bayer Group came in at €1,431 million (H1 2010: €1,161 million). Earnings per share improved to €1.73 (H1 2010: €1.40). Core earnings per share advanced by 19.7% to €2.74 (H1 2010: €2.29). The calculation of core earnings per share is explained in Chapter 7.

Gross cash flow rose by 15.0% to €2,841 million (H1 2010: €2,470 million). Net cash flow was up slightly year on year at €2,331 million (H1 2010: €2,277 million). Net financial debt fell to €7.4 billion as of June 30, 2011, compared to €7.9 billion on December 31, 2010. The net pension liability – the aggregate of pension obligations and plan assets – declined by €0.5 billion compared with December 31, 2010, to €6.7 billion, mainly because of higher long-term interest rates on the capital market.

2. Economic Outlook

We expect the **global economy** to continue growing in the second half of the year, albeit at a slower pace and with regional differences. There are increasing signs of a slowdown in growth in China; however, we expect the expansion in that country to weaken only slightly. The U.S. economy will most likely continue to gradually recover. There is a varying trend in the eurozone. While some countries are suffering from the debt crisis, we expect a continued upswing in Germany. The disasters in Japan probably will not have a significant impact on the global economy.

Overall, the growth perspectives for the global economy will depend on how Europe and the United States overcome their debt crises. Economic expansion could also be hampered by rising oil prices.

We anticipate that the **pharmaceutical market** will grow by a mid-single-digit percentage in 2011, with this trend increasingly driven by the emerging markets. We believe that growth will be weaker in the established markets such as the United States and the major European countries.

We continue to foresee solid growth in 2011 for the **consumer care market**. The **diabetes care market** will most likely grow only minimally this year. We expect the positive trend in the **animal health market** to continue unabated.

We expect a continued positive trend in the global **seed and crop protection** market over the course of the year. Likely contributing to this will be the high prices for agricultural raw materials that have led to an increase in agricultural production.

The recovery in the major customer industries of **MaterialScience** is expected to continue in the coming quarters. However, we believe growth rates will be weaker overall than in the year to date due to the declining pace of growth, especially in China, and to increasing economic risks.

3. Sales and Earnings Forecast

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

BAYER GROUP

We confirm the full-year sales and earnings forecast that we raised in April.

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

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

HEALTHCARE

We confirm our outlook for 2011.

In 2011 HealthCare still plans to increase sales by a low- to mid-single-digit percentage after adjusting for currency and portfolio effects and to achieve a small improvement in EBITDA before special items.

In the Pharmaceuticals segment, we continue to believe that sales will not yet resume growing with the market in 2011. We still plan to increase sales by a low- to mid-single-digit percentage after adjusting for currency and portfolio effects and to raise the EBITDA margin before special items.

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

CROPSCIENCE

The CropScience business continues to trend positively. As previously communicated, we aim to improve sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis in 2011. We plan to expand EBITDA before special items by about 20% compared to the weak prior year – or more if the season progresses well in the second half of 2011.

MATERIALSCIENCE

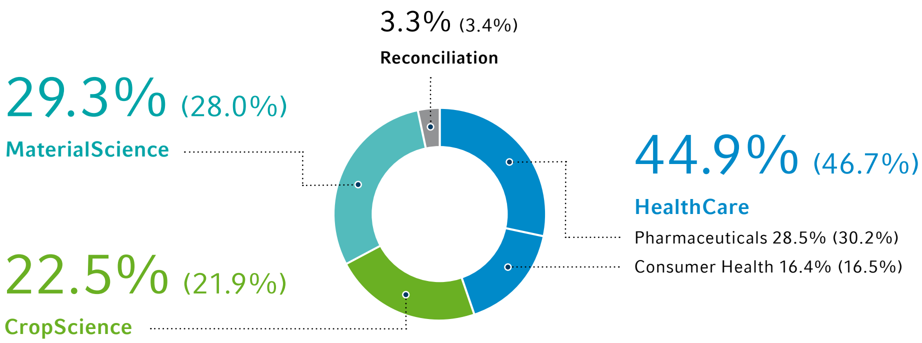
At MaterialScience we still expect to raise sales by a high-single-digit percentage on a currency- and portfolio-adjusted basis. It remains our aim to grow EBITDA before special items at a higher rate than sales. However, we consider this objective to be increasingly ambitious.

We anticipate that sales and EBITDA before special items in the third quarter of 2011 will be in line with the prior-year level.

4. Corporate Structure

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

Sales by Segment, 1st Half 2011 (1st half 2010 in parentheses) [Graphic 6]



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

Key Data by Subgroup and Segment [Table 1]

	Sales		EBIT		EBITDA before special items*	
	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011	2nd Quarter 2010	2nd Quarter 2011
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,305**	**4,208**	**595**	**786**	**1,122**	**1,156**
Pharmaceuticals	2,748	2,666	312	504	772	807
Consumer Health	1,557	1,542	283	282	350	349
CropScience	**1,884**	**1,943**	**187**	**272**	**380**	**471**
MaterialScience	**2,689**	**2,782**	**228**	**236**	**373**	**372**
Reconciliation	**301**	**319**	**1**	**(21)**	**48**	**36**
Group	**9,179**	**9,252**	**1,011**	**1,273**	**1,923**	**2,035**
	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011	1st Half 2010	1st Half 2011
HealthCare	**8,174**	**8,374**	**1,255**	**1,555**	**2,145**	**2,296**
Pharmaceuticals	5,279	5,315	771	1,003	1,531	1,610
Consumer Health	2,895	3,059	484	552	614	686
CropScience	**3,836**	**4,200**	**547**	**491**	**911**	**1,216**
MaterialScience	**4,905**	**5,468**	**365**	**441**	**651**	**717**
Reconciliation	**580**	**625**	**(52)**	**(66)**	**41**	**38**
Group	**17,495**	**18,667**	**2,115**	**2,421**	**3,748**	**4,267**

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

CHANGES IN CORPORATE STRUCTURE

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

5. Performance by Subgroup, Segment and Region

5.1 HealthCare

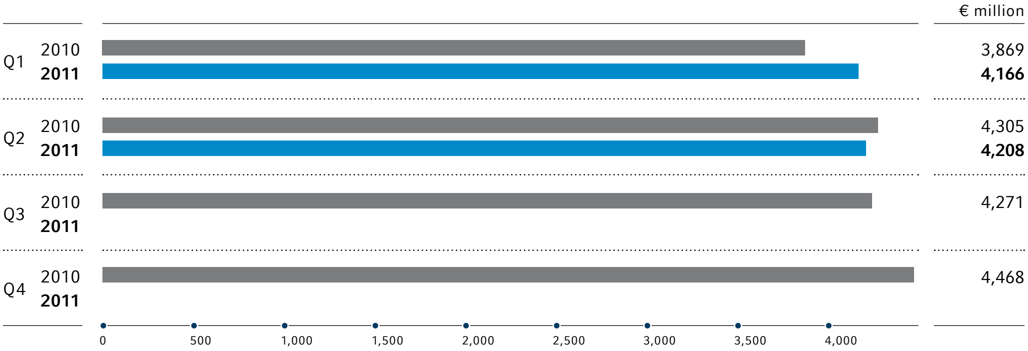
Key Data – HealthCare [Table 2]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,305**	**4,208**	**−2.3**	**+1.8**	**8,174**	**8,374**	**+2.4**	**+2.9**
Change in sales								
Volume	+1.5%	+2.6%			+1.9%	+3.4%		
Price	+0.5%	−0.8%			+0.4%	−0.5%		
Currency	+5.6%	−4.4%			+2.6%	−0.7%		
Portfolio	−1.2%	+0.3%			−1.3%	+0.2%		
Sales by segment								
Pharmaceuticals	2,748	2,666	−3.0	+0.5	5,279	5,315	+0.7	+0.7
Consumer Health	1,557	1,542	−1.0	+4.1	2,895	3,059	+5.7	+6.9
Sales by region								
Europe	1,599	1,592	−0.4	−0.3	3,122	3,188	+2.1	+1.6
North America	1,205	1,062	−11.9	−1.2	2,339	2,138	−8.6	−3.9
Asia/Pacific	845	878	+3.9	+7.0	1,512	1,728	+14.3	+11.6
Latin America/Africa/Middle East	656	676	+3.0	+7.4	1,201	1,320	+9.9	+9.6
EBIT	**595**	**786**	**+32.1**		**1,255**	**1,555**	**+23.9**	
Special items	*(189)*	*(51)*			*(218)*	*(88)*		
EBIT before special items*	***784***	***837***	***+6.8***		***1,473***	***1,643***	***+11.5***	
EBITDA*	**1,065**	**1,105**	**+3.8**		**2,059**	**2,208**	**+7.2**	
Special items	*(57)*	*(51)*			*(86)*	*(88)*		
EBITDA before special items*	***1,122***	***1,156***	***+3.0***		***2,145***	***2,296***	***+7.0***	
EBITDA margin before special items*	26.1%	27.5%			26.2%	27.4%		
Gross cash flow**	**759**	**760**	**+0.1**		**1,422**	**1,528**	**+7.5**	
Net cash flow**	**666**	**636**	**−4.5**		**1,408**	**1,417**	**+0.6**	

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

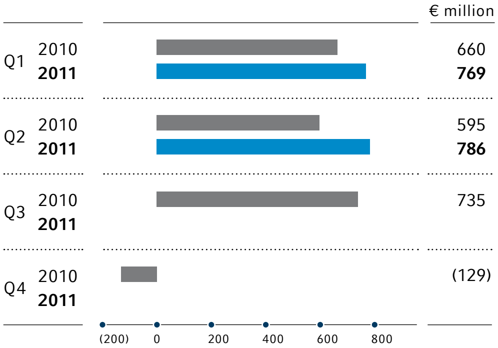
Sales of the **HealthCare** subgroup amounted to €4,208 million in the **second quarter of 2011** (reported: -2.3%). This corresponds to a currency- and portfolio-adjusted gain of 1.8%, which was largely due to the positive trend in the Consumer Health segment.

HealthCare Quarterly Sales [Graphic 7]



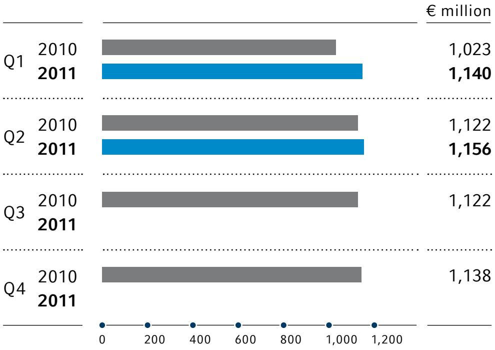
EBIT of the HealthCare subgroup grew by 32.1% in the second quarter of 2011 to €786 million. Earnings were diminished by special items of minus €51 million. Special charges of €70 million – relating mostly to restructuring measures – were partially offset by income of €19 million in connection with valuation adjustments for pension provisions. EBIT before special items rose by 6.8% to €837 million. **EBITDA** before special items rose by 3.0% to €1,156 million, due especially to lower costs at Pharmaceuticals.

HealthCare Quarterly EBIT [Graphic 8]



2010 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2010 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,748**	**2,666**	**−3.0**	**+0.5**	**5,279**	**5,315**	**+0.7**	**+0.7**
General Medicine	1,710	1,689	−1.2	+1.8	3,294	3,330	+1.1	+0.7
Specialty Medicine	1,038	977	−5.9	−1.7	1,985	1,985	0.0	+0.6
Sales by region								
Europe	1,033	991	−4.1	−4.1	2,014	1,987	−1.3	−1.8
North America	617	519	−15.9	−5.9	1,304	1,083	−16.9	−13.0
Asia/Pacific	686	716	+4.4	+7.3	1,213	1,400	+15.4	+12.6
Latin America/Africa/Middle East	412	440	+6.8	+10.0	748	845	+13.0	+11.8
EBIT	**312**	**504**	**+61.5**		**771**	**1,003**	**+30.1**	
Special items	*(189)*	*(48)*			*(218)*	*(84)*		
EBIT before special items*	***501***	***552***	***+10.2***		***989***	***1,087***	***+9.9***	
EBITDA*	**715**	**759**	**+6.2**		**1,445**	**1,526**	**+5.6**	
Special items	*(57)*	*(48)*			*(86)*	*(84)*		
EBITDA before special items*	***772***	***807***	***+4.5***		***1,531***	***1,610***	***+5.2***	
EBITDA margin before special items*	28.1%	30.3%			29.0%	30.3%		
Gross cash flow**	**499**	**513**	**+2.8**		**973**	**1,041**	**+7.0**	
Net cash flow**	**455**	**399**	**−12.3**		**1,047**	**957**	**−8.6**	

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

Sales in the **Pharmaceuticals** segment in the **second quarter of 2011** came to €2,666 million (Fx & portfolio adj. +0.5%). Growth in sales in the emerging markets – and especially China – offset the weak performance in North America and western Europe. Sales of YAZ™ were down again in the United States, mainly because of generic competition. Furthermore, sales in the Pharmaceuticals segment were diminished by health reforms in various countries.

Best-Selling Pharmaceuticals Products [Table 4]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Betaferon™/Betaseron™ (Specialty Medicine)	302	273	−9.6	−4.7	585	547	−6.5	−4.9
Kogenate™ (Specialty Medicine)	238	262	+10.1	+15.4	482	545	+13.1	+14.2
YAZ™/Yasmin™/Yasminelle™ (General Medicine)	289	263	−9.0	−7.0	576	505	−12.3	−12.6
Nexavar™ (Specialty Medicine)	186	171	−8.1	−4.4	341	343	+0.6	+0.9
Adalat™ (General Medicine)	177	156	−11.9	−9.5	323	313	−3.1	−5.3
Mirena™ (General Medicine)	123	144	+17.1	+26.2	266	287	+7.9	+11.1
Avalox™/Avelox™ (General Medicine)	118	105	−11.0	−6.8	253	252	−0.4	−0.6
Aspirin™ Cardio (General Medicine)	92	99	+7.6	+10.0	165	189	+14.5	+13.8
Glucobay™ (General Medicine)	90	90	0.0	+6.0	169	178	+5.3	+5.7
Levitra™ (General Medicine)	96	82	−14.6	−10.6	182	164	−9.9	−9.1
Ultravist™ (Specialty Medicine)	82	82	0.0	+2.7	150	157	+4.7	+5.3
Cipro™/Ciprobay™ (General Medicine)	61	58	−4.9	−0.8	136	117	−14.0	−14.1
Magnevist™ (Specialty Medicine)	58	46	−20.7	−15.3	109	91	−16.5	−14.9
Kinzal™/Pritor™ (General Medicine)	46	46	0.0	−0.3	88	87	−1.1	−1.6
Iopamiron™ (Specialty Medicine)	52	42	−19.2	−20.7	91	86	−5.5	−10.4
Total	**2,010**	**1,919**	**−4.5**	**−0.6**	**3,916**	**3,861**	**−1.4**	**−0.4**
Proportion of Pharmaceuticals sales	73%	72%			74%	73%		

Fx adj. = currency-adjusted

Sales in our **General Medicine** business unit amounted to €1,689 million. This corresponds to a currency- and portfolio-adjusted increase of 1.8%. There was a positive trend particularly for Mirena™, Aspirin™ Cardio and Glucobay™. The growth in sales of our hormone-releasing intrauterine device Mirena™ was based chiefly on higher volumes in the United States compared with the weak prior-year quarter. By expanding our marketing activities in China, we increased sales of Aspirin™ Cardio for the prevention of myocardial infarction and Glucobay™ to treat diabetes.

By contrast, we saw a significant decline in sales of our oral contraceptives YAZ™/Yasmin™/Yasminelle™. This resulted mainly from the drop in sales of YAZ™ in the United States following the market entry of generic competition in June 2010. We expanded business in the Latin America/Africa/Middle East and Asia/Pacific regions, however. Generic competition also held back sales of Adalat™ to treat high blood pressure and coronary heart disease, particularly in Canada and Japan. On the other hand, sales were up in China. Sales of our erectile dysfunction treatment Levitra™ and our antibiotic Avalox™/Avelox™ were down because of a partial reorganization of distribution for general practitioner products in the United States.

Sales in the **Specialty Medicine** business unit moved back by 1.7% on a currency- and portfolio-adjusted basis to €977 million. Sales of our multiple sclerosis drug Betaferon™/Betaseron™ declined. This was largely attributable to increased competition and price reductions in connection with health system reforms in Europe. In Latin America/Africa/Middle East we achieved sales growth primarily as the result of tender business. Sales of the cancer drug Nexavar™ dropped compared to a strong prior-year quarter, while business with our blood-clotting medicine Kogenate™ grew in all regions, especially in North America and Europe. This was chiefly due to higher demand in various European countries and larger shipments to our distribution partner in the United States.

EBIT of the **Pharmaceuticals** segment increased by 61.5% in the second quarter of 2011 to €504 million after special items of minus €48 million, comprising €62 million in charges for restructuring measures and €14 million in income from valuation adjustments for pension provisions. EBIT in the prior-year period was diminished by special items of minus €189 million. EBIT before special items rose by 10.2% to €552 million. **EBITDA** before special items was up by 4.5% to €807 million. This increase was mainly due to lower operating costs, including for research and development following the successful conclusion of most Phase III studies for our anticoagulant Xarelto™, as well as to one-time income of €22 million from a settlement. These factors were partially offset by selling price declines and negative currency effects.

Sales of our **Pharmaceuticals segment** in the **first half of 2011** were level year on year at €5,315 million (Fx & portfolio adj. +0.7%). There was a very gratifying business trend in the emerging markets, particularly in China, while sales were down in a number of established markets, including especially North America. This was mainly attributable to health system reforms and generic competition. Products that posted gratifying sales growth included especially the blood-clotting medicine Kogenate™, Aspirin™ Cardio for the prevention of myocardial infarction and the hormone-releasing intrauterine device Mirena™. Our contraceptives YAZ™/Yasmin™/Yasminelle™ and the multiple sclerosis drug Betaferon™/Betaseron™ in particular saw sales decline.

EBIT improved by 30.1% in the first half of 2011 to €1,003 million, but was diminished by special charges of €84 million that related mainly to restructuring measures. EBIT before special items advanced by 9.9% to €1,087 million. **EBITDA** before special items increased by 5.2% to €1,610 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 5]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,557**	**1,542**	**−1.0**	**+4.1**	**2,895**	**3,059**	**+5.7**	**+6.9**
Consumer Care	836	839	+0.4	+5.8	1,580	1,703	+7.8	+9.2
Medical Care	399	377	−5.5	+0.6	734	734	0.0	+2.6
Animal Health	322	326	+1.2	+3.9	581	622	+7.1	+6.0
Sales by region								
Europe	566	601	+6.2	+6.5	1,108	1,201	+8.4	+7.9
North America	588	543	−7.7	+3.8	1,035	1,055	+1.9	+7.6
Asia/Pacific	159	162	+1.9	+5.4	299	328	+9.7	+8.0
Latin America/Africa/Middle East	244	236	−3.3	+3.1	453	475	+4.9	+5.9
EBIT	**283**	**282**	**−0.4**		**484**	**552**	**+14.0**	
Special items	-	*(3)*			-	*(4)*		
EBIT before special items*	***283***	***285***	***+0.7***		***484***	***556***	***+14.9***	
EBITDA*	**350**	**346**	**−1.1**		**614**	**682**	**+11.1**	
Special items	-	*(3)*			-	*(4)*		
EBITDA before special items*	***350***	***349***	***−0.3***		***614***	***686***	***+11.7***	
EBITDA margin before special items*	22.5%	22.6%			21.2%	22.4%		
Gross cash flow**	**260**	**247**	**−5.0**		**449**	**487**	**+8.5**	
Net cash flow**	**211**	**237**	**+12.3**		**361**	**460**	**+27.4**	

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

Sales of the **Consumer Health** segment advanced by 4.1% (Fx & portfolio adj.) in the **second quarter of 2011** to €1,542 million. All regions, particularly Europe and North America, contributed to this increase.

Best-Selling Consumer Health Products [Table 6]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	164	159	−3.0	+0.9	295	311	+5.4	+6.8
Advantage™ product line (Animal Health)	141	143	+1.4	+9.8	230	245	+6.5	+10.5
Aspirin™* (Consumer Care)	105	104	−1.0	+7.4	195	216	+10.8	+14.1
Aleve™/naproxen (Consumer Care)	68	68	0.0	+11.6	127	135	+6.3	+11.8
Bepanthen™/Bepanthol™ (Consumer Care)	55	59	+7.3	+7.1	110	122	+10.9	+9.4
Canesten™ (Consumer Care)	58	58	0.0	+3.2	102	113	+10.8	+10.0
One A Day™ (Consumer Care)	47	44	−6.4	+5.4	83	85	+2.4	+7.6
Baytril™ (Animal Health)	35	31	−11.4	−6.2	73	74	+1.4	+2.7
Supradyn™ (Consumer Care)	32	32	0.0	+1.3	63	65	+3.2	+2.9
Breeze™ (Medical Care)	32	29	−9.4	−5.2	62	57	−8.1	−6.6
Total	**737**	**727**	**−1.4**	**+4.9**	**1,340**	**1,423**	**+6.2**	**+8.5**
Proportion of Consumer Health sales	47%	47%			46%	47%		

Fx adj. = currency-adjusted
* Total Aspirin™ Q2 sales totaled €203 million (Q2 2010: €197 million), H1 sales totaled €405 million (H1 2010: €360 million), including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment.

The **Consumer Care** Division achieved sales growth of 5.8% (Fx & portfolio adj.) to €839 million. This increase resulted especially from the performance of our analgesics Aspirin™ and Aleve™/naproxen and the One A Day™ line of dietary supplements in the United States. Contributing to the growth were new launches for Advanced Aspirin™, a particularly fast-acting new formulation, and for the One A Day™ line. Sales of our Bepanthen™/Bepanthol™ line of skincare products also rose significantly, particularly in Europe.

Sales of the **Medical Care** Division in the second quarter of 2011, at €377 million, came in at the prior-year level on a currency- and portfolio-adjusted basis (+0.6%). Here the positive trend in Europe and Latin America/Africa/Middle East was sufficient to offset the decline in our Diabetes Care business in North America that was chiefly attributable to lower volumes and selling prices for our Contour™ line of blood glucose meters in the United States. Rising demand and new launches contributed to the positive business trend for Contour™ in Europe. Sales of our medical equipment business were largely in line with the prior year.

Business in our **Animal Health** Division expanded by 3.9% (Fx & portfolio adj.) to €326 million, driven mainly by the positive development of our Advantage™ line of flea, tick and worm control products in Europe and North America. In the United States we increased sales of Advantage™ partly through the expansion of a distribution channel opened in the previous year. Sales of the antibiotic Baytril™ fell back particularly because of generic competition in Europe.

EBIT of the **Consumer Health** segment remained at the prior-year level in the second quarter of 2011, at €282 million (-0.4%). Earnings were diminished by special items of minus €3 million. EBIT before special items was €285 million (+0.7%). **EBITDA** before special items came in level year on year at €349 million (-0.3%). The positive earnings contributions from the expansion of business in the divisions were offset by a slight rise in operating costs and negative currency effects.

Sales of our **Consumer Health** segment in the **first half of 2011** improved by 6.9% (Fx & portfolio adj.) to €3,059 million. All regions, particularly Europe and North America, contributed to this increase. Most of our Consumer Health products saw significant sales growth. Examples here included the analgesic Aspirin™, the Advantage™ line of flea, tick and worm control products, and the Contour™ line of blood glucose meters.

EBIT climbed by 14.0% in the first half of 2011 to €552 million. Special items totaled minus €4 million. EBIT before special items advanced by 14.9% to €556 million. **EBITDA** before special items increased by 11.7% to €686 million.

5.2 CropScience

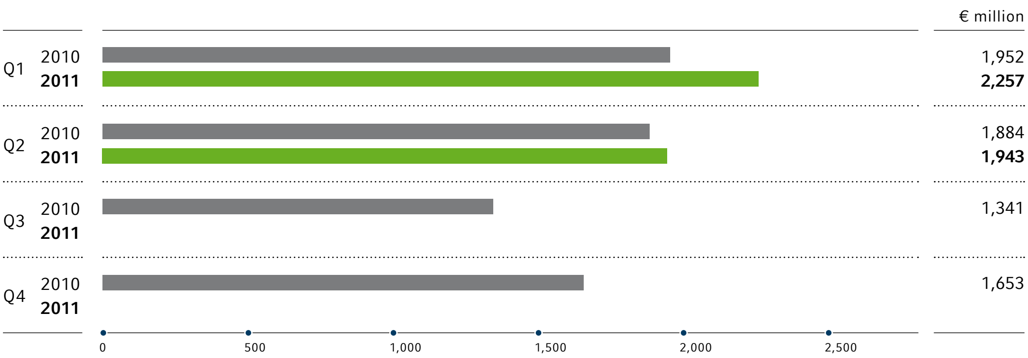
Key Data – CropScience [Table 7]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,884**	**1,943**	**+3.1**	**+9.2**	**3,836**	**4,200**	**+9.5**	**+11.4**
Change in sales								
Volume	−2.8%	+11.1%			−6.6%	+12.0%		
Price	−2.7%	−1.9%			−1.3%	−0.6%		
Currency	+7.0%	−5.8%			+4.3%	−1.8%		
Portfolio	+0.2%	−0.3%			+0.2%	−0.1%		
Sales by business group								
Crop Protection/BioScience	1,685	1,757	+4.3	+10.5	3,467	3,836	+10.6	+12.6
Environmental Science	199	186	−6.5	−1.7	369	364	−1.4	+0.5
Sales by region								
Europe	737	777	+5.4	+6.4	1,655	1,779	+7.5	+7.8
North America	494	535	+8.3	+19.2	1,021	1,205	+18.0	+21.3
Asia/Pacific	343	334	−2.6	+3.7	583	603	+3.4	+4.7
Latin America/Africa/Middle East	310	297	−4.2	+4.5	577	613	+6.2	+10.0
EBIT	**187**	**272**	**+45.5**		**547**	**491**	**−10.2**	
Special items	*(66)*	*(81)*			*(114)*	*(486)*		
EBIT before special items*	***253***	***353***	***+39.5***		***661***	***977***	***+47.8***	
EBITDA*	**314**	**405**	**+29.0**		**797**	**821**	**+3.0**	
Special items	*(66)*	*(66)*			*(114)*	*(395)*		
EBITDA before special items*	***380***	***471***	***+23.9***		***911***	***1,216***	***+33.5***	
EBITDA margin before special items*	20.2%	24.2%			23.7%	29.0%		
Gross cash flow**	**224**	**304**	**+35.7**		**559**	**618**	**+10.6**	
Net cash flow**	**782**	**823**	**+5.2**		**517**	**609**	**+17.8**	

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

Sales of the **CropScience** subgroup in the **second quarter of 2011** rose by 9.2% (Fx & portfolio adj.) to €1,943 million (reported: +3.1%). We continued to benefit from a generally good season in the northern hemisphere, with particularly strong growth in our BioScience business. High prices for agricultural raw materials led to a favorable market environment compared to the weak prior-year quarter.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection / BioScience** in the second quarter of 2011 amounted to €1,757 million, up 10.5% (Fx & portfolio adj.) from the corresponding period of 2010. Business expansion in Crop Protection was driven by our fungicides and herbicides, and in BioScience by seeds for the large-area crops – canola, cotton and rice. However, total sales of insecticides were affected by the cessation of marketing for older products such as Temik™.

Sales – Crop Protection / BioScience [Table 8]

	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
BioScience	165	195	+18.2	+21.9	471	598	+27.0	+25.2
Herbicides	587	607	+3.4	+8.9	1,190	1,308	+9.9	+12.2
Fungicides	477	518	+8.6	+13.8	894	1,015	+13.5	+16.1
Insecticides	344	317	−7.8	+2.3	640	605	−5.5	−0.7
Seed Treatment	112	120	+7.1	+16.5	272	310	+14.0	+17.2

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

The sharp increase at **BioScience** resulted from the significant expansion of business with our seeds for large-area crops. Seed sales benefited from increased crop acreages, particularly for canola in Canada, while business with cotton and rice seeds made strong gains above all in Asia. The vegetable seed business also developed well, especially in the Asia / Pacific and North America regions.

We significantly expanded our **Crop Protection** business in all regions except Asia / Pacific.

Sales in **Europe** rose by 6.9% (Fx adj.) to €668 million, with growth rates for herbicides and insecticides running into double digits. Sales of fungicides posted a slight increase, while those of seed treatments declined. There was encouraging growth in Germany, particularly for herbicides and the new fungicide family Xpro™. Our business in eastern Europe matched the already strong first quarter, helped by favorable weather conditions. Our Adengo™ family of corn herbicides developed particularly well in eastern Europe following its successful launch. The prolonged drought had an adverse effect in parts of western Europe.

Crop Protection sales in **North America** posted a clear 20.6% increase (Fx adj.) to €386 million. Sales of fungicides, herbicides and seed treatments advanced in the United States against a weak prior-year quarter. The new fungicide Stratego™ YLD, introduced this season for use in corn and soybeans, remains our principal growth driver. Sales of insecticides, however, declined. The successful launch and increased marketing of new products such as Movento™ partly offset the effects of streamlining the insecticide portfolio by discontinuing older products such as Temik™. Sales in Canada rose by a double-digit percentage.

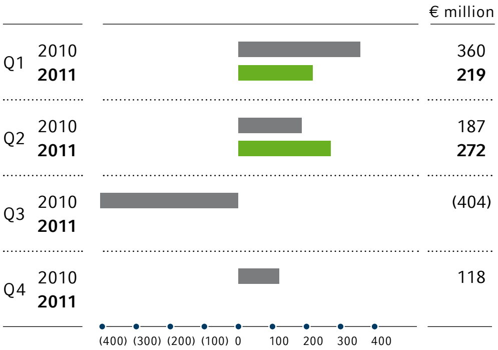
Sales in **Asia / Pacific** edged down by 0.2% (Fx adj.) to €244 million. Sharp declines for insecticides and herbicides were nearly offset by tangible increases for fungicides and seed treatments. Our business in the region was held back by the cessation of marketing for older insecticides, while Australia and China suffered from extreme weather conditions. By contrast, sales advanced significantly in the countries of northern Asia.

Sales in the **Latin America/Africa/Middle East** region improved by 5.0% (Fx adj.) from the prior-year quarter to €264 million. Business benefited mainly from the good market prospects for cotton and sugarcane in Latin America. In Brazil, sales of herbicides posted noticeable gains, whereas business with fungicides was down due to lower infestation rates in soybeans. We also registered substantial increases in the Middle East, while business in Africa was level with the same period of the previous year.

Sales in the **Environmental Science** business group declined by just 1.7% (Fx & portfolio adj.) to €186 million. The consumer products business stagnated. Business with products for professional users was down in Europe, the Middle East and Africa.

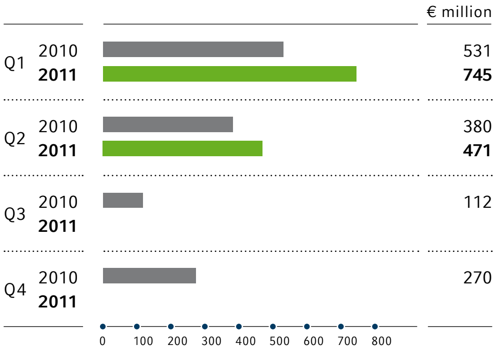
EBIT of **CropScience** posted an encouragingly strong 45.5% increase in the second quarter of 2011 to €272 million, after special charges of €81 million (Q2 2010: €66 million) incurred mainly for the ongoing restructuring program at Crop Protection. EBIT before special items climbed by 39.5% to €353 million. **EBITDA** before special items advanced by 23.9% to €471 million. This increase was chiefly due to the good business development, with significantly higher volumes and improved capacity utilization at our production facilities.

CropScience
Quarterly EBIT [Graphic 11]



2010 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2010 figures restated

CropScience sales in the **first half of 2011** advanced by 11.4% to €4,200 million. The six-month period was marked by a strong season in the northern hemisphere and high prices for agricultural raw materials. BioScience recorded double-digit growth rates for seeds in the core crops – canola, cotton, rice and vegetables – and in all regions. Crop Protection sales also moved ahead in all the regions. Business recovered well in North America, especially for fungicides and herbicides. The Environmental Science business was flat with the same period of 2010.

EBIT of CropScience declined in the first half of 2011 by 10.2% to €491 million after special charges of €486 million. These mainly comprised provisions established in connection with litigations concerning genetically modified rice (LL RICE) in the United States and expenses for restructuring at Crop Protection. EBIT before special items climbed by 47.8% to €977 million. **EBITDA** before special items rose by 33.5% to €1,216 million thanks to the good business development, especially in the northern hemisphere. The principal growth drivers were our new crop protection products and our seed business in North America.

5.3 MaterialScience

Key Data – MaterialScience [Table 9]

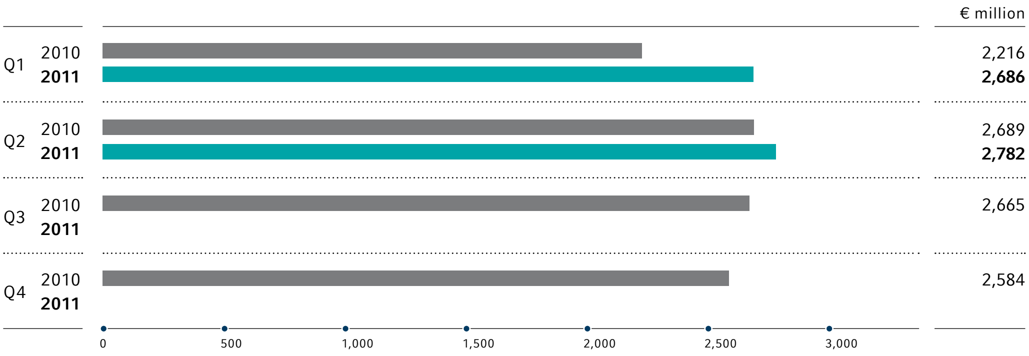
	2nd Quarter 2010	2nd Quarter 2011	Change		1st Half 2010	1st Half 2011	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p)adj. %
Sales	**2,689**	**2,782**	**+3.5**	**+8.3**	**4,905**	**5,468**	**+11.5**	**+13.0**
Change in sales								
Volume	+32.7%	−1.0%			+36.8%	+3.9%		
Price	+7.8%	+9.3%			+2.5%	+9.1%		
Currency	+6.4%	−5.0%			+2.2%	−1.7%		
Portfolio	0.0%	+0.2%			0.0%	+0.2%		
Sales by business unit								
Polyurethanes	1,321	1,374	+4.0	+8.4	2,427	2,727	+12.4	+13.4
Polycarbonates	753	761	+1.1	+6.7	1,328	1,477	+11.2	+13.4
Coatings, Adhesives, Specialties	481	490	+1.9	+6.3	894	950	+6.3	+7.8
Industrial Operations	134	157	+17.2	+20.6	256	314	+22.7	+24.1
Sales by region								
Europe	1,000	1,169	+16.9	+17.0	1,878	2,289	+21.9	+21.9
North America	575	537	−6.6	+5.2	1,011	1,048	+3.7	+9.7
Asia/Pacific	773	712	−7.9	−0.6	1,390	1,424	+2.4	+4.5
Latin America/Africa/Middle East	341	364	+6.7	+10.1	626	707	+12.9	+12.3
EBIT	**228**	**236**	**+3.5**		**365**	**441**	**+20.8**	
Special items	-	-			-	-		
EBIT before special items*	***228***	***236***	***+3.5***		***365***	***441***	***+20.8***	
EBITDA*	**373**	**372**	**−0.3**		**651**	**717**	**+10.1**	
Special items	-	-			-	-		
EBITDA before special items*	***373***	***372***	***−0.3***		***651***	***717***	***+10.1***	
EBITDA margin before special items*	13.9%	13.4%			13.3%	13.1%		
Gross cash flow**	**293**	**288**	**−1.7**		**513**	**560**	**+9.2**	
Net cash flow**	**62**	**(15)**	**.**		**78**	**136**	**+74.4**	

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

In the **second quarter of 2011**, the **MaterialScience** subgroup was able to build on its performance in the previous three months and further increase sales.

Sales of MaterialScience climbed by 8.3% (Fx & portfolio adj.) year on year to €2,782 million (reported: +3.5%). This growth was driven mainly by the increase in selling prices in all business units and regions, especially in Europe and North America. Volume sales of our products were down slightly overall against the prior-year level. A significant expansion of volumes in Europe was not sufficient to fully offset the demand-related declines in the Asia/Pacific and North America regions. Volumes were level year on year in the Latin America/Africa/Middle East region.

MaterialScience Quarterly Sales [Graphic 13]



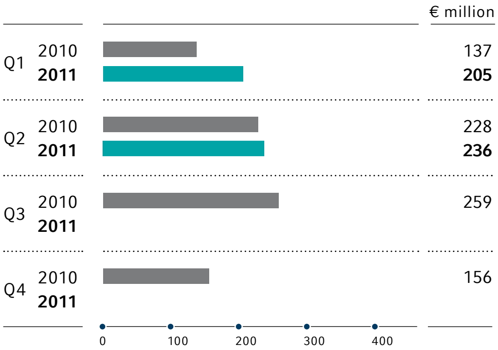
The **Polyurethanes** business unit raised sales by 8.4% (Fx & portfolio adj.) to €1,374 million. Among our polyurethane product groups, we recorded significant sales gains in diphenylmethane diisocyanate (MDI) and polyether (PET), while sales of toluene diisocyanate (TDI) were well below the previous year. The sales growth in this business unit was largely due to higher selling prices in all regions. We significantly raised the price level especially in the Europe region, and higher selling prices for MDI and PET products more than offset the decline in prices for TDI. Overall, volumes declined slightly year on year in the Polyurethanes business unit due to weaker demand for TDI and MDI. Significantly higher volumes for our polyurethane products in Europe and Latin America / Africa / Middle East were not sufficient to offset lower volumes in North America and Asia / Pacific.

Sales of the **Polycarbonates** business unit increased to €761 million, up 6.7% (Fx & portfolio adj.) against the prior-year figure. Instrumental in this growth was the considerable increase in sales of our granules product group largely on account of higher selling prices worldwide. Here we implemented double-digit price increase rates in the Europe and North America regions. By contrast, volumes were down overall against the strong prior-year quarter. The marked decline in the Asia / Pacific and Latin America / Africa / Middle East regions was partially compensated by a moderate increase in volumes in North America and Europe. Polycarbonate sheet / semi-finished products saw a year-on-year-decline in sales, as higher selling prices only partly offset the lower volumes in all relevant regions.

The **Coatings, Adhesives, Specialties** business unit posted sales of €490 million, which was 6.3% (Fx & portfolio adj.) more than in the prior-year period. Contributing to this performance were above all substantial price increases in all regions worldwide and in all product groups – including particularly coating resins. Volumes were level year on year, with expansions in Europe and North America and declines in the Latin America / Africa / Middle East and Asia / Pacific regions.

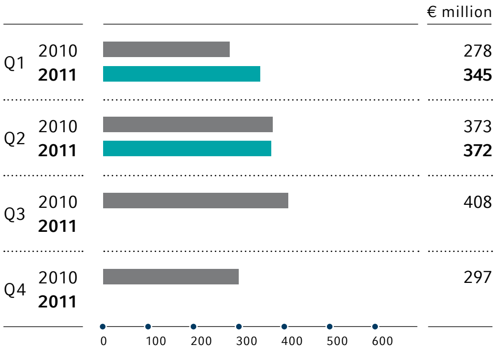
Sales of **Industrial Operations** grew by 20.6% (Fx & portfolio adj.) to €157 million. This was attributable in part to significant increases in volumes and selling prices in all regions.

MaterialScience
Quarterly EBIT [Graphic 14]



2010 figures restated

MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



2010 figures restated

EBIT of **MaterialScience** in the second quarter of 2011 was €236 million (+3.5%). Earnings were not affected by special charges in this period. **EBITDA** before special items came in level year on year at €372 million. Through higher selling prices, we more than offset the significant increase in raw material and energy costs driven by the economic situation. Earnings were diminished by higher costs, partly in connection with the commissioning of our TDI train in China, and by negative currency effects.

First-half sales of the **MaterialScience** subgroup rose by 13.0% (Fx & portfolio adj.) to €5,468 million. This pleasing growth was driven by the greatly improved price level in all business units and regions, as well as by the expansion of volumes in the Europe, Latin America/Africa/Middle East and North America regions. **EBIT** rose by a significant 20.8% to €441 million. **EBITDA** before special items climbed substantially to €717 million.

5.4 Performance by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011		
	€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy
HealthCare	**1,599**	**1,592**	**−0.4**	**−0.3**	**1,205**	**1,062**	**−11.9**	**−1.2**
Pharmaceuticals	1,033	991	−4.1	−4.1	617	519	−15.9	−5.9
Consumer Health	566	601	+6.2	+6.5	588	543	−7.7	+3.8
CropScience	**737**	**777**	**+5.4**	**+6.4**	**494**	**535**	**+8.3**	**+19.2**
MaterialScience	**1,000**	**1,169**	**+16.9**	**+17.0**	**575**	**537**	**−6.6**	**+5.2**
Group (incl. reconciliation)	**3,598**	**3,827**	**+6.4**	**+6.6**	**2,276**	**2,135**	**−6.2**	**+4.8**
	1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011		
HealthCare	**3,122**	**3,188**	**+2.1**	**+1.6**	**2,339**	**2,138**	**−8.6**	**−3.9**
Pharmaceuticals	2,014	1,987	−1.3	−1.8	1,304	1,083	−16.9	−13.0
Consumer Health	1,108	1,201	+8.4	+7.9	1,035	1,055	+1.9	+7.6
CropScience	**1,655**	**1,779**	**+7.5**	**+7.8**	**1,021**	**1,205**	**+18.0**	**+21.3**
MaterialScience	**1,878**	**2,289**	**+21.9**	**+21.9**	**1,011**	**1,048**	**+3.7**	**+9.7**
Group (incl. reconciliation)	**7,165**	**7,815**	**+9.1**	**+8.9**	**4,374**	**4,393**	**+0.4**	**+5.1**

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

[Table 10]

Asia/Pacific				Latin America/Africa/Middle East				Total			
2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011			2nd Quarter 2010	2nd Quarter 2011		
€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy	€ million	€ million	% yoy	Fx. adj. % yoy
845	**878**	**+3.9**	**+7.0**	**656**	**676**	**+3.0**	**+7.4**	**4,305**	**4,208**	**−2.3**	**+2.1**
686	716	+4.4	+7.3	412	440	+6.8	+10.0	2,748	2,666	−3.0	+0.5
159	162	+1.9	+5.4	244	236	−3.3	+3.1	1,557	1,542	−1.0	+4.9
343	**334**	**−2.6**	**+3.7**	**310**	**297**	**−4.2**	**+4.5**	**1,884**	**1,943**	**+3.1**	**+8.9**
773	**712**	**−7.9**	**−0.6**	**341**	**364**	**+6.7**	**+10.1**	**2,689**	**2,782**	**+3.5**	**+8.5**
1,982	**1,935**	**−2.4**	**+2.9**	**1,323**	**1,355**	**+2.4**	**+7.6**	**9,179**	**9,252**	**+0.8**	**+5.5**
1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011			1st Half 2010	1st Half 2011		
1,512	**1,728**	**+14.3**	**+11.6**	**1,201**	**1,320**	**+9.9**	**+9.6**	**8,174**	**8,374**	**+2.4**	**+3.1**
1,213	1,400	+15.4	+12.6	748	845	+13.0	+11.8	5,279	5,315	+0.7	+0.7
299	328	+9.7	+8.0	453	475	+4.9	+5.9	2,895	3,059	+5.7	+7.5
583	**603**	**+3.4**	**+4.7**	**577**	**613**	**+6.2**	**+10.0**	**3,836**	**4,200**	**+9.5**	**+11.3**
1,390	**1,424**	**+2.4**	**+4.5**	**626**	**707**	**+12.9**	**+12.3**	**4,905**	**5,468**	**+11.5**	**+13.2**
3,521	**3,785**	**+7.5**	**+7.4**	**2,435**	**2,674**	**+9.8**	**+10.4**	**17,495**	**18,667**	**+6.7**	**+7.9**

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments fell by 5.7% in the first half of 2011 to €1,351 million (H1 2010: €1,433 million), comprising €698 million (H1 2010: €832 million) in amortization and impairments of intangible assets and €653 million (H1 2010: €601 million) in depreciation and impairments of property, plant and equipment. Included here were impairments of €107 million (H1 2010: €143 million), of which €16 million (H1 2010: €11 million) did not constitute special items.

Special Items Reconciliation [Table 11]

	EBIT* 2nd Quarter 2010	EBIT* 2nd Quarter 2011	EBIT* 1st Half 2010	EBIT* 1st Half 2011	EBITDA** 2nd Quarter 2010	EBITDA** 2nd Quarter 2011	EBITDA** 1st Half 2010	EBITDA** 1st Half 2011
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
After special items	**1,011**	**1,273**	**2,115**	**2,421**	**1,800**	**1,906**	**3,548**	**3,772**
HealthCare	**189**	**51**	**218**	**88**	**57**	**51**	**86**	**88**
Impairments and write-downs	132	-	132	-	-	-	-	-
Restructuring	-	70	-	107	-	70	-	107
Litigations	57	-	86	-	57	-	86	-
Change to pension valuation parameters	-	(19)	-	(19)	-	(19)	-	(19)
CropScience	**66**	**81**	**114**	**486**	**66**	**66**	**114**	**395**
Restructuring	-	95	-	306	-	80	-	215
Litigations	66	-	114	194	66	-	114	194
Change to pension valuation parameters	-	(14)	-	(14)	-	(14)	-	(14)
MaterialScience	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reconciliation	**-**	**12**	**-**	**12**	**-**	**12**	**-**	**12**
Restructuring	-	14	-	14	-	14	-	14
Change to pension valuation parameters	-	(2)	-	(2)	-	(2)	-	(2)
Total special items	**255**	**144**	**332**	**586**	**123**	**129**	**200**	**495**
Before special items	**1,266**	**1,417**	**2,447**	**3,007**	**1,923**	**2,035**	**3,748**	**4,267**

2010 figures restated
* EBIT = operating result as per income statement
** EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the second quarter of 2011 amounted to €1.29 (Q2 2010: €1.16).

Core Earnings per Share [Table 12]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
EBIT as per income statements	**1,011**	**1,273**	**2,115**	**2,421**
Amortization and impairment losses on intangible assets	480	332	832	698
Impairment losses on property, plant and equipment	8	14	9	69
Special items (other than impairment losses)	123	129	200	495
Core EBIT	**1,622**	**1,748**	**3,156**	**3,683**
Non-operating result (as per income statements)	(261)	(171)	(505)	(384)
Income taxes (as per income statements)	(221)	(356)	(449)	(608)
Tax effects related to impairments and special items	(183)	(153)	(312)	(424)
Income after taxes attributable to non-controlling interest (as per income statements)	1	1	-	2
Core net income	**958**	**1,069**	**1,890**	**2,269**
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.16**	**1.29**	**2.29**	**2.74**

2010 figures restated

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 13]

	2nd Quarter 2010	2nd Quarter 2011	1st Half 2010	1st Half 2011
	€ million	€ million	€ million	€ million
Gross cash flow*	1,292	1,532	2,470	2,841
Changes in working capital/other non-cash items	253	(2)	(193)	(510)
Net cash provided by (used in) operating activities (net cash flow)	1,545	1,530	2,277	2,331
Net cash provided by (used in) investing activities	(427)	(965)	(739)	(1,540)
Net cash provided by (used in) financing activities	(1,613)	(1,443)	(1,729)	(1,759)
Change in cash and cash equivalents due to business activities	(495)	(878)	(191)	(968)
Cash and cash equivalents at beginning of period	3,041	2,686	2,725	2,840
Change due to exchange rate movements and to changes in scope of consolidation	5	(11)	17	(75)
Cash and cash equivalents at end of period	2,551	1,797	2,551	1,797

2010 figures restated

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

OPERATING CASH FLOW

Gross cash flow in the **second quarter of 2011** was up by 18.6% from the prior-year period to €1,532 million, largely because of the improvement in operating result. While CropScience significantly raised gross cash flow, it remained nearly level at MaterialScience and HealthCare. Cash tied up in working capital remained unchanged in the second quarter of 2011, compared to a decrease of about €250 million in the same period of the previous year. Net cash flow of the Bayer Group thus came in at the prior-year level, at €1,530 million, and reflected income tax payments of €296 million (Q2 2010: €319 million).

Gross cash flow in the **first half of 2011** rose by 15.0% to €2,841 million, due mainly to the higher operating result. Net cash flow climbed by 2.4% to €2,331 million. This figure contains income tax payments of €520 million (H1 2010: €493 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the **second quarter of 2011** was €965 million. Cash outflows for property, plant and equipment and intangible assets were 18.4% lower at €298 million (Q2 2010: €365 million). Of this figure, HealthCare accounted for €101 million (Q2 2010: €129 million), CropScience for €52 million (Q2 2010: €69 million) and MaterialScience for €117 million (Q2 2010: €141 million). Included here are disbursements related to the expansion of our polymers production facilities in Shanghai, China. Outflows for acquisitions of €43 million (Q2 2010: €1 million) related mainly to the purchase of the seed company Hornbeck, United States. Cash outflows for noncurrent and current financial assets amounted to €677 million (Q2 2010: €109 million). Among the cash inflow items in the second quarter of 2011 was €14 million (Q2 2010: €12 million) in interest and dividends received.

Net cash outflow for investing activities in the **first half of 2011** totaled €1,540 million. Cash outflows for additions to property, plant and equipment and intangible assets declined 9.9% to €536 million (H1 2010: €595 million). Of this figure, HealthCare accounted for €170 million (H1 2010: €198 million), CropScience for €99 million (H1 2010: €107 million) and MaterialScience for €218 million (H1 2010: €247 million). The €148 million (H1 2010: €17 million) in outflows for acquisitions related mainly to the purchase of the animal health company Bomac, New Zealand, and Hornbeck, United States. Cash outflows for noncurrent and current financial assets amounted to €1,001 million (H1 2010: €226 million). Among the cash inflow items in the first six months of 2011 were €52 million (H1 2010: €41 million) in inflows from divestitures and €28 million (H1 2010: €33 million) in interest and dividends received.

FINANCING CASH FLOW

Net cash outflow for financing activities in the **second quarter of 2011** amounted to €1,443 million. It included net loan repayments of €21 million (Q2 2010: €250 million). Net interest payments were 12.2% lower at €180 million (Q2 2010: €205 million). There was a €1,241 million outflow for "dividend payments and withholding tax on dividends" (Q2 2010: €1,158 million).

Net cash outflow for financing activities in the **first half of 2011** amounted to €1,759 million. This figure included net loan repayments of €235 million (H1 2010: €280 million). Net interest payments were 3.1% lower at €281 million (H1 2010: €290 million). There was a €1,241 million outflow for "dividend payments and withholding tax on dividends" (H1 2010: €1,158 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 14]

	Dec. 31, 2010	March 31, 2011	June 30, 2011
	€ million	€ million	€ million
Bonds and notes/promissory notes	8,209	7,860	7,681
of which hybrid bond	1,303	1,271	1,293
Liabilities to banks	2,271	2,185	2,395
Liabilities under finance leases	562	529	521
Liabilities from derivatives	529	393	343
Other financial liabilities	196	189	179
Positive fair values of hedges of recorded transactions	(331)	(436)	(373)
Financial debt	**11,436**	**10,720**	**10,746**
Cash and cash equivalents	(2,840)	(2,686)	(1,797)
Current financial assets	(679)	(932)	(1,551)
Net financial debt	**7,917**	**7,102**	**7,398**

Net financial debt of the Bayer Group increased by 4.2% to €7.4 billion as of June 30, 2011. High cash inflows from operating activities partly offset the outflows for the dividend payment, variable compensation to our employees and interest payments. Financial debt included the €1.3 billion subordinated hybrid bond issued in July 2005. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific debt indicators. Our noncurrent financial liabilities declined in the second quarter of 2011 from €9.9 billion to €7.3 billion. At the same time, current financial liabilities increased from €1.9 billion to €3.9 billion. This was chiefly due to the reclassification of the bond issued by Bayer AG in 2002 with a nominal value of €2 billion, which will mature in April 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 PENSION LIABILITY

Net Pension Liability [Table 15]

	Dec. 31, 2010	March 31, 2011	June 30, 2011
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,305	6,705	6,813
Benefit plan assets in excess of obligation	(76)	(74)	(94)
Net pension liability	**7,229**	**6,631**	**6,719**

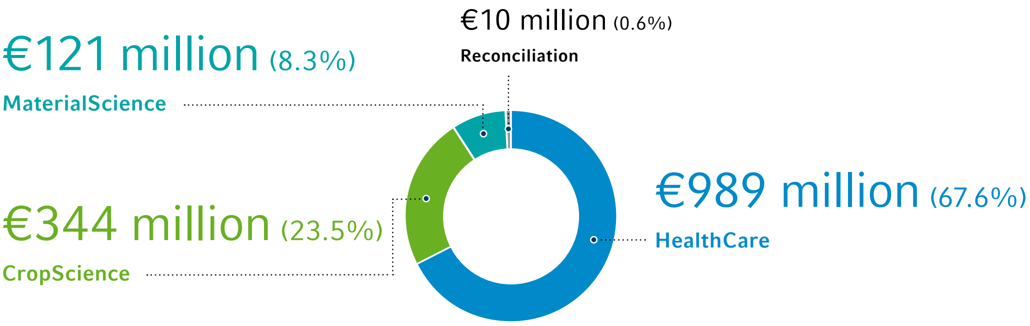
The net pension liability edged forward from €6.6 billion to €6.7 billion in the second quarter of 2011, due especially to lower long-term capital market interest rates.

9. Growth and Innovation

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

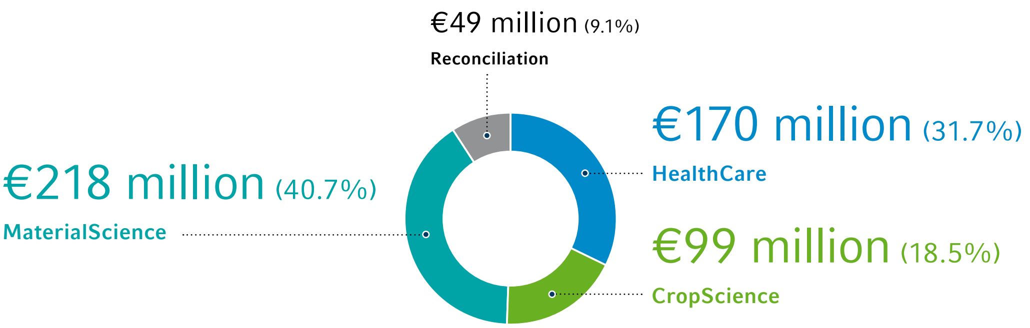
We spent €1,464 million on research and development in the first half of 2011, including €727 million in the second quarter. Capital expenditures for property, plant and equipment and intangible assets totaled €536 million in the first half of 2011, including €298 million in the second quarter.

Investments* in Research and Development by Subgroup
1st Half 2011 (subgroups' shares in parentheses) [Graphic 16]



* as per income statement

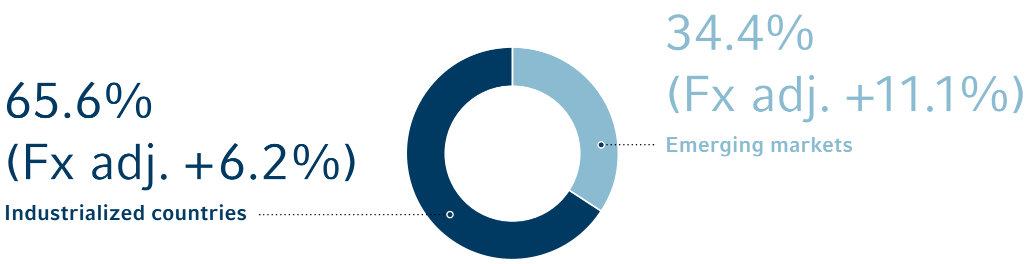
Capital Expenditures by Subgroup
1st Half 2011 (subgroups' shares in parentheses) [Graphic 17]



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

Our sales in these emerging markets advanced by 11.1% (Fx adj.) in the first half of 2011 to €6,415 million, of which the second quarter accounted for €3,297 million (Fx adj. +6.9%). Growth in the second quarter was strongest in Eastern Europe and Asia.

Proportions of Sales in the Industrialized Countries and the Emerging Markets
1st Half 2011 (Fx adj. in parentheses) [Graphic 18]



Fx adj. = currency-adjusted

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first half of 2011 we invested €989 million in research and development at HealthCare, including €481 million in the second quarter. We have made further progress with our research and development pipeline during the year. (The following description does not include ongoing activities already described in the Annual Report 2010.)

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

Products in Registration [Table 16]

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

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

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

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

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

	Indication	Status
Xarelto™	Treatment and secondary prevention of venous thromboembolism	Phase III
Xarelto™	Secondary prevention of acute coronary syndrome/ myocardial infarction	Phase III
Vaginorm™	Vulvovaginal atrophy and female sexual dysfunction (FSD)	Phase III
VEGF Trap-Eye	Diabetic macular edema	Phase III
VEGF Trap-Eye	Abnormal retinal angiogenesis following pathological myopia	Phase III
VEGF Trap-Eye	Central retinal vein occlusion	Phase III
Alpharadin™	Treatment of bone metastases in breast cancer	Phase II
Amikacin Inhale	Pulmonary infection	Phase II
BAY 60-4552/Vardenafil	Erectile dysfunction	Phase II
Ciprofloxacin Inhale	Pulmonary infection	Phase II
Mapracorat (ZK 245186, SEGRA)	Atopic dermatitis	Phase II
MEK inhibitor	Cancer	Phase II
MR antagonist (BAY94-8862)	Chronic heart failure	Phase II
Nexavar™	Colon cancer, combination therapy	Phase II
Nexavar™	Ovarian cancer	Phase II
Nexavar™	Additional indications	Phase II
Regorafenib	Cancer	Phase II
Riociguat (sGC stimulator)	Pulmonary hypertension	Phase II

*as of July 18, 2011
PET = Positron emission tomography; CTEPH = chronic thromboembolic pulmonary hypertension; PAH = pulmonary arterial hypertension
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite FDA, European Medicines Agency (EMA) or other regulatory approval will not be granted for these compounds.

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

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

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

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

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

In addition, in June 2011 we filed with the European Medicines Agency (EMA) and the Japanese health ministry for registration of VEGF Trap-Eye to treat wet age-related macular degeneration (AMD).

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

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

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

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

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

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

In May 2011, we launched Advanced Aspirin™, an especially fast-acting new formulation of our analgesic, in the United States.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

EMERGING MARKETS

In the emerging markets, HealthCare increased sales by 11.8% (Fx adj.) in the first half of 2011 to €2,619 million, including €1,334 million (Fx adj. +8.5%) in the second quarter. The strongest growth was recorded in China. In line with our growth strategy, we raised sales there by 24.4% (Fx adj.) through increased marketing activities, especially the expansion of our distribution network. Business also increased considerably in Russia following a weak prior-year quarter. The emerging markets' share of total HealthCare sales in the first half and the second quarter of 2011 was 31.3% and 31.7%, respectively.

9.2 CropScience

RESEARCH AND DEVELOPMENT

In the first half of 2011 we invested €344 million in research and development at CropScience, including €178 million in the second quarter.

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

In addition, we expect to launch 18 new products of our BioScience business group in the period 2010 through 2016.

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

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

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

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

EMERGING MARKETS

In the emerging markets, CropScience grew sales by 11.5% (Fx adj.) in the first half of 2011 to €1,459 million, including second-quarter sales of €778 million (Fx adj. +7.4%). We registered the strongest growth in Eastern Europe, especially Russia and Ukraine. This was attributable to favorable weather conditions that mainly benefited product sales for sugar beet and corn. Our business also continued to expand in Latin America, particularly in Brazil and Argentina. Sales growth in Asia was driven by India, while business declined in China due to the drought. The emerging markets' share of total CropScience sales in the first half and the second quarter of 2011 was 34.7% and 40.0%, respectively.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €121 million on research and development (not including joint development activities with customers) in the first half of 2011, including €62 million in the second quarter. This investment went mainly to explore new areas of application and improve process technologies and products.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

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

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

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

EMERGING MARKETS

In the emerging markets, MaterialScience improved sales by 10.5% (Fx adj.) in the first half of 2011 to €2,277 million, including €1,158 million (Fx adj. +5.6%) in the second quarter. We registered the strongest growth in Eastern Europe, especially Poland, the Czech Republic and Russia. Business in the Latin America/Africa/Middle East region also developed well, with substantial sales growth in Turkey and Mexico. Growth rates varied within the Asia/Pacific region. In China sales fell slightly compared to the strong prior-year period. However, business in the other Asian countries continued to trend positively, with the strongest sales growth recorded in Thailand and India. The emerging markets' share of MaterialScience sales in both the first half and the second quarter of 2011 was 41.6%.

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

10. Employees

On June 30, 2011, the Bayer Group employed 113,400 people worldwide, compared with 111,400 six months earlier. The number of employees thus showed a small increase of 1.8%.

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

Personnel expenses rose by 8.7% in the second quarter of 2011 to €2,206 million (Q2 2010: €2,029 million). This increase was largely attributable to higher provisions for restructuring and provisions for variable employee compensation.

11. Opportunities and Risks

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

A risk management system is in place. Apart from financial risks, there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2010 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 51 f. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2010 on pages 122 – 131 and 241 – 247. The Bayer Annual Report 2010 can be downloaded free of charge at www.bayer.com.

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

12. Events After the Reporting Period

YASMIN™, YASMINELLE™ AND YAZ™

In July 2011, a board of appeal of the European Patent Office revoked a formulation patent for Yasmin™, Yasminelle™ and YAZ™. Hexal Pharmaforschung GmbH filed an opposition to Bayer's patent in 2004, but this was rejected by an opposition division of the European Patent Office in 2006. Hexal appealed this decision. Bayer will await and examine the authority's written statement explaining the grounds for its decision before deciding on further legal steps. Bayer is confident that it can maintain its leading position in the field of women's healthcare in Europe despite this decision by the board of appeal, although the company assumes the revocation of the patent could have negative effects on the sales and earnings of HealthCare.

PROCEEDINGS INVOLVING GENETICALLY MODIFIED RICE (LL RICE)

Without acknowledging liability, Bayer in July 2011 reached settlement agreements with two groups of attorneys representing U.S. long-grain rice growers in the litigation concerning genetically modified rice (LL RICE). Under these agreements, Bayer will pay in total up to US$750 million to resolve claims submitted by growers. Bayer has established appropriate provisions for these payments. The settlements are contingent on the participation of a sufficient number of growers to represent 85% of U.S. long-grain rice acreage during the pertinent time frame. Bayer believes the future outflows will affect the company's financial position. Further details are explained in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 51 f. under "Legal Risks."