

Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2009

Bayer Group Consolidated Statements of Financial Position

	Sept. 30, 2008	Sept. 30, 2009	Dec. 31, 2008
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	8,646	8,505	8,647
Other intangible assets	14,234	12,920	13,951
Property, plant and equipment	9,200	9,249	9,492
Investments in associates	475	402	450
Other financial assets	1,049	1,326	1,197
Other receivables	1,190	572	458
Deferred taxes	295	1,526	1,156
	35,089	34,500	35,351
Current assets			
Inventories	6,696	6,301	6,681
Trade accounts receivable	6,586	6,355	5,953
Other financial assets	327	431	634
Other receivables	1,325	1,284	1,284
Claims for income tax refunds	362	257	506
Cash and cash equivalents	2,281	2,595	2,094
Assets held for sale and discontinued operations	0	0	8
	17,577	17,223	17,160
Total assets	52,666	51,723	52,511
Equity			
Capital stock of Bayer AG	1,957	2,117	1,957
Capital reserves of Bayer AG	4,028	6,167	4,028
Other reserves	12,245	9,918	10,278
	18,230	18,202	16,263
Equity attributable to non-controlling interest	80	50	77
	18,310	18,252	16,340
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	4,442	7,101	6,347
Other provisions	1,503	1,469	1,351
Financial liabilities	9,661	11,725	10,614
Other liabilities	392	451	432
Deferred taxes	3,638	3,530	3,592
	19,636	24,276	22,336
Current liabilities			
Other provisions	3,717	3,480	3,163
Financial liabilities	6,033	2,105	6,256
Trade accounts payable	2,266	2,133	2,377
Income tax liabilities	242	63	65
Other liabilities	2,449	1,414	1,961
Liabilities directly related to assets held for sale and discontinued operations	13	0	13
	14,720	9,195	13,835
Total equity and liabilities	52,666	51,723	52,511

2008 figures restated

Bayer Group Consolidated Income Statements

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales	7,948	7,392	24,995	23,296
Cost of goods sold	(4,076)	(3,579)	(12,435)	(11,159)
Gross profit	3,872	3,813	12,560	12,137
Selling expenses	(2,017)	(1,880)	(5,953)	(5,873)
Research and development expenses	(662)	(692)	(1,943)	(2,012)
General administration expenses	(417)	(404)	(1,275)	(1,210)
Other operating income	214	172	1,064	718
Other operating expenses	(306)	(363)	(1,321)	(1,120)
Operating result [EBIT]	684	646	3,132	2,640
Equity-method loss	(11)	(10)	(34)	(36)
Non-operating income	87	158	376	636
Non-operating expenses	(352)	(410)	(1,155)	(1,488)
Non-operating result	(276)	(262)	(813)	(888)
Income before income taxes	408	384	2,319	1,752
Income taxes	(133)	(135)	(701)	(549)
Income from continuing operations after taxes	275	249	1,618	1,203
Income from discontinued operations after taxes	3	0	3	0
Income after taxes	278	249	1,621	1,203
of which attributable to non-controlling interest	1	0	8	(3)
of which attributable to Bayer AG stockholders (net income)	277	249	1,613	1,206
	€	€	€	€
Earnings per share				
From continuing operations				
Basic*	0.37	0.30	2.06	1.52
Diluted*	0.37	0.30	2.06	1.52
From discontinued operations				
Basic*	0.00	0.00	0.00	0.00
Diluted*	0.00	0.00	0.00	0.00
From continuing and discontinued operations				
Basic*	0.37	0.30	2.06	1.52
Diluted*	0.37	0.30	2.06	1.52

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

Bayer Group Consolidated Statements of Comprehensive Income

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income after taxes	278	249	1,621	1,203
<i>of which attributable to non-controlling interest</i>	1	0	8	(3)
<i>of which attributable to Bayer AG stockholders</i>	277	249	1,613	1,206
Changes in fair values of derivatives designated as cash flow hedges	(240)	60	(54)	116
Recognized in profit or loss	(19)	(1)	(68)	38
Income taxes	83	(20)	37	(54)
Changes recognized outside profit or loss (cash flow hedges)	(176)	39	(85)	100
Changes in fair values of available-for-sale financial assets	(9)	5	(26)	12
Recognized in profit or loss	0	0	0	0
Income taxes	3	(1)	9	(2)
Changes recognized outside profit or loss (available-for-sale financial assets)	(6)	4	(17)	10
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	630	(602)	1,575	(1,008)
Income taxes	(201)	195	(484)	317
Changes recognized outside profit or loss (actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the limitation on pension plan assets)	429	(407)	1,091	(691)
Exchange differences on translation of operations outside the euro zone	387	(139)	(44)	76
Recognized in profit or loss	0	0	0	0
Changes recognized outside profit or loss (exchange differences)	387	(139)	(44)	76
Changes in revaluation surplus (IFRS 3)	0	0	6	0
Effects of changes in liabilities from non-controlling interests in partnerships on other comprehensive income	(14)	6	(43)	11
Changes due to changes in the scope of consolidation	2	1	2	0
Other comprehensive income (changes recognized outside profit or loss)	622	(496)	910	(494)
<i>of which attributable to non-controlling interest</i>	1	2	(5)	2
<i>of which attributable to Bayer AG stockholders</i>	621	(498)	915	(496)
Total comprehensive income	900	(247)	2,531	709
<i>of which attributable to non-controlling interest</i>	2	2	3	(1)
<i>of which attributable to Bayer AG stockholders</i>	898	(249)	2,528	710

Bayer Group Consolidated Statements of Changes in Equity

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves incl. OCI*	Equity attributable to Bayer AG stockholders	Equity attributable to non-control- ling interest incl. OCI*	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2007	1,957	4,028	10,749	16,734	87	16,821
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,032)	(1,032)	(10)	(1,042)
Other changes						
Total comprehensive income			2,528	2,528	3	2,531
Sept. 30, 2008	1,957	4,028	12,245	18,230	80	18,310
Dec. 31, 2008	1,957	4,028	10,278	16,263	77	16,340
Equity transactions with owners						
Capital increase/decrease	160	2,139		2,299		2,299
Dividend payments			(1,070)	(1,070)	(4)	(1,074)
Other changes					(22)	(22)
Total comprehensive income			710	710	(1)	709
Sept. 30, 2009	2,117	6,167	9,918	18,202	50	18,252

*OCI = other comprehensive income

Bayer Group Consolidated Statements of Cash Flows

	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income from continuing operations after taxes	275	249	1,618	1,203
Income taxes	133	135	701	549
Non-operating result	276	262	813	888
Income taxes paid or accrued	(197)	(131)	(913)	(696)
Depreciation and amortization	650	680	2,031	2,056
Change in pension provisions	(5)	(24)	(185)	(238)
(Gains) losses on retirements of noncurrent assets	(12)	1	(78)	(133)
Non-cash effects of the remeasurement of acquired assets (inventory work-down)	51	0	157	0
Gross cash flow	1,171	1,172	4,144	3,629
Decrease (increase) in inventories	(299)	(48)	(563)	327
Decrease (increase) in trade accounts receivable	377	427	(697)	(371)
(Decrease) increase in trade accounts payable	(78)	132	(143)	(259)
Changes in other working capital, other non-cash items	63	(166)	(90)	283
Net cash provided by (used in) operating activities (net cash flow), continuing operations	1,234	1,517	2,651	3,609
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	1,234	1,517	2,651	3,609
Cash outflows for additions to property, plant, equipment and intangible assets	(492)	(420)	(1,127)	(1,080)
Cash inflows from sales of property, plant, equipment and other assets	41	24	148	47
Cash inflows from (outflows for) divestitures	(3)	6	(52)	57
Cash inflows from (outflows for) noncurrent financial assets	25	32	73	116
Cash outflows for acquisitions less acquired cash	(367)	(6)	(919)	(48)
Interest and dividends received	126	120	424	435
Cash inflows from (outflows for) current financial assets	3	6	1	(1)
Net cash provided by (used in) investing activities (total)	(667)	(238)	(1,452)	(474)
Capital contributions	0	0	0	0
Dividend payments and withholding tax on dividends	(2)	0	(1,042)	(973)
Issuances of debt	103	97	1,102	2,649
Retirements of debt	(166)	(346)	(465)	(3,224)
Interest paid	(267)	(259)	(1,023)	(1,078)
Net cash provided by (used in) financing activities (total)	(332)	(508)	(1,428)	(2,626)
Change in cash and cash equivalents due to business activities (total)	235	771	(229)	509
Cash and cash equivalents at beginning of period	2,058	1,834	2,531	2,094
Change in cash and cash equivalents due to changes in scope of consolidation	0	0	2	3
Change in cash and cash equivalents due to exchange rate movements	(12)	(10)	(23)	(11)
Cash and cash equivalents at end of period	2,281	2,595	2,281	2,595

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2009

Key Data by Segment

Segments	HealthCare			
	Pharmaceuticals		Consumer Health	
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external)	2,474	2,548	1,328	1,388
Change	+2.4%	+3.0%	+5.1%	+4.5%
Currency-adjusted change	+6.1%	+2.0%	+10.2%	+5.4%
Intersegment sales	29	29	2	6
Operating result [EBIT]	290	368	253	313
Gross cash flow*	554	599	245	277
Net cash flow*	447	668	232	311
Depreciation, amortization and write-downs	303	291	59	65

2008 figures restated

* for definition see chapter "Liquidity and Capital Resources," page 25

Segments	HealthCare			
	Pharmaceuticals		Consumer Health	
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales (external)	7,357	7,769	3,910	4,055
Change	+2.3%	+5.6%	+2.5%	+3.7%
Currency-adjusted change	+7.2%	+2.9%	+8.9%	+2.6%
Intersegment sales	70	76	5	14
Operating result [EBIT]	936	1,462	683	715
Gross cash flow*	1,493	1,707	649	674
Net cash flow*	950	1,608	460	666
Depreciation, amortization and write-downs	974	885	169	194
Number of employees (as of Sept. 30)**	36,000	36,700	16,900	17,100

2008 figures restated

* for definition see chapter "Liquidity and Capital Resources," page 25

** number of employees in full-time equivalents

	CropScience				MaterialScience		Reconciliation				Continuing Operations	
	Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation			
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009		
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
	1,067	973	181	167	2,549	2,038	348	276	1	2	7,948	7,392
	+8.3%	-8.8%	+5.2%	-7.7%	-2.9%	-20.0%	+6.1%	-20.7%			+2.0%	-7.0%
	+14.7%	-8.6%	+11.0%	-6.3%	+0.4%	-21.7%	+6.8%	-22.1%			+6.0%	-7.6%
	5	8	1	2	10	15	501	408	(548)	(468)		
	46	(28)	(10)	(31)	133	85	5	(13)	(33)	(48)	684	646
	151	58	16	(9)	197	180	17	92	(9)	(25)	1,171	1,172
	208	289	65	82	139	129	129	127	14	(89)	1,234	1,517
	111	120	20	17	116	142	28	31	13	14	650	680

	CropScience				MaterialScience		Reconciliation				Continuing Operations	
	Crop Protection		Environmental Science, BioScience		MaterialScience		All Other Segments		Corporate Center and Consolidation			
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009		
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	
	4,215	4,247	815	865	7,683	5,504	1,008	848	7	8	24,995	23,296
	+14.5%	+0.8%	-1.1%	+6.1%	-2.2%	-28.4%	+4.1%	-15.9%			+2.7%	-6.8%
	+20.8%	+0.9%	+4.3%	+5.1%	+2.4%	-31.2%	+5.0%	-16.0%			+7.8%	-8.7%
	37	28	7	10	30	40	1,358	1,212	(1,507)	(1,380)		
	813	755	114	99	658	(280)	64	30	(136)	(141)	3,132	2,640
	892	823	141	113	785	194	231	186	(47)	(68)	4,144	3,629
	572	287	120	134	561	543	144	126	(156)	245	2,651	3,609
	335	335	61	49	363	461	85	91	44	41	2,031	2,056
	14,900	15,200	3,300	3,400	15,200	14,300	21,700	21,500	600	600	108,600	108,800

Key Data by Region

Regions	Europe		North America	
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,443	2,965	1,866	1,691
Change	+2.0%	-13.9%	-1.2%	-9.4%
Currency-adjusted change	+2.3%	-12.1%	+8.0%	-13.0%
Net sales (external) – by point of origin	3,769	3,260	1,855	1,682
Change	+2.7%	-13.5%	-2.6%	-9.3%
Currency-adjusted change	+3.2%	-11.9%	+6.6%	-13.0%
Interregional sales	1,440	1,510	530	638
Operating result [EBIT]	331	346	237	100

Regions	Europe		North America	
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Net sales (external) – by market	11,348	9,821	5,979	5,914
Change	+3.9%	-13.5%	-4.4%	-1.1%
Currency-adjusted change	+4.5%	-11.2%	+6.8%	-9.3%
Net sales (external) – by point of origin	12,292	10,677	5,987	5,865
Change	+4.2%	-13.1%	-4.7%	-2.0%
Currency-adjusted change	+4.8%	-11.0%	+6.6%	-10.4%
Interregional sales	4,095	4,907	1,393	1,740
Operating result [EBIT]	1,907	1,721	848	606
Number of employees (as of Sept. 30) *	55,800	54,700	17,000	16,400

* number of employees in full-time equivalents

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Continuing Operations	
	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009	3rd Quarter 2008	3rd Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,349	1,464	1,290	1,272			7,948	7,392
	+1.5%	+8.5%	+7.7%	-1.4%			+2.0%	-7.0%
	+7.1%	+1.7%	+12.1%	+2.2%			+6.0%	-7.6%
	1,287	1,412	1,037	1,038			7,948	7,392
	+1.2%	+9.7%	+9.5%	+0.1%			+2.0%	-7.0%
	+7.8%	+2.6%	+13.6%	+4.6%			+6.0%	-7.6%
	56	63	50	68	(2,076)	(2,279)		
	10	147	140	101	(34)	(48)	684	646

	Asia/Pacific		Latin America/Africa/ Middle East		Reconciliation		Continuing Operations	
	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	4,015	4,146	3,653	3,415			24,995	23,296
	+4.6%	+3.3%	+9.7%	-6.5%			+2.7%	-6.8%
	+11.5%	-5.2%	+16.1%	-3.5%			+7.8%	-8.7%
	3,904	3,993	2,812	2,761			24,995	23,296
	+6.2%	+2.3%	+8.4%	-1.8%			+2.7%	-6.8%
	+12.3%	-6.4%	+17.8%	+2.3%			+7.8%	-8.7%
	151	189	106	209	(5,745)	(7,045)		
	181	246	333	208	(137)	(141)	3,132	2,640
	20,700	21,500	15,100	16,200			108,600	108,800

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 315a of the German Commercial Code, the consolidated interim financial statements as of September 30, 2009 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2008 fiscal year, particularly with regard to the main recognition and valuation principles. Income taxes comprise the taxes levied on taxable income in the individual countries and the changes in deferred tax assets and liabilities. The income taxes paid or accrued are recognized in the reporting period based on the best estimate of the weighted average annual income tax rate expected for the full year. This tax rate is applied to the pre-tax income reported in the interim financial statements. 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:

1 € /		Closing rate			Average rate	
		Dec. 31, 2008	Sept. 30, 2008	Sept. 30, 2009	First Nine Months 2008	First Nine Months 2009
ARS	Argentina	4.80	4.46	5.63	4.73	5.06
BRL	Brazil	3.25	2.80	2.62	2.56	2.84
CAD	Canada	1.70	1.50	1.57	1.55	1.59
CHF	Switzerland	1.49	1.58	1.51	1.61	1.51
CNY	China	9.50	9.80	10.00	10.63	9.33
GBP	U.K.	0.95	0.79	0.91	0.78	0.89
JPY	Japan	126.14	150.47	131.07	160.97	129.51
MXN	Mexico	19.23	15.71	19.75	16.00	18.62
USD	United States	1.39	1.43	1.46	1.52	1.37

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

	Dec. 31, 2008	June 30, 2009	Sept. 30, 2009
Germany	6.0	5.9	5.3
U.K.	6.4	6.2	5.5
United States	6.2	6.2	5.5

SEGMENT REPORTING

The accounting standard IFRS 8 (Operating Segments) was applied for the first time as of the beginning of 2009. In addition, the following changes were implemented compared with the Consolidated Financial Statements for 2008:

- The integration of the thermoplastic polyurethanes businesses into the Polyurethanes and the Coatings, Adhesives, Specialties business units completes an important phase in the reorganization of the MaterialScience portfolio. It has led to an adjustment in the segment presentation for that subgroup. The previously separate Materials and Systems segments have been combined to form a single MaterialScience segment in light of their similar long-term economic performance and the comparability of their products, production processes, customer industries, distribution channels and regulatory environment.
- We have transferred our dermatology business (Intendis) and the medical equipment business Medrad from the Pharmaceuticals to the Consumer Health segment and restated the prior-year figures accordingly.
- Business activities that cannot be allocated to any other segment are reported under "All other segments." These include primarily the services of Bayer Business Services (BBS), Bayer Technology Services (BTS) and Currenta.
- The Bayer holding company and the elimination of intersegment sales are presented in our segment reporting as "Corporate Center and Consolidation."

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

Segment Result Reconciliation	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Operating result of reporting segments	717	694	3,268	2,781
Operating result of Corporate Center	(33)	(48)	(136)	(141)
Operating result [EBIT]	684	646	3,132	2,640
Non-operating result	(276)	(262)	(813)	(888)
Income before income taxes	408	384	2,319	1,752

CHANGES IN THE BAYER GROUP**CHANGES IN THE SCOPE OF CONSOLIDATION**

As of September 30, 2009, the Bayer Group comprised 304 consolidated companies (December 31, 2008: 316 companies), of which four were joint ventures included by proportionate consolidation according to IAS 31 (Interests in Joint Ventures). In addition, five associated companies were included in the consolidated financial statements by the equity method according to IAS 28 (Investments in Associates).

ACQUISITIONS AND DIVESTITURES

At the end of May 2009, we implemented the strategic alliance with Genzyme Corp., United States. In accordance with the agreement terms, we transferred the products Campath®/ MabCampath®, Fludara® and Leukine® from our hematological oncology portfolio to Genzyme. We are continuing our established co-development partnership with Genzyme for the active substance alemtuzumab for an indication in multiple sclerosis. In May 2009 we acquired the remaining 49% interest in Berlimed, S.A. Spain, from Juste S.A. Química Farmacéutica (Juste), and in return sold our 51% share of Justesa Imagen, S.A., Spain, to Juste. In addition, the Thermoplastics Testing Center, Krefeld, Germany, was sold to Underwriters Laboratories Inc., United States, in May 2009.

The expenses for acquisitions totaling €48 million in the first three quarters of 2009 were mainly related to the purchase of the remaining interests in Berlimed, Spain (49%) and Bayer Polymers Shanghai, China (10%). The expenses for acquisitions totaling €919 million in the first three quarters of 2008 were related primarily to the purchase of Possis Medical, Inc., the OTC business of Sagmel Inc., the OTC cough and cold business of Topsun Science and Technology Qidong Gaitianli Pharmaceutical Co., Ltd., and Direvo Biotech AG.

The assets and liabilities divested in the first three quarters of 2009 are listed in the following table:

Divested assets and liabilities	First Nine Months 2009
	€ million
Property, plant and equipment	(6)
Other noncurrent assets	(1)
Inventories	(9)
Other current assets	(12)
Assets held for sale	(297)
Provisions for pensions and other post-employment benefits	1
Other provisions	5
Other liabilities	11
Divested assets and liabilities	(308)
Non-controlling interest	6
Net assets	(302)
Divestiture costs	(8)
Net cash inflow from divestitures	57
Future cash payments receivable	395
Net gain from divestitures	142
Deferred net gain	(8)
Net gain from divestitures (before taxes)	134

On October 1, 2009, we acquired two dermatology product lines from the U.S. company SkinMedica, Inc., Carlsbad, California, for US\$ 63 million (approximately €43 million). These prescription medications, Desonate® and NeoBenz® Micro, are marketed in the United States. The purchase price covers primarily the production rights and brands of the two product lines.

INFORMATION ON EARNINGS PER SHARE

Calculation of Earnings per Share	3rd Quarter 2008	3rd Quarter 2009	First Nine Months 2008	First Nine Months 2009
	€ million	€ million	€ million	€ million
Income after taxes	278	249	1,621	1,203
of which attributable to non-controlling interest	1	0	8	(3)
of which attributable to Bayer AG stockholders (net income)	277	249	1,613	1,206
Income from discontinued operations after taxes	3	0	3	0
Financing expenses for the mandatory convertible bond, net of tax effects	28	0	84	47
Adjusted net income from continuing operations	302	249	1,694	1,253
Adjusted net income from continuing and discontinued operations	305	249	1,697	1,253
	Shares	Shares	Shares	Shares
Weighted average number of issued ordinary shares	764,341,920	826,947,808	764,341,920	792,321,971
(Potential) shares (to be) issued upon conversion of the mandatory convertible bond	60,040,823	0	59,843,529	33,366,875
Adjusted weighted average total number of issued (and potential) ordinary shares	824,382,743	826,947,808	824,185,449	825,688,846
	€	€	€	€
Basic earnings per share				
from continuing operations	0.37	0.30	2.06	1.52
from discontinued operations	0.00	0.00	0.00	0.00
from continuing and discontinued operations	0.37	0.30	2.06	1.52
Diluted earnings per share				
from continuing operations	0.37	0.30	2.06	1.52
from discontinued operations	0.00	0.00	0.00	0.00
from continuing and discontinued operations	0.37	0.30	2.06	1.52

The ordinary shares that resulted from conversion of the mandatory convertible bond on June 1, 2009, were treated as already issued shares since the issuance of the bond. Diluted earnings per share are therefore equal to basic earnings per share.

LEGAL RISKS

Information on the Bayer Group's legal risks is provided in the Bayer Annual Report 2008 on pages 231–237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com. The following significant changes have occurred in respect of the legal risks since publication of the Bayer Annual Report 2008:

Magnevist®: As of October 15, 2009, Bayer has been served in a total of about 350 lawsuits in the U.S. involving the gadolinium-based contrast agent Magnevist®. Without admission of liability, Bayer has reached agreements in principle with a substantial number of plaintiffs in the U.S. to settle their claims. Bayer will continue to consider the option of settling individual lawsuits on a case-by-case basis. Bayer has taken accounting measures and is insured against product liability risks to the extent customary in the industry.

Trasylol®: As of October 15, 2009, the number of lawsuits filed in the United States against Bayer on behalf of plaintiffs alleging personal injuries from the use of Trasylol® was about 780. Trasylol® (aprotinin) is a drug for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. Based on the information currently available, Bayer has taken accounting measures for anticipated defense costs. Bayer is insured against product liability risks to the extent customary in the industry.

Cipro®: 39 putative class action lawsuits and one individual lawsuit against Bayer involving Cipro®, a medication used in the treatment of infectious diseases, have been pending in the United States since 2000. The plaintiffs are suing Bayer and other companies also named as defendants, alleging that a settlement reached in 1997 to end patent litigation between Bayer and Barr Laboratories, Inc. violated antitrust regulations. In 2005 a federal district court in New York dismissed all lawsuits pending in federal courts. In 2008, the Court of Appeals for the Federal Circuit in Washington D.C. affirmed this dismissal with regard to the lawsuits brought by indirect purchaser plaintiffs. In June 2009, the U.S. Supreme Court denied certiorari. As a result there are no further avenues of appeal in these federal indirect purchasers' cases. Another appeal remains pending in federal appellate court in New York concerning the lawsuits filed by direct purchasers of Cipro®. Several lawsuits in state courts by indirect purchasers also remain pending.

Yasmin®: In April 2005, Bayer filed suit against Barr Pharmaceuticals, Inc. and Barr Laboratories, Inc. in U.S. federal court alleging patent infringement by Barr for the intended generic version of Bayer's Yasmin® oral contraceptive product in the United States. In June 2005, Barr filed its counterclaim seeking to invalidate Bayer's patent. In March 2008, the U.S. federal court invalidated Bayer's '531 patent for Yasmin®. In August 2009, the U.S. Court of Appeals for the Federal Circuit in a two-to-one opinion affirmed this decision. One judge filed a dissent. Bayer disagrees with the panel majority and has filed a petition for rehearing based upon the dissenting judge's opinion.

Yasmin®/YAZ®: As of October 15, 2009, there were about 150 lawsuits pending in the United States served upon Bayer on behalf of persons alleging personal injuries, some of them fatal, from the use of Bayer's Yasmin® and/or YAZ® oral contraceptive products. Plaintiffs seek compensatory and punitive damages, claiming, in particular, that Bayer knew or should have known of these risks and should be held liable for having failed to disclose them or adequately warn users of Yasmin® and YAZ®. Bayer has also been served with two putative consumer class actions claiming in particular economic loss. Additional lawsuits are anticipated. All cases pending in federal courts have been consolidated in a multidistrict litigation (MDL) proceeding for common pre-trial management. Bayer believes that it has meritorious defenses and intends to defend itself vigorously. Bayer is insured against product liability risks to the extent customary in the industry.

Levitra®: In July 2009, Bayer filed a patent infringement suit in U.S. federal court against Teva Pharmaceuticals USA, Inc. and Teva Pharmaceutical Industries, Ltd. In May 2009, Bayer had received notice of an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") pursuant to which Teva seeks approval to market a generic version of Levitra®, Bayer's therapy for the treatment of erectile dysfunction, prior to patent expiration in the United States. Bayer intends to pursue its rights vigorously.

Regorafenib: In May 2009, Onyx Pharmaceuticals, Inc. filed a complaint in the U.S. District Court for Northern California alleging that the compound regorafenib, which is under development by Bayer in cancer indications, is a compound to which Onyx has rights under a collaboration agreement which was originally concluded in 1994. Under this agreement, the parties jointly developed Nexavar®, a drug product to treat kidney and liver cancer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

HIV/HCV: Bayer and its three co-defendants have entered into an agreement with two U.S. law firms representing the vast majority of plaintiffs in the U.S. federal multidistrict factor concentrates litigation. The agreement is subject to conditions that must be satisfied before the settlement can be completed, including broad acceptance of, and overall participation in, the settlement by the group of plaintiffs represented by these firms. While the aim of the agreement is to bring decades of litigation to an end, Bayer will continue to vigorously defend any claims that are not included in the resolution process.

RELATED PARTIES

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

OTHER INFORMATION

In September the Supervisory Board of Bayer AG decided on the company's future leadership. Werner Wenning (63), Chairman of the Board of Management of Bayer AG since 2002, has extended his contract of service – originally scheduled to run until January 2010 – by eight months through September 30, 2010. At its meeting on September 15, 2009, the Supervisory Board of Bayer AG appointed Netherlands-born Dr. Marijn E. Dekkers (52) to succeed Wenning as Chairman of the Board of Management effective October 1, 2010. Dekkers will join the Bayer AG Board of Management on January 1, 2010, and will also serve for a transitional period as CEO of the Bayer HealthCare subgroup. Arthur J. Higgins (53), who was appointed Chairman of the Bayer HealthCare Executive Committee on July 1, 2004, and has served as Chairman of the Board of Management of Bayer HealthCare AG since January 1, 2006, will leave the company during the first half of 2010 for personal reasons.

Following the Annual Stockholders' Meeting on April 30, 2010, Chief Financial Officer Klaus Kühn will take retirement at the age of 58 at his own request. The Supervisory Board has appointed Werner Baumann (47), currently a member of the Board of Management of Bayer HealthCare AG and of this subgroup's Executive Committee, to succeed him. Baumann will also join the Bayer AG Board of Management effective January 1, 2010.

Leverkusen, October 23, 2009
Bayer Aktiengesellschaft

The Board of Management

Werner Wenning

Klaus Kühn

Dr. Wolfgang Plischke

Dr. Richard Pott