

## Q1 2009 Analyst and Investor Briefing

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- **Sales** declined by 7.5% to €7,895m (Q1'08: €8,536m); Volume -9.4%, price -0.3%, currency +1.9%, portfolio +0.3%. Portfolio and Fx adj. sales dropped by 9.7%.
- **Reported EBITDA** at €1,661m, down by 19.2% (Q1'08: €2,055m).
- **Underlying EBITDA** decreased by 22.4% to €1,695m (Q1'08: €2,185m).
- **Reported EBIT** fell by 27.6% to €973m (Q1'08: €1,343m).
- **Net Special Items** of -€44m include: *Health Care*: -€18m (Schering integration). *Crop Science*: -€8m (restructuring). *Material Science*: -€18m (restructuring).
- **Underlying EBIT** decreased by 32.1% to €1,017m (Q1'08: €1,497m).
- **Non-operating result** at -€334m (Q1'08: -€275m) containing net interest expense (€179m, Q1'08: €189m), interest expense for pension and other provisions (€102m; Q1'08: €72m) and a €26m net exchange loss (Q1'08: -€7m).
- **Income taxes** at -€215m (Q1'08: -€306m). The effective tax rate increased to 33.6% (Q1'08 28.7%) due to lower pre-tax income from low-tax rate countries. Income taxes paid: -€332m (Q1'08: -€364m).
- **Net income** at €425m down by 44.2% (Q1'08: €762m). **EPS** amounted to €0.55 (Q1'08: €0.96).
- **Core EPS** dropped to €0.91 (Q1'08: €1.44).
- **Gross cash flow** down 26.8% to €1,209m (Q1'08: €1,651m). **Delta Working Capital** at -€516m (Q1'08: €1,123m). **Net cash flow** up by 31.3% to €693m (Q1'08: 528m). **Investments** at €290m (Q1'08: €288m). **Operating free cash flow (total)** at €403m (Q1'08: €240m).
- **Net financial debt** (total) down by €185m to €13,967m compared to December 31,

2008. Net debt includes the mandatory convertible bond of €2.3bn, being due in June 2009.

- **Net pension liabilities** down by €208m compared to December 31, 2008 to €5,788m, mainly due to higher interest rates.
- **BRIC countries** contributed sales of €0.8bn (Fx adj. -13.8%), thereof *HealthCare* +10.6%, *CropScience* -5.1% and *Material-Science* -35.9%.

### 2009 Bayer Group forecast

For *HealthCare* and *CropScience* we continue to expect a positive trend in 2009, with growth in sales and underlying EBITDA.

**HealthCare** plans to achieve Fx-adjusted growth rates ahead of the market average in all divisions. We aim to further improve the underlying EBITDA margin toward 28%.

**CropScience** plans to continue expanding sales in a generally favorable market environment. We aim to maintain the underlying EBITDA margin at the high level of about 25%.

The drop in sales and earnings at **MaterialScience** in the first quarter of 2009 turned out to be even steeper than we had expected. However, sales stabilized at a low level in the first three months. The downturn thus seems to be bottoming out, and first signs of a modest recovery in demand are appearing. We expect this subgroup to improve sales and earnings in the second quarter of this year compared with the first quarter and are targeting positive underlying EBITDA for the full year. Against this background, we believe our aim of limiting the decline in Group underlying EBITDA to 5% to be increasingly demanding, though still achievable if there is a tangible recovery in the *MaterialScience* business.



However, we no longer consider it possible to match the prior-year figure, still less to improve upon it.

#### Further assumptions:

Group sales: approx. €32bn

Special items: -€250m from restructuring

CapEx: approx. €1.4bn for PPE

D&A: approx. €2.8bn, thereof €1.3bn depreciation of fixed assets (PPE)

R&D: approx. €2.9bn

Net Debt: towards €10bn in 2009, helped by the conversion of the mandatory convertible bond into equity upon maturation in June 2009 and an improvement in net cash flow (portfolio changes not included).

#### Q1'09 HealthCare

**Pharmaceuticals** sales climbed by 4.8% to €2,587m (Fx & portfolio adj. +2.5%). *General Medicine*: Adalat (€156m, +4.0%, Fx adj. -3.1%). Avelox down at €129m (-9.8%, Fx adj. -14.0%). Cipro at €80m (-1.2%; Fx adj. -4.1%), benefited from US government contract (\$16m). Levitra up 1.2% (Fx adj. -3.2%) to €83m. *Specialty Medicine*: Betaferon advanced by 9.9% (Fx adj. +7.4%) to €301m, mainly driven by price. Kogenate up by 6.9% to €249m (Fx adj. +3.2%). Nexavar rose by 35.6% to €137m (Fx adj. +28.6%), driven mainly by primary liver cancer indication and ex-US markets. *Women's HealthCare*: Sales of Yaz family (including Yasmin and Yasminelle) rose by 7.4% (Fx adj. +4.6%) to €319m, driven by Yaz performance in the US and EU and Yasminelle ex-US. Mirena advanced by 11.6% to €125m (Fx adj. +6.9%), mainly due to favorable US business. *Diagnostic Imaging*: Gadovist rose by 36.8% to €26m (Fx adj. +44.9%), replacing Magnevist, which fell by 6.7% to €56m (Fx adj. -14.9%). Ultravist down 8.8% (€62m, Fx adj. -6.2%).

**Underlying EBITDA** rose 8.8% to €827m (Q1'08: €760m), due to generally positive business trend, lower manufacturing costs and Schering synergies, partly diminished by

higher marketing costs and R&D expenses. **Underlying EBIT** up 21.9% to €523m.

**Consumer Health** sales at €1,256m (-0.5%; Fx & portfolio adj. -4.1%). Our Consumer Health businesses suffered from the difficult economic environment, inventory reductions by customers and switch to private label products particularly in North America, where sales receded by 10.9% (Fx adj.). In Europe and Asia Pacific Consumer Health recorded Fx adjusted growth of 3.2% and 9.6% respectively. *Consumer Care* (€704m, -1.5%, Fx & portfolio adj. -3.7%). Aspirin OTC (€96m, -15.8%; Fx adj. -16.2%), Aleve (€43m, -10.4%, Fx adj. -17.9%) and Supradyn (€31m, -11.4%; Fx adj. -9.9%). Canesten (€43m, -8.5%, Fx adj. -3.1%). One-A-Day vitamin slightly up by 3.3% to €31m (Fx adj. -6.1%). Bepanthen once again grew sales and came to €48m (+4.3%; Fx adj. +8.3%), mainly due to strong business trend in France. Sales in our dermatology business (Intendis) improved to €64m (Fx adj. +5.1%). *Medical Care* (€324m, +3.8%, Fx & portfolio adj. -5.0%), with Medrad contributing €107m (+26.4%; Fx & portfolio adj. -0.2%), due to inclusion of Possis Medical. Contour down by 3.1% (Fx adj. -4.6%) to €124m. Breeze fell by 11.8% to €30 (Fx adj. -16.5%). *Animal Health* (€228m, -3.0%; Fx adj. -3.9%): Advantage family at €78m (+1.3%; Fx adj. -3.1%), mainly due to destocking activities of our distributors. Baytril fell by 7.9% to €35m (Fx adj. -11.7%).

**Underlying EBITDA** down by 19.3% to €234m, mainly due to higher marketing expenses (expansion in emerging markets) and adverse effects of Fx in cost of goods sold. **Underlying EBIT** decreased by 27.4% to €170m.

#### Q1'09 CropScience

Sales of CropScience rose by 7.2% to 2,120m (Fx adj. +7.4%), on higher prices (+4%) and volumes (+3%). New products increased sales by 13.7% to €699m (Fx adj. +14.0%).



**Crop Protection** sales expanded by 6.9% to €1,734m (Fx adj. +7.0%). Sales in **Europe** up by 3.5% to €911m (Fx adj. +7.8%), driven by fungicides and seed treatment in Western Europe. Demand in Eastern European countries was restrained by the economic downturn and associated credit restrictions. Sales in **North America** were up 27.7% to €378m (Fx adj. 19.1%), due to favorable corn and cereal herbicides and fungicides business. Seed treatment was affected by intense competition. **Asia/Pacific** increased by 11.9% to €207m (Fx adj. +9.4%), due to increased herbicides and fungicides business. Sales in **Latin America / Africa / Middle East** dropped by 8.8% to €238m (Fx adj. -11.0%). Drought in Argentina, Paraguay and the South of Brazil caused lower insecticides and fungicides sales, being partly compensated by herbicides and seed treatment business. **Underlying EBITDA** up by 0.7% to €611m due to higher selling prices and volumes, but increased expenses for marketing and production activities lead to margin decline. **Underlying EBIT** up by 2.6% to €506m.

**Environmental Science/BioScience** sales increased by 8.4% (Fx adj. +9.0%) to €386m. **Environmental Science** flat at €164m (-0.6%; Fx adj. -3.3%). Especially the consumer products business in EU suffered from the long winter, whereas the US sales slightly increased. Sales of **BioScience** unit advanced by 16.2% to €222m (Fx adj. +19.7%), mainly driven by favorable canola seed business InVigor.

**Underlying EBITDA** rose by 18.9% to €126m, caused by expansion of business at BioScience and higher prices in both segments. **Underlying EBIT** increased by 30.6% to €111m.

#### Q1'09 MaterialScience

**MaterialScience** sales slumped by 34.9% to €1,636m (Fx & portfolio adj. -38.4%), due to significantly lower demand from all major customer industries with volumes down by

33% and prices down by 5%. Polyurethanes (PUR) dropped by 35.3% to €844m (Fx & portfolio adj. -39.3%), due to lower volumes and prices in all product groups. Polycarbonates (PCS) fell by 38.7% to 374m (Fx adj. -41.7%), driven by lower volumes in all regions. Prices declined for PCS granules but slightly raised for PCS sheet. Coatings, Adhesives, Specialties declined by 37.3% to €276m (Fx & portfolio adj. -40.8%). Although prices remained constant overall, volumes fell steeply in all regions.

**Underlying EBITDA** severely dropped by €523m to -€116m, due to lower volumes and prices, accompanied by substantially lower capacity utilization. The drop in earnings was tempered by savings from the restructuring program initiated in 2007. The relative easing of the situation on the raw material markets important to MaterialScience had only a slight beneficial effect on earnings compared with the prior-year quarter, since the bulk of our sales in Q1'2009 was of products manufactured with higher-priced raw materials. **Underlying EBIT** down by €544m to -€263m.

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Best-Selling Pharmaceutical Products	1st Quarter 2008	1st Quarter 2009	Change %	Currency- adjusted change %
	€ million	€ million		
YAZ <sup>®</sup> /Yasmin <sup>®</sup> /Yasminelle <sup>®</sup> (Women's Healthcare)	297	319	+7,4	+4,6
of which in USA	142	147	+3,5	-9,1
Betaferon <sup>®</sup> /Betaseron <sup>®</sup> (Specialty Medicine)	274	301	+9,9	+7,4
of which in USA	84	109	+29,8	+11,9
Kogenate <sup>®</sup> (Specialty Medicine)	233	249	+6,9	+3,2
of which in USA	60	75	+25,0	+9,1
Adalat <sup>®</sup> (General Medicine)	150	156	+4,0	-3,1
of which in USA	1	1	+0,0	+71,7
Nexavar <sup>®</sup> (Specialty Medicine)	101	137	+35,6	+28,6
of which in USA	34	37	+8,8	-4,4
Avalox <sup>®</sup> /Avelox <sup>®</sup> (General Medicine)	143	129	-9,8	-14,0
of which in USA	44	38	-13,6	-24,3
Mirena <sup>®</sup> (Women's Healthcare)	112	125	+11,6	+6,9
of which in USA	61	73	+19,7	+5,2
Levitra <sup>®</sup> (General Medicine)	82	83	+1,2	-3,2
of which in USA	34	38	+11,8	-1,8
Glucobay <sup>®</sup> (General Medicine)	80	82	+2,5	-8,1
of which in USA	6	1	-83,3	-84,1
Cipro <sup>®</sup> /Ciprobay <sup>®</sup> (General Medicine)	81	80	-1,2	-4,1
of which in USA	7	17	+142,9	+103,3
Aspirin Cardio <sup>®</sup> (General Medicine)	64	73	+14,1	+9,8
of which in USA	0	0	+0,0	+0,0
Ultravist <sup>®</sup> (Diagnostic Imaging)	68	62	-8,8	-6,2
of which in USA	4	3	-25,0	-32,9
Magnevist <sup>®</sup> (Diagnostic Imaging)	60	56	-6,7	-14,9
of which in USA	25	28	+12,0	-2,8
Iopamiron <sup>®</sup> (Diagnostic Imaging)	43	46	+7,0	-13,1
of which in USA	0	0	+0,0	+0,0
Kinzal <sup>®</sup> /Pritor <sup>®</sup> (General Medicine)	34	37	+8,8	+9,2
of which in USA	0	0	+0,0	+0,0
<b>Total</b>	<b>1.822</b>	<b>1.935</b>	<b>+6,2</b>	<b>+1,7</b>
Proportion of Pharmaceuticals sales	74%	75%		

Bayer: Key Figures for Q1 2009

in € million	HealthCare		HealthCare Pharma		CH		CropSc.		CropScience CP		ES/BS		MaterialScience		Reconc.		Group	
	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09	Q1'08	Q1'09
Sales	3,731	3,843	2,469	2,587	1,262	1,256	1,978	2,120	1,622	1,734	356	386	2,512	1,636	315	296	8,536	7,895
Sales by region:																		
Europe	1,626	1,572	1,088	1,035	538	537	1,022	1,041	880	911	142	130	1,135	681	289	269	4,072	3,563
North America	1,045	1,104	645	703	400	401	456	576	296	378	160	198	521	374	4	3	2,026	2,057
Asia / Pacific	526	635	415	510	111	125	211	239	185	207	26	32	529	372	10	10	1,276	1,256
LatAm/Africa/Middle East	534	532	321	339	213	193	289	264	261	238	28	26	327	209	12	14	1,162	1,019
EBITDA	970	1,043	681	809	289	234	663	733	564	607	99	126	407	-128	15	13	2,055	1,661
Special items	-80	-18	-79	-18	-1	0	-50	-4	-43	-4	-7	0	0	-12	0	0	-130	-34
EBITDA underlying	1,050	1,061	760	827	290	234	713	737	607	611	106	126	407	-116	15	13	2,185	1,695
EBITDA margin underlying	28.1%	27.6%	30.8%	32.0%	23.0%	18.6%	36.0%	34.8%	37.4%	35.2%	29.8%	32.6%	16.2%	-7.1%	4.8%	4.4%	25.6%	21.5%
EBIT	563	675	330	505	233	170	524	609	446	500	78	109	281	-281	-25	-30	1,343	973
Special items	-100	-18	-99	-18	-1	0	-54	-8	-47	-6	-7	-2	0	-18	0	0	-154	-44
EBIT underlying	663	693	429	523	234	170	578	617	493	506	85	111	281	-263	-25	-30	1,497	1,017
EBIT margin underlying	17.8%	18.0%	17.4%	20.2%	18.5%	13.5%	29.2%	29.1%	30.4%	29.2%	23.9%	28.8%	11.2%	-16.1%	-7.9%	-10.1%	17.5%	12.9%
Gross cash flow	737	745	518	565	219	180	489	550	416	458	73	92	310	-60	115	-26	1,651	1,209
Net cash flow	577	699	397	512	180	187	-312	-421	-266	-359	-46	-62	146	207	117	208	528	693
Non-operating result																	-275	-334
Net income																	762	425
Earnings per share (€)																	0.96	0.55
Core earnings per share (€)																	1.44	0.91
CapEX (total)																	288	290
R&D																	633	657
D&A and Write-downs	407	368	351	304	56	64	139	124	118	107	21	17	126	153	40	43	712	688
Employees at end of period	52,000	53,700	36,400	36,700	15,600	17,000	17,900	18,400	14,700	15,100	3,200	3,300	15,000	14,800	21,100	21,800	106,000	108,700



## 2008 HealthCare & Material Science sales in new reporting structure



€million	Q1'08	Q2'08	Q3'08	Q4'08	FY'08
<b>Pharmaceuticals</b>	<b>2,469</b>	<b>2,414</b>	<b>2,474</b>	<b>2,672</b>	<b>10,029</b>
General Medicine	798	761	766	883	3,208
Specialty Medicine	762	715	777	795	3,049
Women's Healthcare	696	723	709	745	2,873
Diagnostic Imaging	213	215	222	249	899
<b>MaterialScience</b>	<b>2,512</b>	<b>2,622</b>	<b>2,549</b>	<b>2,055</b>	<b>9,738</b>
Polyurethanes	1,305	1,398	1,314	1,052	5,069
Polycarbonates	610	625	638	499	2,372
Coatings, Adhesives, Specialites	440	447	428	333	1,648
Industrial Operations	157	152	169	171	649