

Q1 2010 Analyst and Investor Briefing

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- **Sales** increase by 5.3% to €8,316m (Q1'09: €7,895m); volume 6.9%, price -0.7%, currency -0.3%, portfolio -0.6%. Portfolio and Fx adj. sales increased by 6.2%.
- **Reported EBITDA** at €1,841m, up by 10.8% (Q1'09: €1,661m).
- **Underlying EBITDA** increased by 13.2% to €1,918m (Q1'09: €1,695m) driven by BMS.
- **Reported EBIT** increased by 23.0% to €1,197m (Q1'09: €973m).
- **Net Special Items** of -€77m were all related to litigations and include: *HealthCare*: -€29m, *CropScience*: -€48m.
- **Underlying EBIT** increased by 25.3% to €1,274m (Q1'09: €1,017m).
- **Non-operating result** at -€244m (Q1'09: -€334m) including net interest expense of €117m, (Q1'09: €179m), interest expense for pension and other provisions of €90m (Q1'09: €102m), a net exchange loss of €9m (Q1'09: €26m).
- **Income taxes** at -€259m (Q1'09: -€215m). Income taxes paid and accrued: -€419m (Q1'09: -€332m).
- **Net income** at €693m up by 63.1% (Q1'09: €425m). **EPS** at €0.84 (Q1'09: €0.55).
- **Core EPS** at €1.20 (Q1'09: €0.91).
- **Gross cash flow** up at €1,271m (Q1'09: €1,209m). **Delta Working Capital** at -€539m (Q1'09: -€516m). **Net cash flow** up by 5.6% to €732m (Q1'09: €693m). Cash outflows for **CapEx** at €230m (Q1'09: €290m). **Operating free cash flow** at €502m (Q1'09: €403m).
- **Net financial debt** down by €4,305m to €9,662m compared to March 31, 2009 and down by €29m compared to December 31, 2009. Negative currency impact of €0.3bn.
- **Net pension liabilities** up by €1,158m to €6,946m compared to March 31, 2009 and up by €529m compared to December 31, 2009 mainly due to lower long-term interest rates.

Bayer Group forecast

We remain optimistic for 2010. The decline in business momentum at HealthCare and CropScience is being offset by the recovery at MaterialScience, which is progressing faster than expected. Since, in addition, currency parities have so far trended more favorably than anticipated, we are raising our earnings forecast for the Bayer Group. We continue to target currency- and portfolio-adjusted sales growth of more than 5%. We now aim to increase EBITDA before special items to more than €7 billion (previously: toward €7 billion). Core earnings per share are expected to improve by more than 15% (previously: about 10%).

HealthCare

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

CropScience

Following the delayed start to the season due to weather conditions, business at CropScience has now gained momentum. Despite this, we now anticipate lower sales growth in view of the weak market development in the first quarter. We confirm our goal of achieving slightly above-market growth in 2010. We now expect to post a



currency- and portfolio-adjusted sales increase of between 2% and 3% (previously: approximately 4%) and EBITDA before special items level with the previous year (previously: a small increase).

MaterialScience

We anticipate a continuing recovery in the markets relevant to our MaterialScience business. In light of this we are targeting a sales increase in the region of 20% (previously: more than 10%) on a currency- and portfolio-adjusted basis in 2010. We plan to more than double (previously: considerably increase) EBITDA before special items.

The sales and earnings forecast for the period through 2012 is given in chapter 11.4 of the Bayer Annual Report 2009.

Further assumptions for 2010:

US-Dollar/Euro exchange rate: 1.35 (previously 1.40)
 CapEx: approx. €1.4bn for PPE
 D&A: approx. €2.6bn, including €1.3bn amortization of intangibles
 R&D: approx. €2.9bn
 Non-operating result: magnitude of -€0.9bn
 Income tax-rate: 28 - 30%

Q1'10 HealthCare

Pharmaceuticals sales down 2.2% at €2,531m (Fx & portfolio adj. +0.6%). *General Medicine*: Avelox up 4.7% (€135m, Fx adj. +8.0%) benefiting from increased sales in the US. Levitra up 3.6% (Fx adj. +5.1%) to €86m. Adalat €146m (-6.4%, Fx adj. -5.5%), Glucobay €79m (-3.7%, Fx adj. -1.7%) and Cipro €75m (-6.3%, Fx adj. -4.7%) down due to generic competition. Aspirin Cardio unchanged at €73m (Fx adj. +0.9%). *Specialty Medicine*: Betaferon down by 6.0% to €283m (Fx adj. -5.0%) driven by increased competition in Russia and Germany. Kogenate down by 2.0% to €244m (Fx adj. -0.4%) caused by lower sales to CSL.

Nexavar rose by 13.1% to €155m (Fx adj. +16.0%), driven mainly by use in primary liver cancer. *Women's HealthCare*: Sales of YAZ-family (including Yasmin and Yasminelle) down by 10.0% (Fx adj. -10.2%) to €287m driven by lower US business. Mirena at €143m (+14.4%; Fx adj. +16.5%) caused by higher US sales ahead of announced price increase. *Diagnostic Imaging*: Gadovist rose by 15.4% to €30m (Fx adj. +10.2%), replacing Magnevist ex-US, which dropped by 8.9% to €51m (Fx adj. -7.0%). Ultravist up 9.7% (€68m, Fx adj. +6.1%), due to performance in Latin America and Europe.

Underlying EBITDA decreased by 3.6% to €797m (Q1'09: €827m), due to higher R&D expenditure and divestitures in 2009. **Underlying EBIT** up 0.6% to €526m (Q1'09: €523m).

Consumer Health sales increase by 6.5% to €1,338m (Fx & portfolio adj. +6.8%). *Consumer Care* (€744m, +5.7%, Fx & portfolio adj. +5.6%). Aspirin OTC €90m (-6.3%; Fx adj. -5.3%) suffering from weak flu season. Aleve (€59m, +37.2%, Fx adj. +40.9%) and One-A-Day (€36m, +16.1%; Fx adj. +22.4%) benefiting from strong business in North America. Canesten €44m (+2.3%, Fx adj. +1.3%). Bepanthen up by 14.6% to €55m (Fx adj. +12.0%). Supradyn €31m (0.0%, Fx adj. +2.9%). *Medical Care* (€335m, +3.4%, Fx adj. +4.9%). Contour up by 5.6% (Fx adj. +4.6%) to €131m supported by new product launches in Europe. Breeze constant at €30m (Fx adj. +0.7%). *Animal Health* (€259m, +13.6%; Fx adj. +12.9%). Advantage family increased by 14.1% to €89m (Fx adj. +14.6%) driven by additional distribution channel in the U.S. Baytril up by 8.6% to €38m (Fx adj. +9.6%).

Underlying EBITDA up by 20.5% to €282m (Q1'09: €234m) and **underlying EBIT** up by 28.8% to €219m (Q1'09: €170m) mainly due to favorable business development.

Q1'10 CropScience

Sales of CropScience down by 7.9% to 1,952m (Fx & portfolio adj. -10.0%) caused by lower volumes (-9.9%). Prices virtually unchanged (-0.1%).

Crop Protection sales decreased by 14.9% to €1,476m (Fx adj. -16.4%). Sales in **Europe** down 14.5% to €779m (Fx adj. -15.9%) suffering from the late start of the season due to the long winter. Sales in **North America** decreased by 29.4% to €267m (Fx adj. -30.3%) due to adverse weather, high channel inventories and new pricing model for our Liberty and Ignite herbicides. **Asia/Pacific** down 1.9% to €203m (Fx adj. -6.3%) due to unfavorable weather conditions and high inventories. Sales in **Latin America/Africa/Middle East** decreased by 4.6% to €227m (Fx adj. -5.0%), mainly due to decreasing business in Brazil.

Underlying EBITDA declined by 37.8% to €380m (Q1'09: €611m) mainly due to declining business, product mix variations, higher R&D expenditure and lower capacity utilization.

Underlying EBIT down by 45.5% to €276m (Q1'09: 506m€).

Environmental Science, BioScience sales increased by 23.3% (Fx & portfolio adj. +18.6%) to €476m. **Environmental Science** increased by 3.7% to €170m (Fx adj. 3.9%) driven by the consumer business. Sales of **BioScience** went up by 37.8% to €306m (Fx & portfolio adj. +29.4%) mainly due to favorable market environment, early start of season and higher prices for canola seed in Canada.

Underlying EBITDA up by 42.1% to €179m (Q1'09: €126m). **Underlying EBIT** up by €49m to €160m (Q1'09: €111m).

Q1'10 MaterialScience

MaterialScience sales up by 35.5% to €2,216m (Fx adj. +37.9%). Higher volumes (+41.2%) compensated marginally lower prices (-3.3%). Significantly higher demand from all customer industries, compared to a very weak previous year. Strongest recovery in the automotive sector. APAC continues to be the growth engine. **Polyurethanes (PUR)** increased by 31.0% y-o-y to €1,106m (Fx adj. +33.4%). Very strong y-o-y volume increases of major products, average PUR prices flat. Sequentially, mainly volume growth vs. Q4, average PUR prices unchanged. **Polycarbonates** increased y-o-y by 53.7% to €575m (Fx adj. +56.9%). Strong volume growth y-o-y in all regions. Prices increased nicely both y-o-y and sequentially. **Coatings, Adhesives, Specialties** increased y-o-y by 49.6% to €413m (Fx adj. +52.6%).

Underlying EBITDA up by €403m to €287m (Q1'09: -€116m). Lower selling prices were offset by significantly higher volumes and lower raw material and energy prices. **Underlying EBIT** up by €409m to €146m (Q1'09: -€263m).

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Forward-looking statements

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Best Selling Pharmaceutical Products

	1st Quarter 2009	1st Quarter 2010	Change	Currency- adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	319	287	-10.0	-10.2
of which in USA	147	98	-33.3	-29.0
Betaferon®/Betaseron® (Specialty Medicine)	301	283	-6.0	-5.0
of which in USA	109	111	1.8	8.2
Kogenate® (Specialty Medicine)	249	244	-2.0	-0.4
of which in USA	75	82	9.3	16.0
Nexavar® (Specialty Medicine)	137	155	13.1	16.0
of which in USA	37	39	5.4	10.7
Adalat® (General Medicine)	156	146	-6.4	-5.5
of which in USA	1	2	•	39.1
Mirena® (Women's Healthcare)	125	143	14.4	16.5
of which in USA	73	87	19.2	26.4
Avalox®/Avelox® (General Medicine)	129	135	4.7	8.0
of which in USA	38	54	42.1	51.3
Levitra® (General Medicine)	83	86	3.6	5.1
of which in USA	38	39	2.6	8.6
Glucobay® (General Medicine)	82	79	-3.7	-1.7
of which in USA	1	0	•	•
Cipro®/Ciprobay® (General Medicine)	80	75	-6.3	-4.7
of which in USA	17	24	41.2	48.5
Aspirin Cardio® (General Medicine)	73	73	0.0	0.9
of which in USA	0	0	•	•
Ultravist® (Diagnostic Imaging)	62	68	9.7	6.1
of which in USA	3	3	0.0	7.8
Magnevist® (Diagnostic Imaging)	56	51	-8.9	-7.0
of which in USA	28	27	-3.6	3.4
Kinzal®/Pritor® (General Medicine)	37	42	13.5	12.6
of which in USA	0	0	•	•
Iopamiron® (Diagnostic Imaging)	46	39	-15.2	-14.5
of which in USA	0	0	•	•
Total	1,935	1,906	-1.5	-0.3
Proportion of Pharmaceuticals Sales	75%	75%		

Bayer: Key Figures for Q1 2010		HealthCare				CropScience				MaterialScience		Reconciliation		Group			
		Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Crop Protection		Environmental Science, BioScience		Subgroup Total			
Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10	Q1'09	Q1'10
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
3,843	3,869	2,587	2,531	1,256	1,338	2,120	1,952	1,734	1,476	386	476	1,636	2,216	296	279	7,895	8,316
Changes in sales:																	
Volume	-0.1%	2.2%				3.4%	-9.8%					-33.5%	41.2%			-9.4%	6.9%
Price	0.4%	0.4%				4.0%	-0.1%					-4.9%	-3.3%			-0.3%	-0.7%
Currency	2.4%	-0.6%				-0.2%	2.0%					3.0%	-2.4%			1.9%	-0.3%
Portfolio	0.3%	-1.3%				0.0%	0.1%					0.5%	0.0%			0.3%	-0.6%
Sales by region:																	
Europe	1,572	1,523	1,035	981	537	542	1,041	918	779	130	139	681	878	269	248	3,563	3,567
North America	1,104	1,134	703	687	401	447	576	527	267	198	260	374	436	3	1	2,057	2,098
Asia / Pacific	635	667	510	527	125	140	239	240	203	32	37	207	372	10	15	1,256	1,539
LatAm/Africa/Middle East	532	545	339	336	193	209	264	267	227	26	40	209	285	14	15	1,019	1,112
EBITDA	1,043	1,050	809	768	234	282	733	511	380	126	131	-128	287	13	-7	1,661	1,841
Special items	-18	-29	-18	-29	0	0	-4	-48	-4	0	-48	-12	0	0	0	-34	-77
EBITDA underlying	1,061	1,079	827	797	234	282	737	559	380	126	179	-116	287	13	-7	1,695	1,918
EBITDA margin underlying	27.6%	27.9%	32.0%	31.5%	18.6%	21.1%	34.8%	28.6%	25.7%	32.6%	37.6%	-7.1%	13.0%	4.4%	-2.5%	21.5%	23.1%
EBIT	675	716	505	497	170	219	609	388	276	109	112	-281	146	-30	-53	973	1,197
Special items	-18	-29	-18	-29	0	0	-8	-48	-6	-2	-48	-18	0	0	0	-44	-77
EBIT underlying	693	745	523	526	170	219	617	436	276	111	160	-263	146	-30	-53	1,017	1,274
EBIT margin underlying	18.0%	19.3%	20.2%	20.8%	13.5%	16.4%	29.1%	22.3%	18.7%	28.8%	33.6%	-16.1%	6.6%	-10.1%	-19.0%	12.9%	15.3%
Gross cash flow	745	719	565	512	180	207	550	363	266	92	97	-60	229	-26	-40	1,209	1,271
Net cash flow	699	742	512	592	187	150	-421	-265	-258	-62	-7	207	16	208	239	693	732
Non-operating result																	
Net income																	
Earnings per share (€)																	
Core earnings per share (€)																	
CapEx (total)																	
R&D	368	334	304	271	64	63	124	123	104	17	19	153	141	43	46	657	717
D&A and Write-downs	53,700	53,200	36,700	36,100	17,000	17,100	18,400	18,700	15,200	3,300	3,500	14,800	14,200	21,800	21,700	108,700	107,800
Employees at end of period																	