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## Q1 2011 Analyst and Investor Briefing

April 28, 2011

- Successful start to 2011
- All subgroups lift sales and earnings
- Group sales at €9,415 million, up 13.2%
- Price +2.7%, volume +7.7%, currency +2.7%, portfolio +0.1%
- Reported EBIT at €1,148 million (+4.0%)
- EBITDA before special items up 22.3% at €2,232 million
- Special items of minus €442 million related to restructuring charges at CropScience (€211 million) and HealthCare (€37 million) as well as LL Rice-litigation at CropScience (minus €194 million)
- Net income at €684 million (+8.4%)
- Group outlook for 2011 raised: Currency and portfolio adjusted sales growth of between 5% and 7%, EBITDA before special items of more than €7.5 billion, core EPS up by about 15%

### Group Key Figures

<i>Euro million</i>	Q1 2010	Q1 2011	% y-o-y	Consensus**
Sales	8,316	9,415	13.2 / 10.4*	9,077
EBITDA	1,748	1,866	6.8	1,958
EBITDA before special items	1,825	2,232	22.3	2,095
EBIT	1,104	1,148	4.0	1,312
Net special items	(77)	(442)	•	(129)
EBIT before special items	1,181	1,590	34.6	1,439
Non-operating result	(244)	(213)	12.7	(223)
Income taxes	(228)	(252)	•	•
Net income	631	684	8.4	785
EPS (Euro/share)	0.76	0.83	9.2	0.95
Core EPS (Euro/share)	1.13	1.45	28.3	1.34
Gross cash flow	1,178	1,309	11.1	•
Delta working capital	(446)	(508)	(13.9)	•
Net cash flow	732	801	9.4	•
CapEx (cash relevant)	230	238	3.5	•
Operating free cash flow	502	563	12.2	•

<i>Euro million</i>	Dec. 31, 2010	March 31, 2011
Net financial debt	7,917	7,102
Net pension liability	7,229	6,631

\*) Currency and portfolio adjusted sales growth  
 \*\*) Consensus figures as of April 18, 2011 provided by Vara Research GmbH



## Bayer Group Forecast

- Following our successful start to 2011, we are raising our sales and earnings forecast for the full year, mainly in light of the good start to the season at CropScience. We confirm the outlook for HealthCare. We are adjusting our sales forecast for MaterialScience, as we expect to be able to pass along the increases in raw material prices to our customers through higher selling prices.
- For the full year 2011, we are now targeting a currency- and portfolio adjusted **sales increase for the Bayer Group of between 5% and 7%** (previously: between 4% and 6%). This corresponds to Group sales of between €36 billion and €37 billion (previously: between €35 billion and €36 billion). This guidance is based on the exchange rates prevailing at the end of the first quarter of 2011.
- We aim to **increase EBITDA before special items to more than €7.5 billion** (previously: toward €7.5 billion).
- **Core earnings per share are expected to improve by about 15%** (previously: about 10%).
- We continue to anticipate **special charges in the region of €0.5 billion for ongoing restructuring programs**.

### HealthCare

- We confirm our outlook for 2011.
- In 2011 HealthCare 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 do not yet expect sales to resume growing with the market in 2011. We 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 anticipate above-market growth in sales after adjusting for currency and portfolio effects. We expect **sales and EBITDA before special items to increase by mid-single-digit percentages**.

### CropScience

- Following the dynamic start to 2011, **we are raising our guidance for CropScience**.
- We now expect to improve sales in both segments on a currency- and portfolio-adjusted basis and **to grow overall by a high-single-digit percentage** (previously: mid-single-digit percentage).
- We intend to further strengthen our market position in the Environmental Science, BioScience segment and to at least maintain our existing position in Crop Protection.
- We plan to **expand EBITDA before special items by about 20%** compared to the weak prior year (previously: at a higher rate than sales).

### MaterialScience

- The good business situation at MaterialScience in the first quarter of 2011 was in line with our expectations. We expect that the economy will continue to recover. We are adjusting our sales forecast for 2011, as we expect to be able to pass on the raw material cost increases to our customers by raising selling prices.
- We now plan to **raise sales by a high-single-digit** (previously: mid-single-digit) **percentage** on a currency- and portfolio-adjusted basis and continue to **expect that EBITDA before special items will increase at a higher rate than sales**.
- In the second quarter of 2011 we anticipate further growth in sales and an improvement in EBITDA before special items compared with the first quarter of the year.

### Further assumptions for 2011:

- CapEx: approx. €1.5 billion for property, plant and equipment and €0.3 billion for intangible assets.
- Planned D&A: approx. €2.5 billion, including €1.3 billion amortization of intangibles
- R&D: approx. €3.1 billion
- Non-operating result: approx. minus €0.8 billion
- Income tax-rate: approx. 27 - 28%

The sales and earnings forecast for 2012 is given in chapter 11.4 of the Annual Report 2010.



## HealthCare

Euro million	Q1 2010	Q1 2011	% y-o-y	Consensus**
<b>Sales</b>	<b>3,869</b>	<b>4,166</b>	<b>7.7 / 4.1*</b>	<b>4,048</b>
Pharmaceuticals	2,531	2,649	4.7 / 0.9*	•
Consumer Health	1,338	1,517	13.4 / 10.1*	•
<b>EBITDA before special items</b>	<b>1,023</b>	<b>1,140</b>	<b>11.4</b>	<b>1,086</b>
Pharmaceuticals	759	803	5.8	•
Consumer Health	264	337	27.7	•

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of April 18, 2011 provided by Vara Research GmbH

## Best Selling Pharmaceutical Products

Euro million	Q1 2010	Q1 2011	% y-o-y	% y-o-y Fx
<b>Kogenate</b>	<b>244</b>	<b>283</b>	<b>16.0</b>	<b>13.0</b>
of which USA	82	83	1.2	0.4
<b>Betaferon / Betaseron</b>	<b>283</b>	<b>274</b>	<b>(3.2)</b>	<b>(5.0)</b>
of which USA	111	111	0.0	(0.2)
<b>YAZ product family</b>	<b>287</b>	<b>242</b>	<b>(15.7)</b>	<b>(18.3)</b>
of which USA	98	35	(64.3)	(64.7)
<b>Nexavar</b>	<b>155</b>	<b>172</b>	<b>11.0</b>	<b>7.2</b>
of which USA	39	40	2.6	1.7
<b>Adalat</b>	<b>146</b>	<b>157</b>	<b>7.5</b>	<b>(0.1)</b>
of which USA	2	1	•	•
<b>Avalox / Avelox</b>	<b>135</b>	<b>147</b>	<b>8.9</b>	<b>4.7</b>
of which USA	54	39	(27.8)	(29.6)
<b>Mirena</b>	<b>143</b>	<b>143</b>	<b>0.0</b>	<b>(1.8)</b>
of which USA	87	80	(8.0)	(8.3)
<b>Aspirin Cardio</b>	<b>73</b>	<b>90</b>	<b>23.3</b>	<b>18.7</b>
of which USA	0	0	•	•
<b>Glucobay</b>	<b>79</b>	<b>88</b>	<b>11.4</b>	<b>5.3</b>
of which USA	0	0	•	•
<b>Levitra</b>	<b>86</b>	<b>82</b>	<b>(4.7)</b>	<b>(7.4)</b>
of which USA	39	30	(23.1)	(23.3)
<b>Ultravist</b>	<b>68</b>	<b>75</b>	<b>10.3</b>	<b>8.5</b>
of which USA	3	3	•	•
<b>Cipro / Ciprobay</b>	<b>75</b>	<b>59</b>	<b>(21.3)</b>	<b>(24.9)</b>
of which USA	24	2	(91.7)	(92.1)
<b>Magnevist</b>	<b>51</b>	<b>45</b>	<b>(11.8)</b>	<b>(14.5)</b>
of which USA	27	24	(11.1)	(14.3)
<b>Iopamiron</b>	<b>39</b>	<b>44</b>	<b>12.8</b>	<b>3.6</b>
of which USA	0	0	•	•
<b>Diane</b>	<b>37</b>	<b>41</b>	<b>10.8</b>	<b>6.3</b>
of which USA	0	0	•	•

%y-o-y Fx: Currency adjusted sales growth



- Price 0.0%, volume +4.1%, currency +3.5%, portfolio +0.1%
- **Pharmaceuticals** impacted by the genericization of YAZ in the US and healthcare reforms. Ex-U.S. the business grew by 7.2% (Fx adj.) with particularly good gains in China compared to a weak prior-year quarter and in Japan.
  - Kogenate driven by higher volumes in LatAm/Africa/Middle East and by increased shipments to our distribution partner.
  - Betaferon affected by increased competition and healthcare reforms in Europe.
  - YAZ-product family continued to grow outside of the U.S. (+5.7% Fx adj.). U.S.-performance of YAZ affected by the product genericization.
  - Nexavar sales increase mainly driven by the performance in Japan and China.
  - Levitra down due to lower sales in the U.S.
  - Aspirin Cardio up due to higher volumes especially in China.
  - Cipro affected by the expiration of U.S. government sales.
- **Consumer Health** driven by growth in all regions. Consumer Care (€864 million, +13.0% Fx adj.), Medical Care (€357 million, +4.9% Fx adj.), Animal Health (€296 million, +8.5% Fx and portf. adj.).
- **EBITDA before special items** at HealthCare driven by business expansion at Consumer Health and favorable currency effects. Higher selling expenses with negative impact.

## CropScience

<i>Euro million</i>	Q1 2010	Q1 2011	% y-o-y	Consensus**
<b>Sales</b>	<b>1,952</b>	<b>2,257</b>	<b>15.6 / 13.6*</b>	<b>2,146</b>
Crop Protection	1,476	1,676	13.6 / 12.0*	•
ES, BS	476	581	22.1 / 18.4*	•
<b>EBITDA before special items</b>	<b>531</b>	<b>745</b>	<b>40.3</b>	<b>657</b>
Crop Protection	352	510	44.9	•
ES, BS	179	235	31.3	•

ES, BS: Environmental Science, BioScience

\*) Currency and portfolio adjusted sales growth

\*\*\*) Consensus figures as of April 18, 2011 provided by Vara Research GmbH

Q1 2011	Europe		North America		Asia/Pacific		LatAm/Africa/ Middle East	
	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx
<b>CropScience</b>	<b>1,002</b>	<b>9.0</b>	<b>670</b>	<b>23.4</b>	<b>269</b>	<b>6.2</b>	<b>316</b>	<b>16.3</b>
Crop Protection	855	9.7	331	21.5	228	6.4	262	13.6
ES, BS	147	5.5	339	25.2	41	5.1	54	31.6

%y-o-y Fx: Currency adjusted sales growth; ES, BS: Environmental Science, BioScience

- Price +0.7%, volume +12.9%, currency +2.0%, portfolio 0.0%
- **CropScience** benefited from an early and particularly strong start to the season in the northern hemisphere and high prices for agricultural commodities providing a favorable market environment compared with the weak prior-year quarter. In addition, we pressed ahead with the expansion of our BioScience business.



- **Crop Protection** achieved strong growth in all regions. Higher sales of herbicides (€701 million, +14.9% Fx adj.), fungicides (€497 million, +18.3% Fx adj.) and seed treatment products (€190 million, +17.3% Fx adj.) more than compensated lower sales of insecticides (€288 million, -4.5% Fx adj.).
- Performance in Europe driven by strong herbicide and fungicide business while sales of insecticides declined slightly. Good growth momentum in Eastern Europe.
- Strong sales increase in North America compared to the exceptionally weak prior-year quarter. Herbicides, fungicides and seed treatment up while insecticides down due to cessation of the distribution of Temik (Aldicarb).
- Sales in Asia/Pacific driven by the good performance in Japan.
- LatAm/Africa/Middle East with strong seed treatment business, while fungicides declined. Positive development of herbicides in Brazil, Argentina and Mexico. Strong performance of insecticides in Brazil.
- **Environmental Science** (€178 million, +3.0% Fx adj.) driven by professional products in the U.S. and in LatAm. The consumer segment declined slightly. **BioScience** (€403 million, +27.0% Fx adj.) with very good sales development of canola, cotton and vegetables seed.
- Improvement of **EBITDA before special items** at CropScience driven by the positive business expansion at Crop Protection and BioScience.

## MaterialScience

Euro million	Q1 2010	Q4 2010	Q1 2011	% y-o-y	Consensus**
<b>Sales</b>	<b>2,216</b>	<b>2,584</b>	<b>2,686</b>	<b>21.2 / 18.7*</b>	<b>2,597</b>
Polyurethanes	1,106	1,276	1,353	22.3 / 19.3*	•
Polycarbonates	575	737	716	24.5 / 22.2*	•
CAS	413	422	460	11.4 / 9.5*	•
Industrial Operations	122	149	157	28.7 / 27.9*	•
<b>EBITDA before special items</b>	<b>278</b>	<b>297</b>	<b>345</b>	<b>24.1</b>	<b>340</b>

CAS: Coatings, Adhesives, Specialties

\*) Currency and portfolio adjusted sales growth

\*\*\*) Consensus figures as of April 18, 2011 provided by Vara Research GmbH

- Price +8.9%, volume +9.8%, currency +2.3%, portfolio +0.2%
- Significant volume increases for all product-groups and in all regions. Prices increased overall.
- **Polyurethanes** with significant sales growth for MDI and PET while sales of TDI increased only slightly. Business expansion driven by significant volume growth in all regions. Price increases for MDI and PET more than compensated lower prices for TDI.
- Performance at **Polycarbonates** driven by higher prices and volumes for granules. Higher volumes for sheets more than compensated slightly lower prices.
- **Coatings, Adhesives, Specialties** with volume and price gains for all product-groups.
- **EBITDA before special items** driven by higher volumes and increased selling prices which enabled us to nearly offset the much higher raw material and energy costs.



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## Key figures for Q1'2011

Bayer: Key Figures for Q1 2011	HealthCare				CropScience				Environmental Science, BioScience		MaterialScience		Reconciliation		Group				
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Crop Protection		Environmental Science, BioScience		Subgroup Total		Reconciliation		Group		
	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	Q1'10	Q1'11	
Sales	€ million	3,869	4,166	2,531	2,649	1,338	1,517	1,952	2,257	1,476	1,676	476	581	2,216	2,866	279	306	8,316	9,415
Sales by region:																			
Europe	1,523	1,596	981	996	542	600	918	1,002	779	855	139	147	878	1,120	248	270	3,567	3,988	
North America	1,134	1,076	687	564	447	512	527	670	267	331	260	339	436	511	1	1	2,098	2,258	
Asia /Pacific	667	850	527	684	140	166	240	269	203	228	37	41	617	712	15	19	1,539	1,850	
LatAm/Africa/Middle East	545	644	336	405	209	239	287	316	227	262	40	54	285	343	15	16	1,112	1,319	
EBITDA	994	1,103	730	767	264	336	483	416	352	375	131	41	278	345	-7	2	1,748	1,866	
Special Items	-29	-37	-29	-36	0	-1	-48	-329	0	-135	-48	-194	0	0	0	0	-77	-366	
EBITDA adjusted	1,023	1,140	759	803	264	337	531	745	352	510	179	235	278	345	-7	2	1,825	2,232	
adjusted EBITDA margin	26.4%	27.4%	30.0%	30.3%	19.7%	22.2%	27.2%	33.0%	23.8%	30.4%	37.6%	40.4%	12.5%	12.8%	-2.5%	0.7%	21.9%	23.7%	
EBIT	660	769	459	499	201	270	360	219	248	199	112	20	137	205	-53	-45	1,104	1,148	
Special Items	-29	-37	-29	-36	0	-1	-48	-405	0	-211	-48	-194	0	0	0	0	-77	-442	
adjusted EBIT	689	806	488	535	201	271	408	624	248	410	160	214	137	205	-53	-45	1,181	1,590	
adjusted EBIT margin	17.8%	19.3%	19.3%	20.2%	15.0%	17.9%	20.9%	27.6%	16.8%	24.5%	33.6%	36.8%	6.2%	7.6%	-19.0%	-14.7%	14.2%	16.9%	
Gross cash flow	663	768	474	528	169	240	335	314	238	281	97	33	220	272	-40	-45	1,178	1,309	
Net cash flow	742	781	592	558	150	223	-265	-214	-258	-236	-7	22	16	151	239	83	732	801	
Non-operating result																	-244	-213	
Net income																	631	684	
Earnings per share (€)																	0.76	0.83	
Core earnings per share (€)																	1.13	1.45	
CapEx																	230	238	
R&D																	717	737	
D&A and Write-downs	334	334	271	268	63	66	123	197	104	176	19	21	141	140	46	47	644	718	
Employees at end of period	55,600	55,800	37,700	38,100	17,900	17,700	20,500	21,500	16,900	17,600	3,600	3,900	14,500	14,700	20,400	20,500	111,000	112,500	