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Investor News

Financial News Conference on fiscal 2010:

Bayer: operating performance on track

- Group targets achieved
 - Strong year at MaterialScience – HealthCare and CropScience below expectations
 - Net income diminished by high special charges
 - Strong operating cash flow – net financial debt below EUR 8 billion
 - Confidence for 2011: core earnings per share expected to improve by about 10 percent
 - About EUR 15 billion investment for the future planned through 2013
 - Proportion of female managers to grow toward 30 percent by 2015
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Leverkusen, February 28, 2011 – Bayer achieved its targets for the Group in 2010. “2010 was a good year for us overall,” said Management Board Chairman Dr. Marijn Dekkers on Monday at the Financial News Conference in Leverkusen. “We posted sales of EUR 35.1 billion, the highest figure in the company’s history.” According to Dekkers, 2010 was marked by factors the company could not have predicted. In particular, the MaterialScience subgroup returned nearly to pre-crisis levels more quickly than expected. Currency changes also had a positive impact. On the other hand, the business performance of the CropScience and HealthCare subgroups was below expectations. Dekkers expressed optimism for the company’s continuing development: “We are confident for this year, which has gotten off to a successful start.” He said Bayer plans to invest substantial sums in its future during the next three years. The company aims to spend some EUR 15 billion for research and development and for property, plant and equipment through 2013.

Sales of the Bayer Group climbed by 12.6 percent in 2010 to EUR 35,088 million (2009: EUR 31,168 million). Adjusted for currency and portfolio effects (Fx&p adj.), sales were up by 8.0 percent. Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – rose by 9.7 percent to EUR 7,101 million (2009: EUR

6,472 million), with currency effects having a positive impact of some EUR 0.4 billion. The operating result (EBIT) before special items advanced by 18.0 percent to EUR 4,452 million (2009: EUR 3,772 million).

Core earnings per share up 15 percent to EUR 4.19

Net income of the Bayer Group for 2010 was held back considerably by special charges of EUR 1,722 million (2009: EUR 766 million). Of this figure, impairments accounted for EUR 957 million – including EUR 405 million in non-cash impairment losses recognized on the “Schering” name in light of the new brand strategy. Litigations accounted for a total of EUR 703 million, of which EUR 526 million related to an intended settlement program and legal and defense costs in connection with litigations concerning genetically modified rice in the United States. Special charges of EUR 62 million were taken for restructuring. After special items, EBIT declined by 9.2 percent to EUR 2,730 million (2009: EUR 3,006 million). Net income came in at EUR 1,301 million (2009: EUR 1,359 million), down 4.3 percent year on year. By contrast, core earnings per share advanced by a substantial 15.1 percent to EUR 4.19 (2009: EUR 3.64).

Gross cash flow rose by 2.4 percent to EUR 4,771 million (2009: EUR 4,658 million), with net cash flow advancing by 7.4 percent to EUR 5,773 million (2009: EUR 5,375 million). “This gratifying improvement was due mainly to our Group-wide working capital optimization project, as well as to the dynamic uptrend in earnings,” said Chief Financial Officer Werner Baumann. Strict capital discipline enabled net financial debt to be reduced by 18.3 percent to EUR 7,917 million (2009: EUR 9,691 million).

Fourth quarter operationally very successful

“In operational terms the fourth quarter of 2010 was just as good for Bayer as the first three quarters,” he added. Sales climbed by 14.5 percent (Fx&p adj. 8.1 percent) to EUR 9,012 million (Q4 2009: EUR 7,872 million), while EBITDA before special items rose by 11.6 percent to EUR 1,689 million (Q4 2009: EUR 1,513 million). “This was mainly due to the strong growth in earnings at MaterialScience and positive currency effects,” Baumann explained. However, much higher special charges than in the prior-year period caused EBIT to fall to EUR 51 million (Q4 2009: EUR 366 million). There was a net loss for the quarter of EUR 145 million (Q4 2009: net income of EUR 153 million), although core earnings per share improved by 5.6 percent to EUR 0.95 (Q4 2009: EUR 0.90).

HealthCare held back by generic competition and health system reforms

Sales of the HealthCare subgroup for the full year 2010 increased by 5.8 percent to EUR 16,913 million (2009: EUR 15,988 million). The currency- and portfolio-adjusted increase came to 1.7 percent.

The Pharmaceuticals segment raised sales by 4.2 percent (Fx&p adj. 0.9 percent) to EUR 10,908 million. Business expanded significantly in the Asia/Pacific and Latin America/Africa/Middle East regions. In North America, by contrast, sales were down, particularly because of generic competition for the YAZ[®] line of oral contraceptives in the United States. The health system reforms in various countries also had a negative impact. Among Bayer's best-selling pharmaceutical products, the hemophilia medicine Kogenate[®] performed especially well, exceeding the EUR 1 billion threshold for the first time after a currency-adjusted (Fx adj.) 10.3 percent increase in sales. Strong gains were also registered by the cancer drug Nexavar[®], sales of which were up by 11.7 percent (Fx adj.). By contrast, revenues from the YAZ[®] product family moved back by 15.8 percent (Fx adj.), while sales of the multiple sclerosis drug Betaferon[®]/Betaseron[®] were down by 5.0 percent (Fx adj.) year on year.

Sales in the Consumer Health segment climbed by 8.8 percent (Fx&p adj. 3.4 percent) to EUR 6,005 million, with all regions – especially North America – contributing to this growth. In the non-prescription medicines business (Consumer Care), the pain reliever Aleve[®] saw the highest sales growth, at 18.7 percent (Fx adj.). The Bepanthen[®]/Bepanthol[®] line of skincare products also performed very successfully, with sales up by 12.0 percent (Fx adj.). Business in the Medical Care Division was hampered by the negative trend in the U.S. diabetes care market, where sales of the division were down by 20.3 percent (Fx adj.) for both price and volume reasons. By contrast, the Animal Health Division posted a very satisfactory trend, benefiting from a 14.6 percent (Fx adj.) increase in sales of the Advantage[®] line of flea, tick and worm control products that was driven by gains in the United States.

EBITDA before special items of Bayer HealthCare receded by 1.4 percent to EUR 4,405 million (2009: EUR 4,468 million), with various countries' health system reforms alone diminishing sales and earnings by some EUR 160 million. "Overall we expect these reforms to have a significant negative impact in 2011 as well," Dekkers said.

CropScience: shrinking market for conventional crop protection products

Business in the CropScience subgroup was restrained in 2010. While reported sales rose by 4.9 percent year on year to EUR 6,830 million (2009: EUR 6,510 million), they receded by 1.3 percent on a currency- and portfolio-adjusted basis. This was due to weaker business in Crop Protection, whereas Environmental Science, BioScience registered positive development.

Crop Protection had sales of EUR 5,493 million, down 4.7 percent on a currency-adjusted basis. "Heavy generic competition led to a significant decline in prices, especially in our herbicides business. We also faced unfavorable weather conditions in nearly all parts of the world," explained Dekkers. CropScience also saw its seed treatment and fungicides businesses decline in a shrinking market, while the insecticides business expanded. Sales in the Europe and North America regions as a whole were considerably weaker, while encouraging gains were posted in Asia/Pacific and Latin America/Africa/Middle East.

The Environmental Science, BioScience segment raised sales by a substantial 23.1 percent (Fx&p adj. 15.6 percent) to EUR 1,337 million. The Environmental Science business unit saw a marked increase in business with products for consumers. Products for professional users also trended positively. The BioScience business unit, which specializes in seed and plant traits, continued to achieve dynamic expansion, especially for its major crops: cotton, canola, rice and vegetables. BioScience thus continued successfully along a path of growth.

EBITDA before special items for the CropScience subgroup receded by 14.3 percent to EUR 1,293 million (2009: EUR 1,508 million), chiefly on account of lower volumes and selling prices at Crop Protection and higher research and development expenses at BioScience. "As a result, the underlying EBITDA margin at CropScience fell substantially by just over 4 percentage points. This is indeed disappointing," said Dekkers.

Earnings of MaterialScience tripled

The trend in Bayer's high-tech materials business was marked by the recovery following the economic and financial crisis. Sales climbed by 35.0 percent (Fx&p adj. 30.1 percent) to EUR 10,154 million (2009: EUR 7,520 million). "Here we see the growth in demand from key customer industries as a major positive factor. This applies particularly to the

automotive and electrical/electronics sectors, and in some regions to the construction industry as well,” said Dekkers. He explained that while volumes at MaterialScience were already back to pre-crisis levels overall in 2010, this did not yet apply to prices as a whole.

Business with raw materials for foams (polyurethanes) expanded by 27.8 percent (Fx&p adj.), thanks largely to much higher volumes in all product groups and regions. The largest increases in absolute terms were registered in Europe and Asia/Pacific. Sales of high-performance plastics (polycarbonate) advanced by 42.9 percent (Fx adj.). This growth was mainly the result of considerable volume and price increases for granules. Business with raw materials for coatings, adhesives and specialties improved by 27.2 percent (Fx adj.) year on year thanks to significant growth in volumes.

EBITDA before special items of MaterialScience tripled to EUR 1,356 million (2009: EUR 446 million), mainly due to much higher volumes. The subgroup also benefited from higher selling prices for its products, which more than offset the negative effect of increased raw material prices. Efficiency improvements also had a positive impact.

Stockholders and employees to benefit from the company’s performance

Bayer intends both stockholders and employees to share in the company’s success last year. The Board of Management and the Supervisory Board are proposing that the dividend for 2010 be increased to EUR 1.50 (2009: EUR 1.40) per share. “This enables our stockholders to appropriately benefit from the Group’s improved operational performance in 2010. And it’s a sign of our optimism for the future,” Dekkers commented. He said that more than half a billion euros is earmarked for the short-term incentive program for employees throughout the Group.

Aiming for greater employee diversity

Bayer is sharpening its focus on employee development in another respect, too. Commenting on the current debate about the number of women in management positions, Dekkers said: “We do not believe that the statutory quota under discussion would be appropriate. However, we are convinced that greater human resources diversity is good for the company.” He said the Board of Management has therefore set a target: Bayer aims to raise the proportion of female managers in the Bayer Group as a whole toward 30 percent by 2015 – the global figure currently being just over 20 percent. “We

are optimistic that we can achieve our target within five years," he said, pointing out at the same time that diversity is not limited to gender distribution. It is equally important to support skilled international employees and managers worldwide, he said. This is something the company is working on intensively at the moment.

"Innovations we can successfully commercialize are our lifeblood"

Strengthening Bayer's innovative capability is a special area of focus. "Innovations that we can successfully commercialize are our lifeblood," Dekkers said. In 2010, the company increased its expenditures for research and development by more than 11 percent to the record level of nearly EUR 3.1 billion. "The reason for this is that we are investing in a highly promising product pipeline," he said, citing the innovative anticoagulant Xarelto[®], which is already on the market in 75 countries for prevention of venous thromboembolism following elective hip or knee replacement surgery. In January 2011, applications were submitted in the European Union and the United States for marketing authorization for stroke prevention in non-valvular atrial fibrillation and in the E.U. for the treatment and secondary prevention of deep vein thrombosis. "These chronic indications are where the market potential of Xarelto[®] lies," Dekkers pointed out. "We believe Xarelto[®] has a peak annual sales potential of more than EUR 2 billion."

There are also promising development candidates at CropScience. Here Bayer believes that six new substances to be introduced to the market between 2010 and 2012 have total peak annual sales potential of more than EUR 1 billion.

"We scored many achievements in 2010, but we also faced challenges," said Dekkers. He stressed how important it is for Bayer's future development that the company invest more heavily and more rigorously in its potential for growth and innovation, this being the reason why the package of measures announced in November 2010 was developed. The aim is to free up the necessary funds by carefully re-allocating resources. This will be supported by efficiency and cost-containment measures. "The principle here is: more innovation and less administration," Dekkers stressed.

Positive perspectives for 2011 and 2012

The Management Board Chairman sees positive future perspectives for the company's business performance. "It remains to be seen how the global economy will develop once the stimulus programs expire in numerous countries. In any case, we are confident for

this year,” Dekkers remarked. Provided that the economy steadily improves, he expects to see growth in sales and EBITDA before special items in all subgroups in 2011. For the full year 2011, Bayer expects to see currency- and portfolio adjusted sales growth of between 4 and 6 percent for the Group as a whole. Based on the currency assumptions – including a rate of US\$ 1.40 to the euro – Group sales are therefore expected to come in at between EUR 35 billion and EUR 36 billion. Bayer aims to increase EBITDA before special items toward EUR 7.5 billion and raise core earnings per share by about 10 percent.

The Group is planning capital expenditures of EUR 1.5 billion for property, plant and equipment and EUR 0.3 billion for intangible assets. Bayer expects its research and development expenditures to match the record level of 2010 (EUR 3.1 billion). “This investment will enable us to seize the opportunities we have for the future,” Dekkers said. “This is also evident from our planning for the next three years. Through 2013 we aim to invest some EUR 15 billion in our future.” Research and development will account for about two thirds of this amount, he explained, and capital expenditures for property, plant and equipment for one third. “These are substantial sums,” he pointed out.

“We can confirm our targets for 2012,” Dekkers added. If the economic environment remains positive, Bayer continues to expect Group sales to grow by approximately 5 percent – after adjusting for currency and portfolio changes. In 2012 the Group plans to achieve EBITDA before special items of approximately EUR 8 billion and core earnings per share of around EUR 5.

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, Bayer does not yet expect sales to resume growing with the market in 2011. It is planned 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, Bayer anticipates above-market growth in sales after adjusting for currency and portfolio effects. Sales and EBITDA before special items are expected to increase by mid-single-digit percentages. In 2012 HealthCare aims to accelerate the pace of growth, especially in Pharmaceuticals, thanks to its new products, and to improve EBITDA before special items in both segments.

CropScience expects to improve sales in both segments on a currency- and portfolio-adjusted basis in 2011 and to grow by at least a mid-single-digit percentage overall. The company intends to further reinforce its market positions in Environmental Science, BioScience, and expects to at least maintain its existing position in Crop Protection. The subgroup plans to expand EBITDA before special items at a higher rate than sales. In 2012 CropScience again aims to grow sales at least with the market and to further improve EBITDA before special items.

MaterialScience expects that the business environment will continue to recover. The subgroup plans to raise sales in 2011 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis, and to increase EBITDA before special items at a higher rate than sales. MaterialScience expects sales in the first quarter of 2011 to be roughly in line with the fourth quarter of 2010 on a currency- and portfolio-adjusted basis. Despite higher raw material prices, MaterialScience expects EBITDA before special items in the first quarter of 2011 to exceed the level of the fourth quarter of 2010. Provided that the market environment remains favorable, the subgroup plans to further increase sales and EBITDA before special items in 2012.

Bayer stayed on track operationally in 2010 and is anticipating a further improvement in its key data this year, Dekkers concluded. "Thanks to our strong product pipeline, we also remain optimistic for the years to come."

Note:

Below you will find tables containing the key data of the Bayer Group and its subgroups for the full year and the fourth quarter of 2010.

*The complete Annual Report 2010 is available on the Internet at **www.investor.bayer.com**.*

*Supplementary material at **www.investor.bayer.com** includes:*

- Live webcast of the **News Conference** from approx. 10:00 a.m. CET*
- Notice of the **Annual Stockholders' Meeting 2011** from approx. 10:00 a.m. CET*
- Presentation charts for the **Investor Conference Call** at 12:00 noon CET*
- Live webcast of the **Investor Conference Call** from approx. 3:00 p.m. CET*
- Recording of the **Investor Conference Call** from approx. 7:00 p.m. CET*

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Forward-Looking Statements

This release may contain forward-looking statements based on current assumptions and forecasts made by the Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

Bayer Group Key Data, Fourth Quarter and Full Year 2010

Bayer Group (EUR million)	Q4 2009	Q4 2010	Change in %	FY 2009	FY 2010	Change in %
Sales	7,872	9,012	+14.5	31,168	35,088	+12.6
EBIT	366	51	-86.1	3,006	2,730	-9.2
<i>Special items</i>	<i>(451)</i>	<i>(954)</i>	-	<i>(766)</i>	<i>(1,722)</i>	-
EBIT before special items	817	1,005	+23.0	3,772	4,452	-18.0
EBITDA	1,119	1,510	+34.9	5,815	6,286	+8.1
<i>Special items</i>	<i>(394)</i>	<i>(179)</i>	-	<i>(657)</i>	<i>(815)</i>	-
EBITDA before special items	1,513	1,689	+11.6	6,472	7,101	+9.7
Net income (loss)	153	(145)	-	1,359	1,301	-4.3
Core earnings per share (EUR)	0.90	0.95	+5.6	3.64	4.19	+15.1

Bayer HealthCare (EUR million)	Q4 2009	Q4 2010	Change in %	FY 2009	FY 2010	Change in %
Sales	4,164	4,468	+7.3	15,988	16,913	+5.8
EBIT	463	(129)	-	2,640	1,861	-29.5
<i>Special items</i>	<i>(312)</i>	<i>(901)</i>	-	<i>(372)</i>	<i>(1,169)</i>	-
EBIT before special items	775	772	-0.4	3,012	3,030	+0.6
EBITDA	892	985	+10.4	4,148	4,116	-0.8
<i>Special items</i>	<i>(262)</i>	<i>(153)</i>	-	<i>(320)</i>	<i>(289)</i>	-
EBITDA before special items	1,154	1,138	-1.4	4,468	4,405	-1.4

Bayer CropScience (EUR million)	Q4 2009	Q4 2010	Change in %	FY 2009	FY 2010	Change in %
Sales	1,398	1,653	+18.2	6,510	6,830	+4.9
EBIT	(56)	118	-	798	261	-67.3
<i>Special items</i>	<i>(98)</i>	<i>(26)</i>	-	<i>(219)</i>	<i>(526)</i>	-
EBIT before special items	42	144	-	1,017	787	-22.6
EBITDA	73	244	-	1,311	767	-41.5
<i>Special items</i>	<i>(93)</i>	<i>(26)</i>	-	<i>(197)</i>	<i>(526)</i>	-
EBITDA before special items	166	270	+62.7	1,508	1,293	-14.3

Bayer MaterialScience (EUR million)	Q4 2009	Q4 2010	Change in %	FY 2009	FY 2010	Change in %
Sales	2,016	2,584	+28.2	7,520	10,154	+35.0
EBIT	14	156	-	(266)	780	-
<i>Special items</i>	<i>(45)</i>	0	-	<i>(140)</i>	0	-
EBIT before special items	59	156	-	(126)	780	-
EBITDA	160	297	+85.6	341	1,356	-
<i>Special items</i>	<i>(43)</i>	0	-	<i>(105)</i>	0	-
EBITDA before special items	203	297	+46.3	446	1,356	-

EBITDA, EBITDA before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definition of these indicators, see the current annual report at www.bayer.com.