

Q2 2011 Analyst and Investor Briefing

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Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

- **Group sales at €9,252 million, up 5.4% (portfolio and currency adjusted)**
- **Price +2.2%, volume +3.2%, currency -4.7%, portfolio +0.1%**
- **Reported EBIT at €1,273 million (+25.9%)**
- **EBITDA before special items up 5.8% at €2,035 million**
- **Net special items of minus €144 million related to restructuring charges of €179 million, particularly at CropScience and HealthCare, and valuation adjustments for pension provisions (gain of €35 million)**
- **Net income at €747 million (+40.9%)**
- **Group outlook confirmed for 2011**
- **Gratifying progress with innovation projects**
- **Implementation of efficiency measures**

Group Key Figures

Euro million	Q2 2010	Q2 2011	% y-o-y	Consensus**
Sales	9,179	9,252	0.8 / 5.4*	9,566
EBITDA	1,800	1,906	5.9	1,904
EBITDA before special items	1,923	2,035	5.8	2,038
EBIT	1,011	1,273	25.9	1,257
Net special items	(255)	(144)	•	(114)
EBIT before special items	1,266	1,417	11.9	1,372
Non-operating result	(261)	(171)	34.5	(212)
Income taxes	(221)	(356)	•	•
Net income	530	747	40.9	756
EPS *(Euro/share)*	0.64	0.90	40.6	0.91
Core EPS *(Euro/share)*	1.16	1.29	11.2	1.31
Gross cash flow	1,292	1,532	18.6	•
Delta working capital	253	(2)	•	•
Net cash flow	1,545	1,530	(1.0)	•
CapEx *(cash relevant)*	365	298	(18.4)	•
Operating free cash flow	1,180	1,232	4.4	•

Euro million	March 31, 2011	June 30, 2011
Net financial debt	7,102	7,398
Net pension liability	6,631	6,719

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of July 14, 2011 provided by Vara Research GmbH



Bayer Group Forecast

- We confirm the full-year sales and earnings forecast that we raised in April.
- For 2011 we continue to target a **currency- and portfolio-adjusted sales increase of between 5% and 7%**. This corresponds to **Group sales of between €36 billion and €37 billion**. This guidance is based on the exchange rates prevailing at the end of the second quarter of 2011.
- We still plan to increase **EBITDA before special items to more than EUR 7.5 billion.** As before, **core earnings per share are expected to improve by about 15%.** We anticipate that special charges included in EBITDA for ongoing restructuring programs will remain unchanged at €0.5 billion.

HealthCare

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

CropScience

- The CropScience business continues to trend positively.
- As previously communicated, we aim to **improve sales by a high-single-digit percentage** on a currency- and portfolio-adjusted basis in 2011. We plan to **expand EBITDA before special items by about 20%** compared to the weak prior year - or more if the season progresses well in the second half of 2011.

MaterialScience

- At MaterialScience we still plan to **raise sales by a high-single-digit percentage** on a currency- and portfolio-adjusted basis. It remains our aim to **grow EBITDA before special items at a higher rate than sales.** However, we consider this objective to be increasingly ambitious.
- We anticipate that **sales and EBITDA before special items in the third quarter of 2011 will be in line with the prior-year level.**

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 provided in chapter 11.4 of the Annual Report 2010.



HealthCare

Euro million	Q2 2010	Q2 2011	% y-o-y	Consensus**
Sales	**4,305**	**4,208**	**(2.3) / 1.8***	**4,325**
Pharmaceuticals	2,748	2,666	(3.0) / 0.5*	•
Consumer Health	1,557	1,542	(1.0) / 4.1*	•
EBITDA before special items	**1,122**	**1,156**	**3.0**	**1,137**
Pharmaceuticals	772	807	4.5	•
Consumer Health	350	349	(0.3)	•

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of July 14, 2011 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

Euro million	Q2 2010	Q2 2011	% y-o-y	% y-o-y Fx
Betaferon / Betaseron	**302**	**273**	**(9.6)**	**(4.7)**
of which USA	*115*	*103*	*(10.4)*	*1.2*
YAZ product family	**289**	**263**	**(9.0)**	**(7.0)**
of which USA	*80*	*39*	*(51.3)*	*(46.1)*
Kogenate	**238**	**262**	**10.1**	**15.4**
of which USA	*68*	*75*	*10.3*	*25.0*
Nexavar	**186**	**171**	**(8.1)**	**(4.4)**
of which USA	*47*	*41*	*(12.8)*	*(1.3)*
Adalat	**177**	**156**	**(11.9)**	**(9.5)**
of which USA	*1*	*0*	•	•
Mirena	**123**	**144**	**17.1**	**26.2**
of which USA	*58*	*79*	*36.2*	*55.9*
Avalox / Avelox	**118**	**105**	**(11.0)**	**(6.8)**
of which USA	*23*	*16*	*(30.4)*	*(20.4)*
Aspirin Cardio	**92**	**99**	**7.6**	**10.0**
of which USA	*0*	*0*	•	•
Glucobay	**90**	**90**	**0.0**	**6.0**
of which USA	*0*	*0*	•	•
Levitra	**96**	**82**	**(14.6)**	**(10.6)**
of which USA	*45*	*24*	*(46.7)*	*(40.5)*
Ultravist	**82**	**82**	**0.0**	**2.7**
of which USA	*4*	*2*	•	•
Cipro / Ciprobay	**61**	**58**	**(4.9)**	**(0.8)**
of which USA	*3*	*5*	•	•
Magnevist	**58**	**46**	**(20.7)**	**(15.3)**
of which USA	*31*	*23*	*(25.8)*	*(16.1)*
Kinzal / Pritor	**46**	**46**	**0.0**	**(0.3)**
of which USA	*0*	*0*	•	•
Iopamiron	**52**	**42**	**(19.2)**	**(20.7)**
of which USA	*0*	*0*	•	•

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



- Price -0.8%, volume +2.6%, currency -4.4%, portfolio +0.3%
- Sales expansion at **HealthCare** mainly driven by the positive development at Consumer Health.
- At **Pharmaceuticals** sales increased in emerging markets, especially China, compensating a weak performance in North America and western Europe. Sales in the U.S. were impacted by the genericization of YAZ. Healthcare reforms in various countries affected the business.
  - Betaferon down due to increased competition and healthcare reforms in Europe.
  - YAZ-product family continued to grow outside of the U.S. (+8% Fx adj.). The U.S.-performance of YAZ was mainly affected by the product genericization which started in June 2010.
  - Kogenate sales increased mainly in North America and Europe due to higher demand in Europe and increased shipments to our distribution partner in the U.S.
  - Nexavar down compared to a strong prior-year quarter.
  - Adalat affected by generic competition, especially in Canada and Japan. Sales expanded in China.
  - Mirena benefitted from volume gains in the U.S. compared to a weak Q2'2010.
  - Levitra and Avelox down due to the partial restructuring of the primary care distribution in the U.S.
  - Sales expansion of Aspirin Cardio and Glucobay driven by business in China.
- **Consumer Health** with growth in all regions especially Europe and North America. Consumer Care (€839 million, +5.8% Fx and portf. adj.), Medical Care (€377 million, +0.6% Fx and portf. adj.), Animal Health (€326 million, +3.9% Fx and portf. adj.).
- **EBITDA before special items** at HealthCare driven by lower cost at Pharmaceuticals and a €22 million settlement gain. Price declines and negative currency effects with adverse impact.

CropScience

Euro million	Q2 2010	Q2 2011	% y-o-y	Consensus**
Sales	**1,884**	**1,943**	**3.1 / 9.2***	**2,028**
Crop Protection / BioScience	1,685	1,757	4.3 / 10.5*	•
Environmental Science	199	186	(6.5) / (1.7)*	•
EBITDA before special items	**380**	**471**	**23.9**	**479**

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of July 14, 2011 provided by Vara Research GmbH

Q2 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
CropScience	**777**	**6.4**	**535**	**19.2**	**334**	**3.7**	**297**	**4.5**
Crop Protection	668	6.9	386	20.6	244	(0.2)	264	5.0

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

- Price -1.9%, volume +11.1%, currency -5.8%, portfolio -0.3%
- **CropScience** benefitted from a generally good season in the northern hemisphere, with particularly strong growth in our BioScience business. High prices for agricultural raw materials led to a favorable market environment compared to the weak prior-year quarter.



- **Crop Protection / BioScience** driven by sales of fungicides (€518 million, +13.8% Fx and portf. adj.), herbicides (€607 million, +8.9% Fx and portf. adj.) and BioScience (€195 million, +21.9% Fx and portf. adj.). Seed treatment products advanced by 16.5% (Fx and portf. adj.) to €120 million. Sales of insecticides (€317 million, +2.3% Fx and portf. adj.) affected by the cessation of older products such as Temik (Aldicarb).
- **BioScience** with substantial business expansion driven by sales of canola seed in Canada and of cotton and rice seed in Asia. Sales of vegetables seed increased mainly in Asia/Pacific and North America.
- **Crop Protection** performance in Europe driven by strong herbicides and insecticides business. Sales of fungicides increased moderately while seed treatment products declined. Business in eastern Europe matched the already strong first quarter, helped by favorable weather conditions. The prolonged drought had an adverse effect in parts of western Europe.
- Strong crop protection sales increase in North America compared to a weak prior-year quarter. Fungicides, herbicides, and seed treatment up in the U.S. while insecticides down due to the discontinuation of older products such as Temik (Aldicarb). Double-digit percentage sales increase also in Canada.
- Crop protection sales in Asia/Pacific slightly down. Significant sales increases for fungicides and seed treatment products almost compensated substantial declines at insecticides and herbicides. Business affected by the marketing cessation of older insecticides and adverse weather conditions in Australia and China. Business expansion in North Asia.
- Sales of crop protection products in LatAm/Africa/Middle East benefitted from good market prospects for cotton and sugarcane in LatAm. Herbicides up in Brazil while business with fungicides was down due to lower infestation rates in soybeans.
- At **Environmental Science** (€186 million, -1.7% Fx adj.) sales of the consumer segment stagnated. Sales of professional products receded in Europe, Middle East and Africa.
- The improvement of **EBITDA before special items** at CropScience was driven by the business expansion with significantly higher volumes and improved capacity utilization at our production facilities.

MaterialScience

Euro million	Q2 2010	Q1 2011	Q2 2011	% y-o-y	Consensus**
Sales	**2,689**	**2,686**	**2,782**	**3.5 / 8.3***	**2,913**
Polyurethanes	1,321	1,353	1,374	4.0 / 8.4*	•
Polycarbonates	753	716	761	1.1 / 6.7*	•
CAS	481	460	490	1.9 / 6.3*	•
Industrial Operations	134	157	157	17.2 / 20.6*	•
EBITDA before special items	**373**	**345**	**372**	**(0.3)**	**405**

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 14, 2011 provided by Vara Research GmbH

- Price +9.3%, volume -1.0%, currency -5.0%, portfolio +0.2%
- Business expansion at MaterialScience mainly driven by price increases in all business units and regions, especially in Europe and North America. Volumes overall slightly below the prior-year quarter.
- **Polyurethanes** with significant sales growth for MDI and PET while sales of TDI were well below previous year. Sales increase at Polyurethanes mainly due to higher prices in all regions. Price increases for MDI and PET more than compensated lower prices for TDI. Overall, volumes declined slightly. Significantly higher



volumes in Europe and LatAm/Africa/Middle East could not fully compensate for volume losses in North America and Asia/Pacific.

- Performance at **Polycarbonates** predominately driven by higher sales of granules due to substantial price increases in particular in Europe and North America. Volumes were below the strong prior-year quarter. A marked decline in Asia/Pacific and in LatAm/Africa/Middle East was partially compensated by moderate volume gains in North America and Europe. Sales of the product group sheet/semi-finished products declined due to lower volumes in all relevant regions. Higher prices only partly offset the lower volumes.
- **Coatings, Adhesives, Specialties** with substantial price gains in all regions and for all product-groups. Volumes overall flat with expansion in Europe and North America while volumes declined in LatAm/Africa/Middle East and Asia/Pacific.
- **EBITDA before special items** at prior-year level. Higher selling prices more than compensated increased raw material and energy costs. Negative currency effects and higher costs, partly in connection with the commissioning of our TDI plant in China, had an adverse effect.

Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
Dr. Jürgen Beunink (+49-214-30-65742)
Peter Dahlhoff (+49-214-30-33022)
Fabian Klingen (+49-214-30-35426)
Ute Menke (+49-214-30-33021)
Judith Nestmann (+49-214-30-66836)
Dr. Olaf Weber (+49-214-30-33567)

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Bayer: Key Figures for Q2 2011	HealthCare						CropScience		MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total					
	Q2'10	Q2'11	Q2'10	Q2'11	Q2'10	Q2'11	Q2'10	Q2'11	Q2'10	Q2'11	Q2'10	Q2'11	Q2'10	Q2'11
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,305	4,208	2,748	2,666	1,557	1,542	1,884	1,943	2,689	2,782	301	319	9,179	9,252
Sales by region:														
Europe	1,599	1,592	1,033	991	566	601	737	777	1,000	1,169	262	289	3,598	3,827
North America	1,205	1,062	617	519	588	543	494	535	575	537	2	1	2,276	2,135
Asia / Pacific	845	878	686	716	159	162	343	334	773	712	21	11	1,982	1,935
LatAm/Africa/Middle East	656	676	412	440	244	236	310	297	341	364	16	18	1,323	1,355
EBITDA	1,065	1,105	715	759	350	346	314	405	373	372	48	24	1,800	1,906
Special items	-57	-51	-57	-48	0	-3	-66	-66	0	0	0	-12	-123	-129
EBITDA adjusted	1,122	1,156	772	807	350	349	380	471	373	372	48	36	1,923	2,035
adjusted EBITDA margin	26.1%	27.5%	28.1%	30.3%	22.5%	22.6%	20.2%	24.2%	13.9%	13.4%	15.9%	11.3%	20.9%	22.0%
EBIT	595	786	312	504	283	282	187	272	228	236	1	-21	1,011	1,273
Special items	-189	-51	-189	-48	0	-3	-66	-81	0	0	0	-12	-255	-144
adjusted EBIT	784	837	501	552	283	285	253	353	228	236	1	-9	1,266	1,417
adjusted EBIT margin	18.2%	19.9%	18.2%	20.7%	18.2%	18.5%	13.4%	18.2%	8.5%	8.5%	0.3%	-2.8%	13.8%	15.3%
Gross cash flow	759	760	499	513	260	247	224	304	293	288	16	180	1,292	1,532
Net cash flow	666	636	455	399	211	237	782	823	62	-15	35	86	1,545	1,530
Non-operating result													-261	-171
Net income													530	747
Earnings per share (€)													0.64	0.90
Core earnings per share (€)													1.16	1.29
CapEx													365	298
R&D													747	727
D&A and Write-downs	470	319	403	255	67	64	127	133	145	136	47	45	789	633
Employees at end of period	55,800	56,400	37,800	38,700	18,000	17,700	21,000	21,700	14,500	15,000	20,300	20,300	111,600	113,400