Q4 2008 Analyst and Investor Briefing

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- **Sales** declined by 1.5% to €7,923m (Q4'07: €8,040m); Volume -5.7%, price +1.7%, currency +2.0%, portfolio +0.6%. Portfolio and Fx adj. sales dropped by 4.0%.
- **BRIC countries** contributed sales of €1.0bn (Fx adj. -5.3%), thereof HealthCare (Fx adj. +26.9%), CropScience (Fx adj. +21.7%) and MaterialScience (Fx adj. -37.1%).
- **Reported EBITDA** at €1,103m, up by 2.0% (Q4'07: €1,081m).
- **Underlying EBITDA** decreased by 4.6% to €1,357m (Q4'07: €1,422m).
- **Reported EBIT** up by 7.0% to €412m (Q4'07: €385m).
- **Net Special Items** of -€294m include: *Health Care*: Total -€197m: Schering integration -€78m, Schering PPA -€51m, termination Spheramine -€31m, Trasylol -€32m. *Crop Science:* -€62m (restructuring). *Material Science*: -€35m (restructuring).
- **Underlying EBIT** fell by 8.8% to €706m (Q4'07: €774m).
- **Non-operating result** at -€375m (Q4'07: -€179m), mainly due to hedging cost for foreign currencies and higher than expected net interest expenses (€167m, Q4'07: €160m).
- **Income taxes** at €65m (Q4'07: -€149m). Income taxes receivable: €101m (Q4'07: -€29m paid).
- **Net income** at €106m up by 58.2% (Q4'07: €67m). **EPS** amounted to €0.16 (Q4'07: €0.11).
- **Core EPS** flat at €0.71 (Q4'07: €0.71).
- **Gross cash flow** up 12.7% to €1,151m (Q4'07: €1,021m). **Delta Working Capital** at -€194m, mainly due to other working capital (Q4'07 €446m). **Net cash flow** down by 34.8% to €957m (Q4'07: 1,467m). **Investments** at €632m (Q4'07: €737m). **Operating free cash flow (total)** at €325m (Q4'07: €732m).
- **Net financial debt** (total) up by €465m to €14,152m compared to September 30, 2008. The increase is mainly due to a cash injection into pension plans (€300m) and higher working capital.
- **Net pension liabilities** increased by €1,028m compared to December 31, 2007 to €5,996m, mainly because a decrease in the fair value of plan assets.

2009 Bayer Group forecast

Market assumptions:

HealthCare markets: +3-5%
CropScience markets: +2-3%
MaterialScience markets: very difficult year marked by a great deal of uncertainty
Exchange rate: US$/€1.35

For HealthCare and CropScience we expect a gratifying trend in 2009, with growth in sales and underlying EBITDA. At MaterialScience the start to the year has been even weaker than expected, and we therefore anticipate an extremely difficult year for this subgroup, with a severe drop in sales and earnings. In this negative scenario for MaterialScience we are nevertheless confident of limiting the decline in underlying Group EBITDA to about 5%. Group sales would probably then be in the region of €32bn. Should there be a tangible recovery in our MaterialScience business in the short term, underlying Group EBITDA could match the very high level of 2008 or even post a slight increase.

Further 2009 assumptions:

Special items: -€250m from restructuring
CapEx: approx. €1.5bn 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 (portfolio changes not included).

HealthCare

In 2009 HealthCare plans to achieve Fx adjusted growth rates ahead of the market average in all divisions. We are aiming for a further improvement in the underlying EBITDA margin toward 28%.

CropScience

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 25%.

MaterialScience

The MaterialScience business is greatly impeded by the global recession. We expect sales and underlying EBITDA to show a further decline in Q1 2009 compared with Q4 2008, which included a comparatively steady October. For the full year we predict a severe drop in sales and underlying EBITDA.

Q4'08 HealthCare

Pharmaceuticals sales rose by 9.5% to €2,868m (Fx & portfolio adj. +6.9%). *Primary Care:* Adalat (€170m, +9.7%, Fx adj. +5.1%). Avelox flat at €128m (+0.0%, Fx adj. -1.3%). Cipro advanced 11.6% to €96m (Fx adj. +11.2%), due to US government sales (US$32m). Levitra up 13.4% (Fx adj. +11.8%) to €93m. *Women's HealthCare:* Sales of Yaz family (including Yasmin and Yasminelle) rose by 13.9% (Fx adj. +10.6%) to €312m, driven by ex-US markets. Mirena advanced by 32.3% to €127m (Fx adj. +30.4%), mainly due to favourable US business. *Diagnostic Imaging:* Magnevist fell 12.9% to €61m (Fx adj. -20.0%). Switch to Gadovist (€24m; +41.4%, Fx adj. +46.5%) in Europe ongoing. Ultravist up 17.5% (€67m, Fx adj. +20.3%). *Specialized Therapeutics:* Betaferon advanced by 14.7% (Fx adj. +13.2%) to €305m driven by sales in US and Germany. *Hematology/ Cardiology:* Kogenate flat at €198m (+2.1%, Fx adj. -0.4%). *Oncology*: Nexavar rose by 51.7% to €132m (Fx adj. +47.6%), with growth in all main regions.

Underlying EBITDA rose 20.0% to €804m (Q4'07: €670m), on performance and synergies. **Underlying EBIT** up 38.4% to €508m.

Consumer Health sales advanced 7.7% to €1,272m (Fx & portfolio adj. +4.7%). *Consumer Care (€782m, +12.2%, Fx adj. +13.3%):* Aspirin OTC fell by 2.3% to €125m (Fx adj. -2.6%). Aleve (€67m, +8.1%, Fx adj. +6.5%). Canesten (€48m, +9.1%, Fx adj. +14.8%). One-A-Day vitamin product advanced by 39.4% (Fx adj. +35.7%) to €46m. Bepanthen family grew by 17.1% to €41m (Fx adj. +20.7%), due to volume increases stimulated by marketing programs. Supradyn grew by 12.1% to €37m (Fx adj. +12.7%). *Diabetes Care (€261m, +0.3%, Fx adj. -1.3%):* Contour expanded sales by 8.5% (Fx adj. +7.1%) to €153m. Breeze fell by 7.5% to €37m (Fx adj. -12.3%). *Animal Health (€230m, +2.7%, Fx adj. +2.8%):* Advantage family up by 15.5% (Fx adj. +10.4%) to €67m, driven by strong US performance. Baytril flat at €45m (+0.0%, Fx adj. -0.8%).
Underlying EBITDA up by 15.5% to €291m. **Underlying EBIT** increased by 15.7% to €251m.

Q4'08 CropScience

Sales of CropScience rose by 2.3% to 1,352m (Fx adj. and portfolio adj. +1.7%), mainly on higher prices (+1.4%). New products increased sales by 9.2% to €405m (Fx adj. +13.7%).
Crop Protection sales expanded by 2.2% to €1,124m (Fx adj. +1.4%). Sales in **Europe** fell by 12.4% to €331m (Fx adj. -10.3%) mainly due to decline in herbicides business in UK (phasing effect because of wet weather), lower fungicides sales in France and decreased corn seed treatments. Sales in **North America** were up 7.5% to €173m (Fx adj. -0.5%). Higher demand for insecticides and fungicides offset lower seed treatment sales. **Asia/Pacific** increased by 10.7% to €228m (Fx adj. +9.6%), due to favourable

insecticides and fungicides sales. Sales in **Latin America/Africa/Middle East** advanced by 10.4% to €392m (Fx adj. +9.8%), driven by good performance of insecticides and fungicides. **Underlying EBITDA** climbed by 7.5% to €158m. Higher selling prices and savings from restructuring were partly offset by increased marketing expenses and higher raw material and energy costs. **Underlying EBIT** up by 57.6% to €52m.

Environmental Science/BioScience sales increased by 3.2% (Fx and portfolio adj. +3.2%) to €228m. **Environmental Science** fell by 10.8% (Fx adj. -11.9%) to €132m. Green industry sales further declined, due to economic slowdown and generic pressure. Sales of **BioScience** unit advanced by 31.5% to €96m (Fx & portfolio adj. +34.1%), mainly driven by cotton seed business.
Underlying EBITDA fell by 20.0% to €24m, due to lower volumes at Environmental Science and higher costs at BioScience to support business expansion. **Underlying EBIT** down by €9m to €1m.

Q4'08 MaterialScience

Systems segment sales down by 16.4% to €1,506m (Fx & portfolio adj. -21.0%). Polyurethanes (PUR) contributed €1,015m (-20.7%). Large sales declines in MDI, TDI, polyols and coatings raw materials driven by lower volumes. PUR prices relatively robust, except for TDI in Asia/Pacific after several quarters of record heights.
Underlying EBITDA fell by 74.8% to €82m. Higher selling prices and savings could not offset lower volumes and higher raw material costs. **Underlying EBIT** down by €257m to -€17m.
Materials segment sales receded by 29.4% (Fx & portfolio adj. -31.8%) to €549m. Considerable lower (Polycarbonates) volumes due to weak demand across almost all sectors and regions.
Underlying EBITDA dropped €70m to -€28m. Higher prices and savings could not compensate effects of lower volumes and higher raw material costs yoy. **Underlying EBIT** down by €70m to -€69m.

Important organizational changes

Diabetes Care: In order to bundle the medical devices business, Medrad (including the former Possis business) will be reassigned from the Pharmaceuticals division to Diabetes Care, which will then be renamed "Medical Care", effective January 1, 2009.
Consumer Care: Intendis (dermatologicals) will be regrouped from the Pharmaceuticals into the Consumer Care division as of January 1, 2009.
Please find 2008 pro-forma figures in the new HealthCare reporting structure (not audited yet) attached on page 7.
Thermoplastic Polyurethanes (TPU): As part of a strategic realignment, the TPU granules activities will be integrated into the PUR business unit and the TPU films activities into the Functional Films business of the Coatings, Adhesives, Specialties unit. As a consequence, the Materials and Systems segments will merge into one MaterialScience reporting segment as of January 1, 2009.

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Forward-looking statements
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Best-Selling Pharmaceutical Products	Q4 2007 €m	**Q4 2008** €m	Change in %	Fx adj. change in %	FY 2007 €m	**FY 2008** €m	Change in %	Fx adj. change in %
Yasmin®/YAZ®/Yasminelle® (Women's Healthcare)	274	312	13.9	10.6	1.042	1.222	17.3	22.2
of which in USA	130	138	6.2	-5.3	501	564	12.6	20.2
Betaferon®/Betaseron® (Specialized Therapeutics)	266	305	14.7	13.2	1.028	1.144	11.3	15.0
of which in USA	88	113	28.4	20.8	344	381	10.8	19.0
Kogenate® (Hematology/Cardiology)	194	198	2.1	-0.4	818	848	3.7	7.3
of which in USA	52	60	15.4	3.7	221	235	6.3	14.0
Adalat® (Primary Care)	155	170	9.7	5.1	614	626	2.0	3.9
of which in USA	3	1	-66.7	-62.9	17	8	-52.9	-50.9
Avalox®/Avelox® (Primary Care)	128	128	0.0	-1.3	445	462	3.8	7.8
of which in USA	44	47	6.8	4.1	132	140	6.1	13.8
Mirena® (Women's Healthcare)	96	127	32.3	30.4	361	462	28.0	35.5
of which in USA	43	72	67.4	53.0	174	253	45.4	55.7
Nexavar® (Oncology)	87	132	51.7	47.6	270	462	71.1	75.7
of which in USA	30	39	30.0	18.1	104	135	29.8	39.1
Levitra® (Primary Care)	82	93	13.4	11.8	332	341	2.7	7.0
of which in USA	31	41	32.3	20.0	134	141	5.2	12.6
Cipro®/Ciprobay® (Prim. Care)	86	96	11.6	11.2	383	338	-11.7	-8.9
of which in USA	5	23	360.0	335.1	34	56	64.7	78.0
Glucobay® (Primary Care)	73	75	2.7	-6.4	298	304	2.0	1.8
of which in USA	7	1	-85.7	-87.2	25	9	-64.0	-61.1
Aspirin Cardio® (Primary Care)	59	72	22.0	18.4	229	270	17.9	19.6
of which in USA	0	0	•	•	0	0	•	•
Ultravist® (Diagnostic Imaging)	57	67	17.5	20.3	235	261	11.1	16.5
of which in USA	5	3	-40.0	-36.9	19	15	-21.1	-14.7
Magnevist® (Diagnostic Imaging)	70	61	-12.9	-20.0	301	241	-19.9	-17.4
of which in USA	33	26	-21.2	-27.5	136	106	-22.1	-15.8
Iopamiron® (Diagn. Imaging)	59	61	3.4	-13.1	211	199	-5.7	-10.1
of which in USA	0	0	•	•	0	0	•	•
Diane® (Women's Healthcare)	46	40	-13.0	-8.2	175	164	-6.3	-3.6
of which in USA	0	0	•	•	0	0	•	•
Total	**1.732**	**1.937**	**11.8**	**8.8**	**6.742**	**7.344**	**8.9**	**12.4**

Bayer: Key Figures for Q4 2008

in € million	HealthCare						CropScience						MaterialScience						Reconc.		Group	
	HealthCare		Pharma		CH		CropSc.		CP		ES/BS		MaterialSc.		Systems		Materials					
	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08	Q4'07	Q4'08
Sales	3.800	4.140	2.619	2.868	1.181	1.272	1.321	1.352	1.100	1.124	221	228	2.579	2.055	1.801	1.506	778	549	340	376	8.040	7.923
Sales by region:																						
Europe	1.582	1.626	1.109	1.107	473	519	430	381	378	331	52	50	1.109	852	818	661	291	191	310	342	3.431	3.201
North America	1.116	1.290	709	840	407	450	249	274	161	173	88	101	536	481	404	371	132	110	5	2	1.906	2.047
Asia / Pacific	520	646	423	530	97	116	239	263	206	228	33	35	604	445	318	260	286	185	11	16	1.374	1.370
LatAm/Africa/Middle East	582	578	378	391	204	187	403	434	355	392	48	42	330	277	261	214	69	63	14	16	1.329	1.305
EBITDA	658	930	434	641	224	289	142	127	112	104	30	23	325	20	283	59	42	-39	-44	26	1.081	1.103
Special items	-264	-165	-236	-163	-28	-2	-35	-55	-35	-54	0	-1	-42	-34	-42	-23	0	-11	0	0	-341	-254
EBITDA underlying	922	1.095	670	804	252	291	177	182	147	158	30	24	367	54	325	82	42	-28	-44	26	1.422	1.357
EBITDA margin underlying	24,3%	26,4%	25,6%	28,0%	21,3%	22,9%	13,4%	13,5%	13,4%	14,1%	13,6%	10,5%	14,2%	2,6%	18,0%	5,4%	5,4%	-5,1%	-12,9%	6,9%	17,7%	17,1%
EBIT	273	562	84	313	189	249	7	-9	-3	-9	10	0	199	-121	198	-41	1	-80	-94	-20	385	412
Special items	-311	-197	-283	-195	-28	-2	-36	-62	-36	-61	0	-1	-42	-35	-42	-24	0	-11	0	0	-389	-294
EBIT underlying	584	759	367	508	217	251	43	53	33	52	10	1	241	-86	240	-17	1	-69	-94	-20	774	706
EBIT margin underlying	15.4%	18,3%	14,0%	17,7%	18,4%	19,7%	3,3%	3,9%	3,0%	4,6%	4,5%	0,4%	9,3%	-4,2%	13,3%	-1,1%	0,1%	-12,6%	-27,6%	-5,3%	9,6%	8,9%
Gross cash flow	579	903	395	643	184	260	184	159	149	134	35	25	305	65	261	89	44	-24	-47	24	1.021	1.151
Net cash flow	659	849	506	638	153	211	351	44	356	81	-5	-37	454	221	374	137	80	84	3	-157	1.467	957
Non-operating result																					-179	-375
Net income																					67	106
Earnings per share (€)																					0,11	0,16
Core earnings per share (€)																					0,71	0,71
CapEX (total)																					774	667
R&D																					663	710
D&A and Write-downs																					696	691
Employees at end of period	51.500	53.100	39.300	39.200	12.200	13.900	17.800	18.300	14.700	15.000	3.100	3.300	15.400	15.100	10.200	10.800	5.200	4.300	21.500	22.100	106.200	108.600

Bayer: Key Figures for FY 2008

in € million	HealthCare						CropScience						MaterialScience						Reconc.		Group	
	HealthCare		Pharma		CH		CropSc.		CP		ES/BS		MaterialSc.		Systems		Materials					
	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08	FY'07	Q'08	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08	FY'07	FY'08
Sales	14.807	15.407	10.267	10.704	4.540	4.703	5.826	6.382	4.781	5.339	1.045	1.043	10.435	9.738	7.394	7.130	3.041	2.608	1.317	1.391	32.385	32.918
Sales by region:																						
Europe	6.184	6.379	4.367	4.403	1.817	1.976	2.383	2.625	2.035	2.277	348	348	4.585	4.267	3.446	3.269	1.139	998	1.201	1.278	14.353	14.549
North America	4.439	4.512	2.862	2.966	1.577	1.546	1.332	1.396	912	979	420	417	2.376	2.108	1.802	1.635	574	473	14	10	8.161	8.026
Asia / Pacific	2.023	2.278	1.659	1.867	364	411	913	964	769	818	144	146	2.229	2.098	1.192	1.229	1.037	869	46	45	5.211	5.385
LatAm/Africa/Middle East	2.161	2.238	1.379	1.468	782	770	1.198	1.397	1.065	1.265	133	132	1.245	1.265	954	997	291	268	56	58	4.660	4.958
EBITDA	3.065	3.692	2.108	2.657	957	1.035	1.204	1.450	1.008	1.252	196	198	1.542	1.041	1.269	980	273	61	-55	83	5.866	6.266
Special items	-727	-465	-699	-423	-28	-42	-120	-153	-85	-145	-35	-8	-64	-47	-64	-32	0	-15	0	0	-911	-665
EBITDA underlying	3.792	4.157	2.807	3.080	985	1.077	1.324	1.603	1.093	1.397	231	206	1.606	1.088	1.333	1.012	273	76	-55	83	6.777	6.931
EBITDA margin underlying	25,6%	27,0%	27,3%	28,8%	21,7%	22,9%	22,7%	25,1%	22,9%	26,2%	22,1%	19,8%	15,4%	11,2%	18,0%	14,2%	9,0%	2,9%	-4,2%	6,0%	20,9%	21,1%
EBIT	1.564	2.181	741	1.294	823	887	656	918	537	804	119	114	1.042	537	942	636	100	-99	-108	-92	3.154	3.544
Special items	-928	-583	-900	-541	-28	-42	-130	-166	-95	-158	-35	-8	-75	-49	-75	-34	0	-15	0	0	-1.133	-798
EBIT underlying	2.492	2.764	1.641	1.835	851	929	786	1.084	632	962	154	122	1.117	586	1.017	670	100	-84	-108	-92	4.287	4.342
EBIT margin underlying	16,8%	17,9%	16,0%	17,1%	18,7%	19,8%	13,5%	17,0%	13,2%	18,0%	14,7%	11,7%	10,7%	6,0%	13,8%	9,4%	3,3%	-3,2%	-8,2%	-6,6%	13,2%	13,2%
Gross cash flow	2.389	3.045	1.685	2.220	704	825	961	1.192	799	1.026	162	166	1.228	850	991	779	237	71	206	208	4.784	5.295
Net cash flow	2.010	2.259	1.451	1.627	559	632	1.040	736	881	653	159	83	1.147	782	964	557	183	225	84	-169	4.281	3.608
Non-operating result																					-920	-1.188
Net income																					4.711	1.719
Earnings per share (€)																					5,84	2,22
Core earnings per share (€)																					3,80	4,17
CapEX (total)	593	610	359	451	234	159	223	314	184	273	39	41	889	831	685	684	204	147	186	227	1.891	1.982
R&D	1.700	1.742	1.518	1.540	182	202	637	649	506	492	131	157	209	221	133	161	76	60	32	41	2.578	2.653
D&A and Write-downs	1.501	1.511	1.367	1.363	134	148	548	532	471	448	77	84	500	504	327	344	173	160	163	175	2.712	2.722
Employees at end of period	51.500	53.100	39.300	39.200	12.200	13.900	17.800	18.300	14.700	15.000	3.100	3.300	15.400	15.100	10.200	10.800	5.200	4.300	21.500	22.100	106.200	108.600

2008 Figures in New HealthCare Reporting Structure

Euro million	Q1 **Pharma**	Q2 **Pharma**	Q3 **Pharma**	Q4 **Pharma**	FY 2008 **Pharma**
Sales (Pharmaceuticals)	2.470	2.405	2.483	2.672	10.030
Diagnostic Imaging (excl. Medrad)	214	206	231	249	900
Europe	1.089	1.003	1.042	1.047	4.181
North America	645	620	642	739	2.646
AsiaPacific	415	432	446	512	1.805
LA/A/ME	321	351	353	373	1.398
EBITDA	681	634	593	592	2.500
Special Items	79	71	107	162	419
EBITDA before special items	760	705	700	754	2.919
EBITDA margin before special items	30,8%	29,3%	28,2%	28,2%	29,1%
EBIT	330	315	291	287	1.223
Special Items	99	90	154	194	537
EBIT before special items	429	405	445	481	1.760
Gross cash flow	518	420	554	599	2.091
Net cash flow	397	106	448	596	1.547
No. of employees	36.400	36.200	36.000	36.000	36.000
Full year only:					
Capital invested					17.700
Assets					21.954
Capex					424
D&A					1.278
Liabilities					3.823
R&D expense					1.485

Euro million	Q1 **Cons. Health**	Q2 **Cons. Health**	Q3 **Cons. Health**	Q4 **Cons. Health**	FY 2008 **Cons. Health**
Sales (Consumer Health)	1.261	1.329	1.319	1.468	5.377
Consumer Care (incl. Dermatology)	715	706	752	847	3.020
Diabetes Care (incl. Medrad)	311	364	328	391	1.394
Europe	537	535	546	580	2.198
North America	400	465	451	550	1.866
AsiaPacific	111	113	115	134	473
LA/A/ME	213	215	207	205	840
EBITDA	289	253	312	338	1.192
Special Items	1	36	6	3	46
EBITDA before special items	290	289	318	341	1.238
EBITDA margin before special items	23,0%	21,7%	24,1%	23,2%	23,0%
EBIT	233	198	252	275	958
Special Items	1	36	6	3	46
EBIT before special items	234	234	258	278	1.004
Gross cash flow	219	186	245	304	954
Net cash flow	180	48	231	253	712
No. of employees	15.600	16.300	16.900	17.100	17.100
Full year only:					
Capital invested					5.573
Assets					6.569
Capex					186
D&A					233
Liabilities					1.478
R&D expense					257