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Investor News

First quarter of 2011: all subgroups lift sales and earnings

Bayer off to a successful start to 2011

- Sales up by 13.2 percent to EUR 9,415 million
- Operating result (EBIT) rises by 4.0 percent to EUR 1,148 million
- EBITDA before special items advances by 22.3 percent to EUR 2,232 million
- Special items of EUR 442 million diminish earnings
- Net income up 8.4 percent to EUR 684 million
- Group forecast raised – improvement expected at CropScience

Leverkusen, April 28, 2011 – The Bayer Group got off to a successful start to 2011. “All three subgroups contributed to the strong start to the year with sales and earnings increases,” Bayer CEO Dr. Marijn Dekkers explained on Thursday when the company’s first-quarter results were released. He was especially pleased at how well the season had begun at CropScience. MaterialScience achieved significant growth compared with the prior-year quarter, which was still hampered by the financial and economic crisis, and HealthCare also posted a solid performance. Dekkers expressed his optimism for the year as a whole: “We are raising our Group sales and earnings forecast for this year, mainly because of the improvement we expect at CropScience.”

Sales of the Bayer Group climbed by 13.2 percent in the first quarter of 2011, to EUR 9,415 million (Q1 2010: EUR 8,316 million). Adjusted for currency and portfolio effects (Fx&p adj.), sales were up by 10.4 percent. Despite the positive business trend, the operating result (EBIT) improved by only 4.0 percent to EUR 1,148 million (Q1 2010: EUR 1,104 million).

Earnings were diminished by special charges of EUR 442 million (Q1 2010: EUR 77 million). Of this figure, the restructuring measures already announced at CropScience and HealthCare accounted for EUR 248 million. Charges of EUR 194 million were taken mainly for an intended settlement program in connection with litigations concerning

genetically modified rice in the United States. “We hope this subject is now dealt with to a large extent,” said Dekkers.

EBIT before special items improved by 34.6 percent to EUR 1,590 million (Q1 2010: EUR 1,181 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – climbed by 22.3 percent to EUR 2,232 million (Q1 2010: EUR 1,825 million). Net income came in at EUR 684 million (Q1 2010: EUR 631 million), up 8.4 percent year on year. Core earnings per share rose by 28.3 percent to EUR 1.45 (Q1 2010: EUR 1.13).

Gross cash flow climbed by 11.1 percent to EUR 1,309 million (Q1 2010: EUR 1,178 million), while net cash flow rose by 9.4 percent to EUR 801 million (Q1 2010: EUR 732 million). Net financial debt was reduced by EUR 0.8 billion compared with the end of 2010, to EUR 7.1 billion. The rating agency Standard & Poor’s recently confirmed Bayer’s good credit rating (A-) and raised the outlook from “negative” to “stable.”

HealthCare benefits from growth in the Consumer Health business

Sales of the HealthCare subgroup increased by 7.7 percent (Fx&p adj. 4.1 percent) in the first quarter to EUR 4,166 million (Q1 2010: EUR 3,869 million). “This increase was largely due to the positive development in the Consumer Health segment,” explained Dekkers.

The Pharmaceuticals segment raised sales by 4.7 percent to EUR 2,649 million. Adjusted for currency effects (Fx adj.), the increase was 0.9 percent. Pharmaceuticals registered particularly gratifying gains in China and Japan. However, sales were held back by generic competition for the YAZ™ family of oral contraceptives in the United States (Fx adj. –18.3 percent worldwide) and by health system reforms in various countries. Of the other top pharmaceutical products, the highest growth rates were recorded for the hemophilia medicine Kogenate™ (Fx adj. +13.0 percent) and Aspirin™ Cardio (Fx adj. +18.7 percent).

Sales in the Consumer Health segment improved by 13.4 percent (Fx&p adj. 10.1 percent) to EUR 1,517 million, with all regions contributing to growth. In the non-prescription medicines business (Consumer Care), the analgesics Aspirin™ and Aleve™/naproxen posted strong gains of 21.8 percent (Fx adj.) and 12.1 percent (Fx adj.), respectively. Sales of the antifungal Canesten™ also expanded by a substantial

19.1 percent (Fx adj.). The Medical Care Division benefited especially from increased volumes of the Contour™ line of blood glucose meters (Fx adj. +14.3 percent). The Animal Health Division was also successful, its strongest performer being the Advantage™ line of flea, tick and worm control products (Fx adj. +11.7 percent).

EBITDA before special items of the HealthCare subgroup advanced by 11.4 percent to EUR 1,140 million (Q1 2010: EUR 1,023 million). The increase was mainly attributable to the strong business performance by Consumer Health and to positive currency effects. On the other hand, earnings growth was restrained by higher selling expenses.

Growth impetus at CropScience

Sales of the CropScience subgroup climbed by 15.6 percent (Fx adj. 13.6 percent) in the first quarter compared with the weak prior-year period, to EUR 2,257 million (Q1 2010: EUR 1,952 million). “This increase was partly attributable to the very favorable market environment,” said Dekkers, referring to the early and particularly good start to the season in the northern hemisphere and the high prices for agricultural raw materials. “In addition, we continued to expand the BioScience business,” added Bayer’s CEO.

The Crop Protection business saw sales advance by 13.6 percent (Fx adj. 12.0 percent) year on year, to EUR 1,676 million. Business improved substantially in all regions, driven mainly by new products. While sales of herbicides, fungicides and seed treatments expanded considerably compared with the weak prior-year period, those of insecticides were slightly down.

Sales in the Environmental Science, BioScience segment grew by 22.1 percent (Fx adj. 18.4 percent) to EUR 581 million. At Environmental Science, business with products for professional users increased, while sales of consumer products showed a slight decline. In the BioScience business unit, which specializes in seeds and plant traits, there was a substantial increase in sales and a particularly pleasing trend for canola, cotton and vegetables.

EBITDA before special items of CropScience rose by 40.3 percent to EUR 745 million (Q1 2010: EUR 531 million), the growth in earnings being mainly due to the good business development in Crop Protection and BioScience.

MaterialScience: Significantly higher demand from all the main customer industries

Bayer's high-tech materials business continued its gratifying development in the first quarter. Compared with the prior-year period, which was still hampered by the global financial and economic crisis, sales climbed by 21.2 percent (Fx&p adj. 18.7 percent) to EUR 2,686 million (Q1 2010: EUR 2,216 million). "This growth in sales chiefly resulted from the encouraging increase in demand in all the main customer industries," said Dekkers. The subgroup posted its strongest growth in absolute terms in the construction and automotive sectors. Volumes rose in all product groups and regions, with a marked overall increase in selling prices.

Business with foam raw materials (Polyurethanes) expanded by 19.3 percent (Fx&p adj.). Sales of high-performance plastics (Polycarbonates) advanced by 22.2 percent (Fx adj.) year on year. Business with raw materials for coatings, adhesives and specialties improved by 9.5 percent (Fx adj.) year on year.

EBITDA before special items of MaterialScience climbed by 24.1 percent to EUR 345 million (Q1 2010: EUR 278 million). Earnings were supported by the expansion in volumes. In addition, the subgroup succeeded in nearly offsetting the considerable increase in raw material and energy costs through significantly higher selling prices for its products.

Core earnings per share to rise by about 15 percent in 2011

Following the successful start to 2011, Bayer is raising its sales and earnings forecast for the full year, largely on account of the good start to the season at CropScience. For the full year 2011, the Bayer Group is targeting a currency- and portfolio-adjusted sales increase of between 5 and 7 percent (previously: between 4 and 6 percent). This corresponds to Group sales of between EUR 36 and EUR 37 billion (previously: between EUR 35 and EUR 36 billion). This guidance is based on the exchange rates prevailing at the end of the first quarter of 2011. Bayer aims to increase EBITDA before special items to more than EUR 7.5 billion (previously: toward EUR 7.5 billion). Core earnings per share are expected to improve by about 15 percent (previously: about 10 percent).

The company confirms its outlook for HealthCare in 2011. This subgroup plans to increase sales by a low- to mid-single-digit percentage this year 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. The company plans 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 and expects sales and EBITDA before special items to increase by mid-single-digit percentages.

Following the dynamic start to 2011, Bayer is raising its guidance for CropScience. The subgroup now expects to improve sales in both segments on a currency- and portfolio-adjusted basis and to grow overall by a high-single-digit (previously: at least a mid-single-digit) percentage. Bayer intends to further strengthen its market position in the Environmental Science, BioScience segment and to at least maintain its existing position in Crop Protection. CropScience plans to expand EBITDA before special items by about 20 percent compared to the weak prior year (previously: at a higher rate than sales).

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

Note:
The tables below contain the key data for the Bayer Group and its subgroups for the first quarter 2011.

The complete financial report as of March 31, 2011 is available for online viewing and download at ***www.investor.bayer.com.***

Supplementary features at ***www.investor.bayer.com:***
- presentation charts for the investor conference call at 12:00 noon CEST
- live webcast of the investor conference call from approximately 2:00 p.m. CEST
- recording of the investor conference call from approximately 6:00 p.m. CEST

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Forward-Looking Statements
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Bayer Key Data, 1st Quarter 2011

(certain prior-year data are restated)

Bayer Group (EUR million)	Q1 2010	**Q1 2011**	Change in %
Sales	8,316	**9,415**	+13.2
EBIT	1,104	**1,148**	+4.0
Special items	*(77)*	***(442)***	-
EBIT before special items	1,181	**1,590**	+34.6
EBITDA	1,748	**1,866**	+6.8
Special items	*(77)*	***(366)***	-
EBITDA before special items	1,825	**2,232**	+22.3
Net income	631	**684**	+8.4
Earnings per share (EUR)	0.76	**0.83**	+9.2
Core earnings per share (EUR)	1.13	**1.45**	+28.3

Bayer HealthCare (EUR million)	Q1 2010	**Q1 2011**	Change In %
Sales	3,869	**4,166**	+7.7
EBIT	660	**769**	+16.5
Special items	*(29)*	***(37)***	-
EBIT before special items	689	**806**	+17.0
EBITDA	994	**1,103**	+11.0
Special items	*(29)*	***(37)***	-
EBITDA before special items	1,023	**1,140**	+11.4

Bayer CropScience (EUR million)	Q1 2010	**Q1 2011**	Change In %
Sales	1,952	**2,257**	+15.6
EBIT	360	**219**	-39.2
Special items	*(48)*	***(405)***	-
EBIT before special items	408	**624**	+52.9
EBITDA	483	**416**	-13.9
Special items	*(48)*	***(329)***	-
EBITDA before special items	531	**745**	+40.3

Bayer MaterialScience (EUR million)	Q1 2010	**Q1 2011**	Change in %
Sales	2,216	**2,686**	+21.2
EBIT	137	**205**	+49.6
Special items	*0*	***0***	-
EBIT before special items	137	**205**	+49.6
EBITDA	278	**345**	+24.1
Special items	*0*	***0***	-
EBITDA before special items	278	**345**	+24.1

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.