

Q3 2010 Analyst and Investor Briefing

October 28, 2010

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- Further growth in Group sales and underlying EBITDA mainly driven by business expansion at MaterialScience and positive currency effects.
- Price +2.7%, volume +5.7%, currency +7.7%, portfolio 0.0%
- Special items of minus €436 million related to litigations in the United States. Of this amount, €386 million mainly for intended settlement program in connection with litigations concerning genetically modified rice (LLRICE) and minus €50 million in connection with litigations concerning YAZ/Yasmin.
- Currency impact on underlying EBITDA of approx. €150 million
- Tax rate at 1.4% due to regional earnings distribution.
- Core EPS up 21.8%.
- Gross cash flow affected by litigation-related provisions and increased contributions to pension funds; net cash flow up 2.5% partly due to more effective working capital management.
- Net financial debt reduced to €9.1 billion also due to positive currency impact of €0.4 billion.
- Group outlook for 2010 confirmed.

Group Key Figures

<i>Euro million</i>	Q3 2009	Q3 2010	% y-o-y	Consensus**
Sales	7,392	8,581	16.1 / 8.4*	8,293
Reported EBITDA	1,326	1,220	(8.0)	1,573
Underlying EBITDA	1,499	1,656	10.5	1,615
Reported EBIT	646	556	(13.9)	925
Net special items	(191)	(436)	•	(46)
Underlying EBIT	837	992	18.5	971
Non-operating result	(262)	(267)	(1.9)	(232)
Income taxes	(135)	(4)	•	•
Net income	249	280	12.4	497
EPS (Euro/share)	0.30	0.34	13.3	0.60
Core EPS (Euro/share)	0.78	0.95	21.8	0.92
Gross cash flow	1,172	879	(25.0)	•
Delta working capital	345	676	95.9	•
Net cash flow	1,517	1,555	2.5	•
CapEx (cash relevant)	420	395	(6.0)	•
Operating free cash flow	1,097	1,160	5.7	•

<i>Euro million</i>	June 30, 2010	Sept. 30, 2010
Net financial debt	10,697	9,139
Net pension liability	7,727	8,177

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 14, 2010 provided by Vara Research GmbH

Bayer Group Forecast

- We remain optimistic for 2010 and confirm our full-year forecast for the Group.
- We continue to target more than 5% currency and portfolio adjusted sales growth.
- We are aiming to increase EBITDA before special items to more than €7 billion.
- Core earnings per share are expected to improve by more than 15%.

HealthCare

- We forecast a slight increase in sales at HealthCare on a currency- and portfolio-adjusted basis.
- Sales in the Pharmaceuticals segment are expected to remain level year on year on a currency- and portfolio-adjusted basis. In Consumer Health we still plan to expand faster than the market.
- Regarding EBITDA before special items of Healthcare, we are still aiming to at least match the prior-year. However, in view of the business performance so far and the appreciation of the euro, this target appears ambitious.

CropScience

- In the currently positive market environment, we plan to grow fourth-quarter sales compared to the prior-year period on a currency- and portfolio-adjusted basis.
- Against the background of the weak first half, we continue to anticipate that sales for the full year 2010 will come in slightly below the prior-year level.
- We expect a substantial year-on-year decline in EBITDA before special items.

MaterialScience

- We remain optimistic about our MaterialScience business for the rest of the year.
- In this period, which is normally weaker for seasonal reasons, we expect that sales and EBITDA before special items will be well below the strong Q3'2010 but significantly above Q4'2009.
- For the full year 2010, we anticipate sales in the region of €10 billion and roughly threefold growth in EBITDA before special items to more than €1.3 billion.
- Overall, the MaterialScience business has recovered impressively and more quickly than expected. This means we will meet our original target of returning to the pre-crisis level at MaterialScience by 2012 much earlier than planned.

Further assumptions for 2010:

Estimates are based on the exchange rates prevailing at the end of the third quarter of 2010.

CapEx: approx. €1.4bn for PPE

D&A (excluding write-downs): approx. €2.6bn, including €1.3bn amortization of intangibles

R&D: approx. €3.1bn

Non-operating result: approx. minus €1bn

Income tax-rate: below 27%

HealthCare

Euro million	Q3 2009	Q3 2010	% y-o-y
Sales	3,936	4,271	8.5 / 0.9*
Pharmaceuticals	2,548	2,732	7.2 / 0.0*
Consumer Health	1,388	1,539	10.9 / 2.6*
Underlying EBITDA	1,141	1,099	(3.7)
Pharmaceuticals	765	731	(4.4)
Consumer Health	376	368	(2.1)

Consensus**
4,128
•
•
1,103
•
•

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 14, 2010 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

Euro million	Q3 2009	Q3 2010	% y-o-y	% y-o-y Fx
Betaferon / Betaseron	283	308	8.8	1.2
of which USA	125	128	2.4	(7.2)
YAZ product family	320	243	(24.1)	(28.1)
of which USA	135	32	(76.3)	(78.1)
of which Yasmin brand	134	145	8.2	2.4
of which USA	20	23	15.0	7.5
of which YAZ brand	144	56	(61.1)	(63.7)
of which USA	115	9	(92.2)	(93.1)
Kogenate	247	277	12.1	6.9
of which USA	67	86	28.4	13.6
Nexavar	161	175	8.7	1.3
of which USA	40	43	7.5	(1.3)
Adalat	155	171	10.3	(1.6)
of which USA	1	1	•	•
Mirena	105	138	31.4	20.7
of which USA	53	76	43.4	30.4
Levitra	92	110	19.6	9.4
of which USA	41	57	39.0	29.0
Avalox / Avelox	92	100	8.7	1.1
of which USA	24	12	(50.0)	(54.1)
Aspirin Cardio	78	94	20.5	12.8
of which USA	0	0	•	•
Glucobay	77	91	18.2	5.2
of which USA	0	0	•	•
Ultravist	62	81	30.6	20.1
of which USA	4	3	(25.0)	(17.2)
Cipro / Ciprobay	83	61	(26.5)	(30.1)
of which USA	22	2	(90.9)	(91.8)
Magnevist	50	55	10.0	(3.0)
of which USA	27	30	11.1	(2.0)
Iopamiron	51	44	(13.7)	(30.3)
of which USA	0	0	•	•
Kinzal / Pritor	40	44	10.0	11.5
of which USA	0	0	•	•

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

- Price -0.6%, volume +1.5%, currency +7.6%, portfolio 0.0%
- **Pharmaceuticals** impacted by healthcare reforms and by lower U.S. business – excluding YAZ U.S.-sales the business grew by 4.4% (Fx and portfolio adj.).
 - Betaferon slightly up.
 - YAZ-product family suffered from genericisation of YAZ in the U.S.
 - Kogenate driven by good performance in North America and in LatAm/Africa/MiddleEast.
 - Nexavar flat compared to strong prior-year quarter (HCC approval in Japan in May 2009).
 - Mirena driven by price increase in the U.S. effective since March.
 - Levitra with favorable performance in the U.S.
 - Aspirin Cardio expanded due to higher volumes especially in China.
 - Cipro down mainly due to expiration of U.S. government sales.
 - Ultravist driven by performance in Latin America (replacement of Iopamiron) and Asia/Pacific.
- **Consumer Health** grew in all regions. Consumer Care and Animal Health the main growth driver.
- **Underlying EBITDA** at HealthCare mainly affected by higher R&D expenditures, higher selling expenses, healthcare reforms and genericisation of YAZ in the U.S. Currency effects with positive impact.

CropScience

Euro million	Q3 2009	Q3 2010	% y-o-y	Consensus**
Sales	1,140	1,341	17.6 / 8.3*	1,206
Crop Protection	973	1,130	16.1 / 7.4*	•
ES/BS	167	211	26.3 / 13.5*	•
Underlying EBITDA	108	126	16.7	127
Crop Protection	118	142	20.3	•
ES/BS	(10)	(16)	(60.0)	•

ES/BS: Environmental Science/BioScience

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 14, 2010 provided by Vara Research GmbH

Q3 2010	Europe		North America		Asia/Pacific		LA/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	342	(4.0)	227	37.5	279	7.3	493	9.3
Crop Protection	298	(3.1)	152	49.1	239	5.2	441	6.8
ES/BS	44	(9.3)	75	18.8	40	21.6	52	37.5

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

- Price -0.3%, volume +8.6%, currency +9.1%, portfolio +0.2%
- **CropScience** benefitted from more favorable market environment with increased demand, due partly to significantly lower inventory levels in the distribution channels, and higher prices for agricultural raw materials.
- **Crop Protection** achieved good growth rates for fungicides, insecticides and herbicides in a favorable market environment. Sales of our seed treatment products receded.
- Strong herbicides sales in Europe, however, seed treatment business declined in France and in Germany.
- Sales in North America driven by excellent performance in all segments in the U.S. compared to a weak prior-year quarter.
- Higher sales of insecticides and fungicides in Asia/Pacific more than offset lower sales in the herbicide segment.
- Business in Latin America benefitted from the recovery in the crop protection market. Expansion in Mexico, Argentina and Brazil was especially encouraging.
- **Environmental Science** down as a result of weaker sales of products for the private consumers due to adverse weather conditions in the U.S. Business for professional users with slight decline. **BioScience** driven by strong sales increase of vegetables seeds as well as higher sales of cotton, canola and rice seeds.
- Improvement of **underlying EBITDA** at CropScience mainly due to business expansion at Crop Protection and positive currency effects. Higher R&D expenses at BioScience were more than offset.

MaterialScience

<i>Euro million</i>	Q3 2009	Q2 2010	Q3 2010	% y-o-y
Sales	2,038	2,689	2,665	30.8 / 23.0*
Polyurethanes	1,011	1,321	1,321	30.7 / 22.7*
Polycarbonates	526	753	726	38.0 / 28.7*
CAS	383	481	475	24.0 / 17.6*
Industrial Operations	118	134	143	21.2 / 17.5*
Underlying EBITDA	238	371	409	71.8

Consensus**
2,670
•
•
•
•
371

CAS: Coatings, Adhesives, Specialties

*) Currency adjusted sales growth

**) Consensus figures as of October 14, 2010 provided by Vara Research GmbH

- Price +10.3%, volume +12.7%, currency +7.8%, portfolio 0.0%
- Growth primarily driven by significantly higher demand in our main customer industries. Construction and automotive industry with the largest increase in absolute terms. Considerably higher volumes in all product groups and regions. Selling prices rose significantly overall.
- Strong y-o-y volume increase at all **Polyurethane** product groups in all regions. Prices increased in all product groups, particularly in Europe and North America.
- **Polycarbonates** with strong y-o-y increases in volumes and selling prices in our granules product group. Sheets/semi-finished products grew sales through steady selling prices coupled with higher volumes.
- **Coatings, Adhesives, Specialties** with significant volume gains in all product groups and regions, especially in Asia/Pacific and in Europe. Slight selling price increases in nearly all product groups and regions.
- **Underlying EBITDA** driven by higher volumes, increased selling prices and efficiency improvements more than offsetting higher raw material costs.

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Segment	HealthCare						CropScience						MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Crop Protection		Environmental Science, BioScience		Subgroup Total		Reconciliation		Group	
	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10	Q3'09	Q3'10
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	3,936	4,271	2,548	2,732	1,388	1,539	1,140	1,341	973	1,130	167	211	2,038	2,865	278	304	7,392	8,581
Sales by region:																		
Europe	1,541	1,590	996	1,014	545	576	352	342	304	298	48	44	825	1,046	247	266	2,965	3,244
North America	1,146	1,181	648	601	498	560	149	227	92	152	57	75	395	540	1	2	1,691	1,930
Asia / Pacific	680	854	540	687	140	167	224	279	196	239	28	40	546	754	14	20	1,464	1,907
LatAm/Africa/Middle East	569	666	364	430	205	236	415	493	381	441	34	52	272	325	16	16	1,272	1,500
EBITDA	1,037	1,049	659	681	378	368	78	-260	92	142	-14	-402	227	409	-16	22	1,326	1,220
Special items	-104	-50	-106	-50	2	0	-30	-386	-26	0	-4	-386	-11	0	-28	-436	-173	-436
EBITDA underlying	1,141	1,099	765	731	376	368	108	126	118	142	-10	-16	238	409	12	22	1,499	1,656
EBITDA margin underlying	29.0%	25.7%	30.0%	26.8%	27.1%	23.9%	9.5%	9.4%	12.1%	12.6%	-6.0%	-7.6%	11.7%	15.3%	4.3%	7.2%	20.3%	19.3%
EBIT	681	712	368	412	313	300	-59	-390	-28	33	-31	-423	85	260	-61	-26	646	556
Special items	-105	-50	-107	-50	2	0	-43	-386	-40	0	-3	-386	-15	0	-28	0	-191	-436
EBIT underlying	786	762	475	462	311	300	-16	-4	12	33	-28	-37	100	260	-33	-26	837	992
EBIT margin underlying	20.0%	17.8%	18.6%	16.9%	22.4%	19.5%	-1.4%	-0.3%	1.2%	2.9%	-16.8%	-17.5%	4.9%	9.8%	-11.9%	-8.6%	11.3%	11.6%
Gross cash flow	876	684	599	442	277	242	49	-187	58	101	-9	-288	180	297	67	85	1,172	879
Net cash flow	979	694	668	421	311	273	371	472	289	374	82	98	129	254	38	135	1,517	1,555
Non-operating result																		
Net income																		
Earnings per share (€)																		
Core earnings per share (€)																		
CapEx																		
R&D																		
20&A and Write-downs																		