Bayer

Investor News

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

After a good third quarter: Bayer confirms Group outlook

- Sales up by 4.8 percent (adjusted) to EUR 8,670 million
- Continuing growth momentum in the emerging markets (adjusted: plus 9.5 percent)
- Operating result (EBIT) increased by 94.9 percent to EUR 1,099 million
- EBITDA before special items up by 8.5 percent to EUR 1,805 million
- HealthCare and CropScience margins distinctly improved – MaterialScience weaker
- Net income more than doubled to EUR 642 million (plus 125.3 percent)

Leverkusen, October 27, 2011 – The Bayer Group achieved further sales growth and significantly increased earnings in the third quarter of 2011. “It was a good quarter for Bayer,” Management Board Chairman Dr. Marijn Dekkers said Thursday at the presentation of the interim report. He described the continuing growth momentum in the emerging markets as a key success factor. “Another highlight was the substantial increase in earnings at Bayer HealthCare and CropScience,” Dekkers added. At MaterialScience, on the other hand, earnings were diminished by higher energy and raw material costs. He also said Bayer made encouraging progress in research and development, citing positive news from the late-stage pharmaceutical pipeline. “Based on a good quarter, we can confirm the full-year forecast for the Bayer Group that we already raised in the spring,” said Dekkers.

Sales of the Bayer Group rose by 1.0 percent in the third quarter to EUR 8,670 million (Q3 2010: EUR 8,581 million). The currency- and portfolio-adjusted (Fx & portfolio adj.) increase was 4.8 percent. Sales in the emerging markets rose by 9.5 percent on a currency-adjusted (Fx adj.) basis and accounted for a disproportionately large share of growth. The operating result (EBIT) advanced by a substantial 94.9 percent to EUR 1,099 million (Q3 2010: EUR 564 million).

Special charges totaled EUR 75 million (Q3 2010: EUR 436 million), including restructuring expenses of EUR 69 million. Earnings in the prior-year quarter were

diminished by provisions for litigations concerning genetically modified rice (LL RICE) in the United States.

EBIT before special items climbed by 17.4 percent to EUR 1,174 million (Q3 2010: EUR 1,000 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – rose by 8.5 percent to EUR 1,805 million (Q3 2010: EUR 1,664 million). Net income more than doubled, increasing by 125.3 percent to EUR 642 million (Q3 2010: EUR 285 million). Core earnings per share rose by 17.9 percent to EUR 1.12 (Q3 2010: EUR 0.95).

Gross cash flow climbed by 49.6 percent to EUR 1,327 million (Q3 2010: EUR 887 million) due to the improved operating income and lower special charges, while net cash flow was level year on year at EUR 1,577 million (Q3 2010: EUR 1,555 million). Despite negative currency effects of approximately EUR 0.3 billion, net financial debt as of September 30 declined by EUR 0.4 billion compared with June 30, 2011, to EUR 7.0 billion.

Higher earnings at HealthCare

Sales of the HealthCare subgroup receded by 1.7 percent in the third quarter, to EUR 4,200 million (Q3 2010: EUR 4,271 million), due to negative currency effects. After adjusting for currency and portfolio effects, sales rose by 1.6 percent. “The trend in the pharmaceuticals business in the emerging markets was particularly encouraging,” Dekkers said. On the other hand, pharmaceuticals sales were down in Europe and North America. The consumer health business developed positively in all regions on a currency-adjusted basis.

Sales in the Pharmaceuticals segment rose by 0.3 percent (Fx & portfolio adj.) to EUR 2,663 million, mainly on account of the positive development in Asia/Pacific and Latin America, especially China and Brazil. In North America and Western Europe, however, business continued to be held back by health system reforms. Among the segment’s top products, the YAZ™ family of oral contraceptives developed particularly well. Sales of this product group advanced by 16.5 percent (Fx adj.) compared with a weak prior-year quarter. Double-digit growth was also posted by Aspirin™ Cardio for the prevention of heart attacks, with sales rising by 11.4 percent (Fx adj.). Sales of the cancer drug Nexavar™ rose by 4.5 percent (Fx adj.), mainly for the liver cancer indication. By

contrast, sales of the blood-clotting drug Kogenate™ declined by 3.9 percent (Fx adj.) due to fluctuations in the ordering schedule of the distribution partner. In addition, the partial reorganization of distribution for general medicine products in the United States resulted in a 31.0 percent (Fx adj.) decline in sales of the erectile dysfunction treatment Levitra™ compared with the strong prior-year quarter.

Sales in the Consumer Health segment improved by 3.8 percent (Fx & portfolio adj.) to EUR 1,537 million. All regions contributed to growth, especially Latin America/Africa/ Middle East. In the non-prescription medicines business (Consumer Care), we saw sales gains particularly for the Bepanthen™/Bepanthol™ line of skincare products (Fx adj. plus 5.2 percent) and the pain-reliever Aspirin™ (Fx adj. plus 3.0 percent). The Medical Care Division benefited mainly from growth in the diabetes care business, with the Contour™ line of blood glucose meters gaining 11.2 percent (Fx adj.). By contrast, the animal health business stagnated at the prior-year level. Sales of the Advantage™ line of flea, tick and worm control products receded by 6.6 percent (Fx adj.).

EBITDA before special items of HealthCare improved by 9.3 percent to EUR 1,226 million (Q3 2010: EUR 1,122 million). The underlying EBITDA margin thus rose to 29.2 percent (Q3 2010: 26.3 percent). Earnings were driven by the pharmaceuticals business, where costs were lower in all functions. “This shows our efficiency programs are starting to bear fruit,” said Dekkers. In addition, earnings were buoyed by lower development costs following the successful completion of most Phase III studies for the anticoagulant Xarelto™. Health system reforms and negative currency changes, however, had a negative effect.

CropScience significantly improves sales and earnings

The CropScience subgroup raised sales by 2.8 percent (Fx & portfolio adj. 9.4 percent) to EUR 1,379 million (Q3 2010: EUR 1,341 million). While business at Crop Protection expanded thanks to substantially higher volumes, sales were down at BioScience and Environmental Science. “A positive factor was the favorable market environment, with high prices for agricultural raw materials,” Dekkers explained. The subgroup posted substantial growth in sales in the Latin America/Africa/Middle East and Asia/Pacific regions, where business expanded by 13.8 and 12.5 percent, respectively, on a currency-adjusted basis. CropScience also made modest gains in Europe and North America, where sales rose by 2.3 and 2.2 percent, respectively.

In the Crop Protection segment, all product groups delivered encouraging growth. The seed treatment business in particular advanced substantially, with sales up by 35.1 percent (Fx & portfolio adj.). Despite the cessation of marketing for older products such as Temik™, the insecticides business also registered a significant improvement of 10.2 percent (Fx & portfolio adj.). Sales of fungicides and herbicides grew by 10.5 and 6.2 percent, respectively (Fx & portfolio adj.).

By contrast, the BioScience business unit – which specializes in seed and traits – experienced a considerable drop in sales (Fx & portfolio adj. minus 20.9 percent). Business in the third quarter was weak particularly for canola and cotton seed in North America. However, double-digit growth rates were recorded for both crops over the first nine months. Sales of the Environmental Science business unit moved back by 3.2 percent (Fx adj.) in the third quarter.

EBITDA before special items of CropScience was up by 47.3 percent to EUR 165 million (Q3 2010: EUR 112 million). This increase resulted largely from significantly higher volumes and improved capacity utilization. The underlying EBITDA margin advanced to 12.0 percent (Q3 2010: 8.4 percent).

MaterialScience held back by raw material and energy costs

“At MaterialScience, the picture was mixed,” Dekkers continued. Sales of the high-tech materials business climbed by 3.9 percent (Fx & portfolio adj. 7.4 percent) in the third quarter, to EUR 2,768 million (Q3 2010: EUR 2,665 million). MaterialScience implemented selling price increases in all business units and regions. However, volumes as a whole were level year on year, with increases in the Latin America/Africa/Middle East and North America regions fully offsetting declines in Asia/Pacific.

Business with foam raw materials (Polyurethanes) improved by 7.1 percent (Fx & portfolio adj.). The high-tech plastics business (Polycarbonates) grew by a similar rate of 7.4 percent (Fx & portfolio adj.). Raw materials for coatings, adhesives and specialties advanced by 3.2 percent (Fx & portfolio adj.), while Industrial Operations grew sales by 23.8 percent (Fx & portfolio adj.).

EBITDA before special items of MaterialScience was down by 14.7 percent in the third quarter, to EUR 348 million (Q3 2010: EUR 408 million). This decline resulted mainly from higher raw material and energy costs, which were largely – but not fully – offset by selling price increases. Increases in project-related operating costs and downtime costs also had a negative impact on earnings.

Encouraging sales and earnings growth in the first nine months

Bayer achieved very encouraging increases in sales and earnings in the first nine months of 2011, with all three subgroups contributing to this performance. Sales for this period rose by 4.8 percent (Fx & portfolio adj. 6.8 percent) to EUR 27,337 million (9M 2010: EUR 26,076 million). EBIT increased by 31.4 percent to EUR 3,520 million (9M 2010: EUR 2,679 million), while EBITDA before special items advanced by 12.2 percent to EUR 6,072 million (9M 2010: EUR 5,412 million). Net income was up by 43.4 percent to EUR 2,073 million (9M 2010: EUR 1,446 million), while core earnings per share improved by 19.1 percent to EUR 3.86 (9M 2010: EUR 3.24).

Ongoing positive trend in the emerging markets

The emerging markets once again made a key contribution to sales growth. Bayer has defined these markets as the Asia/Pacific region (excluding Japan, Australia and New Zealand), Latin America, Eastern Europe, Africa and the Middle East. Sales in these countries advanced by 10.5 percent to EUR 9,746 million (Fx adj.) in the first nine months of 2011, with the third quarter accounting for EUR 3,331 million (Fx adj. plus 9.5 percent).

Dekkers also stressed the important progress that Bayer made in research and development in the third quarter, particularly with the anticoagulant Xarelto™ and the cancer drug Alpharadin™. In addition, a Phase III study with regorafenib in advanced colon cancer was terminated early due to positive interim results. Through 2013 Bayer plans to make a total of EUR 15 billion available for investing in its future, with research and development accounting for about two thirds of this amount.

EBITDA before special items predicted to exceed EUR 7.5 billion in 2011

“We can confirm the full-year sales and earnings forecast that we already raised in April,” Dekkers said. As previously announced, Bayer expects to raise sales in 2011 as a whole by between 5 and 7 percent (Fx & portfolio adj.). This corresponds to Group sales of

between EUR 36 and 37 billion. This guidance is based on the exchange rates prevailing at the end of the third quarter of 2011. It remains Bayer's aim to increase EBITDA before special items to more than EUR 7.5 billion. As before, the Bayer Group expects core earnings per share to improve by about 15 percent. Bayer continues to plan special charges of about EUR 0.5 billion in EBITDA for ongoing restructuring programs.

HealthCare plans to raise sales in 2011 by a low-single-digit percentage (previously: a low- to mid-single-digit percentage) on a currency- and portfolio-adjusted basis. Due especially to savings from its efficiency programs, EBITDA before special items is expected to increase by a mid-single-digit percentage to at least EUR 4.6 billion (previously: a small improvement). In the Pharmaceuticals segment, which the company believes will not yet resume growing with the market in 2011, sales are expected to remain largely unchanged or increase only slightly on a currency- and portfolio-adjusted basis (previously: low- to mid-single-digit percentage increase). Particularly in view of the structural measures, EBITDA before special items of Pharmaceuticals is predicted to rise by about 5 percent, improving the EBITDA margin before special items to about 30 percent (previously: raise the EBITDA margin before special items). In the Consumer Health segment, growth is expected to outpace the market on a currency- and portfolio-adjusted basis. Here, sales and EBITDA before special items are anticipated to increase by mid-single-digit percentages.

The CropScience business has continued to trend positively. In terms of sales, the subgroup aims as before to grow by a high-single-digit percentage (Fx & portfolio adj.) in 2011. In light of the good business performance in 2011 to date, it is planned to expand EBITDA before special items by more than (previously: about) 20 percent compared to the weak prior year.

MaterialScience anticipates higher sales in the fourth quarter, while EBITDA before special items is expected to come in below the prior-year period in view of continued increases in raw material and energy costs. For 2011 the subgroup anticipates that sales will grow by a high-single-digit percentage (Fx & portfolio adj.), with EBITDA before special items declining slightly to approximately EUR 1.3 billion (previously: growing at a higher rate than sales).

Note:

The tables below contain the key data for the Bayer Group and its subgroups for the third quarter and first nine months of 2011.

The full report for the third quarter is available for online viewing and download at ***www.investor.bayer.com.***

Supplementary features at ***www.investor.bayer.com:***
- live broadcast of the news conference call from approximately 10:00 a.m. CEST
- presentation charts for the investor conference call at 11:00 a.m. CEST
- live webcast of the investor conference call starting at approx. 1:00 p.m. CEST
- recording of the investor conference call from approximately 5:00 p.m. CEST.

Bayer AG, Investor Relations contacts:

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

Forward-Looking Statements
This release may contain forward-looking statements based on current assumptions and forecasts made by 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 Key Data, 3rd Quarter and First Nine Months of 2011

(certain 2010 figures are restated)

Bayer Group (EUR million)	Q3 2010	**Q3 2011**	Change in %	9M 2010	**9M 2011**	Change in %
Sales	8,581	**8,670**	+1.0	26,076	**27,337**	+4.8
EBIT	564	**1,099**	+94.9	2,679	**3,520**	+31.4
Special items	*(436)*	***(75)***	-	*(768)*	***(661)***	-
EBIT before special items	1,000	**1,174**	+17.4	3,447	**4,181**	+21.3
EBITDA	1,228	**1,731**	+41.0	4,776	**5,503**	+15.2
Special items	*(436)*	***(74)***	-	*(636)*	***(569)***	-
EBITDA before special items	1,664	**1,805**	+8.5	5,412	**6,072**	+12.2
Net income	285	**642**	+125.3	1,446	**2,073**	+43.4
Earnings per share (EUR)	0.35	**0.78**	+122.9	1.75	**2.51**	+43.4
Core earnings per share (EUR)	0.95	**1.12**	+17.9	3.24	**3.86**	+19.1

Bayer HealthCare (EUR million)	Q3 2010	**Q3 2011**	Change in %	9M 2010	**9M 2011**	Change in %
Sales	4,271	**4,200**	-1.7	12,445	**12,574**	+1.0
EBIT	735	**866**	+17.8	1,990	**2,421**	+21.7
Special items	*(50)*	***(43)***	-	*(268)*	***(131)***	-
EBIT before special items	785	**909**	+15.8	2,258	**2,552**	+13.0
EBITDA	1,072	**1,184**	+10.4	3,131	**3,392**	+8.3
Special items	*(50)*	***(42)***	-	*(136)*	***(130)***	-
EBITDA before special items	1,122	**1,226**	+9.3	3,267	**3,522**	+7.8

Bayer CropScience (EUR million)	Q3 2010	**Q3 2011**	Change in %	9M 2010	**9M 2011**	Change in %
Sales	1,341	**1,379**	+2.8	5,177	**5,579**	+7.8
EBIT	(404)	**24**	-	143	**515**	-
Special items	*(386)*	***(22)***	-	*(500)*	***(508)***	-
EBIT before special items	(18)	**46**	-	643	**1,023**	+59.1
EBITDA	(274)	**143**	-	523	**964**	+84.3
Special items	*(386)*	***(22)***	-	*(500)*	***(417)***	-
EBITDA before special items	112	**165**	+47.3	1,023	**1,381**	+35.0

Bayer MaterialScience (EUR million)	Q3 2010	**Q3 2011**	Change in %	9M 2010	**9M 2011**	Change in %
Sales	2,665	**2,768**	+3.9	7,570	**8,236**	+8.8
EBIT	259	**196**	-24.3	624	**637**	+2.1
Special items	*0*	***0***	-	*0*	***0***	-
EBIT before special items	259	**196**	-24.3	624	**637**	+2.1
EBITDA	408	**348**	-14.7	1,059	**1,065**	+0.6
Special items	*0*	***0***	-	*0*	***0***	-
EBITDA before special items	408	**348**	-14.7	1,059	**1,065**	+0.6

EBITDA, EBIT(DA) 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.