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Investor News

Strong business performance in the second quarter of 2012:

Bayer raises guidance for the full year

- Sales increased by 10.0 percent to a record EUR 10,177 million
- CropScience and HealthCare sustained strong momentum, MaterialScience improved further
- EBIT of EUR 750 million (minus 41.1 percent) impacted by special items – risk provisions established for litigations
- EBITDA before special items rose by 6.7 percent to EUR 2,172 million
- Net income of EUR 494 million (minus 33.9 percent)

Leverkusen, July 31, 2012 – The Bayer Group saw continued growth momentum in the second quarter of 2012, registering gains in both sales and underlying earnings. “In view of the strong business performance, we are raising our guidance for the full year 2012,” said Management Board Chairman Dr. Marijn Dekkers on Tuesday at the presentation of the interim report. He reported that Bayer had achieved sales of approximately EUR 10.2 billion – a new record – thanks in part to positive currency effects. “All the subgroups contributed to the increase, especially CropScience which continued to grow strongly,” said Dekkers. In operational terms, this subgroup posted new records for second-quarter sales and EBITDA before special items. HealthCare even had its best quarter of all time for these same indicators. MaterialScience generated the highest quarterly sales in its history, as well as its best underlying EBITDA in a second quarter since 2007. Net income for the Bayer Group in the second quarter of 2012 was impacted by special items of EUR 0.8 billion. This sum included risk provisions of EUR 0.5 billion for litigations. Overall, net income declined to EUR 0.5 billion.

Sales of the Bayer Group grew by 10.0 percent in the second quarter, to EUR 10,177 million (Q2 2011: EUR 9,252 million). The currency- and portfolio-adjusted (Fx & portfolio adj.) increase was 5.0 percent. The operating result (EBIT) fell by 41.1 percent to EUR 750 million (Q2 2011: EUR 1,273 million). Special items totaled minus EUR 762

million (Q2 2011: minus EUR 144 million). This sum included risk provisions of EUR 496 million for all litigations in connection with the oral contraceptive Yasmin™/YAZ™ of which Bayer is currently aware and which it considers to be worthy of settlement (venous clot injuries). Special items additionally comprised impairment losses on intangible assets (EUR 137 million) and restructuring charges (EUR 107 million). EBIT before special items increased by 6.7 percent to EUR 1,512 million (Q2 2011: EUR 1,417 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) – before special items – increased by 6.7 percent to EUR 2,172 million (Q2 2011: EUR 2,035 million). Positive currency effects contributed around EUR 70 million to this figure. On account of the high special items, net income declined by 33.9 percent to EUR 494 million (Q2 2011: EUR 747 million). Core earnings per share rose by 14.0 percent to EUR 1.47 (Q2 2011: EUR 1.29).

Gross cash flow in the second quarter of 2012 declined by 20.0 percent to EUR 1,226 million (Q2 2011: EUR 1,532 million) due especially to the high special charges. Net cash flow was down by 10.5 percent year on year at EUR 1,369 million (Q2 2011: EUR 1,530 million), particularly on account of significantly higher tax payments. Net financial debt rose from EUR 6.9 billion on March 31, 2012, to EUR 7.9 billion on June 30, 2012. Cash provided by operating activities only partly offset the outflows for the dividend and interest payments. In addition, the weak euro resulted in a higher disclosure of foreign currency debt. The net amount recognized for post-employment benefits increased from EUR 8.1 billion on March 31, 2012, to EUR 9.3 billion, due especially to lower long-term capital market interest rates.

HealthCare: growth in all businesses

Sales of the HealthCare subgroup increased by 10.0 percent (Fx & portfolio adj. plus 4.1 percent) to EUR 4,628 million (Q2 2011: EUR 4,208 million). The Pharmaceuticals and Consumer Health segments both contributed to this growth. “The gratifying business in the emerging markets contributed particularly to this development,” said Dekkers.

Sales in the Pharmaceuticals segment rose by 4.3 percent (Fx & portfolio adj.) to EUR 2,685 million. Growth was achieved mainly in North America and the emerging markets, especially China. Seen alongside these increases were slight declines in Europe, particularly in Western Europe. Among the segment’s leading products, sales of the anticoagulant Xarelto™ increased markedly following market launches in further countries and the expansion of indications. Revenues from the hormone-releasing

intrauterine device Mirena™ increased by a substantial 26.7 percent (Fx adj.) as a result of higher volumes and a major order in the United States. Business with the multiple sclerosis treatment Betaferon™/Betaseron™ also developed positively, expanding by 10.2 percent (Fx adj.), due partly to one-time effects in the United States. Sales of the cancer drug Nexavar™ moved ahead by 7.5 percent (Fx adj.). On the other hand, business with the YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives declined by 6.4 percent (Fx adj.), mainly because of generic competition in Western Europe and North America. By contrast, sales of this product line rose in Japan. Sales of the erectile dysfunction treatment Levitra™ receded by 16.9 percent (Fx adj.), declining particularly in the United States.

Sales in the Consumer Health segment rose by 3.8 percent (Fx & portfolio adj.) to EUR 1,943 million, with all divisions contributing to growth and business developing especially well in the emerging markets. Among the leading products in the non-prescription medicines (Consumer Care) business, the skincare product Bepanthen™/Bepanthol™ (Fx adj. plus 18.3 percent) and the analgesic Aleve™/naproxen (Fx adj. plus 10.1 percent) benefited from increased demand. In the Medical Care Division, the contrast agent and medical equipment business developed positively. The Animal Health Division registered sales gains particularly in Europe.

EBITDA before special items increased by 8.0 percent to EUR 1,248 million in the second quarter of 2012 (Q2 2011: EUR 1,156 million). This was attributable to good business development in the Pharmaceuticals segment and positive currency effects.

CropScience builds on a successful start to the season in the first quarter

Sales of the CropScience subgroup advanced by 17.1 percent (Fx & portfolio adj. plus 12.7 percent) to EUR 2,276 million (Q2 2011: EUR 1,943 million). “Thus CropScience was able to build on the successful start to the season in the first quarter,” Dekkers explained. Growth in North America was particularly strong, due especially to the realignment of commercial activities. The CropScience business in Europe and in Latin America/Africa/ Middle East also showed gratifying development, while sales rose moderately in Asia/Pacific. Positive market conditions, particularly as a result of the persisting high price level for agricultural commodities, contributed to this growth.

In Crop Protection, nearly all business units saw double-digit percentage growth rates. The expansion of business with seed treatment products was particularly strong (Fx adj.

plus 25.8 percent) following a moderate performance in the preceding quarter. Substantial growth was also seen in the fungicides (Fx & portfolio adj. plus 15.1 percent) and insecticides (Fx & portfolio adj. plus 14.5 percent) businesses. The herbicides business expanded by a significant 9.7 percent (Fx & portfolio adj.).

The BioScience business, which specializes in seeds and plant traits, markedly expanded sales by 20.5 percent (Fx & portfolio adj.). This was mainly due to significant growth in broad-acre crops such as cotton. By contrast, sales of vegetable seeds declined slightly. Sales of the Environmental Science business unit moved back by 3.8 percent (Fx adj.).

EBITDA before special items of CropScience advanced by 16.6 percent year on year in the second quarter, to EUR 549 million (Q2 2011: EUR 471 million). This was attributable above all to higher volumes and prices, as well as to progress made with efficiency improvement programs. In addition, the subgroup benefited from one-time gains of EUR 25 million (Q2 2011: EUR 16 million) in connection with outlicensing activities at Crop Protection.

Slightly higher selling prices and volumes at MaterialScience

Business with high-tech materials expanded by 6.5 percent (Fx & portfolio adj. plus 1.9 percent) in the second quarter, to EUR 2,962 million (Q2 2011: EUR 2,782 million). “MaterialScience achieved slightly higher selling prices and volumes overall,” Dekkers explained. Price increases in the Latin America/Africa/Middle East, North America and Europe regions more than offset declines in Asia/Pacific. The subgroup achieved higher volumes in Asia/Pacific, Latin America/Africa/Middle East and North America, while volumes declined in Europe.

All product groups contributed to the 7.5 percent (Fx & portfolio adj.) growth in business with foam raw materials (Polyurethanes), while the high-tech plastics business (Polycarbonates) moved back by 10.2 percent (Fx & portfolio adj.) year on year. This was attributable above all to lower selling prices in the granules product group. Sales of raw materials for coatings, adhesives and specialties advanced by 2.9 percent (Fx & portfolio adj.), while Industrial Operations grew sales by 9.9 percent (Fx & portfolio adj.).

EBITDA before special items of MaterialScience increased by 3.5 percent to EUR 385 million (Q2 2011: EUR 372 million), largely as a result of higher selling prices, savings

generated by efficiency improvement programs and positive currency effects. By contrast, higher raw material costs had a negative impact on earnings.

Gratifying improvement in the first half

“We achieved a gratifying improvement in sales and earnings before special items in the first half of 2012, with CropScience making a particularly substantial contribution,” explained Dekkers. Sales climbed by 8.4 percent (Fx & portfolio adj. plus 5.1 percent) to EUR 20,233 million (H1 2011: EUR 18,667 million). EBIT receded by 1.4 percent to EUR 2,387 million (H1 2011: EUR 2,421 million). By contrast, EBITDA before special items rose by 8.1 percent to EUR 4,614 million (H1 2011: EUR 4,267 million). Net income of the Bayer Group came in at EUR 1,544 million (H1 2011: EUR 1,431 million), a year-on-year improvement of 7.9 percent. Core earnings per share advanced by 15.0 percent to EUR 3.15 (H1 2011: EUR 2.74).

Positive development in the emerging markets

The emerging markets made an above-average contribution to sales growth in the first half of 2012. For reporting purposes Bayer has defined these markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East. Sales in these emerging markets advanced by 6.4 percent (Fx adj.) in the first six months of 2012 to EUR 7,027 million, while business in the industrialized countries expanded by 3.6 percent (Fx adj.).

Confident for the second half of the year

“Following the good business performance in the first half of 2012, especially at CropScience and HealthCare, we are also confident for the second half of the year,” said Dekkers. In addition, Bayer is benefiting from a very favorable currency environment. Against this background, the company is raising its sales and earnings forecast for the full year. These predictions are based on the exchange rates on June 30, 2012. For the full year 2012, Bayer is now anticipating a currency- and portfolio adjusted sales increase of between 4 and 5 percent (previously: 3 percent). This would result in Group sales of between approximately EUR 39 billion and EUR 40 billion (previously: EUR 37 billion). Bayer now plans to increase EBITDA before special items by a high-single-digit percentage (previously: slight improvement). The company expects to raise core earnings per share by about 10 percent (previously: slight improvement). In addition to the special

charges already recognized, Bayer anticipates further expenses of between EUR 0.1 billion and EUR 0.2 billion for ongoing restructuring programs in the second half of 2012.

HealthCare's top priority for 2012 is to successfully commercialize the new pharmaceutical products. The subgroup expects sales to increase by between 3 and 4 percent (previously: by a low- to mid-single-digit percentage) after adjusting for currency and portfolio effects. HealthCare now plans to improve EBITDA before special items by a mid- to high-single-digit percentage (previously: slightly improve) to which high positive currency effects will contribute. Sales of the Pharmaceuticals segment are now forecast to move slightly higher (previously: remain stable or move slightly higher) on a currency- and portfolio-adjusted basis, and EBITDA before special items to rise by a mid-single-digit percentage (previously: approximately match the prior-year level). In the Consumer Health segment, the subgroup anticipates that currency- and portfolio-adjusted sales will grow by a mid-single-digit percentage and EBITDA before special items by a high-single-digit percentage (previously: mid-single-digit growth).

Following the good business development in the first half of the year, Bayer is also raising its outlook for CropScience. The subgroup now anticipates that sales will advance by approximately 10 percent on a currency- and portfolio-adjusted basis and that EBITDA before special items will improve by approximately 20 percent (previously: sales and EBITDA before special items to advance by mid-single-digit percentages). CropScience continues to predict above-market growth.

In the third quarter of 2012, MaterialScience aspires to achieve currency- and portfolio-adjusted sales and EBITDA before special items on the level of the good second quarter. The subgroup continues to plan for currency- and portfolio-adjusted sales and EBITDA before special items in 2012 to remain level with the prior year.

Note:
The tables below contain the key data for the Bayer Group and its subgroups for the second quarter and first half of 2012.

*The complete financial report as of June 30, 2012 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, 2nd Quarter and 1st Half of 2012

Bayer Group (EUR million)	Q2 2011	**Q2 2012**	Change in %	H1 2011	**H1 2012**	Change in %
Sales	9,252	**10,177**	+10.0	18,667	**20,233**	+8.4
EBIT	1,273	**750**	-41.1	2,421	**2,387**	-1.4
Special Items	*(144)*	***(762)***	-	*(586)*	***(931)***	-
EBIT before special items	1,417	**1,512**	+6.7	3,007	**3,318**	+10.3
EBITDA	1,906	**1,561**	-18.1	3,772	**3,938**	+4.4
Special Items	*(129)*	***(611)***	-	*(495)*	***(676)***	-
EBITDA before special items	2,035	**2,172**	+6.7	4,267	**4,614**	+8.1
Group net income	747	**494**	-33.9	1,431	**1,544**	+7.9
Earnings per share (EUR)	0.90	**0.60**	-33.3	1.73	**1.87**	+8.1
Core earnings per share (in Euro)	1.29	**1.47**	+14.0	2.74	**3.15**	+15.0
Number of employees at end of period *	113,400	**112,300**	-1.0	113,400	**112,300**	-1.0

Bayer HealthCare (EUR million)	Q2 2011	**Q2 2012**	Change in %	H1 2011	**H1 2012**	Change in %
Sales	4,208	**4,628**	+10.0	8,374	**8,970**	+7.1
EBIT	786	**234**	-70.2	1,555	**975**	-37.3
Special Items	*(51)*	***(668)***	-	*(88)*	***(788)***	-
EBIT before special items	837	**902**	+7.8	1,643	**1,763**	+7.3
EBITDA	1,105	**726**	-34.3	2,208	**1,890**	-14.4
Special Items	*(51)*	***(522)***	-	*(88)*	***(539)***	-
EBITDA before special items	1,156	**1,248**	+8.0	2,296	**2,429**	+5.8

Bayer CropScience (EUR million)	Q2 2011	**Q2 2012**	Change in %	H1 2011	**H1 2012**	Change in %
Sales	1,943	**2,276**	+17.1	4,200	**4,886**	+16.3
EBIT	272	**382**	+40.4	491	**1,233**	+151.1
Special Items	*(81)*	***(53)***	-	*(486)*	***(63)***	-
EBIT before special items	353	**435**	+23.2	977	**1,296**	+32.7
EBITDA	405	**501**	+23.7	821	**1,473**	+79.4
Special Items	*(66)*	***(48)***	-	*(395)*	***(57)***	-
EBITDA before special items	471	**549**	+16.6	1,216	**1,530**	+25.8

Bayer MaterialScience (EUR million)	Q2 2011	**Q2 2012**	Change in %	H1 2011	**H1 2012**	Change in %
Sales	2,782	**2,962**	+6.5	5,468	**5,750**	+5.2
EBIT	236	**210**	-11.0	441	**337**	-23.6
Special Items	-	***(22)***	-	-	***(22)***	-
EBIT before special items	236	**232**	-1.7	441	**359**	-18.6
EBITDA	372	**363**	-2.4	717	**641**	-10.6
Special Items	-	***(22)***	-	-	***(22)***	-
EBITDA before special items	372	**385**	+3.5	717	**663**	-7.5

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.

* Full-time equivalents