



Investor News

Renewed year-on-year growth in underlying EBITDA in the third quarter of 2009:

Bayer back on the uptrend

- HealthCare again strong – weak quarter at CropScience – MaterialScience substantially improved
 - Group sales EUR 7,392 million (minus 7.0 percent)
 - EBITDA before special items EUR 1,499 million (plus 0.4 percent)
 - Net income EUR 249 million (minus 10.1 percent)
 - Net cash flow EUR 1,517 million (plus 22.9 percent)
 - Full-year Group forecast confirmed
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Leverkusen, October 27, 2009 – In the third quarter, the Bayer Group achieved a slight year-on-year increase in underlying earnings for the first time this year. “We are very pleased to have reversed the earnings trend despite the fact that many industries are still suffering from the economic crisis,” said Management Board Chairman Werner Wenning when the interim report was published on Tuesday. “We are still adhering to our ambitious full-year forecast for the Bayer Group,” he added. Wenning explained that HealthCare and MaterialScience contributed to the positive performance in the third quarter. The HealthCare subgroup again turned in a strong performance, with year-on-year increases in sales and earnings. MaterialScience nearly doubled earnings compared with the second quarter, almost reaching the prior-year level. At CropScience, on the other hand, third-quarter earnings receded markedly against the prior-year period. This subgroup’s target margin for 2009 has therefore been adjusted.

Sales of the Bayer Group receded by 7.0 percent in the third quarter, to EUR 7,392 million (Q3 2008: EUR 7,948 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales were down by 7.2 percent. Earnings before interest, taxes, depreciation and amortization (EBITDA) before special items edged up by 0.4 percent year on year to

EUR 1,499 million (Q3 2008: EUR 1,493 million). The operating result (EBIT) before special items declined by 6.1 percent to EUR 837 million (Q3 2008: EUR 891 million).

HealthCare earnings growth in double digits

Bayer HealthCare posted another strong performance in the third quarter, with earnings up by a double-digit percentage. Sales of the subgroup rose by 3.5 percent (Fx & portfolio adj. 4.2 percent) to EUR 3,936 million (Q3 2008: EUR 3,802 million). “All divisions contributed to this pleasing performance,” said Wenning.

The Pharmaceuticals segment raised sales by 3.0 percent (Fx & portfolio adj. 3.8 percent) to EUR 2,548 million, performing especially well in Asia and Latin America. Among Bayer’s leading pharmaceutical products, the cancer drug Nexavar[®] once again registered the most significant growth, with sales advancing by a currency-adjusted (Fx adj.) 29.6 percent. Other very strong performers were Aspirin Cardio[®] to prevent heart attacks and Levitra[®] to treat erectile dysfunction. Sales of these products rose by 14.9 and 12.1 percent (Fx adj.), respectively. Business with the YAZ[®] family of oral contraceptives improved by 4.6 percent (Fx adj.), while sales of the hemophilia treatment Kogenate[®] increased by 3.4 percent (Fx adj.). By contrast, sales of the multiple sclerosis drug Betaferon[®]/Betaseron[®] decreased by 3.7 percent (Fx adj.), with lower sales in Europe only partly offset by increases in North America.

Sales in the Consumer Health segment rose by 4.5 percent (Fx & portfolio adj. 4.9 percent) to EUR 1,388 million. In the non-prescription medicines business (Consumer Care), the pain reliever Aleve[®]/naproxen and the Bepanthen[®]/Bepanthol[®] line of skin care products achieved particularly strong increases of 23.2 and 9.0 percent (Fx adj.), respectively. The top-selling product of the Medical Care Division was again the Contour[®] line of blood glucose meters, with a sales gain of 15.0 percent (Fx adj.). The principal growth driver in the Animal Health Division was the Drontal[®] line of dewormers (Fx adj. plus 13.6 percent), while sales of the Advantage[®] line of flea and tick control products rose by 1.9 percent (Fx adj.).

EBITDA before special items of Bayer HealthCare advanced by 12.1 percent to EUR 1,141 million (Q3 2008: EUR 1,018 million). This was due especially to the gratifying business growth in both segments and to lower selling expenses.

CropScience third-quarter results well below the high prior-year level

Sales of Bayer CropScience declined in the third quarter against the strong level of the prior-year period. Sales were down by 8.7 percent (Fx adj. 8.2 percent), to EUR 1,140 million (Q3 2008: EUR 1,248 million). "The market environment for Bayer CropScience was marred by lower prices for key crop commodities, adverse weather conditions and higher trade inventories of crop protection products," Wenning explained. Sales growth in Latin America was not sufficient to offset a considerable drop in business in Europe and North America.

Sales in the Crop Protection segment moved back by 8.8 percent (Fx adj. 8.6 percent) compared with the strong prior-year quarter, to EUR 973 million. Business with fungicides expanded, while sales of insecticides and herbicides receded. Sales of seed treatment products were also noticeably weaker because revenues from early orders for the fall treatment season were already included in the second-quarter figures.

Sales in the Environmental Science, BioScience segment dropped by 7.7 percent (Fx adj. 6.3 percent) in the third quarter, to EUR 167 million. While the Environmental Science business unit registered lower sales, particularly of products for professional users in North America, BioScience achieved higher sales, especially of vegetable seeds, also increasing its revenues from the out-licensing of plant traits.

EBITDA before special items of Bayer CropScience fell by 47.8 percent to EUR 108 million (Q3 2008: EUR 207 million). A third of this decline resulted from negative currency effects. The drop in earnings was also attributable to lower volumes for our Crop Protection and Environmental Science products and slight declines in selling prices. "There is no doubt that the quarterly view is not always meaningful when evaluating the CropScience business," Wenning pointed out, explaining that shifts can occur due to the diversity of the business and the peculiarities of regional markets. He noted that in the first three quarters of this year, sales were up nearly 2 percent and EBITDA before special items down by only 6 percent compared with the same period of 2008.

Further tangible recovery at MaterialScience compared with the second quarter

Earnings of Bayer MaterialScience improved considerably in the third quarter. "We nearly doubled EBITDA before special items from EUR 121 million in the second quarter to

EUR 238 million in the third quarter – only just short of the EUR 255 million achieved in the prior-year period,” Wenning commented.

Third-quarter sales of the high-tech materials business came in at EUR 2,038 million (Q3 2008: EUR 2,549 million), down 20.0 percent (Fx & portfolio adj. 21.8 percent) year on year due to the economic situation. The decline was mainly the result of a distinct drop in selling prices and lower volumes overall. “However, volumes already increased again in the Asia/Pacific region,” Wenning reported. Compared with the second quarter, global sales of this subgroup rose by 14.4 percent (Fx adj.) thanks to a recovery in demand from all the main customer industries.

Business with raw materials for foams (Polyurethanes) shrank by 24.6 percent (Fx & portfolio adj.) year on year. Sales of high-performance plastics (Polycarbonates) fell by 19.6 percent (Fx adj.). The Coatings, Adhesives, Specialties unit registered a decline of 13.1 percent (Fx & portfolio adj.).

Net financial debt reduced by one billion euros

The Bayer Group’s operating result was diminished in the third quarter by special items of minus EUR 191 million (Q3 2008: minus EUR 207 million). After special items, EBIT declined by 5.6 percent to EUR 646 million (Q3 2008: EUR 684 million). Net income dropped by 10.1 percent to EUR 249 million (Q3 2008: EUR 277 million), while core earnings per share receded by 8.2 percent to EUR 0.78 (Q3 2008: EUR 0.85).

Gross cash flow was level with the prior-year period at EUR 1,172 million (Q3 2008: EUR 1,171 million). Net cash flow, however, rose by 22.9 percent to EUR 1,517 million (Q3 2008: EUR 1,234 million) thanks to improvements in working capital at HealthCare and CropScience. Net financial debt as of September 30 showed a further decline of one billion euros on the quarter, to EUR 10.7 billion (June 30, 2009: EUR 11.7 billion).

Earnings in the first three quarters diminished by the economic and financial crisis

The Bayer Group was hampered in the first three quarters of 2009 by the effects of the financial and economic crisis. Sales receded by 6.8 percent (Fx & portfolio adj. 8.6 percent) year on year, to EUR 23,296 million (9M 2008: EUR 24,995 million). EBITDA before special items dropped by 11.0 percent to EUR 4,959 million (9M 2008: EUR 5,574

million), while underlying EBIT shrank by 18.7 percent to EUR 2,955 million (9M 2008: EUR 3,636 million). After special items, EBIT declined by 15.7 percent to EUR 2,640 million (9M 2008: EUR 3,132 million). Net income came in at EUR 1,206 million (9M 2008: EUR 1,613 million), down 25.2 percent year on year.

Confidence in the Bayer Group's future performance

Bayer continues to predict divergent trends among its subgroups in the full year 2009. Nonetheless, Wenning remains confident about the Group's development going forward: "Our previous prediction has proven justified: the global economy seems to have passed the bottom of the cycle. We expect this trend to continue through the end of the year." However, he said it is still too early to speak of a self-sustaining upswing in industry.

Bayer's forecast for HealthCare has been confirmed so far this year. In the fourth quarter, too, slight growth is anticipated compared with the very strong prior-year quarter. The underlying EBITDA margin for the full year is expected to improve toward 28 percent.

Despite the deterioration in the market environment in the third quarter, CropScience aims to increase sales year on year both in the fourth quarter and for 2009 as a whole. EBITDA before special items for 2009 is expected to come in below the high level of the previous year. Accordingly, CropScience now expects to post an EBITDA margin before special items of between 23 and 24 percent (previously: about 25 percent).

MaterialScience anticipates that the economic environment will continue to stabilize in the fourth quarter. Due to the usual seasonal weakening of business activity toward the end of the year, the subgroup expects underlying EBITDA in the fourth quarter to be below the third quarter but well ahead of the prior-year period.

"We still expect to post full-year Group sales of between EUR 31 billion and EUR 32 billion and are adhering to our ambitious target of limiting the decline in Group EBITDA before special items to about 5 percent," Wenning said.

Bayer plans to complete its current restructuring programs by the end of the year, the Bayer CEO continued, estimating the special charges involved at about EUR 350 million (previously: EUR 250 million). Additional special charges of some EUR 200 million, comprising litigation-related expenses and additional pro-rata funding for the German

corporate pension assurance association, were already taken in the first nine months of this year.

The company still expects capital expenditures for the full year to total EUR 1.4 billion and has budgeted for research and development expenses of EUR 2.9 billion. Net financial debt is expected to be reduced toward EUR 10 billion during the fourth quarter.

“We are on track to close this year relatively successfully despite the challenging environment,” Wenning concluded. “Particularly in light of the portfolio realignment we have undertaken in recent years, we are confident about the ongoing development of our enterprise in the coming quarters.”

Note:

The tables below contain the key data for the Bayer Group and its subgroups for the third quarter and the first three quarters of 2009.

The complete Financial Report as of September 30, 2009 is available on the Internet at www.investor.bayer.com.

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- live webcast of the news conference call beginning at approx. 10:00 a.m. CET*
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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)

Ilia Kürten (+49-214-30-35426)

Ute Menke (+49-214-30-33021)

Judith Nestmann (+49-214-30-66836)

Dr. Olaf Weber (+49-214-30-33567)

Forward-Looking Statements

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Bayer Key Data, 3rd Quarter and First Three Quarters of 2009

Bayer Group (EUR million)	Q3 2008	Q3 2009	Change in %	9M 2008	9M 2009	Change in %
Sales	7,948	7,392	-7.0	24,995	23,296	-6.8
EBITDA	1,334	1,326	-0.6	5,163	4,696	-9.0
<i>Special items</i>	(159)	(173)	-	(411)	(263)	-
EBITDA before special items	1,493	1,499	+0.4	5,574	4,959	-11.0
EBIT	684	646	-5.6	3,132	2,640	-15.7
<i>Special items</i>	(207)	(191)	-	(504)	(315)	-
EBIT before special items	891	837	-6.1	3,636	2,955	-18.7
Net income	277	249	-10.1	1,613	1,206	-25.2

Bayer HealthCare (EUR million)	Q3 2008	Q3 2009	Change in %	9M 2008	9M 2009	Change in %
Sales	3,802	3,936	+3.5	11,267	11,824	+4.9
EBITDA	905	1,037	+14.6	2,762	3,256	+17.9
<i>Special items</i>	(113)	(104)	-	(300)	(58)	-
EBITDA before special items	1,018	1,141	+12.1	3,062	3,314	+8.2
EBIT	543	681	+25.4	1,619	2,177	+34.5
<i>Special items</i>	(160)	(105)	-	(386)	(60)	-
EBIT before special items	703	786	+11.8	2,005	2,237	+11.6

Bayer CropScience (EUR million)	Q3 2008	Q3 2009	Change in %	9M 2008	9M 2009	Change in %
Sales	1,248	1,140	-8.7	5,030	5,112	+1.6
EBITDA	167	78	-53.3	1,323	1,238	-6.4
<i>Special items</i>	(40)	(30)	-	(98)	(104)	-
EBITDA before special items	207	108	-47.8	1,421	1,342	-5.6
EBIT	36	(59)	-	927	854	-7.9
<i>Special items</i>	(42)	(43)	-	(104)	(121)	-
EBIT before special items	78	(16)	-	1,031	975	-5.4

Bayer MaterialScience (EUR million)	Q3 2008	Q3 2009	Change in %	9M 2008	9M 2009	Change in %
Sales	2,549	2,038	-20.0	7,683	5,504	-28.4
EBITDA	249	227	-8.8	1,021	181	-82.3
<i>Special items</i>	(6)	(11)	-	(13)	(62)	-
EBITDA before special items	255	238	-6.7	1,034	243	-76.5
EBIT	133	85	-36.1	658	(280)	-
<i>Special items</i>	(5)	(15)	-	(14)	(95)	-
EBIT before special items	138	100	-27.5	672	(185)	-

EBITDA = EBIT plus amortization of intangible assets and depreciation of property, plant and equipment. EBITDA, EBITDA before special items and EBITDA margin before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers underlying EBITDA to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The underlying EBITDA margin is calculated by dividing underlying EBITDA by sales.