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# EDITED TRANSCRIPT

BAYN.DE - Q2 2012 Bayer AG Earnings Conference Call

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**OVERVIEW:**

BAYN.DE reported 2Q12 Group sales of EUR10.2b and core EPS of EUR1.47. Expects full-year 2012 currency and portfolio adjusted sales increase of 4-5% and full-year 2012 core EPS to improve at about 10%.



## CORPORATE PARTICIPANTS

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**Marijn Dekkers** *Bayer AG - CEO*

**Sandra Peterson** *Bayer AG - CEO CropScience*

**Patrick Thomas** *Bayer AG - CEO MaterialScience*

**Joerg Reinhardt** *Bayer AG - CEO HealthCare*

**Werner Baumann** *Bayer AG - CFO*

## CONFERENCE CALL PARTICIPANTS

**Jeremy Redenius** *Sanford Bernstein - Analyst*

**Rashi Jayne** *JPMorgan - Analyst*

**Jo Walton** *Credit Suisse - Analyst*

**Fabian Wenner** *Kepler Capital Markets - Analyst*

**Norbert Barth** *Analyst*

**Ronald Kohler** *MainFirst - Analyst*

**Richard Vossler** *JPMorgan - Analyst*

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**Andreas Heine** *Barclays - Analyst*

**Damien Conover** *Morningstar - Analyst*

**Andrew Baum** *Citi - Analyst*

**Lutz Gruten** *Commerzbank - Analyst*

**Sachin Jain** *Merrill Lynch - Analyst*

## PRESENTATION

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### Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Bayer's investor and analyst conference call on the second quarter 2012 results. (Operator Instructions).

I would now like to turn the conference over to Mr. Alexander Rosar, Head of Investor Relations of Bayer AG. Please, go ahead, sir.

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### Alexander Rosar - Bayer AG - Head IR

Ladies and gentlemen, good afternoon, and welcome, also on behalf of my colleagues, to our second quarter results conference call. With me on the call are Marijn Dekkers, our CEO; our CFO, Werner Baumann; and representatives from our subgroups, Joerg Reinhardt from HealthCare; Sandra Peterson from CropScience; and Patrick Thomas from MaterialScience.

Marijn will start off with a very brief summary of the developments in the quarter.

We assume you have all received and reviewed our stockholders newsletter, the investor and analyst briefing document, and the conference call slides so that Marijn can concentrate his introduction on the main points.



Before handing over to Marijn, I'd like to draw your attention to the safe harbor statement. (See *"Disclaimer" chart at the end of this transcript*). Thank you.

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**Marijn Dekkers - Bayer AG - CEO**

Ladies and gentlemen, good afternoon. It's our pleasure today to speak with you about our strong second quarter.

You've seen we saw continued growth momentum and a strong operating performance in the second quarter. We delivered record sales, a lower reported EBIT due to high special charges, but nicely improved adjusted earnings. Currency effects had a positive impact as well.

The strong operating momentum in our business was broad based. HealthCare delivered the best quarter ever, both in terms of sales and adjusted EBITDA. CropScience set a new record for second quarter performance. And MaterialScience generated record quarterly sales and the highest adjusted EBITDA in a second quarter since 2007.

Against this background and based on our expectations for the remainder of the year, we are raising our guidance for the full year.

So let me now elaborate on some of the key figures for the quarter. When talking about sales, I will concentrate on portfolio- and currency-adjusted data.

First, Group sales rose by 5% to a record level of EUR10.2 billion. All subgroups contributed to the increase, especially CropScience, which continued to grow strongly.

Reported earnings in the quarter were impacted by special charges of EUR762 million. This sum included provisions of almost EUR500 million for all litigations in connection with YAZ/Yasmin of which we are currently aware and which we consider to be worthy of settlement. Special items, additionally, comprised impairment losses of EUR137 million recognized on intangible assets and restructuring charges of EUR107 million. Reported EBIT decreased as a result by 41% to EUR750 million.

Adjusted EBITDA, however, improved by 7% to almost EUR2.2 billion, driven by higher sales at HealthCare, the continued, strong business momentum at CropScience, and a slight improvement at MaterialScience. In addition, positive currency effects of around EUR70 million, primarily at HealthCare, contributed to the increase.

And, then, core earnings per share rose 14% to EUR1.47.

From a regional perspective, the strongest growth was generated in the US, where business moved ahead by 10% in the quarter, driven by strong business expansion at CropScience and solid growth at both HealthCare and MaterialScience.

In the emerging economies, we achieved a 7% sales increase. These markets accounted for 36% of Group sales. The highest growth rates were in Latin America and eastern Europe. Emerging Asia grew by 6%, with China posting a 13% increase.

On cash flow, gross cash flow in the quarter declined by 20%, due especially to the high special charges. Net cash flow was down by 11%, particularly on account of significantly higher tax payments in the second quarter.

Net financial debt rose from EUR6.9 billion at the end of March to EUR7.9 billion on June 30.

Cash provided by operating activities partly offset the outflows for the dividend and interest payments. In addition, the weak euro resulted in a higher disclosure of foreign currency debt.

So let's now move on to the performance of our subgroups, beginning with HealthCare.

Sales of the HealthCare subgroup increased by 4%, FX adjusted, to EUR4.6 billion, driven by the positive developments at both Pharma and Consumer Health.

From a regional perspective, business developed particularly well in the emerging markets.

At Pharma, sales rose by 4% due to good business with the majority of our key products. Sales with Betaseron improved 10% on price increases and the release of provisions for discounts in the United States. Kogenate gained 4%, Nexavar and Aspirin Cardio both 8%, and Glucobay 3%.



As expected, business with our YAZ/Yasmin line of oral contraceptives was hampered by generic competition, especially in western Europe and North America. Sales declined 6%.

Revenues from Mirena increased significantly, by 27%, mainly as a result of higher volumes and a major order in the United States.

Levitra saw its sales down 17%, mainly due to weaker business in the US.

We are particularly pleased with the performance of Xarelto. We achieved sales of EUR68 million in the quarter following market launches in further countries and the expansion of indications.

From a regional perspective, growth at Pharma was achieved mainly in North America, where business was up 12%, and, in the emerging markets, especially China. Overall, the emerging markets business moved ahead 9%. There were slight decreases in Europe, particularly in western Europe.

The adjusted EBITDA of Pharma increased by 12% to EUR809 million. Earnings benefited from higher volumes and from positive currency effect. This effect was partly offset by increased expenses for the marketing of new products and investments in business development in the emerging markets.

Sales in the Consumer Health segment rose by almost 4% in the quarter, with our OTC pharmaceuticals in the consumer care division generating a 6% top line expansion, our medical care division a 1% top line expansion, and our animal health division 3%.

Also, the Consumer Health segment developed especially well in the emerging markets.

Adjusted EBITDA of the Consumer Health segment came in at EUR439 million, 1% above the prior-year quarter. The positive earnings contributions from higher sales were largely offset by higher market investment.

The good business in the Pharmaceutical segment and positive currency effect result in an improvement of the adjusted EBITDA of HealthCare by 8% to EUR1.2 billion.

So that was HealthCare. Let's now move on to CropScience.

Sales of the CropScience subgroup expands by almost 13% in the quarter to EUR2.3 billion, thus continuing the strong business momentum of the first quarter.

We once again saw particularly strong growth in North America due especially to the realignment of our marketing activities. Business in Europe and in Latin America, Africa, and Middle East also showed a good development, while sales rose moderately in Asia Pacific.

Crop Protection sales advanced 14%. Nearly all business units saw double-digit growth rates. The expansion of business with seed treatment products was particularly strong following a moderate performance in the preceding quarter.

Sales of Crop Protection in Europe rose by almost 11% with the fungicides, seed treatment, and herbicides businesses posting excellent growth.

Sales of insecticides remained level year on year. CP sales in North America improved by a considerable 22%, where we achieved double-digit growth rates in all business units, with insecticide sales expanding particularly strongly compared with the prior year.

CP sales in the Asia Pacific region grew by 4%. We significantly improved sales in Australia and India, while business in Japan and Thailand was down against strong prior-year level.

Sales in the Latin America, Africa, Middle East region moved forward by 13%. We registered the strongest gains in Brazil, where business with seed treatment products doubled. Sales of insecticides rose sharply. Fungicides also developed positively, mainly in corn cultivation.

BioScience expanded sales by 21%. We achieved the strongest sales growth in North America, due mainly to significant growth in volumes in broad-acre crops. Our cotton seed brands Stoneville and FiberMax posted particularly strong performance. Sales of our vegetable seeds business declined slightly.

Sales of the Environmental Science business unit moved back by 4%. This decline was attributable to weaker business with both professional users and products for private customers, especially in Europe and Japan.



Adjusted EBITDA advanced in CropScience by 17% to EUR549 million, driven by higher volumes and higher prices. Progress made with our efficiency improvement programs also had a positive effect on earnings.

So now let's move to MaterialScience where sales advanced 2% in the quarter to almost EUR3 billion. This growth was the result of slightly higher selling prices and small volume increases.

The Polyurethanes business unit raised sales by 7%. All product groups contributed to this growth with higher volumes and prices. Volumes expanded primarily in Asia Pacific and Latin America, Africa, and Middle East, while we achieved price increases in nearly all regions.

The Polycarbonates business unit, however, posted sales down 10%. This was attributable, above all, to lower selling prices. Volumes were 3% down, mainly as a result of volume declines in Europe.

Sales in the CAS business, Coatings, Adhesives, Specialties business unit, moved forward by almost 3%, driven by higher prices. Volumes came in at the prior-year level.

Adjusted EBITDA of the MaterialScience subgroup increased by 3.5% to EUR385 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.

So, on the outlook, following the good operating performance in the first half of 2012, we are also confident for the second half of the year. In addition, we are benefiting from a favorable currency environment. Against this background, we are raising our sales and adjusted earnings forecast for the full year, as I already mentioned.

For the Group, we are now anticipating a currency- and portfolio-adjusted sales increase of between 4% to 5% versus, previously, just 3%. We now plan to increase EBITDA, before special items, by a high-single-digit percentage compared to our previous plan of a slight improvement. And core earnings per share are expected to improve at about 10% versus a slight improvement previously.

Firstly, we are a little bit more optimistic about the developments at HealthCare. We now expect sales to increase by between 3% and 4%, and we plan to improve adjusted EBITDA by a mid- to high-single-digit percentage to which positive currency effects will contribute.

Secondly, we are raising our outlook for CropScience significantly. We now anticipate organic sales growth of approximately 10% versus mid-single-digit increase previously and adjusted EBITDA to improve by approximately 20%, compared to a mid-single-digit increase before.

For MaterialScience, in the third quarter of 2012, we aspire to achieve currency- and portfolio-adjusted sales and EBITDA, before special items, at the level of the good second quarter. We continue to plan for currency- and portfolio-adjusted sales and EBITDA, before special items, in 2012 to remain level with the prior year, 2011.

So, before opening the Q&A session, let me just briefly summarize the main points again.

First, we delivered record sales and very good operating performance in all subgroups in the second quarter. And we are optimistic for future developments and are raising our guidance for the full year.

So this concludes my remarks, and we would now be happy to take your questions. Thank you.

## QUESTION AND ANSWER

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### Operator

(Operator Instructions). Jeremy Redenius, Sanford Bernstein.

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**Jeremy Redenius - Sanford Bernstein - Analyst**



First of all, on MaterialScience, is there anything other than economic uncertainty in Europe that's prevented from raising the full year guidance, because, if we assume you meet the third quarter guidance, the fourth quarter would have to be almost as bad as last year's fourth quarter to not beat the full year guidance.

And, within MaterialScience, I'm also wondering -- did BASF downtime in Polyurethanes give you a one-time benefit?

And, second, in CropScience, could you talk about how the Crop Protection business in Latin America is developing as we move into the third quarter, please?

And then, finally, in North America, the dry weather and damaged crop -- do you run the risk of high chemical inventories as a result of that. And, if so, what are the ways you could manage that? Thanks very much.

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**Marijn Dekkers - Bayer AG - CEO**

I'll take the question on the MaterialScience guidance, and then Sandy Peterson will talk about CropScience to answer your questions.

I think the situation is rather uncertain in the economy. Even though we are encouraged by the performance of MaterialScience in the second quarter, we chose to be careful and maintain our guidance at the previous level. We still have a half year to go. And now it is an uncertain economic environment, as we can read every day in the paper. So prudence drove us to keep the guidance where it is at the moment.

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**Sandra Peterson - Bayer AG - CEO CropScience**

As it relates to Latin America, at the moment, we are through the period that we had in the earlier part of the year of having a drought in Latin America. We'll talk about the US, where, obviously, it's a very different situation. So all indications at the moment are that the Latin American marketplace should have a relatively normal season.

The wild card in Latin America is, given what's going on with commodity prices in North America and the situation in North America, farmers are still making decisions and choices between soybeans, cotton, and corn. But most of the tradeoff, quite honestly is between soybeans and cotton. So that may have some impact on the business at the back half of the year.

But, at the moment, our best sense is that the marketplace is still relatively robust, and we should have a relatively normal season in Latin America in the second half of the year.

As it relates to your question about what's going on in the United States specifically, I'd say a couple of things. Obviously, the drought has had an impact on what people are actually doing today -- the farmers are doing today in terms of spraying fungicides on the ground. As you know, the season started early, so what that meant for us in particular is things like fungicide sprays and herbicides pre-season actually got on the ground earlier than it would have in another kind of market environment.

We also have looked at the best estimate we have at the moment on consumption data. And the consumption data that we have indicates that, earlier in the season than normal, we're seeing a lot of the stuff getting into the farmers' fields and getting on the ground.

But the reality is we are not going to actually have a very good view and transparency to what is in the channel until towards the end of the third quarter, where we actually do a true-up on the season. And, at that point in time, we'll have a much better sense of how much is left in the channel versus how much has actually been used in the marketplace and what products actually got on the ground and what didn't.

So there is some risk of some fungicides being left in the channel. Whose they are and where they are is a question mark that we won't have real, full visibility and transparency to until probably the very beginning of the fourth quarter or end of the third quarter.

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**Jeremy Redenius - Sanford Bernstein - Analyst**

Great. Thank you very much.

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**Marijn Dekkers - Bayer AG - CEO**



Jeremy, Patrick will answer your question on BASF's situation and the impact on our business.

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Jeremy, as you know, these plants have shut down on planned basis and on when the plant fails. And I don't think the situation during second quarter was particularly unusual. I think, if you looked at the polycarbonates business, then, clearly, you've had a lot of extra capacity coming on stream, particularly from Saudi Kayan and Mitsubishi, which did have an effect in the polycarbonate pricing arena. But, on the polyurethane side, I would say it's relatively normal in any quarter to have some of the assets around the world shut down.

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**Jeremy Redenius - Sanford Bernstein - Analyst**

I'm sorry. In polyurethanes, then, as well? You said it looked normal from BASF, and it was essentially planned?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Yes. It was essentially planned. So I think the market had factored that in. I think other plants were running which weren't running before. So I think, on any one quarter, one of the competitors will have plants down.

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**Jeremy Redenius - Sanford Bernstein - Analyst**

Good. Thank you.

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**Operator**

[Rashi Jayne], JPMorgan.

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**Rashi Jayne - JPMorgan - Analyst**

I was wondering if you could share the Nexavar geographics sales breakdown. I'm specifically interesting in the US, Japan, the rest of Asia Pac, and important, new markets. Thanks.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Yes. I will be pleased to do so. Nexavar received in the United States a 12.9% increase, which gets us to our sales level of EUR52 million in the second quarter of this year. And Japan is EUR29 million. China is EUR19 million. We have France and Italy with EUR12 million and EUR11 million each. And we have for the first time a bit more significant volume also in Latin America, with Brazil at EUR5 million and Mexico at EUR4 million. Overall, the emerging markets all together have a sales volume of EUR62 million in the second quarter of this year.

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**Rashi Jayne - JPMorgan - Analyst**

Thanks a lot.

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**Operator**

Jo Walton, Credit Suisse.



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**Jo Walton - Credit Suisse - Analyst**

You have identified two one-time items in the second quarter in the sense of a provision release for Betaseron and a large, one-time order for Mirena. I wonder if you could, excluding those, give us some sense of the underlying position and whether there was -- one would imagine that, both of those being positive, flew straight through to the bottom line from the top line.

Could you also, please, just update us on your plans of building infrastructure where you're at in terms of getting ready for new launches; in particular, Eylea, which I see you'll be launching in Australia in the second half of this year. Should we expect to see a materially higher SG&A in 2013 than 2012?

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Yes. You are right. We had two significant one-times, for Betaseron and for Mirena, as Marijn mentioned. The underlying trends differ a little bit.

For Betaseron, you could see a 10% growth in the second quarter, which doesn't reflect the underlying trend. We have been guiding for Betaseron for mid- to high-single-digit decline this year, which is not going to be, obviously, the guidance anymore for the full year. We would now assume full year sales for Betaseron to be around flat. That doesn't change the overall, let's say, volume development for Betaseron, which is still negative, in the mid single digits.

Nevertheless, we see a little bit of an improvement here. You may have seen the Novartis Extavia sales, which are negative in the second quarter. So maybe there is a little bit of market share regain for us. But we'll have to see how the rest of the year develops. But, overall, we would think that sales for Betaseron should be flattish for 2012 and then decline again in the mid single digits thereafter.

Mirena has a very positive underlying trend. It's not only in the US but also in the rest of the world. Obviously, the significant deal that we could conclude in the second quarter did influence, especially, the US numbers, but, also, the rest of the world is in the high-single-digit growth. So, overall, we think that the guidance of high-single- or low-double-digit sales for Mirena can certainly be met. And I would think that, for the full year, we should be in the double-digit range for Mirena.

Now, with regard to SG&A and infrastructure, yes, we have quite a number of launches coming up. You mentioned Eylea. We would also, next year, think that regorafenib and Alparadin could be launched. So, overall, there are obviously preparations ongoing. You will not see that much of an impact in 2012 because, as you know, Eylea is a relatively limited sales force effort. It is certainly existing, but, when you compare to Xarelto, it's a totally different ball game. But, nevertheless, we are preparing for that adequately, which led us to the guidance that we had for this year, which indicates Pharma just a small, low-single-digit increase in EBITDA. Margin-wise, you will probably not see a significant impact whatsoever. If anything, the margin overall, also due to currency effects, is probably going to stay flat.

For 2013, it's a little bit too early to give a guidance. But, obviously, we will make adequate investments in these launches to make sure that they are successful.

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**Jo Walton - Credit Suisse - Analyst**

Just so I understand that, the provision release for Betaseron -- that reflects the fact that you didn't have to give discounts because, actually, Betaseron wasn't growing as much as you might have expected? Or why was there a provision release?

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

We didn't have to give the discounts at the level that we expected them to be.

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**Jo Walton - Credit Suisse - Analyst**

Thank you.

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**Operator**

Fabian Wenner, Kepler.



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**Fabian Wenner - Kepler Capital Markets - Analyst**

First, for Marijn and Patrick, in the strategy slide in May, you mentioned you want to leverage the gas-phase technology in TDI. I just wondered whether you can give us an update of how you intend to do that. I'm asking since SABIC, in February, announced a partnership with Mitsui and not with Bayer. Does that mean you, basically, are not thinking about leveraging for partnerings that exclude it?

A second question for Werner. You retired about EUR2.7 billion of debt in H1. And, by yearend, your net debt to EBITDA is going to be around 0.7, that debt very comfortable for you're A- rating, obviously. But do you see any opportunity to enhance returns from the current, low interest rates?

And a last question for Kemal maybe. Can you give us an update on Alparadin and maybe regorafenib as well? Thank you very much.

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**Marijn Dekkers - Bayer AG - CEO**

The first question on TDI leverage, Patrick?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

The new TDI gas-phase technology is, of course, up and running in China at the moment. And we're still learning more and more from the technology as we get the plant running at a faster and faster rate. So that is a success. And we're leveraging that primarily into Europe, where we've just got the first permit approvals for constructing a sister plant in Germany, which will then replace our two older facilities. That will allow us to improve our cost efficiency quite dramatically in our old, two European operations by closing them and replacing them with the new technology.

The second question you asked related to the joint venture that was announced between, I think, SABIC and SINOPEC in China, which was to look at polycarbonate technology or polycarbonate capacity. It's something we continuously evaluate, of course. But, at the moment, we don't see any intrinsic benefits in partnering on one particular product stream.

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**Fabian Wenner - Kepler Capital Markets - Analyst**

Sorry, Patrick. Just to follow up on that, it's the partnership between Mitsui and SABIC for TDI.

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Oh, sorry. Yes. Sorry. I was on the other end of your collaboration. Yes. The TDI is a technology collaboration. So this is where Mitsui are licensing their technology, which I guess is relatively small scale. And I guess they're doing that for cash reasons by licensing to SABIC. SABIC have stated for many years that they intend to try and acquire this technology.

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**Fabian Wenner - Kepler Capital Markets - Analyst**

Something like that is out of the question for you?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Yes. We would not license this TDI gas-phase technology.

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**Fabian Wenner - Kepler Capital Markets - Analyst**

Okay.



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**Marijn Dekkers - Bayer AG - CEO**

Okay. And then, Werner, about enhancing returns.

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**Werner Baumann - Bayer AG - CFO**

That's something which we are, of course, thinking about as well. First of all, I'd like to comment on your net debt projection for the Company. You mentioned EUR4.7 billion. That is a figure which is not familiar to me.

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**Fabian Wenner - Kepler Capital Markets - Analyst**

EUR2.7 billion. Sorry.

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**Werner Baumann - Bayer AG - CFO**

At the end of the year -- you said EUR4.7 billion we would reach in net debt. Or did I misunderstand you?

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**Fabian Wenner - Kepler Capital Markets - Analyst**

Yes. I said net debt to EBITDA is going to be 0.7. Sorry for the --

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**Werner Baumann - Bayer AG - CFO**

Okay. It looks like our net debt position at the end of the year is going to go below our 2011 level. That means that it's slightly higher than what we guided for at the beginning of the year. The reasons are -- they're certainly related to the business expansion; specifically, in crop. We traditionally have a very high working capital tied up in the business, so that's the downside of that very, very positive development.

We have on top of that our overall debt position we will, of course, also have to include the changes in our pension provisions and only in quarter two, given the very low interest rates we currently see. That pension provision has increased by EUR1.3 billion.

So, if we look at our overall debt position, which is critical for our rating, you have to take the two into account. And it kind of sounds like a broken record. We do not have as much flexibility as you might think by just looking at our net financial debt. Yet, still, we do have liquidity which is building up based on our free cash flow generation.

And, as usual, there are multiple opportunities what we can do with the money. We can certainly -- we will look as part of our dividend guidance into increasing our dividend, which is going to stay within the 30% to 40% range of our core EPS. I don't see us delever much further, but, rather, we might also look at generating higher returns by selectively funding our unfunded pension obligations. That is something we are currently looking at.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

I'm going to take your questions on Alpharadin and regorafenib. Actually, there is not that much news at the moment to be reported on both products. As you know, we indicated that we are planning for a second half filing for Alpharadin, and that's still the case. In addition to that, we are preparing for a number of traditional studies, which we want to start next year, where we will look at mono-therapy and also combination therapies of Alpharadin at different stages of prostate cancer patients.

In addition to that, for regorafenib, again, also no significant news. The review process is ongoing. As you know, we got priority filing, so we would expect a priority review. We would expect the FDA for the colorectal indication to come up with a decision before the end of the year. And we would expect a European decision in the first or second quarter of next year.



So, overall, both products, for the time being, on track. GIST for regorafenib, we can, obviously, only file in Europe once we have approval for colorectal. And we expect to file in the US in the second half of this year.

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**Fabian Wenner - Kepler Capital Markets - Analyst**

Thanks.

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**Operator**

Norbert Barth, (Inaudible).

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**Norbert Barth Analyst**

Two questions concerning MaterialScience; first of all, raw material impact. You mentioned, in Q2, still negative. Can you evaluate what the figure was? And am I right that, going forward into Q3, there should be already a positive impact from declining raw material impact? Is that right? Can you elaborate on that?

And the second question is generally concerning China chemical market environment. I was a little bit surprised to still see volume up. It looks that, in general, the Chinese market did not recover as it was expected at the end of first quarter. So have you a different situation there? Or can you elaborate a little bit on how the situation is there?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

If I take the numbers, Norbert, from sequential quarters, then the raw material effect and energy price effect was about EUR25 million negative sequentially quarter one to quarter two. And I'd expect a positive benefit going into quarter three of roughly double that number. But a significant part of that will be in propylene. The main feedstock we're seeing price reductions on is propylene, and propylene finds its way through to product price very quickly. So this is a margin that is passed on very, very quickly when you see propylene price rises. So, roughly, I would say, 60% of that improvement that I'm forecasting for quarter three will be passed through to the market on a relatively quick basis because of the pricing mechanisms for propylene oxide and for polyether polyols.

On your question for China, I guess there's a couple of things that we see going on in China. First is the Chinese government is doing selective stimulus to the economy. We see a lot of infrastructure projects that were frozen being released. And that's positive from the point of view of the coatings business.

The regional subsidies are coming into place for the appliance industry again. The appliance industry suffered a lot in quarter one. And, in quarter two and now, we're seeing some of the regional governments promoting efficiency in the food chain and, therefore, refrigerator production.

And we believe the next area that will get some stimulus -- there's some talk of this -- will be the automotive industry because of the high installed capacity and the desire to get more environmentally acceptable vehicles on the road.

The sector that's not getting any support at all is the housing sector. But the infrastructure projects are certainly getting some support from a construction sector point of view. Domestic housing not.

I think there are discussions going on in the government and in the regions about further stimulus, but there's absolutely no doubt that the high level of discussion about the quoted 7.5% growth in GDP in quarter two suggests even in China that there's some suspicion that that number may not be terribly accurate. And that's probably my best overview on China that I can give you.

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**Norbert Barth Analyst**

Okay. Thank you.

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**Operator**



Ronald Kohler, MainFirst.

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**Ronald Kohler - MainFirst - Analyst**

I actually have three questions. The first question is on currency effect. Actually, your currency effect in Q2, around EUR70 million, was lower than the EUR85 million you stated in Q1, despite that, obviously, the currency on the top line was much more beneficial. So a little bit of explanation of that would help. And, obviously, hedging might be the explanation. So the question -- going forward for the second half year, would you expect the positive effect on EBITDA to improve significantly based on today's currency rate, given that, potentially, hedging is rolling over or, at least, having a less limiting effect here?

The second question is on CropScience and Brazil. Obviously, every eye is now on Brazil. Everyone is expecting a very strong season. The question is a bit -- what are your expectations, especially looking at your new products, like Fox and others. So I guess you might continue to outperform the market, as you did in the first half year. Or what would be your, let's say, internal expectation in Brazil? And a little bit an outlook on pricing in Brazil would be also appreciated, given your discount strategy on your new products.

A last question, actually on Lemtrada co-promotion. Could you give us any insight now as we're coming closer to potential launch of what's your strategy here to work together with Sanofi? That's it. Thank you.

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**Marijn Dekkers - Bayer AG - CEO**

Okay. So we'll start with Werner and the currency effect also going forward.

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**Werner Baumann - Bayer AG - CFO**

Ronald, first of all, your assumption that some of that currency movement has been driven by hedging is correct, even though that's not the only explanation. The second explanation is driven by the business mix and the structure of our business, also the seasonality of our crop business. We reported positive currency effects for BMS and for HealthCare for the quarter. Yet, for CropScience, the net currency effect was negative bottom line, even though we saw a positive effect on the top line. So all of those factors weigh in.

As we move into the second half of the year, yes, we will see, based on quarter two end currencies, stronger currency support than what we have seen in the first half of the year. Giving you some sensitivities around currency -- if currencies move by 1 percentage point across the entire basket of our currencies, that would translate into a EUR30-million bottom line effect -- EBITDA effect by the end of the year for the second half of the year. So a 1% move of the entire basket results in a EUR30-million variation on EBITDA level. And top line is about EUR128 million to EUR130 million.

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**Ronald Kohler - MainFirst - Analyst**

If I rightly understand, that is just for the second half year; so, a half year effect?

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**Werner Baumann - Bayer AG - CFO**

No. That is, for the second half, the sensitivities. If you take the last six months and you look at a currency variation of 1 percentage point based on quarter end -- second quarter closing rates, that gives you a positive or negative, depending on where currencies move, the effect of EUR130 million top line and EUR30 million bottom line.

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**Ronald Kohler - MainFirst - Analyst**

Just to understand it, on a full year base, it would be then twice as high.

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**Werner Baumann - Bayer AG - CFO**



Yes. Full year base, a percentage moves about EUR60 million. That's correct.

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**Marijn Dekkers - Bayer AG - CEO**

Okay. Good. So, Sandy, Brazil.

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**Sandra Peterson - Bayer AG - CEO CropScience**

As you know, we had a very strong first half of the year in Brazil, and we outperformed the market, both second quarter and, actually, the half year. Our growth rate was about 30%. So we're confident we actually gained significant share in the first half of the year, despite some of the challenges with the drought.

Our expectation is that we'll be able to continue that positive momentum in the second half of the year. As you know, we are already in the process of doing a lot of preordering of lots of our products, not just the fungicides, but also we've had very strong growth in insecticides and herbicides and seed treatment in Brazil. So our expectation is that we should have an equally strong, above-market performance in the second half of the year. Our expectation is, if you look at our portfolio in totality, both if you look at the seeds and trait business, as well as the older chemistry, as well as the newer chemistry, that we should be able to continue to generate value by how we actually do pricing across that portfolio in the back half of the year as well.

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**Ronald Kohler - MainFirst - Analyst**

Does that mean, actually, that you expect pricing levels -- let's say similar increases like in the first half in Brazil, or any major difference here?

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**Sandra Peterson - Bayer AG - CEO CropScience**

Our expectation at the moment is, actually, we should be able to see better pricing in the second half of the year than we saw in the first half of the year, just because of where the market is in the second half of the year and what the portfolio looks like in the second half of the year. And, as you know, our first season of Fox was extremely positive, and there's very high demand for that product. So our ability to sustain very strong margins in that product we're more bullish about than we were at the beginning of the year.

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**Marijn Dekkers - Bayer AG - CEO**

And then, Joerg, Lemtrada?

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Regarding Lemtrada, as you know, we have executed our co-promotion right for this product. And, as you also know, we have a significant presence in the market with Betaferon, which we obviously want to build on. And we are discussing with Sanofi as to how best to do this in order to create value for both companies. That's all I can comment on at the moment. So the closer we get to the launch, maybe I can say a little bit more than that.

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**Ronald Kohler - MainFirst - Analyst**

If I may, one add-on question MaterialScience. The Brunsbuttel force majeure is now, obviously, lifted, but it was four weeks down. Was there any, let's say, more significant impact in Q2, or will be there anything in Q3?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

No. There will be no effect in Q3.

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**Ronald Kohler - MainFirst - Analyst**



There was an impact in Q2?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

There was a small effect in Q2 but not significant.

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**Ronald Kohler - MainFirst - Analyst**

Okay. Thank you.

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**Operator**

Richard Vosser, JPMorgan.

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**Richard Vosser - JPMorgan - Analyst**

A couple of Pharma-related questions, please, the first one just on the emerging markets. I was just wondering if you could comment on how sustainable that 9% growth is, what you're seeing across your basket of emerging market exposure, and how you think that will develop going forward.

Second linked -- just on Europe -- just how the pricing situation or pressure you might think would develop in the second half. We're seeing from other companies the idea that some of the southern European countries might put some more price pressure or more price controls in place. What's your perspective, please?

And then, finally, on Nexavar, just how the adjuvant trial is progressing. Is it still reasonable to think of a readout of that in the fourth quarter? Just your expectations there, please. Thank you very much.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Regarding the emerging markets, as you have seen in the numbers, we had very healthy growth overall in that region again. Obviously, we see differences, depending on the region. So, traditionally, we are strong in China, and that continues to be the case. When you look at the rest of Asia Pacific, obviously, there are countries like South Korea, where there is negative growth at the moment based on price decreases that happened in this country last year. When you look at Latin America, there's a mixed picture as well. I mean, Brazil has not been developing so dramatically positive over the first six months as many people would have expected. However, we are optimistic going forward.

So, overall, I would say that our expectation for our growth in the emerging markets is roughly at the level that we are at the moment. It may change a little bit country by country, but, overall, we are relatively optimistic, as we have been in the past.

Regarding Europe, we have -- as you could see in the number, we have a slight negative growth in Europe overall. That is true for HealthCare overall, but it's also true for Pharma, pharma a little bit stronger. We see negative impact of healthcare reforms in Europe. We would expect that to be at a level of around EUR60 million for the whole year. Yes, we also see, especially in Italy, some further negative activities in the second half of the year. Spain, at the moment, is not so clear, but, at the moment, we think that that may have been it for, at least, this year. We also expect, like many of our colleagues and other companies, a small, single-digit, negative impact in Europe.

However, you also need to see that that is, to a large extent, compensated by new product rollouts, especially Xarelto, which we have not even launched, at least not really launched, neither in Spain nor in France. Yes, we have started to offer it, but, obviously, as you know, August is not a good month to launch any of these products in southern European countries. But, in September, we will put full pressure behind Xarelto, especially in Spain and France, where we have now also (inaudible). So that should support our business in Europe overall.

Regarding Nexavar, well, for the time being, I believe we'll stick to the timelines that we have been giving before. But, obviously, the closer we get to the end of the study, the more precise we can be.



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**Richard Vosser - JPMorgan - Analyst**

Okay. Thank you very much.

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**Operator**

Daniel Wendorff, Commerzbank.

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**Daniel Wendorff - Commerzbank - Analyst**

Three, if I may, starting off with a question on Consumer Health. You guide for a high-single-digit increase in adjusted EBITDA percentage-wise for the Consumer Health segment. It was only up around 3.6% in the first half of 2012. So do I have to see the EBITDA margin in Q2 as more of an outlier? And, if so, what was the reason for that?

And then two short, product-related questions, one on Betaferon. I was just wondering whether you could provide any more details on the price increase you experienced in the US.

And then, on Xarelto, could you potentially comment on the product uptake in the US and how Xarelto is doing, in particular, versus warfarin? That's helpful. Thank you very much.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Consumer Health. Yes, you're right. We had relatively poor development, EBITDA-wise, in Consumer Health in the second quarter. That had to do with significant investments that we are currently making in our presence in a number of emerging markets; for example, in China. We intensify our efforts. China has not been really in the focus of Consumer Health activities over the last few years. We are intensifying that now significantly; obviously, also, by adding capacities and improving our field force. We also have a focus on Brazil, where we keep on investing. And we have a strong business in Consumer Health in Russia, but also that needs further investment.

So, overall, you saw a peak of investment in the second quarter. That is a little bit of an outlier. Otherwise, we would not be able to get to the high-single-digit overall guidance for the full year, which I think will be feasible and can be achieved.

Regarding Betaferon, yes, I can give you some further detail on the price increases. Actually, we did have a price increase for Betaferon in 2011 already, which was in September, which was at the level of 5%. And then we had two price increases this year, in January and in July, at levels of 9% and, again, 5%. So that all together leads to a significant, obviously, improvement of the performance.

Xarelto in the US? Obviously, you would have to talk to our colleagues of J&J, who are very pleased with the performance of Xarelto, and we share their pleasure there. What we see, especially with regard to warfarin, is that the rate of volume growth for warfarin comes down significantly since six to nine months. Whereas, in the first half of last year, warfarin volume was still growing, it's not anymore. And, actually, when you look at the last few months, warfarin comes down at a level of 8% month after month. So the volume is declining, which actually is a good indication that the only active compounds Xarelto and Pradaxa really take now more and more market share. We see for Xarelto itself that we grow market share in the, especially, cardiology business month after month and week after week. So, overall, we are quite happy with that performance.

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**Daniel Wendorff - Commerzbank - Analyst**

Thank you.

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**Operator**

Andreas Heine, Barclays.



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**Andreas Heine - Barclays - Analyst**

My question is on MaterialScience. Could you explain a little bit why the trend in the polyurethanes and polycarbonate if it comes to volume is so different and give some outlook what you see as the business trends in the third quarter and whether price increases in MDI and TDI are still possible?

And, on the CropScience area, you were mentioning that Belt was very successful in the US. Is there a special reason why you mentioned Belt in the US but not in Asia, what I would assume is a good area for insecticides?

And, also, on Xpro and Prosara, the active ingredients are not that new, but this formulation is probably very valuable. What is the reason that this is growing now so strongly all over the place and has not so much in recent years? Thanks.

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Okay. This is looking at, firstly, the difference between polycarbonates and polyurethanes.

In the polycarbonates market in quarter one and quarter two, we saw new, competitive material coming into the marketplace, primarily from Saudi Kayan and also from Mitsubishi. We also saw traders destocking significantly because of concerns about the market in quarter two, so we saw quite a lot of extra material coming in. Most of that material was going into the ODS, optical data storage, and extrusion markets. So there was quite a lot of disruption in what I'd call the commodity end of the polycarbonates business. We followed a value-before-volume strategy in that case and remixed our portfolio, which you can see from the pricing movements in PCS.

I think, on MDI and TDI, there was limited capacity additions. There was some debottlenecking that had gone on. But, generally, the markets remained fairly tight during quarter two, and that's the reason for the difference you see in terms of the performance.

In terms of trends looking forward, TDI prices went up significantly in quarter two, and we would expect to see that hold during quarter three. I think the same is true of MDI. There were significant price increases achieved during quarter two, and we now are seeing rollovers into quarter three for those pricing levels. And I think there are some fundamental drivers of growth that we see intact in, particularly, MDI, where, now, the Chinese are beginning to release some of the new building permits for using polyurethane as a building insulation material in several of the provinces in China, which is a positive breakthrough for us, as it allows us to expand our Chinese market for MDI. So that's my overall outlook.

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**Andreas Heine - Barclays - Analyst**

Maybe one question on polycarbonates. The volume decline was more supply driven rather than that there is a decline in the overall demand?

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**Patrick Thomas - Bayer AG - CEO MaterialScience**

Yes. I think this was a combination of new material coming into the market, finding a home at the bottom end of the market, and us choosing to exercise the value-before-volume strategy.

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**Andreas Heine - Barclays - Analyst**

Understood. Thanks.

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**Sandra Peterson - Bayer AG - CEO CropScience**

So, on CropScience, a couple of things. As it relates to Belt, on a global scale for the first half of the year, Belt's, actually, growth rate was over 80% year over year. So we had strong performance in Latin America and Asia. But, given -- but the vast majority in the first half of the year, particularly in second quarter, was the US. So it's not that it didn't grow in other places. It's just it had particularly strong growth in North America. And we will see in the third quarter continued, positive performance of Belt as we are in the counter-season in Latin America, as well as in Asia, in the back half of the year. So Belt's doing fine in Asia. It's just North America, particularly the US, was particularly strong in the second quarter.



As it relates to Xpro and Prosaro, Xpro was launched last year for the first time in the UK and in Germany. It was launched this year in France. And so this is the first full year launch of that product in a number of markets in western Europe. And so we're seeing the positive uptake of a new product in the marketplace, which has very positive impact on keeping disease down but also having some positive yield impact. And, in particular, in the UK, given how wet it's been this year, there has been a very strong infestation of fungal diseases, and so there's been a very heavy demand for that product, which seems to perform extremely well in the cereal marketplace.

Prosaro actually is, similarly, in North America in particular. Our go-to-market strategy with that product has been very effective, and we're seeing very positive uptake of that product in North America as well.

So, in general, our fungicides are doing quite well across the globe.

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**Andreas Heine - Barclays - Analyst**

But this is a new mixture. It's not new, active ingredients.

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**Sandra Peterson - Bayer AG - CEO CropScience**

Yes.

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**Andreas Heine - Barclays - Analyst**

[It's not] a more powerful mix. Okay.

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**Sandra Peterson - Bayer AG - CEO CropScience**

Yes. I mean, it's a new combination mixture with, clearly, some new impacts. So it's a combination. Both of these are combination products. But they're new registrations, and they're new product launches in that case. Yes.

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**Operator**

Damien Conover, Morningstar.

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**Damien Conover - Morningstar - Analyst**

I just wanted to circle back to Betaseron just with two questions. One, when you are looking at your outlook for mid-single-digit declines after 2012, can you kind of parse that out between pricing and potential volume losses to new entrants, BG-12, Lemtrada?

And then a second question. I'm just wondering if you've done any sort of formal, economic studies that look at the pricing potential in the US to continue, as we've seen pricing in the interferon market approaching 20% for several years with not much deceleration. Thanks a lot.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

It's correct that, obviously, the overall (technical difficulties) the product is a mix and volume. What we see for Betaseron -- forget the US for the moment -- is continued decline in volume in the rest of the world. And we see also in some of those countries pricing pressure. So we have a negative development for Betaseron still in 85% of our countries. But, obviously, the US, being 50% of our overall sales level for Betaseron, has significant impact. So that's -- but, also in the US, we see negative volume development with Betaseron that differs a little bit quarter by quarter. But, nevertheless, volume comes down, and we would expect that to continue to be the case.

Regarding pricing sensitivity, obviously, the industry has been benefiting to a large extent and over many years from the price flexibility that exists in the US. We will have to see how this develops. I believe, for Betaseron and for the MS market overall, obviously, the new entrants did help to increase the flexibility that exists in this



market. However, I believe, that that is coming to a little bit of an end. I believe that we are getting in the situation where there is not as much flexibility in the price anymore than it used to be over the last 12 to 18 months. We'll have to see what is feasible for us going forward. But, overall, the guidance that we gave with the mid-single-digit decline indicates to you that we don't think that there is much of a pricing flexibility anymore going forward.

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**Operator**

Andrew Baum, Citi.

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**Andrew Baum - Citi - Analyst**

A couple of questions, one for Kemal. Many physicians have highlighted the lack of reversibility as being a potential concern for adopting the new antithrombotics. Could you just update us on your reversing agent? And what are the clinical requirements in terms of endpoints in bringing such an agent to market?

And then, second, with regard to your US Consumer business, could you outline what, if any, the withdrawal of Novartis' Excedrin has had on your aspirin franchise in that market?

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**Marijn Dekkers - Bayer AG - CEO**

Andrew, Kemal is not on the phone. But Joerg is extremely qualified to answer your question.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Let's start with the Consumer Health and Excedrin. Well, we have seen a little bit of a positive impact. On the other hand, not that much yet. Obviously, it's not only aspirin; it's also Aleve that may benefit. We also have just recently launched a new pain medication that actually is pretty competitive to Excedrin, which we think may see some uptake now in the second half of this year. So overall impact so far has been very modest.

Regarding the reversibility and factor X, as you know, we have been talking about a potential antidote here for a while. We are in the process of working out what exactly it would take. We have several approaches, which we haven't been talking that much in detail yet in the past, and we're still prepared to do this. Obviously, it's a hot field with a lot of debate at the moment. But what I can say is that, in addition to a more specific agent, there is also consideration to go for a more, let's say, broader, potential agent. But that is something where, I think, that, in the first half of next year, we have more clarity on.

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**Andrew Baum - Citi - Analyst**

Okay. Thank you for taking the call.

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**Operator**

[Lutz Gruten], Commerzbank.

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**Lutz Gruten - Commerzbank - Analyst**

I want to come back to the first question of the conference call and want to phrase it completely the opposite, regarding the guidance on MaterialScience for the full year. [In fact], the numbers on the EBITDA line have been down after six months, and you're guiding for flat EBITDA, adjusted, on a full year base, which implies an increase in the second half. What makes you so confident in a softening environment overall? That's the first question.

And my second question is regarding CropScience. You mentioned efficiency improvements you have achieved in the second quarter and the first half. Could you give us a number here which was achieved after six months? And could you confirm the EUR150 million to come on a full year base? Thank you.

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**Marijn Dekkers - Bayer AG - CEO**



Okay. I'll quickly answer the question because, obviously, you can look at this from two sides. The bottom line is, as I've said, we kept material guidance where it is because of uncertainty of the economy. The comment was made that Q4 last year was relatively weak, maybe this on self-infliction there in terms of how we ran our capacity at the end of the year. So we think this is all going to sort of average out. Or we don't see any significant indications one way or the other to change our guidance at this point.

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**Sandra Peterson - Bayer AG - CEO CropScience**

So, as it relates to the efficiency question, as you know, at the end of 2010, we announced a EUR265-million cost takeout program that was to be completed by the end of 2012. We are more than confident that we're going to hit that number. We're actually slightly ahead of plan in total and also in terms of this year's number. So we're tracking very well. And that's part of why we're seeing the positive performance on our bottom line.

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**Lutz Gruten - Commerzbank - Analyst**

But there is no number you can give us for the first six months?

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**Werner Baumann - Bayer AG - CFO**

I can give you the number for the overall Company, and that is that, annualized, by end of quarter two, we have realized a little bit more than EUR700 million out of the EUR800 million overall for the Company. So, EUR720 million out of EUR800 million.

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**Lutz Gruten - Commerzbank - Analyst**

All right. Thank you.

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**Operator**

Sachin Jain, Merrill Lynch.

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**Sachin Jain - Merrill Lynch - Analyst**

Three questions for Joerg, if I may. Firstly, on the YAZ litigation, I think you've been quoted on the wires of saying you believe you've provided for the large part of that liability. I wonder if you could just give us some comfort that you believe the bulk of claims are now in. Any color on the rate at which you're receiving new claims now versus, let's say, six months ago?

Secondly, on Xarelto ACS, just any updates as to how discussions with the FDA are going? Any path to market, or should we write off this indication in the US?

And then, thirdly, you commented on Xarelto AF in the US and continued market share pickup in cardiologists. I wonder if you could just provide some color in the PCP space and whether the Eliquis delay has had any benefit at all. The background to that question is, at the New York analyst day, I think there was a suggestion that some PCPs may have been delaying converting from warfarin in anticipation of Eliquis. Thank you very much.

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**Marijn Dekkers - Bayer AG - CEO**

Okay, Sachin. Werner will answer your YAZ litigation question, and the Joerg, the two Xarelto questions.

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**Werner Baumann - Bayer AG - CFO**



More than happy to do so. The EUR496 million provision we have taken covers the exposure, which goes beyond our insurance coverage and the deductible we had already taken. And it addresses all cases we know as of, basically, the close, which we consider worthy of settlement. And these are only the cases where we have incidences of venous clots.

It does not include two other classes, which we would not settle. One is gallbladder diseases and stones. We don't see -- based on the studies objectives, we don't see any relation to drosiprenone-containing COCs. The other one is [arterial thromboembolisms], which we do not consider to be settled either.

So these are the conditions under which the provision has been established. The provision also covers our ongoing legal and defense costs going forward for -- until the end of 2015.

Now we come to the number of cases we receive. We had quite a high number of VC cases in the peak. That has come down significantly. I've called it somewhere in the area of maybe 20% to a third we currently see versus the peak, and that is 30 to 35 cases per week. These are the claims. Then, out of these claims, we would then have to analyze how many of those relate to venous clots. So these are the number of claims which are handed in, not necessarily the ones which cover venous clots.

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**Joerg Reinhardt - Bayer AG - CEO HealthCare**

Sachin, regarding Xarelto, well, I think it's much too early to write ACS off in the US as you've just questioned. I'm actually quite confident that that's going to go well at the end of the day. But I don't want to comment and I can't comment on what exactly is ongoing at the moment. You can assume that our colleagues at J&J are working very closely with the FDA in addressing the questions that they have raised. And I can't give you the exact date of when the re-filing is going to take place, but I can reassure you that the colleagues are working very diligently in making this possible as quickly as possible.

Regarding AF, yes, I've heard the same comment that people, especially the primary care physicians, might wait for another product to reach the market. If that would have been the case, then you might have expected some uptake, which is not the case, I think, neither for dabigatran nor for us. Market shares with the primary care physicians are pretty stable for both compounds now since a number of weeks. Maybe there's a little bit of an improvement week after week, but it's still at relatively low levels. That's different than with cardiologists, where we are still gaining market share, and we have the major share of new patients getting on the drugs. But, regarding PCPs, it's still at low levels.

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**Sachin Jain - Merrill Lynch - Analyst**

Thank you very much.

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**Operator**

Excuse me, Mr. Rosar, there are no further questions at this time. Please, continue with any other points you wish to raise, sir.

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**Alexander Rosar - Bayer AG - Head IR**

Okay. Thank you, Sherry. In this case, also on behalf of my colleagues, I'd like to say goodbye. And thank you for being with us on the call.

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**Operator**

Ladies and gentlemen, this concludes the second quarter 2012 results investor and analyst conference call of Bayer AG. Thank you for participating. You may now disconnect your telephones.





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