

Q3 2009 Analyst and Investor Briefing

October 27, 2009

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

- **Sales** declined by 7.0% to €7,392m (Q3'08: €7,948m); volume -2.8%, price -4.4%, currency +0.6%, portfolio -0.4%. Portfolio and Fx adj. sales dropped by 7.2%.
- **Reported EBITDA** at €1,326m, down by 0.6% (Q3'08: €1,334m).
- **Underlying EBITDA** slightly increased by 0.4% to €1,499m (Q3'08: €1,493m). The currency effect amounted to -€50m.
- **Reported EBIT** fell by 5.6% to €646m (Q3'08: €684m).
- **Net Special Items** of -€191m include: *Health Care*: -€105m, thereof -€35m from Schering integration, -€56m litigation and -€14m additional funding for German Corporate Pension Assurance Association (PAA). *Crop Science*: -€43m, mainly restructuring *Material Science*: -€15m, mainly restructuring. *Reconciliation*: -€28m from PAA.
- **Underlying EBIT** decreased by 6.1% to €837m (Q3'08: €891m).
- **Non-operating result** at -€262m (Q3'08: -€276m) containing net interest expense (€121m, Q3'08: €159m), interest expense for pension and other provisions (€104m; Q3'08: €71m), a net exchange loss of €28m (Q3'08: €34m).
- **Income taxes** at -€135m (Q3'08: -€133m). The effective tax rate increased to 35.2% (Q3'08 32.6%). Income taxes paid and accrued: -€131m (Q3'08: -€197m).
- **Net income** at €249m down by 10.1% (Q3'08: €277m). **EPS** amounted to €0.30 (Q3'08: €0.37).
- **Core EPS** at €0.78 (Q3'08: €0.85).
- **Gross cash flow** flat at €1.172m (Q3'08: €1.171m). **Delta Working Capital** at €345m (Q3'08: €63m). **Net cash flow** up by 22.9% to €1,517m (Q3'08: €1,234m). Cash

outflows for **CapEx** at €420m (Q3'08: €492m). **Operating free cash flow (total)** at €1,097m (Q3'08: €742m).

- **Net financial debt** (total) down by €3,487m to €10.665m compared to December 31, 2008 and down by €1,050m compared to June 30, 2009.
- **Net pension liabilities** up by €1,003m compared to December 31, 2008 to €6,999m, mainly due to lower long-term interest rates.

2009 Bayer Group forecast

Our forecast for **HealthCare** has been confirmed so far this year. The increases achieved in sales and underlying EBITDA support this view. In addition, we expect to report slight growth in the fourth quarter compared with the very strong last quarter of 2008. We therefore continue to expect to improve the underlying EBITDA margin toward 28%.

The market environment for **CropScience** deteriorated in the third quarter. However, this subgroup still plans to increase full-year sales compared with 2008. In light of the weak third quarter, we anticipate that underlying EBITDA will come in below the high prior-year level. Accordingly we now expect to achieve an underlying EBITDA margin of between 23% and 24% (previously: about 25%).

At **MaterialScience**, third-quarter sales and earnings were significantly above the low levels of the second quarter. We anticipate 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, we anticipate that underlying EBITDA in the fourth quarter will be below the third quarter but well ahead of the prior-year period.



Group sales: approx. €31 to €32bn

Group underlying EBITDA: Adhering to ambitious target of limiting the decline to about 5%.

Further assumptions:

Special charges: approx. €350m (previously €250m) to conclude current restructuring programs. In addition, we already took €200m in the first nine months for litigations and the additional pro rata funding for PAA.

CapEx: approx. €1.4bn for PPE

D&A: approx. €2.7bn, including €1.2bn depreciation of fixed assets (PPE)

R&D: approx. €2.9bn

Net Debt: towards €10bn in 2009 (excluding portfolio changes).

Q3'09 HealthCare

Pharmaceuticals sales climbed by 3.0% to €2,548m (Fx & portfolio adj. +3.8%). *General Medicine:* Adalat (€155m, +4.7%, Fx adj. -1.4%). Avelox down 8.9% (€92m, Fx adj. -8.5%). Levitra up 12.2% (Fx adj. +12.1%) to €92m driven by favourable US business. Cipro down 1.2% to €83m (Fx adj. -2.9%), benefited from US government contract (approx. €21m). Glucobay improved by 2.7% to €77m (Fx adj. -0.8%), driven primarily by China. Aspirin Cardio up 16.4% to €78m (Fx adj. +14.9%). *Specialty Medicine:* Favorable Betaferon (€283m, -2.7%, Fx adj. -3.7%) business in US could not fully compensate for lower sales in EU. Kogenate up by 5.1% to €247m (Fx adj. +3.4%). Nexavar rose by 33.1% to €161m (Fx adj. +29.6%), driven mainly by use in primary liver cancer. *Women's HealthCare:* Sales of Yaz family (including Yasmin and Yasminelle) rose by 3.9% (Fx adj. +4.6%) to €320m. Mirena was flat at €105m (0.0%; Fx adj. +0.3%). *Diagnostic Imaging:* Gadovist rose by 33.3% to €28m (Fx adj. +33.1%), replacing Magnevist ex-US, which dropped by 18.0% to €50m (Fx adj. -19.9%). Ultravist up 1.6% (€62m, Fx adj. +4.1%), due to Asia/Pacific.

Underlying EBITDA rose 9.3% to €765m (Q3'08: €700m), due to lower marketing and sales costs and Schering synergies. **Underlying EBIT** up 7.0% to €475m (Q3'08: €444m).

Consumer Health sales up 4.5% to €1,388m (Fx & portfolio adj. +4.9%). *Consumer Care* (€777m, +3.2%, Fx & portfolio adj. +5.1%). Aspirin OTC (€99m, -5.7%; Fx adj. -3.0%). Aleve (€60m, +25.0%, Fx adj. +23.2%). Supradyn (€37m, +5.7%, Fx adj. +9.6%); Canesten (€49m, -3.9%, Fx adj. +0.7%). One-A-Day vitamin flat at €36m (+2.9%; Fx adj. -1.4%). Bepanthen up by 7.3% to €44m (Fx adj. +9.0%). Fx adjusted Intendis up by 6.7% to €63m. *Medical Care* (€360m, +6.8%, Fx adj. +4.7%). Contour up by 16.4% (Fx adj. 15.0%) to €149m. Breeze fell by 15.0% to €34m (Fx adj. -16.9%). *Animal Health* (€251m, +5.5%; Fx adj. +4.6%). Advantage family increased by 3.5% to €88m (Fx adj. +1.9%). Baytril down by 2.6% to €37m (Fx adj. -7.6%).

Underlying EBITDA up by 18.2% to €376m, mainly due to favorable development of all divisions and lower marketing and sales costs. **Underlying EBIT** at €311m up by 20.1% (Q3'08: €259m).

Q3'09 CropScience

Sales of CropScience fell by 8.7% to 1,140m (Fx adj. -8.2%) on lower volumes (-7%) and slightly lower prices (-1%). Sales with new products increased by 1.2% to €255m (Fx adj. +1.6%), representing 22% of the total portfolio.

Crop Protection sales dropped by 8.8% to €973m (Fx adj. -8.6%). Sales in **Europe** down by 18.1% to €304m (Fx adj. -14.8%). Apart from adverse weather conditions, orders from France were delayed. This came from a new regulation, which reduced payment terms. Seed treatment sales in Germany also declined, due to phasing effects from Q3 to Q2. Sales in **North America** decreased by 37.4% to €92m (Fx adj. -34.7%), mainly driven



by reduced cotton acreage (impacting insecticides and Plant Growth Regulators) and lower seed treatment sales. **Asia/Pacific** down by 3.4% to €196m (Fx adj. -3.7%). Decline in insecticides (delayed and weak monsoon in India, low pest pressure in China) partly compensated by higher herbicides sales in Australia and new products in rice in South East Asia. Sales in **Latin America / Africa / Middle East** increased by 10.1% to €381m (Fx adj. +6.4%), driven by pleasing business increase in Brazil (fungicides and launch of new insecticide).

Underlying EBITDA dropped by 40.1% to €118m due to negative currency effects, significantly lower volumes and reduced prices.

Underlying EBIT down by 86.4% to €12m (Q3'08: 88m€).

Environmental Science/BioScience sales dropped by 7.7% (Fx adj. -6.3%) to €167m. **Environmental Science** down by 10.1% to €116m (Fx adj. -10.1%). Good performance of Consumer business offset by decline of Professional products in North America. Sales of **BioScience** unit slightly decreased by 1.9% to €51m. Higher sales of vegetable seeds and income from trait outlicensing led to an Fx adj. sales increase of 3.2%.

Underlying EBITDA down by €20m to -€10m, due to decline in business and higher R&D costs at BioScience. **Underlying EBIT** dropped by €18m to -€28m.

Q3'09 MaterialScience

MaterialScience sales dropped by 20.0% to €2,038m (Fx & portfolio adj. -21.8%), due to y-o-y lower prices (-15.3%) and volumes (-6.5%). In the Asia/Pacific region, volumes increased again versus prior-year. **Sequentially**, sales picked-up 14% (Fx adj.),

mainly on higher volumes and slightly higher prices. Polyurethanes (PUR) dropped by 23.1% to €1,011m (Fx & portfolio adj. -24.6%). Strong y-o-y sales declines in MDI, TDI and polyols mainly driven by lower prices. Strong growth in Asia/Pacific could not compensate for decline in other regions. Polycarbonates (PCS) fell by 17.6% to 526m (Fx adj. -19.6%). Prices and volumes still weak versus prior-year. Coatings, Adhesives, Specialties (CAS) declined by 10.5% to €383m (Fx & portfolio adj. -13.1%), caused by declining volumes and prices in all regions.

Underlying EBITDA down by 6.7% to €238m. Margin at 11.7% above prior-year (10.0%). Substantially lower selling prices were largely offset by lower raw material and energy prices. Savings also contributed positively. Sequentially, earnings nearly doubled on higher volumes and prices.

Underlying EBIT down by 27.5% to €100m.

Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)
 Dr. Jürgen 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

This announcement may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

| Best-Selling Pharmaceutical Products | Q3 2008 | Q3 2009 | Change | | 9M 2008 | 9M 2009 | Change | |
|---|--------------|--------------|------------|------------------|--------------|--------------|------------|------------------|
| | € million | € million | % | Fx adj. change % | € million | € million | % | Fx adj. change % |
| YAZ®/Yasmin®/Yasminelle® (Women's Healthcare) | 308 | 320 | 3.9 | 4.6 | 910 | 964 | 5.9 | 4.4 |
| of which in USA | 138 | 135 | -2.2 | -6.4 | 426 | 419 | -1.6 | -10.5 |
| Betaferon®/Betaseron® (Specialty Medicine) | 291 | 283 | -2.7 | -3.7 | 839 | 904 | 7.7 | 5.5 |
| of which in USA | 95 | 125 | 31.6 | 25.1 | 268 | 357 | 33.2 | 19.5 |
| Kogenate® (Specialty Medicine) | 235 | 247 | 5.1 | 3.4 | 650 | 680 | 4.6 | 1.4 |
| of which in USA | 62 | 67 | 8.1 | 3.3 | 175 | 194 | 10.9 | -0.3 |
| Adalat® (General Medicine) | 148 | 155 | 4.7 | -1.4 | 456 | 473 | 3.7 | -3.3 |
| of which in USA | 3 | 1 | -66.7 | -71.1 | 7 | 4 | -42.9 | -51.7 |
| Nexavar® (Specialty Medicine) | 121 | 161 | 33.1 | 29.6 | 330 | 445 | 34.8 | 29.3 |
| of which in USA | 32 | 40 | 25.0 | 16.1 | 96 | 116 | 20.8 | 8.4 |
| Mirena® (Women's Healthcare) | 105 | 105 | 0.0 | 0.3 | 335 | 367 | 9.6 | 5.7 |
| of which in USA | 56 | 53 | -5.4 | -8.1 | 181 | 207 | 14.4 | 2.7 |
| Avalox®/Avelox® (General Medicine) | 101 | 92 | -8.9 | -8.5 | 334 | 313 | -6.3 | -9.3 |
| of which in USA | 32 | 24 | -25.0 | -27.1 | 93 | 79 | -15.1 | -23.4 |
| Levitra® (General Medicine) | 82 | 92 | 12.2 | 12.1 | 248 | 265 | 6.9 | 3.4 |
| of which in USA | 33 | 41 | 24.2 | 14.2 | 100 | 119 | 19.0 | 6.5 |
| Cipro®/Ciprobay® (General Medicine) | 84 | 83 | -1.2 | -2.9 | 242 | 253 | 4.5 | 1.1 |
| of which in USA | 17 | 22 | 29.4 | 24.3 | 33 | 66 | 100.0 | 78.6 |
| Glucobay® (General Medicine) | 75 | 77 | 2.7 | -0.8 | 229 | 243 | 6.1 | -2.0 |
| of which in USA | 1 | 0 | -100.0 | -83.6 | 8 | 1 | -87.5 | -91.8 |
| Aspirin Cardio® (General Medicine) | 67 | 78 | 16.4 | 14.9 | 198 | 232 | 17.2 | 13.1 |
| of which in USA | 0 | 0 | . | . | 0 | 0 | . | . |
| Ultravist® (Diagnostic Imaging) | 61 | 62 | 1.6 | 4.1 | 194 | 190 | -2.1 | -0.3 |
| of which in USA | 4 | 4 | 0.0 | -1.5 | 12 | 11 | -8.3 | -14.2 |
| Magnevist® (Diagnostic Imaging) | 61 | 50 | -18.0 | -19.9 | 180 | 166 | -7.8 | -14.6 |
| of which in USA | 28 | 27 | -3.6 | -12.1 | 80 | 86 | 7.5 | -4.6 |
| Iopamiron® (Diagnostic Imaging) | 47 | 51 | 8.5 | -7.5 | 138 | 149 | 8.0 | -9.9 |
| of which in USA | 0 | 0 | . | . | 0 | 0 | . | . |
| Kinzal®/Pritor® (General Medicine) | 34 | 40 | 17.6 | 15.8 | 104 | 119 | 14.4 | 14.6 |
| of which in USA | 0 | 0 | . | . | 0 | 0 | . | . |
| Total | 1,820 | 1,896 | 4.2 | 2.5 | 5,387 | 5,763 | 7.0 | 3.2 |
| Proportion of Pharmaceuticals sales | 74% | 74% | | | 73% | 74% | | |

Bayer: Key Figures for Q3 2009

| | HealthCare | | HealthCare Pharma | | Consumer Health | | CropScience | | Crop Protection | | ES/BS | | MaterialScience | | Reconciliation | | Group | |
|-----------------------------|------------|--------|-------------------|--------|-----------------|--------|-------------|--------|-----------------|--------|-------|--------|-----------------|--------|----------------|--------|---------|---------|
| | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 | Q3'08 | Q3'09 |
| in € million | | | | | | | | | | | | | | | | | | |
| Sales | 3,802 | 3,936 | 2,474 | 2,548 | 1,328 | 1,388 | 1,248 | 1,140 | 1,067 | 973 | 181 | 167 | 2,549 | 2,038 | 349 | 278 | 7,948 | 7,392 |
| Sales by region: | | | | | | | | | | | | | | | | | | |
| Europe | 1,588 | 1,541 | 1,041 | 996 | 547 | 545 | 424 | 352 | 371 | 304 | 53 | 48 | 1,111 | 825 | 320 | 247 | 3,443 | 2,965 |
| North America | 1,093 | 1,146 | 634 | 648 | 459 | 498 | 213 | 149 | 147 | 92 | 66 | 57 | 558 | 395 | 2 | 1 | 1,866 | 1,691 |
| Asia / Pacific | 561 | 680 | 445 | 540 | 116 | 140 | 230 | 224 | 203 | 196 | 27 | 28 | 547 | 546 | 11 | 14 | 1,349 | 1,464 |
| LatAm/Africa/Middle East | 560 | 569 | 354 | 364 | 206 | 205 | 381 | 415 | 346 | 381 | 35 | 34 | 333 | 272 | 16 | 16 | 1,290 | 1,272 |
| EBITDA | 905 | 1,037 | 593 | 659 | 312 | 378 | 167 | 78 | 157 | 92 | 10 | -14 | 249 | 227 | 13 | -16 | 1,334 | 1,326 |
| Special items | -113 | -104 | -107 | -106 | -6 | 2 | -40 | -30 | -40 | -26 | 0 | -4 | -6 | -11 | 0 | -28 | -159 | -173 |
| EBITDA underlying | 1,018 | 1,141 | 700 | 765 | 318 | 376 | 207 | 108 | 197 | 118 | 10 | -10 | 255 | 238 | 13 | 12 | 1,493 | 1,499 |
| EBITDA margin underlying | 26.8% | 29.0% | 28.3% | 30.0% | 23.9% | 27.1% | 16.6% | 9.5% | 18.5% | 12.1% | 5.5% | -6.0% | 10.0% | 11.7% | 3.7% | 4.3% | 18.8% | 20.3% |
| EBIT | 543 | 681 | 290 | 368 | 253 | 313 | 36 | -59 | 46 | -28 | -10 | -31 | 133 | 85 | -28 | -61 | 684 | 646 |
| Special items | -160 | -105 | -154 | -107 | -6 | 2 | -42 | -43 | -42 | -40 | 0 | -3 | -5 | -15 | 0 | -28 | -207 | -191 |
| EBIT underlying | 703 | 786 | 444 | 475 | 259 | 311 | 78 | -16 | 88 | 12 | -10 | -28 | 138 | 100 | -28 | -33 | 891 | 837 |
| EBIT margin underlying | 18.5% | 20.0% | 17.9% | 18.6% | 19.5% | 22.4% | 6.3% | -1.4% | 8.2% | 1.2% | -5.5% | -16.8% | 5.4% | 4.9% | -8.0% | -11.9% | 11.2% | 11.3% |
| Gross cash flow | 799 | 876 | 554 | 599 | 245 | 277 | 167 | 49 | 151 | 58 | 16 | -9 | 197 | 180 | 8 | 67 | 1,171 | 1,172 |
| Net cash flow | 679 | 979 | 447 | 668 | 232 | 311 | 273 | 371 | 208 | 289 | 65 | 82 | 139 | 129 | 143 | 38 | 1,234 | 1,517 |
| Non-operating result | | | | | | | | | | | | | | | | | -276 | -262 |
| Net income | | | | | | | | | | | | | | | | | 277 | 249 |
| Earnings per share (€) | | | | | | | | | | | | | | | | | 0.37 | 0.30 |
| Core earnings per share (€) | | | | | | | | | | | | | | | | | 0.85 | 0.78 |
| CapEX (total) | | | | | | | | | | | | | | | | | 492 | 420 |
| R&D | 362 | 356 | 303 | 291 | 59 | 65 | 131 | 137 | 111 | 120 | 20 | 17 | 116 | 142 | 41 | 45 | 650 | 680 |
| D&A and Write-downs | | | | | | | | | | | | | | | | | 662 | 692 |
| Employees at end of period | 52,900 | 53,800 | 36,000 | 36,700 | 16,900 | 17,100 | 18,200 | 18,600 | 14,900 | 15,200 | 3,300 | 3,400 | 15,200 | 14,300 | 22,300 | 22,100 | 108,600 | 108,800 |