

## Q1 2008 Analyst and Investor Briefing

April 24, 2008

- **Sales** rose by 2.4% to €8.536m (Q1'07: €8,335m); Volume +5.9%, price +1.0%, currency -4.8%, portfolio +0.3%. Portfolio and currency adjusted sales increased by 6.9%.
- **Reported EBITDA** at €2,055m, up by 15.8% (Q1'07: €1,774m).
- **Underlying EBITDA** advanced by 9.8% to €2,185m (Q1'07: €1,990m).
- **Reported EBIT** up by 14.3% to €1,343m (Q1'07: €1,175m).
- **Net Special Items** of -€154m include: *HealthCare*: Total -€100m, due to Schering integration costs, includes Schering PPA (-€51m). *CropScience*: -€54 (restructuring).
- **Underlying EBIT** rose by 8.9% to €1,497m (Q1'07: €1,375m).
- **Non-operating result** at -€275m (Q1'07: -€218m). Net interest expenses at €189m (Q1'07: €156m). The increase is mainly based on the early redemption of a U.S. bond.
- **Income taxes** at -€306m (Q1'07: -€301m). Income taxes paid at -€364m (Q1'07: -€343m).
- **Net income** at €762m down by €2,047m (Q1'07: €2,809m). Q1'07 contained gain from divestments of Diagnostics and H.C. Starck of €2,154m. **EPS** (cont) amounted to €0.96 (Q1'07: €0.82).
- **Core EPS** at €1.44 up 14.3% (Q1'07: €1.26).
- **Gross cash flow** improved by 17.0% to €1,651m (Q1'07: €1,411m). **Delta Working Capital** down by €87m to €1,123m. **Net cash flow (cont.)** at €528m (Q1'07: 375m). **Investments** at €288m (Q1'07: €201m). **Operating free cash flow (total)** at €240m (Q1'07: €212m).
- **Net financial debt** (total) down by €82m to €12,102m since year-end 2007 and reduced by €675m when compared to March 31, 2007.
- **Net pension liabilities** down by €0.9bn compared with the end of 2007, to €4.1bn mainly due to higher discount rates.

€million	Q1 2007						Q1 2008					
	Sales	EBITDA rep.	EBITDA underlying	EBIT rep.	Special Items	EBIT underlying	Sales	EBITDA rep.	EBITDA underlying	EBIT Rep.	Special Items	EBIT underlying
<b>HealthCare</b>	<b>3,610</b>	<b>783</b>	<b>948</b>	<b>485</b>	<b>(139)</b>	<b>624</b>	<b>3,731</b>	<b>970</b>	<b>1,050</b>	<b>563</b>	<b>(100)</b>	<b>663</b>
Pharma	2,495	546	711	281	(139)	420	2,614	714	794	341	(100)	441
Cons. Health	1,115	237	237	204	0	204	1,117	256	256	222	0	222
<b>CropScience</b>	<b>1,786</b>	<b>548</b>	<b>584</b>	<b>408</b>	<b>(39)</b>	<b>447</b>	<b>1,978</b>	<b>663</b>	<b>713</b>	<b>524</b>	<b>(54)</b>	<b>578</b>
Crop Protect.	1,434	425	461	304	(39)	343	1,622	564	607	446	(47)	493
ES/BS	352	123	123	104	0	104	356	99	106	78	(7)	85
<b>MaterialSc.</b>	<b>2,608</b>	<b>409</b>	<b>409</b>	<b>285</b>	<b>(6)</b>	<b>291</b>	<b>2,512</b>	<b>407</b>	<b>407</b>	<b>281</b>	<b>0</b>	<b>281</b>
Systems	1,869	329	329	247	(6)	253	1,839	368	368	281	0	281
Materials	739	80	80	38	0	38	673	39	39	0	0	0
<b>Reconc.</b>	<b>331</b>	<b>34</b>	<b>49</b>	<b>(3)</b>	<b>(16)</b>	<b>13</b>	<b>315</b>	<b>15</b>	<b>15</b>	<b>(25)</b>	<b>0</b>	<b>(25)</b>
<b>Group</b>	<b>8,335</b>	<b>1,774</b>	<b>1,990</b>	<b>1,175</b>	<b>(200)</b>	<b>1,375</b>	<b>8,536</b>	<b>2,055</b>	<b>2,185</b>	<b>1,343</b>	<b>(154)</b>	<b>1,497</b>



### Bayer Group sales and earnings forecast

We continue to target about 5% currency-adjusted growth in Bayer Group sales, an increase in underlying EBITDA and a further improvement in the underlying EBITDA margin for 2008. We confirm our target margin for 2009 and continue to aim for an improvement in the Group's underlying EBITDA margin to over 22%.

#### HealthCare:

We remain confident about the performance of our HealthCare business, and are targeting a market or above-market rate of currency-adjusted sales growth in all divisions in 2008. Following the negative ruling in the United States regarding our Yasmin patent, we have made a minor adjustment to our HealthCare guidance. We now aim to improve our underlying EBITDA margin toward 27% (previously: approx. 27%) in 2008. There is no change to our target margin of approx. 28% for 2009.

#### CropScience:

Our CropScience business shared in the positive performance of the world's agricultural markets in the first quarter of 2008. We now believe that we will exceed our forecast of 5% currency-adjusted sales growth. Our goal is to improve the underlying EBITDA margin for the full year to about 24% (previously: more than 23%). We plan to further increase our profitability by 2009 and continue to target an underlying EBITDA margin of around 25% in a normal market environment.

#### MaterialScience:

Our MaterialScience business turned in a pleasingly robust performance in the first quarter. Its development over the remainder of the year is difficult to forecast due to the considerable uncertainty regarding the business environment and the movement of raw material prices. Against this background, we expect second-quarter underlying EBITDA to be close to the level of the first quarter. For the year as a whole, we continue to expect that we can achieve a good, value-creating earnings level, though without matching the 2007 figure.

### Q1'08 HealthCare

**Pharmaceuticals** sales up 4.8% (Fx adj. +9.9%) to €2,614m. *Primary Care:* Adalat (€150m, +3.4%, Fx adj. +6.0%). Avelox grew strongly by 11.7% to €143m (Fx adj. +18.2%) on strong volume growth in US and Asia Pacific. Cipro (€81m, -25.0%, Fx adj. -21.7%) due to generic pressure. Levitra down 2.4% (Fx adj. +4.0%) to €82m. *Women's HealthCare:* Yasmin sales (including Yaz and Yasminelle) rose by 23.8% (Fx adj. +33.3%) to €297m, driven by continuing expansion of market shares. Mirena advanced by 38.3% to €112m (Fx adj. +50.8%), driven mainly by growth in the US market. *Diagnostic Imaging:* Magnevist fell 25.0% to €60m (Fx adj. -20.2%), partly because of a shift toward Gadovist (€19m; +71.7%, Fx adj. +75.0%). Ultravist rose by 23.6% (€68m, Fx adj. +28.4%), the prior-year figure having been diminished by a temporary disruption in distribution. *Specialized Therapeutics:* Betaferon rose by 12.3% (Fx adj. +18.3%) to €274m, due to price increase in US and sales initiative in EU. *Hematology/Cardiology:* Shifts in shipments to CSL (Helixate) drove Kogenate sales up by 15.9% (Fx adj. +21.5%) to €233m. Base effect due to weak Q1'07. *Oncology:* Nexavar contributed €101m (+114.9%, Fx adj. +129.9%).

**Underlying EBITDA** at €794m (Q1'07: €711m), up 11.7%, mainly due to the gratifying business and synergies already realized. Increase in running amortization of PPA due to Yasmin patent litigation (€90m p.a.). **Underlying EBIT** up 5.0% to €441m.

**Consumer Health** sales at €1,117m (+0.2%, Fx and portfolio adj. +5.4%). *Consumer Care:* Aspirin OTC advanced by 0.9% (Fx adj. +7.2%) to €114m. Aleve dropped 30.4% to €48m (Fx adj. -21.7%), mainly due to launch of Aleve Liquid Gels in Q1'07. Canesten (€47m, +9.3%, Fx adj. +14.9%). Bepanthen family grew by 27.8% to €46m (Fx adj. +27.8%). One-A-Day vitamin product down by 3.0% (Fx adj. +9.2%) to €29m. Rennie at €27m (+0%, Fx adj. +5.6%). *Diabetes Care:* Contour expanded sales by 20.8% (Fx adj.



+27.7%) to €128m, driven by strong performance in North America (NA) and Europe (EU). Elite is phasing out and therefore dropped 27.3% to €32m. Breeze (€34m, -20.9%) dropped 17.1% (Fx adj.). PY figure impacted by market introduction of Breeze2 in North America. As of Q1'08 we show separate product sales figures instead of Ascensia family. FYI: Ascensia family: €223m, +0%, Fx adj. +6.1%. *Animal Health*: Advantage family up 2.7% (Fx adj. +10.3%) to €77m.

**Underlying EBITDA** improved by 8.0% to €256m, due to the gratifying expansion of the business. **Underlying EBIT** increased by 8.8% to €222m.

#### Q1'08 CropScience

**Crop Protection** sales increased by 13.1% to €1,622m (Fx adj. +17.8%) on higher volume and higher prices. New products up 42%. Sales in **Europe** advanced 21.7% to €880m (Fx adj. +22.7%), mainly due to an increase in planted acreages, esp. for cereals. Sales shift from Q4 to Q1 in France. Sales in **North America** at €296m (+1.4%, Fx adj. +10.6%). Fungicides business grew due to anticipated expansion of soybean acreages. Launch of Huskie / Infinity compensating for slight decline in Insecticides. Sales in **Asia/Pacific** decreased 2.1% to €185m (Fx adj. +2.8%). Favorable Insecticides business in India, Southeast Asia and China, while herbicide sales declined as a result of the receding rice market, esp. in Japan. Sales in **Latin America/Africa/Middle East** advanced 13.5% to €261m (Fx adj. +24.1%). Favorable market conditions in LatAm drove Insecticides and Seed Treatment franchise.

**Underlying EBITDA** climbed by 31.7% to €607m, due to higher volumes and moderate price increases. Higher margin contributions by new products and savings more than compensated negative currency effects. **Underlying EBIT** up by 43.7% to €493m.

**Environmental Science/BioScience** sales up by 1.1% (Fx adj. +4.1%) to €356m. **Environmental Science** down by 12.2% (Fx adj. -8.3%) to €165m. Decline due to

unfavorable weather conditions and generic pressure in NA, only partly compensated by good performance in EU. Sales of **BioScience** unit advanced by 16.5% to €191m (Fx and portfolio adj. +14.4%), mainly driven by good performance of canola seed InVigor in NA and the expansion of vegetable seeds business.

**Underlying EBITDA** fell by 13.8% to €106m. **Underlying EBIT** down by 18.3% to €85m.

#### Q1'08 MaterialScience

**Systems** segment sales were slightly down 1.6% to €1,839m (Fx and portfolio adj. +1.6%) with Polyurethanes contributing €1,259m (-5.5%). Lower raw material sales, mainly styrene, impacted sales by approx. €60m. MDI global demand remained solid, except in US. TDI continued attractive volume and price growth. Coatings, Adhesives, Specialties continued to grow strongly, driven by Asia (€423m, +7.6%).

**Underlying EBITDA** advanced by 11.9% to €368m. Higher selling prices compensated for higher raw material costs and negative currency effects. **Underlying EBIT** up by 11.1% to €281m.

**Materials** segment sales fell by 8.9% (Fx and portfolio adj. -2.1%) to €673m. Lower Poly-carbonate volumes - partly due to weaker US demand – burdened sales (€610m, -10.7%).

**Underlying EBITDA** dropped 51.3% to €39m. Earnings burdened by effects of lower sales and higher raw material costs. **Underlying EBIT** down by €38m to €0m.

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#### Forward-looking statements

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Best-Selling Pharmaceutical Products	1st Quarter 2007	1st Quarter 2008	Change	Currency-adjusted change
	€ million	€ million	%	%
Yasmin <sup>®</sup> /YAZ <sup>®</sup> /Yasminelle <sup>®</sup> (Women's Healthcare)	240	297	23.8	33.3
thereof US	116	142	22.4	40.3
Betaferon <sup>®</sup> /Betaseron <sup>®</sup> (Specialized Therapeutics)	244	274	12.3	18.3
thereof US	81	84	3.7	19.6
Kogenate <sup>®</sup> (Hematology/Cardiology)	201	233	15.9	21.5
thereof US	61	60	-1.6	11.6
Adalat <sup>®</sup> (Primary Care)	145	150	3.4	6.0
thereof US	4	1	-75.0	-80.9
Avalox <sup>®</sup> /Avelox <sup>®</sup> (Primary Care)	128	143	11.7	18.2
thereof US	38	44	15.8	33.9
Mirena <sup>®</sup> (Women's Healthcare)	81	112	38.3	50.8
thereof US	38	61	60.5	84.3
Nexavar <sup>®</sup> (Oncology)	47	101	114.9	129.9
thereof US	20	34	70.0	95.7
Levitra <sup>®</sup> (Primary Care)	84	82	-2.4	4.0
thereof US	36	34	-5.6	7.5
Cipro <sup>®</sup> /Ciprobay <sup>®</sup> (Primary Care)	108	81	-25.0	-21.7
thereof US	13	7	-46.2	-36.3
Glucobay <sup>®</sup> (Primary Care)	72	80	11.1	14.6
thereof US	6	6	0.0	8.4
Ultravist <sup>®</sup> (Diagnostic Imaging)	55	68	23.6	28.4
thereof US	4	4	0.0	25.5
Aspirin Cardio <sup>®</sup> (Primary Care)	54	64	18.5	22.4
thereof US	0	0	•	•
Magnevist <sup>®</sup> (Diagnostic Imaging)	80	60	-25.0	-20.2
thereof US	36	25	-30.6	-20.5
Iopamiron <sup>®</sup> (Diagnostic Imaging)	47	43	-8.5	-7.8
thereof US	0	0	•	•
Diane <sup>®</sup> (Women's Healthcare)	45	41	-8.9	-7.5
thereof US	0	0	•	•
<b>Total</b>	<b>1,631</b>	<b>1,829</b>	<b>12.1</b>	<b>18.2</b>
Proportion of Pharmaceuticals sales	65%	70%		

## Key Elements of Bayer's FY 2008 Guidance (as of April 24, 2008)

<b>Sales</b>	
Group	Sales growth approx. +5% (Fx adjusted)
HealthCare	Growth at or above markets in all segments
CropScience	>5% (Fx adjusted)
MaterialScience	Good volume growth once again in 2008
Reconciliation	Approx. on previous year's level
<b>Underlying EBITDA / margin</b>	
Group	Further increase of underlying EBITDA and underlying EBITDA margin
HealthCare	Margin improvement toward 27%
CropScience	Margin at about 24%
MaterialScience	Good value generating earnings level – underlying EBITDA in Q2 close to the level of Q1
Reconciliation	Underlying EBITDA approx. on previous year's level
<b>Special items (EBITDA / EBIT level)</b>	
Group	Charges of about Euro 650 million
HealthCare	Charges of approx. Euro 400 million, thereof approx. Euro 200 million Schering-PPA
CropScience	Charges of approx. Euro 200 million
MaterialScience	Charges of approx. Euro 50 million
<b>Group D&amp;A (planned)</b>	
Depreciation	Approx. Euro 1.2 billion
Amortization	Approx. Euro 1.5 billion (increase mainly due to accelerated amortization of Yasmin intangibles)
<b>CapEx</b>	
Group	Approx. Euro 1.7 billion for PPE
HealthCare	23%
CropScience	13%
MaterialScience	48%
<b>R&amp;D</b>	
Group	Approx. Euro 2.8 billion
HealthCare	66%
CropScience	24%
MaterialScience	8%
<b>Non-operating result</b>	
	Approx. Euro -1.0 billion
<b>Tax rate</b>	
	Approx. 32%