

Q4 2009 Analyst and Investor Briefing

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- **Sales** declined by 0.6% to €7,872m (Q4'08: €7,923m); volume 8.2%, price -4.8%, currency -3.3%, portfolio -0.7%. Portfolio and Fx adj. sales increased by 3.4%.
- **Reported EBITDA** at €1,119m, up by 1.5% (Q4'08: €1,103m).
- **Underlying EBITDA** increased by 11.5% to €1,513m (Q4'08: €1,357m) despite negative currency impact of approx. -€80m in the quarter.
- **Reported EBIT** fell by 11.2% to €366m (Q4'08: €412m).
- **Net Special Items** of -€451m include: *Health Care*: -€312m, thereof -€123m for Schering integration, -€47 for restructuring, -€124m litigation, -€32m impairment (Recothrom) and €14m reversal of funding for German Corporate Pension Assurance Association. *Crop Science*: -€98m, mainly restructuring. *Material Science*: -€45m, mainly restructuring. *Reconciliation*: €4m.
- **Underlying EBIT** increased by 15.7% to €817m (Q4'08: €706m).
- **Non-operating result** at -€248m (Q4'08: -€375m) containing net interest expense (€94m, Q4'08: €167m), interest expense for pension and other provisions (€123m; Q4'08: €90m), a net exchange loss of €25m (Q4'08: €38m).
- **Income tax gain** of €38m (Q4'08: €65m). Income taxes receivable: €60m (Q4'08: €101m).
- **Net income** at €153m up by 44.3% (Q4'08: €106m). **EPS** amounted to €0.18 (Q4'08: €0.16).
- **Core EPS** at €0.90 (Q4'08: €0.71).
- **Gross cash flow** down at €1,029m (Q4'08: €1,151m). **Delta Working Capital** at €737m (Q4'08: -€194m). **Net cash flow** up strongly by 84.5% to €1,766m (Q4'08:

€957m). Cash outflows for **CapEx** at €495m (Q4'08: €632m). **Operating free cash flow** (total) at €1,271m (Q4'08: €325m).

- **Net financial debt** (total) down by €4,461m to €9,691m compared to December 31, 2008 and down by €974m compared to September 30, 2009.
- **Net pension liabilities** up by €421m compared to December 31, 2008 to €6,417m but down by €582m compared to September 30, 2009 mainly due to changes in long-term interest rates.

Bayer Group forecast

The **Bayer Group** is confident for 2010. We are targeting currency- and portfolio-adjusted sales growth of more than 5% and aim to increase EBITDA before special items toward €7 billion. Core earnings per share are expected to improve by about 10%.

We do not expect to incur special charges for restructuring programs in 2010.

On a mid-term view, having largely achieved our current target margins, our main focus for the future is on creating value through profitable growth. To do this we plan to continue investing primarily in our research and development pipeline, in BioScience and in the emerging markets. We expect to achieve steady currency- and portfolio-adjusted sales growth of approximately 5% annually through 2012 and plan to raise EBITDA before special items to around €8 billion within this period. We are targeting an average 10% annual improvement in core earnings per share, which would mean an increase to around €5 per share.

HealthCare plans to grow at least with the market in 2010. This corresponds to a currency- and portfolio-adjusted expansion of



about 5%. We also intend to increase EBITDA before special items.

We also aim to continue growing at least with the market through 2012 and to steadily improve EBITDA before special items.

For **CropScience** we anticipate slightly above-market growth in 2010, equivalent to a currency and portfolio-adjusted increase of approximately 4%. We are targeting a small increase in EBITDA before special items. However, the business environment is currently more difficult than expected.

We aim to grow at least with the market through 2012 and to further improve EBITDA before special items.

We anticipate a continuing recovery in the markets relevant to our **MaterialScience** business. In light of this we aim to increase sales by more than 10% on a currency- and portfolio-adjusted basis in 2010. We are targeting a substantial increase in EBITDA before special items.

We expect to report somewhat higher sales in the first quarter of 2010 than in the fourth quarter of 2009. In light of further increases in raw material costs, we expect first-quarter EBITDA before special items to be roughly level with the preceding quarter.

Provided the economic recovery continues, we expect MaterialScience to return to its pre-crisis sales level of more than €10 billion by 2012. We plan to considerably increase EBITDA before special items.

Further assumptions for 2010:

Euro/US-Dollar exchange rate: 1.40

(2009 average exchange rate: 1.39)

CapEx: approx. €1.4bn for PPE

D&A: approx. €2.6bn, including €1.3bn amortization of intangibles

R&D: approx. €2.9bn

Non-operating result: magnitude of -€0.9bn

Income tax-rate: 28 - 30%

Q4'09 HealthCare

Pharmaceuticals sales up 0.9% at €2,698m (Fx & portfolio adj. +6.6%). *General Medicine*: Adalat €160m (-5.9%, Fx adj. -4.5%). Avelox up 14.8% (€147m, Fx adj. +18.1%) benefiting from flu season peak in November. Levitra up 2.2% (Fx adj. +7.3%) to €95m. Cipro down 18.8% to €78m (Fx adj. -15.4%) due to continued generic erosion. Glucobay down by 4.0% to €72m (Fx adj. +2.4%). Aspirin Cardio up 15.3% to €83m (Fx adj. +19.6%) mainly driven by strong performance in China. *Specialty Medicine*: Betaferon up 1.6% to €310m (Fx adj. +6.4%) driven by US-business. Kogenate up by 5.1% to €208m (Fx adj. +9.2%) benefiting from higher sales to CSL. Nexavar rose by 20.5% to €159m (Fx adj. +24.3%), driven mainly by use in primary liver cancer. *Women's HealthCare*: Sales of YAZ-family (including Yasmin and Yasminelle) up by 0.6% (Fx adj. +5.6%) to €314m driven by ex-US business. Mirena at €123m (-3.1%; Fx adj. +3.0%). *Diagnostic Imaging*: Gadovist rose by 25.0% to €30m (Fx adj. +26.2%), replacing Magnevist ex-US, which dropped by 13.1% to €53m (Fx adj. -9.8%). Ultravist up 7.5% (€72m, Fx adj. +10.4%), due to performance in Asia/Pacific and Europe.

Underlying EBITDA rose 4.8% to €789m (Q4'08: €753m), due to lower marketing and sales costs and Schering synergies, over-compensating negative currency impact. **Underlying EBIT** up 3.3% to €497m (Q4'08: €481m).

Consumer Health sales flat (-0.1%) at €1,466m (Fx & portfolio adj. +4.6%). *Consumer Care* (€850m, +0.5%, Fx & portfolio adj. +5.4%). Aspirin OTC €111m (-11.2%; Fx adj. -5.6%). Aleve €58m (-13.4%, Fx adj. -7.3%). One-A-Day up at €48m (+4.3%; Fx adj. +8.3%). Canesten €46m (-4.2%, Fx adj. -2.7%). Bepanthen up by 7.3% to €44m (Fx adj. +9.2%). Supradyn €37m (0.0%, Fx adj. +4.9%). *Medical Care* (€389m, -0.5%, Fx adj. +4.1%). Contour up by 3.9% (Fx adj. 7.9%) to



€159m. Breeze fell by 10.8% to €33m (Fx adj. -5.3%). *Animal Health* (€227m, -1.3%; Fx adj. 2.7%). Advantage family decreased by 9.0% to €61m (Fx adj. -2.0%). Baytril down by 2.2% to €44m (Fx adj. -0.7%).

Underlying EBITDA up by 6.7% to €365m (Q4'08: €342m), while **underlying EBIT** flat at €278m (Q4'08: €278m).

Q4'09 CropScience

Sales of CropScience up by 3.4% to 1,398m (Fx & portfolio adj. +6.2%) on higher volumes (+9.7%). Prices lower by 3.6%. Sales with new products increased by 5.2% to €426m (Fx adj. +8.2%), representing now 30% of the total portfolio.

Crop Protection sales increased by 4.7% to €1,177m (Fx adj. +7.4%). Sales in **Europe** up 7.9% to €357m (Fx adj. +6.5%) benefiting from higher sales of fungicides and seed treatment products. Sales in **North America** decreased by 5.8% to €163m (Fx adj. +5.8%). Early orders for herbicides supported the business. **Asia/Pacific** up 7.5% to €245m (Fx adj. +5.2%) driven by strong demand for new products. Sales in **Latin America / Africa / Middle East** increased by 5.1% to €412m (Fx adj. +10.2%), driven by pleasing business expansion in Brazil.

Underlying EBITDA dropped by 5.7% to €149m mainly due to negative currency effects and reduced prices.

Underlying EBIT down by 19.2% to €42m (Q4'08: 52m€).

Environmental Science/BioScience sales dropped by 3.1% (Fx & portfolio adj. -0.1%) to €221m. **Environmental Science** flat (-0.8%) at €131m (Fx adj. 2.7%). Sales of **BioScience** unit decreased by 6.3% to €90m (Fx & portfolio adj. -3.8%) mainly due to lower cotton seed sales.

Underlying EBITDA down by 29.2% to €17m.
Underlying EBIT down by €1m to €0m.

Q4'09 MaterialScience

MaterialScience sales down by 1.9% to €2,016m (Fx adj. +1.0%) on lower prices (-17.6%) but higher volumes (+18.6%). Asia/Pacific driving strongest recovery of all regions with volumes of all major products well above pre-crisis levels (Q3'08) in the region. **Sequentially**, sales were down by 1.1% (+0.6% Fx adj.). While prices continued to grow (+2.5% vs. Q3), volumes were seasonally somewhat weaker (-1.9%). **Polyurethanes** dropped by 4.0% y-o-y to €1,010m (Fx adj. -1.2%). Strong y-o-y price declines in MDI, TDI and polyols, nearly compensated by higher volumes. **Polycarbonates** increased y-o-y by 4.8% to €523m (Fx adj. +7.9%). Higher volumes compensated lower prices. **Coatings, Adhesives, Specialties** increased y-o-y by 10.5% to €368m (Fx adj. +13.4%).

Underlying EBITDA up by €149m to €203m. Margin at 10.1%. Substantially lower selling prices were offset by higher volumes, savings and lower raw material and energy prices. **Sequentially**, underlying EBITDA down 14.7% due to higher operating costs. **Underlying EBIT** up by €145m y-o-y to €59m.

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Best Selling Pharmaceutical Products

	4th Quarter 2008	4th Quarter 2009	Change	Currency- adjusted change	FY 2008	FY 2009	Change	Currency- adjusted change
	€ million	€ million	%	%	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	312	314	0.6	5.6	1,222	1,278	4.6	4.7
of which in USA	138	116	-15.9	-6.6	564	535	-5.1	-9.6
Betaferon®/Betaseron® (Specialty Medicine)	305	310	1.6	6.4	1,144	1,214	6.1	5.7
of which in USA	113	122	8.0	18.5	381	479	25.7	19.2
Kogenate® (Specialty Medicine)	198	208	5.1	9.2	848	888	4.7	3.2
of which in USA	60	56	-6.7	5.2	235	250	6.4	1.1
Adalat® (General Medicine)	170	160	-5.9	-4.5	626	633	1.1	-3.6
of which in USA	1	0	•	•	8	4	-50.0	-47.3
Nexavar® (Specialty Medicine)	132	159	20.5	24.3	462	604	30.7	27.9
of which in USA	39	38	-2.6	8.9	135	154	14.1	8.5
Mirena® (Women's Healthcare)	127	123	-3.1	3.0	462	490	6.1	4.9
of which in USA	72	65	-9.7	-0.2	253	272	7.5	1.9
Avalox®/Avelox® (General Medicine)	128	147	14.8	18.1	462	460	-0.4	-1.7
of which in USA	47	48	2.1	5.5	140	127	-9.3	-13.7
Levitra® (General Medicine)	93	95	2.2	7.3	341	360	5.6	4.5
of which in USA	41	37	-9.8	1.2	141	156	10.6	5.0
Cipro®/Ciprobay® (General Medicine)	96	78	-18.8	-15.4	338	331	-2.1	-3.6
of which in USA	23	16	-30.4	-19.9	56	82	46.4	38.0
Glucobay® (General Medicine)	75	72	-4.0	2.4	304	315	3.6	-0.9
of which in USA	1	0	•	•	9	1	-88.9	-92.4
Aspirin Cardio® (General Medicine)	72	83	15.3	19.6	270	315	16.7	14.9
of which in USA	0	0	•	•	0	0	•	•
Ultravist® (Diagnostic Imaging)	67	72	7.5	10.4	261	262	0.4	2.4
of which in USA	3	3	0.0	8.6	15	14	-6.7	-9.0
Magnevist® (Diagnostic Imaging)	61	53	-13.1	-9.8	241	219	-9.1	-13.4
of which in USA	26	20	-23.1	-10.1	106	106	0.0	-5.9
Iopamiron® (Diagnostic Imaging)	61	50	-18.0	-16.0	199	199	0.0	-11.7
of which in USA	0	0	•	•	0	0	•	•
Kinzal®/Pritor® (General Medicine)	40	45	12.5	14.1	144	164	13.9	14.5
of which in USA	0	0	•	•	0	0	•	•
Total	1,937	1,969	1.7	5.8	7,324	7,732	5.6	3.9
Proportion of Pharmaceuticals sales	72%	73%			73%	74%		

Bayer: Key Figures for Q4 2009

in € million	HealthCare		Pharma		CH		CropScience		ESBS		MaterialScience		Reconc.		Group	
	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09	Q4'08	Q4'09
Sales	4,140	4,164	2,673	2,698	1,467	1,466	1,352	1,398	1,124	1,177	228	221	376	294	7,923	7,872
Sales by region:																
Europe	1,626	1,655	1,047	1,048	579	607	381	410	331	357	50	53	342	260	3,201	3,147
North America	1,290	1,161	740	661	550	500	274	242	173	163	101	79	2	1	2,047	1,791
Asia / Pacific	646	710	513	560	133	150	263	285	228	245	35	40	16	18	1,370	1,566
LatAm/Africa/Middle East	578	638	373	429	205	209	434	461	392	412	42	49	16	15	1,305	1,368
EBITDA	930	892	590	565	340	327	127	73	104	71	23	2	26	-6	1,103	1,119
Special items	-165	-262	-163	-224	-2	-38	-55	-93	-54	-78	-1	-15	-34	0	-254	-394
EBITDA underlying	1,095	1,154	753	789	342	365	182	166	158	149	24	17	54	-10	1,357	1,513
EBITDA margin underlying	26.4%	27.7%	28.2%	29.2%	23.3%	24.9%	13.5%	11.9%	14.1%	12.7%	10.5%	7.7%	2.6%	6.9%	17.1%	19.2%
EBIT	562	463	286	234	276	229	-9	-56	-9	-42	0	-14	-121	-55	412	366
Special items	-197	-312	-195	-263	-2	-49	-62	-98	-61	-84	-1	-14	-35	0	-294	-451
EBIT underlying	759	775	481	497	278	278	53	42	52	42	1	0	-86	-59	706	817
EBIT margin underlying	18.3%	18.6%	18.0%	18.4%	19.0%	19.0%	3.9%	3.0%	4.6%	3.6%	0.4%	0.0%	•	•	8.9%	10.4%
Gross cash flow	903	772	599	479	304	293	159	107	134	101	25	6	65	24	1,151	1,029
Net cash flow	849	1,157	597	672	252	485	44	324	81	304	-37	20	221	-157	957	1,766
Non-operating result															-375	-248
Net income															106	153
Earnings per share (€)															0.16	0.18
Core earnings per share (€)															0.71	0.90
CapEX (total)															667	496
R&D															710	734
D&A and Write-downs	368	429	304	331	64	98	136	129	113	113	23	16	141	46	691	753
Employees at end of period	53,100	53,400	36,000	36,300	17,100	17,100	18,300	18,700	15,000	15,200	3,300	3,500	15,100	22,100	108,600	108,400

Bayer: Key Figures for FY 2009

in € million	HealthCare		Pharma		CH		CropScience				MaterialScience		Reconc.		Group			
	FY'08	FY'09	FY'08	FY'09	FY'08	FY'09	CropSc.	CP	ES/BS	FY'08	FY'09	FY'08	FY'09	FY'08	FY'09	FY'08	FY'09	
Sales	15,407	15,988	10,030	10,467	5,377	5,521	6,382	6,510	5,339	5,424	1,043	1,086	9,738	7,520	1,391	1,150	32,918	31,168
Sales by region:																		
Europe	6,379	6,344	4,181	4,107	2,198	2,237	2,625	2,540	2,277	2,206	348	334	4,267	3,054	1,278	1,030	14,549	12,968
North America	4,512	4,634	2,646	2,712	1,866	1,922	1,396	1,529	979	1,081	417	448	2,108	1,536	10	6	8,026	7,705
Asia / Pacific	2,278	2,677	1,805	2,136	473	541	964	1,028	818	862	146	166	2,098	1,951	45	56	5,385	5,712
LatAm/Africa/Middle East	2,238	2,333	1,398	1,512	840	821	1,397	1,413	1,265	1,275	132	138	1,265	979	58	58	4,958	4,783
EBITDA	3,692	4,148	2,500	2,912	1,192	1,236	1,450	1,311	1,252	1,161	198	150	1,041	341	83	15	6,266	5,815
Special items	-465	-320	-420	-281	-45	-39	-153	-197	-145	-140	-8	-57	-47	-105	0	-35	-665	-657
EBITDA underlying	4,157	4,468	2,920	3,193	1,237	1,275	1,603	1,508	1,397	1,301	206	207	1,088	446	83	50	6,931	6,472
EBITDA margin underlying	27.0%	27.9%	29.1%	30.5%	23.0%	23.1%	25.1%	23.2%	26.2%	24.0%	19.8%	19.1%	11.2%	5.9%	6.0%	4.3%	21.1%	20.8%
EBIT	2,181	2,640	1,222	1,696	959	944	918	798	804	713	114	85	537	-266	-92	-166	3,544	3,006
Special items	-583	-372	-538	-322	-45	-50	-166	-219	-158	-162	-8	-57	-49	-140	0	-35	-798	-766
EBIT underlying	2,764	3,012	1,760	2,018	1,004	994	1,084	1,017	962	875	122	142	586	-126	-92	-131	4,342	3,772
EBIT margin underlying	17.9%	18.8%	17.5%	19.3%	18.7%	18.0%	17.0%	15.6%	18.0%	16.1%	11.7%	13.1%	6.0%	•	•	•	13.2%	12.1%
Gross cash flow	3,045	3,153	2,092	2,186	953	967	1,192	1,043	1,026	924	166	119	850	319	208	143	5,295	4,658
Net cash flow	2,259	3,431	1,547	2,280	712	1,151	736	745	653	591	83	154	782	849	-169	350	3,608	5,375
Non-operating result																	-1,188	-1,136
Net income																	1,719	1,359
Earnings per share (€)																	2.22	1.70
Core earnings per share (€)																	4.17	3.64
CapEX (total)	610	565	424	428	186	137	314	346	273	282	41	64	831	512	227	246	1,982	1,669
R&D	1,742	1,847	1,485	1,572	257	275	649	653	492	482	157	171	221	207	41	39	2,653	2,746
D&A and Write-downs	1,511	1,508	1,278	1,216	233	292	532	513	448	448	84	65	504	607	175	181	2,722	2,809
Employees at end of period	53,100	53,400	36,000	36,300	17,100	17,100	18,300	18,700	15,000	15,200	3,300	3,500	15,100	14,300	22,100	22,000	108,600	108,400