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Q2 2012 Analyst and Investor Briefing

July 31, 2012

- Bayer raises guidance for the full year
- Strong business performance in the second quarter of 2012
- Record sales €10.2 billion (+5.0% Fx and portfolio adjusted)
- Price +1.1%, volume +3.9%, currency +5.5%, portfolio -0.5%
- CropScience and HealthCare sustained strong momentum, MaterialScience improved further
- EBIT €0.8 billion (-41.1%) impacted by special items – risk provisions established for litigations
- Net special items of minus €762 million included provisions of €496 million for all litigations in connection with the oral contraceptive Yasmin/YAZ of which we are currently aware and which we consider to be worthy of settlement (venous clot injuries). On the assumption that the number of lawsuits will continue to decline and that we will be able to settle future claims of this kind for amounts similar on average to those agreed to date and based on the information currently available, we believe that we have made appropriate provisions for most of the cases we consider to be worthy of settlement with these accounting measures and the now exhausted insurance coverage.
- Net special items additionally comprised impairment losses on intangible assets of €137 million and restructuring charges of €107 million
- EBITDA before special items €2.2 billion (+6.7%)
- Positive currency effects of around €70 million overall
- Net income €0.5 billion (-33.9%)

Group Key Figures

<i>Euro million</i>	Q2 2011	Q2 2012	% y-o-y	Consensus**
Sales	9,252	10,177	10.0 / 5.0*	9,745
EBITDA	1,906	1,561	(18.1)	2,017
EBITDA before special items	2,035	2,172	6.7	2,067
EBIT	1,273	750	(41.1)	1,360
Net special items	(144)	(762)	•	(64)
EBIT before special items	1,417	1,512	6.7	1,420
Non-operating result	(171)	(202)	(18.1)	(197)
Income taxes	(356)	(49)	86.2	•
Net income	747	494	(33.9)	852
EPS (<i>Euro/share</i>)	0.90	0.60	(33.3)	1.03
Core EPS (<i>Euro/share</i>)	1.29	1.47	14.0	1.36
Gross cash flow	1,532	1,226	(20.0)	•
Delta working capital	(2)	143	•	•
Net cash flow	1,530	1,369	(10.5)	•
CapEx (<i>cash relevant</i>)	298	444	49.0	•
Operating free cash flow	1,232	925	(24.9)	•

<i>Euro million</i>	March 31, 2012	June 30, 2012
Net financial debt	6,851	7,911
Net pension liability	8,057	9,346

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 17, 2012 provided by Vara Research GmbH



Bayer Group Forecast

- Following the good business performance in the first half of 2012, especially at CropScience and HealthCare, we are also confident for the second half of the year. In addition, we are benefiting from a very favorable currency environment.
- Against this background, **we are raising our sales and earnings forecast for the full year**. These predictions are based on the exchange rates on June 30, 2012.
- For the full year 2012, we are now anticipating a **currency- and portfolio adjusted sales increase of between 4% and 5%** (previously: 3%). This would result in Group sales of between approximately €39 billion and €40 billion (previously: €37 billion).
- We now plan to **increase EBITDA before special items by a high-single-digit percentage** (previously: slight improvement).
- We expect to **raise core earnings per share by about 10%** (previously: slight improvement).
- In addition to the special items already recognized, we anticipate further expenses of €0.1 - €0.2 billion for ongoing restructuring programs in the second half of 2012.

HealthCare

- HealthCare's top priority for 2012 is to successfully commercialize the new pharmaceutical products.
- We expect **sales to increase by between 3% and 4%** (previously: a low- to mid-single-digit percentage) after adjusting for currency and portfolio effects. We plan to **improve EBITDA before special items by a mid- to high-single-digit percentage** (previously: slightly improve) to which high positive currency effects will contribute.
- We now forecast **sales of the Pharmaceuticals segment to increase slightly** (previously: remain stable or move slightly higher) on a currency- and portfolio-adjusted basis, and **EBITDA before special items to rise by a mid-single-digit percentage** (previously: approximately match the prior-year level).
- In the **Consumer Health segment, we anticipate that currency- and portfolio-adjusted sales will grow by a mid-single-digit percentage and EBITDA before special items by a high-single-digit percentage** (previously: mid-single-digit growth).

CropScience

- Following the good business development in the first half of the year, **we are raising our outlook for CropScience**.
- We now anticipate that **sales will advance by approximately 10%** on a currency- and portfolio-adjusted basis and that **EBITDA before special items will improve by approximately 20%** (previously: sales and EBITDA before special items to advance by mid-single-digit percentages).
- We continue to predict above-market growth.

MaterialScience

- For MaterialScience, in **the third quarter of 2012 we aspire to achieve currency- and portfolio-adjusted sales and EBITDA before special items on 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**.

Further assumptions for 2012:

CapEx: approx. €1.5 billion for property, plant and equipment and €0.4 billion for intangible assets

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

R&D: approx. €3.0 billion

Non-operating result: approx. minus €0.8 billion

Income tax-rate: approx. 26 - 27%

The sales and earnings forecast for 2013 is given in Chapter 11.4 of the Annual Report 2011.



HealthCare

<i>Euro million</i>	Q2 2011	Q2 2012	% y-o-y	Consensus**
Sales	4,208	4,628	10.0 / 4.1*	4,437
Pharmaceuticals	2,430	2,685	10.5 / 4.3*	•
Consumer Health	1,778	1,943	9.3 / 3.8*	•
EBITDA before special items	1,156	1,248	8.0	1,197
Pharmaceuticals	722	809	12.0	•
Consumer Health	434	439	1.2	•

2011 figures for Pharmaceuticals and Consumer Health restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 17, 2012 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q2 2011	Q2 2012	% y-o-y	% y-o-y Fx
Betaferon / Betaseron	273	319	16.8	10.2
<i>of which USA</i>	103	152	47.6	32.7
Kogenate	262	289	10.3	4.1
<i>of which USA</i>	75	87	16.0	3.3
YAZ product family	263	254	(3.4)	(6.4)
<i>of which USA</i>	39	39	0.0	(8.3)
Mirena	144	199	38.2	26.7
<i>of which USA</i>	79	126	59.5	42.3
Nexavar	171	195	14.0	7.5
<i>of which USA</i>	41	52	26.8	12.9
Adalat	156	172	10.3	(0.4)
<i>of which USA</i>	0	0	•	•
Aspirin Cardio	99	115	16.2	8.3
<i>of which USA</i>	0	0	•	•
Avalox / Avelox	105	113	7.6	0.5
<i>of which USA</i>	16	13	(18.8)	(23.3)
Glucobay	90	103	14.4	2.7
<i>of which USA</i>	0	0	•	•
Levitra	82	70	(14.6)	(16.9)
<i>of which USA</i>	24	12	(50.0)	(46.7)
Xarelto	19	68	•	•
<i>of which USA</i>	1	11	•	•
Cipro / Ciprobay	58	57	(1.7)	(7.5)
<i>of which USA</i>	5	2	•	•
Fosrenol	43	50	16.3	3.7
<i>of which USA</i>	0	0	•	•
Zetia	41	48	17.1	4.7
<i>of which USA</i>	0	0	•	•
Diane	45	48	6.7	3.4
<i>of which USA</i>	0	0	•	•

%y-o-y Fx: Currency adjusted sales growth



- Price +0.8%, volume +3.3%, currency +6.2%, portfolio -0.3%
- At **Pharmaceuticals**, growth was achieved mainly in North America and the emerging markets, especially China. There were slight decreases in Europe, particularly in Western Europe.
- Betaferon sales growth was chiefly attributable to price increases and to the release of provisions for discounts in the U.S.
- Kogenate sales were mainly driven by volume gains due to tender businesses.
- YAZ-product family was hampered by generic competition, especially in Western Europe and North America. By contrast, sales of this product line rose in Japan.
- Sales of Mirena increased significantly, mainly as a result of higher volumes and a major order in the U.S.
- Nexavar mainly driven by the U.S., by additional government contracts in LatAm and by business in China.
- Aspirin Cardio and Glucobay benefited from the continued extension of our marketing activities in China.
- Xarelto sales growth attributable to market launches in further countries and expansion of indications.
- Sales increase at **Consumer Health** driven by all divisions: Consumer Care (€926 million, +6.0% Fx & portf. adj.), Medical Care (€657 million, +1.0% Fx & portf. adj.) and Animal Health (€360 million, +3.4% Fx & portf. adj.). Business developed especially well in the emerging markets.
- **EBITDA before special items** at HealthCare improved mainly due to good business development in the Pharmaceuticals segment and positive currency effects.

CropScience

<i>Euro million</i>	Q2 2011	Q2 2012	% y-o-y	Consensus**
Sales	1,943	2,276	17.1 / 12.7*	2,110
Crop Protection / BioScience	1,757	2,087	18.8 / 14.5*	•
Environmental Science	186	189	1.6 / (3.8)*	•
EBITDA before special items	471	549	16.6	517

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 17, 2012 provided by Vara Research GmbH

Q2 2012	Europe		North America		Asia/Pacific		LatAm/Africa/Middle East	
	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx
CropScience	847	8.1	721	23.4	354	2.4	354	12.1
Crop Protection	750	10.9	515	21.5	266	3.7	319	12.9

%y-o-y Fx: Currency adjusted sales growth

- Price +1.5%, volume +11.2%, currency +5.2%, portfolio -0.8%
- We once again saw particularly strong growth in North America, due especially to the realignment of our marketing activities. Our business in Europe and in LatAm/Africa/Middle East also showed gratifying development, while sales rose moderately in Asia/Pacific.
- Positive market conditions, particularly as a result of the persisting high price level for agricultural commodities, contributed to this growth.
- **Crop Protection** up 13.8% (Fx & portf. adj.) at €1,850 million with marked growth in all product groups: herbicides (€697 million, +9.7% Fx & portf. adj.), fungicides (€614 million, +15.1% Fx & portf. adj.), insecticides (€378 million, +14.5% Fx & portf. adj.), seed treatment (€161 million, +25.8% Fx & portf. adj.).



- Performance of Crop Protection in Europe driven by pleasing growth of fungicides, seed treatment and herbicides businesses. Sales of insecticides remained level year on year. Nearly all countries contributed to this positive performance overall.
- Crop Protection sales in North America benefited from the positive market environment overall. We achieved double-digit growth rates in all business units, with insecticide sales expanding particularly strongly. In Canada, the herbicides business benefited mainly from combination with canola seed within the context of our integrated product offering. Our fungicides also saw very gratifying gains there.
- The Crop Protection business in Asia/Pacific benefited primarily from strong growth in herbicides, particularly for rice and cereals. Business in Japan and Thailand was down against the strong prior-year level.
- Crop Protection sales in LatAm/Africa/Middle East 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** (€237 million, +20.5% Fx & portf. adj.) achieved the strongest sales growth in North America, mainly in broad-acre crops. Particularly strong performance of our cotton seed brands. Sales of our vegetable seeds declined slightly.
- Sales decline at **Environmental Science** (€189 million, -3.8% Fx adj.) was mainly attributable to business with both professional users and products for private customers in Europe. The U.S. business developed positively.
- **EBITDA before special items** at CropScience driven by higher volumes and higher prices. Efficiency improvements also had a positive impact on earnings. In addition, we benefited from one-time gains of €25 million (Q2 2011: €16 million) in connection with outlicensing activities at Crop Protection.

MaterialScience

<i>Euro million</i>	Q2 2011	Q1 2012	Q2 2012	% y-o-y	Consensus**
Sales	2,782	2,788	2,962	6.5 / 1.9*	2,879
Polyurethanes	1,374	1,443	1,547	12.6 / 7.5*	•
Polycarbonates	761	706	728	(4.3) / (10.2)*	•
CAS	490	462	507	3.5 / 2.9*	•
Industrial Operations	157	177	180	14.6 / 9.9*	•
EBITDA before special items	372	278	385	3.5	334

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 17, 2012 provided by Vara Research GmbH

- Price +0.9%, volume +1.0%, currency +5.3%, portfolio -0.7%
- Sales increase driven by slightly higher selling prices and volumes overall. Price increases in LatAm/Africa/Middle East, North America and Europe more than offset declines in Asia/Pacific. We achieved higher volumes in Asia/Pacific, LatAm/Africa/Middle East and North America, while volumes declined in Europe.
- Sales growth at **Polyurethanes** driven by all product groups with higher volumes - primarily in Asia/Pacific and LatAm/Africa/Middle East - and price increases in nearly all regions.
- Sales at **Polycarbonates** declined compared to the strong prior-year quarter. Prices declined overall. Volumes down in the granules product group, while sheet/semi-finished products registered higher volumes.
- Sales of **Coatings, Adhesives, Specialties** increased mainly as a result of higher prices in key regions.
- **EBITDA before special items** at MaterialScience increased 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.



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Forward-looking statements

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Key figures for Q2'2012

	HealthCare				CropScience		MaterialScience		Reconciliation		Group			
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total		Group			
	Q2'11	Q2'12	Q2'11	Q2'12	Q2'11	Q2'12	Q2'11	Q2'12	Q2'11	Q2'12	Q2'11	Q2'12		
Sales	€ million	4,208	4,628	2,430	2,685	1,778	1,943	2,276	2,782	2,962	€ million	9,252	10,177	
Sales by region:														
Europe	1,592	1,578	915	893	677	685	777	847	1,169	1,137	289	279	3,827	3,841
North America	1,062	1,257	486	605	576	652	535	721	537	642	1	6	2,135	2,626
Asia / Pacific	878	1,066	610	744	268	322	334	354	712	806	11	6	1,935	2,232
LatAm/Africa/Middle East	676	727	419	443	257	284	297	354	364	377	18	20	1,355	1,478
EBITDA	1,105	726	674	293	431	433	405	501	372	363	24	-29	1,906	1,561
Special items	-51	-522	-48	-516	-3	-6	-66	-48	0	-22	-12	-19	-129	-611
EBITDA before special items	1,156	1,248	722	809	434	439	471	549	372	385	36	-10	2,035	2,172
EBITDA margin before special items	27.5%	27.0%	29.7%	30.1%	24.4%	22.6%	24.2%	24.1%	13.4%	13.0%	11.3%	-3.2%	22.0%	21.3%
EBIT	786	234	454	47	332	187	272	382	236	210	-21	-76	1,273	750
Special items	-51	-668	-48	-524	-3	-144	-81	-53	0	-22	-12	-19	-144	-762
EBIT before special items	837	902	502	571	335	331	353	435	236	232	-9	-57	1,417	1,512
EBIT margin before special items	19.9%	19.5%	20.7%	21.3%	18.8%	17.0%	18.2%	19.1%	8.5%	7.8%	-2.8%	-18.3%	15.3%	14.9%
Gross cash flow	760	558	452	218	308	340	304	381	288	289	180	-2	1,532	1,226
Net cash flow	636	869	341	605	295	264	823	935	-15	8	86	-443	1,530	1,369
Non-operating result													-171	-202
Net income													747	494
Earnings per share (€)													0.90	0.60
Core earnings per share (€)													1.29	1.47
CapEx (cash effective)													298	444
R&D													727	751
D&A and Write-downs	319	492	220	246	99	246	133	119	136	153	45	47	633	811
Employees at end of period	56,400	55,900	37,700	38,100	18,700	17,800	21,700	21,100	15,000	14,700	20,300	20,600	113,400	112,300

2011 figures by segment restated