

Bayer: 1st Quarter of 2009

CropScience and Pharmaceuticals continue on path of growth – Slump in business at MaterialScience leaves a distinct mark

- Group sales €7.9 billion (-7.5%)
- EBITDA before special items €1.7 billion (-22.4%)
- EBIT before special items €1.0 billion (-32.1%)
- Net income €0.4 billion (-44.2%)
- Net cash flow €0.7 billion (+31.3%)

Overview of Sales, Earnings and Financial Position

The performance of our subgroups in the first quarter of 2009 varied widely as expected. The slump in business at MaterialScience also significantly affected sales and earnings of the Bayer Group. By contrast, CropScience and Pharmaceuticals continued on a path of growth.






Group sales came in at €7,895 million, down 7.5% from the record level of €8,536 million registered in the prior-year quarter. After adjustment for currency and portfolio effects (Fx & portfolio adj.), sales receded by 9.7%. Sales of HealthCare grew by 3.0% (Fx & portfolio adj. +0.3%), while business at CropScience expanded by 7.2% (Fx adj. +7.4%). The negative effects of the global economic crisis were evident at MaterialScience, where sales fell by 34.9% (Fx & portfolio adj. -38.4%).

Sales by Quarter

		Domestic	€ million	Foreign	€ million	Total
Q1	2008		1,325		7,211	8,536
	2009		1,153		6,742	7,895
Q2	2008		1,202		7,309	8,511
	2009					
Q3	2008		1,227		6,721	7,948
	2009					
Q4	2008		1,043		6,880	7,923
	2009					

EBITDA before special items for the first quarter came in 22.4% below the prior-year period, at €1,695 million (Q1 2008: €2,185 million). HealthCare posted underlying EBITDA of €1,061 million (Q1 2008: €1,050 million). CropScience again improved on the very strong earnings of the prior-year quarter, with underlying EBITDA increasing by 3.4% to €737 million (Q1 2008: €713 million). At MaterialScience, EBITDA before special items came in at minus €116 million (Q1 2008: plus €407 million). Bayer Group EBITDA for the first quarter amounted to €1,661 million (-19.2%).

EBITDA Before Special Items by Quarter

		€ million	
Q1	2008		2,185
	2009		1,695
Q2	2008		1,896
	2009		
Q3	2008		1,493
	2009		
Q4	2008		1,357
	2009		

EBIT before special items declined by 32.1% in the first quarter of 2009, to €1,017 million (Q1 2008: €1,497 million). Special items totaled minus €44 million (Q1 2008: minus €154 million). Of this figure, the integration of Schering AG, Berlin, Germany, accounted for minus €18 million, while our restructuring programs at CropScience and MaterialScience accounted for minus €8 million and minus €18 million, respectively. EBIT shrank by 27.6% to €973 million (Q1 2008: €1,343 million).

After the non-operating result of minus €334 million (Q1 2008: minus €275 million), income before income taxes came in at €639 million (Q1 2008: €1,068 million). The non-operating result mainly comprised €179 million (Q1 2008: €189 million) in net interest expense, €102 million (Q1 2008: €72 million) in interest expense for pension and other provisions, and a €26 million (Q1 2008: €7 million) net exchange loss. After tax expense of €215 million (Q1 2008: €306 million) and accounting for a €1 million loss attributable to non-controlling interest, net income came in at €425 million (Q1 2008: €762 million). Earnings per share were €0.55 (Q1 2008: €0.96). Core earnings per share moved back to €0.91 (Q1 2008: €1.44). The calculation of core earnings per share is explained on page 26.

Gross cash flow moved back by 26.8% year on year in the first quarter of 2009, to €1,209 million (Q1 2008: €1,651 million). By considerably reducing cash tied up in working capital, we succeeded in improving net cash flow by 31.3% to €693 million (Q1 2008: €528 million). This also enabled us to bring down the net financial debt as of March 31, 2009 to €14.0 billion despite adverse exchange rate effects (December 31, 2008: €14.2 billion). The net pension liability – the aggregate of pension obligations and plan assets – declined by €0.2 billion compared with December 31, 2008, to €5.8 billion, mainly because of higher long-term interest rates on the capital market.

Gross Cash Flow by Quarter

Net Cash Flow by Quarter

		€ million				€ million	
Q1	2008		1,651	Q1	2008		528
	2009		1,209		2009		693
Q2	2008		1,322	Q2	2008		889
	2009				2009		
Q3	2008		1,171	Q3	2008		1,234
	2009				2009		
Q4	2008		1,151	Q4	2008		957
	2009				2009		

Future Perspectives

ECONOMIC OUTLOOK

The **global economy** is in a deep recession, and we do not yet see any sign of a sustained economic recovery.

We now anticipate only moderate growth of about 3% in the **pharmaceutical market** in 2009. While there is a loss of momentum in the United States and the major European countries, the emerging markets continue to show steady growth. We basically anticipate a continuing positive trend in the **consumer health** markets, although 2009 will be adversely affected by the general state of the economy.

We expect the global **seed and crop protection market** to continue its positive development, albeit with markedly lower growth rates than in 2008. Farmers in general should continue to benefit from attractive prices for plant-based raw materials compared to the long-term average, as well as from low energy and fertilizer costs.

With the global economic crisis likely to continue weighing heavily on the main customer industries of **MaterialScience** – the automotive, construction, electrical and furniture sectors – in the coming months, we expect a very difficult market environment for this subgroup in 2009 as a whole.

SALES AND EARNINGS FORECAST

For HealthCare and CropScience we continue to expect a positive trend in 2009, with growth in sales and EBITDA before special items. HealthCare plans to achieve currency-adjusted growth rates ahead of the market average in all divisions. We aim to further improve the EBITDA margin before special items toward 28%. CropScience plans to continue expanding sales in a generally favorable market environment. We aim to maintain the EBITDA margin before special items at the high level of about 25%.

The drop in sales and earnings at MaterialScience in the first quarter of 2009 turned out to be even steeper than we had expected. However, sales stabilized at a low level in the first three months. The downturn thus seems to be bottoming out, and first signs of a modest recovery in

demand are appearing. We expect this subgroup to improve sales and earnings in the second quarter of this year compared with the first quarter and are targeting positive EBITDA before special items for the full year.

Against this background, we believe our aim of limiting the decline in Group EBITDA before special items to 5% to be increasingly demanding, though still achievable if there is a tangible recovery in the MaterialScience business. However, we no longer consider it possible to match the prior-year figure, still less to improve upon it.

We expect Group sales for the full year to be in the region of €32 billion.

We have budgeted for special charges in the region of €250 million related to our ongoing restructuring programs.

We now expect to make capital expenditures of €1.4 billion. We estimate depreciation and amortization at about €2.8 billion, including €1.3 billion in depreciation of property, plant and equipment. Research and development expenses are planned to rise to approximately €2.9 billion.

We expect to reduce net financial debt toward €10 billion in 2009, helped by the conversion of the mandatory convertible bond into equity upon maturation in June 2009 and an improvement in net cash flow. This forecast does not take into account any possible portfolio changes.

Performance by Subgroup and Segment

CORPORATE STRUCTURE

Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group. Business activities are conducted by the HealthCare, CropScience and MaterialScience subgroups, supported by the service companies Bayer Business Services, Bayer Technology Services and Currenta.

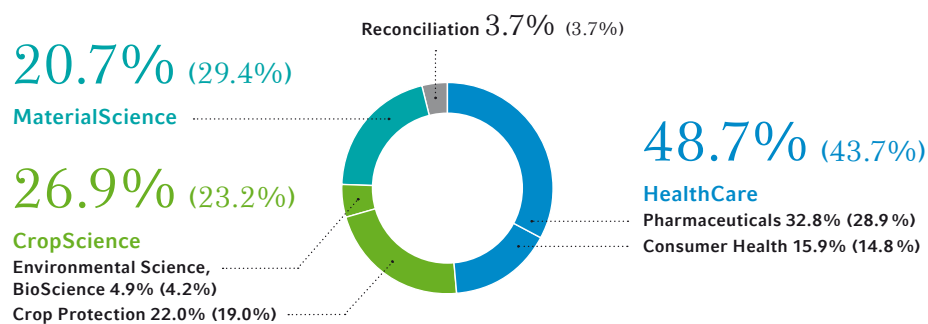
We have implemented a number of organizational changes that affect our segment reporting effective January 1, 2009 as described below. The prior-year figures have been restated accordingly.

We are now reporting MaterialScience as a single segment. The integration of the thermoplastic polyurethanes businesses into the Polyurethanes and the Coatings, Adhesives, Specialties business units completes an important phase in the reorganization of the MaterialScience portfolio. The Thermoplastic Polyurethanes (TPU) business unit has been dissolved. The TPU granules business has been integrated into the Polyurethanes business unit, while the TPU films activities now form part of the Coatings, Adhesives, Specialties business unit (Functional Films). In addition, due to organizational changes, we are now reporting the non-core businesses previously reported as "Other Systems" under Industrial Operations.

We have also made organizational changes in the HealthCare subgroup. Our dermatology business (Intendis) is no longer part of the Pharmaceuticals segment, but has been integrated into the Consumer Care Division within the Consumer Health segment. The Diabetes Care Division has been combined with our medical equipment business Medrad – which previously formed part of the Diagnostic Imaging business unit in the Pharmaceuticals segment – to create the Medical Care Division. In the Pharmaceuticals segment we now conduct our business in the General Medicine (formerly Primary Care and Cardiology), Specialty Medicine (formerly Specialized Therapeutics, Oncology and Hematology), Women's Healthcare and Diagnostic Imaging business units.

The commentaries in this report relate exclusively to continuing operations, except where specific reference is made to discontinued operations or to a total value.

Sales by Segment, 1st Quarter 2009 (Q1 2008 in parentheses)



2008 figures restated

Key Data by Subgroup and Segment

	Sales		EBIT before special items*		EBITDA before special items*		EBITDA margin before special items*	
	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009	1st Quarter 2008	1st Quarter 2009
	€ million	€ million	€ million	€ million	€ million	€ million	%	%
HealthCare	3,731	3,843	663	693	1,050	1,061	28.1	27.6
Pharmaceuticals	2,469	2,587	429	523	760	827	30.8	32.0
Consumer Health	1,262	1,256	234	170	290	234	23.0	18.6
CropScience	1,978	2,120	578	617	713	737	36.0	34.8
Crop Protection	1,622	1,734	493	506	607	611	37.4	35.2
Environmental Science, BioScience	356	386	85	111	106	126	29.8	32.6
MaterialScience	2,512	1,636	281	(263)	407	(116)	16.2	(7.1)
Reconciliation	315	296	(25)	(30)	15	13	4.8	4.4
Continuing operations	8,536	7,895	1,497	1,017	2,185	1,695	25.6	21.5

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

Bayer HealthCare

Key Data – HealthCare	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	3,731	3,843	+3.0
Pharmaceuticals	2,469	2,587	+4.8
Consumer Health	1,262	1,256	-0.5
Sales by Region			
Europe	1,626	1,572	-3.3
North America	1,045	1,104	+5.6
Asia/Pacific	526	635	+20.7
Latin America/Africa/Middle East	534	532	-0.4
EBITDA*	970	1,043	+7.5
Special items	(80)	(18)	
EBITDA before special items*	1,050	1,061	+1.0
EBITDA margin before special items*	28.1%	27.6%	
EBIT*	563	675	+19.9
Special items	(100)	(18)	
EBIT before special items*	663	693	+4.5
Gross cash flow**	737	745	+1.1
Net cash flow**	577	699	+21.1

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

Sales in the HealthCare subgroup in the first quarter of 2009 came in 3.0% above the strong prior-year quarter, at €3,843 million (Q1 2008: €3,731 million). Adjusted for portfolio and currency effects, business remained at the previous year's level (+0.3%). While there was a gratifying overall 2.5% increase in Pharmaceuticals sales, our Consumer Health business shrank by 4.1%, mainly due to inventory reductions by customers.

HealthCare slightly increased **EBITDA** before special items to €1,061 million (+1.0%). There was a pleasing improvement in earnings in the Pharmaceuticals segment, while Consumer Health recorded a decline. **EBIT** before special items advanced by 4.5% to €693 million (Q1 2008: €663 million). Special items totaled minus €18 million (Q1 2008: minus €100 million). **EBIT** grew by a substantial 19.9% to €675 million (2007: €563 million).

PHARMACEUTICALS

Key Data – Pharmaceuticals	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	2,469	2,587	+4.8
General Medicine	798	831	+4.1
Specialty Medicine	762	814	+6.8
Women's Healthcare	696	722	+3.7
Diagnostic Imaging	213	220	+3.3
Sales by Region			
Europe	1,088	1,035	-4.9
North America	645	703	+9.0
Asia/Pacific	415	510	+22.9
Latin America/Africa/Middle East	321	339	+5.6
EBITDA*	681	809	+18.8
Special items	(79)	(18)	
EBITDA before special items*	760	827	+8.8
EBITDA margin before special items*	30.8%	32.0%	
EBIT*	330	505	+53.0
Special items	(99)	(18)	
EBIT before special items*	429	523	+21.9
Gross cash flow**	518	565	+9.1
Net cash flow**	397	512	+29.0

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of our **Pharmaceuticals** segment climbed by 4.8% in the first quarter of 2009, to €2,587 million (Q1 2008: €2,469 million). Adjusted for currency and portfolio effects, business expanded by 2.5%.

Best-Selling Pharmaceuticals Products	1st Quarter 2008	1st Quarter 2009	Change	Currency- adjusted change
	€ million	€ million	%	%
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare)	297	319	+7.4	+4.6
Betaferon®/Betaseron® (Specialty Medicine)	274	301	+9.9	+7.4
Kogenate® (Specialty Medicine)	233	249	+6.9	+3.2
Adalat® (General Medicine)	150	156	+4.0	-3.1
Nexavar® (Specialty Medicine)	101	137	+35.6	+28.6
Avalox®/Avelox® (General Medicine)	143	129	-9.8	-14.0
Mirena® (Women's Healthcare)	112	125	+11.6	+6.9
Levitra® (General Medicine)	82	83	+1.2	-3.2
Glucobay® (General Medicine)	80	82	+2.5	-8.1
Cipro®/Ciprobay® (General Medicine)	81	80	-1.2	-4.1
Aspirin Cardio® (General Medicine)	64	73	+14.1	+9.8
Ultravist® (Diagnostic Imaging)	68	62	-8.8	-6.2
Magnevist® (Diagnostic Imaging)	60	56	-6.7	-14.9
Iopamiron® (Diagnostic Imaging)	43	46	+7.0	-13.1
Kinzal®/Pritor® (General Medicine)	34	37	+8.8	+9.2
Total	1,822	1,935	+6.2	+1.7
Proportion of Pharmaceuticals sales	74%	75%		

Sales of the **General Medicine** business unit expanded by +4.1% to €831 million (Q1 2008: €798 million). On a currency-adjusted (Fx adj.) basis, business thus held steady year on year (-0.4%). Sales of Aspirin Cardio® expanded again (Fx adj. +9.8%), as did business with Kinzal®/Pritor® (Fx adj. +9.2%). By contrast, sales of Avalox®/Avelox® were down by 14.0% (Fx adj.) due to a weak flu season in the United States. Business with Cipro®/Ciprobay® (Fx adj. -4.1%) benefited from a U.S. government contract concluded in 2008.

The **Specialty Medicine** business unit saw sales grow by 6.8% to €814 million (Q1 2008: €762 million). On a currency- and portfolio-adjusted basis, business expanded by 6.0%. Sales of our cancer drug Nexavar® developed well (Fx adj. +28.6%). The multiple sclerosis treatment Betaferon®/Betaseron® (Fx adj. +7.4%) and the blood-clotting drug Kogenate® (Fx adj. +3.2%) also contributed to the increase in sales. We concluded strategic agreements with the U.S. company Genzyme Corp. for our products Campath®/MabCampath®, Leukine® and Fludara®, which posted total sales of €48 million in the first quarter of 2009. Under the agreements we will transfer these products to Genzyme in return for royalties and milestone payments. We will maintain our development alliance with Genzyme for the active substance alemtuzumab for the treatment of multiple sclerosis.

Sales of our **Women's Healthcare** business unit climbed by 3.7% in the first quarter of 2009 to €722 million (Q1 2008: €696 million). The currency-adjusted increase was 3.5%. Sales of our hormone-releasing intrauterine device Mirena® advanced by 6.9% on a currency-adjusted basis. Business with our YAZ®/Yasmin®/Yasminelle® line of oral contraceptives expanded by a further 4.6% (Fx adj.), mainly as a result of the positive sales trend for YAZ® in the United States and Europe.

Sales of our **Diagnostic Imaging** business unit moved forward by 3.3% percent in the first quarter of 2009 to €220 million (Q1 2008: €213 million). On a currency-adjusted basis, business fell by 2.5%. The continuing decline in sales of Magnevist® (Fx adj. -14.9%) was offset by increasing business with Gadovist® (Fx adj. +44.9%). Sales of Iopamiron® receded by 13.1% (Fx adj.), mainly as a result of government-mandated price reductions in Japan. Business with Ultravist® was down by 6.2% (Fx adj.) due mainly to lower sales in the Asia/Pacific region.

EBITDA before special items of the Pharmaceuticals segment rose by 8.8 % in the first quarter of 2009 to €827 million (Q1 2008: €760 million). This increase was due to the generally positive business trend, lower manufacturing costs and synergies from the integration of Schering AG, Berlin, Germany. On the other hand, earnings were diminished by higher marketing costs and research and development expenses. **EBIT** before special items advanced by 21.9% to €523 million (Q1 2008: €429 million). Special items of minus €18 million (Q1 2008: minus €99 million) resulted from the integration of Schering. EBIT climbed by a substantial €175 million to €505 million (Q1 2008: €330 million).

CONSUMER HEALTH

Key Data – Consumer Health	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	1,262	1,256	-0.5
Consumer Care	715	704	-1.5
Medical Care	312	324	+3.8
Animal Health	235	228	-3.0
Sales by Region			
Europe	538	537	-0.2
North America	400	401	+0.3
Asia/Pacific	111	125	+12.6
Latin America/Africa/Middle East	213	193	-9.4
EBITDA*	289	234	-19.0
Special items	(1)	0	
EBITDA before special items*	290	234	-19.3
EBITDA margin before special items*	23.0%	18.6%	
EBIT*	233	170	-27.0
Special items	(1)	0	
EBIT before special items*	234	170	-27.4
Gross cash flow**	219	180	-17.8
Net cash flow**	180	187	+3.9

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of our Consumer Health segment, at €1,256 million, were roughly level with the prior year (-0.5%). After adjustment for currency and portfolio effects, business declined by 4.1%. This was partly due to lower consumer spending in the wake of the economic crisis and inventory reductions by customers, particularly in North America, where sales receded by a currency-adjusted 10.9%.

Best-Selling Consumer Health Products	1st Quarter 2008	1st Quarter 2009	Change	Currency- adjusted change
	€ million	€ million	%	%
Contour® (Medical Care)	128	124	-3.1	-4.6
Aspirin®* (Consumer Care)	114	96	-15.8	-16.2
Advantage® product line (Animal Health)	77	78	+1.3	-3.1
Bepanthen®/Bepanthol® (Consumer Care)	46	48	+4.3	+8.3
Aleve®/naproxen (Consumer Care)	48	43	-10.4	-17.9
Canesten® (Consumer Care)	47	43	-8.5	-3.1
Baytril® (Animal Health)	38	35	-7.9	-11.7
One-A-Day® (Consumer Care)	30	31	+3.3	-6.1
Supradyn® (Consumer Care)	35	31	-11.4	-9.9
Breeze® (Medical Care)	34	30	-11.8	-16.5
Total	597	559	-6.4	-8.1
Proportion of Consumer Health sales	47%	45%		

*total Aspirin® Q1 sales = €169 million (Q1 2008: €178 million), including Aspirin Cardio®, which is reflected in sales of the Pharmaceuticals segment

In the **Consumer Care** Division, sales moved back by 1.5% to €704 million (Q1 2008: €715 million). Business was down by 3.7% on a currency- and portfolio-adjusted basis. Our OTC business was impacted by the difficult economic environment; sales of Aleve®/naproxen (Fx adj. -17.9%), Aspirin® (Fx adj. -16.2%) and Supradyn® (Fx adj. -9.9%) fell particularly sharply. By contrast, sales of Bepanthen®/Bepanthol® (Fx adj. +8.3%) increased, due particularly to a strong business trend in France. Sales in our dermatology business (Intendis) improved to €64 million (Fx adj. +5.1%).

Our **Medical Care** Division raised sales by 3.8% in the first quarter to €324 million (Q1 2008: €312 million). After adjusting for currency and portfolio effects, business declined by 5.0%. The economic weakness and the resulting decline in consumer demand in the United States negatively impacted sales of our blood glucose measurement systems. Our medical equipment business (Medrad), however, expanded by 26.4% due to the inclusion of Possis Medical, Inc., United States, which we acquired in 2008 (Fx & portfolio adj. -0.2%).

In the **Animal Health** Division, business shrank by 3.0% to €228 million (Q1 2008: €235 million). Sales were down by 3.9% on a currency-adjusted basis. The reduction of inventories by distributors in the United States diminished sales of our Advantage® line of flea and tick control products (Fx adj. -3.1%).

EBITDA before special items of the Consumer Health segment came in significantly below the prior-year period, at €234 million (-19.3%). The main reason for these lower earnings, apart from the drop in business, was higher marketing expenses associated with the expansion of our activities in emerging markets. Earnings were also diminished by adverse effects of currency changes on the cost of goods sold. **EBIT** before special items fell by 27.4% to €170 million. EBIT declined to €170 million (-27.0%).

Bayer CropScience

Key Data – CropScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	1,978	2,120	+7.2
Crop Protection	1,622	1,734	+6.9
Environmental Science, BioScience	356	386	+8.4
Sales by Region			
Europe	1,022	1,041	+1.9
North America	456	576	+26.3
Asia/Pacific	211	239	+13.3
Latin America/Africa/Middle East	289	264	-8.7
EBITDA*	663	733	+10.6
Special items	(50)	(4)	
EBITDA before special items*	713	737	+3.4
EBITDA margin before special items*	36.0%	34.8%	
EBIT*	524	609	+16.2
Special items	(54)	(8)	
EBIT before special items*	578	617	+6.7
Gross cash flow**	489	550	+12.5
Net cash flow**	(312)	(421)	-34.9

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

First-quarter **sales** of CropScience rose by 7.2% in a favorable market environment to €2,120 million (Q1 2008: €1,978 million). On a currency-adjusted basis, business expanded by 7.4%. This growth was due to selling price increases and higher volumes.

Best-Selling CropScience Products*	1st Quarter 2008	1st Quarter 2009	Change	Currency- adjusted change
	€ million	€ million	%	%
Confidor®/Gaucho®/Admire®/Merit® (Insecticides/Seed Treatment/Environmental Science)	157	163	+3.8	+0.1
Atlantis® (Herbicides)	124	131	+5.6	+10.2
Basta®/Liberty®/Rely®/Ignite® (Herbicides)	81	109	+34.6	+33.7
Proline®/Input®/Prosaro® (Fungicides)	81	107	+32.1	+34.4
Flint®/Stratego®/Sphere®/Nativo® (Fungicides)	91	105	+15.4	+7.1
Folicur®/Raxil® (Fungicides/Seed Treatment)	75	75	+0.0	+1.3
Poncho® (Seed Treatment)	72	68	-5.6	-7.7
Puma® (Herbicides)	66	58	-12.1	-7.3
Hussar® (Herbicides)	60	56	-6.7	+0.5
Fandango® (Fungicides)	44	44	+0.0	+4.0
Total	851	916	+7.6	+7.9
Proportion of CropScience sales	43%	43%		

* Figures are based on active ingredient class. For the sake of clarity, only the principal brands and business units are listed.

EBITDA before special items advanced by 3.4% to €737 million (Q1 2008: €713 million). Whereas earnings were lifted by the expansion of the business, expenses for marketing and production activities increased. As a result, the EBITDA margin before special items declined by 1.2 percentage points. **EBIT** before special items amounted to €617 million (+6.7%). Special charges of €8 million (Q1 2008: €54 million) were taken in connection with our cost structure program. EBIT rose by 16.2% to €609 million (Q1 2008: €524 million).

Net cash flow decreased by 34.9% to minus €421 million (Q1 2008: minus €312 million), mainly because of higher inventory build-up than in the previous year in light of our positive sales expectations.

CROP PROTECTION

Key Data – Crop Protection	1st Quarter	1st Quarter	Change
	2008	2009	
	€ million	€ million	%
Sales	1,622	1,734	+6.9
Herbicides	664	739	+11.3
Fungicides	448	509	+13.6
Insecticides	322	290	-9.9
Seed Treatment	188	196	+4.3
Sales by Region			
Europe	880	911	+3.5
North America	296	378	+27.7
Asia/Pacific	185	207	+11.9
Latin America/Africa/Middle East	261	238	-8.8
EBITDA*	564	607	+7.6
Special items	(43)	(4)	
EBITDA before special items*	607	611	+0.7
EBITDA margin before special items*	37.4%	35.2%	
EBIT*	446	500	+12.1
Special items	(47)	(6)	
EBIT before special items*	493	506	+2.6
Gross cash flow**	416	458	+10.1
Net cash flow**	(266)	(359)	-35.0

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

Sales in the Crop Protection segment improved by 6.9% in the first quarter to €1,734 million (Q1 2008: €1,622 million). On a currency-adjusted basis the increase amounted to 7.0%. Sales of herbicides and fungicides registered particularly strong growth.

Sales in the **Europe** region moved ahead by 3.5% to €911 million (Q1 2008: €880 million). On a currency-adjusted basis, business was up by 7.8%. While business improved significantly in western Europe, demand was more restrained in many countries of central and eastern Europe due to the weak economic environment and the associated credit restrictions. Sales of our seed treatment products and fungicides in particular rose again compared to the prior-year quarter, offsetting a decline in our insecticides business. Our young products such as the cereal herbicide Atlantis®, the cereal fungicide Input® and the seed treatment Poncho® were mainly responsible for the sales growth in Europe.

Sales of our crop protection business in **North America** expanded by 27.7% to €378 million (Q1 2008: €296 million). On a currency-adjusted basis, business expanded by 19.1%. Our young corn herbicides in particular, such as Laudis® and Corvus™ – the latter having been launched this year – turned in an outstanding performance. We also recorded strong growth in sales of our young cereal herbicides Huskie® and Infinity® and of the weed control product Ignite® for use in herbicide-tolerant crops. Sales of our fungicides also continued to expand robustly as a result of heightened demand for Stratego® and Prosaro®, while business with seed treatment products was down because of intense competition.

Sales in the **Asia/Pacific** region advanced by 11.9% to €207 million (Q1 2008: €185 million). The currency-adjusted increase was 9.4%. Our business in India, South Korea, Japan and south-east Asia developed very well. By contrast, unfavorable weather patterns in China and Australia adversely impacted demand in those countries. Sales increases in the region as a whole were achieved primarily for herbicides and fungicides.

Sales in the **Latin America/Africa/Middle East** region amounted to €238 million, down 8.8% against the prior-year level of €261 million. Adjusted for currency effects, business shrank by 11.0%. This was chiefly attributable to lower sales of insecticides in Latin America. Extreme drought conditions hampered agriculture in Argentina, Paraguay and southern Brazil in particular and led to lower levels of infestation by insect pests. Sales of our fungicides also fell slightly, while business with herbicides and seed treatment products increased. Business in the Middle East receded due to lower sales in Turkey, whereas sales in Africa were at about the prior-year level.

EBITDA before special items in the Crop Protection segment rose by 0.7% to €611 million (Q1 2008: €607 million). Whereas earnings were lifted by selling price increases and higher volumes, expenses for marketing and production activities increased. **EBIT** before special items grew by 2.6% to €506 million (Q1 2008: €493 million). Special charges of €6 million (Q1 2008: €47 million) were taken in connection with our cost structure program. EBIT for the first quarter of 2009 climbed by 12.1% to €500 million (Q1 2008: €446 million).

ENVIRONMENTAL SCIENCE, BIOSCIENCE

Key Data – Environmental Science, BioScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	356	386	+8.4
Environmental Science	165	164	-0.6
BioScience	191	222	+16.2
Sales by Region			
Europe	142	130	-8.5
North America	160	198	+23.8
Asia/Pacific	26	32	+23.1
Latin America/Africa/Middle East	28	26	-7.1
EBITDA*	99	126	+27.3
Special items	(7)	0	
EBITDA before special items*	106	126	+18.9
EBITDA margin before special items*	29.8%	32.6%	
EBIT*	78	109	+39.7
Special items	(7)	(2)	
EBIT before special items*	85	111	+30.6
Gross cash flow**	73	92	+26.0
Net cash flow**	(46)	(62)	-34.8

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

In the Environmental Science, BioScience segment, **sales** climbed by 8.4% to €386 million (Q1 2008: €356 million). The currency-adjusted increase was 9.0%.

Sales of the **Environmental Science** business unit dipped by 0.6% to €164 million, the currency-adjusted decrease amounting to 3.3%. In Europe we recorded a sharp decline in sales of products for consumers, due in part to the long winter season. In North America we saw a slight improvement in business with products for both consumers and professional users compared with the low level of the prior-year period.

Sales of the **BioScience** business unit moved ahead by an encouraging 16.2% to €222 million. Adjusted for currency effects, the increase came to 19.7%. This significant expansion resulted primarily from the successful sales performance in North America of our hybrid canola seed marketed under the InVigor® brand. We also registered increases in our cotton seed business in the United States and India and in our vegetable seed business in Asia and Latin America.

EBITDA before special items of the Environmental Science, BioScience segment improved by €20 million in the first quarter of 2009, to €126 million (+18.9%). The main reason for this higher profitability, apart from the expansion of business at BioScience, was an increase in selling prices in both units. **EBIT** before special items advanced by 30.6% to €111 million (Q1 2008: €85 million). After special charges of €2 million (Q1 2008: €7 million) for restructuring, EBIT came in at €109 million (+39.7%).

Bayer MaterialScience

Key Data – MaterialScience	1st Quarter 2008	1st Quarter 2009	Change
	€ million	€ million	%
Sales	2,512	1,636	-34.9
Polyurethanes	1,305	844	-35.3
Polycarbonates	610	374	-38.7
Coatings, Adhesives, Specialties	440	276	-37.3
Industrial Operations	157	142	-9.6
Sales by Region			
Europe	1,135	681	-40.0
North America	521	374	-28.2
Asia/Pacific	529	372	-29.7
Latin America/Africa/Middle East	327	209	-36.1
EBITDA*	407	(128)	.
<i>Special items</i>	0	(12)	
<i>EBITDA before special items*</i>	407	(116)	.
EBITDA margin before special items*	16.2%	(7.1)%	
EBIT*	281	(281)	.
<i>Special items</i>	0	(18)	
<i>EBIT before special items*</i>	281	(263)	.
Gross cash flow**	310	(60)	.
Net cash flow**	146	207	+41.8

2008 figures restated

* for definition see chapter "Calculation of EBIT(DA) Before Special Items," page 20

**for definition see chapter "Liquidity and Capital Resources," page 22

Sales of the MaterialScience subgroup in the first quarter of 2009 slumped to €1,636 million (-34.9%). After adjusting for currency and portfolio effects, business was down by 38.4%. The global economic crisis resulted in significantly lower demand from the customer industries relevant to MaterialScience. We experienced a sharp overall drop in volumes, accompanied by increasing pressure on prices. This applied to nearly all product groups of our business units in all regional markets.

The **Polyurethanes** business unit posted sales of €844 million (-35.3%). After adjusting for currency and portfolio effects, sales fell by 39.3%. This was attributable mainly to considerably lower volumes in all polyurethane product groups – diphenylmethane diisocyanate (MDI), toluene diisocyanate (TDI) and polyether (PET) – coupled with price erosion.

Sales of the **Polycarbonates** business unit dropped by 38.7% (Fx adj. -41.7%) to €374 million (Q1 2008: €610 million). Volumes for both polycarbonate granules and polycarbonate sheet moved back significantly in all regions. We also experienced declining prices for polycarbonate granules but succeeded in slightly raising selling prices for polycarbonate sheet.

Sales of our **Coatings, Adhesives, Specialties** business unit fell by 37.3% to €276 million. On a currency- and portfolio-adjusted basis, sales were down by 40.8%. Prices remained constant overall, and volumes fell steeply in all regions.

Industrial Operations saw sales shrink by 9.6% year on year to €142 million. The currency-adjusted decline was 12.1%, with volume declines for basic chemicals being almost offset by price increases.

EBITDA before special items of MaterialScience slumped to minus €116 million (Q1 2008: plus €407 million). This was due primarily to lower volumes and selling prices, accompanied by substantially lower capacity utilization at our production facilities. The drop in earnings was tempered by savings from the restructuring program initiated in 2007. The relative easing of the situation on the raw material markets important to MaterialScience had only a slight beneficial effect on earnings compared with the prior-year quarter, since the bulk of our sales in the first quarter of 2009 was of products manufactured with higher-priced raw materials. In the first quarter of 2009, the segment recorded **EBIT** before special items of minus €263 million (Q1 2008: plus €281 million). Special charges for restructuring came to €18 million. EBIT came in at minus €281 million (Q1 2008: plus €281 million).

Performance by Region

Sales by Region and Segment (by Market)	Europe				North America			
	1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009		
	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.
HealthCare	1,626	1,572	-3.3	-0.1	1,045	1,104	+5.6	-5.6
Pharmaceuticals	1,088	1,035	-4.9	-1.7	645	703	+9.0	-2.3
Consumer Health	538	537	-0.2	+3.2	400	401	+0.3	-10.9
CropScience	1,022	1,041	+1.9	+5.9	456	576	+26.3	+20.1
Crop Protection	880	911	+3.5	+7.8	296	378	+27.7	+19.1
Environmental Science, BioScience	142	130	-8.5	-6.1	160	198	+23.8	+21.9
MaterialScience	1,135	681	-40.0	-40.0	521	374	-28.2	-36.5
Continuing operations (incl. reconciliation)	4,072	3,563	-12.5	-10.1	2,026	2,057	+1.5	-7.8

2008 figures restated

yoy = year on year; Fx adj. = currency-adjusted

Calculation of EBIT(DA) Before Special Items

Key performance indicators for the Bayer Group are EBIT before special items, EBITDA before special items and the EBITDA margin before special items. These indicators are reported in order to allow a more accurate assessment of business operations. The special items – one-time effects that are non-recurring or do not regularly recur or attain similar magnitudes – are detailed in the following table. “EBITDA,” “EBITDA before special items” and “EBIT before special items” are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, write-downs/write-backs or special items. The company also believes that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The EBITDA margin before special items, which is the ratio of EBITDA before special items to sales, serves as a relative indicator for the internal and external comparison of operational earning power.

Depreciation and amortization in the first quarter of 2009 was slightly below the previous year at €688 million (-3.4%), comprising €378 million in amortization and write-downs of intangible assets and €310 million in depreciation and write-downs of property, plant and equipment. Of the included write-downs, €10 million constituted special items.

	Asia/Pacific				Latin America/Africa/Middle East				Continuing Operations			
	1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009			1st Quarter 2008	1st Quarter 2009		
	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.	€ million	€ million	% yoy	% yoy Fx adj.
	526	635	+20.7	+8.6	534	532	-0.4	+6.7	3,731	3,843	+3.0	+0.6
	415	510	+22.9	+8.4	321	339	+5.6	+12.9	2,469	2,587	+4.8	+1.7
	111	125	+12.6	+9.6	213	193	-9.4	-2.7	1,262	1,256	-0.5	-1.6
	211	239	+13.3	+10.4	289	264	-8.7	-9.6	1,978	2,120	+7.2	+7.4
	185	207	+11.9	+9.4	261	238	-8.8	-11.0	1,622	1,734	+6.9	+7.0
	26	32	+23.1	+17.3	28	26	-7.1	+4.6	356	386	+8.4	+9.0
	529	372	-29.7	-38.5	327	209	-36.1	-32.0	2,512	1,636	-34.9	-37.9
	1,276	1,256	-1.6	-10.6	1,162	1,019	-12.3	-8.3	8,536	7,895	-7.5	-9.4

Special Items Reconciliation	EBIT* 1st Quarter 2008	EBIT* 1st Quarter 2009	EBITDA** 1st Quarter 2008	EBITDA** 1st Quarter 2009
	€ million	€ million	€ million	€ million
After special items	1,343	973	2,055	1,661
HealthCare	100	18	80	18
Schering PPA effects***	51	0	51	0
Schering integration costs	49	18	29	18
CropScience	54	8	50	4
Restructuring	54	8	50	4
MaterialScience	0	18	0	12
Restructuring	0	18	0	12
Total special items	154	44	130	34
Before special items	1,497	1,017	2,185	1,695

* EBIT as per income statements

** EBITDA: EBIT plus amortization of intangible assets and depreciation of property, plant and equipment.

*** The purchase price paid for Schering AG, Germany, was allocated among the acquired assets and assumed liabilities in accordance with the International Financial Reporting Standards (IFRS). To ensure comparability with future earnings data, the expected long-term effects of the step-up are reflected in EBIT and EBITDA before special items, whereas temporary, non-cash effects of the purchase price allocation are eliminated and deducted when calculating EBIT before special items.

Liquidity and Capital Resources

Bayer Group Summary Statements of Cash Flows	1st Quarter 2008	1st Quarter 2009
	€ million	€ million
Gross cash flow*	1,651	1,209
Changes in working capital/other non-cash items	(1,123)	(516)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	528	693
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	0	0
Net cash provided by (used in) operating activities (net cash flow) (total)	528	693
Net cash provided by (used in) investing activities (total)	(464)	(78)
Net cash provided by (used in) financing activities (total)	131	1,652
Change in cash and cash equivalents due to business activities (total)	195	2,267
Cash and cash equivalents at beginning of period	2,531	2,094
Change due to exchange rate movements and to changes in scope of consolidation	(9)	4
Cash and cash equivalents at end of period	2,717	4,365

*Gross cash flow = income from continuing operations after taxes, plus income taxes, plus/minus non-operating result, minus income taxes paid or accrued, plus depreciation, amortization and write-downs, minus write-backs, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, plus non-cash effects of the remeasurement of acquired assets. The change in pension provisions includes the elimination of non-cash components of the operating result. It also contains benefit payments during the year.

OPERATING CASH FLOW

Gross cash flow moved back by 26.8% year on year in the first quarter of 2009 to €1,209 million (Q1 2008: €1,651 million) due to the weak business performance at MaterialScience. Net cash flow rose by €165 million to €693 million (Q1 2008: €528 million), thanks to a significant overall decline in cash tied up in working capital. This in turn resulted mainly from lower inventories and trade accounts receivable. Net cash flow in the first quarter also reflects cash outflows of €19 million (Q1 2008: €239 million) related to income taxes.

INVESTING CASH FLOW

Net cash outflow for investing activities in the first three months of 2009 totaled €78 million (Q1 2008: €464 million). Cash outflows for additions to property, plant, equipment and intangible assets remained nearly level, at €290 million. This figure included disbursements related to the expansion of our polymers production facilities in Shanghai, China, and for the acquisition of developmental products for biological pest control. Whereas there were no cash outflows for acquisitions in the first quarter of 2009, the figure for the prior-year period mainly contained payments in connection with the acquisition of Possis Medical, Inc. Cash inflows included, in particular, €137 million (Q1 2008: €27 million) in receipts pertaining to noncurrent financial assets, such as repayments of loans granted.

FINANCING CASH FLOW

Net cash inflow for financing activities in the first quarter of 2009 amounted to €1,652 million (Q1 2008: €131 million). It mainly comprised net borrowings of €1,825 million, a larger amount than in the prior year, serving primarily to refinance the €1,600 million floating rate EMTN note that will mature in the second quarter of 2009. Interest payments increased to €169 million (Q1 2008: €137 million). There was a €4 million outflow for "dividend payments and withholding tax on dividends" (Q1 2008: €9 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt	Dec. 31, 2008	March 31, 2009
	€ million	€ million
Bonds and notes	10,729	12,226
of which hybrid bond	1,245	1,261
of which mandatory convertible bond	2,296	2,298
Liabilities to banks	4,438	4,596
Liabilities under finance leases	535	549
Liabilities from derivatives	612	808
Other financial liabilities	333	624
Positive fair values of hedges of recorded transactions	(454)	(522)
Financial debt	16,193	18,281
Cash and cash equivalents*	(2,037)	(4,306)
Current financial assets	(4)	(8)
Net financial debt from continuing operations	14,152	13,967
Net financial debt from discontinued operations	0	0
Net financial debt (total)	14,152	13,967

*In view of the restriction on its use, the €59 million liquidity in escrow accounts in the first quarter of 2009 (Dec. 31, 2008: €57 million) was not deducted when calculating net financial debt.

March 31, 2009: €4,306 million = €4,365 million - €59 million (Dec. 31, 2008: €2,037 million = €2,094 million - €57 million).

Net financial debt (total) declined in the first quarter by €0.2 billion to €14.0 billion. As of March 31, 2009 the Bayer Group held cash and cash equivalents of €4,365 million. Financial liabilities amounted to €18.3 billion, including both the €1.3 billion subordinated hybrid bond issued in July 2005 and the €2.3 billion mandatory convertible bond maturing in June 2009. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. Both rating agencies consider the mandatory convertible bond wholly as equity. Unlike conventional borrowings, the hybrid bond thus only has a limited effect on the Group's rating-specific indicators, while the mandatory convertible bond has no effect. Our noncurrent financial liabilities as of March 31, 2009 amounted to €12.7 billion.

Standard & Poor's gives Bayer a long-term issuer rating of A- with negative outlook, while Moody's gives the company a rating of A3 with stable outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

NET PENSION LIABILITY

The net pension liability decreased from €6.0 billion to €5.8 billion in the first quarter, due especially to higher long-term capital market interest rates. Provisions for pensions and other post-employment benefits declined from €6.3 billion to €6.1 billion. At the same time prepaid benefit assets, reflected in the balance sheet as other receivables, fell slightly to €0.3 billion.

Net Pension Liability	Dec. 31, 2008	March 31, 2009
	€ million	€ million
Provisions for pensions and other post-employment benefits	6,347	6,094
Prepaid benefit assets	(351)	(306)
Net pension liability	5,996	5,788

Employees

On March 31, 2009, the Bayer Group had 108,700 employees, 100 more than on December 31, 2008. We employed 16,800 people in North America, 21,300 in the Asia/Pacific region and 15,900 in Latin America/Africa/Middle East. The number of employees in Europe was 54,700. In Germany we had 36,800 employees, accounting for 33.9% of the Group workforce. These figures include 2,500 trainees worldwide. Personnel expenses in the first quarter of 2009 amounted to €1,891 million (Q1 2008: €1,988 million).

The number of employees has been converted to full-time equivalents, which means part-time employees are included in proportion to their contractual working hours.

Opportunities and Risks

As a global enterprise with a diverse business portfolio, the Bayer Group enjoys a variety of opportunities and is also exposed to numerous risks. The anticipated development opportunities are materially unchanged from those outlined in the Bayer Annual Report 2008.

A risk management system is in place. Apart from financial risks there are also business-specific selling market, procurement market, product development, patent, production, environmental and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant changes that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2008 are described in the Notes to the Condensed Consolidated Interim Financial Statements on page 37 under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2008 on pages 117 – 125 and 231 – 237. The Bayer Annual Report 2008 can be downloaded free of charge at www.bayer.com.

At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of the Bayer Group.

Events After the Reporting Period

Since March 31, 2009, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.