3. Performance by Subgroup, Segment and Region

3.1 HealthCare

Key Data – HealthCare [Table 3.4]

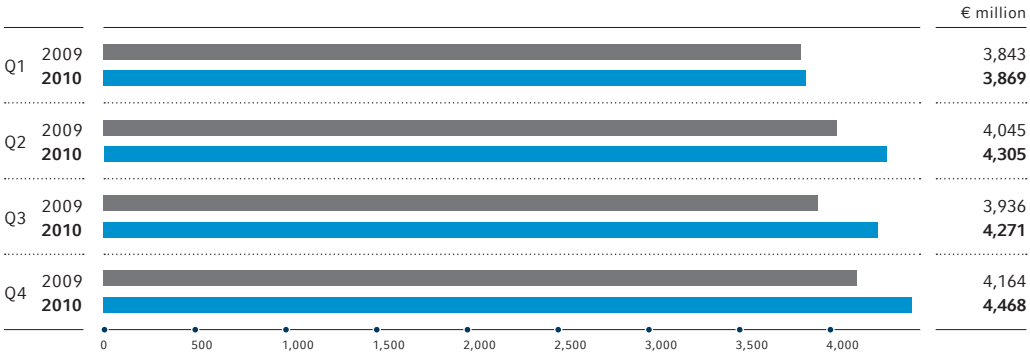
	2009	2010	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**15,988**	**16,913**	**+5.8**	**+1.7**
Change in sales				
Volume	+1.9%	+1.9%		
Price	+1.9%	−0.2%		
Currency	+0.6%	+4.7%		
Portfolio	−0.6%	−0.6%		
Sales by segment				
Pharmaceuticals	10,467	10,908	+4.2	+0.9
Consumer Health	5,521	6,005	+8.8	+3.4
Sales by region				
Europe	6,344	6,375	+0.5	
North America	4,634	4,666	+0.7	
Asia/Pacific	2,677	3,269	+22.1	
Latin America/Africa/Middle East	2,333	2,603	+11.6	
EBIT	**2,640**	**1,861**	**−29.5**	
Special items	*(372)*	*(1,169)*		
EBIT before special items*	***3,012***	***3,030***	***+0.6***	
EBITDA*	**4,148**	**4,116**	**−0.8**	
Special items	*(320)*	*(289)*		
EBITDA before special items*	***4,468***	***4,405***	***−1.4***	
EBITDA margin before special items*	27.9%	26.0%		
Gross cash flow**	**3,153**	**2,948**	**−6.5**	
Net cash flow**	**3,431**	**3,320**	**−3.2**	

Fx & p adj. = currency- and portfolio-adjusted
* For definition see Chapter 4.2 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group."

Above: illustration of blood cells

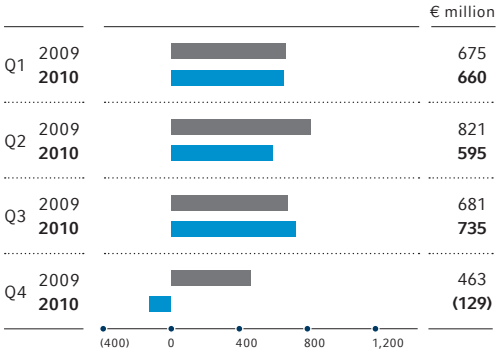
Sales of the HealthCare subgroup rose by 5.8% in 2010 to €16,913 million (2009: €15,988 million). Adjusted for currency and portfolio effects, the increase was 1.7%. The improvement was driven by the positive development of the Consumer Health segment.

HealthCare Quarterly Sales [Graphic 3.8]



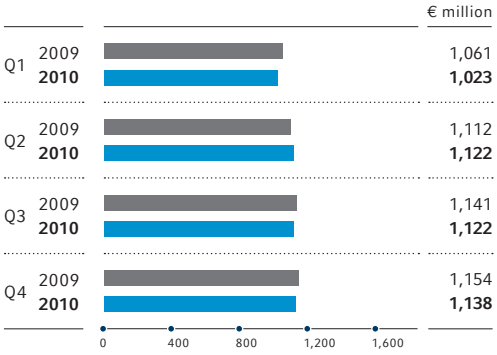
EBIT of the HealthCare subgroup fell by 29.5% in 2010 to €1,861 million (2009: €2,640 million). Special items totaled minus €1,169 million (2009: minus €372 million); for details see below. EBIT before special items, at €3,030 million (2009: €3,012 million), was in line with the previous year (+0.6%), while **EBITDA** before special items declined by 1.4% to €4,405 million (2009: €4,468 million). This was largely attributable to the effects of health system reforms in various countries, the early genericization of YAZ® in the United States and higher selling expenses in both segments. We also raised our spending on research and development. However, earnings were supported by positive currency effects.

HealthCare Quarterly EBIT [Graphic 3.9]



Q1-3 2010 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 3.10]



Q1-3 2010 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 3.5]

	2009	2010	Change	
	€ million	€ million	%	Fx&p adj. %
Sales	**10,467**	**10,908**	**+4.2**	**+0.9**
Women's Healthcare and General Medicine	6,532	6,816	+4.3	+0.0
Specialty Medicine	3,935	4,092	+4.0	+2.2
Sales by region				
Europe	4,107	4,082	−0.6	
North America	2,712	2,531	−6.7	
Asia/Pacific	2,136	2,629	+23.1	
Latin America/Africa/Middle East	1,512	1,666	+10.2	
EBIT	**1,696**	**884**	**−47.9**	
Special items	*(322)*	*(1,140)*		
EBIT before special items*	***2,018***	***2,024***	***+0.3***	
EBITDA*	**2,912**	**2,834**	**−2.7**	
Special items	*(281)*	*(266)*		
EBITDA before special items*	***3,193***	***3,100***	***−2.9***	
EBITDA margin before special items*	30.5%	28.4%		
Gross cash flow**	**2,186**	**1,983**	**−9.3**	
Net cash flow**	**2,280**	**2,272**	**−0.4**	

2009 figures restated
Fx&p adj. = currency- and portfolio-adjusted
* For definition see Chapter 4.2 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group."

Sales of the **Pharmaceuticals** segment increased by 4.2% in 2010 to €10,908 million (2009: €10,467 million). Adjusted for currency and portfolio effects, business was up by 0.9%. Sales grew strongly in the Asia/Pacific and Latin America/Africa/Middle East regions but decreased in North America, mainly because of lower sales of YAZ® in the United States. Reforms in the statutory health care systems of various countries also had a negative impact on the business.

Best-Selling Pharmaceutical Products [Table 3.6]

	2009	2010	Change	
	€ million	€ million	%	Fx adj. %
Betaferon®/Betaseron® (Specialty Medicine)	1,214	1,206	−0.7	−5.0
YAZ®/Yasmin®/Yasminelle® (Women's Healthcare and General Medicine)	1,278	1,111	−13.1	−15.8
Kogenate® (Specialty Medicine)	888	1,004	+13.1	+10.3
Nexavar® (Specialty Medicine)	604	705	+16.7	+11.7
Adalat® (Women's Healthcare and General Medicine)	633	664	+4.9	−2.3
Mirena® (Women's Healthcare and General Medicine)	490	539	+10.0	+4.6
Avalox®/Avelox® (Women's Healthcare and General Medicine)	460	497	+8.0	+4.2
Levitra® (Women's Healthcare and General Medicine)	360	429	+19.2	+13.1
Aspirin® Cardio (Women's Healthcare and General Medicine)	315	358	+13.7	+10.0
Glucobay® (Women's Healthcare and General Medicine)	315	347	+10.2	+2.9
Ultravist® (Specialty Medicine)	262	313	+19.5	+12.7
Cipro®/Ciprobay® (Women's Healthcare and General Medicine)	331	262	−20.8	−22.5
Magnevist® (Specialty Medicine)	219	215	−1.8	−7.3
Iopamiron® (Specialty Medicine)	199	185	−7.0	−17.2
Kinzal®/Pritor® (Women's Healthcare and General Medicine)	164	178	+8.5	+8.0
Total	**7,732**	**8,013**	**+3.6**	**−0.8**
Proportion of Pharmaceuticals sales	74%	73%		

Fx adj. = currency-adjusted

Sales of the **Women's HealthCare and General Medicine** business unit advanced by 4.3% to €6,816 million (2009: €6,532 million). After adjusting for exchange rates, sales were level with the prior year (+0.0%). There was a distinct drop in sales of the YAZ®/Yasmin®/Yasminelle® line of oral contraceptives (Fx adj. -15.8%), mainly because a generic competitor entered the U.S. market in June 2010. We saw a positive sales trend for YAZ®/Yasmin®/Yasminelle® outside the United States, chiefly in light of higher volumes for YAZ®. Sales of the hormone-releasing intrauterine device Mirena® (Fx adj. +4.6%) moved ahead in all regions.

Business with our erectile dysfunction treatment Levitra® (Fx adj. +13.1%) increased significantly in the United States, where we benefited from our distribution partner's new contract with a bulk customer. Sales of Aspirin® Cardio (Fx adj. +10.0%) for prevention of myocardial infarction rose appreciably thanks to higher volumes, particularly in the Asia/Pacific and Latin America/Africa/Middle East regions. The growth in sales of our antihypertensive Kinzal®/Pritor® (Fx adj. +8.0%) was primarily due to its approval in October 2009 for the prevention of cardiovascular disease, a new indication for this product. Our antibiotic Avalox®/Avelox® advanced by 4.2% (Fx adj.), thanks mainly to good business in the Asia/Pacific region. Sales of our oral antidiabetic Glucobay® (Fx adj. +2.9%) rose due to steady growth in China, while business receded elsewhere, particularly in Europe, on account of generic competition. Sales of Adalat® to treat high blood pressure (Fx adj. -2.3%) declined due to generic competition, especially in Europe, and government-imposed price reductions in Japan. By contrast, sales rose in China. Sales of our antibiotic Cipro®/Ciprobay® fell substantially (Fx adj. -22.5%), mainly because a U.S. government contract terminated in the first quarter of 2010.

Sales of the **Specialty Medicine** business unit were up by 4.0% to €4,092 million (2009: €3,935 million). Adjusted for currency and portfolio effects, the increase came to 2.2%. Business with our cancer drug Nexavar® (Fx adj. +11.7%) again moved ahead in all regions, with especially strong growth in Asia/Pacific. This was largely due to higher sales in Japan. Our blood-clotting medication Kogenate® advanced by 10.3% (Fx adj.) thanks to volume growth in all regions. Business with the multiple sclerosis drug Betaferon®/Betaseron® was down by 5.0% (Fx adj.) overall. Pleasing sales growth for this product in the Asia/Pacific and Latin America/Africa/Middle East regions was offset by a drop in business in other countries, particularly Germany, the United States and Russia, due to heightened competition. Business with the X-ray contrast agent Ultravist® (Fx adj. +12.7%) developed positively, especially in Latin America, where it replaced the older X-ray contrast agent Iopamiron®. Sales of Iopamiron® (Fx adj. -17.2%) decreased due to the resulting lower volume for the year and especially because of price reductions in Japan. Among our contrast agents for magnetic resonance imaging (MRI), Magnevist® (Fx adj. -7.3%) saw a continuing decline in sales. This was partly attributable to the change to Gadovist® (Fx adj. +14.7%), which posted strong growth, particularly in Europe.

EBIT of the Pharmaceuticals segment fell by a substantial 47.9% in 2010 to €884 million (2009: €1,696 million) after special charges of €1,140 million (2009: €322 million). Of these charges, impairment losses on intangible assets accounted for €874 million, litigations for €177 million, the write-down of a receivable relating to expected future purchase price payments for €56 million, and restructuring measures for €33 million. Of the impairment losses, an amount of €405 million was recognized on the "Schering" name in light of our new brand strategy. Following the regular review of our research and development pipeline, we also recognized impairment losses of €202 million on the sagopilone and Bonefos® research projects, and €267 million on our cancer drug Zevalin® and various Women's Healthcare products. EBIT before special items came in level with the previous year at €2,024 million (+0.3%). **EBITDA** before special items declined by 2.9% to €3,100 million (2009: €3,193 million). This contains positive currency effects and a €68 million gain from the settlement of a patent dispute concerning YAZ® that partially offset the margin loss during the year. On the other hand, we incurred higher research and development costs, mainly to support our Phase III projects. Earnings were also diminished by lower sales of YAZ® in the United States and the margin pressure exerted by health system reforms. In addition, we experienced an increase in selling expenses, mainly in connection with new product introductions and the reinforcement of our marketing activities as we expand the business in China.

CONSUMER HEALTH

Key Data – Consumer Health [Table 3.7]

	2009	2010	Change	
	€ million	€ million	%	Fx&p adj. %
Sales	**5,521**	**6,005**	**+8.8**	**+3.4**
Consumer Care	3,080	3,371	+9.4	+4.2
Medical Care	1,464	1,514	+3.4	−1.3
Animal Health	977	1,120	+14.6	+7.7
Sales by region				
Europe	2,237	2,293	+2.5	
North America	1,922	2,135	+11.1	
Asia/Pacific	541	640	+18.3	
Latin America/Africa/Middle East	821	937	+14.1	
EBIT	**944**	**977**	**+3.5**	
Special items	*(50)*	*(29)*		
EBIT before special items*	***994***	***1,006***	***+1.2***	
EBITDA*	**1,236**	**1,282**	**+3.7**	
Special items	*(39)*	*(23)*		
EBITDA before special items*	***1,275***	***1,305***	***+2.4***	
EBITDA margin before special items*	23.1%	21.7%		
Gross cash flow**	**967**	**965**	**−0.2**	
Net cash flow**	**1,151**	**1,048**	**−8.9**	

Fx&p adj. = currency- and portfolio-adjusted
* For definition see Chapter 4.2 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 4.5 "Liquidity and Capital Expenditures of the Bayer Group."

Sales of the **Consumer Health** segment advanced by 8.8% in 2010 to €6,005 million (2009: €5,521 million). Business expanded by 3.4% on a currency- and portfolio-adjusted basis, with all regions – particularly North America – contributing to this performance.

Best-Selling Consumer Health Products [Table 3.8]

	2009	2010	Change	
	€ million	€ million	%	Fx adj. %
Contour® (Medical Care)	601	602	+0.2	−4.5
Aspirin®* (Consumer Care)	400	418	+4.5	+0.2
Advantage® product line (Animal Health)	336	408	+21.4	+14.6
Aleve®/naproxen (Consumer Care)	217	273	+25.8	+18.7
Bepanthen®/Bepanthol® (Consumer Care)	186	212	+14.0	+12.0
Canesten® (Consumer Care)	188	210	+11.7	+7.7
One A Day® (Consumer Care)	153	178	+16.3	+10.0
Baytril® (Animal Health)	149	166	+11.4	+5.8
Supradyn® (Consumer Care)	136	138	+1.5	+0.7
Breeze® (Medical Care)	138	125	−9.4	−13.6
Total	**2,504**	**2,730**	**+9.0**	**+4.2**
Proportion of Consumer Health sales	45%	45%		

Fx adj. = currency-adjusted
* Total Aspirin® sales = €776 million (2009: €715 million), including Aspirin® Cardio, which is reflected in sales of the Pharmaceuticals segment.

In the **Consumer Care** Division, sales climbed by 9.4% to €3,371 million (2009: €3,080 million). Adjusted for currency and portfolio effects, the increase came to 4.2%. A notable increase in demand for our products in the United States particularly benefited sales of the analgesic Aleve® (Fx adj. +18.7%) and the One A Day® line of dietary supplements (Fx adj. +10.0%). Sales of Aspirin® (Fx adj. +0.2%) were flat with the previous year. Business with the Bepanthen®/ Bepanthol® line of skincare products (Fx adj. +12.0%) developed well, especially in Europe and Latin America, thanks to higher volumes and selling prices. Our antifungal Canesten® (Fx adj. +7.7%) advanced, mainly as a result of new product launches in Canada. Sales of Supradyn® multivitamins were level with the prior year (Fx adj. +0.7%).

In the **Medical Care** Division, sales gained 3.4% to €1,514 million (2009: €1,464 million). On a currency-adjusted basis, business was down by 1.3%. This was chiefly attributable to the negative development of the diabetes care market in the United States, where both prices and volumes declined. Sales of our Breeze® (Fx adj. -13.6%) and Contour® (Fx adj. -4.5%) lines of blood glucose meters were particularly affected. In Europe, however, the Contour® business performed well, due in part to new product launches. Sales of our medical equipment business (Fx adj. +7.2%) showed an overall improvement, particularly in the United States.

Sales of the **Animal Health** Division climbed by a very satisfactory 14.6% to €1,120 million (2009: €977 million), thanks to the positive development in all regions. After adjusting for currency effects, the increase came to 7.7%. The strongest growth was achieved in North America. Business with the Advantage® line of flea, tick and worm control products (Fx adj. +14.6%) expanded significantly, especially in the United States, where we benefited from the initial stocking and further expansion of a new distribution channel through pet-product retailers. Sales of our Baytril® antibiotic (Fx adj. +5.8%) rose in the United States, while business in Europe was down because of the increasing generic competition.

EBIT of the **Consumer Health** segment improved by 3.5% in 2010 to €977 million (2009: €944 million) after special charges of €29 million (2009: €50 million), which in 2010 were incurred in connection with restructuring. EBIT before special items rose by 1.2% to €1,006 million (2009: €994 million). **EBITDA** before special items grew by 2.4% to €1,305 million (2009: €1,275 million). This was mainly attributable to the positive business performance at Consumer Care and Animal Health and to favorable currency effects. However, earnings were held back by an increase in selling expenses that was mainly caused by Consumer Care's marketing and distribution costs returning to normal levels following a reduction in the crisis year 2009.