



Q3 2014 Analyst and Investor Briefing

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Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

- Bayer operationally strong – strategic focus on Life Science businesses
- Sales advance in all subgroups – double-digit growth for CropScience and the Pharmaceuticals Division (Fx & portfolio adj.)
- Group sales €10.2 billion (Fx & portfolio adj. +7.4%)
- Price +0.6%, volume +6.8%, currency -1.7%, portfolio -0.1%
- EBIT €1.4 billion (+12.7%)
- EBITDA before special items €2.0 billion (+1.4%)
- Net income €0.8 billion (+12.7%)
- Core earnings per share €1.35 (+6.3%)
- Guidance for full year 2014 raised
- Plan to float MaterialScience on the stock market

Group Key Figures

<i>Euro million</i>	Q3 2013	Q3 2014	% y-o-y	Consensus**
Sales	9,643	10,187	5.6 / 7.4*	10,007
EBITDA	1,895	2,057	8.5	1,881
EBITDA before special items	1,984	2,011	1.4	1,924
EBIT	1,221	1,376	12.7	1,207
Net special items	(99)	45	•	(46)
EBIT before special items	1,320	1,331	0.8	1,250
Financial result	(228)	(302)	(32.5)	(195)
Income taxes	(255)	(241)	5.5	•
Net income	733	826	12.7	758
EPS (Euro/share)	0.89	1.00	12.4	0.92
Core EPS (Euro/share)	1.27	1.35	6.3	1.24
Gross cash flow	1,367	1,492	9.1	•
Delta working capital	361	324	(10.2)	•
Net cash flow	1,728	1,816	5.1	•
CapEx (cash relevant)	514	546	6.2	•
Operating free cash flow	1,214	1,270	4.6	•

<i>Euro million</i>	June 30, 2014	Sept. 30, 2014
Net financial debt	9,942	8,510
Net pension liability	9,772	11,314

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 15, 2014 provided by Vara Research GmbH

Bayer Group Forecast 2014

- We have adjusted the exchange rate assumptions on which our forecast is based to reflect current developments. With respect to the fourth quarter of 2014, we are now using the exchange rates prevailing on September 30, 2014. Based on these exchange rates, the negative currency impact on sales and earnings will decrease to approximately the level forecasted in February 2014.



- The following forecast takes into account the acquisition of Merck & Co.'s Consumer Care business, which was completed on Oct. 1, 2014. We anticipate that this newly acquired business will contribute additional sales of €300 million to €350 million and EBITDA before special items of about €70 million in Q4 2014.
- We confirm our guidance that sales should increase by about 6% (Fx and portf. adj.). Allowing for negative Fx-effects of about 3% (prev.: about 4%) compared with the previous year, we now expect Group sales to be approx. €42 billion (prev.: approx. €41 billion). We now plan to raise EBITDA before special items by a mid-single-digit percentage (prev.: low-to-mid-single-digit percentage). This allows for total expected negative Fx-effects of about €450 million or roughly 5% (prev.: about €550 million or roughly 6%). We now aim to increase core earnings per share by a mid-to-high-single-digit percentage (prev.: mid-single-digit percentage). The acquisition of Merck & Co.'s Consumer Care business will be neutral to core earnings per share in Q4 2014, the operational earnings contribution being nearly offset by the financing costs. The forecast for core earnings per share allows for total expected negative Fx-effects of around 7% (prev.: around 9%).
- We anticipate net special charges of €350 million. The major part of this amount – €300 million – is related to the acquisition of Merck & Co.'s Consumer Care business and the agreed collaboration in the field of sGC-modulation. It also includes expenses for integrating the business and acquisition-related inventory step-ups. These effects are eliminated from the calculation of EBITDA before special items and core earnings per share.

HealthCare

- We continue to expect HealthCare sales to advance by a mid-single-digit percentage (Fx and portf. adj.). Allowing for expected negative Fx-effects of about 3% (prev.: about 4%), sales would be approx. €20 billion (prev.: approx. €19.5 billion) including a sales contribution of €300 million to €350 million from Merck & Co.'s Consumer Care business. We predict EBITDA before special items to increase by a low-single-digit percentage (previously: slightly exceed the prior-year level), with Merck & Co.'s Consumer Care business accounting for around €70 million of earnings. This allows for total negative Fx-effects of roughly €340 million (prev.: roughly €380 million).
- For the **Pharmaceuticals** segment, we confirm our guidance that sales should increase by about 10% (Fx and portf. adj.). We predict negative Fx-effects of around 3% (prev.: around 4%). We intend to raise sales of our recently launched products to €2.8 billion. Additional marketing and R&D expenditures totaling €0.5 billion are expected for 2014. Against this background, we predict a mid-single-digit percentage (prev.: low- to mid-single-digit percentage) increase in EBITDA before special items, allowing for negative Fx-effects of about €300 million (prev.: about €310 million). We expect the EBITDA margin before special items to be roughly level with the previous year.
- In the **Consumer Health** segment, we are planning for a low-single-digit percentage sales increase (Fx and portf. adj.), assuming a sales contribution of €300 million to €350 million from Merck & Co.'s Consumer Care business. We expect negative Fx-effects of around 3% (prev.: around 4%) compared to 2013. Mainly due to the weak market environment for Diabetes Care, EBITDA before special items is expected to come in at (prev.: below) the level of the prior year, with Merck & Co.'s Consumer Care business accounting for about €70 million of earnings. This allows for negative Fx-effects of about €40 million (prev.: about €70 million).

CropScience

- We are raising our guidance for CropScience in light of the encouraging business development. We now expect to increase sales by about 10% (prev.: a high-single-digit percentage), Fx and portf. adj., and thus to grow significantly faster than the market. We anticipate negative Fx-effects of about 4% (prev.: about 5%) compared to 2013. We now expect to increase EBITDA before special items by a mid-single-digit percentage (prev.: low-single-digit percentage), allowing for negative Fx-effects of approx. €100 million (prev.: approx. €150 million).

MaterialScience

- We continue to expect sales of MaterialScience to increase in 2014 by a mid-single-digit percentage (Fx and portf. adj.), allowing for negative Fx-effects of about 1% (previously: about 2%) compared to 2013. We now anticipate a significant increase (previously: an increase) in EBITDA before special items, allowing for negative Fx-effects of roughly €10 million (prev.: roughly €30 million).
- In Q4 2014, we expect a small increase in sales, with EBITDA before special items at the level of the prior-year period.

Reconciliation

- For 2014 we continue to anticipate sales on a currency- and portfolio-adjusted basis to be level with the previous year. We expect EBITDA before special items to be roughly minus €0.2 billion.



Further assumptions for 2014:

- CapEx: approx. €2.1 billion for property, plant and equipment and €0.3 billion for intangible assets
- Planned D&A: approx. €2.6 billion, including €1.3 billion amortization of intangibles
- R&D: approx. €3.5 billion
- Financial result: approx. minus €1 billion
- Effective tax-rate: approx. 25%
- Net financial debt: approx. €20 billion at the end of 2014

Further details of the business forecast are given in the Shareholder's Letter for Q3 and in the Annual Report 2013. We are adhering to the forecasts for 2016 given there and issued in March 2014.

HealthCare

<i>Euro million</i>	Q3 2013	Q3 2014	% y-o-y	Consensus**
Sales	4,742	4,960	4.6 / 7.1*	4,978
Pharmaceuticals	2,818	3,039	7.8 / 10.3*	3,053
Consumer Health	1,924	1,921	(0.2) / 2.4*	1,922
EBITDA before special items	1,392	1,402	0.7	1,422
Pharmaceuticals	915	960	4.9	966
Consumer Health	477	442	(7.3)	455

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of October 15, 2014 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q3 2013	Q3 2014	% y-o-y	% y-o-y Fx
Xarelto	259	440	69.9	73.2
<i>of which USA</i>	38	77	102.6	102.7
Kogenate	321	295	(8.1)	(6.1)
<i>of which USA</i>	102	89	(12.7)	(12.9)
Betaferon / Betaseron	256	223	(12.9)	(12.5)
<i>of which USA</i>	119	107	(10.1)	(9.7)
Mirena product family	165	208	26.1	26.5
<i>of which USA</i>	93	128	37.6	37.0
YAZ product family	213	199	(6.6)	(2.8)
<i>of which USA</i>	34	40	17.6	19.2
Nexavar	204	192	(5.9)	(4.0)
<i>of which USA</i>	64	65	1.6	0.0
Eylea	85	189	122.4	121.6
<i>of which USA</i>	0	0	•	•
Adalat	134	139	3.7	7.4
<i>of which USA</i>	1	0	•	•
Aspirin Cardio	114	124	8.8	13.3
<i>of which USA</i>	0	0	•	•
Glucobay	102	102	0.0	1.4
<i>of which USA</i>	0	0	•	•
Avalox / Avelox	100	85	(15.0)	(10.9)
<i>of which USA</i>	7	0	•	•
Levitra	77	65	(15.6)	(14.1)
<i>of which USA</i>	23	10	(56.5)	(56.8)
Xofigo	12	49	•	•
<i>of which USA</i>	12	36	•	•
Stivarga	51	46	(9.8)	(9.5)
<i>of which USA</i>	35	32	(8.6)	(8.4)
Cipro / Ciprobay	50	43	(14.0)	(10.9)
<i>of which USA</i>	2	0	•	•

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



- Price +0.9%, volume +6.2%, currency -2.4%, portfolio -0.1%
- The very good performance at **Pharmaceuticals** was driven by our recently launched products. Xarelto, Eylea, Stivarga, Xofigo and Adempas posted combined sales of €750 million (Q3 2013: €407 million). Our Pharmaceuticals business grew in all regions on a currency-adjusted basis, with particularly encouraging development in the U.S., China and Germany.
 - Xarelto maintained its growth momentum, with strong sales gains especially in Europe and Japan. Sales doubled in the U.S., where Xarelto is marketed by a subsidiary of Johnson & Johnson.
 - Sales of Kogenate receded against a strong prior-year quarter. Shortages persisted due to the use of production capacities to develop our next-generation hemophilia medicines.
 - Business with Betaferon was held back partly by increased competition in the U.S.
 - Sales of the Mirena product family rose mainly as a result of higher volumes in the U.S.
 - Business of Nexavar receded mainly in Europe.
 - Sales of Eylea continued to rise substantially, particularly in Europe.
 - Sales increases in the U.S. for our Yaz product family only partly offset the declines in Europe and Japan.
 - Adalat benefited from higher sales by our distribution partner in Canada and volume gains in China.
 - Sales of Aspirin Cardio also advanced, partly due to higher demand in China.
 - Avalox and Levitra declined overall, particularly in the U.S., despite higher volumes in China.
 - Sales of Stivarga declined, mainly due to the establishment of rebate provisions in France.
 - Adempas achieved total sales of €26 million (Q3 2013: €0 million)
- Sales growth in our **Consumer Health** segment was driven by the Consumer Care (€1,006 million, +5.7% Fx and portf. adj.) and Animal Health (€330 million, +4.1% Fx and portf. adj.) divisions particularly as a result of gratifying development in the Emerging Markets. Sales of the Medical Care Division (€585 million, -3.7% Fx and portf. adj.) again declined, particularly in Europe and in the U.S.
- **EBITDA before special items** at HealthCare was slightly above the prior-year level. The very good business development at Pharmaceuticals continued to contribute positively to earnings. However, earnings were diminished by higher selling expenses in both segments, higher research and development spending at Pharmaceuticals and negative currency effects of approx. €70 million (currency effect approx. -5%).

CropScience

<i>Euro million</i>	Q3 2013	Q3 2014	% y-o-y	Consensus**
Sales	1,712	1,929	12.7 / 14.6*	1,799
Crop Protection / Seeds	1,572	1,781	13.3 / 15.2*	•
Environmental Science	140	148	5.7 / 7.9*	•
EBITDA before special items	224	278	24.1	239

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of October 15, 2014 provided by Vara Research GmbH

Q3 2014	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	454	12.8	303	23.2	318	1.0	854	19.3

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



- Price +3.3%, volume +11.3%, currency -2.1%, portfolio +0.2%
- At **CropScience**, both Crop Protection/Seeds and Environmental Science contributed to encouraging sales growth. We again posted strong growth in North and Latin America and also achieved double-digit growth in Europe.
- At **Crop Protection / Seeds** our Fungicides (€479 million, +16.5% Fx and portf. adj.) and Herbicides (€384 million, +15.8% Fx and portf. adj.) units posted double-digit growth rates, while sales at Insecticides (€471 million, +8.6% Fx and portf. adj.) and SeedGrowth (€316 million, +4.3% Fx and portf. adj.) continued to increase. Sales in our Seeds business nearly doubled. Sales of cotton seed developed especially positively. Business with soybean, rice and vegetable seed also expanded.
- At **Environmental Science** sales of consumer products gained strongly. The business with products for professional users also posted an increase.
- In Europe, Crop Protection sales further expanded in Q3 following an early start to the fall season. Robust sales gains at Herbicides and SeedGrowth more than offset the decline in sales at Insecticides. The Fungicides business posted a small increase. Seeds and Environmental Science registered substantial growth.
- Sales in North America climbed substantially compared with the weak prior-year period. We saw a significant increase in sales in our Herbicides unit, particularly with products for use in corn. Sales of Insecticides and SeedGrowth also expanded, while business in the Fungicides unit receded. Our Seeds business developed very positively. Sales of Environmental Science remained level with the prior-year period.
- Sales in Asia/Pacific were at the level of the prior-year quarter. The increase in sales at Fungicides and Insecticides did not fully offset the declines at Herbicides and SeedGrowth. Our Seeds business, especially sales of rice and vegetable seeds, developed positively. Sales of Environmental Science also rose.
- Sales in LatAm/Africa/Middle East improved significantly. Business developed particularly well in LatAm after an early start to the season, with substantial sales gains in nearly all units. There were particularly strong increases for Fungicides, Insecticides and soybean seeds. We also posted double-digit percentage growth overall in the Middle East. Our business in Africa showed moderate growth.
- **EBITDA before special items** at CropScience was driven by the favorable business development, with significantly higher volumes and selling prices, offsetting the considerably higher R&D and selling expenses. EBITDA before special items included a one-time income of around €25 million mainly in payments from insurers.

MaterialScience

<i>Euro million</i>	Q3 2013	Q3 2014	% y-o-y	Consensus**
Sales	2,897	3,036	4.8 / 5.3*	2,944
Polyurethanes	1,567	1,652	5.4 / 5.7*	•
Polycarbonates	673	726	7.9 / 8.0*	•
CAS	486	503	3.5 / 5.1*	•
Industrial Operations	171	155	(9.4) / (8.8)*	•
EBITDA before special items	346	334	(3.5)	307

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of October 15, 2014 provided by Vara Research GmbH

- Price -0.8%, volume +6.1%, currency -0.3%, portfolio -0.2%
- Sales growth at **MaterialScience** was due to significantly higher volumes for Polycarbonates; Polyurethanes; and Coatings, Adhesives, Specialties. We increased volumes in nearly all regions. In Europe, volumes were flat with the prior-period level. Selling prices were slightly down from the prior-year period.

- Sales growth of **Polyurethanes** was driven by improved customer demand in all the main customer industries. Volumes expanded in all regions with the exception of Europe. Selling prices overall were at the level of the prior-year period. Volumes of MDI and TDI improved, while selling prices receded. Both volumes and selling prices for PET increased.
- Sales of **Polycarbonates** were driven by higher volumes overall. Substantial increases in Asia/Pacific and North America more than offset the lower volumes in LatAm/Africa/Middle East and Europe. The volume gains were mainly attributable to improved demand from customers in the automotive and electrical/electronics industries. Selling prices were down slightly overall compared with the prior-year period.
- Sales growth at **Coatings, Adhesives, Specialties** resulted mainly from higher volumes in Asia/Pacific and Europe, while volumes declined in North America. Selling prices were level with the prior-year quarter.
- **EBITDA before special items** at MaterialScience was slightly down from the prior-year quarter, in which one-time gains of €17 million were recorded. Earnings were enhanced by higher volumes, efficiency improvements and slightly lower raw material and energy costs. On the other hand, they were held back by a drop in selling prices and negative currency effects of around €10 million.

Changes in the reporting of functional costs and special items

To enhance the comparability and transparency of functional cost reporting, the organizational view has been replaced in 2014 by a more function-based approach. This has the effect of reducing general administration expenses while increasing selling expenses and the cost of goods sold. In addition, certain special items are reflected in the respective functional costs rather than in other operating income or expenses so that their relationship to the functional costs is immediately apparent.

The prior-year figures are restated accordingly.

	3rd quarter 2013			
	Before accounting changes	Accounting changes		After accounting changes
		Functional costs	Special items	
	€ million	€ million	€ million	€ million
Cost of goods sold	-4,616	-18	-17	-4,651
Gross profit	5,027	-18	-17	4,992
Selling expenses	-2,519	-40	-14	-2,573
R & D expenses	-781	-1	-2	-784
General administration expenses	-473	56	-10	-427
Other operating income	209	1	0	210
Other operating expenses	-242	2	43	-197

Key figures for Q3 2014

	HealthCare				CropScience		MaterialScience		Reconciliation		Group				
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Q3'13		Q3'14				
	Q3'13	Q3'14	Q3'13	Q3'14	Q3'13	Q3'14	Q3'13	Q3'14	Q3'13	Q3'14	Q3'13	Q3'14			
Sales	€ million	4,742	4,960	2,818	3,039	1,924	1,921	1,712	1,929	€ million	292	262	€ million	9,643	10,187
Sales by region:															
Europe	1,720	1,826	988	1,094	732	732	454	406	454	272	244	3,537	3,646		
North America	1,269	1,323	652	731	617	592	303	246	303	5	2	2,147	2,306		
Asia / Pacific	1,036	1,096	755	796	281	300	318	312	318	5	4	2,134	2,296		
LatAm/Africa/Middle East	717	715	423	418	294	297	854	748	854	10	12	1,825	1,939		
EBITDA	1,328	1,456	875	960	453	496	278	218	278	8	-10	1,895	2,057		
Special items	-64	54	-40	0	-24	54	0	-6	0	-14	-7	-89	46		
EBITDA before special items	1,392	1,402	915	960	477	442	278	224	278	22	-3	1,984	2,011		
EBITDA margin before special items	29.4%	28.3%	32.5%	31.6%	24.8%	23.0%	14.4%	13.1%	14.4%	7.5%	-1.1%	20.6%	19.7%		
EBIT	978	1,091	637	699	341	392	157	106	157	-43	-56	1,221	1,376		
Special items	-70	54	-40	0	-30	54	0	-9	0	-14	-7	-99	45		
EBIT before special items	1,048	1,037	677	699	371	338	157	115	157	-29	-49	1,320	1,331		
EBIT margin before special items	22.1%	20.9%	24.0%	23.0%	19.3%	17.6%	8.1%	6.7%	8.1%	-9.9%	-18.7%	13.7%	13.1%		
Gross cash flow	931	936	606	666	325	270	214	172	214	-6	81	1,367	1,492		
Net cash flow	651	1,103	414	808	237	295	598	614	598	98	-159	1,728	1,816		
Financial result															
Net income															
Earnings per share (€)															
Core earnings per share (€)															
CapEx (cash effective)															
R&D															
D&A and Write-downs	350	365	238	261	112	104	121	112	121	51	46	674	681		
Employees at end of period	56,568	57,217	38,259	39,059	18,309	18,158	22,830	21,816	22,830	20,584	21,099	113,318	115,416		

2013 figures restated



Bayer Investor Relations contacts:

Dr. Alexander Rosar (+49-214-30-81013)

Dr. Jürgen Beunink (+49-214-30-65742)

Peter Dahlhoff (+49-214-30-33022)

Judith Nestmann (+49-214-30-66836)

Constance Spitzer (+49-214-30-33021)

Dr. Olaf Weber (+49-214-30-33567)

Forward-looking statements

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