



Q2 2014 Analyst and Investor Briefing

July 30, 2014

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- Bayer continues positive business development
- Sales growth in all subgroups
- Group sales €10.5 billion (Fx & portfolio adj. +6.3%)
- Price +0.6%, volume +5.7%, currency -5.5%, portfolio +0.1%
- EBIT €1.5 billion (+14.5%)
- EBITDA before special items €2.2 billion (+1.0%) - despite currency effects of -7%
- Net income €1.0 billion (+13.3%)
- Core earnings per share €1.53 (-0.6%)
- Group outlook for 2014 confirmed

Group Key Figures

<i>Euro million</i>	Q2 2013	Q2 2014	% y-o-y	Consensus**
Sales	10,360	10,458	0.9 / 6.3*	10,625
EBITDA	2,086	2,176	4.3	2,245
EBITDA before special items	2,195	2,217	1.0	2,292
EBIT	1,287	1,473	14.5	1,574
Net special items	(256)	(48)	81.3	(45)
EBIT before special items	1,543	1,521	(1.4)	1,622
Financial result	(225)	(173)	23.1	(194)
Income taxes	(218)	(345)	(58.3)	•
Net income	841	953	13.3	1,034
EPS (Euro/share)	1.02	1.15	12.7	1.25
Core EPS (Euro/share)	1.54	1.53	(0.6)	1.58
Gross cash flow	1,680	1,705	1.5	•
Delta working capital	(144)	(104)	27.8	•
Net cash flow	1,536	1,601	4.2	•
CapEx (cash relevant)	502	529	5.4	•
Operating free cash flow	1,034	1,072	3.7	•

<i>Euro million</i>	March 31, 2014	June 30, 2014
Net financial debt	9,065	9,942
Net pension liability	8,566	9,772

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 21, 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. We are now using the exchange rates prevailing on June 30, 2014 (previously: average exchange rates for the fourth quarter of 2013) to predict developments in the second half of 2014. Based on



these exchange rates, the negative currency impact on sales and earnings will increase. However, we are upholding the previous guidance for the Group in light of our strong operational performance.

- This forecast does not take into account the planned acquisitions of the OTC business of Merck & Co., Inc. and of Dihon Pharmaceutical Group Co., Ltd. or the divestiture of our Interventional devices business. We expect closing of these transactions to occur in the second half of 2014.
- We now plan to grow sales by about 6% (previously: about 5%), Fx- and portf. adj. Allowing for negative currency effects of about 4% (previously: about 2%) compared to the previous year, Group sales would be approximately €41 billion (previously: approx. €41 billion to €42 billion). As before, we plan to raise EBITDA before special items by a low- to mid-single-digit percentage, allowing for expected negative currency effects of about €550 million or roughly 6% (previously: about €450 million or roughly 5%). We continue to aim to increase core earnings per share by a mid-single-digit percentage, allowing for expected negative currency effects of around 9% (previously: around 6%).

HealthCare

- We expect HealthCare sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. Allowing for expected negative currency effects of about 4% (previously: about 2%), sales would be approx. €19.5 billion (previously: €19.5 billion to €20 billion). We predict EBITDA before special items to slightly exceed the prior-year level, allowing for negative currency effects of roughly €380 million (previously: roughly €250 million).
- In the **Pharmaceuticals** segment, we expect sales to move ahead by about 10% (previously: a high-single-digit percentage), Fx- and portf. adj. We predict negative currency effects of around 4% (previously: around 2%). 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 continue to predict a low- to mid-single-digit percentage increase in EBITDA before special items, allowing for negative currency effects of about €310 million (previously: about €150 million). As before, we expect the EBITDA margin before special items to be level with the previous year.
- In the **Consumer Health** segment, we plan for a low-single-digit (previously: low- to mid-single-digit) sales increase (Fx- and portf. adj.). We expect negative currency effects of around 4% (previously: around 3%) compared to 2013. Mainly in view of the weak market environment for Diabetes Care, EBITDA before special items is anticipated to come in below (previously: slightly below) the level of the prior year, allowing for negative currency effects of about €70 million (previously: about €100 million).

CropScience

- We expect to grow faster than the market and raise sales by a high-single-digit (previously: mid- to high-single-digit) percentage (Fx- and portf. adj.). We anticipate negative currency effects of about 5% (previously: about 3%) compared to 2013. We expect to increase EBITDA before special items by a low-single-digit percentage while continuing to allow for negative currency effects of approximately €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 currency effects of about 2% compared to 2013. We also continue to anticipate an increase in EBITDA before special items, allowing for negative currency effects of roughly €30 million (previously: roughly €50 million).
- In the 3rd quarter of 2014, we expect to raise sales and EBITDA before special items compared to the 2nd quarter.

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
- Special charges of approx. €200 million for restructuring
- Financial result: approx. minus €0.8 billion
- Effective tax-rate: approx. 25%
- Net financial debt: below €9 billion at the end of 2014 (around €19 billion including the planned acquisitions)

Further details of the business forecast are given in Chapter 20.2 of the Annual Report 2013. We are adhering to the forecasts for 2016 given there and issued in March 2014.



HealthCare

<i>Euro million</i>	Q2 2013	Q2 2014	% y-o-y	Consensus**
Sales	4,800	4,845	0.9 / 6.3*	4,953
Pharmaceuticals	2,831	2,960	4.6 / 10.0*	3,014
Consumer Health	1,969	1,885	(4.3) / 1.1*	1,932
EBITDA before special items	1,328	1,355	2.0	1,386
Pharmaceuticals	921	927	0.7	942
Consumer Health	407	428	5.2	445

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 21, 2014 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q2 2013	Q2 2014	% y-o-y	% y-o-y Fx
Xarelto	219	381	74.0	79.3
<i>of which USA</i>	29	55	89.7	97.2
Kogenate	306	243	(20.6)	(16.8)
<i>of which USA</i>	89	70	(21.3)	(18.1)
Betaferon / Betaseron	269	216	(19.7)	(15.8)
<i>of which USA</i>	133	93	(30.1)	(25.8)
Mirena	193	208	7.8	13.1
<i>of which USA</i>	114	130	14.0	20.2
Nexavar	200	196	(2.0)	3.4
<i>of which USA</i>	58	60	3.4	9.9
Eylea	73	194	•	•
<i>of which USA</i>	0	0	•	•
YAZ product family	215	191	(11.2)	(3.3)
<i>of which USA</i>	29	36	24.1	29.3
Adalat	157	156	(0.6)	7.1
<i>of which USA</i>	1	1	•	•
Aspirin Cardio	116	117	0.9	8.9
<i>of which USA</i>	0	0	•	•
Glucobay	108	106	(1.9)	4.2
<i>of which USA</i>	1	0	•	•
Avalox / Avelox	105	92	(12.4)	(7.4)
<i>of which USA</i>	5	4	(20.0)	(7.6)
Levitra	76	62	(18.4)	(15.1)
<i>of which USA</i>	20	13	(35.0)	(35.2)
Stivarga	47	61	29.8	38.2
<i>of which USA</i>	35	32	(8.6)	(4.4)
Cipro / Ciprobay	59	49	(16.9)	(13.3)
<i>of which USA</i>	13	4	(69.2)	(68.5)
Fosrenol	41	33	(19.5)	(15.2)
<i>of which USA</i>	0	0	•	•

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

- Price +1.3%, volume +5.0%, currency -6.1%, portfolio +0.7%
- The pleasing performance of our **Pharmaceuticals** business was driven by our recently launched products Xarelto, Eylea, Stivarga, Xofigo and Adempas, which posted combined sales of €702 million (Q2 2013: €339 million). Our Pharmaceuticals business grew substantially in all regions on a currency-adjusted basis.
 - Xarelto maintained its growth momentum, with strong sales gains especially in Europe and Japan. Very positive development also in the U.S.



- Kogenate receded mainly due to capacity shortages caused by the use of production capacities to develop the next-generation hemophilia medicines.
- Betaferon was held back again particularly in the U.S. by increased competition.
- Sales of Mirena rose mainly as a result of a price increase in the U.S.
- Nexavar registered gains both in the Emerging Markets and the U.S.
- Sales of Eylea rose substantially in Europe and Japan.
- Sales increases in the U.S. for our YAZ-product family only partly offset the declines in Western Europe attributable to generic competition.
- Adalat, Aspirin Cardio and Glucobay registered significant growth in demand, especially in China.
- Xofigo (€43 million) and Stivarga also made an encouraging contribution to sales development.
- Adempas achieved sales of €23 million after being approved in further countries.
- In our **Consumer Health** segment the Consumer Care (€932 million, +4.2% Fx and portf. adj.) and Animal Health (€358 million, +5.0% Fx and portf. adj.) divisions posted sales gains, especially in the Emerging Markets. Sales of the Medical Care Division (€595 million, -5.5% Fx and portf. adj.), however, declined, particularly in the U.S.
- Despite substantial negative currency effects of approximately €120 million, **EBITDA before special items** of HealthCare moved ahead by 2.0% to €1,355 million. The improvement in earnings was due to the very good business development at Pharma and efficiency improvements at Medical Care.

CropScience

<i>Euro million</i>	Q2 2013	Q2 2014	% y-o-y	Consensus**
Sales	2,392	2,470	3.3 / 10.5*	2,464
Crop Protection / Seeds	2,199	2,273	3.4 / 10.8*	•
Environmental Science	193	197	2.1 / 7.8*	•
EBITDA before special items	624	615	(1.4)	637

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 21, 2014 provided by Vara Research GmbH

Q2 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	887	0.7	748	18.5	371	8.2	464	20.7

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

- Price +3.0%, volume +7.5%, currency -7.2%, portfolio ±0.0%
- **CropScience** overall benefited mainly from strong sales in North and Latin America.
- At **Crop Protection / Seeds** our SeedGrowth products (€156 million, +20.5% Fx and portf. adj.) were very successful. The Insecticides (€390 million, +11.5% Fx and portf. adj.) and Fungicides (€781 million, +11.2% Fx and portf. adj.) units also posted double-digit growth rates. Herbicides (€683 million, +6.0% Fx and portf. adj.) registered steady growth. Business in our Seeds unit (€263 million, +15.9% Fx and portf. adj.) also grew substantially, largely thanks to positive development for oilseed rape/canola and cotton. Sales of rice and soybean seeds developed well, while those of vegetable seeds showed a slight decline.
- At **Environmental Science** sales of consumer products gained strongly. The business with products for professional users posted a small increase.
- In Europe, Crop Protection sales in the second quarter were at the high level of the prior-year period following an early start to the season. Gains in Fungicides largely offset the declines recorded in the other units,



particularly Herbicides. Sales of the Seeds unit registered a moderate increase. The consumer business of Environmental Science expanded significantly.

- Sales developed very positively throughout the North America region. We achieved significant sales gains in our Fungicides, Herbicides and SeedGrowth units, particularly with products for canola. Our Seeds business, especially sales of canola seeds, also developed very positively. Sales of Environmental Science posted a small increase.
- The sales increase in the Asia/Pacific region was driven by higher sales of Herbicides and Fungicides. Our business with rice and cotton seed also performed positively. Environmental Science grew sales by a double-digit percentage.
- Sales in LatAm/Africa/Middle East improved substantially. Crop Protection/Seeds saw particularly robust development in LatAm, where sales rose markedly for nearly all product groups. We also achieved higher sales in Africa and the Middle East.
- **EBITDA before special items** at CropScience came in slightly below the prior-year quarter. The favorable business development, with significantly higher volumes and selling prices, did not fully offset the negative currency effects of roughly €40 million and increases in selling and R&D expenses.

MaterialScience

<i>Euro million</i>	Q2 2013	Q2 2014	% y-o-y	Consensus**
Sales	2,875	2,864	(0.4) / 3.6*	2,917
Polyurethanes	1,546	1,532	(0.9) / 3.0*	•
Polycarbonates	664	694	4.5 / 8.3*	•
CAS	493	483	(2.0) / 3.7*	•
Industrial Operations	172	155	(9.9) / (8.7)*	•
EBITDA before special items	274	270	(1.5)	316

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 21, 2014 provided by Vara Research GmbH

- Price -2.0%, volume +5.6%, currency -3.6%, portfolio -0.4%
- Sales growth at MaterialScience was due to higher volumes in North America, Europe and Asia/Pacific which more than offset volume declines in LatAm/Africa/Middle East. Selling prices were below the prior-year quarter in all regions.
- Sales growth of **Polyurethanes** was driven by improved customer demand in all the main customer industries. We raised volumes in North America and Europe in particular, while in Asia/Pacific they were flat with the same period of last year. Selling prices, however, were down overall against the prior-year period. Volumes of MDI improved, while prices receded. Both volumes and selling prices for TDI were below the prior-year quarter. Both volumes and prices for PET increased.
- Sales of **Polycarbonates** were driven by higher volumes in all regions except LatAm/Africa/Middle East. The volume gains were mainly attributable to improved demand from customers in the automotive and electrical/electronics industries. Selling prices were down overall compared with the prior-year period.
- Sales of **Coatings, Adhesives, Specialties** moved forward due to higher volumes in nearly all regions. Volumes were unchanged in Asia/Pacific. Selling prices were level with the prior-year quarter.
- **EBITDA before special items** at MaterialScience was slightly down from the prior-year quarter. Earnings were helped by higher volumes, lower raw material prices and our efficiency improvements. Negative factors were the drop in selling prices and costs for scheduled maintenance shutdowns in Asia and North America. In addition, currency effects of around €10 million had a negative impact.

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.

	2nd quarter 2013			
	Before accounting changes	Accounting changes		After accounting changes
		Functional costs	Special items	
	€ million	€ million	€ million	€ million
Cost of goods sold	-4,938	-17	-3	-4,958
Gross profit	5,422	-17	-3	5,402
Selling expenses	-2,672	-39	-12	-2,723
R & D expenses	-775	-1	-132	-908
General administration expenses	-456	57	-7	-406
Other operating income	294	1	-13	282
Other operating expenses	-526	-1	167	-360

Key figures for Q2 2014

	HealthCare				CropScience		MaterialScience		Reconciliation		Group				
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total		Q2'13	Q2'14			
	Q2'13	Q2'14	Q2'13	Q2'14	Q2'13	Q2'14	Q2'13	Q2'14	Q2'13	Q2'14	€ million	€ million			
Sales	4,800	4,845	2,831	2,960	1,969	1,885	2,392	2,470	2,875	2,864	293	279	10,360	10,458	
Sales by region:															
Europe	1,694	1,817	974	1,091	720	726	905	887	1,098	1,142	263	262	3,960	4,108	
North America	1,293	1,260	649	671	644	589	680	748	642	646	8	2	2,623	2,656	
Asia / Pacific	1,079	1,083	778	797	301	286	376	371	774	746	7	5	2,236	2,205	
LatAm/Africa/Middle East	734	685	430	401	304	284	431	464	361	330	15	10	1,541	1,489	
EBITDA	1,208	1,334	801	919	407	415	607	615	313	256	-42	-29	2,086	2,176	
Special items	-120	-21	-120	-8	0	-13	-17	0	39	-14	-11	-6	-109	-41	
EBITDA before special items	1,328	1,355	921	927	407	428	624	615	274	270	-31	-23	2,195	2,217	
EBITDA margin before special items	27.7%	28.0%	32.5%	31.3%	20.7%	22.7%	26.1%	24.9%	9.5%	9.4%	-10.6%	-8.2%	21.2%	21.2%	
EBIT	729	966	472	656	257	310	496	470	143	109	-81	-72	1,287	1,473	
Special items	-258	-25	-213	-12	-45	-13	-18	0	31	-17	-11	-6	-256	-48	
EBIT before special items	987	991	685	668	302	323	514	470	112	126	-70	-66	1,543	1,521	
EBIT margin before special items	20.6%	20.5%	24.2%	22.6%	15.3%	17.1%	21.5%	19.0%	3.9%	4.4%	-23.9%	-23.7%	14.9%	14.5%	
Gross cash flow	915	960	595	662	320	298	447	469	223	214	95	62	1,880	1,705	
Net cash flow	565	497	261	292	304	205	856	971	167	133	-52	0	1,536	1,601	
Financial result															
Net income														-225	-173
Earnings per share (€)														841	953
Core earnings per share (€)														1.02	1.15
														1.54	1.53
CapEx (cash effective)															
R&D														502	529
D&A and Write-downs	479	368	329	263	150	105	111	145	170	147	39	43	908	850	
Employees at end of period	56,303	57,403	38,057	39,135	18,246	18,268	21,781	22,739	14,413	14,261	20,536	21,084	113,033	115,487	



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Forward-looking statements

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