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## Investor News

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Fiscal 2014:

### **Bayer: strong business momentum continues and portfolio transformation underway**

- Group portfolio to focus on Life Sciences
  - All subgroups contribute to record sales and earnings
  - Recently launched products drive growth momentum
  - Group sales EUR 42,239 million (plus 5.2 percent / Fx & portfolio adj. plus 7.2 percent)
  - EBIT advances by 11.6 percent to EUR 5,506 million
  - EBITDA before special items up by 4.9 percent to EUR 8,812 million
  - Net income increases 7.4 percent to EUR 3,426 million
  - Core earnings per share up 7.3 percent to EUR 6.02
  - Forecast for 2015: further sales growth and clear improvement in earnings
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**Leverkusen, Germany, February 26, 2015** – Bayer had a very successful year in 2014, both operationally and strategically. The company set new records for sales and for EBITDA before special items. “Contributing to this in particular was the continuing growth momentum in our Life Science businesses, and especially the pleasing development of our recently launched products,” Management Board Chairman Dr. Marijn Dekkers said on Thursday at the Financial News Conference in Leverkusen. MaterialScience also registered encouraging gains in sales and earnings before special items. Bayer also set the course in 2014 for the company to focus on the Life Science businesses – HealthCare and CropScience. MaterialScience is to be floated on the stock market as a separate company by mid-2016 at the latest. The Life Science businesses were additionally strengthened through important acquisitions. Dekkers said the company is targeting further sales growth and a significant rise in earnings in 2015.

Group sales rose by 5.2 percent in 2014, to EUR 42,239 million (2013: EUR 40,157 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales grew by 7.2 percent. All subgroups contributed to this increase. EBIT improved by 11.6 percent to

EUR 5,506 million (2013: EUR 4,934 million). Earnings were diminished by special charges of EUR 438 million (2013: EUR 839 million). EBIT before special items advanced by 3.0 percent to EUR 5,944 million (2013: EUR 5,773 million). EBITDA before special items increased by 4.9 percent to EUR 8,812 million (2013: EUR 8,401 million), despite negative currency effects of around EUR 410 million or 4 percent. The good sales development was accompanied by higher R&D and selling expenses. Net income moved forward by 7.4 percent to EUR 3,426 million (2013: EUR 3,189 million) and core earnings per share by 7.3 percent to EUR 6.02 (2013: EUR 5.61).

Gross cash flow climbed by 16.9 percent to EUR 6,820 million (2013: EUR 5,832 million), while net cash flow rose by 12.4 percent to EUR 5,810 million (2013: EUR 5,171 million). Net financial debt increased by EUR 12.9 billion to EUR 19.6 billion compared with December 31, 2013. CFO Johannes Dietsch explained that Bayer last year had placed several bonds on the market, some of them with a large volume, to finance the company's acquisitions. He explained that the success of such bond issues is not automatic. "The fact that we were so successful in these financing activities is also evidence of Bayer's good reputation on the capital market," remarked Dietsch.

### **HealthCare: strong growth in sales of recently launched pharmaceutical products**

Business in the HealthCare subgroup expanded by 5.6 (Fx & portfolio adj. 7.5) percent in 2014 to EUR 19,975 million (2013: EUR 18,924 million). This increase was mainly driven by the Pharmaceuticals business, while sales at Consumer Health came in slightly ahead of the prior year.

Sales at Pharmaceuticals rose by a substantial 11.2 percent (Fx & portfolio adj.) to EUR 12,052 million. The recently launched products – the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and Adempas™ for the treatment of pulmonary hypertension – contributed significantly to this very good development with total sales of EUR 2,908 million (2013: EUR 1,522 million). "These products have played a crucial role in making us one of the fastest-growing large companies in the pharmaceutical industry," said Dekkers. Among the leading established products, sales of the Mirena™ family of hormone-releasing intrauterine devices advanced by 15.1 percent on a currency-adjusted (Fx adj.) basis. Business with Aspirin™ Cardio for secondary prevention of heart attacks also developed positively (Fx adj. plus 12.4 percent). However, sales of the blood-clotting medicine Kogenate™ receded by 5.6 percent (Fx adj.), due partly to the temporary use of production capacities to develop

the next generation of hemophilia medicines. Sales of the multiple sclerosis drug Betaferon™/Betaseron™ fell by 19.6 percent (Fx adj.), mainly because of increased competition in the United States. Overall, the Pharmaceuticals business saw pleasing growth in all regions on a currency-adjusted basis, particularly in China, the United States and Western Europe.

Sales in the Consumer Health segment increased by 2.1 percent (Fx & portfolio adj.) to EUR 7,923 million. The Consumer Care and Animal Health divisions achieved sales gains, especially in the Emerging Markets. Consumer Care benefited particularly from the positive development of the Bepanthen™/Bepanthol™ line of skincare products (Fx adj. plus 18.3 percent) and the analgesic Aleve™ (Fx adj. plus 10.1 percent). At Animal Health, the Advantage™ family of flea, tick and worm control products grew sales by 3.1 percent (Fx adj.). By contrast, sales of the Medical Care business were down, particularly in the United States and Europe. Sales of the Diabetes Care business declined overall, despite positive development in the Emerging Markets. Sales of contrast agents and medical equipment in the Radiology business were flat with the prior-year period on a currency-adjusted basis.

EBITDA before special items of HealthCare rose by 2.8 percent overall to EUR 5,484 million (2013: EUR 5,334 million). This was attributable to the gratifying business development in Pharmaceuticals, while earnings in Consumer Health posted a slight decline. Earnings were diminished by higher research and development spending in Pharmaceuticals, increased selling expenses in both segments, and negative currency effects of approximately EUR 360 million.

### **CropScience with gains in all business groups and regions**

Sales of the agriculture business (CropScience) increased 7.7 percent (Fx & portfolio adj. 11.2 percent) in 2014 to EUR 9,494 million (2013: EUR 8,819 million). “CropScience gained market share, with all business groups and regions contributing to the subgroup’s pleasing performance,” said Dekkers. The subgroup registered the strongest growth in Latin America/Africa/Middle East, where sales were up by 20.6 percent (Fx adj.). Business in North America also expanded by a double-digit percentage (plus 10.2 percent) on a currency-adjusted basis, followed by Europe and Asia/Pacific at 7.4 percent (Fx adj.) and 5.5 percent (Fx adj.), respectively.

The positive development of Crop Protection was driven above all by new products (launched since 2006), sales of which climbed by around 23 percent on a reported basis to more than EUR 1.8 billion. Fungicides posted double-digit growth of 15.9 percent (Fx & portfolio adj.). Gratifying development was also registered by Herbicides (Fx & portfolio adj. plus 8.5 percent), Insecticides (Fx & portfolio adj. plus 7.6 percent) and SeedGrowth (Fx & portfolio adj. plus 8.4 percent). Sales in the Seeds business also rose substantially (Fx & portfolio adj. plus 19.5 percent). Business with cotton seed saw especially positive development. Sales of Environmental Science advanced by 6.9 percent (Fx & portfolio adj.).

EBITDA before special items of CropScience improved by 5.0 percent to EUR 2,360 million (2013: EUR 2,248 million). The earnings contributions from the very positive business development – marked by considerable volume gains and higher selling prices – were partially offset by higher R&D and selling expenses and negative currency effects of around EUR 50 million.

### **MaterialScience benefits from increased volumes**

Sales of the high-tech polymer materials business (MaterialScience) rose by 3.7 percent (Fx & portfolio adj. plus 4.8 percent) to EUR 11,651 million (2013: EUR 11,238 million). This growth was due to higher volumes for Polycarbonates; Polyurethanes; and Coatings, Adhesives, Specialties. However, selling prices declined slightly overall.

Sales of foam raw materials (Polyurethanes) grew by 4.9 percent (Fx & portfolio adj.) thanks to improved demand in nearly all the main customer industries. Sales of the high-tech plastics business (Polycarbonates) advanced by 7.2 percent (Fx & portfolio adj.), due mainly to increased demand from customers in the automotive, electrical/electronics and construction industries. Sales of raw materials for coatings, adhesives and specialties improved by 5.5 percent (Fx & portfolio adj.). This increase resulted from higher volumes in all regions. Selling prices in this business unit were level year on year. Sales of Industrial Operations receded by 7.2 percent (Fx & portfolio adj.) due to lower volumes and selling prices overall.

EBITDA before special items of MaterialScience improved by 10.7 percent to EUR 1,187 million (2013: EUR 1,072 million). This was particularly due to higher volumes, efficiency improvement measures and lower raw material and energy costs. However, earnings

were held back by lower selling prices. Currency effects as a whole were neutral to earnings.

### **All three subgroups post sales growth in the fourth quarter**

Group sales increased by 11.6 percent (Fx & portfolio adj. 6.9 percent) in the fourth quarter of 2014 to EUR 11,039 million (Q4 2013: EUR 9,888 million). All three subgroups contributed to this expansion. EBIT declined by 14.4 percent to EUR 561 million (Q4 2013: EUR 655 million). EBITDA before special items rose in the fourth quarter of 2014 by 4.4 percent to EUR 1,846 million (Q4 2013: EUR 1,769 million), mainly as a result of higher volumes in all subgroups. Earnings were held back by higher R&D and selling expenses. Net income declined to EUR 224 million (Q4 2013: EUR 455 million), while core earnings per share increased to EUR 1.19 (Q4 2013: EUR 1.10).

### **Transformation into a pure Life Science company initiated**

Dekkers stressed that 2014 had also been a very successful year for Bayer from a strategic viewpoint. “We last year set a course that will shape the future of our company for the long term. We decided to demerge the MaterialScience business and thus initiated our transformation into a pure Life Science company.” According to the Bayer CEO, the stock market flotation of MaterialScience – planned for mid-2016 at the latest – is proceeding on schedule. He said the design phase had since been completed. The legal and organizational structures of the new company have been decided and important management positions filled. The economic and legal separation of MaterialScience, also known as the carve-out, is to be completed by August 31, 2015. In the second half of this year, the company intends to decide whether MaterialScience will be floated on the stock market through an IPO or a spin-off.

“Furthermore, we have expanded the Life Science businesses through important acquisitions,” Dekkers said. The business with non-prescription products in particular was substantially strengthened through the acquisitions of the consumer care business of Merck & Co., Inc., United States, and Chinese-based Dihon Pharmaceutical Group Co. Ltd., the Bayer CEO explained. The integration of these two businesses is proceeding according to plan. The acquisition of Norwegian company Algeta ASA, with which Bayer had been collaborating since 2009 in the development and commercialization of the cancer drug Xofigo™, was successfully completed.

## **Substantial increase in earnings anticipated for 2015**

“We remain optimistic about the future,” said Dekkers. Bayer is planning sales in the region of EUR 46 billion for 2015. This corresponds to a currency- and portfolio-adjusted increase in the low single digits. The company expects positive currency effects on sales of about 3 percent compared with the previous year. Bayer plans to raise EBITDA before special items by a low- to mid-teens percentage, allowing for expected positive currency effects of about 2 percent. Bayer aims to increase core earnings per share by a low-teens percentage, allowing for expected positive currency effects of around 3 percent.

The company is anticipating special charges in the region of EUR 700 million in 2015, mainly due to the integration of the acquired consumer care businesses and the planned stock market listing of MaterialScience. Bayer intends to increase research and development spending by about 10 percent in 2015 to more than EUR 4.0 billion. The company has budgeted capital expenditures of about EUR 2.3 billion for property, plant and equipment and EUR 0.3 billion for intangible assets. Depreciation and amortization are estimated at about EUR 3.0 billion, including EUR 1.6 billion in amortization of intangible assets. Bayer expects net financial debt to be below EUR 18 billion at the end of 2015.

HealthCare expects to achieve sales of approximately EUR 23 billion, corresponding to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. The subgroup plans to raise EBITDA before special items by a mid-teens percentage. In the Pharmaceuticals segment, Bayer expects sales to move ahead by a mid- to high-single-digit percentage on a currency- and portfolio-adjusted basis to approximately EUR 13 billion. The company intends to raise sales of the segment's recently launched products in 2015 toward EUR 4 billion. It also plans to improve EBITDA before special items in the Pharmaceuticals segment by a low-teens percentage, allowing for an additional EUR 300 million of investment in research and development. HealthCare therefore expects Pharmaceuticals to slightly improve the EBITDA margin before special items. In the Consumer Health segment, Bayer expects sales to increase toward EUR 10 billion, including those of the acquired consumer care businesses. It plans to grow that segment's sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. The company expects to raise EBITDA before special items in the Consumer Health segment by a mid-to-high-twenties percentage, with the acquired consumer care businesses contributing to the increase.

CropScience expects to continue growing faster than the market and to raise sales by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis to approximately EUR 10 billion. It is planned to raise EBITDA before special items by a low- to mid-single-digit percentage.

MaterialScience is planning further volume growth in 2015 accompanied by declining selling prices, leading to lower sales. However, the company expects to see a significant increase in EBITDA before special items. MaterialScience aims to return to earning the full cost of capital in 2015. For the first quarter of 2015, the subgroup expects sales to remain flat with the preceding quarter and EBITDA before special items to gain significantly.

**Note:**

*Below you will find tables containing the key data of the Bayer Group and its subgroups for the full year and the fourth quarter of 2014.*

*The complete Annual Report 2014 is available on the Internet at [www.investor.bayer.com](http://www.investor.bayer.com)*

*Supplementary material at [www.investor.bayer.com](http://www.investor.bayer.com) includes:*

- Live webcast of the **Financial News Conference** from approx. 10:00 a.m. CET*
- Presentation charts for the **Investor Conference Call** at 12:00 noon CET*
- Live webcast of the **Investor Conference Call** from approx. 2:30 p.m. CET*
- Recording of the **Investor Conference Call** from approx. 7:00 p.m. CET*

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**Forward-Looking Statements**

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## Bayer Group Key Data, Fourth Quarter and Full Year 2014

(Certain prior-year data are restated.)

<b>Bayer Group</b> (EUR million)	Q4 2013	Q4 2014	Change in %	FY2013	FY2014	Change in %
Sales	9,888	<b>11,039</b>	+11.6	40,157	<b>42,239</b>	+5.2
EBIT	655	<b>561</b>	-14.4	4,934	<b>5,506</b>	+11.6
<i>Special items</i>	(439)	<b>(442)</b>	-	(839)	<b>(438)</b>	-
EBIT before special items	1,094	<b>1,003</b>	-8.3	5,773	<b>5,944</b>	+3.0
EBITDA	1,433	<b>1,464</b>	+2.2	7,830	<b>8,442</b>	+7.8
<i>Special items</i>	(336)	<b>(382)</b>	-	(571)	<b>(370)</b>	-
EBITDA before special items	1,769	<b>1,846</b>	+4.4	8,401	<b>8,812</b>	+4.9
Net income	455	<b>224</b>	-50.8	3,189	<b>3,426</b>	+7.4
Earnings per share (EUR)	0.55	<b>0.27</b>	-50.9	3.86	<b>4.14</b>	+7.3
Core earnings per share (EUR)	1.10	<b>1.19</b>	+8.2	5.61	<b>6.02</b>	+7.3
Number of employees at end of period *	112,366	<b>118,888</b>	+5.8	112,366	<b>118,888</b>	+5.8

<b>Bayer HealthCare</b> (EUR million)	Q4 2013	Q4 2014	Change in %	FY2013	FY2014	Change in %
Sales	4,939	<b>5,598</b>	+13.3	18,924	<b>19,975</b>	+5.6
EBIT	631	<b>562</b>	-10.9	3,260	<b>3,581</b>	+9.8
<i>Special items</i>	(354)	<b>(376)</b>	-	(713)	<b>(331)</b>	-
EBIT before special items	985	<b>938</b>	-4.8	3,973	<b>3,912</b>	-1.5
EBITDA	1,069	<b>1,079</b>	+0.9	4,858	<b>5,186</b>	+6.8
<i>Special items</i>	(268)	<b>(347)</b>	-	(476)	<b>(298)</b>	-
EBITDA before special items	1,337	<b>1,426</b>	+6.7	5,334	<b>5,484</b>	+2.8

<b>Bayer CropScience</b> (EUR million)	Q4 2013	Q4 2014	Change in %	FY2013	FY2014	Change in %
Sales	1,951	<b>2,195</b>	+12.5	8,819	<b>9,494</b>	+7.7
EBIT	163	<b>191</b>	+17.2	1,729	<b>1,806</b>	+4.5
<i>Special items</i>	(40)	<b>(32)</b>	-	(72)	<b>(32)</b>	-
EBIT before special items	203	<b>223</b>	+9.9	1,801	<b>1,838</b>	+2.1
EBITDA	282	<b>367</b>	+30.1	2,184	<b>2,358</b>	+8.0
<i>Special items</i>	(37)	<b>(2)</b>	-	(64)	<b>(2)</b>	-
EBITDA before special items	319	<b>369</b>	+15.7	2,248	<b>2,360</b>	+5.0

<b>Bayer MaterialScience</b> (EUR million)	Q4 2013	Q4 2014	Change in %	FY2013	FY2014	Change in %
Sales	2,691	<b>2,948</b>	+9.6	11,238	<b>11,651</b>	+3.7
EBIT	70	<b>43</b>	-38.6	435	<b>555</b>	+27.6
<i>Special items</i>	(18)	<b>(22)</b>	-	6	<b>(43)</b>	-
EBIT before special items	88	<b>65</b>	-26.1	429	<b>598</b>	+39.4
EBITDA	244	<b>196</b>	-19.7	1,101	<b>1,149</b>	+4.4
<i>Special items</i>	(4)	<b>(21)</b>	-	29	<b>(38)</b>	-
EBITDA before special items	248	<b>217</b>	-12.5	1,072	<b>1,187</b>	+10.7

EBITDA, EBIT(DA) before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definitions of these indicators, see the current Annual Report at [www.bayer.com](http://www.bayer.com).

\* Full-time equivalents