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Investor News

Third quarter of 2014:

Bayer operationally strong – strategic focus on Life Science businesses

- Sales advance in all subgroups – double-digit percentage growth for CropScience and the Pharmaceuticals Division (Fx & portfolio adj.)
 - Group sales EUR 10,187 million (plus 5.6 percent / Fx & portfolio adj.: plus 7.4 percent)
 - EBIT improves by 12.7 percent to EUR 1,376 million
 - EBITDA before special items increases by 1.4 percent to EUR 2,011 million
 - Net income advances by 12.7 percent to EUR 826 million
 - Core earnings per share grow by 6.3 percent to EUR 1.35
 - Guidance for full year 2014 raised
 - Plan to float MaterialScience on the stock market
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Leverkusen, Germany, October 30, 2014 – The Bayer Group continued its successful business development. “The strong upward trend in the Life Science businesses – HealthCare and CropScience – persisted in the third quarter. We saw robust sales growth for our recently launched pharmaceutical products and in our CropScience business in North and Latin America,” Bayer Management Board Chairman Dr. Marijn Dekkers commented when the interim report was released on Thursday. Sales of MaterialScience also posted an encouraging increase, he said. Bayer achieved a slight improvement in EBITDA before special items despite high investment and negative currency effects. Bayer made good progress in the third quarter not just operationally, but also strategically, Dekkers said, pointing to the planned flotation of MaterialScience on the stock market and the successful acquisition of the consumer care business of Merck & Co., Inc. In view of the strong operational performance and including the consumer care business acquired from Merck & Co., Inc. and the current currency assumptions, Bayer raised its guidance for 2014.

Sales of the Bayer Group rose by 5.6 percent in the third quarter of 2014 to EUR 10,187 million (Q3 2013: EUR 9,643 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales grew by 7.4 percent. EBIT rose by 12.7 percent to EUR 1,376 million (Q3 2013: EUR 1,221 million). Net special items were plus EUR 45 million (Q3 2013: minus EUR 99 million) and reflected a one-time gain of EUR 80 million from the divestiture of the Interventional device business. EBIT before special items rose by 0.8 percent compared with the prior-year quarter to EUR 1,331 million (Q3 2013: EUR 1,320 million). EBITDA before special items improved by 1.4 percent to EUR 2,011 million (Q3 2013: EUR 1,984 million) after additional R&D and selling expenses, amounting to roughly EUR 90 million each, and negative currency effects of about EUR 80 million or approximately minus 4 percent. Net income advanced by 12.7 percent to EUR 826 million (Q3 2013: EUR 733 million), and core earnings per share by 6.3 percent to EUR 1.35 (Q3 2013: EUR 1.27).

Gross cash flow rose by 9.1 percent to EUR 1,492 million (Q3 2013: EUR 1,367 million) due to the improvement in EBITDA, while net cash flow moved ahead by 5.1 percent to EUR 1,816 million (Q3 2013: EUR 1,728 million). Net financial debt declined from EUR 9.9 billion on June 30, 2014, to EUR 8.5 billion on September 30, 2014, largely as a result of cash inflows from operating activities.

Recently launched pharmaceutical products and Emerging Markets continue to drive HealthCare sales

In the HealthCare business, sales increased by 4.6 percent (Fx & portfolio adj. 7.1 percent) in the third quarter to EUR 4,960 million (Q3 2013: EUR 4,742 million). "This growth continued to be driven by our recently launched pharmaceutical products," explained Dekkers. Sales at Consumer Health came in slightly ahead of the prior-year period (Fx & portfolio adj). Business again developed very positively in the Emerging Markets.

Sales of the Pharmaceuticals business rose by a substantial 10.3 percent (Fx & portfolio adj.) to EUR 3,039 million. All regions contributed to this increase, with particularly encouraging development in the United States, China and Germany. The anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and the pulmonary hypertension drug Adempas™ achieved total sales of EUR 750 million (Q3 2013: EUR 407 million). Among the established pharmaceutical products, the hormone-releasing intrauterine devices of the Mirena™ product family posted the strongest growth,

with sales advancing by a currency-adjusted (Fx adj.) 26.5 percent. Sales of Aspirin™ Cardio for secondary prevention of heart attacks advanced by 13.3 percent (Fx adj.). On the other hand, business with the multiple sclerosis drug Betaferon™/Betaseron™ declined by 12.5 percent (Fx adj.), again held back partly by increased competition in the United States. Sales of the blood-clotting medicine Kogenate™ receded 6.1 percent (Fx adj.) against a strong prior-year quarter. Capacity shortages persisted due to the use of production capacities to develop the next-generation hemophilia medicines.

Sales in the Consumer Health segment rose by 2.4 percent (Fx & portfolio adj.) to EUR 1,921 million. This increase was driven by the Consumer Care and Animal Health divisions. In Consumer Care, the analgesics Aleve™ and Aspirin™ posted strong gains of 14.2 percent (Fx adj.) and 6.5 percent (Fx adj.) respectively. The Bepanthen™/Bepanthol™ skincare product also performed very well, with sales up by 11.7 percent (Fx adj.). By contrast, business with the dietary supplement One A Day™ was held back mainly by lower volumes in the United States, falling 10.7 percent (Fx adj.) against the prior-year period. Sales of the Medical Care Division again receded, largely on account of declines in the Diabetes Care business in the United States and in Germany. In the Animal Health Division, sales of the Seresto™ flea and tick collar in Europe developed particularly well.

EBITDA before special items of Bayer HealthCare, at EUR 1,402 million, was slightly ahead of the prior-year quarter (Q3 2013: EUR 1,392 million). 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 approximately EUR 70 million (currency effect approx. minus 5 percent).

CropScience grows in all units and regions

Sales of the agriculture business (CropScience) increased in the third quarter by 12.7 percent (Fx & portfolio adj. 14.6 percent) to EUR 1,929 million (Q3 2013: EUR 1,712 million). "Both Crop Protection/Seeds and Environmental Science contributed to this encouraging growth," said Dekkers. Sales climbed by 23.2 percent (Fx adj.) in North America and by 19.3 percent (Fx adj.) in Latin America/Africa/Middle East. The subgroup also posted double-digit growth in Europe (Fx adj. 12.8 percent). Sales in Asia/Pacific were at the level of the prior-year quarter (Fx adj. plus 1.0 percent).

All units of Crop Protection developed positively. The Fungicides and Herbicides units posted double-digit growth rates, at 16.5 and 15.8 percent (Fx & portfolio adj.), respectively, while sales at Insecticides (Fx & portfolio adj. plus 8.6 percent) and SeedGrowth (Fx & portfolio adj. plus 4.3 percent) continued to increase. The new Crop Protection products launched since 2006 again contributed significantly to the positive sales development in the third quarter. CropScience nearly doubled sales in the Seeds business (Fx & portfolio adj. plus 95.6 percent). Sales of cotton seed developed especially positively. Sales of Environmental Science advanced by 7.9 percent (Fx & portfolio adj.). Consumer products registered strong gains, while business with products for professional users also posted an increase.

EBITDA before special items at CropScience climbed 24.1 percent above the prior-year quarter to EUR 278 million (Q3 2013: EUR 224 million). While business development was favorable, with significantly higher volumes and selling prices, R&D and selling expenses were considerably higher.

MaterialScience substantially raises volumes

Sales of the high-tech polymer materials business (MaterialScience) increased in the third quarter by 4.8 percent (Fx & portfolio adj. 5.3 percent) to EUR 3,036 million (Q3 2013: EUR 2,897 million). This growth was due to significantly higher volumes for Polycarbonates; Polyurethanes; and Coatings, Adhesives, Specialties (CAS). Selling prices were slightly lower compared with the prior-year period.

Sales of foam raw materials (Polyurethanes) grew by 5.7 percent (Fx & portfolio adj.), thanks to improved customer demand in nearly all the main customer industries. Sales of the high-tech plastics business (Polycarbonates) advanced by 8.0 percent (Fx & portfolio adj.), due mainly to increased demand from customers in the automotive and electrical/electronics industries. Sales in the Coatings, Adhesives, Specialties (CAS) unit advanced by 5.1 percent (Fx & portfolio adj.), thanks largely to higher volumes in Asia/Pacific and Europe.

EBITDA before special items of MaterialScience fell slightly by 3.5 percent to EUR 334 million (Q3 2013: EUR 346 million). Earnings were enhanced by higher volumes, efficiency improvements and somewhat lower raw material and energy costs, but held back by a drop in selling prices and negative currency effects of around EUR 10 million. A further factor were the one-time gains of EUR 17 million in the prior-year quarter.

Substantial sales and earnings growth in the first nine months

Sales of the Bayer Group increased by 3.1 percent (Fx & portfolio adj. 7.3 percent) in the first nine months of 2014, to EUR 31,200 million (9M 2013: EUR 30,269 million). EBIT improved by 15.6 percent to EUR 4,945 million (9M 2013: EUR 4,279 million) and EBITDA before special items by 5.0 percent to EUR 6,966 million (9M 2013: EUR 6,632 million), reflecting negative currency effects of about EUR 440 million and additional R&D expenses of roughly EUR 260 million. Net income advanced by 17.1 percent to EUR 3,202 million (9M 2013: EUR 2,734 million), and core earnings per share by 7.1 percent to EUR 4.83 (9M 2013: EUR 4.51).

Strategic focus on Life Science businesses

Dekkers said Bayer was not only operationally successful in the third quarter, explaining that the company has also set the course for the Group to focus entirely 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. "We are confident that this strategic decision is good for both Bayer and MaterialScience and will allow both companies to create value in the long term, resulting in two global champions," stressed Dekkers. Bayer will become a pure life science company that is acknowledged for its success in science and innovation – a foundation the company can build on, the Bayer CEO said. The aim is to make MaterialScience a leading polymer supplier with direct access to the capital market for the continuing development of its business.

"We also continued to strengthen our Life Science businesses with the acquisition of the consumer care business of Merck & Co., Inc., which was completed at the beginning of October," said Dekkers. The acquisition gives HealthCare the global number two position in non-prescription (OTC) medicines. The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation also took effect upon closing of the acquisition. The collaboration is intended to strengthen HealthCare's development opportunities in the field of cardiovascular therapies.

Forecast for 2014 raised

In view of the strong operating performance and including the consumer care business acquired from Merck & Co., Inc. and the current currency assumptions, Bayer raised its guidance for 2014. With respect to the fourth quarter of 2014, the exchange rates prevailing on September 30, 2014, are now used. The forecast also takes into account the acquisition of the consumer care business of Merck & Co., Inc., which was completed on October 1, 2014. Bayer anticipates that this business will contribute additional sales of EUR 300 million to EUR 350 million and EBITDA before special items of about EUR 70 million in the fourth quarter of 2014.

The Group confirms its guidance that sales should increase by about 6 percent after adjusting for currency and portfolio effects. Allowing for negative currency effects of about 3 percent (previously: about 4 percent) compared with the prior year, Bayer currently expects Group sales to be approximately EUR 42 billion (previously: approximately EUR 41 billion). Bayer now plans to raise EBITDA before special items by a mid-single-digit percentage (previously: low- to mid-single-digit percentage). This allows for total expected negative currency effects of about EUR 450 million or roughly 5 percent (previously: about EUR 550 million or roughly 6 percent). Bayer now aims to increase core earnings per share by a mid- to high-single-digit percentage (previously: mid-single-digit percentage). The forecast for core earnings per share allows for total expected negative currency effects of around 7 percent (previously: around 9 percent).

The Group anticipates net special charges of EUR 350 million. The major part of this amount – EUR 300 million – is related to the acquisition of the consumer care business of Merck & Co., Inc. and the agreed collaboration in the field of soluble guanylate cyclase (sGC) modulation. Bayer expects net financial debt at year end to be approximately EUR 20 billion.

HealthCare continues to expect sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. Sales would thus be approximately EUR 20 billion (previously: approximately EUR 19.5 billion) including the consumer care business acquired from Merck & Co., Inc. The subgroup predicts EBITDA before special items to advance by a low-single-digit percentage (previously: slightly exceed the prior-year level).

For the Pharmaceuticals segment, Bayer confirms its guidance that sales should increase by about 10 percent after adjusting for currency and portfolio effects, and predicts a mid-

single-digit percentage (previously: low- to mid-single-digit percentage) increase in EBITDA before special items. A low-single-digit percentage sales increase on a currency- and portfolio-adjusted basis is planned for the Consumer Health segment. Mainly due to the weak market environment for Diabetes Care, EBITDA before special items is anticipated to come in at (previously: below) the level of the prior year.

Bayer is raising its guidance for CropScience in light of the encouraging business development. The subgroup now expects to increase sales by about 10 percent (previously: a high-single-digit percentage) after adjusting for currency and portfolio effects, and thus to grow significantly faster than the market. EBITDA before special items is expected to increase by a mid-single-digit percentage (previously: low-single-digit percentage).

MaterialScience continues to expect sales to increase in 2014 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. The subgroup also now anticipates a significant increase (previously: an increase) in EBITDA before special items. In the fourth quarter of 2014, MaterialScience expects a small increase in sales, with EBITDA before special items at the level of the prior-year period.

Note:

The tables below contain the key data for the Bayer Group and its subgroups for the third quarter and the first nine months of 2014.

The complete financial report as of September 30, 2014 is available for online viewing and download at www.investor.bayer.com.

Supplementary features at www.investor.bayer.com:

- live broadcast of the news conference call from approximately 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 approximately 2:00 p.m. CET*
- recording of the investor conference call from approximately 6:00 p.m. CET.*

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Forward-Looking Statements

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Bayer Key Data, 3rd Quarter and First Nine Months of 2014

(Certain prior-year data are restated.)

Bayer Group (EUR million)	Q3 2013	Q3 2014	Change in %	9M 2013	9M 2014	Change in %
Sales	9,643	10,187	+5.6	30,269	31,200	+3.1
EBIT	1,221	1,376	+12.7	4,279	4,945	+15.6
<i>Special items</i>	(99)	45	-	(400)	4	-
EBIT before special items	1,320	1,331	+0.8	4,679	4,941	+5.6
EBITDA	1,895	2,057	+8.5	6,397	6,978	+9.1
<i>Special items</i>	(89)	46	-	(235)	12	-
EBITDA before special items	1,984	2,011	+1.4	6,632	6,966	+5.0
Net income	733	826	+12.7	2,734	3,202	+17.1
Earnings per share (EUR)	0.89	1.00	+12.4	3.31	3.87	+16.9
Core earnings per share (EUR)	1.27	1.35	+6.3	4.51	4.83	+7.1
Number of employees at end of period *	113,318	115,416	+1.9	113,318	115,416	+1.9

Bayer HealthCare (EUR million)	Q3 2013	Q3 2014	Change in %	9M 2013	9M 2014	Change in %
Sales	4,742	4,960	+4.6	13,985	14,377	+2.8
EBIT	978	1,091	+11.6	2,629	3,019	+14.8
<i>Special items</i>	(70)	54	-	(359)	45	-
EBIT before special items	1,048	1,037	-1.0	2,988	2,974	-0.5
EBITDA	1,328	1,456	+9.6	3,789	4,107	+8.4
<i>Special items</i>	(64)	54	-	(208)	49	-
EBITDA before special items	1,392	1,402	+0.7	3,997	4,058	+1.5

Bayer CropScience (EUR million)	Q3 2013	Q3 2014	Change in %	9M 2013	9M 2014	Change in %
Sales	1,712	1,929	+12.7	6,868	7,299	+6.3
EBIT	106	157	+48.1	1,566	1,615	+3.1
<i>Special items</i>	(9)	0	-	(32)	0	-
EBIT before special items	115	157	+36.5	1,598	1,615	+1.1
EBITDA	218	278	+27.5	1,902	1,991	+4.7
<i>Special items</i>	(6)	0	-	(27)	0	-
EBITDA before special items	224	278	+24.1	1,929	1,991	+3.2

Bayer MaterialScience (EUR million)	Q3 2013	Q3 2014	Change in %	9M 2013	9M 2014	Change in %
Sales	2,897	3,036	+4.8	8,547	8,703	+1.8
EBIT	180	184	+2.2	365	512	+40.3
<i>Special items</i>	(6)	(2)	-	24	(21)	-
EBIT before special items	186	186	0.0	341	533	+56.3
EBITDA	341	333	-2.3	857	953	+11.2
<i>Special items</i>	(5)	(1)	-	33	(17)	-
EBITDA before special items	346	334	-3.5	824	970	+17.7

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 definition of these indicators, see the current annual report at www.bayer.com.

* Full-time equivalents