



Q1 2014 Analyst and Investor Briefing

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- Very successful start to 2014
- Encouraging business development in all subgroups
- Strong growth for recently launched pharmaceutical products
- Group sales €10.6 billion (Fx & portfolio adj. +8.4%)
- Price -0.4%, volume +8.8%, currency -5.8%, portfolio +0.2%
- EBIT €2.1 billion (+18.4%)
- EBITDA before special items €2.7 billion (+11.6%) – despite negative currency effects of 8%
- Net income €1.4 billion (+22.7%)
- Core earnings per share €1.95 (+14.7%)
- Forecast for 2014 confirmed

Group Key Figures

<i>Euro million</i>	Q1 2013	Q1 2014	% y-o-y	Consensus**
Sales	10,266	10,555	2.8 / 8.4*	10,648
EBITDA	2,416	2,745	13.6	2,561
EBITDA before special items	2,453	2,738	11.6	2,588
EBIT	1,771	2,096	18.4	1,891
Net special items	(45)	7	•	(47)
EBIT before special items	1,816	2,089	15.0	1,920
Financial result	(190)	(159)	16.3	(195)
Income taxes	(419)	(512)	(22.2)	•
Net income	1,160	1,423	22.7	1,273
EPS (<i>Euro/share</i>)	1.40	1.72	22.9	1.54
Core EPS (<i>Euro/share</i>)	1.70	1.95	14.7	1.83
Gross cash flow	1,807	2,084	13.3	•
Delta working capital	(1,480)	(1,885)	(27.4)	•
Net cash flow	327	163	(50.2)	•
CapEx (<i>cash relevant</i>)	365	357	(2.2)	•
Operating free cash flow	(38)	(194)	•	•

<i>Euro million</i>	Dec. 31, 2013	March 31, 2014
Net financial debt	6,731	9,065
Net pension liability	7,251	8,566

*) Currency and portfolio adjusted sales growth

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



Bayer Group Forecast 2014

- After the very encouraging first quarter, we confirm our guidance for 2014 issued at the end of February, which is based on average exchange rates for the fourth quarter of 2013. We experienced negative currency effects in the first quarter of 2014 compared to these assumptions, but so far these have been more than offset by the improvement in our operational performance and seasonal effects.
- We plan to grow sales for the full year by about 5% (Fx- and portf.-adj.). Allowing for expected negative currency effects of about 2% compared to the previous year, Group sales would be approximately €41 billion to €42 billion. We plan to raise EBITDA before special items by a low to mid-single-digit percentage, allowing for expected negative currency effects of about €450 million or roughly 5%. We aim to increase core earnings per share by a mid-single-digit percentage, allowing for expected negative currency effects of around 6%.

HealthCare

- We expect HealthCare sales to advance by a mid-single-digit percentage (Fx- and portf. adj.). Allowing for expected negative currency effects of about 2%, sales would be approximately €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 €250 million.
- In the **Pharmaceuticals** segment, we expect sales to move ahead by a high-single-digit percentage on a currency- and portfolio-adjusted basis. We predict negative currency effects of around 2% compared to 2013. We intend to raise sales of our recently launched products to €2.8 billion and anticipate significantly higher investment in order to continue marketing them successfully. We will also intensify the activities aimed at exploiting the potential of our development pipeline. Additional marketing and R&D expenditures totaling €0.5 billion are expected for 2014. Against this background we predict a low- to mid-single-digit percentage increase in EBITDA before special items, allowing for negative currency effects of about €150 million. The EBITDA margin before special items is expected to be level with the previous year.
- In the **Consumer Health** segment, we plan to raise sales by a low- to mid-single-digit percentage (Fx- and portf.-adj.). We expect negative currency effects of around 3% compared to 2013. EBITDA before special items is anticipated to come in slightly below the level of the prior year, allowing for negative currency effects of about €100 million.

CropScience

- For 2014 we continue to predict favorable market conditions for our CropScience business, although we will not see quite such a positive environment as in 2013.
- We expect to grow faster than the market and raise sales by a mid- to high-single-digit percentage (Fx- and portf.-adj.). We anticipate negative currency effects of about 3% compared to 2013. We expect to increase EBITDA before special items by a low-single-digit percentage, allowing for negative currency effects of approximately €150 million.

MaterialScience

- We expect to increase sales of MaterialScience in 2014 by a mid-single-digit percentage on a currency and portfolio-adjusted basis. We predict negative currency effects of about 2% compared to 2013. We anticipate an increase in EBITDA before special items, allowing for negative currency effects of roughly €50 million.
- In the second quarter of 2014, we expect to raise sales compared to the first quarter. EBITDA before special items is likely to show a slight decrease due to scheduled maintenance shutdowns.

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

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>	Q1 2013	Q1 2014	% y-o-y	Consensus**
Sales	4,443	4,572	2.9 / 8.9*	4,688
Pharmaceuticals	2,564	2,782	8.5 / 14.9*	2,789
Consumer Health	1,879	1,790	(4.7) / 0.6*	1,889
EBITDA before special items	1,277	1,301	1.9	1,322
Pharmaceuticals	832	873	4.9	877
Consumer Health	445	428	(3.8)	443

*) Currency and portfolio adjusted sales growth

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

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q1 2013	Q1 2014	% y-o-y	% y-o-y Fx
Xarelto	155	342	•	•
<i>of which USA</i>	22	57	159.1	153.8
Kogenate	301	270	(10.3)	(5.7)
<i>of which USA</i>	79	65	(17.7)	(14.1)
Betaferon / Betaseron	254	190	(25.2)	(21.5)
<i>of which USA</i>	118	67	(43.2)	(41.0)
Nexavar	173	183	5.8	13.6
<i>of which USA</i>	45	52	15.6	19.3
YAZ product family	206	181	(12.1)	(2.6)
<i>of which USA</i>	33	36	9.1	11.6
Mirena	166	178	7.2	12.0
<i>of which USA</i>	96	104	8.3	13.0
Eylea	49	157	•	•
<i>of which USA</i>	0	0	•	•
Adalat	155	140	(9.7)	(0.8)
<i>of which USA</i>	2	1	•	•
Aspirin Cardio	102	115	12.7	19.2
<i>of which USA</i>	0	0	•	•
Avalox / Avelox	115	108	(6.1)	(1.5)
<i>of which USA</i>	7	5	(28.6)	(31.9)
Glucobay	101	102	1.0	4.1
<i>of which USA</i>	0	0	•	•
Levitra	68	62	(8.8)	(4.2)
<i>of which USA</i>	20	17	(15.0)	(12.4)
Stivarga	40	54	35.0	43.6
<i>of which USA</i>	35	30	(14.3)	(10.6)
Fosrenol	35	47	34.3	58.9
<i>of which USA</i>	0	0	•	•
Cipro / Ciprobay	46	47	2.2	12.6
<i>of which USA</i>	2	2	•	•

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

- Price $\pm 0.0\%$, volume +8.9%, currency -6.9%, portfolio +0.9%
- **Pharmaceuticals** achieved strong growth against a weaker prior-year period driven by Xarelto, Eylea, Stivarga, Xofigo and Adempas, which posted combined sales of €598 million (Q1 2013: €244 million). Sales increased in all regions on an Fx-adjusted basis, with particularly strong growth in Japan, China and France.
 - Xarelto maintained its growth momentum, with strong sales gains mainly in Japan, Germany and France. Very positive development also in the U.S.



- The sales decline of Kogenate is partly explained by the high sales level of the prior-year quarter
- Betaferon sales continued to recede, mainly in the U.S., due to increased competition there
- Nexavar registered gains in all regions
- YAZ-product family was hampered mainly by generic competition
- Sales of Mirena increased, particularly in the U.S., mainly as a result of higher prices
- Eylea, which has also been available in France since the end of last year, posted a substantial increase in sales.
- AspirinCardio and Glucobay registered significant growth in demand, especially in China
- Cipro benefited from a government contract in the U.K.
- Xofigo posted sales of €36 million. Adempas achieved sales of €9 million.
- Sales development at **Consumer Health** was flat. Business in our Animal Health (€330 million, +8.0% Fx & portf. adj.) and Consumer Care (€923 million, +2.2% Fx & portf. adj.) divisions developed positively, especially in the Emerging Markets. Sales of our Medical Care division (€537 million, -5.9% Fx & portf. adj.) receded, however, particularly in the US.
- Despite substantial negative Fx-effects of approx. €130 million, **EBITDA before special items** of HealthCare moved ahead by 1.9% to €1,301 million (Fx-effect approx. -11%). The improvement was due to the very good business development at Pharmaceuticals, while earnings at Consumer Health declined slightly.

CropScience

<i>Euro million</i>	Q1 2013	Q1 2014	% y-o-y	Consensus**
Sales	2,764	2,900	4.9 / 11.8*	2,855
Crop Protection / Seeds	2,600	2,734	5.2 / 12.1*	•
Environmental Science	164	166	1.2 / 7.9*	•
EBITDA before special items	1,081	1,098	1.6	1,052

*) Currency and portfolio adjusted sales growth

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

Q1 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	1,239	17.0	954	4.3	329	8.2	378	21.3

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

- Price +1.6%, volume +10.2%, currency -7.0%, portfolio +0.1%
- **CropScience** benefited mainly from an early start to the season in Europe and strong sales in Latin America.
- At **Crop Protection / Seeds** sales rose by 12.1% (Fx & portf. adj.) to €2,734 million, with all units showing positive development. Fungicides (€662 million, +16.6% Fx & portf. adj.), SeedGrowth (€252 million, +19.1% Fx & portf. adj.) and Insecticides (€352 million, +12.6% Fx & portf. adj.) posted double-digit growth rates. Herbicides (€965 million, +7.7% Fx & portf. adj.) mainly benefited from the good development of products for use in cereals. Business in Seeds (€503 million, +11.9% Fx & portf. adj.) also expanded markedly. Our new Crop Protection products (launched since 2006) made a significant overall contribution to this development.
- **Environmental Science** (€166 million, +7.9% Fx & portf. adj.) with positive performance both with products for professional users and in the consumer business.
- Substantial sales growth of CropScience in Europe resulted partly from the weather-related early start to the season. Fungicides, Herbicides and Insecticides developed especially well, all of them recording double-digit growth rates. Seeds also posted significant gains, thanks to the successful sales development for our vegetable seeds. Sales of Environmental Science moved slightly ahead.



- Business in North America expanded despite adverse weather conditions in large parts of this region. We were particularly successful in Seeds, especially with oilseed rape / canola and cotton seed. Substantial sales increases for SeedGrowth products more than offset the y-o-y decreases for Insecticides and Fungicides.
- Sales growth in Asia/Pacific was largely due to very good development of our business in India, including our products for use in rice.
- Significant sales increase in LatAm/Africa/Middle East was primarily driven by Insecticides and Fungicides. We also achieved substantial growth in Seeds, more than doubling our sales of cotton seed. Environmental Science posted double-digit growth rates in a generally positive market environment.
- Despite negative currency effects of €70 million, **EBITDA before special items** at CropScience advanced by 1.6% to €1,098 million (Fx-effect approx. -6%). This earnings growth was mainly attributable to significantly increased volumes and higher selling prices. Earnings were hampered by increases in both selling expenses and research and development expenses.

MaterialScience

<i>Euro million</i>	Q1 2013	Q1 2014	% y-o-y	Consensus**
Sales	2,775	2,803	1.0 / 4.8*	2,818
Polyurethanes	1,469	1,510	2.8 / 6.5*	•
Polycarbonates	663	659	(0.6) / 2.3*	•
CAS	467	469	0.4 / 6.6*	•
Industrial Operations	176	165	(6.3) / (5.1)*	•
EBITDA before special items	204	366	79.4	271

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

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

- Price -2.8%, volume +7.6%, currency -3.2%, portfolio -0.6%
- Sales growth at MaterialScience was the result of significantly higher volumes in all business units and regions except LatAm/Africa/Middle East. Selling prices were below the level of the prior-year period.
- Sales growth of **Polyurethanes** was driven by higher volumes in nearly all regions, especially North America and Asia/Pacific. Business in the corresponding period of last year had been hampered by a maintenance shutdown in North America. We saw a significant increase in volumes for MDI and TDI, whereas selling prices declined. Both volumes and prices for PET moved higher.
- Sales of **Polycarbonates** increased thanks to higher volumes in nearly all regions and particularly the positive development of the automotive sector in Asia/Pacific and Europe. Selling prices were below the level of the prior-year quarter.
- Sales of **Coatings, Adhesives, Specialties** were driven by higher volumes in all regions. Selling prices declined, especially in Asia/Pacific and LatAm/Africa/Middle East.
- **EBITDA before special items** at MaterialScience improved by a substantial 79.4% against a weak prior-year quarter, to €366 million (Q1 2013: €204 million). This increase was largely due to lower raw material prices. Earnings were also boosted by higher volumes and our efficiency improvement measures. Lower selling prices, however, had a negative effect.

Key figures for Q1 2014

	HealthCare				CropScience				MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total		Q1'13	Q1'14	Q1'13	Q1'14
	Q1'13	Q1'14	Q1'13	Q1'14	Q1'13	Q1'14	Q1'13	Q1'14	Q1'13	Q1'14	€ million	€ million	€ million	€ million
Sales	4,443	4,572	2,564	2,782	1,879	1,790	2,764	2,900	2,775	2,803	284	280	10,266	10,555
Sales by region:														
Europe	1,622	1,757	907	1,035	715	722	1,077	1,239	1,086	1,141	258	263	4,043	4,400
North America	1,176	1,132	576	591	600	541	984	954	594	596	4	2	2,758	2,684
Asia / Pacific	993	1,070	700	801	293	269	341	329	731	736	5	5	2,070	2,140
LatAm/Africa/Middle East	652	613	381	355	271	258	362	378	364	330	17	10	1,395	1,331
EBITDA	1,253	1,317	830	889	423	428	1,077	1,098	203	364	-117	-34	2,416	2,745
Special items	-24	16	-2	16	-22	0	-4	0	-1	-2	-8	-7	-37	7
EBITDA before special items	1,277	1,301	832	873	445	428	1,081	1,098	204	366	-109	-27	2,453	2,738
EBITDA margin before special items	28.7%	28.5%	32.4%	31.4%	23.7%	23.9%	39.1%	37.9%	7.4%	13.1%	-38.4%	-9.6%	23.9%	25.9%
EBIT	922	962	601	641	321	321	964	988	42	219	-157	-73	1,771	2,096
Special items	-31	16	-9	16	-22	0	-5	0	-1	-2	-8	-7	-45	7
EBIT before special items	953	946	610	625	343	321	969	988	43	221	-149	-66	1,816	2,089
EBIT margin before special items	21.4%	20.7%	23.8%	22.5%	18.3%	17.9%	35.1%	34.1%	1.5%	7.9%	-52.5%	-23.6%	17.7%	19.8%
Gross cash flow	887	881	582	574	305	307	743	770	177	285	0	112	1,807	2,048
Net cash flow	805	659	553	447	252	212	-817	-722	-100	-44	439	270	327	163
Financial result													-190	-159
Net income													1,160	1,423
Earnings per share (€)													1.40	1.72
Core earnings per share (€)													1.70	1.95
CapEx (cash effective)													365	357
R&D													725	820
D&A and Write-downs	331	355	229	248	102	107	113	110	161	145	40	39	645	649
Employees at end of period	55,710	56,978	37,484	38,837	18,226	18,141	21,202	22,937	14,360	14,191	20,375	20,822	111,647	114,928



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