



Q2 2013 Analyst and Investor Briefing

July 31, 2013

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

- Strong growth in Life Sciences
- HealthCare and CropScience post dynamic growth, MaterialScience weak
- New pharmaceutical products well above expectations
- Group sales €10.4 billion (Fx & portfolio adj. +4.6%)
- Price +0.3%, volume +4.3%, currency -2.9%, portfolio +0.2%
- EBIT €1.3 billion (+73.9%)
- EBITDA before special items €2.2 billion (+1.2%)
- Net special items of minus €256 million largely comprised impairment losses on intangible assets, expenses related to restructuring and litigations, mainly in connection with Cipro
- Net income €0.8 billion (+74.8%)
- Core earnings per share €1.54 (+6.2%)
- Group outlook for 2013 maintained

Group Key Figures

<i>Euro million</i>	Q2 2012	Q2 2013	% y-o-y	Consensus**
Sales	10,166	10,360	1.9 / 4.6*	10,434
EBITDA	1,558	2,086	33.9	2,112
EBITDA before special items	2,169	2,195	1.2	2,187
EBIT	740	1,287	73.9	1,461
Net special items	(762)	(256)	66.4	(53)
EBIT before special items	1,502	1,543	2.7	1,516
Financial result	(212)	(225)	(6.1)	(193)
Income taxes	(42)	(218)	•	•
Net income	481	841	74.8	939
EPS (Euro/share)	0.58	1.02	75.9	1.14
Core EPS (Euro/share)	1.45	1.54	6.2	1.47
Gross cash flow	1,224	1,680	37.3	•
Delta working capital	177	(144)	•	•
Net cash flow	1,401	1,536	9.6	•
CapEx (cash relevant)	444	502	13.1	•
Operating free cash flow	957	1,034	8.0	•

<i>Euro million</i>	March 31, 2013	June 30, 2013
Net financial debt	7,513	9,015
Net pension liability	9,350	8,191

2012 figures restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 15, 2013 provided by Vara Research GmbH



Bayer Group Forecast 2013

- We are currently maintaining the forecast for 2013 that we published at the end of February, even if this appears increasingly ambitious. It remains to be seen to what extent the unexpectedly weak development at MaterialScience will be offset by our improved performance in the Life Sciences.
- We expect sales for the full year 2013 to increase by 4% – 5% after adjusting for currency and portfolio effects. The following guidance is based on average exchange rates for the first half of 2013 (previously: average exchange rates for the fourth quarter of 2012). We expect to achieve Group sales of €40 billion to €41 billion (previously: €41 billion). We aim to increase EBITDA before special items by a mid-single-digit percentage and improve core earnings per share by a high-single-digit percentage.

HealthCare (unchanged, Pharmaceuticals and Consumer Health revised)

- We expect HealthCare sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to approximately €19 billion. We plan to increase EBITDA before special items. Earnings growth is likely to be restrained by a three-digit million amount of negative currency effects. We aim to slightly improve the EBITDA margin before special items.
- Sales in the **Pharmaceuticals** segment are developing better than anticipated thanks to the successful marketing of our new products. We now expect sales to move ahead in 2013 by a high- (previously: mid-) single-digit percentage on a currency- and portfolio-adjusted basis to more than (previously: about) €11 billion. We now aim to achieve sales in the region of €1.4 billion with our new products. We plan to increase EBITDA before special items and improve (previously: slightly improve) the EBITDA margin before special items.
- Taking into account the market-related weakening of the Medical Care business, we predict that sales of the **Consumer Health** segment will grow by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to around €8 billion. We expect EBITDA before special items to come in at the level of the prior year (previously: increase) and the EBITDA margin before special items to be below (previously: level with) the prior year.

CropScience (unchanged)

- We confirm our forecast for CropScience. Here we continue to expect that business growth will outpace the market, with sales advancing by a high-single-digit percentage on a currency- and portfolio-adjusted basis toward €9 billion. We also plan to raise EBITDA before special items by a high-single-digit percentage.

MaterialScience (revised)

- Considering the weak business development in the first half of 2013, we believe full-year sales of MaterialScience will not quite reach the prior-year figure (previously: slight increase to about €12 billion; 2012: €11.5 billion). We now expect EBITDA before special items to come in below (previously: approximately match) the prior-year figure.
- In the third quarter of 2013, we expect sales on a currency- and portfolio-adjusted basis and EBITDA before special items to exceed the levels of the second quarter of 2013.

Reconciliation (revised)

- For 2013 we continue to expect sales on a currency- and portfolio-adjusted basis to be level with the previous year. We now anticipate that EBITDA before special items will be in the region of the prior-year figure (previously: minus €200 million; 2012: minus €127 million).

Further assumptions for 2013:

- CapEx: approx. €1.9 billion for property, plant and equipment and €0.4 billion for intangible assets
- Planned D&A: approx. €2.6 billion, including €1.3 billion amortization of intangibles
- R&D: approx. €3.2 billion
- Financial result: approx. minus €0.8 billion
- Effective tax-rate: approx. 25% (previously: approx. 26%)
- Net financial debt below €8 billion at the end of 2013, taking into account the acquisitions signed until June 30, 2013 (previously: below €7 billion)

Further details of the forecast are given in the Annual Report 2012.



HealthCare

<i>Euro million</i>	Q2 2012	Q2 2013	% y-o-y	Consensus**
Sales	4,625	4,800	3.8 / 7.6*	4,756
Pharmaceuticals	2,683	2,831	5.5 / 10.0*	2,769
Consumer Health	1,942	1,969	1.4 / 4.2*	1,989
EBITDA before special items	1,248	1,328	6.4	1,329
Pharmaceuticals	810	921	13.7	860
Consumer Health	438	407	(7.1)	471

2012 figures restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 15, 2013 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q2 2012	Q2 2013	% y-o-y	% y-o-y Fx
Kogenate	289	306	5.9	9.5
of which USA	87	89	2.3	4.8
Betaferon / Betaseron	319	269	(15.7)	(13.8)
of which USA	152	133	(12.5)	(11.7)
YAZ product family	254	215	(15.4)	(10.9)
of which USA	39	29	(25.6)	(27.1)
Xarelto	68	219	222.1	237.4
of which USA	11	29	163.6	150.0
Nexavar	195	200	2.6	7.2
of which USA	52	58	11.5	13.5
Mirena	199	193	(3.0)	(0.8)
of which USA	126	114	(9.5)	(8.6)
Adalat	172	157	(8.7)	(0.8)
of which USA	0	1	•	•
Aspirin Cardio	115	116	0.9	4.8
of which USA	0	0	•	•
Glucobay	103	108	4.9	5.9
of which USA	0	1	•	•
Avalox / Avelox	113	105	(7.1)	(4.2)
of which USA	13	5	(61.5)	(65.0)
Levitra	70	76	8.6	12.9
of which USA	12	20	66.7	68.2
Eylea	0	73	•	•
of which USA	0	0	•	•
Cipro / Ciprobay	57	59	3.5	9.3
of which USA	2	13	•	•
Stivarga	0	47	•	•
of which USA	0	35	•	•
Zetia	48	45	(6.3)	14.5
of which USA	0	0	•	•

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

- Price +0.3%, volume +7.3%, currency -4.1%, portfolio +0.3%
- Sales increase at **Pharmaceuticals** mainly driven by continuing good development of our new products Xarelto, Eylea and Stivarga with combined sales of €339 million (Q2 2012: €68 million). Sales gains for the segment as a whole on an Fx adjusted basis were particularly marked in Japan, China and Germany.



- Sales gains of Kogenate partly due to shifts in the order patterns of our distribution partner.
- Betaferon sales continued to recede as expected against the strong prior-year quarter.
- YAZ-product family affected mainly by generic competition in Western Europe and the US.
- Xarelto with continued robust sales growth especially in Germany, Japan and France. Strong gains were also achieved in the US.
- Nexavar developed positively, partly in light of price increases in the US.
- Sales of Mirena moved back in the US against an exceptionally strong prior-year quarter, but overall remained level year on year thanks to higher volumes in other regions.
- Sales of Aspirin Cardio and Glucobay benefited from gains in China.
- Eylea with pleasing contribution to sales development.
- Continued successful market introduction of Stivarga.
- Business at **Consumer Health** expanded in all divisions. Consumer Care at €950 million (+5.4% Fx & portf. adj.), Medical Care at €657 million (+3.5% Fx & portf. adj.) and Animal Health at €362 million (+2.5% Fx & portf. adj.). The Consumer Care division in particular achieved gratifying sales gains in the Emerging Markets, especially Brazil, Argentina and Russia.
- The improvement in **EBITDA before special items** at HealthCare was due to good business development at Pharmaceuticals while earnings at Consumer Health declined.

CropScience

<i>Euro million</i>	Q2 2012	Q2 2013	% y-o-y	Consensus**
Sales	2,276	2,392	5.1 / 7.3*	2,419
Crop Protection / Seeds	2,087	2,199	5.4 / 7.4*	•
Environmental Science	189	193	2.1 / 5.8*	•
EBITDA before special items	549	624	13.7	594

2012 figures restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 15, 2013 provided by Vara Research GmbH

Q2 2013	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	905	7.9	680	(4.0)	376	11.6	431	29.4
Crop Protection	800	7.9	487	(2.9)	285	11.7	381	27.3

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

- Price +2.5%, volume +4.8%, currency -2.9%, portfolio +0.7%
- Sales growth at **CropScience** was particularly strong in LatAm/Africa/Middle East, with positive development in Asia/Pacific and Europe as well. Sales in North America were adversely affected by the late start to the season and declining acreages. Our business continued to be supported by the persistently high price levels for agricultural commodities.
- **Crop Protection** up 8.2% (Fx & portf. adj.) at €1,953 million. Fungicides €733 million (+20.7% Fx & portf. adj.), herbicides €700 million (+3.4% Fx & portf. adj.), insecticides €374 million (+1.8% Fx & portf. adj.) and SeedGrowth €146 million (-5.0% Fx & portf. adj.).
- The largest increase in percentage terms at Crop Protection was achieved for fungicides, driven mainly by sales growth in LatAm and Europe. Sales of herbicides and insecticides also registered slight increases. In



SeedGrowth, however, business declined, largely because of sales in Europe that had already been realized in the first quarter and reduced canola acreages in Canada.

- Crop Protection sales in Europe were driven by fungicides in Western Europe. Business with insecticides, especially for use in fruits and vegetables, also showed a double digit increase. SeedGrowth sales, however, were down from the prior-year period.
- Crop Protection sales in North America receded due to negative business development in the US because of the late start to the season and declining acreages. In Canada, however, sales rose considerably, with products for use in cereals posting particularly strong gains.
- Sales growth of Crop Protection in Asia/Pacific was due in large part to increasing sales of herbicides, particularly in Australia for use in cereals. Business also developed very well in India and Thailand, while sales in Japan moved lower, especially for insecticides.
- Crop Protection sales in LatAm/Africa/Middle East were mainly driven by the sales development in Brazil and Argentina, with particularly strong growth in the fungicides business. Sales of insecticides also rose strongly. By contrast, sales in Africa/Middle East receded.
- The **Seeds** business (€246 million, +1.7% Fx & portf. adj.) was particularly successful with our vegetable and rice seeds. However, business declined in North America as a result of reduced acreages for canola in Canada and for cotton in the US.
- **Environmental Science** (€193 million, +5.8% Fx & portf. adj.) registered sales growth both in the consumer business and in products for professional users.
- The increase in **EBITDA before special items** at CropScience was mainly attributable to higher volumes and selling price increases.

MaterialScience

<i>Euro million</i>	Q2 2012	Q2 2013	% y-o-y	Consensus**
Sales	2,954	2,875	(2.7) / (1.5)*	2,950
Polyurethanes	1,521	1,546	1.6 / 3.0*	•
Polycarbonates	727	664	(8.7) / (8.2)*	•
CAS	525	493	(6.1) / (4.0)*	•
Industrial Operations	181	172	(5.0) / (4.4)*	•
EBITDA before special items	383	274	(28.5)	298

2012 figures restated; CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 15, 2013 provided by Vara Research GmbH

- Price -1.1%, volume -0.4%, currency -1.1%, portfolio -0.1%
- The sales decline at MaterialScience was attributable to lower selling prices in Asia/Pacific and Europe. Volumes matched the prior-year period, with increases in North America offsetting declines in LatAm/Africa/Middle East and Europe.
- Sales of **Polyurethanes** driven by higher volumes in all regions except Europe. Selling prices overall were at the level of the prior-year period. Lower volumes for MDI were more than offset by price increases. We significantly increased volumes of TDI, while selling prices fell overall. Both volumes and prices for PET were below the prior-year quarter.
- Sales of **Polycarbonates** declined due to lower volumes in all regions as a result of weaker demand. In addition, selling prices as a whole were below the prior-year period on account of market overcapacities.
- Sales of **Coatings, Adhesives, Specialties** declined as a result of both lower selling prices and a decrease in volumes in nearly all product groups and regions.
- **EBITDA before special items** at MaterialScience declined largely because of a decline in selling prices and an increase in raw material costs. Polycarbonates showed particularly weak earnings development.

Key figures for Q2 2013

	HealthCare				CropScience				MaterialScience				Reconciliation		Group		
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total		Subgroup Total		Q2'12	Q2'13	Q2'12	Q2'13	
	Q2'12	Q2'13	Q2'12	Q2'13	Q2'12	Q2'13	Q2'12	Q2'13	Q2'12	Q2'13	Q2'12	Q2'13	€ million	€ million	€ million	€ million	
Sales	4,625	4,800	2,683	2,831	1,942	1,969	2,276	2,392	2,954	2,875	311	293	10,166	10,360			
Sales by region:																	
Europe	1,577	1,694	892	974	685	720	847	905	1,130	1,098	280	263	3,834	3,960			
North America	1,257	1,293	605	649	652	644	721	680	642	642	6	8	2,626	2,623			
Asia / Pacific	1,063	1,079	742	778	321	301	354	376	806	774	6	7	2,229	2,236			
LatAm/Africa/Middle East	728	734	444	430	284	304	354	431	376	361	19	15	1,477	1,541			
EBITDA	726	1,208	294	801	432	407	501	607	361	313	-30	-42	1,558	2,086			
Special items	-522	-120	-516	-120	-6	0	-48	-17	-22	39	-19	-11	-611	-109			
EBITDA before special items	1,248	1,328	810	921	438	407	549	624	383	274	-11	-31	2,169	2,195			
EBITDA margin before special items	27.0%	27.7%	30.2%	32.5%	22.6%	20.7%	24.1%	26.1%	13.0%	9.5%	-3.5%	-10.6%	21.3%	21.2%			
EBIT	234	729	48	472	186	257	382	496	201	143	-77	-81	740	1,287			
Special items	-668	-258	-524	-213	-144	-45	-53	-18	-22	31	-19	-11	-762	-256			
EBIT before special items	902	987	572	685	330	302	435	514	223	112	-58	-70	1,502	1,543			
EBIT margin before special items	19.5%	20.6%	21.3%	24.2%	17.0%	15.3%	19.1%	21.5%	7.5%	3.9%	-18.6%	-23.9%	14.8%	14.9%			
Gross cash flow	560	915	221	595	339	320	382	447	288	223	-6	95	1,224	1,680			
Net cash flow	868	565	604	261	264	304	935	856	41	167	-443	-52	1,401	1,536			
Financial result																	
Net income																	
Earnings per share (€)																	
Core earnings per share (€)																	
CapEx (cash effective)																	
R&D																	
D&A and Write-downs	492	479	246	329	246	150	119	111	160	170	47	39	818	799			
Employees at end of period	55,400	56,300	37,600	38,100	17,800	18,200	21,100	21,800	14,700	14,400	20,600	20,500	111,800	113,000			

2012 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)

Fabian Kligen (+49-214-30-35426)

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

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

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

Forward-looking statements

This announcement may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.