



150 Years  
Science For A  
Better Life

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## Investor News

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Third quarter of 2013:

### **Bayer continues positive business momentum**

- Ongoing dynamic trend in Life Sciences; MaterialScience level with prior-year quarter
- New pharmaceutical products post excellent growth
- Group sales EUR 9,643 million (minus 0.2 percent; Fx & portfolio adj. plus 6.0 percent)
- EBIT shows 47.5 percent improvement to EUR 1,221 million
- EBITDA before special items moves 7.7 percent higher to EUR 1,984 million
- Net income advances by 42.1 percent to EUR 733 million
- Core earnings per share up 8.5 percent to EUR 1.27
- Group guidance for 2013 maintained

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**Leverkusen, October 31, 2013** – The Bayer Group continued its positive business momentum in the third quarter of 2013, with substantial contributions from the Life Science businesses HealthCare and CropScience. "HealthCare registered encouraging growth, largely due to the outstanding sales performance for our new pharmaceutical products," Bayer Management Board Chairman Dr. Marijn Dekkers explained when the interim report was released on Thursday. CropScience benefited from a continuing favorable market environment and a good start to the season in Latin America, he said. At MaterialScience, sales (after adjusting for currency and portfolio effects) and earnings were level with the prior-year quarter in a persistently difficult market environment. "We are maintaining our guidance for the Group for 2013, although it is increasingly ambitious," said Dekkers.

Reported sales of the Bayer Group were level year on year (minus 0.2 percent) at EUR 9,643 million (Q3 2012: EUR 9,661 million). Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales grew by 6.0 percent. EBIT improved by a substantial 47.5 percent

to EUR 1,221 million (Q3 2012: EUR 828 million) due in part to a drop in net special charges to EUR 99 million (Q3 2012: EUR 356 million). The special charges largely comprised expenses for restructuring and the integration of acquired businesses. EBIT before special items rose by 11.5 percent to EUR 1,320 million (Q3 2012: EUR 1,184 million). EBITDA before special items increased by 7.7 percent to EUR 1,984 million (Q3 2012: EUR 1,842 million) despite negative currency effects of about EUR 130 million. Net income advanced by 42.1 percent against the prior-year period to EUR 733 million (Q3 2012: EUR 516 million), while core earnings per share rose by 8.5 percent to EUR 1.27 (Q3 2012: EUR 1.17).

Gross cash flow moved ahead by 35.9 percent to EUR 1,367 million (Q3 2012: EUR 1,006 million), mainly as a result of the significant improvement in EBIT. Net cash flow fell by 13.0 percent to EUR 1,728 million (Q3 2012: EUR 1,986 million) because less working capital was released than in the prior-year quarter. Net financial debt declined from EUR 9.0 billion on June 30, 2013, to EUR 7.7 billion on September 30, 2013, largely as a result of cash inflows from operating activities.

### **New pharmaceutical products contribute more than EUR 400 million to HealthCare sales**

Sales of the HealthCare subgroup increased by 0.5 percent (Fx & portfolio adj. 7.4 percent) in the third quarter to EUR 4,742 million (Q3 2012: EUR 4,717 million). "Our Pharmaceuticals business posted strong growth in all regions on a currency-adjusted basis," Dekkers commented. Sales of the Consumer Health segment also increased (Fx & portfolio adj.), mainly in the non-prescription medicines (Consumer Care) business and in the Emerging Markets.

The Pharmaceuticals business grew by 3.1 percent (Fx & portfolio adj. 10.6 percent) to EUR 2,818 million. This strong development was mainly driven by the new products – the anticoagulant Xarelto™, the eye medicine Eylea™, and the cancer drugs Stivarga™ and Xofigo™ – which posted combined sales of EUR 407 million (Q3 2012: EUR 82 million). Xarelto™ became the global leader in the new oral anticoagulants. Marketing of the pulmonary hypertension treatment Adempas™ (active ingredient: riociguat) began in September 2013, initially in Canada.

Among Bayer's established top pharmaceutical products, sales of the blood-clotting drug Kogenate™ increased by 14.5 percent on a currency-adjusted basis (Fx adj.), mainly due

to shifts in order patterns. The cancer drug Nexavar™ also registered double-digit sales growth (Fx adj. 11.1 percent). Business with the multiple sclerosis drug Betaferon™/Betaseron™ receded as expected, particularly in the United States, due to increased competition. Global sales of this product were down by 6.7 percent (Fx adj.). Sales of the YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives were hampered by generic competition, especially in Western Europe, decreasing by 15.1 percent (Fx adj.) overall.

Sales in the Consumer Health segment came in at EUR 1,924 million (minus 3.1 percent). On a currency- and portfolio-adjusted basis, business expanded by 2.9 percent. Consumer Care registered strong growth particularly for the skincare product Bepanthen™/Bepanthol™ and the dietary supplement Supradyn™ (Fx adj. plus 29.6 percent and plus 19.8 percent, respectively). The Medical Care Division achieved currency- and portfolio-adjusted sales growth with contrast agents and medical devices (Radiology and Interventional). However, the Diabetes Care business was hampered above all by reimbursement pressure and price declines in the United States. The Animal Health Division benefited especially from the launch of the Seresto™ flea and tick collar in the United States. Sales of the Advantage™ line of flea, tick and worm control products were level with the prior-year period.

EBITDA before special items of the HealthCare subgroup rose by 4.6 percent to EUR 1,392 million (EUR 1,331 million). This improvement was the result of very good business development in Pharmaceuticals, whereas earnings of Consumer Health were slightly down. Negative currency effects diminished earnings of HealthCare by about EUR 100 million.

### **CropScience registers strong gains in Latin America**

Sales of the agriculture business (CropScience) increased in the third quarter by 4.3 percent (Fx & portfolio adj. 12.1 percent) to EUR 1,712 million (Q3 2012: EUR 1,641 million). "This increase was mainly due to the good development of our crop protection products. Our business benefited from a continuing favorable market environment and a good start to the season in Latin America," Dekkers explained. This subgroup posted its largest gains in the Latin America/Africa/Middle East region (Fx adj. plus 31.3 percent) thanks mainly to strong business in Brazil. CropScience sales in the Asia/Pacific region also rose by a double-digit percentage (Fx adj. plus 10.8 percent). While sales in Europe matched the high level of the previous year, business in North America receded by 6.5 percent (Fx adj.) against a very strong prior-year quarter.

At Crop Protection, Insecticides and Fungicides were particularly successful. These product groups increased sales by 28.2 and 24.7 percent, respectively (Fx & portfolio adj.). Herbicides saw a small sales gain of 1.9 percent (Fx & portfolio adj.), while business with seed treatment products (SeedGrowth) remained at the level of the prior-year period (Fx & portfolio adj. plus 0.3 percent). The positive overall development in these business units more than offset the significantly lower sales in Seeds (Fx & portfolio adj. minus 30.2 percent). This was largely the result of reduced canola and cotton acreages in North America, which also led to higher product returns. Sales of the Environmental Science operating segment advanced by 19.2 percent (Fx & portfolio adj.). Both the products for professional users and the consumer business contributed to this growth.

EBITDA before special items at CropScience climbed by 13.7 percent to EUR 224 million (Q3 2012: EUR 197 million). The increase in earnings was mainly due to the good business development but was held back by higher selling and R&D expenses.

### **MaterialScience level with the prior year**

"Sales and earnings in the MaterialScience subgroup were level with the prior-year period, posting an improvement against the second quarter of 2013," Dekkers pointed out. Sales of this high-tech materials business came in at EUR 2,897 million (Q3 2012: EUR 2,990 million), down 3.1 percent year on year in a difficult market environment. On a currency- and portfolio-adjusted basis, sales rose by 1.1 percent. This growth was the result of higher volumes in the North America and Europe regions. Volumes in Asia/Pacific remained unchanged. Selling prices overall were slightly below the prior-year quarter. Price increases in Latin America/Africa/Middle East only partly offset the declines in Europe and Asia/Pacific. Prices in North America were flat with the prior-year quarter.

Business with foam raw materials (Polyurethanes) rose by 4.1 percent (Fx & portfolio adj.). This increase was attributable to higher volumes in all regions except Latin America/Africa/Middle East. Selling prices were down overall against the prior-year period. Sales in the high-tech plastics business (Polycarbonates) declined by 3.1 percent (Fx & portfolio adj.), mainly because selling prices as a whole were below the prior-year period on account of market overcapacities. In addition, volumes showed a year-on-year decline. Sales of raw materials for coatings, adhesives and specialties improved by 0.8 percent (Fx & portfolio adj.).

EBITDA before special items of MaterialScience rose by 2.7 percent to EUR 346 million (Q3 2012: EUR 337 million), including a EUR 17 million gain from the divestment of the business with non-waterborne raw materials for UV-curing coatings. Earnings were bolstered by the slight rise in volumes and by efficiency improvements, but diminished by a drop in selling prices and increases in raw material costs.

### **Sales and earnings raised in the first nine months**

Bayer grew sales and earnings in the first nine months of 2013, the market-related weakness at MaterialScience being more than offset by the excellent development in the Life Science businesses. Group sales advanced by 1.3 percent (Fx & portfolio adj. 4.7 percent) to EUR 30,269 million (9M 2012: EUR 29,881 million). EBIT improved by 33.8 percent to EUR 4,279 million (9M 2012: EUR 3,199 million). EBITDA before special items increased by 2.8 percent to EUR 6,632 million (9M 2012: EUR 6,454 million). Net income climbed by 34.2 percent to EUR 2,734 million (9M 2012: EUR 2,037 million), and core earnings per share by 5.1 percent to EUR 4.51 (9M 2012: EUR 4.29).

### **Roughly EUR 18 billion in future investment planned**

"The encouraging development – especially in the Life Sciences – is closely related to the successful introduction of our new products," said Dekkers. "Bayer is a world-class innovation company, and our innovations are paying off." He said this is also expressed in the company's mission "Bayer: Science For A Better Life." According to Dekkers, Bayer has earmarked a total of some EUR 18 billion for R&D and capital expenditures in the period from 2013 through 2015.

He said HealthCare had made further progress with products from its research and development pipeline and received marketing authorization in new indications during the course of this year. Bayer is targeting total sales of more than EUR 1.4 billion in 2013 for the five new pharmaceutical products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™. "We estimate the combined peak sales potential of these products at more than EUR 5.5 billion," said Dekkers. "There are even more projects with great potential in our pharmaceutical pipeline," he added, citing the accelerated development of five new drug candidates in the areas of oncology, cardiology, hematology and gynecology that Bayer hopes can be transitioned to Phase III by 2015.

"At CropScience, too, we are making very good progress: sales of products that have been approved since 2006 grew by a reported 35 percent against the prior-year quarter," Dekkers added. CropScience anticipates a combined peak sales potential of at least EUR 4 billion for products with estimated launch dates between 2011 and 2016. MaterialScience is mainly working on close-to-customer development projects and the further enhancement of process technologies.

### **Group sales in 2013 expected to climb to approximately EUR 40 billion**

The Life Science businesses – HealthCare and CropScience – recorded very encouraging growth in the first nine months, compensating for the market-related weakness at MaterialScience. Bayer expects this development to continue in the fourth quarter. Operational earnings have increasingly been held back by currency effects during the course of the year. The forecast for the full year is now based on the average exchange rates for the first nine months (previously: first half of 2013). "We are maintaining our guidance, although it is increasingly ambitious," said Dekkers. Bayer expects sales for the full year 2013 to increase by a currency- and portfolio-adjusted 4–5 percent to approximately EUR 40 billion (previously: EUR 40 billion to EUR 41 billion). Bayer aims 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 expects sales to advance by a mid-single-digit percentage (Fx & portfolio adj.) to approximately EUR 19 billion and plans to increase EBITDA before special items. Earnings growth is likely to be restrained by negative currency effects in the order of EUR 200 million to EUR 250 million. The subgroup aims to slightly improve the EBITDA margin before special items. Sales in the Pharmaceuticals segment are developing better than anticipated thanks to successful marketing of the new products. Here, sales are expected to move ahead by a high-single-digit percentage (Fx & portfolio adj.) to more than EUR 11 billion. The segment plans to increase EBITDA before special items and improve the EBITDA margin before special items. Significant negative currency effects along with higher selling and R&D expenses are again anticipated for the fourth quarter of 2013. Taking into account the market-related weakening of the Medical Care business, sales of the Consumer Health segment are predicted to grow by a mid-single-digit percentage (Fx & portfolio adj.) to around EUR 8 billion. In this segment, Bayer expects EBITDA before special items to come in at the level of the prior year and the EBITDA margin before special items to be below the prior year.

The forecast for CropScience has been raised. This subgroup expects growth to outpace the market, with sales advancing by a high-single-digit percentage (Fx & portfolio adj.) toward EUR 9 billion. EBITDA before special items is planned to rise by at least 10 percent (previously: a high-single-digit percentage).

Considering the weak business development in the first nine months of 2013, Material-Science anticipates that full-year sales will be level with the previous year (Fx & portfolio adj.). This subgroup expects EBITDA before special items to come in below the prior-year figure. In the fourth quarter of 2013, MaterialScience expects sales (Fx & portfolio adj.) and EBITDA before special items to come in at the level of the prior-year period.

**Note:**

*The following tables contain the key data for the Bayer Group and its subgroups for the third quarter and the first nine months of 2013.*

*The complete financial report as of September 30, 2013 is available at [www.investor.bayer.com](http://www.investor.bayer.com).*

*Supplementary features at [www.investor.bayer.com](http://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*
- audio 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 2013

(Certain prior-year data are restated.)

<b>Bayer Group</b> (EUR million)	Q3 2012	Q3 2013	Change in %	9M 2012	9M 2013	Change in %
Sales	9,661	<b>9,643</b>	-0.2	29,881	<b>30,269</b>	+1.3
EBIT	828	<b>1,221</b>	+47.5	3,199	<b>4,279</b>	+33.8
<i>Special items</i>	(356)	<b>(99)</b>	-	(1,287)	<b>(400)</b>	-
EBIT before special items	1,184	<b>1,320</b>	+11.5	4,486	<b>4,679</b>	+4.3
EBITDA	1,579	<b>1,895</b>	+20.0	5,515	<b>6,397</b>	+16.0
<i>Special items</i>	(263)	<b>(89)</b>	-	(939)	<b>(235)</b>	-
EBITDA before special items	1,842	<b>1,984</b>	+7.7	6,454	<b>6,632</b>	+2.8
Net income	516	<b>733</b>	+42.1	2,037	<b>2,734</b>	+34.2
Earnings per share (EUR)	0.62	<b>0.89</b>	+43.5	2.46	<b>3.31</b>	+34.6
Core earnings per share (EUR)	1.17	<b>1.27</b>	+8.5	4.29	<b>4.51</b>	+5.1
Number of employees at end of period *	110,500	<b>113,300</b>	+2.5	110,500	<b>113,300</b>	+2.5

<b>Bayer HealthCare</b> (EUR million)	Q3 2012	Q3 2013	Change in %	9M 2012	9M 2013	Change in %
Sales	4,717	<b>4,742</b>	+0.5	13,683	<b>13,985</b>	+2.2
EBIT	672	<b>978</b>	+45.5	1,647	<b>2,629</b>	+59.6
<i>Special items</i>	(334)	<b>(70)</b>	-	(1,122)	<b>(359)</b>	-
EBIT before special items	1,006	<b>1,048</b>	+4.2	2,769	<b>2,988</b>	+7.9
EBITDA	1,081	<b>1,328</b>	+22.8	2,971	<b>3,789</b>	+27.5
<i>Special items</i>	(250)	<b>(64)</b>	-	(789)	<b>(208)</b>	-
EBITDA before special items	1,331	<b>1,392</b>	+4.6	3,760	<b>3,997</b>	+6.3

<b>Bayer CropScience</b> (EUR million)	Q3 2012	Q3 2013	Change in %	9M 2012	9M 2013	Change in %
Sales	1,641	<b>1,712</b>	+4.3	6,527	<b>6,868</b>	+5.2
EBIT	73	<b>106</b>	+45.2	1,309	<b>1,566</b>	+19.6
<i>Special items</i>	(3)	<b>(9)</b>	-	(66)	<b>(32)</b>	-
EBIT before special items	76	<b>115</b>	+51.3	1,375	<b>1,598</b>	+16.2
EBITDA	200	<b>218</b>	+9.0	1,676	<b>1,902</b>	+13.5
<i>Special items</i>	3	<b>(6)</b>	-	(54)	<b>(27)</b>	-
EBITDA before special items	197	<b>224</b>	+13.7	1,730	<b>1,929</b>	+11.5

<b>Bayer MaterialScience</b> (EUR million)	Q3 2012	Q3 2013	Change in %	9M 2012	9M 2013	Change in %
Sales	2,990	<b>2,897</b>	-3.1	8,731	<b>8,547</b>	-2.1
EBIT	165	<b>180</b>	+9.1	487	<b>365</b>	-25.1
<i>Special items</i>	(9)	<b>(6)</b>	-	(31)	<b>24</b>	-
EBIT before special items	174	<b>186</b>	+6.9	518	<b>341</b>	-34.2
EBITDA	331	<b>341</b>	+3.0	971	<b>857</b>	-11.7
<i>Special items</i>	(6)	<b>(5)</b>	-	(28)	<b>33</b>	-
EBITDA before special items	337	<b>346</b>	+2.7	999	<b>824</b>	-17.5

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](http://www.bayer.com).

\* Full-time equivalents