

Q1 2013 Analyst and Investor Briefing

April 25, 2013

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For details about changes in accounting policies please see page 6

- **Life Sciences off to a good start in anniversary year**
- **New pharmaceutical products spur growth at HealthCare, continuing strong development at CropScience, cost pressure at MaterialScience**
- **Group sales €10.3 billion (Fx & portfolio adj. +3.7%)**
- **Price +2.3%, volume +1.4%, currency -1.8%, portfolio +0.2%**
- **EBIT €1.8 billion (+8.6%)**
- **EBITDA before special items €2.5 billion (+0.4%)**
- **Net special items of minus €45 million resulting from restructuring measures**
- **Net income €1.2 billion (+11.5%)**
- **Gratifying development in Emerging Markets (Fx adj. +6.8%)**
- **Group outlook for 2013 confirmed**

Group Key Figures

Euro million	Q1 2012	Q1 2013	% y-o-y	Consensus**
Sales	10,054	10,266	2.1 / 3.7*	10,568
EBITDA	2,378	2,416	1.6	2,521
EBITDA before special items	2,443	2,453	0.4	2,553
EBIT	1,631	1,771	8.6	1,850
Net special items	(169)	(45)	73.4	(47)
EBIT before special items	1,800	1,816	0.9	1,889
Financial result	(188)	(190)	(1.1)	(194)
Income taxes	(402)	(419)	(4.2)	•
Net income	1,040	1,160	11.5	1,223
EPS *(Euro/share)*	1.26	1.40	11.1	1.48
Core EPS *(Euro/share)*	1.67	1.70	1.8	1.78
Gross cash flow	1,600	1,807	12.9	•
Delta working capital	(1,363)	(1,480)	(8.6)	•
Net cash flow	237	327	38.0	•
CapEx *(cash relevant)*	256	365	42.6	•
Operating free cash flow	(19)	(38)	(100.0)	•

Euro million	Dec. 31, 2012	March 31, 2013
Net financial debt	7,022	7,513
Net pension liability	9,219	9,350

2012 figures restated
*) Currency and portfolio adjusted sales growth
**) Consensus figures as of April 15, 2013 provided by Vara Research GmbH



Bayer Group Forecast 2013

- We confirm our forecast for 2013 which we published at the end of February.
- We continue to expect Group sales for the full year 2013 to increase by 4% - 5% after adjusting for currency and portfolio effects to approximately €41 billion, based on unchanged currency assumptions.
- As before, we plan to increase EBITDA before special items by a mid-single-digit percentage and core earnings per share by a high-single-digit percentage.

HealthCare (unchanged)

- HealthCare's ongoing priority for 2013 is to successfully commercialize the new pharmaceutical products.
- We continue to expect sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to approximately €19 billion, with an increase in EBITDA before special items. Earnings growth is likely to be restrained by negative currency effects and increasing expenses during the year for research and development and launches of our new products. We aim to slightly improve the EBITDA margin before special items.
- In the **Pharmaceuticals** segment we continue to expect sales to move ahead in 2013 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to about €11 billion. We plan to increase EBITDA before special items and slightly improve the EBITDA margin before special items.
- We continue to 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 increase and the EBITDA margin before special items to be level with the prior year.

CropScience (unchanged)

- At CropScience 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)

- For 2013 we are planning a slight increase in sales on a currency- and portfolio-adjusted basis to about €12 billion. In light of the business development in the first quarter, we are now aiming for EBITDA before special items to approximately match the prior-year figure (previously: further improve).
- In the second quarter of 2013, we expect sales to exceed the first quarter and EBITDA before special items to come in significantly higher.

Reconciliation

- For 2013 we expect sales on a currency- and portfolio-adjusted basis to be level with the previous year. We anticipate EBITDA before special items to be in the region of 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, taking into account the adjustments resulting from IAS 19R (expected impact of IAS 19R on the financial result in 2013 approx. minus €170 million)
- Effective tax-rate: approx. 26%
- Net financial debt: below €7.0 billion at the end of 2013

Further details of the business forecast are given in Chapter 17.3 of the Annual Report 2012.



HealthCare

Euro million	Q1 2012	Q1 2013	% y-o-y	Consensus**
Sales	**4,341**	**4,443**	**2.3 / 4.9***	**4,617**
Pharmaceuticals	2,517	2,564	1.9 / 5.0*	2,696
Consumer Health	1,824	1,879	3.0 / 4.8*	1,915
EBITDA before special items	**1,181**	**1,277**	**8.1**	**1,270**
Pharmaceuticals	740	832	12.4	808
Consumer Health	441	445	0.9	461

2012 figures restated

*) Currency and portfolio adjusted sales growth

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

Best Selling Pharmaceutical Products

Euro million	Q1 2012	Q1 2013	% y-o-y	% y-o-y Fx
Kogenate	**295**	**301**	**2.0**	**3.7**
of which USA	*83*	*79*	*(4.8)*	*(3.8)*
Betaferon / Betaseron	**276**	**254**	**(8.0)**	**(6.9)**
of which USA	*109*	*118*	*8.3*	*9.2*
YAZ product family	**244**	**206**	**(15.6)**	**(12.5)**
of which USA	*43*	*33*	*(23.3)*	*(21.5)*
Nexavar	**186**	**173**	**(7.0)**	**(4.1)**
of which USA	*49*	*45*	*(8.2)*	*(7.7)*
Mirena	**160**	**166**	**3.8**	**4.9**
of which USA	*93*	*96*	*3.2*	*4.4*
Adalat	**158**	**155**	**(1.9)**	**3.4**
of which USA	*1*	*2*	•	•
Xarelto	**42**	**155**	**269.0**	**274.3**
of which USA	*8*	*22*	*175.0*	*180.8*
Avalox / Avelox	**131**	**115**	**(12.2)**	**(11.7)**
of which USA	*18*	*7*	*(61.1)*	*(57.2)*
Aspirin Cardio	**108**	**102**	**(5.6)**	**(3.1)**
of which USA	*0*	*0*	•	•
Glucobay	**84**	**101**	**20.2**	**20.3**
of which USA	*0*	*0*	•	•
Levitra	**75**	**68**	**(9.3)**	**(6.5)**
of which USA	*22*	*20*	*(9.1)*	*(8.7)*
Eylea	**0**	**49**	•	•
of which USA	*0*	*0*	•	•
Cipro / Ciprobay	**51**	**46**	**(9.8)**	**(6.9)**
of which USA	*4*	*2*	•	•
Zetia	**47**	**41**	**(12.8)**	**3.7**
of which USA	*0*	*0*	•	•
Stivarga	**0**	**40**	•	•
of which USA	*0*	*35*	•	•

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



- Price +0.7%, volume +4.2%, currency -2.6%, portfolio ±0.0%
- Sales increase at **Pharmaceuticals** mainly driven by our new products. Xarelto, Eylea and Stivarga contributed sales of €244 million. Regional expansion mainly in China, Germany and the US.
- Kogenate mainly driven by higher volumes.
- Betaferon declined as expected due to lower volumes, particularly in the US and Brazil.
- YAZ-product family affected by generic pressure in Western Europe.
- Nexavar sales declined mainly due to inventory reductions at specialized cancer treatment centers in the US.
- Business with Mirena edged forward despite a strong prior-year quarter in the US.
- Xarelto continued to post very gratifying sales gains, especially in Germany and France, following indication expansions. Strong sales increases were also registered in the US.
- Sales of Levitra and Avelox receded mainly as a result of lower demand.
- Business with Aspirin Cardio was down overall despite sales increases in some countries, particularly China.
- Eylea with successful early launch phase in Japan and Australia.
- Stivarga contributed significantly to sales growth following the successful launch in the US.
- Sales increase at **Consumer Health** driven by sales growth in the Consumer Care Division, especially in the Emerging Markets. Consumer Care at €995 million (+9.5% Fx & portf. adj.), Medical Care at €597 million (-1.6% Fx & portf. adj.) and Animal Health at €327 million (+3.4% Fx & portf. adj.).
- Improvement in **EBITDA before special items** at HealthCare was mainly attributable to the good business development at Pharmaceuticals and Consumer Care. However, earnings development was held back by a steady rise in selling expenses.

CropScience

Euro million	Q1 2012	Q1 2013	% y-o-y	Consensus**
Sales	**2,610**	**2,764**	**5.9 / 7.2***	**2,792**
Crop Protection / Seeds	2,423	2,600	7.3 / 8.5*	•
Environmental Science	187	164	(12.3) / (10.2)*	•
EBITDA before special items	**984**	**1,081**	**9.9**	**1,013**

2012 figures restated

*) Currency and portfolio adjusted sales growth

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

Q1 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	**1,077**	**2.8**	**984**	**14.3**	**341**	**4.9**	**362**	**7.2**
Crop Protection	940	4.5	550	28.2	303	8.1	318	6.9

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

- Price +3.3%, volume +3.9%, currency -1.6%, portfolio +0.3%
- Sales at CropScience increased despite a late start to the season in the northern hemisphere. Growth was particularly strong in North America, but the other regions also showed positive development. Our business continued to be supported by the persistently high price levels for agricultural commodities.



- **Crop Protection** up 10.6% (Fx & portf. adj.) at €2,111 million. Positive development in all units and regions. Herbicides €947 million (+13.3% Fx & portf. adj.), fungicides €597 million (+8.7% Fx & portf. adj.), insecticides €342 million (+4.8% Fx & portf. adj.) and SeedGrowth €225 million (+14.6% Fx & portf. adj.).
- Performance of Crop Protection in Europe moved ahead mainly due to higher sales of fungicides in France and Ukraine. SeedGrowth sales also increased, driven by the positive development of our products for oilseed rape seed in Germany. Insecticides and Herbicides flat despite unfavorable weather conditions.
- Crop Protection sales in North America were driven particularly by the business in the United States, mainly through higher sales of corn herbicides. We were also successful in Canada, where apart from strong growth in fungicides, the herbicides and SeedGrowth businesses also developed very positively.
- Sales growth of Crop Protection in Asia/Pacific was largely attributable to a sales increase in herbicides, especially for products used on rice and plantation crops. Business in Australia was down against the strong prior-year quarter (new product launch).
- Crop Protection sales in LatAm/Africa/Middle East were driven by growth in Latin America, especially Brazil. The fungicides and insecticides units turned in particularly strong performances, especially with products for soybeans. Sales in Argentina declined, mainly as a result of adverse weather conditions.
- **Seeds** sales (€489 million, +0.2% Fx & portf. adj.) came in at the very strong level of the prior-year quarter The rise in sales of soybean seed did not fully offset the decline in business with cotton seed resulting from reduced cotton acreages. Sales of our vegetable seeds posted gratifying gains.
- **Environmental Science** (€164 million, -10.2% Fx & portf. adj.) declined primarily due to the long winter in the northern hemisphere, which held back demand from both professional users and consumers.
- **EBITDA before special items** at CropScience increased mainly as a result of price increases and higher volumes.

MaterialScience

Euro million	Q1 2012	Q1 2013	% y-o-y	Consensus**
Sales	**2,787**	**2,775**	**(0.4) / 0.3***	**2,841**
Polyurethanes	1,423	1,469	3.2 / 4.4*	•
Polycarbonates	705	663	(6.0) / (5.8)*	•
CAS	483	467	(3.3) / (3.1)*	•
Industrial Operations	176	176	0.0 / 0.6*	•
EBITDA before special items	**279**	**204**	**(26.9)**	**261**

2012 figures restated; CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

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

- Price +4.2%, volume -3.9%, currency -1.0%, portfolio +0.3%
- Sales overall flat y-o-y. An overall increase in selling prices compensated for a drop in volumes in Europe and North America.
- Sales of **Polyurethanes** driven by higher selling prices in all product groups and regions. Volumes declined overall due to lower sales in Europe and a maintenance shutdown in North America. Increased volumes in Asia/Pacific and LatAm/Africa/Middle East. Volumes were down for MDI and PET, but increased for TDI.
- Sales of **Polycarbonates** declined due to lower volumes in nearly all regions. We achieved slightly higher price levels in North America and Europe.



- Sales of **Coatings, Adhesives, Specialties** declined due to lower volumes in all product groups. Selling prices as a whole were flat with the previous year.
- **EBITDA before special items** at MaterialScience declined mainly due to a sharp rise in raw material prices. Earnings were also hampered by a drop in volumes and high costs for the maintenance shutdown in North America. Positive factors were price increases and savings from efficiency improvements.

Changes in accounting policies

In 2013 Bayer partially reallocated the stock-based compensation (long-term incentive – LTI) among the segments to optimize planning and steering processes. A normalized expense based on 100% target attainment is now allocated to the respective operative segments. Higher or lower expenses arising from performance variations are reflected in the reconciliation. The prior-year figures are restated accordingly. The adjustments of EBIT/EBITDA for 2012 are:

Euro million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012
Pharmaceuticals	-1	1	21	12	33
Consumer Health	0	0	14	9	23
CropScience	3	1	8	4	16
MaterialScience	1	0	5	4	10
Reconciliation	-3	-2	-48	-29	-82
Group	**0**	**0**	**0**	**0**	**0**

In Q1 2013 €36 million were considered in Reconciliation.

Additional changes in accounting policies with effect from January 1, 2013 relate to the accounting standards IAS 19R (“Employee Benefits”) and IFRS 11 (“Joint Arrangements”). The effect of these new financial reporting standards on the Group P&L are:

Euro million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	FY 2012
Net sales	**-2**	**-11**	**-4**	**-2**	**-19**
Cost of goods sold	-5	1	-4	-4	-12
Gross profit	**-7**	**-10**	**-8**	**-6**	**-31**
Selling expenses	2	2	2	0	6
Administration expenses	0	0	0	1	1
R&D expenses	0	1	-1	0	0
Other operating income/ expenses	-1	-3	-3	-1	-8
EBIT	**-6**	**-10**	**-10**	**-6**	**-32**
Equity-method loss	6	7	8	7	28
Financial expenses	-17	-17	-18	-16	-68
Financial result	**-11**	**-10**	**-10**	**-9**	**-40**
Income before income taxes	-17	-20	-20	-15	-72
Income taxes	7	8	7	7	29
Income after taxes	-10	-12	-13	-8	-43
Net income	**-10**	**-12**	**-13**	**-8**	**-43**

Restated key figures for the Group and for the subgroups are provided with the following table:



Restated key figures for 2012

Euro million	Q1 2012 restated	Q2 2012 restated	Q3 2012 restated	Q4 2012 restated	FY 2012 restated
Group					
Sales	10,054	10,166	9,661	9,860	39,741
EBITDA	2,378	1,558	1,578	1,402	6,916
EBITDA before special items	2,443	2,169	1,842	1,826	8,280
EBIT	1,631	740	828	729	3,928
Net special items	-169	-762	-356	-424	-1,711
EBIT before special items	1,800	1,502	1,184	1,153	5,639
Financial result	-188	-212	-182	-170	-752
Income taxes	-402	-41	-125	-155	-723
Net income	1,040	482	515	366	2,403
EPS (Euro/share)	1.26	0.58	0.62	0.45	2.90
Core EPS (Euro/share)	1.67	1.45	1.17	1.01	5.30
Gross cash flow	1,600	1,224	1,006	726	4,556
Delta working capital	-1,363	176	981	181	-25
Net cash flow	237	1,401	1,986	907	4,531
CapEx (cash relevant)	-256	-444	-486	-744	-1,930
Operating free cash flow	-19	957	1,500	163	2,601
HealthCare					
Sales	4,341	4,625	4,716	4,922	18,604
Pharmaceuticals	*2,517*	*2,683*	*2,732*	*2,866*	*10,798*
Consumer Health	*1,824*	*1,942*	*1,984*	*2,056*	*7,806*
EBITDA before special items	1,181	1,248	1,332	1,358	5,119
Pharmaceuticals	*740*	*810*	*848*	*835*	*3,233*
Consumer Health	*441*	*438*	*484*	*523*	*1,886*
CropScience					
Sales	2,610	2,276	1,641	1,856	8,383
Crop Protection / Seeds	*2,423*	*2,087*	*1,511*	*1,682*	*7,703*
Environmental Science	*187*	*189*	*130*	*174*	*680*
EBITDA before special items	984	550	195	297	2,026
MaterialScience					
Sales	2,787	2,955	2,990	2,759	11,491
Polycarbonates	*705*	*727*	*719*	*668*	*2,819*
Polyurethanes	*1,423*	*1,521*	*1,570*	*1,473*	*5,987*
CAS	*483*	*525*	*513*	*451*	*1,972*
Industrial Operations	*176*	*182*	*188*	*167*	*713*
EBITDA before special items	279	385	336	262	1,262
Reconciliation					
Sales	316	310	314	323	1,263
EBITDA before special items	-1	-14	-21	-91	-127

Please note: slight differences to future quarterly reportings may occur due to technical rounding procedures.

Key figures for Q1 2013

	HealthCare						CropScience		MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total					
	Q1'12	Q1'13	Q1'12	Q1'13	Q1'12	Q1'13	Q1'12	Q1'13	Q1'12	Q1'13	Q1'12	Q1'13	Q1'12	Q1'13
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,341	4,443	2,517	2,564	1,824	1,879	2,610	2,764	2,787	2,775	316	284	10,054	10,266
Sales by region:														
Europe	1,601	1,622	908	907	693	715	1,052	1,077	1,130	1,086	282	258	4,065	4,043
North America	1,125	1,176	545	576	580	600	867	984	574	594	5	4	2,571	2,758
Asia / Pacific	923	993	643	700	280	293	344	341	724	731	7	5	1,998	2,070
LatAm/Africa/Middle East	692	652	421	381	271	271	347	362	359	364	22	17	1,420	1,395
EBITDA	1,164	1,253	725	830	439	423	975	1,077	279	203	-40	-117	2,378	2,416
Special items	-17	-24	-15	-2	-2	-22	-9	-4	0	-1	-39	-8	-65	-37
EBITDA before special items	1,181	1,277	740	832	441	445	984	1,081	279	204	-1	-109	2,443	2,453
EBITDA margin before special items	27.2%	28.7%	29.4%	32.4%	24.2%	23.7%	37.7%	39.1%	10.0%	7.4%	-0.3%	-38.4%	24.3%	23.9%
EBIT	741	922	505	601	236	321	854	964	121	42	-85	-157	1,631	1,771
Special items	-120	-31	-15	-9	-105	-22	-10	-5	0	-1	-39	-8	-169	-45
EBIT before special items	861	953	520	610	341	343	864	969	121	43	-46	-149	1,800	1,816
EBIT margin before special items	19.8%	21.4%	20.7%	23.8%	18.7%	18.3%	33.1%	35.1%	4.3%	1.5%	-14.6%	-52.5%	17.9%	17.7%
Gross cash flow	804	887	488	582	316	305	681	743	209	177	-94	0	1,600	1,807
Net cash flow	499	805	318	553	181	252	-655	-817	33	-100	360	439	237	327
Financial result													-188	-190
Net income													1,040	1,160
Earnings per share (€)													1.26	1.40
Core earnings per share (€)													1.67	1.70
CapEx (cash effective)													256	365
R&D													699	723
D&A and Write-downs	423	331	220	229	203	102	121	113	158	161	45	40	747	645
Employees at end of period	55,400	55,700	37,500	37,500	17,900	18,200	21,000	21,200	14,700	14,400	20,500	20,300	111,600	111,600

2012 figures restated



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Forward-looking statements

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