

Q4 2013 Analyst and Investor Briefing

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Q4 2013:

- Sales at €9,888 million (+6.4% Fx & portf. adj.)
- Price +0.7%, volume +5.7%, currency -6.4%, portfolio +0.3%
- EBIT at €655 million (-10.2%) – EBITDA before special items at €1,769 million (-3.1%)
- EBITDA before special items affected by negative currency effects and higher R&D cost of around €90 million each as well as by additional charges for long-term stock based compensation (approx. €20 million).
- Net special items of minus €439 million mainly for charges related to restructuring measures (€192 million) and for legal claims (€182 million of which €155 million were related to Yasmin/YAZ in the U.S.)
- Gain of €77 million in the financial result related to the sale of the interest in Onyx (special item)

- **FY 2013: Continuous growth in Bayer's Anniversary Year**
- Dynamic development in the Life Sciences, MaterialScience below expectations
- Outstanding growth for recently launched pharmaceutical products – new peak sales potential: ≥€7.5 billion
- Group sales €40.2 billion (+5.1% Fx & portf. adj.)
- Price +0.8%, volume +4.3%, currency -4.4%, portfolio +0.3%
- EBIT €4.9 billion (+25.6%) – EBITDA before special items €8.4 billion (+1.5%; or +6% based on ∅ Q4´12 Fx)
- EBITDA before special items affected by currency effects of approx. minus €260 million and a €70 million increase of expenses for long-term stock-based compensation
- Net income €3.2 billion (+32.7%) – Core earnings per share €5.61 (+5.8%; or +12% based on ∅ Q4´12 Fx)
- Forecast for 2014: further growth in sales and earnings

Group Key Figures for Q4 2013

Euro million	Q4 2012	Q4 2013	% y-o-y	Consensus**
Sales	9,860	9,888	0.3 / 6.4*	10,064
EBITDA	1,401	1,433	2.3	1,827
EBITDA before special items	1,826	1,769	(3.1)	1,927
EBIT	729	655	(10.2)	1,165
Net special items	(424)	(439)	(3.5)	(67)
EBIT before special items	1,153	1,094	(5.1)	1,245
Financial result	(169)	(84)	50.3	(182)
Income taxes	(156)	(129)	17.3	•
Net income	366	455	24.3	726
EPS *(Euro/share)*	0.45	0.55	22.2	0.88
Core EPS *(Euro/share)*	1.01	1.10	8.9	1.19
Gross cash flow	726	978	34.7	•
Delta working capital	180	602	•	•
Net cash flow	906	1,580	74.4	•
CapEx *(cash relevant)*	743	776	4.4	•
Operating free cash flow	163	804	•	•

Euro million	Sept. 30, 2013	Dec. 31, 2013
Net financial debt	7,745	6,731
Net pension liability	7,777	7,251

2012 figures restated
*) Currency and portfolio adjusted sales growth
**) Consensus figures as of January 29, 2014 provided by Vara Research GmbH



Bayer Group Forecast 2014

- In 2014 we plan to grow sales by about 5% (Fx & 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%.
- Our forecast for fiscal 2014 is based on average exchange rates for the fourth quarter of 2013, including a rate of US$1.36 to the euro. A 1% appreciation (depreciation) of the euro against all other currencies would decrease (increase) sales on an annual basis by some €260 million and EBITDA before special items by about €70 million.

HealthCare

- The main priority for HealthCare in 2014 continues to be the successful commercialization of the recently launched pharmaceutical products.
- We expect sales to advance by a mid-single-digit percentage (Fx & 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 (Fx & portf. adj.). We predict negative currency effects of around 2% compared to 2013. We intend to raise sales of our recently launched products to about €2.8 billion. Additional marketing and R&D expenditures totaling €0.5 billion are planned for 2014. We expect 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 2016 we plan to achieve an EBITDA margin before special items of at least 33%. We now consider our recently launched products to have a peak sales potential of at least €7.5 billion.
- In the **Consumer Health** segment, we predict sales to rise by a low- to mid-single-digit percentage (Fx & portf. adj.). We anticipate negative currency effects of around 3% compared to 2013. We expect EBITDA before special items 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 on a currency- and portfolio-adjusted basis. We anticipate negative currency effects of about 3% compared to 2013. We plan to increase EBITDA before special items by a low-single-digit percentage, allowing for negative currency effects of approximately €150 million.

MaterialScience

- We plan to raise sales in 2014 by a mid-single-digit percentage (Fx & portf. adj.). 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.
- For the first quarter of 2014, we expect sales to increase on a currency- and portfolio-adjusted basis against the prior-year period and EBITDA before special items to gain significantly.

Reconciliation

- For 2014 we expect sales on a currency- and portfolio-adjusted basis to be level with the previous year. We are planning EBITDA before special items of 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 expenses: 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, taking into account the planned acquisition of Algeta



HealthCare in Q4 2013

Euro million	Q4 2012	Q4 2013	% y-o-y	Consensus**
Sales	**4,921**	**4,939**	**0.4 / 7.2***	**5,047**
Pharmaceuticals	2,866	2,975	3.8 /11.5*	3,004
Consumer Health	2,055	1,964	(4.4) / 1.0*	2,059
EBITDA before special items	**1,359**	**1,337**	**(1.6)**	**1,396**
Pharmaceuticals	835	822	(1.6)	887
Consumer Health	524	515	(1.7)	508

2012 figures restated

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of January 29, 2014 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

Euro million	Q4 2012	Q4 2013	% y-o-y	% y-o-y Fx	FY 2012	FY 2013	% y-o-y	% y-o-y Fx
Kogenate	**298**	**274**	**(8.1)**	**(2.1)**	**1,182**	**1,202**	**1.7**	**6.4**
of which USA	*67*	*59*	*(11.9)*	*(7.5)*	*332*	*330*	*(0.6)*	*2.7*
Betaferon / Betaseron	**329**	**259**	**(21.3)**	**(17.6)**	**1,216**	**1,038**	**(14.6)**	**(11.6)**
of which USA	*167*	*130*	*(22.2)*	*(18.6)*	*578*	*499*	*(13.7)*	*(10.8)*
Xarelto	**131**	**316**	**141.2**	**158.9**	**322**	**949**	**194.7**	**210.7**
of which USA	*22*	*44*	*100.0*	*97.2*	*55*	*133*	*141.8*	*141.4*
YAZ product family	**270**	**219**	**(18.9)**	**(11.4)**	**1,045**	**853**	**(18.4)**	**(12.5)**
of which USA	*54*	*47*	*(13.0)*	*(8.8)*	*190*	*142*	*(25.3)*	*(22.9)*
Nexavar	**212**	**194**	**(8.5)**	**(1.2)**	**792**	**771**	**(2.7)**	**3.3**
of which USA	*48*	*52*	*8.3*	*11.3*	*204*	*219*	*7.4*	*10.8*
Mirena	**135**	**195**	**44.4**	**51.6**	**677**	**719**	**6.2**	**10.0**
of which USA	*53*	*113*	*113.2*	*125.2*	*385*	*415*	*7.8*	*11.5*
Adalat	**169**	**157**	**(7.1)**	**6.1**	**670**	**603**	**(10.0)**	**(0.9)**
of which USA	*1*	*0*	•	•	*2*	*4*	•	•
Aspirin Cardio	**129**	**120**	**(7.0)**	**1.9**	**476**	**452**	**(5.0)**	**0.6**
of which USA	*0*	*0*	•	•	*0*	*0*	•	•
Avalox / Avelox	**123**	**106**	**(13.8)**	**(7.6)**	**486**	**426**	**(12.3)**	**(8.8)**
of which USA	*10*	*5*	*(50.0)*	*(39.9)*	*55*	*24*	*(56.4)*	*(54.0)*
Glucobay	**99**	**112**	**13.1**	**19.3**	**408**	**423**	**3.7**	**6.6**
of which USA	*0*	*0*	•	•	*0*	*1*	•	•
Eylea	**14**	**126**	•	•	**14**	**333**	•	•
of which USA	*0*	*0*	•	•	*0*	*0*	•	•
Levitra	**87**	**69**	**(20.7)**	**(15.2)**	**307**	**290**	**(5.5)**	**(1.2)**
of which USA	*23*	*18*	*(21.7)*	*(18.8)*	*76*	*82*	*7.9*	*8.7*
Cipro / Ciprobay	**56**	**42**	**(25.0)**	**(15.4)**	**229**	**197**	**(14.0)**	**(7.8)**
of which USA	*2*	*-4*	•	•	*11*	*13*	*18.2*	*18.1*
Stivarga	**31**	**59**	**90.3**	**100.2**	**32**	**197**	•	•
of which USA	*30*	*32*	*6.7*	*11.9*	*31*	*137*	•	•
Zetia	**57**	**45**	**(21.1)**	**3.9**	**207**	**172**	**(16.9)**	**5.4**
of which USA	*0*	*0*	•	•	*0*	*0*	•	•

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

- Price +2.5%, volume +4.7%, currency -7.7%, portfolio +0.9%
- Sales growth at **Pharmaceuticals** was mainly driven by the recently launched products (Xarelto, Eylea, Stivarga, Xofigo, Adempas) which contributed €532 million in the quarter (FY 2013: €1,523 million).



- Kogenate sales declined mainly due to shifts in order patterns.
- Business with Betaferon was affected by increased competition in the U.S.
- Sales of Xarelto continued to advance strongly especially in Japan, Germany, France and the U.S.
- Sales of the YAZ-product family were mainly affected by generic pressure in Europe and the U.S.
- Nexavar sales declined slightly due to increased competition in RCC. U.S. sales benefited from the launch in thyroid cancer.
- Sales growth of Mirena is to be viewed against a weak prior-year quarter and benefited from a reversal of provisions
- Business with Eylea demonstrated a continued strong performance in key markets.
- Stivarga with ongoing launch activities in additional markets.
- Aspirin Cardio and Glucobay driven by the performance in emerging economies.
- Xofigo contributed €28 million and Adempas €3 million in the quarter

- Sales at **Consumer Health** came in slightly ahead of the prior-year quarter. Consumer Care at €1,015 million (+0.9% Fx & portf.adj.), Medical Care at €653 million (-3.1% Fx & portf. adj.) and Animal Health at €296 million (+11.6% Fx & portf. adj.).
- **EBITDA before special items** at HealthCare affected by negative currency effects (approx. €120 million), higher investments in R&D (approx. €50 million) and marketing & sales (approx. €60 million).

CropScience in Q4 2013

Euro million	Q4 2012	Q4 2013	% y-o-y	Consensus**
Sales	**1,856**	**1,951**	**5.1 / 12.8***	**1,960**
Crop Protection / Seeds	1,682	1,797	6.8 / 14.6*	•
Environmental Science	174	154	(11.5) / (4.6)*	•
EBITDA before special items	**295**	**319**	**8.1**	**303**

2012 figures restated

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of January 29, 2014 provided by Vara Research GmbH

Q4 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	**411**	**5.3**	**301**	**10.5**	**329**	**4.4**	**910**	**22.3**

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

- Price +1.0%, volume +11.8%, currency -8.2%, portfolio +0.5%
- CropScience sales climbed by 12.8% (Fx & portf. adj.) in the quarter mainly as a result of higher volumes.
- **Crop Protection** up 13.6% (Fx & portf. adj.) at €1,626 million posting growth in all regions. Insecticides (€465 million, +20.1% Fx & portf. adj.) and SeedGrowth (€247 million, +18.6% Fx & portf. adj.) achieved strongest growth. Herbicides at €469 million (+11.5% Fx & portf. adj.) and fungicides at €445 million (+6.7% Fx & portf. adj.). Strong performance of our **Seeds** business (€171 million, +25.2% Fx & portf. adj.) mainly driven by cotton seeds.
- Performance of CropScience in Europe mainly driven by double digit growth at herbicides and insecticides.
- CropScience sales in North America up mainly due to the performance of SeedGrowth in the U.S.
- Sales increase of CropScience in Asia/Pacific mainly in India and China driven by fungicides and insecticides.



- Double digit growth of all crop protection segments, especially insecticides and herbicides, in LatAm/Africa/Middle East. Strong development in Brazil, especially with soybean products.
- Sales of **Environmental Science** down by 4.6% (Fx & portf. adj.) to €154 million. Growth in North America and Asia/Pacific could not compensate declines in LatAm/Africa/Middle East and Europe.
- **EBITDA before special items** at CropScience mainly driven by higher volumes at Crop Protection and Seeds and positive Fx-effects (approx. €30 million).

MaterialScience in Q4 2013

Euro million	Q4 2012	Q4 2013	% y-o-y	Consensus**
Sales	**2,760**	**2,691**	**(2.5) / 1.6***	**2,728**
Polyurethanes	1,473	1,472	(0.1) / 4.0*	•
Polycarbonates	668	640	(4.2) / (0.9)*	•
CAS	451	417	(7.5) / (1.1)*	•
Industrial Operations	168	162	(3.6) / (2.4)*	•
EBITDA before special items	**264**	**248**	**(6.1)**	**259**

2012 figures restated; CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth
**) Consensus figures as of January 29, 2014 provided by Vara Research GmbH

- Price -2.5%, volume +4.1%, currency -3.6%, portfolio -0.5%
- Sales increased y-o-y on higher volumes with strongest increase at Polyurethanes. Volumes up in all regions except LatAm. Prices down in all regions, except LatAm.
- Sales at **Polyurethanes** increased y-o-y mainly due to higher volumes at MDI, TDI and PET. Volume growth in all regions except LatAm. Prices down for MDI and TDI, especially in Asia/Pacific and Europe.
- **Polycarbonates** sales down y-o-y due to lower prices overall, overcompensating volume growth in Asia/Pacific.
- Sales decline at **Coatings, Adhesives, Specialties** mainly driven by lower prices. Volumes overall at prior-year level.
- **EBITDA before special items** at MaterialScience down y-o-y mainly due to lower selling prices which were only partly compensated by higher volumes and savings from efficiency improvements.

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The Annual Report 2013 is available at: http://www.bayer.com/en/Annual-Reports.aspx?act=add

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Key figures for Q4 2013

	HealthCare						CropScience		MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total					
	Q4'12	Q4'13	Q4'12	Q4'13	Q4'12	Q4'13	Q4'12	Q4'13	Q4'12	Q4'13	Q4'12	Q4'13	Q4'12	Q4'13
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,921	4,939	2,866	2,975	2,055	1,964	1,856	1,951	2,760	2,691	323	307	9,860	9,888
Sales by region:														
Europe	1,731	1,817	988	1,049	743	768	393	411	1,027	1,040	290	278	3,441	3,546
North America	1,281	1,286	601	663	680	623	287	301	579	561	5	4	2,152	2,152
Asia / Pacific	1,104	1,080	775	783	329	297	363	329	771	762	7	12	2,245	2,183
LatAm/Africa/Middle East	805	756	502	480	303	276	813	910	383	328	21	13	2,022	2,007
EBITDA	895	1,069	392	618	503	451	374	282	265	244	-133	-162	1,401	1,433
Special items	-464	-268	-443	-204	-21	-64	79	-37	1	-4	-41	-27	-425	-336
EBITDA before special items	1,359	1,337	835	822	524	515	295	319	264	248	-92	-135	1,826	1,769
EBITDA margin before special items	27.6%	27.1%	29.1%	27.6%	25.5%	26.2%	15.9%	16.4%	9.6%	9.2%	-28.5%	-44.0%	18.5%	17.9%
EBIT	558	631	165	321	393	310	247	163	94	70	-170	-209	729	655
Special items	-460	-354	-437	-259	-23	-95	79	-40	-1	-18	-42	-27	-424	-439
EBIT before special items	1,018	985	602	580	416	405	168	203	95	88	-128	-182	1,153	1,094
EBIT margin before special items	20.7%	19.9%	21.0%	19.5%	20.2%	20.6%	9.1%	10.4%	3.4%	3.3%	-39.6%	-59.3%	11.7%	11.1%
Gross cash flow	595	840	228	510	367	330	132	228	216	217	-217	-307	726	978
Net cash flow	1,063	959	545	625	518	334	105	29	250	545	-512	47	906	1,580
Financial result													-169	-84
Net income													366	455
Earnings per share (€)													0.45	0.55
Core earnings per share (€)													1.01	1.10
CapEx (cash effective)													743	776
R&D													822	911
D&A and Write-downs	337	438	227	297	110	141	127	119	171	174	37	47	672	778
Employees at end of period	54,800	56,000	37,200	38,000	17,600	18,000	20,800	22,400	14,500	14,300	19,900	20,500	110,000	113,200

2012 figures restated



Key figures for FY 2013

	HealthCare						CropScience		MaterialScience		Reconciliation		Group	
	Subgroup Total		Pharmaceuticals		Consumer Health		Subgroup Total		Subgroup Total					
	FY'12	FY'13	FY'12	FY'13	FY'12	FY'13	FY'12	FY'13	FY'12	FY'13	FY'12	FY'13	FY'12	FY'13
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	18,604	18,924	10,798	11,188	7,806	7,736	8,383	8,819	11,491	11,238	1,263	1,176	39,741	40,157
Sales by region:														
Europe	6,483	6,853	3,677	3,918	2,806	2,935	2,706	2,799	4,403	4,363	1,130	1,071	14,722	15,086
North America	4,961	5,024	2,370	2,540	2,591	2,484	2,154	2,211	2,441	2,424	20	21	9,576	9,680
Asia / Pacific	4,196	4,188	2,939	3,016	1,257	1,172	1,386	1,358	3,149	3,048	28	29	8,759	8,623
LatAm/Africa/Middle East	2,964	2,859	1,812	1,714	1,152	1,145	2,137	2,451	1,498	1,403	85	55	6,684	6,768
EBITDA	3,866	4,858	2,022	3,124	1,844	1,734	2,050	2,184	1,236	1,101	-236	-313	6,916	7,830
Special items	-1,253	-476	-1,210	-366	-43	-110	25	-64	-27	29	-109	-60	-1,364	-571
EBITDA before special items	5,119	5,334	3,232	3,490	1,887	1,844	2,025	2,248	1,263	1,072	-127	-253	8,280	8,401
EBITDA margin before special items	27.5%	28.2%	29.9%	31.2%	24.2%	23.8%	24.2%	25.5%	11.0%	9.5%	-10.1%	-21.5%	20.8%	20.9%
EBIT	2,205	3,260	1,104	2,031	1,101	1,229	1,556	1,729	581	435	-414	-490	3,928	4,934
Special items	-1,582	-713	-1,223	-521	-359	-192	13	-72	-32	6	-110	-60	-1,711	-839
EBIT before special items	3,787	3,973	2,327	2,552	1,460	1,421	1,543	1,801	613	429	-304	-430	5,639	5,773
EBIT margin before special items	20.4%	21.0%	21.6%	22.8%	18.7%	18.4%	18.4%	20.4%	5.3%	3.8%	-24.1%	-36.6%	14.2%	14.4%
Gross cash flow	2,659	3,573	1,319	2,293	1,340	1,280	1,332	1,590	952	887	-387	-218	4,556	5,832
Net cash flow	3,546	2,980	2,262	1,853	1,284	1,127	899	682	735	977	-650	532	4,530	5,171
Financial result													-752	-727
Net income													2,403	3,189
Earnings per share (€)													2.91	3.86
Core earnings per share (€)													5.30	5.61
CapEx (cash effective)													1,929	2,157
R&D													3,013	3,190
D&A and Write-downs	1,661	1,598	918	1,093	743	505	494	455	655	666	178	177	2,988	2,896
Employees at end of period	54,800	56,000	37,200	38,000	17,600	18,000	20,800	22,400	14,500	14,300	19,900	20,500	110,000	113,200

2012 figures restated

