Investor News

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New products create optimism for the future

Bayer: continuing growth momentum

- Group targets achieved in 2012 – sales and earnings before special items increase in all subgroups
- Sales increase by 8.8 percent to EUR 39,760 million
- EBIT EUR 3,960 million (minus 4.6 percent) –
  Net income EUR 2,446 million (minus 1.0 percent)
- Further accounting measures for legal claims
- EBITDA before special items rises by 8.8 percent to EUR 8,284 million
- Core earnings per share improve by 10.8 percent to EUR 5.35
- Encouraging growth in the emerging markets
- Steady progress with innovation pipeline strengthens life-science businesses
- Forecast for anniversary year 2013: continuing record development

Leverkusen, February 28, 2013 – 2012 was a very successful year for the Bayer Group. “We continued to grow dynamically and achieved our targets for the Group. All the subgroups posted gains in sales and earnings before special items,” said Bayer CEO Dr. Marijn Dekkers at the Financial News Conference in Leverkusen on Thursday. The life-science businesses registered particularly rapid growth and were strengthened by further progress in the innovation pipeline. Moreover, Bayer sharply expanded business in the emerging markets. Dekkers expressed his confidence for the company’s future development: “We expect to continue our record development in 2013 and beyond.”

Sales of the Bayer Group grew by 8.8 percent in 2012, to EUR 39,760 million (2011: EUR 36,528 million). “Sales thus reached the highest level in our company’s 150-year history,” said Dekkers. Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales were up by 5.3 percent. The gain in the emerging markets, at 7.4 percent (Fx & portfolio adj.), was twice as large as in the industrialized countries. “In other words, our strategic focus

on these markets of the future – and the investments we are making there – are paying off," Dekkers remarked.

EBIT declined by 4.6 percent to EUR 3,960 million (2011: EUR 4,149 million). Special items totaled minus EUR 1,711 million (2011: minus EUR 876 million). They included EUR 1,186 million in litigation expenses in connection with the Yasmin™/YAZ™ line of oral contraceptives. Of this figure, EUR 455 million was taken in the fourth quarter of 2012, primarily in connection with further provisions for the settlement in the United States of venous clot injury claims of which Bayer is currently aware and anticipated future claims. Further special charges for the year overall included EUR 396 million for restructuring measures and EUR 289 million for impairment of intangible assets. An offsetting effect came from gains of EUR 158 million from divestitures and EUR 114 million in adjustments of benefit entitlements.

EBIT before special items increased by 12.9 percent to EUR 5,671 million (2011: EUR 5,025 million). EBITDA before special items rose by 8.8 percent to EUR 8,284 million (2011: EUR 7,613 million). Contributing to this were a good business performance and savings from the efficiency program successfully completed in 2012. Earnings also benefited from positive currency effects totaling about EUR 400 million. Net income declined slightly by 1.0 percent to EUR 2,446 million (2011: EUR 2,470 million). Core earnings per share, however, improved by 10.8 percent to EUR 5.35 (2011: EUR 4.83).

Gross cash flow fell by 11.1 percent to EUR 4,599 million (2011: EUR 5,172 million), while net cash flow declined by 10.4 percent to EUR 4,532 million (2011: EUR 5,060 million). Net financial debt was level with December 31, 2011, at EUR 7.0 billion. "This included additional funding of EUR 1.0 billion for our pension fund in the fourth quarter of 2012," explained Chief Financial Officer Werner Baumann. "Our outstanding financial liabilities have a balanced maturity structure. We therefore intend to continue making repayments in the coming years entirely from our available liquidity and current cash flows," Baumann added.

Good progress with products from the pharmaceuticals pipeline

Sales of the HealthCare subgroup increased by 8.4 percent (Fx & portfolio adj. 4.2 percent) in 2012 to EUR 18,612 million (2011: EUR 17,169 million). Both segments – Pharmaceuticals and Consumer Health – contributed to this increase.

Business in the Pharmaceuticals segment improved by 4.2 percent (Fx & portfolio adj.) to EUR 10,803 million. “At Pharmaceuticals, we made good progress with the marketing of new products from our pipeline,” Dekkers said. He explained that sales in the emerging markets and North America had developed particularly well, with growth rates of nearly 8 percent. In Europe, on the other hand, business was restrained due to the adverse economic conditions and a difficult health policy environment. Among the segment’s top products, the anticoagulant Xarelto™ achieved by far the highest growth rate (Fx adj. plus 265.9 percent) following its market introduction in further countries and indications. Sales of Aspirin™ Cardio to prevent heart attacks rose by 12.3 percent (Fx adj.), largely thanks to the steady expansion of marketing activities in China. Business with the hormone-releasing intrauterine device Mirena™ (Fx adj. plus 9.4 percent) developed positively in all regions, especially in the United States due to higher volumes. Sales of the segment’s two best-selling products – the multiple sclerosis drug Betaferon™/Betaseron™ (Fx adj. plus 4.2 percent) and the blood-clotting product Kogenate™ (Fx adj. plus 5.2 percent) – also increased further. Sales of the YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives receded by 5.0 percent (Fx adj.), primarily as a result of generic competition in Western Europe. However, business with this product group developed positively in the Asia/Pacific region.

Sales of the Consumer Health segment advanced by 4.2 percent (Fx & portfolio adj.) to EUR 7,809 million, with all regions and divisions contributing to this growth. Bayer’s non-prescription medicines business (Consumer Care) performed particularly positively, achieving above-market sales growth. The Bepanthen™/ Bepanthol™ skincare line developed successfully, especially in Russia and Brazil, moving forward by 13.9 percent (Fx adj.). Business with the antifungal Canesten™ expanded by 7.8 percent (Fx adj.). The Medical Care Division raised sales of the Contour™ line of blood glucose meters by 8.5 percent (Fx adj.). However, sales of the contrast agent and medical equipment business matched the prior year. The Animal Health Division benefited from the positive development of the Advantage™ line of flea, tick and worm control products (Fx adj. plus 10.6 percent).

EBITDA before special items of HealthCare grew by 7.8 percent to EUR 5,068 million (2011: EUR 4,702 million), primarily as a result of the positive business development in both segments and of currency effects.

Strong year for CropScience

“We were particularly successful in our agriculture business – our second life-science area – in 2012,” Dekkers said. CropScience increased sales by 15.5 percent (Fx & portfolio adj. 12.4 percent) to EUR 8,383 million (2011: EUR 7,255 million) in an attractive market environment. This growth was due largely to good business with new products in Crop Protection and rapidly expanding sales at Seeds. Environmental Science also developed favorably. The realignment of marketing and distribution activities and streamlining of the product range contributed to the gratifying performance. “These successes are impressive, as 2011 was already a very good year for CropScience,” Dekkers emphasized.

All regions contributed to the growth in sales at Crop Protection. Moreover, all business units achieved double-digit growth rates, headed by seed treatments (SeedGrowth) at 17.2 percent (Fx & portfolio adj.). Insecticides improved by 14.8 percent (Fx & portfolio adj.), while fungicides advanced by 13.2 percent (Fx & portfolio adj.) and herbicides by 10.1 percent (Fx & portfolio adj.).

Thanks to growth in all regions, but particularly in North America, sales of the Seeds business advanced by 14.1 percent (Fx & portfolio adj.). That business achieved double-digit sales growth rates in each of the core crops oilseed rape/canola, rice and cotton. By contrast, sales of vegetable seeds declined slightly (Fx & portfolio adj.). Sales of the Environmental Science business unit moved forward by 5.3 percent (Fx & portfolio adj.).

EBITDA before special items of CropScience improved by 21.4 percent to EUR 2,008 million (2011: EUR 1,654 million). This growth resulted above all from significantly higher volumes and positive currency effects.

MaterialScience raises sales and earnings before special items

“Bayer MaterialScience also contributed to the very good full-year performance,” said Dekkers. Sales of the high-tech materials business rose by 6.2 percent (Fx & portfolio adj. 3.0 percent) to EUR 11,503 million (2011: EUR 10,832 million). While volumes were flat in Europe, the subgroup posted good gains in the other regions. In addition, MaterialScience was able to slightly raise prices in all regions except Asia/Pacific.

Business with raw materials for foams (Polyurethanes) improved by 7.9 percent (Fx & portfolio adj.). Contributing to this increase were higher volumes and prices in all product groups and regions. By contrast, high-tech plastics (Polycarbonates) declined by 7.1 percent (Fx & portfolio adj.) due to lower selling prices that resulted primarily from new production capacities on the world market. However, volumes as a whole were level year on year. Sales in the Coatings, Adhesives, Specialties business unit moved forward by 3.5 percent (Fx & portfolio adj.) as a result of the higher volumes and prices achieved in nearly all regions.

EBITDA before special items of MaterialScience advanced by 6.8 percent to EUR 1,251 million (2011: EUR 1,171 million). This increase was mainly the result of higher volumes, savings achieved from efficiency improvement measures and positive currency effects. By contrast, earnings were diminished by higher raw material and energy costs.

Bayer very successful operationally in the fourth quarter of 2012

“Operationally, Bayer had a very successful fourth quarter overall,” said CFO Werner Baumann. Between October and December, Group sales advanced by 7.3 percent (Fx and portfolio adj. 5.5 percent) to EUR 9,862 million (Q4 2011: EUR 9,191 million). All three subgroups contributed to this expansion, and especially CropScience. EBIT climbed by 16.9 percent to EUR 735 million (Q4 2011: EUR 629 million), while EBITDA before special items moved ahead by 18.4 percent to EUR 1,825 million (Q4 2011: EUR 1,541 million). Net income amounted to EUR 374 million (Q4 2011: EUR 397 million), and core earnings per share were EUR 1.00 (2011: EUR 0.97).

Bright prospects for 2013

“Last year’s results were pleasing, and we are also optimistic for 2013,” said Dekkers. For 2013, Bayer anticipates currency- and portfolio-adjusted sales growth of between 4 and 5 percent. This corresponds to Group sales of around EUR 41 billion. The Group plans to increase EBITDA before special items by a mid-single-digit percentage and core earnings per share by a high-single-digit percentage.

Bayer expects to increase spending for research and development to around EUR 3.2 billion (2012: EUR 3.0 billion). The company has planned capital expenditures of EUR 1.9 billion (2012: EUR 1.6 billion) for property, plant and equipment and EUR 0.4 billion (2012: EUR 0.4 billion) for intangible assets. Depreciation and amortization are expected

to total about EUR 2.6 billion. As regards Bayer's financial position, the company anticipates that net financial debt will total less than EUR 7.0 billion at the end of 2013.

HealthCare's ongoing priority for 2013 is to successfully commercialize the new pharmaceutical products. The subgroup expects sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to approximately EUR 19 billion, with an increase in EBITDA before special items. Earnings growth is likely to be restrained by negative currency effects and higher marketing expenses for the launch of new products. HealthCare aims to slightly improve the EBITDA margin before special items.

In the Pharmaceuticals segment, sales are expected to move ahead in 2013 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to about EUR 11 billion. That segment plans to increase EBITDA before special items and slightly improve the EBITDA margin before special items. HealthCare predicts that sales of the Consumer Health segment will grow by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to around EUR 8 billion. In addition, the company expects EBITDA before special items of the segment to increase and the EBITDA margin before special items to be level with the prior year.

CropScience predicts continued favorable market conditions for 2013. The subgroup expects business growth to outpace the market, with sales advancing by a high-single-digit percentage on a currency- and portfolio-adjusted basis toward EUR 9 billion. CropScience also plans to raise EBITDA before special items by a high-single-digit percentage.

For 2013 MaterialScience is planning a slight increase in sales on a currency- and portfolio-adjusted basis to about EUR 12 billion. That subgroup intends to further improve EBITDA before special items. For the first quarter of 2013, MaterialScience anticipates a currency- and portfolio-adjusted sales increase compared to the preceding quarter. The subgroup expects EBITDA before special items to come in at the level of the preceding quarter.

Life-science businesses achieve important progress in their pipeline

In the life-science businesses, Bayer made further, very significant progress with the development candidates in its pipeline, Dekkers explained. "We continued to strengthen

our position as a world-class innovation company, improving many people's lives with innovative products and solutions," emphasized the Management Board Chairman. "In particular, we received many marketing authorizations for our new products."

Dekkers said Bayer is particularly pleased with the progress made in its pharmaceuticals pipeline. "Not only are we happy to see the first sales generated by products recently introduced to the market. We are also happy that these products are giving doctors and patients new treatment options." For example, Bayer made further progress in cardiology with the anticoagulant Xarelto™, he said. Xarelto™ is now registered in more than 120 countries in a variety of acute and chronic indications.

Dekkers also outlined the potential of further important development candidates from the pharmaceuticals pipeline, such as riociguat to treat two serious, life-threatening forms of pulmonary hypertension. In oncology, Bayer also has high hopes for its medicines Stivarga™ to treat advanced colorectal cancer and gastrointestinal stromal tumors, and radium-223 dichloride (Alpharadin) to treat bone metastases in prostate cancer. In the field of ophthalmology, Dekkers explained, EYLEA™ is also making progress in the treatment of wet age-related macular degeneration, for example. Overall, the company believes these five products have peak annual sales potential in excess of EUR 5.5 billion, with Xarelto™ alone planned to achieve sales of more than EUR 2 billion.

"As in HealthCare, we are also successful with innovations in our CropScience subgroup," Dekkers continued. Bayer has development pipelines in both crop protection and seed technology that are well stocked with promising projects, the Management Board Chairman said. He explained that products with estimated launch dates between 2011 and 2016 have a peak sales potential exceeding EUR 4 billion. "These products have properties that benefit farmers and consumers," Dekkers underscored. He demonstrated this by describing the specific advantages of selected new developments in various applications ranging from tolerance to saline soils and flooding in rice cultivation through the enhancement of yields in major field crops to longer storability of fruit and vegetables.

Ambitious aspirations for 2015

Dekkers said Bayer is also optimistic for its further development, thanks mainly to its innovative life-science products. The company therefore has ambitious aspirations for the period through 2015, he explained.

Bayer wants to accelerate its growth momentum at HealthCare through 2015. The driving factors here are the five major new pharmaceutical products, which should contribute more than EUR 2.5 billion to sales in 2015, pending the respective approvals. In light of that, Bayer expects to see this subgroup grow by an average of about 6 percent (Fx & portfolio adj.) a year toward EUR 22 billion in 2015, while Pharmaceuticals would expand by an even more substantial approximately 7 percent (Fx & portfolio adj.) toward EUR 13 billion. Additionally, the EBITDA margin before special items of HealthCare is planned to grow from 27.2 percent last year toward 29 percent by 2015.

At CropScience, Bayer aims to grow faster than the market and improve sales toward EUR 10 billion by 2015. The crop protection products Bayer has introduced since 2006 or will launch in the future are intended to contribute about EUR 1.9 billion to this figure. For CropScience overall, this means average growth of about 6 percent (Fx & portfolio adj.) annually and an EBITDA margin before special items of around 24 percent, which would continue to be a leading level of profitability.

In the MaterialScience business, Bayer anticipates that it will be able to achieve a volume-driven expansion in business beyond the growth rate of the global economy. The current high capacities on the world market are likely to be absorbed by rising global demand in the coming years. Bayer nonetheless intends to respond to the commoditization of the business through further efficiency measures that should contribute 1.5 percentage points to the EBITDA margin before special items by 2015.

Note:

Below you will find tables containing the key data of the Bayer Group and its subgroups for the full year and the fourth quarter of 2012.

The complete Annual Report 2012 is available on the Internet at
www.investor.bayer.com

Supplementary material at ***www.investor.bayer.com*** *includes:*
- Live webcast of the ***News Conference*** *from approx. 10:00 a.m. CET*
- Notice of the ***Annual Stockholders' Meeting 2013*** *from approx. 12:00 noon CET*
- Presentation charts for the ***Investor Conference Call*** *at 12:00 noon CET*
- Live webcast of the ***Investor Conference Call*** *from approx. 2:30 p.m. CET*
- Recording of the ***Investor Conference Call*** *from approx. 6:30 p.m. CET*

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Forward-Looking Statements
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Bayer Group Key Data, Fourth Quarter and Full Year 2012

Bayer Group (EUR million)	Q4 2011	**Q4 2012**	Change in %	FY2011	**FY2012**	Change in %
Sales	9,191	**9,862**	+7.3	36,528	**39,760**	+8.8
EBIT	629	**735**	+16.9	4,149	**3,960**	-4.6
Special items	*(215)*	***(424)***	-	*(876)*	***(1,711)***	-
EBIT before special items	844	**1,159**	+37.3	5,025	**5,671**	+12.9
EBITDA	1,415	**1,400**	-1.1	6,918	**6,920**	0.0
Special items	*(126)*	***(425)***	-	*(695)*	***(1,364)***	-
EBITDA before special items	1,541	**1,825**	+18.4	7,613	**8,284**	+8.8
Net income	397	**374**	-5.8	2,470	**2,446**	-1.0
Earnings per share (EUR)	0.48	**0.45**	-6.2	2.99	**2.96**	-1.0
Core earnings per share (EUR)	0.97	**1.00**	+3.1	4.83	**5.35**	+10.8
Number of employees at end of period *	111,800	**110,500**	-1.2	111,800	**110,500**	-1.2

Bayer HealthCare (EUR million)	Q4 2011	**Q4 2012**	Change in %	FY2011	**FY2012**	Change in %
Sales	4,595	**4,923**	+7.1	17,169	**18,612**	+8.4
EBIT	770	**541**	-29.7	3,191	**2,154**	-32.5
Special items	*(45)*	***(460)***	-	*(176)*	***(1,582)***	-
EBIT before special items	815	**1,001**	+22.8	3,367	**3,736**	+11.0
EBITDA	1,110	**878**	-20.9	4,502	**3,815**	-15.3
Special items	*(70)*	***(464)***	-	*(200)*	***(1,253)***	-
EBITDA before special items	1,180	**1,342**	+13.7	4,702	**5,068**	+7.8

Bayer CropScience (EUR million)	Q4 2011	**Q4 2012**	Change in %	FY2011	**FY2012**	Change in %
Sales	1,676	**1,856**	+10.7	7,255	**8,383**	+15.5
EBIT	47	**241**	-	562	**1,539**	-
Special items	*(98)*	***79***	-	*(606)*	***13***	-
EBIT before special items	145	**162**	+11.7	1,168	**1,526**	+30.7
EBITDA	251	**368**	+46.6	1,215	**2,033**	+67.3
Special items	*(22)*	***79***	-	*(439)*	***25***	-
EBITDA before special items	273	**289**	+5.9	1,654	**2,008**	+21.4

Bayer MaterialScience (EUR million)	Q4 2011	**Q4 2012**	Change in %	FY2011	**FY2012**	Change in %
Sales	2,596	**2,761**	+6.4	10,832	**11,503**	+6.2
EBIT	(4)	**92**	-	633	**597**	-5.7
Special items	*44*	***(1)***	-	*44*	***(32)***	-
EBIT before special items	(48)	**93**	-	589	**629**	+6.8
EBITDA	150	**256**	+70.7	1,215	**1,224**	+0.7
Special items	*44*	***1***	-	*44*	***(27)***	-
EBITDA before special items	106	**255**	-	1,171	**1,251**	+6.8

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 definitions of these indicators, see the current Annual Report at www.bayer.com.

* Full-time equivalents