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Stockholders' Newsletter

FINANCIAL REPORT AS OF JUNE 30, 2013

Second quarter of 2013:
Bayer: strong growth in Life Sciences

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Bayer Group Key Data

	2nd Quarter 2012	2nd Quarter 2013	Change	1st Half 2012	1st Half 2013	Change	Full Year 2012
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**10,166**	**10,360**	**+1.9**	**20,220**	**20,626**	**+2.0**	**39,741**
Change in sales							
Volume	+3.9%	+4.3%		+4.5%	+2.9%		+4.7%
Price	+1.1%	+0.3%		+0.6%	+1.3%		+0.6%
Currency	+5.5%	−2.9%		+3.8%	−2.3%		+4.0%
Portfolio	−0.5%	+0.2%		−0.5%	+0.1%		−0.5%
EBIT[1]	**740**	**1,287**	**+73.9**	**2,371**	**3,058**	**+29.0**	**3,928**
Special items	*(762)*	*(256)*		*(931)*	*(301)*		*(1,711)*
EBIT before special items[2]	***1,502***	***1,543***	***+2.7***	***3,302***	***3,359***	***+1.7***	***5,639***
EBIT margin before special items[3]	14.8%	14.9%		16.3%	16.3%		14.2%
EBITDA[4]	**1,558**	**2,086**	**+33.9**	**3,936**	**4,502**	**+14.4**	**6,916**
Special items	*(611)*	*(109)*		*(676)*	*(146)*		*(1,364)*
EBITDA before special items[2]	***2,169***	***2,195***	***+1.2***	***4,612***	***4,648***	***+0.8***	***8,280***
EBITDA margin before special items[3]	21.3%	21.2%		22.8%	22.5%		20.8%
Financial result	**(212)**	**(225)**	**−6.1**	**(400)**	**(415)**	**−3.8**	**(752)**
Net income	**481**	**841**	**+74.8**	**1,521**	**2,001**	**+31.6**	**2,403**
Earnings per share (€)	0.58	1.02	+75.9	1.84	2.42	+31.5	2.90
Core earnings per share (€)[5]	1.45	1.54	+6.2	3.12	3.24	+3.8	5.30
Gross cash flow[6]	**1,224**	**1,680**	**+37.3**	**2,824**	**3,487**	**+23.5**	**4,556**
Net cash flow[7]	**1,401**	**1,536**	**+9.6**	**1,638**	**1,863**	**+13.7**	**4,531**
Cash outflows for capital expenditures	**444**	**502**	**+13.1**	**700**	**867**	**+23.9**	**1,930**
Research and development expenses	**751**	**775**	**+3.2**	**1,450**	**1,498**	**+3.3**	**3,013**
Depreciation, amortization and impairments	**818**	**799**	**−2.3**	**1,565**	**1,444**	**−7.7**	**2,988**
Number of employees at end of period[8]	**111,800**	**113,000**	**+1.1**	**111,800**	**113,000**	**+1.1**	**110,000**
Personnel expenses (including pension expenses)	2,327	2,342	+0.6	4,616	4,712	+2.1	9,195

2012 figures restated
In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.
[1] EBIT = earnings before financial result and taxes
[2] EBIT before special items and EBITDA before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clearer picture of the results of operations and ensure greater comparability of data over time. See also Chapter 6 "Calculation of EBIT(DA) before special items."
[3] The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals
[5] Core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. The company considers that this indicator gives readers a clearer picture of the results of operations and ensures greater comparability of data over time. The calculation of core earnings per share is explained in Chapter 7 "Core Earnings per Share."
[6] Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year. For details see Chapter 8 "Financial Position of the Bayer Group."
[7] Net cash flow = cash flow from operating activities according to IAS 7
[8] Full-time equivalents

COVER PICTURE

More than 30,000 people came to the grand celebration of Bayer's 150th anniversary in the BayArena. Employees, their families and retirees had traveled to Leverkusen from all over Germany to attend. During the event, they formed the largest-ever human Bayer cross.

Second quarter of 2013:

Bayer: strong growth in Life Sciences

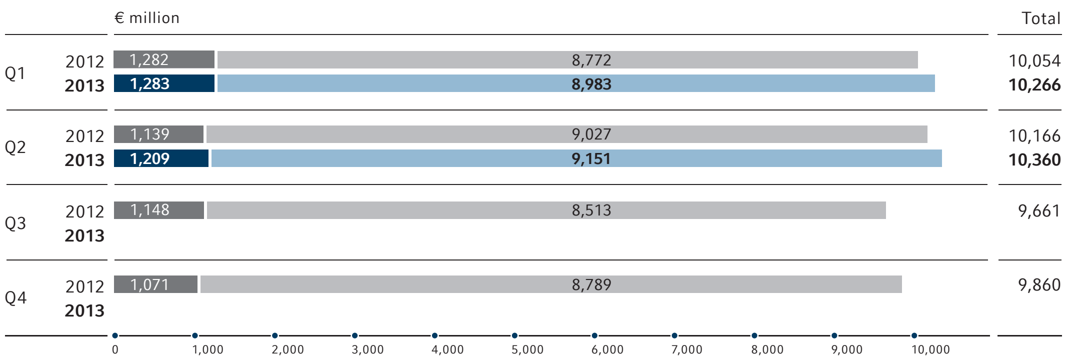
- HealthCare and CropScience post dynamic growth, MaterialScience weak
- New pharmaceutical products well above expectations
- Group sales €10.4 billion (Fx & portfolio adj. +4.6%)
- EBIT €1.3 billion (+73.9%)
- EBITDA before special items €2.2 billion (+1.2%)
- Net income €0.8 billion (+74.8%)
- Core earnings per share €1.54 (+6.2%)
- Group outlook for 2013 maintained

Our Life Sciences businesses continued to grow in the second quarter of 2013. HealthCare benefited especially from the launches of new pharmaceutical products, which are progressing considerably better than expected. CropScience maintained its gratifying business development in a persistently positive market environment. Sales at MaterialScience were slightly down from the prior-year period, with earnings held back by lower selling prices and higher raw material costs.

1. Overview of Sales, Earnings and Financial Position

SECOND QUARTER OF 2013

Bayer Group Quarterly Sales [Graphic 1]

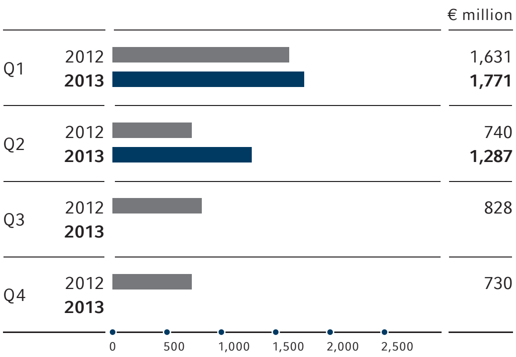


Germany Other countries

2012 figures restated

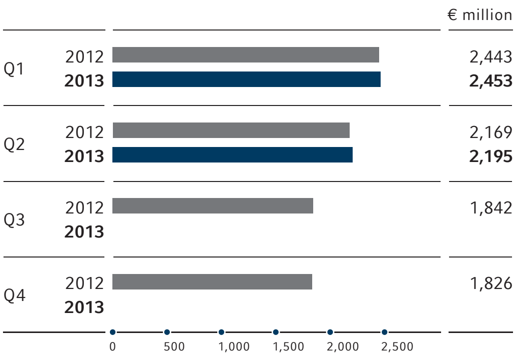
Sales of the Bayer Group advanced by 4.6% after adjusting for currency and portfolio effects (Fx & portfolio adj.) in the second quarter of 2013 to €10,360 million (reported: +1.9%; Q2 2012: €10,166 million). Sales of HealthCare climbed by 7.6% (Fx & portfolio adj.) to €4,800 million (reported: +3.8%; Q2 2012: €4,625 million). CropScience raised sales by 7.3% (Fx & portfolio adj.) against the prior-year quarter to €2,392 million (reported: +5.1%; Q2 2012: €2,276 million). Sales of MaterialScience were slightly below the prior-year period at €2,875 million (Fx & portfolio adj. –1.5%; reported: –2.7%; Q2 2012: €2,954 million).

Bayer Group
Quarterly EBIT [Graphic 2]



2012 figures restated

Bayer Group
Quarterly EBITDA Before Special Items [Graphic 3]

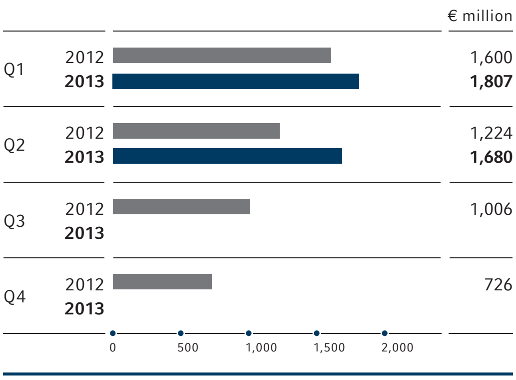


2012 figures restated

EBIT of the Bayer Group posted a clear 73.9% improvement to €1,287 million (Q2 2012: €740 million) due to lower net special items, which amounted to minus €256 million (Q2 2012: minus €762 million). These largely comprised impairment losses on intangible assets and expenses related to restructuring and to litigations, mainly in connection with Cipro™ (see "Legal risks" section, page 64). EBIT before special items of the Bayer Group came in at €1,543 million (+2.7%; Q2 2012: €1,502 million). **EBITDA** before special items posted a small increase against the prior-year period, to €2,195 million (+1.2%; Q2 2012: €2,169 million). HealthCare registered a 6.4% improvement in EBITDA before special items to €1,328 million (Q2 2012: €1,248 million). Earnings growth was driven by the positive business development in Pharmaceuticals. EBITDA before special items of CropScience grew by 13.7% to €624 million (Q2 2012: €549 million), largely as a result of price rises and volume growth. EBITDA before special items of MaterialScience fell by 28.5% against the prior-year quarter to €274 million (Q2 2012: €383 million), mainly as a result of lower selling prices and higher raw material costs. However, earnings improved substantially compared to the first quarter of 2013.

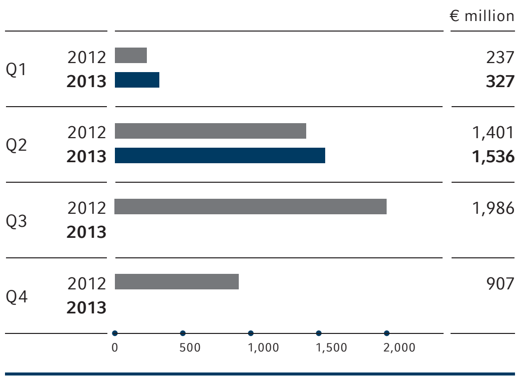
After a **financial result** of minus €225 million (Q2 2012: minus €212 million), **income before income taxes** rose significantly to €1,062 million (Q2 2012: €528 million). The principal component of the financial result was net interest expense of €120 million (Q2 2012: €80 million). The increase against the prior-year quarter mainly reflected interest in connection with a court proceeding brought by former Schering stockholders (see "Legal risks" section, page 65). The interest cost for pension and other provisions amounted to €78 million (Q2 2012: €90 million). After tax expense of €218 million (Q2 2012: €42 million) and non-controlling interest, **net income** in the second quarter of 2013 advanced by 74.8% against the prior-year period to €841 million (Q2 2012: €481 million). Earnings per share rose by 75.9% to €1.02 (Q2 2012: €0.58), and core earnings per share by 6.2% to €1.54 (Q2 2012: €1.45).

Quarterly Gross Cash Flow [Graphic 4]



2012 figures restated

Quarterly Net Cash Flow [Graphic 5]



2012 figures restated

Gross cash flow in the second quarter of 2013 moved ahead by 37.3% to €1,680 million (Q2 2012: €1,224 million), mainly as a result of the improvement in EBIT. Net cash flow advanced by 9.6% to €1,536 million (Q2 2012: €1,401 million).

Net financial debt rose from €7.5 billion on March 31, 2013, to €9.0 billion on June 30, 2013. Cash inflows from operating activities only partly offset the outflows for the dividend payment and the acquisition of Conceptus (see "Acquisitions and divestitures" section, page 59f.). The net amount recognized for post-employment benefits decreased from €9.4 billion on March 31, 2013, to €8.2 billion, largely as a result of higher long-term capital market interest rates.

FIRST HALF OF 2013

The Bayer Group grew sales as expected in the first half of 2013. EBITDA before special items, however, was only slightly above the prior-year period. While the Life Sciences businesses posted pleasing gains in sales and earnings, business development at MaterialScience was weak in a difficult market environment.

Sales increased by 4.2% (Fx & portfolio adj.) to €20,626 million (reported: +2.0%; H1 2012: €20,220 million). HealthCare achieved currency- and portfolio-adjusted growth of 6.3% (reported: +3.1%). CropScience also saw a significant sales increase (Fx & portfolio adj. +7.2%; reported: +5.5%). Sales at MaterialScience were roughly in line with the first half of the previous year (Fx & portfolio adj. –0.6%; reported: –1.6%).

EBIT improved by 29.0% to €3,058 million (H1 2012: €2,371 million). Net special items amounted to minus €301 million (H1 2012: minus €931 million). EBIT before special items rose by 1.7% to €3,359 million (H1 2012: €3,302 million). **EBITDA** before special items came in slightly ahead of the prior-year period at €4,648 million (H1 2012: €4,612 million).

After a **financial result** of minus €415 million (H1 2012: minus €400 million), **income before income taxes** was €2,643 million (H1 2012: €1,971 million). The financial result mainly comprised net interest expense of €183 million (H1 2012: €176 million), interest cost of €158 million (H1 2012: €177 million) for pension and other provisions, and exchange losses of €56 million (H1 2012: €31 million). After tax expense of €637 million (H1 2012: €444 million), income after income taxes amounted to €2,006 million (H1 2012: €1,527 million).

After non-controlling interest, the Bayer Group recorded **net income** of €2,001 million (H1 2012: €1,521 million). Earnings per share rose to €2.42 (H1 2012: €1.84), and core earnings per share (calculated as explained in Chapter 7) to €3.24 (H1 2012: €3.12).

Gross cash flow advanced by 23.5% to €3,487 million (H1 2012: €2,824 million). Net cash flow rose by 13.7% to €1,863 million (H1 2012: €1,638 million). Net financial debt rose to €9.0 billion as of June 30, 2013, compared with €7.0 billion on December 31, 2012. The net amount recognized for post-employment benefits declined from €9.2 billion on December 31, 2012, to €8.2 billion, mainly as a result of higher long-term capital market interest rates.

2. Economic Outlook

Economic Outlook [Table 1]

	Growth* in 2012	Growth* forecast for 2013
World	+2.5%	+2.4%
European Union	−0.3%	−0.3%
of which Germany	+0.7%	+0.5%
United States	+2.2%	+1.6%
Emerging Markets**	+4.8%	+4.9%

* real GDP growth, source: Global Insight; source for Germany: Federal Ministry of Economics and Technology
** including about 50 countries defined by Global Insight as Emerging Markets in line with the World Bank
As of July 2013

The prospects for the **global economy** remain uncertain. The economic weakness in Europe will probably continue in view of the ongoing debt crisis. On the other hand, the Emerging Markets are predicted to grow somewhat faster this year than last. In Japan and the United States, we expect the economic recovery to continue at a moderate pace.

Economic Outlook for the Subgroups [Table 2]

	Growth* in 2012	Growth* forecast for 2013
HealthCare		
Pharmaceuticals market	+2%	+3%
Consumer care market	+4%	+4%
Medical care market	0%	−3%
Animal health market	+4%	+3%
CropScience		
Seed and crop protection markets	>10%	≥5%
MaterialScience (main customer industries)		
Automotive	+6%	+2%
Construction	+3%	+3%
Electrical/electronics	+3%	+5%
Furniture	+4%	+4%

* Bayer's estimate (except pharmaceuticals market, source: IMS Health, IMS Market Prognosis). Copyright 2013. All rights reserved; currency-adjusted
As of July 2013

We expect that growth in the **pharmaceuticals market** in 2013 will continue to be driven by Emerging Markets such as China, Brazil, India and Russia. The United States and a number of European countries remain likely to experience declines as a result of persistently restrictive health system policies.

We expect the **consumer care market** to expand at the same pace in 2013 as in the previous year, with the main stimulus to growth continuing to come from the Emerging Markets. We continue to expect slower growth in Europe and North America. We anticipate slight shrinkage in the **medical care market** in 2013 compared with 2012, with the diabetes care segment declining and the market for contrast agents and medical equipment (radiology and interventional business) likely to remain at the previous year's level. We expect the **animal health market** to show weaker growth in 2013.

Based on persistently high prices for agricultural commodities, we anticipate slightly weaker but nonetheless positive development overall in the global **seed and crop protection market** in 2013, with growth impetus coming mainly from Latin America and Eastern Europe. In North America, too, the crop protection market is predicted to expand.

Despite the continuing crisis in the eurozone and the cooling of the economy in China, we expect to see moderate growth at the global level in the principal customer industries of **MaterialScience**, with stimulus possibly coming from the continuing steady demand in North America and the economic recovery in Japan.

3. Sales and Earnings Forecast

The following forecasts for 2013 are based on the business performance described in this report, taking into account the potential risks and opportunities. Further details of the business forecast are given in Chapter 17.3 of the Annual Report 2012.

BAYER GROUP

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 (calculated as explained in Chapter 7) by a high-single-digit percentage.

	Forecast 2013
Group sales*	4%–5% increase to approx. €40 billion–€41 billion
EBITDA before special items	Mid-single-digit percentage increase
Core earnings per share	High-single-digit percentage increase

* currency- and portfolio-adjusted

For 2013 we anticipate a tax rate of about 25% (previously: about 26%). Regarding our financial position, we expect net financial debt to be below €8.0 billion (previously: below €7.0 billion) at the end of 2013 in light of the acquisition agreements signed through June 30, 2013.

HEALTHCARE

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 (previously: €1.0 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

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

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.

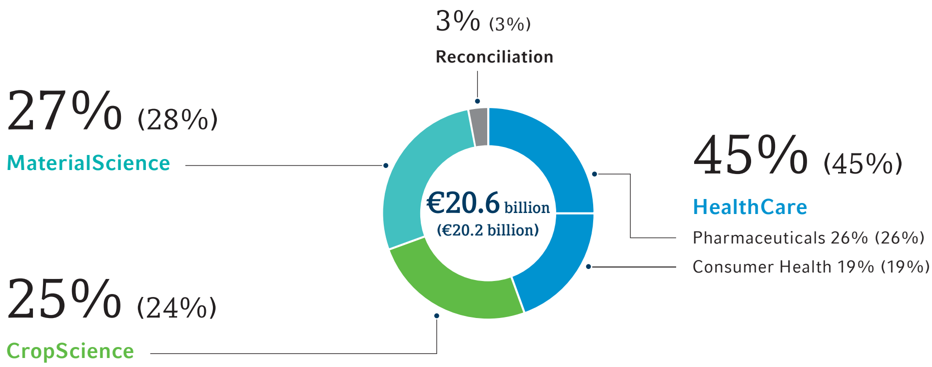
RECONCILIATION

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).

4. Corporate Structure

Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group. Business operations are conducted by the HealthCare, CropScience and MaterialScience subgroups.

Sales in the 1st Half of 2013 [Graphic 6]



2012 in parentheses

Our subgroups are supported by the Business Services, Technology Services and Currenta service companies, which are reported in the reconciliation as "All Other Segments" along with "Corporate Center and Consolidation."

Key Data by Subgroup and Segment [Table 3]

	Sales		EBIT		EBITDA before special items*	
	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,625**	**4,800**	**234**	**729**	**1,248**	**1,328**
Pharmaceuticals	2,683	2,831	48	472	810	921
Consumer Health	1,942	1,969	186	257	438	407
CropScience	**2,276**	**2,392**	**382**	**496**	**549**	**624**
MaterialScience	**2,954**	**2,875**	**201**	**143**	**383**	**274**
Reconciliation	**311**	**293**	**(77)**	**(81)**	**(11)**	**(31)**
Group	**10,166**	**10,360**	**740**	**1,287**	**2,169**	**2,195**
	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013
HealthCare	**8,966**	**9,243**	**975**	**1,651**	**2,429**	**2,605**
Pharmaceuticals	5,200	5,395	553	1,073	1,550	1,753
Consumer Health	3,766	3,848	422	578	879	852
CropScience	**4,886**	**5,156**	**1,236**	**1,460**	**1,533**	**1,705**
MaterialScience	**5,741**	**5,650**	**322**	**185**	**662**	**478**
Reconciliation	**627**	**577**	**(162)**	**(238)**	**(12)**	**(140)**
Group	**20,220**	**20,626**	**2,371**	**3,058**	**4,612**	**4,648**

2012 figures restated

* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

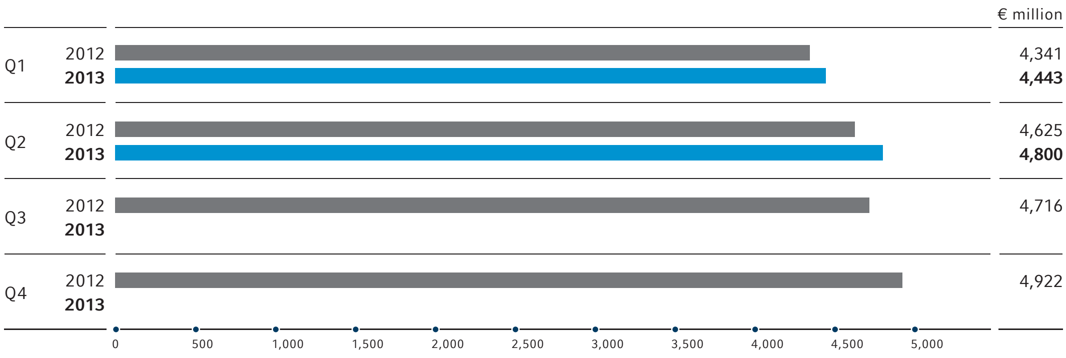
Key Data – HealthCare [Table 4]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,625**	**4,800**	**+3.8**	**+7.6**	**8,966**	**9,243**	**+3.1**	**+6.3**
Change in sales								
Volume	+3.3%	+7.3%			+2.8%	+5.8%		
Price	+0.8%	+0.3%			+0.3%	+0.5%		
Currency	+6.2%	−4.1%			+4.2%	−3.3%		
Portfolio	−0.3%	+0.3%			−0.2%	+0.1%		
Sales by segment								
Pharmaceuticals	2,683	2,831	+5.5	+10.0	5,200	5,395	+3.8	+7.6
Consumer Health	1,942	1,969	+1.4	+4.2	3,766	3,848	+2.2	+4.5
Sales by region								
Europe	1,577	1,694	+7.4	+8.1	3,178	3,316	+4.3	+4.8
North America	1,257	1,293	+2.9	+4.8	2,382	2,469	+3.7	+5.0
Asia/Pacific	1,063	1,079	+1.5	+10.3	1,986	2,072	+4.3	+11.8
Latin America/Africa/Middle East	728	734	+0.8	+9.4	1,420	1,386	−2.4	+5.1
EBIT	**234**	**729**	**.**		**975**	**1,651**	**+69.3**	
Special items	*(668)*	*(258)*			*(788)*	*(289)*		
EBIT before special items*	***902***	***987***	***+9.4***		***1,763***	***1,940***	***+10.0***	
EBITDA*	**726**	**1,208**	**+66.4**		**1,890**	**2,461**	**+30.2**	
Special items	*(522)*	*(120)*			*(539)*	*(144)*		
EBITDA before special items*	***1,248***	***1,328***	***+6.4***		***2,429***	***2,605***	***+7.2***	
EBITDA margin before special items*	27.0%	27.7%			27.1%	28.2%		
Gross cash flow**	**560**	**915**	**+63.4**		**1,364**	**1,802**	**+32.1**	
Net cash flow**	**868**	**565**	**−34.9**		**1,367**	**1,370**	**+0.2**	

2012 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by segment; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

The **HealthCare** subgroup continued its dynamic development, raising **sales** in the **second quarter of 2013** by 7.6% on a currency- and portfolio adjusted basis (Fx & portfolio adj.) to €4,800 million (reported: +3.8%). Our new pharmaceutical products contributed substantially to growth. Business at Consumer Health was satisfactory overall, with positive development particularly at Consumer Care and in the Emerging Markets.

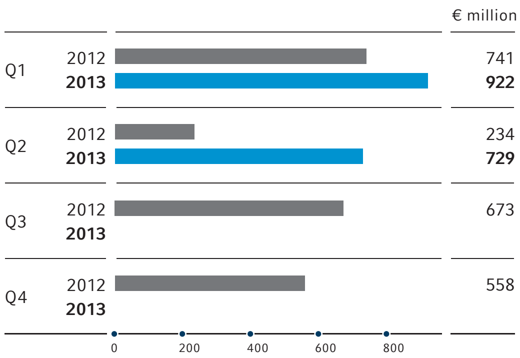
HealthCare Quarterly Sales [Graphic 7]



2012 figures restated

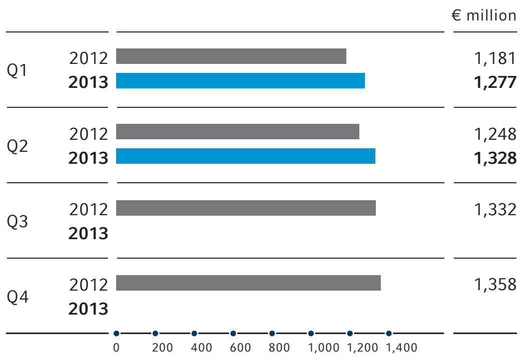
EBIT of HealthCare rose strongly in the second quarter of 2013 against the prior-year period, from €234 million to €729 million. This increase was largely attributable to considerably lower net special items of minus €258 million (Q2 2012: minus €668 million). EBIT before special items advanced by 9.4% to €987 million. **EBITDA** before special items improved by 6.4% to €1,328 million. The improvement was due to good business development at Pharmaceuticals, while earnings at Consumer Health declined.

HealthCare Quarterly EBIT [Graphic 8]



2012 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2012 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 5]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,683**	**2,831**	**+5.5**	**+10.0**	**5,200**	**5,395**	**+3.8**	**+7.6**
Sales by region								
Europe	892	974	+9.2	+10.0	1,800	1,881	+4.5	+5.0
North America	605	649	+7.3	+9.1	1,150	1,225	+6.5	+7.7
Asia/Pacific	742	778	+4.9	+14.7	1,385	1,478	+6.7	+15.2
Latin America/Africa/Middle East	444	430	−3.2	+6.3	865	811	−6.2	+2.0
EBIT	**48**	**472**	**.**		**553**	**1,073**	**+94.0**	
Special items	*(524)*	*(213)*			*(539)*	*(222)*		
EBIT before special items*	***572***	***685***	***+19.8***		***1,092***	***1,295***	***+18.6***	
EBITDA*	**294**	**801**	**+172.4**		**1,019**	**1,631**	**+60.1**	
Special items	*(516)*	*(120)*			*(531)*	*(122)*		
EBITDA before special items*	***810***	***921***	***+13.7***		***1,550***	***1,753***	***+13.1***	
EBITDA margin before special items*	30.2%	32.5%			29.8%	32.5%		
Gross cash flow**	**221**	**595**	**+169.2**		**709**	**1,177**	**+66.0**	
Net cash flow**	**604**	**261**	**−56.8**		**922**	**814**	**−11.7**	

2012 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Our **Pharmaceuticals** segment registered strong growth, with **sales** in the **second quarter of 2013** up by 10.0% (Fx & portfolio adj.) to €2,831 million. The continuing good development of our new products Xarelto™, Eylea™ and Stivarga™ accounted for a major part of this increase, these products posting combined sales of €339 million (Q2 2012: €68 million). Sales gains for the segment as a whole on a currency-adjusted basis were particularly marked in Japan, China and Germany.

Best-Selling Pharmaceuticals Products [Table 6]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Kogenate™	289	306	+5.9	+9.5	584	607	+3.9	+6.5
Betaferon™/Betaseron™	319	269	−15.7	−13.8	595	523	−12.1	−10.6
YAZ™/Yasmin™/Yasminelle™	254	215	−15.4	−10.9	498	421	−15.5	−11.7
Xarelto™	68	219	+222.1	+237.4	110	374	+240.0	+251.6
Nexavar™	195	200	+2.6	+7.2	381	373	−2.1	+1.7
Mirena™	199	193	−3.0	−0.8	359	359	0.0	+1.7
Adalat™	172	157	−8.7	−0.8	330	312	−5.5	+1.2
Avalox™/Avelox™	113	105	−7.1	−4.2	244	220	−9.8	−8.2
Aspirin™ Cardio	115	116	+0.9	+4.8	223	218	−2.2	+1.0
Glucobay™	103	108	+4.9	+5.9	187	209	+11.8	+12.4
Levitra™	70	76	+8.6	+12.9	145	144	−0.7	+2.8
Eylea™	0	73	.	.	0	122	.	.
Cipro™/Ciprobay™	57	59	+3.5	+9.3	108	105	−2.8	+1.6
Stivarga™	0	47	.	.	0	87	.	.
Zetia™	48	45	−6.3	+14.5	95	86	−9.5	+9.2
Total	**2,002**	**2,188**	**+9.3**	**+7.8**	**3,859**	**4,160**	**+7.8**	**+5.9**
Proportion of Pharmaceuticals sales	75%	77%			74%	77%		

Fx adj. = currency-adjusted

Xarelto™ built on its leading position among the new oral anticoagulants in important markets. The robust sales growth for this product continued, especially in Germany, Japan and France. Strong gains were also achieved in the United States, where Xarelto™ is marketed by our distribution partner Janssen Pharmaceuticals, Inc. Our new eye medicine Eylea™ also made a pleasing contribution to sales development. The market introduction of our cancer drug Stivarga™ continued successfully.

The first sales of our new cancer drug Xofigo™ were posted following its launch in the United States in June 2013.

The blood-clotting medicine Kogenate™ registered gains, partly due to shifts in the order patterns of our distribution partner. Our cancer drug Nexavar™ also developed positively, partly in light of price increases in the United States. Sales of Aspirin™ Cardio to prevent heart attacks and our oral diabetes treatment Glucobay™ benefited from gains in China.

Sales of our multiple sclerosis drug Betaferon™/Betaseron™ continued to recede as expected against the strong prior-year quarter. Business with our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives was hampered mainly by generic competition in Western Europe and the United States. Sales of our hormone-releasing intrauterine device Mirena™ moved back in the U.S. against an exceptionally strong prior-year quarter, but overall remained level year on year thanks to higher volumes in other regions. Business with the antibiotic Avalox™/Avelox™ also declined, mainly as a result of lower demand in the United States. Sales of Adalat™ to treat high blood pressure and coronary heart disease came in level with the prior-year period.

EBIT of the Pharmaceuticals segment moved ahead considerably in the second quarter of 2013, from €48 million to €472 million. This increase was mainly due to the lower special items of minus €213 million (Q2 2012: minus €524 million). The special items primarily comprised €89 million in litigation-related expenses, mainly in connection with Cipro™ (see "Legal risks" section, page 64), an €85 million impairment loss recognized on a research project (BAY 86-6150 (rFVIIa mutein)) and €26 million in restructuring charges. As in the first quarter, no further accounting measures were taken in the second quarter of 2013 in connection with the Yasmin™/YAZ™ litigation in the United States. EBIT before special items rose by 19.8% to €685 million. **EBITDA** before special items improved by a substantial 13.7%, to €921 million. This earnings growth was mainly the result of the gratifying sales development, especially for our new products.

Sales of the **Pharmaceuticals** segment in the **first half of 2013** rose by 7.6% (Fx & portfolio adj.), to €5,395 million. The increase was driven by our new products Xarelto™, Eylea™ and Stivarga™, which posted combined sales of €583 million. Sales moved ahead in all regions.

EBIT rose by 94.0% in the first half of 2013 to €1,073 million, partly because special items were lower at minus €222 million (H1 2012: minus €539 million). The special items mainly consisted of €89 million in litigation-related expenses, an €85 million impairment loss on a research project and €35 million in restructuring charges. EBIT before special items advanced by 18.6% to €1,295 million. **EBITDA** before special items improved by 13.1% to €1,753 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 7]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,942**	**1,969**	**+1.4**	**+4.2**	**3,766**	**3,848**	**+2.2**	**+4.5**
Consumer Care	927	950	+2.5	+5.4	1,813	1,905	+5.1	+7.5
Medical Care	655	657	+0.3	+3.5	1,274	1,254	−1.6	+1.0
Animal Health	360	362	+0.6	+2.5	679	689	+1.5	+2.9
Sales by region								
Europe	685	720	+5.1	+5.7	1,378	1,435	+4.1	+4.6
North America	652	644	−1.2	+0.8	1,232	1,244	+1.0	+2.4
Asia/Pacific	321	301	−6.2	+0.3	601	594	−1.2	+4.2
Latin America/Africa/Middle East	284	304	+7.0	+14.1	555	575	+3.6	+10.1
EBIT	**186**	**257**	**+38.2**		**422**	**578**	**+37.0**	
Special items	*(144)*	*(45)*			*(249)*	*(67)*		
EBIT before special items*	***330***	***302***	***−8.5***		***671***	***645***	***−3.9***	
EBITDA*	**432**	**407**	**−5.8**		**871**	**830**	**−4.7**	
Special items	*(6)*	*0*			*(8)*	*(22)*		
EBITDA before special items*	***438***	***407***	***−7.1***		***879***	***852***	***−3.1***	
EBITDA margin before special items*	22.6%	20.7%			23.3%	22.1%		
Gross cash flow**	**339**	**320**	**−5.6**		**655**	**625**	**−4.6**	
Net cash flow**	**264**	**304**	**+15.2**		**445**	**556**	**+24.9**	

2012 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales in the **Consumer Health** segment increased by 4.2% (Fx & portfolio adj.) in the **second quarter of 2013**, to €1,969 million. Business expanded in all divisions. The Consumer Care Division in particular achieved gratifying sales gains in the Emerging Markets, especially Brazil, Argentina and Russia.

Best-Selling Consumer Health Products [Table 8]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	174	197	+13.2	+15.0	340	367	+7.9	+8.9
Advantage™ product line (Animal Health)	156	148	−5.1	−3.0	278	271	−2.5	−0.9
Aspirin™ (Consumer Care)	107	110	+2.8	−2.0	222	226	+1.8	+0.4
Ultravist™ (Medical Care)	87	87	0.0	+3.2	163	165	+1.2	+3.0
Aleve™/naproxen (Consumer Care)	82	85	+3.7	+5.0	152	160	+5.3	+6.2
Bepanthen™/Bepanthol™ (Consumer Care)	70	78	+11.4	+14.9	137	154	+12.4	+14.4
Canesten™ (Consumer Care)	61	70	+14.8	+19.1	117	132	+12.8	+15.5
Gadovist™/Gadavist™ (Medical Care)	51	49	−3.9	−3.9	98	99	+1.0	+0.7
One A Day™ (Consumer Care)	50	45	−10.0	−8.5	93	84	−9.7	−8.8
Supradyn™ (Consumer Care)	33	38	+15.2	+21.5	69	76	+10.1	+13.9
Total	**871**	**907**	**+4.1**	**+5.6**	**1,669**	**1,734**	**+3.9**	**+5.0**
Proportion of Consumer Health sales	45%	46%			44%	45%		

2012 figures restated
Fx adj.= currency-adjusted
Sales of total Aspirin™ (including Aspirin™ Complex) and including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment, increased by 1.8% (Fx adj. +1.5%) in Q2 2013 to €226 million (Q2 2012: €222 million). H1 2013 sales totaled €444 million (H1 2012: €445 million) and decreased by 0.2% (Fx adj. +0.7%).

Sales of our **Consumer Care** Division advanced by 5.4% (Fx & portfolio adj.) to €950 million. The improvement for our analgesic Aleve™/naproxen was partly due to higher demand in Brazil. Business with the skincare product Bepanthen™/Bepanthol™ and our antifungal Canesten™ developed well, mainly as a result of extended marketing activities in the Emerging Markets. Sales of our dietary supplement Supradyn™ rose significantly in Russia.

Sales of the **Medical Care** Division improved by 3.5% (Fx & portfolio adj.) to €657 million. Higher sales were recorded in the Diabetes Care business, especially for our Contour™ line of blood glucose meters, driven by the launch of Contour™ Next in the United States. Sales of contrast agents and medical devices in the Radiology and Interventional business were at the level of the prior-year period on a currency-adjusted basis.

Sales of the **Animal Health** Division rose by 2.5% (Fx & portfolio adj.) to €362 million. Strong gains were registered by our new Seresto™ flea and tick collar, which this year has also been launched in the United States. Sales of the Advantage™ line of flea, tick and worm control products receded as a consequence of unfavorable weather conditions in the United States.

EBIT of the **Consumer Health** segment climbed by a substantial 38.2% in the second quarter of 2013, to €257 million. This increase was due to lower special items of minus €45 million (Q2 2012: minus €144 million), mainly comprising an impairment loss on an intangible asset. EBIT before special items came in 8.5% below the prior-year quarter at €302 million. **EBITDA** before special items fell by 7.1% to €407 million. The sales increases in all divisions – especially Consumer Care – contributed to earnings. Marketing expenses, especially our investment in the Emerging Markets, had a negative effect.

Sales in our **Consumer Health** segment rose by 4.5% (Fx & portfolio adj.) in the **first half of 2013**, to €3,848 million, with all divisions contributing to this performance. The Consumer Care business in the Emerging Markets developed particularly well.

EBIT in the first half of 2013 climbed by 37.0% to €578 million after special items of minus €67 million (H1 2012: minus €249 million). The special items mainly comprised an impairment loss on an intangible asset. EBIT before special items declined by 3.9% to €645 million. **EBITDA** before special items came in 3.1% below the prior-year period at €852 million.

5.2 CropScience

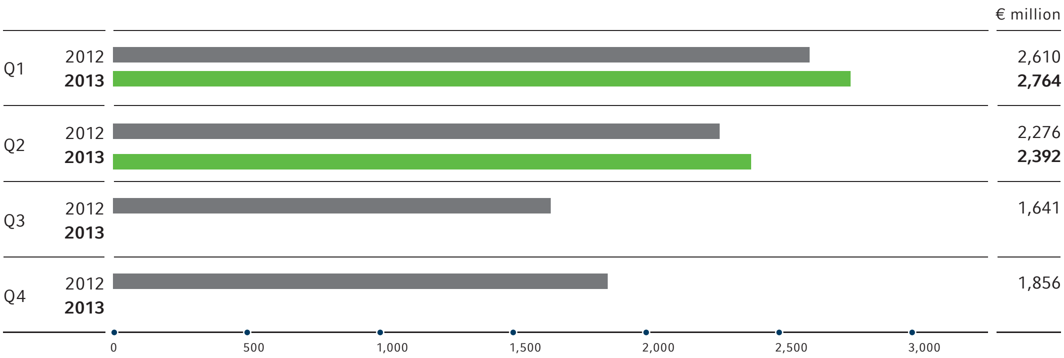
Key Data – CropScience [Table 9]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,276**	**2,392**	**+5.1**	**+7.3**	**4,886**	**5,156**	**+5.5**	**+7.2**
Change in sales								
Volume	+11.2%	+4.8%			+12.5%	+4.3%		
Price	+1.5%	+2.5%			+1.1%	+2.9%		
Currency	+5.2%	−2.9%			+3.5%	−2.2%		
Portfolio	−0.8%	+0.7%			−0.8%	+0.5%		
Sales by business group								
Crop Protection/Seeds	2,087	2,199	+5.4	+7.4	4,510	4,799	+6.4	+8.0
Environmental Science	189	193	+2.1	+5.8	376	357	−5.1	−2.1
Sales by region								
Europe	847	905	+6.8	+7.9	1,899	1,982	+4.4	+5.1
North America	721	680	−5.7	−4.0	1,588	1,664	+4.8	+6.0
Asia/Pacific	354	376	+6.2	+11.6	698	717	+2.7	+8.3
Latin America/Africa/Middle East	354	431	+21.8	+29.4	701	793	+13.1	+18.4
EBIT	**382**	**496**	**+29.8**		**1,236**	**1,460**	**+18.1**	
Special items	*(53)*	*(18)*			*(63)*	*(23)*		
EBIT before special items*	***435***	***514***	***+18.2***		***1,299***	***1,483***	***+14.2***	
EBITDA*	**501**	**607**	**+21.2**		**1,476**	**1,684**	**+14.1**	
Special items	*(48)*	*(17)*			*(57)*	*(21)*		
EBITDA before special items*	***549***	***624***	***+13.7***		***1,533***	***1,705***	***+11.2***	
EBITDA margin before special items*	24.1%	26.1%			31.4%	33.1%		
Gross cash flow**	**382**	**447**	**+17.0**		**1,063**	**1,190**	**+11.9**	
Net cash flow**	**935**	**856**	**−8.4**		**280**	**39**	**−86.1**	

2012 figures restated
Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business group; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **CropScience** subgroup increased in the **second quarter of 2013** by a currency- and portfolio adjusted 7.3% (reported +5.1%) to €2,392 million. Growth was particularly strong in Latin America/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.

CropScience Quarterly Sales [Graphic 10]



Sales in the **Crop Protection/Seeds** business group rose in the second quarter of 2013 by 7.4% (Fx & portfolio adj.) against the prior-year period, to €2,199 million.

Crop Protection posted a gain of 8.2% (Fx & portfolio adj.). The largest increase in percentage terms was achieved for Fungicides, driven mainly by sales growth in Latin America 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.

Sales – Crop Protection/Seeds [Table 10]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales								
Herbicides	697	700	+0.4	+3.4	1,545	1,647	+6.6	+8.8
Fungicides	614	733	+19.4	+20.7	1,168	1,330	+13.9	+15.0
Insecticides	378	374	−1.1	+1.8	714	716	+0.3	+3.2
SeedGrowth	161	146	−9.3	−5.0	360	371	+3.1	+6.1
Crop Protection	1,850	1,953	+5.6	+8.2	3,787	4,064	+7.3	+9.4
Seeds	237	246	+3.8	+1.7	723	735	+1.7	+0.8
Crop Protection/Seeds	**2,087**	**2,199**	**+5.4**	**+7.4**	**4,510**	**4,799**	**+6.4**	**+8.0**

Fx & p adj. = currency- and portfolio-adjusted

Sales in **Europe** rose by 7.9% (Fx adj.) to €800 million, driven by positive development for 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.

In **North America**, sales receded in the second quarter of 2013 by 2.9% (Fx adj.) against a very strong prior-year quarter, to €487 million. This was attributable to negative business development in the United States 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 in the **Asia/Pacific** region advanced by 11.7% (Fx adj.) to €285 million. Here the increase 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.

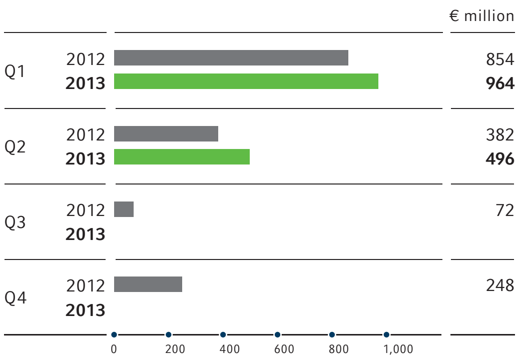
Sales in the **Latin America/Africa/Middle East** region climbed by 27.3% (Fx adj.) to €381 million. The sales development in Brazil and Argentina accounted for a major part of this increase, with particularly strong growth in the Fungicides business. Sales of Insecticides also rose strongly. By contrast, sales in Africa/Middle East receded.

Sales of the **Seeds** unit rose by 1.7% (Fx & portfolio adj.) to €246 million. Here we were particularly successful with our vegetable and rice seeds. The largest percentage sales gains were recorded in Latin America/Africa/Middle East. We also posted double-digit growth rates in Asia/Pacific and Europe. However, business declined in North America as a result of reduced acreages for canola in Canada and for cotton in the United States.

Sales of the **Environmental Science** business group increased by 5.8% (Fx & portfolio adj.) to €193 million. Here we registered growth both in the consumer business and in products for professional users.

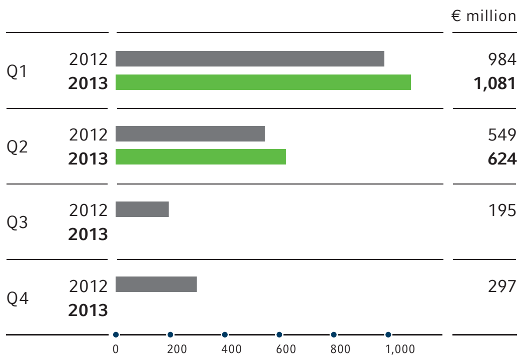
EBIT of **CropScience** rose by a substantial 29.8%, from €382 million in the prior-year quarter to €496 million in the second quarter of 2013. The special charges of €18 million (Q2 2012: €53 million) were mainly attributable to restructuring measures at Crop Protection. EBIT before special items advanced by 18.2% to €514 million, while **EBITDA** before special items grew by 13.7% to €624 million. Earnings growth was mainly attributable to higher volumes and selling price increases.

CropScience
Quarterly EBIT [Graphic 11]



2012 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2012 figures restated

CropScience sales in the **first half of 2013** increased by 7.2% (Fx & portfolio adj.) to €5,156 million. Thus we succeeded in growing the business despite the late start to the season in the northern hemisphere. Contributing to the positive business performance were a favorable market environment and the new products[1] of our Crop Protection business group. All units of Crop Protection showed positive development. Sales of Seeds were at the level of the prior-year period. Business in Environmental Science was slightly down.

EBIT of CropScience rose considerably in the first half of 2013, from €1,236 million to €1,460 million after special charges of €23 million (H1 2012: €63 million). These mainly comprised expenses for restructuring at Crop Protection. EBIT before special items increased by 14.2% to €1,483 million. **EBITDA** before special items came in 11.2% above the prior-year period, at €1,705 million due to the good business development, particularly at Crop Protection.

[1] launched since 2006

5.3 MaterialScience

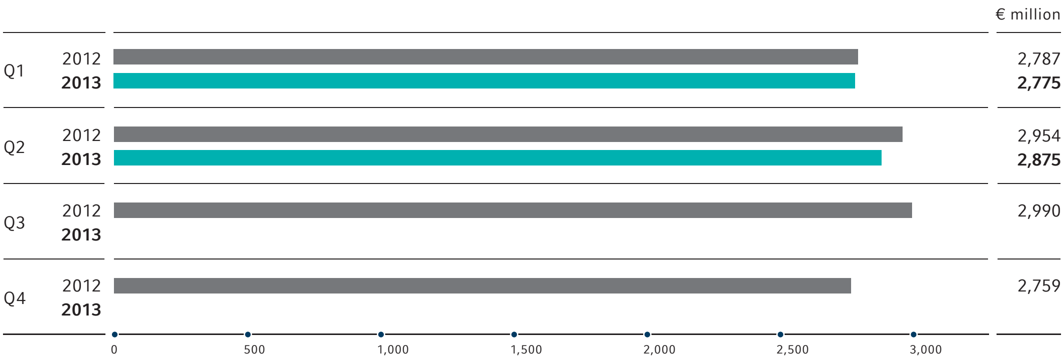
Key Data – MaterialScience [Table 11]

	2nd Quarter 2012	2nd Quarter 2013	Change		1st Half 2012	1st Half 2013	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,954**	**2,875**	**−2.7**	**−1.5**	**5,741**	**5,650**	**−1.6**	**−0.6**
Change in sales								
Volume	+1.0%	−0.4%			+1.9%	−2.1%		
Price	+0.9%	−1.1%			+0.3%	+1.5%		
Currency	+5.3%	−1.1%			+3.8%	−1.0%		
Portfolio	−0.7%	−0.1%			−0.8%	0.0%		
Sales by business unit								
Polyurethanes	1,521	1,546	+1.6	+3.0	2,944	3,015	+2.4	+3.7
Polycarbonates	727	664	−8.7	−8.2	1,432	1,327	−7.3	−7.0
Coatings, Adhesives, Specialties	525	493	−6.1	−4.0	1,008	960	−4.8	−3.6
Industrial Operations	181	172	−5.0	−4.4	357	348	−2.5	−2.0
Sales by region								
Europe	1,130	1,098	−2.8	−2.8	2,260	2,184	−3.4	−3.3
North America	642	642	0.0	+1.7	1,216	1,236	+1.6	+2.9
Asia/Pacific	806	774	−4.0	−2.0	1,530	1,505	−1.6	+0.1
Latin America/Africa/Middle East	376	361	−4.0	−2.9	735	725	−1.4	+1.0
EBIT	**201**	**143**	**−28.9**		**322**	**185**	**−42.5**	
Special items	*(22)*	*31*			*(22)*	*30*		
EBIT before special items*	***223***	***112***	***−49.8***		***344***	***155***	***−54.9***	
EBITDA*	**361**	**313**	**−13.3**		**640**	**516**	**−19.4**	
Special items	*(22)*	*39*			*(22)*	*38*		
EBITDA before special items*	***383***	***274***	***−28.5***		***662***	***478***	***−27.8***	
EBITDA margin before special items*	13.0%	9.5%			11.5%	8.5%		
Gross cash flow**	**288**	**223**	**−22.6**		**497**	**400**	**−19.5**	
Net cash flow**	**41**	**167**	**.**		**74**	**67**	**−9.5**	

2012 figures restated
Fx (& p) adj. = currency– (and portfolio–)adjusted (Fx & p adj.: Sales and Sales by business unit; Fx adj.: Sales by region)
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **MaterialScience** subgroup in the **second quarter of 2013** came in slightly below the prior-year quarter at €2,875 million (Fx & portfolio adj.: −1.5%; reported: −2.7%). This 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 Latin America/Africa/Middle East and Europe.

MaterialScience Quarterly Sales [Graphic 13]



2012 figures restated

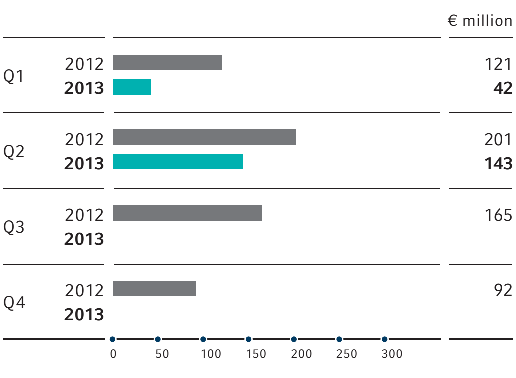
The **Polyurethanes** business unit raised sales by 3.0% (Fx & portfolio adj.) to €1,546 million. This increase was attributable to higher volumes in all regions except Europe. Selling prices overall were at the level of the prior-year period. Lower volumes for diphenylmethane diisocyanate (MDI) were more than offset by price increases. We significantly increased volumes of toluene diisocyanate (TDI), while selling prices fell overall. Both volumes and prices for polyether (PET) were below the prior-year quarter.

Sales of the **Polycarbonates** business unit declined by 8.2% (Fx & portfolio adj.) to €664 million. The decline resulted from lower volumes in all regions due to weaker demand. In addition, selling prices as a whole were below the prior-year period on account of market overcapacities.

Sales in the **Coatings, Adhesives, Specialties** business unit fell by 4.0% (Fx & portfolio adj.) to €493 million. This decline resulted from both lower selling prices and a decrease in volumes in nearly all product groups and regions.

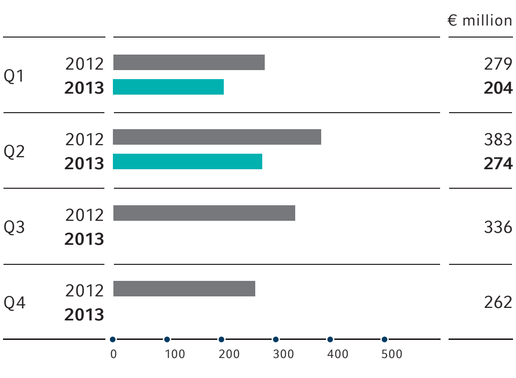
Sales of **Industrial Operations** receded by 4.4% (Fx & portfolio adj.) to €172 million, with higher volumes only partly offset by lower selling prices overall.

MaterialScience
Quarterly EBIT [Graphic 14]



2012 figures restated

MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



2012 figures restated

EBIT of **MaterialScience** receded in the second quarter of 2013 to €143 million (Q2 2012: €201 million). This included special gains of €31 million (Q2 2012: special charge of €22 million) that mostly consisted of income from the divestiture of parts of our polyester resin business. EBIT before special items amounted to €112 million (–49.8%; Q2 2012: €223 million). **EBITDA** before special items fell by 28.5% to €274 million (Q2 2012: €383 million), largely because of a decline in selling prices and an increase in raw material costs. Polycarbonates showed particularly weak earnings development.

Sales of **MaterialScience** in the **first half of 2013** moved back by 0.6% (Fx & portfolio adj.) to €5,650 million (reported: –1.6%). Slightly higher selling prices did not fully compensate for a drop in volumes in Europe. **EBIT** fell by a significant 42.5% to €185 million. **EBITDA** before special items was down by 27.8% to €478 million.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	2nd Quarter 2012	2nd Quarter 2013			2nd Quarter 2012	2nd Quarter 2013		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
HealthCare	**1,577**	**1,694**	**+7.4**	**+8.1**	**1,257**	**1,293**	**+2.9**	**+4.8**
Pharmaceuticals	892	974	+9.2	+10.0	605	649	+7.3	+9.1
Consumer Health	685	720	+5.1	+5.7	652	644	−1.2	+0.8
CropScience	**847**	**905**	**+6.8**	**+7.9**	**721**	**680**	**−5.7**	**−4.0**
MaterialScience	**1,130**	**1,098**	**−2.8**	**−2.8**	**642**	**642**	**0.0**	**+1.7**
Group (incl. reconciliation)	**3,834**	**3,960**	**+3.3**	**+3.9**	**2,626**	**2,623**	**−0.1**	**+1.7**
	1st Half 2012	1st Half 2013			1st Half 2012	1st Half 2013		
HealthCare	**3,178**	**3,316**	**+4.3**	**+4.8**	**2,382**	**2,469**	**+3.7**	**+5.0**
Pharmaceuticals	1,800	1,881	+4.5	+5.0	1,150	1,225	+6.5	+7.7
Consumer Health	1,378	1,435	+4.1	+4.6	1,232	1,244	+1.0	+2.4
CropScience	**1,899**	**1,982**	**+4.4**	**+5.1**	**1,588**	**1,664**	**+4.8**	**+6.0**
MaterialScience	**2,260**	**2,184**	**−3.4**	**−3.3**	**1,216**	**1,236**	**+1.6**	**+2.9**
Group (incl. reconciliation)	**7,899**	**8,003**	**+1.3**	**+1.7**	**5,197**	**5,381**	**+3.5**	**+4.8**

2012 figures restated
yoy = year on year; Fx. adj. = currency-adjusted

6. Calculation of EBIT(DA) Before Special Items

Key performance indicators for the Bayer Group are EBIT before special items and EBITDA before special items. These indicators are reported in order to allow a more accurate assessment of business operations. The special items – comprising effects that are non-recurring or do not regularly recur or attain similar magnitudes – are detailed in the following table. EBITDA, EBITDA before special items and EBIT before special items are not defined in the International Financial Reporting Standards (IFRS) and should therefore be regarded only as supplementary information. The company considers EBITDA before special items to be a more suitable indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clearer picture of the results of operations and ensure greater comparability of data over time. The EBITDA margin before special items, which is the ratio of EBITDA before special items to sales, serves as a relative indicator for the internal and external comparison of operational earning power.

Depreciation, amortization and impairments decreased by 7.7% in the first half of 2013 to €1,444 million (H1 2012: €1,565 million), comprising €780 million (H1 2012: €903 million) in amortization and impairments of intangible assets and €664 million (H1 2012: €662 million) in depreciation and impairments of property, plant and equipment. Impairments totaled €147 million (H1 2012: €261 million), of which €138 million (H1 2012: €242 million) was included in special items. Of the €1,297 million (H1 2012: €1,304 million) in depreciation and amortization, €17 million (H1 2012: €13 million) was included in special items.

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	2nd Quarter 2012	2nd Quarter 2013			2nd Quarter 2012	2nd Quarter 2013			2nd Quarter 2012	2nd Quarter 2013		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
	1,063	**1,079**	**+1.5**	**+10.3**	**728**	**734**	**+0.8**	**+9.4**	**4,625**	**4,800**	**+3.8**	**+7.9**
	742	778	+4.9	+14.7	444	430	−3.2	+6.3	2,683	2,831	+5.5	+10.4
	321	301	−6.2	+0.3	284	304	+7.0	+14.1	1,942	1,969	+1.4	+4.4
	354	**376**	**+6.2**	**+11.6**	**354**	**431**	**+21.8**	**+29.4**	**2,276**	**2,392**	**+5.1**	**+8.0**
	806	**774**	**−4.0**	**−2.0**	**376**	**361**	**−4.0**	**−2.9**	**2,954**	**2,875**	**−2.7**	**−1.6**
	2,229	**2,236**	**+0.3**	**+6.1**	**1,477**	**1,541**	**+4.3**	**+10.5**	**10,166**	**10,360**	**+1.9**	**+4.8**
	1st Half 2012	1st Half 2013			1st Half 2012	1st Half 2013			1st Half 2012	1st Half 2013		
	1,986	**2,072**	**+4.3**	**+11.8**	**1,420**	**1,386**	**−2.4**	**+5.1**	**8,966**	**9,243**	**+3.1**	**+6.4**
	1,385	1,478	+6.7	+15.2	865	811	−6.2	+2.0	5,200	5,395	+3.8	+7.8
	601	594	−1.2	+4.2	555	575	+3.6	+10.1	3,766	3,848	+2.2	+4.6
	698	**717**	**+2.7**	**+8.3**	**701**	**793**	**+13.1**	**+18.4**	**4,886**	**5,156**	**+5.5**	**+7.7**
	1,530	**1,505**	**−1.6**	**+0.1**	**735**	**725**	**−1.4**	**+1.0**	**5,741**	**5,650**	**−1.6**	**−0.6**
	4,227	**4,306**	**+1.9**	**+6.9**	**2,897**	**2,936**	**+1.3**	**+6.9**	**20,220**	**20,626**	**+2.0**	**+4.3**

Special Items Reconciliation [Table 13]

	EBIT* 2nd Quarter 2012	EBIT* 2nd Quarter 2013	EBIT* 1st Half 2012	EBIT* 1st Half 2013	EBITDA** 2nd Quarter 2012	EBITDA** 2nd Quarter 2013	EBITDA** 1st Half 2012	EBITDA** 1st Half 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Before special items	1,502	1,543	3,302	3,359	2,169	2,195	4,612	4,648
HealthCare	**(668)**	**(258)**	**(788)**	**(289)**	**(522)**	**(120)**	**(539)**	**(144)**
Impairment losses/ impairment loss reversals	(137)	(115)	(237)	(115)	–	15	–	15
Restructuring	(35)	(32)	(51)	(62)	(26)	(24)	(39)	(47)
Litigations	(496)	(89)	(500)	(89)	(496)	(89)	(500)	(89)
Integration costs	–	(22)	–	(23)	–	(22)	–	(23)
CropScience	**(53)**	**(18)**	**(63)**	**(23)**	**(48)**	**(17)**	**(57)**	**(21)**
Restructuring	(31)	(13)	(41)	(18)	(26)	(12)	(35)	(16)
Litigations	(22)	(5)	(22)	(5)	(22)	(5)	(22)	(5)
MaterialScience	**(22)**	**31**	**(22)**	**30**	**(22)**	**39**	**(22)**	**38**
Restructuring	(22)	(11)	(22)	(12)	(22)	(3)	(22)	(4)
Divestitures	–	42	–	42	–	42	–	42
Reconciliation	**(19)**	**(11)**	**(58)**	**(19)**	**(19)**	**(11)**	**(58)**	**(19)**
Restructuring	(19)	(11)	(32)	(19)	(19)	(11)	(32)	(19)
Litigations	–	–	(26)	–	–	–	(26)	–
Total special items	**(762)**	**(256)**	**(931)**	**(301)**	**(611)**	**(109)**	**(676)**	**(146)**
After special items	**740**	**1,287**	**2,371**	**3,058**	**1,558**	**2,086**	**3,936**	**4,502**

2012 figures restated
* EBIT = earnings before financial result and taxes
** EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

7. Core Earnings Per Share

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To enhance comparability, we also determine core net income after eliminating amortization and impairments of intangible assets, impairments of property, plant and equipment, and special items in EBITDA including the related tax effects.

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the second quarter of 2013 amounted to €1.54 (Q2 2012: €1.45).

Core Earnings Per Share [Table 14]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	**740**	**1,287**	**2,371**	**3,058**
Amortization and impairments of intangible assets	474	459	903	780
Impairments of property, plant and equipment	19	13	23	13
Special items (other than amortization and impairments)	611	109	676	146
Core EBIT	**1,844**	**1,868**	**3,973**	**3,997**
Financial result (as per income statements)	(212)	(225)	(400)	(415)
Special items in the financial result	–	57	–	57
Income taxes (as per income statements)	(42)	(218)	(444)	(637)
Tax effects related to amortization, impairments and special items	(387)	(211)	(547)	(320)
Income after income taxes attributable to non-controlling interest (as per income statements)	(5)	(3)	(6)	(5)
Core net income	**1,198**	**1,268**	**2,576**	**2,677**
	Shares	Shares	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.45**	**1.54**	**3.12**	**3.24**

2012 figures restated

Core net income, core earnings per share and core EBIT are not defined in IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
Gross cash flow*	**1,224**	**1,680**	**2,824**	**3,487**
Changes in working capital/other non-cash items	177	(144)	(1,186)	(1,624)
Net cash provided by (used in) operating activities (net cash flow)	**1,401**	**1,536**	**1,638**	**1,863**
Net cash provided by (used in) investing activities	**2,344**	**(1,107)**	**1,451**	**(1,484)**
Net cash provided by (used in) financing activities	**(3,671)**	**(139)**	**(3,511)**	**(304)**
Change in cash and cash equivalents due to business activities	**74**	**290**	**(422)**	**75**
Cash and cash equivalents at beginning of period	**1,276**	**1,479**	**1,767**	**1,698**
Change due to exchange rate movements and to changes in scope of consolidation	2	(37)	7	(41)
Cash and cash equivalents at end of period	**1,352**	**1,732**	**1,352**	**1,732**

2012 figures restated
* Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year.

OPERATING CASH FLOW

Gross cash flow in the **second quarter of 2013** climbed by 37.3% against the prior-year period to €1,680 million (Q2 2012: €1,224 million) due to the substantial improvement in EBIT. Cash tied up in working capital increased in the second quarter of 2013 by €144 million, partly due to the payment of variable bonus awards to employees and to legal and defense costs. (In the same quarter of the prior year, working capital of €177 million was released.) A reduction in trade working capital had the opposite effect. Net cash flow advanced by 9.6% to €1,536 million (Q2 2012: €1,401 million). Income tax payments were lower at €304 million (Q2 2012: €510 million).

Gross cash flow in the **first half of 2013** increased by 23.5% against the prior-year period to €3,487 million, mainly on account of the improvement in EBIT. Net cash flow advanced by 13.7% to €1,863 million. This figure reflected income tax payments of €650 million (H1 2012: €814 million).

INVESTING CASH FLOW

The net cash outflow for investing activities in the **second quarter of 2013** amounted to €1,107 million. Disbursements for property, plant and equipment and intangible assets rose by 13.1% to €502 million (Q2 2012: €444 million). Of this amount, HealthCare accounted for €197 million (Q2 2012: €215 million), CropScience for €108 million (Q2 2012: €67 million) and MaterialScience for €140 million (Q2 2012: €126 million). The €724 million (Q2 2012: €18 million) in outflows for acquisitions mainly related to the purchase of the U.S. company Conceptus, Inc. The cash inflows of €62 million (Q2 2012: €86 million) from divestitures arose mainly from the sale of the global powder polyester resins business and the U.S.-based liquid polyester resins business. Cash inflows from noncurrent and current financial assets amounted to €16 million. In the same period of 2012 there was an inflow of €2,640 million, mainly from the liquidation of money market funds to redeem the bond issued under the multi-currency European Medium Term Notes (EMTN) program.

The net cash outflow for investing activities in the **first half of 2013** was €1,484 million. Disbursements for property, plant and equipment and intangible assets were 23.9% higher at €867 million (H1 2012: €700 million). Of this amount, HealthCare accounted for €355 million (H1 2012: €277 million), CropScience for €183 million (H1 2012: €138 million) and MaterialScience for €244 million (H1 2012: €225 million). The €846 million (H1 2012: €66 million) in outflows for acquisitions related to the purchases of Conceptus, Inc. and Teva Animal Health Inc. (both in the United States), soybean seed producer Wehrtec Ltda and the soybean business of Agricola Wehrmann Ltda (both in Brazil) and German company Prophyta Biologischer Pflanzenschutz GmbH. The cash inflows of €79 million (H1 2012: €113 million) from divestitures arose mainly from the sale of the global powder polyester resins business and the U.S.-based liquid polyester resins business and from revenue-based payments made in connection with the sale of the hematological oncology portfolio to Genzyme Corp., United States. Cash inflows from noncurrent and current financial assets amounted to €70 million (H1 2012: €1,984 million).

FINANCING CASH FLOW

In the **second quarter of 2013** there was a net cash outflow of €139 million for financing activities, including net borrowings of €1,530 million (Q2 2012: net loan repayments of €2,114 million). Net interest payments were 49.7% lower at €97 million (Q2 2012: €193 million). The cash outflow for "dividend payments and withholding tax on dividends" amounted to €1,572 million (Q2 2012: €1,364 million).

The net cash outflow for financing activities in the **first half of 2013** amounted to €304 million, including net borrowings of €1,421 million (H1 2012: net loan repayments of €1,867 million). Net interest payments were 45.8% lower at €150 million (H1 2012: €277 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 16]

	Dec. 31, 2012	March 31, 2013	June 30, 2013
	€ million	€ million	€ million
Bonds and notes/promissory notes	5,528	5,467	4,681
of which hybrid bond	1,364	1,354	1,346
Liabilities to banks	2,841	2,857	2,741
Liabilities under finance leases	542	460	443
Liabilities from derivatives	304	405	369
Other financial liabilities	310	359	3,061
Positive fair values of hedges of recorded transactions	(456)	(405)	(401)
Financial debt	**9,069**	**9,143**	**10,894**
Cash and cash equivalents	(1,698)	(1,479)	(1,732)
Current financial assets	(349)	(151)	(147)
Net financial debt	**7,022**	**7,513**	**9,015**

2012 figures restated

Net financial debt of the Bayer Group increased by 20.0% compared with March 31, 2013, to €9.0 billion as of June 30, 2013. Cash inflows from operating activities only partly offset the outflows for the dividend payment and the acquisition of Conceptus.

Financial debt included the subordinated hybrid bond issued in July 2005, which was reflected at €1.3 billion. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. The hybrid bond thus has a more limited effect on the Group's rating-specific debt indicators than conventional borrowings. Other financial liabilities as of June 30, 2013, included commercial paper in an amount of €2.6 billion. Our noncurrent financial liabilities rose in the second quarter of 2013 from €6.8 billion to €7.3 billion. At the same time, current financial liabilities increased from €2.7 billion to €4.0 billion.

On April 4, 2013, Bayer Nordic SE issued a bond under the multi-currency European Medium Term Notes (EMTN) program with a nominal volume of €200 million, a floating-rate coupon comprising the three-month Euribor plus 35 basis points, and a term of three years. On May 15, 2013, Bayer Holding Ltd., Japan, issued a bond under the EMTN program with a nominal volume of JPY 10 billion, a fixed-rate coupon of 0.594% and a term of six years. On May 23, 2013, Bayer AG redeemed at maturity the €1.0 billion bond issued under the EMTN program in 2006. After the end of the reporting period – on July 4, 2013 – Bayer Holding Ltd., Japan, redeemed at maturity the JPY 10 billion bond issued under the EMTN program in 2008.

Standard & Poor's gives Bayer a long-term issuer rating of A- with positive outlook, while Moody's gives us a long-term rating of A3 with positive outlook. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness.

ASSET AND CAPITAL STRUCTURE

Bayer Group Summary Statements of Financial Position [Table 17]

	Dec. 31, 2012	March 31, 2013	June 30, 2013
	€ million	€ million	€ million
Noncurrent assets	32,308	32,354	32,680
Current assets	19,010	20,516	20,486
Total assets	**51,318**	**52,870**	**53,166**
Equity	18,551	19,780	19,496
Noncurrent liabilities	19,663	19,317	18,800
Current liabilities	13,104	13,773	14,870
Liabilities	**32,767**	**33,090**	**33,670**
Total equity and liabilities	**51,318**	**52,870**	**53,166**

2012 figures restated

Total assets increased in the second quarter of 2013 by 0.6% to €53.2 billion. Noncurrent assets rose by €0.3 billion to €32.7 billion, mainly due to the acquisition-related increase in goodwill from €9.4 billion to €10.1 billion, but were diminished by currency effects. The carrying amount of current assets was virtually unchanged from the previous quarter, at €20.5 billion. Inventories and trade accounts receivable declined by a total of €0.5 billion, while liquid assets increased by €0.3 billion.

The €0.3 billion decrease in equity to €19.5 billion was due to the €1.6 billion dividend payment, which was partially offset by the €0.8 billion income after income taxes and the €0.7 billion effect of the decrease in pension obligations, which was recognized outside profit or loss. The equity ratio (equity coverage of total assets) as of June 30, 2013, was 36.7% (March 31, 2013: 37.4%).

Liabilities rose by €0.6 billion compared with March 31, 2013, to €33.7 billion. A €1.1 billion decrease in provisions for pensions and other post-employment benefits was offset by a €1.7 billion increase in financial liabilities.

Net Amount Recognized for Post-Employment Benefits [Table 18]

	Dec. 31, 2012	March 31, 2013	June 30, 2013
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	9,246	9,388	8,257
Benefit plan assets in excess of obligation	(27)	(38)	(66)
Net amount recognized for post-employment benefits	**9,219**	**9,350**	**8,191**

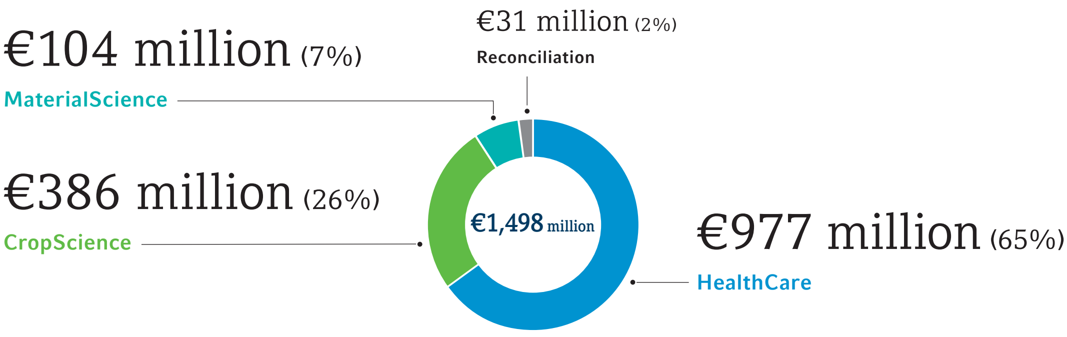
2012 figures restated

The net amount recognized for post-employment benefits decreased from €9.4 billion to €8.2 billion in the second quarter of 2013, due especially to higher long-term capital market interest rates.

9. Growth and Innovation

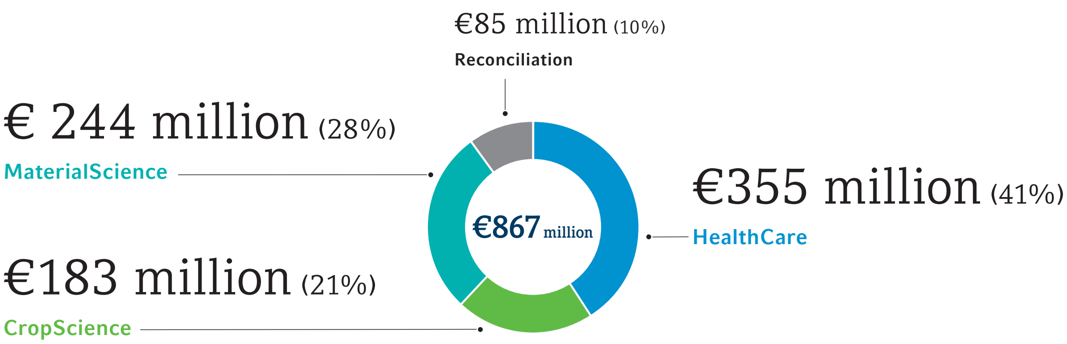
We spent a total of €1,498 million on research and development in the first half of 2013, including €775 million in the second quarter. Capital expenditures for property, plant and equipment and intangible assets in the first half of 2013 amounted to €867 million, including €502 million in the second quarter.

Research and Development Expenses in the 1st Half of 2013 [Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the 1st Half of 2013 [Graphic 17]

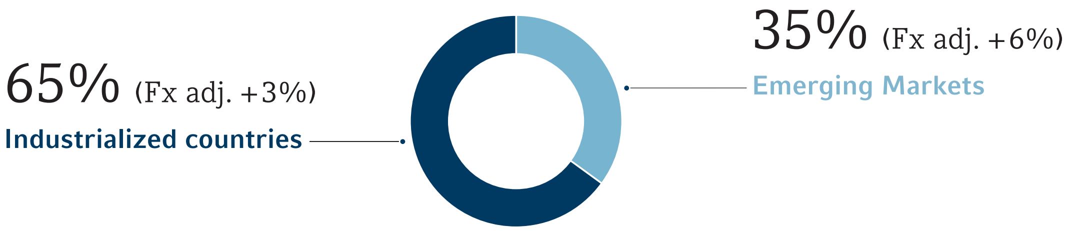


Subgroup shares in parentheses

The Emerging Markets accounted for a disproportionately large share of sales growth in the first half of 2013. For reporting purposes we have defined the Emerging Markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East.

Sales in the Emerging Markets advanced by 6.2% (Fx adj.) in the first half of 2013 to €7,273 million (H1 2012: €7,021 million), including €3,782 million (Fx adj. +5.6%; Q2 2012: €3,683 million) in the second quarter. The second quarter saw particularly encouraging gains in Latin America. We also expanded business in Eastern Europe and Asia. The emerging markets accounted for 35.3% (H1 2012: 34.7%) of total sales in the first half of 2013 and 36.5% (Q2 2012: 36.2%) in the second quarter.

Sales Development in the 1st Half of 2013 [Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first half of 2013 we invested €977 million in research and development at HealthCare, including €507 million in the second quarter. We made further progress with our research and development pipeline during this period. (The following description does not include ongoing activities already described in the Annual Report 2012.)

The most important drug candidates in the approval process are:

Products Submitted for Approval* [Table 19]

	Indication
Aflibercept	E.U., Japan; treatment following central retinal vein occlusion
FC-Patch Low	E.U.; contraceptive patch
Octocog alfa** (recombinant Factor VIII)	U.S.A.; prophylaxis in adult patients with hemophilia A
Radium-223 dichloride	E.U.; treatment of patients with hormone-refractory prostate cancer and bone metastasis
Regorafenib	E.U.; treatment of colorectal cancer
Regorafenib	Japan; treatment of metastatic and/or unresectable gastrointestinal stromal tumors
Riociguat	E.U., U.S.A., Japan; treatment of pulmonary hypertension (CTEPH)
Riociguat	E.U., U.S.A.; treatment of pulmonary hypertension (PAH)
Rivaroxaban	U.S.A.; secondary prophylaxis of acute coronary syndrome
Sorafenib	E.U., U.S.A.; treatment of thyroid cancer
YAZ™ Flex Plus	U.S.A.; oral contraception with flexible dosage regimen and folic acid supplementation

* as of July 17, 2013
** octocog alfa = active ingredient of Kogenate™

The following table shows our most important drug candidates currently in Phase II or III of clinical testing:

Research and Development Projects (Phases II and III)*

[Table 20]

	Indication	Status
Aflibercept	Treatment of diabetic macular edema	Phase III
Aflibercept	Prevention of abnormal retinal angiogenesis following pathological myopia	Phase III
Amikacin Inhale	Treatment of pulmonary infections	Phase III
BAY 94-9027 (rFVIII mutein)	Treatment of hemophilia A	Phase III
Ciprofloxacin Inhale	Treatment of pulmonary infections	Phase III
LCS-16 (ULD LNG Contraceptive System)	Intrauterine contraception, duration of use: up to 5 years	Phase III
Prasterone**	Treatment of vulvovaginal atrophy	Phase III
Regorafenib	Treatment of refractory liver cancer	Phase III
Rivaroxaban	Prevention of major adverse cardiac events (MACE)	Phase III
Rivaroxaban	Anti-coagulation in patients with chronic heart failure	Phase III
Sodium deoxycholate***	Injection for reduction of submental fat	Phase III
Sorafenib	Treatment of breast cancer	Phase III
Sorafenib	Treatment of liver cancer, adjuvant therapy	Phase III
Sorafenib	Treatment of kidney cancer, adjuvant therapy	Phase III
Tedizolid	Treatment of complicated skin infections and pneumonia	Phase III
BAY 80-6946 (PI3k inhibitor)	Treatment of recurrent/resistant non-Hodgkin's lymphoma	Phase II
BAY 85-8501 (neutrophil elastase inhibitor)	Lung diseases	Phase II
BAY 94-8862 (MR antagonist)	Chronic heart failure	Phase II
BAY 94-8862 (MR antagonist)	Diabetic nephropathy	Phase II
Radium-223 dichloride	Treatment of bone metastases in cancer	Phase II
Refametinib (MEK inhibitor)	Cancer therapy	Phase II
Regorafenib	Cancer therapy	Phase II
Riociguat	Pulmonary hypertension	Phase II
Sorafenib	Cancer therapy	Phase II

* as of July 17, 2013
** prasterone = Vaginorm
*** sodium deoxycholate = ATX-101
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds.

In March 2013, the U.S. Food and Drug Administration (FDA) issued a second complete response letter regarding the approval process for **Xarelto™** (active ingredient: rivaroxaban) for the reduction of cardiovascular events in patients with acute coronary syndrome (ACS). We and our cooperation partner Janssen Research & Development LLC, United States, are closely consulting with the FDA regarding the future course of action. This also applies to the complete response letter received by Janssen Research & Development LLC in ***June 2013*** regarding the approval process for Xarelto™ to reduce the risk of stent thrombosis in patients with ACS.

In ***May 2013***, Xarelto™ was approved by the European Commission for the prevention of atherothrombotic events after acute coronary syndrome (ACS) in patients with elevated cardiac biomarkers in combination with standard antiplatelet therapy.

In March 2013, positive results were presented from an interim analysis of the ongoing long-term CHEST-2 trial with **riociguat**, a drug to treat pulmonary hypertension. The data demonstrate the long-term safety and sustained clinical benefits of riociguat in patients with inoperable chronic thromboembolic pulmonary hypertension (CTEPH). In ***May 2013***, positive data from the interim analysis of the on-going PATENT-2 trial with riociguat were published. The results support the positive data of the pivotal PATENT-1 trial, showing long-term safety and sustained clinical benefits in patients with pulmonary arterial hypertension (PAH).

In April 2013, the FDA granted priority review to the application for approval of riociguat to treat CTEPH and PAH. In ***May 2013***, we filed for regulatory approval of riociguat in Japan to treat CTEPH.

In February 2013, the FDA approved the cancer drug **Stivarga™** (active ingredient: regorafenib) to treat patients with locally advanced, unresectable or metastatic gastrointestinal stromal tumors (GIST) who have been previously treated with imatinib mesylate and sunitinib malate. In February 2013, the Japanese Ministry of Health, Labour and Welfare (MHLW) granted priority review to the application for approval of regorafenib in the indication GIST.

In March 2013, the MHLW approved Stivarga™ for the treatment of patients with unresectable, advanced/recurrent colorectal cancer. In ***June 2013***, the European Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended that regorafenib be approved for treatment of metastatic colorectal cancer. A decision by the E.U. Commission on the application for marketing approval is expected in the third quarter of 2013.

In ***May 2013***, the cancer medicine **Xofigo™** (active ingredient: radium-223 dichloride) was approved by the FDA for the treatment of patients with hormone-refractory prostate cancer (CRPC) and bone metastases. In the United States, we jointly market this product with Algeta US, LLC.

In ***June 2013***, **sorafenib** – already approved for the treatment of liver cancer and renal cell carcinoma under the trade name Nexavar™ – was submitted to the EMA and the FDA for regulatory approval in the treatment of thyroid cancer. The regulatory submission is based on data from the Phase III DECISION trial, in which sorafenib significantly extended progression-free survival compared to placebo. We are jointly developing and marketing Nexavar™ with Onyx Pharmaceuticals, Inc., United States.

In ***June 2013***, the Phase III MYRROR trial with **aflibercept** for injection – already approved under the trade name Eylea™ to treat certain eye conditions, including wet age-related macular degeneration – showed positive results in patients with myopic choroidal neovascularization (mCNV). mCNV is a disease of the retina in persons who are severely myopic. We expect to submit the first application for regulatory approval in this indication in the second half of 2013.

A clinical Phase II/III trial with the developmental substance **BAY 86-6150** did not show the desired results and was discontinued ahead of schedule in ***May 2013***. The trial investigated the efficacy and safety of the substance in people with hemophilia A and hemophilia B in whom inhibitors had developed against the coagulation factors.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

The first projects under the expanded strategic research alliance with the German Cancer Research Center, Heidelberg, were launched in ***June 2013*** in the field of immunotherapy.

In ***June 2013***, we acquired Conceptus, Inc. The U.S. company has developed Essure™, the only non-surgical permanent birth control method, which it markets in the U.S. and other countries.

In ***June 2013***, we signed a new collaboration agreement with Seattle Genetics, Inc., United States, in the area of antibody-drug conjugates (ADCs). Through this partnership, we will receive worldwide rights to utilize Seattle Genetics' special ADC technology for antibodies to several oncology protein targets.

In ***July 2013***, we acquired Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. Steigerwald specializes in pharmacy-only herbal medicines currently marketed mainly in Germany.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets by 8.5% (Fx adj.) in the first half of 2013 to €3,057 million (H1 2012: €2,918 million), including €1,579 million (Fx adj. +8.1%) in the second quarter of 2013 (Q2 2012: €1,522 million), with all regions contributing to this increase. The highest currency-adjusted growth rate was posted in Latin America. We saw particularly strong currency-adjusted sales gains in Brazil and Argentina, especially for our Consumer Care products. The largest increase in absolute terms was recorded in China, mainly in light of the continued expansion of our distribution network. We also achieved gratifying sales growth in Russia, mainly for Consumer Care. The emerging markets accounted for 33.1% (H1 2012: 32.5%) of total HealthCare sales in the first half of 2013 and 32.9% (Q2 2012: 32.9%) in the second quarter of the year.

9.2 CropScience

RESEARCH AND DEVELOPMENT

CropScience spent €386 million on research and development in the first half of 2013, including €203 million in the second quarter.

In March 2013, CropScience and Syngenta submitted applications for the approval of a new herbicide-tolerance soybean trait in various countries. The application is currently being reviewed by the regulatory authorities in the United States, Canada, and major soybean-importing regions including the European Union. This trait gives soybean plants tolerance toward the three active ingredients mesotrione, glufosinate-ammonium (Liberty™) and isoxaflutole, and represents an important new way to combat difficult-to-control weeds. Its estimated launch date is between 2015 and 2020.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In January 2013, CropScience acquired Prophyta Biologischer Pflanzenschutz GmbH, a leading supplier of biological crop protection products headquartered in Malchow, Germany. The acquisition comprises state-of-the-art production and formulation plants along with research and development facilities. This transaction further expands CropScience's portfolio of biological crop protection products and supplements the acquisition in 2012 of U.S.-based AgraQuest, Inc.

In March 2013, CropScience completed the acquisition of soybean seed producer Wehrtec Ltda and the soybean business of Agricola Wehrmann Ltda. Both companies are headquartered in Cristalina, Brazil. This transaction strengthens the research and development activities of CropScience in soybeans and contributes to the development of varieties tailored to the requirements of Brazilian soybean growers.

In ***April 2013***, CropScience and Monsanto Company, U.S.A., entered into licensing agreements for next-generation technologies in the field of plant biotechnology. Monsanto will provide CropScience with a royalty-bearing license to herbicide technologies in soybeans in the United States and Canada. In addition, CropScience will receive a royalty-bearing license to an insect-resistance technology in soybeans in Brazil with an option on a royalty-bearing license in other Latin American countries. CropScience will grant Monsanto licenses to evaluate technologies for corn rootworm control and herbicide tolerance.

In ***May 2013***, CropScience announced plans to build a world-scale glufosinate-ammonium herbicide production plant in the United States. The new facility is intended to contribute to more than doubling global production capacity for this important active ingredient. The start-up of the new plant is anticipated for the fourth quarter of 2015.

EMERGING MARKETS

CropScience raised sales in the Emerging Markets by 12.8% (Fx adj.) in the first half of 2013 to €1,795 million (H1 2012: €1,638 million). Second-quarter sales in these countries increased by 14.8% (Fx adj.) to €962 million (Q2 2012: €872 million). Business in Latin America developed particularly well in the second quarter. We also achieved pleasing sales gains in Asia and Africa/Middle East. The Emerging Markets' share of total CropScience sales was 34.8% in the first half of 2013 (H1 2012: 33.5%) and 40.2% in the second quarter of 2013 (Q2 2012: 38.3%).

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €104 million on research and development in the first half of 2013, including €47 million in the second quarter. This investment went mainly to explore new areas of application and improve process technologies and products. In addition, MaterialScience invested €50 million in the first half of 2013 in joint development projects with customers, including €26 million in the second quarter.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In January 2013, we opened our first development and technology center for high-tech plastics in Yongin, South Korea. The aim of the center is to develop new applications for polycarbonates, mainly in the automotive and IT sectors, in close cooperation with Korean companies. This new facility strengthens our global network of research and development sites.

In February 2013, the regulatory permit to build and operate a major new plant at the Dormagen site became final. This will be a high-tech facility for the production of toluene diisocyanate (TDI), a precursor for flexible polyurethane foam, using a particularly eco-friendly technology. The new 300,000-tons-per-year facility is due to replace the existing TDI plants in Dormagen and Brunsbüttel in the medium term.

In ***May 2013***, we inaugurated a regional innovation hub for Asia/Pacific in Shanghai, China. The aim of the center is to develop novel ideas for the use of high-performance plastics, foams and coatings in key sectors such as mobility, construction, IT and renewable energy. The new hub, which is located at the company's existing Polymer Research & Development Center (PRDC), will provide support to other innovation facilities across the region.

In ***June 2013***, MaterialScience and ThyssenKrupp Uhde/Uhdenora announced the worldwide commercial launch of their jointly developed oxygen-depolarized cathode (ODC) technology. The new process reduces the very high energy consumption in chlorine production by up to 30% compared with the current standard process. The element is a primary base material in the chemical industry. Its uses include plastics, medicines and crop protection products.

EMERGING MARKETS

In the Emerging Markets, MaterialScience had sales of €2,377 million in the first half of 2013 (H1 2012: €2,410 million). Business held steady year on year (–0.6%) after adjusting for currency effects. Second-quarter sales in these countries declined by 3.1% (Fx adj.) to €1,218 million (Q2 2012: €1,263 million). This was due to an overall drop in sales in the Emerging Markets of Asia despite a further increase in China. Sales in Latin America were at the level of the prior-year quarter, while there was a slight increase in Eastern Europe. The Emerging Markets' share of total MaterialScience sales was 42.1% in the first half of 2013 (H1 2012: 42.0%) and 42.4% in the second quarter of 2013 (Q2 2012: 42.8%).

10. Employees

On June 30, 2013, the Bayer Group employed 113,000 people worldwide (December 31, 2012: 110,000). The number of employees thus showed an increase of 3,000 (+2.7%).

HealthCare employed 56,300 people (December 31, 2012: 54,800). The number of employees at CropScience showed a seasonal increase to 21,800 (December 31, 2012: 20,800). There was a slight decline at MaterialScience to 14,400 employees (December 31, 2012: 14,500). The remaining 20,500 (December 31, 2012: 19,900) employees mainly worked for the service companies.

Personnel expenses rose by 2.1% in the first half of 2013 to €4,712 million (H1 2012: €4,616 million), of which the second quarter of 2013 accounted for €2,342 million.

11. Opportunities and Risks

As a global enterprise with a diversified business portfolio, the Bayer Group enjoys many opportunities and is also exposed to numerous risks. The anticipated development opportunities and risks are materially unchanged from those outlined in Chapter 17.1 of the Bayer Annual Report 2012.

A risk management system is in place. Apart from financial risks, there are also industry-specific selling market, procurement market, product development, patent, production, environmental, personnel and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2012 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 64ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2012 on pages 148–158 and 271–276. The Bayer Annual Report 2012 can be downloaded free of charge at WWW.BAYER.COM.

At present, no potential risks have been identified that either individually or in combination could endanger the continued existence of the Bayer Group.

12. Events After the End of the Reporting Period

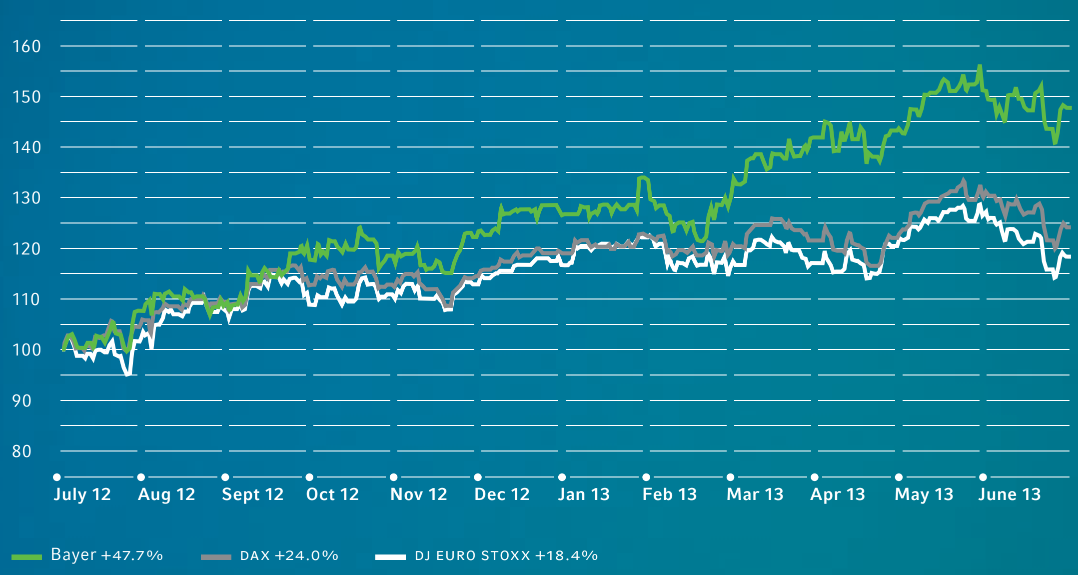
HEALTHCARE

On July 1, 2013, HealthCare acquired Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. A provisional one-time payment of approximately €222 million was agreed.

Investor Information

Performance of Bayer Stock over the Past Twelve Months [Graphic 19]

indexed; 100 = Xetra closing price on June 30, 2012 (source: Bloomberg)



Bayer stock closed the second quarter of 2013 at €81.93. The yield for the quarter, including the dividend of €1.90 per share paid on April 29, 2013, was +4.2%. Thus Bayer stock outperformed both the DAX and the EURO STOXX 50 (performance index).

The yield on Bayer stock for the first half of 2013, including the above dividend, was +16.7%. The DAX ended the first half of 2013 at 7,959 points, up 4.6%. The EURO STOXX 50 (performance index) rose by 1.1% during this period, closing at 4,678 points.

Bayer Stock Data [Table 21]

		2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
High for the period	€	56.78	86.60	57.31	86.60
Low for the period	€	47.97	77.58	47.97	69.01
Average daily trading volume	million shares	3.1	2.3	2.9	2.3
		June 30, 2012	June 30, 2013	Dec. 31, 2012	Change June 30, 2013/ Dec. 31, 2012 %
Share price	€	56.78	81.93	71.89	+14.0
Market capitalization	€ million	46,954	67,752	59,449	+14.0
Equity as per statements of financial position	€ million	18,535	19,496	18,551	+5.1
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		6,416	7,959	7,612	+4.6

Xetra closing prices (source: Bloomberg)
2012 figures restated

Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2013

Bayer Group Consolidated Income Statements

[Table 22]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
Net sales	**10,166**	**10,360**	**20,220**	**20,626**
Cost of goods sold	(4,841)	(4,938)	(9,596)	(9,741)
Gross profit	**5,325**	**5,422**	**10,624**	**10,885**
Selling expenses	(2,514)	(2,672)	(4,809)	(5,109)
Research and development expenses	(751)	(775)	(1,450)	(1,498)
General administration expenses	(465)	(456)	(911)	(921)
Other operating income	122	294	285	455
Other operating expenses	(977)	(526)	(1,368)	(754)
EBIT*	**740**	**1,287**	**2,371**	**3,058**
Equity-method loss	(5)	(2)	(11)	(8)
Financial income	134	97	245	166
Financial expenses	(341)	(320)	(634)	(573)
Financial result	**(212)**	**(225)**	**(400)**	**(415)**
Income before income taxes	**528**	**1,062**	**1,971**	**2,643**
Income taxes	(42)	(218)	(444)	(637)
Income after income taxes	**486**	**844**	**1,527**	**2,006**
of which attributable to non-controlling interest	5	3	6	5
of which attributable to Bayer AG stockholders (net income)	**481**	**841**	**1,521**	**2,001**
	€	€	€	€
Earnings per share				
Basic	0.58	1.02	1.84	2.42
Diluted	0.58	1.02	1.84	2.42

2012 figures adjusted
* EBIT = earnings before financial result and taxes

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
Income after income taxes	**486**	**844**	**1,527**	**2,006**
of which attributable to non-controlling interest	*5*	*3*	*6*	*5*
of which attributable to Bayer AG stockholders	*481*	*841*	*1,521*	*2,001*
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the asset ceiling	(1,222)	1,123	(1,580)	980
Income taxes	402	(381)	493	(343)
Other comprehensive income from actuarial gains/losses and effects of the asset ceiling	**(820)**	**742**	**(1,087)**	**637**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(820)**	**742**	**(1,087)**	**637**
Changes in fair values of derivatives designated as cash flow hedges	(100)	114	(48)	82
Reclassified to profit or loss	34	(29)	32	(46)
Income taxes	17	(22)	3	(8)
Other comprehensive income from cash flow hedges	**(49)**	**63**	**(13)**	**28**
Changes in fair values of available-for-sale financial assets	20	(5)	18	6
Reclassified to profit or loss	–	–	–	–
Income taxes	(7)	1	(7)	(3)
Other comprehensive income from available-for-sale financial assets	**13**	**(4)**	**11**	**3**
Changes in exchange differences recognized on translation of operations outside the eurozone	222	(357)	210	(156)
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**222**	**(357)**	**210**	**(156)**
Other comprehensive income that may be reclassified subsequently to profit or loss	**186**	**(298)**	**208**	**(125)**
Effects of changes in scope of consolidation	**(2)**	**–**	**(4)**	**–**
Total other comprehensive income*	**(636)**	**444**	**(883)**	**512**
of which attributable to non-controlling interest	*–*	*(8)*	*–*	*(4)*
of which attributable to Bayer AG stockholders	*(636)*	*452*	*(883)*	*516*
Total comprehensive income	**(150)**	**1,288**	**644**	**2,518**
of which attributable to non-controlling interest	*5*	*(5)*	*6*	*1*
of which attributable to Bayer AG stockholders	*(155)*	*1,293*	*638*	*2,517*

2012 figures restated
* total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	June 30, 2012	June 30, 2013	Dec. 31, 2012
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,273	10,063	9,293
Other intangible assets	9,659	9,353	9,464
Property, plant and equipment	9,809	9,954	9,898
Investments accounted for using the equity method	235	221	225
Other financial assets	1,399	1,272	1,308
Other receivables	487	475	541
Deferred taxes	1,553	1,342	1,579
	32,415	**32,680**	**32,308**
Current assets			
Inventories	6,756	7,113	6,991
Trade accounts receivable	8,636	8,887	7,433
Other financial assets	649	740	857
Other receivables	1,976	1,414	1,655
Claims for income tax refunds	512	600	376
Cash and cash equivalents	1,352	1,732	1,698
Assets held for sale	16	–	–
	19,897	**20,486**	**19,010**
Total assets	**52,312**	**53,166**	**51,318**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	10,190	11,113	10,167
Equity attributable to Bayer AG stockholders	**18,474**	**19,397**	**18,451**
Equity attributable to non-controlling interest	61	99	100
	18,535	**19,496**	**18,551**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	9,343	8,257	9,246
Other provisions	1,862	1,835	2,111
Financial liabilities	7,320	7,306	6,962
Other liabilities	406	333	409
Deferred taxes	1,457	1,069	935
	20,388	**18,800**	**19,663**
Current liabilities			
Other provisions	5,374	5,237	4,844
Financial liabilities	2,584	3,994	2,568
Trade accounts payable	3,488	4,034	4,305
Income tax liabilities	205	178	72
Other liabilities	1,738	1,427	1,315
	13,389	**14,870**	**13,104**
Total equity and liabilities	**52,312**	**53,166**	**51,318**

2012 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
Income after income taxes	486	844	1,527	2,006
Income taxes	42	218	444	637
Financial result	212	225	400	415
Income taxes paid or accrued	(242)	(289)	(861)	(762)
Depreciation, amortization and impairments	818	799	1,565	1,444
Change in pension provisions	(98)	(63)	(224)	(187)
(Gains) losses on retirements of noncurrent assets	6	(54)	(27)	(66)
Gross cash flow	**1,224**	**1,680**	**2,824**	**3,487**
Decrease (increase) in inventories	(81)	45	(290)	(254)
Decrease (increase) in trade accounts receivable	328	2	(1,480)	(1,676)
(Decrease) increase in trade accounts payable	(58)	236	(321)	(188)
Changes in other working capital, other non-cash items	(12)	(427)	905	494
Net cash provided by (used in) operating activities (net cash flow)	**1,401**	**1,536**	**1,638**	**1,863**
Cash outflows for additions to property, plant, equipment and intangible assets	(444)	(502)	(700)	(867)
Cash inflows from sales of property, plant, equipment and other assets	35	34	58	61
Cash inflows from divestitures	86	62	113	79
Cash inflows from (outflows for) noncurrent financial assets	(114)	7	(227)	63
Cash outflows for acquisitions less acquired cash	(18)	(724)	(66)	(846)
Interest and dividends received	45	7	62	19
Cash inflows from (outflows for) current financial assets	2,754	9	2,211	7
Net cash provided by (used in) investing activities	**2,344**	**(1,107)**	**1,451**	**(1,484)**
Dividend payments and withholding tax on dividends	(1,364)	(1,572)	(1,365)	(1,573)
Issuances of debt	459	2,742	876	3,009
Retirements of debt	(2,573)	(1,212)	(2,743)	(1,588)
Interest paid including interest-rate swaps	(369)	(154)	(465)	(227)
Interest received from interest-rate swaps	176	57	188	77
Cash outflows for the purchase of additional interests in subsidiaries	–	–	(2)	(2)
Net cash provided by (used in) financing activities	**(3,671)**	**(139)**	**(3,511)**	**(304)**
Change in cash and cash equivalents due to business activities	**74**	**290**	**(422)**	**75**
Cash and cash equivalents at beginning of period	**1,276**	**1,479**	**1,767**	**1,698**
Change in cash and cash equivalents due to changes in scope of consolidation	2	–	2	–
Change in cash and cash equivalents due to exchange rate movements	–	(37)	5	(41)
Cash and cash equivalents at end of period	**1,352**	**1,732**	**1,352**	**1,732**

2012 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 26]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2011	**2,117**	**6,167**	**10,912**	**19,196**	**59**	**19,255**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,364)	(1,364)	(1)	(1,365)
Other changes			4	4	(3)	1
Total comprehensive income			638	638	6	644
June 30, 2012	**2,117**	**6,167**	**10,190**	**18,474**	**61**	**18,535**
Dec. 31, 2012	**2,117**	**6,167**	**10,167**	**18,451**	**100**	**18,551**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,571)	(1,571)	(2)	(1,573)
Other changes						
Total comprehensive income			2,517	2,517	1	2,518
June 30, 2013	**2,117**	**6,167**	**11,113**	**19,397**	**99**	**19,496**

2012 figures restated

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2013

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013
	€ million	€ million	€ million	€ million
Net sales (external)	2,683	2,831	1,942	1,969
Change	+10.4%	+5.5%	+9.2%	+1.4%
Currency-adjusted change	+4.2%	+10.4%	+3.2%	+4.4%
Intersegment sales	65	14	–	2
Net sales (total)	2,748	2,845	1,942	1,971
EBIT	48	472	186	257
EBIT before special items	572	685	330	302
EBITDA before special items	810	921	438	407
Gross cash flow*	221	595	339	320
Net cash flow*	604	261	264	304
Depreciation, amortization and impairments	246	329	246	150
	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013
Net sales (external)	5,200	5,395	3,766	3,848
Change	+7.2%	+3.8%	+6.8%	+2.2%
Currency-adjusted change	+2.9%	+7.8%	+2.7%	+4.6%
Intersegment sales	101	30	1	3
Net sales (total)	5,301	5,425	3,767	3,851
EBIT	553	1,073	422	578
EBIT before special items	1,092	1,295	671	645
EBITDA before special items	1,550	1,753	879	852
Gross cash flow*	709	1,177	655	625
Net cash flow*	922	814	445	556
Depreciation, amortization and impairments	466	558	449	252
Number of employees (as of June 30)**	37,600	38,100	17,800	18,200

2012 figures restated
* For definition see chapter 8 "Financial Position of the Bayer Group."
** Number of employees in full-time equivalents

[Table 27]

CropScience		MaterialScience		Reconciliation					
CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013
€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
2,276	2,392	2,954	2,875	310	292	1	1	10,166	10,360
+17.1%	+5.1%	+6.2%	−2.7%	−2.5%	−5.8%	–	–	+9.9%	+1.9%
+11.9%	+8.0%	+0.9%	−1.6%	−2.8%	−5.2%	–	–	+4.4%	+4.8%
8	10	15	13	501	555	(589)	(594)	–	–
2,284	2,402	2,969	2,888	811	847	(588)	(593)	10,166	10,360
382	496	201	143	(13)	17	(64)	(98)	740	1,287
435	514	223	112	4	28	(62)	(98)	1,502	1,543
549	624	383	274	53	66	(64)	(97)	2,169	2,195
382	447	288	223	38	170	(44)	(75)	1,224	1,680
935	856	41	167	(85)	25	(358)	(77)	1,401	1,536
119	111	160	170	45	38	2	1	818	799

1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013
4,886	5,156	5,741	5,650	625	575	2	2	20,220	20,626
+16.3%	+5.5%	+5.0%	−1.6%	+0.3%	−8.0%	–	–	+8.3%	+2.0%
+12.8%	+7.7%	+1.2%	−0.6%	+0.2%	−7.5%	–	–	+4.5%	+4.3%
14	17	26	27	964	1,070	(1,106)	(1,147)	–	–
4,900	5,173	5,767	5,677	1,589	1,645	(1,104)	(1,145)	20,220	20,626
1,236	1,460	322	185	(32)	(8)	(130)	(230)	2,371	3,058
1,299	1,483	344	155	24	11	(128)	(230)	3,302	3,359
1,533	1,705	662	478	117	88	(129)	(228)	4,612	4,648
1,063	1,190	497	400	(4)	259	(96)	(164)	2,824	3,487
280	39	74	67	(99)	347	16	40	1,638	1,863
240	224	318	331	89	77	3	2	1,565	1,444
21,100	21,800	14,700	14,400	19,900	19,800	700	700	111,800	113,000

Key Data by Region

	Europe		North America	
	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013
	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,834	3,960	2,626	2,623
Change	+0.2%	+3.3%	+23.0%	−0.1%
Currency-adjusted change	−0.1%	+3.9%	+11.0%	+1.7%
Net sales (external) – by point of origin	4,264	4,362	2,589	2,591
Change	−0.2%	+2.3%	+20.5%	+0.1%
Currency-adjusted change	−0.4%	+2.8%	+8.3%	+1.9%
Interregional sales	1,941	2,320	669	824
EBIT	749	975	(202)	129

	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013
Net sales (external) – by market	7,899	8,003	5,197	5,381
Change	+1.1%	+1.3%	+18.3%	+3.5%
Currency-adjusted change	+0.9%	+1.7%	+10.3%	+4.8%
Net sales (external) – by point of origin	8,744	8,782	5,140	5,319
Change	+1.4%	+0.4%	+16.2%	+3.5%
Currency-adjusted change	+1.3%	+0.8%	+8.0%	+4.8%
Interregional sales	4,010	4,527	1,443	1,631
EBIT	1,737	2,106	255	636
Number of employees (as of June 30)*	53,200	53,100	15,700	16,100

2012 figures restated
* Number of employees in full-time equivalents

[Table 28]

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013	2nd Quarter 2012	2nd Quarter 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2,229	2,236	1,477	1,541	–	–	10,166	10,360
	+15.2%	+0.3%	+9.0%	+4.3%	–	–	+9.9%	+1.9%
	+4.4%	+6.1%	+7.3%	+10.5%	–	–	+4.5%	+4.8%
	2,159	2,190	1,154	1,217	–	–	10,166	10,360
	+17.0%	+1.4%	+17.2%	+5.5%	–	–	+9.9%	+1.9%
	+5.7%	+7.4%	+15.3%	+13.2%	–	–	+4.5%	+4.8%
	170	167	129	154	(2,909)	(3,465)	–	–
	199	213	58	68	(64)	(98)	740	1,287
	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013	1st Half 2012	1st Half 2013
	4,227	4,306	2,897	2,936	–	–	20,220	20,626
	+11.7%	+1.9%	+8.3%	+1.3%	–	–	+8.3%	+2.0%
	+3.0%	+6.9%	+7.7%	+6.9%	–	–	+4.5%	+4.3%
	4,082	4,208	2,254	2,317	–	–	20,220	20,626
	+13.1%	+3.1%	+12.2%	+2.8%	–	–	+8.3%	+2.0%
	+4.2%	+8.3%	+11.9%	+9.9%	–	–	+4.6%	+4.3%
	314	322	236	271	(6,003)	(6,751)	–	–
	354	395	155	151	(130)	(230)	2,371	3,058
	26,600	27,400	16,300	16,400	–	–	111,800	113,000

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 37w Paragraph 3 of the German Securities Trading Act, the consolidated interim financial statements as of June 30, 2013 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2012 fiscal year, particularly with regard to the main recognition and measurement principles, except where financial reporting standards have been applied for the first time in 2013 or accounting policies have changed.

FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN 2013 AND CHANGES IN ACCOUNTING POLICIES

The following new financial reporting standards had no impact, or no material impact, on the presentation of the Group financial position or results of operations, or on earnings per share.

IFRS 10 (Consolidated Financial Statements) sets forth the requirements for the preparation and presentation of consolidated financial statements and supersedes IAS 27 (Consolidated and Separate Financial Statements) and SIC-12 (Consolidation – Special Purpose Entities). The standard defines a uniformly applicable control concept for all company forms to serve as the basis for determining which companies are to be fully consolidated. The Bayer Group is deemed to control another company when it is exposed, or has rights, to variable returns from its involvement with that company and has the ability to affect those returns through its power over the company. IFRS 10 was applied for the first time retrospectively in compliance with the transitional provisions.

IFRS 12 (Disclosure of Interests in Other Entities) revises the requirements for the information to be disclosed in the notes to the financial statements about interests in subsidiaries, associates, joint arrangements and non-consolidated structured entities. None of these provisions are applicable in interim financial statements unless material circumstances result in a disclosure obligation. Explanatory notes in this regard have not been included in the condensed consolidated interim financial statements.

The revised **IAS 27 (Separate Financial Statements)** is now devoted entirely to accounting for interests in subsidiaries, associates and joint ventures in IFRS separate financial statements.

IFRS 13 (Fair Value Measurement) provides a uniform definition of fair value and how it is measured. Fair value is now defined as the price that would be received to sell an asset or paid to transfer a liability. IFRS 13 also requires specific notes to the consolidated financial statements for assets and liabilities measured at fair value. IAS 34 requires for the first time that certain explanatory notes pertaining to the fair values of financial instruments carried at amortized cost or measured at fair value also be included in interim financial statements. IFRS 13 was applied for the first time prospectively.

IFRS 7 (Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)) requires gross and net offsetting amounts reflected in the statement of financial position – along with other existing rights of set-off that do not meet the requirements for set-off in the statement of financial position – to be presented in tabular form, unless a different form of presentation is more appropriate. The amendments are to be applied retrospectively. This provision is not applicable in interim financial statements unless material circumstances result in a disclosure obligation. Explanatory notes in this regard have not been included in the condensed consolidated interim financial statements.

Pursuant to the amendments to **IAS 1 (Presentation of Financial Statements)** published in June 2011, items of other comprehensive income are for the first time reported separately according to whether or not they may subsequently become reclassifiable to profit or loss.

In addition, the first-time application of the following financial reporting standards was of material importance and the prior-year figures were therefore restated as of January 1, 2013.

IAS 19 Employee Benefits (Revised 2011), referred to in the following as IAS 19R, contains revised accounting rules for defined benefit pension plans and severance agreements. Contrary to the previous rule, IAS 19R requires that past service cost be recognized immediately in profit and loss. In addition, net interest cost calculated on the net pension liability by applying a discount rate for high-quality corporate bonds is now recognized in profit or loss. Measurement effects resulting from actuarial gains and losses and the effect of the asset ceiling are recognized outside profit or loss in the statement of comprehensive income. Net interest expense continues to be recognized in the financial result.

IAS 19R further specifies that severance payments to be earned in future periods must be recognized in profit or loss over the respective period of service. This revision led to a change in the accounting for top-up payments to employees under pre-retirement part-time working agreements in Germany. In the past, provisions were established at the time the offer of a pre-retirement part-time working agreement was made or the agreement was concluded, even when service remained to be provided by the employee in the future.

The Bayer Group is applying IAS 19R retrospectively. The data in the statements of financial position as of January 1, 2012, and June 30, 2012, and in the income statements and statements of comprehensive income for the second quarter and first half of 2012 were restated due to changes in accounting policies for past service cost and severance-payment expenses and in light of the first-time application of the net interest method to net pension obligations. In view of the clarifying information contained in IAS 19R, "other post-employment benefit obligations" in Germany (particularly from pre- and early retirement obligations) were reclassified from provisions for pensions and other post-employment benefits to other provisions for severance obligations.

Deferred taxes were recognized upon the retrospective application of IAS 19R.

IFRS 11 (Joint Arrangements) prescribes the accounting for joint arrangements and supersedes IAS 31 (Interests in Joint Ventures) and SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Venturers). A joint arrangement as defined by IFRS 11 is deemed to exist if the Bayer Group through a contractual agreement jointly controls activities managed with a third party. Joint control is only deemed to exist if decisions regarding the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures. The Bayer Group recognizes the share of assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with its rights and obligations. The investment in a joint venture is accounted for using the equity method in accordance with the provisions of the amended IAS 28 (Investments in Associates and Joint Ventures). IFRS 11 was applied retrospectively in compliance with the transitional provisions.

Due to the first-time application of IFRS 11, Lyondell Bayer Manufacturing Maasvlakte VOF, Netherlands – which was previously accounted for using the equity method – is now accounted for as a joint operation and therefore the share of the Bayer Group in the assets, liabilities, expenses and revenues is included in the consolidated financial statements in accordance with the Bayer Group's rights and obligations. The €15 million difference, arising from the reclassification, between the previous carrying amount according to the equity method and the pro-rated net assets was reflected as a reduction in other reserves.

Pursuant to IFRS 11, the joint ventures Bayer IMSA, S.A. de C.V., Mexico, and Bayer Zydus Pharma Private Limited, India, which were previously included by proportionate consolidation, are now accounted for using the equity method.

The interest in Baulé S.A.S., France, was accounted for retrospectively for the first quarter of 2012 using the equity method. Prior to the application of IFRS 11 it was included by proportionate consolidation. The remaining shares of Baulé were acquired effective March 31, 2012, and the company has been fully consolidated since that date.

First-time application of IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), IFRS 12 (Disclosure of Interests in Other Entities) and the amendments to IAS 27 (Separate Financial Statements) and IAS 28 (Investments in Associates and Joint Ventures) is generally mandatory for annual periods beginning on or after January 1, 2013. Bayer is not making use of the option that exists in the European Union to apply these standards and amendments for the first time for annual periods beginning on or after January 1, 2014.

CHANGE IN THE REPORTING OF LONG-TERM STOCK-BASED COMPENSATION

The following change in accounting policies with effect from January 1, 2013, impacted segment reporting.

In 2013 Bayer adjusted the allocation of the stock-based compensation (long-term incentive – LTI) among the segments to increase the transparency and information value of its segment reporting and improve planning and steering processes. A normalized expense based on 100% target attainment is now allocated to the respective operating segments. Higher or lower expenses arising from fluctuations in the performance of Bayer stock are no longer allocated to the operating segments but instead reflected in the reconciliation under Corporate Center and Consolidation. The prior-year figures are restated accordingly.

Accounting Changes LTI (Previous Year) [Table 29]

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2012
	€ million	€ million	€ million	€ million	€ million
EBIT/EBITDA					
Pharmaceuticals	(1)	1	21	12	33
Consumer Health	–	–	14	9	23
CropScience	3	1	8	4	16
MaterialScience	1	–	5	4	10
All Other Segments	1	1	4	3	9
Corporate Center and Consolidation	(4)	(3)	(52)	(32)	(91)
Group	–	–	–	–	–

The effects that the new financial reporting standards and other changes in accounting policies, applied for the first time in 2013, would have had on the relevant figures for the prior-year period or the respective opening/closing dates are shown in tables 30–36.

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED INCOME STATEMENTS FOR THE SECOND QUARTER AND FIRST HALF OF 2012

Accounting Changes: Consolidated Income Statements (Previous Year) [Table 30]

	2nd Quarter 2012					1st Half 2012				
		Accounting changes					Accounting changes			
			IFRS 11					IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales	**10,177**	**–**	**(7)**	**(4)**	**10,166**	**20,233**	**–**	**(7)**	**(6)**	**20,220**
Cost of goods sold	(4,843)	–	–	2	(4,841)	(9,593)	–	(6)	3	(9,596)
Gross profit	**5,334**	**–**	**(7)**	**(2)**	**5,325**	**10,640**	**–**	**(13)**	**(3)**	**10,624**
Selling expenses	(2,516)	–	–	2	(2,514)	(4,813)	–	–	4	(4,809)
Other operating expenses	(974)	(2)	–	(1)	(977)	(1,364)	(4)	–	–	(1,368)
EBIT*	**750**	**(2)**	**(7)**	**(1)**	**740**	**2,387**	**(4)**	**(13)**	**1**	**2,371**
Equity-method loss	(12)	–	7	–	(5)	(24)	–	15	(2)	(11)
Financial income	133	–	–	1	134	244	–	–	1	245
Financial expenses	(323)	(17)	–	(1)	(341)	(599)	(34)	–	(1)	(634)
Financial result	**(202)**	**(17)**	**7**	**–**	**(212)**	**(379)**	**(34)**	**15**	**(2)**	**(400)**
Income before income taxes	**548**	**(19)**	**–**	**(1)**	**528**	**2,008**	**(38)**	**2**	**(1)**	**1,971**
Income taxes	(49)	6	–	1	(42)	(458)	14	–	–	(444)
Income after income taxes	**499**	**(13)**	**–**	**–**	**486**	**1,550**	**(24)**	**2**	**(1)**	**1,527**
of which attributable to Bayer AG stockholders (net income)	**494**	**(13)**	**–**	**–**	**481**	**1,544**	**(24)**	**2**	**(1)**	**1,521**

* EBIT = earnings before financial result and taxes

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER AND FIRST HALF OF 2012

Accounting Changes: Consolidated Statements of Comprehensive Income (Previous Year) [Table 31]

	2nd Quarter 2012					1st Half 2012				
		Accounting changes					Accounting changes			
			IFRS 11					IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Income after income taxes	**499**	**(13)**	**–**	**–**	**486**	**1,550**	**(24)**	**2**	**(1)**	**1,527**
of which attributable to Bayer AG stockholders	*494*	*(13)*	*–*	*–*	*481*	*1,544*	*(24)*	*2*	*(1)*	*1,521*
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the asset ceiling	(1,239)	17	–	–	(1,222)	(1,614)	34	–	–	(1,580)
Income taxes	408	(6)	–	–	402	506	(13)	–	–	493
Other comprehensive income from actuarial gains/losses and effects of the asset ceiling	**(831)**	**11**	**–**	**–**	**(820)**	**(1,108)**	**21**	**–**	**–**	**(1,087)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(831)**	**11**	**–**	**–**	**(820)**	**(1,108)**	**21**	**–**	**–**	**(1,087)**
Changes in exchange differences recognized on translation of operations outside the eurozone	222	–	–	–	222	211	–	–	(1)	210
Other comprehensive income from exchange differences	**222**	**–**	**–**	**–**	**222**	**211**	**–**	**–**	**(1)**	**210**
Other comprehensive income that may be reclassified subsequently to profit or loss	**186**	**–**	**–**	**–**	**186**	**209**	**–**	**–**	**(1)**	**208**
Total other comprehensive income*	**(647)**	**11**	**–**	**–**	**(636)**	**(903)**	**21**	**–**	**(1)**	**(883)**
of which attributable to Bayer AG stockholders	*(647)*	*11*	*–*	*–*	*(636)*	*(903)*	*21*	*–*	*(1)*	*(883)*
Total comprehensive income	**(148)**	**(2)**	**–**	**–**	**(150)**	**647**	**(3)**	**2**	**(2)**	**644**
of which attributable to Bayer AG stockholders	*(153)*	*(2)*	*–*	*–*	*(155)*	*641*	*(3)*	*2*	*(2)*	*638*

* total changes recognized outside profit or loss

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JANUARY 1, 2012

Accounting Changes: Consolidated Statement of Financial Position as of January 1, 2012 [Table 32]

	Jan. 1, 2012				
		Accounting changes			
			IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million
Noncurrent assets					
Goodwill	9,160	–	–	(12)	9,148
Other intangible assets	10,295	–	–	(11)	10,284
Property, plant and equipment	9,823	–	66	(2)	9,887
Investments accounted for using the equity method	319	–	(89)	35	265
Other financial assets	1,364	–	(17)	1	1,348
Deferred taxes	1,311	1	–	–	1,312
	32,697	**1**	**(40)**	**11**	**32,669**
Current assets					
Inventories	6,368	–	9	(7)	6,370
Trade accounts receivable	7,061	–	–	(1)	7,060
Other receivables	1,628	–	6	2	1,636
Claims for income tax refunds	373	–	–	(1)	372
Cash and cash equivalents	1,770	–	4	(3)	1,771
	20,068	**–**	**19**	**(10)**	**20,077**
Total assets	**52,765**	**1**	**(21)**	**1**	**52,746**
Equity					
Other reserves	10,928	3	(23)	4	10,912
Equity attributable to Bayer AG stockholders	**19,212**	**3**	**(23)**	**4**	**19,196**
	19,271	**3**	**(23)**	**4**	**19,255**
Noncurrent liabilities					
Provisions for pensions and other post-employment benefits	7,870	(92)	–	–	7,778
Other provisions	1,649	87	–	(1)	1,735
Deferred taxes	2,116	3	(3)	–	2,116
	20,104	**(2)**	**(3)**	**(1)**	**20,098**
Current liabilities					
Other provisions	4,218	–	–	(1)	4,217
Financial liabilities	3,684	–	–	(1)	3,683
Trade accounts payable	3,779	–	7	(1)	3,785
Other liabilities	1,630	–	(2)	1	1,629
	13,390	**–**	**5**	**(2)**	**13,393**
Total equity and liabilities	**52,765**	**1**	**(21)**	**1**	**52,746**

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2012

Accounting Changes: Consolidated Statement of Financial Position as of June 30, 2012 [Table 33]

	June 30, 2012				
		Accounting changes			
			IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million
Noncurrent assets					
Property, plant and equipment	9,760	–	51	(2)	9,809
Investments accounted for using the equity method	317	–	(85)	3	235
Other financial assets	1,416	–	(17)	–	1,399
Deferred taxes	1,553	1	–	(1)	1,553
	32,465	**1**	**(51)**	**–**	**32,415**
Current assets					
Inventories	6,747	–	13	(4)	6,756
Trade accounts receivable	8,638	–	(3)	1	8,636
Other financial assets	646	–	–	3	649
Other receivables	1,972	–	6	(2)	1,976
Cash and cash equivalents	1,342	–	12	(2)	1,352
	19,873	**–**	**28**	**(4)**	**19,897**
Total assets	**52,338**	**1**	**(23)**	**(4)**	**52,312**
Equity					
Other reserves	10,209	1	(21)	1	10,190
Equity attributable to Bayer AG stockholders	**18,493**	**1**	**(21)**	**1**	**18,474**
	18,554	**1**	**(21)**	**1**	**18,535**
Noncurrent liabilities					
Provisions for pensions and other post-employment benefits	9,417	(74)	–	–	9,343
Other provisions	1,789	73	–	–	1,862
Deferred taxes	1,458	2	(3)	–	1,457
	20,390	**1**	**(3)**	**–**	**20,388**
Current liabilities					
Financial liabilities	2,585	–	–	(1)	2,584
Trade accounts payable	3,489	–	2	(3)	3,488
Other liabilities	1,741	(1)	(1)	(1)	1,738
	13,394	**(1)**	**1**	**(5)**	**13,389**
Total equity and liabilities	**52,338**	**1**	**(23)**	**(4)**	**52,312**

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012

Accounting Changes: Consolidated Statement of Financial Position as of December 31, 2012 [Table 34]

	Dec. 31, 2012				
		Accounting changes			
			IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million
Noncurrent assets					
Property, plant and equipment	9,863	–	37	(2)	9,898
Investments accounted for using the equity method	284	–	(63)	4	225
Other financial assets	1,324	–	(17)	1	1,308
Deferred taxes	1,581	(1)	–	(1)	1,579
	32,350	**(1)**	**(43)**	**2**	**32,308**
Current assets					
Inventories	6,980	–	14	(3)	6,991
Trade accounts receivable	7,431	–	–	2	7,433
Other financial assets	856	–	–	1	857
Other receivables	1,648	–	8	(1)	1,655
Cash and cash equivalents	1,695	–	5	(2)	1,698
	18,986	**–**	**27**	**(3)**	**19,010**
Total assets	**51,336**	**(1)**	**(16)**	**(1)**	**51,318**
Equity					
Other reserves	10,185	1	(21)	2	10,167
Equity attributable to Bayer AG stockholders	**18,469**	**1**	**(21)**	**2**	**18,451**
	18,569	**1**	**(21)**	**2**	**18,551**
Noncurrent liabilities					
Provisions for pensions and other post-employment benefits	9,373	(127)	–	–	9,246
Other provisions	1,986	125	–	–	2,111
Deferred taxes	938	–	(3)	–	935
	19,668	**(2)**	**(3)**	**–**	**19,663**
Current liabilities					
Financial liabilities	2,570	–	–	(2)	2,568
Trade accounts payable	4,295	–	11	(1)	4,305
Other liabilities	1,318	–	(3)	–	1,315
	13,099	**–**	**8**	**(3)**	**13,104**
Total equity and liabilities	**51,336**	**(1)**	**(16)**	**(1)**	**51,318**

ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER AND FIRST HALF OF 2012

Accounting Changes: Consolidated Statements of Cash Flows (Previous Year) [Table 35]

	2nd Quarter 2012					1st Half 2012				
		Accounting changes					Accounting changes			
			IFRS 11					IFRS 11		
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Income after income taxes	499	(13)	–	–	486	1,550	(24)	2	(1)	1,527
Income taxes	49	(6)	–	(1)	42	458	(14)	–	–	444
Financial result	202	17	(7)	–	212	379	34	(15)	2	400
Depreciation, amortization and impairments	811	–	7	–	818	1,551	–	14	–	1,565
Change in pension provisions	(99)	2	–	(1)	(98)	(229)	6	–	(1)	(224)
Gross cash flow	**1,226**	**–**	**–**	**(2)**	**1,224**	**2,821**	**2**	**1**	**–**	**2,824**
Decrease (increase) in inventories	(81)	–	–	–	(81)	(286)	–	(4)	–	(290)
Decrease (increase) in trade accounts receivable	288	–	38	2	328	(1,480)	–	3	(3)	(1,480)
(Decrease) increase in trade accounts payable	(51)	–	(4)	(3)	(58)	(320)	–	(4)	3	(321)
Changes in other working capital, other non-cash items	(13)	–	(1)	2	(12)	905	(2)	–	2	905
Net cash provided by (used in) operating activities (net cash flow)	**1,369**	**–**	**33**	**(1)**	**1,401**	**1,640**	**–**	**(4)**	**2**	**1,638**
Cash inflows from sales of property, plant, equipment and other assets	35	–	–	–	35	57	–	1	–	58
Cash inflows from (outflows for) noncurrent financial assets	(120)	–	7	(1)	(114)	(237)	–	11	(1)	(227)
Cash inflows from (outflows for) current financial assets	2,753	–	1	–	2,754	2,211	–	–	–	2,211
Net cash provided by (used in) investing activities	**2,337**	**–**	**8**	**(1)**	**2,344**	**1,440**	**–**	**12**	**(1)**	**1,451**
Change in cash and cash equivalents due to business activities	**35**	**–**	**41**	**(2)**	**74**	**(431)**	**–**	**8**	**1**	**(422)**
Cash and cash equivalents at beginning of period	**1,306**	**–**	**(29)**	**(1)**	**1,276**	**1,770**	**–**	**–**	**(3)**	**1,767**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	2	–	2	–	–	2	–	2
Change in cash and cash equivalents due to exchange rate movements	1	–	(2)	1	–	3	–	2	–	5
Cash and cash equivalents at end of period	**1,342**	**–**	**12**	**(2)**	**1,352**	**1,342**	**–**	**12**	**(2)**	**1,352**

ACCOUNTING CHANGES: KEY DATA BY SEGMENT FOR THE SECOND QUARTER AND FIRST HALF OF 2012

Accounting Changes: Key Data By Segments (Previous Year)

	2nd Quarter 2012					
		Accounting changes				
			IFRS 11			
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	LTI	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million
Net sales	**10,177**	**–**	**(7)**	**(4)**	**–**	**10,166**
Pharmaceuticals	2,685	–	–	(2)	–	2,683
Consumer Health	1,943	–	–	(1)	–	1,942
CropScience	2,276	–	–	–	–	2,276
MaterialScience	2,962	–	(7)	(1)	–	2,954
All Other Segments	310	–	–	–	–	310
Corporate Center and Consolidation	1	–	–	–	–	1
EBIT	**750**	**(2)**	**(7)**	**(1)**	**–**	**740**
Pharmaceuticals	47	–	–	–	1	48
Consumer Health	187	–	–	(1)	–	186
CropScience	382	(1)	–	–	1	382
MaterialScience	210	(1)	(7)	(1)	–	201
All Other Segments	(14)	–	–	1	1	(12)
Corporate Center and Consolidation	(62)	–	–	–	(3)	(65)
EBITDA	**1,561**	**(2)**	**–**	**(1)**	**–**	**1,558**
Pharmaceuticals	293	–	–	–	1	294
Consumer Health	433	–	–	(1)	–	432
CropScience	501	(1)	–	–	1	501
MaterialScience	363	(1)	–	(1)	–	361
All Other Segments	33	–	–	1	1	35
Corporate Center and Consolidation	(62)	–	–	–	(3)	(65)

[Table 36]

	1st Half 2012					
		Accounting changes				
			IFRS 11			
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	Transition to equity method	LTI	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million
	20,233	**–**	**(7)**	**(6)**	**–**	**20,220**
	5,202	–	–	(2)	–	5,200
	3,768	–	–	(2)	–	3,766
	4,886	–	–	–	–	4,886
	5,750	–	(7)	(2)	–	5,741
	625	–	–	–	–	625
	2	–	–	–	–	2
	2,387	**(4)**	**(13)**	**1**	**–**	**2,371**
	552	(1)	–	2	–	553
	423	–	–	(1)	–	422
	1,233	(1)	–	–	4	1,236
	337	(2)	(13)	(1)	1	322
	(34)	–	–	1	2	(31)
	(124)	–	–	–	(7)	(131)
			–			
	3,938	**(4)**	**1**	**1**	**–**	**3,936**
	1,018	(1)	–	2	–	1,019
	872	–	–	(1)	–	871
	1,473	(1)	–	–	4	1,476
	641	(2)	1	(1)	1	640
	57	–	–	1	2	60
	(123)	–	–	–	(7)	(130)

CHANGES IN UNDERLYING PARAMETERS

Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

The exchange rates for major currencies against the euro varied as follows:

Exchange Rates for Major Currencies [Table 37]

		Closing Rate			Average Rate	
€1		Dec. 31, 2012	June 30, 2012	June 30, 2013	1st Half 2012	1st Half 2013
ARS	Argentina	6.48	5.64	7.04	5.69	6.72
BRL	Brazil	2.69	2.65	2.86	2.41	2.66
CAD	Canada	1.31	1.29	1.37	1.30	1.33
CHF	Switzerland	1.21	1.20	1.23	1.20	1.23
CNY	China	8.22	8.00	8.03	8.19	8.12
GBP	United Kingdom	0.82	0.81	0.86	0.82	0.85
JPY	Japan	113.61	100.13	129.39	103.23	124.99
MXN	Mexico	17.18	16.88	17.04	17.18	16.47
USD	United States	1.32	1.26	1.31	1.30	1.31

The most important interest rates used to calculate the present value of pension obligations are given below:

Discount Rate for Pension Obligations [Table 38]

	Dec. 31, 2012	March 31, 2013	June 30, 2013
	%	%	%
Germany	3.20	3.10	3.50
United Kingdom	4.40	4.35	4.75
United States	3.60	3.80	4.40

SEGMENT REPORTING

The following table contains the reconciliation of EBIT of the segments to income before income taxes of the Group.

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes [Table 39]

	2nd Quarter 2012	2nd Quarter 2013	1st Half 2012	1st Half 2013
	€ million	€ million	€ million	€ million
EBITDA before special items of segments	2,233	2,292	4,741	4,876
EBITDA before special items of Corporate Center	(64)	(97)	(129)	(228)
EBITDA before special items	**2,169**	**2,195**	**4,612**	**4,648**
Depreciation, amortization and impairments before special items of segments	(665)	(651)	(1,307)	(1,287)
Depreciation, amortization and impairments before special items of Corporate Center	(2)	(1)	(3)	(2)
Depreciation, amortization and impairments before special items	**(667)**	**(652)**	**(1,310)**	**(1,289)**
EBIT before special items of segments	1,568	1,641	3,434	3,589
EBIT before special items of Corporate Center	(66)	(98)	(132)	(230)
EBIT before special items	**1,502**	**1,543**	**3,302**	**3,359**
Special items of segments	(764)	(256)	(933)	(301)
Special items of Corporate Center	2	–	2	–
Special items	**(762)**	**(256)**	**(931)**	**(301)**
EBIT of segments	804	1,385	2,501	3,288
EBIT of Corporate Center	(64)	(98)	(130)	(230)
EBIT	**740**	**1,287**	**2,371**	**3,058**
Financial result	(212)	(225)	(400)	(415)
Income before income taxes	**528**	**1,062**	**1,971**	**2,643**

2012 figures restated

COMPANIES CONSOLIDATED

Changes in the scope of consolidation

As of June 30, 2013, the Bayer Group comprised 288 fully or proportionately consolidated companies (December 31, 2012: 291 companies). Two companies with joint operations were included by proportionate consolidation according to IAS 11 (Joint Arrangements). In addition, three joint ventures and two associated companies were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures) (December 31, 2012: four associated companies).

Acquisitions and divestitures

Acquisitions

On January 2, 2013, HealthCare wholly acquired the U.S. company Teva Animal Health Inc. The acquisition broadens HealthCare's range of anti-infective solutions for livestock and expands the existing product offering to include reproductive hormones. The transaction also adds dermatological products for companion animals, pet wellness products and nutraceuticals to the company's portfolio. The parties agreed on a provisional one-time payment of €40 million plus potential milestone payments, for which an amount of €46 million was included in the purchase price allocation. The milestone payments are mainly dependent on the achievement of various sales targets and product approvals. The purchase price pertained mainly to product trademarks. Sales of €5 million were recorded since the acquisition date.

On January 18, 2013, CropScience acquired all the shares of Prophyta Biologischer Pflanzenschutz GmbH, a leading supplier of biological crop protection products headquartered in Malchow in the German state of Mecklenburg-Western Pomerania. In addition to research and development facilities, the acquisition also includes state-of-the-art production and formulation facilities in the city of Wismar. A provisional one-time payment of €25 million was agreed. The purchase price pertained mainly to technologies, research and development projects and goodwill. In addition, two related distribution rights were acquired for €5 million. Sales of €2 million were recorded since the acquisition date.

On March 15, 2013, CropScience wholly acquired soybean seed producer Wehrtec Ltda and the soybean business of Agricola Wehrmann Ltda. Both companies are headquartered in Cristalina in the Brazilian state of Goiás. This transaction strengthens the research and development activities of CropScience in soybeans and contributes to the development of varieties tailored to the requirements of Brazilian soybean growers. A purchase price of €37 million was agreed along with potential milestone payments of up to €11 million. The purchase price pertained mainly to marketable crop plants, breeding material and goodwill. No sales were recorded since the acquisition date.

In June 2013, HealthCare successfully completed the tender offer for the shares of Conceptus, Inc., currently headquartered in Milpitas, California, United States, and acquired 100% of the outstanding shares. Conceptus, Inc. has developed Essure™, the only non-surgical permanent birth control method, which it markets in the U.S. and other countries. This acquisition enables Bayer to offer an even broader range of short-term, long-term and permanent contraceptive choices for women. A purchase price of €780 million was paid, pertaining mainly to technology and trademark rights. The goodwill remaining after the purchase price allocation is attributable to various factors, including significant cost savings in the marketing and sales functions along with general administration and infrastructure synergies. Sales of €11 million were recorded since the acquisition date.

In April 2013, the District Court of Berlin reached a decision in the court proceeding initiated by former minority stockholders of Bayer Pharma AG (formerly Bayer Schering Pharma AG) to review the adequacy of compensation payments made by Bayer in connection with the domination and profit and loss transfer agreement of 2006. The court decided that the compensation by Bayer at the time should be increased by about 40%. Bayer disagrees with this decision and has appealed. The potential supplementary payment represents a subsequent purchase price adjustment according to the March 31, 2004 version of IFRS 3 applicable at the acquisition date. Goodwill of €261 million, excluding interest, has been capitalized for this proceeding and for the parallel proceeding relating to the squeeze-out of the former minority stockholders.

The purchase price allocations for Teva Animal Health Inc., Conceptus, Inc. and for Wehrtec Ltda and Agricola Wehrmann Ltda currently remain incomplete pending compilation and review of the relevant financial information. It is therefore possible that changes will be made in the allocation of the purchase price to the individual assets and liabilities.

The effects of these transactions on the Group's assets and liabilities as of the respective acquisition dates are shown in the table. Net of acquired cash and cash equivalents and including payments relating to acquisitions made in previous years, they resulted in the following cash outflow:

Acquired Assets and Assumed Liabilities [Table 40]

	Fair value	Of which Conceptus, Inc.
	€ million	€ million
Goodwill	798	498
Other intangible assets	532	422
Property, plant and equipment	34	12
Other noncurrent assets	1	–
Inventories	29	13
Other current receivables	29	26
Other current financial assets	7	7
Deferred tax assets	92	80
Cash and cash equivalents	59	58
Other provisions	(11)	(10)
Financial liabilities	(83)	(82)
Other liabilities	(81)	(77)
Deferred tax liabilities	(209)	(167)
Net assets	**1,197**	**780**
Non-controlling interest	–	–
Changes in non-controlling interest	–	–
Net purchase prices	**1,197**	**780**
Acquired cash and cash equivalents	(59)	(58)
Liabilities for future payments	(292)	–
Payments for previous years' acquisitions	2	–
Net cash outflow for acquisitions	**848**	**722**

The cash outflows for acquisitions and for the purchase of additional interests in subsidiaries in the first half of 2012 amounted to €68 million and related mainly to the purchase of the remaining 50% interest in the systems house joint venture Baulé S.A.S., France.

Acquisitions after the end of the reporting period

On July 1, 2013, HealthCare acquired Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. Steigerwald holds a strong position in the German phytopharmaceuticals market, which is focused on pharmacy-only herbal medicines. Its product portfolio includes Iberogast™ for the treatment of functional gastrointestinal disorders and Laif™ for the treatment of mild to moderate depression. A provisional one-time payment of approximately €222 million was agreed. The purchase price pertained mainly to product trademarks, technologies and goodwill.

Divestitures

On June 1, 2013, MaterialScience sold its global powder polyester resins business and its U.S.-based liquid polyester resins merchant business to Stepan Company of Northfield, Illinois, United States. A purchase price of €45 million was agreed. The divestment gain of €42 million is reported under special items.

We received further revenue-based payments of €25 million in the first half of 2013 in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, effected in May 2009.

The effects in the first half of 2013 of the above divestiture, an additional smaller divestiture and the payments received from Genzyme were as follows:

Divestitures [Table 41]

	2013
	€ million
Property, plant and equipment	13
Other current assets	4
Other provisions	(2)
Other liabilitites	(3)
Net assets	**12**
Net cash inflow from divestitures	79
Divested net assets	(12)
Changes in future cash payments receivable	(25)
Net gain from divestitures (before taxes)	**42**

Income from divestitures in the first half of 2012 amounted to €113 million, mainly comprising revenue-based payments in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, and the transfer of the production site for Leukine™.

FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument and a reconciliation to the corresponding line item in the statements of financial position. Since the line items “Other receivables,” “Trade accounts payable” and “Other liabilities” contain both financial instruments and non-financial assets or liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the column headed “Non-financial assets/liabilities.”

Carrying Amounts and Fair Values of Financial Instruments

[Table 42]

	June 30, 2013						
	Carried at amortized cost		Carried at fair value			Non-financial assets/ liabilities	
	Carrying amount June 30, 2013	Fair value (for information)	Based on quoted prices in active markets (Level 1) Carrying amount	Based on market-derived data (Level 2) Carrying amount	Based on individual unobservable inputs (Level 3) Carrying amount	Carrying amount	Carrying amount in the statement of financial position
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Trade accounts receivable	8,887						8,887
Loans and receivables	8,887	8,886					8,887
Other financial assets	1,046		313	625	28		2,012
Loans and receivables	921	921					921
Available-for-sale financial assets	25		313				338
Held-to-maturity financial assets	100	102					100
Derivatives that qualify for hedge accounting				325			325
Derivatives that do not qualify for hedge accounting				300	28		328
Other receivables	621					1,268	1,889
Loans and receivables	621	621					621
Non-financial assets						1,268	1,268
Cash and cash equivalents	1,732						1,732
Loans and receivables	1,732	1,732					1,732
Total financial assets	**12,286**		**313**	**625**	**28**		**13,252**
of which loans and receivables	12,161						12,161
Financial liabilities	10,927			373			11,300
Carried at amortized cost	10,927	11,309					10,927
Derivatives that qualify for hedge accounting				212			212
Derivatives that do not qualify for hedge accounting				161			161
Trade accounts payable	3,988					46	4,034
Carried at amortized cost	3,988	3,988					3,988
Non-financial liabilities						46	46
Other liabilities	732			48	20	960	1,760
Carried at amortized cost	732	732					732
Derivatives that qualify for hedge accounting				19			19
Derivatives that do not qualify for hedge accounting				29	20		49
Non-financial liabilities						960	960
Total financial liabilities	**15,647**			**421**	**20**		**16,088**
of which carried at amortized cost	15,647						15,647
of which derivatives that qualify for hedge accounting				231			231
of which derivatives that do not qualify for hedge accounting				190	20		210

The loans and receivables included in other financial assets and the financial liabilities measured at amortized cost also contain receivables and liabilities, respectively, under finance leases where Bayer is the lessor or lessee and which therefore have to be measured in accordance with IAS 17.

Because of the short maturities of most trade accounts receivable and payable, other receivables and liabilities, and cash and cash equivalents, their carrying amounts at the closing date did not significantly differ from the fair values.

The fair value stated for noncurrent receivables, loans, held-to-maturity financial investments and non-derivative financial liabilities is the present value of the respective future cash flows. This was determined by discounting the cash flows at a closing-date interest rate that takes into account the term of the assets or liabilities and the creditworthiness of the counterparty. Where a market price was available, however, this was deemed to be the fair value.

The fair values of available-for-sale financial assets correspond to quoted prices in active markets for identical assets (Level 1).

The fair values of derivatives for which no observable market prices existed were determined using valuation techniques based on market-derived data as of the end of the reporting period (Level 2). In applying valuation techniques, credit value adjustments were determined to allow for the contracting party's credit risk.

The respective currency and commodity forward contracts were measured individually at their forward rates or forward prices on the closing date. These depend on spot rates or prices including time spreads. The fair values of interest-rate hedging instruments and cross-currency interest-rate swaps were determined by discounting future cash flows over the remaining terms of the instruments at market rates of interest, taking into account any foreign currency translation as of the closing date.

Embedded derivatives were measured using valuation techniques based on individual unobservable inputs (Level 3). These included planned sales and purchase volumes, and prices derived from market data. Embedded derivatives were separated from their respective host contracts. Such host contracts are generally sales or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with fluctuations in exchange rates, commodity prices or other prices, for example.

The changes in the net amount of financial assets and liabilities recognized at fair value based on individual unobservable inputs were as follows:

Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Individual Unobservable Inputs [Table 43]

	2013
	€ million
Carrying amounts, January 1	**22**
Changes recognized in profit or loss	(14)
of which changes related to assets/liabilities still recognized in the statements of financial position	(14)
Changes recognized outside profit or loss	–
Additions	–
Retirements	–
Reclassifications	–
Carrying amounts, June 30	**8**

No gains or losses from divestments were recorded in the first half of 2013. The changes recognized in profit or loss were included in other operating income or expenses.

LEGAL RISKS

To find out more about the Bayer Group's legal risks, please see pages 271 to 276 of the Bayer Annual Report 2012, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2012, the following significant changes have occurred in respect of the legal risks:

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of July 8, 2013, the number of claimants in the pending lawsuits and claims in the United States totaled about 5,400 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States. In Israel, one class action was served upon Bayer in June 2013.

As of July 8, 2013, Bayer had reached agreements, without admission of liability, to settle the claims of approximately 6,760 claimants in the U.S. for a total amount of about US$1.4 billion. Bayer has only been settling claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) after a case-specific analysis of medical records on a rolling basis. Such injuries are alleged by about 2,800 of the pending unsettled claimants. Bayer will continue to consider the option of settling such individual lawsuits in the U.S. on a case-by-case basis.

In March 2013, Bayer agreed to settle, without admission of liability, lawsuits in which plaintiffs allege a gallbladder injury for a total maximum aggregate amount of US$24 million. As per July 8, 2013, about 8,800 plaintiffs have decided to participate in the settlement, which represents more than 95% (90% participation required) of the eligible plaintiffs, so the settlement will go forward.

Competition law proceedings

Cipro™: In June 2013, Bayer reached agreement, without admission of liability, to settle the class action brought by indirect purchasers of Cipro™ in California. The agreement requires approval by the California Superior Court having jurisdiction. Bayer took appropriate accounting measures in the second quarter of 2013.

Patent disputes

YAZ™: In the patent infringement proceedings against Watson, Sandoz and Lupin, the U.S. Court of Appeals for the Federal Circuit in April 2013 invalidated Bayer's patent claims and reversed last year's judgment by the lower court. Bayer disagrees with the appellate court's decision and requested a rehearing.

Finacea™: In March 2013, Bayer filed a patent infringement suit in a U.S. federal court against Glenmark Generics Ltd. In January 2013, Bayer had received a notice from Glenmark that Glenmark had filed an Abbreviated New Drug Application with a Paragraph IV certification (an "ANDA IV") seeking approval of a generic version of Bayer's Finacea™ topical gel in the United States.

Staxyn™: In May 2013, Bayer filed a patent infringement suit in a U.S. federal court against Par Pharmaceutical, Inc. and Par Pharmaceutical Companies, Inc. In April 2013, Bayer had received notice of an ANDA IV pursuant to which Par Pharmaceutical seeks approval to market a generic version of Bayer's erectile dysfunction treatment Staxyn™ prior to patent expiration in the United States. Staxyn™ is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the U.S. by two patents expiring in 2018.

Beyaz™/Safyral™: In June 2013, Bayer received another notice from Watson Laboratories, Inc. that Watson has filed an ANDA IV seeking approval of a generic version of Bayer's Beyaz™ oral contraceptive in the United States. Bayer has again filed a patent infringement suit against Watson in U.S. federal court. The lawsuit filed upon Watson's earlier notice had been dismissed without prejudice in September 2012. The U.S. Food and Drug Administration (FDA) had determined that Watson's ANDA was not substantially complete. Consequently Watson's notice to Bayer was of no legal effect. In April 2013, Bayer received a notice from Watson that Watson had filed an ANDA IV seeking approval of a generic version of Safyral™, Bayer's second oral contraceptive containing folate, in the United States. In response, Bayer already filed suit against Watson in U.S. federal court in June 2013 for infringement of the same patent.

Bayer Pharma AG former shareholder litigation: In the court proceeding initiated by former minority shareholders of Bayer Pharma AG (formerly Bayer Schering Pharma AG) to review the adequacy of compensation payments made by Bayer in connection with the 2006 domination and profit and loss transfer agreement, the District Court (Landgericht) of Berlin decided in April 2013 that the compensation paid by Bayer at the time should be increased by about 40%. Bayer disagrees with this decision and has appealed. Appropriate accounting measures have been taken for this proceeding as well as for the parallel proceeding relating to the squeeze-out of the former minority shareholders.

RELATED PARTIES

Related parties as defined in IAS 24 (Related Party Disclosures) are those entities and persons that are able to exert influence on Bayer AG and its subsidiaries or over which Bayer AG or its subsidiaries exercise control or have a significant influence. They include, in particular, non-consolidated subsidiaries, joint ventures, associates, post-employment benefit plans and the corporate officers of Bayer AG. Sales to related parties were not material from the viewpoint of the Bayer Group. Goods and services to the value of €0.4 billion were procured from the associated company PO JV, LP, Wilmington, Delaware, United States, mainly in the course of normal business operations. There was no significant change in receivables or payables vis-à-vis related parties compared with December 31, 2012.

OTHER INFORMATION

The Annual Stockholders' Meeting on April 26, 2013, approved the proposal by the Board of Management and the Supervisory Board that a dividend of €1.90 per share be paid for the 2012 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board were ratified.

In accordance with the proposal by the Supervisory Board and the Board of Management, the Annual Stockholders' Meeting approved the Control and Profit and Loss Transfer Agreement between the company and Bayer Beteiligungsverwaltung Goslar GmbH dated February 18, 2013.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor of the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group for the fiscal year 2013 and to perform the audit review of the 2013 half-year financial report.

Leverkusen, July 29, 2013
Bayer Aktiengesellschaft

The Board of Management

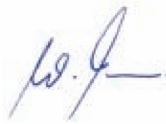
Dr. Marijn Dekkers   Werner Baumann   Michael König   Prof. Dr. Wolfgang Plischke

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 29, 2013
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   Michael König   Prof. Dr. Wolfgang Plischke

Review Report

To Bayer AG, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2013 to June 30, 2013 which are part of the half-year financial report pursuant to § (Article) 37w Abs. (paragraph) 3 WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, July 30, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Anne Böcker
Wirtschaftsprüfer	Wirtschaftsprüferin

Focus

German Chancellor Dr. Angela Merkel showed great interest in Bayer's interactive anniversary exhibition. Bayer CEO Dr. Marijn Dekkers and Supervisory Board Chairman Werner Wenning accompanied her and North Rhine-Westphalian State Premier Hannelore Kraft on their tour.

Angela Merkel: "Bayer stands for success"

"The name Bayer has a permanent place in the history of German industry. 150 years of Bayer – congratulations!" said German Chancellor Dr. Angela Merkel in her speech at the official celebration of the company's 150th anniversary. More than 1,000 guests attended the event in Cologne, including numerous personalities from politics, business, science, society and the media along with customers and Bayer employees. "Bayer is a prime example of a company working to ensure a better life and better health for millions of people – and has been for a century and a half," commented North Rhine-Westphalian State Premier Hannelore Kraft.

Bayer CEO Dr. Marijn Dekkers also welcomed Hermann Josef Strenger, Dr. Manfred Schneider and Werner Wenning to the celebration – his three predecessors as Chairman of the Board of Management. "150 years of Bayer – that is indeed something very special. This anniversary fills everyone at Bayer with joy and with great pride," said Dekkers, citing Aspirin™ as one of the Bayer products that have made history. "We at Bayer are living the mission 'Science For A Better Life.' This means that we are seizing all the opportunities that science offers and drawing on the experience of one-and-a-half centuries to make people's lives better." Dekkers said Bayer's businesses address global challenges including global population growth, rising life expectancy, scarce resources and climate change. He highlighted the fact that despite substantial advances in medicine, there is still no adequate treatment for more than half of all known diseases. He also pointed out that ways need to be found to grow considerably more food – and better-quality food – on the same amount of arable land to feed the steadily growing population.

An outstanding advertisement for Germany

"The name Bayer stands for success," said Chancellor Merkel, adding that the Group now employs 110,000 people worldwide and has €40 billion in sales. "The ink this success story was written in is innovation," she said, pointing out that Bayer invested some €3 billion in research and development last year alone – even more than the year before. "The entire history of this company is one of transformation, renewal and curiosity," Merkel continued. "We want you to continue your work as drivers of innovation." Merkel thanked the company represented by the Bayer cross for being an outstanding advertisement for Germany. "Bayer," she added, "is a symbol of Germany as a base for innovation and high-tech industry that provides good, secure jobs, where management and employees work well together and where exciting challenges are addressed."

A global player with its roots in the region

"Throughout North Rhine-Westphalia we are pleased that from Bayer's regional roots has grown an international company that is a true global player," said State Premier Kraft. She said the company is pursuing a clear corporate strategy, its innovations helping to safeguard the future while at the same time creating traditions. "Better and better medicines, better materials, better crop protection – that's what you as Bayer employees are helping to achieve every day. Without your efforts those achievements would be impossible, and that makes today the right time to thank you for what you have done for this company and for North Rhine-Westphalia," said Kraft. Everyone should realize, she said, "that we need the chemical industry for the sake of our future. If we imagine tomorrow's world – say 50 years from now – it's obvious that we need even more efficient fuels, even better food, better batteries, more efficient insulation and much else besides. We can only achieve that with contributions from the chemical industry – not without it and certainly not by opposing it."

Another speaker at the ceremony moderated by TV presenter Judith Rakers was Dr. Christiane Opitz from the German Cancer Research Center in Heidelberg. Her topic was the fascination of research. Rounding out the event were music played by the Bayer Philharmonic Orchestra, short films and an artistic and multimedia stage performance based on the corporate mission "Bayer: Science For A Better Life."

The guests at the official celebration in Cologne were treated to a multimedia event with dancing, films and music performed by the Bayer Philharmonic Orchestra.

Spectacular show in the BayArena

Another highlight of the anniversary year took place some two weeks earlier, when 30,000 employees, family members and retirees from all over Germany celebrated the biggest birthday party in Bayer's history at the BayArena stadium in Leverkusen. There they experienced a spectacular show – with plenty of audience participation, daring acrobatics and a world-class celebrity: the famous violin virtuoso David Garrett gave an hour-long performance with his band and the Bayer Philharmonic Orchestra. And when the Bayer anniversary song resounded through the stadium, the audience joined in the chorus of "Ayoh, ayoh, ayoh". Among the most memorable moments was when the 30,000 people present formed the largest-ever human Bayer cross. But the real stars were the employees themselves. Said Dekkers: "With your passion and commitment, you have made Bayer great. It is thanks to you that we have achieved so much over the past 150 years."

INTERNET

For more information on the activities taking place globally to mark Bayer's 150th anniversary – including the round-the-world tour by the Bayer Airship – go to WWW.150.BAYER.COM

Broadening the range of contraceptives

Bayer HealthCare has broadened its range of contraceptive products with the acquisition of U.S. company Conceptus, Inc., Milpitas, California. Conceptus has developed Essure™, the only non-surgical permanent birth control method, which it markets in the U.S. and other countries. Following the acquisition, Bayer is able to offer an even broader range of short-term, long-term and permanent contraceptive choices for women.

The Bayer Group successfully completed its tender offer for the shares of Conceptus at a price of US$31 per share in cash. "We are pleased with Conceptus stockholders' positive response to our offer. It demonstrates the outstanding perspectives opened up by this acquisition," said Bayer CEO Dr. Marijn Dekkers. Conceptus was immediately merged with a Bayer subsidiary, giving Bayer sole ownership of Conceptus.

Consultation with a physician: various methods exist to prevent pregnancy.

"Our goal is to advance women's healthcare through innovative solutions. The Essure™ procedure complements our existing range of contraceptive products, which includes short-acting oral contraceptives and long-acting intrauterine systems. Our experience in the field of gynecology combined with our sales and distribution expertise will help to develop the acquired Conceptus business," said Andreas Fibig, member of the Bayer HealthCare Executive Committee and President of Bayer HealthCare Pharmaceuticals. Essure™ was approved by the U.S. Food and Drug Administration (FDA) in 2002. It is the only permanent, hormone-free contraceptive procedure that can be performed in a gynecologist's office in less than ten minutes. This avoids the risks associated with general anesthesia or surgical tubal ligation.

Innovation hub for Asia/Pacific

Bayer MaterialScience has inaugurated a regional innovation hub for Asia/Pacific in Shanghai, China. More than 200 experts will develop novel ideas for the use of high-performance plastics, foams and coatings in key sectors such as mobility, construction, IT and renewable energy – working in close cooperation with external scientists, suppliers and customers. The new hub is located at the company's existing Polymer Research & Development Center (PRDC).

Bayer employee Wen Xu tests material samples in the climatic chamber in Shanghai.

All-inclusive weed resistance package

Bayer CropScience and U.S. company Monsanto have entered into a series of licensing agreements for next-generation and enabling technologies in the field of plant biotechnology that will provide new options and choices for farmers.

Monsanto will provide Bayer CropScience with a royalty-bearing license to the Genuity™ Roundup Ready 2 Yield™ and Genuity™ Roundup Ready 2 Xtend™ technologies in soybeans in the United States and Canada. In addition, CropScience will receive a royalty-bearing license to the Intacta RR2 PRO™ technology in soybeans in Brazil with an option on a royalty-bearing license in other Latin American countries in the future. Bayer CropScience has also been granted stacking rights under certain conditions. Under the agreements, Bayer CropScience will grant Monsanto licenses to evaluate enabling technologies for corn rootworm control and herbicide tolerance as options for Monsanto's future pipeline development work.

"We are excited that with the combined technologies from both companies, we will be able to offer farmers additional pest control options and an all-inclusive weed resistance package in soybeans. These will fit nicely with our own technologies, such as LibertyLink™," said Dr. Mathias Kremer, Head of Strategy at Bayer CropScience. "We're also pleased to give Monsanto the opportunity to evaluate enabling next-generation weed and insect control technologies that can potentially support future pipeline developments."

Another E.U. approval for Xarelto

Bayer HealthCare's novel oral anticoagulant Xarelto™ (rivaroxaban) has been approved by the European Commission for the prevention of atherothrombotic events (cardiovascular death, myocardial infarction or stroke) after acute coronary syndrome (ACS) in adult patients with elevated cardiac biomarkers at a dose of 2.5 mg twice-daily (BID) in combination with standard antiplatelet therapy. This approval makes rivaroxaban the only novel oral anticoagulant approved to protect patients with elevated cardiac biomarkers following an ACS event.

Arterial blood clots, which may lead to a recurrence after an ACS event, are formed through the dual pathways of platelet activation and thrombin generation. While standard antiplatelet therapy only targets the platelet activation pathway of clot formation, rivaroxaban targets Factor Xa, a key trigger of thrombin generation. Rivaroxaban has been approved for more indications than any of the other novel oral anticoagulants. To date, Xarelto™ is now approved for seven distinct uses in the venous arterial thromboembolic (VAT) space:

- prevention of stroke and systemic embolism in adult patients with non-valvular atrial fibrillation (AF) with one or more risk factors
- treatment of deep vein thrombosis (DVT) in adults
- treatment of pulmonary embolism (PE) in adults
- prevention of recurrent DVT and PE in adults
- prevention of venous thromboembolism (VTE) in adult patients undergoing elective hip replacement surgery
- prevention of venous thromboembolism (VTE) in adult patients undergoing elective knee replacement surgery
- prevention of atherothrombotic events (cardiovascular death, myocardial infarction or stroke) after acute coronary syndrome in adult patients with elevated cardiac biomarkers when co-administered with acetylsalicylic acid (ASA) alone or with ASA plus a thienopyridine (clopidogrel or ticlopidine).

Xarelto™ is approved in more than 120 countries across all indications, although its approval status may vary from country to country.

Bayer researchers Dr. Susanne Röhrig and Dr. Alexander Straub in the laboratory

100 years of success in the Netherlands

Bayer celebrated a double anniversary in the Netherlands this summer: not only the Group's 150th anniversary, but also the 100th birthday of its Dutch subsidiary. At the official celebration held in the historic building that formerly housed the Amsterdam stock exchange, Bayer CEO Dr. Marijn Dekkers underlined the country's importance for Bayer: "All three subgroups are well positioned in the Dutch market. Some of our activities here reach well beyond the Netherlands itself. In Nunhem we have the global headquarters of our vegetable seed business. And our European Radiology and Interventional business is based in Maastricht," Dekkers pointed out before an audience of more than 200 guests from politics, industry and the media. He said Bayer invested €12 million in Nunhem only last year.

Dr. Marijn Dekkers (left) and the Senior Bayer Representative for the Benelux countries, Dr. Markus Arnold (right), presented a donation of €100,000 to Prof. Godfried Engbersen of the Oranje Fonds.

U.S. approval for cancer drug

The U.S. Food and Drug Administration (FDA) has approved Xofigo™ (radium-223 dichloride) injection from Bayer HealthCare for the treatment of patients with hormone-refractory prostate cancer (CRPC), symptomatic bone metastases and no known visceral metastatic disease. Xofigo™ is the first alpha particle-emitting radioactive therapeutic agent approved by the FDA that has demonstrated improvement in overall survival and delay in time to first symptomatic skeletal event compared to placebo, as shown in the pivotal Phase III ALSYMPCA trial. Bayer also submitted a marketing authorization application to the European Medicines Agency for radium-223 in December 2012 for the treatment of CRPC patients with bone metastases.
In September 2009, Bayer signed an agreement with Algeta for the development and commercialization of radium-223. Under the terms of the agreement, Bayer will develop, apply for health authority approvals worldwide and commercialize radium-223 globally. Bayer is co-promoting radium-223 with Algeta US, LLC in the United States.

Producing chlorine more efficiently

A new technology from Bayer and ThyssenKrupp Uhde that is now being launched commercially worldwide enables the production of chlorine with significantly less electricity. The process reduces the very high energy consumption in chlorine production by up to 30% compared with the current standard process. Its widespread use would enable economically significant energy savings. The new oxygen-depolarized cathode (ODC) technology is used for the electrolysis of table salt, which is used in 95% of all chlorine production. The element is a primary base material in the chemical industry and is needed for around two-thirds of all its products, including plastics, medicines and crop protection agents.

Michael Kesselheim in the plant using oxygen-depolarized cathode technology in Krefeld-Uerdingen.

The ODC technology has successfully completed two years of industrial-scale trial operation in a demonstration plant at Bayer's Krefeld-Uerdingen site. This serves as the basis for commercializing the process. The development partners Bayer MaterialScience and ThyssenKrupp Uhde/UHDENORA have agreed to offer the technology worldwide. The chlorine industry has already expressed considerable interest. "The new process can make a significant contribution to energy efficiency and thus to the sustainable transformation of energy systems," says Dr. Tony Van Osselaer, member of the Board of Management of Bayer MaterialScience.

Aspirin Social Award 2013 for "Generation Bridge"

The winner of the Aspirin Social Award 2013 is the "Generation Bridge for Germany" project of the Marienheim Aachen-Brand Catholic Foundation. The Bayer Cares Foundation is honoring this project for its success in building bridges between the generations. This community outreach project brings together care home residents with children at regular meetings, creating points of contact between young and old. The project will benefit from the first-place prize money of €15,000. The Berlin-based association "Strassenkinder" [street kids], which looks after homeless and neglected children and adolescents, came in second, winning €10,000. The third prize of €5,000 went to the online project "pflegen-und-leben.de" run by Catania gGmbH, which provides advice anonymously and free of charge to people caring for family members at home and suffering from emotional strain.
"All the honored projects are innovative and effective, helping to close gaps in social and medical care in the German health system," said Dr. Horst-Uwe Groh, Head of Human Resources at Bayer and a member of the board of trustees of the Bayer Cares Foundation, speaking during the awards ceremony in the Museum of Medical History at Berlin's renowned Charité university hospital. It was the fourth time the Bayer Cares Foundation had presented the Aspirin Social Award. An independent expert jury selected the winners from among 96 projects submitted from all over Germany.

The "Generation Bridge for Germany" brings children and senior citizens together – for example at the Marienheim Catholic Foundation in Aachen.

Bayer is researching improved wheat varieties: Dr. Richard James (left) from the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia, with Bayer scientist Richard Dickmann.

Improving wheat yields

Bayer CropScience and KeyGene, Wageningen, the Netherlands, have announced a multi-year cooperation agreement to improve traits in a number of major agricultural crops. The first research program focuses on wheat, with programs in oilseed rape, rice and cotton potentially to follow. The aim of the companies' collaboration is to contribute to more efficient and sustainable wheat production. The new agreement gives Bayer access to KeyGene's unique KeySeeQ™ discovery pipeline. This identifies genes associated with novel traits such as drought tolerance. The genes are then improved using KeyGene's KeyPoint™ high-throughput mutagenesis technology. Bayer intends to globally commercialize new wheat varieties developed with the aid of these technologies. "Bayer aims to offer farmers tailor-made wheat varieties with improved yield and other agronomically important traits including drought tolerance and nitrogen use efficiency," said Dr. David Nicholson, Global Head of Research and Development at Bayer CropScience.

As part of the expansion of its global network, Bayer recently inaugurated a new wheat breeding station south of Paris, France. The breeding program is focused on improving yields, addressing challenges with regard to water-use efficiency and heat tolerance, and improving the resistance of wheat to fungal diseases. Another important criterion is grain quality. Bayer will invest more than €7 million in the site's facilities over a three-year period.

Strengthening Consumer Care

Bayer has completed the acquisition of Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. Steigerwald specializes in pharmacy-only herbal medicines. Its product portfolio includes Iberogast™ for the treatment of functional gastrointestinal disorders and Laif™ for the treatment of mild to moderate depression. "The acquisition of Steigerwald is in line with our strategy of augmenting organic growth with bolt-on acquisitions. It will allow us to provide consumers with an even broader range of self-care options," said Bayer CEO Dr. Marijn Dekkers. "The transaction broadens our product offering for the treatment of gastrointestinal disorders and gives us the opportunity to enhance our presence in Germany, the fast-growing regions of East-Central Europe, and the CIS countries."

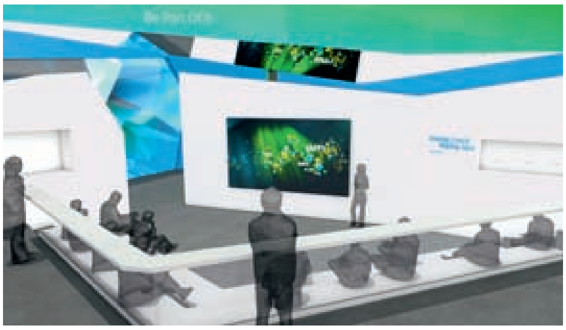
Steigerwald generated sales of €61.3 million in 2012. The former family-owned business employs approximately 180 people and has its headquarters and manufacturing site in Darmstadt. Christian Sarto (43), previously responsible for HealthCare mergers and acquisitions at Bayer AG, has been named as Steigerwald's new Managing Director. Bayer has committed to take over all of Steigerwald's employees. The Darmstadt site and the sales organization are to retain their existing structures. The transaction was cleared by the relevant antitrust authorities.

New facility to meet rising demand

With increasing weed resistance boosting the demand for alternative technologies, Bayer CropScience has announced plans to build a world-scale glufosinate-ammonium herbicide production plant in the United States near Mobile, Alabama. The new facility is intended to contribute significantly to the company's target of more than doubling global production capacity for this important active ingredient. "In planning this facility, we are responding to urgent calls by farmers and agronomists for an alternative weed control technology to help combat the increasing problem of weed resistance to glyphosate-based products," said Liam Condon, Bayer CropScience CEO.

When dreams turn into value

"It's the possibility of having a dream come true that makes life interesting." Bayer MaterialScience's appearance at K 2013, the world's largest plastics trade fair – to be held in Düsseldorf, Germany, from October 16-23, 2013 – is very much in keeping with these words from Brazilian author Paulo Coelho. Under the motto "Sharing Dreams, Sharing Value – Be Part Of It," the company plans to talk with visitors about dreams – and make them come true with the help of innovative material solutions, while creating value in the process. "In its 150-year history, the inventor company Bayer has made many valuable contributions to improving people's lives," said Bayer MaterialScience CEO Patrick Thomas at an international press conference in Leverkusen at which Bayer presented innovations to be showcased at the fair. One of today's dreams is of unlimited flight without fuel consumption or noise pollution. This is where Bertrand Piccard is breaking new ground with his aircraft powered entirely by solar energy. Bayer MaterialScience is an official partner of the Solar Impulse project and has been working from the very beginning to develop solutions in collaboration with other partners. It would also be a dream if surplus amounts of the greenhouse gas carbon dioxide in the atmosphere could be used as a new raw material. That's why a joint research project of science and industry led by Bayer MaterialScience and now at an advanced stage has been dubbed "Dream Production." At K 2013 Bayer MaterialScience is also presenting an example of how creative uses for plastics can improve living conditions for senior citizens. Many sick and elderly people find it difficult to move around in their familiar environment without assistance. The HAL™ exoskeleton from Cyberdyne is already being used as a successful aid to rehabilitation. Bayer is collaborating with Cyberdyne in the development of high-performance materials.



Innovative concept on the Bayer stand at K 2013: the Talk Forum provides opportunities for dialogue.

Ideal environment for startups

Bayer HealthCare is establishing its new CoLaborator™ model in Berlin with the aim of creating an ideal environment in which young research companies can develop their ideas to marketability. The company is offering premises for rent to startup companies in direct proximity to its own research laboratories. "Collaboration with academic and biotech partners is a key component of Bayer HealthCare's innovation strategy," Professor Andreas Busch, member of the Executive Committee of Bayer HealthCare, explained. "The CoLaborator™ will foster communication and cooperation with innovative partners." The lab space for up to ten small companies is expected to launch in fall 2013.

In 2012, Bayer HealthCare founded the first CoLaborator™ life sciences hub directly adjacent to its own research laboratories in San Francisco, California. Multiple companies began working with local Bayer scientists.within the first half-year after the hub was officially opened.

Bayer to publish integrated annual report

Starting next year, Bayer will become one of the first DAX companies to combine its annual financial and sustainability reports. The first integrated annual report will be published for the fiscal year 2013, once again highlighting the importance of sustainability for Bayer's core business. "Sustainability is essential to our corporate strategy," says Bayer CEO Dr. Marijn Dekkers. "Our mission 'Bayer: Science For A Better Life' embodies a commitment to help improve people's lives. We aim to do this with innovative products, responsible corporate policies and resource-conserving production processes – because both the 'what' and the 'how' are fundamental to our long-term success."

The recently published 72-page Sustainable Development Report for 2012 provides evidence of the company's achievements in the field of sustainability. Its six chapters – Strategy & Focus Issues, Management & Corporate Governance, Innovation & Product Stewardship, Employees, Ecology and Social Commitment – illustrate how the Group combines commercial success with meeting social and ecological demands. Bayer aligns its reporting to the international standards of the United Nations Global Compact and the Global Reporting Initiative (GRI). The GRI certified that the Sustainable Development Report 2012 again conformed to the highest reporting level of A+. The report was also reviewed by the auditors PricewaterhouseCoopers.

An online version of the Sustainable Development Report is available at www.sustainability2012.bayer.com. The print version can be ordered by phone (+49 214 30 57546), fax (+49 214 30 57547) or email (serviceline@bayer.com).

Search for new cancer therapies

Bayer researcher Dr. Christoph Schatz inspecting tumor cell cultures

Bayer HealthCare and the German Cancer Research Center are to broaden their successful strategic research alliance to include an additional focus on immunotherapies – promising approaches to cancer treatment aimed at selectively reactivating the body's own immune system so that it attacks tumor cells. Scientists from the German Cancer Research Center and Bayer will work together for the first time in a joint laboratory located at the National Center for Tumor Diseases in Heidelberg to develop novel immunotherapies. The new team initially comprises up to twelve staff, and the first projects are already underway. Together the partners plan to invest up to €3 million per year in the extended alliance.

"We look forward to intensifying our collaboration with the German Cancer Research Center in order to develop new treatment options in the field of immunotherapy for people with cancer," said Professor Andreas Busch, member of the Executive Committee of Bayer HealthCare and Head of Global Drug Discovery. "Bayer is committed to developing innovative therapies that can help people with serious diseases such as cancer to live longer and improve their quality of life." Under the collaboration, the partners jointly review the individual projects and resource allocations and share the rights to the research findings on an equal basis.

Approval filing in Japan

Bayer HealthCare has filed the oral investigational drug riociguat for the treatment of chronic thromboembolic pulmonary hypertension (CTEPH) for regulatory approval in Japan. CTEPH is a progressive and life-threatening disease in which it is believed that blood clots of pulmonary vessels gradually lead to increased pressure in the pulmonary arteries, resulting in an overload of the right heart. To date, there is no approved pharmacological treatment for CTEPH. At the beginning of February 2013, Bayer HealthCare submitted riociguat, the first drug to demonstrate efficacy in two distinct forms of pulmonary hypertension – namely inoperable CTEPH and pulmonary arterial hypertension (PAH) – for regulatory approval in the United States and in the European Union. In April, the U.S. Food and Drug Administration (FDA) granted priority review to the New Drug Application (NDA) in both indications. Riociguat was discovered and developed by Bayer and is the first member of a novel class of compounds, the stimulators of soluble guanylate cyclase (sGC).

Bayer researcher Dr. Johannes-Peter Stasch (left) and Professor Hossein Ardeschir Ghofrani from Giessen University Hospital with a model of a lung

Expert network for sustainable construction

The worldwide network of experts in sustainable construction led by Bayer MaterialScience continues to grow. The newest member of the EcoCommercial Building program (ECB) is the German subsidiary of Cemex, the international leader in building materials. As a producer of cement, mineral raw materials and ready-mixed concrete, Cemex brings its expertise in the building envelope to the global partnership, which includes over 80 specialists in a variety of fields.

Dr. Markus Messer built his own house with ECB partners using Bayer materials.

Financial Calendar

Q3 2013 Interim Report	**October 31, 2013**
2013 Annual Report	**February 28, 2014**
Q1 2014 Interim Report	**April 28, 2014**
Annual Stockholders' Meeting 2014	**April 29, 2014**
Q2 2014 Interim Report	**July 30, 2014**
Q3 2014 Interim Report	**October 30, 2014**

MASTHEAD

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