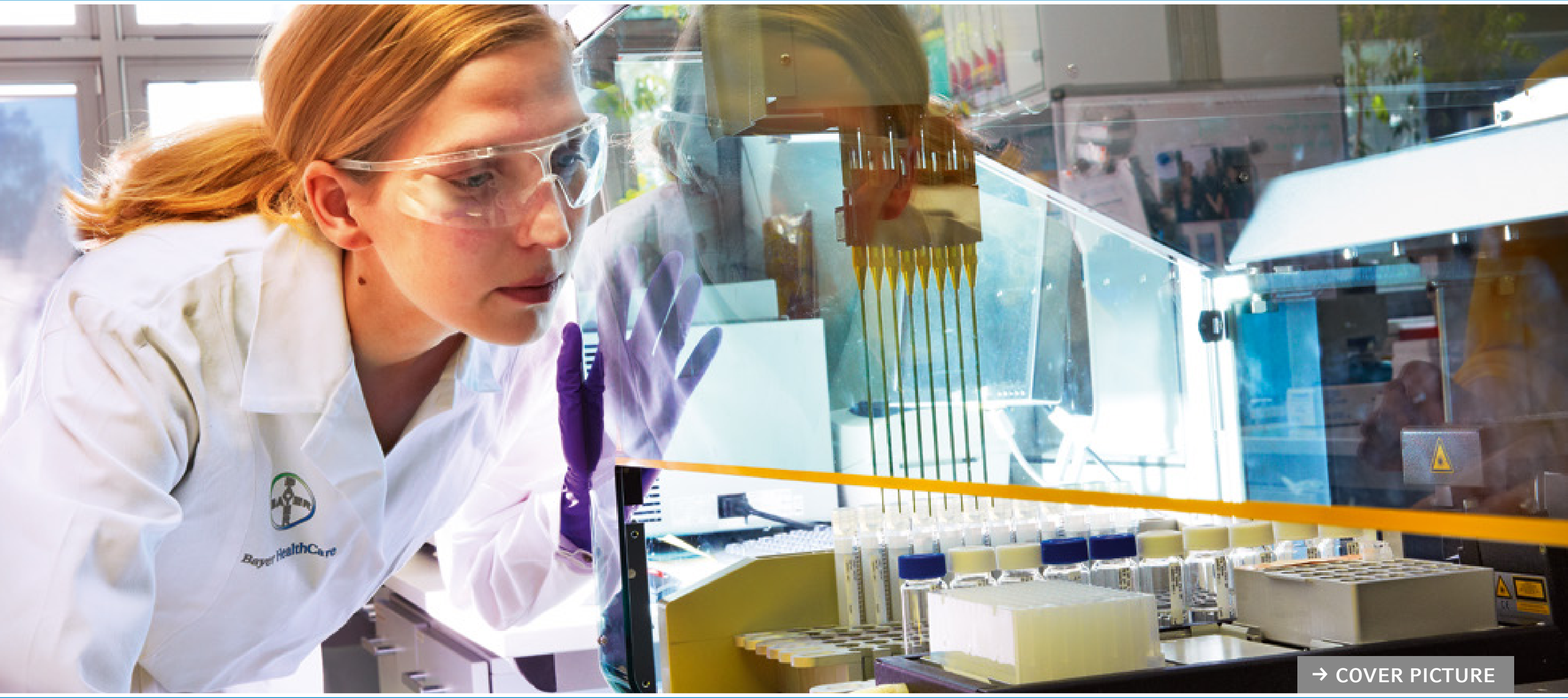
Science For A Better Life



→ COVER PICTURE

Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2014

Third quarter of 2014

Bayer operationally strong / strategic focus on Life Science businesses

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Bayer Group Key Data

	3rd Quarter 2013	3rd Quarter 2014	Change	First Nine Months 2013	First Nine Months 2014	Change	Full Year 2013
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**9,643**	**10,187**	**+5.6**	**30,269**	**31,200**	**+3.1**	**40,157**
Change (adjusted for currency and portfolio effects)			+7.4			+7.3	
Change in sales							
Volume	+6.0%	+6.8%		+3.9%	+7.0%		+4.3%
Price	0.0%	+0.6%		+0.8%	+0.3%		+0.8%
Currency	−6.6%	−1.7%		−3.7%	−4.3%		−4.4%
Portfolio	+0.4%	−0.1%		+0.3%	+0.1%		+0.3%
EBIT[1]	**1,221**	**1,376**	**+12.7**	**4,279**	**4,945**	**+15.6**	**4,934**
Special items	*(99)*	*45*		*(400)*	*4*		*(839)*
EBIT before special items[2]	***1,320***	***1,331***	***+0.8***	***4,679***	***4,941***	***+5.6***	***5,773***
EBIT margin before special items[3]	13.7%	13.1%		15.5%	15.8%		14.4%
EBITDA[4]	**1,895**	**2,057**	**+8.5**	**6,397**	**6,978**	**+9.1**	**7,830**
Special items	*(89)*	*46*		*(235)*	*12*		*(571)*
EBITDA before special items[2]	***1,984***	***2,011***	***+1.4***	***6,632***	***6,966***	***+5.0***	***8,401***
EBITDA margin before special items[3]	20.6%	19.7%		21.9%	22.3%		20.9%
Financial result	**(228)**	**(302)**	**−32.5**	**(643)**	**(634)**	**+1.4**	**(727)**
Net income	**733**	**826**	**+12.7**	**2,734**	**3,202**	**+17.1**	**3,189**
Earnings per share (€)	0.89	1.00	+12.4	3.31	3.87	+16.9	3.86
Core earnings per share (€)[5]	1.27	1.35	+6.3	4.51	4.83	+7.1	5.61
Gross cash flow[6]	**1,367**	**1,492**	**+9.1**	**4,854**	**5,245**	**+8.1**	**5,832**
Net cash flow[7]	**1,728**	**1,816**	**+5.1**	**3,591**	**3,580**	**−0.3**	**5,171**
Cash outflows for capital expenditures	**514**	**546**	**+6.2**	**1,381**	**1,432**	**+3.7**	**2,157**
Research and development expenses	**784**	**876**	**+11.7**	**2,417**	**2,546**	**+5.3**	**3,406**
Depreciation, amortization and impairments	**674**	**681**	**+1.0**	**2,118**	**2,033**	**−4.0**	**2,896**
Number of employees at end of period[8]	**113,318**	**115,416**	**+1.9**	**113,318**	**115,416**	**+1.9**	**113,187**
Personnel expenses (including pension expenses)	2,329	2,370	+1.8	7,041	7,196	+2.2	9,430

2013 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. EBITDA before special items is a meaningful 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 clear picture of the results of operations and ensure 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. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure 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
Bayer plans to focus entirely on the Life Science businesses – HealthCare and CropScience – in the future and to float MaterialScience on the stock market as a separate company. Our cover picture shows Bayer HealthCare employee Tina Stromeyer using a pipetting robot in the Berlin laboratory.

Third quarter of 2014

Bayer operationally strong/ strategic focus on Life Science businesses

// Sales advance in all subgroups – Double-digit growth for CropScience and the Pharmaceuticals Division (Fx & portfolio adj.)

// Group sales €10.2 billion (Fx & portfolio adj. +7.4%)

// EBIT €1.4 billion (+12.7%)

// EBITDA before special items €2.0 billion (+1.4%)

// Net income €0.8 billion (+12.7%)

// Core earnings per share €1.35 (+6.3%)

// Guidance for full year 2014 raised

// Plan to float MaterialScience on the stock market

The Bayer Group continued its successful business development in the third quarter of 2014. The strong upward trend in our Life Science businesses – HealthCare and CropScience – persisted. We saw robust sales growth for our recently launched pharmaceutical products and in our CropScience business in North and Latin America. Sales of MaterialScience also posted an encouraging increase. We achieved a slight improvement in EBITDA before special items. Significant volume gains and improved selling prices more than offset growth in research and development investment, an increase in marketing expenses for our recently launched products, and negative currency effects. Core earnings per share increased.

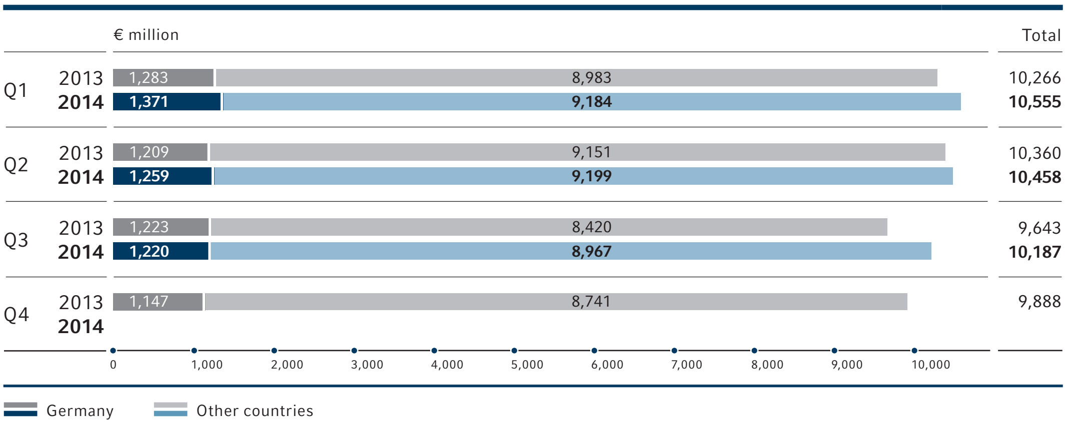
In addition, we set the course for the Bayer Group to focus entirely on the Life Science businesses – HealthCare and CropScience. It is planned to float MaterialScience on the stock market as a separate company by mid-2016 at the latest in order to give MaterialScience direct access to the capital market for the continuing development of its business. The aim is to create a leading polymer supplier by aligning the new company's organizational and process structures and its corporate culture entirely toward its own industrial environment and business model. We strengthened the Life Sciences with the acquisition of the consumer care business of U.S. company Merck & Co., Inc., which was completed at the beginning of October. The acquisition makes HealthCare the world's second-largest supplier of non-prescription (OTC) products.

The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation also took effect upon closing of the acquisition. The collaboration is intended to strengthen HealthCare's development opportunities in the area of cardiovascular therapies.

1. Overview of Sales, Earnings and Financial Position

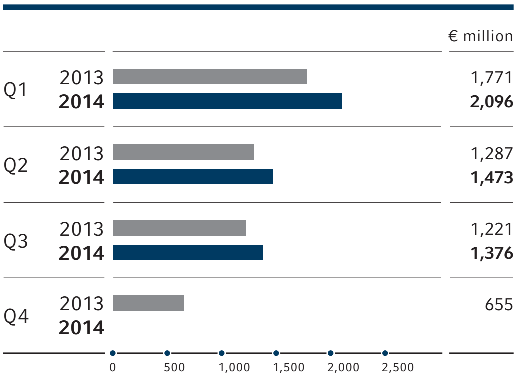
THIRD QUARTER OF 2014

Bayer Group Quarterly Sales [Graphic 1]

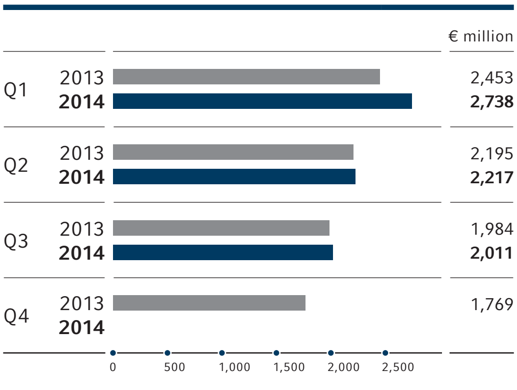


Sales of the Bayer Group rose in the third quarter of 2014 by 7.4% after adjusting for currency and portfolio effects (Fx & portfolio adj.) to €10,187 million (reported: +5.6%; Q3 2013: €9,643 million). Sales of HealthCare improved by 7.1% (Fx & portfolio adj.) to €4,960 million (reported: +4.6%; Q3 2013: €4,742 million). At CropScience, sales advanced by 14.6% (Fx & portfolio adj.) against the prior-year quarter to €1,929 million (reported: +12.7%; Q3 2013: €1,712 million). Sales of MaterialScience increased by 5.3% (Fx & portfolio adj.) to €3,036 million (reported: +4.8%; Q3 2013: €2,897 million).

Bayer Group Quarterly EBIT [Graphic 2]



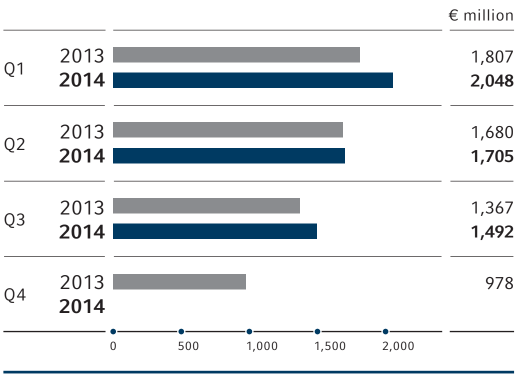
Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



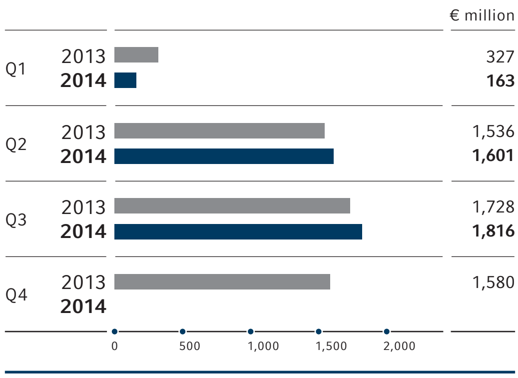
EBIT of the Bayer Group advanced by 12.7% to €1,376 million (Q3 2013: €1,221 million), including net special gains of €45 million (Q3 2013: after special charges of €99 million). EBIT before special items of the Bayer Group came in at €1,331 million (+0.8%; Q3 2013: €1,320 million). **EBITDA** before special items improved to €2,011 million (+1.4%; Q3 2013: €1,984 million; currency effect approx. –4%) after additional research and development and selling expenses of roughly €90 million each and negative currency effects of about €80 million. At HealthCare, EBITDA before special items improved by 0.7% to €1,402 million (Q3 2013: €1,392 million; currency effect approx. –5%). EBITDA before special items of CropScience came in at €278 million (+24.1%; Q3 2013: €224 million; currency effect approx. –2%). At MaterialScience, EBITDA before special items fell slightly against the prior-year quarter to €334 million (–3.5%; Q3 2013: €346 million; currency effect approx. –2%).

After a **financial result** of minus €302 million (Q3 2013: minus €228 million), **income before income taxes** rose to €1,074 million (Q3 2013: €993 million). The principal components of the financial result were net interest expense of €122 million (Q3 2013: €111 million), exchange losses of €97 million (Q3 2013: €35 million) that occurred mainly in Venezuela, and interest cost of €72 million (Q3 2013: €77 million) for pension and other provisions. After tax expense of €241 million (Q3 2013: €255 million) and non-controlling interest, **net income** in the third quarter of 2014 advanced by 12.7% against the prior-year period to €826 million (Q3 2013: €733 million). Earnings per share rose by 12.4% to €1.00 (Q3 2013: €0.89) and core earnings per share (calculated as explained in Chapter 7) by 6.3% to €1.35 (Q3 2013: €1.27).

Quarterly Gross Cash Flow [Graphic 4]



Quarterly Net Cash Flow [Graphic 5]



Gross cash flow in the third quarter of 2014 rose by 9.1% to €1,492 million (Q3 2013: €1,367 million) due to the improvement in EBITDA. Net cash flow moved ahead by 5.1% to €1,816 million (Q3 2013: €1,728 million).

Net financial debt declined from €9.9 billion on June 30, 2014, to €8.5 billion on September 30, 2014, largely as a result of cash inflows from operating activities. Over the same period the net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – increased from €9.8 billion to €11.3 billion, mainly due to a decline in long-term capital market interest rates in Germany.

FIRST NINE MONTHS OF 2014

We significantly improved sales in the first nine months of 2014. Our Life Science businesses registered particularly strong gains, and MaterialScience also posted an encouraging increase in sales. Earnings of MaterialScience rose significantly, while those of the Life Science businesses showed a slight increase.

Sales advanced by 7.3% (Fx & portfolio adj.) to €31,200 million (reported: +3.1%; 9M 2013: €30,269 million). HealthCare sales gained 7.4% (Fx & portfolio adj.; reported: +2.8%). Sales of CropScience climbed by 12.1% (Fx & portfolio adj.; reported: +6.3%), while those of MaterialScience increased by 4.6% (Fx & portfolio adj.; reported: +1.8%).

EBIT improved by 15.6% to €4,945 million (9M 2013: €4,279 million). There were net special gains of €4 million (9M 2013: net special charges of €400 million). EBIT before special items rose by 5.6% to €4,941 million (9M 2013: €4,679 million). **EBITDA** before special items increased by 5.0% to €6,966 million (9M 2013: €6,632 million), reflecting negative currency effects of about €440 million and additional R&D expenses of roughly €260 million.

After a **financial result** of minus €634 million (9M 2013: minus €643 million), **income before income taxes** came in at €4,311 million (9M 2013: €3,636 million). The principal components of the financial result were interest cost of €211 million (9M 2013: €235 million) for pension and other provisions, net interest expense of €208 million (9M 2013: €294 million) and exchange losses of €182 million (9M 2013: €91 million). The net interest expense reflected technical positive effects of €46 million (9M 2013: €4 million) from the valuation of a subsidiary. After tax expense of €1,098 million (9M 2013: €892 million), income after income taxes was €3,213 million (9M 2013: €2,744 million).

After non-controlling interest, **net income** amounted to €3,202 million (9M 2013: €2,734 million). Earnings per share rose to €3.87 (9M 2013: €3.31), and core earnings per share (calculated as explained in Chapter 7) to €4.83 (9M 2013: €4.51).

Gross cash flow advanced by 8.1% to €5,245 million (9M 2013: €4,854 million). Net cash flow, however, at €3,580 million, was at the prior-period level (−0.3%; 9M 2013: €3,591 million), reflecting income tax payments of €1,420 million (9M 2013: €977 million). Net financial debt rose to €8.5 billion as of September 30, 2014, compared with €6.7 billion on December 31, 2013. The net defined benefit liability for post-employment benefits increased from €7.3 billion on December 31, 2013, to €11.3 billion, mainly due to a decline in long-term capital market interest rates.

2. Economic Outlook

Economic Outlook [Table 1]

	Growth[1] 2013	Growth forecast[1] 2014
World	+2.6%[2]	+2.7%
European Union	+0.1%	+1.3%
of which Germany	+0.1%[2]	+1.2%
United States	+2.2%[2]	+2.3%
Emerging markets[3]	+4.8%	+4.2%

as of October 2014
[1] real growth of gross domestic product, source: Global Insight; source for Germany: Federal Statistical Office (2013) / Federal Ministry of Economics and Technology (2014)
[2] revised
[3] including about 50 countries defined by Global Insight as Emerging Markets in line with the World Bank

We expect the **global economy** to grow at about the prior-year rate in 2014, the prospects having slightly deteriorated during the year. This is mainly due to reduced growth momentum in some Emerging Markets. We expect growth in the United States to continue. The European economy is likely to see only moderate growth. Positive stimulus continues to come from monetary policy, which is highly expansionary overall.

Economic Outlook for the Subgroups [Table 2]

	Growth[1] 2013	Growth forecast[1] 2014
HealthCare		
Pharmaceuticals market	+5%	+8%
Consumer care market	+5%	+4%
Medical care market	−3%	−3%
Animal health market	+3%	+4%
CropScience		
Seed and crop protection markets	≥ 5%	≥ 5%
MaterialScience (main customer industries)		
Automotive	+4%	+4%
Construction	+3%	+4%
Electrical / electronics	+4%[2]	+6%
Furniture	+3%	+4%

as of October 2014
[1] Bayer's estimate; excluding pharmaceuticals market, source: IMS Health, IMS Market Prognosis. Copyright 2014. All rights reserved. Currency adjusted
[2] revised

Growth in the **pharmaceuticals market** is expected to be significantly higher in 2014 than in the previous year. In the United States in particular, we anticipate a marked increase in sales of pharmaceuticals, mainly as a result of new product introductions and a smaller impact from patent expirations. Despite a persistently restrictive health policy environment, we expect higher growth in a number of European countries due to the launch of new products. We predict steady growth in the Emerging Markets.

Following the strong cold season in the previous year, the **consumer care market** will likely normalize and expand at a somewhat slower pace in 2014. We expect shrinkage in the **medical care market**, with the diabetes care market weakening but the market for contrast agents and medical equipment likely to nearly reach the previous year's level. Growth in the **animal health market** in 2014 will probably exceed the prior-year level in important geographies.

We expect the overall market environment for **seed and crop protection products** in 2014 as a whole to remain favorable. All regions should contribute to growth, with the strongest impetus over the year as a whole still likely to come from the Latin American markets.

We expect the **principal customer industries** of MaterialScience to achieve moderate growth in 2014. In North America there are clear stimuli to growth, while we are also seeing steady growth in Asia and large parts of Western Europe. Current developments in parts of Latin America, Eastern Europe and the Middle East are holding back growth, with the effects geographically confined in most cases.

3. Sales and Earnings Forecast

The following forecast for 2014 is based on the business development described in this report, taking into account the potential risks and opportunities. Further details of the business forecast are given in Chapter 20.2 of the Annual Report 2013. We are adhering to the forecasts for 2016 given there and issued in March 2014.

BAYER GROUP

We have adjusted the exchange rate assumptions on which our forecast is based to reflect current developments. With respect to the fourth quarter of 2014, we are now using the exchange rates prevailing on September 30, 2014. Based on these exchange rates, the negative currency impact on sales and earnings will decrease to approximately the level forecasted in February 2014.

The following forecast takes into account the acquisition of the consumer care business of Merck & Co., Inc., which was completed on October 1, 2014. We anticipate that this newly acquired business will contribute additional sales of €300 million to €350 million and EBITDA before special items of about €70 million in the fourth quarter of 2014.

We confirm our guidance that sales should increase by about 6% after adjusting for currency and portfolio effects. Allowing for negative currency effects of about 3% (previously: about 4%) compared with the previous year, we now expect Group sales to be approximately €42 billion (previously: approximately €41 billion). We now plan to raise EBITDA before special items by a mid-single-digit percentage (previously: low- to mid-single-digit percentage). This allows for total expected negative currency effects of about €450 million or roughly 5% (previously: about €550 million or roughly 6%). We now aim to increase core earnings per share (calculated as explained in Chapter 7) by a mid- to high-single-digit percentage (previously: mid-single-digit percentage). The acquisition of the consumer care business of Merck & Co., Inc. will be neutral to core earnings per share in the fourth quarter of 2014, the operational earnings contribution being nearly offset by the financing costs. The forecast for core earnings per share allows for total expected negative currency effects of around 7% (previously: around 9%).

	Forecast 2014	Currency effects allowed for in the forecast[2]
Group sales	Approx. 6% increase[1]	
	Approx. €42 billion (previously: approx. €41 billion)	Minus approx. 3% (previously: minus approx. 4%)
EBITDA before special items	Mid-single-digit percentage increase (previously: low- to mid-single-digit percentage increase)	Minus approx. 5% (previously: minus approx. 6%) Minus approx. €450 million (previously: minus approx. €550 million)
Core earnings per share	Mid-to-high-single-digit percentage increase (previously: mid-single-digit percentage increase)	Minus approx. 7% (previously: minus approx. 9%)

[1] currency- and portfolio-adjusted
[2] fourth quarter of 2014 calculated at exchange rates as of September 30, 2014, compared with full year 2013 rates

We anticipate net special charges of €350 million. The major part of this amount – €300 million – is related to the acquisition of the consumer care business of Merck & Co., Inc. and the agreed collaboration in the field of soluble guanylate cyclase (sGC) modulation. It also includes expenses for integrating the business and acquisition-related inventory step-ups. These effects are eliminated from the calculation of EBITDA before special items and core earnings per share.

We anticipate a financial result of about minus €1 billion and an effective tax rate of around 25% for 2014. We expect net financial debt at year end to be approximately €20 billion.

HEALTHCARE

We continue to expect HealthCare sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. Allowing for expected negative currency effects of about 3% (previously: about 4%), sales would be approximately €20 billion (previously: approximately €19.5 billion) including a sales contribution of €300 million to €350 million from the consumer care business acquired from Merck & Co., Inc. We predict EBITDA before special items to increase by a low-single-digit percentage (previously: slightly exceed the prior-year level), with the consumer care business acquired from Merck & Co., Inc. accounting for about €70 million of earnings. This allows for total negative currency effects of roughly €340 million (previously: roughly €380 million).

For the Pharmaceuticals segment, we confirm our guidance that sales should increase by about 10% after adjusting for currency and portfolio effects. We predict negative currency effects of around 3% (previously: around 4%). We intend to raise sales of our recently launched products to €2.8 billion. Additional marketing and R&D expenditures totaling about €0.5 billion are expected for 2014. Against this background, we predict a mid-single-digit percentage (previously: low- to mid-single-digit percentage) increase in EBITDA before special items, allowing for negative currency effects of about €300 million (previously: about €310 million). We expect the EBITDA margin before special items to be roughly level with the previous year.

In the Consumer Health segment, we are planning for a low-single-digit percentage sales increase on a currency- and portfolio-adjusted basis, assuming a sales contribution of €300 million to €350 million from the consumer care business acquired from Merck & Co., Inc. We expect negative currency effects of around 3% (previously: around 4%) compared with 2013. Mainly due to the weak market environment for Diabetes Care, EBITDA before special items is expected to come in at (previously: below) the level of the prior year, with the consumer care business acquired from Merck & Co., Inc. accounting for about €70 million of earnings. This allows for negative currency effects of about €40 million (previously: about €70 million).

CROPSCIENCE

We are raising our guidance for CropScience in light of the encouraging business development. We now expect to increase sales by about 10% (previously: a high-single-digit percentage) after adjusting for currency and portfolio effects, and thus to grow significantly faster than the market. We anticipate negative currency effects of about 4% (previously: about 5%) compared with 2013. We now expect to increase EBITDA before special items by a mid-single-digit percentage (previously: low-single-digit percentage), allowing for negative currency effects of approximately €100 million (previously: approximately €150 million).

MATERIALSCIENCE

We continue to expect sales of MaterialScience to increase in 2014 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis, allowing for negative currency effects of about 1% (previously: about 2%) compared with 2013. We now anticipate a significant increase (previously: an increase) in EBITDA before special items, allowing for negative currency effects of roughly €10 million (previously: roughly €30 million).

In the fourth quarter of 2014, we expect a small increase in sales, with EBITDA before special items at the level of the prior-year period.

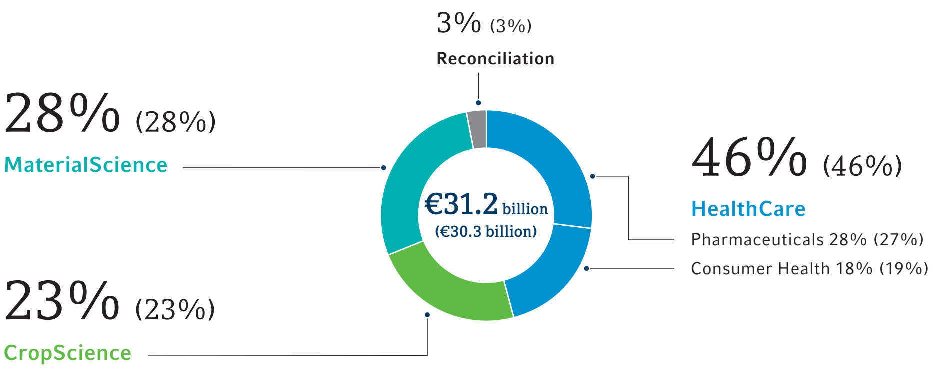
RECONCILIATION

For 2014 we continue to anticipate sales on a currency- and portfolio-adjusted basis to be level with the previous year. We expect EBITDA before special items to be roughly minus €0.2 billion.

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 First Nine Months of 2014 [Graphic 6]



2013 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[1]	
	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,742**	**4,960**	**978**	**1,091**	**1,392**	**1,402**
Pharmaceuticals	2,818	3,039	637	699	915	960
Consumer Health	1,924	1,921	341	392	477	442
CropScience	**1,712**	**1,929**	**106**	**157**	**224**	**278**
MaterialScience	**2,897**	**3,036**	**180**	**184**	**346**	**334**
Reconciliation	**292**	**262**	**(43)**	**(56)**	**22**	**(3)**
Group	**9,643**	**10,187**	**1,221**	**1,376**	**1,984**	**2,011**
	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014
HealthCare	**13,985**	**14,377**	**2,629**	**3,019**	**3,997**	**4,058**
Pharmaceuticals	8,213	8,781	1,710	1,996	2,668	2,760
Consumer Health	5,772	5,596	919	1,023	1,329	1,298
CropScience	**6,868**	**7,299**	**1,566**	**1,615**	**1,929**	**1,991**
MaterialScience	**8,547**	**8,703**	**365**	**512**	**824**	**970**
Reconciliation	**869**	**821**	**(281)**	**(201)**	**(118)**	**(53)**
Group	**30,269**	**31,200**	**4,279**	**4,945**	**6,632**	**6,966**

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

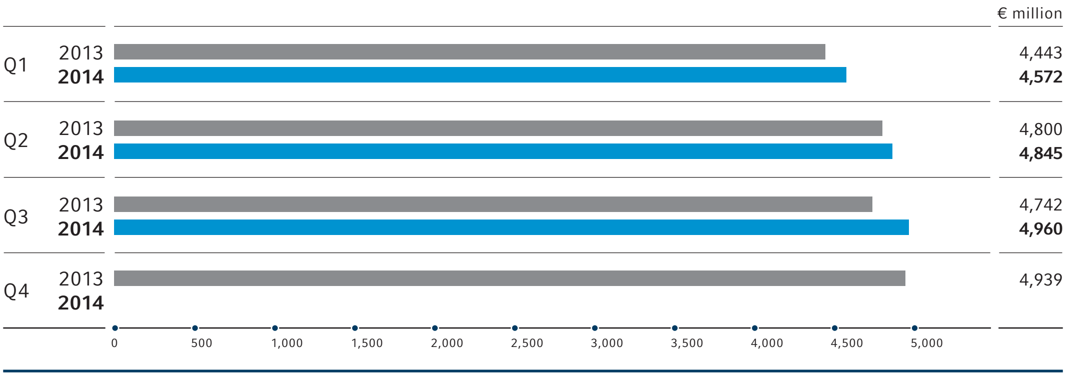
Key Data – HealthCare [Table 4]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,742**	**4,960**	**+4.6**	**+7.1**	**13,985**	**14,377**	**+2.8**	**+7.4**
Change in sales								
Volume	+7.6%	+6.2%			+6.5%	+6.6%		
Price	−0.2%	+0.9%			+0.2%	+0.8%		
Currency	−8.0%	−2.4%			−5.0%	−5.1%		
Portfolio	+1.1%	−0.1%			+0.5%	+0.5%		
Sales by segment								
Pharmaceuticals	2,818	3,039	+7.8	+10.3	8,213	8,781	+6.9	+11.6
Consumer Health	1,924	1,921	−0.2	+2.4	5,772	5,596	−3.0	+1.4
Sales by region								
Europe	1,720	1,826	+6.2	+7.0	5,036	5,400	+7.2	+8.6
North America	1,269	1,323	+4.3	+4.8	3,738	3,715	−0.6	+2.7
Asia / Pacific	1,036	1,096	+5.8	+7.2	3,108	3,249	+4.5	+10.9
Latin America / Africa / Middle East	717	715	−0.3	+10.3	2,103	2,013	−4.3	+11.0
EBIT	**978**	**1,091**	**+11.6**		**2,629**	**3,019**	**+14.8**	
Special items	*(70)*	*54*			*(359)*	*45*		
EBIT before special items[1]	***1,048***	***1,037***	***−1.0***		***2,988***	***2,974***	***−0.5***	
EBITDA[1]	**1,328**	**1,456**	**+9.6**		**3,789**	**4,107**	**+8.4**	
Special items	*(64)*	*54*			*(208)*	*49*		
EBITDA before special items[1]	***1,392***	***1,402***	***+0.7***		***3,997***	***4,058***	***+1.5***	
EBITDA margin before special items[1]	29.4%	28.3%			28.6%	28.2%		
Gross cash flow[2]	**931**	**936**	**+0.5**		**2,733**	**2,777**	**+1.6**	
Net cash flow[2]	**651**	**1,103**	**+69.4**		**2,021**	**2,259**	**+11.8**	

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

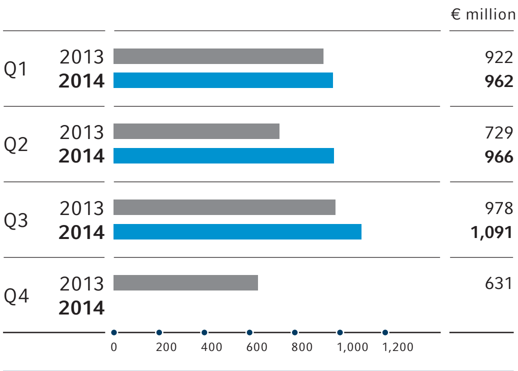
Sales of the **HealthCare** subgroup increased by 7.1% on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) in the **third quarter of 2014** to €4,960 million (reported: +4.6%). This growth continued to be driven by our recently launched pharmaceutical products. Sales at Consumer Health came in slightly ahead of the prior-year period. Sales in the Emerging Markets continued to develop very positively.

HealthCare Quarterly Sales [Graphic 7]

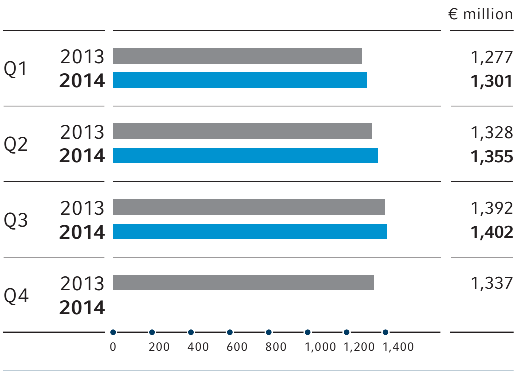


EBIT of HealthCare improved by 11.6% in the third quarter of 2014 to €1,091 million, including net special gains of €54 million (Q3 2013: after net special charges of €70 million). EBIT before special items declined slightly by 1.0% to €1,037 million (Q3 2013: €1,048 million). **EBITDA** before special items, at €1,402 million, was slightly above the prior-year quarter (Q3 2013: €1,392 million). The very good business development at Pharmaceuticals continued to contribute positively to earnings. However, earnings were diminished by higher selling expenses in both segments, higher research and development spending at Pharmaceuticals and negative currency effects of approximately €70 million (currency effect approx. −5%).

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 5]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,818**	**3,039**	**+7.8**	**+10.3**	**8,213**	**8,781**	**+6.9**	**+11.6**
Sales by region								
Europe	988	1,094	+10.7	+11.3	2,869	3,220	+12.2	+13.2
North America	652	731	+12.1	+12.9	1,877	1,993	+6.2	+9.6
Asia / Pacific	755	796	+5.4	+7.3	2,233	2,394	+7.2	+13.9
Latin America / Africa / Middle East	423	418	−1.2	+9.5	1,234	1,174	−4.9	+10.3
EBIT	**637**	**699**	**+9.7**		**1,710**	**1,996**	**+16.7**	
Special items	*(40)*	*0*			*(262)*	*4*		
EBIT before special items[1]	***677***	***699***	***+3.2***		***1,972***	***1,992***	***+1.0***	
EBITDA[1]	**875**	**960**	**+9.7**		**2,506**	**2,768**	**+10.5**	
Special items	*(40)*	*0*			*(162)*	*8*		
EBITDA before special items[1]	***915***	***960***	***+4.9***		***2,668***	***2,760***	***+3.4***	
EBITDA margin before special items[1]	32.5%	31.6%			32.5%	31.4%		
Gross cash flow[2]	**606**	**666**	**+9.9**		**1,783**	**1,902**	**+6.7**	
Net cash flow[2]	**414**	**808**	**+95.2**		**1,228**	**1,547**	**+26.0**	

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

Sales in our **Pharmaceuticals** segment rose by a substantial 10.3% (Fx & portfolio adj.) in the **third quarter of 2014**, to €3,039 million. This very good performance was driven by our recently launched products. Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™ posted combined sales of €750 million (Q3 2013: €407 million). Our Pharmaceuticals business grew in all regions on a currency-adjusted basis, with particularly encouraging development in the United States, China and Germany.

Best-Selling Pharmaceuticals Products [Table 6]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Xarelto™	259	440	+69.9	+73.2	633	1,163	+83.7	+89.9
Kogenate™	321	295	−8.1	−6.1	928	808	−12.9	−9.5
Betaferon™ / Betaseron™	256	223	−12.9	−12.5	779	629	−19.3	−16.6
Mirena™ product family	165	208	+26.1	+26.5	524	594	+13.4	+17.0
Nexavar™	204	192	−5.9	−4.0	577	571	−1.0	+3.8
YAZ™ / Yasmin™ / Yasminelle™	213	198	−7.0	−2.8	634	570	−10.1	−2.9
Eylea™	85	189	+122.4	+121.6	207	540	+160.9	+168.1
Adalat™	134	139	+3.7	+7.4	446	435	−2.5	+4.4
Aspirin™ Cardio	114	124	+8.8	+13.3	332	356	+7.2	+13.6
Glucobay™	102	102	0.0	+1.4	311	310	−0.3	+3.2
Avalox™ / Avelox™	100	85	−15.0	−10.9	320	285	−10.9	−6.4
Levitra™	77	65	−15.6	−14.1	221	189	−14.5	−11.4
Stivarga™	51	46	−9.8	−9.5	138	161	+16.7	+22.0
Cipro™ / Ciprobay™	50	43	−14.0	−10.9	155	139	−10.3	−4.9
Xofigo™	12	49	.	.	13	128	.	.
Total	**2,143**	**2,398**	**+11.9**	**+14.1**	**6,218**	**6,878**	**+10.6**	**+15.5**
Proportion of Pharmaceuticals sales	76%	79%			76%	78%		

Fx adj. = currency-adjusted

Xarelto™ maintained its growth momentum, with strong sales gains especially in Europe and Japan. Sales doubled in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson. Sales of our eye medicine Eylea™ continued to rise substantially, particularly in Europe. The cancer drug Xofigo™ also made an encouraging contribution to sales development. Adempas™ to treat pulmonary hypertension achieved total sales of €26 million (Q3 2013: €0 million). Sales of the cancer drug Stivarga™ declined, mainly due to the establishment of rebate provisions in France.

Sales of the hormone-releasing intrauterine devices of the Mirena™ product family rose mainly as a result of higher volumes in the United States. Adalat™ for the treatment of hypertension and coronary heart disease benefited from higher sales by our distribution partner in Canada and volume gains in China. Sales of Aspirin™ Cardio for secondary prevention of heart attacks also advanced, partly due to higher demand in China.

Sales of our blood-clotting medicine Kogenate™ receded against a strong prior-year quarter. Capacity shortages persisted due to the use of production capacities to develop our next-generation hemophilia medicines. Business with our multiple sclerosis drug Betaferon™/Betaseron™ was held back partly by increased competition in the United States. Sales of our cancer drug Nexavar™ declined mainly in Europe. Sales increases in the United States for our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives only partly offset the declines in Europe and Japan. Sales of the antibiotic Avalox™/Avelox™ and the erectile dysfunction treatment Levitra™ declined overall, particularly in the United States, despite higher volumes in China.

EBIT of the **Pharmaceuticals** segment rose in the third quarter of 2014 by 9.7% to €699 million. No special charges were taken in this reporting period (Q3 2013: €40 million). EBIT before special items rose by 3.2% to €699 million. **EBITDA** before special items improved by 4.9% to €960 million. This earnings increase was driven by the strong sales gains for our recently launched products. Both selling and R&D expenses, however, moved higher, and negative currency effects amounted to about €70 million.

In the **first nine months of 2014**, we raised **sales** in our **Pharmaceuticals** segment by 11.6% (Fx & portfolio adj.) to €8,781 million. The increase was driven by our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™, which posted combined sales of €2,050 million (9M 2013: €991 million). Sales moved ahead in all regions.

EBIT for the first nine months of 2014 advanced by 16.7% to €1,996 million. There were net special gains of €4 million (9M 2013: net special charges of €262 million), including a positive one-time valuation effect of €35 million from the acquisition of Algeta ASA, Norway. Integration costs of €31 million had a negative effect. EBIT before special items edged upward from the prior-year period to €1,992 million (+1.0%). **EBITDA** before special items improved by 3.4% to €2,760 million after negative currency effects of about €300 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 7]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,924**	**1,921**	**−0.2**	**+2.4**	**5,772**	**5,596**	**−3.0**	**+1.4**
Consumer Care	984	1,006	+2.2	+5.7	2,889	2,861	−1.0	+4.1
Medical Care	619	585	−5.5	−3.7	1,873	1,717	−8.3	−5.0
Animal Health	321	330	+2.8	+4.1	1,010	1,018	+0.8	+5.4
Sales by region								
Europe	732	732	0.0	+1.2	2,167	2,180	+0.6	+2.5
North America	617	592	−4.1	−3.7	1,861	1,722	−7.5	−4.2
Asia / Pacific	281	300	+6.8	+7.1	875	855	−2.3	+3.2
Latin America / Africa / Middle East	294	297	+1.0	+11.6	869	839	−3.5	+12.0
EBIT	**341**	**392**	**+15.0**		**919**	**1,023**	**+11.3**	
Special items	*(30)*	*54*			*(97)*	*41*		
***EBIT before special items*[1]**	***371***	***338***	***−8.9***		***1,016***	***982***	***−3.3***	
EBITDA[1]	**453**	**496**	**+9.5**		**1,283**	**1,339**	**+4.4**	
Special items	*(24)*	*54*			*(46)*	*41*		
***EBITDA before special items*[1]**	***477***	***442***	***−7.3***		***1,329***	***1,298***	***−2.3***	
EBITDA margin before special items[1]	24.8%	23.0%			23.0%	23.2%		
Gross cash flow[2]	**325**	**270**	**−16.9**		**950**	**875**	**−7.9**	
Net cash flow[2]	**237**	**295**	**+24.5**		**793**	**712**	**−10.2**	

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

Sales in the **Consumer Health** segment increased by 2.4% (Fx & portfolio adj.) in the **third quarter of 2014**, to €1,921 million. This increase was driven by the Consumer Care and Animal Health divisions, particularly as a result of gratifying development in the Emerging Markets. Sales of the Medical Care Division again declined, particularly in Europe and the United States.

Best-Selling Consumer Health Products [Table 8]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	176	167	−5.1	−4.7	543	478	−12.0	−10.2
Advantage™ product family (Animal Health)	118	120	+1.7	+1.1	389	390	+0.3	+3.1
Aspirin™ (Consumer Care)	118	122	+3.4	+6.5	344	316	−8.1	−2.6
Bepanthen™ / Bepanthol™ (Consumer Care)	79	84	+6.3	+11.7	233	261	+12.0	+18.6
Aleve™ (Consumer Care)	79	91	+15.2	+14.2	239	248	+3.8	+7.7
Ultravist™ (Medical Care)	77	73	−5.2	−2.4	242	218	−9.9	−6.3
Canesten™ (Consumer Care)	64	67	+4.7	+8.0	196	193	−1.5	+4.0
Gadovist™ / Gadavist™ (Medical Care)	51	58	+13.7	+12.2	150	168	+12.0	+14.2
Supradyn™ (Consumer Care)	39	35	−10.3	−0.7	115	112	−2.6	+7.3
One A Day™ (Consumer Care)	44	39	−11.4	−10.7	128	112	−12.5	−9.6
Total	**845**	**856**	**+1.3**	**+3.1**	**2,579**	**2,496**	**−3.2**	**+0.8**
Proportion of Consumer Health sales	44%	45%			45%	45%		

Fx adj. = currency-adjusted
Total sales of Aspirin™ including Aspirin™ Cardio, which is reported in the Pharmaceuticals segment, rose by 6.0% (Fx adj. +9.9%) in the third quarter of 2014 to €246 million (Q3 2013: €232 million). Sales of Aspirin™ including Aspirin™ Cardio in the first nine months of 2014 were down 0.6% at €672 million (9M 2013: €676 million); on a currency-adjusted basis, sales rose by 5.3%.

Sales of the **Consumer Care** Division rose by 5.7% (Fx & portfolio adj.) to €1,006 million. Our pain reliever Aspirin™ registered an increase in sales, due mainly to the launch of a new generation of Aspirin™ tablets (500 mg) in Germany and Italy. Our skincare product Bepanthen™/Bepanthol™ posted considerably higher sales, particularly in the Emerging Markets. We also registered higher sales of our pain reliever Aleve™ due to a product line expansion in the United States. Our antifungal Canesten™ developed positively in all regions. Business with our dietary supplement One A Day™ was held back mainly by lower volumes in the United States.

Sales of our **Medical Care** Division declined by a currency- and portfolio-adjusted 3.7% to €585 million. Sales of the Diabetes Care business continued to decline. Business with our Contour™ line of blood glucose meters declined, especially in the United States – partly due to reimbursement pressure and lower prices – and in Germany. Sales of our contrast agents and medical equipment in the Radiology & Interventional business were flat with the prior-year period on a currency- and portfolio-adjusted basis.

Sales in the **Animal Health** Division moved forward by 4.1% (Fx & portfolio adj.) to €330 million. Sales of the Advantage™ product family of flea, tick and worm control products showed a slight increase. Business with the Seresto™ flea and tick collar in Europe developed positively.

EBIT of the **Consumer Health** segment improved by 15.0% in the third quarter of 2014, to €392 million, including net special gains of €54 million (Q3 2013: after net special charges of €30 million). Reflected here was a one-time gain of €80 million from the divestiture of our Interventional device business to Boston Scientific, United States. Expenses for the integration of acquired businesses amounted to €26 million. EBIT before special items declined by 8.9% to €338 million. **EBITDA** before special items decreased by 7.3% to €442 million (Q3 2013: €477 million), due mainly to the weaker development at Medical Care.

Sales of our **Consumer Health** segment increased slightly to €5,596 million (Fx & portfolio adj. +1.4%) in the **first nine months of 2014**. Sales of the Consumer Care and Animal Health divisions moved higher particularly in the Emerging Markets, while those of the Medical Care Division declined overall.

EBIT for the first nine months of 2014 rose by 11.3% to €1,023 million, including net special gains of €41 million (9M 2013: after net special charges of €97 million). The special gains mainly comprised the proceeds from the divestiture of the Interventional device business. Earnings were diminished by integration costs. EBIT before special items amounted to €982 million (9M 2013: €1,016 million). **EBITDA** before special items declined to €1,298 million (9M 2013: €1,329 million), mainly due to higher selling expenses and some €40 million in negative currency effects.

5.2 CropScience

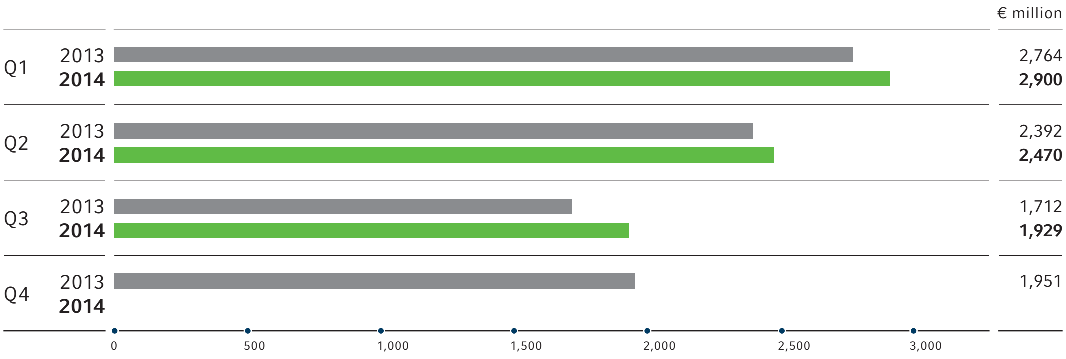
Key Data – CropScience [Table 9]

	3rd Quarter 2013	3rd Quarter 2014	Change	Change	First Nine Months 2013	First Nine Months 2014	Change	Change
	€ million	€ million	%	Fx (& p) adj. %	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,712**	**1,929**	**+12.7**	**+14.6**	**6,868**	**7,299**	**+6.3**	**+12.1**
Change in sales								
Volume	+8.7%	+11.3%			+5.5%	+9.6%		
Price	+3.4%	+3.3%			+3.0%	+2.5%		
Currency	−8.5%	−2.1%			−3.8%	−5.9%		
Portfolio	+0.7%	+0.2%			+0.5%	+0.1%		
Sales by operating segment								
Crop Protection / Seeds	1,572	1,781	+13.3	+15.2	6,371	6,788	+6.5	+12.4
Environmental Science	140	148	+5.7	+7.9	497	511	+2.8	+7.8
Sales by region								
Europe	406	454	+11.8	+12.8	2,388	2,580	+8.0	+10.1
North America	246	303	+23.2	+23.2	1,910	2,005	+5.0	+11.8
Asia / Pacific	312	318	+1.9	+1.0	1,029	1,018	−1.1	+6.0
Latin America / Africa / Middle East	748	854	+14.2	+19.3	1,541	1,696	+10.1	+20.1
EBIT	**106**	**157**	**+48.1**		**1,566**	**1,615**	**+3.1**	
Special items	*(9)*	*0*			*(32)*	*0*		
EBIT before special items[1]	***115***	***157***	***+36.5***		***1,598***	***1,615***	***+1.1***	
EBITDA[1]	**218**	**278**	**+27.5**		**1,902**	**1,991**	**+4.7**	
Special items	*(6)*	*0*			*(27)*	*0*		
EBITDA before special items[1]	***224***	***278***	***+24.1***		***1,929***	***1,991***	***+3.2***	
EBITDA margin before special items[1]	13.1%	14.4%			28.1%	27.3%		
Gross cash flow[2]	**172**	**214**	**+24.4**		**1,362**	**1,453**	**+6.7**	
Net cash flow[2]	**614**	**598**	**−2.6**		**653**	**847**	**+29.7**	

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

Sales of the **CropScience** subgroup in the **third quarter of 2014** rose by 14.6% (Fx & portfolio adj.; reported: +12.7%) to €1,929 million. Both Crop Protection / Seeds and Environmental Science contributed to this encouraging growth. We again posted strong growth in North and Latin America in the third quarter of 2014. We also achieved double-digit growth in Europe.

CropScience Quarterly Sales [Graphic 10]



Sales at **Crop Protection/Seeds** in the third quarter of 2014, at €1,781 million, were up 15.2% (Fx & portfolio adj.) year on year. Our Fungicides and Herbicides units posted double-digit growth rates, while sales at Insecticides and SeedGrowth continued to increase. The new Crop Protection products launched since 2006 again contributed significantly to the positive sales development in the quarter. We nearly doubled sales in our Seeds business. Sales of cotton seed developed especially positively. Business with soybean, rice and vegetable seed also expanded.

Sales of **Environmental Science** advanced by 7.9% (Fx & portfolio adj.) to €148 million. Sales of consumer products gained strongly. The business with products for professional users also posted an increase.

Sales by Business Unit [Table 10]

	3rd Quarter 2013	3rd Quarter 2014	Change		First Nine Months 2013	First Nine Months 2014	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Herbicides	340	384	+12.9	+15.8	1,987	2,032	+2.3	+8.5
Fungicides	420	479	+14.0	+16.5	1,750	1,922	+9.8	+14.3
Insecticides	441	471	+6.8	+8.6	1,157	1,213	+4.8	+10.7
SeedGrowth	303	316	+4.3	+4.3	674	724	+7.4	+12.8
Crop Protection	1,504	1,650	+9.7	+11.6	5,568	5,891	+5.8	+11.3
Seeds	68	131	+92.6	+95.6	803	897	+11.7	+20.1
Crop Protection/Seeds	**1,572**	**1,781**	**+13.3**	**+15.2**	**6,371**	**6,788**	**+6.5**	**+12.4**
Environmental Science	**140**	**148**	**+5.7**	**+7.9**	**497**	**511**	**+2.8**	**+7.8**

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

CropScience expanded sales in all regions:

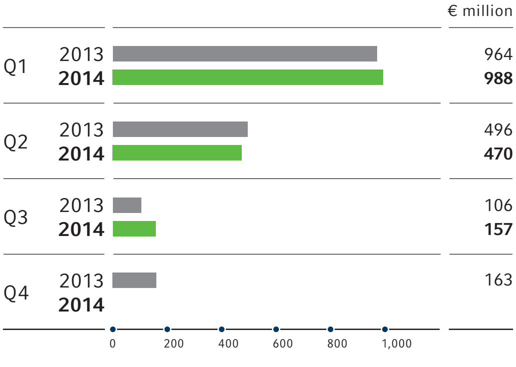
Sales in **Europe** rose by 12.8% (Fx adj.) to €454 million. The Crop Protection business further expanded in the third quarter of 2014 following an early start to the fall season. Robust sales gains at Herbicides and SeedGrowth more than offset the decline in sales at Insecticides. The Fungicides business posted a small increase. Seeds and Environmental Science registered substantial growth.

Sales in **North America** climbed by 23.2% (Fx adj.) in the third quarter of 2014 compared with the weak prior-year period, to €303 million. We saw a significant increase in sales in our Herbicides unit, particularly with products for use in corn. Sales of Insecticides and SeedGrowth also expanded, while business in the Fungicides unit receded. Our Seeds business developed very positively. Sales of Environmental Science remained level with the prior-year period.

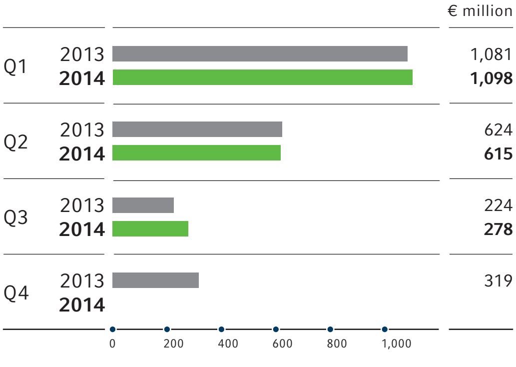
Sales in **Asia/Pacific**, at €318 million, were at the level of the prior-year quarter (Fx adj. +1.0%). The increase in sales at Fungicides and Insecticides did not fully offset the declines at Herbicides and SeedGrowth. Our Seeds business, especially sales of rice and vegetable seeds, developed positively. Sales of Environmental Science also rose. We posted double-digit growth rates overall in India, while sales in China and Australia receded.

Sales in the **Latin America/Africa/Middle East** region improved by 19.3% (Fx adj.) to €854 million. Business developed particularly well in Latin America after an early start to the season, with substantial sales gains in nearly all units. There were particularly strong increases for Fungicides, Insecticides and soybean seeds. We also posted double-digit percentage growth overall in the Middle East. Our business in Africa showed moderate growth.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



EBIT of **CropScience** climbed by 48.1% in the third quarter of 2014 to €157 million. No special charges were taken in this period (Q3 2013: €9 million). EBITDA before special items came in 24.1% above the prior-year quarter at €278 million (Q3 2013: €224 million), reflecting one-time income of about €25 million that mainly comprised payments from insurers. While business development was favorable, with significantly higher volumes and selling prices, R&D and selling expenses were considerably higher.

Sales of **CropScience** in the **first nine months of 2014** climbed by 12.1% (Fx & portfolio adj.) to €7,299 million. Crop Protection/Seeds showed positive development, with double-digit growth rates for nearly all product groups. The positive business performance was driven by an attractive overall market environment and the new Crop Protection products launched since 2006. Our Environmental Science business also recorded gratifying sales gains.

EBIT of **CropScience** for the first nine months of 2014 came in above the prior-year period at €1,615 million (+3.1%). No special charges were taken in this period (9M 2013: €32 million). We achieved a further increase in **EBITDA** before special items to €1,991 million (+3.2%), with higher volumes and selling prices more than offsetting increases in R&D and selling expenses and negative currency effects of about €110 million.

5.3 MaterialScience

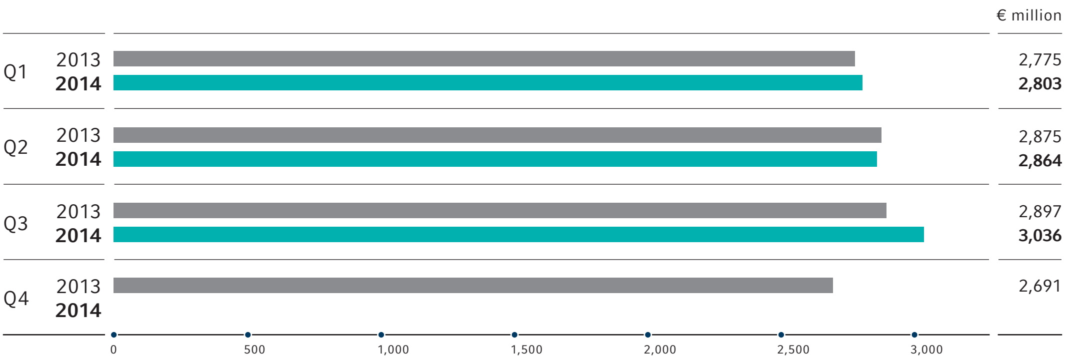
Key Data – MaterialScience [Table 11]

	3rd Quarter 2013	3rd Quarter 2014		Change	First Nine Months 2013	First Nine Months 2014		Change
				Fx (& p) adj.				Fx (& p) adj.
	€ million	€ million	%	%	€ million	€ million	%	%
Sales	**2,897**	**3,036**	**+4.8**	**+5.3**	**8,547**	**8,703**	**+1.8**	**+4.6**
Change in sales								
Volume	+2.4%	+6.1%			−0.5%	+6.5%		
Price	−1.3%	−0.8%			+0.5%	−1.9%		
Currency	−3.8%	−0.3%			−2.0%	−2.4%		
Portfolio	−0.4%	−0.2%			−0.1%	−0.4%		
Sales by Business Unit								
Polyurethanes	1,567	1,652	+5.4	+5.7	4,582	4,694	+2.4	+5.1
Polycarbonates	673	726	+7.9	+8.0	2,000	2,079	+4.0	+6.2
Coatings, Adhesives, Specialties	486	503	+3.5	+5.1	1,446	1,455	+0.6	+5.1
Industrial Operations	171	155	−9.4	−8.8	519	475	−8.5	−7.5
Sales by region								
Europe	1,139	1,122	−1.5	−1.3	3,323	3,405	+2.5	+2.6
North America	627	678	+8.1	+8.3	1,863	1,920	+3.1	+6.1
Asia / Pacific	781	878	+12.4	+12.8	2,286	2,360	+3.2	+7.1
Latin America / Africa / Middle East	350	358	+2.3	+3.1	1,075	1,018	−5.3	−0.6
EBIT	**180**	**184**	**+2.2**		**365**	**512**	**+40.3**	
Special items	*(6)*	*(2)*			*24*	*(21)*		
***EBIT before special items*[1]**	***186***	***186***	***0.0***		***341***	***533***	***+56.3***	
EBITDA[1]	**341**	**333**	**−2.3**		**857**	**953**	**+11.2**	
Special items	*(5)*	*(1)*			*33*	*(17)*		
***EBITDA before special items*[1]**	***346***	***334***	***−3.5***		***824***	***970***	***+17.7***	
EBITDA margin before special items[1]	11.9%	11.0%			9.6%	11.1%		
Gross cash flow[2]	**270**	**261**	**−3.3**		**670**	**760**	**+13.4**	
Net cash flow[2]	**365**	**274**	**−24.9**		**432**	**363**	**−16.0**	

Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business unit; Fx adj.: Sales by region)
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 8 "Financial Position of the Bayer Group."

In the **MaterialScience** subgroup, **sales** advanced by 5.3% (Fx & portfolio adj.) in the **third quarter of 2014** to €3,036 million (reported: +4.8%). This growth was due to significantly higher volumes for Polycarbonates; Polyurethanes; and Coatings, Adhesives, Specialties. We increased volumes in nearly all regions. In Europe, volumes were flat with the prior-period level. Selling prices were slightly down from the prior-year period.

MaterialScience Quarterly Sales [Graphic 13]



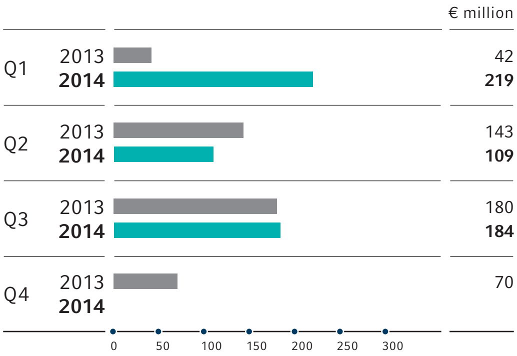
The **Polyurethanes** business unit raised sales by 5.7% (Fx & portfolio adj.) to €1,652 million, thanks to improved demand in nearly all the main customer industries. Volumes expanded in all regions with the exception of Europe. Selling prices overall were at the level of the prior-year period. Volumes of diphenylmethane diisocyanate (MDI) and toluene diisocyanate (TDI) improved, while selling prices receded. Both volumes and selling prices for polyether (PET) increased.

The **Polycarbonates** business unit raised sales by 8.0% (Fx & portfolio adj.) to €726 million, driven by higher volumes overall. Substantial increases in Asia / Pacific and North America more than offset the lower volumes in Latin America / Africa / Middle East and Europe. The volume gains were mainly attributable to improved demand from customers in the automotive and electrical / electronics industries. Selling prices were down slightly overall compared with the prior-year period.

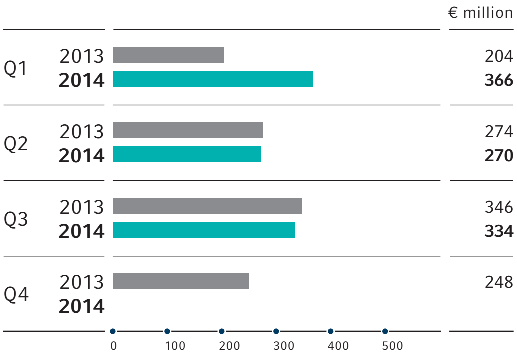
Sales in the **Coatings, Adhesives, Specialties** business unit advanced by 5.1% (Fx & portfolio adj.) to €503 million. This increase resulted mainly from higher volumes in Asia / Pacific and Europe, while volumes declined in North America. Selling prices were level with the prior-year quarter.

Sales of **Industrial Operations** receded by 8.8% (Fx & portfolio adj.) to €155 million due to lower volumes and selling prices.

MaterialScience
Quarterly EBIT [Graphic 14]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



EBIT of **MaterialScience** rose in the third quarter of 2014 to €184 million (Q3 2013: €180 million), reflecting special charges of €2 million for restructuring (Q3 2013: €6 million). EBIT before special items was flat year on year at €186 million. **EBITDA** before special items was down by just 3.5% to €334 million. Earnings were enhanced by higher volumes, efficiency improvements and somewhat lower raw material and energy costs, but held back by a drop in selling prices and negative currency effects of around €10 million. A further factor were the one-time gains of €17 million in the prior-year quarter.

In the **first nine months of 2014, sales** of **MaterialScience** increased by 4.6% (Fx & portfolio adj.; reported: +1.8%) to €8,703 million due to significantly higher volumes for Polycarbonates; Polyurethanes; and Coatings, Adhesives, Specialties. We registered higher volumes in nearly all regions, but volumes were flat in Latin America / Africa / Middle East. Selling prices as a whole were below the prior-year period.

EBIT advanced by a substantial 40.3% to €512 million. **EBITDA** before special items rose by 17.7% to €970 million after about €20 million in negative currency effects.

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5.4 Business Development by Region

Sales by Region and Segment (by Market) [Table 12]

	Europe				North America				Asia / Pacific				Latin America / Africa / Middle East				Total			
	3rd Quarter 2013	3rd Quarter 2014			3rd Quarter 2013	3rd Quarter 2014			3rd Quarter 2013	3rd Quarter 2014			3rd Quarter 2013	3rd Quarter 2014			3rd Quarter 2013	3rd Quarter 2014		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,720**	**1,826**	**+6.2**	**+7.0**	**1,269**	**1,323**	**+4.3**	**+4.8**	**1,036**	**1,096**	**+5.8**	**+7.2**	**717**	**715**	**−0.3**	**+10.3**	**4,742**	**4,960**	**+4.6**	**+7.0**
Pharmaceuticals	988	1,094	+10.7	+11.3	652	731	+12.1	+12.9	755	796	+5.4	+7.3	423	418	−1.2	+9.5	2,818	3,039	+7.8	+10.3
Consumer Health	732	732	0.0	+1.2	617	592	−4.1	−3.7	281	300	+6.8	+7.1	294	297	+1.0	+11.6	1,924	1,921	−0.2	+2.1
CropScience	**406**	**454**	**+11.8**	**+12.8**	**246**	**303**	**+23.2**	**+23.2**	**312**	**318**	**+1.9**	**+1.0**	**748**	**854**	**+14.2**	**+19.3**	**1,712**	**1,929**	**+12.7**	**+14.8**
MaterialScience	**1,139**	**1,122**	**−1.5**	**−1.3**	**627**	**678**	**+8.1**	**+8.3**	**781**	**878**	**+12.4**	**+12.8**	**350**	**358**	**+2.3**	**+3.1**	**2,897**	**3,036**	**+4.8**	**+5.1**
Group (incl. reconciliation)	**3,537**	**3,646**	**+3.1**	**+3.7**	**2,147**	**2,306**	**+7.4**	**+7.8**	**2,134**	**2,296**	**+7.6**	**+8.3**	**1,825**	**1,939**	**+6.2**	**+12.7**	**9,643**	**10,187**	**+5.6**	**+7.3**

	Europe				North America				Asia / Pacific				Latin America / Africa / Middle East				Total			
	First Nine Months 2013	First Nine Months 2014			First Nine Months 2013	First Nine Months 2014			First Nine Months 2013	First Nine Months 2014			First Nine Months 2013	First Nine Months 2014			First Nine Months 2013	First Nine Months 2014		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**5,036**	**5,400**	**+7.2**	**+8.6**	**3,738**	**3,715**	**−0.6**	**+2.7**	**3,108**	**3,249**	**+4.5**	**+10.9**	**2,103**	**2,013**	**−4.3**	**+11.0**	**13,985**	**14,377**	**+2.8**	**+7.9**
Pharmaceuticals	2,869	3,220	+12.2	+13.2	1,877	1,993	+6.2	+9.6	2,233	2,394	+7.2	+13.9	1,234	1,174	−4.9	+10.3	8,213	8,781	+6.9	+12.1
Consumer Health	2,167	2,180	+0.6	+2.5	1,861	1,722	−7.5	−4.2	875	855	−2.3	+3.2	869	839	−3.5	+12.0	5,772	5,596	−3.0	+1.9
CropScience	**2,388**	**2,580**	**+8.0**	**+10.1**	**1,910**	**2,005**	**+5.0**	**+11.8**	**1,029**	**1,018**	**−1.1**	**+6.0**	**1,541**	**1,696**	**+10.1**	**+20.1**	**6,868**	**7,299**	**+6.3**	**+12.2**
MaterialScience	**3,323**	**3,405**	**+2.5**	**+2.6**	**1,863**	**1,920**	**+3.1**	**+6.1**	**2,286**	**2,360**	**+3.2**	**+7.1**	**1,075**	**1,018**	**−5.3**	**−0.6**	**8,547**	**8,703**	**+1.8**	**+4.2**
Group (incl. reconciliation)	**11,540**	**12,154**	**+5.3**	**+6.4**	**7,528**	**7,646**	**+1.6**	**+5.7**	**6,440**	**6,641**	**+3.1**	**+8.7**	**4,761**	**4,759**	**0.0**	**+11.1**	**30,269**	**31,200**	**+3.1**	**+7.4**

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. EBITDA before special items is a meaningful indicator of operating performance since it is not affected by depreciation, amortization, impairment losses, impairment loss reversals or special items. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure 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 4.0% in the first nine months of 2014 to €2,033 million (9M 2013: €2,118 million), comprising €1,083 million (9M 2013: €1,122 million) in amortization and impairments of intangible assets and €950 million (9M 2013: €996 million) in depreciation and impairments of property, plant and equipment. The impairments are reflected net of a €2 million (9M 2013: €13 million) impairment loss reversal, which was included in special items. Impairments totaled €70 million (9M 2013: €180 million), of which €10 million (9M 2013: €158 million) was included in special items. Of the €1,965 million (9M 2013: €1,951 million) in depreciation and amortization, €0 million (9M 2013: €20 million) was included in special items.

Special Items Reconciliation [Table 13]

	EBIT[1] 3rd Quarter 2013	EBIT[1] 3rd Quarter 2014	EBIT[1] First Nine Months 2013	EBIT[1] First Nine Months 2014	EBITDA[2] 3rd Quarter 2013	EBITDA[2] 3rd Quarter 2014	EBITDA[2] First Nine Months 2013	EBITDA[2] First Nine Months 2014
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Before special items	**1,320**	**1,331**	**4,679**	**4,941**	**1,984**	**2,011**	**6,632**	**6,966**
HealthCare	**(70)**	**54**	**(359)**	**45**	**(64)**	**54**	**(208)**	**49**
Impairment losses / impairment loss reversals	(1)	–	(116)	–	(1)	–	14	–
Restructuring	(26)	–	(88)	–	(20)	–	(67)	–
Litigations	–	–	(89)	–	–	–	(89)	–
Integration costs	(43)	(26)	(66)	(67)	(43)	(26)	(66)	(63)
Settlement of pre-existing relationship[3]	–	–	–	35	–	–	–	35
Divestitures	–	80	–	77	–	80	–	77
CropScience	**(9)**	**–**	**(32)**	**–**	**(6)**	**–**	**(27)**	**–**
Restructuring	(9)	–	(27)	–	(6)	–	(22)	–
Litigations	–	–	(5)	–	–	–	(5)	–
MaterialScience	**(6)**	**(2)**	**24**	**(21)**	**(5)**	**(1)**	**33**	**(17)**
Restructuring	(6)	(2)	(18)	(21)	(5)	(1)	(9)	(17)
Divestitures	–	–	42	–	–	–	42	–
Reconciliation	**(14)**	**(7)**	**(33)**	**(20)**	**(14)**	**(7)**	**(33)**	**(20)**
Restructuring	(14)	(7)	(33)	(20)	(14)	(7)	(33)	(20)
Total special items	**(99)**	**45**	**(400)**	**4**	**(89)**	**46**	**(235)**	**12**
of which cost of goods sold	(16)	(2)	(37)	(12)	(14)	(2)	(41)	(12)
of which selling expenses	(14)	(2)	(36)	(13)	(14)	(2)	(36)	(13)
of which research and development expenses	(2)	(1)	(135)	(3)	(2)	(1)	13	(3)
of which general administration expenses	(10)	(5)	(18)	(32)	(10)	(5)	(18)	(28)
of which other operating income / expenses	(57)	55	(174)	64	(49)	56	(153)	68
After special items	**1,221**	**1,376**	**4,279**	**4,945**	**1,895**	**2,057**	**6,397**	**6,978**

[1] EBIT = earnings before financial result and taxes
[2] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals
[3] For details see Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group under "Acquisitions and divestitures"

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 impairment losses / impairment loss reversals of intangible assets, impairment losses / impairment loss reversals of property, plant and equipment, and special items, 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 third quarter of 2014 amounted to €1.35 (Q3 2013: €1.27).

Core Earnings per Share [Table 14]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	**1,221**	**1,376**	**4,279**	**4,945**
Amortization and impairment losses / loss reversals on intangible assets	342	368	1,122	1,083
Impairment losses / loss reversals on property, plant and equipment	14	4	27	39
Special items (other than amortization and impairment losses / loss reversals)	89	(46)	235	(12)
Core EBIT	**1,666**	**1,702**	**5,663**	**6,055**
Financial result (as per income statements)	(228)	(302)	(643)	(634)
Special items in the financial result	25	59	82	10
Income taxes (as per income statements)	(255)	(241)	(892)	(1,098)
Tax effects related to amortization, impairment losses / loss reversals and special items	(148)	(94)	(468)	(330)
Income after income taxes attributable to non-controlling interest (as per income statements)	(5)	(7)	(10)	(11)
Core net income	**1,055**	**1,117**	**3,732**	**3,992**
	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 (€)	**1.27**	**1.35**	**4.51**	**4.83**

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]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
Gross cash flow[1]	**1,367**	**1,492**	**4,854**	**5,245**
Changes in working capital / other non-cash items	361	324	(1,263)	(1,665)
Net cash provided by (used in) operating activities (net cash flow)	**1,728**	**1,816**	**3,591**	**3,580**
Net cash provided by (used in) investing activities	**(510)**	**(3,973)**	**(1,994)**	**(6,670)**
Net cash provided by (used in) financing activities	**(1,307)**	**2,433**	**(1,611)**	**2,945**
Change in cash and cash equivalents due to business activities	**(89)**	**276**	**(14)**	**(145)**
Cash and cash equivalents at beginning of period	**1,732**	**1,228**	**1,698**	**1,662**
Change due to exchange rate movements and to changes in scope of consolidation	(28)	176	(69)	163
Cash and cash equivalents at end of period	**1,615**	**1,680**	**1,615**	**1,680**

[1] 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 **third quarter of 2014** advanced by 9.1% against the prior-year period to €1,492 million due to the improvement in EBITDA. Cash tied up in working capital decreased by €324 million, which was less than in the prior-year quarter. Net cash flow thus moved ahead by 5.1% to €1,816 million. Net cash flow reflected income tax payments of €685 million (Q3 2013: €327 million).

Gross cash flow in the **first nine months of 2014** advanced by 8.1% against the prior-year period to €5,245 million. Net cash flow was level year on year at €3,580 million, reflecting income tax payments of €1,420 million (9M 2013: €977 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the **third quarter of 2014** was €3,973 million. Disbursements for property, plant, equipment and intangible assets increased by 6.2% to €546 million (Q3 2013: €514 million). Of this amount, HealthCare accounted for €188 million (Q3 2013: €175 million), CropScience for €137 million (Q3 2013: €141 million) and MaterialScience for €134 million (Q3 2013: €128 million). Noncurrent and current financial assets were acquired for €3,785 million (Q3 2013: inflow of €105 million).

The net cash outflow for investing activities in the **first nine months of 2014** was €6,670 million. Disbursements for property, plant and equipment and intangible assets increased by 3.7% to €1,432 million (9M 2013: €1,381 million). Of this amount, HealthCare accounted for €514 million (9M 2013: €530 million), CropScience for €377 million (9M 2013: €324 million) and MaterialScience for €371 million (9M 2013: €372 million). The €1,871 million (9M 2013: €1,059 million) in outflows for acquisitions related mainly to the purchase of Algeta ASA, Norway.

FINANCING CASH FLOW

In the **third quarter of 2014**, there was a net cash inflow of €2,433 million from financing activities, including net borrowings of €2,579 million (Q3 2013: net loan repayments of €1,199 million). Net interest payments were 35.5% higher at €145 million (Q3 2013: €107 million).

In the **first nine months of 2014**, there was a net cash inflow of €2,945 million from financing activities, including net borrowings of €4,952 million (9M 2013: €222 million). Net interest payments were 4.3% higher at €268 million (9M 2013: €257 million). The cash outflow for "dividend payments and withholding tax on dividends" amounted to €1,738 million (9M 2013: €1,573 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 16]

	Dec. 31, 2013	June 30, 2014	Sep. 30, 2014
	€ million	€ million	€ million
Bonds and notes / promissory notes	4,520	6,783	8,757
of which hybrid bonds	1,344	1,332	4,560
Liabilities to banks	2,302	2,391	2,537
Liabilities under finance leases	382	369	391
Liabilities from derivatives	310	380	542
Other financial liabilities	1,516	1,671	2,277
Positive fair values of hedges of recorded transactions	(504)	(296)	(205)
Financial liabilities	**8,526**	**11,298**	**14,299**
Cash and cash equivalents	(1,662)	(1,228)	(1,680)
Current financial assets	(133)	(128)	(4,109)
Net financial debt	**6,731**	**9,942**	**8,510**

Net financial debt of the Bayer Group decreased by 14.4%, from €9.9 billion on June 30, 2014, to €8.5 billion on September 30, 2014, mainly as a result of cash inflows from operating activities.

Financial debt included a subordinated hybrid bond issued in July 2005, which was reflected at €1.3 billion. Moody's and Standard & Poor's treat 75% and 50%, respectively, of this hybrid bond as equity. Bayer AG issued two additional hybrid bonds with a total nominal volume of €3.25 billion on July 1, 2014. The first tranche of €1.75 billion has a maturity of 61 years and a coupon of 3.0 percent. Bayer has an early redemption option for the first time in 2020. The second tranche of €1.5 billion has a maturity of 60 years and a coupon of 3.75 percent. On this tranche, Bayer has an early redemption option for the first time in 2024. From 2020 and 2024 respectively the coupons will be reset at regular intervals. Moody's and Standard & Poor's treat 50% of these hybrid bonds as equity. The hybrid bonds thus have a more limited effect on the Group's rating-specific debt indicators than conventional borrowings. The bond issued by Bayer Capital Corp. B.V. in 2009 under the multi-currency European Medium Term Notes (EMTN) program with a nominal volume of €1.3 billion was redeemed at maturity on September 26, 2014. The other financial liabilities as of September 30, 2014, included commercial paper of €1.7 billion. Our noncurrent financial liabilities increased in the third quarter of 2014 from €8.0 billion to €11.4 billion, while current financial liabilities decreased from €3.6 billion to €3.1 billion.

Standard & Poor's gives Bayer a long-term issuer rating of A– with stable outlook, while Moody's gives us a long-term rating of A3 with stable 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, 2013	June 30, 2014	Sep. 30, 2014
	€ million	€ million	€ million
Noncurrent assets	32,289	33,949	35,254
Current assets	19,028	20,627	25,215
Assets held for sale	–	363	144
Total current assets	**19,028**	**20,990**	**25,359**
Total assets	**51,317**	**54,939**	**60,613**
Equity	**20,804**	**19,541**	**20,290**
Noncurrent liabilities	16,490	20,728	25,564
Current liabilities	14,023	14,670	14,759
Liabilities	**30,513**	**35,398**	**40,323**
Total equity and liabilities	**51,317**	**54,939**	**60,613**

Total assets, at €60.6 billion, increased by 10.3% compared to June 30, 2014. Noncurrent assets increased by €1.4 billion to €35.3 billion, largely due to currency effects. Total current assets rose by €4.4 billion to €25.4 billion, mainly due to the increase in current financial assets.

Equity increased by €0.8 billion to €20.3 billion, lifted by income after income taxes of €0.8 billion and currency effects of €1.1 billion but diminished by the €1.1 billion increase – recognized outside profit or loss – in post-employment benefit obligations. The equity ratio (equity coverage of total assets) as of September 30, 2014, was 33.5% (June 30, 2014: 35.6%).

Liabilities rose by €4.9 billion in the third quarter of 2014 to €40.3 billion, mainly due to a €2.9 billion increase in financial liabilities and a €1.6 billion increase in provisions for pensions and other post-employment benefits.

Net Defined Benefit Liability for Post-Employment Benefits [Table 18]

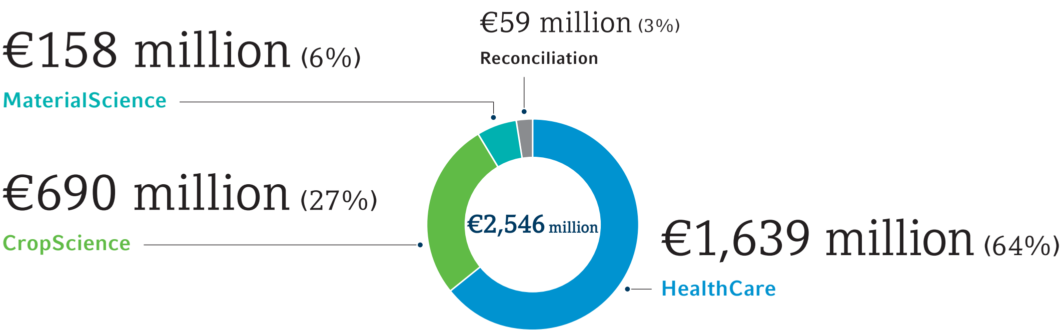
	Dec. 31, 2013	June 30, 2014	Sep. 30, 2014
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	7,368	9,824	11,356
Net defined benefit asset	(117)	(52)	(42)
Net defined benefit liability for post-employment benefits	**7,251**	**9,772**	**11,314**

The net defined benefit liability for post-employment benefits rose in the third quarter of 2014 from €9.8 billion to €11.3 billion, mainly due to a decline in long-term capital market interest rates in Germany.

9. Growth and Innovation

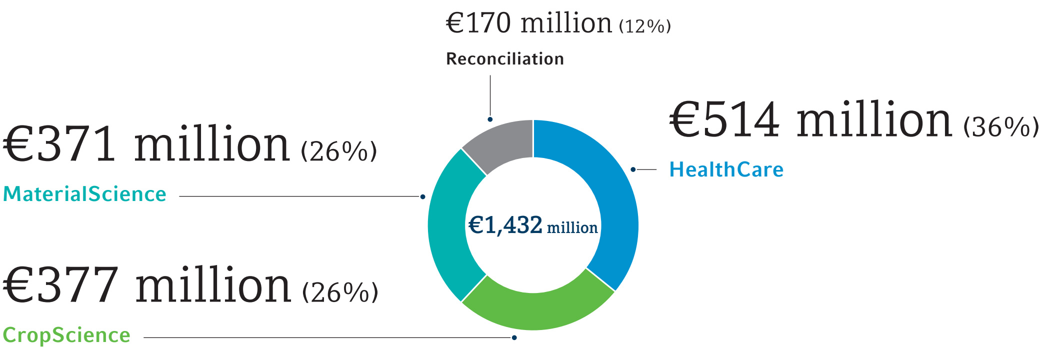
Our expenses for research and development rose by 6.9% (Fx adj.) in the first nine months of 2014 to €2,546 million (9M 2013: €2,417 million). Before the special items of €3 million (9M 2013: €135 million), the increase amounted to 13.0% (Fx adj.). The third quarter accounted for R&D expenses of €876 million (Fx adj. +12.2%; Q3 2013: €784 million). Capital expenditures for property, plant and equipment and intangible assets in the first nine months of 2014 amounted to €1,432 million (9M 2013: €1,381 million), including €546 million in the third quarter (Q3 2013: €514 million).

Research and Development Expenses in the First Nine Months of 2014 [Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the First Nine Months of 2014 [Graphic 17]

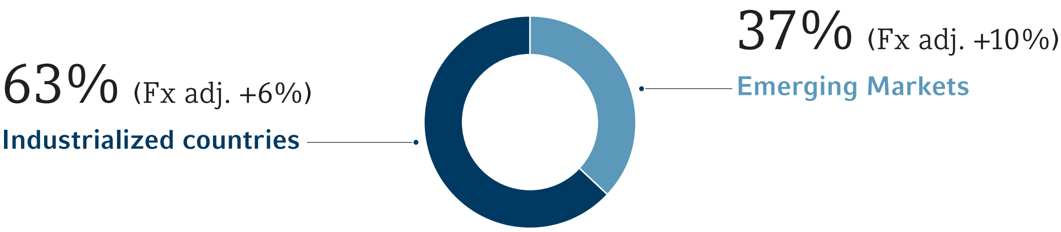


Subgroup shares in parentheses

The Emerging Markets again accounted for a disproportionate share of currency-adjusted sales growth in the first nine months of 2014. 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 to €11,412 million in the first nine months of 2014 (Fx adj. +10.4%; 9M 2013: €11,102 million), including €4,137 million in the third quarter (Fx adj. +11.9%; Q3 2013: €3,829 million). All regions contributed to this development. The Emerging Markets' share of total sales in the first nine months of 2014 was level with the prior-year period at 36.6% (9M 2013: 36.7%). The respective figure for the third quarter of 2014 was 40.6% (Q3 2013: 39.7%).

Sales Development in the First Nine Months of 2014 [Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

Expenses for research and development at HealthCare rose by 3.7% (Fx adj.) in the first nine months of 2014 to €1,639 million (9M 2013: €1,598 million). Before the special items of €2 million (9M 2013: €128 million), the increase amounted to 12.5% (Fx adj.). The third quarter accounted for R&D expenses of €570 million (Fx adj. +16.0%; Q3 2013: €493 million). We made further progress with our research and development pipeline. (The following description does not include ongoing activities already described in the Annual Report 2013.)

The most important drug candidates in the approval process are:

Products Submitted for Approval[1] [Table 19]

	Indication
Aflibercept	Japan; treatment of diabetic macular edema
Aflibercept	E.U., Japan; treatment of macular edema secondary to branch retinal vein occlusion
Riociguat	Japan; treatment of pulmonary arterial hypertension
Rivaroxaban[2]	U.S.A.; secondary prophylaxis of acute coronary syndrome
Rivaroxaban	Japan; treatment of deep vein thrombosis and pulmonary embolism, prevention of recurrent venous thromboembolism

[1] as of October 17, 2014
[2] submitted by Janssen Research & Development, LLC

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

Research and Development Projects (Phases II and III)[1] [Table 20]

	Indication	Status
Amikacin Inhale	Treatment of pulmonary infection	Phase III
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Treatment of hemophilia A	Phase III
Ciprofloxacin DPI	Treatment of pulmonary infection	Phase III
LCS-16 (ULD LNG Contraceptive System)	Intrauterine contraception, duration of use: up to 5 years	Phase III
ODM-201 (AR antagonist)	Treatment of prostate cancer	Phase III
Prasterone[2]	Treatment of vulvovaginal atrophy	Phase III
Radium-223 dichloride	Combination treatment of castration-resistant prostate cancer	Phase III
Regorafenib	Treatment of refractory liver cancer	Phase III
Regorafenib	Treatment of colorectal cancer following surgical removal of liver metastases	Phase III
Riociguat	Pulmonary arterial hypertension (PAH) in patients who do not sufficiently respond to PDE-5i / ERA	Phase III
Rivaroxaban	Prevention of major adverse cardiac events (MACE)	Phase III
Rivaroxaban	Anti-coagulation in patients with chronic heart failure[3]	Phase III
Rivaroxaban	Long-term prevention of venous thromboembolism	Phase III
Rivaroxaban	Prevention of venous thromboembolism in high-risk patients after discharge from hospital[3]	Phase III
Rivaroxaban	Embolic stroke of undetermined source	Phase III
Rivaroxaban	Peripheral artery disease (PAD)	Phase III
Sorafenib	Treatment of kidney cancer, adjuvant therapy	Phase III
Tedizolid	Treatment of complicated skin infections and pneumonia	Phase III
BAY 85-8501 (neutrophil elastase inhibitor)	Lung diseases	Phase II
BAY 1067197 (partial adenosine A1 agonist)	Heart failure	Phase II
Copanlisib (PI3k inhibitor)	Treatment of recurrent / resistant non-Hodgkin's lymphoma	Phase II
Finerenone (MR antagonist)	Chronic heart failure	Phase II
Finerenone (MR antagonist)	Diabetic nephropathy	Phase II
Molidustat (HIF-PH inhibitor)	Anemia	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
Regorafenib (ophthalmology)	Treatment of wet age-related macular degeneration (AMD)	Phase II
Riociguat	Pulmonary hypertension (IIP)	Phase II
Riociguat	Raynaud's phenomenon	Phase II
Riociguat	Diffuse systemic sclerosis	Phase II
Riociguat	Cystic fibrosis	Phase II
Rivaroxaban	Secondary prophylaxis of acute coronary syndrome (ACS)	Phase II
Roniciclib (CDK inhibitor)	Treatment of small cell lung cancer (SCLC)	Phase II
Sorafenib	Cancer therapy	Phase II
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure	Phase II
Vilaprisan (S-PRM)	Treatment of uterine fibroids	Phase II

[1] as of October 17, 2014
[2] prasterone = Vaginorm
[3] sponsored by Janssen Research & Development, LLC
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 February 2014, we launched the Phase III EINSTEIN CHOICE trial. This trial is evaluating two different doses of the oral anticoagulant **rivaroxaban** (tradename: **Xarelto™**) for the long-term, secondary prevention of deep vein thrombosis and pulmonary embolism. The Phase III MARINER trial launched in March 2014 is evaluating the efficacy and safety of rivaroxaban to reduce the risk of post-hospital-discharge symptomatic venous thromboembolism (VTE) in patients who were hospitalized for acute medical illness. Further studies are in preparation. These include two new Phase III studies to investigate the efficacy and safety of rivaroxaban in patients following embolic stroke of undetermined source (ESUS) and in patients with peripheral artery disease (PAD) following surgery. We are jointly developing rivaroxaban with Janssen Research & Development, LLC, a subsidiary of Johnson & Johnson.

The U.S. Food and Drug Administration issued complete response letters in February 2014 regarding the supplemental New Drug Applications for the use of Xarelto™ to reduce the risk of secondary cardiovascular events and stent thrombosis in patients with acute coronary syndrome (ACS). A new Phase II study will investigate rivaroxaban in combination with a single platelet aggregation inhibitor for long-term prevention in patients with ACS. Xarelto™ is marketed in the United States by a subsidiary of Johnson & Johnson.

In May 2014, we submitted rivaroxaban to the Japanese Ministry of Health, Labor and Welfare (MHLW) for marketing authorization to treat patients with deep vein thrombosis and pulmonary embolism and for the prevention of recurrent venous thromboembolism.

In March 2014, **Adempas™ (riociguat)** was approved by the European Commission for the treatment of chronic thromboembolic pulmonary hypertension and pulmonary arterial hypertension (PAH). In April 2014, riociguat was submitted for approval to treat PAH in Japan. A Phase IIIb pilot study with riociguat began in March 2014. This study is designed to evaluate the effect of riociguat in patients with pulmonary arterial hypertension who demonstrated an insufficient response to treatment with phosphodiesterase-5 inhibitors (PDE-5I) either as a monotherapy or in combination with an endothelin receptor antagonist (ERA). In June 2014, we commenced the Phase IIb study RISE-IIP to investigate the safety and efficacy of riociguat in patients with symptomatic pulmonary hypertension associated with idiopathic interstitial pneumonia (IIP).

In February 2014, we initiated a further Phase III trial with **regorafenib** (tradename: **Stivarga™**) investigating the effect of regorafenib as an adjuvant treatment option for colorectal cancer patients following resection of liver metastases with curative intent and completion of all planned chemotherapy. In **July 2014**, the European Commission approved regorafenib for the treatment of adult patients with unresectable or metastatic gastrointestinal stromal tumors (GIST) who progressed on or are intolerant to prior treatment with imatinib and sunitinib.

In April 2014, we began enrolling patients in a new Phase III trial with **radium-223 dichloride** (tradename: **Xofigo™**). This study is evaluating radium-223 dichloride in combination with abiraterone acetate and prednisone/prednisolone for the treatment of asymptomatic or mildly symptomatic patients with bone-predominant metastatic castration-resistant prostate cancer who have not received chemotherapy.

A clinical Phase III trial with the active ingredient **sorafenib** (tradename: **Nexavar™**) was discontinued in March 2014, as it did not meet its primary endpoint of improving recurrence-free survival. The trial investigated sorafenib as an adjuvant treatment for patients with hepatocellular carcinoma in whom all detectable tumors had been removed. Another clinical Phase III trial of sorafenib in **July 2014** did not meet its primary endpoint of improving progression-free survival. This study evaluated sorafenib or placebo in combination with capecitabine in patients with locally advanced or metastatic HER-2-negative breast cancer who are resistant to or have failed prior therapy with taxane and anthracycline or for whom further anthracycline therapy is not indicated.

In May 2014, Nexavar™ was approved by the European Commission for the treatment of patients with progressive, locally advanced or metastatic, differentiated thyroid carcinoma refractory to radioactive iodine. In June 2014, the Japanese MHLW approved sorafenib for the treatment of patients with unresectable differentiated thyroid carcinoma.

In March 2014, we submitted an application to the Japanese MHLW for marketing authorization for **aflibercept** (tradename: **Eylea™**) for the treatment of patients with diabetic macular edema. In **August 2014**, the European Commission approved aflibercept in this indication. We applied to the European Medicines Agency (EMA) in June 2014 and to the Japanese MHLW in **September 2014** for marketing authorization of aflibercept in an additional indication, the treatment of patients with visual impairment due to macular edema secondary to branch retinal vein occlusion. In **September 2014**, the MHLW approved Eylea™ for the treatment of myopic choroidal neovascularization (mCNV). Pathologic myopia and the associated myopic CNV is the second most common cause of blindness in Japan.

In February 2014, a Phase III study with **damoctocog alfa pegol (BAY 94-9027)**, a long-acting recombinant Factor VIII, reached its primary objective of ensuring effective protection against bleeding caused by hemophilia A with fewer infusions. We plan to submit the first applications for marketing authorization in the second half of 2015.

In May 2014, the recombinant Factor VIII **Kogenate™ FS** (octocog alfa) was approved in the United States for routine prophylaxis to prevent or reduce the frequency of bleeding episodes in adults with hemophilia A.

In February 2014, we successfully concluded the registration procedure in the European Union for a new transparent low-dose **contraceptive patch (FC-Patch Low)**.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In February 2014, we signed an agreement to acquire Dihon Pharmaceutical Group Co., Ltd., China. Dihon is a pharmaceutical company specializing in the manufacture and marketing of over-the-counter (OTC) and herbal traditional Chinese medicine products. The transaction is expected to close in the fourth quarter of 2014.

In March 2014, we successfully completed the acquisition of Algeta ASA, Norway. We had partnered with Algeta in the development and marketing of the cancer drug Xofigo™ since 2009.

In March 2014, we sold back the commercial rights to the development project ATX-101, a substance to reduce submental fat, for markets outside of the U.S. and Canada to a subsidiary of Kythera Biopharmaceuticals, Inc., United States. As part of the transaction, we received common stock in Kythera and a promissory note. We are also eligible to receive long-term milestone payments on sales outside of the U.S. and Canada.

We are investing more than €500 million to create additional production capacities in Germany for the recombinant Factor VIII (rFVIII) products currently in development.

In June 2014, we signed an agreement with Orion Corporation, Espoo, Finland, for the global development and commercialization of ODM-201, an investigational novel oral androgen receptor inhibitor in clinical development for the treatment of patients with prostate cancer. A joint clinical Phase III study to further evaluate the efficacy and tolerability of ODM-201 in patients with non-metastatic castration-resistant prostate cancer was initiated in **September 2014**.

In **June 2014**, we entered into an agreement with Dimension Therapeutics, under which a novel gene therapy for the treatment of hemophilia A is to be developed jointly and commercialized by Bayer.

In **July 2014**, we entered into a strategic research alliance with the University of Oxford, U.K., in the area of novel gynecological therapies. The collaboration focuses on innovative treatment options for women with endometriosis and uterine fibroids.

In **August 2014**, we completed the sale of our Interventional device business to Boston Scientific. The sale comprises the AngioJet™ thrombectomy system and the Jetstream™ atherectomy system, as well as the Fetch™2 aspiration catheter used in cardiology, radiology and peripheral vascular procedures.

In **October 2014**, we completed the acquisition of the consumer care business of Merck & Co., Inc., United States. The acquisition makes HealthCare the world's second-largest supplier of non-prescription (OTC) products. The acquired consumer care business of Merck & Co., Inc. includes leading brands such as Claritin™, Coppertone™ and Dr. Scholl's™.

The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation also took effect upon closing of the acquisition. This collaboration includes Adempas™ (riociguat), which is already approved for the treatment of certain classifications of pulmonary hypertension, and its development for additional indications. Also forming part of the collaboration is vericiguat, an investigational compound currently being developed in two Phase IIb clinical studies to treat chronic heart failure.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets to €4,693 million in the first nine months of 2014 (Fx adj. +11.6%; 9M 2013: €4,624 million), including €1,627 million in the third quarter (Fx adj. +10.3%; Q3 2013: €1,567 million). Our business in Latin America developed particularly well, with significant currency-adjusted gains especially in Brazil and Argentina. The largest increase in absolute terms was recorded in China, thanks mainly to our pharmaceutical products. We lifted sales in Russia as well. The Emerging Markets' share of total HealthCare sales was 32.6% in the first nine months of 2014 (9M 2013: 33.1%) and 32.8% in the third quarter (Q3 2013: 33.0%).

9.2 CropScience

RESEARCH AND DEVELOPMENT

Expenses for research and development at CropScience rose by 19.1% (Fx adj.) in the first nine months of 2014 to €690 million (9M 2013: €592 million). They were not affected by special items. The third quarter accounted for R&D expenses of €238 million (Fx adj. +16.0%; Q3 2013: €206 million).

In January 2014, we signed two new agreements with Cellectis Plant Sciences, United States, with the aim of expanding the companies' existing partnership for the targeted modification of selected plant genes and genomes. The extended partnership aims to develop plant traits specifically for canola seed using new breeding methods. The collaboration also gives Bayer access to technologies that enable the direct engineering of plant genomes in order to develop improved crop varieties.

In May 2014, CropScience's rice herbicide Council™ Complete was granted its first regulatory approval worldwide in South Korea. The market launch in South Korea is scheduled for 2015, with other major rice-growing countries in Asia to follow. Council™ Complete is based on two innovative active ingredients, triafamone and tefuryltrione, which considerably improve integrated weed control.

CropScience introduced two new seed traits in North America for the **2014 planting season**. In the United States, CropScience is offering a new combination of insect resistance and herbicide tolerance for cotton that for the first time contains both TwinLink™ and GlyTol™ technologies – thus offering farmers integrated pest and weed control. In Canada, CropScience is marketing a new hybrid canola seed variety featuring a new trait that prevents the pods from opening prematurely, thus enabling higher yields.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In March 2014, we signed an agreement to acquire Biagro Group, a producer and distributor of biological seed treatment solutions based in Argentina. The company operates production facilities in Argentina and Brazil. Its portfolio of established brands includes biological seed treatment products, plant-growth-promoting microorganisms and other products for integrated pest management based on bacterial and fungal strains.

Also in March 2014, we announced plans to expand the site in Wismar, Germany, in order to serve the growing global demand for biological crop protection solutions. The planned investment includes the construction of a new manufacturing facility for biological crop protection products along with the necessary infrastructure. The production capacities will be expanded in stages, and work should be completed by 2016 at the latest. The planned total investment amounts to approximately €18 million.

In May 2014, CropScience and Kaiima Bio-Agritech Ltd., Israel, announced a multi-year development collaboration aimed at jointly breeding new high-yielding hybrid rice varieties.

In **September 2014**, CropScience inaugurated its new integrated research and development site in West Sacramento, United States, which is intended to bring our innovation activities in the areas of vegetable seeds and biological crop protection a major step forward. In this connection, CropScience announced plans to invest nearly US$1 billion in the United States between 2013 and 2016, primarily to expand its research and development and the production of its principal crop protection brands. The projects in the U.S. form part of the global capital expenditure program announced by CropScience last year. This program calls for a total spend of approximately €2.4 billion during the period 2013 through 2016.

At the end of **September 2014**, CropScience acquired the seeds business of Granar S.A., headquartered in Encarnación, Paraguay. This company specializes in the breeding, production and marketing of improved seed, especially soybean seed. Granar has a strong presence in Paraguay and Uruguay and an increasing presence in Brazil. At the focus of the acquisition is Granar's Igra Semillas brand. Granar retains responsibility for marketing Igra seed until the end of 2014. Bayer will begin selling this product in 2015. The transaction gives CropScience access to the soybean seed market in Paraguay and enables it to offer farmers a complete package for this crop. For CropScience, this acquisition represents one more step towards achieving an international platform of excellence in soybean seed. It also underscores the importance of the Latin American region for the soybean seed business.

EMERGING MARKETS

CropScience raised sales in the Emerging Markets to €3,034 million in the first nine months of 2014 (Fx adj. +16.4%; 9M 2013: €2,824 million), including €1,163 million in the third quarter (Fx adj. +17.3%; Q3 2013: €1,028 million). Sales growth in Latin America was well into double digits. Our business was particularly successful in Brazil, Argentina and Mexico. Eastern Europe achieved the strongest gain in percentage terms. Sales in Africa and the Middle East posted encouraging gains, while business in Asia also expanded. The Emerging Markets' share of total CropScience sales was 41.6% in the first nine months of 2014 (9M 2013: 41.1%) and 60.3% in the third quarter (Q3 2013: 60.1%).

9.3 MaterialScience

On September 18, 2014, the Supervisory Board of Bayer AG consented to the plans of the company's Board of Management to focus the Group entirely on the Life Science businesses – HealthCare and CropScience – and to float MaterialScience on the stock market as a separate company by mid-2016 at the latest. This move is designed to give MaterialScience direct access to the capital market for the continuing development of its business. The aim is to create a leading polymer supplier by aligning the new company's organizational and process structures and its corporate culture entirely toward its own industrial environment and business model.

RESEARCH AND DEVELOPMENT

Expenses for research and development at MaterialScience decreased by 5.3% (Fx adj.) in the first nine months of 2014 to €158 million (9M 2013: €171 million), including special items of €1 million (9M 2013: €6 million). The third quarter accounted for R&D expenses of €47 million (Fx adj. −23.0%; Q3 2013: €61 million). This investment went mainly to explore new areas of application and improve process technologies and products. In addition, MaterialScience invested €56 million in the first nine months of 2014 in joint development projects with customers, including €19 million in the third quarter.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In March 2014, MaterialScience began the construction of a new plant at the site in Shanghai, China, for the production of the coating raw material hexamethylene diisocyanate (HDI). With an annual capacity of 50,000 metric tons, it will be one of the largest facilities of its kind in the world. The new plant will utilize gas-phase technology, which requires substantially less energy and solvent than conventional processes. Completion is scheduled for 2016.

Following a successful test phase and promising market analysis, we decided in May 2014 to invest in the construction of a production line at the Dormagen site in which carbon dioxide will be used as a new building block for plastics on a commercial scale. The €15 million facility is being designed for a production capacity of 5,000 metric tons per year. The goal of the project is to bring the first CO_2-based polyols to market starting in 2016.

EMERGING MARKETS

In the Emerging Markets, MaterialScience had sales of €3,639 million in the first nine months of 2014 (Fx adj. +4.6%; 9M 2013: €3,596 million), including €1,330 million in the third quarter (Fx adj. +9.4%; Q3 2013: €1,219 million). The strongest currency-adjusted growth was recorded in Asia. Business also expanded in Latin America and Eastern Europe. Sales in Africa and the Middle East were flat with the prior-year period. The Emerging Markets' share of total MaterialScience sales was 41.8% in the first nine months of 2014 (9M 2013: 42.1%) and 43.8% in the third quarter (Q3 2013: 42.1%).

10. Employees

On September 30, 2014, the Bayer Group employed 115,416 people worldwide (December 31, 2013: 113,187). The workforce thus grew by 2,229 (+2.0%), including 370 through acquisitions.

HealthCare employed 57,217 people (December 31, 2013: 55,971). The number of employees at CropScience increased to 22,830 (December 31, 2013: 22,357). There was a slight decline at MaterialScience to 14,270 employees (December 31, 2013: 14,306). The remaining 21,099 (December 31, 2013: 20,553) employees mainly worked for the service companies.

Personnel expenses rose by 2.2% in the first nine months of 2014 to €7,196 million (9M 2013: €7,041 million), of which the third quarter accounted for €2,370 million.

11. Opportunities and Risks

As a global enterprise with a diversified portfolio, the Bayer Group is exposed to a wide range of internal or external developments or events that could significantly impact the achievement of our financial and non-financial objectives.

Bayer regards risk management as an integral part of corporate governance. Our risk management process and the opportunities/risks outlined in detail in the Annual Report 2013 (Combined Management Report, Chapter 20.3) are materially unchanged. No risks have currently been identified that could endanger the Bayer Group's continued existence. There are also no risks with mutually reinforcing dependencies that could combine to endanger the Group's continued existence.

Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2013 (Note [32] to the Consolidated Financial Statements) are described in the Notes to the Condensed Consolidated Interim Financial Statements under "Legal Risks." The Bayer Annual Report 2013 can be downloaded free of charge at www.bayer.com.

12. Events After the End of the Reporting Period

After the end of the reporting period – on October 8, 2014 – Bayer U.S. Finance LLC issued six bonds with a total nominal volume of USD 7 billion.

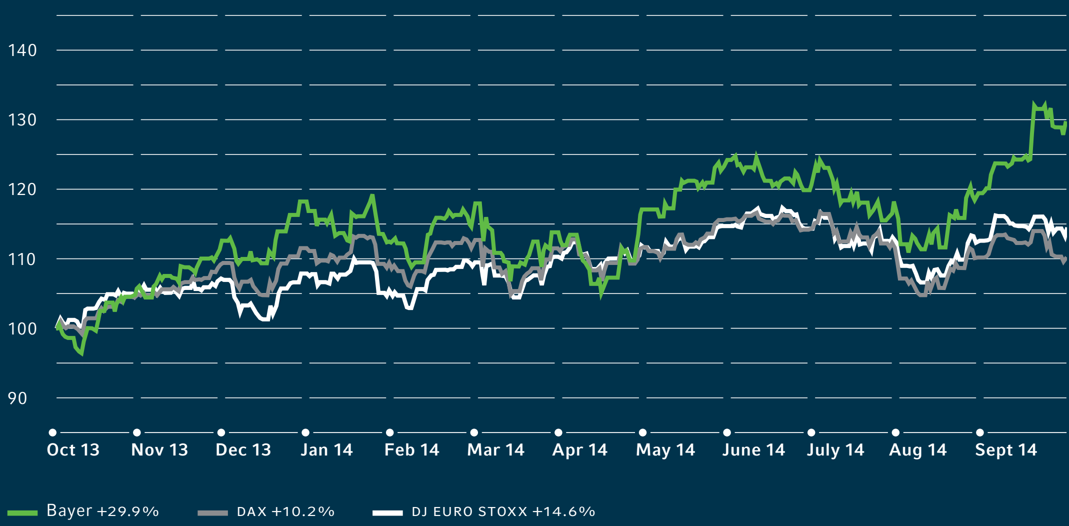
On October 1, 2014, we completed the acquisition of the consumer care business of Merck & Co., Inc., United States. The acquisition makes HealthCare the world's second-largest supplier of nonprescription (OTC) products. The acquired consumer care business of Merck & Co., Inc. includes leading brands such as Claritin™, Coppertone™ and Dr. Scholl's™.

The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation also took effect upon closing of the acquisition.

Investor Information

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

indexed; 100 = Xetra closing price on September 30, 2013 (source: Bloomberg)



Bayer stock ended the third quarter of 2014 up 7.5% on the period, having reached an all-time high of €112.70 in mid-September. The DAX was down 3.7% on the quarter. The EURO STOXX 50 (performance index) closed the period level with the end of the preceding quarter (+0.2%).

Bayer stock closed at €110.90 on September 30, 2014. Including the dividend of €2.10 per share paid on April 30, 2014, the yield on Bayer stock since the beginning of the year was 11.1%. The DAX lost 0.8% over the same period, closing the third quarter at 9,474 points. The EURO STOXX 50 (performance index) rose by 6.2%, closing the quarter at 5,977 points.

Bayer Stock Data [Table 21]

		3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
High for the period	€	89.63	112.70	89.63	112.70
Low for the period	€	80.06	94.73	69.01	91.51
Average daily trading volume	million shares	1.9	1.9	2.1	1.9

		Sep. 30, 2013	Sep. 30, 2014	Dec. 31, 2013	Change Sep. 30, 2014/ Dec. 31, 2013 %
Share price	€	87.16	110.90	101.95	+8.8
Market capitalization	€ million	72,077	91,709	84,308	+8.8
Equity as per statements of financial position	€ million	20,144	20,290	20,804	−2.5
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		8,594	9,474	9,552	−0.8

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2014

Bayer Group Consolidated Income Statements

[Table 22]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
Net sales	**9,643**	**10,187**	**30,269**	**31,200**
Cost of goods sold	(4,651)	(4,943)	(14,432)	(14,838)
Gross profit	**4,992**	**5,244**	**15,837**	**16,362**
Selling expenses	(2,573)	(2,662)	(7,783)	(7,745)
Research and development expenses	(784)	(876)	(2,417)	(2,546)
General administration expenses	(427)	(397)	(1,242)	(1,250)
Other operating income	210	205	654	413
Other operating expenses	(197)	(138)	(770)	(289)
EBIT[1]	**1,221**	**1,376**	**4,279**	**4,945**
Equity-method loss	(4)	(3)	(12)	(11)
Financial income	49	68	215	258
Financial expenses	(273)	(367)	(846)	(881)
Financial result	**(228)**	**(302)**	**(643)**	**(634)**
Income before income taxes	**993**	**1,074**	**3,636**	**4,311**
Income taxes	(255)	(241)	(892)	(1,098)
Income after income taxes	**738**	**833**	**2,744**	**3,213**
of which attributable to non-controlling interest	5	7	10	11
of which attributable to Bayer AG stockholders (net income)	**733**	**826**	**2,734**	**3,202**
	€	€	€	€
Earnings per share				
Basic	0.89	1.00	3.31	3.87
Diluted	0.89	1.00	3.31	3.87

2013 figures restated
[1] EBIT = earnings before financial result and taxes

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
Income after income taxes	**738**	**833**	**2,744**	**3,213**
of which attributable to non-controlling interest	*5*	*7*	*10*	*11*
of which attributable to Bayer AG stockholders	*733*	*826*	*2,734*	*3,202*
Remeasurements of the net defined benefit liability for post-employment benefit plans	362	(1,529)	1,342	(4,089)
Income taxes	(129)	476	(472)	1,282
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**233**	**(1,053)**	**870**	**(2,807)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**233**	**(1,053)**	**870**	**(2,807)**
Changes in fair values of derivatives designated as cash flow hedges	50	(125)	132	(178)
Reclassified to profit or loss	(54)	3	(100)	(73)
Income taxes	–	35	(8)	71
Other comprehensive income from cash flow hedges	**(4)**	**(87)**	**24**	**(180)**
Changes in fair values of available-for-sale financial assets	30	(1)	36	–
Reclassified to profit or loss	–	–	–	–
Income taxes	(9)	(2)	(12)	(3)
Other comprehensive income from available-for-sale financial assets	**21**	**(3)**	**24**	**(3)**
Changes in exchange differences recognized on translation of operations outside the eurozone	(339)	1,060	(495)	1,002
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(339)**	**1,060**	**(495)**	**1,002**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(322)**	**970**	**(447)**	**819**
Effects of changes in scope of consolidation	**(1)**	**–**	**(1)**	**–**
Total other comprehensive income[1]	**(90)**	**(83)**	**422**	**(1,988)**
of which attributable to non-controlling interest	*(9)*	*5*	*(13)*	*9*
of which attributable to Bayer AG stockholders	*(81)*	*(88)*	*435*	*(1,997)*
Total comprehensive income	**648**	**750**	**3,166**	**1,225**
of which attributable to non-controlling interest	*(4)*	*12*	*(3)*	*20*
of which attributable to Bayer AG stockholders	*652*	*738*	*3,169*	*1,205*

[1] total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	Sep. 30, 2013	Sep. 30, 2014	Dec. 31, 2013
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,971	10,608	9,862
Other intangible assets	9,258	10,009	8,914
Property, plant and equipment	9,861	10,621	10,015
Investments accounted for using the equity method	211	212	203
Other financial assets	1,191	1,200	1,203
Other receivables	465	458	496
Deferred taxes	1,331	2,146	1,596
	32,288	**35,254**	**32,289**
Current assets			
Inventories	7,163	7,928	7,129
Trade accounts receivable	8,093	9,099	7,569
Other financial assets	741	4,519	779
Other receivables	1,450	1,435	1,476
Claims for income tax refunds	544	554	413
Cash and cash equivalents	1,615	1,680	1,662
Assets held for sale	–	144	–
	19,606	**25,359**	**19,028**
Total assets	**51,894**	**60,613**	**51,317**
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	11,765	11,903	12,434
Equity attributable to Bayer AG stockholders	**20,049**	**20,187**	**20,718**
Equity attributable to non-controlling interest	95	103	86
	20,144	**20,290**	**20,804**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,863	11,356	7,368
Other provisions	1,814	1,906	1,977
Financial liabilities	5,801	11,402	5,590
Other liabilities	362	311	362
Deferred taxes	1,162	589	1,193
	17,002	**25,564**	**16,490**
Current liabilities			
Other provisions	5,164	5,419	4,727
Financial liabilities	4,122	3,107	3,441
Trade accounts payable	4,050	4,505	4,473
Income tax liabilities	62	133	101
Other liabilities	1,350	1,595	1,281
	14,748	**14,759**	**14,023**
Total equity and liabilities	**51,894**	**60,613**	**51,317**

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
Income after income taxes	738	833	2,744	3,213
Income taxes	255	241	892	1,098
Financial result	228	302	643	634
Income taxes paid or accrued	(396)	(355)	(1,158)	(1,296)
Depreciation, amortization and impairments	674	681	2,118	2,033
Change in pension provisions	(101)	(118)	(288)	(303)
(Gains) losses on retirements of noncurrent assets	(31)	(92)	(97)	(134)
Gross cash flow	**1,367**	**1,492**	**4,854**	**5,245**
Decrease (increase) in inventories	(223)	(250)	(477)	(558)
Decrease (increase) in trade accounts receivable	610	544	(1,066)	(1,160)
(Decrease) increase in trade accounts payable	95	226	(93)	(149)
Changes in other working capital, other non-cash items	(121)	(196)	373	202
Net cash provided by (used in) operating activities (net cash flow)	**1,728**	**1,816**	**3,591**	**3,580**
Cash outflows for additions to property, plant, equipment and intangible assets	(514)	(546)	(1,381)	(1,432)
Cash inflows from the sale of property, plant, equipment and other assets	58	30	119	81
Cash inflows from divestitures	–	297	79	303
Cash inflows from (outflows for) noncurrent financial assets	94	84	157	18
Cash outflows for acquisitions less acquired cash	(213)	(14)	(1,059)	(1,871)
Interest and dividends received	54	45	73	94
Cash inflows from (outflows for) current financial assets	11	(3,869)	18	(3,863)
Net cash provided by (used in) investing activities	**(510)**	**(3,973)**	**(1,994)**	**(6,670)**
Dividend payments and withholding tax on dividends	–	(1)	(1,573)	(1,738)
Issuances of debt	1,283	4,965	4,292	11,798
Retirements of debt	(2,482)	(2,386)	(4,070)	(6,846)
Interest paid including interest-rate swaps	(199)	(227)	(426)	(393)
Interest received from interest-rate swaps	92	82	169	125
Cash outflows for the purchase of additional interests in subsidiaries	(1)	–	(3)	(1)
Net cash provided by (used in) financing activities	**(1,307)**	**2,433**	**(1,611)**	**2,945**
Change in cash and cash equivalents due to business activities	**(89)**	**276**	**(14)**	**(145)**
Cash and cash equivalents at beginning of period	**1,732**	**1,228**	**1,698**	**1,662**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	–	–
Change in cash and cash equivalents due to exchange rate movements	(28)	176	(69)	163
Cash and cash equivalents at end of period	**1,615**	**1,680**	**1,615**	**1,680**

Bayer Group Consolidated Statement 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, 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			3,169	3,169	(3)	3,166
Sep. 30, 2013	**2,117**	**6,167**	**11,765**	**20,049**	**95**	**20,144**
Dec. 31, 2013	**2,117**	**6,167**	**12,434**	**20,718**	**86**	**20,804**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,737)	(1,737)	(2)	(1,739)
Other changes			1	1	(1)	
Total comprehensive income			1,205	1,205	20	1,225
Sep. 30, 2014	**2,117**	**6,167**	**11,903**	**20,187**	**103**	**20,290**

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Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of September 30, 2014

Key Data per Segment

[Table 27]

	HealthCare				CropScience		MaterialScience		Reconciliation					
	Pharmaceuticals		Consumer Health		CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external)	2,818	3,039	1,924	1,921	1,712	1,929	2,897	3,036	291	261	1	1	9,643	10,187
Change	+3.1%	+7.8%	−3.1%	−0.2%	+4.3%	+12.7%	−3.1%	+4.8%	−6.7%	−10.3%	–	–	−0.2%	+5.6%
Currency-adjusted change	+11.9%	+10.3%	+3.8%	+2.1%	+12.8%	+14.8%	+0.7%	+5.1%	−5.4%	−10.0%	–	–	+6.4%	+7.3%
Intersegment sales	11	29	3	3	9	9	14	14	557	567	(594)	(622)	–	–
Net sales (total)	2,829	3,068	1,927	1,924	1,721	1,938	2,911	3,050	848	828	(593)	(621)	9,643	10,187
EBIT	637	699	341	392	106	157	180	184	37	48	(80)	(104)	1,221	1,376
EBIT before special items	677	699	371	338	115	157	186	186	51	55	(80)	(104)	1,320	1,331
EBITDA before special items	915	960	477	442	224	278	346	334	101	99	(79)	(102)	1,984	2,011
Gross cash flow[1]	606	666	325	270	172	214	270	261	51	151	(57)	(70)	1,367	1,492
Net cash flow[1]	414	808	237	295	614	598	365	274	46	164	52	(323)	1,728	1,816
Depreciation, amortization and impairments	238	261	112	104	112	121	161	149	50	44	1	2	674	681

	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014
Net sales (external)	8,213	8,781	5,772	5,596	6,868	7,299	8,547	8,703	866	815	3	6	30,269	31,200
Change	+3.5%	+6.9%	+0.4%	−3.0%	+5.2%	+6.3%	−2.1%	+1.8%	−7.6%	−5.9%	–	–	+1.3%	+3.1%
Currency-adjusted change	+9.2%	+12.1%	+4.3%	+1.9%	+9.0%	+12.2%	−0.1%	+4.2%	−6.8%	−5.2%	–	–	+5.0%	+7.4%
Intersegment sales	41	72	6	7	26	40	41	42	1,627	1,639	(1,741)	(1,800)	–	–
Net sales (total)	8,254	8,853	5,778	5,603	6,894	7,339	8,588	8,745	2,493	2,454	(1,738)	(1,794)	30,269	31,200
EBIT	1,710	1,996	919	1,023	1,566	1,615	365	512	29	106	(310)	(307)	4,279	4,945
EBIT before special items	1,972	1,992	1,016	982	1,598	1,615	341	533	62	126	(310)	(307)	4,679	4,941
EBITDA before special items	2,668	2,760	1,329	1,298	1,929	1,991	824	970	189	250	(307)	(303)	6,632	6,966
Gross cash flow[1]	1,783	1,902	950	875	1,362	1,453	670	760	310	472	(221)	(217)	4,854	5,245
Net cash flow[1]	1,228	1,547	793	712	653	847	432	363	393	364	92	(253)	3,591	3,580
Depreciation, amortization and impairments	796	772	364	316	336	376	492	441	127	124	3	4	2,118	2,033
Number of employees (as of Sep. 30)[2]	38,259	39,059	18,309	18,158	21,816	22,830	14,350	14,270	19,834	20,351	750	748	113,318	115,416

[1] For definition see chapter 8 "Financial Position of the Bayer Group."
[2] Number of employees in full-time equivalents

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Key Data by Region

[Table 28]

	Europe		North America		Asia / Pacific		Latin America / Africa / Middle East		Reconciliation		Total	
	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014	3rd Quarter 2013	3rd Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,537	3,646	2,147	2,306	2,134	2,296	1,825	1,939	–	–	9,643	10,187
Change	+4.6%	+3.1%	−3.6%	+7.4%	−6,7%	+7,6%	+3,4%	+6,2%	–	–	−0.2%	+5.6%
Currency-adjusted change	+5.7%	+3.7%	+2.0%	+7.8%	+4.8%	+8.3%	+15.1%	+12.7%	–	–	+6.4%	+7.3%
Net sales (external) – by point of origin	3,916	4,089	2,119	2,250	2,094	2,231	1,514	1,617	–	–	9,643	10,187
Change	+4.5%	+4.4%	−4.9%	+6.2%	−5.4%	+6.5%	+2.9%	+6.8%	–	–	−0.2%	+5.6%
Currency-adjusted change	+5.5%	+5.0%	+0.9%	+6.6%	+6.5%	+7.3%	+16.7%	+14.3%	–	–	+6.4%	+7.3%
Interregional sales	2,200	2,292	797	870	135	201	170	148	(3,302)	(3,511)	–	–
EBIT	811	868	111	198	118	119	261	295	(80)	(104)	1,221	1,376

	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014	First Nine Months 2013	First Nine Months 2014
Net sales (external) – by market	11,540	12,154	7,528	7,646	6,440	6,641	4,761	4,759	–	–	30,269	31,200
Change	+2.3%	+5.3%	+1.4%	+1.6%	−1.1%	+3.1%	+2.1%	0.0%	–	–	1.3%	+3.1%
Currency-adjusted change	+2.9%	+6.4%	+4.0%	+5.7%	+6.2%	+8.7%	+10.0%	+11.1%	–	–	5.0%	+7.4%
Net sales (external) – by point of origin	12,698	13,412	7,438	7,491	6,302	6,470	3,831	3,827	–	–	30,269	31,200
Change	+1.6%	+5.6%	+1.0%	+0.7%	+0.1%	+2.7%	+2.8%	−0.1%	–	–	+1.3%	+3.1%
Currency-adjusted change	+2.2%	+6.6%	+3.6%	+5.0%	+7.7%	+8.4%	+12.6%	+13.5%	–	–	+5.0%	+7.4%
Interregional sales	6,727	6,918	2,428	2,515	457	494	441	403	(10,053)	(10,330)	–	–
EBIT	2,917	3,431	747	885	513	450	412	486	(310)	(307)	4,279	4,945
Number of employees (as of Sep. 30)[1]	53,564	55,156	15,435	15,187	27,772	28,040	16,547	17,033	–	–	113,318	115,416

[1] Number of employees in full-time equivalents

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 37x Paragraph 3 of the German Securities Trading Act, the consolidated interim financial statements as of September 30, 2014 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 2013 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 2014 or accounting policies have changed.

FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN 2014

The first-time application of the following amended 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.

In December 2011, the IASB issued the amendment "Offsetting Financial Assets and Financial Liabilities" to IAS 32 (Financial Instruments: Presentation). The amendments to IAS 32 clarify what is meant by "right of set-off in all circumstances" and "simultaneous settlement." The amendment has been applied since January 1, 2014. The changes had no material impact on the presentation of the Group's financial position or results of operations.

In October 2012, under the title "Investment Entities," the IASB issued amendments to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 27 (Separate Financial Statements) for investment entities. Such entities are exempted from the requirement to consolidate certain subsidiaries according to IFRS 10. Instead, they must recognize them at fair value through profit or loss. IFRS 12 introduces additional disclosure requirements for investment entities. The amendments have been applied since January 1, 2014. The changes had no impact on the presentation of the Group's financial position or results of operations.

In May 2013, the IFRS IC issued the interpretation IFRIC 21 (Levies). The interpretation covers the accounting for government-imposed levies with the exception of income taxes covered by IAS 12 (Income Taxes). It also provides guidance on when to recognize a liability for a levy. The interpretation is to be applied for annual periods beginning on or after January 1, 2014. The changes had no material impact on the presentation of the Group's financial position or results of operations.

CHANGES IN THE REPORTING OF FUNCTIONAL COSTS AND SPECIAL ITEMS

To enhance the comparability and transparency of functional cost reporting, the organizational view has been replaced in 2014 by a more function-based approach. This has the effect of reducing general administration expenses while increasing selling expenses and the cost of goods sold. In addition, certain special items are reflected in the respective functional costs rather than in other operating income or expenses so that their relationship to the functional costs is immediately apparent.

The prior-year figures are restated accordingly.

Accounting Changes: Consolidated Income Statement (Previous Year) [Table 29]

	3rd Quarter 2013				First nine months 2013			
		Accounting changes				Accounting changes		
	Before accounting changes	Functional costs	Special items	After accounting changes	Before accounting changes	Functional costs	Special items	After accounting changes
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Cost of goods sold	(4,616)	(18)	(17)	(4,651)	(14,357)	(52)	(23)	(14,432)
Gross profit	**5,027**	**(18)**	**(17)**	**4,992**	**15,912**	**(52)**	**(23)**	**15,837**
Selling expenses	(2,519)	(40)	(14)	(2,573)	(7,628)	(119)	(36)	(7,783)
Research and development expenses	(781)	(1)	(2)	(784)	(2,279)	(3)	(135)	(2,417)
General administration expenses	(473)	56	(10)	(427)	(1,394)	170	(18)	(1,242)
Other operating income	209	1	–	210	664	3	(13)	654
Other operating expenses	(242)	2	43	(197)	(996)	1	225	(770)

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 30]

		Closing Rate			Average Rate	
€1		Dec. 31, 2013	Sep. 30, 2013	Sep. 30, 2014	First Nine Months 2013	First Nine Months 2014
BRL	Brazil	3.26	3.06	3.08	2.77	3.10
CAD	Canada	1.47	1.39	1.41	1.35	1.48
CHF	Switzerland	1.23	1.22	1.21	1.23	1.22
CNY	PR China	8.35	8.26	7.73	8.12	8.36
GBP	United Kingdom	0.83	0.84	0.78	0.85	0.81
JPY	Japan	144.72	131.78	138.11	126.95	139.55
MXN	Mexico	18.07	17.85	17.00	16.67	17.78
RUB	Russia	45.32	43.82	49.77	41.58	47.96
USD	United States	1.38	1.35	1.26	1.32	1.36

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

Discount Rate for Pension Obligations [Table 31]

	Dec. 31, 2013	June 30, 2014	Sep. 30, 2014
	%	%	%
Germany	3.80	2.70	2.20
United Kingdom	4.60	4.30	4.00
United States	4.50	3.90	3.90

SEGMENT REPORTING

The following table shows the reconciliation of EBITDA before special items 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 32]

	3rd Quarter 2013	3rd Quarter 2014	First Nine Months 2013	First Nine Months 2014
	€ million	€ million	€ million	€ million
EBITDA before special items of segments	2,063	2,113	6,939	7,269
EBITDA before special items of Corporate Center	(79)	(102)	(307)	(303)
EBITDA before special items	**1,984**	**2,011**	**6,632**	**6,966**
Depreciation, amortization and impairment losses before special items of segments	(663)	(678)	(1,950)	(2,021)
Depreciation, amortization and impairment losses before special items of Corporate Center	(1)	(2)	(3)	(4)
Depreciation, amortization and impairment losses before special items	**(664)**	**(680)**	**(1,953)**	**(2,025)**
EBIT before special items of segments	1,400	1,435	4,989	5,248
EBIT before special items of Corporate Center	(80)	(104)	(310)	(307)
EBIT before special items	**1,320**	**1,331**	**4,679**	**4,941**
Special items of segments	(99)	45	(400)	4
Special items of Corporate Center	–	–	–	–
Special items	**(99)**	**45**	**(400)**	**4**
EBIT of segments	1,301	1,480	4,589	5,252
EBIT of Corporate Center	(80)	(104)	(310)	(307)
EBIT	**1,221**	**1,376**	**4,279**	**4,945**
Financial result	(228)	(302)	(643)	(634)
Income before income taxes	**993**	**1,074**	**3,636**	**4,311**

COMPANIES CONSOLIDATED

Changes in the scope of consolidation

The consolidated financial statements as of September 30, 2014, included 290 companies (December 31, 2013: 289 companies). Of these, one company (December 31, 2013: two companies) was accounted for as a joint operation in line with Bayer's interest in its assets, liabilities, revenues and expenses in accordance with IFRS 11 (Joint Arrangements). The numbers of joint ventures (three) and associated companies (two) accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures) were unchanged from December 31, 2013.

Acquisitions and divestitures

Acquisitions

On March 6, 2014, CropScience completed the acquisition of all the shares of Biagro Group, a producer and distributor of biological seed treatment solutions headquartered in Gral. Las Heras in the province of Buenos Aires, Argentina. The company operates production facilities in Argentina and Brazil. Its portfolio of established brands includes seed-applied inoculants, plant-growth-promoting microorganisms and other products for integrated pest management based on bacterial and fungal strains. The acquisition will help CropScience to build on the success of its soybean seed business in Latin America. The acquisition remains subject to the approval of the Argentinian antitrust authorities. A one-time payment of €9 million was agreed upon, plus potential milestone payments which are reflected at €6 million in the purchase price allocation. The milestone payments are mainly dependent on the achievement of certain sales targets and product approvals. The purchase price mainly pertained to the technology platform and goodwill.

In March 2014, HealthCare successfully completed the takeover offer for the shares of Algeta ASA, Oslo, Norway, and acquired 100% of the outstanding shares. Bayer issued a takeover offer for all the shares of Algeta at a price of NOK 362 per share in cash on January 20, 2014. On expiration of the offer deadline, Bayer had received acceptances from Algeta shareholders representing about 98% of the share capital. On March 14, 2014, a compulsory acquisition process was carried out to obtain the remaining 2% of the shares, also at a price of NOK 362 per share.

Algeta develops novel cancer therapies based on its world-leading, patented technologies. The company develops alpha-pharmaceuticals designed to target cancers using the unique properties of alpha particle radiation. HealthCare and Algeta have collaborated since 2009 to develop and commercialize radium-223 dichloride, which was approved in the United States in May 2013 under the tradename Xofigo™. The acquisition strengthens HealthCare's oncology business. The purchase price was €1,974 million, including €35 million for the settlement of the pre-existing relationship between Algeta and Bayer. The latter amount represents the value of the advantage enjoyed by the acquirer from the contractual relationship that existed prior to the acquisition compared to current market conditions for similar collaborations. The settlement amount is reflected in other operating income and at the same time increases the consideration transferred.

The purchase price mainly pertained to an intangible asset for the product-specific radium-223 technology along with goodwill. The goodwill is mainly attributable to synergies in administration processes and infrastructure, including cost savings in the selling, research and development, and general administration functions.

The acquisition generated EBIT of minus €32 million since the acquisition date. Income after income taxes of minus €39 million was recorded since the date of first-time consolidation. This includes the financing costs incurred since the acquisition date. If the acquisition had already been made as of January 1, 2014, income after income taxes of the Bayer Group for the first nine months of 2014 would have amounted to €3,191 million after the financing costs that would have been attributable to the period.

On September 30, 2014, CropScience completed the acquisition of the seeds business of Granar S.A., headquartered in Encarnación, Paraguay. Granar specializes in the breeding, production and marketing of improved seed, especially soybean seed, that is adapted to the growing conditions in subtropical regions. It has a strong presence in Paraguay and Uruguay and an increasing presence in Brazil. Granar will continue to market the seed for the 2014/15 sowing season. Bayer will take over marketing in 2015. Part of the agreed one-time payment of €15 million to acquire the business has been retained for disbursement over the next six years and is reflected at €2 million in the purchase price allocation.

The effects of these transactions made in the first nine months of 2014 – and of purchase price adjustments made in the first nine months of 2014 relating to previous years'/quarters' transactions – on the Group's assets and liabilities as of the respective acquisition or adjustment dates are shown in the table. Net of acquired cash and cash equivalents, the transactions resulted in the following cash outflow:

Acquired Assets and Assumed Liabilities (Fair Values at the Respective Acquisition Dates) [Table 33]

	First Nine Months 2014	Of which Algeta ASA
	€ million	€ million
Goodwill	684	679
Patents and technologies	1,762	1,758
Other intangible assets	40	23
Property, plant and equipment	23	23
Inventories	15	15
Other current assets	46	39
Cash and cash equivalents	90	90
Deferred tax assets	39	39
Other provisions	(1)	–
Financial liabilities	(128)	(128)
Other liabilities	(81)	(79)
Deferred tax liabilities	(487)	(485)
Net assets	**2,002**	**1,974**
Changes in non-controlling interest	–	–
Purchase price	**2,002**	**1,974**
Acquired cash and cash equivalents	(90)	(90)
Settlement gain from pre-existing relationship	(35)	(35)
Liabilities for future payments	(6)	–
Payments for previous years'/quarters' acquisitions	1	–
Net cash outflow for acquisitions	**1,872**	**1,849**

On October 1, HealthCare completed the acquisition of the consumer care business of U.S. company Merck & Co. Inc., Whitehouse Station, New Jersey. The acquired business is primarily comprised of products in the cold, allergy, sinus & flu, dermatology (including sun care), foot health and gastrointestinal categories. The most important brands are Claritin™ (allergy), Coppertone™ (sun care), MiraLAX™ (gastrointestinal) and Afrin™ (cold), and – in North America and Latin America – Dr. Scholl's™ (foot health). These products complement Bayer's existing range of non-prescription medicines.

The acquisition significantly enhances Bayer's over-the-counter (OTC) business across multiple therapeutic categories and geographies, giving Bayer the global number two position in a widely diversified sector and strong global positions in the five most important OTC segments: dermatology, gastrointestinal, sinus & flu (cold, allergy, sinus, flu), dietary supplements and pain therapy.

In those countries where the consumer care business was acquired as part of an asset deal, Merck will continue the sales activities in its own name for a transitional period until the marketing registrations are transferred to Bayer or Bayer can take over the business as distributor. During this period, the economic opportunities and risks will already accrue to Bayer, and Bayer will receive the operating profit on the business from Merck. The transitional period will end in most countries on January 1, 2015.

Bayer paid a purchase price of US$14.2 billion for the acquisition before working capital adjustments and less specific amounts that are being retained pending the receipt of antitrust approvals in Mexico and the Republic of Korea and the transfer of further assets in Canada. The provisional purchase price allocation mainly comprises goodwill (US$8.1 billion) and acquired brands (US$5.2 billion). Goodwill is largely based on cost synergies, especially in marketing and manufacturing, as well as on sales synergies resulting from the increased distribution capability and use of the global infrastructure.

The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation also took effect upon closing of the acquisition. The global development and marketing collaboration, which has already been approved by the relevant antitrust authorities, is aimed at strengthening Bayer's development opportunities in the field of cardiovascular therapies. In this connection Merck & Co., Inc. will make payments of up to US$2.1 billion to Bayer, comprising an upfront payment of US$1 billion and revenue-based milestone payments of up to US$1.1 billion for shared future sales of products based on specific active ingredients resulting from the collaboration, including the pulmonary hypertension drug Adempas™ (riociguat).

The purchase price allocations for Biagro Group, Granar S.A. and the consumer care business of Merck & Co., Inc. 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 prices to the individual assets and liabilities.

In February 2014, HealthCare signed an agreement to acquire all the shares of Dihon Pharmaceutical Group Co. Ltd., Kunming, Yunnan, China. Dihon is a pharmaceutical company specializing in the manufacture and marketing of over-the-counter (OTC) and herbal traditional Chinese medicine products. A provisional purchase price of 3.6 billion yuan was agreed. Closing of the transaction is subject to several conditions, some of which have not yet materialized, and is planned to occur in the fourth quarter of 2014.

Divestitures

On August 29, 2014, HealthCare completed the sale of the Interventional device business to Boston Scientific Corporation, Natick, Massachusetts, United States. The sale comprised the AngioJet™ thrombectomy system and the Jetstream™ atherectomy system, as well as the Fetch™2 aspiration catheter used in cardiology, radiology and peripheral vascular procedures. The total transaction price, including fees for transitional services to Boston Scientific and before working capital adjustments, was €315 million. Disregarding the transitional services, a special gain of €80 million and deferred income of €2 million were recognized.

The effects of this and other, smaller divestitures made in the first nine months of 2014 were as follows:

Divestitures [Table 34]

	First Nine Months 2014
	€ million
Goodwill	113
Patents and technologies	62
Other intangible assets	17
Property, plant and equipment	17
Other noncurrent assets	2
Inventories	10
Divested assets and liabilities	**221**
Net cash inflow from divestitures	303
Changes in future cash payments receivable	–
Deferred income	2
Net gain from divestitures (before taxes)	**80**

Noncurrent assets and disposal groups held for sale

The strategic pharmaceutical collaboration agreed between Bayer and Merck & Co., Inc. in the area of soluble guanylate cyclase (sGC) modulation came into effect on October 1, 2014. HealthCare and Merck & Co., Inc. are assuming joint control of the sGC modulators business. Bayer and Merck & Co., Inc. are each to receive one half of the future net cash flow from the business. Of the goodwill allocated to the Pharmaceuticals segment, €143 million was recognized as held for sale as of September 30, 2014 and derecognized as of the date the collaboration came into effect.

The assets held for sale were initially measured at the lower of their carrying amount and fair value less costs of disposal in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations).

The assets and disposal groups held for sale were comprised as follows:

Assets and disposal groups held for sale [Table 35]

	Sep. 30, 2014
	€ million
Goodwill	143
Other intangible assets	–
Property, plant and equipment	1
Other assets	–
Assets held for sale	**144**

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 items 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 36]

	Sep. 30, 2014						
	Carried at amortized cost		Carried at fair value			Non-financial assets/ liabilities	
	Carrying amount Sep. 30, 2014	Fair value (for information)	Based on quoted prices in active markets (Level 1) Carrying amount	Based on observable market data (Level 2) Carrying amount	Based on 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	9,099						9,099
Loans and receivables	9,099	9,099					9,099
Other financial assets	1,044		4,303	332	40		5,719
Loans and receivables	920	920					920
Available-for-sale financial assets	25		4,303				4,328
Held-to-maturity financial assets	99	100					99
Derivatives that qualify for hedge accounting				140			140
Derivatives that do not qualify for hedge accounting				192	40		232
Other receivables	576					1,317	1,893
Loans and receivables	576	577					576
Non-financial assets						1,317	1,317
Cash and cash equivalents	1,680						1,680
Loans and receivables	1,680	1,680					1,680
Total financial assets	**12,399**		**4,303**	**332**	**40**		**17,074**
of which loans and receivables	12,275						12,275
Financial liabilities	13,961			548			14,509
Carried at amortized cost	13,961	15,070					13,961
Derivatives that qualify for hedge accounting				273			273
Derivatives that do not qualify for hedge accounting				275			275
Trade accounts payable	4,411					94	4,505
Carried at amortized cost	4,411	4,411					4,411
Non-financial liabilities						94	94
Other liabilities	686			177	22	1,021	1,906
Carried at amortized cost	686	686					686
Derivatives that qualify for hedge accounting				153			153
Derivatives that do not qualify for hedge accounting				24	22		46
Non-financial liabilities						1,021	1,021
Total financial liabilities	**19,058**			**725**	**22**		**19,805**
of which carried at amortized cost	19,058						19,058
of which derivatives that qualify for hedge accounting				426			426
of which derivatives that do not qualify for hedge accounting				299	22		321

The loans and receivables reflected in other financial assets and the liabilities measured at amortized cost also include receivables and liabilities under finance leases in which Bayer is the lessor or lessee and which are therefore 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 publicly quoted market prices existed were determined using valuation techniques based on market 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 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 internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs (Level 3). These included planned sales and purchase volumes, and prices derived from market data. Regular monitoring is carried out based on these fair values as part of quarterly reporting.

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

Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Unobservable Inputs [Table 37]

	2014
	€ million
Net carrying amounts, January 1	**(7)**
Gains (losses) recognized in profit or loss	10
of which related to assets/liabilities recognized in the statement of financial position	10
Gains (losses) recognized outside profit or loss	–
Additions of assets/(liabilities)	–
Settlements of assets/(liabilities)	15
Reclassifications	–
Net carrying amounts, Sep. 30	**18**

No gains or losses from divestitures were recorded in the third quarter of 2014. The changes recognized in profit or loss were included in other operating income or expenses.

Uncertainty persisted in the third quarter of 2014 regarding the economic situation in Venezuela. Future currency developments are difficult to predict, especially in view of new currency conversion rules and the government's ability to intervene in the setting of exchange rates. The foreign currency valuation of Bayer's Venezuelan subsidiary as of the end of the reporting period was based on the SICAD 1 exchange rate.

LEGAL RISKS

To find out more about the Bayer Group's legal risks, please see Note 32 to the consolidated financial statements in the Bayer Annual Report 2013, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2013, the following significant changes have occurred in respect of the legal risks:

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of October 13, 2014, the number of claimants in the pending lawsuits and claims in the United States totaled about 4,000 (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.

As of October 13, 2014, Bayer had reached agreements, without admission of liability, to settle the claims of approximately 9,200 claimants in the U.S. for a total amount of about US$1.8 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 2,100 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.

Mirena™: As of October 13, 2014, lawsuits from approximately 2,400 users of Mirena™, an intrauterine system providing long-term contraception, had been served upon Bayer in the U.S. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus, ectopic pregnancy, or idiopathic intracranial hypertension, and seek compensatory and punitive damages.

Phillips' Colon Health / Department of Justice: In September 2014, the United States Department of Justice, representing the United States Federal Trade Commission, filed a motion in New Jersey federal court alleging that Bayer is making unsubstantiated claims about Phillips' Colon Health, a probiotic product, and thereby violating a 2007 consent decree requiring it to have competent and reliable scientific evidence to substantiate claims made about its dietary supplements. The suit seeks relief in the form of monetary damages and an order mandating Bayer to cease from making unsubstantiated claims. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

CROPSCIENCE

Proceedings involving genetically modified rice (LL RICE): As reported previously, several thousand plaintiffs have sued Bayer before U.S. federal and state courts in connection with genetically modified rice, and most of these cases have been settled. In September 2014, Bayer settled one of the remaining cases, brought by BASF to recover damages allegedly resulting from the contamination of its Clearfield 131 rice variety, on terms agreeable to Bayer and without any admission of wrongdoing. Bayer believes the risks remaining in the proceedings involving genetically modified rice are no longer material.

MATERIALSCIENCE

Partial exemption from the surcharge under the Renewable Energy Act: In 2014, Bayer has continued to benefit from its partial exemption from the surcharge payable under the German Renewable Energy Act (Erneuerbare-Energien-Gesetz) of 2012. The amount of any claims that Bayer might face should the exemption provisions be declared invalid retroactively therefore continues to increase during the course of 2014.

RELATED PARTIES

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural 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 €0.6 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, 2013.

Leverkusen, October 27, 2014
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   Johannes Dietsch   Michael König   Kemal Malik

Focus

The Life Science company Bayer plans to step up its research and development spending. Pictured here is Bayer employee Bettina Broehland in the Pharmaceutical Research Center in Wuppertal.

Complete focus on Life Science businesses

Bayer intends in the future to focus entirely on the Life Science businesses – HealthCare and CropScience – and float MaterialScience on the stock market as a separate company. The announcement of this strategic decision triggered significant increases in the market price of Bayer shares.

The Supervisory Board unanimously approved the Board of Management's plans on September 18, 2014. "Our intention is to create two top global corporations: Bayer as an innovation company of world rank in the Life Science businesses, and MaterialScience as a leading player in polymers," Bayer CEO Dr. Marijn Dekkers explained. He said both companies have excellent prospects for success in their respective industries and expects job numbers to remain stable in the coming years, both in Germany and worldwide.

In light of the anticipated personnel movements within the Bayer Group, management and employee representatives agreed in a joint declaration on the early extension of the existing agreement to safeguard employment at both Bayer and MaterialScience in Germany. This means there will be no dismissals for operational reasons before the end of 2020. "The separation of MaterialScience will be a big change for our colleagues. This agreement, however, allows us to create a good basis for safeguarding jobs in both companies in future. With a five-year term, this is the longest Employment Pact to date," said Thomas de Win, Chairman of Bayer's Group Works Council.

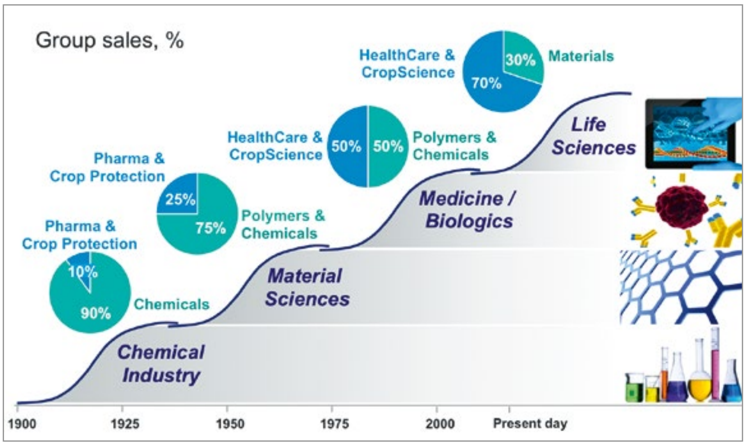
Direct access to the capital market

In recent years, Bayer's center of gravity has greatly shifted toward its Life Science activities with the successful launch of novel pharmaceutical products, the acquisition of the over-the-counter products business of Merck & Co., Inc., United States, and the very successful development of the CropScience business. The aim is to continue the positive development of these activities in the future through further investment in growth. Following its regular evaluation of the business portfolio, the Board of Management therefore decided to focus the company on these areas. In 2013, the Life Sciences accounted for about 70 percent of Bayer's sales and 88 percent of EBITDA before special items.

The aim is to float MaterialScience on the stock market as a separate stock corporation within the next 12 to 18 months. A major reason for this move is to give MaterialScience direct access to capital for its future development. This access can no longer be adequately ensured within the Bayer Group due to the substantial investment needs of the Life

Continued on page 64

Informing employees (from left to right): Peter Hausmann, Member of the Executive Committee of IG BCE, Central Works Council Chairman Thomas de Win, Bayer CEO Dr. Marijn Dekkers, Labor Director Michael König and MaterialScience CEO Patrick Thomas



Continued from page 63

Science businesses for both organic and external growth. Also, as a separate company, MaterialScience can align its organizational and process structures and its corporate culture entirely to its own industrial environment and business model.

Enterprise with a balanced portfolio

The companies of the future Bayer Group had pro forma sales of approx. €29 billion in 2013. In the future, they will employ nearly 99,000 people, including about 29,500 in Germany. Corporate headquarters will remain in Leverkusen. "Bayer will continue as an enterprise with an attractive and balanced portfolio and a primary focus on organic growth," Dekkers explained. To this end, the company intends to raise its research and development spending, selectively strengthen early research at the interface between HealthCare and CropScience, and continue driving the successful commercialization of the recently launched pharmaceutical products. Bayer expects its recently launched products – the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and the pulmonary hypertension drug Adempas™ – to have a combined peak annual sales potential of at least €7.5 billion.

Bayer CEO Dr. Marijn Dekkers explains the new focus in several TV interviews.

More flexible in the global competitive arena

"We firmly believe that MaterialScience will use its separate status to deploy its existing strength even more rapidly, effectively and flexibly in the global competitive arena," Dekkers commented. A strategy and corporate culture aligned to technological and cost leadership, coupled with the ability to make its own investment and portfolio decisions, will give MaterialScience the best development prospects in a highly competitive market. That, said Dekkers, includes direct capital market access so that it will not have to compete with the Life Science businesses for investment funding in the future.

"MaterialScience is a very well positioned business that today operates very modern, competitive, large-scale facilities. We have steadily invested in these facilities, even in difficult economic times," Dekkers pointed out, citing the world-scale production facilities in Shanghai, China, and the new TDI plant in Dormagen, Germany, which is to be officially inaugurated in December. Between 2009 and 2013 alone, Bayer invested a total of over €3.8 billion in property, plant and equipment and research and development for the MaterialScience business.

Following the intended flotation, MaterialScience will be Europe's fourth-largest chemical company; it had pro forma global sales in 2013 of more than €11 billion. The new company is planned to have a global workforce of roughly 16,800, including about 6,500 employees in Germany. It will have a new name and a separate identity and be headquartered in Leverkusen.

Comprehensive information for all employees

Employees of the company around the world were informed as soon as the Supervisory Board announced its decision. Bayer CEO Dekkers explained the decision in an email and an open letter to all employees, and detailed information on the background to the plans was published on the Bayer intranet. Around 5,000 employees attended an employee meeting in Leverkusen or watched the live broadcast at the various sites or on their office computers. Together with company and employee representatives, Dekkers also outlined Bayer's new focus in an international webcast. Employees' questions were answered on a Q&A platform on the intranet.

Media across the world reported on Bayer's decision to focus entirely on the Life Science businesses in the future.

Global media response to Bayer's new strategy

Bayer's plans to focus entirely on the Life Science businesses drew a substantial response from the world's media with headlines like "Bayer causes sensation" appearing in the *Neue Zürcher Zeitung*, "For humans, animals and plants" in the *Handelsblatt*, and "Bayer to spin off plastics unit as separate company; employment to remain stable" in the *Pittsburgh Tribune Review*. An interview with Bayer CEO Dr. Marijn Dekkers appeared in the *Frankfurter Allgemeine Sonntagszeitung* under the heading "Billions for molecules." In the interview, Dekkers said that Bayer had always applied the same principle throughout its 151-year history. "Our laboratories develop new molecules. That's what the company's founders did, and that's what our scientists are doing today – every day. All that has changed are the markets that best reward these achievements. 150 years ago the focus was on dyestuffs; now it's on the Life Science businesses."

The London-based *Wall Street Journal Europe* quoted analysts at New York investment bank Jefferies, who believe that the separation from MaterialScience could "remove a conglomerate discount from Bayer's shares." The *Financial Times* concluded that the planned stock market listing of MaterialScience could be the "biggest European float since the €6.1bn IPO of chipmaker Infineon Technologies in 2000." The global media showed little surprise at the plans.

Financial Calendar

Announcement of Proposed Dividend	**February 25, 2015**
2014 Annual Report	**February 26, 2015**
Q1 2015 Interim Report	**April 30, 2015**
Annual Stockholders' Meeting 2015	**May 27, 2015**
Planned dividend payment date	**May 28, 2015**
Q2 2015 Interim Report	**July 29, 2015**
Q3 2015 Interim Report	**October 29, 2015**

MASTHEAD

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Science For A Better Life