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Stockholders' Newsletter

FINANCIAL REPORT AS OF SEPTEMBER 30, 2013

Third quarter of 2013:
Bayer continues positive business momentum

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Bayer Group Key Data

	3rd Quarter 2012	3rd Quarter 2013	Change	First Nine Months 2012	First Nine Months 2013	Change	Full Year 2012
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	9,661	9,643	-0.2	29,881	30,269	+1.3	39,741
Change (currency- and portfolio-adjusted)			+6.0			+4.7	
Change in sales							
Volume	+4.9%	+6.0%		+4.6%	+3.9%		+4.7%
Price	+0.6%	0.0%		+0.6%	+0.8%		+0.6%
Currency	+6.5%	-6.6%		+4.7%	-3.7%		+4.0%
Portfolio	-0.5%	+0.4%		-0.5%	+0.3%		-0.5%
EBIT¹	828	1,221	+47.5	3,199	4,279	+33.8	3,928
<i>Special items</i>	(356)	(99)		(1,287)	(400)		(1,711)
EBIT before special items²	1,184	1,320	+11.5	4,486	4,679	+4.3	5,639
EBIT margin before special items ³	12.3%	13.7%		15.0%	15.5%		14.2%
EBITDA⁴	1,579	1,895	+20.0	5,515	6,397	+16.0	6,916
<i>Special items</i>	(263)	(89)		(939)	(235)		(1,364)
EBITDA before special items²	1,842	1,984	+7.7	6,454	6,632	+2.8	8,280
EBITDA margin before special items ³	19.1%	20.6%		21.6%	21.9%		20.8%
Financial result	(183)	(228)	-24.6	(583)	(643)	-10.3	(752)
Net income	516	733	+42.1	2,037	2,734	+34.2	2,403
Earnings per share (€)	0.62	0.89	+43.5	2.46	3.31	+34.6	2.90
Core earnings per share (€) ⁵	1.17	1.27	+8.5	4.29	4.51	+5.1	5.30
Gross cash flow⁶	1,006	1,367	+35.9	3,830	4,854	+26.7	4,556
Net cash flow⁷	1,986	1,728	-13.0	3,624	3,591	-0.9	4,531
Cash outflows for capital expenditures	486	514	+5.8	1,186	1,381	+16.4	1,930
Research and development expenses	741	781	+5.4	2,191	2,279	+4.0	3,013
Depreciation, amortization and impairments	751	674	-10.3	2,316	2,118	-8.5	2,988
Number of employees at end of period⁸	110,500	113,300	+2.5	110,500	113,300	+2.5	110,000
Personnel expenses (including pension expenses)	2,282	2,329	+2.1	6,897	7,041	+2.1	9,195

2012 figures restated

In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.

¹ EBIT = earnings before financial result and taxes

² EBIT before special items and EBITDA before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information.

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 and should therefore be regarded only as supplementary information. 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**

Oncology is one of the main areas of research at Bayer HealthCare. The company's scientists are working to broaden the portfolio of innovative treatments with the aim of improving people's lives. The picture shows Bayer employee Dr. Christoph Schatz with tumor cell cultures in front of an incubator in the laboratory.

Third quarter of 2013:

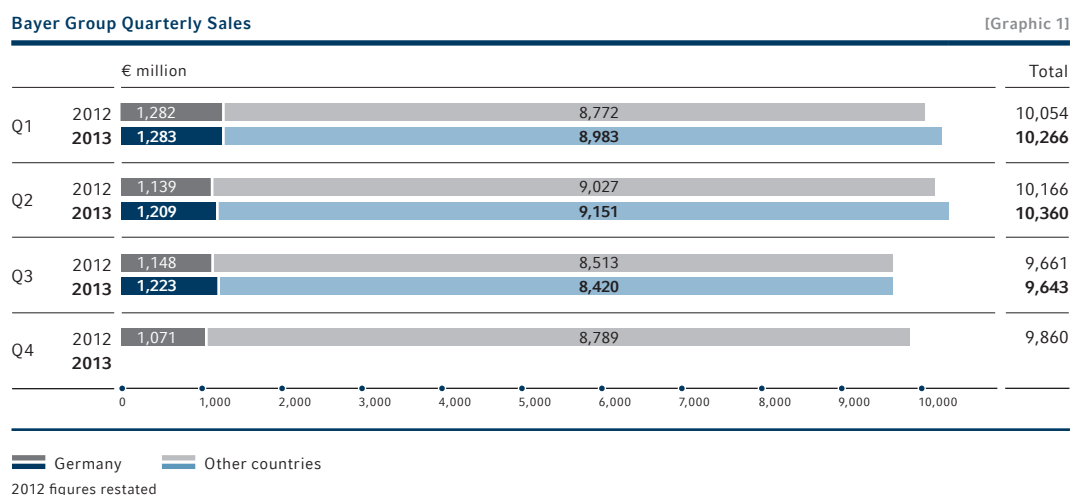
Bayer continues positive business momentum

- Ongoing dynamic trend in Life Sciences; MaterialScience level with prior-year quarter
- New pharmaceutical products post excellent growth
- Group sales €9.6 billion (Fx & portfolio adj. +6.0%)
- EBIT €1.2 billion (+47.5%)
- EBITDA before special items €2.0 billion (+7.7%)
- Net income €0.7 billion (+42.1%)
- Core earnings per share €1.27 (+8.5%)
- Group guidance for 2013 maintained

Bayer continued its positive business momentum in the third quarter of 2013, with substantial contributions from the Life Science businesses. HealthCare registered encouraging growth, largely due to the outstanding sales performance for our new pharmaceutical products. CropScience benefited from a good start to the season in Latin America. At MaterialScience, sales (currency- and portfolio-adjusted) and earnings were level with the prior-year quarter in a persistently difficult market environment.

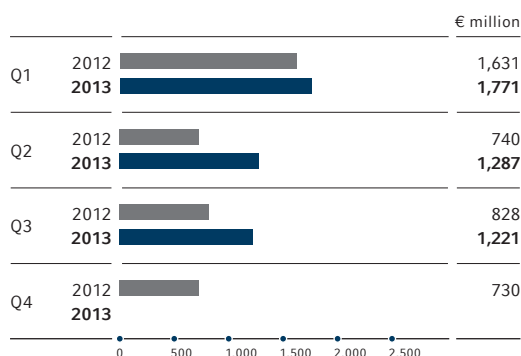
1. Overview of Sales, Earnings and Financial Position

THIRD QUARTER OF 2013



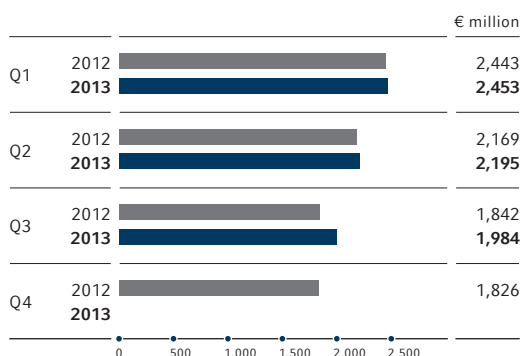
Sales of the Bayer Group moved ahead in the third quarter of 2013 by 6.0% after adjusting for currency and portfolio effects (Fx & portfolio adj.) to €9,643 million (reported: -0.2%; Q3 2012: €9,661 million). Sales of HealthCare advanced by 7.4% (Fx & portfolio adj.) to €4,742 million (reported: +0.5%; Q3 2012: €4,717 million). CropScience raised sales by 12.1% (Fx & portfolio adj.) against the prior-year quarter to €1,712 million (reported: +4.3%; Q3 2012: €1,641 million). Sales of MaterialScience came in 1.1% (Fx & portfolio adj.) above the prior-year period at €2,897 million (reported: -3.1%; Q3 2012: €2,990 million).

**Bayer Group
Quarterly EBIT** [Graphic 2]



2012 figures restated

**Bayer Group
Quarterly EBITDA Before Special Items** [Graphic 3]

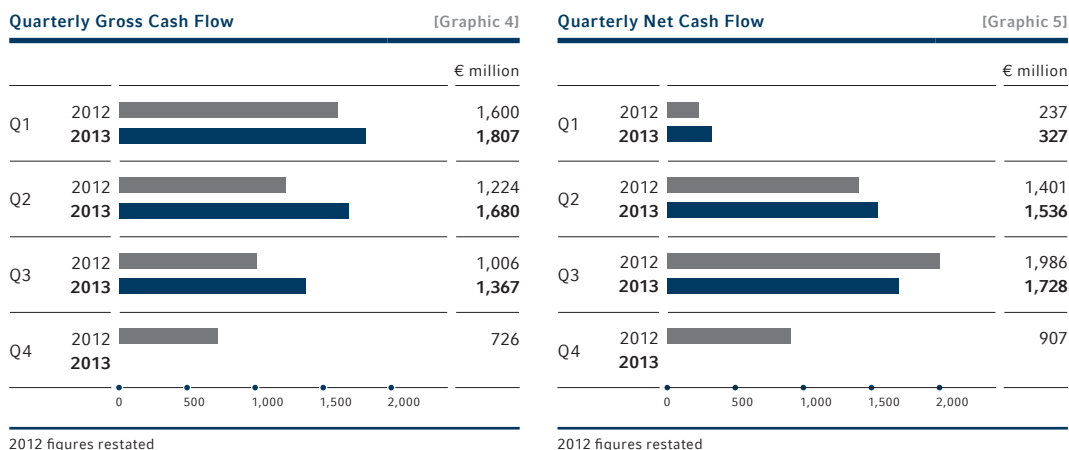


2012 figures restated

EBIT of the Bayer Group improved by a substantial 47.5% to €1,221 million (Q3 2012: €828 million) due in part to a drop in net special charges to €99 million (Q3 2012: €356 million). The special charges largely comprised expenses for restructuring and the integration of acquired businesses. **EBIT** before special items of the Bayer Group amounted to €1,320 million (+11.5%; Q3 2012: €1,184 million).

EBITDA before special items increased by 7.7% against the prior-year period to €1,984 million (Q3 2012: €1,842 million) despite negative currency effects of about €130 million. HealthCare registered a 4.6% improvement in **EBITDA** before special items to €1,392 million (Q3 2012: €1,331 million) due to the very good business development in Pharmaceuticals. **EBITDA** before special items of CropScience advanced by 13.7% to €224 million (Q3 2012: €197 million), driven by higher volumes and selling prices. MaterialScience posted **EBITDA** before special items of €346 million (+2.7%; Q3 2012: €337 million) and thus also improved against the preceding quarters.

After a **financial result** of minus €228 million (Q3 2012: minus €183 million), **income before income taxes** climbed to €993 million (Q3 2012: €645 million). The principal components of the financial result were net interest expense of €111 million (Q3 2012: €73 million), interest cost of €77 million (Q3 2012: €87 million) for pension and other provisions, and exchange losses of €35 million (Q3 2012: €19 million). After tax expense of €255 million (Q3 2012: €123 million) and non-controlling interest, **net income** in the third quarter of 2013 advanced by 42.1% against the prior-year period to €733 million (Q3 2012: €516 million). Earnings per share rose by 43.5% to €0.89 (Q3 2012: €0.62), and core earnings per share (calculated as explained in Chapter 7) by 8.5% to €1.27 (Q3 2012: €1.17).



Gross cash flow in the third quarter of 2013 moved ahead by 35.9% to €1,367 million (Q3 2012: €1,006 million), mainly as a result of the significant improvement in EBIT. Net cash flow fell by 13.0% to €1,728 million (Q3 2012: €1,986 million) because less working capital was released than in the prior-year quarter.

Net financial debt declined from €9.0 billion on June 30, 2013, to €7.7 billion on September 30, 2013, largely as a result of cash inflows from operating activities. The net amount recognized for post-employment benefits decreased on the quarter from €8.2 billion to €7.8 billion, thanks primarily to higher long-term capital market interest rates.

FIRST NINE MONTHS OF 2013

The Bayer Group grew sales in the first nine months of 2013. EBITDA before special items improved slightly. The market-related weakness at MaterialScience was more than offset by the excellent development in our Life Science businesses.

Sales advanced by 4.7% (Fx & portfolio adj.) to €30,269 million (reported: +1.3%; 9M 2012: €29,881 million). HealthCare achieved currency- and portfolio-adjusted growth of 6.7% (reported: +2.2%). CropScience also posted significant sales gains (Fx & portfolio adj. +8.5%; reported: +5.2%). Sales at MaterialScience were level with the corresponding period of last year on an adjusted basis (Fx & portfolio adj. 0.0%; reported: -2.1%).

EBIT improved by 33.8% to €4,279 million (9M 2012: €3,199 million) after net special charges of €400 million (9M 2012: €1,287 million). EBIT before special items rose by 4.3% to €4,679 million (9M 2012: €4,486 million). **EBITDA** before special items increased by 2.8% to €6,632 million (9M 2012: €6,454 million).

After a **financial result** of minus €643 million (9M 2012: minus €583 million), **income before income taxes** came in at €3,636 million (9M 2012: €2,616 million). The financial result mainly comprised net interest expense of €294 million (9M 2012: €249 million), interest cost of €235 million (9M 2012: €264 million) for pension and other provisions, and exchange losses of €91 million (9M 2012: €50 million). After tax expense of €892 million (9M 2012: €567 million), income after income taxes amounted to €2,744 million (9M 2012: €2,049 million).

After non-controlling interest, the Bayer Group recorded **net income** of €2,734 million (9M 2012: €2,037 million). Earnings per share rose to €3.31 (9M 2012: €2.46), and core earnings per share moved forward to €4.51 (9M 2012: €4.29).

Gross cash flow advanced by 26.7% to €4,854 million (9M 2012: €3,830 million). Net cash flow was flat with the prior-year period at €3,591 million (-0.9%; 9M 2012: €3,624 million). Net financial debt rose to €7.7 billion as of September 30, 2013, compared with €7.0 billion on December 31, 2012. The net amount recognized for post-employment benefits declined from €9.2 billion on December 31, 2012, to €7.8 billion, mainly as a result of higher long-term capital market interest rates.

2. Economic Outlook

Economic Outlook

[Table 1]

	Growth* in 2012	Growth* forecast for 2013
World	+ 2.6%**	+ 2.4%
European Union	– 0.4%**	0.0%
of which Germany	+ 0.7%	+ 0.5%
United States	+ 2.8%**	+ 1.5%
Emerging Markets***	+ 4.8%	+ 4.8%

* real GDP growth, source: Global Insight; source for Germany: Federal Ministry of Economics and Technology

** revised

*** including about 50 countries defined by Global Insight as Emerging Markets in line with the World Bank As of October 2013

We believe the **global rate of economic growth** for 2013 will be slightly lower than in the previous year, with Europe not providing any stimulus. We continue to predict a moderate improvement in economic performance in the United States and Japan. Although the economic prospects for the Emerging Markets have somewhat weakened, we see these countries again providing the strongest growth impetus to the global economy.

Economic Outlook for the Subgroups

[Table 2]

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

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

** revised

As of October 2013

Growth in the **pharmaceuticals market** in 2013 will likely remain driven by the Emerging Markets, while the United States and a number of European countries will continue to pursue restrictive health system policies.

We anticipate somewhat stronger growth in the **consumer care market** than in the previous year, with the main stimulus continuing to come from the Emerging Markets. The strong cold and flu season in Europe and North America in the first half of 2013 also contributed to market growth. The **medical care market** is likely to shrink in 2013 compared with 2012, with the diabetes care segment declining and the market for contrast agents and medical equipment (Radiology and Interventional business) likely to remain at the previous year's level. We expect the **animal health market** to show slightly weaker growth in 2013.

Following a good first nine months, we anticipate that the favorable market environment for **seed and crop protection products** will persist in the fourth quarter of 2013. All regions will probably contribute to full-year growth, with above-average stimulus expected to come particularly from Latin America and Eastern Europe.

Growth impetus for the **MaterialScience** business is likely to come from the electrical/ electronics and construction industries, with other customer industries posting slightly slower growth than before. The eurozone will probably experience only a modest economic recovery, while there are signs of some weakening in the important Emerging Markets of Asia. Invigoration may ensue from the continuing steady demand in North America and the economic recovery in Japan.

3. Sales and Earnings Forecast

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

BAYER GROUP

Our Life Science businesses – HealthCare and CropScience – recorded very encouraging growth in the first nine months, compensating for the market-related weakness at MaterialScience. We expect this development to continue in the fourth quarter. Operational earnings have increasingly been held back by currency effects during the course of the year. The forecast for the full year is now based on the average exchange rates for the first nine months of 2013 (previously: average exchange rates for the first half of 2013). We are maintaining our guidance, although it is increasingly ambitious.

We expect sales for the full year 2013 to increase by a currency- and portfolio-adjusted 4%–5% to approximately €40 billion (previously: €40 billion to €41 billion). We aim to increase EBITDA before special items by a mid-single-digit percentage and improve core earnings per share (calculated as explained in Chapter 7) by a high-single-digit percentage.

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

* currency- and portfolio-adjusted

For 2013 we anticipate a tax rate of about 25%. Net financial debt is expected to be below €8.0 billion at the end of 2013.

HEALTHCARE

We expect HealthCare sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to approximately €19 billion. We plan to increase EBITDA before special items. Earnings growth is likely to be restrained by negative currency effects in the order of €200 million to €250 million. We aim to slightly improve the EBITDA margin before special items.

Sales in the Pharmaceuticals segment are developing better than anticipated thanks to the successful marketing of our new products. We expect sales to move ahead in 2013 by a high-single-digit percentage on a currency- and portfolio-adjusted basis to more than €11 billion and are targeting sales of more than €1.4 billion for our new products. We plan to increase EBITDA before special items and improve the EBITDA margin before special items. For the fourth quarter of 2013 we again anticipate significant negative currency effects along with higher selling and R&D expenses.

Taking into account the market-related weakening of the Medical Care business, we predict that sales of the Consumer Health segment will grow by a mid-single-digit percentage on a currency- and portfolio-adjusted basis to around €8 billion. We expect EBITDA before special items to come in at the level of the prior year and the EBITDA margin before special items to be below the prior year.

CROPSCIENCE

We are raising our forecast for CropScience. We expect growth to outpace the market, with sales advancing by a high-single-digit percentage on a currency- and portfolio-adjusted basis toward €9 billion. We plan to raise EBITDA before special items by at least 10% (previously: a high-single-digit percentage).

MATERIALSCIENCE

Considering the weak business development in the first nine months of 2013, we anticipate that full-year sales will be level with the previous year on a currency- and portfolio-adjusted basis. We expect EBITDA before special items to come in below the prior-year figure.

In the fourth quarter of 2013, we expect sales on a currency- and portfolio-adjusted basis and EBITDA before special items to come in at the level of the prior-year period.

RECONCILIATION

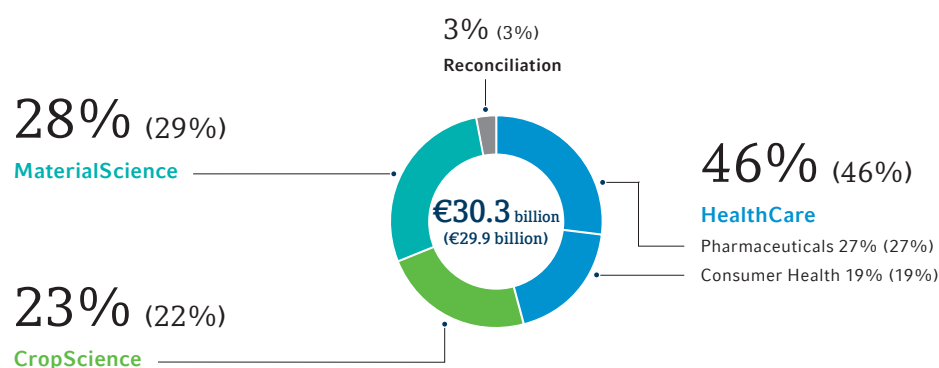
For 2013 we continue to expect sales on a currency- and portfolio-adjusted basis to be level with the previous year. We anticipate that EBITDA before special items will be in the region of the prior-year figure.

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 2013

[Graphic 6]



2012 in parentheses

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

Key Data by Subgroup and Segment

[Table 3]

	Sales		EBIT		EBITDA before special items*	
	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	4,717	4,742	672	978	1,331	1,392
Pharmaceuticals	2,732	2,818	386	637	847	915
Consumer Health	1,985	1,924	286	341	484	477
CropScience	1,641	1,712	73	106	197	224
MaterialScience	2,990	2,897	165	180	337	346
Reconciliation	313	292	(82)	(43)	(23)	22
Group	9,661	9,643	828	1,221	1,842	1,984

	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013
HealthCare	13,683	13,985	1,647	2,629	3,760	3,997
Pharmaceuticals	7,932	8,213	939	1,710	2,397	2,668
Consumer Health	5,751	5,772	708	919	1,363	1,329
CropScience	6,527	6,868	1,309	1,566	1,730	1,929
MaterialScience	8,731	8,547	487	365	999	824
Reconciliation	940	869	(244)	(281)	(35)	(118)
Group	29,881	30,269	3,199	4,279	6,454	6,632

2012 figures restated

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

Key Data – HealthCare

[Table 4]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx (G p) adj. %	€ million	€ million	%	Fx (G p) adj. %
Sales	4,717	4,742	+0.5	+7.4	13,683	13,985	+2.2	+6.7
Change in sales								
Volume	+4.0%	+7.6%			+3.2%	+6.5%		
Price	+1.5%	–0.2%			+0.7%	+0.2%		
Currency	+7.1%	–8.0%			+5.2%	–5.0%		
Portfolio	–0.2%	+1.1%			–0.2%	+0.5%		
Sales by segment								
Pharmaceuticals	2,732	2,818	+3.1	+10.6	7,932	8,213	+3.5	+8.6
Consumer Health	1,985	1,924	–3.1	+2.9	5,751	5,772	+0.4	+3.9
Sales by region								
Europe	1,574	1,720	+9.3	+11.3	4,752	5,036	+6.0	+6.9
North America	1,298	1,269	–2.2	+3.5	3,680	3,738	+1.6	+4.5
Asia/Pacific	1,106	1,036	–6.3	+8.3	3,092	3,108	+0.5	+10.6
Latin America/Africa/Middle East	739	717	–3.0	+11.6	2,159	2,103	–2.6	+7.4
EBIT	672	978	+45.5		1,647	2,629	+59.6	
<i>Special items</i>	(334)	(70)			(1,122)	(359)		
EBIT before special items*	1,006	1,048	+4.2		2,769	2,988	+7.9	
EBITDA*	1,081	1,328	+22.8		2,971	3,789	+27.5	
<i>Special items</i>	(250)	(64)			(789)	(208)		
EBITDA before special items*	1,331	1,392	+4.6		3,760	3,997	+6.3	
EBITDA margin before special items*	28.2%	29.4%			27.5%	28.6%		
Gross cash flow**	700	931	+33.0		2,064	2,733	+32.4	
Net cash flow**	1,116	651	–41.7		2,483	2,021	–18.6	

2012 figures restated

Fx (G p) adj. = currency- (and portfolio-)adjusted (Fx G p adj.: Sales and Sales by segment; Fx adj.: Sales by region)

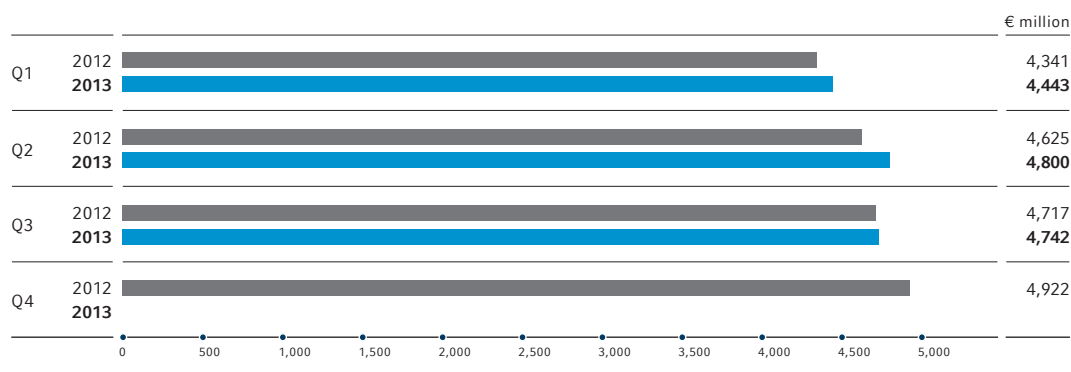
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **HealthCare** subgroup increased by 7.4% on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) in the **third quarter of 2013**, to €4,742 million (reported: +0.5%). Our new pharmaceutical products contributed substantially to this gratifying development. In the Consumer Health segment, we saw sales growth (Fx & portfolio adj.) mainly in the Consumer Care business and the Emerging Markets.

HealthCare Quarterly Sales

[Graphic 7]

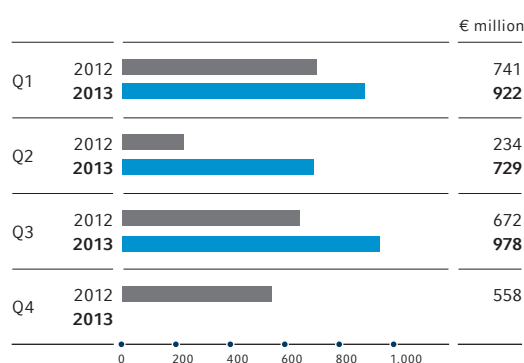


2012 figures restated

EBIT of HealthCare improved significantly in the third quarter of 2013 from €672 million in the prior-year period to €978 million. The increase was primarily due to the substantially lower net special charges of €70 million (Q3 2012: €334 million). **EBIT** before special items rose by 4.2% to €1,048 million. **EBITDA** before special items rose by 4.6% to €1,392 million. The earnings improvement was the result of very good business development in Pharmaceuticals, whereas earnings of Consumer Health were slightly down from the prior-year quarter. Negative currency effects diminished earnings of HealthCare by about €100 million.

HealthCare
Quarterly EBIT

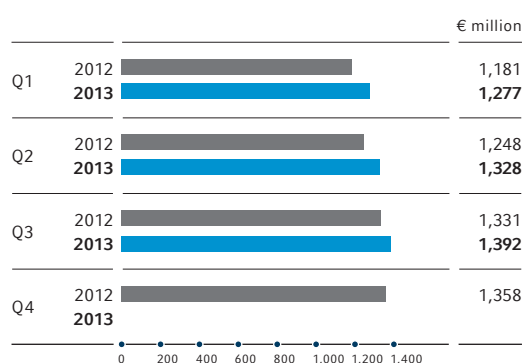
[Graphic 8]



2012 figures restated

HealthCare
Quarterly EBITDA Before Special Items

[Graphic 9]



2012 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals

[Table 5]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx (€ p) adj. %	€ million	€ million	%	Fx (€ p) adj. %
Sales	2,732	2,818	+3.1	+10.6	7,932	8,213	+3.5	+8.6
Sales by region								
Europe	889	988	+11.1	+12.6	2,689	2,869	+6.7	+7.5
North America	619	652	+5.3	+11.1	1,769	1,877	+6.1	+8.9
Asia/Pacific	779	755	–3.1	+12.7	2,164	2,233	+3.2	+14.3
Latin America/Africa/Middle East	445	423	–4.9	+9.9	1,310	1,234	–5.8	+4.7
EBIT	386	637	+65.0		939	1,710	+82.1	
<i>Special items</i>	(247)	(40)			(786)	(262)		
EBIT before special items*	633	677	+7.0		1,725	1,972	+14.3	
EBITDA*	611	875	+43.2		1,630	2,506	+53.7	
<i>Special items</i>	(236)	(40)			(767)	(162)		
EBITDA before special items*	847	915	+8.0		2,397	2,668	+11.3	
EBITDA margin before special items*	31.0%	32.5%			30.2%	32.5%		
Gross cash flow**	382	606	+58.6		1,091	1,783	+63.4	
Net cash flow**	795	414	–47.9		1,717	1,228	–28.5	

2012 figures restated

Fx (€ p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales; Fx adj.: Sales by region)

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

** For definition see Chapter 8 "Financial Position of the Bayer Group."

We again saw a very dynamic increase in **sales** of our **Pharmaceuticals** segment, which moved ahead by 10.6% (Fx & portfolio adj.) in the **third quarter of 2013** to €2,818 million. This strong growth was driven by our new products Xarelto™, Eylea™, Stivarga™ and Xofigo™, which posted combined sales of €407 million (Q3 2012: €82 million). Pharmaceuticals recorded encouraging currency-adjusted growth in all regions.

Best-Selling Pharmaceuticals Products

[Table 6]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Kogenate™	300	321	+7.0	+14.5	884	928	+5.0	+9.2
Betaferon™/Betaseron™	292	256	–12.3	–6.7	887	779	–12.2	–9.3
YAZ™/Yasmin™/Yasminelle™	277	213	–23.1	–15.1	775	634	–18.2	–12.9
Xarelto™	81	259	+219.8	+239.0	191	633	+231.4	+246.2
Nexavar™	199	204	+2.5	+11.1	580	577	–0.5	+4.9
Mirena™	183	165	–9.8	–4.7	542	524	–3.3	–0.4
Adalat™	171	134	–21.6	–12.0	501	446	–11.0	–3.3
Aspirin™ Cardio	124	114	–8.1	–1.6	347	332	–4.3	+0.1
Avalox™/Avelox™	119	100	–16.0	–11.4	363	320	–11.8	–9.2
Glucobay™	122	102	–16.4	–12.8	309	311	+0.6	+2.5
Levitra™	75	77	+2.7	+7.1	220	221	+0.5	+4.3
Eylea™	0	85	.	.	0	207	.	.
Cipro™/Ciprobay™	65	50	–23.1	–16.7	173	155	–10.4	–5.3
Stivarga™	1	51	.	.	1	138	.	.
Zetia™	55	41	–25.5	+0.3	150	127	–15.3	+6.0
Total	2,064	2,172	+5.2	+13.9	5,923	6,332	+6.9	+12.5
Proportion of Pharmaceuticals sales	76%	77%			75%	77%		

Fx adj. = currency-adjusted

Business with Xarelto™ continued to increase rapidly, making us the global leader in the new oral anticoagulants. Sales growth was especially brisk in Japan, Germany and France. We also registered very positive development in the United States, where Xarelto™ is marketed by our distribution partner Janssen Pharmaceuticals, Inc. Sales of our eye medicine Eylea™ grew strongly, especially in Japan, Germany and Australia. Our new cancer drugs Stivarga™ and Xofigo™ also made encouraging contributions to sales development, with Xofigo™ posting sales of €12 million in the third quarter of 2013.

Marketing of Adempas™ (active ingredient: riociguat), our innovative medicine to treat pulmonary hypertension, began in September 2013, initially in Canada.

The considerable increase in sales of our blood-clotting drug Kogenate™ was mainly attributable to shifts in order patterns. Our cancer drug Nexavar™ recorded sales gains, particularly as a result of price increases in the United States. Our erectile dysfunction treatment Levitra™ also developed positively, mainly in the United States.

Sales of our multiple sclerosis drug Betaferon™/Betaseron™ continued to recede as expected, particularly in the United States, due to increased competition. Business with our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives was hampered by generic competition, especially in Western Europe. Sales of our hormone-releasing intrauterine device Mirena™ moved back in the U.S. against a strong prior-year quarter. This decline was only partially offset by higher volumes in other regions. Sales of Adalat™ to treat high blood pressure and coronary heart disease fell in all regions, largely as a result of generic competition. Sales of the antibiotic Avalox™/Avelox™ and our oral diabetes treatment Glucobay™ receded, partly due to weaker demand in Asia/Pacific. Our antibiotic Cipro™/Ciprobay™ registered lower sales, particularly in the United Kingdom, where we had benefited from a government contract in the previous year.

EBIT of the **Pharmaceuticals** segment rose significantly in the third quarter of 2013 from €386 million to €637 million. The increase was primarily due to the lower net special charges of €40 million (Q3 2012: €247 million). The special charges mainly comprised €29 million in expenses related to the integration of Conceptus, Inc. in the United States and €12 million in restructuring charges. As in the first half of the year, no further accounting measures were taken in the third quarter of 2013 in connection with the Yasmin™/YAZ™ litigation in the United States. **EBIT** before special items advanced by 7.0% to €677 million. **EBITDA** before special items showed a clear 8.0% improvement to €915 million. The earnings increase resulted mainly from the strong growth in sales of our new products, the effect of which was partially offset by higher selling expenses and negative currency effects.

In the **first nine months of 2013**, we raised **sales** in our **Pharmaceuticals** segment by 8.6% (Fx & portfolio adj.) to €8,213 million. The increase was driven by our new products Xarelto™, Eylea™, Stivarga™ and Xofigo™, which posted combined sales of €991 million (9M 2012: €192 million). Sales moved ahead in all regions on a currency-adjusted basis.

EBIT moved ahead in the first nine months of 2013 by 82.1% to €1,710 million, largely due to the lower net special charges of €262 million (9M 2012: €786 million). The special charges comprised €89 million in litigation-related expenses, an €85 million impairment loss recognized on a research project, €46 million in restructuring charges and €42 million in expenses related to the integration of our Conceptus business. **EBIT** before special items improved by 14.3% to €1,972 million. **EBITDA** before special items climbed by 11.3% to €2,668 million as a result of the good business development, despite an increase in selling expenses and negative currency effects.

CONSUMER HEALTH

Key Data – Consumer Health

[Table 7]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx (6 p) adj. %	€ million	€ million	%	Fx (6 p) adj. %
Sales	1,985	1,924	-3.1	+2.9	5,751	5,772	+0.4	+3.9
Consumer Care	985	984	-0.1	+5.1	2,798	2,889	+3.3	+6.6
Medical Care	660	619	-6.2	+0.5	1,934	1,873	-3.2	+0.8
Animal Health	340	321	-5.6	+1.5	1,019	1,010	-0.9	+2.5
Sales by region								
Europe	685	732	+6.9	+9.5	2,063	2,167	+5.0	+6.2
North America	679	617	-9.1	-3.5	1,911	1,861	-2.6	+0.3
Asia/Pacific	327	281	-14.1	-2.1	928	875	-5.7	+1.9
Latin America/Africa/Middle East	294	294	0.0	+14.3	849	869	+2.4	+11.5
EBIT	286	341	+19.2		708	919	+29.8	
<i>Special items</i>	(87)	(30)			(336)	(97)		
EBIT before special items*	373	371	-0.5		1,044	1,016	-2.7	
EBITDA*	470	453	-3.6		1,341	1,283	-4.3	
<i>Special items</i>	(14)	(24)			(22)	(46)		
EBITDA before special items*	484	477	-1.4		1,363	1,329	-2.5	
EBITDA margin before special items*	24.4%	24.8%			23.7%	23.0%		
Gross cash flow**	318	325	+2.2		973	950	-2.4	
Net cash flow**	321	237	-26.2		766	793	+3.5	

2012 figures restated

Fx (6 p) adj. = currency- (and portfolio-)adjusted (Fx 6 p adj.: Sales; Fx adj.: Sales by region)

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

** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales in the **Consumer Health** segment increased by 2.9% (Fx 6 portfolio adj.) in the **third quarter of 2013**, to €1,924 million. This was primarily attributable to the business of our Consumer Care Division and the gratifying overall development in the Emerging Markets.

Best-Selling Consumer Health Products

[Table 8]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	189	176	-6.9	-3.5	529	543	+2.6	+4.5
Advantage™ product line (Animal Health)	125	118	-5.6	+0.5	403	389	-3.5	-0.5
Aspirin™ (Consumer Care)	134	118	-11.9	-1.5	356	344	-3.4	-0.3
Ultravist™ (Medical Care)	77	77	0.0	+3.1	240	242	+0.8	+3.0
Aleve™/naproxen (Consumer Care)	84	79	-6.0	+2.6	236	239	+1.3	+4.9
Bepanthen™/Bepanthol™ (Consumer Care)	65	79	+21.5	+29.6	202	233	+15.3	+19.2
Canesten™ (Consumer Care)	68	64	-5.9	+2.7	185	196	+5.9	+10.8
Gadovist™ / Gadavist™ (Medical Care)	51	51	0.0	+3.6	149	150	+0.7	+1.7
One A Day™ (Consumer Care)	50	44	-12.0	-7.4	143	128	-10.5	-8.3
Supradyn™ (Consumer Care)	35	39	+11.4	+19.8	104	115	+10.6	+15.9
Total	878	845	-3.8	+2.6	2,547	2,579	+1.3	+4.2
Proportion of Consumer Health sales	44%	44%			44%	45%		

2012 figures restated

Fx adj.= currency-adjusted

Total sales of Aspirin™ (including Aspirin™Complex), also including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment, decreased in the third quarter of 2013 by 10.1% (Fx adj. 1.6%) to €232 million (Q3 2012: €258 million). These total sales decreased in the first nine months of 2013 by 3.8% (Fx adj. -0.1%) to €676 million (9M 2012: €703 million).

Sales of the **Consumer Care** Division advanced by 5.1% (Fx & portfolio adj.) to €984 million. Our skin-care product Bepanthen™/Bepanthol™ registered strong growth in the Emerging Markets and in Western Europe. Sales of the dietary supplement Supradyn™ developed encouragingly, including in Russia. Business with our analgesic Aspirin™ and our dietary supplement One A Day™ was held back mainly by lower volumes in the United States.

Sales of the **Medical Care** Division were level with the prior-year period (Fx & portfolio adj. +0.5%) at €619 million. Sales of contrast agents and medical devices in the Radiology and Interventional business improved on a currency- and portfolio-adjusted basis. The Diabetes Care business was hampered above all by reimbursement pressure and price declines in the United States.

Sales of the **Animal Health** Division rose by 1.5% (Fx & portfolio adj.) to €321 million. Growth was mainly attributable to the launch of our Seresto™ flea and tick collar in the United States. Sales of the Advantage™ line of flea, tick and worm control products were level with the prior-year period.

EBIT of the **Consumer Health** segment improved in the third quarter of 2013 by 19.2% to €341 million due to the lower special charges of €30 million (Q3 2012: €87 million). These mainly comprised €14 million in restructuring charges and €14 million in expenses for the integration of acquired businesses. **EBIT** before special items, at €371 million, came in on the level of the prior-year quarter (–0.5%). **EBITDA** before special items showed a slight 1.4% decrease to €477 million. Earnings were lifted by sales growth, mainly in the Consumer Care Division, but hampered by negative currency effects and an increase in selling expenses in the Emerging Markets.

In the **first nine months of 2013**, we raised **sales** in our **Consumer Health** segment by 3.9% (Fx & portfolio adj.) to €5,772 million. The Consumer Care business in the Emerging Markets and in Western Europe registered particularly strong gains, while Animal Health and Medical Care recorded only slightly higher sales.

EBIT advanced in the first nine months of 2013 by 29.8% to €919 million after net special charges of €97 million (9M 2012: €336 million). The special charges comprised a €44 million impairment loss recognized on an intangible asset, €42 million in restructuring charges and €24 million in expenses for the integration of acquired businesses. **EBIT** before special items declined by 2.7% to €1,016 million. **EBITDA** before special items receded slightly against the prior-year period to €1,329 million, partly on account of negative currency effects.

5.2 CropScience

Key Data – CropScience

[Table 9]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx (G p) adj. %	€ million	€ million	%	Fx (G p) adj. %
Sales	1,641	1,712	+4.3	+12.1	6,527	6,868	+5.2	+8.5
Change in sales								
Volume	+12.2%	+8.7%			+12.4%	+5.5%		
Price	+0.6%	+3.4%			+1.0%	+3.0%		
Currency	+7.3%	–8.5%			+4.4%	–3.8%		
Portfolio	–1.1%	+0.7%			–0.8%	+0.5%		
Sales by operating segment								
Crop Protection/Seeds	1,511	1,572	+4.0	+11.4	6,021	6,371	+5.8	+8.9
Environmental Science	130	140	+7.7	+19.2	506	497	–1.8	+3.4
Sales by region								
Europe	414	406	–1.9	–0.2	2,313	2,388	+3.2	+4.1
North America	279	246	–11.8	–6.5	1,867	1,910	+2.3	+4.1
Asia/Pacific	325	312	–4.0	+10.8	1,023	1,029	+0.6	+9.1
Latin America/Africa/Middle East	623	748	+20.1	+31.3	1,324	1,541	+16.4	+24.5
EBIT	73	106	+45.2		1,309	1,566	+19.6	
<i>Special items</i>	(3)	(9)			(66)	(32)		
EBIT before special items*	76	115	+51.3		1,375	1,598	+16.2	
EBITDA*	200	218	+9.0		1,676	1,902	+13.5	
<i>Special items</i>	3	(6)			(54)	(27)		
EBITDA before special items*	197	224	+13.7		1,730	1,929	+11.5	
EBITDA margin before special items*	12.0%	13.1%			26.5%	28.1%		
Gross cash flow**	137	172	+25.5		1,200	1,362	+13.5	
Net cash flow**	514	614	+19.5		794	653	–17.8	

2012 figures restated

Fx (G p) adj. = currency- (and portfolio-)adjusted (Fx G p adj.: Sales and Sales by operating segment; Fx adj.: Sales by region)

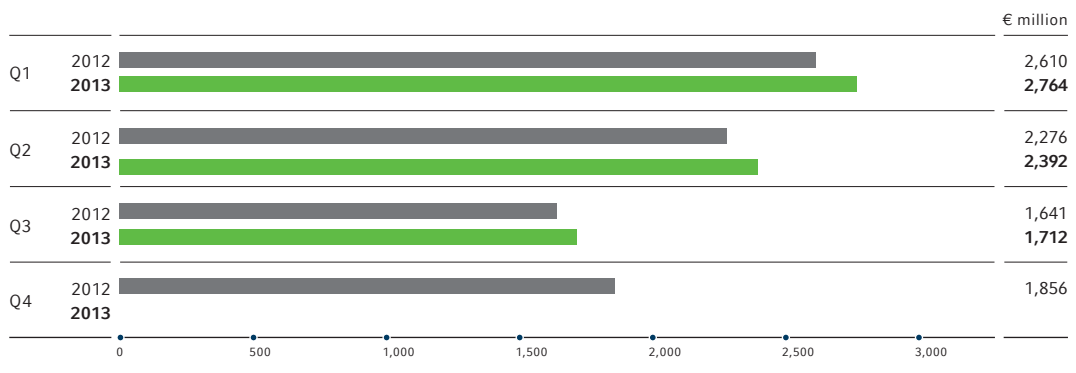
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **CropScience** subgroup increased in the **third quarter of 2013** by a currency- and portfolio-adjusted 12.1% (reported: +4.3%) to €1,712 million. This increase was mainly due to the good development of our crop protection products. Our business continued to benefit from a favorable market environment.

CropScience Quarterly Sales

[Graphic 10]



Sales in the **Crop Protection/Seeds** operating segment rose in the third quarter of 2013 by 11.4% (Fx & portfolio adj.) to €1,572 million. The positive development in nearly all Crop Protection business units more than offset the significantly lower sales in Seeds. This was largely the result of reduced cotton and canola acreages in North America, which also led to higher product returns. The biggest increase in percentage terms was achieved in Insecticides and Fungicides. Business with vegetable seeds also registered double-digit growth overall. Herbicides saw only a slight increase in sales in the third quarter. SeedGrowth remained at the level of the prior-year period. Our new products (launched since 2006) made a substantial contribution to this positive development.

Sales of the **Environmental Science** operating segment advanced by 19.2% (Fx & portfolio adj.) to €140 million. Both the consumer business and products for professional users contributed to this growth. We were particularly successful in North America and in Latin America/Africa/Middle East.

Sales by Business Unit

[Table 10]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Herbicides	360	340	-5.6	+1.9	1,905	1,987	+4.3	+7.5
Fungicides	361	420	+16.3	+24.7	1,529	1,750	+14.5	+17.3
Insecticides	376	441	+17.3	+28.2	1,090	1,157	+6.1	+11.8
SeedGrowth	317	303	-4.4	+0.3	677	674	-0.4	+3.2
Crop Protection	1,414	1,504	+6.4	+14.3	5,201	5,568	+7.1	+10.8
Seeds	97	68	-29.9	-30.2	820	803	-2.1	-3.0
Crop Protection/Seeds	1,511	1,572	+4.0	+11.4	6,021	6,371	+5.8	+8.9
Environmental Science	130	140	+7.7	+19.2	506	497	-1.8	+3.4

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

Sales development at **CropScience** varied by region.

Sales in **Europe**, at €406 million, matched the level of the strong prior-year quarter (Fx adj. -0.2%). Insecticides, Fungicides and the oilseed rape seed business posted double-digit growth. By contrast, business in SeedGrowth receded overall, partly in light of temporary use restrictions for products containing neonicotinoids.

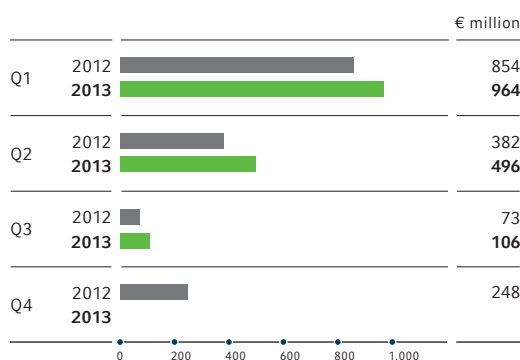
In **North America**, sales fell back in the third quarter of 2013 by 6.5% (Fx adj.) against a very strong prior-year quarter, to €246 million. This was primarily attributable to the business development in Seeds, mainly in relation to canola and cotton. By contrast, we expanded business in Crop Protection and Environmental Science. Sales of Fungicides and Herbicides increased, while those of Insecticides declined due to lower infestation pressure.

Sales in the **Asia/Pacific** region rose by 10.8% (Fx adj.) to €312 million, driven by higher sales in Fungicides. Our Insecticides and Seeds businesses, especially for vegetables and rice, also performed very successfully. In India we saw a significant rise in sales, particularly of Crop Protection products.

Sales in the **Latin America/Africa/Middle East** region improved by a significant 31.3% (Fx adj.) to €748 million. We achieved double-digit growth rates in both Crop Protection/Seeds and Environmental Science. The Insecticides and Fungicides businesses, in particular, saw substantial sales growth in this region. Both our SeedGrowth and our Herbicide businesses also developed encouragingly. Brazil accounted for a major part of the region's very encouraging sales development.

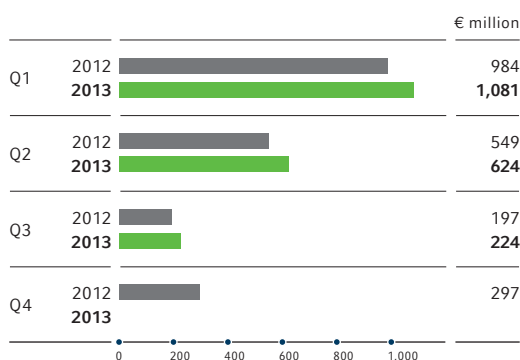
EBIT of CropScience rose in the third quarter of 2013 from €73 million to €106 million (+45.2%). Special charges of €9 million (Q3 2012: €3 million) were incurred for restructuring at Crop Protection. EBIT before special items advanced by 51.3% to €115 million and **EBITDA** before special items by 13.7% to €224 million. The increase in earnings was mainly due to the good business development but was held back by higher selling and R&D expenses.

CropScience
Quarterly EBIT [Graphic 11]



2012 figures restated

CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



2012 figures restated

Sales of CropScience in the **first nine months of 2013** moved ahead by 8.5% (Fx & portfolio adj.) to €6,868 million. Thus we succeeded in growing the business despite the late start to the season in the northern hemisphere. Contributing to the positive business performance were a favorable market environment and our new crop protection products. All units of Crop Protection and Environmental Science displayed positive development. Sales in Seeds, however, were down. Here the positive development for vegetable and other seeds did not offset the negative impact of reduced acreages for canola in Canada and cotton in the United States.

EBIT of CropScience increased significantly in the first nine months of 2013 from €1,309 million to €1,566 million. Special charges of €32 million (9M 2012: €66 million) were incurred mainly for restructuring at Crop Protection. EBIT before special items advanced by 16.2% to €1,598 million. **EBITDA** before special items rose by 11.5% from €1,730 million in the prior-year period to €1,929 million. Earnings growth was primarily due to the favorable business development, especially in Crop Protection, but was held back by higher selling and R&D expenses.

5.3 MaterialScience

Key Data – MaterialScience

[Table 11]

	3rd Quarter 2012	3rd Quarter 2013	Change		First Nine Months 2012	First Nine Months 2013	Change	
	€ million	€ million	%	Fx (€ p) adj. %	€ million	€ million	%	Fx (€ p) adj. %
Sales	2,990	2,897	–3.1	+1.1	8,731	8,547	–2.1	0.0
Change in sales								
Volume	+3.3%	+2.4%			+2.4%	–0.5%		
Price	–0.4%	–1.3%			+0.1%	+0.5%		
Currency	+5.9%	–3.8%			+4.4%	–2.0%		
Portfolio	–0.7%	–0.4%			–0.8%	–0.1%		
Sales by business unit								
Polyurethanes	1,570	1,567	–0.2	+4.1	4,514	4,582	+1.5	+3.9
Polycarbonates	719	673	–6.4	–3.1	2,151	2,000	–7.0	–5.6
Coatings, Adhesives, Specialties	513	486	–5.3	+0.8	1,521	1,446	–4.9	–2.0
Industrial Operations	188	171	–9.0	–7.4	545	519	–4.8	–4.0
Sales by region								
Europe	1,116	1,139	+2.1	+2.2	3,376	3,323	–1.6	–1.5
North America	646	627	–2.9	+2.8	1,862	1,863	+0.1	+2.8
Asia/Pacific	848	781	–7.9	–1.7	2,378	2,286	–3.9	–0.5
Latin America/Africa/Middle East	380	350	–7.9	–1.8	1,115	1,075	–3.6	0.0
EBIT	165	180	+9.1		487	365	–25.1	
<i>Special items</i>	(9)	(6)			(31)	24		
EBIT before special items*	174	186	+6.9		518	341	–34.2	
EBITDA*	331	341	+3.0		971	857	–11.7	
<i>Special items</i>	(6)	(5)			(28)	33		
EBITDA before special items*	337	346	+2.7		999	824	–17.5	
EBITDA margin before special items*	11.3%	11.9%			11.4%	9.6%		
Gross cash flow**	239	270	+13.0		736	670	–9.0	
Net cash flow**	411	365	–11.2		485	432	–10.9	

2012 figures restated

Fx (€ p) adj. = currency- (and portfolio-)adjusted (Fx & p adj.: Sales and Sales by business unit; Fx adj.: Sales by region)

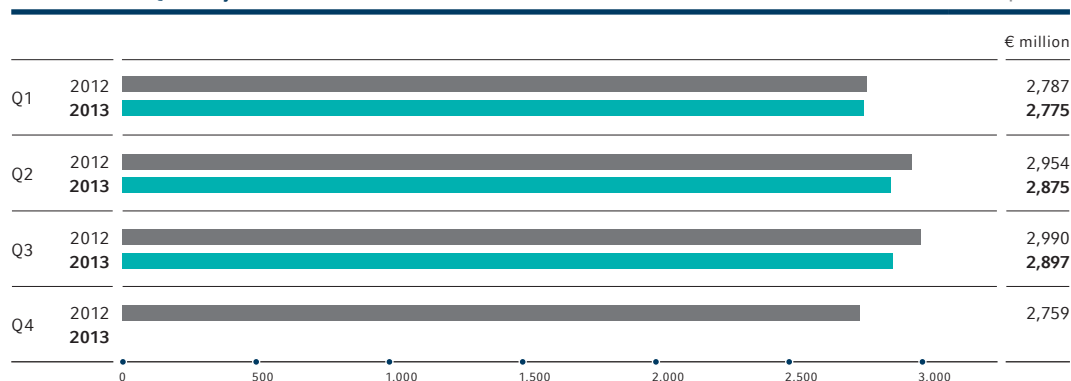
* For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

** For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales in the **MaterialScience** subgroup grew by 1.1% (Fx & portfolio adj.) in the **third quarter of 2013** to €2,897 million (reported: –3.1%). This growth was the result of higher volumes in the North America and Europe regions. Volumes in Asia/Pacific remained unchanged. Selling prices overall were slightly below the prior-year quarter. Price increases in Latin America/Africa/Middle East only partly offset the declines in Europe and Asia/Pacific. Prices in North America were flat with the prior-year quarter.

MaterialScience Quarterly Sales

[Graphic 13]



2012 figures restated

The **Polyurethanes** business unit raised sales by 4.1% (Fx & portfolio adj.) to €1,567 million. This increase was attributable to higher volumes in all regions except Latin America/Africa/Middle East. Selling prices were down overall against the prior-year period. Volumes for diphenylmethane diisocyanate (MDI) increased, with selling prices slightly lower. Volumes for toluene diisocyanate (TDI) moved significantly higher, while selling prices fell overall. Prices for polyether (PET) increased, with volumes at the level of the prior-year quarter.

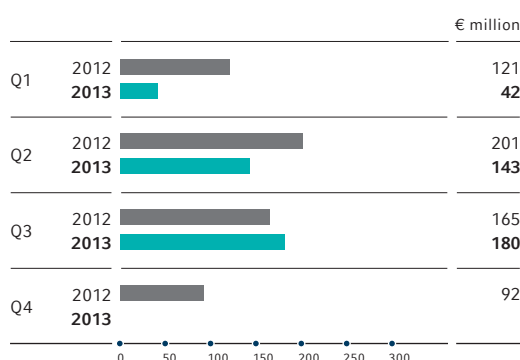
Sales of the **Polycarbonates** business unit declined by 3.1% (Fx & portfolio adj.) to €673 million, mainly because selling prices as a whole were below the prior-year period on account of market overcapacities. In addition, volumes showed a year-on-year decline due to weaker demand.

Sales in the **Coatings, Adhesives, Specialties** business unit advanced by 0.8% (Fx & portfolio adj.) to €486 million. This increase resulted from higher volumes in North America and Europe. Prices were nearly level with the prior-year quarter overall.

Sales of **Industrial Operations** receded by 7.4% (Fx & portfolio adj.) to €171 million due to lower overall volumes and prices.

MaterialScience Quarterly EBIT

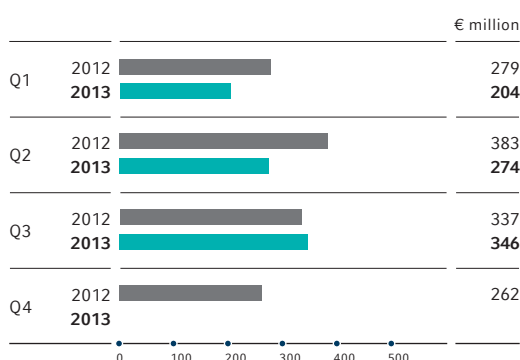
[Graphic 14]



2012 figures restated

MaterialScience Quarterly EBITDA Before Special Items

[Graphic 15]



2012 figures restated

EBIT of **MaterialScience** in the third quarter of 2013 moved forward by 9.1% to €180 million (Q3 2012: €165 million) after €6 million (Q3 2012: €9 million) in restructuring charges. **EBIT** before special items increased by 6.9% to €186 million (Q3 2012: €174 million). **EBITDA** before special items rose by 2.7% to €346 million (Q3 2012: €337 million), including a €17 million gain from the sale of our business with non-waterborne raw materials for UV-curing coatings. Earnings were bolstered by the slight rise in volumes and by our efficiency improvements, but diminished by a drop in selling prices and increases in raw material costs.

Sales of **MaterialScience** in the **first nine months of 2013** were level year on year (Fx & portfolio adj. 0.0%) at €8,547 million. Both volumes and prices were roughly unchanged compared with the prior-year period. However, **EBIT** fell by a substantial 25.1% to €365 million. **EBITDA** before special items receded by 17.5% to €824 million. This was largely due to raw material cost increases that we were unable to pass along in full to our customers.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America				
	3rd Quarter 2012	3rd Quarter 2013			3rd Quarter 2012	3rd Quarter 2013			
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	
HealthCare	1,574	1,720	+9.3	+11.3	1,298	1,269	-2.2	+3.5	
Pharmaceuticals	889	988	+11.1	+12.6	619	652	+5.3	+11.1	
Consumer Health	685	732	+6.9	+9.5	679	617	-9.1	-3.5	
CropScience	414	406	-1.9	-0.2	279	246	-11.8	-6.5	
MaterialScience	1,116	1,139	+2.1	+2.2	646	627	-2.9	+2.8	
Group (incl. reconciliation)	3,382	3,537	+4.6	+5.7	2,227	2,147	-3.6	+2.0	
	First Nine Months 2012	First Nine Months 2013			First Nine Months 2012	First Nine Months 2013			
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	
HealthCare	4,752	5,036	+6.0	+6.9	3,680	3,738	+1.6	+4.5	
Pharmaceuticals	2,689	2,869	+6.7	+7.5	1,769	1,877	+6.1	+8.9	
Consumer Health	2,063	2,167	+5.0	+6.2	1,911	1,861	-2.6	+0.3	
CropScience	2,313	2,388	+3.2	+4.1	1,867	1,910	+2.3	+4.1	
MaterialScience	3,376	3,323	-1.6	-1.5	1,862	1,863	+0.1	+2.8	
Group (incl. reconciliation)	11,281	11,540	+2.3	+2.9	7,424	7,528	+1.4	+4.0	

2012 figures restated

yoy = year on year; Fx. adj. = currency-adjusted

6. Calculation of EBIT(DA) Before Special Items

Key performance indicators for the Bayer Group are EBIT before special items and EBITDA before special items. These indicators are reported in order to allow a more accurate assessment of business operations. The special items – comprising effects that are non-recurring or do not regularly recur or attain similar magnitudes – are detailed in the following table. EBITDA, EBITDA before special items and EBIT before special items are not defined in the International Financial Reporting Standards (IFRS) and should therefore be regarded only as supplementary information. 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. 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 8.5% in the first nine months of 2013 to €2,118 million (9M 2012: €2,316 million), comprising €1,122 million (9M 2012: €1,310 million) in amortization and impairments of intangible assets and €996 million (9M 2012: €1,006 million) in depreciation and impairments of property, plant and equipment. The impairments are reflected net of a €13 million (9M 2012: €0 million) impairment loss reversal, which was included in special items. Impairments totaled €180 million (9M 2012: €350 million), of which €158 million (9M 2012: €316 million) was included in special items. Of the €1,951 million (9M 2012: €1,966 million) in depreciation and amortization, €20 million (9M 2012: €32 million) was included in special items.

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	3rd Quarter 2012	3rd Quarter 2013			3rd Quarter 2012	3rd Quarter 2013			3rd Quarter 2012	3rd Quarter 2013		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
	1,106	1,036	-6.3	+8.3	739	717	-3.0	+11.6	4,717	4,742	+0.5	+8.5
	779	755	-3.1	+12.7	445	423	-4.9	+9.9	2,732	2,818	+3.1	+11.9
	327	281	-14.1	-2.1	294	294	0.0	+14.3	1,985	1,924	-3.1	+3.8
	325	312	-4.0	+10.8	623	748	+20.1	+31.3	1,641	1,712	+4.3	+12.8
	848	781	-7.9	-1.7	380	350	-7.9	-1.8	2,990	2,897	-3.1	+0.7
	2,287	2,134	-6.7	+4.8	1,765	1,825	+3.4	+15.1	9,661	9,643	-0.2	+6.4
	First Nine Months 2012	First Nine Months 2013			First Nine Months 2012	First Nine Months 2013			First Nine Months 2012	First Nine Months 2013		
	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy	€ million	€ million	% yoy	Fx.adj. % yoy
	3,092	3,108	+0.5	+10.6	2,159	2,103	-2.6	+7.4	13,683	13,985	+2.2	+7.2
	2,164	2,233	+3.2	+14.3	1,310	1,234	-5.8	+4.7	7,932	8,213	+3.5	+9.2
	928	875	-5.7	+1.9	849	869	+2.4	+11.5	5,751	5,772	+0.4	+4.3
	1,023	1,029	+0.6	+9.1	1,324	1,541	+16.4	+24.5	6,527	6,868	+5.2	+9.0
	2,378	2,286	-3.9	-0.5	1,115	1,075	-3.6	0.0	8,731	8,547	-2.1	-0.1
	6,514	6,440	-1.1	+6.2	4,662	4,761	+2.1	+10.0	29,881	30,269	+1.3	+5.0

Special Items Reconciliation

[Table 13]

	EBIT* 3rd Quarter 2012	EBIT* 3rd Quarter 2013	EBIT* First Nine Months 2012	EBIT* First Nine Months 2013	EBITDA** 3rd Quarter 2012	EBITDA** 3rd Quarter 2013	EBITDA** First Nine Months 2012	EBITDA** First Nine Months 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Before special items	1,184	1,320	4,486	4,679	1,842	1,984	6,454	6,632
HealthCare	(334)	(70)	(1,122)	(359)	(250)	(64)	(789)	(208)
Impairment losses/ impairment loss reversals	(68)	(1)	(305)	(116)	–	(1)	–	14
Restructuring	(72)	(26)	(123)	(88)	(56)	(20)	(95)	(67)
Litigations	(205)	–	(705)	(89)	(205)	–	(705)	(89)
Integration costs	–	(43)	–	(66)	–	(43)	–	(66)
Changes in employee benefits	11	–	11	–	11	–	11	–
CropScience	(3)	(9)	(66)	(32)	3	(6)	(54)	(27)
Restructuring	(17)	(9)	(58)	(27)	(11)	(6)	(46)	(22)
Litigations	(2)	–	(24)	(5)	(2)	–	(24)	(5)
Changes in employee benefits	16	–	16	–	16	–	16	–
MaterialScience	(9)	(6)	(31)	24	(6)	(5)	(28)	33
Restructuring	(22)	(6)	(44)	(18)	(19)	(5)	(41)	(9)
Divestitures	–	–	–	42	–	–	–	42
Changes in employee benefits	13	–	13	–	13	–	13	–
Reconciliation	(10)	(14)	(68)	(33)	(10)	(14)	(68)	(33)
Restructuring	(23)	(14)	(57)	(33)	(23)	(14)	(57)	(33)
Litigations	–	–	(26)	–	–	–	(26)	–
Changes in employee benefits	13	–	15	–	13	–	15	–
Total special items	(356)	(99)	(1,287)	(400)	(263)	(89)	(939)	(235)
After special items	828	1,221	3,199	4,279	1,579	1,895	5,515	6,397

2012 figures restated

* EBIT = earnings before financial result and taxes

** EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

7. Core Earnings Per Share

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To enhance comparability, we also determine core net income after eliminating amortization and impairments of intangible assets, impairments of property, plant and equipment, and special items, 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 2013 amounted to €1.27 (Q3 2012: €1.17).

Core Earnings per Share

[Table 14]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	828	1,221	3,199	4,279
Amortization and impairments of intangible assets	407	342	1,310	1,122
Impairments of property, plant and equipment	9	14	32	27
Special items (other than amortization and impairments)	263	89	939	235
Core EBIT	1,507	1,666	5,480	5,663
Financial result (as per income statements)	(183)	(228)	(583)	(643)
Special items in the financial result	–	25	–	82
Income taxes (as per income statements)	(123)	(255)	(567)	(892)
Tax effects related to amortization, impairments and special items	(222)	(148)	(769)	(468)
Income after income taxes attributable to non-controlling interest (as per income statements)	(6)	(5)	(12)	(10)
Core net income	973	1,055	3,549	3,732
	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 (€)	1.17	1.27	4.29	4.51

2012 figures restated

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows

[Table 15]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
Gross cash flow*	1,006	1,367	3,830	4,854
Changes in working capital/other non-cash items	980	361	(206)	(1,263)
Net cash provided by (used in) operating activities (net cash flow)	1,986	1,728	3,624	3,591
Net cash provided by (used in) investing activities	(1,766)	(510)	(315)	(1,994)
Net cash provided by (used in) financing activities	(152)	(1,307)	(3,663)	(1,611)
Change in cash and cash equivalents due to business activities	68	(89)	(354)	(14)
Cash and cash equivalents at beginning of period	1,352	1,732	1,767	1,698
Change due to exchange rate movements and to changes in scope of consolidation	6	(28)	13	(69)
Cash and cash equivalents at end of period	1,426	1,615	1,426	1,615

2012 figures restated

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

OPERATING CASH FLOW

Gross cash flow in the **third quarter of 2013** climbed by 35.9% against the prior-year period to €1,367 million (Q3 2012: €1,006 million) due to the substantial improvement in EBIT. Working capital of €361 million was released in the third quarter of 2013. This was considerably less than in the prior-year quarter (Q3 2012: €980 million), partly for business-related reasons and because of litigation-related payments. Net cash flow therefore fell by 13.0% to €1,728 million (Q3 2012: €1,986 million), reflecting income tax payments of €327 million (Q3 2012: €319 million).

Gross cash flow in the **first nine months of 2013** increased by 26.7% against the prior-year period to €4,854 million, mainly on account of the improvement in EBIT. Net cash flow came in level with the prior year at €3,591 million. Income tax payments were lower at €977 million (9M 2012: €1,133 million).

INVESTING CASH FLOW

The net cash outflow for investing activities in the **third quarter of 2013** amounted to €510 million. Disbursements for property, plant and equipment and intangible assets rose by 5.8% to €514 million (Q3 2012: €486 million). Of this amount, HealthCare accounted for €175 million (Q3 2012: €167 million), CropScience for €141 million (Q3 2012: €93 million) and MaterialScience for €128 million (Q3 2012: €164 million). The €213 million (Q3 2012: €386 million) in outflows for acquisitions mainly related to the purchase of Steigerwald Arzneimittel GmbH. Cash inflows from noncurrent and current financial assets amounted to €105 million; in the prior-year period, there was an outflow of €976 million, mainly for the purchase of short-term securities.

The net cash outflow for investing activities in the **first nine months of 2013** was €1,994 million. Disbursements for property, plant and equipment and intangible assets were 16.4% higher at €1,381 million (9M 2012: €1,186 million). Of this amount, HealthCare accounted for €530 million (9M 2012: €444 million), CropScience for €324 million (9M 2012: €231 million) and MaterialScience for €372 million (9M 2012: €389 million). The €1,059 million (9M 2012: €452 million) in outflows for acquisitions related to the acquisitions of Conceptus, Inc. and Teva Animal Health Inc. in the United States, the purchases of the soybean seed producer Wehrtec Ltda and the soybean business of Agricola Wehrmann Ltda in Brazil and the acquisitions of Prophyta Biologischer Pflanzenschutz GmbH and Steigerwald Arzneimittel GmbH in Germany. The cash inflows of €79 million (9M 2012: €139 million) from divestitures arose mainly from the sale of the global powder polyester resins business and the U.S.-based liquid polyester resins business and from revenue-based payments received in connection with the sale of the hematological oncology portfolio to Genzyme Corp., United States. Cash inflows from noncurrent and current financial assets amounted to €175 million (9M 2012: €1,008 million).

FINANCING CASH FLOW

In the **third quarter of 2013** there was a net cash outflow of €1,307 million for financing activities, including net loan repayments of €1,199 million (Q3 2012: €36 million). Net interest payments were 6.1% lower at €107 million (Q3 2012: €114 million).

The net cash outflow for financing activities in the **first nine months of 2013** amounted to €1,611 million, after net borrowings of €222 million (9M 2012: including net loan repayments of €1,903 million). Net interest payments were 34.3% lower at €257 million (9M 2012: €391 million). The cash outflow for "dividend payments and withholding tax on dividends" amounted to €1,573 million (9M 2012: €1,366 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt

[Table 16]

	Dec. 31, 2012	June 30, 2013	Sep. 30, 2013
	€ million	€ million	€ million
Bonds and notes/promissory notes	5,528	4,681	4,567
of which hybrid bond	1,364	1,346	1,341
Liabilities to banks	2,841	2,741	2,473
Liabilities under finance leases	542	443	413
Liabilities from derivatives	304	369	276
Other financial liabilities	310	3,061	2,188
Positive fair values of hedges of recorded transactions	(456)	(401)	(336)
Financial debt	9,069	10,894	9,581
Cash and cash equivalents	(1,698)	(1,732)	(1,615)
Current financial assets	(349)	(147)	(221)
Net financial debt	7,022	9,015	7,745

2012 figures restated

Net financial debt of the Bayer Group decreased by 14.1% from €9.0 billion on June 30, 2013, to €7.7 billion as of September 30, 2013, largely as a result of cash inflows from operating activities.

Financial debt included the subordinated hybrid bond issued in July 2005, which was reflected at €1.3 billion. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond as equity. The hybrid bond thus has a more limited effect on the Group's rating-specific debt indicators than conventional borrowings. Other financial liabilities as of September 30, 2013, included commercial paper in an amount of €1.7 billion. Our noncurrent financial liabilities fell in the third quarter of 2013 from €7.3 billion to €5.8 billion. At the same time, current financial liabilities increased from €4.0 billion to €4.1 billion.

On July 4, 2013, Bayer Holding Ltd., Japan, redeemed at maturity the JPY 10 billion bond issued under the EMTN program in 2008.

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

ASSET AND CAPITAL STRUCTURE

Bayer Group Summary Statements of Financial Position

[Table 17]

	Dec. 31, 2012	June 30, 2013	Sep. 30, 2013
	€ million	€ million	€ million
Noncurrent assets	32,308	32,680	32,288
Current assets	19,010	20,486	19,606
Total assets	51,318	53,166	51,894
Equity	18,551	19,496	20,144
Noncurrent liabilities	19,663	18,800	17,002
Current liabilities	13,104	14,870	14,748
Liabilities	32,767	33,670	31,750
Total equity and liabilities	51,318	53,166	51,894

2012 figures restated

Total assets declined in the third quarter of 2013 by 2.4% to €51.9 billion. Noncurrent assets decreased by €0.4 billion to €32.3 billion, chiefly as a result of currency effects. The carrying amount of current assets receded by €0.9 billion to €19.6 billion, primarily due to the seasonal drop in trade accounts receivable.

The €0.6 billion increase in equity to €20.1 billion was attributable to the €0.7 billion income after income taxes and the €0.2 billion effect of the decrease in pension obligations, which was recognized outside profit or loss. These were partially offset by currency effects of €0.3 billion. The equity ratio (equity coverage of total assets) as of September 30, 2013, was 38.8% (June 30, 2013: 36.7%).

Liabilities fell by €1.9 billion compared with June 30, 2013, to €31.8 billion. This was mainly the result of the €1.4 billion reduction in financial liabilities and the €0.4 billion decrease in provisions for pensions and other post-employment benefits.

Net Amount Recognized for Post-Employment Benefits

[Table 18]

	Dec. 31, 2012	June 30, 2013	Sep. 30, 2013
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	9,246	8,257	7,863
Benefit plan assets in excess of obligation	(27)	(66)	(86)
Net amount recognized for post-employment benefits	9,219	8,191	7,777

2012 figures restated

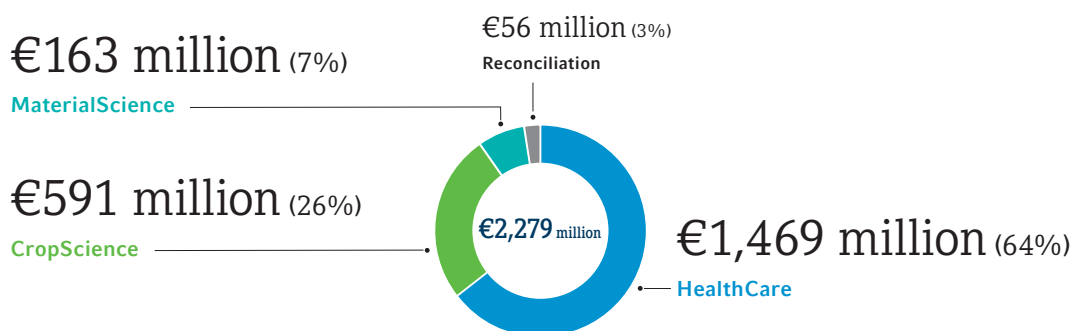
The net amount recognized for post-employment benefits decreased from €8.2 billion to €7.8 billion in the third quarter of 2013, due especially to higher long-term capital market interest rates in Germany and the United States.

9. Growth and Innovation

We spent a total of €2,279 million on research and development in the first nine months of 2013, including €781 million in the third quarter. Capital expenditures for property, plant and equipment and intangible assets in the first nine months of 2013 amounted to €1,381 million, including €514 million in the third quarter.

Research and Development Expenses in the First Nine Months of 2013

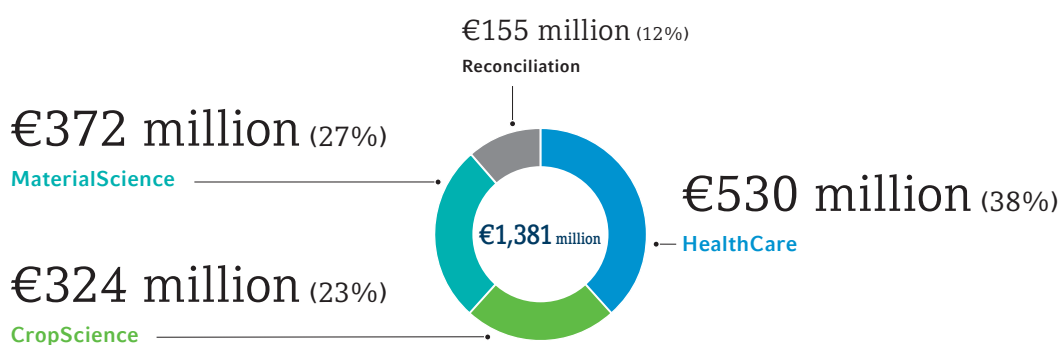
[Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the First Nine Months of 2013

[Graphic 17]



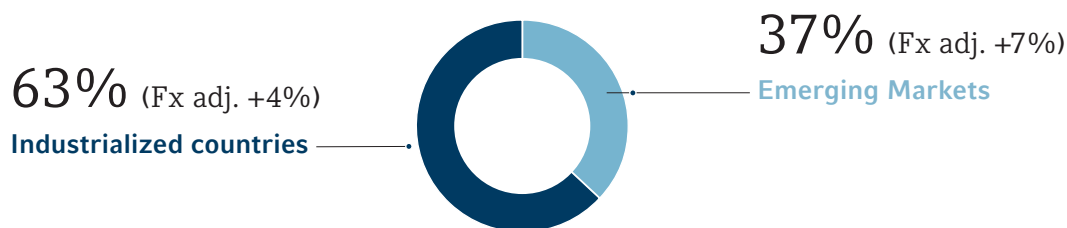
Subgroup shares in parentheses

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

Sales in the Emerging Markets advanced by 7.1% (Fx adj.) in the first nine months of 2013 to €11,102 million (9M 2012: €10,819 million), including €3,829 million (Fx adj. +8.9%; Q3 2012: €3,797 million) in the third quarter. All regions registered positive growth on a currency-adjusted basis. We achieved particularly encouraging gains in Latin America. The Emerging Markets accounted for 36.7% (9M 2012: 36.2%) of total sales in the first nine months of 2013 and 39.7% (Q3 2012: 39.3%) in the third quarter.

Sales Development in the First Nine Months of 2013

[Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first nine months of 2013 we invested €1,469 million in research and development at HealthCare, including €492 million in the third quarter. We made further progress with our research and development pipeline during this period. (The following description does not include ongoing activities already described in the Annual Report 2012.)

The most important drug candidates in the approval process are:

Products Submitted for Approval*

[Table 19]

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

* as of October 17, 2013

** octocog alfa = active ingredient of Kogenate™

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

Research and Development Projects (Phases II and III)*

[Table 20]

	Indication	Status
Aflibercept	Treatment of diabetic macular edema	Phase III
Aflibercept	Prevention of abnormal retinal angiogenesis following pathological myopia	Phase III
Amikacin Inhale	Treatment of pulmonary infection	Phase III
BAY 94-9027 (rFVIII mutein)	Treatment of hemophilia A	Phase III
Ciprofloxacin Inhale	Treatment of pulmonary infection	Phase III
LCS-16 (ULD LNG Contraceptive System)	Intrauterine contraception, duration of use: up to 5 years	Phase III
Prasterone**	Treatment of vulvovaginal atrophy	Phase III
Regorafenib	Treatment of refractory liver cancer	Phase III
Rivaroxaban	Prevention of major adverse cardiac events (MACE)	Phase III
Rivaroxaban	Anti-coagulation in patients with chronic heart failure	Phase III
Sodium deoxycholate***	Injection for reduction of submental fat	Phase III
Sorafenib	Treatment of breast cancer	Phase III
Sorafenib	Treatment of liver cancer, adjuvant therapy	Phase III
Sorafenib	Treatment of kidney cancer, adjuvant therapy	Phase III
Tedizolid	Treatment of complicated skin infections and pneumonia	Phase III
Copanlisib (PI3k inhibitor)	Treatment of recurrent/resistant non-Hodgkin's lymphoma	Phase II
BAY 85-8501 (neutrophil elastase inhibitor)	Lung diseases	Phase II
BAY 1021189 (sGC stimulator)	Chronic heart failure	Phase II
Finerenone (MR antagonist)	Chronic heart failure	Phase II
Finerenone (MR antagonist)	Diabetic nephropathy	Phase II
Radium-223 dichloride	Treatment of bone metastases in cancer	Phase II
Refametinib (MEK inhibitor)	Cancer therapy	Phase II
Regorafenib	Cancer therapy	Phase II
Riociguat	Pulmonary hypertension (IIP)	Phase II
Riociguat	Raynaud's phenomenon	Phase II
Sorafenib	Cancer therapy	Phase II

* as of October 17, 2013

** prasterone = Vaginorm

*** sodium deoxycholate = ATX-101

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

In March 2013, the U.S. Food and Drug Administration (FDA) issued a second complete response letter regarding the approval process for **Xarelto™** (active ingredient: rivaroxaban) for the reduction of cardiovascular events in patients with acute coronary syndrome (ACS). This was followed in June 2013 by a complete response letter regarding the approval process for Xarelto™ to reduce the risk of stent thrombosis in patients with ACS. Our cooperation partner Janssen Research & Development LLC has submitted the responses to the FDA.

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

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

In May 2013, we filed for regulatory approval of riociguat in Japan to treat CTEPH. We received the first approval in the indication CTEPH in **September 2013** in Canada. In **October 2013**, following priority review, riociguat was approved by the FDA under the trade name Adempas™ in the indications CTEPH and PAH.

In February 2013, the FDA approved the cancer drug **Stivarga™** (active ingredient: regorafenib) to treat patients with locally advanced, unresectable or metastatic gastrointestinal stromal tumors (GIST) who have been previously treated with imatinib mesylate and sunitinib malate. In **August 2013**, Stivarga™ was approved by the Japanese Ministry of Health, Labour and Welfare (MHLW) for the treatment of GIST. In **September 2013**, the product was submitted for approval in this indication in the European Union.

In March 2013, the MHLW approved Stivarga™ for the treatment of patients with unresectable, advanced/recurrent colorectal cancer. In **August 2013**, the product was approved for the treatment of this disease in the European Union.

In May 2013, the cancer medicine **Xofigo™** (active ingredient: radium-223 dichloride) was approved by the FDA for the treatment of patients suffering from hormone-refractory prostate cancer (CRPC) with symptomatic bone metastases and no known visceral metastases. In the United States, we jointly market this product with Algeta US, LLC. In **September 2013**, the European Committee for Medicinal Products for Human Use (CHMP) recommended that radium-223 dichloride be approved in this indication in the European Union.

In June 2013, **sorafenib** – already approved for the treatment of liver cancer and renal cell carcinoma under the trade name **Nexavar™** – was submitted to the EMA and the FDA for regulatory approval in the treatment of locally advanced or metastatic differentiated thyroid cancer refractory to radioactive iodine. In **August 2013**, the FDA granted priority review designation to this application. In **September 2013**, sorafenib was submitted to the Japanese MHLW for marketing authorization for the treatment of thyroid cancer. We are jointly developing and marketing Nexavar™ with Onyx Pharmaceuticals, Inc., United States.

In June 2013, a Phase III trial with **aflibercept** (trade name: **Eylea™**) for injection in patients with myopic choroidal neovascularization (mCNV) showed positive results. mCNV is a disease of the retina in persons who are severely myopic. In **August 2013**, two Phase III trials investigating aflibercept in the treatment of diabetic macular edema (DME), a disease caused by elevated blood glucose levels that affects the blood vessels of the retina, met their primary endpoint. The company plans to submit the first applications for regulatory approval in the treatment of mCNV and DME by the end of the year.

In **August 2013**, the European Commission approved Eylea™ for the treatment of visual impairment due to macular edema secondary to central retinal vein occlusion (CRVO). Bayer HealthCare and Regeneron Pharmaceuticals, Inc., United States, are collaborating on the global development of Eylea™. Regeneron maintains exclusive rights to the active ingredient in the United States.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In June 2013, we acquired Conceptus, Inc. The U.S. company has developed Essure™, the only non-surgical permanent birth control method.

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

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

In July 2013, we acquired Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. Steigerwald specializes in pharmacy-only herbal medicines. The product portfolio includes the Iberogast™ brand for the treatment of functional gastrointestinal disorders.

In **August 2013**, we entered into a collaboration and licensing agreement with Compugen Ltd., Israel, pertaining to the research, development, and commercialization of antibody-based therapeutics for cancer immunotherapy.

In **September 2013**, we entered into a strategic alliance with the Broad Institute, Cambridge, Massachusetts, United States, in the area of oncogenomics and drug discovery. The goal of this five-year collaboration is to jointly discover and develop therapeutic agents that selectively target cancer genome alterations.

Production capacity for rivaroxaban (trade name: Xarelto™) at our site in Wuppertal, Germany, is being expanded by adding two production lines to an existing multipurpose facility. The new capacity is due on stream in mid-2014.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets by 8.6% (Fx adj.) in the first nine months of 2013 to €4,624 million (9M 2012: €4,495 million), including €1,567 million (Fx adj. +8.8%) in the third quarter of 2013 (Q3 2012: €1,576 million), with all regions contributing to this increase. The highest currency-adjusted growth rate was posted in Eastern Europe. Our Consumer Care business in Russia developed particularly well. We also saw significant currency-adjusted sales gains in Latin America, especially for our Consumer Care products in Brazil and Argentina. Sales of HealthCare in China were level with the prior-year period on a currency-adjusted basis. The Emerging Markets accounted for 33.1% (9M 2012: 32.9%) of total HealthCare sales in the first nine months of 2013 and 33.0% (Q3 2012: 33.4%) in the third quarter.

9.2 CropScience

RESEARCH AND DEVELOPMENT

CropScience spent €591 million on research and development in the first nine months of 2013, including €205 million in the third quarter.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

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

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

EMERGING MARKETS

CropScience raised sales in the Emerging Markets by 18.0% (Fx adj.) in the first nine months of 2013 to €2,824 million (9M 2012: €2,522 million). Third-quarter sales in these countries increased by 27.5% (Fx adj.) to €1,028 million (Q3 2012: €885 million). Business in Latin America, especially Brazil, developed particularly well in the third quarter. We also achieved very pleasing sales gains in Asia. Business in Eastern Europe and Africa/Middle East also developed positively. The Emerging Markets' share of total CropScience sales was 41.1% in the first nine months of 2013 (9M 2012: 38.6%) and 60.1% in the third quarter of 2013 (Q3 2012: 53.9%).

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €163 million on research and development in the first nine months of 2013, including €59 million in the third quarter. This investment went mainly to explore new areas of application and improve process technologies and products. In addition, MaterialScience invested €75 million in the first nine months of 2013 in joint development projects with customers, including €25 million in the third quarter.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

In February 2013, the regulatory permit to build and operate a major new plant at the Dormagen site became final. This will be a high-tech facility for the production of toluene diisocyanate (TDI), a precursor for flexible polyurethane foam, using a particularly eco-friendly technology. The new 300,000-tons-per-year facility is due to replace the existing TDI plants in Dormagen and Brunsbüttel in the medium term. Start-up is scheduled for the second half of 2014.

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

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

In **July 2013**, following a successful test phase, MaterialScience began planning the construction of a production facility to commercialize the use of carbon dioxide as a new raw material for plastics. The new plant in Dormagen will use the greenhouse gas as a precursor for high-tech foams. The objective is to make larger quantities of this precursor available, initially to selected processors, starting in 2015.

EMERGING MARKETS

In the Emerging Markets, MaterialScience had sales of €3,596 million in the first nine months of 2013 (9M 2012: €3,717 million), down just 1.3% (Fx adj.) from the prior-year period. Third-quarter sales in these countries declined by 2.5% (Fx adj.) to €1,219 million (Q3 2012: €1,306 million). The reason for the decline was an overall drop in sales in the Emerging Markets of Asia, with business in China holding steady year on year. Sales also developed negatively in Latin America despite gains in Brazil and Mexico. In Eastern Europe, on the other hand, we posted a slight increase. The Emerging Markets' share of total MaterialScience sales was 42.1% in the first nine months of 2013 (9M 2012: 42.6%) and 42.1% in the third quarter of 2013 (Q3 2012: 43.7%).

10. Employees

On September 30, 2013, the Bayer Group employed 113,300 people worldwide (December 31, 2012: 110,000). The number of employees thus showed an increase of 3,300 (+3.0%).

HealthCare employed 56,600 people (December 31, 2012: 54,800). The number of employees at CropScience showed a seasonal increase to 21,800 (December 31, 2012: 20,800). There was a slight decline at MaterialScience to 14,400 employees (December 31, 2012: 14,500). The remaining 20,500 employees (December 31, 2012: 19,900 employees) mainly worked for the service companies.

Personnel expenses for the first nine months of 2013 rose by 2.1% from the prior-year period to €7,041 million (9M 2012: €6,897 million), with the third quarter accounting for €2,329 million.

11. Opportunities and Risks

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

A risk management system is in place. Apart from financial risks, there are also industry-specific selling market, procurement market, product development, patent, production, environmental, personnel and regulatory risks. Legal risks exist particularly in the areas of product liability, competition and antitrust law, patent disputes, tax assessments and environmental matters. Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2012 are described in the Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group on page 65ff. under "Legal Risks." Information on the Bayer Group's risk situation is provided in the Bayer Annual Report 2012 on pages 148–158 and 271–276. The Bayer Annual Report 2012 can be downloaded free of charge at www.BAYER.COM.

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

12. Events After the End of the Reporting Period

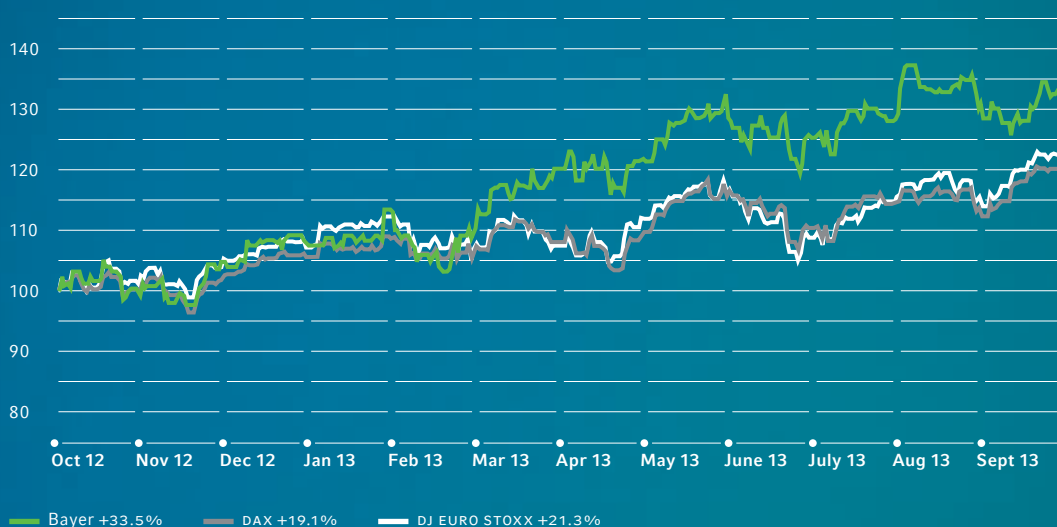
Bayer sold its interest in Onyx Pharmaceuticals, Inc., United States, for €87 million effective October 1, 2013, in response to the tender offer from Amgen Inc., United States.

Investor Information

Performance of Bayer Stock over the Past Twelve Months

[Graphic 19]

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



Bayer stock continued to gain value in the third quarter of 2013. The price rose by 6.4%, reaching a historic high of €89.63 in early August. The DAX appreciated by 8.0% in the third quarter, while the EURO STOXX 50 (performance index) advanced by 11.5%.

Bayer shares closed at €87.16 on September 30, 2013. Including the dividend of €1.90 per share paid on April 29, 2013, the performance of Bayer stock since the beginning of the year came to 24.1%. The DAX gained 12.9% over the same period, closing at 8,594 points. The EURO STOXX 50 (performance index) rose by 12.7%, finishing the third quarter at 5,217 points.

Bayer Stock Data

[Table 21]

		3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
High for the period	€	68.40	89.63	68.40	89.63
Low for the period	€	56.56	80.06	47.97	69.01
Average daily trading volume	million shares	2.7	1.9	2.8	2.1
		Sep. 30, 2012	Sep. 30, 2013	Dec. 31, 2012	Change Sep. 30, 2013/ Dec. 31, 2012 %
Share price	€	66.83	87.16	71.89	+21.2
Market capitalization	€ million	55,265	72,077	59,449	+21.2
Equity as per statements of financial position	€ million	18,686	20,144	18,551	+8.6
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		7,216	8,594	7,612	+12.9

Xetra closing prices (source: Bloomberg)
2012 figures restated

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

Bayer Group Consolidated Income Statements

[Table 22]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
Net sales	9,661	9,643	29,881	30,269
Cost of goods sold	(4,691)	(4,616)	(14,287)	(14,357)
Gross profit	4,970	5,027	15,594	15,912
Selling expenses	(2,469)	(2,519)	(7,278)	(7,628)
Research and development expenses	(741)	(781)	(2,191)	(2,279)
General administration expenses	(477)	(473)	(1,388)	(1,394)
Other operating income	184	209	469	664
Other operating expenses	(639)	(242)	(2,007)	(996)
EBIT*	828	1,221	3,199	4,279
Equity-method loss	(5)	(4)	(16)	(12)
Financial income	75	49	320	215
Financial expenses	(253)	(273)	(887)	(846)
Financial result	(183)	(228)	(583)	(643)
Income before income taxes	645	993	2,616	3,636
Income taxes	(123)	(255)	(567)	(892)
Income after income taxes	522	738	2,049	2,744
of which attributable to non-controlling interest	6	5	12	10
of which attributable to Bayer AG stockholders (net income)	516	733	2,037	2,734
	€	€	€	€
Earnings per share				
Basic	0.62	0.89	2.46	3.31
Diluted	0.62	0.89	2.46	3.31

2012 figures adjusted

* EBIT = earnings before financial result and taxes

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
Income after income taxes	522	738	2,049	2,744
<i>of which attributable to non-controlling interest</i>	6	5	12	10
<i>of which attributable to Bayer AG stockholders</i>	516	733	2,037	2,734
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post-employment benefits and effects of the asset ceiling	(554)	362	(2,134)	1,342
Income taxes	173	(129)	666	(472)
Other comprehensive income from actuarial gains/losses and effects of the asset ceiling	(381)	233	(1,468)	870
Other comprehensive income that will not be reclassified subsequently to profit or loss	(381)	233	(1,468)	870
Changes in fair values of derivatives designated as cash flow hedges	1	50	(47)	132
Reclassified to profit or loss	78	(54)	110	(100)
Income taxes	(22)	–	(19)	(8)
Other comprehensive income from cash flow hedges	57	(4)	44	24
Changes in fair values of available-for-sale financial assets	18	30	36	36
Reclassified to profit or loss	–	–	–	–
Income taxes	(7)	(9)	(14)	(12)
Other comprehensive income from available-for-sale financial assets	11	21	22	24
Changes in exchange differences recognized on translation of operations outside the eurozone	(58)	(339)	152	(495)
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	(58)	(339)	152	(495)
Other comprehensive income that may be reclassified subsequently to profit or loss	10	(322)	218	(447)
Effects of changes in scope of consolidation	1	(1)	(3)	(1)
Total other comprehensive income*	(370)	(90)	(1,253)	422
<i>of which attributable to non-controlling interest</i>	–	(9)	–	(13)
<i>of which attributable to Bayer AG stockholders</i>	(370)	(81)	(1,253)	435
Total comprehensive income	152	648	796	3,166
<i>of which attributable to non-controlling interest</i>	6	(4)	12	(3)
<i>of which attributable to Bayer AG stockholders</i>	146	652	784	3,169

2012 figures restated

* total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	Sep. 30, 2012	Sep. 30, 2013	Dec. 31, 2012
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,363	9,971	9,293
Other intangible assets	9,700	9,258	9,464
Property, plant and equipment	9,738	9,861	9,898
Investments accounted for using the equity method	229	211	225
Other financial assets	1,337	1,191	1,308
Other receivables	518	465	541
Deferred taxes	1,485	1,331	1,579
	32,370	32,288	32,308
Current assets			
Inventories	6,940	7,163	6,991
Trade accounts receivable	7,932	8,093	7,433
Other financial assets	1,569	741	857
Other receivables	1,945	1,450	1,655
Claims for income tax refunds	639	544	376
Cash and cash equivalents	1,426	1,615	1,698
Assets held for sale	14	–	–
	20,465	19,606	19,010
Total assets	52,835	51,894	51,318
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	10,336	11,765	10,167
Equity attributable to Bayer AG stockholders	18,620	20,049	18,451
Equity attributable to non-controlling interest	66	95	100
	18,686	20,144	18,551
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	9,715	7,863	9,246
Other provisions	1,963	1,814	2,111
Financial liabilities	7,117	5,801	6,962
Other liabilities	385	362	409
Deferred taxes	1,223	1,162	935
	20,403	17,002	19,663
Current liabilities			
Other provisions	5,484	5,164	4,844
Financial liabilities	2,633	4,122	2,568
Trade accounts payable	3,796	4,050	4,305
Income tax liabilities	320	62	72
Other liabilities	1,513	1,350	1,315
	13,746	14,748	13,104
Total equity and liabilities	52,835	51,894	51,318

2012 figures restated

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
Income after income taxes	522	738	2,049	2,744
Income taxes	123	255	567	892
Financial result	183	228	583	643
Income taxes paid or accrued	(312)	(396)	(1,173)	(1,158)
Depreciation, amortization and impairments	751	674	2,316	2,118
Change in pension provisions	(233)	(101)	(457)	(288)
(Gains) losses on retirements of noncurrent assets	(28)	(31)	(55)	(97)
Gross cash flow	1,006	1,367	3,830	4,854
Decrease (increase) in inventories	(178)	(223)	(468)	(477)
Decrease (increase) in trade accounts receivable	675	610	(805)	(1,066)
(Decrease) increase in trade accounts payable	346	95	25	(93)
Changes in other working capital, other non-cash items	137	(121)	1,042	373
Net cash provided by (used in) operating activities (net cash flow)	1,986	1,728	3,624	3,591
Cash outflows for additions to property, plant, equipment and intangible assets	(486)	(514)	(1,186)	(1,381)
Cash inflows from sales of property, plant, equipment and other assets	42	58	100	119
Cash inflows from divestitures	26	–	139	79
Cash inflows from (outflows for) noncurrent financial assets	(89)	94	(316)	157
Cash outflows for acquisitions less acquired cash	(386)	(213)	(452)	(1,059)
Interest and dividends received	14	54	76	73
Cash inflows from (outflows for) current financial assets	(887)	11	1,324	18
Net cash provided by (used in) investing activities	(1,766)	(510)	(315)	(1,994)
Dividend payments and withholding tax on dividends	(1)	–	(1,366)	(1,573)
Issuances of debt	154	1,283	1,030	4,292
Retirements of debt	(190)	(2,482)	(2,933)	(4,070)
Interest paid including interest-rate swaps	(203)	(199)	(668)	(426)
Interest received from interest-rate swaps	89	92	277	169
Cash outflows for the purchase of additional interests in subsidiaries	(1)	(1)	(3)	(3)
Net cash provided by (used in) financing activities	(152)	(1,307)	(3,663)	(1,611)
Change in cash and cash equivalents due to business activities	68	(89)	(354)	(14)
Cash and cash equivalents at beginning of period	1,352	1,732	1,767	1,698
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	2	–
Change in cash and cash equivalents due to exchange rate movements	6	(28)	11	(69)
Cash and cash equivalents at end of period	1,426	1,615	1,426	1,615

2012 figures restated

Bayer Group Consolidated Statements of Changes in Equity

[Table 26]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2011	2,117	6,167	10,912	19,196	59	19,255
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,364)	(1,364)	(2)	(1,366)
Other changes			4	4	(3)	1
Total comprehensive income			784	784	12	796
Sep. 30, 2012	2,117	6,167	10,336	18,620	66	18,686
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

2012 figures restated

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

Key Data by Segment

	HealthCare				
	Pharmaceuticals		Consumer Health		
	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	
	€ million	€ million	€ million	€ million	
Net sales (external)	2,732	2,818	1,985	1,924	
Change	+12.9%	+3.1%	+11.5%	−3.1%	
Currency-adjusted change	+6.0%	+11.9%	+4.1%	+3.8%	
Intersegment sales	118	11	2	3	
Net sales (total)	2,850	2,829	1,987	1,927	
EBIT	386	637	286	341	
EBIT before special items	633	677	373	371	
EBITDA before special items	847	915	484	477	
Gross cash flow*	382	606	318	325	
Net cash flow*	795	414	321	237	
Depreciation, amortization and impairments	225	238	184	112	
	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	
Net sales (external)	7,932	8,213	5,751	5,772	
Change	+9.1%	+3.5%	+8.4%	+0.4%	
Currency-adjusted change	+3.9%	+9.2%	+3.2%	+4.3%	
Intersegment sales	219	41	3	6	
Net sales (total)	8,151	8,254	5,754	5,778	
EBIT	939	1,710	708	919	
EBIT before special items	1,725	1,972	1,044	1,016	
EBITDA before special items	2,397	2,668	1,363	1,329	
Gross cash flow*	1,091	1,783	973	950	
Net cash flow*	1,717	1,228	766	793	
Depreciation, amortization and impairments	691	796	633	364	
Number of employees (as of Sep. 30)**	37,300	38,300	17,800	18,300	

2012 figures restated

* For definition see chapter 8 "Financial Position of the Bayer Group."

** Number of employees in full-time equivalents

[Table 27]

	CropScience		MaterialScience				Reconciliation			
	CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	1,641	1,712	2,990	2,897	312	291	1	1	9,661	9,643
	+19.0%	+4.3%	+8.0%	-3.1%	-3.1%	-6.7%	-	-	+11.4%	-0.2%
	+11.7%	+12.8%	+2.1%	+0.7%	-3.7%	-5.4%	-	-	+4.9%	+6.4%
	8	9	12	14	508	557	(648)	(594)	-	-
	1,649	1,721	3,002	2,911	820	848	(647)	(593)	9,661	9,643
	73	106	165	180	25	37	(107)	(80)	828	1,221
	76	115	174	186	30	51	(102)	(80)	1,184	1,320
	197	224	337	346	88	101	(111)	(79)	1,842	1,984
	137	172	239	270	33	51	(103)	(57)	1,006	1,367
	514	614	411	365	108	46	(163)	52	1,986	1,728
	127	112	166	161	48	50	1	1	751	674
	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013
	6,527	6,868	8,731	8,547	937	866	3	3	29,881	30,269
	+17.0%	+5.2%	+6.0%	-2.1%	-0.8%	-7.6%	-	-	+9.3%	+1.3%
	+12.6%	+9.0%	+1.5%	-0.1%	-1.2%	-6.8%	-	-	+4.6%	+5.0%
	22	26	38	41	1,472	1,627	(1,754)	(1,741)	-	-
	6,549	6,894	8,769	8,588	2,409	2,493	(1,751)	(1,738)	29,881	30,269
	1,309	1,566	487	365	(7)	29	(237)	(310)	3,199	4,279
	1,375	1,598	518	341	54	62	(230)	(310)	4,486	4,679
	1,730	1,929	999	824	205	189	(240)	(307)	6,454	6,632
	1,200	1,362	736	670	29	310	(199)	(221)	3,830	4,854
	794	653	485	432	9	393	(147)	92	3,624	3,591
	367	336	484	492	137	127	4	3	2,316	2,118
	20,900	21,800	14,600	14,400	19,200	19,900	700	600	110,500	113,300

Key Data by Region

	Europe		North America		
	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	
	€ million	€ million	€ million	€ million	
Net sales (external) – by market	3,382	3,537	2,227	2,147	
Change	+2.6%	+4.6%	+22.7%	–3.6%	
Currency-adjusted change	+1.9%	+5.7%	+9.0%	+2.0%	
Net sales (external) – by point of origin	3,748	3,916	2,228	2,119	
Change	+1.8%	+4.5%	+22.2%	–4.9%	
Currency-adjusted change	+1.1%	+5.5%	+8.2%	+0.9%	
Interregional sales	1,958	2,200	730	797	
EBIT	419	811	156	111	
	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	
Net sales (external) – by market	11,281	11,540	7,424	7,528	
Change	+1.5%	+2.3%	+19.6%	+1.4%	
Currency-adjusted change	+1.2%	+2.9%	+9.9%	+4.0%	
Net sales (external) – by point of origin	12,492	12,698	7,368	7,438	
Change	+1.5%	+1.6%	+17.9%	+1.0%	
Currency-adjusted change	+1.2%	+2.2%	+8.1%	+3.6%	
Interregional sales	5,968	6,727	2,176	2,428	
EBIT	2,156	2,917	411	747	
Number of employees (as of Sep. 30)*	52,600	53,600	15,300	15,400	

2012 figures restated

* Number of employees in full-time equivalents

[Tabelle 28]

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013	3rd Quarter 2012	3rd Quarter 2013
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2,287	2,134	1,765	1,825	–	–	9,661	9,643
	+15.3%	–6.7%	+11.9%	+3.4%	–	–	+11.4%	–0.2%
	+4.2%	+4.8%	+7.4%	+15.1%	–	–	+4.9%	+6.4%
	2,214	2,094	1,471	1,514	–	–	9,661	9,643
	+16.0%	–5.4%	+16.9%	+2.9%	–	–	+11.4%	–0.2%
	+4.6%	+6.5%	+11.7%	+16.7%	–	–	+4.9%	+6.4%
	185	135	148	170	(3,021)	(3,302)	–	–
	172	118	188	261	(107)	(80)	828	1,221

	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013	First Nine Months 2012	First Nine Months 2013
	6,514	6,440	4,662	4,761	–	–	29,881	30,269
	+12.9%	–1.1%	+9.7%	+2.1%	–	–	+9.3%	+1.3%
	+3.5%	+6.2%	+7.6%	+10.0%	–	–	+4.6%	+5.0%
	6,296	6,302	3,725	3,831	–	–	29,881	30,269
	+14.1%	+0.1%	+14.0%	+2.8%	–	–	+9.3%	+1.3%
	+4.3%	+7.7%	+11.7%	+12.6%	–	–	+4.6%	+5.0%
	499	457	378	441	(9,021)	(10,053)	–	–
	526	513	343	412	(237)	(310)	3,199	4,279
	26,100	27,800	16,500	16,500	–	–	110,500	113,300

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, 2013 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, and the Interpretations of the IFRS Interpretations Committee, both as endorsed by the European Union and in effect at the closing date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Changes LTI (Previous Year)

[Table 29]

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

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

EFFECTS OF ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED INCOME STATEMENTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2012

Accounting Changes: Consolidated Income Statements (Previous Year)

[Table 30]

	3rd Quarter 2012					First Nine Months 2012				
	Before account- ing changes	Accounting changes			After account- ing changes	Before account- ing changes	Accounting changes			After account- ing changes
		IAS 19R (2011)	IFRS 11				IAS 19R (2011)	IFRS 11		
			Transition to account- ing for share in assets and liabilities	Transition to equity method				Transition to account- ing for share in assets and liabilities	Transition to equity method	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales	9,665	–	(1)	(3)	9,661	29,898	–	(8)	(9)	29,881
Cost of goods sold	(4,686)	–	(6)	1	(4,691)	(14,279)	–	(12)	4	(14,287)
Gross profit	4,979	–	(7)	(2)	4,970	15,619	–	(20)	(5)	15,594
Selling expenses	(2,471)	–	–	2	(2,469)	(7,284)	–	–	6	(7,278)
Other operating income	185	–	–	(1)	184	470	–	–	(1)	469
Other operating expenses	(637)	(2)	–	–	(639)	(2,001)	(6)	–	–	(2,007)
EBIT*	838	(2)	(7)	(1)	828	3,225	(6)	(20)	–	3,199
Equity-method loss	(12)	–	7	–	(5)	(36)	–	22	(2)	(16)
Financial income	75	–	–	–	75	319	–	–	1	320
Financial expenses	(235)	(19)	–	1	(253)	(834)	(53)	–	–	(887)
Financial result	(172)	(19)	7	1	(183)	(551)	(53)	22	(1)	(583)
Income before income taxes	666	(21)	–	–	645	2,674	(59)	2	(1)	2,616
Income taxes	(132)	9	–	–	(123)	(590)	23	–	–	(567)
Income after income taxes	534	(12)	–	–	522	2,084	(36)	2	(1)	2,049
of which attributable to Bayer AG stockholders (net income)	528	(12)	–	–	516	2,072	(36)	2	(1)	2,037

* EBIT = earnings before financial result and taxes

EFFECTS OF ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2012

Accounting Changes: Consolidated Statements of Comprehensive Income (Previous Year)

[Table 31]

	3rd Quarter 2012					First Nine Months 2012				
	Before account- ing changes	Accounting changes			After account- ing changes	Before account- ing changes	Accounting changes			After account- ing changes
		IAS 19R (2011)	IFRS 11				IAS 19R (2011)	IFRS 11		
			Transition to account- ing for share in assets and liabilities	Transi- tion to equity method				Transition to account- ing for share in assets and liabilities	Transi- tion to equity method	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Income after income taxes	534	(12)	–	–	522	2,084	(36)	2	(1)	2,049
<i>of which attributable to Bayer AG stockholders</i>	528	(12)	–	–	516	2,072	(36)	2	(1)	2,037
Changes in actuarial gains/losses on defined benefit obligations for pensions and other post- employment benefits and effects of the asset ceiling	(573)	19	–	–	(554)	(2,187)	53	–	–	(2,134)
Income taxes	181	(8)	–	–	173	687	(21)	–	–	666
Other comprehensive income from actuarial gains/losses and effects of the asset ceiling	(392)	11	–	–	(381)	(1,500)	32	–	–	(1,468)
Other comprehensive income that will not be reclassified subsequently to profit or loss	(392)	11	–	–	(381)	(1,500)	32	–	–	(1,468)
Changes in exchange differences recognized on translation of operations outside the eurozone	(58)	–	–	–	(58)	153	–	–	(1)	152
Other comprehensive income from exchange differences	(58)	–	–	–	(58)	153	–	–	(1)	152
Other comprehensive income that may be reclassified subsequently to profit or loss	10	–	–	–	10	219	–	–	(1)	218
Total other comprehensive income*	(381)	11	–	–	(370)	(1,284)	32	–	(1)	(1,253)
<i>of which attributable to Bayer AG stockholders</i>	(381)	11	–	–	(370)	(1,284)	32	–	(1)	(1,253)
Total comprehensive income	153	(1)	–	–	152	800	(4)	2	(2)	796
<i>of which attributable to Bayer AG stockholders</i>	147	(1)	–	–	146	788	(4)	2	(2)	784

* total changes recognized outside profit or loss

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

Accounting Changes: Consolidated Statement of Financial Position as of January 1, 2012

[Table 32]

	Accounting changes				Jan. 1, 2012
	Before accounting changes	IAS 19R (2011)	Transition to accounting for share in assets and liabilities	IFRS 11 Transition to equity method	After accounting changes
	€ million	€ million	€ million	€ million	€ million
Noncurrent assets					
Goodwill	9,160	–	–	(12)	9,148
Other intangible assets	10,295	–	–	(11)	10,284
Property, plant and equipment	9,823	–	66	(2)	9,887
Investments accounted for using the equity method	319	–	(89)	35	265
Other financial assets	1,364	–	(17)	1	1,348
Deferred taxes	1,311	1	–	–	1,312
	32,697	1	(40)	11	32,669
Current assets					
Inventories	6,368	–	9	(7)	6,370
Trade accounts receivable	7,061	–	–	(1)	7,060
Other receivables	1,628	–	6	2	1,636
Claims for income tax refunds	373	–	–	(1)	372
Cash and cash equivalents	1,770	–	4	(3)	1,771
	20,068	–	19	(10)	20,077
Total assets	52,765	1	(21)	1	52,746
Equity					
Other reserves	10,928	3	(23)	4	10,912
Equity attributable to Bayer AG stockholders	19,212	3	(23)	4	19,196
	19,271	3	(23)	4	19,255
Noncurrent liabilities					
Provisions for pensions and other post-employment benefits	7,870	(83)	–	–	7,787
Other provisions	1,649	78	–	(1)	1,726
Deferred taxes	2,116	3	(3)	–	2,116
	20,104	(2)	(3)	(1)	20,098
Current liabilities					
Other provisions	4,218	–	–	(1)	4,217
Financial liabilities	3,684	–	–	(1)	3,683
Trade accounts payable	3,779	–	7	(1)	3,785
Other liabilities	1,630	–	(2)	1	1,629
	13,390	–	5	(2)	13,393
Total equity and liabilities	52,765	1	(21)	1	52,746

**EFFECTS OF ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENT
OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2012**

Accounting Changes: Consolidated Statement of Financial Position as of September 30, 2012

[Table 33]

					Sep. 30, 2012
	Before accounting changes	IAS 19R (2011)	Accounting changes		After accounting changes
			IFRS 11		
			Transition to accounting for share in assets and liabilities	Transition to equity method	
	€ million	€ million	€ million	€ million	€ million
Noncurrent assets					
Property, plant and equipment	9,696	–	44	(2)	9,738
Investments accounted for using the equity method	292	–	(66)	3	229
Other financial assets	1,354	–	(17)	–	1,337
Deferred taxes	1,485	1	–	(1)	1,485
	32,408	1	(39)	–	32,370
Current assets					
Inventories	6,933	–	10	(3)	6,940
Trade accounts receivable	7,923	–	9	–	7,932
Other financial assets	1,566	–	–	3	1,569
Other receivables	1,939	–	8	(2)	1,945
Cash and cash equivalents	1,426	–	2	(2)	1,426
	20,440	–	29	(4)	20,465
Total assets	52,848	1	(10)	(4)	52,835
Equity					
Other reserves	10,356	(1)	(21)	2	10,336
Equity attributable to Bayer AG stockholders	18,640	(1)	(21)	2	18,620
	18,706	(1)	(21)	2	18,686
Noncurrent liabilities					
Provisions for pensions and other post-employment benefits	9,805	(90)	–	–	9,715
Other provisions	1,872	91	–	–	1,963
Deferred taxes	1,225	1	(3)	–	1,223
	20,404	2	(3)	–	20,403
Current liabilities					
Other provisions	5,485	–	–	(1)	5,484
Financial liabilities	2,630	–	4	(1)	2,633
Trade accounts payable	3,788	–	11	(3)	3,796
Other liabilities	1,515	–	(1)	(1)	1,513
	13,738	–	14	(6)	13,746
Total equity and liabilities	52,848	1	(10)	(4)	52,835

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

Accounting Changes: Consolidated Statement of Financial Position as of December 31, 2012

[Table 34]

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

EFFECTS OF ACCOUNTING CHANGES: BAYER GROUP CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2012

Accounting Changes: Consolidated Statements of Cash Flows (Previous Year)

[Table 35]

	3rd Quarter 2012					First Nine Months 2012				
	Before account- ing changes	Accounting changes			After account- ing changes	Before account- ing changes	Accounting changes			After account- ing changes
		IAS 19R (2011)	IFRS 11				IAS 19R (2011)	IFRS 11		
			Transition to account- ing for share in assets and liabilities	Transi- tion to equity method				Transition to account- ing for share in assets and liabilities	Transi- tion to equity method	
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Income after income taxes	534	(12)	–	–	522	2,084	(36)	2	(1)	2,049
Income taxes	132	(9)	–	–	123	590	(23)	–	–	567
Financial result	172	19	(7)	(1)	183	551	53	(22)	1	583
Depreciation, amortization and impairments	744	–	7	–	751	2,295	–	21	–	2,316
Change in pension provisions	(219)	(15)	–	1	(233)	(448)	(9)	–	–	(457)
Gross cash flow	1,023	(17)	–	–	1,006	3,844	(15)	1	–	3,830
								–		
Decrease (increase) in inventories	(180)	–	3	(1)	(178)	(466)	–	(1)	(1)	(468)
Decrease (increase) in trade accounts receivable	686	–	(12)	1	675	(794)	–	(9)	(2)	(805)
(Decrease) increase in trade accounts payable	337	–	8	1	346	17	–	4	4	25
Changes in other working capital, other non-cash items	123	17	(2)	(1)	137	1,028	15	(2)	1	1,042
Net cash provided by (used in) operating activities (net cash flow)	1,989	–	(3)	–	1,986	3,629	–	(7)	2	3,624
Cash outflows for additions to property, plant, equipment and intangible assets	(486)	–	(1)	1	(486)	(1,186)	–	(1)	1	(1,186)
Cash inflows from sales of property, plant, equipment and other assets	41	–	1	–	42	98	–	2	–	100
Cash inflows from (outflows for) noncurrent financial assets	(79)	–	(11)	1	(89)	(316)	–	–	–	(316)
Cash inflows from (outflows for) current financial assets	(886)	–	–	(1)	(887)	1,325	–	–	(1)	1,324
Net cash provided by (used in) investing activities	(1,756)	–	(11)	1	(1,766)	(316)	–	1	–	(315)
Issuances of debt	150	–	4	–	154	1,026	–	4	–	1,030
Net cash provided by (used in) financing activities	(156)	–	4	–	(152)	(3,667)	–	4	–	(3,663)
Change in cash and cash equivalents due to business activities	77	–	(10)	1	68	(354)	–	(2)	2	(354)
Cash and cash equivalents at beginning of period	1,342	–	12	(2)	1,352	1,770	–	–	(3)	1,767
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	–	–	–	–	–	2	–	2
Change in cash and cash equivalents due to exchange rate movements	7	–	–	(1)	6	10	–	2	(1)	11
Cash and cash equivalents at end of period	1,426	–	2	(2)	1,426	1,426	–	2	(2)	1,426

EFFECTS OF ACCOUNTING CHANGES: KEY DATA BY SEGMENT FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF 2012

Accounting Changes: Key Data By Segments (Previous Year)

	3rd Quarter 2012						
	Before accounting changes	Accounting changes			After accounting changes		
		IAS 19R (2011)	IFRS 11				LTI
			Transition to accounting for share in assets and liabilities	Transition to equity method			
	€ million	€ million	€ million	€ million	€ million		
Net sales	9,665	–	(1)	(3)	–	9,661	
Pharmaceuticals	2,734	–	–	(2)	–	2,732	
Consumer Health	1,985	–	–	–	–	1,985	
CropScience	1,641	–	–	–	–	1,641	
MaterialScience	2,992	–	(1)	(1)	–	2,990	
All Other Segments	312	–	–	–	–	312	
Corporate Center and Consolidation	1	–	–	–	–	1	
EBIT	838	(2)	(7)	(1)	–	828	
Pharmaceuticals	366	(1)	–	–	21	386	
Consumer Health	272	–	–	–	14	286	
CropScience	65	–	–	–	8	73	
MaterialScience	168	–	(8)	–	5	165	
All Other Segments	22	(1)	1	(1)	4	25	
Corporate Center and Consolidation	(55)	–	–	–	(52)	(107)	
EBITDA	1,582	(2)	(1)	–	–	1,579	
Pharmaceuticals	591	(1)	–	–	21	611	
Consumer Health	456	–	–	–	14	470	
CropScience	192	–	–	–	8	200	
MaterialScience	327	–	(1)	–	5	331	
All Other Segments	70	(1)	–	–	4	73	
Corporate Center and Consolidation	(54)	–	–	–	(52)	(106)	

[Table 36]

	First Nine Months 2012					
	Before accounting changes	IAS 19R (2011)	Accounting changes			After accounting changes
			Transition to accounting for share in assets and liabilities	IFRS 11	LTI	
				Transition to equity method		
	€ million	€ million	€ million	€ million	€ million	€ million
	29,898	–	(8)	(9)	–	29,881
	7,936	–	–	(4)	–	7,932
	5,753	–	–	(2)	–	5,751
	6,527	–	–	–	–	6,527
	8,742	–	(8)	(3)	–	8,731
	937	–	–	–	–	937
	3	–	–	–	–	3
	3,225	(6)	(20)	–	–	3,199
	918	(2)	–	2	21	939
	695	–	–	(1)	14	708
	1,298	(1)	–	–	12	1,309
	505	(2)	(21)	(1)	6	487
	(12)	(1)	1	–	6	(6)
	(179)	–	–	–	(59)	(238)
			–			
	5,520	(6)	–	1	–	5,515
	1,609	(2)	–	2	21	1,630
	1,328	–	–	(1)	14	1,341
	1,665	(1)	–	–	12	1,676
	968	(2)	–	(1)	6	971
	125	(1)	–	1	6	131
	(175)	–	–	–	(59)	(234)

CHANGES IN UNDERLYING PARAMETERS

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

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

Exchange Rates for Major Currencies

[Table 37]

		Closing Rate			Average Rate	
		Dec. 31, 2012	Sep. 30, 2012	Sep. 30, 2013	First Nine Months 2012	First Nine Months 2013
€1						
ARS	Argentina	6.48	6.06	7.85	5.71	6.92
BRL	Brazil	2.69	2.62	3.06	2.45	2.77
CAD	Canada	1.31	1.27	1.39	1.28	1.35
CHF	Switzerland	1.21	1.21	1.22	1.20	1.23
CNY	China	8.22	8.13	8.26	8.10	8.12
GBP	United Kingdom	0.82	0.80	0.84	0.81	0.85
JPY	Japan	113.61	100.37	131.78	101.52	126.95
MXN	Mexico	17.18	16.61	17.85	16.94	16.67
USD	United States	1.32	1.29	1.35	1.28	1.32

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

Discount Rate for Pension Obligations

[Table 38]

	Dec. 31, 2012	June 30, 2013	Sep. 30, 2013
	%	%	%
Germany	3.20	3.50	3.60
United Kingdom	4.40	4.75	4.50
United States	3.60	4.40	4.50

SEGMENT REPORTING

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

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes

[Table 39]

	3rd Quarter 2012	3rd Quarter 2013	First Nine Months 2012	First Nine Months 2013
	€ million	€ million	€ million	€ million
EBITDA before special items of segments	1,953	2,063	6,694	6,939
EBITDA before special items of Corporate Center	(111)	(79)	(240)	(307)
EBITDA before special items	1,842	1,984	6,454	6,632
Depreciation, amortization and impairments before special items of segments	(657)	(663)	(1,964)	(1,950)
Depreciation, amortization and impairments before special items of Corporate Center	(1)	(1)	(4)	(3)
Depreciation, amortization and impairments before special items	(658)	(664)	(1,968)	(1,953)
EBIT before special items of segments	1,296	1,400	4,730	4,989
EBIT before special items of Corporate Center	(112)	(80)	(244)	(310)
EBIT before special items	1,184	1,320	4,486	4,679
Special items of segments	(361)	(99)	(1,294)	(400)
Special items of Corporate Center	5	–	7	–
Special items	(356)	(99)	(1,287)	(400)
EBIT of segments	935	1,301	3,436	4,589
EBIT of Corporate Center	(107)	(80)	(237)	(310)
EBIT	828	1,221	3,199	4,279
Non-operating result	(183)	(228)	(583)	(643)
Income before income taxes	645	993	2,616	3,636

2012 figures restated

COMPANIES CONSOLIDATED**Changes in the scope of consolidation**

The consolidated financial statements as of September 30, 2013, included 285 companies (December 31, 2012: 291 companies). Of these, two companies (December 31, 2012: two companies) were accounted for as joint operations in line with Bayer's interest in their assets, liabilities, revenues and expenses in accordance with IFRS 11 (Joint Arrangements). In addition, three joint ventures (December 31, 2012: three joint ventures) and two associated companies (December 31, 2012: two associated companies) were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions and divestitures

Acquisitions

On January 2, 2013, HealthCare wholly acquired the U.S. company Teva Animal Health Inc. The acquisition broadens HealthCare's range of anti-infective solutions for livestock and expands the existing product offering to include reproductive hormones. The transaction also adds dermatological products for companion animals, pet wellness products and nutraceuticals to the company's portfolio. The parties agreed on a provisional one-time payment of €40 million plus potential milestone payments, for which an amount of €46 million was included in the purchase price allocation. The milestone payments are mainly dependent on the achievement of various sales targets and product approvals. The purchase price pertained mainly to product trademarks. Sales of €8 million were recorded since the acquisition date.

On January 18, 2013, CropScience acquired all the shares of Prophyta Biologischer Pflanzenschutz GmbH, a leading supplier of biological crop protection products headquartered in Malchow in the German state of Mecklenburg-Western Pomerania. In addition to research and development facilities, the acquisition also includes state-of-the-art production and formulation facilities in the city of Wismar. A one-time payment of €25 million was agreed. The purchase price pertained mainly to technologies, research and development projects and goodwill. In addition, two related distribution rights were acquired for €5 million. Sales of €3 million were recorded since the acquisition date.

On March 15, 2013, CropScience wholly acquired soybean seed producer Wehrtec Ltda and the soybean business of Agricola Wehrmann Ltda. Both companies are headquartered in Cristalina in the Brazilian state of Goiás. This transaction strengthens the research and development activities of CropScience in soybeans and contributes to the development of varieties tailored to the requirements of Brazilian soybean growers. A purchase price of €37 million was agreed along with potential milestone payments of up to €11 million. The purchase price pertained mainly to marketable crop plants, breeding material and goodwill. Sales of €7 million were recorded since the acquisition date.

In June 2013, HealthCare successfully completed the tender offer for the shares of Conceptus, Inc., currently headquartered in Milpitas, California, United States, and acquired 100% of the outstanding shares. Conceptus, Inc. has developed Essure™, the only non-surgical permanent birth control method, which it markets in the U.S. and other countries. This acquisition enables Bayer to offer an even broader range of short-term, long-term and permanent contraceptive choices for women. A purchase price of €780 million was paid, pertaining mainly to technology and trademark rights. The goodwill remaining after the purchase price allocation is attributable to various factors, including significant cost savings in the marketing and sales functions along with general administration and infrastructure synergies. Sales of €45 million were recorded since the acquisition date.

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

On July 1, 2013, HealthCare acquired all the shares of Steigerwald Arzneimittelwerk GmbH, Darmstadt, Germany. Steigerwald holds a strong position in the German phytopharmaceuticals market, which is focused on pharmacy-only herbal medicines. Its product portfolio includes Iberogast™ for the treatment of functional gastrointestinal disorders and Laif™ for the treatment of mild to moderate depression. A provisional one-time payment of approximately €222 million was agreed. The purchase price pertained mainly to product trademarks, technologies and goodwill. Sales of €15 million were recorded since the acquisition date.

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

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

Acquired Assets and Assumed Liabilities in 2013

[Table 40]

	Fair value	Of which Conceptus, Inc.
	€ million	€ million
Goodwill	818	487
Other intangible assets	767	426
Property, plant and equipment	55	14
Other noncurrent assets	2	1
Inventories	58	24
Other current assets	33	26
Other current financial assets	7	7
Deferred tax assets	93	79
Cash and cash equivalents	74	58
Provision for pensions	(9)	–
Other provisions	(16)	(10)
Financial liabilities	(84)	(83)
Other liabilities	(90)	(76)
Deferred tax liabilities	(293)	(173)
Net assets	1,415	780
Non-controlling interest	–	–
Changes in non-controlling interest	–	–
Net purchase prices	1,415	780
Acquired cash and cash equivalents	(74)	(58)
Liabilities for future payments	(292)	–
Payments for previous years'/quarters' acquisitions	13	–
Net cash outflow for acquisitions	1,062	722

The cash outflows for acquisitions and for the purchase of additional interests in subsidiaries in the first nine months of 2012 amounted to €455 million and related mainly to the purchases of the remaining 50% interest in the systems house joint venture Baulé S.A.S., France; the watermelon and melon seed business of the U.S. company Abbott & Cobb, Inc., Feasterville, Pennsylvania; and the U.S. biological crop protection company AgraQuest, Inc., Davis, California.

Divestitures

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

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

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

Divestitures		[Table 41]
		2013
	€ million	
Property, plant and equipment	13	
Other current assets	4	
Other provisions	(2)	
Other liabilities	(3)	
Net assets	12	
Net cash inflow from divestitures	79	
Divested net assets	(12)	
Changes in future cash payments receivable	(25)	
Net gain from divestitures (before taxes)	42	

Income from divestitures in the first nine months of 2012 amounted to €139 million, mainly comprising revenue-based payments in connection with the transfer of the hematological oncology portfolio to Genzyme Corp., United States, and the transfer of the production site for Leukine™.

FINANCIAL INSTRUMENTS

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

Carrying Amounts and Fair Values of Financial Instruments

[Table 42]

	Sep. 30, 2013						
	Carried at amortized cost		Carried at fair value			Non-financial assets/liabilities	Carrying amount in the statement of financial position
	Carrying amount Sep. 30, 2013	Fair value (for information)	Based on quoted prices in active markets (Level 1)	Based on market-derived data (Level 2)	Based on individual unobservable inputs (Level 3)	Carrying amount	
			Carrying amount	Carrying amount	Carrying amount		
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Trade accounts receivable	8,093						8,093
Loans and receivables	8,093	8,093					8,093
Other financial assets	1,023		347	533	29		1,932
Loans and receivables	900	900					900
Available-for-sale financial assets	26		347				373
Held-to-maturity financial assets	97	99					97
Derivatives that qualify for hedge accounting				265			265
Derivatives that do not qualify for hedge accounting				268	29		297
Other receivables	552					1,363	1,915
Loans and receivables	552	552					552
Non-financial assets						1,363	1,363
Cash and cash equivalents	1,615						1,615
Loans and receivables	1,615	1,615					1,615
Total financial assets	11,283		347	533	29		12,192
of which loans and receivables	11,160						11,160
Financial liabilities	9,640			283			9,923
Carried at amortized cost	9,640	9,935					9,640
Derivatives that qualify for hedge accounting				182			182
Derivatives that do not qualify for hedge accounting				101			101
Trade accounts payable	3,964					86	4,050
Carried at amortized cost	3,964	3,964					3,964
Non-financial liabilities						86	86
Other liabilities	692			38	26	956	1,712
Carried at amortized cost	692	691					692
Derivatives that qualify for hedge accounting				17			17
Derivatives that do not qualify for hedge accounting				21	26		47
Non-financial liabilities						956	956
Total financial liabilities	14,296			321	26		14,643
of which carried at amortized cost	14,296						14,296
of which derivatives that qualify for hedge accounting				199			199
of which derivatives that do not qualify for hedge accounting				122	26		148

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

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

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

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

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

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

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

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

**Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value
Based on Individual Unobservable Inputs**

[Table 43]

	2013
	€ million
Net carrying amounts, Jan. 1	22
Gains (losses) recognized in profit or loss	(19)
of which related to assets/liabilities still recognized in the statements of financial position	(19)
Gains (losses) recognized outside profit or loss	–
Additions	–
Retirements	–
Reclassifications	–
Net carrying amounts, Sep. 30	3

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

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Magnevist™: As of October 17, 2013, there were approximately 40 lawsuits pending and served upon Bayer in the United States involving the gadolinium-based contrast agent Magnevist™. As of October 17, 2013, Bayer had reached agreements, without admission of liability, with approximately 310 plaintiffs in the United States to settle their claims. Bayer believes the risks remaining in this litigation are no longer material.

Trasylol™ (aprotinin) is a drug approved for use in managing bleeding in patients undergoing coronary artery bypass graft surgery. As of October 17, 2013, there were nine lawsuits pending in the United States and served upon Bayer on behalf of persons alleging, in particular, personal injuries from the use of Trasylol™. Bayer also has been served with three class actions in Canada. As of October 17, 2013, Bayer had reached agreements, without admission of liability, with approximately 1,130 plaintiffs in the United States to settle their claims. Bayer believes the risks remaining in this litigation are no longer material.

A qui tam complaint relating to marketing practices for Trasylol™ and Avelox™ filed by a former Bayer employee is pending in the United States District Court in New Jersey. The U.S. government has declined to intervene at the present time.

Yasmin™/YAZ™: As of October 18, 2013, the number of claimants in the pending lawsuits and claims in the United States totaled about 5,000 (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. In August 2013, the Attorney General for the Commonwealth of Kentucky filed an action against Bayer alleging off-label promotion of YAZ™ and Yasmin™ in violation of state consumer protection statutes. Bayer is cooperating with the Attorney General. In Israel, one class action was served upon Bayer in June 2013.

As of October 18, 2013, Bayer had reached agreements, without admission of liability, to settle the claims of approximately 7,660 claimants in the U.S. for a total amount of about US\$1.575 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 2,300 of the pending unsettled claimants. Bayer will continue to consider the option of settling such individual lawsuits in the U.S. on a case-by-case basis.

In March 2013, Bayer agreed to settle, without admission of liability, lawsuits in which plaintiffs allege a gallbladder injury for a total maximum aggregate amount of US\$24 million. As of October 18, 2013, about 8,800 plaintiffs had decided to participate in the settlement, which represents more than 95% (90% participation required) of the eligible plaintiffs, so the settlement will go forward.

Competition Law Proceedings

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

Patent disputes

Yasmin™: In June 2012, Watson Pharmaceuticals, Inc., Watson Laboratories Inc. and Watson Pharma, Inc. had filed a complaint against Bayer in a U.S. state court in New York. Watson sought compensatory and punitive damages claiming malicious prosecution, tortious interference and unjust enrichment by Bayer in connection with the prior patent infringement proceedings. In October 2013, Watson voluntarily dismissed its complaint. This ends the proceedings concerning Yasmin patent disputes in the U.S.

YAZ™: In the patent infringement proceedings against Watson, Sandoz and Lupin, the U.S. Court of Appeals for the Federal Circuit in April 2013 invalidated Bayer's patent claims and reversed last year's judgment by the lower court. Bayer's request for a rehearing was denied. Bayer considers the remaining unresolved issues in the YAZ™ patent disputes in the U.S. to be no longer material.

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

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

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

Further Legal Proceedings

Wholesale prices in the U.S.: Bayer and a number of pharmaceutical companies in the United States are defendants in pending lawsuits in which plaintiffs, including states, are alleging manipulation in the reporting of wholesale prices and/or best prices for their prescription pharmaceutical products. In appropriate cases Bayer has agreed to settlements and will continue to consider this option in the future. Bayer believes the risks remaining in this litigation are no longer material.

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

RELATED PARTIES

Related parties as defined in IAS 24 (Related Party Disclosures) are those entities and persons that are able to exert influence on Bayer AG and its subsidiaries or over which Bayer AG or its subsidiaries exercise control or have a significant influence. They include, in particular, non-consolidated subsidiaries, joint ventures, associates, post-employment benefit plans and the corporate officers of Bayer AG. Sales to related parties were not material from the viewpoint of the Bayer Group. Goods and services to the value of €0.5 billion were procured from the associated company PO JV, LP, Wilmington, Delaware, United States, mainly in the course of normal business operations. There was no significant change in receivables or payables vis-à-vis related parties compared with December 31, 2012.

Leverkusen, October 29, 2013
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers

Werner Baumann

Michael König

Prof. Dr. Wolfgang Plischke

Financial Calendar

Announcement of Proposed Dividend	February 26, 2014
2013 Annual Report	February 28, 2014
Q1 2014 Interim Report	April 28, 2014
Annual Stockholders' Meeting 2014	April 29, 2014
Planned dividend payment date	April 30, 2014
Q2 2014 Interim Report	July 30, 2014
Q3 2014 Interim Report	October 30, 2014

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Forward-Looking Statements

This Stockholders' Newsletter contains forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual assets, financial position, earnings, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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