Science For A Better Life

→ COVER PICTURE

Stockholders' Newsletter

FINANCIAL REPORT AS OF MARCH 31, 2014

First quarter of 2014

Bayer: Very successful start to 2014

CONTENTS

INTERIM GROUP MANAGEMENT REPORT AS OF MARCH 31, 2014 ... 4

- → Bayer Group Key Data ... 2
- → Overview of Sales, Earnings and Financial Position ... 5
- → Economic Outlook ... 7
- → Sales and Earnings Forecast ... 8
- → Corporate Structure ... 10
- → Business Development by Subgroup, Segment and Region ... 11
  - → HealthCare ... 11
  - → CropScience ... 17
  - → MaterialScience ... 20
  - → Business Development by Region ... 22
- → Calculation of EBIT(DA) Before Special Items ... 22
- → Core Earnings Per Share ... 24
- → Financial Position of the Bayer Group ... 25
- → Growth and Innovation ... 28
  - → HealthCare ... 29
  - → CropScience ... 33
  - → MaterialScience ... 34
- → Employees ... 34
- → Opportunities and Risks ... 35
- → Events After the End of the Reporting Period ... 35

INVESTOR INFORMATION ... 36

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2014 ... 37

- → Bayer Group Consolidated Income Statements ... 37
- → Bayer Group Consolidated Statements of Comprehensive Income ... 38
- → Bayer Group Consolidated Statements of Financial Position ... 39
- → Bayer Group Consolidated Statements of Cash Flows ... 40
- → Bayer Group Consolidated Statements of Changes in Equity ... 41
- → Notes to the Condensed Consolidated Interim Financial Statements as of March 31, 2014 ... 42
  - → Key Data by Segment ... 42
  - → Key Data by Region ... 42
  - → Explanatory Notes ... 44

Financial Calendar ... 52

Masthead ... 52

For direct access to a chapter, simply click on its name.

Bayer Group Key Data

	1st Quarter 2013	1st Quarter 2014	Change	Full Year 2013
	€ million	€ million	%	€ million
Sales	**10,266**	**10,555**	**+2.8**	**40,157**
Change (adjusted for currency and portfolio effects)			+8.4	
Change in sales				
Volume	+1.4%	+8.8%		+4.3%
Price	+2.3%	−0.4%		+0.8%
Currency	−1.8%	−5.8%		−4.4%
Portfolio	+0.2%	+0.2%		+0.3%
EBIT [1]	**1,771**	**2,096**	**+18.4**	**4,934**
Special items	*(45)*	*7*		*(839)*
EBIT before special items [2]	***1,816***	***2,089***	***+15.0***	***5,773***
EBIT margin before special items [3]	17.7%	19.8%		14.4%
EBITDA [4]	**2,416**	**2,745**	**+13.6**	**7,830**
Special items	*(37)*	*7*		*(571)*
EBITDA before special items [2]	***2,453***	***2,738***	***+11.6***	***8,401***
EBITDA margin before special items [3]	23.9%	25.9%		20.9%
Financial result	**(190)**	**(159)**	**+16.3**	**(727)**
Net income	**1,160**	**1,423**	**+22.7**	**3,189**
Earnings per share (€)	1.40	1.72	+22.9	3.86
Core earnings per share (€) [5]	1.70	1.95	+14.7	5.61
Gross cash flow [6]	**1,807**	**2,048**	**+13.3**	**5,832**
Net cash flow [7]	**327**	**163**	**−50.2**	**5,171**
Cash outflows for capital expenditures	**365**	**357**	**−2.2**	**2,157**
Research and development expenses	**725**	**820**	**+13.1**	**3,406**
Depreciation, amortization and impairments	**645**	**649**	**+0.6**	**2,896**
Number of employees at end of period [8]	**111,647**	**114,928**	**+2.9**	**113,187**
Personnel expenses (including pension expenses)	2,370	2,423	+2.2	9,430

2013 figures restated
In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.
[1] EBIT = earnings before financial result and taxes
[2] EBIT before special items and EBITDA before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. EBITDA before special items is a meaningful indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. See also Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[3] The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals
[5] Core earnings per share are not defined in the International Financial Reporting Standards. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. The calculation of core earnings per share is explained in Chapter 7 "Core Earnings Per Share."
[6] Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains / plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year. For details see Chapter 8 "Financial Position of the Bayer Group."
[7] Net cash flow = cash flow from operating activities according to IAS 7
[8] Full-time equivalents

COVER PICTURE
Bayer CropScience is supporting sustainable agriculture with innovative concepts. Food chain partnerships are an example – one of which Santos Tun Coc has joined. The cover photo shows the farmer with members of his family during the snap pea harvest in Guatemala with Lake Atitlán in the background.

First quarter of 2014

Bayer: Very successful start to 2014

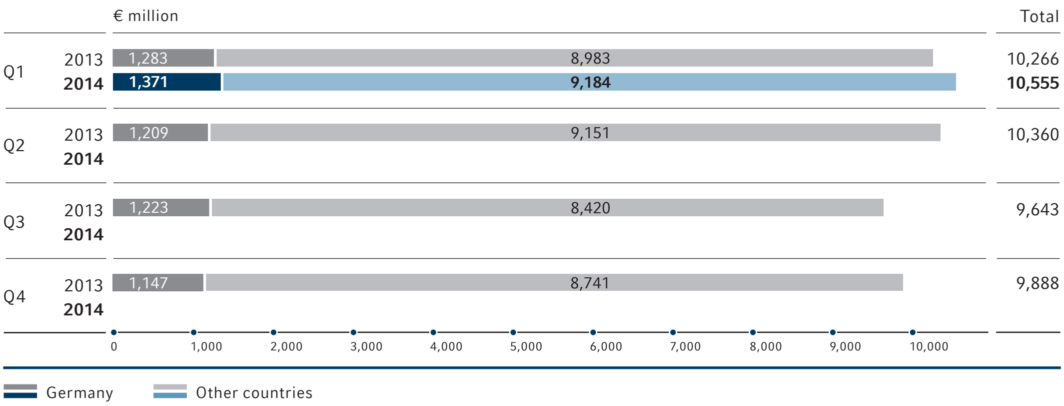
- // Encouraging business development in all subgroups
- // Strong growth for recently launched pharmaceutical products
- // Group sales €10.6 billion (Fx & portfolio adj. +8.4%)
- // EBIT €2.1 billion (+18.4%)
- // EBITDA before special items €2.7 billion (+11.6%) – despite negative currency effects of 8%
- // Net income €1.4 billion (+22.7%)
- // Core earnings per share €1.95 (+14.7%)
- // Forecast for 2014 confirmed

Bayer started 2014 with encouraging growth in sales and earnings. Our Life Science businesses continued their dynamic development and achieved slight earnings increases despite significant negative currency effects. HealthCare experienced strong growth thanks to the gratifying development in sales of the recently launched pharmaceutical products. CropScience benefited from an early start to the season in Europe. MaterialScience, in particular, raised earnings substantially. We strengthened our HealthCare business through selective acquisitions.

1. Overview of Sales, Earnings and Financial Position

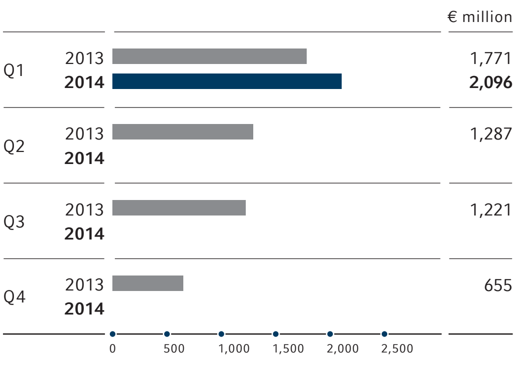
FIRST QUARTER OF 2014

Bayer Group Quarterly Sales [Graphic 1]

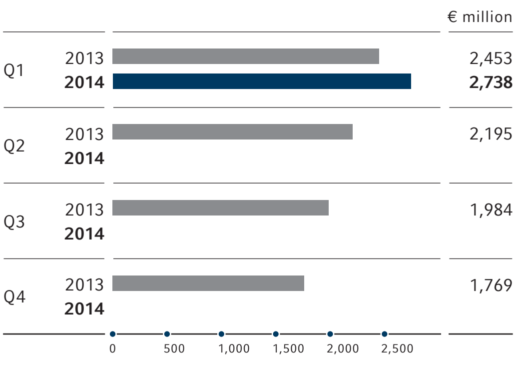


Sales of the Bayer Group advanced by 8.4% after adjusting for currency and portfolio effects (Fx & portfolio adj.) in the first quarter of 2014 to €10,555 million (reported: +2.8%; Q1 2013: €10,266 million). Sales of HealthCare improved by 8.9% (Fx & portfolio adj.) to €4,572 million (reported: +2.9%; Q1 2013: €4,443 million). CropScience raised sales by 11.8% (Fx & portfolio adj.) against the prior-year quarter to €2,900 million (reported: +4.9%; Q1 2013: €2,764 million). Sales of MaterialScience grew by 4.8% (Fx & portfolio adj.) to €2,803 million (reported: +1.0%; Q1 2013: €2,775 million).

Bayer Group Quarterly EBIT [Graphic 2]



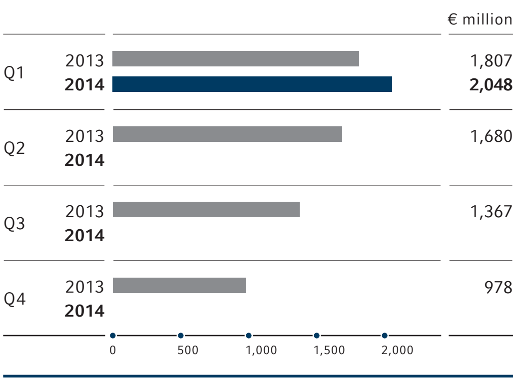
Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



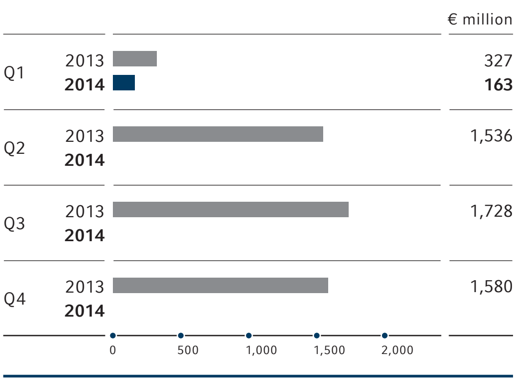
EBIT of the Bayer Group advanced by 18.4% to €2,096 million (Q1 2013: €1,771 million) after net special items of plus €7 million (Q1 2013: minus €45 million). EBIT before special items of the Bayer Group came in at €2,089 million (+15.0%; Q1 2013: €1,816 million). In spite of some €200 million in negative currency effects, **EBITDA** before special items improved to €2,738 million (+11.6%; Q1 2013: €2,453 million; currency effect approx. –8%). At HealthCare, EBITDA before special items improved by 1.9% to €1,301 million (Q1 2013: €1,277 million; currency effect approx. –11%). This increase was attributable to the very good business development in Pharmaceuticals. EBITDA before special items of CropScience came in at €1,098 million (+1.6%; Q1 2013: €1,081 million; currency effect approx. –6%). At MaterialScience, EBITDA before special items improved substantially to €366 million against a weak prior-year quarter (+79.4%; Q1 2013: €204 million; currency effect approx. –1%), partly thanks to increased volumes and lower raw material costs.

After a **financial result** of minus €159 million (Q1 2013: minus €190 million), **income before income taxes** climbed to €1,937 million (Q1 2013: €1,581 million). The principal components of the financial result were interest cost of €69 million (Q1 2013: €80 million) for pension and other provisions, exchange losses of €54 million (Q1 2013: €39 million) and net interest expense of €29 million (Q1 2013: €63 million), the latter including technical positive effects of €44 million (Q1 2013: €0 million) from the valuation of a subsidiary. After tax expense of €512 million (Q1 2013: €419 million) and non-controlling interest, **net income** in the first quarter of 2014 advanced by 22.7% against the prior-year period to €1,423 million (Q1 2013: €1,160 million). Earnings per share rose by 22.9% to €1.72 (Q1 2013: €1.40), and core earnings per share (calculated as explained in Chapter 7) by 14.7% to €1.95 (Q1 2013: €1.70).

Quarterly Gross Cash Flow [Graphic 4]



Quarterly Net Cash Flow [Graphic 5]



Gross cash flow in the first quarter of 2014 rose by 13.3% to €2,048 million (Q1 2013: €1,807 million) due to the improvement in EBITDA. Net cash flow, however, declined to €163 million (Q1 2013: €327 million) because more cash was tied up in working capital.

Net financial debt rose from €6.7 billion on December 31, 2013, to €9.1 billion on March 31, 2014. This increase was driven by the acquisition of Algeta ASA, Norway. The net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – rose from €7.3 billion on December 31, 2013, to €8.6 billion due to a decline in long-term capital market interest rates.

2. Economic Outlook

Economic Outlook [Table 1]

	Growth* 2013	Growth* forecast 2014
World	+2.5%	+3.1%
European Union	+0.1%	+1.5%
of which Germany	+0.4%	+1.8%
United States	+1.9%	+2.5%
Emerging markets**	+4.7%	+4.8%

as of April 2014
* real growth of gross domestic product, source: Global Insight; source for Germany: Federal Statistical Office (2013) / Federal Ministry of Economics and Technology (2014)
** including about 50 countries defined by Global Insight as emerging markets in line with the World Bank

The **global economy** will probably grow more quickly in 2014 than in the previous year, with positive impetus likely to come mainly from the industrialized countries. We anticipate a continued upswing in the United States, while the European economy – having emerged from recession – will probably grow again, if only slowly. Buoyed by increased demand from the industrialized countries, economic growth in the emerging countries is expected be on the level of 2013.

Economic Outlook for the Subgroups [Table 2]

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

as of April 2014
* Bayer's estimate; excluding pharmaceuticals market, source: IMS Health. IMS Market Prognosis. Copyright 2014. All rights reserved; currency-adjusted; some 2013 data provisional

We expect growth in the **pharmaceuticals market** in 2014 to be level with the prior year, with steady growth in the emerging countries. Pharmaceutical sales will probably increase in the United States and a number of European countries, mainly due to the launch of new products – despite a persistently restrictive health policy environment.

Following the strong cold season in the previous year, the **consumer care market** will likely normalize and expand at a somewhat slower pace in 2014. We continue to expect further slight shrinkage in the **medical care market**, with the diabetes care market weakening and the market for contrast agents and medical equipment (Radiology & Interventional business unit) almost reaching the previous year's level. Growth in the **animal health market** in 2014 is forecasted to exceed the previous year in view of favorable economic prospects in important markets.

In 2014 we expect the market environment for **seed and crop protection products** to be slightly weaker than in the prior year yet persistently favorable. All regions will likely contribute to growth, with above-average growth impetus continuing to come from the Latin American and Asian markets.

We expect the business climate in the **principal customer industries** of MaterialScience to improve during 2014. In North America there are clear stimuli to growth, raising hopes that the economy will continue to stabilize. Distinct recovery trends are also apparent in the emerging economies of Asia. On the other hand, the economic recovery in Western Europe will probably progress at a slower pace, and development in Latin America is likely to involve certain risks.

3. Sales and Earnings Forecast

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

BAYER GROUP

After the very encouraging first quarter, we confirm our guidance for 2014 issued at the end of February, which is based on average exchange rates for the fourth quarter of 2013. We experienced negative currency effects in the first quarter of 2014 compared to these assumptions, but so far these have been more than offset by the improvement in our operational performance and seasonal effects.

We plan to grow sales for the full year by about 5% on a currency- and portfolio-adjusted basis. Allowing for expected negative currency effects of about 2% compared to the previous year, Group sales would be approximately €41 billion to €42 billion. We plan to raise EBITDA before special items by a low- to mid-single-digit percentage, allowing for expected negative currency effects of about €450 million or roughly 5%. We aim to increase core earnings per share (calculated as explained in Chapter 7) by a mid-single-digit percentage, allowing for expected negative currency effects of around 6%.

	Forecast 2014	Currency effects allowed for in the forecast **
Group sales	Approx. 5% increase* Approx. €41 billion to €42 billion	Minus approx. 2%
EBITDA before special items	Low- to mid-single-digit percentage increase	Minus approx. 5% Minus approx. €450 million
Core earnings per share	Mid-single-digit percentage increase	Minus approx. 6%

* currency- and portfolio-adjusted
** 2014 calculated at Q4 2013 exchange rates compared to full year 2013 rates

We anticipate an effective tax rate for 2014 of around 25%. We expect net financial debt at year end to be less than €9.0 billion.

HEALTHCARE

We expect HealthCare sales to advance by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. Allowing for expected negative currency effects of about 2%, sales would be approximately €19.5 billion to €20 billion. We predict EBITDA before special items to slightly exceed the prior-year level, allowing for negative currency effects of roughly €250 million.

In the Pharmaceuticals segment, we expect sales to move ahead by a high-single-digit percentage on a currency- and portfolio-adjusted basis. We predict negative currency effects of around 2% compared to 2013. We intend to raise sales of our recently launched products to €2.8 billion and anticipate significantly higher investment in order to continue marketing them successfully. We will also intensify the activities aimed at exploiting the potential of our development pipeline. Additional marketing and R&D expenditures totaling €0.5 billion are expected for 2014. Against this background we predict a low- to mid-single-digit percentage increase in EBITDA before special items, allowing for negative currency effects of about €150 million. The EBITDA margin before special items is expected to be level with the previous year.

In the Consumer Health segment, we plan to raise sales by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis. We expect negative currency effects of around 3% compared to 2013. EBITDA before special items is anticipated to come in slightly below the level of the prior year, allowing for negative currency effects of about €100 million.

CROPSCIENCE

For 2014 we continue to predict favorable market conditions for our CropScience business, although we will not see quite such a positive environment as in 2013.

We expect to grow faster than the market and raise sales by a mid- to high-single-digit percentage on a currency- and portfolio-adjusted basis. We anticipate negative currency effects of about 3% compared to 2013. We expect to increase EBITDA before special items by a low-single-digit percentage, allowing for negative currency effects of approximately €150 million.

MATERIALSCIENCE

We expect to increase sales of MaterialScience in 2014 by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. We predict negative currency effects of about 2% compared to 2013. We anticipate an increase in EBITDA before special items, allowing for negative currency effects of roughly €50 million.

In the second quarter of 2014, we expect to raise sales compared to the first quarter. EBITDA before special items is likely to show a slight decrease due to scheduled maintenance shutdowns.

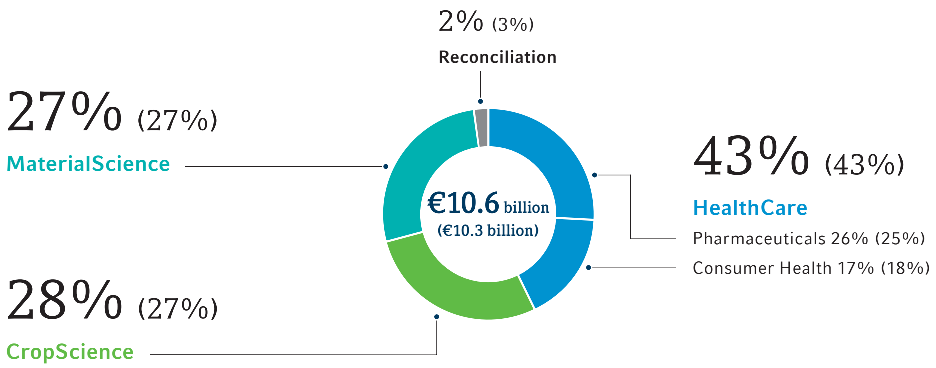
RECONCILIATION

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

4. Corporate Structure

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

Sales in the 1st Quarter of 2014 [Graphic 6]



2013 in parentheses

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

Key Data by Subgroup and Segment [Table 3]

	Sales		EBIT		EBITDA before special items*	
	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,443**	**4,572**	**922**	**962**	**1,277**	**1,301**
Pharmaceuticals	2,564	2,782	601	641	832	873
Consumer Health	1,879	1,790	321	321	445	428
CropScience	**2,764**	**2,900**	**964**	**988**	**1,081**	**1,098**
MaterialScience	**2,775**	**2,803**	**42**	**219**	**204**	**366**
Reconciliation	**284**	**280**	**(157)**	**(73)**	**(109)**	**(27)**
Group	**10,266**	**10,555**	**1,771**	**2,096**	**2,453**	**2,738**

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

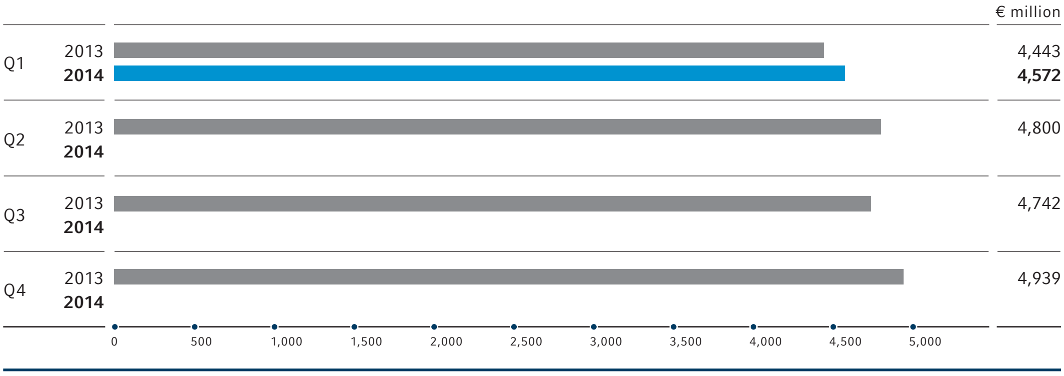
Key Data – HealthCare [Table 4]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**4,443**	**4,572**	**+2.9**	**+8.9**
Change in sales				
Volume	+4.2%	+8.9%		
Price	+0.7%	0.0%		
Currency	−2.6%	−6.9%		
Portfolio	0.0%	+0.9%		
Sales by segment				
Pharmaceuticals	2,564	2,782	+8.5	+14.9
Consumer Health	1,879	1,790	−4.7	+0.6
Sales by region				
Europe	1,622	1,757	+8.3	+10.1
North America	1,176	1,132	−3.7	+0.5
Asia/Pacific	993	1,070	+7.8	+17.9
Latin America/Africa/Middle East	652	613	−6.0	+13.7
EBIT	**922**	**962**	**+4.3**	
Special items	*(31)*	*16*		
EBIT before special items*	***953***	***946***	***−0.7***	
EBITDA*	**1,253**	**1,317**	**+5.1**	
Special items	*(24)*	*16*		
EBITDA before special items*	***1,277***	***1,301***	***+1.9***	
EBITDA margin before special items*	28.7%	28.5%		
Gross cash flow**	**887**	**881**	**−0.7**	
Net cash flow**	**805**	**659**	**−18.1**	

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

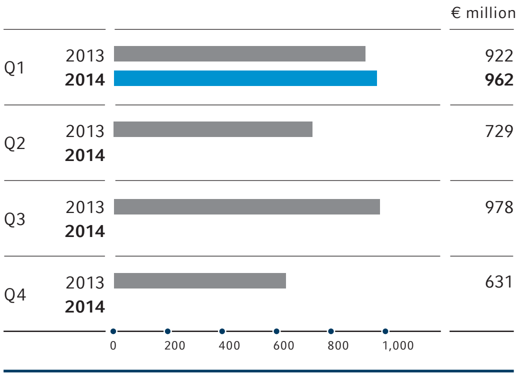
Sales of the **HealthCare** subgroup increased by a gratifying 8.9% on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) in the first quarter of 2014, to €4,572 million (reported: +2.9%). This growth was driven by our recently launched pharmaceutical products. Sales in the Emerging Markets developed at an above-average rate.

HealthCare Quarterly Sales [Graphic 7]

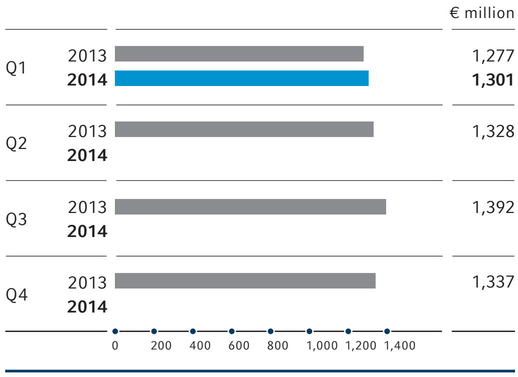


EBIT of HealthCare grew by 4.3% in the first quarter of 2014 to €962 million, reflecting net special gains of €16 million (Q1 2013: special charges of €31 million). EBIT before special items amounted to €946 million (–0.7%). Despite substantial negative currency effects of approximately €130 million, **EBITDA** before special items moved ahead by 1.9% to €1,301 million (currency effect approx. –11%). The improvement was due to the very good business development at Pharmaceuticals, while earnings at Consumer Health declined slightly.

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 5]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,564**	**2,782**	**+8.5**	**+14.9**
Sales by region				
Europe	907	1,035	+14.1	+15.4
North America	576	591	+2.6	+6.9
Asia/Pacific	700	801	+14.4	+25.0
Latin America/Africa/Middle East	381	355	−6.8	+13.1
EBIT	**601**	**641**	**+6.7**	
Special items	*(9)*	*16*		
EBIT before special items*	***610***	***625***	***+2.5***	
EBITDA*	**830**	**889**	**+7.1**	
Special items	*(2)*	*16*		
EBITDA before special items*	***832***	***873***	***+4.9***	
EBITDA margin before special items*	32.4%	31.4%		
Gross cash flow**	**582**	**574**	**−1.4**	
Net cash flow**	**553**	**447**	**−19.2**	

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

Our **Pharmaceuticals** segment achieved strong growth against a weaker prior-year period, with **sales** in the first quarter of 2014 up by 14.9% (Fx & portfolio adj.) to €2,782 million. This excellent performance was driven by our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™, which posted combined sales of €598 million (Q1 2013: €244 million). Our Pharmaceuticals business registered sales increases in all regions on a currency-adjusted basis, with particularly strong growth in Japan, China and France.

Best-Selling Pharmaceuticals Products [Table 6]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx adj. %
Xarelto™	155	342	.	.
Kogenate™	301	270	−10.3	−5.7
Betaferon™/Betaseron™	254	190	−25.2	−21.5
Nexavar™	173	183	+5.8	+13.6
YAZ™/Yasmin™/Yasminelle™	206	181	−12.1	−2.6
Mirena™	166	178	+7.2	+12.0
Eylea™	49	157	.	.
Adalat™	155	140	−9.7	−0.8
Aspirin™ Cardio	102	115	+12.7	+19.2
Avalox™/Avelox™	115	108	−6.1	−1.5
Glucobay™	101	102	+1.0	+4.1
Levitra™	68	62	−8.8	−4.2
Stivarga™	40	54	+35.0	+43.6
Fosrenol	35	47	+34.3	+58.9
Cipro™/Ciprobay™	46	47	+2.2	+12.6
Total	**1,966**	**2,176**	**+10.7**	**+17.8**
Proportion of Pharmaceuticals sales	77%	78%		

Fx adj. = currency-adjusted

Xarelto™ maintained its growth momentum, with strong sales gains mainly in Japan, Germany and France. Business with Xarelto™ also developed very positively in the United States, where it is marketed by a subsidiary of Johnson & Johnson. There was a substantial increase in sales of the eye medicine Eylea™, which has also been available in France since the end of last year. Our new cancer drugs Stivarga™ and Xofigo™ also made an encouraging contribution to business development. Xofigo™ posted sales of €36 million. Adempas™, our innovative treatment for pulmonary hypertension, achieved first-quarter sales of €9 million following its launch in the United States in the fourth quarter of 2013.

The cancer drug Nexavar™ registered gains in all regions. Sales of the hormone-releasing intrauterine device Mirena™ increased, particularly in the United States, mainly as a result of higher prices. Aspirin™ Cardio for secondary prevention of heart attacks and Glucobay™, our oral diabetes treatment, registered significant growth in demand, especially in China. Sales of the antibiotic Cipro™/Ciprobay™ benefited from a government contract in the United Kingdom.

The decline in sales of our blood-clotting medicine Kogenate™ was partly explained by the high sales level of the prior-year quarter. Sales of the multiple sclerosis drug Betaferon™/Betaseron™ continued to recede, mainly in the United States, due to increased competition there. Business with our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives was hampered mainly by generic competition. Sales of the antibiotic Avalox™/Avelox™ declined slightly overall despite higher volumes in China.

EBIT of the **Pharmaceuticals** segment rose by 6.7% in the first quarter of 2014 to €641 million. Net special items amounted to plus €16 million (Q1 2013: minus €9 million), including a positive one-time valuation effect of €35 million from the acquisition of Algeta ASA, Norway. Integration costs of €19 million had a negative effect. EBIT before special items rose by 2.5% to €625 million. **EBITDA** before special items improved by 4.9% to €873 million. This improvement in earnings was driven by the strong growth in sales of our recently launched products. Earnings were diminished by higher selling expenses and research and development expenses along with negative currency effects of about €100 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 7]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**1,879**	**1,790**	**−4.7**	**+0.6**
Consumer Care	955	923	−3.4	+2.2
Medical Care	597	537	−10.1	−5.9
Animal Health	327	330	+0.9	+8.0
Sales by region				
Europe	715	722	+1.0	+3.4
North America	600	541	−9.8	−5.7
Asia/Pacific	293	269	−8.2	+1.0
Latin America/Africa/Middle East	271	258	−4.8	+14.4
EBIT	**321**	**321**	**0,0**	
Special items	*(22)*	*0*		
EBIT before special items*	***343***	***321***	−6.4	
EBITDA*	**423**	**428**	+1.2	
Special items	*(22)*	*0*		
EBITDA before special items*	***445***	***428***	−3.8	
EBITDA margin before special items*	23.7%	23.9%		
Gross cash flow**	**305**	**307**	+0.7	
Net cash flow**	**252**	**212**	**−15.9**	

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

Sales of the **Consumer Health** segment in the first quarter of 2014, at €1,790 million, were flat with the prior-year period on a currency- and portfolio-adjusted basis (Fx & portfolio adj. +0.6 percent). Business in our Animal Health and Consumer Care divisions developed positively, especially in the Emerging Markets. Sales of our Medical Care Division receded, however, particularly in the United States.

Best-Selling Consumer Health Products [Table 8]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx adj. %
Contour™ (Medical Care)	170	146	−14.1	−11.5
Advantage™ product line (Animal Health)	123	130	+5.7	+10.8
Aspirin™ (Consumer Care)	116	102	−12.1	−5.8
Bepanthen™/Bepanthol™ (Consumer Care)	76	86	+13.2	+21.9
Aleve™ (Consumer Care)	75	74	−1.3	+4.4
Ultravist™ (Medical Care)	78	69	−11.5	−7.8
Canesten™ (Consumer Care)	62	60	−3.2	+3.4
Gadovist™ / Gadavist™ (Medical Care)	50	53	+6.0	+8.3
Supradyn™ (Consumer Care)	38	39	+2.6	+15.0
Berocca™ (Consumer Care)	34	33	−2.9	+5.0
Total	**822**	**792**	**−3.6**	**+1.8**
Proportion of Consumer Health sales	44%	44%		

Fx adj. = currency-adjusted
Total sales of Aspirin™ – including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment – decreased in Q1 2014 by 0.5% (Fx adj. +5.8%) to €217 million (Q1 2013: €218 million).

Sales of the **Consumer Care** Division rose by 2.2% (Fx & portfolio adj.) to €923 million. We posted considerably higher sales of our skincare product Bepanthen™/Bepanthol™ in all regions, especially in Brazil and Russia. Volumes increased for our analgesic Aleve™, particularly in the United States. Our dietary supplement Supradyn™ saw growth in sales that was largely the result of increased marketing activities. Business with the analgesic Aspirin™ was held back mainly by a weak cold season in Europe.

Sales of the **Medical Care** Division fell by 5.9% (Fx & portfolio adj.) to €537 million. The Diabetes Care business in the United States continued to be held back by reimbursement pressure and price declines, particularly for our Contour™ line of blood glucose meters. Sales of our contrast agents and medical equipment in the Radiology & Interventional business were down slightly on a currency- and portfolio-adjusted basis.

Sales of the **Animal Health** Division rose by 8.0% (Fx & portfolio adj.) to €330 million. Business with our Advantage™ line of flea, tick and worm control products developed particularly well.

EBIT of the **Consumer Health** segment in the first quarter of 2014, at €321 million, equaled the figure for the prior-year period, which had reflected special charges of €22 million. EBIT before special items fell by 6.4% to €321 million. **EBITDA** before special items declined by 3.8% to €428 million. Positive earnings contributions resulting from the sales growth in the Consumer Care and Animal Health divisions were more than offset by negative currency effects of approximately €30 million and an increase in selling expenses.

5.2 CropScience

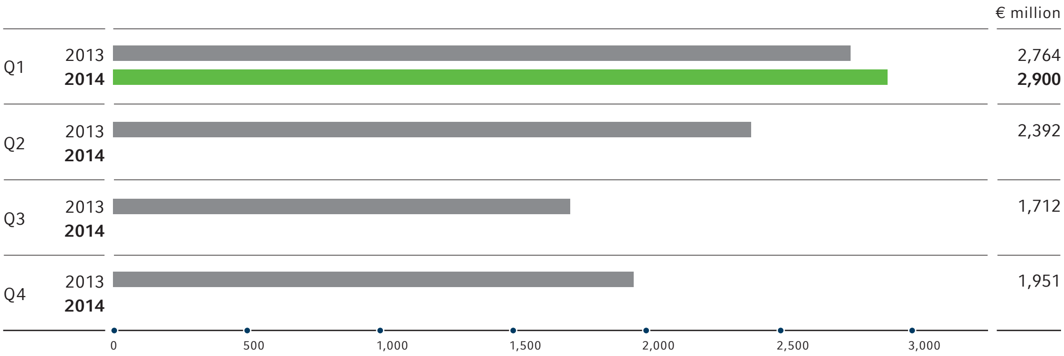
Key Data – CropScience [Table 9]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,764**	**2,900**	**+4.9**	**+11.8**
Change in sales				
Volume	+3.9%	+10.2%		
Price	+3.3%	+1.6%		
Currency	−1.6%	−7.0%		
Portfolio	+0.3%	+0.1%		
Sales by operating segment				
Crop Protection/Seeds	2,600	2,734	+5.2	+12.1
Environmental Science	164	166	+1.2	+7.9
Sales by region				
Europe	1,077	1,239	+15.0	+17.0
North America	984	954	−3.0	+4.3
Asia/Pacific	341	329	−3.5	+8.2
Latin America/Africa/Middle East	362	378	+4.4	+21.3
EBIT	**964**	**988**	**+2.5**	
Special items	*(5)*	*0*		
EBIT before special items*	***969***	***988***	***+2.0***	
EBITDA*	**1,077**	**1,098**	**+1.9**	
Special items	*(4)*	*0*		
EBITDA before special items*	***1,081***	***1,098***	***+1.6***	
EBITDA margin before special items*	39.1%	37.9%		
Gross cash flow**	**743**	**770**	**+3.6**	
Net cash flow**	**(817)**	**(722)**	**+11.6**	

Fx (& p) adj. = currency- (and portfolio-)adjusted (Fx & 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 and Investments of the Bayer Group."

Sales of the **CropScience** subgroup increased by a currency- and portfolio-adjusted 11.8% (reported: +4.9%) in the first quarter of 2014 to €2,900 million. Both Crop Protection/Seeds and Environmental Science contributed to this encouraging growth. Our business benefited mainly from an early start to the season in Europe and strong sales in Latin America.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/Seeds** rose in the first quarter of 2014 by 12.1% (Fx & portfolio adj.) to €2,734 million, with all units showing positive development. Our Fungicides, SeedGrowth and Insecticides units were very successful and all posted double-digit growth rates. Herbicides mainly benefited from the good development of products for use in cereals. Business in our Seeds unit also expanded markedly. Our new Crop Protection products (launched since 2006) made a significant overall contribution to this development.

Sales of **Environmental Science** advanced by 7.9% (Fx & portfolio adj.) to €166 million. This sales increase was attributable to a positive performance both by products for professional users and by the consumer business.

Sales by Business Units [Table 10]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx & p adj. %
Herbicides	947	965	+1.9	+7.7
Fungicides	597	662	+10.9	+16.6
Insecticides	342	352	+2.9	+12.6
SeedGrowth	225	252	+12.0	+19.1
Crop Protection	2,111	2,231	+5.7	+12.2
Seeds	489	503	+2.9	+11.9
Crop Protection/Seeds	**2,600**	**2,734**	**+5.2**	**+12.1**
Environmental Science	**164**	**166**	**+1.2**	**+7.9**

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

CropScience registered currency-adjusted sales gains in all regions.

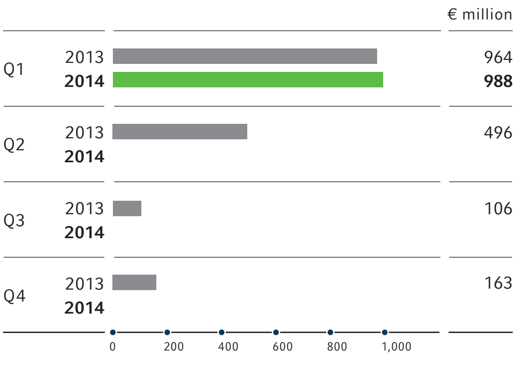
Sales in **Europe**, at €1,239 million, came in substantially ahead of the prior-year period (Fx adj. +17.0%). This growth resulted partly from the weather-related early start to the season. Our Fungicides, Herbicides and Insecticides businesses developed especially well, all of them recording double-digit growth rates. The Seeds unit also posted significant gains, thanks to the successful sales development for our vegetable seeds. Sales of Environmental Science moved slightly ahead.

In **North America** we achieved sales of €954 million in the first quarter of 2014. Despite adverse weather conditions in large parts of this region, we expanded business by 4.3% (Fx adj.). We were particularly successful in the Seeds unit, especially with oilseed rape/canola and cotton seed. The Crop Protection and Environmental Science businesses also saw slight growth in sales. Substantial sales increases for the products of our SeedGrowth unit more than offset the year-on-year decreases for Insecticides and Fungicides.

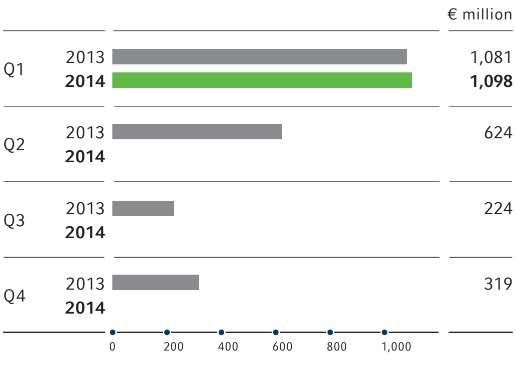
Sales in the **Asia/Pacific** region came in at €329 million, up 8.2% after adjusting for currency effects. This increase was largely due to very good development of our business in India, including our products for use in rice. Our Fungicides and Insecticides units performed positively in Asia/Pacific. Our Seeds business, especially for vegetables, was also successful in this region, as was our Environmental Science business, particularly in Japan.

Sales in the **Latin America/Africa/Middle East** region improved by a significant 21.3% (Fx adj.) to €378 million. Business development in Crop Protection was primarily driven by the Insecticides and Fungicides units. We also achieved substantial growth in the Seeds business, more than doubling our sales of cotton seed. Environmental Science posted double-digit growth rates in a generally positive market environment.

CropScience Quarterly EBIT [Graphic 11]



CropScience Quarterly EBITDA Before Special Items [Graphic 12]



EBIT of **CropScience** grew by 2.5% in the first quarter of 2014 to €988 million. No special charges were taken in this reporting period (Q1 2013: €5 million). Despite negative currency effects of €70 million, EBITDA before special items advanced by 1.6% to €1,098 million (currency effect approx. –6%). This earnings growth was mainly attributable to significantly increased volumes and higher selling prices. However, earnings were hampered by increases in both selling expenses and research and development expenses.

5.3 MaterialScience

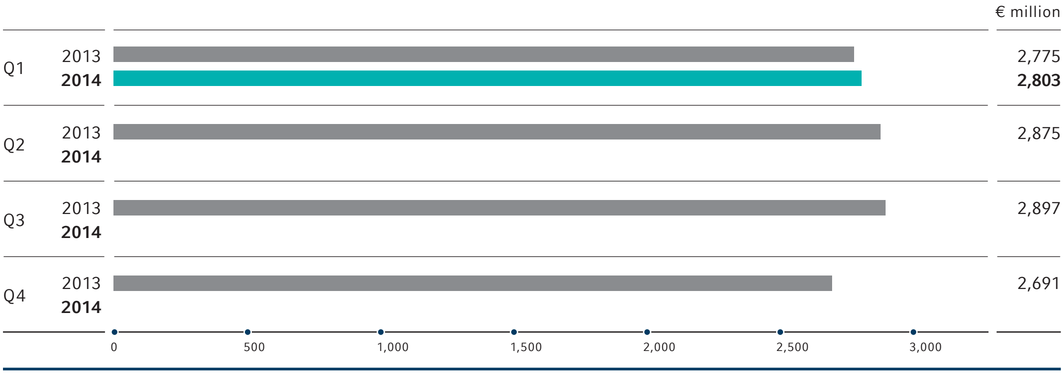
Key Data – MaterialScience [Table 11]

	1st Quarter 2013	1st Quarter 2014	Change	
	€ million	€ million	%	Fx (& p) adj. %
Sales	**2,775**	**2,803**	**+1.0**	**+4.8**
Change in sales				
Volume	−3.9%	+7.6%		
Price	+4.2%	−2.8%		
Currency	−1.0%	−3.2%		
Portfolio	+0.3%	−0.6%		
Sales by business unit				
Polyurethanes	1,469	1,510	+2.8	+6.5
Polycarbonates	663	659	−0.6	+2.3
Coatings, Adhesives, Specialties	467	469	+0.4	+6.6
Industrial Operations	176	165	−6.3	−5.1
Sales by region				
Europe	1,086	1,141	+5.1	+5.1
North America	594	596	+0.3	+4.2
Asia/Pacific	731	736	+0.7	+5.9
Latin America/Africa/Middle East	364	330	−9.3	−1.9
EBIT	**42**	**219**	**.**	
Special items	*(1)*	*(2)*		
EBIT before special items*	***43***	***221***	**.**	
EBITDA*	**203**	**364**	**+79.3**	
Special items	*(1)*	*(2)*		
EBITDA before special items*	***204***	***366***	***+79.4***	
EBITDA margin before special items*	7.4%	13.1%		
Gross cash flow**	**177**	**285**	**+61.0**	
Net cash flow**	**(100)**	**(44)**	**+56.0**	

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 and Investments of the Bayer Group."

In the **MaterialScience** subgroup, sales advanced by 4.8% (Fx & portfolio adj.) in the first quarter of 2014 to €2,803 million (reported: +1.0%). This growth was the result of significantly higher volumes in all business units and regions except Latin America/Africa/Middle East. Selling prices were below the level of the prior-year period.

MaterialScience Quarterly Sales [Graphic 13]



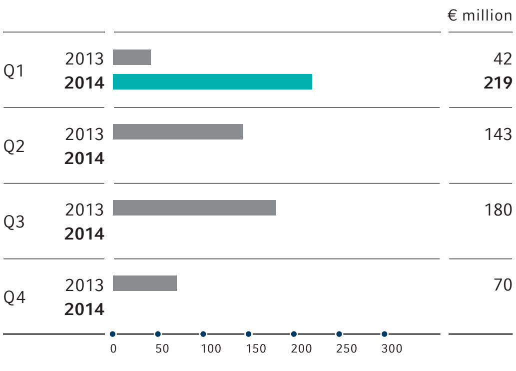
The **Polyurethanes** business unit raised sales by 6.5% (Fx & portfolio adj.) to €1,510 million. Higher volumes in nearly all regions, especially North America and Asia/Pacific, contributed to this increase. The growth in volumes resulted partly from an improvement in the demand from our main customer industries. A further factor was that business in the corresponding period of last year had been hampered by a maintenance shutdown in North America. Selling prices were down overall against the prior-year quarter. We saw a significant increase in volumes for diphenylmethane diisocyanate (MDI) and toluene diisocyanate (TDI), whereas selling prices declined. Both volumes and prices for polyether (PET) moved higher.

The **Polycarbonates** business unit raised sales by 2.3% (Fx & portfolio adj.) to €659 million thanks to higher volumes in nearly all regions and particularly the positive development of the automotive sector in Asia/Pacific and Europe. Selling prices were below the level of the prior-year quarter.

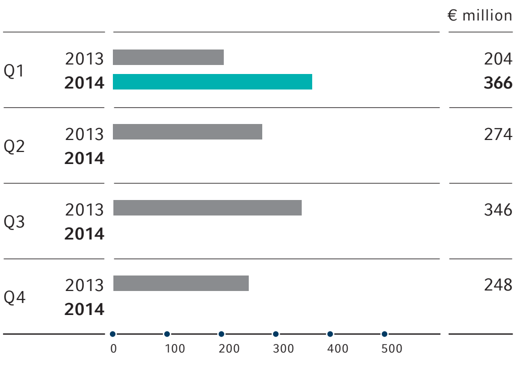
Sales in the **Coatings, Adhesives, Specialties** business unit advanced by 6.6% (Fx & portfolio adj.) to €469 million. This increase resulted from higher volumes in all regions. Selling prices declined, however, especially in Asia/Pacific and Latin America/Africa/Middle East.

Sales of **Industrial Operations** receded by 5.1% (Fx & portfolio adj.) to €165 million due to an overall drop in selling prices. Volumes, however, increased.

MaterialScience Quarterly EBIT [Graphic 14]



MaterialScience Quarterly EBITDA Before Special Items [Graphic 15]



EBIT of **MaterialScience** rose substantially in the first quarter of 2014 to €219 million (Q1 2013: €42 million), reflecting special charges of €2 million (Q1 2013: €1 million) for restructuring. EBIT before special items rose to €221 million (Q1 2013: €43 million). **EBITDA** before special items improved by a substantial 79.4% against a weak prior-year quarter, to €366 million (Q1 2013: €204 million). This increase was largely due to lower raw material prices. Earnings were also boosted by higher volumes and our efficiency improvement measures. Lower selling prices, however, had a negative effect.

5.4 Business Development by Region

Sales by Region and Segment (by Market)

	Europe				North America			
	1st Quarter 2013	1st Quarter 2014			1st Quarter 2013	1st Quarter 2014		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
HealthCare	**1,622**	**1,757**	**+8.3**	**+10.1**	**1,176**	**1,132**	**−3.7**	**+0.5**
Pharmaceuticals	907	1,035	+14.1	+15.4	576	591	+2.6	+6.9
Consumer Health	715	722	+1.0	+3.4	600	541	−9.8	−5.7
CropScience	**1,077**	**1,239**	**+15.0**	**+17.0**	**984**	**954**	**−3.0**	**+4.3**
MaterialScience	**1,086**	**1,141**	**+5.1**	**+5.1**	**594**	**596**	**+0.3**	**+4.2**
Group (incl. reconciliation)	**4,043**	**4,400**	**+8.8**	**+10.1**	**2,758**	**2,684**	**−2.7**	**+2.6**

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

6. Calculation of EBIT(DA) Before Special Items

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

Depreciation, amortization and impairments increased by 0.6% in the first quarter of 2014 to €649 million (Q1 2013: €645 million), comprising €348 million (Q1 2013: €321 million) in amortization and impairments of intangible assets and €301 million (Q1 2013: €324 million) in depreciation and impairments of property, plant and equipment. Impairments totaled €4 million (Q1 2013: €0 million). Of the €645 million (Q1 2013: €645 million) in depreciation and amortization, €0 million (Q1 2013: €8 million) was included in special items.

[Table 12]

	Asia/Pacific				Latin America/Africa/Middle East				Total			
	1st Quarter 2013	1st Quarter 2014			1st Quarter 2013	1st Quarter 2014			1st Quarter 2013	1st Quarter 2014		
	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy	€ million	€ million	% yoy	Fx adj. % yoy
	993	**1,070**	**+7.8**	**+17.9**	**652**	**613**	**−6.0**	**+13.7**	**4,443**	**4,572**	**+2.9**	**+9.8**
	700	801	+14.4	+25.0	381	355	−6.8	+13.1	2,564	2,782	+8.5	+15.8
	293	269	−8.2	+1.0	271	258	−4.8	+14.4	1,879	1,790	−4.7	+1.7
	341	**329**	**−3.5**	**+8.2**	**362**	**378**	**+4.4**	**+21.3**	**2,764**	**2,900**	**+4.9**	**+11.9**
	731	**736**	**+0.7**	**+5.9**	**364**	**330**	**−9.3**	**−1.9**	**2,775**	**2,803**	**+1.0**	**+4.2**
	2,070	**2,140**	**+3.4**	**+12.1**	**1,395**	**1,331**	**−4.6**	**+11.0**	**10,266**	**10,555**	**+2.8**	**+8.6**

Special Items Reconciliation

[Table 13]

	EBIT* 1st Quarter 2013	EBIT* 1st Quarter 2014	EBITDA** 1st Quarter 2013	EBITDA** 1st Quarter 2014
	€ million	€ million	€ million	€ million
Before special items	**1,816**	**2,089**	**2,453**	**2,738**
HealthCare	**(31)**	**16**	**(24)**	**16**
Restructuring	(30)	–	(23)	–
Integration costs	(1)	(19)	(1)	(19)
Settlement of pre-existing relationship***	–	35	–	35
CropScience	**(5)**	**–**	**(4)**	**–**
Restructuring	(5)	–	(4)	–
MaterialScience	**(1)**	**(2)**	**(1)**	**(2)**
Restructuring	(1)	(2)	(1)	(2)
Reconciliation	**(8)**	**(7)**	**(8)**	**(7)**
Restructuring	(8)	(7)	(8)	(7)
Total special items	**(45)**	**7**	**(37)**	**7**
of which cost of goods sold	(3)	–	(1)	–
of which selling expenses	(10)	(4)	(10)	(4)
of which research and development expenses	(1)	–	(1)	–
of which general administration expenses	(1)	(10)	(1)	(10)
of which other operating income/expenses	(30)	21	(24)	21
After special items	**1,771**	**2,096**	**2,416**	**2,745**

* 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
*** For details see Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group under "Acquisitions and divestitures"

7. Core Earnings Per Share

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

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the first quarter of 2014 rose by 14.7% to €1.95 (Q1 2013: €1.70).

Core Earnings per Share [Table 14]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
EBIT (as per income statements)	**1,771**	**2,096**
Amortization and impairment losses/loss reversals of intangible assets	321	348
Impairment losses/loss reversals on property, plant and equipment	–	–
Special items (other than amortization and impairment losses/loss reversals)	37	(7)
Core EBIT	**2,129**	**2,437**
Financial result (as per income statements)	(190)	(159)
Special items in the financial result	–	(44)
Income taxes (as per income statements)	(419)	(512)
Tax effects related to amortization, impairment losses/loss reversals and special items	(109)	(107)
Income after income taxes attributable to non-controlling interest (as per income statements)	(2)	(2)
Core net income	**1,409**	**1,613**
	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.70**	**1.95**

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]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
Gross cash flow*	**1,807**	**2,048**
Changes in working capital/other non-cash items	(1,480)	(1,885)
Net cash provided by (used in) operating activities (net cash flow)	**327**	**163**
Net cash provided by (used in) investing activities	**(377)**	**(2,180)**
Net cash provided by (used in) financing activities	**(165)**	**3,019**
Change in cash and cash equivalents due to business activities	**(215)**	**1,002**
Cash and cash equivalents at beginning of period	**1,698**	**1,662**
Change due to exchange rate movements and to changes in scope of consolidation	(4)	(33)
Cash and cash equivalents at end of period	**1,479**	**2,631**

* 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 first quarter of 2014 climbed by 13.3% against the prior-year period to €2,048 million due to the improvement in EBITDA. The €1,885 million increase in cash tied up in working capital was larger than in the prior-year quarter, partly for business-related reasons and partly because the figure for the prior-year quarter reflected a €200 million cash inflow from the sale of securities held for trading. As a result, net cash flow fell by 50.2% to €163 million. Net cash flow reflected income tax payments of €375 million (Q1 2013: €346 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the first quarter of 2014 was €2,180 million. Disbursements for property, plant, equipment and intangible assets declined by 2.2% to €357 million (Q1 2013: €365 million). Of this amount, HealthCare accounted for €101 million (Q1 2013: €158 million), CropScience for €115 million (Q1 2013: €75 million) and MaterialScience for €98 million (Q1 2013: €104 million. The €1,857 million (Q1 2013: €122 million) in outflows for acquisitions mainly related to the purchase of Algeta ASA, Norway.

FINANCING CASH FLOW

In the first quarter of 2014, there was a net cash inflow of €3,019 million for financing activities, mainly comprising net borrowings of €3,078 million (Q1 2013: net loan repayments of €109 million). Net interest payments were 9.4% higher at €58 million (Q1 2013: €53 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 16]

	Dec. 31, 2013	March 31, 2014
	€ million	€ million
Bonds and notes/promissory notes	4,520	6,885
of which hybrid bond	1,344	1,338
Liabilities to banks	2,302	2,297
Liabilities under finance leases	382	371
Liabilities from derivatives	310	364
Other financial liabilities	1,516	2,320
Positive fair values of hedges of recorded transactions	(504)	(413)
Financial liabilities	**8,526**	**11,824**
Cash and cash equivalents	(1,662)	(2,631)
Current financial assets	(133)	(128)
Net financial debt	**6,731**	**9,065**

Net financial debt of the Bayer Group increased by 35%, from €6.7 billion on December 31, 2013, to €9.1 billion as of March 31, 2014, chiefly due to cash outflows for the acquisition of Algeta ASA, Norway.

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. The other financial liabilities as of March 31, 2014, included commercial paper of €1.8 billion. Our noncurrent financial liabilities rose in the first quarter of 2014 from €5.6 billion to €8.1 billion, while current financial liabilities increased from €3.4 billion to €4.1 billion.

On January 21, 2014, Bayer AG issued three tranches of bonds with a combined nominal volume of €2 billion under the multi-currency European Medium Term Notes (EMTN) program. Of the three tranches, one has a nominal volume of €500 million, a floating-rate coupon of 22 basis points over three-month Euribor and a maturity of two years. The second has a nominal volume of €750 million, a maturity of four years and a fixed-rate coupon of 1.125%. The third has a nominal volume of €750 million, a maturity of seven years and a fixed-rate coupon of 1.875%. On March 28, 2014, Bayer Nordic SE issued a bond under the EMTN program with a nominal volume of €500 million, a floating-rate coupon of 22 basis points over three-month Euribor and a maturity of three years.

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, 2013	March 31, 2014
	€ million	€ million
Noncurrent assets	32,289	34,372
Current assets	19,028	22,085
Total assets	**51,317**	**56,457**
Equity	**20,804**	**21,094**
Noncurrent liabilities	16,490	20,078
Current liabilities	14,023	15,285
Liabilities	**30,513**	**35,363**
Total equity and liabilities	**51,317**	**56,457**

Total assets increased in the first quarter of 2014 by 10.0% to €56.5 billion. Noncurrent assets rose by €2.1 billion to €34.4 billion, largely due to the acquisition of Algeta ASA, Norway. Current assets grew by €3.1 billion to €22.1 billion, mainly because of the seasonal increase in trade accounts receivable. Cash and cash equivalents also increased.

Equity rose by €0.3 billion to €21.1 billion, the €1.4 billion income after income taxes being partially offset by the €0.9 billion increase – recognized outside profit or loss – in post-employment benefit obligations and €0.2 billion in negative exchange differences. The equity ratio (equity coverage of total assets) as of March 31, 2014, was 37.4% (December 31, 2013: 40.5%).

Liabilities rose by €4.9 billion compared with December 31, 2013, to €35.4 billion. This primarily resulted from the €3.2 billion increase in financial liabilities – mainly due to the issuance of bonds – and the €1.3 billion increase in provisions for pensions and other post-employment benefits.

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

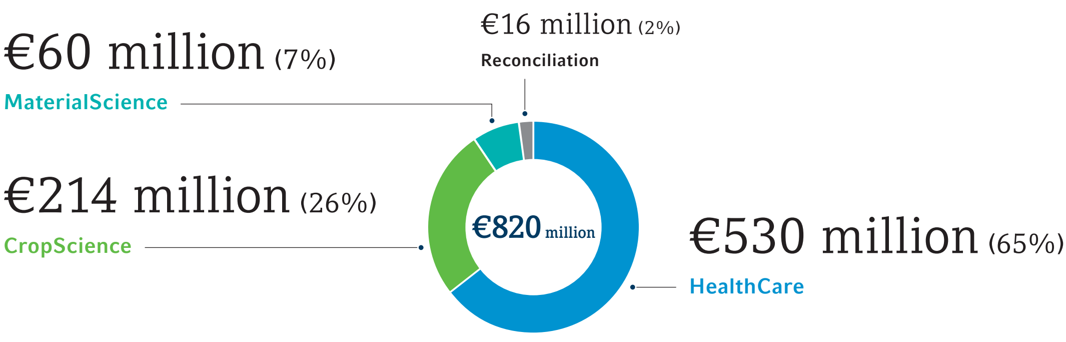
	Dec. 31, 2013	March 31, 2014
	€ million	€ million
Provisions for pensions and other post-employment benefits	7,368	8,647
Net defined benefit asset	(117)	(81)
Net defined benefit liability for post-employment benefits	**7,251**	**8,566**

The net defined benefit liability for post-employment benefits rose in the first quarter of 2014 from €7.3 billion to €8.6 billion due to a decline in long-term capital market interest rates.

9. Growth and Innovation

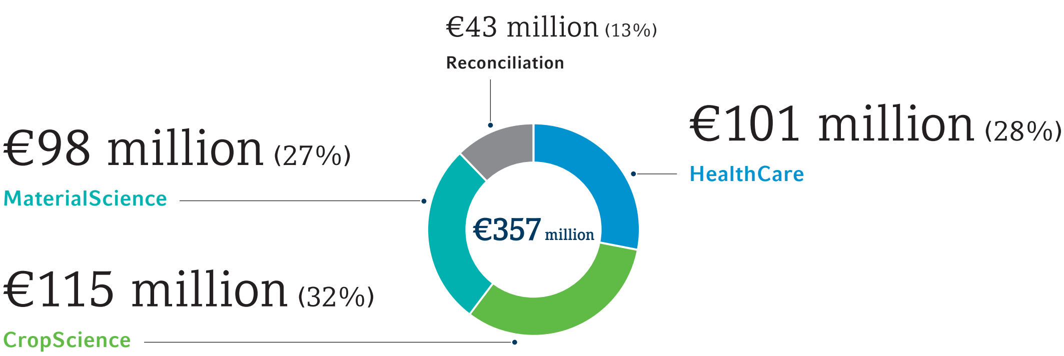
In the first quarter of 2014 we spent a total of €820 million on research and development. Capital expenditures for property, plant and equipment and intangible assets amounted to €357 million.

Research and Development Expenses in the 1st Quarter of 2014 [Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the 1st Quarter of 2014 [Graphic 17]

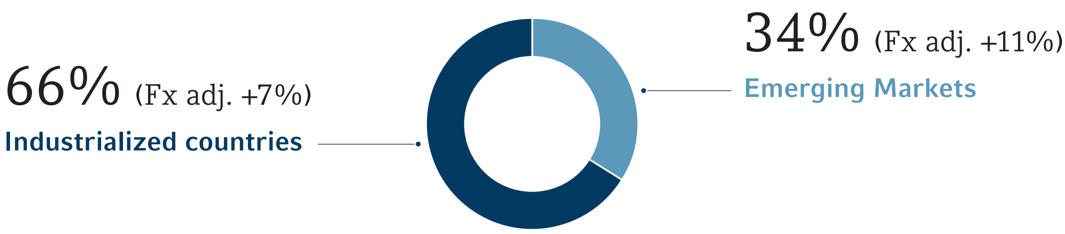


Subgroup shares in parentheses

The Emerging Markets accounted for a disproportionately large share of currency-adjusted sales growth. 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 11.0% (Fx adj.) in the first quarter of 2014 to €3,538 million (Q1 2013: €3,491 million). All regions contributed to this increase. The Emerging Markets' share of total sales declined to 33.5% (Q1 2013: 34.0%) due to currency effects.

Sales Development in the 1st Quarter of 2014 [Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

In the first quarter of 2014 we invested €530 million in research and development at HealthCare. We made further progress with our research and development pipeline. (The following information does not include ongoing activities already described in the Annual Report 2013.)

The most important drug candidates in the approval process are:

Products Submitted for Approval* [Table 19]

	Indication
Aflibercept	E.U., Japan; treatment of diabetic macular edema
Aflibercept	Japan; treatment of myopic choroidal neovascularization
Octocog alfa** (recombinant Factor VIII)	U.S.A.; prophylaxis in adult patients with hemophilia A
Regorafenib	E.U.; treatment of metastatic and/or unresectable gastrointestinal stromal tumors
Rivaroxaban***	U.S.A.; secondary prophylaxis of acute coronary syndrome
Sorafenib	E.U., Japan; treatment of thyroid cancer

* as of April 14, 2014
** octocog alfa = active ingredient of Kogenate™
*** submitted by Janssen Research & Development, LLC

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
Amikacin inhale	Treatment of pulmonary infection	Phase III
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Treatment of hemophilia A	Phase III
Ciprofloxacin DPI	Treatment of pulmonary infection	Phase III
LCS-16 (ULD LNG Contraceptive System)	Intrauterine contraception, duration of use: up to 5 years	Phase III
Prasterone**	Treatment of vulvovaginal atrophy	Phase III
Radium-223 dichloride	Combination treatment of castration-resistant prostate cancer	Phase III
Regorafenib	Treatment of refractory liver cancer	Phase III
Regorafenib	Treatment of colorectal cancer following surgical removal of liver metastases	Phase III
Riociguat	Pulmonary arterial hypertension (PAH) in patients who do not sufficiently respond to PDE-5i/ERA	Phase III
Rivaroxaban	Prevention of major adverse cardiac events (MACE)	Phase III
Rivaroxaban	Anti-coagulation in patients with chronic heart failure***	Phase III
Rivaroxaban	Long-term prevention of venous thromboembolism	Phase III
Rivaroxaban	Prevention of venous thromboembolism in high-risk patients after discharge from hospital***	Phase III
Sorafenib	Treatment of breast cancer	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
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure	Phase II
BAY 1067197 (partial adenosine A1 agonist)	Heart failure	Phase II
Finerenone (MR antagonist)	Chronic heart failure	Phase II
Finerenone (MR antagonist)	Diabetic nephropathy	Phase II
Molidustat (HIF-PH inhibitor)	Anemia	Phase II
Radium-223 dichloride	Treatment of bone metastases in cancer	Phase II
Refametinib (MEK inhibitor)	Cancer therapy	Phase II
Regorafenib	Cancer therapy	Phase II
Riociguat	Pulmonary hypertension (IIP)	Phase II
Riociguat	Raynaud's phenomenon	Phase II
Riociguat	Diffuse systemic sclerosis	Phase II
Sorafenib	Cancer therapy	Phase II

* as of April 14, 2014
** prasterone = Vaginorm
*** sponsored by Janssen Research & Development, LLC
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals.
It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products.
It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds.

In February 2014, we launched the Phase III EINSTEIN CHOICE trial. This trial is evaluating two different doses of the oral anticoagulant **rivaroxaban** (tradename: **Xarelto™**) against acetylsalicylic acid for the long-term, secondary prevention of deep vein thrombosis and pulmonary embolism. The Phase III MARINER trial launched in March 2014 is evaluating the efficacy and safety of rivaroxaban to reduce the risk of post-hospital-discharge symptomatic venous thromboembolism (VTE) in patients who were hospitalized for acute medical illness.

In February 2014, the U.S. Food and Drug Administration issued complete response letters regarding the supplemental New Drug Applications for the use of Xarelto™ to reduce the risk of secondary cardiovascular events and stent thrombosis in patients with acute coronary syndrome. Xarelto™ is marketed in the United States by a subsidiary of Johnson & Johnson.

In March 2014, **Adempas™** (**riociguat**) was approved by the European Commission for the treatment of chronic thromboembolic pulmonary hypertension and pulmonary arterial hypertension. Also in March 2014, we began enrolling patients in a new Phase IIIb pilot study with riociguat. This study will evaluate the effect of riociguat in patients with pulmonary arterial hypertension who demonstrated an insufficient response to treatment with phosphodiesterase-5 inhibitors (PDE-5i) either as a monotherapy or in combination with an endothelin receptor antagonist (ERA).

In February 2014, we initiated a further Phase III trial with **regorafenib** (tradename: **Stivarga™**) investigating the effect of regorafenib as an adjuvant treatment option for colorectal cancer patients following resection of liver metastases with curative intent and completion of all planned chemotherapy.

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

In March 2014, a clinical Phase III study with the active ingredient **sorafenib** (tradename: **Nexavar™**) did not meet its primary endpoint of improving recurrence-free survival. The trial investigated sorafenib as an adjuvant treatment for patients with hepatocellular carcinoma in whom all detectable tumors had been removed.

In March 2014, we submitted an application to the Japanese Ministry of Health, Labour and Welfare for marketing authorization for **aflibercept** (tradename: **Eylea™**) for the treatment of patients with diabetic macular edema.

In February 2014, a Phase III study with **damoctocog alfa pegol (BAY94-9027)**, a long-acting recombinant Factor VIII, reached its primary objective of ensuring effective protection against bleeding caused by hemophilia A with fewer infusions. The study demonstrated that the substance protects against bleeding even when administered only every seven days. This could offer a significant advantage over the current standard of care, which requires an infusion every two to three days. We plan to submit the first applications for marketing authorization in the second half of 2015.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

In March 2014, we sold back the commercial rights to the development project ATX-101, a substance to reduce submental fat, for markets outside of the U.S. and Canada to a subsidiary of Kythera Biopharmaceuticals, Inc., United States, the company from which we had licensed these rights in 2010. As part of the transaction, we will receive common stock in Kythera and a promissory note. We are also eligible to receive long-term milestone payments on sales outside of the U.S. and Canada.

With an investment of more than €500 million at the sites in Wuppertal and Leverkusen, Germany, we plan to create additional production capacities for the recombinant Factor VIII (rFVIII) products that are currently in development. Establishing a supply source in Germany – in addition to the existing U.S. production site in Berkeley, California, for our rFVIII product Kogenate™ – will help us to address the growing global demand for hemophilia therapy.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets by 12.2% (Fx adj.) in the first three months of 2014 to €1,479 million (Q1 2013: €1,478 million). Our business in Latin America developed particularly well, with significant currency-adjusted gains especially in Brazil and Argentina. The largest increase in absolute terms was recorded in China, thanks mainly to our pharmaceutical products. Our business in Russia benefited especially from the positive development of our Consumer Care products. The Emerging Markets accounted for 32.3% (Q1 2013: 33.3%) of total HealthCare sales in the first quarter of 2014.

9.2 CropScience

RESEARCH AND DEVELOPMENT

CropScience spent €214 million on research and development in the first quarter of 2014.

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

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

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

EMERGING MARKETS

CropScience raised sales in the Emerging Markets by 19.9% (Fx adj.) in the first quarter of 2014 to €898 million (Q1 2013: €833 million). The biggest increase in absolute terms was recorded in Eastern Europe, with business developing particularly well in Poland. We also posted a very encouraging sales increase in Latin America, especially in Argentina. Sales also rose in Asia. The highest currency-adjusted growth rate was registered in Africa and the Middle East. The Emerging Markets accounted for 31.0% (Q1 2013: 30.1%) of total CropScience sales.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

MaterialScience spent €60 million on research and development in the first quarter of 2014. This investment went mainly to explore new areas of application and improve process technologies and products. In addition, we invested €18 million in joint development projects with customers.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

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

EMERGING MARKETS

In the Emerging Markets, MaterialScience had sales of €1,146 million in the first quarter of 2014 (Q1 2013: €1,158 million). The sales increase was 3.7% after adjusting for currency effects. We achieved the highest currency-adjusted growth rate in Eastern Europe. MaterialScience also posted gratifying sales gains in Asia, especially in China. In the Africa and Middle East region, on the other hand, sales declined. Business in Latin America was at the level of the prior-year quarter. The Emerging Markets' share of total MaterialScience sales in the first quarter of 2014 was 40.9% (Q1 2013: 41.7%).

10. Employees

On March 31, 2014, the Bayer Group employed 114,928 people worldwide (December 31, 2013: 113,187). The workforce thus grew by 1,741 (+1.5%), including 220 through acquisitions.

HealthCare employed 56,978 people (December 31, 2013: 55,971). The number of employees at CropScience showed a seasonal increase to 22,937 (December 31, 2013: 22,357). There was a slight decline at MaterialScience to 14,191 employees (December 31, 2013: 14,306). The remaining 20,822 employees (December 31, 2013: 20,553) mainly worked for the service companies.

Personnel expenses rose by 2.2% in the first quarter of 2014 to €2,423 million (Q1 2013: €2,370 million).

11. Opportunities and Risks

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

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

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

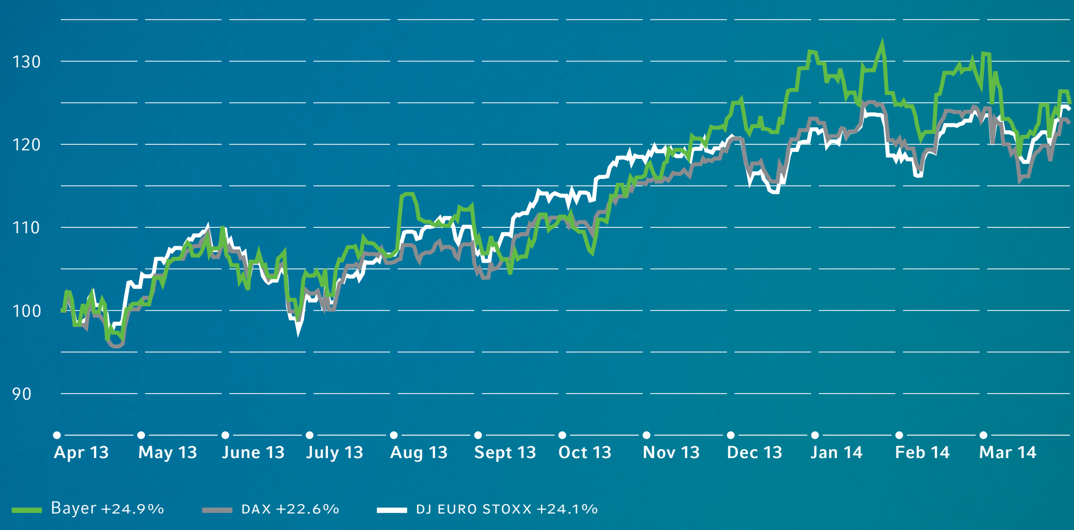
12. Events After the End of the Reporting Period

Since April 1, 2014, no events of special significance have occurred that we expect to have a material impact on the financial position or results of operations of the Bayer Group.

Investor Information

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

indexed; 100 = Xetra closing price on March 31, 2013 (source: Bloomberg)



Having clearly outperformed both the DAX and the EURO STOXX 50 in 2013, Bayer stock weakened slightly in the first quarter of 2014. The shares closed at €98.18 at the end of March 2014 – down 3.7% on the quarter – after reaching a historic high of €104.05 in mid-January 2014.

The DAX was virtually unchanged, closing the first quarter of 2014 at 9,556 points. The EURO STOXX 50 (performance index) stood at 5,739 points at the end of March 2014 for a gain of 2.0% since the beginning of the year.

Bayer Stock Data [Table 21]

		1st Quarter 2013	1st Quarter 2014	Year 2013	
High for the period	€	80.47	104.05	103.05	
Low for the period	€	69.01	93.12	69.01	
Average daily trading volume	million shares	2.3	2.1	2.1	
		March 31, 2013	**March 31, 2014**	**Dec. 31, 2013**	**Change March 31, 2014/ Dec. 31, 2013 %**
Share price	€	80.47	98.18	101.95	−3.7
Market capitalization	€ million	66,545	81,190	84,308	−3.7
Equity as per statements of financial position	€ million	19,780	21,094	20,804	+1.4
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		7,795	9,556	9,552	0.0

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2014

Bayer Group Consolidated Income Statements

[Table 22]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
Net sales	**10,266**	**10,555**
Cost of goods sold	(4,823)	(4,815)
Gross profit	**5,443**	**5,740**
Selling expenses	(2,487)	(2,443)
Research and development expenses	(725)	(820)
General administration expenses	(409)	(417)
Other operating income	162	129
Other operating expenses	(213)	(93)
EBIT*	**1,771**	**2,096**
Equity-method loss	(6)	(5)
Financial income	69	92
Financial expenses	(253)	(246)
Financial result	**(190)**	**(159)**
Income before income taxes	**1,581**	**1,937**
Income taxes	(419)	(512)
Income after income taxes	**1,162**	**1,425**
of which attributable to non-controlling interest	2	2
of which attributable to Bayer AG stockholders (net income)	**1,160**	**1,423**
	€	€
Earnings per share		
Basic	1.40	1.72
Diluted	1.40	1.72

2013 figures restated
* EBIT = earnings before financial result and taxes

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
Income after income taxes	**1,162**	**1,425**
of which attributable to non-controlling interest	*2*	*2*
of which attributable to Bayer AG stockholders	*1,160*	*1,423*
Remeasurements of the net defined benefit liability for post-employment benefit plans	(143)	(1,365)
Income taxes	38	431
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(105)**	**(934)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(105)**	**(934)**
Changes in fair values of derivatives designated as cash flow hedges	(32)	14
Reclassified to profit or loss	(17)	(46)
Income taxes	14	9
Other comprehensive income from cash flow hedges	**(35)**	**(23)**
Changes in fair values of available-for-sale financial assets	11	2
Reclassified to profit or loss	–	–
Income taxes	(4)	–
Other comprehensive income from available-for-sale financial assets	**7**	**2**
Changes in exchange differences recognized on translation of operations outside the eurozone	201	(179)
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	**201**	**(179)**
Other comprehensive income that may be reclassified subsequently to profit or loss	**173**	**(200)**
Effects of changes in scope of consolidation	**–**	**–**
Total other comprehensive income*	**68**	**(1,134)**
of which attributable to non-controlling interest	*4*	*2*
of which attributable to Bayer AG stockholders	*64*	*(1,136)*
Total comprehensive income	**1,230**	**291**
of which attributable to non-controlling interest	*6*	*4*
of which attributable to Bayer AG stockholders	*1,224*	*287*

* total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	March 31, 2013	March 31, 2014	Dec. 31, 2013
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	9,411	10,575	9,862
Other intangible assets	9,350	10,362	8,914
Property, plant and equipment	10,053	9,961	10,015
Investments accounted for using the equity method	224	197	203
Other financial assets	1,282	1,234	1,203
Other receivables	472	450	496
Deferred taxes	1,562	1,593	1,596
	32,354	**34,372**	**32,289**
Current assets			
Inventories	7,344	7,391	7,129
Trade accounts receivable	9,190	9,444	7,569
Other financial assets	629	790	779
Other receivables	1,470	1,390	1,476
Claims for income tax refunds	404	439	413
Cash and cash equivalents	1,479	2,631	1,662
	20,516	**22,085**	**19,028**
Total assets	**52,870**	**56,457**	**51,317**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	11,391	12,721	12,434
Equity attributable to Bayer AG stockholders	**19,675**	**21,005**	**20,718**
Equity attributable to non-controlling interest	105	89	86
	19,780	**21,094**	**20,804**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	9,388	8,647	7,368
Other provisions	1,890	1,806	1,977
Financial liabilities	6,836	8,102	5,590
Other liabilities	374	303	362
Deferred taxes	829	1,220	1,193
	19,317	**20,078**	**16,490**
Current liabilities			
Other provisions	5,661	5,432	4,727
Financial liabilities	2,716	4,139	3,441
Trade accounts payable	3,861	4,155	4,473
Income tax liabilities	85	136	101
Other liabilities	1,450	1,423	1,281
	13,773	**15,285**	**14,023**
Total equity and liabilities	**52,870**	**56,457**	**51,317**

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
Income after income taxes	1,162	1,425
Income taxes	419	512
Financial result	190	159
Income taxes paid or accrued	(473)	(544)
Depreciation, amortization and impairments	645	649
Change in pension provisions	(124)	(117)
(Gains) losses on retirements of noncurrent assets	(12)	(36)
Gross cash flow	**1,807**	**2,048**
Decrease (increase) in inventories	(299)	(334)
Decrease (increase) in trade accounts receivable	(1,678)	(1,886)
(Decrease) increase in trade accounts payable	(424)	(310)
Changes in other working capital, other non-cash items	921	645
Net cash provided by (used in) operating activities (net cash flow)	**327**	**163**
Cash outflows for additions to property, plant, equipment and intangible assets	(365)	(357)
Cash inflows from sales of property, plant, equipment and other assets	27	16
Cash inflows from divestitures	17	–
Cash inflows from (outflows for) noncurrent financial assets	56	(4)
Cash outflows for acquisitions less acquired cash	(122)	(1,857)
Interest and dividends received	12	16
Cash inflows from (outflows for) current financial assets	(2)	6
Net cash provided by (used in) investing activities	**(377)**	**(2,180)**
Dividend payments and withholding tax on dividends	(1)	–
Issuances of debt	267	4,455
Retirements of debt	(376)	(1,377)
Interest paid including interest-rate swaps	(73)	(61)
Interest received from interest-rate swaps	20	3
Cash outflows for the purchase of additional interests in subsidiaries	(2)	(1)
Net cash provided by (used in) financing activities	**(165)**	**(3,019)**
Change in cash and cash equivalents due to business activities	**(215)**	**1,002**
Cash and cash equivalents at beginning of period	**1,698**	**1,662**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–
Change in cash and cash equivalents due to exchange rate movements	(4)	(33)
Cash and cash equivalents at end of period	**1,479**	**2,631**

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, 2012	**2,117**	**6,167**	**10,167**	**18,451**	**100**	**18,551**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes					(1)	(1)
Other comprehensive income			1,224	1,224	6	1,230
March 31, 2013	**2,117**	**6,167**	**11,391**	**19,675**	**105**	**19,780**
Dec. 31, 2013	**2,117**	**6,167**	**12,434**	**20,718**	**86**	**20,804**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments						
Other changes					(1)	(1)
Other comprehensive income			287	287	4	291
March 31, 2014	**2,117**	**6,167**	**12,721**	**21,005**	**89**	**21,094**

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2014

Key Data by Segment and Region

Key Data by Segment

	HealthCare			
	Pharmaceuticals		Consumer Health	
	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014
	€ million	€ million	€ million	€ million
Net sales (external)	2,564	2,782	1,879	1,790
Change	+1.9%	+8.5%	+3.0%	−4.7%
Currency-adjusted change	+5.0%	+15.8%	+4.9%	+1.7%
Intersegment sales	16	7	1	–
Net sales (total)	2,580	2,789	1,880	1,790
EBIT	601	641	321	321
EBIT before special items	610	625	343	321
EBITDA before special items	832	873	445	428
Gross cash flow*	582	574	305	307
Net cash flow*	553	447	252	212
Depreciation, amortization and impairments	229	248	102	107
Number of employees (as of March 31)**	37,484	38,837	18,226	18,141

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

Key Data by Region

	Europe		North America	
	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014
	€ million	€ million	€ million	€ million
Net sales (external) – by market	4,043	4,400	2,758	2,684
Change	−0.5%	+8.8%	+7.3%	−2.7%
Currency-adjusted change	−0.3%	+10.1%	+8.1%	+2.6%
Net sales (external) – by point of origin	4,420	4,801	2,728	2,625
Change	−1.3%	+8.6%	+6.9%	−3.8%
Currency-adjusted change	−1.2%	+9.7%	+7.7%	+1.6%
Interregional sales	2,207	2,289	807	812
EBIT	1,131	1,443	507	438
Number of employees (as of March 31)*	52,726	54,701	15,419	15,424

* Number of employees in full-time equivalents

[Table 27]

	CropScience		MaterialScience		Reconciliation					
	CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2,764	2,900	2,775	2,803	283	279	1	1	10,266	10,555
	+5.9%	+4.9%	−0.4%	+1.0%	−10.2%	−1.4%	–	–	+2.1%	+2.8%
	+7.5%	+11.9%	+0.6%	+4.2%	−9.8%	−0.7%	–	–	+3.9%	+8.6%
	7	15	14	13	515	519	(553)	(554)	–	–
	2,771	2,915	2,789	2,816	798	798	(552)	(553)	10,266	10,555
	964	988	42	219	(25)	24	(132)	(97)	1,771	2,096
	969	988	43	221	(17)	31	(132)	(97)	1,816	2,089
	1,081	1,098	204	366	22	69	(131)	(96)	2,453	2,738
	743	770	177	285	89	182	(89)	(70)	1,807	2,048
	(817)	(722)	(100)	(44)	322	148	117	122	327	163
	113	110	161	145	39	38	1	1	645	649
	21,202	22,937	14,360	14,191	19,640	20,074	735	748	111,647	114,928

[Table 28]

	Asia/Pacific		Latin America/ Africa/Middle East		Reconciliation		Total	
	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014	1st Quarter 2013	1st Quarter 2014
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	2,070	2,140	1,395	1,331	–	–	10,266	10,555
	+3.6%	+3.4%	−1.8%	−4.6%	–	–	+2.1%	+2.8%
	+7.9%	+12.1%	+3.1%	+11.0%	–	–	+3.9%	+8.6%
	2,018	2,092	1,100	1,037	–	–	10,266	10,555
	+4.9%	+3.7%	0.0%	−5.7%	–	–	+2.1%	+2.8%
	+9.4%	+12.6%	+6.4%	+13.7%	–	–	+3.9%	+8.6%
	155	151	117	113	(3,286)	(3,365)	–	–
	182	208	83	104	(132)	(97)	1,771	2,096
	26,916	27,949	16,586	16,854	–	–	111,647	114,928

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 37x Paragraph 3 of the German Securities Trading Act, the consolidated interim financial statements as of March 31, 2014 have been prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2013 fiscal year, particularly with regard to the main recognition and measurement principles, except where financial reporting standards have been applied for the first time in 2014 or accounting policies have changed.

FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN 2014

The first-time application of the following amended financial reporting standards had no impact, or no material impact, on the presentation of the Group financial position or results of operations, or on earnings per share.

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

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

CHANGES IN THE REPORTING OF FUNCTIONAL COSTS AND SPECIAL ITEMS

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

The prior-year figures are restated accordingly.

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

	1st Quarter 2013			
		Accounting changes		
	Before accounting changes	Functional costs	Special items	After accounting changes
	€ million	€ million	€ million	€ million
Cost of goods sold	(4,803)	(17)	(3)	(4,823)
Gross profit	**5,463**	**(17)**	**(3)**	**5,443**
Selling expenses	(2,437)	(40)	(10)	(2,487)
Research and development expenses	(723)	(1)	(1)	(725)
General administration expenses	(465)	57	(1)	(409)
Other operating income	161	1	–	162
Other operating expenses	(228)	–	15	(213)

CHANGES IN UNDERLYING PARAMETERS

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

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

Exchange Rates for Major Currencies [Table 30]

				Closing Rate		Average Rate
€1		Dec. 31, 2013	March 31, 2013	March 31, 2014	1st Quarter 2013	1st Quarter 2014
BRL	Brazil	3.26	2.59	3.13	2.64	3.24
CAD	Canada	1.47	1.30	1.52	1.33	1.51
CHF	Switzerland	1.23	1.22	1.22	1.23	1.22
CNY	China	8.35	7.96	8.58	8.22	8.35
GBP	United Kingdom	0.83	0.85	0.83	0.85	0.83
JPY	Japan	144.72	120.87	142.42	121.42	140.87
MXN	Mexico	18.07	15.81	18.01	16.71	18.13
RUB	Russia	45.32	39.76	48.78	40.16	47.87
USD	United States	1.38	1.28	1.38	1.32	1.37

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

Discount Rate for Pension Obligations [Table 31]

	Dec. 31, 2013	March 31, 2014
	%	%
Germany	3.80	3.20
United Kingdom	4.60	4.40
United States	4.50	4.10

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 32]

	1st Quarter 2013	1st Quarter 2014
	€ million	€ million
EBITDA before special items of segments	2,584	2,834
EBITDA before special items of Corporate Center	(131)	(96)
EBITDA before special items	**2,453**	**2,738**
Depreciation, amortization and impairment losses before special items of segments	(636)	(648)
Depreciation, amortization and impairment losses before special items of Corporate Center	(1)	(1)
Depreciation, amortization and impairment losses before special items	**(637)**	**(649)**
EBIT before special items of segments	1,948	2,186
EBIT before special items of Corporate Center	(132)	(97)
EBIT before special items	**1,816**	**2,089**
Special items of segments	(45)	7
Special items of Corporate Center	–	–
Special items	**(45)**	**7**
EBIT of segments	1,903	2,193
EBIT of Corporate Center	(132)	(97)
EBIT	**1,771**	**2,096**
Financial result	(190)	(159)
Income before income taxes	**1,581**	**1,937**

COMPANIES CONSOLIDATED

Changes in the scope of consolidation

The consolidated financial statements as of March 31, 2014, included 290 companies (December 31, 2013: 289 companies). Of these, one company (December 31, 2013: two companies) was accounted for as a joint operation in line with Bayer's interest in its assets, liabilities, revenues and expenses in accordance with IFRS 11 (Joint Arrangements). In addition, three joint ventures (December 31, 2013: three joint ventures) and two associated companies (December 31, 2013: 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 March 6, 2014, CropScience completed the acquisition of all the shares of Biagro Group, a producer and distributor of biological seed treatment solutions headquartered in Gral. Las Heras in the province of Buenos Aires, Argentina. The company operates production facilities in Argentina and Brazil. Its portfolio of established brands includes seed-applied inoculants, plant-growth-promoting microorganisms and other products for integrated pest management based on bacterial and fungal strains. The acquisition will help CropScience to build on the success of its soybean seed business in Latin America. The acquisition remains subject to the approval of the Argentinian antitrust authorities. A provisional purchase price of up to €24 million was agreed, pertaining mainly to the technology platform and goodwill. The purchase price is comprised of a one-time payment plus potential milestone payments with a fair value of €6 million. The milestone payments are mainly dependent on the achievement of certain sales targets and product approvals.

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

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

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

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

Acquired Assets and Assumed Liabilities in the 1st Quarter of 2014 [Table 33]

	Fair value	Of which Algeta ASA
	€ million	€ million
Goodwill	716	709
Patents and technologies	1,761	1,761
Other intangible assets	29	23
Property, plant and equipment	24	23
Inventories	15	15
Other current assets	42	39
Cash and cash equivalents	91	90
Financial liabilities	(128)	(128)
Other liabilities	(78)	(75)
Deferred tax liabilities	(485)	(483)
Net assets	**1,987**	**1,974**
Changes in non-controlling interest	–	–
Purchase price	**1,987**	**1,974**
Acquired cash and cash equivalents	(91)	(90)
Settlement gain from pre-existing relationship	(35)	(35)
Liabilities for future payments	(4)	–
Payments for previous years'/quarters' acquisitions	1	–
Net cash outflow for acquisitions	**1,858**	**1,849**

In February 2014, Bayer signed an agreement to acquire all the shares of Dihon Pharmaceutical Group Co. Ltd., Kunming Yunnan, China. Dihon is a pharmaceutical company specializing in the manufacture and marketing of over-the-counter (OTC) and herbal traditional Chinese medicine products. A provisional purchase price of €424 million was agreed. The transaction is subject to fulfillment of certain conditions, including merger control clearance, and is expected to close in the second half of 2014.

Divestitures

No divestitures were made in the first quarter of 2014.

FINANCIAL INSTRUMENTS

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

Carrying Amounts and Fair Values of Financial Instruments

[Table 34]

	March 31, 2014						
	Carried at amortized cost		Carried at fair value			Non-financial assets/ liabilities	
			Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)		
	Carrying amount March 31, 2014	Fair value (for information)	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount in the statement of financial position
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Trade accounts receivable	9,444						9,444
Loans and receivables	9,444	9,443					9,444
Other financial assets	1,078		313	597	36		2,024
Loans and receivables	961	961					961
Available-for-sale financial assets	21		313				334
Held-to-maturity financial assets	96	97					96
Derivatives that qualify for hedge accounting				308			308
Derivatives that do not qualify for hedge accounting				289	36		325
Other receivables	535					1,305	1,840
Loans and receivables	535	535					535
Non-financial assets						1,305	1,305
Cash and cash equivalents	2,631						2,631
Loans and receivables	2,631	2,631					2,631
Total financial assets	**13,688**		**313**	**597**	**36**		**14,634**
of which loans and receivables	13,571						13,571
Financial liabilities	11,872			369			12,241
Carried at amortized cost	11,872	12,035					11,872
Derivatives that qualify for hedge accounting				219			219
Derivatives that do not qualify for hedge accounting				150			150
Trade accounts payable	4,090					65	4,155
Carried at amortized cost	4,090	4,090					4,090
Non-financial liabilities						65	65
Other liabilities	645			42	29	1,010	1,726
Carried at amortized cost	645	645					645
Derivatives that qualify for hedge accounting				20			20
Derivatives that do not qualify for hedge accounting				22	29		51
Non-financial liabilities						1,010	1,010
Total financial liabilities	**16,607**			**411**	**29**		**17,047**
of which carried at amortized cost	16,607						16,607
of which derivatives that qualify for hedge accounting				239			239
of which derivatives that do not qualify for hedge accounting				172	29		201

The loans and receivables reflected in other financial assets and the liabilities measured at amortized cost also include receivables and liabilities under finance leases in which Bayer is the lessor or lessee and which are therefore measured in accordance with IAS 17.

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

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

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

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

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

Embedded derivatives were separated from their respective host contracts. Such host contracts are generally sales or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with fluctuations in exchange rates, commodity prices or other prices, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs (Level 3). These included planned sales and purchase volumes, and prices derived from market data. Regular monitoring is carried out based on these fair values as part of quarterly reporting.

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

Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Unobservable Inputs [Table 35]

	2014
	€ million
Net carrying amounts, Jan. 1	**(7)**
Gains (losses) recognized in profit or loss	10
of which related to assets/liabilities recognized in the statements of financial position	10
Gains (losses) recognized outside profit or loss	–
Additions of assets/(liabilities)	–
Settlements of (assets)/liabilities	4
Reclassifications	–
Net carrying amounts, March 31	**7**

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

Uncertainty persisted in the first quarter of 2014 regarding the economic situation in Venezuela. Future currency developments are difficult to predict, especially in view of new currency conversion rules and the government's ability to intervene in the setting of exchange rates.

LEGAL RISKS

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

HEALTHCARE

Product-related litigations

Yasmin™/YAZ™: As of April 8, 2014, the number of claimants in the pending lawsuits and claims in the United States totaled about 3,900 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States.

As of April 8, 2014, Bayer had reached agreements, without admission of liability, to settle the claims of approximately 8,560 claimants in the U.S. for a total amount of about US$1.74 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 1,920 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 2014, one of the insurers involved contested its coverage. Bayer has agreed in principle to settle the matter on terms that will not have a material impact on Bayer´s financial position. Appropriate accounting measures are reflected in the consolidated interim financial statements for the first quarter of 2014.

Mirena™: As of April 8, 2014, lawsuits from approximately 1,810 users of Mirena™, an intrauterine system providing long-term contraception, had been served upon Bayer in the U.S. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus or ectopic pregnancy, and seek compensatory and punitive damages.

MATERIALSCIENCE

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

RELATED PARTIES

Related parties as defined in IAS 24 (Related Party Disclosures) are those 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 €0.2 billion were procured from the associated company PO JV, LP, Wilmington, Delaware, United States, mainly in the course of normal business operations. There was no significant change in receivables or payables vis-à-vis related parties compared with December 31, 2013.

Leverkusen, April 24, 2014
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers
Chairman

Werner Baumann   Michael König   Kemal Malik   Prof. Dr. Wolfgang Plischke

» TABLE OF CONTENTS

Financial Calendar

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**
2015 Annual Report	**February 26, 2015**
Q1 2015 Interim Report	**April 30, 2015**
Annual Stockholders' Meeting 2015	**May 27, 2015**

MASTHEAD

Publisher
Bayer AG, 51368 Leverkusen,
Germany

Editor
Jörg Schäfer, phone +49 214 30 39136
email: joerg.schaefer@bayer.com

English edition
Currenta GmbH & Co. OHG
Language Service

Investor Relations
Peter Dahlhoff, phone +49 214 30 33022
email: peter.dahlhoff@bayer.com

Date of publication
Monday, April 28, 2014

Bayer on the internet
WWW.BAYER.COM

ISSN 0343/1975

For fast and easy access to our online services, there's no need to copy down the internet addresses. Simply scan the codes below with your smartphone and an appropriate app:

Stockholders' Newsletter online
Available at:
BAYER.COM/SN14Q1

Annual Report online
Available at:
BAYER.COM/AR13

Annual Stockholders' Meeting 2014
Information available
at: BAYER.COM/ASM

Forward-Looking Statements
This Stockholders' Newsletter may contain 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 future results, financial situation, 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.

Science For A Better Life