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Q2 2015 Analyst and Investor Briefing

July 29, 2015

- Bayer significantly improves earnings
- Very good business development at HealthCare
- CropScience performance steady in a weaker market environment
- MaterialScience posts robust earnings growth
- Group sales €12.1 billion (+18.2%: Fx & portfolio adj. +3.7%)
- Volume +4.9%, Price -1.2%, Currency +9.0%, Portfolio +5.5%
- EBITDA before special items €2.9 billion (+33.2%) including a positive Fx-effect of about €260 million
- Net special charges of €255 million
- EBIT €1.8 billion (+27.7%)
- Net income €1.2 billion (+20.9%)
- Core earnings per share €1.98 (+33.8%)
- Group forecast 2015 for operational performance of continuing operations confirmed and adjusted for currency effects

Group Key Figures for Q2 2015 (continuing operations, unless stated differently)

Euro million	Q2 2014	Q2 2015	% y-o-y	Consensus**
Sales	10,228	12,090	18.2 / 3.7*	11,721
EBITDA	2,135	2,648	24.0	2,506
EBITDA before special items	2,176	2,899	33.2	2,656
EBIT	1,435	1,833	27.7	1,745
Net special items	(48)	(255)	•	(147)
EBIT before special items	1,483	2,088	40.8	1,893
Financial result	(173)	(287)	(65.9)	(257)
Income taxes	(343)	(405)	(18.1)	•
Income after taxes from cont. operations	919	1,141	24.2	1,120
Income after taxes from discount. operations	36	17	(52.8)	25
Net income (total)	953	1,152	20.9	•
EPS - cont. operations (Euro/share)	1.11	1.37	23.4	1.36
EPS - discount. operations (Euro/share)	0.04	0.02	•	•
EPS - total (Euro/share)	1.15	1.39	20.9	•
Core EPS - cont. operations (Euro/share)	1.48	1.98	33.8	1.85
Core EPS - discount. operations (Euro/share)	0.05	0.02	•	•
Core EPS - total (Euro/share)	1.53	2.00	30.7	•
Gross cash flow	1,665	2,173	30.5	•
Delta working capital	(96)	(223)	•	•
Net cash flow	1,569	1,950	24.3	•
CapEx (cash relevant)	526	600	14.1	•
Operating free cash flow	1,043	1,350	29.4	•

Euro million	March 31, 2015	June 30, 2015
Net financial debt	21,292	21,134
Net pension liability	13,553	11,133

2014 figures restated
*) Currency and portfolio adjusted sales growth
**) Consensus figures as of July 16, 2015 provided by Vara Research GmbH



Bayer Group Forecast 2015

- We have adjusted the exchange rates on which our forecast is based to reflect current developments. With respect to the second half of 2015, we are now using the exchange rates prevailing on June 30, 2015.
- Following the conclusion of the divestiture agreement with Panasonic Healthcare Holdings Co., Ltd. in June 2015, the Diabetes Care business is no longer included in continuing operations and therefore is also not included in the updated forecast. The prior-year figures are restated. The Diabetes Care business was still included in the forecasts published in February and April 2015. The aforementioned effects taken together result in an adjustment of the forecast; however, our expectation regarding the company's operating performance remains largely unchanged.
- We are now planning sales in the region of €47 billion (prev.: in the region of €48 billion to €49 billion, of which discontinued operations: approx. €0.9 billion). This still corresponds to a low-single-digit percentage increase on a Fx- and portf.-adjusted basis. We expect currency effects to boost sales by approx. 7% (prev.: approx. 9%) compared with the prior year.
- It remains our aim to raise EBITDA before special items by a high-teens percentage, allowing for expected positive Fx-effects of about 5% (prev.: around 8%). We continue to target a high-teens percentage increase in core earnings per share, allowing for expected positive Fx-effects of around 5% (prev.: around 7%).

HealthCare

- At HealthCare we now expect sales from continuing operations to rise to approx. €23 billion (prev.: over €24 billion). This corresponds to a mid-single-digit percentage increase on a Fx- and portf.-adjusted basis. We predict positive Fx-effects of approx. 6% (prev.: about 9%) compared with 2014. We plan to raise EBITDA before special items by a low-twenties percentage.
- We continue to expect sales in the **Pharmaceuticals** segment to move ahead to approx. €14 billion. This corresponds to a mid- to high-single-digit percentage increase on a Fx- and portf.-adjusted basis. We anticipate positive Fx-effects of approx. 6% (prev.: about 9%) compared with 2014. We intend to raise sales of our recently launched products to over €4 billion. We plan to raise EBITDA before special items by a mid-teens percentage.
- In the **Consumer Health** segment, we now expect sales of over €9 billion (prev.: over €10 billion), including those of the acquired consumer care businesses but excluding the Diabetes Care business. We plan to grow sales by a mid-single-digit percentage on a Fx- and portf.-adjusted basis. We anticipate positive Fx-effects of approx. 7% (prev.: about 9%) compared with 2014. We expect to raise EBITDA before special items by a mid-thirties percentage, with the acquired consumer care businesses contributing to the increase.

CropScience

- At CropScience we expect to continue growing faster than the market and aim to raise sales to approx. €10.5 billion (prev.: around €11 billion). This corresponds to a low-single-digit percentage increase on a Fx- and portf.-adjusted basis (prev.: a low- to mid-single digit percentage increase). We anticipate positive Fx-effects of about 8% (prev.: about 11%) compared with 2014. In view of the weakened market environment, we now plan to improve EBITDA before special items by a mid- to high-single-digit percentage (prev.: a low- to mid-teens percentage).

MaterialScience

- At MaterialScience we continue to plan further volume growth in 2015 accompanied by declining selling prices. This will lead to lower sales on a Fx- and portf.-adjusted basis. However, we continue to expect to see a significant increase in EBITDA before special items. We aim to return to earning the full cost of capital in 2015.
- After adjusting for Fx- and portfolio effects, we expect sales in the third quarter of 2015 to come in below the level of the prior-year quarter. We expect EBITDA before special items to be above the level of the prior-year quarter but below the previous quarter.

Reconciliation

- For 2015 we continue to expect sales on a Fx- and portf.-adjusted basis to be level with the previous year. We expect EBITDA before special items to be roughly minus €0.3 billion.

Further assumptions for 2015:

- Net special items: approx. minus €900 million (prev. approx. minus €700 million)
- Financial result: approx. minus €1.0 billion
- Effective tax-rate: approx. 25%
- Net financial debt: below €20 billion at the end of 2015

Further details of the business forecast are given in Chapter 20.2 of the Annual Report 2014.



HealthCare in Q2 2015

Euro million	Q2 2014	Q2 2015	% y-o-y	Consensus**
Sales	4,615	5,908	28.0 / 8.3*	5,699
Pharmaceuticals	2,960	3,492	18.0 / 10.7*	3,385
Consumer Health	1,655	2,416	46.0 / 4.0*	2,314
EBITDA before special items	1,314	1,675	27.5	1,624
Pharmaceuticals	927	1,077	16.2	1,050
Consumer Health	387	598	54.5	573

2014 figures restated

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 16, 2015 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

Euro million	Q2 2014	Q2 2015	% y-o-y	% y-o-y Fx
Xarelto	381	549	44.1	42.6
of which USA	55	88	60.0	57.2
Eylea	194	301	55.2	49.1
of which USA	0	0	•	•
Kogenate	243	299	23.0	14.3
of which USA	70	92	31.4	5.9
Mirena product family	208	270	29.8	11.1
of which USA	130	182	40.0	12.4
Nexavar	196	231	17.9	7.1
of which USA	60	86	43.3	14.7
Betaferon / Betaseron	216	222	2.8	(8.8)
of which USA	93	110	18.3	(5.1)
YAZ product family	191	174	(8.9)	(9.8)
of which USA	36	32	(11.1)	(30.8)
Adalat	156	168	7.7	(3.9)
of which USA	1	1	•	•
Glucobay	106	129	21.7	(0.3)
of which USA	0	1	•	•
Aspirin Cardio	117	127	8.5	(2.3)
of which USA	0	0	•	•
Avalox / Avelox	92	99	7.6	0.7
of which USA	4	2	•	•
Stivarga	61	92	50.8	33.0
of which USA	32	49	53.1	23.6
Xofigo	43	65	51.2	30.5
of which USA	34	46	35.3	8.5
Levitra	62	53	(14.5)	(14.2)
of which USA	13	13	0.0	(4.2)
Fosrenol	33	47	42.4	37.7
of which USA	0	0	•	•

%y-o-y Fx: Currency adjusted sales growth

- HealthCare: Price +1.5%, volume +6.8%, currency 7.9%, portfolio +11.8%
- At **Pharmaceuticals**, our recently launched products Xarelto, Eylea, Stivarga, Xofigo and Adempas continued to experience dynamic growth, posting combined sales of €1,051 million (Q2 2014: €702 million). The Pharmaceuticals business grew in all regions on a currency-adjusted basis.



- Xarelto maintained its strong growth momentum. We registered substantial volume increases in all regions, especially in Europe and Japan. Business with Xarelto also developed very positively in the U.S., where it is marketed by a subsidiary of Johnson & Johnson.
- Eylea benefited from very good business in Europe and Japan after marketing authorization was granted in further indications.
- Higher sales of Kogenate were chiefly attributable to shifts in order patterns.
- The Mirena product family – Mirena and Jaydess/Skyla – developed positively, largely as a result of higher volumes in the U.S.
- Nexavar benefited from sales gains, particularly in the U.S.
- Betaferon/Betaseron was down overall, due partly to increased competition in Europe and the U.S.
- Receding sales of the YAZ-product family resulted from lower demand in the U.S. and Europe.
- Sales of Stivarga benefited from positive development in the U.S. and particularly from the reversal of a rebate provision in France.
- Xofigo contributed particularly in Europe.
- Sales of Adempas amounted to €44 million (Q2 2014: €23 million) and reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co.
- At **Consumer Health** all divisions contributed to the sales growth. The significant reported increase in sales in the Consumer Care Division resulted from the products added through the most recent acquisitions. Consumer Care at €1,590 million (+3.2% Fx & portf. adj.), Medical Care (cont. business - without Diabetes Care) at €398 million (+3.8% Fx & portf. adj.) and Animal Health at €428 million (+6.4% Fx & portf. adj.).
- **EBITDA before special items** at HealthCare increased by a substantial 27.5%. The continued very good business development at Pharmaceuticals and Consumer Health – which at Consumer Care was due mainly to the acquired businesses – resulted in positive earnings contributions, as did Fx-effects of approx. €110 million. Earnings were held back in particular by an increase in R&D-expenses at Pharmaceuticals.

CropScience in Q2 2015

<i>Euro million</i>	Q2 2014	Q2 2015	% y-o-y	Consensus**
Sales	2,470	2,723	10.2 / (0.6)*	2,726
Crop Protection / Seeds	2,273	2,472	8.8 / (1.3)*	•
Environmental Science	197	251	27.4 / 6.6*	•
EBITDA before special items	615	733	19.2	680

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 16, 2015 provided by Vara Research GmbH

Q2 2015	Europe		North America		Asia/Pacific		LatAm/Africa/ Middle East	
	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx
CropScience	894	0.9	915	2.0	443	4.9	471	(8.8)

%y-o-y Fx: Currency adjusted sales growth

- Price +0.1%, volume -0.7%, currency +10.0%, portfolio +0.8%
- Sales of **CropScience** in the second quarter of 2015 were level with the strong prior-year period.
- **Crop Protection/Seeds** posted a slight sales decline against the background of a persisting difficult market environment, particularly in LatAm. This was partly offset by substantial increases at Environmental Science.



- Sales at **Crop Protection** came in at €2,137 million (-2.9% Fx & portf. adj.). Herbicides increased to €787 million (+5.6% Fx & portf. adj.) while Insecticides (€360 million, -17.7% Fx & portf. adj.), Fungicides (€827 million, -2.4% Fx & portf. adj.) and SeedGrowth (€163 million, -5.1% Fx & portf. adj.) declined. Sales in **Seeds** (€335 million, +11.0% Fx & portf. adj.) were mainly driven by vegetables and rice.
- The sales increase at **Environmental Science** was mainly attributable to strong growth in products for professional users.
- In Europe, our seed treatments were successful, particularly for use in cereals. The vegetable seed business also registered strong, double-digit growth. Sales at Fungicides were down against the strong prior-year quarter following an early start to the season in the first quarter and lower pest pressure.
- The sales increase in North America was mainly driven by sales of Herbicides in the U.S. for use particularly in corn and cotton. Sales at Fungicides fell sharply due in part to dry weather conditions in Canada. At Environmental Science, business with products for professional users developed especially positively.
- In Asia/Pacific, the Seeds business registered a significant expansion in sales, particularly for rice, cotton and vegetables. Herbicides and Fungicides also posted a successful development.
- Sales in LatAm/Africa/Middle East declined mainly in Insecticides in Brazil, where sales were weakened by lower pest pressure. Business at Herbicides and SeedGrowth also fell sharply in that region. At the same time, we posted strong sales gains with Fungicides, particularly for treatment of soybeans, and at Environmental Science.
- The increase in **EBITDA before special items** at CropScience was driven by a positive currency effect of about €70 million.

MaterialScience in Q2 2015

<i>Euro million</i>	Q2 2014	Q2 2015	% y-o-y	Consensus**
Sales	2,864	3,185	11.2 / 0.6*	3,017
Polyurethanes	1,532	1,638	6.9 / (2.9)*	•
Polycarbonates	694	828	19.3 / 5.3*	•
CAS	483	561	16.1 / 6.0*	•
Industrial Operations	155	158	1.9 / (2.6)*	•
EBITDA before special items	270	506	87.4	409

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 16, 2015 provided by Vara Research GmbH

- Price -6.4%, volume +7.0%, currency +10.6%, portfolio 0.0%
- Volumes expanded in all regions. Sales were diminished by negative price effects, particularly at Polyurethanes. Raw material prices were down steeply overall against the prior-year period.
- At **Polyurethanes**, higher volumes were not sufficient to offset the sharp decline in selling prices for TDI and MDI. For PET, a clear expansion of volumes coupled with only moderately lower prices led to an increase in sales.
- Sales growth at **Polycarbonates** was due to much higher volumes in all regions, which resulted particularly from greater demand in the automotive industry. Selling prices were down overall y-o-y.
- The **Coatings, Adhesives, Specialties** business unit moved forward mainly as a result of higher volumes. Selling prices were down slightly overall compared with the prior-year period.
- **EBITDA before special items** at MaterialScience improved significantly. Considerably lower raw material prices more than offset the decline in selling prices. Earnings were additionally buoyed by higher volumes and positive currency effects of around €80 million.

Key figures for Q2 2015

	Subgroup Total		Pharmaceuticals		Consumer Health		CropScience		MaterialScience		Reconciliation		Group	
	Q2'14	Q2'15	Q2'14	Q2'15	Q2'14	Q2'15	Q2'14	Q2'15	Q2'14	Q2'15	Q2'14	Q2'15	Q2'14	Q2'15
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,615	5,908	2,960	3,492	1,655	2,416	2,470	2,723	2,864	3,185	279	274	10,228	12,090
Sales by region:														
Europe	1,689	1,857	1,091	1,232	598	625	887	894	1,142	1,158	262	258	3,980	4,167
North America	1,186	1,946	671	864	515	1,082	748	915	646	766	2	3	2,582	3,630
Asia / Pacific	1,070	1,382	797	998	273	384	371	443	746	904	5	3	2,192	2,732
LatAm/Africa/Middle East	670	723	401	398	269	325	464	471	330	357	10	10	1,474	1,561
EBITDA	1,293	1,533	919	1,007	374	526	615	705	256	448	-29	-38	2,135	2,648
Special items	-21	-142	-8	-70	-13	-72	0	-28	-14	-58	-6	-23	-41	-251
EBITDA before special items	1,314	1,675	927	1,077	387	598	615	733	270	506	-23	-15	2,176	2,899
EBITDA margin before special items	28.5%	28.4%	31.3%	30.8%	23.4%	24.8%	24.9%	26.9%	9.4%	15.9%	-8.2%	-5.5%	21.3%	24.0%
EBIT	927	1,068	656	706	271	362	470	571	109	278	-71	-84	1,435	1,833
Special items	-25	-145	-12	-74	-13	-71	0	-28	-17	-59	-6	-23	-48	-255
EBIT before special items	952	1,213	668	780	284	433	470	599	126	337	-65	-61	1,483	2,088
EBIT margin before special items	20.6%	20.5%	22.6%	22.3%	17.2%	17.9%	19.0%	22.0%	4.4%	10.6%	-23.3%	-22.3%	14.5%	17.3%
Gross cash flow	920	1,131	662	720	258	411	469	537	214	359	62	146	1,665	2,173
Net cash flow	485	737	292	433	173	304	971	742	133	360	0	111	1,569	1,950
Financial result													-173	-287
Income after taxes from continuing operations													919	1,141
Income after taxes from discontinued operations													36	17
Net income													953	1,152
Earnings per share - continuing operations (€)													1.11	1.37
Earnings per share - discontinued operations (€)													0.04	0.02
Earnings per share (€)													1.15	1.39
Core earnings per share - continuing operations (€)													1.48	1.98
Core earnings per share - discontinued operations (€)													0.05	0.02
Core earnings per share (€)													1.53	2.00
CapEx (cash effective)													528	600
R&D													841	1,036
D&A and Write-downs	366	465	263	301	103	164	145	134	147	170	42	46	700	815
Employees at end of period	55,413	58,658	38,834	39,994	16,579	18,664	22,222	23,856	14,128	15,071	20,793	20,213	112,556	117,798
2014 figures restated														

Restatements 2014 and Q1 2015

Following the conclusion of the divestiture agreement with Panasonic Healthcare Holdings Co., Ltd. in June 2015, the Diabetes Care business is no longer included in continuing operations. The prior-year figures are restated accordingly.

	Group				HealthCare				Consumer Health					
	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15	Q2'14	Q3'14	Q4'14	Q1'15	Q1'14	Q2'14	Q3'14	Q4'14	Q1'15
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	10,352	10,228	9,967	10,792	11,879	4,369	4,615	4,740	5,504	1,587	1,655	1,701	2,080	2,304
Sales by region:														
Europe	4,285	3,980	3,527	3,520	4,526	1,642	1,689	1,707	1,832	1,807	598	613	656	676
North America	2,622	2,582	2,230	2,519	3,375	1,070	1,186	1,247	1,514	1,712	479	515	516	779
Asia / Pacific	2,128	2,192	2,284	2,463	2,489	1,058	1,070	1,084	1,215	1,269	257	273	288	331
LatAm/Africa/Middle East	1,317	1,474	1,926	2,290	1,489	599	670	702	790	716	244	269	284	314
Cost of goods sold	-4,734	-4,991	-4,859	-5,325	-5,476									
Gross profit	5,618	5,237	5,108	5,467	6,403									
Selling expenses	-2,368	-2,552	-2,579	-3,170	-2,920									
Research and development expenses	-812	-841	-867	-1,017	-946									
General administration expenses	-408	-427	-389	-479	-471									
Other operating income	128	80	204	298	247									
Other operating expenses	-93	-62	-131	-550	-369									
EBITDA	2,710	2,135	2,023	1,447	2,745	1,282	1,293	1,422	1,062	1,433	393	374	462	384
Special items	7	-41	46	-382	-196	16	-21	54	-347	-123	0	-13	54	-86
EBITDA before special items	2,703	2,176	1,977	1,829	2,941	1,266	1,314	1,368	1,409	1,556	393	387	408	470
EBITDA margin before special items	26.1%	21.3%	19.8%	16.9%	24.8%	29.0%	28.5%	28.9%	26.3%	28.3%	24.8%	23.4%	24.0%	22.6%
EBIT	2,065	1,435	1,346	549	1,944	931	927	1,062	550	986	290	271	363	175
Special items	7	-48	45	-442	-244	16	-25	54	-376	-145	0	-13	54	-86
EBIT before special items	2,058	1,483	1,301	991	2,188	915	952	1,008	926	1,131	290	284	309	261
EBIT margin before special items	19.9%	14.5%	13.1%	9.2%	18.4%	20.9%	20.6%	21.3%	17.3%	20.5%	18.3%	17.2%	18.2%	12.5%
Financial result	-159	-173	-302	-347	-274									
Income before income taxes	1,906	1,262	1,044	202	1,670									
Income taxes	-508	-343	-236	16	-406									
Income after taxes from continuing operations	1,398	919	808	218	1,264									
Income after taxes from discontinued operations	27	36	25	12	45									
Net income	1,423	953	826	224	1,303									
Earnings per share - continuing operations (€)	1.69	1.11	0.97	0.25	1.52									
Earnings per share - discontinued operations (€)	0.03	0.04	0.03	0.02	0.06									
Earnings per share (€)	1.72	1.15	1.00	0.27	1.58									
Core earnings per share - continuing operations (€)	1.92	1.48	1.32	1.17	2.04									
Core earnings per share - discontinued operations (€)	0.03	0.05	0.03	0.02	0.06									
Core earnings per share (€)	1.95	1.53	1.35	1.19	2.10									
Gross cash flow	2,018	1,665	1,466	1,558	2,011	851	920	910	1,217	1,053	277	258	244	374
Net cash flow	144	1,569	1,781	2,203	677	640	465	1,068	2,158	1,217	193	173	260	439
CapEx (cash effective)	357	526	544	938	345									



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Forward-looking statements

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