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Investor News

Fiscal 2015:

Another record year for Bayer

- Focus on the Life Sciences following the successful stock market flotation of Covestro
- Substantial sales and earnings increases at HealthCare
- Good business development at CropScience despite a weaker market environment
- Covestro posts strong earnings improvement
- Group sales increase to EUR 46,324 million (plus 12.1 percent / Fx & portfolio adj. plus 2.7 percent)
- EBITDA before special items advances by 18.2 percent to EUR 10,266 million
- EBIT improves by 15.8 percent to EUR 6,250 million
- Net income increases 20.0 percent to EUR 4,110 million
- Core earnings per share up 16.0 percent to EUR 6.83
- Forecast for 2016: further growth in sales and earnings

Leverkusen, February 25, 2016 – The Bayer Group had a very successful year in 2015, both strategically and operationally. “Operationally it was another record year for Bayer. Sales reached the highest level in the company’s history, exceeding EUR 46 billion. Clean EBITDA substantially rose by about 18 percent and also set a new record of more than EUR 10 billion,” Management Board Chairman Dr. Marijn Dekkers said on Thursday at the Financial News Conference in Leverkusen. “Strategically we have taken all the necessary steps to make Bayer a pure Life Science company,” said Dekkers. The Bayer CEO explained that the company had floated the former MaterialScience subgroup on the stock market under the name Covestro and implemented a reorganization to set the course for Bayer’s successful further development. Dekkers forecasted further growth in sales and earnings in 2016.

Group sales advanced by 12.1 percent to EUR 46,324 million (2014: EUR 41,339 million). After adjusting for currency and portfolio effects (Fx & portfolio adj.), the increase was 2.7

percent. EBITDA before special items increased by 18.2 percent to EUR 10,266 million (2014: EUR 8,685 million). The good business development was accompanied by higher R&D expenses (a year-on-year increase of around EUR 740 million). Positive currency effects buoyed earnings by about EUR 680 million. EBIT increased by 15.8 percent to EUR 6,250 million (2014: EUR 5,395 million) after net special charges of EUR 819 million (2014: EUR 438 million). The special charges mainly comprised expenses for the consolidation of production sites, integration costs for acquired businesses and expenses connected with the carve-out and stock market flotation of Covestro. A special gain from a litigation in connection with a breach of contract and patent infringement had a positive effect. Net income climbed by 20.0 percent to EUR 4,110 million (2014: EUR 3,426 million), and core earnings per share from continuing operations by 16.0 percent to EUR 6.83 (2014: EUR 5.89).

Gross cash flow from continuing operations rose by 4.4 percent to EUR 6,999 million (2014: EUR 6,707 million) and was thus substantially above the gross cash flow hurdle of approximately EUR 5.7 billion. “In 2015, Bayer far exceeded the minimum return and reproduction requirements and thus created value. All subgroups contributed to this performance,” stressed Chief Financial Officer Johannes Dietsch. Net cash flow (total) rose by 18.6 percent to EUR 6,890 million (2014: EUR 5,810 million). Net financial debt declined by EUR 2.2 billion between the end of 2014 and December 31, 2015, to EUR 17.4 billion.

Substantial sales and earnings growth at HealthCare

Sales of the HealthCare subgroup rose by 19.9 percent (Fx & portfolio adj. 8.1 percent) to EUR 22,874 million (2014: EUR 19,075 million). “This encouraging growth was driven by the recently launched pharmaceutical products,” explained Dekkers. “Business also expanded in all divisions of the Consumer Health segment.” The considerable reported sales growth was chiefly attributable to the products acquired from Merck & Co., Inc., United States, and to currency effects.

Sales of the Pharmaceuticals segment climbed by a substantial 9.9 percent (Fx & portfolio adj.) to EUR 13,745 million. The recently launched products – the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and Adempas™ to treat pulmonary hypertension – posted combined sales of EUR 4,231 million (2014: EUR 2,908 million). Sales of Xarelto™ were up by a significant 34.2 percent (Fx adj.), mainly as a result of expanded volumes in Germany and Japan. A

strong sales gain was also registered in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson. Following its approval in additional indications, sales of Eylea™ posted even more substantial growth of 57.4 percent (Fx adj.).

Among Bayer's established top products, the hormone-releasing intrauterine devices of the Mirena™ product family and the cancer drug Nexavar™ in particular were successful. Sales of these products rose by 5.7 and 7.4 percent (Fx adj.), respectively. Increased competition caused sales of our multiple sclerosis drug Betaferon™/Betaseron™ to decline by 8.1 percent (Fx adj.). In addition, business with YAZ™/Yasmin™/Yasminelle™ oral contraceptives declined by 4.7 percent (Fx adj.) due to generic competition in Europe and the United States. Overall, the Pharmaceuticals business registered encouraging growth in all regions on a currency-adjusted basis. Business developed especially well in Germany, Japan and the United States.

Sales of the Consumer Health segment advanced by 5.1 percent (Fx and portfolio adj.) to EUR 9,129 million. Consumer Care achieved sales of EUR 1,770 million with the products acquired from Merck & Co., Inc., United States. The skincare product Bepanthen™/ Bepanthol™ posted considerable growth of 11.5 percent (Fx adj.). Business with the antifungal product Canesten™ showed pleasing development in all regions (Fx adj. plus 17.3 percent). Sales of the analgesic Aleve™ also developed positively (Fx adj. plus 4.8 percent), mainly because of price and volume increases in Latin America/Africa/Middle East. In the Animal Health Division, the Seresto™ flea and tick collar made a significant contribution to sales growth. By contrast, sales of the Advantage™ family of flea, tick and worm control products receded slightly (Fx adj. minus 1.3 percent). In the contrast agents and medical equipment business (Medical Care), the MRI contrast agent Gadovist™/ Gadavist™ posted encouraging growth of 17.6 percent (Fx adj.).

EBITDA before special items of HealthCare rose by a substantial 19.8 percent to EUR 6,419 million (2014: EUR 5,357 million). This earnings growth resulted mainly from the very favorable development of business at Pharmaceuticals and Consumer Health – at the latter especially due to the contributions from the acquired businesses. There were also positive currency effects of about EUR 250 million. Earnings were diminished by increased research and development spending at Pharmaceuticals and higher selling expenses at Consumer Health.

CropScience: good business development despite a weaker market environment

Sales of the agriculture business (CropScience) increased in 2015 by 9.2 percent (Fx & portfolio adj. 1.7 percent) to EUR 10,367 million (2014: EUR 9,494 million). “Despite a weaker market environment, sales at CropScience increased further,” stressed Dekkers. “We thus grew faster on average than our most important competitors.” Both Crop Protection/Seeds and Environmental Science registered growth. In regional terms, business in Europe saw particularly encouraging development. There, CropScience achieved a gain of 8.2 percent (Fx adj.). Sales rose by 1.3 percent (Fx adj.) in Asia/Pacific but declined by 1.6 percent (Fx adj.) in North America. In Latin America/Africa/Middle East, sales were level year on year (Fx adj. minus 0.5 percent).

Crop Protection posted gratifying sales gains at Fungicides (Fx & portfolio adj. plus 9.5 percent) and Herbicides (Fx & portfolio adj. plus 5.4 percent) but a substantial decline at Insecticides (Fx & portfolio adj. minus 14.0 percent) that was mainly attributable to lower pest pressure in Brazil. Sales of SeedGrowth (seed treatments) fell by 10.6 percent (Fx and portfolio adj.). At Seeds, sales improved by 8.8 percent (Fx & portfolio adj.) with soybeans and canola seed developing particularly well. Business in Environmental Science advanced by 4.1 percent (Fx & portfolio adj.).

EBITDA before special items of CropScience improved by 2.4 percent to EUR 2,416 million (2014: EUR 2,360 million). In addition to positive earnings effects due to the satisfactory business development, including higher volumes and slightly improved selling prices, there was a very positive currency effect of about EUR 220 million. On the other hand, there was an increase in the cost of goods sold and in research and development expenses.

Covestro posts strong earnings improvement

Sales of the high-tech polymer materials business (Covestro, formerly MaterialScience) moved forward by 2.8 percent to EUR 11,982 million (2014: EUR 11,651 million). Adjusted for currency and portfolio effects, sales declined by 5.1 percent as a result of lower selling prices in all business units. On the other hand, Covestro expanded volumes in all business units. EBITDA before special items improved by a marked 39.8 percent to EUR 1,659 million (2014: EUR 1,187 million). Considerably lower raw material prices more than offset the decline in selling prices. Furthermore, earnings were buoyed by positive currency effects of about EUR 240 million.

Bayer currently still holds a 69 percent interest in Covestro. As a fully consolidated subsidiary, Covestro continues to be included in the Bayer Group consolidated financial statements. In core earnings per share, however, 31 percent of Covestro earnings are attributable to external stockholders of Covestro. This has the effect of diminishing Bayer's core earnings per share.

Sales of HealthCare and CropScience rise in the fourth quarter

Group sales rose by 4.9 percent (Fx & portfolio adj. 2.4 percent) in the fourth quarter of 2015 to EUR 11,319 million (Q4 2014: EUR 10,792 million). HealthCare and CropScience contributed to this performance, while sales were down at Covestro. EBITDA before special items improved by 4.0 percent to EUR 1,903 million (Q4 2014: EUR 1,829 million). This good business development, especially at HealthCare, was accompanied by higher R&D and selling expenses. Positive currency effects contributed EUR 200 million to earnings. EBIT improved by a significant 65.4 percent to EUR 908 million (Q4 2014: EUR 549 million). The increase in net income to EUR 613 million was even more substantial (Q4 2014: plus EUR 224 million). Core earnings per share from continuing operations fell to EUR 1.07 (Q4 2014: EUR 1.17), however. In the previous year, they were influenced by tax income.

Bayer targeting further growth in 2016

Dekkers expressed his confidence for fiscal 2016: "We are targeting further growth in both sales and earnings, building on a record year," said the Management Board Chairman. This forecast is based on the new organizational structure introduced with effect from January 1, 2016, and assumes the full-year inclusion of the Covestro business. Also underlying the forecast for fiscal 2016 are the exchange rates at the closing date on December 31, 2015, including a rate of US\$1.09 to the euro.

In 2016, the **Bayer Group** including Covestro is planning sales of more than EUR 47 billion. This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. Bayer plans to increase EBITDA before special items by a mid-single-digit percentage. The company aims to increase core earnings per share from continuing operations by a mid-single-digit percentage as well. This assumption takes account of the fact that only 69 percent of Covestro will be reflected for the full year 2016.

From the sale of the Diabetes Care business, Bayer expects core earnings per share of just under EUR 0.40 for discontinued operations.

Sales of approximately EUR 35 billion are planned for the **Life Science activities**, i.e. the Bayer Group excluding Covestro (2015 pro forma: EUR 34,342 million). This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. Bayer also plans to increase EBITDA before special items by a mid-single-digit percentage (2015 pro forma: EUR 8,607 million). This planning includes dissynergies of around EUR 130 million from the carve-out of Covestro and from divestments.

Despite declining price developments in some areas, Bayer expects sales of approximately EUR 16 billion (2015 pro forma: EUR 15,308 million) in the **Pharmaceuticals** Division including the Radiology business. This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. The company plans to raise sales of the recently launched pharmaceutical products to more than EUR 5 billion. It expects a mid- to high-single-digit percentage increase in EBITDA before special items (2015 pro forma: EUR 4,615 million). Bayer aims to improve the EBITDA margin before special items.

In the **Consumer Health** Division, Bayer expects sales to come in at more than EUR 6 billion and plans to grow sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis (2015 pro forma: EUR 6,076 million). EBITDA before special items is also expected to improve by a mid-single-digit percentage (2015 pro forma: EUR 1,456 million).

At **Crop Science**, Bayer expects sales to be at the prior-year level (2015: EUR 10,367 million). This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. For this division, Bayer plans to increase EBITDA before special items by a low-single-digit percentage (2015: EUR 2,416 million).

At **Animal Health**, Bayer expects sales slightly above the prior-year level (2015: EUR 1,490 million). This corresponds to a low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. For this business, Bayer also plans an increase in EBITDA before special items by a low- to mid-single-digit percentage (2015 pro forma: EUR 348 million).

For 2016, **Covestro** is budgeting sales at the prior-year level and a decline in EBITDA after adjustment for special items.

Bayer expects to take special charges in the region of EUR 0.5 billion in 2016, with the integration of the acquired consumer health businesses and charges in connection with the reorganization of the Bayer Group accounting for most of this amount. Bayer intends to increase research and development spending in 2016 to approximately EUR 4.5 billion. The company has budgeted capital expenditures of about EUR 2.5 billion for property, plant and equipment and EUR 0.4 billion for intangible assets. Depreciation and amortization are estimated at about EUR 3.1 billion, including EUR 1.6 billion in amortization of intangible assets. Bayer expects net financial debt to be below EUR 16 billion at the end of 2016.

Dekkers: Europe must become more innovative

Dekkers emphasized at the Financial News Conference that innovation is the foundation of Bayer's commercial success. The company employs nearly 15,000 people worldwide in research and development and increased its R&D spending last year by 21.0 percent to EUR 4,281 million. "However, we need an environment that supports our innovation efforts if we are to fully exhaust our potential. I am firmly convinced that Europe must become more innovative," said Dekkers.

In the first place, the Bayer CEO sees a need for action in the sociocultural environment. "While everyone is in favor of innovation in theory, concerns quickly gain the upper hand when it comes to specific technologies." Dekkers accepted that it's right to openly discuss new technologies. However, this debate should be based on scientific facts. Dekkers therefore called on science, politics and industry to strengthen their engagement in public debate.

Secondly, it is important to support technological advances with appropriate regulations, rather than to hinder them. "I'm therefore very much in favor of introducing a European innovation principle – a kind of innovation inspection to examine the effects that regulations would have on industry's innovation strength," Dekkers said. This could meaningfully supplement the European precautionary principle, he explained. Taken together, the two principles could ensure a more balanced assessment of the benefits and risks of new technologies, remarked the Bayer CEO, adding that this would make it possible to improve regulations – and increase innovation.

“We must also improve the external financing conditions for innovation in order to become more innovative,” Dekkers continued. The Management Board Chairman explained that Germany needs a venture capital law that gives young companies easier access to start-up capital.

Note:

Below you will find tables containing the key data of the Bayer Group and its subgroups for the full year and the fourth quarter of 2015.

The complete Annual Report 2015 is available on the Internet at www.investor.bayer.com

Supplementary material at www.investor.bayer.com includes:

- Live webcast of the **Financial News Conference** from approx. 10:00 a.m. CET*
- Presentation charts for the **Investor Conference Call** at 12:00 noon CET*
- Live webcast of the **Investor Conference Call** from approx. 2:00 p.m. CET*
- Recording of the **Investor Conference Call** from approx. 6:00 p.m. CET*

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Bayer Group Key Data, Fourth Quarter and Full Year 2015

(Prior-year data are restated.)

Bayer Group (EUR million)	Q4 2014	Q4 2015	Change in %	FY 2014	FY 2015	Change in %
Sales	10,792	11,319	+4.9	41,339	46,324	+12.1
EBIT	549	908	+65.4	5,395	6,250	+15.8
<i>Special items</i>	(442)	(116)	-	(438)	(819)	-
EBIT before special items	991	1,024	+3.3	5,833	7,069	+21.2
EBITDA before special items	1,829	1,903	+4.0	8,685	10,266	+18.2
Net income	224	613	+173.7	3,426	4,110	+20.0
Earnings per share (EUR)	0.27	0.74	+174.1	4.14	4.97	+20.0
Core earnings per share (EUR)	1.17	1.07	-8.5	5.89	6.83	+16.0
Number of employees at end of period *	117,371	116,811	-0.5	117,371	116,811	-0.5

Bayer HealthCare (EUR million)	Q4 2014	Q4 2015	Change in %	FY 2014	FY 2015	Change in %
Sales	5,351	5,811	+8.6	19,075	22,874	+19.9
EBIT	550	777	+41.3	3,470	4,050	+16.7
<i>Special items</i>	(376)	(264)	-	(331)	(600)	-
EBIT before special items	926	1,041	+12.4	3,801	4,650	+22.3
EBITDA before special items	1,409	1,511	+7.2	5,357	6,419	+19.8

Bayer CropScience (EUR million)	Q4 2014	Q4 2015	Change in %	FY 2014	FY 2015	Change in %
Sales	2,195	2,439	+11.1	9,494	10,367	+9.2
EBIT	191	478	+150.3	1,806	2,103	+16.4
<i>Special items</i>	(32)	301	-	(32)	222	-
EBIT before special items	223	177	-20.6	1,838	1,881	+2.3
EBITDA before special items	369	334	-9.5	2,360	2,416	+2.4

Covestro (EUR million)	Q4 2014	Q4 2015	Change in %	FY 2014	FY 2015	Change in %
Sales	2,948	2,774	-5.9	11,651	11,982	+2.8
EBIT	43	(79)	-	555	635	+14.4
<i>Special items</i>	(22)	(144)	-	(43)	(332)	-
EBIT before special items	65	65	0.0	598	967	+61.7
EBITDA before special items	217	257	+18.4	1,187	1,659	+39.8

EBITDA, EBIT(DA) before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definitions of these indicators, see the current Annual Report at www.bayer.com.

* Full-time equivalents

Forward-Looking Statements

This news release may contain forward-looking statements based on current assumptions and forecasts made by Bayer 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.