



Bayer AG  
Investor Relations  
51368 Leverkusen  
Germany  
www.investor.bayer.com

## Q3 2015 Analyst and Investor Briefing

October 29, 2015

- Bayer posts strong earnings growth
- Successful stock market debut for Covestro (formerly MaterialScience)
- Substantial sales and earnings increases at HealthCare
- Good business development at CropScience in a weaker market environment
- Covestro posts significant earnings improvement
- Group sales €11.0 billion (+10.7%; Fx & portfolio adj. +1.9%)
- Volume +4.3%, Price -2.4%, Currency +4.9%, Portfolio +3.9%
- EBITDA before special items €2.5 billion (+27.6%) including a positive Fx-effect of approx. €170 million
- Net special charges of €204 million
- EBIT €1.6 billion (+16.3%)
- Net income €1.0 billion (+20.9%)
- Core earnings per share €1.69 (+28.0%)
- Group forecast 2015 confirmed

### Group Key Figures for Q3 2015 (continuing operations, unless stated differently)

<i>Euro million</i>	Q3 2014	Q3 2015	% y-o-y	Consensus**
Sales	9,967	11,036	10.7 / 1.9*	11,276
EBITDA	2,023	2,325	14.9	2,058
EBITDA before special items	1,977	2,523	27.6	2,280
EBIT	1,346	1,565	16.3	1,284
Net special items	45	(204)	•	(203)
EBIT before special items	1,301	1,769	36.0	1,492
Financial result	(302)	(280)	7.3	(261)
Income taxes	(236)	(296)	(25.4)	•
Income after taxes from cont. operations	808	989	22.4	•
Income after taxes from discount. operations	25	16	(36.0)	22
Net income (total)	826	999	20.9	777
EPS - cont. operations (Euro/share)	0.97	1.19	22.7	0.95
EPS - discount. operations (Euro/share)	0.03	0.02	•	•
EPS - total (Euro/share)	1.00	1.21	21.0	•
Core EPS - cont. operations (Euro/share)	1.32	1.69	28.0	1.47
Core EPS - discount. operations (Euro/share)	0.03	0.03	•	•
Core EPS - total (Euro/share)	1.35	1.72	27.4	•
Gross cash flow	1,466	1,427	(2.7)	•
Delta working capital	315	879	•	•
Net cash flow	1,781	2,306	29.5	•
CapEx (cash relevant)	544	654	20.2	•
Operating free cash flow	1,237	1,652	33.5	•
<i>Euro million</i>	June 30, 2015	Sept. 30, 2015		
Net financial debt	21,134	19,259		
Net pension liability	11,133	11,668		

2014 figures restated  
\*) Currency and portfolio adjusted sales growth  
\*\*) Consensus figures as of October 15, 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 and are now using the exchange rates prevailing on September 30, 2015 with respect to the fourth quarter of 2015.
- The Diabetes Care business is no longer included in continuing operations and therefore is also not included in the updated forecast. However, Covestro continues to be included in the Consolidated Financial Statements of Bayer as a fully consolidated subsidiary after its stock market flotation on October 6, 2015, as Bayer AG currently still holds a 69% interest in that company and exercises control over it.
- We are now planning sales in the region of €46 billion (prev.: in the region of €47 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 approximately 6% (prev.: approx. 7%) compared with the prior year.
- Our expectation regarding the company's earnings development is largely unchanged. It remains our aim to raise EBITDA before special items by a high-teens percentage, now allowing for expected positive currency effects of about 4% (prev.: about 5%). We continue to target a high-teens percentage increase in core earnings per share, allowing for expected positive currency effects of around 4% (prev.: around 5%).

### HealthCare

- As before, we expect sales from continuing operations at HealthCare to rise to approx. €23 billion. This now corresponds to a mid- to high-single-digit percentage increase on a Fx- and portf.-adjusted basis (prev.: a mid-single-digit percentage). We predict positive currency effects of approx. 5% (prev.: about 6%) compared with 2014. It remains our aim 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 now corresponds to a high-single-digit percentage increase on a Fx- and portf.-adjusted basis (prev.: a mid- to high-single-digit percentage). We anticipate positive currency effects of approx. 5% (prev.: about 6%) 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 approx. €9 billion (prev.: over €9 billion), including those of the acquired consumer care businesses. We still plan to grow sales by a mid-single-digit percentage on a Fx- and portf.-adjusted basis. We anticipate positive currency effects of approximately 5% (prev.: about 7%) compared with 2014. As before, 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 are adjusting the outlook to reflect the weaker development of the market environment and lower-than-expected currency effects. We continue to expect above-market growth and now aim to raise sales to slightly above €10 billion (prev.: around €10.5 billion). This still corresponds to a low-single-digit percentage increase on a Fx- and portf.-adjusted basis. We anticipate positive currency effects of about 7% (prev.: about 8%) compared with 2014. In view of the weakened market environment, we now plan to improve EBITDA before special items by a mid-single-digit percentage (prev.: a mid- to high-single-digit percentage).

### Covestro

- Covestro continues to plan further volume growth in 2015 accompanied by declining selling prices. This will lead to lower sales on a currency- and portfolio-adjusted basis. However, the company still expects a significant increase in EBITDA before special items for the full year. Covestro aims to return to earning the cost of capital in 2015.
- After adjusting for Fx- and portfolio effects, we expect sales in the fourth 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.

### Reconciliation

- For 2015 we continue to expect sales on a Fx- and portf.-adjusted basis to be level with the previous year. We now expect EBITDA before special items to be in the region of minus €0.2 billion (prev.: minus €0.3 billion).

### Further assumptions for 2015:

- Net special items: approx. minus €900 million
- Financial result: approx. minus €1.1 billion (previously: approx. minus €1.0 billion)
- Effective tax-rate: below 25% (previously: approx. 25%)
- Net financial debt: below €18 billion at the end of 2015 (previously: below €20 billion)

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



## HealthCare in Q3 2015

Euro million	Q3 2014	Q3 2015	% y-o-y	Consensus**
<b>Sales</b>	<b>4,740</b>	<b>5,651</b>	<b>19.2 / 8.3*</b>	<b>5,836</b>
Pharmaceuticals	3,039	3,482	14.6 / 11.7*	3,514
Consumer Health	1,701	2,169	27.5 / 2.2*	2,334
<b>EBITDA before special items</b>	<b>1,368</b>	<b>1,677</b>	<b>22.6</b>	<b>1,666</b>
Pharmaceuticals	960	1,139	18.6	1,095
Consumer Health	408	538	31.9	572

2014 figures restated

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of October 15, 2015 provided by Vara Research GmbH

## Best Selling Pharmaceutical Products

Euro million	Q3 2014	Q3 2015	% y-o-y	% y-o-y Fx
<b>Xarelto</b>	<b>440</b>	<b>571</b>	<b>29.8</b>	<b>31.3</b>
of which USA	77	105	36.4	35.5
<b>Eylea</b>	<b>189</b>	<b>320</b>	<b>69.3</b>	<b>67.0</b>
of which USA	0	0	•	•
<b>Kogenate</b>	<b>295</b>	<b>309</b>	<b>4.7</b>	<b>(0.8)</b>
of which USA	89	113	27.0	6.4
<b>Mirena product family</b>	<b>208</b>	<b>240</b>	<b>15.4</b>	<b>4.9</b>
of which USA	128	163	27.3	6.5
<b>Nexavar</b>	<b>192</b>	<b>234</b>	<b>21.9</b>	<b>14.5</b>
of which USA	65	86	32.3	11.3
<b>Betaferon / Betaseron</b>	<b>223</b>	<b>204</b>	<b>(8.5)</b>	<b>(16.5)</b>
of which USA	107	108	0.9	(15.6)
<b>YAZ product family</b>	<b>198</b>	<b>183</b>	<b>(7.6)</b>	<b>(1.9)</b>
of which USA	40	45	12.5	(4.6)
<b>Adalat</b>	<b>139</b>	<b>151</b>	<b>8.6</b>	<b>4.1</b>
of which USA	0	1	•	•
<b>Aspirin Cardio</b>	<b>124</b>	<b>130</b>	<b>4.8</b>	<b>1.0</b>
of which USA	0	0	•	•
<b>Glucobay</b>	<b>102</b>	<b>122</b>	<b>19.6</b>	<b>4.6</b>
of which USA	0	0	•	•
<b>Avalox / Avelox</b>	<b>85</b>	<b>85</b>	<b>0.0</b>	<b>(2.2)</b>
of which USA	0	2	•	•
<b>Stivarga</b>	<b>46</b>	<b>73</b>	<b>58.7</b>	<b>42.6</b>
of which USA	32	44	37.5	15.7
<b>Xofigo</b>	<b>49</b>	<b>69</b>	<b>40.8</b>	<b>24.4</b>
of which USA	36	49	36.1	12.6
<b>Levitra</b>	<b>65</b>	<b>59</b>	<b>(9.2)</b>	<b>(9.6)</b>
of which USA	10	17	70.0	59.8
<b>Fosrenol</b>	<b>42</b>	<b>46</b>	<b>9.5</b>	<b>7.3</b>
of which USA	0	0	•	•

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

- HealthCare: Price +0.7%, volume +7.6%, currency 3.0%, portfolio +7.9%
- The sales increase at **Pharmaceuticals** was largely attributable to the good development of our recently launched products. Xarelto, Eylea, Stivarga, Xofigo and Adempas continued to experience gratifying growth, posting combined sales of €1,082 million (Q3 2014: €750 million). The Pharmaceuticals business grew in all regions on a currency-adjusted basis.



- Xarelto registered strong sales gains and thus further strengthened its leading position among the novel oral anticoagulants. This was attributable to volume increases in Europe and Japan. Business with Xarelto also developed positively in the U.S., where it is marketed by a subsidiary of Johnson & Johnson.
- Sales of Eylea rose significantly, mainly as a result of very good business in Europe and Japan after marketing authorization was granted in further indications.
- Sales of Kogenate were level year on year as expected.
- The Mirena product family benefited especially from expanded volumes in the U.S.
- We achieved substantial sales gains for Nexavar, particularly in Germany and the U.S.
- Business with Betaferon/Betaseron was down overall, due partly to increased competition in the U.S. and Europe.
- Sales of the YAZ product family receded slightly as the result of lower demand in Europe.
- Stivarga improved against the weak prior-year quarter, due in part to positive development in the U.S.
- Xofigo benefited mainly from good business development in Europe and the U.S.
- Sales of Adempas amounted to €49 million (Q3 2014: €26 million) and reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co.
- Sales increases for Adalat, Aspirin Cardio and Glucobay resulted mainly from gains in China.
- At **Consumer Health** all divisions contributed to the sales growth. Business developed positively, especially in the Emerging Markets. The significant reported increase in sales in the Consumer Care Division resulted from the products added through the recent acquisitions. Consumer Care at €1,424 million (+1.7% Fx & portf. adj.), Medical Care (cont. business - without Diabetes Care) at €388 million (+4.1% Fx & portf. adj.) and Animal Health at €357 million (+1.8% Fx & portf. adj.).
- The increase in **EBITDA before special items** at HealthCare resulted mainly from the continuing favorable development of business at Pharmaceuticals and Consumer Health – at Consumer Care especially due to the contributions from the acquired businesses – and from positive currency effects of about €70 million. Earnings were held back by an increase in R&D-investment at Pharmaceuticals.

## CropScience in Q3 2015

<i>Euro million</i>	Q3 2014	Q3 2015	% y-o-y	Consensus**
<b>Sales</b>	<b>1,929</b>	<b>2,113</b>	<b>9.5 / 1.6*</b>	<b>2,039</b>
Crop Protection / Seeds	1,781	1,957	9.9 / 2.3*	•
Environmental Science	148	156	5.4 / (7.4)*	•
<b>EBITDA before special items</b>	<b>278</b>	<b>309</b>	<b>11.2</b>	<b>291</b>

\*) Currency and portfolio adjusted sales growth

\*\*\*) Consensus figures as of October 15, 2015 provided by Vara Research GmbH

Q3 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
<b>CropScience</b>	<b>465</b>	<b>3.1</b>	<b>367</b>	<b>4.3</b>	<b>363</b>	<b>7.2</b>	<b>918</b>	<b>(1.2)</b>

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

- Price -2.6%, volume +4.2%, currency +7.3%, portfolio +0.6%
- Sales at **CropScience** were slightly above the strong prior-year period. Crop Protection/Seeds posted a slight sales increase in a weaker market environment, particularly in Latin America. By contrast, we registered declining sales at Environmental Science.



- Sales at **Crop Protection** came in at €1,833 million (+2.9% Fx & portf. adj.). Herbicides (€487 million, +21.0% Fx & portf. adj.) and Fungicides (€577 million, +9.4% Fx & portf. adj.) developed positively. Insecticides (€471 million, -9.3% Fx & portf. adj.), and SeedGrowth (€298 million, -10.5% Fx & portf. adj.) declined. Sales in **Seeds** came in at €124 million (-5.3% Fx & portf. adj.).
- At **Environmental Science** business with both products for professional users and consumer products posted declines.
- In Europe, sales at Herbicides, particularly with products for use in cereals, grew by a double-digit percentage. Business with insecticides and vegetable seeds also expanded. Sales at Fungicides declined substantially against the strong prior-year quarter as a result of lower pest pressure due to weather conditions.
- In North America, we achieved very gratifying growth in the Herbicides, Fungicides, Insecticides and Seeds businesses. By contrast, business was down substantially at SeedGrowth, due particularly to high inventories of treated seed in the market.
- In Asia/Pacific, the Herbicides and SeedGrowth businesses were especially successful in a slightly improved market environment, posting double-digit growth rates. Business also expanded significantly at Insecticides and Fungicides, as well as for vegetable seeds. Sales for rice seed and at Environmental Science declined.
- In LatAm/Africa/Middle East, Crop Protection/Seeds registered a decline mainly at Insecticides, and particularly in Brazil, where sales were weakened by considerably lower pest pressure. Significantly higher sales at Herbicides and Fungicides and for vegetable seeds did not fully offset this effect.
- The increase in **EBITDA before special items** at CropScience was largely driven by a positive currency effect of about €30 million.

## Covestro in Q3 2015

<i>Euro million</i>	Q3 2014	Q3 2015	% y-o-y	Consensus**
<b>Sales</b>	<b>3,036</b>	<b>3,009</b>	<b>(0.9) / (7.7)*</b>	<b>3,131</b>
Polyurethanes	1,652	1,513	(8.4) / (14.5)*	•
Polycarbonates	726	818	12.7 / 3.2*	•
CAS	503	520	3.4 / (3.2)*	•
Industrial Operations	155	158	1.9 / (1.3)*	•
<b>EBITDA before special items</b>	<b>334</b>	<b>472</b>	<b>41.3</b>	<b>391</b>

CAS: Coatings, Adhesives, Specialties

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of October 15, 2015 provided by Vara Research GmbH

- Price -7.5%, volume -0.2%, currency +6.8%, portfolio 0.0%
- Sales of Covestro were affected by declining selling prices in the three business units, primarily at Polyurethanes. This was chiefly attributable to the development of raw material prices. Overall, volumes remained at the level of the prior-year quarter.
- **EBITDA before special items** at Covestro improved significantly. Considerably lower raw material prices more than offset the decline in selling prices. This was due to a more favorable supply-and-demand situation in some markets. Earnings were additionally buoyed by positive currency effects of around €70 million.

## Restatements 2015

The purchase price allocation of the consumer care business of Merck & Co., Inc., which was acquired on October 1, 2014, was completed in the third quarter of 2015. This resulted in the further capitalization of deferred tax assets due to temporary differences between the carrying amounts of intangible assets in the IFRS financial statements and those reported for tax purposes, as well as a corresponding decline in goodwill in the statement of financial position.

(For details see Interim Report Q3 2015, page 48)

€ million	Q1 2015			Q2 2015		
	Before accounting changes	Merck PPA	After accounting changes	Before accounting changes	Merck PPA	After accounting changes
Income before income taxes	1,670	-	1,670	1,546	-	1,546
Income taxes	(406)	31	(375)	(405)	12	(393)
Income from cont. operations after taxes	1,264	31	1,295	1,141	12	1,153
Net income	1,303	31	1,334	1,152	12	1,164
Reported EPS cont. operations	1.52	0.04	1.56	1.37	0.01	1.38
Reported EPS disc. operations	0.06	-	0.06	0.02	-	0.02
Reported EPS total	1.58	0.04	1.62	1.39	0.01	1.40
Core EPS cont. operations	2.04	0.04	2.08	1.98	0.01	1.99
Core EPS disc. operations	0.06	-	0.06	0.02	-	0.02
Core EPS total	2.10	0.04	2.14	2.00	0.01	2.01

€ million	March 31, 2015			June 30, 2015		
	Before accounting changes	Merck PPA	After accounting changes	Before accounting changes	Merck PPA	After accounting changes
Goodwill	17,331	(926)	16,405	16,870	(890)	15,980
Deferred taxes	4,025	957	4,982	3,253	933	4,186
Noncurrent assets	51,689	31	51,720	49,462	43	49,505
Total assets	76,640	31	76,671	75,620	43	75,663
Other reserves	13,451	31	13,482	14,013	43	14,056
Equity attributable to Bayer AG stockholders	21,735	31	21,766	22,297	43	22,340
Equity	21,863	31	21,894	22,423	43	22,466
Total equity and liabilities	76,640	31	76,671	75,620	43	75,663

## Key figures for Q3 2015

	Subgroup Total		Pharmaceuticals		Consumer Health		CropScience		Covestro		Reconciliation		Group	
	Q3'14	Q3'15	Q3'14	Q3'15	Q3'14	Q3'15	Q3'14	Q3'15	Q3'14	Q3'15	Q3'14	Q3'15	Q3'14	Q3'15
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,740	5,651	3,039	3,482	1,701	2,169	1,929	2,113	3,036	3,009	262	263	9,967	11,036
Sales by region:														
Europe	1,707	1,817	1,094	1,212	613	605	454	465	1,122	1,130	244	247	3,527	3,659
North America	1,247	1,777	731	915	516	862	303	367	678	729	2	1	2,230	2,874
Asia / Pacific	1,084	1,315	796	953	288	362	318	363	878	819	4	3	2,284	2,500
LatAm/Africa/Middle East	702	742	418	402	284	340	854	918	358	331	12	12	1,926	2,003
EBITDA	1,422	1,633	960	1,132	462	501	278	306	333	388	-10	-2	2,023	2,325
Special items	54	-44	0	-7	54	-37	0	-3	-1	-84	-7	-67	46	-198
EBITDA before special items	1,368	1,677	960	1,139	408	538	278	309	334	472	-3	65	1,977	2,523
EBITDA margin before special items	28.9%	29.7%	31.6%	32.7%	24.0%	24.8%	14.4%	14.6%	11.0%	15.7%	-1.1%	24.7%	19.8%	22.9%
EBIT	1,062	1,219	699	859	363	360	157	180	184	217	-57	-51	1,346	1,565
Special items	54	-46	0	-7	54	-39	0	-4	-2	-87	-7	-67	45	-204
EBIT before special items	1,008	1,265	699	866	309	399	157	184	186	304	-50	16	1,301	1,769
EBIT margin before special items	21.3%	22.4%	23.0%	24.9%	18.2%	18.4%	8.1%	8.7%	6.1%	10.1%	-19.1%	6.1%	13.1%	16.0%
Gross cash flow	910	1,117	666	781	244	336	214	206	261	310	81	-206	1,466	1,427
Net cash flow	1,068	1,273	808	894	260	379	598	677	274	326	-159	30	1,781	2,306
Financial result													-302	-280
Income after taxes from continuing operations													808	989
Income after taxes from discontinued operations													25	16
Net income													826	999
Earnings per share - continuing operations (€)													0.97	1.19
Earnings per share - discontinued operations (€)													0.03	0.02
Earnings per share (€)													1.00	1.21
Core earnings per share - continuing operations (€)													1.32	1.69
Core earnings per share - discontinued operations (€)													0.03	0.03
Core earnings per share (€)													1.35	1.72
CapEx (cash effective)													546	655
R&D													867	1,041
D&A and Write-downs	360	414	261	273	99	141	121	126	149	171	47	49	677	760
Employees at end of period	55,341	58,700	38,808	40,045	16,533	18,655	22,490	23,673	14,147	15,698	20,853	19,795	112,831	117,866

2014 figures restated



**Bayer Investor Relations contacts:**

Dr. Alexander Rosar (+49-214-30-81013)

Dr. Jürgen Beunink (+49-214-30-65742)

Peter Dahlhoff (+49-214-30-33022)

Judith Nestmann (+49-214-30-66836)

Constance Spitzer (+49-214-30-33021)

Dr. Olaf Weber (+49-214-30-33567)

**Forward-looking statements**

This announcement 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](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.