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Q1 2015 Analyst and Investor Briefing

April 30, 2015

- Strong start to the year for Bayer
- Significant sales and earnings growth at HealthCare
- CropScience performance steady in a weaker market environment
- MaterialScience posts earnings growth
- Group sales €12.1 billion (+14.8%, Fx & portfolio adj. +2.7%)
- Price -0.1%, volume +2.8%, currency +7.4%, portfolio +4.7%
- EBITDA before special items €3.0 billion (+9.6%)
- Net special charges of €244 million that mainly comprised €1 million for the integration of acquired businesses, €77 million for the consolidation of production sites and €41 million for additional efficiency improvement measures
- EBIT €2.0 billion (-4.7%)
- Net income €1.3 billion (-8.4%)
- Core earnings per share €2.10 (+7.7%)
- Guidance for full year 2015 raised due to currency effects

Group Key Figures for Q1 2015

<i>Euro million</i>	Q1 2014	Q1 2015	% y-o-y	Consensus**
Sales	10,555	12,117	14.8 / 2.7*	11,888
EBITDA	2,745	2,804	2.1	2,783
EBITDA before special items	2,738	3,000	9.6	2,922
EBIT	2,096	1,998	(4.7)	2,016
Net special items	7	(244)	•	(146)
EBIT before special items	2,089	2,242	7.3	2,120
Financial result	(159)	(274)	(72.3)	(255)
Income taxes	(512)	(415)	18.9	•
Net income	1,423	1,303	(8.4)	1,332
EPS (<i>Euro/share</i>)	1.72	1.58	(8.1)	1.61
Core EPS (<i>Euro/share</i>)	1.95	2.10	7.7	2.03
Gross cash flow	2,048	2,060	0.6	•
Delta working capital	(1,885)	(1,336)	29.1	•
Net cash flow	163	724	•	•
CapEx (<i>cash relevant</i>)	357	345	(3.4)	•
Operating free cash flow	(194)	379	•	•
<i>Euro million</i>	Dec. 31, 2014	March 31, 2015		
Net financial debt	19,612	21,292		
Net pension liability	12,195	13,553		

*) Currency and portfolio adjusted sales growth

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



Bayer Group Forecast 2015

- Based on the operating performance in the first quarter of 2015 and our expectations for the future business development, and taking into account the potential risks and opportunities, we are raising our guidance for 2015, mainly in view of the considerably more positive exchange rates prevailing on March 31, 2015.
- We are now planning sales in the region of €48 billion to €49 billion (previously: €46 billion). This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. We expect currency effects to boost sales by approx. 9% (previously: approx. 3%) compared with the prior year.
- We now plan to raise EBITDA before special items by a high-teens percentage (previously: low- to mid-teens percentage), allowing for expected positive currency effects of about 8% (previously: about 2%).
- We now aim to increase core earnings per share by a high-teens percentage (previously: low-teens percentage), allowing for expected positive currency effects of around 7% (previously: around 3%).

HealthCare

- At HealthCare we now expect sales to rise to over €24 billion (previously: approx. €23 billion). This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. We predict positive currency effects of about 9% (previously: about 3%) compared with 2014. We now plan to raise EBITDA before special items by a low-twenties percentage (previously: mid-teens percentage).
- In the **Pharmaceuticals** segment, we now expect sales to move ahead to approx. €14 billion (previously: approx. €13 billion). This corresponds to a mid- to high-single-digit percentage on a currency- and portfolio-adjusted basis. Here we anticipate positive currency effects of about 9% (previously: about 2%) compared with 2014. We intend to raise sales of our recently launched products to over €4 billion (previously: toward €4 billion). We plan to raise EBITDA before special items by a mid-teens percentage (previously: low-teens percentage), allowing for an additional €350 million of investment in research and development. As a result of the dilutive currency effects, we expect the EBITDA margin before special items to be slightly below the prior-year level (previously: slightly improve).
- In the **Consumer Health** segment, we expect sales to increase to over €10 billion (previously: toward €10 billion), including those of the acquired consumer care businesses. We plan to grow sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis and anticipate positive currency effects of around 9% (previously: around 3%) compared with 2014. We expect to raise EBITDA before special items by a mid-thirties percentage (previously: a mid- to high-twenties percentage), with the acquired consumer care businesses contributing to the increase.

CropScience

- At CropScience we expect to continue growing faster than the market and now aim to raise sales to approx. €11 billion (previously: approx. €10 billion). This corresponds to a low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. We anticipate positive currency effects of about 11% (previously: about 4%) compared with 2014. In line with the clearly positive currency changes, we now plan to improve EBITDA before special items by a low- to mid-teens percentage (previously: a low- to mid-single-digit 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 currency- and portfolio-adjusted basis. However, we expect to see a significant increase in EBITDA before special items, partly due to lower raw material costs. We aim to return to earning the full cost of capital in 2015.
- We expect sales and EBITDA before special items in the second quarter of 2015 to come in at least at the level of the first quarter of 2015.

Reconciliation

- For 2015 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 €0.3 billion

Further assumptions for 2015:

- Net special items: approx. minus €700 million
- Financial result: approx. minus €1 billion
- Effective tax-rate: approx. 25%
- Net financial debt: below €20 billion (previously: below €18 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 Q1 2015

Euro million	Q1 2014	Q1 2015	% y-o-y	Consensus**
Sales	4,572	5,742	25.6 / 7.2*	5,578
Pharmaceuticals	2,782	3,200	15.0 / 7.2*	3,229
Consumer Health	1,790	2,542	42.0 / 7.2*	2,349
EBITDA before special items	1,301	1,615	24.1	1,564
Pharmaceuticals	873	988	13.2	1,015
Consumer Health	428	627	46.5	549

*) Currency and portfolio adjusted sales growth

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

Best Selling Pharmaceutical Products

Euro million	Q1 2014	Q1 2015	% y-o-y	% y-o-y Fx
Xarelto	342	482	40.9	38.4
of which USA	57	78	36.8	36.9
Kogenate	270	261	(3.3)	(9.8)
of which USA	65	74	13.8	(6.4)
Eylea	157	253	61.1	55.1
of which USA	0	0	•	•
Mirena product family	178	232	30.3	14.2
of which USA	104	154	48.1	21.6
Betaferon / Betaseron	190	208	9.5	(1.0)
of which USA	67	93	38.8	14.1
Nexavar	183	196	7.1	(3.7)
of which USA	52	72	38.5	14.3
YAZ product family	181	181	0.0	(3.3)
of which USA	36	33	(8.3)	(23.2)
Adalat	140	162	15.7	2.9
of which USA	1	1	•	•
Aspirin Cardio	115	136	18.3	8.3
of which USA	0	0	•	•
Glucobay	102	130	27.5	8.3
of which USA	0	0	•	•
Avalox / Avelox	108	110	1.9	(8.2)
of which USA	5	0	•	•
Stivarga	54	71	31.5	14.0
of which USA	30	46	53.3	24.9
Xofigo	36	54	50.0	28.0
of which USA	34	41	20.6	(1.5)
Levitra	62	53	(14.5)	(17.5)
of which USA	17	15	(11.8)	(14.8)
Cipro / Ciprobay	47	41	(12.8)	18.9
of which USA	2	1	•	•

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

- Price +0.5%, volume +6.7%, currency 7.8%, portfolio +10.6%
- Sales growth at **Pharmaceuticals** was mainly driven by the persistently dynamic sales growth of recently launched products (Xarelto, Eylea, Stivarga, Xofigo, Adempas) which contributed €898 million in the quarter. Pharma grew in all regions on a currency-adjusted basis, especially in Europe and North America.



- Sales of Xarelto continued to advance strongly particularly in Europe. Sequentially, sales were affected by U.S.-royalty accounting. As reported by Johnson & Johnson, U.S. in-market sales increased on a sequential basis.
- Kogenate sales decreased as a result of capacity shortages caused by the use of production capacities to develop the next-generation hemophilia medicines.
- Eylea with gains particularly in Europe and Japan, where it was approved in additional indications.
- Sales of the Mirena product family rose mainly as a result of higher volumes in the U.S.
- Sales decline of Betaferon in Europe, Japan and other geographies was nearly offset by gains in the U.S.
- Nexavar sales declined overall, particularly in China and Japan.
- Receding sales of the YAZ-product family resulted from lower demand in the U.S. and Europe, while business developed positively in the Emerging Markets.
- Sales of Stivarga increased mainly in the U.S.
- Adalat, Aspirin Cardio and Glucobay registered rising demand, especially in China.
- Adempas contributed €38 million in the quarter.
- Sales growth at **Consumer Health** was driven by all divisions. The acquired business of Merck & Co. contributed €495 million in the quarter. Consumer Care at €1,556 million (+8.3% Fx & portf. adj.), Medical Care at €600 million (+6.0% Fx & portf. adj.) and Animal Health at €386 million (+6.1% Fx & portf. adj.).
- The improvement in **EBITDA before special items** at HealthCare resulted mainly from the favorable development of business at Pharmaceuticals and Consumer Health, the contributions from the acquired businesses, and positive currency effects of about €50 million. Earnings were held back by higher selling expenses in both segments, and by an increase in research and development expenses at Pharmaceuticals.

CropScience in Q1 2015

<i>Euro million</i>	Q1 2014	Q1 2015	% y-o-y	Consensus**
Sales	2,900	3,092	6.6 / 1.0*	3,102
Crop Protection / Seeds	2,734	2,889	5.7 / 0.8*	•
Environmental Science	166	203	22.3 / 4.2*	•
EBITDA before special items	1,098	1,040	(5.3)	1,044

*) Currency and portfolio adjusted sales growth

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

Q1 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	1,378	16.9	943	(15.1)	360	(4.3)	411	(3.2)

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

- Price +3.2%, volume -2.2%, currency +5.1%, portfolio +0.5%
- **Crop Protection/Seeds** improved slightly against the strong prior-year level despite a weakened market environment, particularly in North and South America.
- Sales at **Crop Protection** came in at €2,292 million (-0.9% Fx & portf. adj.). Fungicides (€830 million, +22.4% Fx & portf. adj.) achieved a double digit growth rate. Herbicides (€906 million, -8.5% Fx & portf. adj.), Insecticides (€335 million, -12.5% Fx & portf. adj.) and SeedGrowth (€221 million, -16.7% Fx & portf. adj.) were down compared to the strong prior-year quarter. Sales in **Seeds** (€597 million, +8.2% Fx & portf. adj.) were mainly driven by oilseed rape/canola and soybeans.



- Sales of **Environmental Science** advanced by 4.2% (Fx & portf. adj.) to €203 million. Both the consumer business and products for professional users developed positively.
- Sales of CropScience in Europe were driven by Fungicides and Herbicides which registered strong, double-digit growth. Sales at Insecticides were down against a strong prior-year quarter. Seeds and Environmental Science posted significant gains.
- In North America, sales of our Herbicides, particularly for use in cotton and corn, and of SeedGrowth declined sharply. This trend was not offset by the pleasing growth at Insecticides and the successful expansion of our Seeds business. Environmental Science developed favorably.
- Sales of CropScience in Asia/Pacific receded mainly due to a decline in business with Herbicides and Insecticides. Environmental Science also registered a decline in sales. Business at SeedGrowth and Seeds expanded.
- The lower sales in LatAm/Africa/Middle East resulted largely from a decline in the Insecticides business, particularly in Brazil, where sales were weakened by lower pest pressure. Sales of Herbicides and cotton seed were also down. The substantial growth of the Fungicides business and higher sales of vegetable seed were not sufficient to offset this trend. Environmental Science posted a double-digit growth rate.
- **EBITDA before special items** at CropScience came in below the strong prior-year quarter. Contributing to this decrease was a negative currency effect of about €40 million. While higher selling prices had a positive effect, volumes were lower and selling expenses increased.

MaterialScience in Q1 2015

<i>Euro million</i>	Q1 2014	Q1 2015	% y-o-y	Consensus**
Sales	2,803	3,014	7.5 / (2.1)*	2,921
Polyurethanes	1,510	1,551	2.7 / (6.6)*	•
Polycarbonates	659	764	15.9 / 3.9*	•
CAS	469	534	13.9 / 4.9*	•
Industrial Operations	165	165	0.0 / (4.2)*	•
EBITDA before special items	366	424	15.8	362

CAS: Coatings, Adhesives, Specialties

*) Currency and portfolio adjusted sales growth

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

- Price -4.4%, volume +2.3%, currency +9.6%, portfolio 0.0%
- The decline in sales was attributable to lower selling prices for Polyurethanes and Polycarbonates. Raw material prices were down sharply in both business units, although volumes were up overall.
- The sales decline at **Polyurethanes** resulted from lower selling prices. Volumes remained at the level of the prior-year quarter overall. Both selling prices and volumes were down for MDI. Volumes of PET and TDI improved, while selling prices receded.
- **Polycarbonates** sales growth was the result of higher volumes in all regions except LatAm/Africa/Middle East. This resulted particularly from greater demand in the automotive industry. Selling prices were down overall compared with the prior-year period.
- Sales increase at **Coatings, Adhesives, Specialties** due to higher volumes in Asia/Pacific and North America. Selling prices were level with the prior-year quarter.
- Increase in **EBITDA before special items** at MaterialScience resulted mostly from significantly lower raw material prices that more than offset the decline in selling prices. Earnings were additionally buoyed by positive currency effects of approximately €50 million.

Key figures for Q1 2015

	HealthCare				CropScience		MaterialScience		Reconciliation		Group	
	Subgroup Total	Pharmaceuticals		Consumer Health		Subgroup Total	Subgroup Total	Subgroup Total	Q1'14	Q1'15	Q1'14	Q1'15
	Q1'14	Q1'14	Q1'15	Q1'14	Q1'15	Q1'14	Q1'15	Q1'14	Q1'14	Q1'15	Q1'14	Q1'15
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,572	2,782	3,200	1,790	2,542	2,900	3,092	2,803	280	269	10,555	12,117
Sales by region:												
Europe	1,757	1,035	1,131	722	793	1,239	1,378	1,141	263	248	4,400	4,643
North America	1,132	591	761	541	1,036	954	943	596	2	2	2,684	3,460
Asia / Pacific	1,070	801	915	269	368	329	360	736	5	4	2,140	2,503
LatAm/Africa/Middle East	613	355	393	258	345	378	411	330	10	15	1,331	1,511
EBITDA	1,317	889	964	428	528	1,098	998	364	-34	-89	2,745	2,804
Special items	16	-123	-24	0	-99	0	-42	-2	-7	-10	7	-196
EBITDA before special items	1,301	873	988	428	627	1,098	1,040	366	-27	-79	2,738	3,000
EBITDA margin before special items	28.5%	31.4%	30.9%	23.9%	24.7%	37.9%	33.6%	13.1%	-9.6%	-29.4%	25.9%	24.8%
EBIT	962	641	691	321	349	988	874	219	-73	-135	2,096	1,998
Special items	16	-145	-24	0	-121	0	-47	-2	-7	-10	7	-244
EBIT before special items	946	625	715	321	470	988	921	221	-66	-125	2,089	2,242
EBIT margin before special items	20.7%	22.5%	22.3%	17.9%	18.5%	34.1%	29.8%	7.9%	-23.6%	-46.5%	19.8%	18.5%
Gross cash flow	881	574	690	307	412	770	705	285	112	-59	2,048	2,060
Net cash flow	659	447	752	212	512	-722	-823	-44	270	120	163	724
Financial result											-159	-274
Net income											1,423	1,303
Earnings per share (€)											1.72	1.58
Core earnings per share (€)											1.95	2.10
CapEx (cash effective)											357	345
R&D											820	956
D&A and Write-downs	355	248	273	107	179	110	124	145	39	46	649	806
Employees at end of period	56,624	38,569	39,574	18,055	21,033	22,619	23,662	14,068	20,574	20,615	113,885	119,478

2014 figures restated



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