



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

Investor News

Third quarter of 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 increase to EUR 11,036 million (plus 10.7 percent / Fx & portfolio adj. plus 1.9 percent)
- EBITDA before special items advances by 27.6 percent to EUR 2,523 million
- EBIT improves by 16.3 percent to EUR 1,565 million
- Net income increases by 20.9 percent to EUR 999 million
- Core earnings per share up 28.0 percent to EUR 1.69
- Group forecast 2015 confirmed

Leverkusen, Germany, October 29, 2015 – The Bayer Group made further strategic progress and posted strong earnings growth in the third quarter of 2015. “A few weeks ago we announced changes to our organizational structure. The new organization is aimed at supporting our strategy as a leading Life Science company and putting us in an even stronger position vis-à-vis our competitors,” Bayer Management Board Chairman Dr. Marijn Dekkers commented when the interim report was published on Thursday. He said the carve-out of MaterialScience had been completed and that business floated on the stock market under the name Covestro. Bayer currently still holds a 69 percent interest in Covestro AG, which is therefore still included in the Consolidated Financial Statements of Bayer as a fully consolidated company.

In the third quarter of 2015, Bayer increased sales on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) and posted strong earnings growth of 28 percent. HealthCare benefited once again from the positive development of the recently launched pharmaceutical products and from expanded sales (Fx. and portfolio adj.) in all Consumer

Health divisions. Earnings of HealthCare rose substantially. Despite a weaker market environment, sales at CropScience were up (Fx. and portfolio adj.) against the strong prior-year period. Earnings rose due to currency effects. Covestro significantly raised earnings again, due mainly to lower raw material costs, while sales receded as expected. “We are confirming our Group forecast for 2015,” said Dekkers.

Sales of the Bayer Group moved ahead by 10.7 (Fx & portfolio adj. 1.9) percent in the third quarter to EUR 11,036 million (Q3 2014: EUR 9,967 million). EBITDA before special items climbed by a substantial 27.6 percent to EUR 2,523 million (Q3 2014: EUR 1,977 million). The good sales development was accompanied by higher R&D and selling expenses. Positive currency effects buoyed earnings by about EUR 170 million. EBIT also rose by a substantial 16.3 percent to EUR 1,565 million (Q3 2014: EUR 1,346 million), reflecting special items of minus EUR 204 million (Q3 2014: plus EUR 45 million). These mainly comprised charges in connection with the carve-out and stock market flotation of Covestro and costs for the integration of acquired businesses. Net income advanced by 20.9 percent to EUR 999 million (Q3 2014: EUR 826 million), and core earnings per share for continuing operations by 28.0 percent to EUR 1.69 (Q3 2014: EUR 1.32).

Gross cash flow from continuing operations declined by 2.7 percent to EUR 1,427 million (Q3 2014: EUR 1,466 million). The increase in earnings was partly offset by additional tax expenses connected with the carve-out of Covestro. Net cash flow (total) rose by 28.3 percent to EUR 2,330 million (Q3 2014: EUR 1,816 million), due mostly to a decrease in cash tied up in other working capital. Net financial debt fell from EUR 21.1 billion on June 30, 2015, to EUR 19.3 billion on September 30, 2015 – mainly as a result of cash inflows from operating activities.

HealthCare benefits from recently launched pharmaceutical products and acquisitions

Sales of the HealthCare subgroup increased by 19.2 percent (Fx & portfolio adj. 8.3 percent) to EUR 5,651 million (Q3 2014: EUR 4,740 million). “This positive business development continued to be driven to a significant extent by our recently launched pharmaceutical products. Business expanded in all divisions of the Consumer Health segment,” explained Dekkers. The substantial reported increase in sales at Consumer Health was mainly attributable to the products acquired from Merck & Co., Inc., United States, and to currency effects.

Sales of the Pharmaceuticals segment rose by a substantial 11.7 percent (Fx & portfolio adj.) to EUR 3,482 million. The recently launched products – the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Stivarga™ and Xofigo™, and Adempas™ to treat pulmonary hypertension – continued to experience encouraging growth, posting combined sales of EUR 1,082 million (Q3 2014: EUR 750 million). Xarelto™ registered a sales gain of 31.3 percent (Fx adj.) and thus further cemented its leading position among the non-vitamin K-dependent oral anticoagulants. Sales of Eylea™ also rose significantly – advancing by 67 percent (Fx adj.) – mainly as a result of very good business in Europe and Japan after marketing authorization was granted in further indications.

Among the established leading products, sales of the cancer drug Nexavar™ increased by a substantial 14.5 percent (Fx adj.), particularly in Germany and the United States. Business with the hormone-releasing intrauterine devices of the Mirena™ product family rose by 4.9 percent (Fx adj.) overall, benefiting particularly from expanded volumes in the United States. Sales of the blood-clotting drug Kogenate™ were level year on year as expected, while business with the multiple sclerosis drug Betaferon™/Betaseron™ declined by 16.5 percent (Fx adj.) – held back partly by increased competition in the United States and Europe. Overall, the Pharmaceuticals business grew in all regions on a currency-adjusted basis.

Sales in the Consumer Health segment increased by 2.2 percent (Fx & portfolio adj.) to EUR 2,169 million. At Consumer Care, business with the products acquired from Merck & Co., Inc., United States, totaled EUR 366 million. Particularly positive performances were registered by the antifungal product Canesten™ (Fx adj. plus 19.5 percent) and the Bepanthen™/Bepanthol™ line of skincare products (Fx adj. plus 15.2 percent). However, business with the analgesic Aleve™ declined by 12.9 percent (Fx adj.) against the strong prior-year quarter, due particularly to changes in sales phasing in the United States. The Seresto™ flea and tick collar made a gratifying contribution to growth in the Animal Health Division, while sales of the Advantage™ family of flea, tick and worm control products declined slightly (Fx. adj. minus 1.7 percent). In the contrast agents and medical equipment business (Medical Care), the MRI contrast agent Gadovist™/ Gadavist™ posted significant growth of 18.8 percent (Fx adj.).

EBITDA before special items of HealthCare improved by 22.6 percent to EUR 1,677 million (Q3 2014: EUR 1,368 million). This resulted mainly from the good 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 some EUR 70 million. Earnings were diminished by an increase in research and development investment at Pharmaceuticals.

CropScience business weaker in Latin America

Sales of the agriculture business (CropScience) increased by 9.5 percent (Fx & portfolio adj. 1.6 percent) to EUR 2,113 million (Q3 2014: EUR 1,929 million). “After adjusting for currency and portfolio effects, therefore, we were up slightly against the strong prior-year level,” Dekkers said. Crop Protection/Seeds posted a slight sales increase in a weaker market environment, particularly in Latin America. The subgroup achieved its highest sales growth in the Asia/Pacific region, at 7.2 percent (Fx adj.). Business expanded by 4.3 percent (Fx adj.) in North America and 3.1 percent (Fx adj.) in Europe. By contrast, sales in the Latin America/Africa/Middle East region moved back by 1.2 percent (Fx adj.).

In Crop Protection, the Herbicides business grew by 21.0 percent (Fx & portfolio adj.), while Fungicides improved by 9.4 percent (Fx & portfolio adj.). By contrast, sales at SeedGrowth (seed treatments) were down by 10.5 percent (Fx & portfolio adj.) and 9.3 percent (Fx & portfolio adj.) at Insecticides. Sales receded by 5.3 percent (Fx & portfolio adj.) at Seeds, while Environmental Science also posted a decline (Fx & portfolio adj. minus 7.4 percent).

EBITDA before special items of CropScience in the third quarter moved ahead by 11.2 percent year on year, to EUR 309 million (Q3 2014: EUR 278 million). This increase was largely driven by a positive currency effect of about EUR 30 million.

Higher earnings at Covestro

Sales of the high-tech polymer materials business (Covestro, formerly MaterialScience) fell by 0.9 percent (Fx & portfolio adj. 7.7 percent) as expected, to EUR 3,009 million (Q3 2014: EUR 3,036 million). Selling prices declined 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 improved by a substantial 41.3 percent to EUR 472 million (Q3 2014: EUR 334 million). Considerably lower raw material prices more than offset the decline in selling prices due to a more favorable supply-and-demand situation in some markets. Earnings were additionally buoyed by positive currency effects of around EUR 70 million.

Gratifying earnings growth in the first nine months

Sales of the Bayer Group increased by 14.6 percent (Fx & portfolio adj. 2.8 percent) in the first nine months of 2015, to EUR 35,005 million (9M 2014: EUR 30,547 million), mainly as a result of the expansion of business at HealthCare. Sales of CropScience were flat with the strong prior-year level (Fx & portfolio adj.), while business at Covestro decreased as expected. EBITDA before special items climbed by 22.0 percent to EUR 8,363 million (9M 2014: EUR 6,856 million). All subgroups contributed to this significant improvement, particularly HealthCare and Covestro. EBIT climbed by 10.2 percent to EUR 5,342 million (9M 2014: EUR 4,846 million) and net income by 9.2 percent to EUR 3,497 million (9M 2014: EUR 3,202 million). Core earnings per share advanced by 22.0 percent to EUR 5.76 (9M 2014: EUR 4.72).

Strategic focus on Life Science businesses

Dekkers described the separation of Covestro as an important step in Bayer's successful development as a Life Science company. "By focusing on the Life Science businesses, we will concentrate even more intensively in the future on two of the greatest challenges of the 21st century," said the Management Board Chairman. First, he explained, the aging and growing world population urgently needs new and better medicines because many diseases still cannot be adequately treated despite tremendous advances. Second, Dekkers said, innovative chemical and biological crop protection products and more resilient plants are also needed to ensure an adequate supply of high-quality food for the growing global population in the future. "Only with true innovations will we be able to offer solutions to these challenges. Our business portfolio now focuses specifically on addressing these challenges," emphasized Dekkers.

He explained that Bayer's new organizational structure will support this strategy and put the company in an even stronger position vis-à-vis its competitors. From January 1, 2016, Bayer's business will be managed by three divisions: Pharmaceuticals, Consumer Health and Crop Science. "Each of these three divisions serves an attractive market and generates good financial returns. And each business is characterized by different cycles and risks, ensuring that our portfolio is diversified and balanced," Dekkers said. The heads of the divisions will also be members of the Board of Management in the future – with the aim of better integrating strategy and business operations and of further improving innovation strength and customer centricity.

Core earnings per share targeted to rise by a high-teens percentage in 2015

For the full year 2015, Bayer continues to predict that Group sales will rise by a low-single-digit percentage (Fx & portfolio adj.). With regard to the Group forecast, the company is now applying the exchange rates prevailing on September 30, 2015, for the fourth quarter of 2015. The Bayer Group now expects positive currency effects to raise sales by approximately 6 percent (previously: approximately 7 percent) compared with the prior year and is planning sales in the region of EUR 46 billion (previously: in the region of EUR 47 billion). The expectation regarding the company's earnings development is largely unchanged. It remains the aim to raise EBITDA before special items by a high-teens percentage, allowing for expected positive currency effects of now about 4 percent (previously: around 5 percent). Bayer continues to target a high-teens percentage increase in core earnings per share and expects positive currency effects of now around 4 percent (previously: around 5 percent).

As before, the company expects to take special charges in the region of approximately EUR 900 million, with the integration of the acquired consumer care businesses, the carve-out and stock market flotation of Covestro and the optimization of production structures accounting for most of this amount. Taking into account the proceeds from the stock market flotation of Covestro, Bayer is aiming to reduce net financial debt to below EUR 18 billion (previously: below EUR 20 billion) by year end.

As before, Bayer expects HealthCare sales from continuing operations to rise to approximately EUR 23 billion. This now corresponds to a mid- to high-single-digit percentage increase in sales on a currency- and portfolio-adjusted basis (previously: a mid-single-digit percentage). As before, the subgroup plans to raise clean EBITDA by a low-twenties percentage. In the Pharmaceuticals segment, Bayer continues to expect sales to move ahead to approximately EUR 14 billion. This now corresponds to a high-single-digit percentage increase on a currency- and portfolio-adjusted basis (previously: a mid- to high-single-digit percentage). Sales of the recently launched products are targeted to increase to more than EUR 4 billion. Bayer expects to raise EBITDA before special items at Pharmaceuticals by a mid-teens percentage. In the Consumer Health segment, Bayer expects sales of approximately EUR 9 billion (previously: over EUR 9 billion), including those of the acquired consumer care businesses, and still plans to grow sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. Bayer also

expects Consumer Health to raise EBITDA before special items by a mid-thirties percentage, with the acquired consumer care businesses contributing to the increase.

At CropScience, Bayer is adjusting the forecast to reflect the weaker development of the market environment and lower-than-expected currency effects. Here the company expects to continue growing faster than the market and now aims to raise sales to slightly more than EUR 10 billion (previously: around EUR 10.5 billion). This still corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. In view of the weakened market environment, CropScience now plans to improve EBITDA before special items by a mid-single-digit percentage (previously: a mid- to high-single-digit percentage).

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 continues to expect a significant increase in EBITDA before special items for the full year. Covestro aims to return to earning the cost of capital in 2015.

Note:

The tables below contain the key data for the Bayer Group and its subgroups for the third quarter and the first nine months of 2015.

The complete financial report as of September 30, 2015 is available for online viewing and download at www.investor.bayer.com.

Supplementary features at www.investor.bayer.com:

- live broadcast of the news conference call from approximately 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 approximately 2:00 p.m. CET*
- recording of the investor conference call from approximately 6:00 p.m. CET.*

Bayer AG, 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

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Bayer Key Data, 3rd Quarter and First Nine Months of 2015

(Prior-year data are restated.)

Bayer Group (EUR million)	Q3 2014	Q3 2015	Change in %	9M 2014	9M 2015	Change in %
Sales	9,967	11,036	+10.7	30,547	35,005	+14.6
EBIT	1,346	1,565	+16.3	4,846	5,342	+10.2
<i>Special items</i>	45	(204)	-	4	(703)	-
EBIT before special items	1,301	1,769	+36.0	4,842	6,045	+24.8
EBITDA	2,023	2,325	+14.9	6,868	7,718	+12.4
<i>Special items</i>	46	(198)	-	12	(645)	-
EBITDA before special items	1,977	2,523	+27.6	6,856	8,363	+22.0
Net income	826	999	+20.9	3,202	3,497	+9.2
Earnings per share (EUR)	1.00	1.21	+21.0	3.87	4.23	+9.3
Core earnings per share (EUR)	1.32	1.69	+28.0	4.72	5.76	+22.0
Number of employees at end of period *	112,831	117,866	+4.5	112,831	117,866	+4.5

Bayer HealthCare (EUR million)	Q3 2014	Q3 2015	Change in %	9M 2014	9M 2015	Change in %
Sales	4,740	5,651	+19.2	13,724	17,063	+24.3
EBIT	1,062	1,219	+14.8	2,920	3,273	+12.1
<i>Special items</i>	54	(46)	-	45	(336)	-
EBIT before special items	1,008	1,265	+25.5	2,875	3,609	+25.5
EBITDA	1,422	1,633	+14.8	3,997	4,599	+15.1
<i>Special items</i>	54	(44)	-	49	(309)	-
EBITDA before special items	1,368	1,677	+22.6	3,948	4,908	+24.3

Bayer CropScience (EUR million)	Q3 2014	Q3 2015	Change in %	9M 2014	9M 2015	Change in %
Sales	1,929	2,113	+9.5	7,299	7,928	+8.6
EBIT	157	180	+14.6	1,615	1,625	+0.6
<i>Special items</i>	0	(4)	-	0	(79)	-
EBIT before special items	157	184	+17.2	1,615	1,704	+5.5
EBITDA	278	306	+10.1	1,991	2,009	+0.9
<i>Special items</i>	0	(3)	-	0	(73)	-
EBITDA before special items	278	309	+11.2	1,991	2,082	+4.6

Covestro (EUR million)	Q3 2014	Q3 2015	Change in %	9M 2014	9M 2015	Change in %
Sales	3,036	3,009	-0.9	8,703	9,208	+5.8
EBIT	184	217	+17.9	512	714	+39.5
<i>Special items</i>	(2)	(87)	-	(21)	(188)	-
EBIT before special items	186	304	+63.4	533	902	+69.2
EBITDA	333	388	+16.5	953	1,239	+30.0
<i>Special items</i>	(1)	(84)	-	(17)	(163)	-
EBITDA before special items	334	472	+41.3	970	1,402	+44.5

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 definition of these indicators, see the current annual report at www.bayer.com.

* Full-time equivalents