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Q2 2016 Analyst and Investor Briefing

July 27, 2016

- Bayer raises sales and earnings
- Group sales increase by 2.3% (Fx & portfolio adj.) to €11.8 billion
- Pharmaceuticals continues strong growth trend
- Consumer Health increases sales
- Crop Science business holds steady in a continuingly difficult market environment
- EBITDA before special items up 5.7% to €3.1 billion
- Net income €1.4 billion (+18.6%)
- Core earnings per share €2.07 (+4.0%)
- Group forecast raised

Group Key Figures for Q2 2016 (continuing operations, unless stated differently)

Euro million	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	12,003	11,833	(1.4) / 2.3*	12,118
Volume	+5.0%	+4.4%	•	•
Price	-1.2%	-2.1%	•	•
Currency	+9.0%	-3.8%	•	•
Portfolio	+5.5%	+0.1%	•	•
EBITDA	2,637	2,952	11.9	2,849
EBITDA before special items	2,888	3,054	5.7	2,940
EBIT	1,823	2,138	17.3	2,058
Net special items	(255)	(104)	59.2	(103)
EBIT before special items	2,078	2,242	7.9	2,161
Financial result	(287)	(314)	(9.4)	(298)
Income taxes	(390)	(431)	(10.5)	•
Income after taxes from cont. operations	1,146	1,393	21.6	•
Income after taxes from discont. operations	24	55	•	47
Net income - total	1,164	1,380	18.6	1,349
EPS - cont. operations (Euro/share)	1.38	1.60	15.9	1.58
EPS - discont. operations (Euro/share)	0.02	0.07	•	•
EPS - total (Euro/share)	1.40	1.67	19.3	•
Core EPS - cont. operations (Euro/share)	1.99	2.07	4.0	2.02
Core EPS - discont. operations (Euro/share)	0.02	0.13	•	•
Core EPS - total (Euro/share)	2.01	2.20	9.5	•
Gross cash flow	2,165	2,366	9.3	•
Delta working capital	(205)	(374)	(82.4)	•
Net cash flow from discont. operations	(1)	(10)	•	•
Net cash flow - total	1,959	1,982	1.2	•
CapEx - total (cash relevant)	601	589	(2.0)	•
Operating free cash flow - total	1,358	1,393	2.6	•
Euro million	March 31, 2016	June 30, 2016	2015 figures restated (*) Currency and portfolio adjusted sales growth (**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH	
Net financial debt	16,323	17,840		
Net pension liability	13,313	13,806		



Bayer Group Forecast 2016

We have adjusted the exchange rates relevant to our forecast to reflect current developments. For the second half of 2016 we are now using the exchange rates prevailing on June 30, 2016, including a EUR-USD rate of 1.11. A 1% appreciation (depreciation) of the euro against all other currencies would decrease (increase) sales on an annual basis by some €300 million and EBITDA before special items by about €90 million.

Following the signing in May 2016 of an agreement to sell the Consumer business of Environmental Science in the Crop Science Division, this business is no longer included in continuing operations and therefore is no longer included in the forecast.

The following forecast for the current fiscal year is based on the business development described in the Q2 report, taking into account the potential risks and opportunities and assuming the inclusion of the Covestro business for the full year.

Bayer Group

For 2016 we are now planning sales of €46 billion to €47 billion (prev.: more than €47 billion) for the Bayer Group, including Covestro. This continues to correspond to a low-single-digit percentage increase on a Fx- and portf.-adj. basis. We now plan to increase EBITDA before special items by a high-single-digit (prev.: mid-single-digit) percentage. It is now our aim to increase core earnings per share from continuing operations by a mid- to high-single-digit (prev.: mid-single-digit) percentage. This takes into account Covestro's inclusion at around 64% starting on April 19, 2016 (January 1 to April 18, 2016: around 69%).

Life Sciences total

We continue to plan sales of approx. €35 billion for the Life Science activities. This still corresponds to a mid-single-digit percentage increase on a Fx- and portf.-adj. basis as previously forecasted. We now plan to increase EBITDA before special items by a mid- to high-single-digit (prev.: mid-single-digit) percentage. Our planning includes dissynergies of around €130 million from the legal independence of Covestro and from divestments.

Pharmaceuticals

For Pharmaceuticals we now expect sales above €16 billion (prev.: approx. €16 billion) despite some price decreases. This now corresponds to a high-single-digit (prev.: mid-single-digit) percentage increase on a Fx- and portf.-adj. basis. We now plan to raise sales of our recently launched pharmaceutical products toward €5.5 billion (prev.: to more than €5 billion). We now expect a low-teens (prev.: mid- to high-single-digit) percentage increase in EBITDA before special items. We aim to improve the EBITDA margin before special items.

Consumer Health

In the Consumer Health Division, we now expect sales to come in at approx. €6 billion (prev.: more than €6 billion). We now plan to grow sales by a low- to mid-single-digit (prev.: mid-single-digit) percentage on a Fx- and portf.-adj. basis. We now expect EBITDA before special items to come in on the level of the prior year (prev.: increase by a mid-single-digit percentage).

Crop Science

In light of the continuingly weak market environment, we now expect Crop Science sales to be on the prior-year level (prev.: increase by a low-single-digit percentage) on a Fx- and portf.-adj. basis. This is equivalent to



reported sales of about €10 billion. We now expect a low-single-digit percentage decrease (prev.: low-single-digit percentage increase) in EBITDA before special items.

Animal Health

At Animal Health we continue to expect sales to be slightly above the prior-year level. We are still planning a Fx- and portf.-adj. sales gain and an increase in EBITDA before special items, each by a low- to mid-single-digit percentage.

Reconciliation

For 2016, we now expect sales to come in at approximately €1 billion (prev.: to be level with the previous year; 2015: €1.1 billion). We are now planning EBITDA before special items of roughly minus €0.1 billion (prev.: minus €0.2 billion).

Covestro

For 2016, Covestro is now expecting a sales decline (prev.: sales at the prior-year level) and, for the second half of 2016, EBITDA after adjustment for special items at least at the prior-year level (prev.: for the full year, a decline in EBITDA after adjustment for special items).

Further Key Data for the Bayer Group

We continue to expect special charges in the region of €0.5 billion in 2016, with the integration of the acquired consumer care businesses and charges in connection with the reorganization of the Bayer Group accounting for most of this amount.

Our prediction for the financial result is unchanged at around minus €1.2 billion. The effective tax rate is still likely to be about 24%. We continue to expect net financial debt at below €16 billion at the end of 2016.

Further details of the business forecast are provided in Chapter 18.2 of the Combined Management Report in our Annual Report 2015.



Pharmaceuticals

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	3,890	4,104	5.5 / 8.4*	4,039
EBITDA before special items	1,193	1,352	13.3	1,276
EBITDA-margin before special items	30.7%	32.9%		31.6%

2015 figures restated

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	% y-o-y Fx
Xarelto	549	703	28.1	30.1
<i>of which USA</i>	88	103	17.0	17.7
Eylea	301	418	38.9	40.9
<i>of which USA</i>	0	0	•	•
Kogenate / Kovaltry	299	280	(6.4)	(5.6)
<i>of which USA</i>	91	87	(4.4)	(2.9)
Mirena product family	270	258	(4.4)	(0.8)
<i>of which USA</i>	181	168	(7.2)	(5.6)
Nexavar	231	221	(4.3)	(2.0)
<i>of which USA</i>	84	78	(7.1)	(4.9)
Betaferon / Betaseron	222	196	(11.7)	(8.7)
<i>of which USA</i>	109	111	1.8	3.0
YAZ product family	174	166	(4.6)	0.9
<i>of which USA</i>	31	31	•	2.6
Adalat	168	161	(4.2)	1.0
<i>of which USA</i>	1	0	•	•
Aspirin Cardio	127	138	8.7	16.4
<i>of which USA</i>	0	0	•	•
Glucobay	129	128	(0.8)	6.6
<i>of which USA</i>	1	1	•	•
Avalox / Avelox	99	88	(11.1)	(9.1)
<i>of which USA</i>	0	0	•	•
Gadavist / Gadovist	71	89	25.4	28.8
<i>of which USA</i>	22	27	22.7	26.4
Xofigo	65	81	24.6	26.7
<i>of which USA</i>	45	56	24.4	24.9
Ultravist	84	84	•	•
<i>of which USA</i>	1	2	•	•
Stivarga	92	67	(27.2)	(25.1)
<i>of which USA</i>	48	33	(31.3)	(29.7)

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

- Price -1.2%, volume +9.6%, currency -2.9%, portfolio ±0.0%
- Our recently launched products continued their strong development. Xarelto, Eylea, Xofigo, Stivarga and Adempas posted total combined sales of €1,332 million (Q2 2015: €1,051 million; Fx adj. +28.8%). Our Pharmaceuticals business expanded in all regions on a currency-adjusted basis.



- Xarelto once again posted encouraging sales gains, due mainly 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.
- We considerably raised sales of Eylea in all regions, particularly in Europe, Canada and Japan.
- Fluctuations in the order volumes placed by our distribution partner resulted in lower sales of Kogenate/Kovaltry.
- Sales of the Mirena product family were nearly level with the prior year despite lower volumes in the U.S.
- Business with Nexavar was slightly down against the prior-year level, particularly as a result of lower demand in the U.S.
- We registered an overall decline in sales of Betaferon/Betaseron that was attributable in part to weaker business performance in Europe.
- Sales of our YAZ product line were roughly level with the prior-year quarter on a currency-adjusted basis. Positive development in China and the U.S. was offset by lower demand in Europe.
- Sales increases for Adalat, Aspirin Cardio and Glucobay resulted mainly from gains in China
- Sales of Avalox/Avelox fell as expected due to the expiration of its patent. Gratifying volume gains in China were not sufficient to offset the declines in nearly all other regions.
- Gadovist achieved substantial volume gains in the U.S. and Japan.
- Sales of Xofigo increased in the U.S. and Europe especially.
- The growth in sales of Ultravist resulted from expanded volumes in Europe that were primarily attributable to a favorable competitive situation.
- Sales of Stivarga receded substantially due to intensified competition in the U.S. In the prior-year quarter, furthermore, we had benefited from the reversal of a rebate provision in France.
- Sales of Adempas amounted to €63 million (Q2 2015: €44 million; Fx adj. +45.3%) and reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co. Business developed positively, especially in the U.S.
- EBITDA before special items increased substantially. As expected, the earnings contributions from the very good business development stood against high investments in research and development. Currency effects of around €40 million had a diminishing effect.

Consumer Health

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	1,590	1,553	(2.3) / 4.0*	1,594
EBITDA before special items	362	328	(9.4)	388
EBITDA-margin before special items	22.8%	21.1%		24.3%

2015 figures restated

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

- Price +2.8%, volume +1.2%, currency -6.3%, portfolio ±0.0%
- The Consumer Health business developed well in the LatAm/Africa/Middle East, Europe and Asia/Pacific regions, while sales in North America were down compared with a strong prior-year quarter. Our Claritin, Aspirin, Bepanthen/Bepanthol and Canesten brands posted very high growth rates.
- EBITDA before special items of Consumer Health declined. The earnings contributions from the good business performance and cost synergies were not sufficient to offset the higher selling expenses as well as allocation and currency effects of around €25 million.



Crop Science

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	2,636	2,518	(4.5) / 0.4*	2,714
Crop Protection / Seeds	2,472	2,363	(4.4) / 0.5*	•
Environmental Science	164	155	(5.5) / (1.2)*	•
EBITDA before special items	722	663	(8.2)	715
EBITDA-margin before special items	27.4%	26.3%		26.3%

2015 figures restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

Q2 2016	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
Crop Science	808	0.9	812	(3.4)	455	8.4	443	(0.2)

2015 figures restated

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

- Price +1.4%, volume -1.0%, currency -5.2%, portfolio +0.3%
- Business at Crop Protection/Seeds was steady year on year despite an ongoing weak market environment. Environmental Science posted a slight decline in sales.
- Sales at Crop Protection came in at €2,055 million (+1.4% Fx & portf. adj.). Fungicides (€840 million, +6.0% Fx & portf. adj.) and Herbicides (€769 million, +3.9% Fx & portf. adj.) developed positively while Insecticides (€302 million, -11.9% Fx & portf. adj.) and SeedGrowth (€144 million, -6.1% Fx & portf. adj.) declined. Sales in Seeds came in at €308 million (-4.8% Fx & portf. adj.).
- In Europe, sales increased by a double-digit percentage at SeedGrowth, Insecticides and Herbicides but declined considerably at Fungicides, particularly in Germany. We registered encouraging growth in business with vegetable seeds. Sales at Environmental Science came in well below the prior-year figure.
- In North America, sales at Seeds decreased substantially compared with the prior-year quarter due to seasonal effects. Higher sales of soybean seeds were not sufficient to offset the decline in business with oilseed rape/canola and cotton seeds. Sales of seed treatments were down significantly year on year, as was the Insecticides business. By contrast, we registered very pleasing growth at Fungicides. We also expanded business at Herbicides, while sales at Environmental Science declined slightly.
- In the Asia / Pacific region, the substantial sales growth was driven especially by very gratifying development in China and Australia. Business in the region expanded in all Crop Protection units, particularly SeedGrowth and Fungicides. Sales in the Seeds unit climbed by a double-digit percentage. On the other hand, Environmental Science posted a considerable decline in sales.
- In LatAm/Africa/Middle East, very gratifying performances at Fungicides and in the vegetable seeds business were more than offset by declines in sales at Herbicides and SeedGrowth and much lower sales at Insecticides in Brazil. Environmental Science posted double-digit percentage growth.
- EBITDA before special items declined due to higher cost of goods sold, slightly lower volumes and a negative currency effect of around €10 million that were compensated only in part by higher selling prices and lower selling costs.



Animal Health

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	428	426	(0.5) / 4.2*	438
EBITDA before special items	120	100	(16.7)	119
EBITDA-margin before special items	28.0%	23.5%		27.2%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

- Price +2.8%, volume +1.4%, currency -4.7%, portfolio ±0.0%
- All regions developed positively on a currency-adjusted basis, the strongest gains being registered in Europe
- EBITDA before special items declined, due especially to seasonal shifts in selling costs and negative currency effects of around €5 million.

Life Sciences

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	8,818	8,858	0.5 / 4.6*	9,060
EBITDA before special items	2,382	2,511	5.4	2,458
EBITDA-margin before special items	27.0%	28.3%		27.1%

2015 figures restated

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

Covestro

<i>Euro million</i>	Q2 2015	Q2 2016	% y-o-y	Consensus**
Sales	3,185	2,975	(6.6) / (3.9)*	3,074
EBITDA before special items	506	543	7.3	482
EBITDA-margin before special items	15.9%	18.3%		15.7%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 15, 2016 provided by Vara Research GmbH

- Price -8.9%, volume +5.0%, currency -2.7%, portfolio ±0.0%
- At Covestro, selling prices were down significantly, mainly due to raw material price development and primarily at Polyurethanes. Volumes were above the level of the prior-year quarter overall.
- The impact of lower selling prices on EBITDA before special items was more than compensated by the net effect of lower raw material prices and higher volumes. Earnings were diminished by a negative currency effect of around €5 million.

Key figures for Q2 2016

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health		Reconciliation		Life Sciences		Covestro		Group	
	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16	Q2'15	Q2'16
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	3,890	4,104	1,590	1,553	2,636	2,518	428	426	274	257	8,818	8,858	3,185	2,975	12,003	11,833
Sales by region:																
Europe	1,337	1,422	409	415	851	808	111	114	258	243	2,966	3,002	1,158	1,126	4,124	4,128
North America	1,009	1,027	744	701	873	812	193	193	3	-2	2,822	2,731	766	686	3,588	3,417
Asia / Pacific	1,117	1,219	193	201	442	455	72	71	3	4	1,827	1,950	904	866	2,731	2,816
LatAm/Africa/Middle East	427	436	244	236	470	443	52	48	10	12	1,203	1,175	357	297	1,560	1,472
EBITDA	1,119	1,342	301	297	694	633	113	100	-38	37	2,189	2,409	448	543	2,637	2,952
Special items	-74	-10	-61	-31	-28	-30	-7	0	-23	-31	-193	-102	-58	0	-251	-102
EBITDA before special items	1,193	1,352	362	328	722	663	120	100	-15	68	2,382	2,511	506	543	2,888	3,054
EBITDA margin before special items	30.7%	32.9%	22.8%	21.1%	27.4%	26.3%	28.0%	23.5%	-5.5%	26.5%	27.0%	28.3%	15.9%	18.3%	24.1%	25.8%
EBIT	772	988	191	190	561	512	105	93	-84	-12	1,545	1,771	278	367	1,823	2,138
Special items	-78	-11	-61	-32	-28	-30	-6	0	-23	-31	-196	-104	-59	0	-255	-104
EBIT before special items	850	999	252	222	589	542	111	93	-61	19	1,741	1,875	337	367	2,078	2,242
EBIT margin before special items	21.9%	24.3%	15.8%	14.3%	22.3%	21.5%	25.9%	21.8%	-22.3%	7.4%	19.7%	21.2%	10.6%	12.3%	17.3%	18.9%
Gross cash flow	807	871	241	237	529	468	83	69	146	293	1,806	1,938	359	428	2,165	2,366
Net cash flow	491	310	161	241	752	1,088	85	48	111	-4	1,600	1,683	360	309	1,959	1,982
Financial result															-287	-314
Income after taxes from continuing operations															1,146	1,393
Income after taxes from discontinued operations															24	55
Net income															1,164	1,380
Earnings per share - continuing operations (€)															1.38	1.60
Earnings per share - discontinued operations (€)															0.02	0.07
Earnings per share (€)															1.40	1.67
Core earnings per share - continuing operations (€)															1.99	2.07
Core earnings per share - discontinued operations (€)															0.02	0.13
Core earnings per share (€)															2.01	2.20
CapEx (cash effective)															601	589
R&D															1,035	1,122
D&A and Write-downs	347	354	110	107	133	121	8	7	46	49	644	638	170	176	814	814
Employees at end of period	41,140	40,197	13,700	13,085	23,592	22,839	3,818	3,859	20,213	19,866	102,463	99,846	15,071	15,730	117,534	115,576
2015 figures restated																



Restatements due to the classification of the Consumer business of Environmental Science as discontinued operations

	Crop Science							
	Q1'15	Q2'15	1H'15	Q3'15	9M'15	Q4'15	FY'15	Q1'16
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	3,006	2,636	5,642	2,081	7,723	2,405	10,128	2,936
EBITDA	979	694	1,673	313	1,986	642	2,628	1,086
Special items	42	28	70	3	73	-295	-222	3
EBITDA before special items	1,021	722	1,743	316	2,059	347	2,406	1,089
EBITDA margin before special items	34.0%	27.4%	30.9%	15.2%	26.7%	14.4%	23.8%	37.1%
EBIT	855	561	1,416	187	1,603	491	2,094	955
Special items	47	28	75	4	79	-301	-222	3
EBIT before special items	902	589	1,491	191	1,682	190	1,872	958
EBIT margin before special items	30.0%	22.3%	26.4%	9.2%	21.8%	7.9%	18.5%	32.6%
Gross cash flow	691	529	1,220	213	1,433	502	1,935	766
Net cash flow	-781	752	-29	603	574	176	750	-666

	Bayer Group							
	Q1'15	Q2'15	1H'15	Q3'15	9M'15	Q4'15	FY'15	Q1'16
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	11,793	12,003	23,796	11,004	34,800	11,285	46,085	11,854
EBITDA	2,726	2,637	5,363	2,332	7,695	1,878	9,573	3,359
Special items	196	251	447	198	645	38	683	28
EBITDA before special items	2,922	2,888	5,810	2,530	8,340	1,916	10,256	3,387
EBITDA margin before special items	24.8%	24.1%	24.4%	23.0%	24.0%	17.0%	22.3%	28.6%
EBIT	1,925	1,823	3,748	1,572	5,320	921	6,241	2,320
Special items	244	255	499	204	703	116	819	272
EBIT before special items	2,169	2,078	4,247	1,776	6,023	1,037	7,060	2,592
EBIT margin before special items	18.4%	17.3%	17.8%	16.1%	17.3%	9.2%	15.3%	21.9%
Gross cash flow	1,997	2,165	4,162	1,434	5,596	1,397	6,993	2,564
Net cash flow	719	1,960	2,679	2,232	4,911	1,925	6,836	552
Income from continuing operations after income taxes	1,282	1,146	2,428	994	3,422	591	4,013	1,531
Earnings per share from continuing operations (basic and diluted)	1.54	1.38	2.92	1.19	4.11	0.76	4.87	1.77
Core earnings per share from continuing operations	2.06	1.99	4.05	1.69	5.74	1.08	6.82	2.35

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Forward-looking statements

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