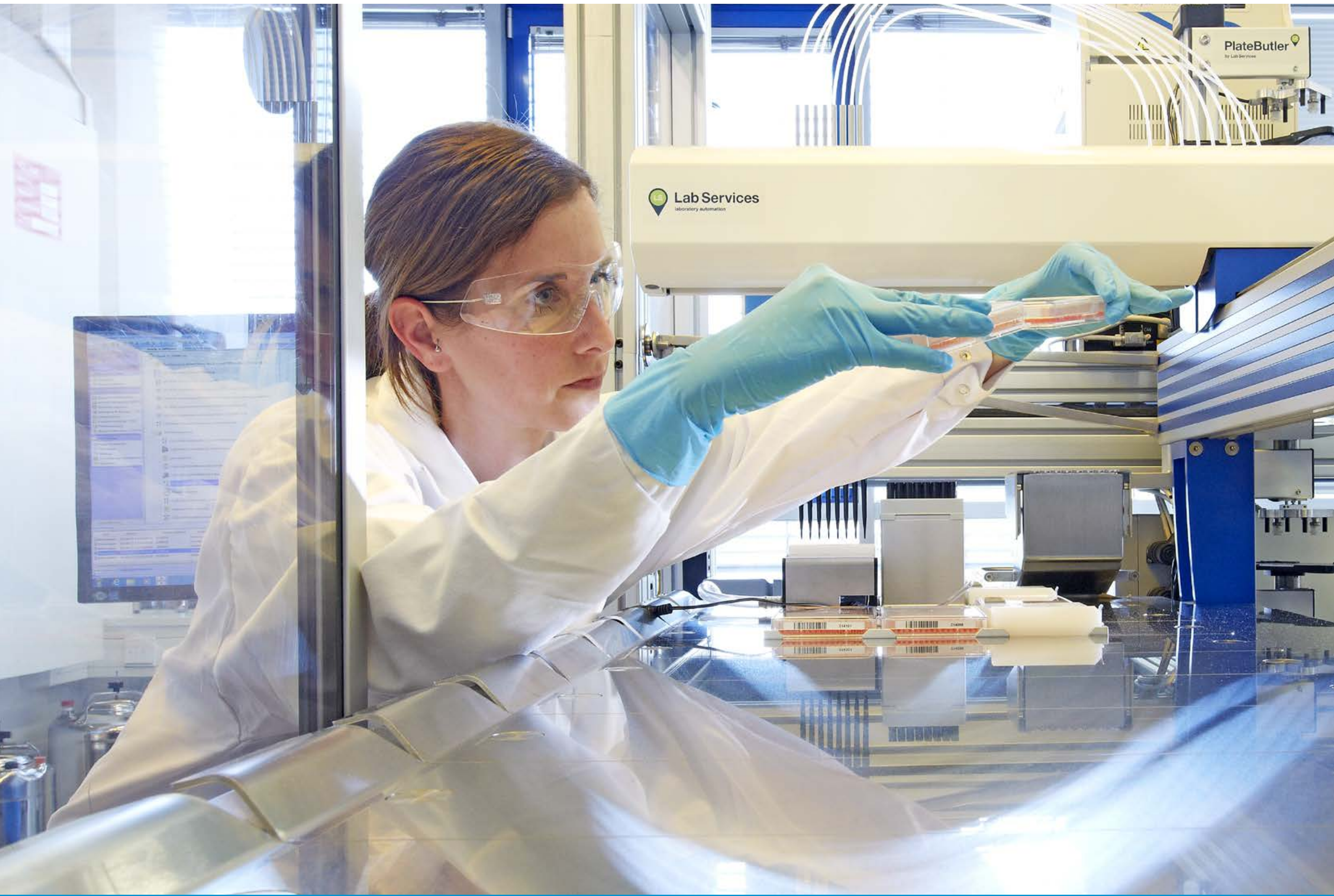
Science For A Better Life



Interim Report

Second Quarter of 2015

Bayer significantly improves earnings

Bayer Group Key Data

	2nd Quarter 2014	2nd Quarter 2015	Change	1st Half 2014	1st Half 2015	Change	Full Year 2014
	€ million	€ million	%	€ million	€ million	%	€ million
Sales	**10,228**	**12,090**	**+18.2**	**20,580**	**23,969**	**+16.5**	**41,339**
Change (adjusted for currency and portfolio effects)			+3.7			+3.2	+7.7
Change in sales							
Volume	+6.0%	+4.9%		+7.4%	+3.8%		+7.1%
Price	+0.8%	−1.2%		+0.4%	−0.6%		+0.6%
Currency	−5.5%	+9.0%		−5.7%	+8.2%		−2.8%
Portfolio	+0.1%	+5.5%		+0.2%	+5.1%		+0.7%
EBIT[1]	**1,435**	**1,833**	**+27.7**	**3,500**	**3,777**	**+7.9**	**5,395**
Special items	*(48)*	*(255)*		*(41)*	*(499)*		*(438)*
EBIT before special items[2]	***1,483***	***2,088***	***+40.8***	***3,541***	***4,276***	***+20.8***	***5,833***
EBIT margin before special items[3]	14.5%	17.3%		17.2%	17.8%		14.1%
EBITDA[4]	**2,135**	**2,648**	**+24.0**	**4,845**	**5,393**	**+11.3**	**8,315**
Special items	*(41)*	*(251)*		*(34)*	*(447)*		*(370)*
EBITDA before special items[2]	***2,176***	***2,899***	***+33.2***	***4,879***	***5,840***	***+19.7***	***8,685***
EBITDA margin before special items[3]	21.3%	24.0%		23.7%	24.4%		21.0%
Financial result	**(173)**	**(287)**	**−65.9**	**(332)**	**(561)**	**−69.0**	**(981)**
Net income (from continuing and discontinued operations)	**953**	**1,152**	**+20.9**	**2,376**	**2,455**	**+3.3**	**3,426**
Earnings per share (from continuing and discontinued operations) (€)[5]	1.15	1.39	+20.9	2.87	2.97	+3.5	4.14
Core earnings per share (from continuing operations) (€)[6]	1.48	1.98	+33.8	3.40	4.02	+18.2	5.89
Gross cash flow[7]	**1,665**	**2,173**	**+30.5**	**3,683**	**4,184**	**+13.6**	**6,707**
Net cash flow[8]	**1,601**	**1,959**	**+22.4**	**1,764**	**2,683**	**+52.1**	**5,810**
Cash outflows for capital expenditures	**529**	**601**	**+13.6**	**886**	**946**	**+6.8**	**2,371**
Research and development expenses	**841**	**1,036**	**+23.2**	**1,653**	**1,982**	**+19.9**	**3,537**
Depreciation, amortization and impairments	**700**	**815**	**+16.4**	**1,345**	**1,616**	**+20.1**	**2,920**
Number of employees at end of period[9]	**112,556**	**117,798**	**+4.7**	**112,556**	**117,798**	**+4.7**	**117,371**
Personnel expenses (including pension expenses)	2,366	2,750	+16.2	4,749	5,630	+18.6	9,693

2014 figures restated
In some cases, the sum of the figures given in this report may not precisely equal the stated totals and percentages may not be exact due to rounding.
[1] EBIT = earnings before financial result and taxes
[2] EBIT before special items and EBITDA before special items are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. EBITDA before special items is a meaningful indicator of operating performance since it is not affected by depreciation, amortization, impairments or special items. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. See also Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[3] The EBIT(DA) margin before special items is calculated by dividing EBIT(DA) before special items by sales.
[4] EBITDA = EBIT plus amortization and impairment losses on intangible assets and depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals
[5] Earnings per share as defined in IAS 33 = net income divided by the average number of shares
[6] Core earnings per share are not defined in the International Financial Reporting Standards. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and ensure comparability of data over time. The calculation of core earnings per share is explained in Chapter 7 "Core Earnings Per Share."
[7] Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus/minus changes in pension provisions, minus gains/plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year. For details see Chapter 8 "Financial Position of the Bayer Group."
[8] Net cash flow = cash flow from operating activities according to IAS 7
[9] Full-time equivalents

Contents

COVER PICTURE:

Bayer researchers are working on new cancer treatments. Our cover picture shows laboratory technician Christina Scholl carrying out an experiment in the Bayer laboratory.

Second Quarter of 2015

Bayer significantly improves earnings

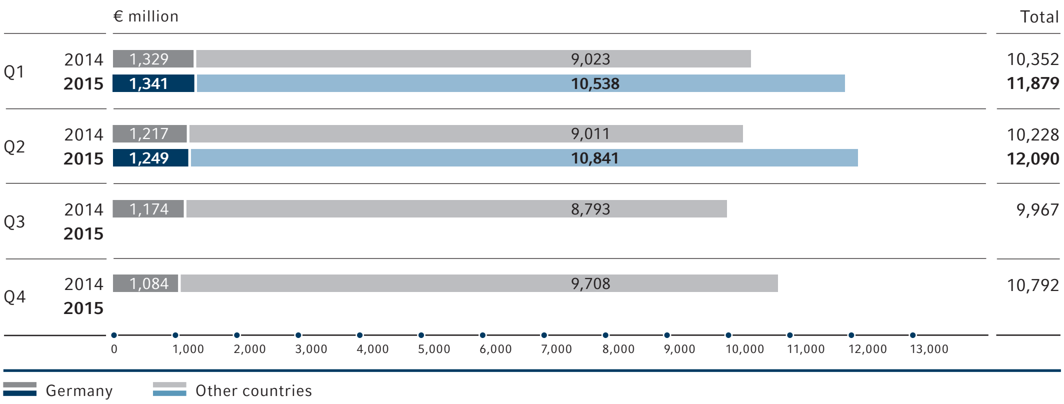
- // Very good business development at HealthCare
- // CropScience performance steady in a weaker market environment
- // MaterialScience posts robust earnings growth
- // Group sales €12.1 billion (+18.2%; Fx & portfolio adj. +3.7%)
- // EBITDA before special items €2.9 billion (+33.2%)
- // EBIT €1.8 billion (+27.7%)
- // Net income €1.2 billion (+20.9%)
- // Core earnings per share €1.98 (+33.8%)
- // Group forecast 2015 for operational performance of continuing operations confirmed and adjusted for currency effects

The Bayer Group continued to grow sales in the second quarter of 2015 and significantly improved earnings. HealthCare posted considerable sales and earnings gains that were attributable to the further gratifying expansion of business with our recently launched pharmaceutical products and to the positive sales development in all Consumer Health divisions. Sales at CropScience matched the strong level of the prior-year quarter, while earnings improved. At MaterialScience, sales were level with the prior-year quarter. Earnings of the subgroup rose markedly, by almost 90%, particularly as a result of the improved demand situation and lower raw material costs. The preparations for the planned stock market flotation of MaterialScience are on schedule. We are confirming our Group forecast for the operational performance of continuing operations and adjusting our guidance to take account of the change in exchange rates as of June 30, 2015.

1. Overview of Sales, Earnings and Financial Position

SECOND QUARTER OF 2015

Bayer Group Quarterly Sales [Graphic 1]

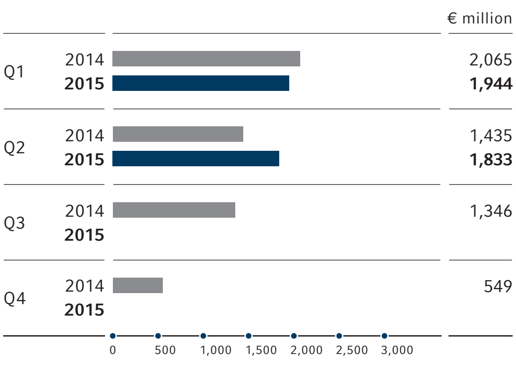


2014 figures restated

Following the signing of the divestiture agreement with Panasonic Healthcare Holdings Co., Ltd. in June 2015, the Diabetes Care business is no longer included in continuing operations. Figures for previous periods are restated accordingly.

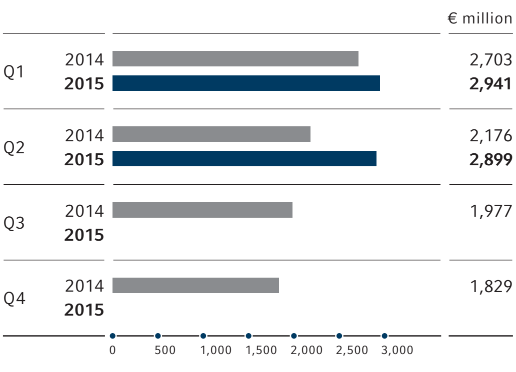
Sales of the Bayer Group moved ahead in the second quarter of 2015 by 3.7% after adjusting for currency and portfolio effects (Fx & portfolio adj.) to €12,090 million (reported: + 18.2%; Q2 2014: €10,228 million). HealthCare sales improved by 8.3% (Fx & portfolio adj.) to €5,908 million (reported: + 28.0%; Q2 2014: €4,615 million). Sales at CropScience came in at the strong prior-year level, down by just 0.6% (Fx & portfolio adj.) to €2,723 million (reported: + 10.2%; Q2 2014: €2,470 million). MaterialScience sales rose by 0.6% (Fx & portfolio adj.) to €3,185 million, also matching the level of the prior-year quarter (reported: + 11.2%; Q2 2014: €2,864 million).

Bayer Group Quarterly EBIT [Graphic 2]



2014 figures restated

Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]



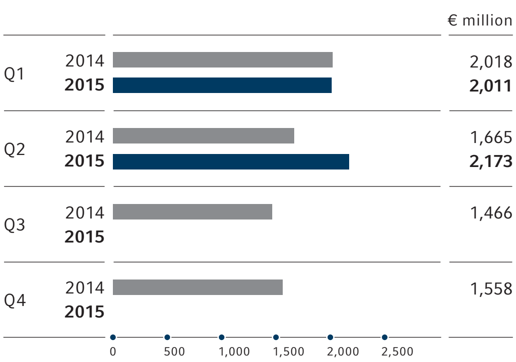
2014 figures restated

EBIT of the Bayer Group climbed by a substantial 27.7% to €1,833 million (Q2 2014: €1,435 million) after net special charges of €255 million (Q2 2014: €48 million). These mainly comprised €74 million from the revaluation of other receivables and €55 million in costs for the integration of acquired businesses. Also included under special items are expenses of €41 million for the planned stock market flotation of MaterialScience, €32 million for efficiency improvement measures and €28 million for the consolidation of production sites. EBIT before special items rose by 40.8% to €2,088 million (Q2 2014: €1,483 million).

EBITDA before special items came in 33.2% ahead of the prior-year period at €2,899 million (Q2 2014: €2,176 million). The good sales development was accompanied by higher R&D and selling expenses. Positive currency effects buoyed earnings by about €260 million. At HealthCare, EBITDA before special items rose by a considerable 27.5% to €1,675 million (Q2 2014: €1,314 million). This was chiefly attributable to the continuing very good development of business at Pharmaceuticals and Consumer Health, the contribution from the acquired consumer care businesses, and currency effects of around €110 million. EBITDA before special items of CropScience advanced by 19.2% to €733 million (Q2 2014: €615 million), driven by a positive currency effect of around €70 million. MaterialScience registered a significant 87.4% increase in EBITDA before special items to €506 million (Q2 2014: €270 million). This was the result of considerably lower raw material costs – which more than compensated the decline in selling prices – higher volumes, and positive currency effects of €80 million. Earnings of the reconciliation improved year on year largely on account of lower expenses for long-term stock-based compensation.

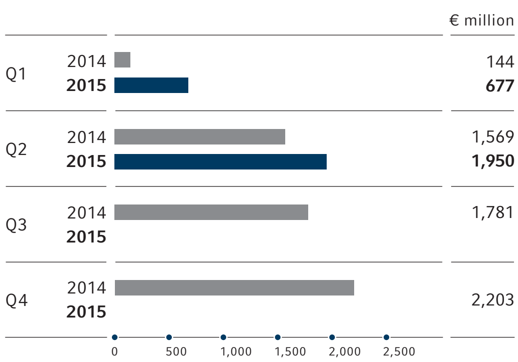
After a **financial result** of minus €287 million (Q2 2014: minus €173 million), **income before income taxes** was €1,546 million (Q2 2014: €1,262 million). After income tax expense of €405 million (Q2 2014: €343 million) and non-controlling interest, **net income** in the second quarter of 2015 came to €1,152 million (Q2 2014: €953 million). Earnings per share were €1.39 (Q2 2014: €1.15). Core earnings per share advanced by 33.8% to €1.98 (Q2 2014: €1.48), calculated as explained in Chapter 7 “Core Earnings Per Share.”

Quarterly Gross Cash Flow From Continuing Operations [Graphic 4]



2014 figures restated

Quarterly Net Cash Flow From Continuing Operations [Graphic 5]



2014 figures restated

Gross cash flow from continuing operations in the second quarter of 2015 advanced by 30.5% to €2,173 million (Q2 2014: €1,665 million) due to the improvement in EBITDA. Net cash flow (total) rose by 22.4% to €1,959 million (Q2 2014: €1,601 million) despite an increase in cash tied up in working capital. We paid income taxes of €352 million in the second quarter of 2015 (Q2 2014: €360 million).

Net financial debt declined slightly, from €21.3 billion on March 31, 2015, to €21.1 billion on June 30, 2015. Cash inflows from operating activities and positive currency effects offset the outflow for the dividend payment. The net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – decreased from €13.6 billion to €11.1 billion over the same period due to a rise in long-term capital market interest rates for high-quality corporate bonds.

FIRST HALF OF 2015

Sales of the Bayer Group rose in the first half of 2015. Our HealthCare business was the main driver of this growth, while CropScience and MaterialScience matched the prior-year level. Group EBITDA before special items improved significantly, with all subgroups, particularly HealthCare and MaterialScience, contributing to this improvement.

Sales increased by 3.2% (Fx & portfolio adj.) to €23,969 million (reported: + 16.5%; H1 2014: €20,580 million). HealthCare sales grew by 7.7% on a currency- and portfolio-adjusted basis (reported: + 27.0%). Despite the difficult market environment, sales of CropScience were flat year on year (Fx & portfolio adj.: + 0.2%; reported: + 8.3%). Sales of MaterialScience also matched the prior-year level (Fx & portfolio adj.: minus 0.7%; reported: + 9.4%).

EBIT climbed by 7.9% to €3,777 million (H1 2014: €3,500 million). There were net special charges of €499 million (H1 2014: €41 million). EBIT before special items rose by 20.8% to €4,276 million (H1 2014: €3,541 million). **EBITDA** before special items increased by 19.7% to €5,840 million (H1 2014: €4,879 million), reflecting positive currency effects of about €300 million and additional R&D expenses of roughly €320 million.

After a **financial result** of minus €561 million (H1 2014: minus €332 million), **income before income taxes** was €3,216 million (H1 2014: €3,168 million). The financial result mainly comprised net interest expense of €288 million (H1 2014: €86 million), interest cost of €148 million (H1 2014: €139 million) for pension and other provisions, and exchange losses of €122 million (H1 2014: €85 million). After tax expense of €811 million (H1 2014: €851 million), income after income taxes was €2,467 million (H1 2014: €2,380 million).

After non-controlling interest, **net income** amounted to €2,455 million (H1 2014: €2,376 million). Earnings per share rose to €2.97 (H1 2014: €2.87), and core earnings per share (calculated as explained in Chapter 7) to €4.02 (H1 2014: €3.40).

Gross cash flow from continuing operations climbed by 13.6% to €4,184 million (H1 2014: €3,683 million). Net cash flow (total) rose sharply by 52.1% to €2,683 million (H1 2014: €1,764 million) due to a reduction in cash tied up in working capital. This figure reflected income tax payments of €796 million (H1 2014: €735 million). Net financial debt rose to €21.1 billion as of June 30, 2015, compared with €19.6 billion on December 31, 2014. The net defined benefit liability for post-employment benefits declined from €12.2 billion on December 31, 2014, to €11.1 billion, mainly due to a rise in long-term capital market interest rates for high-quality corporate bonds.

2. Economic Outlook

Economic Outlook [Table 1]

	Growth[1] 2014	Growth[1] forecast 2015
World	+2.8%	+2.6%
European Union	+1.4%	+1.8%
of which Germany	+1.6%	+1.7%
United States	+2.4%	+2.2%
Emerging markets[2]	+4.4%	+3.9%

[1] real growth of gross domestic product, source: IHS Global Insight
[2] including about 50 countries defined by IHS Global Insight as emerging markets in line with the World Bank
as of July 2015

The **global economy** is likely to grow in 2015 at the same pace as in the previous year, supported by a generally expansionary monetary policy and the sharp decline in oil prices. Following a weak first quarter, the pace of growth is expected to decline slightly in the United States. We expect the economic recovery in the European Union to continue, although significant risks still exist in the eurozone. The rate of expansion in the emerging countries is likely to weaken again slightly on average.

Economic Outlook for the Subgroups [Table 2]

	Growth[1] 2014	Growth[1] forecast 2015
HealthCare		
Pharmaceuticals market	+8%	+6%
Consumer care market	+4%	+4%
Medical care market	−1%	+1%
Animal health market	+5%	+5%
CropScience		
Seed and crop protection market	+6%	≤1%
MaterialScience		
(main customer industries)		
Automotive	+3%	+3%
Construction	+4%	+4%
Electrical/electronics	+4%	+5%
Furniture	+4%	+4%

[1] Bayer's estimate; except pharmaceuticals. Source for pharmaceuticals market: IMS Health, IMS Market Prognosis. Copyright 2015. All rights reserved; currency-adjusted; 2014 data provisional
as of July 2015

The **pharmaceuticals market** is likely to grow slightly more slowly in 2015 than in the previous year, especially because of the lower growth rate predicted for this market in the United States. Following double-digit growth in the U.S. last year, which was driven by new product introductions and health system reforms, this market will probably expand at a slower rate in 2015, partly as a result of new patent expirations and launches of further generic products. We expect demand to be stable in the emerging economies.

Growth in the **consumer care market** in 2015 is likely to be level with the previous year. At **Medical Care** – our business with contrast agents and medical devices – we anticipate slight market growth. The **animal health market** is anticipated to grow at about the same rate as in 2014.

We expect the global **seed and crop protection market** to develop considerably more weakly in 2015 than in previous years. We anticipate stagnation or only very slight growth, mainly as a result of the low price level for agricultural commodities, which could have a negative effect on farmers' yield expectations and, in turn, their investment decisions.

In view of the stable global economic climate, we continue to predict positive growth momentum in the **main customer industries** of MaterialScience in 2015.

3. Sales and Earnings Forecast

The following forecast for 2015 is based on the business development described in this report, taking into account the potential risks and opportunities.

BAYER GROUP

We have adjusted the exchange rates on which our forecast is based to reflect current developments. With respect to the second half of 2015, we are now using the exchange rates prevailing on June 30, 2015. Following the signing of the divestiture agreement with Panasonic Healthcare Holdings Co., Ltd. in June 2015, the Diabetes Care business is no longer included in continuing operations and therefore is also not included in the updated forecast. The prior-year figures are restated. The Diabetes Care business was still included in the forecasts published in February and April 2015. The aforementioned effects taken together result in an adjustment of the forecast; however, our expectation regarding the company's operating performance remains largely unchanged.

We are now planning sales in the region of €47 billion (previously: in the region of €48 billion to €49 billion, of which discontinued operations: approximately €0.9 billion). This still corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. We expect currency effects to boost sales by approximately 7% (previously: approximately 9%) compared with the prior year. It remains our aim to raise EBITDA before special items by a high-teens percentage, allowing for expected positive currency effects of about 5% (previously: around 8%). We continue to target a high-teens percentage increase in core earnings per share (calculated as explained in Chapter 7), allowing for expected positive currency effects of around 5% (previously: around 7%).

	Forecast 2015 (April 2015)	Revised forecast 2015 continuing operations	Currency effects allowed for in the forecast[2]
Group sales	Low-single-digit percentage increase[1]	Low-single-digit percentage increase[1]	
	€48 billion to €49 billion	Approx. €47 billion	Plus approx. 7% (previously: plus approx. 9%)
EBITDA before special items	High-teens percentage increase	High-teens percentage increase	Plus approx. 5% (previously: plus approx. 8%)
Core earnings per share	High-teens percentage increase	High-teens percentage increase	Plus approx. 5% (previously: plus approx. 7%)

[1] currency- and portfolio-adjusted
[2] 2015 forecast based for the first half on average exchange rates and for the second half on June 30, 2015 closing rates

We now expect to take special charges in the region of €900 million, with the integration of the acquired consumer care businesses, the planned stock market listing of MaterialScience and the optimization of production structures accounting for most of this amount.

We continue to anticipate the financial result to come in at around minus €1 billion and the effective tax rate at around 25% in 2015. As before, we expect net financial debt at year end to be below €20 billion.

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

HEALTHCARE

At HealthCare we now expect sales from continuing operations to rise to approximately €23 billion (previously: over €24 billion). This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. We predict positive currency effects of approximately 6% (previously: about 9%) compared with 2014. We plan to raise EBITDA before special items by a low-twenties percentage.

We continue to expect sales in the Pharmaceuticals segment to move ahead to approximately €14 billion. This corresponds to a mid- to high-single-digit percentage increase on a currency- and portfolio-adjusted basis. We anticipate positive currency effects of approximately 6% (previously: about 9%) 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 over €9 billion (previously: over €10 billion), including those of the acquired consumer care businesses but excluding the Diabetes Care business. We plan to grow sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis. We anticipate positive currency effects of approximately 7% (previously: about 9%) compared with 2014. 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 expect to continue growing faster than the market and aim to raise sales to approximately €10.5 billion (previously: around €11 billion). This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis (previously: a low- to mid-single digit percentage increase). We anticipate positive currency effects of about 8% (previously: about 11%) compared with 2014. In view of the weakened market environment, we now plan to improve EBITDA before special items by a mid- to high-single-digit percentage (previously: a low- to mid-teens 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 continue to expect to see a significant increase in EBITDA before special items. We aim to return to earning the full cost of capital in 2015.

After adjusting for currency and portfolio effects, we expect sales in the third 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 but below the previous quarter.

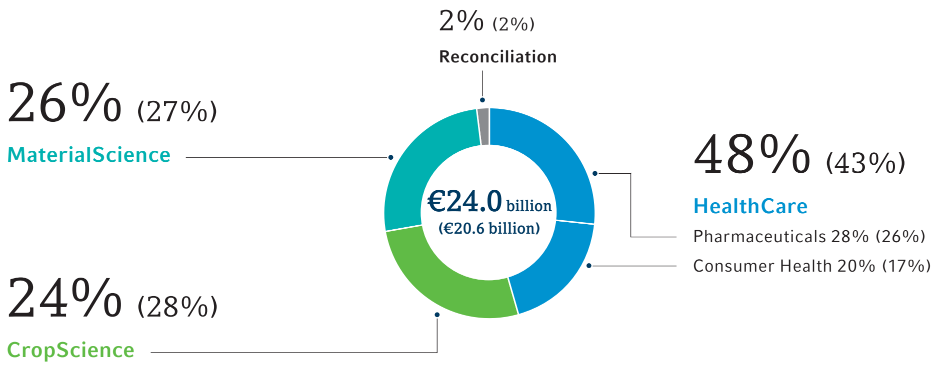
RECONCILIATION

For 2015 we continue to expect sales on a currency- and portfolio-adjusted basis to be level with the previous year. We expect EBITDA before special items to be in the region of minus €0.3 billion.

4. Corporate Structure

Bayer AG, headquartered in Leverkusen, Germany, is the strategic management holding company for the Bayer Group. Business operations are conducted by the HealthCare, CropScience and MaterialScience subgroups.

Sales in the 1st Half of 2015 [Graphic 6]



Restated 2014 figures in parentheses

Our subgroups are supported by the Business Services, Technology Services and Currenta service companies, which are reported in the reconciliation as "All Other Segments" along with "Corporate Center and Consolidation."

Key Data by Subgroup and Segment [Table 3]

	Sales		EBIT		EBITDA before special items[1]	
	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,615**	**5,908**	**927**	**1,068**	**1,314**	**1,675**
Pharmaceuticals	2,960	3,492	656	706	927	1,077
Consumer Health	1,655	2,416	271	362	387	598
CropScience	**2,470**	**2,723**	**470**	**571**	**615**	**733**
MaterialScience	**2,864**	**3,185**	**109**	**278**	**270**	**506**
Reconciliation	**279**	**274**	**(71)**	**(84)**	**(23)**	**(15)**
Group	**10,228**	**12,090**	**1,435**	**1,833**	**2,176**	**2,899**
	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015
HealthCare	**8,984**	**11,412**	**1,858**	**2,054**	**2,580**	**3,231**
Pharmaceuticals	5,742	6,692	1,297	1,397	1,800	2,065
Consumer Health	3,242	4,720	561	657	780	1,166
CropScience	**5,370**	**5,815**	**1,458**	**1,445**	**1,713**	**1,773**
MaterialScience	**5,667**	**6,199**	**328**	**497**	**636**	**930**
Reconciliation	**559**	**543**	**(144)**	**(219)**	**(50)**	**(94)**
Group	**20,580**	**23,969**	**3,500**	**3,777**	**4,879**	**5,840**

2014 figures restated
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."

CHANGES IN CORPORATE STRUCTURE

Following the signing of the divestiture agreement in June 2015, the Diabetes Care business is recognized under discontinued operations. The Medical Care Division now only comprises the business with contrast agents and medical devices. All data and prior-year figures are restated accordingly unless otherwise indicated.

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

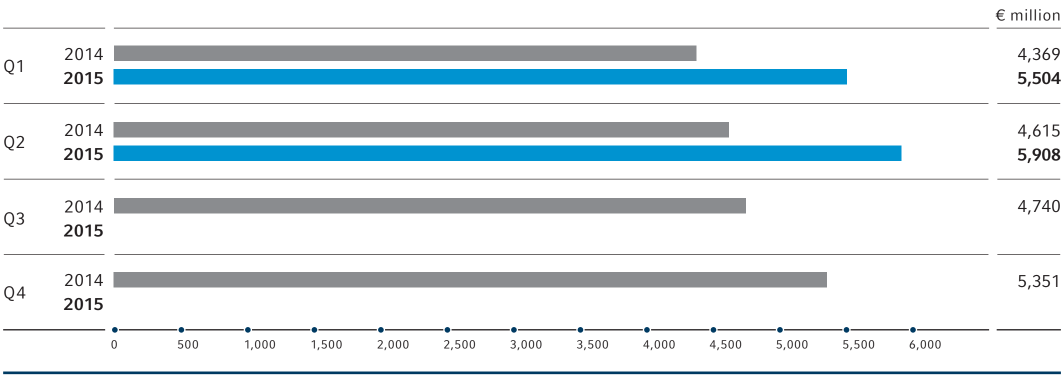
Key Data – HealthCare [Table 4]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales	**4,615**	**5,908**	**+28.0**	**+8.3**	**8,984**	**11,412**	**+27.0**	**+7.7**
Change in sales								
Volume	+5.5%	+6.8%			+7.4%	+6.7%		
Price	+1.9%	+1.5%			+1.3%	+1.0%		
Currency	−6.3%	+7.9%			−6.7%	+7.9%		
Portfolio	+0.8%	+11.8%			+0.9%	+11.4%		
Sales								
Pharmaceuticals	2,960	3,492	+18.0	+10.7	5,742	6,692	+16.5	+9.0
Consumer Health	1,655	2,416	+46.0	+4.0	3,242	4,720	+45.6	+5.5
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Sales by region								
Europe	1,689	1,857	+9.9	+9.7	3,331	3,664	+10.0	+11.0
North America	1,186	1,946	+64.1	+41.7	2,256	3,658	+62.1	+41.0
Asia/Pacific	1,070	1,382	+29.2	+14.4	2,128	2,651	+24.6	+10.7
Latin America/Africa/Middle East	670	723	+7.9	+17.0	1,269	1,439	+13.4	+15.8
EBIT	**927**	**1,068**	**+15.2**		**1,858**	**2,054**	**+10.5**	
Special items	*(25)*	*(145)*			*(9)*	*(290)*		
***EBIT before special items*[1]**	***952***	***1,213***	***+27.4***		***1,867***	***2,344***	***+25.5***	
EBITDA[1]	**1,293**	**1,533**	**+18.6**		**2,575**	**2,966**	**+15.2**	
Special items	*(21)*	*(142)*			*(5)*	*(265)*		
***EBITDA before special items*[1]**	***1,314***	***1,675***	***+27.5***		***2,580***	***3,231***	***+25.2***	
EBITDA margin before special items[1]	28.5%	28.4%			28.7%	28.3%		
Gross cash flow[2]	**920**	**1,131**	**+22.9**		**1,771**	**2,184**	**+23.3**	
Net cash flow[2]	**465**	**737**	**+58.5**		**1,105**	**1,954**	**+76.8**	

2014 figures restated
Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 6 “Calculation of EBIT(DA) Before Special Items.”
[2] For definition see Chapter 8 “Financial Position of the Bayer Group.”

Sales of the **HealthCare** subgroup increased by 8.3% (Fx & portfolio adj.) to €5,908 million (reported: +28.0%) in the **second quarter of 2015**. This increase was largely due to the gratifying sales performance of our recently launched pharmaceutical products. Business also expanded in the Consumer Health segment, with all divisions contributing to growth. The considerable reported increase was chiefly attributable to sales of products acquired from Merck & Co., Inc., United States, and to currency effects.

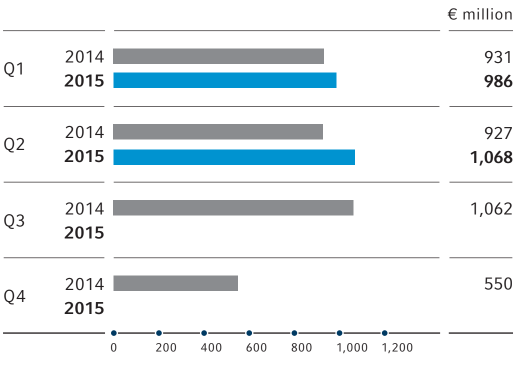
HealthCare Quarterly Sales [Graphic 7]



2014 figures restated

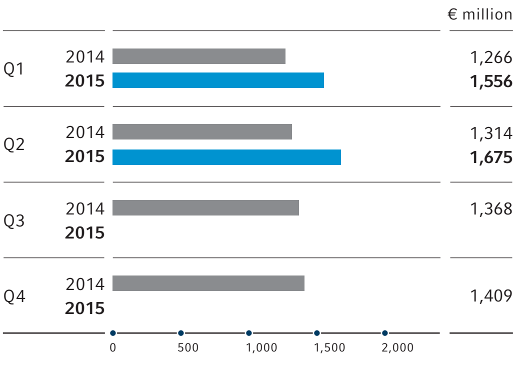
EBIT of HealthCare improved by 15.2% in the second quarter of 2015 to €1,068 million (Q2 2014: €927 million), reflecting special charges of €145 million (Q2 2014: €25 million). EBIT before special items improved considerably by 27.4% to €1,213 million (Q2 2014: €952 million). **EBITDA** before special items increased by a substantial 27.5% to €1,675 million (Q2 2014: €1,314 million). The continued very good business development at Pharmaceuticals and Consumer Health – which at Consumer Care was due mainly to the acquired businesses – resulted in positive earnings contributions, as did currency effects of approximately €110 million. Earnings were held back in particular by an increase in research and development expenses at Pharmaceuticals.

HealthCare Quarterly EBIT [Graphic 8]



2014 figures restated

HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



2014 figures restated

PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 5]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales	**2,960**	**3,492**	**+18.0**	**+10.7**	**5,742**	**6,692**	**+16.5**	**+9.0**
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Sales by region								
Europe	1,091	1,232	+12.9	+12.3	2,126	2,363	+11.1	+11.3
North America	671	864	+28.8	+8.0	1,262	1,625	+28.8	+9.1
Asia/Pacific	797	998	+25.2	+9.9	1,598	1,913	+19.7	+5.7
Latin America/Africa/Middle East	401	398	−0.7	+12.5	756	791	+4.6	+9.7
EBIT	**656**	**706**	**+7.6**		**1,297**	**1,397**	**+7.7**	
Special items	*(12)*	*(74)*			*4*	*(98)*		
EBIT before special items[1]	***668***	***780***	***+16.8***		***1,293***	***1,495***	***+15.6***	
EBITDA[1]	**919**	**1,007**	**+9.6**		**1,808**	**1,971**	**+9.0**	
Special items	*(8)*	*(70)*			*8*	*(94)*		
EBITDA before special items[1]	***927***	***1,077***	***+16.2***		***1,800***	***2,065***	***+14.7***	
EBITDA margin before special items[1]	31.3%	30.8%			31.3%	30.9%		
Gross cash flow[2]	**662**	**720**	**+8.8**		**1,236**	**1,410**	**+14.1**	
Net cash flow[2]	**292**	**433**	**+48.3**		**739**	**1,185**	**+60.4**	

Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of our **Pharmaceuticals** segment rose by a substantial 10.7% (Fx & portfolio adj.) to €3,492 million in the **second quarter of 2015**. Our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™ continued to experience dynamic growth, posting combined sales of €1,051 million (Q2 2014: €702 million). The Pharmaceuticals business grew in all regions on a currency-adjusted basis.

Best-Selling Pharmaceuticals Products [Table 6]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Xarelto™	381	549	+44.1	+42.6	723	1,031	+42.6	+40.6
Kogenate™	243	299	+23.0	+14.3	513	560	+9.2	+1.6
Eylea™	194	301	+55.2	+49.1	351	554	+57.8	+51.8
Mirena™ product family	208	270	+29.8	+11.1	386	502	+30.1	+12.5
Betaferon™/Betaseron™	216	222	+2.8	−8.8	406	430	+5.9	−5.2
Nexavar™	196	231	+17.9	+7.1	379	427	+12.7	+1.9
YAZ™/Yasmin™/Yasminelle™	191	174	−8.9	−9.8	372	355	−4.6	−6.6
Adalat™	156	168	+7.7	−3.9	296	330	+11.5	−0.7
Aspirin™ Cardio	117	127	+8.5	−2.3	232	263	+13.4	+3.0
Glucobay™	106	129	+21.7	−0.3	208	259	+24.5	+3.9
Avalox™/Avelox™	92	99	+7.6	+0.7	200	209	+4.5	−4.1
Stivarga™	61	92	+50.8	+33.0	115	163	+41.7	+24.0
Xofigo™	43	65	+51.2	+30.5	79	119	+50.6	+29.4
Levitra™	62	53	−14.5	−14.2	124	106	−14.5	−15.8
Fosrenol™	33	47	+42.4	+37.7	80	85	+6.3	+0.9
Total	**2,299**	**2,826**	**+22.9**	**+13.9**	**4,464**	**5,393**	**+20.8**	**+11.9**
Proportion of Pharmaceuticals sales	78%	81%			78%	81%		

Fx adj. = currency-adjusted

Our new oral anticoagulant Xarelto™ maintained its strong growth momentum. We registered substantial volume increases in all regions, especially in Europe and Japan. Business with Xarelto™ also developed very positively in the United States, where it is marketed by a subsidiary of Johnson & Johnson. We posted further robust gains for our eye medicine Eylea™ mainly as a result of very good business in Europe and Japan after marketing authorization was granted in further indications. Our cancer drug Stivarga™ benefited from positive development in the United States and particularly from the reversal of a rebate provision in France. A further positive contribution to sales development came from the cancer drug Xofigo™, particularly in Europe. Sales of Adempas™ to treat pulmonary hypertension amounted to €44 million (Q2 2014: €23 million) and reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co., United States.

Higher sales of our blood-clotting drug Kogenate™ were chiefly attributable to shifts in order patterns. The hormone-releasing intrauterine devices of the Mirena™ product family – Mirena™ and Jaydess™ / Skyla™ – posted encouraging development, largely as a result of higher volumes in the United States. We also registered sales gains for our cancer drug Nexavar™, particularly in the United States.

Business with our multiple sclerosis drug Betaferon™/Betaseron™ was down overall, due partly to increased competition in Europe and the United States. Receding sales of our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives resulted from lower demand in Europe and the United States.

EBIT of the **Pharmaceuticals** segment rose by 7.6% in the **second quarter of 2015** to €706 million. This figure reflected special charges of €74 million (Q2 2014: €12 million) that mainly comprised €54 million from the revaluation of other receivables and €18 million in costs for efficiency improvement measures. EBIT before special items increased by 16.8% to €780 million. **EBITDA** before special items improved by 16.2% to €1,077 million. This earnings growth was primarily attributable to the ongoing good development of business, particularly for our recently launched products, and to positive currency effects of about €70 million. Earnings were diminished as expected by increased investment in research and development.

Sales of the **Pharmaceuticals** segment rose by 9.0% (Fx & portfolio adj.) in the **first half of 2015** to €6,692 million. This increase was driven by our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™, which generated combined sales of €1,948 million (H1 2014: €1,300 million). Pharmaceutical sales moved ahead in all regions.

EBIT for the first half of 2015 advanced by 7.7% to €1,397 million after special charges of €98 million (H1 2014: special gains of €4 million) that mainly comprised €54 million from the revaluation of other receivables and €28 million in costs for efficiency improvement measures. EBIT before special items advanced by 15.6% to €1,495 million. **EBITDA** before special items improved by 14.7% to €2,065 million after positive currency effects of about €100 million.

CONSUMER HEALTH

Key Data – Consumer Health [Table 7]

	2nd Quarter 2014	2nd Quarter 2015		Change	1st Half 2014	1st Half 2015		Change
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales	**1,655**	**2,416**	**+46.0**	**+4.0**	**3,242**	**4,720**	**+45.6**	**+5.5**
Consumer Care	932	1,590	+70.6	+3.2	1,855	3,146	+69.6	+5.8
Animal Health	358	428	+19.6	+6.4	688	814	+18.3	+6.3
Medical Care	365	398	+9.0	+3.8	699	760	+8.7	+4.0
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Sales by region								
Europe	598	625	+4.5	+4.8	1,205	1,301	+8.0	+10.5
North America	515	1,082	+110.1	+85.4	994	2,033	+104.5	+81.5
Asia/Pacific	273	384	+40.7	+27.5	530	738	+39.2	+25.8
Latin America/Africa/Middle East	269	325	+20.8	+23.8	513	648	+26.3	+24.8
EBIT	**271**	**362**	**+33.6**		**561**	**657**	**+17.1**	
Special items	*(13)*	*(71)*			*(13)*	*(192)*		
EBIT before special items[1]	***284***	***433***	***+52.5***		***574***	***849***	***+47.9***	
EBITDA[1]	**374**	**526**	**+40.6**		**767**	**995**	**+29.7**	
Special items	*(13)*	*(72)*			*(13)*	*(171)*		
EBITDA before special items[1]	***387***	***598***	***+54.5***		***780***	***1,166***	***+49.5***	
EBITDA margin before special items[1]	23.4%	24.8%			24.1%	24.7%		
Gross cash flow[2]	**258**	**411**	**+59.3**		**535**	**774**	**+44.7**	
Net cash flow[2]	**173**	**304**	**+75.7**		**366**	**769**	**+110.1**	

2014 figures restated
Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **Consumer Health** segment climbed by 4.0% (Fx & portfolio adj.) to €2,416 million in the second quarter of 2015, with all divisions contributing to this growth. The significant reported increase in sales in the Consumer Care Division resulted from the products added through the recent acquisitions.

Following the signing of the divestiture agreement in June 2015, the Diabetes Care business is recognized under discontinued operations. The Medical Care Division now only comprises the business with contrast agents and medical devices. All data and prior-year figures are restated accordingly.

Best-Selling Consumer Health Products [Table 8]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Claritin™ (Consumer Care)[1]	–	167	.	.	–	369	.	.
Advantage™ product family (Animal Health)	140	169	+20.7	+3.9	270	313	+15.9	+1.4
Aspirin™ (Consumer Care)	92	101	+9.8	+0.2	194	221	+13.9	+4.8
Aleve™ (Consumer Care)	83	120	+44.6	+19.9	157	215	+36.9	+14.7
Bepanthen™/Bepanthol™ (Consumer Care)	91	88	−3.3	+6.9	177	182	+2.8	+10.4
Coppertone™ (Consumer Care)[1]	–	99	.	.	–	182	.	.
Ultravist™ (Medical Care)	76	84	+10.5	+2.9	145	157	+8.3	+1.2
Gadovist™/Gadavist™ (Medical Care)	57	71	+24.6	+12.1	110	140	+27.3	+16.6
Dr Scholl's™ (Consumer Care)[1]	–	78	.	.	–	136	.	.
Canesten™ (Consumer Care)	66	65	−1.5	+4.6	126	129	+2.4	+3.5
Total	**605**	**1,042**	**+72.2**	**+53.5**	**1,179**	**2,044**	**+73.4**	**+55.0**
Proportion of Consumer Health sales	37%	43%			36%	43%		

Fx adj.= currency-adjusted
Total sales of Aspirin™ (including Aspirin™ Complex), also including Aspirin™ Cardio, which is reflected in sales of the Pharmaceuticals segment, increased by 9.1% (Fx adj. −1.1%) in Q2 2015 to €228 million (Q2 2014: €209 million). These total sales increased in the first half of 2015 by 13.6% (Fx adj. +12.9%) to €484 million (H1 2014: €426 million).
[1] product acquired from Merck & Co., Inc.

Sales of the **Consumer Care** Division improved by 3.2% (Fx & portfolio adj.) to €1,590 million. Business with our analgesic Aspirin™ was level with the prior-year period. A decline in sales in the United States was offset by the good development in Europe and Latin America/Africa/Middle East. Business with our analgesic Aleve™ improved, due mainly to sales being brought forward in the United States. Our Bepanthen™/Bepanthol™ line of skincare products developed positively, especially in the Emerging Markets. We also registered an increase in sales of our antifungal Canesten™.

Business with the products acquired from Merck & Co., Inc., United States, totaled €528 million in the second quarter of 2015.

Sales of the **Animal Health** Division rose by 6.4% (Fx & portfolio adj.) to €428 million. Our Seresto™ flea and tick collar made a significant contribution to this development, particularly in the United States and Europe. The increase in sales of the Advantage™ family of flea, tick and worm control products was mainly attributable to gratifying development in the United States.

Sales of the **Medical Care** Division improved by 3.8% (Fx & portfolio adj.) to €398 million, mainly as a result of gratifying development in the United States. We posted significant sales gains for our MRI contrast agent Gadovist™/Gadavist™ following its registration in additional indications.

EBIT of the **Consumer Health** segment improved by a substantial 33.6% in the second quarter of 2015 to €362 million after special charges of €71 million (Q2 2014: €13 million). The special items mainly included charges of €55 million for the integration of acquired businesses and €13 million for efficiency improvement measures. EBIT before special items climbed by a robust 52.5% to €433 million. **EBITDA** before special items improved by 54.5% to €598 million (Q2 2014: €387 million). This growth in earnings was attributable to all divisions. The main contributions came from the acquired consumer care businesses and a positive currency effect of around €40 million.

Sales of our **Consumer Health** segment in the **first half of 2015** improved by 5.5% (Fx & portfolio adj.) to €4,720 million. All divisions contributed to this increase. The Consumer Care Division in particular grew sales on a currency- and portfolio-adjusted basis, especially in Latin America and Europe.

EBIT in the first half of 2015 climbed by 17.1% to €657 million, reflecting special charges of €192 million (H1 2014: €13 million) that were due mainly to integration costs. EBIT before special items improved by 47.9% to €849 million (H1 2014: €574 million). **EBITDA** before special items improved by a significant 49.5% to €1,166 million (H1 2014: €780 million) after positive currency effects of approximately €60 million.

5.2 CropScience

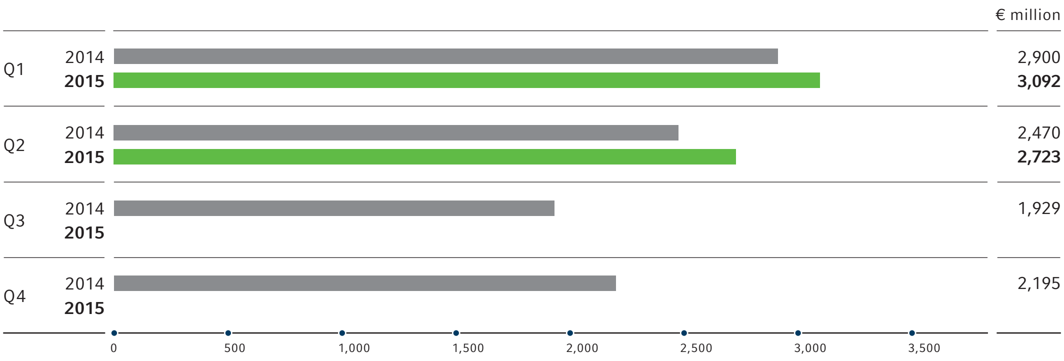
Key Data – CropScience [Table 9]

	2nd Quarter 2014	2nd Quarter 2015	Change	Change	1st Half 2014	1st Half 2015	Change	Change
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales	**2,470**	**2,723**	**+10.2**	**−0.6**	**5,370**	**5,815**	**+8.3**	**+0.2**
Change in sales								
Volume	+7.5%	−0.7%			+9.0%	−1.6%		
Price	+3.0%	+0.1%			+2.2%	+1.8%		
Currency	−7.2%	+10.0%			−7.1%	+7.4%		
Portfolio	0.0%	+0.8%			+0.1%	+0.7%		
Sales								
Crop Protection/Seeds	2,273	2,472	+8.8	−1.3	5,007	5,361	+7.1	−0.2
Environmental Science	197	251	+27.4	+6.6	363	454	+25.1	+5.5
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Sales by region								
Europe	887	894	+0.8	+0.9	2,126	2,272	+6.9	+10.3
North America	748	915	+22.3	+2.0	1,702	1,858	+9.2	−7.6
Asia/Pacific	371	443	+19.4	+4.9	700	803	+14.7	+0.6
Latin America/Africa/Middle East	464	471	+1.5	−8.8	842	882	+4.8	−6.3
EBIT	**470**	**571**	**+21.5**		**1,458**	**1,445**	**−0.9**	
Special items	*0*	*(28)*			*0*	*(75)*		
EBIT before special items [1]	***470***	***599***	***+27.4***		***1,458***	***1,520***	***+4.3***	
EBITDA [1]	**615**	**705**	**+14.6**		**1,713**	**1,703**	**−0.6**	
Special items	*0*	*(28)*			*0*	*(70)*		
EBITDA before special items [1]	***615***	***733***	***+19.2***		***1,713***	***1,773***	***+3.5***	
EBITDA margin before special items [1]	24.9%	26.9%			31.9%	30.5%		
Gross cash flow [2]	**469**	**537**	**+14.5**		**1,239**	**1,242**	**+0.2**	
Net cash flow [2]	**971**	**742**	**−23.6**		**249**	**(81)**	**.**	

Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **CropScience** subgroup in the second quarter of 2015, at €2,723 million, were level with the strong prior-year period (Fx & portfolio adj.: −0.6%; reported: +10.2%). Crop Protection/Seeds posted a slight sales decline against the background of a persisting difficult market environment, particularly in Latin America. This was partly offset by substantial increases at Environmental Science.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/Seeds** fell by 1.3% (Fx & portfolio adj.) to €2,472 million in the second quarter of 2015, mainly as a result of a sharp decline in business at Insecticides. By contrast, our Seeds business, which expanded by a double-digit figure, registered a positive trend – especially for vegetables and rice. We also significantly grew sales at Herbicides.

Sales of **Environmental Science** advanced by 6.6% (Fx & portfolio adj.) to €251 million, mainly as a result of strong growth in products for professional users.

Sales by Business Unit [Table 10]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Herbicides	683	787	+15.2	+5.6	1,648	1,693	+2.7	−2.7
Fungicides	781	827	+5.9	−2.4	1,443	1,657	+14.8	+8.9
Insecticides	390	360	−7.7	−17.7	742	695	−6.3	−15.2
SeedGrowth	156	163	+4.5	−5.1	408	384	−5.9	−12.5
Crop Protection	2,010	2,137	+6.3	−2.9	4,241	4,429	+4.4	−1.9
Seeds	263	335	+27.4	+11.0	766	932	+21.7	+9.1
Crop Protection/Seeds	**2,273**	**2,472**	**+8.8**	**−1.3**	**5,007**	**5,361**	**+7.1**	**−0.2**
Environmental Science	**197**	**251**	**+27.4**	**+6.6**	**363**	**454**	**+25.1**	**+5.5**

Fx & p adj. = currency- and portfolio-adjusted

The sales development of **CropScience** varied by region:

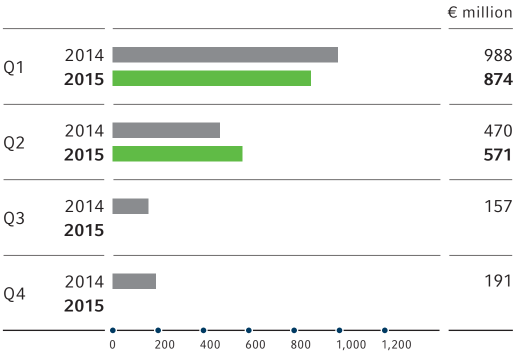
Sales in **Europe** came in at €894 million in the second quarter of 2015, up 0.9% on a currency-adjusted basis. Our seed treatments were successful, particularly those for use in cereals. The vegetable seed business also registered strong, double-digit growth. Sales at Fungicides were down against the strong prior-year quarter following an early start to the season in the first quarter and lower pest pressure due to weather conditions.

Sales in **North America** climbed by 2.0% (Fx adj.) to €915 million. This increase was mainly attributable to sales of herbicides in the United States for use particularly in corn and cotton. Sales at Fungicides fell sharply due in part to dry weather in Canada. At Environmental Science, business with products for professional users developed positively.

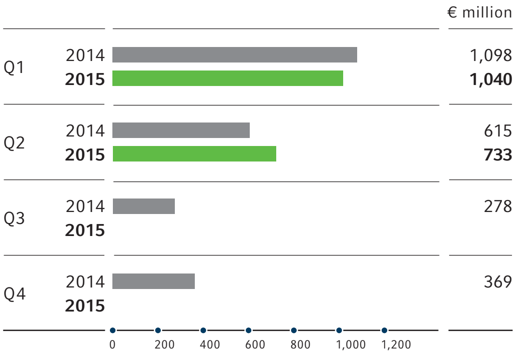
Sales in the **Asia/Pacific** region climbed by 4.9% (Fx adj.) to €443 million. The Seeds business registered a significant expansion in sales, particularly for rice, cotton and vegetables. Herbicides and Fungicides also posted successful development.

Sales in the **Latin America/Africa/Middle East** region moved back by 8.8% (Fx adj.) to €471 million. Crop Protection/Seeds registered a decline mainly in Insecticides in Brazil, where sales were weakened by lower pest pressure. Business at Herbicides and SeedGrowth also fell sharply in that region. At the same time, we posted strong sales gains at Fungicides, particularly for soybeans, and at Environmental Science.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



EBIT of **CropScience** rose by 21.5% in the second quarter of 2015 to €571 million, reflecting special charges of €28 million (Q2 2014: €0 million) related to litigations and the revaluation of other receivables. EBIT before special items climbed by 27.4% to €599 million. **EBITDA** before special items came in 19.2% above the prior-year quarter at €733 million (Q2 2014: €615 million). This increase was driven by a positive currency effect of about €70 million.

Sales of **CropScience** in the **first half of 2015** were level year on year at €5,815 million (Fx & portfolio adj. +0.2%) despite the difficult market environment. At Crop Protection/Seeds, the positive overall development at Fungicides and Seeds offset lower sales at Insecticides and SeedGrowth. Environmental Science posted gratifying growth. In regional terms, we were particularly successful in the first half of 2015 in Europe, registering double-digit growth. By contrast, sales were down in North America and in Latin America/Africa/Middle East.

EBIT of **CropScience** for the first half of 2015 came in level with the prior-year period at €1,445 million (–0.9%). Earnings were diminished by special charges of €75 million (H1 2014: €0 million) that resulted mainly from the consolidation of production sites. EBIT before special items climbed by 4.3% to €1,520 million. **EBITDA** before special items came in 3.5% above the prior-year period at €1,773 million. Negative effects of lower volumes and higher selling expenses were more than offset by an increase in selling prices and a positive currency effect of around €30 million.

5.3 MaterialScience

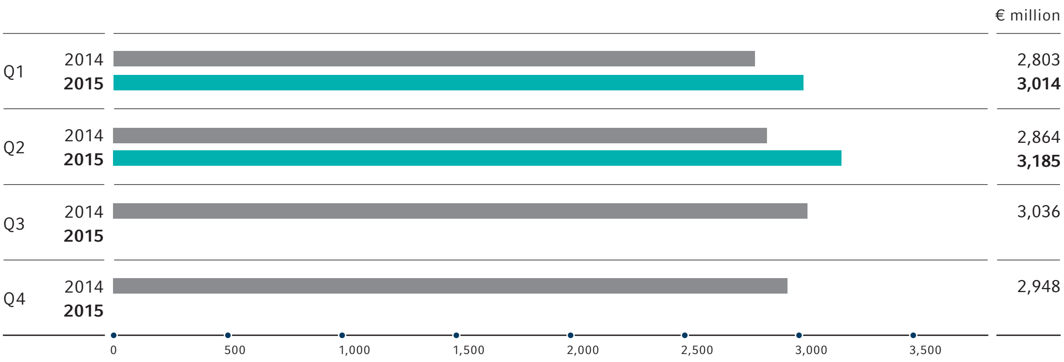
Key Data – MaterialScience [Table 11]

	2nd Quarter 2014	2nd Quarter 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx & p adj. %	€ million	€ million	%	Fx & p adj. %
Sales	**2,864**	**3,185**	**+11.2**	**+0.6**	**5,667**	**6,199**	**+9.4**	**−0.7**
Change in sales								
Volume	+5.6%	+7.0%			+6.6%	+4.7%		
Price	−2.0%	−6.4%			−2.4%	−5.4%		
Currency	−3.6%	+10.6%			−3.4%	+10.1%		
Portfolio	−0.4%	0.0%			−0.5%	0.0%		
Sales								
Polyurethanes	1,532	1,638	+6.9	−2.9	3,042	3,189	+4.8	−4.8
Polycarbonates	694	828	+19.3	+5.3	1,353	1,592	+17.7	+4.7
Coatings, Adhesives, Specialties	483	561	+16.1	+6.0	952	1,095	+15.0	+5.4
Industrial Operations	155	158	+1.9	−2.6	320	323	+0.9	−3.8
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
Sales by region								
Europe	1,142	1,158	+1.4	+1.6	2,283	2,251	−1.4	−1.2
North America	646	766	+18.6	−4.2	1,242	1,484	+19.5	−2.5
Asia/Pacific	746	904	+21.2	−0.4	1,482	1,760	+18.8	−1.0
Latin America/Africa/Middle East	330	357	+8.2	+8.8	660	704	+6.7	+4.8
EBIT	**109**	**278**	**+155.0**		**328**	**497**	**+51.5**	
Special items	*(17)*	*(59)*			*(19)*	*(101)*		
***EBIT before special items*[1]**	***126***	***337***	***+167.5***		***347***	***598***	***+72.3***	
EBITDA[1]	**256**	**448**	**+75.0**		**620**	**851**	**+37.3**	
Special items	*(14)*	*(58)*			*(16)*	*(79)*		
***EBITDA before special items*[1]**	***270***	***506***	***+87.4***		***636***	***930***	***+46.2***	
EBITDA margin before special items[1]	9.4%	15.9%			11.2%	15.0%		
Gross cash flow[2]	**214**	**359**	**+67.8**		**499**	**671**	**+34.5**	
Net cash flow[2]	**133**	**360**	**+170.7**		**89**	**523**	**.**	

Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 6 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 8 "Financial Position of the Bayer Group."

Sales of the **MaterialScience** subgroup in the **second quarter of 2015,** at €3,185 million, were level with the prior-year figures (Fx & portfolio adj.: +0.6%; reported +11.2%). Volumes expanded in all regions. Sales were diminished by negative price effects, particularly at Polyurethanes. Raw material prices were down steeply overall against the prior-year period.

MaterialScience Quarterly Sales [Graphic 13]



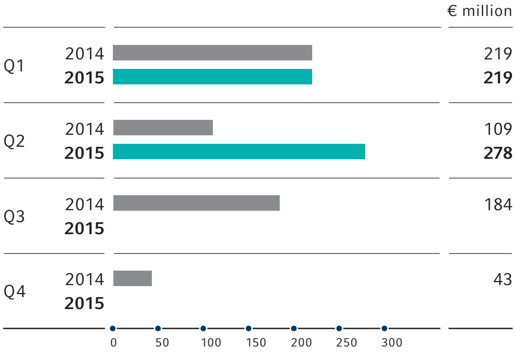
The **Polyurethanes** business unit saw sales fall by 2.9% (Fx & portfolio adj.) to €1,638 million. Higher volumes were not sufficient to offset the sharp decline in selling prices in the toluene diisocyanate (TDI) and diphenylmethane diisocyanate (MDI) product groups. For polyether (PET), on the other hand, a clear expansion of volumes coupled with only moderately lower prices led to an increase in sales. Business expanded in Latin America/Africa/Middle East, while the positive volume effects in the other regions were more than offset by lower selling prices.

The **Polycarbonates** business unit raised sales by 5.3% (Fx & portfolio adj.) to €828 million. This growth was due to much higher volumes in all regions, which resulted particularly from greater demand in the automotive industry. Selling prices were down overall compared with the prior-year period.

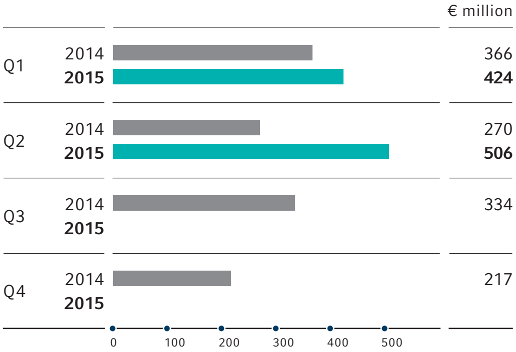
Sales in the **Coatings, Adhesives, Specialties** business unit moved forward by 6.0% (Fx & portfolio adj.) to €561 million, mainly as a result of higher volumes. Selling prices were down slightly overall compared with the prior-year period.

Sales of **Industrial Operations** receded by 2.6% (Fx & portfolio adj.) to €158 million due to slightly lower selling prices and volumes.

MaterialScience
Quarterly EBIT [Graphic 14]



MaterialScience
Quarterly EBITDA Before Special Items [Graphic 15]



EBIT of **MaterialScience** in the second quarter of 2015 was well above the prior-year level at €278 million (+155.0%). This figure reflected special charges of €59 million (Q2 2014: €17 million), chiefly for the consolidation of production sites and the planned stock market flotation of MaterialScience. EBIT before special items climbed by a substantial 167.5% to €337 million. **EBITDA** before special items improved significantly by 87.4% to €506 million (Q2 2014: €270 million). Considerably lower raw material prices more than offset the decline in selling prices. Earnings were additionally buoyed by higher volumes and positive currency effects of around €80 million.

Sales of **MaterialScience** in the **first half of 2015** were level year on year at €6,199 million (Fx & portfolio adj. −0.7%). Lower selling prices at Polyurethanes and Polycarbonates were offset by higher volumes at Polycarbonates, Coatings, Adhesives, Specialties and Polyurethanes. We registered higher volumes and lower selling prices in all regions.

EBIT advanced by a significant 51.5% to €497 million. **EBITDA** before special items climbed by 46.2% to €930 million after about €130 million in positive currency effects.

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5. Business Development by Subgroup, Segment and Region

5.4 Business Development by Region

Sales by Region and Segment (by Market) [Table 12]

	Europe				North America				Asia/Pacific				Latin America/Africa/Middle East				Total			
	2nd Quarter 2014	2nd Quarter 2015	Change		2nd Quarter 2014	2nd Quarter 2015	Change		2nd Quarter 2014	2nd Quarter 2015	Change		2nd Quarter 2014	2nd Quarter 2015	Change		2nd Quarter 2014	2nd Quarter 2015	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
HealthCare	**1,689**	**1,857**	**+9.9**	**+9.7**	**1,186**	**1,946**	**+64.1**	**+41.7**	**1,070**	**1,382**	**+29.2**	**+14.4**	**670**	**723**	**+7.9**	**+17.0**	**4,615**	**5,908**	**+28.0**	**+20.1**
Pharmaceuticals	1,091	1,232	+12.9	+12.3	671	864	+28.8	+8.0	797	998	+25.2	+9.9	401	398	−0.7	+12.5	2,960	3,492	+18.0	+10.7
Consumer Health	598	625	+4.5	+4.8	515	1,082	+110.1	+85.4	273	384	+40.7	+27.5	269	325	+20.8	+23.8	1,655	2,416	+46.0	+36.8
CropScience	**887**	**894**	**+0.8**	**+0.9**	**748**	**915**	**+22.3**	**+2.0**	**371**	**443**	**+19.4**	**+4.9**	**464**	**471**	**+1.5**	**−8.8**	**2,470**	**2,723**	**+10.2**	**+0.2**
MaterialScience	**1,142**	**1,158**	**+1.4**	**+1.6**	**646**	**766**	**+18.6**	**−4.2**	**746**	**904**	**+21.2**	**−0.4**	**330**	**357**	**+8.2**	**+8.8**	**2,864**	**3,185**	**+11.2**	**+0.6**
Group (incl. reconciliation)	**3,980**	**4,167**	**+4.7**	**+4.7**	**2,582**	**3,630**	**+40.6**	**+18.6**	**2,192**	**2,732**	**+24.6**	**+7.6**	**1,474**	**1,561**	**+5.9**	**+7.1**	**10,228**	**12,090**	**+18.2**	**+9.2**

	1st Half 2014	1st Half 2015	Change		1st Half 2014	1st Half 2015	Change		1st Half 2014	1st Half 2015	Change		1st Half 2014	1st Half 2015	Change		1st Half 2014	1st Half 2015	Change	
	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %	€ million	€ million	%	Fx adj. %
HealthCare	**3,331**	**3,664**	**+10.0**	**+11.0**	**2,256**	**3,658**	**+62.1**	**+41.0**	**2,128**	**2,651**	**+24.6**	**+10.7**	**1,269**	**1,439**	**+13.4**	**+15.8**	**8,984**	**11,412**	**+27.0**	**+19.1**
Pharmaceuticals	2,126	2,363	+11.1	+11.3	1,262	1,625	+28.8	+9.1	1,598	1,913	+19.7	+5.7	756	791	+4.6	+9.7	5,742	6,692	+16.5	+9.0
Consumer Health	1,205	1,301	+8.0	+10.5	994	2,033	+104.5	+81.5	530	738	+39.2	+25.8	513	648	+26.3	+24.8	3,242	4,720	+45.6	+37.0
CropScience	**2,126**	**2,272**	**+6.9**	**+10.3**	**1,702**	**1,858**	**+9.2**	**−7.6**	**700**	**803**	**+14.7**	**+0.6**	**842**	**882**	**+4.8**	**−6.3**	**5,370**	**5,815**	**+8.3**	**+0.9**
MaterialScience	**2,283**	**2,251**	**−1.4**	**−1.2**	**1,242**	**1,484**	**+19.5**	**−2.5**	**1,482**	**1,760**	**+18.8**	**−1.0**	**660**	**704**	**+6.7**	**+4.8**	**5,667**	**6,199**	**+9.4**	**−0.7**
Group (incl. reconciliation)	**8,265**	**8,693**	**+5.2**	**+6.5**	**5,204**	**7,005**	**+34.6**	**+14.7**	**4,320**	**5,221**	**+20.9**	**+4.9**	**2,791**	**3,050**	**+9.3**	**+6.7**	**20,580**	**23,969**	**+16.5**	**+8.3**

2014 figures restated
Fx adj. = currency-adjusted

6. Calculation of EBIT(DA) Before Special Items

Key performance indicators for the Bayer Group are EBIT before special items and EBITDA before special items. These indicators are reported in order to allow a more accurate assessment of business operations. The special items – comprising effects that are non-recurring or do not regularly recur or attain similar magnitudes – are detailed in the following table. EBITDA, EBITDA before special items and EBIT before special items are not defined in the International Financial Reporting Standards (IFRS) and should therefore be regarded only as supplementary information. EBITDA before special items is a meaningful indicator of operating performance since it is not affected by depreciation, amortization, impairment losses, impairment loss reversals or special items. By reporting this indicator, the company aims to give readers a clear picture of the results of operations and to ensure comparability of data over time. The EBITDA margin before special items, which is the ratio of EBITDA before special items to sales, serves as a relative indicator for the internal and external comparison of operational earning power.

Depreciation, amortization and impairments rose by 20.1% in the first half of 2015 to €1,616 million (H1 2014: €1,345 million), comprising €870 million (H1 2014: €711) in amortization and impairments of intangible assets and €746 million (H1 2014: €634 million) in depreciation and impairments of property, plant and equipment. Impairments totaled €67 million (H1 2014: €49 million), of which €52 million (H1 2014: €7 million) was included in special items.

Special Items Reconciliation [Table 13]

	EBIT[1] 2nd Quarter 2014	EBIT[1] 2nd Quarter 2015	EBIT[1] 1st Half 2014	EBIT[1] 1st Half 2015	EBITDA[2] 2nd Quarter 2014	EBITDA[2] 2nd Quarter 2015	EBITDA[2] 1st Half 2014	EBITDA[2] 1st Half 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Before special items	**1,483**	**2,088**	**3,541**	**4,276**	**2,176**	**2,899**	**4,879**	**5,840**
HealthCare	**(25)**	**(145)**	**(9)**	**(290)**	**(21)**	**(142)**	**(5)**	**(265)**
Restructuring	–	(32)	–	(73)	–	(29)	–	(48)
Litigations	–	(1)	–	(14)	–	(1)	–	(14)
Integration costs	(25)	(55)	(44)	(146)	(21)	(55)	(40)	(146)
Settlement of pre-existing relationship	–	–	35	–	–	–	35	–
Divestitures	–	3	–	3	–	3	–	3
Revaluation of other receivables	–	(60)	–	(60)	–	(60)	–	(60)
CropScience	**–**	**(28)**	**–**	**(75)**	**–**	**(28)**	**–**	**(70)**
Litigations	–	(17)	–	(18)	–	(17)	–	(18)
Divestitures	–	–	–	(46)	–	–	–	(41)
Revaluation of other receivables	–	(11)	–	(11)	–	(11)	–	(11)
MaterialScience	**(17)**	**(59)**	**(19)**	**(101)**	**(14)**	**(58)**	**(16)**	**(79)**
Restructuring	(17)	(57)	(19)	(99)	(14)	(56)	(16)	(77)
Revaluation of other receivables	–	(2)	–	(2)	–	(2)	–	(2)
Reconciliation	**(6)**	**(23)**	**(13)**	**(33)**	**(6)**	**(23)**	**(13)**	**(33)**
Restructuring	(6)	(22)	(13)	(32)	(6)	(22)	(13)	(32)
Revaluation of other receivables	–	(1)	–	(1)	–	(1)	–	(1)
Total special items	**(48)**	**(255)**	**(41)**	**(499)**	**(41)**	**(251)**	**(34)**	**(447)**
of which cost of goods sold	(10)	(51)	(10)	(237)	(10)	(48)	(10)	(191)
of which selling expenses	(7)	(45)	(11)	(71)	(7)	(46)	(11)	(67)
of which research and development expenses	(2)	(9)	(2)	(11)	(2)	(7)	(2)	(9)
of which general administration expenses	(17)	(43)	(27)	(63)	(13)	(43)	(23)	(63)
of which other operating income/expenses	(12)	(107)	9	(117)	(9)	(107)	12	(117)
After special items	**1,435**	**1,833**	**3,500**	**3,777**	**2,135**	**2,648**	**4,845**	**5,393**

2014 figures restated
[1] EBIT = earnings before financial result and taxes
[2] EBITDA = EBIT plus amortization and impairment losses on intangible assets, plus depreciation and impairment losses on property, plant and equipment, minus impairment loss reversals

7. Core Earnings Per Share

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To enhance comparability, we also determine core net income from continuing operations after eliminating amortization and impairment losses/impairment loss reversals on intangible assets, impairment losses/impairment loss reversals on property, plant and equipment, and special items, along with the related tax effects.

From this core net income we calculate core earnings per share in the same way as earnings per share. Core earnings per share form the basis for our dividend policy. Core earnings per share in the second quarter of 2015 increased by 33.8% to €1.98 (Q2 2014: €1.48).

Core Earnings per Share [Table 14]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
EBIT (as per income statements)	**1,435**	**1,833**	**3,500**	**3,777**
Amortization and impairment losses/loss reversals on intangible assets	365	446	711	870
Impairment losses/loss reversals on property, plant and equipment	35	19	35	55
Special items (other than amortization and impairment losses/loss reversals)	41	251	34	447
Core EBIT	**1,876**	**2,549**	**4,280**	**5,149**
Financial result (as per income statements)	(173)	(287)	(332)	(561)
Special items in the financial result	(5)	(6)	(49)	(9)
Income taxes (as per income statements)	(343)	(405)	(851)	(811)
Tax effects related to amortization, impairment losses/loss reversals and special items	(129)	(210)	(235)	(431)
Income after income taxes attributable to non-controlling interest (as per income statements)	(2)	(6)	(4)	(12)
Core net income from continuing operations	**1,224**	**1,635**	**2,809**	**3,325**
	Shares	Shares	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
Core earnings per share from continuing operations (€)	**1.48**	**1.98**	**3.40**	**4.02**
Core earnings per share from discontinued operations (€)	0.05	0.02	0.08	0.08
Core earnings per share from continuing and discontinued operations (€)	1.53	2.00	3.48	4.10

2014 figures restated

Core net income from continuing operations, core earnings per share from continuing operations and core EBIT are not defined in IFRS.

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Gross cash flow[1]	**1,665**	**2,173**	**3,683**	**4,184**
Changes in working capital / other non-cash items	(96)	(223)	(1,970)	(1,557)
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,569**	**1,950**	**1,713**	**2,627**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	32	9	51	56
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,601**	**1,959**	**1,764**	**2,683**
Net cash provided by (used in) investing activities (total)	**(517)**	**(527)**	**(2,697)**	**(1,123)**
Net cash provided by (used in) financing activities (total)	**(2,507)**	**334**	**512**	**(76)**
Change in cash and cash equivalents due to business activities	**(1,423)**	**1,766**	**(421)**	**1,484**
Cash and cash equivalents at beginning of period	**2,631**	**1,607**	**1,662**	**1,853**
Change due to exchange rate movements and to changes in scope of consolidation	20	(126)	(13)	(90)
Cash and cash equivalents at end of period	**1,228**	**3,247**	**1,228**	**3,247**

[1] Gross cash flow = income after income taxes, plus income taxes, plus financial result, minus income taxes paid or accrued, plus depreciation, amortization and impairment losses, minus impairment loss reversals, plus / minus changes in pension provisions, minus gains / plus losses on retirements of noncurrent assets, minus gains from the remeasurement of already held assets in step acquisitions. The change in pension provisions includes the elimination of non-cash components of EBIT. It also contains benefit payments during the year.

OPERATING CASH FLOW

Gross cash flow from continuing operations in the second quarter of 2015 climbed by 30.5% against the prior-year period to €2,173 million due to the improvement in EBITDA. Net cash flow (total) rose by 22.4% to €1,959 million despite an increase in cash tied up in working capital. Net cash flow (total) reflected income tax payments of €352 million (Q2 2014: €360 million).

Gross cash flow from continuing operations in the first half of 2015 advanced by 13.6% against the prior-year period to €4,184 million. Net cash flow (total) increased by a considerable 52.1% to €2,683 million due to a reduction in cash tied up in working capital, reflecting income tax payments of €796 million (H1 2014: €735 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the second quarter of 2015 amounted to €527 million. Disbursements for property, plant and equipment and intangible assets were 13.6% higher at €601 million (Q2 2014: €529 million). Of this amount, HealthCare accounted for €263 million (Q2 2014: €225 million), CropScience for €149 million (Q2 2014: €125 million) and MaterialScience for €135 million (Q2 2014: €139 million).

Net cash outflow for investing activities in the first half of 2015 totaled €1,123 million. Disbursements for property, plant and equipment and intangible assets rose by 6.8% to €946 million (H1 2014: €886 million). Of this amount, HealthCare accounted for €373 million (H1 2014: €326 million), CropScience for €245 million (H1 2014: €240 million) and MaterialScience for €224 million (H1 2014: €237 million). Cash outflows for noncurrent and current financial assets amounted to €332 million (H1 2014: €60 million).

FINANCING CASH FLOW

In the second quarter of 2015, there was a net cash inflow of €334 million for financing activities, including net borrowings of €2,349 million (Q2 2014: net loan repayments of €705 million). Net interest payments were 136.9% higher at €154 million (Q2 2014: €65 million). The cash outflow for dividends amounted to €1,861 million (Q2 2014: €1,737 million).

In the first half of 2015, there was a net cash outflow of €76 million for financing activities, including net borrowings of €2,026 million (H1 2014: €2,373 million). Net interest payments increased by 91.9% to €236 million (H1 2014: €123 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 16]

	Dec. 31, 2014	March 31, 2015	June 30, 2015
	€ million	€ million	€ million
Bonds and notes/promissory notes	14,964	15,842	16,831
of which hybrid bonds[1]	4,552	4,544	5,824
Liabilities to banks	3,835	3,916	3,543
Liabilities under finance leases	441	476	458
Liabilities from derivatives	642	1,254	738
Other financial liabilities	1,976	1,943	3,278
Positive fair values of hedges of recorded transactions	(258)	(400)	(334)
Financial liabilities	**21,600**	**23,031**	**24,514**
Cash and cash equivalents	(1,853)	(1,607)	(3,247)
Current financial assets	(135)	(132)	(133)
Net financial debt	**19,612**	**21,292**	**21,134**

[1] classified as debt according to IFRS

Net financial debt of the Bayer Group declined by just 0.7% from €21.3 billion on March 31, 2015, to €21.1 billion on June 30, 2015. Cash inflows from operating activities and positive currency effects offset the outflow for the dividend payment.

Financial debt included four subordinated hybrid bonds, which were reflected at a total amount of €5.8 billion. Net financial debt should be viewed against the fact that Moody's and Standard & Poor's treat 75% and 50%, respectively, of the hybrid bond with a nominal volume of €1.3 billion issued in July 2005 as equity. Moody's and Standard & Poor's treat 50% of the hybrid bonds with nominal volumes of €1.75 billion and €1.5 billion issued in July 2014 and of the hybrid bond with a nominal volume of €1.3 billion issued in April 2015 as equity. The hybrid bonds thus have a more limited effect on the Group's rating-specific debt indicators than conventional borrowings. The other financial liabilities as of June 30, 2015, included commercial paper totaling €2.6 billion. Our noncurrent financial liabilities rose in the second quarter of 2015 from €16.9 billion to €17.2 billion. At the same time, current financial liabilities increased from €6.5 billion to €7.7 billion owing to an increase in commercial paper.

Standard & Poor's gives Bayer a long-term issuer rating of A– with stable outlook, while Moody's gives us a long-term rating of A3 with stable outlook. The short-term ratings are A2 (Standard & Poor's) and P2 (Moody's). These investment-grade ratings document good creditworthiness.

ASSET AND CAPITAL STRUCTURE

Bayer Group Summary Statements of Financial Position [Table 17]

	Dec. 31, 2014	March 31, 2015	June 30, 2015
	€ million	€ million	€ million
Noncurrent assets	48,007	51,689	49,462
Current assets	22,227	24,951	25,975
Assets held for sale and discontinued operations	–	–	183
Total current assets	**22,227**	**24,951**	**26,158**
Total assets	**70,234**	**76,640**	**75,620**
Equity	**20,218**	**21,863**	**22,423**
Noncurrent liabilities	34,513	34,514	32,433
Current liabilities	15,503	20,263	20,650
Liabilities directly related to assets held for sale and discontinued operations	–	–	114
Total current liabilities	15,503	20,263	20,764
Liabilities	**50,016**	**54,777**	**53,197**
Total equity and liabilities	**70,234**	**76,640**	**75,620**

Total assets fell by €1.0 billion against March 31, 2015, to €75.6 billion. Noncurrent assets decreased by €2.2 billion to €49.5 billion, largely due to currency effects and lower deferred tax assets. Total current assets rose by €1.0 billion to €26.2 billion, mainly due to an increase in the cash position.

Equity increased by €0.5 billion to €22.4 billion, lifted by income after income taxes of €1.1 billion, the €1.7 billion decrease – recognized outside profit or loss – in post-employment benefit obligations and changes of €0.1 billion in the cash flow hedges. The €1.9 billion dividend payment and €0.5 billion in negative exchange differences had an offsetting effect. The equity ratio (equity coverage of total assets) as of June 30, 2015, was 29.7% (March 31, 2015: 28.5%).

Liabilities fell by €1.6 billion in the second quarter of 2015 to €53.2 billion. Provisions for pensions and other post-employment benefits declined by €2.4 billion, while other provisions moved back by €0.4 billion. The €1.4 billion increase in financial liabilities resulted partly from the hybrid bond issuance and the commercial paper.

Net Defined Benefit Liability for Post-Employment Benefits [Table 18]

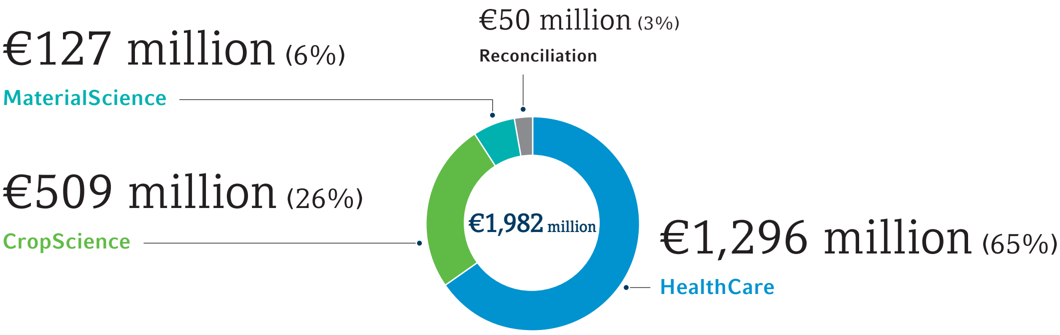
	Dec. 31, 2014	March 31, 2015	June 30, 2015
	€ million	€ million	€ million
Provisions for pensions and other post-employment benefits	12,236	13,594	11,176
Net defined benefit asset	(41)	(41)	(43)
Net defined benefit liability for post-employment benefits	**12,195**	**13,553**	**11,133**

The net defined benefit liability for post-employment benefits declined by €2.5 billion in the second quarter of 2015 to €11.1 billion, mainly due to an increase in long-term capital market interest rates for high-quality corporate bonds.

9. Growth and Innovation

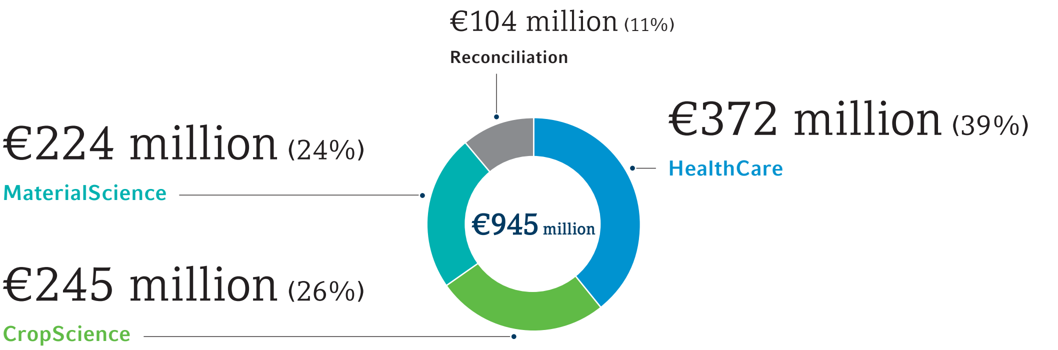
Our expenses for research and development rose by 13.6% (Fx adj.) in the first half of 2015 to €1,982 million (H1 2014: €1,653 million), including €1,036 million (Fx adj. + 16.2%) in the second quarter (Q2 2014: €841 million). Capital expenditures for property, plant and equipment and intangible assets in the first half of 2015 amounted to €945 million (H1 2014: €883 million), including €600 million in the second quarter (Q2 2014: €526 million).

Research and Development Expenses in the First Half of 2015 [Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the First Half of 2015 [Graphic 17]

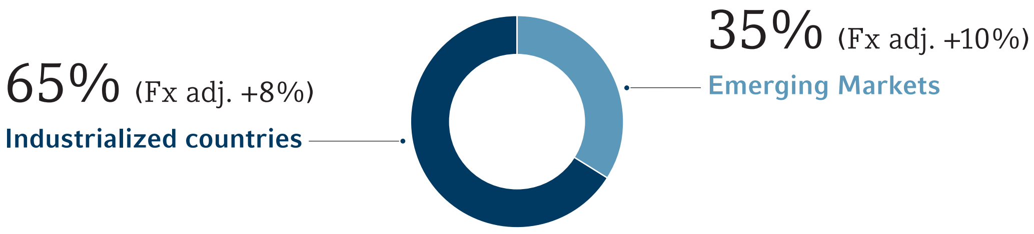


Subgroup shares in parentheses

The Emerging Markets once again accounted for a disproportionate share of currency-adjusted sales growth in the first half of 2015. For reporting purposes we have defined the Emerging Markets as Asia (excluding Japan), Latin America, Eastern Europe, Africa and the Middle East.

Sales in the Emerging Markets advanced by 9.6% (Fx adj.) to €8,388 million in the first half of 2015 (H1 2014: €7,198 million), including €4,264 million in the second quarter (Fx adj. +8.0%; Q2 2014: €3,695 million). All regions contributed to this development. The Emerging Markets' share of total sales was unchanged compared with the prior-year period, at 35.0%. The respective figure for the second quarter of 2015 was 35.3% (Q2 2014: 36.1%).

Sales Development in the First Half of 2015 [Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

Expenses for research and development at HealthCare rose by 18.4% (Fx adj.) in the first half of 2015 to €1,296 million (H1 2014: €1,052 million), including €678 million (Fx adj. + 22.3%) in the second quarter (Q2 2014: €530 million). We made further progress with our research and development pipeline in the second quarter of 2015.

The most important drug candidates in the approval process are:

Products Submitted for Approval[1] [Table 19]

	Indication
Aflibercept	E.U.; treatment of myopic choroidal neovascularization (mCNV)
Bay 81-8973 (rFVIII)	E.U., U.S.A., Japan; treatment of hemophilia A
Rivaroxaban[2]	U.S.A.; secondary prophylaxis of acute coronary syndrome (ACS)
Rivaroxaban	Japan; treatment of deep vein thrombosis and pulmonary embolism, prevention of recurrent venous thromboembolism

[1] as of July 16, 2015
[2] submitted by Janssen Research & Development, LLC

The following table shows our most important drug candidates currently in Phase II or III of clinical testing:

Research and Development Projects (Phases II and III)[1] [Table 20]

	Indication	Status
Amikacin Inhale	Pulmonary infection	Phase III
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Hemophilia A	Phase III
Ciprofloxacin DPI	Pulmonary infection	Phase III
Copanlisib (PI3K inhibitor)	Various forms of non-Hodgkin's lymphoma (NHL)	Phase III
LCS-16 (ULD LNG Contraceptive System)	Intrauterine contraception, duration of use: up to 5 years	Phase III
ODM-201 (AR antagonist)	Prostate cancer	Phase III
Radium-223 dichloride	Combination treatment of castration-resistant prostate cancer	Phase III
Regorafenib	Refractory liver cancer	Phase III
Riociguat	Pulmonary arterial hypertension (PAH) in patients who do not sufficiently respond to PDE-5i/ERA	Phase III
Rivaroxaban	Prevention of major adverse cardiac events (MACE)	Phase III
Rivaroxaban	Anti-coagulation in patients with chronic heart failure[2]	Phase III
Rivaroxaban	Long-term prevention of venous thromboembolism	Phase III
Rivaroxaban	Prevention of venous thromboembolism in high-risk patients after discharge from hospital[2]	Phase III
Rivaroxaban	Embolic stroke of undetermined source (ESUS)	Phase III
Rivaroxaban	Peripheral artery disease (PAD)	Phase III
Tedizolid	Pulmonary infection[3]	Phase III
Anetumab ravtansine (Mesothelin ADC)	Cancer	Phase II
BAY 1067197 (partial adenosine A1 agonist)	Heart failure	Phase II
BAY 1007626 (progestine IUS)	Contraception	Phase II
BAY 1142524 (chymase inhibitor)	Heart failure	Phase II
BAY 98-7196 (intravaginal ring)	Endometriosis	Phase II
Copanlisib (PI3K inhibitor)	Recurrent/resistant non-Hodgkin's lymphoma (NHL)	Phase II
Finerenone (MR antagonist)	Chronic heart failure	Phase II
Finerenone (MR antagonist)	Diabetic nephropathy	Phase II
Molidustat (HIF-PH inhibitor)	Anemia	Phase II
Radium-223 dichloride	Bone metastases in cancer	Phase II
Refametinib (MEK inhibitor)	Cancer	Phase II
Regorafenib	Cancer	Phase II
Riociguat	Pulmonary hypertension (IIP)	Phase II
Riociguat	Raynaud's phenomenon	Phase II
Riociguat	Diffuse systemic sclerosis	Phase II
Riociguat	Cystic fibrosis	Phase II
Rivaroxaban	Secondary prevention of acute coronary syndrome (ACS)[2]	Phase II
Roniciclib (CDK inhibitor)	Small-cell lung cancer (SCLC)	Phase II
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure	Phase II
Vilaprisan (S-PRM)	Uterine fibroids	Phase II
Vilaprisan (S-PRM)	Endometriosis	Phase II

[1] as of July 16, 2015
[2] sponsored by Janssen Research & Development, LLC
[3] Phase III for the treatment of complicated skin infections is completed; first submissions have been made
The nature of drug discovery and development is such that not all compounds can be expected to meet the pre-defined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and/or commercial reasons and will not result in commercialized products. It is also possible that the requisite Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds.

We have expanded our global clinical development program for the cancer drug **copanlisib** to include new studies. A Phase III and a Phase II trial began enrolling patients in May 2015, while a further Phase III study started in June 2015. The new studies are designed to investigate the safety and efficacy of copanlisib in patients with recurring indolent non-Hodgkin's lymphoma (NHL) and diffuse large B-cell lymphomas (DLBCL), an aggressive subtype of NHL. Copanlisib is a novel, intravenous phosphatidylinositol 3-kinase (PI3K) inhibitor.

In April 2015, we submitted an application to the Japanese Ministry of Health, Labour and Welfare (MHLW) for marketing authorization for radium-223 dichloride as an injection solution for the treatment of prostate carcinoma with bone metastases. Radium-223 dichloride is approved in more than 40 countries worldwide under the brand name Xofigo™.

In May 2015, the oral anticoagulant Xarelto™ (active ingredient: rivaroxaban) was approved by the China Food and Drug Administration (CFDA) for the prevention of stroke and systemic embolism in patients with atrial fibrillation and for the treatment of deep vein thrombosis (DVT). The approval also includes the use of Xarelto™ to reduce the risk of recurrent DVT and pulmonary embolism following acute DVT.

In June 2015, the Japanese MHLW approved Eylea™ (active ingredient: aflibercept for injection into the eye) to treat of patients with macular edema secondary to retinal vein occlusion (RVO). This new approval includes branch retinal vein occlusion (BRVO) in addition to the previously-approved indication of macular edema secondary to central retinal vein occlusion (CRVO).

In June 2015, we submitted an application to the Japanese MHLW for marketing authorization for the recombinant Factor VIII compound **BAY 81-8973** for the treatment of hemophilia A.

A Phase IIa clinical study with regorafenib eye drops did not show the desired results and the project is therefore being discontinued. The study investigated the use of regorafenib for the treatment of wet age-related macular degeneration (AMD).

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In April 2015, we entered into an exclusive license agreement with Isis Pharmaceuticals, Inc., United States, pertaining to ISIS-FXIRx, an antisense drug in clinical development for the prevention of thrombosis. Under the agreement, Bayer will further develop and commercialize ISIS-FXIRx in areas of high unmet medical need. Antisense drugs bind to the target mRNA molecules in the cell and inhibit the production of disease-causing proteins. The novel mechanism of inhibiting Factor XI synthesis through ISIS-FXIRx may offer a treatment option for patients for whom none is currently available.

In June 2015, we entered into a strategic research alliance with Johns Hopkins University, United States, concerning the discovery and development of innovative drugs for the treatment of serious diseases of the posterior part of the eye that affect many people worldwide. The five-year collaboration will aim to develop new ophthalmic therapies for various retinal diseases.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets by 16.2% (Fx adj.) in the first half of 2015 to €3,603 million (H1 2014: €2,989 million), including €1,824 million (Fx adj. + 15.0%) in the second quarter of 2015 (Q2 2014: €1,544 million). The largest increase in absolute terms in the second quarter was recorded in China, where, in addition to the positive development of our pharmaceutical products, we especially benefited from the acquired consumer care businesses. We posted double-digit sales growth in Latin America and Eastern Europe. The Emerging Markets' share of total HealthCare sales was 31.6% in the first half of 2015 (H1 2014: 33.3%) and 30.9% in the second quarter (Q2 2014: 33.5%).

9.2 CropScience

RESEARCH AND DEVELOPMENT

Research and development expenses at CropScience rose by 4.2% (Fx adj.) in the first half of 2015 to €509 million (H1 2014: €452 million), including €269 million (Fx adj. + 4.2%) in the second quarter of 2015 (Q2 2014: €238 million).

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In May 2015, CropScience entered into a strategic innovation partnership with Flagship Ventures that also includes an investment in Flagship Ventures Fund V. CropScience will contribute its strengths in science, innovation and regulatory affairs to help in the identification, funding and development of promising startup companies.

In June 2015, CropScience announced the acquisition of SeedWorks India Pvt. Ltd., headquartered in Hyderabad, India, a company specialized in the breeding, production and marketing of hybrid seeds for tomatoes, hot peppers, okra and gourds. Existing and forthcoming varieties will be marketed under CropScience's Nunhems™ brand.

Also in June 2015, CropScience and the Grains Research & Development Corporation (GRDC) based in Australia entered into a five-year innovation partnership aimed partly at the joint development of new technologies to manage resistant weeds. GRDC will support the expansion of capacities at the Bayer CropScience herbicide research center in Frankfurt, Germany.

EMERGING MARKETS

CropScience raised sales in the Emerging Markets by 7.7% (Fx adj.) in the first half of 2015 to €2,097 million (H1 2014: €1,871 million), including €1,059 million in the second quarter (Fx adj. + 0.8%; Q2 2014: €973 million). Strong gains were recorded in Africa/Middle East and Eastern Europe. Asia likewise developed favorably. Sales in Latin America declined substantially against the strong prior-year quarter. The Emerging Markets' share of total CropScience sales was 36.1% in the first half of 2015 (H1 2014: 34.8%) and 38.9% in the second quarter of 2015 (Q2 2014: 39.4%).

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

Research and development expenses at MaterialScience rose by 2.7% (Fx adj.) in the first half of 2015 to €127 million (H1 2014: €111 million), including €68 million (Fx adj. + 19.6%) in the second quarter of 2015 (Q2 2014: €51 million). This investment went mainly to explore new areas of application and improve process technologies and products. MaterialScience also invested an additional €82 million in the first half of 2015 (H1 2014: €37 million) in joint development projects with customers, including €21 million in the second quarter (Q2 2014: €19 million).

EMERGING MARKETS

In the Emerging Markets, MaterialScience posted sales of €2,656 million in the first half of 2015 (Fx adj. + 2.6%; H1 2014: €2,309 million), including €1,368 million in the second quarter (Fx adj. + 4.6%; Q2 2014: €1,163 million). Strong currency-adjusted growth was recorded in Africa and the Middle East. Business in Eastern Europe, Latin America and Asia expanded as well. The Emerging Markets' share of total MaterialScience sales was 42.8% in the first half of 2015 (H1 2014: 40.7%) and 43.0% in the second quarter of 2015 (Q2 2014: 40.6%).

10. Employees

On June 30, 2015, the Bayer Group employed 117,798 people in its continuing operations worldwide (December 31, 2014: 117,371). The workforce thus grew by 427 (+ 0.4%).

HealthCare employed 58,658 people (December 31, 2014: 59,199). The number of employees at CropScience increased to 23,856 (December 31, 2014: 23,060). The number of employees at MaterialScience rose to 15,071 (December 31, 2014: 14,122), while the number of people mainly employed in the service companies declined to 20,213 (December 31, 2014: 20,990). This was largely due to the transfer of around 790 employees in preparation for the planned stock market flotation of MaterialScience.

Personnel expenses rose by 18.6% (Fx adj. 10.8%) in the first half of 2015 to €5,630 million (H1 2014: €4,749 million), partly due to portfolio adjustments, with the second quarter accounting for €2,750 million.

11. Opportunities and Risks

As a global enterprise with a diversified portfolio, the Bayer Group is exposed to a wide range of internal or external developments or events that could significantly impact the achievement of our financial and non-financial objectives.

Bayer regards risk management as an integral part of corporate governance. Our risk management process and the opportunities/risks outlined in detail in the Annual Report 2014 (Combined Management Report, Chapter 20.3) are materially unchanged. No risks have been identified that could endanger the Bayer Group's continued existence. There are also no risks with mutually reinforcing dependencies that could combine to endanger the Group's continued existence.

Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2014 (Note [32] to the Consolidated Financial Statements) are described in the Notes to the Condensed Consolidated Interim Financial Statements under "Legal Risks." The Bayer Annual Report 2014 can be downloaded free of charge at www.BAYER.com.

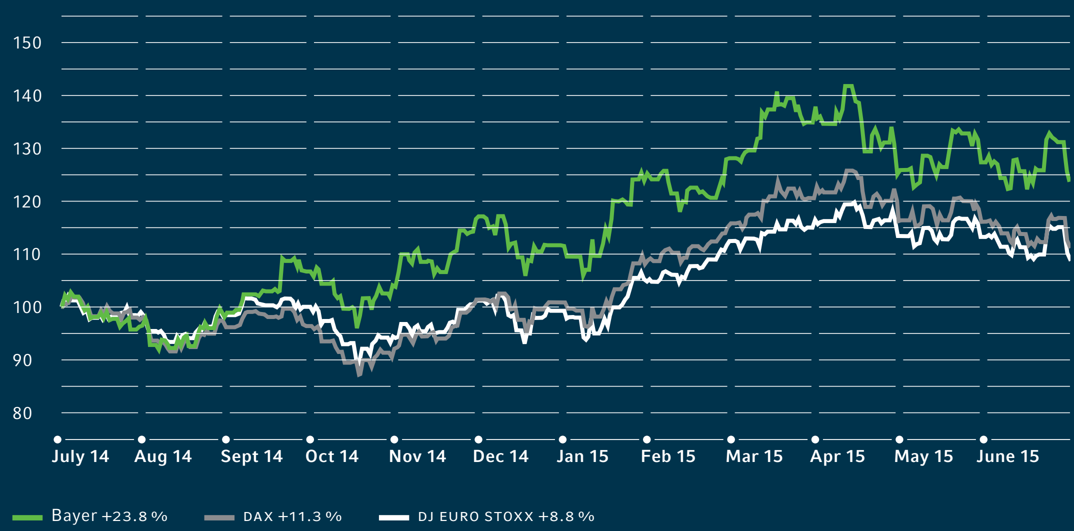
12. Events After the End of the Reporting Period

After the end of the reporting period – on July 1, 2015 – the acquisition of SeedWorks India Pvt. Ltd., headquartered in Hyderabad, India, was closed.

Investor Information

Performance of Bayer Stock over the Past Twelve Months [Graphic 19]

indexed; 100 = Xetra closing price on June 30, 2014 (source: Bloomberg)



Bayer stock closed the second quarter of 2015 at €125.55. Including the dividend of €2.25 per share paid on May 28, 2015, the yield on Bayer stock in the quarter was minus 8.8%. The benchmark indices also declined in the second quarter of 2015. The DAX was down 8.5%, while the EURO STOXX 50 (performance index) fell by 5.8%.

The yield on Bayer stock for the first half of 2015, including the dividend, was 13.0%. The DAX ended the first half of 2015 at 10,945 points, up 11.6%. The EURO STOXX 50 (performance index) rose by 11.0% during this period, closing at 6,492 points.

Bayer Stock Data [Table 21]

		2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
High for the period	€	106.60	146.20	106.60	146.20
Low for the period	€	91.51	124.00	91.51	109.20
Average daily trading volume	million shares	1.8	2.4	2.0	2.4

		June 30, 2014	June 30, 2015	Dec. 31, 2014	Change June 30, 2015/ Dec. 31, 2014 %
Share price	€	103.15	125.55	113.00	+11.1
Market capitalization	€ million	85,300	103,824	93,445	+11.1
Equity as per statements of financial position	€ million	19,541	22,423	20,218	+10.9
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		9,833	10,945	9,806	+11.6

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2015

Bayer Group Consolidated Income Statements

[Table 22]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Net sales	**10,228**	**12,090**	**20,580**	**23,969**
Cost of goods sold	(4,991)	(5,312)	(9,725)	(10,788)
Gross profit	**5,237**	**6,778**	**10,855**	**13,181**
Selling expenses	(2,552)	(3,177)	(4,920)	(6,097)
Research and development expenses	(841)	(1,036)	(1,653)	(1,982)
General administration expenses	(427)	(550)	(835)	(1,021)
Other operating income	80	31	208	278
Other operating expenses	(62)	(213)	(155)	(582)
EBIT[1]	**1,435**	**1,833**	**3,500**	**3,777**
Equity-method loss	(3)	(6)	(8)	–
Financial income	98	85	190	97
Financial expenses	(268)	(366)	(514)	(658)
Financial result	**(173)**	**(287)**	**(332)**	**(561)**
Income before income taxes	**1,262**	**1,546**	**3,168**	**3,216**
Income taxes	(343)	(405)	(851)	(811)
Income from continuing operations after income taxes	**919**	**1,141**	**2,317**	**2,405**
Income from discontinued operations after income taxes	**36**	**17**	**63**	**62**
Income after income taxes	**955**	**1,158**	**2,380**	**2,467**
of which attributable to non-controlling interest	2	6	4	12
of which attributable to Bayer AG stockholders (net income)	**953**	**1,152**	**2,376**	**2,455**
	€	€	€	€
Earnings per share				
From continuing operations				
Basic	1.11	1.37	2.80	2.89
Diluted	1.11	1.37	2.80	2.89
From discontinued operations				
Basic	0.04	0.02	0.07	0.08
Diluted	0.04	0.02	0.07	0.08
From continuing and discontinued operations				
Basic	1.15	1.39	2.87	2.97
Diluted	1.15	1.39	2.87	2.97

[1] EBIT = earnings before financial result and taxes
2014 figures restated

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Income after income taxes	**955**	**1,158**	**2,380**	**2,467**
of which attributable to non-controlling interest	*2*	*6*	*4*	*12*
of which attributable to Bayer AG stockholders	*953*	*1,152*	*2,376*	*2,455*
Remeasurements of the net defined benefit liability for post-employment benefit plans	(1,195)	2,374	(2,560)	1,169
Income taxes	375	(705)	806	(319)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(820)**	**1,669**	**(1,754)**	**850**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(820)**	**1,669**	**(1,754)**	**850**
Changes in fair values of derivatives designated as cash flow hedges	(67)	84	(53)	(257)
Reclassified to profit or loss	(30)	76	(76)	137
Income taxes	27	(51)	36	31
Other comprehensive income from cash flow hedges	**(70)**	**109**	**(93)**	**(89)**
Changes in fair values of available-for-sale financial assets	(1)	4	1	18
Reclassified to profit or loss	–	–	–	1
Income taxes	(1)	2	(1)	(1)
Other comprehensive income from available-for-sale financial assets	**(2)**	**6**	**–**	**18**
Changes in exchange differences recognized on translation of operations outside the eurozone	121	(520)	(58)	826
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**121**	**(520)**	**(58)**	**826**
Other comprehensive income that may be reclassified subsequently to profit or loss	**49**	**(405)**	**(151)**	**755**
Effects of changes in scope of consolidation	**–**	**–**	**–**	**–**
Total other comprehensive income[1]	**(771)**	**1,264**	**(1,905)**	**1,605**
of which attributable to non-controlling interest	*2*	*(7)*	*4*	*8*
of which attributable to Bayer AG stockholders	*(773)*	*1,271*	*(1,909)*	*1,597*
Total comprehensive income	**184**	**2,422**	**475**	**4,072**
of which attributable to non-controlling interest	*4*	*(1)*	*8*	*20*
of which attributable to Bayer AG stockholders	*180*	*2,423*	*467*	*4,052*

[1] total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	June 30, 2014	June 30, 2015	Dec. 31, 2014
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	10,322	16,870	16,168
Other intangible assets	10,056	15,686	15,653
Property, plant and equipment	10,061	11,873	11,428
Investments accounted for using the equity method	198	240	223
Other financial assets	1,267	1,136	1,107
Other receivables	441	404	447
Deferred taxes	1,604	3,253	2,981
	33,949	**49,462**	**48,007**
Current assets			
Inventories	7,416	8,668	8,478
Trade accounts receivable	9,423	11,242	9,097
Other financial assets	617	816	723
Other receivables	1,480	1,496	1,488
Claims for income tax refunds	463	506	588
Cash and cash equivalents	1,228	3,247	1,853
Assets held for sale and discontinued operations	363	183	–
	20,990	**26,158**	**22,227**
Total assets	**54,939**	**75,620**	**70,234**
Equity			
Capital stock of Bayer AG	2,117	2,117	2,117
Capital reserves of Bayer AG	6,167	6,167	6,167
Other reserves	11,165	14,013	11,822
Equity attributable to Bayer AG stockholders	**19,449**	**22,297**	**20,106**
Equity attributable to non-controlling interest	92	126	112
	19,541	**22,423**	**20,218**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	9,824	11,176	12,236
Other provisions	1,877	2,100	2,016
Financial liabilities	8,008	17,178	18,484
Other liabilities	305	1,095	1,088
Deferred taxes	714	884	689
	20,728	**32,433**	**34,513**
Current liabilities			
Other provisions	5,368	5,716	4,912
Financial liabilities	3,589	7,676	3,376
Trade accounts payable	4,136	5,239	5,363
Income tax liabilities	85	74	63
Other liabilities	1,492	1,945	1,789
Liabilities directly related to assets held for sale and discontinued operations	–	114	–
	14,670	**20,764**	**15,503**
Total equity and liabilities	**54,939**	**75,620**	**70,234**

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Income from continuing operations after income taxes	919	1,141	2,317	2,405
Income taxes	343	405	851	811
Financial result	173	287	332	561
Income taxes paid or accrued	(395)	(440)	(935)	(1,073)
Depreciation, amortization and impairments	700	815	1,345	1,616
Change in pension provisions	(69)	(36)	(185)	(123)
(Gains) losses on retirements of noncurrent assets	(6)	1	(42)	(13)
Gross cash flow	**1,665**	**2,173**	**3,683**	**4,184**
Decrease (increase) in inventories	27	(212)	(312)	(151)
Decrease (increase) in trade accounts receivable	183	(93)	(1,707)	(2,042)
(Decrease) increase in trade accounts payable	(68)	144	(384)	(347)
Changes in other working capital, other non-cash items	(238)	(62)	433	983
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,569**	**1,950**	**1,713**	**2,627**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	32	9	51	56
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,601**	**1,959**	**1,764**	**2,683**
Cash outflows for additions to property, plant, equipment and intangible assets	(529)	(601)	(886)	(946)
Cash inflows from the sale of property, plant, equipment and other assets	35	59	51	84
Cash inflows from divestitures	6	–	6	–
Cash inflows from (outflows for) noncurrent financial assets	(62)	(77)	(66)	(336)
Cash outflows for acquisitions less acquired cash	–	36	(1,857)	3
Interest and dividends received	33	57	49	68
Cash inflows from (outflows for) current financial assets	–	(1)	6	4
Net cash provided by (used in) investing activities (total)	**(517)**	**(527)**	**(2,697)**	**(1,123)**
Dividend payments and withholding tax on dividends	(1,737)	(1,861)	(1,737)	(1,866)
Issuances of debt	2,378	4,681	6,833	7,202
Retirements of debt	(3,083)	(2,332)	(4,460)	(5,176)
Interest paid including interest-rate swaps	(105)	(195)	(166)	(287)
Interest received from interest-rate swaps	40	41	43	51
Cash outflows for the purchase of additional interests in subsidiaries	–	–	(1)	–
Net cash provided by (used in) financing activities (total)	**(2,507)**	**334**	**512**	**(76)**
Change in cash and cash equivalents due to business activities (total)	**(1,423)**	**1,766**	**(421)**	**1,484**
Cash and cash equivalents at beginning of period	**2,631**	**1,607**	**1,662**	**1,853**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	–	3
Change in cash and cash equivalents due to exchange rate movements	20	(126)	(13)	(93)
Cash and cash equivalents at end of period	**1,228**	**3,247**	**1,228**	**3,247**

Bayer Group Consolidated Statements of Changes in Equity

[Table 26]

	Capital stock of Bayer AG	Capital reserves of Bayer AG	Other reserves	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest	Equity
	€ million	€ million	€ million	€ million	€ million	€ million
Dec. 31, 2013	**2,117**	**6,167**	**12,434**	**20,718**	**86**	**20,804**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,737)	(1,737)	(1)	(1,738)
Other changes			1	1	(1)	
Total comprehensive income			467	467	8	475
June 30, 2014	**2,117**	**6,167**	**11,165**	**19,449**	**92**	**19,541**
Dec. 31, 2014	**2,117**	**6,167**	**11,822**	**20,106**	**112**	**20,218**
Equity transactions with owners						
Capital increase/decrease						
Dividend payments			(1,861)	(1,861)	(6)	(1,867)
Other changes						
Total comprehensive income			4,052	4,052	20	4,072
June 30, 2015	**2,117**	**6,167**	**14,013**	**22,297**	**126**	**22,423**

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2015

Key Data by Segment and Region

Key Data by Segment [Table 27]

	HealthCare				CropScience		MaterialScience				Reconciliation			
	Pharmaceuticals		Consumer Health		CropScience		MaterialScience		All Other Segments		Corporate Center and Consolidation		Group	
	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external)	2,960	3,492	1,655	2,416	2,470	2,723	2,864	3,185	275	273	4	1	10,228	12,090
Change	+4.6%	+18.0%	−2.5%	+46.0%	+3.3%	+10.2%	−0.4%	+11.2%	−5.8%	−0.7%	–	–	+1.4%	+18.2%
Currency-adjusted change	+10.6%	+10.7%	+4.1%	+36.8%	+10.5%	+0.2%	+3.2%	+0.6%	−4.8%	+0.4%	–	–	+7.0%	+9.2%
Intersegment sales	36	8	4	–	16	9	15	14	553	590	(624)	(621)	–	–
Net sales (total)	2,996	3,500	1,659	2,416	2,486	2,732	2,879	3,199	828	863	(620)	(620)	10,228	12,090
EBIT	656	706	271	362	470	571	109	278	35	24	(106)	(108)	1,435	1,833
EBIT before special items	668	780	284	433	470	599	126	337	41	40	(106)	(101)	1,483	2,088
EBITDA before special items	927	1,077	387	598	615	733	270	506	82	84	(105)	(99)	2,176	2,899
Gross cash flow[1]	662	720	258	411	469	537	214	359	139	219	(77)	(73)	1,665	2,173
Net cash flow[1]	292	433	173	304	971	742	133	360	52	85	(52)	26	1,569	1,950
Depreciation, amortization and impairments	263	301	103	164	145	134	147	170	41	44	1	2	700	815

	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015
Net sales (external)	5,742	6,692	3,242	4,720	5,370	5,815	5,667	6,199	554	541	5	2	20,580	23,969
Change	+6.4%	+16.5%	−2.8%	+45.6%	+4.2%	+8.3%	+0.3%	+9.4%	−3.7%	−2.3%	–	–	+2.3%	+16.5%
Currency-adjusted change	+13.1%	+9.0%	+3.9%	+37.0%	+11.3%	+0.9%	+3.7%	−0.7%	−2.8%	−2.3%	–	–	+8.0%	+8.3%
Intersegment sales	43	18	4	–	31	19	28	27	1,072	1,130	(1,178)	(1,194)	–	–
Net sales (total)	5,785	6,710	3,246	4,720	5,401	5,834	5,695	6,226	1,626	1,671	(1,173)	(1,192)	20,580	23,969
EBIT	1,297	1,397	561	657	1,458	1,445	328	497	59	43	(203)	(262)	3,500	3,777
EBIT before special items	1,293	1,495	574	849	1,458	1,520	347	598	72	65	(203)	(251)	3,541	4,276
EBITDA before special items	1,800	2,065	780	1,166	1,713	1,773	636	930	151	154	(201)	(248)	4,879	5,840
Gross cash flow[1]	1,236	1,410	535	774	1,239	1,242	499	671	321	268	(147)	(181)	3,683	4,184
Net cash flow[1]	739	1,185	366	769	249	(81)	89	523	200	57	70	174	1,713	2,627
Depreciation, amortization and impairments	511	574	206	338	255	258	292	354	79	89	2	3	1,345	1,616
Number of employees (as of June 30)[2]	38,834	39,994	16,579	18,664	22,222	23,856	14,128	15,071	20,035	19,482	758	731	112,556	117,798

2014 figures restated
[1] For definition see chapter 8 "Financial Position of the Bayer Group."
[2] Full-time equivalents

Key Data by Region [Table 28]

	Europe		North America		Asia/Pacific		Latin America/Africa/Middle East		Reconciliation		Total	
	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015	2nd Quarter 2014	2nd Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external) – by market	3,980	4,167	2,582	3,630	2,192	2,732	1,474	1,561	–	–	10,228	12,090
Change	+4.0%	+4.7%	+2.8%	+40.6%	−1.4%	+24.6%	−3.3%	+5.9%	–	–	+1.4%	+18.2%
Currency-adjusted change	+5.4%	+4.7%	+8.8%	+18.6%	+5.8%	+7.6%	+9.5%	+7.1%	–	–	+7.0%	+9.2%
Net sales (external) – by point of origin	4,385	4,587	2,541	3,584	2,134	2,672	1,168	1,247	–	–	10,228	12,090
Change	+3.9%	+4.6%	+2.4%	+41.0%	−2.0%	+25.2%	−3.5%	+6.8%	–	–	+1.4%	+18.2%
Currency-adjusted change	+5.1%	+4.6%	+8.7%	+18.4%	+5.4%	+7.7%	+12.6%	+9.2%	–	–	+7.0%	+9.2%
Interregional sales	2,320	2,824	808	1,047	141	204	141	182	(3,410)	(4,257)	–	–
EBIT	1,091	1,151	243	549	121	261	86	(20)	(106)	(108)	1,435	1,833
	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015
Net sales (external) – by market	8,265	8,693	5,204	7,005	4,320	5,221	2,791	3,050	–	–	20,580	23,969
Change	+6.7%	+5.2%	+0.5%	+34.6%	+0.9%	+20.9%	−4.0%	+9.3%	–	–	+2.3%	+16.5%
Currency-adjusted change	+8.0%	+6.5%	+6.2%	+14.7%	+8.9%	+4.9%	+10.1%	+6.7%	–	–	+8.0%	+8.3%
Net sales (external) – by point of origin	9,062	9,512	5,104	6,911	4,214	5,092	2,200	2,454	–	–	20,580	23,969
Change	+6.5%	+5.0%	−0.2%	+35.4%	+0.7%	+20.8%	−4.6%	+11.5%	–	–	+2.3%	+16.5%
Currency-adjusted change	+7.6%	+6.2%	+5.7%	+14.9%	+8.9%	+4.5%	+13.1%	+9.0%	–	–	+8.0%	+8.3%
Interregional sales	4,587	5,412	1,597	2,007	291	387	253	315	(6,728)	(8,121)	–	–
EBIT	2,508	2,653	677	900	329	468	189	18	(203)	(262)	3,500	3,777
Number of employees (as of June 30)[1]	53,809	55,529	15,103	16,246	27,314	29,372	16,330	16,651	–	–	112,556	117,798

2014 figures restated
[1] Full-time equivalents

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 37w Paragraph 3 of the German Securities Trading Act, the consolidated interim financial statements as of June 30, 2015, were prepared in condensed form according to the International Financial Reporting Standards (IFRS) – including IAS 34 – of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2014 fiscal year, particularly with regard to the main recognition and measurement principles, except where financial reporting standards have been applied for the first time in 2015.

FINANCIAL REPORTING STANDARDS APPLIED FOR THE FIRST TIME IN 2015

The first-time application of the following amended financial reporting standards had no impact, or no material impact, on the presentation of the Group's financial position or results of operations, or on earnings per share.

In December 2013, the IASB published the fifth and sixth sets of "Annual Improvements to IFRSs." The amendments address details of the recognition, measurement and disclosure of business transactions and serve to standardize terminology. They consist mainly of editorial changes to existing standards. They are to be applied for annual periods beginning on or after July 1, 2014.

CHANGES IN UNDERLYING PARAMETERS

Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations.

The exchange rates for major currencies against the euro varied as follows:

Exchange Rates for Major Currencies [Table 29]

€1		Closing Rate Dec. 31, 2014	Closing Rate June 30, 2014	Closing Rate June 30, 2015	Average Rate 1st Half 2014	Average Rate 1st Half 2015
BRL	Brazil	3.22	3.00	3.47	3.15	3.30
CAD	Canada	1.41	1.46	1.38	1.50	1.38
CHF	Switzerland	1.20	1.22	1.04	1.22	1.06
CNY	China	7.54	8.47	6.94	8.45	6.94
GBP	United Kingdom	0.78	0.80	0.71	0.82	0.73
JPY	Japan	145.23	138.44	137.01	140.50	134.14
MXN	Mexico	17.87	17.71	17.53	17.98	16.88
RUB	Russia	72.34	46.38	62.36	47.95	63.83
USD	United States	1.21	1.37	1.12	1.37	1.12

The most important interest rates used to calculate the present value of pension obligations are given below:

Discount Rate for Pension Obligations [Table 30]

	Dec. 31, 2014	March 31, 2015	June 30, 2015
	%	%	%
Germany	2.00	1.60	2.30
United Kingdom	3.60	3.30	3.80
United States	3.70	3.50	4.10

The data selection criteria used to determine the discount rate in the eurozone were modified at the beginning of 2015. The item "Remeasurements of the net defined benefit liability for post-employment benefit plans" contains gains resulting from the rise in market interest rates. The modification of the data selection criteria had an effect of €0.7 billion. The discount rate obtained by applying the previous data selection criteria would have been lower by 20 basis points as of June 30, 2015. The change in the way the discount rate is determined reduces the net pension expense for the 2015 fiscal year by €17 million. As before, the underlying bond portfolio consists entirely of high-quality corporate bonds with a minimum AA or AAA rating. It does not include government-guaranteed or covered bonds.

SEGMENT REPORTING

The following table shows the reconciliation of EBITDA before special items of the segments to income before income taxes of the Group.

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes [Table 31]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
EBITDA before special items of segments	2,281	2,998	5,080	6,088
EBITDA before special items of Corporate Center	(105)	(99)	(201)	(248)
EBITDA before special items	**2,176**	**2,899**	**4,879**	**5,840**
Depreciation, amortization and impairment losses before special items of segments	(692)	(809)	(1,336)	(1,561)
Depreciation, amortization and impairment losses before special items of Corporate Center	(1)	(2)	(2)	(3)
Depreciation, amortization and impairment losses before special items	**(693)**	**(811)**	**(1,338)**	**(1,564)**
EBIT before special items of segments	1,589	2,189	3,744	4,527
EBIT before special items of Corporate Center	(106)	(101)	(203)	(251)
EBIT before special items	**1,483**	**2,088**	**3,541**	**4,276**
Special items of segments	(48)	(248)	(41)	(488)
Special items of Corporate Center	–	(7)	–	(11)
Special items	**(48)**	**(255)**	**(41)**	**(499)**
EBIT of segments	1,541	1,941	3,703	4,039
EBIT of Corporate Center	(106)	(108)	(203)	(262)
EBIT	**1,435**	**1,833**	**3,500**	**3,777**
Financial result	(173)	(287)	(332)	(561)
Income before income taxes	**1,262**	**1,546**	**3,168**	**3,216**

2014 figures restated

COMPANIES CONSOLIDATED

Changes in the scope of consolidation

The consolidated financial statements as of June 30, 2015, included 295 companies (December 31, 2014: 302 companies). As in the statements as of December 31, 2014, one of these companies was accounted for as a joint operation in line with Bayer's interest in its assets, liabilities, revenues and expenses in accordance with IFRS 11 (Joint Arrangements). Two (December 31, 2014: three) joint ventures and four (December 31, 2014: three) associates were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions, divestitures and discontinued operations

Acquisitions

On March 2, 2015, MaterialScience successfully completed the acquisition of Thermoplast Composite GmbH, Germany, a technology leader specializing in the production of thermoplastic fiber composites. The aim of the acquisition is to expand the range of polycarbonate materials for major industries to include composites made from continuous fiber-reinforced thermoplastics. A purchase price of €18 million was agreed. This includes a variable component of €4 million. The purchase price pertained mainly to patents and goodwill.

The effects of this transaction and other, smaller transactions made in the first half of 2015 – along with adjustments to purchase prices and purchase price allocations made in the first half of 2015 relating to previous years'/quarters' transactions – on the Group's assets and liabilities as of the respective acquisition or adjustment dates are shown in the table. Net of acquired cash and cash equivalents, the transactions resulted in the following cash outflow:

Acquired Assets, Assumed Liabilities and Adjustments (Fair Values at the Respective Acquisition Dates) [Table 32]

	1st Half 2015
	€ million
Goodwill	(8)
Patents and technologies	21
Other intangible assets	33
Property, plant and equipment	22
Inventories	(24)
Other current assets	8
Cash and cash equivalents	–
Deferred tax assets	(2)
Other provisions	(34)
Financial liabilities	–
Other liabilities	7
Deferred tax liabilities	(3)
Net assets	**20**
Changes in non-controlling interest	–
Purchase price	**20**
Acquired cash and cash equivalents	–
Liabilities for future payments	(5)
Purchase price adjustment	(18)
Payments for previous years'/quarters' acquisitions	–
Net cash outflow for acquisitions	**(3)**

On July 1, 2015, CropScience closed the acquisition of SeedWorks India Pvt. Ltd., based in Hyderabad, India. The company is specialized in the breeding, production and marketing of hybrid seeds of tomato, hot pepper, okra and gourds. It has research and seed processing locations in Bangalore and Hyderabad, respectively. The purchase of SeedWorks India is intended to further strengthen CropScience's vegetable seed business in India. A basic purchase price of €78 million was agreed.

As part of the acquisition of the consumer care business of Merck & Co., Inc., Whitehouse Station, New Jersey, United States, the production facilities at the Pointe-Claire site in Canada were acquired on July 1, 2015.

The global purchase price allocation for the consumer care business of Merck & Co., Inc. currently remains incomplete pending compilation and review of the relevant financial information. Significant changes may yet be made in the allocation of the purchase price to the individual assets and liabilities.

Divestitures

On March 2, 2015, Consumer Health completed the sale of two equine products, Legend/Hyonate and Marquis, to Merial, Inc. A purchase price of €120 million was agreed. The one-time payment is accounted for as deferred income. The purchase prices for Legend/Hyonate and Marquis will be reflected in sales and earnings over a four-year and a three-year period, respectively.

Discontinued operations

On June 8, 2015, an agreement was signed to sell the Diabetes Care business to Panasonic Healthcare Holdings Co., Ltd., Tokyo, Japan, for €1,022 million. The sale will include the leading Contour™ portfolio of blood glucose monitoring meters and strips, as well as other products such as Breeze™2, Elite™ and Microlet™ lancing devices. Closing of the transaction is subject to customary conditions, including relevant antitrust clearance, and is expected to occur in the first quarter of 2016.

The Diabetes Care activities are reported as a discontinued operation. The respective information is provided from the standpoint of the Bayer Group and is not intended to present these activities as a separate entity.

The income statements for the discontinued operation are given below:

Income Statements for Discontinued Operations [Table 33]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Net sales	**230**	**235**	**433**	**473**
Cost of goods sold	(89)	(96)	(170)	(186)
Gross profit	**141**	**139**	**263**	**287**
Selling expenses	(88)	(94)	(163)	(179)
Research and development expenses	(9)	(12)	(17)	(22)
General administration expenses	(9)	(6)	(18)	(18)
Other operating income/expenses	1	(4)	2	7
EBIT[1]	**38**	**20**	**69**	**74**
Financial result	**–**	**–**	**–**	**–**
Income before income taxes	**38**	**20**	**69**	**74**
Income taxes	(2)	(3)	(6)	(12)
Income after income taxes	**36**	**17**	**63**	**62**

[1] EBIT = earnings before financial result and taxes
2014 figures restated

The assets and liabilities of the discontinued operation are shown in the following table:

Assets and Liabilities of Discontinued Operations [Table 34]

	June 30, 2015
	€ million
Noncurrent assets	
Goodwill	34
Other intangible assets	10
Property, plant and equipment	8
Other financial assets	–
Other receivables	–
Deferred taxes	–
	52
Current assets	
Inventories	114
Trade accounts receivable	–
Other financial assets	–
Other receivables	–
Claims for income tax refunds	–
Cash and cash equivalents	–
	114
Total assets	**166**
Noncurrent liabilities	
Provisions for pensions and other post-employment benefits	24
Other provisions	–
Financial liabilities	–
Other liabilities	–
Deferred taxes	–
	24
Current liabilities	
Other provisions	81
Financial liabilities	–
Trade accounts payable	–
Income tax liabilities	–
Other liabilities	9
	90
Total liabilities	**114**

In addition to the assets of the discontinued Diabetes Care business amounting to €166 million, the statement of financial position as of June 30, 2015, reflects a further €17 million in assets held for sale.

The discontinued operation affected the Bayer Group statements of cash flows as follows:

Cash Flows of Discontinued Operations [Table 35]

	2nd Quarter 2014	2nd Quarter 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million
Net cash provided by (used in) operating activities (net cash flow)	32	9	51	56
Net cash provided by (used in) investing activities	(2)	(1)	(3)	(1)
Net cash provided by (used in) financing activities	(30)	(8)	(48)	(55)
Change in cash and cash equivalents	–	–	–	–

FINANCIAL INSTRUMENTS

Carrying Amounts and Fair Values of Financial Instruments [Table 36]

	June 30, 2015						
	Carried at amortized cost		Carried at fair value			Non-financial assets/liabilities	
			Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)		
	Carrying amount June 30, 2015	Fair value (for information)	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount in the statement of financial position
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Trade accounts receivable	11,242						11,242
Loans and receivables	11,242	11,242					11,242
Other financial assets	1,022		358	522	50		1,952
Loans and receivables	928	928					928
Available-for-sale financial assets	31		358		8		397
Held-to-maturity financial assets	63	64					63
Derivatives				522	42		564
Other receivables	595					1,305	1,900
Loans and receivables	595	595					595
Non-financial assets						1,305	1,305
Cash and cash equivalents	3,247						3,247
Loans and receivables	3,247	3,247					3,247
Total financial assets	**16,106**		**358**	**522**	**50**		**17,036**
of which loans and receivables	16,012						16,012
Financial liabilities	24,110			744			24,854
Carried at amortized cost	24,110	25,773					24,110
Derivatives				744			744
Trade accounts payable	5,174					65	5,239
Carried at amortized cost	5,174	5,174					5,174
Non-financial liabilities						65	65
Other liabilities	793			247	47	1,953	3,040
Carried at amortized cost	793	793					793
Carried at fair value (non-derivative)					39		39
Derivatives				247	8		255
Non-financial liabilities						1,953	1,953
Total financial liabilities	**30,077**			**991**	**47**		**31,115**
of which carried at amortized cost	30,077						30,077
of which derivatives				991	8		999

The table on the preceding page shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument and a reconciliation to the corresponding line item in the statements of financial position. Since the line items "Other receivables," "Trade accounts payable" and "Other liabilities" contain both financial instruments and non-financial assets or liabilities (such as other tax receivables or advance payments for services to be received in the future), the reconciliation is shown in the column headed "Non-financial assets/ liabilities."

The loans and receivables reflected in other financial assets and the liabilities measured at amortized cost also include receivables and liabilities under finance leases in which Bayer is the lessor or lessee and which are therefore measured in accordance with IAS 17.

Because of the short maturities of most trade accounts receivable and payable, other receivables and liabilities, and cash and cash equivalents, their carrying amounts at the closing date did not significantly differ from the fair values.

Receivables from government institutions and private customers in Greece are under special observation in view of the government debt crisis. Although there were no material defaults on such receivables in 2015 or 2014, it is possible that future developments could result in payment delays and/or defaults. This could necessitate the recognition of impairment losses due to new occurrences. Receivables from government institutions and private customers in Greece as of June 30, 2015, totaled €138 million (June 30, 2014: €94 million).

Based on our assessment of the situation in Venezuela, we recognized impairment losses of €74 million on other receivables.

The fair value stated for noncurrent receivables, loans, held-to-maturity financial investments and non-derivative financial liabilities is the present value of the respective future cash flows. This was determined by discounting the cash flows at a closing-date interest rate that takes into account the term of the assets or liabilities and the creditworthiness of the counterparty. Where a market price was available, however, this was deemed to be the fair value.

The fair values of available-for-sale financial assets correspond to quoted prices in active markets for identical assets (Level 1).

The fair values of derivatives for which no publicly quoted prices existed in active markets (Level 1) were determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2). In applying valuation techniques, credit value adjustments were determined to allow for the contracting party's credit risk. The respective currency and commodity forward contracts were measured individually at their forward rates or forward prices on the closing date. These depend on spot rates or prices including time spreads. The fair values of interest-rate hedging instruments and cross-currency interest-rate swaps were determined by discounting future cash flows over the remaining terms of the instruments at market rates of interest, taking into account any foreign currency translation as of the closing date.

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies in some cases to the fair values of embedded derivatives or to obligations for contingent consideration in business combinations.

Embedded derivatives were separated from their respective host contracts. Such host contracts are generally sales or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with fluctuations in exchange rates, commodity prices or other prices, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs (Level 3). These included planned sales and purchase volumes, and prices derived from market data. Regular monitoring is carried out based on these fair values as part of quarterly reporting.

The changes in the net amount of financial assets and liabilities recognized at fair value based on unobservable inputs (Level 3) were as follows:

Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Unobservable Inputs [Table 37]

	2015
	€ million
Net carrying amounts, Jan. 1	**(25)**
Gains (losses) recognized in profit or loss	13
of which related to assets/liabilities recognized in the statement of financial position	7
Gains (losses) recognized outside profit or loss	–
Additions of assets/(liabilities)	–
Settlements of (assets)/liabilities	9
Reclassifications to “Liabilities directly related to assets held for sale and discontinued operations”	6
Net carrying amounts, June 30	**3**

The changes recognized in profit or loss were included in other operating income or expenses.

LEGAL RISKS

To find out more about the Bayer Group’s legal risks, please see Note 32 to the consolidated financial statements in the Bayer Annual Report 2014, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2014, the following significant changes have occurred in respect of the legal risks:

HEALTHCARE

Yasmin™/YAZ™: As of July 17, 2015, the number of claimants in the pending lawsuits and claims in the United States totaled about 4,000 (excluding claims already settled). Claimants allege that they have suffered personal injuries, some of them fatal, from the use of Bayer’s drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States.

As of July 17, 2015, Bayer had reached agreements, without admission of liability, to settle approximately 9,900 claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) for a total amount of about US$1.97 billion. Bayer will continue to consider the option of settling such claims after a case-specific analysis of medical records. At present, about 590 such claims are under review. In July 2015, Bayer reached an agreement in principle to settle, without admission of liability, lawsuits and claims in which plaintiffs allege an arterial thromboembolic injury (strokes and heart attacks) for a total maximum aggregate amount of US$56.9 million. Bayer may withdraw from the settlement if fewer than 97.5 percent of those who are eligible choose to participate. As of July 17, 2015, about 1,200 of the 4,000 above-mentioned claimants alleged arterial thromboembolic injuries.

Mirena™: As of July 17, 2015, lawsuits from approximately 3,350 users of Mirena™, an intrauterine system providing long-term contraception, had been served upon Bayer in the U.S. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus, ectopic pregnancy, or idiopathic intracranial hypertension, and seek compensatory and punitive damages.

Xarelto™: As of July 17, 2015, lawsuits of approximately 1,200 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer in the U.S. Plaintiffs allege personal injuries from the use of Xarelto™, including cerebral, gastrointestinal or other bleeding and death, and seek compensatory and punitive damages. Additional lawsuits are anticipated. As of July 17, 2015, six lawsuits relating to Xarelto™ seeking class action certification had been served upon Bayer in Canada.

Staxyn™: In Bayer's patent infringement suit in a U.S. federal court against Watson Laboratories, Inc., the court ruled in April 2015 that both of Bayer's compound patents are valid and infringed. Watson may appeal. Bayer's erectile dysfunction treatment Staxyn™ is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the U.S. by the compound patents upheld by the court.

Bayer Pharma AG former shareholder litigation: In the special court proceedings initiated by former minority stockholders of Bayer Pharma AG (formerly named Bayer Schering Pharma AG), Berlin, Bayer still believes that the severance and compensation payments originally determined were adequate and that the decision that has since been taken by the District Court of Berlin in one such proceeding was incorrect. However, without acknowledging liability, Bayer has now offered a settlement providing for an increase of the compensation in both proceedings to a uniform amount. The offer is subject to all claimants in both proceedings agreeing to the settlement.

RELATED PARTIES

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons that are able to exert influence on Bayer AG and its subsidiaries or over which Bayer AG or its subsidiaries exercise control or have a significant influence. They include, in particular, non-consolidated subsidiaries, joint ventures, associates, post-employment benefit plans and the corporate officers of Bayer AG. Sales to related parties were not material from the viewpoint of the Bayer Group. Goods and services to the value of €0.3 billion were procured from the associated company PO JV, LP, Wilmington, Delaware, United States, mainly in the course of normal business operations. There was no significant change in receivables or payables vis-à-vis related parties compared with December 31, 2014.

OTHER INFORMATION

The Annual Stockholders' Meeting on May 27, 2015, approved the proposal by the Board of Management and the Supervisory Board that a dividend of €2.25 per share be paid for the 2014 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board were ratified.

One stockholder representative was elected to the Supervisory Board in accordance with the nomination submitted by the Supervisory Board.

The object of the company stated in Section 2, Paragraph 1 of the Articles of Incorporation was amended as proposed by the Board of Management and the Supervisory Board.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as auditor of the financial statements of Bayer AG and the consolidated financial statements of the Bayer Group for the fiscal year 2015 and to perform the audit review of the 2015 half-year financial report.

The Vice Chairman of the Supervisory Board, Thomas de Win, stepped down from the Supervisory Board, effective at the end of the day on June 30, 2015. He was succeeded as a member of the Supervisory Board by the respective replacement member elected by the employees, Heinz Georg Webers. The Supervisory Board elected Oliver Zühlke as its Vice Chairman.

Leverkusen, July 27, 2015
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   Johannes Dietsch   Michael König   Kemal Malik

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Leverkusen, July 27, 2015
Bayer Aktiengesellschaft

The Board of Management

Dr. Marijn Dekkers   Werner Baumann   Johannes Dietsch   Michael König   Kemal Malik

Review Report

To Bayer AG, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, statement of financial position, statement of cash flows, condensed statement of changes in equity and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2015 to June 30, 2015 which are part of the half-year financial report pursuant to § (Article) 37w Abs. (paragraph) 3 WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the E.U. nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Essen, July 28, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels	Eckhard Sprinkmeier
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

Q3 2015 Interim Report	**October 29, 2015**
2015 Annual Report	**February 25, 2016**
Q1 2016 Interim Report	**April 26, 2016**
Annual Stockholders' Meeting 2016	**April 29, 2016**
Q2 2016 Interim Report	**July 27, 2016**
Q3 2016 Interim Report	**October 26, 2016**

MASTHEAD

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