Science For A Better Life

Interim Report

First Quarter of 2015

Strong start to the year for Bayer

Bayer Group Key Data

	1st Quarter 2014	1st Quarter 2015	Change	Full Year 2014
	€ million	€ million	%	€ million
Sales	**10,555**	**12,117**	**+14.8**	**42,239**
Change (adjusted for currency and portfolio effects)			+2.7	+7.2
Change in sales				
Volume	+8.8%	+2.8%		+6.8%
Price	−0.4%	−0.1%		+0.4%
Currency	−5.8%	+7.4%		−2.8%
Portfolio	+0.2%	+4.7%		+0.8%
EBIT[1]	**2,096**	**1,998**	**−4.7**	**5,506**
Special items	7	(244)		(438)
EBIT before special items[2]	***2,089***	***2,242***	***+7.3***	***5,944***
EBIT margin before special items[3]	19.8%	18.5%		14.1%
EBITDA[4]	**2,745**	**2,804**	**+2.1**	**8,442**
Special items	7	(196)		(370)
EBITDA before special items[2]	***2,738***	***3,000***	***+9.6***	***8,812***
EBITDA margin before special items[3]	25.9%	24.8%		20.9%
Financial result	**(159)**	**(274)**	**−72.3**	**(981)**
Net income	**1,423**	**1,303**	**−8.4**	**3,426**
Earnings per share (€)[5]	1.72	1.58	−8.1	4.14
Core earnings per share (€)[6]	1.95	2.10	+7.7	6.02
Gross cash flow[7]	**2,048**	**2,060**	**+0.6**	**6,820**
Net cash flow[8]	**163**	**724**	**.**	**5,810**
Cash outflows for capital expenditures	**357**	**345**	**−3.4**	**2,371**
Research and development expenses	**820**	**956**	**+16.6**	**3,574**
Depreciation, amortization and impairments	**649**	**806**	**+24.2**	**2,936**
Number of employees at end of period[9]	**113,885**	**119,478**	**+4.9**	**118,888**
Personnel expenses (including pension expenses)	2,423	2,924	+20.7	9,845

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 = adjusted 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:
Our title picture shows Shamim Al-Mamoon in the laboratory in Memphis, Tennessee, which now belongs to Bayer following the acquisition of the consumer care business of U.S. pharmaceutical company Merck & Co., Inc.

First quarter of 2015

Strong start to the year for Bayer

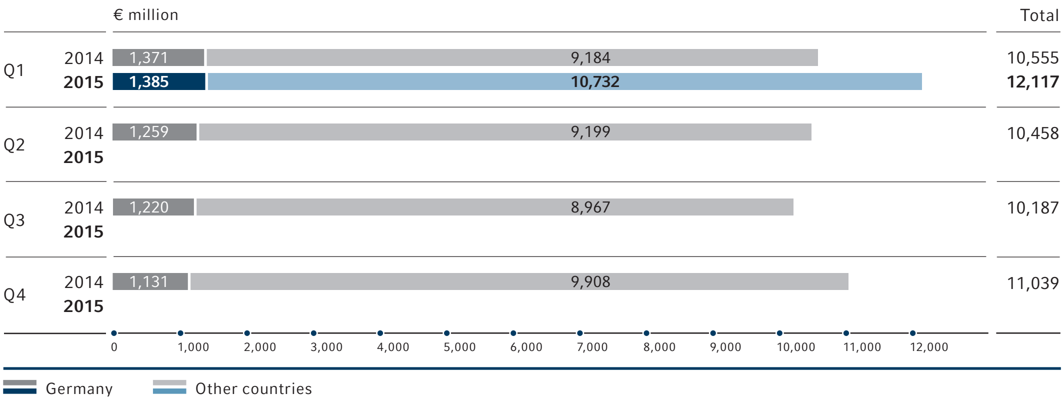
- // Significant sales and earnings growth at HealthCare
- // CropScience performance steady in a weaker market environment
- // MaterialScience posts earnings growth
- // Group sales €12.1 billion (+14.8%; Fx & portfolio adj. +2.7%)
- // EBITDA before special items €3.0 billion (+9.6%)
- // EBIT €2.0 billion (–4.7%)
- // Net income €1.3 billion (–8.4%)
- // Core earnings per share €2.10 (+7.7%)
- // Guidance for full year 2015 raised due to currency effects

Bayer once again improved its operating performance in the first quarter of 2015. At HealthCare we continued to benefit from the positive development of our recently launched pharmaceutical products and the gratifying expansion of business in all Consumer Health divisions, particularly Consumer Care, where the products acquired from Merck & Co., Inc., United States, also contributed to growth. Despite a weaker market environment, our CropScience business slightly exceeded the strong prior-year quarter. However, earnings were down year on year. MaterialScience registered a slight decline in sales (Fx & portfolio adj.) as expected, with lower raw material prices causing a fall in selling prices. Earnings before special items improved. Preparations for the stock market flotation of MaterialScience are on schedule. As before, we plan to carry out the flotation by mid-2016 at the latest. In light of the business development in the first quarter of 2015 and the considerably more positive exchange rates prevailing on March 31, 2015, we are raising our Group guidance for the current year.

1. Overview of Sales, Earnings and Financial Position

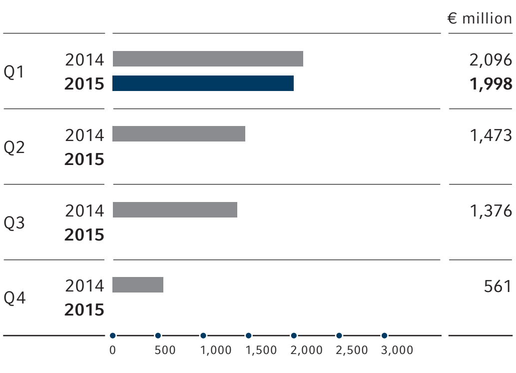
FIRST QUARTER OF 2015

Bayer Group Quarterly Sales [Graphic 1]

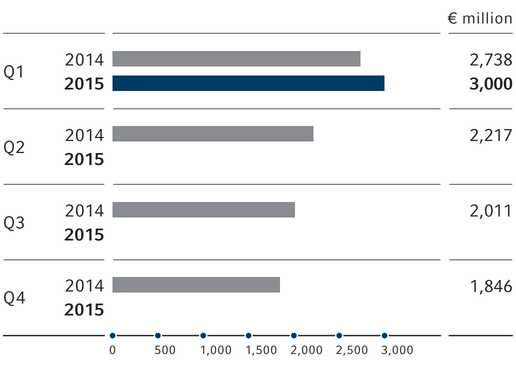


Sales of the Bayer Group moved ahead in the first quarter of 2015 by 2.7% after adjusting for currency and portfolio effects (Fx & portfolio adj.) to €12,117 million (reported: + 14.8%; Q1 2014: €10,555 million). HealthCare sales improved by 7.2% (Fx & portfolio adj.) to €5,742 million (reported: + 25.6%; Q1 2014: €4,572 million). CropScience raised sales by 1.0% (Fx & portfolio adj.) against the prior-year quarter to €3,092 million (reported: + 6.6%; Q1 2014: €2,900 million). As expected, sales of MaterialScience decreased by 2.1% (Fx & portfolio adj.) to €3,014 million (reported: + 7.5%; Q1 2014: €2,803 million).

Bayer Group Quarterly EBIT [Graphic 2]



Bayer Group Quarterly EBITDA Before Special Items [Graphic 3]

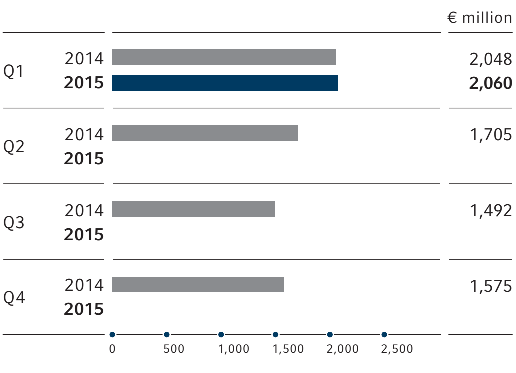


EBIT of the Bayer Group fell by 4.7% to €1,998 million (Q1 2014: €2,096 million). Earnings were held back by net special charges of €244 million (Q1 2014: net special gains of €7 million) that mainly comprised €91 million for the integration of acquired businesses, €77 million for the consolidation of production sites and €41 million for additional efficiency improvement measures. EBIT before special items rose by 7.3% to €2,242 million (Q1 2014: €2,089 million).

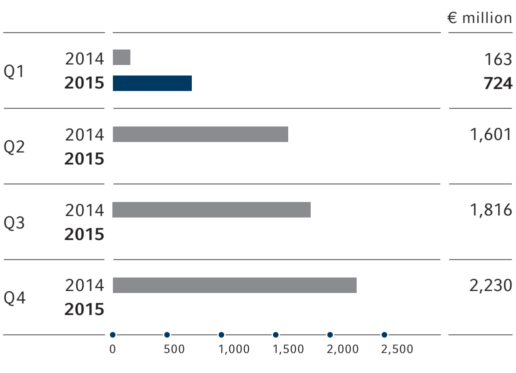
EBITDA before special items climbed by 9.6% to €3,000 million (Q1 2014: €2,738 million). This good sales development was accompanied by higher R&D and selling expenses. Positive currency effects buoyed earnings by about €50 million. At HealthCare, EBITDA before special items rose by a considerable 24.1% to €1,615 million (Q1 2014: €1,301 million). This was chiefly attributable to the very good development of business at Pharmaceuticals and Consumer Health, as well as the contribution from the acquired consumer care businesses. EBITDA before special items of CropScience fell by 5.3% to €1,040 million (Q1 2014: €1,098 million), due particularly to negative currency effects and lower volumes. EBITDA before special items of MaterialScience advanced by 15.8% to €424 million (Q1 2014: €366 million), mainly because of lower raw material costs. Earnings of the reconciliation declined largely on account of higher expenses for long-term stock-based compensation.

After a **financial result** of minus €274 million (Q1 2014: minus €159 million), **income before income taxes** was €1,724 million (Q1 2014: €1,937 million). After tax expense of €415 million (Q1 2014: €512 million) and non-controlling interest, **net income** in the first quarter of 2015 came to €1,303 million (Q1 2014: €1,423 million). Earnings per share were €1.58 (Q1 2014: €1.72). Core earnings per share advanced by 7.7% to €2.10 (Q1 2014: €1.95), calculated as explained in Chapter 7 “Core Earnings Per Share.”

Quarterly Gross Cash Flow [Graphic 4]



Quarterly Net Cash Flow [Graphic 5]



Gross cash flow was level year on year in the first quarter of 2015 at €2,060 million (Q1 2014: €2,048 million). Net cash flow rose sharply to €724 million (Q1 2014: €163 million) due to a reduction in cash tied up in working capital. We paid income taxes of €444 million in the first quarter of 2015 (Q1 2014: €375 million).

Net financial debt rose by €1.7 billion against December 31, 2014, to €21.3 billion, mainly on account of negative currency effects. The net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – increased from €12.2 billion to €13.6 billion over the same period, mainly due to a decline 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	+2.7%	+2.9%
European Union	+1.3%	+1.9%
of which Germany	+1.6%	+2.1%
United States	+2.4%	+3.0%
Emerging markets[2]	+4.4%	+4.0%

[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 March 2015

The **global economy** will probably grow more quickly in 2015 than in the previous year, supported by a generally expansionary monetary policy and the sharp decline in oil prices. We expect the economic recovery in the European Union to continue. The German economy in particular is likely to grow more rapidly than initially predicted. The United States economy is anticipated to grow considerably faster than in 2014. By contrast, 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%	+7%
Consumer care market	+4%	+4%
Medical care market	−3%	−1%
Animal health market	+5%	+5%
CropScience		
Seed and crop protection market	+6%	≤ 3%
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 April 2015

The **pharmaceuticals market** is likely to grow rather more slowly in 2015 than in the previous year, especially because of the slightly 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 somewhat slower rate in 2015, partly as a result of patent expirations and launches of new 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. We expect the **medical care market** to stabilize, with the diabetes care market weakening and the market for contrast agents and medical equipment (Radiology business unit) expanding slightly. The **animal health market** is anticipated to grow at about the same rate as in 2014.

The global **seed and crop protection market** will likely continue to expand in 2015. However, we anticipate a much slower rate of growth than in the previous years, mainly as a result of the low price level for agricultural commodities. The benefit to farmers of lower energy and fertilizer costs is likely to support demand.

In line with the recovery of the global economy, we expect the business climate for the **main customer industries** of MaterialScience to continue improving during 2015.

3. Sales and Earnings Forecast

BAYER GROUP

Based on the operational performance in the first quarter of 2015 and our expectations for the future business development, and taking into account the potential risks and opportunities, we are raising our guidance for 2015, mainly in view of the considerably more positive exchange rates prevailing on March 31, 2015 (see page 43).

We are now planning sales in the region of €48 billion to €49 billion (previously: in the region of €46 billion). This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. We expect currency effects to boost sales by approximately 9% (previously: approximately 3%) compared with the prior year. We now plan to raise EBITDA before special items by a high-teens percentage (previously: low- to mid-teens percentage), allowing for expected positive currency effects of about 8% (previously: about 2%). We now aim to increase core earnings per share (calculated as explained in Chapter 7) by a high-teens percentage (previously: low-teens percentage), allowing for expected positive currency effects of around 7% (previously: around 3%).

	Forecast 2015 (February 2015)	Revised forecast 2015	Currency effects allowed for in the forecast[2]
Group sales	Low-single-digit percentage increase[1]	Low-single-digit percentage increase[1]	
	Approx. €46 billion	€48 billion to €49 billion	Plus approx. 9% (previously: plus approx. 3%)
EBITDA before special items	Low- to mid-teens percentage increase	High-teens percentage increase	Plus approx. 8% (previously: plus approx. 2%)
Core earnings per share	Low-teens percentage increase	High-teens percentage increase	Plus approx. 7% (previously: plus approx. 3%)

[1] currency- and portfolio-adjusted
[2] forecast for currency effects in 2015 computed by comparing exchange rates as of March 31, 2015, to full year 2014 rates

We continue to expect to take special charges in the region of €700 million, with the integration of the acquired consumer care businesses and the planned stock market listing of MaterialScience 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. We expect net financial debt at year end to be below €20 billion (previously: below €18 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 to rise to over €24 billion (previously: approximately €23 billion). This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. We predict positive currency effects of about 9% (previously: about 3%) compared with 2014. We now plan to raise EBITDA before special items by a low-twenties percentage (previously: mid-teens percentage).

In the Pharmaceuticals segment, we now expect sales to move ahead to approximately €14 billion (previously: approximately €13 billion). This corresponds to a mid- to high-single-digit percentage on a currency- and portfolio-adjusted basis. Here we anticipate positive currency effects of about 9% (previously: about 2%) compared with 2014. We intend to raise sales of our recently launched products to over €4 billion (previously: toward €4 billion). We plan to raise EBITDA before special items by a mid-teens percentage (previously: low-teens percentage), allowing for an additional €350 million (previously: €300 million) of investment in research and development. As a result of the dilutive currency effects, we expect the EBITDA margin before special items to be slightly below the prior-year level (previously: slightly improve).

In the Consumer Health segment, we expect sales to increase to over €10 billion (previously: toward €10 billion), including those of the acquired consumer care businesses. We plan to grow sales by a mid-single-digit percentage on a currency- and portfolio-adjusted basis and anticipate positive currency effects of around 9% (previously: around 3%) compared with 2014. We expect to raise EBITDA before special items by a mid-thirties percentage (previously: a mid- to high-twenties percentage), with the acquired consumer care businesses contributing to the increase.

CROPSCIENCE

At CropScience we expect to continue growing faster than the market and now aim to raise sales to approximately €11 billion (previously: approximately €10 billion). This corresponds to a low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. We anticipate positive currency effects of about 11% (previously: about 4%) compared with 2014. In line with the clearly positive currency changes, we now plan to improve EBITDA before special items by a low- to mid-teens percentage (previously: a low- to mid-single-digit percentage).

MATERIALSCIENCE

At MaterialScience we continue to plan further volume growth in 2015 accompanied by declining selling prices. This will lead to lower sales on a currency- and portfolio-adjusted basis. However, we expect to see a significant increase in EBITDA before special items, partly due to lower raw material costs. We aim to return to earning the full cost of capital in 2015.

We expect sales and EBITDA before special items in the second quarter of 2015 to come in at least at the level of the first quarter of 2015.

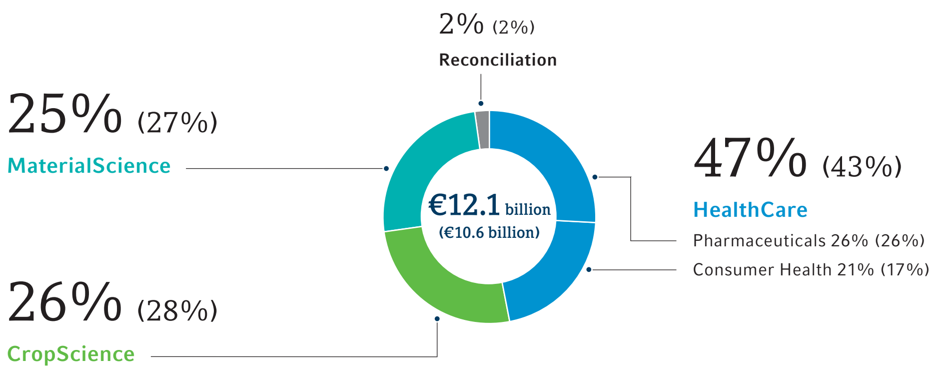
RECONCILIATION

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

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 Quarter of 2015 [Graphic 6]



2014 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]	
	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million
HealthCare	**4,572**	**5,742**	**962**	**1,040**	**1,301**	**1,615**
Pharmaceuticals	2,782	3,200	641	691	873	988
Consumer Health	1,790	2,542	321	349	428	627
CropScience	**2,900**	**3,092**	**988**	**874**	**1,098**	**1,040**
MaterialScience	**2,803**	**3,014**	**219**	**219**	**366**	**424**
Reconciliation	**280**	**269**	**(73)**	**(135)**	**(27)**	**(79)**
Group	**10,555**	**12,117**	**2,096**	**1,998**	**2,738**	**3,000**

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

5. Business Development by Subgroup, Segment and Region

5.1 HealthCare

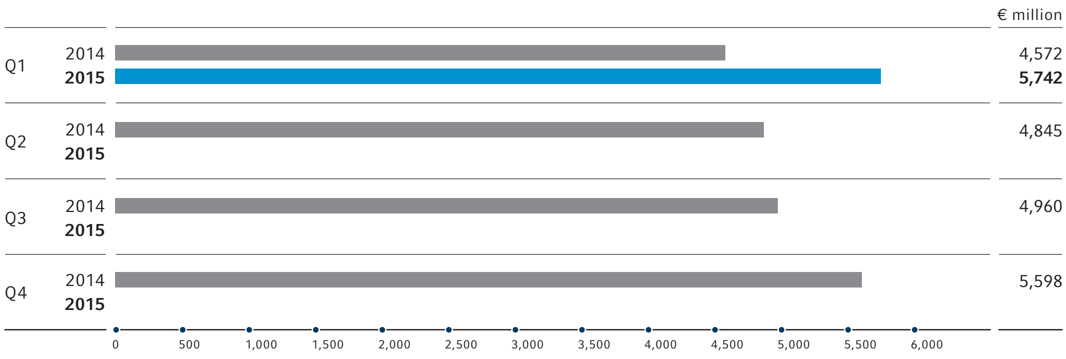
Key Data – HealthCare [Table 4]

	1st Quarter 2014	1st Quarter 2015	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales	**4,572**	**5,742**	**+25.6**	**+7.2**
Change in sales				
Volume	+8.9%	+6.7%		
Price	0.0%	+0.5%		
Currency	– 6.9%	+7.8%		
Portfolio	+0.9%	+10.6%		
Sales				
Pharmaceuticals	2,782	3,200	+15.0	+7.2
Consumer Health	1,790	2,542	+42.0	+7.2
	€ million	€ million	%	Fx. adj. %
Sales by region				
Europe	1,757	1,924	+9.5	+11.6
North America	1,132	1,797	+58.7	+39.0
Asia / Pacific	1,070	1,283	+19.9	+6.9
Latin America / Africa / Middle East	613	738	+20.4	+15.3
EBIT	**962**	**1,040**	**+8.1**	
Special items	*16*	*(145)*		
EBIT before special items [1]	***946***	***1,185***	***+25.3***	
EBITDA[1]	**1,317**	**1,492**	**+13.3**	
Special items	*16*	*(123)*		
EBITDA before special items [1]	***1,301***	***1,615***	***+24.1***	
EBITDA margin before special items [1]	28.5%	28.1%		
Gross cash flow [2]	**881**	**1,102**	**+25.1**	
Net cash flow [2]	**659**	**1,264**	**+91.8**	

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."

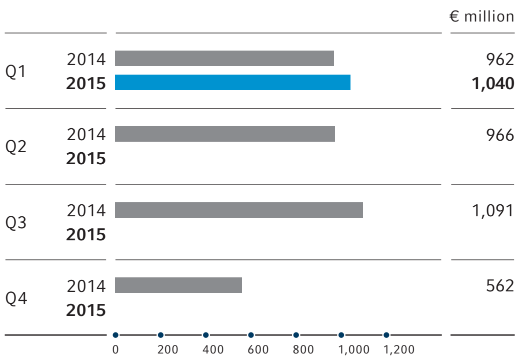
Sales of the **HealthCare** subgroup increased by 7.2% on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) to €5,742 million (reported: + 25.6%) in the first quarter of 2015. This growth was driven by the continuing strong development of our recently launched pharmaceutical products and a significant expansion of business in the Consumer Health segment. The considerable reported increase was chiefly attributable to sales of products acquired from Merck & Co., Inc., United States, and currency effects.

HealthCare Quarterly Sales [Graphic 7]

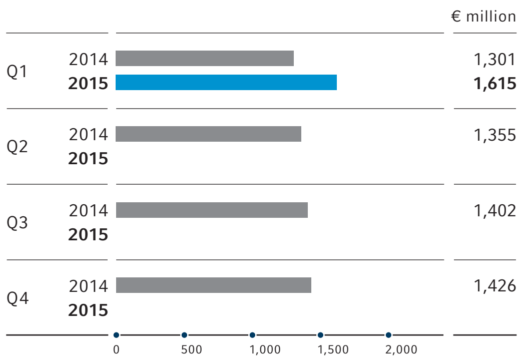


EBIT of the HealthCare subgroup rose by 8.1% in the first quarter of 2015 to €1,040 million, reflecting net special charges of €145 million (Q1 2014: special gains of €16 million). EBIT before special items improved considerably by 25.3% to €1,185 million (Q1 2014: €946 million). **EBITDA** before special items increased by a substantial 24.1% to €1,615 million (Q1 2014: €1,301 million). The improvement in earnings resulted mainly from the favorable development of business at Pharmaceuticals and Consumer Health, the contributions from the acquired businesses, and positive currency effects of about €50 million. Earnings were held back by higher selling expenses in both segments, which at Consumer Health were particularly due to the acquired consumer care businesses, and by an increase in research and development expenses at Pharmaceuticals.

HealthCare Quarterly EBIT [Graphic 8]



HealthCare Quarterly EBITDA Before Special Items [Graphic 9]



PHARMACEUTICALS

Key Data – Pharmaceuticals [Table 5]

	1st Quarter 2014	1st Quarter 2015	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**2,782**	**3,200**	**+15.0**	**+7.2**
	€ million	€ million	%	Fx adj. %
Sales by region				
Europe	1,035	1,131	+9.3	+10.1
North America	591	761	+28.8	+10.3
Asia / Pacific	801	915	+14.2	+1.5
Latin America / Africa / Middle East	355	393	+10.7	+6.5
EBIT	**641**	**691**	**+7.8**	
Special items	*16*	*(24)*		
EBIT before special items [1]	***625***	***715***	***+14.4***	
EBITDA[1]	**889**	**964**	**+8.4**	
Special items	*16*	*(24)*		
EBITDA before special items [1]	***873***	***988***	***+13.2***	
EBITDA margin before special items [1]	31.4%	30.9%		
Gross cash flow [2]	**574**	**690**	**+20.2**	
Net cash flow [2]	**447**	**752**	**+68.2**	

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 7.2% (Fx & portfolio adj.) to €3,200 million in the first quarter of 2015. The main contributing factor here was the persistently dynamic sales growth of our recently launched products. Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™ posted combined sales of €898 million (Q1 2014: €598 million). Our Pharmaceuticals business grew in all regions on a currency-adjusted basis. Development was particularly gratifying in North America and Europe.

Best-Selling Pharmaceuticals Products [Table 6]

	1st Quarter 2014	1st Quarter 2015	Change	
	€ million	€ million	%	Fx adj. %
Xarelto™	342	482	+40.9	+38.4
Kogenate™	270	261	−3.3	−9.8
Eylea™	157	253	+61.1	+55.1
Mirena™ product family	178	232	+30.3	+14.2
Betaferon™ / Betaseron™	190	208	+9.5	−1.0
Nexavar™	183	196	+7.1	−3.7
YAZ™ / Yasmin™ / Yasminelle™	181	181	0.0	−3.3
Adalat™	140	162	+15.7	+2.9
Aspirin™ Cardio	115	136	+18.3	+8.3
Glucobay™	102	130	+27.5	+8.3
Avalox™ / Avelox™	108	110	+1.9	−8.2
Stivarga™	54	71	+31.5	+14.0
Xofigo™	36	54	+50.0	+28.0
Levitra™	62	53	−14.5	−17.5
Cipro™ / Ciprobay™	47	41	−12.8	−18.9
Total	**2,165**	**2,570**	**+18.7**	**+9.8**
Proportion of Pharmaceuticals sales	78%	80%		

Fx adj. = currency-adjusted

Xarelto™ expanded its leading position among the new oral anticoagulants, particularly in Europe. Business with Xarelto™ also developed very positively in the United States, where it is marketed by a subsidiary of Johnson & Johnson. We again posted robust gains for our eye medicine Eylea™, particularly in Europe and Japan, where Eylea™ was approved in additional indications. Sales of the cancer drug Stivarga™ increased mainly in the United States. Further positive contributions to sales development came from the cancer drug Xofigo™ and from Adempas™, our innovative product to treat pulmonary hypertension (Adempas™ sales: €38 million; Q1 2014: €9 million).

Sales of the hormone-releasing intrauterine devices of the Mirena™ product family – Mirena™ and Jaydess™/Skyla™ – rose mainly as a result of higher volumes in the United States. Adalat™ for the treatment of hypertension and coronary heart disease, Aspirin™ Cardio for secondary prevention of heart attacks and our oral diabetes treatment Glucobay™ registered rising demand, especially in China.

Sales of our blood-clotting medicine Kogenate™ were below the prior-year level as a result of capacity shortages caused by the use of production capacities to develop the next-generation hemophilia medicines. Lower sales of our multiple sclerosis product Betaferon™/Betaseron™ in Europe, Japan and other geographies were nearly offset by gains in the United States. Sales of our cancer drug Nexavar™ declined overall, particularly in China and Japan. Receding sales of our YAZ™/Yasmin™/Yasminelle™ line of oral contraceptives resulted from lower demand in the United States and Europe, while business developed positively in the Emerging Markets. Despite higher volumes in China, sales of the antibiotic Avalox™/Avelox™ declined overall due mainly to the expiration of the patent in Europe and the United States.

EBIT in the **Pharmaceuticals** segment climbed by 7.8% in the first quarter of 2015 to €691 million, reflecting net special charges of €24 million (Q1 2014: special gains of €16 million). EBIT before special items rose by 14.4% to €715 million. **EBITDA** before special items improved by 13.2% to €988 million. This earnings growth was primarily attributable to the good development of business, particularly for our recently launched products, and to positive currency effects of about €30 million. Earnings were diminished as expected by increased investment in research and development and higher selling expenses.

CONSUMER HEALTH

Key Data – Consumer Health [Table 7]

	1st Quarter 2014	1st Quarter 2015	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales	**1,790**	**2,542**	**+42.0**	**+7.2**
Consumer Care	923	1,556	+68.6	+8.3
Medical Care	537	600	+11.7	+6.0
Animal Health	330	386	+17.0	+6.1
				Fx adj.
	€ million	€ million	%	%
Sales by region				
Europe	722	793	+9.8	+13.7
North America	541	1,036	+91.5	+70.2
Asia / Pacific	269	368	+36.8	+23.0
Latin America / Africa / Middle East	258	345	+33.7	+27.5
EBIT	**321**	**349**	**+8.7**	
Special items	*0*	*(121)*		
EBIT before special items[1]	***321***	***470***	***+46.4***	
EBITDA[1]	**428**	**528**	**+23.4**	
Special items	*0*	*(99)*		
EBITDA before special items[1]	***428***	***627***	***+46.5***	
EBITDA margin before special items[1]	23.9%	24.7%		
Gross cash flow[2]	**307**	**412**	**+34.2**	
Net cash flow[2]	**212**	**512**	**+141.5**	

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 7.2% (Fx & portfolio adj.) to €2,542 million in the first quarter of 2015. All divisions contributed to this positive development. Overall, we considerably increased sales in our Consumer Care Division thanks to the acquired products. The acquisitions also contributed to the robust growth in the Emerging Markets.

Best-Selling Consumer Health Products [Table 8]

	1st Quarter 2014	1st Quarter 2015	Change	
				Fx adj.
	€ million	€ million	%	%
Contour™ product family (Medical Care)[1]	170	209	+22.9	+14.5
Claritin™ (Consumer Care)[2]	–	202	.	.
Advantage™ product family (Animal Health)	130	144	+10.8	−1.3
Aspirin™ (Consumer Care)	102	120	+17.6	+8.9
Aleve™ (Consumer Care)	74	95	+28.4	+8.8
Bepanthen™ / Bepanthol™ (Consumer Care)	86	94	+9.3	+14.1
Coppertone™ (Consumer Care)[2]	–	83	.	.
Ultravist™ (Medical Care)	69	73	+5.8	−0.7
Gadovist™ / Gadavist™ (Medical Care)	53	69	+30.2	+21.5
Canesten™ (Consumer Care)	60	64	+6.7	+2.2
Total	**744**	**1,153**	**+55.0**	**+40.5**
Proportion of Consumer Health sales	42%	45%		

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 18.0% (Fx adj. 8.6%) in Q1 2015 to €256 million (Q1 2014: €217 million).
[1] 2014 figures restated. Figures for the Contour™ product family include sales of the Contour™, Contour™ TS, Contour™ Next and Contour™ Plus systems.
[2] product acquired from Merck & Co., Inc.

Sales of the **Consumer Care** Division rose by 8.3% (Fx & portfolio adj.) to €1,556 million. Our analgesic Aspirin™ registered pleasing sales gains especially in Europe, due partly to a strong cold season. We achieved higher volumes for our analgesic Aleve™ due to a product line expansion in the United States. Our Bepanthen™/Bepanthol™ line of skincare products developed positively, especially in the Emerging Markets.

Sales of the products acquired from Merck & Co., Inc., United States, totaled €495 million in the first quarter of 2015 and were in line with our expectations.

Sales of the **Medical Care** Division improved by 6.0% (Fx & portfolio adj.) to €600 million. This growth was mainly driven by the positive development of the Diabetes Care business, which was primarily due to a stabilized market environment in the United States. Sales of our Contour™ family of blood glucose meters rose substantially, with contributions from all regions. Our Radiology business with contrast agents and medical devices also grew, particularly in the United States. Our MRI contrast agent Gadovist™/Gadavist™ made an encouraging contribution to this development following its approval in further indications.

Sales in the **Animal Health** Division moved forward by 6.1% (Fx & portfolio adj.) to €386 million. This improvement was driven in particular by considerable sales growth for our Seresto™ flea and tick collar, especially in Europe and the United States. Sales of the Advantage™ product family of flea, tick and worm control products were down slightly against the strong prior-year quarter.

EBIT of the **Consumer Health** segment improved by 8.7% in the first quarter of 2015, to €349 million, after special charges of €121 million (Q1 2014: €0 million). The special items included charges of €89 million for the integration of acquired businesses and €32 million for efficiency improvement measures. EBIT before special items climbed by a substantial 46.4% to €470 million. **EBITDA** before special items increased by 46.5% to €627 million (Q1 2014: €428 million). The gratifying earnings contribution from the expansion of sales in all divisions – particularly Consumer Care – and positive currency effects of around €20 million were partly offset by higher selling expenses that largely resulted from the acquired consumer care businesses.

5.2 CropScience

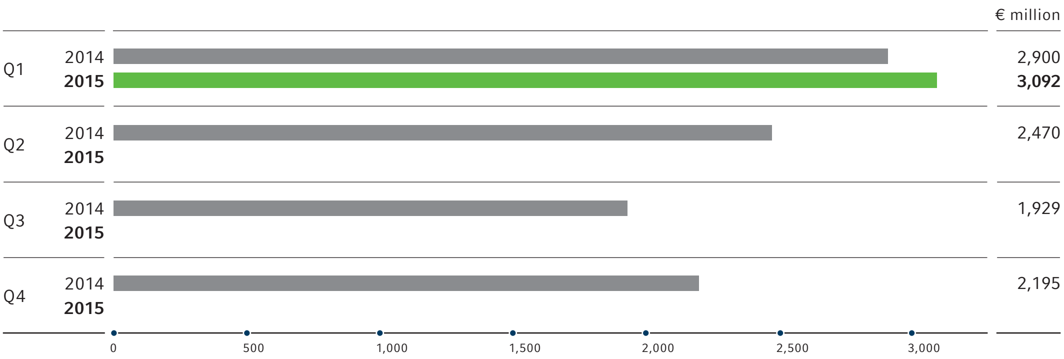
Key Data – CropScience [Table 9]

	1st Quarter 2014	1st Quarter 2015	Change	
				Fx & p adj.
	€ million	€ million	%	%
Sales	**2,900**	**3,092**	**+6.6**	**+1.0**
Change in sales				
Volume	+10.2%	−2.2%		
Price	+1.6%	+3.2%		
Currency	−7.0%	+5.1%		
Portfolio	+0.1%	+0.5%		
Sales				
Crop Protection/Seeds	2,734	2,889	+5.7	+0.8
Environmental Science	166	203	+22.3	+4.2
	€ million	€ million	%	Fx adj. %
Sales by region				
Europe	1,239	1,378	+11.2	+16.9
North America	954	943	−1.2	−15.1
Asia/Pacific	329	360	+9.4	−4.3
Latin America/Africa/Middle East	378	411	+8.7	−3.2
EBIT	**988**	**874**	**−11.5**	
Special items	*0*	*(47)*		
EBIT before special items [1]	***988***	***921***	***−6.8***	
EBITDA[1]	**1,098**	**998**	**−9.1**	
Special items	*0*	*(42)*		
EBITDA before special items [1]	***1,098***	***1,040***	***−5.3***	
EBITDA margin before special items [1]	37.9%	33.6%		
Gross cash flow [2]	**770**	**705**	**−8.4**	
Net cash flow [2]	**(722)**	**(823)**	**−14.0**	

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 increased by a currency- and portfolio-adjusted 1.0% (reported: +6.6%) in the first quarter of 2015 to €3,092 million. Crop Protection/Seeds improved slightly against the strong prior-year level despite a weakened market environment, particularly in North and South America. Environmental Science raised sales against the prior-year period.

CropScience Quarterly Sales [Graphic 10]



Sales of **Crop Protection/Seeds** rose in the first quarter of 2015 by 0.8% (Fx & portfolio adj.) to €2,889 million. Our Fungicides business posted double-digit growth. Sales of our products for use in cereals developed particularly well. We achieved positive development in Seeds, particularly for oilseed rape/canola and soybeans. By contrast, sales were down at SeedGrowth, Insecticides and Herbicides compared with the strong prior-year quarter.

Sales of **Environmental Science** advanced by 4.2% (Fx & portfolio adj.) to €203 million. Both the consumer business and products for professional users developed positively.

Sales by Business Unit [Table 10]

	1st Quarter 2014	1st Quarter 2015	Change	
	€ million	€ million	%	Fx & p adj. %
Herbicides	965	906	− 6.1	− 8.5
Fungicides	662	830	+ 25.4	+ 22.4
Insecticides	352	335	− 4.8	− 12.5
SeedGrowth	252	221	− 12.3	− 16.7
Crop Protection	2,231	2,292	+ 2.7	− 0.9
Seeds	503	597	+ 18.7	+ 8.2
Crop Protection/Seeds	**2,734**	**2,889**	**+ 5.7**	**+ 0.8**
Environmental Science	**166**	**203**	**+ 22.3**	**+ 4.2**

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

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

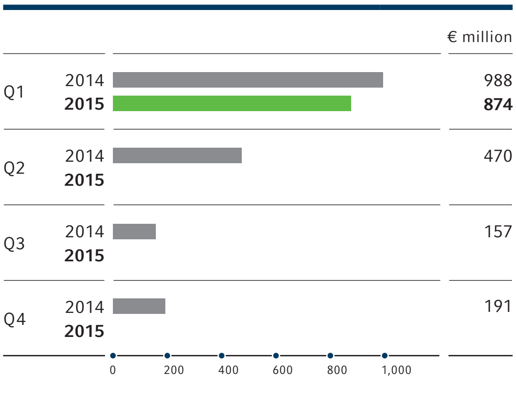
Sales in **Europe** came in substantially ahead of the prior-year period (Fx adj. + 16.9%), at €1,378 million. Herbicides and Fungicides registered strong, double-digit growth. Sales at Insecticides were down against a strong prior-year quarter. Seeds and Environmental Science posted significant gains.

Sales in **North America** came in at €943 million in the first quarter of 2015, down 15.1% on a currency-adjusted basis. Sharp declines in sales at Herbicides, particularly for products used in cotton or corn, and at SeedGrowth were only partially offset by the pleasing increase at Insecticides and the successful expansion of our Seeds business, particularly for oilseed rape/canola, cotton and soybean seed. Environmental Science developed favorably as a whole. There was an overall sales decline in the United States, while business in Canada was on a par with the prior-year period.

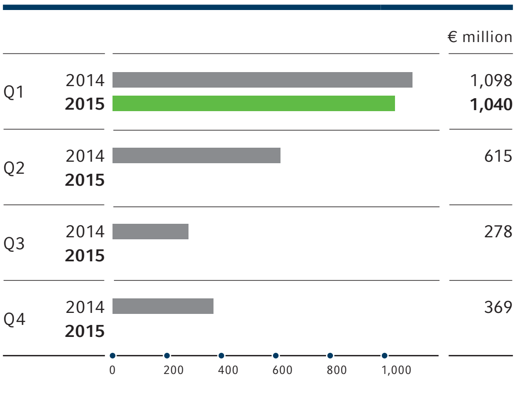
Sales in the **Asia / Pacific** region receded by 4.3% (Fx adj.) to €360 million. This development was largely attributable to a decline in business in the Herbicides and Insecticides units. Environmental Science also registered a decline in sales. By contrast, business at SeedGrowth and Seeds expanded.

Sales in the **Latin America / Africa / Middle East** region receded by 3.2% (Fx adj.) to €411 million. The lower sales at Crop Protection / Seeds largely resulted from a decline in the Insecticides unit, particularly in Brazil, where sales were weakened by lower pest pressure. Herbicides sales and those of cotton seed were also down. The substantial growth of the Fungicides business and higher sales of vegetable seed were not sufficient to offset this trend. We achieved a double-digit growth rate at Environmental Science.

CropScience
Quarterly EBIT [Graphic 11]



CropScience
Quarterly EBITDA Before Special Items [Graphic 12]



EBIT of **CropScience** receded by 11.5% in the first quarter of 2015, to €874 million. This figure reflected special charges of €47 million (Q1 2014: €0 million) that resulted mainly from the consolidation of production sites. EBIT before special items declined by 6.8% to €921 million. **EBITDA** before special items came in 5.3% below the strong prior-year quarter at €1,040 million (Q1 2014: €1,098 million). Contributing to this decrease was a negative currency effect of about €40 million. While higher selling prices had a positive effect, volumes were lower and selling expenses increased.

5.3 MaterialScience

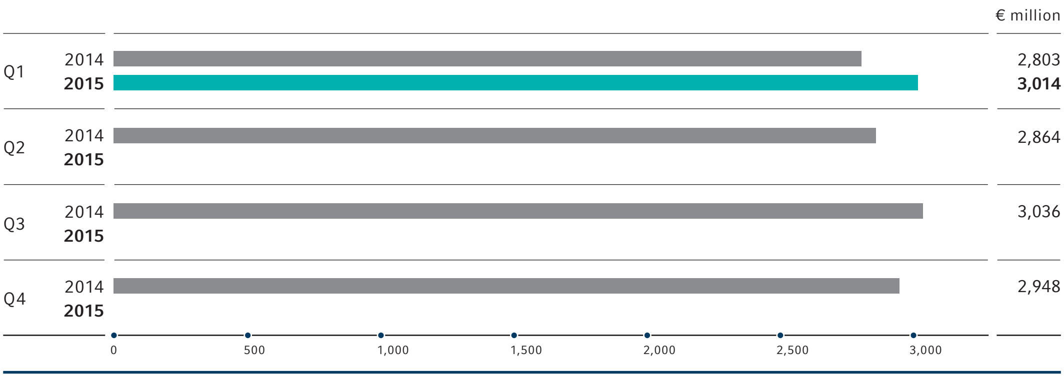
Key Data – MaterialScience [Table 11]

	1st Quarter 2014	1st Quarter 2015	Change	
	€ million	€ million	%	Fx & p adj. %
Sales	**2,803**	**3,014**	**+7.5**	**−2.1**
Change in sales				
Volume	+7.6%	+2.3%		
Price	−2.8%	−4.4%		
Currency	−3.2%	+9.6%		
Portfolio	−0.6%	0.0%		
Sales				
Polyurethanes	1,510	1,551	+2.7	−6.6
Polycarbonates	659	764	+15.9	+3.9
Coatings, Adhesives, Specialties	469	534	+13.9	+4.9
Industrial Operations	165	165	0.0	−4.2
	€ million	€ million	%	Fx adj. %
Sales by region				
Europe	1,141	1,093	−4.2	−4.0
North America	596	718	+20.5	−0.7
Asia / Pacific	736	856	+16.3	−1.6
Latin America / Africa / Middle East	330	347	+5.2	+0.9
EBIT	**219**	**219**	**0.0**	
Special items	*(2)*	*(42)*		
EBIT before special items [1]	***221***	***261***	***+18.1***	
EBITDA[1]	**364**	**403**	**+10.7**	
Special items	*(2)*	*(21)*		
EBITDA before special items [1]	***366***	***424***	***+15.8***	
EBITDA margin before special items [1]	13.1%	14.1%		
Gross cash flow [2]	**285**	**312**	**+9.5**	
Net cash flow [2]	**(44)**	**163**	**.**	

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."

In the **MaterialScience** subgroup, **sales** in the first quarter of 2015 fell as expected. The decline of 2.1% (Fx & portfolio adj.) to €3,014 million (reported: +7.5%) was attributable to lower selling prices for Polyurethanes and Polycarbonates. Raw material prices were down sharply in both these business units. Volumes rose overall. This development was evident in the Europe, Asia / Pacific and North America regions, where we registered lower price levels and an increase in volumes. In the Latin America / Africa / Middle East region, on the other hand, both selling prices and volumes were level year on year.

MaterialScience Quarterly Sales [Graphic 13]



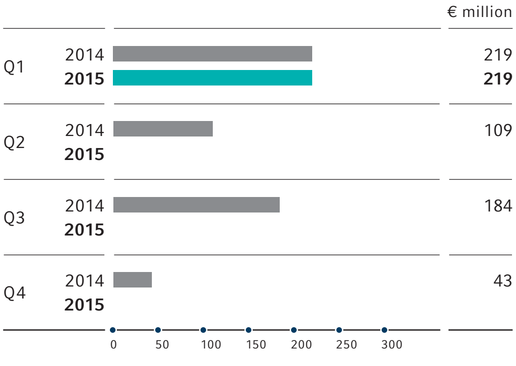
The **Polyurethanes** business unit saw sales fall by 6.6% (Fx & portfolio adj.) to €1,551 million. This decline resulted from lower selling prices. Volumes remained at the level of the prior-year quarter overall. Both selling prices and volumes were down for diphenylmethane diisocyanate (MDI). Volumes of polyether (PET) and toluene diisocyanate (TDI) improved, while selling prices receded.

The **Polycarbonates** business unit raised sales by 3.9% (Fx & portfolio adj.) to €764 million. This growth was the result of higher volumes in all regions except Latin America/Africa/Middle East. This resulted particularly from greater demand in the automotive industry. Selling prices were down overall compared with the prior-year period.

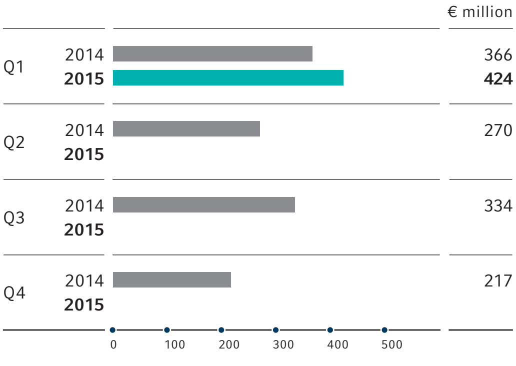
Sales in the **Coatings, Adhesives, Specialties** business unit moved forward by 4.9% (Fx & portfolio adj.) to €534 million. This increase resulted mainly from higher volumes in Asia/Pacific and North America. Selling prices were level with the prior-year quarter.

Sales of **Industrial Operations** receded by 4.2% (Fx & portfolio adj.) to €165 million due to a drop in volumes. On the other hand, selling prices were up slightly year on year.

MaterialScience Quarterly EBIT [Graphic 14]



MaterialScience Quarterly EBITDA Before Special Items [Graphic 15]



EBIT of **MaterialScience** in the first quarter of 2015 was level year on year at €219 million. Reflected here were net special charges of €42 million (Q1 2014: €2 million) for restructuring measures, mainly attributable to the consolidation of production sites. EBIT before special items climbed by 18.1% to €261 million. **EBITDA** before special items improved by 15.8% to €424 million (Q1 2014: €366 million). This increase resulted mostly from significantly lower raw material prices that more than offset the decline in selling prices. Earnings were additionally buoyed by positive currency effects of approximately €50 million.

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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			
	1st Quarter 2014	1st Quarter 2015			1st Quarter 2014	1st Quarter 2015			1st Quarter 2014	1st Quarter 2015			1st Quarter 2014	1st Quarter 2015			1st Quarter 2014	1st Quarter 2015		
	€ million	€ million	%	Fx. adj. %	€ million	€ million	%	Fx. adj. %	€ million	€ million	%	Fx .adj. %	€ million	€ million	%	Fx. adj. %	€ million	€ million	%	Fx. adj. %
HealthCare	**1,757**	**1,924**	**+9.5**	**+11.6**	**1,132**	**1,797**	**+58.7**	**+39.0**	**1,070**	**1,283**	**+19.9**	**+6.9**	**613**	**738**	**+20.4**	**+15.3**	**4,572**	**5,742**	**+25.6**	**+17.8**
Pharmaceuticals	1,035	1,131	+9.3	+10.1	591	761	+28.8	+10.3	801	915	+14.2	+1.5	355	393	+10.7	+6.5	2,782	3,200	+15.0	+7.2
Consumer Health	722	793	+9.8	+13.7	541	1,036	+91.5	+70.2	269	368	+36.8	+23.0	258	345	+33.7	+27.5	1,790	2,542	+42.0	+34.1
CropScience	**1,239**	**1,378**	**+11.2**	**+16.9**	**954**	**943**	**−1.2**	**−15.1**	**329**	**360**	**+9.4**	**−4.3**	**378**	**411**	**+8.7**	**−3.2**	**2,900**	**3,092**	**+6.6**	**+1.5**
MaterialScience	**1,141**	**1,093**	**−4.2**	**−4.0**	**596**	**718**	**+20.5**	**−0.7**	**736**	**856**	**+16.3**	**−1.6**	**330**	**347**	**+5.2**	**+0.9**	**2,803**	**3,014**	**+7.5**	**−2.1**
Group (incl. reconciliation)	**4,400**	**4,643**	**+5.5**	**+8.0**	**2,684**	**3,460**	**+28.9**	**+10.9**	**2,140**	**2,503**	**+17.0**	**+2.1**	**1,331**	**1,511**	**+13.5**	**+6.7**	**10,555**	**12,117**	**+14.8**	**+7.4**

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 – comprise 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 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 24.2% in the first quarter of 2015 to €806 million (Q1 2014: €649 million), comprising €427 million (Q1 2014: €348 million) in amortization and impairments of intangible assets and €379 million (Q1 2014: €301 million) in depreciation and impairments of property, plant and equipment. The impairments are reflected net of a €9 million (Q1 2014: €0 million) impairment loss reversal. Impairments totaled €57 million (Q1 2014: €4 million), of which €48 million (Q1 2014: €0 million) was included in special items.

Special Items Reconciliation [Table 13]

	EBIT[1] 1st Quarter 2014	EBIT[1] 1st Quarter 2015	EBITDA[2] 1st Quarter 2014	EBITDA[2] 1st Quarter 2015
	€ million	€ million	€ million	€ million
Before special items	**2,089**	**2,242**	**2,738**	**3,000**
HealthCare	**16**	**(145)**	**16**	**(123)**
Restructuring	–	(41)	–	(19)
Litigations	–	(13)	–	(13)
Integration costs	(19)	(91)	(19)	(91)
Settlement of pre-existing relationship	35	–	35	–
CropScience	**–**	**(47)**	**–**	**(42)**
Litigations	–	(1)	–	(1)
Divestitures	–	(46)	–	(41)
MaterialScience	**(2)**	**(42)**	**(2)**	**(21)**
Restructuring	(2)	(42)	(2)	(21)
Reconciliation	**(7)**	**(10)**	**(7)**	**(10)**
Restructuring	(7)	(10)	(7)	(10)
Total special items	**7**	**(244)**	**7**	**(196)**
of which cost of goods sold	–	(186)	–	(143)
of which selling expenses	(4)	(26)	(4)	(21)
of which research and development expenses	–	(2)	–	(2)
of which general administration expenses	(10)	(20)	(10)	(20)
of which other operating income/expenses	21	(10)	21	(10)
After special items	**2,096**	**1,998**	**2,745**	**2,804**

[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 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, and 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 first quarter of 2015 rose by 7.7% to €2.10 (Q1 2014: €1.95).

Core Earnings per Share [Table 14]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
EBIT (as per income statements)	**2,096**	**1,998**
Amortization and impairment losses/loss reversals on intangible assets	348	427
Impairment losses/loss reversals on property, plant and equipment	–	36
Special items (other than amortization and impairment losses/loss reversals)	(7)	196
Core EBIT	**2,437**	**2,657**
Financial result (as per income statements)	(159)	(274)
Special items in the financial result	(44)	(3)
Income taxes (as per income statements)	(512)	(415)
Tax effects related to amortization, impairment losses/loss reversals and special items	(107)	(222)
Income after income taxes attributable to non-controlling interest (as per income statements)	(2)	(6)
Core net income	**1,613**	**1,737**
	Shares	Shares
Number of issued ordinary shares	**826,947,808**	**826,947,808**
Core earnings per share (€)	**1.95**	**2.10**

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

8. Financial Position of the Bayer Group

Bayer Group Summary Statements of Cash Flows [Table 15]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
Gross cash flow[1]	**2,048**	**2,060**
Changes in working capital/other non-cash items	(1,885)	(1,336)
Net cash provided by (used in) operating activities (net cash flow)	**163**	**724**
Net cash provided by (used in) investing activities	**(2,180)**	**(596)**
Net cash provided by (used in) financing activities	**3,019**	**(410)**
Change in cash and cash equivalents due to business activities	**1,002**	**(282)**
Cash and cash equivalents at beginning of period	**1,662**	**1,853**
Change due to exchange rate movements and to changes in scope of consolidation	(33)	36
Cash and cash equivalents at end of period	**2,631**	**1,607**

[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 in the first quarter of 2015 was level year on year at €2,060 million. Net cash flow rose sharply to €724 million due to a reduction in cash tied up in working capital. Net cash flow reflected income tax payments of €444 million (Q1 2014: €375 million).

INVESTING CASH FLOW

Net cash outflow for investing activities in the first quarter of 2015 amounted to €596 million. Disbursements for property, plant and equipment and intangible assets were 3.4% lower at €345 million (Q1 2014: €357 million). Of this amount, HealthCare accounted for €110 million (Q1 2014: €101 million), CropScience for €96 million (Q1 2014: €115 million) and MaterialScience for €89 million (Q1 2014: €98 million). The €33 million (Q1 2014: €1,857 million) in outflows for acquisitions related mainly to the purchase of Thermoplast Composite GmbH. The cash outflow for noncurrent and current financial assets amounted to €254 million (Q1 2014: cash inflow of €2 million).

FINANCING CASH FLOW

In the first quarter of 2015, there was a net cash outflow of €410 million for financing activities, including net loan repayments of €323 million (Q1 2014: net borrowings of €3,078 million). Net interest payments were 41.4% higher at €82 million (Q1 2014: €58 million).

LIQUID ASSETS AND NET FINANCIAL DEBT

Net Financial Debt [Table 16]

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

[1] classified as debt according to IFRS

Net financial debt of the Bayer Group increased by 8.6%, from €19.6 billion on December 31, 2014, to €21.3 billion on March 31, 2015, mainly as a result of negative currency effects arising from the financing of the acquisition of the consumer care business of Merck & Co., Inc. in U.S. dollars.

Financial debt included three subordinated hybrid bonds reflected at a total of €4.5 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 issued in July 2014 with nominal volumes of €1.75 billion and €1.5 billion, respectively, 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 March 31, 2015 included commercial paper totaling €1.4 billion. Our noncurrent financial liabilities declined in the first quarter of 2015 from €18.5 billion to €16.9 billion. At the same time, current financial liabilities increased from €3.4 billion to €6.5 billion. We have decided to early redeem the hybrid bond with a nominal volume of €1.3 billion issued in July 2005. This bond is therefore no longer reflected in noncurrent liabilities but in current liabilities instead.

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 A-2 (Standard & Poor's) and P-2 (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
	€ million	€ million
Noncurrent assets	48,007	51,689
Current assets	22,227	24,951
Total assets	**70,234**	**76,640**
Equity	**20,218**	**21,863**
Noncurrent liabilities	34,513	34,514
Current liabilities	15,503	20,263
Liabilities	**50,016**	**54,777**
Total equity and liabilities	**70,234**	**76,640**

Total assets rose by €6.4 billion against December 31, 2014 to €76.6 billion. Noncurrent assets increased by €3.7 billion to €51.7 billion, largely due to currency effects. Total current assets rose by €2.7 billion to €25.0 billion due to a mainly operational €2.4 billion increase in trade accounts receivable.

Equity increased by €1.6 billion to €21.9 billion, lifted by income after income taxes of €1.3 billion and currency effects of €1.3 billion but diminished by the €0.8 billion increase – recognized outside profit or loss – in post-employment benefit obligations and changes of €0.2 billion in the cash flow hedges. The equity ratio (equity coverage of total assets) as of March 31, 2015 was 28.5% (December 31, 2014: 28.8%).

Liabilities rose by €4.8 billion in the first quarter of 2015 to €54.8 billion. Provisions for pensions and other post-employment benefits increased by €1.4 billion, while other provisions rose by €1.3 billion. The €1.6 billion increase in financial liabilities was largely the result of currency effects amounting to €1.2 billion.

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

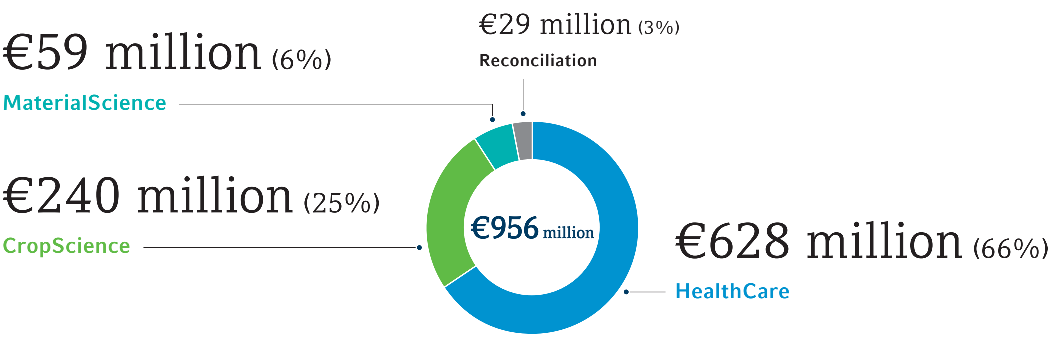
	Dec. 31, 2014	March 31, 2015
	€ million	€ million
Provisions for pensions and other post-employment benefits	12,236	13,594
Net defined benefit asset	(41)	(41)
Net defined benefit liability for post-employment benefits	**12,195**	**13,553**

The net defined benefit liability for post-employment benefits rose in the first quarter of 2015 from €12.2 billion to €13.6 billion, mainly due to a decline in long-term capital market interest rates.

9. Growth and Innovation

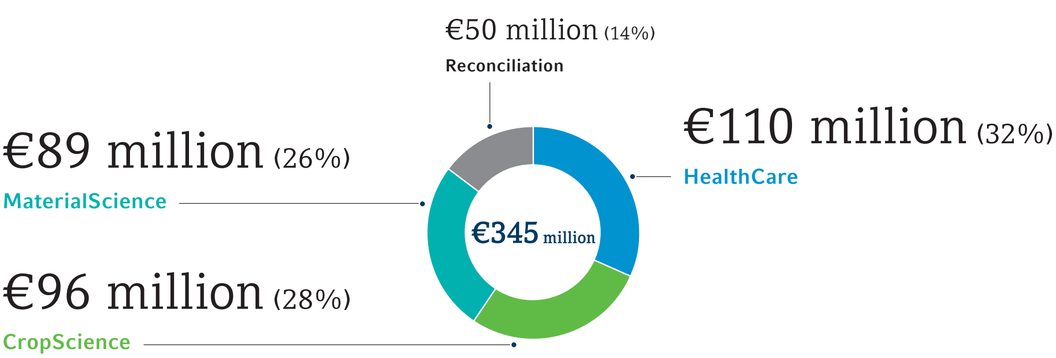
Our expenses for research and development rose by 11.0% (Fx adj.) in the first quarter of 2015 to €956 million (Q1 2014: €820 million). Capital expenditures for property, plant and equipment and intangible assets amounted to €345 million (Q1 2014: €357 million).

Research and Development Expenses in the 1st Quarter of 2015 [Graphic 16]



Subgroup shares in parentheses

Capital Expenditures in the 1st Quarter of 2015 [Graphic 17]

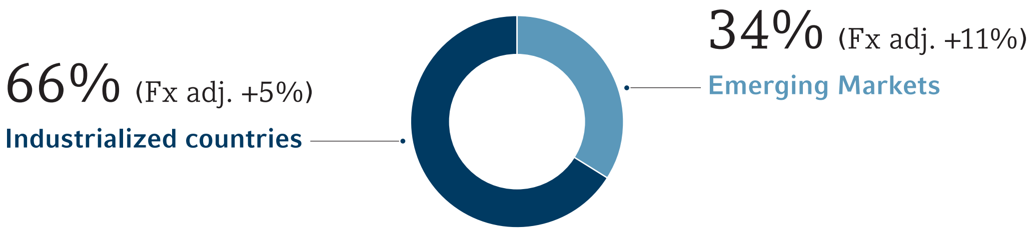


Subgroup shares in parentheses

The Emerging Markets once again accounted for a disproportionate share of currency-adjusted sales growth in the first quarter 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 11.4% (Fx adj.) in the first quarter of 2015 to €4,168 million (Q1 2014: €3,538 million). All regions contributed to this development. The Emerging Markets' share of total sales was slightly higher than in the previous year at 34.4% (Q1 2014: 33.5%).

Sales Development in the 1st Quarter of 2015 [Graphic 18]



currency-adjusted changes in parentheses

9.1 HealthCare

RESEARCH AND DEVELOPMENT

Expenses for research and development at HealthCare rose by 14.7% (Fx adj.) in the first quarter of 2015 to €628 million (Q1 2014: €530 million). We made further progress with our research and development pipeline.

The most important drug candidates in the approval process are:

Products Submitted for Approval[1] [Table 19]

	Indication
Aflibercept	Japan; treatment of macular edema secondary to branch retinal vein occlusion (BRVO)
Aflibercept	E.U., treatment of myopic choroidal neovascularization (mCNV)
Bay 81-8973	E.U., U.S.A.; 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 April 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]

	Indication	Status
Amikacin Inhale	Treatment of pulmonary infection	Phase III
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Treatment of hemophilia A	Phase III
Ciprofloxacin DPI	Treatment of pulmonary infection	Phase III
Copanlisib (PI3K inhibitor)	Treatment of 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)	Treatment of prostate cancer	Phase III
Radium-223 dichloride	Combination treatment of castration-resistant prostate cancer	Phase III
Regorafenib	Treatment of 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
Sorafenib	Treatment of kidney cancer, adjuvant therapy	Phase III
Tedizolid	Treatment of pulmonary infection[3]	Phase III
Anetumab ravtansine (Mesothelin ADC)	Cancer therapy	Phase II
BAY 1067197 (partial adenosine A1 agonist)	Heart failure	Phase II
BAY 98-7196 (intravaginal ring)	Endometriosis	Phase II
Copanlisib (PI3K inhibitor)	Treatment of recurrent/resistant non-Hodgkin's lymphoma	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	Treatment of bone metastases in cancer	Phase II
Refametinib (MEK inhibitor)	Cancer therapy	Phase II
Regorafenib	Cancer therapy	Phase II
Regorafenib (ophthalmology)	Treatment of wet age-related macular degeneration (AMD)	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)	Treatment of small-cell lung cancer (SCLC)	Phase II
Sorafenib	Cancer therapy	Phase II
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure	Phase II
Vilaprisan (S-PRM)	Treatment of uterine fibroids	Phase II
Vilaprisan (S-PRM)	Endometriosis	Phase II

[1] as of April 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.

In February 2015, **Adempas™** (active ingredient: riociguat) received marketing authorization from the Japanese Ministry of Health, Labor and Welfare (MHLW) for treatment of patients with pulmonary arterial hypertension (PAH). Following its approval in Japan in January 2014 for the treatment of inoperable chronic thromboembolic pulmonary hypertension (CTEPH) or persistent or recurrent CTEPH after surgery, Adempas™ is now the first drug approved in Japan to treat two forms of pulmonary hypertension. The development and commercialization of riociguat is part of the global strategic pharmaceutical collaboration with Merck & Co., Inc., United States, in the field of soluble guanylate cyclase (sGC) modulation.

In February 2015, the European Commission extended marketing authorization for **Eylea™** (active ingredient: aflibercept for injection into the eye) to include the treatment of patients with visual impairment due to macular edema secondary to branch retinal vein occlusion (BRVO). Together with the indication approved some time ago for central retinal vein occlusion (CRVO), Eylea™ can now be used in Europe by all patients with visual impairment due to macular edema resulting from retinal vein occlusion (RVO). Furthermore, in March 2015 we submitted an application to the European Medicines Agency (EMA) for marketing authorization of aflibercept for the treatment of myopic choroidal neovascularization (mCNV).

In March 2015, we suspended enrollment in a Phase III trial with regorafenib (trade name: **Stivarga™**) due to insufficient patient recruitment. Due to the low number of trial participants, it will not be possible to assess the study endpoints. The trial is investigating regorafenib as an adjuvant treatment option for colorectal cancer following resection of liver metastases with curative intent.

In April 2015, we announced the expansion of our global clinical development program for researching the cancer drug **copanlisib**. Various therapeutic options for different forms of non-Hodgkin's lymphoma (NHL) are to be investigated in two Phase III trials and a Phase II trial. The new trials are provisionally scheduled to begin recruiting patients in mid-2015 and investigating the safety and effectiveness of copanlisib in patients with recurring indolent NHL and diffuse large B-cell lymphomas (DLBCL), an aggressive subtype of NHL.

In January 2015, **Gadovist™** (active ingredient: gadobutrol) was approved in the United States as the first contrast agent in magnetic resonance imaging (MRI) for use in children under two years of age. In March 2015, we received approval in Japan for Gadovist™ injection for use with MRI. Gadovist™ is thus the first high concentration/high relaxivity gadolinium-based contrast agent to be made available in Japan.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In March 2015, we expanded our partnership with the Broad Institute at the Massachusetts Institute of Technology (MIT) and Harvard University to include collaboration on cardiovascular genomics and drug discovery.

EMERGING MARKETS

HealthCare raised sales in the Emerging Markets by 17.4% in the first quarter of 2015 to €1,823 million (Q1 2014: €1,479 million). The largest increase in absolute terms was recorded in China. In addition to the positive development of our pharmaceutical products, we especially benefited from the acquired consumer care businesses. We lifted sales in both segments in Russia as well. Business in Latin America developed positively, primarily in the Consumer Care Division. The Emerging Markets accounted for 31.7% (Q1 2014: 32.3%) of total HealthCare sales.

9.2 CropScience

RESEARCH AND DEVELOPMENT

Expenses for research and development at CropScience rose by 4.2% (Fx adj.) in the first quarter of 2015 to €240 million (Q1 2014: €214 million).

In January 2015, CropScience received regulatory approval for the new insecticide **Sivanto™** from the U.S. Environmental Protection Agency (EPA). It controls sucking pests on fruits and vegetables as well as most broad-acre crops and will be available for the 2015 growing season. Based on the active ingredient flupyradifurone, Sivanto™ is a novel systemic insecticide with effective action against all development stages of sucking insects.

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In February 2015, representatives of Bayer CropScience and GLOBALG.A.P. signed an agreement to further intensify their collaboration. The partners aim to implement sustainable growing methods and help fruit and vegetable growers worldwide to meet GLOBALG.A.P. certification standards.

EMERGING MARKETS

CropScience raised sales in the Emerging Markets by 15.3% (Fx adj.) in the first quarter of 2015 to €1,038 million (Q1 2014: €898 million), with the strongest gains being recorded in Eastern Europe. Sales in Africa and the Middle East also posted double-digit growth. Asia likewise developed favorably. Sales in Latin America declined against the strong prior-year quarter, especially in Brazil. The Emerging Markets accounted for 33.6% (Q1 2014: 31.0%) of total CropScience sales.

9.3 MaterialScience

RESEARCH AND DEVELOPMENT

Expenses for research and development at MaterialScience decreased by 11.7% (Fx adj.) in the first quarter of 2015 to €59 million (Q1 2014: €60 million). This investment went mainly to explore new areas of application and improve process technologies and products. MaterialScience also invested an additional €21 million in joint development projects with customers in the first quarter of 2015 (Q1 2014: €18 million).

CAPITAL EXPENDITURES, ACQUISITIONS AND COOPERATIONS

In March 2015, we acquired Thermoplast Composite GmbH (TCG), Germany, a technology leader specializing in the production of thermoplastic fiber composites. MaterialScience will use the acquisition to expand the range of polycarbonate materials for major industries – such as the IT and automotive sectors – to include composites made from continuous fiber-reinforced thermoplastics. These composites represent a new class of particularly thin and lightweight materials with properties that are superior in many respects to existing solutions based on aluminum, for example.

EMERGING MARKETS

In the Emerging Markets, MaterialScience had sales of €1,288 million in the first quarter of 2015 (Fx adj.: +0.4%; Q1 2014: €1,146 million). The strongest currency-adjusted growth was recorded in Eastern Europe. Business also expanded in Latin America. Sales in Africa, the Middle East and Asia were slightly down against the prior-year period. The Emerging Markets' share of total MaterialScience sales in the first quarter of 2015 was 42.7% (Q1 2014: 40.9%).

10. Employees

On March 31, 2015, the Bayer Group employed 119,478 people worldwide (December 31, 2014: 118,888). The workforce thus grew by 590 (+0.5%).

HealthCare employed 60,607 people (December 31, 2014: 60,716). The number of employees at CropScience increased to 23,662 (December 31, 2014: 23,060). There was an increase at MaterialScience to 14,594 employees (December 31, 2014: 14,122). The remaining 20,615 (December 31, 2014: 20,990) employees mainly worked for the service companies. Due to the planned separation of MaterialScience, 350 employees from the service companies were transferred to the subgroup in the first quarter of 2015.

Personnel expenses rose by 20.7% (Fx adj. 12.8%) year on year to €2,924 million (Q1 2014: €2,423 million), partly due to portfolio changes.

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 currently 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.

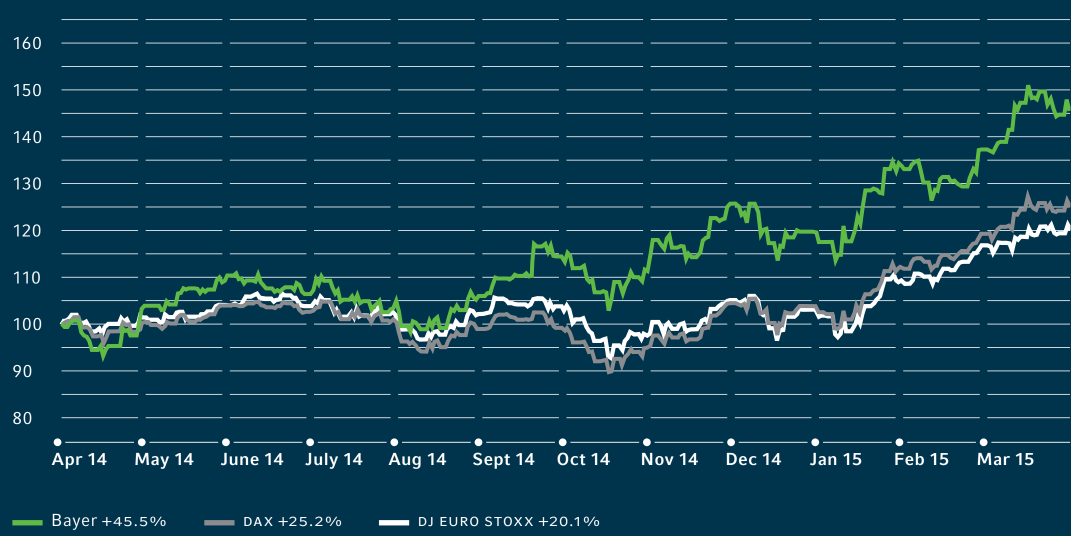
12. Events After the End of the Reporting Period

After the end of the reporting period – on April 2, 2015 – Bayer AG issued a hybrid bond with a nominal volume of €1.3 billion.

Investor Information

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

indexed; 100 = Xetra closing price on March 31, 2014 (source: Bloomberg)



Bayer stock developed very positively in the first quarter of 2015 and outperformed the relevant benchmark indices. After reaching an all-time high of €145.25 in mid-March, it closed the month at €139.95 for a gain of 23.8% on the quarter.

The DAX rose by 22.0% over the same period to 11,966 points. The EURO STOXX 50 (performance index) rose by 17.8%, closing the first quarter of 2015 at 6,894 points.

Bayer Stock Data [Table 21]

		1st Quarter 2014	1st Quarter 2015	Year 2014	
High for the period	€	104.05	145.25	120.95	
Low for the period	€	93.12	109.20	91.51	
Average daily trading volume	million shares	2.1	2.4	2.1	

		March 31, 2014	March 31, 2015	Dec. 31, 2014	Change March 31, 2015 / Dec. 31, 2014 %
Share price	€	98.18	139.95	113.00	+ 23.8
Market capitalization	€ million	81,190	115,731	93,445	+ 23.8
Equity as per statements of financial position	€ million	21,094	21,863	20,218	+ 8.1
Shares entitled to the dividend	million shares	826.95	826.95	826.95	0.0
DAX		9,556	11,966	9,806	+22.0

Xetra closing prices (source: Bloomberg)

Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2015

Bayer Group Consolidated Income Statements

[Table 22]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
Net sales	**10,555**	**12,117**
Cost of goods sold	(4,815)	(5,566)
Gross profit	**5,740**	**6,551**
Selling expenses	(2,443)	(3,005)
Research and development expenses	(820)	(956)
General administration expenses	(417)	(483)
Other operating income	129	259
Other operating expenses	(93)	(368)
EBIT [1]	**2,096**	**1,998**
Equity-method gain (loss)	(5)	6
Financial income	92	12
Financial expenses	(246)	(292)
Financial result	**(159)**	**(274)**
Income before income taxes	**1,937**	**1,724**
Income taxes	(512)	(415)
Income after income taxes	**1,425**	**1,309**
of which attributable to non-controlling interest	2	6
of which attributable to Bayer AG stockholders (net income)	**1,423**	**1,303**
	€	€
Earnings per share		
Basic	1.72	1.58
Diluted	1.72	1.58

[1] EBIT = earnings before financial result and taxes

Bayer Group Consolidated Statements of Comprehensive Income

[Table 23]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
Income after income taxes	**1,425**	**1,309**
of which attributable to non-controlling interest	*2*	*6*
of which attributable to Bayer AG stockholders	*1,423*	*1,303*
Remeasurements of the net defined benefit liability for post-employment benefit plans	(1,365)	(1,205)
Income taxes	431	386
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(934)**	**(819)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(934)**	**(819)**
Changes in fair values of derivatives designated as cash flow hedges	14	(341)
Reclassified to profit or loss	(46)	61
Income taxes	9	82
Other comprehensive income from cash flow hedges	**(23)**	**(198)**
Changes in fair values of available-for-sale financial assets	2	14
Reclassified to profit or loss	–	1
Income taxes	–	(3)
Other comprehensive income from available-for-sale financial assets	**2**	**12**
Changes in exchange differences recognized on translation of operations outside the eurozone	(179)	1,346
Reclassified to profit or loss	–	–
Other comprehensive income from exchange differences	**(179)**	**1,346**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(200)**	**1,160**
Effects of changes in scope of consolidation	**–**	**–**
Total other comprehensive income[1]	**(1,134)**	**341**
of which attributable to non-controlling interest	*2*	*15*
of which attributable to Bayer AG stockholders	*(1,136)*	*326*
Total comprehensive income	**291**	**1,650**
of which attributable to non-controlling interest	*4*	*21*
of which attributable to Bayer AG stockholders	*287*	*1,629*

[1] total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

[Table 24]

	March 31, 2014	March 31, 2015	Dec. 31, 2014
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	10,575	17,331	16,168
Other intangible assets	10,362	16,367	15,653
Property, plant and equipment	9,961	12,099	11,428
Investments accounted for using the equity method	197	253	223
Other financial assets	1,234	1,214	1,107
Other receivables	450	400	447
Deferred taxes	1,593	4,025	2,981
	34,372	**51,689**	**48,007**
Current assets			
Inventories	7,391	8,776	8,478
Trade accounts receivable	9,444	11,466	9,097
Other financial assets	790	848	723
Other receivables	1,390	1,587	1,488
Claims for income tax refunds	439	667	588
Cash and cash equivalents	2,631	1,607	1,853
	22,085	**24,951**	**22,227**
Total assets	**56,457**	**76,640**	**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	12,721	13,451	11,822
Equity attributable to Bayer AG stockholders	**21,005**	**21,735**	**20,106**
Equity attributable to non-controlling interest	89	128	112
	21,094	**21,863**	**20,218**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	8,647	13,594	12,236
Other provisions	1,806	2,068	2,016
Financial liabilities	8,102	16,921	18,484
Other liabilities	303	1,055	1,088
Deferred taxes	1,220	876	689
	20,078	**34,514**	**34,513**
Current liabilities			
Other provisions	5,432	6,196	4,912
Financial liabilities	4,139	6,512	3,376
Trade accounts payable	4,155	5,211	5,363
Income tax liabilities	136	115	63
Other liabilities	1,423	2,229	1,789
	15,285	**20,263**	**15,503**
Total equity and liabilities	**56,457**	**76,640**	**70,234**

Bayer Group Consolidated Statements of Cash Flows

[Table 25]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
Income after income taxes	1,425	1,309
Income taxes	512	415
Financial result	159	274
Income taxes paid or accrued	(544)	(643)
Depreciation, amortization and impairments	649	806
Change in pension provisions	(117)	(87)
(Gains) losses on retirements of noncurrent assets	(36)	(14)
Gross cash flow	**2,048**	**2,060**
Decrease (increase) in inventories	(334)	65
Decrease (increase) in trade accounts receivable	(1,886)	(1,935)
(Decrease) increase in trade accounts payable	(310)	(491)
Changes in other working capital, other non-cash items	645	1,025
Net cash provided by (used in) operating activities (net cash flow)	**163**	**724**
Cash outflows for additions to property, plant, equipment and intangible assets	(357)	(345)
Cash inflows from the sale of property, plant, equipment and other assets	16	25
Cash inflows from divestitures	–	–
Cash inflows from (outflows for) noncurrent financial assets	(4)	(259)
Cash outflows for acquisitions less acquired cash	(1,857)	(33)
Interest and dividends received	16	11
Cash inflows from (outflows for) current financial assets	6	5
Net cash provided by (used in) investing activities	**(2,180)**	**(596)**
Dividend payments and withholding tax on dividends	–	(5)
Issuances of debt	4,455	2,521
Retirements of debt	(1,377)	(2,844)
Interest paid including interest-rate swaps	(61)	(92)
Interest received from interest-rate swaps	3	10
Cash outflows for the purchase of additional interests in subsidiaries	(1)	–
Net cash provided by (used in) financing activities	**3,019**	**(410)**
Change in cash and cash equivalents due to business activities	**1,002**	**(282)**
Cash and cash equivalents at beginning of period	**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	(33)	33
Cash and cash equivalents at end of period	**2,631**	**1,607**

Bayer Group Consolidated Statement 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						
Other changes					(1)	(1)
Total comprehensive income			287	287	4	291
March 31, 2014	**2,117**	**6,167**	**12,721**	**21,005**	**89**	**21,094**
Dec. 31, 2014	**2,117**	**6,167**	**11,822**	**20,106**	**112**	**20,218**
Equity transactions with owners						
Capital increase / decrease						
Dividend payments					(5)	(5)
Other changes						
Total comprehensive income			1,629	1,629	21	1,650
March 31, 2015	**2,117**	**6,167**	**13,451**	**21,735**	**128**	**21,863**

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of March 31, 2015

Key Data per 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	
	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external)	2,782	3,200	1,790	2,542	2,900	3,092	2,803	3,014	279	268	1	1	10,555	12,117
Change	+8.5%	+15.0%	−4.7%	+42.0%	+4.9%	+6.6%	+1.0%	+7.5%	−1.4%	−3.9%	–	–	+2.8%	+14.8%
Currency-adjusted change	+15.8%	+7.2%	+1.7%	+34.1%	+11.9%	+1.5%	+4.2%	−2.1%	−0.7%	−4.7%	–	–	+8.6%	+7.4%
Intersegment sales	7	10	–	–	15	10	13	13	519	540	(554)	(573)	–	–
Net sales (total)	2,789	3,210	1,790	2,542	2,915	3,102	2,816	3,027	798	808	(553)	(572)	10,555	12,117
EBIT	641	691	321	349	988	874	219	219	24	19	(97)	(154)	2,096	1,998
EBIT before special items	625	715	321	470	988	921	221	261	31	25	(97)	(150)	2,089	2,242
EBITDA before special items	873	988	428	627	1,098	1,040	366	424	69	70	(96)	(149)	2,738	3,000
Gross cash flow[1]	574	690	307	412	770	705	285	312	182	49	(70)	(108)	2,048	2,060
Net cash flow[1]	447	752	212	512	(722)	(823)	(44)	163	148	(28)	122	148	163	724
Depreciation, amortization and impairments	248	273	107	179	110	124	145	184	38	45	1	1	649	806
Number of employees (as of March 31)[2]	38,569	39,574	18,055	21,033	22,619	23,662	14,068	14,594	19,826	19,876	748	739	113,885	119,478

[1] For definition see chapter 8 "Financial Position of the Bayer Group."
[2] Number of employees in full-time equivalents

Key Data by Region [Table 28]

	Europe		North America		Asia/Pacific		Latin America/Africa/Middle East		Reconciliation		Total	
	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015	1st Quarter 2014	1st Quarter 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external) – by market	4,400	4,643	2,684	3,460	2,140	2,503	1,331	1,511	–	–	10,555	12,117
Change	+8.8%	+5.5%	−2.7%	+28.9%	+3.4%	+17.0%	−4.6%	+13.5%	–	–	+2.8%	+14.8%
Currency-adjusted change	+10.1%	+8.0%	+2.6%	+10.9%	+12.1%	+2.1%	+11.0%	+6.7%	–	–	+8.6%	+7.4%
Net sales (external) – by point of origin	4,801	5,060	2,625	3,411	2,092	2,434	1,037	1,212	–	–	10,555	12,117
Change	+8.6%	+5.4%	−3.8%	+29.9%	+3.7%	+16.3%	−5.7%	+16.9%	–	–	+2.8%	+14.8%
Currency-adjusted change	+9.7%	+7.7%	+1.6%	+11.4%	+12.6%	+1.2%	+13.7%	+8.5%	–	–	+8.6%	+7.4%
Interregional sales	2,289	2,593	812	984	151	184	113	134	(3,365)	(3,895)	–	–
EBIT	1,443	1,543	438	366	208	206	104	37	(97)	(154)	2,096	1,998
Number of employees (as of March 31)[1]	54,274	55,806	15,402	16,547	27,648	30,330	16,561	16,795	–	–	113,885	119,478

[1] Number of employees in full-time equivalents

Explanatory Notes

ACCOUNTING POLICIES

Pursuant to Section 37x Paragraph 3 of the German Securities Trading Act, the consolidated interim financial statements as of March 31, 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 or accounting policies have changed.

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 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]

		Closing Rate			Average Rate	
€1		Dec. 31, 2014	March 31, 2014	March 31, 2015	1st Quarter 2014	1st Quarter 2015
BRL	Brazil	3.22	3.13	3.50	3.24	3.21
CAD	Canada	1.41	1.52	1.37	1.51	1.40
CHF	Switzerland	1.20	1.22	1.05	1.22	1.07
CNY	China	7.54	8.58	6.67	8.35	7.04
GBP	United Kingdom	0.78	0.83	0.73	0.83	0.74
JPY	Japan	145.23	142.42	128.95	140.87	134.42
MXN	Mexico	17.87	18.01	16.51	18.13	16.86
RUB	Russia	72.34	48.78	62.44	47.87	70.80
USD	United States	1.21	1.38	1.08	1.37	1.13

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
	%	%
Germany	2.00	1.60
United Kingdom	3.60	3.30
United States	3.70	3.50

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 losses resulting from the fall in market interest rates. The modification of the data selection criteria had an offsetting effect of €1.3 billion. The discount rate obtained by applying the previous data selection criteria would have been lower by 30 basis points as of March 31, 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]

	1st Quarter 2014	1st Quarter 2015
	€ million	€ million
EBITDA before special items of segments	2,834	3,149
EBITDA before special items of Corporate Center	(96)	(149)
EBITDA before special items	**2,738**	**3,000**
Depreciation, amortization and impairment losses before special items of segments	(648)	(757)
Depreciation, amortization and impairment losses before special items of Corporate Center	(1)	(1)
Depreciation, amortization and impairment losses before special items	**(649)**	**(758)**
EBIT before special items of segments	2,186	2,392
EBIT before special items of Corporate Center	(97)	(150)
EBIT before special items	**2,089**	**2,242**
Special items of segments	7	(240)
Special items of Corporate Center	–	(4)
Special items	**7**	**(244)**
EBIT of segments	2,193	2,152
EBIT of Corporate Center	(97)	(154)
EBIT	**2,096**	**1,998**
Financial result	(159)	(274)
Income before income taxes	**1,937**	**1,724**

COMPANIES CONSOLIDATED

Changes in the scope of consolidation

The consolidated financial statements as of March 31, 2015, included 301 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 and divestitures

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 quarter of 2015 – along with adjustments to purchase prices and purchase price allocations made in the first quarter of 2015 relating to previous years' 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 Quarter 2015
	€ million
Goodwill	(2)
Patents and technologies	21
Other intangible assets	42
Property, plant and equipment	10
Inventories	(20)
Other current assets	13
Cash and cash equivalents	–
Deferred tax assets	(2)
Other provisions	(38)
Financial liabilities	–
Other liabilities	17
Deferred tax liabilities	(3)
Net assets	**38**
Changes in non-controlling interest	–
Purchase price	**38**
Acquired cash and cash equivalents	–
Settlement gain from pre-existing relationship	–
Liabilities for future payments	(5)
Payments for previous years' acquisitions	–
Net cash outflow for acquisitions	**33**

Divestitures

On March 2, 2015, Consumer Health completed the sale of two equine products, Legend/Hyonate and Marquis, to the U.S. company Merial, Inc., Duluth, Georgia. A sale price of US$135 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.

FINANCIAL INSTRUMENTS

Carrying Amounts and Fair Values of Financial Instruments [Table 33]

	March 31, 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 March 31, 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	11,466						11,466
Loans and receivables	11,466	11,466					11,466
Other financial assets	1,027		348	644	43		2,062
Loans and receivables	933	935					933
Available-for-sale financial assets	28		348		3		379
Held-to-maturity financial assets	66	67					66
Derivatives				644	40		684
Other receivables	685					1,302	1,987
Loans and receivables	685	685					685
Non-financial assets						1,302	1,302
Cash and cash equivalents	1,607						1,607
Loans and receivables	1,607	1,607					1,607
Total financial assets	**14,785**		**348**	**644**	**43**		**15,820**
of which loans and receivables	14,691						14,691
Financial liabilities	22,177			1,256			23,433
Carried at amortized cost	22,177	24,000					22,177
Derivatives				1,256			1,256
Trade accounts payable	5,119					92	5,211
Carried at amortized cost	5,119	5,119					5,119
Non-financial liabilities						92	92
Other liabilities	799			392	53	2,040	3,284
Carried at amortized cost	799	799					799
Carried at fair value (non-derivative)					39		39
Derivatives				392	14		406
Non-financial liabilities						2,040	2,040
Total financial liabilities	**28,095**			**1,648**	**53**		**29,796**
of which carried at amortized cost	28,095						28,095
of which derivatives				1,648	14		1,662

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.

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 34]

	2015
	€ million
Net carrying amounts, Jan. 1	**(25)**
Gains (losses) recognized in profit or loss	16
of which related to assets / liabilities recognized in the statements of financial position	16
Gains (losses) recognized outside profit or loss	–
Additions of assets / (liabilities)	(1)
Settlements of (assets) / liabilities	–
Reclassifications	–
Net carrying amounts, March 31	**(10)**

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 April 20, 2015, the number of claimants in the pending lawsuits and claims in the United States totaled about 4,600 (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 April 20, 2015, Bayer had reached agreements, without admission of liability, to settle approximately 9,600 claims in the U.S. for venous clot injuries (deep vein thrombosis or pulmonary embolism) for a total amount of about US$1.92 billion. Bayer will continue to consider the option of settling such claims after a case-specific analysis of medical records. At present, about 1,000 such claims are under review.

Mirena™: As of April 20, 2015, lawsuits from approximately 3,300 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 April 20, 2015, lawsuits of approximately 500 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 April 20, 2015, five 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.

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 €0.2 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.

Leverkusen, April 27, 2015
Bayer Aktiengesellschaft

The Board of Management

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

Financial Calendar

Annual Stockholders' Meeting 2015	**May 27, 2015**
Planned dividend payment date	**May 28, 2015**
Q2 2015 Interim Report	**July 29, 2015**
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**

MASTHEAD

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Forward-Looking Statements
This Interim Report may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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