Science For A Better Life

Q2

Interim Report

Second Quarter of 2016

Bayer Group Key Data

€ million	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %	Full Year 2015
Sales	**12,003**	**11,833**	**–1.4**	**23,796**	**23,687**	**–0.5**	**46,085**
Change (adjusted for currency and portfolio effects)			+2.3			+2.8	+2.7%
Change in sales							
Volume	+5.0%	+4.4%		+3.8%	+4.8%		+4.4%
Price	–1.2%	–2.1%		–0.7%	–2.0%		–1.7%
Currency	+9.0%	–3.8%		+8.2%	–3.3%		+5.8%
Portfolio	+5.5%	+0.1%		+5.2%	0.0%		+3.6%
EBITDA[1]	**2,637**	**2,952**	**+11.9**	**5,363**	**6,311**	**+17.7**	**9,573**
Special items	(251)	(102)		(447)	(130)		(683)
EBITDA before special items[2]	**2,888**	**3,054**	**+5.7**	**5,810**	**6,441**	**+10.9**	**10,256**
EBITDA margin before special items[3]	24.1%	25.8%		24.4%	27.2%		22.3%
EBIT[4]	**1,823**	**2,138**	**+17.3**	**3,748**	**4,458**	**+18.9**	**6,241**
Special items	(255)	(104)		(499)	(376)		(819)
EBIT before special items[5]	**2,078**	**2,242**	**+7.9**	**4,247**	**4,834**	**+13.8**	**7,060**
Financial result	**(287)**	**(314)**	**–9.4**	**(561)**	**(629)**	**–12.1**	**(1,005)**
Net income (from continuing and discontinued operations)	**1,164**	**1,380**	**+18.6**	**2,498**	**2,891**	**+15.7**	**4,110**
Earnings per share (from continuing and discontinued operations) (€)[6]	1.40	1.67	+19.3	3.02	3.50	+15.9	4.97
Core earnings per share (from continuing operations) (€)[7]	1.99	2.07	+4.0	4.05	4.42	+9.1	6.82
Gross cash flow[8]	**2,165**	**2,366**	**+9.3**	**4,162**	**4,930**	**+18.5**	**6,993**
Net cash flow from continuing and discontinued operations[9]	**1,959**	**1,982**	**+1.2**	**2,683**	**3,304**	**+23.1**	**6,890**
Cash outflows for capital expenditures	**601**	**589**	**–2.0**	**946**	**952**	**+0.6**	**2,517**
Research and development expenses	**1,035**	**1,122**	**+8.4**	**1,979**	**2,231**	**+12.7**	**4,274**
Depreciation, amortization and impairments	**814**	**814**	**.**	**1,615**	**1,853**	**+14.7**	**3,332**
Number of employees at end of period[10]	**117,534**	**115,576**	**–1.7**	**117,534**	**115,576**	**–1.7**	**116,583**
Personnel expenses (including pension expenses)	2,743	2,789	+1.7	5,616	5,621	+0.1	11,176

2015 figures restated

[1] EBITDA = EBIT plus the amortization of intangible assets and the depreciation of property, plant and equipment, plus impairment losses and minus impairment loss reversals, recognized in profit or loss during the reporting period. This indicator is not defined in the International Financial Reporting Standards. For details see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

[2] EBITDA before special items = EBITDA plus special charges, minus special gains. This indicator is not defined in the International Financial Reporting Standards. For details see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

[3] The EBITDA margin before special items is calculated by dividing EBITDA before special items by sales. This indicator is not defined in the International Financial Reporting Standards. For details see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

[4] EBIT = income after income taxes, plus income taxes, plus financial result. This indicator is not defined in the International Financial Reporting Standards.

[5] EBIT before special items = EBIT plus special charges, minus special gains. This indicator is not defined in the International Financial Reporting Standards. For details see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

[6] Earnings per share as defined in IAS 33 = net income divided by the average number of shares

[7] Core earnings per share = earnings per share, plus / minus amortization and impairment losses / impairment loss reversals of intangible assets, impairment losses / impairment loss reversals on property, plant and equipment, plus special charges, minus special gains (other than amortization and impairment losses / impairment loss reversals), plus / minus the related tax effects and the share of the adjustments attributable to noncontrolling interest. This indicator facilitates the comparability of performance over time. It is not defined in the International Financial Reporting Standards. For details see Chapter 8 “Core Earnings Per Share.”

[8] 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 noncash components of EBIT. It also contains benefit payments during the year. Gross cash flow is not defined in the International Financial Reporting Standards. For details see Chapter 9.1 “Statements of Cash Flows.”

[9] Net cash flow = cash flow from operating activities according to IAS 7

[10] Full-time equivalents

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Reporting Principles
The Bayer Interim Report complies with the requirements made of a half-year financial report in accordance with the applicable provisions of the German Securities Trading Act (WpHG) and, pursuant to Section 37w of the WpHG, comprises condensed consolidated interim financial statements and an interim group management report, as well as a responsibility statement. Bayer has prepared the condensed consolidated interim financial statements according to the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union (E.U.). The condensed consolidated interim financial statements also comply with the IFRSs published by the IASB. The interim group management report should be read in conjunction with our Annual Report 2015, which contains a detailed description of our business operations.

Second Quarter of 2016

Bayer Raises Sales and Earnings

> Group sales increase by 2.3% (Fx & portfolio adj.) to €11.8 billion

> Pharmaceuticals continues strong growth trend

> Consumer Health increases sales

> Crop Science business holds steady in a continuingly difficult market environment

> EBITDA before special items up 5.7% to €3.1 billion

> Net income €1.4 billion (+ 18.6%)

> Core earnings per share €2.07 (+ 4.0%)

> Group forecast raised

The Bayer Group posted further growth in the second quarter of 2016. Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales increased by 2.3% to €11.8 billion and EBITDA before special items by 5.7% to €3.1 billion. The Life Sciences recorded encouraging sales and earnings growth overall. At Pharmaceuticals, we benefited from the continued strong development of our recently launched products. Consumer Health increased sales, while EBITDA before special items receded. Sales of Crop Science held steady at the prior-year level despite a continuingly difficult market environment, while earnings decreased. EBITDA before special items at Animal Health declined despite sales growth. Covestro registered a substantial increase in EBITDA before special items, while sales fell as expected. We are raising the Group forecast.

1. Overview of Sales, Earnings and Financial Position

Second quarter of 2016

Sales of the Bayer Group increased by 2.3% to €11,833 million in the second quarter of 2016 after adjusting for currency and portfolio changes (Fx & portfolio adj.[1]; reported[2]: –1.4%). Germany accounted for €1,177 million of this figure.

Pharmaceuticals posted encouraging sales growth of 8.4% (Fx & portfolio adj.) to €4,104 million. Our recently launched products once again showed strong business development. Consumer Health also raised sales by 4.0% (Fx & portfolio adj.) to €1,553 million. Sales of Crop Science were level year on year (Fx & portfolio adj. +0.4%) despite the weak market environment, at €2,518 million. Animal Health sales rose by 4.2% (Fx & portfolio adj.) to €426 million. Sales of the Life Science businesses amounted to €8,858 million overall (Fx & portfolio adj. +4.6%). Sales of Covestro fell by 3.9% (Fx & portfolio adj.) to €2,975 million.

Despite negative currency effects of €90 million, dissynergies from the Covestro IPO and the divestiture of Diabetes Care, Group EBITDA before special items improved by 5.7% to €3,054 million.

Pharmaceuticals improved EBITDA before special items by 13.3% to €1,352 million, due mainly to the continued very good development of business. EBITDA before special items of Consumer Health receded by 9.4% to €328 million. The earnings contributions from the good business performance and cost synergies were not sufficient to offset the higher selling expenses as well as allocation and currency effects. As a result of the continuingly weak market environment, EBITDA before special items of Crop Science fell by 8.2% to €663 million. Animal Health posted a 16.7% decline in EBITDA before special items, to €100 million, that was attributable to factors including higher selling expenses. The Life Science businesses recorded EBITDA before special items of €2,511 million overall (+5.4%). Covestro raised EBITDA before special items by 7.3% to €543 million. Earnings of the reconciliation climbed sharply against the prior-year quarter, largely on account of the change to provisions for long-term stock-based compensation.

EBIT of the Bayer Group advanced by 17.3% to €2,138 million (Q2 2015: €1,823 million) after special charges of €104 million (Q2 2015: €255 million). These mainly comprised €46 million for efficiency improvement measures, €29 million for the integration of acquired businesses and €21 million in connection with the realignment of the Bayer Group. EBIT before special items increased by 7.9% to €2,242 million (Q2 2015: €2,078 million).

After a financial result of minus €314 million (Q2 2015: minus €287 million), income before income taxes was €1,824 million (Q2 2015: €1,536 million). After income tax expense of €431 million (Q2 2015: €390 million), income from discontinued operations after income taxes and noncontrolling interest, net income in the second quarter of 2016 came to €1,380 million (Q2 2015: €1,164 million). Earnings per share (overall) were €1.67 (Q2 2015: €1.40). Core earnings per share from continuing operations advanced to €2.07 (Q2 2015: €1.99).

[1] The currency- and portfolio-adjusted sales growth shows the percentage change in sales excluding the impact of exchange rate effects and the acquisitions and divestitures material to each business entity. Exchange rate effects are generally calculated on the basis of the functional currency valid in the respective country. Exceptions exist in Brazil and Argentina, primarily at Crop Protection, where the respective functional currencies are restated in U.S. dollars for business-related reasons.

[2] The (reported) sales growth is a relative indicator showing the percentage change in sales compared with the prior-year period.

Gross cash flow from continuing operations in the second quarter of 2016 climbed by a substantial 9.3% to €2,366 million (Q2 2015: €2,165 million). Despite an increase in cash tied up in working capital, net cash flow (total) edged forward by 1.2% to €1,982 million (Q2 2015: €1,959 million). We paid income taxes of €659 million in the second quarter of 2016 (Q2 2015: €352 million).

Net financial debt increased by €1.5 billion, from €16.3 billion on March 31, 2016, to €17.8 billion on June 30, 2016. The net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – increased from €13.3 billion to €13.8 billion over the same period, due especially to a decline in long-term capital market interest rates for high-quality corporate bonds in Germany, the United Kingdom and the United States.

The number of people employed by the Bayer Group declined by 1.7% from 117,534 on June 30, 2015, to 115,576 on June 30, 2016. Personnel expenses rose by 1.7% in the same period, from €2,743 million to €2,789 million.

First half of 2016

Group sales in the first half of 2016 rose by 2.8% (Fx & portfolio adj.) to €23,687 million (reported: – 0.5%). The Life Science businesses contributed to this performance, growing sales by 5.3% (Fx & portfolio adj.) to €17,862 million.

Pharmaceuticals posted significant sales gains of 10.2% (Fx & portfolio adj.) to €7,993 million. Sales of Consumer Health improved by 3.1% (Fx & portfolio adj.) to €3,073 million. Despite the difficult market environment, sales of Crop Science were flat year on year (Fx & portfolio adj.: + 0.8%) at €5,454 million. Sales of Animal Health moved forward by 6.4% (Fx & portfolio adj.) to €834 million. Covestro saw sales fall by 4.3% (Fx & portfolio adj.) to €5,825 million.

EBITDA before special items of the Bayer Group advanced by 10.9% to €6,441 million (H1 2015: €5,810 million). The good sales development particularly in the Life Science businesses was accompanied by high R&D and selling expenses. Earnings were held back by negative currency effects of around €150 million. Pharmaceuticals increased EBITDA before special items by a substantial 14.7% to €2,613 million. EBITDA before special items of Consumer Health receded by 2.7% to €711 million. The earnings contributions from the good business performance and cost synergies were not sufficient to offset selling expenses as well as allocation and currency effects. EBITDA before special items was level year on year at Crop Science (+ 0.5%; €1,752 million) and Animal Health (0.0%; €222 million). The Life Science businesses increased EBITDA before special items by 10.5% to €5,394 million overall. EBITDA before special items of Covestro climbed by a substantial 12.6% to €1,047 million.

EBIT of the Bayer Group advanced robustly, gaining 18.9% to €4,458 million (H1 2015: €3,748 million) after net special charges of €376 million (H1 2015: €499 million). EBIT before special items moved forward by a clear 13.8% to €4,834 million (H1 2015: €4,247 million).

After a financial result of minus €629 million (H1 2015: minus €561 million), income before income taxes was €3,829 million (H1 2015: €3,187 million). The financial result mainly comprised net interest expense of €260 million (H1 2015: €288 million), interest cost of €143 million (H1 2015: €148 million) for pension and other provisions, and currency hedging costs of €177 million (H1 2015: €122 million). After tax expense of €905 million (H1 2015: €759 million), income after income taxes was €2,924 million (H1 2015: €2,428 million).

After income from discontinued operations after income taxes and noncontrolling interest, net income in the first half of 2016 came to €2,891 million (H1 2015: €2,498 million). Earnings per share improved to €3.50 (H1 2015: €3.02), and core earnings per share to €4.42 (H1 2015: €4.05).

Gross cash flow from continuing operations climbed by 18.5% to €4,930 million (H1 2015: €4,162 million). Despite an increase in cash tied up in working capital, net cash flow (total) rose by 23.1% to €3,304 million (H1 2015: €2,683 million) due mainly to the inflow from the divestiture of the Diabetes Care business. This figure reflected income tax payments of €1,208 million (H1 2015: €796 million). Net financial debt increased by €0.4 billion compared with December 31, 2015 (€17.4 billion), to €17.8 billion as of June 30, 2016. The net defined benefit liability for post-employment benefits rose from €10.8 billion on December 31, 2015, to €13.8 billion, mainly due to a decrease in long-term capital market interest rates for high-quality corporate bonds.

2. Economic Outlook

Economic Outlook[1] — Table 1

	Growth 2015	Growth forecast 2016
World	+ 2.6%	+ 2.5%
European Union	+ 1.9%	+ 1.7%
of which Germany	+ 1.4%	+ 1.6%
United States	+ 2.4%	+ 1.9%
Emerging Markets[2]	+ 3.8%	+ 3.8%

2015 figures restated
[1] Real growth of gross domestic product, source: IHS Global Insight
[2] Including about 50 countries defined by IHS Global Insight as emerging markets in line with the World Bank
As of July 2016

Economic expectations slightly worsened overall in the first half of the year. We now anticipate somewhat slower growth for the global economy in 2016 than in the previous year. The British vote to leave the European Union will cause additional uncertainty, particularly for the European economy. A slower pace of growth is also expected in the United States, however, especially in view of the disappointing job market development. The Emerging Markets are likely to grow at the same pace as in the previous year.

Economic Outlook for the Segments[1] — Table 2

	Growth 2015	Growth forecast 2016
Pharmaceuticals market	+ 10%	+ 7%
Consumer health market	+ 5%	+ 4%
Seed and crop protection market	– 2%	– 1%
Animal health market	+ 5%	+ 4%

2015 figures restated
[1] Bayer's estimate, except pharmaceuticals and consumer health; source for pharmaceuticals market: IMS Health, IMS Market Prognosis, copyright 2016; source for consumer health market in 2015: Nicholas Hall, copyright 2015; all rights reserved; currency-adjusted
As of July 2016

Covestro continues to anticipate an improved economic climate in 2016 for its main customer industries.

3. Sales and Earnings Forecast

The forecasts for the alternative performance indicators EBITDA before special items, core earnings per share and currency- and portfolio-adjusted sales changes have been calculated in line with the reporting principles applied in preparing the financial statements and the adjustments described in Chapters 7 and 8.

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

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

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

Bayer Group

For 2016, we are now planning sales of €46 billion to €47 billion (previously: more than €47 billion) for the Bayer Group, including Covestro. This continues to correspond to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. We now plan to increase EBITDA before special items by a high-single-digit (previously: mid-single-digit) percentage. It is now our aim to increase core earnings per share from continuing operations (calculated as explained in Chapter 8 “Core Earnings Per Share”) by a mid- to high-single-digit percentage (previously: a mid-single-digit percentage). This takes into account Covestro’s inclusion at around 64% starting on April 19, 2016 (January 1 to April 18, 2016: around 69%).

Life Sciences total

We continue to plan sales of approximately €35 billion for the Life Science activities, i.e. the Bayer Group excluding Covestro. This still corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis as previously forecasted. We now plan to increase EBITDA before special items by a mid- to high-single-digit (previously: mid-single-digit) percentage. Our planning includes dissynergies of around €130 million from the legal independence of Covestro and from divestments.

Pharmaceuticals

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

Consumer Health

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

Crop Science
In light of the continuingly weak market environment, we now expect Crop Science sales to be on the prior-year level (previously: increase by a low-single-digit percentage) on a currency- and portfolio-adjusted basis. This is equivalent to reported sales of about €10 billion. We now expect a low-single-digit percentage decrease (previously: low-single-digit percentage increase) in EBITDA before special items.

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

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

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

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

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

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

4. Changes to the Corporate Structure

In April 2016, Bayer AG deposited 10 million shares, or 4.9% of the issued shares, of Covestro AG in Bayer Pension Trust e.V. Bayer therefore currently still owns around 64% of Covestro.

In May 2016, Crop Science signed an agreement to divest the Consumer business of Environmental Science, which is now reported under discontinued operations. Environmental Science therefore now comprises only the business for professional users. The key data and prior-year figures are restated accordingly.

5. Business Development by Segment and Region

5.1 Pharmaceuticals

Key Data – Pharmaceuticals Table 3

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Sales	**3,890**	**4,104**	**+5.5**	**+8.4**	**7,452**	**7,993**	**+7.3**	**+10.2**
Change in sales								
Volume	+8.5%	+9.6%			+7.9%	+11.1%		
Price	+1.4%	−1.2%			+0.6%	−0.9%		
Currency	+7.7%	−2.9%			+7.9%	−2.9%		
Portfolio	−0.7%	0.0%			−0.7%	0.0%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	1,337	1,422	+6.4	+9.2	2,569	2,801	+9.0	+11.3
North America	1,009	1,027	+1.8	+4.3	1,908	2,016	+5.7	+6.6
Asia/Pacific	1,117	1,219	+9.1	+10.3	2,131	2,349	+10.2	+10.8
Latin America/Africa/Middle East	427	436	+2.1	+11.2	844	827	−2.0	+14.1
EBITDA[1]	**1,119**	**1,342**	**+19.9**		**2,180**	**2,603**	**+19.4**	
Special items	(74)	(10)			(98)	(10)		
EBITDA before special items[1]	**1,193**	**1,352**	**+13.3**		**2,278**	**2,613**	**+14.7**	
EBITDA margin before special items[1]	30.7%	32.9%			30.6%	32.7%		
EBIT	**772**	**988**	**+28.0**		**1,519**	**1,686**	**+11.0**	
Special items	(78)	(11)			(102)	(242)		
EBIT before special items[1]	**850**	**999**	**+17.5**		**1,621**	**1,928**	**+18.9**	
Gross cash flow[2]	**807**	**871**	**+7.9**		**1,561**	**1,832**	**+17.4**	
Net cash flow[2]	**491**	**310**	**−36.9**		**1,303**	**1,044**	**−19.9**	

2015 figures restated; Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[2] For definition see Chapter 9.1 “Statements of Cash Flows.”

Second quarter of 2016

Sales

Sales of Pharmaceuticals rose by an encouraging 8.4% (Fx & portfolio adj.) to €4,104 million in the second quarter of 2016. Our recently launched products continued their strong development. Xarelto™, Eylea™, Xofigo™, Stivarga™ and Adempas™ posted total combined sales of €1,332 million (Q2 2015: €1,051 million; Fx adj. +28.8%). Our Pharmaceuticals business expanded in all regions on a currency-adjusted basis.

Best-Selling Pharmaceuticals Products Table 4

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx adj.	H1 2015	H1 2016	Change % Reported	Change % Fx adj.
Xarelto™	549	703	+28.1	+30.1	1,031	1,320	+28.0	+30.7
of which U.S.A.	88	103	+17.0	+17.7	166	189	+13.9	+14.0
Eylea™	301	418	+38.9	+40.9	554	790	+42.6	+44.5
of which U.S.A.[1]	0	0	.	.	0	0	.	.
Kogenate™ / Kovaltry™	299	280	−6.4	−5.6	560	576	+2.9	+3.4
of which U.S.A.	91	87	−4.4	−2.9	165	183	+10.9	+10.3
Mirena™ product family	270	258	−4.4	−0.8	502	506	+0.8	+2.9
of which U.S.A.	181	168	−7.2	−5.6	335	337	+0.6	+0.5
Nexavar™	231	221	−4.3	−2.0	427	434	+1.6	+3.9
of which U.S.A.	84	78	−7.1	−4.9	155	159	+2.6	+2.6
Betaferon™ / Betaseron™	222	196	−11.7	−8.7	430	386	−10.2	−8.3
of which U.S.A.	109	111	+1.8	+3.0	202	211	+4.5	+4.4
YAZ™ / Yasmin™ / Yasminelle™	174	166	−4.6	+0.9	355	338	−4.8	+2.0
of which U.S.A.	31	31	.	+2.6	64	71	+10.9	+11.0
Adalat™	168	161	−4.2	+1.0	330	321	−2.7	+2.8
of which U.S.A.	1	0	.	.	2	1	−50.0	−47.1
Aspirin™ Cardio	127	138	+8.7	+16.4	263	275	+4.6	+11.0
of which U.S.A.	0	0	.	.	0	0	.	.
Glucobay™	129	128	−0.8	+6.6	259	267	+3.1	+8.3
of which U.S.A.	1	1	.	.	1	2	.	.
Avalox™ / Avelox™	99	88	−11.1	−9.1	209	186	−11.0	−7.2
of which U.S.A.	0	0	.	.	0	0	.	.
Gadavist™ / Gadovist™	71	89	+25.4	+28.8	140	171	+22.1	+24.5
of which U.S.A.	22	27	+22.7	+26.4	43	54	+25.6	+24.1
Xofigo™	65	81	+24.6	+26.7	119	156	+31.1	+31.2
of which U.S.A.	45	56	+24.4	+24.9	86	106	+23.3	+23.1
Ultravist™	84	84	.	.	157	155	−1.3	+4.8
of which U.S.A.	1	2	.	.	3	3	.	.
Stivarga™	92	67	−27.2	−25.1	163	134	−17.8	−16.4
of which U.S.A.	48	33	−31.3	−29.7	94	68	−27.7	−27.4
Total best-selling products	**2,881**	**3,078**	**+6.8**	**+10.1**	**5,499**	**6,015**	**+9.4**	**+12.4**
Proportion of Pharmaceuticals sales	74%	75%			74%	75%		
Total best-selling products in U.S.A.	**702**	**697**			**1,316**	**1,384**		

Fx adj. = currency-adjusted
[1] Marketing rights owned by Regeneron Pharmaceuticals Inc., U.S.A.

Sales by product

- Our oral anticoagulant **Xarelto™** once again posted encouraging sales gains, due mainly to volume increases in Europe and Japan. Business with Xarelto™ also developed positively in the United States, where it is marketed by a subsidiary of Johnson & Johnson.
- We considerably raised sales of the eye medicine **Eylea™** in all regions, particularly in Europe, Canada and Japan.
- Fluctuations in the order volumes placed by our distribution partner resulted in lower sales of the blood-clotting medicines **Kogenate™ / Kovaltry™.**
- Sales of the hormone-releasing intrauterine devices of the **Mirena™** product family – Mirena™ and Jaydess™ / Skyla™ – were nearly level with the prior year despite lower volumes in the United States.
- Business with our cancer drug **Nexavar™** was slightly down against the prior-year level, particularly as a result of lower demand in the United States.
- We registered an overall decline in sales of our multiple sclerosis product **Betaferon™ / Betaseron™** that was attributable in part to weaker business performance in Europe.

- Sales of our **YAZ™ / Yasmin™ / Yasminelle™** line of oral contraceptives were roughly level with the prior-year quarter on a currency-adjusted basis. Positive development in China and the United States was offset by lower demand in Europe.
- Sales increases for **Adalat™** for the treatment of hypertension and coronary heart disease, **Aspirin™ Cardio** for secondary prevention of heart attacks and the oral diabetes treatment **Glucobay™** resulted mainly from gains in China.
- Sales of the antibiotic **Avalox™ / Avelox™** fell as expected due to the expiration of its patent. Gratifying volume gains in China were not sufficient to offset the declines in nearly all other regions.
- We achieved substantial volume gains in the United States and Japan with our MRI contrast agent **Gadavist™ / Gadovist™.**
- Sales of our cancer drug **Xofigo™** increased in the United States and Europe especially.
- The growth in sales of our X-ray contrast agent **Ultravist™** resulted from expanded volumes in Europe that were primarily attributable to a favorable competitive situation.
- Sales of our cancer drug **Stivarga™** receded substantially due to intensified competition in the United States. In the prior-year quarter, furthermore, we had benefited from the reversal of a rebate provision in France.
- Sales of the pulmonary hypertension treatment **Adempas™** amounted to €63 million (Q2 2015: €44 million; Fx adj. +45.3%) and reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co., United States. Business developed positively, especially in the United States.

Earnings

EBITDA before special items of Pharmaceuticals increased by a substantial 13.3% to €1,352 million in the second quarter of 2016. As expected, the earnings contributions from the very good business development stood against high investments in research and development. Currency effects of around €40 million had a diminishing effect.

EBIT grew by a robust 28.0% to €988 million, including special charges of €11 million (Q2 2015: €78 million) which largely resulted from efficiency enhancement programs.

First half of 2016

Sales

Sales of the Pharmaceuticals segment rose by 10.2% (Fx & portfolio adj.) in the first half of 2016, to €7,993 million. This increase was driven by our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™, which generated combined sales of €2,519 million (H1 2015: €1,948 million). Pharmaceuticals sales developed positively in all regions.

Earnings

EBITDA before special items improved by a substantial 14.7% in the first half of 2016, to €2,613 million, driven by very good business performance. At the same time, higher investments in research and development as well as negative currency effects of around €80 million had a diminishing effect.

EBIT advanced by a substantial 11.0% to €1,686 million, including special charges of €242 million (H1 2015: €102 million). These mainly comprised €231 million for impairment losses on intangible assets (Essure™).

5.2 Consumer Health

Key Data – Consumer Health Table 5

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Sales	**1,590**	**1,553**	**– 2.3**	**+ 4.0**	**3,146**	**3,073**	**– 2.3**	**+ 3.1**
Changes in sales								
Volume	+ 0.3%	+ 1.2%			+ 2.9%	– 0.1%		
Price	+ 2.9%	+ 2.8%			+ 2.9%	+ 3.2%		
Currency	+ 6.9%	– 6.3%			+ 6.3%	– 5.4%		
Portfolio	+ 60.5%	0.0%			+ 57.5%	0.0%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	409	415	+ 1.5	+ 7.3	865	826	– 4.5	– 0.2
North America	744	701	– 5.8	– 3.2	1,425	1,378	– 3.3	– 2.5
Asia / Pacific	193	201	+ 4.1	+ 10.9	373	402	+ 7.8	+ 12.6
Latin America / Africa / Middle East	244	236	– 3.3	+ 15.2	483	467	– 3.3	+ 18.4
EBITDA [1]	**301**	**297**	**– 1.3**		**581**	**661**	**+ 13.8**	
Special items	(61)	(31)			(150)	(50)		
EBITDA before special items [1]	**362**	**328**	**– 9.4**		**731**	**711**	**– 2.7**	
EBITDA margin before special items [1]	22.8%	21.1%			23.2%	23.1%		
EBIT	**191**	**190**	**– 0.5**		**365**	**433**	**+ 18.6**	
Special items	(61)	(32)			(150)	(64)		
EBIT before special items [1]	**252**	**222**	**– 11.9**		**515**	**497**	**– 3.5**	
Gross cash flow [2]	**241**	**237**	**– 1.7**		**468**	**522**	**+ 11.5**	
Net cash flow [2]	**161**	**241**	**+ 49.7**		**446**	**438**	**– 1.8**	

2015 figures restated; Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 7 "Calculation of EBIT(DA) Before Special Items."
[2] For definition see Chapter 9.1 "Statements of Cash Flows."

Second quarter of 2016

Sales

Sales of Consumer Health rose by 4.0% (Fx & portfolio adj.) in the second quarter of 2016 to €1,553 million. Business developed well in the Latin America / Africa / Middle East, Europe and Asia / Pacific regions, while sales in North America were down compared with a strong prior-year quarter. Our Claritin™, Aspirin™, Bepanthen™ / Bepanthol™ and Canesten™ brands posted very high growth rates.

Best-Selling Consumer Health Products

Table 6

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx adj.	H1 2015	H1 2016	Change % Reported	Change % Fx adj.
Claritin™	167	178	+6.6	+11.0	369	365	–1.1	+0.9
Aspirin™	101	102	+1.0	+8.1	221	218	–1.4	+4.7
Aleve™	121	110	–9.1	–5.1	218	200	–8.3	–5.4
Bepanthen™ / Bepanthol™	88	95	+8.0	+20.7	182	187	+2.7	+15.4
Coppertone™	99	94	–5.1	–0.9	182	175	–3.8	–1.8
Canesten™	65	75	+15.4	+19.0	129	139	+7.8	+20.1
Dr Scholl's™ [1]	78	65	–16.7	–13.6	136	125	–8.1	–6.9
Alka-Seltzer™ product family	47	45	–4.3	+0.8	113	102	–9.7	–8.1
One A Day™	52	55	+5.8	+5.8	95	99	+4.2	+4.3
Berocca™	40	35	–12.5	–4.4	79	84	+6.3	+13.5
Total	**858**	**854**	**–0.5**	**+4.8**	**1,724**	**1,694**	**–1.7**	**+2.8**
Proportion of Consumer Health sales	54%	55%			55%	55%		

2015 figure for Aleve™ restated; Fx adj. = currency-adjusted
[1] Trademark rights and distribution only in certain countries outside the European Union

Sales by product

- Currency-adjusted sales of the antihistamine **Claritin™** rose considerably, particularly in China. Despite a weak allergy season, business in the United States developed positively, due primarily to the launch of the ClariSpray™ nasal spray.
- Sales of **Aspirin™** were up in all regions year on year on a currency-adjusted basis, with especially attractive gains in Latin America and the United States. Including business with Aspirin™ Cardio, which is reported under Pharmaceuticals, sales climbed by 12.7% (Fx adj.) to €240 million (Q2 2015: €228 million).
- Business with our analgesic **Aleve™** declined overall, mainly as a result of the deteriorating economic situation in Brazil and increased competitive pressure in the United States.
- We posted significant currency-adjusted sales gains for our **Bepanthen™ / Bepanthol™** wound and skin care products, particularly in Europe. Intensified marketing activities in Russia and the expansion of the portfolio to include Bepanthen Sun™ in France played a major role in this increase.
- Currency-adjusted sales of our sunscreen product **Coppertone™** moved back slightly against the prior-year quarter, due primarily to a weather-related decline in sales in the United States that was only partially offset by sales gains in China.
- The considerable increase in sales of the skin and intimate health brand **Canesten™** is attributable to expanded volumes in all regions, particularly in China and Germany.
- Our **Dr. Scholl's™** foot care products registered a decline in sales because of a weaker market environment and increased competitive pressure in the United States.
- Business with our **One A Day™** vitamin product benefited from factors including product line extensions in the United States.
- Sales of our multivitamin product **Berocca™** were down as expected, particularly in Asia / Pacific. This was attributable in part to higher sales in the previous quarter.

Earnings

EBITDA before special items of Consumer Health declined by 9.4% to €328 million in the second quarter of 2016 (Q2 2015: €362 million). The earnings contributions from the good business performance and cost synergies were not sufficient to offset the higher selling expenses as well as allocation and currency effects of around €25 million.

EBIT was level year on year at €190 million (–0.5%), including special charges of €32 million (Q2 2015: €61 million). These largely reflected costs of €29 million for the integration of acquired businesses.

First half of 2016

Sales

Sales of Consumer Health in the first half of 2016 increased by 3.1% (Fx & portfolio adj.) to €3,073 million. Business development in Latin America and in the Asia / Pacific region was especially positive, whereas sales declined in the United States.

Earnings

EBITDA before special items decreased slightly by 2.7% in the first half of 2016, to €711 million (H1 2015: €731 million). The earnings contributions from the good business performance and cost synergies were not sufficient to offset the higher selling expenses as well as allocation and currency effects of around €40 million.

EBIT advanced by a substantial 18.6% to €433 million (H1 2015: €365 million), including special charges of €64 million (H1 2015: €150 million). These reflected charges of €47 million for the integration of acquired businesses and €17 million for efficiency improvement measures.

5.3 Crop Science

Key Data – Crop Science Table 7

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Sales	**2,636**	**2,518**	**–4.5**	**+0.4**	**5,642**	**5,454**	**–3.3**	**+0.8**
Change in sales								
Volume	–0.6%	–1.0%			–1.6%	–0.8%		
Price	+0.1%	+1.4%			+1.8%	+1.6%		
Currency	+10.1%	–5.2%			+7.4%	–4.3%		
Portfolio	+0.8%	+0.3%			+0.7%	+0.2%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	851	808	–5.1	+0.9	2,179	2,113	–3.0	+1.1
North America	873	812	–7.0	–3.4	1,781	1,721	–3.4	–0.1
Asia / Pacific	442	455	+2.9	+8.4	802	797	–0.6	+3.5
Latin America / Africa / Middle East	470	443	–5.7	–0.2	880	823	–6.5	+0.3
EBITDA[1]	**694**	**633**	**–8.8**		**1,673**	**1,719**	**+2.7**	
Special items	(28)	(30)			(70)	(33)		
EBITDA before special items[1]	**722**	**663**	**–8.2**		**1,743**	**1,752**	**+0.5**	
EBITDA margin before special items[1]	27.4%	26.3%			30.9%	32.1%		
EBIT	**561**	**512**	**–8.7**		**1,416**	**1,467**	**+3.6**	
Special items	(28)	(30)			(75)	(33)		
EBIT before special items[1]	**589**	**542**	**–8.0**		**1,491**	**1,500**	**+0.6**	
Gross cash flow[2]	**529**	**468**	**–11.5**		**1,220**	**1,234**	**+1.1**	
Net cash flow[2]	**752**	**1,088**	**+44.7**		**(29)**	**422**	**.**	

2015 figures restated; Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[2] For definition see Chapter 9.1 “Statements of Cash Flows.”

Second quarter of 2016

Sales

In the second quarter of 2016, Crop Science posted sales of €2,518 million (Fx & portfolio adj. + 0.4%). Business at Crop Protection / Seeds was steady year on year despite an ongoing weak market environment. Environmental Science posted a slight decline in sales.

Following the conclusion in May 2016 of an agreement to divest the Consumer business of Environmental Science, these activities are reported under discontinued operations. Environmental Science therefore now comprises only the business for professional users. The key data and prior-year figures are restated accordingly.

Sales by Business Unit Table 8

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Crop Protection / Seeds	**2,472**	**2,363**	**– 4.4**	**+ 0.5**	**5,361**	**5,182**	**– 3.3**	**+ 0.8**
Crop Protection	2,137	2,055	– 3.8	+ 1.4	4,429	4,237	– 4.3	– 0.2
Herbicides	787	769	– 2.3	+ 3.9	1,693	1,614	– 4.7	– 0.1
Fungicides	827	840	+ 1.6	+ 6.0	1,657	1,667	+ 0.6	+ 4.5
Insecticides	360	302	– 16.1	– 11.9	695	586	– 15.7	– 12.1
SeedGrowth	163	144	– 11.7	– 6.1	384	370	– 3.6	+ 0.3
Seeds	335	308	– 8.1	– 4.8	932	945	+ 1.4	+ 5.9
Environmental Science	**164**	**155**	**– 5.5**	**– 1.2**	**281**	**272**	**– 3.2**	**+ 1.1**

2015 figures restated; Fx & p adj. = currency- and portfolio-adjusted

Sales by region

- Sales in Europe were up slightly year on year at €808 million (Fx adj. + 0.9%). Sales increased by a double-digit percentage at SeedGrowth, Insecticides and Herbicides but declined considerably at Fungicides, particularly in Germany. We registered encouraging growth in business with vegetable seeds. Sales at Environmental Science came in well below the prior-year figure.
- Sales in North America fell by 3.4% (Fx adj.) to €812 million. Compared with the prior-year quarter, sales at Seeds decreased substantially due to seasonal effects. Higher sales of soybean seeds were not sufficient to offset the decline in business with oilseed rape / canola and cotton seeds. Sales of seed treatments were down significantly year on year, as was the Insecticides business. By contrast, we registered very pleasing growth at Fungicides. We also expanded business at Herbicides, while sales at Environmental Science declined slightly.
- In the Asia / Pacific region, we grew sales substantially (Fx adj. + 8.4%) to €455 million, driven especially by very gratifying development in China and Australia. Business in the region expanded in all Crop Protection units, particularly SeedGrowth and Fungicides. Sales in the Seeds unit climbed by a double-digit percentage. On the other hand, Environmental Science posted a considerable decline in sales.
- Sales in the Latin America / Africa / Middle East region were level year on year at €443 million (Fx adj. – 0.2%). Very gratifying performances at Fungicides and in the vegetable seeds business were more than offset by declines in sales at Herbicides and SeedGrowth and much lower sales at Insecticides in Brazil. Environmental Science posted double-digit percentage growth.

Earnings

EBITDA before special items of Crop Science declined by 8.2% to €663 million in the second quarter of 2016 (Q2 2015: €722 million). The higher cost of goods sold, slightly lower volumes and a negative currency effect of around €10 million were compensated only in part by higher selling prices and lower selling expenses.

EBIT decreased by 8.7% to €512 million, after special charges of €30 million (Q2 2015: €28 million), due largely to restructuring measures.

First half of 2016

Sales

Sales of Crop Science in the first half of 2016 were level year on year at €5,454 million (Fx & portfolio adj. + 0.8%) despite the difficult market environment. At Crop Protection / Seeds, the positive development of Fungicides compensated declining Insecticides sales. We expanded business at Seeds and Environmental Science. Sales increased in the Asia / Pacific and Europe regions, whereas business remained at the prior-year level in North America and Latin America / Africa / Middle East.

Earnings

EBITDA before special items of Crop Science in the first half of 2016 was level year on year at €1,752 million (+ 0.5%; H1 2015: €1,743 million). Positive earnings contributions from higher selling prices stood against increased R&D expenses, lower volumes and a negative currency effect of around €25 million.

EBIT increased slightly by 3.6% to €1,467 million after special charges of €33 million (H1 2015: €75 million), which were largely attributable to restructuring measures.

5.4 Animal Health

Key Data – Animal Health Table 9

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Sales	**428**	**426**	**–0.5**	**+4.2**	**814**	**834**	**+2.5**	**+6.4**
Change in sales								
Volume	+8.1%	+1.4%			+6.6%	+4.7%		
Price	– 2.0%	+2.8%			– 0.3%	+1.7%		
Currency	+13.1%	– 4.7%			+12.1%	– 3.9%		
Portfolio	0.0%	0.0%			0.0%	0.0%		
			Reported	**Fx adj.**			**Reported**	**Fx adj.**
Sales by region								
Europe	111	114	+2.7	+7.2	230	242	+5.2	+8.3
North America	193	193	.	+2.6	325	355	+9.2	+9.8
Asia / Pacific	72	71	–1.4	+4.2	147	138	– 6.1	– 2.0
Latin America / Africa / Middle East	52	48	–7.7	+3.8	112	99	– 11.6	+3.6
EBITDA [1]	**113**	**100**	**–11.5**		**205**	**221**	**+7.8**	
Special items	(7)	–			(17)	(1)		
EBITDA before special items [1]	**120**	**100**	**–16.7**		**222**	**222**	**.**	
EBITDA margin before special items [1]	28.0%	23.5%			27.3%	26.6%		
EBIT	**105**	**93**	**–11.4**		**170**	**207**	**+21.8**	
Special items	(6)	–			(38)	(1)		
EBIT before special items [1]	**111**	**93**	**– 16.2**		**208**	**208**	**.**	
Gross cash flow [2]	**83**	**69**	**– 16.9**		**155**	**155**	**.**	
Net cash flow [2]	**85**	**48**	**– 43.5**		**205**	**28**	**– 86.3**	

Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[2] For definition see Chapter 9.1 “Statements of Cash Flows.”

Second quarter of 2016

Sales

Sales of Animal Health in the second quarter of 2016 climbed by 4.2% (Fx & portfolio adj.) to €426 million. All regions developed positively on a currency-adjusted basis, the strongest gains being registered in Europe.

Best-Selling Animal Health Products Table 10

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx adj.	H1 2015	H1 2016	Change % Reported	Change % Fx adj.
Advantage™ product family	169	157	–7.1	–3.7	313	305	–2.6	–0.4
Seresto™	48	67	+39.6	+44.6	76	121	+59.2	+61.7
Drontal™ product family	30	32	+6.7	+9.3	61	64	+4.9	+8.2
Baytril™	27	24	–11.1	–5.8	57	52	–8.8	–4.4
Total	**274**	**280**	**+2.2**	**+6.0**	**507**	**542**	**+6.9**	**+9.5**
Proportion of Animal Health sales	64%	66%			62%	65%		

Fx adj. = currency-adjusted

Sales by product

- Sales of our **Advantage™** family of flea, tick and worm control products declined, mainly as a result of higher competitive pressure.
- Sales of our **Seresto™** flea and tick collar rose strongly, thanks especially to higher demand in the United States. Sales also increased in Europe.
- Business with our **Drontal™** line of wormers benefited, among other factors, from higher volumes in the United States.
- Sales of our antibiotic **Baytril™** fell because of a weaker market environment overall and generic competition in the United States.

Earnings

EBITDA before special items of Animal Health declined by 16.7% to €100 million in the second quarter of 2016 (Q2 2015: €120 million), due especially to seasonal shifts in selling expenses and negative currency effects of around €5 million.

EBIT stood at €93 million, which was 11.4% lower than in the prior year (Q2 2015: €105 million) and included no special charges (Q2 2015: €6 million).

First half of 2016

Sales

Sales of Animal Health rose by 6.4% (Fx & portfolio adj.) in the first half of 2016 to €834 million. The strongest sales growth was recorded in the United States and Europe.

Earnings

EBITDA before special items in the first half of 2016 amounted to €222 million (H1 2015: €222 million) and was thus level with the prior year. Positive earnings contributions from the good business development stood against higher selling expenses and negative currency effects of around €10 million.

EBIT of Animal Health advanced by 21.8% to €207 million (H1 2015: €170 million) after special charges of €1 million (H1 2015: €38 million).

5.5 Covestro

Key Data – Covestro

Table 11

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Sales	**3,185**	**2,975**	**−6.6**	**−3.9**	**6,199**	**5,825**	**−6.0**	**−4.3**
Change in sales								
Volume	+7.0%	+5.0%			+4.7%	+5.4%		
Price	−6.4%	−8.9%			−5.4%	−9.7%		
Currency	+10.6%	−2.7%			+10.1%	−1.7%		
Portfolio	0.0%	0.0%			0.0%	0.0%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	1,158	1,126	−2.8	−2.8	2,251	2,215	−1.6	−1.6
North America	766	686	−10.4	−8.4	1,484	1,369	−7.7	−7.7
Asia / Pacific	904	866	−4.2	+0.6	1,760	1,659	−5.7	−2.7
Latin America / Africa / Middle East	357	297	−16.8	−9.8	704	582	−17.3	−9.9
EBITDA[1]	**448**	**543**	**+21.2**		**851**	**1,047**	**+23.0**	
Special items	(58)	–			(79)	–		
EBITDA before special items[1]	**506**	**543**	**+7.3**		**930**	**1,047**	**+12.6**	
EBITDA margin before special items[1]	15.9%	18.3%			15.0%	18.0%		
EBIT	**278**	**367**	**+32.0**		**497**	**703**	**+41.4**	
Special items	(59)	–			(101)	–		
EBIT before special items[1]	**337**	**367**	**+8.9**		**598**	**703**	**+17.6**	
Gross cash flow[2]	**359**	**428**	**+19.2**		**671**	**835**	**+24.4**	
Net cash flow[2]	**360**	**309**	**−14.2**		**523**	**478**	**−8.6**	

Fx & p adj. = currency- and portfolio-adjusted; Fx adj. = currency-adjusted
[1] For definition see Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[2] For definition see Chapter 9.1 “Statements of Cash Flows.”

Second quarter of 2016

Sales

Sales of Covestro fell by 3.9% (Fx & portfolio adj.) in the second quarter of 2016 compared with the prior-year period, to €2,975 million. Selling prices were down significantly, mainly due to raw material price development and primarily at Polyurethanes. Volumes were above the level of the prior-year quarter overall.

Sales by Business Unit

Table 12

€ million	Q2 2015	Q2 2016	Change % Reported	Change % Fx & p adj.	H1 2015	H1 2016	Change % Reported	Change % Fx & p adj.
Polyurethanes	1,638	1,482	−9.5	−6.7	3,189	2,883	−9.6	−7.7
Polycarbonates	828	831	+0.4	+3.7	1,592	1,617	+1.6	+3.6
Coatings, Adhesives, Specialties	561	532	−5.2	−3.0	1,095	1,044	−4.7	−3.5
Other Covestro business	158	130	−17.7	−18.4	323	281	−13.0	−13.0
Total	**3,185**	**2,975**	**−6.6**	**−3.9**	**6,199**	**5,825**	**−6.0**	**−4.3**

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

Sales by business unit

- At **Polyurethanes**, much lower selling prices that were not offset by higher volumes led to a 6.7% (Fx & portfolio adj.) decline in sales to €1,482 million.
- **Polycarbonates** improved sales by 3.7% (Fx & portfolio adj.) to €831 million, with higher volumes more than offsetting lower selling prices.
- Sales at **Coatings, Adhesives, Specialties** fell by 3.0% (Fx & portfolio adj.) to €532 million, as selling prices were down slightly against the prior-year quarter. Volumes were level year on year.

Earnings

EBITDA before special items of Covestro improved by 7.3% to €543 million in the second quarter of 2016 (Q2 2015: €506 million). The impact of lower selling prices was more than compensated by the net effect of lower raw material prices and higher volumes. Earnings were diminished by a negative currency effect of around €5 million.

EBIT rose year on year by a substantial 32.0% to €367 million. There were no special items (Q2 2015: minus €59 million).

First half of 2016

Sales

Sales of Covestro fell by 4.3% (Fx & portfolio adj.) in the first half of 2016 compared with the prior-year period, to €5,825 million. Selling prices declined in all three business units, especially at Polyurethanes. Volumes were above the level of the prior-year period overall, increasing at Polycarbonates and Polyurethanes but unchanged from a year earlier at Coatings, Adhesives, Specialties.

Earnings

EBITDA before special items increased by 12.6% to €1,047 million. Lower raw material costs compensated the decline in selling prices. Increased volumes also had a positive effect on earnings.

EBIT advanced by 41.4% to €703 million. There were no special items (H1 2015: minus €101 million).

6. Research, Development, Innovation

Bayer Group expenses for research and development rose by 9.4% (Fx adj.) to €1,122 million in the second quarter of 2016, with the Life Science businesses accounting for €1,060 million of this figure (Fx adj. plus 10.5%).

Research and Development Expenses Table 13

	R&D expenses						R&D expenses before special items					
			Change %			Change %			Change %			Change %
€ million	Q2 2015	Q2 2016	Fx adj.	H1 2015	H1 2016	Fx adj.	Q2 2015	Q2 2016	Fx adj.	H1 2015	H1 2016	Fx adj.
Pharmaceuticals	581	679	+17.0	1,114	1,379	+23.6	578	679	+17.6	1,111	1,346	+21.0
Consumer Health	65	71	+10.8	117	129	+11.1	60	60	+3.3	110	116	+7.3
Crop Science	268	272	+3.7	506	533	+6.9	268	265	+1.1	506	526	+5.5
Animal Health	32	34	+9.4	65	64	.	32	34	+9.4	65	64	.
Total Life Sciences[1]	**967**	**1,060**	**+10.5**	**1,852**	**2,105**	**+14.1**	**959**	**1,042**	**+9.6**	**1,842**	**2,052**	**+11.9**
Covestro	68	62	–5.9	127	126	+0.8	67	62	–4.5	126	126	+1.6
Total Group	**1,035**	**1,122**	**+9.4**	**1,979**	**2,231**	**+13.3**	**1,026**	**1,104**	**+8.6**	**1,968**	**2,178**	**+11.2**

2015 figures restated
[1] Including reconciliation

Capital expenditures for property, plant and equipment and intangible assets amounted to €589 million (Q2 2015: €601 million), including €509 million (Q2 2015: €466 million) in the Life Science businesses.

In addition to the partnership concluded at the end of 2015 with CRISPR Therapeutics AG, Switzerland, Bayer and ERS Genomics, Ireland, signed an agreement in May 2016 that will grant Bayer access to the CRISPR-Cas9 genome editing patents of ERS. The agreement grants Bayer rights for defined research applications of this technology in selected core strategic areas.

Pharmaceuticals

We are conducting clinical trials with several drug candidates from our research and development pipeline.

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

Research and Development Projects (Phase II)[1] Table 14

Projects	Indication
Anetumab ravtansine (mesothelin ADC)	Cancer
Ang2 antibody + aflibercept	Serious eye diseases[2]
BAY 1142524 (chymase inhibitor)	Heart failure
BAY 2306001 (IONIS-FXIRx)	Prevention of thrombosis[3]
Copanlisib (PI3K inhibitor)	Recurrent / resistant non-Hodgkin lymphoma (NHL)
Molidustat (HIF-PH inhibitor)	Renal anemia
Neladenoson bialanate (BAY 1067197)	Heart failure
PDGFR-beta + aflibercept	Wet age-related macular degeneration[2]
Radium-223 dichloride	Breast cancer with bone metastases
Radium-223 dichloride	Cancer, various studies
Regorafenib	Cancer
Riociguat	Diffuse systemic sclerosis
Riociguat	Cystic fibrosis
Rivaroxaban	Secondary prevention of acute coronary syndrome (ACS)[4]
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure
Vilaprisan (S-PRM)	Symptomatic uterine fibroids
Vilaprisan (S-PRM)	Endometriosis

[1] As of July 18, 2016
[2] Sponsored by Regeneron Pharmaceuticals, Inc.
[3] Sponsored by Ionis Pharmaceuticals, Inc.
[4] Sponsored by Janssen Research & Development, LLC
The nature of drug discovery and development is such that not all compounds can be expected to meet the predefined 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. Moreover, we regularly review our research and development pipeline so that we can give priority to advancing the most promising pharmaceuticals projects.

Following the recommendation of an independent data monitoring committee (DMC), we terminated our Phase II study investigating riociguat (tradename: Adempas™) in patients with pulmonary hypertension associated with idiopathic interstitial pneumonia (PH-IIP) in May 2016.

We also will not further pursue the development of BAY 98-7196 + anastrozole (intravaginal ring) for the indication endometriosis.

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

Research and Development Projects (Phase III)[1] Table 15

Projects	Indication
Amikacin Inhale	Pulmonary infection
BAY 1841788 (ODM-201, AR antagonist)	Nonmetastatic castration-resistant prostate cancer
BAY 1841788 (ODM-201, AR antagonist)	Metastatic hormone-sensitive prostate cancer
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Hemophilia A
Ciprofloxacin DPI	Pulmonary infection
Copanlisib (PI3K inhibitor)	Various forms of non-Hodgkin lymphoma (NHL)
Finerenone (MR antagonist)	Diabetic kidney disease
Radium-223 dichloride	Combination treatment of castration-resistant prostate cancer
Regorafenib	Refractory liver cancer
Regorafenib	Colon cancer, adjuvant therapy
Riociguat	Pulmonary arterial hypertension (PAH) in patients who do not sufficiently respond to PDE-5i / ERA
Rivaroxaban	Prevention of major adverse cardiac events (MACE)
Rivaroxaban	Anticoagulation in patients with chronic heart failure[2]
Rivaroxaban	Long-term prevention of venous thromboembolism
Rivaroxaban	Prevention of venous thromboembolism in high-risk patients after discharge from hospital[2]
Rivaroxaban	Embolic stroke of undetermined source (ESUS)
Rivaroxaban	Peripheral artery disease (PAD)
Tedizolid	Pulmonary infection

[1] As of July 18, 2016
[2] Sponsored by Janssen Research & Development, LLC
The nature of drug discovery and development is such that not all compounds can be expected to meet the predefined 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. Moreover, we regularly review our research and development pipeline so that we can give priority to advancing the most promising pharmaceuticals projects.

In May 2016, a clinical Phase III study investigating regorafenib (tradename: Stivarga™) in unresectable liver cancer reached its primary endpoint, a statistically significant improvement of overall survival. The study investigated regorafenib in patients with hepatocellular carcinoma that had further progressed during prior treatment with sorafenib (tradename: Nexavar™). Based on these data, we plan to file for marketing authorization for regorafenib in the treatment of unresectable liver cancer before the end of 2016.

In June 2016, we agreed with Orion Corporation, Espoo, Finland, to expand the global clinical development program for the novel androgen receptor (AR) antagonist BAY-1841788 (ODM-201). A new clinical Phase III study will evaluate BAY-1841788 in men with newly diagnosed metastatic hormone-sensitive prostate cancer (mHSPC) who are starting first line hormone therapy.

Also in June 2016, we formed a new research partnership with the U.S. National Surgical Adjuvant Breast and Bowel Project (NSABP), a leading clinical trials cooperative group. A clinical Phase III study will investigate regorafenib as a single agent for adjuvant treatment following completion of standard adjuvant chemotherapy in patients with advanced but not yet metastatic colon cancer.

The most important drug candidates in the approval process are:

Products Submitted for Approval[1] Table 16

Project	Indication
LCS-16 (ULD LNG Contraceptive System)	E.U., U.S.A.; contraception
Rivaroxaban[2]	U.S.A.; secondary prophylaxis of acute coronary syndrome (ACS)

[1] As of July 18, 2016
[2] Submitted by Janssen Research & Development, LLC

In May 2016, the U.S. Food and Drug Administration (FDA) approved Gadavist™ / Gadovist™ (active ingredient: gadobutrol) as the first contrast agent for use with magnetic resonance angiography (MRA) to evaluate known or suspected supra-aortic or renal artery disease in patients of all ages.

Consumer Health
In April 2016, we expanded our Claritin™ portfolio in the United States to include ClariSpray™, a 24-hour nasal spray to treat allergy symptoms.

In June 2016, we began marketing Aleve™ Direct Therapy in the United States to expand our range of analgesic products. This product is a medical device for transcutaneous electrical nerve stimulation to help relieve lower back pain and tension.

Crop Science
In April 2016, Crop Science announced a five-year research partnership with the Institute of Geography and the Department of Informatics of the University of Hamburg that is aimed at jointly developing new digital solutions for agriculture based on geoinformatics methods and models. The project will leverage relevant geobasic data such as soil, climate, land relief and usage parameters for IT-based visualization of the consequences of agricultural processes.

In May 2016, Crop Science and Planetary Resources, based in Redmond, Washington, United States, signed a memorandum of understanding about the development of applications and products based on satellite images.

Animal Health
In May 2016, we entered into an agreement with BioNTech AG, Germany, to develop novel mRNA vaccines and therapeutics specifically for veterinary medicine applications.

Also in May 2016, we signed a global license agreement with TransferTech Sherbrooke, Quebec, Canada, to advance a novel vaccine candidate developed at Université de Sherbrooke. The new vaccine is intended to help protect dairy cattle from mastitis caused by the bacterium Staphylococcus aureus.

Covestro
In June 2016, Covestro inaugurated a production facility at the Dormagen site that will manufacture a novel foam component with 20% CO_2 content, enabling input of the traditional oil-based raw material to be reduced by an equal amount. The new plant with an annual capacity of 5,000 tons will allow the company to manufacture plastics using carbon dioxide for the first time on an industrial scale.

7. Calculation of EBIT(DA) Before Special Items

EBIT (income after income taxes, plus income taxes, plus financial result), which is not defined in the International Financial Reporting Standards, is influenced by special effects and by the amortization of intangible assets and depreciation of property, plant and equipment, along with impairment losses and impairment loss reversals. To elucidate the effects of these parameters on the operational business and facilitate the comparability of operational earning power over time, we determine additional indicators: EBITDA, EBIT before special items, EBITDA before special items and the EBITDA margin before special items. These indicators also are not defined in the International Financial Reporting Standards.

Special Items Reconciliation Table 17

€ million	EBIT Q2 2015	EBIT Q2 2016	EBIT H1 2015	EBIT H1 2016	EBITDA Q2 2015	EBITDA Q2 2016	EBITDA H1 2015	EBITDA H1 2016
Before special items	**2,078**	**2,242**	**4,247**	**4,834**	**2,888**	**3,054**	**5,810**	**6,441**
Pharmaceuticals	**(78)**	**(11)**	**(102)**	**(242)**	**(74)**	**(10)**	**(98)**	**(10)**
Restructuring	(26)	(10)	(35)	(12)	(22)	(9)	(31)	(11)
Litigations	(1)	(1)	(14)	1	(1)	(1)	(14)	1
Integration costs	–	–	(2)	–	–	–	(2)	–
Impairment losses / impairment loss reversals	–	–	–	(231)	–	–	–	–
Divestitures	3	–	3	–	3	–	3	–
Revaluation of other receivables	(54)	–	(54)	–	(54)	–	(54)	–
Consumer Health	**(61)**	**(32)**	**(150)**	**(64)**	**(61)**	**(31)**	**(150)**	**(50)**
Restructuring	–	(3)	–	(17)	–	(2)	–	(3)
Integration costs	(55)	(29)	(144)	(47)	(55)	(29)	(144)	(47)
Revaluation of other receivables	(6)	–	(6)	–	(6)	–	(6)	–
Crop Science	**(28)**	**(30)**	**(75)**	**(33)**	**(28)**	**(30)**	**(70)**	**(33)**
Restructuring	–	(28)	–	(28)	–	(28)	–	(28)
Litigations	(17)	(2)	(18)	(5)	(17)	(2)	(18)	(5)
Divestitures	–	–	(46)	–	–	–	(41)	–
Revaluation of other receivables	(11)	–	(11)	–	(11)	–	(11)	–
Animal Health	**(6)**	**–**	**(38)**	**(1)**	**(7)**	**–**	**(17)**	**(1)**
Restructuring	(6)	–	(38)	(1)	(7)	–	(17)	(1)
Reconciliation	**(23)**	**(31)**	**(33)**	**(36)**	**(23)**	**(31)**	**(33)**	**(36)**
Restructuring	(22)	(26)	(32)	(31)	(22)	(26)	(32)	(31)
Litigations	–	(5)	–	(5)	–	(5)	–	(5)
Revaluation of other receivables	(1)	–	(1)	–	(1)	–	(1)	–
Total special items Life Sciences	**(196)**	**(104)**	**(398)**	**(376)**	**(193)**	**(102)**	**(368)**	**(130)**
Covestro	**(59)**	**–**	**(101)**	**–**	**(58)**	**–**	**(79)**	**–**
Restructuring	(57)	–	(99)	–	(56)	–	(77)	–
Revaluation of other receivables	(2)	–	(2)	–	(2)	–	(2)	–
Total special items	**(255)**	**(104)**	**(499)**	**(376)**	**(251)**	**(102)**	**(447)**	**(130)**
of which cost of goods sold	(51)	(16)	(237)	(199)	(48)	(14)	(191)	(22)
of which selling expenses	(45)	(30)	(71)	(71)	(46)	(30)	(67)	(35)
of which research and development expenses	(9)	(18)	(11)	(53)	(7)	(18)	(9)	(20)
of which general administration expenses	(43)	(31)	(63)	(44)	(43)	(31)	(63)	(44)
of which other operating income / expenses	(107)	(9)	(117)	(9)	(107)	(9)	(117)	(9)
After special items	**1,823**	**2,138**	**3,748**	**4,458**	**2,637**	**2,952**	**5,363**	**6,311**

2015 figures restated

> EBITDA (EBIT plus the amortization of intangible assets and the depreciation of property, plant and equipment, plus impairment losses and minus impairment loss reversals, recognized in profit or loss during the reporting period) serves to characterize the operational business irrespective of the effects of amortization, depreciation or impairment losses / impairment loss reversals.
> EBIT before special items and EBITDA before special items show the development of the operational business irrespective of the effects of special items, i.e. special effects for the company with regard to their nature and magnitude. These may include litigations, restructuring, integration costs, impairment losses and impairment loss reversals. In the calculation of EBIT before special items and EBITDA before special items, special charges are added and special gains subtracted. They constitute relevant key data for Bayer.
> The EBITDA margin before special items, which is calculated by dividing EBITDA before special items by sales, serves as an indicator of relative operational earning power for purposes of internal and external comparison.

In the second quarter of 2016, depreciation, amortization and impairments were level year on year at €814 million (Q2 2015: €814 million), comprising €447 million (Q2 2015: €446 million) in amortization and impairments on intangible assets and €367 million (H1 2015: €368 million) in depreciation and impairments on property, plant and equipment. The impairments totaled €39 million (Q2 2015: €19 million) and included no special items (Q2 2015: €4 million).

Depreciation, amortization and impairments were 14.7% higher in the first half of 2016 at €1,853 million (H1 2015: €1,615 million), comprising €1,114 million (H1 2015: €870 million) in amortization and impairments on intangible assets and €739 million (H1 2015: €745 million) in depreciation and impairments on property, plant and equipment. The impairments totaled €298 million (H1 2015: €67 million), of which €244 million (H1 2015: €52 million) constituted special items.

8. (Core) Earnings Per Share

Earnings per share according to IFRS are affected by the purchase price allocation for acquisitions and other special factors. To elucidate the impact of these effects on earnings and facilitate the comparability of our performance over time, we determine additional indicators – core EBIT, core net income and core earnings per share – which are not defined in the International Financial Reporting Standards.

Core Earnings Per Share

Table 18

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
EBIT (as per income statements)	**1,823**	**2,138**	**3,748**	**4,458**
Amortization and impairment losses / loss reversals on intangible assets	446	447	870	1,114
Impairment losses / loss reversals on property, plant and equipment	19	(1)	55	17
Special items (other than amortization and impairment losses / loss reversals)	251	102	447	130
Core EBIT	**2,539**	**2,686**	**5,120**	**5,719**
Financial result (as per income statements)	(287)	(314)	(561)	(629)
Special items in the financial result	(6)	–	(9)	(10)
Income taxes (as per income statements)	(390)	(431)	(759)	(905)
Tax effects related to amortization, impairment losses / loss reversals and special items	(210)	(156)	(431)	(374)
Income after income taxes attributable to noncontrolling interest (as per income statements)	(6)	(68)	(12)	(138)
Above-mentioned adjustments attributable to noncontrolling interest	–	(5)	–	(7)
Core net income from continuing operations	**1,640**	**1,712**	**3,348**	**3,656**
Shares				
Number of issued ordinary shares	**826,947,808**	**826,947,808**	**826,947,808**	**826,947,808**
€				
Core earnings per share from continuing operations	**1.99**	**2.07**	**4.05**	**4.42**
Core earnings per share from discontinued operations	0.02	0.13	0.10	0.20
Core earnings per share from continuing and discontinued operations	2.01	2.20	4.15	4.62

2015 figures restated

Core EBIT is determined by first eliminating from EBIT (income after income taxes, plus income taxes, plus financial result), which is not defined in the International Financial Reporting Standards, all amortization and impairment losses / impairment loss reversals on intangible assets, impairment losses / impairment loss reversals on property, plant and equipment, and special items (other than amortization and impairment losses / impairment loss reversals). This core EBIT is then used to calculate core net income, which comprises the financial result (as per income statements), income taxes (as per income statements), income after income taxes attributable to noncontrolling interest (as per income statements), special items in the financial result, special items in income taxes, tax effects related to amortization, impairment losses / impairment loss reversals and special items, and the above-mentioned adjustments attributable to noncontrolling interest.

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. They are determined for both continuing and discontinued operations. In the second quarter of 2016, we improved core earnings per share from continuing operations by 4.0% to €2.07 (Q2 2015: €1.99). Earnings per share rose by 19.3% in the same period to €1.67 (Q2 2015: €1.40).

9. Financial Position of the Bayer Group

9.1 Statements of Cash Flows

Bayer Group Summary Statements of Cash Flows

Table 19

€ million	Q2 2015	Q2 2016	Change %	H1 2015	H1 2016	Change %
Gross cash flow[1]	**2,165**	**2,366**	**+ 9.3**	**4,162**	**4,930**	**+ 18.5**
Changes in working capital / other noncash items	(205)	(374)	– 82.4	(1,483)	(2,386)	– 60.9
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**1,960**	**1,992**	**+ 1.6**	**2,679**	**2,544**	**– 5.0**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	(1)	(10)	.	4	760	.
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,959**	**1,982**	**+ 1.2**	**2,683**	**3,304**	**+ 23.1**
Net cash provided by (used in) investing activities (total)	**(527)**	**(1,245)**	**– 136.2**	**(1,123)**	**(1,707)**	**– 52.0**
Net cash provided by (used in) financing activities (total)	**334**	**(3,235)**	**.**	**(76)**	**(2,412)**	**.**
Change in cash and cash equivalents due to business activities	**1,766**	**(2,498)**	**.**	**1,484**	**(815)**	**.**
Cash and cash equivalents at beginning of period	**1,607**	**3,552**	**+ 121.0**	**1,853**	**1,859**	**+ 0.3**
Change due to exchange rate movements and to changes in scope of consolidation	(126)	1	.	(90)	11	.
Cash and cash equivalents at end of period	**3,247**	**1,055**	**– 67.5**	**3,247**	**1,055**	**– 67.5**

2015 figures restated

[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 noncash components of EBIT. It also contains benefit payments during the year. Gross cash flow is not defined in the International Financial Reporting Standards.

Net cash provided by operating activities (net cash flow)

> Gross cash flow from continuing operations in the **second quarter of 2016** climbed by a substantial 9.3% to €2,366 million.
> Net cash flow (total) was diminished by an increase in cash tied up in working capital but rose slightly by 1.2% to €1,982 million.
> The net cash flow (total) reflected income tax payments of €659 million (Q2 2015: €352 million).
> The transfer of Covestro shares with a value of €337 million to Bayer Pension Trust e.V. was a noncash transaction and therefore did not result in an operating cash outflow.

> Gross cash flow from continuing operations in the **first half of 2016** climbed by a substantial 18.5% to €4,930 million.
> Net cash flow (total) was diminished by an increase in cash tied up in working capital but rose by 23.1% to €3,304 million, due above all to the inflow from the divestiture of the Diabetes Care business.
> The net cash flow (total) reflected income tax payments of €1,208 million (H1 2015: €796 million).

Net cash provided by (used in) investing activities

> Cash outflows for property, plant and equipment and intangible assets were 2.0% lower in the **second quarter of 2016** at €589 million (Q2 2015: €601 million) and included €236 million (Q2 2015: €225 million) at Pharmaceuticals, €48 million (Q2 2015: €32 million) at Consumer Health, €164 million (Q2 2015: €149 million) at Crop Science, €6 million (Q2 2015: €6 million) at Animal Health and €80 million (Q2 2015: €135 million) at Covestro.

> Cash outflows for property, plant and equipment and intangible assets were 0.6% higher in the **first half of 2016** at €952 million (H1 2015: €946 million) and included €377 million (H1 2015: €320 million) at Pharmaceuticals, €87 million (H1 2015: €43 million) at Consumer Health, €261 million (H1 2015: €245 million) at Crop Science, €11 million (H1 2015: €10 million) at Animal Health and €126 million (H1 2015: €224 million) at Covestro.

Net cash provided by (used in) financing activities

> In the **second quarter of 2016**, there was a net cash outflow of €3,235 million for financing activities, including net loan repayments of €950 million (Q2 2015: net borrowings of €2,349 million).
> Net interest payments were 7.1% higher at €165 million (Q2 2015: €154 million).
> The cash outflow for dividends amounted to €2,120 million (Q2 2015: €1,861 million).
> The transfer of Covestro shares with a value of €337 million to Bayer Pension Trust e.V. was a noncash transaction and therefore did not result in a financial cash inflow.

> In the **first half of 2016**, there was a net cash outflow of €2,412 million for financing activities, including net loan repayments of €41 million (H1 2015: net borrowings of €2,026 million).
> Net interest payments were 6.4% higher at €251 million (H1 2015: €236 million).

9.2 Liquid Assets and Net Financial Debt

Net Financial Debt[1] Table 20

€ million	Dec. 31, 2015	March 31, 2016	June 30, 2016	Change vs. March 31, 2016 (%)
Bonds and notes / promissory notes	15,547	16,153	16,165	+ 0.1
of which hybrid bonds[2]	4,525	4,526	4,527	.
Liabilities to banks	2,779	2,805	2,182	− 22.2
Liabilities under finance leases	474	449	447	− 0.4
Negative fair values of hedges of recorded transactions	753	632	708	+ 12.0
Other financial liabilities	369	255	175	− 31.4
Positive fair values of hedges of recorded transactions	(350)	(265)	(287)	+ 8.3
Financial liabilities	19,572	20,029	19,390	− 3.2
Cash and cash equivalents	(1,859)	(3,552)	(1,055)	− 70.3
Current financial assets[3]	(264)	(154)	(495)	.
Net financial debt	17,449	16,323	17,840	+ 9.3

[1] Net financial debt is not defined in the International Financial Reporting Standards and is calculated as shown in this table.
[2] Classified as debt according to IFRS
[3] These include short-term loans and receivables with maturities between 3 and 12 months outstanding from banks and other companies as well as available-for-sale financial assets and held-to-maturity financial investments that were recorded as current on initial recognition.

> Net financial debt of the Bayer Group increased by €1.5 billion between March 31, 2016, and the end of the second quarter. Cash inflows from operating activities only partially offset the outflow for the dividend payment.
> Net financial debt includes three subordinated hybrid bonds with a total volume of €4.5 billion, 50% of which is treated as equity by Moody's and Standard & Poor's. The hybrid bonds thus have a more limited effect on the Group's rating-specific debt indicators than conventional borrowings.
> In April 2016, Bayer Nordic SE redeemed at maturity a bond with a nominal volume of €200 million issued under its Debt Issuance Programme (previously known as the multi-currency European Medium Term Notes program).

- In June 2016, Bayer Capital Corporation B.V repaid ahead of schedule two loans with a nominal volume of €500 million issued by the European Investment Bank.
- The other financial liabilities as of June 30, 2016, included commercial paper of €80 million.
- Standard & Poor's gives Bayer a long-term issuer rating of A–, while Moody's gives us a long-term rating of A3. The short-term ratings are A-2 (Standard & Poor's) and P-2 (Moody's). These investment-grade ratings document good creditworthiness. Both rating agencies are currently reviewing our ratings with regard to a potential downgrade.

9.3 Asset and Capital Structure

Bayer Group Summary Statements of Financial Position Table 21

€ million	Dec. 31, 2015	March 31, 2016	June 30, 2016	Change vs. March 31, 2016 (%)
Noncurrent assets	50,096	49,903	50,811	+ 1.8
Current assets	23,624	26,718	24,663	− 7.7
Assets held for sale	197	8	-	.
Total current assets	**23,821**	**26,726**	**24,663**	**− 7.7**
Total assets	**73,917**	**76,629**	**75,474**	**− 1.5**
Equity	**25,445**	**24,773**	**24,035**	**− 3.0**
Noncurrent liabilities	31,492	34,428	34,383	− 0.1
Current liabilities	16,868	17,428	17,038	− 2.2
Liabilities directly related to assets held for sale	112	–	18	.
Total current liabilities	16,980	17,428	17,056	− 2.1
Liabilities	**48,472**	**51,856**	**51,439**	**− 0.8**
Total equity and liabilities	**73,917**	**76,629**	**75,474**	**− 1.5**

- Between March 31, 2016, and June 30, 2016, total assets decreased by €1.2 billion to €75.5 billion. Noncurrent assets were almost level year on year at €50.8 billion. The carrying amount of current assets declined by €2.1 billion to €24.7 billion, due mainly to a decrease in cash and cash equivalents.
- Equity decreased by €0.7 billion compared with March 31, 2016, to €24.0 billion. Income after income taxes of €1.4 billion and currency effects of €0.3 billion were among the positive factors here and were offset mainly by the dividend payment of €2.1 billion and the €0.6 billion increase after taxes – recognized outside profit or loss – in post-employment benefit obligations. The equity ratio (equity coverage of total assets) as of June 30, 2016 was 31.8% (March 31, 2016: 32.3%).
- Liabilities were largely unchanged in the second quarter of 2016 at €51.4 billion. Provisions for pensions and other post-employment benefits rose by €0.5 billion. Other provisions and financial liabilities declined by €0.4 billion and €0.6 billion, respectively.

Net Defined Benefit Liability for Post-Employment Benefits Table 22

€ million	Dec. 31, 2015	March 31, 2016	June 30, 2016	Change vs. March 31, 2016 (%)
Provisions for pensions and other post-employment benefits	10,873	13,343	13,838	+ 3.7
Net defined benefit asset	(30)	(30)	(32)	+ 6.7
Net defined benefit liability for post-employment benefits	**10,843**	**13,313**	**13,806**	**+ 3.7**

> The net defined benefit liability for post-employment benefits increased by €0.5 billion overall in the second quarter of 2016, to €13.8 billion, due mainly to an effect of €0.8 billion resulting from the decrease in long-term capital market interest rates for high-quality corporate bonds in Germany, the United Kingdom and the United States and to a contribution of €0.3 billion to Bayer Pension Trust e.V.

10. 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 nonfinancial objectives.

Bayer regards opportunity and risk management as an integral part of corporate governance. Our risk management process and the opportunities / risks outlined in detail in the Annual Report 2015 (Combined Management Report, Chapter 18.3) are materially unchanged. No risks have been identified that could endanger the Bayer Group's continued existence. There are also no risks with mutually reinforcing dependencies that could combine to endanger the Group's continued existence.

Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2015 (Note [32] to the Consolidated Financial Statements) are described in the Notes to the Condensed Consolidated Interim Financial Statements under "Legal Risks."

Condensed Consolidated Interim Financial Statements as of June 30, 2016

Bayer Group Consolidated Income Statements

Table 23

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Net sales	**12,003**	**11,833**	**23,796**	**23,687**
Cost of goods sold	(5,267)	(5,028)	(10,703)	(10,072)
Gross profit	**6,736**	**6,805**	**13,093**	**13,615**
Selling expenses	(3,147)	(3,092)	(6,044)	(5,980)
Research and development expenses	(1,035)	(1,122)	(1,979)	(2,231)
General administration expenses	(548)	(489)	(1,018)	(984)
Other operating income	31	159	278	362
Other operating expenses	(214)	(123)	(582)	(324)
EBIT[1]	**1,823**	**2,138**	**3,748**	**4,458**
Equity-method loss	(6)	(6)	–	(11)
Financial income	85	42	97	79
Financial expenses	(366)	(350)	(658)	(697)
Financial result	**(287)**	**(314)**	**(561)**	**(629)**
Income before income taxes	**1,536**	**1,824**	**3,187**	**3,829**
Income taxes	(390)	(431)	(759)	(905)
Income from continuing operations after income taxes	**1,146**	**1,393**	**2,428**	**2,924**
Income from discontinued operations after income taxes	**24**	**55**	**82**	**105**
Income after income taxes	**1,170**	**1,448**	**2,510**	**3,029**
of which attributable to noncontrolling interest	6	68	12	138
of which attributable to Bayer AG stockholders (net income)	**1,164**	**1,380**	**2,498**	**2,891**

€				
Earnings per share				
From continuing operations				
Basic	1.38	1.60	2.92	3.37
Diluted	1.38	1.60	2.92	3.37
From discontinued operations				
Basic	0.02	0.07	0.10	0.13
Diluted	0.02	0.07	0.10	0.13
From continuing and discontinued operations				
Basic	1.40	1.67	3.02	3.50
Diluted	1.40	1.67	3.02	3.50

2015 figures restated
[1] EBIT = income after income taxes, plus income taxes, plus financial result

Bayer Group Consolidated Statements of Comprehensive Income

Table 24

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Income after income taxes	**1,170**	**1,448**	**2,510**	**3,029**
of which attributable to noncontrolling interest	6	68	12	138
of which attributable to Bayer AG stockholders	1,164	1,380	2,498	2,891
Remeasurements of the net defined benefit liability for post-employment benefit plans	2,374	(844)	1,169	(3,407)
Income taxes	(705)	235	(319)	991
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**1,669**	**(609)**	**850**	**(2,416)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**1,669**	**(609)**	**850**	**(2,416)**
Changes in fair values of derivatives designated as cash flow hedges	84	(129)	(257)	(76)
Reclassified to profit or loss	76	(19)	137	(35)
Income taxes	(51)	49	31	49
Other comprehensive income from cash flow hedges	**109**	**(99)**	**(89)**	**(62)**
Changes in fair values of available-for-sale financial assets	4	14	18	26
Reclassified to profit or loss	–	–	1	–
Income taxes	2	(5)	(1)	(9)
Other comprehensive income from available-for-sale financial assets	**6**	**9**	**18**	**17**
Changes in exchange differences recognized on translation of operations outside the eurozone	(534)	301	853	(208)
Changes in exchange differences recognized on translation of operations outside the eurozone, relating to associates accounted for using the equity method	14	(6)	(27)	12
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(520)**	**295**	**826**	**(196)**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(405)**	**205**	**755**	**(241)**
Effects of changes in scope of consolidation	**–**	**–**	**–**	**–**
Total other comprehensive income[1]	**1,264**	**(404)**	**1,605**	**(2,657)**
of which attributable to noncontrolling interest	(7)	(9)	8	(110)
of which attributable to Bayer AG stockholders	1,271	(395)	1,597	(2,547)
Total comprehensive income	**2,434**	**1,044**	**4,115**	**372**
of which attributable to noncontrolling interest	(1)	59	20	28
of which attributable to Bayer AG stockholders	2,435	985	4,095	344

2015 figures restated
[1] Total changes recognized outside profit or loss

Bayer Group Consolidated Statements of Financial Position

Table 25

€ million	June 30, 2015	June 30, 2016	Dec. 31, 2015
Noncurrent assets			
Goodwill	15,980	15,982	16,096
Other intangible assets	15,686	14,167	15,178
Property, plant and equipment	11,701	12,225	12,251
Investment property	172	50	124
Investments accounted for using the equity method	240	505	246
Other financial assets	1,136	1,246	1,092
Other receivables	404	398	430
Deferred taxes	4,186	6,238	4,679
	49,505	**50,811**	**50,096**
Current assets			
Inventories	8,668	8,334	8,550
Trade accounts receivable	11,242	11,792	9,933
Other financial assets	816	913	756
Other receivables	1,496	2,074	2,017
Claims for income tax refunds	506	495	509
Cash and cash equivalents	3,247	1,055	1,859
Assets held for sale	183	–	197
	26,158	**24,663**	**23,821**
Total assets	**75,663**	**75,474**	**73,917**
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	14,056	14,435	15,981
Equity attributable to Bayer AG stockholders	**22,340**	**22,719**	**24,265**
Equity attributable to noncontrolling interest	126	1,316	1,180
	22,466	**24,035**	**25,445**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	11,176	13,838	10,873
Other provisions	1,532	1,586	1,740
Financial liabilities	17,178	16,488	16,513
Income tax liabilities	581	387	475
Other liabilities	1,095	1,095	1,065
Deferred taxes	884	989	826
	32,446	**34,383**	**31,492**
Current liabilities			
Other provisions	5,266	5,243	5,045
Financial liabilities	7,676	3,220	3,421
Trade accounts payable	5,239	5,055	5,945
Income tax liabilities	511	983	923
Other liabilities	1,945	2,537	1,534
Liabilities directly related to assets held for sale	114	18	112
	20,751	**17,056**	**16,980**
Total equity and liabilities	**75,663**	**75,474**	**73,917**

2015 figures restated

Bayer Group Consolidated Statements of Cash Flows

Table 26

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
Income from continuing operations after income taxes	1,146	1,393	2,428	2,924
Income taxes	390	431	759	905
Financial result	287	314	561	629
Income taxes paid or accrued	(436)	(471)	(1,063)	(1,165)
Depreciation, amortization and impairments	814	814	1,615	1,853
Change in pension provisions	(37)	(112)	(125)	(211)
(Gains) losses on retirements of noncurrent assets	1	(3)	(13)	(5)
Gross cash flow	**2,165**	**2,366**	**4,162**	**4,930**
Decrease (increase) in inventories	(233)	190	(170)	71
Decrease (increase) in trade accounts receivable	(98)	170	(1,985)	(1,498)
(Decrease) increase in trade accounts payable	177	39	(315)	(854)
Changes in other working capital, other noncash items	(51)	(773)	987	(105)
Net cash provided by (used in) operating activities (net cash flow) from continuing operations	**1,960**	**1,992**	**2,679**	**2,544**
Net cash provided by (used in) operating activities (net cash flow) from discontinued operations	(1)	(10)	4	760
Net cash provided by (used in) operating activities (net cash flow) (total)	**1,959**	**1,982**	**2,683**	**3,304**
Cash outflows for additions to property, plant, equipment and intangible assets	(601)	(589)	(946)	(952)
Cash inflows from the sale of property, plant, equipment and other assets	59	18	84	39
Cash inflows from divestitures	–	8	–	8
Cash inflows from (outflows for) noncurrent financial assets	(77)	(356)	(336)	(608)
Cash outflows for acquisitions less acquired cash	36	–	3	2
Interest and dividends received	57	15	68	37
Cash inflows from (outflows for) current financial assets	(1)	(341)	4	(233)
Net cash provided by (used in) investing activities (total)	**(527)**	**(1,245)**	**(1,123)**	**(1,707)**
Dividend payments	(1,861)	(2,120)	(1,866)	(2,120)
Issuances of debt	4,681	3,346	7,202	7,668
Retirements of debt	(2,332)	(4,296)	(5,176)	(7,709)
Interest paid including interest-rate swaps	(195)	(199)	(287)	(300)
Interest received from interest-rate swaps	41	34	51	49
Cash outflows for the purchase of additional interests in subsidiaries	–	–	–	–
Net cash provided by (used in) financing activities (total)	**334**	**(3,235)**	**(76)**	**(2,412)**
Change in cash and cash equivalents due to business activities (total)	**1,766**	**(2,498)**	**1,484**	**(815)**
Cash and cash equivalents at beginning of period	**1,607**	**3,552**	**1,853**	**1,859**
Change in cash and cash equivalents due to changes in scope of consolidation	–	(1)	3	(2)
Change in cash and cash equivalents due to exchange rate movements	(126)	2	(93)	13
Cash and cash equivalents at end of period	**3,247**	**1,055**	**3,247**	**1,055**

2015 figures restated

Bayer Group Consolidated Statements of Changes in Equity

Table 27

€ million	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
Dec. 31, 2014	**2,117**	**6,167**	**11,822**	**20,106**	**112**	**20,218**
Equity transactions with owners						
Capital increase / decrease						
Dividend payments			(1,861)	(1,861)	(6)	(1,867)
Other changes						
Total comprehensive income			4,095	4,095	20	4,115
June 30, 2015	**2,117**	**6,167**	**14,056**	**22,340**	**126**	**22,466**
Dec. 31, 2015	**2,117**	**6,167**	**15,981**	**24,265**	**1,180**	**25,445**
Equity transactions with owners						
Capital increase / decrease						
Dividend payments			(2,067)	(2,067)	(52)	(2,119)
Other changes			177	177	160	337
Total comprehensive income			344	344	28	372
June 30, 2016	**2,117**	**6,167**	**14,435**	**22,719**	**1,316**	**24,035**

2015 figures restated

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group as of June 30, 2016

Key Data by Segment and Region

Key Data by Segment

Table 28

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net sales (external)	3,890	4,104	1,590	1,553	2,636	2,518	428	426
Change [1]	+ 17.0%	+ 5.5%	+ 70.6%	– 2.3%	+ 10.3%	– 4.5%	+ 19.6%	– 0.5%
Currency-adjusted change [1]	+ 9.3%	+ 8.4%	+ 63.7%	+ 4.0%	+ 0.3%	+ 0.7%	+ 6.4%	+ 4.2%
Intersegment sales	8	8	1	3	8	8	6	1
Net sales (total)	3,898	4,112	1,591	1,556	2,644	2,526	434	427
EBIT [2]	772	988	191	190	561	512	105	93
EBIT before special items [2]	850	999	252	222	589	542	111	93
EBITDA before special items [2]	1,193	1,352	362	328	722	663	120	100
Gross cash flow [3]	807	871	241	237	529	468	83	69
Net cash flow [3]	491	310	161	241	752	1,088	85	48
Depreciation, amortization and impairments	347	354	110	107	133	121	8	7

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 "Overview of Sales, Earnings and Financial Position."
[2] For definition see Interim Group Management Report, Chapter 7 "Calculation of EBIT(DA) Before Special Items."
[3] For definition see Interim Group Management Report, Chapter 9.1 "Statement of Cash Flows."

Key Data by Segment

Table 28 continued

	Reconciliation									
	All Other Segments		Corporate Functions and Consolidation		Life Sciences		Covestro		Group	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net sales (external)	273	256	1	1	8,818	8,858	3,185	2,975	12,003	11,833
Change [1]	– 0.7%	– 6.2%	–	–	+ 21.1%	+ 0.5%	+ 11.2%	– 6.6%	+ 18.3%	– 1.4%
Currency-adjusted change [1]	+ 0.4%	– 5.5%	–	–	+ 12.8%	+ 4.7%	+ 0.6%	– 3.9%	+ 9.3%	+ 2.4%
Intersegment sales	593	478	(630)	(516)	–	–	14	18	–	–
Net sales (total)	866	734	(629)	(515)	–	–	3,199	2,993	12,003	11,833
EBIT [2]	24	18	(108)	(30)	1,545	1,771	278	367	1,823	2,138
EBIT before special items [2]	40	40	(101)	(21)	1,741	1,875	337	367	2,078	2,242
EBITDA before special items [2]	84	88	(99)	(20)	2,382	2,511	506	543	2,888	3,054
Gross cash flow [3]	219	321	(73)	(28)	1,806	1,938	359	428	2,165	2,366
Net cash flow [3]	85	170	26	(174)	1,600	1,683	360	309	1,960	1,992
Depreciation, amortization and impairments	44	48	2	1	644	638	170	176	814	814

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 "Overview of Sales, Earnings and Financial Position."
[2] For definition see Interim Group Management Report, Chapter 7 "Calculation of EBIT(DA) Before Special Items."
[3] For definition see Interim Group Management Report, Chapter 9.1 "Statement of Cash Flows."

Key Data by Segment

Table 29

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health	
€ million	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
Net sales (external)	7,452	7,993	3,146	3,073	5,642	5,454	814	834
Change[1]	+15.7%	+7.3%	+69.6%	−2.3%	+8.2%	−3.3%	+18.3%	+2.5%
Currency-adjusted change[1]	+7.8%	+10.2%	+63.3%	+3.1%	+0.8%	+1.0%	+6.3%	+6.4%
Intersegment sales	18	15	2	4	18	17	7	2
Net sales (total)	7,470	8,008	3,148	3,077	5,660	5,471	821	836
EBIT[2]	1,519	1,686	365	433	1,416	1,467	170	207
EBIT before special items[2]	1,621	1,928	515	497	1,491	1,500	208	208
EBITDA before special items[2]	2,278	2,613	731	711	1,743	1,752	222	222
Gross cash flow[3]	1,561	1,832	468	522	1,220	1,234	155	155
Net cash flow[3]	1,303	1,044	446	438	(29)	422	205	28
Depreciation, amortization and impairments	661	917	216	228	257	252	35	14
Number of employees (as of June 30)[4]	41,140	40,197	13,700	13,085	23,592	22,839	3,818	3,859

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 "Overview of Sales, Earnings and Financial Position."
[2] For definition see Interim Group Management Report, Chapter 7 "Calculation of EBIT(DA) Before Special Items."
[3] For definition see Interim Group Management Report, Chapter 9.1 "Statement of Cash Flows."
[4] Full-time equivalents

Key Data by Segment

Table 29 continued

	Reconciliation									
	All Other Segments		Corporate Functions and Consolidation		Life Sciences		Covestro		Group	
€ million	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
Net sales (external)	541	506	2	2	17,597	17,862	6,199	5,825	23,796	23,687
Change[1]	−2.3%	−6.5%	–	–	+19.3%	+1.5%	+9.4%	−6.0%	+16.5%	−0.5%
Currency-adjusted change[1]	−2.3%	−5.9%	–	–	+11.8%	+5.3%	−0.7%	−4.3%	+8.4%	+2.8%
Intersegment sales	1,130	903	(1,202)	(980)	–	–	27	39	–	–
Net sales (total)	1,671	1,409	(1,200)	(978)	–	–	6,226	5,864	23,796	23,687
EBIT[2]	43	21	(262)	(59)	3,251	3,755	497	703	3,748	4,458
EBIT before special items[2]	65	46	(251)	(48)	3,649	4,131	598	703	4,247	4,834
EBITDA before special items[2]	154	141	(248)	(45)	4,880	5,394	930	1,047	5,810	6,441
Gross cash flow[3]	268	400	(181)	(48)	3,491	4,095	671	835	4,162	4,930
Net cash flow[3]	57	167	174	(33)	2,156	2,066	523	478	2,679	2,544
Depreciation, amortization and impairments	89	95	3	3	1,261	1,509	354	344	1,615	1,853
Number of employees (as of June 30)[4]	19,482	19,114	731	752	102,463	99,846	15,071	15,730	117,534	115,576

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 "Overview of Sales, Earnings and Financial Position."
[2] For definition see Interim Group Management Report, Chapter 7 "Calculation of EBIT(DA) Before Special Items."
[3] For definition see Interim Group Management Report, Chapter 9.1 "Statement of Cash Flows."
[4] Full-time equivalents

Key Data by Region

Table 30

	Europe		North America		Asia / Pacific	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net sales (external) – by market	4,124	4,128	3,588	3,417	2,731	2,816
Change [1]	+ 4.8%	+ 0.1%	+ 40.9%	– 4.8%	+ 24.6%	+ 3.1%
Currency-adjusted change [1]	+ 4.9%	+ 3.0%	+ 18.9%	– 2.0%	+ 7.6%	+ 6.6%
Net sales (external) – by point of origin	4,545	4,574	3,540	3,332	2,671	2,757
Change [1]	+ 4.7%	+ 0.6%	+ 41.3%	– 5.9%	+ 25.2%	+ 3.2%
Currency-adjusted change [1]	+ 4.8%	+ 3.2%	+ 18.6%	– 3.0%	+ 7.7%	+ 6.8%
Interregional sales	2,824	2,838	1,046	1,078	204	229
EBIT [2]	1,145	1,370	544	431	260	336

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 “Overview of Sales, Earnings and Financial Position.”
[2] For definition see Interim Group Management Report, Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

Key Data by Region

Table 30 continued

	Latin America / Africa / Middle East		Reconciliation		Total	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net sales (external) – by market	1,560	1,472	–	–	12,003	11,833
Change [1]	+ 5.9%	– 5.6%	–	–	+ 18.3%	– 1.4%
Currency-adjusted change [1]	+ 7.1%	+ 3.4%	–	–	+ 9.3%	+ 2.4%
Net sales (external) – by point of origin	1,247	1,170	–	–	12,003	11,833
Change [1]	+ 6.9%	– 6.2%	–	–	+ 18.3%	– 1.4%
Currency-adjusted change [1]	+ 9.3%	+ 5.2%	–	–	+ 9.3%	+ 2.4%
Interregional sales	181	156	(4,255)	(4,301)	–	–
EBIT [2]	(18)	31	(108)	(30)	1,823	2,138

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 “Overview of Sales, Earnings and Financial Position.”
[2] For definition see Interim Group Management Report, Chapter 7 “Calculation of EBIT(DA) Before Special Items.”

Key Data by Region

Table 31

€ million	Europe H1 2015	Europe H1 2016	North America H1 2015	North America H1 2016	Asia / Pacific H1 2015	Asia / Pacific H1 2016
Net sales (external) – by market	8,600	8,676	6,928	6,839	5,220	5,352
Change [1]	+5.2%	+0.9%	+34.8%	–1.3%	+20.8%	+2.5%
Currency-adjusted change [1]	+6.5%	+3.1%	+14.9%	–	+4.9%	+4.9%
Net sales (external) – by point of origin	9,419	9,493	6,833	6,690	5,091	5,244
Change [1]	+5.0%	+0.8%	+35.6%	–2.1%	+20.8%	+3.0%
Currency-adjusted change [1]	+6.2%	+2.8%	+15.1%	–0.8%	+4.5%	+5.4%
Interregional sales	5,411	5,658	2,006	2,122	387	427
EBIT [2]	2,632	2,916	891	920	468	568
Number of employees (as of June 30) [3]	55,319	56,116	16,192	16,106	29,372	27,697

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 “Overview of Sales, Earnings and Financial Position.”
[2] For definition see Interim Group Management Report, Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[3] Full-time equivalents

Key Data by Region

Table 31 continued

€ million	Latin America / Africa / Middle East H1 2015	Latin America / Africa / Middle East H1 2016	Reconciliation H1 2015	Reconciliation H1 2016	Total H1 2015	Total H1 2016
Net sales (external) – by market	3,048	2,820	–	–	23,796	23,687
Change [1]	+9.2%	–7.5%	–	–	+16.5%	–0.5%
Currency-adjusted change [1]	+6.6%	+4.7%	–	–	+8.4%	+2.8%
Net sales (external) – by point of origin	2,453	2,260	–	–	23,796	23,687
Change [1]	+11.6%	–7.9%	–	–	+16.5%	–0.5%
Currency-adjusted change [1]	+9.0%	+7.4%	–	–	+8.4%	+2.8%
Interregional sales	314	250	(8,118)	(8,457)	–	–
EBIT [2]	19	113	(262)	(59)	3,748	4,458
Number of employees (as of June 30) [3]	16,651	15,657	–	–	117,534	115,576

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 1 “Overview of Sales, Earnings and Financial Position.”
[2] For definition see Interim Group Management Report, Chapter 7 “Calculation of EBIT(DA) Before Special Items.”
[3] Full-time equivalents

Explanatory Notes

Accounting policies

The interim financial statements as of June 30, 2016, were prepared in condensed form in compliance with IAS 34 according to the International Financial Reporting Standards (IFRS) 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 2015 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 2016 or an accounting policy has changed.

Financial reporting standards applied for the first time in 2016 and changes in accounting methods

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

In May 2014, the IASB published amendments to IAS 16 (Property, Plant and Equipment) and IAS 38 (Intangible Assets) entitled "Clarification of Acceptable Methods of Depreciation and Amortisation." These amendments clarify that revenue-based depreciation of property, plant and equipment or amortization of intangible assets is inappropriate. The amendments are to be applied for annual periods beginning on or after January 1, 2016.

In May 2014, the IASB published amendments to IFRS 11 (Joint Arrangements) entitled "Accounting for Acquisitions of Interests in Joint Operations." The amendments clarify the accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business. They are to be applied for annual periods beginning on or after January 1, 2016.

In June 2014, the IASB issued amendments to IAS 16 (Property, Plant and Equipment) and IAS 41 (Agriculture) entitled "Agriculture: Bearer Plants." The amendments clarify that plants used solely to grow agricultural produce are to be accounted for according to IAS 16 (Property, Plant and Equipment). The amendments are to be applied for annual periods beginning on or after January 1, 2016.

In September 2014, the IASB published "Annual Improvements to IFRSs 2012-2014 Cycle." 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 January 1, 2016.

In December 2014, the IASB published its Disclosure Initiative containing amendments to IAS 1 (Presentation of Financial Statements), which are intended to clarify the disclosure requirements. They relate to materiality, line-item aggregation, subtotals, the structure of the notes to the financial statements, the identification of significant accounting policies and the separate disclosure of the other comprehensive income of associates and joint ventures. The amendments are to be applied for annual periods beginning on or after January 1, 2016.

Financial reporting standards not applied in 2016 that the IASB had decided must be applied for annual periods beginning on or after January 1, 2016

In January 2014, the IASB issued IFRS 14 (Regulatory Deferral Accounts). This standard addresses the accounting for regulatory deferral account balances by first-time adopters of the IFRS and therefore does not apply to entities that already prepare their financial statements according to the IFRS. IFRS 14 is to be applied for annual periods beginning on or after January 1, 2016. As this standard will only apply for a transitional period until a final standard is published, the E.U. endorsement process will not begin until the final standard has been adopted by the IASB. IFRS 14 will have no impact on the presentation of the Group's financial position or results of operations.

In December 2014, the IASB issued amendments to IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities) and IAS 28 (Investments in Associates and Joint Ventures) entitled "Investment Entities: Applying the Consolidation Exception." The amendments largely clarify which subsidiaries an investment entity must consolidate and which must be recognized at fair value through profit or loss. The amendments are to be applied for annual periods beginning on or after January 1, 2016. They have not yet been endorsed by the European Union. The changes currently have no impact on the presentation of Bayer's financial position or results of operations.

Changes in accounting methods

The legal and economic independence of Covestro results in changes to the global annual impairment tests for Covestro. In the future, from the perspective of the Bayer Group, the strategic business entities of Covestro will be subjected to impairment testing as a group of cash-generating units because the goodwill of Covestro will be monitored by Bayer Group management at this aggregated level from now on.

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 32

€1		Closing rate Dec. 31, 2015	Closing rate June 30, 2015	Closing rate June 30, 2016	Average rate H1 2015	Average rate H1 2016
BRL	Brazil	4.31	3.47	3.59	3.30	4.13
CAD	Canada	1.51	1.38	1.44	1.38	1.48
CHF	Switzerland	1.08	1.04	1.09	1.06	1.10
CNY	China	7.06	6.94	7.40	6.94	7.30
GBP	United Kingdom	0.73	0.71	0.83	0.73	0.78
JPY	Japan	131.07	137.01	114.05	134.14	124.50
MXN	Mexico	18.91	17.53	20.63	16.88	20.12
RUB	Russia	80.67	62.36	71.52	63.83	78.07
USD	United States	1.09	1.12	1.11	1.12	1.12

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

Discount Rate for Pension Obligations Table 33

%	Dec. 31, 2015	March 31, 2016	June 30, 2016
Germany	2.40	1.70	1.50
United Kingdom	3.80	3.45	2.80
United States	4.00	3.50	3.20

Segment reporting

In September 2015, it was decided to introduce a new organizational structure effective January 1, 2016, in line with Bayer's focus on the Life Science businesses. The former Bayer HealthCare subgroup was dissolved and the Radiology business is now assigned to the Pharmaceuticals Division. The Consumer Health Division now consists entirely of the Consumer Care business. Animal Health has become a separate reportable segment. The Bayer CropScience subgroup is now the Crop Science Division. Since January 1, 2016, therefore, the Bayer Group has comprised the five reportable segments Pharmaceuticals, Consumer Health, Crop Science, Animal Health and Covestro.

The following table shows the reconciliation of EBITDA before special items of the above-mentioned segments and the reconciliation to income before income taxes of the Group:

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes Table 34

€ million	Q2 2015	Q2 2016	H1 2015	H1 2016
EBITDA before special items of segments	2,987	3,074	6,058	6,486
EBITDA before special items of Corporate Functions and Consolidation	(99)	(20)	(248)	(45)
EBITDA before special items [1]	**2,888**	**3,054**	**5,810**	**6,441**
Depreciation, amortization and impairment losses before special items of segments	(808)	(811)	(1,560)	(1,604)
Depreciation, amortization and impairment losses before special items of Corporate Functions and Consolidation	(2)	(1)	(3)	(3)
Depreciation, amortization and impairment losses before special items	**(810)**	**(812)**	**(1,563)**	**(1,607)**
EBIT before special items of segments	2,179	2,263	4,498	4,882
EBIT before special items of Corporate Functions and Consolidation	(101)	(21)	(251)	(48)
EBIT before special items [1]	**2,078**	**2,242**	**4,247**	**4,834**
Special items of segments	(248)	(95)	(488)	(365)
Special items of Corporate Functions and Consolidation	(7)	(9)	(11)	(11)
Special items [1]	**(255)**	**(104)**	**(499)**	**(376)**
EBIT of segments	1,931	2,168	4,010	4,517
EBIT of Corporate Functions and Consolidation	(108)	(30)	(262)	(59)
EBIT [1]	**1,823**	**2,138**	**3,748**	**4,458**
Financial result	(287)	(314)	(561)	(629)
Income before income taxes	**1,536**	**1,824**	**3,187**	**3,829**

2015 figures restated
[1] For definition see Interim Group Management Report, Chapter 7 "Calculation of EBIT(DA) Before Special Items."

Scope of consolidation

Changes in the scope of consolidation

The consolidated financial statements as of June 30, 2016, included 307 companies (December 31, 2015: 307 companies). As in the statements as of December 31, 2015, 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). Four (December 31, 2015: three) joint ventures and five (December 31, 2015: four) associates were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions, divestitures and discontinued operations

Acquisitions

In connection with the global purchase price allocation of SeedWorks India Pvt. Ltd., India, which was acquired in July 2015, improved information about the acquired assets led to a decline in intangible assets and a corresponding increase in goodwill in the opening statement of financial position in the first quarter of 2016. In addition, the purchase price declined by €2 million as a result of the final purchase price negotiations.

The effects of this and other, smaller adjustments made in the first half of 2016 to purchase price allocations relating to previous years' transactions on the Group's assets and liabilities as of the respective adjustment dates are shown in the table and resulted in the following cash outflow:

Acquired Assets, Assumed Liabilities and Adjustments (Fair Values at the Respective Acquisition Dates) — Table 35

€ million	H1 2016
Goodwill	9
Patents and technologies	–
Other intangible assets	(23)
Property, plant and equipment	–
Inventories	–
Other current assets	–
Cash and cash equivalents	–
Deferred tax assets	–
Provisions for pensions and other post-employment benefits	1
Other provisions	–
Financial liabilities	–
Other liabilities	–
Deferred tax liabilities	8
Net assets	**(5)**
Changes in noncontrolling interest	–
Purchase price	**(5)**
Acquired cash and cash equivalents	–
Settlement gain from pre-existing relationship	–
Liabilities for future payments	3
Purchase price adjustment	–
Payments for previous years' / quarters' acquisitions	–
Net cash outflow for acquisitions	**(2)**

Adjustment of purchase price allocation in the previous year

The global purchase price allocation for the consumer care business of Merck & Co., Inc., United States, which was acquired in 2014, was completed in September 2015. For the first half of 2015, this resulted in an increase in deferred tax assets of €933 million and a corresponding decrease in goodwill of €890 million in the statement of financial position. In the income statement, income after income taxes increased by €43 million. For the first half of 2015, this adjustment led to an increase of €0.05 in earnings per share from continuing operations, to €2.92.

Divestitures and discontinued operations

The sale of the Diabetes Care business to Panasonic Healthcare Holdings Co., Ltd., Tokyo, Japan, for around €1 billion was completed on January 4, 2016. The transaction includes the leading Contour™ portfolio of blood glucose monitoring meters and strips, as well as other products such as Breeze™2 and Elite™ along with Microlet™ lancing devices.

The effect of this divestiture in the first half of 2016 is shown in the table:

Divestitures Table 36

€ million	H1 2016
Assets held for sale	183
Liabilities directly related to assets held for sale	(112)
Divested net assets	**71**

The sale of the Diabetes Care business also comprises further significant obligations by Bayer that will be fulfilled over a period of up to two years subsequent to the date of divestiture. The sale proceeds will be recognized accordingly over a two-year period and reported as income from discontinued operations. Deferred income has been recognized in the statement of financial position and will be dissolved as the obligations are fulfilled. An amount of €250 million was recognized in sales in the first half of 2016. The €71 million outflow of net assets is shown in the cost of goods sold.

The obligations to be fulfilled over the next two years in connection with the divestiture of the Diabetes Care business are also reported as discontinued operations in the income statement and statement of cash flows. They resulted in sales of €45 million in the first half of 2016. This information is provided from the standpoint of the Bayer Group and does not present these activities as a separate entity. It is therefore not possible to compare these sales against the proceeds from operational product sales achieved in 2015.

The items in the statement of financial position pertaining to the Diabetes Care business are shown in the segment reporting under other segments. In addition to the aforementioned deferred income (€718 million), the statement of financial position includes other receivables (net: €57 million), deferred tax assets (net: €84 million), income tax liabilities (€21 million) and provisions for restructuring expenses (€2 million).

On May 19, 2016, an agreement was signed to sell the Consumer business (CS Consumer) of Bayer’s Environmental Science unit to SBM Développement SAS, Lyon, France. The Consumer business encompasses the Bayer Garden and Bayer Advanced businesses in Europe and North America. Closing of the transaction is expected in October 2016. These activities are reported as a discontinued operation.

The income statements of the discontinued operations for the second quarter of 2016 are given below:

Income Statements for Discontinued Operations Table 37

	Diabetes Care		CS Consumer		Total	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net sales	**235**	**146**	**87**	**79**	**322**	**225**
Cost of goods sold	(96)	(25)	(45)	(40)	(141)	(65)
Gross profit	**139**	**121**	**42**	**39**	**181**	**160**
Selling expenses	(94)	(5)	(30)	(31)	(124)	(36)
Research and development expenses	(12)	–	(1)	(3)	(13)	(3)
General administration expenses	(6)	(3)	(2)	(2)	(8)	(5)
Other operating income / expenses	(7)	(7)	1	(54)	(6)	(61)
EBIT [1]	**20**	**106**	**10**	**(51)**	**30**	**55**
Financial result	**–**	**–**	**–**	**–**	**–**	**–**
Income before income taxes	**20**	**106**	**10**	**(51)**	**30**	**55**
Income taxes	(3)	(16)	(3)	16	(6)	–
Income after income taxes	**17**	**90**	**7**	**(35)**	**24**	**55**

[1] EBIT = income after income taxes, plus income taxes, plus financial result

For the first half of 2016, the income statements of the discontinued operations are as follows:

Income Statements for Discontinued Operations Table 38

	Diabetes Care		CS Consumer		Total	
€ million	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
Net sales	**473**	**295**	**173**	**166**	**646**	**461**
Cost of goods sold	(186)	(121)	(85)	(82)	(271)	(203)
Gross profit	**287**	**174**	**88**	**84**	**375**	**258**
Selling expenses	(179)	(8)	(53)	(57)	(232)	(65)
Research and development expenses	(22)	(2)	(3)	(4)	(25)	(6)
General administration expenses	(18)	(10)	(3)	(4)	(21)	(14)
Other operating income / expenses	6	(5)	–	(55)	6	(60)
EBIT [1]	**74**	**149**	**29**	**(36)**	**103**	**113**
Financial result	**–**	**–**	**–**	**–**	**–**	**–**
Income before income taxes	**74**	**149**	**29**	**(36)**	**103**	**113**
Income taxes	(12)	(20)	(9)	12	(21)	(8)
Income after income taxes	**62**	**129**	**20**	**(24)**	**82**	**105**

[1] EBIT = income after income taxes, plus income taxes, plus financial result

The assets and liabilities of the Consumer business of Bayer's Environmental Science unit that were held for sale are shown in the following table:

Assets and Liabilities Held for Sale — Table 39

€ million	June 30, 2016
Assets held for sale	**–**
Provisions for pensions and other post-employment benefits	5
Other provisions	13
Liabilities directly related to assets held for sale	**18**

In the second quarter of 2016, the discontinued operations affected the Bayer Group statements of cash flows as follows:

Statements of Cash Flows for Discontinued Operations — Table 40

	Diabetes Care		CS Consumer		Total	
€ million	Q2 2015	Q2 2016	Q2 2015	Q2 2016	Q2 2015	Q2 2016
Net cash provided by (used in) operating activities (net cash flow)	9	(41)	(10)	31	(1)	(10)
Net cash provided by (used in) investing activities	(1)	–	–	–	(1)	–
Net cash provided by (used in) financing activities	(8)	41	10	(31)	2	10
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

In the first half of 2016, the effects of the discontinued operations on the statements of cash flows were as follows:

Statements of Cash Flows for Discontinued Operations — Table 41

	Diabetes Care		CS Consumer		Total	
€ million	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
Net cash provided by (used in) operating activities (net cash flow)	56	778	(52)	(18)	4	760
Net cash provided by (used in) investing activities	(1)	–	–	–	(1)	–
Net cash provided by (used in) financing activities	(55)	(778)	52	18	(3)	(760)
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

Financial instruments

Carrying Amounts and Fair Values of Financial Instruments

Table 42

€ million	Carried at amortized cost	Carried at fair value [Fair value for information [1]]			Nonfinancial assets / liabilities	Jun. 30, 2016
		Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobserv-able inputs (Level 3)		
	Carrying amount	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount in the statement of financial position**
Trade accounts receivable	11,792					11,792
Loans and receivables	11,792					11,792
Other financial assets	649	215	459	836		2,159
Loans and receivables	535		[527]	[17]		535
Available-for-sale financial assets	41	215		823		1,079
Held-to-maturity financial assets	73		[77]			73
Derivatives			459	13		472
Other receivables	551			68	1,853	2,472
Loans and receivables	551		[551]			551
Available-for-sale financial assets				68		68
Nonfinancial assets					1,853	1,853
Cash and cash equivalents	1,055					1,055
Loans and receivables	1,055					1,055
Total financial assets	**14,047**	**215**	**459**	**904**		**15,625**
of which loans and receivables	13,933					13,933
of which available-for-sale financial assets	41	215		891		1,147
Financial liabilities	18,969		739			19,708
Carried at amortized cost	18,969	[16,350]	[3,227]			18,969
Derivatives			739			739
Trade accounts payable	4,986				69	5,055
Carried at amortized cost	4,986					4,986
Nonfinancial liabilities					69	69
Other liabilities	885		227	39	2,481	3,632
Carried at amortized cost	885		[885]			885
Carried at fair value (nonderivative)				32		32
Derivatives			227	7		234
Nonfinancial liabilities					2,481	2,481
Total financial liabilities	**24,840**		**966**	**39**		**25,845**
of which carried at amortized cost	24,840					24,840
of which derivatives			966	7		973

[1] Fair value of the financial instruments carried at amortized cost; the exemption provisions under IFRS 7.29a were applied for information on specific fair values.

Carrying Amounts and Fair Values of Financial Instruments

Table 43

Dec. 31, 2015

	Carried at amortized cost	Carried at fair value [Fair value for information[1]]			Nonfinancial assets/ liabilities	
		Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobserv-able inputs (Level 3)		
€ million	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount in the statement of financial position**
Trade accounts receivable	9,933					9,933
Loans and receivables	9,933					9,933
Other financial assets	185	363	509	791		1,848
Loans and receivables	72		[64]	[18]		72
Available-for-sale financial assets	40	363		774		1,177
Held-to-maturity financial assets	73		[74]			73
Derivatives			509	17		526
Other receivables	506			59	1,882	2,447
Loans and receivables	506		[506]			506
Available-for-sale financial assets				59		59
Nonfinancial assets					1,882	1,882
Cash and cash equivalents	1,859					1,859
Loans and receivables	1,859					1,859
Total financial assets	**12,483**	**363**	**509**	**850**		**14,205**
of which loans and receivables	12,370					12,370
of which available-for-sale financial assets	40	363		833		1,236
Financial liabilities	19,169		765			19,934
Carried at amortized cost	19,169	[15,440]	[4,121]			19,169
Derivatives			765			765
Trade accounts payable	5,680				265	5,945
Carried at amortized cost	5,680					5,680
Nonfinancial liabilities					265	265
Other liabilities	606		117	45	1,831	2,599
Carried at amortized cost	606		[606]			606
Carried at fair value (nonderivative)				37		37
Derivatives			117	8		125
Nonfinancial liabilities					1,831	1,831
Total financial liabilities	**25,455**		**882**	**45**		**26,382**
of which carried at amortized cost	25,455					25,455
of which derivatives			882	8		890

[1] Fair value of the financial instruments carried at amortized cost; the exemption provisions under IFRS 7.29a were applied for information on specific fair values.

The preceding two tables show 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 “Nonfinancial 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 values of loans and receivables, held-to-maturity financial investments and financial liabilities carried at amortized cost that are given for information are the present values of the respective future cash flows. The present values were determined by discounting the cash flows at a closing-date interest rate, taking 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 (Level 1) or are the present values of the respective future cash flows, determined on the basis of unobservable inputs (Level 3).

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.

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 to certain available-for-sale debt or equity instruments, in some cases to the fair values of embedded derivatives, and to obligations for contingent consideration in business combinations. Credit risk is frequently the principal unobservable input used to determine the fair values of debt instruments classified as available-for-sale financial assets by the discounted cash flow method. Reference is made here to the credit spreads of comparable issuers. A significant increase in credit risk could result in a lower fair value, whereas a significant decrease could result in a higher fair value. However, a 10% relative change in the credit spread would not materially affect fair value.

Embedded derivatives are separated from their respective host contracts, which are generally sales or purchase agreements relating to the operational business, and cause the cash flows from the contracts to vary with fluctuations in exchange rates or prices, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs. These include 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 amount of financial assets and liabilities recognized at fair value based on unobservable inputs (Level 3) for each individual financial instrument category were as follows:

Changes in the Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Unobservable Inputs Table 44

€ million	Available-for-sale financial assets	Derivatives (net)	Liabilities carried at fair value (non-derivative)	Total
				2016
Carrying amounts of net assets (net liabilities), Jan. 1	**833**	**9**	**(37)**	**805**
Gains (losses) recognized in profit or loss	9	(3)	–	6
of which related to assets/liabilities recognized in the statements of financial position	9	(3)	–	6
Gains (losses) recognized outside profit or loss	14	–	–	14
Additions of assets (liabilities)	38	–	–	38
Settlements of (assets) liabilities	(3)	–	5	2
Carrying amounts of net assets (net liabilities), June 30	**891**	**6**	**(32)**	**865**

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

Contribution to the plan assets of Bayer Pension Trust e.V.

The contribution of 4.9% of the issued shares of Covestro AG to Bayer Pension Trust e.V. led to a €337 million reduction in the pension provisions of Bayer AG. The equity of the Bayer Group rose accordingly. An amount equal to 4.9% of the equity of Covestro AG was allocated to noncontrolling interest.

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 2015, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2015, the following significant changes have occurred in respect of the legal risks:

Pharmaceuticals

Yasmin™/YAZ™: As of July 14, 2016, the number of claimants in the pending lawsuits and claims in the United States totaled about 500 (excluding claims already settled). Claimants allege that users have suffered personal injuries, some of them fatal, from the use of Bayer's drospirenone-containing oral contraceptive products such as Yasmin™ and/or YAZ™ or from the use of Ocella™ and/or Gianvi™, generic versions of Yasmin™ and YAZ™, respectively, marketed by Barr Laboratories, Inc. in the United States.

As of July 14, 2016, Bayer had reached agreements, without admission of liability, to settle approximately 10,500 claims in the United States for venous clot injuries (primarily deep vein thrombosis or pulmonary embolism) for a total amount of about U.S. $2.08 billion. Bayer will continue to consider the option of settling such claims after a case-specific analysis of medical records. At present, about 100 such claims are under review.

In August 2015, Bayer reached an agreement to settle, without admission of liability, lawsuits and claims in which plaintiffs allege an arterial thromboembolic injury (primarily strokes and heart attacks) for a total maximum aggregate amount of U.S. $56.9 million. The participation thresholds have been met (97.5% of those who are eligible, and 96% of those who are eligible and allege death or catastrophic injuries) and the settlement was funded in May 2016. As of July 14, 2016, about 10 of the 500 above-mentioned claimants alleged arterial thromboembolic injuries.

Xarelto™: As of July 14, 2016, U.S. lawsuits from approximately 11,500 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer. Plaintiffs allege that users have suffered personal injuries from the use of Xarelto™, including cerebral, gastrointestinal or other bleeding and death, and seek compensatory and punitive damages. Additional lawsuits are anticipated. As of July 14, 2016, ten Canadian lawsuits relating to Xarelto™ seeking class action certification had been served upon Bayer.

Betaferon™ / Betaseron™: Since 2010, Bayer and Biogen Idec have been litigating in U.S. federal court about the validity of a Biogen patent and its alleged infringement by the production and distribution of Betaseron™, Bayer's drug product for the treatment of multiple sclerosis. In March 2016, the U.S. federal court decided a disputed issue regarding the scope of the patent in Biogen's favor. Bayer disagrees with the decision, which may be appealed at the conclusion of the proceedings in the U.S. federal court. This development does not change Bayer's belief that it has meritorious defenses in this dispute and that it will continue to defend itself vigorously.

Beyaz™ / Safyral™: In the patent infringement proceedings against Watson Laboratories, Inc., the U.S. Court of Appeals for the Federal Circuit in May 2016 invalidated the patent claims asserted by Bayer and reversed last year's judgment by a U.S. federal court. Bayer filed a petition for rehearing. Beyaz™ and Safyral™ are Bayer's oral contraceptives containing folate. In September 2015, a U.S. federal court ruled in favor of Bayer regarding both the validity of the patent and the infringement thereof by Watson. Watson had filed Abbreviated New Drug Applications with a Paragraph IV certification ("ANDA IV") seeking approval of generic versions of both Beyaz™ and Safyral™ in the United States and appealed the decision.

Finacea™: In May 2016, the U.S. Court of Appeals for the Federal Circuit affirmed last year's decision by a U.S. federal court that Bayer's patent relating to Finacea™ topical gel is valid and infringed by Glenmark Generics Ltd. Glenmark had filed an ANDA IV seeking approval of a generic version of Finacea™ in the United States and appealed the U.S. federal court decision.

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, nonconsolidated subsidiaries, joint ventures and associates included in the consolidated financial statements at cost of acquisition or using the equity method, post-employment benefit plans and the corporate officers of Bayer AG.

On April 19, 2016, Bayer AG increased the coverage of Bayer Pension Trust e.V. with the deposit of 10 million of the shares it held in Covestro AG. The number of shares deposited amounted to 4.9% of the issued shares of Covestro AG and had a value of €337 million.

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 vis-à-vis related parties compared with December 31, 2015. Payables increased by €0.2 billion, primarily vis-à-vis the newly established joint venture with CRISPR Therapeutics AG, Basel, Switzerland.

Other information

The Annual Stockholders' Meeting on April 29, 2016, approved the proposal by the Board of Management and the Supervisory Board that a dividend of €2.50 per share be paid for the 2015 fiscal year.

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

Two stockholder representatives were elected to the Supervisory Board in accordance with the nominations submitted by the Supervisory Board.

The compensation system for the members of the Board of Management was approved as proposed by the Board of Management and the Supervisory Board.

PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Essen, was elected as the auditor of the annual and consolidated financial statements for the fiscal year 2016 and to review the condensed financial statements and interim management report as of June 30, 2016 as well as to review the condensed financial statements and interim management report as of September 30, 2016.

Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, Munich, was elected to review the condensed financial statements and interim management report as of March 31, 2017.

Leverkusen, July 25, 2016
Bayer Aktiengesellschaft

The Board of Management

Werner Baumann

Liam Condon	Johannes Dietsch	Dr. Hartmut Klusik
Kemal Malik	Erica Mann	Dieter Weinand

Responsibility Statement

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

Leverkusen, July 25, 2016
Bayer Aktiengesellschaft

The Board of Management

Werner Baumann

Liam Condon

Johannes Dietsch

Dr. Hartmut Klusik

Kemal Malik

Erica Mann

Dieter Weinand

Review Report

To Bayer Aktiengesellschaft, Leverkusen

We have reviewed the condensed consolidated interim financial statements – comprising the consolidated income statement and statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the condensed consolidated statement of changes in equity and selected explanatory notes – and the interim group management report of Bayer AG for the period from January 1, 2016 to June 30, 2016 which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

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

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

Essen, July 26, 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Eckhard Sprinkmeier
Wirtschaftsprüfer

Financial Calendar

Q3 2016 Interim Report	October 26, 2016
Annual Report 2016	February 22, 2017
Q1 2017 Interim Report	April 27, 2017
Annual Stockholders' Meeting 2017	April 28, 2017
Q2 2017 Interim Report	July 27, 2017
Q3 2017 Interim Report	October 26, 2017

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Published by
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English edition
Currenta GmbH & Co. OHG
Language Service

Date of publication
Wednesday, July 27, 2016

Bayer on the internet
www.bayer.com

ISSN 0343/1975

Interim Group Management Report and Condensed Consolidated Interim Financial Statements produced in-house with FIRE.sys.

Forward-Looking Statements
This Interim Report may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group 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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