Science For A Better Life

Q3

Interim Report

Third Quarter of 2016

Bayer Group Key Data

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %	Full Year 2015
Sales	**11,004**	**11,262**	**+2.3**	**34,800**	**34,949**	**+0.4**	**46,085**
Change (adjusted for currency and portfolio effects)			+3.5			+3.0	+2.7%
Change in sales							
Volume	+4.4%	+3.6%		+4.0%	+4.4%		+4.4%
Price	−2.4%	−0.1%		−1.2%	−1.4%		−1.7%
Currency	+4.9%	−1.2%		+7.1%	−2.6%		+5.8%
Portfolio	+3.9%	0.0%		+4.8%	0.0%		+3.6%
EBITDA[1]	**2,332**	**2,560**	**+9.8**	**7,695**	**8,871**	**+15.3**	**9,573**
Special items	(198)	(122)		(645)	(252)		(683)
EBITDA before special items[2]	**2,530**	**2,682**	**+6.0**	**8,340**	**9,123**	**+9.4**	**10,256**
EBITDA margin before special items[3]	23.0%	23.8%		24.0%	26.1%		22.3%
EBIT[4]	**1,572**	**1,795**	**+14.2**	**5,320**	**6,253**	**+17.5**	**6,241**
Special items	(204)	(125)		(703)	(501)		(819)
EBIT before special items[5]	**1,776**	**1,920**	**+8.1**	**6,023**	**6,754**	**+12.1**	**7,060**
Financial result	**(280)**	**(274)**	**+2.1**	**(841)**	**(903)**	**−7.4**	**(1,005)**
Net income (from continuing and discontinued operations)	**999**	**1,187**	**+18.8**	**3,497**	**4,078**	**+16.6**	**4,110**
Earnings per share (from continuing and discontinued operations) (€)[6]	1.21	1.43	+18.2	4.23	4.93	+16.5	4.97
Core earnings per share (from continuing operations) (€)[7]	1.69	1.73	+2.4	5.74	6.15	+7.1	6.82
Gross cash flow[8]	**1,434**	**1,951**	**+36.1**	**5,596**	**6,881**	**+23.0**	**6,993**
Net cash flow from continuing and discontinued operations[9]	**2,330**	**3,053**	**+31.0**	**5,013**	**6,357**	**+26.8**	**6,890**
Cash outflows for capital expenditures	**655**	**656**	**+0.2**	**1,601**	**1,608**	**+0.4**	**2,517**
Research and development expenses	**1,039**	**1,122**	**+8.0**	**3,018**	**3,353**	**+11.1**	**4,274**
Depreciation, amortization and impairments	**760**	**765**	**+0.7**	**2,375**	**2,618**	**+10.2**	**3,332**
Number of employees at end of period[10]	**117,639**	**115,176**	**−2.1**	**117,639**	**115,176**	**−2.1**	**116,583**
Personnel expenses (including pension expenses)	2,733	2,806	+2.7	8,349	8,427	+0.9	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 quarterly financial report in accordance with the applicable provisions of the German Securities Trading Act (WpHG) and, pursuant to Section 37w Para. 3 of the WpHG, comprises condensed consolidated interim financial statements and an interim group management report. 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.

Third Quarter of 2016

Bayer Shows Strong Performance – Acquisition of Monsanto Agreed

> Group sales increase to €11.3 billion (Fx & portfolio adj.: + 3.5%)

> Pharmaceuticals sustains very good business development

> Moderate increase in sales at Consumer Health

> Crop Science successful in a persistently difficult market environment

> EBITDA before special items increased to €2.7 billion (+ 6.0%)

> Net income €1.2 billion (+ 18.8%)

> Core earnings per share €1.73 (+ 2.4%)

> Forecast for core earnings per share raised

> Agreed acquisition of Monsanto creates a global leader in agriculture

The Bayer Group remained on a path of growth in the third quarter of 2016. Sales increased by 3.5% (Fx & portfolio adj.) to €11.3 billion and EBITDA before special items by 6.0% to €2.7 billion. In the Life Science businesses, we achieved encouraging sales and earnings growth overall. Pharmaceuticals once again registered a very positive business performance. Our recently launched products continued their strong development. Consumer Health increased sales but EBITDA before special items was below the prior-year level. The operating performance of Crop Science remained steady year on year in a persistently difficult market environment. Animal Health raised sales and earnings. Covestro registered slight growth in sales and a substantial increase in EBITDA before special items.

Bayer reached a major milestone in its history on September 14, 2016, with the signing of a binding agreement to acquire Monsanto Company, headquartered in St. Louis, Missouri, United States, for

US$128 per share, representing a transaction value of around US$66 billion. The agreed acquisition reinforces our leadership position as a Life Science company and is a major strategic step in strengthening our Crop Science Division. The transaction is subject to customary closing conditions, including approval of the merger agreement by a majority of Monsanto's stockholders and receipt of required approvals from the relevant antitrust and other authorities. We expect closing by the end of 2017.

1. Overview of Sales, Earnings and Financial Position

Third quarter of 2016

Sales of the Bayer Group increased by 3.5% to €11,262 million in the third quarter of 2016 after adjusting for currency and portfolio changes (Fx & portfolio adj.[1]; reported[2]: +2.3%). Germany accounted for €1,170 million of this figure.

Pharmaceuticals posted encouraging sales growth of 7.6% (Fx & portfolio adj.) to €4,152 million. The strong business development of our recently launched products continued. Consumer Health sales grew by 3.6% (Fx & portfolio adj.) to €1,425 million. Sales of Crop Science were level year on year (Fx & portfolio adj.: 0.0%) despite the persistently weak market environment, at €2,057 million. Animal Health posted a 2.5% (Fx & portfolio adj.) sales increase to €360 million. Sales of the Life Science businesses amounted to €8,258 million overall (Fx & portfolio adj.: +4.5%). Sales of Covestro rose slightly, increasing by 1.0% (Fx & portfolio adj.) to €3,004 million.

Group EBITDA before special items improved by 6.0% to €2,682 million. EBITDA before special items at Pharmaceuticals improved by a substantial 13.4% to €1,421 million. This growth in earnings was largely due to the very good development of business, particularly for our recently launched products. We again increased our research and development spending disproportionately. EBITDA before special items of Consumer Health receded by 3.5% to €328 million. The earnings contributions from the positive business performance were not sufficient to offset the higher cost of goods sold and currency effects. EBITDA before special items of Crop Science edged forward 0.6% to €318 million, which was level with the prior-year quarter. Animal Health improved EBITDA before special items by 6.0% to €89 million. The Life Science businesses recorded EBITDA before special items of €2,118 million overall (+2.9%). Covestro raised EBITDA before special items by a considerable 19.5% to €564 million.

EBIT of the Bayer Group advanced by 14.2% to €1,795 million (Q3 2015: €1,572 million) after special charges of €125 million (Q3 2015: €204 million). These mainly comprised €52 million in connection with the agreed acquisition of Monsanto, €49 million for efficiency improvement measures and €23 million for the integration of acquired businesses. EBIT before special items moved forward by 8.1% to €1,920 million (Q3 2015: €1,776 million).

After a financial result of minus €274 million (Q3 2015: minus €280 million), income before income taxes was €1,521 million (Q3 2015: €1,292 million). After income tax expense of €305 million (Q3 2015: €298 million) and income from discontinued operations after income taxes and noncontrolling interest, net income in the third quarter of 2016 came to €1,187 million (Q3 2015: €999 million). Earnings per share (overall) were €1.43 (Q3 2015: €1.21). Core earnings per share from continuing operations advanced to €1.73 (Q3 2015: €1.69).

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[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 third quarter of 2016 climbed by a robust 36.1% to €1,951 million (Q3 2015: €1,434 million), due among other things to the increase in EBIT. Owing to a decrease in cash tied up in working capital, net cash flow (total) rose by a substantial 31.0% to €3,053 million (Q3 2015: €2,330 million). We paid income taxes of €370 million in the third quarter of 2016 (Q3 2015: €421 million).

Net financial debt declined by €2.0 billion, from €17.8 billion on June 30, 2016, to €15.8 billion on September 30, 2016, due mainly to cash inflows from operating activities. The net defined benefit liability for post-employment benefits – the difference between benefit obligations and plan assets – increased from €13.8 billion to €14.5 billion over the same period, due especially to a decline in long-term capital market interest rates for high-quality corporate bonds in Germany and the United Kingdom.

The number of people employed by the Bayer Group declined by 2.1% from 117,639 on September 30, 2015, to 115,176 on September 30, 2016. Personnel expenses rose by 2.7% in the same period, from €2,733 million to €2,806 million.

First nine months of 2016

Group sales in the first nine months of 2016 rose by 3.0% (Fx & portfolio adj.) to €34,949 million (reported: + 0.4%). Our Life Science businesses contributed to this performance, growing sales by 5.0% (Fx & portfolio adj.) to €26,120 million.

Sales of Pharmaceuticals advanced by a gratifying 9.3% (Fx & portfolio adj.) to €12,145 million. Sales of Consumer Health improved by 3.3% (Fx & portfolio adj.) to €4,498 million. Sales of Crop Science were flat year on year (Fx & portfolio adj.: + 0.6%) at €7,511 million. Animal Health sales rose by 5.2% (Fx & portfolio adj.) to €1,194 million. Covestro saw sales fall by 2.6% (Fx & portfolio adj.) to €8,829 million.

EBITDA before special items of the Bayer Group advanced by an encouraging 9.4% to €9,123 million (9M 2015: €8,340 million). This was due to the substantial increase in sales volumes and the lower cost of goods sold. We achieved this good business development despite dissynergies resulting from the legal independence of Covestro and the sale of Diabetes Care along with higher research and development spending. Earnings were held back by negative currency effects of around €100 million. Pharmaceuticals increased EBITDA before special items by a substantial 14.2% to €4,034 million. EBITDA before special items of Consumer Health receded by 3.0% to €1,039 million. The earnings contributions from the good business performance were not sufficient to offset the higher cost of goods sold and currency effects of around minus €60 million. EBITDA before special items was level year on year at Crop Science (+ 0.5%; €2,070 million), while Animal Health registered a slight earnings increase of 1.6% to €311 million. The Life Science businesses increased EBITDA before special items by 8.3% overall to €7,512 million. EBITDA before special items of Covestro grew by a substantial 14.9% to €1,611 million.

EBIT of the Bayer Group advanced strongly, gaining 17.5% to €6,253 million (9M 2015: €5,320 million) after net special charges of €501 million (9M 2015: €703 million). EBIT before special items moved forward by a clear 12.1% to €6,754 million (9M 2015: €6,023 million).

After a financial result of minus €903 million (9M 2015: minus €841 million), income before income taxes was €5,350 million (9M 2015: €4,479 million). The financial result mainly comprised net interest expense of €401 million (9M 2015: €409 million), currency hedging costs of €232 million (9M 2015: €187 million) and interest cost of €209 million (9M 2015: €220 million) for pension and other provisions. After tax expense of €1,210 million (9M 2015: €1,057 million), income after income taxes was €4,140 million (9M 2015: €3,422 million). After income from discontinued operations after income taxes and noncontrolling interest, net income in the first nine months of 2016 came to €4,078 million (9M 2015: €3,497 million). Earnings per share (overall) improved to €4.93 (9M 2015: €4.23), and core earnings per share for continuing operations to €6.15 (9M 2015: €5.74).

Gross cash flow from continuing operations climbed sharply, rising by 23.0% to €6,881 million (9M 2015: €5,596 million). Despite an increase in cash tied up in working capital, net cash flow (total) rose by 26.8% to €6,357 million (9M 2015: €5,013 million) due mainly to the inflow from the divestiture of the Diabetes Care business. This figure reflected income tax payments of €1,578 million (9M 2015: €1,217 million). Net financial debt decreased by €1.6 billion compared with December 31, 2015 (€17.4 billion), to €15.8 billion as of September 30, 2016. The net defined benefit liability for post-employment benefits rose from €10.8 billion on December 31, 2015, to €14.5 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	+ 2.7%	+ 2.4%
European Union	+ 2.1%	+ 1.8%
of which Germany	+ 1.5%	+ 1.8%
United States	+ 2.6%	+ 1.4%
Emerging Markets[2]	+ 3.9%	+ 3.9%

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 October 2016

Economic expectations have worsened overall so far this year. We now anticipate slower growth for the global economy in 2016 than in the previous year. In Europe, growth is likely to slow down compared with 2015, due partly to the uncertainty surrounding the schedule and shape of the United Kingdom's exit from the European Union. A much slower pace of growth is also expected in the United States, however, especially as a result of restrained investment activity. 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%	+ 6%
Consumer health market	+ 5%	+ 4%
Seed and crop protection market	− 2%	− 1%
Animal health market[2]	+ 5%	+ 5%

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: Nicholas Hall, copyright 2016; all rights reserved; currency-adjusted
[2] The outlook for growth of the animal health market in 2016 is based on market development in the first half of the year.
As of September 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 fourth quarter of 2016 we are now using the exchange rates prevailing on September 30, 2016, including a EUR-USD rate of 1.12. A 1% appreciation (depreciation) of the euro against the relevant 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 the Bayer Group, including Covestro, we are still planning sales of €46 billion to €47 billion in 2016. This continues to correspond to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. As before, we plan to increase EBITDA before special items by a high-single-digit percentage. It is now our aim to also increase core earnings per share from continuing operations by a high-single-digit percentage (previously: a mid- to high-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. As before, we plan to increase EBITDA before special items by a mid- to high-single-digit percentage. Our planning includes dissynergies of around €130 million from the legal independence of Covestro and from divestments.

Pharmaceuticals

For Pharmaceuticals, we continue to expect sales above €16 billion. As before, this corresponds to a high-single-digit percentage increase on a currency- and portfolio-adjusted basis. We continue to plan to raise sales of our recently launched pharmaceutical products toward €5.5 billion. We are still expecting a low-teens 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 continue to expect sales to come in at approximately €6 billion. As before, we plan to grow sales by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis. We still expect EBITDA before special items to come in on the level of the prior year.

Crop Science

In light of the persistently weak market environment, we continue to expect Crop Science sales to be on the prior-year level on a currency- and portfolio-adjusted basis. As before, this is equivalent to reported sales of about €10 billion. We continue to expect a low-single-digit percentage decrease in EBITDA before special items.

Animal Health

At Animal Health, we continue to expect sales to be slightly above the prior-year level. This still corresponds to a low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis, as previously forecasted. We now expect EBITDA before special items to come in on the level of the prior year (previously: increase by a low- to mid-single-digit percentage).

Reconciliation

For 2016, we continue to expect sales to come in at approximately €1 billion. We are still planning EBITDA before special items of roughly minus €0.1 billion.

Covestro

For 2016, Covestro is still expecting a sales decline. For the full year, EBITDA after adjustment for special items is expected to come in at about €1.9 billion (previously: at least at the prior-year level for the second half of 2016).

Further key data for the Bayer Group

We continue to anticipate special charges in EBITDA in the region of €0.5 billion in 2016. The integration of the acquired consumer care businesses, charges in connection with the reorganization of the Bayer Group and the agreed acquisition of Monsanto are expected to account for most of this amount.

Our prediction for the financial result is unchanged at around minus €1.2 billion. The effective tax rate is now likely to be about 23% (previously: 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

There were no significant changes to Bayer’s corporate structure in the third quarter of 2016.

5. Business Development by Segment

5.1 Pharmaceuticals

Key Data – Pharmaceuticals

Table 3

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Sales	**3,870**	**4,152**	**+7.3**	**+7.6**	**11,322**	**12,145**	**+7.3**	**+9.3**
Change in sales								
Volume	+11.2%	+6.9%			+9.1%	+9.6%		
Price	−0.3%	+0.7%			+0.3%	−0.3%		
Currency	+3.3%	−0.3%			+6.3%	−2.0%		
Portfolio	−0.4%	0.0%			−0.6%	0.0%		
			Reported	**Fx adj.**			**Reported**	**Fx adj.**
Sales by region								
Europe	1,314	1,415	+7.7	+10.4	3,883	4,216	+8.6	+10.9
North America	1,057	1,071	+1.3	+1.8	2,965	3,087	+4.1	+4.8
Asia / Pacific	1,067	1,223	+14.6	+9.3	3,198	3,572	+11.7	+10.4
Latin America / Africa / Middle East	432	443	+2.5	+9.0	1,276	1,270	−0.5	+12.3
EBITDA[1]	**1,246**	**1,416**	**+13.6**		**3,426**	**4,019**	**+17.3**	
Special items	(7)	(5)			(105)	(15)		
EBITDA before special items[1]	**1,253**	**1,421**	**+13.4**		**3,531**	**4,034**	**+14.2**	
EBITDA margin before special items[1]	32.4%	34.2%			31.2%	33.2%		
EBIT	**940**	**1,097**	**+16.7**		**2,459**	**2,783**	**+13.2**	
Special items	(7)	(6)			(109)	(248)		
EBIT before special items[1]	**947**	**1,103**	**+16.5**		**2,568**	**3,031**	**+18.0**	
Gross cash flow[2]	**857**	**998**	**+16.5**		**2,418**	**2,830**	**+17.0**	
Net cash flow[2]	**943**	**998**	**+5.8**		**2,246**	**2,042**	**−9.1**	

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."

Third quarter of 2016

Sales

Sales of Pharmaceuticals rose by an encouraging 7.6% (Fx & portfolio adj.) to €4,152 million in the third quarter of 2016. Our recently launched products showed continued strong development. Xarelto™, Eylea™, Xofigo™, Stivarga™ and Adempas™ posted total combined sales of €1,395 million (Q3 2015: €1,082 million; Fx adj. +28.3%). Our Pharmaceuticals business expanded in all regions on a currency-adjusted basis.

Best-Selling Pharmaceuticals Products

Table 4

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx adj.	9M 2015	9M 2016	Change % Reported	Change % Fx adj.
Xarelto™	571	772	+35.2	+34.4	1,602	2,092	+30.6	+32.1
of which U.S.A.	105	139	+32.4	+31.8	271	328	+21.0	+20.9
Eylea™	320	409	+27.8	+26.5	874	1,199	+37.2	+37.9
of which U.S.A.[1]	0	0	.	.	0	0	.	.
Kogenate™ / Kovaltry™	309	302	−2.3	−2.4	869	878	+1.0	+1.4
of which U.S.A.	113	105	−7.1	−6.5	278	288	+3.6	+3.5
Mirena™ product family	240	269	+12.1	+13.2	742	775	+4.4	+6.3
of which U.S.A.	163	186	+14.1	+15.0	498	523	+5.0	+5.2
Nexavar™	234	212	−9.4	−9.3	661	646	−2.3	−0.8
of which U.S.A.	85	73	−14.1	−13.5	240	232	−3.3	−3.1
Betaferon™ / Betaseron™	204	163	−20.1	−19.7	634	549	−13.4	−12.0
of which U.S.A.	108	81	−25.0	−24.2	310	292	−5.8	−5.5
YAZ™ / Yasmin™ / Yasminelle™	183	181	−1.1	+0.5	538	519	−3.5	+1.5
of which U.S.A.	45	36	−20.0	−20.8	109	107	−1.8	−2.0
Adalat™	151	156	+3.3	+5.4	481	477	−0.8	+3.6
of which U.S.A.	1	0	.	.	3	1	−66.7	.
Aspirin™ Cardio	130	128	−1.5	+1.7	393	403	+2.5	+7.9
of which U.S.A.	0	0	.	.	0	0	.	.
Glucobay™	122	125	+2.5	+8.0	381	392	+2.9	+8.2
of which U.S.A.	0	0	.	.	1	2	+100.0	.
Avalox™ / Avelox™	84	86	+2.4	+8.8	293	272	−7.2	−2.6
of which U.S.A.	4	4	.	.	4	4	.	.
Gadavist™ / Gadovist™	71	87	+22.5	+19.9	211	258	+22.3	+23.0
of which U.S.A.	22	26	+18.2	+18.9	65	80	+23.1	+22.4
Xofigo™	69	85	+23.2	+25.4	188	241	+28.2	+29.1
of which U.S.A.	49	60	+22.4	+22.5	135	166	+23.0	+22.9
Ultravist™	78	81	+3.8	+6.8	235	236	+0.4	+5.5
of which U.S.A.	1	1	.	+39.3	4	4	.	.
Stivarga™	73	64	−12.3	−11.1	236	198	−16.1	−14.8
of which U.S.A.	44	32	−27.3	−25.5	138	100	−27.5	−26.8
Total best-selling products	**2,839**	**3,120**	**+9.9**	**+10.6**	**8,338**	**9,135**	**+9.6**	**+11.8**
Proportion of Pharmaceuticals sales	73%	75%			74%	75%		
Total best-selling products in U.S.A.	**740**	**743**			**2,056**	**2,127**		

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

Sales by product

> We once again posted strong sales growth with our oral anticoagulant **Xarelto™**, due mainly to volume increases in Europe and Japan. We also registered encouraging gains with Xarelto™ in the United States, where it is marketed by a subsidiary of Johnson & Johnson.

> We considerably raised sales of the eye medicine **Eylea™** year on year, due particularly to good business performance in Europe and Canada.

> Fluctuations in the order volumes placed by our distribution partner resulted in slightly lower sales of the blood-clotting medicines **Kogenate™ / Kovaltry™**.

> We posted strong sales gains for the hormone-releasing intrauterine devices of the **Mirena™** product family – Mirena™ and Jaydess™ / Skyla™ – due particularly to positive price development in the United States.

> Business with our cancer drug **Nexavar™** was noticeably down against the prior-year level, particularly as a result of increased competitive pressure in the United States.

- Sales of our multiple sclerosis product **Betaferon™ / Betaseron™** receded significantly, mainly because of a weaker business performance in the United States and Europe.
- Sales of our **YAZ™ / Yasmin™ / Yasminelle™** line of oral contraceptives were level with the prior-year quarter on a currency-adjusted basis. Higher demand in Russia and China was offset by weaker development in the United States.
- Sales increases for **Adalat™**, our product to treat hypertension and coronary heart disease, resulted primarily from higher volumes in China.
- We posted slight growth in sales of **Aspirin™ Cardio** for secondary prevention of heart attacks that was largely attributable to the business in Latin America.
- Business with our oral diabetes treatment **Glucobay™** and our antibiotic **Avalox™ / Avelox™** continued to benefit from high demand in China.
- The strong growth in sales of our MRI contrast agent **Gadavist™ / Gadovist™** was attributable to significant volume gains in Japan and the United States.
- Sales of our cancer drug **Xofigo™** increased substantially, especially in the United States and Europe.
- We posted growth in sales of our X-ray contrast agent **Ultravist™**, due particularly to expanded volumes in Europe.
- Sales of our cancer drug **Stivarga™** receded noticeably due to intensified competition in the United States.
- Sales of the pulmonary hypertension treatment **Adempas™** amounted to €65 million (Q3 2015: €49 million; Fx adj. +30.5%) and, as previously, 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 13.4% to €1,421 million in the third quarter of 2016, although investment in research and development remained disproportionately high. One factor in this earnings growth was the very good development of business, particularly for our recently launched products. Another factor was our success in keeping selling expenses at around the same level year on year.

EBIT grew by a robust 16.7% to €1,097 million, including special charges of €6 million (Q3 2015: €7 million) that largely resulted from efficiency improvement programs.

First nine months of 2016

Sales

Sales of the Pharmaceuticals segment rose by 9.3% (Fx & portfolio adj.) in the first nine months of 2016, to €12,145 million. This increase was driven by our recently launched products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™, which generated combined sales of €3,913 million (9M 2015: €3,031 million). Pharmaceuticals sales developed positively in all regions.

Earnings

EBITDA before special items improved by a robust 14.2% in the first nine months of 2016, to €4,034 million, driven by very good business performance. As expected, 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 13.2% to €2,783 million, including special charges of €248 million (9M 2015: €109 million). These mainly comprised €231 million for impairment losses on intangible assets (Essure™).

5.2 Consumer Health

Key Data – Consumer Health

Table 5

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Sales	**1,424**	**1,425**	**+0.1**	**+3.6**	**4,570**	**4,498**	**–1.6**	**+3.3**
Change in sales								
Volume	–1.8%	+1.2%			+1.2%	+0.3%		
Price	+3.5%	+2.4%			+3.1%	+3.0%		
Currency	+1.3%	–3.5%			+4.5%	–4.9%		
Portfolio	+38.4%	0.0%			+50.8%	0.0%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	410	394	–3.9	–1.2	1,275	1,220	–4.3	–0.5
North America	580	600	+3.4	+4.1	2,005	1,978	–1.3	–0.6
Asia / Pacific	177	185	+4.5	+4.0	550	587	+6.7	+9.8
Latin America / Africa / Middle East	257	246	–4.3	+9.7	740	713	–3.6	+15.4
EBITDA[1]	**308**	**301**	**–2.3**		**889**	**962**	**+8.2**	
Special items	(32)	(27)			(182)	(77)		
EBITDA before special items[1]	**340**	**328**	**–3.5**		**1,071**	**1,039**	**–3.0**	
EBITDA margin before special items[1]	23.9%	23.0%			23.4%	23.1%		
EBIT	**209**	**194**	**–7.2**		**574**	**627**	**+9.2**	
Special items	(32)	(29)			(182)	(93)		
EBIT before special items[1]	**241**	**223**	**–7.5**		**756**	**720**	**–4.8**	
Gross cash flow[2]	**207**	**236**	**+14.0**		**675**	**758**	**+12.3**	
Net cash flow[2]	**230**	**215**	**–6.5**		**676**	**653**	**–3.4**	

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.”

Third quarter of 2016

Sales

Sales of Consumer Health rose by 3.6% (Fx & portfolio adj.) in the third quarter of 2016 to €1,425 million. Business developed positively in the Latin America / Africa / Middle East, North America and Asia / Pacific regions. In Europe, however, sales declined slightly compared with a strong prior-year quarter.

Best-Selling Consumer Health Products

Table 6

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx adj.	9M 2015	9M 2016	Change % Reported	Change % Fx adj.
Claritin™ [1]	123	118	–4.1	–4.8	492	483	–1.8	–0.5
Aspirin™	124	119	–4.0	+0.5	345	337	–2.3	+3.2
Aleve™	90	101	+12.2	+12.7	308	301	–2.3	–0.1
Bepanthen™ / Bepanthol™	88	85	–3.4	–0.8	270	272	+0.7	+10.1
Canesten™	72	66	–8.3	+4.7	201	205	+2.0	+14.6
Coppertone™ [1]	27	27	.	–5.0	209	202	–3.3	–2.3
Dr Scholl's™ [1]	55	55	.	–1.5	191	180	–5.8	–5.3
Alka-Seltzer™ product family	57	64	+12.3	+15.0	170	166	–2.4	–0.4
One A Day™	51	56	+9.8	+11.8	146	155	+6.2	+6.9
Elevit™	45	51	+13.3	+17.9	119	134	+12.6	+19.7
Total	**732**	**742**	**+1.4**	**+4.0**	**2,451**	**2,435**	**–0.7**	**+3.4**
Proportion of Consumer Health sales	51%	52%			54%	54%		

Fx adj. = currency-adjusted
[1] Trademark rights and distribution only in certain countries outside the European Union

Sales by product

> Business with our antihistamine **Claritin™** receded in markets including China and the United States.
> Sales of **Aspirin™** were level year on year on a currency-adjusted basis. Including business with **Aspirin™ Cardio**, which is reported under Pharmaceuticals, sales climbed by 1.1% (Fx adj.) to €247 million (Q3 2015: €254 million).
> We registered substantial sales growth for our analgesic **Aleve™** that was driven by positive business development in the United States, where we benefited in part from a product line extension.
> Sales of our **Bepanthen™ / Bepanthol™** wound and skin care products were down slightly. Positive sales development in Germany only partly offset negative effects in Brazil.
> The currency-adjusted increase in sales of the skin and intimate health brand **Canesten™** was partly attributable to a product line extension in Germany.
> Business with our sunscreen product **Coppertone™** was down against the prior-year quarter due to lower sales in the United States.
> Our **Dr. Scholl's™** foot care products saw sales fall slightly. Declines in the United States due to increased competitive pressure and a weak market environment were only partly offset by positive business development in Canada.
> We achieved substantial sales gains with our **Alka-Seltzer™** family of products to treat gastric complaints and cold symptoms and our **One A Day™** vitamin product that were mainly attributable to product line extensions in the United States.
> Business with our **Elevit™** vitamin product expanded noticeably, especially in China.

Earnings

EBITDA before special items of Consumer Health declined by 3.5% to €328 million in the third quarter of 2016 (Q3 2015: €340 million). The earnings contributions from the positive business development were not sufficient to offset the higher cost of goods sold and currency effects of around minus €20 million.

EBIT fell by 7.2% to €194 million, including special charges of €29 million (Q3 2015: €32 million). These largely reflected costs of €23 million for the integration of acquired businesses.

First nine months of 2016

Sales

Sales of Consumer Health in the first nine months of 2016 increased by 3.3% (Fx & portfolio adj.) to €4,498 million. Business development in Latin America and in the Asia / Pacific region was especially positive, whereas sales were level year on year in Europe and North America.

Earnings

EBITDA before special items decreased by 3.0% in the first nine months of 2016, to €1,039 million (9M 2015: €1,071 million). The earnings contributions from the good business performance were not sufficient to offset the higher cost of goods sold and currency effects of around minus €60 million.

EBIT advanced by a clear 9.2% to €627 million (9M 2015: €574 million), including special charges of €93 million (9M 2015: €182 million). These reflected costs of €70 million for the integration of acquired businesses and €19 million for efficiency improvement measures.

5.3 Crop Science

Key Data – Crop Science Table 7

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Sales	**2,081**	**2,057**	**–1.2**	**0.0**	**7,723**	**7,511**	**–2.7**	**+0.6**
Change in sales								
Volume	+4.3%	–4.0%			0.0%	–1.6%		
Price	–2.7%	+4.0%			+0.6%	+2.2%		
Currency	+7.4%	–1.2%			+7.4%	–3.4%		
Portfolio	+0.6%	0.0%			+0.7%	+0.1%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	450	463	+2.9	+5.8	2,629	2,576	–2.0	+1.9
North America	351	368	+4.8	+5.7	2,132	2,089	–2.0	+0.9
Asia / Pacific	363	367	+1.1	+1.1	1,165	1,164	–0.1	+2.7
Latin America / Africa / Middle East	917	859	–6.3	–5.3	1,797	1,682	–6.4	–2.5
EBITDA[1]	**313**	**247**	**–21.1**		**1,986**	**1,966**	**–1.0**	
Special items	(3)	(71)			(73)	(104)		
EBITDA before special items[1]	**316**	**318**	**+0.6**		**2,059**	**2,070**	**+0.5**	
EBITDA margin before special items[1]	15.2%	15.5%			26.7%	27.6%		
EBIT	**187**	**135**	**–27.8**		**1,603**	**1,602**	**–0.1**	
Special items	(4)	(71)			(79)	(104)		
EBIT before special items[1]	**191**	**206**	**+7.9**		**1,682**	**1,706**	**+1.4**	
Gross cash flow[2]	**213**	**187**	**–12.2**		**1,433**	**1,421**	**–0.8**	
Net cash flow[2]	**603**	**1,027**	**+70.3**		**574**	**1,449**	**+152.4**	

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.”

Third quarter of 2016

Sales

In the third quarter of 2016, Crop Science posted sales of €2,057 million (Fx & portfolio adj. 0.0%). Business at Crop Protection / Seeds was steady overall at the prior-year level despite an ongoing weak market environment, particularly in Latin America. Sales of Environmental Science developed very encouragingly.

Sales by Business Unit — Table 8

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Crop Protection / Seeds	**1,957**	**1,911**	**−2.4**	**−1.1**	**7,318**	**7,093**	**−3.1**	**+0.3**
Crop Protection	1,833	1,759	−4.0	−2.6	6,262	5,996	−4.2	−0.9
Herbicides	487	480	−1.4	−1.0	2,180	2,094	−3.9	−0.4
Fungicides	577	615	+6.6	+8.1	2,234	2,282	+2.1	+5.4
Insecticides	471	385	−18.3	−16.8	1,166	971	−16.7	−14.1
SeedGrowth	298	279	−6.4	−3.7	682	649	−4.8	−1.3
Seeds	124	152	+22.6	+21.6	1,056	1,097	+3.9	+7.9
Environmental Science[1]	**124**	**146**	**+17.7**	**+17.7**	**405**	**418**	**+3.2**	**+6.2**

2015 figures restated; Fx & p adj. = currency- and portfolio-adjusted
[1] Environmental Science now comprises only the business for professional users. The key data and prior-year figures are restated accordingly.

Sales by region

- Sales in Europe climbed to €463 million (Fx adj. +5.8%). Following a weak prior-year quarter, Fungicides developed especially well with double-digit growth. We also considerably improved sales at Herbicides and business with oilseed rape / canola seed. By contrast, we registered a decline at SeedGrowth. Business at Environmental Science developed very positively.
- Sales in North America advanced by 5.7% (Fx adj.) to €368 million. We achieved strong double-digit sales growth in the Seeds unit, particularly for soybean seeds. At Crop Protection, business with herbicides for application in corn developed very positively. By contrast, there were considerable sales declines at Fungicides and Insecticides. Sales at Environmental Science increased by a double-digit percentage.
- In the Asia / Pacific region, sales edged forward to €367 million (Fx adj. +1.1%). A gratifying, weather-related increase in sales at Fungicides more than offset declines at Herbicides and Insecticides. Sales at Seeds came in well below the prior-year quarter. Environmental Science developed very positively.
- Sales in the Latin America / Africa / Middle East region declined by 5.3% (Fx adj.) to €859 million. We again registered a substantial decrease in sales in Brazil, due to the difficult market and liquidity situation. Business contracted at both Insecticides and Herbicides. By contrast, there was an increase in sales at Fungicides, primarily with products for use in soybeans and corn. Business with soybean seeds developed very encouragingly. Environmental Science also grew business substantially.

Earnings

EBITDA before special items of Crop Science increased by 0.6% to €318 million in the third quarter of 2016 (Q3 2015: €316 million). Higher selling prices and a positive currency effect of around €80 million stood against lower volumes, higher write-downs on receivables and higher research and development expenses, among other things.

EBIT moved back by 27.8% to €135 million after special charges of €71 million (Q3 2015: €4 million), largely in connection with the agreed acquisition of Monsanto and efficiency improvement measures.

First nine months of 2016

Sales

Sales of Crop Science in the first nine months of 2016 were level year on year at €7,511 million (Fx & portfolio adj. + 0.6%) despite the difficult market environment. At Crop Protection, higher sales at Fungicides were offset by a considerable decline at Insecticides and slightly lower sales at SeedGrowth. We expanded business at Seeds and Environmental Science. Sales increased slightly in the Asia / Pacific and Europe regions, whereas business remained at the prior-year level in North America and declined slightly in Latin America / Africa / Middle East.

Earnings

EBITDA before special items of Crop Science in the first nine months of 2016 was level year on year at €2,070 million (+ 0.5%; 9M 2015: €2,059 million). Higher selling prices and a positive currency effect of around €60 million stood against lower volumes, higher write-downs on receivables and higher research and development expenses, among other things.

EBIT decreased by only a slight 0.1% to €1,602 million after special charges of €104 million (9M 2015: €79 million), largely in connection with the agreed acquisition of Monsanto and efficiency improvement measures.

5.4 Animal Health

Key Data – Animal Health Table 9

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Sales	**357**	**360**	**+ 0.8**	**+ 2.5**	**1,171**	**1,194**	**+ 2.0**	**+ 5.2**
Change in sales								
Volume	– 0.3%	+ 0.8%			+ 4.3%	+ 3.5%		
Price	+ 2.1%	+ 1.7%			+ 0.5%	+ 1.7%		
Currency	+ 6.4%	– 1.7%			+ 10.2%	– 3.2%		
Portfolio	0.0%	0.0%			0.0%	0.0%		
			Reported	**Fx adj.**			**Reported**	**Fx adj.**
Sales by region								
Europe	93	91	– 2.2	+ 3.2	323	333	+ 3.1	+ 6.8
North America	140	137	– 2.1	– 2.1	465	492	+ 5.8	+ 6.2
Asia / Pacific	71	83	+ 16.9	+ 14.1	218	221	+ 1.4	+ 3.2
Latin America / Africa / Middle East	53	49	– 7.5	– 1.9	165	148	– 10.3	+ 1.8
EBITDA[1]	**79**	**88**	**+ 11.4**		**284**	**309**	**+ 8.8**	
Special items	(5)	(1)			(22)	(2)		
EBITDA before special items[1]	**84**	**89**	**+ 6.0**		**306**	**311**	**+ 1.6**	
EBITDA margin before special items[1]	23.5%	24.7%			26.1%	26.0%		
EBIT	**70**	**81**	**+ 15.7**		**240**	**288**	**+ 20.0**	
Special items	(7)	(1)			(45)	(2)		
EBIT before special items[1]	**77**	**82**	**+ 6.5**		**285**	**290**	**+ 1.8**	
Gross cash flow[2]	**53**	**60**	**+ 13.2**		**208**	**215**	**+ 3.4**	
Net cash flow[2]	**100**	**80**	**– 20.0**		**305**	**108**	**– 64.6**	

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."

Third quarter of 2016

Sales

Sales of Animal Health in the third quarter of 2016 rose by 2.5% (Fx & portfolio adj.) to €360 million. Positive development was noted especially in the Asia / Pacific region. We also recorded sales increases in Europe, while business in North America declined slightly.

Best-Selling Animal Health Products Table 10

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx adj.	9M 2015	9M 2016	Change % Reported	Change % Fx adj.
Advantage™ product family	130	128	– 1.5	+ 0.9	443	433	– 2.3	.
Seresto™	22	25	+ 13.6	+ 19.2	98	146	+ 49.0	+ 52.3
Drontal™ product family	31	33	+ 6.5	+ 9.5	92	97	+ 5.4	+ 8.7
Baytril™	30	27	– 10.0	– 10.6	87	79	– 9.2	– 6.6
Total	**213**	**213**	**.**	**+ 2.4**	**720**	**755**	**+ 4.9**	**+ 7.4**
Proportion of Animal Health sales	60%	59%			61%	63%		

Fx adj. = currency-adjusted

Sales by product

- Sales of our **Advantage™** family of flea, tick and worm control products were level with the prior-year quarter.
- Business with our **Seresto™** flea and tick collar developed positively in all regions. We recorded significant gains in the United States and other markets.
- Our **Drontal™** line of wormers benefited primarily from higher volumes in the United Kingdom and the United States.
- Sales of our antibiotic **Baytril™** fell in the United States and Europe because of a weaker market environment overall and generic competition.

Earnings

EBITDA before special items of Animal Health increased by 6.0% in the third quarter of 2016 to €89 million (Q3 2015: €84 million), due especially to volume and price increases and to lower selling expenses. These stood against an increase in the cost of goods sold and in research and development expenses.

EBIT advanced by a significant 15.7% to €81 million after special charges of €1 million (Q3 2015: €7 million).

First nine months of 2016

Sales

Sales of Animal Health rose by 5.2% (Fx & portfolio adj.) in the first nine months of 2016 to €1,194 million. The strongest growth was recorded in the United States and Europe.

Earnings

EBITDA before special items advanced by 1.6% in the first nine months of 2016 to €311 million (9M 2015: €306 million). Higher volumes and prices were partly offset by increases in selling expenses and the cost of goods sold as well as a currency effect of minus €10 million.

EBIT of Animal Health rose by 20.0% to €288 million (9M 2015: €240 million) after special charges of €2 million (9M 2015: €45 million).

5.5 Covestro

Key Data – Covestro

Table 11

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Sales	**3,009**	**3,004**	**–0.2**	**+1.0**	**9,208**	**8,829**	**–4.1**	**–2.6**
Change in sales								
Volume	–0.2%	+6.1%			+3.0%	+5.6%		
Price	–7.5%	–5.1%			–6.1%	–8.2%		
Currency	+6.8%	–1.2%			+9.0%	–1.5%		
Portfolio	0.0%	0.0%			0.0%	0.0%		
			Reported	Fx adj.			Reported	Fx adj.
Sales by region								
Europe	1,130	1,070	–5.3	–5.0	3,381	3,285	–2.8	–2.7
North America	729	700	–4.0	–3.6	2,213	2,069	–6.5	–6.4
Asia / Pacific	819	922	+12.6	+14.9	2,579	2,581	+0.1	+2.9
Latin America / Africa / Middle East	331	312	–5.7	–2.4	1,035	894	–13.6	–7.5
EBITDA[1]	**388**	**564**	**+45.4**		**1,239**	**1,611**	**+30.0**	
Special items	(84)	–			(163)	–		
EBITDA before special items[1]	**472**	**564**	**+19.5**		**1,402**	**1,611**	**+14.9**	
EBITDA margin before special items[1]	15.7%	18.8%			15.2%	18.2%		
EBIT	**217**	**398**	**+83.4**		**714**	**1,101**	**+54.2**	
Special items	(87)	–			(188)	–		
EBIT before special items[1]	**304**	**398**	**+30.9**		**902**	**1,101**	**+22.1**	
Gross cash flow[2]	**310**	**447**	**+44.2**		**981**	**1,282**	**+30.7**	
Net cash flow[2]	**326**	**668**	**+104.9**		**849**	**1,146**	**+35.0**	

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."

Third quarter of 2016

Sales

Sales of Covestro edged forward by 1.0% (Fx & portfolio adj.) in the third quarter of 2016 compared with the prior-year period, to €3,004 million. Volumes were up year on year overall, particularly at Polycarbonates and Polyurethanes. Selling prices declined in all business units, mainly due to raw material price development.

Sales by Business Unit

Table 12

€ million	Q3 2015	Q3 2016	Change % Reported	Change % Fx & p adj.	9M 2015	9M 2016	Change % Reported	Change % Fx & p adj.
Polyurethanes	1,513	1,502	–0.7	+0.4	4,702	4,385	–6.7	–5.1
Polycarbonates	818	848	+3.7	+5.5	2,410	2,465	+2.3	+4.3
Coatings, Adhesives, Specialties	520	514	–1.2	–0.6	1,615	1,558	–3.5	–2.5
Other Covestro business	158	140	–11.4	–10.8	481	421	–12.5	–12.1
Total	**3,009**	**3,004**	**–0.2**	**+1.0**	**9,208**	**8,829**	**–4.1**	**–2.6**

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

Sales by business unit

- Sales were level year on year at **Polyurethanes**, at €1,502 million (Fx & portfolio adj. + 0.4%). Higher volumes were nearly offset by lower selling prices.
- **Polycarbonates** improved sales by 5.5% (Fx & portfolio adj.) to €848 million, with much higher volumes more than offsetting lower selling prices.
- Sales at **Coatings, Adhesives, Specialties** were flat year on year at €514 million (Fx & portfolio adj. – 0.6%). Lower selling prices were nearly offset by an expansion of volumes.

Earnings

EBITDA before special items of Covestro improved by 19.5% to €564 million in the third quarter of 2016 (Q3 2015: €472 million). This increase resulted mostly from lower raw material prices and higher volumes that more than offset the decline in selling prices. Earnings were diminished by a negative currency effect of around €10 million.

EBIT rose year on year by a substantial 83.4% to €398 million. There were no special items (Q3 2015: minus €87 million).

First nine months of 2016

Sales

Sales of Covestro fell by 2.6% (Fx & portfolio adj.) in the first nine months of 2016 compared with the prior-year period, to €8,829 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 14.9% to €1,611 million. **EBIT** improved by 54.2% to €1,101 million. There were no special items (9M 2015: minus €188 million).

6. Research, Development, Innovation

Bayer Group expenses for research and development rose by 7.2% (Fx adj.) to €1,122 million in the third quarter of 2016, with the Life Science businesses accounting for €1,055 million of this figure (Fx adj. + 7.4%).

Research and Development Expenses — Table 13

	R&D expenses						R&D expenses before special items					
			Change %			Change %			Change %			Change %
€ million	Q3 2015	Q3 2016	Fx. adj.	9 M 2015	9 M 2016	Fx. adj.	Q3 2015	Q3 2016	Fx. adj.	9 M 2015	9 M 2016	Fx. adj.
Pharmaceuticals	607	682	+ 12.7	1,721	2,061	+ 20.1	606	679	+ 12.3	1,717	2,025	+ 18.3
Consumer Health	62	64	+ 5.0	179	193	+ 9.4	58	56	– 2.6	168	172	+ 3.7
Crop Science	266	282	+ 7.1	772	815	+ 7.4	266	281	+ 6.7	772	807	+ 6.4
Animal Health	30	35	+ 16.0	95	99	+ 4.9	30	35	+ 16.0	95	99	+ 5.3
Total Life Sciences[1]	**974**	**1,055**	**+ 7.4**	**2,826**	**3,160**	**+ 10.3**	**969**	**1,042**	**+ 8.0**	**2,811**	**3,094**	**+ 10.9**
Covestro	65	67	+ 3.1	192	193	+ 0.5	65	67	+ 3.1	191	193	+ 1.0
Total Group	**1,039**	**1,122**	**+ 7.2**	**3,018**	**3,353**	**+ 9.7**	**1,034**	**1,109**	**+ 7.7**	**3,002**	**3,287**	**+ 10.3**

2015 figures restated
[1] Including reconciliation

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)	Chronic 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]
Vilaprisan (S-PRM)	Symptomatic uterine fibroids
Vilaprisan (S-PRM)	Endometriosis

[1] As of October 13, 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.

In September 2016, our partner Regeneron Pharmaceuticals, Inc., United States, published the first data from a clinical Phase II study investigating the treatment of wet age-related macular degeneration with rinucumab, a PDGFR-β antibody, in combination with aflibercept (tradename: Eylea™). While the study failed to meet its primary endpoint of a statistically significant improvement in visual acuity after 12 weeks, it is being continued by Regeneron as planned and further data will be analyzed after 28 weeks as well as following the conclusion of the trial (after 52 weeks). Bayer will then analyze the available data and decide on the next steps.

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
Ciprofloxacin DPI	Non-cystic fibrosis bronchiectasis
Copanlisib (PI3K inhibitor)	Various forms of non-Hodgkin lymphoma (NHL)
Damoctocog alfa pegol (BAY 94-9027, long-acting rFVIII)	Hemophilia A
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
Vericiguat (BAY 1021189, sGC stimulator)	Chronic heart failure[3]

[1] As of October 13, 2016
[2] Sponsored by Janssen Research & Development, LLC
[3] Sponsored by Merck & Co., Inc., USA
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 September 2016, a clinical Phase III study was initiated to investigate vericiguat, a soluble guanylate cyclase (sGC) stimulator, in patients suffering from chronic heart failure with reduced ejection fraction. The development and commercialization of vericiguat are part of the worldwide strategic collaboration between Bayer and Merck, United States (through a subsidiary), in the field of sGC modulation.

The most important drug candidates in the approval process are:

Products Submitted for Approval[1] Table 16

Projects	Indication
Rivaroxaban [2]	U.S.A.; secondary prophylaxis of acute coronary syndrome (ACS)

[1] As of October 13, 2016
[2] Submitted by Janssen Research & Development, LLC

Also in September 2016, the U.S. Food and Drug Administration (FDA) approved our new low-dose levonorgestrel-releasing intrauterine system with the brand name Kyleena™. The new system releases the lowest daily hormone dose in an intrauterine system for up to five years of effective protection against pregnancy. It uses the smallest plastic T-shaped body in a hormone-releasing intrauterine system available today. In October 2016, furthermore, we successfully completed the corresponding decentralized registration procedure for the European Union. On this basis, it is expected that the health authorities of the E.U. member states will grant national authorizations in the coming months.

Cooperation

In July 2016, we expanded our research collaboration with biotech company X-Chem, Inc., United States, for the development of novel small molecule therapeutics. The partnership covers multiple therapeutic areas and extends Bayer's access to X-Chem's DEX™ technology, which is based on DNA-encoded libraries of small molecules with more than 120 billion molecules. The aim of the collaboration is to discover innovative lead structures for complex drug targets in areas of high unmet medical need.

In August 2016, we entered into a five-year, multitarget research partnership with Evotec AG, Hamburg, Germany, to develop multiple clinical candidates for the treatment of kidney diseases such as chronic kidney disease in diabetes patients. Both companies will contribute novel drug targets and a comprehensive set of high-quality technology platforms, and will hold joint responsibility for the preclinical development of potential clinical candidates.

In September 2016, we signed a collaboration and technology license agreement with DelSiTech Ltd., Turku, Finland, for the worldwide application of DelSiTech's Silica Matrix drug delivery platform to a number of Bayer's compounds in ophthalmology.

Consumer Health

In July 2016, we expanded our Alka-Seltzer™ product family in the United States to include another cold medicine in the Alka-Seltzer Plus™ line.

Crop Science

In July 2016, the E.U. Commission approved the dual herbicide tolerance trait Balance™ GT in soybeans for food and feed uses. Balance GT is owned by MS Technologies and is being codeveloped through a joint development agreement between that company and Bayer. The launch of soybeans with this new trait is planned for 2017, pending approval by the regulatory authorities.

In September 2016, Crop Science announced a five-year research partnership with the Jülich Research Center, Germany, that is focused on phenotyping for plant breeding, research into plant traits and the development of biologics.

Covestro

After successfully commissioning a novel foam production facility in Dormagen in June 2016 that reduces the input of petrochemical raw materials through the use of CO_2, Covestro announced the Dream Resource research project in September 2016. Together with partners from industry and science, Covestro intends to investigate how CO_2 can be used as a component in insulating foam and other products of the plastics industry. The three-year initiative will be supported by the German Ministry for Education and Research (BMBF).

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.

> 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.

Special Items Reconciliation

Table 17

€ million	EBIT Q3 2015	EBIT Q3 2016	EBIT 9M 2015	EBIT 9M 2016	EBITDA Q3 2015	EBITDA Q3 2016	EBITDA 9M 2015	EBITDA 9M 2016
Before special items	**1,776**	**1,920**	**6,023**	**6,754**	**2,530**	**2,682**	**8,340**	**9,123**
Pharmaceuticals	**(7)**	**(6)**	**(109)**	**(248)**	**(7)**	**(5)**	**(105)**	**(15)**
Restructuring	(7)	(6)	(42)	(18)	(7)	(5)	(38)	(16)
Litigations	–	–	(14)	1	–	–	(14)	1
Integration costs	–	–	(2)	–	–	–	(2)	–
Impairment losses / impairment loss reversals	–	–	–	(231)	–	–	–	–
Divestitures	–	–	3	–	–	–	3	–
Revaluation of other receivables	–	–	(54)	–	–	–	(54)	–
Consumer Health	**(32)**	**(29)**	**(182)**	**(93)**	**(32)**	**(27)**	**(182)**	**(77)**
Restructuring	(1)	(6)	(1)	(23)	(1)	(4)	(1)	(7)
Integration costs	(31)	(23)	(175)	(70)	(31)	(23)	(175)	(70)
Revaluation of other receivables	–	–	(6)	–	–	–	(6)	–
Crop Science	**(4)**	**(71)**	**(79)**	**(104)**	**(3)**	**(71)**	**(73)**	**(104)**
Restructuring	–	(18)	–	(46)	–	(18)	–	(46)
Litigations	–	–	(18)	(5)	–	–	(18)	(5)
Acquisition costs	–	(52)	–	(52)	–	(52)	–	(52)
Divestitures	(4)	(1)	(50)	(1)	(3)	(1)	(44)	(1)
Revaluation of other receivables	–	–	(11)	–	–	–	(11)	–
Animal Health	**(7)**	**(1)**	**(45)**	**(2)**	**(5)**	**(1)**	**(22)**	**(2)**
Restructuring	(7)	(1)	(45)	(2)	(5)	(1)	(22)	(2)
Reconciliation	**(67)**	**(18)**	**(100)**	**(54)**	**(67)**	**(18)**	**(100)**	**(54)**
Restructuring	(35)	(18)	(67)	(49)	(35)	(18)	(67)	(49)
Litigations	(32)	–	(32)	(5)	(32)	–	(32)	(5)
Revaluation of other receivables	–	–	(1)	–	–	–	(1)	–
Total special items Life Sciences	**(117)**	**(125)**	**(515)**	**(501)**	**(114)**	**(122)**	**(482)**	**(252)**
Covestro	**(87)**	**–**	**(188)**	**–**	**(84)**	**–**	**(163)**	**–**
Restructuring	(87)	–	(186)	–	(84)	–	(161)	–
Revaluation of other receivables	–	–	(2)	–	–	–	(2)	–
Total special items	**(204)**	**(125)**	**(703)**	**(501)**	**(198)**	**(122)**	**(645)**	**(252)**
of which cost of goods sold	(34)	(20)	(271)	(219)	(28)	(18)	(219)	(40)
of which selling expenses	(9)	(25)	(80)	(96)	(9)	(25)	(76)	(60)
of which research and development expenses	(5)	(13)	(16)	(66)	(5)	(13)	(14)	(33)
of which general administration expenses	(97)	(72)	(160)	(116)	(97)	(72)	(160)	(116)
of which other operating income / expenses	(59)	5	(176)	(4)	(59)	6	(176)	(3)
After special items	**1,572**	**1,795**	**5,320**	**6,253**	**2,332**	**2,560**	**7,695**	**8,871**

2015 figures restated

In the third quarter of 2016, depreciation, amortization and impairments were approximately level year on year at €765 million (Q3 2015: €760 million), comprising €397 million (Q3 2015: €402 million) in amortization and impairments on intangible assets and €368 million (Q3 2015: €358 million) in depreciation and impairments on property, plant and equipment. The impairments totaled €35 million (Q3 2015: €8 million) and included no special items (Q3 2015: €6 million).

Depreciation, amortization and impairments were 10.2% higher in the first nine months of 2016 at €2,618 million (9M 2015: €2,375 million), comprising €1,511 million (9M 2015: €1,273 million) in amortization and impairments on intangible assets and €1,107 million (9M 2015: €1,102 million) in depreciation and impairments on property, plant and equipment. The impairments totaled €333 million (9M 2015: €75 million), of which €244 million (9M 2015: €58 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	Q3 2015	Q3 2016	9M 2015	9M 2016
EBIT (as per income statements)	**1,572**	**1,795**	**5,320**	**6,253**
Amortization and impairment losses / loss reversals on intangible assets	403	397	1,273	1,511
Impairment losses / loss reversals on property, plant and equipment	5	4	60	21
Special items (other than amortization and impairment losses / loss reversals)	198	122	645	252
Core EBIT	**2,178**	**2,318**	**7,298**	**8,037**
Financial result (as per income statements)	(280)	(274)	(841)	(903)
Special items in the financial result	(21)	(34)	(30)	(44)
Income taxes (as per income statements)	(298)	(305)	(1,057)	(1,210)
Tax effects related to amortization, impairment losses / loss reversals and special items	(175)	(170)	(606)	(544)
Income after income taxes attributable to noncontrolling interest (as per income statements)	(6)	(103)	(18)	(241)
Above-mentioned adjustments attributable to noncontrolling interest	–	(3)	–	(10)
Core net income from continuing operations	**1,398**	**1,429**	**4,746**	**5,085**
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	**1.69**	**1.73**	**5.74**	**6.15**
Core earnings per share from discontinued operations	0.03	0.10	0.13	0.30
Core earnings per share from continuing and discontinued operations	1.72	1.83	5.87	6.45

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 third quarter of 2016, we improved core earnings per share from continuing operations by 2.4% to €1.73 (Q3 2015: €1.69). Earnings per share rose by 18.2% in the same period to €1.43 (Q3 2015: €1.21).

9. Financial Position of the Bayer Group

9.1 Statements of Cash Flows

Bayer Group Summary Statements of Cash Flows Table 19

€ million	Q3 2015	Q3 2016	Change %	9M 2015	9M 2016	Change %
Gross cash flow [1]	**1,434**	**1,951**	**+ 36.1**	**5,596**	**6,881**	**+ 23.0**
Changes in working capital / other noncash items	798	1,086	+ 36.1	(685)	(1,300)	– 89.8
Net cash provided by (used in) operating activities (net cash flow), continuing operations	**2,232**	**3,037**	**+ 36.1**	**4,911**	**5,581**	**+ 13.6**
Net cash provided by (used in) operating activities (net cash flow), discontinued operations	98	16	– 83.7	102	776	.
Net cash provided by (used in) operating activities (net cash flow) (total)	**2,330**	**3,053**	**+ 31.0**	**5,013**	**6,357**	**+ 26.8**
Net cash provided by (used in) investing activities (total)	**(965)**	**(2,039)**	**– 111.3**	**(2,088)**	**(3,746)**	**– 79.4**
Net cash provided by (used in) financing activities (total)	**(2,162)**	**(846)**	**+ 60.9**	**(2,238)**	**(3,258)**	**– 45.6**
Change in cash and cash equivalents due to business activities	**(797)**	**168**	**.**	**687**	**(647)**	**.**
Cash and cash equivalents at beginning of period	**3,247**	**1,055**	**– 67.5**	**1,853**	**1,859**	**+ 0.3**
Change due to exchange rate movements and to changes in scope of consolidation	(55)	9	.	(145)	20	.
Cash and cash equivalents at end of period	**2,395**	**1,232**	**– 48.6**	**2,395**	**1,232**	**– 48.6**

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 third quarter of 2016 climbed by a robust 36.1% to €1,951 million, due among other things to the increase in EBIT.
- Net cash flow (total) rose by a substantial 31.0% to €3,053 million due to a decrease in cash tied up in working capital.
- The net cash flow (total) reflected income tax payments of €370 million (Q3 2015: €421 million).

- Gross cash flow from continuing operations in the first nine months of 2016 climbed by a considerable 23.0% to €6,881 million.
- Net cash flow (total) was diminished by an increase in cash tied up in working capital but rose by a clear 26.8% to €6,357 million, due also to the inflow from the divestiture of the Diabetes Care business.
- The net cash flow (total) reflected income tax payments of €1,578 million (9M 2015: €1,217 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.

Net cash provided by (used in) investing activities

- Cash outflows for property, plant and equipment and intangible assets were unchanged in the third quarter of 2016 at €656 million (Q3 2015: €655 million) and included €211 million (Q3 2015: €164 million) at Pharmaceuticals, €46 million (Q3 2015: €57 million) at Consumer Health, €186 million (Q3 2015: €171 million) at Crop Science, €8 million (Q3 2015: €7 million) at Animal Health and €89 million (Q3 2015: €128 million) at Covestro.

- Cash outflows for property, plant and equipment and intangible assets were 0.4% higher in the first nine months of 2016 at €1,608 million (9M 2015: €1,601 million) and included €588 million (9M 2015: €484 million) at Pharmaceuticals, €133 million (9M 2015: €100 million) at Consumer Health, €447 million (9M 2015: €416 million) at Crop Science, €19 million (9M 2015: €17 million) at Animal Health and €215 million (9M 2015: €352 million) at Covestro.

Net cash provided by (used in) financing activities

- In the third quarter of 2016, there was a net cash outflow of €846 million for financing activities, including net loan repayments of €554 million (Q3 2015: €1,938 million).
- Net interest payments were 31.2% higher at €290 million (Q3 2015: €221 million) and included payments for facilitating loans.

- In the first nine months of 2016, there was a net cash outflow of €3,258 million for financing activities, including net loan repayments of €595 million (9M 2015: net borrowings of €88 million).
- Net interest payments were 18.4% higher at €541 million (9M 2015: €457 million).
- The cash outflow for dividends amounted to €2,122 million (9M 2015: €1,869 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 financing cash inflow.

9.2 Liquid Assets and Net Financial Debt

Net Financial Debt[1]

Table 20

€ million	Dec. 31, 2015	June 30, 2016	Sep. 30, 2016	Change vs. June 30, 2016 (%)
Bonds and notes / promissory notes	15,547	16,165	16,121	– 0.3
of which hybrid bonds[2]	4,525	4,527	4,528	.
Liabilities to banks	2,779	2,182	1,910	– 12.5
Liabilities under finance leases	474	447	437	– 2.2
Liabilities from derivatives[3]	753	708	537	– 24.2
Other financial liabilities	369	175	198	+ 13.1
Receivables from derivatives[3]	(350)	(287)	(275)	– 4.2
Financial liabilities	19,572	19,390	18,928	– 2.4
Cash and cash equivalents	(1,859)	(1,055)	(1,232)	+ 16.8
Current financial assets[4]	(264)	(495)	(1,895)	.
Net financial debt	17,449	17,840	15,801	– 11.4

[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 the market values of interest-rate and currency hedges of recorded transactions and the market values of currency hedges for planned acquisitions.
[4] 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 that were recorded as current on initial recognition.

> Net financial debt of the Bayer Group decreased by €2 billion between June 30, 2016, and the end of the third quarter, due mainly to cash inflows from operating activities.
> 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.
> 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. In connection with the agreed acquisition of Monsanto, 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	June 30, 2016	Sep. 30, 2016	Change vs. June 30, 2016 (%)
Noncurrent assets	50,096	50,811	51,364	+ 1.1
Current assets	23,624	24,663	25,160	+ 2.0
Assets held for sale	197	–	10	.
Total current assets	**23,821**	**24,663**	**25,170**	**+ 2.1**
Total assets	**73,917**	**75,474**	**76,534**	**+ 1.4**
Equity	**25,445**	**24,035**	**24,788**	**+ 3.1**
Noncurrent liabilities	31,492	34,383	35,069	+ 2.0
Current liabilities	16,868	17,038	16,663	– 2.2
Liabilities directly related to assets held for sale	112	18	14	– 22.2
Total current liabilities	16,980	17,056	16,677	– 2.2
Liabilities	**48,472**	**51,439**	**51,746**	**+ 0.6**
Total equity and liabilities	**73,917**	**75,474**	**76,534**	**+ 1.4**

- Between June 30, 2016, and September 30, 2016, total assets increased by €1.1 billion to €76.5 billion. Noncurrent assets and the carrying amount of current assets were almost level year on year at €51.4 billion and €25.2 billion, respectively.
- Equity increased by €0.8 billion compared with June 30, 2016, to €24.8 billion. Income after income taxes of €1.3 billion was among the positive factors here and was offset mainly by the €0.5 billion increase after taxes – recognized outside profit or loss – in post-employment benefit obligations. The equity ratio (equity coverage of total assets) as of September 30, 2016, was 32.4% (June 30, 2016: 31.8%).
- Liabilities were largely unchanged in the third quarter of 2016 at €51.7 billion. Provisions for pensions and other post-employment benefits rose by €0.7 billion and other provisions increased by €0.3 billion. Financial liabilities declined by €0.5 billion.

Net Defined Benefit Liability for Post-Employment Benefits Table 22

€ million	Dec. 31, 2015	June 30, 2016	Sep. 30, 2016	Change vs. June 30, 2016 (%)
Provisions for pensions and other post-employment benefits	10,873	13,838	14,498	+ 4.8
Net defined benefit asset	(30)	(32)	(31)	– 3.1
Net defined benefit liability for post-employment benefits	**10,843**	**13,806**	**14,467**	**+ 4.8**

- The net defined benefit liability for post-employment benefits increased by €0.7 billion overall in the third quarter of 2016, to €14.5 billion, due mainly to the decrease in long-term capital market interest rates for high-quality corporate bonds in Germany and the United Kingdom.

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 are outlined in detail in the Annual Report 2015 (Combined Management Report, Chapter 18.3). There have been no material changes to Bayer's overall risk situation. In addition to the risks described in the Annual Report, the following risk has existed since the third quarter of 2016: Should the acquisition of Monsanto fail to close due to antitrust law, we will be obligated to make a specified compensation payment to Monsanto (reverse antitrust break fee).

Moreover, further opportunities and risks may arise in connection with the expected acquisition of Monsanto.

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 September 30, 2016

Bayer Group Consolidated Income Statements

Table 23

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Net sales	**11,004**	**11,262**	**34,800**	**34,949**
Cost of goods sold	(4,940)	(4,828)	(15,643)	(14,900)
Gross profit	**6,064**	**6,434**	**19,157**	**20,049**
Selling expenses	(2,908)	(2,957)	(8,952)	(8,937)
Research and development expenses	(1,039)	(1,122)	(3,018)	(3,353)
General administration expenses	(508)	(587)	(1,526)	(1,571)
Other operating income	361	203	639	565
Other operating expenses	(398)	(176)	(980)	(500)
EBIT [1]	**1,572**	**1,795**	**5,320**	**6,253**
Equity-method loss	(4)	(6)	(4)	(17)
Financial income	32	34	129	113
Financial expenses	(308)	(302)	(966)	(999)
Financial result	**(280)**	**(274)**	**(841)**	**(903)**
Income before income taxes	**1,292**	**1,521**	**4,479**	**5,350**
Income taxes	(298)	(305)	(1,057)	(1,210)
Income from continuing operations after income taxes	**994**	**1,216**	**3,422**	**4,140**
Income from discontinued operations after income taxes	**11**	**74**	**93**	**179**
Income after income taxes	**1,005**	**1,290**	**3,515**	**4,319**
of which attributable to noncontrolling interest	6	103	18	241
of which attributable to Bayer AG stockholders (net income)	**999**	**1,187**	**3,497**	**4,078**

€				
Earnings per share				
From continuing operations				
Basic	1.19	1.34	4.11	4.71
Diluted	1.19	1.34	4.11	4.71
From discontinued operations				
Basic	0.02	0.09	0.12	0.22
Diluted	0.02	0.09	0.12	0.22
From continuing and discontinued operations				
Basic	1.21	1.43	4.23	4.93
Diluted	1.21	1.43	4.23	4.93

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	Q3 2015	Q3 2016	9M 2015	9M 2016
Income after income taxes	**1,005**	**1,290**	**3,515**	**4,319**
of which attributable to noncontrolling interest	6	103	18	241
of which attributable to Bayer AG stockholders	999	1,187	3,497	4,078
Remeasurements of the net defined benefit liability for post-employment benefit plans	(647)	(708)	522	(4,115)
Income taxes	82	253	(237)	1,244
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(565)**	**(455)**	**285**	**(2,871)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(565)**	**(455)**	**285**	**(2,871)**
Changes in fair values of derivatives designated as cash flow hedges	22	5	(235)	(71)
Reclassified to profit or loss	89	8	226	(27)
Income taxes	(45)	(6)	(14)	43
Other comprehensive income from cash flow hedges	**66**	**7**	**(23)**	**(55)**
Changes in fair values of available-for-sale financial assets	(3)	2	15	28
Reclassified to profit or loss	–	–	1	–
Income taxes	2	1	1	(8)
Other comprehensive income from available-for-sale financial assets	**(1)**	**3**	**17**	**20**
Changes in exchange differences recognized on translation of operations outside the eurozone	(364)	(91)	489	(299)
Reclassified to profit or loss	–	–	–	–
Other comprehensive income from exchange differences	**(364)**	**(91)**	**489**	**(299)**
Other comprehensive income relating to associates accounted for using the equity method	**3**	**1**	**(24)**	**13**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(296)**	**(80)**	**459**	**(321)**
Effects of changes in scope of consolidation	**–**	**–**	**–**	**–**
Total other comprehensive income[1]	**(861)**	**(535)**	**744**	**(3,192)**
of which attributable to noncontrolling interest	(4)	(22)	4	(132)
of which attributable to Bayer AG stockholders	(857)	(513)	740	(3,060)
Total comprehensive income	**144**	**755**	**4,259**	**1,127**
of which attributable to noncontrolling interest	2	81	22	109
of which attributable to Bayer AG stockholders	142	674	4,237	1,018

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

Bayer Group Consolidated Statements of Financial Position

Table 25

€ million	Sep. 30, 2015	Sep. 30, 2016	Dec. 31, 2015
Noncurrent assets			
Goodwill	15,932	15,940	16,096
Other intangible assets	15,413	13,895	15,178
Property, plant and equipment	11,849	12,400	12,375
Investments accounted for using the equity method	240	506	246
Other financial assets	1,070	1,349	1,092
Other receivables	402	529	430
Deferred taxes	4,567	6,745	4,679
	49,473	**51,364**	**50,096**
Current assets			
Inventories	8,711	8,355	8,550
Trade accounts receivable	9,995	10,762	9,933
Other financial assets	1,542	2,165	756
Other receivables	1,656	2,115	2,017
Claims for income tax refunds	520	531	509
Cash and cash equivalents	2,395	1,232	1,859
Assets held for sale	178	10	197
	24,997	**25,170**	**23,821**
Total assets	**74,470**	**76,534**	**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	14,198	15,110	15,981
Equity attributable to Bayer AG stockholders	**22,482**	**23,394**	**24,265**
Equity attributable to noncontrolling interest	98	1,394	1,180
	22,580	**24,788**	**25,445**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	11,708	14,498	10,873
Other provisions	1,515	1,588	1,740
Financial liabilities	16,740	16,515	16,513
Income tax liabilities	601	372	475
Other liabilities	1,077	1,023	1,065
Deferred taxes	907	1,073	826
	32,548	**35,069**	**31,492**
Current liabilities			
Other provisions	5,461	5,505	5,045
Financial liabilities	6,036	2,714	3,421
Trade accounts payable	5,129	4,931	5,945
Income tax liabilities	779	1,179	923
Other liabilities	1,826	2,334	1,534
Liabilities directly related to assets held for sale	111	14	112
	19,342	**16,677**	**16,980**
Total equity and liabilities	**74,470**	**76,534**	**73,917**

2015 figures restated

Bayer Group Consolidated Statements of Cash Flows

Table 26

€ million	Q3 2015	Q3 2016	9M 2015	9M 2016
Income from continuing operations after income taxes	994	1,216	3,422	4,140
Income taxes	298	305	1,057	1,210
Financial result	280	274	841	903
Income taxes paid or accrued	(688)	(499)	(1,751)	(1,664)
Depreciation, amortization and impairments	760	765	2,375	2,618
Change in pension provisions	(147)	(101)	(272)	(312)
(Gains) losses on retirements of noncurrent assets	(63)	(9)	(76)	(14)
Gross cash flow	**1,434**	**1,951**	**5,596**	**6,881**
Decrease (increase) in inventories	(277)	(111)	(447)	(40)
Decrease (increase) in trade accounts receivable	730	924	(1,255)	(574)
(Decrease) increase in trade accounts payable	(43)	(107)	(358)	(961)
Changes in other working capital, other noncash items	388	380	1,375	275
Net cash provided by (used in) operating activities (net cash flow) from continuing operations	**2,232**	**3,037**	**4,911**	**5,581**
Net cash provided by (used in) operating activities (net cash flow) from discontinued operations	98	16	102	776
Net cash provided by (used in) operating activities (net cash flow) (total)	**2,330**	**3,053**	**5,013**	**6,357**
Cash outflows for additions to property, plant, equipment and intangible assets	(655)	(656)	(1,601)	(1,608)
Cash inflows from the sale of property, plant, equipment and other assets	81	14	165	53
Cash inflows from divestitures	2	–	2	8
Cash inflows from (outflows for) noncurrent financial assets	258	(41)	(78)	(649)
Cash outflows for acquisitions less acquired cash	(162)	–	(159)	2
Interest and dividends received	21	38	89	75
Cash inflows from (outflows for) current financial assets	(510)	(1,394)	(506)	(1,627)
Net cash provided by (used in) investing activities (total)	**(965)**	**(2,039)**	**(2,088)**	**(3,746)**
Dividend payments	(3)	(2)	(1,869)	(2,122)
Issuances of debt	4,445	4,454	11,647	12,122
Retirements of debt	(6,383)	(5,008)	(11,559)	(12,717)
Interest paid including interest-rate swaps	(284)	(290)	(571)	(590)
Interest received from interest-rate swaps	63	–	114	49
Cash outflows for the purchase of additional interests in subsidiaries	–	–	–	–
Net cash provided by (used in) financing activities (total)	**(2,162)**	**(846)**	**(2,238)**	**(3,258)**
Change in cash and cash equivalents due to business activities (total)	**(797)**	**168**	**687**	**(647)**
Cash and cash equivalents at beginning of period	**3,247**	**1,055**	**1,853**	**1,859**
Change in cash and cash equivalents due to changes in scope of consolidation	2	–	5	(2)
Change in cash and cash equivalents due to exchange rate movements	(57)	9	(150)	22
Cash and cash equivalents at end of period	**2,395**	**1,232**	**2,395**	**1,232**

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)	(8)	(1,869)
Other changes					(28)	(28)
Total comprehensive income			4,237	4,237	22	4,259
Sep. 30, 2015	**2,117**	**6,167**	**14,198**	**22,482**	**98**	**22,580**
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)	(55)	(2,122)
Other changes			178	178	160	338
Total comprehensive income			1,018	1,018	109	1,127
Sep. 30, 2016	**2,117**	**6,167**	**15,110**	**23,394**	**1,394**	**24,788**

2015 figures restated

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

Key Data by Segment and Region

Key Data by Segment

Table 28

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health	
€ million	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016
Net sales (external)	3,870	4,152	1,424	1,425	2,081	2,057	357	360
Change [1]	+ 13.7%	+ 7.3%	+ 41.4%	+ 0.1%	+ 9.6%	− 1.2%	+ 8.2%	+ 0.8%
Currency-adjusted change [1]	+ 10.5%	+ 7.6%	+ 40.1%	+ 3.6%	+ 2.2%	–	+ 1.8%	+ 2.5%
Intersegment sales	8	7	–	–	7	7	8	6
Net sales (total)	3,878	4,159	1,424	1,425	2,088	2,064	365	366
EBIT [2]	940	1,097	209	194	187	135	70	81
EBIT before special items [2]	947	1,103	241	223	191	206	77	82
EBITDA before special items [2]	1,253	1,421	340	328	316	318	84	89
Gross cash flow [3]	857	998	207	236	213	187	53	60
Net cash flow [3]	943	998	230	215	603	1,027	100	80
Depreciation, amortization and impairments	306	319	99	107	126	112	9	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	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016
Net sales (external)	262	261	1	3	7,995	8,258	3,009	3,004	11,004	11,262
Change [1]	+ 0.4%	− 0.4%	–	–	+ 15.9%	+ 3.3%	− 0.9%	− 0.2%	+ 10.7%	+ 2.3%
Currency-adjusted change [1]	+ 1.1%	+ 0.4%	–	–	+ 11.8%	+ 4.5%	− 7.7%	+ 1.0%	+ 5.8%	+ 3.5%
Intersegment sales	575	410	(616)	(447)	–	–	18	17	–	–
Net sales (total)	837	671	(615)	(444)	–	–	3,027	3,021	11,004	11,262
EBIT [2]	2	13	(53)	(123)	1,355	1,397	217	398	1,572	1,795
EBIT before special items [2]	58	27	(42)	(119)	1,472	1,522	304	398	1,776	1,920
EBITDA before special items [2]	105	80	(40)	(118)	2,058	2,118	472	564	2,530	2,682
Gross cash flow [3]	(166)	105	(40)	(82)	1,124	1,504	310	447	1,434	1,951
Net cash flow [3]	(114)	106	144	(57)	1,906	2,369	326	668	2,232	3,037
Depreciation, amortization and impairments	47	53	2	1	589	599	171	166	760	765

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

€ million	Pharmaceuticals 9M 2015	Pharmaceuticals 9M 2016	Consumer Health 9M 2015	Consumer Health 9M 2016	Crop Science 9M 2015	Crop Science 9M 2016	Animal Health 9M 2015	Animal Health 9M 2016
Net sales (external)	11,322	12,145	4,570	4,498	7,723	7,511	1,171	1,194
Change [1]	+15.0%	+7.3%	+59.7%	−1.6%	+8.6%	−2.7%	+15.0%	+2.0%
Currency-adjusted change [1]	+8.7%	+9.3%	+55.1%	+3.3%	+1.2%	+0.7%	+4.8%	+5.2%
Intersegment sales	26	22	2	4	25	24	15	8
Net sales (total)	11,348	12,167	4,572	4,502	7,748	7,535	1,186	1,202
EBIT [2]	2,459	2,783	574	627	1,603	1,602	240	288
EBIT before special items [2]	2,568	3,031	756	720	1,682	1,706	285	290
EBITDA before special items [2]	3,531	4,034	1,071	1,039	2,059	2,070	306	311
Gross cash flow [3]	2,418	2,830	675	758	1,433	1,421	208	215
Net cash flow [3]	2,246	2,042	676	653	574	1,449	305	108
Depreciation, amortization and impairments	967	1,236	315	335	383	364	44	21
Number of employees (as of Sep. 30) [4]	41,124	39,994	13,756	12,909	23,446	22,323	3,820	3,982

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	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016
Net sales (external)	803	767	3	5	25,592	26,120	9,208	8,829	34,800	34,949
Change [1]	−1.5%	−4.5%	–	–	+18.2%	+2.1%	+5.8%	−4.1%	+14.6%	+0.4%
Currency-adjusted change [1]	−1.2%	−3.8%	–	–	+11.8%	+5.0%	−3.2%	−2.6%	+7.5%	+3.0%
Intersegment sales	1,705	1,570	(1,818)	(1,684)	–	–	45	56	–	–
Net sales (total)	2,508	2,337	(1,815)	(1,679)	–	–	9,253	8,885	34,800	34,949
EBIT [2]	45	34	(315)	(182)	4,606	5,152	714	1,101	5,320	6,253
EBIT before special items [2]	123	73	(293)	(167)	5,121	5,653	902	1,101	6,023	6,754
EBITDA before special items [2]	259	221	(288)	(163)	6,938	7,512	1,402	1,611	8,340	9,123
Gross cash flow [3]	102	505	(221)	(130)	4,615	5,599	981	1,282	5,596	6,881
Net cash flow [3]	(57)	273	318	(90)	4,062	4,435	849	1,146	4,911	5,581
Depreciation, amortization and impairments	136	148	5	4	1,850	2,108	525	510	2,375	2,618
Number of employees (as of Sep. 30) [4]	19,086	19,550	709	759	101,941	99,517	15,698	15,659	117,639	115,176

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

€ million	Europe Q3 2015	Europe Q3 2016	North America Q3 2015	North America Q3 2016	Asia / Pacific Q3 2015	Asia / Pacific Q3 2016
Net sales (external) – by market	3,644	3,681	2,858	2,883	2,500	2,780
Change [1]	+ 3.8%	+ 1.0%	+ 28.9%	+ 0.9%	+ 9.5%	+ 11.2%
Currency-adjusted change [1]	+ 4.4%	+ 2.9%	+ 12.4%	+ 1.3%	+ 0.4%	+ 9.7%
Net sales (external) – by point of origin	4,089	4,166	2,757	2,753	2,445	2,709
Change [1]	+ 3.7%	+ 1.9%	+ 27.5%	– 0.1%	+ 10.2%	+ 10.8%
Currency-adjusted change [1]	+ 4.2%	+ 3.5%	+ 10.3%	+ 0.2%	+ 0.9%	+ 9.3%
Interregional sales	2,769	3,010	1,010	1,016	191	225
EBIT [2]	852	1,225	350	236	129	286

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

€ million	Latin America / Africa / Middle East Q3 2015	Latin America / Africa / Middle East Q3 2016	Reconciliation Q3 2015	Reconciliation Q3 2016	Total Q3 2015	Total Q3 2016
Net sales (external) – by market	2,002	1,918	–	–	11,004	11,262
Change [1]	+ 4.1%	– 4.2%	–	–	+ 10.7%	+ 2.3%
Currency-adjusted change [1]	+ 7.2%	+ 0.3%	–	–	+ 5.8%	+ 3.5%
Net sales (external) – by point of origin	1,713	1,634	–	–	11,004	11,262
Change [1]	+ 6.4%	– 4.6%	–	–	+ 10.7%	+ 2.3%
Currency-adjusted change [1]	+ 10.6%	+ 0.6%	–	–	+ 5.8%	+ 3.5%
Interregional sales	213	188	(4,183)	(4,439)	–	–
EBIT [2]	295	171	(54)	(123)	1,572	1,795

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 9M 2015	Europe 9M 2016	North America 9M 2015	North America 9M 2016	Asia / Pacific 9M 2015	Asia / Pacific 9M 2016
Net sales (external) – by market	12,244	12,357	9,786	9,722	7,720	8,132
Change[1]	+ 4.8%	+ 0.9%	+ 33.0%	– 0.7%	+ 16.9%	+ 5.3%
Currency-adjusted change[1]	+ 5.9%	+ 3.0%	+ 14.2%	+ 0.4%	+ 3.3%	+ 6.4%
Net sales (external) – by point of origin	13,508	13,659	9,590	9,443	7,536	7,953
Change[1]	+ 4.6%	+ 1.1%	+ 33.2%	– 1.5%	+ 17.1%	+ 5.5%
Currency-adjusted change[1]	+ 5.6%	+ 3.0%	+ 13.6%	– 0.5%	+ 3.2%	+ 6.7%
Interregional sales	8,180	8,668	3,016	3,138	578	652
EBIT[2]	3,484	4,141	1,241	1,156	597	854
Number of employees (as of September 30)[3]	55,785	56,284	15,938	15,864	29,501	27,587

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 9M 2015	Latin America / Africa / Middle East 9M 2016	Reconciliation 9M 2015	Reconciliation 9M 2016	Total 9M 2015	Total 9M 2016
Net sales (external) – by market	5,050	4,738	–	–	34,800	34,949
Change[1]	+ 7.1%	– 6.2%	–	–	+ 14.6%	+ 0.4%
Currency-adjusted change[1]	+ 6.9%	+ 2.9%	–	–	+ 7.5%	+ 3.0%
Net sales (external) – by point of origin	4,166	3,894	–	–	34,800	34,949
Change[1]	+ 9.4%	– 6.5%	–	–	+ 14.6%	+ 0.4%
Currency-adjusted change[1]	+ 9.6%	+ 4.6%	–	–	+ 7.5%	+ 3.0%
Interregional sales	527	438	(12,301)	(12,896)	–	–
EBIT[2]	314	284	(316)	(182)	5,320	6,253
Number of employees (as of September 30)[3]	16,415	15,441	–	–	117,639	115,176

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 September 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.

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.

Financial reporting standard 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.

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

				Closing rate		Average rate
€1		Dec. 31, 2015	Sep. 30, 2015	Sep. 30, 2016	9M 2015	9M 2016
BRL	Brazil	4.31	4.48	3.62	3.48	3.94
CAD	Canada	1.51	1.50	1.47	1.40	1.47
CHF	Switzerland	1.08	1.09	1.09	1.06	1.09
CNY	China	7.06	7.12	7.45	6.96	7.35
GBP	United Kingdom	0.73	0.74	0.86	0.73	0.80
JPY	Japan	131.07	134.69	113.08	134.73	120.85
MXN	Mexico	18.91	18.98	21.72	17.31	20.38
RUB	Russia	80.67	73.24	70.56	65.69	75.96
USD	United States	1.09	1.12	1.12	1.11	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	June 30, 2016	Sep. 30, 2016
Germany	2.40	1.50	1.30
United Kingdom	3.80	2.80	2.25
United States	4.00	3.20	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	Q3 2015	Q3 2016	9M 2015	9M 2016
EBITDA before special items of segments	2,570	2,800	8,628	9,286
EBITDA before special items of Corporate Functions and Consolidation	(40)	(118)	(288)	(163)
EBITDA before special items[1]	**2,530**	**2,682**	**8,340**	**9,123**
Depreciation, amortization and impairment losses before special items of segments	(752)	(761)	(2,312)	(2,365)
Depreciation, amortization and impairment losses before special items of Corporate Functions and Consolidation	(2)	(1)	(5)	(4)
Depreciation, amortization and impairment losses before special items	**(754)**	**(762)**	**(2,317)**	**(2,369)**
EBIT before special items of segments	1,818	2,039	6,316	6,921
EBIT before special items of Corporate Functions and Consolidation	(42)	(119)	(293)	(167)
EBIT before special items[1]	**1,776**	**1,920**	**6,023**	**6,754**
Special items of segments	(193)	(121)	(681)	(486)
Special items of Corporate Functions and Consolidation	(11)	(4)	(22)	(15)
Special items[1]	**(204)**	**(125)**	**(703)**	**(501)**
EBIT of segments	1,625	1,918	5,635	6,435
EBIT of Corporate Functions and Consolidation	(53)	(123)	(315)	(182)
EBIT[1]	**1,572**	**1,795**	**5,320**	**6,253**
Financial result	(280)	(274)	(841)	(903)
Income before income taxes	**1,292**	**1,521**	**4,479**	**5,350**

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 September 30, 2016, included 302 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 the first nine months of 2016, purchase price adjustments and adjustments made to purchase price allocations relating to previous years' transactions amounted to minus €5 million. Adjustments made to purchase price allocations and other adjustments increased total goodwill by €9 million. This development mainly resulted from the adjustment made to a purchase price allocation described below.

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 of €23 million in intangible assets and corresponding increases of €13 million and €8 million in goodwill and deferred tax liabilities, respectively, 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.

On September 14, 2016, Bayer signed a definitive merger agreement under which Bayer will acquire Monsanto Company, St. Louis, Missouri, United States, for U.S. $128 per share in an all-cash transaction. The offer corresponds to an expected transaction volume of around U.S. $66 billion, comprising an equity value (purchase price) of approx. U.S. $57 billion and the assumption of U.S. $9 billion in net debt, including pension liabilities (as of May 31, 2016). In connection with the merger agreement, there is a contingent financial commitment of approximately U.S. $57 billion to acquire the entire share capital of Monsanto for a cash consideration.

This transaction brings together two different, but highly complementary businesses. Monsanto is a leading global provider of agricultural products for farmers, including seeds, biotechnology traits, herbicides and digital platforms to give farmers agronomic recommendations. The combined business will offer a broad set of solutions to meet growers' current and future needs, including enhanced solutions in seeds and traits, digital agriculture and crop protection. The combination also brings together both companies' leading innovation capabilities and R&D technology platforms.

Bayer intends to finance the transaction with a combination of debt and equity. The equity component of approximately U.S. $19 billion is expected to be raised through an issuance of mandatory convertible bonds and through a rights issue with subscription rights. The agreed transaction has been partially hedged against the euro/U.S. dollar currency risk using derivatives contracts. Syndicated bank financing for approximately U.S. $57 billion was initially committed by Bank of America Merrill Lynch, Credit Suisse, Goldman Sachs, HSBC and JP Morgan.

The transaction is subject to various conditions, including approval by a majority of Monsanto shareholders, regulatory clearances and other customary closing conditions. Closing is expected by the end of 2017.

In addition, Bayer has committed to a U.S. $2 billion reverse antitrust break fee, if the proposed transaction fails to obtain the requisite antitrust approvals in time.

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 nine months of 2016 is shown in the table:

Divestitures Table 35

€ million	9M 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 €375 million was recognized in sales in the first nine months 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 €59 million in the first nine months 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 (€591 million), the statement of financial position includes other receivables (net: €38 million), deferred tax assets (net: €90 million), income tax liabilities (€60 million) and provisions for restructuring expenses (€1 million).

The sale of the Consumer business (CS Consumer) of Bayer's Environmental Science unit to SBM Développement SAS, Lyon, France, was completed on October 4, 2016. The Consumer business encompasses the Bayer Garden and Bayer Advanced businesses in Europe and North America. These activities are reported as a discontinued operation.

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

Income Statements for Discontinued Operations

Table 36

	Diabetes Care		CS Consumer		Total	
€ million	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016
Net sales	**232**	**139**	**32**	**29**	**264**	**168**
Cost of goods sold	(98)	(12)	(16)	(27)	(114)	(39)
Gross profit	**134**	**127**	**16**	**2**	**150**	**129**
Selling expenses	(91)	–	(19)	(26)	(110)	(26)
Research and development expenses	(12)	–	(2)	(6)	(14)	(6)
General administration expenses	(9)	–	(1)	(5)	(10)	(5)
Other operating income / expenses	(6)	1	(1)	(2)	(7)	(1)
EBIT [1]	**16**	**128**	**(7)**	**(37)**	**9**	**91**
Financial result	**–**	**–**	**–**	**–**	**–**	**–**
Income before income taxes	**16**	**128**	**(7)**	**(37)**	**9**	**91**
Income taxes	–	(26)	2	9	2	(17)
Income after income taxes	**16**	**102**	**(5)**	**(28)**	**11**	**74**

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

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

Income Statements for Discontinued Operations

Table 37

	Diabetes Care		CS Consumer		Total	
€ million	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016
Net sales	**705**	**434**	**205**	**195**	**910**	**629**
Cost of goods sold	(284)	(133)	(101)	(109)	(385)	(242)
Gross profit	**421**	**301**	**104**	**86**	**525**	**387**
Selling expenses	(270)	(8)	(72)	(83)	(342)	(91)
Research and development expenses	(34)	(2)	(5)	(10)	(39)	(12)
General administration expenses	(27)	(10)	(4)	(9)	(31)	(19)
Other operating income / expenses	–	(4)	(1)	(57)	(1)	(61)
EBIT [1]	**90**	**277**	**22**	**(73)**	**112**	**204**
Financial result	**–**	**–**	**–**	**–**	**–**	**–**
Income before income taxes	**90**	**277**	**22**	**(73)**	**112**	**204**
Income taxes	(12)	(46)	(7)	21	(19)	(25)
Income after income taxes	**78**	**231**	**15**	**(52)**	**93**	**179**

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

The 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 38

€ million	Sep. 30, 2016
Provisions for pensions and other post-employment benefits	6
Other provisions	8
Liabilities directly related to assets held for sale	**14**

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

Statements of Cash Flows for Discontinued Operations — Table 39

	Diabetes Care		CS Consumer		Total	
€ million	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016
Net cash provided by (used in) operating activities (net cash flow)	24	(11)	74	27	98	16
Net cash provided by (used in) investing activities	(1)	–	(1)	–	(2)	–
Net cash provided by (used in) financing activities	(23)	11	(73)	(27)	(96)	(16)
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

In the first nine months of 2016, the effects of the discontinued operations on the statement of cash flows were as follows:

Statements of Cash Flows for Discontinued Operations — Table 40

	Diabetes Care		CS Consumer		Total	
€ million	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016
Net cash provided by (used in) operating activities (net cash flow)	80	767	22	9	102	776
Net cash provided by (used in) investing activities	(2)	–	(1)	–	(3)	–
Net cash provided by (used in) financing activities	(78)	(767)	(21)	(9)	(99)	(776)
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

As no cash is assigned to discontinued operations, the balance of the cash provided is deducted again in financing activities.

Financial instruments

Carrying Amounts and Fair Values of Financial Instruments

Table 41

						Sep. 30, 2016
	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 unobservable 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	10,762					10,762
Loans and receivables	10,762					10,762
Other financial assets	380	658	1,640	836		3,514
Loans and receivables	260		[252]	[18]		260
Available-for-sale financial assets	41	658	1,246	824		2,769
Held-to-maturity financial assets	79		[91]			79
Derivatives			394	12		406
Other receivables	560			52	2,032	2,644
Loans and receivables	560		[560]			560
Available-for-sale financial assets				52		52
Nonfinancial assets					2,032	2,032
Cash and cash equivalents	1,232					1,232
Loans and receivables	1,232					1,232
Total financial assets	**12,934**	**658**	**1,640**	**888**		**16,120**
of which loans and receivables	12,814					12,814
of which available-for-sale financial assets	41	658	1,246	876		2,821
Financial liabilities	18,665		564			19,229
Carried at amortized cost	18,665	[16,328]	[2,953]			18,665
Derivatives			564			564
Trade accounts payable	4,836				95	4,931
Carried at amortized cost	4,836					4,836
Nonfinancial liabilities					95	95
Other liabilities	820		165	27	2,345	3,357
Carried at amortized cost	820		[820]			820
Carried at fair value (nonderivative)				21		21
Derivatives			165	6		171
Nonfinancial liabilities					2,345	2,345
Total financial liabilities	**24,321**		**729**	**27**		**25,077**
of which carried at amortized cost	24,321					24,321
of which derivatives			729	6		735

[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 42

Dec. 31, 2015

€ million	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 unobservable inputs (Level 3)		
	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 nonfinancial 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 43

€ 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	14	(3)	–	11
of which related to assets / liabilities recognized in the statements of financial position	14	(3)	–	11
Gains (losses) recognized outside profit or loss	13	–	–	13
Additions of assets (liabilities)	39	–	–	39
Settlements of (assets) liabilities	(23)	–	16	(7)
Carrying amounts of net assets (net liabilities), Sep. 30	**876**	**6**	**(21)**	**861**

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

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:

Yasmin™ / YAZ™: As of October 14, 2016, the number of claimants in the pending lawsuits and claims in the United States totaled about 140 (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 October 14, 2016, Bayer had reached agreements, without admission of liability, to settle approximately 10,600 claims in the United States for venous clot injuries (primarily deep vein thrombosis or pulmonary embolism) for a total amount of about U.S. $2.1 billion. Bayer will continue to consider the option of settling such claims after a case-specific analysis of medical records. At present, about 20 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 October 14, 2016, about five of the 140 above-mentioned claimants alleged arterial thromboembolic injuries.

As of October 14, 2016, 13 lawsuits seeking class action certification had been served upon Bayer in Canada. A class has been certified in two of these lawsuits.

Mirena™: As of October 14, 2016, lawsuits from approximately 2,500 users of Mirena™, an intrauterine system providing long-term contraception, had been served upon Bayer in the United States. Additional lawsuits are anticipated. Plaintiffs allege personal injuries resulting from the use of Mirena™, including perforation of the uterus, ectopic pregnancy or idiopathic intracranial hypertension, and seek compensatory and punitive damages. In July 2016, the multidistrict litigation court granted summary judgment dismissing approximately 1,230 cases pending before that court. Plaintiffs have appealed the decision.

Xarelto™: As of October 14, 2016, U.S. lawsuits from approximately 13,800 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 October 14, 2016, ten Canadian lawsuits relating to Xarelto™ seeking class action certification had been served upon Bayer.

Essure™: As of October 14, 2016, U.S. lawsuits from approximately 3,000 users of Essure™, a medical device offering permanent birth control with a nonsurgical procedure, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Essure™, including hysterectomy, perforation, pain, bleeding, weight gain, nickel sensitivity, depression and unwanted pregnancy. As of October 14, 2016, two Canadian lawsuits relating to Essure™ seeking class action certification had been served upon Bayer. Bayer believes it has meritorious defenses and intends to defend itself vigorously.

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 Bayer 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´s petition for rehearing was denied. In October 2016, Bayer petitioned the U.S. Supreme Court to review the decision by the U.S. Court of Appeals for the Federal Circuit. Beyaz™ and Safyral™ are Bayer's oral contraceptives containing folate. In September 2015, the 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 U.S. federal court 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. The decision is now final.

Staxyn™: In the patent infringement proceedings against Watson Laboratories, Inc., the U.S. federal court ruled in April 2016 that a Bayer patent for the formulation of Staxyn™ is also valid and infringed. In April 2015, the court had already ruled that both of Bayer's compound patents are valid and infringed. Watson appealed but only against the decision on the validity of the formulation patent. The decision on the compound patents is thus final. Staxyn™ is a Bayer product for erectile dysfunction treatment. It is an orodispersible (orally disintegrating) formulation of Levitra™. Both drug products contain the same active ingredient, which is protected in the United States by two patents expiring in 2018. Bayer believes the risks remaining in this patent dispute are no longer material.

Lower Passaic and Newark Bay Environmental Matters: In the United States, Bayer is one of numerous parties involved in a series of claims brought by federal and state environmental protection agencies. The claims arise from operations by entities which historically were conducted near the Passaic River, Newark Bay or surrounding bodies of water, or which allegedly discharged hazardous waste into these waterways or onto nearby land. Bayer and the other potentially responsible parties are being asked to remediate and contribute to the payment of past and future remediation or restoration costs and damages. In August 2016, Bayer learned that two major potentially responsible parties filed for protection under Chapter 11 of the U.S. Bankruptcy Code. While Bayer remains unable to determine the amount of its liability for these matters, this development is likely to adversely affect the share of costs potentially allocated to Bayer.

Covestro Californian Lawsuit: In September 2016, Covestro LLC – among three other defendants – was served with a lawsuit filed by a law firm in a California federal court. The aim of the lawsuit is to recover financial damages in the form of statutory fines allegedly owed by the defendants to the United States Environmental Protection Agency for the companies' failure to disclose health risk information associated with the manufacture and handling of TDI, MDI and PMDI. Under the pertinent statute, the U.S. government was afforded an opportunity to intervene and prosecute the claims, but it has declined to do so. Accordingly, the law firm is prosecuting the claims on the government's behalf. Violations of the Toxic Substances Control Act ("TSCA") and False Claims Act ("FCA") are asserted. Covestro will defend itself vigorously and regards the claims asserted against the company as meritless.

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.

Sales to related parties were not material from the viewpoint of the Bayer Group. Goods and services to the value of €0.4 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 to €0.3 billion, primarily vis-à-vis Casebia Therapeutics Limited Liability Partnership, Ascot, United Kingdom, the newly established joint venture with CRISPR Therapeutics AG, Basel, Switzerland.

Events After the End of the Reporting Period

Repayment of financial liabilities
On October 7, 2016, Bayer U.S. Finance LLC repaid on schedule a bond with a nominal value of U.S. $500 million.

Leverkusen, October 24, 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 September 30, 2016 which are part of the quarterly 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, 25. October 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Peter Bartels
Wirtschaftsprüfer

Eckhard Sprinkmeier
Wirtschaftsprüfer

Financial Calendar

Announcement of proposed dividend	February 21, 2017
Annual Report 2016	February 22, 2017
Q1 2017 Interim Report	April 27, 2017
Annual Stockholders' Meeting 2017	April 28, 2017
Planned dividend payment date	May 4, 2017
Q2 2017 Interim Report	July 27, 2017
Q3 2017 Interim Report	October 26, 2017

Masthead

Published by
Bayer AG, 51368 Leverkusen, Germany

Editor
Jörg Schäfer, phone + 49 214 30 39136
Email: joerg.schaefer@bayer.com

Investor Relations
Peter Dahlhoff, phone + 49 214 30 33022
Email: peter.dahlhoff@bayer.com

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Cautionary Statements Regarding Forward-Looking Information

Certain statements contained in this communication may constitute “forward-looking statements.” Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include the following: the risk that Monsanto Company’s (“Monsanto”) stockholders do not approve the transaction; uncertainties as to the timing of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected time-frames or at all and to successfully integrate Monsanto’s operations into those of Bayer Aktiengesellschaft (“Bayer”); such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management’s attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company’s future financial condition, operating results, strategy and plans; other factors detailed in Monsanto’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended August 31, 2016 and Monsanto’s other filings with the SEC, which are available at http://www.sec.gov and on Monsanto’s website at www.monsanto.com; and other factors discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. Bayer assumes no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.

Additional Information and Where to Find It

This communication relates to the proposed merger transaction involving Monsanto Company (“Monsanto”) and Bayer Aktiengesellschaft (“Bayer”). In connection with the proposed merger, Monsanto and Bayer intend to file relevant materials with the U.S. Securities and Exchange Commission (the “SEC”). Monsanto has filed with the SEC a preliminary proxy statement on Schedule 14A and will file and provide to Monsanto stockholders a definitive proxy statement (the “Proxy Statement”) that will contain important information regarding the proposed merger. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, and is not a substitute for the Proxy Statement or any other document that Monsanto may file with the SEC or send to its stockholders in connection with the proposed merger. STOCKHOLDERS OF MONSANTO ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE DEFINITIVE PROXY STATEMENT, WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain the documents (when available) free of charge at the SEC’s website, http://www.sec.gov, and Monsanto’s website, www.monsanto.com, and Monsanto stockholders will receive information at an appropriate time on how to obtain transaction-related documents for free from Monsanto. In addition, the documents (when available) may be obtained free of charge by directing a request to Corporate Secretary, Monsanto Company, 800 North Lindbergh Boulevard, St. Louis, Missouri 63167, or by calling (+1) (314) 694-8148.

Participants in Solicitation

Monsanto, Bayer and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Monsanto common stock in respect of the proposed transaction. Information about the directors and executive officers of Monsanto is set forth in the proxy statement for Monsanto’s 2016 annual meeting of stockholders, which was filed with the SEC on December 10, 2015, and in Monsanto’s Annual Report on Form 10-K for the fiscal year ended August 31, 2016, which was filed with the SEC on October 19, 2016. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the Proxy Statement and other relevant materials to be filed with the SEC in respect of the proposed transaction when they become available.

Legal Notice

The product names designated with ™ are brands of the Bayer Group or our distribution partners and are registered trademarks in many countries.

Science For A Better Life