Condensed Combined Interim Financial Statements of the Covestro Group

for the six-month period ended June 30, 2015.

12.08.2015

Condensed Combined Interim Financial Statements

Combined Interim Income Statements of the Covestro Group

[Table 4.1]

	1st Half 2014	1st Half 2015
	€ million	€ million
Net sales	**5,719**	**6,264**
Cost of goods sold	(4,616)	(4,832)
Gross profit	**1,103**	**1,432**
Selling expenses	(518)	(632)
Research and development expenses	(111)	(125)
General administration expenses	(173)	(209)
Other operating income	54	51
Other operating expenses	(41)	(44)
EBIT[1]	**314**	**473**
Equity-method loss	(8)	–
Financial income	16	3
Financial expenses	(64)	(90)
Financial result	**(56)**	**(87)**
Income before income taxes	**258**	**386**
Income taxes	(80)	(114)
Income after income taxes	**178**	**272**
of which attributable to non-controlling interest	–	5
of which attributable to the Bayer Group	**178**	**267**

[1] EBIT: earnings before financial result and taxes

Combined Interim Statements of Comprehensive Income of the Covestro Group

[Table 4.2]

	1st Half 2014	1st Half 2015
	€ million	€ million
Income after income taxes	**178**	**272**
of which attributable to non-controlling interest	*–*	*5*
of which attributable to the Bayer Group	*178*	*267*
Remeasurements of the net defined benefit liability for post-employment benefit plans	(425)	41
Income taxes	134	(12)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(291)**	**29**
Other comprehensive income that will not be reclassified subsequently to combined profit or loss	**(291)**	**29**
Changes in fair values of derivatives designated as cash flow hedges	(3)	(4)
Reclassified to combined profit or loss	(7)	3
Income taxes	2	–
Other comprehensive income from cash flow hedges	**(8)**	**(1)**
Changes in exchange differences on translation of operations outside the eurozone included in the scope of combination	10	176
Reclassified to combined profit or loss	–	–
Other comprehensive income from exchange differences	**10**	**176**
Other comprehensive income that may be reclassified subsequently to combined profit or loss	**2**	**175**
Effects of changes in scope of combination	**1**	**(10)**
Total other comprehensive income*	**(288)**	**194**
of which attributable to non-controlling interest	*–*	*(1)*
of which attributable to the Bayer Group	*(288)*	*195*
Total comprehensive income	**(110)**	**466**
of which attributable to non-controlling interest	*–*	*4*
of which attributable to the Bayer Group	*(110)*	*462*

* total changes recognized outside combined profit or loss

Combined Interim Statements of Financial Positions of the Covestro Group

[Table 4.3]

	As of June 30, 2014	As of June 30, 2015	As of December 31, 2014
	€ million	€ million	€ million
Noncurrent assets			
Goodwill	234	259	243
Other intangible assets	145	138	133
Property, plant and equipment	4,412	5,061	4,893
Investments accounted for using the equity method	198	227	216
Other financial assets	1,060	57	39
Other receivables	78	70	74
Deferred taxes	314	405	413
	6,441	**6,217**	**6,011**
Current assets			
Inventories	1,820	1,921	1,904
Trade accounts receivable	1,622	1,794	1,561
Other financial assets	452	539	431
Other receivables	252	206	277
Claims for income tax refunds	7	6	7
Cash and cash equivalents	30	106	201
	4,183	**4,572**	**4,381**
Total assets	**10,624**	**10,789**	**10,392**
Equity			
Invested equity attributable to the Bayer Group	2,703	1,198	1,427
Other components of equity	4	519	343
Total invested equity attributable to the Bayer Group	**2,707**	**1,717**	**1,770**
Invested equity attributable to non-controlling interest	9	11	17
	2,716	**1,728**	**1,787**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	1,045	1,409	1,395
Other provisions	178	217	187
Financial liabilities	736	521	779
Other liabilities	28	29	30
Deferred taxes	197	181	176
	2,184	**2,357**	**2,567**
Current liabilities			
Other provisions	246	366	322
Financial liabilities	3,860	4,697	3,943
Trade accounts payable	1,350	1,456	1,522
Income tax liabilities	1	13	3
Other liabilities	267	172	248
	5,724	**6,704**	**6,038**
Total equity and liabilities	**10,624**	**10,789**	**10,392**

Combined Interim Statements of Cash Flows of the Covestro Group

[Table 4.4]

	1st Half 2014	1st Half 2015
	in Mio €	in Mio €
Income after income taxes	178	272
Income taxes	80	115
Financial result	56	87
Income taxes paid or accrued	(48)	(94)
Depreciation, amortization and impairments	296	359
Change in pension provisions	(8)	6
(Gains) losses on retirements of noncurrent assets	-	(18)
Gross cash flow	**554**	**727**
Decrease (increase) in inventories	(192)	80
Decrease (increase) in trade accounts receivable	(245)	(163)
(Decrease) increase in trade accounts payable	31	(185)
Changes in other working capital, other non-cash items	6	86
Net cash provided by (used in) operating activities (net cash flow)	**154**	**545**
Cash outflows for additions to property, plant, equipment and intangible assets	(239)	(224)
Cash inflows from sales of property, plant, equipment and other assets	3	21
Cash inflows from divestitures	3	-
Cash inflows from (outflows for) noncurrent financial assets	11	(6)
Cash outflows for acquisitions less acquired cash	-	(14)
Interest and dividends received	1	1
Cash inflows from (outflows for) current financial assets	-	(96)
Net cash provided by (used in) investing activities	**(221)**	**(318)**
Financial transactions with Bayer Group	118	(366)
Dividend payments	-	(5)
Issuances of debt	36	222
Retirements of debt	(82)	(171)
Interest paid including interest rate swaps	(13)	(20)
Net cash provided by (used in) financing activities	**59**	**(340)**
Change in cash and cash equivalents due to business activities	**(8)**	**(113)**
Cash and cash equivalents at beginning of period	**37**	**201**
Change in cash and cash equivalents due to changes in scope of combination	-	-
Change in cash and cash equivalents due to exchange rate movements	1	18
Cash and cash equivalents at end of period	**30**	**106**

Combined Interim Statements of Changes in Equity of the Covestro Group

[Table 4.5]

		Other components of equity					
	Invested equity attributable to the Bayer Group	Exchange differences	Cash flow hedges	Revaluation surplus	Total invested equity attributable to the Bayer Group	Invested equity attributable to non-controlling interest	**Equity**
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Jan. 1, 2014	**2,767**	**–8**	**9**	**1**	**2,769**	**10**	**2,779**
Equity transactions with owners							
Capital increase / decrease	26				26		26
Dividend payments	–22				–22	–1	–23
Profit / loss transfer to Bayer AG	20				20		20
Withdrawals / contributions	24				24		24
Other changes							
Other comprehensive income	–290	10	–8		–288		–288
Income after income taxes	178				178		178
June 30, 2014	**2,703**	**2**	**1**	**1**	**2,707**	**9**	**2,716**
Jan. 1, 2015	**1,427**	**340**	**2**	**1**	**1,770**	**17**	**1,787**
Equity transactions with owners							
Capital increase / decrease	122				122		122
Dividend payments	–7				–7	–6	–13
Profit / loss transfer to Bayer AG	–155				–155		–155
Withdrawals / contributions	–131				–131		–131
Distribution to the Bayer Group (purchase price Covestro operations and companies)	–344				–344		–344
Other changes						–4	–4
Other comprehensive income	19	177	–1		195	–1	194
Income after income taxes	267				267	5	272
June 30, 2015	**1,198**	**517**	**1**	**1**	**1,717**	**11**	**1,728**

Notes to the Condensed Combined Interim Financial Statements of the Covestro Group

1. Key data by segment and region

Key Data by Segment [Table 4.6]

	Polyurethanes		Polycarbonates		Coatings, Adhesives and Specialties		Other/Consolidation				Group	
							All other segments		Corporate Center and Reconciliation			
	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external)	3,037	3,191	1,355	1,594	958	1,097	369	382	–	–	5,719	6,264
Change	–	+5.1%	–	+17.6%	–	+14.5%	–	+3.5%	–	–	–	+9.5%
Currency-adjusted change	–	–4.5%	–	+4.7%	–	+5.0%	–	–1.6%	–	–	–	–0.5%
Intersegment transfers	43	40	12	12	23	23	–	–	(78)	(75)	–	–
Net sales and intersegment transfers (total)	3,080	3,231	1,367	1,606	981	1,120	369	382	(78)	(75)	5,719	6,264
EBIT	158	123	(5)	177	178	224	9	14	(26)	(65)	314	473
Adjusted EBIT	159	184	8	178	183	228	9	16	(26)	(28)	333	578
Adjusted EBITDA	329	386	88	266	222	270	12	20	(26)	(28)	625	914
Depreciation, amortization and impairments	170	225	81	88	42	42	3	4	–	–	296	359

Key Data by Region [Table 4.7]

	EMLA		NAFTA		APAC		Other/Consolidation		Total	
	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015	1st Half 2014	1st Half 2015
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Net sales (external) – by market	2,786	2,780	1,444	1,719	1,489	1,765	–	–	5,719	6,264
Change	–	–0.2%	–	+19.0%	–	+18.5%	–	–	–	+9.5%
Currency-adjusted change	–	+0.1%	–	–1.1%	–	–1.1%	–	–	–	–0.5%
Net sales (external) – by point of origin	2,789	2,776	1,469	1,748	1,461	1,740	–	–	5,719	6,264
Change	–	–0.5%	–	+19.0%	–	+19.1%	–	–	–	+9.5%
Currency-adjusted change	–	+0.2%	–	–1.4%	–	–0.9%	–	–	–	–0.5%
Interregional sales	380	393	293	299	58	69	(731)	(761)	–	–

The table titled "Key Data by Region" presents information for three geographical areas. The EMLA region consists of Europe, the Middle East, Africa and Latin America except Mexico, which together with the United States and Canada forms the NAFTA region. The APAC region includes Asia and the Pacific. The column “Other/Consolidation” comprises the elimination of intra-group items and transactions (interregional sales).

2. General information

Background and purpose of the condensed combined interim financial statements

On September 18, 2014, Bayer AG, Leverkusen ("Bayer AG"), announced its plan to contribute the Bayer MaterialScience business into a stock corporation (“Aktiengesellschaft”) and list shares of this stock corporation on a stock exchange.

The Bayer MaterialScience business – which consists of the activities in the area of polymer materials and certain inorganic basic chemicals – is to be separated from Bayer AG and its subsidiaries (“Bayer Group”) in two steps. In an initial preparatory step, activities that so far have not been conducted by separate companies have been and will be transferred to separate legal entities. In a second step, all companies comprising the Bayer MaterialScience business have been or will be bundled under Bayer MaterialScience AG, Leverkusen ("BMS AG"), and its direct and indirect subsidiaries. BMS AG is planned to be renamed to Covestro Deutschland AG effective September 2015 and the Bayer MaterialScience business is to be named “Covestro”. Therefore the Bayer MaterialScience business hereinafter is referred to as “Covestro” or the “Covestro Group” for the purpose of these condensed combined interim financial statements.

The parent company of the future Covestro Group and thus the issuer of shares for the planned flotation will be Covestro AG, a company yet to be established. The shares of BMS AG will be contributed to the capital reserve of Covestro AG. Shares in Covestro AG are to be admitted to trading on the regulated market of the Frankfurt Stock Exchange, Germany, while at the same time being admitted to the Prime Standard segment (segment of the official market with additional follow-up requirements for admission).

Pursuant to E.U. Prospectus Regulation No. 809/2004, an issuer's listing prospectus must include historical financial information covering the previous three fiscal years. At the time of issuance, the issuer, Covestro AG, has a "complex financial history" as defined in E.U. Prospectus Regulation No. 211/2007.

Because Covestro AG is not being established until June 30, 2015, the Board of Management of BMS AG has in connection with the European Prospectus Regulation No. 809/2004 Annex I 20.6.2 prepared condensed combined interim financial statements in addition to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012. These condensed combined interim financial statements consist of the combined interim statements of financial positions, combined interim income statements, combined interim statements of comprehensive income, combined interim statements of changes in equity, combined interim statements of cash flows and selected explanatory notes to the condensed combined interim financial statements as of and for the six-month period ended June 30, 2015 (hereinafter the “condensed combined interim financial statements”) including the corresponding comparative information as of and for the six-month period ended June 30, 2014, and in addition for the comparative information as of December 31, 2014 for the combined interim statements of financial positions.

The condensed combined interim financial statements are presented in euros. Amounts are stated in millions of euros except where otherwise indicated, which may lead to rounding discrepancies.

For further explanation of the Covestro business and additional information reference is made to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

The condensed combined interim financial statements were authorized for issue on August 12, 2015 by the Board of Management of BMS AG, Kaiser-Wilhelm-Allee 60, 51368 Leverkusen, Germany.

The condensed combined interim financial statements should be read in conjunction with the annual combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

3. Basis of preparation of the condensed combined interim financial statements

Compliance with IFRS

The following condensed combined interim financial statements of the Covestro Group were prepared according to the International Financial Reporting Standards (“IFRS”) – as endorsed by the European Union (“EU”) – on a combined basis ("combined financial statements").

The IFRS provide no guidelines for the preparation of combined financial statements, which is therefore subject to the rules given in IAS 8.12. IAS 8.12 requires consideration of the most recent pronouncements of other standard-setting bodies, other financial reporting requirements and recognized industry practices.

In the condensed combined interim financial statements of the Covestro Group presented below, the predecessor accounting approach has been applied in accordance with the rules on business combinations under common control. The condensed combined interim financial statements of the Covestro Group reflect the Covestro companies and the operations assigned to Covestro as historically included in the IFRS consolidated financial statements of the Bayer Group and managed by BMS AG management (economic-entity approach).

In general, the Covestro Group applies the same accounting policies and measurement principles in preparing the condensed combined interim financial statements as used by the included Covestro companies and operations in preparing their financial information for inclusion in the IFRS consolidated interim financial statements of the Bayer Group. This approach is adjusted with respect to transactions with Bayer Group companies and to ensure IFRS compliance. Transactions between the Covestro Group and the remainder of the Bayer Group are recognized in accordance with IFRS and classified as related-entity transactions. The condensed combined interim financial statements reflect all material transactions between the Covestro Group and the Bayer Group. In the condensed combined interim financial statements, all IFRS standards whose application was mandatory for the six-month period ended June 30, 2015 have been consistently applied for each of the reporting periods ended June 30, 2015 and June 30, 2014.

The condensed combined interim financial statements as of June 30, 2015, have been prepared in condensed form according to IAS 34 (Interim Financial Reporting) as endorsed by the EU. Reference should be made where appropriate to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, in particular to the combination, recognition and measurement principles.

For further information concerning the basis of preparation see also the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Scope of combination

The scope of combination for the condensed combined interim financial statements of the Covestro Group for the six-month period ended June 30, 2015, was determined on economic principles using the common management approach.

The scope of combination includes companies directly or indirectly controlled by BMS AG along with the net assets (assets and liabilities) of corporate units that have conducted operations for the Covestro Group that were already centrally managed by the Board of Management of BMS AG during the reporting period but were not yet legally held, either directly or indirectly, by BMS AG but by Bayer AG. Also included in the scope of combination are assets, particularly land, production facilities, office buildings and other real estate that historically have been used by Covestro or are connected with the business of the Covestro Group. The legal transfer of these assets from the Bayer Group to the Covestro Group will take place at a later date. Thus, the Covestro Group operations included in the scope of combination are conducted by BMS AG and its direct or indirect subsidiaries as well as by direct or indirect subsidiaries of Bayer AG.

Where a business or assets and liabilities of Covestro operations that are included in the condensed combined interim financial statements were already legally transferred to the Covestro Group during the reporting period, these effects are reflected in equity for the respective period as of the date of transfer. Businesses or individual assets or liabilities that qualify as Covestro operations that will not be legally transferred from Bayer Group to the Covestro Group until after June 30, 2015, or will not be transferred at all, are included in the scope of combination with effect from January 1, 2012, in accordance with the above principles.

The structure of the scope of combination of the Covestro Group may be summarized as follows:

- BMS AG and its direct and indirect subsidiaries (for details see note [7] to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012),
- companies not yet controlled by BMS AG (companies controlled by Bayer AG) that by virtue of their operations are allocated to the Covestro Group and are planned to be legally transferred at a later date, along with interests in individual joint ventures and associates economically and legally allocated to the Covestro Group,
- assets and liabilities economically allocated to the Covestro Group (units of companies (previously) controlled by Bayer AG) whose legal transfer has already been completed,
- assets and liabilities economically allocated to the Covestro Group (units of companies controlled by Bayer AG) whose legal transfer has not yet been completed,
- assets, particulary land, production facilities, other real estate and supply lines that historically have been used by Covestro or are connected with Covestro's operations and whose legal transfer will take place at a later date.

Legal transfers to BMS AG or its subsidiaries during the reporting period or after June 30, 2015, involving shares of companies are referred to as "share deals", the legal entities concerned as "share deal companies".

Legal transfers during the reporting period or after June 30, 2015, that entirely relate to assets and liabilities or obligations are referred to in the following as "asset deals", the legal entities concerned as "asset deal companies".

Treatment of share deal companies in the condensed combined interim financial statements

Separate financial statements were drawn up for share deal companies and are included in the con-densed combined interim financial statements. They also include liquidity and financial obligations as well as financial assets or liabilities from central cash pooling agreements with the Bayer Group along with the respective interest income and expense. Assets, liabilities, income and expenses were allo-cated as necessary. The calculation of taxes is shown in note [13] to the combined financial state-ments for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

Treatment of asset deal companies in the condensed combined interim financial statements

For purposes of the condensed combined interim financial statements, the relevant income, expenses, assets and liabilities of asset deal companies were allocated to the Covestro operations. Liquid assets, financial obligations and financial assets or liabilities from cash pooling agreements with the Bayer Group were not allocated to the Covestro operations because such assets or liabilities are not economically allocable to the Covestro operations, nor do legal claims or obligations exist toward Bayer Group in these cases. Accordingly, no interest income or expense pertaining to such items was reflected in the combined interim income statements. The calculation of taxes is shown in note [13] to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

The Covestro Group obtains engineering, accounting, human resources, IT and infrastructure services from Bayer Group service companies, such as Bayer Technology Services, Bayer Business Services and Currenta. Some employees who provided such services for the Covestro Group were transferred to Bayer Technology Services or Bayer Business Services, mainly in 2012, as part of the centralization of service functions. These services, which are essential to the operational business of the Covestro Group, are reflected in the combined interim income statements for six-month period ended June 30, 2015. The respective charges are settled on the basis of framework and service level agreements. Accordingly, the condensed combined interim financial statements do not include personnel-related obligations (such as pension obligations) to employees following their transfer to Bayer Technology Services or Bayer Business Services during the reporting period, or related assets.

Furthermore, Bayer Group companies provided or provide administrative services in the areas of pro-curement, accounting and IT. These services were charged to the Covestro Group by the Bayer Group units that provided them and are reflected in the combined interim income statements at their historical cost.

Both Bayer AG and Bayer Corporation, Pittsburgh, United States, as holding companies, provide various central services to the Covestro Group. These services were analyzed by BMS AG management and are reflected in the condensed combined interim financial statements where they were deemed essential to the operational business of the Covestro Group. The respective costs were directly allocated or, where this was not possible, indirectly allocated using appropriate keys. The services provided are reflected in the combined interim income statements of Covestro at their historical cost to the holding companies.

No allocations of assets or liabilities were made in the condensed combined interim financial state-ments to administrative services, service companies or the central activities of the holding companies that pertained to Covestro. The related expenses were consistently recognized in the reporting period in the amounts of the historically charged and allocated costs.

Assets jointly used by Covestro and Bayer Group ("shared assets") that were predominantly used (usage > 50%) by Covestro in the reporting period and will be legally transferred to the Covestro Group at a later date were generally assigned to the Covestro Group. Shared assets that were not predominantly used (usage < 50%) by Covestro in the reporting period were accounted for by way of appropriate usage charges.

Presentation of the condensed combined interim financial statements and consolidation principles

All income, expenses, assets and liabilities that are attributable to the economic operations of the Covestro Group are reflected in the condensed combined interim financial statements of the Covestro Group. Further assumptions and estimates had to be made, particularly with regard to the allocation of expenses. These were appropriately and consistently applied in the reporting period. The actual amounts, however, may vary from the estimates (see "Critical accounting estimates") and therefore do not necessarily indicate what the results of operations of the Covestro Group would have been if it had existed as a separate group in the reporting period.

The carrying amounts of participating interests and BMS AG's interests in the equity of its subsidiaries were eliminated outside combined profit or loss in preparing the condensed combined interim financial statements. Joint operations were included pro rata according to the same principles.

The condensed combined interim financial statements also include joint ventures and associates ac-counted for using the equity method. The carrying amounts of companies accounted for using the equity method were adjusted annually by the percentage of any changes in their equity corresponding to the Covestro Group's percentage interests in the respective companies. Differences arising upon first-time inclusion using the equity method were accounted for according to full-consolidation princi-ples.

Intercompany balances and transactions within the Covestro Group along with all gains and losses from transactions within the Covestro Group were eliminated for purposes of the condendsed com-bined interim financial statements.

During the preparation of the condensed combined interim financial statements, deferred income tax effects on combination entries were recognized.

Where payments have been or are being made by Covestro to the Bayer Group in the course of the legal transfer of Covestro legal entities or operations that are already economically included in the Covestro Group, such payments are reported as withdrawals by Bayer AG as stockholder at the time of the transfer.

Assets and liabilities or obligations formerly managed by the Covestro Group are included in the condensed combined interim financial statements, irrespective of their later transfer to or from Covestro Group. Any such transfer is reported outside combined profit or loss as withdrawals or contributions by Bayer AG as stockholder at the date of the transfer provided that the assets and liabilities transferred meet the definition of a business according to IFRS 3.

Assets and liabilities or obligations transferred to Covestro that historically did not fall within the re-sponsibility of the Covestro Group are recognized in the condensed combined interim financial state-ments at the time of the transfer. If these transferred assets and liabilities meet the definition of a business combination according to IFRS 3, the transfer is made at the carrying amounts outside combined profit or loss; otherwise they are transferred at market values.

Foreign currency translation

The separate financial statements and reporting packages of the combined companies and operations, respectively, included in the condensed combined interim financial statements are prepared in their respective functional currencies. A company’s functional currency is that of the economic environment in which it primarily generates and expends cash. The majority of combined companies carries out its activities autonomously from a financial, economic and organizational point of view, and their functional currencies are therefore the respective local currencies.

In the separate financial statements and reporting packages of the combined companies and opera-tions, receivables and liabilities in currencies other than the respective functional currency were trans-lated at closing rates. Resulting exchange differences were recognized in combined profit or loss as exchange gains or losses under other financial income and expenses.

In the condensed combined interim financial statements, the assets and liabilities of Covestro compa-nies and operations outside the eurozone at the start and end of the year were translated into euros at closing rates. All changes occurring during the year and all income and expense items and cash flows were translated into euros at average annual rates. The components of equity were translated at the historical exchange rates prevailing at the respective dates of their first-time recognition in Bayer Group equity.

The exchange differences arising between the resulting amounts and those obtained by translating at closing rates are recognized outside combined profit or loss as “Changes in exchange differences on translation of operations outside the eurozone included in the scope of combination” (in other comprehensive income) or “Exchange differences” (in the tables in the notes). If a company ceases to be included in the scope of combination, such exchange differences are reclassified from equity to combined profit or loss.

Critical accounting estimates

In preparing the condensed combined interim financial statements, additional assumptions and esti-mates were made, particularly in connection with operations to be transferred (asset deal companies) and allocable expenses for administrative services provided by Bayer Group companies. These as-sumptions and estimates affect the amounts and the reporting of recognized assets and liabilities, income and expenses, and contingent liabilities. The actual amounts may vary from the estimates.

Further, the income and expenses assigned to the Covestro Group reflect the income and expenses that would have resulted for the Covestro Group as part of the Bayer Group based on the explanations provided here.

Thus, the combined financial information presented here does not necessarily reflect the financial position and results of operations that would have occurred if Covestro had existed as a separate group in the reporting period. Due to the fact that the Covestro Group did not historically exist the validity of the combined financial information is limited. It also means that the combined financial information cannot be used to forecast the future development of the operations that have been com-bined to form the Covestro Group.

Pensions and other post-employment benefits

The condensed combined interim financial statements present the pension obligations and corre-sponding plan assets allocated to Covestro.

The obligations and plan assets have been valued on the basis of expert actuarial opinions. In the case of operations to be transferred (asset deal companies), only active employees assigned to the Covestro Group in the relevant periods have been included; in the case of Covestro companies (share deal companies), both active employees and retirees have been included. The liabilities were mainly calculated on an individual-member basis; only in exceptional cases was an employee-based key applied. Plan assets that were not readily allocable were split based on the obligations of the plan sponsors. The actual amounts of the plan assets to be transferred may differ from the plan assets presented in the condensed combined interim financial statements in light of local regulations and laws to be considered in making the transfer.

Capital structure

The equity of the Covestro Group consists of the invested equity attributable to the Bayer Group, other components of equity and the invested equity attributable to non-controlling interest. The condensed combined interim financial statements do not show a capital stock.

The Covestro Group is largely financed by the Bayer Group, which also concludes most hedging transactions. The capital structure of the Covestro Group at the time of the initial public offering will differ from that shown in the condensed combined interim financial statements. It is intended to re-place the net debt toward the Bayer Group by external financing and achieve a level of net debt that ensures an investment-grade rating for Covestro.

Income taxes and deferred taxes

Current and deferred income taxes are recognized in accordance with IAS 12 (Income Taxes). For purposes of the condensed combined interim financial statements, income taxes were determined using the separate tax return approach based on the assumption that the companies and operations of the Covestro Group constitute separate tax payers. This assumption implies that current and deferred taxes for all companies (share deal companies), operations (asset deal companies) and tax groups within the Covestro Group are calculated separately and that the recoverability of deferred tax assets is assessed on this basis.

Deferred tax assets resulting from tax loss carryforwards were recognized in the condensed combined interim financial statements if it is probable that they can be offset against positive results from the respective Covestro Group companies or operations in the future.

Tax receivables and tax liabilities, along with deferred tax assets on loss carryforwards of companies (share deal companies) or operations (asset deal companies) of the Covestro Group that did not con-stitute separate income tax payers in the reporting period, were recognized in the condensed com-bined interim financial statements in the years in which they arose as non-cash contributions or with-drawals by the respective stockholders, and are not included in the scope of combination of the Covestro Group. Apart from the asset deal companies, the companies not constituting separate tax payers in the reporting period mainly included Covestro Group companies in Germany and the United States that were members of tax groups otherwise consisting of Bayer Group companies.

In the combined interim statements of cash flows, the taxes actually paid by the Covestro Group were included as inflows/outflows from operating activities.

Effects of uncertain tax positions on earnings are reflected in the condensed combined interim finan-cial statements where relevant to Covestro.

BMS AG management deems the approach adopted as appropriate though not necessarily indicative of the tax expense or income that would result for Covestro as a separate group.

Outlook

It is intended that the legal restructuring of the Covestro Group, including the transfer of employees, be essentially completed by August 31, 2015 (see note [36] to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012). This primarily relates to the transfer of the employees of the Bayer Technology Services and Bayer Business Services companies who work for Covestro, along with the respective assets and liabilities. These assets and liabilities are not included in the condensed combined interim financial statements but will be recognized in the respective combined statements of financial positions and combined interim statements of financial positions of the Covestro Group once they have been legally transferred.

The control and profit-and-loss transfer agreement between BMS AG and Bayer AG terminates on August 31, 2015.

Comparative financial information

Comparative financial information in these condensed combined financial interim statements refer to the six-month period ended June 30, 2014, and in addition for the combined statements of financial positions as of December 31, 2014. There has been no change concerning the combination methods. Concerning the change of the combined companies for the six-month period ended June 30, 2015 please refer to note [6]. The historical performance of combined results does not indicate that the operations, taken as a whole, are subject to seasonality pattern resulting in significant variations between the first and second halves of the year. The main events affecting the comparability of the combined information for the six months ended June 30, 2015 are described below.

4. Accounting policies

Financial reporting standards applied for the first time in 2015

The accounting policies applied in the preparation of the Condensed Combined Interim Financial Statements as of and for the six-month period ended June 30, 2015 are consistent with those used in the preparation of the Combined Financial Statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012 except for the adoption of new standards and interpretations effective as of January 1, 2015.

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

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

Changes in underlying parameters

Changes in 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 4.8]

1€/				Closing rate		Average rate
		As of June 30, 2014	As of June 30, 2015	As of December 31, 2014	1st Half 2014	1st Half 2015
BRL	Brazil	3.00	3.47	3.22	3.15	3.30
CNY	China	8.47	6.94	7.54	8.45	6.94
HKD	Hong Kong	10.59	8.67	9.42	10.63	8.65
INR	India	82.20	71.19	76.72	83.30	70.11
JPY	Japan	138.44	137.01	145.23	140.50	134.14
MXN	Mexico	17.71	17.53	17.87	17.98	16.88
USD	United States	1.37	1.12	1.21	1.37	1.12

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

Discount Rates for Pension Obligations [Table 4.9]

	As of December 31, 2014	As of June 30, 2015
	in %	in %
Germany	2.30	2.40
United States	3.70	4.10

The data selection criteria used to determine the discount rate in the eurozone were modified at the beginning of 2015. The item "Remeasurements of the net defined benefit liability for post-employment benefit plans" contains gains resulting from the rise in market interest rates. The modification of the data selection criteria had an effect of

€51 million. The discount rate obtained by applying the previous data selection criteria would have been lower by 10 basis points as of June 30, 2015. The change in the way the discount rate is determined reduces the net pension expense for the 2015 fiscal year by €3.5 million. As before, the underlying bond portfolio consists entirely of high-quality corporate bonds with a minimum AA or AAA rating. It does not include government-guaranteed or covered bonds.

5. Segment reporting

For the six-month period ended June 30, 2015 the Covestro Group consists of three reportable segments (June 30, 2014: three reportable segments). For a detailed description of the three segments, please refer to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012.

The segment data are calculated as follows:

- The intersegment transfers reflect intra-group transactions, which are mainly measured at cost of production.
- EBITDA is the EBIT as reported in the income statement plus amortization and impairment losses on intangible assets as well as depreciation and impairment losses on property, plant and equipment, less impairment loss reversals.
- Although adjusted EBIT and adjusted EBITDA are not defined in the International Financial Reporting Standards, they represent key performance indicators for the Covestro Group. The special items comprise effects that are non-recurring or do not regularly recur or attain similar magnitudes. These indicators are intended to give readers a clear picture of the results of operations and ensure comparability of data over time.

Reconciliations

The reconciliations of segments` adjusted EBITDA to income before income taxes of the Covestro Group are given in the following tables:

Reconciliation of Segments' adjusted EBITDA to Covestro Group Income Before Income Taxes [Table 4.10]

	1st Half 2014	1st Half 2015
	€ million	€ million
Adjusted EBITDA of segments	651	942
Adjusted EBITDA of Corporate Center	(26)	(28)
Adjusted EBITDA	**625**	**914**
Adjusted depreciation, amortization and impairment losses of segments	(292)	(336)
Adjusted depreciation, amortization and impairment losses	**(292)**	**(336)**
Adjusted EBIT of segments	359	606
Adjusted EBIT of Corporate Center	(26)	(28)
Adjusted EBIT	**333**	**578**
Special Items of segments	(19)	(68)
Special Items of Corporate Center	–	(37)
Special Items	**(19)**	**(105)**
EBIT of segments	340	538
EBIT of Corporate Center	(26)	(65)
EBIT	**314**	**473**
Financial result	(56)	(87)
Income before income taxes	**258**	**386**

Special Items Reconciliation [Table 4.11]

	EBIT 1st Half 2014	**EBIT** 1st Half 2015	**EBITDA** 1st Half 2014	**EBITDA** 1st Half 2015
	€ million	€ million	€ million	€ million
Before special items	**333**	**578**	**625**	**914**
PUR	**(1)**	**(61)**	**(1)**	**(38)**
Restructuring	(1)	(61)	(1)	(38)
PCS	**(13)**	**(1)**	**(12)**	**(1)**
Restructuring	(13)	(1)	(12)	(1)
CAS	**(5)**	**(4)**	**(2)**	**(4)**
Restructuring	(5)	(4)	(2)	(4)
Other/Consolidation	**–**	**(39)**	**–**	**(39)**
Restructuring	–	(37)	–	(37)
Revaluation of other receivables	–	(2)	–	(2)
Total special items	**(19)**	**(105)**	**(15)**	**(82)**
of which cost of goods sold	(9)	(83)	(9)	(60)
of which selling expenses	(5)	(1)	(5)	(1)
of which research and development expenses	(1)	(1)	(1)	(1)
of which general administration expenses	(2)	(36)	(1)	(36)
of which other operating income / expenses	(2)	16	1	16
After special items	**314**	**473**	**610**	**832**

Special items for the six-month period ended June 30, 2015 contain the close down of the production site in Belford Roxo of the Covestro business of Bayer S.A., São Paulo, Brazil. The impairment of the production facilities amounted to €22 million, which is attributable to the PUR segment and the set-up of restructuring provisions amounted to €53 million, which is mainly attributable to the PUR segment. These special item effects of PUR were partly offset by gains from the sale of two production facilities.

6. Scope of combination

Changes in the scope of combinations

The condensed combined interim financial statements as of June 30, 2015, included 95 companies (December 31, 2014: 95 companies). For a complete list of the entities and operations forming the Covestro Group for the years ended December 31, 2014, December 31, 2013 and December 31, 2012 please see note [7] to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012. Of these, one company (December 31, 2014: one company) was accounted for as a joint operation in line with Covestro's interest in its assets, liabilities, revenues and expenses in accordance with IFRS 11 (Joint Arrangements). One (December 31, 2014: two) joint venture and two (December 31, 2014: two) associates were accounted for in the combined financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions

On March 2, 2015, Covestro successfully completed the acquisition of all shares of Thermoplast Composite GmbH, Germany, a technology leader specializing in the production of thermoplastic fiber composites. The aim of the acquisition is to expand the range of polycarbonate materials for major industries to include composites made from continuous fiber-reinforced thermoplastics. A purchase price of €18 million was agreed. This includes a variable component of €4 million. The purchase price pertained mainly to patents and goodwill. The goodwill of €7 million results from future business potential that is expected to be made available through the acquisition.

The effects of this transaction made in the first half of 2015 on the Covestro Group's assets and liabilities as of the respective acquisition or adjustment dates are shown in the table. Net of acquired cash and cash equivalents, the transaction resulted in the following cash outflow:

Acquired Assets and Assumed Liabilities (Fair Values at the Respective Acquisition Dates) [Table 4.12]

	2015
	€ million
Goodwill	7
Patents and technologies	18
Other liabilities	(1)
Deferred tax liabilities	(6)
Net assets	**18**
Purchase price	**18**
Liabilities for future payments	(4)
Net cash outflow for acquisitions	**14**

For the period from March 2, 2015 to June 30, 2015, Thermoplast Composite GmbH contributed total sales amounting to €0 million and loss after taxes of €1 million. If the acquisition had already been made as of January

1, 2015, total sales and income after taxes of the Covestro Group would not have been materially affected for the period from January 1, 2015 to June 30, 2015.

7. Sales

Total reported net sales in the first half of 2015 rose compared to the first half of 2014 by €545 million, or 9.5 %, to €6,264 million. The sales variations resulted from the following factors:

Factors in Sales Development [Table 4.13]

										1st Half 2015
	Polyurethanes		Polycarbonates		Coatings, Adhesives and Specialties		All Other Segments		Group	
	€ million	%	€ million	%	€ million	%	€ million	%	€ million	%
Volume	125	+4.1	102	+7.6	54	+5.6	(4)	–1.6	277	+4.9
Price	(262)	–8.6	(39)	–2.9	(6)	–0.6	–	–	(307)	–5.4
Currency	291	+9.6	176	+12.9	91	+9.5	17	+5.1	575	+10.0
Total	**154**	**+5.1**	**239**	**+17.6**	**139**	**+14.5**	**13**	**+3.5**	**545**	**+9.5**

8. Equity

The change in invested equity attributable to the Bayer Group is mainly due to distributions to the Bayer Group as part of the legal reorganization of the Covestro Group (€-344 million), the profit transfer to Bayer AG in the course of the profit and loss transfer agreement between Bayer AG and BMS AG (€-155 million) and a capital increase in Bayer MaterialScience (China) Company Limited, Shanghai, China (€116 million).

Changes in other components of equity result mainly from exchange differences.

9. Financial instruments

Carrying Amounts and Fair Values of Financial Instruments [Table 4.14]

							June 30, 2015
	Carried at amortized cost		Carried at fair value			Non-financial assets/ liabilities	
			Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)		
	Carrying amount June 30, 2015	Fair value (for information)	Carrying amount	Carrying amount	Carrying amount	Carrying amount	Carrying amount in the statement of financial position
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Trade accounts receivable	1,794						1,794
Loans and receivables	1,794	1,794					1,794
Other financial assets	460		97	9	30		596
Loans and receivables	453	453					453
Available-for-sale financial assets	7		97				104
Derivatives				9	30		39
Other receivables	75					201	276
Loans and receivables	75	75					75
Non-financial assets						201	201
Cash and cash equivalents	106						106
Loans and receivables	106	106					106
Total financial assets	**2,435**		**97**	**9**	**30**		**2,571**
of which loans and receivables	2,428						2,428
Financial liabilities	5,214			4			5,218
Carried at amortized cost	5,214	5,218					5,214
Derivatives				4			4
Trade accounts payable	1,432					24	1,456
Carried at amortized cost	1,432	1,432					1,432
Non-financial liabilities						24	24
Other liabilities	68			2	12	119	201
Carried at amortized cost	68	68					68
Carried at fair value (non-derivative)					4		4
Derivatives				2	8		10
Non-financial liabilities						119	119
Total financial liabilities	**6,714**			**6**	**12**		**6,732**
of which carried at amortized cost	6,714						6,714
of which derivatives				6	8		14

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

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

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

The fair value (Level 2) stated for noncurrent receivables, loans and non-derivative financial liabilities is the present value of the respective future cash flows. This was determined by discounting the cash flows at a closing-date interest rate that takes into account the term of the assets or liabilities and the creditworthiness of the counterparty. Where a market price was available, however, this was deemed to be the fair value.

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

The fair values of derivatives for which no publicly quoted prices existed 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.

Financial instruments are measured by first calculating the cash flows and then discounting them and, where necessary, translating them into the reporting currency at closing rates of exchange. To measure currency options, the Black-Scholes model is used in addition. Counterparty credit risk is determined at the portfolio level and taken into account in the measurement.

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

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

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

Changes in the Net Amount of Financial Assets and Liabilities Recognized at Fair Value Based on Individual Unobservable Inputs — Table [4.15]

	2015
	€ million
Net carrying amounts, January 1	15
Gains (losses) recognized in combined profit or loss	7
of which related to assets/liabilities still recognized in the statements of financial positions	7
Additions of assets / (liabilities)	(4)
Net carrying amounts, June 30	**18**

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

Other financial assets of €596 million included €292 million cash pool receivables from the Bayer Group.

Financial liabilities of €5,218 million included €631 million liabilities to banks and €206 million cash pool liabilities to the Bayer Group.

10. Legal risks

To find out more about the Covestro Group's legal risks, please see note [31] to the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012. Since the combined financial statements for the years ended December 31, 2014, December 31, 2013 and December 31, 2012, no significant changes have occurred in respect of the legal risks.

11. Related parties

Related entities

Related entities as defined in IAS 24 (Related Party Disclosures) are companies that are able to exert influence on the Covestro Group or individual combined companies or over which the Covestro Group or individual combined companies exercise control or joint control or have a significant influence.

These include, in particular, companies in the Bayer Group (Bayer AG and its direct and indirect interests – without Covestro operations), since the Covestro Group is controlled by Bayer AG. Related entities also include non-consolidated Covestro subsidiaries, joint ventures and associates as well as post-employment benefit plans.

Transactions with related entities are carried out on an arm's-length basis.

The following table shows the volume of transactions with related parties:

Related Parties [Table 4.16]

	1st Half 2014						1st Half 2015						Full Year 2014			
	Sales of goods and services	Purchases of goods and services	Receivables	*Of which financing*	Liabilities	*Of which financing*	Sales of goods and services	Purchases of goods and services	Receivables	*Of which financing*	Liabilities	*Of which financing*	Receivables	*Of which financing*	Liabilities	*Of which financing*
	€ million	€ million	€ million	*€ million*	€ million	*€ million*	€ million	€ million	€ million	*€ million*	€ million	*€ million*	€ million	*€ million*	€ million	*€ million*
Bayer AG	10	23	396	*383*	59	*53*	7	26	426	*420*	164	*159*	374	*345*	108	*99*
Bayer Group companies	51	515	1,108	*1,076*	3,947	*3,736*	42	445	61	*21*	4,243	*4,103*	113	*70*	4,005	*3,795*
Non-consolidated subsidiaries	1	–	2	–	3	–	20	–	5	–	9	–	2	–	5	–
Joint ventures	8	–	3	–	–	–	5	–	1	–	–	–	2	–	–	–
Associates	5	455	4	–	–	–	7	339	4	–	–	–	4	–	–	–

The goods and services received mainly comprise operational goods and service transactions; services provided by the service companies Bayer Business Services, Bayer Technology Services and Currenta; services procured from the Bayer Group Platform; insurance services procured from Pallas Versicherung AG; allocated holding company costs and leasing and financing services.

The receivables and liabilities pertaining to related entities include the separately described financing measures along with balances on current goods, service transactions and other transactions.

The financing services mainly include loan transactions, current cash pooling activities, finance lease transactions and other financing activities between the Covestro Group and Bayer AG or other Bayer Group companies.

Hedging transactions

Hedging transactions for the Covestro Group are mainly concluded by Bayer AG. The corresponding receivables are reflected in other financial assets, and the liabilities are reflected in financial liabilities or other liabilities.

Capital increase

The capital increase in Bayer MaterialScience (China) Company Limited, Shanghai, China was contributed by Bayer (China) Limited, Shanghai, China.

Legal reorganization

As Covestro Group net assets have been accounted for in the condensed combined interim financial statements under the common management approach any subsequent legal transfers from Bayer to Covestro Group are recognized as an offset in equity, that is for shares being transferred through exchange of cash, as cash withdrawals or cash contributions, and for assets or liabilities transferred, as non-cash withdrawals or non-cash contributions in kind.

Due to the legal reorganization, BMS AG and its direct and indirect subsidiaries acquired the following significant interests in companies from Bayer-Group entities in the first six months:

- 100% of the shares in Bayer Polyurethanes B.V., Mijdrecht, Netherlands, were acquired from Bayer B.V., Mijdrecht, Netherlands, for a purchase price of €202 million.
- 100% of the shares in Bayer MaterialScience B.V., Foxhol, Netherlands, were acquired from Bayer B.V., Mijdrecht, Netherlands, for a purchase price of €37 million.
- 100% of the shares in Bayer MaterialScience LLC, Pittsburgh, USA, which were transferred as contribution in kind to Bayer MaterialScience B.V., Foxhol, Netherlands.
- 100% of the shares in Bayer MaterialScience A/S, Oterrup, Denmark, were acquired from Bayer A/S, Copenhagen, Denmark, for a purchase price of €39 million.
- 95.6% of the shares in Bayer MaterialScience Taiwan Limited, Taipei, Taiwan, were acquired from Bayer B.V., Mijdrecht, Netherlands, for a purchase price of €70 million.

Furthermore, 99.30% of the shares in Bayer MaterialScience Private Limited, Thane, India, were transferred as contribution in kind from Bayer AG, Germany, on June 15, 2015. The aforementioned considerations paid are recognized as a debit to equity and a credit to financial assets.

Related persons

Related persons as defined by IAS 24 are persons who, by virtue of the positions they hold in the Covestro Group and in the interests of Bayer AG, are globally responsible for the operational business of Covestro. These are the members of the Board of Management and Supervisory Board of BMS AG. There was no significant change in the nature and extent of the remuneration of the members of the Board of Management and Supervisory Board of BMS AG compared with December 31, 2014.

12. Events after the reporting period

Legal restructuring of the Covestro Group

In the course of the legal restructuring, all companies that were not yet controlled by BMS AG, but by the Bayer Group and are allocated to the Covestro Group by virtue of their business activities, have been or will be legally transferred from the Bayer Group to the Covestro Group.

In the context of the reorganization, the following significant Covestro companies and operations have been transferred since July 1, 2015 and are now direct or indirect subsidiaries of BMS AG:

- 100% of the shares in Covestro Antwerpen NV, Antwerp, Belgium, for a purchase price of €564 million from Bayer Antwerpen NV, Antwerp, Belgium,
- 100% of the shares in Bayer MaterialScience S.r.l., Milan, Italy, for a purchase price of €107 million from Bayer S.p.A., Milan, Italy, and
- 99% of the shares in Bayer MaterialScience S.p.A., Milan, Italy, for a purchase price of €6 million from Bayer S.p.A., Milan, Italy.

With effective date July 1, 2015, the Covestro business of Bayer S.A., São Paulo, Brazil, has been transferred to the Covestro Group, while certain assets and liabilities and in particular the restructuring provisions as well as any future payment obligations related to the closing of the production site in Belford Roxo remained with the Bayer Group.

Leverkusen, August 12, 2015

Bayer MaterialScience AG

The Board of Management

Patrick Thomas	Frank H. Lutz	Michael Bernhardt