



Bayer AG
Investor Relations
51368 Leverkusen
Germany
www.investor.bayer.com

Investor News

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Second quarter of 2018

Bayer completes biggest acquisition in its history

- Monsanto business included on prorated basis from June 7
- Group sales advance by 8.5 percent (Fx & portfolio adj.) to 9.481 billion euros
- EBITDA before special items increases by 3.9 percent to 2.335 billion euros despite unfavorable currency effects
- Pharmaceuticals registers higher sales (Fx & portfolio adj.) but lower earnings – substantial increase in R&D investment
- Consumer Health business weak again
- Crop Science achieves strong increase in sales and earnings after weak prior-year quarter
- Animal Health improves sales (Fx & portfolio adj.) and earnings
- Net income amounts to 799 million euros
- Core earnings per share up by 1.3 percent at 1.54 euros
- Group outlook for 2018 confirmed, with adjustments to reflect acquisition

Leverkusen, September 5, 2018 – Bayer successfully completed the biggest acquisition in its history in the second quarter of 2018, while operational performance improved, even without taking into account the newly acquired Monsanto business. Sales advanced at three of the four segments on a currency- and portfolio-adjusted basis (Fx & portfolio adj.). “We are on track to achieve our annual targets,” said Werner Baumann, Chairman of the Board of Management, when he presented the interim report on Wednesday. EBITDA before special items increased thanks to growth at Crop Science and Animal Health. Bayer has adjusted its Group outlook to account for the sales and earnings contributions from Monsanto from the date of the acquisition. The company aims to pay out a dividend per share for 2018 that is at least at the same level as in the prior year.

Bayer completed the acquisition of Monsanto on June 7, 2018, for 63 billion dollars including debt. “The acquisition of Monsanto brings together two strong and highly

complementary businesses: Bayer's innovative chemical and biological crop protection portfolio and Monsanto's exceptional expertise in the field of seeds and traits," said Baumann. "We are now a leader in the agricultural industry with a clear commitment to innovation and sustainability – for the benefit of our customers and society," he added. In addition to leveraging its employees' extensive expertise in agriculture, Bayer now also has the strongest portfolio of seed and crop protection products for a wide range of crops and indications, the best research and development platform and the leading digital farming business.

Group sales and earnings increase

Sales of the Bayer Group in the second quarter rose by 8.5 percent (Fx & portfolio adj.) to 9.481 billion euros. On a reported basis, sales were up by 8.8 percent. EBITDA before special items increased by 3.9 percent to 2.335 billion euros. Negative currency effects held back earnings by around 130 million euros. EBIT fell by 7.7 percent to 1.351 billion euros, after special charges of 363 million euros (Q2 2017: 244 million euros) that resulted mainly from expenses in connection with the acquisition of Monsanto. Net income declined by 34.7 percent to 799 million euros, primarily due to the absence of earnings contributions from Covestro following its deconsolidation. By contrast, core earnings per share from continuing operations increased by 1.3 percent to 1.54 euros.

Net cash provided by operating activities in continuing operations rose by 17.8 percent to 2.240 billion euros, due mainly to a decline in cash tied up in working capital. Net financial debt increased to 44.697 billion euros as of June 30, 2018, due to the acquisition of Monsanto.

Pharmaceuticals increases sales thanks to key growth products

Sales of prescription medicines (Pharmaceuticals) increased by 3.1 percent (Fx & portfolio adj.) to 4.217 billion euros. "Our key growth products continued to perform strongly overall," said Baumann. Combined sales of the oral anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Xofigo™ and Stivarga™, and the pulmonary hypertension treatment Adempas™ came in at 1.691 billion euros, up by 13.2 percent (Fx & portfolio adj.) year on year. Sales of Xarelto™ rose by 10.6 percent (Fx & portfolio adj.), driven by higher volumes in Europe, Japan and China. License revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson &

Johnson, also developed positively. Sales of Eylea™ (Fx & portfolio adj.: +22.5 percent) and Adempas™ (Fx & portfolio adj.: +23.4 percent) increased even more strongly. As for Xofigo™, sales declined (Fx & portfolio adj.: –9.2 percent) as a result of lower volumes in the United States, Japan and other countries.

The strongest sales gains among the other top Pharmaceuticals products were recorded for the diabetes treatment Glucobay™ (Fx & portfolio adj.: +10.3 percent), largely due to expanded volumes in China, and for the MRI contrast agent Gadavist/Gadovist™ (Fx & portfolio adj.: +13.0 percent), which benefited from good business performance in the United States. By contrast, sales of the multiple sclerosis treatment Betaferon™/Betaseron™ declined by 18.6 percent (Fx & portfolio adj.), mainly due to strong competition in the United States. As for the Kogenate™/Kovaltry™ blood-clotting medicines, Bayer registered a decline of 13.7 percent (Fx & portfolio adj.), with business impacted by the termination of an agreement with a distribution partner at the end of 2017.

EBITDA before special items of Pharmaceuticals declined by 8.0 percent to 1.363 billion euros. On a currency-adjusted basis, earnings were down by 4.3 percent. The decrease was mainly attributable to higher R&D and selling expenses, effects relating to temporary supply disruptions, and an increase in the cost of goods sold.

Consumer Health business down despite a return to sales growth in Asia/Pacific

Sales of self-care products (Consumer Health) declined by 1.4 percent (Fx & portfolio adj.) to 1.413 billion euros. “Business is growing again in Asia/Pacific,” Baumann said. However, sales growth in the region did not fully offset declines elsewhere, particularly in Europe/Middle East/Africa and North America.

Sales of Bepanthen™/Bepanthol™ wound and skin care products increased by 2.7 percent (Fx & portfolio adj.), thanks mainly to growth in Europe. Business with the analgesic Aleve™ also expanded (Fx & portfolio adj.: +3.3 percent), thanks especially to a product line extension in the United States. Sales of the Elevit™ prenatal vitamin increased by 31.3 percent (Fx & portfolio adj.), benefiting from continued strong demand in Asia/Pacific. Business with the antihistamine Claritin™ declined by 5.7 percent (Fx & portfolio adj.), mainly due to a change in ordering behavior in China and a significantly late start to the allergy season in the United States. Sales of Dr. Scholl's™ foot care

products declined by 9.8 percent (Fx & portfolio adj.), especially in the United States, where Bayer had benefited in the prior-year quarter from inventory building by retailers. Overall, the repositioning of the Dr. Scholl's™ brand in the United States is progressing positively.

EBITDA before special items of Consumer Health declined by 18.5 percent (Fx adj.: –14.6 percent) to 256 million euros, due mainly to lower volumes and a higher cost of goods sold, in part due to a shift in the product mix.

Crop Science doubles earnings year on year

In the agricultural business (Crop Science), Bayer registered sales of 3.011 billion euros. This figure included 543 million euros from the June 7, 2018, acquisition of Monsanto on a prorated basis, and 468 million euros from the businesses divested to BASF in August. On a currency- and portfolio-adjusted basis, sales increased by 21.4 percent. This development was partly attributable to significantly higher provisions for crop protection product returns recognized in the prior-year quarter due to high inventory levels in Brazil. Inventories there have normalized as a result of the undertaken measures that were successfully completed in the second quarter of 2018.

Bayer considerably expanded its seed business through the acquisition of Monsanto, particularly for corn and soybeans. In addition, its existing herbicides business was significantly enlarged. In terms of regions, the transaction primarily expands Bayer's business in North America and Latin America.

The company's updated reporting structure now comprises seven business units and the category Other. On a currency- and portfolio-adjusted basis, sales increased particularly strongly at Fungicides (+47.8 percent), Insecticides (+37.1 percent) and Soybean Seed & Traits (+37.8 percent). Herbicides, Other (both +12.7 percent) and Vegetable Seeds (+5.9 percent) also posted growth, while business was flat at Corn Seed & Traits and down at Environmental Science (–14.1 percent) on a currency- and portfolio-adjusted basis.

EBITDA before special items of Crop Science increased by 99.1 percent to 631 million euros. In the prior-year quarter, earnings had been negatively impacted by the situation in Brazil. In the second quarter of 2018, the newly acquired business provided a positive

contribution of 70 million euros to earnings. By contrast, earnings were diminished by a negative currency effect of 52 million euros (excluding the Monsanto business).

Animal Health: increase in sales and earnings

Sales of the Animal Health business rose by 7.6 percent (Fx and portfolio adj.) to 453 million euros. Growth was strongest in North America, but this was mainly due to shifts in demand at the expense of subsequent quarters. Performance in the Asia/Pacific and Latin America regions was particularly positive on a currency- and portfolio-adjusted basis. On a currency- and portfolio-adjusted basis, sales only decreased in Europe/Middle East/Africa. The Seresto™ flea and tick collar saw the strongest growth in sales (Fx & portfolio adj.: +29.2 percent). Business with the Advantage™ line of flea, tick and worm control products expanded by 13.8 percent (Fx & portfolio adj.). By contrast, sales of the Baytril™ antibiotic fell by 17.1 percent (Fx & portfolio adj.). EBITDA before special items increased by 10.3 percent (Fx adj.: +19.0 percent) to 128 million euros. This development was attributable to higher volumes that resulted primarily from shifts in demand in North America.

Group outlook adjusted, stable dividend as the minimum target

As the acquisition of Monsanto closed later than anticipated, Bayer's 2018 earnings will be lower than it had projected in its February forecast due to the seasonality of Monsanto's business. "The acquired business generates the majority of its sales and, above all, earnings in the first half of the year," Baumann explained.

Sales of the Bayer Group are now expected to come in at more than 39 billion euros (previously: below 35 billion euros), with more than 5 billion euros attributable to the acquired Monsanto business. The divestment of selected businesses to BASF will reduce anticipated sales by approximately 1 billion euros. This forecast now corresponds to a mid-single-digit percentage increase (previously: low- to mid-single-digit percentage increase) on a currency- and portfolio-adjusted basis.

Bayer now expects EBITDA before special items to increase by a low- to mid-single-digit percentage (previously: decline by a low-single-digit percentage). On a currency-adjusted basis, this corresponds to an increase by a high-single-digit percentage (previously: increase by a mid-single-digit percentage).

Core earnings per share are now seen coming in at between 5.70 and 5.90 euros (previously: at the prior-year level). On a currency-adjusted basis, this corresponds to a decrease by a high-single-digit percentage (previously: increase by a mid-single-digit percentage). Prior-year core earnings per share were restated to 6.64 euros to reflect the bonus component of the capital increase with subscription rights, and this is taken into account here.

Bayer aims to pay out a dividend per share for 2018 that is at least at the same level as in the prior year, which would represent an upward deviation from its existing dividend policy (30-40 percent of core earnings per share). “We expect the combined business to deliver successful performance and want to enable our shareholders to share in our company’s success by paying out an attractive dividend,” Baumann said. In view of the highly seasonal nature of the sector, the acquired Monsanto business will provide a small contribution to core earnings per share. However, it will provide substantial operating cash flows. In addition, Bayer is able to benefit from the expected proceeds from the divestments to BASF and the income from the sale of Covestro shares that has already been recognized. Net financial debt at the end of the year will be significantly lower than originally anticipated, amounting to around 37 billion euros.

The outlook takes into account the financing costs for the acquisition of Monsanto shares as well as the higher number of shares of Bayer AG following the capital increases on a pro rata temporis basis. The businesses divested to BASF are excluded as of their respective divestment dates.

For Pharmaceuticals and Animal Health, Bayer has confirmed its previous sales and earnings guidance.

For Consumer Health, the company has confirmed its expectations for sales and currency-adjusted EBITDA before special items. As for EBITDA before special items, Bayer now anticipates a decline by a mid-single-digit percentage (previously: decline by a low-single-digit percentage) as a result of currency effects.

For Crop Science, the company now forecasts sales of slightly more than 14 billion euros (previously: more than 9.5 billion euros). As previously outlined, this includes a positive sales effect of more than 5 billion euros from the acquired business as well as a negative

effect of approximately 1 billion euros from the divestment of selected businesses to BASF. Bayer continues to expect a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. As for EBITDA before special items, the company anticipates an increase by a mid-twenties percentage (previously: mid- to high-single-digit percentage). On a currency-adjusted basis, Bayer now expects an increase of around 30 percent (previously: mid-teens percentage increase).

Note:

The following tables contain the key data for the Bayer Group and its segments for the second quarter 2018.

The interim report for the second quarter 2018 is available on the Internet at:
www.investor.bayer.com.

Supplementary features at www.investor.bayer.com:

- presentation charts for the investor conference call at 12:00 noon CEST*
- live webcast of the investor conference call from approximately 2:00 p.m. CEST*
- recording of the investor conference call from approximately 6:00 p.m. CEST.*

Bayer Investor Relations Team

Bayer AG

Investor Relations

51368 Leverkusen, Germany

E-mail: ir@bayer.com

Internet: <http://www.investor.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 the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected timeframes (or at all) and to successfully integrate the operations of Monsanto Company (“Monsanto”) 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 difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater or more significant than expected following the transaction; the retention of certain key employees at Monsanto; the parties’ ability to meet expectations regarding the accounting and tax treatments of the merger; the impact of refinancing the loans taken out for the transaction; the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on Bayer’s rating of indebtedness; 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, 2017, 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.

Bayer Key Data, Second Quarter and First Half of 2018

(Some prior-year figures restated)

Bayer Group (EUR million)	Q2 2017	Q2 2018	Change %	H1 2017	H1 2018	Change %
Sales	8,714	9,481	+8.8	18,394	18,619	+1.2
EBITDA before special items	2,247	2,335	+3.9	5,301	5,231	-1.3
EBIT	1,463	1,351	-7.7	3,890	3,661	-5.9
<i>Special items</i>	-244	-363	-	-346	-441	-
EBIT before special items	1,707	1,714	+0.4	4,236	4,102	-3.2
Net income	1,224	799	-34.7	3,307	2,753	-16.8
Earnings per share (EUR)	1.38	0.87	-37.0	3.74	3.06	-18.2
Core earnings per share (EUR)	1.52	1.54	+1.3	3.80	3.77	-0.8
Number of employees*	99,720	124,055	+24.4	99,720	124,055	+24.4

Pharmaceuticals (EUR million)	Q2 2017	Q2 2018	Change %	H1 2017	H1 2018	Change %
Sales	4,304	4,217	-2.0	8,567	8,292	-3.2
EBITDA before special items	1,481	1,363	-8.0	2,983	2,778	-6.9
EBIT	1,102	1,053	-4.4	2,321	2,216	-4.5
<i>Special items</i>	-120	-56	-	-156	-57	-
EBIT before special items	1,222	1,109	-9.2	2,477	2,273	-8.2

Consumer Health (EUR million)	Q2 2017	Q2 2018	Change %	H1 2017	H1 2018	Change %
Sales	1,542	1,413	-8.4	3,143	2,822	-10.2
EBITDA before special items	314	256	-18.5	706	569	-19.4
EBIT	195	157	-19.5	473	368	-22.2
<i>Special items</i>	-15	1	-	-24	-4	-
EBIT before special items	210	156	-25.7	497	372	-25.2

Crop Science (EUR million)	Q2 2017	Q2 2018	Change %	H1 2017	H1 2018	Change %
Sales	2,163	3,011	+39.2	5,283	5,872	+11.1
EBITDA before special items	317	631	+99.1	1,432	1,673	+16.8
EBIT	117	154	+31.6	1,087	1,046	-3.8
<i>Special items</i>	-95	-280	-	-132	-341	-
EBIT before special items	212	434	+104.7	1,219	1,387	+13.8

Animal Health (EUR million)	Q2 2017	Q2 2018	Change %	H1 2017	H1 2018	Change %
Sales	450	453	+0.7	890	867	-2.6
EBITDA before special items	116	128	+10.3	251	267	+6.4
EBIT	107	116	+8.4	233	245	+5.2
<i>Special items</i>	0	-3	-	0	-3	-
EBIT before special items	107	119	+11.2	233	248	+6.4

EBIT(DA) before special items and core earnings per share are not defined in the International Financial Reporting Standards and should therefore be regarded only as supplementary information. For the definition of these indicators, see the current annual report at www.bayer.com.

* Full-time equivalents at end of period