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Q2 2017 Analyst and Investor Briefing

July 27, 2017

- Group performance matches prior year despite declines at Crop Science
- Group sales increase by 1.9% (Fx & portfolio adj.) to €12.2 billion
- EBITDA before special items level with the prior year, at €3.1 billion (+ 0.1%)
- Pharmaceuticals posts strong growth in earnings and margins
- Brazil business weighs on Crop Science
- Consumer Health encounters difficult market environment in the United States
- Significant increase in sales and earnings at Covestro
- Net income €1.2 billion (-11.3 %)
- Core earnings per share €1.81 (-12.6%)
- Monsanto acquisition on track
- Group outlook for 2017 adjusted

Group Key Figures for Q2 2017 (continuing operations, unless stated differently)

Euro million	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	11,833	12,193	3.0 / 1.9*	12,574
Volume	+4.4%	-1.9%	•	•
Price	-2.1%	+3.8%	•	•
Currency	-3.8%	+1.0%	•	•
Portfolio	+0.1%	+0.1%	•	•
EBITDA	2,952	2,983	1.1	2,858
Net special items (EBITDA)	-102	-73	•	-134
EBITDA before special items	3,054	3,056	0.1	2,983
EBIT	2,138	2,151	0.6	2,115
Net special items (EBIT)	-104	-205	•	•
EBIT before special items	2,242	2,356	5.1	2,243
Financial result	-314	-405	-29.0	-345
Income taxes	-431	-417	3.2	•
Income after taxes from cont. operations	1,393	1,329	-4.6	•
Income after taxes from discount. operations	55	148	•	47
Net income - total	1,380	1,224	-11.3	1,222
EPS - cont. operations (Euro/share)	1.60	1.23	-23.1	1.30
EPS - discount. operations (Euro/share)	0.07	0.17	•	•
EPS - total (Euro/share)	1.67	1.40	-16.2	•
Core EPS - cont. operations (Euro/share)	2.07	1.81	-12.6	1.74
Core EPS - discount. operations (Euro/share)	0.13	0.17	•	
Core EPS - total (Euro/share)	2.20	1.98	-10.0	
Delta working capital	-224	-54	75.9	
Operating cash flow	1,992	2,316	16.3	
CapEx - total (cash relevant)	589	476	-19.2	
Euro million	Mar. 31, 2017	June 30, 2017	2016 figures restated *) Currency and portfolio adjusted sales growth	
Net financial debt	10,400	9,442	**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH	
Net pension liability	10,496	9,592		



Bayer Group Forecast 2017

- Due to the current business and currency development, we are adjusting our forecast for the fiscal year 2017.
- The forecast for the second half is based on the exchange rates as of June 30, 2017, including a rate of US\$1.14 (previously: US\$1.07) to the euro. A 1% appreciation (depreciation) of the euro against all other currencies would decrease (increase) sales on an annual basis by €300 million and EBITDA before special items by €80 million.
- **Group** sales are now expected to increase to more than €49 billion (previously: around €51 billion). This now corresponds to a mid-single-digit (previously: mid- to high-single-digit) percentage increase on a currency- and portfolio-adjusted basis. EBITDA before special items is now targeted to increase by a high-single-digit percentage (previously: low-teens percentage). We now aim to grow core earnings per share from continuing operations by a low- to mid-single-digit percentage (previously: mid- to high-single-digit percentage). Here it must be noted that Bayer's interest in Covestro amounts to only 41% as of June 2017 (previously: 53%). Excluding capital and portfolio measures, net financial debt is targeted to be around €7 billion at the end of 2017 (previously: around €8 billion).
- We are now budgeting for sales of between €35 billion and €36 billion (previously: approx. €37 billion) for our **Life Science** businesses. This corresponds to a low-single-digit percentage (previously: mid-single-digit percentage) increase on a currency- and portfolio-adjusted basis. We expect EBITDA before special items to come in slightly above the level of the previous year (previously: rise by a mid- to high-single-digit percentage).
- Despite negative currency development, we confirm the forecast we published in February for **Pharmaceuticals** and continue to expect sales of more than €17 billion. This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. As before, we plan to raise sales of our key growth products to more than €6 billion. We continue to expect a high-single-digit percentage increase in EBITDA before special items. There is no change in our expectation of further improving the EBITDA margin before special items.
- For **Consumer Health**, we forecast a weak second half of the year and now expect to generate full-year sales of about €6 billion (previously: more than €6 billion). This would be in line with the prior-year level on both a reported and a currency- and portfolio-adjusted basis (previously: low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis). We now expect EBITDA before special items to decline by a high-single-digit percentage (previously: increase by a low- to mid-single-digit percentage).
- We are now budgeting for sales of below €10 billion (previously: more than €10 billion) for **Crop Science**. This corresponds to a low-single-digit percentage decline on a currency- and portfolio-adjusted basis (previously: low-single-digit percentage increase). We now expect EBITDA before special items to decline by a mid-teens percentage (previously: at the prior-year level).
- We confirm the forecasts published in February and April 2017 for **Animal Health**, the **Reconciliation** and **Covestro**. This also applies to the forecasts for the other key data.
- For more information on our business outlook, please consult our Annual Report 2016, Chapter 3.1.2.



Pharmaceuticals in Q2 2017

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	4,104	4,304	4.9 / 4.4*	4,402
EBITDA before special items	1,352	1,481	9.5	1,486
EBITDA-margin before special items	32.9%	34.4%		33.8%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	% y-o-y Fx
Xarelto	703	834	18.6	18.4
<i>of which USA</i>	103	117	13.6	13.1
Eylea	418	458	9.6	10.6
<i>of which USA</i>	0	0	•	•
Xofigo	81	105	29.6	28.0
<i>of which USA</i>	56	62	10.7	7.6
Stivarga	67	83	23.9	20.8
<i>of which USA</i>	33	46	39.4	35.9
Adempas	63	75	19.0	17.9
<i>of which USA</i>	30	38	26.7	24.1
Main Growth Products	1,332	1,555	16.7	16.6
Mirena product family	258	276	7.0	4.5
<i>of which USA</i>	168	176	4.8	2.2
Kogenate / Kovaltry	280	260	-7.1	-7.7
<i>of which USA</i>	87	91	4.6	2.8
Nexavar	221	229	3.6	2.1
<i>of which USA</i>	78	86	10.3	5.9
Betaferon / Betaseron	196	185	-5.6	-6.4
<i>of which USA</i>	111	108	-2.7	-4.1
Adalat	161	171	6.2	7.3
<i>of which USA</i>	0	0	•	•
YAZ product family	166	158	-4.8	-6.3
<i>of which USA</i>	31	25	-19.4	-20.7
Aspirin Cardio	138	148	7.2	8.0
<i>of which USA</i>	0	0	•	•
Glucobay	128	139	8.6	10.5
<i>of which USA</i>	1	0	•	•
Gadavist / Gadovist	89	97	9.0	7.9
<i>of which USA</i>	27	34	25.9	23.7
Avalox / Avelox	88	87	-1.1	0.1
<i>of which USA</i>	0	2	•	•

%y-o-y Fx: Currency adjusted sales growth

- Price -0.3%, volume +4.7%, currency +0.5%, portfolio ±0.0%
- Our key growth products delivered combined sales of €1,555 million, up 16.6% currency adjusted (Q2 2016: €1,332 million). Combined sales of the 15 best-selling pharmaceuticals products advanced by 7.7% (currency adjusted). Our Pharmaceuticals business expanded in all regions.
- Xarelto once again achieved strong sales growth, primarily due to an expansion of volumes in Europe and China. Our license revenues – recognized as sales – in the United States, where Xarelto is marketed by a subsidiary of Johnson & Johnson, also developed positively.



- We achieved a significant increase in sales of Eylea, largely due to higher volumes in Europe and encouraging sales growth in Canada and Australia.
- We once again recorded substantial sales gains for Xofigo, with business benefiting from a successful market launch in Japan and growth in the United States and Europe.
- Sales of Stivarga increased substantially, primarily in the United States, where, among other things, we obtained approval for the drug as a second-line treatment for patients with hepatocellular carcinoma.
- Sales of Adempas advanced significantly, and, as in the past, reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co., United States. Business continued to benefit mainly from positive performance in the United States.
- We expanded our business with the Mirena product family (Mirena, Kyleena and Jaydess / Skyla), including in the United States, where we continued to benefit from the successful market launch of Kyleena.
- Sales of Kogenate / Kovaltry were lower than in the year-earlier quarter, due to order volumes placed by our distribution partner remaining significantly lower.
- Sales of Nexavar edged higher, mainly as a result of positive performance in the United States and China.
- As expected, business with product Betaferon / Betaseron declined. This development was triggered in particular by lower demand in the United States and Latin America.
- Adalat once again achieved encouraging sales gains, particularly as a result of higher volumes in China.
- Sales of the YAZ product family were down, primarily due to falling demand in Europe and generic competition in the United States. Positive business development in Asia was insufficient to offset this effect.
- Sales of Glucobay and Aspirin Cardio advanced significantly as a result of a persistently favorable market environment in China.
- We achieved an encouraging increase in sales of Gadovist, primarily due to the good development of business in the United States.
- The increase in **EBITDA before special items** of Pharma resulted primarily from higher volumes, while the cost of goods sold and expenses for research and development were lower.

Consumer Health in Q2 2017

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	1,553	1,542	-0.7 / -2.2*	1,577
EBITDA before special items	328	314	-4.3	343
EBITDA-margin before special items	21.1%	20.4%		21.8%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

- Price +2.4%, volume -4.6%, currency +1.5%, portfolio ±0.0%
- Sales of Consumer Health were down in the second quarter of 2017. We recorded substantial declines in sales in North America, particularly in the United States, due to the difficult market environment. In contrast, we expanded our business in Latin America and Europe / Middle East / Africa.
- **EBITDA before special items** of Consumer Health declined mainly as a result of lower volumes and higher cost of goods sold, which resulted in part from inventory write-offs.



Crop Science in Q2 2017

Euro million	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	2,518	2,163	-14.1 / -15.8*	2,403
Crop Protection / Seeds	2,363	1,971	-16.6 / -18.2*	•
Environmental Science	155	192	23.9 / 20.6*	•
EBITDA before special items	663	317	-52.2	320
EBITDA-margin before special items	26.3%	14.7%		13.3%

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

Q2 2017	Europe / Middle East / Africa		North America		Asia/Pacific		Latin America	
	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx	Euro million	% y-o-y Fx
Crop Science	908	-0.2	865	5.0	459	-2.0	-69	•

%y-o-y Fx: Currency adjusted sales growth

- Price -2.1%, volume -13.7%, currency +1.7%, portfolio ±0.0%
- Sales of Crop Science declined mainly due to significantly higher provisions for product returns – specifically crop-protection products – in Brazil. At the end of the harvest season, regular stocktaking revealed high channel inventories in the Brazilian market, requiring measures to be taken to normalize the situation. Excluding the €428 million decline in sales in Brazil, business at Crop Science was up slightly year on year on a currency-adjusted basis. Environmental Science delivered positive performance, in part due to the delivery of products to the company that acquired our consumer business.
- Sales in **Europe / Middle East / Africa** matched the prior-year level. The Insecticides business delivered very positive performance due to higher pest pressure. This development stood against substantial declines at Fungicides due to lower infestation levels as a result of drought in Western Europe, as well as increased competitive pressure. The Seeds business developed positively.
- In **North America** we recorded strong gains at SeedGrowth, particularly with products to treat soybean seed in the United States and cereal seed in Canada. We also achieved growth in the Seeds business due to expanded oilseed rape / canola acreages in Canada, as well as at Fungicides. This was partly offset by a substantial decline at Insecticides in the United States.
- In the **Asia / Pacific** region business at Insecticides declined noticeably, due to sales declines in China and restrained demand in India. In contrast, business at Fungicides and Herbicides expanded.
- The negative sales development in **Latin America** is largely due to significantly higher provisions, primarily for product returns, as well as lower sell-in to the distribution channel in Brazil. At the end of the harvest season regular stocktaking revealed high channel inventories of crop protection products in the Brazilian market. This situation was caused by weaker demand due to significantly lower insect and fungal infestation levels, while the level of inventory-building among distributors was high. We slightly increased sales in the other countries in the Latin America region overall.
- **EBITDA before special items** of Crop Science declined in particular due to the situation in Brazil, where we recorded a substantial negative impact on earnings in the amount of €355 million in total. This included provisions for product returns in the amount of €173 million, impairment losses recognized on receivables in the amount of €53 million, inventory write-offs in the amount of €56 million, and other effects totaling €73 million. Excluding our business in Brazil, earnings were up slightly year on year.



Animal Health in Q2 2017

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	426	450	5.6 / 2.1*	449
EBITDA before special items	100	116	16.0	112
EBITDA-margin before special items	23.5%	25.8%		24.9%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

- Price +2.8%, volume -0.7%, currency +1.6%, portfolio +1.9%
- At Animal Health, the development of business in the Asia / Pacific region was encouraging. In North America, the Cydectin product portfolio that was acquired in January 2017 contributed to sales growth. We recorded a slight increase in sales in Europe / Middle East / Africa on a currency-adjusted basis, while the performance of our Latin America business matched the prior-year period.
- **EBITDA before special items** of Animal Health increased due to positive earnings contributions from price increases, the lower cost of goods sold as well as the Cydectin business that Bayer acquired. These more than offset a decline in volumes and slightly higher expenses for research and development.

Life Sciences in Q2 2017

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	8,858	8,714	-1.6 / -2.8*	9,087
EBITDA before special items	2,511	2,247	-10.5	2,218
EBITDA-margin before special items	28.3%	25.8%		24.4%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

Covestro in Q2 2017

<i>Euro million</i>	Q2 2016	Q2 2017	% y-o-y	Consensus**
Sales	2,975	3,479	16.9 / 15.8*	3,480
EBITDA before special items	543	809	49.0	766
EBITDA-margin before special items	18.3%	23.3%		22.0%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of July 18, 2017 provided by Vara Research GmbH

- Price +15.2%, volume +0.6%, currency +1.1%, portfolio ±0.0%
- Sales of Covestro increased due to much higher selling prices overall, especially at Polyurethanes, while volumes matched the prior-year period overall.
- **EBITDA before special items** of Covestro improved driven by substantially higher selling prices which more than offset the effect of increased raw material prices.

Key figures for Q2 2017

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health		Reconciliation		Life Sciences		Covestro		Group		
	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	Q2'16	Q2'17	
Sales	€ million	4,104	4,304	€ million	1,553	1,542	€ million	2,518	2,163	€ million	450	€ million	8,858	8,714	€ million	11,833	12,193
Sales by region:																	
Europe / Middle East / Africa	1,602	1,647	480	503	897	908	123	122	243	246	3,345	3,426	1,254	1,380	4,599	4,806	
North America	1,027	1,101	701	661	812	865	193	208	-2	0	2,731	2,835	686	756	3,417	3,591	
Asia / Pacific	1,219	1,290	201	195	455	459	71	80	4	3	1,950	2,027	866	1,129	2,816	3,156	
Latin America	256	266	171	183	354	-69	39	40	12	6	832	426	169	214	1,001	640	
EBITDA	1,342	1,474	297	307	633	233	100	116	37	5	2,409	2,135	543	848	2,952	2,983	
Special items	-10	-7	-31	-7	-30	-84	0	0	-31	-14	-102	-112	0	39	-102	-73	
EBITDA before special items	1,352	1,481	328	314	663	317	100	116	68	19	2,511	2,247	543	809	3,054	3,056	
EBITDA margin before special items	32.9%	34.4%	21.1%	20.4%	26.3%	14.7%	23.5%	25.8%	26.5%	7.5%	28.3%	25.8%	18.3%	23.3%	25.8%	25.1%	
EBIT	988	1,102	190	195	512	117	93	107	-12	-58	1,771	1,463	367	688	2,138	2,151	
Special items	-11	-120	-32	-15	-30	-95	0	0	-31	-14	-104	-244	0	39	-104	-205	
EBIT before special items	999	1,222	222	210	542	212	93	107	19	-44	1,875	1,707	367	649	2,242	2,356	
EBIT margin before special items	24.3%	28.4%	14.3%	13.6%	21.5%	9.8%	21.8%	23.8%	7.4%	-17.3%	21.2%	19.6%	12.3%	18.7%	18.9%	19.3%	
Operating cash flow	310	528	241	297	1,088	1,170	48	97	-4	-191	1,683	1,901	309	415	1,992	2,316	
Financial result															-314	-405	
Income after taxes from continuing operations															1,393	1,329	
Income after taxes from discontinued operations															55	148	
Net income															1,380	1,224	
Earnings per share - continuing operations (€)															1.60	1.23	
Earnings per share - discontinued operations (€)															0.07	0.17	
Earnings per share (€)															1.67	1.40	
Core earnings per share - continuing operations (€)															2.07	1.81	
Core earnings per share - discontinued operations (€)															0.13	0.17	
Core earnings per share (€)															2.20	1.98	
CapEx (cash effective)															589	476	
R&D															1,122	1,165	
D&A and Write-downs	354	372	107	112	121	116	7	9	49	63	638	672	176	160	814	832	
Employees at end of period	40,197	37,999	13,085	11,898	22,839	20,969	3,859	3,621	19,866	25,233	99,846	99,720	15,730	15,960	115,576	115,680	

2016 figures restated



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