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Q3 2017 Analyst and Investor Briefing

October 26, 2017

- Sales and earnings increased
- Covestro deconsolidated
- Group sales €8.0 billion (Fx. & portfolio adj. + 1.2%)
- EBITDA before special items rises to €2.2 billion (+ 4.1%)
- Sales and earnings growth at Pharmaceuticals
- Consumer Health business weak, as expected
- Sales gains at Crop Science and Animal Health
- Net income €3.9 billion including Covestro book profit
- Core earnings per share €1.47
- Group outlook for 2017 confirmed based on change in structure

Group Key Figures for Q3 2017 (continuing operations, unless stated differently)

Euro million	Q3 2016	Q3 2017	% y-o-y	Consensus**
Sales	8,258	8,025	-2.8 / 1.2*	8,385
Volume	+2.7%	+2.2%	•	•
Price	+1.8%	-1.0%	•	•
Currency	-1.2%	-4.1%	•	•
Portfolio	±0.0%	+0.1%	•	•
EBITDA	1,996	1,969	-1.4	2,020
Net special items (EBITDA)	-122	-235	•	-91
EBITDA before special items	2,118	2,204	4.1	2,112
EBIT	1,397	1,388	-0.6	1,462
Net special items (EBIT)	-125	-249	•	•
EBIT before special items	1,522	1,637	7.6	1,555
Financial result	-233	-403	-73.0	-309
Income taxes	-207	-212	-2.4	•
Income after taxes from cont. operations	957	773	-19.2	•
Income after taxes from discount. operations	333	3,423	•	437
Net income - total	1,187	3,881	•	1,180
EPS - cont. operations (Euro/share)	1.15	0.89	-22.6	1.01
EPS - discount. operations (Euro/share)	0.28	3.56	•	•
EPS - total (Euro/share)	1.43	4.45	•	•
Core EPS - cont. operations (Euro/share)	1.53	1.47	-3.9	1.44
Core EPS - discount. operations (Euro/share)	0.30	1.27	•	•
Core EPS - total (Euro/share)	1.83	2.74	49.7	1.74
Delta working capital	722	658	-8.9	
Operating cash flow	2,369	1,903	-19.7	
CapEx (cash relevant)	567	441	-22.2	
Euro million	June 30, 2017	Sept. 30, 2017	2016 figures restated	
Net financial debt	9,442	4,749	*) Currency and portfolio adjusted sales growth	
Net pension liability	9,592	7,799	**) Consensus figures as of October 18, 2017 provided by Vara Research GmbH	



Bayer Group Forecast 2017

- Following the signing of the Covestro control termination agreement in September 2017 and the sale of additional shares, Covestro will be presented as a discontinued operation and is thus, as of the fourth quarter of 2017, treated only as an at-equity interest in the forecast. The Bayer Group's continuing operations thus reflect the values previously referred to under Life Sciences.
- To illustrate the differences between the forecasts based on the former and new Group structure, the previous outlook and the updated version are presented alongside each other in the following table:

Reconciliation of Group Outlook to Reflect Change in Structure

	Previous forecast incl. Covestro	Reconciliation to new forecast excl. Covestro
2016 sales	€46,769 million	€34,943 million
anticipated 2017 sales	more than €49 billion	€35 – 36 billion
Increase in sales (Fx. & portfolio adj.)	mid-single-digit percentage increase	low-single-digit-percentage increase
2016 EBITDA before special items	€11,302 million	€9,318 million
anticipated 2017 EBITDA before special items	high-single-digit percentage increase	Slightly above the level of the previous year
2016 core EPS	€7.32	€6.67
anticipated 2017 core EPS	low- to mid-single-digit-percentage increase	low-single-digit percentage decrease
Capital expenditures for property, plant and equipment	€2.5 billion	€1.9 billion
Research and development expenses	€4.8 billion	€4.5 billion
Special items	€0.5 billion	€0.6 billion
Depreciation and amortization	€2.9 billion	€2.2 billion
Financial result	minus €1.4 billion	minus €1.4 billion
Net financial debt	around €10 billion	around €4 billion
Effective tax rate	around. 23 %	around. 22 %

- We have adjusted the exchange rates relevant to our forecast to reflect current developments. For the fourth quarter of 2017 we are now using the exchange rates prevailing on September 30, 2017, including a rate of US\$1.18 (previously: US\$1.14) to the euro. A 1% appreciation (depreciation) of the euro against all other currencies would now decrease (increase) sales on an annual basis by €240 million and EBITDA before special items by €70 million.
- Based on these changes, we have reconciled our outlook as follows:
- For the **Bayer Group**, we are still planning sales of €35 billion to €36 billion. This continues to correspond to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. We continue to expect EBITDA before special items to come in slightly above the level of the previous year. As regards core earnings per share from continuing operations, we now expect a low-single-digit percentage decrease on the basis of the values that were adjusted for Covestro effects for the current year and previous year. This is due primarily to the difference in the number of shares, which grew significantly in 2017 as a result of the mandatory convertible notes issued in November 2016. Without this effect, the adjusted earnings per share would improve by a low-single-digit percentage.



Sales and Earnings Forecast by Segment

- We now expect sales at **Pharmaceuticals** of approx. €17 billion (previously: more than €17 billion). This continues to correspond 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 still 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 continue to expect sales for the entire year of about €6 billion. This still corresponds to the prior-year level on a currency- and portfolio-adjusted basis. As before, we expect EBITDA before special items to decline by a high-single-digit percentage.
- For **Crop Science** we are still anticipating sales of below €10 billion. This corresponds to a low-single-digit-percentage decline on a currency- and portfolio-adjusted basis. Meanwhile, we continue to expect EBITDA before special items to decline by a mid-teens percentage.
- For **Animal Health**, we still anticipate a currency- and portfolio-adjusted increase in sales by a low-to mid-single-digit percentage. As before, we plan to improve EBITDA before special items by a high-single-digit percentage.
- **Reconciliation:** We continue to expect sales of around €1 billion in 2017. We still plan EBITDA before special items in the region of minus €0.2 billion.

Development of further key data

- In 2017, we now expect to take special charges for continuing operations in EBITDA in the region of €0.6 billion (previously: €0.5 billion). Most of this amount is accounted for by costs arising in connection with the agreed acquisition of Monsanto, restructuring and efficiency improvement measures, and provisions for legal risks. We aim to increase research and development spending to €4.5 billion. Capital expenditures will amount to about €1.7 billion for property, plant and equipment and around €0.4 billion for intangible assets. Depreciation and amortization are estimated at about €2.4 billion, including €1.4 billion in amortization of intangible assets. We also predict a financial result of around minus €1.4 billion. The effective tax rate is likely to be about 22%. Excluding capital and portfolio measures, net financial debt is targeted to be around €4 billion at the end of 2017 (previously: around €7 billion).

For more information on our business outlook, please consult our Annual Report 2016, Chapter 3.1.2.



Pharmaceuticals in Q3 2017

<i>Euro million</i>	Q3 2016	Q3 2017	% y-o-y	Consensus**
Sales	4,152	4,065	-2.1 / 2.3*	4,333
EBITDA before special items	1,421	1,493	5.1	1,481
EBITDA-margin before special items	34.2%	36.7%		34.2%

*) Currency and portfolio adjusted sales growth

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

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q3 2016	Q3 2017	% y-o-y	% y-o-y Fx
Xarelto	772	799	3.5	6.6
<i>of which USA</i>	<i>139</i>	<i>138</i>	<i>-0.7</i>	<i>-0.4</i>
Eylea	409	469	14.7	19.9
<i>of which USA</i>	<i>0</i>	<i>0</i>	<i>•</i>	<i>•</i>
Xofigo	85	102	20.0	24.9
<i>of which USA</i>	<i>60</i>	<i>59</i>	<i>-1.7</i>	<i>5.1</i>
Stivarga	64	77	20.3	27.7
<i>of which USA</i>	<i>32</i>	<i>40</i>	<i>25.0</i>	<i>31.3</i>
Adempas	65	75	15.4	19.3
<i>of which USA</i>	<i>30</i>	<i>38</i>	<i>26.7</i>	<i>30.0</i>
Main Growth Products	1,395	1,522	9.1	13.2
Mirena product family	269	280	4.1	8.4
<i>of which USA</i>	<i>186</i>	<i>190</i>	<i>2.2</i>	<i>7.1</i>
Kogenate / Kovaltry	302	215	-28.8	-25.9
<i>of which USA</i>	<i>105</i>	<i>69</i>	<i>-34.3</i>	<i>-30.9</i>
Nexavar	212	194	-8.5	-4.2
<i>of which USA</i>	<i>73</i>	<i>66</i>	<i>-9.6</i>	<i>-3.1</i>
YAZ product family	181	167	-7.7	-2.9
<i>of which USA</i>	<i>36</i>	<i>24</i>	<i>-33.3</i>	<i>-30.7</i>
Adalat	156	156	•	7.5
<i>of which USA</i>	<i>0</i>	<i>0</i>	<i>•</i>	<i>•</i>
Betaferon / Betaseron	163	143	-12.3	-8.8
<i>of which USA</i>	<i>81</i>	<i>75</i>	<i>-7.4</i>	<i>-2.9</i>
Aspirin Cardio	128	139	8.6	13.3
<i>of which USA</i>	<i>0</i>	<i>0</i>	<i>•</i>	<i>•</i>
Glucobay	125	136	8.8	14.6
<i>of which USA</i>	<i>0</i>	<i>1</i>	<i>•</i>	<i>•</i>
Gadavist / Gadovist	87	90	3.4	8.2
<i>of which USA</i>	<i>26</i>	<i>30</i>	<i>15.4</i>	<i>19.6</i>
Avalox / Avelox	86	71	-17.4	-11.4
<i>of which USA</i>	<i>4</i>	<i>1</i>	<i>•</i>	<i>•</i>

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

- Price -0.1%, volume +2.4%, currency -4.3%, portfolio -0.1%
- Our key growth products Xarelto, Eylea, Xofigo, Stivarga and Adempas once again delivered strong performance, with their combined sales rising by 13.2% (Fx adj.) to €1,522 million (Q3 2016: €1,395 million).
- We registered a marked decline in sales in our business with Kogenate, which was due in particular to a distribution partner placing a lower volume of orders for the active ingredient. After adjusting for this effect, sales of Pharmaceuticals rose by 4.4% (Fx & portfolio adj.).



- We once again posted sales growth with **Xarelto**, particularly in Europe and Asia. Sales in the United States, where Xarelto is marketed by a subsidiary of Johnson & Johnson, increased by a double-digit percentage. In contrast, license revenues – recognized as sales – were level with the prior-year quarter, in part due to a shift between reporting periods.
- Sales of **Eylea** advanced significantly, due particularly to a substantial expansion of volumes in Japan, Europe and Canada.
- We also posted strong gains for **Xofigo**, with business continuing to benefit from a successful market launch in Japan and higher demand in Europe.
- Business with **Stivarga** expanded significantly, especially in the United States and Japan, mainly reflecting new approval for the drug as a 2nd-line treatment for patients with hepatocellular carcinoma.
- **Adempas** showed further strong growth that was chiefly attributable to persisting positive performance in the United States. As in the past, sales of the product reflected the proportionate recognition of the one-time payment resulting from the sGC collaboration with Merck & Co., United States.
- We registered encouraging growth in sales of the **Mirena** product family. This trend mainly reflected higher volumes in the United States, where we continued to benefit from the successful market launch of the Kyleena intrauterine device.
- Sales of **Kogenate / Kovaltry** were significantly lower than in the prior-year quarter overall due primarily to lower order volumes for the active ingredient placed by our distribution partner ahead of the planned contract termination at the end of the year. After adjusting for this effect, sales were flat with the prior-year level.
- We also registered a decline in sales of **Nexavar** that was mainly the result of lower demand in Germany and the United States.
- Adalat, once again achieved sales gains, particularly as a result of expanded volumes in China.
- The decline in business with **Betaferon / Betaseron** continued as a result of lower demand in Europe and the United States.
- Business with the **YAZ** product family receded slightly, primarily due to generic competition in the United States. Positive business development in Japan, where we benefited from the launch of Yaz-Flex, was insufficient to offset this effect.
- We posted substantial sales gains for **Aspirin Cardio** and **Glucobay** as a result of a persistently favorable market environment in China.
- There was an encouraging increase in sales of **Gadovist** that was primarily attributable to the positive development of business in the United States and Japan.
- We posted a sharp decline in sales of **Avalox / Avelox** that was mainly the result of lower demand in Europe and the United States.
- **EBITDA before special items** of Pharmaceuticals increased mainly due to higher volumes and lower cost of goods sold. We also recorded a receivable in the mid-double-digit millions as one of our distribution partners for Kogenate did not fulfill its purchase obligation, and this had a positive effect on earnings. In contrast, negative currency effects diminished earnings by about €60 million.



Consumer Health in Q3 2017

<i>Euro million</i>	Q3 2016	Q3 2017	% y-o-y	Consensus**
Sales	1,425	1,320	-7.4 / -2.9*	1,417
EBITDA before special items	328	274	-16.5	290
EBITDA-margin before special items	23.0%	20.8%		20.5%

*) Currency and portfolio adjusted sales growth

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

- Price +0.3%, volume -3.2%, currency -4.5%, portfolio ±0.0%
- Sales of Consumer Health declined primarily due to lower sales in North America and in Europe. The decline in sales in North America was largely due to the market environment remaining challenging in the United States. The negative development in Europe is primarily the result of higher incoming orders being recorded in Russia in the second quarter. We increased sales in Latin America on a currency-adjusted basis, especially in Argentina, and attained the prior-year level in Asia/Pacific
- **EBITDA before special items** of Consumer Health declined primarily due to lower volumes and a higher cost of goods sold, which largely resulted from inventory write-offs and the underutilization of production facilities. In addition, currency effects diminished earnings by around €10 million. Earnings also included one-time gains in the amount of around €30 million mainly related to the sale of non-core brands.

Crop Science in Q3 2017

<i>Euro million</i>	Q3 2016	Q3 2017	% y-o-y	Consensus**
Sales	2,057	2,031	-1.3 / 2.7*	2,050
Crop Protection / Seeds	1,911	1,882	-1.5 / 2.4*	•
Environmental Science	146	149	2.1 / 6.8*	•
EBITDA before special items	318	307	-3.5	305
EBITDA-margin before special items	15.5%	15.1%		14.9%

*) Currency and portfolio adjusted sales growth

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

Q3 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	525	-0.2	386	9.8	380	7.4	740	-0.3

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

- Price -4.4%, volume +7.1%, currency -4.0%, portfolio ±0.0%
- At Crop Science, Crop Protection / Seeds registered gains on a currency- and portfolio-adjusted basis that resulted particularly from gratifying development in the Asia / Pacific and North America regions. Environmental Science posted increased sales due to product deliveries to the acquirer of the consumer business divested in the fourth quarter of 2016.



- Business in **Europe / Middle East / Africa** developed very positively at Seeds, particularly for vegetables, and at Insecticides, due in part to a successful tender business. In contrast, SeedGrowth and Herbicides posted considerable declines as a result of increased competitive pressure.
- In **North America**, we achieved strong growth in the Seeds business, in particular for soybeans and oilseed rape/canola. However, the Insecticides and Fungicides businesses registered considerable declines in sales. Environmental Science posted a substantial increase in sales.
- In the **Asia / Pacific** region, business at Insecticides and Fungicides developed very positively in India after a weak second quarter in connection with the introduction of a new sales tax system. The Seeds business also saw gratifying development thanks above all to an early start to the season for oilseeds and cotton, while sales were down at Herbicides and SeedGrowth.
- Sales in the **Latin America** region were flat year on year with sales declining slightly in Brazil, where business was impacted in particular by price reductions. We posted gains in sales overall in the other Latin American countries on a currency-adjusted basis.
- **EBITDA before special items** of Crop Science decreased. Lower selling prices and a negative currency effect in the amount of around €20 million stood against an increase in other operating income, a decline in the cost of goods sold and a decrease in selling expenses. Positive effects in the mid-double-digit millions were recorded in conjunction with the accounting measures taken in the previous quarter in Brazil.

Animal Health in Q3 2017

<i>Euro million</i>	Q3 2016	Q3 2017	% y-o-y	Consensus**
Sales	360	359	-0.3 / 1.4*	370
EBITDA before special items	89	81	-9.0	92
EBITDA-margin before special items	24.7%	22.6%		24.9%

*) Currency and portfolio adjusted sales growth

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

- Price 0.3%, volume +1.1%, currency -3.9%, portfolio +2.2%
- Sales of Animal Health increased in the third quarter in a weak market environment overall. We achieved considerable gains in the North America region (+10.2% currency-adjusted), thanks partly to the Cydectin product portfolio acquired in January 2017.
- **EBITDA before special items** of Animal Health declined due to product mix effects, higher selling expenses as a result of seasonal shifts, and a currency loss of around €5 million. The positive contributions from the Cydectin business we acquired were insufficient to offset these developments.

Key figures for Q3 2017

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health		Reconciliation		Group	
	Q3'16	Q3'17	Q3'16	Q3'17	Q3'16	Q3'17	Q3'16	Q3'17	Q3'16	Q3'17	Q3'16	Q3'17
	€ million											
Sales	4,152	4,065	1,425	1,320	2,057	2,031	360	359	284	250	8,258	8,025
Sales by region:												
Europe / Middle East / Africa	1,589	1,548	457	430	542	525	100	94	249	250	2,937	2,847
North America	1,071	1,028	600	537	368	386	137	144	7	0	2,183	2,095
Asia / Pacific	1,223	1,223	185	178	367	380	83	82	0	-1	1,858	1,862
Latin America	269	266	183	175	780	740	40	39	8	1	1,280	1,221
EBITDA	1,416	1,496	301	257	247	199	88	73	-56	-56	1,996	1,969
Special items	-5	3	-27	-17	-71	-108	-1	-8	-18	-105	-122	-235
EBITDA before special items	1,421	1,493	328	274	318	307	89	81	-38	49	2,118	2,204
EBITDA margin before special items	34.2%	36.7%	23.0%	20.8%	15.5%	15.1%	24.7%	22.6%	-14.4%	19.6%	25.6%	27.5%
EBIT	1,097	1,209	194	155	135	84	81	64	-110	-124	1,397	1,388
Special items	-6	3	-29	-18	-71	-121	-1	-8	-18	-105	-125	-249
EBIT before special items	1,103	1,206	223	173	206	205	82	72	-92	-19	1,522	1,637
EBIT margin before special items	26.6%	29.7%	15.6%	13.1%	10.0%	10.1%	22.8%	20.1%	-34.8%	-7.6%	18.4%	20.4%
Operating cash flow	998	1,036	215	200	1,027	841	80	68	49	-242	2,369	1,903
Financial result											-233	-403
Income after taxes from continuing operations											957	773
Income after taxes from discontinued operations											333	3,423
Net income											1,187	3,881
Earnings per share - continuing operations (€)											1.15	0.89
Earnings per share - discontinued operations (€)											0.28	3.56
Earnings per share (€)											1.43	4.45
Core earnings per share - continuing operations (€)											1.53	1.47
Core earnings per share - discontinued operations (€)											0.30	1.27
Core earnings per share (€)											1.83	2.74
CapEx (cash effective)											567	441
R&D											1,055	1,079
D&A and Write-downs	319	287	107	102	112	115	7	9	54	68	599	581
Employees at end of period	39,994	38,110	12,909	12,050	22,323	20,747	3,982	3,554	20,309	25,384	99,517	99,845
2016 figures restated												



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