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Investor News

Fiscal 2016:

Another record year for Bayer – good progress with the acquisition of Monsanto

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Leverkusen, February 22, 2017 – Bayer had a very successful year in 2016, both strategically and operationally. “We again posted a record operating performance – and are making good progress with the agreed acquisition of Monsanto as well,” Management Board Chairman Werner Baumann said on Wednesday at the Financial News Conference in Leverkusen. Pharmaceuticals once again posted encouraging sales and earnings growth. Consumer Health recorded sales growth on a currency- and portfolio-adjusted basis (Fx & portfolio adj.), while earnings were down. At Crop Science, currency- and portfolio-adjusted sales and clean EBITDA remained steady despite the persistently difficult market environment. Animal Health posted currency- and portfolio-adjusted sales growth, while earnings were on a par with the prior-year level. Covestro raised earnings sharply, while sales attained the prior-year level after adjustment for currency and portfolio effects. “We have every reason to be optimistic about the future and started the new business year well,” said Baumann. He raised the prospect of further growth in sales and earnings in 2017.

Bayer last year took a major strategic step forward with the agreed acquisition of Monsanto, said Baumann. “This transaction is the perfect fit for our strategy of seeking leadership positions with our Life Science activities in attractive, innovation-driven markets.” Once the businesses have been combined, Bayer would be able to create substantial additional value in the long term through more innovation, stronger growth and greater efficiency. At a special meeting in December 2016, Monsanto’s stockholders approved the transaction. Bayer has also made progress in the necessary antitrust proceedings and has already applied for clearance from some two-thirds of around 30 authorities. Bayer and Monsanto are working closely with the authorities. Bayer remains confident of closing the transaction before the end of 2017.

Sales of the Bayer Group increased in 2016 by 1.5 percent (Fx & portfolio adj. 3.5 percent) to EUR 46,769 million (2015: EUR 46,085 million). EBITDA before special items advanced by 10.2 percent to EUR 11,302 million (2015: EUR 10,256 million). EBIT rose by 12.8 percent to EUR 7,042 million (2015: EUR 6,241 million) after special charges of EUR 1,088 million (2015: EUR 819 million). These resulted mainly from impairment losses on intangible assets, charges in connection with efficiency improvement programs and costs for the integration of acquired businesses. EBIT before special items climbed by 15.2 percent to EUR 8,130 million (2015: EUR 7,060 million). Net income improved by 10.2 percent to EUR 4,531 million (2015: EUR 4,110 million), and core earnings per share from continuing operations by 7.3 percent to EUR 7.32 (2015: EUR 6.82).

Operating cash flow from continuing operations climbed by 20.8 percent to EUR 8,259 million (2015: EUR 6,836 million). “Here we benefited mainly from the improved earnings situation and a decrease in additional cash tied up in net current assets,” explained CFO Johannes Dietsch. Net financial debt declined by 32.5 percent in 2016, to EUR 11.8 billion. Cash inflows from operating activities and the issuance of mandatory convertible notes were set against cash outflows for dividends and negative currency effects.

Gratifying sales and earnings growth at Pharmaceuticals

Sales of prescription medicines rose by 8.7 percent (Fx & portfolio adj.) to EUR 16,420 million (2015: EUR 15,308 million). “Sales at Pharmaceuticals advanced by a gratifying amount. We expanded business markedly in all regions,” said Baumann. Business with the key growth products developed particularly robustly. The oral anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Xofigo™ and Stivarga™, and the pulmonary hypertension treatment Adempas™ posted total combined sales of EUR 5,413 million

(2015: EUR 4,231 million). Sales of Xarelto™ climbed by 30.8 percent on a currency-adjusted basis (Fx adj.), due particularly to expanded volumes in Europe and Japan. Bayer also posted significant gains for its license revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson. Sales of Eylea™ again advanced strongly (Fx adj. plus 33.0 percent). The product developed especially well in Europe, Canada and Japan.

Among the other leading pharmaceutical products, the hormone-releasing intrauterine devices of the Mirena™ product family posted significant sales growth of 8.8 percent (Fx adj.), thanks in particular to positive price development in the United States and the launch of the new low-dose intrauterine device Kyleena™. The MRI contrast agent Gadavist™/Gadovist™ once again grew strongly (Fx adj. plus 19.7 percent), due especially to a significant expansion of volumes in Japan and the United States. Sales of Aspirin™ Cardio for the secondary prevention of heart attacks benefited from an improved business situation in China and Latin America, gaining 7.4 percent (Fx adj.). Sales of the multiple sclerosis treatment Betaferon™/Betaseron™ declined (Fx adj. minus 9.9 percent), however, due mainly to weaker business performance in Europe and the United States.

EBITDA before special items of Pharmaceuticals advanced by 13.8 percent to EUR 5,251 million (2015: EUR 4,616 million). The substantial growth in earnings was largely attributable to our very good business development. Much higher investments in research and development and negative currency effects of around EUR 65 million had an opposing effect.

Consumer Health grows with competition

Sales of self-care products (Consumer Health) advanced by 3.5 percent (Fx & portfolio adj.) to EUR 6,037 million (2015: EUR 6,076 million). “This development largely mirrored that of our competitors,” explained Baumann. The division achieved significant gains in Latin America and Asia/Pacific on a currency-adjusted basis, and Europe/Middle East/Africa contributed to sales growth with a slight increase. Sales in North America came in at the prior-year level.

Business with the prenatal vitamin Elevit™ saw particularly encouraging development (Fx adj. plus 17.2 percent), posting double-digit growth rates in Asia/Pacific and Europe/Middle East/Africa. Bayer achieved significant growth of 13.4 percent (Fx adj.) with the

skin and intimate health brand Canesten™ thanks to expanded volumes in all regions. Sales of the Bepanthen™/Bepanthol™ wound healing and skin care products advanced by a strong 9.2 percent (Fx adj.), particularly in Europe. By contrast, business with the antihistamine Claritin™ receded overall (Fx adj. minus 2.6 percent). Sales in Asia/Pacific were down against the strong prior year due to intensified competition and to price controls for prescription medicines in Japan. The gratifying increase in the United States due to a product line extension with ClariSpray™ only partly offset this effect.

EBITDA before special items of Consumer Health declined by 3.1 percent to EUR 1,411 million (2015: EUR 1,456 million). Earnings were diminished by a higher cost of goods sold and negative currency effects of approximately EUR 65 million. These factors were largely compensated by the positive development of sales and cost synergies.

Crop Science successful in a difficult market environment

In the agriculture business, Bayer posted sales of EUR 9,915 million (2015: EUR 10,128 million; Fx & portfolio adj. plus 0.1 percent). “The market environment for our Crop Science Division remained weak last year, particularly in Latin America,” said Baumann. Crop Science nonetheless held sales at the prior-year level, the Bayer CEO explained. The considerable 6.9 percent (Fx adj.) decline in Latin America was compensated by gains in the other regions. Sales rose by 3.9 percent (Fx adj.) in North America, 2.7 percent (Fx adj.) in Asia/Pacific and 1.8 percent (Fx adj.) in Europe/Middle East/Africa.

Seeds (seeds and traits) in particular developed positively, growing by 8.3 percent (Fx & portfolio adj.). The Crop Protection business posted gains of 4.0 percent for Fungicides and 4.1 percent for SeedGrowth (seed treatment products) on a currency- and portfolio-adjusted basis. By contrast, the Insecticides business was down sharply (Fx & portfolio adj. minus 13.3 percent). At Herbicides, sales declined slightly (Fx & portfolio adj. minus 2.2 percent). Environmental Science registered a sales gain of 4.5 percent (Fx & portfolio adj.).

EBITDA before special items of Crop Science came in level with the previous year (plus 0.6 percent) at EUR 2,421 million (2015: EUR 2,406 million). A positive currency effect of about EUR 140 million and higher selling prices were offset by lower volumes, higher research and development expenses and higher impairment losses on receivables.

Animal Health benefits from strong growth of Seresto™

Sales of the Animal Health business advanced by 4.8 percent (Fx & portfolio adj.) to EUR 1,523 million (2015: EUR 1,490 million). The North America and Asia/Pacific regions developed especially positively due to higher demand. The Seresto™ flea and tick collar posted very strong sales growth of 55.4 percent (Fx adj.) that resulted chiefly from increased demand in the United States and Europe. Currency-adjusted sales of the Advantage™ family of flea, tick and worm control products were level with the previous year. EBITDA pre exceptionals was virtually flat year on year (plus 0.6 percent) at EUR 349 million (2015: EUR 347 million). Positive earnings contributions from volume and price increases stood against higher selling expenses and a higher cost of goods sold. Earnings were also diminished by a negative currency effect of about EUR 10 million.

Substantial earnings increase at Covestro

Sales of Covestro were level year on year (Fx & portfolio adj. 0.0 percent) at EUR 11,826 million (2015: EUR 11,982 million). Selling prices declined overall, due primarily to lower raw material prices. Volumes were above the level of the prior year overall. EBITDA before special items improved by a marked 19.6 percent to EUR 1,984 million (2015: EUR 1,659 million). Positive earnings contributions from lower raw material prices and higher volumes more than offset lower selling prices and a negative currency effect of about EUR 20 million.

Encouraging increase in clean EBITDA in the fourth quarter of 2016

“Our business continued to develop positively in the last quarter of 2016,” explained CFO Dietsch. Group sales rose by 4.7 percent (Fx & portfolio adj. 4.8 percent) in the fourth quarter, to EUR 11,820 million (Q4 2015: EUR 11,285 million). EBITDA before special items improved by 13.7 percent to EUR 2,179 million (Q4 2015: EUR 1,916 million). On the other hand, EBIT declined by 14.3 percent to EUR 789 million (Q4 2015: EUR 921 million). The Group as a whole posted net income of EUR 453 million (Q4 2015: 613 million). Core earnings per share from continuing operations rose to EUR 1.19 (Q4 2015: EUR 1.08).

Good progress in financing the agreed acquisition of Monsanto

Bayer is also making good progress with refinancing the agreed acquisition of Monsanto, continued Dietsch. The company has successfully implemented both the acquisition financing of USD 57 billion and the first equity measure in the amount of EUR 4 billion. “Transactions of this magnitude don’t necessarily go smoothly. The fact that we were so successful in these financing activities is also evidence of Bayer’s good reputation in the capital markets,” remarked Dietsch. Further refinancing of the acquisition financing is planned to include corporate and hybrid bonds and the raising of additional equity via a rights issue. However, should Bayer identify options to further optimize financing structures, instruments and also the timing of financing steps in the context of the transaction, the company will consider these.

“Innovation is our core competence”

Innovation is the foundation of Bayer’s success, Baumann explained. “It is our core competence.” He said the company is therefore investing substantially in strengthening its innovation capability. Last year Bayer spent nearly EUR 4.7 billion on research and development (plus 9.2 percent). “In the Life Science businesses, research and development expenditures amounted to EUR 4.4 billion, which was nearly 13 percent of sales. This, too, is an all-time record for Bayer,” said Baumann. “These efforts to further strengthen our innovation capability are paying off, as we can see in our development pipelines.” At Pharmaceuticals, for example, Bayer has a whole series of promising product candidates currently undergoing clinical development. The company estimates that six of them – in the mid- to late-stage pipeline – have an estimated combined peak annual sales potential of at least EUR 6 billion. At Crop Science, the combined peak annual sales potential of Bayer’s crop protection and seed technology pipeline is estimated at more than EUR 5 billion from products that have been or will be brought to market between 2015 and 2020.

Positive development expected to continue in 2017

“We expect the positive development to continue in fiscal 2017,” said Baumann. Sales of the Bayer Group including Covestro are targeted to increase to more than EUR 49 billion. This corresponds to a low- to mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. EBITDA before special items is forecast to grow by a mid-single-digit percentage. The company aims to increase core earnings per share from continuing

operations by a mid-single-digit percentage as well. It should be noted that only 64 percent of Covestro will be reflected for the full year 2017. Also reflected are the mandatory convertible notes that were successfully issued in November 2016, which increased the weighted average number of shares. These forecasts are based on exchange rates as of December 31, 2016, including a rate of USD 1.05 to the euro.

Bayer is planning sales of approximately EUR 37 billion for the **Life Science** activities. This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. EBITDA before special items is forecast to rise by a mid- to high-single-digit percentage.

For **Pharmaceuticals**, Bayer expects sales of more than EUR 17 billion, corresponding to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. Sales of the key growth products Xarelto™, Eylea™, Stivarga™, Xofigo™ and Adempas™ are targeted to increase to more than EUR 6 billion. EBITDA before special items is planned to increase by a high-single-digit percentage. The company aims to further improve the EBITDA margin before special items.

For **Consumer Health**, Bayer expects sales to come in at more than EUR 6 billion and, in line with anticipated market development, plans growth by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis. It is expected that EBITDA before special items will increase by a low- to mid-single-digit percentage.

Crop Science is predicting sales of more than EUR 10 billion. This corresponds to a low-single-digit percentage increase on a currency- and portfolio-adjusted basis. EBITDA before special items is expected to come in on the level of the prior year.

At **Animal Health**, Bayer expects sales to rise by a low- to mid-single digit percentage on a currency- and portfolio-adjusted basis and plans to improve EBITDA before special items by a high-single-digit percentage.

In 2017, **Covestro** is expecting an increase in sales and EBITDA before special items that is level with or higher than the previous year.

For the Group as a whole, Bayer expects to take special charges in EBITDA in the region of EUR 0.5 billion in 2017. The Bayer Group intends to increase research and development spending to EUR 4.8 billion. Capital expenditures are expected to amount to

about EUR 2.5 billion for property, plant and equipment and around EUR 0.4 billion for intangible assets. Excluding capital and portfolio measures, net financial debt is expected to be about EUR 10 billion at the end of 2017

Note:

Below you will find tables containing the key data of the Bayer Group and its segments for the full year and the fourth quarter of 2016.

The complete Annual Report 2016 is available on the Internet at www.investor.bayer.com

Supplementary material at www.investor.bayer.com includes:

- Live webcast of the **Financial News Conference** from approx. 10:00 a.m. CET
- Presentation charts for the **Investor Conference Call** at 12:00 noon CET
- Live webcast of the **Investor Conference Call** from approx. 2:00 p.m. CET
- Recording of the **Investor Conference Call** from approx. 6:00 p.m. CET

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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: uncertainties as to the timing of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected time-frames or at all and to successfully integrate Monsanto’s operations into those of Bayer; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management’s attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company’s future financial condition, operating results, strategy and plans; other factors detailed in Monsanto’s Annual Report on Form 10-K filed with the SEC for the fiscal year ended August 31, 2016 and Monsanto’s other filings with the SEC, which are available at <http://www.sec.gov> and on Monsanto’s website at www.monsanto.com; and other factors discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. Bayer and Monsanto assume 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.

Bayer Group Key Data, Fourth Quarter and Full Year 2016

(Continuing operations – prior-year data are restated.)

Bayer Group (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	11,285	11,820	+4.7	46,085	46,769	+1.5
EBITDA before special items	1,916	2,179	+13.7	10,256	11,302	+10.2
EBIT	921	789	-14.3	6,241	7,042	+12.8
<i>Special items</i>	(116)	(587)	-	(819)	(1,088)	-
EBIT before special items	1,037	1,376	+32.7	7,060	8,130	+15.2
Net income *	613	453	-26.1	4,110	4,531	+10.2
Earnings per share (EUR) *	0.74	0.53	-28.4	4.97	5.44	+9.5
Core earnings per share (EUR)	1.08	1.19	+10.2	6.82	7.32	+7.3
Number of employees **	116,600	115,200	-1.2	116,600	115,200	-1.2

Pharmaceuticals (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	3,986	4,275	+7.3	15,308	16,420	+7.3
EBITDA before special items	1,085	1,217	+12.2	4,616	5,251	+13.8
EBIT	569	606	+6.5	3,028	3,389	+11.9
<i>Special items</i>	(190)	(310)	-	(299)	(558)	-
EBIT before special items	759	916	+20.7	3,327	3,947	+18.6

Consumer Health (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	1,506	1,539	+2.2	6,076	6,037	-0.6
EBITDA before special items	385	372	-3.4	1,456	1,411	-3.1
EBIT	194	68	-64.9	768	695	-9.5
<i>Special items</i>	(55)	(199)	-	(237)	(292)	-
EBIT before special items	249	267	+7.2	1,005	987	-1.8

Crop Science (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	2,405	2,404	-	10,128	9,915	-2.1
EBITDA before special items	347	351	+1.2	2,406	2,421	+0.6
EBIT	491	153	-68.8	2,094	1,755	-16.2
<i>Special items</i>	301	(39)	-	222	(143)	-
EBIT before special items	190	192	+1.1	1,872	1,898	+1.4

Animal Health (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	319	329	+3.1	1,490	1,523	+2.2
EBITDA before special items	41	38	-7.3	347	349	+0.6
EBIT	14	25	+78.6	254	313	+23.2
<i>Special items</i>	(19)	(5)	-	(64)	(7)	-
EBIT before special items	33	30	-9.1	318	320	+0.6

Covestro (EUR million)	Q4 2015	Q4 2016	Change in %	FY 2015	FY 2016	Change in %
Sales	2,774	2,997	+8.0	11,982	11,826	-1.3
EBITDA before special items	257	373	+45.1	1,659	1,984	+19.6
EBIT	(79)	203	-	635	1,304	+105.4
<i>Special items</i>	(144)	0	-	(332)	0	-
EBIT before special items	65	203	-	967	1,304	+34.9

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.

* Including discontinued operations / ** Full-time equivalents at end of period