



Science For A Better Life



# Investor Conference Call

Q3 2017 Results

October 26, 2017 / Werner Baumann, CEO

# Cautionary Statements Regarding Forward-Looking Information

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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 the refinancing of the loans taken out for the transaction, 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](http://www.monsanto.com); and other factors discussed in Bayer’s public reports which are available on the Bayer website at [www.bayer.com](http://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.



## Q3 2017 – Highlights

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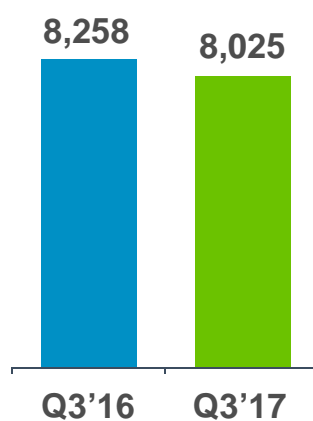
- Increase in sales and earnings
- Deconsolidation of Covestro
- Group outlook for 2017 confirmed - reflecting the new Group structure
- Agreement reached to sell selected Crop Science businesses
- Progress made with the planned acquisition of Monsanto
- Pharma pipeline advancements



# Q3 2017 – Increase in Sales and Earnings

## Sales

in € million  
% currency & portfolio adj.



**+1%**

## EBITDA

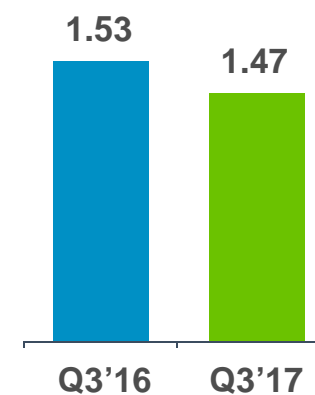
before special items  
in € million



**+4%**

## Core EPS

cont. operations  
in €



**-4%**



# Key Themes for Q3 2017

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› **Growth profile at Pharma intact**

› **Pharma pipeline advancements**

› **Deconsolidation of Covestro**



# Group Outlook for FY 2017

Sales  $\Delta$  % yoy Fx and portfolio adj., EBITDA before special items

Continuing operations	2016		Forecast 2017 update October	Change
<b>Sales</b>	€34.9bn	▶	Low-single-digit % increase to €35bn - €36bn	●
<b>Adj. EBITDA</b>	€9.3bn	▶	Slightly above prior year level	●
<b>Core EPS</b>	€6.67	▶	Low-single-digit % decline	n.a.



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Appendix

# Q3 2017 – Cash Flow And Net Financial Debt Development



## Cash Flow

in € million; Δ% yoy, Fx adj., continuing operations

	EBITDA	Operating Cash Flow	CapEx
	1,969	1,903	441
Δ y-o-y	-1%	-20%	-22%

## Net Financial Debt

in € billion



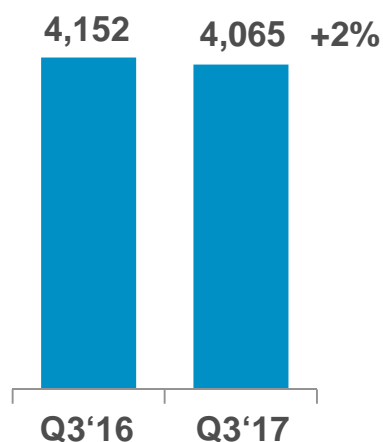


# Q3 2017 – Pharmaceuticals with Sales and Earnings Growth



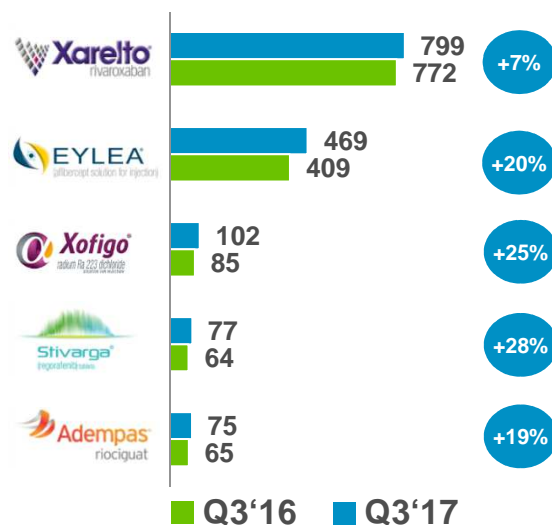
## Sales

in € million; Δ% yoy, Fx & portfolio adj.



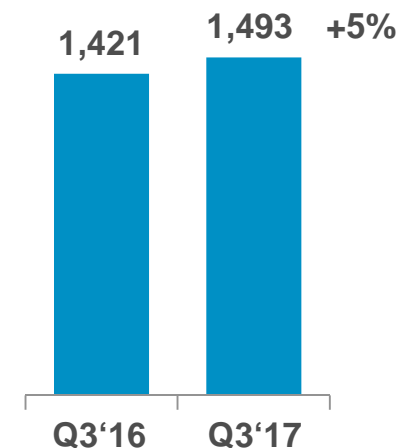
## Key Growth Products

Q3'17 sales in € million, Δ% yoy, Fx adj.



## EBITDA

before special items, in € million; Δ% yoy

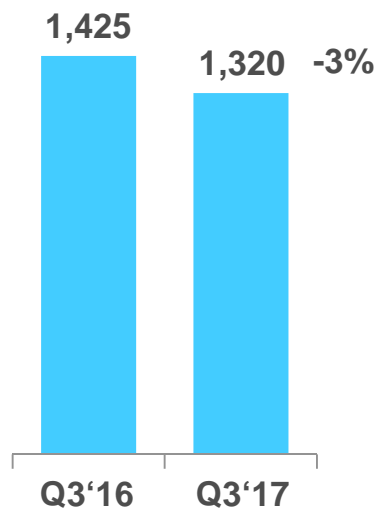


# Q3 2017 – As Expected, Weak Performance at Consumer Health



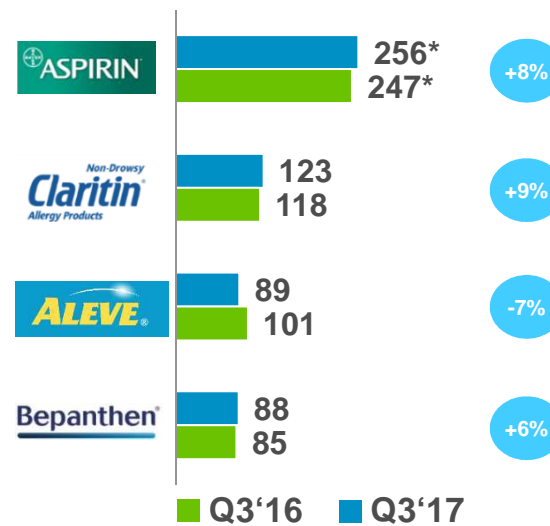
## Sales

in € million; Δ% yoy, Fx & portfolio adj.



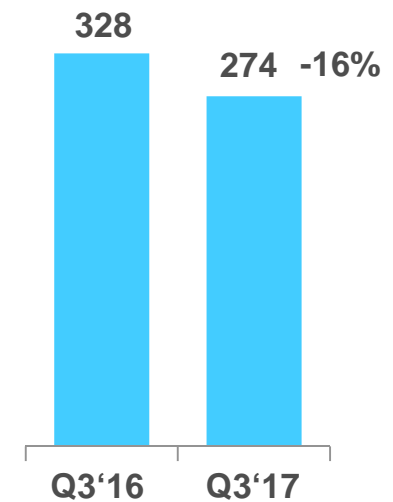
## Top Products

Q3'17 sales in € million, Δ% yoy, Fx adj.



## EBITDA

before special items, in € million; Δ% yoy

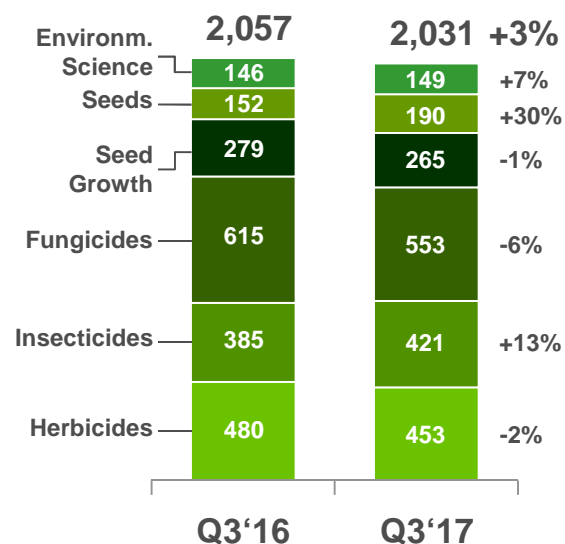


# Q3 2017 – Sales Gains at Crop Science – Situation in Brazil Stabilized



## Sales

in € million; Δ% yoy, Fx & portfolio adj.



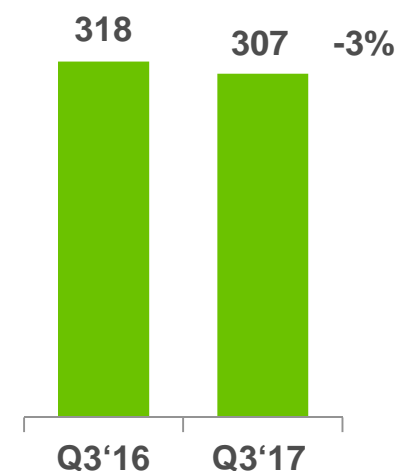
## Regions

Q3'17 sales in € million, Δ% yoy, Fx adj.

Region	Q3'17 sales (€ million)	Δ% yoy
Europe / Middle East / Africa	525	-0%
North America	386	+10%
Asia / Pacific	380	+7%
Latin America	740	-0%

## EBITDA

before special items, in € million; Δ% yoy



# Q3 2017 – Animal Health Increases Sales in Weak Market Environment



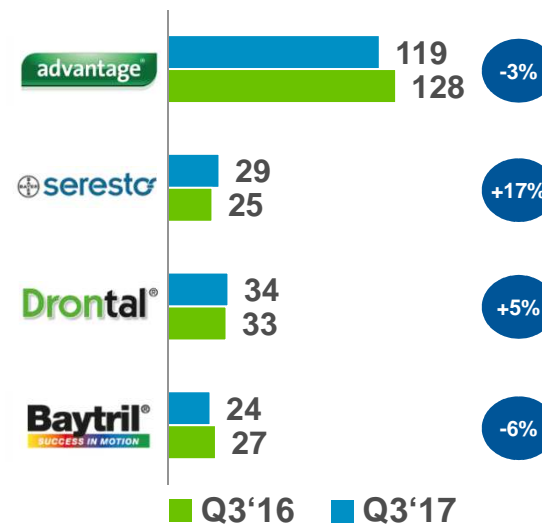
## Sales

in € million; Δ% yoy, Fx & portfolio adj.



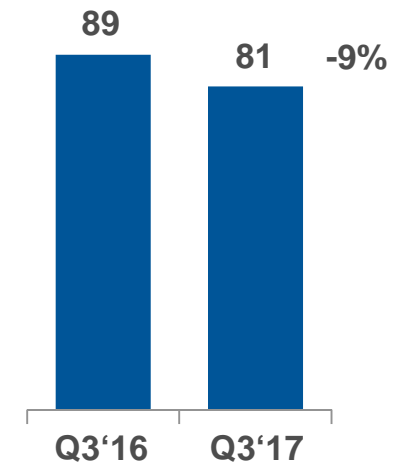
## Top Products

Q3'17 sales in € million, Δ% yoy, Fx adj.



## EBITDA

before special items, in € million; Δ% yoy



# FY 2017 – Guidance by Segment (update October 2017)



Sales  $\Delta$  % yoy Fx and portfolio adj.,  
EBITDA before special items  
Continuing operations

	Sales	Adj. EBITDA
<b>Pharma</b>	Mid-single-digit % increase to ~€17bn. Key growth products >€6bn	High-single-digit % increase. Margin improvement
<b>Consumer Health</b>	On prior-year level (~€6bn)	High-single-digit percentage decline
<b>Crop Science</b>	Low-single-digit % decrease to <€10bn	Mid-teens-percentage decline
<b>Animal Health</b>	Low- to mid-single-digit % increase	High-single-digit % increase

# Covestro At-Equity Investment – Requirement of PPA and Subsequent Amortization of PPA Step-ups



- Per Sep 30, 2017, all of COV's net assets were derecognized and an at-equity investment recognized with a book value equaling the fair value of the remaining COV shares (24.6% w/o 8.9% Bayer Pension Trust)
- A purchase price allocation (PPA) was conducted for Bayer's remaining at-equity stake in order to reconcile the book value of Bayer's share of COV's net assets with the carrying amount of the equity-investment measured at fair value (IAS 28.32):

24.6% of COV's net assets @book value
+ PPA step-ups
+ Goodwill
Carrying amount at-equity investment @fair value

- Future profit/loss from the at-equity investment will be presented as part of continuing operations (financial result) and will include
  - a) Bayer's share of COV's net income and
  - b) The amortization of step-ups from COV purchase price allocation (special item)
- The use of the equity-method will be discontinued when Bayer further reduces its stake in COV and loses significant influence

# Covestro At-Equity Investment – PPA Step-ups and P&L Impact of PPA-Amortization



## Covestro At-Equity-PPA

	€	Sep 30, 2017
Covestro net assets (24.6 % Bayer share)		1,262m
PPA Step-ups Intangibles		1,613m
PPA Step-ups Fixed Assets		246m
PPA Step-ups Inventories		75m
PPA Step-ups DTL		-542m
Goodwill		970m
<b>Carrying amount at-equity-investment</b>		<b>3,624m</b>

	€	Q4 2017e	From Q1 2018e onwards
Amortization of PPA Step-ups Intangibles		-40m	-40m
Amortization of PPA Step-ups Fixed Assets		-6m	-6m
Amortization of PPA Step-ups Inventories		-76m	0m
Amortization of PPA Step-ups DTL		+34m	+13m
<b>Total P&amp;L impact of PPA (special item, financial result)</b>		<b>-87m</b>	<b>-33m</b>

- Market value of retained shares constitutes fair value (carrying amount) of at-equity investment:  $€72.75 \times 49.81\text{m shares} = \mathbf{€3,624m}$
- Q4 2017 P&L impact of PPA higher due to full amortization of step-ups on inventories
- Assuming further reduction of Bayer's stake in Covestro, leading to a loss of significant influence, the use of the equity-method would be discontinued and the expected P&L impact from PPA would be zero.



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