



Bayer AG
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Investor News

Third quarter of 2018

Bayer: Good performance in a challenging environment, Group outlook confirmed

- Group sales increase by 1.9 percent (Fx & portfolio adj.) to 9.905 billion euros
 - EBITDA before special items level year on year at 2.202 billion euros
 - Business performance at Pharmaceuticals remains strong
 - Consumer Health with increase in sales (Fx & portfolio adj.), while currency effects weigh on earnings
 - Crop Science posts substantial rise in sales and earnings due to acquisition – successful start to integration process
 - Sales and earnings of Animal Health decline following a strong second quarter
 - One-time gain (before taxes) of roughly 3.9 billion euros from divestments
 - Net income 2.886 billion euros
 - Core earnings per share 1.19 euros
 - Adjusted 2018 Group outlook confirmed
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Leverkusen, Germany, November 13, 2018 – The Bayer Group achieved good operational performance in a challenging environment in the third quarter of 2018. This is the first time since the closing of the Monsanto acquisition that the new business has been included for a full quarter, and the integration process is now successfully underway. “Crop Science posted a substantial rise in earnings due to the acquisition, while Pharmaceuticals saw encouraging development. Consumer Health, for its part, posted higher sales on a currency- and portfolio-adjusted basis, although earnings were held back by currency effects,” said Werner Baumann, Chairman of the Board of Management, when he presented the interim report on Tuesday. He also confirmed the adjusted Group outlook for full year 2018.

Group sales in the third quarter rose by 1.9 percent on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) to 9.905 billion euros. On a reported basis, sales were up by

23.4 percent. EBITDA before special items was level year on year at 2.202 billion euros (minus 0.1 percent), while the contributions from the acquired agricultural business were higher than expected. Negative currency effects diminished earnings by approximately 160 million euros (excluding the acquired business). EBIT more than tripled to 4.423 billion euros after net special gains of 3.123 billion euros (Q3 2017: net special charges of 249 million euros). These gains primarily resulted from divestiture proceeds of approximately 3.9 billion euros before taxes in connection with the divestment of Crop Science businesses to BASF due to antitrust reasons. These stood against expenses related to the acquisition in the agricultural industry. Net income declined by 25.6 percent to 2.886 billion euros. The prior-year quarter included a gain from the deconsolidation of Covestro. Core earnings per share from continuing operations were below the prior-year quarter as expected, at 1.19 euros (minus 17.9 percent). This was mainly due to acquisition-related financing costs. These stood against the earnings contribution from the acquired business, which, as anticipated, was lower due to seasonal reasons. In addition, there was an increase in the number of shares as a result of the equity measures in the second quarter.

Net cash provided by operating activities in continuing operations rose by 7.8 percent to 2.051 billion euros, due mainly to a greater decline in cash tied up in working capital. Bayer reduced its net financial debt to 36.524 billion euros as of September 30, down 18.3 percent from the end of the second quarter. This decline was mainly attributable to the proceeds from the divestments to BASF being used to partially repay the bridge financing for the acquisition in the agricultural industry.

Pharmaceuticals increases sales and earnings

Sales of prescription medicines (Pharmaceuticals) rose by 4.8 percent (Fx & portfolio adj.) to 4.163 billion euros. “All regions contributed to this encouraging performance,” Baumann said. “We recorded a particularly positive development in Europe and China,” he added. Sales of Bayer’s key growth products amounted to 1.730 billion euros, which translates into combined growth of 15.7 percent (Fx & portfolio adj.) for the oral anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Xofigo™ and Stivarga™, and the pulmonary hypertension treatment Adempas™. Business with Xarelto™ increased by 18.8 percent (Fx & portfolio adj.) due to higher volumes in Europe, particularly in Germany, and China. Bayer also recorded significant sales gains for Eylea™ (17.9 percent) and Adempas™ (22.1 percent) on a currency- and portfolio-adjusted basis.

Sales of Xofigo™ declined by 13.0 percent (Fx & portfolio adj.), primarily due to lower volumes in the United States and Japan.

The strongest sales growth among the other top Pharmaceuticals products was recorded for the diabetes treatment Glucobay™ (Fx & portfolio adj.: 14.3 percent), with performance driven by expanded volumes in China. By contrast, sales of Adalat™, Bayer's product to treat hypertension and coronary heart disease, decreased by 6.4 percent (Fx & portfolio adj.), as expanded volumes in China did not suffice to compensate for declines in Japan and Canada.

EBITDA before special items of Pharmaceuticals rose by 4.1 percent to 1.554 billion euros. Adjusted for currency effects (Fx adj.), earnings were up by 9.0 percent. This increase was predominantly attributable to the very good development of business at the division and to one-time income of approximately 190 million euros from the Xarelto™ development collaboration with a Johnson & Johnson subsidiary after U.S. approval was obtained in a new and highly promising indication. The principal negative effects on earnings resulted from temporary supply disruptions and an increase in the cost of goods sold.

Consumer Health records higher sales (Fx & portfolio adj.)

Sales of self-care products (Consumer Health) increased by 3.0 percent (Fx & portfolio adj.) to 1.297 billion euros. "All regions contributed to this growth, but Asia/Pacific delivered the strongest sales gains, with an increase of over 9 percent," Baumann said.

Business with the prenatal vitamin Elevit™ grew particularly strongly, with sales rising by 13.3 percent (Fx & portfolio adj.). This growth was driven by continuing strong demand and a product line extension in Asia/Pacific. Sales of the Bepanthen™/Bepanthol™ brands of wound and skin care products also increased on a currency- and portfolio-adjusted basis (2.4 percent), especially in Europe. Business with the antihistamine Claritin™ declined by 6.7 percent (Fx & portfolio adj.) year on year, mainly because of a continuing weak season for this market segment in the United States. Sales of the analgesic Aspirin™ were down by 11.7 percent (Fx & portfolio adj.), due primarily to anticipated temporary supply disruptions. Including business with Aspirin™ Cardio, which is reported under Pharmaceuticals, sales declined by 5.6 percent (Fx & portfolio adj.)

EBITDA before special items of Consumer Health decreased by 9.5 percent (Fx adj.: 1.1 percent) to 248 million euros. Higher volumes, lower selling expenses and a decrease in general administration expenses had a positive impact on earnings. The division's prior-period earnings included one-time gains of approximately 30 million euros that related primarily to the sale of non-core brands.

Earnings up significantly at Crop Science

In the agricultural business (Crop Science), Bayer registered sales of 3.733 billion euros. Approximately 2.2 billion euros of this figure related to the acquired business. In addition, the businesses divested to BASF contributed approximately 100 million euros prior to the closing of the respective transactions in August. Sales were down 9.5 percent on a currency- and portfolio-adjusted basis due to the accounting measures taken in Brazil in the prior year, which had a positive effect on sales in the third quarter of 2017 due to the reversal of provisions. The division also recorded lower volumes in the Europe/Middle East/Africa region. On a currency- and portfolio-adjusted basis, sales advanced year on year in North America.

On a pro-forma basis, Crop Science increased sales by 1.4 percent (Fx adj.), in part due to significant growth at Corn Seed & Traits and Soybean Seed & Traits. At Herbicides, pro-forma sales were higher as a result of higher prices and volumes in the Latin America and North America regions. As for Fungicides and Insecticides, pro-forma sales were down due to the effects in Brazil in the prior year and the dry weather in Europe.

EBITDA before special items of Crop Science climbed by 25.7 percent to 386 million euros. "This increase is largely attributable to the 255 million euros in earnings contributed by the newly acquired business," Baumann said. Negative factors that impacted earnings included the accounting measures taken in Brazil in the previous year, lower volumes in Europe, higher other operating income in the prior-year quarter, the prorated third-quarter 2017 earnings contributions from the businesses divested to BASF, and a negative currency effect of 59 million euros (excluding the acquired business).

In connection with the crop protection product glyphosate, lawsuits from approximately 9,300 plaintiffs have been served in the United States as of October 30. "We continue to believe that we have meritorious defenses and intend to defend ourselves vigorously in all of these lawsuits," underlined Baumann. Speaking about the Johnson case, he said that

the verdict is a single judgment by a court of first instance and is not binding for the other proceedings. Bayer considers the decision to be incorrect and will therefore file an appeal with the California Court of Appeal. Glyphosate is safe for use when used according to label instructions, as confirmed by more than 800 scientific studies, decades of practical experience with glyphosate and the assessments of regulatory authorities in over 160 countries.

Business down at Animal Health as expected

Sales of the Animal Health business fell by 13.5 percent to 304 million euros (Fx & portfolio adj.). The segment recorded growth in the Asia/Pacific region on a currency- and portfolio-adjusted basis, while business was down year on year in the other regions. Adjusted for currency and portfolio effects, Bayer registered sales gains for the Seresto™ flea and tick collar (3.0 percent) and the Baytril™ antibiotic (8.7 percent). By contrast, sales of the Advantage™ line of flea, tick and worm control products declined (Fx & portfolio adj.: 34.7 percent), particularly in North America, due to substantial shifts in demand from the third quarter into the first six months. EBITDA before special items was down as expected, falling by 45.7 percent (Fx adj.: -42.0 percent) to 44 million euros. This decrease is primarily attributable to lower volumes, mainly due to shifts in demand from the third quarter into the first half of the year.

Group outlook confirmed

Bayer has confirmed the outlook for the Group that was updated in the second quarter of 2018 to reflect the acquisition, while the forecasts for Consumer Health and Animal Health are now becoming increasingly ambitious.

In line with previous guidance, sales of the Bayer Group are expected to come in at more than 39 billion euros, corresponding to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. Bayer continues to expect EBITDA before special items to increase by a low- to mid-single-digit percentage. On a currency-adjusted basis, this corresponds to an increase by a high-single-digit percentage. Core earnings per share are seen coming in at between 5.70 and 5.90 euros, matching previous guidance. On a currency-adjusted basis, this corresponds to a decrease by a high-single-digit percentage.

As before, Bayer aims to pay out a dividend per share for 2018 that is at least at the same level as in the prior year.

Note:

The following tables contain the key data for the Bayer Group and its segments for the third quarter and the first nine months of 2018.

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

Supplementary features at www.investor.bayer.com:

- live broadcast of the news conference call from approximately 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 approximately 2:00 p.m. CET
- recording of the investor conference call from approximately 6:00 p.m. CET.

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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: 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, 3rd Quarter and First Nine Months of 2018

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

Bayer Group (EUR million)	Q3 2017	Q3 2018	Change in %	9M 2017	9M 2018	Change in %
Sales	8,025	9,905	+23.4	26,419	28,524	+8.0
EBITDA before special items	2,204	2,202	-0.1	7,505	7,433	-1.0
EBIT	1,388	4,423	+218.7	5,278	8,084	+53.2
<i>Special items</i>	-249	3,123	-	-595	2,682	-
EBIT before special items	1,637	1,300	-20.6	5,873	5,402	-8.0
Net income *	3,881	2,886	-25.6	7,188	5,639	-21.5
Earnings per share (EUR) *	4.38	2.94	-32.9	8.12	6.08	-25.1
Core earnings per share (EUR)	1.45	1.19	-17.9	5.25	4.92	-6.3
Number of employees **	99,845	118,196	+18.4	99,845	118,196	+18.4

Pharmaceuticals (EUR million)	Q3 2017	Q3 2018	Change in %	9M 2017	9M 2018	Change in %
Sales	4,065	4,163	+2.4	12,632	12,455	-1.4
EBITDA before special items	1,493	1,554	+4.1	4,476	4,332	-3.2
EBIT	1,209	1,299	+7.4	3,530	3,515	-0.4
<i>Special items</i>	3	-16	-	-153	-73	-
EBIT before special items	1,206	1,315	+9.0	3,683	3,588	-2.6

Consumer Health (EUR million)	Q3 2017	Q3 2018	Change in %	9M 2017	9M 2018	Change in %
Sales	1,320	1,297	-1.7	4,463	4,119	-7.7
EBITDA before special items	274	248	-9.5	980	817	-16.6
EBIT	155	162	+4.5	628	530	-15.6
<i>Special items</i>	-18	9	-	-42	5	-
EBIT before special items	173	153	-11.6	670	525	-21.6

Crop Science (EUR million)	Q3 2017	Q3 2018	Change in %	9M 2017	9M 2018	Change in %
Sales	2,031	3,733	+83.8	7,314	9,605	+31.3
EBITDA before special items	307	386	+25.7	1,739	2,059	+18.4
EBIT	84	3,054	-	1,171	4,100	-
<i>Special items</i>	-121	3,163	-	-253	2,822	-
EBIT before special items	205	-109	-	1,424	1,278	-10.3

Animal Health (EUR million)	Q3 2017	Q3 2018	Change in %	9M 2017	9M 2018	Change in %
Sales	359	304	-15.3	1,249	1,171	-6.2
EBITDA before special items	81	44	-45.7	332	311	-6.3
EBIT	64	31	-51.6	297	276	-7.1
<i>Special items</i>	-8	-3	-	-8	-6	-
EBIT before special items	72	34	-52.8	305	282	-7.5

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