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## Investor News

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Interim report for the first quarter of 2017:

### **Strong start to the year for Bayer**

- Group sales increase by 11.7 percent (Fx & portfolio adj.: 9.4 percent) to EUR 13,244 million
- EBITDA before special items raised by 14.9 percent to EUR 3,893 million
- Growth momentum across all segments
- Very good business development at Pharmaceuticals
- Significant increase in sales and earnings at Covestro
- Net income 37.9 percent higher at EUR 2,083 million
- Core earnings per share advance by 11.5 percent to EUR 2.62
- Group outlook for 2017 raised, driven by Covestro performance

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**Leverkusen, April 27, 2017** – The Bayer Group got off to a very successful start to 2017 and generated strong sales and earnings growth in the first quarter. “At Pharmaceuticals, we once again benefited from the very good performance of our key growth products,” CEO Werner Baumann said when he presented the interim report for the first quarter on Thursday. Consumer Health, Crop Science and Animal Health also registered increases in sales and EBITDA before special items. Covestro posted substantial growth in sales and earnings. Driven by Covestro’s performance, Bayer has raised its Group outlook for 2017.

Sales of the Bayer Group increased by 11.7 percent to EUR 13,244 million (Q1 2016: EUR 11,854 million) in the first quarter. Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales advanced by 9.4 percent. Sales of the Life Science businesses amounted to EUR 9,680 million, up by 4.9 percent (Fx & portfolio adj.) year on year. Group EBITDA before special items improved by 14.9 percent to EUR 3,893 million (Q1 2016: EUR 3,387 million). EBIT climbed by a substantial 34.3 percent to EUR 3,116 million (Q1 2016: EUR 2,320 million) after special charges of EUR 85 million (Q1 2016:

EUR 272 million). These mainly resulted from expenses related to efficiency improvement programs, impairment losses on intangible assets, and costs in connection with the agreed acquisition of Monsanto. EBIT before special items moved ahead by 23.5 percent to EUR 3,201 million (Q1 2016: EUR 2,592 million). Net income climbed by 37.9 percent to EUR 2,083 million (Q1 2016: EUR 1,511 million), and core earnings per share from continuing operations by 11.5 percent to EUR 2.62 (Q1 2016: EUR 2.35).

Cash flow provided by operating activities from continuing operations climbed by a substantial 49.6 percent to EUR 826 million (Q1 2016: 552 million) due to the improvement in EBITDA. Net financial debt of the Bayer Group declined by EUR 1.4 billion to EUR 10.4 billion between December 31, 2016, and March 31, 2017, due mainly to cash inflows from the sale of Covestro shares.

### **Strong gains at Pharmaceuticals**

Sales of prescription medicines (Pharmaceuticals) rose in the first quarter by an encouraging 7.4 percent (Fx & portfolio adj.) to EUR 4,263 million (Q1 2016: EUR 3,889 million). “Our key growth products were once again especially successful, registering combined growth of 20 percent on a currency-adjusted basis,” Baumann said. 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 1,445 million (Q1 2016: EUR 1,187 million). Sales of Xarelto™ climbed by 19.6 percent on a currency-adjusted basis (Fx adj.), due primarily to higher volumes in Europe and Japan. In addition, Bayer once again significantly expanded its business with the eye medicine Eylea™ (Fx adj.: plus 19.3 percent), with performance driven by higher sales volumes in Europe. Encouraging sales were also achieved in Canada and Japan.

Sales of the hormone-releasing intrauterine devices of the Mirena™ product family increased by a substantial 22.7 percent (Fx adj.), primarily due to the performance of the U.S. business, which also benefited from the successful market launch of the new Kyleena™ intrauterine device. Bayer also recorded substantial sales increases for its diabetes treatment Glucobay™ (Fx adj.: plus 14.6 percent), its Aspirin™ Cardio product for the secondary prevention of heart attacks (Fx adj.: plus 13.8 percent) and its X-ray contrast agent Ultravist™ (Fx adj.: plus 18.0 percent), primarily as a result of the positive development of business in China. On the other hand, business with the Kogenate™/Kovaltry™ blood-clotting medicines was down overall (Fx adj.: minus 8.5 percent), largely

due to fluctuations in the order volumes placed by Bayer's distribution partner for these products. As expected, sales of the multiple sclerosis product Betaferon™/Betaseron™ were also lower than in the prior-year quarter due to reduced demand in Europe and the United States (Fx adj.: minus 12.1 percent). Overall, the Pharmaceuticals business grew in all regions on a currency-adjusted basis.

EBITDA before special items of Pharmaceuticals increased by a substantial 19.1 percent to EUR 1,502 million (Q1 2016: EUR 1,261 million). While sales rose, selling expenses and research and development expenditures were at around the same level as the prior-year quarter.

### **Growth in sales and earnings at Consumer Health**

Adjusted for currency and portfolio effects, sales of self-care products advanced by 2.6 percent to EUR 1,601 million (Q1 2016: EUR 1,520 million) in the first quarter. "We achieved double-digit percentage sales gains for several products at Consumer Health as well," Baumann noted. The division registered encouraging growth in Europe/Middle East/Africa and in Asia/Pacific. Sales in North America were level year on year on a currency-adjusted basis, while business declined substantially in Latin America.

The sunscreen product Coppertone™ delivered positive performance (Fx adj.: plus 21.3 percent), primarily in the United States and China where Bayer built inventories in the distribution channel ahead of the summer season. Encouraging sales gains were also recorded for Canesten™ skin and intimate health products (Fx adj.: plus 11.5 percent), in part due to the expansion of the product portfolio last year. Sales of the Alka-Seltzer™ family of products to treat gastric complaints and cold symptoms advanced significantly (Fx adj.: plus 19.6 percent), especially in the United States due to a strong cold season and as a result of a product line extension. The One A Day™ vitamin product achieved double-digit growth (Fx adj.: plus 19.1 percent), as did the Elevit™ prenatal vitamin (Fx adj.: plus 13.4 percent). By contrast, sales of Dr. Scholl's™ foot care products declined substantially (Fx adj.: minus 33.6 percent), primarily due to the reduction of inventories in distribution channels ahead of a change in product lines and a weak market environment in the United States. Business with the antihistamine Claritin™ was down slightly (Fx adj.: minus 2.4 percent), mainly because of a slow start to the allergy season in the United States. Gains in Europe and China only partially offset this effect.

EBITDA before special items of Consumer Health advanced by 2.3 percent to EUR 392 million (Q1 2016: EUR 383 million). This increase resulted from the positive development of sales as well as from one-time gains of around EUR 20 million, primarily from the sale of brands. A higher cost of goods sold, in part due to write-downs on inventories, had an opposing effect.

### **Crop Science: business expanded in North America**

Sales of the agriculture business increased by 3.2 percent (Fx & portfolio adj.) to EUR 3,120 million (Q1 2016: EUR 2,936 million). “Crop Science benefited primarily from encouraging performance in North America,” Baumann said. Sales in that region grew by 8.9 percent (Fx adj.). Business development was also positive in Europe/Middle East/Africa (Fx adj.: plus 2.0 percent) and in Asia/Pacific (Fx adj.: plus 2.9 percent), while sales in Latin America declined by 9.8 percent (Fx adj.).

Sales at Seeds (which also includes the traits business) rose by 8.0 percent (Fx and portfolio adj.). At Crop Protection, gains were primarily recorded at SeedGrowth (seed treatment products) and Herbicides, which posted increases of 7.1 percent and 5.3 percent (both Fx and portfolio adj.), respectively. Business at Insecticides expanded by 3.9 percent (Fx and portfolio adj.), while sales at Fungicides were 6.2 percent lower (Fx and portfolio adj.) than in the prior-year quarter. Sales growth of 20.5 percent (Fx and portfolio adj.) at Environmental Science was based on the delivery of products to the company that acquired the consumer business in October 2016.

EBITDA before special items of Crop Science increased by 2.4 percent to EUR 1,115 million (Q1 2016: EUR 1,089 million). Positive earnings effects resulted primarily from higher volumes. These stood against an increase in the cost of goods sold and in research and development expenses.

### **Substantial earnings growth at Animal Health**

Sales of the Animal Health business rose by 2.9 percent (Fx and portfolio adj.) to EUR 440 million (Q1 2016: EUR 408 million). The development of business in the Asia/Pacific region in particular was encouraging. Business in North America benefited from the sales generated by the Cydectin™ product portfolio that Bayer acquired from Boehringer Ingelheim Vetmedica, Inc. in the United States. Bayer once again significantly

expanded business with its Seresto™ flea and tick collar (Fx adj.: plus 38.2 percent), primarily as the result of higher volumes in the United States and Europe. By contrast, sales of the Advantage™ family of flea, tick and worm control products were considerably lower than in the prior-year quarter (Fx adj.: minus 10.0 percent), partly due to intensified competitive pressure and shifts in demand patterns. EBITDA before special items increased by 10.7 percent to EUR 135 million (Q1 2016: EUR 122 million). Positive earnings contributions resulted from both price increases as well as the Cydectin™ business that Bayer acquired. These stood against an increase in selling expenses and research and development expenditures.

### **Covestro records substantial expansion in volumes and prices**

Sales of Covestro advanced by 23.6 percent (Fx & portfolio adj.) in the first quarter compared with the prior-year period, to EUR 3,564 million (Q1 2016: EUR 2,850 million). Selling prices were much higher overall, especially at Polyurethanes, while volumes increased substantially in all business units. EBITDA before special items improved by 66.5 percent to EUR 839 million (Q1 2016: EUR 504 million). Substantially higher selling prices more than offset the effect of a slight increase in raw material prices. In addition, higher volumes had a positive effect on earnings.

### **Group outlook for 2017 raised**

For 2017, Covestro is now budgeting a substantial sales increase (previously: increase) and a significant improvement in EBITDA after adjustment for special items (previously: on or above the prior-year level).

This development leads to the following changes for the Bayer Group. Sales are now expected to increase to around EUR 51 billion (previously: more than EUR 49 billion). This now corresponds to a mid- to high-single-digit (previously: low- to mid-single-digit) percentage increase on a currency- and portfolio-adjusted basis. EBITDA before special items is now expected to improve by a low-teens percentage (previously: mid-single-digit percentage). Bayer now aims to grow core earnings per share from continuing operations by a mid- to high-single-digit percentage (previously: mid-single-digit percentage). Bayer's interest in Covestro amounts to only 53 percent as of March 2017 (previously: 64 percent for the full year). Excluding capital and portfolio measures, net financial debt is targeted to be around EUR 8 billion at the end of 2017 (previously: around EUR 10 billion).

Taking into account the potential opportunities and risks, at this point in time Bayer is not adjusting the forecasts issued for its Life Science businesses in February 2017 and refers to its Annual Report 2016 for further information. This forecast is based on the exchange rates as of March 31, 2017. There were no significant changes in this regard compared with December 31, 2016.

**Note:**

*The following tables contain the key data for the Bayer Group and its segments for the first quarter 2017.*

*The interim report for the first quarter 2017 is available on the Internet at: [www.investor.bayer.com](http://www.investor.bayer.com).*

*Supplementary features at [www.investor.bayer.com](http://www.investor.bayer.com):*

- presentation charts for the investor conference call at 12:00 noon CEST*
- live webcast of the investor conference call from approximately 2:00 p.m. CEST*
- recording of the investor conference call from approximately 6:00 p.m. CEST.*

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**Forward-Looking Statements**

This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports, which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

## Bayer Key Data, First Quarter of 2017

(Some prior-year figures restated)

<b>Bayer Group</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	11,854	<b>13,244</b>	+11.7
EBITDA before special items	3,387	<b>3,893</b>	+14.9
EBIT	2,320	<b>3,116</b>	+34.3
<i>Special items</i>	(272)	<b>(85)</b>	-
EBIT before special items	2,592	<b>3,201</b>	+23.5
Net income	1,511	<b>2,083</b>	+37.9
Earnings per share (EUR)	1.83	<b>2.39</b>	+30.6
Core earnings per share (EUR)	2.35	<b>2.62</b>	+11.5
Number of employees*	116,225	<b>115,578</b>	-0.6

<b>Pharmaceuticals</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	3,889	<b>4,263</b>	+9.6
EBITDA before special items	1,261	<b>1,502</b>	+19.1
EBIT	698	<b>1,219</b>	+74.6
<i>Special items</i>	(231)	<b>(36)</b>	-
EBIT before special items	929	<b>1,255</b>	+35.1

<b>Consumer Health</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	1,520	<b>1,601</b>	+5.3
EBITDA before special items	383	<b>392</b>	+2.3
EBIT	243	<b>278</b>	+14.4
<i>Special items</i>	(32)	<b>(9)</b>	-
EBIT before special items	275	<b>287</b>	+4.4

<b>Crop Science</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	2,936	<b>3,120</b>	+6.3
EBITDA before special items	1,089	<b>1,115</b>	+2.4
EBIT	955	<b>970</b>	+1.6
<i>Special items</i>	(3)	<b>(37)</b>	-
EBIT before special items	958	<b>1,007</b>	+5.1

<b>Animal Health</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	408	<b>440</b>	+7.8
EBITDA before special items	122	<b>135</b>	+10.7
EBIT	114	<b>126</b>	+10.5
<i>Special items</i>	(1)	<b>0</b>	-
EBIT before special items	115	<b>126</b>	+9.6

<b>Covestro</b> (EUR million)	Q1 2016	Q1 2017	Change %
Sales	2,850	<b>3,564</b>	+25.1
EBITDA before special items	504	<b>839</b>	+66.5
EBIT	336	<b>689</b>	+105.1
<i>Special items</i>	0	<b>17</b>	-
EBIT before special items	336	<b>672</b>	+100.0

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](http://www.bayer.com).

\* Full-time equivalents at end of period