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## Investor News

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Third quarter of 2016:

### **Bayer shows strong performance – Acquisition of Monsanto agreed**

- Group sales increase by 2.3 percent (Fx & portfolio adj. 3.5 percent) to EUR 11,262 million
- Pharmaceuticals sustains very good business development
- Moderate increase in sales at Consumer Health
- Crop Science successful in a persistently difficult market environment
- EBITDA before special items up by 6.0 percent to EUR 2,682 million
- Net income improves by 18.8 percent to EUR 1,187 million
- Core earnings per share increase by 2.4 percent to EUR 1.73
- Forecast for core earnings per share raised
- Agreed acquisition of Monsanto creates a global leader in agriculture

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**Leverkusen, October 26, 2016** – The Bayer Group remained on a path of growth in the third quarter of 2016 and took a major strategic step forward with the agreed acquisition of Monsanto. “The announcement that we had reached agreement to acquire Monsanto is a major strategic milestone for Bayer. We will be creating a global leader in agriculture and, at the same time, reinforcing our leadership position as a Life Science company,” said Bayer Management Board Chairman Werner Baumann when he presented the interim report for the third quarter on Wednesday.

The third quarter was very successful in operational terms as well, reported Baumann. In the Life Science businesses, Bayer achieved encouraging sales and earnings growth overall. Pharmaceuticals especially registered a very positive business performance once again. The recently launched products showed continued strong development. Consumer Health increased sales on a currency- and portfolio-adjusted basis (Fx & portfolio adj.) but EBITDA before special items was below the prior-year level. The operating performance

of Crop Science held steady year on year in a persistently difficult business environment. Animal Health raised sales and earnings. Covestro registered slight growth in sales (Fx & portfolio adj.) and a substantial increase in EBITDA before special items. The outlook for the full year remains positive. Bayer is raising the forecast for core earnings per share.

Sales of the Bayer Group increased by 2.3 percent (Fx & portfolio adj. 3.5 percent) in the third quarter to EUR 11,262 million (Q3 2015: EUR 11,004 million). EBITDA before special items improved by 6.0 percent to EUR 2,682 million (Q3 2015: EUR 2,530 million). EBIT advanced by 14.2 percent to EUR 1,795 million (Q3 2015: EUR 1,572 million) after special charges of EUR 125 million (Q3 2015: EUR 204 million). These mainly comprised EUR 52 million in connection with the agreed acquisition of Monsanto, EUR 49 million for efficiency improvement measures and EUR 23 million for the integration of acquired businesses. EBIT before special items moved forward by 8.1 percent to EUR 1,920 million (Q3 2015: EUR 1,776 million). Net income increased by 18.8 percent to EUR 1,187 million (Q3 2015: EUR 999 million), and core earnings per share from continuing operations by 2.4 percent to EUR 1.73 (Q3 2015: EUR 1.69).

Gross cash flow from continuing operations climbed by a robust 36.1 percent to EUR 1,951 million (Q3 2015: EUR 1,434 million), due among other things to the increase in EBIT. Owing to a decrease in cash tied up in working capital, net cash flow (total) rose by a substantial 31.0 percent to EUR 3,053 million (Q3 2015: EUR 2,330 million). Net financial debt declined by EUR 2.0 billion, from EUR 17.8 billion on June 30, 2016, to EUR 15.8 billion on September 30, 2016, due mainly to cash inflows from operating activities.

### **Strong sales and earnings growth at Pharmaceuticals**

Sales of prescription medicines (Pharmaceuticals) rose by an encouraging 7.3 percent (Fx & portfolio adj. 7.6 percent) to EUR 4,152 million (Q3 2015: EUR 3,870 million). “Our recently launched products showed continued strong development,” said Baumann. 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 1,395 million (Q3 2015: EUR 1,082 million). After adjusting for currency effects, the increase was 28.3 percent. Xarelto™ again posted strong sales growth (Fx adj. plus 34.4 percent), due mainly to volume increases in Europe and Japan. It also registered encouraging gains in the United States, where it is marketed by a subsidiary of

Johnson & Johnson. Sales of Eylea™ increased considerably (Fx adj. plus 26.5 percent), due particularly to good business performance in Europe and Canada.

Among the established top Pharmaceuticals products, especially the hormone-releasing intrauterine devices of the Mirena™ product family posted strong sales gains (Fx adj. plus 13.2 percent), due particularly to positive price development in the United States. Continuing to benefit from high demand in China, business with the oral diabetes treatment Glucobay™ (Fx adj. plus 8.0 percent) and the antibiotic Avalox™/Avelox™ (Fx adj. plus 8.8 percent) registered encouraging growth. Fluctuations in the order volumes placed by Bayer's distribution partner resulted in slightly lower sales (Fx adj. minus 2.4 percent) of the blood-clotting medicines Kogenate™/Kovaltry™. Business with the cancer drug Nexavar™ was noticeably down against the prior-year level (Fx adj. minus 9.3 percent), particularly as a result of increased competitive pressure in the United States. Sales of the multiple sclerosis product Betaferon™/Betaseron™ receded significantly (Fx adj. minus 19.7 percent), mainly because of a weaker business performance in the United States and Europe. Overall, the Pharmaceuticals business expanded in all regions on a currency-adjusted basis.

EBITDA before special items of Pharmaceuticals increased by a substantial 13.4 percent to EUR 1,421 million (Q3 2015: EUR 1,253 million), although investment in research and development remained disproportionately high. One factor in this earnings growth was the very good development of business, particularly for the recently launched products. Another factor was Bayer's success in keeping selling expenses at around the same level year on year.

### **Moderate expansion of business at Consumer Health**

Sales of self-care products (Consumer Health) were level year on year at EUR 1,425 million (Q3 2015: EUR 1,424 million). After adjusting for currency and portfolio effects, the increase was 3.6 percent. On a currency-adjusted basis, business developed positively in the Latin America/Africa/Middle East, North America and Asia/Pacific regions. In Europe, however, sales declined slightly compared with a strong prior-year quarter. "We achieved double-digit growth with our Aleve™, Alka-Seltzer™, One A Day™ and Elevit™ brands," said Baumann.

The analgesic Aleve™ registered a currency-adjusted increase of 12.7 percent driven by positive business development in the United States, due in part to a product line

extension. The Alka-Seltzer™ family of products to treat gastric complaints and cold symptoms (Fx adj. plus 15.0 percent) and the One A Day™ vitamin product (Fx adj. plus 11.8 percent) also achieved substantial sales gains that were mainly attributable to product line extensions in the United States. Business with the Elevit™ vitamin product grew significantly (Fx adj. plus 17.9 percent), especially in China. By contrast, business with the sunscreen product Coppertone™ was down (Fx. adj. minus 5.0 percent) against the prior-year quarter due to lower sales in the United States.

EBITDA before special items of Consumer Health declined by 3.5 percent to EUR 328 million (Q3 2015: EUR 340 million). The earnings contributions from the positive business development were not sufficient to offset the higher cost of goods sold and negative currency effects of approximately EUR 20 million.

### **Crop Science successful in a persistently difficult market environment**

Sales of the agricultural business (Crop Science) came in at EUR 2,057 million (Q3 2015: EUR 2,081 million). This amounted to a decline of 1.2 percent on a reported basis. Adjusted for currency and portfolio effects, sales were level year on year. “Crop Science was successful in a persistently difficult market environment,” said Baumann. Business at Crop Protection/Seeds was steady overall at the prior-year level despite an ongoing weak business environment, particularly in Latin America. Crop Science sales developed encouragingly in Europe (Fx adj. plus 5.8 percent) and North America (Fx adj. plus 5.7 percent). Sales edged forward year on year (Fx adj. plus 1.1 percent) in the Asia/Pacific region but declined (Fx adj. minus 5.3 percent) in the Latin America/Africa/Middle East region.

At Crop Protection, Fungicides posted an increase of 8.1 percent (Fx. & portfolio adj.), whereas Insecticides saw a considerable decrease (Fx & portfolio adj. minus 16.8 percent). Performance at Herbicides (Fx & portfolio adj. minus 1.0 percent) and Seed-Growth (Fx & portfolio adj. minus 3.7 percent) declined year on year. Development at Seeds was very encouraging, with sales expanding by 21.6 percent (Fx & portfolio adj.). Environmental Science also expanded sales by a robust 17.7 percent (Fx & portfolio adj.).

EBITDA before special items of Crop Science increased by 0.6 percent to EUR 318 million (Q3 2015: EUR 316 million). Higher selling prices and a positive currency effect of around EUR 80 million stood against lower volumes, higher write-downs on receivables and higher research and development expenses, among other things.

## **Animal Health raises sales and earnings**

Bayer grew sales of the Animal Health business by 0.8 percent (Fx & portfolio adj. 2.5 percent) to EUR 360 million (Q3 2015: EUR 357 million). The Asia/Pacific region developed especially positively. Sales also increased in Europe, while business in North America declined slightly. Business with the Seresto™ flea and tick collar developed positively in all regions, expanding by 19.2 percent (Fx adj.). Sales of the Advantage™ family of flea, tick and worm control products were level with the prior-year quarter. EBITDA before special items of Animal Health increased by 6.0 percent to EUR 89 million (Q3 2015: EUR 84 million), due especially to volume and price increases and to lower selling expenses. These stood against an increase in the cost of goods sold and in research and development expenses.

## **Substantial earnings growth at Covestro**

Third-quarter sales of Covestro amounted to EUR 3,004 million (Q3 2015: EUR 3,009 million). Business was level year on year on a reported basis (minus 0.2 percent) and edged forward by 1.0 percent after adjusting for currency and portfolio effects. Volumes were up year on year overall, particularly at Polycarbonates and Polyurethanes. Selling prices declined in all business units. EBITDA before special items improved by 19.5 percent to EUR 564 million (Q3 2015: EUR 472 million). This increase resulted mostly from lower raw material prices and higher volumes that more than offset the decline in selling prices. Earnings were diminished by a negative currency effect of around EUR 10 million.

## **Net income substantially higher in the first nine months**

Group sales in the first nine months of 2016 rose by 0.4 percent (Fx & portfolio adj. 3.0 percent) to EUR 34,949 million (9M 2015: EUR 34,800 million). EBITDA before special items advanced by an encouraging 9.4 percent to EUR 9,123 million (9M 2015: EUR 8,340 million). This was due to the substantial increase in sales volumes and the lower cost of goods sold. Bayer achieved this good business development despite dissynergies resulting from the legal independence of Covestro and the sale of Diabetes Care along with higher research and development spending. Earnings were held back by negative currency effects of around EUR 100 million. Net income improved by 16.6

percent to EUR 4,078 million (9M 2015: EUR 3,497 million), and core earnings per share from continuing operations by 7.1 percent to EUR 6.15 (9M 2015: EUR 5.74).

### **Confidence for the full year 2016**

For the Bayer Group, including Covestro, Bayer is still planning sales of EUR 46 billion to EUR 47 billion in 2016. This continues to correspond to a low-single-digit percentage increase (Fx & portfolio adj.). As before, Bayer plans to increase EBITDA before special items by a high-single-digit percentage. It is now Bayer's aim to also increase core earnings per share from continuing operations by a high-single-digit percentage (previously: a mid- to high-single-digit percentage). This takes into account Covestro's inclusion at around 64 percent starting on April 19, 2016 (January 1 to April 18, 2016: around 69 percent).

Bayer continues to plan sales of approximately EUR 35 billion for the **Life Science** activities, i.e. the Bayer Group excluding Covestro. This still corresponds to a mid-single-digit percentage increase (Fx & portfolio adj.) as previously forecasted. As before, it is planned to raise EBITDA before special items by a mid- to high-single-digit percentage. This planning includes dissynergies of around EUR 130 million from the legal independence of Covestro and from divestments.

For **Pharmaceuticals**, Bayer continues to expect sales above EUR 16 billion. As before, this corresponds to a high-single-digit percentage increase on a currency- and portfolio-adjusted basis. Bayer continues to plan to raise sales of the recently launched Pharmaceuticals products toward EUR 5.5 billion. The company is still expecting a low-teens percentage increase in EBITDA before special items and aims to improve the EBITDA margin before special items.

In the **Consumer Health** Division, Bayer continues to expect sales to come in at approximately EUR 6 billion. As before, the company plans to grow sales by a low- to mid-single-digit percentage on a currency- and portfolio-adjusted basis. EBITDA before special items is still expected to come in on the level of the prior year.

In light of the persistently weak market environment, Bayer continues to expect **Crop Science** sales to be on the prior-year level on a currency- and portfolio-adjusted basis. As before, this is equivalent to reported sales of about EUR 10 billion. Bayer continues to

expect a low-single-digit percentage decrease in EBITDA before special items for this division.

At **Animal Health**, Bayer continues to expect sales to be slightly above the prior-year level and is still planning a currency- and portfolio-adjusted sales increase by a low- to mid-single-digit percentage. The company now expects EBITDA before special items of Animal Health to come in on the level of the prior year (previously: increase by a low- to mid-single-digit percentage).

For 2016, **Covestro** is still expecting a sales decline. For the full year, EBITDA after adjustment for special items is expected to come in at about EUR 1.9 billion (previously: at least at the prior-year level for the second half of 2016).

### **“Bayer and Monsanto are a perfect fit”**

Bayer reached a major milestone on September 14, 2016, with the signing of a binding agreement to acquire Monsanto for USD 128 per share, representing a transaction value of around USD 66 billion. “This step is entirely logical,” said Baumann. “The two companies are a perfect fit and complement each other ideally. We will combine our strengths in seeking solutions to one of the major societal challenges: how to feed a substantially growing global population in an ecologically sustainable way.” Bayer’s portfolio will be tailored to the needs of customers throughout the world – from large-scale commercial operations in the United States to smallholder farmers in India. The transaction is subject to customary closing conditions, including approval of the merger agreement by a majority of Monsanto’s stockholders and receipt of required approvals from the relevant antitrust and other authorities. Bayer has initiated the process of obtaining these approvals. It intends to submit the necessary application in the United States before the end of this year and in the European Union probably in the first quarter of 2017. In terms of financing, Bayer successfully closed syndication of the USD 57 billion bank facilities at the beginning of October. Refinancing in the capital markets will depend on respective market conditions and might be executed in part well in advance of closing of the transaction, which Bayer expects by the end of 2017.

**Note:**

*The tables below contain the key data for the Bayer Group and its segments for the third quarter and the first nine months of 2016.*

*The interim report for the third quarter 2016 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):*

- live broadcast of the news conference call from approximately 10:00 a.m. CEST*
- 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*
- transcript and audio recording of the investor conference call will be made available afterwards as soon as possible.*

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## Bayer Key Data, 3rd Quarter and First Nine Months of 2016

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

<b>Bayer Group</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	11,004	<b>11,262</b>	+2.3	34,800	<b>34,949</b>	+0.4
EBITDA before special items	2,530	<b>2,682</b>	+6.0	8,340	<b>9,123</b>	+9.4
EBIT	1,572	<b>1,795</b>	+14.2	5,320	<b>6,253</b>	+17.5
<i>Special items</i>	(204)	<b>(125)</b>	-	(703)	<b>(501)</b>	-
EBIT before special items	1,776	<b>1,920</b>	+8.1	6,023	<b>6,754</b>	+12.1
Net income *	999	<b>1,187</b>	+18.8	3,497	<b>4,078</b>	+16.6
Earnings per share (EUR) *	1.21	<b>1.43</b>	+18.2	4.23	<b>4.93</b>	+16.5
Core earnings per share (EUR)	1.69	<b>1.73</b>	+2.4	5.74	<b>6.15</b>	+7.1
Number of employees **	117,639	<b>115,176</b>	-2.1	117,639	<b>115,176</b>	-2.1

<b>Pharmaceuticals</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	3,870	<b>4,152</b>	+7.3	11,322	<b>12,145</b>	+7.3
EBITDA before special items	1,253	<b>1,421</b>	+13.4	3,531	<b>4,034</b>	+14.2
EBIT	940	<b>1,097</b>	+16.7	2,459	<b>2,783</b>	+13.2
<i>Special items</i>	(7)	<b>(6)</b>	-	(109)	<b>(248)</b>	-
EBIT before special items	947	<b>1,103</b>	+16.5	2,568	<b>3,031</b>	+18.0

<b>Consumer Health</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	1,424	<b>1,425</b>	+0.1	4,570	<b>4,498</b>	-1.6
EBITDA before special items	340	<b>328</b>	-3.5	1,071	<b>1,039</b>	-3.0
EBIT	209	<b>194</b>	-7.2	574	<b>627</b>	+9.2
<i>Special items</i>	(32)	<b>(29)</b>	-	(182)	<b>(93)</b>	-
EBIT before special items	241	<b>223</b>	-7.5	756	<b>720</b>	-4.8

<b>Crop Science</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	2,081	<b>2,057</b>	-1.2	7,723	<b>7,511</b>	-2.7
EBITDA before special items	316	<b>318</b>	+0.6	2,059	<b>2,070</b>	+0.5
EBIT	187	<b>135</b>	-27.8	1,603	<b>1,602</b>	-0.1
<i>Special items</i>	(4)	<b>(71)</b>	-	(79)	<b>(104)</b>	-
EBIT before special items	191	<b>206</b>	+7.9	1,682	<b>1,706</b>	+1.4

<b>Animal Health</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	357	<b>360</b>	+0.8	1,171	<b>1,194</b>	+2.0
EBITDA before special items	84	<b>89</b>	+6.0	306	<b>311</b>	+1.6
EBIT	70	<b>81</b>	+15.7	240	<b>288</b>	+20.0
<i>Special items</i>	(7)	<b>(1)</b>	-	(45)	<b>(2)</b>	-
EBIT before special items	77	<b>82</b>	+6.5	285	<b>290</b>	+1.8

<b>Covestro</b> (EUR million)	Q3 2015	<b>Q3 2016</b>	Change in %	9M 2015	<b>9M 2016</b>	Change in %
Sales	3,009	<b>3,004</b>	-0.2	9,208	<b>8,829</b>	-4.1
EBITDA before special items	472	<b>564</b>	+19.5	1,402	<b>1,611</b>	+14.9
EBIT	217	<b>398</b>	+83.4	714	<b>1,101</b>	+54.2
<i>Special items</i>	(87)	<b>0</b>	-	(188)	<b>0</b>	-
EBIT before special items	304	<b>398</b>	+30.9	902	<b>1,101</b>	+22.1

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).

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

### **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: the risk that Monsanto Company’s (“Monsanto”) stockholders do not approve the transaction; 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 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, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following 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 U.S. Securities and Exchange Commission (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 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.

### **Additional Information and Where to Find It**

This communication relates to the proposed merger transaction involving Monsanto Company (“Monsanto”) and Bayer Aktiengesellschaft (“Bayer”). In connection with the proposed merger, Monsanto and Bayer intend to file relevant materials with the U.S. Securities and Exchange Commission (the “SEC”). Monsanto has filed with the SEC a preliminary proxy statement on Schedule 14A and will file and provide to Monsanto stockholders a definitive proxy statement (the “Proxy Statement”) that will contain important information regarding the proposed merger. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, and is not a substitute for the Proxy Statement or any other document that Monsanto may file with the SEC or send to its stockholders in connection with the proposed merger. **STOCKHOLDERS OF MONSANTO ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE DEFINITIVE PROXY STATEMENT, WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.** Investors and security holders will be able to obtain the documents (when available) free of charge at the SEC’s website, <http://www.sec.gov>, and Monsanto’s website, [www.monsanto.com](http://www.monsanto.com), and Monsanto stockholders will receive information at an appropriate time on how to obtain transaction-related documents for free from Monsanto. In addition, the documents (when available) may be obtained free of charge by directing a request to Corporate Secretary, Monsanto Company, 800 North Lindbergh Boulevard, St. Louis, Missouri 63167, or by calling (+1) (314) 694-8148.

### **Participants in Solicitation**

Monsanto, Bayer and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the holders of Monsanto common stock in respect of the proposed transaction. Information about the directors and executive officers of Monsanto is set forth in the proxy statement for Monsanto’s 2016 annual meeting of stockholders, which was filed with the SEC on December 10, 2015, and in Monsanto’s Annual Report on Form 10-K for the fiscal year ended August 31, 2016, which was filed with the SEC on October 19, 2016. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the Proxy Statement and other relevant materials to be filed with the SEC in respect of the proposed transaction when they become available.