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Investor News

CEO Werner Baumann at the Annual Stockholders' Meeting of Bayer AG:

“We want to further strengthen Bayer”

- Acquisition of Monsanto to create substantial additional value
 - Record sales and earnings in 2016
 - Dividend increase to EUR 2.70 per share proposed
 - Employees to share in the company's success through total bonuses of over EUR 1.4 billion
 - Successful start to fiscal 2017
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Leverkusen, April 28, 2017 – The Bayer Group can look back on a highly successful 2016. “We took another major strategic step forward with the agreed acquisition of Monsanto, which is aimed at further strengthening Bayer,” CEO Werner Baumann said on Friday at the Annual Shareholders’ Meeting in Bonn. “Through the transaction, we intend to create substantial additional value in the long term,” he explained. In terms of business, 2016 was another record year for Bayer, Baumann noted, adding that “both sales and adjusted EBITDA were higher than ever before.” The company’s shareholders are set to share in this encouraging performance, with the dividend being raised to EUR 2.70 per share from EUR 2.50 in the previous year. Baumann is also confident that the company is on track for success in the future: “We are optimistic for 2017 – and beyond.”

Sales of the Bayer Group in 2016 increased by 1.5 percent to EUR 46.8 billion. Adjusted for currency and portfolio effects (Fx & portfolio adj.), sales advanced by 3.5 percent. The Life Science businesses accounted for EUR 34.9 billion of total sales and were up by 4.7 percent (Fx & portfolio adj.) year on year. Bayer also registered encouraging earnings growth. EBITDA before special items rose by 10.2 percent to EUR 11.3 billion, while core earnings per share climbed by 7.3 percent to EUR 7.32.

Sales of prescription medicines (Pharmaceuticals) moved ahead by 8.7 percent (Fx & portfolio adj.) to EUR 16.4 billion, “outpacing the market once again,” Baumann said. The company’s five key growth products – the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer drugs Xofigo™ und Stivarga™ and the pulmonary hypertension treatment Adempas™ – made a major contribution to this performance, generating sales of EUR 5.4 billion, compared with EUR 4.2 billion a year earlier. The best-selling products Xarelto™ and Eylea™ made gains, with each of them registering an increase of over 30 percent on a currency-adjusted basis. “Due to the gratifying development of business, we now believe these five products can do even better than we had already anticipated,” Baumann said. For this reason, Bayer last year raised the assessment of their combined peak annual sales potential from previously at least EUR 7.5 billion to more than EUR 10 billion, he added.

By contrast, Bayer was unable to meet its ambitious targets for the business with self-care products (Consumer Health) in 2016. Sales increased by 3.5 percent (Fx & portfolio adj.) to EUR 6 billion, roughly matching the performance of the company’s competitors.

The market environment for the agriculture business (Crop Science) remained weak last year, primarily in Latin America. Sales nonetheless held steady year on year at EUR 9.9 billion. The decline in Latin America was compensated by gains in the other regions. Sales of the Animal Health business advanced by 4.8 percent (Fx and portfolio adj.) to EUR 1.5 billion.

Bayer employees were crucial to the company’s business success last year as well, said Baumann, thanking them for their contribution. “Their ability, commitment and ideas make Bayer the great company it is,” he stated, adding that over EUR 1.4 billion has been earmarked for the employees’ share in Bayer’s success in 2016.

Targeting another record year

Bayer also got off to a very successful start to 2017. Sales increased by 9.4 percent (Fx & portfolio adj.) to EUR 13.2 billion and EBITDA before special items by a substantial 14.9 percent to EUR 3.9 billion. “All segments improved their operating performance. Business development at Pharmaceuticals was very good,” Baumann said.

In view of the significant sales and earnings growth achieved by Covestro in the first quarter, Bayer has raised its Group outlook for 2017. Bayer is now planning to expand Group sales to around EUR 51 billion. This corresponds to a mid- to high-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, while core earnings per share are seen rising by a mid- to high-single-digit percentage. Bayer continues to plan sales of approximately EUR 37 billion for its Life Science activities. This corresponds to a mid-single-digit percentage increase on a currency- and portfolio-adjusted basis. The company continues to expect EBITDA before special items of the Life Science businesses to rise by a mid- to high-single-digit percentage. “We expect the Bayer Group to continue its positive performance and are targeting another record year,” Baumann explained.

“Innovation is our core competence”

Bayer is making tremendous efforts to further expand its innovation strength as the basis for the company’s future, Baumann continued. “Innovation is our core competence and the foundation of our commercial success,” he said. Investment in research and development increased significantly last year, with the Life Science businesses alone accounting for EUR 4.4 billion. “These efforts are paying off, as evidenced by our development pipelines,” Baumann explained. At Crop Science, the combined peak annual sales potential of Bayer’s crop protection and seed technology pipeline is estimated to total more than EUR 5 billion from products that have been or will be brought to market between 2015 and 2020. At Pharmaceuticals, Bayer has a whole range of promising product candidates currently in 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.

Bayer’s success as an innovative Life Science company also depends on the environment in which it operates, Baumann stated, noting that the company’s high level of investment in research and development is associated with enormous risks. “Against this background, we need reliable and innovation-friendly conditions in our markets,” said Bayer’s CEO, who also advocated the introduction of an innovation principle at European level, which would entail examining all new laws with regard to their impact on industry’s ability to innovate. This could ensure a more balanced assessment of the benefits and risks of new technologies. It is also important to increase funding of the education system,

he said, adding: “I am convinced that many countries, including Germany, must do more in this regard.”

“The acquisition of Monsanto is the perfect fit for our strategy”

The agreed acquisition of Monsanto in particular is also expected to contribute to Bayer’s long-term success. “The acquisition of Monsanto is the perfect fit for our strategy,” Baumann stated. Bayer wants to occupy leadership positions with its Life Science businesses in attractive, innovation-driven markets, he said. “Together with Monsanto, we will be able to create substantial additional value in the long term through more innovation, stronger growth and greater efficiency.”

With the acquisition, Bayer is also pursuing its mission “Science For A Better Life.” According to Baumann, “the combination of these two highly innovative companies would above all also be beneficial to society.” By 2050, the planet will likely be home to almost ten billion people. One of the most pressing questions, he explained, is how these people can be fed with high-quality and affordable products while the amount of available farmland per head is declining. According to an estimate by the United Nations Food and Agriculture Organization, agricultural production will have to be increased by 50 percent through 2050. This can only be achieved by innovation, Baumann stressed. By combining its expertise with that of Monsanto, Bayer can make an even better contribution to safeguarding the world’s food supply, he explained.

Commenting on the process of acquiring Monsanto, Baumann also noted that Bayer has already completed a large part of the journey. After the merger agreement was signed in September, Monsanto’s stockholders approved the transaction at a special stockholders’ meeting in December 2016. Bayer is also making good progress with the financing. The company implemented the first equity measure in November 2016 with the successful issuance of EUR 4 billion in mandatory convertible notes. Bayer is also planning a capital increase with subscription rights, details of which will be provided at the appropriate time. Additional financing steps include the issuance of corporate and hybrid bonds.

Bayer is also making good progress in seeking regulatory approval for the transaction and has already submitted applications for clearance to almost all of around 30 authorities. “As our businesses are highly complementary in terms of both products and geographical focus, and there are only a small number of overlaps, we remain confident that we will be

granted all the necessary clearances,” Baumann said. The company will be collaborating with the relevant authorities in order to find appropriate solutions for existing overlaps, he added. Overall, Bayer remains confident of closing the transaction before the end of 2017. The company is engaging in all preparations necessary to facilitate the swift completion of the acquisition and the integration of the two companies.

New elections to the Supervisory Board

New elections to the Supervisory Board are on the agenda of this year’s Annual Stockholders’ Meeting, since the terms of office of six stockholder representatives are coming to an end. The Supervisory Board is proposing the reelection of Werner Wenning, Dr. Paul Achleitner and Thomas Ebeling as Supervisory Board members for a further five years. Dr. Norbert W. Bischofberger, Hillsborough, California, United States, Executive Vice President Research & Development and Chief Scientific Officer of Gilead Sciences Inc., and Colleen A. Goggins, Princeton, New Jersey, United States, Independent Advisor, have been proposed as new members of the Supervisory Board as successors to Dr. Clemens Börsig and Sue H. Rataj. Dr. Klaus Sturany is being proposed for reelection for a term of one year, since he wishes to step down in 2018 for personal reasons. The current plan is to propose Prof. Dr. Norbert Winkeljohann, currently Chairman of the Executive Board of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, for election to the Supervisory Board as successor to Dr. Sturany at the Annual Stockholders’ Meeting in 2018. It is intended that the present Chairman of the Supervisory Board, Werner Wenning, should remain in this office.

Bayer shareholders will also vote on amending the Articles of Incorporation regarding the compensation of the Supervisory Board, with a ten percent increase in remuneration planned. The compensation of the Supervisory Board was last reviewed in 2012, when it was modified to comprise fixed compensation only. The adjustment now proposed is intended to take account of the increased demands made on the work of the Supervisory Board and the development of compensation of Supervisory Board members, and to maintain Bayer’s ability to attract qualified candidates for the Supervisory Board.

Bayer: Science For A Better Life

Bayer is a global enterprise with core competencies in the Life Science fields of health care and agriculture. Its products and services are designed to benefit people and

improve their quality of life. At the same time, the Group aims to create value through innovation, growth and high earning power. Bayer is committed to the principles of sustainable development and to its social and ethical responsibilities as a corporate citizen. In fiscal 2016, the Group employed around 115,200 people and had sales of EUR 46.8 billion. Capital expenditures amounted to EUR 2.6 billion, R&D expenses to EUR 4.7 billion. These figures include those for the high-tech polymers business, which was floated on the stock market as an independent company named Covestro on October 6, 2015. For more information, go to www.bayer.com.

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Forward-Looking Statements

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; 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.