



Investor Conference Call



Q2 2018 Results

September 05, 2018

Werner Baumann, CEO
Wolfgang Nickl, CFO





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 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.



**1. Monsanto Acquisition &
Business Update Q2 2018**

2. Financials Q2 2018

3. Outlook FY 2018

Werner Baumann, CEO

Agenda



Highlights

- // Monsanto acquisition successfully closed on June 7th
- // Integration started after “Hold Separate“ has ended* on August 16th
- // Bayer (stand-alone) Q2 performance on track to meet previous FY 2018 targets
- // 2018 guidance now reflects impact of Monsanto acquisition
 - // Expected EBITDA contribution from Monsanto in H2 aligned to seasonality of the business
 - // Anticipate strong Cash Flow contribution in H2
- // Net debt of €45bn (June 30, 2018) expected to be reduced to around €37bn (December 31, 2018)
- // Dividend per share proposed for 2018 at least on prior-year level

*based on finalization of divestments to BASF



New Crop Science – A Game Changer in the Industry

- // **The leading agriculture company in the world with ...**

- // Excellent product portfolio and leading innovation capabilities

- // Most advanced digital platform

- // Very strong and experienced team

- // **Committed to shape agriculture to benefit farmers and consumers**

- // **Strong value creation ...**

- // Striving for longer term above average market growth and industry-leading profitability

- // Targeting synergies of USD1.2bn per annum by 2022

- // Already accretive to EPS in Year 1



Divisional Highlights

Pharmaceuticals

- // Pharma on track to deliver FY 2018 guidance
- // Key growth products overall continue to drive performance
- // Further differentiation of Xarelto supported by first approval of CAD/PAD indication
- // Damoctocog (Jivi) approved; larotrectinib expected in H2

Consumer Health

- // Seasonal business in the US and supply chain interruptions in EMEA impacted Q2 performance
- // APAC returned to growth driven by strong performance of Nutritionals in China; OTC version of KW/PKW is back in the market
- // Divestment of prescription dermatology business

Crop Science

- // Q2 pro forma sales grew 10% as Brazil Crop Protection business normalizes and Corn business improves
- // Double-digit Q2 sales growth in Herbicides, Fungicides and Insecticides driven by Brazil, EMEA and Asia Pacific
- // Monsanto delivered on key metrics with continued adoption of new soybean, cotton and digital technologies

Animal Health

- // North America, APAC and Latin America growing
- // Advantage product-family and Seresto with double-digit sales increases
- // Share of top 4 brands increased to 68% of sales (+3pp)



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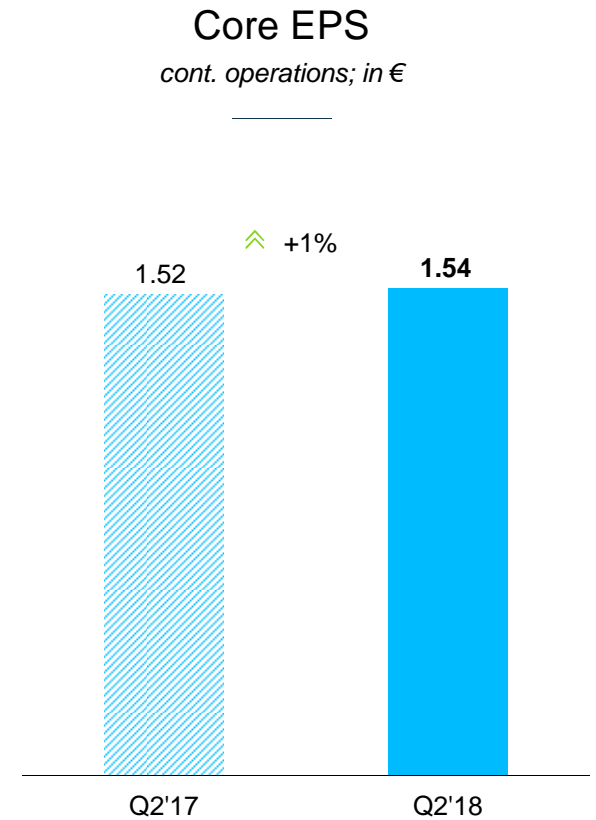
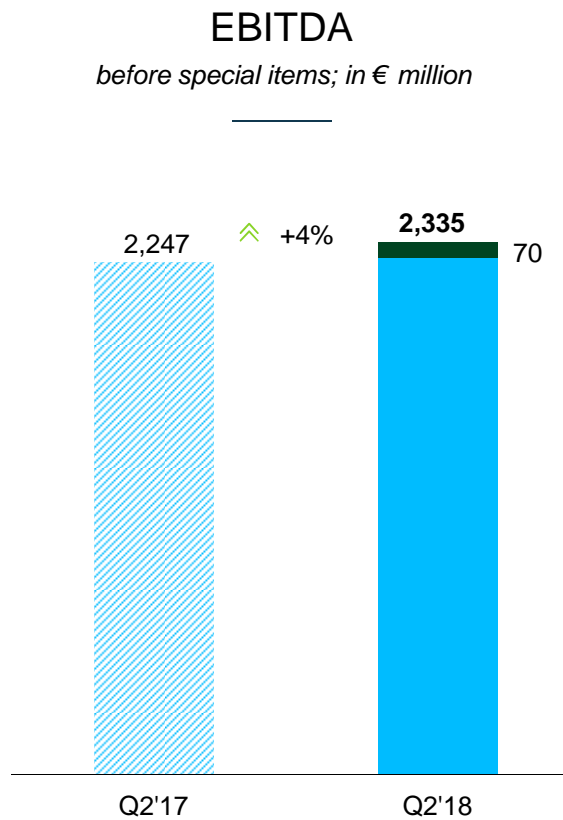
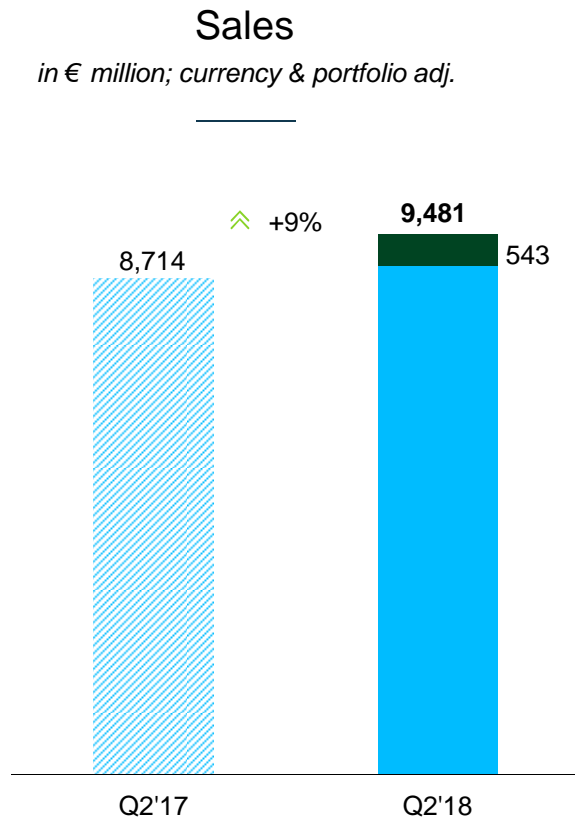
3. Outlook FY 2018

Wolfgang Nickl, CFO

Agenda



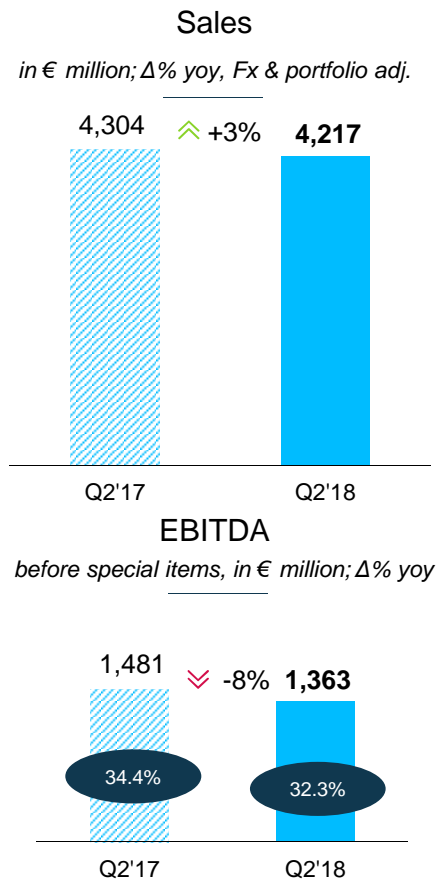
Q2 2018 – On track for FY guidance



■ Monsanto contribution since June 7



Q2 2018 – Pharmaceuticals Driven by Key Growth Products



// Volume	+6%	// Currency	-5%
// Price	-3%	// Portfolio	0%

// Key growth products up by > 13% year on year

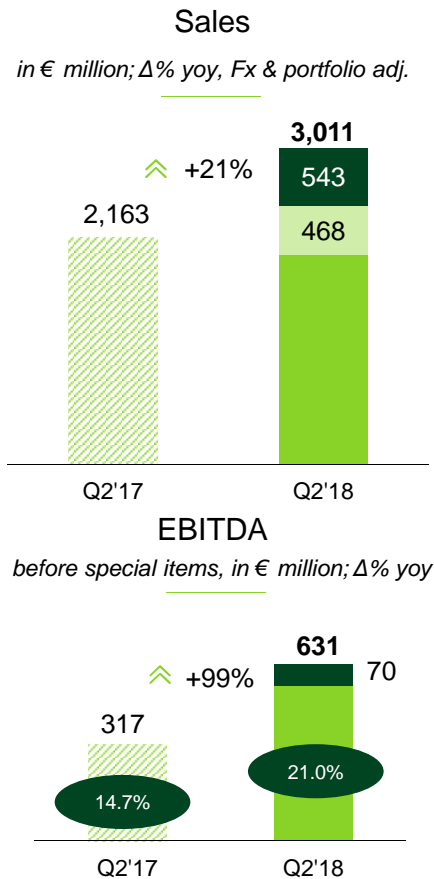
// EBITDA impacted by negative Fx effect and higher investments in R&D as well as Marketing & Sales expenses

// Warning letter remediation plan on track

● EBITDA Margin



Q2 2018 – Crop Science with Sales and Profit Improvement



// Volume	+22%	// Currency	-7%
// Price	-1%	// Portfolio	+25%

// Monsanto EBITDA contribution limited due to timing of closing

// EBITDA margins rebound with growth in Crop Protection in Brazil

// Businesses divested to BASF deconsolidated as of August 1 and 16

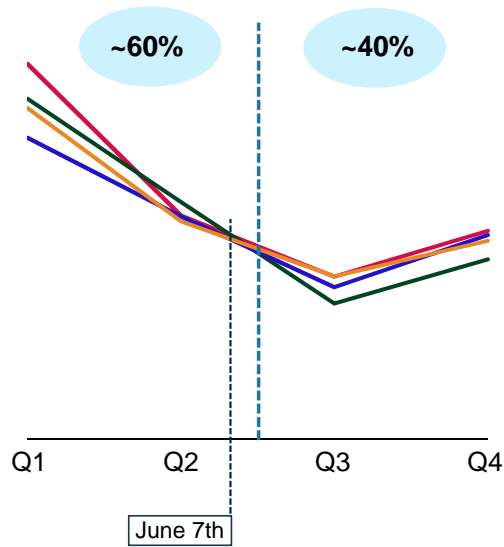
● EBITDA Margin ■ Monsanto contribution since June 7 ■ BASF divestment



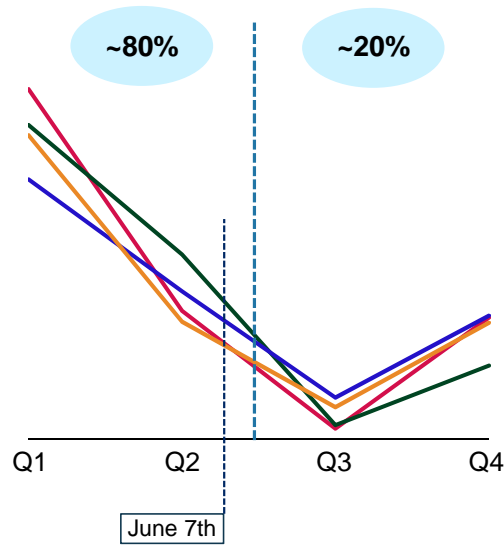
Understanding the Seasonality of Monsanto's Business

illustrative

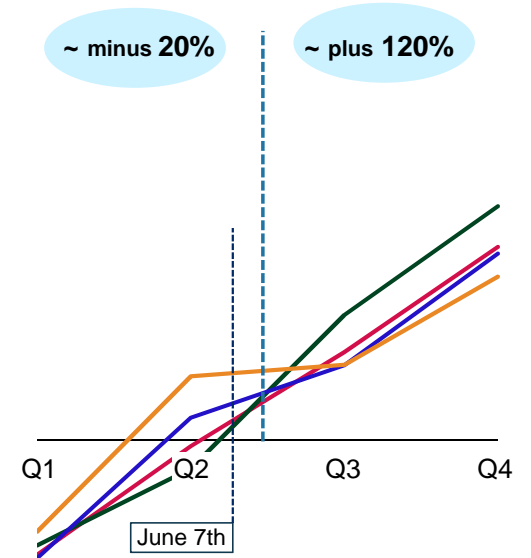
Sales



EBITDA before special items



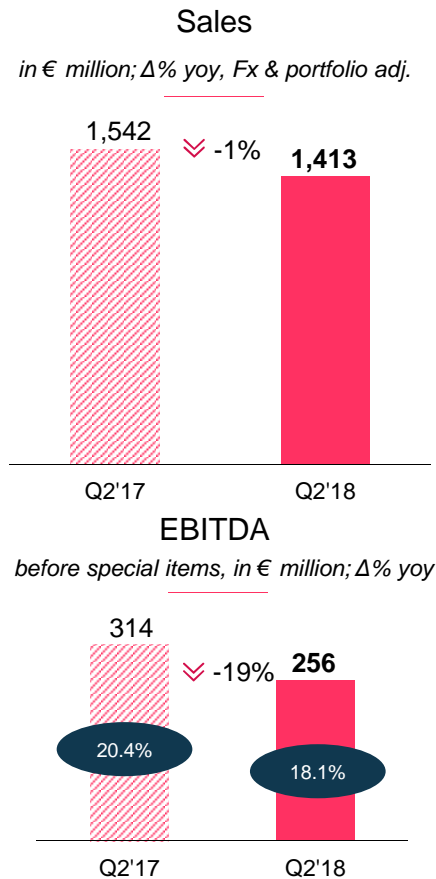
Cash Flow



— 2014 — 2015 — 2016 — 2017



Q2 2018 – Consumer Health Challenging



// Volume	-2%	// Currency	-7%
// Price	+1%	// Portfolio	0%

// Late start to the allergy and suncare seasons determined Claritin and Coppertone performance in the US, APAC with positive momentum

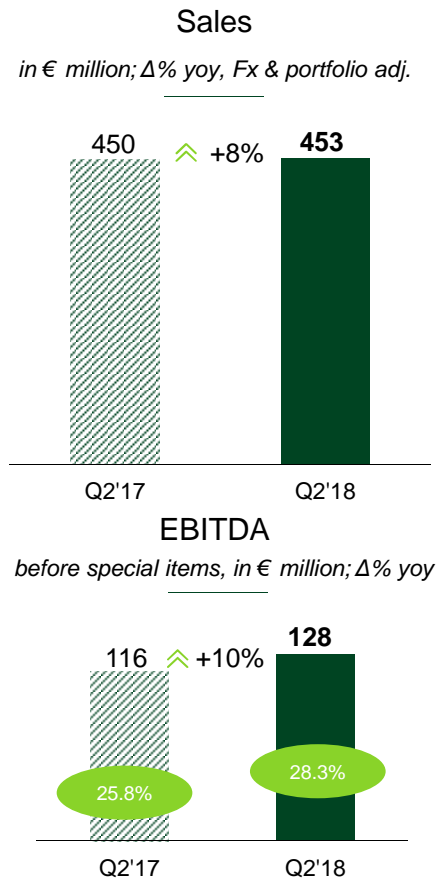
// EBITDA impacted by lower volumes, unfavorable product mix and Fx

// Divestment of prescription dermatology business

● EBITDA Margin



Q2 2018 – Animal Health with Strong Sales and Profit Increase



// Volume	+10%	// Currency	-7%
// Price	-2%	// Portfolio	0%

// Strong volume driven by sales increase, partially due to phasing from Q3 into Q2

// Double-digit EBITDA improvement despite negative Fx effects

● EBITDA Margin



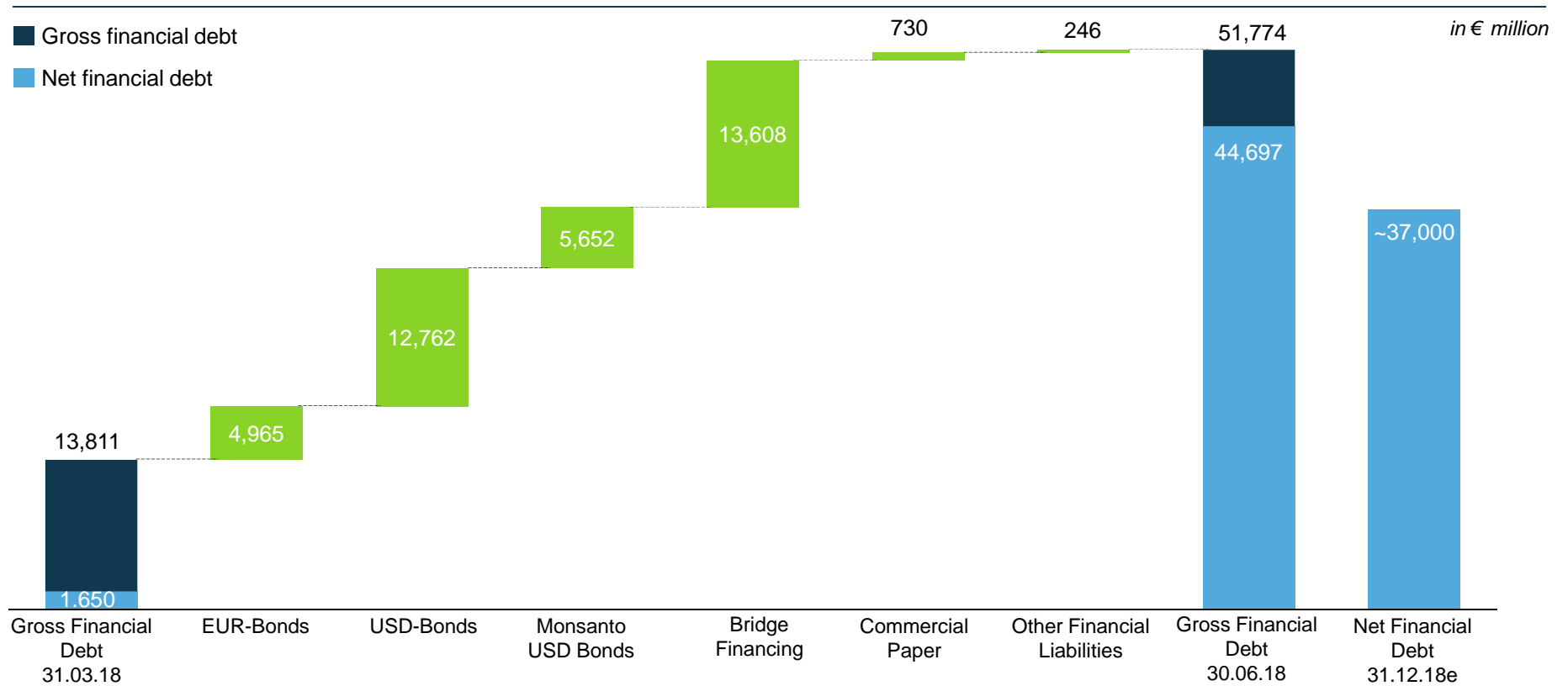
Q2 2018 P&L: Key Developments

P&L	Q2 2017	Q2 2018	
	€ million	€ million	
EBITDA before special items	2,247	2,335	Mainly related to Crop Science (€278m, ca. 50% related to PPA)
Special items	-112	-318	
Reported EBITDA	2,135	2,017	
Depreciation & Amortization	-672	-666	Amortization mainly resulting from previous acquisitions
Reported EBIT	1,463	1,351	
Amortization and impairment losses / loss reversals on intangible assets	416	416	
Special items (EBITDA)	112	318	Excl. special charges of €106m mainly due to bridge financing of Monsanto acquisition (reported financial result: -€322m)
Other	33	2	
Core EBIT	2,024	2,087	
Financial result (before special items)	-205	-216	Core tax rate higher than reported tax rate (21%) due to tax effects related to amortization, special items and other
Core EBT	1,819	1,871	
Taxes (before special items)	-472	-456	
Tax rate	25.9%	24.4%	
Minorities	-2	-6	Increase in weighted number of shares due to equity measures
Core Net income	1,345	1,409	
No. of shares (m)	885.2	915.7	
Core EPS (€)	1.52	1.54	



Net Financial Debt at Year End now forecasted at ~€37bn

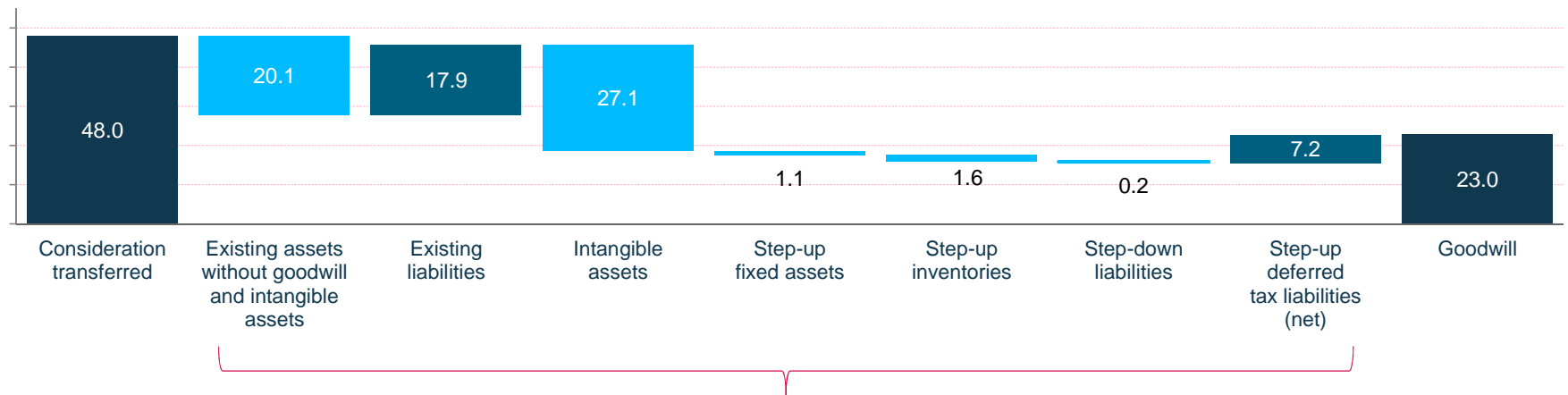
Strong Commitment to De-lever





Monsanto – Preliminary Purchase Price Allocation (PPA)

in € billion



25 billion euros fair value estimation of acquired assets (without goodwill) and assumed liabilities



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FY 2018 Outlook including Monsanto as of June 7

Monsanto Core EPS contribution impacted by typical seasonality and technical effects

	2017	Group Forecast 2018 (at closing rates of Jun. 30, 2018)	Group Forecast 2018 (currency adjusted)
Sales	€35.0bn	// >€39.0bn	// Mid-single-digit % increase (currency and portfolio adjusted)
EBITDA (before special items)	€9.3bn	// Low-to-mid-single-digit % increase	// High-single-digit % increase
Core EPS	€6.64 ¹	// €5.70 - €5.90	// High-single-digit % decrease

¹ Adjusted for the bonus element in the context of the discounted rights issue in June 2018



Pro-forma Core EPS at ~ 7€ for Fiscal Year 2018

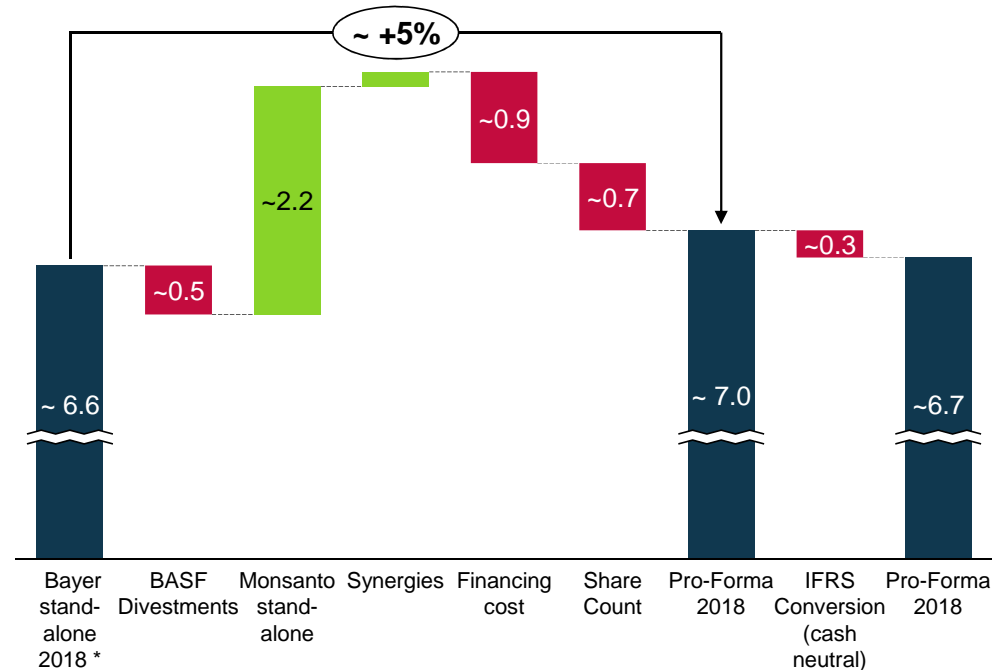
Illustrative pro forma 2018 calculation showing 5% accretion of Monsanto

illustrative

Major assumptions

- // As of January 1, 2018
- // Monsanto included and step-up fixed assets
- // Synergies partially included
- // Divestments to BASF
- // All Financing measures (equity and debt) resulting in 980m shares
- // Conversion US-GAAP to IFRS is cash neutral

Pro-forma calculation for 2018



* Adjusted for the bonus element in the context of the discounted rights issue in June 2018



Dividend Payment for 2018

- // **Dividend per share proposal at least on prior-year level based on:**
 - // Strong Cash Flow generation capability of the combined entity
 - // Lower than originally expected net debt level of ~€37bn at year end 2018e
 - // Exciting future growth prospects



Coming Events

Coming Events

Bayer Q3 2018 results on 13 November, 2018

Capital Markets Day in London on 5 December, 2018





Contacts

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Back-up





2018 Guidance for Key Pharma Products

Product	Guidance FY 2018 (Fx adjusted)
Xarelto	~10% growth vs. 2017
Eylea	Mid-teens-% growth vs. 2017
Xofigo	Mid-single-digit % decline vs. 2017
Stivarga	~10% growth vs. 2017
Adempas	>20% growth vs. 2017
Kogenate / Kovaltry	High-single-digit-% decline vs. 2017 (incl. CSL) Mid-single-digit-% increase vs. 2017 (excl. CSL)
Betaferon / Betaseron	Mid-single-digit-% decline vs. 2017
Mirena family	~10% growth vs. 2017
YAZ family	Low-single-digit-% increase vs. 2017
Nexavar	High-single-digit-% decline vs. 2017



Group Outlook for FY 2018 including Monsanto Acquisition

Outlook depends on specific planning assumptions outlined in the Annual Report

	2017	Group Forecast 2018	
Sales	€35.0bn	// As reported *	// >€39bn // (prev. <€35bn)
		// Portfolio & currency adjusted	// Mid-single-digit % increase // (prev. low- to mid-single-digit % increase)
EBITDA (before special items)	€9.3bn	// As reported *	// Low-to-mid-single-digit % increase // (prev. low-single-digit % decline)
		// Currency adjusted	// High-single-digit % increase // (prev. mid-single-digit % increase)
Core EPS	€6.64 ¹	// As reported *	// €5.70 - €5.90 // (prev. prior-year level)
		// Currency adjusted	// High-single-digit % decrease // (prev. mid-single-digit % increase)

*) At closing rates as of June 30, 2018; ¹ Adjusted for the bonus element in the context of the discounted rights issue in June 2018



FY 2018 – Guidance by Segment

Outlook depends on specific planning assumptions outlined in the Annual Report

Sales Δ % yoy Fx and portfolio adj., EBITDA before special items, Continuing operations

	Sales	Adj. EBITDA	
		Closing rates as of Jun. 30, 2018	Currency-adjusted
■ Pharma	<ul style="list-style-type: none"> // Low-single-digit % increase to >€16.5bn // Key growth products towards €7bn 	<ul style="list-style-type: none"> // Low-single-digit % decline // Slight margin decline 	<ul style="list-style-type: none"> // Low-single-digit % increase
■ Consumer Health	<ul style="list-style-type: none"> // >€5.5bn (prior-year level) 	<ul style="list-style-type: none"> // Mid-single-digit % decline // (prev. low-single-digit % decline) 	<ul style="list-style-type: none"> // Low-single-digit % increase
■ Crop Science	<ul style="list-style-type: none"> // Mid-single-digit % increase to Slightly above €14bn // (prev. mid-single-digit % increase to >€9.5bn) 	<ul style="list-style-type: none"> // Mid-twenties % increase // (prev. mid-to-high-single-digit % increase) 	<ul style="list-style-type: none"> // ~30% increase // (prev. mid-teens % increase)
■ Animal Health	<ul style="list-style-type: none"> // Low-single-digit % increase 	<ul style="list-style-type: none"> // Mid-single-digit % decline 	<ul style="list-style-type: none"> // Prior-year level