



Q3 2019 Analyst and Investor Briefing

October 30, 2019

- Encouraging business performance across all divisions – agreements signed to divest Currenta and Animal Health
- Group sales increase to €9.8 billion (Fx & portfolio adj. + 5.4%)
- EBITDA before special items advances to €2.3 billion (+ 7.5%)
- Crop Science reports higher sales and substantial earnings growth
- Pharmaceuticals increases sales; earnings decline due to one-time income in prior year
- Consumer Health posts growth in sales (Fx & portfolio adj.) and earnings
- Net income €1.0 billion (- 63.9%); substantial divestment gain in prior year
- Core earnings per share €1.16 (+ 6.4%)
- Group outlook confirmed and adjusted to reflect continuing operations

The full Quarterly Statement is available at <https://www.investor.bayer.com/en/reports/quarterly-reports/>

Group Key Figures for Q3 2019

Euro million	Q3 2018	Q3 2019	% y-o-y	Consensus**
Sales	9,261	9,830	6.1 / 5.4*	9,699
Volume	1.9%	3.7%	•	•
Price	-1.1%	1.7%	•	•
Currency	-2.7%	2.3%	•	•
Portfolio	25.9%	-1.6%	•	•
EBITDA	5,267	2,287	-56.6	•
Net special items (EBITDA)	3,135	-4	•	-355
EBITDA before special items	2,132	2,291	7.5	2,269
EBIT	4,323	1,215	-71.9	•
Net special items (EBIT)	3,128	-13	•	•
EBIT before special items	1,195	1,228	2.8	•
Financial result	-679	-179	73.6	•
Income taxes	-829	-33	•	•
Income from cont. operations after income taxes	2,815	1,003	-64.4	•
Income from discount. operations after income taxes	64	41	-36.0	•
Net income	2,871	1,036	-63.9	498
EPS from cont. and discount. operations (Euro/share)	2.93	1.05	-64.2	•
Core EPS from cont. operations (Euro/share)	1.09	1.16	6.4	1.12
Core EPS from cont. and discount. operations (Euro/share)	1.15	1.23	7.0	•
Delta working capital	1,257	738	-41.3	•
Operating cash flow (total)	2,051	2,282	11.3	•
CapEx and leasing, cont. operations	-612	-678	-10.8	•

2018 figures restated

*) Currency and portfolio adjusted sales growth

***) Consensus figures as of October 25, 2019 provided by Vara Research GmbH



Net Financial Debt and Pension Provisions

<i>Euro million</i>	June 30, 2019	Sept. 30, 2019
Net financial debt	38,808	37,860
Pension provisions	9,799	9,384

Special Items

In net special items, a €350 million special gain from the divestment of the prescription dermatology business outside the United States stood against special charges that primarily related to the ongoing restructuring program and litigations. The prior-year figure primarily comprised special gains of approximately €3.9 billion before taxes in connection with the divestments to BASF.

Core Earnings per Share

<i>Euro million</i>	Q3 2018	Q3 2019
EBIT (as per income statement)	4,323	1,215
Amortization and impairment losses / loss reversals on intangible assets	552	631
Impairment losses / loss reversals on property, plant and equipment, and accelerated depreciation included in special items	9	3
Special items (other than accelerated depreciation, amortization and impairment losses / loss reversals)	-3,136	4
Core EBIT	1,748	1,853
Financial result (as per income statement)	-679	-179
Special items in the financial result	182	-276
Income taxes (as per income statement)	-829	-33
Special items in income taxes	84	0
Tax effects related to amortization, impairment losses / loss reversals and special items	568	-221
Income after income taxes attributable to non-controlling interest (as per income statement)	-8	-8
Above-mentioned adjustments attributable to non-controlling interest	0	2
Core net income from continuing operations	1,066	1,138
Weighted average number of shares (<i>million</i>)	980.15	982.43
Core earnings per share from continuing operations (Euro)	1.09	1.16

Prior period figures restated

Corporate Outlook for FY 2019

Based on the business development described in this report and our internal planning, we confirm the Group outlook for fiscal 2019 published in February in our Annual Report 2018 despite falling growth expectations worldwide.

This original forecast was issued on the basis of all businesses being continuing operations. The envisaged portfolio measures (in particular the sale of Animal Health and Currenta) were not taken into account at that time since the timing of the divestments was not yet sufficiently certain. However, the progress we have since made on implementing these portfolio measures necessitates adjusting the original forecast to exclude the sales and



	2019	2018
Umsatz	42.237	42.239
EBIT	4.224	3.528
EBITDA	5.772	5.944
Ergebnis vor Sondermaßnahmen	7.420	8.442
Ergebnis	6.452	8.822
EBITDA-Marge	20,2%	20,2%
Ergebnis vor Sondermaßnahmen	4,207	4,523
Ergebnis	3,239	2,428
EBITDA-Marge	8,86	4,34
Ergebnis	8,42	6,02



earnings contributions from the discontinued operations Animal Health and the Currenta Group. The need for these adjustments arises solely from a change in presentation in the financial statements. To enhance comparability, we issue our forecast on a currency-adjusted basis. For continuing operations, we expect Group sales to increase by about 4% to approximately €43 billion, EBITDA before special items of about €11.6 billion, and core earnings per share of €6.45. Based on current exchange rates, we anticipate Group sales of approximately €43.5 billion, EBITDA before special items of approximately €11.5 billion, and core earnings per share of €6.35.

Crop Science in Q3 2019

Euro million	Q3 2018	Q3 2019	% y-o-y	Consensus**
Sales	3,733	3,948	5.8 / 4.8*	3,874
EBITDA before special items	422	527	24.9	549
EBITDA-margin before special items	11.3%	13.3%		14.2%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 25, 2019 provided by Vara Research GmbH

Crop Science Sales by Strategic Business Entity

Euro million	Q3 2018	Q3 2019	% y-o-y	%y-o-y Fx and portf. adj.
Crop Science	3,733	3,948	5.8	4.8
Herbicides	1,171	1,184	1.1	0.0
Corn Seed & Traits	600	749	24.8	20.7
Soybean Seed & Traits	392	447	14.0	10.0
Fungicides	453	572	26.3	23.7
Insecticides	353	344	-2.5	-5.1
Environmental Science	206	221	7.3	3.7
Vegetable Seeds	266	186	-30.1	-17.2
Other	292	245	-16.1	-10.3

- Price +3.8%, volume +1.0%, currency +3.1%, portfolio -2.1%
- Sales in **Europe / Middle East / Africa** decreased by 6.7% (Fx & portfolio adj.) to €733 million. Business was down primarily at SeedGrowth (Other), which was impacted by a loss of registrations in Europe, and in oilseed rape / canola seed (Other), with negative factors here including a decline in demand due to drought as well as lower acreages. Sales also decreased at Vegetable Seeds as a result of shifts in demand into the fourth quarter. By contrast, we recorded higher sales at Fungicides, Environmental Science and Corn Seed & Traits.
- Sales in **North America** advanced by 9.5% (Fx & portfolio adj.) to €1,061 million. Growth was driven by business at Corn Seed & Traits, where we were able to reverse provisions for product returns as acreages were higher than we had anticipated in the previous quarter. We also registered a significant increase in business at Fungicides that was primarily attributable to weather-related shifts in demand from the previous quarter. By contrast, sales declined in our cotton seed business (Other), mainly due to shifts in demand into the first half of the year. Business was also down at Insecticides, primarily as a result of lower pest pressure.
- In the **Asia / Pacific** region, sales decreased by 8.1% (Fx & portfolio adj.) to €418 million. We recorded the sharpest decline in business at Herbicides in Australia, as a result of the dry weather, and in China. Sales at Vegetable Seeds were also down substantially. Encouraging growth at Corn Seed & Traits did not offset this effect.



- Sales in **Latin America** advanced by 12.0% (Fx & portfolio adj.) to €1,736 million. We registered encouraging growth at Fungicides, Herbicides and SeedGrowth, in part due to higher volumes for a number of products in Brazil. Sales also increased significantly at Soybean Seed & Traits thanks to shifts in demand from the fourth quarter and higher market penetration.
- The increase in **EBITDA before special items** of Crop Science was primarily attributable to higher prices and volumes in Latin America and the realization of cost synergies as we progress with the integration of the acquired business. There was also a positive currency effect of €51 million. By contrast, earnings were mainly held back by an increase in the cost of goods sold.

Pro-forma Sales of Crop Science by Strategic Business Entity

Due to the scope of the acquired activities and the seasonality of the business, we are presenting sales by strategic business entity on a pro-forma basis in order to more transparently reflect the underlying operational business development for the combined business of Crop Science and Monsanto, among other reasons. In this context, sales are presented as if both the acquisition of Monsanto and the associated divestments had already taken place as of January 1, 2018. Sales under the service agreements with BASF after the divestments closed are not included.

<i>Euro million</i>	Q3 2018	Q3 2019	% y-o-y	% y-o-y Fx adj.
Crop Science	3,578	3,905	9.1	5.7
Herbicides	1,132	1,176	3.9	0.7
Corn Seed & Traits	600	749	24.8	20.7
Soybean Seed & Traits	375	447	19.2	13.8
Fungicides	453	572	26.3	23.7
Insecticides	353	344	-2.5	-5.1
Environmental Science	206	221	7.3	3.7
Vegetable Seeds	228	186	-18.4	-20.1
Other	231	210	-9.1	-13.0

The unaudited pro-forma data is presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2018. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discontinued operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting. Due to this simplified procedure, they explicitly do not reflect sales according to IFRS or IDW RH HFA 1.004.

- In our **Herbicides** business, an encouraging increase in volumes, especially for Roundup in Latin America, offset declines in Asia / Pacific that were registered primarily in Australia as a result of the dry weather and in China.
- At **Corn Seed & Traits**, we recorded strong growth particularly in North America, where we were able to reverse provisions for product returns as acreages were higher than we had anticipated in the previous quarter.
- The substantial increase in sales at **Soybean Seed & Traits** was driven by business in Latin America, where shifts in demand from the fourth quarter and the higher market penetration achieved by Intacta had a positive impact. In North America, by contrast, acreages were below expectations, which primarily resulted in a decline in volumes.
- Sales at **Fungicides** advanced in all regions. We recorded highly encouraging sales gains in Latin America as a result of substantially higher volumes for Fox Xpro in Brazil. In North America, meanwhile, the substantial increase in sales was primarily attributable to weather-related shifts in demand from the previous quarter.
- Sales at **Vegetable Seeds** declined significantly, mainly due to shifts in demand into the fourth quarter in the Europe / Middle East / Africa region. Business was also down in Asia / Pacific.



- At **Other**, we recorded declines in our SeedGrowth, cotton seed and oilseed rape / canola seed businesses. The loss of registrations in Europe was the reason for the decrease in sales at SeedGrowth, while shifts in demand into the first half of the year had an adverse impact on our cotton seed business. As for our oilseed rape / canola seed business, development was held back by decreased demand in Europe along with lower acreages in Canada, among other factors.

Pharmaceuticals in Q3 2019

<i>Euro million</i>	Q3 2018	Q3 2019	% y-o-y	Consensus**
Sales	4,163	4,504	8.2 / 5.9*	4,420
EBITDA before special items	1,554	1,527	-1.7	1,558
EBITDA-margin before special items	37.3%	33.9%		35.2%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 25, 2019 provided by Vara Research GmbH

Best Selling Pharmaceutical Products

<i>Euro million</i>	Q3 2018	Q3 2019	% y-o-y	% y-o-y cpa
Xarelto	933	1,034	10.8	9.1
Eylea	541	640	18.3	15.9
Mirena family	280	302	7.9	4.5
Kogenate/Kovaltry/Jivi	212	226	6.6	4.0
YAZ family	167	183	9.6	7.4
Nexavar	180	181	0.6	-1.3
Adalat	143	163	14.0	11.7
Glucobay	154	158	2.6	1.3
Aspirin Cardio	133	134	0.8	-0.1
Betaferon/Betaseron	133	111	-16.5	-18.2
Adempas	90	111	23.3	19.3
Stivarga	77	105	36.4	30.6
Gadavist/Gadovist	89	103	15.7	13.7
Stellant	87	95	9.2	4.7
Avalox/Avelox	55	74	34.5	32.8

%y-o-y cpa: Currency and portfolio adjusted sales growth

- Price -0.1%, volume +6.0%, currency +2.3%, portfolio 0.0%
- Sales performance at Pharmaceuticals was driven by continued strong growth in China and sales gains for our products Xarelto and Eylea.
- We again registered an increase in sales of **Xarelto**, largely as a result of higher volumes in China and Russia. Our license revenues – recognized as sales – in the United States, where Xarelto is marketed by a subsidiary of Johnson & Johnson, exceeded the level of the prior-year period.
- Sales of **Eylea** rose significantly, with growth driven by business in Europe / Middle East / Africa – especially the United Kingdom and Germany – and in Japan.
- The sales increases for **Adalat** and **Avalox / Avelox** were mainly due to higher volumes in China.
- Sales of **Betaferon / Betaseron** continued to decline substantially, with business primarily held back by strong competition in the United States.



- We reported significant sales gains for **Stivarga** that were mainly attributable to expanded volumes in China, the United States and Russia.
- Sales of **Adempas** advanced substantially, primarily due to the positive development in the United States. As in the past, sales reflected the proportionate recognition of the upfront and milestone payments resulting from the sGC collaboration with Merck & Co., United States.
- **EBITDA before special items** of Pharmaceuticals declined in the third quarter of 2019 by 1.7% to €1,527 million (Q3 2018: €1,554 million). Earnings in the prior-year quarter included a positive one-time effect of approximately €190 million in connection with income from a development collaboration. Selling expenses for product launches and new indications diminished earnings, while higher volumes resulted in positive earnings contributions. There was also a positive currency effect of €20 million.

Pharmaceutical Pipeline



Additions

- Bayer has initiated a Phase III trial of its anti-VEGF treatment aflibercept for intravitreal injection in retinopathy of prematurity, an eye condition in premature infants which can lead to irreversible blindness.
- Regorafenib + nivolumab in colorectal cancer added to phase II (in cooperation with BMS and Ono)
- AhR-inhibitor in cancer added to phase I.

Terminations

- A Phase II study investigating the safety and tolerability of BAY 1093884, an anti-TFPI antibody, in hemophilia A or B patients with or without inhibitors was halted prematurely for safety reasons. Bayer decided to discontinue the BAY 1093884 development program.
- CD22-Targeted Thorium Conjugate (cancer) terminated in phase I.
- IRAK 4 inhibitor 1 (endometriosis) terminated in phase I. Development in rheumatoid arthritis will continue.



Consumer Health in Q3 2019

Euro million	Q3 2018	Q3 2019	% y-o-y
Sales	1,297	1,288	-0.7 / 3.7*
EBITDA before special items	248	256	3.2
EBITDA-margin before special items	19.1%	19.9%	

Consensus**
1,314
265
20.2%

*) Currency and portfolio adjusted sales growth

**) Consensus figures as of October 25, 2019 provided by Vara Research GmbH

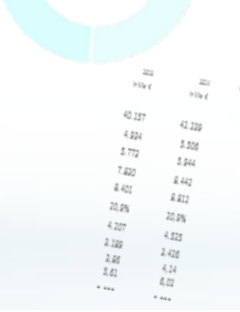
- Price +1.8%, volume +1.9%, currency +0.7%, portfolio -5.1%
- Sales in the **Europe / Middle East / Africa** region rose by 6.8% (Fx & portfolio adj.) to €423 million. Business in the Allergy & Cold category primarily benefited from the improved supply situation for Aspirin Complex. In addition, we recorded encouraging growth in the Middle East in our Nutritionals and Pain & Cardio categories.
- In the **North America** region, sales declined by 2.7% (Fx & portfolio adj.) to €530 million. Business was down primarily in the Pain & Cardio category, where lower demand for Aspirin was among the factors that had a negative impact.
- Sales in **Asia / Pacific** declined by 3.6% (Fx & portfolio adj.) to €176 million, with business mainly held back by regulatory changes in China impacting cross-border e-commerce in the second half of the year and the Nutritionals category. Encouraging growth in this category in Southeast Asia did not offset this effect.
- We recorded strong growth in **Latin America**, where sales rose by 26.9% (Fx & portfolio adj.) to €159 million. Sales increased by double-digit percentages in almost all categories, due in part to inflation-related price increases in Argentina.

Consumer Health Sales by Category

Euro million	Q3 2018	Q3 2019	% y-o-y	% y-o-y cpa
Consumer Health	1,297	1,288	-0.7	3.7
Nutritionals	272	281	3.3	4.4
Allergy & Cold	251	275	9.6	6.4
Dermatology	261	272	4.4	2.8
Pain & Cardio	198	209	5.6	9.0
Digestive Health	174	166	-4.6	-7.5
Other*	141	85	-39.9	5.7

Including the foot care business divested in July that is yet to be transferred. The divested sun care, global prescription dermatology and U.S. prescription dermatology businesses are included until their respective transfer dates (August 30, 2019, July 1, 2019, and September 4, 2018); %y-o-y cpa: Currency and portfolio adjusted sales growth

- Positive contributions to the EBITDA before special items of Consumer Health came primarily from the efficiency program initiated at the end of 2018, which led to a significant decrease in selling expenses, as well as a positive currency effect of €9 million. Earnings were diminished by the absence of the contribution from the divested prescription dermatology business.



Key Figures for Q3 2019

	Crop Science		Pharmaceuticals		Consumer Health		Reconciliation		Group	
	Q3'18	Q3'19	Q3'18	Q3'19	Q3'18	Q3'19	Q3'18	Q3'19	Q3'18	Q3'19
	€ million		€ million		€ million		€ million		€ million	
Sales	3,733	3,948	4,163	4,504	1,297	1,288	68	90	9,261	9,830
Sales by region:										
Europe / Middle East / Africa	817	733	1,627	1,701	421	423	65	86	2,930	2,943
North America	948	1,061	1,031	1,060	538	530	4	3	2,521	2,654
Asia / Pacific	452	418	1,268	1,502	188	176	1	0	1,909	2,096
Latin America	1,516	1,736	237	241	150	159	-2	1	1,901	2,137
EBITDA	3,593	420	1,538	1,464	259	582	-123	-179	5,267	2,287
Special items	3,171	-107	-16	-63	11	326	-31	-160	3,135	-4
EBITDA before special items	422	527	1,554	1,527	248	256	-92	-19	2,132	2,291
EBITDA margin before special items	11.3%	13.3%	37.3%	33.9%	19.1%	19.9%	•	•	23.0%	23.3%
EBIT	3,030	-265	1,299	1,240	162	485	-168	-245	4,323	1,215
Special items	3,165	-108	-16	-63	9	317	-30	-159	3,128	-13
EBIT before special items	-135	-157	1,315	1,303	153	188	-138	-86	1,195	1,228
EBIT margin before special items	-3.6%	-4.0%	31.6%	28.9%	11.8%	13.0%	•	•	12.9%	12.5%
Operating cash flow, continuing	1,244	1,131	928	1,449	210	175	-466	-590	1,916	2,165
Financial result									-679	-179
Income from continuing operations after taxes									2,815	1,003
Income from discontinuing operations after taxes									64	41
Net income, total									2,871	1,036
Earnings per share, continuing (€)									2.86	1.01
Earnings per share, total (€)									2.93	1.05
Core earnings per share, continuing (€)									1.09	1.16
Core earnings per share, total (€)									1.15	1.23
CapEx and leasing, continuing									612	678
R&D									1,167	1,292
D&A and Write-downs	563	685	239	224	97	97	45	66	944	1,072
Employees at end of period	38,324	34,340	38,918	38,395	11,391	10,415	20,430	21,561	109,063	104,711

2018 figures restated



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