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Inside information as per Section 17 MAR

Bayer to accelerate transformation to address challenging market environment and enable additional growth investments

Leverkusen, September 30, 2020, 19:105 p.m. CEST

Bayer AG announced today that the company confirms its adjusted outlook for 2020 and expects 2021 sales at approximately 2020 levels despite significant headwinds from the COVID-19 pandemic, especially in the agricultural market. Core earnings per share in 2021 are expected to be slightly below 2020 levels at constant exchange rates. To further advance Bayer in a market environment that continues to be challenging, its Board of Management has decided to introduce additional operational savings of more than 1.5 billion euros annually as of 2024, on top of annual earnings contributions of 2.6 billion euros as of 2022, which were announced in November 2018. The incremental cash flow from these efforts will mainly be allocated for investments in further innovation, profitable growth opportunities and debt reduction.

Like most companies, the COVID-19 pandemic has led to headwinds in the 2020 fiscal year for Bayer, with significant currency effects presenting an additional burden on sales and earnings growth. However, Bayer expects to offset the impact of lower revenues in the Crop Science and Pharmaceuticals divisions through appropriate countermeasures, such as the acceleration of existing efficiency programs and cost contingencies. For 2021, growth and cash flow generation are expected to be lower than planned and can only be partially compensated by further savings measures.

The direct and indirect effects of the pandemic will be deeper than expected on the Crop Science business. The agricultural sector, in which Bayer has a leading role, is characterized by reduced growth expectations due to low commodity prices for major crops, intense competition in soy, and reduced biofuel consumption. This is compounded by negative currency effects, some of which are significant as in the case of the Brazilian Real. This situation is unlikely to improve considerably in the near-term. Against that background, Bayer expects to take non-cash impairment charges in the mid to high-single-digit billion-euros range on assets in the agricultural business.

The Pharmaceuticals business is anticipated to return to growth in 2021. To strengthen the mid- and longer-term growth potential of the Pharmaceuticals business, further increases in investments are planned to bolster the product pipeline with a next-generation innovation platform featuring novel mechanisms of action as well as in-licensing agreements and bolt-on acquisitions.

The Consumer Health business has shown strong business performance and expects to outpace peer growth in the coming years. The division will complement its organic growth with smaller bolt-on acquisitions and in-licensing opportunities in high-potential segments over the coming years.

The additional savings will benefit the profile of Bayer in all divisions. Bayer also plans to further optimize its working capital and capital expenditures. Further, the company is reviewing options to exit non-strategic businesses or brands below the divisional level. The Board of Management intends to leave Bayer's dividend policy, which delivers 30 to 40 percent of core earnings per share to stockholders each year, in place. Payouts in the coming years are expected at the lower end of this corridor rather than at the upper end in previous years.

The additional operational savings measures, which may also lead to additional job reductions, are currently in the early stages of development. They will be discussed with the relevant internal bodies, including employee representatives, and announced once finalized. Bayer will implement the planned measures fairly and responsibly.

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Forward-Looking Statements