News Conference Call for the Third Quarter of 2019
Wednesday, October 30, 2019
Leverkusen

Address by

Werner Baumann,
Chairman of the Board of Management

(Please check against delivery)

(2019-1509e)
Ladies and gentlemen:

A warm welcome from me as well to our conference call on the third quarter of 2019. We already published our news release and the quarterly statement early this morning. I’d like to explain the most important developments, and then I’ll answer your questions together with Wolfgang Nickl.

Encouraging Business Performance Across All Divisions

// Increases in Group sales and EBITDA before special items
// Crop Science: Higher sales and substantial earnings growth
// Pharmaceuticals: Sales increase, earnings decline due to one-time income in prior year
// Consumer Health: Sales and earnings growth
// Financial targets for 2019 confirmed

(2019-1509e-1)

Let me start by saying that Bayer had a successful third quarter. We increased the Group’s sales and EBITDA before special items. Business developed well in all divisions.

Crop Science achieved sales growth and considerably higher earnings. Pharmaceuticals increased sales, while its EBITDA before special items declined on account of one-time income in the prior-year quarter. Consumer Health posted growth in sales after adjusting for currency and portfolio effects, and also raised earnings. We can confirm our financial targets for 2019 – more about that later.

At the same time, we have made major progress from a strategic viewpoint, especially with the efficiency, structural and portfolio measures we announced at the end of 2018. I’ll
be speaking about these separately in a moment, and also about the current status of the litigation in the United States relating to glyphosate.

First, I’d like to comment on our figures in detail. As I do so, please note that Animal Health and Currenta are reported as discontinued operations now that the sale agreements have been signed. The prior-period figures have been restated accordingly.

Please also remember that when I speak about changes in sales I always mean the currency- and portfolio-adjusted figures.

<table>
<thead>
<tr>
<th>Third Quarter 2019</th>
<th>Bayer Group Key Data</th>
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<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>€ 9.8 billion</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>+5.4%*</td>
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<tr>
<td><strong>EBITDA before special items</strong></td>
<td>+7.5%</td>
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<td><strong>EBITDA margin before special items</strong></td>
<td>+0.3% pts.</td>
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<td><strong>EBIT</strong></td>
<td>1.2 billion</td>
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<td><strong>Special items in EBIT</strong></td>
<td>-13 million</td>
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<td><strong>Net income (total</strong>)**</td>
<td>-63.9%</td>
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<td><strong>Core earnings per share</strong></td>
<td>€1.16</td>
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<td><strong>Net financial debt</strong></td>
<td>2.4% drop from Q2 to €37.9 billion</td>
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Group sales in the third quarter of 2019 rose by 5.4 percent from the prior-year period, to 9.8 billion euros.

EBITDA before special items increased by 7.5 percent to 2.3 billion euros. We recorded positive currency effects of 77 million euros.

EBIT fell from 4.3 billion euros in the same quarter of last year to 1.2 billion euros, because the prior-year period included a special gain of 3.9 billion euros from the portfolio divestments to BASF.
Core earnings per share from continuing operations rose by 6.4 percent from 1.09 euros in the third quarter of last year to 1.16 euros.

Bayer’s net financial debt amounted to 37.9 billion euros as of September 30. This was around 950 million euros less than at the end of the second quarter, representing an improvement of 2.4 percent.

All three rating agencies give us an investment-grade rating – which is evidence of our good credit standing.

Now I’ll turn to the business development in each of the divisions. I’ll start with our agriculture business.

The Crop Science Division achieved third-quarter sales of 3.9 billion euros. That was a 4.8 percent improvement.

The reason for the increase was growth in the Americas. In Latin America, sales rose by 12 percent to 1.7 billion euros. In North America, we posted an increase of about
10 percent, to 1.1 billion euros. However, business at Crop Science was down in the Europe/Middle East/Africa and Asia/Pacific regions.

At Herbicides, the largest of our strategic business entities, sales were level with the prior-year period after adjusting for currency and portfolio effects.

The strongest growth was at Fungicides, at around 24 percent. Sales of Fox Xpro™ developed particularly well in Brazil. We also saw double-digit growth at Corn Seed & Traits and at Soybean Seed & Traits. Vegetable Seeds, however, posted considerably lower sales, mainly as a result of shifts in demand into the fourth quarter.

EBITDA before special items at Crop Science rose in the third quarter by roughly 25 percent to 527 million euros. This was mainly due to price increases and higher volumes in Latin America. The synergies already realized as we progress with the integration of the acquired business had a positive effect on costs.

Now we come to Pharmaceuticals. Sales in our Pharmaceuticals business rose in the third quarter by 5.9 percent to 4.5 billion euros. Business was driven by continued strong growth in China and sales gains for our anticoagulant Xarelto™ and the eye medicine Eylea™.
Third-quarter sales of Xarelto™ grew to more than one billion euros, 9 percent ahead of the prior-year period. This was mainly due to higher volumes in China and Russia.

Sales of Eylea™ saw a substantial increase of about 16 percent. Business with this product expanded primarily in the Europe/Middle East/Africa region, especially the United Kingdom and Germany, with Japan also contributing to the rise in sales.

We also registered strong growth for Adalat™ to treat high blood pressure and coronary heart disease, Adempas™ to treat pulmonary hypertension, our cancer drug Stivarga™ and our antibiotic Avalox™/Avelox™.

However, business with our multiple sclerosis treatment Betaferon™/Betaseron™ showed another marked decline, mainly as a result of strong competition in the United States.

EBITDA before special items at Pharmaceuticals declined by 1.7 percent in the third quarter to 1.5 billion euros. This was largely due to the fact that earnings in the prior-year period included one-time income of around 190 million euros from a development collaboration.
Now let’s take a look at the Consumer Health Division. Sales of our self-care health products rose by 3.7 percent in the third quarter to 1.3 billion euros.

We registered growth in the Europe/Middle East/Africa region, where business in the Allergy & Cold category benefited from the improved supply situation for Aspirin™ Complex. We posted strong growth in sales in Latin America, while business in North America declined – especially in the Pain & Cardio category, which was impacted by lower demand for Aspirin™.

We also saw sales decrease in the Asia/Pacific region, mainly as a result of regulatory changes in China that affected cross-border e-commerce.

EBITDA before special items of Consumer Health advanced by 3.2 percent in the third quarter to 256 million euros. Positive contributions to earnings came especially from the efficiency program launched at the end of 2018. By contrast, earnings were negatively impacted by the absence of the contribution from the divested prescription dermatology business.
Ladies and gentlemen,

That brings me to the end of my comments on our business development in the third quarter. On this basis we can confirm the financial targets for the current year that we communicated in February 2019 – despite the reduced economic growth expectations worldwide.

Our original financial targets did not take into account portfolio measures or changes in exchange rates. These targets are shown in the first column of this chart.

In the second column you can see the amounts that the discontinued operations accounted for in the original forecast – in other words the contributions from Animal Health and Currenta. The third column shows the forecast for our continuing operations at constant currencies.

As most of the year has passed, we have added a fourth column containing our expectations for the respective currency effects. The final column shows our forecast for 2019, adjusted to exclude the discontinued operations and taking into account the latest
currency assumptions. On this basis, we are anticipating sales of approximately 43.5 billion euros, EBITDA before special items of around 11.5 billion euros and core earnings per share of about 6.35 euros.

The portfolio measures I mentioned just now were announced at the end of 2018 as one of our strategic priorities – and we’ve been able to implement them faster than planned.

In August we announced the sale of our Animal Health business to the U.S. company Elanco for 7.6 billion dollars. Closing of the transaction is expected for the middle of next year.

Also in August, we signed an agreement to sell our 60 percent stake in the site services provider Currenta to funds managed by Macquarie Infrastructure and Real Assets. In this case we expect closing to take place in December 2019.

In July we had already announced the sale of the Dr. Scholl’s™ foot care portfolio to Yellow Wood Partners. Here, we anticipate closing in November 2019. The sale of the Coppertone™ sun care brand to Beiersdorf was completed in September.
Through these portfolio measures, we are sharpening the focus on our core businesses. At the same time we are also systematically implementing the efficiency and structural measures that we also announced last November. In addition, as part of these measures, the size of the Board of Management is being reduced from seven to five members. As already communicated, we expect these measures to contribute 2.6 billion euros annually from 2022, including the synergies from the Monsanto acquisition. We already expect to see contributions of over 600 million euros in total in 2019 as we are making faster progress in realizing cost synergies at Crop Science than we originally anticipated.

We have concluded an employment pact with the Works Council, valid through 2025, to safeguard the future of our German sites. This represents an important agreement for our employees in Germany.

All of these measures make our company leaner, more agile and more focused. And we will also continue to strengthen our innovation capability – partly by deploying some of the freed-up resources for this very purpose. From 2019 through 2022 we plan to invest a total of around 35 billion euros in our future – more than two thirds of this being for research and development.

That's because innovation is at the heart of our business model. We research and develop new products to improve people’s lives. That’s what Bayer is all about. I would therefore like to briefly report to you on some of the progress we have made in this area recently.
A major focus of our innovation activities in agriculture is – as you know – digitalization. Our digital platform Climate FieldView™ is already in widespread use. It helps farmers make better decisions that optimize their yield potential and at the same time save on resources. In July we reached another milestone in this regard: the introduction of Climate FieldView™ in Argentina. We now expect this platform to be used for around 36 million hectares worldwide in 2019 – including in Europe, by the way.

We also saw encouraging progress at Pharmaceuticals. At the end of July, Nubeqa™, based on the active ingredient darolutamide, received marketing approval in the United States to treat prostate cancer. We are developing darolutamide jointly with the Finnish pharmaceutical company Orion Corporation.

In September, our new cancer drug Vitrakvi™ received approval from the European Commission, making it the first medicine ever to be approved in a tumor-agnostic indication in Europe.

At the same time, we are of course continuing the development of products that are already on the market. Xarelto™, for example, was approved in the United States in October to help prevent blood clots in acutely ill medical patients.
In September we also accomplished the complete takeover of the former joint venture BlueRock Therapeutics. This company focuses on the development of new cell therapies in the fields of neurology, cardiology and immunology using a platform for induced pluripotent stem cells.

**Glyphosate Litigation: Current Status**

- By October 11, 2019, approximately 42,700 plaintiffs had filed lawsuits against us in the United States.
- The plaintiffs’ side significantly increased its advertising spend after the mediation process had been ordered in May. The amount spent on TV advertising alone in the third quarter is estimated at over US$50 million. This is roughly twice as much as in the entire first half of the year.
- But the number of lawsuits tells us nothing about their merits.

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Ladies and gentlemen,

Let me now move on to the current status of the lawsuits related to glyphosate.

In recent weeks and months, the number of lawsuits has again increased. By October 11, 2019, approximately 42,700 plaintiffs had filed lawsuits against us in the United States. This is a substantial increase from the figure of 18,400 plaintiffs as of July 11, 2019, that we communicated in our half-year report.

This increase in the number of plaintiffs is clearly driven by a substantial surge in anti-Roundup advertising spend from the plaintiffs’ side following Judge Chhabria’s mediation order in May 2019. They are estimated to have spent over 50 million U.S. dollars on TV advertising alone in the third quarter. That’s roughly twice as much as in the
entire first half of this year. Therefore, we expected a considerable increase in the number of cases. However, the number of lawsuits tells us nothing about their merits.

We do not expect any new trials to take place before the end of this year. All the trials originally scheduled for 2019 have been postponed.

I would therefore like to reiterate the strategy we have already communicated:

We have appealed the three first-instance judgments in the state of California. The appeals are underway, and we are defending our company vigorously in all these cases.

And we will vigorously defend ourselves in any future cases. We remain convinced of the safety of glyphosate-based products, as do all the leading regulatory bodies worldwide.

At the same time, we are all aware of glyphosate’s tremendous importance: Farmers throughout the world apply this technology because it controls weeds and safeguards harvests. Glyphosate is effective, enables more sustainable farming practices, and is safe when used as directed.

We are constructively engaging in the mediation process ordered by Judge Vince Chhabria with a view to finding a solution. The mediation negotiations are confidential, so I can’t give you any information about the timescale or what is being discussed. However, it is clear that Bayer will only accept a mediation outcome that is financially reasonable and is structured in a way that will bring the matter to a reasonable conclusion.
Ladies and gentlemen,

I’m coming to the end of my remarks today. We’ve seen that Bayer is making progress in all important areas:

- We have confirmed our financial targets for 2019 despite reduced growth expectations worldwide and have now taken into account the communicated portfolio measures and changes in exchange rates.

- Business at Crop Science is developing well, even in a market environment that remains challenging. And we are proving our innovation capability in this area all the time.

- We continue to achieve strong sales growth in Pharmaceuticals and are making encouraging progress with the registration of new products and indications.

- We can see that the measures adopted at Consumer Health are working and that sales and earnings have begun to recover.
- We are progressing with the announced divestments faster than planned while systematically implementing our efficiency and structural measures.

All this shows that Bayer is on track – both operationally and strategically.

And now I'll be happy to take your questions.

**Forward-Looking Statements**

This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer’s public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.