News Release

Financial News Conference
Wednesday, February 27, 2019
Bayer Communication Center, Leverkusen

Address by

Werner Baumann,
Chairman of the Board of Management

(Please check against delivery)

(2019-1501e)
Ladies and gentlemen,

On behalf of the Board of Management, a very warm welcome to this news conference here in Baykomm to present our Annual Report. We’re very pleased you’re all with us again today.

2018 – a special year for Bayer

- Largest acquisition in the company’s history successfully completed
- Integration off to an excellent start
- Glyphosate litigation: we will defend ourselves vigorously
- Portfolio, efficiency and structural measures to enhance competitiveness and innovation capabilities
- Operational growth overall – record dividend payout proposed

2018 was a special year for us: the year in which we successfully completed the largest acquisition in our company’s history. Of course we’re still just at the beginning of our journey together. But this much I can say already: the integration of the two companies has gotten off to an excellent start and is well on the way.

But there are also new challenges. A judgment by a court of first instance regarding glyphosate weighed heavily on our share price. And, of course, we’re anything but happy about that. Another glyphosate trial began at the start of this week in San Francisco. A total of seven trials are currently scheduled for 2019, with the next one set to begin in mid-March. As expected, the number of lawsuits has continued to increase compared with the status we communicated in our third-quarter report last November. As of January 28, 2019, lawsuits from approximately 11,200 plaintiffs had been served upon us. I would like to emphasize once again that we disagree with the ruling in the Johnson case. We
have therefore filed an appeal. And we will continue to defend ourselves vigorously in all the other proceedings as well. Glyphosate is a safe product. That has been proven by numerous scientific studies and the independent assessments of regulatory authorities throughout the world over a period of more than 40 years.

Recently, Health Canada, the Canadian health ministry, once again reviewed the safety of glyphosate. The ministry’s conclusion leaves no room for interpretation. I quote: “We have concluded that the concerns raised by the objectors could not be scientifically supported (...). No pesticide regulatory authority in the world currently considers glyphosate to be a cancer risk to humans at the levels at which humans are currently exposed.” For us, this official statement underlines once again that we have the facts on our side. By the way, you can also find more information on glyphosate on our homepage, bayer.com.

Another important step last year was the decision we announced at the end of November to improve our competitiveness and enhance our innovation capabilities through a number of measures. In particular, we intend to exit the Animal Health business unit and the Consumer Health brands Coppertone™ and Dr. Scholl’s™. We also plan to sell our 60-percent interest in the German site services provider Currenta. As previously announced, we will also be implementing a number of efficiency and structural measures that are expected to deliver annual contributions of 2.6 billion euros from 2022 on. They involve the planned reduction of some 12,000 positions.

In 2018, we were again able to increase sales and earnings, despite encountering a challenging market and currency environment. The operational sales and earnings growth and the contributions from the acquired business were partly offset by negative currency effects.

We again want our stockholders to participate appropriately in Bayer’s success in 2018. We are therefore proposing to the Annual Stockholders’ Meeting a dividend of 2.80 euros per share, resulting in a record payout due to the larger number of shares.
Now I’d like to take a closer look at the financial data. In 2018 the Bayer Group posted sales of 39.6 billion euros. Adjusted for currency effects and portfolio changes, sales rose by 4.5 percent. Please remember that the changes in sales I refer to are always the currency- and portfolio-adjusted figures.

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<th>2017</th>
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<td>Sales (€bn)</td>
<td>35.0</td>
<td>39.6</td>
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<td>EBITDA before special items (€bn)</td>
<td>9.3</td>
<td>9.5</td>
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<td>EBIT (€bn)</td>
<td>5.9</td>
<td>3.9</td>
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<td>Core earnings per share (€)</td>
<td>6.64</td>
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EBITDA – which stands for earnings before interest, taxes, depreciation and amortization – before special items increased by 2.8 percent to 9.5 billion euros. Currency effects diminished earnings by almost half a billion euros. EBIT, however, declined by 33.7 percent to 3.9 billion euros after special charges of 2.6 billion euros. These resulted mainly from impairments at Consumer Health and from special charges in connection with the acquired business. By contrast, there was a one-time gain of 4.1 billion euros from divestments.

Core earnings per share, at 5.94 euros, were below the prior-year figure as expected due to the acquisition, with additional financing costs incurred and sales and earnings contributions only partially included in the seasonally weaker second half of the year. Also, the number of shares on which the calculation is based has risen considerably following
the capital increases in the second quarter of 2018. So, based on the updated guidance we provided in September, we met our operational sales and earnings targets for 2018. In fact, core earnings per share slightly exceeded our expectations.

Now let’s move on to the business development in each of our divisions. Sales of our prescription medicines rose by 3.4 percent to 16.7 billion euros. This was mainly due to substantial growth in China and the continued strong performance of our key growth products overall. However, business was held back by temporary supply disruptions for some of our established products.

The combined sales of the anticoagulant Xarelto™, the eye medicine Eylea™, the cancer medicines Xofigo™ and Stivarga™, and the pulmonary hypertension treatment Adempas™ grew by a currency-adjusted 13.5 percent to 6.8 billion euros.

Business with Xarelto™ continued to expand rapidly, with growth of 12.8 percent. This was mainly due to higher volumes in Europe, China and Canada, while the license revenues recognized as sales in the United States declined. Xarelto™ is marketed in the U.S. by a subsidiary of Johnson & Johnson.
Sales of Eylea™ also saw a substantial increase, advancing by 19.6 percent, mainly thanks to volume growth in Europe, Japan and Canada. Adempas™ also recorded strong sales gains. On the other hand, business with Xofigo™ declined, largely on account of lower demand in the United States and Europe.

Sales of our hormone-releasing intrauterine devices of the Mirena™ product family rose by 6.9 percent, mainly due to the successful commercialization of Kyleena™ in the United States. However, sales of our blood-clotting medicines Kogenate™ / Kovaltry™ / Jivi™ and of our cancer drug Nexavar™ fell considerably. Combined sales of our 15 best-selling Pharmaceuticals products advanced by 6.1 percent.

EBITDA before special items at Pharmaceuticals declined by 2.0 percent to 5.6 billion euros. Adjusted for negative currency effects of 256 million euros, earnings were up by 2.5 percent.

That brings me to Consumer Health. 2018 was a difficult year for our business with nonprescription medicines. We initiated a series of strategic measures in order to achieve success in this rapidly changing market environment. Sales of Consumer Health in 2018 came in at 5.5 billion euros, matching the prior-year level. Business in the Latin America and Asia/Pacific regions developed positively, while sales declined in North America and
Europe/Middle East/Africa. Temporary supply difficulties held back sales at Consumer Health, too, as expected.

Our best-selling product at Consumer Health, the antihistamine Claritin™, saw a drop in sales, mainly in our principal sales market, the United States, which was impacted by the weak season in this market segment and by intensified competition.

We also posted lower sales of our analgesic Aspirin™. Including the Aspirin™ Cardio business, which is reported under Pharmaceuticals, sales were around 975 million euros, giving a currency-adjusted decrease for our Aspirin™ products of 1.5 percent.

On the other hand, business with our Bepanthen™ / Bepanthol™ wound and skin care products developed positively. Here we benefited particularly from product line extensions in Brazil and Turkey.

EBITDA before special items of Consumer Health declined by a substantial 11 percent last year, to 1.1 billion euros, with negative currency and portfolio effects amounting to 82 million euros. Adjusted for these effects, earnings were around 4 percent below the prior year. The drop in earnings was partly due to lower volumes and also to the fact that we had recorded higher one-time gains in the previous year. However, our success in reducing selling and administration expenses had a positive effect.
Our Crop Science Division achieved sales of 14.3 billion euros last year. The 49 percent increase on a reported basis was mainly attributable to the inclusion of the acquired business since June 7. On the other hand, the businesses divested to BASF are only included up to the closing dates of the divestments.

Adjusted for currency and portfolio effects, sales rose by 6.1 percent. This growth was primarily due to the normalization of the market situation in Brazil, where business in the previous year had been held back by the measures we adopted in light of abnormally high inventory levels. A further factor was the positive sales development in the North America and Asia/Pacific regions, with particularly strong business growth in China, Japan and India. However, sales were down in the Europe/Middle East/Africa region. The decline in Europe was due to registration restrictions and unfavorable weather conditions.

EBITDA before special items of Crop Science advanced by nearly 30 percent in 2018 to 2.7 billion euros, a major reason for the increase being the earnings contribution of about 700 million euros from the acquired business. There was a negative currency effect of roughly 100 million euros.
Sales of our Animal Health business unit, at 1.5 billion euros, matched the prior year, with a slight increase of 0.5 percent. Business with our Advantage™ family of flea, tick and worm control products declined, while the Seresto™ flea and tick collar achieved a currency-adjusted sales gain of almost 30 percent. EBITDA before special items fell by 6 percent to 358 million euros.

That concludes my review of our business data for full-year 2018. Now Wolfgang Nickl will comment on developments in the fourth quarter of 2018 and our outlook for 2019, and he’ll also give you some further details regarding our financial situation.

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NICKL ADDRESS  
(see separate document)  

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(Baumann’s address continues)
Ladies and gentlemen,

As you can see, we are looking to the future with confidence. And that confidence is well-founded – especially in light of the consistency and perseverance with which we continue our work, the strength of our common corporate culture and our clear focus on research and innovation. We therefore plan to deploy some of the resources freed up by the efficiency and structural measures I already mentioned to further strengthen the company’s innovation capabilities and competitiveness. A total of some 35 billion euros is earmarked for investing in our future over the next four years, with two thirds of this going toward research and development.

Against this background, let me now give you a brief overview of our innovation activities. Last year our research and development expenses rose by 16.5 percent, partly due to the acquisition, to reach 5.2 billion euros. This year will see a further increase, and the figure will then include the R&D spending of the acquired agriculture business for the full year.

More than 17,000 of our colleagues are currently working on innovation projects at our research facilities throughout the world. At the same time we are networked with external partners everywhere to gain the best possible access to complementary technologies,
expertise and new ideas. They include universities, research institutes, authorities, suppliers and start-ups.

An example of this strategy is “Leaps by Bayer.” This innovation and collaboration model with locations in Berlin, Boston and San Francisco aims to make groundbreaking future technologies available to Bayer. “Leaps by Bayer” has so far invested some 600 million euros in start-ups and collaborations. There we are working on breakthrough innovations in areas such as stem cell research or synthetic biology.

And there’s another number that shows Bayer’s active commitment to innovation: Our employees come up with an average of 450 inventions a year for which Bayer files patent applications. That's more than two inventions every working day. New things that promise to make the world a little bit better. Of course, not every idea or every new molecule turns into a product. But having a lot of good ideas is essential for delivering innovation that benefits humanity.

And a glance at our specific research projects shows that many of these ideas are really being pursued. Our pharmaceuticals pipeline currently contains around 50 projects, which reported some encouraging progress in 2018.

For example, we obtained marketing approval in the United States for Vitrakvi™, a highly effective and innovative cancer medication. We developed the active ingredient – larotrectinib – in collaboration with the U.S. company Loxo Oncology. We recently exercised our option to assume sole responsibility for the global development and commercialization of larotrectinib and another active ingredient following Loxo Oncology’s acquisition by Eli Lilly. We estimate the peak sales potential of Vitrakvi™ at over 750 million euros.

Another cancer drug we have under development is darolutamide, a novel active ingredient for the oral treatment of prostate cancer. Last year saw the successful conclusion of a Phase III study with this substance, which significantly extended metastasis-free survival. It also exhibits a favorable safety profile. The complete data from the study, which was published in February 2019 in the New England Journal of Medicine, confirms this positive outcome. We estimate the peak sales potential of darolutamide to be at least 1 billion euros.
Another promising project from our late-stage pipeline is finerenone. This active ingredient is currently in Phase III clinical development for the treatment of patients with diabetic kidney disease. For finerenone, too, we estimate the peak sales potential to be at least 1 billion euros.

At the same time, we made progress last year with the post-marketing development of our pharmaceutical products, obtaining marketing approval in a further indication for Xarelto™ in Europe and the United States and approval for Eylea™ in China. In addition, we gained approval for our hemophilia A medicines Kovaltry™ in China and Jivi™ in Europe, Japan and the United States.

Now let’s move on to our innovation activities in agriculture. Here, the focus is obviously on integrating the research of the acquired business. Together, we now have the largest and most valuable research pipeline in the industry. It contains over 75 projects in the areas of seed and traits, crop protection and digital farming. Among our digital applications, we now have FieldView™ at our disposal, the leading platform for digital farming. At Crop Science, we estimate the peak sales potential of products with launch dates from 2017 to 2022 at more than 17 billion euros.

Last year we also continued to enter into further collaborations and forge alliances in pursuit of ambitious goals. These include a collaboration with the U.S. company Pair-wise Plants to leverage gene-editing technology in agriculture.

Another example is a collaboration with a number of agriculture companies that supports efforts to completely eradicate malaria by 2040. To assist in this endeavor, the companies have pledged their support in the research, development and supply of innovative solutions for vector control.

That concludes my brief review of our innovation activities. Before I finish, I would again like to take the opportunity this year to touch on a few political points that are important to me.
For years now, far-reaching changes have been taking place in the world that demand answers. These include the acceleration of innovation cycles through digitalization and other disruptive technologies. And they also include the decline in Europe’s significance as an economic center of gravity.

But if you follow public debate in Germany and Europe, you don’t get the impression that people realize this. While other countries are working to shape the future, many people here view advances in technology with suspicion. While people willingly take advantage of things that are useful, the technologies themselves – or the effects that accompany them – are frequently rejected.

I’m not denying for a moment that, in many cases, this involves complex questions to which there are no easy answers. My point is this: It is important for society to succeed in weighing difficult decisions in a carefully considered and appropriate manner that takes all aspects into consideration. And this needs to include preserving and creating jobs, technological competitiveness and an efficient industrial base. These factors are essential to secure our prosperity.
A ruling by the European Court of Justice last year showed just how little attention is being paid to such interrelationships. The judges reached the conclusion that gene-editing technologies such as CRISPR/Cas are to be considered as genetic modification and regulated accordingly. Yet there are no objective grounds for particularly strict regulation of plants bred in this way. If they don’t contain extraneous genes, they are no different from plants bred by conventional methods. This ruling by the European Court of Justice makes working with this fantastic, highly promising new technology unattractive in Europe. It’s up to the politicians to find a solution quickly, otherwise Europe risks falling behind in this area as well.

This is about nothing less than securing our prosperity. For that we need improved conditions for companies and technological innovation, including an appropriate regulatory process that enables new technologies to emerge and does not over-emphasize the precautionary principle, which is right and proper.

But the fact of the matter is that the world needs innovations to solve its problems – problems like dealing with the consequences of climate change, making further progress in disease prevention and treatment and feeding the growing world population while at the same time conserving natural resources. We want to play our part in this process and for us, economic ambitions go hand in hand with social and ecological responsibility.

Take, for example, our diverse Access to Medicine activities, which are aimed at giving people in developing countries and emerging markets access to our medical products. Or our initiatives that help smallholders all over the world work more productively but also sustainably.

To us, social responsibility also means engaging in dialogue with all groups who are interested in an objective debate. But dialogue needs trust, and trust is built on transparency. That’s why we have taken a pioneering role in the agriculture industry with our transparency initiative. As part of this initiative, we are making safety studies on plant protection products publicly available on a dedicated transparency platform, including more than 300 summaries of studies on the safety of glyphosate which have been available online since last December.
In conclusion, let me repeat that 2018 was a challenging year. Nevertheless, we were again able to grow our business and increase our earning power.

The world is currently changing rapidly. Markets are in flux, new technologies are revolutionizing entire industry sectors. Agile, innovative start-ups are appearing on the scene. Existing competitors are merging, demerging, repositioning themselves. If you don't keep moving in this environment, you get left behind. Actively shaping developments has always been one of Bayer’s strengths: the company has been constantly in motion for more than 150 years, always responding quickly to market changes and acting with foresight.

And that’s what we’re doing now. I firmly believe we have set the right course for the future. Over recent years we have systematically developed into a focused life science company, clearly aligned to the megatrends in health and agriculture and united under the strong umbrella brand Bayer – a brand that stands for quality and integrity throughout the world.

Our acquisition in agriculture has lifted us to the number one position in this market. And the portfolio, efficiency and structural measures we have announced will make us more
focused, more effective, more agile and more competitive. So we have a clear agenda for 2019: Apart from achieving our operational targets, it is important that we drive forward the integration at Crop Science and leverage our leading position in agriculture for the benefit of customers and consumers.

At the same time we will concentrate on executing the efficiency improvement program we have announced and realizing synergies from the acquisition. And in the upcoming glyphosate trials we will of course continue to vigorously defend ourselves as it’s a safe and useful product for modern and sustainable farming.

At Pharmaceuticals, we will work primarily to enhance our innovation capabilities and speed up the pace of innovation. To that end – as announced – we will step up our investment in research collaborations and external innovation. What matters to us is not where great ideas come from, but how we can turn them into innovative treatments for patients.

Our work at Consumer Health will focus on enhancing the success of the business, as we look to catch up to market growth and improve profitability.

And we now look to move forward – with a clear focus on innovation and on our core businesses, with ambitious goals and with a clear agenda to deliver on our promises. Thank you for your attention.

**Forward-Looking Information**
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.