News Release

News Conference Call for the Third Quarter of 2020
Tuesday, November 3, 2020
Leverkusen

Address by

Werner Baumann,
Chairman of the Board of Management,

and

Wolfgang Nickl,
Chief Financial Officer

(Please check against delivery)

(2020-1504e)
Werner Baumann:

Ladies and gentlemen,

I would also like to wish you all a warm welcome to today’s conference call. Together with Wolfgang Nickl, I’d now like to explain the most important developments in the third quarter of 2020. And we look forward to answering your questions afterwards.

Let me start by saying that despite experiencing a seasonally weak third quarter in our Crop Science business, we’re confident that on an operational level we’ll be able to meet the revised full-year outlook we issued in August.

In the first nine months of the year, we were able to keep our business performance steady against the prior-year period on a currency- and portfolio-adjusted basis. This was also the case with core earnings per share, which came in at 5.07 euros and thus matched the prior-year level despite negative currency effects. This clearly illustrates that we’re active in the right markets and that Bayer is well positioned to overcome this unprecedented coronavirus crisis, bolstered by a resilient business and motivated workforce.

Like all companies, we have experienced major challenges in 2020 that we hadn’t been expecting at the start of the year. Even during the first wave of the pandemic, we did everything in our power to ensure that our employees and their families received the very best protection and support.

We have provided consumers, patients and farmers with a secure supply of what are in some cases life-saving products. And we’ve opened up our labs. The entire company and the many volunteers from within our ranks have provided a huge amount of support – with testing devices and medicines as well as donations of money and equipment.

We have learned how to respond to the pandemic and have worked to ensure we are best equipped to tackle it. The number of infections has been rising sharply again in recent weeks. Governments around the world are introducing comprehensive protective measures and significant restrictions on public life and in private settings.

We are all aware that the virus will be with us for a long period of time. And here at Bayer, we will do our utmost to ensure that our employees are safe, that patients, consumers and farmers are supplied with products, and that we live up to our social responsibility as
a good corporate citizen. That's what we stand for – as does our vision, "Health for all – Hunger for none."

Before handing over to Wolfgang Nickl to take you through the most important details of our third-quarter performance, I'd like to take a look at some further developments over recent months.

First, I would like to give you a brief update on the litigation related to glyphosate.

After the general agreement with the plaintiffs' counsel, we started to implement the specific settlement agreements on the current Roundup™ cases this summer. We have currently reached an agreement covering approximately 88,500 claims. Settlement talks with a large number of the remaining plaintiffs are being held with the support of mediator Ken Feinberg. So much for the current cases.

Regarding possible future Roundup™ claims, we are negotiating a detailed settlement agreement with the plaintiffs' counsels based on the Memorandum of Understanding concluded at the beginning of September to address the court's concerns. It is already foreseeable that the revised proposal will cost around two billion US dollars, more than the originally expected 1.25 billion US dollars. We expect completion of the formal agreement in the next weeks and will then file a motion for preliminary approval to the court.

As I already said, we're expecting our business to be stable in 2020 despite all the headwinds. We even see an increase in currency-adjusted EBITDA before special items against 2019.

For 2021, we're also anticipating sales at the 2020 level, although earnings are set to decline year on year. However, under the current circumstances, the Bayer Group will not be able to achieve its original annual growth targets of 4 to 5 percent. This is also due to a sharp decline in prices in China.

Against this backdrop, we issued an ad-hoc news release on September 30 in which we announced that, based on our expectations, we would be unable to meet the more optimistic market expectations for 2021. We also announced non-cash impairment charges for our agriculture business, which we have specified today.
At the same time, we announced a series of countermeasures such as the acceleration of existing efficiency programs and cost contingencies. We are also reviewing options to exit non-strategic businesses below the divisional level.

The savings realized will primarily be utilized for further investment in innovation and profitable growth opportunities, and for advancing our debt reduction efforts. Bolt-on acquisitions and inlicensing are planned at Pharmaceuticals and Consumer Health in particular.

Against this backdrop, I’m delighted to say that that we have successfully completed negotiations to acquire AskBio, as announced last week.

AskBio specializes in the research, development and manufacture of gene therapies across different therapeutic areas. The acquisition significantly strengthens our position in cell and gene therapies.

AskBio’s development portfolio includes attractive pre-clinical and clinical stage candidates for the treatment of neuromuscular, central nervous system, cardiovascular and metabolic diseases. This includes therapeutics for Parkinson’s disease and congestive heart failure as well as clinical candidates for hemophilia, to name but a few examples. AskBio is expected to generate a significant number of new products each year in the short, medium and long term.

Considering the ongoing investments as part of our Pharmaceuticals and Leaps partnerships, the acquisition of a majority stake in care/of, the purchase of KaNDy Therapeutics and now AskBio, we have invested almost 3 billion euros in our Pharmaceuticals and Consumer Health businesses this year – and that’s on top of ongoing R&D investment of around another 3 billion euros in this field. As you can see, even during a year as challenging as 2020, we are consistently harnessing opportunities that arise and investing in future growth.

We also received some good news for our agriculture business last week, with the U.S. EPA announcing a new 5-year registration for XtendiMax™ herbicide, our low-volatility dicamba product. This really is great news for U.S. farmers and also for the competitive profile of our soy and cotton business in the coming years.
That brings me to the end of my general remarks, so we can now move on to the data for the third quarter, which will be presented by Wolfgang.

**Wolfgang Nickl:**

Thank you, Werner, and a warm welcome from me, too.

The third quarter of 2020 can be summed up as follows: We saw a challenging quarter in our agricultural business, a recovery in our pharmaceuticals business and strong growth at Consumer Health.

Group sales totaled 8.5 billion euros in the third quarter, down 5.1 percent compared with the prior year. Please note that when I speak of sales, the data are always adjusted for currency and portfolio effects.

Group EBITDA before special items fell by 21.4 percent year on year to 1.8 billion euros. Earnings were diminished by negative currency effects of 205 million euros.
Core earnings per share from continuing operations declined to 81 cents, primarily due to a steep drop in earnings at Crop Science. In the prior-year quarter, core earnings per share had come in at 1.16 euros.

Free cash flow – in other words total cash flow from business operations less capital expenditures – stood at 1.2 billion euros in the third quarter of this year. Let’s now take a look at the business performance of our divisions, starting with our agriculture business.

Quintessentially, Crop Science significantly impacted by seed returns and currency headwinds

- Sales decline driven by North America (-41%) primarily due to higher corn and cotton seed returns from lower than expected planted acres
- Herbicides (-13%) impacted by phasing
- Strong sales growth in Fungicides (12%), as well as Environmental Science (24%)
- Product returns and lower licensing income (~€200m) and currency headwinds (~€120m) as well as phasing in hedging weigh on bottom-line

Sales at Crop Science decreased by 11.6 percent in the third quarter on a currency- and portfolio-adjusted basis, to 3.0 billion euros.

Sales were down substantially in North America in particular, where we saw higher product returns and a decrease in license revenues at Corn Seed & Traits due to lower than anticipated planted acres.

We also registered substantial declines at Herbicides against a strong prior-year quarter. Sales were primarily down in North America, but also fell in Europe/Middle East/Africa. By contrast, the Herbicides business was up in the Asia/Pacific region.
Sales at Fungicides advanced in all regions thanks to expanded volumes. In Latin America, we mainly benefited from the market switching to our Fox Xpro™ product in Brazil.

EBITDA before special items at Crop Science fell from 500 million euros in the prior-year period to minus 34 million euros in the third quarter of 2020. This decrease is largely attributable to the decline in sales in North America and a negative currency effect of 123 million euros. Earnings were also impacted by technical effects and shifts between reporting periods.

Let's now move on to our Pharmaceuticals Division.

Sales at Pharmaceuticals declined in the third quarter by 1.8 percent to 4.2 billion euros.

As in the second quarter, the implementation of new tender procedures in China had a negative impact. We were able to partly offset this effect with strong volume growth.
The signs of recovery from the global impact of COVID-19 which had already become apparent toward the end of the previous quarter largely continued, especially in ophthalmology and women’s health.

We registered strong sales growth of 14 percent for our oral anticoagulant Xarelto™, largely as a result of higher volumes in China, Germany and Russia.

Sales of our ophthalmology drug Eylea™ continued to edge higher against the previous year, driven once again by the launch of Eylea™ prefilled syringes and strong demand in China.

EBITDA before special items at Pharmaceuticals advanced by 0.9 percent in the third quarter to 1.5 billion euros. Thanks to stringent cost management, we were able to grow our earnings and margin at Pharmaceuticals despite the slight decline in sales and negative currency effects.

Ladies and gentlemen,

as you know, we are continuously working to strengthen the research pipeline at Pharmaceuticals. To support these efforts, we are advancing the next generation of innovation platforms with new mechanisms of action and investing in inlicensing and bolt-on acquisitions.

Werner has already mentioned our acquisitions, especially the purchase of AskBio. Alongside a strong technology platform and clinical pipeline, AskBio is already generating revenues and will therefore contribute to Bayer’s growth from the start.

We are also making major progress in our own research activities. Just a few days ago, we presented positive data for finerenone from a Phase III trial involving patients with chronic kidney disease and type 2 diabetes.

And shortly before that, we announced positive data from a clinical Phase III trial in oncology investigating copanlisib in combination with rituximab. All of this is promising news for the future of our pharmaceutical business.

Let’s now look at our Consumer Health Division.
Sales of our self-care products rose by 6.2 percent in the third quarter to 1.2 billion euros. After the expected reduction of trade inventories in the second quarter, the growth trend continued at Consumer Health with a substantial increase in sales. Here the Nutritionals category in particular benefited from consumers placing a greater focus on prevention and their own health in general during the pandemic.

Business in the Nutritionals category was up across all regions, with growth of 21.4 percent. In North America, we registered double-digit percentage growth that was driven by continued strong demand, particularly for our One A Day™ vitamins, which also benefited from product-line extensions.

Sales in the Digestive Health category increased by 14 percent. On the other hand, the Allergy & Cold category posted a decline in sales that was mainly due to increased protective and hygiene measures in response to COVID-19.

EBITDA before special items advanced by 12.3 percent in the third quarter, primarily due to the substantial increase in sales and positive contributions from the efficiency program launched in late 2018.
That brings me to the end of my remarks on our third-quarter performance, and I’ll now move on to our outlook for full-year 2020.

I think it’s clear to all of us that fiscal 2020 has been an especially challenging year in every respect. That’s true across all countries and industries, and of course it also impacts our own company.

At the beginning of this year, we published our forecast for 2020 without taking into account the possible effects of COVID-19. Based on our business performance in the first six months, which included a very good first quarter, but also accounting for the many uncertainties and foreseeable headwinds, we adjusted our outlook for 2020 in the summer.

At that time we said we were expecting business to normalize overall at Pharmaceuticals and Consumer Health. Regarding our agricultural business, we already said back in the summer that we expected a weaker second half of the year along with substantial currency headwinds.
Overall, our business in the first nine months of this year was level with the prior-year period, as Werner mentioned at the start. That’s also what you’ll see when looking at the sales and earnings figures on this slide.

Against this backdrop, we can today confirm our revised currency-adjusted Group outlook for the full year 2020 despite the challenging times and the economic crisis in which we find ourselves.

You can see from the following slide what this outlook looks like and what we expect in detail.

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**Currency-adjusted group guidance for 2020 confirmed**

<table>
<thead>
<tr>
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<th>Outlook as of Aug 2020</th>
<th>Outlook as of Nov 2020</th>
<th>Including currency impact</th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>€43–€44bn</td>
<td>€43–€44bn</td>
<td>€41–€42bn</td>
</tr>
<tr>
<td>EBITDA margin (before special items)</td>
<td>~ 28%</td>
<td>~ 28%</td>
<td>~ 28%</td>
</tr>
<tr>
<td>Core EPS</td>
<td>€6.70 – €6.90</td>
<td>€6.70 – €6.90</td>
<td>€6.30 – €6.50</td>
</tr>
<tr>
<td>Free cash flow*</td>
<td>~€0.5–€0.6bn</td>
<td>~€0.5–€1bn</td>
<td>No major impact</td>
</tr>
<tr>
<td>Net financial debt</td>
<td>~€33bn (incl. 7Mln)</td>
<td>~€33bn (incl. 7Mln)</td>
<td>No major impact</td>
</tr>
</tbody>
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Note: Outlook based on underlying assumption that there are no severe lockdown measures related to COVID-19 in Q4. Assumption of settlement pays of ~€3.5 bn. Currency assumptions based on month-end September spot rates (1 EUR/1.17 USD, 7.08 CNY, 124 JPY, 26.2 MXN, 91.8 RUB)

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We continue to expect sales to come in at between 43 and 44 billion euros on a currency-adjusted basis.

We aim to increase the EBITDA margin before special items to around 28 percent on a currency-adjusted basis. Based on the sales target, this would correspond to EBITDA before special items of around 12.1 billion euros.
With regard to core earnings per share, we expect a currency-adjusted increase to between 6.70 and 6.90 euros.

Currency headwinds are again anticipated in the fourth quarter. Our company generates around 80 percent of its net sales in currencies other than the euro. As a result, our business is particularly exposed to the significant currency fluctuations triggered by the pandemic.

And now I’ll hand back to Werner.

**Werner Baumann:**
Ladies and gentlemen,

We are currently experiencing an unparalleled global crisis that is placing a great strain on us all and leading to far-reaching changes – on a personal, social, cultural and economic

Yet here as well, it is clear that every crisis harbors an opportunity. And that's also true for Bayer. The importance of our business areas – health care and nutrition – has never been clearer than it is today.

The pandemic has shown us just how important our health is – not just for each of us individually, but also for society at large, our modern economy and our prosperity. Rising health care costs have often dominated discussion in the past, but now we have the opportunity to view health care as an investment in quality of life and prosperity.

At the same time, the pandemic is once again shining a spotlight on global nutrition. That's because this crisis is most severely impacting the poorest among us – and thus threatens to exacerbate world hunger. The Global Nutrition Report warns that the COVID-19 pandemic could tip up to 130 million more people into chronic hunger by the end of 2020.

This year’s Nobel Peace Prize being awarded to the World Food Program of the United Nations also shows just how big – and indeed pressing – the challenges are in this area.
Against this backdrop, we remain firmly convinced that we are operating in the right fields of business – in no other area is the huge need for new solutions balanced so promisingly with advances in research than in these fields.

This, too, is underscored by the 2020 Nobel Prize – in this case for chemistry. As you know, it was awarded to the inventors of the genome editing method CRISPR/Cas, Emmanuelle Charpentier and Jennifer Doudna. In so doing, the Royal Swedish Academy of Sciences honored a branch of research that opens up tremendous opportunities in both medicine and plant breeding – and that thus serves as an example of the enormous innovation potential of the life sciences.

Indeed, eight of the last ten Nobel Prizes in Chemistry have been awarded to researchers who have made discoveries in the world of genes and proteins. It is a world that experts refer to as the “bio-revolution” and in which the boundaries between biology and artificial intelligence are becoming increasingly blurred.

Bayer is better positioned than almost any other company to harness the long-term innovation potential of the bio-revolution in health and agriculture, and thus make a key contribution to solving some of the most pressing questions facing humanity: How can we feed up to 10 billion people by 2050 in a world impacted by climate change? And how can we ensure quality of life for a growing number of elderly people? Finding answers to these questions – that’s what underpins our outstanding long-term growth prospects.

Thank you for your attention. And now we welcome your questions.

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.