Financial News Conference
Thursday, February 27, 2020
Bayer Communication Center,
Leverkusen

Address by

Wolfgang Nickl,
Member of the Board of Management

(Please check against delivery)

(2020-1501e)
Ladies and gentlemen,

A warm welcome from me as well.

Before I talk about business developments in the divisions in 2019 as a whole, I’d like to report briefly on the figures for the fourth quarter. After that I'll comment on some other indicators for 2019 and our forecast for the current year.

Please note that all the sales variations I mention are adjusted for currency and portfolio effects.

Group sales in the fourth quarter came in at 10.8 billion euros, up 3.4 percent against the prior-year period. So the business as a whole developed positively in the fourth quarter.

EBITDA before special items also moved higher, to 2.5 billion euros. That’s an increase of 26.4 percent. In particular, our agricultural and pharmaceutical businesses achieved significant earnings growth.

Core earnings per share advanced by 22.9 percent in the fourth quarter, to 1.29 euros.
Now I’ll explain how the businesses of the divisions developed over the full year. Let’s start with our agriculture business.

The Crop Science Division posted sales of 19.8 billion euros last year. That’s an increase of 1.4 percent.

Sales growth at Crop Science was driven mainly by the positive business development in Latin America. Sales in this region rose by 9.4 percent to 5.1 billion euros, mainly as a result of price increases and higher volumes for Fungicides in Brazil.

Business in North America was at the prior-year level despite adverse weather conditions in the Midwestern United States in the first half of the year. Here the Corn Seed & Traits business developed positively.

Sales were down, however, in the Europe/Middle East/Africa and Asia/Pacific regions. Periods of drought in countries such as Australia and African Swine Fever were among the factors that contributed to the negative sales trend.
EBITDA before special items at Crop Science climbed in 2019 by around 81 percent to 4.8 billion euros. The increase was primarily attributable to the earnings contribution from the acquired business and cost synergies from the integration.

However, the absence of the earnings contribution from the businesses divested to BASF, a higher cost of goods sold and a negative currency effect of 24 million euros, along with the weather conditions I already mentioned, had an opposing effect.

Now let’s move on to Pharmaceuticals. Sales at this division rose by 5.6 percent in 2019 to 18.0 billion euros.

The main drivers here were, on the one hand, the continuing strong growth in China, and on the other the sales gains for our anticoagulant Xarelto™ and the eye medicine Eylea™. The encouraging development of the radiology business also made a positive contribution.

Sales of Xarelto™ again advanced strongly to reach 4.1 billion euros. That was an increase of roughly 13 percent against the prior year, which was mainly due to higher volumes in China, Russia and Europe.
For Eylea™ as well we recorded an approximately 13 percent rise in sales to 2.5 billion euros. We grew the business mainly in the Europe/Middle East/Africa region, and especially in the United Kingdom and Germany. Japan also contributed to the higher sales.

EBITDA before special items at Pharmaceuticals rose by 6.7 percent in 2019 to 6.0 billion euros. The positive earnings development was primarily due to higher volumes and a lower cost of goods sold. Earnings were diminished, however, by increased selling expenses for product launches and new indications, along with a negative currency effect of 32 million euros.

### Consumer Health
Rise in sales, earnings at prior-year level

<table>
<thead>
<tr>
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<th>2018 (€bn)</th>
<th>2019 (€bn)</th>
<th>2018 (€bn)</th>
<th>2019 (€bn)</th>
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</thead>
<tbody>
<tr>
<td>Sales (€bn)</td>
<td>5.5</td>
<td>5.5</td>
<td>1.1</td>
<td>1.1</td>
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<tr>
<td>EBITDA before special items (€bn)</td>
<td>20.1</td>
<td>20.0</td>
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<tr>
<td>EBITDA margin before special items</td>
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**Main factors**

- Positive sales development in three of four regions, recovery in North American business in second half
- Positive development in all categories, especially Allergy & Cold
- Earnings contribution from efficiency program
- Negative portfolio effect holds back earnings

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Now we come to the Consumer Health Division. Sales of our self-care products rose by 2.6 percent in 2019 to 5.5 billion euros.

In North America we saw the beginning of a recovery in the second half of the year following a weak first half. We registered pleasing growth especially in the Allergy & Cold category thanks to higher volumes for our antihistamine Claritin™. In the other regions we succeeded in growing the business, thanks in part to an improved supply situation.
EBITDA before special items at Consumer Health in 2019 came in level with the previous year at 1.1 billion euros. Earnings benefited particularly from the launch of our efficiency program, which led to a drop in selling expenses.

In addition, we recorded a positive currency effect of 16 million euros. Earnings were held back by the absence of the contribution from the divested prescription dermatology business.

Now I’d also like to explain some more financial indicators for the Bayer Group for the full year 2019. Let’s start with the cash flow.

The cash flow from operating activities increased from 7.9 billion euros in 2018 to 8.2 billion euros in 2019. Capital expenditure for property, plant and equipment and for intangible assets increased only marginally year on year. Net interest payments, on the other hand, increased significantly.

Overall, free cash flow for the past year amounted to 4.2 billion euros. That’s well above the 3 to 4 billion euros we originally anticipated.
The decline compared with the previous year is mainly due to the fact that the free cash flow for 2019 includes 12 months of acquisition-related financing costs, against only six months in the prior year. In light of this, we're very satisfied with the development of the free cash flow.

And that also applies to our net financial debt, which stood at 34.1 billion euros at the end of last year. This was 1.6 billion euros less than at the end of 2018.

Here, the cash inflows from the operational business and the divestments stood against cash outflows for dividend payments, negative currency effects and the impact of the new financial reporting standard IFRS 16. The principal effect of applying this standard for the first time was the addition of around 900 million euros in lease liabilities.

We will continue to place the same priority as before on quickly deleveraging our statement of financial position.

Total assets remained at around the prior-year level and amounted to 126.3 billion euros on December 31, 2019. Equity rose against the previous year by 1.4 billion euros to 47.5 billion euros, largely in view of the increase in total comprehensive income.
The equity ratio rose to approximately 38 percent as of December 31, 2019. The debt ratio declined accordingly, falling from around 64 percent to around 62 percent. The main effects came from the redemption of bonds and from the sale of our stake in Currenta and the associated derecognition of pension provisions.

Now I’d like to talk about how far we’ve come with the implementation of our efficiency and structural measures.

As already announced, we expect the efficiency and structural measures to result in annual gross contributions of 2.6 billion euros from 2022, including planned synergies from integration in the agriculture business.

In 2019, we already achieved 30 percent of that amount. We’re progressing faster than planned, both with the cost synergies at Crop Science and with the other efficiency and structural measures. On this basis, we can now reconfirm the savings targets for 2022 that we communicated previously.
We will use part of the freed-up resources to further strengthen our growth potential and our innovation capabilities. For example, in the years from 2019 to 2022 we are planning to invest well over 30 billion euros in the company’s future – with more than two-thirds of this going toward research and development.

Ladies and gentlemen,

Let me now move on to our expectations and our forecast for the current year 2020. We believe our company will continue to achieve profitable growth this year.

### 2020: Ambitious targets set

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<th>2019</th>
<th>Forecast 2020*</th>
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<tr>
<td>Sales</td>
<td>€43.5 billion</td>
<td>€44-45 billion</td>
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<td></td>
<td>Increase of 3-4%**</td>
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<tr>
<td>EBITDA before special items</td>
<td>€11.5 billion</td>
<td>€12.3-12.6 billion</td>
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<td></td>
<td></td>
<td>Margin ~26%</td>
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<td>Core earnings per share</td>
<td>€6.40</td>
<td>€7.00-7.20</td>
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<td></td>
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<td>Increase of 9-13%</td>
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<td>Free cash flow</td>
<td>€4.2 billion</td>
<td>~ €5.0 billion</td>
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<td>Increase of ~19%</td>
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On this basis we expect our key financial indicators to develop positively. We have adjusted the forecasts for currency effects to improve comparability.

We expect sales this year to come in at 44 to 45 billion euros. This corresponds to growth of between 3 and 4 percent after adjusting for portfolio changes and currency effects.

We expect EBITDA before special items in 2020 to post a significant increase to between 12.3 and 12.6 billion euros. This would raise the EBITDA margin before special items to around 28 percent.
Core earnings per share are anticipated to come in this year at between 7.00 and 7.20 euros, in line with an expected increase of up to 13 percent in earnings per share. Please remember that this assumption is based on constant exchange rates and reflects our current continuing operations without Animal Health.

Based on a strong operational performance, we expect free cash flow to increase to approximately 5 billion euros. This represents an increase of about 19 percent!

This forecast makes it clear that we aim to continue on a path of growth beyond 2019. And that’s exactly what we announced at the Capital Markets Day just over a year ago.

<table>
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<th>2020: Targets for the divisions</th>
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<td><strong>Sales 2019</strong></td>
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<tr>
<td>Crop Science</td>
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<td>Pharmaceuticals</td>
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<td>Consumer Health</td>
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Looking at the divisions, we expect our agriculture business to advance by about 4 percent after adjusting for currency and portfolio effects. Here we anticipate further synergies from the acquired business, sales growth from new products, and a recovery in North America following the adverse weather conditions of 2019.

At Pharmaceuticals we predict adjusted sales growth of 3 to 4 percent that will continue to be driven by increases for Xarelto™ and Eylea™.
We expect sales at Consumer Health to increase by between 2 and 3 percent in 2020, adjusted for currency and portfolio effects. All regions will contribute to this growth.

Now let's look at the EBITDA margin before special items in the divisions. Due to the portfolio changes and a significant simplification of our internal processes, we have adjusted the Group's value flows for 2020. To ensure comparability, we have therefore also adjusted the 2019 results to reflect the new method.

In 2020, we expect the EBITDA margins before special items and currency effects to improve in all divisions, in some cases substantially.

Our forecast does not yet include an estimate of the potential effects of the coronavirus outbreak. The initial focus for us in recent weeks has been on humanitarian aid for people in China. We have donated important medicines, and our colleagues in China have helped to ensure that the donations reach doctors and hospitals.

It is encouraging to see how our products are supporting the fight against the coronavirus. We will be able to assess the potential impact of the outbreak on our business after the end of the first quarter.

With that I'd like to thank you for your attention and hand over to you again, Werner.

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.