



Financial Targets through 2022: Focus on Value Creation



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We Will Create Significant Value Through 2022 and Beyond

Focus on Execution and Driving Sustained Profitable Growth...

1

We have completed Bayer's portfolio transformation into a global leader in Health & Nutrition

2

The next phase is focused on driving value creation through (i) growth ahead of competition enabled by innovation and portfolio measures (ii) profitability enhancement through Bayer 2022 synergy and efficiency programs and (iii) strong cash generation

3

We target Sales, Core EPS and FCF CAGR* until 2022 of 4%, 10% and 18%, respectively

4

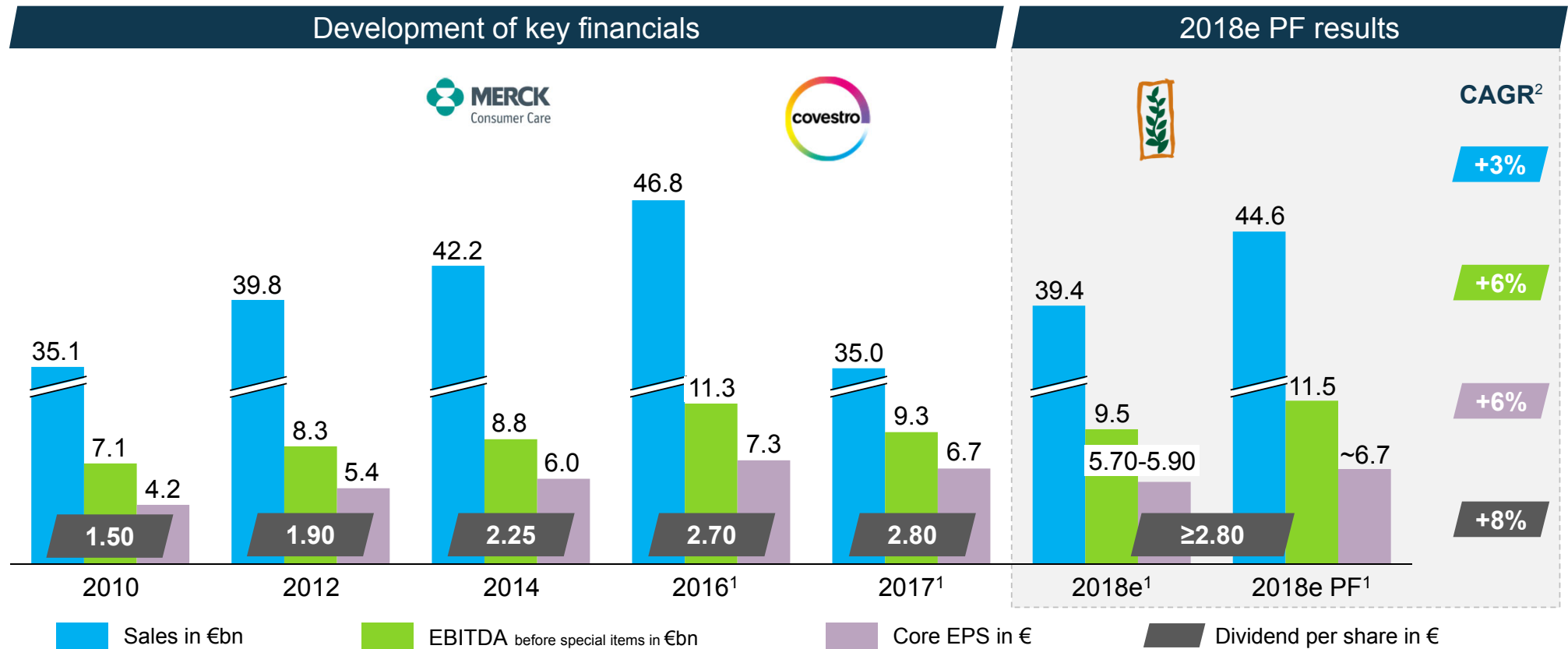
Strong FCF along with proceeds from divestments enable (i) growing dividends, (ii) quick deleveraging of our balance sheet and (iii) selective bolt-ons and in-licensing transactions

2018e PF used for Sales and Core EPS; 2018e used for FCF



Steady Growth until Today...

Profile Improvement Through Strategic Portfolio Measures







¹ As reported in the respective year; 2016 incl. Covestro; 2017ff ex. Covestro; 2018 incl. Monsanto

² CAGR from 2010 to 2018e PF

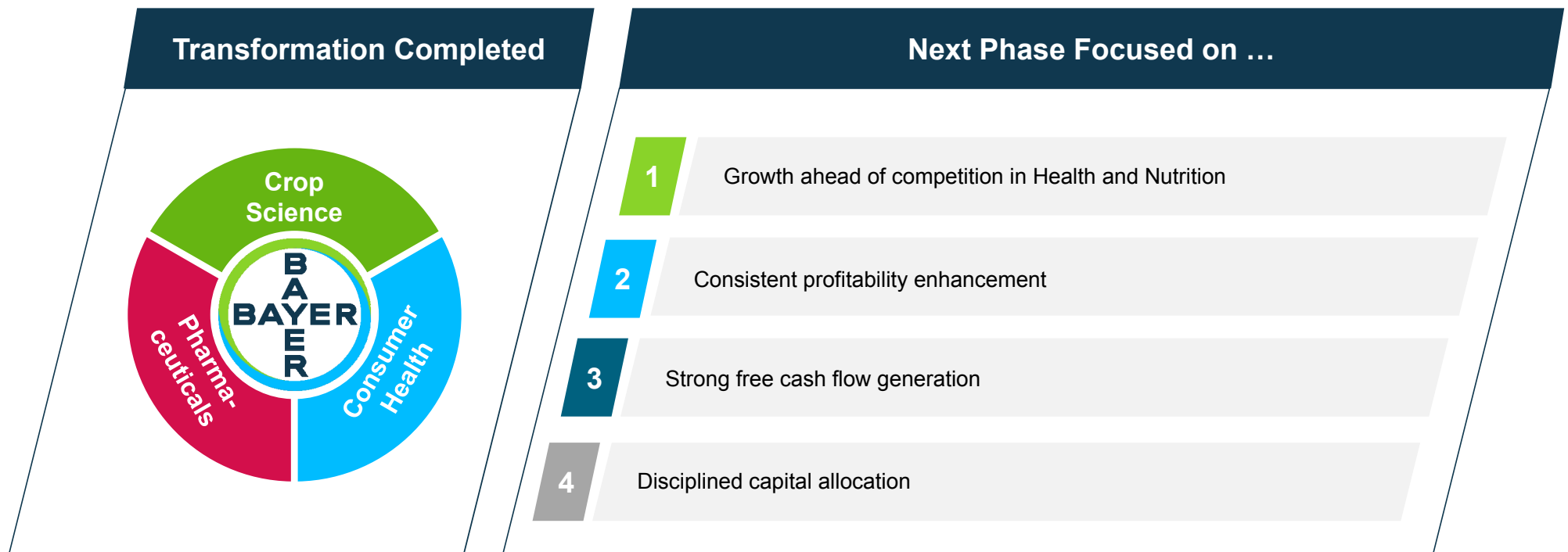


We Will Make Further Portfolio Adjustments: Crystallizing Value of Non-core Assets

Portfolio assets		Rationale	Financials (2018e)	
			Sales	EBITDA before special items
 Animal Health	// Explore strategic exit options for Animal Health	// Inorganic investments required to build a leading position will be shifted to other investment priorities	~€1.5bn	~€0.35bn
 CURRENTA <small>Leistung für Chemie und Industrie</small>	// Explore strategic options for share in Currenta	// Non-core business; mismatch between Bayer's ownership share (60%) and demand of services (20%)	~€1.2bn	~€0.2bn
 	// Explore strategic options for Suncare & Footcare	// Crystallize value of consumer care brands to focus capital allocation on core OTC brands	~€0.4bn	N/A
Total:			~€3.1bn	>€0.6bn



Transformation into a Global Leader in Health & Nutrition - Next Phase to Deliver Value Creation





Delivering Value through Relentless Execution on 4 Focus Areas

1

Growth
ahead of
competition

- // We are operating in highly attractive markets and allocate a substantial part of capital to R&D
- // Pharma and Crop expected to continue their growth trajectory ahead of competition
- // Consumer Health to approach market growth in the mid-term

2

Consistent
profitability
enhancement

- // Deliver on Crop Science synergy targets
- // Comprehensive growth acceleration program for Consumer Health
- // Adjustment of corporate platform after years of significant portfolio transformation

3

Strong
free cash flow
generation

- // Strong free cash flow generation supported by growth and stringent efficiency measures
- // Focus on Capex efficiency and Working Capital management


4

Disciplined
capital
allocation

- // Continue to grow dividends over the forecasting period
- // Focus on deleveraging
- // Disciplined M&A - focusing on bolt-ons & in-licensing



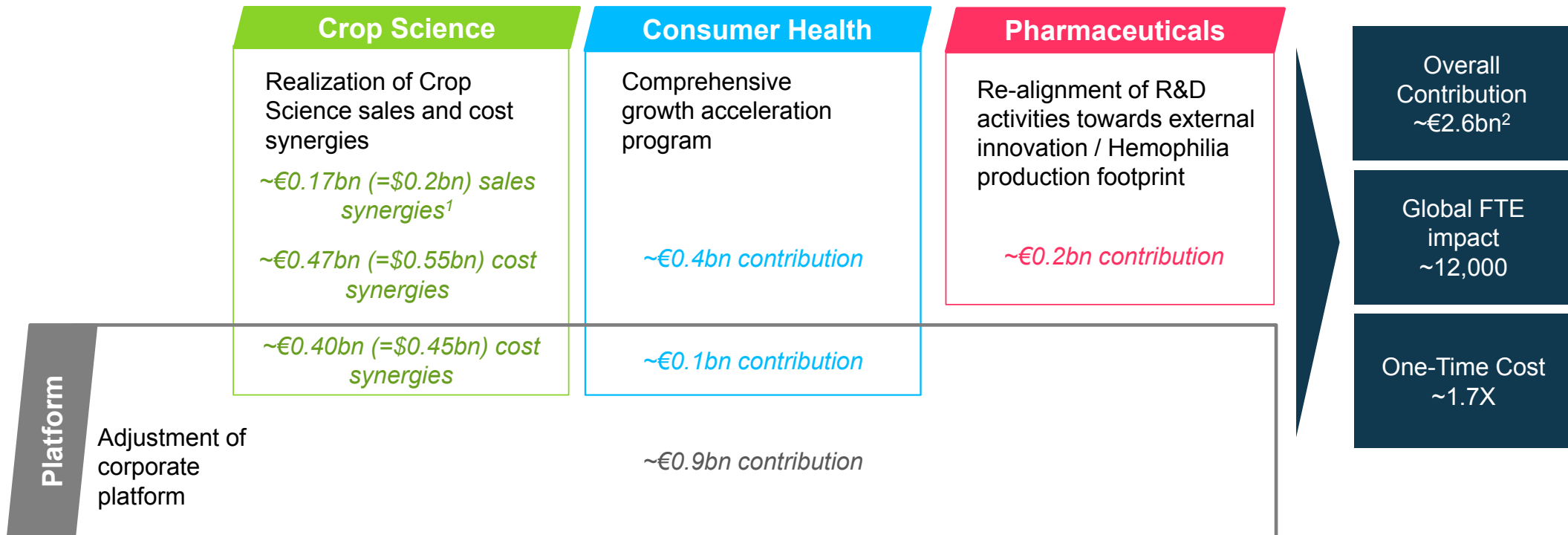
We Focus on Growth in Attractive Markets

	Market		Bayer's growth levers
	Size 2017	CAGR 2018-2022	
Bayer Group			<ul style="list-style-type: none"> // Using our leading positions in Agriculture, Pharmaceuticals and Self-care to address societal needs and benefit from global megatrends // Drive innovation
Crop Science	 ~€90bn ¹	 ~3% ²	<ul style="list-style-type: none"> // Leading portfolio of seed & traits, crop protection and digital farming // World-class R&D platform with best talent and technology in the industry // Positioned to shape the future of agriculture: Development of tailored solutions to address farmers' individual needs and challenges
Pharmaceuticals	 ~€870bn ³	 4-5%	<ul style="list-style-type: none"> // Innovative medicines in areas of high unmet medical need // Therapeutic focus areas: Cardiology, Oncology, Gynecology, Hematology and Ophthalmology // Leverage external innovation and partnering as well as pipeline and potential of current products
Consumer Health	 ~€140bn ⁴	 3-4%	<ul style="list-style-type: none"> // Branded self-care solutions that help transform people's daily health // Focus on five core categories

¹ Pro-forma calculations Bayer, Bayer CS market model; ² excluding potential cyclical recovery of the Crop Science market; ³ IQVIA ; ⁴ Market model in-market sales OTC medicines, data from IQVIA, Nicholas Hall



Bayer 2022 Synergy & Efficiency Programs



¹ EBITDA before special items impact from sales synergies

² Indicative Phasing: ~30% effective in 2020, ~70% in 2021 and 100% in 2022



Crop Science: Realization of Sales and Cost Synergies

Key Initiatives	Synergies	Targeted Realization	Key Measures
Sales Synergies	~€0.2bn	By 2022	<ul style="list-style-type: none"> // U.S., Brazil, Argentina and Mexico as key levers // Increase crop protection chemistry sales // Digital Ag to serve as an enabler
Commercial and R&D operations	~€0.3bn	2018: ~5%	<ul style="list-style-type: none"> // Integration of global & regional commercial leadership organizations // Salesforce and country footprint integration // Integration of small molecules research and development-, field solutions-, regulatory science- & R&D support services
Support Functions & Country Integration ¹	~€0.3bn	2019: ~25%	<ul style="list-style-type: none"> // Consolidation of global headquarter functions // Optimization of footprint at region- & country cluster level // Integration of Shared Service Center activities // Consolidation of real-estate and office footprint
Procurement ¹ and Product Supply	~€0.1bn	2020: ~55%	<ul style="list-style-type: none"> // Consolidation of global & regional leadership organizations // Integration & optimization of production network-, warehousing- & logistics infrastructure // Supplier consolidation & operational excellence initiatives applied to combined organization
IT Infrastructures ¹	~€0.1bn	2021: ~80%	<ul style="list-style-type: none"> // Integration of global & regional IT organizations // Consolidation of IT platforms-, infrastructure-, workplace & applications // Consolidation of project portfolio & external service providers
2022: ~100%			
Total Synergies	~€1bn		

¹ Partially overlap with platform cost reduction initiative, total €0.4bn platform synergies



Pharmaceuticals: Re-alignment of R&D Activities and Adjustment of Hemophilia Manufacturing

Key Initiatives	Contribution	Key Measures
Re-alignment of R&D activities	~€0.1bn	<ul style="list-style-type: none"> // Increased externalization of R&D // Adjustment of internal R&D structures
Adjustment of the hemophilia manufacturing footprint	~€0.1bn	<ul style="list-style-type: none"> // Consolidation of FVIII manufacturing in Berkeley (USA)
Total Contribution	~€0.2bn	



Consumer Health: Comprehensive Growth Acceleration Program

Key Initiatives	Contribution	Key Measures
Lean organization	~€0.1bn	// Flattening structures // Regional cluster optimization // Reduction of divisional HQ structures
Cost optimization	~€0.2bn	// ZBB ¹ implementation across countries and functions // Cost optimization (non-working media, market research, travel, conferences)
COGS optimization	~€0.1bn	// Internal & external site network optimization // Reduce product write-offs // Cost optimization & reduction # of SKUs ²
Reduction of platform cost	~€0.1bn	// Share of corporate platform efficiency program
Total Contribution	~€0.5bn	

¹ Zero-based budgeting

² Stock Keeping Unit

³ Overlap with platform cost reduction initiative



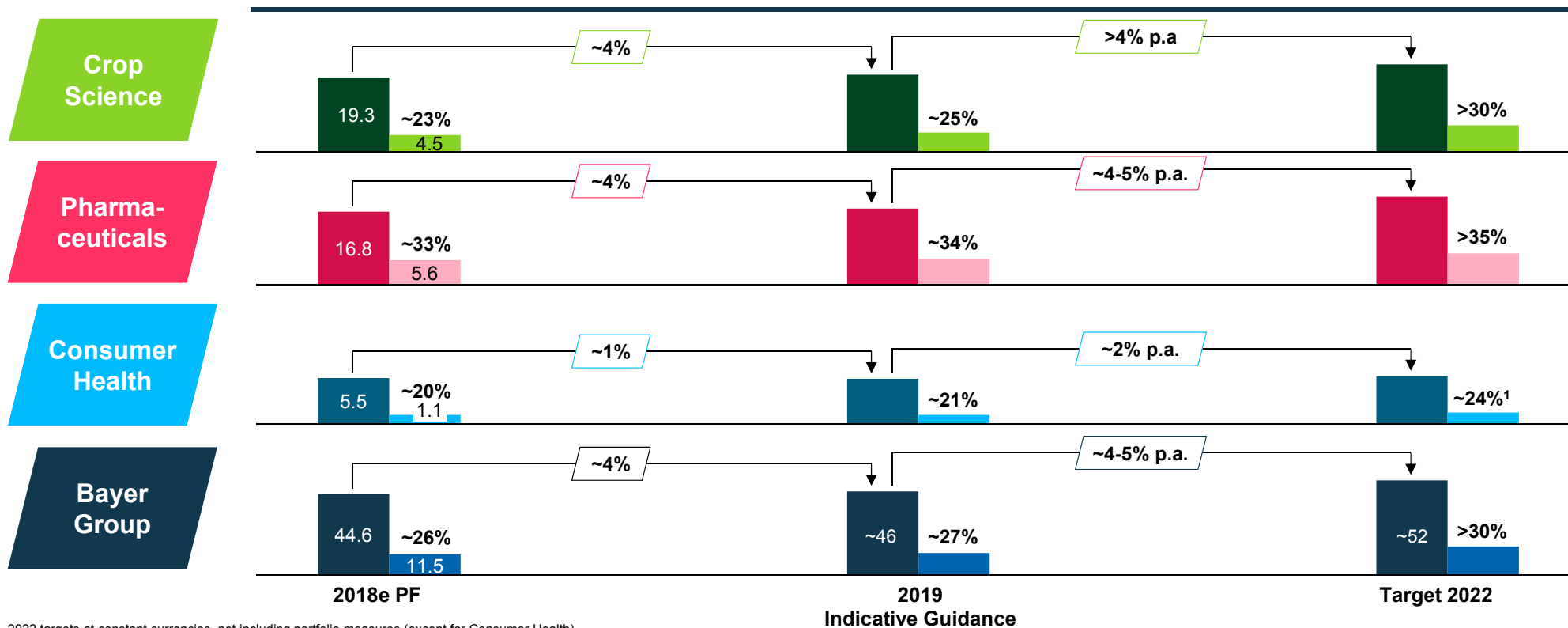
Platform Cost Reduction: Adjustment of Corporate Platform

Key Initiatives	Contribution	Thereof contribution divisional programs	Key Measures
Structural change	~€0.7bn		<ul style="list-style-type: none"> // Review footprint of cross-divisional country platforms // Reduce redundancies between divisional / corporate functions // Functional synergies from the Post Merger Integration
Activity reductions	~€0.4bn	~€0.4bn <i>Crop Science</i> + ~€0.1bn <i>Consumer</i>	<ul style="list-style-type: none"> // Reduce service levels and processes of corporate functions // Rationalize and reduce IT application landscape // Prioritize project portfolio // Review financial steering model and budgeting process
Efficiency improvements	~€0.3bn		<ul style="list-style-type: none"> // Optimize real estate utilization and facility management // Standardize and automate back office processes // Consolidate external service providers
Total Contribution	~€1.4bn		



Targeting Significant Profitability Improvements Across All Divisions

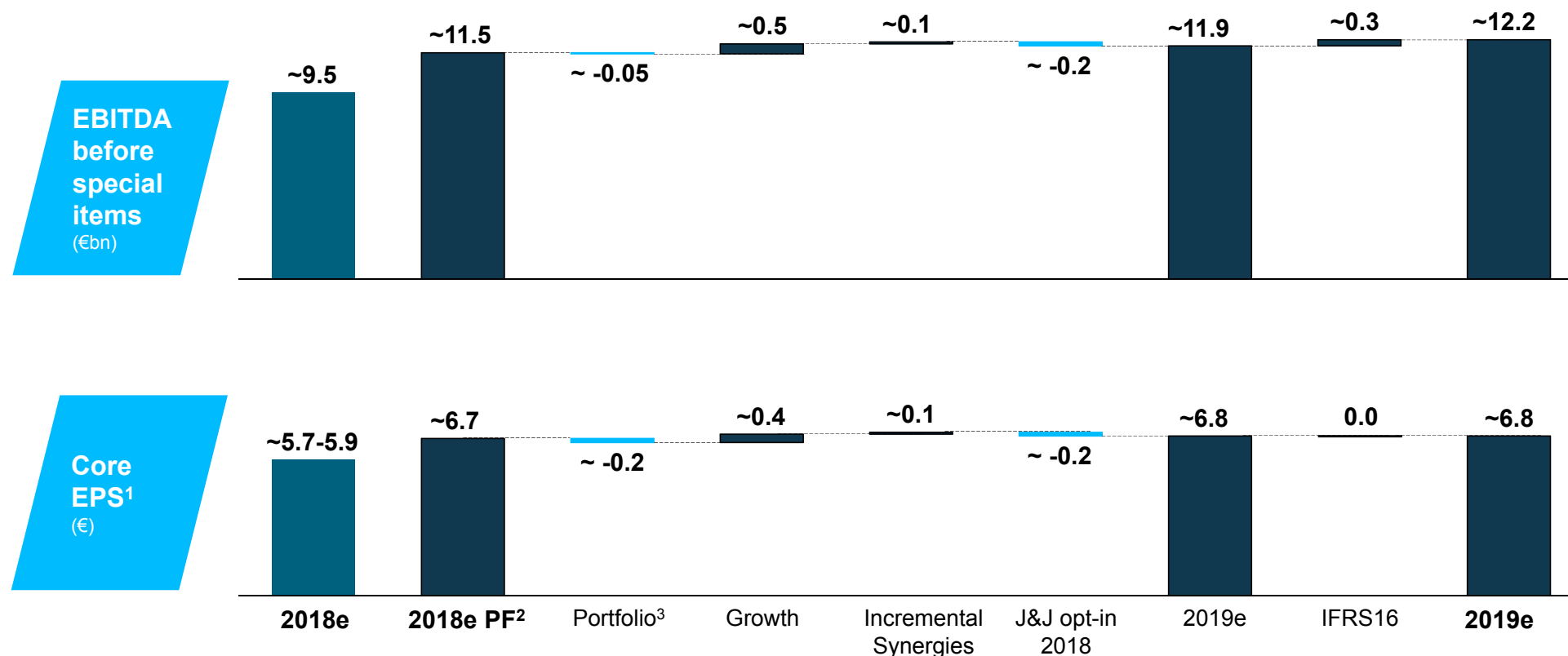
Sales and EBITDA before special items (margin) development (in €bn, %)





Robust Development of Underlying Earnings

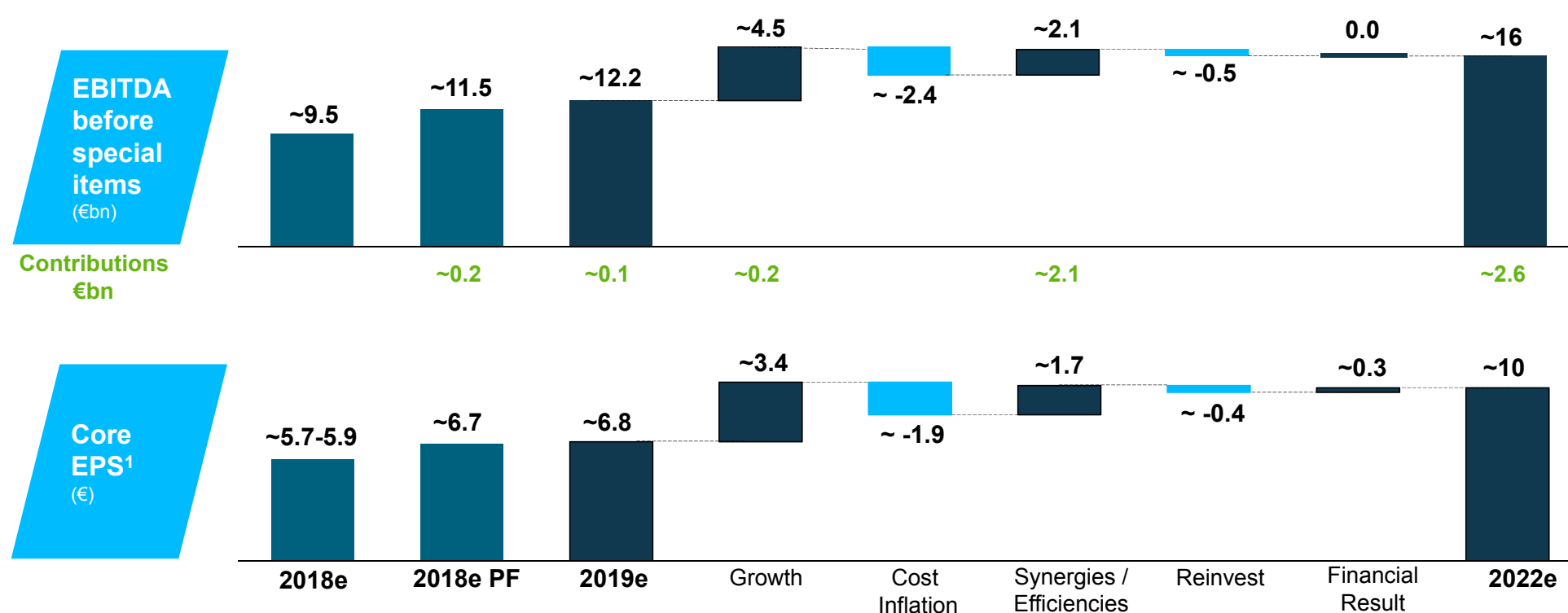
Core EPS in 2019 Held Back by Portfolio Adjustments and One-time Effects



¹ Assumptions: Core tax rate of ~23% in 2018-2022; number of shares: ~980m in 2018 and ~982m in 2019-2022; ² Pro forma calculation presented in Q2 and Q3 Earnings Calls on September 5th and November 13th respectively; ³ Covestro and Rx-Dermatology



Core EPS to Reach ~€10 by 2022 Driven by Sales Growth and Bayer 2022 Synergy & Efficiency Programs



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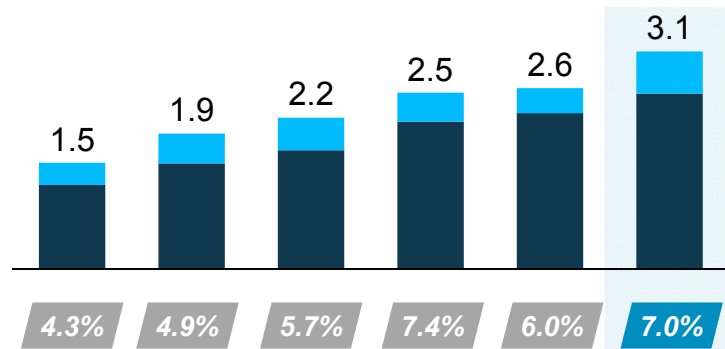


Cash Flow Improvement Focusing on Capex and Working Capital Optimization



Capex spend
in €bn

in % of sales



- // Annual contribution of ~0.5bn EUR by 2022
- // Past and current levels impacted by single large-scale investments in fixed assets
- // Licensing will continue to be an element to drive growth

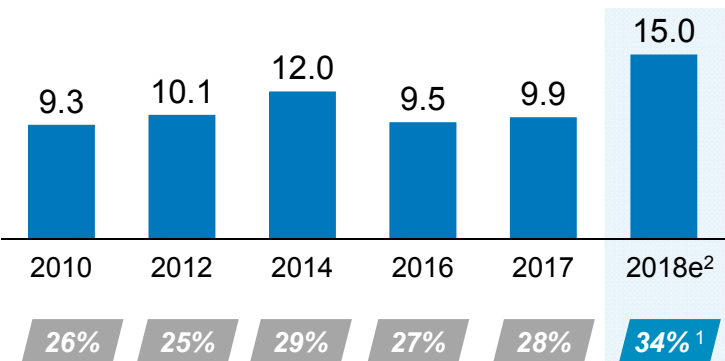
Focused CapEx below current levels ~ 5-6%

Intangibles Fixed assets



Working Capital
in €bn

in % of sales



- // Annual contribution of ~0.5bn EUR by 2022
- // Focus on optimization of inventory levels and receivables management

Working capital optimization ~ 32%

¹ Crop Science 48%, Pharmaceuticals 24%, Consumer Health 24%; ² Working Capital estimated at year-end



Growth ahead of competition



Consistent profitability enhancement



Solid free cash flow generation



Group Targets - Value Creation from Strengthened Base

Triple Leverage

€bn		2018e PF	Indicative Guidance 2019	Target 2022	CAGR 2018-22 ²
Sales ¹	Total Group	44.6	~46 (~4%)	~52	~4%
	Crop Science	19.3	~4%		>4%
	Pharmaceuticals	16.8	~4%		~4-5%
	Consumer Health	5.5	~1%		~2%
EBITDA before special items (%)	Total Group	11.5 (~26%)	~12.2 (~27%)	~16 (>30%)	~9%
	Crop Science	4.5 (~23%)	~25%	>30%	
	Pharmaceuticals	5.6 (~33%)	~34%	>35%	
	Consumer Health	1.1 (~20%)	~21%	~24% ⁴	
Core EPS (€)		~6.7	~6.8	~10	~10%
FCF		~4.1 ³	~3-4	~8	~18%
Net financial debt		~36 ³	~36 ⁵	~26-28	

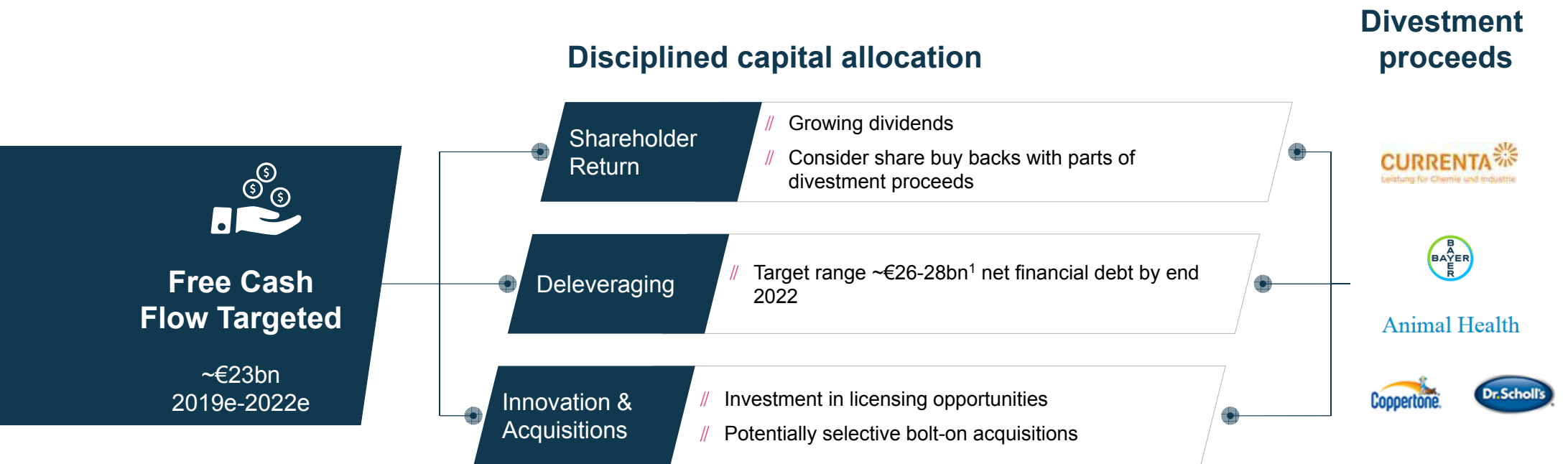
2022 targets at constant currencies, not including portfolio measures (except for Consumer Health)

¹ Sales: cpa growth; ² CAGR from 2018 base year; ³ FCF 2018e (as reported); ⁴ includes portfolio measures; ⁵ including around ~€1bn lease liability due to IFRS 16



We Have Clear Priorities for Capital Allocation

Focus on Shareholder Return, Innovation and Deleveraging



¹ Before M&A / Portfolio



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Key Assumptions (1)

// **FX rates:** All figures based on constant 2018 rates as disclosed below

€1/		FX Rate
BRL	Brazil	4.37
CAD	Canada	1.53
CHF	Switzerland	1.15
CNY	China	7.82
GBP	United Kingdom	0.89
JPY	Japan	131.01
MXN	Mexico	22.50
RUB	Russia	73.96
USD	United States	1.18

// **Free cash flow (FCF) defined as** = Net cash flow provided by operating activities - Capex (PPE and Intangible assets) + interest & dividends received - interest paid + interest received from interest rate swaps

// **Core Tax rate** of ~23% (2019-2022)

// **Number of shares:** ~980m in 2018 and ~982m in 2019-2022



Key Assumptions (2)

- // **Pro-forma (PF) 2018:** The unaudited Pro-forma data are presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2018. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discontinued operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting. Due to this simplified procedure, they explicitly do not reflect sales according to IFRS or IDW RH HFA 1.004, meaning they have not been audited.
- // **Impairments:** €2.7bn for Consumer Health and €0.6bn for Pharmaceuticals



IFRS 16 – Summary and Illustrative Example

- // Existing operating lease contracts will be reported as so-called right of use assets and respective lease liabilities
 - // Right of use assets are part of the fixed assets and will generally be depreciated over the duration of the underlying lease contracts
 - // The new lease liabilities will increase the net debt position accordingly
- // Increase of EBITDA before special items compared to the prior accounting standard IAS17. Additional interest expense with regard to the lease liability
 - // Prior to the application of IFRS 16 the entire operating lease expense was fully EBITDA before special items effective
 - // Overall change in cash and cash equivalents due to business activities remains unchanged
 - // Neutral over the total term of the lease contract for net income, however different split between EBIT before special items and financial result
 - // Whereas IAS 17 provided for constant net income impact each year, IFRS 16 results in different net income effects per year depending on the contracts' life cycle status

Illustrative example of one contract: annual lease payments 100, 3 year lease, discount rate 4%

	p.a; Year 1-3	as of Jan 1, Year 1	as of Dec 31, Year 1	as of Dec 31, Year 2	as of Dec 31, Year 3	Total 3y impact		
figures rounded	IAS 17*	IFRS 16				IAS 17	IFRS 16	Δ IAS 17 / IFRS 16
Net Sales	-	-	-	-	-	-	-	0
EBITDA before special items	-100	-	0	0	0	-300	0	↑ (+300)
EBIT before special items	-100	-	-93	-93	-93	-300	-279	↑ (+21)
Financial Result	-	-	-11	-7	-3	-	-21	↓ (-21)
Net Debt	-	-278**	-189	-96	0	-	-	0

* Prior accounting standard IAS 17 to be applied until Dec. 31st, 2018

** Sum of annual lease payments discounted at 4%