



# Investor Conference Call

## Q3 2019 Results

October 30, 2019  
Werner Baumann, CEO  
Wolfgang Nickl, CFO





## Cautionary Statements Regarding Forward-Looking Information

This presentation 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 <http://www.bayer.com/>.

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Guidance at constant currencies, not including portfolio divestitures if not mentioned differently.



# Q3 2019 Results

## Business Update



Werner Baumann, CEO



# Bayer Remains on Track - Good Performance Across all Divisions

(all figures: continuing operations)

**€9,830m**

**Sales**

**€2,291**

**EBITDA**

Before special items

**€1.16**

**Core EPS**

**€1,263m**

**Free Cash Flow**

- Sales increased to €9.8bn (+5% cpa)
- EBITDA before special items improved by 8% to €2.3bn  
→ Margin up 30 bps to 23.3%
- Core EPS plus 6% to €1.16
- Free Cash Flow grew by 13% to €1.3bn



# Progress in all Focus Areas

## 1 *Target Delivery*

- Guidance for 2019 confirmed and adjusted for discontinued operations and Fx

## 2 *Crop Science*

- Good operational performance in challenging market environment
- Integration and synergy realization well on track

## 3 *Pharmaceuticals*

- Continued strong top-line growth
- Margin development in line with FY guidance

## 4 *Consumer Health*

- Solid sales and margin development

## 5 *Efficiency / Bayer 2022*

- Overall contribution target of ~€2.6bn by 2022 confirmed
- Implementation ongoing

## 6 *Portfolio Measures*

- Coppertone and Derma Rx divestments closed, Dr. Scholl's and Currenta closings imminent
- Sale of Animal Health signed



# Update Glyphosate Litigation

Served lawsuits from approx. 42,700 plaintiffs (as of October 11, 2019)

Number of lawsuits not indicative of the merits of the litigation

Rise in number of plaintiffs follows an exponential increase in advertising sponsored by plaintiffs' lawyers\*

Appeals in the first three cases ongoing

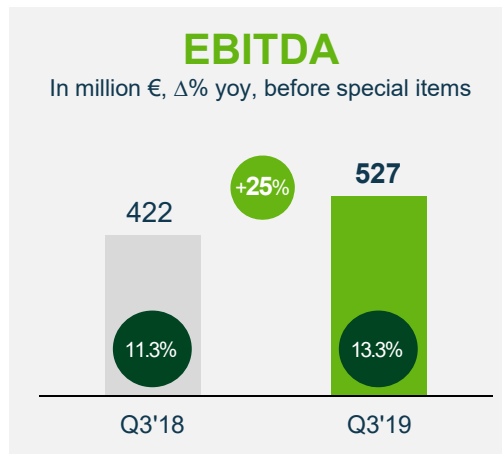
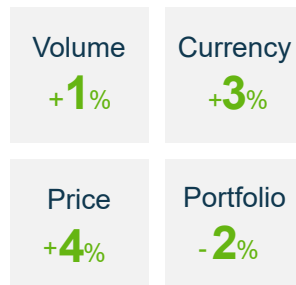
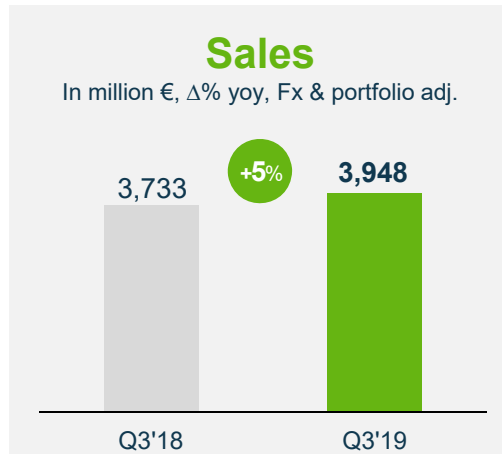
Planning for litigation of further cases in 2020 while ...

... constructively engaging in the mediation process

\* Source: Based on Roundup TV advertising data provided by X Ante, a litigation advertising tracking service



# Crop Science with Positive Growth Dynamics

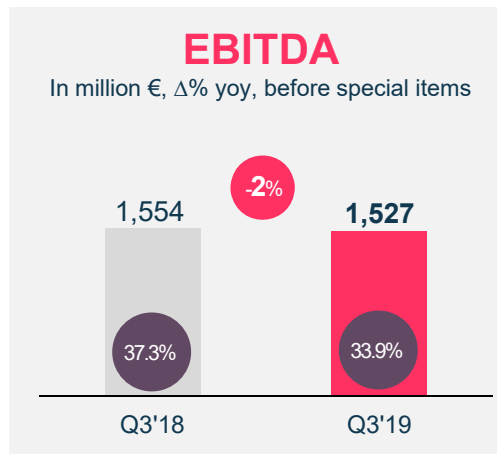
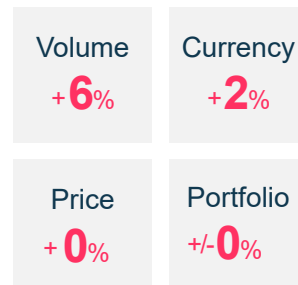
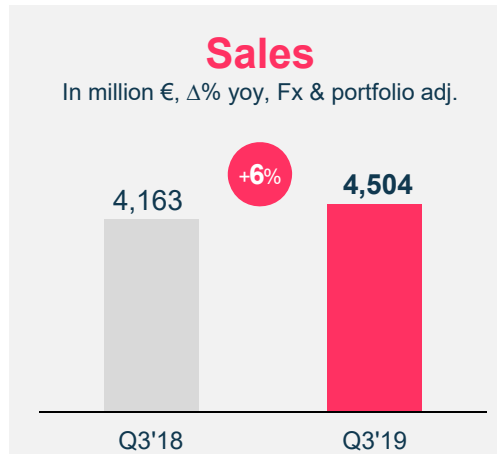


- +5% cpa (+6% ca pro forma) sales growth driven by North & Latin America
- Good growth across corn and soybean seed & traits as well as fungicides
- Strong increase in EBITDA before special items as a result of higher prices and volumes in Latin America as well as lower than expected product returns
- Cost synergy realization in 2019 substantially higher than expected

● EBITDA Margin before special items



# Pharmaceuticals Driven by Xarelto, Eylea and China



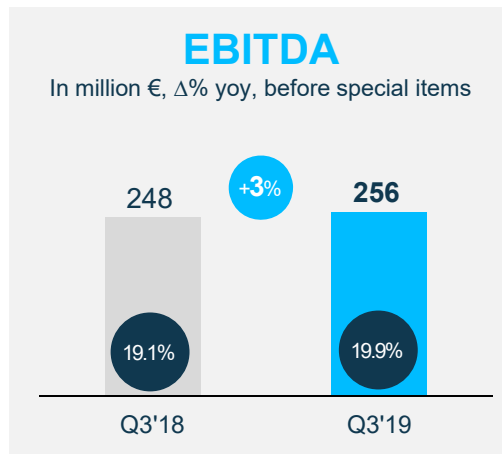
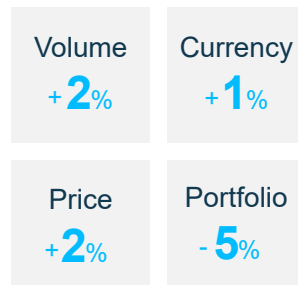
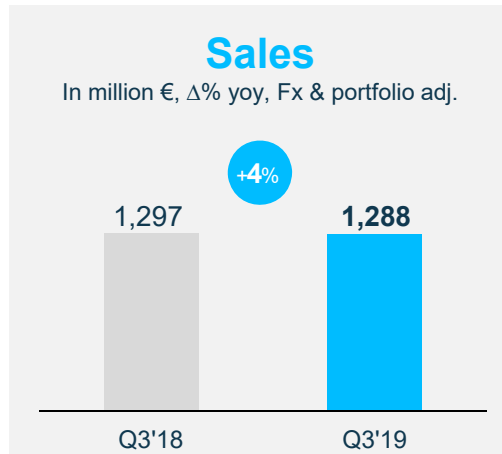
● EBITDA Margin before special items

- Xarelto up 9%, Eylea grew by 16%
- Continued strong performance in China
- FDA approvals of Nubeqa (darolutamide) and the medically ill indication for Xarelto
- Vitrakvi received first tumor-agnostic approval in Europe
- Acquisition of BlueRock Therapeutics to expand position in cell therapy
- Strong EBITDA before special items as Q3 2018 benefited from opt-in payment of ~€190m





# Consumer Health with Solid Performance



- EMEA and Latin America with positive development
- North America and Asia/Pacific with declining sales
- Nutritionals, Allergy & Cold and Pain & Cardio with good sales growth
- Increase in EBITDA-margin before special items driven by sales growth and cost savings

● EBITDA Margin before special items



# Q3 2019 Results

## Financials & Outlook



Wolfgang Nickl, CFO

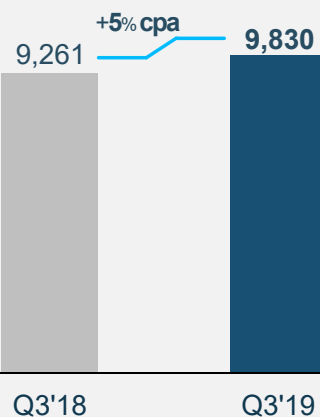


## Q3 Results (Continuing Operations)

### Sales

In million €, Δ% yoy, (Fx & portfolio adj.)

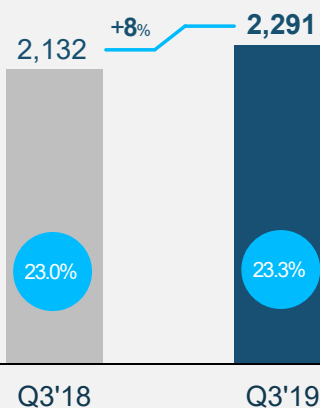
- Positive Fx effect of €215m



### EBITDA

In million €, before special items

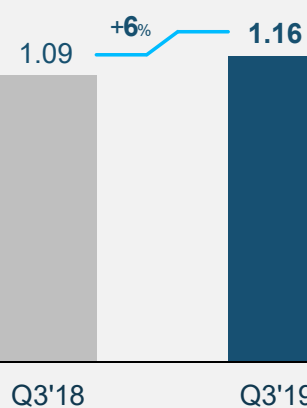
- Positive Fx effect of €77m after hedging



### Core EPS

In €

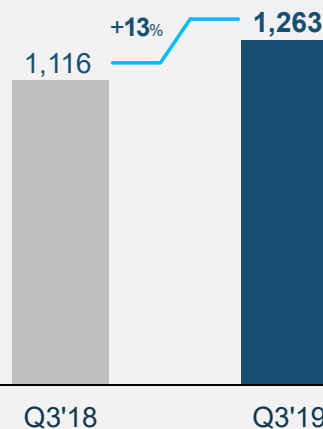
- Core financial result went from minus €497m to minus €455m
- Core tax rate was 18.3% (PY 14.2%)



### Free Cash Flow

In million €

- Increase driven by positive operating development



● EBITDA Margin before special items

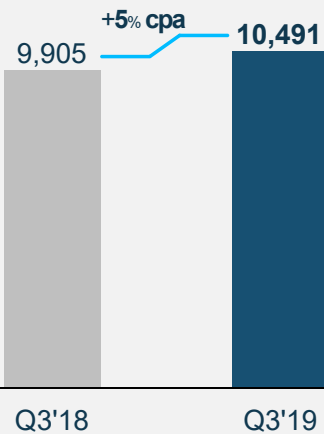


# Q3 Results (Including Discontinued Operations)

## Sales

In million €, Δ% yoy, (Fx & portfolio adj.)

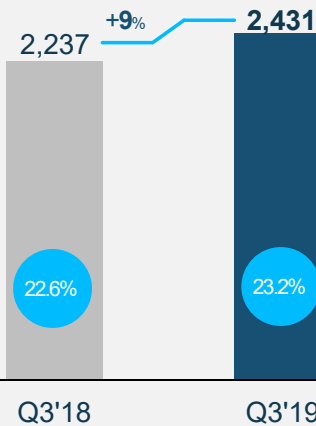
- Positive Fx effect of €224m



## EBITDA

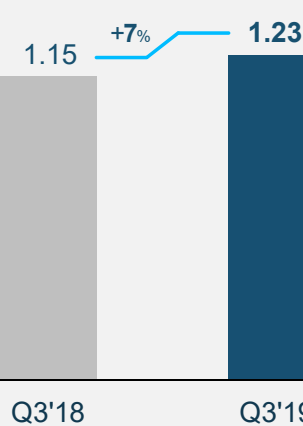
In million €, before special items

- Positive Fx effect of €82m after hedging



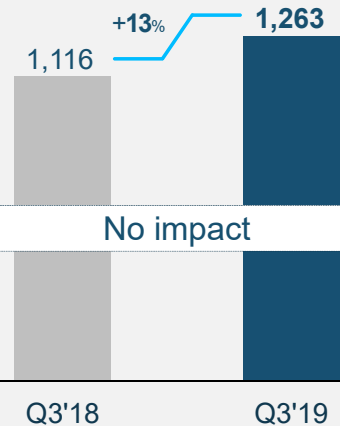
## Core EPS

In €



## Free Cash Flow

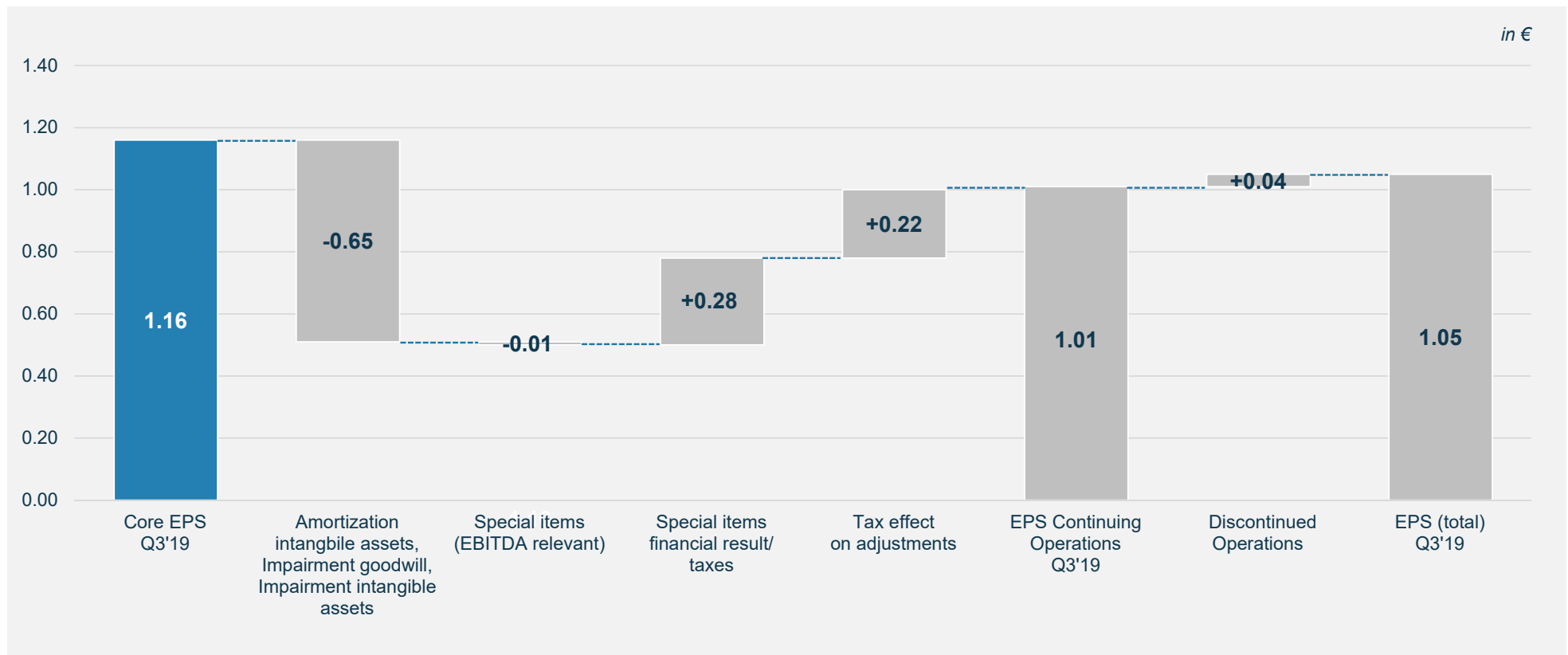
In million €



● EBITDA Margin before special items



## Bridge: Core EPS to EPS (Q3 2019)





# Bayer Delivers on Announced Portfolio Measures

Animal Health

**CURRENTA**  
Leistung für Chemie und Industrie

**Coppertone**

**Dr.Scholl's**

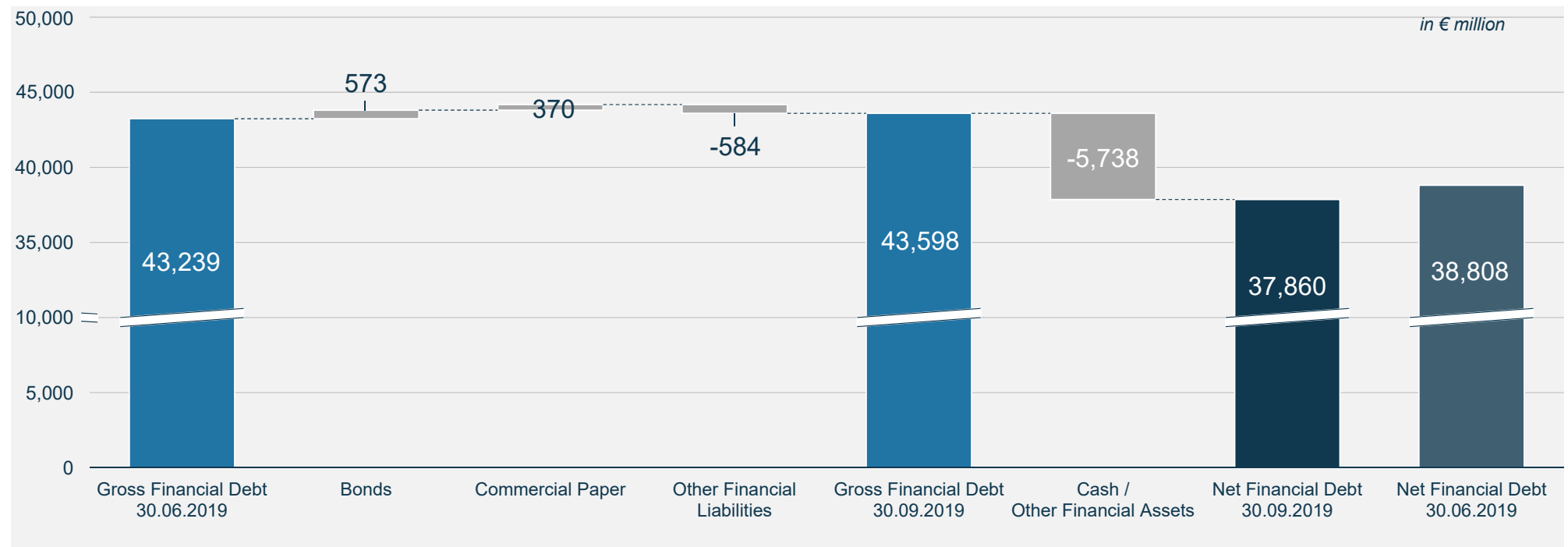
Sales & EBITDA* 2018	// Sales: €1,501m // EBITDA: €358m	// Sales: €1,344m // EBITDA: €220m	// Sales: 213m USD // Below average margin	// Sales: 234m USD // Below average margin
Gross Proceeds	// US\$7.6bn, thereof // US\$5.3bn in cash and // US\$2.3bn in Elanco stock**	// ~€1.4bn (60% stake and selected real estate)	// US\$550m	// US\$585m
Acquirer	// Elanco	// Macquarie Infrastructure and Real Assets (MIRA)	// Beiersdorf	// Yellow Wood Partners
Signing	// August 20, 2019 ✓	// August 6, 2019 ✓	// May 13, 2019 ✓	// July 19, 2019 ✓
Expected Closing	// Mid 2020	// December 2019	// Closed on August 30, 2019 ✓	// November 2019
Consolidation	// Discontinued operations	// Discontinued operations	// Until closing	// Until closing

\* EBITDA = EBITDA before special items

\*\* based on the unaffected 30-day volume weighted average price as of August 6, 2019 of 33,60 USD. The number of shares constituting the equity consideration is fixed within a 7.5% collar. This means that the number of Elanco shares that Bayer receives increases (decreases) in the event of share price decreases (increases) within this 7.5% corridor. Based on the closing price of Elanco shares on September 30, 2019, Bayer would receive approx. 73 million Elanco shares.



## Net Financial Debt Reduced to €37.9bn in Q3



// ~60% of financial debt denominated in US\$

//  $\pm 1\%$  change of US\$ vs € =  $\pm \text{€}200\text{m}$

\* Excluding divestment proceeds



## Key Initiatives for Q4 2019

Crop Science: Expect continued growth in Latin America and a strong start to the US season; continued momentum in achieving integration synergies

Pharmaceuticals: Continuing strong growth of Xarelto, Eylea and China

Consumer Health: Further driving turnaround and expect North America to return to growth

Continued cost and cash management discipline across the Group

Cash-in from Currenta & Dr. Scholl's divestments





# FY 2019 Guidance Confirmed, Aligned to Continuing Operations and Including Expected Currency Impact

confirmed

Excluding currency impact

	2019 outlook (excl. portfolio measures)	Of which discontinued operations	2019 outlook for continuing operations	Expected currency impact	2019 outlook for continuing operations incl. currency impact
Sales	~ €46 bn	~ €3bn	~ €43 bn	approx. +€0.5bn	~ €43.5 bn
EBITDA (before special items)	~ €12.2 bn	~ €0.6bn	~ €11.6 bn	approx. -€0.1bn	~ €11.5 bn
Core EPS	~ €6.80	~ €0.35	~ €6.45	approx. -€0.10	~ €6.35
Free cash flow	~ €3-4 bn	No impact	~ €3-4 bn	approx. -€0.1bn	~ €3-4 bn
Net financial debt	~ €36 bn	~ €2.0bn <small>Proceeds from the sale of Coppertone, Dr. Scholl's and Currenta</small>	~ €34 bn	approx. +€1.1bn	~ €35 bn



# Focus Areas

## 1 *Target Delivery*

- Deliver on operational targets

## 2 *Crop Science*

- Integration of acquired business to shape the future of agriculture

## 3 *Pharmaceuticals*

- Deliver sales and margin expansion
- Further strengthening of pipeline and intensify external sourcing

## 4 *Consumer Health*

- Drive performance improvement

## 5 *Efficiency / Bayer 2022*

- Execute efficiency improvement program and realize synergies

## 6 *Portfolio Measures*

- Finalize remaining portfolio measures



# Investor Conference Call

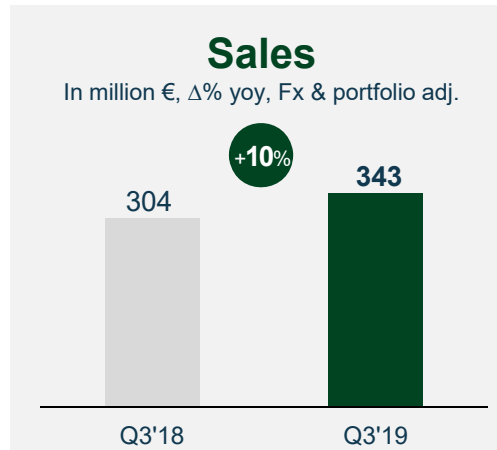
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# Animal Health With Strong Performance in Q3 2019

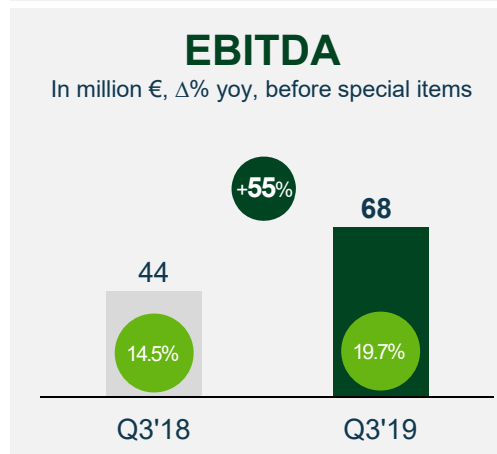


Volume  
+8%

Currency  
+3%

Price  
+2%

Portfolio  
±0%



- Advantage product family with strong growth (+19% cpa), particularly in the US
- Seresto with positive performance (+22% cpa) in all regions
- Substantial increase in EBITDA before special items driven by strong volume development

● EBITDA Margin before special items

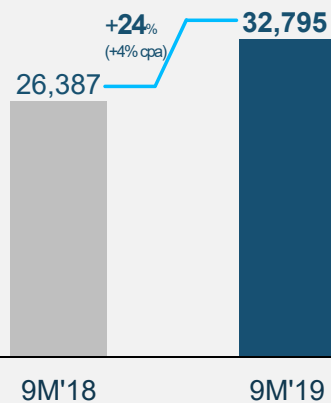


## 9M 2019 Results (Continuing Operations)

### Sales

In million €, Δ% yoy, (Fx & portfolio adj.)

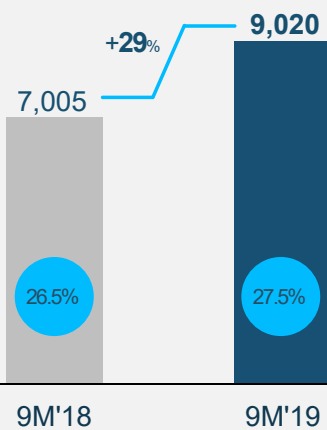
- Positive Fx effect of €413m



### EBITDA

In million €, before special items

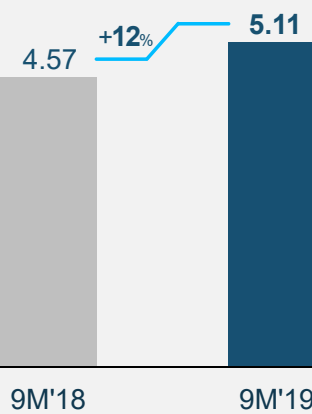
- Negative Fx effect of €-92m



### Core EPS

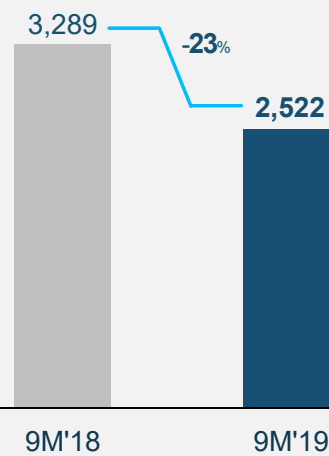
In €

- # shares increased from 927m to 981m



### Free Cash Flow

In million €



● EBITDA Margin before special items

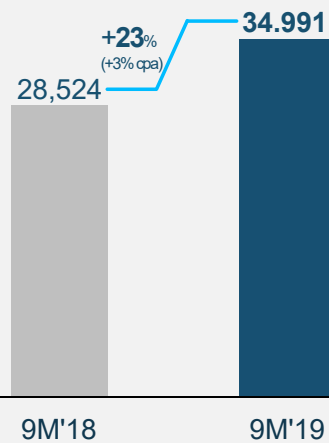


# 9M 2019 Results (Including Discontinued Operations)

## Sales

In million €, Δ% yoy, (Fx & portfolio adj.)

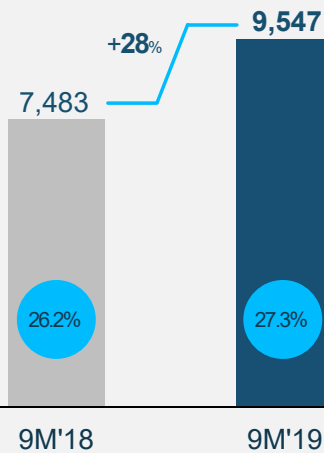
- Positive Fx effect of €445m



## EBITDA

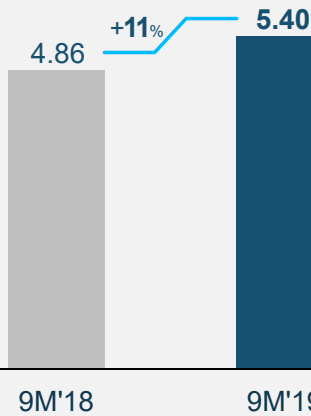
In million €, before special items

- Negative Fx effect of -€87m



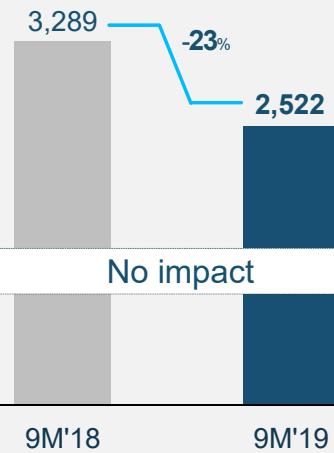
## Core EPS

In €, Cont. Operations



## Free Cash Flow

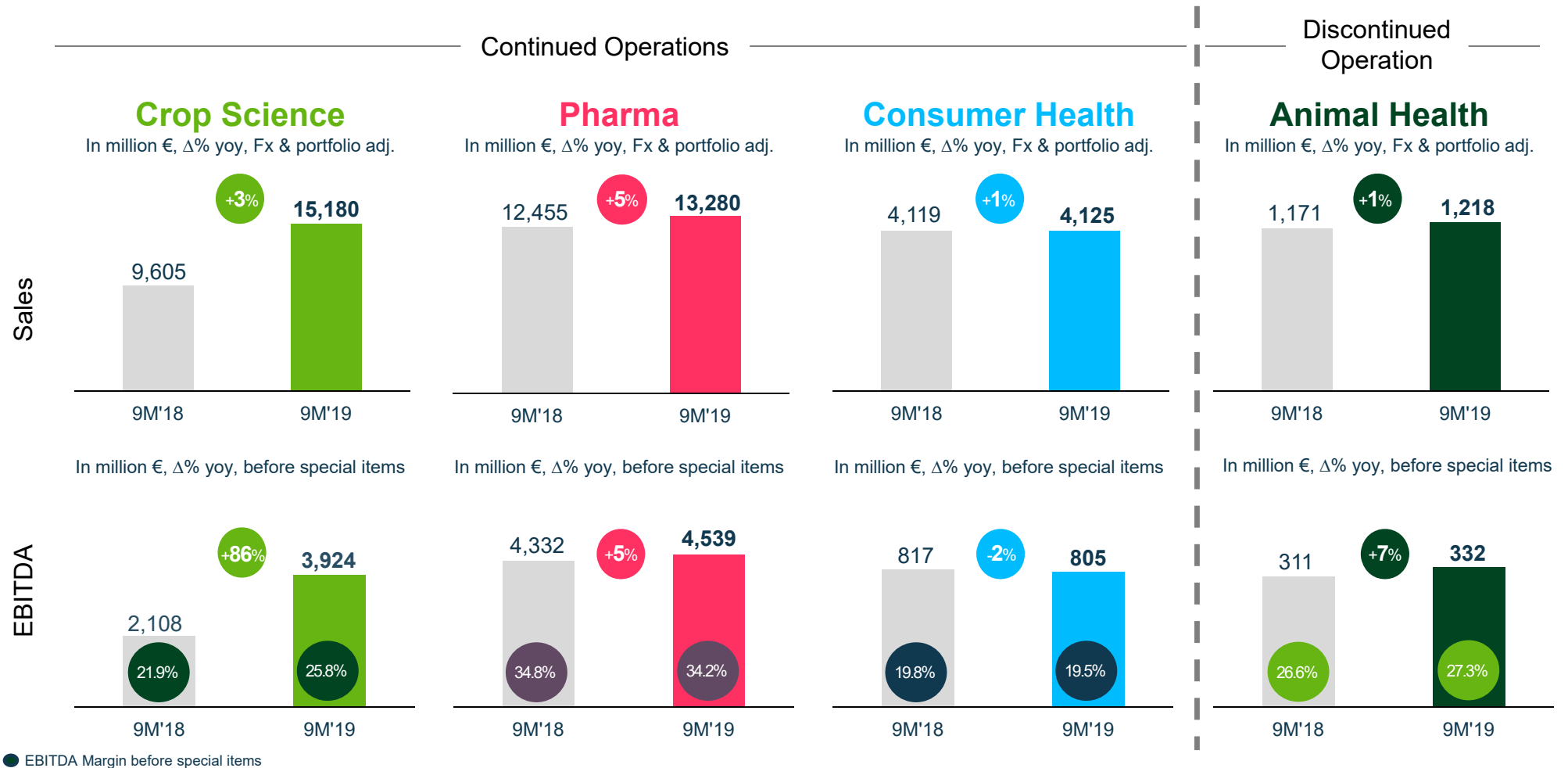
In million €



● EBITDA Margin before special items

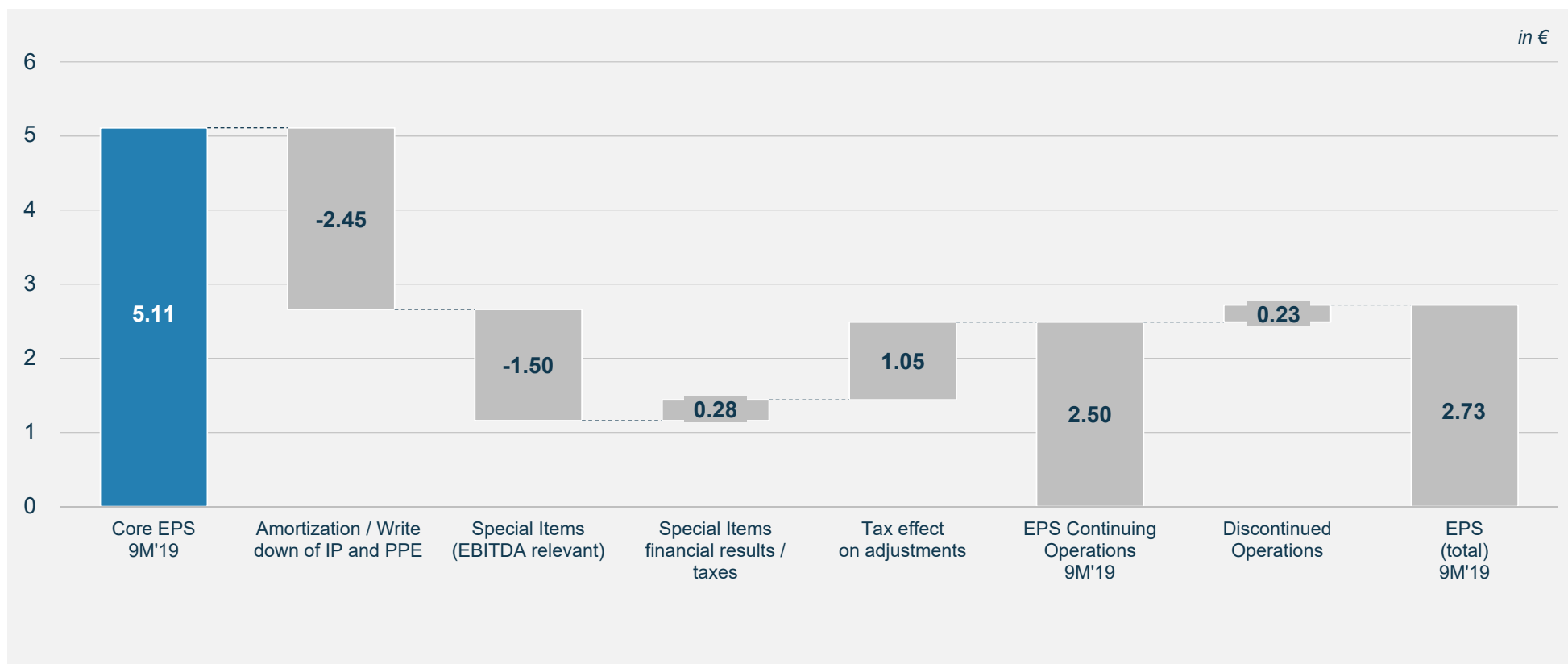


# 9M 2019 - Segment Overview





## Bridge: Core EPS to EPS (9M 2019)







# From EBITDA Before Special Items to Core EPS (Continuing Operations, Q3 2019)

P&L	Q3 2018	Q3 2019
	€ million	€ million
<b>EBITDA before special items</b>	2,132	2,291
Special items	3,135	-4
<b>Reported EBITDA</b>	5,267	2,287
Depreciation & Amortization	-944	-1,072
<b>Reported EBIT</b>	4,323	1,215
Amortization and impairment losses / loss reversals on intangible assets	552	631
Special items (EBITDA)	-3,136	4
Other	9	3
<b>Core EBIT</b>	1,748	1,853
Core financial result (before special items)	-497	-455
<b>Core EBT</b>	1,251	1,398
Taxes (before special items)	-177	-254
Core tax rate	14.2%	18.3%
Minorities	-8	-6
<b>Core Net income</b>	1,066	1,138
No. of shares (m)	980.2	982.4
<b>Core EPS (€)</b>	1.09	1.16

Amortization mainly resulting from acquisitions

FY guidance unchanged at ~23%



# From EBITDA Before Special Items to Core EPS (Continuing Operations, 9M 2019)

P&L	9M 2018	9M 2019	
	€ million	€ million	
<b>EBITDA before special items</b>	7,005	9,020	Mainly related to acquisition and integration costs (€641m) and restructuring costs (€856m), partially offset by divestment gains (mainly Derma Rx)
Special items	2,743	-1,469	
<b>Reported EBITDA</b>	9,748	7,552	
Depreciation & Amortization	-2,088	-3,759	Amortization mainly resulting from acquisitions
<b>Reported EBIT</b>	7,660	3,793	
Amortization and impairment losses / loss reversals on intangible assets	1,251	2,403	
Special items (EBITDA)	-2,743	1,468	Increase mainly due to financing costs related to the acquisition
Other	18	8	
<b>Core EBIT</b>	6,186	7,672	
Core financial result (before special items)	-789	-1,209	FY guidance unchanged at ~23%
<b>Core EBT</b>	5,397	6,463	
Taxes (before special items)	-1,145	-1,436	
Core tax rate	21.2%	22.2%	Increase in weighted number of shares due to equity measures
Minorities	-14	-11	
<b>Core Net income</b>	4,238	5,016	
No. of shares (m)	927.5	981.4	
<b>Core EPS (€)</b>	4.57	5.11	



# Free Cash Flow Generation

	Q3 2018	Q3 2019	9M 2018	9M 2019
	€ million	€ million	€ million	€ million
Net cash provided by operating activities	2,051	2,282	4,949	4,961
Cash outflows for PPE and intangible assets	-659	-729	-1,467	-1,582
Interest and dividends received	55	14	200	96
Interest paid/received (incl. interest-rate swaps)	-331	-304	-393	-953
<b>Free Cash Flow</b>	<b>1,116</b>	<b>1,263</b>	<b>3,289</b>	<b>2,522</b>



## Divisional Guidance 2019

	Sales 2018	EBITDA-margin 2018 (before special items)	Sales Growth 2019 (cpa <sup>2</sup> )	EBITDA-margin 2019 (before special items)
			(excluding currency impact)	
Crop Science	€14.3bn <sup>1</sup>	18.6%	~4%	~25%
Pharma	€16.7bn	33.4%	~4%	~34%
Consumer Health	€5.5bn	20.1%	~1%	~21%

<sup>1</sup> Monsanto included since June 7 and assets divested to BASF included until August 2018; <sup>2</sup> currency and portfolio adjusted



## 2019 Guidance for other Group KPI's Updated for Continuing Operations

Excluding currency impact	
Special items (EBITDA)	~ €2.0 billion
R&D expenses	~ €5.3 billion
Capital expenditures	~ €2.7 billion
of which for intangible assets	~ €0.8 billion
Depreciation and amortization	~ €4.3 billion
of which for intangible assets	~ €2.5 billion
Core financial result	~ - €1.6 billion
Core tax rate	~ 23.0%