formulation advancements and commercialised more than 450 new hybrids and varieties across corn, soybeans, cotton and vegetables for our grower customers. We anticipate nearly €30 billion in non-risk adjusted peak sales for the products we are developing with approximately 45% of these peak sales being incremental to our existing business base.

Now let's look at Pharma. Sales of Pharmaceuticals rose by 6% to €18 billion in 2019. Our best-selling products, Xarelto and Eylea, have continued their strong performance. And from a regional perspective, our business growth in China was very robust, to say the least, at 25%. Overall, Xarelto grew by 13% driven by higher volumes from China, Russia and Europe, and our licensing revenues in the US also exceeded the level of the prior year. Eylea also improved significantly, with growth of 16% mainly from volume increases. The business developed particularly well in the EMEA region, primarily in the UK and Germany, and also in Japan. As a result of this sales growth, our EBITDA before special items increased by 7% to €6 billion for Pharma. If we adjust for last year's income of around €190 million from our Xarelto development collaboration with Johnson & Johnson, EBITDA before special items increased by 10%.

We also saw some encouraging product developments in 2019. Let's start with Vitrakvi. The European Commission has granted marketing authorization in the European Union for our precision oncology treatment Vitrakvi. The drug is indicated for the treatment of adult and paediatric patients with solid tumours that display a NTRK gene fusion, who have a disease that is locally advanced, metastatic or where surgical resection is likely to result in severe morbidity, and who have no satisfactory treatment options left.

In addition, the FDA has approved darolutamide under the brand name Nubeqa. While darolutamide was the third androgen-receptor antagonist that came to market for the treatment of non-metastatic castration-resistant prostate cancer, it was the first drug in this setting to demonstrate significant benefit in overall survival with the shortest follow-up time to establish such benefits. At the same time, the product showed a differentiated, actually very favourable, safety profile.

Moreover, we have seen good pipeline progress with regards to our chronic heart failure product, Vericiguat, which met the primary endpoint of the phase III trial. As a reminder, we forecast peak sales potential for that product of around €500 million. Lastly, the FDA also approved Xarelto for the prevention of venous thromboembolism, or blood clots, in acutely ill medical patients at risk for thromboembolic complications who are not at risk of high bleeding.

On the investment side, we acquired the remaining stake in BlueRock Therapeutics, a privately held US biotech company focused on developing engineered cell therapies in the fields of neurology, cardiology and immunology, using a proprietary induced pluripotent stem cell platform. Moreover Leaps by Bayer signed an up to $250 million investment in stem cell-based cancer therapies through Century Therapeutics. Century's foundational technology is built on induced pluripotent stem cells that have unlimited self-renewing capacity. Both investments mark a major milestone on our path towards the building of a position in cell therapy.

Let's move to Consumer Health next to close out the divisional updates. The division returned to peer-like sales growth of 2.6% in 2019, driven by a strong fourth quarter. That was above our target of 1% growth for the year. The good news is that this performance is broad-based: we experienced a growing dynamic over the year in all regions and have seen growth across all of our categories. On the earnings side, efficiency gains compensated for missing earnings contributions from the divested businesses and led to an EBITDA before special items on prior-year level. Overall, Consumer Health is well on track and highly committed to continue that successful plan in 2020 and beyond.

On chart 9 we summarised our net sales footprint by division and region, which is relatively well balanced, as a whole, from a geographic perspective. For the group, North America and EMEA are accounting for about 65% of our 2019 revenue and being split nearly equally. Latin America accounts for 15% and Asia-Pacific for around 20% of our revenue. If we look at it by division, as presented on the slide, Crop Science has a very strong weight in the Americas, both in South and North America, while Pharmaceuticals provides balance with its heavier contribution to our group sales in Asia-Pacific and the EMEA region. Pharmaceuticals has a strong foothold in China while the presence in the US is below peers. Meanwhile, Consumer Health is very strong in North America, which accounts for more than 40% of global Consumer Health sales. That's why achieving a sustainable performance in North America is also of such importance for the Consumer Health business.

Now, before I hand over to Wolfgang, I'd like to share my perspectives on our 2030 sustainability development objectives, which we introduced in December of last year. Bayer has been driving science and innovation for more than a century and has always cared about sustainability. In recent years, our focus has been on transforming our portfolio in health and agriculture to meet the challenges of the 21st century. As a part of that focus, we are committed to delivering the following by 2030, in close alignment with the United Nations Sustainable Development Goals. As leaders in each of our respective businesses, our intent is to set the bar for sustainability, and therefore we have established ambitious goals for ourselves.

First, in agriculture, we are committed to enabling 100 million smallholder farmers in low and middle-income countries by 2030. These efforts are expected to increase local food supply and reduce poverty in rural communities. With innovative products and new business models, we want to give them better choices, improve their livelihoods and provide them with solutions to grow crops more sustainably, increasing their yields and their incomes.

Second, through our leadership in women's healthcare, our goal is to provide 100 million women in low and middle-income countries access to modern contraception by 2030. In doing so, we want to improve women's health and economic status, which has the potential to increase gender equality. At the same time, we want to increase the availability and affordability of our products for all. Therefore, we plan to adapt our pricing policy towards local purchasing power and strengthen our patient-access programmes.

Third, as a leading consumer health company, we plan to expand access to everyday health for about 100 million people in under-served communities around the world by 2030. Our world-renowned household brands support this ambition. We plan to increase the availability and affordability of our trusted, high-quality brands around the world and support self-care education initiatives that form the basis for shaping behavioural change.

Finally, climate change is the single largest threat for sustainable development, according to the United Nations. It is also a risk to our business. Without greater action, global temperatures will rise by significantly more than 2°C and threaten communities and the environment. At Bayer, we aim to reduce greenhouse-gas emissions within our business and also along our value chain, in line with the requirements of the Paris Agreement, by making our own operations carbon neutral by 2030 and working with our suppliers. The investments in these programmes are in line with our 2022 financial targets, and we will update you on a regular basis on the progress we are making with regards to our objectives.

With that, let me now hand it over to you, Wolfgang.

CFO Remarks

Wolfgang Nickl

Chief Financial Officer, Bayer AG

Thank you, Werner. Ladies and gentlemen, also a warm welcome from my end. I will now walk you through some additional financial details for Q4 and the full year 2019, followed by a discussion of our outlook for fiscal 2020.

Let's start with Q4 2019. We had a strong finish of the year. Sales increased, currency- and portfolio-adjusted, by 3% to €10.8 billion and EBITDA before special items came in at €2.5 billion, up 26% year-on-year. Our Crop Science division showed a very strong increase in EBITDA before special items of 61%, mainly driven by year-on-year one-time effects and progress in synergy realisation. Our Group EBITDA margin improved by more than 400 basis points, to 23.1%. Foreign-exchange effects had a positive year-on-year impact on both sales and EBITDA of €135 million and €49 million respectively. Core earnings per share were up 23% year-on-year to €1.29. Finally, compared to the prior year, free cash flow increased by 24% from €1.4 billion to €1.7 billion, driven by an overall positive operating performance.

As already mentioned by Werner, we achieved all financial targets in 2019, despite the numerous challenges we faced. That is a great result in our minds. Sales increased, currency and portfolio-adjusted, by 3.5% and EBITDA before special items improved by 28%. Core earnings per share were up 14%, which was less than the growth of EBITDA before special items. This is explained by increased debt-financing costs and a higher number of shares following the equity measures financing the acquisition of Monsanto.

Our free cash flow reached €4.2 billion and was above our guidance of €3-4 billion. Compared to prior year, the operating cash flow even increased despite the acquisition-related year-over-year distortion where the negative cash flow from the first half of the year of the acquired business was not yet part of our 2018 numbers. Therefore, the 9% decline of overall free cash flow versus last year is entirely explained by 12 months of acquisition-financing costs versus only about six months in 2018.

On the next chart we show the bridge from core EPS to reported EPS from continued and discontinued operations. Start on the left with the €6.40 core EPS from continued operations. The next column describing an adjustment of minus €3.64 per share is mainly comprised of acquisition-related amortization of intangible assets as well as impairment losses in connection with the divestment of our Dr. Scholl's foot care portfolio. About two thirds of the impact stem from the acquisition of Monsanto. EBITDA-relevant special items had a negative impact of almost €2, mainly related to restructuring and acquisition/integration costs. A positive special item in the financial result of €0.21 resulted mainly from the revaluation of our original stake in BlueRock Therapeutics, which is now, after the acquisition, fully consolidated. Previously it was accounted for at equity.

The next column shows the offsetting tax effects on the sum of the items I just explained, bringing us to the EPS from continuing operations of €2.46. Finally, there is an impact from discontinued operations of €1.71. This is mainly triggered by a gain related to the sale of our 60% stake in Currenta, leading to an EPS from continued and discontinued operations of €4.17 for the full year 2019. This is an increase of more than 130% versus 2018.

As Werner said, we are very pleased that we have delivered on the portfolio measures which we announced in November 2018. They are ahead of schedule and we achieved very attractive valuations. As you can see from this chart, we have closed all transactions with the exception of Animal Health. The closing of Animal Health is still expected for mid-2020. 70% of the agreed value of $7.6 billion is due in cash at closing and 30% is due in stock, subject to a collar and a holding period.

Let's move next to our balance sheet. Our net financial-debt balance declined by around €1.6 billion year-on-year despite an increase of around €900 million from lease liabilities mainly stemming from the adoption of IFRS 16. You will recall that, with this accounting change, our operating lease contracts are now reported as right-of-use assets with a respective lease liability. The decline depicted in the bonds column is mainly from the redemption of US bonds in the amount of $2.5 billion. In November 2019 we successfully placed a total of €1.75 billion in hybrid bonds in two tranches. We used the proceeds to repurchase one hybrid bond in the same volume which had its first call right in the middle of this year. As a reminder, almost 60% of our financial debt is denominated in US dollars. As a result, every percentage-point appreciation of the US dollar against the euro increases our net financial debt by about €200 million and vice versa.

Now I'd like to turn your attention to our guidance for 2020, which assumes, as usual, constant currencies. We expect Bayer Group sales to be in the range of €44-45 billion, an increase of 3-4% on a currency and portfolio-adjusted basis. We anticipate the EBITDA margin before special items to increase from 26.4% to around 28% in 2020. Core EPS is expected to be in a range of €7.00-7.20, an increase of between 9% and 13% compared to the prior year. A major contributor to this increase in profitability is the continued execution of our efficiency programmes that we announced at our capital markets day in December 2018. As Werner mentioned, we have achieved approximately 30% of the gross savings already in 2019 and we are now targeting a phasing of 50% by the end of 2020. Before I move on to the cash flow, I would like to also reiterate the currency sensitivities in our P&L. A 1% swing of our currency basket versus the euro has an impact of approximately €350 million on our top line and roughly €100 million on EBITDA.

Now, free cash flow: free cash flow is expected to grow by almost 20%, to around €5 billion, driven by increased profitability and working capital management. For net financial debt we forecast a reduction of more than 20% to about €27 billion. This reflects a strong free cash flow and the expected proceeds from the Animal Health divestiture as well as the pay-out of our suggested dividend for 2019 of about €2.8 billion. Let me emphasise: this forecast of net financial debt does not include any potential payment of legal settlements.

I would also like to add that our outlook does not yet include any effects that may result from the outbreak of the coronavirus. In the past few weeks, we have focused on humanitarian aid for the people in China: we have donated important medicines and our local colleagues have helped to ensure that the donations have reached doctors and hospitals. It is encouraging to see how some of our products support the fight against the virus. We will be able to better estimate overall potential effects for the year on our business after the end of the first quarter and will of course provide an update to the investment community.

Let's take a look at our guidance by division next. We expect all of our businesses to deliver currency and portfolio-adjusted sales growth, ranging from 2-3% for Consumer Health, 3-4% for Pharma and around 4% for Crop Science. We also expect a further improvement of the EBITDA margins before special items and at constant currencies for all of our divisions. Please note that we have adjusted our cost allocation from enabling functions to the divisions as of 1 January 2020. We have

significantly simplified our allocation schemes and aligned them to our structural changes and new steering logic. The costs for the enabling functions are now allocated to the P&L's of the divisions either directly or using only a few allocation keys that are standardised across the Group. These changes have an impact on previously reported segment earnings but are overall neutral for the Group. Accordingly, we have re-based 2019's divisional EBITDA before special-item margins already for our 2020 guidance, as you can see in the two columns in the middle of this chart.

Before we start the Q&A, let's have a look at our focus areas for 2020. First and foremost, we are committed to delivering again on our operational targets, as we just shared. Second, as the leader in Crop Science, we expect to grow stronger than our market and to further increase our margins. Third, we expect to further deliver sales and margin growth in Pharmaceuticals. In addition, we plan to strengthen our internal pipeline and intensify the external sourcing of innovation. Fourth, we will strive for a further improvement of the operational performance of our Consumer Health business. Fifth, we expect to continue to deliver on our targets for the Bayer 2022 programme, both related to synergy realisation and efficiency improvements. Lastly, we anticipate the successful closing of the sale of our Animal Health business by the middle of this year.

Thanks for your time today and we are looking forward to sharing our progress on these focus areas in the year ahead. With that, I will then hand the call back to you, Oliver, to start the Q&A for us.

Questions and Answers

Oliver Maier

Okay, thank you, Wolfgang; thank you, Werner, for the overview. Before we begin, I would remind everybody to keep your questions to two per person so that we are able to take questions from as many participants as possible in the time allotted, which is approximately 35 minutes.

Peter Verdult, Citi

Two questions, please. First, to Liam, just putting weather aside, could you give us a mini 'State of the Union' address, going into the important North American planting season, just the pushes and pulls that you're thinking about or we should be thinking about.

And then secondly, Stefan, I realise you don't disclose these numbers, but would be interested to hear how the new launches in Pharma are doing, Vitrakvi and Nubeqa. Are you able to give any sort of sales figures for Q4 or 2019? And then just talk, from a Pharma perspective, in China, how Xarelto is doing, the impact you're seeing from VBP. We're hearing from some of your peers that, before Corona hit, the volume uplift you were seeing, despite the price increase, was higher than expected – so anything you're willing to share going a bit deeper on your Pharma business in China. Thank you.

Liam Condon, President, Crop Science

Thanks a lot, Pete. I appreciate the question. So 'State of the Union', crops, going into the year, how do we see things? From the 4% nominal sales growth that we've forecast, this translates into about

800 million in sales. And let me try and frame for you a little bit where that is coming from, because that helps explain how we see the season evolving.

So the biggest part of that growth is coming from a rebound in the US, so we're expecting anything between 10 and 12 million additional acres versus previous year, from acres that ultimately weren't planted because of the bad weather last year. And we're reckoning this can be about 3-5 million acres in corn and maybe 5-7 million acres in soybeans. What that ratio actually is completely depends on the weather and trade conditions as you get closer into the season. That rebound will probably account for about 500-600 million in additional sales for us.

Then we have growth from new products. The growth from new products is coming basically from all regions, particularly fungicides, Fox Xpro in Latin America, where new insecticides – Vayego, Sivanto – and corn as well will be a major growth driver for us. This will probably be in the ballpark of about 400 million additional sales. And then we have sales synergies factored in, which are particularly relevant in the countries that we had identified as highest priority from an integration point of view, which is basically North and Latin America; it's US; it's Brazil; it's Canada, Mexico and Argentina. And this will be an additional about 200 million.

Now, that gets you to 1.2 billion. The difference to the 800 is, of course, we have headwinds with us. And there's always a multitude of headwinds, but in general one of the clearer ones is, of course, the transitional sales agreement that we have with BASF. That was last year about 250 million. The previous year it was 290 for just less than half a year, so it basically halved and then went down to 250 last year, and this will half again. But of course, year-on-year, that's a headwind for us. We have the loss of some Crop Protection products in EMEA, which will hit us. We have a low single-digit price decline in soybeans in the US which we factored in and a couple of other issues, and then gets us overall, net net, to the approximately 800 million sales that we are forecasting. I hope that's clear enough.

Peter Verdult

Very helpful. Thank you.

Stefan Oelrich, President, Pharmaceuticals

Yeah, hi, Pete. So, on your questions around Nubeqa and Vitrakvi to start with, as you know, right, we're not disclosing in detail numbers, but maybe I can give you some more colour nonetheless. So let's start with Nubeqa. As you know, we had approval in July, which was ahead of the PDUFA date. And so far our start is really in line with expectations. You may see a few numbers so far in your market research data, because most of our patients are enrolled in our programmes that offer two-month free trial programmes for eligible patients, and the majority of our physicians and patients really have taken advantage of this programme. Nonetheless, we're really tracking, in our view, quite nicely. And the reason for that, we think, is very convincing data that we've presented with Nubeqa. One of the really remarkable things, we feel, is that, while we were the third in the class, so the third androgen-receptor antagonist to come to market, we were the first one to actually demonstrate overall survival in the follow-up, which we believe is a really very strong indicator for the efficacy of our drug.

This is not just reflected in the market research that we're making qualitatively, but it also finds itself back in access. I'm happy to report that we currently now have an overall coverage of 92% of lives across the board in the US, and what is particularly interesting is that we both have about 83% of

commercial lives and almost 100% Medicare Part D lives, which is really significant. So, with that, on top of it, Nubeqa is the only agent that does not require step-through to access the product for both united in Part D and also on commercial plans, so really a very strong start, we believe, into Nubeqa.

When it comes to Vitrakvi, we're making good progress there too. We have broad adoption for whatever you can call broad in a product that has a very, very small eligible population, and we continue to look for patients, literally, as we progress. But there, again, we just recently published new data in *The Lancet* on the efficacy of Vitrakvi which is extremely convincing, with an overall response rate of about 80% in all subjects, with very, very strong response in paediatric patients, more than 90% response rate here. And the median PFS is 28 months and median overall survival 44 months – 44.4 to be precise. So, really, all of that with the very consistent and favourable safety profile that we're also seeing come through in all of the qualitative research that we're having on this product.

So they're both, I think, making good progress. I think we will give you a little bit more, including on some numbers, middle of this year, when hopefully we all meet in Berlin. So stay tuned until then, but you will see now gradually in the market research that some of these programmes that are on free programmes are going to come through in the market research numbers, too, so that will give you a better feel for where this is going on Nubeqa at least.

And then you were asking… On China, yeah, you were asking two things, Xarelto and VBP. So Xarelto's not part of VBP, just to make clear of that. So Xarelto – we've had an outstanding 2019, and for Xarelto we don't disclose country numbers normally, but I can tell you that we're extremely pleased with both volume expansion but also overall value expansion for Xarelto in China. Xarelto alone in China last year was about a 150 million increase. And I don't know, Pete; you had a question on VBP. Can you repeat that one, please?

Peter Verdult

No, I was just asking – some of your competitors who have also been hit by VBP were actually saying that, before Corona struck, they were pleasantly surprised by the volume uplift they were seeing despite the price decrease. Have you…? Before Corona arrived, did you see something similar with your portfolio like Glucobay and others that were affected?

Stefan Oelrich

Yeah, Glucobay was not part of VBP until then, so I can't tell you.

Peter Verdult

Thank you.

Wimal Kapadia, AllianceBernstein

Can I just follow up on VBP? So what exactly is baked in to your 2020 assumptions for Glucophage and Avelox for VBP in China? When do you expect this to kick in, given the current situation with the virus? Can you help us quantify the impact, at least within your expectations for 2020?

And then my second question is just on the two key pipeline assets, [inaudible] vericiguat. How do you think physicians will think about the new mechanism of action, given that cardiologists are quite a conservative group? And how do you envisage the product will be used? You know, as an add-on to Entresto or as an alternative option?

And then just very briefly, on finerenone, what is your view on the SGLT2 class as a threat in DKD patients? Thank you.

Stefan Oelrich

Sure. Thanks for the question, Wimal. Let me start with VBP. So we have built VBP into our guidance for the year, and that includes both Glucobay – not Glucophage. I'm sorry; I wish I had Glucophage, but I only have Glucobay. Those two on top would even be better – and also for Avelox. So in terms of when this will hit, we're expecting this to be effective as of second quarter. It's anybody's guess right now with what's happening with Corona – if that leads to a delay. Right now we do not assume that that leads to a delay.

And in terms of our cardiology assets in our late-stage pipeline, vericiguat – first of all, let me express how excited we are that we could communicate positive top-line data on our VICTORIA pivotal trial for vericiguat. We'll be presenting detailed information at the upcoming ACC, so I guess that's where also you will get some qualitative input on where physicians see this. We have studied in quite a frail and difficult population with worsening heart failure, in HFrEF patients, and I think this will – but we will see how this will be placed in guidelines. In our studied population, we have a mix of patients both pre-treated with Entresto but also with other baseline treatments, so I don't see any limitation to just being a therapy on top of Entresto, but it's certainly also a valid option on top of Entresto. But stay tuned for our ACC presentation, where we're going to go into much more detail.

And, on finerenone, we're always happy when others present good data, because that's good news for patients. I think finerenone will offer, just as SGLT2s offer, a good option for patients with impaired renal function. It's a very different mechanism of action, and I think we're not necessarily going to go after the same patient type. Also there, in the background therapy of our studies, we have certainly something in the order of typical market share for SGLT2s in our finerenone population, so we will have anyway a background therapy that will both compare finerenone efficacy on top of SGLT2 without SGLT2 as background therapy, but there, again, we'll have to see that; hopefully we'll have that for the second half of the year, when we can give you much more detail on that.

Wimal Kapadia

That would be great. Thank you very much.

Emmanuel Papadakis, Barclays

Thanks for taking the questions. Maybe one, I guess, broader strategic question perhaps for Werner. We've obviously had a significant change at the top of the Supervisory Board; you've also announced some interesting changes around cost allocation for divisions. Should we interpret anything from either of those in terms of willingness to reflect upon the broader strategic outlook for the Group's divisional structure and any willingness to reassess those over the coming years?

The second question for Stefan – I think you said you'd be in a position by the time of the Q4 results to give us an update on the Xarelto US IP situation and settlement progress, so perhaps you could just let us know the latest there. Thank you very much.

Werner Baumann

Yeah, Emmanuel. Thanks for your questions. On the first one, we have a strategy that was communicated and that we continue to execute against I think fairly diligently, if you look at what we did in line with strategy execution in 2019. The fact that Mr Wenning is going to step down as the Chairman of the Board effective the AGM was communicated yesterday, and I think he also explained why he's going to step down, and that's, you know, very much about the fact that he has stayed on actually one year longer than he wanted originally. He is already beyond the recommended maximum age for Supervisory Board members. And with that I think everything that I can say to it is said, which was already communicated yesterday.

The cost reallocation does not have any bearing in terms of, I'd say, strategic relevance. It was an adjustment that we made in alignment of our changed value flows, as we've now fully integrated Crop Science and we have changed a few other things. And that is what that is about. So it is a technical effect in order to more appropriately show the business performance and, at the same time, there's a good deal of simplification of our value flows that has led to these adjustments. So I hand over to Stefan.

Stefan Oelrich

Hi, Emmanuel. I guess you're referring to the 218 once daily use pattern for Xarelto in the US, which expires in February 2034, which had been challenged by Mylan and others. Mylan, as the first filer here, is the relevant party for us or most relevant. We have entered into a settlement agreement pursuant – which Mylan has been granted access to a licence under the relevant patents to market a generic version of 10 mg, 15 mg or 20 mg of Xarelto tablets beginning in 2027. So while that shortens our patent life from 34 to 27, it gives us exclusivity beyond the expiry of the chemical-entity patent.

Emmanuel Papadakis

Thank you.

Jo Walton, Credit Suisse

I've got two questions, please. On Nubeqa, I wonder if we could push you further as to what share of new patients you think you are able to achieve. It's interesting that you say there are all these patients and they're taking their two months free, and we're not seeing it in the prescription level, but we're not seeing overall any reduction in the level of prescriptions out there, so either there are many more patients coming forward for treatment to allow for this sort of uplift or maybe it isn't as great as we might think. So I wonder if we could just push you a little further on the adoption for Nubeqa.

And on the crops side of things, you've obviously been very successful in getting cost savings coming through, and you're going to get more cost savings – or accelerate your cost savings. I wonder if we can push you on the level of reinvestment and how much of that you think you'll be able to bring down to margin gain in two or three years' time. Thank you.

Stefan Oelrich

Hi, Jo. No, I'm afraid you can't push me much further. So we're… I stand by what I said earlier. We're very happy with what we see.

Liam Condon

Thanks, so possibly unlike some of our competitors, when we talk about synergies, we talk about net EBITDA-relevant synergies. So this should all be falling to the bottom line. So we had originally a target of 25% of cumulative synergies for last year; we actually achieved over 40%. And this year we're tracking towards over 70%, and again this is a big part of what is helping us beyond the sales growth to get to the margin numbers, and this is what's keeping us on track to achieve our mid-term guidance of around about or north of 30% EBITDA.

Jo Walton

Thank you.

Vincent Andrews, Morgan Stanley

Thank you. Liam, I wonder if I could just ask you – you know, as we think about the impact of coronavirus, I can think of two things that might happen here. One, you know, I don't know what type of intermediates in your crop-chem business you're getting from there, but we also know that a lot of Glyphosate comes out of China. So are you seeing anything in terms of Glyphosate exports or plant capacity or production and, likewise, any concerns you have about your raw-material costs for 2020?

Liam Condon

Yeah, thanks, Vincent. So right now we are not seeing any impact. Glyphosate pricing actually coming out of China is still relatively low. You would intuitively kind of expect, with supply shocks, that the price should be increasing. We have still to see that happen. So we're not necessarily noticing an impact on the supply side yet. And it's just a question: will that come or not? We don't know, but we're not noticing anything in our supply chain right now.

On raw materials, we did have a negative impact on COGS coming out of China because of increases in intermediates last year, because of the clean-up initiative within China. This year we actually expect to have a positive COGS development, and this is purely due to our cost synergies. So we will have some counter-effects, but, net net, we should be seeing a positive COGS development again because of the cost-synergy progress we're making.

Vincent Andrews

Okay, and then if I could just ask you on the US seeds season – you know, we're well acquainted with the issues with the soybean-price competition, but maybe just help us understand how you're keeping that contained just within the soybean part of the order book. Why is it not leaking or how are you keeping it from leaking into the corn or the cotton side of the order book?

Liam Condon

Well, I think it's just a very different demand/supply situation overall. I mean, in soybeans we still have the situation that demand has been, to a degree, somewhat suppressed by both the combination of African swine fever and China suppressing demand there and the US-China trade conflict, which on paper has been partially, let's say, settled for phase one but practically nobody knows what impact that's really going to have. So there's a demand situation there that's, let's say, supressed, and then you have on the supply side a very competitive situation. So I think this is just natural competition, that pricing in such an environment is weaker.

On the corn side we have pretty robust demand. Particularly if you look at the stocks-to-use ratios, overall demand/supply looks good. And from a competitive situation, with the portfolio that we have, we're in a much better situation relative to soybeans, and with that we can achieve pricing uplift on the corn side.

Vincent Andrews

Thanks very much.

Sachin Jain, Bank of America

A few questions, please. Firstly, I wonder if you can just clarify some of the media comments around balance sheet and a need to raise funds around potential settlement. Is that just risk language in the annual report or is there anything else to that?

Secondly, I wondered, Werner, if I could just ask you on the Glyphosate settlement, some of the commentary on the post-Q3 roadshow was that you had a window of opportunity to settle given the delayed court cases. Given those are starting back up in the middle of the year, when do you think that settlement window closes?

And the third one was a clarification for Stefan on the Xarelto settlement. Was that '27 just Mylan or have all parties agreed to that '27 date or are you still outstanding? And, just to check, there's no such opportunity for extension in Europe.

Wolfgang Nickl

Okay, Sachin, I'll start on the comment on the financing, which I think you alluded to earlier. It was taken very, very quickly out of the risk factors, which, as you know, have been a bit of a safe-harbour/disclaimer function in the annual report. As you know, we have very ambitious but solid free cash-flow targets for the next three years, and we're executing on that. With that, we can get our dividends and our de-levering done and invest in some modest bolt-on acquisitions.

If you heard us previously talking, not only from a time perspective but also from a value perspective, we have been doing extremely well on the divestments. We are closing Animal Health middle of the year – that's at least the plan, with 70% of the proceeds coming in cash and the rest shortly thereafter in equity that we can translate into cash. So you should not assume that there are any equity measures. If there are any timing imbalances, you may see a bridge loan, but there's nothing that you should read into this.

Werner Baumann

So, Sachin, on your other question on Glyphosate and the settlement window, we saw some of these comments as well. I don't recall that we spoke about a specific window. What we said is that we've qualified, you know, the type kind of solution we need as one that is financially reasonable and acceptable, if I may say so, and at the same time it brings reasonable closure to the overall litigation. And we think that that is also the right way to take on the negotiations. Time is not necessarily helpful in setting a kind of date by which we want to be done. We are driven by finding that the best solution for the company and the shareholders in these discussions, and with that, you know, it's going to take as long as it's going to take until we get there, and then we'll hopefully be able to communicate something that is within the frame of what I described before.

Stefan Oelrich

So, on Xarelto, you're absolutely right. There are a few other parties here to the table. We're working very diligently at getting all of them aligned to the same date, and we're really making good progress with that; I can't say more than that.

To your question about the patent in Europe, the equivalent pattern in Europe expired January 26 but was revoked originally by the European Patent Office in the first instance against what we appealed.

Sachin Jain

Sorry, just to clarify that, that European revoke appeal is still ongoing or has it been closed?

Stefan Oelrich

Well, it's still on appeal, but anyway it would expire on January 26.

Sachin Jain

Okay, thank you.

Richard Vosser, JP Morgan

Thanks for taking my questions. First question: Werner, I think in the prepared remarks you highlighted the limited exposure of Pharma in the US, and maybe you and Stefan could touch maybe on your thoughts on enhancing the position of the Pharma business in the US and what sort of timeframe you might think about that.

And then just two outlook questions for the key products in Pharma – just thinking about the outlook for Eylea, how do you see that in 2020, given maybe an aggressive launch from Novartis of their product Beovu?

And, secondly, obviously a very successful year for Xarelto in 2019 – can you further accelerate? As I understand it, the uptake in PAD/CAD has been relatively slow, so can that boost sales in 2020 or boost the growth profile of Xarelto in 2020?

Werner Baumann

So, thanks Richard. Stefan is going to take all three questions.

Stefan Oelrich

Thank you. So, for the US, we're in the lucky position now to have extended rights when it comes, obviously, to Finerenone, which will allow us to establish a position, should we choose to do so, in the US in that segment. We also have the right to co-promote across the world, as does Merck, Vericiguat, in the countries we choose to promote it. So that would potentially give us two very competitive products in the bag, if we wanted to, at a very, let's say, close timing, one from the other, and could help us establish presence in the US.

And then, secondly, we will continue with our oncology franchise, which we believe gives us significant room for establishing a much broader footprint there in the US. Overall, add to that our already strong position in women's healthcare and haemophilia that we enjoy in the US, and I think it makes us much more competitive in that geography. And that comes at a good time, as the Chinese dominance is probably going to be a little less going forward.

And then as to your outlook on Eylea, so we will have similar – as in last year, we're going to be in the upper teens for Eylea this year. Sorry…

Wolfgang Nickl

Was it Xarelto?

Stefan Oelrich

No, no, the question was Eylea.

Wolfgang Nickl

Yeah, but the forecast – high single digits.

Stefan Oelrich

Yeah, sorry, high… Did I say 'teens'? I meant…

Wolfgang Nickl

You were dreaming about –

Stefan Oelrich

Yeah, high single digits; please forgive me. As for Beovu, we'll have to see, okay? For now, we feel that we actually have a stronger profile clinically, and we have a much stronger position in the market. Their launch in the US is ongoing. They're making a lot of noise, but there's also some noise that's not so good for them. So we'll see where that ends.

And CAD/PAD – Richard, we've discussed that before. Obviously we're not super happy with how this has started. I think one thing that comes in probably very positively for us this year – we will have the VOYAGER data presenting also at ACC. That gives us a chance to add additional data for CAD/PAD patients. We'll have to see if we can make the patient profile even a little bit more clear following the publication and presentation of the VOYAGER data at ACC. And we remain hopeful that that should further boost on already very good sales development of Xarelto for the coming years. Thank you.

Sachin Jain

Thanks very much.

Tony Jones, Redburn

Thanks very much, everybody. I've got two left. One on – I wanted to circle back again on this soybean price pressure. So the competitive headwinds – could you talk a little bit about whether this is broad-based across all germplasm and traits or coming more from the digital channel – we know there's one aggressive digital guy out there – or is it a little bit more brand-specific and somehow relates to the ramp-up of Enlist?

And then my second question is more on the Roundup cases. So this quarter the number of cases highlighted increased less than we expected. I know it's probably a difficult one to forecast, but, maybe based on your internal counsel, how should we be thinking about the development of that number over the next couple of quarters? Is it about to plateau or volatility should resume and we'll see a big jump-up in the next couple of quarters? Thank you very much.

Liam Condon

Thanks, Tony. So on soybean prices this is both broad-based and brand-specific. We don't see this coming from a digital channel; that's not really a relevant impact. It's rather to do, again, with the overall demand/supply situation, again with relatively suppressed demand and relatively high supply. I think it's a natural reaction in the market.

There is, as you know, one specific more regional seeds company on a competitive platform that is discounting quite heavily. That's not a direction we are following, but that does have an impact on overall pricing in the market. So we see it across the Board but driven more by some of the regional players as opposed to, for example, a digital player.

Werner Baumann

Yeah, Tony, let me add to what Liam just mentioned and talk about the Roundup and the Glyphosate litigation question. We can only report on the current status of filed cases. We know that there's speculation out there on how many unfiled cases there might be; we cannot put any colour on that. So the only thing I can tell you is that the development of the cases, as we've seen also last year, depends on quite a number of factors, one of them, certainly a decisive one, being, you know, the promotional activity of the plaintiff side. That obviously has come down quite a bit. That's the reason why we've seen a lower build-up compared to where we were in terms of dynamics in the last year. So we had just about 6,000 additional cases from quarter three to full year now as of February 6, and we simply have to take it from there.

Tony Jones

Okay, thank you – appreciate it.

Oliver Maier

We have time for two, three more questions. So that should be the last person to answer.

Michael Leuchten, UBS

Two questions, please. One for Stefan – the Pharma margin target of 33% for 2020, sequentially looking at over from 2019, doesn't seem overly ambitious. I'm just wondering if you could talk about the pushes and pulls.

And, Wolfgang, you did refer to working-capital management as a significant driver of free cash-flow generation in 2020. It didn't strike me that you were heavy on working capital cycles. I was just wondering if you could elaborate on that a little bit more. Thank you.

Stefan Oelrich

Michael thanks for the question. For 2020, when we look at the business and some of the major factors on a like-for-like comparison, with China VBP and some of the costs that we will have to use for the launch preparations for Vericiguat and Finerenone, plus Nubeqa/Vitrakvi getting off the ground and some changes in cost allocations that we're having, we believe that this is actually not as un-ambitious a target as it may sound. So we're fine with that, and I hope that answers your question.

Wolfgang Nickl

Michael, from my end, working capital is becoming more and more important for us. Free cash flow is top of mind. I can tell you that this year we're starting to put free cash flow across the Board at least in the incentive systems. And there are always pockets, also in our business, where we have optimisation opportunities. And we go business by business. In total, if you just take our receivables and then just take our inventory, you're at 23 billion, and we're convinced that there are significant opportunities in there, and we will seize them.

Stefan Oelrich

Michael, maybe one thing that I wanted to add – just the cost-allocation change gives us a pro forma impact of EBITDA margin of minus 0.7 percentage points, so I think it's important to reflect that in your model.

Michael Leuchten

Very clear. Thank you.

Oliver Maier

Great, thank you. Thank you very much, everybody. Thanks to all of you for your time and the attention today – it's greatly appreciated, and let's close our call for today. Thank you very much.

Cautionary Statements Regarding Forward-Looking Information

This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer management.

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