Q2

Half-Year Financial Report 2020

Bayer: Solid performance despite COVID-19 impact

// Group sales decline by 2.5% (Fx & portfolio adj.) to €10.1 billion

// EBITDA before special items advances to €2.9 billion (+5.6%)

// Crop Science reports operational growth

// Sales and earnings at Pharmaceuticals down mainly due to volume-based procurement policy in China and COVID-19

// Sales at Consumer Health decline slightly (Fx & portfolio adj.) after strong demand in first quarter

// Net loss of €9.5 billion due to special items for litigation – agreements in major legacy Monsanto litigation

// Core earnings per share €1.59 (+5.3%)

// Free cash flow rises to €1.4 billion

// Outlook adjusted for COVID-19 impact

// Ensuring employee safety and maintaining supply chains remain top priorities

Science for a **better life**

Contents

Bayer Group Key Data

€ million	Q2 2019	Q2 2020	Change %	H1 2019	H1 2020	Change %	Full Year 2019
Sales	**10,713**	**10,054**	**–6.2**	**22,965**	**22,899**	**–0.3**	**43,545**
Change (adjusted for currency and portfolio effects)[1]			–2.5			+2.0	+3.5%
Change in sales[1]							
Volume	+0.7%	+0.6%		+2.3%	+3.8%		+2.6%
Price	+0.4%	–3.1%		+0.2%	–1.8%		+0.9%
Currency	+1.1%	–2.0%		+1.2%	–0.8%		+1.5%
Portfolio	+20.8%	–1.7%		+30.4%	–1.5%		+13.5%
Sales by region							
Europe / Middle East / Africa	3,318	2,942	–11.3	7,271	7,180	–1.3	13,185
North America	3,985	3,858	–3.2	9,041	9,175	+1.5	15,087
Asia / Pacific	2,240	2,159	–3.6	4,363	4,271	–2.1	8,610
Latin America	1,170	1,095	–6.4	2,290	2,273	–0.7	6,663
EBITDA[1]	**2,314**	**(9,604)**	**.**	**5,253**	**(5,828)**	**.**	**9,529**
Special items[1]	(416)	(12,487)		(1,460)	(13,102)		(1,945)
EBITDA before special items[1]	**2,730**	**2,883**	**+5.6**	**6,713**	**7,274**	**+8.4**	**11,474**
EBITDA margin before special items[1]	25.5%	28.7%		29.2%	31.8%		26.3%
EBIT[1]	**785**	**(10,784)**	**.**	**2,565**	**(8,285)**	**.**	**4,162**
Special items[1]	(834)	(12,511)		(1,877)	(13,150)		(2,813)
EBIT before special items[1]	**1,619**	**1,727**	**+6.7**	**4,442**	**4,865**	**+9.5**	**6,975**
Financial result	**(455)**	**(276)**	**–39.3**	**(753)**	**(928)**	**+23.2**	**(1,309)**
Net income (from continuing and discontinued operations)	**404**	**(9,548)**	**.**	**1,645**	**(8,059)**	**.**	**4,091**
Earnings per share[1] from continuing and discontinued operations (€)	0.41	(9.72)	.	1.68	(8.20)	.	4.17
Core earnings per share[1] from continuing operations (€)	1.51	1.59	+5.3	3.94	4.26	+8.1	6.38
Net cash provided by operating activities (from continuing and discontinued operations)	**1,600**	**2,414**	**+50.9**	**2,679**	**2,185**	**–18.4**	**8,207**
Free cash flow (from continuing and discontinued operations)	751	1,402	+86.7	1,259	609	–51.6	4,214
Net financial debt (at end of period)	**38,808**	**35,993**	**–7.3**	**38,808**	**35,993**	**–7.3**	**34,068**
Cash outflows for capital expenditures and intangible assets (from continuing and discontinued operations)	**458**	**585**	**+27.7**	**853**	**976**	**+14.4**	**2,650**
Research and development expenses	**1,304**	**1,167**	**–10.5**	**2,621**	**2,469**	**–5.8**	**5,301**
Depreciation, amortization and impairment losses / loss reversals	**1,529**	**1,180**	**–22.8**	**2,688**	**2,457**	**–8.6**	**5,367**
Number of employees[2] (at end of period)	**106,231**	**101,168**	**–4.8**	**106,231**	**101,168**	**–4.8**	**103,824**
Personnel expenses (including pension expenses)	2,838	2,423	–14.6	6,116	5,183	–15.3	11,788

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

[2] Employees calculated as full-time equivalents (FTEs)

Interim Group Management Report as of June 30, 2020

Key Events

Agreements reached in major legacy Monsanto litigation

On June 24, we announced a series of agreements in the Roundup™ (active ingredient: glyphosate) product liability litigation, the dicamba drift litigation and the PCB (polychlorinated biphenyls) water litigation (see the "Legal Risks" section of the Notes to the Consolidated Interim Financial Statements for further information).

Glyphosate

// In June 2020, Monsanto reached an agreement in principle with plaintiffs, without admission of liability, to settle most of the current Roundup™ litigation, involving approximately 75% of the total approximately 125,000 known filed and unfiled claims, and to put in place a mechanism to resolve potential future claims.
// The total costs of the intended settlements for all outstanding claims are currently expected to be up to US$9.6 billion[1]. The company expects that a substantial number of the outstanding claims can be settled in the coming months.
// The company intends to make an additional payment of US$1.25 billion[2] to support a separate class agreement between Monsanto and plaintiffs' counsel to address potential future litigation.
// Monsanto may withdraw from the various settlement agreements if certain eligibility and participation rates are not satisfied. Plaintiffs who opt out of a settlement have the right to pursue their claims separately against the company.
// On July 6, 2020, Judge Chhabria of the U.S. District Court for the Northern District of California, who is responsible for the agreement, issued a pre-trial order raising concerns about certain aspects of the class settlement agreement and stating that he is tentatively inclined to deny the motion. The parties have decided to withdraw their motion to be able to comprehensively address the court's questions on the issue class proposal. Bayer remains strongly committed to a resolution that simultaneously addresses the current litigation on reasonable terms and provides a viable solution to manage and resolve future litigation.
// The three cases that have so far gone to trial – Johnson, Hardeman and Pilliod – will continue through the appeals process and are not covered by the settlement.
// On July 20, 2020, the Court of Appeal of the State of California (First Appellate District) affirmed the judgment in favor of Johnson but reduced the total judgment from US$78.5 million to approximately US$20.5 million. The court reduced the total compensatory damages award from US$39.3 million to approximately US$10.25 million and the punitive damages award to the same amount. Monsanto continues to believe that both the jury verdict and the damages award are not supported by the evidence at trial and the law and will consider its legal options, including an appeal to the Supreme Court of California.

Dicamba

// We have reached a mass tort agreement to settle the previously disclosed dicamba drift litigation involving alleged damage to crops. We will pay up to a total of US$400 million[3] to resolve the multi-district litigation pending before a federal court in Missouri and claims for the 2015–2020 crop years.
// The only dicamba drift case to go to trial – Bader Farms – is not included in this resolution. We believe the verdict in Bader Farms is inconsistent with the evidence and the law and will continue to pursue post-trial motions and an appeal, if necessary.

[1] Equivalent to approx. €8.6 billion at the June 30, 2020, exchange rate
[2] Equivalent to approx. €1.1 billion at the June 30, 2020, exchange rate
[3] Equivalent to approx. €360 million at the June 30, 2020, exchange rate

PCBs

// In the litigation concerning the effects of PCBs in bodies of water, we have reached an agreement for a nation-wide class settlement to settle claims of approximately 2,500 municipal government entities across the United States for a total payment, including class benefits and attorney fees, of approximately US$650 million[4]. This agreement will require court approval before it becomes effective.
// At the same time, we have entered into separate agreements with the attorneys general of New Mexico, Washington and the District of Columbia to resolve similar PCB claims. For these agreements we will make payments that together total approximately US$170 million[5].

Financing

Cash payments related to the settlements are expected to start in 2020. We currently assume that the potential cash outflow in 2020 will not exceed US$5 billion and that by far the larger part of the remaining amount will be disbursed in 2021. The great majority of these payments will be tax-deductible at the time of disbursement. To finance the settlement payments we can make use of existing surplus liquidity, future free cash flows and the proceeds from the Animal Health divestment. In addition, we issued bonds with a total volume of €6 billion at the beginning of July to ensure the financial flexibility needed to manage the settlement payments and address upcoming bond maturities. The issuance comprises four €1.5 billion tranches with maturities of 4 years, 6.5 years, 9.5 years and 12 years and exclusively targets institutional investors. It was approximately 2.5 times oversubscribed. The tranches carry coupons of 0.375% p.a., 0.75% p.a., 1.125% p.a. and 1.375% p.a. The bonds are rated Baa1, BBB and BBB+ by Moody's, Standard & Poor's and Fitch, respectively.

New compensation system

The compensation system for the Board of Management has been modified by resolution of the 2020 Annual Stockholders' Meeting. On the one hand, the new system places a stronger focus on sustainability, which already features as part of the short-term incentive (STI) in 2020 and will form a component of the long-term incentive (LTI) as well starting in 2021.

In addition, greater emphasis is placed on liquidity and profitability as financial performance indicators. Thus the free cash flow now constitutes a further Group component of the STI in addition to the core earnings per share. Moreover, the LTI now takes into account the return on capital employed along with the total shareholder return. In determining target attainment, the Supervisory Board has the discretion to make adjustments for significant extraordinary effects for which no allowance could be made, or which could only be allowed for differently, when the targets were set and which are considered irrelevant to performance as far as incentivization is concerned. Further details of the new compensation system for the Board of Management are provided in the Notice of the Annual Stockholders' Meeting, which is available at www.bayer.com.

Sustainability Council members appointed

In May we announced the appointment of nine internationally recognized experts to the independent Sustainability Council, which will advise the Bayer AG Board of Management and other corporate functions in all sustainability matters in the future.

Ruling on dicamba registration in the United States

In early June 2020, the U.S. Court of Appeals for the Ninth Circuit issued a ruling that vacates current U.S. registrations of certain low-volatility dicamba products, including our XtendiMax™. In response to this ruling, the U.S. Environmental Protection Agency (EPA) issued an order in June providing, among other things, that growers and commercial applicators may use existing stocks according to the product label until the end of July 2020. The initial court ruling specifically relates to the EPA's 2018 registration decision, which expires in December 2020. XtendiMax™ is currently in a new registration review process at the EPA for use in subsequent seasons.

[4] Equivalent to approx. €580 million at the June 30, 2020, exchange rate
[5] Equivalent to approx. €150 million at the June 30, 2020, exchange rate

Divestment of Animal Health business unit

The European Commission announced in early June that it had granted conditional approval to the planned acquisition of our Animal Health business unit by Elanco Animal Health Inc., Greenfield, United States. Conditional approval was also issued by the U.S. Federal Trade Commission in mid-July. The acquisition has also already been approved by the regulatory authorities in Australia, New Zealand, China and Canada, among other countries. The transaction is expected to close in early August.

COVID-19 pandemic

Our primary aim during the coronavirus pandemic remains to protect the safety and wellbeing of our employees and the society in which we live and work. At the same time we are taking the necessary steps to ensure the continuity of our operations in these challenging times and reliably supply our products and services to hospitals, physicians, patients, consumers and farmers. We are assisting in the global fight against COVID-19 with our expertise in the areas of health and nutrition. For example, we are collaborating with governments, regulatory authorities and other organizations to tackle the virus in a number of ways. Apart from providing financial aid, we are continuing to donate prescription drugs, over-the-counter medicines and medical protective equipment and make available diagnostic appliances and facilities.

As in the first three months of the year, our business activities in the second quarter were affected in different ways by the pandemic and the associated uncertainties. The Pharmaceuticals Division was impacted by the cancellation or postponement of visits to the doctor due to the global protective measures and contact restrictions, as a result of which nonurgent treatments, in particular, were not carried out. After a very strong first quarter at Consumer Health, retailers' high inventory levels and consumer stockpiling led to a slight decline in business. In the Crop Science Division, uncertainties led to shifts in demand in some regions and product groups, with negative effects likely to be increasingly reflected in the second half of the year.

1. Overview of Sales, Earnings and Financial Position[6]

In accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), financial information is given for continuing operations unless otherwise explicitly indicated. Here it should be noted that the previously reportable Animal Health segment has been reported under discontinued operations since the divestment agreement was signed; the same applied to the Currenta business in 2019. The data for prior periods has been restated accordingly. As explained in the Annual Report 2019, we adjusted our internal value flows at the start of 2020. Information on the impact of this change in the second quarter and first six months is provided on pages 34 to 36 of the Notes to the Condensed Consolidated Interim Financial Statements ("Modified Value Flow Concept").

1.1 Earnings Performance

Second quarter of 2020

Group sales

Group sales in the second quarter of 2020 declined by 2.5% (Fx & portfolio adj.) to €10,054 million (reported: –6.2%). Germany accounted for €528 million of this figure.

Crop Science achieved a 3.2% (Fx & portfolio adj.) increase in sales to €4,802 million, with declines in the Europe / Middle East / Africa region more than offset by growth in the other regions. Sales at Pharmaceuticals fell by 8.8% (Fx & portfolio adj.) to €3,992 million, with business adversely impacted both by canceled and postponed nonurgent treatments due to the COVID-19 pandemic and by the implementation of new tender procedures in China. At Consumer Health, sales declined by 1.9% (Fx & portfolio adj.) to €1,201 million, primarily due to destocking by retailers following the inventory buildup in the first quarter and to the effects of the quarantine and protective measures in various regions.

[6]For definition of alternative performance measures see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

EBITDA before special items

Group EBITDA before special items rose by 5.6% to €2,883 million, net of €12 million in negative currency effects. EBITDA before special items at Crop Science rose by 28.4% to €1,365 million, mainly due to the accelerated realization of cost synergies as we progress with the integration of the acquired businesses, and to expanded volumes. EBITDA before special items at Pharmaceuticals decreased by 7.1% to €1,368 million, primarily on account of the decline in sales. EBITDA before special items at Consumer Health receded by 10.9% to €254 million, mainly because of COVID-19-related volume declines following the substantial inventory buildup in the first quarter and due to the absence of earnings contributions from the businesses divested in 2019.

Depreciation, amortization and impairments

Depreciation, amortization and impairment losses amounted to €1,180 million (Q2 2019: €1,529 million), with intangible assets accounting for €665 million (Q2 2019: €1,071 million) and property, plant and equipment for €515 million (Q2 2019: €458 million). Impairment losses, net of impairment loss reversals, were €36 million (Q2 2019: €430 million), including €9 million (Q2 2019: €424 million) on intangible assets. Impairment losses in the prior-year period mainly included €422 million recognized in connection with the divestment of the Dr. Scholl's™ brand. Impairment losses on property, plant and equipment amounted to €27 million (Q2 2019: €6 million), including impairment losses of €26 million recognized on the dicamba production facility (Herbicides unit). Impairment losses of €24 million (Q2 2019: €418 million), net of impairment loss reversals, and accelerated depreciation of €1 million (Q2 2019: €1 million) were included in special items.

EBIT and special items

EBIT of the Bayer Group was minus €10,784 million (Q2 2019: €785 million) after net special charges of €12,511 million (Q2 2019: €834 million). The special charges mainly comprised provisions for the agreements reached with regard to glyphosate and dicamba (both in the Crop Science Division) and PCBs (in the Reconciliation). Other special charges resulted from expenses for litigations in Pharmaceuticals mainly in connection with Essure™, the ongoing restructuring program, impairments in connection with the dicamba production facility, and the integration of Monsanto. EBIT before special items rose by 6.7% to €1,727 million (Q2 2019: €1,619 million).

The following special items were taken into account in calculating EBIT and EBITDA:

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Special Items by Category[1]

€ million	EBIT Q2 2019	EBIT Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBITDA H1 2019	EBITDA H1 2020
Total special items	**(834)**	**(12,511)**	**(1,877)**	**(13,150)**	**(416)**	**(12,487)**	**(1,460)**	**(13,102)**
Crop Science	**(100)**	**(10,212)**	**(716)**	**(10,491)**	**(99)**	**(10,187)**	**(715)**	**(10,388)**
Pharmaceuticals	**14**	**(1,286)**	**(2)**	**(1,538)**	**13**	**(1,300)**	**(3)**	**(1,552)**
Consumer Health	**(468)**	**(11)**	**(495)**	**32**	**(51)**	**(11)**	**(78)**	**(22)**
Reconciliation	**(280)**	**(1,002)**	**(664)**	**(1,153)**	**(279)**	**(989)**	**(664)**	**(1,140)**
Special items by category								
Restructuring	(248)	(237)	(640)	(367)	(248)	(238)	(641)	(368)
of which in the Reconciliation	(250)	(184)	(615)	(313)	(249)	(171)	(615)	(300)
Acquisition / integration	(112)	(53)	(604)	(156)	(112)	(54)	(604)	(156)
of which in the Reconciliation	(8)	–	(14)	–	(8)	–	(14)	–
Divestments	21	(7)	(87)	(21)	22	(7)	(86)	(21)
of which in the Reconciliation	–	(4)	–	(13)	–	(4)	–	(13)
Litigations / legal risks	(77)	(12,051)	(128)	(12,419)	(77)	(12,051)	(128)	(12,419)
of which in the Reconciliation	(22)	(814)	(35)	(827)	(22)	(814)	(35)	(827)
Impairment losses / loss reversals[2]	(418)	(163)	(418)	(187)	(1)	(137)	(1)	(138)

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

[2] Where not already included in the other special items categories

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Special Items by Functional Cost[1]

€ million	EBIT Q2 2019	EBIT Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBITDA H1 2019	EBITDA H1 2020
Total special items	**(834)**	**(12,511)**	**(1,877)**	**(13,150)**	**(416)**	**(12,487)**	**(1,460)**	**(13,102)**
Cost of goods sold	(64)	(207)	(506)	(299)	(64)	(196)	(507)	(210)
Selling expenses	(239)	(25)	(249)	9	(30)	(25)	(40)	(45)
Research and development expenses	–	(10)	(11)	(30)	–	(10)	(11)	(30)
General administration expenses	(259)	(189)	(731)	(359)	(258)	(188)	(730)	(358)
Other operating income / expenses	(272)	(12,080)	(380)	(12,471)	(64)	(12,068)	(172)	(12,459)

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Income after income taxes from discontinued operations

Income from discontinued operations after income taxes amounted to €71 million (Q2 2019: €85 million) and was attributable to Animal Health. The prior-year figure also included the Currenta Group business.

Sales at Animal Health rose by 8.4% (Fx & portfolio adj.) to €488 million following a weak prior-year quarter (Q2 2019: €454 million). This increase was primarily due to higher volumes for both the Advantage™ product family (€144 million, Fx & portfolio adj. +7.0%) and Seresto™ (€122 million, Fx & portfolio adj. +9.4%). Other contributory factors were inventory buildup effects, partly in connection with the ongoing COVID-19 pandemic. Sales in North America advanced by 9.5% (Fx & portfolio adj.) to €240 million. The business unit also recorded significant growth in Asia / Pacific (€96 million, Fx & portfolio adj. +10.7%) and Europe / Middle East / Africa (€119 million, Fx & portfolio adj. +7.4%). In Latin America, sales increased by 0.3% (Fx & portfolio adj.) to €33 million. EBITDA before special items at Animal Health advanced by 17.7% to €153 million (Q2 2019: €130 million), primarily due to sales growth resulting from expanded volumes.

Net income

After a financial result of minus €276 million (Q2 2019: minus €455 million), income before income taxes amounted to minus €11,060 million (Q2 2019: €330 million). The financial result mainly comprised income of €54 million from investments in affiliated companies (Q2 2019: loss of €32 million), net interest expense of €344 million (Q2 2019: €354 million) and interest cost of €1 million (Q2 2019: €82 million) for pension and other provisions. The financial result included net special gains of €67 million (Q2 2019: net special charges of €51 million) that mainly resulted from the change in the fair value of our interest in Covestro. Including income tax gains of €1,450 million (Q2 2019: income tax expense of €10 million) and accounting for noncontrolling interest, net income in the second quarter of 2020 came in at minus €9,548 million (Q2 2019: plus €404 million).

Core earnings per share

Core earnings per share from continuing operations rose by 5.3% to €1.59 (Q2 2019: €1.51), thanks mainly to the earnings contribution from Crop Science. Earnings per share (total) fell to minus €9.72 in the second quarter of 2020 (Q2 2019: plus €0.41), largely due to the special charges in connection with the aforementioned agreements in the Monsanto litigations.

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Core Earnings per Share[1]

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
EBIT (as per income statements)	**785**	**(10,784)**	**2,565**	**(8,285)**
Amortization and impairment losses/loss reversals on goodwill and other intangible assets	1,071	664	1,773	1,431
Impairment losses/loss reversals on property, plant and equipment, and accelerated depreciation included in special items	7	25	5	105
Special items (other than accelerated depreciation, amortization and impairment losses/loss reversals)	416	12,487	1,460	13,102
Core EBIT	**2,279**	**2,392**	**5,803**	**6,353**
Financial result (as per income statements)	(455)	(276)	(753)	(928)
Special items in the financial result	51	(67)	(3)	92
Income taxes (as per income statements)	(10)	1,450	(368)	971
Special items in income taxes	–	–	–	–
Tax effects related to amortization, impairment losses/loss reversals and special items	(382)	(1,925)	(821)	(2,291)
Income after income taxes attributable to noncontrolling interest (as per income statements)	(1)	(9)	4	(8)
Above-mentioned adjustments attributable to noncontrolling interest	1	–	(1)	(1)
Core net income from continuing operations	**1,483**	**1,565**	**3,861**	**4,188**
Shares (million)				
Weighted average number of shares	981.73	982.42	980.95	982.42
€				
Core earnings per share from continuing operations	**1.51**	**1.59**	**3.94**	**4.26**

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Personnel expenses and employee numbers

The number of employees in the Bayer Group as of the closing date declined by 4.8% year on year to 101,168 (June 30, 2019: 106,231). Personnel expenses fell by 14.6% to €2,423 million in the second quarter (Q2 2019: €2,838 million). This was largely attributable to restructuring expenses and adjustments to provisions for variable compensation.

First half of 2020

Group sales

Group sales in the first half of 2020 rose by 2.0% (Fx & portfolio adj.) to €22,899 million (reported: –0.3%). Germany accounted for €1,271 million of this figure.

Sales at Crop Science advanced by 4.6% (Fx & portfolio adj.) to €11,636 million. Sales at Pharmaceuticals fell by 2.5% (Fx & portfolio adj.) to €8,538 million. Consumer Health increased sales by 5.7% (Fx & portfolio adj.) to €2,599 million.

EBITDA before special items

EBITDA before special items of the Bayer Group advanced by 8.4% to €7,274 million (H1 2019: €6,713 million), helped by positive currency effects of €29 million. EBITDA before special items at Crop Science rose by 18.2% to €3,976 million, mainly due to the realization of cost synergies as we progress with the integration of the acquired businesses, and to expanded volumes. EBITDA before special items at Pharmaceuticals was level year on year at €2,962 million (+0.1%). Consumer Health saw EBITDA before special items decrease by 3.5% to €555 million, with the absence of earnings contributions from the businesses divested in 2019 more than offsetting operational growth.

Depreciation, amortization and impairments

Depreciation, amortization and impairment losses amounted to €2,457 million in the first six months of 2020 (H1 2019: €2,688 million). They comprised €1,432 million (H1 2019: €1,773 million) in amortization and impairments on intangible assets and €1,025 million (H1 2019: €915 million) in depreciation and impairments on property, plant and equipment.

Impairment losses, net of impairment loss reversals, totaled €81 million (H1 2019: €428 million), including €26 million in net impairment loss reversals on intangible assets (H1 2019: impairment losses of €425 million). There was a €54 million impairment loss reversal for the Afrin™ brand, while a €103 million impairment loss was recognized on the dicamba production facility (Herbicides unit). Impairment losses in the prior-year period mainly included €422 million recognized in connection with the divestment of the Dr. Scholl's™ brand. Impairment losses of €47 million (H1 2019: €418 million), net of impairment loss reversals, and accelerated depreciation of €1 million (H1 2019: €1 million) were included in special items.

EBIT and special items

EBIT of the Bayer Group was minus €8,285 million (H1 2019: plus €2,565 million) after net special charges of €13,150 million (H1 2019: net special charges of €1,877 million). The special charges mainly related to provisions for the aforementioned agreements in the Monsanto litigations, expenses for litigations in Pharmaceuticals mainly in connection with Essure™, the ongoing restructuring program, and impairments in connection with the dicamba production facility. EBIT before special items rose by 9.5% to €4,865 million (H1 2019: €4,442 million).

Income from discontinued operations after income taxes

Income from discontinued operations after income taxes declined by 3.0% to €191 million (H1 2019: €197 million) and resulted from the business activities of Animal Health. The prior-year figure included the Currenta Group.

Sales at Animal Health rose by 12.6% (Fx & portfolio adj.) to €984 million in the first six months of 2020, with growth in all regions. Other contributory factors were inventory buildup effects, partly in connection with the ongoing COVID-19 pandemic. We significantly expanded business in North America in particular (€454 million, Fx & portfolio adj. +20.4%) following a decline in demand in the prior-year period. EBITDA before special items at Animal Health increased by 27.9% to €353 million (H1 2019: €276 million), primarily due to the positive development of business.

Net income

After a financial result of minus €928 million (H1 2019: minus €753 million), income before income taxes was minus €9,213 million (H1 2019: plus €1,812 million). The financial result comprised a loss of €112 million from investments in affiliated companies (H1 2019: income of €30 million), net interest expense of €708 million (H1 2019: €689 million) and interest cost of €66 million (H1 2019: €141 million) for pension and other provisions, as well as an exchange loss of €41 million (H1 2019: €8 million). The financial result included net special charges of €92 million (H1 2019: net special gains of €3 million) that mainly resulted from the change in the fair value of our interest in Covestro. Taking into account tax income of €971 million (H1 2019: tax expense of €368 million), income after income taxes was minus €8,242 million (H1 2019: plus €1,444 million). Adjusted for income from discontinued operations after income taxes and income attributable to noncontrolling interest, net income came to minus €8,059 million (H1 2019: plus €1,645 million).

Core earnings per share

Core earnings per share from continuing operations advanced by 8.1% to €4.26 (H1 2019: €3.94). Earnings per share (total) declined to minus €8.20 (H1 2019: €1.68).

1.2 Business Development by Division
Crop Science

A 4

Key Data – Crop Science

			Change %[1]				Change %[1]	
€ million	Q2 2019	Q2 2020	Reported	Fx & p adj.	H1 2019	H1 2020	Reported	Fx & p adj.
Sales	**4,788**	**4,802**	**+0.3**	**+3.2**	**11,232**	**11,636**	**+3.6**	**+4.6**
Change in sales[1]								
Volume	−3.4%	+3.5%			+0.1%	+4.6%		
Price	+0.3%	−0.3%			+1.0%	0.0%		
Currency	+1.1%	−2.9%			+0.7%	−1.0%		
Portfolio	+61.0%	0.0%			+89.5%	0.0%		
Sales by region								
Europe / Middle East / Africa	1,092	958	−12.3	−9.6	2,856	2,852	−0.1	+1.1
North America	2,397	2,501	+4.3	+2.2	5,921	6,214	+4.9	+2.4
Asia / Pacific	533	575	+7.9	+11.4	921	991	+7.6	+10.0
Latin America	766	768	+0.3	+18.9	1,534	1,579	+2.9	+16.6
EBITDA[1]	**964**	**(8,822)**	**.**		**2,649**	**(6,412)**	**.**	
Special items[1]	(99)	(10,187)			(715)	(10,388)		
EBITDA before special items[1]	**1,063**	**1,365**	**+28.4**		**3,364**	**3,976**	**+18.2**	
EBITDA margin before special items[1]	22.2%	28.4%			30.0%	34.2%		
EBIT[1]	**294**	**(9,600)**	**.**		**1,272**	**(8,100)**	**.**	
Special items[1]	(100)	(10,212)			(716)	(10,491)		
EBIT before special items[1]	**394**	**612**	**+55.3**		**1,988**	**2,391**	**+20.3**	
Net cash provided by (used in) operating activities	**872**	**1,537**	**+76.3**		**387**	**(224)**	**.**	
Capital expenditures	197	322	+63.5		420	485	+15.5	
Research and development expenses	576	511	−11.3		1,140	1,071	−6.1	

2019 figures restated; Fx & p adj. = currency- and portfolio-adjusted

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2020

Sales

Sales at Crop Science rose in the second quarter of 2020 by 3.2% (Fx & portfolio adj.) to €4,802 million. The Latin America, Asia / Pacific and North America regions contributed to growth, while sales in Europe / Middle East / Africa saw significant decreases.

// We increased sales at **Corn Seed & Traits**, due in particular to significant volume expansion in Brazil. Sales in North America were level with the prior-year quarter, partly due to shifts in demand into the previous quarter. In addition, the recovery in acreage against the prior-year quarter, which was adversely impacted by unfavorable weather conditions, was weaker than expected.

// Business at **Herbicides** expanded overall. We registered significant increases in Latin America, where we benefited from higher volumes and shifts in demand from the following quarter. Business in North America also expanded markedly, largely thanks to our combined product portfolio and gains in market share against the weak prior-year quarter. In Europe / Middle East / Africa, however, we saw marked decreases due to lower volumes, partly because of demand shifts into the previous quarter.

// Sales also advanced at **Fungicides**. In Latin America, we benefited mainly from lower product returns in Brazil. We also successfully switched the market to Fox Xpro™. We recorded volume increases in North America, mainly on account of normalized weather conditions in Canada following the drought in the prior-year quarter. Sales in Asia / Pacific moved ahead, primarily due to the effects of COVID-19. Business in China expanded following restrictions in the previous quarter, while the uncertainty in India led to advance demand. In Europe / Middle East / Africa, sales were diminished by shifts in demand into the previous quarter.

// Sales showed an encouraging increase at **Soybean Seeds & Traits**. In North America, an increase in acreages along with demand shifts from the first quarter arising from uncertainties over COVID-19 led to a recovery following a weak prior-year quarter. In Latin America we benefited from greater market penetration.
// At **Insecticides** we registered sales gains in the Latin America and Asia/Pacific regions that more than offset the declines in Europe/Middle East/Africa caused by demand shifts into the previous quarter.
// We also increased sales at **Environmental Science**. We saw significant increases for the consumer lawn and garden business against the prior-year quarter due to weather factors, while business with professional users in North America and Europe/Middle East/Africa receded.
// Sales at **Vegetable Seeds** declined, especially in the North America region, where shifts in demand into subsequent quarters and the COVID-19 pandemic had a negative impact.
// Sales at the reporting unit **Other** declined slightly overall. Cotton seed sales in North America showed a marked decrease due to acreage reductions resulting from the effects of COVID-19 and a drop in commodity prices. Sales rose in connection with the supply agreements with BASF related to the divestments made in 2018. In addition, we substantially raised sales of canola seed in North America as a result of shifts in demand from the previous quarter.

A 5

Sales by Strategic Business Entity

			Change %[1]				Change %[1]	
€ million	Q2 2019	Q2 2020	Reported	Fx & p adj.	H1 2019	H1 2020	Reported	Fx & p adj.
Crop Science	**4,788**	**4,802**	**+0.3**	**+3.2**	**11,232**	**11,636**	**+3.6**	**+4.6**
Corn Seed & Traits	941	948	+0.7	+2.7	3,315	3,598	+8.5	+7.8
Herbicides	1,337	1,324	−1.0	+3.3	2,710	2,744	+1.3	+4.1
Fungicides	661	648	−2.0	+3.7	1,358	1,433	+5.5	+9.0
Soybean Seed & Traits	481	532	+10.6	+9.3	1,085	1,100	+1.4	−0.1
Insecticides	388	386	−0.5	+4.5	724	768	+6.1	+9.5
Environmental Science	286	296	+3.5	+3.8	538	579	+7.6	+7.2
Vegetable Seeds	178	167	−6.2	−5.0	346	313	−9.5	−9.1
Other	516	501	−2.9	−1.0	1,156	1,101	−4.8	−3.8

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Earnings

EBITDA before special items at Crop Science rose in the second quarter of 2020 by 28.4% to €1,365 million (Q2 2019: €1,063 million). The increase was primarily attributable to the accelerated realization of cost synergies as we progress with the integration of the acquired businesses, and to expanded volumes. Earnings were also helped by the aforementioned decline in product returns in Brazil. In addition, the prior-year quarter was adversely impacted by inventory write-downs and higher impairment losses on receivables.

EBIT amounted to minus €9,600 million (Q2 2019: €294 million) after net special charges of €10,212 million (Q2 2019: €100 million) that mainly arose from the provisions established for the glyphosate and dicamba agreements. Other special charges resulted primarily from the recognition of impairment losses on the Herbicides unit’s dicamba production facility in Luling, Louisiana, United States, after its construction was halted, and from the integration of Monsanto.

A 6

Special Items[1] Crop Science

€ million	EBIT Q2 2019	EBIT Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBITDA H1 2019	EBITDA H1 2020
Acquisition/integration	(104)	(53)	(590)	(156)	(104)	(54)	(590)	(156)
Divestments	44	(3)	(55)	(8)	45	(3)	(54)	(8)
Litigations/legal risks	(40)	(9,992)	(71)	(10,086)	(40)	(9,992)	(71)	(10,086)
Impairment losses/loss reversals	–	(164)	–	(241)	–	(138)	–	(138)
Total special items	**(100)**	**(10,212)**	**(716)**	**(10,491)**	**(99)**	**(10,187)**	**(715)**	**(10,388)**

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

First half of 2020

Sales

Sales at Crop Science advanced by 4.6% (Fx & portfolio adj.) to €11,636 million in the first half of 2020. While business was up in all regions, we recorded significant sales gains in Latin America and Asia/Pacific. At **Corn Seed & Traits**, we recorded an increase in sales in Latin America, North America and Europe/Middle East/Africa in particular due to gains in market share. We also registered sales gains at **Fungicides** and **Herbicides**, benefiting from synergy effects from the combined product portfolio and normalized weather conditions in North America compared with the prior-year period, among other factors. At Fungicides, we also benefited from the successful market penetration of Fox Xpro™. **Insecticides** saw encouraging sales growth across all regions. Sales at **Vegetable Seeds** were down sharply, especially in North America, as a result of shifts in demand into the previous year and the impact of COVID-19. Within the reporting unit **Other**, cotton seed sales declined in North America in particular due to the effects of COVID-19.

Earnings

EBITDA before special items at Crop Science climbed by 18.2% in the first half of 2020 to €3,976 million (H1 2019: €3,364 million). The increase was mainly due to the realization of cost synergies as we progress with the integration of the acquired businesses, and to higher volumes. Earnings were also helped by the aforementioned decline in product returns in Brazil. In addition, lower impairment losses on receivables compared with the prior-year period and a positive currency effect of €36 million also contributed to the growth in earnings.

EBIT amounted to minus €8,100 million (H1 2019: plus €1,272 million) after net special charges of €10,491 million (H1 2019: €716 million) that mainly arose from the provisions established for the glyphosate and dicamba agreements. Other special charges resulted primarily from the recognition of impairment losses on the dicamba production facility in the Herbicides unit and from the integration of Monsanto.

Pharmaceuticals

A 7

Key Data – Pharmaceuticals

€ million	Q2 2019	Q2 2020	Change %[1] Reported	Change %[1] Fx & p adj.	H1 2019	H1 2020	Change %[1] Reported	Change %[1] Fx & p adj.
Sales	**4,422**	**3,992**	**–9.7**	**–8.8**	**8,776**	**8,538**	**–2.7**	**–2.5**
Change in sales[1]								
Volume	+4.0%	–0.8%			+5.2%	+2.9%		
Price	–0.1%	–8.0%			–0.6%	–5.4%		
Currency	+1.2%	–0.9%			+1.4%	–0.2%		
Portfolio	–0.2%	0.0%			–0.2%	0.0%		
Sales by region								
Europe / Middle East / Africa	1,695	1,554	–8.3	–7.3	3,370	3,353	–0.5	–0.2
North America	984	861	–12.5	–13.6	1,909	1,870	–2.0	–3.9
Asia / Pacific	1,499	1,387	–7.5	–8.1	3,028	2,891	–4.5	–5.4
Latin America	244	190	–22.1	–3.5	469	424	–9.6	+5.7
EBITDA[1]	**1,486**	**68**	**–95.4**		**2,955**	**1,410**	**–52.3**	
Special items[1]	13	(1,300)			(3)	(1,552)		
EBITDA before special items[1]	**1,473**	**1,368**	**–7.1**		**2,958**	**2,962**	**+0.1**	
EBITDA margin before special items[1]	33.3%	34.3%			33.7%	34.7%		
EBIT[1]	**1,220**	**(165)**			**2,401**	**924**	**–61.5**	
Special items[1]	14	(1,286)			(2)	(1,538)		
EBIT before special items[1]	**1,206**	**1,121**	**–7.0**		**2,403**	**2,462**	**+2.5**	
Net cash provided by operating activities	**719**	**531**	**–26.1**		**1,989**	**1,488**	**–25.2**	
Capital expenditures	135	187	+38.5		215	307	+42.8	
Research and development expenses	670	595	–11.2		1,366	1,281	–6.2	

2019 figures restated
Fx & p adj. = currency- and portfolio-adjusted
[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2020

Sales

Sales at Pharmaceuticals receded by 8.8% (Fx & portfolio adj.) in the second quarter of 2020 to €3,992 million (Q2 2019: €4,422 million). The contact restrictions and protective measures introduced worldwide in connection with the COVID-19 pandemic led to a reduction in and postponement of nonurgent treatments in doctors’ offices and hospitals, which affected our women’s health, ophthalmology and radiology products in particular. However, we registered a slight recovery trend toward the end of the second quarter.
In China, the implementation of new tender procedures continued to weigh on business development.

// We registered an increase in sales of our oral anticoagulant **Xarelto™**, largely as a result of higher volumes in China, Russia and Germany. Our license revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson, were up slightly year on year.
// Sales of our eye medicine **Eylea™** were down against the prior-year period. This was attributable to a reduced number of treatments due to the closure of some eye hospitals and ophthalmology practices, as well as the extension of treatment intervals by patients due to the contact restrictions and stay-at-home measures in Europe. This development was partly offset by the launch of the Eylea™ prefilled syringe in Europe and Japan as well as an overall volume increase in Japan resulting from the changes in order patterns brought about by price reductions.
// We registered a considerable decline in sales of our **Mirena™ / Kyleena™ / Jaydess™** intrauterine systems. There were substantially fewer product insertions, especially in the United States, with many visits to the doctor canceled or postponed because of the pandemic.

// Business with our cancer drug **Stivarga™** continued to grow significantly, mainly in the United States and China. Sales benefited from the product's oral formulation, which enables treatment to continue outside of hospitals and doctors' offices.
// Sales of our pulmonary hypertension treatment **Adempas™** rose significantly, with an increase in demand particularly in the United States. As in the past, sales reflected the proportionate recognition of the upfront and milestone payments resulting from the sGC collaboration with Merck & Co., United States.
// Sales of our MRI contrast agents from the **Gadovist™ product family** fell significantly, especially in the United States and Europe, with fewer MRI scans being performed due to the pandemic.
// We registered a sharp decline in sales of our diabetes treatment **Glucobay™** that was chiefly attributable to the implementation of the volume-based procurement policy. This involves a substantial price reduction that cannot be offset by the resulting growth in volumes.

A 8

Best-Selling Pharmaceuticals Products

			Change %[1]				Change %[1]	
€ million	Q2 2019	Q2 2020	Reported	Fx & p adj.	H1 2019	H1 2020	Reported	Fx & p adj.
Xarelto™	1,007	1,057	+5.0	+6.8	1,944	2,172	+11.7	+12.6
Eylea™	604	568	–6.0	–6.4	1,187	1,161	–2.2	–2.7
Mirena™ / Kyleena™ / Jaydess™	297	185	–37.7	–37.0	619	504	–18.6	–19.0
Kogenate™ / Kovaltry™ / Jivi™	221	205	–7.2	–8.1	434	442	+1.8	+0.6
YAZ™ / Yasmin™ / Yasminelle™	167	158	–5.4	–3.1	326	335	+2.8	+4.1
Nexavar™	177	169	–4.5	–3.5	361	332	–8.0	–7.5
Adalat™	170	154	–9.4	–7.6	345	316	–8.4	–7.9
Aspirin™ Cardio	142	145	+2.1	+5.4	298	316	+6.0	+8.3
Stivarga™	103	129	+25.2	+24.8	200	250	+25.0	+24.3
Adempas™	101	125	+23.8	+23.6	196	248	+26.5	+25.0
Betaferon™ / Betaseron™	120	112	–6.7	–6.5	221	214	–3.2	–3.9
CT Fluid Delivery[2]	101	88	–12.9	–13.0	194	190	–2.1	–3.1
Gadovist™ product family	105	67	–36.2	–36.2	210	179	–14.8	–14.8
Glucobay™	155	40	–74.2	–73.8	342	156	–54.4	–54.4
Ultravist™	89	68	–23.6	–21.4	170	147	–13.5	–11.9
Total best-selling products	**3,559**	**3,270**	**–8.1**	**–7.3**	**7,047**	**6,962**	**–1.2**	**–1.0**
Proportion of Pharmaceuticals sales	80%	82%			80%	82%		

Fx & p adj. = currency- and portfolio-adjusted
[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."
[2] The CT Fluid Delivery product family comprises injection systems marketed primarily under the Stellant™ brand.

Earnings

EBITDA before special items at Pharmaceuticals declined in the second quarter of 2020 by 7.1% to €1,368 million (Q2 2019: €1,473 million). This was primarily due to the decrease in sales. There was also a negative currency effect of €13 million. Lower marketing costs and a shift in research and development expenses due to the COVID-19 pandemic had an opposing effect.

EBIT declined to minus €165 million (Q2 2019: plus €1,220 million) after net special charges of €1,286 million (Q2 2019: net special gains of €14 million) that mainly comprised expenses for the Essure™ litigation and for restructuring.

A 9

Special Items[1] Pharmaceuticals

€ million	EBIT Q2 2019	EBIT Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBITDA H1 2019	EBITDA H1 2020
Restructuring	30	(42)	21	(32)	29	(56)	20	(46)
Litigations / legal risks	(15)	(1,245)	(22)	(1,506)	(15)	(1,245)	(22)	(1,506)
Impairment losses / loss reversals	(1)	1	(1)	–	(1)	1	(1)	–
Total special items	**14**	**(1,286)**	**(2)**	**(1,538)**	**13**	**(1,300)**	**(3)**	**(1,552)**

2019 figures restated
[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

First half of 2020

Sales

Sales at Pharmaceuticals fell by 2.5% (Fx & portfolio adj.) in the first six months of 2020, to €8,538 million (H1 2019: €8,776 million). This decline was primarily attributable to the effects of the COVID-19 pandemic on our business, particularly as a result of canceled or postponed treatments. Business was also negatively impacted by the introduction and implementation of new tender procedures in China.

Earnings

EBITDA before special items at Pharmaceuticals amounted to €2,962 million in the first half of 2020, matching the prior-year period (H1 2019: €2,958 million).

EBIT declined by 61.5% to €924 million after net special charges of €1,538 million (H1 2019: €2 million) that mainly comprised expenses in connection with the Essure™ litigation.

Consumer Health

A 10

Key Data – Consumer Health

			Change %[1]				Change %[1]	
€ million	Q2 2019	Q2 2020	Reported	Fx & p adj.	H1 2019	H1 2020	Reported	Fx & p adj.
Sales	**1,442**	**1,201**	**–16.7**	**–1.9**	**2,837**	**2,599**	**–8.4**	**+5.7**
Changes in sales[1]								
Volume	+0.2%	–4.3%			–0.5%	+3.4%		
Price	+1.9%	+2.4%			+0.9%	+2.3%		
Currency	+1.3%	–2.3%			+1.4%	–1.2%		
Portfolio	–1.3%	–12.5%			–1.3%	–12.9%		
Sales by region								
Europe / Middle East / Africa	476	384	–19.3	–8.2	936	874	–6.6	+2.9
North America	600	485	–19.2	–0.6	1,203	1,068	–11.2	+6.6
Asia / Pacific	207	196	–5.3	+1.3	413	388	–6.1	+3.7
Latin America	159	136	–14.5	+8.1	285	269	–5.6	+14.4
EBITDA[1]	**234**	**243**	**+3.8**		**497**	**533**	**+7.2**	
Special items[1]	(51)	(11)			(78)	(22)		
EBITDA before special items[1]	**285**	**254**	**–10.9**		**575**	**555**	**–3.5**	
EBITDA margin before special items[1]	19.8%	21.1%			20.3%	21.4%		
EBIT[1]	**(271)**	**162**	**.**		**(90)**	**425**	**.**	
Special items[1]	(468)	(11)			(495)	32		
EBIT before special items[1]	**197**	**173**	**–12.2**		**405**	**393**	**–3.0**	
Net cash provided by operating activities	**208**	**386**	**+85.6**		**447**	**533**	**+19.2**	
Capital expenditures	32	24	–25.0		57	51	–10.5	
Research and development expenses	50	46	–8.0		101	96	–5.0	

2019 figures restated
Fx & p adj. = currency- and portfolio-adjusted
[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2020

Sales

Sales at Consumer Health declined by 1.9% (Fx & portfolio adj.) in the second quarter of 2020, to €1,201 million. After a very strong first quarter, the second quarter showed destocking by retailers and consumers, as expected. Moreover, the quarantine and protective measures introduced in various regions were also a key factor in the decline in sales.

// Sales in **Europe / Middle East / Africa** fell by 8.2% (Fx & portfolio adj.) to €384 million. We registered considerable declines in the Digestive Health, Dermatology and Allergy & Cold categories due to destocking and to the quarantine and protective measures, which resulted in fewer physician consultations. Business in the Nutritionals category showed a continuous growth trajectory.
// Sales in **North America** were level with the prior-year quarter at €485 million (Fx & portfolio adj. minus 0.6%). The Allergy & Cold category in particular saw substantial inventory buildup in the previous quarter before the start of the allergy season, resulting in a marked decline. The Nutritionals category showed continued strong demand with double-digit percentage growth, supported by product-line extensions for our One A Day™ vitamins.
// Sales in **Asia / Pacific** advanced by 1.3% (Fx & portfolio adj.) to €196 million. We achieved significant increases in the Dermatology category after supply disruptions in the previous quarter related to COVID-19 in China. The Nutritionals category also showed significant growth built on continued strong demand, while Allergy & Cold and Pain & Cardio registered marked declines, especially in Australia, due to the quarantine and protective measures.
// Sales in **Latin America** rose by 8.1% (Fx & portfolio adj.) to €136 million. The Nutritionals and Pain & Cardio categories in particular showed strong increases arising from strong demand. In addition, we recorded inflation-driven price increases across all categories in Argentina.

A 11

Sales by Category

			Change %[1]				Change %[1]	
€ million	Q2 2019	Q2 2020	Reported	Fx & p adj.	H1 2019	H1 2020	Reported	Fx & p adj.
Consumer Health	**1,442**	**1,201**	**–16.7**	**–1.9**	2,837	2,599	–8.4	+5.7
Nutritionals	288	318	+10.4	+14.4	554	669	+20.8	+23.7
Allergy & Cold	272	225	–17.3	–17.2	582	586	+0.7	–0.3
Dermatology	287	281	–2.1	+0.9	553	559	+1.1	+2.7
Pain & Cardio	205	193	–5.9	–1.3	387	407	+5.2	+8.5
Digestive Health	190	171	–10.0	–10.1	359	352	–1.9	–2.3
Other[2]	200	13	–93.5	–1.3	402	26	–93.5	–1.7

Fx & p adj. = currency- and portfolio-adjusted
[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."
[2] The divested sun care, prescription dermatology (outside the U.S.) and foot care businesses are included until their respective transfer dates (August 30, 2019, July 1, 2019, and November 1, 2019).

Earnings

EBITDA before special items declined by 10.9% in the second quarter of 2020 to €254 million (Q2 2019: €285 million). The decrease in earnings was primarily due to lower volumes as a result of COVID-19, the absence of a net amount of around €35 million from the businesses divested in 2019, and a negative currency effect of €9 million. Positive contributions from the efficiency program launched in late 2018 had a compensating effect.

EBIT amounted to €162 million (Q2 2019: minus €271 million) after special charges of €11 million in connection with the aforementioned efficiency program (Q2 2019: net special charges of €468 million).

A 12

Special Items[1] Consumer Health

€ million	EBIT Q2 2019	EBIT Q2 2020	EBIT H1 2019	EBIT H1 2020	EBITDA Q2 2019	EBITDA Q2 2020	EBITDA H1 2019	EBITDA H1 2020
Restructuring	(28)	(11)	(46)	(22)	(28)	(11)	(46)	(22)
Divestments	(23)	–	(32)	–	(23)	–	(32)	–
Impairment losses / loss reversals	(417)	–	(417)	54	–	–	–	–
Total special items	**(468)**	**(11)**	**(495)**	**32**	**(51)**	**(11)**	**(78)**	**(22)**

2019 figures restated
[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

First half of 2020

Sales

Sales at Consumer Health increased by 5.7% (Fx & portfolio adj.) in the first six months of 2020, to €2,599 million. Growth was mainly buoyed by a substantial increase in demand in all regions, particularly in the Nutritionals and Pain & Cardio categories, impacted by the COVID-19 pandemic.

Earnings

EBITDA before special items at Consumer Health declined by 3.5% in the first half of 2020 to €555 million (H1 2019: €575 million). Earnings were held back mainly by the absence of a net amount of around €90 million from the businesses divested in 2019 and a negative currency effect of €11 million, while the underlying business performance and the aforementioned efficiency program developed positively.

EBIT amounted to €425 million (H1 2019: minus €90 million) after net special gains of €32 million (H1 2019: net special charges of €495 million). Special gains from the reversal of impairment losses recognized on our Afrin™ brand stood against special charges in connection with the aforementioned efficiency program.

1.3 Asset and Financial Position of the Bayer Group

Statement of Cash Flows

A 13

Bayer Group Summary Statements of Cash Flows

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Net cash provided by (used in) operating activities from continuing operations	**1,470**	**2,251**	**2,515**	**2,062**
Net cash provided by (used in) operating activities from discontinued operations	130	163	164	123
Net cash provided by (used in) operating activities (total)	**1,600**	**2,414**	**2,679**	**2,185**
Net cash provided by (used in) investing activities (total)	**(544)**	**(421)**	**(467)**	**(1,019)**
Net cash provided by (used in) financing activities (total)	**(1,735)**	**(1,126)**	**(2,903)**	**(1,090)**
Change in cash and cash equivalents due to business activities	**(679)**	**867**	**(691)**	**76**
Cash and cash equivalents at beginning of period	**4,062**	**2,319**	**4,052**	**3,185**
Change due to exchange rate movements and to changes in scope of consolidation	(2)	(31)	20	(106)
Cash and cash equivalents at end of period	**3,381**	**3,155**	**3,381**	**3,155**

Net cash provided by operating activities

// Net operating cash flow from continuing operations in the second quarter of 2020 amounted to €2,251 million (Q2 2019: €1,470 million). The increase compared with the prior-year quarter was driven by lower tax payments. Cash outflows in the prior-year quarter included tax payments on the gain from the divestments to BASF.
// We also benefited from a smaller increase in receivables than in the prior-year period, coupled with high cash inflows from the settlement of trade accounts receivable.
// In addition, the prior-year period included short-term incentive payments to employees in the United States that this year were rescheduled to the first quarter.
// Total net operating cash flow came to €2,414 million (Q2 2019: €1,600 million).

// Net operating cash flow from continuing operations in the first half of 2020 declined by 18.0% to €2,062 million.

Net cash used in investing activities

// Net investing cash flow in the second quarter of 2020 amounted to minus €421 million (Q2 2019: minus €544 million).
// We invested €585 million (Q2 2019: €458 million) in property, plant and equipment and intangible assets.
// Net cash inflows from noncurrent financial assets totaled €64 million (Q2 2019: €28 million).

// Net investing cash flow in the first half of 2020 amounted to minus €1,019 million (H1 2019: minus €467 million). The considerably higher outflows were primarily attributable to investments in money market funds.

Net cash used in financing activities

// There was a net cash outflow of €1,126 million for financing activities (Q2 2019: €1,735 million).
// Net borrowings led to a cash inflow of €2,066 million (Q2 2019: €1,325 million).
// We paid out a €2,751 million dividend in the second quarter.
// Net interest payments amounted to €441 million (Q2 2019: €449 million).

// The net cash outflow for financing activities in the first half of 2020 amounted to €1,090 million (H1 2019: €2,903 million).

Free cash flow

// Free cash flow (total), which is the total operating cash flow less capital expenditures plus interest and dividends received less interest paid, came in at €1,402 million in the second quarter of 2020 (Q2 2019: €751 million).

// Free cash flow (total) in the first half of 2020 amounted to €609 million (H1 2019: €1,259 million).

Net financial debt

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Net Financial Debt[1]

€ million	Dec. 31, 2019	March 31, 2020	June 30, 2020	Change vs. March 31 %
Bonds and notes / promissory notes	33,569	34,150	32,678	– 4.3
of which hybrid bonds[2]	4,528	4,529	4,530	0.0
Liabilities to banks[3]	4,062	4,305	4,075	– 5.3
Lease liabilities	1,251	1,216	1,186	– 2.5
Liabilities from derivatives[4]	123	113	202	+ 78.8
Other financial liabilities	89	228	3,178	.
Receivables from derivatives[4]	(76)	(371)	(243)	–34.5
Financial debt	**39,018**	**39,641**	**41,076**	**+ 3.6**
Cash and cash equivalents	(3,185)	(2,289)	(3,148)	– 37.5
Current financial assets[5]	(1,765)	(1,953)	(1,935)	– 0.9
Net financial debt	**34,068**	**35,399**	**35,993**	**+ 1.7**

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."
[2] Classified as debt according to IFRS
[3] Including both financial and nonfinancial liabilities
[4] Including the market values of interest-rate and currency hedges of recorded transactions
[5] Including short-term receivables with maturities between 3 and 12 months outstanding from banks and other companies, financial investments in debt and equity instruments that were recorded as current on first-time recognition, and Covestro shares

// Net financial debt of the Bayer Group increased by €0.6 billion to €36.0 billion in the second quarter of 2020 (March 31, 2020: €35.4 billion). Cash inflows from operating activities and positive currency effects largely offset the outflow for the dividend payment.
// Net financial debt includes three subordinated hybrid bonds with a total volume of €4.5 billion, 50% of which is treated as equity by the rating agencies. As such, the hybrid bonds have a positive impact on the Group's rating-specific debt indicators.
// In June 2020, Bayer AG repaid debt instruments (exchangeable bond) with a nominal volume of €1.0 billion in cash.
// The other financial liabilities as of June 30, 2020, included €2.9 billion in commercial paper.

Taking into consideration the announced settlement agreements, the rating agencies assess Bayer as follows:

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Rating

Rating agency	Long-term rating	Short-term rating	Outlook
S&P Global Ratings	BBB	A2	stable
Moody's	Baa1	P2	stable
Fitch Ratings	BBB+	F2	stable

Asset and capital structure

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Bayer Group Summary Statements of Financial Position

€ million	Dec. 31, 2019	March 31, 2020	June 30, 2020	Change vs. March 31 %
Noncurrent assets	**93,735**	**92,477**	**90,916**	**–1.7**
Assets held for sale	1,137	1,264	1,192	–5.7
Other current assets	31,302	31,733	31,559	–0.5
Current assets	**32,439**	**32,997**	**32,751**	**–0.7**
Total assets	**126,174**	**125,474**	**123,667**	**–1.4**
Equity	**47,433**	**48,781**	**35,866**	**–26.5**
Noncurrent liabilities	**55,526**	**54,373**	**51,258**	**– 5.7**
Liabilities directly related to assets held for sale	662	641	536	–16.4
Other current liabilities	22,553	21,679	36,007	+66.1
Current liabilities	**23,215**	**22,320**	**36,543**	**+ 63.7**
Liabilities	**78,741**	**76,693**	**87,801**	**+14.5**
Total equity and liabilities	**126,174**	**125,474**	**123,667**	**–1.4**

// Between March 31, 2020, and June 30, 2020, total assets decreased by €1.8 billion to €123.7 billion.
// Noncurrent assets declined by €1.6 billion to €90.9 billion, primarily due to depreciation and amortization as well as currency effects.
// Total current assets decreased by €0.2 billion to €32.8 billion. This change was mainly the result of a €1.2 billion seasonal decline in trade accounts receivable and a €0.9 billion increase in cash and cash equivalents.
// Equity declined by €12.9 billion compared with March 31, 2020, to €35.9 billion, primarily due to the net loss for the quarter and the dividend payment. The equity ratio fell to 29.0% as of June 30, 2020 (March 31, 2020: 38.9%).
// Liabilities rose by €11.1 billion as of June 30, 2020, to €87.8 billion, with current liabilities expanding by €14.2 billion and noncurrent liabilities declining by €3.1 billion. The change was mainly attributable to a €12.0 billion increase in provisions for litigations.

2. Research, Development, Innovation

Leaps by Bayer

In July we announced that we have joined with more than 20 other leading biopharmaceutical companies to launch the AMR Action Fund, a ground-breaking partnership that aims to bring two to four new antibiotics to patients by 2030 in collaboration with philanthropies, development banks and multilateral organizations. These treatments are urgently needed to address the rapid rise of infections that do not respond to treatment with existing antibiotics due to antimicrobial resistance (AMR). The companies have pledged to provide nearly US$1 billion in new funding to support the clinical development of innovative new antibiotics.

We also announced in July 2020 that through “Leaps by Bayer” we are taking a stake in start-up Vesigen Therapeutics, Massachusetts, United States, to drive forward the development of efficient drug delivery technology for next-generation therapeutics, including cell and gene therapies. This technology has the potential to enable curative treatments across multiple disease areas.

Crop Science

Collaborations

In January, Bayer and Atomwise Inc., which is active in the field of artificial intelligence (AI) for drug discovery, announced that they will continue the development of two crop protection programs. The collaboration is designed to supplement crop protection research with data science findings in order to transform established methods into an integrated system focused on accelerated hypothesis-driven discovery. In view of increasing resistances to current products, new mechanisms of action are needed to bolster integrated pest management systems. Bayer will utilize the compounds resulting from this partnership for field trials and further development.

In February, Bayer and Meiogenix announced that they will continue the joint development of Meiogenix’s proprietary technologies related to plant breeding and genome editing applications. These technologies are used to induce the exchange of genomic regions between chromosomes of plant cells during meiosis, the natural process that generates genetic diversity during plant breeding. Technologies based on meiotic recombination provide commercial crops with access to broader genetic diversity, including complex traits for improved food quality, better plant resistance to diseases and pests, and higher yield potential.

Research, development and production capacities

In March, we opened our new, state-of-the-art and largely automated greenhouse facility in Marana, Arizona, United States. Home to researchers developing innovative solutions, the facility will soon begin supplying farmers with sustainable, high-quality seed. The approximately €89 million facility serves as a global product design center for corn. The breeding station will capitalize on innovation advancements in proprietary seed chipping, advanced marker technology, automation and data science. The greenhouses, which provide nearly 28,000 square meters of growing space, are designed for the sustainable use of inputs throughout the research process, with the facility recycling water, composting harvested materials and using beneficial insects to reduce pesticide applications. Locating the facility in the Arizona desert enables three to four crop cycles annually.

Pharmaceuticals

We are conducting clinical trials with multiple drug candidates from our research and development pipeline.

Phase II clinical projects

The following table shows our most important drug candidates currently in Phase II of clinical testing:

A 17

Research and Development Projects (Phase II)[1]

Project	Indication
High-dose aflibercept (VEGF inhibitor)[2]	Age-related macular degeneration (AMD)
Fulacimstat (chymase inhibitor)	Chronic kidney disease
Osocimab (anti-FXIa antibody)	Prevention of thrombosis
BAY 1817080 (P2X3 antagonist)	Chronic cough
BAY 2306001 (IONIS-FXIRx)[3]	Prevention of thrombosis
BAY 2433334 (FXIa inhibitor)	Prevention of stroke in atrial fibrillation patients
BAY 2433334 (FXIa inhibitor)	Secondary prevention of stroke
BAY 2433334 (FXIa inhibitor)	Prevention of major adverse cardiac events (MACE)
BAY 2586116 (task channel blocker)	Obstructive sleep apnea
Pecavaptan (vasopressin receptor antagonist)	Congestive heart failure
Levonorgestrel (progestin) + indomethacin (NSAID) combi IUS	Contraception
Regorafenib + nivolumab combination[4]	Metastatic colorectal cancer
Rogaratinib (pan-FGFR inhibitor)	Urothelial cancer
Vilaprisan (S-PRM)	Endometriosis

[1] As of July 3, 2020
[2] In collaboration with Regeneron Pharmaceuticals, Inc., United States
[3] Sponsored by Ionis Pharmaceuticals, Inc., United States
[4] In collaboration with Bristol-Myers Squibb, United States, and Ono Pharmaceutical Co., Ltd., Japan
The nature of drug discovery and development is such that not all compounds can be expected to meet the predefined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and / or commercial reasons and will not result in commercialized products. It is also possible that the requisite U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds. Moreover, we regularly review our research and development pipeline so that we can give priority to advancing the most promising Pharmaceuticals projects.

In February, we discontinued the development of BAY 1902607, one of the two P2X3 antagonists. The project was terminated for scientific reasons based on the results of a Phase IIa trial that examined the efficacy and safety of BAY 1902607 in patients with refractory chronic cough. We continue to advance the development of our second P2X3 antagonist, BAY 1817080.

In June, as part of the Heart Failure Association (HFA) Discoveries program, results of the Phase IIb VITALITY-HFpEF study, investigating our sGC stimulator vericiguat in patients with chronic heart failure and preserved ejection fraction, were presented. The primary endpoint was not met.

Phase III clinical projects

The following table shows our most important drug candidates currently in Phase III of clinical testing:

A 18

Research and Development Projects (Phase III)[1]

Project	Indication
Aflibercept (VEGF inhibitor)[2]	Retinopathy of prematurity
High-dose aflibercept (VEGF inhibitor)[2]	Diabetic macular edema (DME)
Copanlisib (PI3K inhibitor)	Various types of non-Hodgkin lymphoma (NHL)
Regorafenib (multikinase inhibitor)	Newly diagnosed or recurrent glioblastoma
Darolutamide (ODM-201, AR antagonist)	Hormone-sensitive metastatic prostate cancer
Darolutamide (ODM-201, AR antagonist)	Adjuvant treatment for localized prostate cancer with very high risk of recurrence
Finerenone (MR antagonist)	Chronic kidney disease in patients with type 2 diabetes
Rivaroxaban (FXa inhibitor)	Peripheral artery disease (PAD)
Vilaprisan (S-PRM)	Symptomatic uterine fibroids

[1] As of July 3, 2020

[2] In collaboration with Regeneron Pharmaceuticals, Inc., United States

The nature of drug discovery and development is such that not all compounds can be expected to meet the predefined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and / or commercial reasons and will not result in commercialized products. It is also possible that the requisite U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds. Moreover, we regularly review our research and development pipeline so that we can give priority to advancing the most promising pharmaceuticals projects.

In March, we presented data from the Phase III VICTORIA study, which investigated the efficacy and safety of vericiguat in patients with worsening chronic heart failure and reduced ejection fraction, at the virtual Annual Scientific Session & Expo of the American College of Cardiology (ACC). The data confirmed that vericiguat significantly reduced the risk of the composite primary efficacy endpoint of cardiovascular death or heart failure hospitalization and was also well tolerated, while the incidence rate of adverse events was comparable to that of placebo.

At the ACC congress, Bayer also presented data from the Phase III VOYAGER PAD study demonstrating that the Factor Xa inhibitor rivaroxaban (Xarelto™) in the vascular dose plus ASA 100 mg significantly lowered the combined risk of limb ischemia and major cardiovascular events in patients with symptomatic peripheral artery disease following revascularization. The study for rivaroxaban also demonstrated that the incidence rate of major bleeding was not elevated according to the TIMI definition, the main criteria for safety assessment in this trial.

Also at the ACC scientific meeting, Bayer presented results from the clinical Phase IIIb trial PRONOMOS, which investigated rivaroxaban in comparison to enoxaparin in adult patients during a period of immobilization after nonmajor, moderate-risk lower limb orthopedic surgery. Rivaroxaban reduced the risk of major venous thromboembolism compared to enoxaparin. Bleeding rates were low and not statistically different between the two treatment groups.

April saw the start of a Phase III trial investigating darolutamide in adjuvant prostate cancer, sponsored by the Australian and New Zealand Urogenital and Prostate Cancer Trials Group (ANZUP) and supported by Bayer. The purpose of this study is to determine the efficacy of darolutamide in combination with a luteinizing hormone-releasing hormone analogue (LHRHA) in men undergoing radiation therapy for localized prostate cancer who are at very high risk for recurrence. The study will include around 1,100 participants from Australia, New Zealand, Europe and North America.

In May, we presented the final data from the Phase III ARAMIS trial at the virtual ASCO Annual Meeting showing that darolutamide, a nonsteroidal androgen receptor antagonist, in combination with androgen deprivation therapy (ADT) significantly improves overall survival in men with nonmetastatic castration-resistant prostate cancer (nmCRPC) compared to placebo plus ADT.

At the ASCO congress we also presented new data on larotrectinib (Vitrakvi™) that demonstrates high efficacy and good tolerability of this precision oncology medication and a sustained improvement in quality of life in patients with TRK fusion cancer.

In June, we launched the Phase III PHOTON trial together with Regeneron Pharmaceuticals, Inc., evaluating extended treatment intervals with a new aflibercept 8mg formulation for intravitreal injection in adults with visual impairment due to diabetic macular edema (DME). Aflibercept 2mg is already approved under the brand name Eylea™ in more than 100 countries for five indications.

In July, we announced that our Phase III FIDELIO-DKD study evaluating the efficacy and safety of the investigational drug finerenone versus placebo had met its primary endpoint. The results showed that finerenone delayed the progression of chronic kidney disease by significantly reducing the combined risk of time to first occurrence of kidney failure, a sustained decrease of estimated glomerular filtration rate greater than or equal to 40% from baseline over a period of at least four weeks, or renal death. Finerenone also significantly reduced the risk of the key secondary endpoint, a composite of time to first occurrence of cardiovascular death or nonfatal cardiovascular events (nonfatal myocardial infarction, nonfatal stroke, or heart failure hospitalization).

Filings and approvals

The most important drug candidates in the approval process are shown below.

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Main Products Submitted for Approval[1]

Project	Indication
Darolutamide (ODM-201, AR antagonist)	China[2]: Castration-resistant nonmetastatic prostate cancer
Larotrectinib (LOXO-101, TRK fusion inhibitor)	Japan: Solid tumors with NTRK gene fusions
Radium-223 dichloride	China[2]: Castration-resistant prostate cancer
Rivaroxaban (FXa inhibitor)	China[2]: Prevention of major adverse cardiac events (MACE)
Rivaroxaban (FXa inhibitor)	E.U., Japan: VTE treatment in children
Molidustat (HIF-PH inhibitor)	Japan: Renal anemia
Vericiguat (sGC stimulator)[3]	E.U., U.S.A, Japan: Chronic heart failure with reduced ejection fraction (HFrEF)

[1] As of July 3, 2020
[2] Filings in China are included in this table starting in the second quarter of 2020. The projects were already submitted in prior quarters for approval in the respective indications.
[3] Co-development with Merck & Co., Inc., United States

In January, darolutamide was approved in Japan under the brand name Nubeqa™ for the treatment of patients with nonmetastatic castration-resistant prostate cancer (nmCRPC). The approval is based on the Phase III ARAMIS trial evaluating the efficacy and safety of darolutamide plus androgen deprivation therapy (ADT) compared to placebo plus ADT. Darolutamide is a nonsteroidal androgen receptor inhibitor that Bayer developed together with Finnish pharmaceutical company Orion Corporation.

In February, we submitted an application to the Japanese drug regulatory authorities for approval of molidustat, which we are developing as a new therapeutic option for renal anemia. Molidustat stimulates the production of erythrocytes by imitating the physiological reaction that occurs when the human body adapts to hypoxic conditions such as those prevailing at high altitudes. The marketing authorization application was based on data from clinical trials including the Japanese clinical Phase III MIYABI trial program in nondialysis patients with chronic kidney disease and dialysis patients.

Also in February, we filed an application with the Japanese drug regulatory authorities for marketing authorization for rivaroxaban (Xarelto™) to treat venous thromboembolism in children.

In March, we received marketing authorization in the European Union for darolutamide to treat patients with nonmetastatic castration-resistant prostate cancer who are at high risk of developing metastatic disease.

In April 2020, the European Medicines Agency (EMA) approved Eylea™ (aflibercept) injection solution in a prefilled syringe form for all registered indications. The prefilled syringe was also launched on the Japanese market in June 2020.

In May, we applied for registration in Japan for the precision oncology treatment larotrectinib, an oral TRK inhibitor that has been developed specifically to treat adults and children with locally advanced or metastatic solid tumors that have a rare genomic alteration called neurotrophic tyrosine receptor kinase (NTRK) gene fusion. The product is already approved under the brand name Vitrakvi™ in several countries, including the United States, Brazil, Canada and countries of the European Union (E.U.).

In June, we announced the submission of marketing authorization applications in the E.U. and Japan for vericiguat to treat patients with chronic heart failure. In July, we announced that the United States Food and Drug Administration (FDA) had accepted the New Drug Application for priority review. Developed by Bayer in collaboration with MSD (a trade name of Merck & Co., Inc., Kenilworth, United States), vericiguat is an oral, once-daily active substance that demonstrated positive results in combination with available heart failure therapies in the Phase III VICTORIA study in patients with symptomatic chronic heart failure and reduced ejection fraction of less than 45% who have had a previous worsening heart failure event.

Collaborations

In addition to the collaborations entered into in January with Evotec SE, Hamburg, Germany, Exscientia Ltd., Oxford, United Kingdom, and Daré Bioscience, Inc., San Diego, United States, which we already reported in the Annual Report 2019, the following collaborations were initiated in the first half of 2020:

In March, we signed a research collaboration and licensing agreement with the Indian drug discovery company Curadev Pvt. Ltd., for Curadev's Stimulator of Interferon Genes (STING) antagonist program. The collaboration aims to discover and develop new drug candidates for the treatment of lung, cardiovascular and other inflammatory diseases.

In May, we announced a collaboration with ArcherDX, Inc., a diagnostics company headquartered in Boulder, Colorado, United States, which will focus on the global development and commercialization of therapy-accompanying diagnostic tests – also known as companion diagnostics (CDx) – for Vitrakvi™ (larotrectinib), based on next-generation sequencing.

Consumer Health

In March, we launched a total of four product line extensions for our One A Day™ vitamins on the U.S. market. One is based on natural fruits, another contains essential vitamins to strengthen the immune system, and the third involves a smaller tablet that is easier to swallow. The fourth contains the active ingredient choline, expanding our range of prenatal vitamins that support cognitive development.

3. Report on Future Perspectives and on Opportunities and Risks

3.1 Future Perspectives

3.1.1 Economic Outlook

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Economic Outlook[1]

	Growth 2019	Growth forecast 2020
World	+2.6%	−5.5%
European Union[2]	+1.5%	−8.2%
of which Germany	+0.6%	−6.0%
United States	+2.3%	−6.1%
Emerging Markets[3]	+4.1%	−3.5%

[1] Real growth of gross domestic product, source: IHS Markit
[2] E.U. excluding United Kingdom, 2019 figures restated
[3] Including about 50 countries defined by IHS Markit as Emerging Markets in line with the World Bank
As of July 2020

The effects of the COVID-19 pandemic plunged the global economy into a deep recession in the second quarter of 2020. Trade and consumption declined sharply and unemployment increased significantly. Although a modest recovery is anticipated in many countries in the further course of the year, due in part to massive stimulus from monetary and fiscal policy, the effects of the recession are expected to linger for some time to come. A significant decline in global economic output is forecast for the full year, especially in Europe and the United States and also in many of the Emerging Markets. However, all of the economic forecasts, including those for the divisions, involve considerable uncertainties as the effects of COVID-19 still cannot be reliably estimated.

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Economic Outlook for Division-Specific Markets

	Growth 2019	Growth forecast 2020
Seed and crop protection market[1]	+1%	+1%
Pharmaceuticals market[2]	+6%	+3%
Consumer health market[3]	+4%	+4%

[1] Bayer's estimate (as of July 2020)
[2] Source: IQVIA Market Prognosis (as of May 2020), all rights reserved; currency-adjusted
[3] Source for forecast: Nicholas Hall (as of July 2020), all rights reserved; 2019: Bayer's estimate; both currency-adjusted

We now expect reduced growth of 1% (previously +2%) for 2020 in the **seed and crop protection market**. This is primarily attributable to the outbreak and development of the COVID-19 pandemic, which has substantially impacted demand patterns for biofuels and to a certain extent for animal feed.

In light of current developments, especially as a result of the COVID-19 pandemic, we presently expect the **pharmaceuticals market** as a whole to grow by 1 to 2% (previously +5%) in 2020 based on our own estimates. This reflects measures taken at local level worldwide to prevent the spread of the pandemic, such as contact restrictions, stay-at-home measures and the postponement of elective, nonurgent treatments, along with possible delays to the launch of new products.

We continue to anticipate growth of 4% in the **consumer health market** in 2020. The tangible growth in the first half of the year was based to a great extent on stockpiling by consumers due to COVID-19. Coupled with protective and quarantine measures and reduced liquidity, this stockpiling is likely to have an impact on the second half of the year.

3.1.2 Corporate Outlook

The forecast published in February 2020 did not take into account the effects of the COVID-19 pandemic, the financial impact of which remains difficult to predict. We are therefore adjusting the forecast as follows, based on the business development in the first half of the year and assumptions for the rest of the year that involve uncertainties:

We anticipate that business at Pharmaceuticals and Consumer Health will normalize overall, although the growth originally envisaged for Pharmaceuticals is not expected to be achieved. In the Crop Science Division we foresee a restrained start in the fourth quarter to the 2021 North America season as a result of pandemic-related reduced demand for biofuel, feed and fiber driving an expected reduction in 2021 planted acres, as well as from ongoing soy market dynamics.

This results in the following changes for the Bayer Group's financial indicators. We are now targeting currency-adjusted growth in sales to €43 billion to €44 billion (previously €44 billion to €45 billion). This corresponds to an increase of 0 to 1% (previously: increase of about 3% to 4%) on a currency- and portfolio-adjusted basis. We continue to target an increase in the EBITDA margin before special items to around 28% on a currency-adjusted basis. Based on the sales target, this would correspond to EBITDA before special items of around €12.1 billion (previously: €12.3 billion to €12.6 billion) on a currency-adjusted basis. We anticipate raising core earnings per share to between €6.70 and €6.90 (previously: increase to between €7.00 and €7.20) on a currency-adjusted basis.

The adjusted forecasts for the divisions along with other indicators are contained in the following table:

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Forecast for 2020

	Initial forecast 2020 from Annual Report		Adjusted forecast 2020	
	€ billion	**Fx & p adj. change (%)**	**€ billion**	**Fx & p adj. change (%)**
Sales[1]	**44 to 45**	**+3 to 4**	**43 to 44**	**0 to +1**
Crop Science		~ +4		~ +2
Pharmaceuticals		+3 to 4		~ –1
Consumer Health		+2 to 3		~ +4
		Margin (%)		**Margin (%)**
EBITDA before special items[1]		**~ 28**		**~ 28**
Crop Science		~ 26		~ 25
Pharmaceuticals		~ 33		34 to 35
Consumer Health		22 to 23		22 to 23
Financial result (core)[2]	**~ –1.5**		**~ –1.6**	
Tax rate (core)[3]	**~ 23%**		**~ 23%**	
Free cash flow[1]	**~ 5**		**–0.5 to 0**	
Net financial debt[1]	**~ 27**		**~ 33**	
Special items in EBITDA	~ –0.9		~ –14	
	€		€	
Core earnings per share[1]	**7.00 to 7.20**		**6.70 to 6.90**	

Fx & p adj. = currency- and portfolio-adjusted

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

[2] Financial result before special items

[3] (Income taxes + special items in income taxes + tax effects on adjustments)/(core EBIT + financial result + special items in financial result)

We now plan to take total currency-adjusted special charges of about €14 billion (previously: about €0.9 billion) in 2020, of which we expect €11.5 billion to pertain to the aforementioned agreements in connection with the legacy Monsanto litigation and about €0.8 billion to be spent on restructuring.

We now expect that payments to resolve litigations will diminish the free cash flow by an amount of €4.5 billion that did not yet feature in our original planning and is to be regarded as extraordinary and nonrecurring. Taking into account the financing of these payments, we now only expect to reduce net financial debt to around €33 billion (previously: to about €27 billion).

3.2 Opportunities and Risks

As a global enterprise with a diversified portfolio, the Bayer Group is exposed to a wide range of internal or external developments or events that could significantly impact the achievement of our financial and nonfinancial objectives.

Opportunity and risk management at Bayer forms an integral part of the Group-wide corporate governance system. Our opportunity and risk management process and the fundamental opportunity and risk status are outlined in detail in the Annual Report 2019, A 3.2 “Opportunity and Risk Report.”

The general risk of a pandemic was described under the risk category “Security” in the Annual Report 2019. The ongoing COVID-19 pandemic has resulted in global containment actions leading to the sudden suspension of various economic activities worldwide. The current pandemic bears risks such as a continued significant decline in global consumption as well as unfavorable geopolitical and macroeconomic effects. Such developments could lead to consequences for Bayer such as a further decline in sales, disruptions in our supply chain including the inability to source certain materials, an increase in input prices, delays to product registrations or an intensification of regulatory pressure. Our earnings, working capital, cash flow and ability to achieve strategic objectives might be negatively impacted.

Overall assessment by the Board of Management

We see an intensification of our risk status compared with the assessment given in the Annual Report 2019 due to increasing volatility in our environment coupled with the declining predictability of changes, especially in connection with the COVID-19 pandemic.

We currently are not aware of any individual risks, risk combinations or risk interdependencies that could endanger the Bayer Group’s continued existence.

Significant developments that have occurred in respect of the legal risks since the publication of the Annual Report 2019 (Note [29] to the Consolidated Financial Statements) are described in the Notes to the Condensed Consolidated Interim Financial Statements under “Legal Risks.” We also refer to the information provided in the “Key Events” section of this Interim Group Management Report.

Condensed Consolidated Interim Financial Statements as of June 30, 2020

Bayer Group Consolidated Income Statements

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€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Net sales	**10,713**	**10,054**	**22,965**	**22,899**
Cost of goods sold	(4,043)	(4,018)	(8,910)	(8,674)
Gross profit	**6,670**	**6,036**	**14,055**	**14,225**
Selling expenses	(3,392)	(2,907)	(6,359)	(5,930)
Research and development expenses	(1,304)	(1,167)	(2,621)	(2,469)
General administration expenses	(832)	(769)	(1,915)	(1,583)
Other operating income	343	299	476	722
Other operating expenses	(700)	(12,276)	(1,071)	(13,250)
EBIT[1]	**785**	**(10,784)**	**2,565**	**(8,285)**
Equity-method income (loss)	(18)	(16)	(37)	(24)
Financial income	66	44	236	80
Financial expenses	(503)	(304)	(952)	(984)
Financial result	**(455)**	**(276)**	**(753)**	**(928)**
Income before income taxes	330	(11,060)	1,812	(9,213)
Income taxes	(10)	1,450	(368)	971
Income from continuing operations after income taxes	**320**	**(9,610)**	**1,444**	**(8,242)**
of which attributable to noncontrolling interest	1	9	(4)	8
of which attributable to Bayer AG stockholders	319	(9,619)	1,448	(8,250)
Income from discontinued operations after income taxes	**85**	**71**	**197**	**191**
of which attributable to noncontrolling interest	–	–	–	–
of which attributable to Bayer AG stockholders	85	71	197	191
Income after income taxes	**405**	**(9,539)**	**1,641**	**(8,051)**
of which attributable to noncontrolling interest	1	9	(4)	8
of which attributable to Bayer AG stockholders (net income)	**404**	**(9,548)**	**1,645**	**(8,059)**
€				
Earnings per share				
From continuing operations				
Basic	0.32	(9.79)	1.48	(8.40)
Diluted	0.32	(9.79)	1.48	(8.40)
From discontinued operations				
Basic	0.09	0.07	0.20	0.20
Diluted	0.09	0.07	0.20	0.20
From continuing and discontinued operations				
Basic	0.41	(9.72)	1.68	(8.20)
Diluted	0.41	(9.72)	1.68	(8.20)

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Bayer Group Consolidated Statements of Comprehensive Income

B 2

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Income after income taxes	**405**	**(9,539)**	**1,641**	**(8,051)**
of which attributable to noncontrolling interest	1	9	(4)	8
of which attributable to Bayer AG stockholders	404	(9,548)	1,645	(8,059)
Remeasurements of the net defined benefit liability for post-employment benefit plans	(1,009)	238	(1,201)	905
Income taxes	345	(25)	421	(312)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**(664)**	**213**	**(780)**	**593**
Changes in the fair value of own credit risk component of financial liabilities measured at fair value	(1)	–	(3)	–
Income taxes	–	–	1	–
Other comprehensive income relating to own credit risk component of financial liabilities measured at fair value	**(1)**	**–**	**(2)**	**–**
Changes in the fair value of equity instruments measured at fair value	56	34	105	(6)
Income taxes	(3)	(3)	(5)	(3)
Other comprehensive income from equity instruments measured at fair value	**53**	**31**	**100**	**(9)**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**(612)**	**244**	**(682)**	**584**
Changes in the fair value of cash flow hedges	64	140	(120)	38
Reclassified to profit or loss	38	(112)	108	21
Income taxes	(24)	(3)	10	(11)
Other comprehensive income from cash flow hedges	**78**	**25**	**(2)**	**48**
Other comprehensive income from exchange differences	**(400)**	**(880)**	**449**	**(1,384)**
Other comprehensive income relating to associates accounted for using the equity method	**1**	**–**	**–**	**–**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(321)**	**(855)**	**447**	**(1,336)**
Total other comprehensive income[1]	**(933)**	**(611)**	**(235)**	**(752)**
of which attributable to noncontrolling interest	(1)	(5)	4	(13)
of which attributable to Bayer AG stockholders	(932)	(606)	(239)	(739)
Total comprehensive income	**(528)**	**(10,150)**	**1,406**	**(8,803)**
of which attributable to noncontrolling interest	**–**	4	**–**	(5)
of which attributable to Bayer AG stockholders	**(528)**	(10,154)	1,406	(8,798)

[1] Other comprehensive income is recognized outside profit or loss in equity.

Bayer Group Consolidated Statements of Financial Position

B 3

€ million	Jan. 1, 2019	June 30, 2019	Dec. 31, 2019	June 30, 2020
Noncurrent assets				
Goodwill	38,442	38,368	39,126	38,466
Other intangible assets	36,696	34,904	34,709	33,722
Property, plant and equipment	12,943	13,689	12,479	11,850
Investments accounted for using the equity method	515	629	522	524
Other financial assets	2,212	2,227	1,536	1,498
Other receivables	526	572	751	745
Deferred taxes	4,369	5,262	4,612	4,111
	95,703	**95,651**	**93,735**	**90,916**
Current assets				
Inventories	11,012	10,271	10,650	10,128
Trade accounts receivable	11,714	14,243	11,678	13,103
Other financial assets	1,166	869	2,326	2,560
Other receivables	1,958	1,537	1,811	1,465
Claims for income tax refunds	809	778	1,652	1,155
Cash and cash equivalents	4,052	3,343	3,185	3,148
Assets held for sale	234	1,609	1,137	1,192
	30,945	**32,650**	**32,439**	**32,751**
Total assets	**126,648**	**128,301**	**126,174**	**123,667**
Equity				
Capital stock	2,387	2,387	2,515	2,515
Capital reserves	18,388	18,388	18,261	18,261
Other reserves	25,118	23,917	26,477	14,928
Equity attributable to Bayer AG stockholders	**45,893**	**44,692**	**47,253**	**35,704**
Equity attributable to noncontrolling interest	171	171	180	162
	46,064	**44,863**	**47,433**	**35,866**
Noncurrent liabilities				
Provisions for pensions and other post-employment benefits	8,717	9,799	8,213	7,390
Other provisions	3,418	4,012	3,766	5,108
Refund liabilities	160	164	105	142
Contract liabilities	986	892	733	647
Financial liabilities	37,712	36,652	36,912	33,947
Income tax liabilities	1,433	1,567	1,603	1,644
Other liabilities	366	323	439	525
Deferred taxes	4,667	4,567	3,755	1,855
	57,459	**57,976**	**55,526**	**51,258**
Current liabilities				
Other provisions	3,365	3,023	3,251	13,714
Refund liabilities	3,622	6,668	4,134	6,378
Contract liabilities	3,235	816	3,319	787
Financial liabilities	3,682	6,676	2,182	7,372
Trade accounts payable	6,038	5,384	6,426	5,098
Income tax liabilities	1,050	735	758	835
Other liabilities	2,121	2,127	2,483	1,823
Liabilities directly related to assets held for sale	12	33	662	536
	23,125	**25,462**	**23,215**	**36,543**
Total equity and liabilities	**126,648**	**128,301**	**126,174**	**123,667**

2019 figures restated

Bayer Group Consolidated Statements of Cash Flows

B 4

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
Income from continuing operations after income taxes	320	(9,610)	1,444	(8,242)
Income taxes	10	(1,450)	368	(971)
Financial result	455	276	753	928
Income taxes paid	(886)	(314)	(1,367)	(289)
Depreciation, amortization and impairments	1,529	1,180	2,688	2,457
Change in pension provisions	(107)	(78)	(203)	(144)
(Gains) losses on retirements of noncurrent assets	(62)	(12)	51	(4)
Decrease (increase) in inventories	138	(177)	613	219
Decrease (increase) in trade accounts receivable	(81)	915	(2,224)	(2,034)
(Decrease) increase in trade accounts payable	(279)	(184)	(427)	(1,256)
Changes in other working capital, other noncash items	433	11,705	819	11,398
Net cash provided by (used in) operating activities from continuing operations	**1,470**	**2,251**	**2,515**	**2,062**
Net cash provided by (used in) operating activities from discontinued operations	130	163	164	123
Net cash provided by (used in) operating activities	**1,600**	**2,414**	**2,679**	**2,185**
Cash outflows for additions to property, plant, equipment and intangible assets	(458)	(585)	(853)	(976)
Cash inflows from the sale of property, plant, equipment and other assets	51	82	65	121
Cash inflows from (outflows for) divestments less divested cash	(57)	(62)	(8)	(65)
Cash inflows from noncurrent financial assets	148	114	148	321
Cash outflows for noncurrent financial assets	(120)	(50)	(199)	(77)
Cash outflows for acquisitions less acquired cash	(64)	–	(64)	(106)
Interest and dividends received	58	14	82	37
Cash inflows from (outflows for) current financial assets	(102)	66	362	(274)
Net cash provided by (used in) investing activities	**(544)**	**(421)**	**(467)**	**(1,019)**
Dividend payments	(2,611)	(2,751)	(2,611)	(2,751)
Issuances of debt	3,678	3,276	4,171	4,731
Retirements of debt	(2,353)	(1,210)	(3,814)	(2,433)
Interest paid including interest-rate swaps	(453)	(448)	(659)	(654)
Interest received from interest-rate swaps	4	7	10	17
Net cash provided by (used in) financing activities	**(1,735)**	**(1,126)**	**(2,903)**	**(1,090)**
Change in cash and cash equivalents due to business activities	**(679)**	**867**	**(691)**	**76**
Cash and cash equivalents at beginning of period	**4,062**	**2,319**	**4,052**	**3,185**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	(1)	(7)
Change in cash and cash equivalents due to exchange rate movements	(2)	(31)	21	(99)
Cash and cash equivalents at end of period	**3,381**	**3,155**	**3,381**	**3,155**

2019 figures restated

Bayer Group Consolidated Statements of Changes in Equity

B 5

€ million	Capital stock	Capital reserves	Other reserves	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest	Equity
Adjustment of value flow concept			(84)	(84)		(84)
Jan. 1, 2019	**2,387**	**18,388**	**25,118**	**45,893**	**171**	**46,064**
Equity transactions with owners						
Dividend payments			(2,611)	(2,611)		(2,611)
Other changes			4	4		4
Total comprehensive income			1,406	1,406		1,406
June 30, 2019	**2,387**	**18,388**	**23,917**	**44,692**	**171**	**44,863**
Jan. 1, 2020	**2,515**	**18,261**	**26,477**	**47,253**	**180**	**47,433**
Equity transactions with owners						
Dividend payments			(2,751)	(2,751)	(14)	(2,765)
Other changes					1	1
Miscellaneous other changes						
Total comprehensive income			(8,798)	(8,798)	(5)	(8,803)
June 30, 2020	**2,515**	**18,261**	**14,928**	**35,704**	**162**	**35,866**

2019 figures restated

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group

Explanatory Notes

Accounting policies

The consolidated interim financial statements as of June 30, 2020, were prepared in condensed form in compliance with IAS 34 according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2019 fiscal year, particularly with regard to the main recognition and measurement principles, except where financial reporting standards have been applied for the first time in 2020 or an accounting policy has changed.

A modified value flow concept was introduced throughout the Bayer Group on January 1, 2020, necessitating the restatement of prior-period data. This is explained in detail below.

Modified Value Flow Concept

The reason for the new value flow concept being applied throughout the Bayer Group is the Bayer 2022 efficiency program. As part of this program, steering and controlling principles and responsibilities have been revised and simplified. For example, the enabling functions now have global responsibility for their primary costs. The services provided by the enabling functions are therefore to be planned and coordinated at the divisional rather than the country level in the future.

To facilitate this steering, the primary costs of the enabling functions are now being passed through to the income statements of the divisions or segments using a standardized, centrally implemented allocation logic in place of multiple local allocation keys.

This gives rise to shifts in the cost allocations to the divisions or to “Other Segments / Consolidation” and between the functional cost items. This does not affect Group earnings as a whole – with the exception of a very small proportion related to the change in the amount of capitalized inventories.

The effects on the functional costs and their allocation to the divisions are shown in the following tables:

B 6

	Crop Science		Pharmaceuticals		Consumer Health	
	As reported	Restated	As reported	Restated	As reported	Restated
€ million	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**
Cost of goods sold	(2,567)	(2,600)	(853)	(854)	(517)	(518)
Gross profit	2,221	2,188	3,569	3,568	925	924
Selling expenses	(964)	(1,018)	(1,495)	(1,493)	(889)	(874)
Research and development expenses	(597)	(576)	(663)	(670)	(53)	(50)
General administration expenses	(315)	(261)	(137)	(150)	(55)	(50)
Other operating income	224	224	37	38	16	16
Other operating expenses	(265)	(263)	(73)	(73)	(237)	(237)
EBIT	304	294	1,238	1,220	(293)	(271)
EBIT before special items	405	394	1,224	1,206	175	197
EBITDA	974	964	1,513	1,486	219	234
EBITDA before special items	1,075	1,063	1,500	1,473	270	285
Income after income taxes	413	403	1,152	1,134	(209)	(187)
Net cash provided by (used in) operating activities	880	872	741	719	198	208

B 6 (continued)

			Reconciliation							
	All Other Segments		Enabling Functions and Consolidation				Group	Discontinued operations		
	As reported	Restated	As reported	Restated	As reported	Change	Restated	As reported	Change	Restated
€ million	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**	**Q2 2019**
Cost of goods sold	(35)	(35)	(39)	(36)	(4,011)	32	(4,043)	(388)	(1)	(387)
Gross profit	14	14	(27)	(24)	6,702	(32)	6,670	384	1	385
Selling expenses	(2)	(2)	7	(5)	(3,343)	49	(3,392)	(169)	(5)	(164)
Research and development expenses	0	1	(2)	(9)	(1,315)	(11)	(1,304)	(36)	0	(36)
General administration expenses	(22)	(35)	(365)	(336)	(894)	(62)	(832)	(41)	0	(41)
Other operating income	43	9	22	56	342	1	343	4	0	4
Other operating expenses	(72)	(3)	(54)	(124)	(701)	(1)	(700)	(7)	0	(7)
EBIT	(40)	(17)	(418)	(441)	791	(6)	785	135	6	141
EBIT before special items	(17)	(19)	(160)	(159)	1,627	(8)	1,619	158	6	164
EBITDA	(23)	0	(364)	(370)	2,319	(5)	2,314	167	6	173
EBITDA before special items	0	1	(108)	(92)	2,737	(7)	2,730	190	6	196
Income after income taxes	(336)	(310)	(697)	(720)	323	(3)	320	81	4	85
Net cash provided by (used in) operating activities	572	594	(916)	(923)	1,475	(5)	1,470	125	5	130

B 7

	Crop Science		Pharmaceuticals		Consumer Health	
	As reported	Restated	As reported	Restated	As reported	Restated
€ million	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019
Cost of goods sold	(5,981)	(6,046)	(1,748)	(1,749)	(1,000)	(1,005)
Gross profit	5,251	5,186	7,028	7,027	1,837	1,832
Selling expenses	(1,859)	(1,967)	(2,879)	(2,883)	(1,524)	(1,495)
Research and development expenses	(1,180)	(1,140)	(1,352)	(1,366)	(107)	(101)
General administration expenses	(686)	(585)	(273)	(291)	(103)	(92)
Other operating income	307	307	72	73	28	28
Other operating expenses	(533)	(529)	(159)	(159)	(263)	(262)
EBIT	1,300	1,272	2,437	2,401	(132)	(90)
EBIT before special items	2,019	1,988	2,439	2,403	364	405
EBITDA	2,678	2,649	3,009	2,955	470	497
EBITDA before special items	3,397	3,364	3,012	2,958	549	575
Income after income taxes	1,503	1,475	2,420	2,384	(60)	(18)
Net cash provided by (used in) operating activities	409	387	2,034	1,989	430	447

B 7 (continued)

	All Other Segments		Reconciliation Enabling Functions and Consolidation		Group			Discontinued operations		
	As reported	Restated	As reported	Restated	As reported	Change	Restated	As reported	Change	Restated
€ million	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019	H1 2019
Cost of goods sold	(61)	(61)	(59)	(49)	(8,849)	61	(8,910)	(806)	(1)	(805)
Gross profit	37	37	(37)	(27)	14,116	(61)	14,055	729	1	730
Selling expenses	(2)	(2)	10	(12)	(6,254)	105	(6,359)	(294)	(10)	(284)
Research and development expenses	0	1	(3)	(15)	(2,642)	(21)	(2,621)	(65)	0	(65)
General administration expenses	(59)	(59)	(921)	(888)	(2,042)	(127)	(1,915)	(62)	(2)	(60)
Other operating income	53	19	15	49	475	1	476	5	0	5
Other operating expenses	(74)	(5)	(46)	(116)	(1,075)	(4)	(1,071)	(15)	0	(15)
EBIT	(46)	(10)	(981)	(1,008)	2,578	(13)	2,565	298	13	311
EBIT before special items	(11)	(12)	(351)	(342)	4,460	(18)	4,442	325	13	338
EBITDA	(12)	24	(880)	(872)	5,265	(12)	5,253	359	12	371
EBITDA before special items	23	24	(252)	(208)	6,729	(16)	6,713	386	12	398
Income after income taxes	(905)	(866)	(1,504)	(1,531)	1,454	(10)	1,444	191	6	197
Net cash provided by (used in) operating activities	568	604	(917)	(912)	2,524	(9)	2,515	155	9	164

The above value flow changes also led to a change in the allocation of overheads to inventories. All other things being equal, this resulted in a €120 million reduction in the amount of capitalized overheads and a €36 million increase in deferred tax assets. These figures were restated accordingly as of January 1, 2019, along with equity. They had no material impact on subsequent quarters.

Impact of COVID-19

In December 2019, a novel strain of coronavirus (SARS-CoV-2) was first identified, and in March 2020, the World Health Organization categorized the disease it causes, COVID-19, as a pandemic. The pandemic has significantly impacted the global economy. Public health efforts to mitigate the impact of the pandemic include government actions such as travel restrictions, limitations on public gatherings, shelter-in-place orders and mandatory closures.

As in the first three months of the year, our business activities in the second quarter were affected in different ways by the pandemic and the associated uncertainties. The Pharmaceuticals Division was impacted by the cancellation or postponement of visits to the doctor due to the global protective measures and contact restrictions, as a result of which nonurgent treatments, in particular, were not carried out. After a very strong first quarter at Consumer Health, retailers' high inventory levels and consumer stockpiling led to a slight decline in business. In the Crop Science Division, uncertainties led to shifts in demand in some regions and product groups, with negative effects likely to be increasingly reflected in the second half of the year.

We assessed goodwill and intangible assets for potential impairment during the fourth quarter of 2019. Due to the overall uncertainty and changes in the weighted average cost of capital resulting from the pandemic, we re-evaluated goodwill and intangible assets for potential impairment. No impairments of our cash generating units or intangible assets were found.

We also evaluated our further assets, particularly trade accounts receivable and inventories. Our accounts receivable are mainly comprised of net unpaid invoices for product sales. Based on this review, we made no observations in relation to our receivables portfolio that would indicate a significant increase in impairments during the first six months of 2020. We will continue to monitor our trade accounts receivable for potential deterioration resulting from the COVID-19 outbreak.

Inventories are stated at the lower of cost or net realizable value. During the first six months, we did not identify increases in slow moving, obsolete, or expired inventory that would indicate a significant deterioration in the net realizable value of inventories.

In response to the pandemic and in coordination with local government requirements, we temporarily closed certain offices, with affected employees working remotely. These closures are primarily limited to administrative offices, as production, distribution and logistics remained in operation.

The COVID-19 pandemic remains an evolving situation, which may lead to increased risks concerning value creation and asset valuation, such as potential impairment of goodwill and intangible assets, trade accounts receivable and inventories. The uncertainties in the global economy may adversely impact suppliers, customers, and other business partners, which may interrupt our supply chain, limit the ability to collect receivables and require other changes to operations. However, is it not possible to reliably estimate the long-term effects of the pandemic at this time. We will continue to closely monitor the effects of the pandemic, including the impact on inventories, customer receivables and significant estimates regarding goodwill and other intangible assets.

Changes in underlying parameters

Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations. The exchange rates for major currencies against the euro varied as follows:

B 8

Exchange Rates for Major Currencies

		Closing rate			Average rate	
€1		Dec. 31, 2019	June 30, 2019	June 30, 2020	H1 2019	H1 2020
BRL	Brazil	4.52	4.35	6.09	4.34	5.33
CAD	Canada	1.46	1.49	1.53	1.51	1.50
CNY	China	7.82	7.82	7.92	7.68	7.76
GBP	United Kingdom	0.85	0.90	0.91	0.87	0.87
JPY	Japan	121.87	122.52	120.63	124.33	119.22
RUB	Russia	69.94	71.57	79.56	73.78	76.19
USD	United States	1.12	1.14	1.12	1.13	1.10

Argentina's economy has been considered hyperinflationary since July 1, 2018, and we therefore applied IAS 29 (Financial Reporting in Hyperinflationary Economies) for Bayer S.A., Argentina. The resulting effects in ongoing accounting have so far been immaterial for the Group.

The most important interest rates used to calculate the present value of pension obligations are given below:

B 9

Discount Rate for Pension Obligations

%	Dec. 31, 2019	March 31, 2020	June 30, 2020
Germany	1.00	1.70	1.50
United Kingdom	1.95	2.10	1.35
United States	3.20	3.00	2.60

Segment reporting

As of June 30, 2020, the Bayer Group comprised the three reportable segments Crop Science, Pharmaceuticals and Consumer Health.

B 10

Key Data by Segment

	Crop Science		Pharmaceuticals		Consumer Health	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Net sales (external)	4,788	4,802	4,422	3,992	1,442	1,201
Currency-and portfolio adjusted change[1]	−3.1%	+3.2%	+3.9%	−8.8%	+2.1%	−1.9%
Intersegment sales	10	1	11	2	2	–
Net sales (total)	4,798	4,803	4,433	3,994	1,444	1,201
EBIT[1]	294	(9,600)	1,220	(165)	(271)	162
EBITDA before special items[1]	1,063	1,365	1,473	1,368	285	254
Net cash provided by operating activities	872	1,537	719	531	208	386
Depreciation, amortization, impairment losses/loss reversals	670	778	266	233	505	81

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

B 10 (continued)

Key Data by Segment

	All Other Segments		Reconciliation: Enabling Functions and Consolidation		Group	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Net sales (external)	49	42	12	17	10,713	10,054
Currency- and portfolio-adjusted change[1]	–12.2%	–4.5%	–	–	+1.2%	–2.5%
Intersegment sales	45	41	(68)	(44)	–	–
Net sales (total)	94	83	(56)	(27)	10,713	10,054
EBIT[1]	(17)	(10)	(441)	(1,171)	785	(10,784)
EBITDA before special items[1]	1	8	(92)	(112)	2,730	2,883
Net cash provided by operating activities	594	392	(923)	(595)	1,470	2,251
Depreciation, amortization, impairment losses/loss reversals	18	18	70	70	1,529	1,180

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

B 11

Key Data by Segment

	Crop Science		Pharmaceuticals		Consumer Health	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Net sales (external)	11,232	11,636	8,776	8,538	2,837	2,599
Currency- and portfolio-adjusted change[1]	+1.1%	+4.6%	+4.6%	–2.5%	+0.4%	+5.7%
Intersegment sales	24	4	21	2	3	0
Net sales (total)	11,256	11,640	8,797	8,540	2,840	2,599
EBIT[1]	1,272	(8,100)	2,401	924	(90)	425
EBITDA before special items[1]	3,364	3,976	2,958	2,962	575	555
Net cash provided by operating activities	387	(224)	1,989	1,488	447	533
Depreciation, amortization, impairment losses/loss reversals	1,377	1,688	554	486	587	108

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

B 11 (continued)

Key Data by Segment

	All Other Segments		Reconciliation: Enabling Functions and Consolidation		Group	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Net sales (external)	98	96	22	30	22,965	22,899
Currency-and portfolio adjusted change[1]	–14.0%	+5.0%	–	–	+2.6%	+2.0%
Intersegment sales	78	79	(126)	(85)	–	–
Net sales (total)	176	175	(104)	(55)	22,965	22,899
EBIT[1]	(10)	(23)	(1,008)	(1,511)	2,565	(8,285)
EBITDA before special items[1]	24	13	(208)	(232)	6,713	7,274
Net cash provided by operating activities	604	303	(912)	(38)	2,515	2,062
Depreciation, amortization, impairment losses/loss reversals	34	36	136	139	2,688	2,457

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

To simplify the consolidation process, leases between fully consolidated companies continue to be recognized as operating leases under IAS 17 within the segment data in the consolidated financial statements of the Bayer Group even after the first-time application of IFRS 16 as of January 1, 2019. This does not have any relevant impact on the respective key data used in the steering of the company and internal reporting to the Board of Management as the chief operating decision maker.

The following table shows the reconciliation of EBITDA before special items of the above-mentioned segments and the reconciliation to income before income taxes of the Group from continuing operations:

B 12

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes

€ million	Q2 2019	Q2 2020	H1 2019	H1 2020
EBITDA before special items of segments	2,822	2,995	6,921	7,506
EBITDA before special items of Enabling Functions and Consolidation	(92)	(112)	(208)	(232)
EBITDA before special items[1]	**2,730**	**2,883**	**6,713**	**7,274**
Depreciation, amortization and impairment losses / loss reversals before special items of segments	(1,044)	(1,098)	(2,137)	(2,282)
Depreciation, amortization and impairment losses / loss reversals before special items of Enabling Functions and Consolidation	(67)	(58)	(134)	(127)
Depreciation, amortization and impairment losses / loss reversals before special items	**(1,111)**	**(1,156)**	**(2,271)**	**(2,409)**
EBIT before special items of segments	1,778	1,897	4,784	5,224
EBIT before special items of Enabling Functions and Consolidation	(159)	(170)	(342)	(359)
EBIT before special items[1]	**1,619**	**1,727**	**4,442**	**4,865**
Special items of segments	(552)	(11,510)	(1,211)	(11,998)
Special items of Enabling Functions and Consolidation	(282)	(1,001)	(666)	(1,152)
Special items[1]	**(834)**	**(12,511)**	**(1,877)**	**(13,150)**
EBIT of segments	1,226	(9,613)	3,573	(6,774)
EBIT of Enabling Functions and Consolidation	(441)	(1,171)	(1,008)	(1,511)
EBIT[1]	**785**	**(10,784)**	**2,565**	**(8,285)**
Financial result	(455)	(276)	(753)	(928)
Income before income taxes	**330**	**(11,060)**	**1,812**	**(9,213)**

2019 figures restated

[1] For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

The special items reported for the second quarter of 2020 include a total of €12,050 million in legal costs for settlements and defense costs pertaining to the glyphosate (Crop Science), dicamba (Crop Science), Essure™ (Pharmaceuticals) and PCB (Reconciliation) litigations, that are reflected in other operating expenses. Provisions were established in the corresponding amount. A deferred tax asset of €1,727 million (US$1,943 million) on future tax-deductible expenses was recognized in the second quarter of 2020 for costs arising from the settlements.

Scope of consolidation

Changes in the scope of consolidation

The consolidated financial statements as of June 30, 2020, included 382 companies (December 31, 2019: 392 companies). Five joint ventures (December 31, 2019: five) and 15 associates (December 31, 2019: 12) were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions, divestments and discontinued operations

Acquisitions in 2019

On September 20, 2019, Bayer raised its stake in the joint venture BlueRock Therapeutics L.P., Cambridge, Massachusetts, United States, from 40.8% to 100%. Bayer made an upfront payment of €201 million for the remaining stake. Further amounts totaling up to €325 million are payable upon the achievement of pre-defined research-based milestones. A liability of €185 million was recognized for this purpose. This company, previously accounted for using the equity method, was therefore fully consolidated. Remeasurement of the shares previously accounted for using the equity method resulted in an amount of €296 million. The gain of €245 million resulting from the derecognition of the shares previously accounted for using the equity method was recognized in the financial result. The consideration transferred pertained to goodwill of €505 million, internally developed IP R&D of €114 million and other net assets of €63 million. The goodwill primarily pertains to the expected innovation potential. BlueRock Therapeutics is allocated to the Pharmaceuticals segment and focuses on the development of cell therapies across neurology, cardiology and immunology indications using its proprietary CELL+GENE™ platform for induced pluripotent stem cells (iPSC). Sales of €0 million and after-tax income of minus €14 million were recorded for the acquired business since the date of first-time consolidation. Had the above-mentioned acquisition already been made as of January 1, 2019, this would have had no effect on sales, after-tax income or earnings per share of the Bayer Group owing to the way the joint venture agreement governing profit realization had been structured.

On June 21, 2019, Bayer acquired 28% of the shares of Century Therapeutics LLC, Philadelphia, Pennsylvania, United States. The purchase price was €129 million, comprising an initial payment of €67 million and an assumed liability of €62 million. A further payment of €62 million will be made upon the achievement of certain milestones, bringing Bayer's interest in Century Therapeutics LLC to 36%. In view of Bayer's significant influence, the investment is accounted for in the consolidated financial statements as an associate using the equity method. Century Therapeutics LLC, founded in 2018 by U.S. companies Versant Ventures, San Francisco, and Fujifilm Cellular Dynamics, Inc., Madison, develops allogeneic immune cell therapies for cancer. The foundational technology is built on induced pluripotent stem cells that have unlimited self-renewing capacity.

Assets held for sale and discontinued operations

On August 20, 2019, Bayer and Elanco Animal Health LLC (Elanco), Greenfield, Indiana, United States, signed an agreement for Bayer to sell its Animal Health business to Elanco for a purchase price of €6,845 million consisting of €4,792 million in cash, subject to customary purchase price adjustments, and €2,053 million in Elanco stock based on the unaffected 30-day volume-weighted average price of US$33.60 as of August 6, 2019. The value of 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 the corridor of US$31.26 to US$36.32. In light of Elanco's share price of US$21.45 as of June 30, 2020, the value of the equity consideration would have declined by €654 million. Based on this share price, Bayer would receive 73 million Elanco shares.

On November 29, 2019, Bayer completed the sale of its shares in the chemical park operator Currenta. Bayer had signed an agreement on August 6, 2019, to sell the stake in Currenta to InfraChem Holdings S.à r.l., Luxembourg, Luxembourg, a company managed by Macquarie Infrastructure and Real Assets. Currenta manages and operates infrastructure, energy supply and other essential services across the chemical parks in Leverkusen, Dormagen and Krefeld-Uerdingen. The preliminary sale price for Bayer's interest in Currenta is €1,104 million. In addition, Bayer sold a real estate and infrastructure portfolio to Currenta for €180 million. Other divested net assets mainly included pension provisions of €1,584 million. The provisional divestment gain amounts to €1,637 million.

Animal Health and Currenta are presented as discontinued operations in the income statements from the third quarter of 2019 onward and for all prior periods.

The income statements for the discontinued operations are given below:

B 13

Income Statements for Discontinued Operations

	Currenta		Animal Health		Total	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Net sales	**318**	**–**	**454**	**488**	**772**	**488**
Cost of goods sold	(262)	–	(125)	(134)	(387)	(134)
Gross profit	**56**	**–**	**329**	**354**	**385**	**354**
Selling expenses	(2)	–	(162)	(162)	(164)	(162)
Research and development expenses	(1)	–	(35)	(35)	(36)	(35)
General administration expenses	(13)	–	(28)	(50)	(41)	(50)
Other operating income / expenses	(2)	–	(1)	5	(3)	5
EBIT[1]	**38**	**–**	**103**	**112**	**141**	**112**
Financial result	**(23)**	**–**	**–**	**(5)**	**(23)**	**(5)**
Income before income taxes	**15**	**–**	**103**	**107**	**118**	**107**
Income taxes	(9)	–	(24)	(35)	(33)	(36)
Income after income taxes	**6**	**–**	**79**	**71**	**85**	**71**
of which attributable to noncontrolling interest	–	–	–	–	–	–
of which attributable to Bayer AG stockholders (net income)	6	–	79	71	85	71

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

B 14

Income Statements for Discontinued Operations

	Currenta		Animal Health		Total	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Net sales	**660**	**–**	**875**	**984**	**1,535**	**984**
Cost of goods sold	(557)	–	(248)	(273)	(805)	(273)
Gross profit	**103**	**–**	**627**	**711**	**730**	**711**
Selling expenses	(5)	–	(279)	(286)	(284)	(286)
Research and development expenses	(1)	–	(64)	(67)	(65)	(67)
General administration expenses	(18)	–	(42)	(103)	(60)	(103)
Other operating income / expenses	(4)	–	(6)	9	(10)	9
EBIT[1]	**75**	**–**	**236**	**264**	**311**	**264**
Financial result	**(39)**	**–**	**(1)**	**(6)**	**(40)**	**(6)**
Income before income taxes	**36**	**–**	**235**	**258**	**271**	**258**
Income taxes	(15)	–	(59)	(67)	(74)	(67)
Income after income taxes	**21**	**–**	**176**	**191**	**197**	**191**
of which attributable to noncontrolling interest	–	–	–	–	–	–
of which attributable to Bayer AG stockholders (net income)	21	–	176	191	197	191

[1] For definition see Annual Report 2019, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

The cash flows from the discontinued operations in the second quarter of 2020 were as follows:

B 15

Cash Flows from Discontinued Operations

	Currenta		Animal Health		Total	
€ million	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020
Net cash provided by (used in) operating activities	52	–	78	163	130	163
Net cash provided by (used in) investing activities	(31)	–	(16)	(14)	(47)	(14)
Net cash provided by (used in) financing activities	(21)	–	(62)	(149)	(83)	(149)
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	**–**	**–**

The cash flows from the discontinued operations for the first half of 2020 are given in the table below:

B 16

Cash Flows from Discontinued Operations

	Currenta		Animal Health		Total	
€ million	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020
Net cash provided by (used in) operating activities	64	–	100	123	164	123
Net cash provided by (used in) investing activities	(54)	–	(29)	(26)	(83)	(26)
Net cash provided by (used in) financing activities	(10)	–	(71)	(97)	(81)	(97)
Change in cash and cash equivalents	**–**	**–**	**–**	**–**	–	**–**

As no cash is assigned to the discontinued operations, the balance of the cash provided is deducted again in financing activities.

The assets and liabilities held for sale were mainly those of the businesses to be divested to Elanco, and were comprised as follows:

B 17

Assets and Liabilities Held for Sale

€ million	June 30, 2020
Goodwill	97
Other intangible assets	139
Property, plant and equipment	356
Deferred taxes	107
Inventories	337
Trade accounts receivable	8
Other receivables	43
Claims for income tax refunds	98
Cash and cash equivalents	7
Assets held for sale	**1,192**
Provisions for pensions and other post-employment benefits	193
Other provisions	64
Refund liabilities	54
Financial liabilities	8
Income tax liabilities	142
Deferred taxes	10
Other liabilities	16
Trade accounts payable	49
Liabilities directly related to assets held for sale	**536**

Divestments in 2020

On February 11, 2020, Bayer announced an agreement with Nuvisan ICB GmbH, Neu-Ulm, Germany, to transfer a large part of the Berlin-based small molecule research unit to Nuvisan. The Nuvisan group is an international service provider for clinical studies, laboratory services and contract manufacturing for the pharmaceuticals industry. The agreement will support Bayer's increased focus on the flexibility and productivity of its R&D operating model. The transaction closed on June 30, 2020. The provisional base selling price was €0 million, and the provisional divestment loss amounted to €19 million.

Divestments in 2019

On December 13, 2019, Bayer and CRISPR Therapeutics AG, Zug, Switzerland, agreed to terminate their collaboration in the joint venture Casebia, which was established in 2015. As part of the agreement, Bayer transferred its interest in the joint venture to CRISPR and received co-marketing rights and a payment of €14 million. A capital contribution of €59 million, previously recognized in liabilities, to which Bayer had committed but was still outstanding, must no longer be made.

Bayer completed the sale of its Dr. Scholl's business on November 1, 2019. Yellow Wood Partners LLC, Boston, United States, had signed an agreement with Bayer on July 19, 2019, to acquire this business. Under IFRS 5 the assets and liabilities pertaining to the business were recognized as held for sale from the second quarter of 2019. Impairment losses of €429 million on the disposal groups, including €208 million on goodwill, were recognized through profit or loss. The final purchase price amounts to €516 million and corresponds to the carrying amount of the derecognized net assets.

On August 30, 2019, Bayer completed the sale of the Coppertone™ business to Beiersdorf AG, Hamburg, Germany, the two companies having signed a purchase agreement in May 2019. Under IFRS 5 the assets and liabilities pertaining to the business were recognized in the second quarter of 2019 as held for sale. The final purchase price amounts to €498 million and corresponds to the carrying amount of the derecognized net assets.

On July 27, 2018, Bayer signed the agreements to sell the prescription dermatology business of its Consumer Health segment to LEO Pharma A/S, Ballerup, Denmark. The U.S. prescription dermatology business was transferred to the acquirer on September 4, 2018. The final purchase price amounted to €58 million and the final divestment gain to €35 million. The remaining global business outside the United States was transferred to the acquirer on July 1, 2019. The divested portfolio comprises prescription brands including Advantan™, Skinoren™ and Travocort™. The final purchase price amounted to €617 million and the final divestment gain to €347 million.

Financial instruments

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities by category of financial instrument under IFRS 9 and a reconciliation to the corresponding line items in the statements of financial position. Since the line items "Trade accounts receivable," "Other receivables," "Financial liabilities" and "Other liabilities" contain both financial instruments and nonfinancial assets or liabilities (such as other tax receivables), the reconciliation is shown in the column headed "Nonfinancial assets / liabilities."

B 18

Carrying Amounts and Fair Values of Financial Instruments

June 30, 2020

		Measured at fair value [fair value for information[4]]				
Measurement category (IFRS 9)[1]	Measured at amortized cost	Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)	Nonfinancial assets / liabilities	
€ million	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Total**
Trade accounts receivable	12,998				105	13,103
AC	12,998					12,998
Nonfinancial assets					105	105
Other financial assets	197	2,207	457	1,197		4,058
AC	197		[197]			197
FVTPL, mandatory[2]		2,168	18	926		3,112
FVTOCI (no Recycling), designated[3]		37		259		296
Derivatives		2	439	12		453
Other receivables	316			66	1,828	2,210
AC	316		[316]			316
FVTPL, mandatory[2]				66		66
Nonfinancial assets					1,828	1,828
Cash and cash equivalents	3,148					3,148
AC	3,148		[3,148]			3,148
Total financial assets	**16,659**	**2,207**	**457**	**1,263**		**20,586**
of which AC	16,659					16,659
of which FVTPL		2,168	18	992		3,178
Financial liabilities	41,041		202		76	41,319
AC	41,041	[31,566]	[12,897]			41,041
Derivatives			202			202
Nonfinancial liabilities					76	76
Trade accounts payable	5,098					5,098
AC	5,098					5,098
Other liabilities	1,060	2	238	204	844	2,348
AC	1,060		[1,060]			1,060
FVTPL (nonderivative), mandatory[2]				198		198
Derivatives		2	238	6		246
Nonfinancial liabilities					844	844
Total financial liabilities	**47,199**	**2**	**440**	**204**		**47,845**
of which AC	47,199					47,199
of which derivatives		2	440	6		448

[1] AC: at amortized cost
FVTOCI: at fair value through other comprehensive income
FVTPL: at fair value through profit or loss
[2] Measured at fair value through profit or loss as required by IFRS 9
[3] Measured at fair value through other comprehensive income under IFRS 9, paragraph 5.7.5
[4] Fair value of the financial instruments at amortized cost under IFRS 7, paragraph 29(a)

B 19

Carrying Amounts and Fair Values of Financial Instruments

Dec. 31, 2019

Measurement category (IFRS 9)[1]	Measured at amortized cost	Measured at fair value [fair value for information[5]] Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)	Nonfinancial assets / liabilities	
€ million	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Total**
Trade accounts receivable	11,430		80		168	11,678
AC	11,430					11,430
FVTPL, mandatory[2]			80			80
Nonfinancial assets					168	168
Other financial assets	809	1,692	195	1,166		3,862
AC	809		[809]			809
FVTPL, mandatory[2]		1,353	29	922		2,304
FVTOCI (no Recycling), designated[3]		336		232		568
Derivatives		3	166	12		181
Other receivables	287			65	2,210	2,562
AC	287		[287]			287
FVTPL, mandatory[2]				65		65
Nonfinancial assets					2,210	2,210
Cash and cash equivalents	3,185					3,185
AC	3,185		[3,185]			3,185
Total financial assets	**15,711**	**1,692**	**275**	**1,231**		**18,909**
of which AC	15,711					15,711
of which FVTPL		1,353	109	987		2,449
Financial liabilities	37,896	1,001	123		74	39,094
AC	37,896	[33,285]	[6,774]			37,896
FVTPL (nonderivative), designated[4]		1,001				1,001
Derivatives			123			123
Nonfinancial liabilities					74	74
Trade accounts payable	6,426					6,426
AC	6,426					6,426
Other liabilities	1,156	3	211	198	1,354	2,922
AC	1,156		[1,156]			1,156
FVTPL (nonderivative), mandatory[2]				193		193
Derivatives		3	211	5		219
Nonfinancial liabilities					1,354	1,354
Total financial liabilities	**45,478**	**1,004**	**334**	**198**		**47,014**
of which AC	45,478					45,478
of which FVTPL (nonderivative)		1,001		193		1,194
of which derivatives		3	334	5		342

[1] AC: at amortized cost
FVTOCI: at fair value through other comprehensive income
FVTPL: at fair value through profit or loss
[2] Measured at fair value through profit or loss as required by IFRS 9
[3] Measured at fair value through other comprehensive income under IFRS 9, paragraph 5.7.5
[4] Designated as FVTPL upon first-time recognition under IFRS 9
[5] Fair value of the financial instruments at amortized cost under IFRS 7, paragraph 29(a)

The category “AC – measured at amortized cost” within other financial assets and in financial liabilities also includes finance lease receivables and lease liabilities in which Bayer is the lessor or lessee and which were therefore measured according to IFRS 16.

Due to the short maturities of most trade accounts receivable and payable, other receivables and liabilities, and cash and cash equivalents, their carrying amounts at the closing date do not significantly differ from the fair values.

The fair values of financial assets and liabilities measured at amortized cost that are given for information are the present values of the respective future cash flows. The present values are determined by discounting the cash flows at a closing-date interest rate, taking into account the term of the assets or liabilities and also the creditworthiness of the counterparty in certain cases. Where a market price is available, however, this is deemed to be the fair value.

The fair values of financial assets measured at fair value correspond to quoted prices in active markets (Level 1), or are determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2) or are the present values of the respective future cash flows, determined on the basis of unobservable inputs (Level 3).

The fair values of derivatives for which no publicly quoted prices exist in active markets (Level 1) are determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2). In applying valuation techniques, credit or debt value adjustments are determined to account for the credit risk of the contractual party or Bayer.

Currency and commodity forward contracts are measured individually at their forward rates or forward prices on the closing date. These depend on spot rates or prices, including time spreads. The fair values of interest-rate hedging instruments and cross-currency interest-rate swaps were determined by discounting future cash flows over the remaining terms of the instruments at market rates of interest, taking into account any foreign currency translation as of the closing date in certain cases.

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies to certain debt or equity instruments, in some cases to the fair values of embedded derivatives, and to obligations for contingent consideration in business combinations. Credit risk is frequently the principal unobservable input used to determine the fair values of debt instruments classified as “FVTPL – at fair value through profit or loss” by the discounted cash flow method. Here the credit spreads of comparable issuers are applied. A significant increase in credit risk could result in a lower fair value, whereas a significant decrease could result in a higher fair value. However, a relative change of 10% in the credit spread does not materially affect the fair value.

Embedded derivatives are separated from their respective host contracts, provided these are not financial instruments. Such host contracts are generally sale or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with exchange-rate or price fluctuations, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs. These include planned sales and purchase volumes, and prices derived from market data. Regular monitoring is carried out based on these fair values as part of quarterly reporting.

In June 2020, Bayer AG repaid in cash the exchangeable bond with a nominal volume of €1.0 billion that was measured at fair value through profit or loss.

The changes in the amount of financial assets and liabilities recognized at fair value based on unobservable inputs (Level 3) for each financial instrument category were as follows:

B 20

Development of Financial Assets and Liabilities (Level 3)

€ million	Assets – FVTPL[1]	FVTOCI[1] (no recycling)	Derivatives (net)	Liabilities – FVTPL[1] (nonderivative)	Total
Carrying amounts (net), January 1, 2020	**987**	**232**	**7**	**(193)**	**1,033**
Gains (losses) recognized in profit or loss	4	–	(1)	(6)	(3)
of which related to assets / liabilities recognized in the statements of financial position	4	–	(1)	(6)	(3)
Gains (losses) recognized outside profit or loss	–	19	–	–	19
Additions of assets (liabilities)	1	2	–	–	3
Settlements of (assets) liabilities	–	(1)	–	1	–
Disposals from divestments / changes in scope of consolidation	–	7	–	–	7
Carrying amounts (net), June 30, 2020	**992**	**259**	**6**	**(198)**	**1,059**

[1] See table B 18 for definitions of measurement categories.

B 21

Development of Financial Assets and Liabilities (Level 3)

€ million	Assets – FVTPL[1]	FVTOCI[1] (no recycling)	Derivatives (net)	Liabilities – FVTPL[1] (nonderivative)	Total
Carrying amounts (net), January 1, 2019	**937**	**186**	**32**	**(20)**	**1,135**
Gains (losses) recognized in profit or loss	25	–	30	–	55
of which related to assets / liabilities recognized in the statements of financial position	25	–	30	–	55
Gains (losses) recognized outside profit or loss	–	2	–	–	2
Additions of assets (liabilities)	–	25	–	–	25
Settlements of (assets) liabilities	–	–	–	6	6
Carrying amounts (net), June 30, 2019	**962**	**213**	**62**	**(14)**	**1,223**

[1] See table B 19 for definitions of measurement categories.

The changes recognized in profit or loss were included in other operating income / expenses, as well as in the financial result in interest income, exchange gains or losses and other financial income and expenses.

Contingent liabilities as of June 30, 2020, amounted to approximately €3.1 billion as at the end of 2019. They primarily related to tax and labor law as well as other matters in countries such as the United States, Brazil, India, Greece and Italy.

Legal Risks

To find out more about the Bayer Group's legal risks, please see Note 30 to the consolidated financial statements in the Bayer Annual Report 2019, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2019, the following significant changes have occurred in respect of the legal risks:

Product-related litigation

Essure™: As of July 24, 2020, U.S. lawsuits from approximately 32,000 users of Essure™, a medical device offering permanent birth control with a nonsurgical procedure, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Essure™, including hysterectomy, perforation, pain, bleeding, weight gain, nickel sensitivity, depression and unwanted pregnancy, and seek compensatory and punitive damages. Recently discussions on potential settlements have intensified which made good progress in recent weeks. At the same time, we continue to support the safety and efficacy of the Essure™ device and are prepared to vigorously defend it in litigation.

Roundup™ (glyphosate): As of July 24, 2020, lawsuits from approximately 56,200 plaintiffs claiming to have been exposed to glyphosate-based products manufactured by Bayer's subsidiary Monsanto had been served upon Monsanto in the United States. Glyphosate is the active ingredient contained in a number of Monsanto's herbicides, including Roundup™-branded products. Plaintiffs allege personal injuries resulting from exposure to those products, including non-Hodgkin lymphoma (NHL) and multiple myeloma, and seek compensatory and punitive damages. Additional lawsuits are anticipated.

In June 2020, Monsanto reached an agreement in principle with plaintiffs, without admission of liability, to settle most of the current Roundup™ litigation, involving approximately 75% of the total approximately 125,000 known filed and unfiled claims, and to put in place a mechanism to resolve potential future claims.

The total costs of the executed and additional inventory settlements for all outstanding claims are currently expected to be up to US$9.6 billion. Monsanto expects that a substantial number of the outstanding claims can be settled in the coming months. The company intends to make an additional payment of US$1.25 billion to support a separate class agreement between Monsanto and plaintiffs' counsel to address potential future litigation. Monsanto may withdraw from the various settlement agreements if certain eligibility and participation rates are not satisfied. Plaintiffs who opt out of a settlement have the right to pursue their claims separately against the company. On July 6, 2020, Judge Chhabria of the U.S. District Court for the Northern District of California issued a pre-trial order raising concerns about certain aspects of the class settlement agreement and stating that he is tentatively inclined to deny the motion. The parties have decided to withdraw their motion to be able to comprehensively address the court's questions on the issue class proposal. Bayer remains strongly committed to a resolution that simultaneously addresses the current litigation on reasonable terms and provides a viable solution to manage and resolve future litigation.

The three cases that have so far gone to trial – Johnson, Hardeman and Pilliod – will continue through the appeals process and are not covered by the settlement. On July 20, 2020, the Court of Appeal of the State of California (First Appellate District) affirmed the judgment in favor of Johnson but reduced the total judgment from US$78.5 million to approx. US$20.5 million. The court reduced the total compensatory damages award from US$39.3 million to approx. US$10.25 million and the punitive damages award to the same amount. Oral argument before the Ninth Circuit Court of Appeal in the first federal case to go to trial (Hardeman) will likely be scheduled in September-November 2020. The briefing is still ongoing in the third appeal. We believe that the verdicts are not supported by the evidence at trial and the law and therefore intend to pursue the appeals vigorously.

As of July 24, 2020, nine Canadian lawsuits relating to Roundup™ seeking class action certification had been served upon Bayer.

Bayer believes it has meritorious defenses and intends to defend the safety of glyphosate and our glyphosate-based formulations vigorously.

Dicamba: As of July 24, 2020, lawsuits involving approximately 250 plaintiffs have been served upon Bayer's subsidiary Monsanto and co-defendant BASF in both state and federal court in the United States alleging that Monsanto's Xtendimax™ herbicide as well as other products containing dicamba, applied over dicamba-tolerant Xtend crops, caused crop damage from off-target movement. Plaintiffs claim, inter alia, that Monsanto and BASF knew or should have known that the application of dicamba to Xtend crops would cause such damage and failed to prevent it. Additional lawsuits are anticipated. In 2018, 35 separate cases were coordinated in a multidistrict litigation ("MDL") before a federal court in Missouri; the number of cases in the MDL as of July 24, 2020, is approximately 40. In February 2020, the first trial in the MDL proceeding (Bader Farms) resulted in a US$265 million award to the plaintiff, consisting of compensatory damages of US$15 million and punitive damages of US$250 million. Monsanto and co-defendant BASF are jointly and severally liable for the total US$265 million award. We disagree with the decision and have filed post-trial motions asking the court to vacate the entire verdict, order a new trial, and/or significantly reduce the punitive damages amount. In the case of Bader Farms there was no competent evidence presented which showed that Monsanto's products were present on the farm and/or were responsible for the alleged losses. We believe that we have meritorious defenses and intend to defend ourselves vigorously in these matters. If the trial court does not grant the requested relief in the post-trial motions we have filed, we will appeal.

In June 2020, Monsanto reached a global agreement with the plaintiffs to settle the dicamba litigation. The settlement provides for the payment of substantiated claims by soybean growers in crop years 2015–2020 who can demonstrate a yield loss due to the application of dicamba products over an Xtend crop. That portion of the settlement is capped at US$300 million. The settlement also provides additional funds of up to US$100 million to pay for claims of dicamba damage by growers of other, non-soybean crops, as well as attorneys' fees, litigation costs, and settlement administration. The settlement assumes a minimum participation rate of 97% of the existing dicamba cases and claims, failing which Monsanto has an option to cancel the settlement agreement. The Bader Farms case is not included in the settlement. The parties expect the claims process to begin in the fourth quarter of 2020.

Insurance against statutory product liability claims

In connection with the product-related litigations mentioned above and in the Bayer Annual Report 2019, Bayer is insured against statutory product liability claims to the extent customary in the respective industries and has, based on the information currently available, taken appropriate accounting measures for anticipated defense costs and will do so in due course for the settlements reported above. However, the accounting measures relating to Essure™, dicamba and Roundup™ (glyphosate) claims exceed the available insurance coverage.

Patent disputes

Xarelto™: In May 2020, Bayer and Janssen Pharmaceuticals filed a patent infringement lawsuit in a U.S. federal court against Unichem, Inc. and Unichem Pharmaceuticals (USA), Inc. (together "Unichem"). In March 2020, Bayer had received notice of an Abbreviated New Drug Application with a paragraph IV certification pursuant to which Unichem seeks approval of a generic version of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, in the United States prior to expiration of Bayer's compound patent protection until 2024. Bayer believes it has meritorious arguments and intends to defend itself vigorously.

Further Legal Proceedings

PCBs: Bayer's subsidiary Monsanto has been named in lawsuits brought by various governmental entities in the United States claiming that Monsanto, Pharmacia and Solutia, collectively as a manufacturer of PCBs, should be responsible for a variety of damages due to PCBs in the environment, including bodies of water, regardless of how PCBs came to be located there. PCBs are man-made chemicals that were widely used for various purposes until the manufacture of PCBs was prohibited by the EPA in the United States in 1979. We believe that we have meritorious defenses and intend to defend ourselves vigorously.

In June 2020, Bayer reached an agreement for a nation-wide class settlement to settle claims of approximately 2,500 municipal government entities across the United States for a total payment, including class benefits and attorney fees, of approximately US$650 million. This settlement assumes a minimum participation rate of 98% of all qualified municipal entities, failing which Monsanto will have the option to cancel the settlement agreement. This agreement will require court approval before it becomes effective. Additionally, in June 2020, Bayer reached agreements to settle individual suits brought by the Attorney Generals of the States of New Mexico and Washington, as well as the District of Columbia for a total amount of approximately US$170 million. If these settlements proceed, they will dispose of the majority of the pending suits brought by government entities. Bayer will continue its vigorous defense of any case that remains pending. Monsanto also faces numerous lawsuits claiming personal injury and/or property damage due to use of and exposure to PCB products. We believe that we also have meritorious defenses in these matters and intend to defend ourselves vigorously.

Notes to the Statements of Cash Flows

Net operating cash flow from continuing operations in the second quarter of 2020 amounted to €2,251 million (Q2 2019: €1,470 million). The increase was driven by lower tax payments. Changes in other working capital were mainly due to the recognition of provisions for the aforementioned agreements to resolve the litigation. These changes neutralize the corresponding EBIT effect. Total net operating cash flow in the second quarter came to €2,414 million (Q2 2019: €1,600 million).

The net cash outflow for investing activities in the second quarter amounted to €421 million (Q2 2019: €544 million). We invested €585 million (Q2 2019: €458 million) in property, plant and equipment and intangible assets. The cash inflow from current financial assets came to €66 million (Q2 2019: €102 million outflow).

There was a net cash outflow of €1,126 million for financing activities (Q2 2019: €1,735 million), including net borrowings of €2,066 million (Q2 2019: €1,325 million). We made a dividend payment of €2,751 million.

Related Parties

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons that are able to exert influence on Bayer AG and its subsidiaries or over which Bayer AG or its subsidiaries exercise control or joint control or have a significant influence. They include, in particular, nonconsolidated subsidiaries, joint ventures and associates included in the consolidated financial statements at cost of acquisition or using the equity method, post-employment benefit plans and the corporate officers of Bayer AG.

Sales to related parties were not material from the viewpoint of the Bayer Group. Liabilities for post-employment benefit plans increased by €0.2 billion compared with year-end 2019 (€0.2 billion).

Other information

On April 28, 2020, the Annual Stockholders' Meeting approved the proposal by the Board of Management and the Supervisory Board that a dividend of €2.80 per share entitled to the dividend be paid for the 2019 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board serving in 2019 were ratified in accordance with the proposals by the Board of Management and the Supervisory Board.

The Annual Stockholders' Meeting elected three representatives of the stockholders to the Supervisory Board in accordance with the proposals by the Supervisory Board and approved the compensation system for the members of the Board of Management resolved upon by the Supervisory Board to take effect from January 1, 2020.

The compensation of the members of the Supervisory Board defined in Article 12 of the company's Articles of Incorporation was confirmed by the Annual Stockholders' Meeting in line with the proposal by the Board of Management and the Supervisory Board.

The Annual Stockholders' Meeting resolved to amend Article 8, Paragraph 2 of the company's Articles of Incorporation with respect to the term of office of the Supervisory Board members according to the proposal by the Board of Management and the Supervisory Board.

In accordance with the proposal by the Supervisory Board, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, was elected auditor of the annual and consolidated financial statements for 2020, and also to review, if applicable, the condensed financial statements and interim management report as of June 30, 2020, and if applicable, the condensed financial statements and interim management reports as of September 30, 2020, and March 31, 2021, if these are prepared.

Events After the End of the Reporting Period

Bond issue

Bayer AG placed bonds with a total volume of €6 billion on July 6, 2020. The issuance comprises four €1.5 billion tranches with maturities of 4 years, 6.5 years, 9.5 years and 12 years. The coupons on the notes are 0.375% p.a., 0.75% p.a., 1.125% p.a. and 1.375% p.a., respectively.

Leverkusen, July 27, 2020
Bayer Aktiengesellschaft

The Board of Management

Werner Baumann

Liam Condon

Wolfgang Nickl

Stefan Oelrich

Heiko Schipper

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in line with generally accepted accounting principles, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Leverkusen, July 27, 2020

Bayer Aktiengesellschaft

The Board of Management

Werner Baumann

Liam Condon

Wolfgang Nickl

Stefan Oelrich

Heiko Schipper

Review Report

To Bayer Aktiengesellschaft, Leverkusen / Germany

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the condensed consolidated statement of changes in equity as well as selected explanatory notes to the financial statements – and the interim group management report for the period from 1. January until 30. June 2020 of Bayer Aktiengesellschaft, Leverkusen, that are part of the half-year financial report under § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the entity's Management Board. Our responsibility is to express a conclusion on the interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the interim consolidated financial statements and of the interim group management report in compliance with German generally accepted standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) as well as in supplementary compliance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information performed by the Independent Auditor of the Entity"*. Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation, with, that the interim consolidated financial statements are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report is not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of personnel of the entity and analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Bayer Aktiengesellschaft, Leverkusen, are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the group management report is not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich / Germany, 28 July 2020

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Frank Beine — German Public Auditor

Michael Mehren — German Public Auditor

Financial Calendar

Q3 2020 Quarterly Statement	*November 3, 2020*
2020 Annual Report	*February 25, 2021*
Annual Stockholders' Meeting 2021	*April 27, 2021*
Q1 2021 Quarterly Statement	*May 12, 2021*

Masthead

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Reporting Principles

This Bayer AG Interim Report is a half-year financial report that satisfies the requirements of Section 115, Paragraph 2, No. 1 and No. 2, Paragraph 3 and Paragraph 4 of the German Securities Trading Act (WpHG). Bayer has prepared the condensed consolidated interim financial statements according to the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union (E.U.). This report should be read in conjunction with the Annual Report for the 2019 fiscal year and the additional information about the company provided therein. The Annual Report 2019 is available on our website at www.bayer.com.

Forward-Looking Statements
This half-year financial report 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.