



# Q4 2018 Analyst and Investor Briefing

## February 27, 2019

### Q4 2018

- Group sales €11.1 billion (Q4 2017: €8.6 billion; Fx & portfolio adj. +5.8%)
- EBITDA before special items at €2.1 billion (+15.8%)
- Net special items of minus €2.0 billion (in EBITDA)
- Net income minus €3.9 billion
- Core earnings per share €1.10

### FY 2018

- Bayer increases sales and earnings – leader in agriculture after acquisition
- Group sales at €39.6 billion (Fx & portfolio adj. + 4.5%)
- EBITDA before special items increases to €9.5 billion (+ 2.8%), held back by Fx-effects of approx. €0.5 billion
- Pharmaceuticals with higher sales (Fx & portfolio adj.) and slightly lower earnings
- Consumer Health: sales level with prior year (Fx & portfolio adj.), earnings decline
- Crop Science reports sales gains, substantially higher earnings due to the acquisition, integration off to a strong start
- Net income at €1.7 billion, impacted by one-time effects
- Core earnings per share at €5.94, above expectations
- Proposed dividend of €2.80 per share, leading to record pay-out
- Net financial debt at €35.7 billion – significantly better than expected
- Bayer confirms 2019 Group outlook and 2022 targets

The Annual Report 2018 is available at <https://www.investor.bayer.com/en/reports/annual-reports/overview/>

## Group Key Figures for Q4 2018

Euro million	Q4 2017	Q4 2018	% y-o-y	Consensus**
<b>Sales</b>	<b>8,596</b>	<b>11,062</b>	<b>28.7 / 5.8*</b>	<b>10,649</b>
Volume	5.1%	5.5%	•	•
Price	-2.4%	0.3%	•	•
Currency	-5.3%	-0.2%	•	•
Portfolio	0.0%	23.1%	•	•
<b>EBITDA</b>	<b>1,460</b>	<b>46</b>	<b>-96.8</b>	<b>•</b>
<b>Net special items (EBITDA)</b>	<b>-323</b>	<b>-2,019</b>	<b>•</b>	<b>-2,058</b>
<b>EBITDA before special items</b>	<b>1,783</b>	<b>2,065</b>	<b>15.8</b>	<b>1,972</b>
<b>EBIT</b>	<b>625</b>	<b>-4,142</b>	<b>•</b>	<b>•</b>
<b>Net special items (EBIT)</b>	<b>-632</b>	<b>-5,251</b>	<b>•</b>	<b>•</b>
<b>EBIT before special items</b>	<b>1,257</b>	<b>1,109</b>	<b>-11.8</b>	<b>•</b>
<b>Financial result</b>	<b>-258</b>	<b>-726</b>	<b>-181.4</b>	<b>-484</b>
<b>Income taxes</b>	<b>-435</b>	<b>946</b>	<b>•</b>	<b>•</b>
<b>Income after income taxes</b>	<b>-68</b>	<b>-3,922</b>	<b>•</b>	<b>•</b>
<b>Net income</b>	<b>148</b>	<b>-3,924</b>	<b>•</b>	<b>-1,090</b>
<b>EPS (Euro/share)</b>	<b>0.17</b>	<b>-4.00</b>	<b>•</b>	<b>•</b>
<b>Core EPS (Euro/share)</b>	<b>1.39</b>	<b>1.10</b>	<b>-20.9</b>	<b>0.82</b>
<b>Delta working capital</b>	<b>1,088</b>	<b>3,828</b>	<b>•</b>	<b>•</b>
<b>Operating cash flow</b>	<b>2,256</b>	<b>2,968</b>	<b>31.6</b>	<b>•</b>
<b>CapEx (cash relevant)</b>	<b>918</b>	<b>1,126</b>	<b>22.7</b>	<b>•</b>



<i>Euro million</i>	Sept. 30, 2018	Dec. 31, 2018
<b>Net financial debt</b>	<b>36,524</b>	<b>35,679</b>
<b>Net pension liability</b>	<b>7,820</b>	<b>8,633</b>

2017 figures restated  
 \*) Currency and portfolio adjusted sales growth  
 \*\*) Consensus figures as of February 7, 2019 provided by Vara Research GmbH

## Core Earnings per Share

<i>Euro million</i>	Q4 2017	Q4 2018
<b>EBIT (as per income statement)</b>	<b>625</b>	<b>-4,142</b>
Amortization and impairment losses / loss reversals on intangible assets	602	3,193
Impairment losses / loss reversals on property, plant and equipment, and accelerated depreciation included in special items	16	664
Special items (other than accelerated depreciation, amortization and impairment losses / loss reversals)	323	2,019
<b>Core EBIT</b>	<b>1,566</b>	<b>1,734</b>
Financial result (as per income statement)	-258	-726
Special items in the financial result	250	287
Income taxes (as per income statement)	-435	946
Special items in income taxes	455	91
Tax effects related to amortization, impairment losses / loss reversals and special items	-342	-1,255
Income after income taxes attributable to non-controlling interest (as per income statement)	-2	-2
Above-mentioned adjustments attributable to non-controlling interest	0	-1
<b>Core net income from continuing operations</b>	<b>1,234</b>	<b>1,074</b>
Weighted average number of shares	885,546,889	980,151,964
<b>Core earnings per share from continuing operations (Euro)</b>	<b>1.39</b>	<b>1.10</b>

2017 figures restated

## Bayer Group Forecast 2019

To enhance the comparability of operating performance, the forecasts are adjusted for currency effects. The average monthly exchange rates from 2018 were applied. We do not anticipate any material changes in our forecast if the closing rates as of December 31, 2018, are used as a basis. A 1% appreciation (depreciation) of the euro against all other currencies would decrease (increase) sales on an annual basis by some €340 million and EBITDA before special items by about €100 million.

We confirm the forecasts for 2019 and the medium-term targets for 2022 that we provided in conjunction with our Capital Markets Day on December 5, 2018. For 2019, we expect sales to amount to around €46 billion. This corresponds to an increase of approximately 4% on a currency- and portfolio-adjusted basis. We aim to increase EBITDA before special items to approximately €12.2 billion on a currency-adjusted basis, while core earnings per share are seen rising to approximately €6.80 on a currency-adjusted basis.



### Forecast for key Financial Data of the Group for 2019

Sales (sales growth)	~€46 billion (~+4%*)
EBITDA before special items	~€12.2 billion
EBITDA margin before special items	~27%
Core earnings per share	~€6.80

Based on going concern

\*) currency & portf. adjusted

### Forecast for key Financial Data of the Divisions for 2019

Division	Sales growth*	EBITDA margin before special items
Crop Science	about +4%	~25%
Pharmaceuticals	about +4%	~34%
Consumer Health	about +1%	~21%
Animal Health	about +4%	~24%

Based on going concern

\*) currency & portf. adjusted

### Other financial guidance for 2019

Financial result ("core")	about minus €1.8 billion
Tax rate ("core")	~23%
Free cash flow	~€3-4 billion
Net financial debt	~€36 billion*

Based on going concern

\*) Including a lease liability of approximately €1.1 billion under IFRS 16

We expect substantial special charges in 2019, mainly in connection with restructuring measures.

The first-time application of IFRS 16 is expected to result in an around €0.3 billion increase in EBITDA before special items compared with the previous year. We also anticipate that free cash flow will rise by approximately €0.3 billion and net financial debt by approximately €1.1 billion due to this effect.



## Pharmaceuticals in Q4 2018

Euro million	Q4 2017	Q4 2018	% y-o-y	Consensus**
<b>Sales</b>	<b>4,215</b>	<b>4,291</b>	<b>1.8 / 2.6*</b>	<b>4,363</b>
<b>EBITDA before special items</b>	<b>1,235</b>	<b>1,266</b>	<b>2.5</b>	<b>1,254</b>
<b>EBITDA-margin before special items</b>	<b>29.3%</b>	<b>29.5%</b>		<b>28.7%</b>

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of February 7, 2019 provided by Vara Research GmbH

## Best Selling Pharmaceutical Products

Euro million	Q4 2017	Q4 2018	% y-o-y	% y-o-y cpa
<b>Xarelto</b>	<b>914</b>	<b>993</b>	<b>8.6</b>	<b>9.6</b>
of which USA	178	159	-10.7	-10.6
<b>Eylea</b>	<b>507</b>	<b>600</b>	<b>18.3</b>	<b>19.1</b>
of which USA	0	0	•	•
<b>Adempas</b>	<b>72</b>	<b>96</b>	<b>33.3</b>	<b>29.9</b>
of which US	30	45	50.0	43.4
<b>Stivarga</b>	<b>80</b>	<b>86</b>	<b>7.5</b>	<b>8.3</b>
of which USA	41	42	2.4	2.0
<b>Xofigo</b>	<b>101</b>	<b>81</b>	<b>-19.8</b>	<b>-21.0</b>
of which USA	59	53	-10.2	-13.2
<b>Key Growth Products</b>	<b>1,674</b>	<b>1,856</b>	<b>10.9</b>	<b>11.4</b>
<b>Mirena family</b>	<b>255</b>	<b>270</b>	<b>5.9</b>	<b>5.2</b>
of which USA	161	164	1.9	-1.2
<b>Kogenate/Kovaltry/Jivi</b>	<b>217</b>	<b>216</b>	<b>-0.5</b>	<b>-1.4</b>
of which USA	68	80	17.6	15.8
<b>Nexavar</b>	<b>204</b>	<b>177</b>	<b>-13.2</b>	<b>-12.7</b>
of which USA	67	54	-19.4	-21.9
<b>YAZ family</b>	<b>153</b>	<b>161</b>	<b>5.2</b>	<b>7.6</b>
of which USA	14	17	21.4	17.6
<b>Glucobay</b>	<b>130</b>	<b>150</b>	<b>15.4</b>	<b>17.2</b>
of which USA	0	1	•	•
<b>Betaferon/Betaseron</b>	<b>152</b>	<b>139</b>	<b>-8.6</b>	<b>-8.7</b>
of which USA	80	63	-21.3	-22.4
<b>Aspirin Cardio</b>	<b>137</b>	<b>137</b>	<b>0.0</b>	<b>2.1</b>
of which USA	0	0	•	•
<b>Adalat</b>	<b>147</b>	<b>127</b>	<b>-13.6</b>	<b>-12.9</b>
of which USA	0	0	•	•
<b>Stellant</b>	<b>84</b>	<b>92</b>	<b>9.5</b>	<b>8.3</b>
of which USA	59	64	8.5	5.1
<b>Gadavist/Gadovist</b>	<b>89</b>	<b>87</b>	<b>-2.2</b>	<b>-0.7</b>
of which USA	25	20	-20.0	-22.7

%y-o-y cpa: Currency and portfolio adjusted sales growth

- Price -1.3%, volume +3.9%, currency -0.7%, portfolio -0.1%
- At Pharmaceuticals, our key growth products Xarelto, Eylea, Xofigo, Stivarga and Adempas once again showed strong performance overall, with their combined sales rising by 11.4% (Fx & portfolio adj.) to €1,856 million (Q4 2017: €1,674 million). Combined sales of the 15 best-selling Pharmaceuticals products



advanced by 5.8% (Fx and portfolio adj.). As expected, temporary supply disruptions for some of our established products, such as Adalat and Aspirin Cardio weighed on sales.

- Growth in sales of **Xarelto** was driven by volume uptake, mainly in Europe / Middle East / Africa as well as in China due to strong in-market sales after listing in reimbursement lists. In the United States, where Xarelto is marketed by a subsidiary of Johnson & Johnson, license revenues – recognized as sales – were down year on year.
- The increase in sales of **Eylea** was driven by volume uptake, mainly in Europe / Middle East / Africa, Canada and Japan.
- Business with **Adempas** expanded significantly mainly due to positive business development 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.
- We registered an increase in sales of **Stivarga** on a currency- and portfolio-adjusted basis, primarily in China, where we continued to benefit from the market launches undertaken in previous years.
- We registered a significant decline in sales of **Xofigo** that was attributable to lower volumes particularly in Europe / Middle East / Africa, the United States and Japan. This was mainly due to the Phase III trial of radium-223 dichloride in combination with abiraterone acetate and prednisone / prednisolone being halted prematurely in November 2017.
- Sales of the **Mirena** product family (Mirena, Kyleena and Jaydess / Skyla) increased mainly due to increased volumes in Europe / Middle East / Africa, Latin America and China.
- Sales of **Kogenate / Kovaltry / Jivi** came in slightly below the level of the prior-year quarter. Sales declines for Kogenate were offset by encouraging sales gains for Kovaltry and a successful launch of Jivi in the United States.
- Sales of **Nexavar** declined in the face of continuing high competitive pressure in the United States and Japan. Strong sales growth in China was not sufficient to offset this effect.
- Growth in sales of **YAZ / Yasmin / Yasminelle** was mainly driven by Japan due to successful penetration of YazFlex and strong volume growth in China.
- We posted strong gains for **Glucobay** that were driven by a robust expansion of volumes in China.
- The decline in sales of **Betaferon / Betaseron** was mainly attributable to the competitive market environment in the United States.
- Sales of **Aspirin Cardio** increased slightly on a currency- and portfolio-adjusted basis. Gains in China stood against declines in Europe.
- Sales were down for **Adalat**. The decline was mainly driven by China and Japan.
- Business with our **Stellant** contrast agent injection system benefited from higher volumes, particularly in the United States.
- **EBITDA before special items** of Pharmaceuticals rose by 2.5%. Adjusted for negative currency effects in the amount of €60 million, earnings were up by 7.4%. This increase was predominantly attributable to the good development of business. The principal negative effects on earnings resulted from temporary supply disruptions and an increase in the cost of goods sold.



## Consumer Health in Q4 2018

Euro million	Q4 2017	Q4 2018	% y-o-y
<b>Sales</b>	<b>1,399</b>	<b>1,331</b>	<b>-4.9 / -1.7*</b>
<b>EBITDA before special items</b>	<b>251</b>	<b>279</b>	<b>11.2</b>
<b>EBITDA-margin before special items</b>	<b>17.9%</b>	<b>21.0%</b>	

Consensus**
<b>1,377</b>
<b>288</b>
<b>20.9%</b>

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of February 7, 2019 provided by Vara Research GmbH

- Price +1.4%, volume -3.1%, currency -1.5%, portfolio -1.7%
- Sales of Consumer Health declined by 1.7% (Fx & portfolio adj.) in the fourth quarter of 2018, to €1,331 million. Business was mainly impacted by volume decline in North America and supply interruptions in EMEA.
- **EBITDA before special items** of Consumer Health improved by 11.2%, reflecting the implementation of structural cost measures. Currency effects were negligible in the quarter (€3 million).

## Crop Science in Q4 2018

Euro million	Q4 2017	Q4 2018	% y-o-y
<b>Sales</b>	<b>2,263</b>	<b>4,661</b>	<b>106.0 / 15.4*</b>
<b>EBITDA before special items</b>	<b>304</b>	<b>543</b>	<b>78.6</b>
<b>EBITDA-margin before special items</b>	<b>13.4%</b>	<b>11.6%</b>	

Consensus**
<b>4,218</b>
<b>480</b>
<b>11.4%</b>

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of February 7, 2019 provided by Vara Research GmbH

## Crop Science sales by business unit

Euro million	Q4 2017	Q4 2018	% y-o-y	%y-o-y Fx and portf. adj.
<b>Crop Science</b>	<b>2,263</b>	<b>4,661</b>	<b>106.0</b>	<b>15.4</b>
Herbicides	526	1,172	122.8	12.3
Corn Seed & Traits	4	1,036	•	-19.2
Soybean Seed & Traits	57	602	•	26.2
Fungicides	755	757	0.3	-2.0
Insecticides	268	364	35.8	34.4
Environmental Science	183	229	25.1	9.3
Vegetable Seed	102	91	-10.8	-0.2
Other	368	410	11.4	47.8



## Crop Science sales by region

Q4 2018	Europe / Middle East / Africa		North America		Asia / Pacific		Latin America	
	Euro million	% y-o-y cpa	Euro million	% y-o-y cpa	Euro million	% y-o-y cpa	Euro million	% y-o-y cpa
<b>Crop Science</b>	<b>592</b>	<b>4.2</b>	<b>1,703</b>	<b>32.8</b>	<b>530</b>	<b>24.2</b>	<b>1,836</b>	<b>8.7</b>

%y-o-y cpa: Currency and portfolio adjusted sales growth

- Price 1.2%, volume 14.2%, currency 1.3%, portfolio +89.3%
- Crop Science sales grew 15.4% currency and portfolio adjusted, largely from volume growth in Crop Protection in Asia / Pacific, North America and the Europe / Middle East / Africa regions. Further increase in sales came from Latin America and from sales generated by transition service agreements with BASF.
- A portfolio effect of 89.3% is due to the acquisition of Monsanto (€2,546 million) less the prorated contribution from the divested businesses in the prior year (€522 million).

**EBITDA before special items** of Crop Science climbed by 78.6% to €543 million. This increase was primarily attributable to earnings contributions from the newly acquired business less the earnings from the assets divested to BASF. Positive currency effects in the amount of €54 million contributed to the earnings growth.

## Pro-forma Sales of Crop Science by Business Unit (unaudited)

Due to the scope of the acquired activities and the seasonality of the business, we are presenting sales by strategic business entity on an unaudited, pro-forma basis, to more transparently reflect the underlying operational business development for the combined business of Crop Science and Monsanto, among other reasons. In this context, sales are presented as if both the acquisition of Monsanto and the associated divestitures had taken place already as of January 1, 2017.

Euro million	Q4 2017	Q4 2018	% y-o-y	% y-o-y Fx adj.
<b>Crop Science</b>	<b>4,379</b>	<b>4,511</b>	<b>3.0</b>	<b>3.1</b>
Herbicides	1,071	1,125	5.0	5.0
Corn Seed & Traits	1,022	1,036	1.4	1.7
Soybean Seed & Traits	690	651	-5.7	-1.0
Fungicides	755	753	-0.3	-2.0
Insecticides	268	366	36.6	35.5
Environmental Science	216	228	5.6	4.3
Vegetable Seed	107	91	-15.0	-15.3
Other	250	261	4.4	0.8

The unaudited pro forma data are presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2017. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discount operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting. Due to this simplified procedure, they explicitly do not reflect sales according to IFRS or IDW RH HFA 1.004.

- On a pro forma basis, the combined Crop Science segment grew 3.1% on a Fx-adjusted basis to €4.5 billion.
- Growth in Herbicides sales was driven by early sales in France, phasing in the US from 2019 and higher volumes and prices of glyphosate-based herbicides in Brazil.
- Sales of Corn Seed & Traits were up due to a timing shift in North America from Q1 2019, and higher corn acres in Brazil.



- The slight decline in sales of Soybean Seed & Traits was mainly driven by North America due to expected lower acreages and seasonal shifts from 2018 into 2019. Sales in Latin America grew from higher planted acres as well as higher market penetration of Intacta RR2PRO, partially offsetting the decline in North America.
- Fungicides sales declined mainly due to phasing in Brazil, with an anticipated shift to Q1 2019. This was partly offset by an increase in North America and higher sales in Asia / Pacific.
- The increase in Insecticides sales was largely attributable to Brazil.

## Animal Health in Q4 2018

Euro million	Q4 2017	Q4 2018	% y-o-y
<b>Sales</b>	<b>322</b>	<b>330</b>	<b>2.5 / 2.6*</b>
<b>EBITDA before special items</b>	<b>49</b>	<b>47</b>	<b>-4.1</b>
<b>EBITDA-margin before special items</b>	<b>15.2%</b>	<b>14.2%</b>	

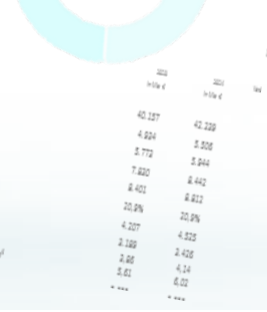
Consensus**
<b>346</b>
<b>48</b>
<b>13.9%</b>

\*) Currency and portfolio adjusted sales growth

\*\*) Consensus figures as of February 7, 2019 provided by Vara Research GmbH

- Price +1.6%, volume +1.0%, currency -0.1%, portfolio ±0.0%
- Sales of Animal Health in the fourth quarter of 2018 increased by 2.6% (Fx and portfolio adj.) mainly driven by business in the North America region. Sales were down year on year in the Europe / Middle East / Africa region. Sales were also negatively impacted by amended financial reporting standards (IFRS 15).
- **EBITDA before special items** of Animal Health declined by 4.1%. Adjusted for negative currency-effects in the amount of €3 million, earnings were up by 2.0%. Earnings were negatively impacted by the application of IFRS 15.





## Key Figures for Q4 2018

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health		Reconciliation		Group	
	Q4'17	Q4'18	Q4'17	Q4'18	Q4'17	Q4'18	Q4'17	Q4'18	Q4'17	Q4'18	Q4'17	Q4'18
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	4,215	4,291	1,399	1,331	2,263	4,661	322	330	397	449	8,596	11,062
Sales by region:												
Europe / Middle East / Africa	1,720	1,699	491	474	440	592	82	80	382	443	3,115	3,288
North America	1,027	1,019	581	534	479	1,703	126	136	6	2	2,219	3,394
Asia / Pacific	1,188	1,312	145	163	358	530	79	78	4	1	1,774	2,084
Latin America	280	261	182	160	986	1,836	35	36	5	3	1,488	2,296
EBITDA	1,107	495	197	211	193	441	28	46	-65	-265	1,460	46
Special items	-128	-771	-54	-68	-111	-984	-21	-1	-9	-195	-323	-2,019
EBITDA before special items	1,235	1,266	251	279	304	543	49	47	-56	-70	1,783	2,065
EBITDA margin before special items	29.3%	29.5%	17.9%	21.0%	13.4%	11.6%	15.2%	14.2%	-14.1%	-15.6%	20.7%	18.7%
EBIT	795	-302	-110	-2,607	64	-934	10	36	-134	-335	625	-4,142
Special items	-187	-1,289	-258	-2,781	-155	-985	-23	-1	-9	-195	-632	-5,251
EBIT before special items	982	987	148	174	219	51	33	37	-125	-140	1,257	1,109
EBIT margin before special items	23.3%	23.0%	10.6%	13.1%	9.7%	1.1%	10.2%	11.2%	-31.5%	-31.2%	14.6%	10.0%
Operating cash flow	1,330	1,587	297	196	552	1,549	75	71	2	-435	2,256	2,968
Financial result											-258	-726
Income after taxes from continuing operations											-68	-3,922
Income after taxes from discontinued operations											218	0
Net income											148	-3,924
Earnings per share (€)											0.17	-4.00
Core earnings per share - continuing operations (€)											1.39	1.10
CapEx, cont. operations (cash effective)											918	1,126
R&D											1,234	1,738
D&A and Write-downs	312	797	307	2,818	129	492	18	10	69	70	835	4,187
Employees at end of period	38,295	38,478	11,760	11,050	20,736	38,109	3,527	3,735	25,502	25,626	99,820	116,998

2017 figures restated



## Key Figures for FY 2018

	Pharmaceuticals		Consumer Health		Crop Science		Animal Health		Reconciliation		Group	
	FY'17	FY'18	FY'17	FY'18	FY'17	FY'18	FY'17	FY'18	FY'17	FY'18	FY'17	FY'18
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales	16,847	16,746	5,862	5,450	9,577	14,266	1,571	1,501	1,158	1,623	35,015	39,586
Sales by region:												
Europe / Middle East / Africa	6,521	6,590	1,962	1,857	3,335	3,689	442	409	1,128	1,598	13,388	14,143
North America	4,229	3,965	2,480	2,263	2,772	4,696	655	628	7	17	10,143	11,569
Asia / Pacific	5,013	5,206	738	730	1,563	1,858	317	317	6	4	7,637	8,115
Latin America	1,084	985	682	600	1,907	4,023	157	147	17	4	3,847	5,759
EBITDA	5,576	4,797	1,145	1,035	1,716	4,500	352	351	-226	-417	8,563	10,266
Special items	-135	-801	-86	-61	-327	1,849	-29	-7	-148	-261	-725	719
EBITDA before special items	5,711	5,598	1,231	1,096	2,043	2,651	381	358	-78	-156	9,288	9,547
EBITDA margin before special items	33.9%	33.4%	21.0%	20.1%	21.3%	18.6%	24.3%	23.9%	-6.7%	-9.6%	26.5%	24.1%
EBIT	4,325	3,213	518	-2,077	1,235	3,138	307	312	-482	-672	5,903	3,914
Special items	-340	-1,362	-300	-2,776	-408	1,841	-31	-7	-148	-262	-1,227	-2,566
EBIT before special items	4,665	4,575	818	699	1,643	1,297	338	319	-334	-410	7,130	6,480
EBIT margin before special items	27.7%	27.3%	14.0%	12.8%	17.2%	9.1%	21.5%	21.3%	-28.8%	-25.3%	20.4%	16.4%
Operating cash flow	3,867	4,376	1,059	727	1,884	3,743	209	271	-408	-1,200	6,611	7,917
Financial result											-1,326	-1,596
Income after taxes from continuing operations											3,248	1,711
Income after taxes from discontinued operations											4,846	0
Net income											7,336	1,695
Earnings per share (€)											8.29	1.80
Core earnings per share - continuing operations (€)											6.64	5.94
CapEx, cont. operations (cash effective)											2,084	2,593
R&D											4,504	5,246
D&A and Write-downs	1,251	1,584	627	3,112	481	1,362	45	39	256	255	2,660	6,352
Employees at end of period	38,295	38,478	11,760	11,050	20,736	38,109	3,527	3,735	25,502	25,626	99,820	116,998
2017 figures restated												



## Supplemental Financial Information Regarding the Purchase Price Allocation (PPA) in the Context of the Monsanto Acquisition (Update)

Please find enclosed updated selected unaudited financial information regarding the Purchase Price Allocation (PPA) in the context of the Monsanto acquisition.

The PPA of the Monsanto acquisition was adjusted as of December 31, 2018, resulting in a 1.5 billion euros net reduction in acquired assets/increase in assumed liabilities and a corresponding increase in goodwill in the statement of financial position as compared with the amounts recognized in June 2018. As these amendments relate to the opening balance sheet as of June 7th balance sheet figures for both June 30th and September 30th have been restated retrospectively. The balance sheet restatements have impacted the income statements for Q2 and Q3, primarily by amended depreciation & amortization (D&A) and capitalized cost of goods sold (COGS) including related tax effects. Restated figures are available at

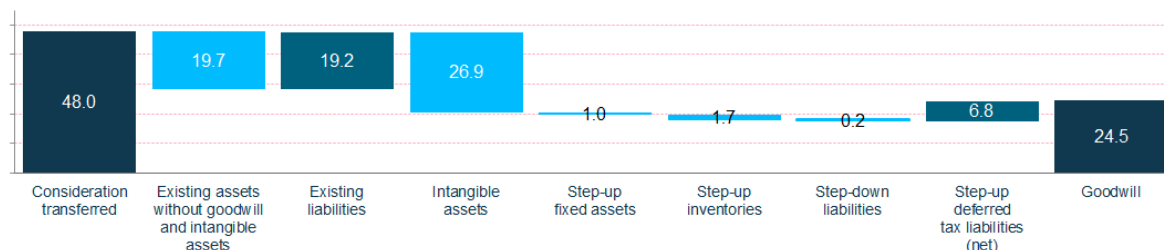
<https://www.investor.bayer.com/en/nc/events/live-events/fyq4-2018-conference-call/>.

The PPA is still preliminary. Figures may change during the finalization of the PPA process.

### General accounting and reporting treatment of the acquired business

Effective June 7, 2018 Bayer successfully completed the acquisition of Monsanto which is fully consolidated in the Group financial statements as of that date. The assets and liabilities of the acquired business as well as the related financing activities are fully recognized in the 2018 financial statements.

### Overview of the PPA



### Indicative impact of the intangible assets and step-ups of fixed assets/inventory

#### Depreciation and amortization

The amortization of intangible assets and depreciation of fixed asset step-ups related to the acquired business is expected to be between 1.6 and 1.9 billion euros per annum. This will be the run-rate of acquisition-related charges for up to about 12 years. Thereafter, the charges will decrease continuously.

A large portion of the intangible and fixed assets are related to manufacturing. Therefore, the depreciation and amortization of those assets (approx. 40% of the run-rate) is capitalized in inventories and is only recognized as expense when the inventories are sold. We assume an average lifespan of the inventories of 5 to 8 months. As a result, in 2018, the impact on EBIT before special items will be reduced from the approx. 7 months run-rate of 1.2 billion to 0.8 billion euros.



	2018	2019
EBIT	42.127	42.229
EBITDA	4.224	5.226
EBITDA vor Sondererträgen	5.772	5.944
EBITDA vor Sondererträgen	7.422	8.442
EBITDA vor Sondererträgen	8.422	8.822
EBITDA vor Sondererträgen	20.2%	20.2%
EBITDA vor Sondererträgen	4.227	4.222
EBITDA vor Sondererträgen	4.222	4.222
EBITDA vor Sondererträgen	4.222	4.222



## Inventory step-up

In addition, the 1.7 billion euros step-up of inventory has to be accounted for. Based on the assumed lifespan of the inventories and the seasonality of the business, the step-up results in expenses of 1.3 billion euros in the reported EBIT for 2018 and 0.4 billion euros in 2019. Expenses from the inventory step-up will be treated as a special item to derive the EBIT before special items.

## Summary

	FY2018	FY2019e	FY2020e	FY2021e	FY2022e
Impact on:	€ million	€ million	€ million	€ million	€ million
Amortization of intangible assets	-649	-1,350	-1,450	-1,550	-1,500
Depreciation of step-up of fixed assets	-146	-200	-100	-50	-50
Expenses (special item) from the inventory step-up	-1,255	-400	0	0	0
<b>EBIT</b>	<b>-2,050</b>	<b>-1,950</b>	<b>-1,550</b>	<b>-1,600</b>	<b>-1,550</b>
<b>EBIT before special items</b>	<b>-795</b>	<b>-1,550</b>	<b>-1,550</b>	<b>-1,600</b>	<b>-1,550</b>
<b>EBITDA</b>	<b>-1,255</b>	<b>-400</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EBITDA before special items</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Figures for FY2019e-FY2022e are indicative only and rounded

The data shown above include the amortization of intangible assets recognized already by Monsanto (approx. 0.2 billion euros p.a. on average) and the additional amortization/depreciation from the purchase price allocation, adjusted for capitalization into inventories. Future expenses will be impacted by the development of currency exchange rates since most assets are allocated in countries with currencies other than EUR (mostly USD).

Expenses from the inventory step-up (special items) are reported as cost of goods sold. Depreciation and amortization are reported in all functional cost lines depending on the allocation of the respective assets. Depreciation from the step-up of fixed assets will not be eliminated for the calculation of core EPS.

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## Cautionary Statements Regarding Forward-Looking Information

This release may contain forward-looking statements based on current assumptions and forecasts made by Bayer management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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