



Investor Conference Call



FY/Q4 2018 Results

February 27, 2019

Werner Baumann, CEO
Wolfgang Nickl, CFO





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. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.



Highlights FY 2018

**Financials Q4/FY 2018 &
Outlook 2019**

Focus Areas for 2019

Werner Baumann, CEO

Agenda



FY 2018 – Group Targets Achieved

	2017	Group Forecast 2018 (as updated on 5 September 2018) ²	2018	
Sales	€35.0bn	// >€39.0bn	€39.6bn	✓
EBITDA (before special items)	€9.3bn	// Low-to-mid-single-digit % increase	€9.5bn	✓
Core EPS	€6.64 ¹	// €5.70 - €5.90	€5.94	✓

¹ Adjusted for the bonus element in the context of the discounted rights issue in June 2018

² Closing rates on June 30, 2018

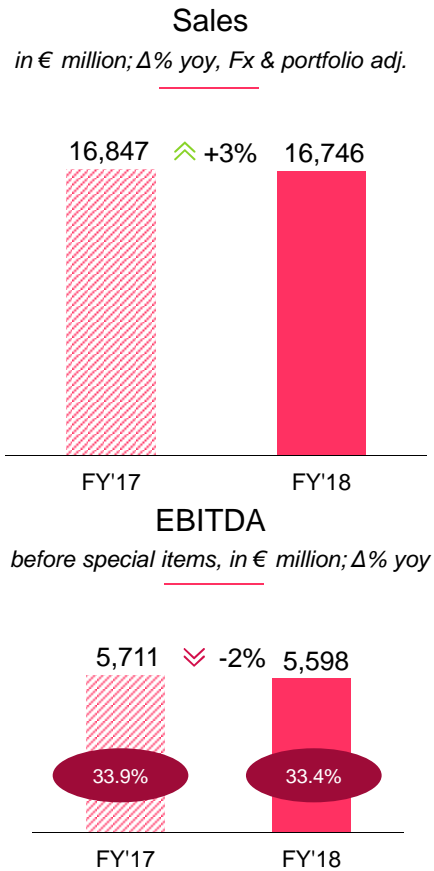


FY 2018 – Key Developments

- // Crop Science with successful closing of acquisition – strong start of integration
- // Pharmaceuticals driven by strong growth of Xarelto and Eylea
- // Consumer Health returned to growth in H2
- // Strong Free Cash Flow generation, net debt reduction €3bn ahead of target
- // Major efficiency and portfolio measures initiated
- // FY 2019 outlook and targets for 2022 confirmed



FY 2018 – Pharmaceuticals Driven by Xarelto & Eylea



// Volume +6% // Currency -4%
// Price -2% // Portfolio -0%

// Key growth products grew by 14%, top 15 products by 6%*
// Xarelto (+13%) & Eylea (+20%) with continued strong growth*

// New launches / indications for Xarelto (CAD/PAD), Vitrakvi (US), Jivi, Kovaltry (China) and Eylea (China DME & wAMD)
// Darolutamide with strong efficacy and safety data

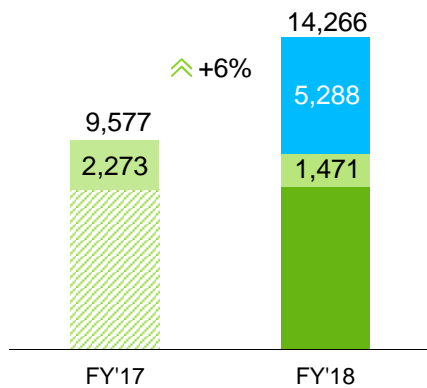
// EBITDA heavily impacted by negative Fx effects of €256m

● EBITDA Margin * $\Delta\%$ yoy, Fx & portfolio adj.

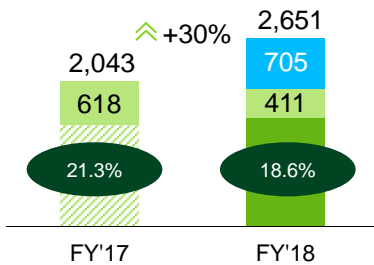


FY 2018 – Crop Science Global #1 in Agriculture

Sales
in € million; Δ% yoy, Fx & portfolio adj.



EBITDA
before special items, in € million; Δ% yoy



// Volume	+6%	// Currency	-4%
// Price	+0%	// Portfolio	+47%

// Positive sales development in Latin America (+17%), North America (+8%) and Asia/Pacific (+10%)*

// Herbicides, fungicides and insecticides sales grew after the normalization of inventories in Brazil

// Sales benefited from service agreements with BASF

// EBITDA benefits from acquisition, Fx with negative impact of €101m

● EBITDA Margin ■ Monsanto contribution since June 7 ■ BASF divestment *Δ% yoy, Fx & portfolio adj.



Update Glyphosate Litigation

// We are convinced of Glyphosate's safety profile

11 January 2019: Health Canada confirmed a re-evaluation decision on glyphosate in 2017:

“After a thorough scientific review, we have concluded that the concerns raised by the objectors could not be scientifically supported when considering the entire body of relevant data. (...) No pesticide regulatory authority in the world currently considers glyphosate to be a cancer risk to humans at the levels at which humans are currently exposed.”

14 January 2019: German Institute for Risk Assessment (BfR) on the independence of European institutions and the assessment procedure:

„The sole criterion for the consideration of study results is the scientific quality and evidence of the studies. Possible interests of the party commissioning the study, politics or other interest groups can not and must not play any role in a scientific assessment. For this reason, the BfR and European assessment authorities (...) validate the original listed studies.”

// Lawsuits from approx. 11,200 plaintiffs as of January 28

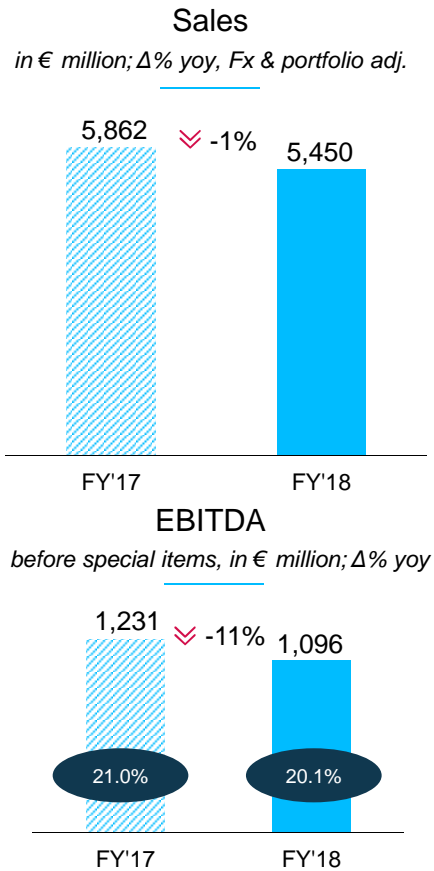
// Johnson trial: Appeal has been filed

// Hardeman trial started on February 25

// Currently 7 trials scheduled in 2019: 2 in Q1 (Hardeman trial and one more mid March), 2 in Q2 and 3 in H2



FY 2018 – Consumer Health Returned to Growth in H2



// Volume	-2%	// Currency	-6%
// Price	+1%	// Portfolio	-1%

- // Business with sales swing in H2 (+1%)*
- // Asia / Pacific (+4%) and Latin America (+4%) with growth*

// EBITDA decline driven by negative portfolio and Fx-effects of €82m as well as lower volumes

// Selling processes for Dr. Scholl's and Coppertone have started

● EBITDA Margin *Δ% yoy, Fx & portfolio adj.



Highlights FY 2018

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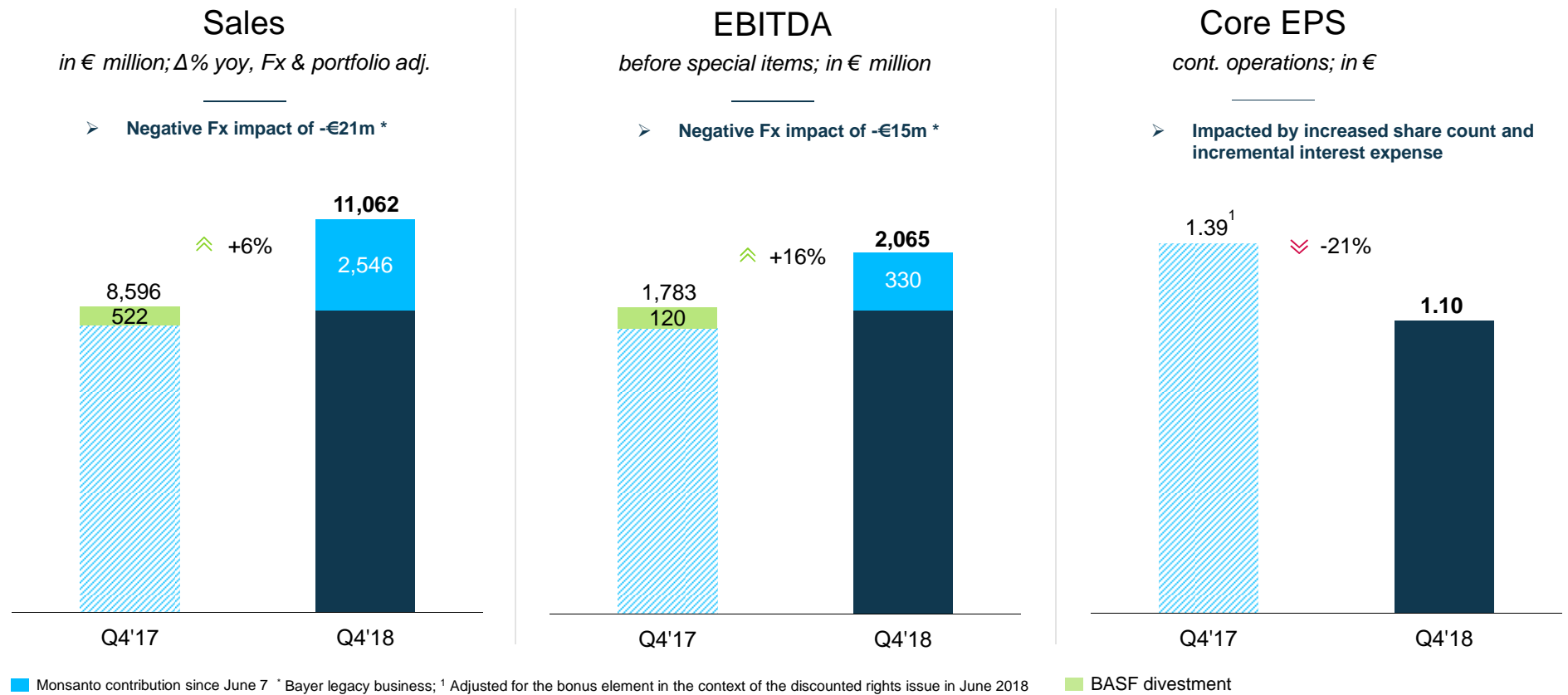
Focus Areas for 2019

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Q4 2018 – Sales & EBITDA Positively Impacted by Acquisition



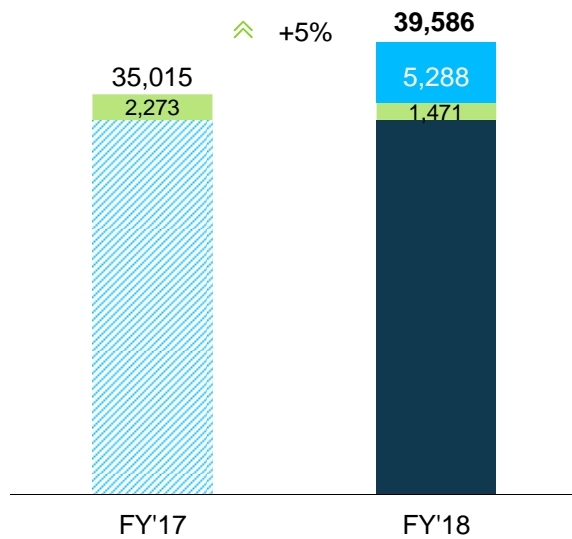


FY 2018 – All Targets Achieved

Sales

in € million; $\Delta\%$ yoy, Fx & portfolio adj.

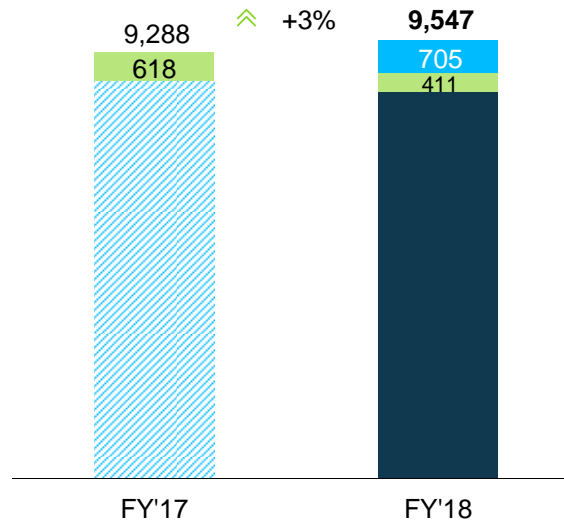
➤ Negative Fx impact of -€1,464m *



EBITDA

before special items; in € million

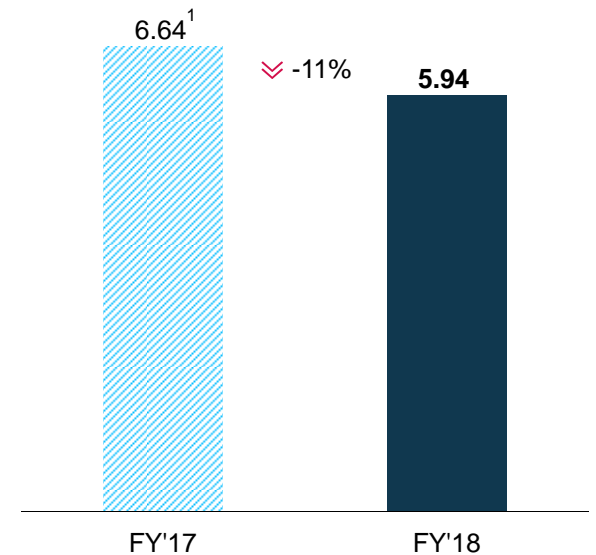
➤ Negative Fx impact of -€457m *



Core EPS

cont. operations; in €

➤ Impacted by increased share count and incremental interest expense

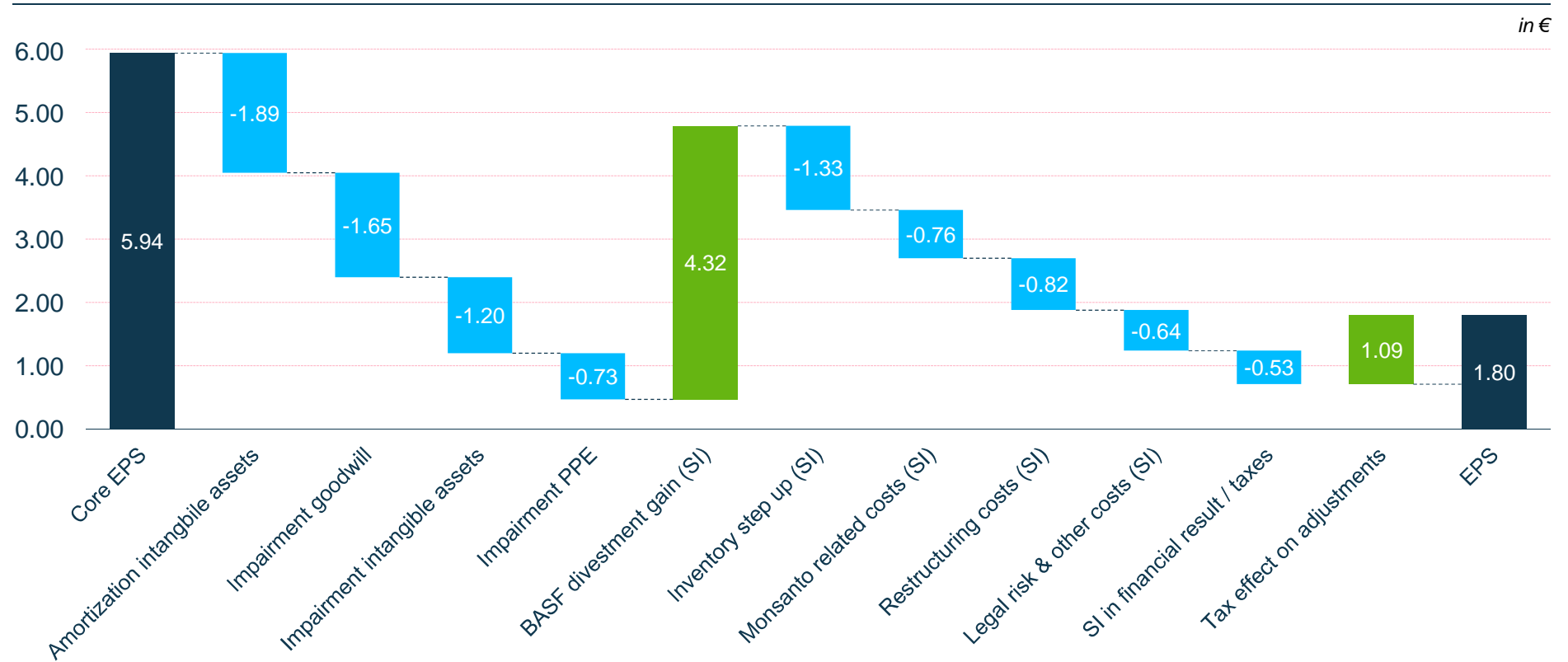


■ Monsanto contribution since June 7 * Bayer legacy business; ¹ Adjusted for the bonus element in the context of the discounted rights issue in June 2018

■ BASF divestment



FY 2018 – Reconciliation Core EPS to Reported EPS





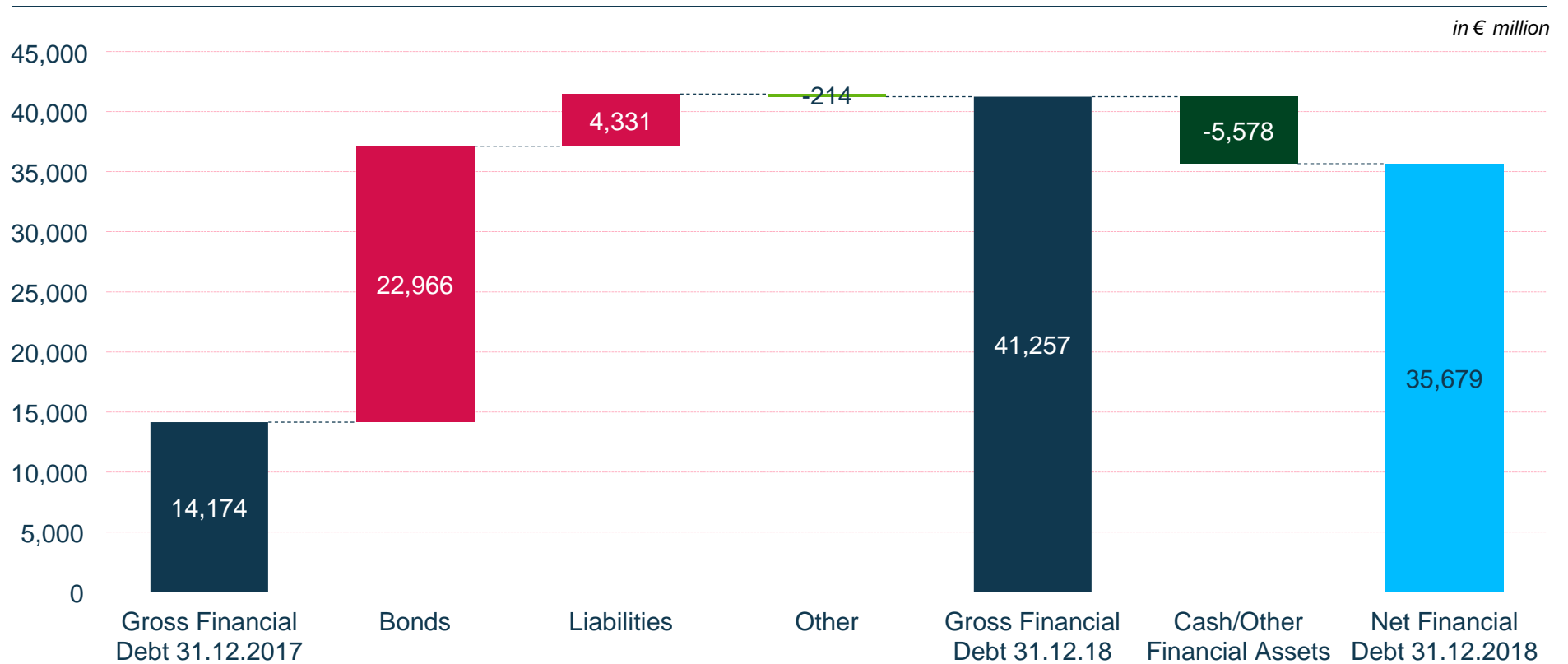
Strong Free Cash Flow Generation

	FY 2017	FY 2018
	€ million	€ million
Net cash provided by operating activities	6,611	7,917
Cash outflows for PPE and intangible assets	-2,083 ¹	-2,593
Interest and dividends received	168	247
Interest paid/received (incl. interest-rate swaps)	-732	-919
Free Cash Flow	3,964	4,652

¹ €2,366m - €283m (Covestro)



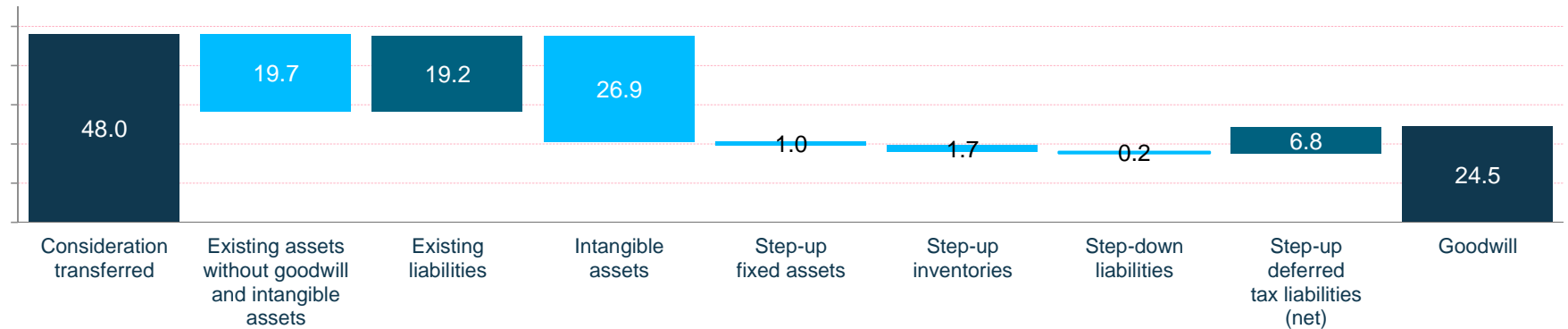
FY 2018 Net Financial Debt Better than Expected





Update Monsanto Purchase Price Allocation (PPA)

in € billion



- // Within the scope of the PPA review additional facts have been identified / were evaluated for the first time
- // Goodwill adjusted to €24.5bn (Q2 2018: €22.9bn)
- // Adjustments possible until June 7, 2019



FY 2018 Balance Sheet: Equity Ratio Still Solid

<i>In €bn</i>	31.12.2017	%	31.12.2018	%
Goodwill	14.8	20	38.1	30
Other non-current assets	30.2	40	57.2	45
Current assets	30.1	40	31.0	25
Total assets	75.1	100	126.3	100
Equity	36.9	49	46.1	37
Financial liabilities (current and non-current)	14.4	19	41.4	33
Other non-current liabilities	12.2	16	19.6	15
Other current liabilities	11.7	16	19.1	15
Total equity and liabilities	75.1	100	126.3	100



FY 2019 Guidance in Line with Prior Indication

Going concern, i.e. announced portfolio measures not included

	2018 ¹	Group Forecast 2019 (at constant currencies)	Δ 2019 – 2018
Sales	€39.6bn	~€46bn	+~16% (thereof +~12% portfolio)
EBITDA (before special items)	€9.5bn	~€12.2bn	+~28%
Core EPS	€5.94	~€6.80	+~14%

¹ Monsanto included since June 7 and assets divested to BASF included until August 2018



FY 2019 – Guidance by Segment

Going concern, i.e. announced portfolio measures not included

	Sales 2018	EBITDA-margin 2018 (before special items)	Sales Growth 2019 (cpa ²) (at constant currencies)	EBITDA-margin 2019 (before special items) (at constant currencies)
Pharma	// €16.7bn	// 33.4%	// ~4%	// ~34%
Consumer Health	// €5.5bn	// 20.1%	// ~1%	// ~21%
Crop Science	// €14.3bn ¹	// 18.6%	// ~4%	// ~25%
Animal Health	// €1.5bn	// 23.9%	// ~4%	// ~24%

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



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Focus Areas for 2019

Enhance Operating Performance and Drive Value Creation

1

Deliver on operational targets

2

Integrate Crop Science and further advance #1 industry platform

3

Execute efficiency improvement program and realize synergies

4

Continue vigorous defense in glyphosate litigation

5

Further strengthening of internal Pharma pipeline and intensify external sourcing of innovative technologies and assets

6

Drive performance improvement of Consumer Health



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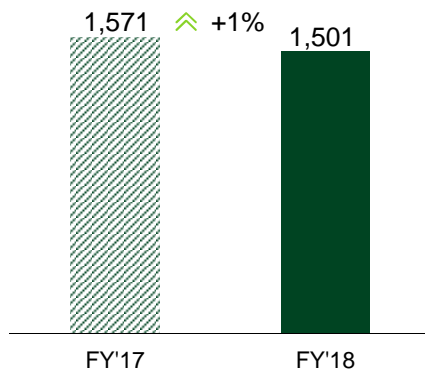
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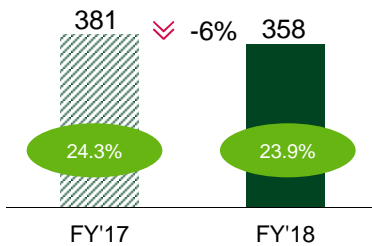


FY 2018 – Animal Health With Strong Finish in Q4

Sales
in € million; $\Delta\%$ yoy, Fx & portfolio adj.



EBITDA
before special items, in € million; $\Delta\%$ yoy



// Volume	+1%	// Currency	-5%
// Price	-0%	// Portfolio	0%

- // North America, Asia/Pacific and Latin America with positive development
- // Seresto with strong double-digit growth (+29%)*

// EBITDA negatively impacted by Fx effects and COGS

// Disposal process of Animal Health business initiated

● EBITDA Margin * $\Delta\%$ yoy, Fx & portfolio adj.

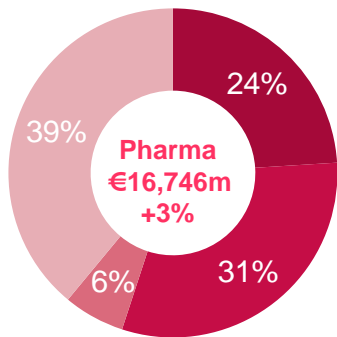


FY 2018 P&L: Key Developments

P&L	FY 2017	FY 2018	
	€ million	€ million	
EBITDA before special items	9,288	9,547	- Mainly BASF
Special item divestment gains	-	4,124	thereof - €1.3bn inventory step-up
Special item expenses	-725	-3,405	- €0.8bn restructuring measures - €0.6bn other expenses
Reported EBITDA	8,563	10,266	
Depreciation & Amortization	-2,660	-6,352	thereof - €2.7bn impairments Consumer Health
Reported EBIT	5,903	3,914	
Amortization and impairment losses / loss reversals on intangible assets	1,679	4,455	thereof - €0.6bn impairment of the factor VIII plant (Pharma)
Impairment losses / loss reversals on PPE and Other	84	683	
Special items (EBITDA)	725	-719	
Core EBIT	8,391	8,333	
Core financial result	-715	-1,273	- Excl. special charges of €323m mainly resulting from fair value change of Covestro shares
Core EBT	7,676	7,060	
Core taxes	-1,796	-1,454	
Core tax rate	23.4%	20.6%	- Core tax as guided (~21%), reported rate (26.2%) higher due to one-time effects from integration
Minorities	1	-17	
Core Net income	5,881	5,589	
No. of shares (m)	885.2	940.8	- Increase in weighted number of shares due to equity measures
Core EPS (€)	6.64	5.94	

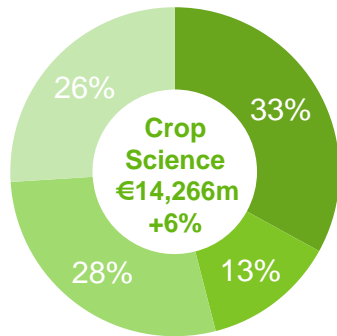
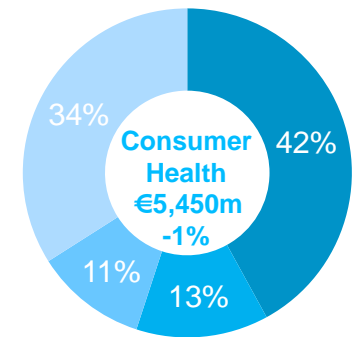


FY 2018 – Sales Breakdown by Region



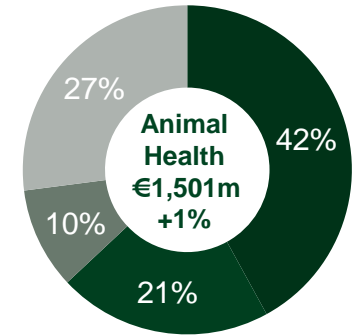
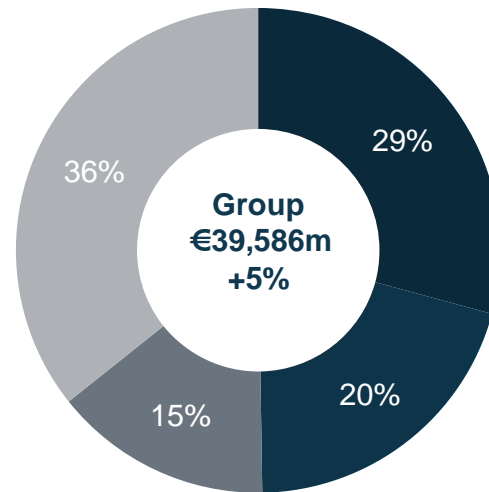
Europe / Middle East / Africa

North America



Latin America

Asia / Pacific

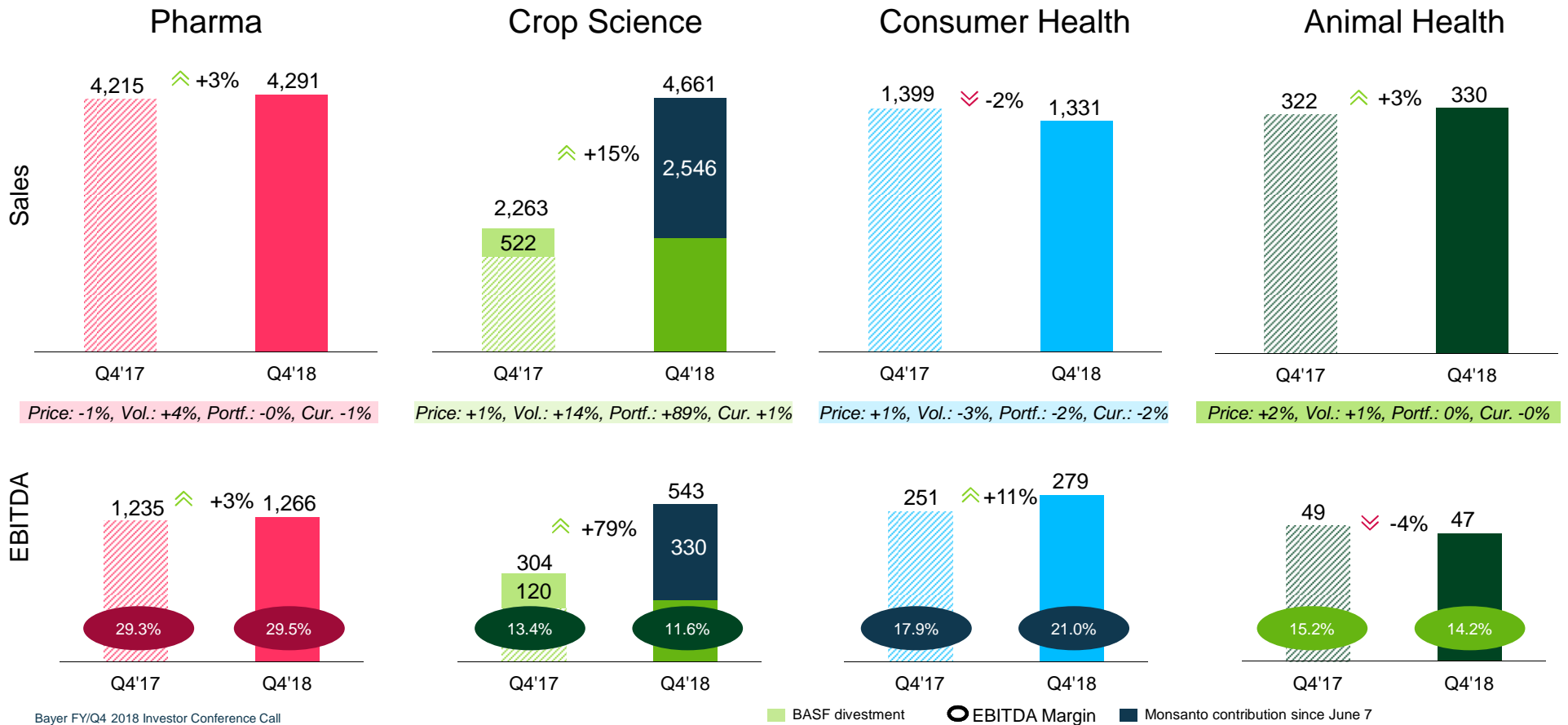


in € million; Δ% yoy, Fx & portfolio adj.



Q4 2018 – Segment Overview

Sales currency and portfolio adjusted, in € million; Δ% yoy; EBITDA before special items, in € million; Δ% yoy





Q4 2018 P&L: Key Developments

P&L	Q4 2017	Q4 2018	
	€ million	€ million	
EBITDA before special items	1,783	2,065	thereof - €0.6bn inventory step-up - €0.7bn restructuring measures - €0.6bn other expenses
Special item divestment gains	-	-	
Special item expenses	-323	-2,019	
Reported EBITDA	1,460	46	thereof - €2.7bn impairments Consumer Health
Depreciation & Amortization	-835	-4,188	
Reported EBIT	625	-4,142	thereof - €0.6bn impairment of factor VIII plant (Pharma)
Amortization and impairment losses / loss reversals on intangible assets	602	3,193	
Impairment losses / loss reversals on PPE and Other	16	664	
Special items (EBITDA)	323	2,019	
Core EBIT	1,566	1,734	- Excl. special charges of €323m mainly resulting from fair value change of Covestro shares
Core financial result	-8	-439	
Core EBT	1,558	1,295	
Core taxes	-322	-218	
Core tax rate	20.7%	16.8%	- Core tax rate lower than reported tax rate (19.5%) due to one-time effects from integration
Minorities	-2	-3	
Core Net income	1,234	1,074	
No. of shares (m)	885.6	980.2	- Increase in weighted number of shares due to equity measures
Core EPS (€)	1.39	1.10	



Fx-Sensitivity by Currency

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.

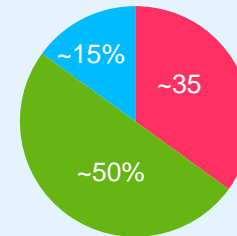
Sales	~ €340 million
USD	~41%
CNY	~9%
JPY	~6%
BRL	~9%
Others	~35%



Adj. EBITDA	~ €100 million *
USD	~25%
CNY	~13%
JPY	~6%
BRL	~14%
Others	~42%

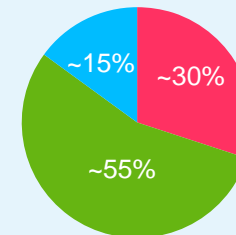


Share of 1% sensitivity Sales Fx by division



■ Pharmaceuticals ■ Cropsience ■ Consumer Health

Share of 1% sensitivity adj. EBITDA Fx by division



■ Pharmaceuticals ■ Cropsience ■ Consumer Health

Adj. EBITDA: EBITDA before special items; *) after hedging



2019 Guidance for other Key Data of the Group

At constant currencies

Special charges ¹	~€2.0 billion
R&D expenses	~€5.5 billion
Capital expenditures	~€2.9 billion
of which for intangible assets	~€0.8 billion
Depreciation and amortization	~€4.3 billion
of which for intangible assets	~€2.6 billion
Core financial result	-€1.8 billion
Core tax rate	~23.0%
Free Cashflow	~€3-4 billion
Net financial debt ²	~€36 billion

1) Mainly in connection with restructuring measures

2) Including ~€1bn lease liability due to IFRS 16



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