

# Q3

Quarterly Statement  
Third Quarter of 2020



## Challenging third quarter – Group outlook confirmed

- // Group sales decrease to €8.5 billion  
(Fx & portfolio adj. –5.1%)
- // EBITDA before special items falls 21.4%  
to €1.8 billion
- // Substantial decline in sales and earnings  
at Crop Science, heavily impacted by  
seasonal and currency effects
- // Pharmaceuticals business recovering –  
higher earnings but slightly lower sales
- // Strong performance at Consumer Health
- // Net loss of €2.7 billion – impairment  
charges at Crop Science, proceeds from  
divestment of Animal Health
- // Core earnings per share of €0.81  
(–30.2%)
- // Free cash flow of €1.2 billion (–2.1%)

## Bayer Group Key Data

€ million	Q3 2019	Q3 2020	Change %	9M 2019	9M 2020	Change %	Full Year 2019
<b>Sales</b>	9,830	8,506	-13.5	32,795	31,405	-4.2	43,545
Change (adjusted for currency and portfolio effects) <sup>1</sup>			-5.1			-0.1	+3.5%
<b>Change in sales<sup>1</sup></b>							
Volume	+3.7%	-1.6%		+2.8%	+2.2%		+2.6%
Price	+1.7%	-3.5%		+0.7%	-2.3%		+0.9%
Currency	+2.3%	-7.7%		+1.6%	-2.8%		+1.5%
Portfolio	-1.6%	-0.7%		+19.2%	-1.3%		+13.5%
<b>Sales by region</b>							
Europe/Middle East/Africa	2,943	2,705	-8.1	10,214	9,885	-3.2	13,185
North America	2,654	2,150	-19.0	11,695	11,325	-3.2	15,087
Asia/Pacific	2,096	1,955	-6.7	6,459	6,226	-3.6	8,610
Latin America	2,137	1,696	-20.6	4,427	3,969	-10.3	6,663
<b>EBITDA<sup>1</sup></b>	2,282	894	-60.8	7,535	(4,934)	.	9,529
Special items <sup>1</sup>	(3)	(901)		(1,463)	(14,003)		(1,945)
<b>EBITDA before special items<sup>1</sup></b>	2,285	1,795	-21.4	8,998	9,069	+0.8	11,474
EBITDA margin before special items <sup>1</sup>	23.2%	21.1%		27.4%	28.9%		26.3%
<b>EBIT<sup>1</sup></b>	1,208	(9,399)	.	3,773	(17,684)	.	4,162
Special items <sup>1</sup>	(13)	(10,181)		(1,891)	(23,331)		(2,813)
<b>EBIT before special items<sup>1</sup></b>	1,221	782	-36.0	5,664	5,647	-0.3	6,975
<b>Financial result</b>	(179)	(11)	-93.9	(931)	(939)	+0.9	(1,309)
<b>Net income (from continuing and discontinued operations)</b>	1,036	(2,744)	.	2,677	(10,803)	.	4,091
Earnings per share <sup>1</sup> from continuing and discontinued operations (€)	1.05	(2.79)	.	2.73	(11.00)	.	4.17
<b>Core earnings per share<sup>1</sup> from continuing operations (€)</b>	1.16	0.81	-30.2	5.09	5.07	-0.4	6.38
<b>Net cash provided by operating activities (from continuing and discontinued operations)</b>	2,282	1,967	-13.8	4,961	4,152	-16.3	8,207
<b>Free cash flow (from continuing and discontinued operations)</b>	1,263	1,237	-2.1	2,522	1,846	-26.8	4,214
<b>Net financial debt (at end of period)</b>	37,860	28,268	-25.3	37,860	28,268	-25.3	34,068
<b>Cash outflows for capital expenditures and intangible assets (from continuing and discontinued operations)</b>	729	549	-24.7	1,582	1,525	-3.6	2,650
<b>Research and development expenses</b>	1,281	3,366	+162.8	3,902	5,835	+49.5	5,301
<b>Depreciation, amortization and impairment losses/loss reversals</b>	1,073	10,293	.	3,761	12,750	.	5,367
<b>Number of employees<sup>2</sup> (at end of period)</b>	104,711	100,618	-3.9	104,711	100,618	-3.9	103,824
<b>Personnel expenses (including pension expenses)<sup>3</sup></b>	2,696	2,307	-14.4	8,812	7,490	-15.0	11,788

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."<sup>2</sup> Employees calculated as full-time equivalents (FTEs)<sup>3</sup> The decline in personnel expenses was primarily attributable to lower restructuring expenses and adjustments to provisions for variable compensation.

## Key Events

### **Bayer revises growth expectations and announces measures to accelerate transformation in increasingly challenging market environment**

In a news release published in late September, we confirmed our Group outlook for 2020 on a currency-adjusted basis but revised our growth expectations for 2021.

The direct and indirect effects of the COVID-19 pandemic are leading to reduced longer-term growth expectations in the agricultural industry in particular. This is compounded by in some cases significant negative currency effects and an adjustment to the cost of capital. As a result, we have had to take noncash impairment charges of €9.3 billion on various assets in our agricultural business, including goodwill.

In view of the reduced growth prospects in the Crop Science and Pharmaceuticals Divisions, we also announced plans to introduce additional operational savings of more than €1.5 billion annually as of 2024 as we look to further advance the company in this market environment while also accelerating its transformation. These plans will be implemented alongside the efficiency program announced in November 2018. The new measures, which may also lead to additional job reductions, are currently in the early stages of development. The incremental cash flow from these savings will mainly be allocated to investment in further innovation, profitable growth opportunities and debt reduction.

We are also reviewing options to exit non-strategic businesses or brands below the divisional level. We intend to leave our dividend policy, which delivers 30 to 40% of core earnings per share to stockholders each year, in place, with payouts in the coming years expected at the lower end of this corridor.

### **Litigations**

In connection with the glyphosate litigations, we intend to secure a separate class settlement agreement between Monsanto and plaintiffs' counsel to address potential future Roundup™ litigation, as previously reported. After Judge Chhabria issued a pre-trial order in early July raising concerns about certain aspects of the class settlement agreement and stating that he was tentatively inclined to deny the motion, the parties subsequently withdrew their motion and are working to comprehensively address the court's questions in a revised issue class proposal. The company intends to make an additional payment to support this agreement.

In August, we announced that we had reached agreements with plaintiff law firms to resolve approximately 90% of the nearly 39,000 total filed and unfiled U.S. Essure™ claims involving women who allege device-related injuries. We will pay approximately US\$1.6 billion to resolve these claims, including an allowance for outstanding claims, and are in resolution discussions with counsel for the remaining plaintiffs. 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 where no amicable resolution can be achieved.

### **Portfolio changes**

At the end of July, we signed an agreement to acquire a majority stake in Noho Health Inc. ("Care/of"), New York, United States. Care/of offers consumers a personalized regimen of nutritional supplements that is based on an individual health questionnaire and a special algorithm. This majority stake will strengthen Consumer Health's presence in the area of personalized nutrition, as well as advance our digital competencies. Under the terms of the agreement, we will pay a total of US\$135 million. Additional success-based milestone payments totaling US\$10 million have also been agreed. In addition, we have secured the option to buy the remaining shares in the company. The transaction, which is subject to regulatory approval, is expected to close before the end of the year.

In early August, we completed the sale of our Animal Health business unit to Elanco Animal Health Incorporated, Greenfield, United States. The divestment resulted in approximately 4,400 employees transferring to Elanco. The preliminary sale price amounted to US\$6.9 billion, comprising a cash component and an equity component. The equity component consisted of approximately 72.9 million shares of Elanco common stock, corresponding to 15.5% of the company's outstanding stock. The provisional divestment proceeds amounted to €5,239 million.

In September, we completed the acquisition of British biotech company KaNDy Therapeutics Ltd. to expand our drug development pipeline in women's healthcare. KaNDy Therapeutics recently completed Phase IIb with NT-814, an innovative, non-hormonal oral compound for the treatment of the most frequent symptoms of menopause with the publication of positive data. Under the terms of the agreement, we will pay an upfront consideration of US\$425 million along with potential milestone payments of up to US\$450 million until launch, followed by potential additional sales milestone payments in the triple-digit millions.

In October, we announced the acquisition of Asklepios BioPharmaceutical, Inc. (AskBio), a U.S.-headquartered company specialized in the research, development and manufacturing of gene therapies across different therapeutic areas. The acquisition fuels our cell and gene therapy platform with potential to bring urgently needed treatments to patients across multiple disease areas with high unmet need. AskBio's portfolio includes investigational pre-clinical and clinical stage development candidates for the treatment of neuromuscular, central nervous system, cardiovascular and metabolic diseases. Under the terms of the agreement, we will pay an upfront consideration of US\$2 billion and potential success-based milestone payments of up to US\$2 billion. Closing of the transaction is contingent on the receipt of regulatory approvals and is expected to take place in the fourth quarter of 2020.

## **Innovation and product registration**

In October, we presented detailed results of the Phase III FIDELIO-DKD study involving finerenone at the American Society of Nephrology's (ASN) Kidney Week 2020 meeting. Finerenone is a first-in-class investigational non-steroidal, selective mineralocorticoid receptor antagonist that demonstrated renal and cardiovascular benefits in patients with chronic kidney disease (CKD) and type 2 diabetes (T2D). FIDELIO-DKD is the first large contemporary positive outcomes study in patients with CKD and T2D with a primary composite endpoint consisting exclusively of kidney-specific outcomes. The study met both its composite primary renal endpoint and its composite key secondary cardiovascular endpoint. The results were published in the New England Journal of Medicine.

In October, the U.S. Environmental Protection Agency (EPA) announced a new five-year registration for our dicamba-based XtendiMax™ herbicide with VaporGrip™ Technology, an important weed-control tool for many U.S. growers. The new EPA registration for XtendiMax™ herbicide follows our recent launch announcement for XtendFlex™ soybeans, which brings additional yield potential and weed-control flexibility to the Roundup Ready™ Xtend Crop System.

## **Sustainability**

In late August, the independent Science Based Targets initiative (SBTi) confirmed that, after having reviewed our climate protection targets, we are playing our part in limiting global warming to 1.5°C, in line with the requirements of the Paris Climate Agreement. By 2029, we aim to reduce our direct and indirect CO<sub>2</sub> emissions (Scope 1 and 2) by 42% compared to the 2019 baseline. We are also planning to introduce additional climate protection measures on top of the targets that have received SBTi confirmation.

## **Contract extension**

In September, the Supervisory Board of Bayer AG unanimously decided to extend the contract of Werner Baumann, Chairman of the Board of Management, until April 30, 2024. Before the extension, Baumann's contract would have expired at the 2021 Annual Stockholders' Meeting.

## Earnings Performance of the Bayer Group<sup>1</sup>

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 third quarter is provided on pages 20-22 ("Modified Value Flow Concept").

### Third quarter of 2020

#### Group sales

Group sales in the third quarter of 2020 fell by 5.1% (Fx & portfolio adj.) to €8,506 million (reported: – 13.5%). Germany accounted for €428 million of this figure.

Sales at Crop Science declined by 11.6% (Fx & portfolio adj.) to €3,028 million, with business down in North America in particular. By contrast, sales advanced in Asia/Pacific. Sales at Pharmaceuticals declined by 1.8% (Fx & portfolio adj.) to €4,229 million, with effects from the implementation of new tender procedures in China partly offset by growth in other areas. Sales at Consumer Health increased by 6.2% (Fx & portfolio adj.) to €1,205 million, thanks mainly to continued strong demand in the Nutritionals category.

#### EBITDA before special items

Group EBITDA before special items fell by 21.4% to €1,795 million. This figure included a negative currency effect of €205 million. At Crop Science, EBITDA before special items came in at minus €34 million, mainly due to the decline in sales in North America. At Pharmaceuticals, EBITDA before special items advanced by 0.9% to €1,515 million, thanks in particular to stringent cost management. EBITDA before special items at Consumer Health rose by 12.3% to €301 million thanks primarily to the positive business performance.

#### Depreciation, amortization and impairments

Depreciation, amortization and impairment losses amounted to €10,293 million (Q3 2019: €1,073 million), with intangible assets accounting for €9,883 million (Q3 2019: €630 million) and property, plant and equipment for €410 million (Q3 2019: €443 million). Impairment losses, net of impairment loss reversals, amounted to €9,283 million (Q3 2019: €36 million), including €9,251 million (Q3 2019: €34 million) on intangible assets, of which €2,238 million was on goodwill. The impairment losses were primarily attributable to the Crop Science Division and concerned the strategic business entities Corn Seed & Traits, Soybean Seeds & Traits, Herbicides and Vegetable Seeds, as well as the canola business (reported under "Other"). These impairments were driven by reduced growth expectations in the agricultural industry, especially in North and Latin America. Significant negative currency effects as well as an increase in the weighted average cost of capital also had a negative impact.

Impairment losses of €9,279 million (Q3 2019: €7 million), net of impairment loss reversals, and accelerated depreciation of €1 million (Q3 2019: €0 million) were included in special items.

#### EBIT and special items

EBIT of the Bayer Group came in at minus €9,399 million (Q3 2019: €1,208 million). This figure included net special charges of €10,181 million (Q3 2019: €13 million) that mainly resulted from the aforementioned impairment charges on Crop Science assets and additions to provisions in connection with potential future Roundup™ litigation as part of the glyphosate litigations. Other special charges pertained to the ongoing restructuring program and litigations at Pharmaceuticals. EBIT before special items declined by 36.0% to €782 million (Q3 2019: €1,221 million).

<sup>1</sup> For definition of alternative performance measures see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

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

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### Special Items by Category<sup>1</sup>

€ million	EBIT Q3 2019	EBIT Q3 2020	EBIT 9M 2019	EBIT 9M 2020	EBITDA Q3 2019	EBITDA Q3 2020	EBITDA 9M 2019	EBITDA 9M 2020
<b>Total special items</b>	<b>(13)</b>	<b>(10,181)</b>	<b>(1,891)</b>	<b>(23,331)</b>	<b>(3)</b>	<b>(901)</b>	<b>(1,463)</b>	<b>(14,003)</b>
<b>Crop Science</b>	<b>(106)</b>	<b>(9,983)</b>	<b>(822)</b>	<b>(20,474)</b>	<b>(106)</b>	<b>(692)</b>	<b>(821)</b>	<b>(11,080)</b>
<b>Pharmaceuticals</b>	<b>(63)</b>	<b>(36)</b>	<b>(65)</b>	<b>(1,574)</b>	<b>(63)</b>	<b>(36)</b>	<b>(65)</b>	<b>(1,588)</b>
<b>Consumer Health</b>	<b>317</b>	<b>(7)</b>	<b>(178)</b>	<b>25</b>	<b>326</b>	<b>(7)</b>	<b>248</b>	<b>(29)</b>
<b>Reconciliation</b>	<b>(161)</b>	<b>(155)</b>	<b>(826)</b>	<b>(1,308)</b>	<b>(160)</b>	<b>(166)</b>	<b>(825)</b>	<b>(1,306)</b>
<b>Special items by category</b>								
Restructuring	(215)	(133)	(856)	(500)	(215)	(145)	(857)	(513)
of which in the Reconciliation	(154)	(128)	(770)	(441)	(153)	(140)	(769)	(440)
Acquisition / integration	(37)	(55)	(641)	(211)	(36)	(42)	(640)	(198)
of which in the Reconciliation	(2)	(2)	(16)	(2)	(2)	(1)	(16)	(1)
Divestments	352	(21)	265	(42)	351	(21)	265	(42)
of which in the Reconciliation	–	(21)	–	(34)	–	(21)	–	(34)
Litigations / legal risks	(104)	(717)	(232)	(13,136)	(104)	(717)	(232)	(13,136)
of which in the Reconciliation	(5)	(4)	(40)	(831)	(5)	(4)	(40)	(831)
Impairment losses / loss reversals <sup>2</sup>	(9)	(9,255)	(427)	(9,442)	1	24	1	(114)

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

<sup>2</sup> Where not already included in the other special items categories

### Income from discontinued operations after income taxes

Income from discontinued operations after income taxes amounted to €4,958 million (Q3 2019: €46 million) and was attributable to Animal Health and final purchase price adjustments from the divestment of the Currenta Group. Animal Health generated sales of €166 million until its deconsolidation on August 1. The provisional divestment proceeds amounted to €5,239 million.

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### Income Statements for Discontinued Operations

€ million	Currenta		Animal Health		Total	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020
<b>Net sales</b>	<b>318</b>	<b>–</b>	<b>343</b>	<b>166</b>	<b>661</b>	<b>166</b>
Cost of goods sold	(238)	–	(117)	(60)	(355)	(60)
<b>Gross profit</b>	<b>80</b>	<b>–</b>	<b>226</b>	<b>106</b>	<b>306</b>	<b>106</b>
Selling expenses	(3)	–	(114)	(56)	(117)	(56)
Research and development expenses	1	–	(38)	(10)	(37)	(10)
General administration expenses	(14)	–	(43)	(24)	(57)	(24)
Other operating income / expenses	(7)	20	(1)	5,299	(8)	5,319
<b>EBIT<sup>1</sup></b>	<b>57</b>	<b>20</b>	<b>30</b>	<b>5,315</b>	<b>87</b>	<b>5,335</b>
<b>Financial result</b>	<b>(5)</b>	<b>(1)</b>	<b>(2)</b>	<b>(1)</b>	<b>(7)</b>	<b>(2)</b>
<b>Income before income taxes</b>	<b>52</b>	<b>19</b>	<b>28</b>	<b>5,314</b>	<b>80</b>	<b>5,333</b>
Income taxes	(12)	(2)	(22)	(373)	(34)	(375)
<b>Income after income taxes</b>	<b>40</b>	<b>17</b>	<b>6</b>	<b>4,941</b>	<b>46</b>	<b>4,958</b>
of which attributable to noncontrolling interest	3	–	–	–	3	–
<b>of which attributable to Bayer AG stockholders (net income)</b>	<b>37</b>	<b>17</b>	<b>6</b>	<b>4,941</b>	<b>43</b>	<b>4,958</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

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**Income Statements for Discontinued Operations**

€ million	Currenta		Animal Health		Total	
	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020
<b>Net sales</b>	<b>978</b>	<b>-</b>	<b>1,218</b>	<b>1,150</b>	<b>2,196</b>	<b>1,150</b>
Cost of goods sold	(795)	-	(365)	(333)	(1,160)	(333)
<b>Gross profit</b>	<b>183</b>	<b>-</b>	<b>853</b>	<b>817</b>	<b>1,036</b>	<b>817</b>
Selling expenses	(8)	-	(393)	(342)	(401)	(342)
Research and development expenses	-	-	(102)	(77)	(102)	(77)
General administration expenses	(32)	-	(85)	(127)	(117)	(127)
Other operating income / expenses	(11)	20	(7)	5,308	(18)	5,328
<b>EBIT<sup>1</sup></b>	<b>132</b>	<b>20</b>	<b>266</b>	<b>5,579</b>	<b>398</b>	<b>5,599</b>
<b>Financial result</b>	<b>(44)</b>	<b>(1)</b>	<b>(3)</b>	<b>(7)</b>	<b>(47)</b>	<b>(8)</b>
<b>Income before income taxes</b>	<b>88</b>	<b>19</b>	<b>263</b>	<b>5,572</b>	<b>351</b>	<b>5,591</b>
Income taxes	(27)	(2)	(81)	(440)	(108)	(442)
<b>Income after income taxes</b>	<b>61</b>	<b>17</b>	<b>182</b>	<b>5,132</b>	<b>243</b>	<b>5,149</b>
of which attributable to noncontrolling interest	-	-	-	-	-	-
<b>of which attributable to Bayer AG stockholders (net income)</b>	<b>61</b>	<b>17</b>	<b>182</b>	<b>5,132</b>	<b>243</b>	<b>5,149</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."**Net income**

After a financial result of minus €11 million (Q3 2019: minus €179 million), income before income taxes amounted to minus €9,410 million (Q3 2019: plus €1,029 million). The financial result mainly comprised income of €339 million from investments in affiliated companies (Q3 2019: €221 million), net interest expense of €274 million (Q3 2019: €333 million) and interest cost of €26 million (Q3 2019: €64 million) for pension and other provisions. The financial result included net special gains of €364 million (Q3 2019: €276 million) that mainly resulted from changes in the fair value of our interests in Elanco and Covestro. Including income from income taxes of €1,705 million (Q3 2019: income tax expense of €31 million) and accounting for noncontrolling interest, net income in the third quarter of 2020 came in at minus €2,744 million (Q3 2019: plus €1,036 million).

**Core earnings per share**

Core earnings per share from continuing operations fell by 30.2% to €0.81 (Q3 2019: €1.16), due mainly to the sharp decline in earnings at Crop Science. Earnings per share (total) decreased to minus €2.79 in the third quarter of 2020 (Q3 2019: €1.05), primarily due to the aforementioned impairment charges on Crop Science assets, including goodwill. This effect was partly offset by the proceeds from the divestment of the Animal Health business unit.

**Core Earnings per Share<sup>1</sup>**

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
<b>EBIT (as per income statements)</b>	<b>1,208</b>	<b>(9,399)</b>	<b>3,773</b>	<b>(17,684)</b>
Amortization and impairment losses/loss reversals on goodwill and other intangible assets	630	9,883	2,403	11,316
Impairment losses/loss reversals on property, plant and equipment, and accelerated depreciation included in special items	3	35	8	139
Special items (other than accelerated depreciation, amortization and impairment losses/loss reversals)	3	900	1,463	14,003
<b>Core EBIT</b>	<b>1,844</b>	<b>1,419</b>	<b>7,647</b>	<b>7,774</b>
Financial result (as per income statements)	(179)	(11)	(931)	(939)
Special items in the financial result <sup>2</sup>	(276)	(364)	(278)	(272)
Income taxes (as per income statements)	(31)	1,705	(400)	2,676
Special items in income taxes	-	-	-	-
Tax effects related to amortization, impairment losses/loss reversals and special items	(217)	(1,947)	(1,031)	(4,240)
Income after income taxes attributable to noncontrolling interest (as per income statements)	(8)	3	(8)	(5)
Above-mentioned adjustments attributable to noncontrolling interest	2	(11)	(3)	(12)
<b>Core net income from continuing operations</b>	<b>1,135</b>	<b>794</b>	<b>4,996</b>	<b>4,982</b>
Shares (million)				
Weighted average number of shares	982.43	982.42	981.45	982.42
€				
<b>Core earnings per share from continuing operations</b>	<b>1.16</b>	<b>0.81</b>	<b>5.09</b>	<b>5.07</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."<sup>2</sup> Primarily comprising changes in the fair value of our interests in Elanco and Covestro



## Business Development by Division

### Crop Science

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#### Key Data – Crop Science

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
<b>Sales</b>	<b>3,948</b>	<b>3,028</b>	<b>-23.3</b>	<b>-11.6</b>	<b>15,180</b>	<b>14,664</b>	<b>-3.4</b>	<b>+0.4</b>
<b>Change in sales<sup>1</sup></b>								
Volume	+ 1.0%	- 10.3%			+ 0.5%	+ 0.8%		
Price	+ 3.8%	- 1.3%			+ 2.1%	- 0.4%		
Currency	+ 3.1%	- 11.7%			+ 1.5%	- 3.8%		
Portfolio	- 2.1%	0.0%			+ 53.9%	0.0%		
<b>Sales by region</b>								
Europe / Middle East / Africa	733	656	- 10.5	- 4.4	3,589	3,508	- 2.3	0.0
North America	1,061	598	- 43.6	- 40.8	6,982	6,812	- 2.4	- 4.2
Asia / Pacific	418	427	+ 2.2	+ 8.9	1,339	1,418	+ 5.9	+ 9.7
Latin America	1,736	1,347	- 22.4	- 1.6	3,270	2,926	- 10.5	+ 6.9
<b>EBITDA<sup>1</sup></b>	<b>394</b>	<b>(726)</b>	.	.	<b>3,044</b>	<b>(7,138)</b>	.	.
Special items <sup>1</sup>	(106)	(692)			(821)	(11,080)		
<b>EBITDA before special items<sup>1</sup></b>	<b>500</b>	<b>(34)</b>	.	.	<b>3,865</b>	<b>3,942</b>	<b>+ 2.0</b>	
EBITDA margin before special items <sup>1</sup>	12.7%	- 1.1%			25.5%	26.9%		
<b>EBIT<sup>1</sup></b>	<b>(286)</b>	<b>(10,620)</b>	.	.	<b>986</b>	<b>(18,720)</b>	.	.
Special items <sup>1</sup>	(106)	(9,983)			(822)	(20,474)		
<b>EBIT before special items<sup>1</sup></b>	<b>(180)</b>	<b>(637)</b>	.	.	<b>1,808</b>	<b>1,754</b>	<b>- 3.0</b>	
<b>Net cash provided by operating activities</b>	<b>1,112</b>	<b>900</b>	<b>- 19.1</b>		<b>1,499</b>	<b>676</b>	<b>- 54.9</b>	
Capital expenditures	299	214	- 28.4		719	699	- 2.8	
Research and development expenses	540	2,664	.		1,680	3,735	+ 122.3	

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

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

#### Third quarter of 2020

##### Sales

Sales at Crop Science declined by 11.6% (Fx & portfolio adj.) to €3,028 million in the third quarter of 2020. Business was down in North America in particular due to high product returns at the end of the season and lower license revenues compared with the prior year. By contrast, sales increased in the Asia/Pacific region.

- // Sales at **Corn Seed & Traits** decreased significantly. We recorded substantial declines in North America in particular due to higher product returns and lower license revenues arising from lower than anticipated planted acreages this year. In addition, the prior-year period had benefited from lower than anticipated product returns.
- // We registered significant declines at **Herbicides** compared with the strong prior-year quarter. Business was primarily down in the North America region, where sales in the prior year had shifted into the third quarter due to extreme weather conditions in the first half of the year. Sales in the third quarter of this year were also down in Europe/Middle East/Africa due to the loss of registrations and shifts in demand into the fourth quarter. By contrast, business was up in the Asia/Pacific region.
- // Sales at **Fungicides** rose across all regions due to higher volumes. In Latin America, we primarily benefited from the market switching to Fox Xpro™ in Brazil, while growth in the Asia/Pacific region was driven by favorable weather conditions in Australia.
- // Sales at **Soybean Seed & Traits** were level with the prior-year period, with growth in Latin America offsetting lower volumes in North America.
- // We registered a slight decrease in sales at **Insecticides**, particularly in Latin and North America. Higher sales in Asia/Pacific, especially of Vayego™, could not fully offset this effect.

- // Sales at **Environmental Science** advanced year on year. Our consumer business recorded substantial gains due to favorable weather, especially in North America. We also expanded our business with professional users.
- // Sales at **Vegetable Seeds** declined year on year, with business down in North and Latin America in particular.
- // Sales at the reporting unit **Other** were down overall. Cotton seed sales showed a marked decrease due to higher product returns and lower license revenues as a result of a decline in acreages.

A6

### Sales by Strategic Business Entity

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
<b>Crop Science</b>	<b>3,948</b>	<b>3,028</b>	<b>-23.3</b>	<b>-11.6</b>	<b>15,180</b>	<b>14,664</b>	<b>-3.4</b>	<b>+0.4</b>
Corn Seed & Traits	749	392	-47.7	-39.9	4,064	3,990	-1.8	-1.0
Herbicides	1,184	922	-22.1	-12.7	3,894	3,666	-5.9	-1.0
Fungicides	572	537	-6.1	+12.0	1,930	1,970	+2.1	+9.9
Soybean Seed & Traits	447	351	-21.5	+0.2	1,532	1,451	-5.3	0.0
Insecticides	344	290	-15.7	-2.5	1,068	1,058	-0.9	+5.7
Environmental Science	221	254	+14.9	+23.6	759	833	+9.7	+12.0
Vegetable Seeds	186	148	-20.4	-16.0	532	461	-13.3	-11.5
Other	245	134	-45.3	-37.0	1,401	1,235	-11.8	-9.7

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

<sup>1</sup> 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 decreased to minus €34 million in the third quarter of 2020 (Q3 2019: €500 million). The decline was mainly due to the decrease in sales in North America. Earnings were primarily diminished by the aforementioned developments relating to product returns. There was also a negative currency effect of €123 million. By contrast, earnings benefited from lower expenses thanks to the accelerated realization of cost synergies as we progress with the integration of the acquired businesses and from cost savings in connection with COVID-19.

**EBIT** amounted to minus €10,620 million (Q3 2019: minus €286 million) after net special charges of €9,983 million (Q3 2019: €106 million) that mainly comprised the aforementioned noncash impairment charges taken on various assets, including goodwill. Other special charges arose from additions to provisions in connection with potential future Roundup™ litigation as part of the glyphosate litigations, and from the integration of the acquired agriculture business.

A7

### Special Items<sup>1</sup> Crop Science

€ million	EBIT Q3 2019	EBIT Q3 2020	EBIT 9M 2019	EBIT 9M 2020	EBITDA Q3 2019	EBITDA Q3 2020	EBITDA 9M 2019	EBITDA 9M 2020
Restructuring	(1)	-	(1)	-	(1)	-	(1)	-
Acquisition/integration	(35)	(53)	(625)	(209)	(34)	(41)	(624)	(197)
Divestments	2	-	(53)	(8)	1	-	(53)	(8)
Litigations/legal risks	(72)	(676)	(143)	(10,762)	(72)	(676)	(143)	(10,762)
Impairment losses/loss reversals	-	(9,254)	-	(9,495)	-	25	-	(113)
<b>Total special items</b>	<b>(106)</b>	<b>(9,983)</b>	<b>(822)</b>	<b>(20,474)</b>	<b>(106)</b>	<b>(692)</b>	<b>(821)</b>	<b>(11,080)</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

## Pharmaceuticals

A8

### Key Data – Pharmaceuticals

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
<b>Sales</b>	<b>4,504</b>	<b>4,229</b>	<b>-6.1</b>	<b>-1.8</b>	<b>13,280</b>	<b>12,767</b>	<b>-3.9</b>	<b>-2.2</b>
<b>Change in sales<sup>1</sup></b>								
Volume	+ 6.0%	+ 4.9%			+ 5.4%	+ 3.7%		
Price	- 0.1%	- 6.7%			- 0.4%	- 5.9%		
Currency	+ 2.3%	- 4.3%			+ 1.7%	- 1.7%		
Portfolio	0.0%	0.0%			- 0.1%	0.0%		
<b>Sales by region</b>								
Europe/Middle East/Africa	1,701	1,669	- 1.9	+ 0.8	5,071	5,022	- 1.0	+ 0.2
North America	1,060	1,010	- 4.7	- 0.4	2,969	2,880	- 3.0	- 2.7
Asia/Pacific	1,502	1,350	- 10.1	- 7.0	4,530	4,241	- 6.4	- 5.9
Latin America	241	200	- 17.0	+ 6.5	710	624	- 12.1	+ 5.9
<b>EBITDA<sup>1</sup></b>	<b>1,439</b>	<b>1,479</b>	<b>+ 2.8</b>		<b>4,395</b>	<b>2,889</b>	<b>- 34.3</b>	
Special items <sup>1</sup>	(63)	(36)			(65)	(1,588)		
<b>EBITDA before special items<sup>1</sup></b>	<b>1,502</b>	<b>1,515</b>	<b>+ 0.9</b>		<b>4,460</b>	<b>4,477</b>	<b>+ 0.4</b>	
EBITDA margin before special items <sup>1</sup>	33.3%	35.8%			33.6%	35.1%		
<b>EBIT<sup>1</sup></b>	<b>1,225</b>	<b>1,235</b>	<b>+ 0.8</b>		<b>3,626</b>	<b>2,159</b>	<b>- 40.5</b>	
Special items <sup>1</sup>	(63)	(36)			(65)	(1,574)		
<b>EBIT before special items<sup>1</sup></b>	<b>1,288</b>	<b>1,271</b>	<b>- 1.3</b>		<b>3,691</b>	<b>3,733</b>	<b>+ 1.1</b>	
<b>Net cash provided by operating activities</b>	<b>1,428</b>	<b>1,318</b>	<b>- 7.7</b>		<b>3,417</b>	<b>2,806</b>	<b>- 17.9</b>	
Capital expenditures	211	240	+ 13.7		426	547	+ 28.4	
Research and development expenses	670	646	- 3.6		2,036	1,927	- 5.4	

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

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

### Third quarter of 2020

#### Sales

Sales at Pharmaceuticals declined by 1.8% (Fx & portfolio adj.) in the third quarter of 2020 to €4,229 million (Q3 2019: €4,504 million). In China, the negative effects from the implementation of new tender procedures for the products Glucobay™ and Avelox™ were partly offset by strong volume increases for Glucobay™ and sales gains for other products. The modest signs of recovery from the global impact of COVID-19 which had already become apparent toward the end of the previous quarter largely continued, especially in ophthalmology and women's health. Sales in the radiology business were down slightly year on year, with the continuing adherence to stricter hygiene measures slowing down patient processing in some cases.

- // We registered a strong increase in sales of our oral anticoagulant **Xarelto™**, largely as a result of higher volumes in China, Germany and Russia. License revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson, were down slightly year on year due to currency effects.
- // Sales of our ophthalmology drug **Eylea™** continued to edge higher against the previous year, driven once again by the launch of Eylea™ prefilled syringes and strong demand in China. Despite sales recovering slightly from the previous quarter, growth in Europe continued to be held back by negative factors related to COVID-19.
- // Sales of our cancer drug **Nexavar™** fell substantially, mainly due to a decline in volumes in the United States as a result of strong competition.
- // We registered significant sales gains for **Aspirin™ Cardio**, our product for secondary prevention of heart attacks, that were mainly attributable to a sharp increase in demand in China.

- // Our cancer drug **Stivarga™** continued to deliver substantial sales gains, especially in the United States. Among other factors, sales benefited from the product's oral administration, enabling treatment to continue outside of hospitals and doctor's offices during the ongoing pandemic. We also considerably expanded our business in China.
- // We posted an encouraging increase in sales of our pulmonary hypertension treatment **Adempas™**, 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 cancer drug **Xofigo™** decreased significantly, especially in the United States. Business was weighed down by restrictions related to COVID-19, among other factors.

A9

### Best-Selling Pharmaceuticals Products

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
Xarelto™	1,034	1,131	+9.4	+13.8	2,978	3,303	+10.9	+13.0
Eylea™	640	638	-0.3	+2.2	1,827	1,799	-1.5	-1.0
Mirena™ / Kyleena™ / Jaydess™	302	289	-4.3	+0.9	921	793	-13.9	-12.4
Kogenate™ / Kovaltry™ / Jivi™	226	208	-8.0	-5.4	660	650	-1.5	-1.5
YAZ™ / Yasmin™ / Yasminelle™	183	167	-8.7	-1.4	509	502	-1.4	+2.2
Nexavar™	181	148	-18.2	-14.1	542	480	-11.4	-9.7
Adalat™	163	159	-2.5	+0.5	508	475	-6.5	-5.2
Aspirin™ Cardio	134	154	+14.9	+20.8	432	470	+8.8	+12.2
Adempas™	111	119	+7.2	+11.5	307	367	+19.5	+20.2
Stivarga™	105	116	+10.5	+17.5	305	366	+20.0	+22.0
Betaferon™ / Betaseron™	111	104	-6.3	-1.5	332	318	-4.2	-3.1
CT Fluid Delivery <sup>2</sup>	101	99	-2.0	+2.7	295	289	-2.0	-1.1
Gadovist™ product family	112	104	-7.1	-2.7	322	283	-12.1	-10.6
Ultravist™	83	76	-8.4	-3.1	253	223	-11.9	-9.0
Xofigo™	76	62	-18.4	-14.8	232	201	-13.4	-12.9
<b>Total best-selling products</b>	<b>3,562</b>	<b>3,574</b>	<b>+0.3</b>	<b>+4.6</b>	<b>10,423</b>	<b>10,519</b>	<b>+0.9</b>	<b>+2.5</b>
Proportion of Pharmaceuticals sales	79%	85%			78%	82%		

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

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."<sup>2</sup> The CT Fluid Delivery product family comprises injection systems marketed primarily under the Stellant™ brand.

### Earnings

**EBITDA before special items** at Pharmaceuticals rose by 0.9% to €1,515 million in the third quarter of 2020 (Q3 2019: €1,502 million). Thanks to stringent cost management, we were able to generate earnings and margin growth despite the decline in sales due to the negative overall impact of COVID-19 as well as negative currency effects of €48 million that additionally weighed on earnings.

**EBIT** increased by 0.8% to €1,235 million (Q3 2019: €1,225 million) after net special charges of €36 million (Q3 2019: €63 million) that primarily arose from allocations to provisions for defense costs in connection with the Essure™ litigation.

A10

### Special Items<sup>1</sup> Pharmaceuticals

€ million	EBIT Q3 2019	EBIT Q3 2020	EBIT 9M 2019	EBIT 9M 2020	EBITDA Q3 2019	EBITDA Q3 2020	EBITDA 9M 2019	EBITDA 9M 2020
Restructuring	(34)	2	(13)	(30)	(34)	2	(13)	(44)
Litigations/legal risks	(27)	(37)	(49)	(1,543)	(27)	(37)	(49)	(1,543)
Impairment losses/loss reversals	(2)	(1)	(3)	(1)	(2)	(1)	(3)	(1)
<b>Total special items</b>	<b>(63)</b>	<b>(36)</b>	<b>(65)</b>	<b>(1,574)</b>	<b>(63)</b>	<b>(36)</b>	<b>(65)</b>	<b>(1,588)</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

## Consumer Health

A11

### Key Data – Consumer Health

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
<b>Sales</b>	<b>1,288</b>	<b>1,205</b>	<b>-6.4</b>	<b>+6.2</b>	<b>4,125</b>	<b>3,804</b>	<b>-7.8</b>	<b>+5.9</b>
<b>Changes in sales<sup>1</sup></b>								
Volume	+ 1.9%	+ 5.5%			+ 0.2%	+ 4.1%		
Price	+ 1.8%	+ 0.7%			+ 1.2%	+ 1.8%		
Currency	+ 0.7%	- 7.2%			+ 1.1%	- 3.2%		
Portfolio	- 5.1%	- 5.4%			- 2.4%	- 10.5%		
<b>Sales by region</b>								
Europe/Middle East/Africa	423	413	-2.4	+3.3	1,359	1,287	-5.3	+3.0
North America	530	466	-12.1	+5.3	1,733	1,534	-11.5	+6.2
Asia/Pacific	176	178	+1.1	+4.5	589	566	-3.9	+3.9
Latin America	159	148	-6.9	+18.6	444	417	-6.1	+15.9
<b>EBITDA<sup>1</sup></b>	<b>594</b>	<b>294</b>	<b>-50.5</b>		<b>1,091</b>	<b>827</b>	<b>-24.2</b>	
Special items <sup>1</sup>	326	(7)			248	(29)		
<b>EBITDA before special items<sup>1</sup></b>	<b>268</b>	<b>301</b>	<b>+12.3</b>		<b>843</b>	<b>856</b>	<b>+1.5</b>	
EBITDA margin before special items <sup>1</sup>	20.8%	25.0%			20.4%	22.5%		
<b>EBIT<sup>1</sup></b>	<b>503</b>	<b>215</b>	<b>-57.3</b>		<b>413</b>	<b>640</b>	<b>+55.0</b>	
Special items <sup>1</sup>	317	(7)			(178)	25		
<b>EBIT before special items<sup>1</sup></b>	<b>186</b>	<b>222</b>	<b>+19.4</b>		<b>591</b>	<b>615</b>	<b>+4.1</b>	
<b>Net cash provided by operating activities</b>	<b>183</b>	<b>178</b>	<b>-2.7</b>		<b>630</b>	<b>711</b>	<b>+12.9</b>	
Capital expenditures	53	33	-37.7		110	84	-23.6	
Research and development expenses	59	46	-22.0		160	142	-11.3	

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

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

### Third quarter of 2020

#### Sales

Sales at Consumer Health increased by 6.2% (Fx & portfolio adj.) to €1,205 million in the third quarter of 2020. After the expected reduction of trade inventories in the previous quarter, the growth trend continued with a substantial increase in sales. This development benefited our Nutritionals business in particular, with an increase in demand due to the greater focus on health and prevention in connection with the COVID-19 pandemic as well as the launch of new products.

- // Sales in **Europe/Middle East/Africa** rose by 3.3% (Fx & portfolio adj.) to €413 million, primarily due to strong demand for our Dermatology products in the Middle East. We also registered sales gains in the Digestive Health category, particularly in Germany, and in Nutritionals across the region. By contrast, we saw a decline in sales in the Allergy & Cold category due to increased protective and hygiene measures.
- // Sales in **North America** expanded by 5.3% (Fx & portfolio adj.) to €466 million. The Nutritionals category once again showed double-digit percentage growth that was driven by continued strong demand, particularly for our One A Day™ vitamins, which also benefited from product-line extensions. We also posted encouraging growth in the Digestive Health category. In the Allergy & Cold category, we primarily increased sales of our Claritin™ products, while business also benefited from the expansion of our portfolio of cough and cold products.
- // Sales in **Asia/Pacific** advanced by 4.5% (Fx & portfolio adj.) to €178 million, primarily due to continued strong demand in Southeast Asia and China for products in the Nutritionals category. By contrast, among other categories, Allergy & Cold saw a decline in business that was mainly attributable to constraints related to COVID-19.
- // Sales in the **Latin America** region rose by 18.6% (Fx & portfolio adj.) to €148 million. The Pain & Cardio and Nutritionals categories in particular showed sales increases arising from strong demand. In addition, we recorded inflation-driven price increases across all categories in Argentina.

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**Sales by Category**

€ million	Q3 2019	Q3 2020	Change % <sup>1</sup>		9M 2019	9M 2020	Change % <sup>1</sup>	
			Reported	Fx & p adj.			Reported	Fx & p adj.
<b>Consumer Health</b>	<b>1,288</b>	<b>1,205</b>	<b>-6.4</b>	<b>+6.2</b>	<b>4,125</b>	<b>3,804</b>	<b>-7.8</b>	<b>+5.9</b>
Nutritionals	281	313	+11.4	+21.4	835	982	+17.6	+22.9
Allergy & Cold	275	241	-12.4	-6.8	857	827	-3.5	-2.4
Dermatology	272	268	-1.5	+4.6	825	827	+0.2	+3.3
Pain & Cardio	209	193	-7.7	+3.4	596	600	+0.7	+6.7
Digestive Health	166	179	+7.8	+14.2	525	531	+1.1	+2.9
Other <sup>2</sup>	85	11	-87.1	-5.5	487	37	-92.4	-2.4

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

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."<sup>2</sup> The divested prescription dermatology (outside the U.S.A.), sun care and foot care businesses are included until their respective transfer dates (July 1, 2019; August 30, 2019; and November 1, 2019).**Earnings**

**EBITDA before special items** increased by 12.3% in the third quarter of 2020 to €301 million (Q3 2019: €268 million), primarily due to the substantial increase in sales and positive contributions from the efficiency program launched in late 2018. Earnings were diminished by a negative currency effect of €30 million and the absence of contributions from the businesses divested in 2019.

**EBIT** amounted to €215 million (Q3 2019: €503 million) after special charges of €7 million in connection with the aforementioned efficiency program (Q3 2019: net special gains of €317 million).

A13

**Special Items<sup>1</sup> Consumer Health**

€ million	EBIT Q3 2019	EBIT Q3 2020	EBIT 9M 2019	EBIT 9M 2020	EBITDA Q3 2019	EBITDA Q3 2020	EBITDA 9M 2019	EBITDA 9M 2020
Restructuring	(26)	(7)	(72)	(29)	(27)	(7)	(74)	(29)
Divestments	350	-	318	-	350	-	318	-
Impairment losses/loss reversals	(7)	-	(424)	54	3	-	4	-
<b>Total special items</b>	<b>317</b>	<b>(7)</b>	<b>(178)</b>	<b>25</b>	<b>326</b>	<b>(7)</b>	<b>248</b>	<b>(29)</b>

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

## Financial Position of the Bayer Group

### Statement of Cash Flows

#### Cash flows from operating activities

- // Net operating cash flow from continuing operations in the third quarter of 2020 amounted to €1,810 million (Q3 2019: €2,161 million). The decline compared with the prior-year period was attributable in particular to payments made to resolve litigations within our Crop Science Division.
- // Total net operating cash flow came to €1,967 million (Q3 2019: €2,282 million).

#### Net cash used in investing activities

- // Net investing cash flow in the third quarter of 2020 amounted to minus €2,860 million (Q3 2019: minus €239 million).
- // We invested €549 million (Q3 2019: €729 million) in property, plant and equipment and intangible assets.
- // Divestments resulted in a cash inflow of €4,237 million (Q3 2019: €1,054 million) that was largely attributable to the sale of the Animal Health business unit.
- // There was an outflow of €376 million (Q3 2019: €297 million) for acquisitions that included the purchase of British biotech company KaNDy Therapeutics Ltd.
- // Net cash outflows for current financial assets totaled €6,219 million (Q3 2019: €160 million). This considerable increase was primarily attributable to investments in money market funds.

#### Net cash used in financing activities

- // There was a net cash inflow of €2,867 million for financing activities (Q3 2019: outflow of €1,015 million).
- // Net borrowings led to a cash inflow of €3,104 million (Q3 2019: outflow of €707 million), comprising in particular inflows of €6.0 billion from the bonds issued in July and outflows pertaining to the repayment of previously issued commercial paper.
- // Net interest payments amounted to €220 million (Q3 2019: €304 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 €1,237 million in the third quarter of 2020 (Q3 2019: €1,263 million).

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#### Cash Flows from Discontinued Operations

€ million	Currenta		Animal Health		Total	
	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020
Net cash provided by (used in) operating activities	78	–	43	157	121	157
Net cash provided by (used in) investing activities	(32)	–	(18)	(6)	(50)	(6)
Net cash provided by (used in) financing activities	(46)	–	(25)	(151)	(71)	(151)
<b>Change in cash and cash equivalents</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

2019 figures restated

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#### Cash Flows from Discontinued Operations

€ million	Currenta		Animal Health		Total	
	9M 2019	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020
Net cash provided by (used in) operating activities	143	–	142	280	285	280
Net cash provided by (used in) investing activities	(87)	–	(47)	(32)	(134)	(32)
Net cash provided by (used in) financing activities	(56)	–	(95)	(248)	(151)	(248)
<b>Change in cash and cash equivalents</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

2019 figures restated

## Net financial debt

- // Net financial debt of the Bayer Group fell by €7.7 billion in the third quarter of 2020 to €28.3 billion (June 30, 2020: €36.0 billion), mainly as a result of the proceeds from the divestment of the Animal Health business unit.
- // Net financial debt as of September 30, 2020, was diminished by the €1.7 billion fair value of the shares received from Elanco.
- // 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.

## Economic Outlook

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### Economic Outlook<sup>1</sup>

	Growth 2019	Growth forecast 2020
World	+ 2.6%	- 4.5%
European Union <sup>2</sup>	+ 1.5%	- 7.7%
of which Germany	+ 0.6%	- 5.7%
United States	+ 2.2%	- 3.6%
Emerging Markets <sup>3</sup>	+ 4.1%	- 3.0%

<sup>1</sup> Real growth of gross domestic product, source: IHS Markit (as of October 2020)

<sup>2</sup> E.U. excluding United Kingdom, 2019 figures restated

<sup>3</sup> Including about 50 countries defined by IHS Markit as Emerging Markets in line with the World Bank

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### Economic Outlook for Division-Specific Markets<sup>1</sup>

	Growth 2019	Growth forecast 2020
Seed and crop protection market <sup>1</sup>	+ 1%	+ 1%
Pharmaceuticals market <sup>2</sup>	+ 6%	+ 3%
Consumer health market <sup>3</sup>	+ 4%	+ 3%

<sup>1</sup> Bayer's estimate (as of October 2020)

<sup>2</sup> Source: IQVIA Market Prognosis (as of September 2020); all rights reserved; currency-adjusted

<sup>3</sup> Source for forecast: Nicholas Hall (as of October 2020); all rights reserved; 2019: Bayer's estimate; both currency-adjusted

## Corporate Outlook

Based on the business development described in this Quarterly Statement and our internal planning, we confirm the revised currency-adjusted Group outlook for 2020 that we issued in August of this year.

For 2020, we expect to post sales of €43 billion to €44 billion on a currency-adjusted basis. This corresponds to an increase of 0 to 1% on a currency- and portfolio-adjusted basis. We are targeting 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 on a currency-adjusted basis. We anticipate raising core earnings per share to between €6.70 and €6.90 on a currency-adjusted basis.

However, due to revised growth assumptions, we now expect to post currency- and portfolio-adjusted sales growth of 1% (previously: 2%) at Crop Science and 5% (previously: 4%) at Consumer Health.



## Bayer Group Consolidated Income Statements

B1

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
<b>Net sales</b>	<b>9,830</b>	<b>8,506</b>	<b>32,795</b>	<b>31,405</b>
Cost of goods sold	(3,783)	(6,795)	(12,693)	(15,469)
<b>Gross profit</b>	<b>6,047</b>	<b>1,711</b>	<b>20,102</b>	<b>15,936</b>
Selling expenses	(3,072)	(4,296)	(9,431)	(10,226)
Research and development expenses	(1,281)	(3,366)	(3,902)	(5,835)
General administration expenses	(722)	(632)	(2,637)	(2,215)
Other operating income	708	560	1,184	1,282
Other operating expenses	(472)	(3,376)	(1,543)	(16,626)
<b>EBIT<sup>1</sup></b>	<b>1,208</b>	<b>(9,399)</b>	<b>3,773</b>	<b>(17,684)</b>
Equity-method income (loss)	212	(44)	175	(68)
Financial income	77	395	313	475
Financial expenses	(468)	(362)	(1,419)	(1,346)
<b>Financial result</b>	<b>(179)</b>	<b>(11)</b>	<b>(931)</b>	<b>(939)</b>
<b>Income before income taxes</b>	<b>1,029</b>	<b>(9,410)</b>	<b>2,842</b>	<b>(18,623)</b>
Income taxes	(31)	1,705	(400)	2,676
<b>Income from continuing operations after income taxes</b>	<b>998</b>	<b>(7,705)</b>	<b>2,442</b>	<b>(15,947)</b>
of which attributable to noncontrolling interest	8	(3)	8	5
of which attributable to Bayer AG stockholders	990	(7,702)	2,434	(15,952)
<b>Income from discontinued operations after income taxes</b>	<b>46</b>	<b>4,958</b>	<b>243</b>	<b>5,149</b>
of which attributable to noncontrolling interest	-	-	-	-
of which attributable to Bayer AG stockholders	46	4,958	243	5,149
<b>Income after income taxes</b>	<b>1,044</b>	<b>(2,747)</b>	<b>2,685</b>	<b>(10,798)</b>
of which attributable to noncontrolling interest	8	(3)	8	5
<b>of which attributable to Bayer AG stockholders (net income)</b>	<b>1,036</b>	<b>(2,744)</b>	<b>2,677</b>	<b>(10,803)</b>
€				
<b>Earnings per share</b>				
<b>From continuing operations</b>				
Basic	1.01	(7.84)	2.48	(16.24)
Diluted	1.01	(7.84)	2.48	(16.24)
<b>From discontinued operations</b>				
Basic	0.04	5.05	0.25	5.24
Diluted	0.04	5.05	0.25	5.24
<b>From continuing and discontinued operations</b>				
Basic	1.05	(2.79)	2.73	(11.00)
Diluted	1.05	(2.79)	2.73	(11.00)

2019 figures restated

<sup>1</sup> For definition see Annual Report 2019, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

## Bayer Group Consolidated Statements of Financial Position

B2

€ million	Jan. 31, 2019	Sept. 30, 2019	Dec. 31, 2019	Sept. 30, 2020
<b>Noncurrent assets</b>				
Goodwill	38,628	40,057	39,312	35,143
Other intangible assets	36,696	35,593	34,709	25,433
Property, plant and equipment	12,943	13,072	12,479	11,502
Investments accounted for using the equity method	515	638	522	526
Other financial assets	2,212	2,297	1,536	1,545
Other receivables	526	698	751	925
Deferred taxes	4,183	4,931	4,426	5,107
	<b>95,703</b>	<b>97,286</b>	<b>93,735</b>	<b>80,181</b>
<b>Current assets</b>				
Inventories	11,012	10,395	10,650	10,452
Trade accounts receivable	11,714	11,876	11,678	10,161
Other financial assets	1,166	1,144	2,326	10,473
Other receivables	1,958	1,606	1,811	1,766
Claims for income tax refunds	809	712	1,652	1,377
Cash and cash equivalents	4,052	4,410	3,185	5,067
Assets held for sale	234	3,250	1,137	43
	<b>30,945</b>	<b>33,393</b>	<b>32,439</b>	<b>39,339</b>
<b>Total assets</b>	<b>126,648</b>	<b>130,679</b>	<b>126,174</b>	<b>119,520</b>
<b>Equity</b>				
Capital stock	2,387	2,387	2,515	2,515
Capital reserves	18,388	18,388	18,261	18,261
Other reserves	25,118	25,106	26,477	10,551
<b>Equity attributable to Bayer AG stockholders</b>	<b>45,893</b>	<b>45,881</b>	<b>47,253</b>	<b>31,327</b>
Equity attributable to noncontrolling interest	171	182	180	150
	<b>46,064</b>	<b>46,063</b>	<b>47,433</b>	<b>31,477</b>
<b>Noncurrent liabilities</b>				
Provisions for pensions and other post-employment benefits	8,717	9,384	8,213	7,801
Other provisions	3,418	3,982	3,766	5,683
Refund liabilities	160	274	105	9
Contract liabilities	986	764	733	598
Financial liabilities	37,712	37,762	36,912	35,190
Income tax liabilities	1,433	1,617	1,603	1,622
Other liabilities	366	474	439	516
Deferred taxes	4,667	4,302	3,755	834
	<b>57,459</b>	<b>58,559</b>	<b>55,526</b>	<b>52,253</b>
<b>Current liabilities</b>				
Other provisions	3,365	3,196	3,251	12,571
Refund liabilities	3,622	4,960	4,134	5,291
Contract liabilities	3,235	1,011	3,319	786
Financial liabilities	3,682	6,023	2,182	8,260
Trade accounts payable	6,038	5,697	6,426	5,461
Income tax liabilities	1,050	509	758	1,358
Other liabilities	2,121	2,251	2,483	2,063
Liabilities directly related to assets held for sale	12	2,410	662	–
	<b>23,125</b>	<b>26,057</b>	<b>23,215</b>	<b>35,790</b>
<b>Total equity and liabilities</b>	<b>126,648</b>	<b>130,679</b>	<b>126,174</b>	<b>119,520</b>

2019 figures restated

## Bayer Group Consolidated Statements of Cash Flows

B3

€ million	Q3 2019	Q3 2020	9M 2019	9M 2020
Income from continuing operations after income taxes	998	(7,705)	2,442	(15,947)
Income taxes	31	(1,705)	400	(2,676)
Financial result	179	11	931	939
Income taxes paid	(386)	(336)	(1,753)	(625)
Depreciation, amortization and impairments	1,073	10,293	3,761	12,750
Change in pension provisions	(80)	(59)	(283)	(203)
(Gains) losses on retirements of noncurrent assets	(392)	(62)	(341)	(66)
Decrease (increase) in inventories	(317)	(483)	296	(264)
Decrease (increase) in trade accounts receivable	2,180	2,273	(44)	239
(Decrease) increase in trade accounts payable	409	559	(18)	(697)
Changes in other working capital, other noncash items	(1,534)	(976)	(715)	10,422
<b>Net cash provided by (used in) operating activities from continuing operations</b>	<b>2,161</b>	<b>1,810</b>	<b>4,676</b>	<b>3,872</b>
Net cash provided by (used in) operating activities from discontinued operations	121	157	285	280
<b>Net cash provided by (used in) operating activities</b>	<b>2,282</b>	<b>1,967</b>	<b>4,961</b>	<b>4,152</b>
Cash outflows for additions to property, plant, equipment and intangible assets	(729)	(549)	(1,582)	(1,525)
Cash inflows from the sale of property, plant, equipment and other assets	–	115	65	236
Cash inflows from (outflows for) divestments less divested cash	1,054	4,237	1,046	4,172
Cash inflows from noncurrent financial assets	19	5	167	326
Cash outflows for noncurrent financial assets	(140)	(112)	(339)	(189)
Cash outflows for acquisitions less acquired cash	(297)	(376)	(361)	(482)
Interest and dividends received	14	39	96	76
Cash inflows from (outflows for) current financial assets	(160)	(6,219)	202	(6,493)
<b>Net cash provided by (used in) investing activities</b>	<b>(239)</b>	<b>(2,860)</b>	<b>(706)</b>	<b>(3,879)</b>
Capital contributions	–	–	–	–
Dividend payments	(4)	(17)	(2,615)	(2,768)
Issuances of debt	1,350	6,070	5,521	10,801
Retirements of debt	(2,057)	(2,966)	(5,871)	(5,399)
Interest paid including interest-rate swaps	(321)	(224)	(980)	(878)
Interest received from interest-rate swaps	17	4	27	21
Cash outflows for the purchase of additional interests in subsidiaries	–	–	–	–
<b>Net cash provided by (used in) financing activities</b>	<b>(1,015)</b>	<b>2,867</b>	<b>(3,918)</b>	<b>1,777</b>
<b>Change in cash and cash equivalents due to business activities</b>	<b>1,028</b>	<b>1,974</b>	<b>337</b>	<b>2,050</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,381</b>	<b>3,155</b>	<b>4,052</b>	<b>3,185</b>
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	1	(62)	22	(161)
<b>Cash and cash equivalents at end of period</b>	<b>4,410</b>	<b>5,067</b>	<b>4,410</b>	<b>5,067</b>

2019 figures restated

## Reporting Principles

The present document is a Quarterly Statement pursuant to Section 53 of the Exchange Rules of the Frankfurt Stock Exchange (as of August 24, 2020) and does not constitute an interim report according to the International Accounting Standard (IAS) 34. This Quarterly Statement 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](http://www.bayer.com). The accounting policies and measurement principles applied in this Quarterly Statement are based on those used in the consolidated financial statements of the Bayer Group for fiscal 2019.

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

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. As such, the services provided by the enabling functions are now planned and coordinated at the divisional rather than the country level.

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:

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**Effects of Modified Value Flow Concept**

€ million	Crop Science		Pharmaceuticals		Consumer Health	
	As reported	Restated	As reported	Restated	As reported	Restated
	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019
Cost of goods sold	(2,375)	(2,418)	(854)	(856)	(446)	(448)
Gross profit	1,573	1,530	3,650	3,648	842	840
Selling expenses	(875)	(931)	(1,549)	(1,551)	(581)	(569)
Research and development expenses	(559)	(540)	(664)	(670)	(62)	(59)
General administration expenses	(296)	(238)	(128)	(134)	(51)	(46)
Other operating income	228	228	37	38	351	351
Other operating expenses	(336)	(335)	(106)	(106)	(14)	(14)
EBIT	(265)	(286)	1,240	1,225	485	503
EBIT before special items	(157)	(180)	1,303	1,288	168	186
EBITDA	420	394	1,464	1,439	582	594
EBITDA before special items	527	500	1,527	1,502	256	268
Income after income taxes						
Net cash provided by (used in) operating activities	1,131	1,112	1,449	1,428	175	183

B4/2

€ million	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
Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019	Q3 2019
Cost of goods sold	(43)	(43)	(25)	(18)	(3,743)	40	(3,783)	(356)	(1)	(355)
Gross profit	(12)	34	34	(5)	6,087	(40)	6,047	305	1	306
Selling expenses	(2)	(2)	(9)	(19)	(3,016)	56	(3,072)	(122)	(5)	(117)
Research and development expenses	1	-	(8)	(12)	(1,292)	(11)	(1,281)	(37)	-	(37)
General administration expenses	(17)	(17)	(306)	(287)	(798)	(76)	(722)	(58)	(1)	(57)
Other operating income	64	52	27	39	707	1	708	1	-	1
Other operating expenses	(10)	(4)	(7)	(13)	(473)	(1)	(472)	(9)	-	(9)
EBIT	71	64	(316)	(298)	1,215	(7)	1,208	80	7	87
EBIT before special items	75	63	(161)	(136)	1,228	(7)	1,221	128	7	135
EBITDA	90	83	(269)	(228)	2,287	(5)	2,282	94	5	99
EBITDA before special items	95	83	(114)	(68)	2,291	(6)	2,285	141	6	147
Income after income taxes					1,003	(5)	998	41	5	46
Net cash provided by (used in) operating activities	(276)	(283)	(314)	(279)	2,165	(4)	2,161	117	4	121

B5/1

**Effects of Modified Value Flow Concept**

€ million	Crop Science		Pharmaceuticals		Consumer Health	
	As reported	Restated	As reported	Restated	As reported	Restated
	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019
Cost of goods sold	(8,356)	(8,464)	(2,602)	(2,605)	(1,446)	(1,453)
Gross profit	6,824	6,716	10,678	10,675	2,679	2,672
Selling expenses	(2,734)	(2,898)	(4,428)	(4,434)	(2,105)	(2,064)
Research and development expenses	(1,739)	(1,680)	(2,016)	(2,036)	(169)	(160)
General administration expenses	(982)	(823)	(401)	(425)	(154)	(138)
Other operating income	535	535	109	111	379	379
Other operating expenses	(869)	(864)	(265)	(265)	(277)	(276)
EBIT	1,035	986	3,677	3,626	353	413
EBIT before special items	1,862	1,808	3,742	3,691	532	591
EBITDA	3,098	3,044	4,473	4,395	1,052	1,091
EBITDA before special items	3,924	3,865	4,539	4,460	805	843
Income after income taxes						
Net cash provided by (used in) operating activities	1,540	1,499	3,483	3,417	605	630

B5/2

€ million	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
	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019	9M 2019
Cost of goods sold	(104)	(104)	(84)	(67)	(12,592)	101	(12,693)	(1,162)	(2)	(1,160)
Gross profit	72	72	(50)	(33)	20,203	(101)	20,102	1,034	2	1,036
Selling expenses	(4)	(4)	1	(31)	(9,270)	161	(9,431)	(416)	(15)	(401)
Research and development expenses	1	1	(11)	(27)	(3,934)	(32)	(3,902)	(102)	-	(102)
General administration expenses	(76)	(76)	(1,227)	(1,175)	(2,840)	(203)	(2,637)	(120)	(3)	(117)
Other operating income	117	71	42	88	1,182	2	1,184	6	-	6
Other operating expenses	(85)	(10)	(52)	(128)	(1,548)	(5)	(1,543)	(24)	-	(24)
EBIT	25	54	(1,297)	(1,306)	3,793	(20)	3,773	378	20	398
EBIT before special items	64	53	(512)	(479)	5,688	(24)	5,664	453	20	473
EBITDA	78	107	(1,148)	(1,102)	7,553	(18)	7,535	452	18	470
EBITDA before special items	118	107	(366)	(277)	9,020	(22)	8,998	527	18	545
Income after income taxes	-	-	-	-	2,457	(15)	2,442	228	15	243
Net cash provided by (used in) operating activities	292	321	(1,231)	(1,191)	4,689	(13)	4,676	272	13	285

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.

In addition, a retrospective adjustment of the purchase price allocation for the 2018 acquisition of the Monsanto Group resulted in an accounting exchange on the assets side, with a €186 million reduction in deferred tax assets in the opening statement of financial position and a simultaneous increase in goodwill by the same amount. The figures in the statements of financial position for the prior-year periods have been restated accordingly.

## 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](http://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 October 9, 2020, U.S. lawsuits from approximately 31,400 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. As of August 20, 2020, Bayer has reached agreements in principle with plaintiff law firms to resolve approximately 90% of the nearly 39,000 total filed and unfiled U.S. Essure™ claims involving women who allege device-related injuries. The settlements include all of the jurisdictions with significant volumes of Essure™ cases, including the state of California Joint Council Coordinated Proceedings (JCCP) and the Federal District Court for the Eastern District of Pennsylvania (EDPA). The company will pay approximately US\$1.6 billion to resolve these claims, including an allowance for outstanding claims, and is in resolution discussions with counsel for the remaining plaintiffs. 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 where no amicable resolution can be achieved.

**Roundup™ (glyphosate):** As of October 21, 2020, lawsuits from approximately 60,300 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 most of the total approximately 125,000 currently 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 continues in its efforts to reach settlement in a substantial number of the outstanding claims in the coming months. 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.

As regards potential future litigation, the company intends to make an additional payment to support a separate class agreement between Monsanto and plaintiffs' counsel. 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 was tentatively inclined to deny the motion. The parties subsequently withdrew their motion and are working to comprehensively address the court's questions in a revised 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. The parties have separately petitioned for appeal to the Supreme Court of California. In October 2020, the court denied the request to review the appeal. Both parties have the option to petition for appeal to the U.S. Supreme Court. Oral argument before the Ninth Circuit Court of Appeal in the first federal case to go to trial (Hardeman) took place on October 23, 2020. A decision by

the court is expected for mid-2021. Briefing is complete in the Pilliod case appeal, and no date for oral argument has yet been scheduled. We are convinced that the verdicts are not supported by the evidence at trial and the law and therefore intend to pursue the appeals vigorously.

As of October 21, 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 October 9, 2020, lawsuits involving approximately 250 plaintiffs had 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 October 9, 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 codefendant 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. In July 2020, a group of approximately 50 Texas vineyard growers approached Monsanto and asserted claims relating to alleged dicamba damage to their vineyards. Those claimants have not yet filed suit, and Monsanto has entered into a tolling and standstill agreement in order to evaluate their claims.

### **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 ("ANDA IV") 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 patent protection. In September 2020, the parties entered into a settlement agreement pursuant



to which Unichem is granted a license under the relevant patents to market a generic version of Xarelto™ 10 mg, 15 mg and 20 mg tablets beginning in 2027 (or earlier under certain circumstances).

**Stivarga™:** In 2016, Bayer filed a patent infringement lawsuit in a U.S. federal court against Apotex, Inc. and Apotex Corp. (together “Apotex”). Bayer had received a notice of an ANDA IV application pursuant to which Apotex seeks approval of a generic version of Bayer’s cancer drug Stivarga™ in the United States. In August 2020, Bayer and Apotex settled their patent dispute at terms that are unlikely to result in a material impact on Bayer’s future sales or earnings.

**Betaferon™/Betaseron™:** In the U.S. patent disputes over a patent by Biogen MA Inc. (“Biogen”) and its alleged infringement by the production and distribution of drug products for the treatment of multiple sclerosis including Bayer’s Betaseron™, the U.S. Court of Appeals for the Federal Circuit decided in September 2020 that Biogen’s patent is invalid. Biogen may seek a review of the decision.

### **Further Legal Proceedings**

**PCBs:** 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 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 litigation where no amicable resolution can be achieved.

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.

## Financial Calendar

2020 Annual Report _____	<i>February 25, 2021</i>
Annual Stockholders' Meeting 2021 _____	<i>April 27, 2021</i>
Q1 2021 Quarterly Statement _____	<i>May 12, 2021</i>
2021 Half-Year Report _____	<i>August 5, 2021</i>

## Masthead

**Published by**

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**Date of publication**

Tuesday, November 3, 2020

**English edition**

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**Forward-Looking Statements**

This quarterly statement 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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