



# *Investor Handout*



**Issuer & Investor Bond Forum 2019**

London/Frankfurt

June 26/27, 2019





# Disclaimer

## Cautionary Statements Regarding Forward-Looking Information

This presentation contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events, but rather reflects Bayer's current beliefs, expectations and assumptions regarding the future. This applies, in particular, to statements in this presentation on revenue growth, including product introductions and peak sales potential, synergies, especially in relation to the acquisition and integration of Monsanto Company, portfolio adjustments, cost reduction, financial targets and earnings, cash flow generation, deleveraging and other similar statements relating to future performance, including with respect to the markets in which Bayer is active.

Although the forward-looking statements contained in this presentation are based upon what Bayer's management believes are reasonable assumptions, they necessarily involve known and unknown risks and uncertainties that could cause actual results and future events to differ materially from those anticipated in such statements. Forward-looking statements are not guarantees of future performance and undue reliance should not be placed on them. Bayer undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws.

For more information on factors that could cause actual results and future events to differ from those anticipated in forward looking statements, please refer to the factors discussed in Bayer's public reports which are available on the Bayer website at <https://www.investor.bayer.com/en/reports/annual-reports/overview/>, including in the Annual Report 2018 under the caption "Report on Future Perspectives and on Opportunities and Risks".



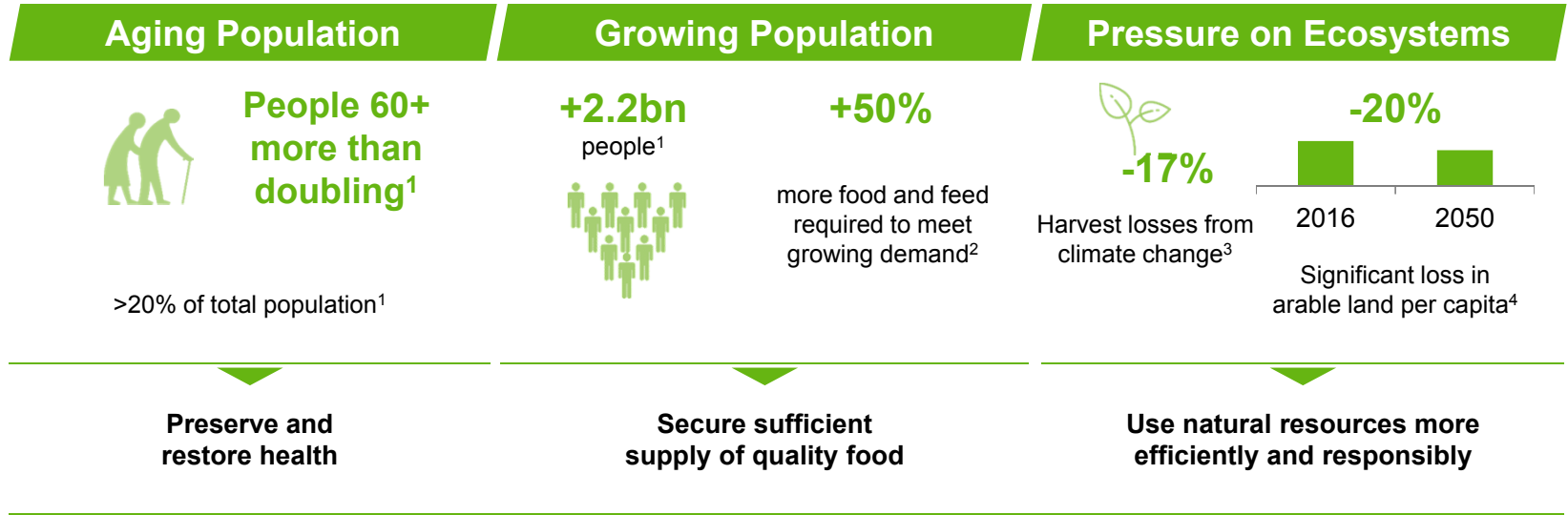
# Global Megatrends in Health & Nutrition

Attractive Macro Drivers of Our Businesses

**Megatrends through 2050**

**Societal Needs**

**Our Mission**



**We leverage science to address these societal needs – with the ultimate goal to improve people’s lives**



Science For A Better Life

<sup>1</sup> UNDESA 2017 (United Nations Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision)

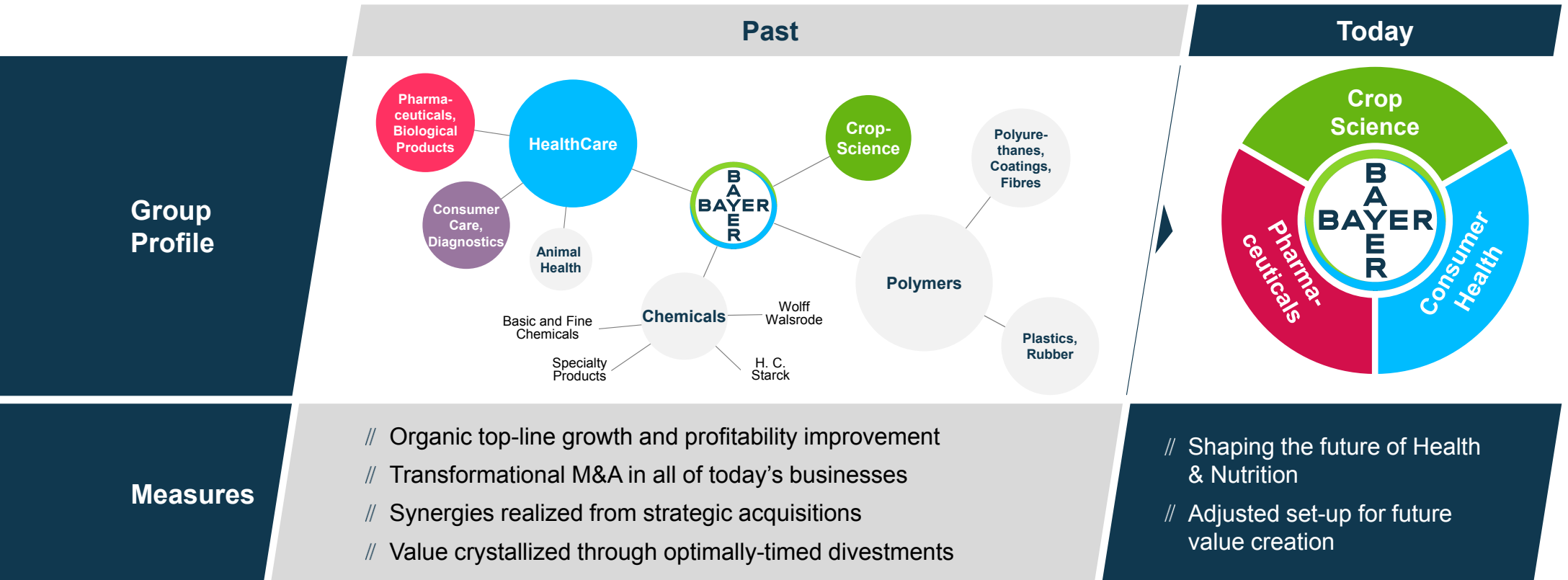
<sup>2</sup> FAO 2017, (FAO Global Perspective Studies)

<sup>3</sup> Nelson et. al, (2014); FAO 2016 "Climate change and food security"

<sup>4</sup> FAOSTAT (accessed Oct 30, 2018) for 1961-2016 data on land, FAO 2012 for 2030 and 2050 data on land, and UNDEDA 2017: World Population Prospects for world population data



# Transformation into a Leader in Health & Nutrition – Next Phase to Deliver Future Value Creation





# We are a Global Leader in Health & Nutrition

Well-Positioned Across Our Businesses



~€45bn 2018 Pro-forma Sales<sup>1</sup>

## Crop Science

~€19bn / ~43% of Group  
#1 Position

**Growing ahead of competition over last five years on average**  
**Best-in-class profitability through the cycle**

- // Leading portfolio of seed & traits, crop protection and digital farming
- // World-class R&D platform with best talent and technology in the industry
- // Positioned to shape the future of agriculture: development of tailored solutions to address farmers' individual needs and challenges

## Pharmaceuticals

~€17bn / ~38% of Group  
Leading Positions in Key Therapeutic Areas

**One of the fastest growing Pharma businesses over the past five years**  
**Xarelto and Eylea among the world's leading Pharma brands**

- // Innovative medicines in areas of high unmet medical need
- // Therapeutic focus areas: Cardiology, Oncology, Gynecology, Hematology and Ophthalmology
- // Strong position in emerging markets
- // Leading in Radiology and Women's Health

## Consumer Health

~€5bn / ~12% of Group  
#2 Position

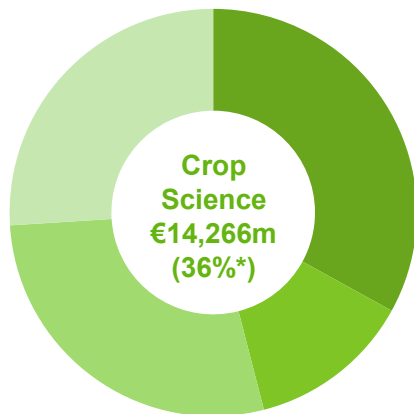
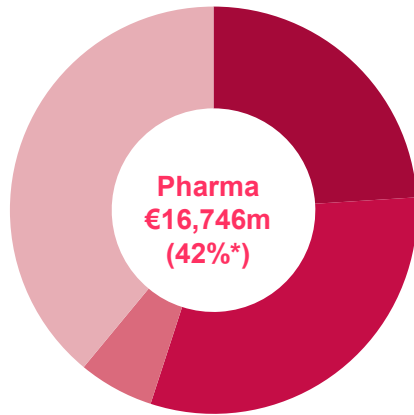
**Leading Positions in 7 of the Top 10 OTC Markets**

- // Focus categories:  
Allergy & Cold, Cough, Sinus and Flu;  
Nutritionals; Dermatology; Pain and Cardio; Digestive Health
- // Concentrated portfolio of 16 mega-brands with annual sales of >€100m

<sup>1</sup> The unaudited Pro-forma data are presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2018. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discontinued operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting. Due to this simplified procedure, they explicitly do not reflect sales according to IFRS or IDW RH HFA 1.004, meaning they have not been audited.

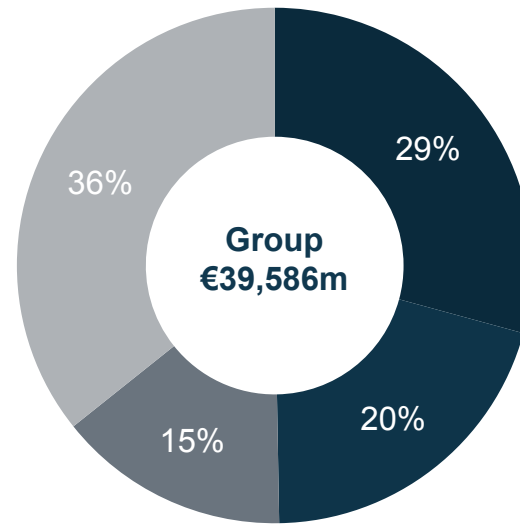


# FY 2018 – Sales Breakdown by Region



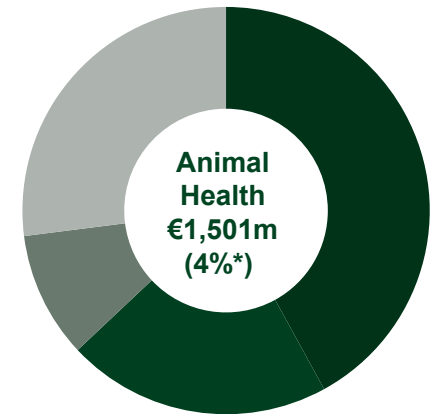
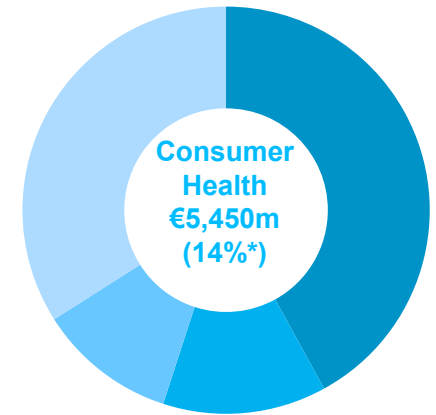
Europe / Middle East / Africa

North America



Latin America

Asia / Pacific



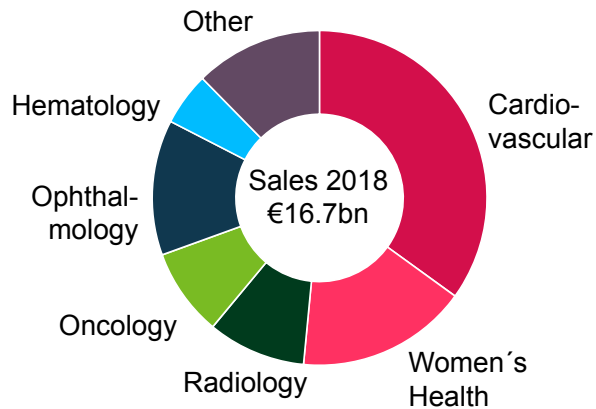
in € million; Δ% yoy, Fx & portfolio adj.; \*Sales share; remaining 4% all other segments and corporate



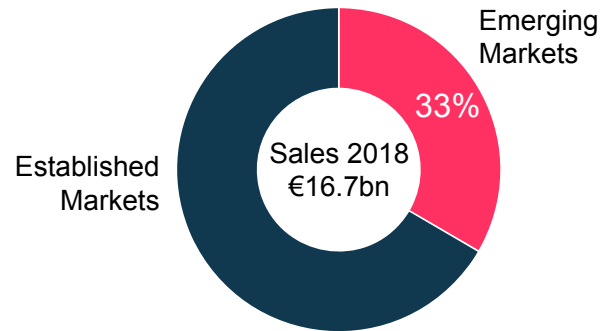
# Pharma

## Innovative Medicines in Areas of High Unmet Medical Need

### Therapeutic area focus



### Emerging markets exposure



### Leading positions in important therapeutic areas

- // Retinal Diseases
- // Women's Health
- // Radiology
- // Cardiovascular
- // Hematology

### Leading Brands



Emerging markets include Latin America, Asia (w/o Japan, Australia, New Zealand), Africa and Middle East incl. Turkey, Eastern Europe

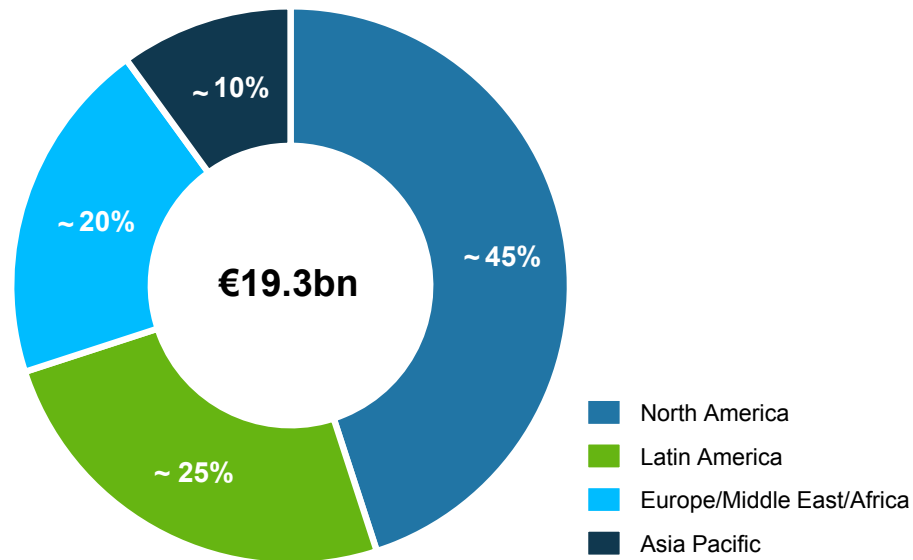


# Crop Science

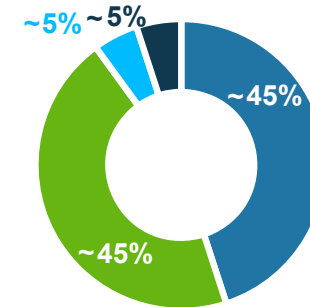
## World's Broadest Commercial Footprint in Agriculture

~7,800 Customer-facing Employees with Significant Opportunity to Optimize Portfolio Across Key Regions

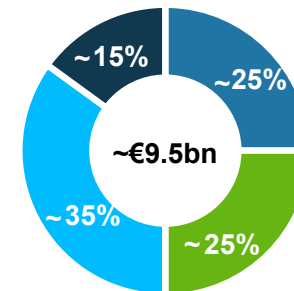
### Sales 2018<sup>1</sup>



### Seed & Trait Technology Acres 2017/2018<sup>2</sup>: >400m acres (160m ha)



### Crop Protection Sales 2018<sup>1</sup>



<sup>1</sup> The unaudited Pro-forma data are presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2018. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discontinued operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting. Rounded to the nearest 5%.  
<sup>2</sup> Internal estimates; represents acres containing at least one Bayer seed or biotech trait technologies



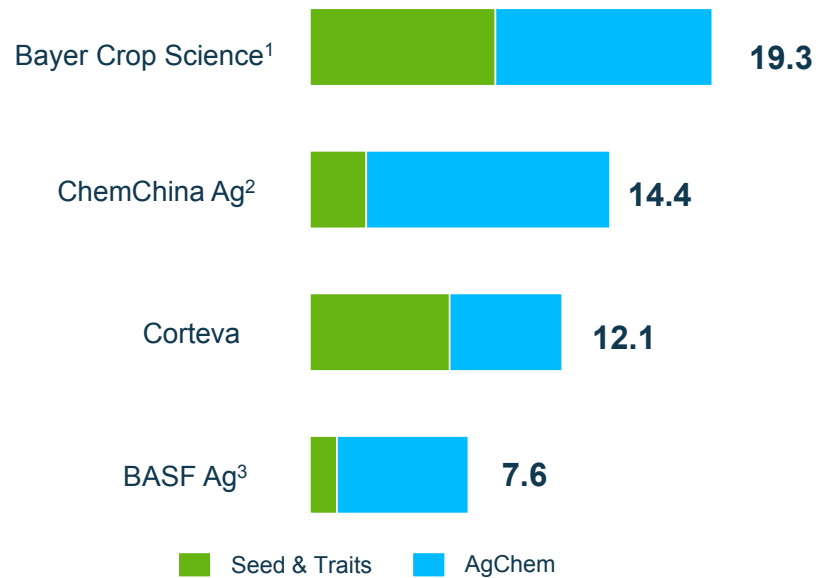


# Crop Science

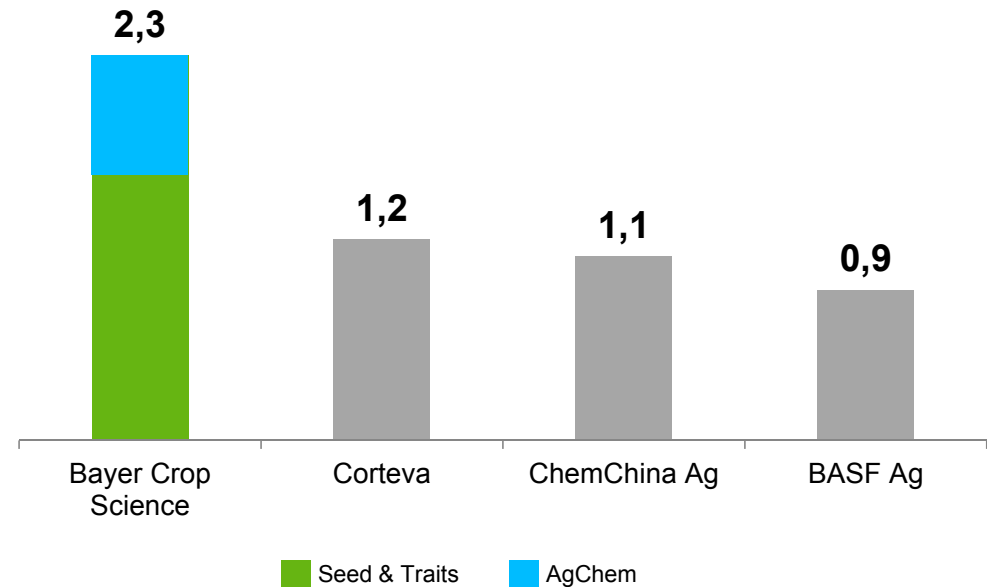
## The Established Leader in Crop Science

Industry Leading Sales and Unmatched Investment in R&D

Sales 2018 (€bn)



2018 Ag R&D Investment (€bn)<sup>1</sup>



<sup>1</sup> The unaudited Pro-forma data are presented as if both the acquisition of Monsanto and the associated divestments had taken place as of January 1, 2017. Sales of Monsanto are presented in periods as per the Bayer fiscal year. One-time effects of business operations, the accounting for discontinued operations and the recognition and measurement of sales from certain business transactions have been adjusted in line with our accounting.

<sup>2</sup> Excludes non-agro business sales of ADAMA (nutritional supplements, aromatic products, industrial products)

<sup>3</sup> Includes BASF Ag Sales 2018 as reported plus €1.4bn (€2.027m sales FY 2018 excluding €586m sales from Jan '18 until cut-off in Aug '18) reported sales in 2018 from Bayer businesses sold to BASF. Split between Seed and CP businesses based on internal estimates.

<sup>4</sup> Exchange rate: FY 2018: ~1.18 USD/EUR

<sup>5</sup> Competitor Pro forma R&D cost split not available



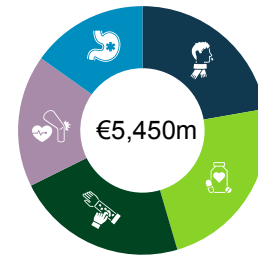
# Consumer Health

## We Will Focus on our Core OTC Categories To Leverage our Science and Marketing Capabilities

**Categories to accelerate**

- Allergy + Cough + Cold
- Nutritional
- Dermatology
- Pain + Cardio
- Digestive Health

Sales Split 2018<sup>1</sup>



Global Position<sup>2</sup>

- #5
- #2
- #2
- #4
- #2

Main Brands

- 
- 
- 
- 
- 

**Categories to exit**

- // Divestment of Rx Dermatology - US business closed; closing ex-US expected in H2 2019<sup>3</sup>
- // Suncare business divestment signed in May 2019
- // Explore exit options for Footcare in 2019

- 
- 
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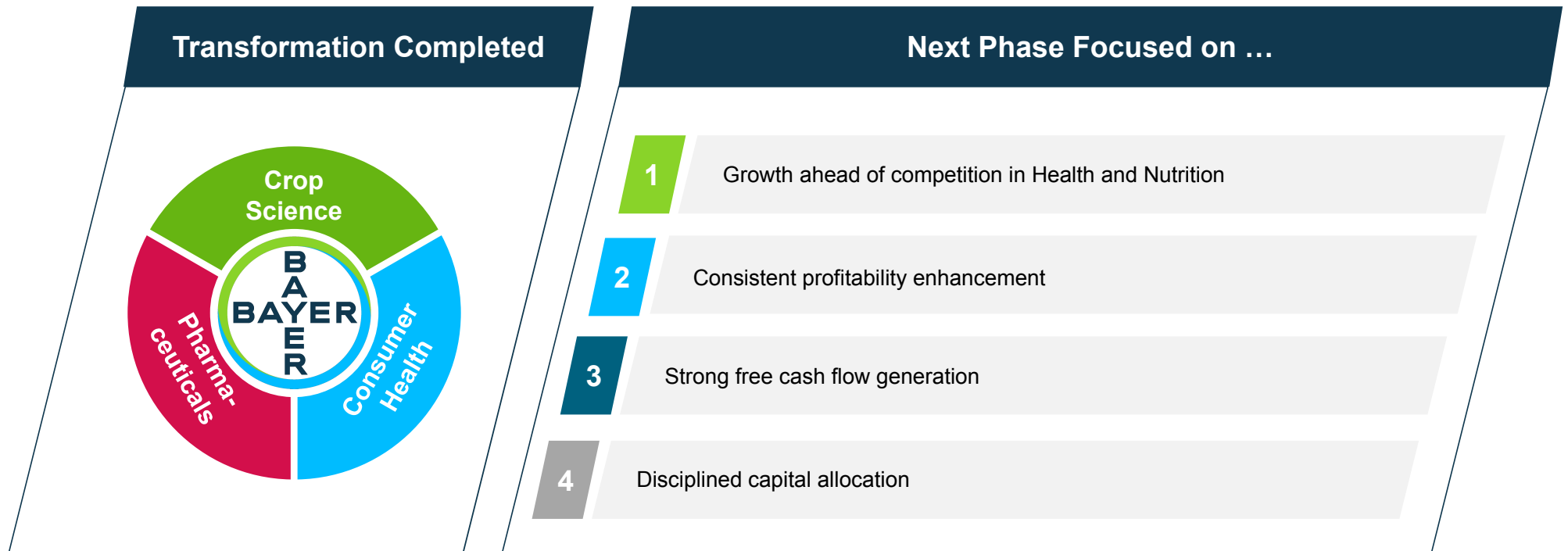
<sup>1</sup> Excluding Derma Rx, Suncare, Footcare

<sup>2</sup> PARS database January 2019

<sup>3</sup> Subject to the fulfillment of customary closing conditions




# Next Phase to Deliver Value Creation





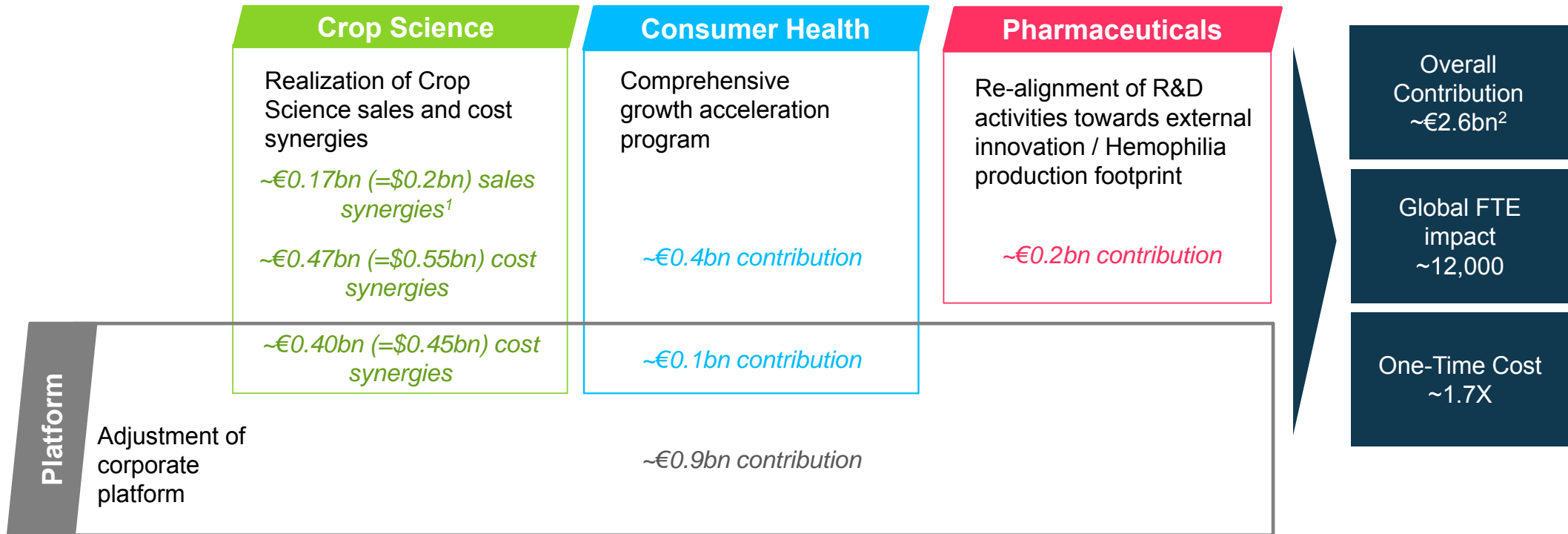
# We Focus on Growth in Attractive Markets

	Market		Bayer's growth levers
	Size 2017	CAGR 2018-2022	
<b>Bayer Group</b>			<ul style="list-style-type: none"> <li>// Using our leading positions in Agriculture, Pharmaceuticals and Self-care to address societal needs and benefit from global megatrends</li> <li>// Drive innovation</li> </ul>
<b>Crop Science</b>	 <p>~€90bn<sup>1</sup></p>	 <p>~3%<sup>2</sup></p>	<ul style="list-style-type: none"> <li>// Leading portfolio of seed &amp; traits, crop protection and digital farming</li> <li>// World-class R&amp;D platform with best talent and technology in the industry</li> <li>// Positioned to shape the future of agriculture: Development of tailored solutions to address farmers' individual needs and challenges</li> </ul>
<b>Pharmaceuticals</b>	 <p>~€870bn<sup>3</sup></p>	 <p>4-5%</p>	<ul style="list-style-type: none"> <li>// Innovative medicines in areas of high unmet medical need</li> <li>// Therapeutic focus areas: Cardiology, Oncology, Gynecology, Hematology and Ophthalmology</li> <li>// Leverage external innovation and partnering as well as pipeline and potential of current products</li> </ul>
<b>Consumer Health</b>	 <p>~€140bn<sup>4</sup></p>	 <p>3-4%</p>	<ul style="list-style-type: none"> <li>// Branded self-care solutions that help transform people's daily health</li> <li>// Focus on five core categories</li> </ul>

<sup>1</sup> Pro-forma calculations Bayer, Bayer CS market model; <sup>2</sup> excluding potential cyclical recovery of the Crop Science market; <sup>3</sup> IQVIA ; <sup>4</sup> Market model in-market sales OTC medicines, data from IQVIA, Nicholas Hall



# Bayer 2022 Synergy & Efficiency Programs



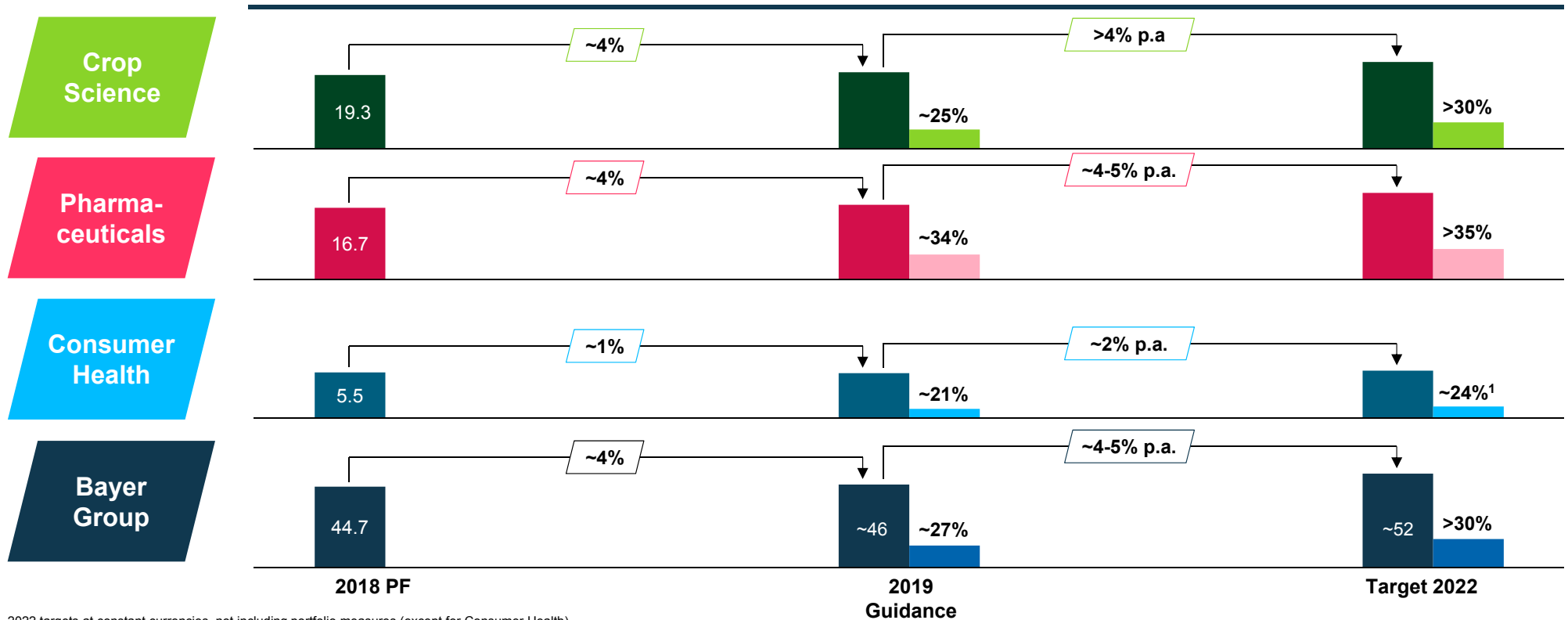
<sup>1</sup> EBITDA before special items impact from sales synergies

<sup>2</sup> Indicative Phasing: ~30% effective in 2020, ~70% in 2021 and 100% in 2022



# Targeting Significant Profitability Improvements Across All Divisions

Sales and EBITDA before special items (margin) development (in €bn, %)



2022 targets at constant currencies, not including portfolio measures (except for Consumer Health)

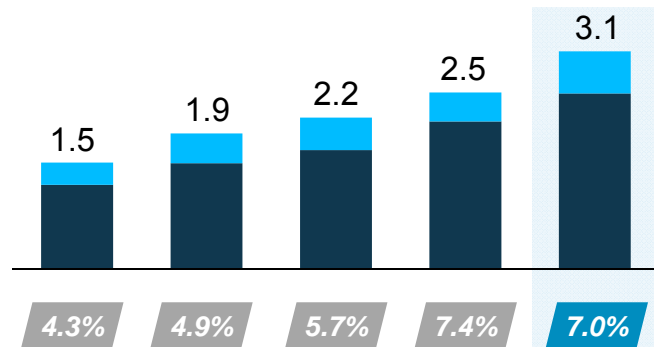
<sup>1</sup> Includes portfolio measures



# Cash Flow Improvement Focusing on Capex and Working Capital Optimization



**Capex spend**  
in €bn



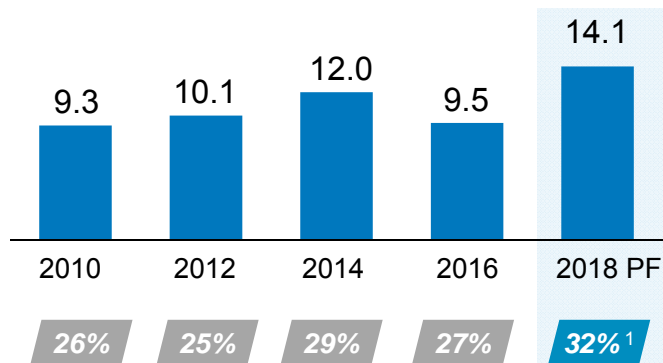
- // Annual contribution of ~0.5bn EUR by 2022
- // Past and current levels impacted by single large-scale investments in fixed assets
- // Licensing will continue to be an element to drive growth

**Focused CapEx below current levels** → ~ 5-6%

Intangibles Fixed assets



**Working Capital**  
in €bn



- // Annual contribution of ~0.5bn EUR by 2022
- // Focus on optimization of inventory levels and receivables management

**Working capital optimization** → ~ 32%

<sup>1</sup> Crop Science 48%, Pharmaceuticals 24%, Consumer Health 24%



# Group Targets - Value Creation from Strengthened Base

## Triple Leverage

€bn		2018 PF	Guidance 2019	Target 2022	CAGR 2018-22 <sup>2</sup>
Sales <sup>1</sup>	Total Group	44.7	~46 (~4%)	~52	~4%
	Crop Science	19.3	~4%		>4%
	Pharmaceuticals	16.7	~4%		~4-5%
	Consumer Health	5.5	~1%		~2%
EBITDA before special items (%)	Total Group		~12.2 (~27%)	~16 (>30%)	~9%
	Crop Science		~25%	>30%	
	Pharmaceuticals		~34%	>35%	
	Consumer Health		~21%	~24% <sup>4</sup>	
Core EPS (€)			~6.8	~10	~10%
FCF		~4.7 <sup>3</sup>	~3-4	~8	~18%
Net financial debt		~35.7 <sup>3</sup>	~36 <sup>5</sup>	~26-28	

2022 targets at constant currencies, not including portfolio measures (except for Consumer Health)

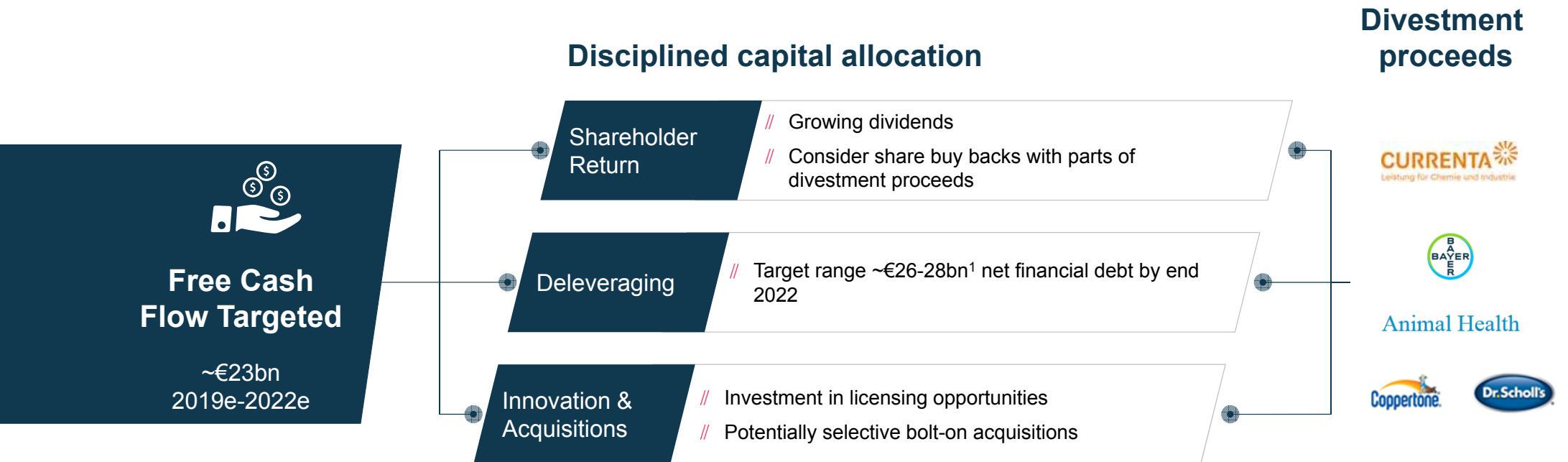
<sup>1</sup> Sales: cpa growth; <sup>2</sup> CAGR from 2018 base year; <sup>3</sup> as reported; <sup>4</sup> includes portfolio measures; <sup>5</sup> including around ~€1bn lease liability due to IFRS 16





# We Have Clear Priorities for Capital Allocation

Focus on Shareholder Return, Innovation and Deleveraging



<sup>1</sup> Before M&A / Portfolio



# We Will Create Significant Value Through 2022 and Beyond

Focus on Execution and Driving Sustained Profitable Growth...

**1**

We have completed Bayer's portfolio transformation into a global leader in Health & Nutrition

**2**

The next phase is focused on driving value creation through (i) growth ahead of competition enabled by innovation and portfolio measures (ii) profitability enhancement through Bayer 2022 synergy and efficiency programs and (iii) strong cash generation

**3**

We target Sales, Core EPS and FCF CAGR\* until 2022 of 4%, 10% and 18%, respectively

**4**

Strong FCF along with proceeds from divestments enable (i) growing dividends, (ii) quick deleveraging of our balance sheet and (iii) selective bolt-ons and in-licensing transactions

2018e PF used for Sales and Core EPS; 2018e used for FCF



Q1 2019 & Outlook 2019



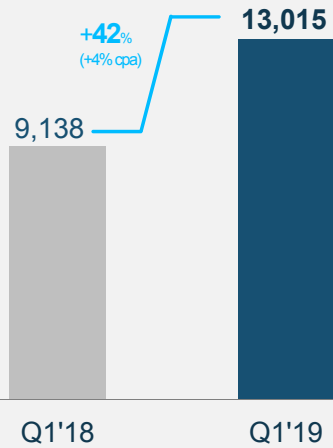


# Q1 Results

## Sales

In million €, Δ% yoy, Fx & portfolio adj.

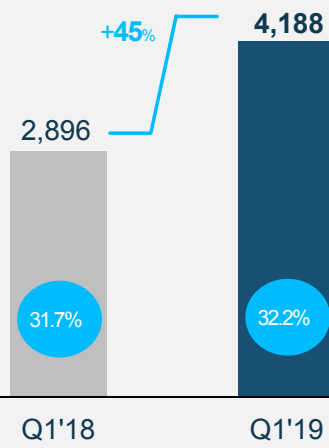
Positive Fx effect of €108m



## EBITDA

In million €, before special items

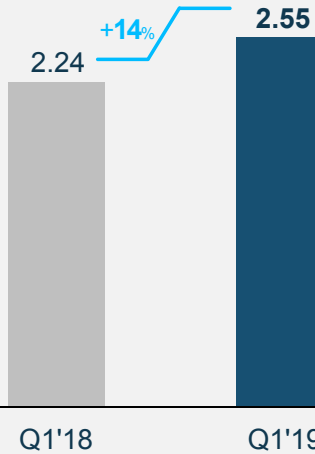
Negative Fx effect of €110m



## Core EPS

In €, Cont. Operations

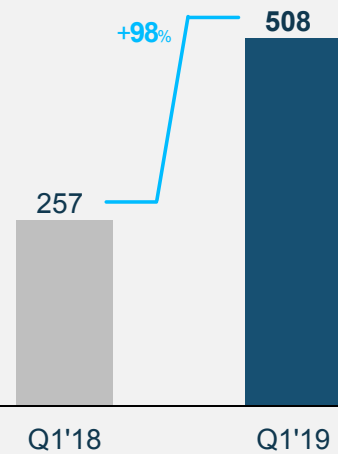
- # of shares increased from 886m to 980m
- Core financial result went from -€106m to -€370m



## Free Cash Flow

In € million

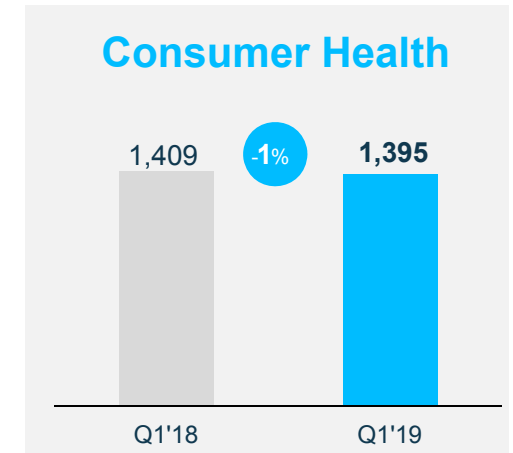
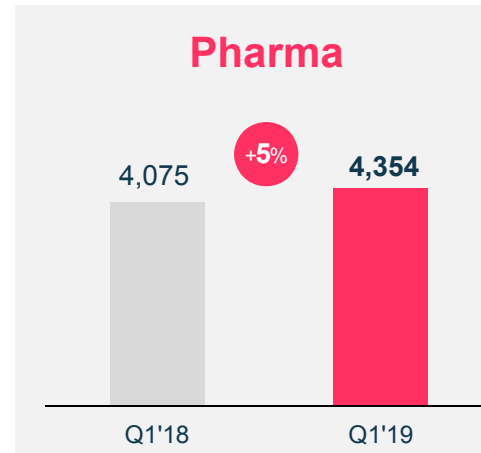
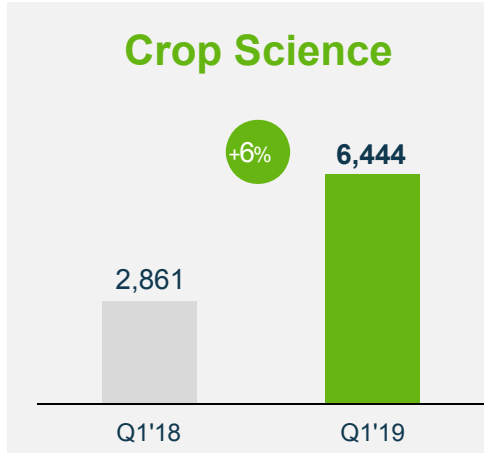
Expanded CS business working capital need offset by positive PH and CH development



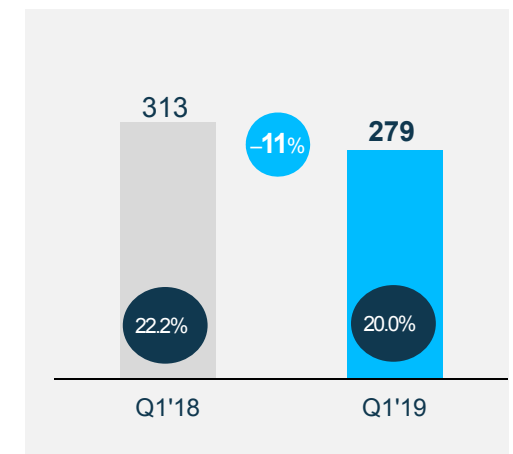
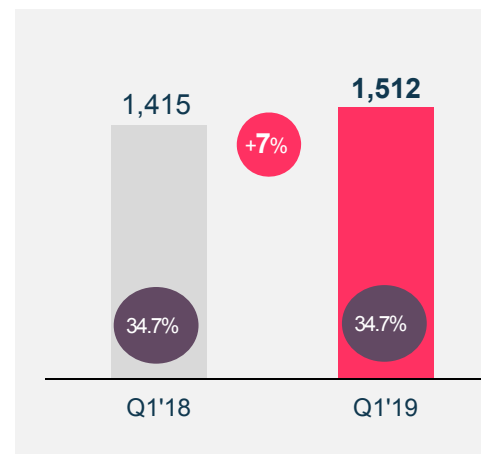
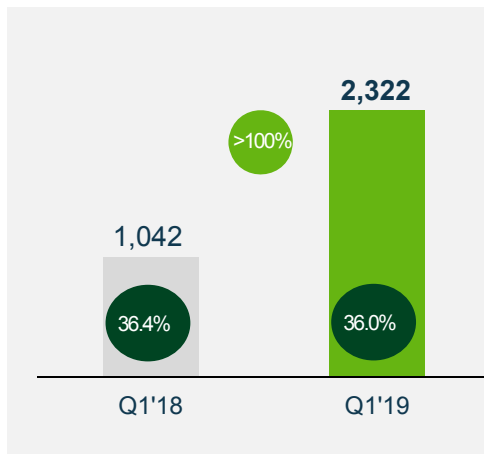


# Divisional Q1 Results

**Sales**  
In million €, Δ% yoy, Fx & portfolio adj.



**EBITDA**  
In million €, Δ% yoy, before special items



● EBITDA Margin before special items



# FY 2019 Guidance Confirmed after Q1

	2018 <sup>1</sup>	Group Forecast 2019 (at constant currencies)	Δ 2018 – 2019	
<b>Sales</b>	€39.6bn	~€46bn	+~16% (thereof +~12% portfolio)	<b>Fx-sensitivity:</b>  ± 1% change of the € vs all other currencies =  ₣ ~€340m on Sales &  ₣ ~€100m on EBITDA (before special items)
<b>EBITDA</b> (before special items)	€9.5bn	~€12.2bn	+~28%	
<b>Core EPS</b>	€5.94	~€6.80	+~14%	
<b>Free Cash Flow</b>	€4.7bn	~€3-4bn	~(-15%) – (-36%)	

<sup>1</sup> Monsanto included since June 7 and assets divested to BASF included until August 2018



# Progress in All Focus Areas

## **1** *Target Delivery*

- Deliver on operational targets

## **2** *Crop Science*

- Integration of acquired business to shape the future of agriculture

## **3** *Pharmaceuticals*

- Further strengthening of pipeline and intensify external sourcing

## **4** *Consumer Health*

- Drive performance improvement

## **5** *Efficiency / Bayer 2022*

- Execute efficiency improvement program and realize synergies

## **6** *Portfolio Measures*

- Execution of announced portfolio measures for sharpened business focus



# *Additional Debt Investor Information*

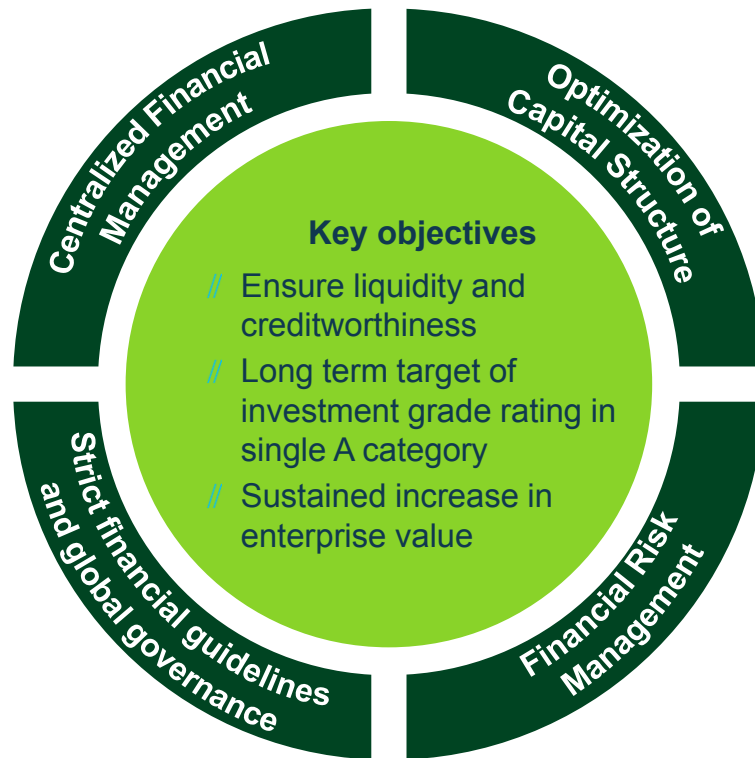
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June 2019







# Bayer Pursues Conservative Financial Policy...



## Financing instruments

// Syndicated credit facilities

// Global Commercial Paper program

// Multi-currency bonds

// Hybrid bonds

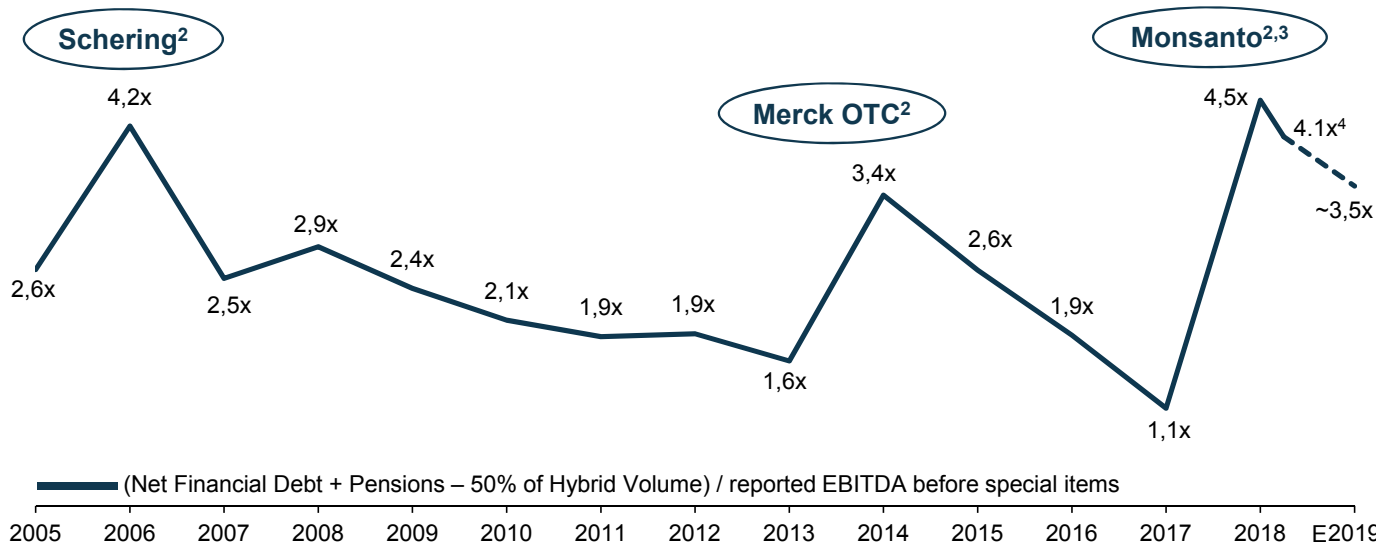
// Equity-linked instruments

**Prudent debt management with excellent access to diverse sources of liquidity**



# ... and Remains Committed to Rating in Single A Target Category

## Development of Ratings and Leverage<sup>1</sup>



Proven track record of disciplined deleveraging

Agency	Long Term Rating over time				Agency	LT-Rating	Outlook	ST-Rating
S&P	A	BBB+	A-		S&P	BBB	Stable	A2
Moody's	A3				Moody's	Baa1	Negative	P2
Fitch <sup>3</sup>	BBB+	A-		A	Fitch <sup>5</sup>	A-	Stable	F2

<sup>1</sup> Figures as reported in the respective year's annual report without restatements; Guidance 2019 based on average monthly exchange rates from 2018 and Pensions flat at 2018 level

<sup>2</sup> Ratios of years were closing of acquisition took place are not fully comparable as EBITDA before special items of acquired business is only considered for months after closing

<sup>3</sup> Based on 2018 unaudited pro forma EBITDA of combined business as shown on Capital Markets Day in December 2018, multiple results in 3.7x instead of 4.5x

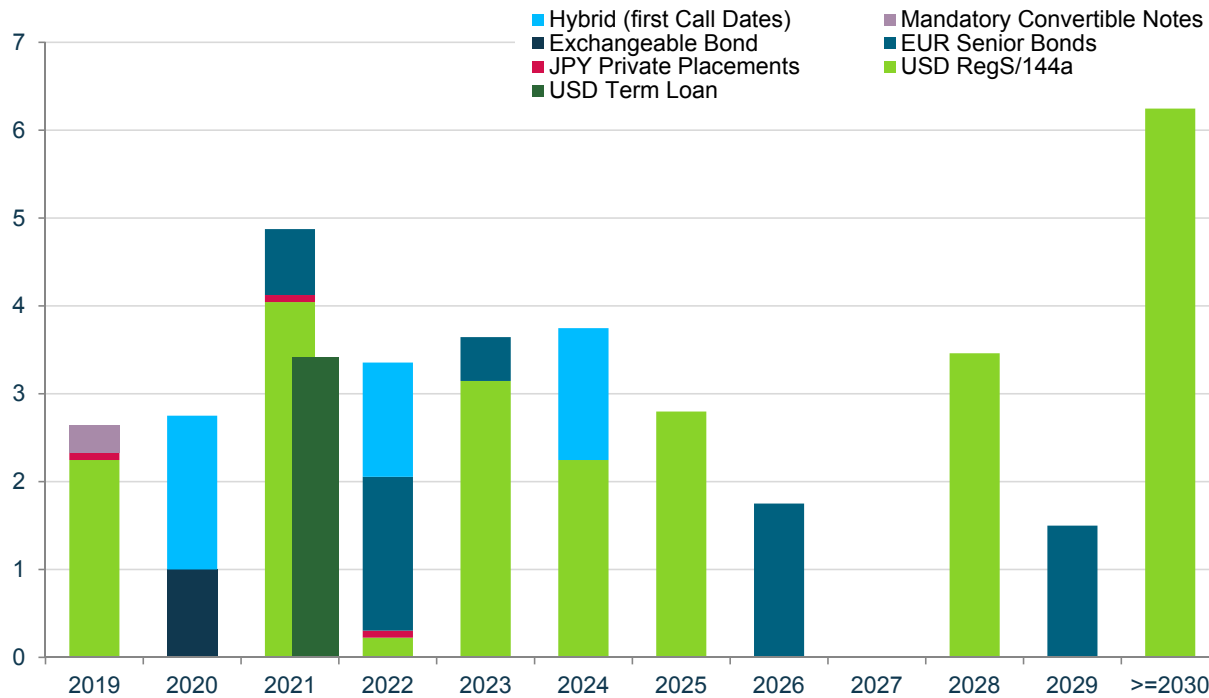
<sup>4</sup> Value for Q1 2019 considering trailing 12 months reported EBITDA before special items

<sup>5</sup> Solicited since 2018

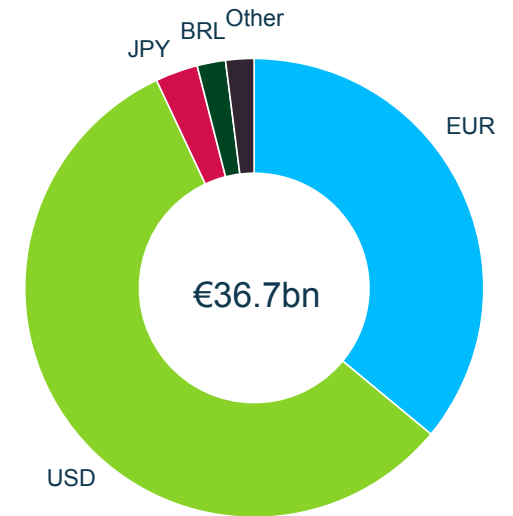


# Bayer's Maturity Profile is Well Balanced

**Bond and Loan Maturity Profile<sup>1</sup> (€bn)**  
as of April 26, 2019



**Currency Exposure incl. Derivatives<sup>2</sup>**  
as of March 31, 2019



<sup>1</sup> Converted at EURUSD 1.11 and EURJPY 124; MCN in 2019 only considered with interest portion

<sup>2</sup> Based on quarter-end FX rates



# Overview of Bayer's Funding Structure

## Net Financial Debt<sup>1</sup>

	Dec. 31, 2018	Mar. 31, 2019
	€ million	€ million
Bonds and notes / promissory notes	35,402	35,840
of which hybrid bonds <sup>2</sup>	4,537	4,538
Liabilities to banks	4,865	4,150
Liabilities under finance leases	399	1,370
Liabilities from derivatives <sup>3</sup>	172	113
Other financial liabilities	556	664
Receivables from derivatives <sup>3</sup>	(137)	(181)
<b>Financial debt</b>	<b>41,257</b>	<b>41,956</b>
Cash and cash equivalents	(4,052)	(4,062)
Current financial assets <sup>4</sup>	(930)	(478)
Shares in Covestro <sup>5</sup>	(596)	(676)
<b>Net financial debt</b>	<b>35,679</b>	<b>36,740</b>

## Nominal Volume of Major Instruments (bn)

as of March 31, 2019

1	Senior EUR Bonds	€6.3
	RegS/144a USD Bonds	\$27.2
	JPY Private Placements	¥30.0
2	Exchangeable Bond	€1.0
	3	Hybrid EUR Bonds
4	USD Term Loan	\$3.8
5	Mandatory Convertible Notes <sup>6</sup>	€4.0

### 6 Other Sources of Liquidity

Syndicated Loan Facility	€4.5
Commercial Paper Program	\$8.0

1 For definition see Annual Report 2018, A 2.4 "Alternative Performance Measures Used by the Bayer Group."

2 Classified as debt according to IFRS

3 These include the market values of interest-rate and currency hedges of recorded transactions

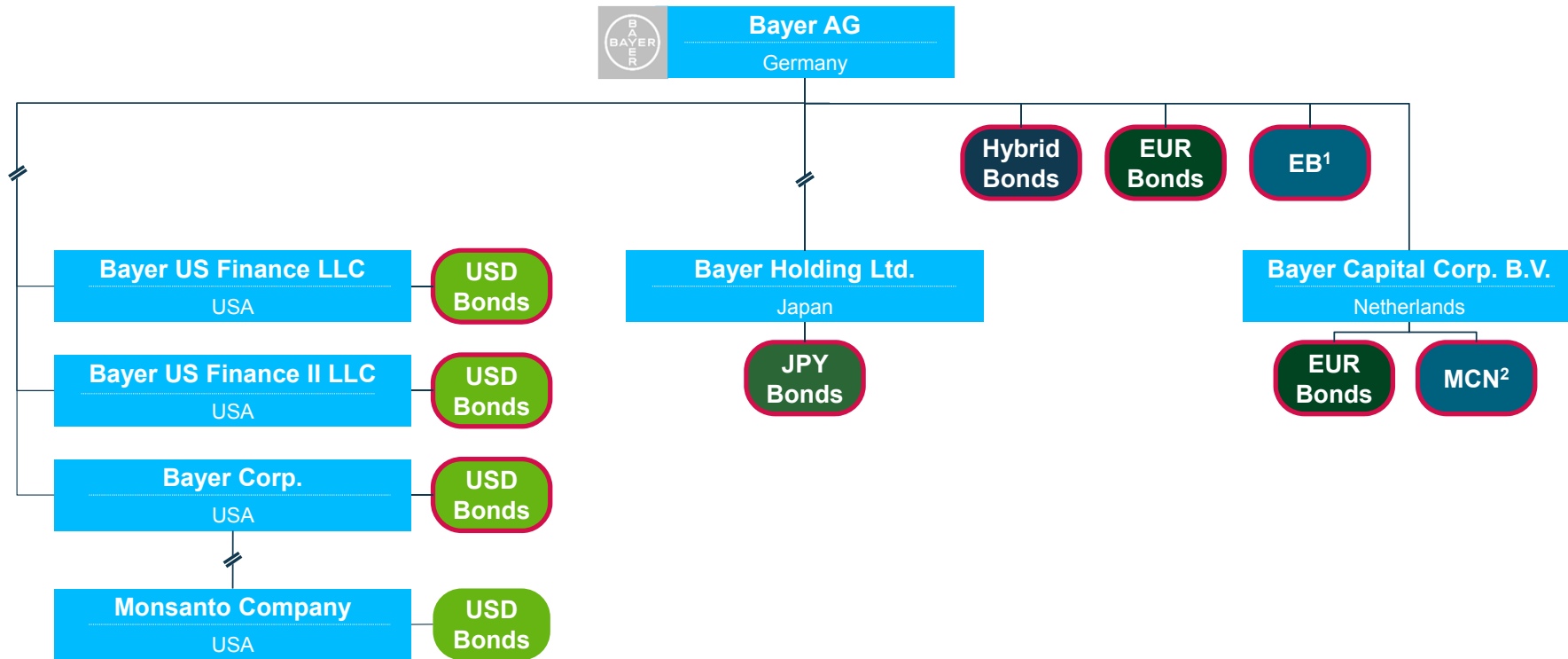
4 These include short-term loans and receivables with maturities between 3 and 12 months outstanding from banks and other companies as well as financial investments in debt and equity instruments that were recorded as current on first-time recognition

5 Covestro shares are held for risk management purposes relating to the exchangeable bond issued in 2017 that matures in 2020.

6 MCN only considered with interest portion of 0.3bnUSD



# 1 Main Issuing Entities at Bayer Group

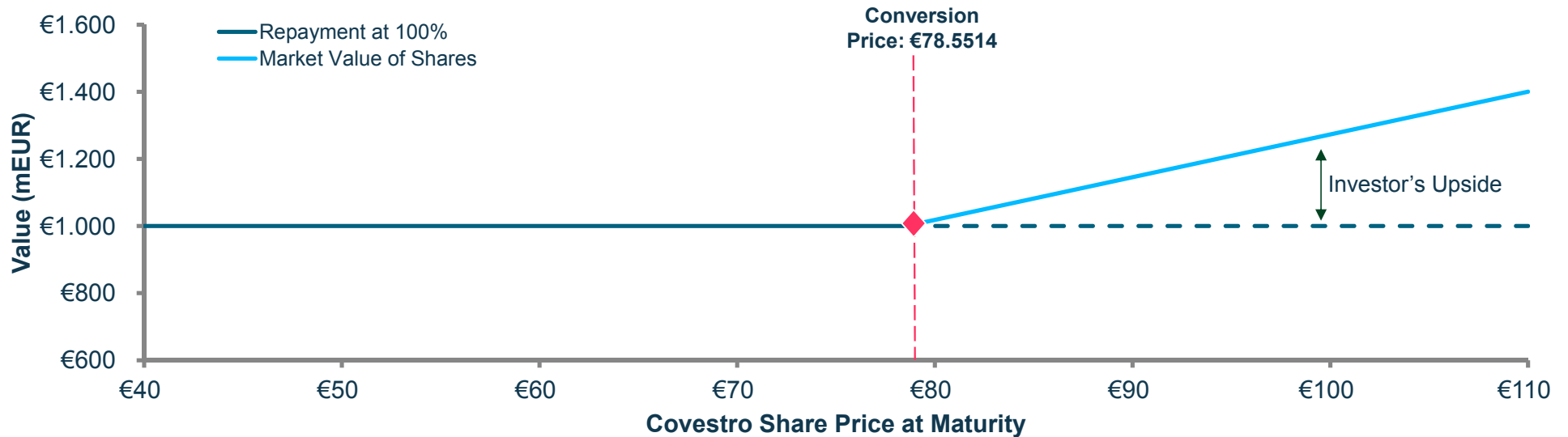


Instruments issued or guaranteed by Bayer AG  
 Indirect Hold through other entities

1 Exchangeable Bond  
2 Mandatory Convertible Notes



## 2 Profile of €1bn Covestro Exchangeable Bond due 2020



Face value	Exchange Price	Reference Dividend	Issuance	Maturity	Term	Coupon
€1bn	<ul style="list-style-type: none"> <li>At Issuance: €80.9300</li> <li>After two Dividend Adjustments: <b>€78.5514</b></li> <li>Next Dividend Adjustment: <b>April 2020</b></li> </ul>	<ul style="list-style-type: none"> <li>At Issuance: €1.4000</li> <li>After two Dividend Adjustments: <b>€1.3588</b></li> <li>Next Dividend Adjustment: <b>April 2020</b></li> </ul>	Jun 2017	Jun 2020	3 years	<b>0.05%</b>

Bayer has the flexibility to settle the bonds in cash, by delivery of Covestro shares or by a combination thereof<sup>1</sup>

<sup>1</sup> Bayer can determine a specified proportion of 1%-150% of the Principal Amount / Exchange Price on the last day of the calculation period to fix the number of shares taken for repayment at 1% discount



### 3 Hybrid Bonds at Bayer

**NC6 3% €1.75bn:**  
 217.6 bps spread + 5Y Swap<sup>1</sup>  
 1<sup>st</sup> Step-up: +25bps  
 2<sup>nd</sup> Step-up: +75bps

**NC10 3.75% €1.5bn:**  
 230 bps spread + 5Y Swap<sup>1</sup>  
 1<sup>st</sup> Step-up: +25bps  
 2<sup>nd</sup> Step-up: +75bps

**NC7.5 2.45% €1.3bn:**  
 200.7 bps spread + 5Y Swap<sup>1</sup>  
 1<sup>st</sup> Step-up: +25bps  
 2<sup>nd</sup> Step-up: +75bps



<sup>1</sup> Swap is reset every fifth year starting with the first call date



## 4 \$56.9bn Monsanto Acquisition Loan Facilities

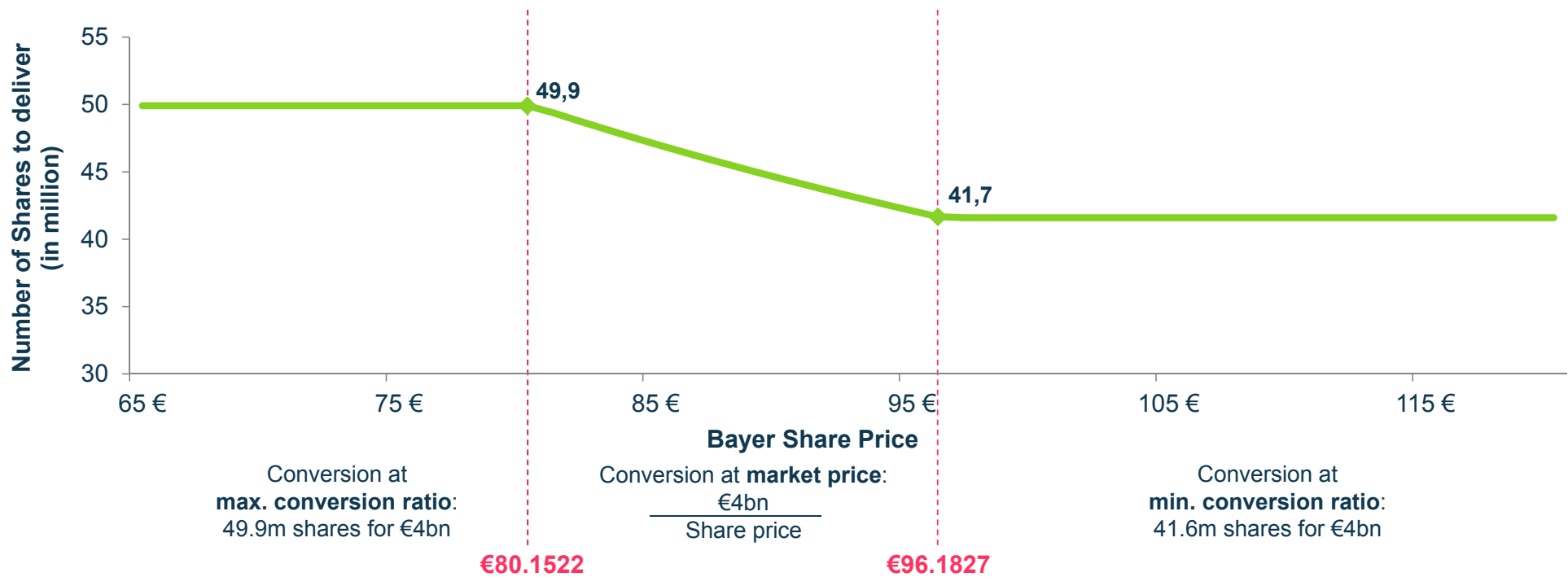
Transaction Value at Closing		Acquisition Facilities				
<b>\$63bn</b>		<b>\$56.9bn</b>				
<b>Net Debt</b>						
<b>\$6bn</b>						
<b>Equity Value</b>						
<b>\$57bn</b>						
		<b>Bridge Loan</b>				
		<b>\$46.9bn</b>				
		Tranche	Final Maturity	Initial Amount in \$bn	Outstanding in \$bn Dec. 31 2018    Apr. 29 2019	
		Loan A1	Jun. 2019	39.9	-	-
		Loan A2	Jun. 2020	7.0	-	-
		<b>Term Loan</b>				
		<b>\$10bn</b>				
		Loan B1	Jun. 2020	4.0	-	-
		Loan B2	Sep. 2021	6.0	4.9	<b>3.8</b>





## 5 Mechanics of €4bn Mandatory Convertible Notes

Face value	Min. Conversion Price	Max. Conversion Price	Settlement	Maturity	Term	Coupon
€4bn	<ul style="list-style-type: none"> <li>At Issuance: €90 (100%)</li> <li>After Adjustments for three Dividends and one Right Issue: <b>€80.1522</b></li> </ul>	<ul style="list-style-type: none"> <li>At Issuance: €108 (120%)</li> <li>After Adjustments for three Dividends and one Right Issue: <b>€96.1827</b></li> </ul>	Nov 2016	Nov 2019	3 years	<b>5.625%</b>



Graph shows situation at current conversion prices



## 6 Other Sources of Liquidity

### Syndicated Loan Facility

The multicurrency Syndicated Loan Facility can be used for general corporate purposes and is primarily a back-up line. Thus, it is not intended to be drawn in the course of ordinary business. The participating banks form Bayer's global banking group. Last renewed in December 2018, the credit facility was self-arranged.

Borrower	// Bayer AG, Germany // Bayer Corporation, USA
Total Amount	€4.5bn, thereof €1.5bn/\$1.5bn Swingline
Signing	December 2018
Tenor	5Y + two 1Y extension options
Syndicate Size	23 Banks
Purpose	General Corporate Purposes

### Commercial Paper Program

Commercial Paper (CP) is a short-term unsecured debt instrument. CP are normally issued at a discount and redeemed at nominal value. The term of CP generally lie between 1 and 364 days. Bayer's CP program allows the company to issue in both the U.S. market (USCP) and the Euro market (ECP). It is structured as a SEC regulation's section 4(a)(2) program so that there are no restrictions related to the use of proceeds.

Issuer	// Bayer AG, Germany // Bayer Corporation, USA
Guarantor	Bayer AG
Total Amount	\$8bn or equivalent
Dealer	// ECP: Bayerische Landesbank, Barclays, Citigroup, Goldman Sachs, ING // USCP: Barclays, BNY Mellon, Citigroup, JP Morgan, Wells Fargo
Issuing and Paying Agent	// BNY Mellon