

Q1

Quarterly Statement
First Quarter 2019



Bayer: strong operational start to the year

- // Group sales increase to €13.0 billion (Fx & portfolio adj. + 4.1%)
- // EBITDA before special items advances to €4.2 billion (+ 44.6%)
- // Crop Science posts substantial sales and earnings gains following the acquisition
- // Pharmaceuticals shows encouraging sales and earnings growth
- // Consumer Health below the prior-year quarter; full-year outlook confirmed
- // Net income of €1.2 billion (– 36.5%) held back as expected by special items related to the acquisition and restructuring
- // Core earnings per share €2.55 (+ 13.8%)
- // Business outlook for 2019 confirmed

Contents

Earnings Performance of the Bayer Group	3
Business Development by Segment	6
Asset and Financial Position of the Bayer Group	14
Economic Outlook	16
Corporate Outlook	16
Bayer Group Consolidated Income Statements	17
Bayer Group Consolidated Statements of Financial Position	18
Bayer Group Consolidated Statements of Cash Flows	19
Legal Risks	20

Bayer Group Key Data

€ million	Q1 2018	Q1 2019	Change %	Full Year 2018
Sales	9,138	13,015	+ 42.4	39,586
Change (adjusted for currency and portfolio effects) ¹			+ 4.1	+ 4.5%
Change in sales¹				
Volume	+ 3.2%	+ 3.6%		+ 5.3%
Price	- 1.2%	+ 0.5%		- 0.8%
Currency	- 7.5%	+ 1.2%		- 4.1%
Portfolio	- 0.1%	+ 37.1%		+ 12.7%
Sales by region				
Europe/Middle East/Africa	3,907	4,443	+ 13.7	14,143
North America	2,654	5,209	+ 96.3	11,569
Asia/Pacific	1,927	2,204	+ 14.4	8,115
Latin America	650	1,159	+ 78.3	5,759
EBITDA¹	2,818	3,138	+ 11.4	10,266
Special items ¹	(78)	(1,050)		719
EBITDA before special items¹	2,896	4,188	+ 44.6	9,547
EBITDA margin before special items ¹	31.7%	32.2%		24.1%
EBIT¹	2,310	1,950	- 15.6	3,914
Special items ¹	(78)	(1,050)		(2,566)
EBIT before special items¹	2,388	3,000	+ 25.6	6,480
Financial result	130	(316)	.	(1,596)
Net income (from continuing and discontinued operations)	1,954	1,241	- 36.5	1,695
Earnings per share ¹ from continuing and discontinued operations (€)	2.21	1.27	- 42.5	1.80
Core earnings per share ¹ from continuing operations (€)	2.24	2.55	+ 13.8	5.94
Net cash provided by operating activities (from continuing and discontinued operations)	658	1,079	+ 64.0	7,917
Cash outflows for capital expenditures	349	395	+ 13.2	2,593
Research and development expenses	1,040	1,356	+ 30.4	5,246
Depreciation, amortization and impairments	508	1,188	+ 133.9	6,352
Number of employees at end of period²	100,110	116,428	+ 16.3	116,998
Personnel expenses (including pension expenses)	2,438	3,475	+ 42.5	11,548

2018 figures restated

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

² Employees calculated as full-time equivalents (FTEs)

Earnings Performance of the Bayer Group¹

First quarter of 2019

Group sales

Group sales in the first quarter of 2019 rose by 4.1% (Fx & portfolio adj.) to €13,015 million (reported: +42.4%), of which Germany accounted for €1,062 million.

Crop Science posted a 5.5% sales increase (Fx & portfolio adj.) to €6,444 million, which came primarily from the Latin and North America regions. Reported sales of Crop Science were up by 125.2%, mainly because of a 119.5% portfolio effect (€3,420 million). Pharmaceuticals registered encouraging sales growth of 5.3% (Fx & portfolio adj.) to €4,354 million, with business in China developing particularly well. Sales of Consumer Health declined by 1.4% (Fx & portfolio adj.) to €1,395 million, chiefly as a result of the negative development in the Europe/Middle East/Africa region. Animal Health recorded sales of €421 million, level with the prior-year quarter (Fx & portfolio adj. –0.9%).

EBITDA before special items

Group EBITDA before special items advanced by 44.6% to €4,188 million. Negative currency effects diminished earnings by €110 million, excluding the acquired business. There was a positive effect of approximately €90 million from the first-time application of IFRS 16, under which lease expenses are no longer recognized in operating income. EBITDA before special items of Crop Science moved ahead by 122.8% to €2,322 million. EBITDA before special items of Pharmaceuticals rose by 6.9% to €1,512 million. At Consumer Health, EBITDA before special items decreased by 10.9% to €279 million. EBITDA before special items of Animal Health, at €140 million (+0.7%), was level with the prior-year period.

Depreciation and amortization

Depreciation, amortization and impairment losses in the first quarter of 2019 were 133.9% higher at €1,188 million (Q1 2018: €508 million). The increase was primarily due to the acquisition of Monsanto and the related depreciation and amortization of acquired assets and to the depreciation of right-of-use assets recognized for the first time within property, plant and equipment under IFRS 16. Amortization and impairment losses on intangible assets amounted to €706 million (Q1 2018: €297 million), while depreciation and impairment losses on property, plant and equipment amounted to €482 million (Q1 2018: €211 million).

Impairment losses totaled €4 million (Q1 2018: €21 million), of which €3 million (Q1 2018: €7 million) pertained to property, plant and equipment. Reversals of impairment losses on property, plant and equipment amounted to €5 million (Q1 2018: €0 million).

EBIT and special items

EBIT of the Bayer Group declined to €1,950 million (Q1 2018: €2,310 million). Net special charges in EBIT amounted to €1,050 million (Q1 2018: €78 million). The principal charges concerned were a total of €492 million – including €428 million in prorated reversals of inventory step-ups – in connection with the acquisition and integration of Monsanto and €393 million pertaining to the announced restructuring. EBIT before special items rose by 25.6% to €3,000 million (Q1 2018: €2,388 million).

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

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

A 1

Special Items by Category¹

€ million	EBIT Q1 2018	EBIT Q1 2019	EBITDA Q1 2018	EBITDA Q1 2019
Total special items	(78)	(1,050)	(78)	(1,050)
Litigations/legal risks	(4)	(51)	(4)	(51)
of which in the Reconciliation	(3)	(13)	(3)	(13)
Acquisition and integration costs	(61)	(492)	(61)	(492)
of which in the Reconciliation	(3)	(6)	(3)	(6)
Restructuring	(13)	(393)	(13)	(393)
of which in the Reconciliation	(5)	(365)	(5)	(365)
Divestments	–	(114)	–	(114)

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

Income after income taxes from discontinued operations

Income after income taxes from discontinued operations amounted to €0 million (Q1 2018: €8 million).

Net income

After a financial result of minus €316 million (Q1 2018: €130 million), income before income taxes was €1,634 million (Q1 2018: €2,440 million). The financial result mainly comprised income from investments in affiliated companies of €62 million (Q1 2018: €346 million), net interest expense of €345 million (Q1 2018: €92 million), and interest cost of €66 million (Q1 2018: €45 million) for pension and other provisions. The financial result included net special gains of €54 million (Q1 2018: €236 million), mainly resulting from the change in the fair value of the interest in Covestro. After deducting income tax expense of €398 million (Q1 2018: €494 million) and accounting for noncontrolling interest, net income in the first quarter of 2019 came in at €1,241 million (Q1 2018: €1,954 million).

Core earnings per share

Earnings per share (total) declined in the first quarter of 2019 to €1.27 (Q1 2018: €2.21), largely because of the aforementioned special items pertaining to the acquisition, integration and restructuring, and the acquisition-related increase in amortization of intangible assets. Core earnings per share from continuing operations rose by 13.8% to €2.55 (Q1 2018: €2.24) thanks to the substantial earnings contributions from Crop Science and Pharmaceuticals. These were partly offset by a negative financial result and the increased number of shares.

A 2

Core Earnings per Share¹

€ million	Q1 2018	Q1 2019
EBIT (as per income statements)	2,310	1,950
Amortization and impairment losses/loss reversals on goodwill and other intangible assets	297	706
Impairment losses/loss reversals on property, plant and equipment, and accelerated depreciation included in special items	7	(2)
Special items (other than accelerated depreciation, amortization and impairment losses/loss reversals)	78	1,050
Core EBIT	2,692	3,704
Financial result (as per income statements)	130	(316)
Special items in the financial result	(236)	(54)
Income taxes (as per income statements)	(494)	(398)
Special items in income taxes	-	-
Tax effects related to amortization, impairment losses/loss reversals and special items	(107)	(441)
Income after income taxes attributable to noncontrolling interest (as per income statements)	-	5
Above-mentioned adjustments attributable to noncontrolling interest	-	-
Core net income from continuing operations	1,985	2,500
Shares (million)		
Weighted average number of shares ²	885.55	980.15
€		
Core earnings per share from continuing operations	2.24	2.55

2018 figures restated

¹ For definition see Annual Report 2018, A 2.4 "Alternative Performance Measures Used by the Bayer Group."² The weighted average number of shares (basic and diluted) was restated pursuant to IAS 33 for all periods prior to June 2018 to reflect the effect of the bonus component of the subscription rights issued as part of the June 2018 capital increase, because the subscription price of the new shares was below the market price of the existing shares.**Personnel expenses and employee numbers**

The number of employees in the Bayer Group at the end of the quarter increased by 16.3% to 116,428 (Q1 2018: 100,110), chiefly as a result of the Monsanto acquisition. Personnel expenses rose by 42.5% to €3,475 million (Q1 2018: €2,438 million). They were increased by allocations to provisions for the announced restructuring.

Business Development by Segment

Crop Science

A 3

Key Data – Crop Science

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Sales	2,861	6,444	+ 125.2	+ 5.5
Change in sales¹				
Volume	-0.6%	+3.7%		
Price	-0.4%	+1.8%		
Currency	-7.3%	+0.2%		
Portfolio	0.0%	+119.5%		
Sales by region				
Europe/Middle East/Africa	1,294	1,764	+36.3	+1.3
North America	969	3,524	.	+5.2
Asia/Pacific	368	388	+5.4	-1.7
Latin America	230	768	.	+41.3
EBITDA¹	981	1,704	+ 73.7	
Special items ¹	(61)	(618)		
EBITDA before special items¹	1,042	2,322	+ 122.8	
EBITDA margin before special items ¹	36.4%	36.0%		
EBIT¹	892	996	+ 11.7	
Special items ¹	(61)	(618)		
EBIT before special items¹	953	1,614	+ 69.4	
Net cash provided by operating activities	(703)	(471)	+ 33.0	
Capital expenditures	63	223	.	
Research and development expenses	257	583	+126.8	

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

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

First quarter of 2019

Sales

Crop Science posted sales of €6,444 million in the first quarter of 2019. Sales climbed by 125.2% on a reported basis, thanks mainly to a positive portfolio effect of 119.5% due to the acquisition of Monsanto (€4,329 million) less the prorated contribution from the divested businesses in the prior-year period (€909 million). The 5.5% increase after adjusting for currency and portfolio changes came mainly from the Latin and North America regions, where the effects of the service agreements with BASF were apparent.

- // Sales in **Europe/Middle East/Africa** rose by 37.7% (Fx adj.) to €1,764 million. The portfolio effect amounted to €471 million. Sales increased by 1.3% on a currency- and portfolio-adjusted basis. Insecticides registered double-digit sales growth, partly due to favorable weather conditions and to product launches. Our Herbicides business also expanded for weather-related reasons. Sales of SeedGrowth (Other) declined, however, due to loss of registrations in Europe, as did business in Fungicides, primarily in Germany and Ukraine.
- // Sales in **North America** advanced by 261.2% (Fx adj.) to €3,524 million. There was a portfolio effect of €2,481 million. The currency- and portfolio-adjusted growth of 5.2% resulted in large part from sales effected under the aforementioned service agreements relating to the SeedGrowth business (Other). At Environmental Science, however, business was down, due in part to a planned reduction in product shipments to the acquirer of the consumer business we divested in 2016.
- // In the **Asia/Pacific** region, sales increased by 2.8% (Fx adj.) to €388 million. The portfolio effect here was €16 million. Business declined by 1.7% (Fx & portfolio adj.). Sales of Insecticides and Fungicides suffered especially from a late start to the season in India. For Fungicides, the sharp decline from the prior-year quarter was also due to the late monsoon onset in Southeast Asia. These decreases were not offset by the rise in sales of Herbicides.

// Sales in the **Latin America** region advanced by 238.0% (Fx adj.) to €768 million. There was a portfolio effect of €452 million. Business grew by 41.3% (Fx & portfolio adj.). In Brazil, Herbicides, Fungicides, Insecticides and other units benefited from shifts in demand from the previous quarter. In Mexico, sales of Fungicides also were bolstered by favorable weather conditions.

A 4

Sales by Strategic Business Entity

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Crop Science	2,861	6,444	+ 125.2	+ 5.5
Herbicides	800	1,373	+ 71.6	+ 9.9
Corn Seed & Traits	38	2,374	.	+ 5.6
Soybean Seed & Traits	59	604	.	+ 0.8
Fungicides	728	697	- 4.3	- 4.6
Insecticides	299	336	+ 12.4	+ 12.4
Environmental Science	114	252	+ 121.1	- 4.3
Vegetable Seeds	144	168	+ 16.7	-
Other	680	640	- 5.9	+ 11.2

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

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

Earnings

EBITDA before special items of Crop Science rose in the first quarter of 2019 by 122.8% to €2,322 million (Q1 2018: €1,042 million). The increase was largely attributable to the earnings contribution from the newly acquired business. However, the absence of the earnings contribution from the businesses divested to BASF and a negative currency effect of €67 million – excluding the acquired business – had an opposing effect.

EBIT increased to €996 million (Q1 2018: €892 million) after special charges of €618 million (Q1 2018: €61 million), of which €587 million related to the acquisition and integration of Monsanto and the divestments to BASF. The latter amount included €428 million in prorated reversals of inventory step-ups.

A 5

Special Items¹ Crop Science

€ million	EBIT	EBIT	EBITDA	EBITDA
	Q1 2018	Q1 2019	Q1 2018	Q1 2019
Restructuring	(2)	-	(2)	-
Litigations/legal risks	(1)	(31)	(1)	(31)
Acquisition and integration costs	(58)	(486)	(58)	(486)
Divestments	-	(101)	-	(101)
Total special items	(61)	(618)	(61)	(618)

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

Pro-forma sales by strategic business entity

Due to the scope of the acquired activities and the seasonality of the business, we are presenting sales by strategic business entity on a pro-forma basis in order to more transparently reflect the underlying operational business development for the combined business of Crop Science and Monsanto, among other reasons. In this context, sales are presented as if both the acquisition of Monsanto and the associated divestments had already taken place as of January 1, 2017. Sales from the aforementioned service agreements with BASF after the divestments closed are not taken into account.

Pro-Forma Sales by Strategic Business Entity¹

€ million	Q1 2018	Q1 2019	Change % ²	
			Reported	Fx adj.
Crop Science	6,148	6,354	+ 3.4	- 0.2
Herbicides	1,303	1,344	+ 3.1	+ 2.0
Corn Seed & Traits	2,274	2,374	+ 4.4	- 0.8
Soybean Seed & Traits	666	603	- 9.5	- 15.5
Fungicides	727	698	- 4.0	- 4.5
Insecticides	298	335	+ 12.4	+ 11.9
Environmental Science	238	248	+ 4.0	+ 2.2
Vegetable Seeds	176	168	- 4.3	- 6.3
Other	464	584	+ 25.9	+ 18.7

Fx adj. = currency-adjusted

¹ The pro-forma data is 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. Due to this simplified procedure, they explicitly do not reflect sales according to IFRS or IDW RH HFA 1.004.

² For definition see Annual Report 2018, A 2.4 "Alternative Performance Measures Used by the Bayer Group."

First quarter of 2019

Sales in the first quarter of 2019 on a pro-forma basis were level with the prior-year period (-0.2%) after adjusting for currency effects.

- // The increase at **Herbicides** resulted mainly from substantial growth in the Latin America region due to higher selling prices and volumes for Roundup™ and shifts in demand from the previous quarter in Brazil, as well as to weather-related growth in Europe/Middle East/Africa. In North America, however, sales declined due to increased competitive pressure from generic products and weather-related shifts.
- // Business at **Corn Seed & Traits** matched the level of the prior-year quarter. Sales were lower in Latin America due to weather-related demand shifts into the previous quarter. Business was also down slightly in North America, where negative factors including an unfavorable product mix as well as flooding and cold weather in the Midwest of the United States impacted the start of the season. This was only partially offset by an anticipated increase in acreages. We achieved significant growth in the Europe/Middle East/Africa region on account of an anticipated expansion of acreages.
- // The decline in sales at **Soybean Seed & Traits** was the result of shifts into prior quarters in Latin America. In North America, demand shifts from 2018 were more than offset by an anticipated reduction in acreages and increased competitive pressure.
- // Business at **Fungicides** was adversely impacted by a late start to the season in Ukraine, Southeast Asia and India, among other factors.
- // Sales of **Insecticides** rose thanks to favorable business development in the Europe/Middle East/Africa region and demand shifts from the previous quarter in Latin America.
- // The growth for **Other** came mainly from Cotton Seed & Traits in the United States and Brazil, largely due to higher volumes as a result of an anticipated increase in market share.

Pharmaceuticals

A 7

Key Data – Pharmaceuticals

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Sales	4,075	4,354	+ 6.8	+ 5.3
Change in sales¹				
Volume	+ 5.7%	+ 6.3%		
Price	- 2.8%	- 1.0%		
Currency	- 7.1%	+ 1.6%		
Portfolio	- 0.2%	- 0.1%		
Sales by region				
Europe/Middle East/Africa	1,611	1,675	+ 4.0	+ 4.9
North America	923	925	+ 0.2	- 5.9
Asia/Pacific	1,303	1,529	+ 17.3	+ 13.9
Latin America	238	225	- 5.5	+ 5.0
EBITDA¹	1,414	1,496	+ 5.8	
Special items ¹	(1)	(16)		
EBITDA before special items¹	1,415	1,512	+ 6.9	
EBITDA margin before special items ¹	34.7%	34.7%		
EBIT¹	1,163	1,199	+ 3.1	
Special items ¹	(1)	(16)		
EBIT before special items¹	1,164	1,215	+ 4.4	
Net cash provided by operating activities	1,232	1,293	+ 5.0	
Capital expenditures	219	80	- 63.5	
Research and development expenses	693	689	- 0.6	

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

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

First Quarter of 2019

Sales

Sales of Pharmaceuticals rose by 5.3% (Fx & portfolio adj.) in the first quarter of 2019 to €4,354 million (Q1 2018: €4,075 million). Contributing to the increase were the continuing strong development of our products Xarelto™ and Eylea™ and significant overall growth in China.

- // Sales of our oral anticoagulant **Xarelto™** again rose strongly, mainly as a result of higher volumes in China and Japan, as well as in Europe. Our license revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson, exceeded the level of the prior-year period.
- // We posted considerably higher sales of our eye medicine **Eylea™** in all regions, largely due to volume increases. Business developed particularly well in Europe, primarily in the United Kingdom, France and Germany.
- // Sales of our cancer drug **Nexavar™** developed positively. The product launches in China in prior years along with volume increases, especially in Germany and Brazil, more than offset a drop in demand in Japan and the United States due to competition.
- // The sharp decline in sales of our multiple sclerosis treatment **Betaferon™/Betaseron™** was again mainly attributable to the competitive market environment in the United States.
- // We recorded significantly higher sales of our cancer drug **Stivarga™**, largely as a result of demand-driven volume growth in China. We substantially grew the U.S. business following weak development in the same period last year.
- // Sales of our pulmonary hypertension treatment **Adempas™** rose sharply, mainly thanks to higher volumes in the United States and Europe. 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.

A 8

Best-Selling Pharmaceuticals Products

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Xarelto™	814	937	+ 15.1	+ 14.8
Eylea™	504	583	+ 15.7	+ 14.5
Mirena™ product family	317	322	+ 1.6	- 3.5
Kogenate™/Kovaltry™/Jivi™	214	213	- 0.5	- 3.8
Glucobay™	168	187	+ 11.3	+ 9.8
Nexavar™	162	184	+ 13.6	+ 11.4
Adalat™	176	175	- 0.6	- 2.2
YAZ™/Yasmin™/Yasminelle™	152	159	+ 4.6	+ 4.9
Aspirin™ Cardio	148	156	+ 5.4	+ 4.9
Avalox™/Avelox™	97	104	+ 7.2	+ 5.9
Betaferon™/Betaseron™	130	101	- 22.3	- 24.4
Stivarga™	70	97	+ 38.6	+ 34.5
Gadavist™/Gadovist™	87	96	+ 10.3	+ 9.1
Adempas™	81	95	+ 17.3	+ 12.9
Stellant™	79	87	+ 10.1	+ 4.3
Total best-selling products	3,199	3,496	+ 9.3	+ 7.5
Proportion of Pharmaceuticals sales	79%	80%		

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

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

EBITDA before special items of Pharmaceuticals rose in the first quarter of 2019 by 6.9% to €1,512 million (Q1 2018: €1,415 million). Adjusted for negative currency effects in the amount of €44 million, earnings were up by 10.0%. This increase in earnings was primarily due to the very good development of business and lower cost of goods sold.

EBIT increased by 3.1% to €1,199 million after special charges of €16 million (Q1 2018: €1 million). These comprised €9 million in restructuring expenses and €7 million for litigations.

A 9

Special Items¹ Pharmaceuticals

€ million	EBIT	EBIT	EBITDA	EBITDA
	Q1 2018	Q1 2019	Q1 2018	Q1 2019
Restructuring	(1)	(9)	(1)	(9)
Litigations/legal risks	-	(7)	-	(7)
Total special items	(1)	(16)	(1)	(16)

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

Consumer Health

A 10

Key Data – Consumer Health

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Sales	1,409	1,395	-1.0	-1.4
Changes in sales¹				
Volume	-3.3%	-1.3%		
Price	+1.1%	-0.1%		
Currency	-9.8%	+1.6%		
Portfolio	0.0%	-1.2%		
Sales by region				
Europe/Middle East/Africa	496	460	-7.3	-5.5
North America	596	603	+1.2	-3.3
Asia/Pacific	177	206	+16.4	+14.2
Latin America	140	126	-10.0	+1.7
EBITDA¹	308	251	-18.5	
Special items ¹	(5)	(28)		
EBITDA before special items¹	313	279	-10.9	
EBITDA margin before special items ¹	22.2%	20.0%		
EBIT¹	211	161	-23.7	
Special items ¹	(5)	(28)		
EBIT before special items¹	216	189	-12.5	
Net cash provided by operating activities	173	232	+34.1	
Capital expenditures	28	25	-10.7	
Research and development expenses	55	54	-1.8	

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

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

First quarter of 2019

Sales

Sales of Consumer Health declined by 1.4% (Fx & portfolio adj.) in the first quarter of 2019 to €1,395 million.

// In the **Europe/Middle East/Africa** region, sales were 5.5% below the prior-year quarter at €460 million.

The supply disruptions had a negative effect as expected, especially for Aspirin™, and business was also down in the Digestive Health category.

// Sales in the **North America** region decreased by 3.3% to €603 million. Sales declined in the Nutritionals and the Pain & Cardio categories, where persistent intense competition was among the negative factors, as well as in Allergy & Cold. This was only partially offset by growth in the Digestive Health and Dermatology categories.

// Business in **Asia/Pacific** expanded considerably for a further successive quarter, with sales climbing by 14.2% to €206 million. We registered higher volumes in the Dermatology and Nutritionals categories.

// Sales in **Latin America** increased by 1.7% to €126 million, with growth in the Pain & Cardio category more than offsetting declines for Allergy & Cold.

A 11

Sales by Category¹

€ million	Q1 2018	Q1 2019	Change % ²	
			Reported	Fx & p adj.
Consumer Health	1,409	1,395	-1.0	-1.4
Nutritionals	271	266	-1.8	-1.4
Allergy & Cold	310	310	0.0	-4.8
Dermatology	245	266	+8.6	+8.6
Pain & Cardio	190	182	-4.2	-2.1
Digestive Health	175	169	-3.4	-6.0
Other ³	219	202	-7.8	-3.5

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

¹ In line with internal financial management, the sales commentary for Consumer Health is now based primarily on regions and categories rather than products. These categories comprise Nutritionals (e.g. Elevit™, One A Day™), Allergy & Cold (e.g. Claritin™, Alka-Seltzer™ Plus, Aspirin™ Cold), Dermatology (e.g. Bepanthen™, Canesten™), Pain & Cardio (e.g. Aleve™, Aspirin™) and Digestive Health (e.g. MiraLAX™, Alka-Seltzer™).

² For definition see Annual Report 2018, A 2.4 "Alternative Performance Measures Used by the Bayer Group."

³ Including our sun care and foot care products businesses as well as the business with prescription dermatology products divested to LEO Pharma, part of which has not yet been transferred to the acquirer

Earnings

EBITDA before special items of Consumer Health declined by 10.9% in the first quarter of 2019 to €279 million (Q1 2018: €313 million). Earnings were diminished by a decline in volumes, an increase in the cost of goods sold and the absence of the earnings contribution from the divested U.S. business with prescription dermatology products. These factors were only partially offset by lower selling and administration expenses resulting from the first effects of the efficiency program under way at Consumer Health.

EBIT declined by 23.7% to €161 million after special charges of €28 million (Q1 2018: €5 million) that mainly resulted from the aforementioned efficiency program.

A 12

Special Items¹ Consumer Health

€ million	EBIT	EBIT	EBITDA	EBITDA
	Q1 2018	Q1 2019	Q1 2018	Q1 2019
Restructuring	(5)	(19)	(5)	(19)
Divestments	-	(9)	-	(9)
Total special items	(5)	(28)	(5)	(28)

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

Animal Health

A 13

Key Data – Animal Health

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Sales	414	421	+ 1.7	- 0.9
Change in sales¹				
Volume	+ 2.5%	- 2.8%		
Price	+ 0.5%	+ 1.9%		
Currency	- 8.9%	+ 2.6%		
Portfolio	0.0%	0.0%		
Sales by region				
Europe/Middle East/Africa	136	149	+ 9.6	+ 9.6
North America	160	153	- 4.4	- 11.5
Asia/Pacific	77	80	+ 3.9	+ 1.1
Latin America	41	39	- 4.9	- 0.5
EBITDA¹	139	136	- 2.2	
Special items ¹	-	(4)		
EBITDA before special items¹	139	140	+ 0.7	
EBITDA margin before special items ¹	33.6%	33.3%		
EBIT¹	129	126	- 2.3	
Special items ¹	-	(4)		
EBIT before special items¹	129	130	+ 0.8	
Net cash provided by operating activities	13	(18)		
Capital expenditures	5	14	+ 180.0	
Research and development expenses	30	29	- 3.3	

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

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

First Quarter of 2019

Sales

Sales of Animal Health came in at €421 million in the first quarter of 2019 and were thus at the level of the prior-year period (Fx & portfolio adj. -0.9%). Business declined sharply in the North America region, mainly as a result of lower volumes in the United States. This development was nearly offset by encouraging sales gains in the Europe/Middle East/Africa region.

// Sales of our **Advantage™** line of flea, tick and worm control products fell considerably, particularly in the United States, due partly to lower retail volumes and also to the cold and damp weather conditions.

Declines in the Asia/Pacific region, especially in Australia, were nearly offset by growth in Europe/Middle East/Africa.

// Business with our **Seresto™** flea and tick collar showed an encouraging increase. Growth was chiefly attributable to higher demand in the Europe/Middle East/Africa and Asia/Pacific regions, with significant sales gains in Spain and Poland.

A 14

Best-Selling Animal Health Products

€ million	Q1 2018	Q1 2019	Change % ¹	
			Reported	Fx & p adj.
Advantage™ product family	114	104	-8.8	-12.2
Seresto™	88	100	+13.6	+10.5
Drontal™ product family	31	32	+3.2	+5.0
Baytril™	25	27	+8.0	+2.5
Total	258	263	+1.9	-1.0
Proportion of Animal Health sales	62%	62%		

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

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

EBITDA before special items of Animal Health remained steady in the first quarter of 2019 with growth of 0.7% to €140 million (Q1 2018: €139 million). Positive contributions came from lower cost of goods sold and higher prices. Earnings were held back mainly by lower volumes.

EBIT declined by 2.3% to €126 million after special charges of €4 million (Q1 2018: €0 million) in connection with the intended separation of the segment from Bayer.

A 15

Special Items¹ Animal Health

€ million	EBIT	EBIT	EBITDA	EBITDA
	Q1 2018	Q1 2019	Q1 2018	Q1 2019
Divestments	-	(4)	-	(4)
Total special items	-	(4)	-	(4)

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

Asset and Financial Position of the Bayer Group

Statement of Cash Flows**Net cash provided by operating activities**

// The operating cash flow rose by 64.0% in the first quarter of 2019 to €1,079 million.

// The first-time application of IFRS 16 had a slightly positive effect on the operating cash flow because lease expenses were no longer recognized in operating income.

Net cash used in investing activities

// Cash outflows for property, plant and equipment and intangible assets rose in the first quarter of 2019 by 13.2% to €395 million (Q1 2018: €349 million).

// Net cash inflows from current and noncurrent financial assets came to €385 million (Q1 2018: outflow of €1,935 million).

Net cash used in financing activities

// There was a net cash outflow of €1,168 million for financing activities in the first quarter of 2019, mainly for net loan repayments totaling €968 million (Q1 2018: €507 million).

// The cash outflow increased slightly as a result of the first-time application of IFRS 16 because the repayment component of lease payments and the interest expense were recognized in the financing cash flow.

Free cash flow

// Free cash flow, which is the total operating cash flow less capital expenditures plus interest and dividends received less interest paid, amounted to €508 million in the first quarter of 2019 (Q1 2018: €257 million).

Liquid assets and net financial debt

A 16

Net Financial Debt¹

€ million	Dec. 31, 2018	March 31, 2019	Change in %
Bonds and notes/promissory notes	35,402	35,840	+ 1.2
of which hybrid bonds ²	4,537	4,538	0.0
Liabilities to banks	4,865	4,150	- 14.7
Lease liabilities	399	1,370	.
Liabilities from derivatives ³	172	113	- 34.3
Other financial liabilities	556	664	+ 19.4
Receivables from derivatives ³	(137)	(181)	+ 32.1
Financial debt	41,257	41,956	+ 1.7
Cash and cash equivalents	(4,052)	(4,062)	+ 0.2
Current financial assets ⁴	(930)	(478)	- 48.6
Shares in Covestro ⁵	(596)	(676)	+ 13.4
Net financial debt	35,679	36,740	+ 3.0

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.

- // Net financial debt of the Bayer Group rose by €1.1 billion in the first quarter of 2019, with cash inflows from operating activities offset by negative currency factors and the effects of the first-time application of IFRS 16.
- // The decline in liabilities to banks was largely due to further repayments of the acquisition financing. This amounted to US\$3.8 billion as of March 31, 2019.
- // The €1.0 billion increase in lease liabilities was mainly due to the change in lease accounting resulting from the first-time application of IFRS 16.
- // The other financial liabilities as of March 31, 2019, contained €310 million related to the mandatory convertible notes issued in November 2016.
- // Net financial debt includes three subordinated hybrid bonds with a total volume of €4.5 billion, 50% of which is treated as equity by the rating agencies. The hybrid bonds therefore have a positive impact on the Group's rating-specific debt indicators.
- // Our credit standing with the rating agencies is outlined in the table below, with the investment-grade ratings from all three agencies demonstrating good creditworthiness.

A 17

Rating

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

Asset and capital structure

- // Between December 31, 2018, and March 31, 2019, total assets increased by €3.9 billion to €130.2 billion.
- // Noncurrent assets rose by €2.2 billion to €97.5 billion, primarily due to a currency-related €0.6 billion change in goodwill and to a €1.0 billion increase in property, plant and equipment, which was attributable to the first-time application of IFRS 16 and the related capitalization of lease relationships previously classified as operating leases.
- // Total current assets increased by €1.8 billion to €32.7 billion. The change resulted primarily from a €2.5 billion increase in receivables, which mainly arose from the seasonal business of Crop Science. This was partly offset by a €0.3 billion decline in inventories and a €0.3 billion decrease in other current financial assets.
- // Equity rose by €1.9 billion compared with December 31, 2018, to €48.1 billion. The equity ratio increased to 36.9% as of March 31, 2019 (December 31, 2018: 36.5%).
- // Liabilities as of March 31, 2019, rose by €2.0 billion to €82.1 billion. The increase comprised €0.9 billion in noncurrent liabilities and €1.1 billion in current liabilities.

Economic Outlook

A 18

Economic Outlook¹

	Growth 2018	Growth forecast 2019
World	+ 3.2%	+ 2.8%
European Union	+ 2.0%	+ 1.2%
of which Germany	+ 1.5%	+ 0.8%
United States	+ 2.9%	+ 2.3%
Emerging Markets ²	+ 4.8%	+ 4.6%

¹ Real growth of gross domestic product; source: IHS Markit

² Including about 50 countries defined by IHS Markit as Emerging Markets in line with the World Bank
As of April 2019

A 19

Economic Outlook for the Segments¹

	Growth 2018	Growth forecast 2019
Seed and crop protection market	+ 3%	+ 3%
Pharmaceuticals market	+ 5%	+ 5%
Consumer health market	+ 4%	+ 4%
Animal health market	+ 5%	+ 4%

2018 figures restated

¹ Bayer's estimate, except pharmaceuticals; source for pharmaceuticals market: IQVIA Market Prognosis 2019–2023 (March 2019 update);
all rights reserved; currency-adjusted.

As of April 2019

Corporate Outlook

Based on the development of business detailed in this report and our internal planning, we confirm the 2019 outlook for the Bayer Group and the segments issued in February in our 2018 Annual Report.

Bayer Group Consolidated Income Statements

B 1

€ million	Q1 2018	Q1 2019
Net sales	9,138	13,015
Cost of goods sold	(2,909)	(5,256)
Gross profit	6,229	7,759
Selling expenses	(2,509)	(3,036)
Research and development expenses	(1,040)	(1,356)
General administration expenses	(427)	(1,169)
Other operating income	152	134
Other operating expenses	(95)	(382)
EBIT¹	2,310	1,950
Equity-method income (loss)	71	(19)
Financial income	370	170
Financial expenses	(311)	(467)
Financial result	130	(316)
Income before income taxes	2,440	1,634
Income taxes	(494)	(398)
Income from continuing operations after income taxes	1,946	1,236
of which attributable to noncontrolling interest	-	(5)
of which attributable to Bayer AG stockholders	1,946	1,241
Income from discontinued operations after income taxes	8	-
of which attributable to noncontrolling interest	-	-
of which attributable to Bayer AG stockholders	8	-
Income after income taxes	1,954	1,236
of which attributable to noncontrolling interest	-	(5)
of which attributable to Bayer AG stockholders (net income)	1,954	1,241
Shares		
Weighted average number of shares²	885,546,889	980,151,964
€		
Earnings per share		
From continuing operations		
Basic	2.20	1.27
Diluted	2.20	1.27
From discontinued operations		
Basic	0.01	0.00
Diluted	0.01	0.00
From continuing and discontinued operations		
Basic	2.21	1.27
Diluted	2.21	1.27

2018 figures restated

¹ For definition see Annual Report 2018, A 2.4 "Alternative Performance Measures Used by the Bayer Group."² Weighted average number of shares (basic and diluted) restated for all periods prior to June 2018 to reflect the effect of the bonus component of the subscription rights issued as part of the June 2018 capital increase

Bayer Group Consolidated Statements of Financial Position

B 2

€ million	March 31, 2018	March 31, 2019	Dec. 31, 2018
Noncurrent assets			
Goodwill	14,480	38,773	38,146
Other intangible assets	11,185	36,675	36,746
Property, plant and equipment	7,330	13,934	12,944
Investments accounted for using the equity method	2,574	544	515
Other financial assets	1,737	2,251	2,212
Other receivables	535	586	511
Deferred taxes	4,384	4,742	4,278
	42,225	97,505	95,352
Current assets			
Inventories	6,402	10,678	10,961
Trade accounts receivable	9,498	14,289	11,836
Other financial assets	7,315	852	1,166
Other receivables	1,029	1,843	1,875
Claims for income tax refunds	461	742	809
Cash and cash equivalents	5,332	4,062	4,052
Assets held for sale	3,132	232	234
	33,169	32,698	30,933
Total assets	75,394	130,203	126,285
Equity			
Capital stock	2,117	2,387	2,387
Capital reserves	9,658	18,388	18,388
Other reserves	26,553	27,135	25,202
Equity attributable to Bayer AG stockholders	38,328	47,910	45,977
Equity attributable to noncontrolling interest	56	171	171
	38,384	48,081	46,148
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	8,096	8,865	8,717
Other provisions	1,302	3,858	3,347
Refund liabilities	146	173	167
Contract liabilities	799	998	986
Financial liabilities	12,273	37,951	37,712
Income tax liabilities	482	1,477	1,415
Other liabilities	228	344	349
Deferred taxes	586	4,563	4,621
	23,912	58,229	57,314
Current liabilities			
Other provisions	2,194	3,976	3,686
Refund liabilities	2,519	5,626	3,622
Contract liabilities	197	959	3,235
Financial liabilities	1,761	4,186	3,682
Trade accounts payable	3,943	5,507	5,414
Income tax liabilities	646	1,327	1,050
Other liabilities	1,318	2,298	2,122
Liabilities directly related to assets held for sale	520	14	12
	13,098	23,893	22,823
Total equity and liabilities	75,394	130,203	126,285

Bayer Group Consolidated Statements of Cash Flows

B 3

€ million	Q1 2018	Q1 2019
Income from continuing operations after income taxes	1,946	1,236
Income taxes	494	398
Financial result	(130)	316
Income taxes paid	(388)	(485)
Depreciation, amortization and impairments	508	1,188
Change in pension provisions	(98)	(108)
(Gains) losses on retirements of noncurrent assets	(20)	115
Decrease (increase) in inventories	(84)	456
Decrease (increase) in trade accounts receivable	(1,349)	(2,250)
(Decrease) increase in trade accounts payable	(436)	17
Changes in other working capital, other noncash items	215	196
Net cash provided by (used in) operating activities (total)	658	1,079
Cash outflows for additions to property, plant, equipment and intangible assets	(349)	(395)
Cash inflows from the sale of property, plant, equipment and other assets	59	14
Cash inflows from divestments	145	49
Cash inflows from (outflows for) noncurrent financial assets	1,777	(79)
Cash outflows for acquisitions less acquired cash	-	-
Interest and dividends received	22	24
Cash inflows from (outflows for) current financial assets	(3,712)	464
Net cash provided by (used in) investing activities (total)	(2,058)	77
Issuances of debt	1,021	493
Retirements of debt	(1,528)	(1,461)
Interest paid including interest-rate swaps	(83)	(206)
Interest received from interest-rate swaps	9	6
Net cash provided by (used in) financing activities (total)	(581)	(1,168)
Change in cash and cash equivalents due to business activities (total)	(1,981)	(12)
Cash and cash equivalents at beginning of year	7,435	4,052
Change in cash and cash equivalents due to changes in scope of consolidation	1	(1)
Change in cash and cash equivalents due to exchange rate movements	(117)	23
Cash and cash equivalents at end of year	5,338	4,062

Legal Risks

To find out more about the Bayer Group's legal risks, please see Note 29 to the consolidated financial statements in the Bayer Annual Report 2018, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2018, the following significant changes have occurred in respect of the legal risks:

Xarelto™: As of April 11, 2019, U.S. lawsuits from approximately 25,500 recipients of Xarelto™, an oral anticoagulant for the treatment and prevention of blood clots, had been served upon Bayer and Janssen Pharmaceuticals, Inc., the company distributing Xarelto™ in the United States. Plaintiffs allege that users have suffered personal injuries from the use of Xarelto™, including cerebral, gastrointestinal or other bleeding and death, and seek compensatory and punitive damages. In March 2019, Bayer and Janssen reached an agreement in principle with plaintiffs to resolve the Xarelto™ litigation in the United States, without admission of liability, for an amount of US\$775 million. The settlement amount will be shared equally between the two companies. It is expected that Bayer's share will be partially offset by product liability insurance. Bayer and Janssen may withdraw from the agreement if certain participation rates are not satisfied. If the settlement proceeds, it will resolve virtually all of the currently pending Xarelto™ claims. Bayer does not expect the net financial burden to have a material adverse impact on the consolidated financial statements of the Bayer Group.

Essure™: As of April 11, 2019, U.S. lawsuits from approximately 31,000 users of Essure™, a medical device offering permanent birth control with a nonsurgical procedure, had been served upon Bayer. Plaintiffs allege personal injuries from the use of Essure™, including hysterectomy, perforation, pain, bleeding, weight gain, nickel sensitivity, depression and unwanted pregnancy, and seek compensatory and punitive damages. As of April 11, 2019, two Canadian lawsuits relating to Essure™ seeking class action certification had been served upon Bayer. In March 2019, one of the proposed class actions was certified.

Roundup™ (Glyphosate): As of April 11, 2019, lawsuits from approximately 13,400 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. Cases pending in U.S. federal courts have been consolidated in a multi district litigation ("MDL") in the Northern District of California for common pre-trial management.

In March 2019, in the first trial conducted in the MDL, a jury awarded around US\$5 million in compensatory and US\$75 million in punitive damages to a plaintiff who claimed that a Monsanto product caused his NHL. We disagree with the jury's verdict and intend to seek trial court review and appeal, if necessary. The third trial in this litigation, in California state court, in Alameda County (Oakland), is underway. We continue to believe that we have meritorious defenses and we intend to defend ourselves vigorously in all of these lawsuits. Another four trials are currently scheduled in Missouri and Montana for the remainder of 2019. However, trial dates in all venues remain subject to change depending on court schedules and rulings.

One A Day™ vitamins: Bayer has been named in a class action lawsuit in the United States alleging Bayer's claims on its One A Day™ vitamins regarding the support of heart health, immunity and physical energy are false and misleading. In February 2019, the jury returned a verdict for Bayer and found that Bayer's claims on its vitamins are not false or misleading. The plaintiffs did not appeal the verdict, and therefore, the verdict is final.

Financial Calendar

Annual Stockholders' Meeting 2019	<i>April 26, 2019</i>
Planned dividend payment day	<i>May 2, 2019</i>
Half-Year Report 2019	<i>July 30, 2019</i>
Q3 2019 Quarterly Statement	<i>October 30, 2019</i>

Reporting Principles

The present document is a Quarterly Statement pursuant to Section 53 of the Exchange Rules of the Frankfurt Stock Exchange (as of January 28, 2019) 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 2018 fiscal year and the additional information about the company provided therein. The Annual Report 2018 is available on our website at 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 2018, except for the application of the standard referenced below.

International Financial Reporting Standards applied for the first time

Bayer has applied the International Financial Reporting Standard IFRS 16 ("Leases") as of January 1, 2019. Due to the transition option selected, the prior-period data has not been restated. Detailed information concerning the first-time application of this standard is given in the Annual Report 2018. Any effects on the comparison between the first quarters of 2019 and 2018 are explained in the respective sections of the financial report in this Quarterly Statement.

Masthead

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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. 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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