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## Investor News

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Group to take comprehensive range of portfolio, efficiency and structural measures

### **Bayer to strengthen core life science businesses while significantly enhancing productivity and profitability**

- Group plans to exit Animal Health business, the Consumer Health brands Coppertone™ and Dr. Scholl's™, and sell its 60-percent interest in Currenta, a site services provider in Germany
  - Efficiency and structural measures set to enhance competitiveness and generate annual contributions of 2.6 billion euros as of 2022 including the expected synergies from the Monsanto acquisition
  - A portion of the contributions to be reinvested in core businesses
  - Total one-time costs expected at a factor of 1.7 times annual contributions
  - Core earnings per share expected to increase by around 1 euro to 6.80 euros in 2019, with a target of around 10 euros in 2022
  - EBITDA margin before special items set to amount to over 30 percent in 2022
  - Efficiency and structural measures expected to result in the reduction of around 12,000 of 118,200 jobs worldwide, a significant number of them in Germany
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**Leverkusen, Germany, November 29, 2018** – The Bayer Group aims to strengthen its core life science businesses through a series of portfolio, efficiency and structural measures designed to enhance productivity and innovation while significantly improving competitiveness. In a meeting on Thursday, the Supervisory Board of Bayer AG discussed the plans laid out by the Board of Management and unanimously expressed their support. Through these measures, the company is paving the way for sustainable business success in attractive, long-term growth markets. “We have made very good progress with Bayer’s strategic development in recent years. As we now proceed with these measures, we are laying the foundation to sustainably enhance Bayer’s performance and profitability,” said Werner Baumann, Chairman of the Board of Management of Bayer AG. “With these measures, we are positioning Bayer optimally for the future as a life science company.”

## **Focusing on core life science businesses**

Bayer intends to advance the portfolio measures in 2019. The company intends to exit the Animal Health business and is assessing available options. Although this unit offers growth options in an attractive market, Bayer intends to allocate the investment resources necessary to support Animal Health to Bayer's core businesses of Pharmaceuticals, Consumer Health and Crop Science.

At Consumer Health, the company has initiated measures to enable the division to catch up to market growth in the coming years and improve profitability. These measures include a planned exit from product categories that have more favorable development potential outside of Bayer. In addition to the previously announced divestment of prescription dermatology products, Bayer will review its strategic options in the coming months with a view to exiting the sun care (Coppertone™) and foot care (Dr. Scholl's™) product lines. Through these moves, the company intends to focus on driving profitable growth in its core Consumer Health categories.

Furthermore, Bayer is in discussions regarding the divestment of its 60-percent interest in German site services provider Currenta. Following the successful carve-out of Covestro, Bayer's use of Currenta's services no longer justifies this 60-percent stake.

## **Measures to enhance competitiveness and innovation**

In addition to the planned portfolio measures, Bayer intends to significantly improve its cost structure. The company aims to further strengthen innovation and productivity, to accelerate access to future technologies, and to further enhance competitiveness and profitability. In this context, the company will seek to achieve greater efficiency across its supporting functions and services.

Including the synergies expected from the acquisition of Monsanto, Bayer anticipates annual contributions of 2.6 billion euros from 2022 on as a result of its planned efficiency and structural measures. These measures will include a reduction of around 12,000 of 118,200 jobs worldwide, a significant number of them in Germany. Details will be worked out in the months ahead. The total one-time costs related to these measures are expected at a factor of 1.7 times the annual contributions. A portion of the freed-up funds are set to be used to strengthen innovation and competitiveness at the divisions.

“Through the end of 2022 alone, we aim to invest a total of around 35 billion euros in our company’s future, with research and development (R&D) accounting for over two thirds of this figure and capital expenditures for just under one third,” Baumann said.

Assuming a constant portfolio and stable exchange rates, the company expects core earnings per share of 6.80 euros in 2019 (2018: 5.70 to 5.90 euros), with a target of around 10 euros in 2022. The Group EBITDA margin before special items is targeted to increase to over 30 percent in the period through 2022.

Bayer’s corporate strategy, financial targets and capital allocation priorities will be outlined at the Capital Markets Day in London on December 5.

### **Efficiency and structural measures planned across all divisions, functions, country platforms and services**

In the Pharmaceuticals Division, strengthening the focus on external innovation is an essential step, along with the successful continual development of the R&D pipeline. Measures include accelerated development of the innovation model and a restructuring of internal R&D activities. Resources freed up through the reduction of internal capacities are to be directed toward strengthening investment in collaborative research models and external innovations.

Within the hemophilia business, the introduction of a number of new products has led to a significant increase in competition. To remain competitive in this segment, Bayer has decided not to utilize the factor VIII facility it has built in Wuppertal, Germany, and to focus all recombinant factor VIII production in Berkeley, United States.

At the Consumer Health Division, measures will be initiated to catch up to market growth in the coming years and improve profitability. Beyond the planned portfolio measures, the organizational structure will be adapted to succeed in a rapidly changing market environment.

At the Consumer Health and Pharmaceuticals divisions, non-cash impairments and write-offs totaling approximately 3.3 billion euros are anticipated in the fourth quarter of 2018. At Consumer Health, these primarily concern brands acquired with the Merck & Co. and Dihon businesses as well as some of the goodwill recognized in the balance sheet (totaling some 2.7 billion euros). In the case of Pharmaceuticals, impairments and write-

offs of around 0.6 billion euros are due especially to the decision regarding the factor VIII facility in Wuppertal.

At the Crop Science Division, the focus is on successfully integrating the acquired business. As previously communicated, Bayer expects synergies to deliver annual contributions of 1.04 billion euros (1.2 billion U.S. dollars) to EBITDA before special items as of 2022. This figure, which comprises 0.87 billion euros (1 billion U.S. dollars) in cost synergies, is included in the contribution target outlined above.

The aforementioned changes in the divisions and the efforts to streamline the portfolio will be complemented by extensive adjustments within the company, particularly within the Corporate Functions and supporting functions, Business Services and the country platforms. The objective of these adjustments is to implement an efficient organizational structure and infrastructure that best support Bayer's businesses and the company's customers.

The planned reduction of around 12,000 jobs worldwide by the end of 2021 is accounted for by the various measures as follows: at Pharmaceuticals, approximately 900 jobs in R&D and around 350 positions in connection with the factor VIII facility in Wuppertal; roughly 1,100 jobs associated with the reorganization at Consumer Health; around 4,100 positions at Crop Science as the result of integrating the acquired agriculture business; and a further 5,500 to 6,000 jobs in the Corporate Functions, supporting functions, Business Services and country platforms.

"These changes are necessary and lay the foundation for Bayer to enhance its performance and agility. With these measures, we aim to take full advantage of the growth potential for our businesses," said Baumann. "We are aware of the gravity of these decisions for our employees. As in the past, we will implement the planned measures in a fair and responsible way."

Note to editors:

*Live broadcast of the **conference call** (held in English) with Werner Baumann, Chairman of the Board of Management of Bayer AG, Wolfgang Nickl, Chief Financial Officer, and Dr. Hartmut Klusik, Labor Director and member of the Board of Management responsible*

for Human Resources, Technology & Sustainability, from approximately 4.00 p.m. CET at: [www.live.bayer.com](http://www.live.bayer.com)

The **speech** given by Werner Baumann will be available online from approximately 4.00 p.m. CET at: [www.bayer.com/speeches](http://www.bayer.com/speeches)

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This news release 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 news release 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 news release 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.de/en/reports/annual-reports/overview>, including in the Annual Report 2017 under the caption "Report on Future Perspectives and on Opportunities and Risks".