Q2

Half-Year Financial Report 2021

Bayer: Strong growth, guidance upgrade

// Group sales at €10.9 billion (Fx & p adj. +12.9%) – double-digit percentage growth (Fx & p adj.) at all divisions

// EBITDA before special items at €2.6 billion (–10.6%), burdened by currency effects of €0.2 billion

// Crop Science posts strong sales growth, earnings impacted by higher costs and currency effects

// Pharmaceuticals reports significant recovery after COVID-19 effects in prior year

// Consumer Health continues growth momentum

// Core earnings per share €1.61 (+1.3%)

// Net income at minus €2.3 billion; additional €3.5 billion in provisions established for glyphosate litigations

// Strong free cash flow of €1.2 billion

// Full-year guidance upgraded

// Good pipeline news: Kerendia™ gains U.S. approval; acquisition of Vividion Therapeutics agreed; start of first clinical study for Parkinson's cell therapy treatment

Science for a **better life**

Contents

Bayer Group Key Data 3

Interim Group Management Report as of June 30, 2021 4

Key Events 4
1. Overview of Sales, Earnings and Financial Position 5
1.1 Earnings Performance of the Bayer Group 5
1.2 Business Development by Division 10
1.3 Asset and Financial Position of the Bayer Group 17
2. Research, Development, Innovation 19
Crop Science 19
Pharmaceuticals 20
Consumer Health 23
Leaps by Bayer 23
3. Report on Future Perspectives and on Opportunities and Risks 23
3.1 Future Perspectives 23
3.2 Opportunities and Risks 25

Condensed Consolidated Interim Financial Statements as of June 30, 2021 26

Bayer Group Consolidated Income Statements 26
Bayer Group Consolidated Statements of Comprehensive Income 27
Bayer Group Consolidated Statements of Financial Position 28
Bayer Group Consolidated Statements of Cash Flows 29
Bayer Group Consolidated Statements of Changes in Equity 30
Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group 31
Events after the end of the reporting period 46

Responsibility Statement 47

Review Report 48

Financial Calendar 49
Reporting Principles 49
Masthead 49

Bayer Group Key Data

€ million	Q2 2020	Q2 2021	Change % Reported	Change % Fx. & p adj.	H1 2020	H1 2021	Change % Reported	Change % Fx. & p adj.
Sales	**10,054**	**10,854**	**+8.0**	**+12.9**	**22,899**	**23,182**	**+1.2**	**+7.2**
Change in sales[1]								
Volume	+0.6%	+11.3%			+3.8%	+6.7%		
Price	−3.1%	+1.6%			−1.8%	+0.5%		
Currency	−2.0%	−5.2%			−0.8%	−6.4%		
Portfolio	−1.7%	+0.3%			−1.5%	+0.4%		
Sales by region								
Europe / Middle East / Africa	2,942	3,245	+10.3	+12.3	7,180	7,318	+1.9	+5.3
North America	3,858	4,066	+5.4	+13.0	9,175	8,964	−2.3	+4.6
Asia / Pacific	2,159	2,302	+6.6	+9.9	4,271	4,481	+4.9	+8.1
Latin America	1,095	1,241	+13.3	+20.5	2,273	2,419	+6.4	+22.1
EBITDA[1]	**(9,604)**	**(891)**	**−90.7**		**(5,828)**	**3,278**	.	
Special items[1]	(12,487)	(3,468)			(13,102)	(3,417)		
EBITDA before special items[1]	**2,883**	**2,577**	**−10.6**		**7,274**	**6,695**	**−8.0**	
EBITDA margin before special items[1]	28.7%	23.7%			31.8%	28.9%		
EBIT[1]	**(10,784)**	**(2,281)**	**−78.8**		**(8,285)**	**802**	.	
Special items[1]	(12,511)	(3,901)			(13,150)	(3,886)		
EBIT before special items[1]	**1,727**	**1,620**	**−6.2**		**4,865**	**4,688**	**−3.6**	
Financial result	**(276)**	**(99)**	**−64.1**		**(928)**	**(447)**	**−51.8**	
Net income (from continuing and discontinued operations)	**(9,548)**	**(2,335)**	**−75.5**		**(8,059)**	**(246)**	**−96.9**	
Earnings per share[1] **from continuing and discontinued operations (€)**	**(9.72)**	**(2.38)**	**−75.5**		**(8.20)**	**(0.25)**	**−97.0**	
Core earnings per share[1] **from continuing operations (€)**	**1.59**	**1.61**	**+1.3**		**4.26**	**4.20**	**−1.4**	
Net cash provided by (used in) operating activities (from continuing and discontinued operations)	**2,414**	**1,997**	**−17.3**		**2,185**	**(768)**	.	
Free cash flow	**1,402**	**1,152**	**−17.8**		**609**	**(2,074)**	.	
Net financial debt (at end of period)	**35,993**	**34,361**	**−4.5**		**35,993**	**34,361**	**−4.5**	
Cash flow-relevant capital expenditures (from continuing and discontinued operations)	**585**	**493**	**−15.7**		**976**	**822**	**−15.8**	
Research and development expenses	**1,167**	**1,638**	**+40.4**		**2,469**	**2,836**	**+14.9**	
Depreciation, amortization and impairment losses / loss reversals	**1,180**	**1,390**	**+17.8**		**2,457**	**2,476**	**+0.8**	
Number of employees[2] **(at end of period)**	**101,168**	**99,439**	**−1.7**		**101,168**	**99,439**	**−1.7**	
Personnel expenses (including pension expenses)	**2,423**	**2,931**	**+21.0**		**5,183**	**5,751**	**+11.0**	

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

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

[2] Employees calculated as full-time equivalents (FTEs)

Interim Group Management Report as of June 30, 2021

Key Events

Approval granted for Kerendia™ (finerenone) in the United States and Verquvo™ (vericiguat) in the European Union and Japan

In July, the U.S. Food and Drug Administration (FDA) approved finerenone for the treatment of adult patients with chronic kidney disease and type 2 diabetes under the brand name Kerendia™.

Also in July, the European Commission approved vericiguat in the European Union for the treatment of symptomatic chronic heart failure in adult patients under the brand name Verquvo™. We also obtained approval for Verquvo™ in Japan in June.

For further details, see Chapter 2. Research, Development, Innovation – Pharmaceuticals.

Acquisitions agreed to strengthen the oncology portfolio

In June, we concluded an agreement to acquire Noria Therapeutics Inc. and PSMA Therapeutics Inc. to broaden our oncology platform of targeted alpha therapies. Through this acquisition, we will obtain exclusive rights to a differentiated alpha radionuclide therapy based on actinium-225 and a small molecule targeting the prostate-specific membrane antigen.

Acquisition of Vividion Therapeutics, Inc. agreed, strengthening our drug discovery capabilities

In August, we announced that we had entered into an agreement to acquire the U.S. biopharmaceutical company Vividion Therapeutics, Inc. Through the acquisition, we will gain access to a cutting-edge chemoproteomics platform that is able to identify previously unknown binding pockets in undruggable targets to generate first-in-class novel compounds in indications of high unmet medical need. Vividion's technology has already proven its applicability pre-clinically in oncology and immune-related diseases, with potential to expand into additional therapeutic areas.

As part of the acquisition, we will make an upfront payment of US$1.5 billion along with success-based milestone payments of up to US$0.5 billion. Closing of the transaction is contingent on customary closing conditions and is expected to take place in third quarter of 2021.

Crop Science launches Carbon Initiative in Europe

At the end of June, our Crop Science Division initiated the European launch of its global Carbon Initiative program for the agricultural industry, after it had already kicked off in the United States and Brazil in 2020. The decarbonization program is aimed at permanently reducing CO_2 emissions in the agricultural value chain. As part of this initiative, farmers are given incentives to adopt climate-friendly practices to increase the resilience and sustainability of the food system.

Updated plan announced to resolve glyphosate litigations – Bayer now more in control going forward

At the end of May, we announced a series of measures to resolve potential future glyphosate litigation, combining both legal and commercial actions. The responsible court had previously denied the motion to approve the class settlement agreement.

In July, we provided an update on the progress made and announced additional details to provide clarity for investors. We have developed two scenarios based on a potential ruling by the Supreme Court of the United States in the Hardeman case.

// If the Supreme Court accepts the petition, which we plan to file in August, for review and rules in our favor, it would effectively end potential future litigation.
// The second scenario assumes that the Supreme Court either refuses to hear the Hardeman case or issues a ruling in favor of the plaintiff, in which case we would activate our own claims administration program. We have implemented corresponding accounting measures for this scenario, resulting in a discounted allocation to provisions for litigations of €3.5 billion in the second quarter of 2021 on top of the existing provisions.

We are confident that this provides an effective path to manage and address any risks from potential future Roundup™ litigation, while simultaneously giving Bayer more control going forward. We continue to believe there is no reason for safety concerns in connection with these products. See the Legal Risks section of the Notes for further details.

1. Overview of Sales, Earnings and Financial Position[1]

1.1 Earnings Performance

Second quarter of 2021

Group sales

Group sales in the second quarter of 2021 increased by 12.9% (Fx & portfolio adj.) to €10,854 million (Q2 2020: €10,054 million; reported: +8.0%) after the prior-year period had been significantly impacted by the restrictions introduced in response to COVID-19. Sales in all divisions increased by a double-digit percentage after adjusting for currency and portfolio effects. Negative currency effects impacted sales by €524 million. Sales in Germany amounted to €554 million (Q2 2020: €528 million).

Crop Science achieved encouraging sales growth, with strong gains registered in Latin America and Asia / Pacific in particular. Business also expanded considerably in North America. Pharmaceuticals posted a significant increase in sales, with the division benefiting from a robust recovery from the COVID-19 restrictions in the women's healthcare, ophthalmology and radiology businesses, and also achieving substantial gains for other products, such as Xarelto™. Business at Consumer Health expanded significantly, with growth in all regions and categories.

EBITDA before special items

Group EBITDA before special items fell by 10.6% to €2,577 million. This figure included a negative currency effect of €153 million and allocations to provisions for variable compensation of €411 million, after the second quarter of 2020 had seen the reversal of €56 million in provisions for variable compensation due to COVID-19 effects.

Crop Science posted a decline in EBITDA before special items due to an increase in the cost of goods sold and negative currency effects. The increase in EBITDA before special items at Pharmaceuticals was largely attributable to the division's very good sales performance. At Consumer Health, EBITDA before special items was up substantially against the prior-year period, mainly due to its positive business performance.

[1] For definition of alternative performance measures see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Depreciation, amortization and impairments

Depreciation, amortization and impairment losses – net of impairment loss reversals – amounted to €1,390 million (Q2 2020: €1,180 million), with intangible assets accounting for €1,025 million (Q2 2020: €665 million) and property, plant and equipment for €365 million (Q2 2020: €515 million). There were net impairment losses of €458 million (Q2 2020: €36 million), including €466 million (Q2 2020: €9 million) on intangible assets, after unscheduled impairment testing resulted in the recognition of net impairment losses of €437 million on intangible assets in the Crop Science Division. These concerned the Corn Seed & Traits cash-generating unit, with an impairment loss of €818 million, mainly on account of changes in the interest rate and currency environment. In addition, an impairment loss reversal of €381 million was recognized for the glyphosate unit, primarily as a result of improved business prospects.

Net impairment losses of €427 million (Q2 2020: €24 million) were included in special items.

EBIT and special items

EBIT of the Bayer Group came in at minus €2,281 million (Q2 2020: minus €10,784 million) after net special charges of €3,901 million (Q2 2020: €12,511 million) that mainly resulted from the discounted allocation to provisions in connection with the glyphosate litigations as well as the net impairment losses at the Crop Science Division mentioned above. Other special charges were attributable to an allocation to provisions related to the accelerated transformation of the company announced the previous fall. There were special gains in the Pharmaceuticals Division from a patent dispute involving Jivi™ and from the sale of a building in Berlin. EBIT before special items declined by 6.2% to €1,620 million (Q2 2020: €1,727 million).

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

A 1

Special Items by Category[1,2]

€ million	EBIT Q2 2020	EBIT Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBITDA H1 2020	EBITDA H1 2021
Total special items	**(12,511)**	**(3,901)**	**(13,150)**	**(3,886)**	**(12,487)**	**(3,468)**	**(13,102)**	**(3,417)**
Restructuring	(286)	(212)	(496)	(301)	(289)	(210)	(498)	(292)
of which in the Reconciliation	(183)	(144)	(312)	(210)	(171)	(144)	(300)	(210)
Acquisition / integration	(3)	(7)	(26)	(4)	(3)	(7)	(26)	(4)
of which in the Reconciliation	–	(1)	–	(1)	–	(1)	–	(1)
Divestments	(7)	78	(21)	68	(7)	78	(21)	68
of which in the Reconciliation	(4)	–	(13)	–	(4)	–	(13)	–
Litigations / legal risks	(12,051)	(3,334)	(12,419)	(3,193)	(12,051)	(3,334)	(12,419)	(3,193)
of which in the Reconciliation	(814)	45	(827)	59	(814)	45	(827)	59
Impairment losses / loss reversals[3]	(163)	(433)	(187)	(463)	(137)	(2)	(138)	(3)
Other	–	7	–	7	–	7	–	7

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”
[2] Prior to December 31, 2020, special items pertaining to the integration of Monsanto Functions were reported in the category “acquisition and integration costs.” Effective January 1, 2021, these special items have been included in the category “restructuring.” The prior-year figures have been restated accordingly.
[3] Where not already included in the other special items categories

A 2

Special Items by Functional Cost[1]

€ million	EBIT Q2 2020	EBIT Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBITDA H1 2020	EBITDA H1 2021
Total special items	**(12,511)**	**(3,901)**	**(13,150)**	**(3,886)**	**(12,487)**	**(3,468)**	**(13,102)**	**(3,417)**
Cost of goods sold	(207)	(288)	(299)	(324)	(196)	(28)	(210)	(29)
Selling expenses	(25)	77	9	65	(25)	(32)	(45)	(44)
Research and development expenses	(10)	(279)	(30)	(271)	(10)	5	(30)	13
General administration expenses	(189)	(173)	(359)	(255)	(188)	(173)	(358)	(255)
Other operating income/expenses	(12,080)	(3,238)	(12,471)	(3,101)	(12,068)	(3,240)	(12,459)	(3,102)

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Income from discontinued operations after income taxes

Income from discontinued operations after income taxes amounted to €0 million (Q2 2020: €71 million).

Net income

After a financial result of minus €99 million (Q2 2020: minus €276 million), income before income taxes amounted to minus €2,380 million (Q2 2020: minus €11,060 million). The financial result mainly comprised income of €209 million from investments in affiliated companies (Q2 2020: €54 million), which primarily included gains from the remeasurement of a Leaps investment, and net interest expense of €253 million (Q2 2020: €344 million). The financial result included net special gains of €16 million (Q2 2020: €67 million). After income from income taxes of €52 million (Q2 2020: €1,450 million) and accounting for noncontrolling interest, net income amounted to minus €2,335 million (Q2 2020: minus €9,548 million).

Core earnings per share

Core earnings per share came in at €1.61 (+1.3%; Q2 2020: €1.59), with the improvement in the financial result having a positive effect. Earnings per share (total) amounted to minus €2.38 (Q2 2020: minus €9.72), mainly due to the special charges related to the glyphosate litigations.

A 3

Core Earnings per Share[1]

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
EBIT (as per income statements)	**(10,784)**	**(2,281)**	**(8,285)**	**802**
Amortization and impairment losses/loss reversals on goodwill and other intangible assets	664	1,025	1,431	1,697
Impairment losses/loss reversals on property, plant and equipment, and accelerated depreciation included in special items	25	3	105	46
Special items (other than accelerated depreciation, amortization and impairment losses/loss reversals)	12,487	3,468	13,102	3,417
Core EBIT	**2,392**	**2,215**	**6,353**	**5,962**
Financial result (as per income statements)	(276)	(99)	(928)	(447)
Special items in the financial result[2]	(67)	(16)	92	(53)
Income taxes (as per income statements)	1,450	52	971	(593)
Special items in income taxes	–	–	–	–
Tax effects related to amortization, impairment losses/loss reversals and special items	(1,925)	(563)	(2,291)	(734)
Income after income taxes attributable to noncontrolling interest (as per income statements)	(9)	(7)	(8)	(8)
Above-mentioned adjustments attributable to noncontrolling interest	–	–	(1)	–
Core net income from continuing operations	**1,565**	**1,582**	**4,188**	**4,127**
Shares (million)				
Weighted average number of shares	982.42	982.42	982.42	982.42
€				
Core earnings per share from continuing operations	**1.59**	**1.61**	**4.26**	**4.20**

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."
[2] Primarily comprising changes in the fair value of our interests in Elanco and Covestro

Personnel expenses and employee numbers

The number of employees in the Bayer Group as of the closing date declined by 1.7% year on year to 99,439 (June 30, 2020: 101,168). Personnel expenses increased by 21.0% to €2,931 million in the second quarter (Q2 2020: €2,423 million). This was partly attributable to higher allocations to provisions for variable compensation.

First half of 2021

Group sales

Group sales in the first half of 2021 rose by 7.2% (Fx & portfolio adj.) to €23,182 million (H1 2020: €22,899 million; reported: +1.2%). There was a negative currency effect of €1,462 million. Sales in Germany amounted to €1,215 million (H1 2020: €1,271 million).

Sales at the Crop Science Division increased substantially, with growth in all regions. The Pharmaceuticals Division registered an increase in sales due to a normalization in the frequency and course of treatments in the areas that were particularly impacted by the pandemic in the previous year and to further operational growth. We also reported sales in the area of cell and gene therapy for the first time, with these sales recorded as a portfolio effect. Sales also rose in the Consumer Health Division, as the growth momentum carried over from the previous year. Continued strong demand for nutritional supplements in particular led to significant gains.

EBITDA before special items

EBITDA before special items of the Bayer Group fell by 8.0% to €6,695 million (H1 2020: €7,274 million), diminished by negative currency effects of €490 million and allocations to provisions for variable compensation of €777 million (H1 2020: allocations of €243 million).

At Crop Science, EBITDA before special items declined due to an increase in the cost of goods sold and negative currency effects. EBITDA before special items at Pharmaceuticals declined year on year, mainly as a result of negative currency effects and an increase in the cost of goods sold. Consumer Health posted an encouraging increase in EBITDA before special items due to the positive development of business.

Depreciation, amortization and impairments

Depreciation, amortization and impairment losses – net of impairment loss reversals – amounted to €2,476 million in the first six months of 2021 (H1 2020: €2,457 million). They comprised €1,697 million (H1 2020: €1,432 million) in amortization and impairments on intangible assets and €779 million (H1 2020: €915 million) in depreciation and impairments on property, plant and equipment. Impairment losses, net of impairment loss reversals, totaled €524 million (H1 2020: €81 million) and included €487 million in net impairment losses on intangible assets (H1 2020: net impairment loss reversals of €26 million) that were primarily attributable to the net impairment loss in the Crop Science Division detailed above.

Impairment losses of €463 million (H1 2020: €47 million), net of impairment loss reversals, and accelerated depreciation of €6 million (H1 2020: €1 million) were included in special items.

EBIT and special items

EBIT of the Bayer Group in the first half of 2021 was €802 million (H1 2020: minus €8,285 million) after net special charges of €3,886 million (H1 2020: €13,150 million). The special charges mainly related to the discounted allocation to provisions for the glyphosate litigations as well as to the net impairment losses at the Crop Science Division mentioned above. Special charges relating to restructuring also had a negative impact. By contrast, we registered a special gain from a patent dispute involving the pharmaceutical product Jivi™. EBIT before special items declined by 3.6% to €4,688 million (H1 2020: €4,865 million).

Income from discontinued operations after income taxes

Income from discontinued operations after income taxes was €0 million (H1 2020: €191 million).

Net income

After a financial result of minus €447 million (H1 2020: minus €928 million), income before income taxes in the first six months of the year came in at €355 million (H1 2020: minus €9,213 million). The financial result especially comprised income of €217 million from investments in affiliated companies (H1 2020: loss of €112 million), net interest expense of €521 million (H1 2020: €708 million) and interest cost of €37 million (H1 2020: €66 million) for pension and other provisions, as well as an exchange loss of €171 million (H1 2020: €41 million). The financial result included net special gains of €53 million (H1 2020: net special charges of €92 million) that mainly resulted from the change in the fair value of our interests in Covestro and Elanco. After income tax expense of €593 million (H1 2020: tax income of €971 million), income after income taxes was minus €238 million (H1 2020: minus €8,242 million). Adjusted for income from discontinued operations after income taxes and income attributable to noncontrolling interest, net income came to minus €246 million (H1 2020: minus €8,059 million).

Core earnings per share

Core earnings per share declined by 1.4% to €4.20 (H1 2020: €4.26), while earnings per share (total) came in at minus €0.25 (H1 2020: minus €8.20).

1.2 Business Development by Division
Crop Science

A 4

Key Data – Crop Science

€ million	Q2 2020	Q2 2021	Change %[1] Reported	Change %[1] Fx & p adj.	H1 2020	H1 2021	Change %[1] Reported	Change %[1] Fx & p adj.
Sales	**4,802**	**5,021**	**+4.6**	**+10.6**	**11,636**	**11,667**	**+0.3**	**+8.1**
Change in sales[1]								
Volume	+3.5%	+7.4%			+4.6%	+5.8%		
Price	–0.3%	+3.2%			0.0%	+2.3%		
Currency	–2.9%	–6.0%			–1.0%	–7.8%		
Portfolio	0.0%	0.0%			0.0%	0.0%		
Sales by region								
Europe / Middle East / Africa	958	1,003	+4.7	+6.4	2,852	2,884	+1.1	+5.5
North America	2,501	2,532	+1.2	+9.6	6,214	5,963	–4.0	+4.0
Asia / Pacific	575	627	+9.0	+12.5	991	1,142	+15.2	+19.3
Latin America	768	859	+11.8	+17.7	1,579	1,678	+6.3	+22.0
EBITDA[1]	**(8,822)**	**(2,496)**	**–71.7**		**(6,412)**	**(69)**	**–98.9**	
Special items[1]	(10,187)	(3,514)			(10,388)	(3,535)	–66.0	
EBITDA before special items[1]	**1,365**	**1,018**	**–25.4**		**3,976**	**3,466**	**–12.8**	
EBITDA margin before special items[1]	28.4%	20.3%			34.2%	29.7%		
EBIT[1]	**(9,600)**	**(3,483)**	**–63.7**		**(8,100)**	**(1,730)**	**–78.6**	
Special items[1]	(10,212)	(3,945)			(10,491)	(3,997)	–61.9	
EBIT before special items[1]	**612**	**462**	**–24.5**		**2,391**	**2,267**	**–5.2**	
Net cash provided by (used in) operating activities	**1,537**	**1,734**	**+12.8**		**(224)**	**(2,403)**	**.**	
Cash-flow relevant capital expenditures	322	187	–41.9		485	303	–37.5	
Research and development expenses	511	819	+60.3		1,071	1,282	+19.7	

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

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2021

Sales

Crop Science posted a 10.6% increase in sales (Fx & portfolio adj.) to €5,021 million in the second quarter of 2021. Sales grew in all regions, with double-digit gains in Latin America and Asia / Pacific. We also registered significant sales growth in North America.

// Business at **Corn Seed & Traits** expanded in all regions, and especially in Latin America thanks to volume increases. The growth in sales in North America was attributable to higher prices.
// **Herbicides** posted double-digit percentage growth in all regions due to increased volumes and prices, and especially in North America, where business benefited from higher volumes for our XtendiMax™ product and increased selling prices for Roundup™.
// Sales also rose substantially at **Fungicides**, mainly as a result of higher volumes in Latin America for our Fox Xpro™ product and in North America due to the launch of new products such as Delaro Complete™.
// The sales increase at **Soybean Seed & Traits** was mainly driven by volume gains in North America.
// Sales at **Insecticides** declined in the Europe / Middle East / Africa region following a loss of registrations for thiacloprid-based crop protection products. By contrast, sales developed positively in the Asia / Pacific and Latin America regions as a result of expanded volumes.
// **Environmental Science** registered a significant increase in sales, particularly in North America due to strong demand for Roundup™.
// Sales at **Vegetable Seeds** continued to increase in the Asia / Pacific and Latin America regions thanks to expanded volumes.
// Sales in the reporting unit **“Other”** declined, due especially to earlier product returns in our cotton seed business in North America, which in the prior year had come in the third quarter.

A 5

Sales by Strategic Business Entity

€ million	Q2 2020	Q2 2021	Change %[1] Reported	Change %[1] Fx & p adj.	H1 2020	H1 2021	Change %[1] Reported	Change %[1] Fx & p adj.
Crop Science	**4,802**	**5,021**	**+4.6**	**+10.6**	**11,636**	**11,667**	**+0.3**	**+8.1**
Corn Seed & Traits	948	962	+1.5	+8.6	3,598	3,356	−6.7	+2.0
Herbicides	1,324	1,468	+10.9	+16.2	2,744	2,956	+7.7	+14.7
Fungicides	648	774	+19.4	+22.9	1,433	1,654	+15.4	+22.4
Soybean Seed & Traits	532	530	−0.4	+9.1	1,100	1,059	−3.7	+6.1
Insecticides	386	364	−5.7	−1.4	768	724	−5.7	+1.4
Environmental Science	296	316	+6.8	+13.9	579	601	+3.8	+11.7
Vegetable Seeds	167	168	+0.6	+5.9	313	325	+3.8	+9.6
Other	501	439	−12.4	−6.3	1,101	992	−9.9	−2.7

2020 figures restated; Fx & p adj. = currency- and portfolio-adjusted

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Earnings

EBITDA before special items at Crop Science decreased to €1,018 million in the second quarter of 2021 (Q2 2020: €1,365 million), giving a margin of 20.3%. Higher prices and volumes along with contributions from ongoing efficiency programs only partly offset an increase in costs, and particularly in the cost of goods sold. Earnings were also diminished by a negative product mix, currency effects of €111 million, and the later receipt of license revenues.

EBIT came in at minus €3,483 million (Q2 2020: minus €9,600 million) after net special charges of €3,945 million (Q2 2020: €10,212 million) that were mainly attributable to the discounted allocation to provisions in connection with the Roundup™ litigation as part of the glyphosate litigations.

A 6

Special Items[1,2] Crop Science

€ million	EBIT Q2 2020	EBIT Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBITDA H1 2020	EBITDA H1 2021
Restructuring	(50)	(44)	(130)	(40)	(51)	(44)	(130)	(38)
Acquisition / integration	(3)	(4)	(26)	(1)	(3)	(4)	(26)	(1)
Divestments	(3)	(8)	(8)	(18)	(3)	(8)	(8)	(18)
Litigations / legal risks	(9,992)	(3,458)	(10,086)	(3,477)	(9,992)	(3,458)	(10,086)	(3,477)
Impairment losses / loss reversals	(164)	(431)	(241)	(461)	(138)	–	(138)	(1)
Total special items	**(10,212)**	**(3,945)**	**(10,491)**	**(3,997)**	**(10,187)**	**(3,514)**	**(10,388)**	**(3,535)**

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

[2] Prior to December 31, 2020, special items pertaining to the integration of Monsanto Functions were reported in the category "acquisition and integration costs." Effective January 1, 2021, these special items have been included in the category "restructuring." The prior-year figures have been restated accordingly.

First half of 2021

Sales

Sales at Crop Science increased by 8.1% (Fx & portfolio adj.) to €11,667 million in the first six months of 2021, with all regions contributing to this performance. We achieved significant gains in Latin America and Asia / Pacific in particular. Sales at **Corn Seed & Traits** increased in the Europe / Middle East / Africa region due in particular to higher prices but declined in North America following the expiration of a license agreement. At **Herbicides**, we posted sales gains in all regions due to increased volumes and prices. Thanks to an increase in volumes, **Fungicides** registered higher sales in Latin America and **Soybean Seed & Traits** reported growth in North America. At **Insecticides**, sales increased in the Asia / Pacific and Latin America regions as a result of higher volumes but declined in Europe / Middle East / Africa due to the loss of a registration. Sales at **Environmental Science** and **Vegetable Seeds** rose in all regions. In the reporting unit **"Other,"** our cotton seed business registered a decline in sales in North America in particular as a result of earlier product returns, which in the prior year had come in the third quarter.

Earnings

EBITDA before special items at Crop Science declined by 12.8% in the first half of 2021 to €3,466 million (H1 2020: €3,976 million). As detailed above, higher price and volumes along with contributions from ongoing efficiency programs only partly offset an increase in costs, and especially in the cost of goods sold. Earnings were also diminished by a negative product mix, currency effects of €363 million, the expiration of a license agreement, and the later receipt of license revenues. The EBITDA margin before special items declined to 29.7%.

EBIT amounted to minus €1,730 million (H1 2020: minus €8,100 million) after net special charges of €3,997 million (H1 2020: €10,491 million) that were mainly attributable to the discounted allocation to provisions in connection with the Roundup™ litigation as part of the glyphosate litigations.

Pharmaceuticals

A 7

Key Data – Pharmaceuticals

			Change %[1]				Change %[1]	
€ million	Q2 2020	Q2 2021	Reported	Fx & p adj.	H1 2020	H1 2021	Reported	Fx & p adj.
Sales	**3,992**	**4,494**	**+12.6**	**+16.2**	**8,538**	**8,859**	**+3.8**	**+7.4**
Change in sales[1]								
Volume	–0.8%	+16.5%			+2.9%	+9.8%		
Price	–8.0%	–0.3%			–5.4%	–2.4%		
Currency	–0.9%	–4.0%			–0.2%	–4.3%		
Portfolio	0.0%	+0.4%			0.0%	+0.7%		
Sales by region								
Europe / Middle East / Africa	1,554	1,774	+14.2	+15.8	3,353	3,469	+3.5	+5.9
North America	861	1,032	+19.9	+26.2	1,870	2,028	+8.4	+12.5
Asia / Pacific	1,387	1,460	+5.3	+8.9	2,891	2,915	+0.8	+4.0
Latin America	190	228	+20.0	+28.5	424	447	+5.4	+20.1
EBITDA[1]	**68**	**1,564**	**.**		**1,410**	**3,192**	**+126.4**	
Special items[1]	(1,300)	155			(1,552)	285		
EBITDA before special items[1]	**1,368**	**1,409**	**+3.0**		**2,962**	**2,907**	**–1.9**	
EBITDA margin before special items[1]	34.3%	31.4%			34.7%	32.8%		
EBIT[1]	**(165)**	**1,312**	**.**		**924**	**2,681**	**+190.2**	
Special items[1]	(1,286)	152			(1,538)	277		
EBIT before special items[1]	**1,121**	**1,160**	**+3.5**		**2,462**	**2,404**	**–2.4**	
Net cash provided by operating activities	**531**	**570**	**+7.3**		**1,488**	**1,381**	**–7.2**	
Cash flow-relevant capital expenditures	187	236	+26.2		307	392	+27.7	
Research and development expenses	595	762	+28.1		1,281	1,443	+12.6	

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

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2021

Sales

Sales at Pharmaceuticals rose significantly in the second quarter of 2021, increasing by 16.2% (Fx & portfolio adj.) to €4,494 million. Our business showed a robust recovery from the COVID-19 restrictions, particularly in the areas of ophthalmology, women's healthcare and radiology, while other products such as Xarelto™ and the launch of our cancer drug Nubeqa™ also generated tangible growth.

// We achieved a strong increase in sales of our oral anticoagulant **Xarelto™**, largely as a result of significantly expanded volumes in China and Russia. License revenues – recognized as sales – in the United States, where Xarelto™ is marketed by a subsidiary of Johnson & Johnson, were down against the prior-year quarter due to currency effects.
// Business with our ophthalmology drug **Eylea™** expanded significantly, primarily as a result of very strong growth due to high demand in Europe. In Japan, on the other hand, we registered a decline in sales that was mainly attributable to a change in ordering behavior compared with the prior year.
// The considerable growth in sales of our long-term contraceptives in the **Mirena™** product family was largely due to the recovery of business in the United States.
// Sales of our **YAZ™ / Yasmin™ / Yasminelle™** oral contraceptives advanced, owing to the expansion of sales activities in China and strong growth in volumes in Japan.
// Due to strong competition especially in the United States and China, sales of our cancer drug **Nexavar™** fell substantially.
// Our radiology business, comprising the **CT Fluid Delivery**, **Gadovist™** and **Ultravist™** product lines, expanded significantly due to a normalization in the number of radiological treatments being carried out following the substantial COVID-19 restrictions in the prior-year quarter.
// We registered a decline in sales of our multiple sclerosis treatment **Betaferon™ / Betaseron™** on account of continued competitive pressure, especially in the United States.

A 8

Best-Selling Pharmaceuticals Products

			Change %[1]				Change %[1]	
€ million	Q2 2020	Q2 2021	Reported	Fx & p adj.	H1 2020	H1 2021	Reported	Fx & p adj.
Xarelto™	1,057	1,164	+10.1	+12.6	2,172	2,302	+6.0	+9.5
Eylea™	568	711	+25.2	+27.4	1,161	1,382	+19.0	+21.5
Mirena™ / Kyleena™ / Jaydess™	185	293	+58.4	+68.3	504	612	+21.4	+30.1
Kogenate™ / Kovaltry™ / Jivi™	205	211	+2.9	+7.8	442	396	−10.4	−6.0
YAZ™ / Yasmin™ / Yasminelle™	158	191	+20.9	+27.1	335	376	+12.2	+19.3
Adalat™	154	174	+13.0	+12.7	316	349	+10.4	+11.6
Aspirin™ Cardio	145	159	+9.7	+11.7	316	343	+8.5	+12.0
Adempas™	125	140	+12.0	+17.7	248	268	+8.1	+14.2
Stivarga™	129	112	−13.2	−8.2	250	233	−6.8	−1.1
Nexavar™	169	110	−34.9	−32.8	332	231	−30.4	−27.3
CT Fluid Delivery[2]	87	111	+27.6	+35.2	188	214	+13.8	+20.8
Gadovist™ product family	67	104	+55.2	+62.2	179	204	+14.0	+19.7
Ultravist™	68	90	+32.4	+35.4	147	170	+15.6	+19.9
Betaferon™ / Betaseron™	112	80	−28.6	−23.7	214	169	−21.0	−15.9
Xofigo™	61	65	+6.6	+14.6	139	130	−6.5	+0.4
Total best-selling products	**3,290**	**3,715**	**+12.9**	**+16.6**	**6,943**	**7,379**	**+6.3**	**+10.5**
Proportion of Pharmaceuticals sales	82%	83%			81%	83%		

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

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

[2] 2020 figures restated; the CT Fluid Delivery product family comprises injection systems marketed primarily under the Stellant™ brand.

Earnings

EBITDA before special items at Pharmaceuticals advanced by 3.0% in the second quarter of 2021 to €1,409 million (Q2 2020: €1,368 million), mainly due to the strong growth in sales. Research and development expenses increased against the low prior-year figure and were partly attributable to our cell and gene therapy unit. Earnings were also diminished by an increase in the cost of goods sold, expenses for product launches, and a negative currency effect of €26 million. The EBITDA margin before special items receded by 2.9 percentage points to 31.4%.

EBIT came in at €1,312 million (Q2 2020: minus €165 million) after net special gains of €152 million (Q2 2020: net special charges of €1,286 million) that primarily related to a patent dispute involving our product Jivi™ and the sale of an office building.

A 9

Special Items[1] Pharmaceuticals

€ million	EBIT Q2 2020	EBIT Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBITDA H1 2020	EBITDA H1 2021
Restructuring	(42)	(16)	(32)	(37)	(56)	(13)	(46)	(29)
Acquisition / integration	–	(2)	–	(2)	–	(2)	–	(2)
Divestments	–	86	–	86	–	86	–	86
Litigations / legal risks	(1,245)	79	(1,506)	225	(1,245)	79	(1,506)	225
Impairment losses / loss reversals	1	(2)	–	(2)	1	(2)	–	(2)
Other	–	7	–	7	–	7	–	7
Total special items	**(1,286)**	**152**	**(1,538)**	**277**	**(1,300)**	**155**	**(1,552)**	**285**

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

First half of 2021

Sales

Sales at Pharmaceuticals rose by 7.4% (Fx & portfolio adj.) to €8,859 million in the first six months of the year. This was primarily attributable to a normalization in the frequency and course of treatments in the areas of ophthalmology, women’s healthcare and radiology, which had been especially impacted by pandemic-related restrictions in the previous year. We also significantly expanded business with Eylea™, particularly in Europe. Sales of Xarelto™ were up against the prior-year period, mainly as a result of considerable growth in China. The launch of our cancer drug Nubeqa™ also resulted in encouraging sales gains.

We also generated sales in the area of cell and gene therapy for the first time. These sales, which were attributable to the AskBio business acquired in the previous year, were reported under portfolio effects and included a milestone payment from a development collaboration.

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EBITDA before special items at Pharmaceuticals declined by 1.9% to €2,907 million in the first half of 2021 (H1 2020: €2,962 million). Earnings were diminished by negative currency effects of €83 million and an increase in the cost of goods sold. These negative effects were largely offset by the division’s good business performance. The EBITDA margin before special items receded by 1.9 percentage points to 32.8%.

EBIT increased to €2,681 million (H1 2020: €924 million) after net special gains of €277 million (H1 2020: net special charges of €1,538 million) that primarily related to a patent dispute involving our product Jivi™ and the sale of an office building.

Consumer Health

A 10

Key Data – Consumer Health

€ million	Q2 2020	Q2 2021	Change %[1] Reported	Change %[1] Fx & p adj.	H1 2020	H1 2021	Change %[1] Reported	Change %[1] Fx & p adj.
Sales	**1,201**	**1,290**	**+7.4**	**+12.8**	**2,599**	**2,542**	**–2.2**	**+3.5**
Changes in sales[1]								
Volume	–4.3%	+10.8%			+3.4%	+0.9%		
Price	+2.4%	+2.0%			+2.3%	+2.6%		
Currency	–2.3%	–6.4%			–1.2%	–6.7%		
Portfolio	–12.5%	+1.0%			–12.9%	+1.0%		
Sales by region								
Europe / Middle East / Africa	384	419	+9.1	+13.5	874	852	–2.5	+2.3
North America	485	503	+3.7	+9.7	1,068	973	–8.9	–3.6
Asia / Pacific	196	214	+9.2	+10.0	388	423	+9.0	+10.5
Latin America	136	154	+13.2	+25.4	269	294	+9.3	+25.5
EBITDA[1]	**243**	**269**	**+10.7**		**533**	**555**	**+4.1**	
Special items[1]	(11)	(9)			(22)	(15)		
EBITDA before special items[1]	**254**	**278**	**+9.4**		**555**	**570**	**+2.7**	
EBITDA margin before special items[1]	21.1%	21.6%			21.4%	22.4%		
EBIT[1]	**162**	**187**	**+15.4**		**425**	**388**	**–8.7**	
Special items[1]	(11)	(8)			32	(14)		
EBIT before special items[1]	**173**	**195**	**+12.7**		**393**	**402**	**+2.3**	
Net cash provided by operating activities	**386**	**165**	**–57.3**		**533**	**406**	**–23.8**	
Cash flow-relevant capital expenditures	24	43	+79.2		51	67	+31.4	
Research and development expenses	46	47	+2.2		96	92	–4.2	

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

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Second quarter of 2021

Sales

Sales at Consumer Health increased by a substantial 12.8% (Fx & portfolio adj.) to €1,290 million in the second quarter of 2021, with growth in all regions and categories. After the prior-year period had seen a slight decline in sales due to destocking by retailers and consumers, business in this quarter benefited primarily from continued high demand in Nutritionals as well as a strong allergy season in North America.

// Sales in **Europe / Middle East / Africa** were up significantly against the soft prior-year quarter. We registered encouraging performance in the Dermatology category, partly due to a product line extension for Bepanthen™ for daily treatment of dry skin. Growth was also attributable to continued strong demand in Nutritionals and to sales gains in the Digestive Health category that resulted partly from the addition of Iberogast™ Advance to our product portfolio.
// Our business in **North America** performed very well this quarter, with growth driven primarily by the strong allergy season. We also benefited from continued high demand in Nutritionals. In addition, a product line extension for Aleve™ had a positive effect on our business and marked our entry into the segment for topical pain relief.
// Sales in **Asia / Pacific** increased substantially. Business performance in the Nutritionals category was especially strong, partly due to gains recorded for Elevit™ in China. In addition, we successfully integrated our consumer business in India in line with our growth strategy, which had previously been run via a third party.
// Sales in **Latin America** advanced significantly, mainly as a result of continued high demand for products in the Pain & Cardio and Nutritionals categories. Business in the Dermatology category benefited from a product line extension for Bepanthen™, among other factors.

A 11

Sales by Category

€ million	Q2 2020	Q2 2021	Change %[1] Reported	Change %[1] Fx & p adj.	H1 2020	H1 2021	Change %[1] Reported	Change %[1] Fx & p adj.
Consumer Health	**1,201**	**1,290**	**+ 7.4**	**+ 12.8**	**2,599**	**2,542**	**– 2.2**	**+ 3.5**
Nutritionals	318	357	+ 12.3	+ 15.7	669	710	+ 6.1	+ 9.9
Allergy & Cold	225	244	+ 8.4	+ 15.8	586	479	– 18.3	– 12.5
Dermatology	281	288	+ 2.5	+ 6.3	559	568	+ 1.6	+ 6.4
Pain & Cardio	193	198	+ 2.6	+ 12.3	407	389	– 4.4	+ 5.8
Digestive Health	171	185	+ 8.2	+ 14.2	352	363	+ 3.1	+ 9.2
Other	13	18	+ 38.5	+ 14.3	26	33	+ 26.9	+ 22.5

Fx & p adj. = currency- and portfolio-adjusted
[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

Earnings

EBITDA before special items increased significantly in the second quarter of 2020, rising 9.4% to €278 million (Q2 2020: €254 million). As a result, the EBITDA margin before special items improved by 0.5 percentage points to 21.6%. The growth in earnings was primarily driven by our strong business performance and continuous cost management efforts. By contrast, earnings were diminished by investments in marketing as part of new product launches and by negative currency effects of €20 million.

EBIT amounted to €187 million (Q2 2020: €162 million) after special charges of €8 million that related to restructuring measures (Q2 2020: €11 million).

A 12

Special Items[1] Consumer Health

€ million	EBIT Q2 2020	EBIT Q2 2021	EBIT H1 2020	EBIT H1 2021	EBITDA Q2 2020	EBITDA Q2 2021	EBITDA H1 2020	EBITDA H1 2021
Restructuring	(11)	(8)	(22)	(14)	(11)	(9)	(22)	(15)
Impairment losses / loss reversals	–	–	54	–	–	–	–	–
Total special items	**(11)**	**(8)**	**32**	**(14)**	**(11)**	**(9)**	**(22)**	**(15)**

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

First half of 2021

Sales

Sales at Consumer Health increased by 3.5% (Fx & portfolio adj.) to €2,542 million in the first six months of 2021, continuing the growth momentum from the previous year. We registered substantial gains primarily as a result of the continued high demand for products in the Nutritionals category. Sales were also boosted by product line extensions for brands such as Bepanthen™, for daily treatment of dry skin, and Aleve™, with our entry into the segment for topical pain relief. In the Allergy & Cold category, the increase in sales due to the strong allergy season in North America only partly offset the substantial declines for cough and cold products as a result of the increased protective and hygiene measures.

Earnings

EBITDA before special items increased to €570 million in the first half of 2021 (H1 2020: €555 million), while the EBITDA margin before special items improved significantly, rising by 1.0 percentage points to 22.4%. The growth in earnings was mainly driven by the positive development of business, our continuous cost management efforts and one-time gains from the sale of noncore brands. Earnings were diminished by currency effects of €46 million.

EBIT amounted to €388 million (H1 2020: €425 million) after special charges of €14 million that related to restructuring measures (H1 2020: net special gains of €32 million).

1.3 Asset and Financial Position of the Bayer Group
Statement of Cash Flows

A 13

Bayer Group Summary Statements of Cash Flows

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Net cash provided by (used in) operating activities from continuing operations	**2,251**	**1,997**	**2,062**	**(768)**
Net cash provided by (used in) operating activities from discontinued operations	163	–	123	–
Net cash provided by (used in) operating activities (total)	**2,414**	**1,997**	**2,185**	**(768)**
Net cash provided by (used in) investing activities (total)	**(421)**	**447**	**(1,019)**	**4,392**
Net cash provided by (used in) financing activities (total)	**(1,126)**	**(4,603)**	**(1,090)**	**(4,490)**
Change in cash and cash equivalents due to business activities	**867**	**(2,159)**	**76**	**(866)**
Cash and cash equivalents at beginning of period	**2,319**	**5,550**	**3,185**	**4,191**
Change due to exchange rate movements and to changes in scope of consolidation	(31)	(2)	(106)	64
Cash and cash equivalents at end of period	**3,155**	**3,389**	**3,155**	**3,389**

Net cash provided by operating activities

// Net operating cash flow from continuing operations in the second quarter of 2021 amounted to €1,997 million (Q2 2020: €2,251 million). The decline compared with the prior-year period was due in particular to payments of €0.9 billion to resolve litigations. Cash inflows from the patent dispute surrounding our product Jivi™ were among the factors that had a positive impact.

// Net operating cash flow from continuing operations in the first half of 2021 amounted to minus €768 million (H1 2020: €2,062 million).

Net cash used in investing activities

// Net investing cash flow in the second quarter of 2021 amounted to €447 million (Q2 2020: minus €421 million).
// This figure included net cash inflows from current financial assets of €930 million (Q2 2020: €66 million) that resulted particularly from the sale of investments in money market funds.

// Net investing cash flow in the first half of 2021 amounted to €4,392 million (H1 2020: minus €1,019 million).

Net cash used in financing activities

// There was a net cash outflow of €4,603 million for financing activities in the second quarter of 2021 (Q2 2020: €1,126 million).
// This figure included net loan repayments of €2,255 million (Q2 2020: net borrowings of €2,066 million).
// Net interest payments amounted to €383 million (Q2 2020: €441 million).
// The Bayer Group paid out €1,965 million in dividends (2020: €2,751 million).

// The net cash outflow for financing activities in the first half of 2021 amounted to €4,490 million (H1 2020: €1,090 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 €1,152 million in the second quarter of 2021 (Q2 2020: €1,402 million).

// Free cash flow (total) in the first half of 2021 amounted to minus €2,074 million (H1 2020: €609 million), with this figure including net cash outflows of €3.1 billion to resolve litigations.

Net financial debt

A 14

Net Financial Debt[1]

€ million	Dec. 31, 2020	March 31, 2021	June 30, 2021	Change vs March 31 (%)
Bonds and notes	36,745	40,878	38,423	–6.0
of which hybrid bonds[2]	4,532	4,534	4,535	0.0
Liabilities to banks[3]	3,671	639	620	–3.0
Lease liabilities	1,137	1,148	1,120	–2.4
Liabilities from derivatives[4]	136	74	149	+101.4
Other financial liabilities	77	126	60	–52.4
Receivables from derivatives[4]	(141)	(215)	(183)	–14.9
Financial debt	**41,625**	**42,650**	**40,189**	**–5.8**
Cash and cash equivalents	(4,191)	(5,550)	(3,389)	–38.9
Current financial assets[5]	(7,393)	(3,167)	(2,439)	–23.0
Net financial debt	**30,041**	**33,933**	**34,361**	**+1.3**

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”
[2] Classified as debt according to IFRS
[3] Including both financial and nonfinancial liabilities
[4] Including the market values of interest-rate and currency hedges of recorded transactions
[5] Including short-term receivables with maturities between 3 and 12 months outstanding from banks and other companies, financial investments in debt, and equity instruments that were recorded as current on first-time recognition

// Net financial debt of the Bayer Group increased by €0.4 billion to €34.4 billion in the second quarter of 2021. Cash inflows from operating activities and positive currency effects were unable to fully offset the outflow for the dividend payment and the settlement payments for the litigations in the United States.
// Financial debt included three subordinated hybrid bonds with a total volume of €4.5 billion, 50% of which is treated as equity by the rating agencies. As such, the hybrid bonds have a positive impact on the Group’s rating-specific debt indicators.
// Bayer U.S. Finance II LLC, United States, repaid two bonds with a total volume of US$2.5 billion in May and June 2021, respectively. Furthermore, in May 2021, Bayer Holding Ltd., Japan, redeemed at maturity a bond with a nominal volume of JPY10 billion.
// The rating agencies currently assess Bayer as follows:

A 15

Rating

Rating agency	Long-term rating	Short-term rating	Outlook
S&P Global Ratings	BBB	A2	stable
Moody’s	Baa2	P2	stable
Fitch Ratings	BBB+	F2	stable

Asset and capital structure

A 16

Bayer Group Summary Statements of Financial Position

€ million	Dec. 31, 2020	March 31, 2021	June 30, 2021	Change vs. March 31 (%)
Noncurrent assets	**81,386**	**82,980**	**81,976**	**–1.2**
Assets held for sale	113	135	32	–76.3
Other current assets	35,547	35,662	32,419	–9.1
Current assets	**35,660**	**35,797**	**32,451**	**–9.3**
Total assets	**117,046**	**118,777**	**114,427**	**–3.7**
Equity	**30,699**	**34,772**	**30,578**	**–12.1**
Noncurrent liabilities	**49,619**	**55,073**	**55,923**	**+1.5**
Current liabilities	**36,728**	**28,932**	**27,926**	**–3.5**
Liabilities	**86,347**	**84,005**	**83,849**	**–0.2**
Total equity and liabilities	**117,046**	**118,777**	**114,427**	**–3.7**

// Between March 31, 2021, and June 20, 2021, total assets decreased by €4.4 billion to €114.4 billion.
// Noncurrent assets declined in the second quarter by €1.0 billion to €82.0 billion, primarily due to the impairment charges detailed above.
// Total current assets fell by €3.3 billion to €32.5 billion. This decrease was mainly attributable to a decline in other financial assets and a decrease in cash and cash equivalents.
// Equity declined by €4.2 billion compared with March 31, 2021, to €30.6 billion, primarily due to the net loss and the dividend payment. The equity ratio fell to 26.7% as of June 30, 2021 (March 31, 2021: 29.3%).
// Liabilities declined by €0.2 billion in the second quarter to €83.8 billion. Adjustments to provisions for litigations were a key factor, with a €3.5 billion allocation due to a remeasurement of provisions for the glyphosate litigations. The repayment of bonds and a decline in deferred tax liabilities had an opposing effect.

2. Research, Development, Innovation

Crop Science

Collaborations

In February, we announced a global platform agreement with the German company Horsch, a manufacturer of on-farm technology. As a result, farmers around the world will have new ways to connect their Horsch seeders, planters and other implements to our Climate FieldView™ platform, making it easier for them to apply digital tools and data science on their farming operations.

In April, we announced a collaboration with the French company RAGT. We intend to work together to advance the development of hybrid wheat technology and provide an innovative wheat-growing system by combining our leading position in wheat crop protection, expertise in seed production systems and digital solutions in agriculture with RAGT's wide range of varietal seed innovations.

Also in April, we announced a collaboration with U.S.-based Kebotix to equip farmers with innovative crop protection tools powered by faster data-driven systems. Kebotix uses artificial intelligence and robotics to accelerate the discovery of new chemicals. Those discoveries can then be used by our researchers to develop new crop protection solutions.

Pharmaceuticals

We regularly review our research and development pipeline so that we can give priority to advancing the most promising pharmaceutical projects.

Phase II and III clinical projects

The following table shows our most important drug candidates currently in Phase II of clinical testing:

A 17

Research and Development Projects (Phase II)[1]

Project	Indication
Adrenomedullin Pegol (BAY 1097761, PEG-ADM inhale)	Acute respiratory syndrome
Asundexian (BAY 2433334, FXIa inhibitor)	Prevention of stroke in atrial fibrillation patients
Asundexian (BAY 2433334, FXIa inhibitor)	Secondary prevention of stroke
Asundexian (BAY 2433334, FXIa inhibitor)	Prevention of major adverse cardiac events (MACE)
BAY 1747846 (high relaxivity contrast agent)	Magnetic resonance imaging
BAY 2586116 (task channel blocker)	Obstructive sleep apnea
BAY 2976217 (FXI LICA, IONIS-FXI-L_{RX})[2]	Prevention of thrombosis in end-stage renal disease (ESRD)
Eliapixant (BAY 1817080, P2X3 antagonist)	Chronic cough
Eliapixant (BAY 1817080, P2X3 antagonist)	Overactive bladder
Eliapixant (BAY 1817080, P2X3 antagonist)	Endometriosis
Eliapixant (BAY 1817080, P2X3 antagonist)	Neuropathic pain
Elinzanetant (neurokinin-1,3 receptor antagonist)	Vasomotor symptoms
Osocimab (anti-FXIa antibody)	Prevention of thrombosis in end-stage renal disease (ESRD)
Pecavaptan (dual vasopressin receptor antagonist)	Congestive heart failure
Regorafenib + nivolumab combination[3]	Metastatic colorectal cancer
Regorafenib + nivolumab combination[3]	Recurrent or metastatic solid tumors
Regorafenib + pembrolizumab combination	Second-line therapy of unresectable hepatocellular carcinoma
Rogaratinib (pan-FGFR inhibitor)	Urothelial cancer
Runcaciguat (sGC activator)	Chronic kidney disease
Runcaciguat (sGC aktivator)	Nonproliferative diabetic retinopathy

[1] As of July 15, 2021
[2] In collaboration with Ionis Pharmaceuticals, Inc., United States
[3] In collaboration with Bristol-Myers Squibb, United States, and Ono Pharmaceutical Co., Ltd., Japan

The following table shows our most important drug candidates currently in Phase III of clinical testing:

A 18

Research and Development Projects (Phase III)[1]

Project	Indication
Aflibercept (VEGF inhibitor)[2]	Retinopathy of prematurity
High-dose aflibercept (VEGF inhibitor)[2]	Diabetic macular edema (DME)
High-dose aflibercept (VEGF inhibitor)[2]	Neovascular age-related macular degeneration (nAMD)
Copanlisib (PI3K inhibitor) + chemotherapy combination	Second-line therapy of indolent non-Hodgkin lymphoma (iNHL)
Darolutamide (ODM-201, AR antagonist)	Hormone-sensitive metastatic prostate cancer
Darolutamide (ODM-201, AR antagonist)	Adjuvant treatment for localized prostate cancer with very high risk of recurrence
Finerenone (MR antagonist)	Heart failure with mid-range or preserved ejection fraction
Regorafenib (multikinase inhibitor)	Newly diagnosed or recurrent glioblastoma

[1] As of July 15, 2021
[2] In collaboration with Regeneron Pharmaceuticals, Inc., United States

The nature of drug discovery and development is such that not all compounds can be expected to meet the predefined project goals. It is possible that any or all of the projects listed above may have to be discontinued due to scientific and / or commercial reasons and will not result in commercialized products. It is also possible that the requisite U.S. Food and Drug Administration (FDA), European Medicines Agency (EMA) or other regulatory approvals will not be granted for these compounds. Moreover, we regularly review our research and development pipeline so that we can give priority to advancing the most promising pharmaceutical projects.

The following material developments occurred in the first half of 2021:

Finerenone

// We published results from the Phase III FIGARO-DKD trial evaluating the efficacy and safety of the investigational drug finerenone versus placebo when added to standard of care in patients with chronic kidney disease and type 2 diabetes. The results of the trial, which met its primary endpoint, show that finerenone significantly reduced the combined risk of time to first occurrence of cardiovascular death or nonfatal cardiovascular events (nonfatal myocardial infarction, nonfatal stroke, or heart failure hospitalization).

Darolutamide

// In February, we began enrolling patients in the Phase III ARANOTE trial evaluating the efficacy and safety of darolutamide plus androgen deprivation therapy (ADT) in comparison to placebo plus ADT in men with metastatic hormone-sensitive prostate cancer.

Combi IUS LNG/IND

// In April, we decided to discontinue the further development of the Combi IUS LNG/IND program. This will enable us to use our resources efficiently and remain focused on impactful innovations addressing women's healthcare needs. Combi IUS was a new intrauterine system (IUS) that combined levonorgestrel (LNG) and indomethacin (IND) for five-year contraception and had completed Phase II development.

Fulacimstat CKD

// In March, we decided to halt the development of the chymase inhibitor fulacimstat in the indication chronic kidney disease as the criteria in the Phase II proof-of-concept trial had not been met.

Filings and approvals

The most important drug candidates in the approval process are:

A 19

Main Products Submitted for Approval[1]

Project	Region	Indication
Copanlisib (PI3K inhibitor) + rituximab combination	EU, U.S.A., Japan	Second-line therapy of indolent non-Hodgkin lymphoma (NHL)
Finerenone (MR antagonist)	EU, Japan, China	Chronic kidney disease in patients with type 2 diabetes
Larotrectinib (LOXO-101, TRK fusion inhibitor)	China	Solid tumors with NTRK gene fusions
Rivaroxaban (FXa inhibitor)	U.S.A., China	VTE treatment in children
	EU[2], U.S.A., China	Peripheral artery disease (PAD)
Vericiguat (sGC stimulator)[3]	China	Heart failure with reduced ejection fraction (HFrEF)

[1] As of July 21, 2021
[2] Submission of data from an additional Phase III study
[3] Co-development with Merck & Co., Inc., United States

Finerenone

// In July, the U.S. Food and Drug Administration approved finerenone under the brand name Kerendia™ to reduce the risk of sustained estimated glomerular filtration rate decline, end-stage kidney disease, cardiovascular death, nonfatal myocardial infarction and heart failure hospitalization in adult patients with chronic kidney disease and type 2 diabetes.

Rivaroxaban (FXa inhibitor)

// In January, the Japanese Ministry of Health, Labour and Welfare (MHLW) granted regulatory approval for the oral Factor Xa inhibitor rivaroxaban (Xarelto™) in the treatment of venous thromboembolism (VTE) including catheter-related thrombosis and cerebral venous sinus thrombosis and for the prevention of recurrent VTE in pediatric patients. The suspension for oral administration was likewise approved. This means that rivaroxaban, which is already routinely used in adult patients with VTE, is now the first oral Factor Xa inhibitor to be licensed for the treatment and prevention of recurrent VTE in children.

Vericiguat

// In June, the Japanese Ministry of Health, Labour, and Welfare approved soluble guanylate cyclase (sGC) stimulator vericiguat under the brand name Verquvo™ for the treatment of patients with chronic heart failure who are receiving standard treatment for chronic heart failure.
// In July, the European Commission granted marketing authorization for vericiguat under the brand name Verquvo™ in the European Union for the treatment of symptomatic chronic heart failure in adult patients with reduced ejection fraction who are stabilized after a recent decompensation event requiring intravenous therapy.

Larotrectinib

// In March, the Japanese Ministry of Health, Labor and Welfare granted marketing authorization for the precision oncology drug Vitrakvi™ (active ingredient: larotrectinib) for the treatment of neurotrophic tyrosine receptor kinase (NTRK) fusion-positive advanced or recurrent solid tumors. Larotrectinib is a highly selective TRK inhibitor exclusively designed to treat tumors that have developed an NTRK gene fusion.

Molidustat

// In January, the Japanese health authorities granted us regulatory approval for molidustat, a new therapeutic option for renal anemia.

Cell and gene therapy

Cell and gene therapies are the next step in the evolution of drug development. They address the root cause of disease and are geared toward preventing, treating and potentially even curing illnesses. That applies not only to rare genetic diseases but also to more common diseases such as certain immune disorders, cancer and degenerative diseases.

Our aim is to further broaden our long-term innovation strategy by investing in this area. Our strategy goes well beyond single investments or individual assets – instead, we invest holistically in entire fields of technology, so-called technology platforms. This enables a better understanding, more flexible optimization and promising development of new therapies, and will also speed up the development of individual products, giving Bayer a competitive edge. We are therefore focused on establishing four **technology platforms:** induced pluripotent stem cell (iPSC) therapy, adeno-associated virus (AAV) gene therapy, oncological cell therapies and gene editing. Combining our internal capabilities and expertise with external collaborations and acquisitions is the **cornerstone** of our new cell and gene therapy strategy. Examples of this include the acquisition of BlueRock Therapeutics and AskBio, as well as the strategic partnership with Atara Biotherapeutics, Inc.

Our development portfolio already comprises seven candidates in various stages of clinical development that cover several therapeutic areas with a high unmet medical need – with leading programs in Parkinson's disease, Pompe disease, hemophilia A and congestive heart failure.

We also achieved the following milestones in the first half of 2021:

// In June, a Phase I study was initiated by BlueRock for the treatment of Parkinson's disease patients using pluripotent stem cell-derived dopaminergic neurons. In July, the U.S. Food and Drug Administration (FDA) granted Fast Track designation for this therapy. That status enables the accelerated development and subsequent marketing authorization process for therapies of significant medical interest.

// In June, the FDA also granted Fast Track designation for AskBio's AAV-based gene therapy to treat limb-girdle muscular dystrophy type 2I/R9. The Phase I clinical trial is scheduled to begin in the first half of 2022.
// Also in June, we strengthened the contract development and manufacturing organization of our subsidiary Viralgen Vector Core SL with the inauguration of a new AAV-based gene therapy production facility in San Sebastián, Spain.

External innovation
As previously described, we concluded an agreement in June to acquire Noria Therapeutics Inc. and PSMA Therapeutics Inc.

In August, we announced the acquisition of Vividion Therapeutics, Inc., as detailed earlier in this report.

Consumer Health
In the first half of the year, we launched AleveX™ in North America, representing Bayer's first products in the topical pain relief segment. The topical treatments added to the portfolio come in three presentations: a massage roller, a lotion and a fast-drying spray.

During the first six months of the year, we also launched the Bepanthen™ Derma range for daily treatment of dry and sensitive skin in several countries, including Brazil, Turkey and Greece. The range is based on a unique derma repair complex of five ingredients, and treats the causes of dry skin by regenerating skin from within. The range includes a number of cleansing and care products. We will launch the range in additional countries over the course of this year.

Leaps by Bayer
In May, our impact investment unit Leaps by Bayer participated in a Series B financing round in the Berlin-based digital health company Ada Health GmbH. Ada Health combines medical knowledge with powerful artificial intelligence to revolutionize possibilities for personal health. The investment will support the advancement of Ada's symptom assessment and care navigation platform.

3. Report on Future Perspectives and on Opportunities and Risks

3.1 Future Perspectives
3.1.1 Economic Outlook

A 20

Economic Outlook[1]

	Growth 2020	Growth forecast 2021
World	– 3.5%	+ 5.8%
European Union[2]	– 6.1%	+ 4.9%
of which Germany	– 5.1%	+ 3.8%
United States	– 3.5%	+ 6.6%
Emerging Markets[3]	– 1.6%	+ 6.5%

[1] Real GDP growth, source: IHS Markit (as of July 2021)
[2] EU excluding United Kingdom, 2020 figures restated
[3] Including about 50 countries defined by IHS Markit as Emerging Markets in line with the World Bank

The global economy is recovering faster than was expected at the beginning of the year. The number of people vaccinated against COVID-19 is increasing, protective measures and contact restrictions are being relaxed, labor market conditions are improving, and private consumption is picking up again. Companies are also investing more in view of rising demand and favorable financing conditions. The pace of the upswing has been especially brisk in the United States, but a strong recovery is also expected in Europe.

The same applies to the Emerging Markets, and particularly China. At the same time, COVID-19 outbreaks like the one in India and the fourth waves looming in many other countries show that setbacks can be expected at any time. The economic outlook therefore remains clouded with significant uncertainty.

A 21

Economic Outlook for Division-Specific Markets

	Growth 2020	Growth forecast 2021
Seed and crop protection market[1]	+4%	+5%
Pharmaceuticals market[2]	+3%	+5%
Consumer health market[3]	+4%	+2%

[1] Bayer's estimate (as of July 2021)
[2] Source: IQVIA Market Prognosis (as of May 2021), all rights reserved; currency-adjusted
[3] Source for outlook: Bayer's estimate (as of July 2021), taking into account external sources; currency-adjusted

We now expect increased growth of 5% (previously: +2%) in the **seed and crop protection market** for 2021, mainly due to global demand for corn and soybeans remaining strong, leading to an expected increase in planted acres, particularly in Latin America. We also foresee higher prices for nonselective herbicides.

We continue to expect the **pharmaceuticals market** to expand by around 5%.

In the **consumer health market**, we continue to anticipate growth of around 2% for 2021. The development of the market remains volatile and is heavily dependent on the trajectory of the global pandemic. The potential continuation of increased protective and hygiene measures in the second half of the year will impact the cough and cold segment in particular.

3.1.2 Corporate Outlook

Following the good business performance in the first half of 2021, we are also optimistic for the remainder of the year and are raising our guidance accordingly. This upgraded guidance was prepared using the closing rates on June 30, 2021. A 1% appreciation (depreciation) of the euro against all other currencies would decrease (increase) sales on an annual basis by some €350 million and EBITDA before special items by about €100 million.

For fiscal 2021, we now expect to generate sales of approximately €43 billion (previously: approximately €41 billion). This now corresponds to an increase of approximately 6% on a currency- and portfolio-adjusted basis (previously: approximately 3%). We are now targeting an EBITDA margin before special items of approximately 25% (previously: approximately 26%). Based on the aforementioned sales figure, this would now correspond to EBITDA before special items of €10.6 billion to €10.9 billion (previously: €10.5 billion to €10.8 billion). We now expect core earnings per share to come in at approximately €6.00 to €6.20 (previously: approximately €5.60 to €5.80).

To enhance the comparability of operating performance, we are presenting our forecast on a currency-adjusted basis as well.

We now expect to post currency-adjusted sales of approximately €44 billion (previously: approximately €42 billion to €43 billion). This now corresponds to an increase of around 6% on a currency- and portfolio-adjusted basis (previously: about 3%). We now expect to generate an EBITDA margin before special items of around 26% on a currency-adjusted basis (previously: around 27%). Based on the currency-adjusted sales forecast, this would continue to correspond to EBITDA before special items of €11.2 billion to €11.5 billion on a currency-adjusted basis. We now anticipate core earnings per share of approximately €6.40 to €6.60 on a currency-adjusted basis (previously: approximately €6.10 to €6.30).

A 22

Forecast for 2021

	Original forecast for 2021 at closing rates on Dec. 31, 2020		**Revised forecast for 2021 at closing rates on June 30, 2021**		Original currency-adjusted forecast for 2021		**Revised currency-adjusted forecast for 2021**	
	€ billion	**Fx & p adj. change (%)**	**€ billion**	**Fx & p adj. change (%)**	**€ billion**	**Fx & p adj. change (%)**	**€ billion**	**Fx & p adj. change (%)**
Sales	**~ 41**	**~ +3**	**~ 43**	**~ +6**	**~ 42 to 43**	**~ +3**	**~ 44**	**~ +6**
Crop Science		~ +2		~ +7		~ +2		~ +7
Pharmaceuticals		~ +4		~ +6		~ +4		~ +6
Consumer Health		~ +2 to 3		~ +3 to 4		~ +2 to 3		~ +3 to 4
		Margin (%)		Margin (%)		Margin (%)		Margin (%)
EBITDA before special items[1]		**~ 26**		**~ 25**		**~ 27**		**~ 26**
Crop Science		~ 23		~ 23		~ 24		~ 24
Pharmaceuticals		~ 32		~ 32		~ 32		~ 32
Consumer Health		~ 22 to 23		~ 22 to 23		~ 23		~ 22 to 23
Financial result (core)[2]	**–1.5**		**–1.3**		**–1.6**		**–1.3**	
Tax rate (core)[3]	**23.0%**		**23.0%**		**23.0%**		**23.0%**	
Free cash flow[1]	**~ –3 to –4**		**~ –2 to –3**		**~ –3 to –4**		**~ –2 to –3**	
Net financial debt[1]	**~ 35 to 36**		**~ 35**		**~ 36 to 37**		**~ 36**	
Special items in EBIT[1]	–1.5		~ –4.8		–1.5		~ –4.8	
	€		€		€		€	
Core earnings per share[1]	**5.60 to 5.80**		**6.00 to 6.20**		**6.10 to 6.30**		**6.40 to 6.60**	

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

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

[2] Financial result before special items

[3] (Income taxes + special items in income taxes + tax effects on adjustments) / (core EBIT + financial result + special items in financial result)

We now plan to take total special charges (currency-adjusted) of approximately €4.8 billion (previously: about €1.5 billion) in 2021 in connection with provisions for litigations as well as restructuring and integration measures.

Potential estimation risks regarding special charges in connection with litigations are referenced in the 2020 Annual Report, A 3.2 Opportunity and Risk Report.

3.2 Opportunities and Risks

As a global enterprise with a diversified portfolio, the Bayer Group is exposed to a wide range of internal or external developments or events that could significantly impact the achievement of our financial and nonfinancial objectives.

Opportunity and risk management at Bayer forms an integral part of the Group-wide corporate governance system. Our opportunity and risk management process and the fundamental opportunity and risk status are outlined in detail in the Annual Report 2020, A 3.2 “Opportunity and Risk Report.”

Overall assessment by the Board of Management

We currently have not identified any material changes in the risk situation compared with the assessment given in the 2020 Annual Report. We currently are not aware of any individual risks, risk combinations or risk interdependencies that could endanger the Bayer Group’s continued existence.

Significant developments that have occurred in respect of the legal risks since publication of the Bayer Annual Report 2020 (Note [30] to the Consolidated Financial Statements) are described in the Notes to the Condensed Consolidated Interim Financial Statements under “Legal Risks.”

Condensed Consolidated Interim Financial Statements as of June 30, 2021

Bayer Group Consolidated Income Statements

B 1

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Net sales	**10,054**	**10,854**	**22,899**	**23,182**
Cost of goods sold	(4,018)	(4,546)	(8,674)	(9,244)
Gross profit	**6,036**	**6,308**	**14,225**	**13,938**
Selling expenses	(2,907)	(2,964)	(5,930)	(5,843)
Research and development expenses	(1,167)	(1,638)	(2,469)	(2,836)
General administration expenses	(769)	(783)	(1,583)	(1,425)
Other operating income	299	537	722	887
Other operating expenses	(12,276)	(3,741)	(13,250)	(3,919)
EBIT[1]	**(10,784)**	**(2,281)**	**(8,285)**	**802**
Equity-method income (loss)	(16)	105	(24)	79
Financial income	44	271	80	369
Financial expenses	(304)	(475)	(984)	(895)
Financial result	**(276)**	**(99)**	**(928)**	**(447)**
Income before income taxes	**(11,060)**	**(2,380)**	**(9,213)**	**355**
Income taxes	1,450	52	971	(593)
Income from continuing operations after income taxes	**(9,610)**	**(2,328)**	**(8,242)**	**(238)**
of which attributable to noncontrolling interest	9	7	8	8
of which attributable to Bayer AG stockholders	(9,619)	(2,335)	(8,250)	(246)
Income from discontinued operations after income taxes	**71**	**–**	**191**	**–**
of which attributable to noncontrolling interest	–	–	–	–
of which attributable to Bayer AG stockholders	71	–	191	–
Income after income taxes	**(9,539)**	**(2,328)**	**(8,051)**	**(238)**
of which attributable to noncontrolling interest	9	7	8	8
of which attributable to Bayer AG stockholders (net income)	**(9,548)**	**(2,335)**	**(8,059)**	**(246)**
€				
Earnings per share				
From continuing operations				
Basic	(9.79)	(2.38)	(8.40)	(0.25)
Diluted	(9.79)	(2.38)	(8.40)	(0.25)
From discontinued operations				
Basic	0.07	–	(0.20)	–
Diluted	0.07	–	(0.20)	–
From continuing and discontinued operations				
Basic	(9.72)	(2.38)	(8.20)	(0.25)
Diluted	(9.72)	(2.38)	(8.20)	(0.25)

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

Bayer Group Consolidated Statements of Comprehensive Income

B 2

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Income after income taxes	**(9,539)**	**(2,328)**	**(8,051)**	**(238)**
of which attributable to noncontrolling interest	9	7	8	8
of which attributable to Bayer AG stockholders	(9,548)	(2,335)	(8,059)	(246)
Remeasurements of the net defined benefit liability for post-employment benefit plans	238	50	905	1,128
Income taxes	(25)	(4)	(312)	(312)
Other comprehensive income from remeasurements of the net defined benefit liability for post-employment benefit plans	**213**	**46**	**593**	**816**
Changes in the fair value of equity instruments measured at fair value	34	135	(6)	212
Income taxes	(3)	(4)	(3)	(4)
Other comprehensive income from equity instruments measured at fair value	**31**	**131**	**(9)**	**208**
Other comprehensive income relating to associates accounted for using the equity method	**–**	**25**	**–**	**25**
Other comprehensive income that will not be reclassified subsequently to profit or loss	**244**	**202**	**584**	**1,049**
Changes in the fair value of cash flow hedges	140	(62)	38	(13)
Reclassified to profit or loss	(112)	5	21	(50)
Income taxes	(3)	20	(11)	20
Other comprehensive income from cash flow hedges	**25**	**(37)**	**48**	**(43)**
Changes in time value of options used as hedging instrument	–	–	–	(2)
Income taxes	–	–	–	1
Other comprehensive income from time value of options	**–**	**–**	**–**	**(1)**
Other comprehensive income from exchange differences	**(880)**	**(68)**	**(1,384)**	**1,076**
Other comprehensive income relating to associates accounted for using the equity method	**–**	**(4)**	**–**	**(2)**
Other comprehensive income that may be reclassified subsequently to profit or loss	**(855)**	**(109)**	**(1,336)**	**1,030**
Total other comprehensive income[1]	**(611)**	**93**	**(752)**	**2,079**
of which attributable to noncontrolling interest	(5)	(6)	(13)	3
of which attributable to Bayer AG stockholders	(606)	99	(739)	2,076
Total comprehensive income	**(10,150)**	**(2,235)**	**(8,803)**	**1,841**
of which attributable to noncontrolling interest	4	1	(5)	11
of which attributable to Bayer AG stockholders	(10,154)	(2,236)	(8,798)	1,830

[1] Other comprehensive income is recognized outside profit or loss in equity.

Bayer Group Consolidated Statements of Financial Position

B 3

€ million	June 30, 2020	Dec. 31, 2020	June 30, 2021
Noncurrent assets			
Goodwill	38,652	36,080	36,965
Other intangible assets	33,722	26,029	25,308
Property, plant and equipment	11,850	11,710	11,830
Investments accounted for using the equity method	524	491	576
Other financial assets	1,498	1,555	1,625
Other receivables	745	835	1,199
Deferred taxes	3,925	4,686	4,473
	90,916	**81,386**	**81,976**
Current assets			
Inventories	10,128	10,961	10,125
Trade accounts receivable	13,103	9,555	13,075
Other financial assets	2,560	7,940	3,109
Other receivables	1,465	1,667	1,539
Claims for income tax refunds	1,155	1,233	1,182
Cash and cash equivalents	3,148	4,191	3,389
Assets held for sale	1,192	113	32
	32,751	**35,660**	**32,451**
Total assets	**123,667**	**117,046**	**114,427**
Equity			
Capital stock	2,515	2,515	2,515
Capital reserves	18,261	18,261	18,261
Other reserves	14,928	9,748	9,613
Equity attributable to Bayer AG stockholders	**35,704**	**30,524**	**30,389**
Equity attributable to noncontrolling interest	162	175	189
	35,866	**30,699**	**30,578**
Noncurrent liabilities			
Provisions for pensions and other post-employment benefits	7,390	8,454	7,512
Other provisions	5,108	4,322	7,262
Refund liabilities	142	8	142
Contract liabilities	647	720	650
Financial liabilities	33,947	33,196	36,664
Income tax liabilities	1,644	247	1,638
Other liabilities	525	1,341	1,215
Deferred taxes	1,855	1,331	840
	51,258	**49,619**	**55,923**
Current liabilities			
Other provisions	13,714	10,127	7,967
Refund liabilities	6,378	4,455	6,877
Contract liabilities	787	3,592	1,303
Financial liabilities	7,372	8,570	3,708
Trade accounts payable	5,098	5,683	5,118
Income tax liabilities	835	2,269	905
Other liabilities	1,823	2,032	2,048
Liabilities directly related to assets held for sale	536	–	–
	36,543	**36,728**	**27,926**
Total equity and liabilities	**123,667**	**117,046**	**114,427**

2020 figures restated

Bayer Group Consolidated Statements of Cash Flows

B 4

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
Income from continuing operations after income taxes	(9,610)	(2,328)	(8,242)	(238)
Income taxes	(1,450)	(52)	(971)	593
Financial result	276	99	928	447
Income taxes paid	(314)	(687)	(289)	(1,140)
Depreciation, amortization and impairment losses (loss reversals)	1,180	1,390	2,457	2,476
Change in pension provisions	(78)	(70)	(144)	(185)
(Gains) losses on retirements of noncurrent assets	(12)	(104)	(4)	(119)
Decrease (increase) in inventories	(177)	308	219	841
Decrease (increase) in trade accounts receivable	915	(64)	(2,034)	(3,335)
(Decrease) increase in trade accounts payable	(184)	(63)	(1,256)	(680)
Changes in other working capital, other noncash items	11,705	3,568	11,398	572
Net cash provided by (used in) operating activities from continuing operations	**2,251**	**1,997**	**2,062**	**(768)**
Net cash provided by (used in) operating activities from discontinued operations	163	–	123	–
Net cash provided by (used in) operating activities	**2,414**	**1,997**	**2,185**	**(768)**
Cash outflows for additions to property, plant, equipment and intangible assets	(585)	(493)	(976)	(822)
Cash inflows from the sale of property, plant, equipment and other assets	82	115	121	272
Cash outflows for divestments less divested cash	(62)	–	(65)	(57)
Cash inflows from noncurrent financial assets	114	4	321	357
Cash outflows for noncurrent financial assets	(50)	(121)	(77)	(267)
Cash outflows for acquisitions less acquired cash	–	(19)	(106)	(23)
Interest and dividends received	14	31	37	41
Cash inflows from (outflows for) current financial assets	66	930	(274)	4,891
Net cash provided by (used in) investing activities	**(421)**	**447**	**(1,019)**	**4,392**
Dividend payments	(2,751)	(1,965)	(2,751)	(1,965)
Issuances of debt	3,276	282	4,731	4,495
Retirements of debt	(1,210)	(2,537)	(2,433)	(6,495)
Interest paid including interest-rate swaps	(448)	(391)	(654)	(547)
Interest received from interest-rate swaps	7	8	17	22
Net cash provided by (used in) financing activities	**(1,126)**	**(4,603)**	**(1,090)**	**(4,490)**
Change in cash and cash equivalents due to business activities	**867**	**(2,159)**	**76**	**(866)**
Cash and cash equivalents at beginning of period	**2,319**	**5,550**	**3,185**	**4,191**
Change in cash and cash equivalents due to changes in scope of consolidation	–	–	(7)	–
Change in cash and cash equivalents due to exchange rate movements	(31)	(2)	(99)	64
Cash and cash equivalents at end of period	**3,155**	**3,389**	**3,155**	**3,389**

Bayer Group Consolidated Statements of Changes in Equity

B 5

€ million	Capital stock	Capital reserves	Other reserves	Equity attributable to Bayer AG stockholders	Equity attributable to non-controlling interest	Equity
Jan. 1, 2020	**2,515**	**18,261**	**26,477**	**47,253**	**180**	**47,433**
Equity transactions with owners						
Dividend payments			(2,751)	(2,751)	(14)	(2,765)
Other changes					1	1
Total comprehensive income			(8,798)	(8,798)	(5)	(8,803)
June 30, 2020	**2,515**	**18,261**	**14,928**	**35,704**	**162**	**35,866**
Jan. 1, 2021	**2,515**	**18,261**	**9,748**	**30,524**	**175**	**30,699**
Equity transactions with owners						
Dividend payments			(1,965)	(1,965)	–	(1,965)
Other changes					3	3
Total comprehensive income			1,830	1,830	11	1,841
June 30, 2021	**2,515**	**18,261**	**9,613**	**30,389**	**189**	**30,578**

Notes to the Condensed Consolidated Interim Financial Statements of the Bayer Group

Explanatory Notes

Accounting policies

The consolidated interim financial statements as of June 30, 2021, were prepared in condensed form in compliance with IAS 34 according to the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, which are endorsed by the European Union, and the Interpretations of the IFRS Interpretations Committee in effect at the closing date.

Reference should be made as appropriate to the Notes to the Consolidated Financial Statements for the 2020 fiscal year, particularly with regard to the main recognition and valuation principles.

Impact of COVID-19

The global economy is recovering faster than was expected at the beginning of the year, and the number of people vaccinated against COVID-19 is increasing. In addition, protective measures and contact restrictions are starting to be relaxed. Uncertainties remain, however, with the prospect of further COVID outbreaks as a result of new variants, for instance. In the first half of the year, our Pharmaceuticals Division showed a robust recovery in women's healthcare, ophthalmology and radiology, areas that in the prior year had been hit particularly hard by restrictions introduced in response to the pandemic. In our Consumer Health Division, the increased protective and hygiene measures primarily impacted sales of cough and cold products.

We currently do not see any further material COVID-19 effects. We will continue to closely monitor the effects of the pandemic, including the impact on inventories, customer receivables and significant estimates regarding goodwill and other intangible assets.

Changes in underlying parameters

Changes in the underlying parameters relate primarily to currency exchange rates and the interest rates used to calculate pension obligations. The exchange rates for major currencies against the euro varied as follows:

B 6

Exchange Rates for Major Currencies

		Closing rate			Average rate	
€1		Dec. 31, 2020	June 30, 2020	June 30, 2021	H1 2020	H1 2021
BRL	Brazil	6.37	6.09	5.90	5.33	6.49
CAD	Canada	1.56	1.53	1.47	1.50	1.50
CNY	China	7.98	7.92	7.69	7.76	7.80
GBP	United Kingdom	0.90	0.91	0.86	0.87	0.87
JPY	Japan	126.46	120.63	131.47	119.22	129.76
RUB	Russia	91.46	79.56	86.75	76.19	89.58
USD	United States	1.23	1.12	1.19	1.10	1.21

Argentina's economy has been considered hyperinflationary since July 1, 2018, and we therefore applied IAS 29 (Financial Reporting in Hyperinflationary Economies) for Bayer S.A., Argentina. The resulting effects in ongoing accounting have so far been immaterial for the Group.

The most important interest rates used to calculate the present value of pension obligations are given below:

B 7

Discount Rate for Pension Obligations

%	Dec. 31, 2020	March 31, 2021	June 30, 2021
Germany	0.90	1.20	1.10
United Kingdom	1.30	1.95	1.80
United States	2.50	3.10	2.70

Segment reporting

As of June 30, 2021, the Bayer Group comprised the three reportable segments Crop Science, Pharmaceuticals and Consumer Health.

B 8

Key Data by Segment

	Crop Science		Pharmaceuticals		Consumer Health	
€ million	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021
Net sales (external)	4,802	5,021	3,992	4,494	1,201	1,290
Currency- and portfolio-adjusted change[1]	+3.2%	+10.6%	−8.8%	+16.2%	−1.9%	+12.8%
Intersegment sales	1	3	2	3	–	–
Net sales (total)	4,803	5,024	3,994	4,497	1,201	1,290
EBIT[1]	(9,600)	(3,483)	(165)	1,312	162	187
EBITDA before special items[1]	1,365	1,018	1,368	1,409	254	278
Net cash provided by operating activities	1,537	1,734	531	570	386	165
Depreciation, amortization, impairment losses/loss reversals	778	987	233	252	81	82

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

B 8 (continued)

Key Data by Segment

	All other segments		Reconciliation Enabling functions and consolidation		Group	
€ million	Q2 2020	Q2 2021	Q2 2020	Q2 2021	Q2 2020	Q2 2021
Net sales (external)	42	40	17	9	10,054	10,854
Currency- and portfolio-adjusted change[1]	−4.5%	−16.0%	–	–	−2.5%	+12.9%
Intersegment sales	41	–	(44)	(6)	–	–
Net sales (total)	83	40	(27)	3	10,054	10,854
EBIT[1]	(10)	7	(1,171)	(304)	(10,784)	(2,281)
EBITDA before special items[1]	8	25	(112)	(153)	2,883	2,577
Net cash provided by operating activities	392	35	(595)	(507)	2,251	1,997
Depreciation, amortization, impairment losses/loss reversals	18	18	70	51	1,180	1,390

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

B 9

Key Data by Segment

	Crop Science		Pharmaceuticals		Consumer Health	
€ million	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Net sales (external)	11,636	11,667	8,538	8,859	2,599	2,542
Currency- and portfolio-adjusted change[1]	+4.6%	+8.1%	−2.5%	+7.4%	+5.7%	+3.5%
Intersegment sales	4	5	2	5	–	–
Net sales (total)	11,640	11,672	8,540	8,864	2,599	2,542
EBIT[1]	(8,100)	(1,730)	924	2,681	425	388
EBITDA before special items[1]	3,976	3,466	2,962	2,907	555	570
Net cash provided by operating activities	(224)	(2,403)	1,488	1,381	533	406
Depreciation, amortization, impairment losses/loss reversals	1,688	1,661	486	511	108	167

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

B 9 (continued)

Key Data by Segment

	All other segments		Reconciliation Enabling functions and consolidation		Group	
€ million	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021
Net sales (external)	96	96	30	18	22,899	23,182
Currency- and portfolio-adjusted change[1]	+5.0%	−9.3%	–	–	+2.0%	+7.2%
Intersegment sales	79	–	(85)	(10)	–	–
Net sales (total)	175	96	(55)	8	22,899	23,182
EBIT[1]	(23)	(9)	(1,511)	(528)	(8,285)	802
EBITDA before special items[1]	13	26	(232)	(274)	7,274	6,695
Net cash provided by operating activities	303	84	(38)	(236)	2,062	(768)
Depreciation, amortization, impairment losses/loss reversals	36	35	139	102	2,457	2,476

[1] For definition see Annual Report 2020, A 2.3 “Alternative Performance Measures Used by the Bayer Group.”

To simplify the consolidation process, leases between fully consolidated companies continue to be recognized as operating leases under IAS 17 within the segment data in the consolidated financial statements of the Bayer Group even after the first-time application of IFRS 16 as of January 1, 2019. This does not have any relevant impact on the respective key data used in the steering of the company and internal reporting to the Board of Management as the chief operating decision maker.

The following table shows the reconciliation of EBITDA before special items of the above-mentioned segments and the reconciliation to income before income taxes of the Group from continuing operations:

B 10

Reconciliation of Segments' EBITDA Before Special Items to Group Income Before Income Taxes

€ million	Q2 2020	Q2 2021	H1 2020	H1 2021
EBITDA before special items of segments	2,995	2,730	7,506	6,969
EBITDA before special items of enabling functions and consolidation	(112)	(153)	(232)	(274)
EBITDA before special items[1]	**2,883**	**2,577**	**7,274**	**6,695**
Depreciation, amortization and impairment losses / loss reversals before special items of segments	(1,098)	(906)	(2,282)	(1,905)
Depreciation, amortization and impairment losses / loss reversals before special items of corporate functions and consolidation	(58)	(51)	(127)	(102)
Depreciation, amortization and impairment losses / loss reversals before special items	**(1,156)**	**(957)**	**(2,409)**	**(2,007)**
EBIT before special items of segments	1,897	1,824	5,224	5,064
EBIT before special items of enabling functions and consolidation	(170)	(204)	(359)	(376)
EBIT before special items[1]	**1,727**	**1,620**	**4,865**	**4,688**
Special items of segments	(11,510)	(3,801)	(11,998)	(3,734)
Special items of enabling functions and consolidation	(1,001)	(100)	(1,152)	(152)
Special items[1]	**(12,511)**	**(3,901)**	**(13,150)**	**(3,886)**
EBIT of segments	(9,613)	(1,977)	(6,774)	1,330
EBIT of enabling functions and consolidation	(1,171)	(304)	(1,511)	(528)
EBIT[1]	**(10,784)**	**(2,281)**	**(8,285)**	**802**
Financial result	(276)	(99)	(928)	(447)
Income before income taxes	**(11,060)**	**(2,380)**	**(9,213)**	**355**

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

In the second quarter of 2021, the establishment of provisions for settlements and defense costs within the Crop Science Division, mainly in connection with the glyphosate litigation, gave rise to other operating expenses of €3,458 million that were reported as special items.

In the previous year, there were special charges of €12,050 million for the glyphosate (Crop Science), dicamba (Crop Science), Essure™ (Pharmaceuticals) and PCB (Reconciliation) litigations.

In the second quarter of 2021, the additional expenses for settlements and the utilization of provisions previously established for this purpose resulted in a €271 million net increase in deferred tax assets (Q2 2020: €1,727 million) on future tax-deductible expenses.

Scope of consolidation

Changes in the scope of consolidation

The consolidated financial statements as of June 30, 2021, included 376 companies (December 31, 2020: 385 companies). Six joint ventures (December 31, 2020: six) and 26 associates (December 31, 2020: 21) were accounted for in the consolidated financial statements using the equity method according to IAS 28 (Investments in Associates and Joint Ventures).

Acquisitions, divestments and discontinued operations

Acquisitions in 2021

On June 2, 2021, Bayer completed the acquisition of 100% of the shares in two biotech companies: Noria Therapeutics Inc., New York City, New York, United States, and PSMA Therapeutics Inc., New York City, New York, United States. Through this acquisition, Bayer will obtain exclusive rights to a differentiated alpha radionuclide therapy based on actinium-225 and a small molecule targeting prostate-specific membrane antigen (PSMA), and in doing so will broaden its oncology portfolio of targeted alpha therapies (TAT). Bayer paid an upfront consideration of €8 million, and will make potential milestone payments of up to around €120 million until launch followed by potential additional sales-based milestone payments that will also amount to up to around €120 million. The acquisition does not fall within the scope of IFRS 3 and is presented as a capital expenditure for intangible assets relating to R&D projects. The two companies have been assigned to the Pharmaceuticals segment.

Acquisitions in 2020

On December 1, 2020, Bayer acquired 100% of the shares in Asklepios BioPharmaceutical, Inc. (AskBio), Durham, North Carolina, United States. This company has been fully consolidated since that date. AskBio specializes in the research, development and manufacturing of gene therapies across different therapeutic areas. Its development portfolio includes investigational preclinical and clinical stage development candidates for the treatment of neuromuscular, central nervous system, cardiovascular and metabolic diseases. The acquisition gives Bayer full rights to AskBio's gene therapy platform, including a broad intellectual property portfolio and an established contract development and manufacturing organization (CDMO). Bayer paid an upfront consideration of around €1,633 million. Further amounts totaling up to around €1,627 million are payable upon the achievement of pre-defined milestones. The purchase price primarily pertains to goodwill and intangible assets such as technologies for preclinical and clinical-stage development candidates as well as technologies and customer relationships in connection with AskBio's CDMO. The purchase price allocation for AskBio has not yet been concluded.

On November 16, 2020, Bayer increased its interest in Noho Health, Inc. (NoHo), New York, United States, from 11.9% to 70%. The company was fully consolidated as of that date. The remaining shares in circulation are likely to be purchased in early 2022 through the exercise of an agreed put and call option. The purchase price is based on the sales actually achieved in relation to projected sales, and mainly pertains to the Care/Of brand, under which NoHo offers consumers a personalized regimen of nutritional supplements. The acquisition strengthens Bayer's presence and digital capabilities in this fast-growing business within its Consumer Health segment. The purchase price allocation has not yet been concluded.

Assets held for sale and discontinued operations

There are no discontinued operations to report in 2021. In the prior year, the Animal Health business was reported as a discontinued operation in view of its sale to Elanco Animal Health LLC (Elanco), Greenfield, Indiana, United States, on the basis of the purchase agreement of August 20, 2019. The business was transferred to Elanco on August 1, 2020. The final purchase price, including adjustments typical for this type of transaction, was determined in the first quarter of 2021.

The income statements for the discontinued operations in the prior year are given below:

B 11

Income Statements for Discontinued Operations

	Animal Health	
€ million	Q2 2020	Q2 2021
Net sales	**488**	**–**
Cost of goods sold	(134)	–
Gross profit	**354**	**–**
Selling expenses	(162)	–
Research and development expenses	(35)	–
General administration expenses	(50)	–
Other operating income / expenses	5	–
EBIT[1]	**112**	**–**
Financial result	**(5)**	**–**
Income before income taxes	**107**	**–**
Income taxes	(36)	–
Income after income taxes	**71**	**–**
of which attributable to noncontrolling interest	–	–
of which attributable to Bayer AG stockholders (net income)	71	–

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

B 12

Income Statements for Discontinued Operations

	Animal Health	
€ million	H1 2020	H1 2021
Net sales	**984**	**–**
Cost of goods sold	(273)	–
Gross profit	**711**	**–**
Selling expenses	(286)	–
Research and development expenses	(67)	–
General administration expenses	(103)	–
Other operating income / expenses	9	–
EBIT[1]	**264**	**–**
Financial result	**(6)**	**–**
Income before income taxes	**258**	**–**
Income taxes	(67)	–
Income after income taxes	**191**	**–**
of which attributable to noncontrolling interest	–	–
of which attributable to Bayer AG stockholders (net income)	191	–

[1] For definition see Annual Report 2020, A 2.3 "Alternative Performance Measures Used by the Bayer Group."

The cash flows from the discontinued operations in the prior year were as follows:

B 13

Cash Flows from Discontinued Operations

	Animal Health	
€ million	Q2 2020	Q2 2021
Net cash provided by (used in) operating activities	163	–
Net cash provided by (used in) investing activities	(14)	–
Net cash provided by (used in) financing activities	(149)	–
Change in cash and cash equivalents	**–**	**–**

B 14

Cash Flows from Discontinued Operations

	Animal Health	
€ million	H1 2020	H1 2021
Net cash provided by (used in) operating activities	123	–
Net cash provided by (used in) investing activities	(26)	–
Net cash provided by (used in) financing activities	(97)	–
Change in cash and cash equivalents	**–**	**–**

As no cash was assigned to the discontinued operations, the balance of the cash provided was deducted again in financing activities.

The assets and liabilities held for sale totaled around €32 million as of June 30, 2021, and were attributable entirely to property, plant and equipment. They primarily related to the planned sale of a production facility in Brazil in the Pharmaceuticals segment.

Divestments in 2020

On February 11, 2020, Bayer announced an agreement with Nuvisan ICB GmbH, Neu-Ulm, Germany, to transfer a large part of the Berlin-based small molecule research unit to Nuvisan. The Nuvisan group is an international service provider for clinical studies, laboratory services and contract manufacturing for the pharmaceuticals industry. The agreement supports Bayer's increased focus on the flexibility and productivity of its R&D operating model. The transaction closed on June 30, 2020. The base selling price was €0 million, and the divestment loss amounted to €19 million.

Other intangible assets

Unscheduled impairment testing was performed in the second quarter of 2021 due to the details of the accelerated transformation program for central administrative functions becoming more concrete and the allocation to provisions for restructuring made in this connection, as well as updated corporate planning.

The impairment testing did not give rise to any material impairment losses or impairment loss reversals in the Pharmaceutical and Consumer Health segments.

Within the Crop Science segment, it resulted in the recognition of net impairment losses of €437 million on intangible assets. These concerned the cash-generating unit Corn Seed & Traits, with an impairment loss of €818 million (comprising €155 million on R&D projects, €526 million on patents and technologies, €117 million on brands and €20 million on marketing and distribution rights). The impairment loss was primarily attributable to changes in carrying amounts due to exchange rate fluctuations and an increase in the weighted average cost of capital at the end of the second quarter. In addition, an impairment loss reversal of €381 million was recognized for the glyphosate cash-generating unit (comprising €135 million on patents and technologies, and €246 million on brands), mainly due to improved business prospects. The impairment losses and impairment loss reversals on the assets of the cash-generating units were allocated to the cost of goods sold, selling expenses, and research and development expenses.

The table below indicates the capital cost factors used in the impairment testing on the cash-generating units in the fourth quarter of 2020 and second quarter of 2021.

B 15

Impairment Testing Parameters

	After-tax cost of capital	
%	Q4 2020	Q2 2021
Corn Seed & Traits	7.4	7.6
Soybean Seed & Traits	7.0	7.3
Glyphosate	8.0	8.2
Dicamba	5.7	6.1
Cotton	6.0	6.9
Canola	5.7	6.4
Vegetable Seeds	8.9	9.3

The growth rates and capital cost factors used in the impairment testing of goodwill in the fourth quarter of 2020 and the second quarter of 2021 are shown in the following table:

B 16

Impairment Testing Parameters

	Growth rate		After-tax cost of capital	
%	Q4 2020	Q2 2021	Q4 2020	Q2 2021
Crop Science	2.0	2.0	7.8	8.0
Pharmaceuticals	0.0	0.0	5.3	5.1
Consumer Health	1.0	1.0	6.3	6.2

Testing goodwill for impairment involves calculating the fair value less costs to sell. No impairment losses were recognized on goodwill in the second quarter of 2021. In the prior year, impairment charges of €2,238 million were recognized on goodwill in the third quarter, and no impairment charges were recognized on goodwill in the fourth quarter.

Financial instruments

The following tables show the carrying amounts and fair values of the individual financial assets and liabilities by category of financial instrument under IFRS 9 and a reconciliation to the corresponding line items in the statements of financial position. Since the line items “Trade accounts receivable,” “Other receivables,” “Financial liabilities” and “Other liabilities” contain both financial instruments and nonfinancial assets or liabilities (such as other tax receivables), the reconciliation is shown in the column headed “Nonfinancial assets / liabilities.”

B 17

Carrying Amounts and Fair Values of Financial Instruments

	June 30, 2021					
		Measured at fair value [fair value for information[4]]				
Measurement category (IFRS 9)[1]	Measured at amortized cost	Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)	Nonfinancial assets / liabilities	
€ million	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Total**
Trade accounts receivable	12,673	163			239	13,075
AC	12,673					12,673
FVTPL, mandatory[2]		163				163
Nonfinancial assets					239	239
Other financial assets	420	2,773	234	1,307		4,734
AC	390		[390]			390
FVTPL, mandatory[2]		2,534	15	942		3,491
FVTOCI (no recycling), designated[3]		229		353		582
Derivatives		10	219	12		241
Lease receivables	30		[30]			30
Other receivables	285			74	2,379	2,738
AC	285		[285]			285
FVTPL, mandatory[2]				74		74
Nonfinancial assets					2,379	2,379
Cash and cash equivalents	3,389					3,389
AC	3,389		[3,389]			3,389
Total financial assets	**16,767**	**2,936**	**234**	**1,381**		**21,318**
of which AC	16,737					16,737
of which FVTPL		2,697	15	1,016		3,728
Financial liabilities	40,139		149		84	40,372
AC	39,019	[34,977]	[7,056]			39,019
Derivatives			149			149
Lease liabilities	1,120		[1,145]			1,120
Nonfinancial liabilities					84	84
Trade accounts payable	5,118					5,118
AC	5,118					5,118
Other liabilities	850	40	265	1,222	886	3,263
AC	850		[850]			850
FVTPL (nonderivative), mandatory[2]				1,221		1,221
Derivatives		40	265	1		306
Nonfinancial liabilities					886	886
Total financial liabilities	**46,107**	**40**	**414**	**1,222**		**47,783**
of which AC	44,987					44,987
of which derivatives		40	414	1		455

[1] AC: at amortized cost
FVTOCI: at fair value through other comprehensive income
FVTPL: at fair value through profit or loss
[2] Measured at fair value through profit or loss as required by IFRS 9
[3] Measured at fair value through other comprehensive income under IFRS 9, paragraph 5.7.5
[4] Fair value of the financial instruments at amortized cost under IFRS 7 paragraph 29(a)

B 18

Carrying Amounts and Fair Values of Financial Instruments

	Dec. 31, 2020					
		Measured at fair value [fair value for information[4]]				
Measurement category (IFRS 9)[1]	Measured at amortized cost	Based on quoted prices in active markets (Level 1)	Based on observable market data (Level 2)	Based on unobservable inputs (Level 3)	Nonfinancial assets / liabilities	
€ million	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Carrying amount**	**Total**
Trade accounts receivable	9,120	246			189	9,555
AC	9,120					9,120
FVTPL, mandatory[2]		246				246
Nonfinancial assets					189	189
Other financial assets	1,416	3,714	3,078	1,287		9,495
AC	1,414		[1,414]			1,414
FVTPL, mandatory[2]		3,642	2,813	931		7,386
FVTOCI (no recycling), designated[3]		55		344		399
Derivatives		17	265	12		294
Lease receivables	2		[2]			2
Other receivables	323			77	2,102	2,502
AC	323		[323]			323
FVTPL, mandatory[2]				77		77
Nonfinancial assets					2,102	2,102
Cash and cash equivalents	4,191					4,191
AC	4,191		[4,191]			4,191
Total financial assets	**15,050**	**3,960**	**3,078**	**1,364**		**23,452**
of which AC	15,048					15,048
of which FVTPL		3,888	2,813	1,008		7,709
Financial liabilities	41,560		136		70	41,766
AC	40,423	[34,189]	[9,824]			40,423
Derivatives			136			136
Lease liabilities	1,137		[1,175]			1,137
Nonfinancial liabilities					70	70
Trade accounts payable	5,683					5,683
AC	5,683					5,683
Other liabilities	858	56	224	1,248	987	3,373
AC	858		[858]			858
FVTPL (nonderivative), mandatory[2]				1,247		1,247
Derivatives		56	224	1		281
Nonfinancial liabilities					987	987
Total financial liabilities	**48,101**	**56**	**360**	**1,248**		**49,765**
of which AC	46,964					46,964
of which derivatives		56	360	1		417

[1] AC: at amortized cost
FVTOCI: at fair value through other comprehensive income
FVTPL: at fair value through profit or loss
[2] Measured at fair value through profit or loss as required by IFRS 9
[3] Measured at fair value through other comprehensive income under IFRS 9, paragraph 5.7.5
[4] Fair value of the financial instruments at amortized cost under IFRS 7 paragraph 29(a)

Due to the short maturities of most trade accounts receivable and payable, other receivables and liabilities, and cash and cash equivalents, their carrying amounts at the closing date do not significantly differ from the fair values.

The fair values of financial assets and liabilities measured at amortized cost that are given for information are the present values of the respective future cash flows. The present values are determined by discounting the cash flows at a closing-date interest rate, taking into account the term of the assets or liabilities and also the creditworthiness of the counterparty in certain cases. Where a market price is available, however, this is deemed to be the fair value.

The fair values of financial assets measured at fair value correspond to quoted prices in active markets (Level 1), or are determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2) or are the present values of the respective future cash flows, determined on the basis of unobservable inputs (Level 3).

The fair values of derivatives for which no publicly quoted prices exist in active markets (Level 1) are determined using valuation techniques based on observable market data as of the end of the reporting period (Level 2). In applying valuation techniques, credit or debt value adjustments are determined to account for the credit risk of the contractual party or Bayer.

Currency and commodity forward contracts are measured individually at their forward rates or forward prices on the closing date. These depend on spot rates or prices, including time spreads. The fair values of interest-rate hedging instruments and cross-currency interest-rate swaps were determined by discounting future cash flows over the remaining terms of the instruments at market rates of interest, taking into account any foreign currency translation as of the closing date in certain cases.

Fair values measured using unobservable inputs are categorized within Level 3 of the fair value hierarchy. This applies to certain debt or equity instruments, in some cases to the fair values of embedded derivatives, and to obligations for contingent consideration in business combinations. Credit risk is frequently the principal unobservable input used to determine the fair values of debt instruments classified as “FVTPL – at fair value through profit or loss” by the discounted cash flow method. Here the credit spreads of comparable issuers are applied. A significant increase in credit risk could result in a lower fair value, whereas a significant decrease could result in a higher fair value. However, a relative change of 10% in the credit spread does not materially affect the fair value.

When determining the fair values of contingent consideration from acquisitions recognized as financial liabilities within the “FVTPL (nonderivative) – at fair value through profit or loss” category, the principal unobservable input is the estimation of the probability that, for example, pre-defined milestones for research and development projects will be achieved or that sales targets will be attained, as well as the timing of the payments. Changes in these estimates may lead to significant increases or decreases in fair value.

Embedded derivatives are separated from their respective host contracts, provided these are not financial instruments. Such host contracts are generally sale or purchase agreements relating to the operational business. The embedded derivatives cause the cash flows from the contracts to vary with exchange-rate or price fluctuations, for example. The internal measurement of embedded derivatives is mainly performed using the discounted cash flow method, which is based on unobservable inputs. These include planned sales and purchase volumes, and prices derived from market data. Regular monitoring is carried out based on these fair values as part of quarterly reporting.

The changes in the amount of financial assets and liabilities recognized at fair value based on unobservable inputs (Level 3) for each financial instrument category were as follows:

B 19

Development of Financial Assets and Liabilities (Level 3)

€ million	Assets – FVTPL[1]	FVTOCI (no recycling)[1]	Derivatives (net)	Liabilities – FVTPL (nonderivative)[1]	Total
Carrying amounts (net), January 1, 2021	**1,008**	**344**	**11**	**(1,247)**	**116**
Gains (losses) recognized in profit or loss	1	–	(1)	41	41
of which related to assets / liabilities recognized in the statements of financial position	1	–	(1)	41	41
Gains (losses) recognized outside profit or loss	–	25	–	–	25
Additions of assets (liabilities)	5	20	–	–	25
Settlements of (assets) liabilities	(1)	(1)	–	23	21
Transfer into Level 1	–	(42)	–	–	(42)
Exchange differences	3	7	1	(38)	(27)
Carrying amounts (net), June 30, 2021	**1,016**	**353**	**11**	**(1,221)**	**159**

[1] See table B 17 for definitions of measurement categories.

B 20

Development of Financial Assets and Liabilities (Level 3)

€ million	Assets – FVTPL[1]	FVTOCI (no recycling)[1]	Derivatives (net)	Liabilities – FVTPL (nonderivative)[1]	Total
Carrying amounts (net), January 1, 2020	**987**	**232**	**7**	**(193)**	**1,033**
Gains (losses) recognized in profit or loss	4	–	(1)	(6)	(3)
of which related to assets / liabilities recognized in the statements of financial position	4	–	(1)	(6)	(3)
Gains (losses) recognized outside profit or loss	–	19	–	–	19
Additions of assets (liabilities)	1	2	–	–	3
Settlements of (assets) liabilities	–	(1)	–	1	–
Disposals from divestments / changes in scope of consolidation	–	7	–	–	7
Carrying amounts (net), June 30, 2020	**992**	**259**	**6**	**(198)**	**1,059**

[1] See table B 18 for definitions of measurement categories.

The changes recognized in profit or loss were included in other operating income / expenses, as well as in the financial result in interest income, exchange gains or losses, and other financial income and expenses.

Equity instruments

Equity instruments are generally held for medium- to long-term strategic purposes and are therefore measured at fair value through other comprehensive income. Otherwise they are measured at fair value through profit or loss, as was the case with our interests in Covestro AG, Elanco Animal Health Inc., and Century Therapeutics LLC. The latter company was accounted for in the Bayer Group consolidated financial statements as an associate using the equity method until June 2021. Its IPO in June 2021 led to the loss of significant influence and resulted in a change in accounting method. Since then, the shares held by Bayer have been measured at fair value through profit or loss.

Changes in the fair value of equity instruments measured at fair value through other comprehensive income resulted in the recognition of a net gain of €212 million (before tax) in other comprehensive income. Changes in the fair value of equity instruments measured at fair value through profit or loss led to the recognition of a net gain of €129 million (before tax) in the financial result.

Repayment of financial liabilities

Bayer AG redeemed at maturity a bond with a nominal volume of €750 million in January 2021. Bayer U.S. Finance II LLC, United States, repaid two bonds with a combined volume of US$2.5 billion (€2.1 billion) in May and June 2021, respectively. In addition, Bayer Holding Ltd., Japan, redeemed at maturity a bond with a nominal volume of JPY10 billion (€75 million) in May 2021.

Sale of interests in Covestro and Elanco

The Bayer Group sold its remaining shares in Covestro AG and Elanco Animal Health Inc. over the course of the first half of the year.

Contingent liabilities

As of June 30, 2021, other contingent liabilities declined by approximately €0.4 billion. Contingent liabilities primarily related to tax and labor law as well as other matters in countries such as Germany, the United States, Brazil and Italy.

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 2020, which can be downloaded free of charge at www.bayer.com. Since the Bayer Annual Report 2020, the following significant changes have occurred in respect of the legal risks:

Product-related litigation

Roundup™ (glyphosate): A large number of lawsuits from plaintiffs claiming to have been exposed to glyphosate-based products manufactured by Bayer's subsidiary Monsanto have 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 2020, Monsanto reached an agreement in principle with plaintiffs, without admission of liability, to settle most of the current Roundup™ litigation and to put in place a mechanism to resolve potential future claims. Monsanto continues to make progress and per July 2021 has reached settlements and/or is close to settling in a substantial number of cases; including non-eligible cases this amounts to approximately 96,000 cases out of the approximately 125,000 cases reported in the Annual Report 2020.

The mechanism to resolve potential future claims involved a class settlement agreement between Monsanto and plaintiffs' counsel. This agreement required approval by Judge Chhabria of the U.S. District Court for the Northern District of California. In May 2021, Judge Chhabria denied the class agreement. Following the judge's denial, in May 2021 Bayer announced a series of measures to resolve potential future glyphosate litigation, combining both legal and commercial actions. In July, Bayer provided an update on the progress made and announced additional details. Bayer has developed two scenarios based on a potential ruling by the Supreme Court of the United States in the Hardeman case. If the Supreme Court accepts the petition, which Bayer plans to file in August, for review and rules in favor of Bayer, it would effectively end potential future litigation. The second scenario assumes that the Supreme Court either refuses to hear the Hardeman case or issues a ruling in favor of the plaintiff, in which case Bayer would activate its own claims administration program. Bayer has implemented corresponding accounting measures for this scenario, resulting in a discounted allocation to provisions for litigations of €3.5 billion in the second quarter of 2021 on top of the existing provisions.

Bayer is confident that this provides an effective path to manage and address any risks from potential future Roundup™ litigation, while simultaneously giving Bayer more control going forward. Bayer continues to believe there is no reason for safety concerns in connection with these products.

The three cases that have so far gone to trial – Johnson, Hardeman and Pilliod – are not covered by the settlement. In May 2021, the 9th Circuit ruled against Monsanto in the Hardeman appeal. The company will petition the Supreme Court of the United States for review in Hardeman. The Pilliod appeal remains pending before the California Court of Appeal. The Johnson case was concluded with payment of the US$20.5 million final judgment plus interest in March 2021.

As of July 13, 2021, a total of 22 Canadian lawsuits relating to Roundup™ and 11 seeking class action certification had been served upon Bayer.

Dicamba: As of July 13, 2021, lawsuits from approximately 230 plaintiffs had been served upon Bayer's subsidiary Monsanto and co-defendant BASF in both state and federal courts in the United States alleging that Monsanto's XtendiMax™ herbicide as well as other products containing dicamba caused crop damage from off-target movement. In 2020, Monsanto reached a global agreement with the plaintiffs to settle the dicamba litigation. Following the dicamba settlement, two additional dicamba lawsuits were filed and served upon Bayer: In May 2021, a honey producer (Coy's Honey Farms) filed suit in the Eastern District of Arkansas against Bayer and BASF alleging damages to his honey business caused by dicamba. The case will be transferred to the Dicamba MDL in Missouri. In June 2021, approximately 60 Texas vineyard growers filed a single lawsuit in Jefferson County, Texas state court alleging dicamba damage to their vineyards. The lawsuit names Bayer, Monsanto and BASF as defendants. In July 2021, the lawsuit was removed to the Eastern District of Texas and was listed on a tag-along letter seeking transfer to the Dicamba MDL.

Patent disputes

Betaferon™/Betaseron™: In Bayer's patent litigation against Biogen MA Inc. in a U.S. federal court regarding Betaseron™, Bayer's drug product for the treatment of multiple sclerosis, the U.S. federal court entered final judgment in favor of EMD Serono, Inc. and Pfizer Inc. and, separately, in favor of Bayer and Novartis Pharmaceuticals Corporation ("Novartis") in March 2021. This terminates the patent dispute regarding Betaseron™ and Extavia™, another drug product for the treatment of multiple sclerosis which is manufactured by Bayer, but distributed in the United States by Novartis.

Jivi™ (BAY94-9027): In 2018, Nektar Therapeutics ("Nektar"), Baxalta Incorporated and Baxalta U.S., Inc. (together "Baxalta") filed a complaint in a U.S. federal court against Bayer alleging that BAY94-9027, approved as Jivi™ in the United States for the treatment of hemophilia, infringes five patents by Nektar. In parallel proceedings before the same U.S. federal court over infringement of a Bayer patent by Baxalta's hemophilia treatment Adynovate™, the court ordered Baxalta in 2019 to pay US$182 million to Bayer. In March 2021, the U.S. Court of Appeals for the Federal Circuit affirmed the order in favor of Bayer. In May 2021, Bayer, Baxalta and Nektar agreed to settle their patent disputes. Bayer and Baxalta will both be able to continue to market their respective hemophilia treatments.

Further legal proceedings

PCBs: Bayer's subsidiary 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. Monsanto also faces numerous lawsuits claiming personal injury and/or property damage due to use of and exposure to PCB products. In July 2021, a jury in King County, Washington, awarded a total amount of US$185 million (compensatory and punitive damages) to three plaintiffs alleging personal injury from allegedly being exposed to PCB in their workplace, the Sky Valley Education Center. Bayer disagrees with the verdict and plans to pursue post-trial motions and, if necessary, an appeal. The undisputed evidence in this case does not support the conclusions that plaintiffs were exposed to unsafe levels of PCBs or that any exposure could have possibly caused their claimed injuries. There are approximately 200 possible plaintiffs in connection with the relevant building. We believe that we also have meritorious defenses in these matters and intend to defend ourselves vigorously.

Notes to the Statements of Cash Flows

Net operating cash flow from continuing operations in the first half of 2021 amounted to minus €768 million (H1 2020: €2,062 million). The decline compared with the prior-year period was due in particular to net cash outflows of €3.1 billion to resolve litigations. Cash inflows from the patent dispute surrounding our product Jivi™ were among the factors that had a positive impact. The high, positive change in other working capital in the second quarter of 2021 pertained in particular to the €3.5 billion discounted allocation to provisions for the glyphosate litigations, which neutralizes the corresponding effect in EBIT.

The net cash inflow for investing activities in the first half of the year amounted to €4,392 million (H1 2020: net cash outflow of €1,019 million). We invested €822 million (H1 2020: €976 million) in property, plant and equipment and intangible assets. Cash outflows for divestments came to €57 million (H1 2020: €65 million) and were attributable to the final purchase price adjustment from the sale of the Animal Health business. Cash outflows for acquisitions amounted to €23 million (H1 2020: €106 million) and mainly comprised a payment for the achievement of a research-based milestone. Net cash inflows from current financial assets totaled €4,891 million (H1 2020: net cash outflows of €274 million) and primarily arose from the sale of investments in money market funds.

There was a net cash outflow of €4,490 million for financing activities (H1 2020: €1,090 million). This included net loan repayments of €2,000 million (H1 2020: net borrowings of €2,298 million). Net interest payments came to €525 million (H1 2020: €637 million). We paid out €1,965 million in dividends (H1 2020: €2,751 million).

Related Parties

Related parties as defined in IAS 24 (Related Party Disclosures) are those legal entities and natural persons that are able to exert influence on Bayer AG and its subsidiaries or over which Bayer AG or its subsidiaries exercise control or joint control or have a significant influence. They include, in particular, nonconsolidated subsidiaries, joint ventures and associates included in the consolidated financial statements at cost of acquisition or using the equity method, post-employment benefit plans and the corporate officers of Bayer AG.

Related-party transactions were not material from the viewpoint of the Bayer Group.

Other information

On April 27, 2021, the Annual Stockholders' Meeting approved the proposal by the Board of Management and the Supervisory Board that a dividend of €2.00 per share entitled to the dividend be paid for the 2020 fiscal year.

The actions of the members of the Board of Management and the Supervisory Board serving in 2020 were ratified in accordance with the proposals by the Board of Management and the Supervisory Board.

Two stockholder representatives were elected to the Supervisory Board in accordance with the nominations submitted by the Supervisory Board.

The proposal by the Board of Management and Supervisory Board to amend the compensation of the Supervisory Board, which is set forth in Article 12 of the company's Articles of Incorporation, was approved by the Annual Stockholders' Meeting.

In accordance with the proposal by the Supervisory Board, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, was elected auditor of the annual and consolidated financial statements for 2021, and also to review, if applicable, the condensed financial statements and interim management report as of June 30, 2021, and, if applicable, the condensed financial statements and interim management reports as of September 30, 2021, and March 31, 2022, if these are prepared.

Events after the end of the reporting period

Acquisition of Vividion Therapeutics, Inc.

Bayer AG announced in August 2021 that it had entered into an agreement to acquire the biopharmaceutical company Vividion Therapeutics, Inc., San Diego, California, United States. Through the acquisition, Bayer will gain access to a cutting-edge chemoproteomics platform that is able to identify previously unknown binding pockets in undruggable targets. As part of the acquisition, Bayer will make an upfront payment of around €1,260 million along with success-based milestone payments of up to around €420 million. Closing of the transaction is contingent on customary closing conditions and is expected to take place in third quarter of 2021.

Repayment of financial liabilities

In July 2021, Bayer U.S. Finance II LLC, United States, and Monsanto Company, United States, repaid two bonds with a combined volume of US$500 million (€423 million).

Leverkusen, August 3, 2021

Bayer Aktiengesellschaft

The Board of Management

Werner Baumann	Liam Condon	Sarena Lin
Wolfgang Nickl	Stefan Oelrich	Heiko Schipper

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in line with generally accepted accounting principles, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Leverkusen, August 3, 2021

Bayer Aktiengesellschaft

The Board of Management

Werner Baumann	Liam Condon	Sarena Lin
Wolfgang Nickl	Stefan Oelrich	Heiko Schipper

Review Report

To Bayer Aktiengesellschaft, Leverkusen / Germany

We have reviewed the condensed interim consolidated financial statements – comprising the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the condensed consolidated statement of changes in equity as well as selected explanatory notes to the financial statements – and the interim group management report for the period from 1. January until 30. June 2021 of Bayer Aktiengesellschaft, Leverkusen, that are part of the half-year financial report under § 115 WpHG (Wertpapierhandelsgesetz: German Securities Trading Act). The preparation of the interim consolidated financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the entity's Management Board. Our responsibility is to express a conclusion on the interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the interim consolidated financial statements and of the interim group management report in compliance with German generally accepted standards for Reviews of Financial Statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) as well as in supplementary compliance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information performed by the Independent Auditor of the Entity"*. Those standards require that we plan and perform the review to obtain a certain level of assurance to preclude through critical evaluation, that the interim consolidated financial statements are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report is not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of personnel of the entity and analytical procedures applied to financial data and thus provides less assurance than an audit. Since, in accordance with our engagement, we have not performed an audit, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Bayer Aktiengesellschaft, Leverkusen, are not prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the group management report is not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

München / Germany, 4. August 2021

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Prof. Dr. Frank Beine Michael Mehren

Wirtschaftsprüfer Wirtschaftsprüfer

Financial Calendar

Q3 2021 Quarterly Statement	*November 9, 2021*
2021 Annual Report	*March 1, 2022*
Annual Stockholders' Meeting 2022	*April 29, 2022*
Q1 2022 Quarterly Statement	*May 10, 2022*

Reporting Principles

This Bayer AG Interim Report is a half-year financial report that satisfies the requirements of Section 115, Paragraph 2, No. 1 and No. 2, Paragraph 3 and Paragraph 4 of the German Securities Trading Act (WpHG). Bayer has prepared the condensed consolidated interim financial statements according to the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). This report should be read in conjunction with the Annual Report for the 2020 fiscal year and the additional information about the company provided therein. The Annual Report 2020 is available on our website at www.bayer.com.

Masthead

Published by
Bayer AG, 51368 Leverkusen, Germany

Editor
Jörg Schäfer, phone +49 214 30 39136
Email: joerg.schaefer@bayer.com

Investor Relations
Peter Dahlhoff, phone +49 214 30 33022
Email: peter.dahlhoff@bayer.com

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Employee Support Services
SCGermany

Bayer on the internet
www.bayer.com

Forward-Looking Statements
This half-year financial report 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.