



Science For A Better Life



# Investor Handout

May 2015



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Figures for 2012 have been restated due to changes in accounting policies relating to the accounting standards IAS 19R ("Employee Benefits") and IFRS 11 ("Joint Arrangements"). In addition, Bayer changed accounting for the stock-based compensation program.



**Disclaimer**



# The New Bayer



- | Transforming into a pure Life Science company and exiting MaterialScience
- | Generating strong growth with new product innovations
- | Expecting important R&D pipeline progress during the next 12 – 18 months
- | Executing a strategy of organic growth complemented by bolt-on acquisitions
- | Targeting low-single-digit % organic growth and high-teens % improvement in Core EPS in 2015

## Portfolio Transformation Will Focus Business and Strengthen Life Sciences



### Pharma €12.1bn

Leading positions in core therapeutic areas

### Consumer Health €7.6bn

A leader in OTC and contrast media, blood glucose meters #3/4, Animal Health #5

### Merck & Co. OTC, Dihon, €1.6bn pro-forma

### MaterialScience €11.7bn

Polyurethanes #1/2, Polycarbonates #1, Coatings, Adhesives, Specialties, #1

### CropScience €9.5bn

Crop Protection #2, Seeds & Traits



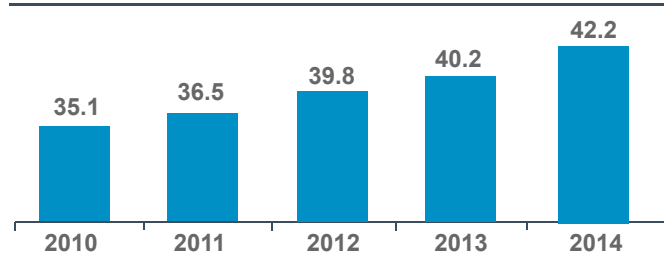
Sales 2014

# Track Record of Consistent Strong Performance



## Sales

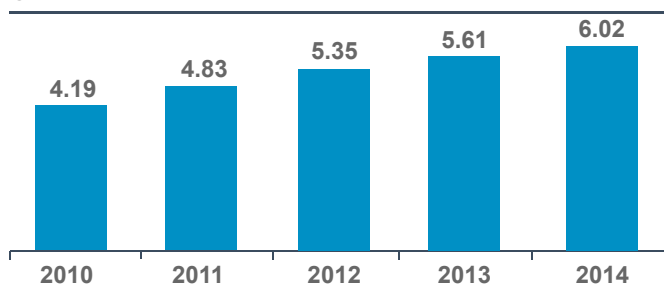
€ billion



**+5%** CAGR<sub>2010-2014</sub>

## Core EPS

€



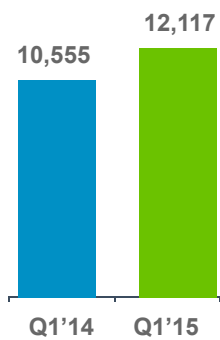
**+9%** CAGR<sub>2010-2014</sub>

# Q1 2015 – Strong Start to the Year



## Sales

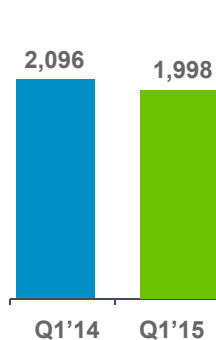
in € million  
% currency & portfolio adj.



**+3%**

## EBIT

in € million



**-5%**

## EBITDA

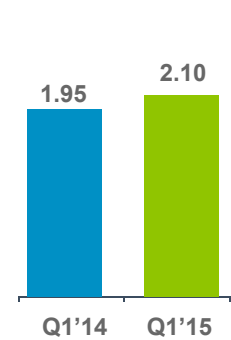
before special items  
in € million



**+10%**

## Core EPS

in €



**+8%**

# Q1 2015 – Full-Year Group Guidance Raised Mainly Due to Fx



Sales Δ% Fx and portfolio adjusted

	2014		2015 original guidance	2015 Update (April)	Fx effect
<b>Sales</b>	€42.2bn	▶	Low-single digit % increase ~€46bn	Low-single digit % increase €48 - 49bn	~ +9%
<b>EBITDA before special items</b>	€8.8bn	▶	Low-to-mid-teens % increase	High-teens % increase	~ +8%
<b>core EPS</b>	€6.02	▶	Low-teens % increase	High-teens % increase	~ +7%

# Full Year 2015 – Guidance by Subgroup (Q1 update)



	Sales *	Adj. EBITDA *
<b>HealthCare</b>	Mid-single-digit % increase	Low-twenties % increase (previously: mid-teens %)
<b>Pharma</b>	Mid-to-high-single-digit % increase <i>Launch product sales: increase to over €4bn</i> <i>(previously: increase towards €4bn)</i>	Mid-teens % increase (previously: low-teens % increase)
<b>Consumer Health</b>	Mid-single-digit % increase	Mid-thirties % increase (previously: mid- to high-twenties % increase)
<b>CropScience</b>	Low- to mid-single-digit % increase	Low- to mid-teens % (previously: low to mid-single digit %)
<b>MaterialScience</b>	Lower sales, as volume growth is over compensated by lower selling prices	Significant increase CFROI ≥ WACC



## The New Bayer



# 4 Key Elements Constitute Our Successful Strategy

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## 1. Deliver growth and performance



# 2017 Aspirations by Subgroup

Division	Sales CAGR (2014-2017)	EBITDA margin (before special items)
<b>HealthCare*</b>	~6% to above €25bn	29 - 31%
<b>Pharma</b>	~7% to above €15bn	32 - 34%
<b>Consumer Health*</b>	~4% to above €10bn	24 - 26%
<b>CropScience</b>	~5% to above €11bn	23 - 25%

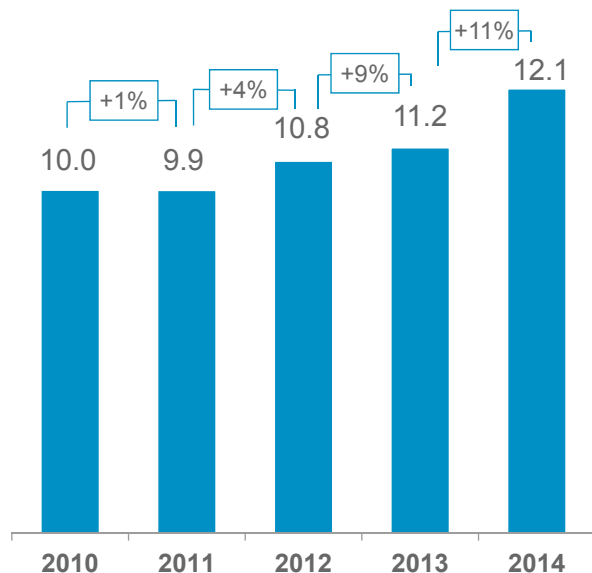
\*2014 sales based on pro-forma inclusion of acquired businesses  
Sales Δ Fx & portf. adjusted, EBITDA before special items  
Outlook depends on specific planning assumptions outlined in the Annual Report

# One of the Fastest-Growing Global Pharma Companies



## Sales

€ billion; Δ% Fx & portfolio adj.



## Plans for continued growth

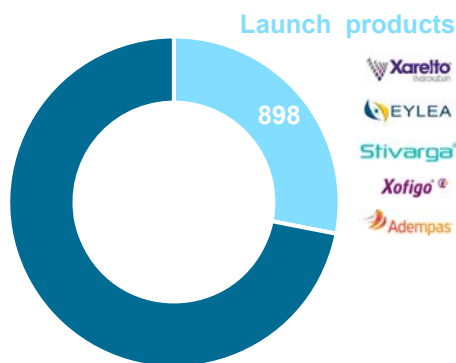
- Maximize the value of launch products
- Drive commercial excellence in marketing and sales
- Advance early and mid-stage pipeline
- Achieve phase III readiness for key phase II assets by mid-2016
- Explore opportunities for partnerships, open innovation and bolt-on acquisitions

# Q1 2015 – Pharma: Launch Products Drove Growth



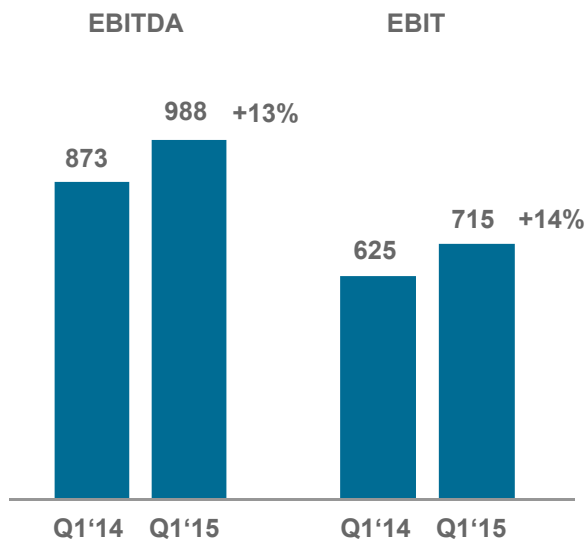
## Sales

in € million, Δ% yoy, () = Fx & portf. adj.



## Earnings

before special items, in € million, Δ% yoy

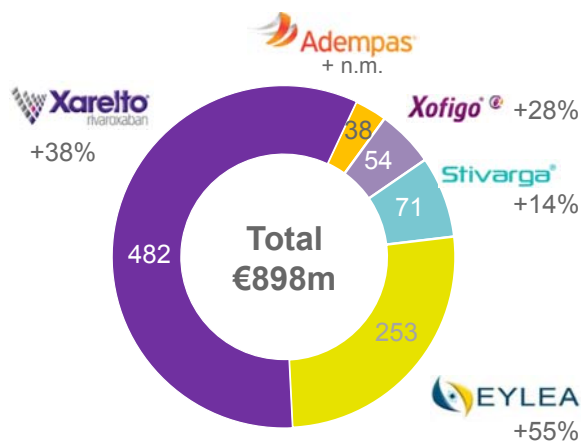


# Pharma Launch Products Drive Growth: Combined Peak Sales Potential of ≥€7.5bn



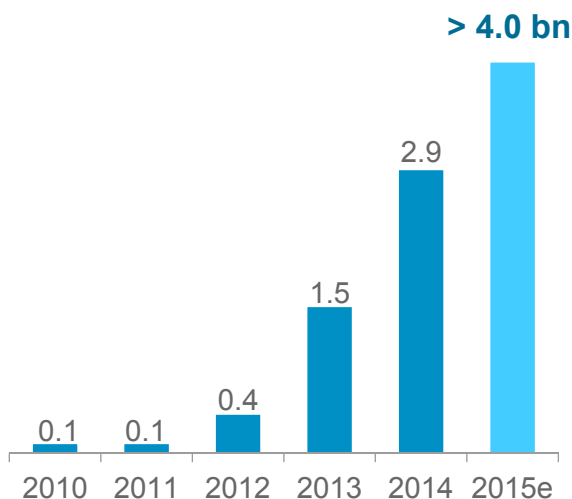
## 1Q 2015 Individual Sales

€ million, Δ% yoy Fx adj.



## Collective Sales

€ billion



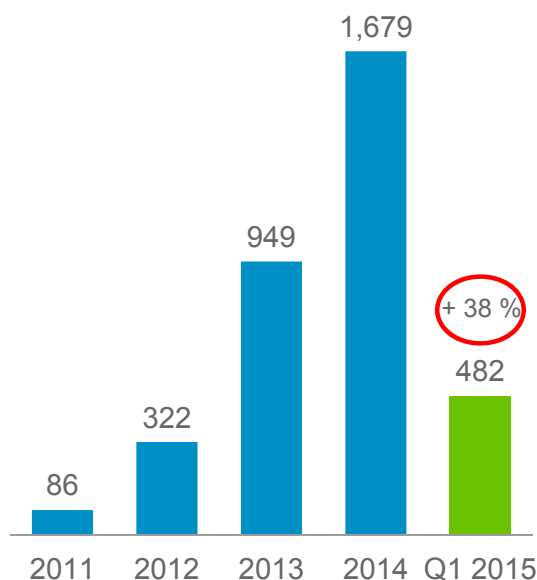


# Xarelto: The Leading Novel Oral Anticoagulant



## Sales

in € million, Δ% yoy Fx adj.



## Achievements

- Continued dynamic growth
- Clear market share lead among novel oral anticoagulants:
  - Xarelto: ~32%
  - Pradaxa: ~12%
  - Eliquis: ~12%

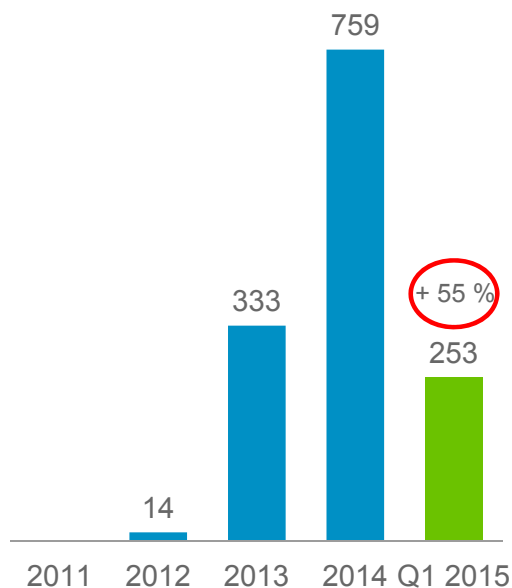
(Global anticoagulant market, sales share, Feb. 2015)
- >11 million patients treated to date
- Comprehensive global life-cycle-management program in place
- Label expansion: Recommended for cardioversion in Afib-patients in Europe

# Eylea: Label Expansion Expected to Support Growth



## Sales

in € million, Δ% yoy Fx adj.



## Achievements

- Strong growth driven by continued roll-out activities
- Label expansion including:
  - DME Europe & Japan
  - mCNV Japan
- Positive data from NIH/DRCR sponsored study comparing Eylea, Avastin™ and Lucentis™ in DME<sup>1</sup>
- Agreement with Regeneron to develop a coformulation of Eylea and a PDGFR-β antibody for treatment of wAMD

1) NEJM February 18, 2015 DOI: 10.1056/NEJMoa1414264

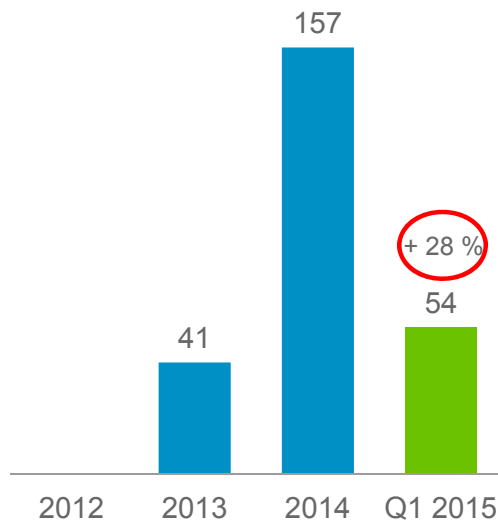
DME: Diabetic macular edema, BRVO: Branched retinal vein occlusion, mCNV: Myopic choroidal neovascularization, wAMD: Wet age-related macula degeneration NIH: National Institutes of Health, DCRN: Diabetic Retinopathy Clinical Research Network, PDGFR: Platelet derived growth factor receptor



## Xofigo: Significant Growth Expected

### Sales

in € million, Δ% yoy Fx adj.



### Achievements

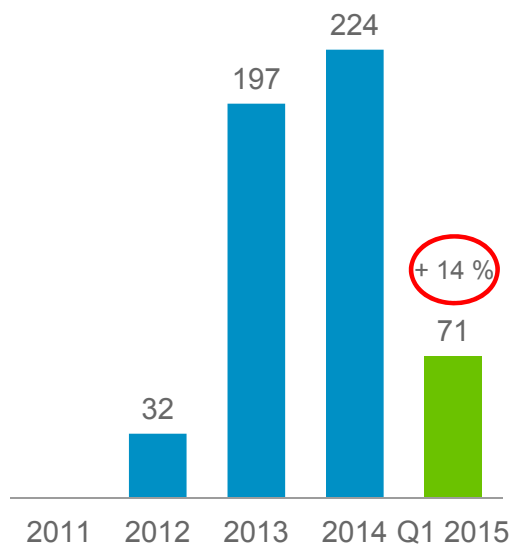
- Launch activities ongoing
  - Approved in 42 countries<sup>1</sup>
  - Launched in 30 countries<sup>1</sup>
- Targeting >€300m sales in 2015
- Life-cycle management program targeting label expansions in CRPC and additional cancer indications underway

## Stivarga: Leading 3L+ Treatment of Metastatic Colorectal Cancer



### Sales

in € million, Δ% yoy Fx adj.



### Achievements

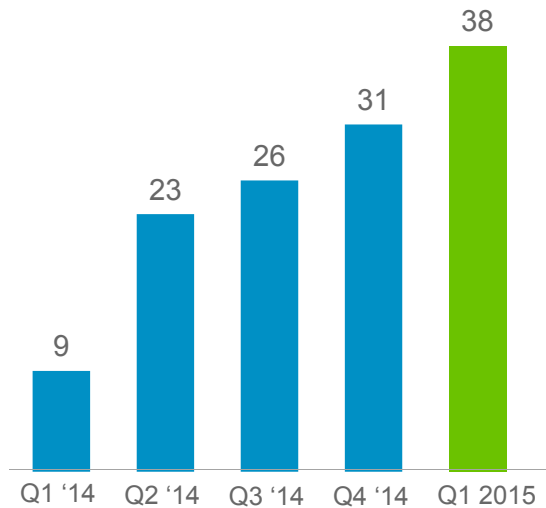
- Most prescribed agent in 3rd-line plus treatment of mCRC in the US and in Japan
- Roll-out activities in mCRC and GIST continuing
- Targeting increased use in 3L-treatment of mCRC
- ~40,000 patients treated to date

# Adempas: Encouraging Early Launch Experience



## Sales 2014

in € million, Δ% yoy Fx adj.



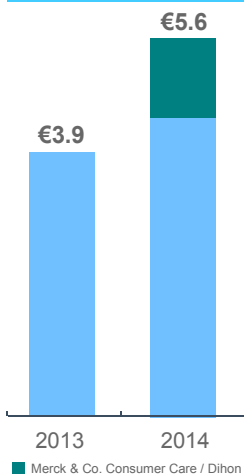
## Achievements

- Launched in PAH and CTEPH in first countries
- |                       | PAH | CTEPH |
|-----------------------|-----|-------|
| Approved <sup>1</sup> | 49  | 50    |
| Launched <sup>1</sup> | 24  | 27    |
- ~3,600 patients treated to date<sup>2</sup>
  - Life-cycle management trials in systemic sclerosis, cystic fibrosis and in PH associated with idiopathic interstitial pneumonias initiated
  - Agreement with Merck & Co. for joint development and commercialization of sGC-modulators in place

# Leveraging Potential of OTC Leadership



Consumer Care Sales  
€ billion, 2014 pro forma



## Achievements

- Strong #2 position
- Track record of outperforming market growth
- Success in long-term brand building
- Highly complementary acquisitions, incl. Merck & Co. Consumer Care

## Plans for continued growth

- Globalize established brands
- Launch innovation pipeline
- Execute Emerging Markets focus strategies
- Fully realize synergy potential from acquisitions
- Target strategic acquisitions and alliances

ASPIRIN

Claritin

Bepanthen

Dr.Scholl's

ONEA DAY

Alka-Seltzer

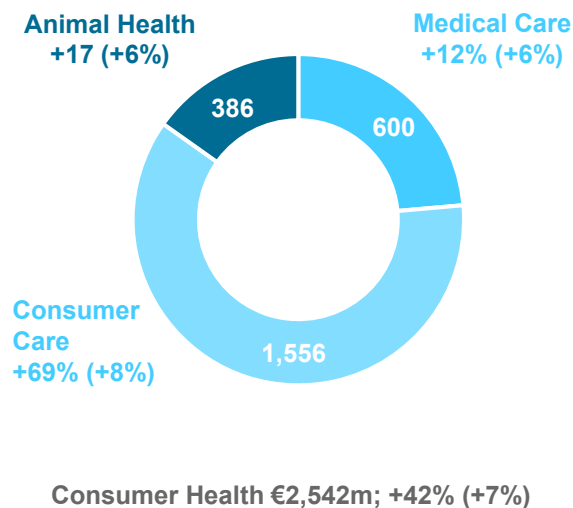
Coppertone

# Q1 2015 – Consumer Health: All Businesses with Strong Growth



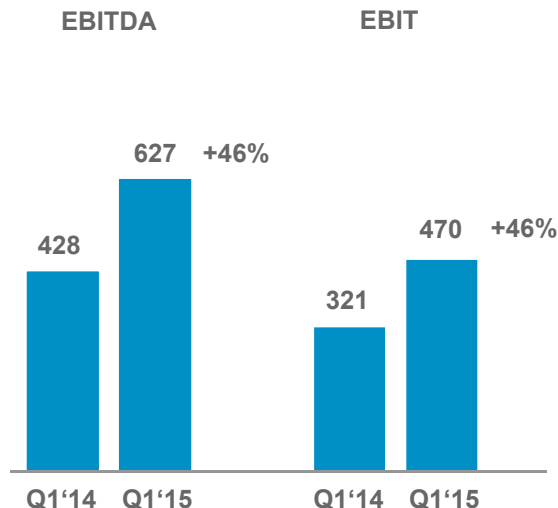
## Sales

in € million, Δ% yoy, () = Fx & portf. adj.



## Earnings

before special items, in € million, Δ% yoy

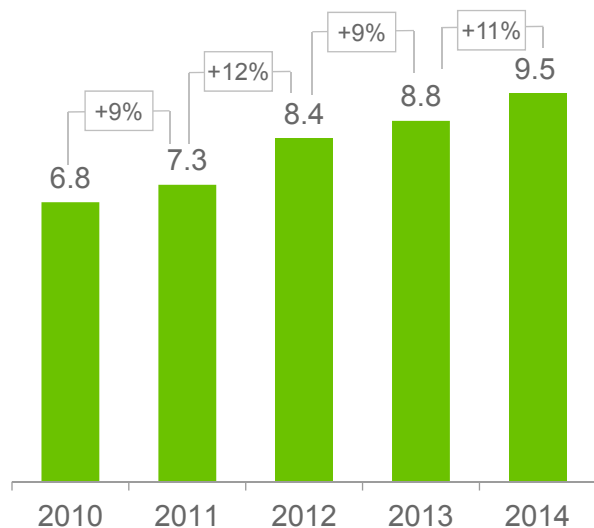


# Delivering Consistently Strong Growth in CropScience



## Sales

€ billion; Δ% Fx & portfolio adj.



### Plans for continued growth

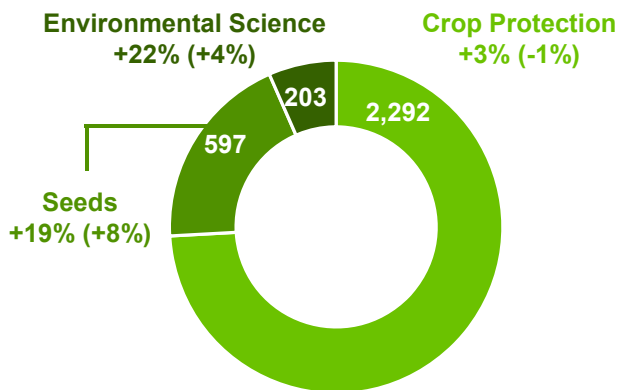
- Strengthen portfolio through focused and integrated crop solutions
- Drive commercial excellence in marketing and sales
- Drive new product growth, invest in life-cycle management
- Expand seeds portfolio by building business in soybeans and wheat

# Q1 2015 – CropScience: Steady in Weak Market Environment



## Sales

in € million, Δ% yoy, () = Fx & portf. adj.

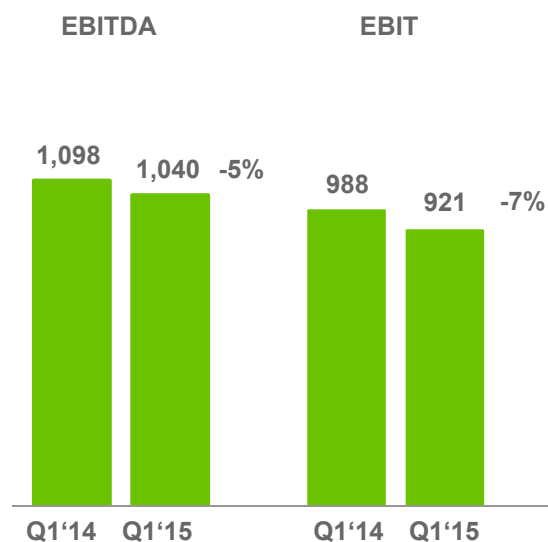


CropScience €3,092m; +7% (+1%)

Price	Volume	Fx	Portfolio
+3%	-2%	+5%	+1%

## Earnings

before special items, in € million, Δ% yoy

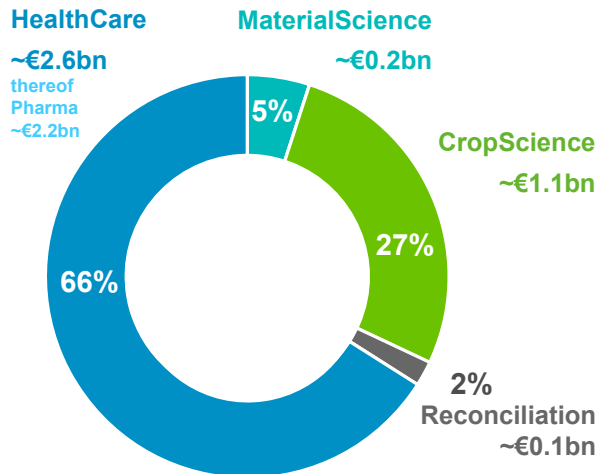


## 2. Develop new growth opportunities



# Confidence in Our R&D Investments

R&D 2015e: >€4.0bn +10% yoy



## Achievements

- 26 successful phase III clinical trials at Pharma since 2010
- Strengthened brands through multiple line or product introductions in Consumer Care
- Launched 12 active ingredients between 2006 and 2014 in CropScience.
- Initiated R&D projects that leverage synergies between human, animal and plant health



# Incremental R&D-Investments To Progress Pharma Pipeline

## Life-cycle Management

- Xarelto (Rivaroxaban)
- Eylea (Aflibercept)
- Xofigo (Radium-223 dichloride)
- Stivarga (Regorafenib)
- Adempas (Riociguat)

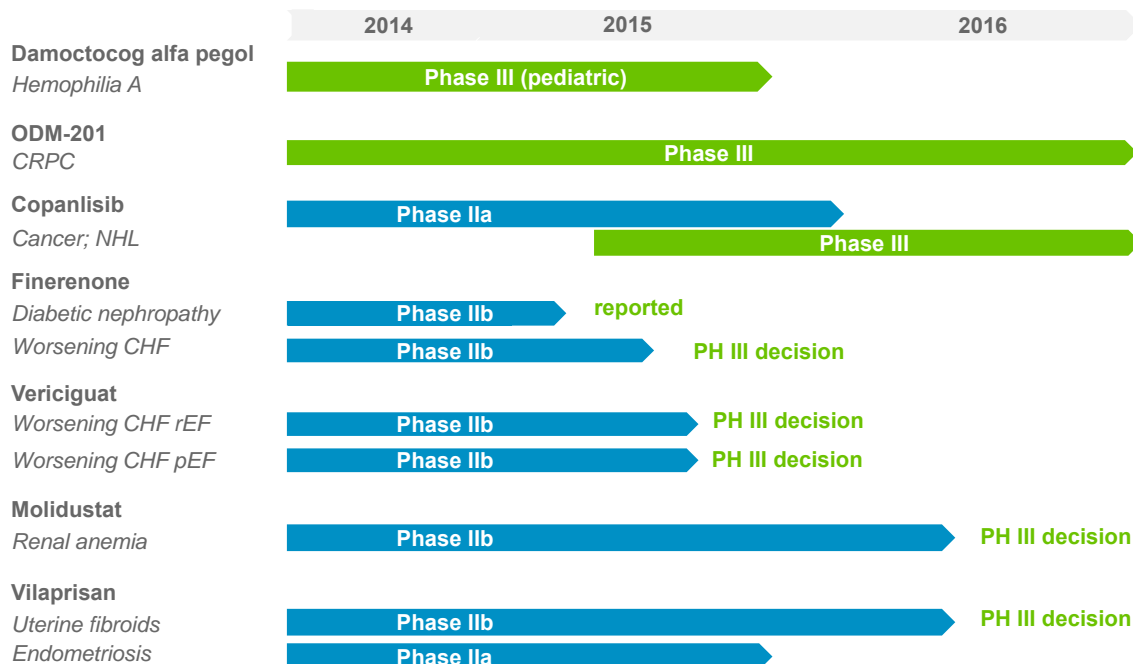
## Projects from Mid- and Late-stage Pipeline

- Finerenone
- Copanlisib
- Molidustat
- Vericiguat
- Vilaprisan
- Damoctocog alfa pegol
- ODM-201

## Opportunities in Research and Early Pipeline

- Cardiology
- Hematology
- Oncology
- Gynecological Therapies
- Ophthalmology
- Inflammation

# Mid- and Late-Stage Pharma Pipeline Progressing – Current Timelines



# Continuous Flow of Product Innovation with Promising Potential at CropScience



## Innovation

Chemicals  
Biologicals  
Seeds&Traits  
LCM

## Execution

Products launched  
2011 - 2016\*

## Potential

Peak sales  
≥ €4bn

**8 Chemicals**

- 2 Herbicides
- 2 Fungicides
- 2 Insecticides
- 2 SeedGrowth

**2 Biologicals**

- 1 Fungicide
- 1 Insecticide

**15 Seeds/traits**

- 3 Cotton
- 6 Oilseed
- 4 Rice
- 1 Soybean
- 1 Wheat

**Seed varieties**

Several hundred new varieties in vegetables and broad acre crops

**Life-cycle management**

New formulations and mixtures, incl. Biologicals

# Trend-setting Research in the Fields of Human, Animal and Plant Health



Related challenges for human, animal and plant health\*

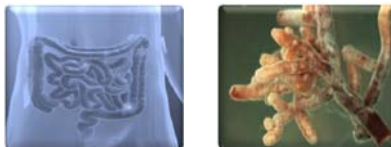
Regain control over unregulated growth



Bring upcoming resistances back under control



Understand and exploit the host-microbe interaction



Potential for collaboration & synergies

HealthCare R&D	CropScience R&D
Knowledge Platforms (ie. genomics etc.)	
✓	✓
Molecular Target (ie. ion channels etc.)	
✓	✓
Common Mechanisms (ie. protein modification etc.)	
✓	✓
Technology Platforms (ie. HTS etc.)	
✓	✓
Preclinical Evaluation (ie. Toxicology etc.)	
✓	✓
New Molecular Entities (ie. NCE/NBE)	
✓	✓

## 3. Execute Portfolio Transformation

- Integrate acquired businesses
- Exit MaterialScience businesses
- Adjust Group structures to reflect Life Science focus

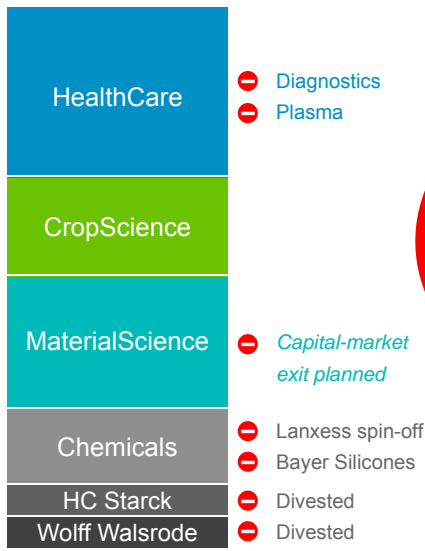


# Transforming Into a Pure Life Science Company - Transaction Volume >€47bn Since 2004\*

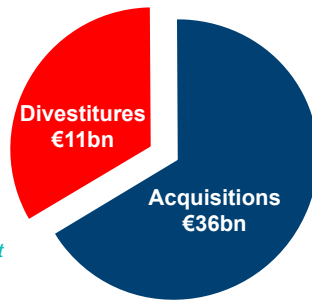
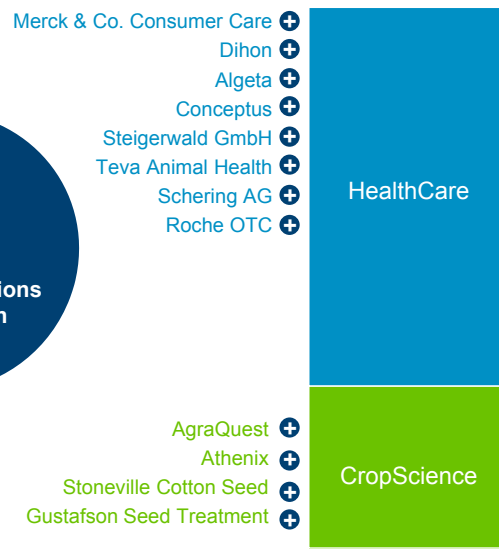


Major examples only

**2003 Sales €28.6bn**



**Pro-Forma 2014 Sales ~ €32bn**



## Integration of Merck & Co.'s Consumer Care Business on Track



- Integration of the acquired business progressing as planned
- All synergy tracking processes and integration teams in place
- Confirmed synergy targets:
  - USD400m top-line synergies by 2017
  - USD200m cost synergies by 2017

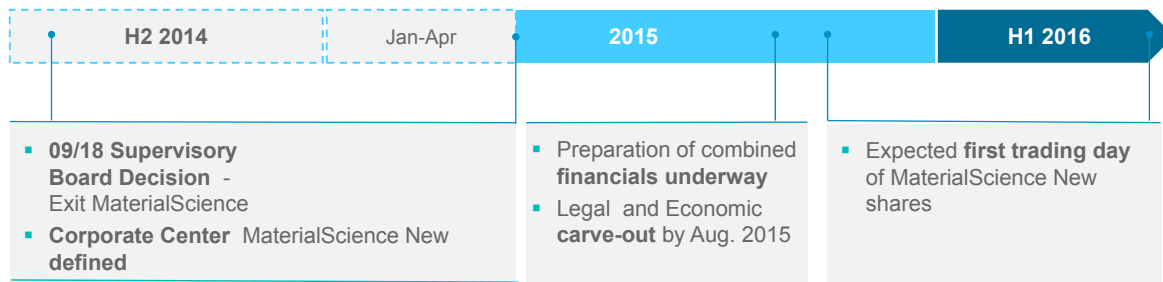
Claritin

Coppertone

DrScholl's



# Demerger of MaterialScience on Track



- Targeted time frame for capital-market exit: latest mid-2016
- Timing and structure of capital-market exit option depending on future market environment; decision expected 2H 2015
- Investment of any potential proceeds mainly in Life Science businesses / reduction of net debt



# Building a New Structure for a Pure Life Science Company

## To best support the execution of LS strategy and commercial success

- The new structure gains increased operational focus with fewer management levels
- Responsibilities within each function are to be optimized and bundled to make processes run more smoothly and avoid duplication of tasks
- Customer centricity to be further improved
- Continue to enhance our innovative capability in the Life Sciences

The new organization to be implemented by January 1, 2016

## 4. Delever balance sheet and use cash efficiently



### Efficient Use of Cash

#### Fuel organic growth

- CapEx budget 2015 ~€2.3bn PP&E
- R&D 2015e: >€4.0bn

#### Pay down debt

- Maintaining single A credit rating category
- Potential proceeds from MaterialScience exit

#### M&A

- Organic growth complemented by bolt-on acquisitions

#### Dividend policy

- Pay out 30-40% of Core EPS



# Summary



## The New Bayer - A World-Class Life Science Company



### Performance

- Fast-growing global pharma business
- Leveraging potential of OTC leadership
- Aspiring for Crop Protection leadership

### Capabilities

- Excellence in R&D and commercialization
- Leveraging leading brands with decade-long brand equity
- Superior emerging-market presence

### Value

- Progressing innovation pipeline
- Setting trends in research-intensive areas in the field of human, animal and plant health
- Leveraging sales growth into value creation



Date	Event	Publication
Wednesday, May 27, 2015	Annual General Meeting	
Thursday, June 25, 2015	Meet Management in New York	Investor Conference
Wednesday, July 29, 2015	Investor Conference Call	Second Quarter 2015 Results Stockholders' Newsletter
Thursday, October 29, 2015	Investor Conference Call	Third Quarter 2015 Results Stockholders' Newsletter



## Reporting Events and AGM



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