



Science For A Better Life



# Investor Handout

August 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
- | Executing a strategy of organic growth by streamlining portfolio
- | Generating strong growth with new product innovations
- | Expecting important R&D pipeline progress
- | 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 €7.9bn<sup>1)</sup>

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

Merck & Co. OTC, Dihon, €1.6bn pro-forma<sup>2)</sup>

Diabetes Care<sup>3)</sup> €0.9bn

### MaterialScience<sup>3)</sup> €11.7bn

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

### CropScience €9.5bn

Crop Protection #2, Seeds & Traits

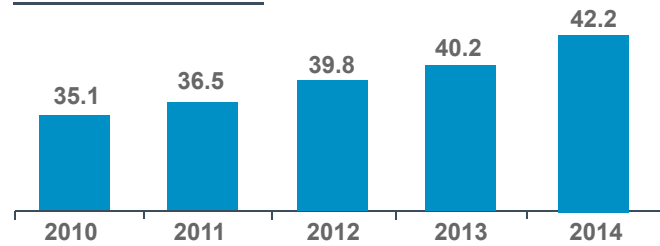
Sales 2014

# Track Record of Consistently Strong Performance



## Sales

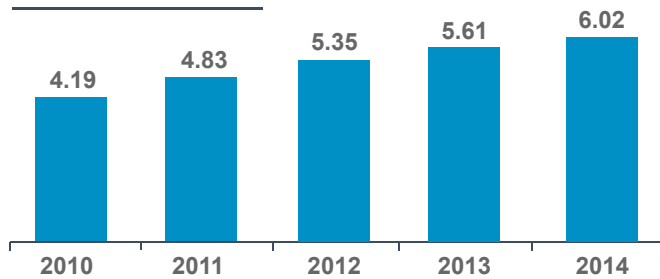
€ billion



**+5%** CAGR 2010-2014

## Core EPS

€



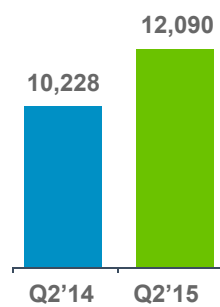
**+9%** CAGR 2010-2014

# 2<sup>nd</sup> Quarter 2015 – Bayer Significantly Improves Earnings



## Sales

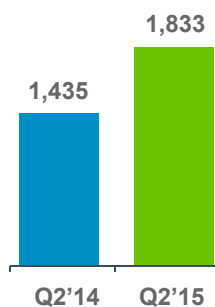
in € million  
% currency & portfolio adj.



**+4%**

## EBIT

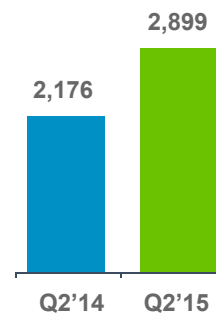
in € million



**+28%**

## EBITDA

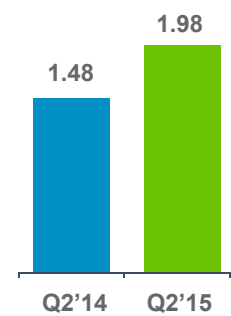
before special items  
in € million



**+33%**

## Core EPS

in €



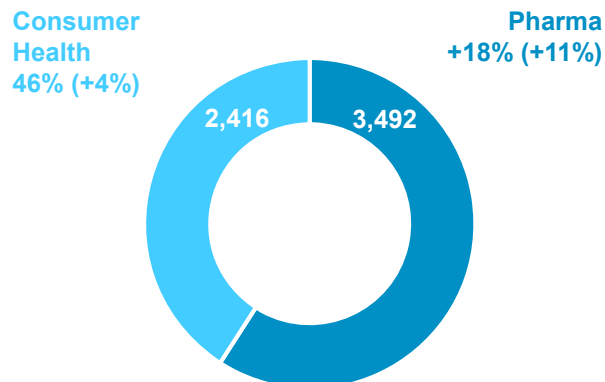
**+34%**

## 2<sup>nd</sup> Quarter 2015 – HealthCare: All Businesses Contributed To Strong Performance



### Sales

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

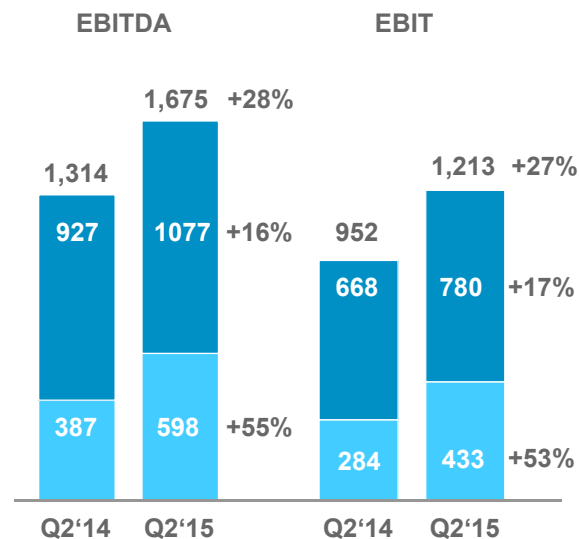


HealthCare €5,908m; +28% (+8%)

Price	Volume	Fx	Portfolio
2%	+7%	+8%	+12%

### Earnings

before special items, in € million, Δ% yoy

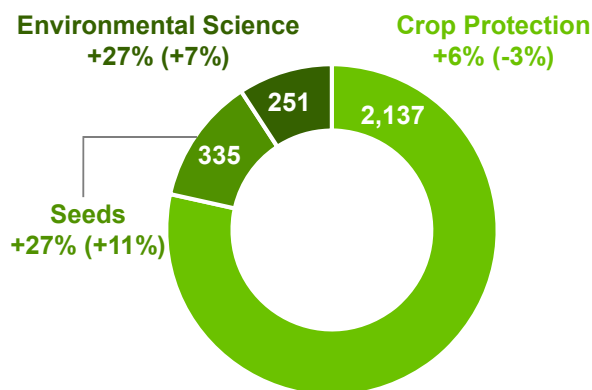


## 2<sup>nd</sup> Quarter 2015 – CropScience: Steady in Weaker Market Environment



### Sales

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

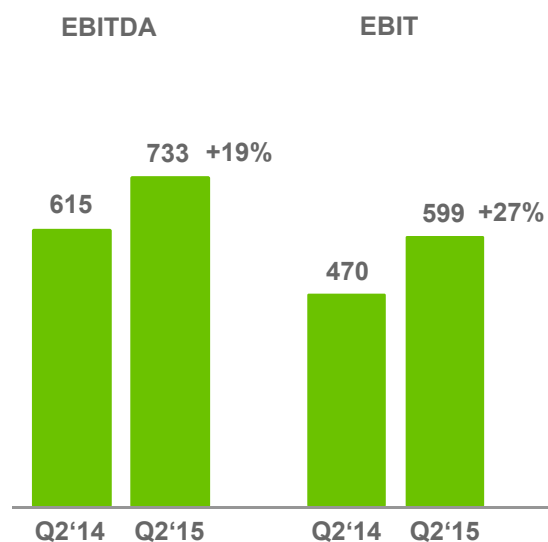


CropScience €2,723m; +10% (-1%)

Price	Volume	Fx	Portfolio
+0%	-1%	+10%	+1%

### Earnings

before special items, in € million, Δ% yoy

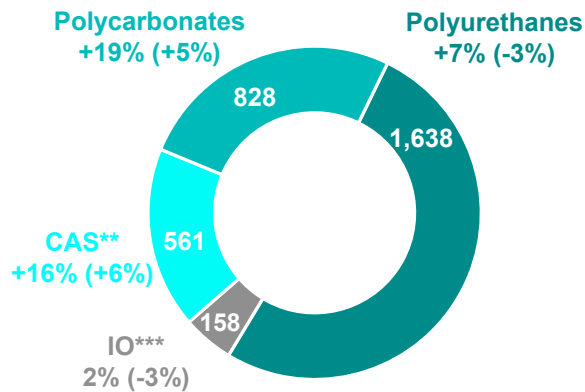


## 2<sup>nd</sup> Quarter 2015 – MaterialScience: Earnings greatly improved



### Sales

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

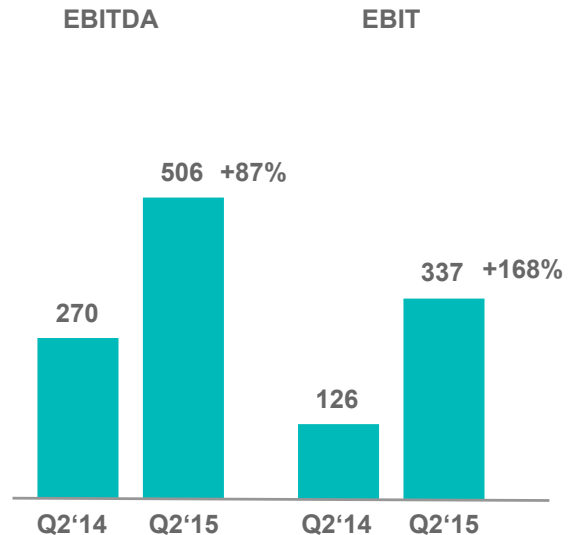


MaterialScience €3,185m; +11% (0%)

Price	Volume	Fx	Portfolio
-6%	+7%	+11%	0%

### Earnings

before special items, in € million, Δ% yoy



## 2<sup>nd</sup> Quarter 2015 – Group Guidance For Operating Performance Of Continuing Operations Confirmed



Δ% Fx and portfolio adjusted

	2014 restated		2015 Original guidance	2015 Update July	Fx effect
<b>Sales</b>	€41.3bn	▶	Low-single-digit % increase ~ €46bn	Low-single-digit % increase ~ €47bn	~ +7%
<b>EBITDA before special items</b>	€8.7bn	▶	Low-to-mid-teens % increase	High-teens % increase	~ +5%
<b>core EPS</b>	€5.89	▶	Low-teens % increase	High-teens % increase	~ +5%

## 2<sup>nd</sup> Quarter 2015 – Guidance by Subgroup



	Sales *	Adj. EBITDA *
<b>HealthCare</b>	Mid- single-digit % increase	Low-twenties % increase
Pharma	Mid- to high-single-digit % increase	Mid-teens % increase
Consumer Health	Mid single-digit % increase	Mid-thirties % increase
<b>CropScience</b>	Low single-digit % increase (previously: low- to mid-single digit %)	Mid- to high-single digit % (previously: Low-to mid-teens %)
<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

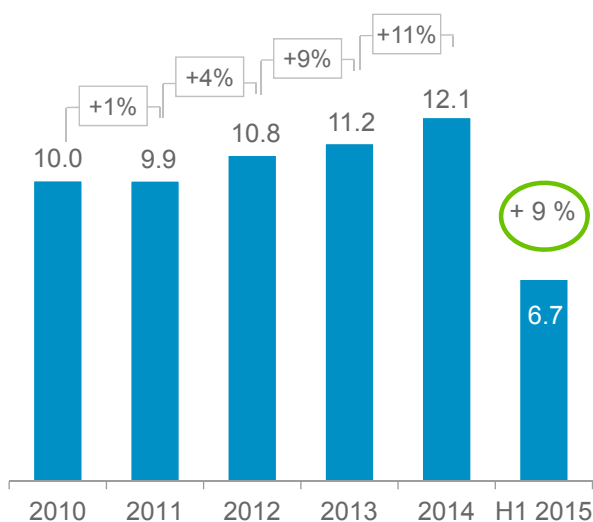
# 1. Deliver growth and performance

## Fast-Growing Global Pharma Business



### Sales

€ billion; Δ% yoy 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

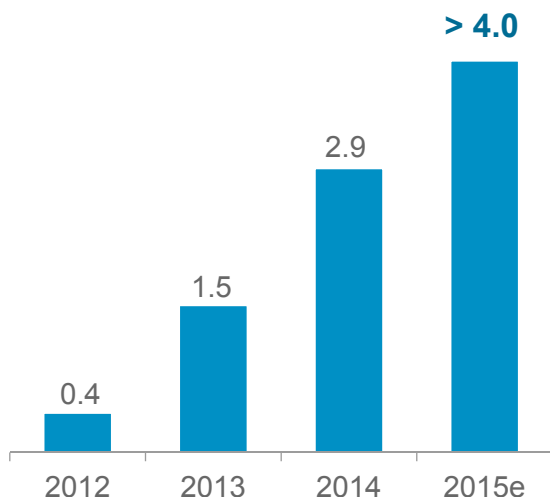


# Pharma Launch Products Drive Growth: Combined Peak Sales Potential of $\geq$ €7.5bn



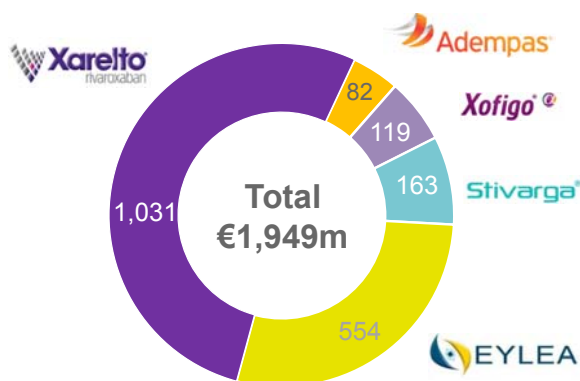
## Collective Sales

€ billion



## H1 2015 Individual Sales

€ million

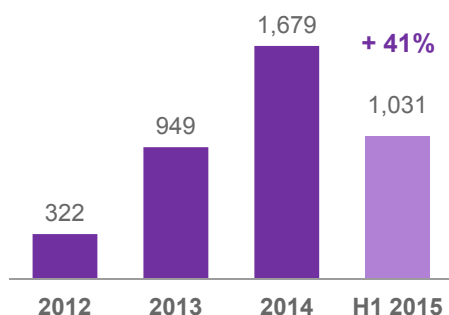


# Xarelto – Leading Novel Anticoagulant

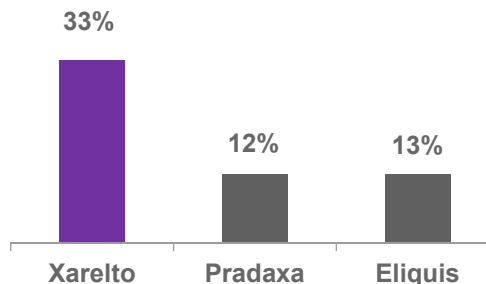


## Sales

€ million;  $\Delta$ % Fx adj.



## Global Market Sales Share\*



- Continued dynamic growth: gaining 5%-age points market share yoy and 1%-age point sequentially since year end 2014
- ~14 million patients treated to date
- Comprehensive Life-cycle management program including peripheral artery disease and chronic heart failure

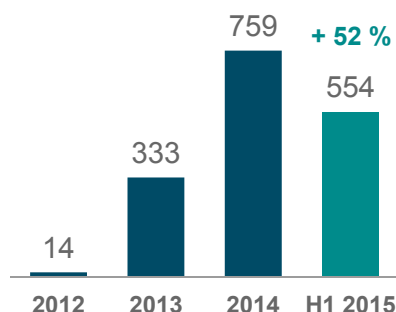
✓ **Peak sales potential of ~€3.5bn reiterated**

# Eylea – Gaining Share in Key Markets



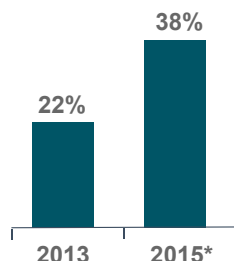
## Sales

€ million; Δ% Fx adj.

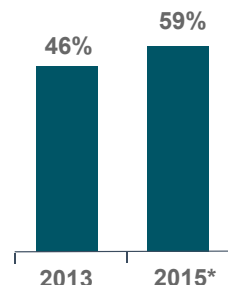


## Europe

5 main countries + Switzerland



## Japan



- Successful roll-out, 2014 sales more than doubled
- Significant label expansion achieved. New indications approved: DME, mCNV and RVO
- Life-cycle management incl. combination therapy with PDGFR-β antibody\*\*

✓ **Peak sales potential of ≥ €1.5bn reiterated**

DME: Diabetic macula edema  
mCNV: myopic Choroidal neovascularization  
RVO retinal vein occlusion

Marketed by Bayer ex-US only

\*Sales market share, May 2015

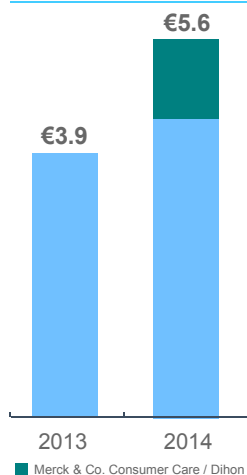
\*\*in collaboration with Regeneron

# 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

ONE DAY

Alka-Seltzer

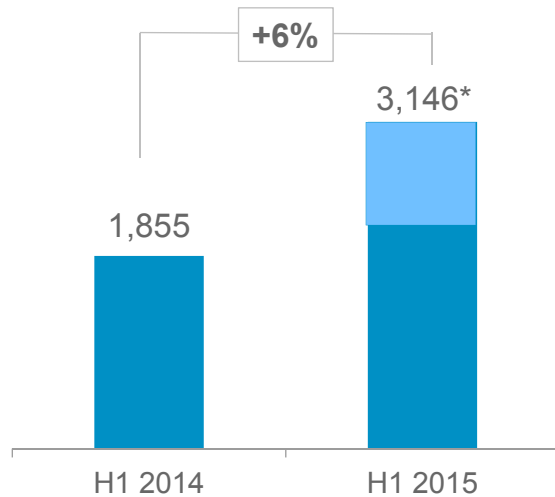
Coppertone

# H1 2015 – Consumer Care: Generated Strong Growth



## Sales

€ million; Δ% Fx & portfolio adj.



## Performance key brands

Δ% yoy, Fx adj.

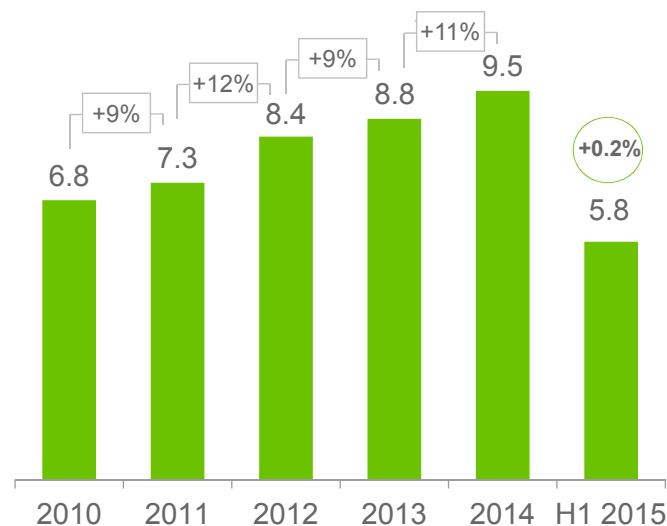


# H1 2015 – CropScience: Steady After Four Exceptional Years



## Sales

€ billion; Δ% Fx & portfolio adj.



## Plans for continued growth

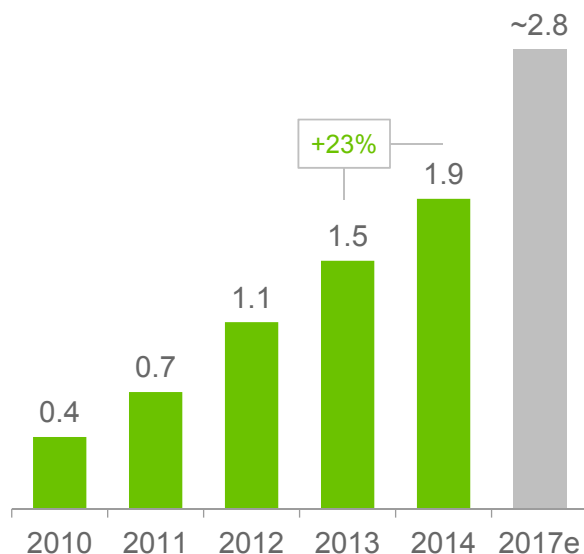
- Strengthen portfolio through focused and integrated crop solutions
- Drive commercial excellence in marketing and sales
- Drive new product growth, invest in life-cycle management
- Expand seeds portfolio by building business in soybeans and wheat

# New Products Drive Growth at Crop Protection

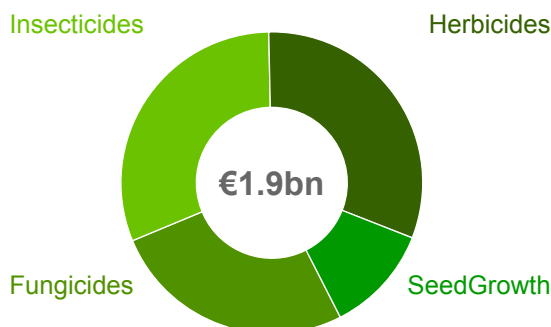


## New product sales

€ billion; new CP products launched since 2006; Δ% nominal



## By segment



New products generated nearly 70% of absolute sales growth at Crop Protection

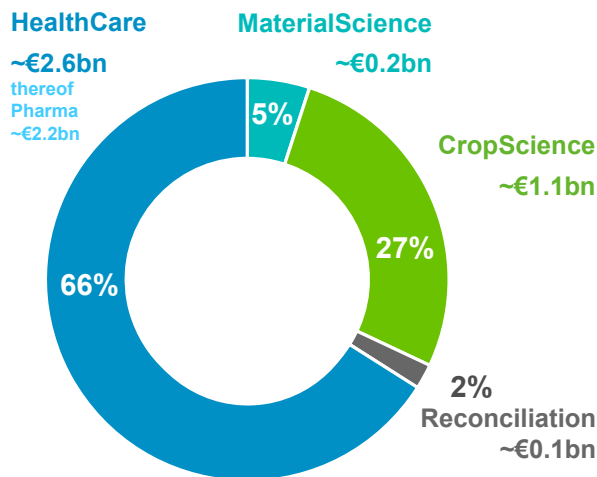
## 2. Develop new growth opportunities



# 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



# Pharma R&D Focus Areas

## Research and Early Pipeline

- Cardiology / Hematology
- Oncology
- Additional areas incl. Ophthalmology

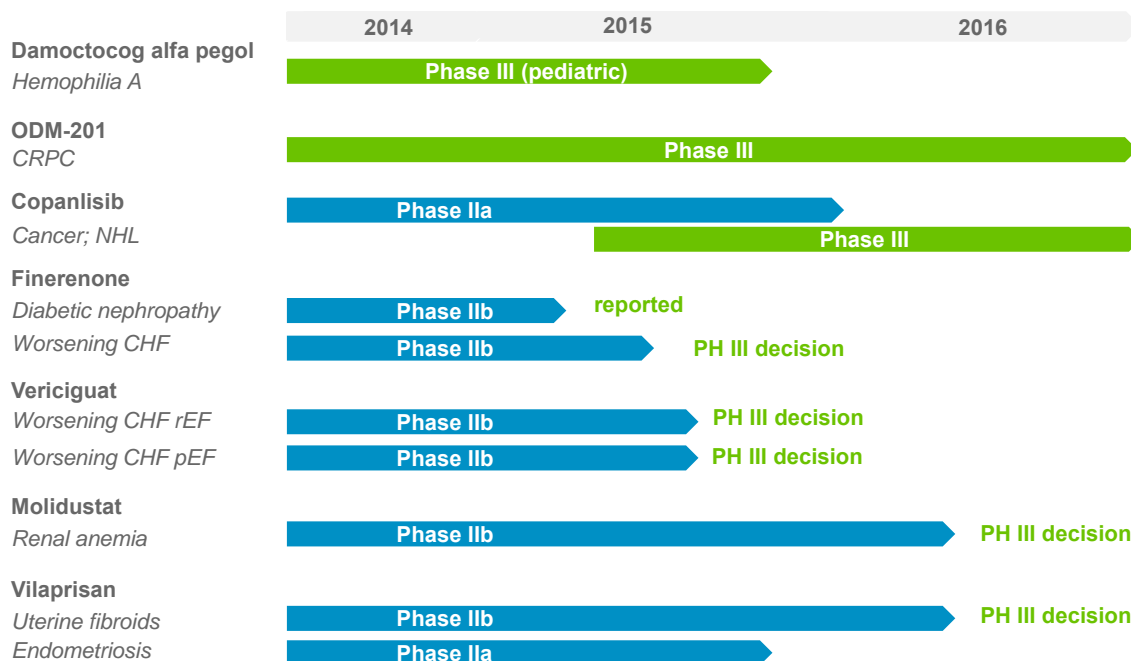
## Mid- and Late-stage Pipeline Projects

- Damoctocog alfa pegol
- ODM-201
- Copanlisib
- Finerenone
- Vericiguat
- Molidustat
- Vilaprisan
- ISIS-FXI<sub>Rx</sub>

## Life-cycle Management

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

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



# CropScience Innovation Pipeline 2014-2019 with Combined Peak Sales Potential > €5bn



New launches		Planned launches*			
2014	2015	2016	2017	2018	2019
<b>Verango/Velum</b> Nematicide	<b>Sivanto</b> Insecticide	<b>Disease control</b> New mixture / formulation	<b>Pest control</b> New active ingredient	<b>Weed control</b> New mixture / formulation	<b>Pest control</b> New active ingredient
<b>Flocter</b> Biological nematocide	<b>Council</b> Rice herbicide	<b>Disease control</b> Country / label extension	<b>Disease control</b> Country / label extension	<b>Weed control</b> New mixture / formulation	<b>Disease control</b> New active ingredient
<b>FiberMax</b> GlyTol + TwinLink cotton	<b>Movento</b> Country / label extension	<b>Weed control</b> Country / label extension	<b>Weed control</b> Country / label extension		<b>Disease control</b> New mixture / formulation
<b>InVigor</b> Canola pod shatter reduction	<b>Alion</b> Country / label extension	<b>Oilseeds</b> Improved canola oil profile	<b>Cotton</b> Dual HT + IR		<b>Soybeans</b> Triple HT
<b>Arize</b> Bacterial Leaf Blight resistant rice	<b>Wheat</b> Non-hybrid wheat seed (Ukraine)	<b>Oilseeds</b> Dual HT canola	<b>Oilseeds</b> Dual HT canola		<b>Soybeans</b> Dual HT
		<b>Rice</b> Insect resistance + disease resistance	<b>Oilseeds</b> HT Ogura hybrid		
		<b>Rice</b> Disease resistance + salinity tolerance	<b>Rice</b> Disease tolerance		
		<b>Rice</b> Disease resistance + submergence tol.	<b>Soybeans</b> Dual HT		

■ Chemical Crop Protection  
■ Major Life Cycle Innovation  
■ Biological Crop Protection  
■ Seeds & Traits\*\*

HT: Herbicide tolerance trait  
IR: Insect resistance trait

More than 100 Life Cycle Management projects  
Several hundred new varieties in vegetables and broad acre crops

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



Related challenges for human, animal and plant health\*

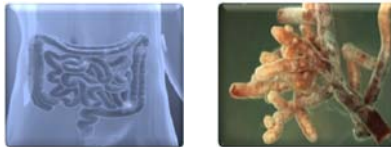
**Unregulated growth**



**Resistance control**



**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

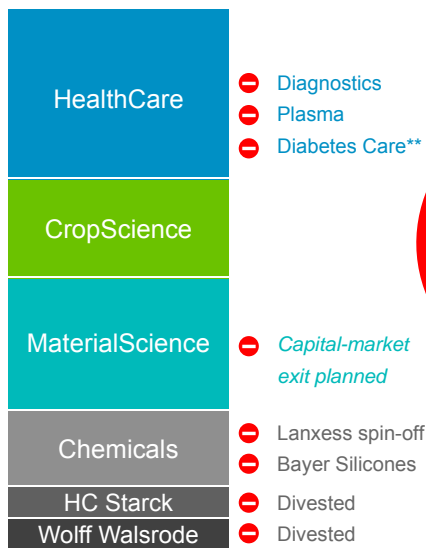
# Transforming Into a Pure Life Science Company

## Transaction Volume >€48bn Since 2004\*

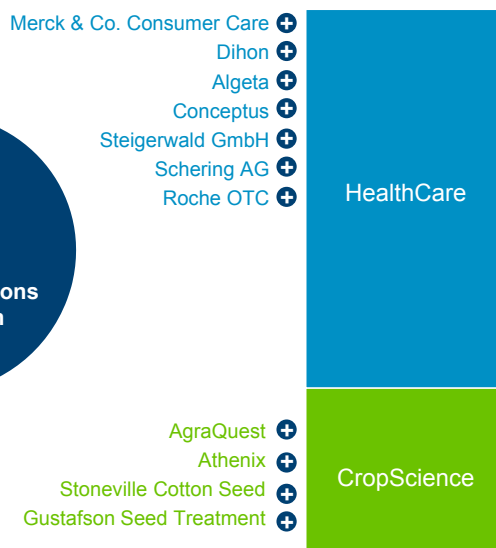


Major examples only

### 2003 Sales €28.6bn



### Pro-Forma 2014 Sales ~ €31bn



# Life Science Transformation on Track



## Demerger of MaterialScience

- Targeted time frame for capital-market exit: **latest mid-2016**
- Timing, structure and exit options depend on market environment; **decision 2H 2015e**
- Potential proceeds re-invested in the business/ reduction of net debt

## Merck Consumer Care Integration

- Integration progressing as planned
- Synergy tracking and integration teams in place
- Confirmed 2017 synergy targets:
  - USD400m** top-line
  - USD200m** cost-synergies by 2017

## Exit of Diabetes Care

- Divestment for total consideration of ~€1,022m
- Closing expected in Q1 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 and Diabetes Care divestment

#### 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
- Gaining market share in CropScience

### 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
Thursday, October 29, 2015	Investor Conference Call	Third Quarter 2015 Results
Thursday, February 25, 2016	Investor Conference Call	2015 Annual Report
Tuesday, April 26, 2016	Investor Conference Call	First Quarter 2016 Results
Friday, April 29, 2016	Annual General Meeting	



## Reporting Events



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