



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 €7.9bn¹⁾

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

Merck & Co. OTC, Dihon, €1.6bn pro-forma²⁾

Diabetes Care³⁾ €0.9bn

MaterialScience³⁾ €11.7bn

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

CropScience €9.5bn

Crop Protection #2, Seeds & Traits

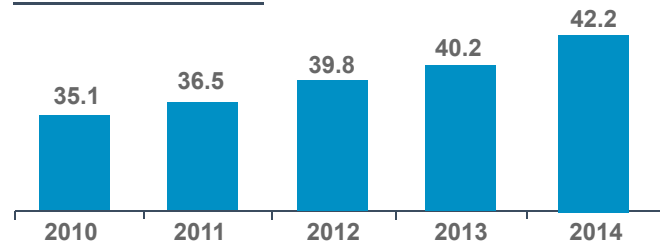
Sales 2014

Track Record of Consistently Strong Performance



Sales

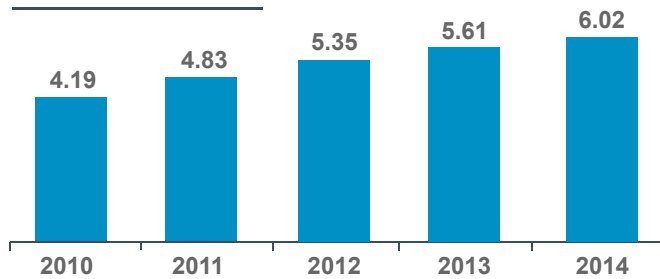
€ billion



+5% CAGR 2010-2014

Core EPS

€



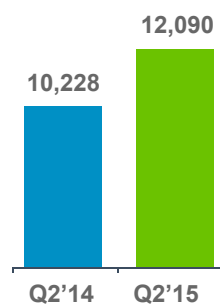
+9% CAGR 2010-2014

2nd Quarter 2015 – Bayer Significantly Improves Earnings



Sales

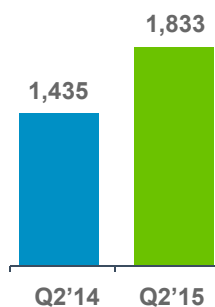
in € million
% currency & portfolio adj.



+4%

EBIT

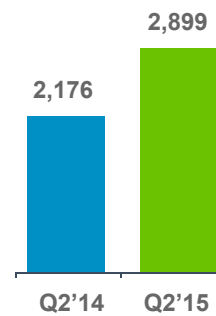
in € million



+28%

EBITDA

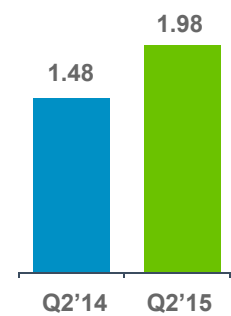
before special items
in € million



+33%

Core EPS

in €



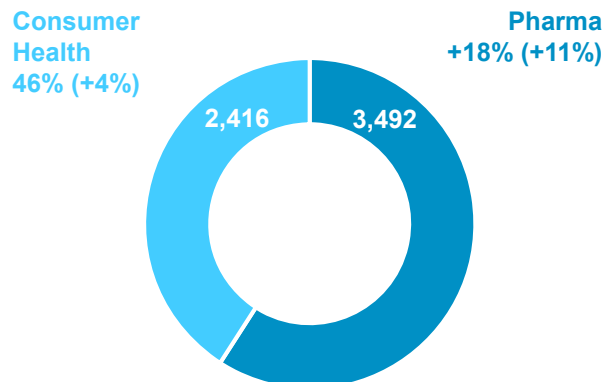
+34%

2nd Quarter 2015 – HealthCare: All Businesses Contributed To Strong Performance



Sales

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

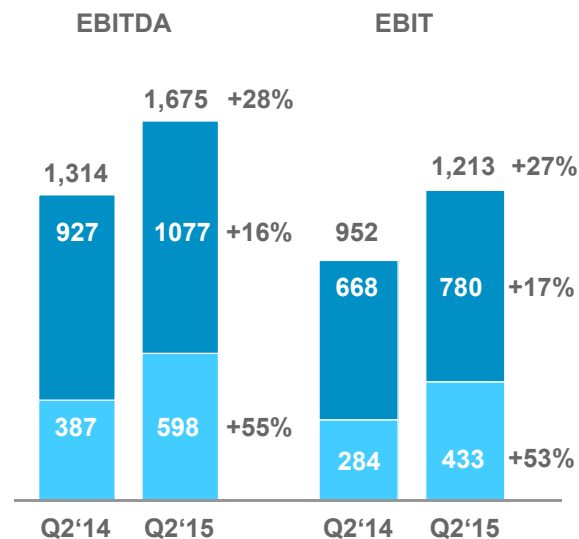


HealthCare €5,908m; +28% (+8%)

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

Earnings

before special items, in € million, Δ% yoy

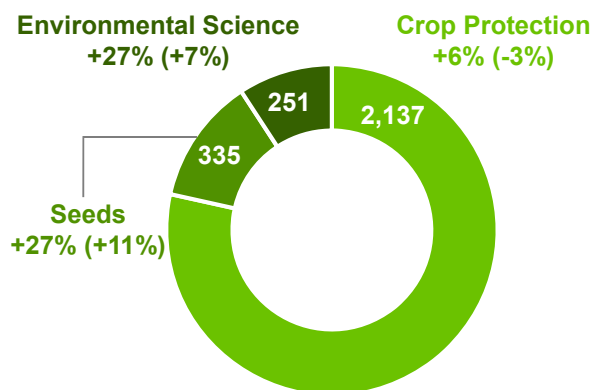


2nd Quarter 2015 – CropScience: Steady in Weaker Market Environment



Sales

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

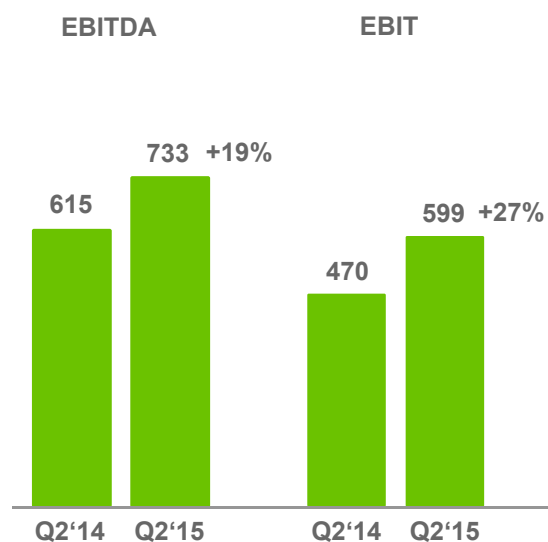


CropScience €2,723m; +10% (-1%)

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

Earnings

before special items, in € million, Δ% yoy

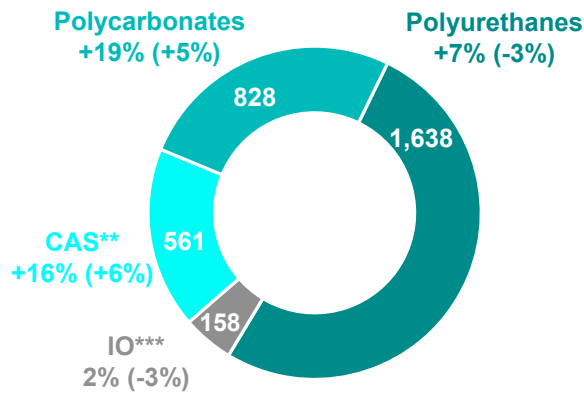


2nd Quarter 2015 – MaterialScience: Earnings greatly improved



Sales

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

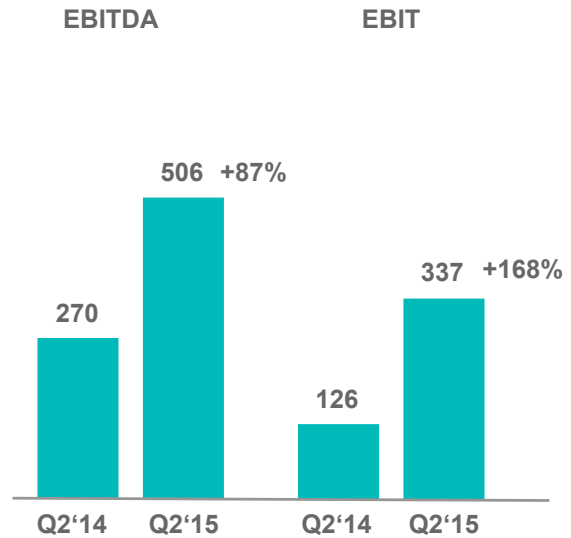


MaterialScience €3,185m; +11% (0%)

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

Earnings

before special items, in € million, Δ% yoy



2nd 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
Sales	€41.3bn	▶	Low-single-digit % increase ~ €46bn	Low-single-digit % increase ~ €47bn	~ +7%
EBITDA before special items	€8.7bn	▶	Low-to-mid-teens % increase	High-teens % increase	~ +5%
core EPS	€5.89	▶	Low-teens % increase	High-teens % increase	~ +5%

2nd Quarter 2015 – Guidance by Subgroup



	Sales *	Adj. EBITDA *
HealthCare	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
CropScience	Low single-digit % increase (previously: low- to mid-single digit %)	Mid- to high-single digit % (previously: Low-to mid-teens %)
MaterialScience	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

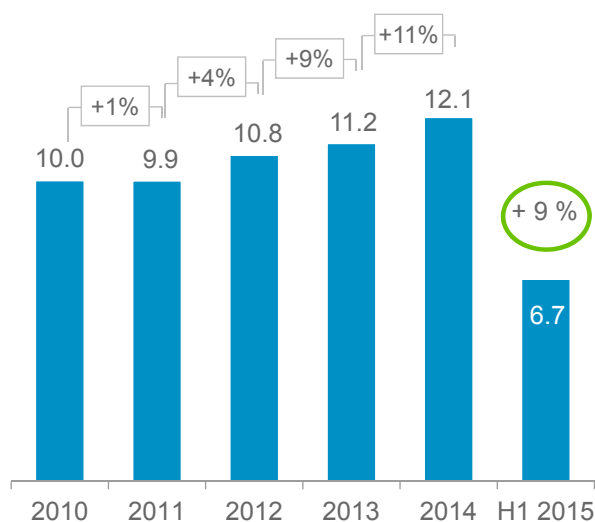
1. Deliver growth and performance

Fast-Growing Global Pharma Business



Sales

€ billion; Δ% yoy Fx & portfolio adj.



Plans for continued growth

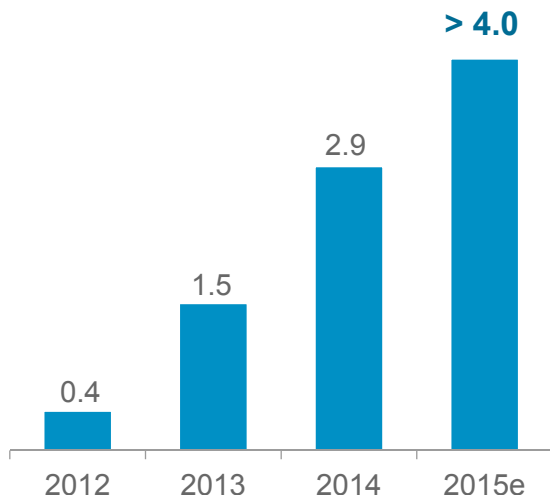
- Maximize the value of launch products
- Drive commercial excellence in marketing and sales
- Advance early and mid-stage pipeline
- Achieve phase III readiness for key phase II assets by mid-2016
- Explore opportunities for partnerships, open innovation and bolt-on acquisitions

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



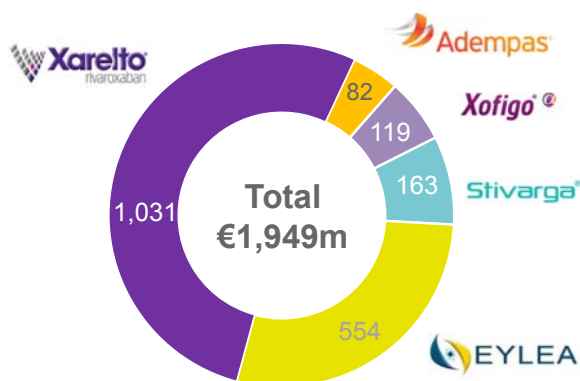
Collective Sales

€ billion



H1 2015 Individual Sales

€ million

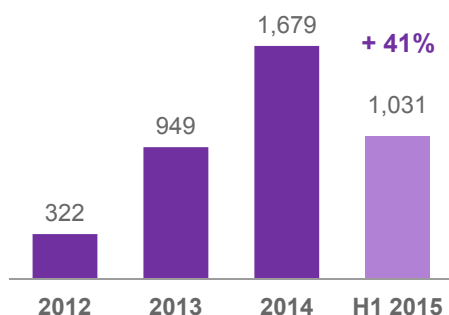


Xarelto – Leading Novel Anticoagulant

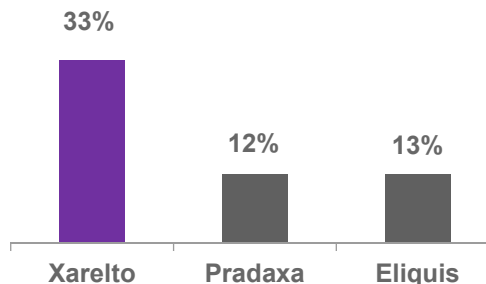


Sales

€ 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

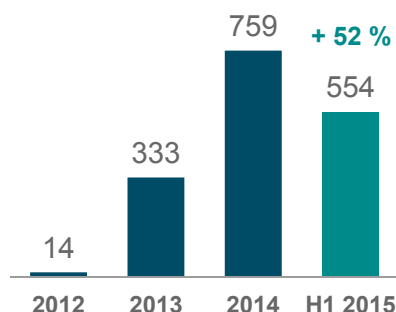
✓ **Peak sales potential of ~€3.5bn reiterated**

Eylea – Gaining Share in Key Markets



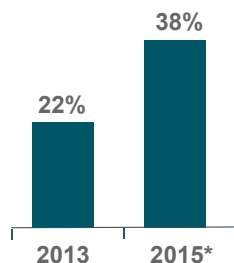
Sales

€ million; Δ% Fx adj.

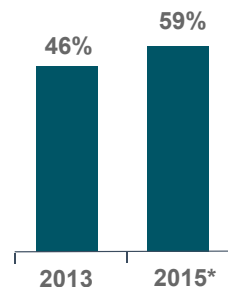


Europe

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

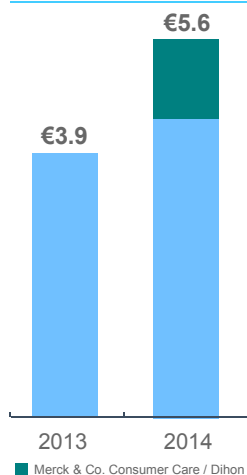
**in collaboration with Regeneron

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

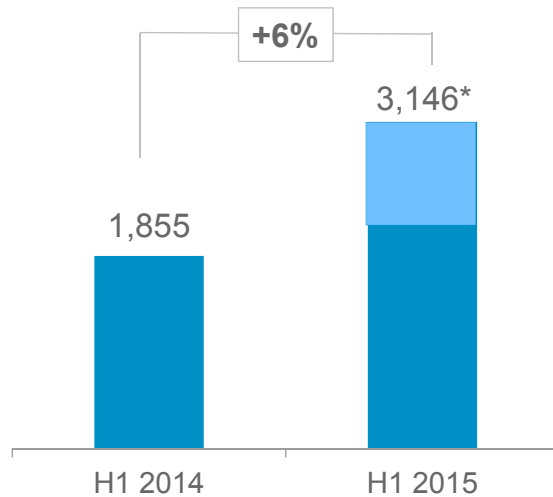
Coppertone

H1 2015 – Consumer Care: Generated Strong Growth



Sales

€ million; Δ% Fx & portfolio adj.



Performance key brands

Δ% yoy, Fx adj.

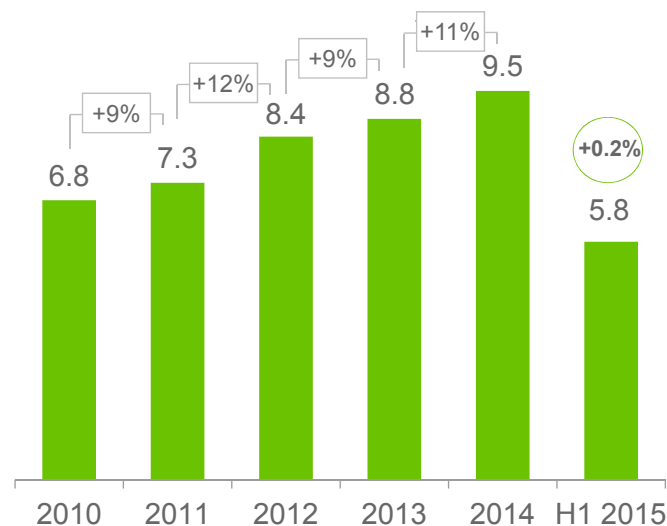


H1 2015 – CropScience: Steady After Four Exceptional Years



Sales

€ billion; Δ% Fx & portfolio adj.



Plans for continued growth

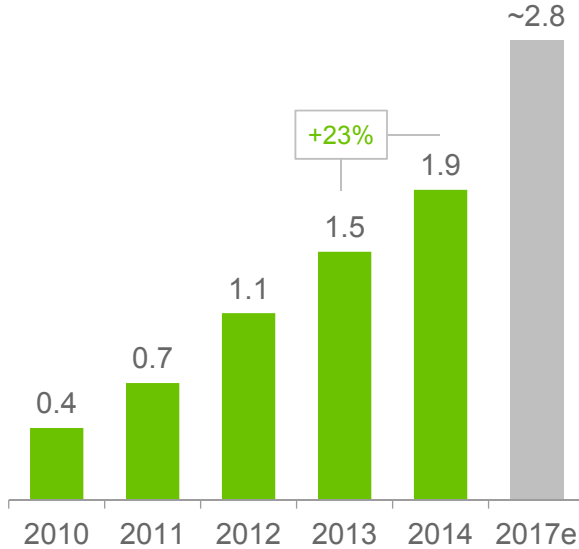
- Strengthen portfolio through focused and integrated crop solutions
- Drive commercial excellence in marketing and sales
- Drive new product growth, invest in life-cycle management
- Expand seeds portfolio by building business in soybeans and wheat

New Products Drive Growth at Crop Protection

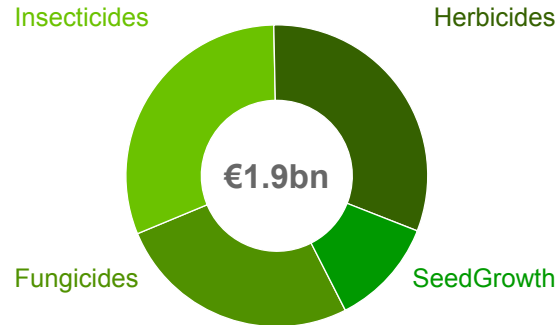


New product sales

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



By segment



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



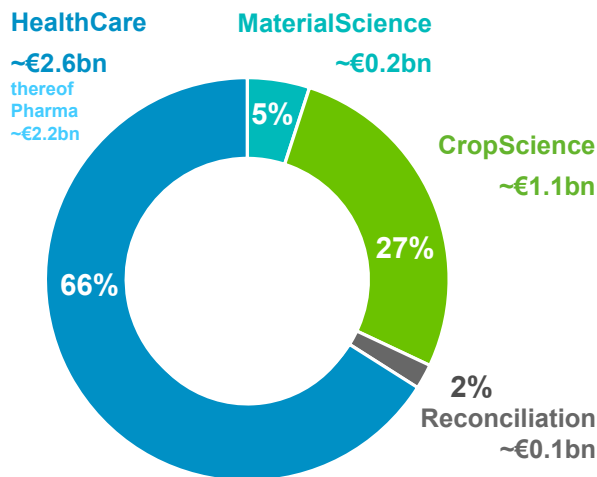
2. Develop new growth opportunities



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

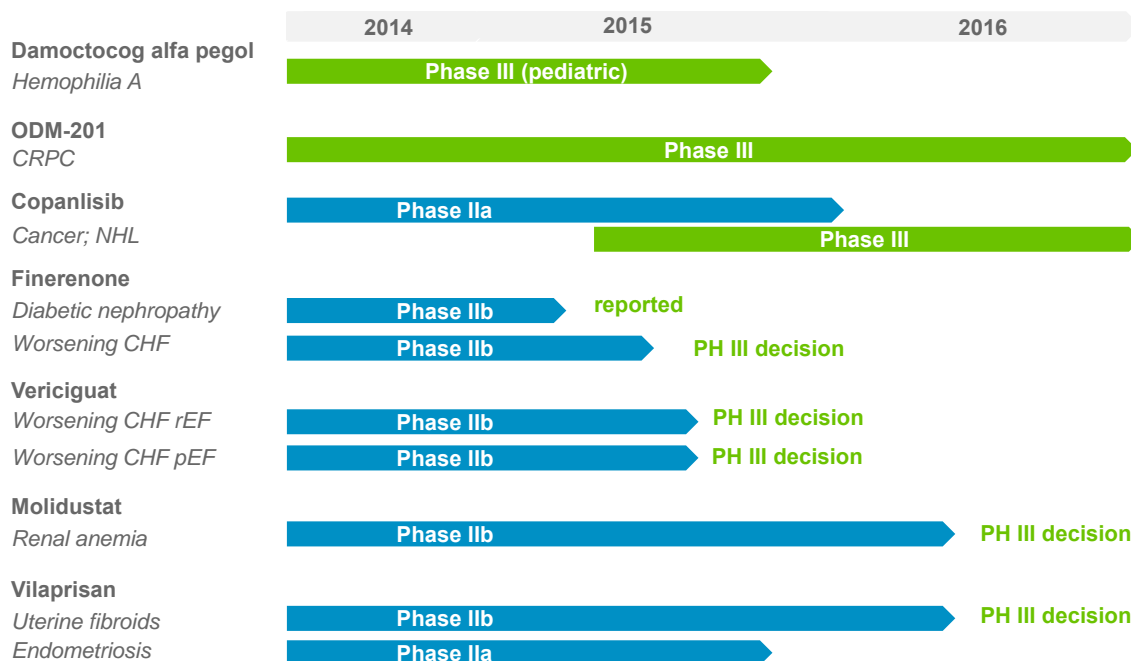
Mid- and Late-stage Pipeline Projects

- Damoctocog alfa pegol
- ODM-201
- Copanlisib
- Finerenone
- Vericiguat
- Molidustat
- Vilaprisan
- ISIS-FXI_{Rx}

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
Verango/Velum Nematicide	Sivanto Insecticide	Disease control New mixture / formulation	Pest control New active ingredient	Weed control New mixture / formulation	Pest control New active ingredient
Flocter Biological nematocide	Council Rice herbicide	Disease control Country / label extension	Disease control Country / label extension	Weed control New mixture / formulation	Disease control New active ingredient
FiberMax GlyTol + TwinLink cotton	Movento Country / label extension	Weed control Country / label extension	Weed control Country / label extension		Disease control New mixture / formulation
InVigor Canola pod shatter reduction	Alion Country / label extension	Oilseeds Improved canola oil profile	Cotton Dual HT + IR		Soybeans Triple HT
Arize Bacterial Leaf Blight resistant rice	Wheat Non-hybrid wheat seed (Ukraine)	Oilseeds Dual HT canola	Oilseeds Dual HT canola		Soybeans Dual HT
		Rice Insect resistance + disease resistance	Oilseeds HT Ogura hybrid		
		Rice Disease resistance + salinity tolerance	Rice Disease tolerance		
		Rice Disease resistance + submergence tol.	Soybeans Dual HT		
<p>More than 100 Life Cycle Management projects</p> <p>Several hundred new varieties in vegetables and broad acre crops</p>					

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



Related challenges for human, animal and plant health*

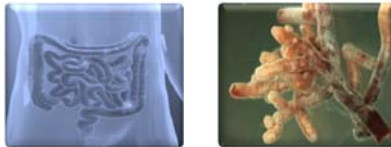
Unregulated growth



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

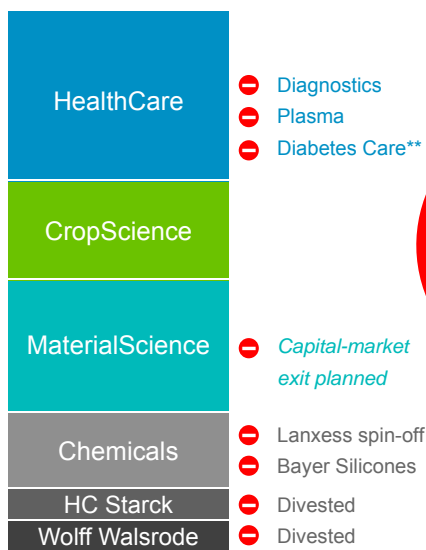
Transforming Into a Pure Life Science Company

Transaction Volume >€48bn Since 2004*

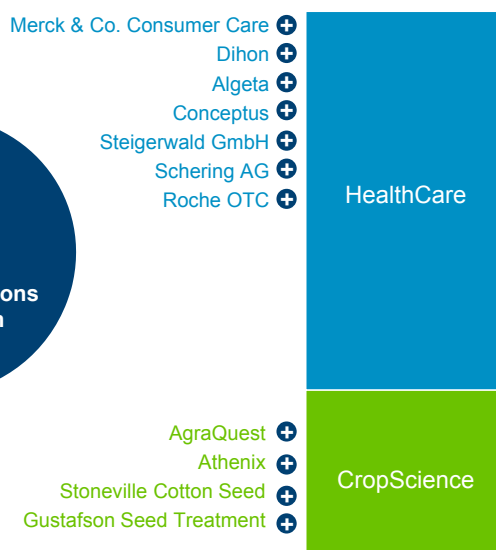


Major examples only

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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