



# The New Bayer



- | Transforming into a pure Life Science company and exiting MaterialScience
- | Executing a strategy of organic growth complemented by bolt-on acquisitions
- | 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>2)</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>3)</sup>

### Diabetes Care<sup>4)</sup> €0.9bn

### MaterialScience<sup>1)</sup> €11.7bn

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

### CropScience €9.5bn

Crop Protection #2, Seeds & Traits

Sales 2014

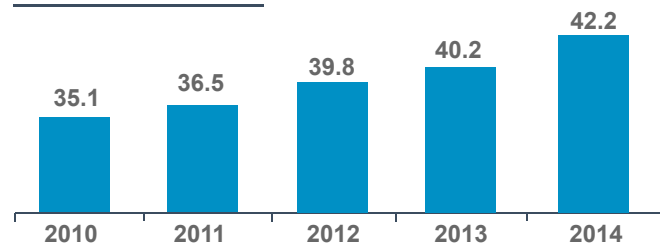
<sup>1)</sup> 31% floated  
<sup>2)</sup> includes €0.3bn from Merck & Co. in Q4 2014  
<sup>3)</sup> FY 2014 pro-forma  
<sup>4)</sup> pending

# Track Record of Consistently Strong Performance



## Sales

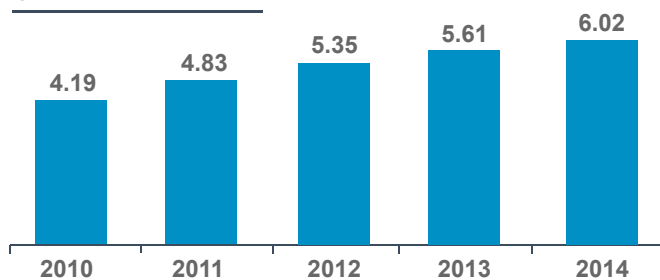
€ billion



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

## Core EPS

€



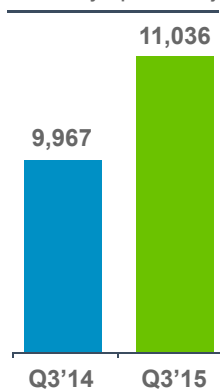
**+9%** CAGR<sub>2010-2014</sub>

# Q3 2015 – Bayer Significantly Improves Earnings



## Sales

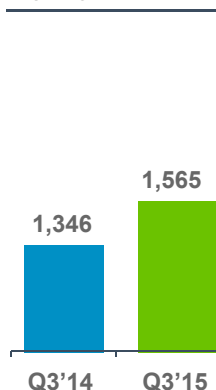
in € million  
% currency & portfolio adj.



**+2%**

## EBIT

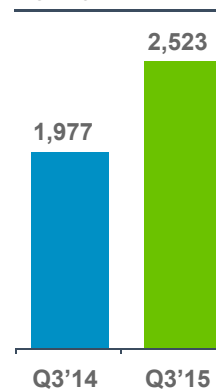
in € million



**+16%**

## EBITDA

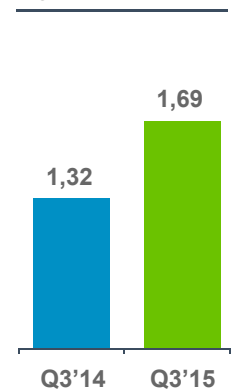
before special items  
in € million



**+28%**

## Core EPS

in €



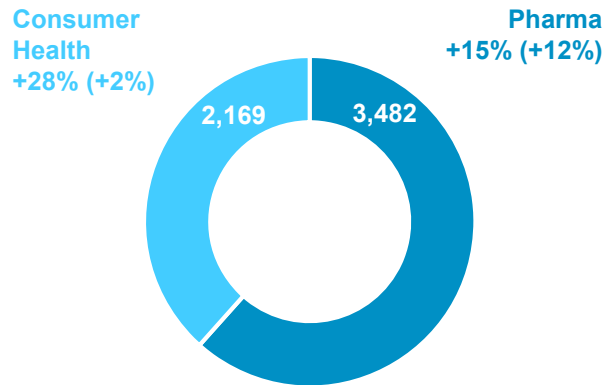
**+28%**

# Q3 2015 – HealthCare: All Businesses With Higher Sales



## Sales

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

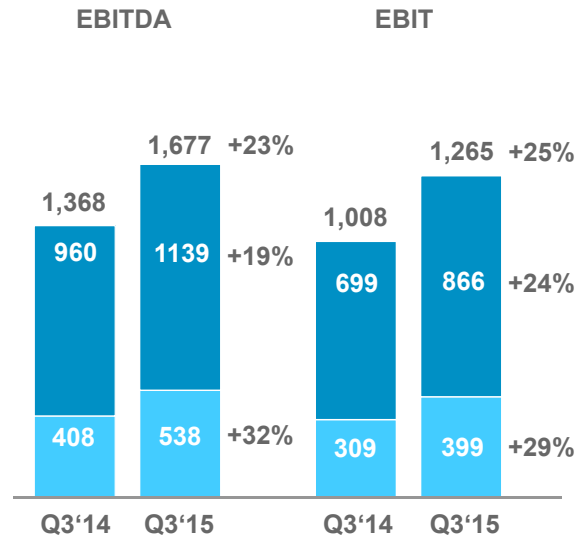


HealthCare €5,651m; +19% (+8%)

Price	Volume	Fx	Portfolio
+1%	+8%	+3%	+8%

## Earnings

before special items, in € million; Δ% yoy

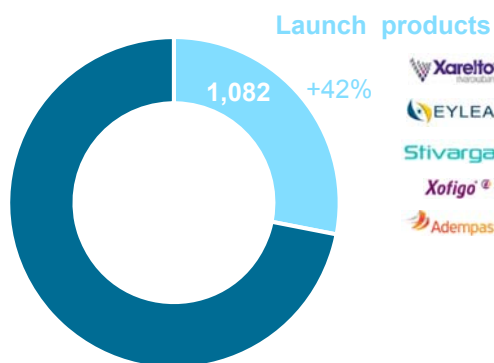


# Q3 2015 – Pharma: Launch Products Drove Growth



## Sales

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

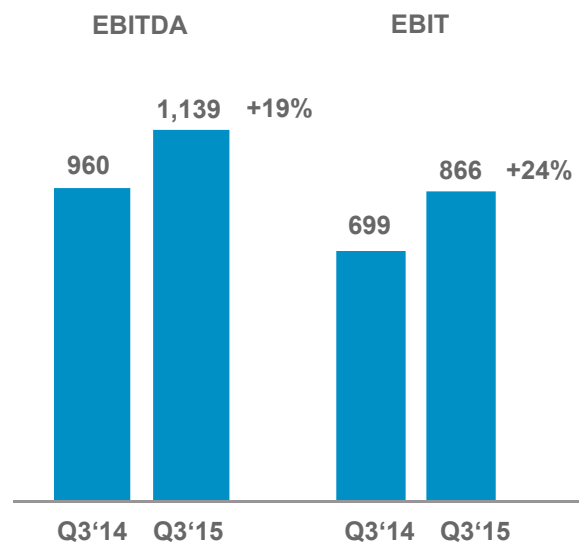


Pharmaceuticals €3,482m; +15% (+12%)



## Earnings

before special items, in € million; Δ% yoy

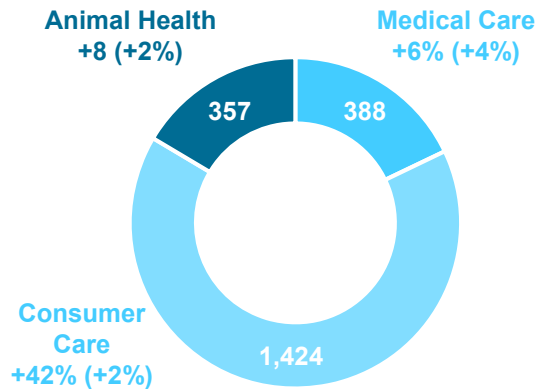


# Q3 2015 – Consumer Health: Solid Growth in All Businesses



## Sales

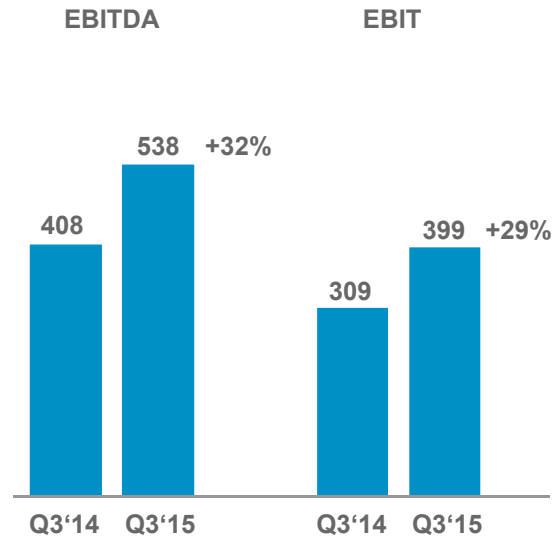
in € million; Δ% yoy, () = Fx & portfol. adj.



Consumer Health €2,169m; +28% (+2%)

## Earnings

before special items, in € million; Δ% yoy

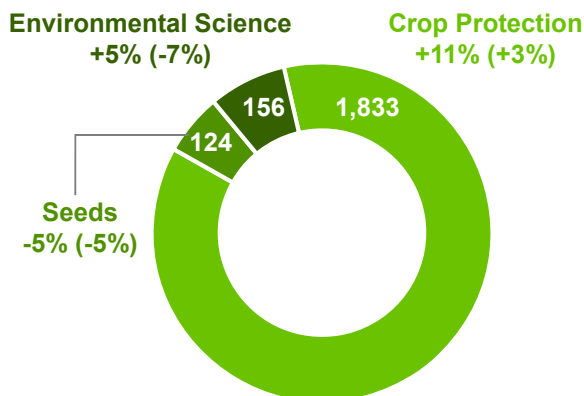


# Q3 2015 – CropScience: Resilient in Challenging Market Environment



## Sales

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

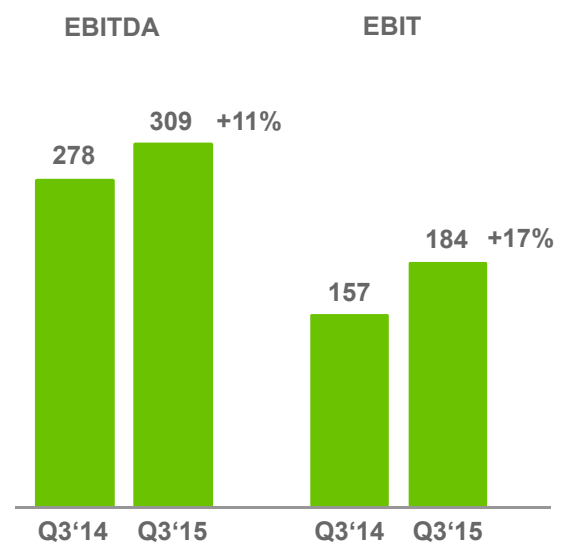


CropScience €2,113m; +10% (+2%)

Price	Volume	Fx	Portfolio
-3%	+4%	+7%	+1%

## Earnings

before special items, in € million; Δ% yoy



# Full Year 2015 – Group Guidance Reiterated



Sales Δ% Fx and portfolio adjusted, continuing operations

	2014 restated		2015 Update September	Fx effect
<b>Sales</b>	€41.3bn	▶	Low-single-digit % increase ~ €46	~ +6%
<b>EBITDA before special items</b>	€8.7bn	▶	High-teens % increase	~ +4%
<b>core EPS</b>	€5.89	▶	High-teens % increase	~ +4%

# Full Year 2015 – Guidance by Subgroup



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

Page 11 • Bayer Investor Handout / Debt Investor Update • Q3 2015



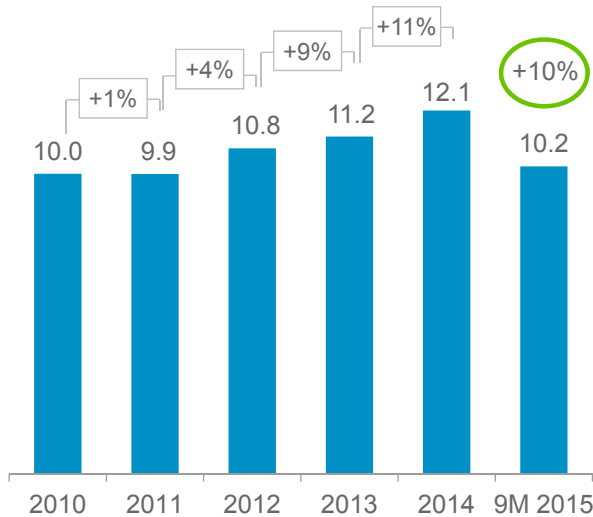
### 1. Deliver growth and performance



# Fast-Growing Global Pharma Business

## Sales

€ billion; Δ% yoy Fx & portfolio adj.



## Plans for continued growth

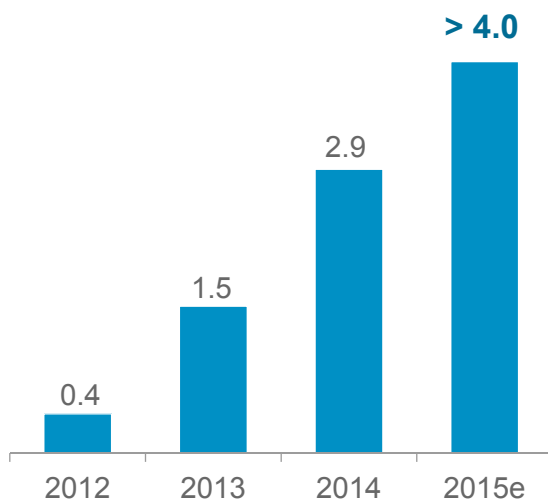
- Maximize the value of launch products
- Drive commercial excellence in marketing and sales
- Advance early and mid-stage pipeline
- Achieve phase III readiness for key phase II assets by mid-2016
- Explore opportunities for partnerships, open innovation and bolt-on acquisitions



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

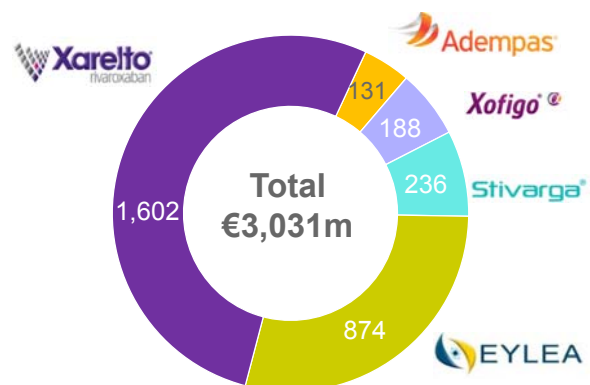
## Collective Sales

€ billion



## 9M 2015 Individual Sales

€ million

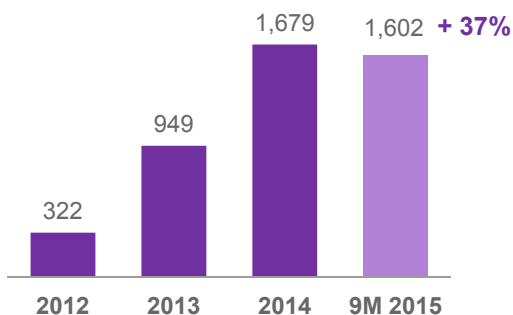


# Xarelto – Leading Novel Anticoagulant

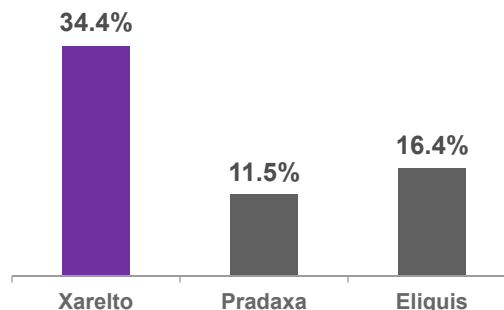


## Sales

€ million; Δ% Fx adj.



## Global Sales Market Share\*



- Continued dynamic growth: gaining 2.2%-age points market share since Dec 2014
- >15 million patients treated to date
- Comprehensive life-cycle management program underway\*\*

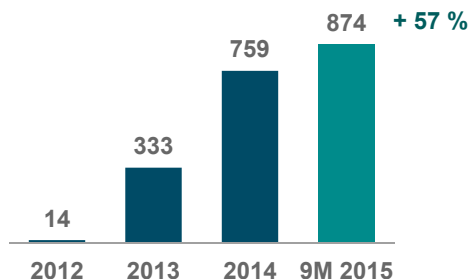
✓ **Peak sales potential of ~€3.5bn reiterated**

# Eylea – Gaining Share in Key Markets



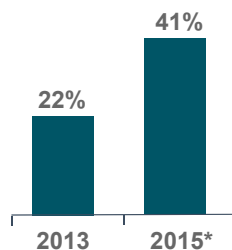
## Sales

€ million; Δ% Fx adj.

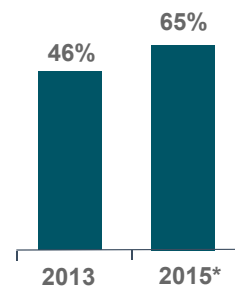


## Europe

5 main countries + Switzerland



## Japan



- Significant label expansion achieved. New indications approved: DME, mCNV and RVO
- Life-cycle management including combination therapy with PDGFR-β antibody\*\*

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

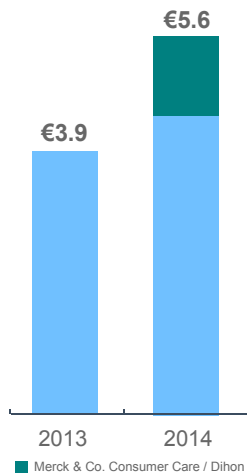
DME: Diabetic macula edema  
mCNV: myopic Choroidal neovascularization  
RVO retinal vein occlusion





# Leveraging Potential of OTC Leadership

Consumer Care Sales  
€ billion; 2014 pro forma



■ Merck & Co. Consumer Care / Dihon

## 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

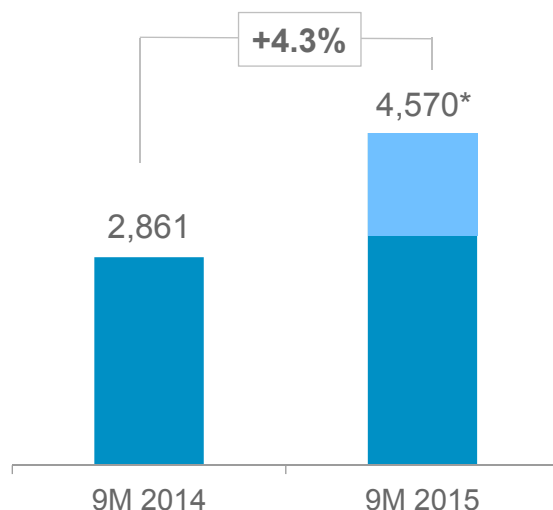
Coppertone

# 9M 2015 – Consumer Care: Generated Strong Growth



## Sales

€ million; Δ% Fx & portfolio adj.



## Performance key brands

Δ% yoy, Fx adj.

ASPIRIN®

+2%

ALEVE

+4%

Bepanthen®

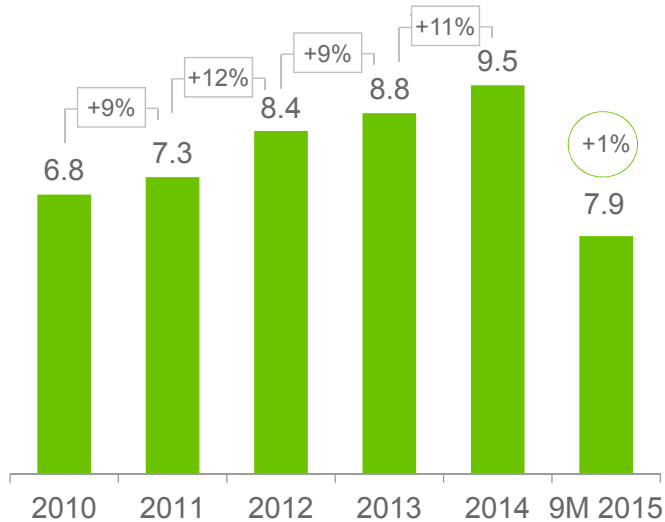
+12%

# CropScience: Steady After Four Exceptional Years



## Sales

€ billion; Δ% Fx & portfolio adj.



## Plans for continued growth

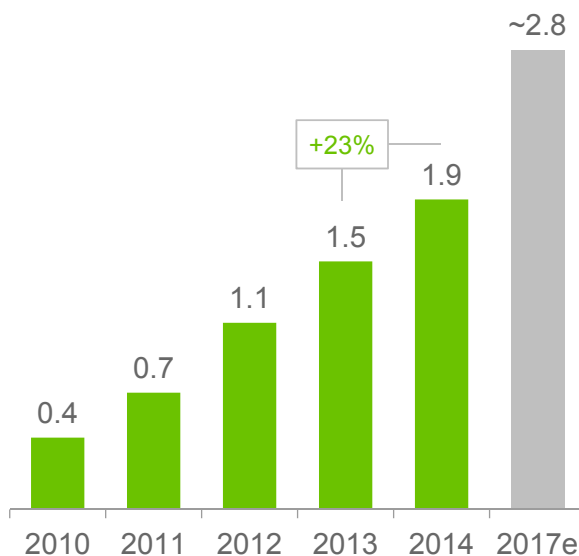
- Strengthen portfolio through focused and integrated crop solutions
- Drive commercial excellence in marketing and sales
- Drive new product growth, invest in life-cycle management
- Expand seeds portfolio by building business in soybeans and wheat

# New Products Drive Growth at Crop Protection



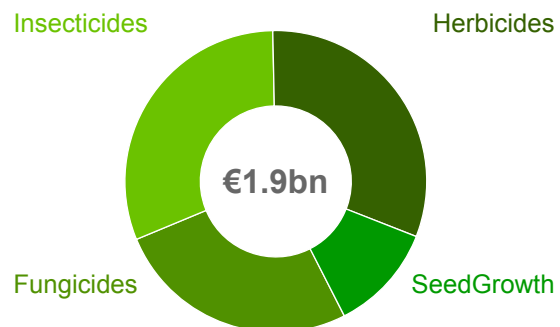
## New product sales

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



## By segment

2014



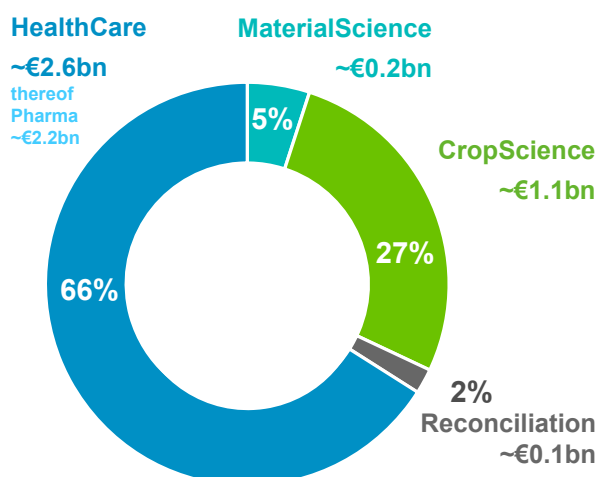
New products generated nearly 70% of absolute sales growth at Crop Protection

## 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

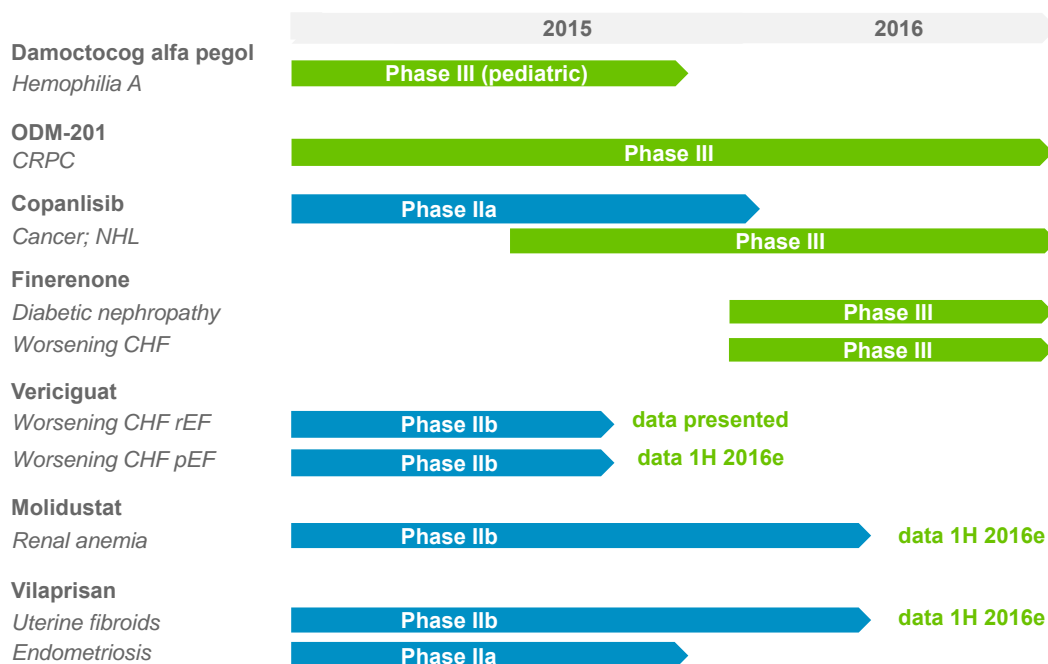
## Mid- and Late-stage Pipeline Projects

- 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 – Current Timelines





# Expected Newsflow from Pharma Pipeline

Compound	Intended Indication	Status	Expected Completion
<b>Vericiguat</b> sGC stimulator	Wors. chronic heart failure	Phase IIb; reduced ejection fraction	mid 2015e
<b>Vericiguat</b> sGC stimulator	Wors. chronic heart failure	Phase IIb; preserved ejection fraction	end 2015e
<b>Copanlisib</b> PI3 kinase inhibitor	Non-Hodgkin's lymphoma	Phase II	1H 2016e
<b>Roniciclib</b> CDK-Inhibitor	Small cell lung cancer	Phase II	1H 2016e
<b>Regorafenib</b> Multikinase inhibitor	HCC (2 <sup>nd</sup> line)	Phase III	1H 2016e
<b>Molidustat</b> HIF-PH inhibitor	Anemia	Phase II	1H 2016e
<b>Vilaprisan</b> Selective progesterone receptor modulator	Uterine fibroids	Phase IIb	1H 2016e
<b>Rivaroxaban</b> Factor Xa inhibitor	Atrial fibrillation with percutaneous coronary intervention (PIONEER AF-PCI)	Phase III/IV	2H 2016e
<b>ODM-201</b> Androgen receptor antagonist	Non-metastatic castration-resistant prostate cancer	Phase III	2018e



# 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

### 3. Execute Portfolio Transformation

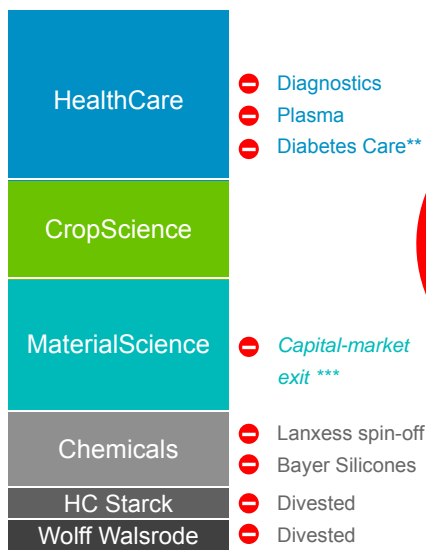
- Integrate acquired businesses
- Exit MaterialScience businesses
- Adjust Group structures to reflect Life Science focus

Transforming Into a Pure Life Science Company  
Transaction Volume >€48bn Since 2004\*

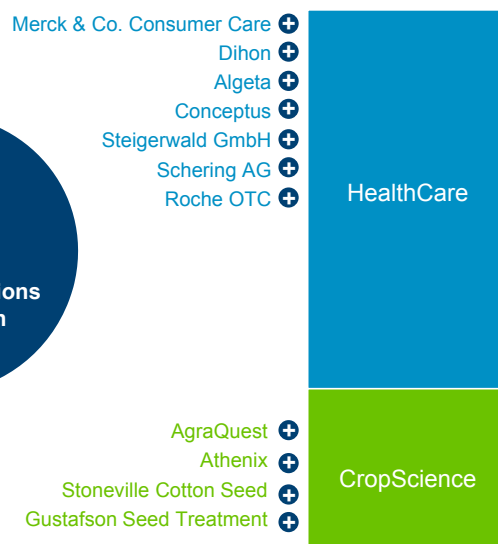


Major examples only

2003 Sales €28.6bn



Pro-Forma 2014 Sales ~ €31bn



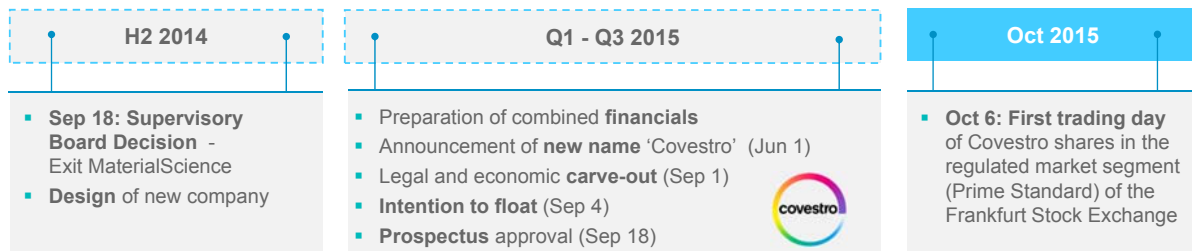
\*Transaction volume: acquisitions/divestments 2004 – 2014

\*\*pending

\*\*\* 31% floated

# Successful IPO of Covestro AG

## Positive response despite challenging environment



- 62.5 million new Covestro bearer shares offered by way of a capital increase at issue price of €24.00
- Gross proceeds of €1.5 billion generated
- Issued volume represents free float of ~31%; Covestro still to be fully consolidated
- Bayer to focus entirely on Life Science businesses and eventually intends to fully dispose its stake in Covestro

## 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
- 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

A large, artistic background image featuring a blue and green color palette. It includes a prominent green curved line on the left side and a circular inset on the right showing a microscopic view of a cell or tissue. The overall aesthetic is scientific and modern.

# Debt Investor Update



## Bayer's Credit Highlights

- Diverse business model across geographies and segments
- Conservative capital structure and strong investment grade credit rating
- Careful balance sheet management and strong track record of deleveraging
- Strong and consistent cash flow generation with modest leverage

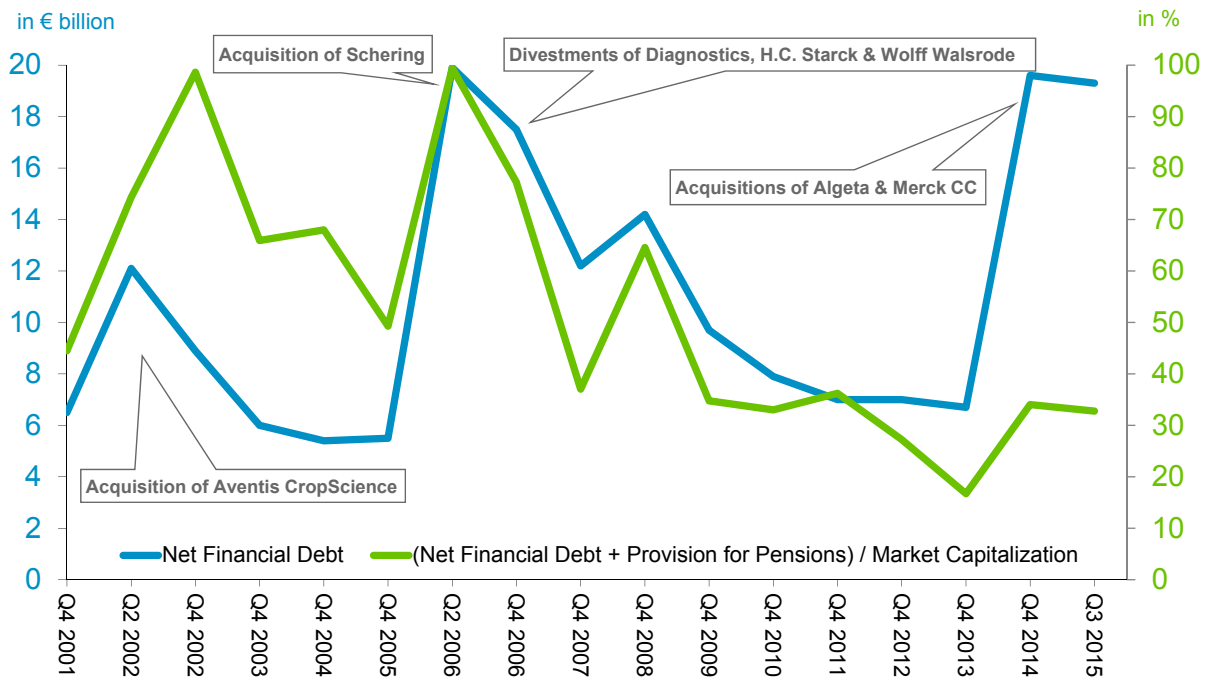


## Bayer Pursues a Conservative Financial Policy

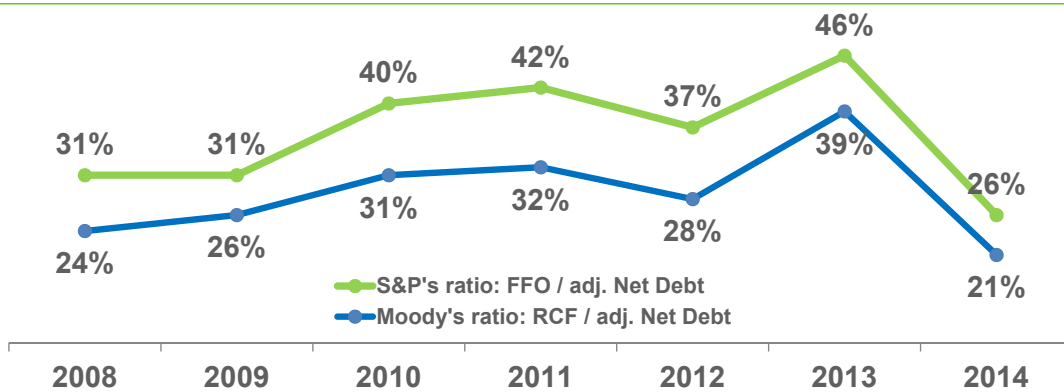
- **Centralized financial management as part of the strategic management holding**
- **Key Objectives:**
  - Ensure the Group's liquidity and creditworthiness at all times
  - Maintain investment grade credit rating in the single A category
  - Support a sustained increase in corporate value
- **Measures:**
  - Optimization of capital structure
  - Effective and efficient financial risk management to reduce earnings volatility
  - Strict financial guidelines and worldwide financial governance
  - Credit supportive financing of acquisitions
- **Prudent debt management with excellent access to diverse sources of liquidity**
  - Multi-currency debt issuance program
  - Syndicated credit facilities
  - Bilateral loan agreements
  - Global Commercial Paper program



# Net Financial Debt & Leverage



# Prudent Debt Management: Targeting Single 'A' Category Credit Rating

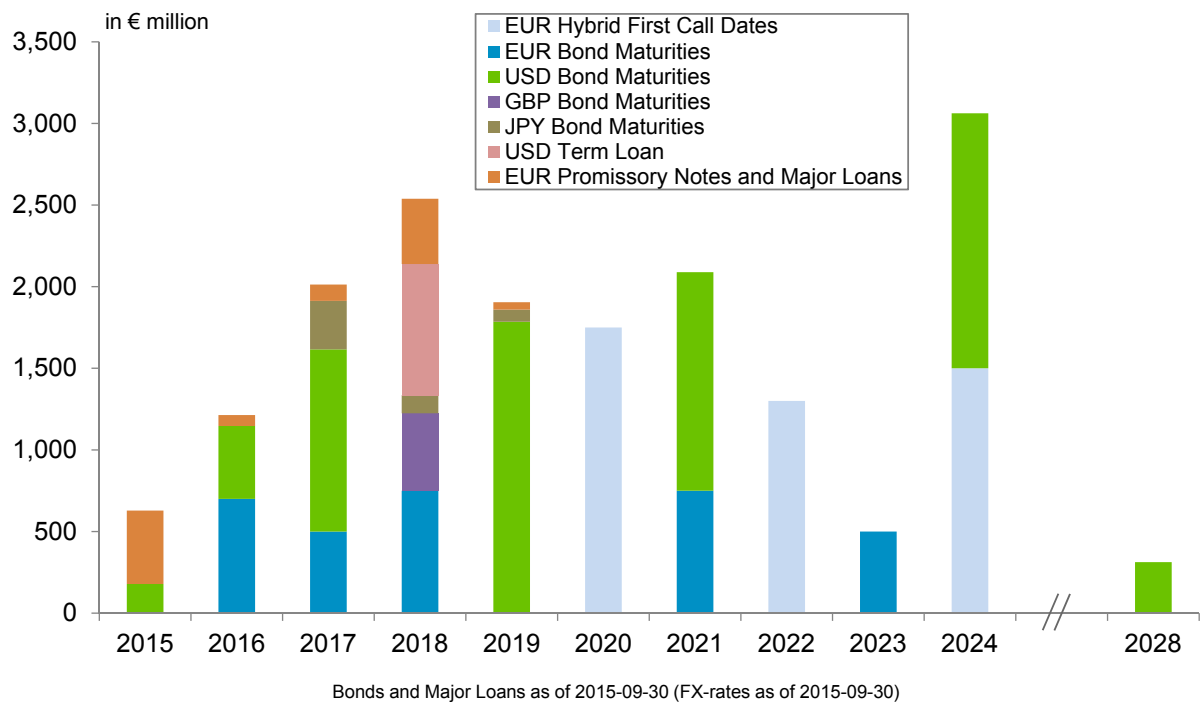


<b>S&amp;P's</b>	A-	A-	A-	A-	A-(positive)	A-(positive)	A-
<b>Moody's</b>	A3	A3	A3	A3	A3	A3 (positive)	A3

- After announcement to acquire Merck & Co.'s Consumer Care Business in 05/2014 S&P's affirmed Bayer's A-/A-2 ratings (reducing outlook to stable). Moody's affirmed Bayer's A3/P-2 ratings (also reducing outlook to stable)
- After launch of Covestro to the capital market in 10/2015, both rating agencies confirmed current rating assessment



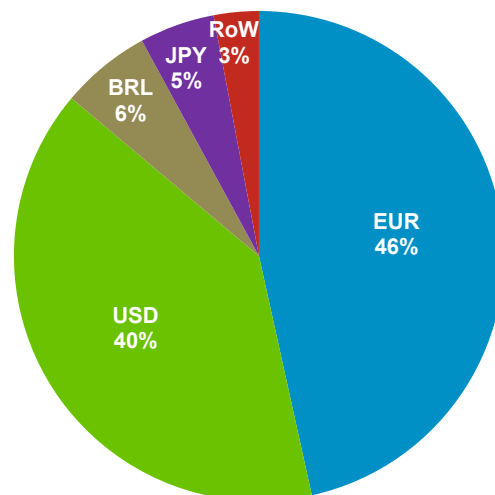
# Balanced Debt Maturity Profile



# Detailed Debt Profile as of September 2015

Instrument	Volume (€ billion)
Hybrid Bonds	4.6
144A Bonds	6.7
EMTN Bonds	4.2
Promissory Notes	0.1
Syndicated Loans	1.0
Subsidized Loans	1.1
Other Bank Loans	1.2
Leasing	0.5
Commercial Paper	2.2
Others	0.8
€3.5bn RCF	0.0
<b>Liquidity</b>	<b>3.1</b>
<b>Net Financial Debt</b>	<b>19.3</b>

Currency Split of Net Financial Debt\*



Notes  
\* after derivatives (FX-rates as of 2015-09-30)



# Strong Cash Flow Generation Profile

in € billion	FY 2012	FY 2013	FY 2014	1-9 2015
Sales	39.8	40.2	42.2	35.0
adj. EBITDA*	8.3	8.4	8.8	8.4
Free Operating Cash Flow**	2.5	3.0	3.4	3.4
Net Financial Debt	7.0	6.7	19.6	19.3
Provision for Pensions	9.4	7.4	12.2	11.7
Market Capitalization	59.4	84.3	93.4	94.6
Net Financial Debt / adj. EBITDA	0.8	0.8	2.2	./.

Figures as reported in respective year

\* adj. = before special items

\*\* Net cash flow minus capex



## Conclusion

- Bayer is well positioned in its markets
- Strong track record of performance
- Strong growth momentum in the Life Science businesses
- Acquisition of Merck & Co.'s Consumer Care business in 2014 created a global leader in OTC
- Capital-market launch of Covestro successfully executed, creating a world-class Life Science company and a market leader in high-tech polymers
- Conservative financial policy in place - targets credit rating in the single A category