



Science For A Better Life



# Investor Handout

March 2017

# Cautionary Statements Regarding Forward-Looking Information



Certain statements contained in this communication may constitute “forward-looking statements.” Actual results could differ materially from those projected or forecast in the forward-looking statements. The factors that could cause actual results to differ materially include the following: uncertainties as to the timing of the transaction; the possibility that the parties may be unable to achieve expected synergies and operating efficiencies in the merger within the expected time-frames or at all and to successfully integrate Monsanto Company’s (“Monsanto”) operations into those of Bayer Aktiengesellschaft (“Bayer”); such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the announcement of the transaction; the retention of certain key employees at Monsanto; risks associated with the disruption of management’s attention from ongoing business operations due to the transaction; the conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the merger; the impact of indebtedness incurred by Bayer in connection with the transaction and the potential impact on the rating of indebtedness of Bayer; the effects of the business combination of Bayer and Monsanto, including the combined company’s future financial condition, operating results, strategy and plans; other factors detailed in Monsanto’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (the “SEC”) for the fiscal year ended August 31, 2016 and Monsanto’s other filings with the SEC, which are available at <http://www.sec.gov> and on Monsanto’s website at [www.monsanto.com](http://www.monsanto.com); and other factors discussed in Bayer’s public reports which are available on the Bayer website at [www.bayer.com](http://www.bayer.com). Bayer assumes no obligation to update the information in this communication, except as otherwise required by law. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof.



2016: Another Record Year for Bayer –  
Good Progress with the Agreed  
Acquisition of Monsanto

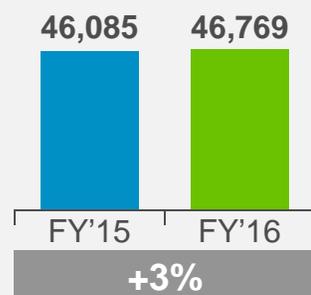
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# FY 2016 – Another Record Year for Bayer

## Sales

€m, Δ% FX & portf. adj.



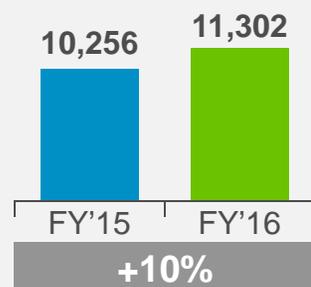
## EBIT

€m



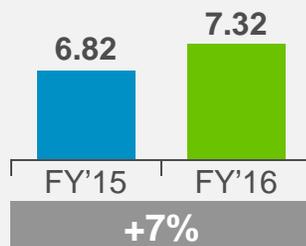
## EBITDA

before special items, €m



## Core EPS

cont. operations, €



## Main Achievements

- ✓ Further growth in sales and earnings
- ✓ Agreed Monsanto acquisition
- ✓ Closing of Diabetes Care divestment
- ✓ Closing of divestiture of Environmental Science Consumer business
- ✓ Stake in Covestro reduced
- ✓ Patent term for Rivaroxaban extended in USA
- ✓ Major innovation milestones achieved - ≥€6bn PSP of key pharma pipeline assets
- ✓ Successful placement of €4bn MCN

2015 figures restated

PSP: Peak sales potential; MCN: Mandatory convertible notes

# FY 2017 – Group Forecast Projects Further Growth in Sales and Earnings



Sales  $\Delta$  % yoy Fx and portfolio adj., EBITDA before special items  
Continuing operations

		2016		Forecast 2017
<b>Sales</b>	Group	€46.8bn	▶	Low- to mid-single-digit % increase to >€49bn
	Life Sciences	€34.9bn	▶	Mid-single-digit % increase to ~€37bn
<b>adj. EBITDA</b>	Group	€11.3bn	▶	Mid-single-digit % increase
	Life Sciences	€9.3bn	▶	Mid- to high-single-digit % increase
<b>core EPS</b>	Group	€7.32	▶	Mid-single-digit % increase

Assuming end Q4 2016 Fx rates (USD 1.05)

Outlook depends on specific planning assumptions as detailed in the Annual Report

# Mid-Term Aspirations Emphasize Attractive Growth and Margin Potential

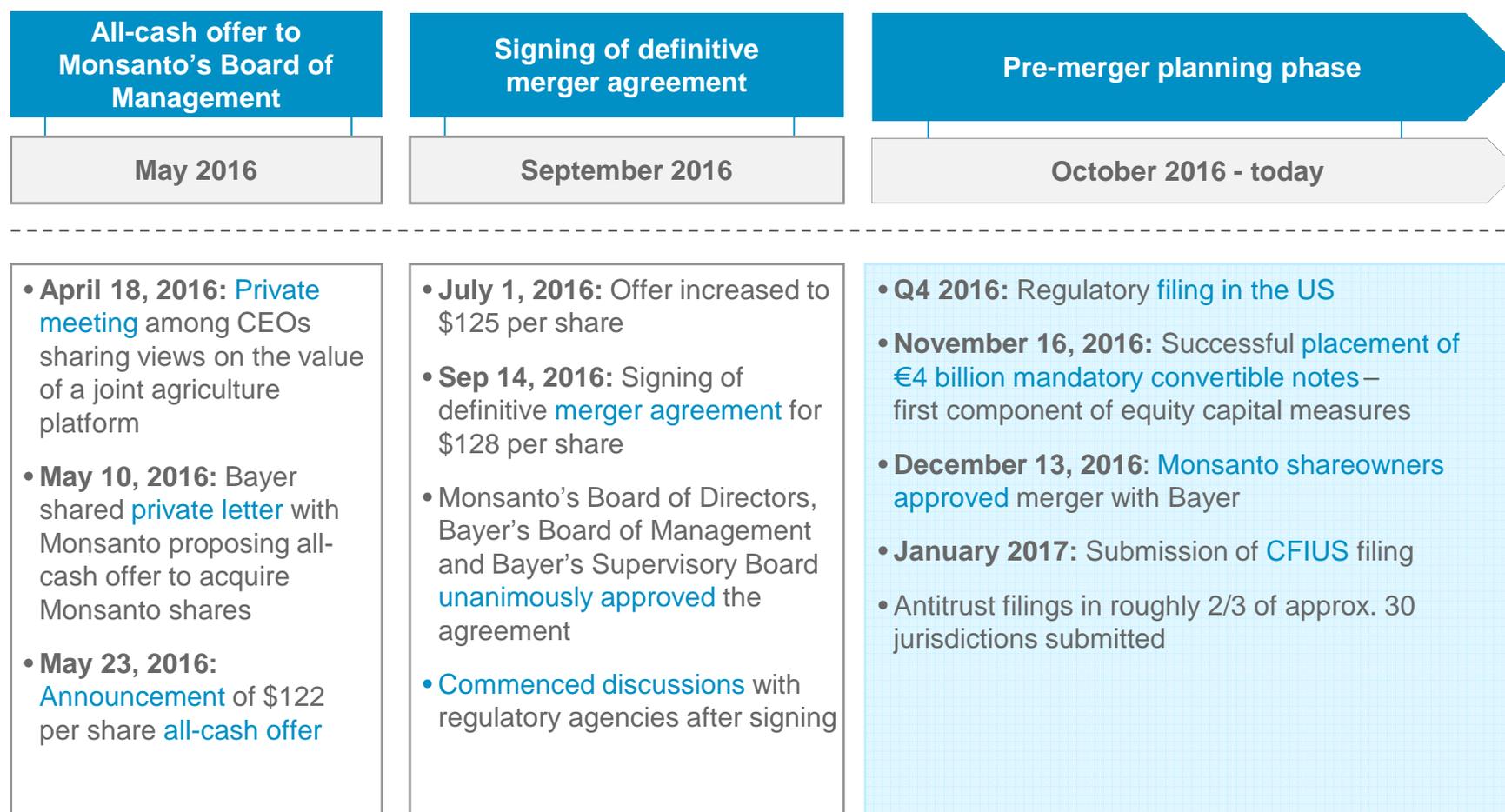


	Sales Growth CAGR 2015-2018	Adjusted EBITDA Margin 2018
<b>Pharma</b>	~6%	<b>32-34%</b> <i>Despite dilution through Radiology and significant R&amp;D investment</i>
<b>Consumer Health</b>	4-5%	~25%
<b>Animal Health</b>	4-5%	23-24%
<b>Crop Science (incl. Monsanto)*</b>	<b>Above market growth</b>	<b>&gt;30% after year 3 post closing</b>

Sales  $\Delta$  Fx & portf. adjusted, EBITDA before special items, continuing operations  
 Outlook depends on specific planning assumptions outlined in the Interim Report Q2 2016  
 Acquisition of Monsanto pending  
 \*Not including any potential divestments



# Agreed Monsanto Acquisition – Achievements





# Agreed Monsanto Acquisition – Next steps

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- Close cooperation with the antitrust authorities continues - we remain confident of closing the transaction before the end of 2017
- Antitrust filing in the European Union planned for Q2 2017
- Appropriate preparations to facilitate the successful completion of the acquisition and the integration of the two companies are underway
- Further take-out financing with debt (incl. hybrid) and equity planned
- Should we identify options to further optimize financing structures, instruments and also the timing of financing steps in the context of this transaction, we will consider these



# Life Science Focus Sets Strategic Priorities – Update on Selected Topics

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# Bayer – A World-Class Life Science Company

## Group Strategic Priorities

**Positioning businesses to mega-trends: Health and Nutrition**

**Steering a leading portfolio: Leadership in our relevant markets**

**Driving value: Profitable growth**

**Focusing on our strength: Innovation**

## Divisional Strategies

**Pharmaceuticals**

Focused leadership strategy to deliver growth and to create value

**Consumer Health**

Maintain global OTC leadership and improve profitability

**Crop Science / AH**

Combined crop science company well positioned to deliver superior performance

AH: Animal Health

# Focused Leadership Strategy at Pharma to Deliver Growth and to Create Value



## Deliver Growth

- Focus on key therapeutic areas and build / maintain leading positions
  - Cardiovascular
  - Hemophilia
  - Women's Health
  - Oncology
- Continue to maximize growth potential of Xarelto, Eylea, Xofigo, Stivarga, Adempas

## Drive Innovation

- Build pipeline organically and pursue in-licensing and bolt-on M&A options
- Focus research on Cardiovascular and Oncology
- Foster late-stage development to fully develop high value projects
- Support leading positions in Hemophilia, Women's Health and Ophthalmology

## Create Value

- Deliver on mid-term growth and margin aspirations
- Balance margin expansion and need to invest in securing long-term growth



# Pharma – Key Growth Drivers Going Forward

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- **Mid-term aspirations 2018** reflect further growth and margin potential
- **Key growth products<sup>1</sup>** with significant potential reflected in combined peak sales estimate of > €10bn
- Execution of a comprehensive **life-cycle management** program, e.g. potentially adding 5 new indications and uses to expand the usability of Xarelto
- **Pipeline** holds promise with a combined peak sales potential of selected assets<sup>2</sup> of ≥ €6bn
- Pursuing in-licensing and other **external growth opportunities**

<sup>1</sup> Xarelto, Eylea, Xofigo, Stivarga, Adempas

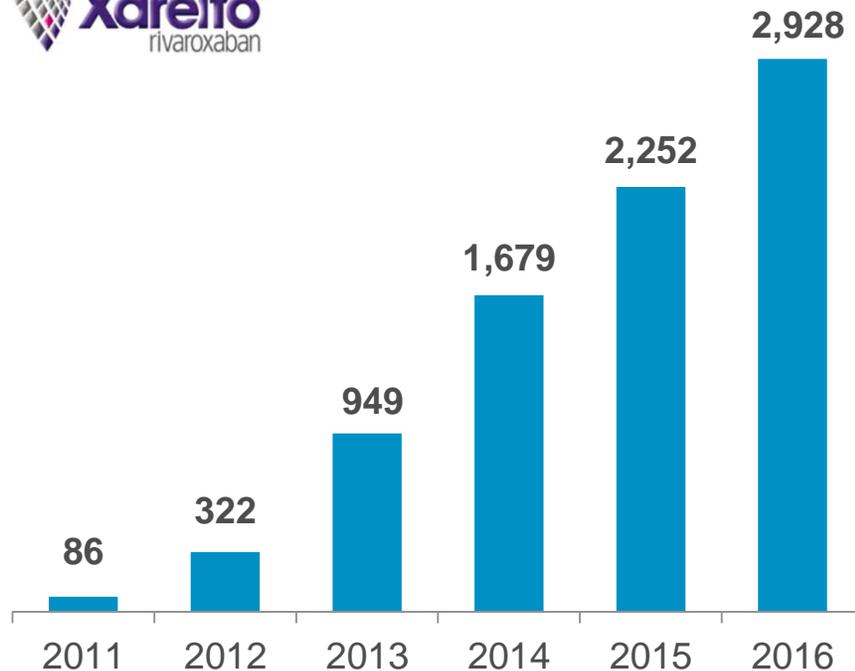
<sup>2</sup> Copanlisib, Anetumab Ravtansine, Finerenone, Vericiguat, Vilaprisan and ODM-201 assuming approvals and launches as planned



# Xarelto – Continued Attractive Growth

## Sales

€ million



- Continued excellent performance – Xarelto now a **TOP 10 global Pharma brand**<sup>1</sup>; >26 million patients treated since launch<sup>2</sup>
- **Guidance 2017**: mid-teens percentage increase vs. 2016 (fx-adj.)
- **Peak sales** estimate: >€5.0bn
- **COMPASS** Phase III stopped early on success, showing overwhelming efficacy
- Further **growth potential** driven by:
  - Under-served patient populations in launched indications
  - Demographics
  - Shift from warfarin
  - New indications targeting patients currently not treated with anticoagulants

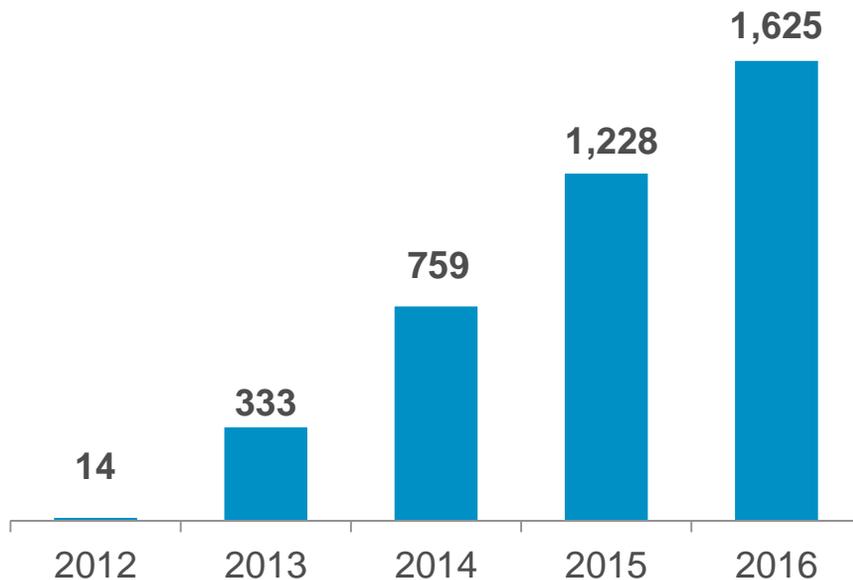
<sup>1</sup> according to IMS; <sup>2</sup> calculation based on IMS Health MIDAS database



# Eylea – Well-Positioned in Retinal Diseases

## Sales

€ million

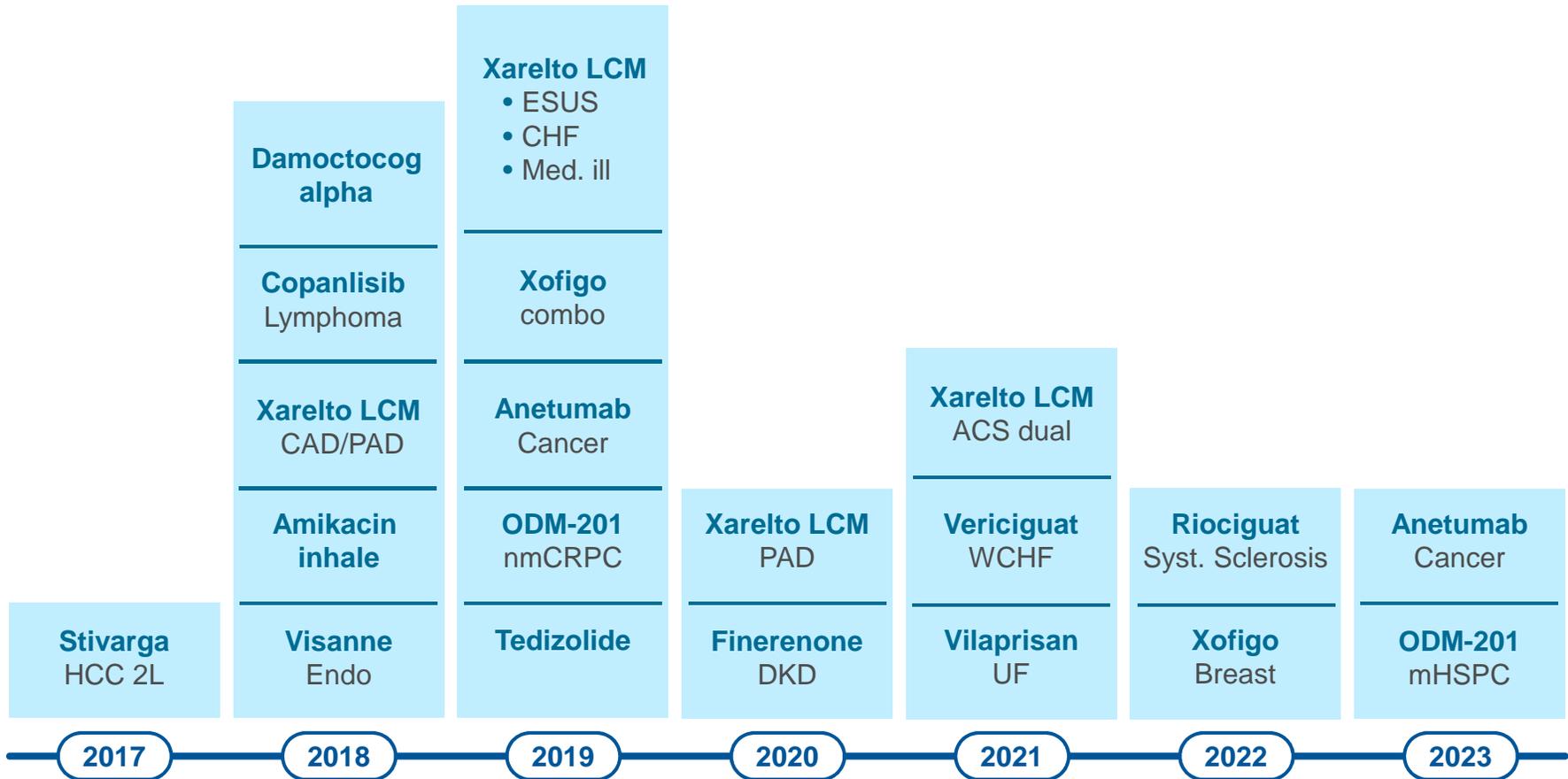


- Eylea<sup>1</sup> **gaining market** share in multiple countries, achieving market leadership across several important ex-US territories<sup>2</sup>
- Confidence in growth potential – **peak sales** estimates raised to >€2.5bn
- **Guidance 2017**: mid-teens percentage increase vs. 2016 (fx-adj.)
- **Life-cycle management** including combination therapy with Ang2-antibody<sup>3</sup>
- Further **growth potential** driven by:
  - Continued generation of real-life experience in wAMD across key markets and treatment-naïve patient share gains
  - Market expansion in DME

<sup>1</sup> marketed by Bayer ex-US only; <sup>2</sup> source: IMS monthly market share data;

<sup>3</sup> in collaboration with Regeneron; Ang2: Angiopoetin 2

# New Product and Life Cycle Management Launches Planned at Pharma



First expected launches in first countries; Eylea Life Cycle Management not included; Selection of projects, regional and small projects not shown; Launches subject to successful clinical development and regulatory approval

# Consumer Health to Maintain Global OTC Leadership and to Improve Profitability



## Build Global Brands

- Focus on category-leading, global brands
- Execute brand strategies in a differentiated, country-specific approach, tailored to local market requirements

## Drive Key Market Growth

- Deliver growth in key markets including USA, China, Brazil, Russia
- Refocus investments to mature markets which are regaining momentum
- Continue prudent investments in emerging markets
- Leverage scale to grow more profitably

## Accelerate Innovation

- Accelerate consumer-centric innovation
- Create more effective innovation processes
- Exploit growth potential of Rx/OTC switches
- Build new digital capabilities

# Consumer Health to Focus on Growth and Profitability

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- We continue to invest into our **growth opportunities**
- We are making progress with the **turnaround of Dr. Scholl's** and, in particular, **Coppertone**
- We have implemented a number of organizational changes that allow us to **concentrate our investments** better than before on individual growth brands in certain countries
- In addition, we have **revamped our innovation process**

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Mid-term aspirations for Consumer Health confirmed

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# Foster Innovation at Consumer Health



- Tailor development to needs of different product categories, e.g. nutritionals, vs OTCs, vs personal care
- Build Rx-to-OTC switches pipeline
- Provide new benefit areas to consumers

# Combined Crop Science Company Well Positioned to Deliver Superior Performance



## Integrated Solutions

- Create integrated agriculture offerings
- Smarter combinations of products on broader footprint, supported by more targeted digitally enabled agronomic advice
- Enable customized solutions for broad-acre crops corn and soy

## Lead Innovation

- Advance strong pipeline across crops, indications and technologies
- Deploy joint innovation capabilities to deliver enhanced solutions for the next generation of farming
- Customized systems based on synergistic technology application and powered by digitally enabled agronomic engine

## Deliver Value Proposition

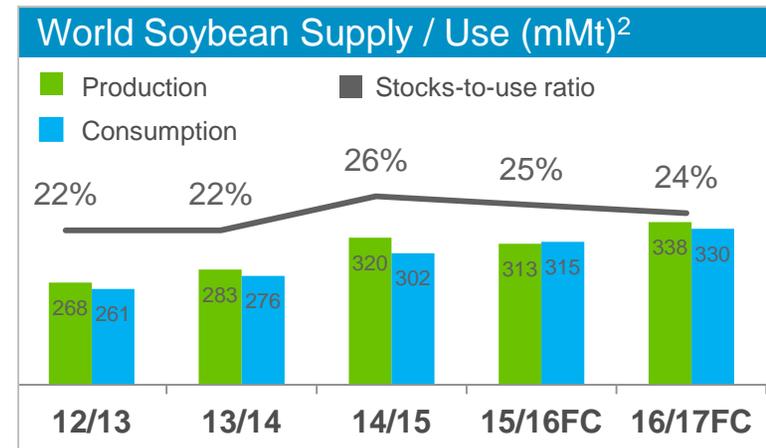
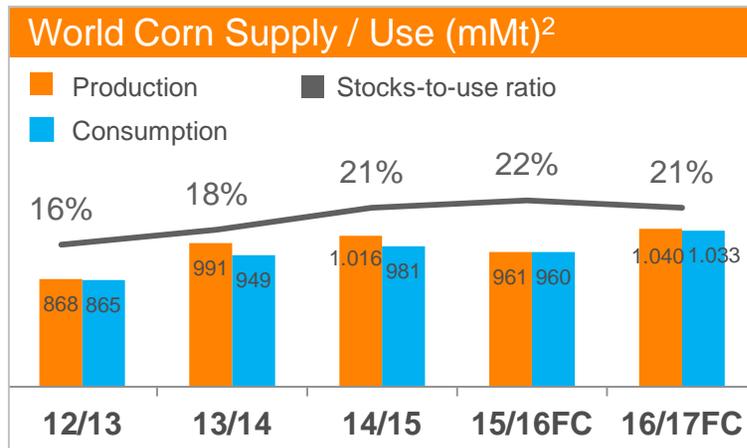
- Realize full synergy potential of the combined businesses
- Deliver above market growth and superior margins

Acquisition of Monsanto pending

# Current Ag Market Downturn Driven by Supply – Demand Steadily Growing



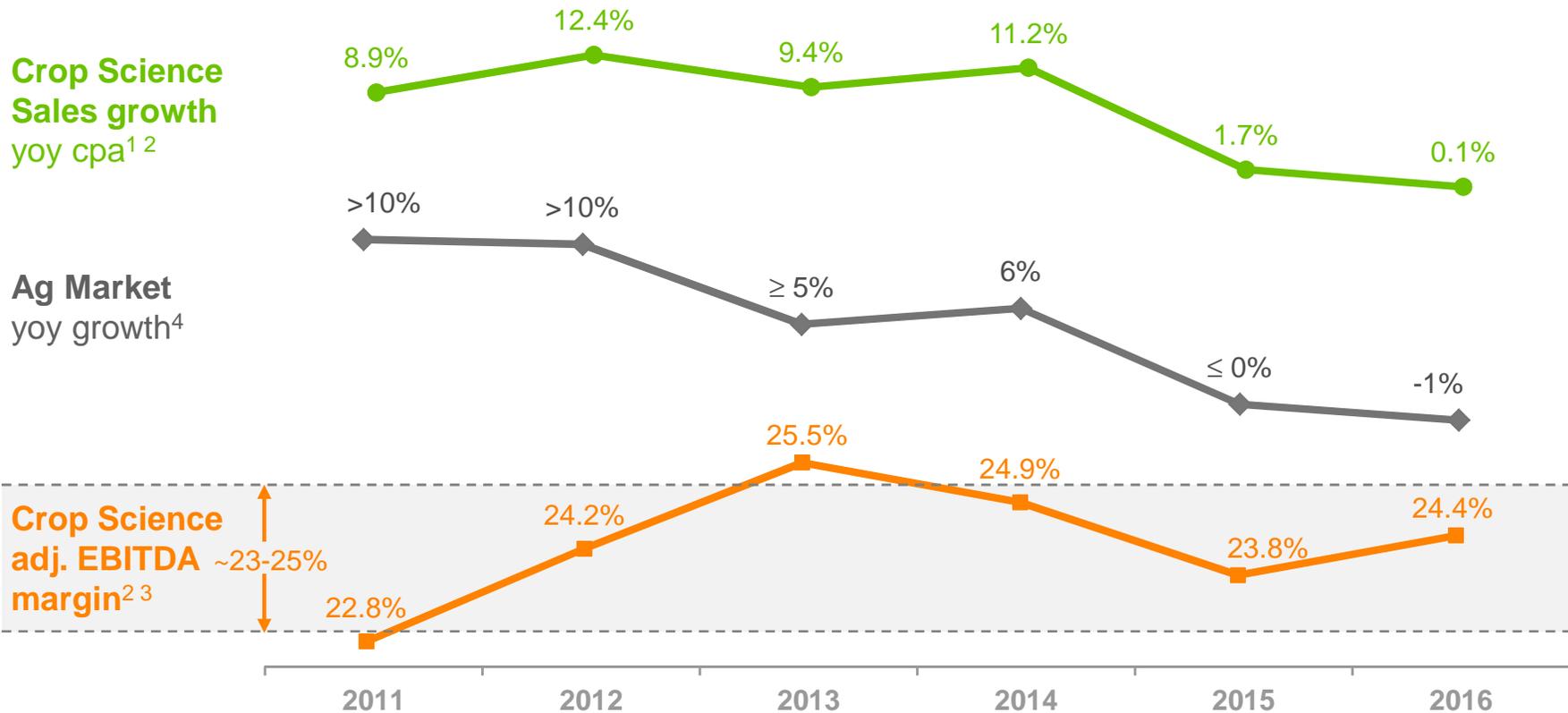
- Demand is steadily growing as long-term drivers are intact
- Several strong harvests in a row hiked global stocks of key commodities
- Stocks-to-use ratios for corn and soybean expected to stabilize
- CBOT<sup>1</sup> futures for corn and soybean trending upwards
- ➔ Early indicators suggest that bottom of the ag cycle has been reached
- ➔ Ag market recovery expected to start in late 2017, depending on harvests over the year



<sup>1</sup> CBOT: Chicago Board of Trade (Corn futures chain; c1 Soybean front month continuation), as of Feb 22, 2017

<sup>2</sup> Source: USDA WASDE, as of Feb 9, 2017

# Crop Science Delivers Growth and Robust Margins Over the Ag Cycle



<sup>1</sup> currency and portfolio adjusted    <sup>2</sup> 2015 data restated    <sup>3</sup> before special items

<sup>4</sup> Seeds, traits and crop protection market; source 2011: internal estimation, source 2012-2016: Bayer Annual Reports

# Strong Innovators are Needed to Step-up the Pace in Agriculture R&D



- The Pharma industry spends ~\$150bn<sup>1</sup> per year on R&D to enhance health, whilst the Agricultural industry spends only ~\$8bn<sup>2</sup> per year on R&D to enhance food security, which is the basis for good health
  - United Nations FAO<sup>3</sup> sees need for more sustainable food and agricultural production and calls for innovative systems that protect and enhance the natural resource base, while increasing productivity:
    - More efficient use of land, water and other inputs
    - Climate-smart agriculture: adapting and building resilience to climate change, while capturing potential mitigation co-benefits
    - Greater conservation of biodiversity
    - Achieve a greater quality and quantity of production with shift from "ready-to-use" to "custom-made" production systems
- ➔ "Adoption and adaptation of sustainable farming systems and practices require technological innovation and investment in R&D"

<sup>1</sup> 2015, source: EvaluatePharma, Aug 2016 <sup>2</sup> Estimation based on Phillips McDougall AgriService data; 2015 R&D expenditure of leading companies in conventional crop protection and agricultural biotechnology

<sup>3</sup> Source: FAO. 2016. The future of food and agriculture – Trends and challenges. Rome

# Accelerating Innovation Through Joint R&D Forces in Combined Entity



- Innovation in agrochemicals, seeds & traits has become more costly and takes longer<sup>1</sup> due to higher regulatory demands
- New unmet needs and challenges (e.g. climate change, resistances) require breakthrough innovation based on synergistic technology application
- Emerging technologies allow to generate new customized solutions
- ➔ Increasing need for interdisciplinary approaches to accelerate R&D productivity

## Bayer & Monsanto's Joined R&D Forces<sup>2</sup>

- Strong R&D technology platforms with cross-technology capabilities
- Superior access to innovation resources (including emerging technologies like genome-editing) through alliances and ventures
- ➔ Strong commitment to innovation with 2016 pro forma R&D investment of €2.5bn

<sup>1</sup> Based on: Phillips McDougall, AgriFutura Apr 2016 and AgriService Nov 2016

<sup>2</sup> 2016 Bayer + Monsanto pro forma; Fx rate USD/EUR=1.11; Monsanto R&D investment calendarized to Nov 2016



# Bayer – A World-Class Life Science Company

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- Delivered **record performance** in 2016
  - Good progress with the agreed **acquisition of Monsanto**
  - Outlook 2017 projects **further growth in sales and earnings**
  - **Mid-term aspirations** emphasize growth and margin potential
  - **Focused leadership strategy** at Pharma to deliver growth and to create value
  - Consumer Health to maintain **global OTC leadership** and to improve profitability
  - Combined crop science company well positioned to **deliver superior performance**
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# Reporting Events

Date	Event	Publication
Thursday, April 27, 2017	Investor Conference Call	Q1 2017 Interim Report
Friday, April 28, 2017	Annual Stockholders' Meeting	
Thursday, July 27, 2017	Investor Conference Call	Q2 2017 Interim Report
Thursday, October 26, 2017	Investor Conference Call	Q3 2017 Interim Report
Wednesday, February 28, 2018	Investor Conference Call	2017 Annual Report
Thursday, May 03, 2018	Investor Conference Call	Q1 2018 Interim Report
Friday, May 25, 2018	Annual Stockholders' Meeting	



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