



150 Years  
Science For A Better Life



SINCE 1863 – INNOVATING FOR THE FUTURE

## Investor Handout

# Q1 2013

May 2013 | Leverkusen



150 Years  
Science For A Better Life

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**Disclaimer**

# Our Mission – Innovation and Customer Value



## Science For A Better Life

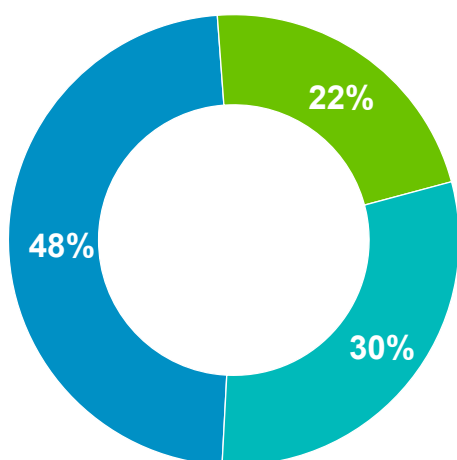
### Science / Innovation

- **Bayer is an innovation company**
  - With a strong “innovation portfolio”
  - Addressing new growth areas
  - Capable of identifying and using breakthrough innovations
- **Bayer is innovative in many ways:** Products, technologies, processes, business models, strategies

### Better Life

- Bayer products improve the quality of people’s lives
- Bayer has an excellent understanding of human, animal and plant health, as well as of high-quality materials
- Respect for people and nature is an essential part of our values

# Our Business Portfolio – Leading in Its Markets



Sales 2012: €39.7bn

**€18.6bn** | **HealthCare**  
Pharmaceuticals €10.8bn, leading positions in core indications  
  
Consumer Health €7.8bn, OTC pharmaceuticals, blood glucose meters, contrast media and veterinary medicines, global #2-5

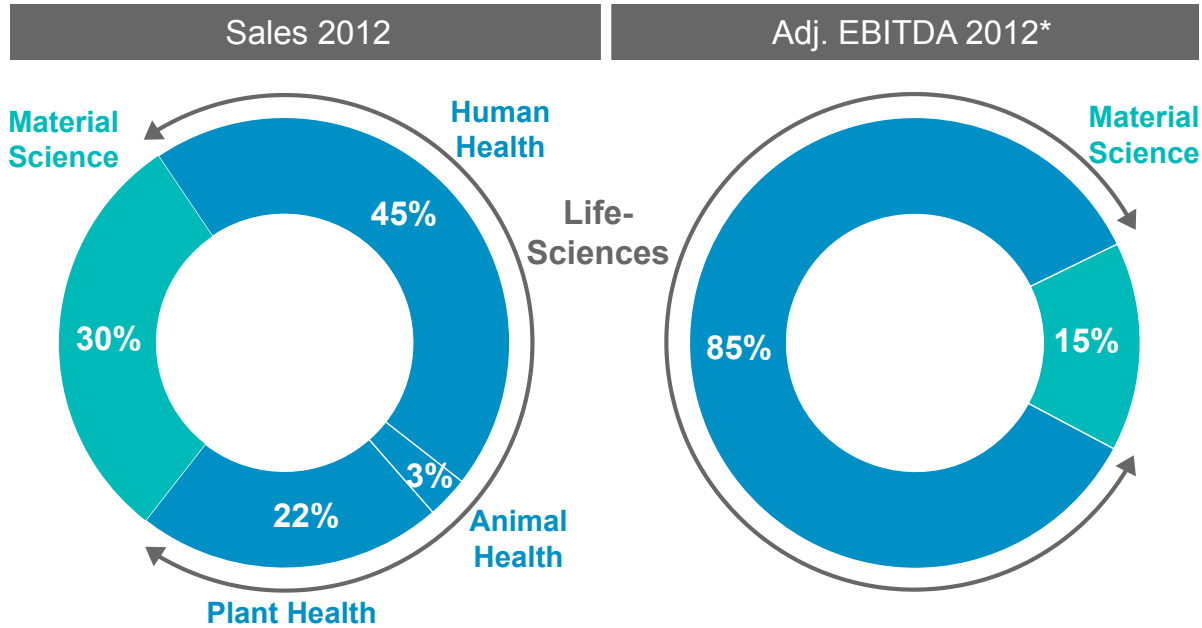
**€8.4bn** | **CropScience**  
Chemical crop protection & biologicals, global #2, seeds & traits

**€11.5bn** | **MaterialScience**  
Polyurethanes and polycarbonates, global #1/2

# We are Generating the Vast Majority of our Business in the Life-Sciences



Breakdown excluding Reconciliation

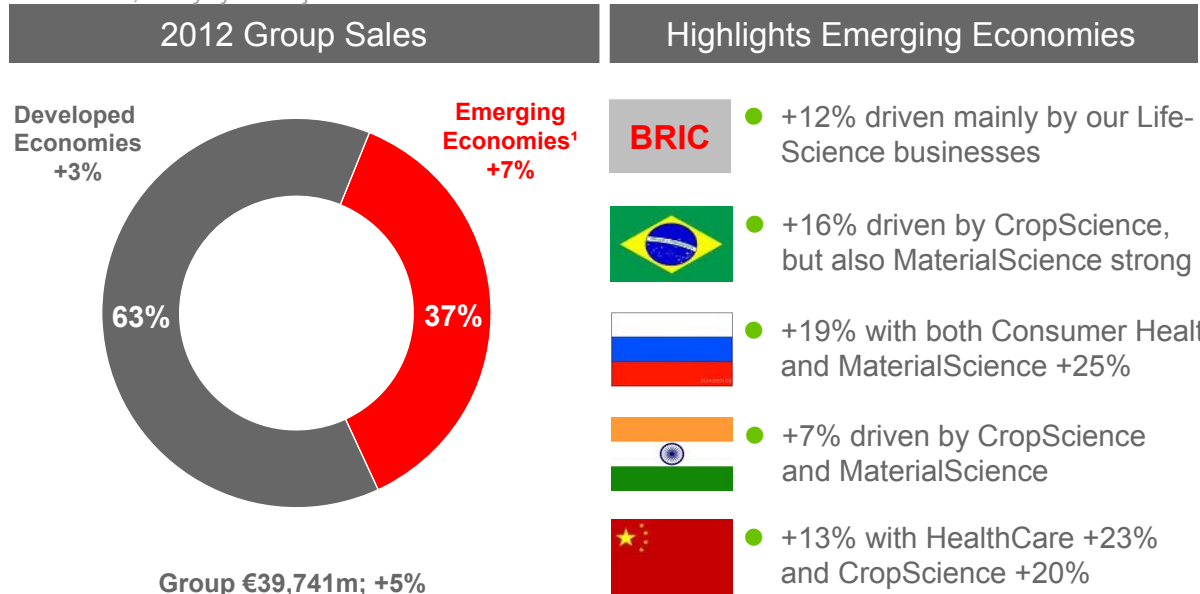


\*EBITDA before special items

# Strong Presence in the Emerging Markets

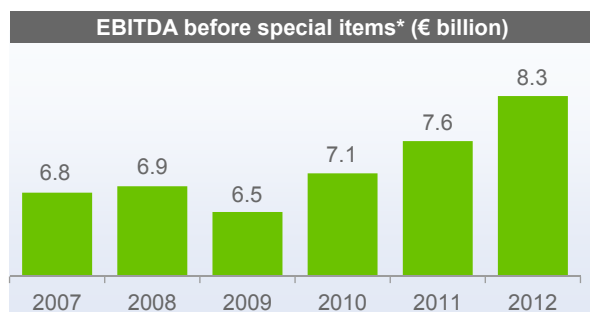
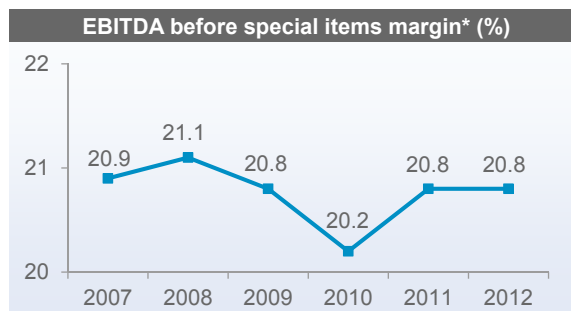
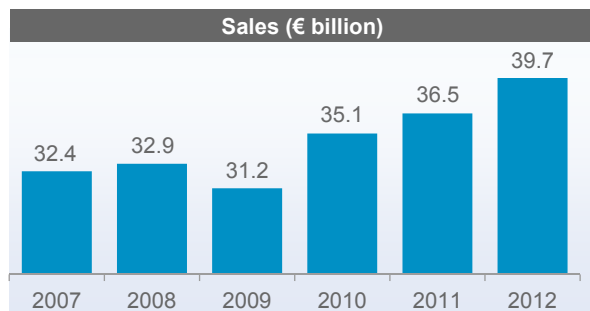


In € million, Δ% yoy Fx adjusted



<sup>1</sup> Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe

# Our Track Record – Delivered Growth and Performance



\* 2007 - 2008 from continuing operations

# Q1 2013

## Life-Science Businesses Off To A Good Start

# Q1 2013 – Total Group: Life-Sciences Commence Positively



## Sales

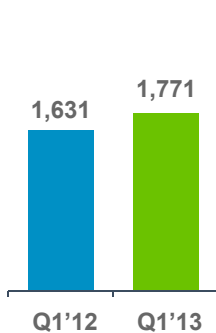
in € million  
% currency & portfolio adj.



**+4%**

## EBIT

in € million



**+9%**

## EBITDA

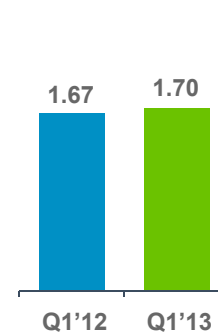
adjusted\*  
in € million



**0%**

## Core EPS

in €



**+2%**

# Full Year 2013 Outlook Projects Further Growth And Higher Earnings



Sales Δ Fx and portfolio adjusted, EBITDA before special items

	2012	Δ vs. 2011	2013e
<b>Sales</b>	€39.7bn	+5%	+4-5% to ~€41bn*
<b>adj. EBITDA</b>	€8.3bn	+9%	mid-single-digit % increase
<b>Core EPS</b>	€5.30	+10%	high-single-digit % increase



# 7% 2012 CAGR 2015e

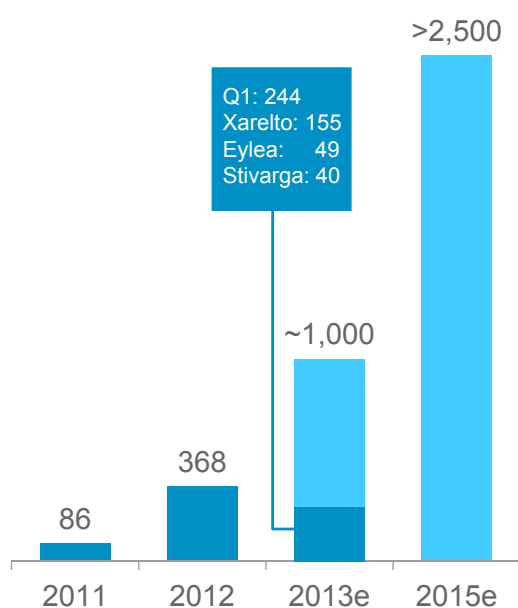
## Pharma: Sales Growth Acceleration Driven by New Products & Emerging Markets

Page 9 • Bayer Investor Handout • Q1 2013

### Pharma – New Products Drive Growth and Rejuvenate Portfolio



Sales from new Pharma pipeline in €m



- Strong launch execution, targeting ~€600m sales in 2013



- Roll-out in wAMD underway, approval in CRVO 2H 2013e



- Launched in US, approved in Japan, CHMP opinion 1H 2013e

#### Radium-223 dichloride

- Filed in the US and EU (Dec. 2012)

#### Riociguat

- Submitted for PAH and CTEPH (Feb. 2013), priority review in the US

Page 10 • Bayer Investor Handout • Q1 2013

CTEPH: chronic thromboembolic pulmonary hypertension; CRVO: central retinal vein occlusion; PAH: pulmonary arterial hypertension; wAMD: wet age-related macular degeneration

# Xarelto – Development in Selected Markets



Status as of end of April 2013



**Germany:** most successful launch ever in the cardiovascular market; market share<sup>1</sup> at ~34% (dabigatran ~11%)



**Japan:** 2-week prescription limitation lifted end of April 2013; market share<sup>2</sup> at ~12%



**France:** Xarelto maintained leadership over dabigatran; market share<sup>1</sup> increased to ~15% (dabigatran ~14%)



**Brazil:** successful launch; market share<sup>3</sup> ~35% (dabigatran ~19%); Xarelto with 45% new patients and 55% switchers



**Switzerland:** excellent launch performance, making Xarelto the No. 1 in the retail market for anticoagulants; market share at ~34%

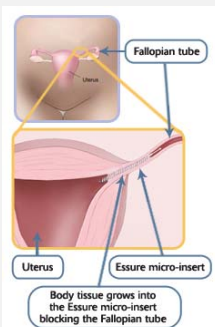


**US<sup>4</sup>:** steady uptake; NBRx share in oral anticoagulation market at 32% (dabigatran 6%, apixaban 4%)

# Strengthening Women's Health Business – Bayer to Acquire Conceptus, Inc.



- Bayer launched a public tender offer to acquire all shares in Conceptus for \$31 per share, valuing Conceptus at ~\$1.1bn
- Closing is subject to customary conditions and expected mid 2013
- Conceptus is a US based company developing the Essure<sup>®</sup> procedure
- Significant synergies expected from leveraging existing business power



- Essure<sup>®</sup> is the leading non-surgical permanent birth control method
- Insertion of the device requires no surgery
- Essure<sup>®</sup> procedure is 99.8% effective based on five years of follow up
- Over 700,000 women worldwide have undergone the procedure



# #1

## Aspire to Become the Leading OTC Company

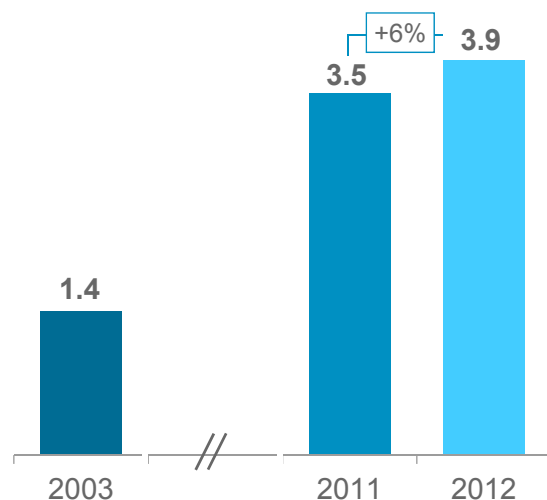
Page 13 • Bayer Investor Handout • Q1 2013

### Consumer Care – Aspire to Become the World-Leading OTC Company



In € billion, Δ% yoy Fx adjusted

#### Sales Development\*



- Built global #2 position through combination of organic growth and targeted acquisitions
- Track record of performance – continued to gain share in 2012
- Product portfolio of some of the world's most recognized brands
- Further growth opportunities in selected emerging markets

Global #6

Global #2

Page 14 • Bayer Investor Handout • Q1 2013

\* Sales Consumer Care segment



# Brand Equity Can Last Forever

Δ% yoy Fx adjusted

Brands	Years Old	Sales 2012 (in €m)	Δ y-o-y
	113	970*	+6%
	81	100	+8%
	78	101	+8%
	69	196	+4%
	68	269	+14%

# Innovation at OTC – New Product Development with Aspirin



# 6% 2012 CAGR 2015e

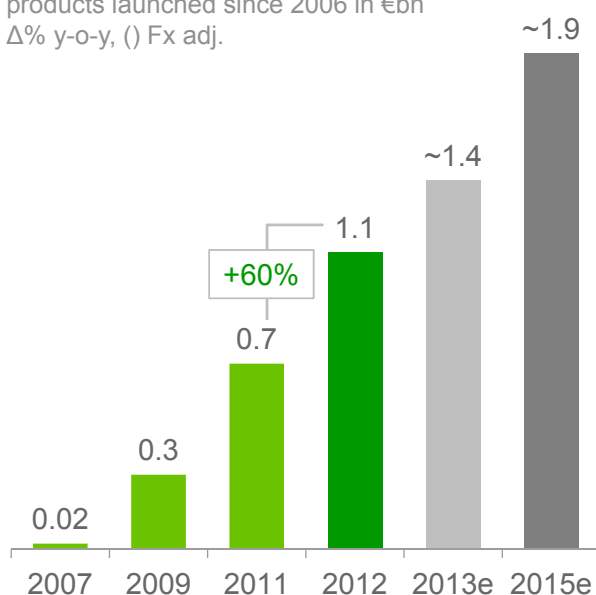
## CropScience: Targeting Above Market Growth at Benchmark Profitability

Page 17 • Bayer Investor Handout • Q1 2013

### CropScience – Translate R&D Effectively into New Product Sales



Sales from new Crop Protection products launched since 2006 in €bn  
 Δ% y-o-y, ( ) Fx adj.



#### 2012 Highlights

- Xpro (+61%) - New cereal fungicide with yield-boosting effect
- Adengo herbicide family (+85%) - Excellent weed control in corn and cereals, also in case of glyphosate resistance
- Belt (+54%) - Broad-spectrum insecticide with fast and long-lasting action
- Launch of Luna fungicide in the US
- First launch of new SeedGrowth family EverGol/Emesto in Canada

Page 18 • Bayer Investor Handout • Q1 2013

# Bolt-on Acquisitions to Strengthen CropScience Portfolio



		Region	Technology	Product / Portf.
Biologics	● <b>AgraQuest (07/12)</b> ~€375m	> 30 countries	Biologics	Fungicides Insecticides
	● <b>Prophyta (01/13)</b> €25m (provisional)	Germany	Biologics	Fungicides Nematicides
Seeds	● <b>Wehrtec, Wehrmann (03/13)</b> €37m + milestones	Brazil	Seeds Germplasm	Soybean
	● <b>Abbott &amp; Cobb (07/12)</b> ~€43m	US	Seeds	Watermelon Melon
	● <b>Hornbeck (04/11)</b> €30m	US	Seeds, Breeding Germplasm	Soybean
	● <b>Raps GbR (10/11)</b> €26m	Europe	Seeds, Breeding	Oilseed rape

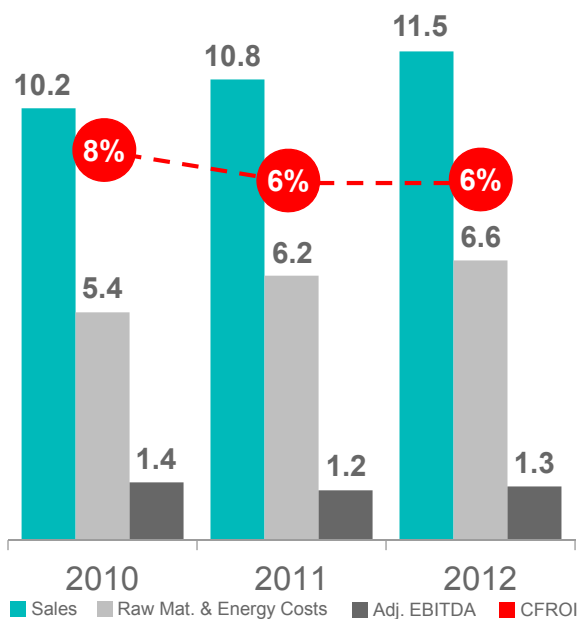
# CFROI ↑

## MaterialScience: Aspire to Earn a Premium Over Cost of Capital by 2015

# Selling Price Increases & Savings Not Sufficient to Protect Earnings



In € bn



- Market growth trends intact, key products with mid-single digit volume growth
- High raw material prices and significant capacity additions led to global overcapacities and margin pressure
- Going forward demand & supply balance expected to improve
- Anticipated margin improvement supported by fresh savings from new efficiency initiative

# Profitability Improvement Through New Efficiency Initiative Until 2015



- New efficiency initiative improves cost structure and increases adjusted EBITDA margin by 150bp
- Initiative comprises more than 100 measures across the entire value chain

Examples	
Business Units	<ul style="list-style-type: none"> <li>• Consolidation of system houses</li> <li>• Pricing excellence programs</li> </ul>
Organization	<ul style="list-style-type: none"> <li>• Optimization of regional structures (e.g. Canada &amp; US)</li> </ul>
Production	<ul style="list-style-type: none"> <li>• Further initiatives to improve asset productivity (e.g. maintenance schedules, engineering setup)</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>• Optimization of logistics services</li> </ul>
Selling & Administration	<ul style="list-style-type: none"> <li>• Further reduce costs by leveraging established global ERP platform and standardized processes</li> </ul>

# 150 years

## ... and Optimistic for Future Developments

Page 23 • Bayer Investor Handout • Q1 2013

### Solid Start to 2013 – Track Record of Performance Expected to Continue



- Business performance predominantly driven by HealthCare and CropScience contributing 70% of sales and 85% of earnings
- Significant new product opportunities at our Life-Science businesses
- Continued strong emerging markets business momentum
- Full-year 2013 group outlook projects higher sales and earnings
- Aspire to grow HealthCare and CropScience by 6% CAGR until 2015

Page 24 • Bayer Investor Handout • Q1 2013



# Appendix

Page 25 • Bayer Investor Handout • Q1 2013

## HealthCare – Building Growth Momentum, Improving Margins



Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales

Priority	2012	Target 2013*	Aspiration 2015
<ul style="list-style-type: none"> <li>HealthCare: Accelerate sales growth</li> </ul>	€18.6bn	mid-single-digit % to ~€19bn	CAGR ~6% towards €22bn
<ul style="list-style-type: none"> <li>Pharma: Successfully commercialize new products and realize emerging markets (EM) opportunity                             <ul style="list-style-type: none"> <li>New product sales<sup>1</sup></li> <li>EM growth</li> </ul> </li> </ul>	€10.8bn  €368m 7.3%	mid-single-digit % to ~€11bn  ~€1bn high-single digit %	CAGR ~7% towards €13bn  >€2.5bn high-single digit %
<ul style="list-style-type: none"> <li>Consumer Health: Aspire to become #1 OTC company</li> </ul>	€7.8bn	mid-single-digit % to ~€8bn	~€9bn
<ul style="list-style-type: none"> <li>HealthCare: Improve margins                             <ul style="list-style-type: none"> <li>Pharma</li> <li>Consumer Health</li> </ul> </li> </ul>	27.5% 29.9% 24.2%	slightly up slightly up at level	towards 29% ≥31% ~25%

Page 26 • Bayer Investor Handout • Q1 2013

<sup>1</sup> Xarelto, Eylea, Stivarga, Radium-223 dichloride and Riociguat; subject to regulatory approval

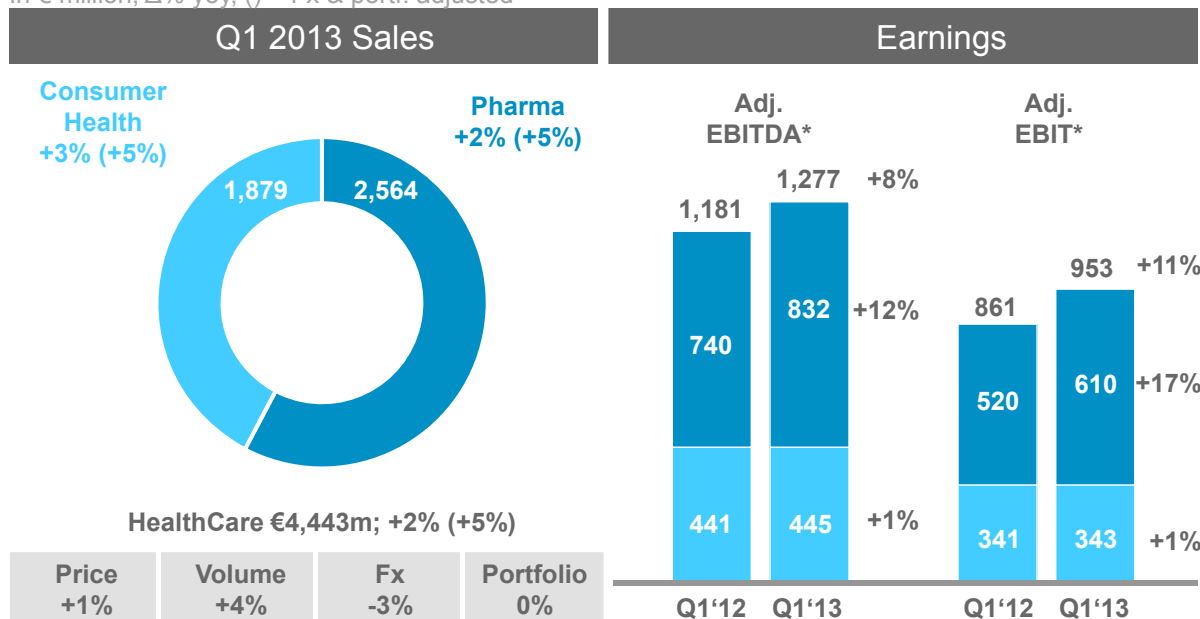
\*Assuming Fx rate of \$1.29 per €

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

# Q1 2013 – HealthCare: New Products and Consumer Care Drive Growth



In € million, Δ% yoy, () = Fx & portf. adjusted



\*before special items

# CropScience – Above Market Growth at Benchmark Profitability



Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales

Priority	2012	Target 2013*	Aspiration 2015
• Above-market sales growth	+12.4% to €8.4bn	high-single digit % towards €9bn	CAGR ~6% towards €10bn
• Translate R&D effectively into new product sales (CP products launched since 2006)	€1.1bn	~€1.4bn	~€1.9bn
• Extend seeds footprint	+14%	double-digit % growth	double-digit % growth p.a.
• Maintain industry leading profitability level	24.2%	slight improvement	~24%

CP: Crop Protection

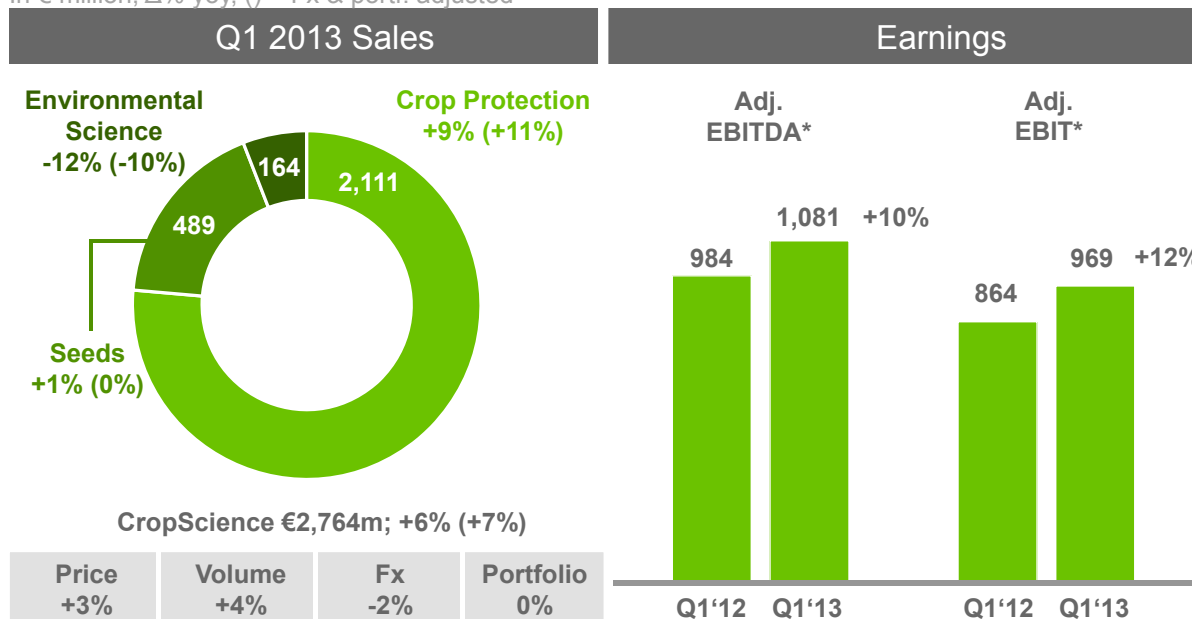
\*Assuming Fx rate of \$1.29 per €

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# Q1 2013 – CropScience: Continuously Strong In Favorable Market Environment



In € million, Δ% yoy, () = Fx & portf. adjusted

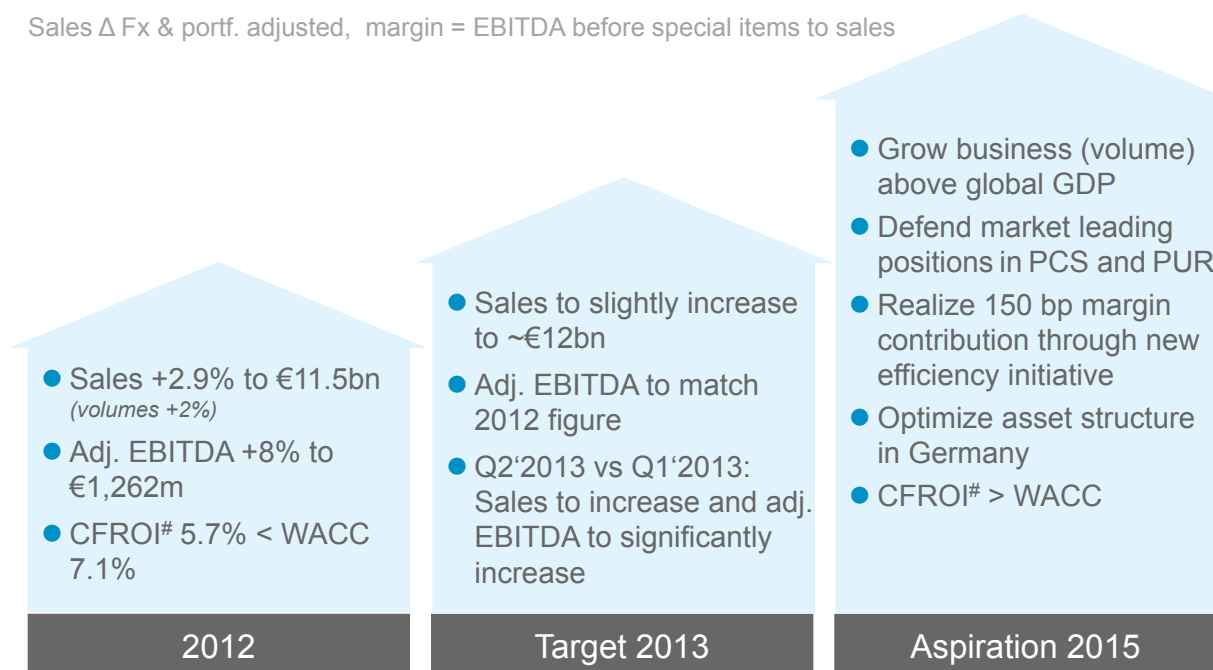


\*before special items

# MaterialScience – Higher Asset Utilization & Efficiency Measures Are Driving Performance



Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales



\*Assuming Fx rate of \$1.29 per €

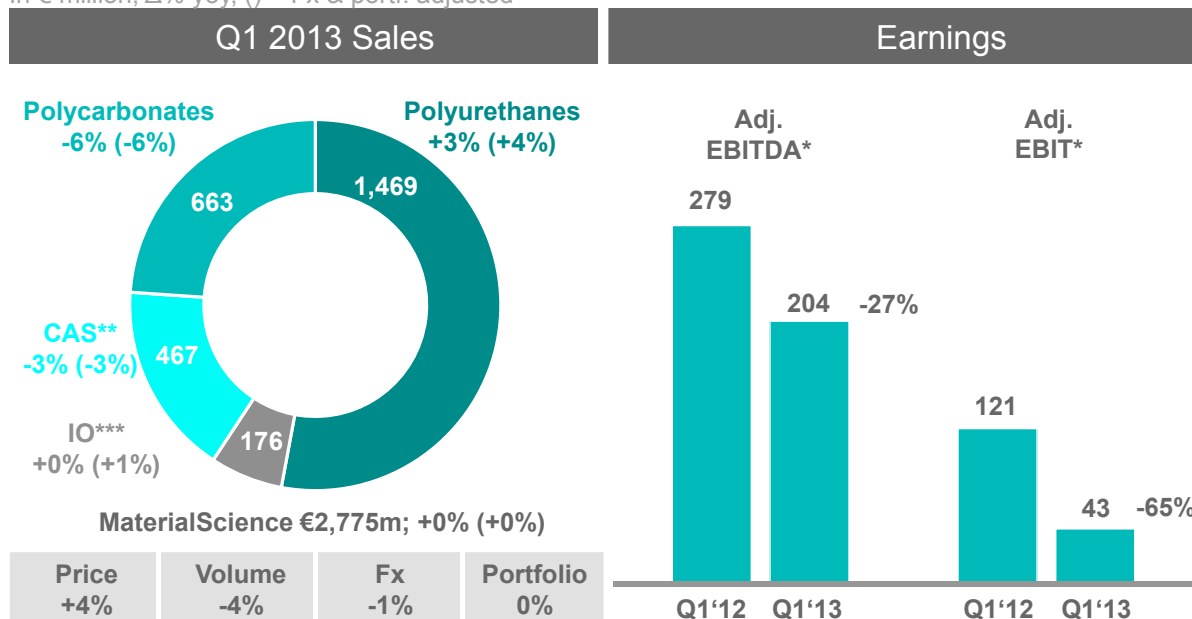
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Outlook depends on specific planning assumptions as detailed in the Annual Report

# Q1 2013 – MaterialScience: Cost Pressure Prevented A Better Performance



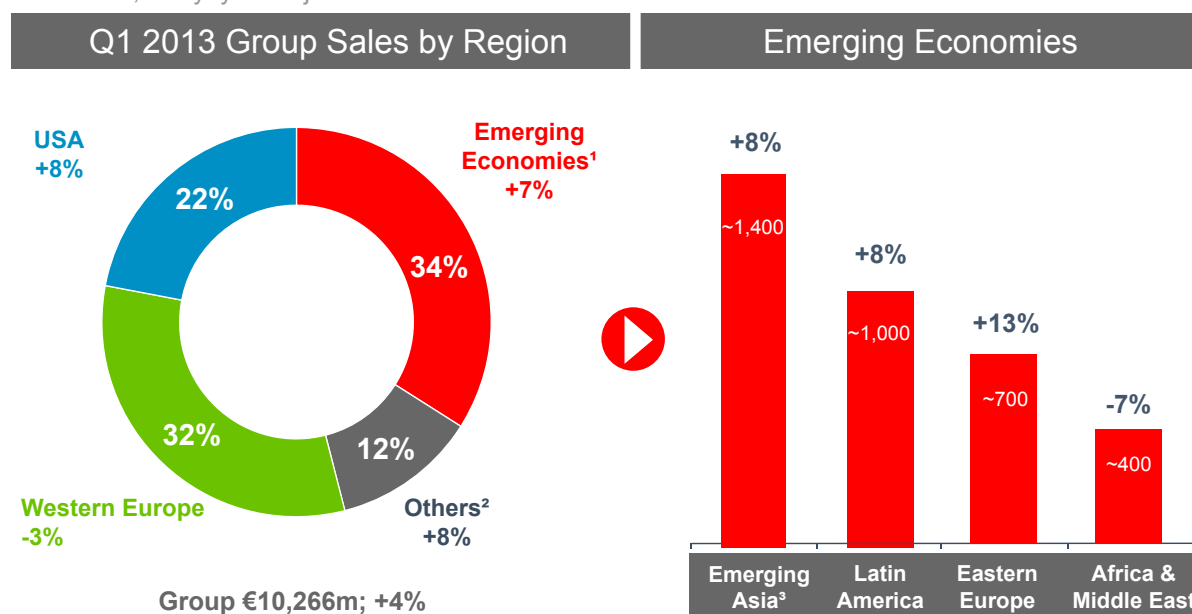
In € million, Δ% yoy, () = Fx & portf. adjusted



# Q1 2013 – Regional Performance: Growth Led by USA and Emerging Economies



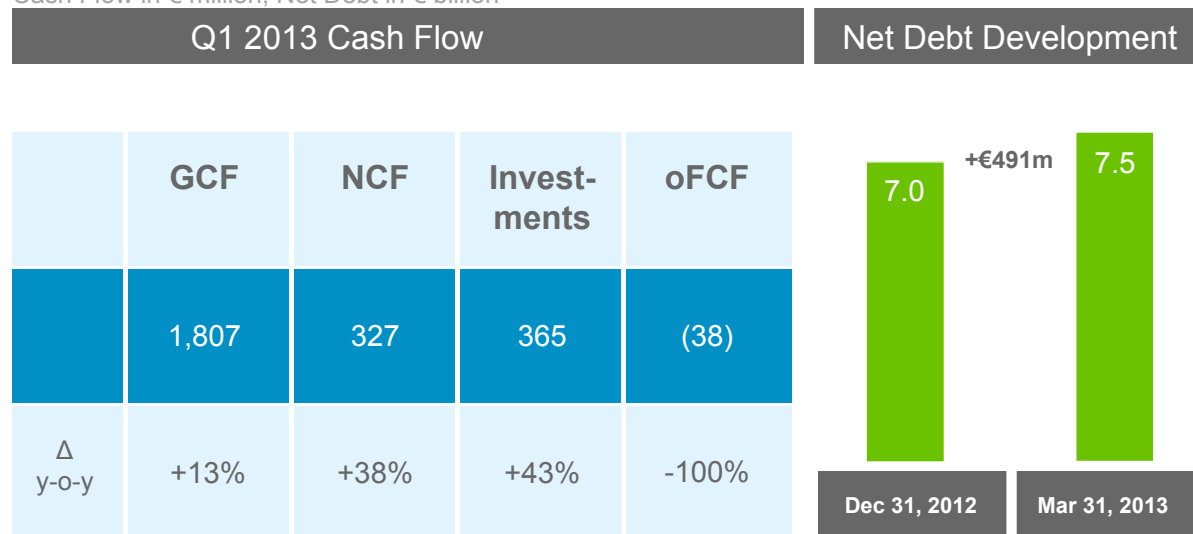
In € million, Δ% yoy Fx adjusted



# Q1 2013 – Cash Flow And Net Debt Development



Cash Flow in € million, Net Debt in € billion





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Science For A Better Life

Date	Event	Publication
Tuesday, June 11, 2013	Meet Management in New York	Investor Conference
Wednesday, July 31, 2013	Investor Conference Call	Second Quarter 2013 Results Stockholders' Newsletter
Thursday, October 31, 2013	Investor Conference Call	Third Quarter 2013 Results Stockholders' Newsletter
Friday, February 28, 2014	Investor Conference Call	2013 Annual Report
Monday, April 28, 2014	Investor Conference Call	First Quarter 2014 Results Stockholders' Newsletter
Tuesday, April 29, 2014	Annual General Meeting	



**Reporting Events and AGM**





**150 Years**  
**Science For A Better Life**

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