

# Our Mission – Innovation and Customer Value



## Science For A Better Life

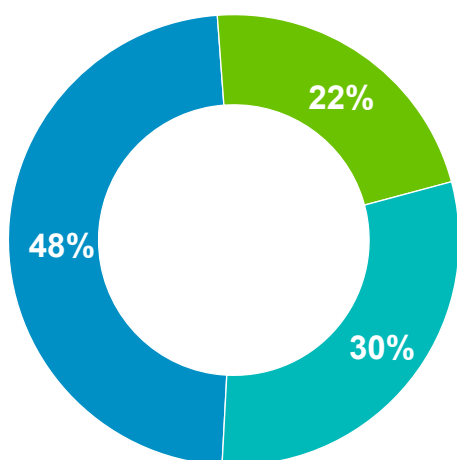
### Science / Innovation

- **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

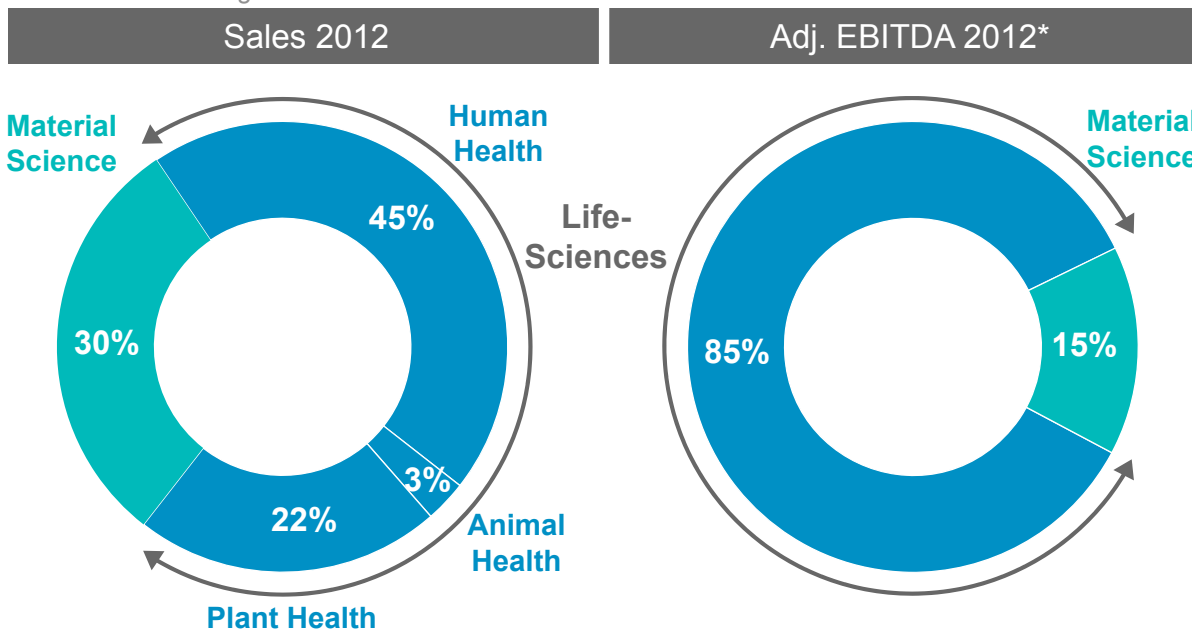
**€8.4bn** | **CropScience**  
Chemical crop protection & biologicals, global #2, seeds & traits

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

# Life-Sciences Generate Vast Majority of Group Sales and Earnings



Breakdown excluding Reconciliation



\*EBITDA before special items

# Q3 2013

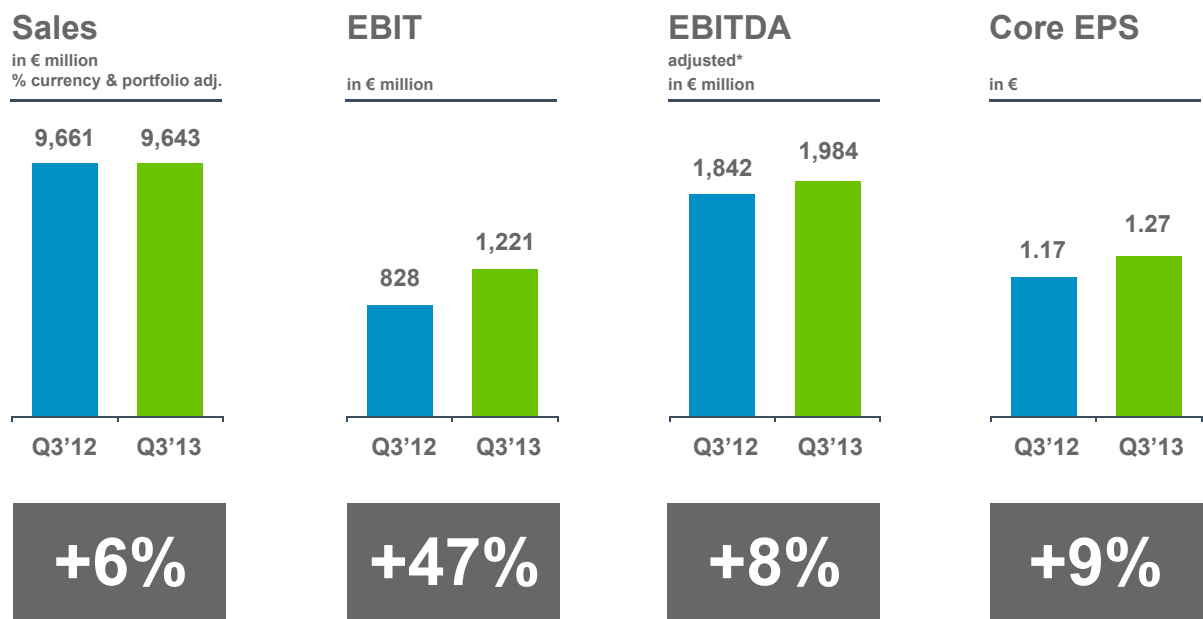
## Business Highlights

# Q3 2013 – Bayer Continues Encouraging Business Development



- Ongoing strong performance of Life Sciences, MaterialScience level with prior-year quarter
- New pharma product sales exceeding expectations, full-year target raised to >€1.4bn
- Earnings significantly impacted by negative currency effects
- Full-year 2013 Group outlook maintained although increasingly ambitious

# Q3 2013 – Encouraging Business Development



# FY 2013 Group Outlook Maintained Although Increasingly Ambitious



Sales Δ Fx and portfolio adjusted, EBITDA before special items

	2012 <sup>1</sup>		2013E
Sales	€39.7bn	▶	+4-5% to ~€40bn*
adj. EBITDA	€8.3bn	▶	mid-single-digit % increase
Core EPS	€5.30	▶	high-single-digit % increase

\*Assuming average Fx rates of 9M 2013  
Outlook depends on specific planning assumptions as detailed in the Annual Report  
<sup>1</sup> 2012 figures restated

**7%** 2012 CAGR 2015e

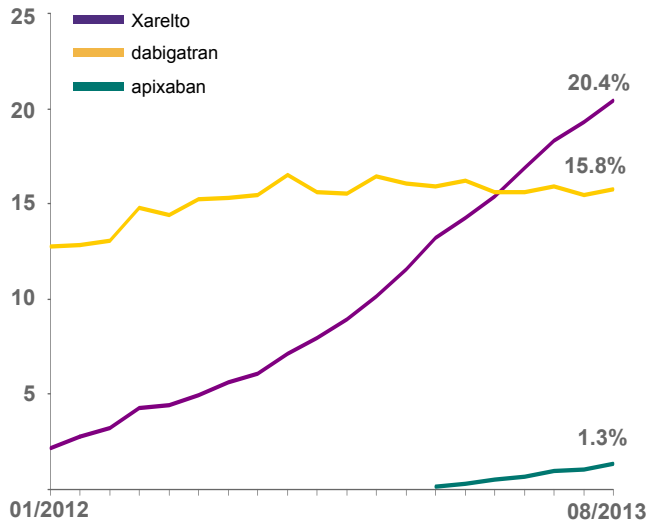
Pharma: Sales Growth  
Acceleration Driven by  
New Products

# Xarelto – Outperforming Competition, Exceeding Expectations



## Xarelto – Leading Novel OAC<sup>1</sup> Globally

Sales market share in % (retail & hospital combined)



- Best-in-class launch in Germany, Brazil, Switzerland and Belgium
- Uptake significantly exceeding expectations
- New sales target 2013: >€800m (prev.: ~€600m)
- Broadest label of novel oral anticoagulants with once-daily-dosing advantage<sup>2</sup>

<sup>1</sup> Oral anticoagulant; <sup>2</sup> exception 15mg BID dosing for treatment of acute DVT/PE or 2.5mg BID for ACS sec. prevention

# Pharma Launches in Full Swing



## Commercial Highlights



- Successful market introduction with 40-50% market share in Japan and Australia
- Rapid adoption in switch and naïve patients in reimbursed markets



- Strong momentum continues
- Approved in EU for treatment of mCRC (08/13)



- First commercialized alpha-radiopharmaceutical product
- Positive feedback from launch in the US, positive CHMP opinion for approval in EU



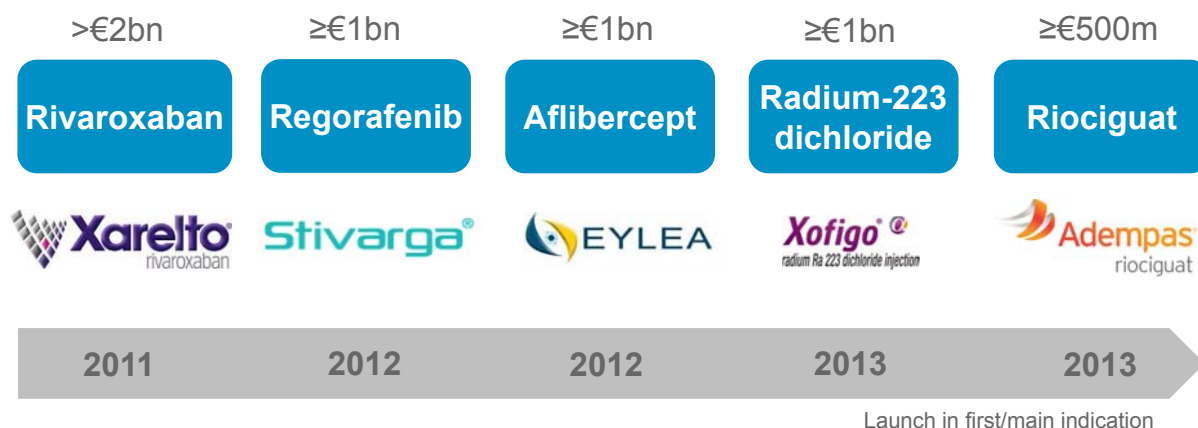
- Submitted for PAH and CTEPH in the EU (02/13) and Japan (05/13)
- Approved in the US (10/13)

CTEPH: Chronic thromboembolic pulmonary hypertension; PAH: Pulmonary arterial hypertension

# New Launch Products Have a Business Transforming Potential



**Combined\* Peak Sales Potential >€5.5bn**



\*Combined peak sales potential for Xarelto, Stivarga, Eylea, Xofigo and Riociguat assuming approvals and launches planned

# Comprehensive Life-Cycle Management for New Launch Products



Table shows major examples



- Two phase III trials in additional indications underway<sup>1</sup>
- Additional research to strengthen profile in SPAF<sup>2</sup>



- Strengthening of profile beyond wAMD



- Evaluate potential for additional cancers of the gastro-intestinal tract
- Phase III trial in 2<sup>nd</sup>-line liver cancer underway



- Expanding Xofigo's position in castration-resistant prostate cancer, i.e. combination with abiraterone, and to other cancers



- Realize the potential beyond PAH and CTEPH
- Evaluate the clinical profile in new disease areas like systemic sclerosis

<sup>1</sup> Coronary artery disease / peripheral artery disease; chronic heart failure and coronary artery disease, <sup>2</sup> Atrial fibrillation with percutaneous coronary intervention; nonvalvular atrial fibrillation and cardioversion

# Targeting to Progress Five New Pipeline Assets into Phase III by 2015



## Copansilib

PI3-Kinase Inhibitor

Phase II in indolent or aggressive non-hodgkin's lymphomas

Phase III

## Finerenone

MR Antagonist

Phase IIb in worsening chronic heart failure and phase II in diabetic nephropathy

Phase III

## Molidustat

HIF-PH Inhibitor

DIALOGUE phase IIb program in renal anemia

Phase III

## sGC-Stimulator

Phase IIb program in heart failure

Phase III

## sPRM

S-PRAnt

Phase III in uterine fibroids

2013

2014

2015

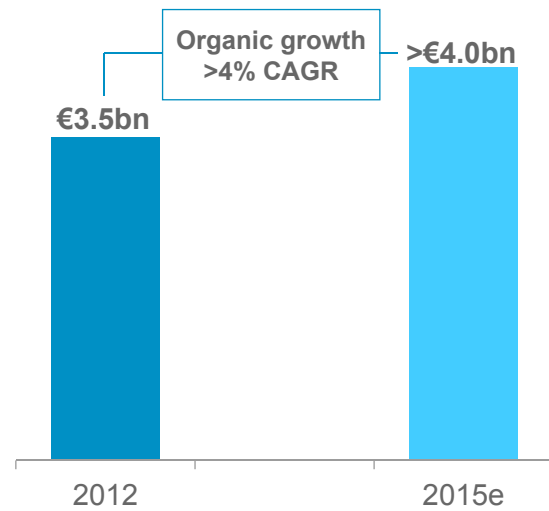
# #1

## Aspire to Become the Leading OTC Company



# OTC – Strategy for Growth

## OTC Sales Target 2015\*



## Growth Strategy

- ➔ Maximize brand potential
  - Global expansion of key brands
- ➔ Exploit our innovation pipeline
  - Double proportion of new products' sales until 2015
- ➔ Grow in emerging markets
  - Increase commercial power
- ➔ Bolt-on acquisitions to strengthen portfolio & regional set-up

# Strengthening HealthCare Through Selected Acquisitions



## Conceptus: Permanent birth control



- US-based company providing the **leading non-surgical permanent birth control method** (Essure®) proven by >700,000 procedures
- Sales 2012: ~USD 140m\*
- Transaction value: €780m

Significant synergies expected from leveraging Bayer's existing Women's Healthcare business

## Steigerwald: Herbal medicines



- Germany-based specialist in **pharmacy-only herbal medicines**, bringing in a leading herbal expertise
- Sales 2012: €61.3m
- Transaction value: €222m

Significant sales synergies expected due to Bayer's complementary Consumer Care business



# 6% 2012 CAGR 2015e

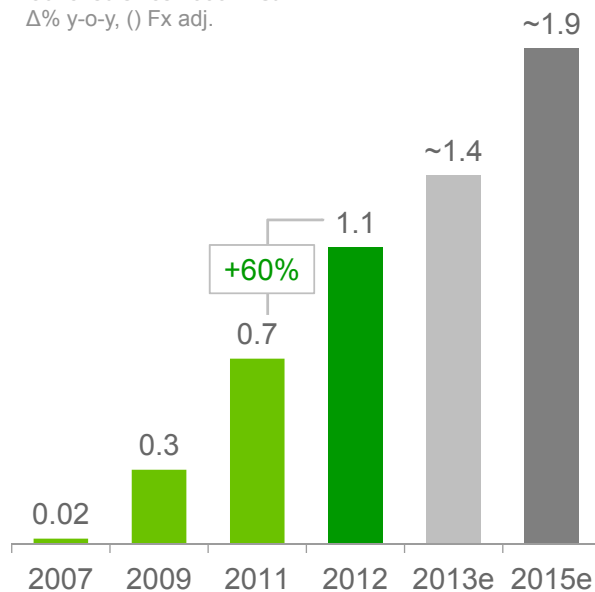
## CropScience: Targeting Above Market Growth at Benchmark Profitability

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### Translating R&D Effectively into New Product Sales for CropScience



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



#### 9M 2013 Highlights

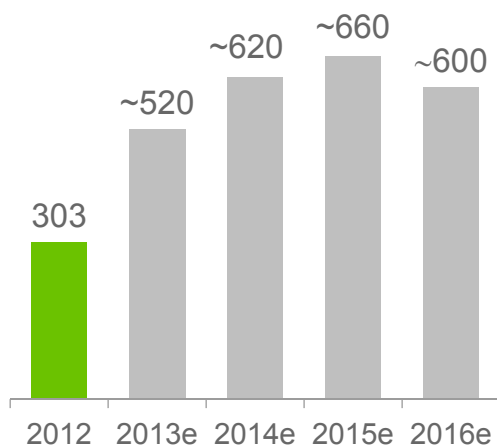
- **Xpro** (+20%) - Superior 'all-in-one' cereal fungicide with yield-boosting effect
- **ADENGO** herbicide (+37%) - Excellent weed control in corn and cereals, also in case of glyphosate resistance
- **BELT** (+58%) - Broad-spectrum insecticide with fast, long-lasting action
- **Luna** - New fungicide now available in several key markets

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# Stepping Up Investment Plans for Capacity Expansion at CropScience



## Capital Expenditures (PPE only, in €m)



- Increasing demand for innovative and sustainable agricultural solutions
- Construction of US production plant<sup>1</sup> for herbicide glufosinate-ammonium
- Expanding seeds infrastructure for soybean and wheat
- Expanding and modernizing R&D facilities
- ➔ CAPEX expansion to **€2.4bn for 2013 - 2016**

# 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 ↑

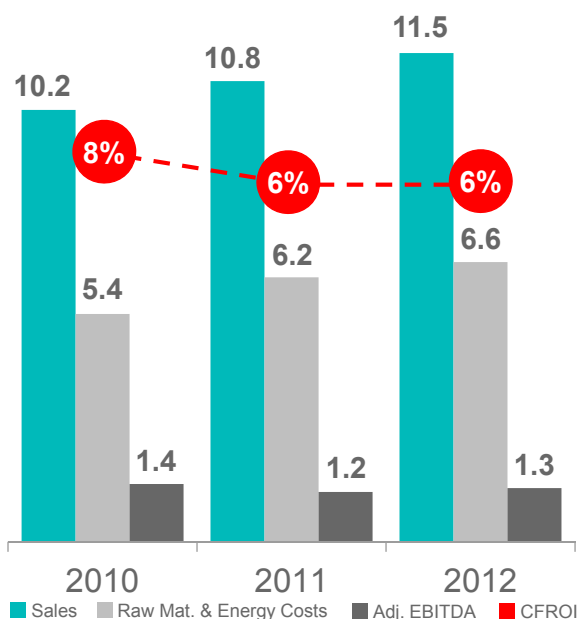
## MaterialScience: Aspire to Earn a Premium Over Cost of Capital

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### 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

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# 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>

# Optimistic About Future Developments




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9M 2013: Business performance driven by Life-Sciences

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Excellent new product launch execution

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Additional investments in R&D and production capacities

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FY 2013 Outlook Maintained

# Appendix – Financials

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## 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	high-single-digit % to >€11bn	CAGR ~7% towards €13bn
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>New product sales<sup>1</sup></li> <li>EM growth</li> </ul> </li> </ul>	€368m 7.3%	>€1.4bn high-single digit %	>€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%	slightly up	towards 29%
<ul style="list-style-type: none"> <li>Pharma</li> </ul>	29.9%	up	≥31%
<ul style="list-style-type: none"> <li>Consumer Health</li> </ul>	24.2%	below PY	~25%

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<sup>1</sup> Xarelto, Eylea, Stivarga, Xofigo, Adempas; subject to regulatory approval

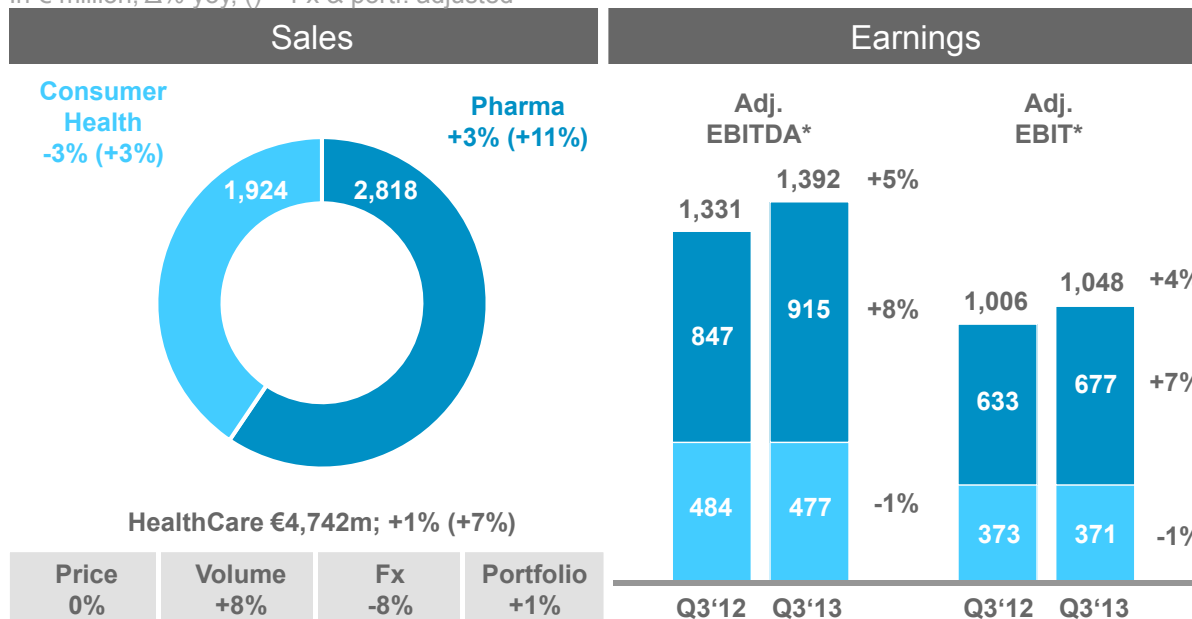
\*Assuming Fx rates of 9M 2013

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

# Q3 2013 – HealthCare Performance



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



\*before special items

# CropScience – Above Market Growth at Benchmark Profitability



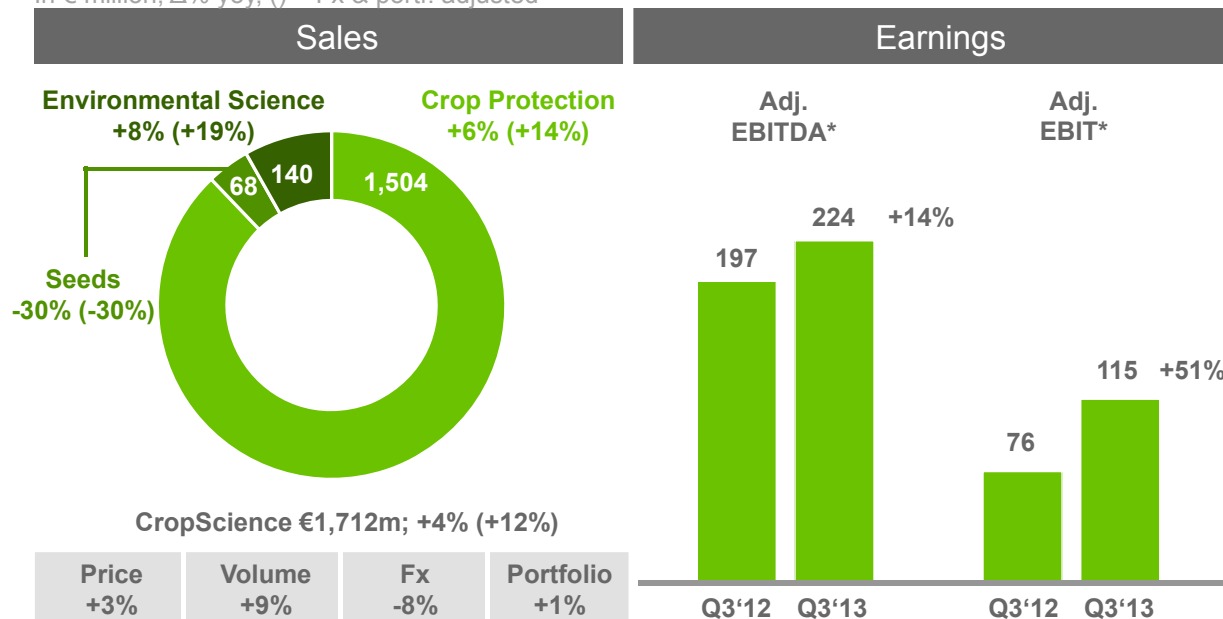
Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales

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%

# Q3 2013 – CropScience Performance



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

2012	Target 2013*	Aspiration 2015
<ul style="list-style-type: none"> <li>• Sales +2.9% to €11.5bn (volumes +2%)</li> <li>• Adj. EBITDA +8% to €1,262m</li> <li>• CFROI# 5.7% &lt; WACC 7.1%</li> </ul>	<ul style="list-style-type: none"> <li>• Sales: on prior-year level</li> <li>• Adj. EBITDA: below prior-year figure</li> <li>• Q4'2013 vs Q4'2012: Sales and adj. EBITDA on same level</li> </ul>	<ul style="list-style-type: none"> <li>• Grow business (volume) above global GDP</li> <li>• Defend market leading positions in PCS and PUR</li> <li>• Realize 150 bp margin contribution through new efficiency initiative</li> <li>• Optimize asset structure in Germany</li> <li>• CFROI# &gt; WACC</li> </ul>

\*Assuming Fx rates of 9M 2013

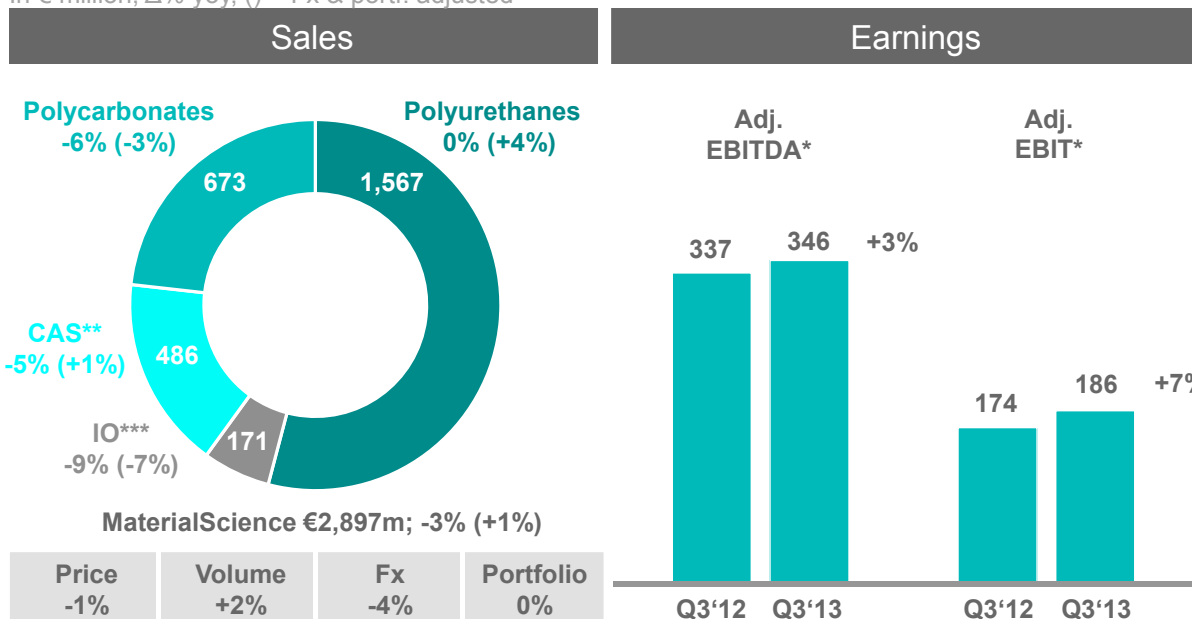
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Outlook depends on specific planning assumptions as detailed in the Annual Report

# Q3 2013 – MaterialScience Performance



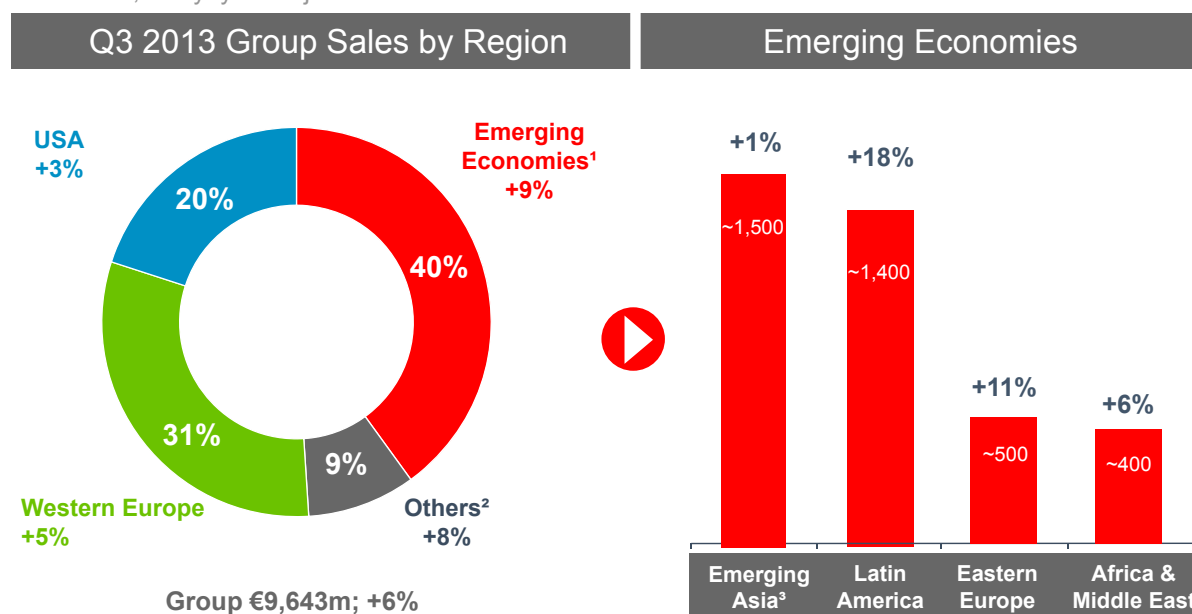
In € million, Δ% yoy, () = Fx & portf. adjusted



# Q3 2013 – Regional Performance



In € million, Δ% yoy Fx adjusted

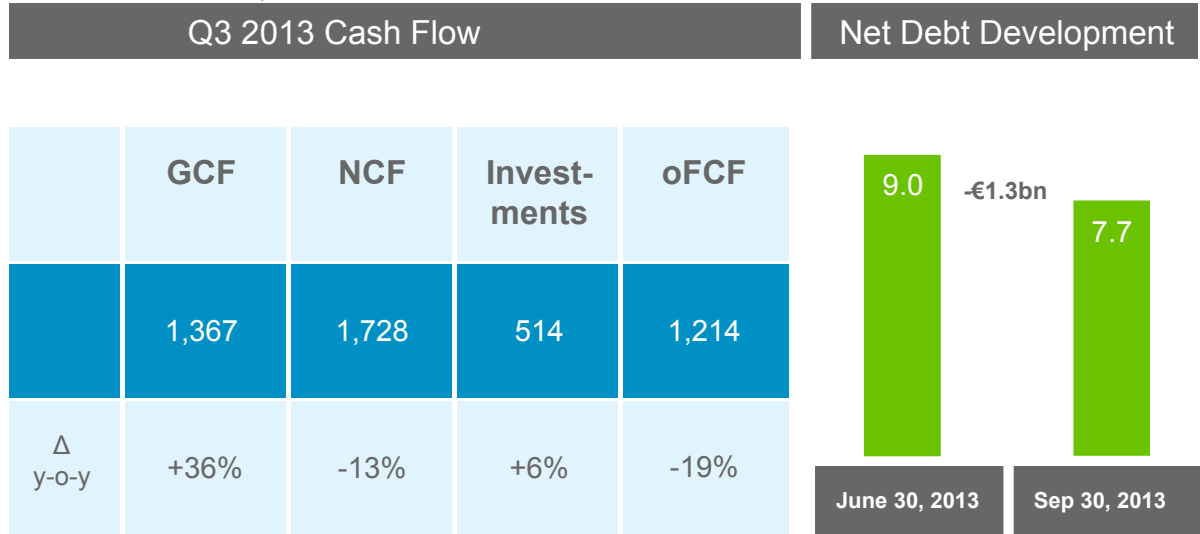




# Q3 2013 – Cash Flow And Net Debt



Cash Flow in € million, Net Debt in € billion

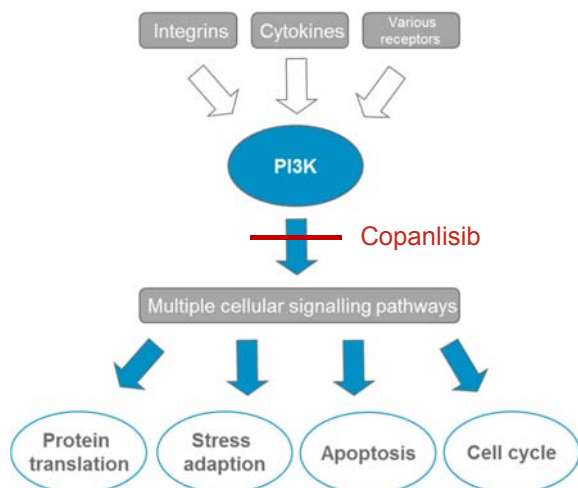


## Appendix – Pharma Pipeline

# Copanlisib (BAY 80-6946) – A PI3K-Inhibitor in Phase II in Cancer



Phosphatidylinositol-3 kinases (PI3K) play a central role in cellular signal transduction processes

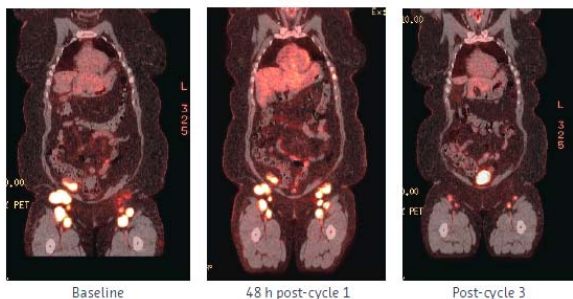


- In most tumor cells, the PI3K-signaling cascade is activated and provides important tumor growth and survival signals
- Copanlisib is a pan class I PI3K-inhibitor with dominant  $\alpha/\delta$  activity
- Copanlisib has shown a broad anti-tumor spectrum in preclinical tumor models
- Phase IIa in Non-Hodgkin's lymphoma is ongoing; completion expected end of 2014

# Copanlisib Has Shown Substantial Activity in Follicular Lymphoma



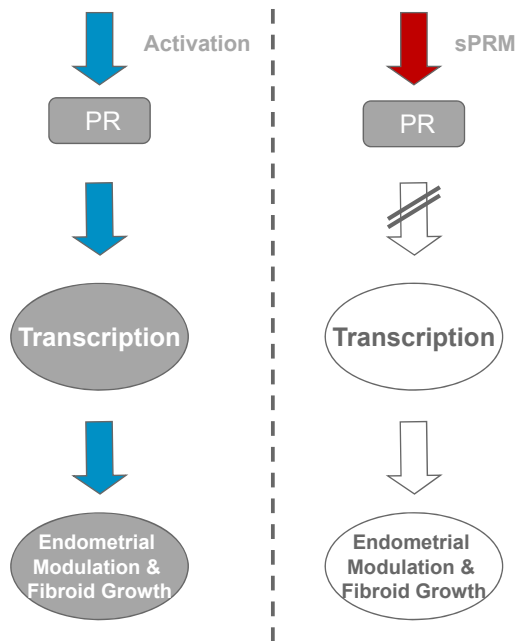
<sup>18</sup>FDG-PET scans of a follicular lymphoma patient with partial response



52-year-old female with FL, grade 1-2, diagnosed stage IVa

- Phase I trial successfully completed
  - 100% of patients (6/6) with follicular lymphoma (FL) responded to therapy achieving a partial response as best response\*
  - Maximum response duration > 840 days
  - Encouraging signals in diffuse large B cell lymphoma patients
- <sup>18</sup>FDG-PET data suggest that Copanlisib has rapid antitumor activity

# Selective Progesterone Receptor Modulation for Treatment of Uterine Fibroids

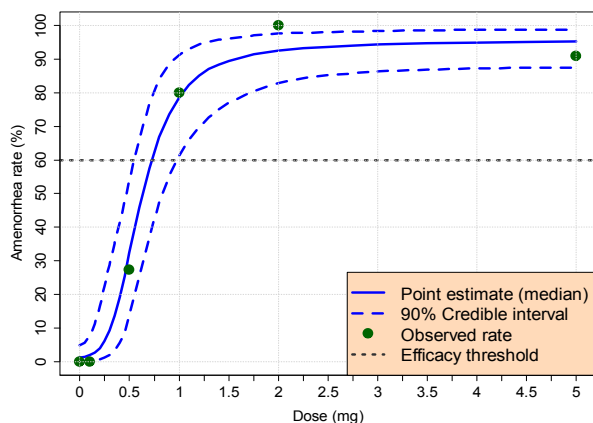


- Uterine fibroids are the most common benign tumors in women of reproductive age: 5-10% of premenopausal population suffers from symptomatic fibroids
- Symptoms may include heavy menstrual bleeding and tumor size related symptoms
- Current therapies include surgical procedures or short-term use of GnRH analogs for estrogen depletion
- Growth of fibroids strongly depends on progesterone and estrogen
- Progesterone receptor modulation may offer long-term treatment of uterine fibroids without estrogen depletion side effects of GnRH analogs

# sPRM (BAY 1002670) – For the Treatment of Symptomatic Uterine Fibroids

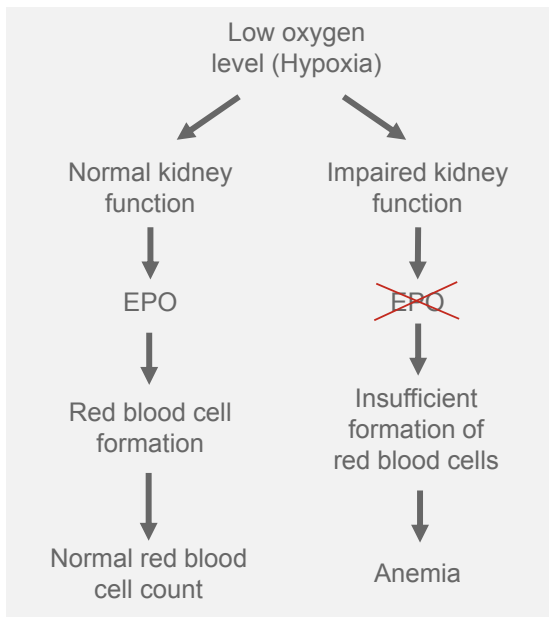


**Phase I data BAY 1002670**  
Dose effect curve for amenorrhea rate



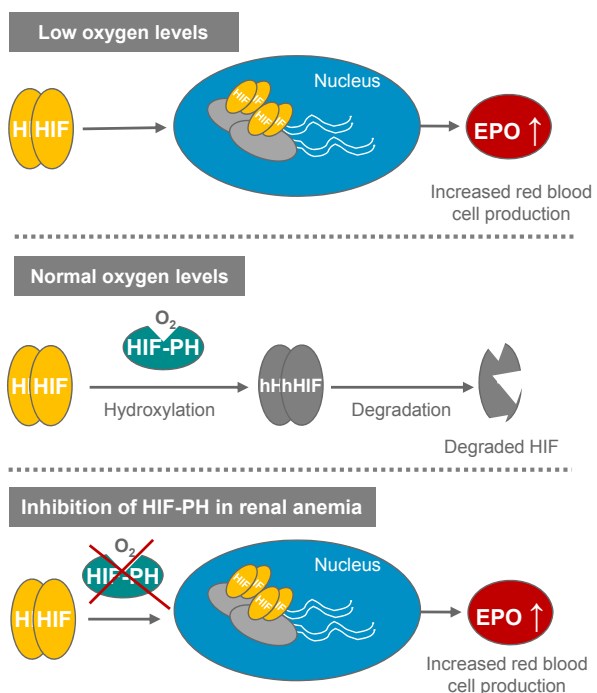
- BAY 1002670 is a novel oral, highly potent and selective progesterone receptor modulator
- Exhibits marked efficacy in an innovative humanized fibroid disease model<sup>1</sup>
- Phase I data (N=67) showed proof of concept including:
  - Reduction of bleeding: induced amenorrhea (non-bleeding) in >60% of women treated with dosages >1mg/day
  - Reversal of amenorrhea after treatment cessation
  - No prohibitive safety findings

# Renal Anemia is an Important Area of Unmet Medical Need



- Diseased kidneys do not produce sufficient levels of erythropoietin (EPO) in response to hypoxia, leading to anemia
- CKD/ESRD is the leading cause of anemia in industrialized countries
- Substitution with parenteral EPO is standard of care – however, unphysiologically high EPO doses correlate with significant side effects
- There is a need for novel therapies that lack the side effects of high doses of EPO-substitution

# Molidustat – An Oral HIF-PH Inhibitor for Treatment of Renal Anemia



Under hypoxia conditions, HIF is activated and induces the synthesis of erythropoietin (EPO) in the kidneys which stimulates red blood cell formation

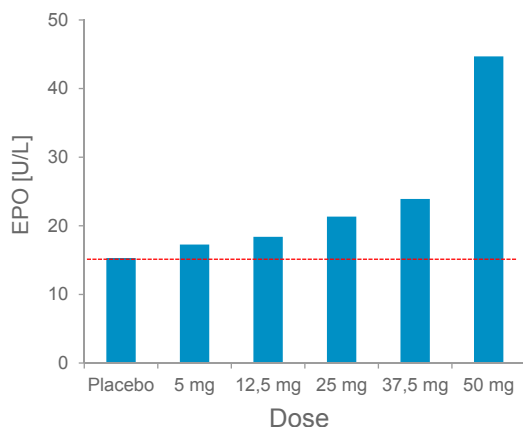
Under normal oxygen conditions, HIF gets hydroxylated by HIF-PH and then degraded

Inhibition of HIF-PH increases the stability of HIF resulting in production of endogenous EPO - potential novel therapeutic approach for the treatment of renal anemia

# Molidustat (BAY 85-3934) – Proof of Concept Demonstrated



## Maximal EPO concentration after single dose administration of Molidustat (Phase I)

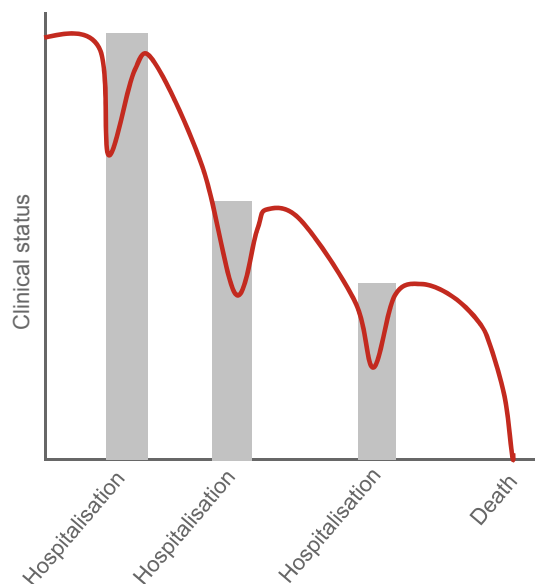


- Molidustat is a novel oral inhibitor of the enzyme HIF-PH
- In development for the treatment of anemia associated with chronic kidney disease
- Phase I in healthy subjects showed:
  - Significant increase of EPO levels after  $\geq 12.5$  mg
  - Significant increase of reticulocytes for doses  $\geq 37.5$  mg
  - No prohibitive safety findings

# sGC Stimulation to Address Unmet Medical Need in Patients with Heart Failure



Patients who require hospitalization due to HF (worsening HF) have a poor prognosis with high rates of re-hospitalization and death

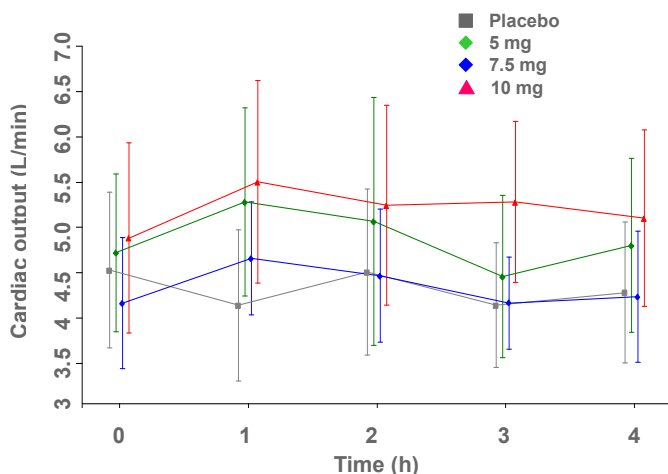


- Worsening chronic heart failure is an established indication with high medical need
- Limitations of standard of care include tolerance, oxidative stress, endothelial dysfunction and venoselectivity
- sGC stimulation can improve hemodynamics via restoration of cardiac and vascular cGMP signaling
- sGC stimulation may provide a new principle to reduce event rates in patients with worsening chronic heart failure

# sGC Stimulator (BAY 1021189) – Improvement of Cardiovascular Function

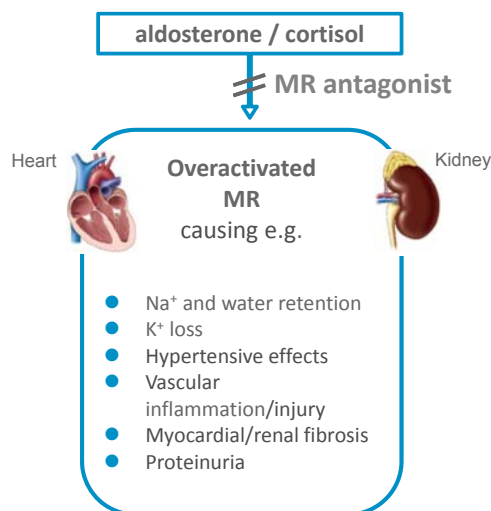


Phase I of BAY 1021189 show improved cardiac output (n = 36)



- BAY 1021189 is a novel sGC stimulator suitable for once-a-day dosing
- Phase I successfully completed – improvement observed in important cardiological parameters, including:
  - Cardiac output / index (“volume of blood pumped by the heart”)
  - Systemic vascular resistance
  - Stroke volume
- No untoward safety findings in phase I
- BAY 1021189 may offer a new treatment modality for HF

# MR-Inhibition is a Proven Principle in the Treatment of Heart Diseases



- MR has multiple functions:
  - Regulation of salt, fluid homeostasis and blood pressure
  - Mediator of oxidative stress, subsequent inflammation, fibrosis and cardiorenal disease
- Steroidal MR antagonists spironolactone and eplerenone have been shown to be effective in reducing cardiovascular mortality in patients with HF but are underutilized due to the risk of hyperkalaemia, renal dysfunction and anti-androgenic / progestogenic side effects
- Steroidal MR antagonists are not approved for kidney diseases eg. diabetic nephropathy

# Finerenone – A Novel Non-Steroidal and Selective MR-Antagonist



## Key phase II findings in patients with CHF and moderate\* (part B) CKD :

Data at Day 29 +/- 2 in part B of the study with 392 pts in total; Spironolactone was given at an initial dose of 25mg o.d. and uptitrated to 50mg o.d. on day 15±1 if sodium potassium concentration remained ≤4.8mmol/L; \* eGFR 30-60 ml/min/1.73m<sup>2</sup>

### Mean increases in serum potassium concentration

Finerenone 10mg o.d.:	0.21 mmol/l
Spironolactone:	0.45 mmol/l
	<i>P</i> <0.001

Indicates lower incidence of hyperkalaemia

### Mean change in estimated glomerular filtration rate

Finerenone 10mg o.d.:	-2.69 ml/min/1.73m <sup>2</sup>
Spironolactone:	-6.70 ml/min/1.73m <sup>2</sup>
	<i>P</i> <0.05

Indicates lower incidence of worsening of renal function

### Median change from baseline in NT-proBNP

Finerenone 10mg o.d.:	-193 pg/mL
Spironolactone:	-170 pg/mL
	(descriptive analysis)

Decreased BNP/NT-proBNP – a key parameter for cardiac stress

Phase II results suggest improved safety with at least similar efficacy on key cardiac and renal parameters compared to spironolactone