



# Investor Handout

Q4/FY 2013

Leverkusen



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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**

# Our Mission – Innovation and Customer Value



## Science For A Better Life

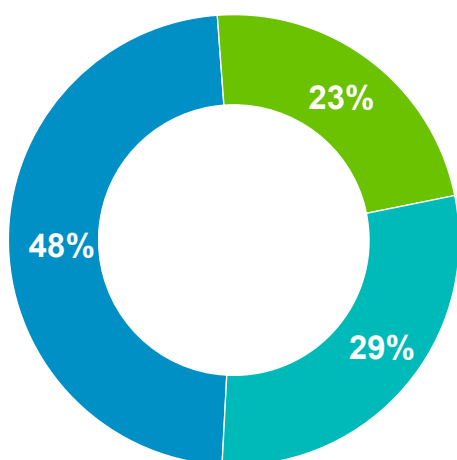
### Science / Innovation

- **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 2013: €40.2bn

€18.9bn

### HealthCare

Pharmaceuticals €11.2bn,  
leading positions in core indications

Consumer Health €7.7bn,  
OTC #2, blood glucose meters #3, Animal  
Health #5, contrast media #1

€8.8bn

### CropScience

Chemical crop protection & biologicals  
global #2, seeds & traits

€11.2bn

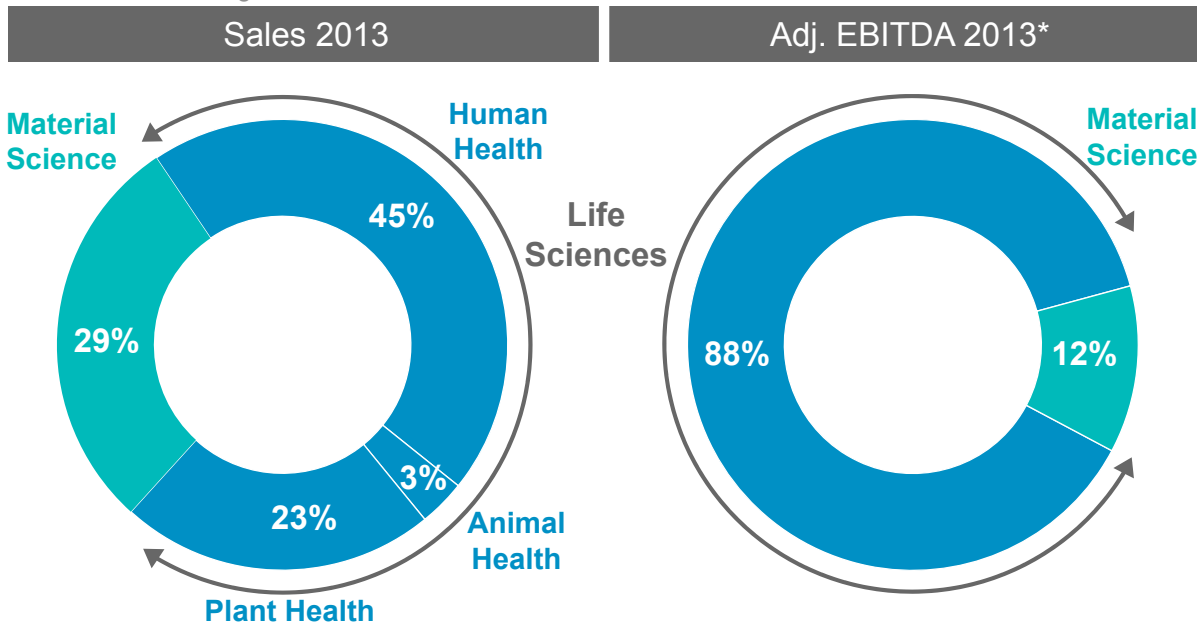
### MaterialScience

Polyurethanes and polycarbonates,  
global #1/2

# We Generate Almost 90 Percent of our Earnings in the Life Sciences Businesses



Breakdown excluding Reconciliation



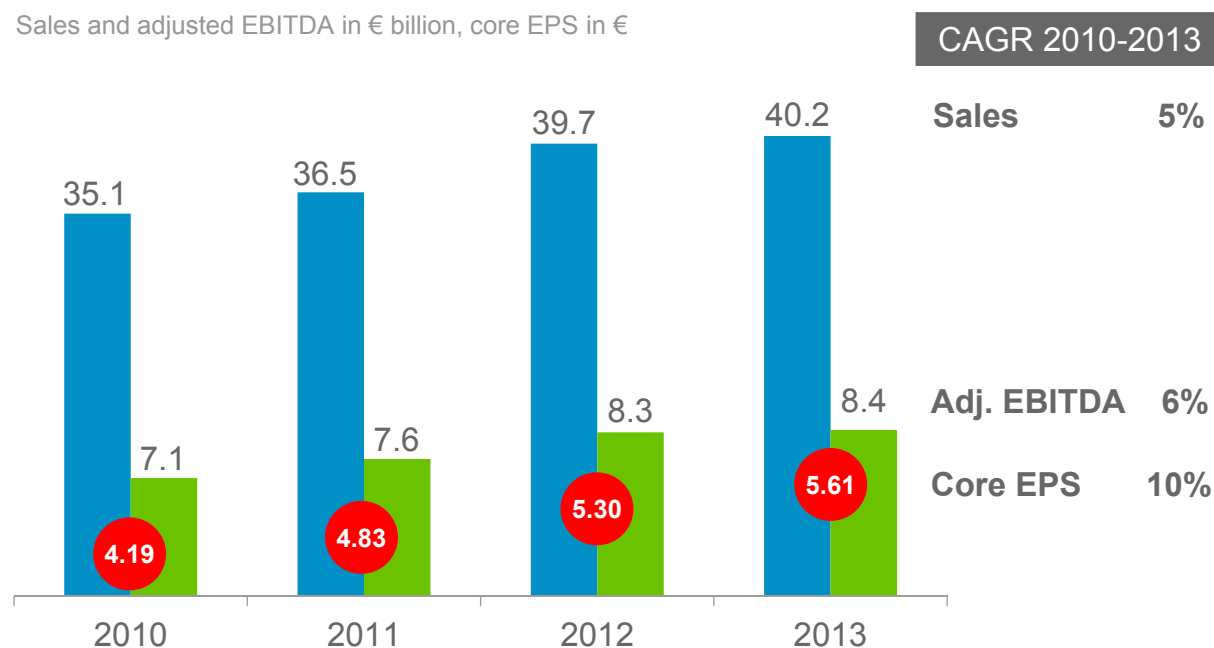
## 2010-2013 – A Period of Significant Success

- Delivered growth and performance
- Unprecedented R&D productivity
- Pharma launch product sales ahead of expectations
- Executing successfully our OTC growth strategy
- CropScience customer-centric strategy bearing fruit
- Capital discipline at MaterialScience

# 2010-2013 – A Period of Significant Operational Progress



Sales and adjusted EBITDA in € billion, core EPS in €



Page 5 • Bayer Investor Handout • Q4/FY 2013

## 24 Successful Phase III Clinical Trials at Pharma since 2010



Major examples



- Various indications incl. treatment of deep vein thrombosis/pulmonary embolism, stroke prevention in atrial fibrillation and secondary prevention of acute coronary syndrome



- Wet age-related macular degeneration, diabetic macular edema, myopic choroidal neovascularization and central retinal vein occlusion



- Metastatic colorectal cancer and metastatic gastrointestinal stromal tumors



- Metastatic castration-resistant prostate cancer with symptomatic bone metastases



- Pulmonary arterial hypertension and chronic thromboembolic pulmonary hypertension



- Radioactive iodine refractory differentiated thyroid cancer

**BAY 94-9027**

- Prophylaxis in hemophilia A: Site-specific PEGylated Factor VIII with 5-/ 7-days dosing intervals

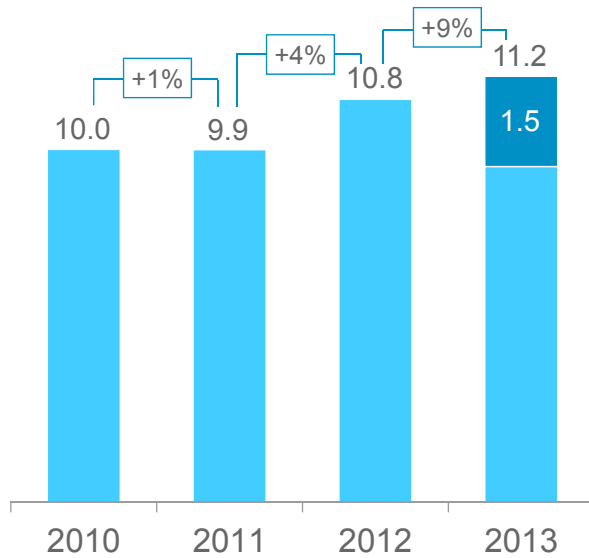
Page 6 • Bayer Investor Handout • Q4/FY 2013

# 2010-2013 – Building Growth Momentum at Pharma



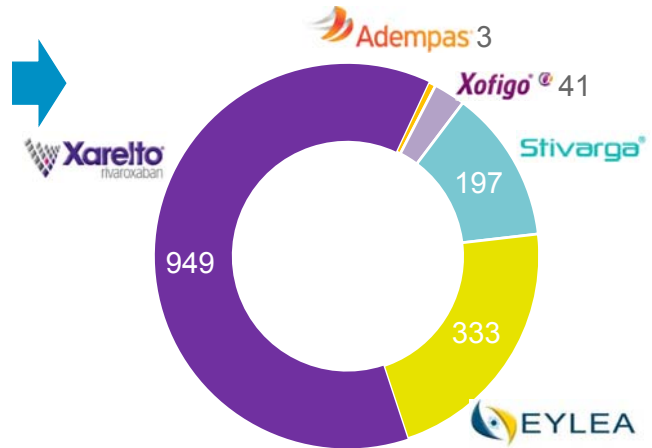
Sales in € billion; Δ% Fx & portf. adjusted

## Pharma Sales / Launch Products



Sales in € million

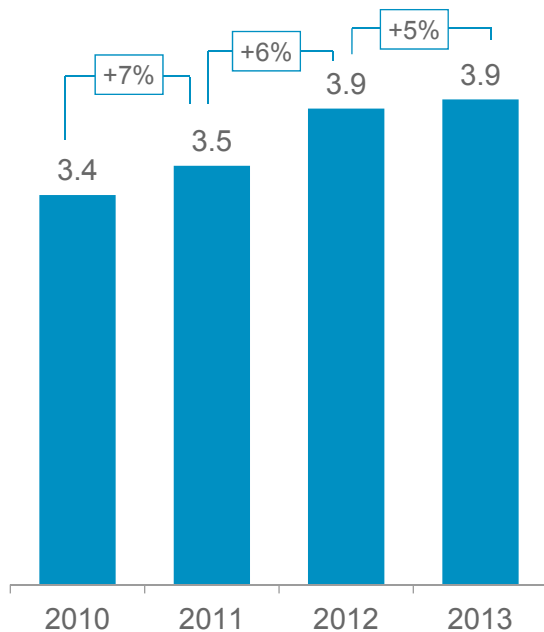
## Launch Products 2013



# 2010-2013 – Successfully Executing OTC Growth Strategy



Consumer Care sales in € billion; Δ% Fx & portfolio adj.



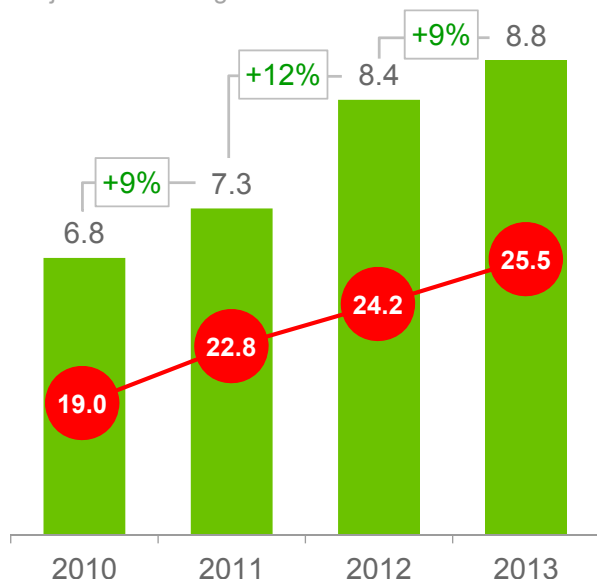
- Portfolio of some of the world's most recognized brands
- Key brands build equity for decades
- Continuous expansion into emerging markets, with focus on China, Brazil, and Russia
- Bolt-on acquisitions Steigerwald and Dihon\* to strengthen portfolio

➔ Aspire to become the leading OTC company

# 2010-2013 – Delivering Growth And Performance at CropScience



Sales in € billion, Δ% Fx & portf. adjusted,  
Adj. EBITDA margin in %



- 2013 – the 3rd year in a row delivering strong sales growth at record margin
- New product sales 2013 up 33% at €1.5bn\*
- Strong business expansion in seeds over the last 3 years

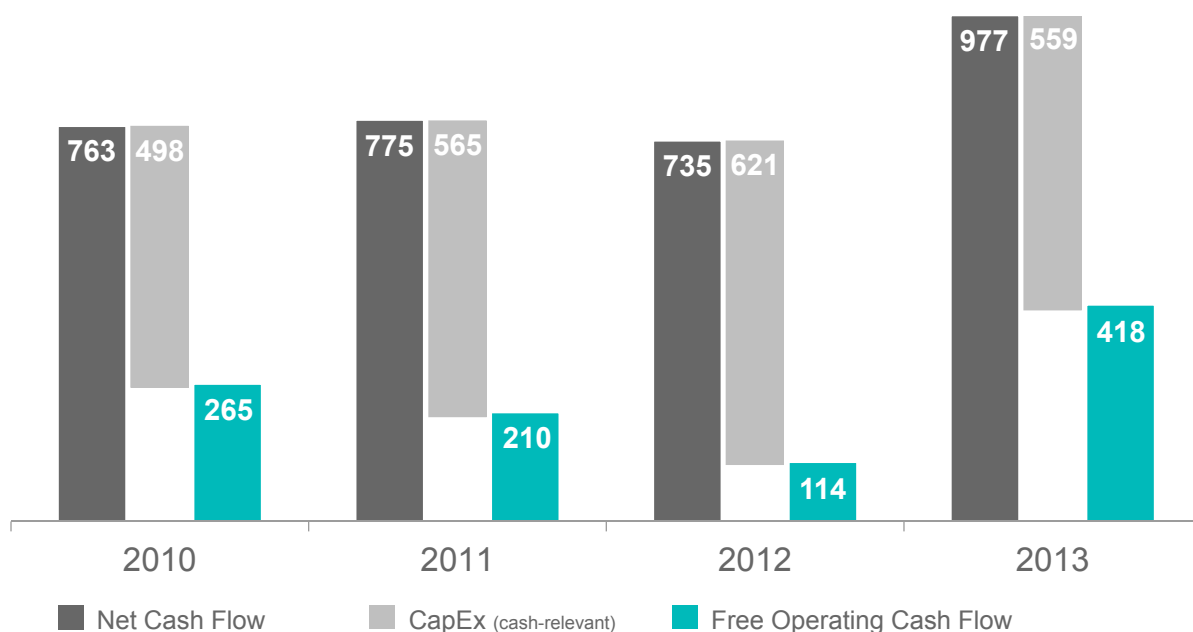
➔ Customer-centric strategy bearing fruit

\*Sales with Crop Protection products launched since 2006

# 2010-2013 – Cash Generation in Excess of Own Investment Needs at MaterialScience



In € million



# 2014 and beyond

## Incremental Investments To Achieve New Performance Level

Page 11 • Bayer Investor Handout • Q4/FY 2013

### FY 2014 Group Guidance – Further Sales and Earnings Growth



Sales  $\Delta$  Fx and portfolio adjusted, EBITDA before special items

	2013		2014E*
<b>Sales</b>	€40.2bn		~5% to ~€41-42bn (neg. FX effect approx. -2%)
<b>adj. EBITDA</b>	€8.4bn		low- to mid-single-digit % increase (neg. FX effect approx. -5%)
<b>core EPS</b>	€5.61		mid-single-digit % increase (neg. FX effect approx. -6%)

Page 12 • Bayer Investor Handout • Q4/FY 2013

\*Assuming average Fx rates of Q4'13 (USD 1.36)  
Outlook depends on specific planning assumptions as detailed in the Annual Report



# €1.2bn Incremental Investments to Achieve New Performance Level



Securing growth momentum in particular for new products

Sustainability of innovation model

Meeting future demand






2013:	€10.1bn	€3.2bn	€1.8bn
2014e:	€10.7bn	€3.5bn	€2.1bn
$\Delta$ € bn:	~0.6	~0.3	~0.3

**80%** 2013 Sales CAGR 2016e

## Pharma: Maximize Value of Launch Products

# Pharma – Peak Sales Potential of Launch Products Raised to ≥€7.5bn



Old		New
 <b>Xarelto</b> rivaroxaban	>€2bn	• Continued successful launch execution and life cycle management
 <b>EYLEA</b>	≥€1bn	• Continued successful launch execution and life cycle management
<b>Stivarga</b> <sup>®</sup>	• Unchanged	≥€1bn
<b>Xofigo</b> <sup>®</sup> radium Ra 223 dichloride injection	• Unchanged	≥€1bn
 <b>Adempas</b> riociguat	• Unchanged	≥€0.5bn

# Pharma – Additional Investments To Execute >100 Launch Events in 2014



## Major Examples

 <b>Xarelto</b> rivaroxaban	• ~30 launches planned in secondary prevention of ACS
 <b>EYLEA</b>	• ~15 launches planned, including wetAMD and additional indications (CRVO, mCNV <sup>1</sup> , DME <sup>1</sup> )
<b>Stivarga</b> <sup>®</sup>	• >30 launches planned in mGIST <sup>1</sup> in EU and other markets; continue roll-out in mCRC (examples include Spain, Italy, Turkey)
<b>Xofigo</b> <sup>®</sup> radium Ra 223 dichloride injection	• Market introduction planned in >20 countries
 <b>Adempas</b> riociguat	• Launches <sup>1</sup> planned in >20 countries
 <b>Nexavar</b> <sup>®</sup> (sorafenib) tablets	• >30 launches planned in DTC <sup>1</sup> in EU and other markets
 <b>Jaydess</b>	• >30 launches planned

# Launch Products – Comprehensive Life-Cycle Management Program Underway



## Major Examples



- Phase III trials in new indications (incl. secondary prevention of major adverse cardiac events in patients with coronary/peripheral artery disease)
- Additional research to strengthen profile in SPAF and VTE treatment



- Program to position Eylea in AMD subtypes planned
- Early clinical program initiated to study combination with PDGFR-β



- Phase III trials in 2<sup>nd</sup>-line liver cancer and adjuvant mCRC
- Evaluate potential for additional cancers of the gastro-intestinal tract



- Studies in earlier settings of prostate cancer including combination studies and studies in other tumors (such as breast cancer and osteosarcoma) planned



- Realize the potential beyond PAH and CTEPH: studies in new disease areas like systemic sclerosis and pulmonary hypertension with idiopathic interstitial pneumonia planned

SPAF: Stroke prevention in atrial fibrillation; VTE: Venous thromboembolism; PDGFR-β: Platelet-derived growth factor receptor beta; AMD: Age-related macular degeneration; mCRC: Metastatic colorectal cancer; PAH: Pulmonary arterial hypertension; CTEPH: chronic thromboembolic pulmonary hypertension

# Pharma – Maximizing the Value of Launch Products



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

	2013	Guidance 2014	Aspiration 2016
<b>Sales Increase</b>	€11.2bn	High-single digit % (neg. FX effect approx. -2%)	<b>8% CAGR</b>
<b>Adj. EBITDA Increase</b>	€3.5bn	Low- to mid-single digit % (neg. FX effect approx. -€150m)	
<b>Adj. EBITDA Margin</b>	31.2%	Level with prior year	<b>≥33%</b>

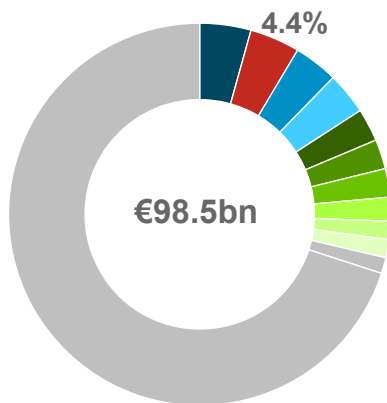
# #1

## Aspire to Become the Leading OTC Company

## #2 in the OTC Market - Executing Successfully on Growth Strategy



### OTC Market 2013 by Player\*



■ J & J ■ Bayer ■ Novartis Cons ■ Sanofi Cons ■ Pfizer ■ GSK  
■ Boehringer I. ■ Reckitt Ben. ■ Taisho ■ Takeda ■ Others

### Consumer Care Growth Strategy

- Maximize brand potential
- Exploit our innovation pipeline
- Grow in emerging markets
- Bolt-on acquisitions to strengthen portfolio & regional set-up

# Maximizing Brand Potential Through Global Expansion



Brand	Sales by Major Region 2013	Expansion Plans

# Emerging Market Strategies Paying Off in Double-Digit Growth



Country	Strategic Plans	Sales Growth 2013*
<p>China</p>	<ul style="list-style-type: none"> <li>Expand sales force from 30 cities to &gt;130 cities, covering 75% of OTC market</li> <li>Extend geographic footprint by launching global brands in China</li> </ul>	<b>+14%</b>
<p>Brazil</p>	<ul style="list-style-type: none"> <li>Expand sales force from 7,000 to 12,000 retail outlets, covering 73% of OTC market</li> <li>Accelerate innovation through consumer insights and portfolio extension</li> </ul>	<b>+38%</b>
<p>Russia</p>	<ul style="list-style-type: none"> <li>Extend portfolio into attractive categories</li> <li>Leverage leadership position in pharmacy chains to drive growth at point of sales</li> </ul>	<b>+26%</b>

# Consumer Health – Aspire to Become the Leading OTC Company



Sales  $\Delta$  % Fx & portf. adjusted, margin = EBITDA before special items to sales

Strong performance projected in Consumer Care and Animal Health, a more challenging environment expected for Diabetes Care

	2013	Guidance 2014	Aspiration 2016
<b>Sales Increase</b>	€7.7bn	Low- to mid-single digit % (neg. FX effect approx. -3%)	<b>3% CAGR</b>
<b>Adj. EBITDA Increase</b>	€1.8bn	Slightly below PY (neg. FX effect approx. -€100m)	
<b>Adj. EBITDA Margin</b>	23.8%	-	<b>~24%</b>

# HealthCare – Building Growth Momentum, Improving Margins



Sales  $\Delta$  % Fx & portf. adjusted, margin = EBITDA before special items to sales

	2013	Guidance 2014	Aspiration 2016
<b>Sales Increase</b>	€18.9bn	Mid-single digit % (neg. FX effect approx. -2%)	<b>6% CAGR</b>
<b>Adj. EBITDA Increase</b>	€5.3bn	Slight increase (neg. FX effect approx. -€250m)	
<b>Adj. EBITDA Margin</b>	28.2%	-	<b>~30%</b>

# 6%

2013 Sales CAGR 2016e

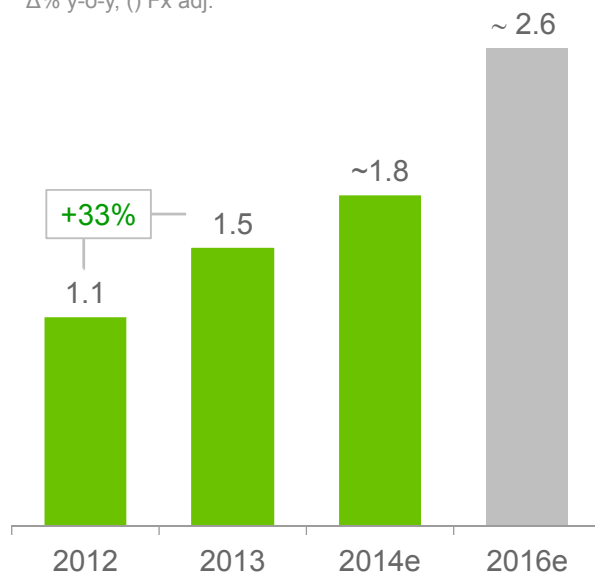
## CropScience: Further Growth at Benchmark Profitability

Page 25 • Bayer Investor Handout • Q4/FY 2013

### CropScience is an Innovation-Driven Business Model



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



- 2013 sales of new crop protection products\* above target
- Key brands with double-digit sales performance (e.g. Xpro +17% vs. PY, Adengo +36% vs. PY)
- Innovation target: Transfer of at least 6 new molecular entities and traits into confirmatory technical proof-of-concept field studies in 2014

Page 26 • Bayer Investor Handout • Q4/FY 2013

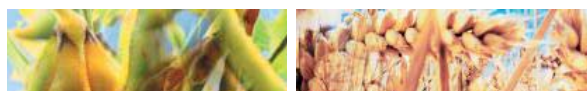
\*Sales with Crop Protection products launched since 2006

# Significant Investments in our Growth Platforms



## Seeds

- >€300m R&D investments p.a. to support leadership positions in cotton & oilseed and to develop position in soybean and wheat
- Further **selected acquisitions** to strengthen portfolio and regional setup, esp. in Latin America
- ➔ Launch of **first soybean brand Credenz** (2014e)
- ➔ Launch of **first wheat variety** (2015e)



## Biologicals

- Successful market entry with nematode seed treatment **Poncho/Votivo** (sales 2013: ~€150m)
- Acquisition of **AgraQuest**, global provider of innovative biological pest management solutions
- Acquisition of **Prophyta**, a provider of well-established products, e.g. nematicide BioAct
- Planned **Biagro** acquisition adds nitrogen inoculants & plant health promoters



# CropScience – Above Market Growth at Benchmark Profitability



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

	2013	Guidance 2014	Aspiration 2016
<b>Sales Increase</b>	€8.8bn	Mid- to high-single-digit % (neg. FX effect approx. -3%)	<b>6% CAGR</b>
<b>Adj. EBITDA Increase</b>	€2.2bn	Low-single-digit % (neg. FX effect approx. -€150m)	
<b>Adj. EBITDA Margin</b>	25.5%	-	<b>24-25%</b>



# CFROI ↑

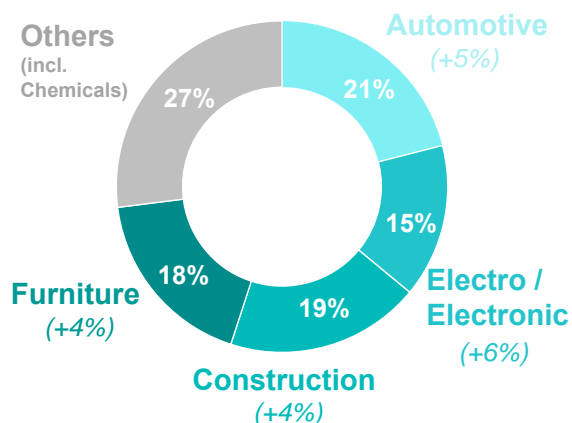
## MaterialScience: Improve Returns

### Macro-Economic Environment for MaterialScience Likely to Improve



#### Key Customer Industries Outlook

Sales by industry 2013 and expected 2014 growth



#### Additional Key Performance Drivers

- ➔ Oil price expected to stabilize in 2014 (budget of Ø \$110 per bbl\*)
- ➔ Supply & demand balances of key products improving with:
  - Long-term demand drivers intact
  - Limited net new capacity to come on stream

# MaterialScience Continues to Focus on Capital and Cost Efficiency



## Projects / Examples 2013

- Reorganization of system house landscape in Europe, North America, Asia
- Integration of Canada organization into US organization
- Portfolio optimization (e.g. exit of carbon nanotubes business)
- Optimization of trade working capital

- ➔ Fresh savings realized as expected – plus ~50bps in 2013 margin\*
- ➔ Strong focus on capital discipline and working capital management resulted in operating FCF increase of €304m to €418m in 2013

# MaterialScience – Asset Utilization and Efficiency Measures to Drive Cash Returns



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

	2013	Guidance 2014	Aspiration 2016
<b>Sales Increase</b>	€11.2bn	Mid-single-digit % (neg. FX effect approx. -2%)	Volume growth > global GDP
<b>Adj. EBITDA Increase</b>	€1.1bn	Increase (neg. FX effect approx. -€50m)	-
<b>CFROI vs. WACC</b>	5.5% < 6.9%	-	CFROI > WACC

# M&A

## Complement Organic Growth with Targeted Bolt-On Acquisitions

Page 33 • Bayer Investor Handout • Q4/FY 2013

### Bolt-on Acquisitions to Strengthen LifeScience Portfolio



	Company	Region	Product / Portfolio
<b>Health Care</b>	● <b>Conceptus (Q2'13)</b> - €780m	USA	Permanent birth control
	● <b>Steigerwald (Q3'13)</b> - €218m	Germany	Herbal medicines (pharmacy-only)
	● <b>Algeta (Q1'14)</b> Successful tender offer - ~€1.9bn	Norway	Oncology product Xofigo
	● <b>Dihon* (H2'14e)</b> Signing agreement	China	Local OTC brands
<b>Crop Science</b>	● <b>Prophyta (Q1'13)</b> - €25m	Germany	Fungicides (Biologicals)
	● <b>Wehrtec, Wehrmann (Q1'13)</b> €34m + milestones	Brazil	Soybean (Seeds, Germplasm)
	● <b>FN Semillas* (Q4'13)</b> - €25m	Argentina	Soybean (Seeds)
	● <b>Biagro*</b> - Signing agreement	Argentina	Seed treatment (Biologicals)

Page 34 • Bayer Investor Handout • Q4/FY 2013

\* Pending



## Optimistic About Future Performance Level



Track record of performance:  
Core EPS with 10% CAGR since 2010

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Peak sales potential of new pharma products of  $\geq$ €7.5bn

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Substantial investment opportunities:  
>€18bn in R&D and CapEx 2014-2016

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Aspirations 2016 reflecting new performance level

# Appendix

# FY 2013 – Encouraging Performance Driven by Life Sciences



## Sales

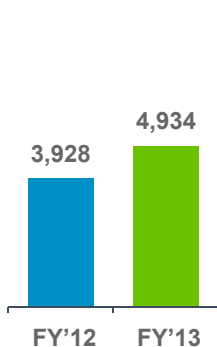
in € million  
% currency & portfolio adj.



**+5%**

## EBIT

in € million



**+26%**

## EBITDA

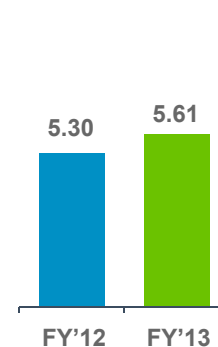
adjusted\*  
in € million



**+1%**

## Core EPS

in €



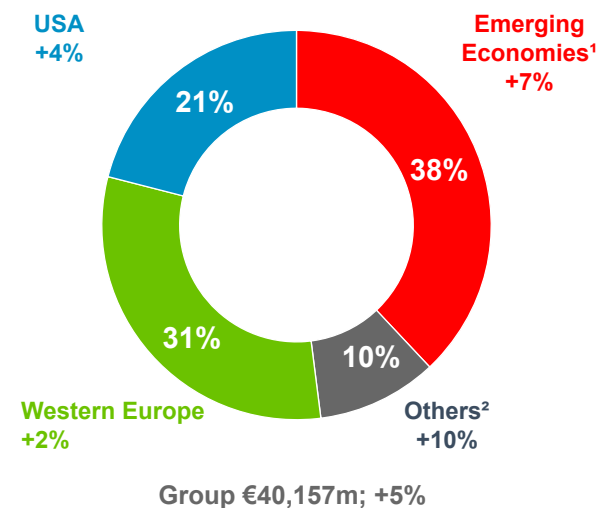
**+6%**

# FY 2013 – Regional Performance

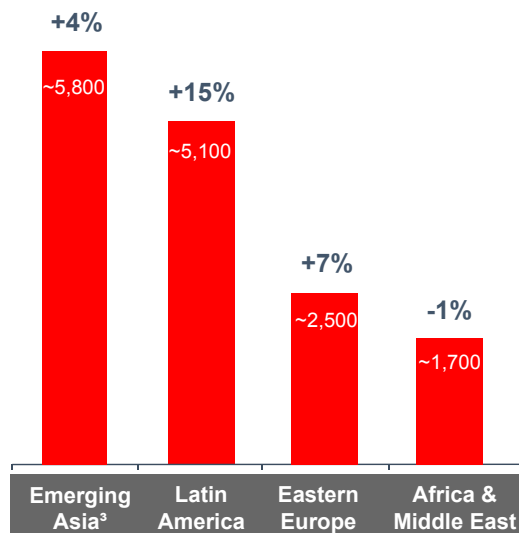


In € million, Δ% yoy Fx adjusted

## 2013 Group Sales by Region



## Emerging Economies



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

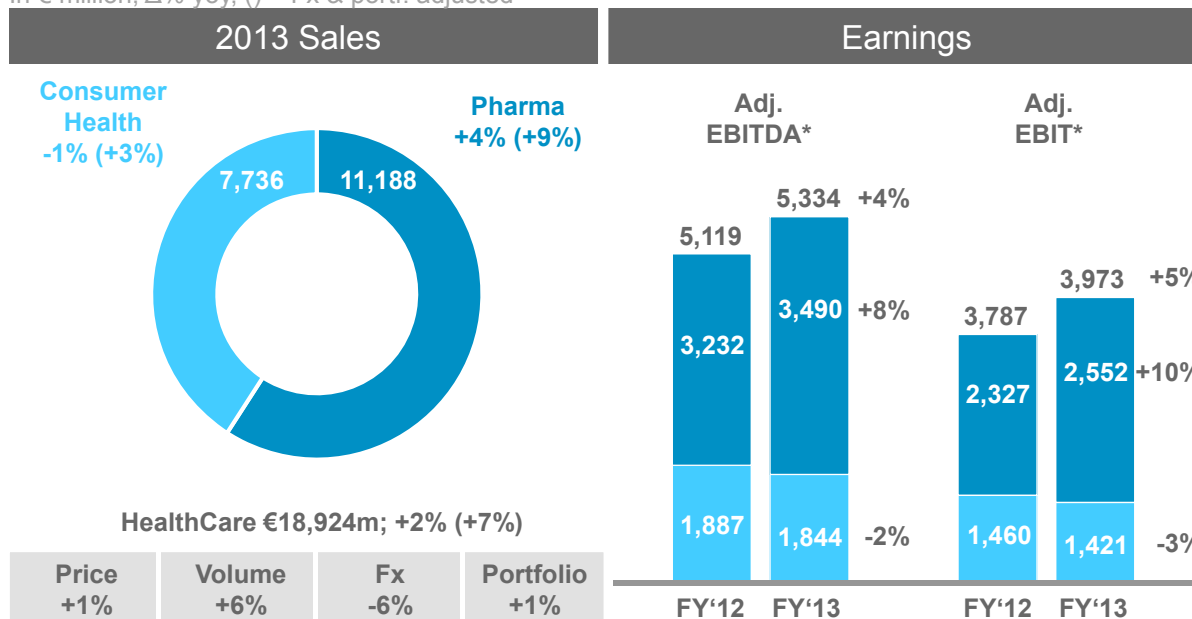
<sup>2</sup> Others = Japan, Australia, New Zealand, Canada

<sup>3</sup> Emerging Asia = Asia w/o Japan, Australia, New Zealand

# FY 2013 – HealthCare



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

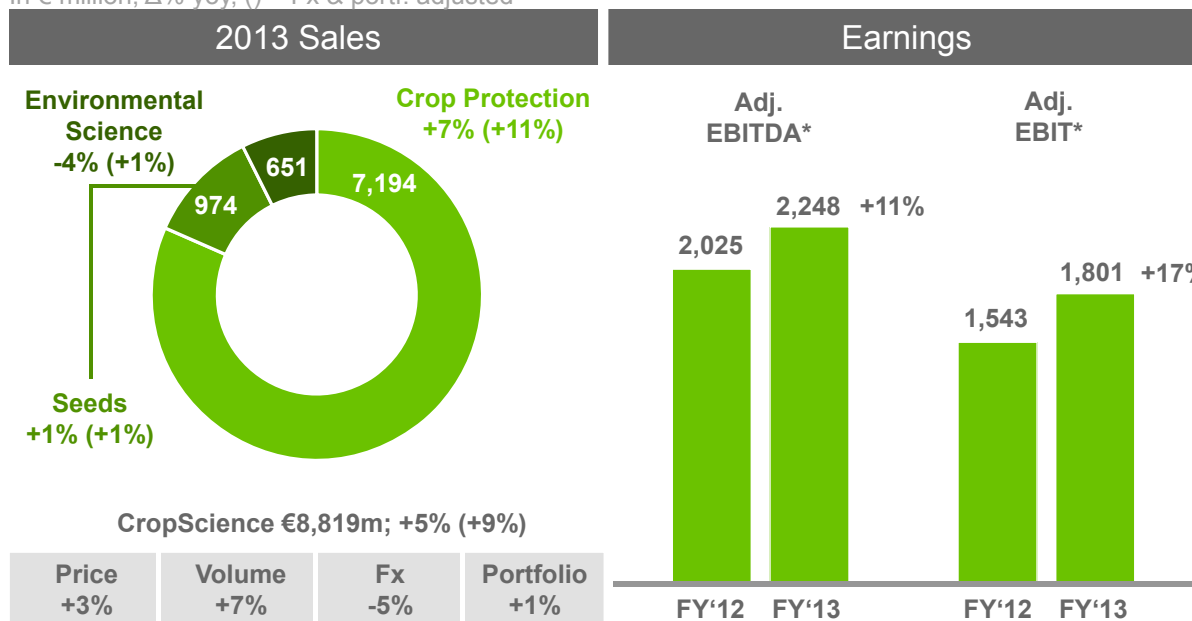


\*before special items

# FY 2013 – CropScience



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

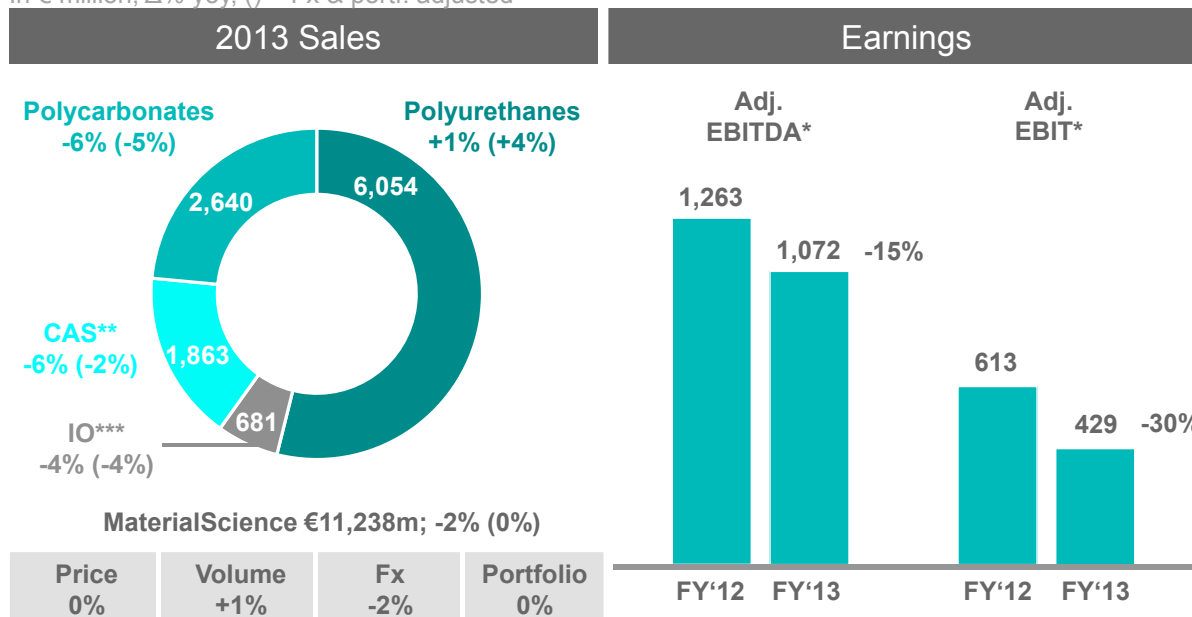


\*before special items

# FY 2013 – MaterialScience



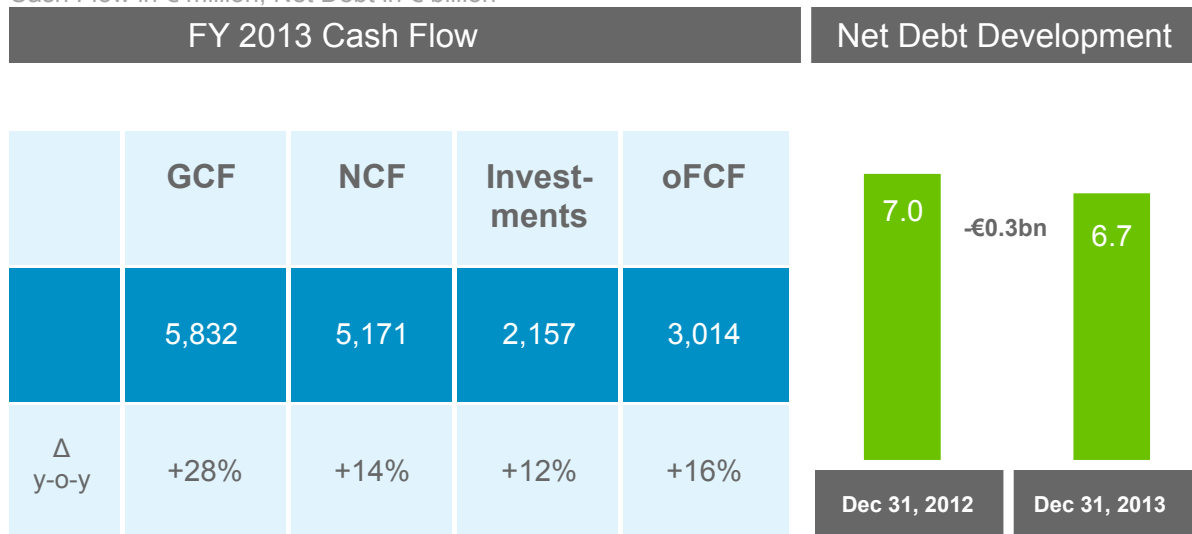
In € million, Δ% yoy, () = Fx & portf. adjusted



# FY 2013 – Cash Flow And Net Debt Development



Cash Flow in € million, Net Debt in € billion





Date	Event	Publication
Monday, April 28, 2014	Investor Conference Call	First Quarter 2014 Results Stockholders' Newsletter
Tuesday, April 29, 2014	Annual General Meeting	
Thursday, June 05, 2014	Meet Management in New York	Investor Conference
Wednesday, July 30, 2014	Investor Conference Call	Second Quarter 2014 Results Stockholders' Newsletter
Thursday, October 30, 2014	Investor Conference Call	Third Quarter 2014 Results Stockholders' Newsletter



## Reporting Events and AGM





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