



Science For A Better Life



# Investor Handout

January 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.



**Disclaimer**

# Building Leading Life Science Businesses to Create Value



## Division

## Leadership Position

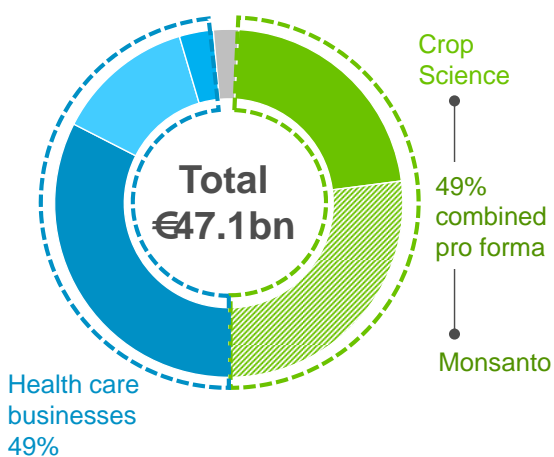
<div style="background-color: #0072bc; border-radius: 15px; padding: 10px; text-align: center; color: white; font-weight: bold; font-size: 1.2em;">Pharmaceuticals</div>	▶	Leading position in cardiology, hematology, radiology, women's health
<div style="background-color: #00a0e3; border-radius: 15px; padding: 10px; text-align: center; color: white; font-weight: bold; font-size: 1.2em;">Consumer Health</div>	▶	Global #1 OTC business with strong portfolio of leading brands
<div style="background-color: #76c733; border-radius: 15px; padding: 10px; text-align: center; color: white; font-weight: bold; font-size: 1.2em;">Crop Science / Animal Health</div>	▶	After the acquisition of Monsanto, a global leader in seeds, traits, crop protection and digital farming; #5 globally in Animal Health

Acquisition of Monsanto pending

# Monsanto Acquisition - Transformative Step to Strengthen Life Science Portfolio



## 2015 Pro Forma Life Science Sales



Excluding Covestro  
 Monsanto sales calculated at avg. 2015 Fx rate (USD/EUR=1.11)  
 Acquisition of Monsanto pending

**Industry Leadership**

- Creating a global leader in agriculture with an integrated agricultural offering
- Broad product portfolio and R&D pipeline to deliver enhanced solutions for farmers

**Significant Value Creation**

- Substantial synergy potential
- Accretion to core EPS in the first full year
- Potential for premium valuation of combined agriculture business

**Consistent with Bayer's Strategy**

- Agriculture market driven by innovation
- Attractive long-term growth market
- Building of leadership position

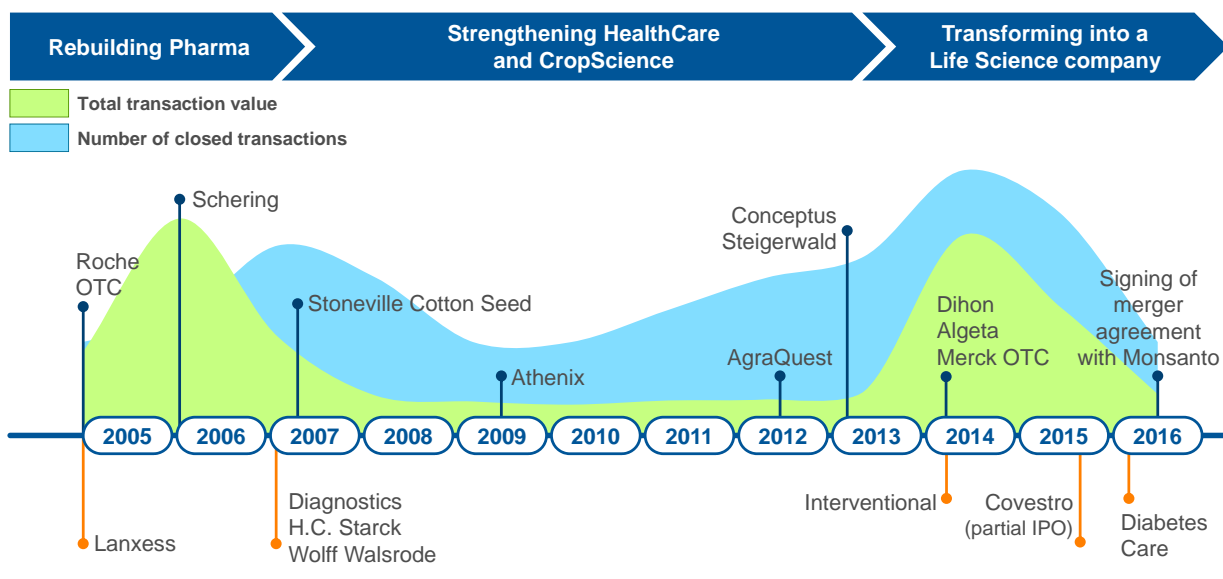
# Path to Completion of the Monsanto Transaction



- **September 14, 2016:** Signing of merger agreement between Bayer and Monsanto
- **September, 2016:** Commenced discussions with regulatory agencies
- **October 12, 2016:** Closing of syndication of \$57bn bank facilities; refinancing might be executed in part well in advance of expected closing
- **November 16, 2016:** Placement of €4bn mandatory convertible notes
- **December 13, 2016:** Monsanto shareowners approve merger with Bayer
- **Q4 2016:** Submission of regulatory filing in the US
- **Q1 2017:** Intended antitrust regulatory filing in the European Union
- Closing expected **by the end of 2017**

Acquisition of Monsanto pending

# Proven Track Record of Successful Portfolio Management



Transforming into a Life Science company – total transaction value of ~€52bn in ~130 closed deals since 2005

Acquisition of Monsanto pending

# Clear Portfolio Management Criteria Drive Value Generation



## General Portfolio Criteria

- Focus on markets with long-term **GDP+ growth potential**
- Ability to generate **attractive returns**
- Success driven by **innovation-based business models**
- Potential to achieve **leadership positions**
- Bayer as the **best owner**

## Portfolio Management Approach

- Decisions based on **regular portfolio review** and **market opportunity**
- Strong DCF-based **value creation imperative**
- **Key performance indicators** including sales growth relative to market, core EPS accretion and value generation
- **No capital allocation** to one business **at the cost of underinvestment** in another business
- **Proven integration/ separation capabilities**

# Delivering Shareholder Value Through Strong Execution

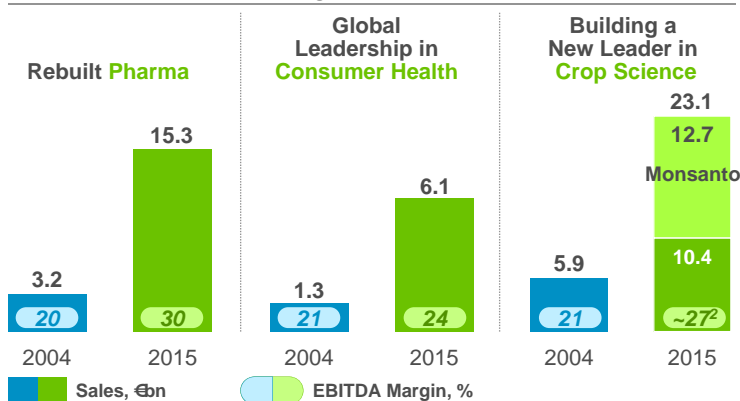


## Building Leading Life Science Franchise



## Proven Integration Track Record

### Sales and EBITDA Margin<sup>1</sup>



- Experienced acquirer having successfully integrated various multi-billion € transactions
- Aventis CropScience
- Schering
- Roche OTC
- Merck & Co. Consumer Care
- Monsanto integration expected to be no more complex than previous large integrations

Increased market cap ~4x since 2004<sup>3</sup>

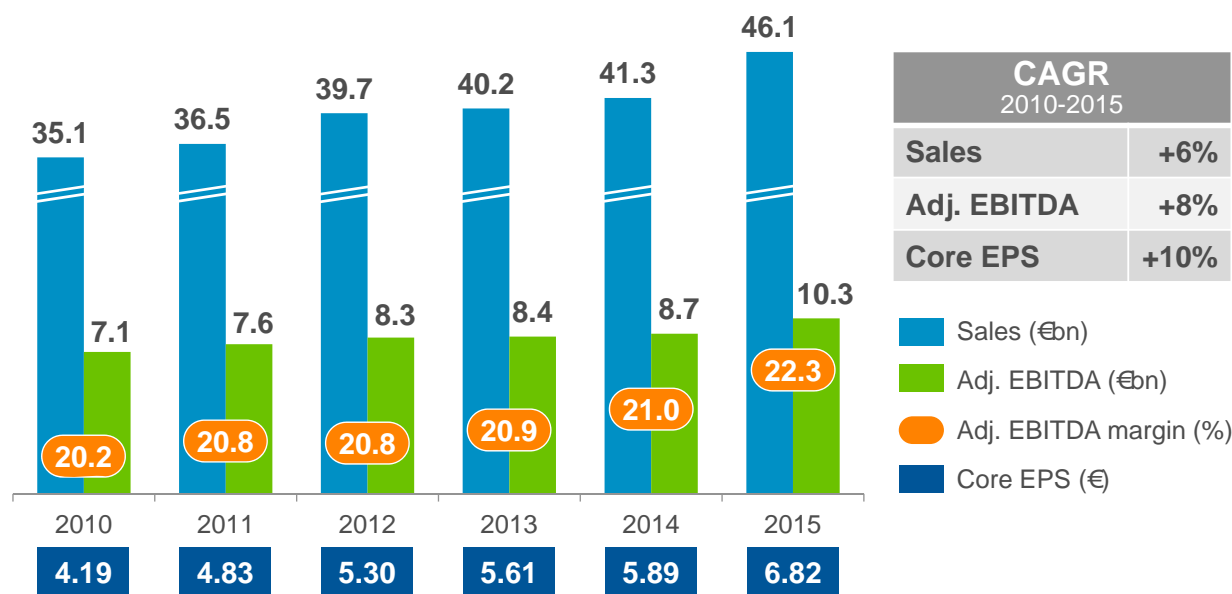
<sup>1</sup> 2015 figures restated, Crop Science as reported;

<sup>2</sup> 2015 pro forma combined EBITDA margin; Monsanto calendarized to December 2015 year-end;

<sup>3</sup> From December 31, 2004 through September 13, 2016

Acquisition of Monsanto pending

# Consistent Track Record of Strong Operating Performance



Continued businesses for 2014/2015; 2015 figures restated  
Adj. EBITDA: EBITDA before special items

## FY 2016 Forecast for core EPS Raised

as presented in October 2016



Sales Δ % yoy Fx and portfolio adj., EBITDA before special items;  
Continuing operations

		2015	2016 update October
<b>Sales</b>	Group	€46.1bn	Low-single-digit % increase to €46–47bn
	Life Sciences	€34.1bn	Mid-single-digit % increase to ~€35bn
<b>Adj. EBITDA</b>	Group	€10.3bn	High-single-digit % increase
	Life Sciences	€8.6bn	Mid- to high-single-digit % increase
<b>Core EPS</b>		€6.82	High-single-digit % increase

2015 figures restated  
Assuming end Q3 2016 Fx rates (USD 1.12)  
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</b> (incl. Monsanto)*	Above market growth	>30% after year 3 post closing

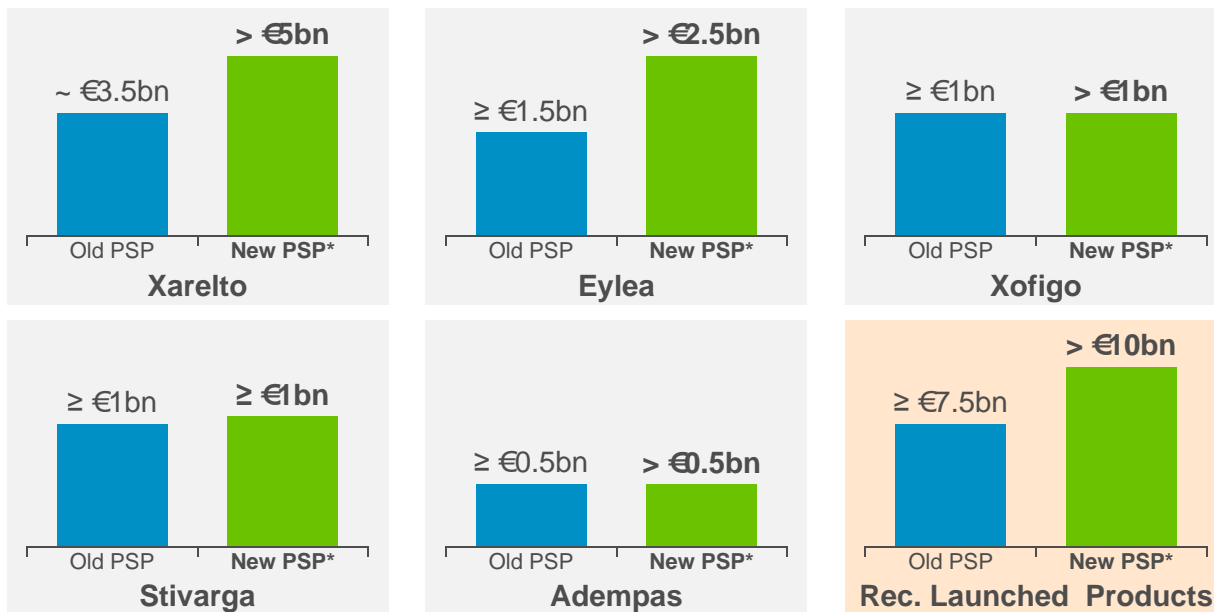
Sales Δ Fx & portf. adjusted, EBITDA before special items, continuing operations  
 Outlook depends on specific planning assumptions outlined in the Interim Report Q2 2016  
 Acquisition of Monsanto pending  
 \* Not including any potential divestments

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



Deliver Growth	Drive Innovation	Create Value
<ul style="list-style-type: none"> <li>Focus on key therapeutic areas and build / maintain leading positions                             <ul style="list-style-type: none"> <li>Cardiovascular</li> <li>Hemophilia</li> <li>Women's Health</li> <li>Oncology</li> </ul> </li> <li>Continue to maximize growth potential of Xarelto, Eylea, Xofigo, Stivarga, Adempas</li> </ul>	<ul style="list-style-type: none"> <li>Build pipeline organically and pursue in-licensing and bolt-on M&amp;A options</li> <li>Focus research on Cardiovascular and Oncology</li> <li>Foster late-stage development to fully develop high value projects</li> <li>Support leading positions in Hemophilia, Women's Health and Ophthalmology</li> </ul>	<ul style="list-style-type: none"> <li>Deliver on mid-term growth and margin aspirations</li> <li>Balance margin expansion and need to invest in securing long-term growth</li> </ul>

# Combined Peak Sales Potential of Recently Launched Products Increased to > €10bn

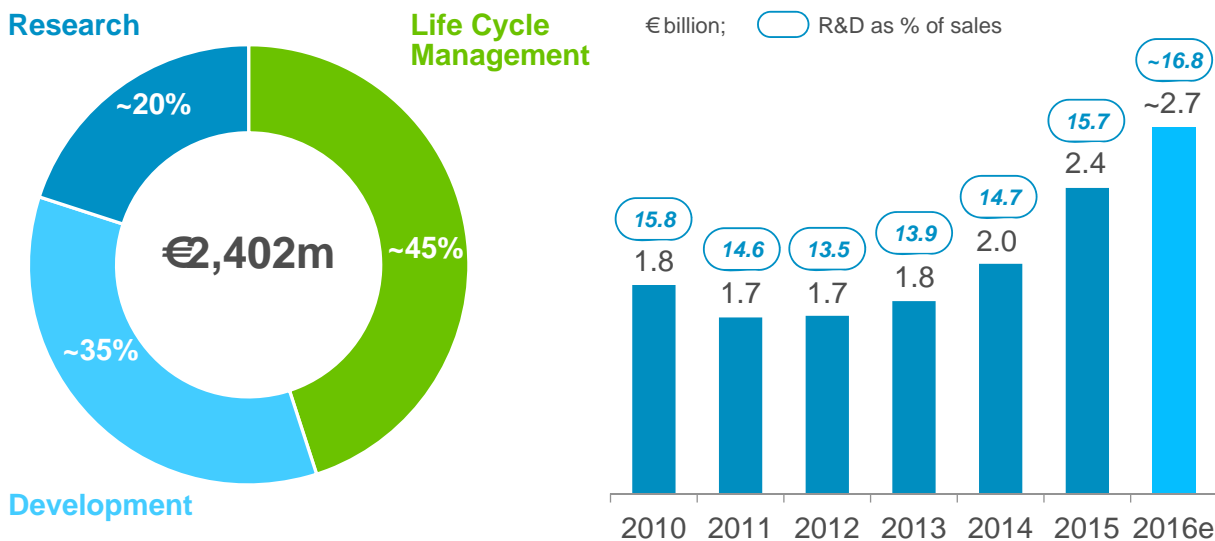


\* PSP: peak sales potential

# Increased R&D Spending at Pharma - Significant Investment in Life Cycle Management



## 2015 R&D Investment at Pharma



Pharma including Radiology



# Key Pharma Pipeline Assets With Combined Peak Sales Potential of ≥ €6 billion

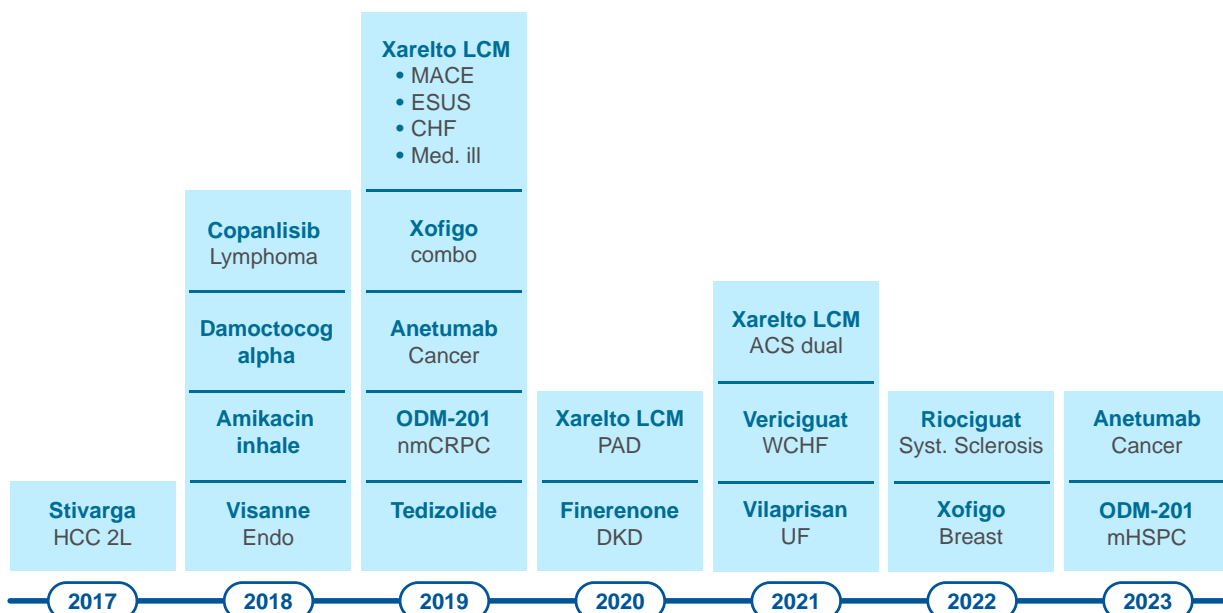


Pipeline Project	Indication	Peak Sales Potential
<b>Vericiguat<sup>1</sup></b>	Worsening chronic heart failure	~ €0.5bn
<b>Finerenone</b>	Diabetic kidney disease	≥ €1.0bn
<b>Vilaprisan</b>	Uterine fibroids	≥ €1.0bn
<b>BAY-1841788 (ODM-201)</b>	Non-metastatic castration-resistant prostate cancer Metastatic hormone-sensitive prostate cancer	≥ €1.0bn
<b>Anetumab</b>	Various cancers <sup>2</sup>	≥ €2.0bn
<b>Copanlisib</b>	Lymphoma	≥ €0.5bn

<sup>1</sup>) In cooperation with Merck & Co.

<sup>2</sup>) Ovarian, Mesothelioma, etc.

# 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

Page 15 Investor Presentation • January 2017

# Combined Crop Science Company Well Positioned to Deliver Superior Performance



## Integrated Solutions

- Create integrated agriculture offerings
- Fully leverage combinations and optimized usage of products based on agronomic advice and digital farming
- Enable integrated 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
- Deliver integrated systems based on technologies optimally designed to work together

## Deliver Value Proposition

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

Acquisition of Monsanto pending

Page 16 Investor Presentation • January 2017

# Bayer – A World-Class Life Science Company



## Value-Creating Portfolio Management

- Creating a global leader in agriculture through acquisition of Monsanto
- Proven integration/separation capabilities
- Track record of delivering shareholder value through successful portfolio management

## Continuous Prosperous Performance

- Mid-term aspirations emphasize growth and margin potential
- Pharma launch products expected to drive growth; PSP increased to >€10bn
- Consumer health challenges addressed
- Crop Science expected to benefit from cyclical market upswing and long-term GDP+ growth potential

## Excellence in Innovation to Foster Future Growth

- Upcoming new product launches and LCM at Pharma expected to mitigate LoE post 2023
- Combined PSP of key late-stage Pharma pipeline assets ≥€6bn
- Consumer Health delivering steady stream of consumer-centric innovations
- Strong R&D capabilities at combined Crop Science business

LCM: Life Cycle Management; LoE: Loss of exclusivity; PSP: Peak sales potential  
Acquisition of Monsanto pending



Date	Event	Publication
Wednesday, February 22, 2017	Investor Conference Call	2016 Annual Report
Wednesday, March 15, 2017	Meet Management in London	Investor Conference
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



## Reporting Events



**Dr. Jürgen Beunink**

Phone: +49-214-30-65742

E-mail: [juergen.beunink@bayer.com](mailto:juergen.beunink@bayer.com)

**Peter Dahlhoff**

Phone: +49-214-30-33022

E-mail: [peter.dahlhoff@bayer.com](mailto:peter.dahlhoff@bayer.com)

**Judith Nestmann**

Phone: +49-214-30-66836

E-mail: [judith.nestmann@bayer.com](mailto:judith.nestmann@bayer.com)

**Constance Spitzer**

Phone: +49-214-30-33021

E-mail: [constance.spitzer@bayer.com](mailto:constance.spitzer@bayer.com)

**Prof. Dr. Olaf Weber**

Phone: +49-214-30-33567

E-mail: [olaf.weber@bayer.com](mailto:olaf.weber@bayer.com)



**Contacts**