



Reinvigorating Our Leading OTC Position



**Capital Markets Day
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Consumer Health Market Remains Attractive

Global Megatrend through 2050: Growing & Aging Population

+2.2bn people¹



People 60+ more than doubling¹



>20% of total population¹

Societal need: Preserve and restore health



Changing consumer behavior and move to 'self care'



Consolidation of traditional pharmacies and shift to drugstores, retail and e-commerce



Digitalization reshaping marketing, sales, and business models



Lower entry barriers, increasing competition

OTC market dynamics²



Long-term growth rates above GDP and CPG industry at 3-4% p.a.



Growing across categories and geographies



Driven by favorable consumer trends and Rx-to-OTC switches



Market profitability above CPG industry benchmarks

GDP: Gross domestic product; CPG: Consumer packaged goods

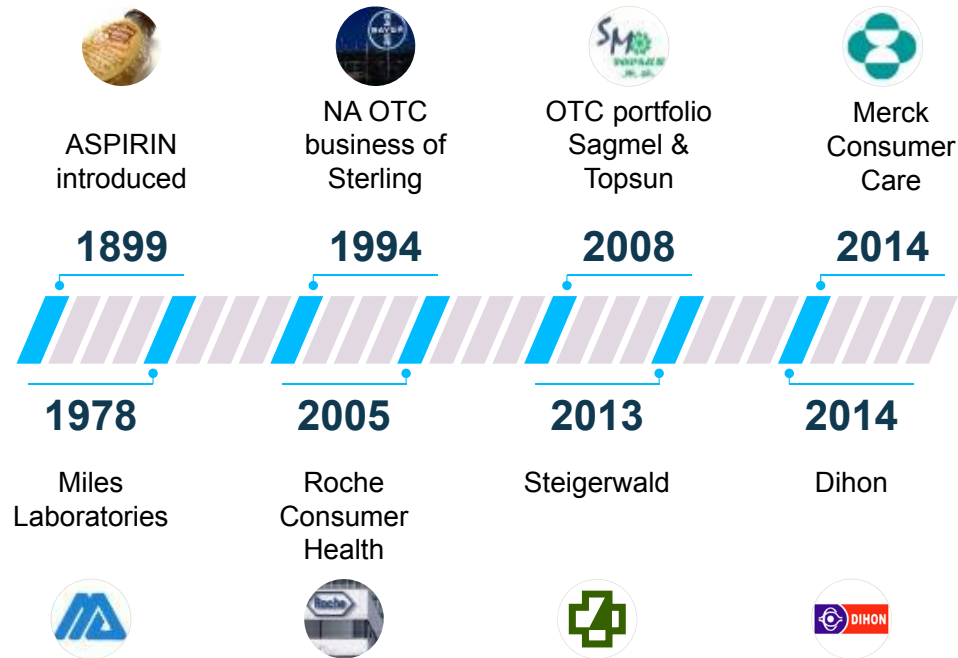
¹ UNDESA 2017 (United Nations Department of Economic and Social Affairs, Population Division (2017). World Population Prospects: The 2017 Revision)

² Market model in-market sales OTC medicines, data from IQVIA, Nicholas Hall

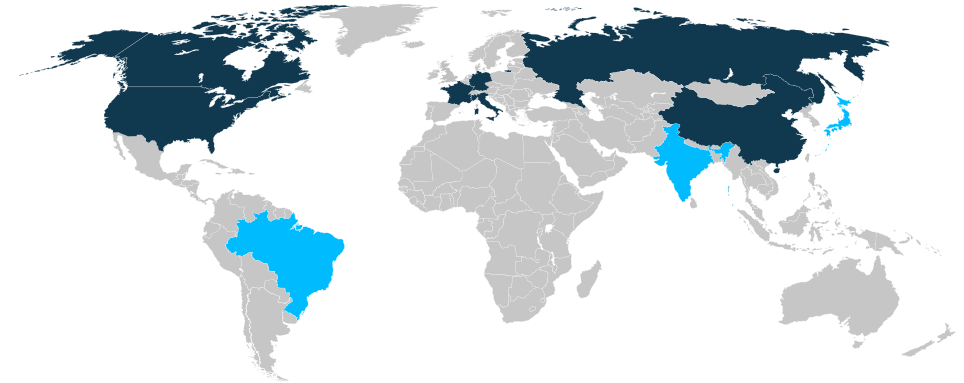


A Leading Player Globally

Built up # 2 OTC Player



Strong positions in 7 out of Top 10 OTC markets



Top 10 OTC markets¹







1. USA	6. Russia
2. China	7. Brazil
3. Germany	8. Italy
4. Japan	9. India
5. France	10. Canada

Top 5 position
 Position outside of Top 5

¹ PARS database, 2017 OTC market size (value) ranking



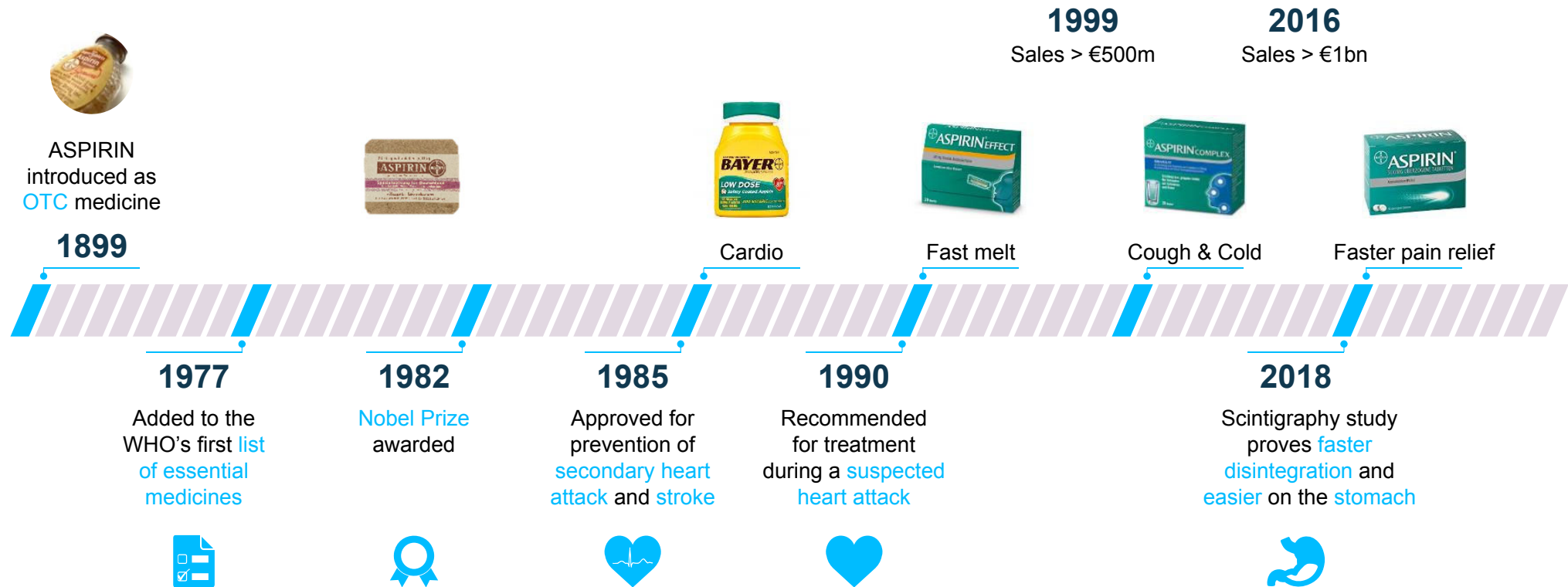
Strong Consumer Brands Built up Over Decades

Brand	Category	Age	Sales 2017	CAGR 2013-2017	# of studies ²
 ASPIRIN [®]	Pain, Cardio, Cough & Cold	119	€1,043m	2.6%	88
 Claritin [®]	Allergy	25 ¹	€585m	2.2%	82
 Bepanthen [®]	Dermatology	74	€379m	9.7%	116
 ALEVE [®]	Pain	42 ¹	€375m	1.3%	42
 Alka-Seltzer [®]	Digestive Health, Cough & Cold	87	€244m	4.4%	7
 elevit [®]	Nutritionals	34	€189m	17.1%	6

¹ Rx launch; ² Past 20 years of clinical data



Building Leading Brands by Applying Science and Marketing Capabilities



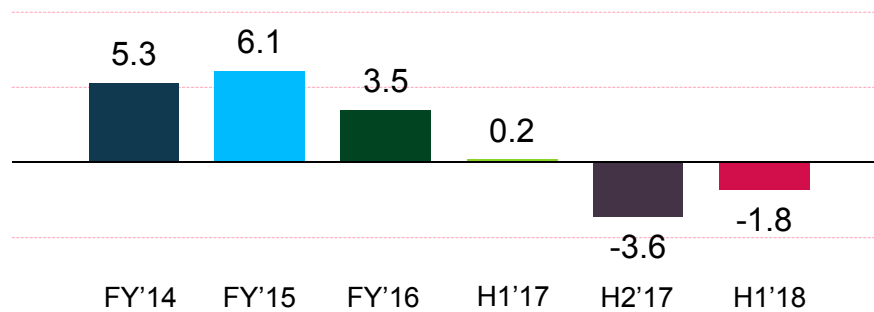
Sales figures including Aspirin Cardio



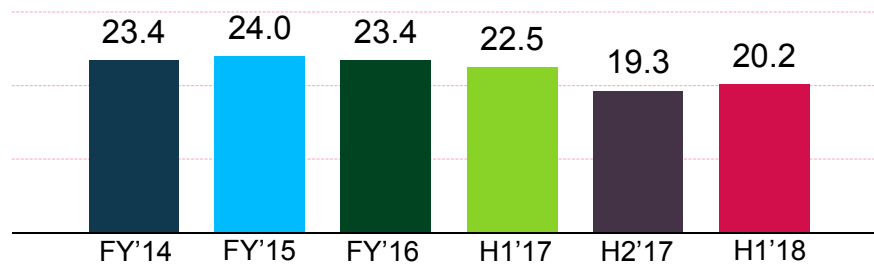
In Recent Years the Business has not Reached its Full Potential

Performance 2014-2018

Sales growth, yoy cpa¹ in %



EBITDA margin before special items in %



¹ Currency- and portfolio adjusted

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Key issues

- // Low level of innovation
- // Outdated marketing and sales approach
- // Regulatory issues in China
- // Temporary supply interruptions

Key opportunities

- // Create more focus on core OTC portfolio
- // Establish leaner, more agile organization
- // Lower cost base by applying Zero Based Budgeting
- // Leverage stronger our Bayer brand across the portfolio



New Leadership Team with Proven Track Record in OTC and CPG Companies



Heiko Schipper*
President, Consumer Health
Previous: Nestlé



Patrick Lockwood-Taylor*
Commercial Operations NA
Previous: P&G



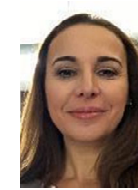
Stefan Meyer
Commercial Operations EMEA
Previous: P&G, J&J



Lance Yuen
Commercial Operations APAC
Previous: BMS, P&G



Arturo Sanchez
Commercial Operations LATAM
Previous: P&G, Pfizer



Patricia Corsi*
Strategic Marketing & Digital
Previous: Unilever, Heineken



Olivier Mauroy-Bressier
Finance
Previous: Rhône-Poulenc, Aventis



Sharon James*
Research & Development
Previous: Reckitt Benckiser, GSK



John Koelink*
Product Supply
Previous: Organon, Hoechst



Edwin Schenck*
Human Resources
Previous: J&J



Bill Dodero
Legal
Previous: O'Connor Cohn
Dillon & Barr

*Joined Consumer Health in last ~18 months; Patricia Corsi to join in January 2019



Focused on Executing a Comprehensive Turnaround Plan

Focus on
winning **Portfolio**



Accelerate
growth-focused
Innovation



Modernize
Marketing & Sales



Build high-
performing
Product Supply



Leaner and more agile **organization**



Lower **cost base**

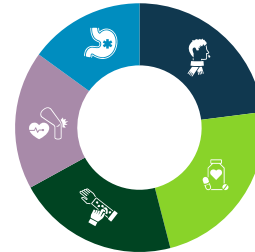


We Will Focus on our Core OTC Categories To Leverage our Science and Marketing Capabilities

Categories to accelerate

- Allergy + Cough + Cold
- Nutritionals
- Dermatology
- Pain + Cardio
- Digestive Health

Sales Split 2017¹



Global Position²

- #5
- #2
- #2
- #4
- #2

Main Brands

-
-
-
-
-

Categories to exit

- // Divestment of Rx Dermatology - US business closed; closing ex-US expected in H2 2019³
- // Explore exit options for Sun- and Footcare in 2019

-
-
-





¹ Excluding Derma Rx, Suncare, Footcare

² PARS database December 2017

³ Subject to the fulfillment of customary closing conditions



Each Region has a Clear Roadmap for Success Coming from Different Starting Points

	Sales 2017 in €m	Past 2 Year CAGR	Our Roadmap
	2,480	-2%	➤ North America – Turnaround of largest and most important market
	738	2%	➤ Asia Pacific – Rebuild China momentum following regulatory issues
	1,962	2%	➤ Europe/Middle East/Africa – Accelerate growth following temporary supply interruptions
	682	10%	➤ Latin America – Build on leadership position



US Turnaround Plan

Levers and key focus areas

First actions

People & Organization



- // Increase category and brand building experience
- // Drive leaner more agile organization

- // Right-size the organization
- // New leadership team in place

Q4 2018
Q1 2019

Winning Portfolio



- // Focus our resources on categories where we can win

- // Divested Rx Dermatology
- // Explore exit options: Suncare / Footcare

H2 2018
2019

Accelerate growth-focused Innovation



- // Rebuild innovation pipeline

- // Strengthen innovation for core brands
- // Establish Rx-to-OTC switch pipeline

2020

Modernized Marketing & Sales



- // Rebuild brand fundamentals
- // Accelerate digital

- // Step up e-commerce
 - Amazon 2018e sales +60%
 - Online (8.3%) to offline (8.7%) share

2018



Accelerating Growth from Innovation

Ambition 2022



Double growth contribution from innovation (from 15% to 30% of our growth)

Strengthen
Core Innovation



Accelerate
Adjacent Innovation



Planning - Pregnancy - Breastfeeding

Drive new
Switch Opportunities



Drive consumer-centric innovation

Un-lock local innovation

Increase innovation funding

Explore external partnering

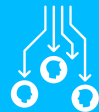


Modernizing our Brand Building and Sales Capabilities

Brands with Purpose



From Mass to Precision Marketing



Advertising spend on digital

18%
2016

28%
2018e

Accelerating e-commerce



Growth YTD

60%
 2018

37%
 2018



Building Blocks of our Growth Aspiration in 2022

Goal 2022

Accelerate growth to 3-4%

% contribution to growth target

**Focus on a
winning Portfolio**



- // Divest Rx Dermatology, Sun- and Footcare
- // Accelerate core OTC range
- // Selected bolt-on M&A

~35%

**Accelerate growth-
focused Innovation**



- // Drive consumer-centric innovation
- // Un-lock local innovation
- // Increase funding & external partnering

~30%

**Modernize
Marketing & Sales**



- // Accelerating e-commerce
- // Moving from mass to precision marketing
- // Stepping up marketing and sales execution

~35%



Build High-Performing Product Supply

Address immediate opportunities...



Regulatory issues



Temporary supply interruptions



Customer service levels



...building up high-performing product supply



Upgrade the manufacturing network

- // ~30% less sites¹
- // Upgraded GMP standards
- // CAPEX investment 2017/2018e ~€60m



Lower the portfolio complexity

- // ~30% less SKUs¹



Step up supply chain practices

- // Increase 'On Time in Full'
- // Reduce write-offs

¹ 2022; SKU: Stock keeping unit; GMP: Good manufacturing practice



We Target Efficiencies of ~ €500m¹ Gross by 2022 to Reinvest in Growth and Improve Margins

Consumer Health measures

Group measures



Lean organization

- // Delayer to net FTE reduction of ~15%, skewed towards SG&A
- // Flatten organizational structures to accelerate execution
- // Re-invest in digital capabilities



COGS optimization

- // Reduce complexity
 - // CMOs: -30%
 - // SKUs: -30%
- // Increase efficiency
 - // Write offs: -35%



Indirect cost optimization

- // Apply zero-based budgeting methodology
- // Reduce non-consumer-facing spending
- // Identified potentials in e.g. market research, media spend, sponsorships



Platform Adjustment

- // Adjust Bayer Corporate Platform

Contribution by 2022

~20%

~25%

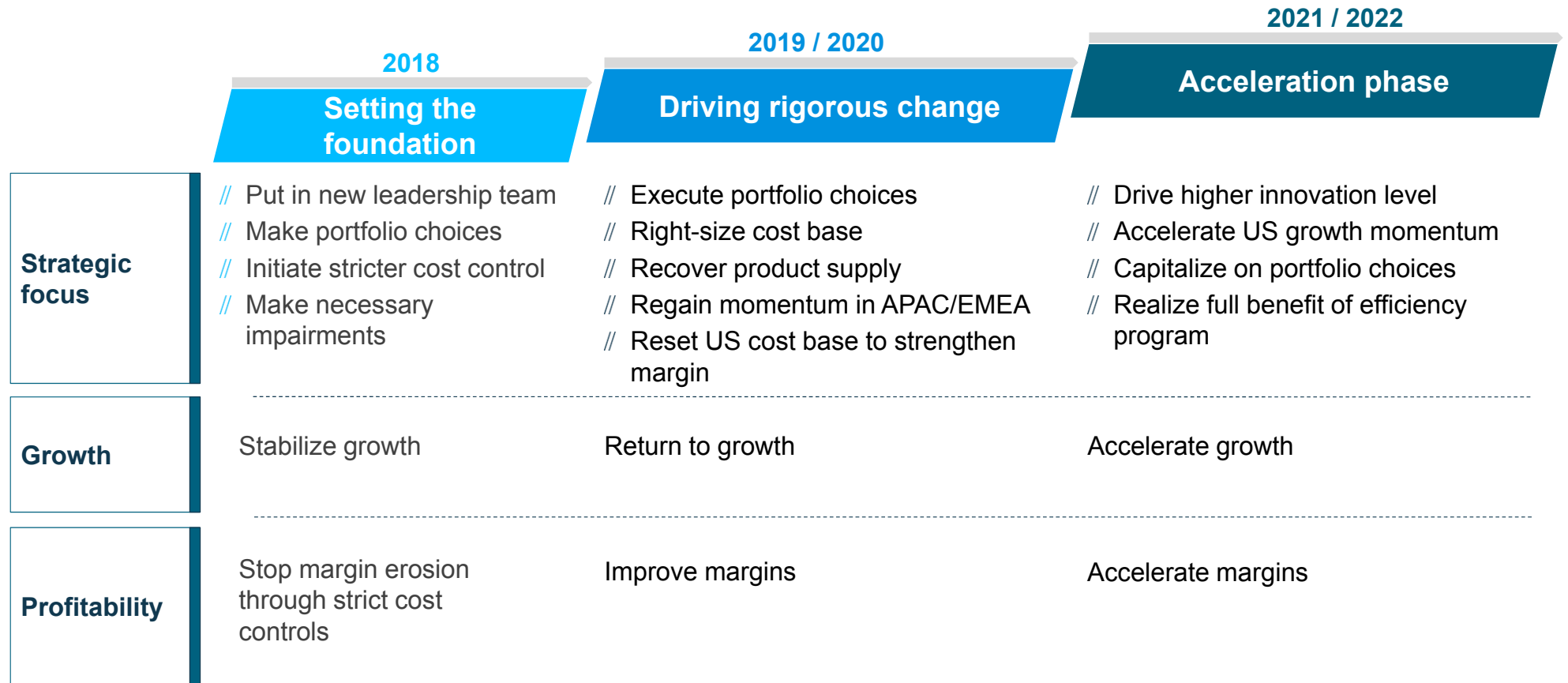
~35%

~20%

¹ Cumulative efficiencies; CMO = Contract manufacturing organization; SKU = Stock keeping unit



Our Strategic and Operational Roadmap





Our Comprehensive Turnaround Will Accelerate Growth and Profitability

	2017	2018e	Indicative Guidance 2019	Target 2022	CAGR 2018-2022	Δ 2022 vs. 2017
Sales growth	- 1.7%	PY level	~1%	3 - 4%	~2%	+500 bps.
EBITDA margin	21%	~20%	~21%	~24%	~6% ¹	+300 bps.

2022 targets at constant currencies, including portfolio measures
 EBITDA margin based on EBITDA before special items; ¹ CAGR EBITDA before special items



Reinvigorating Our Leading OTC Position

We Have the Right Team and Strategy in Place

- 1** **New leadership team with proven track record of success in OTC and CPG companies**
- 2** **Focus on core OTC Portfolio**
- 3** **Accelerate innovation to drive growth**
- 4** **Modernize marketing and sales to charge our strong brands**
- 5** **Build high-performing product supply to increase customer service**
- 6** **Create leaner organization and right-size cost base**



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