

**Boehringer Ingelheim**

**Annual Press Conference 2016**

Tuesday, 19 April 2016

Boehringer Ingelheim Center, Ingelheim, Germany

**The remarks of**

**Andreas Barner**

**Hubertus von Baumbach**

Members of the Board of Managing Directors

Check against delivery.

**1. Slide: Annual Press Conference 2016 – Financial year 2015**

**2. Slide: Financial year 2015 – Andreas Barner, Chairman of the Board of Managing Directors**

Ladies and gentlemen,

I would like to extend a warm welcome to you at the Annual Press Conference of Boehringer Ingelheim. We are happy that you made it to Ingelheim today. We will start by talking about the results for the last financial year before moving on to our plans for the coming years. As always, we will then be happy to answer any questions you may have.

From our point of view, 2015 was a successful year. We made significant medical advances. At the same time, we in 2015 took the key strategic course to maintain competitiveness and sustainable business development in the future too.

**3. Slide: Significant medical advances**

As a company, we have set ourselves the long-term goal of creating value through innovation. Innovation has for us been both a fundamental requirement and a driving force for more than 130 years. Looking back on the last financial year, we can see that we recorded more submissions, approvals and product launches in 2015 than ever before in our history. With good reason the news agency Thomson Reuters for the first time last year named us as

one of the 100 most innovative companies in the world in a ranking spanning all sectors. We are very pleased about this.

Highlights in this respect include the results of a major trial which we unveiled last year. JARDIANCE® reduces by one third the risk of patients with type 2 diabetes and cardiovascular risks dying from cardiovascular complications.

The approval of PRAXBIND® in the USA and Europe is another milestone. PRAXBIND®, which we developed, binds PRADAXA® in a highly specific manner, rendering it inactive. This means that Boehringer Ingelheim has once again succeeded in setting new standards in stroke prevention. Preventive treatment will be made even better, simpler and safer with PRAXBIND®. In rare emergency situations, doctors can now reverse the effect of the anticoagulant PRADAXA® within a matter of minutes.

Last year also saw considerable developments in the field of respiratory diseases, our biggest indication area: we took several major steps forward:

- EU approval of OFEV® – a medicine used to treat the rare respiratory disease idiopathic pulmonary fibrosis,
- approval of SPIOLTO® RESPIMAT® for chronic obstructive pulmonary disease (COPD) in several EU countries, in Japan, Canada and in the USA
- And US approval of SPIRIVA® RESPIMAT® for asthma.

The response to OFEV® among doctors and patients has been very positive in all of the countries in which the medicine has been approved so far. The authorities granted approval in record time, which is testimony to the high level of medical need. We are currently investigating whether OFEV® is effective in the treatment of other pulmonary conditions, such as systemic sclerosis.

I would also like to highlight our success in the field of immunology, as the clinical data in the indication psoriasis have attracted great attention in the scientific medicine community. This has put us in a position to agree with AbbVie on global collaboration. Our interests are a perfect match: on the one hand, our IL-23 blocker is a very attractive medical addition to AbbVie's portfolio. On the other hand, the agreement has allowed Boehringer Ingelheim to secure a very experienced partner to help ensure optimum development and subsequent marketing of a key product in development for various indications. For both partners this represents an extremely attractive cooperation in both scientific and financial terms.

#### **4. Slide: Strategic course set for further growth**

For the past few years, we have been taking a close look at the Boehringer Ingelheim portfolio and at the competitiveness of the individual businesses. Increasing signs of consolidation had emerged in our business with patent-free medicines in the USA, in the Consumer Health Care (CHC) business and in the Animal

Health business. We would have had to invest considerable amounts in acquisitions in all three business areas in order to survive the consolidation process on the relevant markets and maintain the critical mass required.

As a result, we made the decision, on the one hand, to withdraw from the generics business. On the other hand, we are engaged in exclusive negotiations with Sanofi on the swap of the CHC and animal health businesses. The goal is for Sanofi to concentrate on CHC medications and for us, as Boehringer Ingelheim, to focus on the research-driven animal health business.

Another strategic element relates to our decision to make the biggest single fixed-asset investment in the Group's history and to expand the biopharmaceutical production facility in Vienna, Austria.

But we also feel that we are well equipped in our core business area, the Prescription Medicines business, excluding generics – not least given the approximately 11 billion euros that we plan to invest in international research and development in human pharmaceuticals over the next five years. Five billion euros of this will be dedicated to preclinical research and development and 1.5 billion euros for cooperations with external partners.

## **5. Slide: Increased net sales and improved operating income**

Ladies and gentlemen,

Although the global pharma market continues to grow, market access for innovative medicines is proving increasingly difficult. At the same time, price pressure continues to rise in many countries, such as in our key markets, the USA and Japan as well as in some European countries. Despite this, we succeeded in increasing our total net sales to 14.8 billion euros, up a currency-adjusted 4.1 per cent. Not taking into account activities in the generics business, we achieved growth of 5.3 per cent. As our operating income also increased to around 2.3 billion euros, the return on net sales amounts to 15.3 per cent.

We are very happy with these results, given the overall environment that I have just spoken about. For one thing, we see that the measures to adjust our cost structures are starting to bear fruit. For another, they show us that we are able to grow significantly – even in spite of the market conditions that I have just described. And we have seen growth in all of our businesses. In the Prescription Medicines business, excluding generics, our net sales rose by 4.1 per cent in currency-adjusted terms, with an increase of as much as 7.1 per cent and 10.5 per cent respectively in the Consumer Health Care and Animal Health businesses.

Mr von Baumbach will now explain the business figures for 2015 to you in detail.

**6. Slide: Businesses and financial figures 2015 – Hubertus von Baumbach, Corporate Board Division Finance**

Thank you very much, Professor Barner.

Ladies and gentlemen,

Taking a look at the last financial year, the following points are to me particularly important:

- 2015 was a successful year.
- Our Prescription Medicines business grew once again.
- Our results showed positive development – not least thanks to the efforts we made again last year to adjust our cost structures.
- At the same time, we took a number of very fundamental decisions for our business portfolio.

**7. Slide: Increase in net sales and operating income**

For 2015 we see a significant increase of 11.1 per cent in net sales to 14.8 billion euros. This figure also contains positive currency effects. After adjustments to reflect exchange rate developments, we achieved an increase of 4.1 per cent, which is in line with our expectations. If we look at the growth achieved by the Group, excluding the generics business in the USA – which we decided to withdraw from – the increase in net sales comes to as much as 5.3 per cent.

Furthermore, we are pleased to see that, in addition to the higher net sales, our measures to raise efficiency have also had a positive impact on operating income. We have successfully held our own in a market environment that is undergoing rapid change. Our operating income rose by six per cent to a total of 2.3 billion euros – despite the fact that 2015 was characterised by market launches and, once again, by increased research and development costs. We invested 20.3 per cent of our net sales in research and development, highlighting our clear commitment to innovation as a growth driver. As far as our profitability is concerned, we saw a slight decrease compared to the previous year. We are nevertheless satisfied with a return on net sales of 15.3 per cent.

The sale of our generics business was completed at the end of February 2016. The impact on our results is therefore not included in the figures for 2015.

#### **8. Slide: High liquidity and equity safeguard independence**

Our company was founded more than 130 years ago. Since then, our prime goal has been to maintain the Group's independence. This fundamental principle is firmly anchored in our guiding principles and in our corporate strategy. This requires financial room for manoeuvre based on a corresponding liquidity position and a healthy equity ratio.

It goes without saying that positive cash flow is a key driver of liquidity. In 2015, our cash flow from operating activities came to 2.2 billion euros. Our financial funds increased by a total of around



20 per cent to 10.2 billion euros. Operating cash flow thereby exceeds our investments in tangible assets many times over.

With equity of 9.6 billion euros and total assets of around 23.3 billion euros, our equity ratio came to over 41 per cent. This represents a further increase compared with the previous year. Tangible assets were covered almost three times by equity.

Provisions for pensions increased by 13.6 per cent from 3.7 billion euros to 4.2 billion euros. The amount of provisions set up depends not only on the number of our employees, but also on future salary developments and interest rate developments on the money and capital markets.

With an unchanged commitment on pensions, the financial result in 2015 was negatively impacted by 655 million euros, which was substantially more than in the previous year. The cause was the unfavourable interest rate development. Why am I explaining this? First of all, this underlines the financial strength of the company, as it is able to afford effects of this kind year after year. Our employees were always important to us and remain so today. For this reason, not least, the company has for over a hundred years produced this additional voluntary contribution of considerable magnitude. We will have to make enormous efforts in order to be able to do this in the future too. The preconditions for this are becoming increasingly demanding.

## **9. Slide: Net sales growth in all businesses**

Ladies and gentlemen,

I'd like to provide you with a general overview of how our businesses developed. As you can see, we achieved growth in all business areas. In the following, I will explain these figures in more detail.

## **10. Slide: Net sales growth in all businesses – Prescription Medicines, excluding generics**

In the financial year 2015, we generated 72 per cent of our total sales with Prescription Medicines, excluding generics. This means that we managed to increase our net sales by 4.1 per cent in currency-adjusted terms to 10.7 billion euros.

SPIRIVA® remains our best-selling product, generating net sales of over 3.5 billion euros in 2015. We generated net sales of around 1.3 billion euros with PRADAXA®. Net sales of OFEV® showed very positive development, rising to almost 300 million euros.

Our diabetes business has established itself as a long-term growth driver. In 2015, the entire diabetes portfolio showed substantial growth of around 49 per cent in currency-adjusted terms to 1.1 billion euros. Together with our alliance partner Eli Lilly and Company, we have now had six different diabetes products approved and launched in key markets. The combination products

GLYXAMBI® and SYNJARDY® were brought onto the market for the first time.

### **11. Slide: Net sales growth in all businesses – Consumer Health Care**

As Professor Barner has already mentioned, the Consumer Health Care and Animal Health businesses were central to our strategic considerations last year.

With net sales of over 1.5 billion euros, our CHC business is developing very positively. The business accounts for around ten per cent of total net sales. We achieved growth of 7.1 per cent after adjustments to reflect currency effects, driven primarily by our global brands DULCOLAX®, BUSCOPAN®, MUCOSOLVAN® and PHARMATON®.

### **12. Slide: Net sales growth in all businesses – Animal Health**

Growth in our Animal Health business is based, firstly, on research-driven innovation and secondly, on strong brands and high levels of customer trust. While the value chains for the human and veterinary medicine businesses are very similar, the markets are very different. The animal health markets are heavily influenced by customers with global operations – particularly in the food producing animals sector – and are subject to less state influence on prices.

Looking at the Animal Health business, we see an increase in net sales of 10.5 per cent in currency-adjusted terms to almost 1.4 billion euros. This means that the business contributed nine per cent to our total net sales. Our products for food producing animals continued to generate the highest net sales, with our swine vaccine INGELVAC CIRCOFLEX® once again proving to be our best-selling medicine. INGELVAC® PRRS contributed the highest growth: net sales increased by 22.8 per cent in currency-adjusted terms to 99 million euros.

With a currency-adjusted increase in net sales of 1.7 per cent to 101 million euros, we again saw growth with METACAM®, our anti-inflammatory medicine for pets and livestock. We also generated sales of 88 million euros with our canine vaccine DURAMUNE®, which corresponds to an increase of 7.5 per cent after currency adjustments.

Regarding our innovative strength, it should here be pointed out that BOVELA®, our new vaccine for cattle, has been on the market in Europe since March 2015. We also launched two new swine vaccines on to the market in the autumn of last year.

### **13. Slide: Net sales growth in all businesses – Biopharmaceuticals**

The sales that we report in the biopharmaceuticals business come from contract manufacturing biopharmaceuticals for third parties. The biopharmaceuticals business, with total net sales of

576 million euros, last year accounted for four per cent of total net sales and achieved growth of 15 per cent.

The contract manufacturing market, in which we have been able to build up an excellent reputation among our customers over more than 25 years, is characterised by very high demand for production capacities. As a result, we hope that our investment in the expansion of biopharmaceutical production in Vienna, Austria, will provide us with significant growth impetus in the medium term.

#### **14. Slide: Strategy, Andreas Barner, Chairman of the Board of Managing Directors**

Thank you, Mr von Baumbach.

#### **15. Slide: Breakthrough in diabetes research**

Ladies and gentlemen,

As you have just heard from Mr von Baumbach, our diabetes medicine sales have increased considerably. A specially designed clinical trial has proven the cardiovascular benefits of a diabetes medicine for the very first time. Not only this, but also, in particular, the extent of the therapeutic improvement constitutes a medical breakthrough for patients and their doctors comparable to the launch of statins in lowering cholesterol.

Our medicine JARDIANCE® reduces the risk of dying from cardiovascular events by more than one third. These cardiovascular effects were also observed in high-risk patients who were already suffering from heart failure or impaired renal function at the start of the trial. The medicine also significantly reduced the progression of diabetic renal diseases compared with the placebo.

**16. Slide: Positive media response worldwide to EMPA-REG OUTCOME® data**

These results have attracted great attention worldwide, as these examples show.

The results from the EMPA-REG OUTCOME® study demonstrate medical progress through innovative active ingredients, like empagliflozin. In future, we will also invest in empagliflozin for the benefit of patients.

**17. Slide: Treatment of chronic heart failure – Two new outcome studies with empagliflozin planned**

The results from the EMPA-REG OUTCOME® data demonstrate the benefit of innovative drugs for patients. The positive effects of empagliflozin were also seen in patients with chronic heart failure and type 2 diabetes. Based upon these results, we will now investigate the effect of empagliflozin in the treatment of chronic

heart failure independently of diabetes in two large outcome trials. You will find the respective press release in the press kit.

Let me comment briefly on the situation in Germany: the pharmaceutical dialogue event, Pharma-Dialog, which brings together representatives of the German federal government, pharmaceutical industry associations, academia and the industrial trade union for the German mining, chemical and energy industries (*Industriegewerkschaft Bergbau, Chemie, Energie*) last week reached a preliminary conclusion. We much welcome that all participants were prepared to work jointly on constructive solutions and that the German federal government firmly emphasised its appreciation of the pharmaceutical industry's contribution. Also discussed were topics of importance to us that should now be translated into legislative intentions. Here it is a matter of concrete actions – of whether Location Germany is really being prepared for future viability. In caring for patients it is important that they retain rapid access to innovative medicines. For the research-driven pharmaceutical industry this must in turn be undertaken at appropriate prices, so that the companies' research efforts are realistically and fairly rewarded. Scientific breakthroughs in medicine in Germany – such as the outcome of the trial just mentioned – cannot be achieved at rock-bottom prices, like those for generic products.

## **18. Corporate strategy**

Ladies and gentlemen, these and other successes achieved by our R&D activities bear impressive testimony to just how seriously we take our corporate vision “Value through innovation” and how successfully we are driving forward its implementation. A clear focus here is certainly one of the key success factors. This is the only way to secure the resources necessary to compete successfully. We have developed our strategy accordingly and are now implementing it.

- The sale of Roxane in the USA signals the completion of our global exit from the generics business.
- The exclusive negotiations with Sanofi on the swap of the Consumer Health Care and Animal Health businesses will see both businesses assume a leading competitive position in an industry in the process of consolidation.
- For the development and distribution of our IL 23 blocker we have a strong and experienced partner, AbbVie, which will help us to ensure the optimum development of this product.
- The decision to expand our biopharmaceutical production capacities has allowed us to position ourselves in a high-growth segment.



## **19. Slide: Corporate strategy – Previous disposition**

This reflects how Boehringer Ingelheim was still structured at the end of last year – with Prescription Medicines, excluding generics, as an important business mainstay, followed by Consumer Health Care, Animal Health, biopharmaceuticals and generics in the USA.

In order to remain competitive on the generics market, which is undergoing considerable consolidation, we would have had to invest accordingly. Since we were faced with similar decisions in the other business areas, we decided, based on the market situation and our own profile of strengths, to sell Roxane to a very successful generics manufacturer that focuses on this business.

Hikma is not only a competitive new owner for Roxane; our stake has also allowed us to position ourselves in Hikma's core markets in the Middle East and North Africa – regions which we expect to generate considerable growth over the next few years.

We took another major strategic step at the end of last year by commencing exclusive negotiations with Sanofi on a swap of our Consumer Health Care business for Sanofi's Animal Health business, Merial. This represents another major step towards our new strategic focus. The consequence of this is that we will part ways with our Consumer Health Care business. There is no doubt that this was not an easy decision for us, because this business is characterised by strong brands that we have developed ourselves over the decades and which are closely interwoven with our history. This is, however, another market in which, in the long run, we would no longer have the same prospects, in terms of our

competitiveness, that we had a few years ago without significantly improving our geographical presence and positioning in high-growth segments.

What is more, we are also faced with the challenge of having to keep pace with the leading companies in the Animal Health business too. This is what motivated us to consider this sort of transaction – the rationale behind the move is obvious.

After closing the deal with Sanofi, the Consumer Health Care business together with Sanofi's portfolio will hold a leading market position.

## **20. Slide: Corporate strategy: Potential disposition in future**

Here you can see what our company will look like in the future. Our new, significantly strengthened Animal Health business will be exceptionally well- placed to generate further growth in all strategically important market segments, positioned as a leading player in field of vaccines and pharmaceuticals for food producing animals and small animals.

The end of last year also saw us provide considerable growth impetus for our biopharmaceuticals business: we plan to invest around half a billion euros in expanding our biopharmaceutical production in Vienna. This move was motivated both by our own very promising biopharmaceutical development projects and by the high demand for contract manufacturing. We are one of the world's largest contract manufacturers of biopharmaceutical medicines.

With more than 30 years' experience, we have to date manufactured more than 25 different biopharmaceutical medicines. We will also continue to focus on the development of high-quality biosimilars. We see this business, with its high development and market entry barriers, offering considerable growth potential for Boehringer Ingelheim.

And we have, of course, been focusing for years on the strategic expansion of our most important business, Prescription Medicines, excluding generics. This process has involved an ongoing review of the indication areas we cover due to high medical demand and the resulting selection of the therapeutic areas in which we market our medicines. In the field of immunology there were quite a few developments only a few weeks ago. On the back of the success of our two active agents used to treat autoimmune disorders, we entered into a global strategic partnership with AbbVie. There is high unmet demand for better treatment options for autoimmune disorders, such as psoriasis, Crohn's disease or lupus nephritis. The partnership is the optimal way to exploit fully the potential of both active ingredients, thereby serving the interests of patients worldwide.

I would like to summarise these steps as follows: continued productive research and development in our biggest business, Prescription Medicines, will still form the basis of our activities. Building on this, we have focused our strategy further and will be driving our competitiveness in all our businesses. External partnerships will play an ever more important role here. Already today, about 50 per cent of our innovations in early to middle

development phases have emerged from cooperations with external partners, such as universities or biotech companies.

## **21. Slide: Our new research strategy**

Innovative medicines in human pharmaceuticals will also in future be the prerequisite for our growth and success. This is why we last year implemented our new research strategy, which is geared towards indications and fields with a significant medical need.

We are thus focusing on the research areas “immunology and respiratory diseases”, “oncology”, “cardiometabolic diseases” and “diseases of the central nervous system”. It is also important for us to identify new avenues of research and future-oriented technologies at an early stage. Collaboration with the best academic and industrial partners worldwide is ultimately the key to success and we are therefore determined to continue to expand this field, which– as mentioned earlier – is also reflected in our investment plans.

We are currently working on more than 100 research and development projects. New approaches in the fields of oncology and diseases of the central nervous system (CNS) hold particular promise. A number of active agents used to treat lung cancer, for example, are in the advanced stages of development. For one of these active agents, a global trial programme, which is relevant for the purposes of product approval, is currently under way involving lung cancer patients whose cancer is progressing during treatment

with an EGFR-specific active agent. The CNS research pipeline includes a selective PDE 9 inhibitor, which is already in phase II of clinical development. In the future, it could be used to treat cognitive impairment in patients suffering from schizophrenia and Alzheimer's disease.

Ladies and gentlemen,

Let me now say a few personal words. I am delighted that the company is in good health and that we have both a clear strategic focus and a Board of Managing Directors structured to lead the company successfully. After many years of working with Mr von Baumbach, and after more than seven years of working together on the Board of Managing Directors, I am firmly of the opinion that, with his convincing expertise and his personality, Mr von Baumbach will be able to successfully lead Boehringer Ingelheim further into the future – into a future full of challenges as well as opportunities. I am delighted to be able to remain involved in the company in the future too. I would like to thank all of you for the positive exchanges over the past few years. Before I hand over to Mr von Baumbach to conclude the Annual Press Conference, I have one request: please continue to treat us critically and fairly.

**22. Slide: Organisational changes/Outlook 2016, Hubertus von Baumbach, Corporate Board Division Finance**

Thank you very much, Professor Barner.

Let me summarise how the strategy we have just outlined will be reflected in the Board of Managing Directors.

**23. Slide: Changes in the Prescription Medicines business, excluding generics**

As Professor Barner has already emphasised, the success of our core business, Prescription Medicines, will depend to a large extent on whether we have the right external partners – from the pre-clinical research stage to the marketing phase. We will continue to work hard on constantly renewing our product portfolio in the future. This is only possible with in-house research activities that have a long-term focus, sustainable funding and close collaboration with external scientists. This will allow us to develop new medicines that will have an impact on areas in which there is a high level of medical demand and, in doing so, will help to alleviate patient suffering. It will also allow us to improve the treatment of diseases at the same time – thereby reducing the burden on healthcare systems. These are our aspirations for innovation.

As a result, we will from July be altering the company structure, primarily in the field of Prescription Medicines. The “Innovation Unit”, led by Dr Michel Pairet, will be responsible for longer-term pipeline development. This organisational unit, which will have a

workforce of almost 4,000, will be responsible for all stages of the value chain leading right up to the clinical proof-of-concept. The “Prescription Medicines Business Unit”, led by Allan Hillgrove, will assume responsibility for the subsequent, highly market-oriented development of products, as well as for their distribution. The “Prescription Medicines Business Unit” will also include the entire production area. Since all elements in the value chain are very closely linked, intensive in-house collaboration between both units will remain crucial to ensure their joint success in the future too.

Back on October 1 last year, the shareholders also appointed Dr Andreas Neumann to the Board of Managing Directors with responsibility for HR. We know that it is our employees who lead a business model like ours to success. We rely on them to maintain our competitiveness. We have to inspire the best people to our cause, retain and develop them and thereby be able to hold our own in an environment of intense competition. This is why a separate Board of Managing Directors area for HR has been set up. I would also like to mention, not just as a formality, that we also plan to recruit a new member of the Board of Managing Directors responsible for Finance. We will update you on this at a later date.

## **24. Slide: Outlook 2016**

Ladies and gentlemen,

For the current financial year, we expect a minor increase in net sales compared to the previous year, given the low growth impetus on global pharmaceutical markets. However, the fruits of our labour in the coming months will enable us to considerably strengthen our market position in many areas in the medium term. We are convinced that we will achieve our ambitious targets with our innovative strength, our well-filled pipeline and on the basis of our strategic decisions and investment planning.

As we have already explained, we believe the far-reaching steps taken over the past few years have positioned Boehringer Ingelheim with strategic focus and competitiveness. We know all too well, however, that implementing the changes we have just mentioned will initially require an enormous effort from the entire Group.

Ladies and gentlemen, let me finish with my personal remarks about another imminent change on the Board of Managing Directors. In July 2016, Professor Barner will be moving to our Group's Shareholders' Committee. This means that today is the last time he will be leading you through the Annual Press Conference as Chairman of the Board of Managing Directors. On behalf of all of my colleagues on the Board of Managing Directors, I would like to thank Professor Barner most sincerely for more than 24 years of the highest performance for Boehringer Ingelheim – 17 of which were spent on the Board of Managing Directors, where he has been



Chairman since 2009. Professor Barner managed the company with a steady hand, driving forward the globalisation of research and development and our business. His personality and style played a decisive role in shaping our corporate culture, laying a firm foundation of trust for both our employees and business partners. I am delighted and also very grateful that Professor Barner will be on hand to provide us with advice for many years to come on the Shareholders' Committee.

The shareholders have appointed me as his successor. I will take up this new position on July 1 with the due sense of respect for, and appreciation of, what Professor Barner achieved. At the same time, I am looking forward to the new challenge. Together with my colleagues on the Board of Managing Directors and all 47,500 employees across the globe, we will be showing the very highest levels of personal commitment day in, day out to continue the success story of years gone by and thereby maintain Boehringer Ingelheim's independence as a family business.

Ladies and gentlemen,

You know the pharmaceutical industry. You know that we are technology-driven. You know that our environment is changing rapidly.

Our decisive competitive advantages will be:

- Values that we create together in the company through innovation,
- Close partnership with our customers,
- And all for the benefit of patients.

More innovation, more impact, more health.

**25. Slide: Annual Press Conference 2016 –Financial year 2015**