



Investor Handout

Bayer Group

June 2014



This presentation may contain forward-looking statements based on current assumptions and forecasts made by Bayer Group or subgroup management. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the company and the estimates given here. These factors include those discussed in Bayer's public reports which are available on the Bayer website at www.bayer.com. The company assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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

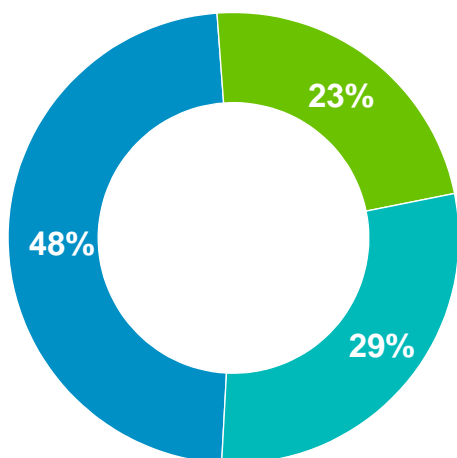
Science / Innovation

- **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

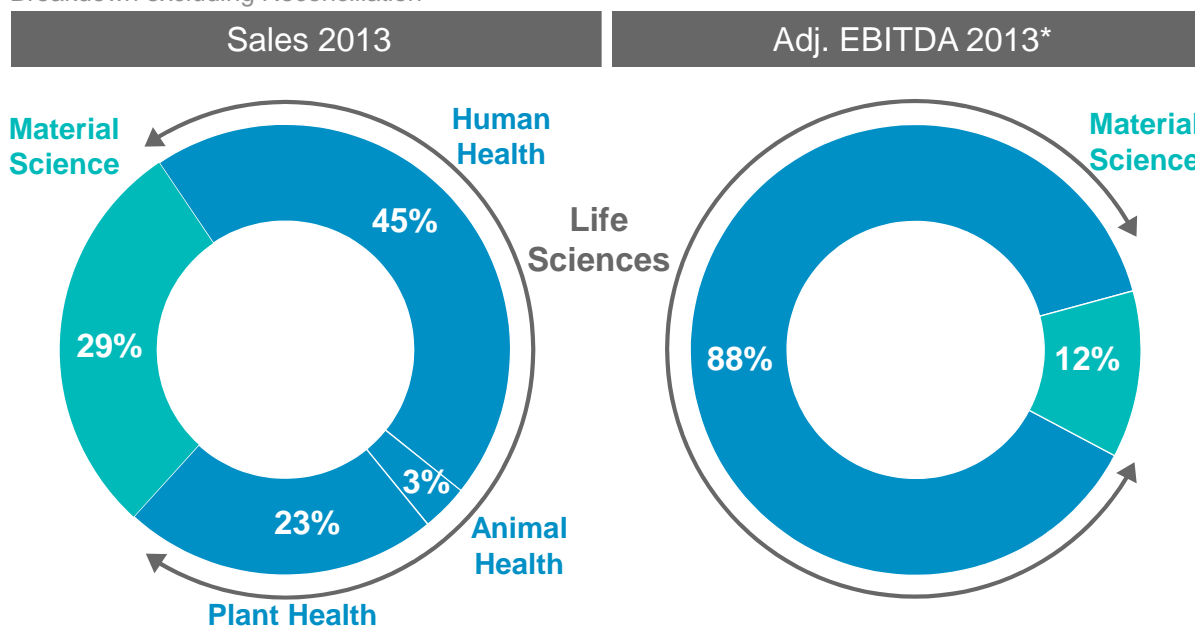
MaterialScience

Polyurethanes and polycarbonates, global #1/2

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



Breakdown excluding Reconciliation



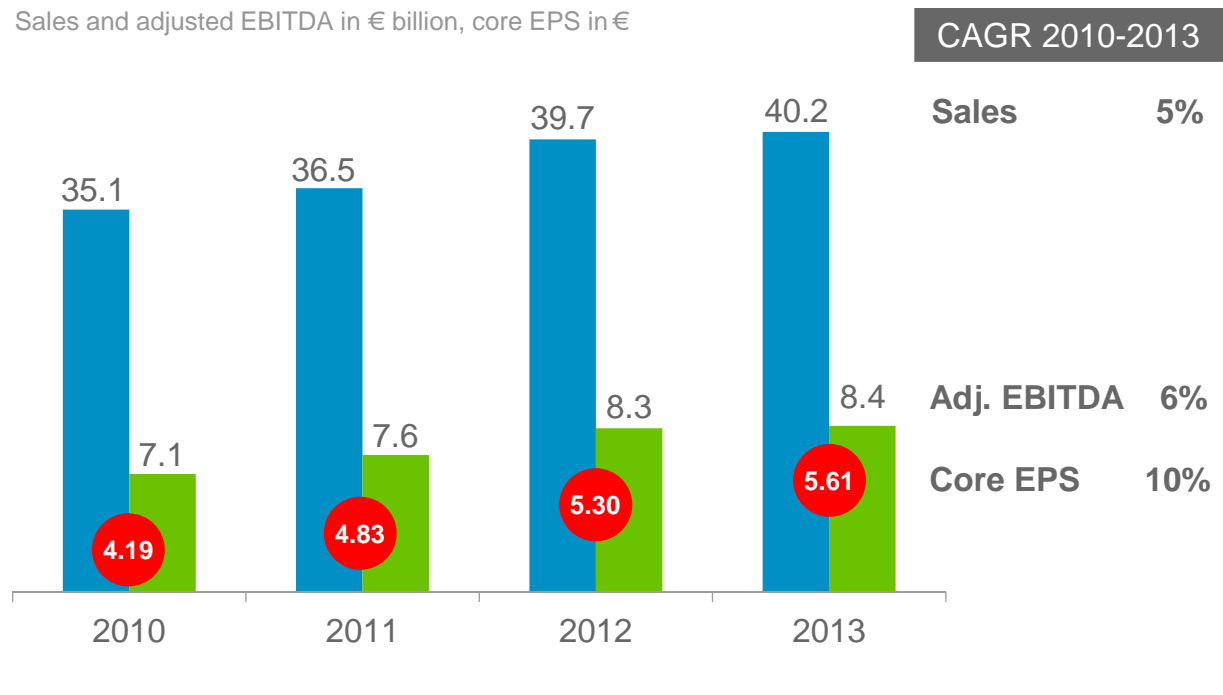
2010-2013 – A Period of Significant Success

- 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

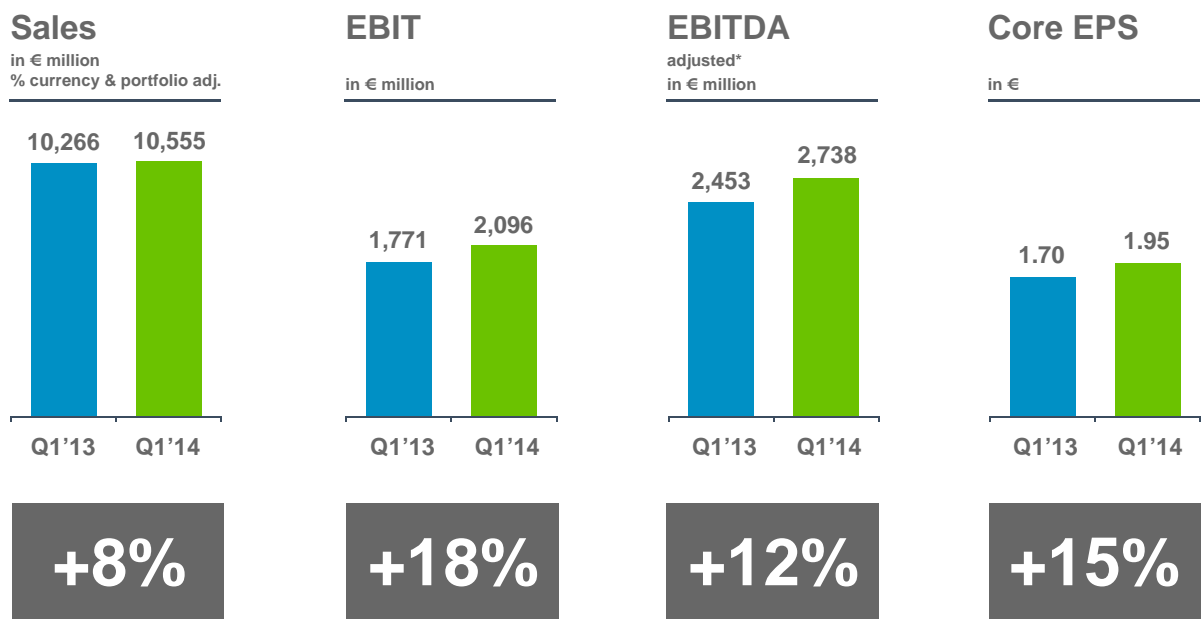


2010-2013 – A Period of Significant Progress

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



Strong Momentum Continued in Q1 2014 Despite Significant Currency Headwind



*before special items

FY 2014 Group Guidance Maintained – Targeting Further Sales and Earnings Growth



Sales Δ Fx and portfolio adjusted, EBITDA before special items

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

80% 2013 Sales CAGR 2016e

Pharma: Maximize Value of Launch Products

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

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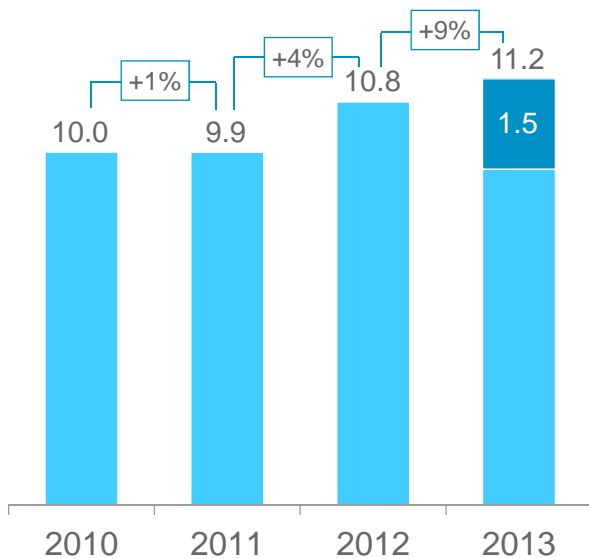
- Prophylaxis in hemophilia A: Site-specific PEGylated Factor VIII with 5- or 7-days dosing intervals

Launch Products Drive Growth at Pharma



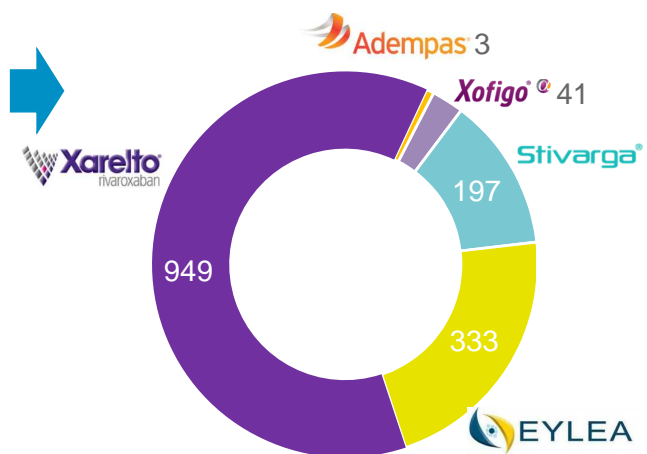
Sales in € billion; Δ% Fx & portf. adjusted

Pharma Sales / Launch Products



Sales in € million

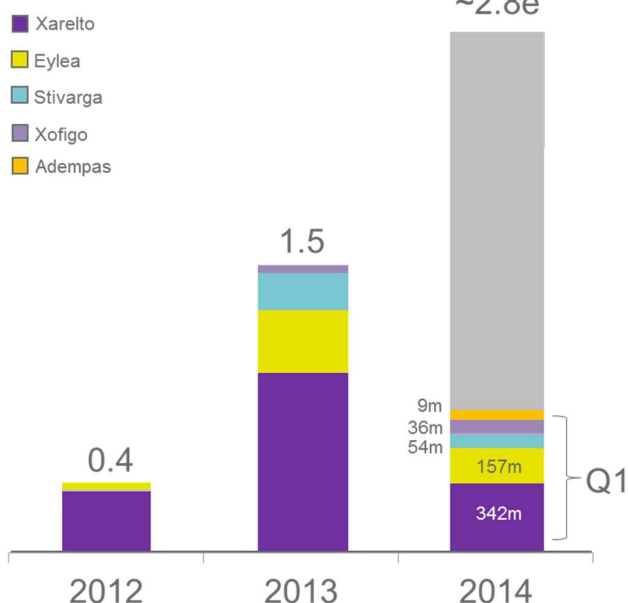
Launch Products 2013



Launch Products Expected to Contribute ~€2.8bn to Pharma Sales in 2014



Sales launch products in € bn



- Executing >100 launch events* in 2014
- Continuous R&D investments in life-cycle management
- ➔ Increased marketing and sales investments in emerging markets
- ➔ Incremental marketing and R&D investments of €0.5bn in 2014e

Pharma – Peak Sales Potential of Launch Products was Raised in February to ≥€7.5bn



Product	Old	Reason	Current
Xarelto rivaroxaban	>€2bn	● Continued successful launch execution and life cycle management	~€3.5bn
EYLEA	≥€1bn	● Continued successful launch execution and life cycle management	≥€1.5bn
Stivarga [®]		● Unchanged	≥€1bn
Xofigo [®] radium Ra 223 dichloride injection		● Unchanged	≥€1bn
Adempas [®] riociguat		● Unchanged	≥€0.5bn

Two Recent Steps Forward for Bayer's Pharma Business



Acquisition of Algeta

- Full control over Xofigo
- Comprehensive life-cycle management program, including studies in earlier settings of prostate cancer, combination studies and other tumors

Strategic Pharma sGC Collaboration with Merck

- Complementing Bayer's sGC franchise, including Adempas, with Merck's cardiovascular capabilities
- Leverage joint development capability to fully explore broad potential of sGCs
- Building Bayer's US presence in specialty pharma while leveraging Merck's US strength

Pharma – Maximizing the Value of Launch Products



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

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

#1

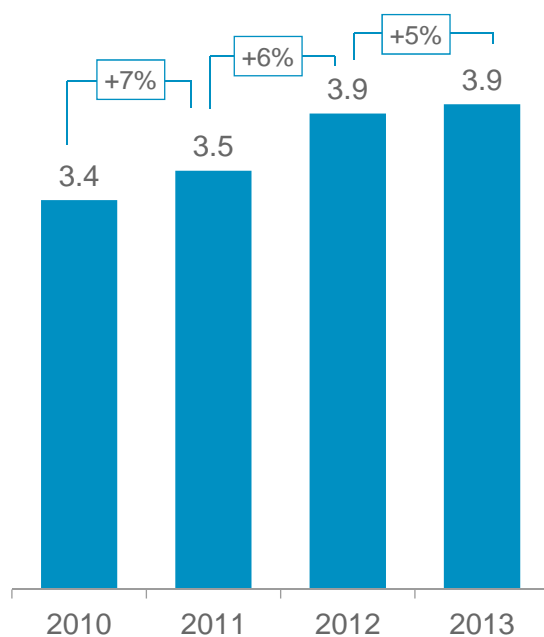
Aspire to Become the Leading OTC Company

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Successfully Executing OTC Growth Strategy



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



- Portfolio of some of the world's most recognized brands
- Outperforming market growth in past 7 out of 8 years
- Successful expansion in EM focus markets, China, Brazil, and Russia
- Selected bolt-on acquisitions in key countries: Steigerwald, Germany & Dihon, China
- Acquisition of Merck's Consumer Care business – a major step towards OTC leadership

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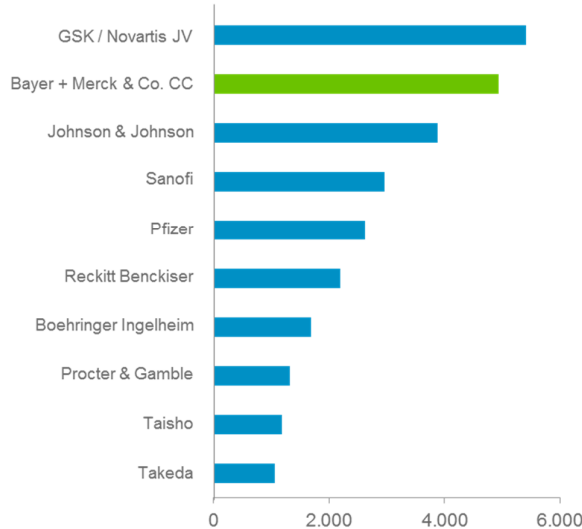
*planned acquisition, closing expected in H2 2014

Acquisition of Merck's Consumer Care Business Makes us #2 Globally and #1 in US



Market Positioning 2013*

in € billion



Highlights

- ➔ \$14.2bn investment, all cash, fully debt financed
- ➔ Complementary portfolio offering scale in key categories and optimized geographic footprint
- ➔ Full trademark ownership for Claritin

Combination Offers Significant Synergy Potential



Revenue

Revenue synergies of already ~\$400m by 2017

- Incremental US sales
- Realize brand penetration opportunities ex-US

Cost

Cost synergies of ~\$200m p.a. by 2017

- Savings in marketing costs
- Savings in COGS, administration

Tax

Tax benefits from year 1

- Asset purchase with significant future tax savings

➔ **Step-up of EBITDA margin pre-special items at Consumer Care by ~1pp and core EPS accretion of 2% already in the first year**

6%

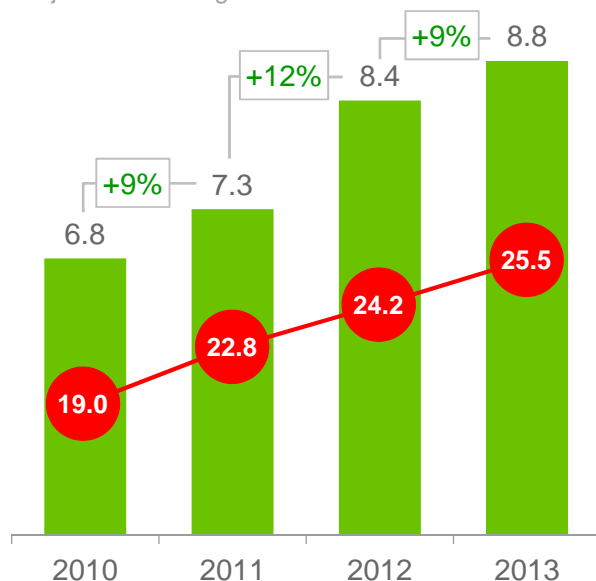
2013 Sales CAGR 2016e

CropScience: Further Growth at Benchmark Profitability

Delivering Growth And Performance at CropScience



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



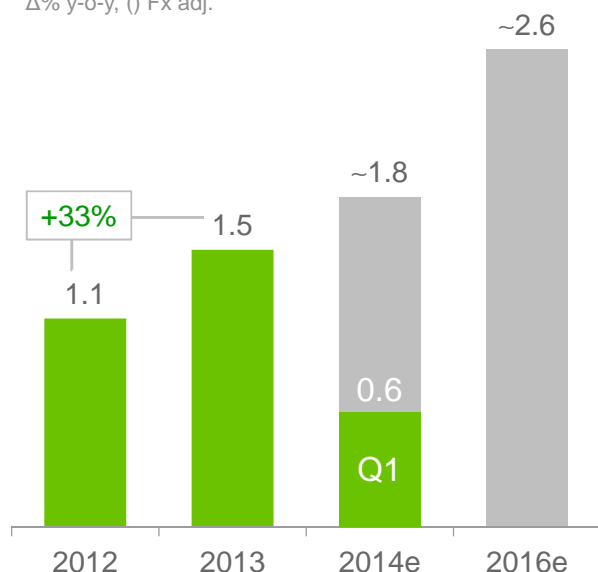
- 2013 – the 3rd year in a row delivering strong sales growth at record margin
- New product sales 2013 up 33% at €1.5bn*
- Strong start to 2014 season with sales up 12%

➔ Customer-centric strategy bearing fruit

Significant Contribution from New Crop Protection Products



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



Q1 2014 Highlights

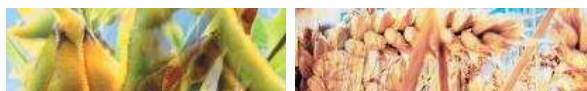
- **Xpro** (+16%) - Superior 'all-in-one' cereal fungicide with yield-boosting effect
- **ADENGO** herbicide (+14%) - Excellent weed control in corn and cereals, also in case of glyphosate resistance
- **BELT** (+75%) - Broad-spectrum insecticide with fast, long-lasting action
- **Luna** (+112%) - New fungicide now available in several key markets

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. nematocide BioAct
- Acquisition of **Biagro*** 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
Sales Increase	€8.8bn	Mid- to high-single-digit % (neg. FX effect approx. -3%)	6% CAGR
Adj. EBITDA Increase	€2.2bn	Low-single-digit % (neg. FX effect approx. -€150m)	
Adj. EBITDA Margin	25.5%	-	24-25%

CFROI

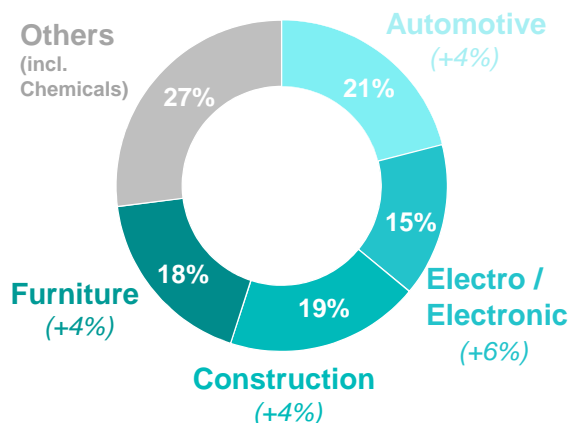
MaterialScience: Improve Returns

Macro-Economic Environment for MaterialScience Likely to Improve



Key Customer Industries Outlook

Sales by industry 2013 and expected 2014 growth



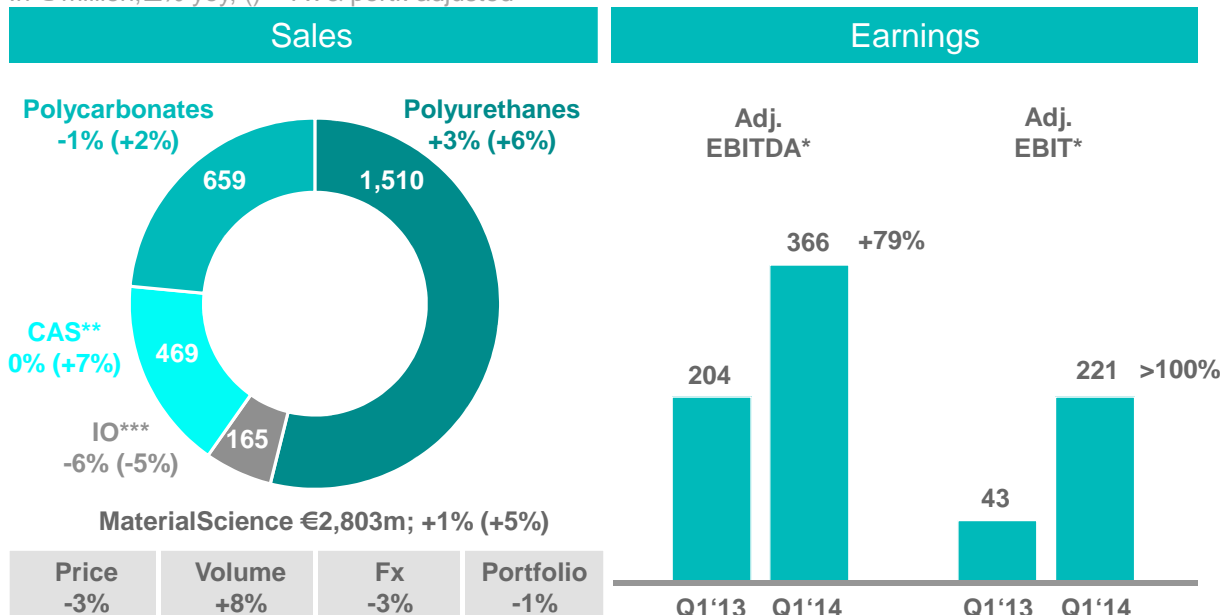
Additional Key Performance Drivers

- ➔ 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

Q1 2014 – MaterialScience: Demand Led Growth



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



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

Bayer – Optimistic About Future Developments



- 

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

Peak sales potential of new pharma products of ≥€7.5bn
- 

Successfully executing on OTC growth strategy
- 

Successful start to 2014 – full-year 2014 group guidance maintained

Appendix

FY 2013 – Encouraging Performance Driven by Life Sciences

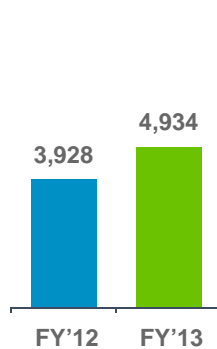


Sales
in € million
% currency & portfolio adj.



+5%

EBIT
in € million



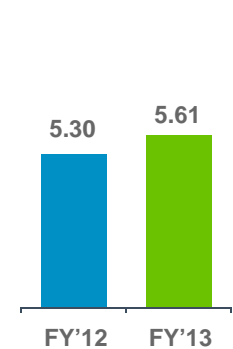
+26%

EBITDA
adjusted*
in € million



+1%

Core EPS
in €

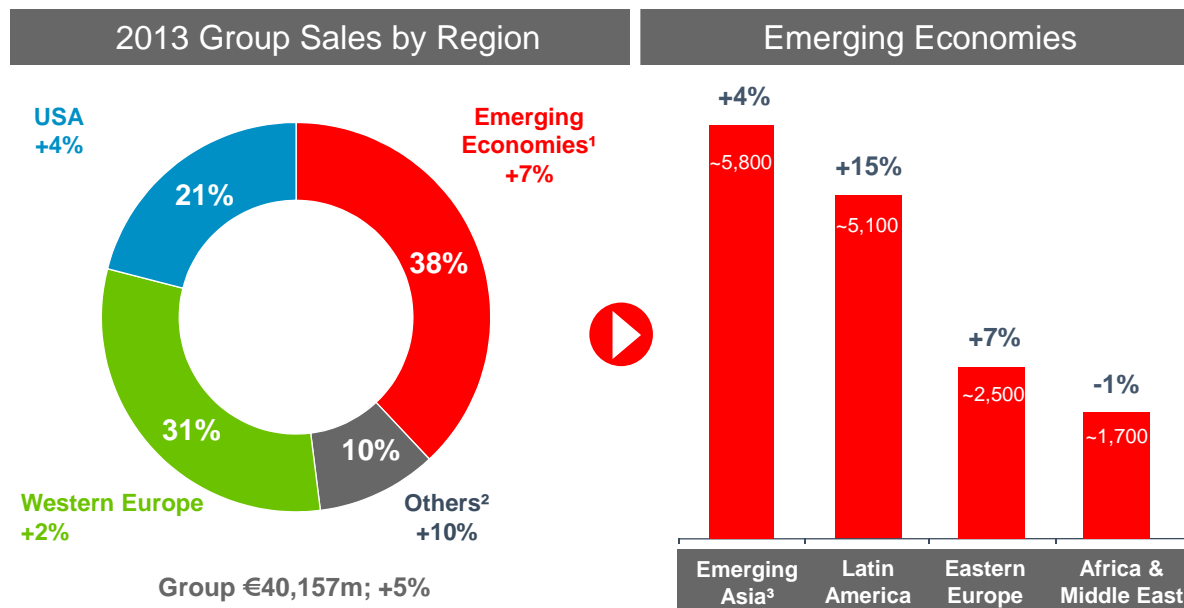


+6%

FY 2013 – Regional Performance



In € million, Δ% yoy Fx adjusted

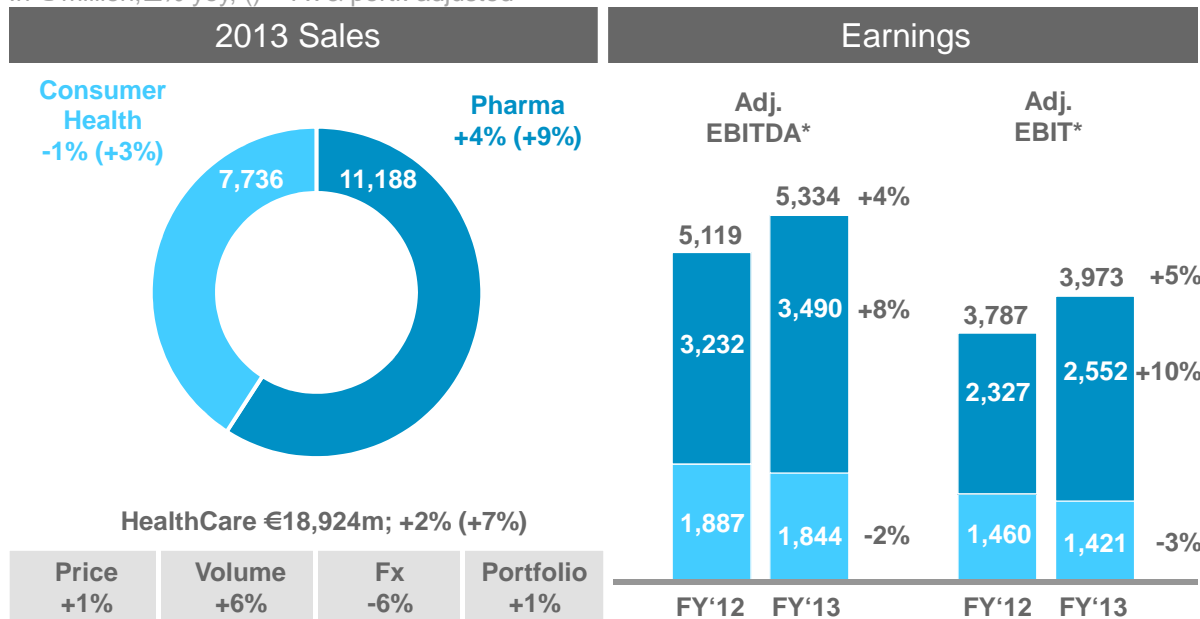


1: Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe
 2: Others = Japan, Australia, New Zealand, Canada; 3: Emerging Asia = Asia w/o Japan, Australia, New Zealand

FY 2013 – HealthCare



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

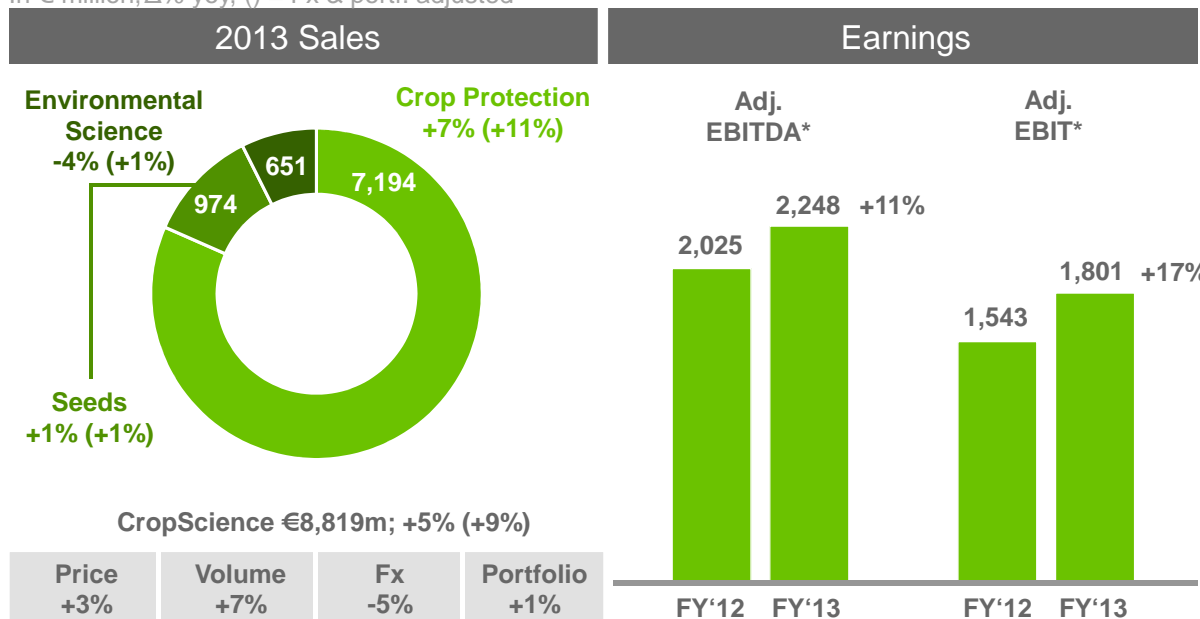


*before special items

FY 2013 – CropScience



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

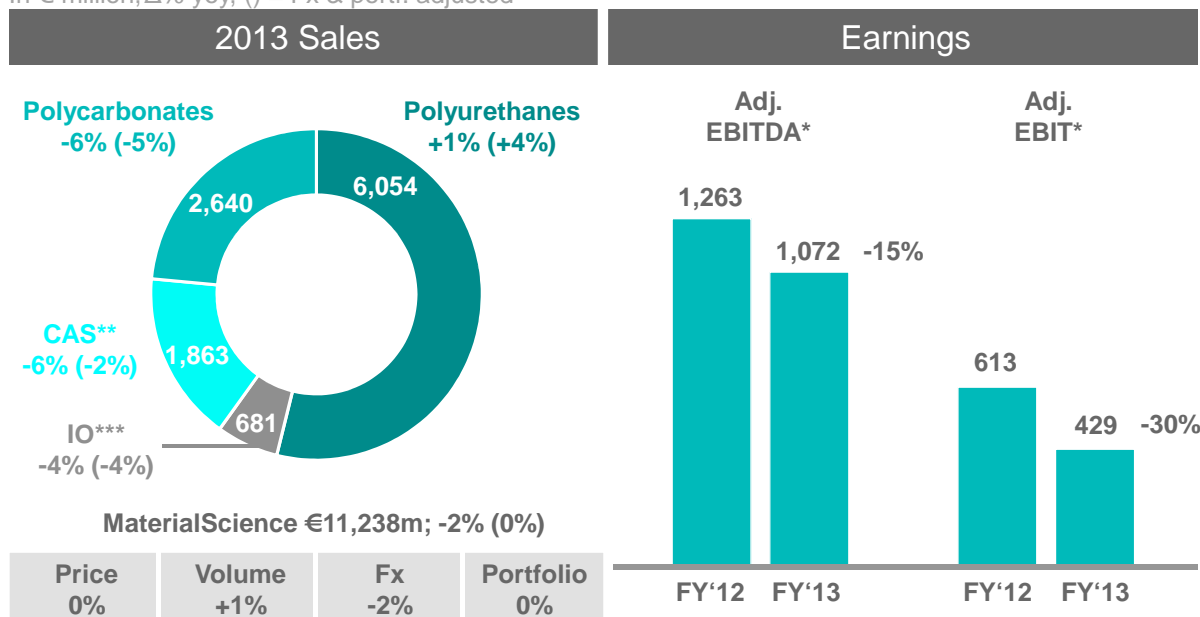


*before special items

FY 2013 – MaterialScience



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

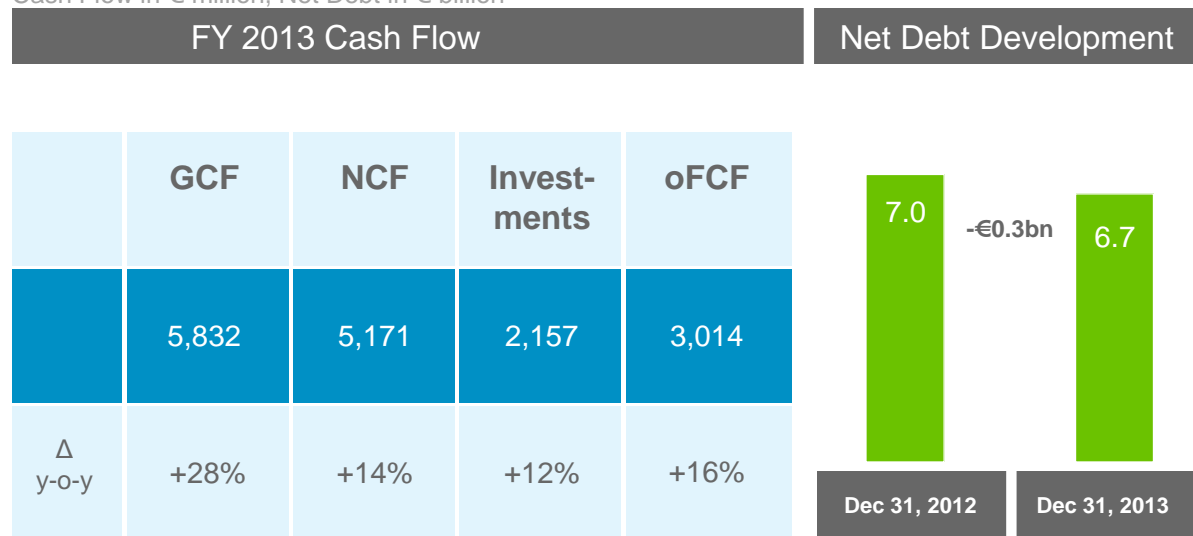


*before special items; **CAS: Coatings, Adhesives, Specialties; *** IO: Industrial Operations

FY 2013 – Cash Flow And Net Debt Development



Cash Flow in € million, Net Debt in € billion





Date	Event	Publication
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
Thursday, February 26, 2015	Investor Conference Call	2014 Annual Report
Thursday, April 30, 2015	Investor Conference Call	First Quarter 2015 Results Stockholders' Newsletter
Wednesday, May 27, 2015	Annual General Meeting	



Reporting Events and AGM



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