



Science For A Better Life

Transforming Bayer into a Pure Life Science Company - Exit of MaterialScience

September 18, 2014 / Marijn Dekkers, CEO

Page 1 • Investor Conference Call • Marijn Dekkers • September 18, 2014



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Page 2 • Investor Conference Call • Marijn Dekkers • September 18, 2014

Transforming Bayer Into a Pure Life Science Company

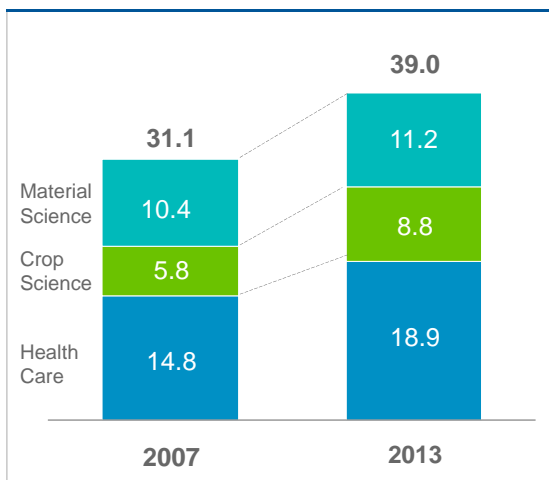


- Bayer to focus its strategy on being a global leader in the Life Sciences
- Planned capital-market exit of MaterialScience within next 12-18 months
- MaterialScience has the potential to deliver significant value as a stand-alone business
- Demerger will strengthen both Bayer's and MaterialScience's capabilities to adequately invest and develop their portfolios

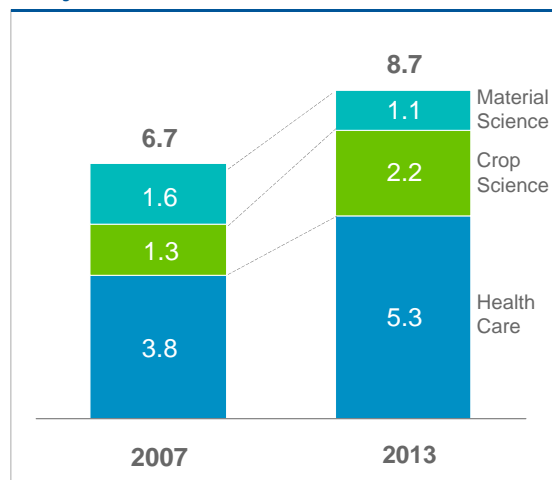
Life Science Businesses Dominate Portfolio With Almost 90% Earnings Contribution



Sales in EUR bn¹



Adjusted EBITDA in EUR bn¹



¹ Excluding Reconciliation; adjusted = pre special items

In Recent Years We Have Built a World-Class Life Science Business



Challenges in 2010

Measures taken

Today

HealthCare

Slow-growing pharma business, potentially transformational pipeline

Developed and successfully launched 5 new products, strengthened R&D and commercial capabilities



One of the fastest-growing global pharma companies

Maintaining OTC leadership in a consolidating industry

Execution of emerging market focus strategy and Merck & Co., Inc. (USA) CC* acquisition



Gained market share and defended strong #2 position

CropScience

Top-line performance at CropScience

New go-to-market approach, significant R&D and seed investments



3½ years in a row with almost double-digit sales growth

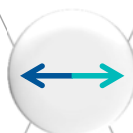
Going Forward It Will Be Increasingly Challenging To Adequately Resource Both Businesses In One Group



LifeSciences

MaterialScience

- High and further increasing investment requirements in R&D and commercialization
- Funding needs for inorganic growth to participate in industry consolidation
- Significant investments into capacity expansions



- Continuous need for significant capacity expansions to maintain scale
- Need for further production process improvements to maintain cost leadership
- Opportunity for more active portfolio management

Funding of high investment needs in Life Sciences, with consistently better returns, limits the availability of resources for MaterialScience to develop its own leadership position and portfolio

Stand-Alone Solution Enables Material Science to Leverage Competitive Edge



Strong fundamentals for successful operations...

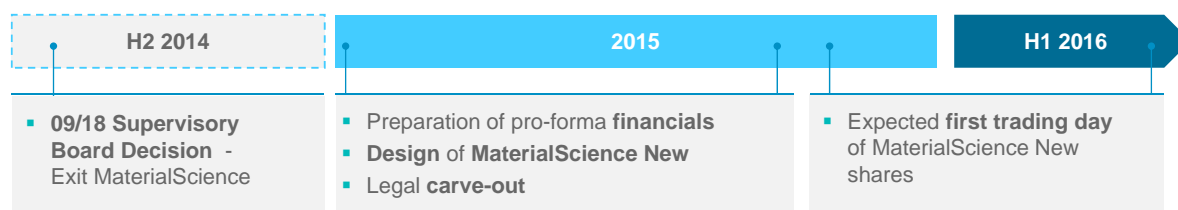
- Leading #1 & #2 positions in attractive, growing markets
- Broad customer base
- Global production network providing customer proximity
- State-of-the art process technology
- Significant investments in new plants during recent years

... better leveraged as a separate company

- Ability to further develop own portfolio
- Autonomous funding capability
- Opportunity to develop a culture fitting with the business
- Tailored business processes and incentive systems

MaterialScience has the potential to deliver significant value creation as a stand-alone business

Design of Planned Capital-Market Exit



- Targeted time frame for capital-market exit: 12-18 months
- Timing and structure of capital-market exit option depending on future market environment
- Investment of any potential proceeds mainly in Life Science businesses/ reduction of net debt

Unhindered business operations safeguarded during exit preparation



Key Financial Metrics

Key metrics (2013 preliminary pro-forma estimates)	Bayer New	MaterialScience New
	€ bn	€ bn
Sales	29.3	11.3
EBITDA pre-special items	7.3	1.0
EBITDA margin pre-special items	24.8%	9.1%
R&D	3.0	0.2
FTE (approx.)	99,000	16,800

The Demerger of MaterialScience Will Secure a Successful Future for Both...



... as an Innovation and Life Science Company



- Build further on 150 years of success in Science and Innovation
- Address attractive markets with high growth rates and profitability
- Leverage broad product portfolio with strong brand reputation
- Focus management on Life Sciences

MaterialScience New

... as a Continued Market Leader Under New Ownership



- All prerequisites given to succeed
- Staffed with required know-how
- Autonomous access to capital
- Competitive edge better leveraged outside the group with tailored processes and portfolio decisions



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