



Science For A Better Life

The New Bayer Creating Value as an Innovation and Science Company

London, September 30, 2014 / Marijn Dekkers, CEO



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The New Bayer – Creating Value as an Innovation and Science Company



HealthCare



Human Health



Animal Health

CropScience



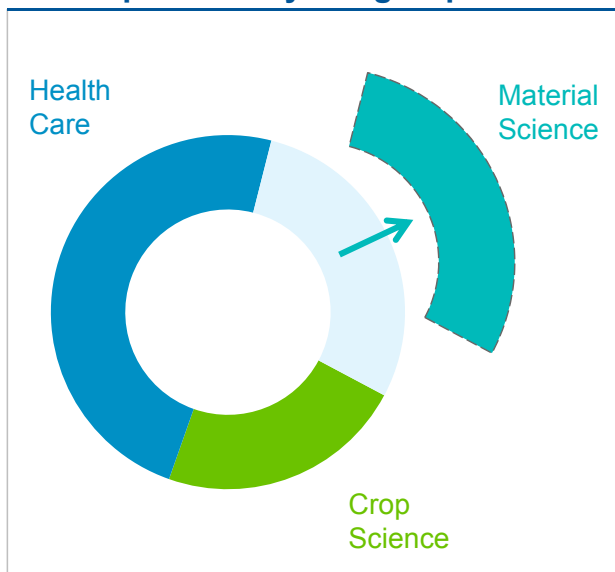
Plant Health

- Build on a track record of success in science and innovation
- Address attractive markets with high growth rates and profitability
- Exit MaterialScience high-tech polymers within next 12 to 18 months

The New Bayer – A Pure Life Science Player



Sales Split 2013 By Subgroup*



HealthCare - €18.9bn sales

Pharmaceuticals €11.2bn, leading positions in core indications

Consumer Health €7.7bn, OTC #2, blood glucose meters #3, Animal Health #5, contrast media #1

CropScience - €8.8bn sales

Chemical crop protection & biologicals #2, seeds & traits

The New Bayer – Setting Trends in Research-Intensive Areas of Life Science



Stivarga® Xofigo®
EYLEA
Xarelto® (rivaroxaban)
Luna
Xpro™
ADENGO»
BELT
Credenz
PONCHO
Adempas®
Veraflox®
seresto®

Performance/
Aspirations

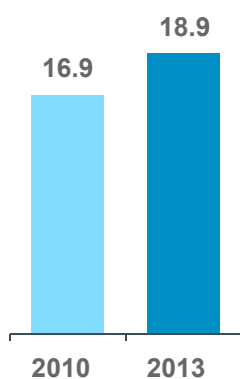
Successfully Executing Growth Strategies in Life Science Businesses



HealthCare

Sales

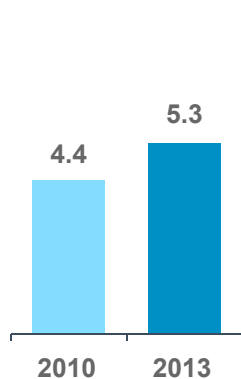
€ million
% CAGR



+4%

EBITDA

before special items
€ million; % CAGR

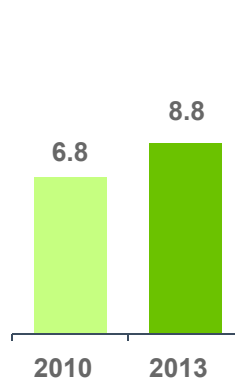


+7%

CropScience

Sales

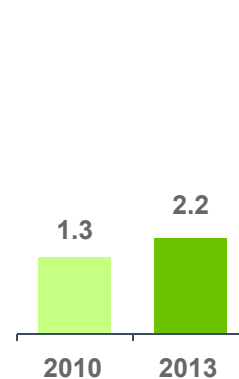
€ million
% CAGR



+9%

EBITDA

before special items
€ million; % CAGR



+20%

Aspirations for HealthCare and CropScience



Division	Sales CAGR (2013-2016)	EBITDA margin 2016 (before special items)
HealthCare	6%	~30%
Pharma	8%	≥33%
Consumer Health*	3%	~24%
CropScience	6%	24-25%

Consumer Health aspirations will be updated to include Merck & Co. Consumer Care and Dihon Pharmaceutical Group after publication of Q4 results

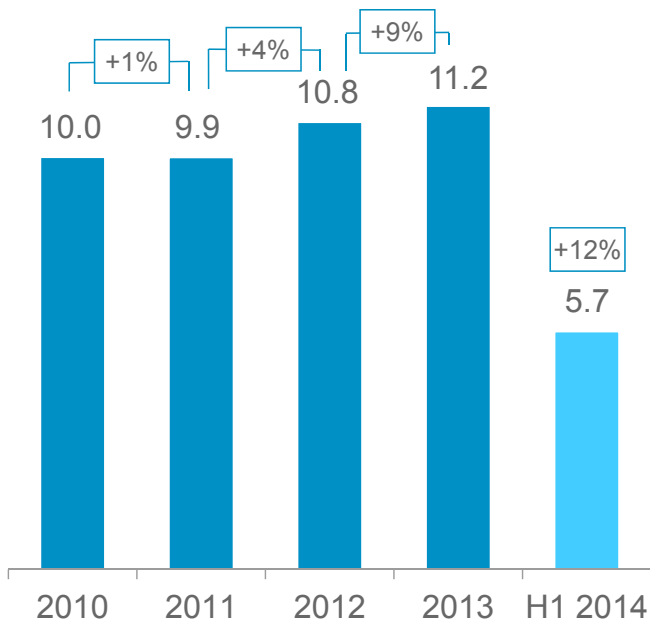
Deliver Profitable Growth

One of the Fastest-Growing Global Pharma Companies



Pharma Sales

€ billion; $\Delta\%$ Fx & portfolio adj.



Plans for continued growth

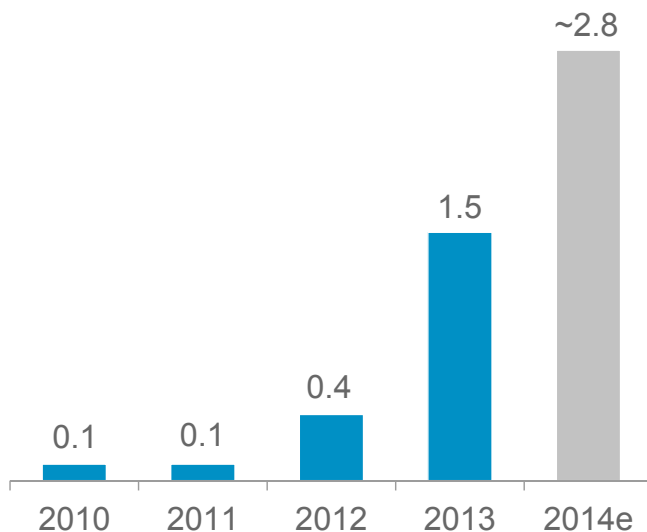
- Maximize the value of launch products
- Drive commercial excellence in marketing and sales
- Advance early and mid-stage pipeline
- Achieve Phase III readiness for 5 projects in 2015
- Explore opportunities for partnerships, open innovation and bolt-on acquisitions

Pharma Launch Products Drive Growth - Combined Peak Sales Potential of ≥€7.5bn



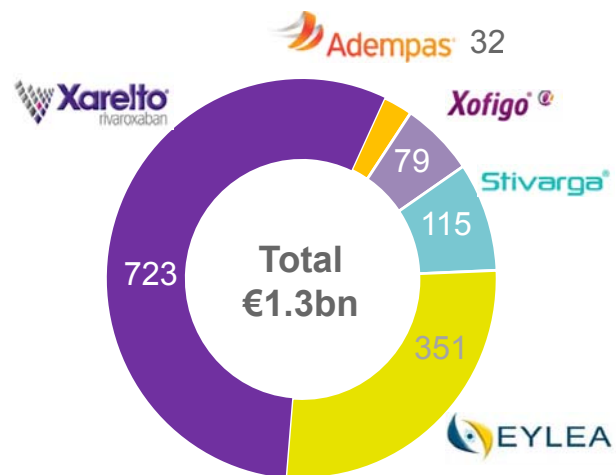
Collective Sales

€ billion



H1 2014 Individual Sales

€ million

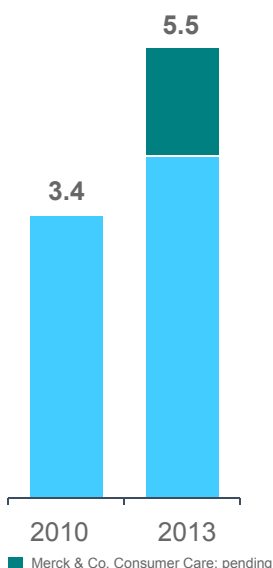


Aspiring for OTC Leadership



Consumer Care Sales

€ billion, 2013 pro forma



Achievements

- Strong #2 position
- Some of the world's most recognized brands
- Track record of outperforming market growth
- Success in long-term brand building
- Highly complementary acquisitions, incl. Merck OTC

Plans for continued growth

- Globalize established brands
- Launch innovation pipeline
- Execute Emerging Markets focus strategies
- Fully realize synergy potential from acquisitions
- Target strategic acquisitions and alliances

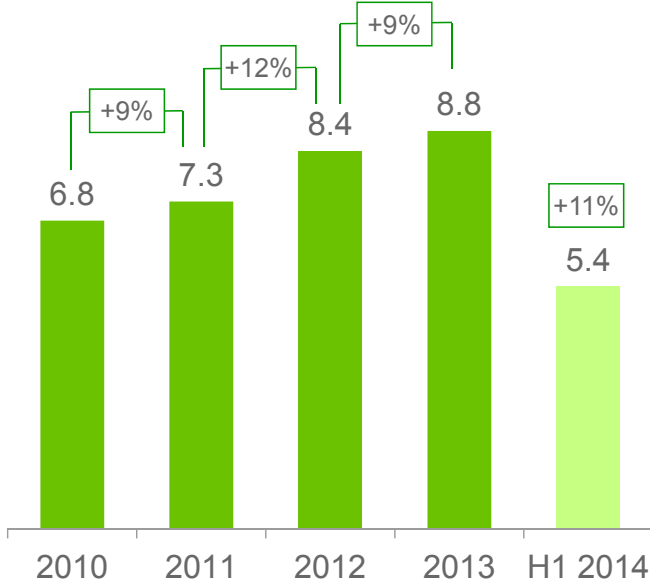




Aspiring for Crop Protection Leadership

CropScience Sales

€ billion; Δ% Fx & portfolio adj.



Plans for continued growth

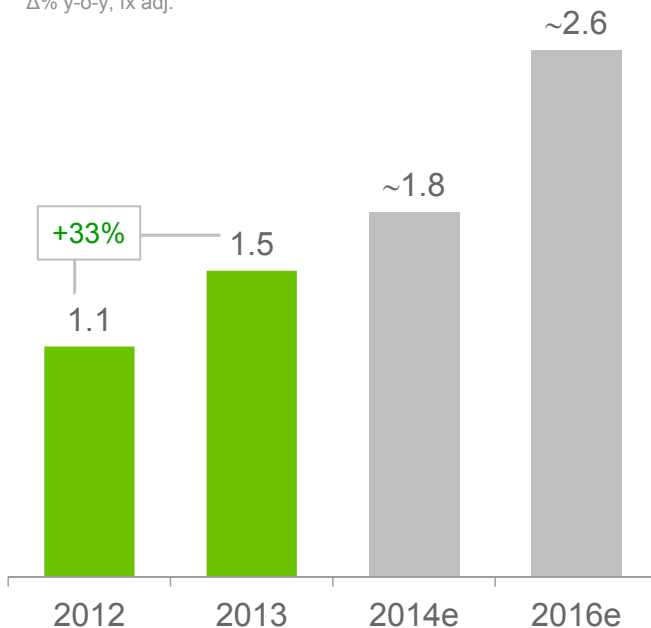
- Strengthen portfolio through focused and integrated crop solutions
- Drive commercial excellence in marketing and sales
- Drive new product growth, invest in life-cycle management
- Extend seeds portfolio by building business in soybeans and wheat

New Products Drive Growth at Crop Protection

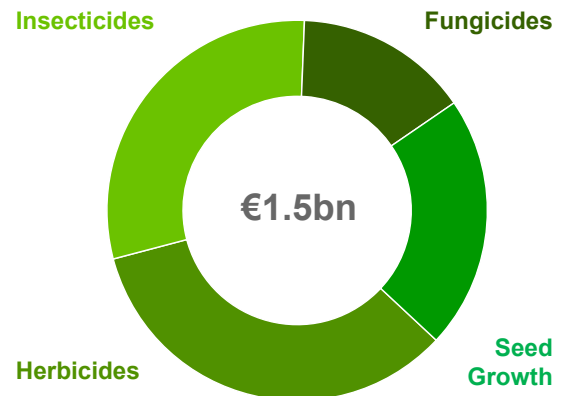


Sales of New Crop Protection Products

€ billion; new products launched since 2006; Δ% y-o-y, fx adj.



... by Segment (2013)



New products generated 82% of absolute sales growth at Crop Protection

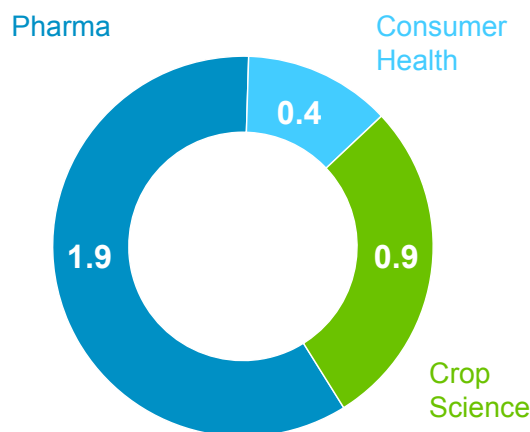
Develop New Growth Opportunities



High Confidence in R&D Investments

R&D Budget 2014

€ billion



Achievements

- 25 successful Phase III clinical trials at Pharma since 2010
 - Strengthened brands through multiple line or product introductions in Consumer Care
 - Launched 30 active ingredients between 2000 and 2013 in CropScience
 - Initiated R&D projects that leverage synergies between human, animal and plant health
- ➔ Expect R&D-to-sales ratio to increase

Expect Continuous Flow of Products from Progressing Pharma Pipeline



Damoctocog alfa pegol <i>Hemophilia</i>	Copanlisib <i>Oncology</i>	Refematinib <i>Oncology</i>	Molidustat <i>Anemia</i>	Anetumab Ravtansine <i>Oncology</i>	ODM-201 <i>Oncology</i>	Roniciclib <i>Oncology</i>	Vericiguat <i>Cardiology</i>	Finerenone <i>Cardiology</i>	Regorafenib Eye drops <i>Ophthalmology</i>	...
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Regorafenib Eye Drops Could Become a Significant Advance in Treating wAMD

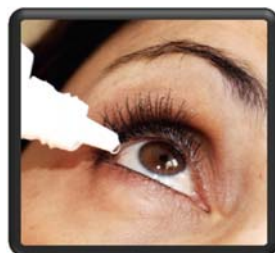


Current standard:
intravitreal injection

Project goal:
topical (drops)

Injection into the eye

Eye drops

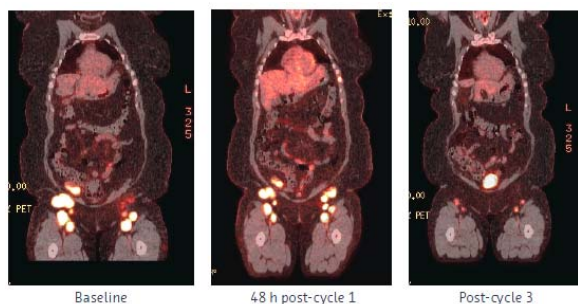


- Regorafenib inhibits VEGF* receptor signaling, a well-established principle to treat wAMD**
- Regorafenib eye drops may allow topical treatment of wAMD
- Targeting non-inferior efficacy but reduced efforts, costs and logistics as well as greater convenience
- Phase IIa/b initiated (completion expected early 2016)

Copanlisib – Potential New Treatment for Patients with Non-Hodgkin’s Lymphoma



¹⁸FDG-PET scans of a follicular lymphoma patient with partial response



52-year-old female with FL, grade 1-2, diagnosed stage IVa

- PI3k inhibitor targeting liquid tumors
- Phase II in non-Hodgkin’s lymphoma ongoing - preliminary results* encouraging:
 - Significant activity shown
 - Complete responses observed in several forms of NHL**
- Phase II completion expected 1H 2015
- Given positive trial results, a successful development program overall and regulatory approval, best-case scenario could see first launch as early as 2016

*Dreyling et al. ASH 2013; **in FL, mantle cell lymphoma, peripheral T-cell lymphoma and diffuse large B-cell lymphoma

Expect Significant Newsflow from Progressing Pharma Pipeline



Asset	Intended Indication	Status/ Expected Completion	Milestone / Data Presentation* Targeted
Finerenone Mineralocorticoid receptor antagonist	Diabetic nephropathy	• Phase IIb; compl. 2H 2014e	WCN March 2015e
	Wors. chronic heart failure	• Phase IIb; compl. end 2014e	ESC Aug/Sept 2015e
Vilaprisan Progesterone receptor antagonist	Uterine fibroids	• Phase IIb; completion end 2015e	Phase IIa data at SRI March 2015e
Vericiguat sGC stimulator	Wors. chronic heart failure	• Phase IIb; reduced ejection fraction - compl. mid 2015e	AHA Nov 2015e
		• Phase IIb; preserved ejection fraction - compl. mid 2015e	
Damoctocog alfa pegol Long-acting FVIII	Hemophilia A	• Data from Phase III reported	Filing 2H 2015e
Copanlisib PI3 Kinase inhibitor	Non-Hodgkin’s lymphoma	• Phase II completion 1H 2015e	ASH Dec 2015e
Regorafenib Multikinase inhibitor	Wet AMD (eye drops)	• Phase II completion 1H 2016e	tbd
Molidustat HIF-PH inhibitor	Anemia	• Phase II completion 2H 2015e	tbd
ODM-201 Androgen receptor antagonist	Non-metastatic castration-resistant prostate cancer	• Phase III completion 2018e	tbd

*Current plan for presentation

Continuous Flow of Product Innovation with Promising Potential at CropScience



Innovation

Chemicals
Biologicals
Seeds&Traits
LCM

Execution

Products
launched
2011 - 2016*

Potential

Peak sales
≥ €4bn

8 Chemicals

2 Herbicides
2 Fungicides
2 Insecticides
2 SeedGrowth

2 Biologicals

1 Fungicide
1 Insecticide

14 Seeds/traits

3 Cotton
5 Canola
4 Rice
1 Soybean
1 Wheat

Seed varieties

Several hundred
new varieties in
vegetables and
broad acre crops

Life-cycle management

New formulations
and mixtures, incl.
Biologicals

Sivanto – A New Premium Insecticide for Fruit and Vegetable Growers

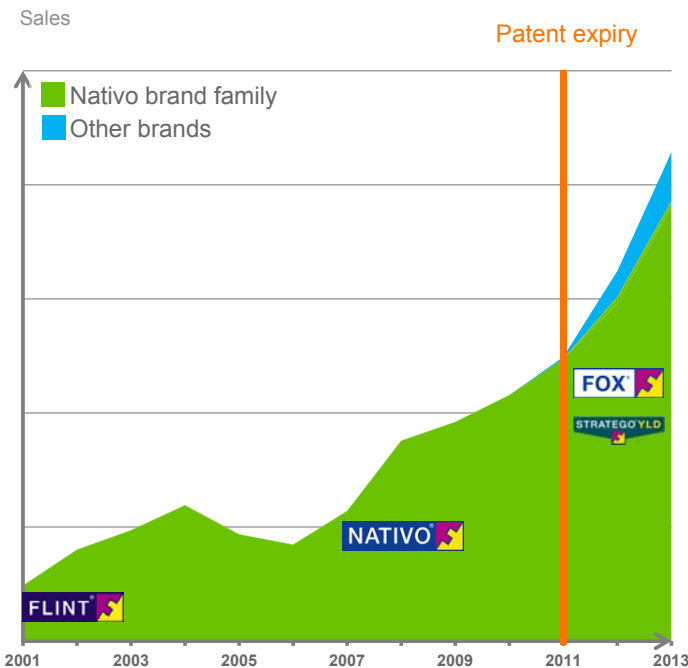


- Significant benefits to growers
 - quick feeding cessation
 - effective virus vector control
 - flexible applicability at any crop stage
 - higher-quality produce at harvest
- Outstanding safety profile
- Use in fruits, vegetables and selected broad-acre crops
- Resistance management by novel butenolide chemistry (flupyradifurone)
- First launch in 2015*

Life-Cycle Management Generates Returns Beyond Patent Expiry



Example: Fungicide Trifloxystrobin



Key Activities

- Innovative mixtures with IP
Examples: Fox, Stratego Yield
- Efficiency gains by production process optimization
- Explore product properties beyond efficacy
Examples: yield, quality, abiotic stress
- Develop integrated crop solutions
Example: Much More Rice

Building a Global Wheat Seed Business – Largest Broad-Acre Crop Worldwide



Measures Taken



- 7 wheat breeding centers operating
- Acquisition of superior germplasm
- Numerous alliances
- Significant R&D investments

Planned Market Entry

- Launch of first variety planned in 2015
- Suitable for Ukraine
- Open pollinated variety
- Hybrid seed varieties, providing opportunity for both yield increase and improved yield stability, expected after 2020

Market value still small - major potential seen with productivity improvement



The Life Science Approach Promises Opportunities

What we have achieved

- World-class Life Science businesses
- R&D excellence in established areas
- Track record of success in bringing innovation to patients and farmers

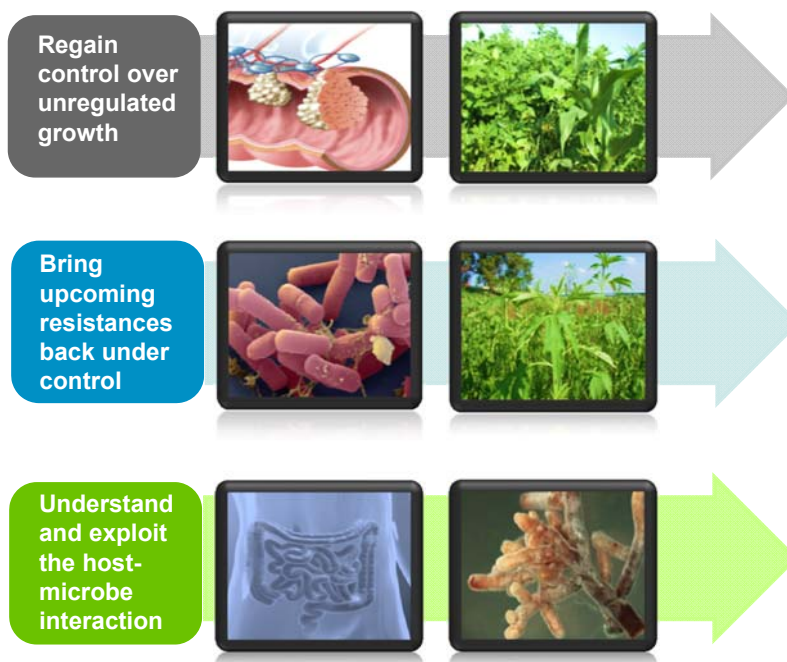
What we aim to achieve

- Maintain R&D productivity and innovation leadership in existing areas and establish leading positions in new areas
- Gain new perspectives and explore the Life Science approach to target breakthrough innovations that address unmet needs

Similar Challenges within Human, Animal and Plant Health Can Stimulate Life Science R&D



Related challenges for human, animal and plant health*



Potential for collaboration & synergies

HealthCare R&D	CropScience R&D
Knowledge platforms (ie. genomics etc.)	
✓	✓
Molecular Targets (ie. ion channels etc.)	
✓	✓
Common Mechanisms (ie. protein modification etc.)	
✓	✓
Technology Platforms (ie. HTS etc.)	
✓	✓
Preclinical evaluation (ie. Toxicology etc.)	
✓	✓
New Molecular entities (ie. NCE/NBE)	
✓	✓



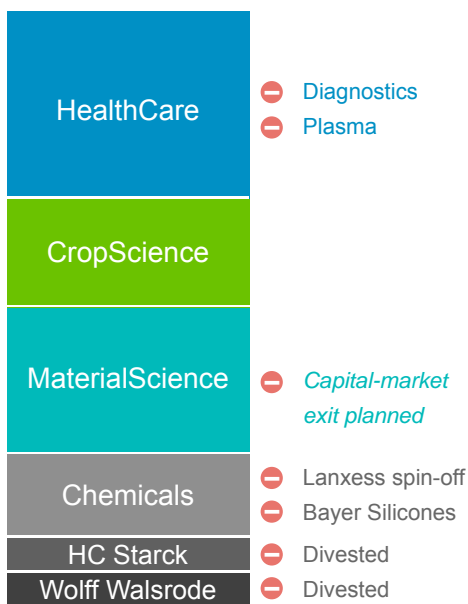
Transforming into a Pure Life Science Company



Portfolio Evolution – Transaction Volume >€47bn Since 2004*

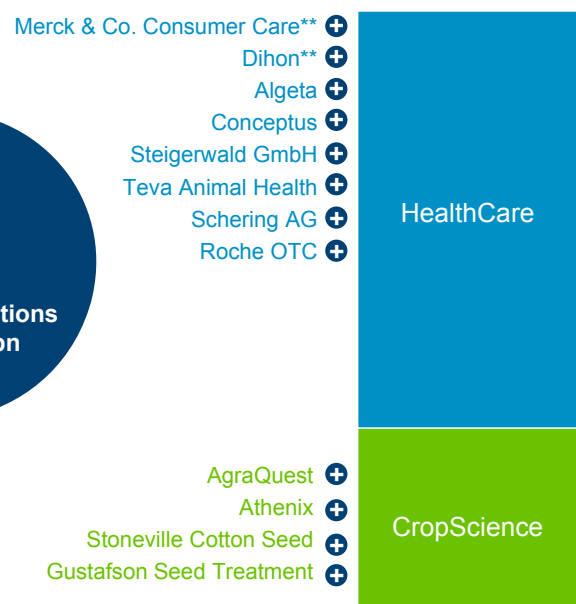
Major examples only

2003 Sales €28.6bn



Headcount: 115,400

Pro-Forma 2013 Sales €29.3bn



Pro-forma headcount: 99,000



*Transaction volume: acquisitions/divestments 2004 - Aug 2014
 **Closing expected in H2 2014

2014 Acquisitions Significantly Strengthen HealthCare Portfolio



Algeta: Oncology portfolio

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

Merck Consumer Care: American OTC/CC brands

- Creating global OTC #2
- Scaling-up US business to #1
- Gaining global leadership in dermatology and GI
- Entry into new categories: allergy, sun care, foot care

Dihon Pharmaceutical Group: Chinese OTC brands

- Creating leading position amongst multinationals in OTC in China
- Access to lower-tier cities



Demerger of MaterialScience: Leverage the Competitive Edge



Strong fundamentals for successful operations...

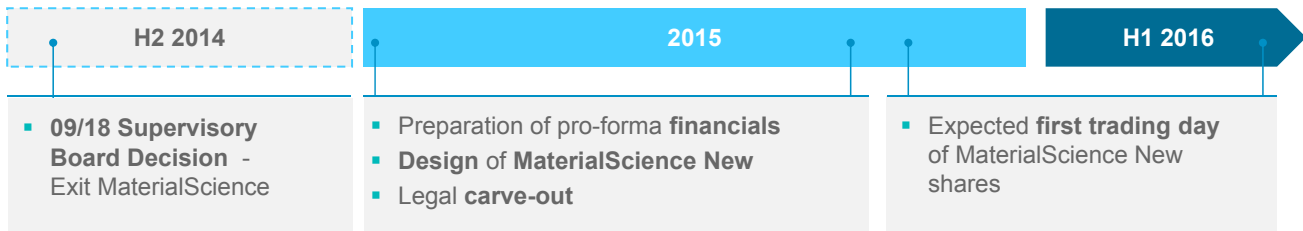
- Leading #1 & #2 positions in attractive, growing markets
- Broad customer base
- Global production network providing customer proximity
- State-of-the-art process technology
- Significant investments in new plants during recent years

... 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

Demerger of MaterialScience: 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

Summary

The New Bayer - A World-Class Life Science Company



Leadership

- One of the fastest-growing global pharma companies
- On our way to OTC leadership
- Aspiring for Crop Protection leadership

Capabilities

- Excellence in R&D and commercialization
- Leveraging leading brands with decade-long brand equity
- Superior emerging-market presence

Value

- Progressing innovation pipeline
- Setting trends in research-intensive areas in the field of human, animal and plant health
- Leveraging sales growth into value creation

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