



150 Years
Science For A Better Life



SINCE 1863 – INNOVATING FOR THE FUTURE

Investor Handout

Q2 2013

October 2013



150 Years
Science For A Better Life

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

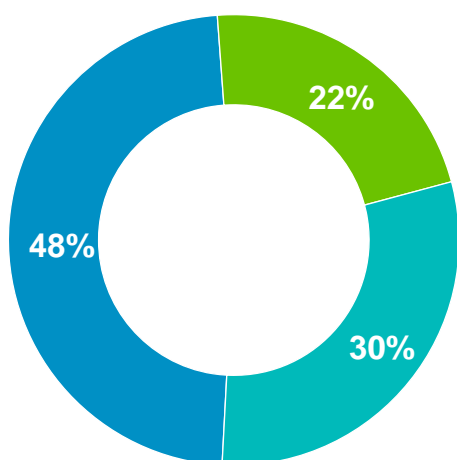
Science / Innovation

- **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 2012: €39.7bn

€18.6bn | **HealthCare**
Pharmaceuticals €10.8bn, leading positions in core indications

Consumer Health €7.8bn, OTC pharmaceuticals, blood glucose meters, contrast media and veterinary medicines, global #2-5

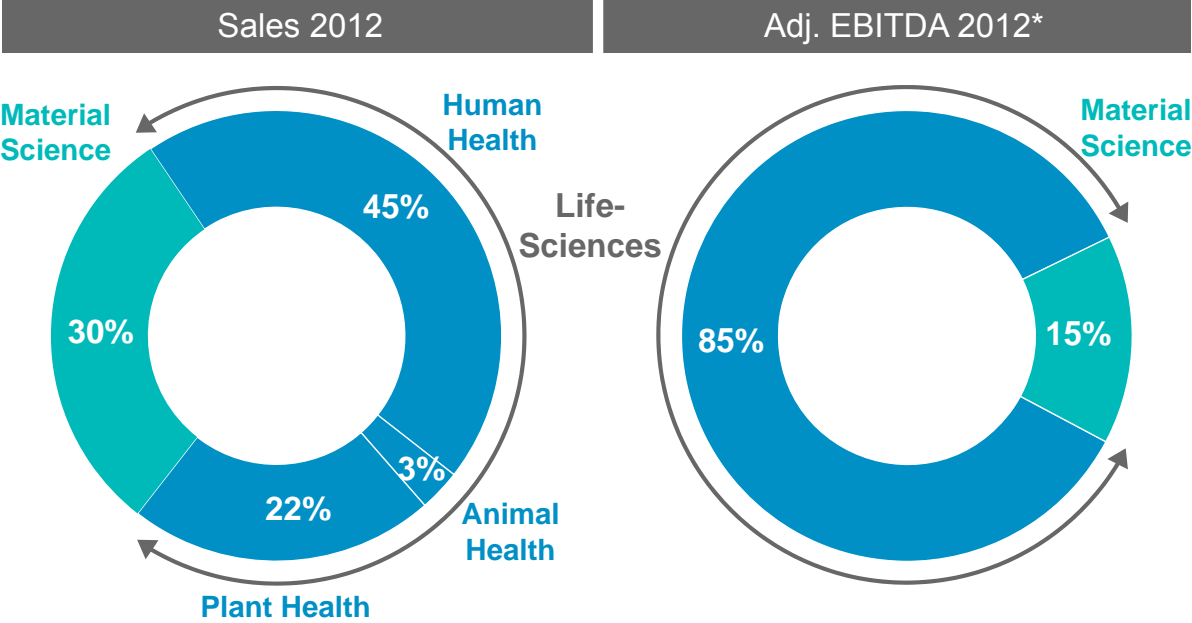
€8.4bn | **CropScience**
Chemical crop protection & biologicals, global #2, seeds & traits

€11.5bn | **MaterialScience**
Polyurethanes and polycarbonates, global #1/2

Life-Sciences Generate Vast Majority of Group Sales and Earnings



Breakdown excluding Reconciliation



*EBITDA before special items

1H 2013

Business Highlights



1H 2013 – Business Highlights

- Strong growth momentum at Life-Sciences
- Full-year 2013 new pharma product sales target raised to ~€1.4bn
- Weak performance at MaterialScience in a challenging environment
- Full-year 2013 outlook maintained

1H 2013 – Performance Driven by Life-Science Businesses

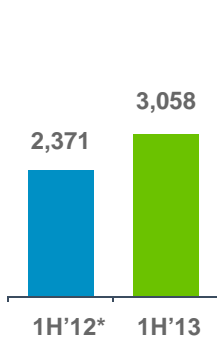


Sales
in €million
% currency & portfolio adj.



+4%

EBIT
in €million



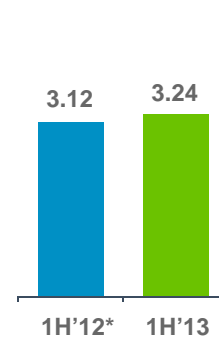
+29%

EBITDA
adjusted**
in €million



+1%

Core EPS
in €



+4%

FY 2013 Financial Outlook Maintained Even Though Increasingly Ambitious After Q2 Results



Sales Δ Fx and portfolio adjusted, EBITDA before special items

	2012 ¹		2013E
Sales	€39.7bn	▶	+4-5% to ~€40-41bn*
adj. EBITDA	€8.3bn	▶	mid-single-digit % increase
Core EPS	€5.30	▶	high-single-digit % increase

Strategic Priorities



1. Pharma: Successfully commercialize new products, invest in life-cycle management and mid-early pipeline
2. Consumer Health: Aspire to become #1 OTC company
3. CropScience: Above market growth at benchmark profitability; expand production capacities
4. MaterialScience: Improve returns

7% 2012 CAGR 2015e

Pharma: Sales Growth Acceleration Driven by New Products

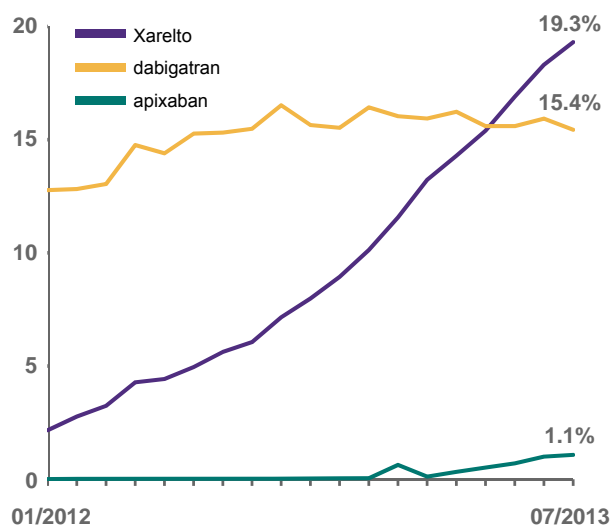
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Xarelto – Outperforming Competition, Exceeding Expectations



Xarelto – Leading Novel OAC¹ Globally

Sales market share in % (retail & hospital combined)



- Best-in-class launch in Germany, Brazil, Switzerland and Belgium
- Uptake significantly exceeding expectations
- New sales target 2013: >€800m (prev.: ~€600m)
- Broadest label of novel oral anticoagulants with once-daily-dosing advantage²

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¹ Oral anticoagulant; ² exception 15mg BID dosing for treatment of acute DVT/PE or 2.5mg BID for ACS sec. prevention



Pharma Launches in Full Swing

Commercial Highlights



- Market leadership in Japan and Australia with ~50% market share
- Rapid adoption in switch and naïve patients in reimbursed markets



- Strong momentum continues; ~15,000 patients treated¹
- Approval in EU for treatment of mCRC (08/13)



- First commercialized alpha-radiopharmaceutical product
- Positive early feedback from launch in the US (473 patient-ready centers²), positive CHMP opinion for approval in EU



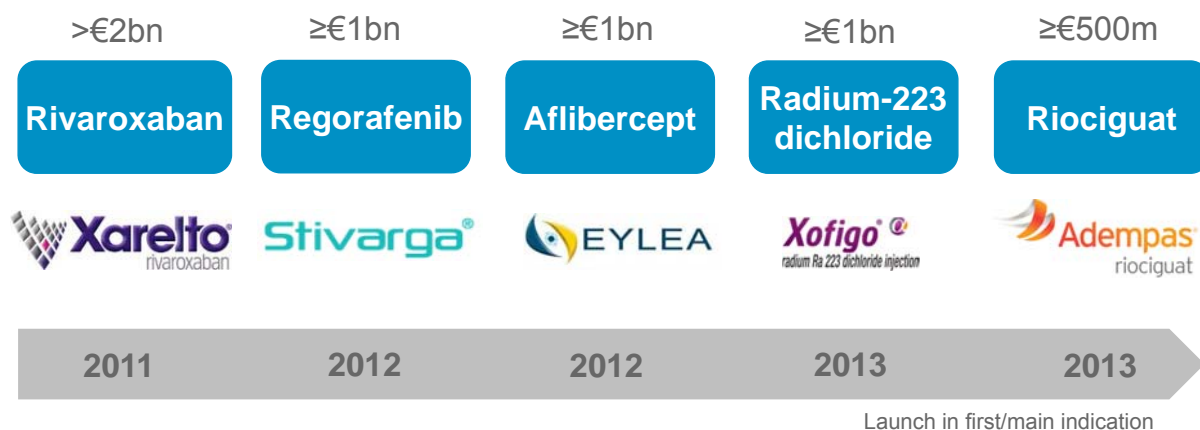
- Submitted for PAH and CTEPH in the EU (02/13) and Japan (05/13)
- Approved in the US (10/13) and in Canada (09/13)

¹ As of September 2, 2013; ² As September 20, 2013
CTEPH: Chronic thromboembolic pulmonary hypertension;
PAH: Pulmonary arterial hypertension

New Launch Products Have a Business Transforming Potential



Combined* Peak Sales Potential >€5.5bn



*Combined peak sales potential for Xarelto, Stivarga, Eylea, Xofigo and Riociguat assuming approvals and launches planned

Comprehensive Life-Cycle Management for New Launch Products



Table shows major examples



- Two phase III trials in additional indications underway¹
- Additional research to strengthen profile in SPAF²



- Strengthening of profile beyond wAMD



- Evaluate potential for additional cancers of the gastro-intestinal tract
- Phase III trial in 2nd-line liver cancer underway



- Expanding Xofigo's position in castration-resistant prostate cancer, i.e. combination with abiraterone, and to other cancers



- Realize the potential beyond PAH and CTEPH
- Evaluate the clinical profile in new disease areas like systemic sclerosis

¹ Coronary artery disease / peripheral artery disease; chronic heart failure and coronary artery disease, ² Atrial fibrillation with percutaneous coronary intervention; nonvalvular atrial fibrillation and cardioversion

Targeting to Progress Five New Pipeline Assets into Phase III by 2015



Copansilib

PI3-Kinase Inhibitor

Phase II in indolent or aggressive non-hodgkin's lymphomas

Phase III

Finerenone

MR Antagonist

Phase IIb in worsening chronic heart failure and phase II in diabetic nephropathy

Phase III

Molidustat

HIF-PH Inhibitor

DIALOGUE phase IIb program in renal anemia

Phase III

sGC-Stimulator

Phase IIb program in heart failure

Phase III

sPRM

S-PRAnt

Phase III in uterine fibroids

2013

2014

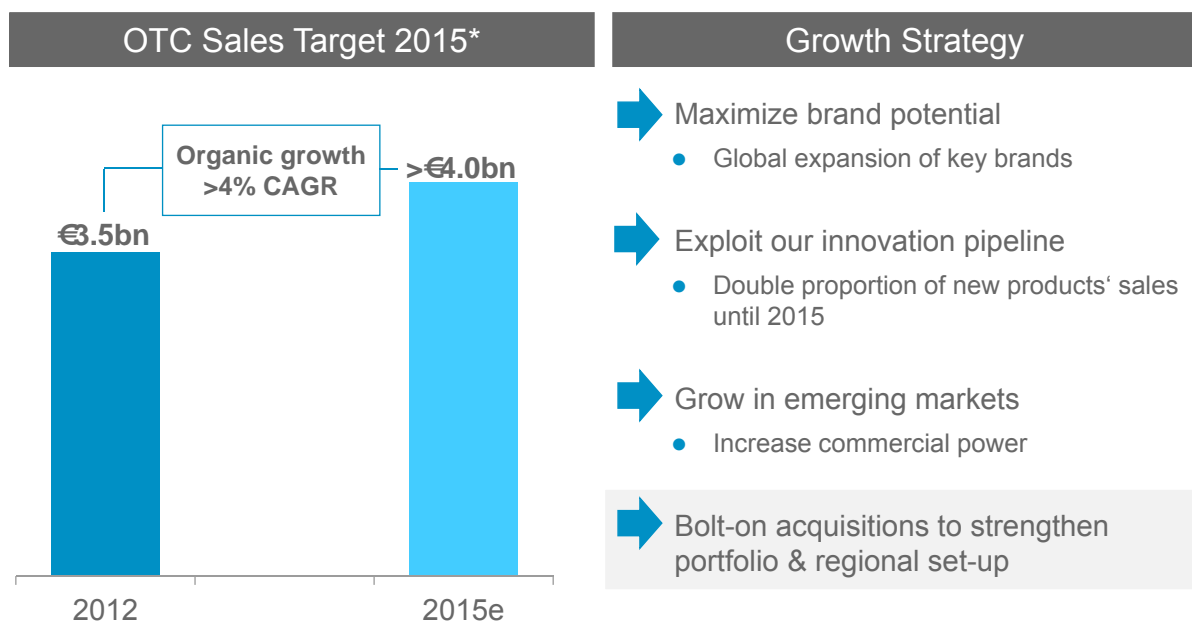
2015

#1

Aspire to Become the Leading OTC Company

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OTC – Strategy for Growth



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*assuming €/\$ of 1.29

Strengthening HealthCare Through Selected Acquisitions



Conceptus: Permanent birth control



- US-based company providing the **leading non-surgical permanent birth control method** (Essure®) proven by >700,000 procedures
- Sales 2012: ~USD 140m*
- Transaction value: €780m

Significant synergies expected from leveraging Bayer's existing Women's Healthcare business

Steigerwald: Herbal medicines



- Germany-based specialist in **pharmacy-only herbal medicines**, bringing in a leading herbal expertise
- Sales 2012: €61.3m
- Transaction value: €222m

Significant sales synergies expected due to Bayer's complementary Consumer Care business

6%

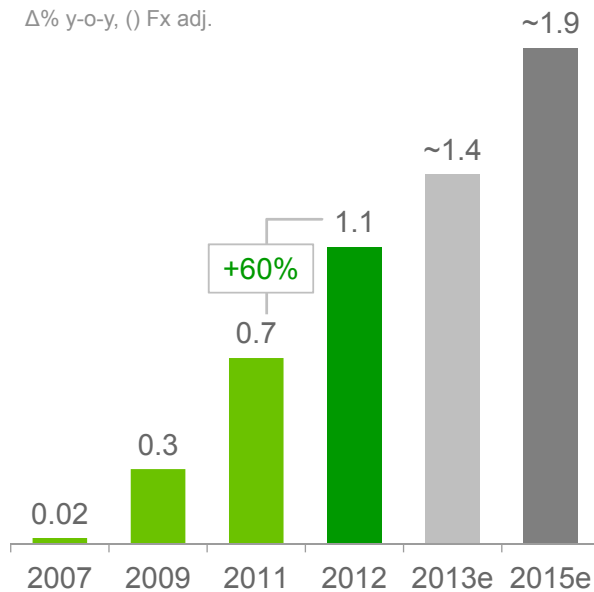
2012 CAGR 2015e

CropScience: Targeting Above Market Growth at Benchmark Profitability

Translating R&D Effectively into New Product Sales for CropScience



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



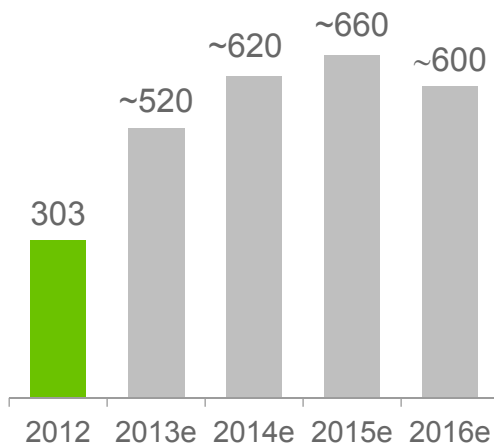
1H 2013 Highlights

- **Xpro** (+19%) - Superior 'all-in-one' cereal fungicide with yield-boosting effect
- **ADENGO** herbicide (+35%) - Excellent weed control in corn and cereals, also in case of glyphosate resistance
- **BELT** (+64%) - Broad-spectrum insecticide with fast, long-lasting action
- **Luna** - New fungicide now available in several key markets

Stepping Up Investment Plans for Capacity Expansion at CropScience



Capital Expenditures (PPE only, in €m)



- Increasing demand for innovative and sustainable agricultural solutions
- Construction of US production plant¹ for herbicide glufosinate-ammonium
- Expanding seeds infrastructure for soybean and wheat
- Expanding and modernizing R&D facilities
- ➔ CAPEX expansion to **€2.4bn for 2013 - 2016**

¹About €380m investment, start of production expected Q4 2015

Bolt-on Acquisitions to Strengthen CropScience Portfolio



		Region	Technology	Product / Portf.
Biologics	● AgraQuest (07/12) ~€375m	> 30 countries	Biologics	Fungicides Insecticides
	● Prophyta (01/13) €25m (provisional)	Germany	Biologics	Fungicides Nematicides
Seeds	● Wehrtec, Wehrmann (03/13) €37m + milestones	Brazil	Seeds Germplasm	Soybean
	● Abbott & Cobb (07/12) ~€43m	US	Seeds	Watermelon Melon
	● Hornbeck (04/11) €30m	US	Seeds, Breeding Germplasm	Soybean
	● Raps GbR (10/11) €26m	Europe	Seeds, Breeding	Oilseed rape

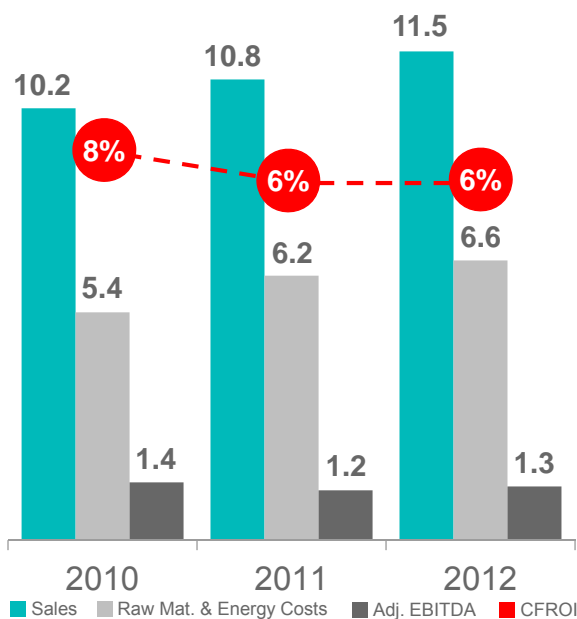
CFROI ↑

MaterialScience: Aspire to Earn a Premium Over Cost of Capital

Selling Price Increases & Savings Not Sufficient to Protect Earnings



In € bn



- Market growth trends intact, key products with mid-single digit volume growth
- High raw material prices and significant capacity additions led to global overcapacities and margin pressure
- Going forward demand & supply balance expected to improve
- Anticipated margin improvement supported by fresh savings from new efficiency initiative

Profitability Improvement Through New Efficiency Initiative Until 2015

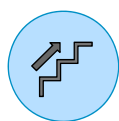


- New efficiency initiative improves cost structure and increases adjusted EBITDA margin by 150bp
- Initiative comprises more than 100 measures across the entire value chain

Examples	
Business Units	<ul style="list-style-type: none"> • Consolidation of system houses • Pricing excellence programs
Organization	<ul style="list-style-type: none"> • Optimization of regional structures (e.g. Canada & US)
Production	<ul style="list-style-type: none"> • Further initiatives to improve asset productivity (e.g. maintenance schedules, engineering setup)
Supply Chain	<ul style="list-style-type: none"> • Optimization of logistics services
Selling & Administration	<ul style="list-style-type: none"> • Further reduce costs by leveraging established global ERP platform and standardized processes



Optimistic About Future Developments



1H 2013: Business performance driven by Life-Sciences



Excellent new product launch execution



Additional investments in R&D and production capacities



FY 2013 Outlook Maintained



Appendix

HealthCare – Building Growth Momentum, Improving Margins



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

Priority	2012	Target 2013*	Aspiration 2015
<ul style="list-style-type: none"> HealthCare: Accelerate sales growth 	€18.6bn	mid-single-digit % to ~€19bn	CAGR ~6% towards €22bn
<ul style="list-style-type: none"> Pharma: Successfully commercialize new products and realize emerging markets (EM) opportunity <ul style="list-style-type: none"> New product sales¹ EM growth 	€10.8bn	high-single-digit % to >€11bn	CAGR ~7% towards €13bn
<ul style="list-style-type: none"> Consumer Health: Aspire to become #1 OTC company 	€7.8bn	mid-single-digit % to ~€8bn	~€9bn
<ul style="list-style-type: none"> HealthCare: Improve margins <ul style="list-style-type: none"> Pharma Consumer Health 	27.5%	slightly up	towards 29%
	29.9%	up	≥31%
	24.2%	below PY	~25%

¹ Xarelto, Eylea, Stivarga, Xofigo, Riociguat; subject to regulatory approval

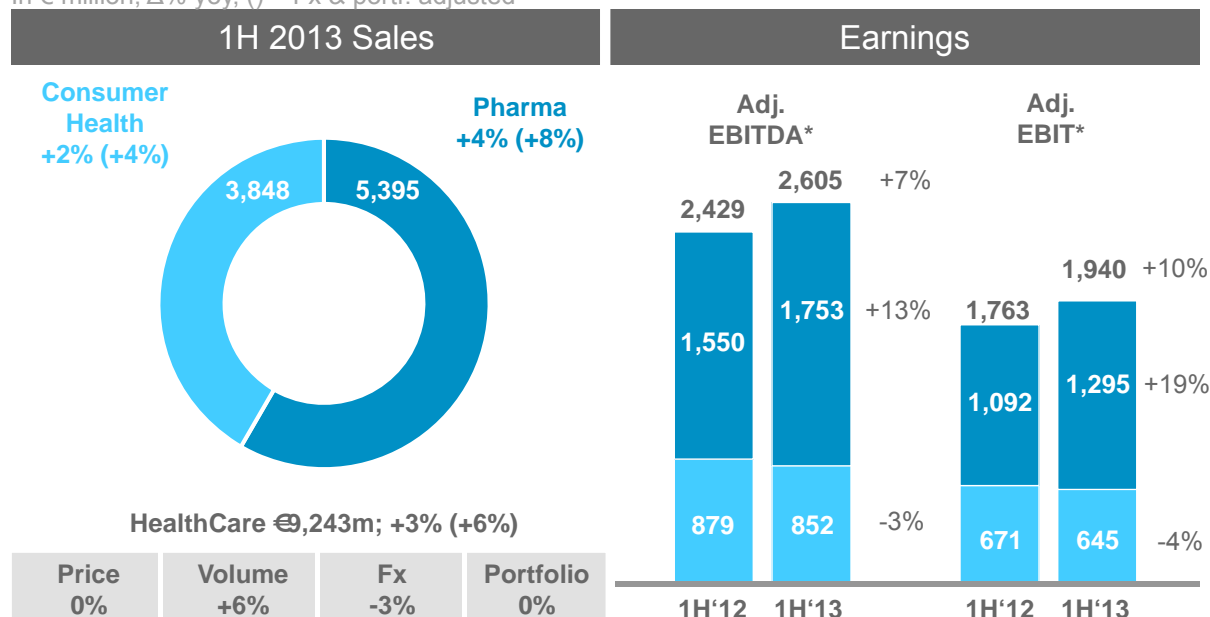
*Assuming Fx rates of 1H 2013

Outlook depends on specific planning assumptions as detailed in the Annual Report

1H 2013 – HealthCare Performance



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



*before special items

CropScience – Above Market Growth at Benchmark Profitability



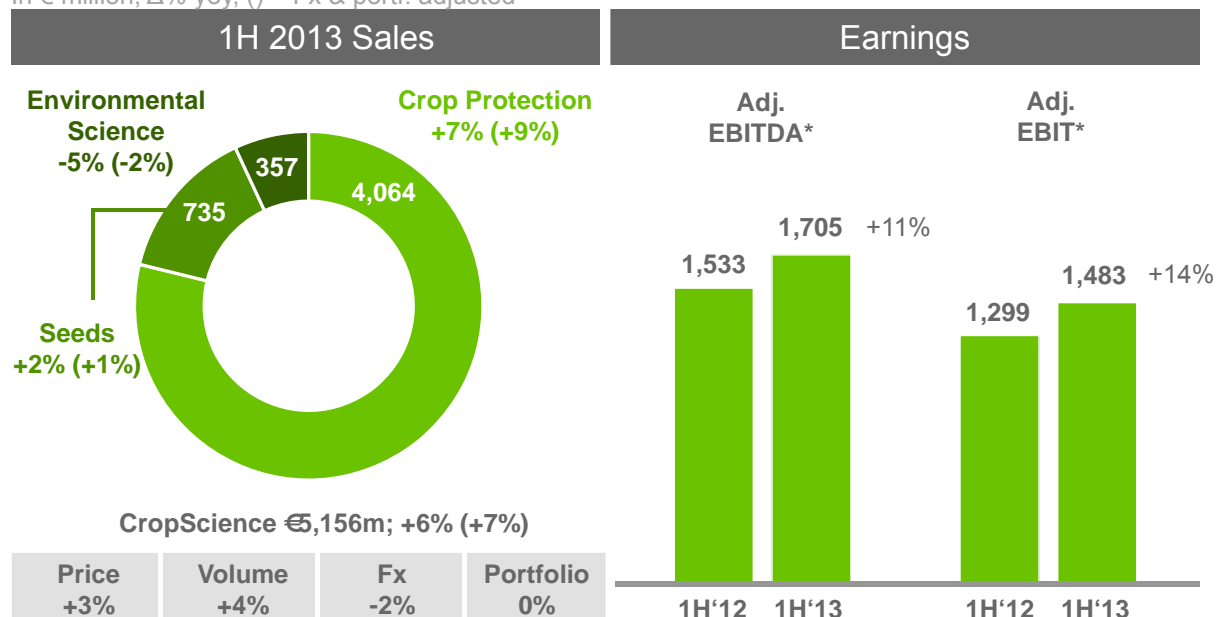
Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales

Priority	2012	Target 2013*	Aspiration 2015
• Above-market sales growth	+12.4% to €8.4bn	high-single digit % towards €9bn	CAGR ~6% towards €10bn
• Translate R&D effectively into new product sales (<i>CP products launched since 2006</i>)	€1.1bn	~€1.4bn	~€1.9bn
• Extend seeds footprint	+14%	double-digit % growth	double-digit % growth p.a.
• Maintain industry leading profitability level	24.2%	slight improvement	~24%

1H 2013 – CropScience Performance



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



MaterialScience – Higher Asset Utilization & Efficiency Measures Are Driving Performance



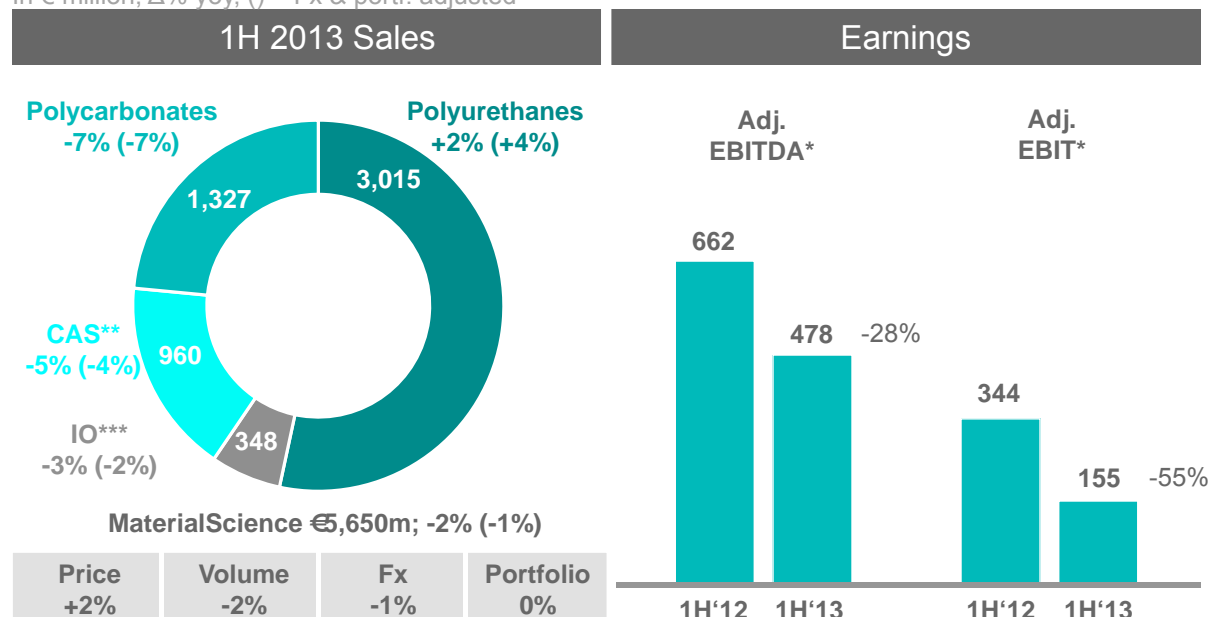
Sales Δ Fx & portf. adjusted, margin = EBITDA before special items to sales

2012	Target 2013*	Aspiration 2015
<ul style="list-style-type: none"> • Sales +2.9% to €11.5bn (volumes +2%) • Adj. EBITDA +8% to €1,262m • CFROI# 5.7% < WACC 7.1% 	<ul style="list-style-type: none"> • Sales: not quite reach prior-year figure • Adj. EBITDA: below prior-year figure • Q3'2013 vs Q2'2013: Sales and adj. EBITDA to increase 	<ul style="list-style-type: none"> • Grow business (volume) above global GDP • Defend market leading positions in PCS and PUR • Realize 150 bp margin contribution through new efficiency initiative • Optimize asset structure in Germany • CFROI# > WACC

1H 2013 – MaterialScience Performance



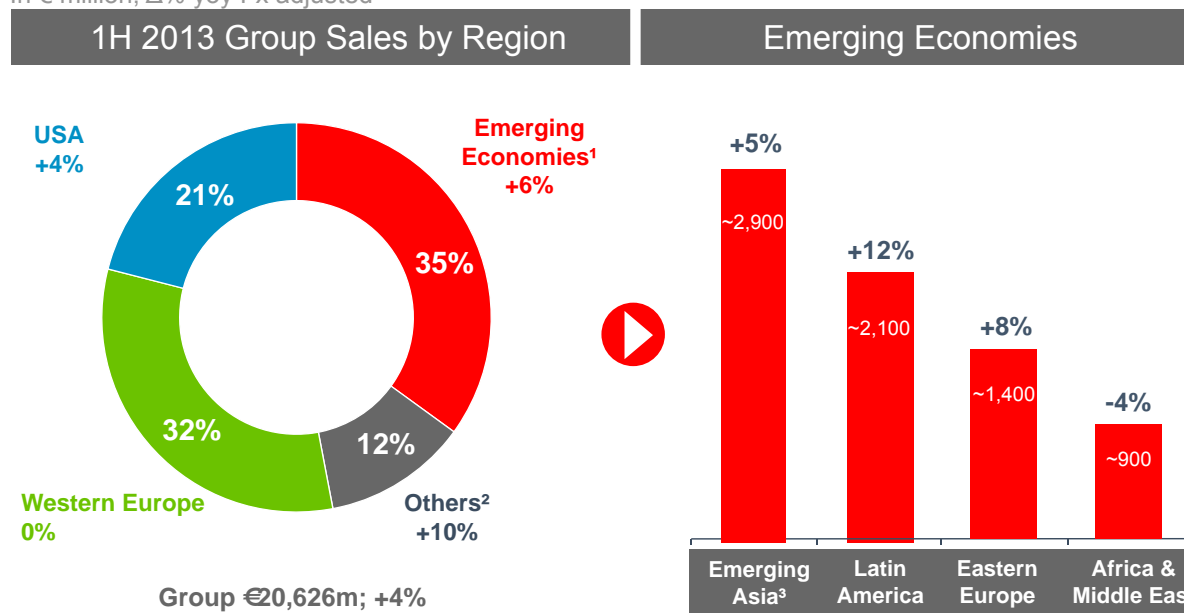
In € million, Δ % yoy, () = Fx & portf. adjusted



1H 2013 – Regional Performance



In € million, Δ% yoy Fx adjusted

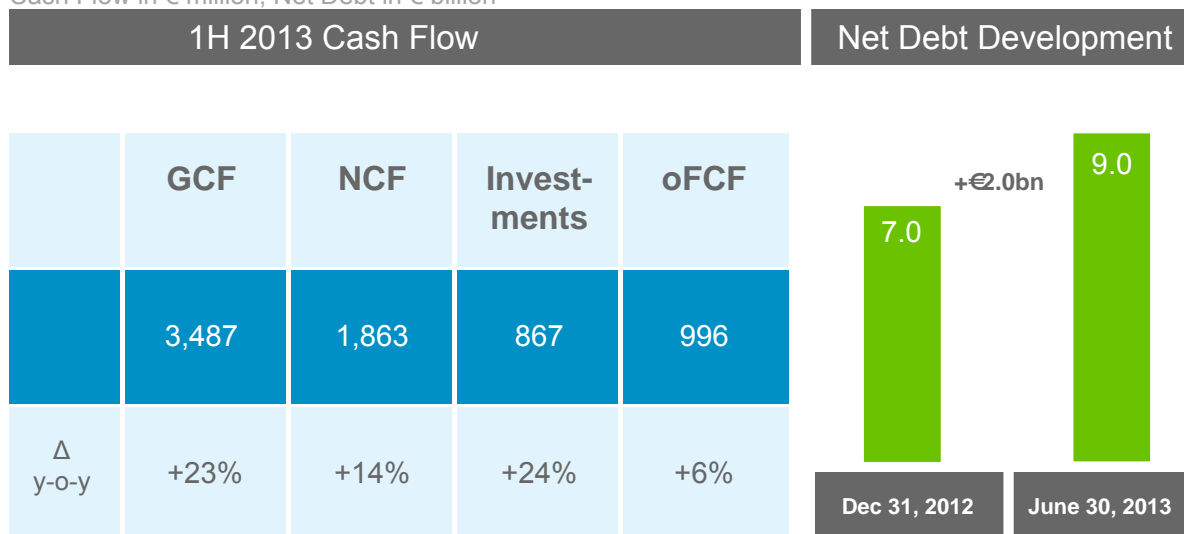


¹ Emerging economies include: Latin America, Asia w/o Japan, Australia, New Zealand, Africa and Middle East incl. Turkey, Eastern Europe
² Others = Japan, Australia, New Zealand, Canada
³ Emerging Asia = Asia w/o Japan, Australia, New Zealand

1H 2013 – Cash Flow And Net Debt



Cash Flow in € million, Net Debt in € billion





150 Years
Science For A Better Life

Date	Event	Publication
Thursday, October 31, 2013	Investor Conference Call	Third Quarter 2013 Results Stockholders' Newsletter
Friday, February 28, 2014	Investor Conference Call	2013 Annual Report
Monday, April 28, 2014	Investor Conference Call	First Quarter 2014 Results Stockholders' Newsletter
Tuesday, April 29, 2014	Annual General Meeting	



Reporting Events and AGM



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